



**Annual Report  
2007**



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# Compliance Opinion on the Annual Report



**Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.**  
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**PricewaterhouseCoopers**  
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## COMPLIANCE OPINION ON THE ANNUAL REPORT

To the General Assembly of Shareholders of Yapı ve Kredi Bankası A.Ş.:

We have audited the compliance and consistency of the financial information included in the Annual Report of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries as of 31 December 2007 with the audited financial statements and explanatory notes. The annual report is the responsibility of the Bank's management. Our responsibility, as independent auditors, is to express an opinion on compliance and consistency of the financial information included in the annual report with the audited financial statements and explanatory notes.

We conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual report in Banking Law No.5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial information included in the annual report is consistent with the audited financial statements and explanatory notes and free from material misstatement. We believe that our audit provides a reasonable 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 2007 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Law No.5411 and includes a summary of the Board of Directors' report and the convenience translations of independent auditor's reports originally issued by us in Turkish and is consistent with the convenience translations of audited financial statements and explanatory notes originally issued in Turkish.

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

Zeynep Uras, SMMM  
İstanbul, 14 April 2008

## 2007 Annual Shareholders' Meeting Agenda

1. Opening and the constitution of the Council for the Meeting,
2. The presentation and consideration of the Annual Report of the Board of Directors, Report of the Statutory Auditors and Summary of Report of External Auditors related to the activities of the year 2007, rejection or approval with amendments of the proposal of the Board of Directors regarding the Balance Sheet, Income Statement and Profit Distribution for the year 2007,
3. Confirmation of Board members elected by the Board of Directors according to Article 315 of the Turkish Commercial Code to fill in the vacancies occurred within the year and clearing of members of the Board of Directors and the Statutory Auditors of liability related to activities of the Company during the year 2007,
4. Electing Members of the Board of Directors and determining the term of office of Board members,
5. Electing Statutory Auditors and determining the term of office of the Statutory Auditors,
6. Determining the attendance fees for Members of the Board of Directors and the fees of the Auditors,
7. Submitting the Profit Distribution Policy of the Bank for 2008 and forthcoming years to the shareholders' knowledge according to the Corporate Governance Principles,
8. Submitting the donations made by the Bank in 2007 to the foundations and associations, which are subject to tax exemption, with the aim of social relief to the shareholders' knowledge,
9. Approval of the Independent Audit Institution selected for auditing the 2008 financial statements in line with the requirement of the Regulation issued by the Capital Markets Board on Capital Market Independent External Audit,
10. Consideration and approval of the adoption of the registered capital system and the amendment to Article 8 captioned "Share Capital", Article 19 captioned "Share Capital Increase" and Article 20 captioned "Pre-emptive Rights of Shareholders" of the Articles of Association (with the condition of receiving the related approvals from the Banking Regulation and Supervision Authority and the Capital Markets Board),
11. Consideration and approval of the liquidation by sale of some of the receivables which have been followed-up in the non-performing loan accounts of our Bank and clearing of members of the Board of Directors of liability related to these activities,
12. Consideration and approval of the sale transactions of some of the non-core real estates of the Bank as a portfolio and clearing of members of the Board of Directors of liability related to these activities,
13. Provision of information regarding the acquisition by Yapı ve Kredi Bankası A.Ş., of shares of Yapı Kredi Nederland NV and Yapı Kredi Yatırım Menkul Değerler A.Ş. owned by Koç Finansal Hizmetleri A.Ş.,
14. 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,
15. Authorizing Council for the Meeting to sign the minutes,
16. Wishes

## Amendments to the Articles of Association and Dividend Distribution Policy for 2008 and the Following Years

### Amendments to the Articles of Association

At the Ordinary General Assembly Meeting held on 29 March 2007, it was resolved to increase the capital of the Bank from YTL 3.142.818.454,10 to YTL 3.149.450.000 with an increase of YTL 6.631.545,90; to meet the whole increase amount of YTL 6.631.545,90 from the subsidiary sales income and for this purpose, to amend the Article 8 of Articles of Association accordingly.

At the Extraordinary General Assembly Meeting held on 30.09.2007, it was resolved to transfer the shares with the nominal value of YTL 9.992.000 and representing 59,47% of the capital, owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Faktoring A.Ş., the shares with the nominal value of YTL 285.048.428 and representing 73,10% of the capital owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Finansal Kiralama A.O. and the shares with the nominal value of AZN 6.336.200 (Azerbaijani Manats) and representing 99,80% of the capital owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Bank Azerbaijan Closed Joint Stock Company to Yapı Kredi through share exchange procedure and to increase the capital of Yapı Kredi from YTL 3.149.450.000 to YTL 3.427.051.284 with an increase of YTL 277.601.284 by allocating share certificate to Koç Finansal Hizmetler A.Ş. and to amend the Article 8 of Articles of Association accordingly.

### Dividend Distribution Policy for 2008 and the Following Years

Principles with regard to the dividend distribution of our Bank are set out in detail in Article 78 of the Articles of Association of the Bank. In this respect, the General Assembly is, taking into consideration the growth of our Bank towards its targets within the sector as well as its financing requirements, authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase and to fix the distribution dates as required by law. The General Assembly may take the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves in accordance with Article 80 of the Articles of Association.

It is envisaged that the dividend policy of the Bank will be set out in a way to ensure the realization of the growth plan initiated in 2007. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda.

# Part 1: Introduction





Ferruh Başağa, Composition, 1999, Oil on Canvas, 150 x 170 cm  
Yapı Kredi Collection

## Yapı Kredi in Brief

Turkey's first privately-owned bank with a nationwide presence Yapı Kredi is the fourth largest private bank with total assets of YTL 50,4 billion, as of end-2007.

Yapı Kredi, through its innovative products and services, is one of the Turkish banking sector's standard-setters. As of end-2007, Yapı Kredi has a 10,4% market share in total cash loans and a 9,3% market share in total deposits. At end-2007, the Bank was sector leader in credit cards (25,2%), mutual funds (20,9%), leasing (19,2%), and factoring (19,4%). It also ranked third in private pension funds with a 15,4% market share.

Through a customer-centric strategy and segment-based service model, Yapı Kredi has an extensive customer base to which it delivers a comprehensive array of retail, SME (Small and Medium Size Enterprises), corporate, commercial, and private banking products and services as well as asset management, leasing, private pension, insurance, and brokerage services.

Yapı Kredi has financial subsidiaries in Turkey that complement the Bank's strong, segment-based business structure and also international banking operations located in the Netherlands, Russia, and Azerbaijan.

Yapı Kredi controls one of the most extensive branch and alternative delivery channel networks in the Turkish banking sector. In addition to a physical service network consisting of 676 branches and 1.930 ATMs, Yapı Kredi's internet and telephone banking applications are at the service of its customers.

Yapı Kredi's principal shareholder, Koç Financial Services (KFS), the 50-50% joint venture between UniCredit and Koç Group, controls a 81,8% stake in the Bank while minorities' stake is 18,2%. The Bank's shares are traded on the İstanbul Stock Exchange and on the London Stock Exchange.



# Yapı Kredi's History and Shareholder Structure

## Yapı Kredi: A brief history

Founded in 1944 as Turkey's first privately-owned bank with a nationwide presence, Yapı Kredi has always played an important role in the development of the national economy and in the growth of individuals' financial strength.

Yapı Kredi firsts:

- 1967: Yapı Kredi introduced computerization to the Turkish banking sector.
- 1980s: Yapı Kredi introduced personal loans, credit cards, debit cards, automatic teller machines and a variety of investment products to the public.
- 1984: Yapı Kredi introduced the first online banking program between branches throughout its branch network.
- 1985: Yapı Kredi laid the foundations of today's corporate banking products and services under the "wholesale commercial banking" name.

- 1986: Yapı Kredi was the first Turkish bank to issue bonds and certificates in international capital markets.
- 1991: Yapı Kredi introduced Turkey's first telephone banking service.
- 2006: Yapı Kredi successfully completed one of the Turkish banking sector's biggest and most complex mergers.
- 2007: Yapı Kredi set new standards in Turkey's credit card market by restructuring its credit card platform, World. The new system is structured under one brand and card under the umbrella of World and allows customers to select the services they wish to be incorporated into their chosen credit card for the first time.

Today, under the umbrella of Koç Financial Services (KFS) – the equal partnership between Koç Group and UniCredit, Yapı Kredi is committed to success through its powerful vision, its customer-centric approach, a strategy focused on profitability and growth, the importance it gives to its values, its strong shareholders, and a corporate structure that conforms to international standards.

## Yapı Kredi's shareholder structure

Koç Financial Services (KFS) owns 81,8% Yapı Kredi's capital. Koç Financial Services is 50-50% joint venture between UniCredit and the Koç Group. The remaining 18,2% of the Bank's shares are held by minorities.

In February 2007, UniCredit transferred its 50% stake in Koç Financial Services to BA-CA in parallel with its strategy of bringing all of its activities in Central and Eastern Europe under a single roof.

As a result of UniCredit's acquisition of Capitalia in May 2007, Istanbul branch of Banca di Roma, which Capitalia owned, was integrated into Yapı Kredi through the transfer of the branch's business portfolio. This integration was completed on 8 December 2007 when all the assets and liabilities of the Istanbul branch of Banca di Roma were transferred to Yapı Kredi.

### YAPI VE KREDİ BANKASI A.Ş.

Shareholder	Share Amount (YTL)	Share
Koç Finansal Hizmetler A.Ş.	2.802.933.461,57	81,79%
Other Shareholders	624.117.822,43	18,21%
Total	3.427.051.284,00*	100,00%

\* At the Extraordinary General Meeting of Yapı Kredi held on 30 September 2007, it was decided to increase the Bank's capital by the amount of YTL 277.601.284 from YTL 3.149.450.000 to YTL 3.427.051.284 by exchanging, within the framework of a share exchange agreement approved by the Capital Markets Board and the Banking Regulation and Supervision Agency and pursuant to the provisions of article 19 of the Banks Act and of other laws, regulations, and administrative provisions, shares owned by Koç Finansal Hizmetler AŞ in Yapı Kredi Faktoring AŞ, in Yapı Kredi Finansal Kiralama AO, and in Yapı Kredi Bank Azerbaijan Closed Joint Stock Company in return for which Koç Finansal Hizmetler AŞ was given a stake in Yapı Kredi's capital.

## Yapı Kredi's Vision and Values

### Yapı Kredi's vision

**Yapı Kredi's vision is to become the undisputed leader of the finance sector through sustainable growth and value creation and be the first 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 interest. 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 opinion of others and know that others will also attach importance to their ideas and opinions.

## Yapı Kredi's Strategy

Yapı Kredi's strategy is focused on:

- Accelerated growth
- Profitability, and
- Efficiency

Yapı Kredi's strategy is based on five key business objectives:

- Expand branch network significantly
- Reinforce leadership in credit cards
- Grow in SME banking on the back of underpenetrated SME market
- Bring individuals segment towards higher profitability
- Strong focus on cost and efficiency

## Financial Indicators

### Summary Balance Sheet

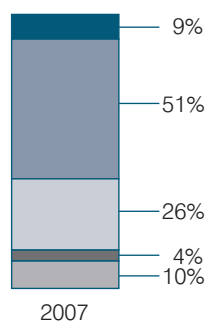
(Consolidated BRSA financials)

mln YTL	2006	2007	% Change
Cash & Banks	6.910	5.124	(25,8)
Net Loans	23.082	29.088	26,0
Securities	18.495	14.518	(21,5)
Associates & Subsidiaries	180	71	(60,4)
Property & Equipment and Intangible Assets	2.394	2.329	(2,7)
Other Assets	4.232	5.530	30,7
<b>Total Assets</b>	<b>55.293</b>	<b>56.660</b>	<b>2,5</b>
Deposits	32.576	33.707	3,5
Borrowings	4.882	5.186	6,2
Money Markets	3.999	2.478	(38,0)
Subordinated Loans	1.559	1.773	13,7
Shareholders' Equity	4.107	5.004	21,8
Other Liabilities	8.170	8.512	4,2
<b>Total Liabilities</b>	<b>55.293</b>	<b>56.660</b>	<b>2,5</b>
Total Assets under Management*	6.145	6.825	11,1
Number of Branches (Bank)	608	676	
Number of Personnel (Bank)	13.478	14.249	
Number of Personnel (Group)	15.873	16.779	

\* Mutual funds, private pension funds and discretionary portfolio management

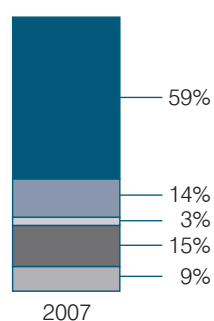
#### Asset Composition

- 9% Cash & Banks
- 51% Net Loans
- 26% Securities
- 4% Property & Equipment and Intangible Assets
- 10% Other Assets



#### Liability Composition

- 59% Deposits
- 14% Borrowings & Money Markets
- 3% Subordinated Loans
- 15% Other Liabilities
- 9% Shareholders' Equity



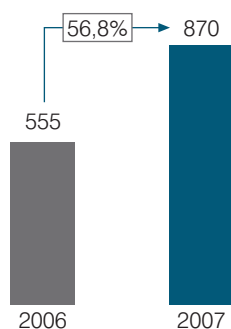
Yapı Kredi's consolidated assets reached YTL 56,7 billion as of end-2007 while its consolidated net profit was YTL 870 million, with a year-on-year increase of 57%

### Summary Income Statement

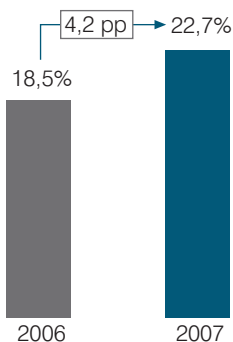
(Consolidated BRSA financials)

mIn YTL	2006	2007	% Change
<b>Total Revenues</b>	<b>4.033</b>	<b>4.955</b>	<b>22,9</b>
Net Interest Income	2.097	2.473	17,9
Net Non-Interest Income	1.936	2.482	28,3
Net Fees & Commissions	1.381	1.577	14,2
<b>Other Operating Expenses</b>	<b>(2.731)</b>	<b>(3.326)</b>	<b>21,8</b>
Provisions for Loan Losses and Other Receivables	(360)	(420)	16,7
<b>Profit before Tax</b>	<b>942</b>	<b>1.209</b>	<b>28,6</b>
Tax	(245)	(190)	(21,8)
<b>Net Profit</b>	<b>697</b>	<b>1.019</b>	<b>46,2</b>
<b>Consolidated Net Profit</b>	<b>555</b>	<b>870</b>	<b>56,8</b>

#### Consolidated Net Profit (mIn YTL)



#### ROE (Return on Equity)



## 2007 Highlights

- During the first half of the year, Yapı Kredi **restructured its service model forming a divisionalized structure based on a more customer-centric approach**. The Bank's customer base was segmented so as to group customers with similar needs together. As a result of implementation of divisionalization, the Bank began to serve its customers through five business segments: credit cards, retail banking (including SME banking), private banking, commercial banking, and corporate banking. (See page 13)

- The Bank launched a **comprehensive branch network expansion program in line with its strategic plan** and opened 82 new branches. Yapı Kredi's goal is to reach 1.000 branches by the end of 2009. (See page 28)

- World, Turkey's leading credit card platform, was restructured under a single brand and card. **As a result of credit card brand sharing agreements** signed by Yapı Kredi with Vakıfbank (November 2007), Anadolubank (December 2007), and Fortisbank (February 2008), the total number of World branded credit cards will reach 10 million, thereby making World Turkey's largest credit card brand network. (See page 32)

- Yapı Kredi made significant headway towards becoming the bank of small and medium-sized enterprises (SME) in 2007. The Bank recorded above sector growth in SME loans, reached 4.000 SMEs through its Anatolian meetings and signed credit agreements with 110 industrial, commercial, tradesmen & artisans, and professional organizations. (See page 28)

- Yapı Kredi **considerably increased its consumer loan market shares through innovative products and services**, particularly in the second half of the year. The variety of mortgage loan products was enriched while the Bank's centralized and risk management approach in general purpose loans made it possible to offer pre-approved loans to customers. Through working more closely with automotive dealerships, Yapı Kredi was able to achieve market share gains in auto loans as well. (See page 31)

- Under the Transaction Migration Project aimed at moving transactions to alternative delivery channels, many new projects were launched to facilitate banking transactions for customers in line with the Bank's customer-centric approach. In 2007, Yapı Kredi installed 1.027 advanced ATMs (Tele 24 Plus) and introduced the first barcode-based bill payment system through ATMs in Turkey. (See page 42)

- Koç Financial Services was restructured. All financial subsidiaries were brought under Yapı Kredi in order to achieve a more transparent structure.

Yapı Kredi is the recipient of awards recognizing:

- Skillful use of technology
- Introduction of innovative solutions
- Support for foreign trade

These awards are a source of pride for all Yapı Kredi employees.

**"Innovative Leadership in Payment Systems"**  
VeriFone, 2007

**"Support for Foreign Trade"**  
Active Academy, 2007

**"Turkey's Best Retail Internet Branch"**  
PC Magazine, 2007

**"Best Call Center" & "Best Call Center Performance Development"**  
2nd İstanbul Call Center Awards organized by IMI Conferences

**"Best Export Factor of the World"**  
Factors Chain International, 2007

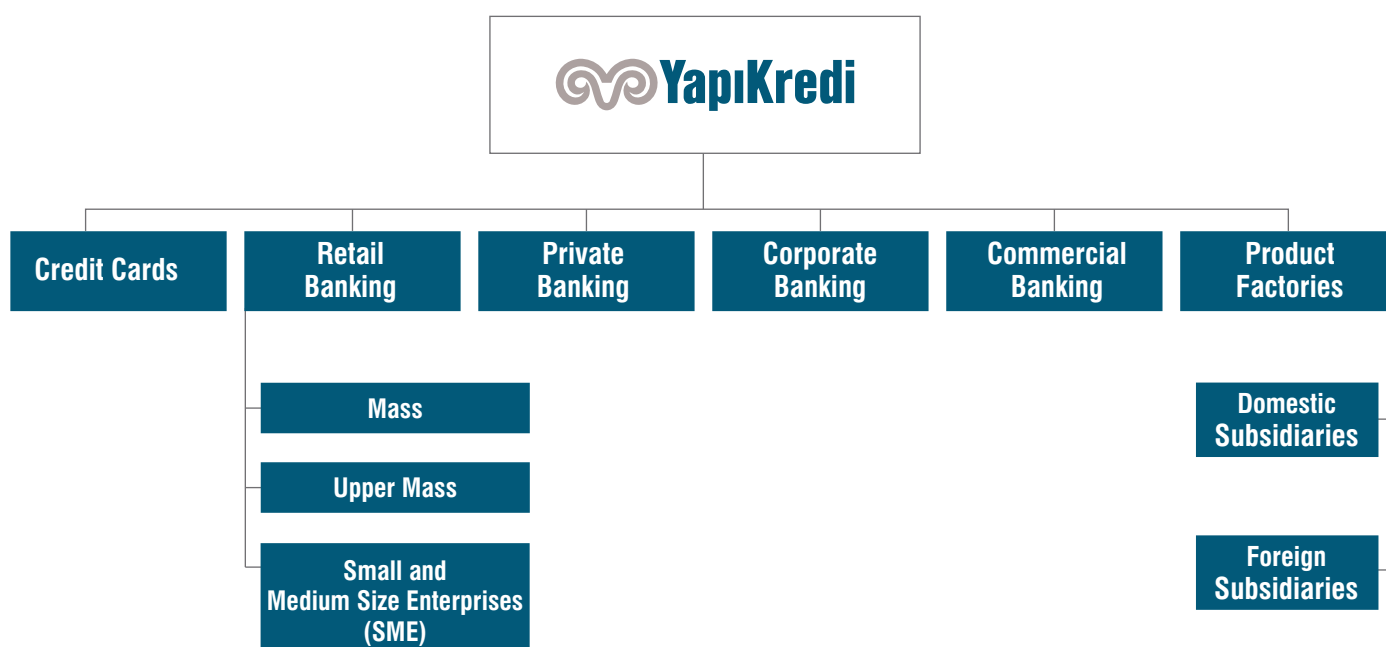
**"The Best Private Banking Services in Turkey and in Central and Eastern Europe"**  
Euromoney, 2006

**"The Bank of the Year 2007" in Turkey**  
The Banker, 2007



**The Banker awarded Yapı Kredi as "The Bank of the Year 2007" in Turkey.**

## Segment-Based Service Model



Under Yapı Kredi's new segment-based structure, the Bank's business is organized into five separate segments: credit cards, retail banking (including SME banking), private banking, commercial banking, and corporate banking. The Bank's activities are complemented by its domestic subsidiaries and by its international operations including its subsidiaries in the Netherlands, Russia, and Azerbaijan.

Through its financial subsidiaries, Yapı Kredi is the market leader in factoring (19,4% market share), leasing (19,2% market share), and mutual funds (20,9% market share) and ranks third in private pension funds with a 15,4% market share.



## Chairman's Message



Dear Shareholders,

**Having become an important actor in the global economy as a result of both its high production capacity and the continuous growth that it has registered, Turkey witnessed important developments in 2007**

2007 was nevertheless a period of special importance for the Turkish economy despite posing relatively more difficulties than has been the case in recent years. Heightened worries over growth and inflation in global markets in the second half of 2006 and an international contraction in liquidity provoked worldwide volatilities and this process continued into 2007 as well. In such an economic environment, Turkey focused on maintaining economic stability and particular attention was given to policies capable of eliminating the adverse impact of global developments on the national economy.

2007 was also a year of significant developments on the country's political front. Both presidential and parliamentary elections played a role in shaping economic developments at home while both the EU accession process and events in Iraq remained high on the national agenda.

## One of the cornerstones of the Turkish banking sector, Yapı Kredi is the fourth largest privately-owned bank in Turkey with total unconsolidated assets of YTL 50,4 billion as of end of 2007

The problems observed on a variety of fronts in 2007 led to a slowdown in the global economy and forecasts as to its progress had to be revised downwards. Even in Turkey, whose economy has been witness to uninterrupted development since 2002 and averaged a 7,2% rate of annual growth over the last four years, economic growth lost momentum in 2007.

In the face of a slowdown in domestic demand, exports nevertheless performed well. Although inflation continued to go down in 2007, the posted rate of decline was less than the government's target. Both interest and exchange rates were down, particularly in the last quarter of the year. Having substantially shed itself of its structural fragilities through the rational policies being adhered to, the Turkish economy continued to be a strong magnet for foreign investment inflows in 2007.

Turkey's banking sector kept a close watch on all of these developments and managed to continue growing even though confronted by such national and international volatilities. Successfully maintaining high asset quality, the sector's investments also remained on course in line with its growth potential. In 2007, total banking sector assets rose 16% and reached YTL 562 billion.

Loan growth accelerated from the beginning of the year and the year-on-year growth was 26,5%. Concurrent with both these developments and spurred by increasing competition, new branches continued to be opened throughout the year.

Having undergone a comprehensive restructuring while also bringing to successful conclusion one of the most important mergers to take place in the Turkish finance sector in 2006, Yapı Kredi continued to grow strongly while focusing its attention on service quality and customer satisfaction in 2007.

One of the cornerstones of the Turkish banking sector, Yapı Kredi is the fourth largest privately-owned bank in Turkey with total unconsolidated assets of YTL 50,4 billion as of end of 2007.

Throughout the year, Yapı Kredi continued to support individuals and the real sector with its products and services while striving to further raise customer satisfaction levels in all of its activities.

As of end-2007, Yapı Kredi had around 5,6 million active customers and had increased the number of its branches to 676 under the accelerated branch expansion program that the Bank launched in July 2007. As of the same date, the number of ATM units in Yapı Kredi's network reached 1.930 and the Bank was the sector's leader in numerous product and service categories.

Yapı Kredi remains a leading service provider in the sector with a 20,9% share of mutual funds, a 9,3% share of deposits, and a 10,4% share of cash loans. Yapı Kredi also strengthened its position as the sector's leader in credit cards with a 25,2% share of the overall outstanding volume.

On behalf of the Board of Directors, I extend both our appreciation and our respect to our customers for their continued loyalty, to our employees for their dedicated efforts on behalf of the company, to our correspondents for their strong and enduring relationships, and to our shareholders for their generous support.



Dr. Rüştü Saraçoğlu  
Chairman of the Board of Directors

## CEO's Message



Dear Shareholders,

**2007 was a year full of financial and political developments of significance both to our national economy and to the global economy and in which the political agenda in our country and the contractions in global liquidity were on the agenda**

In a year in which extensive problems being experienced in the financial markets of developed countries and concerns about a slowdown in global growth became quite evident, the process of electing a new president and general elections at home had an impact on the performance of the Turkish economy.

As a result, our national economy was seriously tested in 2007 after having registered five consecutive years of consistently positive performance. Nevertheless, improvements in the country's macroeconomic foundations resulting from the effective implementation of financial discipline and structural reforms in recent years helped maintain the essential balances of the Turkish economy in the face of the volatilities that were experienced in global markets in 2007.

## Consistent lending growth, the most striking development taking place in the sector's asset structure in recent years, continued in 2007

Last year, we witnessed a comparative slowdown in the favorable progress that had been made on many fronts in recent years. In that respect, 2007 was a year which signaled serious warnings for 2008 and the period beyond, pointing to the vital importance of structural reforms for our country, and making clear how crucial our commitment to the continued conduct of those reforms.

After consistently registering annual growth rates averaging 7,2% for the five years since 2002, the Turkish economy lost some momentum in 2007 while unemployment rates continued to remain high. Although inflation remained on its downward course in 2007, the rate of decline slowed and for that reason the year's inflation target could not be met. Despite successful performance on the exports front, both the foreign trade and current account deficits remained worryingly high due to an increase in imports. Despite all these developments however, Turkey's growth potential continued to attract the interest of foreign investors and foreign direct investment in 2007 rose to USD 21,9 billion.

### **In 2007, both the real sector and individuals had an increasingly greater appetite for banking products and services with the result that banks' assets continued to grow rapidly**

Substantial increases in business volumes made 2007 a year replete with positive developments for our sector. Despite the uncertainties experienced in global markets and in our own country, the Turkish banking sector's healthy growth continued unabated and its total assets (excluding participation banks) rose 16% year-on-year to reached YTL 562 billion. Together with this performance, it is estimated that the sector's assets now correspond to 67% of the country's gross domestic product (on the basis of the revised national income series).

Consistent lending growth, the most striking development taking place in the sector's asset structure in recent years, continued in 2007. Total loans grew 26,5% in 2007, mainly driven by a 42% rise in consumer loans. Growth in general purpose loans and housing loans of 67% and 39%, respectively played significant roles in the development both of consumer and of overall total lending. The sector's ratio of non performing loans, which was 3,6% in 2006 fell to 3,5% as of end-2007. With a 61% share, deposits continued to dominate the sector's funding resources last year. In 2007, there was a 3% rise in foreign currency deposits (up 24% on a USD basis) while total Turkish lira deposits increased 22%.

In 2007, Turkey's private banks and development and investment banks together booked a total net profit amounting to YTL 14,4 billion, corresponding to a year-on-year increase of 30%. Paralleling the rapid growth in volumes, the increasing contribution of net interest income to total operating income and continued efforts to diversify the sustainable sources of revenues, net fees and commissions increased significantly, contributing heavily to the growth of the sector's operating income and therefore also net profit.

Banks continued to focus their attention on pursuing organic growth and the results of this strategy are seen in the increases in the number of new branches and newly-hired personnel. As a direct result, there was a 21% year-on-year rise in the sector's personnel expenses in 2007 while operational expenses were also up 17%.

The improvement in banks' ability to generate revenues and their adherence to an effective policy of setting aside provisions for non performing loans facilitated efforts to maintain asset quality and there was a 29% overall rise in the sector's loan provisions. The sector's average return on equity was 22% in 2007.

## CEO's Message

### **In line with its strategy, Yapı Kredi focused on core banking activities in 2007**

Having further strengthened its solid position in the sector and embarked upon 2007 with an ambitious agenda of objectives, Yapı Kredi completed the year having demonstrated a successful performance on every front.

As of end-2007, Yapı Kredi remained its position as the sector's fourth-largest privately-owned bank with total unconsolidated assets of YTL 50,4 billion (YTL 56,7 billion on a consolidated basis) while also improving its performance in every business line in which it is active. The Bank continued to conduct its business activities with an approach that focuses on increasing banking revenues while its performance was further enhanced by effective cost management. Yapı Kredi booked a consolidated net profit of YTL 870 million in 2007. Leveraging the opportunities to cooperate with its subsidiaries, the Bank serves its customers' not just in banking but also other financial products and services as well. During the first half of 2007, the Bank completed its transition to a segment-based service model within the overall framework of its customer-centric strategy.

### **In line with its growth plan, Yapı Kredi opened 82 new branches in 2007 and ended the year with 676 branches in 68 of the country's 81 provinces (Net increase: 68)**

In 2007, Yapı Kredi continued to undertake investments in line with its customer-centric strategy with an aim to make its customers' lives easier. The Bank completed installation of 1.027 advanced Tele 24 ATM units and introduced a barcode-based ATM payment system, a first in Turkey.

Customer satisfaction is closely monitored by means of surveys that the Bank has conducted by independent organizations. The results of the 2007 survey indicated that our customers were more pleased with the service they receive from the Bank. For the purpose of raising the level of Yapı Kredi customer satisfaction even higher, beginning in 2008, customer satisfaction will be included in the employee evaluation system implemented throughout the Bank.

In the development of new products, Yapı Kredi attaches utmost importance to understanding and satisfying the market's needs. The new products that the Bank introduced in 2007 were especially focused on housing and general purpose loans.

### **In 2007, Yapı Kredi repositioned World, Turkey's leading credit card platform**

As a result of an extensive marketing campaign that was undertaken in 2007, existing and potential customers were introduced to World's new corporate identity and to its vast array of features. Through the brand-sharing agreement with Vakıfbank, World created the biggest credit card partnership ever undertaken in Turkey.

Throughout the year the Bank engaged in activities to further strengthen its assets and its capitalization. In keeping with this, the process of divesting Yapı Kredi's non-core assets has largely been completed while the process of reducing the Bank's stock of non performing loans by selling them to interested investors has been initiated.

While all of these developments were contributing favorably to Yapı Kredi's financial strength, during the year the Bank obtained a EUR 200 million subordinated loan and signed a syndicated loan agreement in the amount of USD 800 million.

Having further strengthened its solid position in the sector and embarked upon 2007 with an ambitious agenda of objectives, our Bank completed the year with a successful performance on every front

**Another important development was the restructuring of Koç Financial Services, Yapı Kredi's principal shareholder**

As a result of this project, which was undertaken to achieve a more transparent structure, all financial subsidiaries were brought under Yapı Kredi. As a part of this process, the shares held by Koç Financial Services in Yapı Kredi Leasing, Yapı Kredi Factoring, and Yapı Kredi Azerbaijan were transferred to Yapı Kredi in 2007. The shares in Yapı Kredi Invest and in Yapı Kredi Nederland NV were also transferred to Yapı Kredi in the early months of 2008.

**2007 was witness to countless important developments and successes for Yapı Kredi**

The results of the intensive and demanding efforts to complete the final steps of our recent merger and integration process point to the successes that the Bank will be achieving in 2008 and the years that follow and also define the roadmap of Yapı Kredi's future growth and development.

In conclusion, I take this opportunity to acknowledge my debt of gratitude to our customers and shareholders for their continued and generous confidence and support and to all our employees for their efforts. I extend both my appreciation and my respect to them all.



**Tayfun Bayazıt**  
Chief Executive Officer

## Developments in the World Economy

**Global financial market turmoil triggered by the problems in the US mortgage business in the second half of the year has been the highlight of 2007**

**The volatility in financial markets mainly hit the developed countries, while emerging markets have been affected relatively less as of the end of 2007**

The most important implication of the global financial turmoil was the decline in the risk appetite of international investors. Severe liquidity constraint in the markets, difficulties in the valuation of assets of financial institutions, lack of information regarding the financial structures of the hedge funds, and uncertainty regarding the size and the duration of the problems in the markets have all contributed to the increase in the risk averseness of international investors.



## The slowdown in economic growth is expected to affect both developed and developing countries

### Global economy is estimated to grow by 4,9% in 2007

Under these circumstances, 2007 has been a difficult year for the world economy when compared to the four previous years. High growth rates that prevailed in almost all parts of the globe since 2002 have indeed continued in the first half of 2007 as well, while the concerns regarding the sustainability of this performance started to build up in the second half of the year.

As a result, growth expectations for 2008 deteriorated significantly. According to the IMF forecasts, world economy is expected to grow by 4,9% in 2007, while the global growth forecast is 4,1% for 2008.

### IMF expects the US growth to slowdown in 2008

The slowdown in economic growth is expected to affect both developed and developing countries. According to the IMF forecasts, the US economy, that registered a growth rate of 2,9% in 2006, is expected to grow by 2,2% in 2007.

As a result of the financial turmoil that started in the second half of 2007, the IMF is expecting the US economy to grow by just 1,5% in 2008, while the OECD expects the 2,2% growth rate in 2007 to slow down to 2% in 2008.

To sum up, forecasts about the US economy do not point to a major collapse.

### Economic growth is expected to slowdown in the Euro zone as well

Similar to the US economy, Euro Zone growth rates are expected to slowdown both in 2007 and 2008, when compared to 2006. According to the IMF forecasts, the economy will grow by 2,6% in the Euro Zone in 2007, while in 2008, economic growth will slowdown to 1,6%.

The expected economic slowdown in Germany, Italy, and most notably Spain in 2008 contributes to lower growth forecasts for the Euro Zone as a whole.

Other important developed countries are also expected to grow slower in 2008. Although more limited in Canada and Japan, and more pronounced in the United Kingdom, economic growth rates will be lower both in 2007 and 2008.

## Developments in the World Economy

### In 2008, no drastic change is expected in emerging market economies

The growth rates of the emerging market economies for 2007 are not expected to be considerably different than the previous years'. But for 2008 the forecasts of aggregate growth rate of the emerging markets demonstrates a decrease compared to 2007 figures, since the growth rates of China, Argentina, Venezuela and the emerging markets in Central and Eastern Europe area are expected to be lower than 2007 levels.

### In 2007, commodities faced record high price increases

Another important issue in the World economy in 2007 was the commodity price levels that reached their all time high.

Factors such as the depreciation of dollar against euro and other major currencies, liquidity and credit issues in global markets, geopolitical risks that mainly affected oil prices, the augmentation of the speculators' power over the markets motivated all commodity prices and in particular, oil prices to soar. Moreover, the adverse weather conditions triggered food prices to escalate to record high levels.

All these factors increased the concerns about inflation all over the world, especially in the net commodity importer countries. The Consumer Price Index (CPI) inflation in the United States is expected to rise to 4,1% in 2007 from 1,9% in 2006. For the Euro Zone, escalation in CPI inflation is expected to be limited, from 1,6% (2006) to 3,1% (2007).

The rises in prices have started to threaten the economic stability in the emerging markets which made great progress since 2002 on their fight against inflation. In 2007 the CPI inflation in Russia, Bulgaria, Venezuela, and China are expected to reach 12%, 10%, 20,8% and 6% levels respectively.

### 2007 was a tough year for central banks

The increasing trend in inflation accompanied with the decrease in the growth rates put forth a dilemma for central banks that forced them to revise their priorities.

Federal Reserve System (FED) had a clear stance and attitude towards the dilemma. In order to avoid the recession risk that the American economy faced and to revive the markets, FED had cut the policy rates with great haste. The policy rate, which had been 5,25% at the beginning of 2007, was 4,25% by the end of the year with a 100 bps of rate cuts. Meanwhile, the European Central Bank (ECB), despite increasing threat of inflation, did not increase its policy rates, evidence of its concerns on growth in the Euro Zone.

In 2007, some issues which used to be considered as “risks” turned into “realities”, yet no formidable economic crunch was experienced. It was an educative and tough year with many lessons learned

#### **US dollar has drawn back to historical low levels against euro**

US dollar's historically low levels against euro, the continuation of the appreciation of emerging markets' local currencies, the continuation of China's controlled and limited revaluation policy were recorded as the noteworthy foreign exchange market developments of 2007.

International investors continued to borrow in Japanese yen with the charm of low interest rates in Japan, and to invest in developed and emerging markets' currencies with higher returns. Japanese yen fluctuated throughout 2007 as global markets' risk appetite oscillated.

#### **2007 was as didactic as it was tough**

The central banks' decisive attitude towards the escalating risks, the developed markets' policy makers' timely interventions and emerging markets' stronger macroeconomic structure were the major factors that prevented the developments in the second half of 2007 to trigger a sizeable crisis.

In 2007, some issues which used to be considered as “risks” turned into “realities”, yet no formidable economic crunch was experienced. It was an educative and tough year with many lessons learned.

## Developments in the Turkish Economy

### Turkish economy was somewhat adversely affected from global and political uncertainties in 2007; economic growth slowed down compared to previous years

#### Domestic elections and global economic developments shaped the course of the Turkish economy in 2007

Developments in Turkey's economy in 2007 were shaped to a great extent by concerns regarding the global economic environment and the course of the presidential and general elections. The most apparent effect of the uncertainties stemming from both the local and global environment was the slowdown in the rate of economic growth. Gross domestic product, which grew by an outstanding 7,2% during 2002-2006 period, cut pace in 2007. Interest rate hikes and capital outflows following the financial market volatility in May-June 2006 later combined with the uncertainties triggered by the double elections and problems in the global economy in 2007 and had a depressing effect on domestic demand.

Meanwhile, exports continued to grow at a rapid pace, contributing to industrial production growth, despite the deceleration in domestic demand. Inflation target has been missed in 2007 for the second consecutive year, although a moderate decline in inflation was recorded. The elections led to an increase in budget expenditures, while measures introduced after the elections aimed to restore fiscal discipline.

#### GDP growth cut pace in the third quarter of 2007

Gross domestic product (GDP), which grew by 6,1% in the first half of 2007, moderated and posted a 3,3% increase in the third quarter. In the first nine months, cumulative growth in the GDP amounted to 5,0%.

Examining the national income accounts from the production side reveals that industrial production grew by 5,7%, whereas the agricultural sector output contracted by 4,9% in this period due to drought. Output growth in the services sector was quite robust, with 6,5% in the first three quarters. On the other hand, the construction sector, which is a very crucial sector for economic growth, which posted an output growth of 18,5% in 2006 decelerated significantly and grew by a mere 6,4% in the first three quarters of 2007.

The unemployment rate remained high in 2007 and kept its previous year's level of 9,9%.

#### Robust growth trend in exports continued

Exports, which exhibited very high growth rates since 2001, continued to grow a very high rate in 2007. More specifically, export growth that was recorded at 16% in 2006 further increased to 25% in 2007. At the same time, import growth remained below that of exports for the first time since 2001, thank to domestic demand moderation.

Surge in international oil prices, remained as one of the factors increasing the total import bill, contributing to the 22% growth recorded in imports in 2007. Consequently, exports and imports were recorded at USD 107,2 billion and USD 170 billion, respectively, resulting in a trade deficit of USD 62,8 billion.

#### Current account deficit continued to increase

Despite the positive outlook in exports, increase in imports led to expansion in trade deficit and, hence, the current account deficit. Consequently, the current account deficit increased to USD 38 billion in 2007 from USD 32,2 billion in 2006. Nevertheless, robust export performance contributed to a decline in the rate of growth of current account deficit in 2007 compared to the 2003-2006 period.

Although the financial markets were volatile in 2007 due to global worries and domestic political tensions, the downward trend in interest rates and exchange rates continued throughout the year

### Central administration budget targets were achieved

In 2007, central administration budget expenditures accelerated due to general elections and as a result, revenue generating measures were implemented during the post-election period. Despite these efforts, however, the primary surplus target was missed. On the other hand, budget deficit remained below the year end target. In 2007, while central administration budget revenues increased by 1,8% in real terms and reached YTL 189,6 billion, expenditures increased by 6,7% in real terms and reached to YTL 203,5 billion. During this period, although the interest expenditures declined by 2,5%, other expenditures increased by 10% and became the main source of the rise in expenditures. Corollary to these developments, central administration budget posted a deficit of YTL 13,9 billion in 2007, which was YTL 4 billion in the year before. In addition, primary balance deteriorated vis-à-vis previous year and posted a surplus of YTL 34,8 billion, which corresponds to a 23,6% decrease in real terms.

### Interest rates and exchange rates were on a downward trajectory

Although the financial markets were volatile in 2007 due to global worries and domestic political tensions, the downward trend in interest rates and exchange rates continued throughout the year.

Financial markets experienced a mild turmoil in March and were then hit by a severe one in August, which mainly stemmed from the signals of a global slowdown as well as the problems in the US mortgage market. On the domestic front, however, presidential elections and early general elections triggered the volatility in markets during April and May.

Since general elections and presidential elections were managed successfully without creating political instability, domestic markets stabilized and the sentiment was restored as of September, immediately after the international financial markets calmed down. Benchmark bond compounded interest rate, which was at 21,7% in January 2007, dropped to as low as 17,2% prior to the turbulence in August. During the turmoil, however, the level increased to 18,8% and ended the year at 16,6%. Basket exchange rate (USD 1 + EUR 0,77) followed a similar path during the year and reached to its peak (2,928) in March, while the lowest level (2,470) was on October 10. Exchange rate basket appreciated by 13% on average in 2007.

### Inflation overshot the year-end target in 2007

Inflation exceeded the 2007 target as it did in 2006. The financial turmoil in mid-2006 deteriorated the expectations and interrupted the downward trend in inflation.

Although the fall in inflation resumed as of April, 2007, drought, the hike in energy prices as well as the public sector price adjustments put significant upward pressure on inflation. The CPI inflation, which was 7,72% in 2005 and 9,65% in 2006, realized at 8,39% in 2007.

In the meantime, PPI (producer price index) inflation, which soared to 11,6% in 2006, dropped to 5,94% in 2007. While the world commodity price developments had a negative impact on PPI inflation, appreciation of YTL during the period cushioned this effect.

As of September, the central bank started to cut its policy rates, which had been kept constant since July 2006. The easing cycle began due to favorable developments in inflation and to a more supportive environment both at home and abroad. Overnight borrowing rates decreased to 15,75% from 17,5% during the September-December period.

## Developments in the Turkish Banking Sector

### The sector continues to have significant growth potential

The Turkish banking sector, which went through a serious restructuring and rehabilitation phase after the 2001 financial crisis now exhibits strong growth potential with its dynamic structure.

The ratio of total loans and deposits to gross domestic product, that was 237% for the Euro-area in 2006 was at a mere 67% in Turkey in the same year, indicating that the Turkish banking sector is far from saturation and consequently points to a significant growth potential.

### Stable lending growth

Uninterrupted economic growth following the 2001 crisis, continuous fiscal discipline that contained the public sector borrowing requirement and diminished its pressure on financial markets, declining interest rates as well as improving expectations brought about a stable loan growth in the banking sector. Consequently, the ratio of total loans to GDP, that was 13,5% in 2002 is expected to have reached 32% in 2007.

An overview of the Turkish banking sector shows that lending growth which decelerated in the second half of 2006 resumed in the first months of 2007 and annual increase in total loan volume reached 26,5% by the end of this year. Consumer loans had an important contribution in this figure with a 42% growth. During this lending growth, asset quality did not exhibit any sign of deterioration: NPL ratio, that was 3,6% by the end of 2006 came down to 3,5% by the end of 2007. The financial turbulence that started in August in global financial markets did not have a significant negative impact on the Turkish banking sector.

### Competition triggers surge in branch numbers

As a result of positive expectations regarding the potential of the sector coupled with increasing competition, new branch openings continued strongly in 2007. According to BRSA data, number of branches of deposit banks and investment & development banks reached 7.647 in 2007 from 6.895 in 2006.

### Profitability of the sector improved

The profit before tax of the sector (excluding participation banks) was recorded as YTL 17,6 billion in 2007. This amount corresponds to a 25% increase with respect to the previous year. Strong loan growth brought about a 22% increase in net interest revenues, while net fees and commissions rose 22% as well. In the same period net profit of deposit, investment and development banks grew by 30%.

The banks continued to provision prudently for their problematic loans. Provisions for loan losses increased 29% with respect to the previous year.

To summarize, while growth continued to accelerate in the Turkish banking sector in 2007, profitability improved as well.

## Yapı Kredi in 2007

### For tomorrow, today...

**It is now time for accelerated growth**

**It is now time for undisputed leadership**

**It is now time for superior customer satisfaction**

**It is now time to focus on efficiency**

**It is now time to create more added value**



## Yapı Kredi in 2007

For tomorrow, today...

# It is now time for accelerated growth

During the first half of 2007, Yapı Kredi completed its transition to a segment-based service model in line with its customer-centric strategy

In 2007, Yapı Kredi posted strong financial results and performed favorably in different business lines in keeping with the roadmap that it has laid out

Yapı Kredi is focused on accelerated growth. First signals of the accelerated organic growth the Bank achieved in 2007 has been shown by:

- 82 newly opened branches
- The growth in SME lending that outpaced the sector
- The rapid rise in consumer lending (particularly general purpose and mortgages) especially in the second half of the year

Yapı Kredi plans to expand the scope of its domestic network by opening more branches in 2008 and 2009 to bring the total number to 1.000 at end 2009.

The Bank also intends to increase its market share in both banking volumes and revenues significantly by pursuing rapid growth in all business segments

Serving 5,6 million active customers, Yapı Kredi ranks among the most preferred banks in retail banking in Turkey

2007 was a year in which Yapı Kredi undertook important new initiatives to deliver better service to its retail customers

### Accelerated growth in the branch network

2007 was a year in which Yapı Kredi registered the first and impressive successes of its future-focused growth strategy.

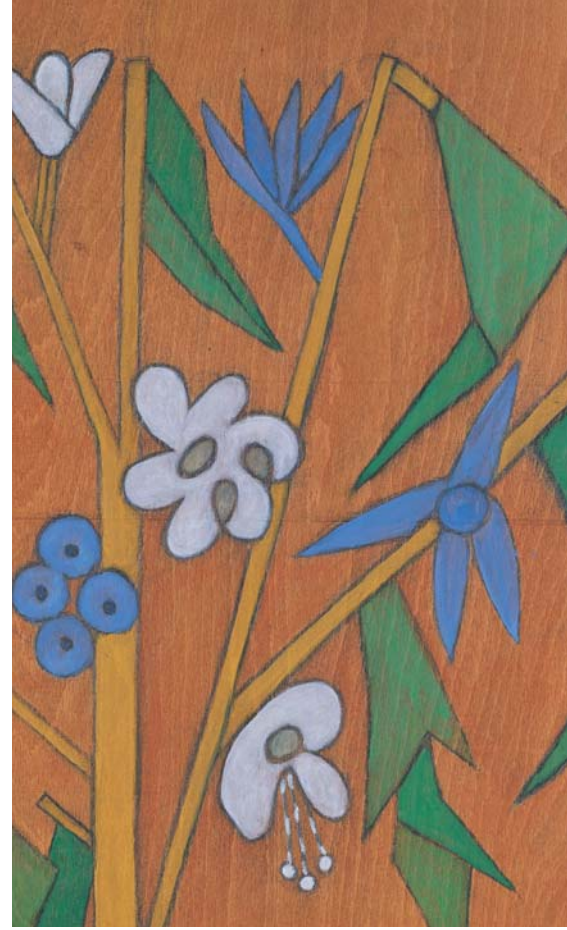
With its strategy focused on rapid growth, profitability, and productivity, Yapı Kredi launched its accelerated branch network expansion plan in July 2007. In 2007, the Bank opened 82 new branches and closed the year with 676 branches in 68 of the country's 81 provinces. (net increase: 68). 64% of the branch network is concentrated in the country's four biggest provinces while Yapı Kredi controls an 11% market share in the top ten provinces.

### A growth strategy focused on Turkey's most dynamic force: Small and medium-sized enterprises (SMEs)

#### 1.100 SME portfolio management specialists began serving customers all over Turkey

During 2007, 1.100 SME portfolio specialists began providing high-priority, superior services to meet all of its SME customers' banking requirements in everything from teller transactions to loan products at Yapı Kredi branches throughout Turkey.

Yapı Kredi regards SMEs as one of its primary customer segments and the Bank recorded above sector growth in SME loans in 2007.



Şükriye Dikmen, Still Life with Bird, Oil on Board, 80 x 50 cm (detail)  
Yapı Kredi Collection

2007 was a year in which Yapı Kredi registered the first and impressive successes of its future-focused growth strategy

One of Yapı Kredi's goals is to be the initiator of increasingly more firsts in SME (Small and Medium Size Enterprises) banking. The Bank will continue to offer new products and services in line with this goal and to supply SMEs with increasingly more of the resources they need

#### **Kobiline: Access to EU grants**

A joint venture of Yapı Kredi and Koc.net, Kobiline is widely regarded as the leading e-business platform for SMEs in Turkey today. During 2007, Kobiline continued to engage in field work and to organize informational meetings for customers throughout Turkey.

As part of these activities, the Bank conducted one-on-one meetings with more than 1.400 firms that were interested in obtaining consultation support in order to take advantage of grant facilities provided by national and international agencies.

Grants applications were made for a total of 210 projects, the majority of them in the "SME R&D Initial Support Program". During 2007, Kobiline acted as intermediary to SME's for grants worth a total of EUR 5,4 billion through this platform.

#### **A range of products that satisfy sectoral needs and preferences**

In keeping with its priority approach of understanding its customers, identifying their general needs, and developing solutions accordingly, in 2007 Yapı Kredi expanded the variety of products and services it offers to meet the particular needs and preferences of its SME customers.

The Bank has begun offering SMEs a variety of products with a range of repayment and servicing terms that take different sectors' cash flow variations into account.

#### **Support for SME activities**

During 2007 Yapı Kredi continued to support SMEs in areas other than banking as well.

In 2007, Yapı Kredi participated as the main sponsor at the SME Summit held between 13-14 December for the second consecutive year. During the year the Bank also sponsored SME-oriented information and training fairs organized by the Union of Chambers and Commodity Exchanges of Turkey in 20 of the country's provinces.

Throughout 2007, Yapı Kredi organized informational seminars in various cities in the Anatolian region about EU grants available to SMEs. At these meetings, organized with the aim of providing businesses with specific problem-solving ideas and solutions, Yapı Kredi informed SME participants about the productivity and profitability synergies that could result from their cooperation with the Bank.

In 2007, Yapı Kredi organized SME meetings in nine different cities around the country: Trabzon, Adana, Konya, Bursa, Gaziantep, Denizli, Kayseri, İzmit, and Antalya.

#### **Goal to be the initiator of increasingly more firsts**

One of Yapı Kredi's goals is to be the initiator of increasingly more firsts in SME banking. The Bank will continue to offer new products and services in line with this goal and to supply SMEs with increasingly more of the resources they need.

Through innovations, Yapı Kredi will be playing a key role in making it possible for SMEs to realize their aspirations and plans in the future as it has done in the past. Yapı Kredi will be working closely with SMEs to provide them with both financial and non-financial support.

Yapı Kredi also aims to supply increasingly more individual and group pension plans, health, and other insurance products and services to the owners and employees of SMEs.

In addition to direct financing, the Bank will also be offering SMEs cash management products as well as an increasing number of complementary products and services resulting from the synergies strengthened by Yapı Kredi's leasing, factoring, and investment banking subsidiaries.

Yapı Kredi's main objective is to record above sector growth in SME loans.

#### **Increasing focus on retail banking**

##### **A rich array of consumer loan products**

Under the heading of consumer loans, Yapı Kredi provides a wide array of products that include mortgage, general purpose, home improvement, auto, tuition, art and yacht loans, all of them at competitive interest rates and with convenient repayment options.

2007 was a year in which the Bank continued to register solid growth in consumer loans. The total volume of Yapı Kredi's consumer loans to its retail customers increased 47% and reached YTL 4,1 billion. The consumer loan products most popular with customers in order of preference were general purpose loans, tuition loans, and auto loans.

## Yapı Kredi in 2007

### Yapı Kredi increased its presence in the mortgage loan market with innovative products and services

The Bank offered the new mortgage loan products tailored to its customers' particular needs in a series of attractive campaigns and with flexible payment options. At end-2007 the total volume of the Bank's mortgage loans amounted to YTL 2,2 billion, which corresponds to a substantial year-on-year increase of 44%. The chart on page 31 summarizes the innovative loan products that Yapı Kredi delivered to the market during 2007.

### 40 million offers

In 2007, Yapı Kredi further increased its efforts to strengthen its relationships with existing customers while acquiring new customers as well.

With this goal:

- Data mining activities, managed under Customer Relationship Management, were accelerated. Customers with high propensity to make use of Yapı Kredi products and services were identified and contacted.
- Yapı Kredi generated 40 million customer offers, 27 million of which were sales campaign offers during 2007 under campaign management system. The positive feedback ratio on sales campaign offers was 8%.
- Sub-segmentation activities were carried out to better manage primary business line objectives and customer expectations at the micro level.

- Strategic development and training plan development efforts were started to conduct headquarter-originated sub-segment based campaigns, action plans, and cross-sales through all branches and delivery channels.

### Benim Param: Turkey's biggest customer loyalty program

Benim Param is Yapı Kredi's retail banking service program.

Benim Param continued to attract increasing interest from customers with its newly-revamped advantages in 2007 while retaining its standing as Turkey's biggest customer loyalty program. In 2008, Yapı Kredi's objective is to continuously increase its customers' earnings through the Benim Param program.

### University Banking Package

Yapı Kredi's University Banking Package provides university students with all the banking services they will need during their academic lives at highly advantageous terms.

During 2007, Yapı Kredi continued to be the bank preferred by an increasing number of university students and special efforts were made by means of non-banking projects to strengthen relations with this young and dynamic customer group. Yapı Kredi, sponsor of Filmgezgini and of the IF İstanbul 2007 Independent Film Festival, also reaches out to a broad segment of university students through the KoçFest program. The Bank will be continuing its activities aimed at university students with new projects in 2008.

### To further improve service quality

Yapı Kredi is focused on continuously enhancing the quality of the service it delivers to its customers. The Bank's ongoing comprehensive restructuring program continued uninterrupted in 2007 and a branch network and service model has been developed that best suits individual customer profiles.

### Special services for high net worth customers

Yapı Kredi has introduced a new personal portfolio manager system in order to provide more effective service to high net worth customers under its new service model. The manager assignments for this system were completed during 2007.

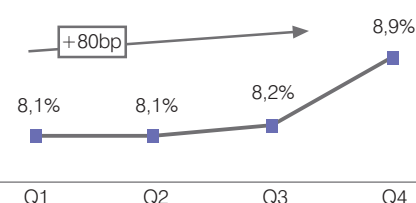
In 2007, the Bank also continued to develop the range of products that it offers to high net worth customers. During the year, Yapı Kredi launched a loan product specifically designed to finance the purchase of works of art, a first in the sector. The Bank also started offering its customers yacht loans at the most advantageous terms in the sector.

# Yapı Kredi increased its presence in the mortgage loan market with innovative products and services

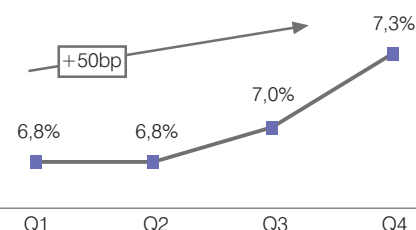
## Mortgage loan products

<b>Low-Interest Mortgage Loan:</b>	This product allows customers to reduce the interest rate on their mortgage loans by paying the service charge upfront. The result of this is to significantly reduce the size of their monthly payments.
<b>Turnkey Delivery Mortgage Loan:</b>	This product allows customers to pay expenses (lending fee, compulsory earthquake insurance, property/life insurance, appraiser's fee, mortgage loan fees etc) related to taking out a mortgage loan in installments as a general purpose loan at the same interest rate as the mortgage loan itself.
<b>Floating Interest Rate Mortgage Loan:</b>	Customers are able to specify the intervals at which they prefer to make interest payments through this product (every month, every three months, every six months, once a year). With a floating interest rate mortgage loan, the interest rate is automatically adjusted at the designated interval on the basis of the change in the consumer price index announced two months before the adjustment date.
<b>Fixed &amp; Floating Interest Rate Mortgage Loan:</b>	With a fixed and floating interest rate mortgage loan, customers pay a fixed rate of interest on their installments for a specific period after which they switch to a floating interest rate at a pre-designated month or year.
<b>"Ev Beraber" Mortgage Loan:</b>	Designed for those who want to buy a home for investment purposes or who can't afford to buy one on their own, this product allows two people to take out a loan together.
<b>CHF and GBP-Indexed Mortgage Loan:</b>	This is an addition to the Bank's USD and EUR-indexed mortgage loans. It allows customers to have their payments indexed to Swiss francs or to the sterling at their option.

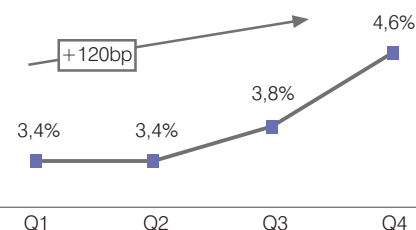
## Auto Loan Market Share 2007



## Mortgage Loan Market Share 2007



## General Purpose Loan Market Share 2007





## Yapı Kredi in 2007

For tomorrow, today...

# It is now time for undisputed leadership

**Yapı Kredi is the undisputed leader in credit cards and a number of other business lines**

- First in credit cards
- First in mutual funds
- First in leasing
- First in factoring

**As it advances towards leadership, Yapı Kredi will continue to lead the competition and to set the standards for banking in Turkey**

### Undisputed leader in credit cards

Yapı Kredi's credit card program World has consistently led the sector every year since its inception in 1988.

As of end-2007, Yapı Kredi has 4,7 million credit card customers while the number of cards issued stood at 6,7 million. Total issuing volume of the Bank's credit card business reached YTL 32,8 billion.

Yapı Kredi, with a 23,2% market share in cumulative issuing volume and a 25,2% market share in credit card outstanding volume, strengthened its leadership position in 2007.

### Yapı Kredi is the leader in credit card efficiency

As of end-2007, Yapı Kredi has around 246.000 POS terminals and acquiring volume of YTL 31,4 billion corresponding to a market share of 22,01%.

Results such as these are clear evidence of Yapı Kredi's strong leadership in merchant partner turnover and productivity. Yapı Kredi enjoys an unchallenged position as the second-biggest bank in terms of acquiring volume.

To further increase the productivity of its POS base, increased focus was given to POS terminal sharing in 2007 and the number of terminals used jointly with other banks approached 67.000.



Özer Kabaş, They even took their trees with them, 1997, Oil on Canvas, 146 x 114 cm (detail)  
Yapı Kredi Collection

# Yapı Kredi is the undisputed market leader in credit cards

## Better service through investment in merchant network

During 2007, Yapı Kredi continued to invest in its merchant network in order to provide better service to its customers.

New technological investments undertaken last year included:

- POS with WiFi support aimed at the HORECA (hotel/restaurant/cafe) segment
- Prepaid cards that work in Yapı Kredi POS units installed in petrol stations
- An integrated sales system which combines sales and inventory functions designed specifically for firms that carry out field sales activities.

## A steadily-growing merchant network

With more than 150.000 World merchants, Yapı Kredi has Turkey's most active merchant network. World was the first credit card program that brands such as Mediamarkt, Darty, Elektroworld, Habitat, Sephora, and Chanel chose to work with when they entered the Turkish market in 2007.

In addition to these new names, retail chains and brands such as Bauhaus, Vaillant, Marks & Spencer, Kiler, Alpet, Axa Oyak, and Honda also joined the World network in 2007.

## More than 600 campaigns for increased customer satisfaction

Throughout 2007 more than 600 World network campaigns were conducted for nearly 125 different brands in 15 different sectors. These campaigns allowed Worldcard holders to take advantage of a host of benefits such as extra points, extra installments, gift checks, and discounts in millions of transactions.

## World's leadership supported by sectoral collaborations

Yapı Kredi continued to collaborate with Millennium Bank under its credit card brand sharing agreement and strengthened its position in the sector through further agreements with Vakıfbank and Anadolubank in 2007 as well as Fortis in the beginning of 2008. Within the scope of these agreements Yapı Kredi has begun the process of creating the largest credit card platform in Turkey with a total of 10 million World branded credit cards.

In November 2007, Vakıfbank joined the World platform with its nearly 2 million credit cards and around 2,4% market share in issuing volume. In December, Anadolubank announced that it was joining the World platform. In early 2008, Fortis also joined the World platform, bringing with it close to 1 million credit cards and around 2% issuing volume market share.

Under these agreements, Vakıfbank, Anadolubank, and Fortis credit cards qualify for the same award point, installment and campaign benefits as Worldcard at every World merchant partner. With the addition of these new banks to the World platform, the number of World branded credit cards will increase, which in turn will raise World merchant partners' business volumes and all platform participants will be favorably impacted by the synergies that are generated.

Thanks to World, Yapı Kredi will continue to be the sector's undisputed leader by a wide margin, to lead the way in competition, and to set the standards for the credit card business in Turkey.

## Yapı Kredi in 2007

### World's new corporate identity

By renovating and relaunching Turkey's leading credit card program World, Yapı Kredi redefined the country's credit card market standards of competition.

The campaign, which was the result of intensive 18-month preparations, focused initially on World's new 3D logo and corporate identity. The campaign also achieved a high level of visibility and public attention for the World brand by highlighting the system's unique features.

### New modular structure provides both energy and flexibility to World

A new modular structure makes World even more flexible and user-friendly.

World product and service packages, which can be loaded modularly into a single card based on a user's specific interests and needs, are structured in the form of "clubs" and "programs".

These packages consist of:

- Travel Club for those who are interested in traveling,
- Play Club for those who are interested in entertainment, social cultural activities and the arts,
- Gold Club, Platinum Club, and Crystal Club for those who enjoy a high-profile lifestyle,
- Business Club for those who use their credit cards mainly for business purposes,
- Share Program for those who are concerned with education, health, youth, environment and science issues and want to take part in social responsibility projects by donating Worldpoints,
- Communication Program for those who make intensive use of mobile communication,
- Customers who decide not to choose a particular club or program can still take advantage of a wide assortment of World product and service packages and wide merchant offers.

Koç Ailem and Fenerbahçe Worldcard, two existing members of the World family, have also been renovated to bring them in line with the new World corporate identity and both continue to be offered to customers.

### Triple-segment structure in debit cards

As part of its overall restructuring project, Yapı Kredi also positioned its debit cards under the World brand and offered them to customers on the basis of three separate segments.

- World Debit Card
- Play Club World Debit Card
- Business Club World Debit Card

### "Firsts" introduced by the restructuring of World

World's restructuring has introduced quite a few firsts to the Turkish credit card sector:

- For the first time in Turkey, customers are able to load the service packages that they choose themselves onto their credit cards.
- The MasterCard Corporate Card is now being offered for the first time in Turkey as part of the Business Club package.
- The MasterCard World card is now being offered for the first time in Turkey as part of the Travel Club package.
- Vista Infinite is now being offered for the first time in Turkey as part of the Crystal Club package.



# Through synergies created with its subsidiaries, Yapı Kredi is the leader in asset management, leasing, and factoring

## Leadership in numerous financial services areas/products

Through synergies created with its subsidiaries, Yapı Kredi is Turkey's leader in asset management, leasing, and factoring.

### Yapı Kredi Asset Management offers customers in all of the Bank's different business lines a broad range of asset management products and services with a customer-centric approach

Yapı Kredi Asset Management's business volumes and product diversity make it the leader of the mutual funds market. In addition to the mutual funds that it supplies to the Bank's customers, the Company is also at their service with the Pusula, a personal savings program and Working Account, a cash-management tool.

Yapı Kredi Asset Management provides the Bank's private banking customers with discretionary portfolio management and portfolio advisory services. The private banking mutual funds, offered to the members of the same customer segment, fill out the company's product line of rich content and unique service.

The Bank's corporate and commercial customers take advantage of Yapı Kredi Asset Management's corporate portfolio management and portfolio advisory services. The Company serves as both a consultant and a manager for corporate customers who want to establish private funds while the Corporate Fund that is structured exclusively for corporate and commercial customers will be launched in 2008.

### Yapı Kredi Leasing, Yapı Kredi's subsidiary in the area of leasing, remained the leader of its sector in 2007 with a business volume of USD 1,6 billion

Controlling a 19,2% share of the Turkish leasing market, Yapı Kredi Leasing provides high added value leasing services to thousands of customers in different sectors thanks to the synergetic collaboration platform that it has developed with Yapı Kredi.

### Another sector-leading subsidiary of Yapı Kredi is Yapı Kredi Factoring

During 2007, Yapı Kredi through Yapı Kredi Factoring, recorded EUR 3,1 billion worth of factoring turnover 65% domestic and 35% international. Yapı Kredi Factoring is the factoring sector's leader by a wide margin, controlling a 19,4% market share of total transaction volume.

Yapı Kredi Factoring's success and unmatched performance in service quality have earned it Factors Chain International's "Best Export Factor of the World" award for two years in a row. Yapı Kredi Factoring's first-place ranking is based on such criteria as service quality, number of countries exported to, number of correspondents worked with, and total export factoring business volume.

## Yapı Kredi in 2007

For tomorrow, today...

## It is now time for superior customer satisfaction

Yapı Kredi restructured its service model within the framework of its customer-centric strategy in 2007. The Bank's commercial structure was segmented so as to group customers with similar needs together, while sales organizations at business unit, regional department, and headquarters level specifically set up for these different customer segments began providing more focused, higher-quality service

Yapı Kredi today is the only bank in the banking sector that assesses and keeps track of customer satisfaction on an individual branch basis. Beginning in 2008, customer satisfaction will be included in the performance evaluation system used for all Bank employees in line with Yapı Kredi's objective of increasing service quality to even higher levels

The focus on increased customer satisfaction in 2007 played a role in the positive performance registered in many business lines:

- The quality of service provided to retail and SME customers was enhanced by means of innovative products and services
- USD 40 million worth of business in foreign trade finance helped maintain the Bank's position among the sector's major players
- The private banking service network was expanded with the addition of 13 new private banking branches. Specialized products were developed for private banking customers that address customers' unique needs such as loans to finance yacht and work of art purchases
- Yapı Kredi, focused on delivering the very best in services to capital market customers, handled USD 72 billion worth of customer transactions in 2007



Sali Turan, No Name, 1990, Various Techniques on Paper, 50 x 70 cm (detail)

Yapı Kredi Collection

With the importance it attaches to customer satisfaction and employing a business partner approach, Yapı Kredi offers its corporate customers the best service available

### **A business partner approach in corporate banking**

With its proficient and experienced personnel, superior technology, and tailored solutions, Yapı Kredi continued to provide its corporate banking customers with the best in service in 2007.

In addition to standard banking products and services, Yapı Kredi's corporate banking product line also includes structured products and solutions for foreign trade finance, derivatives, cash management, e-banking, and project finance.

Yapı Kredi sees its customers as business partners. The bank's customer-centric approach is focused on a strategy of selectiveness and productivity while also enabling it to create and deliver specially-designed, structured products.

Yapı Kredi is at the service of its corporate customers at all seven of its corporate banking centers as well as through its commercial banking branches.

Yapı Kredi's primary aim in corporate banking is to distinguish itself with its tailored products and services and in this way to ensure ongoing customer loyalty.

### **Project Finance and Structured Finance**

Yapı Kredi is one of the leading banks in the field of project and structured finance in Turkey.

The Bank is at the service of customers in a wide range of project and structured finance activities that includes everything from mergers and acquisitions to large-scale project finance in many different sectors. In its structured finance solutions, Yapı Kredi carefully designs maturity and guarantee structures in order to satisfy the customer's exact needs while credit disbursement and repayment plans are determined based on the project's particulars.

In 2007, Yapı Kredi increased its support for the energy sector. Focusing on energy production, transmission, and distribution, the Bank paid special attention to natural gas and electricity transmission and distribution projects and to hydroelectric power plants. In 2007, the Bank provided more than USD 1 billion in project financing activities to the energy sector.

Under the main category of transportation, Yapı Kredi also concentrated on providing financing for harbor, airport, highway, railway, and urban transport systems including subway projects. In 2007 the Bank provided a total of USD 500 million worth of financing for transportation projects.

In 2007, Yapı Kredi supplied USD 650 million in project finance support for hospitals being built as public and private sector joint ventures as well as for shopping and congress center projects.

### **Foreign trade finance**

Yapı Kredi is one of Turkey's leading banks in foreign trade finance.

In addition to traditional import/export banking products and services, Yapı Kredi also provides its customers with structured trade finance products.

Yapı Kredi continues to reinforce the image of the Bank as a "foreign trade consultant" that it has shaped over the years through its expertise and customer-centric service approach. In 2007 Yapı Kredi recorded USD 40 billion worth of foreign trade finance, a performance that strengthened its position among the sector's leaders with a market share of 14%.

The quality and effectiveness of Yapı Kredi's foreign trade finance services are shown by a solid portfolio of customers who return to the Bank time after time. They are also evidenced in the award that Yapı Kredi received for its contribution to Turkey's foreign trade at the 5th International Finance Summit held in 2007 by Active Academy.

## Yapı Kredi in 2007

### Cash management and e-banking

Effectiveness and experience in cash management and e-banking services are one of Yapı Kredi's competitive advantages in corporate banking.

An extensive array of transaction banking products and services make it possible for Yapı Kredi to acquire customers and develop long-term business relationships with them. Services ranging from basic collections to complex e-banking applications focus on customer cash flows and all other banking requirements. Underlying Yapı Kredi's successful performance in cash management and e-banking services is its expertise in product development and sales functions.

Regarding cash management and e-banking services as key elements of its overall corporate banking strategy, Yapı Kredi is determined to tap into an even bigger share of its existing and new customers' banking potential in the corporate and commercial segments.

### Rapid growth in commercial banking customer portfolio

Yapı Kredi's commercial banking customer portfolio continued to grow with new additions in 2007.

The confidence felt in Yapı Kredi's name and its financial strength rank highly among the fundamental reasons for the rapid growth registered in commercial banking in 2007 as well as an extensive branch network and expert personnel who take a financial consultant's approach to their work.

In 2007, a customer-centric and innovative approach allowed Yapı Kredi to rank among the leading institutions meeting the investment needs of an extensive array of commercial customers active in businesses ranging from construction, wholesaling & retailing, metal, textiles & garments, foods, automobiles, to energy, transportation, and communications.

With its expert personnel in project finance, Yapı Kredi continued to be the financial institution preferred for the financing of projects demanding a high degree of specialization. The Bank provided financing for large-scale projects undertaken by major firms while also further deepening its relationships with those firms.

Continuing to put its strong technological infrastructure to work in the creation of cash management systems aimed at its customers' particular needs, Yapı Kredi also controls a significant share of Turkey's expanding foreign trade volumes through its import/export financing activities.

### At the service of 37.500 active customers

In 2007, Yapı Kredi served 37.500 active customers in the commercial banking business line. This segment accounted for a 15% share of the Bank's total deposits, a 28% share of its total cash loans, and a 38% share of its total non-cash loans.

Yapı Kredi's objectives in the commercial banking business line in 2008 are to:

- Pursue growth by becoming the house bank for existing and potential customers through its productive sales force and superior risk management
- Serve the needs of firms in the commercial banking segment with a market-focused, innovative approach and with an expanding variety of products
- Deliver the highest quality when meeting customers' needs by employing superior human resources and adhering to strategies that focus on the customer and on delivering solutions.

## In 2007, Yapı Kredi launched another first in Turkey, Fund of World Funds

### A leading player in private banking as well

The number of customers with which it works, the total volume of customer assets under management, and an extensive branch network all help make Yapı Kredi a leading player in private banking in Turkey. The Bank is at the service of its private banking customers with tailor made products and services that meet their exact needs and expectations.

During 2007, Yapı Kredi's private banking team further expanded its scope through the Bank's extensive domestic network.

Yapı Kredi, with its 212 experienced customer relationship managers at 17 specially designed private banking centers and 9 private banking branches provides private banking services that satisfy its customers' expectations in the most effective way. In addition, in 2007, private banking services were also provided at another 79 Yapı Kredi branches located throughout the country.

The "Investments Center" that supported Yapı Kredi branches in providing private banking customers with investment services was restructured as the "Private Banking Center" towards the end of 2007. Vipline, accessible on 444 0 446, provides private banking customers with uninterrupted 24/7 service.

### Another Yapı Kredi first in Turkey: Fund of World Funds

Throughout 2007, Yapı Kredi worked intensively on developing investment product alternatives aimed at delivering the best possible returns to its private banking customers. As a result of these efforts, Yapı Kredi offered its private banking customers yet another first in Turkey, its Fund of World Funds. Among the many advantages of Fund of World Funds diversified portfolio, investing primarily in foreign mutual funds, is that it is carefully managed with an eye on risk and is flexible enough to take quick advantage of opportunities when they arise in international markets.

### Private banking's contribution to the Bank's deposit base

Yapı Kredi's private banking customer assets entrusted to Yapı Kredi account for a 22% share of the Bank's total deposits and 34% of its assets under management.

### Specialized services for changing needs

In addition to offering its private banking customers superior investment alternatives, Yapı Kredi also provides them with other products and services designed to meet their specialized and changing needs. Two of the products introduced in 2007 under this heading, both firsts in Turkey, were loans designed to finance yacht and art purchases.

Yacht financing loans can be designed according to customers' particular needs and are offered at attractive interest rates and with flexible repayment plans. Customers

who take an interest in art and/or who regard art as a good investment vehicle can also take advantage of the Bank's support in financing such purchases.

### The Yapı Kredi difference in private banking

Yapı Kredi also provides its private banking customers with consultancy services whose advantages go beyond the financial realm. In 2007, the Bank brought a new dimension to private banking with the introduction of art consultation services, which attracted strong interest among its customers in this segment.

Another area in which Yapı Kredi comes to the aid of its private banking customers is that of tax consultancy. The Bank has entered into a strategic partnership agreement with Ernst & Young to provide tax consultancy services to its customers in this segment.

Unique, a quarterly magazine very popular with Yapı Kredi's private banking customers, and free Medline Emergency Medical Assistance Package are other private banking services that the Bank offers. Yapı Kredi private banking customers are also supplied with a wide range of financial information and data in the form of daily market bulletins, monthly economic reports, mutual fund bulletins, and booklets dealing with tax-related matters.

## Yapı Kredi in 2007

Within the framework of its social responsibility projects, Yapı Kredi continues to be one of the primary sponsors of the Geyre Foundation, which provides support for the archaeological excavations being carried out at the site of the ancient city of Aphrodisias in southwestern Turkey. The Bank is also an active sponsor of sports such as the European Stars Equestrian Championship and the Yapı Kredi Private Banking Golf Tournament.

### Yapı Kredi's international operations

Yapı Kredi is at the service of customers in the international arena through its subsidiaries based in Russia, Azerbaijan, and the Netherlands.

Dutch-based Koçbank Nederland NV and Yapı Kredi Bank Nederland NV were merged together as Yapı Kredi Bank Nederland NV in June 2007. In its new form, the Bank's rich offering of products and services in the retail, commercial, and corporate banking segments continued to make it the premier choice of customers.

Active in the Russian Federation and in Azerbaijan, two locations where Turkish companies have been increasing their

activities in recent years, Yapı Kredi Bank Moscow and Yapı Kredi Bank Azerbaijan were both the authors of various important projects once again in 2007. Each bank stood by Turkish investors active in their respective countries and provided them with all the banking products and services they might need.

Yapı Kredi's German financial services branches located in the cities of Stuttgart, Munich, and Cologne were closed in June 2007.

### Successful treasury management in a turbulent year

Despite the market volatilities experienced in 2007, Yapı Kredi carried out its treasury operations in line with its overall market risk management approach. Successful conduct of these operations ensured that neither the Bank's liquidity nor its profitability were impaired.

#### Higher transaction volumes

In 2007 Yapı Kredi increased both the volume of its treasury operations and its overall market share in this business line. The Bank handled FX transactions worth a total of USD 168 billion and captured a 14% share of all such domestic transactions undertaken for retail and corporate customers.

Taking advantage of its status as a market-maker, Yapı Kredi recorded YTL 35 billion worth of business in the ISE treasury notes & bond market and ranked among the top four participants in terms of transaction volume. In the secondary market Yapı Kredi handled transactions worth a total of YTL 30 billion, giving the Bank an overall business volume amounting to YTL 65 billion.

### A greater presence in derivatives markets

Yapı Kredi also plays an active role in derivatives markets. In 2007 the Bank significantly increased its forwards and options trading volumes and recorded a total of USD 15,5 billion worth of business.

Focused on delivering the very best in service to customers in money and capital markets and at the very best price, Yapı Kredi handled USD 72 billion worth of customer transactions.

Yapı Kredi's treasury management policy in 2008 will be as follows:

- Increasing its transaction volumes through being customers' first choice
- Protecting the Bank against the impact that international market turbulence may have on domestic markets
- Developing new products to keep pace with ongoing developments in financial markets while also increasing both transaction volumes and market presence.



## Yapı Kredi offers its customers innovative and alternative financial products in keeping with changing market conditions

### A strong name in international relations

Yapı Kredi was one of the first members of the Turkish banking sector to establish and develop business with a network of international correspondents. As a result of the multidimensional relationships that have been built up over the years in international markets, the Bank today works with more than 2.000 correspondents around the world.

During 2007, Yapı Kredi once again adhered to a professional and scrupulous approach in the conduct of its correspondent relations and remained one of the channels through which the world's leading financial institutions do business in Turkey.

Leveraging its distinguished reputation, the Bank continued to offer its customers high added-value services in both foreign trade and cash management. At the same time, Yapı Kredi also offers its customers innovative and alternative financial products in keeping up with changing market conditions.

### An important milestone in relations with SACE

In January 2007, Yapı Kredi secured a EUR 100 million credit facility for 5 years that was guaranteed by the Italian export credit agency SACE. These resources are to be used to provide financing for firms doing business with Italy.

In terms of both amount and term, this deal represents a first in Turkey in relations with SACE.

### Tapping international markets for resources

In September 2007, Yapı Kredi signed a one-year USD 800 million syndicated loan facility refinancing the Bank's USD 650 million syndicated loan transaction concluded in 2006. While with the participation of 42 international banks the Bank successfully increased the amount, it was also able to lower its borrowing cost from LIBOR + 52,5 bps to LIBOR + 47,5 bps.

The Bank is using these funds to continue supporting Turkey's exporters. The renewal of the facility on more favorable terms is still more evidence of the reputation that Yapı Kredi enjoys in international financial markets.

In 2007, Yapı Kredi has finalized the best-priced securitization ever entered into by a Turkish bank up to that time. In the wake of its record-breaking securitization in 2006, the Bank closed another in March 2007 in the amount of USD 400 million in two series, each insured by two different monoline companies.

In June 2007, Yapı Kredi obtained a EUR 200 million subordinated loan on 10-year terms with an initial 5-year grace period. Bearing an interest rate of EURIBOR + 1,85%, the loan is guaranteed by UniCredito Italiano SpA.

## Yapı Kredi in 2007

For tomorrow, today...

# It is now time to focus on efficiency

**Setting the sector's standards and determining the direction of competition with its innovations, Yapı Kredi, in 2007:**

- Continued to move cash transactions away from branches to alternative delivery channels
- Increased the number of its ATMs to 1.930 and also launched a barcode-based bill payment system through its ATMs, a first in Turkey
- Increased its Limitless Banking customer base by 22%
- Received an award for Best Call Center
- Substantially restructured its operational infrastructure
- Ranked first among Turkish banks with a nearly 100% error-free money transfer performance in foreign currencies

### Developments in ATMs

#### Tele24 (ATMs)

As of end-2007, Yapı Kredi's ATM network reached 1.930 units. With this number, the bank ranked fourth in the sector and controlled a 10,3% share of the ATM market.

#### Tele 24 Plus (Advanced ATMs)

Within the framework of the Transaction Migration Project that was launched in 2007 to move as many transactions as possible to alternative delivery channels, advanced ATM units (Tele 24 Plus) are being installed at an increasingly greater pace. The number of advanced ATM units in the network stood at 1.027 at end-2007. Yapı Kredi ranks second in the sector in terms of ATM units that accept cash deposits.

#### A first in Turkey: Barcode-supported payments

In 2007, Yapı Kredi launched another first in Turkey by introducing barcode-based bill payments for its customers at its ATMs. A substantial volume of branches' cash depositing and credit card payment traffic was shifted to Tele 24 Plus machines and the usage rate of these units was increased to 51,2% as a result of the launch of cardless transactions, campaigns and the efforts of Tele 24 Plus consultants. The growth in the number of Tele 24 Plus machines has already reduced the cash transaction workload at branches from 45% to 34%.

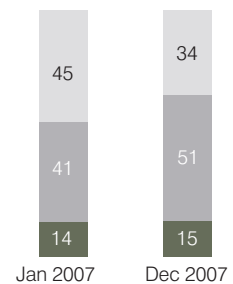
90,2% of all of Yapı Kredi's cash withdrawals in 2007 were made through ATMs.



Ömer Ulug, Landscape, 1999, Oil on Canvas, 100 x 100 cm (detail)  
Yapı Kredi Collection

### Alternative Delivery Channels (ADC) Usage Rate (%)

- Internet and Call Center
- ATM
- Branch





## In 2007, Yapı Kredi launched a first in Turkey, barcode-based bill payments for its customers through its ATMs

### International synergies in ATM systems

An important benefit of the Yapı Kredi-UniCredit collaboration was reaped on 1 October 2007 with the introduction of ATM sharing.

Since that date, the ATM systems of both banks have been mutually accessible to customers. As result of this agreement, Yapı Kredi customers can now withdraw cash with their World debit card from more than 15.000 UniCredit ATMs in 16 European countries without any charge.

In 2008, Yapı Kredi will be further expanding the size of its ATM network with the installation of more units that accept cash deposits. The Bank plans to increase the number of Tele 24 Plus machines by 700 to reach 1.730 units.

During 2008, the Bank will be installing Tele 24 Plus machines that are capable of dispensing coins as change. Coin dispensers will also be added to the Tele 24 Plus units that were installed in 2007 so that all Tele 24 Plus ATMs have this capability.

Included in the new ATM network projects that are under development, consumer loan installment and utility bill payment features are to be added to Tele 24 Plus machines. By adding these features to coin-dispensing units, the Bank will also be able to serve people who are not Yapı Kredi customers while further reducing overall workloads at its branches.

### Developments in online banking

#### 22% rise in Limitless Banking customers

"Limitless Banking" is the name given to the complete package of services that Yapı Kredi delivers over the internet.

Intensive efforts made in 2007 increased the demand for Yapı Kredi Limitless Banking services to a substantial degree.

In 2007 the number of the Bank's corporate banking internet customers approached 104.000 while the number of retail internet banking customers approached 1,2 million. Overall there was a net 22% rise in the number of Yapı Kredi Limitless Banking users.

#### During 2007, Yapı Kredi significantly increased and diversified the services offered to its retail and corporate customers over the internet

For retail customers, Yapı Kredi continued to systematically expand the scope of its retail internet banking applications in line with customers' changing and increasing needs.

The use of "Smart PIN" products (Smart SMS, Smart Mobile, and Smart Key) was made obligatory in order to perform financial transactions via the website. Smart PIN users increased 470% and largely as a result of this, internet banking fraud was fully eliminated.

Transaction verification using Turkcell Mobile Signatures was introduced for retail customers using the internet branch. Simply by clicking on the "Sign Up Now" button, it is possible for users to complete all applications for the internet banking services over the website. In the first eight months of this program, 430.000 password-related transactions were completed, an average of 53.000 passwords were distributed a month.

While reducing operational workload on branches, Yapı Kredi retail internet banking has also become an important channel for making product sales through campaigns and references. Among these activities were the launching of campaigns undertaken for a variety of products such as credit cards, Pusula, Working Account, and Automatic Payments. 230.000 product sales were made via the internet branch in 2007.

Yapı Kredi is the only financial institution in Turkey to implement PKI-based (Public Key Infrastructure-based) Smart Banking for its corporate internet bank, the highest level of internet security available today. The Smart Key application was also made operational for the Bank's corporate internet bank.

In the last quarter of the year, the Bank launched its Internet For Companies project aimed at designing a new interface for online corporate banking as well as satisfying other development requirements.

## Yapı Kredi in 2007

FONPORT, a web-based system that offers a broad range of content from daily mutual fund prices to customer-tailored solutions, was launched in January 2008 in order to provide all the information support needed by the sales force in marketing mutual funds to customers. FONPORT is designed to maximize the sales team's knowledge about asset management products and keep them up to date about new products such as guaranteed mutual funds, fund of funds, and hedge funds and about financial markets developments that may be of interest to investors.

In 2007, Yapı Kredi was once again the only bank providing 24/7 online assistance from its internet banking website.

### **The largest Call Center in the Turkish financial services industry**

With a team of 650 people, Yapı Kredi's Call Center is the largest call center in the Turkish financial sector.

Having finalized the process of transforming it into a full-time customer contact center, Yapı Kredi's Call Center delivered high-quality service to customers through every channel while handling an average of 100.000 incoming calls, 15.000 outgoing calls, 5.000 chat sessions, and 2.000 e-mails a day in 2007.

Yapı Kredi's Call Center achieved the highest levels of service performance in all channels during 2007 without need for an increase in the number of its personnel. The ratio of responding to calls reaching a customer representative increased from 85% to 95% in 2007. As a result of efforts to make the automatic response system, the lowest-cost of the Bank's help lines, more convenient to use for customers, its usage increased from 44% to 55%.

In late 2006, the content of the Bank's new chat (text-phone) service channel was simplified, which made it particularly useful to customers with impaired hearing. This system allows customers to ask questions and receive answers immediately in real time over the internet on a 24/7 basis. In its first year of use, this channel served 330.000 customers and accounted for a 1,1% share of all customer service calls.

### **Increasing effectiveness in selling strategic products**

Throughout 2007, Yapı Kredi's Call Center also focused its attention on selling the Bank's strategic products: private pension plans, overdraft accounts, cross-sale products, and credit cards.

Nearly 600.000 potential customers were called during the year and 120.000 private pension meeting appointments were made. In addition to these calls, 2,1 million customers were called as a result of which 205.000 sales consisting of 65.000 credit cards and 140.000 other strategic products were made.

Yapı Kredi's Call Center has the goal of achieving perfection in service quality while also maximizing customer satisfaction in the following period. In line with the Bank's strategic objectives, the range of products offered through the Call Center will also be expanded.

Installation of Mortgage-Infoline, a web-based application that will serve users in mortgage loans, a business line in which the Bank intends to pursue growth, will be completed during the first quarter of 2008.

The Corporate Telephone Banking System, which will serve Yapı Kredi's corporate, commercial, and SME customers, will also become operational in the second half of 2008.

### **Recognitions and awards**

Yapı Kredi's superior success in the development of alternative delivery channels was acknowledged during 2007 by such recognitions as "Best Internet Banking Award of the Year" (PC Magazine) and "Best Call Center" and "Best Performance Development" awards (IMI Conferences).

# Yapı Kredi has launched a comprehensive array of information technology projects that will support its ambitious targets in the period ahead

## System technology and product and infrastructure development

In the area of information technology, in 2007, Yapı Kredi focused on product and infrastructure development and successfully completed various projects to:

- Open new branches
- Provide new products and services to customers and internal users
- Deliver fast, high-quality service in the face of expanding customer numbers and transaction volumes.

Thanks to its ongoing efforts to develop its infrastructure and improve performance, Yapı Kredi was able to carry out its branch expansion plan effectively and without the need for investment in additional hardware.

In addition, information technology support is also provided to Yapı Kredi Invest, Yapı Kredi Asset Management, and Yapı Kredi Factoring as well as to the Bank's foreign subsidiary banks and representative offices. The integration of their systems with those of the Bank was completed in a timely and efficient manner. Besides its technological and infrastructural development activities, Yapı Kredi also organized intensive training programs to ensure that systems are used effectively and to enhance productivity and customer satisfaction.

Among the information technology projects undertaken in 2007 that reinforced Yapı Kredi's position as a leading player, the following significant ones might be listed:

- A system that analyzes an existing customer's background information and automatically generates a credit limit
- Integrated service to corporate customers and to their dealerships
- Mobile signatures
- Cardless ATM transactions
- Barcode-based bill payment system for ATM units
- Implementation of GPRS communication infrastructure
- Automated outbound call system for use in collecting information/orders etc.

In 2007, Yapı Kredi also:

- Completed customer segmentation and sub-segmentation activities to better serve the customer-centric business model defined in line with the Bank's strategies.
- Launched projects needed to bring the Bank into compliance with legally-required Basel II criteria. All major infrastructure has been put in place and the system is expected to be operational during 2008.
- Further strengthened its existing alternative delivery channel security applications, which are acknowledged to be among the most reliable in Turkey, with advanced features.

In 2007, Worldcard underwent a comprehensive transformation and a brand-new infrastructure was developed which supports the new and innovative clubs and programs and which is also capable of offering customers unique features and opportunities.

## Disaster Recovery Center

Yapı Kredi is committed to ensuring that all of its transactions and customers services will continue without any interruption even in the event of an emergency.

In keeping with this commitment, all of the bank's critical information and applications are automatically backed up immediately at the Disaster Recovery Center so that Yapı Kredi's information technology systems can remain in operation under all conditions and at all times.

## Technological infrastructure capable of supporting ambitious objectives

In 2008, Yapı Kredi will continue to rapidly increase the number of its branches, to acquire new customers, to expand cross-sell ratio with existing customers, and to further improve overall customer satisfaction.

## Yapı Kredi in 2007

The Bank has already launched a comprehensive array of projects to support all of these ambitious objectives. In line with this, Yapı Kredi's communication and complaint management project, whose aim is to enhance customer satisfaction, will become operational in 2008 as will its package of new Internet banking applications that will provide corporate customers with an excellent service infrastructure and a rich selection of financial products.

Comprehensive projects that are to be undertaken in the areas of customer relations and campaign management will make it possible to design and immediately offer products and services that are tailored to the customer's needs. Projects aimed at operational productivity will also allow alternative delivery channels to be developed, to expand the service diversity of those channels, and to extend risk management and monitoring systems.

### Fundamental changes aimed at achieving perfection in operational service

Yapı Kredi's operations underwent a substantial overhaul during 2007.

In line with the project to implement the new service model in all of its branches, Yapı Kredi introduced the new Operational Service Model. Operational transactions taking place at branches and operations center are now being benchmarked according to the new model. In 2007 a "New Face of Operations" approach was formulated and the "Expanded Operations Team" concept was adopted.

Henceforth, Yapı Kredi will be undertaking all of its operational activities within the framework of three key pillars:

- "Total Quality Management"
- "New Face of Operations"
- "Perfection and Productivity in Operations"

In 2007:

- Work was begun on application standardization. Standardization activities will focus on ensuring that every task is carried out in accordance with the Operations Service Model, that written rules concerning productivity and risk are abided by, and that employees take a solution-focused approach to operations and management in the performance of their duties.
- All branch-customer and branch-operations center communications and the task flow system have been moved onto an electronic platform.
- The Bank's advanced customer ranking system and active lobby management applications are now up and running in all branches.
- A dynamic monitoring mechanism has been created to make it possible for branches' risk levels, service quality, and operational goals to be monitored effectively and centrally.
- A central operations structure has been adopted that is suitable for all customer groups and is compliant with the new service model.
- The introduction of standardized procedures related to the physical transportation of cash and valuable goods was completed in 2007.

Thanks to its ongoing efforts to develop infrastructure and improve performance, Yapı Kredi was able to carry out its branch expansion plan effectively and without the need for investment in additional hardware

- During 2007, all customer identification documents, signature specimens, loan applications etc that are sent by branches to the operations center were scanned and transferred to the document management system. This not only speeds up access to these materials but also saves time and money on many fronts ranging from document archiving to inter-unit information flows. By enabling less paper usage in transaction processing, this project is also an important example of Yapı Kredi's environmental awareness.

#### **Perfection in international payments**

Yapı Kredi's superior performance in the straight-through processing (STP) of international payments was again acknowledged by the Bank's correspondents in 2007.

Deutsche Bank announced a STP level of 99,8% error-free for Yapı Kredi. This is the highest level achieved by any Turkish bank.

Similarly, Yapı Kredi's excellent performance in payment processing was also confirmed by a 95,4% STP rate in payments with Bank of New York, a 98,54% STP rate with Kommerz Bank Frankfurt, and STP rates of 98% (EUR) and 95% (USD) in dealings with American Express Bank.

#### **Looking ahead**

- An operations management system will be set up that complies with the standards prescribed by the Yapı Kredi Quality Management System.

- Under the "Yapı Kredi Perfection and Productivity in Operational Services" project, the Bank's process and service structure will be reorganized to bring it in parallel with the goal of functioning quickly, timely and error-free manner, and with minimum risk and maximum productivity at all stages of the customer service cycle.

- All work processes will continue to be reviewed in line with the Bank's "New Face of Operations" principle.

- Additional attention will be given to electronic archive and document management system activities in order to make all documents entered into the system accessible in electronic format.

- The Loan Project, which will make it possible for loan disbursement controls to be monitored automatically, will become operational in the first quarter of 2008. The objectives of this project are to minimize operational risks and costs while simultaneously improving operational productivity.

- Branch teller personnel will be playing a more active role in cross-sale activities. This approach will also make it possible for the Bank to attract increasingly more potential new customers. Yapı Kredi's goal is to increase the percentage of over-the-counter sales to 10% of total sales in 2008.

- Under the Universal Staff Project, operational personnel in branch will be equipped with a standard set of competencies. The aim of this project is to create "universal" personnel who can function effectively in all of the Bank's operations. This project will also maximize operational productivity while minimizing human resource deployment.

- The TellerLine Optimization Project is designed to achieve system and process improvements in teller transactions. The objectives of this project are to raise teller transaction quality, reduce customer queuing and transaction times, improve transaction security and minimize operational losses.

## Yapı Kredi in 2007

For tomorrow, today...

# It is now time to create more added value

**During 2007, Yapı Kredi once again demonstrated the importance that it attaches to human resources through the innovations, opportunities, and training provided to them**

**Yapı Kredi's role as an exemplary corporate citizen is also evidenced by the social responsibility activities that it undertakes in sharing the gains with the community of which it is a part**

### Key element of superior, high-quality service

Yapı Kredi knows that the human factor is crucial to the provision of superior, high-quality service.

The Bank shapes and conducts its human resources practices in line with its corporate goals and strategies and it further develops them by taking into account changing sector and market conditions and feedback from its employees.

At end-2007, the Bank had 14.249 people on its payroll and during the year 2.921 new recruitments were realized. The majority (62%) of Yapı Kredi employees are women. 76% of employees hold an undergraduate or graduate degree and 28% of them are competent in at least one foreign language.

### Towards more effective management of human resources

In 2007, Yapı Kredi reorganized its entire human resources structure using job definition methodology and graded the titles. The objective of this project was to identify the fairest system of employee compensation based on job dimensions and sectoral practices. The position levels identified as a result of this analysis serve as the new foundation for Yapı Kredi's human resources structure.



Maide Arel, No Name, 1951, Oil on Board, 41 x 28 cm (detail)  
Yapı Kredi Collection



## Focused on leadership, growth and customer satisfaction, Yapı Kredi creates increasingly higher value for all its stakeholders

Training programs were organized in order to create new opportunities for personnel while employees were assigned to new positions based on their abilities and skills. In line with the Bank's more sales-focused strategy, 245 people were reassigned to sales teams.

Yapı Kredi employs a Management by Objectives Incentive System that is designed to reward employee success, enhance job motivation, and encourage the delivery of more productive and higher-quality service. Yapı Kredi employees are also given opportunities to take part in ability-development projects aimed at improving their skills, increasing their knowledge and experience, and opening international career development paths for them within the corporate group.

### Continuation in training activities

Intensive training activities continued at Yapı Kredi throughout 2007.

About 12.300 people took part in the Kutup Yıldızı (Polestar) project undertaken to frame a common corporate culture throughout Yapı Kredi. 1.090 people also took part in the Management Development Program aimed at formulating a new management culture and language, while around 850 took part in the complementary Coaching and Feedback Program.

About 4.500 Yapı Kredi employees took part in the Sales and Service Program designed to improve the Bank's sales force and create a universal approach that is to be followed in the fulfillment of customers' needs. Training in basic banking issues was also given to about 1.900 newly-hired bank personnel in 2007. 105 basic training programs were completed after which participants were given on-the-job training at the Bank's branches.

A total of 1.380 training programs were conducted during 2007 while participation in bank-organized seminars reached 81.725 people. Average training time last year was 48 hours/person.

### Group pension plan

Yapı Kredi has been contributing to an employee group pension plan since 2006 as a way of providing its employees with additional support during their retirement years. As of end-2007, 56% of the Bank's employees benefit from this plan.

Yapı Kredi employees as well as their spouses and children take advantage of group health insurance.

### 2007 communication strategy

The Bank's 2007 communication strategy was based on reinforcing fundamental perceptions of the Yapı Kredi brand and on highlighting the different aspects that reflect the brand's value. The brand idea as "No Limit To Service" was communicated with a greater focus on the individuals in line with changing competitive conditions.

The Banker, one of the world's most prestigious banking publications, awarded Yapı Kredi as "The Bank of the Year 2007" in Turkey. This important success was publicized through the Bank's branches and by means of newspaper and magazine advertisements.

Media announcements concerning newly opened branches focused on the "No Limit To Local Flavors" and "No Limit To Service" themes.

A number of advertising campaigns were conducted to encourage the use of the Bank's Tele24 Plus ATMs in 2007. These focused on publicizing the convenience of the barcode reading functions installed in these machines. Customers were also informed about the newly introduced capability of making cash withdrawals from UniCredit Group ATMs using Yapı Kredi debit cards without having to pay any fees or commissions.

Yapı Kredi's SME banking products and services were promoted in a campaign whose main message was the Bank's support for the innovation in SME segment. The focal point of this campaign was the Yapı Kredi SME Portfolio Managers' close relationships with SME customers and the distinctive services they provide.

## Yapı Kredi in 2007

With the introduction of the new mortgage law in Turkey, Yapı Kredi's strengths, expertise, and product diversity in mortgage loans were emphasized in consumer-targeted campaigns that were conducted all year long.

Other important communication activities undertaken during the year consisted of the Bank's individual loan campaigns, which emphasized the wide variety of credit products specially designed to meet every need, and campaigns for Yapı Kredi mutual funds and the Fund of World Funds, a first in Turkey.

Within the framework of private banking activities, customized communication services and direct marketing activities were carried out for Yapı Kredi Private Banking customers. As in previous years, the Bank kept its private banking customers informed about developments taking place in Turkey and globally through a series of tax and economy seminars.

In 2007, Yapı Kredi Private Banking hosted the "European Jumping Championship for Children Riders" held in İstanbul for the second time. As part of its program Yapı Kredi Private Banking also sponsored a golf tournament in its own name in May and organized a special musical event with Lara Fabian in December for its customers.

### World

The most comprehensive and noteworthy of all the communication activities undertaken during 2007 was the Bank's credit card brand World's re-launch. During this period, World's logo and visual identity underwent a renovation and were deployed everywhere from printed materials to the internet.

The advertising campaign in which World's new visual identity was introduced was launched on November 5th with an integrated media barrage that saturated TV, printed publications, outdoor, and internet channels. World-related materials were also ready for use at all Yapı Kredi branches and merchant partners in Turkey and they were put up on the renewed website as of the same date.

### "Ben İstersem"

The "Ben İstersem" ("Can Do") slogan was used in the advertising campaign focusing on the new brand concept. What makes people "individuals" are their preferences in life and especially the things that they want to do. The aim of the brand idea is to show that "World" liberates and empowers cardholders to do what they want with their money. The advertising campaign was shaped around this fact and World was positioned as a brand that not only recognized and accepted individuals' differences but also supported and encouraged them.

### Credit card sponsorships

Two of the main credit card sponsorships in 2007 were the "Radar Live Festival" and the "International Brand Conference of İstanbul".

At the CowParade show held in İstanbul from 1 August to 31 October, four World cows prepared by three artists (one of them Ömer Uluç) were included in one of the world's biggest and most popular public art events. As a regular sponsor of the "International Brand Conference of İstanbul, World had an opportunity last year to introduce its new system to the conference's distinguished audience of participants from the worlds of marketing and communication. At the 10th İstanbul Biennial, of which Koç Holding is one of the prime sponsors, Yapı Kredi lent its support to the "Nightcomers / Gecegezenler" project.

### In cooperation with Yapı Kredi Cultural Activities, Arts and Publishing

An innovative feature of Yapı Kredi Private Banking is the art consultancy services that are provided in cooperation with the bank's culture and publishing arm Yapı Kredi Cultural Activities, Arts and Publishing, UniCredit, and the world-famous auction house Christie's. Last year this elite service was introduced to private banking customers along with the launching of the art loan.

Together with Turkey's renowned photographer Ara Güler, Yapı Kredi Cultural Activities, Arts and Publishing undertook a project by which mass publication of literature was underscored with photographs of authors that were specially taken by that artist.

Exhibitions held at the Yapı Kredi Cultural Activities, Arts and Publishing were regularly advertised by means of newspaper and radio announcements.



# Yapı Kredi acknowledges that the human factor is crucial to providing superior, high-quality service

## Developing better communication with and among employees

During 2007, attention was given to results and marketing-focused, specially-targeted visual activities aimed at increasing corporate identity and internal brand awareness, at strengthening in-house communication, and at raising employees' awareness of Yapı Kredi's products and services as well as their loyalty and motivation.

A number of innovations were introduced last year to achieve more productive use of in-house communication channels. The in-house TV channel "BizTV" adopted a new broadcasting strategy designed to allow it to be used more effectively by the Bank's management and subsidiaries while also revamping its look. The in-house magazine "Bizler" was also refurbished to give it a new design and content while also reflecting the Bank's new corporate identity by being published in Turkish and English.

The Yapı Kredi Social Activities Club is designed to give employees a chance to get together socially outside the workplace as a way of enhancing corporate solidarity and making interpersonal communication more effective and productive. This club organizes a wide range of activities that include theater, photography, music, bowling, folk dancing, dancing, motor sports, and diving.

UniCredit's annual Art Day was held for the first time at Yapı Kredi in 2007. Bank employees were admitted free of charge to

İstanbul Biennial exhibitions on October 20th and guided tours were organized to Biennial venues as well as to the Yapı Kredi Kâzım Taşkent Art Gallery and to the Vedat Nedim Tör Museum.

As part of the "Ülkem İçin" ("For My Country") Day activities in which Koç Holding employees and dealers take part, Yapı Kredi employees renovated the gymnasium of the Gebze School of Practical Education, an institution for mentally handicapped children of school age.

Encouraging the successes of its employees not just in the pursuit of their careers but in their social lives as well, Yapı Kredi last year provided support for 7 of the licensed athletes among its personnel so that they could take part in sports activities and tournaments.

## Corporate Social Responsibility

Yapı Kredi supports a variety of activities that make a positive contribution towards the development of society through sponsorships and by supplying them with resources while also encouraging its own employees to take part in corporate social responsibility projects themselves. During 2007, Yapı Kredi undertook corporate social responsibility projects in the areas of archaeology, culture&art, and environment&education.

In the area of archaeology, Yapı Kredi has been supporting excavations at Çatalhöyük, an important archaeological site of one of the world's first cities (7000 BCE), since 1998.

In the area of culture and arts, Yapı Kredi has been supporting the İstanbul Foundation for Culture and Arts and its activities for decades. Last year it sponsored a concert by the Amsterdam Concertgebouw orchestra as part of the İstanbul International Music Festival.

Yapı Kredi is also a regular sponsor of the İstanbul Biennial.

In the areas of the environment and education, Yapı Kredi has been supporting the "Infinite Blue" campaign of the DenizTemiz/TURMEPA organization undertaken jointly with the Ministry of National Education. This project, which is designed to make primary and middle-school age children aware of the importance of preventing pollution of the sea, reached 4.500 teachers and about 1 million students by the end of 2007.

Yapı Kredi is also a corporate sponsor of Creative Reading Project of Educational Volunteers Foundation of Turkey (TEGV). Almost 17.000 schoolchildren have attended the activity in 2007.

## Yapı Kredi's subsidiaries



The leader of its sector since 2002, Yapı Kredi Factoring (Yapı Kredi Faktoring) once again successfully maintained in 2007 the title of "Best Export Factor of the World" that it was awarded in 2006.



Ranking 7th with a 6,5% market share in non-life insurance, Yapı Kredi Insurance (Yapı Kredi Sigorta) is the leader of the health branch and booked a premium production worth YTL 267 million in 2007.



Founded in Switzerland in 1963, Banque de Commerce et de Placements (BCP) has longstanding experience in private banking and international trade finance.



Yapı Kredi Leasing, by recording USD 1,6 billion of transaction volume in 2007, registered the highest transaction volume ever achieved by a company in its sector and maintained its position as sector leader with a 19,2% market share.



The third largest company in private pension funds, Yapı Kredi Pension (Yapı Kredi Emeklilik) had a total of YTL 701 million in private pension fund assets at end-2007.



Yapı Kredi Koray Real Estate Investment Company (Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı) was founded in 1996 as a partnership between Yapı Kredi Bank (26%) and Koray Construction (25%). The remaining 49% of the company's shares are publicly traded on the Istanbul Stock Exchange.



The leader in mutual funds, Yapı Kredi Asset Management (Yapı Kredi Portföy) controlled a 20,9% market share as of end-2007.



Founded in 1994, Yapı Kredi Moscow ranks 244th among the 1.104 banks in the Russian Federation in terms of assets and 162nd in terms of profitability.



Turkey's most deepest and prestigious privately-owned culture and art institution, Yapı Kredi Cultural Activities, Arts and Publishing (Yapı Kredi Kültür Sanat Yayıncılık) is the market leader with a 10% share in the publishing industry.



Yapı Kredi Invest (Yapı Kredi Yatırım) ranked 5th in its sector in 2007 with a equity business volume of YTL 33 billion and a 4,3% market share.



Formed as a result of the merger between Koçbank NV and Yapı Kredi Bank Nederland in July 2007, Yapı Kredi Nederland offers retail, commercial, corporate, and private banking products and services.



Turkey's second largest investment trust, Yapı Kredi Investment Trust (Yapı Kredi Yatırım Ortaklığı) had a total portfolio was valued at YTL 60 million at end-2007, corresponding to a 9% market share.



The only wholly foreign-owned bank in Azerbaijan, Yapı Kredi Bank Azerbaijan serves customers through four branches in Baku.

# Yapı Kredi Factoring is the sector leader since 2002

**Yapı Kredi's domestic and international subsidiaries complement and further strengthen its product and service competencies**

## Yapı Kredi Factoring

### The sector's leader since 2002

With its experience and proven service quality, Yapı Kredi Factoring (Yapı Kredi Faktoring) is one of Turkey's strongest and most trusted factoring service providers. Employing 100 experienced personnel and the sector's leader since 2002, Yapı Kredi Factoring is headquartered in İstanbul and has a representative office in İzmir. In addition, it also reaches customers throughout Turkey through the branch network of its parent, Yapı Kredi Bank.

Yapı Kredi Factoring's vision is to maintain its undisputed leadership of the factoring sector through solid growth and value-creation and to be the first choice of both customers and employees.

An important component of Yapı Kredi Factoring's mission is to promote factoring throughout the country, encourage its use as a trade finance tool, and nourish market potential by cooperating with other factoring firms.

### EUR 3,1 billion worth of transaction volume

In 2007, Yapı Kredi Factoring recorded a total of EUR 3,1 billion worth of transaction volume of which 65% were domestic and 35% were international. This performance underscores the Company's position as the sector's undisputed leader with a 19,4% share of total transaction volume and a 50% share of international factoring business.

### Best Export Factor of the World

The success and performance that Yapı Kredi Factoring achieved in 2006 was reinforced in 2007 when it once again maintained its standing as "Best Export Factor of the World".

This title, awarded to the Company by Factors Chain International (FCI), is based on such criteria as service quality, number of countries exported to, number of correspondents worked with, and volume of export factoring business handled. Yapı Kredi Factoring ranked first among 178 companies surveyed and it is the first, and only Turkish factoring company to receive this award two years in a row.

Yapı Kredi Factoring achieved another success by retaining its first-place standing among FCI members globally with a total of EUR 777 million correspondent factoring transaction volume in 2007.

### In the future

With its solid capital structure, high credibility, and extensive sources of funding, Yapı Kredi Factoring's goal is to maintain its leading position in the sector while continuing to develop new factoring products and services.

Of the new additions to the company's clientele in 2007, 93% were in the small to medium-sized enterprise category while the remaining 7% were large corporate customers. In 2008, the company plans to supply even more resources to the SME segment and to increase such companies' share in its business portfolio.

## Yapı Kredi's subsidiaries

In 2007, by recording USD 1,6 billion in transaction volume, Yapı Kredi Leasing registered the highest transaction volume ever achieved by any company in the Turkish leasing sector and controlled a 19,2% market share

### Yapı Kredi Leasing

#### The sector's leader with a 19,2% market share

Founded in 1987, Yapı Kredi Leasing remains the leader of the Turkish leasing sector backed by its successful delivery channels and customer-centric marketing and sales activities.

In 2007, by recording USD 1,6 billion in transaction volume, Yapı Kredi Leasing registered the highest transaction volume ever achieved by any company in the Turkish leasing sector and controlled a 19,2% market share.

#### Yapı Kredi Leasing is at the service of a broad customer base

Yapı Kredi Leasing creates financial solutions and supplies them to firms and entrepreneurs in all economically productive sectors ranging from construction, publishing, agriculture and automotive to tourism, health care, and real estate.

With more than 20 years of experience, sectoral know-how, and financial expertise, Yapı Kredi Leasing leads the field as it creates financing models specially designed to satisfy its customer's business objectives.

#### Close collaboration with Yapı Kredi

Headquartered in İstanbul, Yapı Kredi Leasing has nine regional departments in İstanbul, İzmir, Bursa, Ankara, Antalya, Adana, and Gaziantep. This diversified structure enables the company to establish strong relationships with local investors while keeping its finger on the pulse of local business scenes. In line with the synergies generated within the Koç Financial Services Group, Yapı Kredi Leasing also makes use of Yapı Kredi Bank branches as sales points as well. The Bank's branches not only direct potential customers to Yapı Kredi Leasing but also work with the Company in such matters as loan inquiries and market analyses.

#### The only Turkish member of the Multilease Association

Yapı Kredi Leasing is the only Turkish leasing company that is a member of Multilease Association, an international organization of major leasing companies from around the world.

## At end-2007, Yapı Kredi Asset Management is the leader in mutual funds

In 2007, with YTL 315 billion of trading volume, Yapı Kredi Invest ranked first among brokerage houses in terms of total trading volume in the İstanbul Stock Exchange

### Yapı Kredi Asset Management

#### At the service of individual and corporate investors

Yapı Kredi Asset Management (Yapı Kredi Portföy) employs a team of 50 people, 22 of whom are portfolio managers, to provide individual and corporate investors with unique and innovative asset management services.

The Company manages a broad range of investment products capable of satisfying different risk preferences while adhering to the principles of investment choices based on corporate decisions, proactive asset management, and optimized return targets.

Yapı Kredi Asset Management enjoys an exceptional position in the sector due to its disciplined approach to investment and risk management, track record in performance and superior human resources. In addition to acting as an asset manager and consultant for its clientele, the Company is also adept at creating added value through diversified services that include assisting Turkish and foreign corporate investors who are interested in establishing private funds and managing such funds for them.

#### Leader in the mutual funds

At end-2007, with YTL 5,4 billion worth of assets under management in a total of 22 A and B type mutual funds and 21% market share, Yapı Kredi Asset Management is the leader in mutual funds.

Yapı Kredi Asset Management controls a 33% share of the market for discretionary portfolio management services.

The combined assets under the Company's management in the discretionary portfolio management and private pension segments at end-2007 amounted to YTL 6,8 billion.

Yapı Kredi Asset Management provides management services for 22 pension funds of which 11 belong to Koç Allianz and 11 to Yapı Kredi Pension.

#### Fund of World Funds

Yapı Kredi Asset Management launched another first in its sector by introducing Fund of World Funds (FoWF) to its customers in 2007. Fund of World Funds invests in a diversified portfolio consisting predominantly of shares in foreign mutual funds.

### Yapı Kredi Invest

#### The leading brokerage in Turkey's capital markets

With 216 employees and more than 14.000 customers, Yapı Kredi Invest (Yapı Kredi Yatırım) provides brokerage services in all domestic and international capital market vehicles as well as corporate finance services, asset management services, derivatives trading, and investment consultancy services.

#### A newer and stronger structure

Immediately following the Yapı Kredi-Koçbank merger, Yapı Kredi Invest and Koç Invest, two leading actors in Turkey's capital markets, combined their strengths and experience in a merger that took place on 12 January 2007.

Yapı Kredi Invest also puts its advanced technological infrastructure, its experienced and expert personnel, and its extensive array of products and services to work for its customers in the best and most effective way possible through the nationwide network of Yapı Kredi branches acting as its agents.

#### Number 1 in total ISE trading volume among brokerage houses

Providing investment solutions that best suit its customers' needs, Yapı Kredi Invest has ranked among the leading brokerages in Turkey's capital markets since the day it was founded. In 2007 the Company recorded YTL 315 billion worth of business volume, a performance that ranked it in first place in the İstanbul Stock Exchange's total trading volume last year. In equity trading, the Company handled YTL 33 billion worth of business, which gave it a market share of 4,3% and moved it up one rank to 5th place in the sector's league table.

Yapı Kredi Invest's forward and options transaction volume on the Turkish Derivatives Exchange increased 45-fold year-on-year in 2007, ranking the Company third in the sector with a 6,1% market share.

## Yapı Kredi's subsidiaries

At end-2007, Yapı Kredi Investment Trust's total portfolio reached YTL 60 million, a figure that gives the Company a 9% share of its domestic market and ranks it second among Turkey's largest investment trusts

### Yapı Kredi Investment Trust

#### Turkey's second largest investment trust

Yapı Kredi Investment Trust (Yapı Kredi Yatırım Ortaklığı) was founded in 1995 pursuant to the Turkish Capital Markets Law and to Capital Markets Board declaration in order to manage portfolios by buying and selling capital market instruments trading on national and international markets. A publicly-traded company, 89% of Yapı Kredi Investment Trust's (YKINVT) shares are quoted on the İstanbul Stock Exchange.

YKINVT focuses on long-term performance. At end-2007, YKINVT's total portfolio reached YTL 60 million, a figure that gives the company a 9% share of its domestic market and ranks it second among Turkey's largest investment trusts.

Over the last five years, YKINVT has registered an overall productivity of 298% on its investments, ranking it first in terms of yield in a sector of 33 companies are active.

In 2007, the Company ranked sixth with a 27,8% annual yield, ten points above the sector's average annual yield of 17%.

### Maximizing total portfolio value

A closed-end investment fund, YKINVT was set up to act as a growth fund. Although portfolio management is the Company's principal business activity, YKINVT's management approach is rooted in the principle of increasing its underlying capital. Its asset management strategy is focused on maximizing its portfolio's net asset value (NAV) and ensuring its sustainability.

YKINVT gives the utmost importance to effective risk management. Portfolio performance is the most important criterion on which its investment decisions are based. When assessing investment opportunities in markets, the Company seeks to maintain a balanced and diverse portfolio so that it is better able to withstand market volatilities.

### Synergetic collaboration with Group companies

YKINVT works closely with Yapı Kredi Asset Management in the provision of investment consultation services. When accessing markets on the other hand, it takes direct advantage of Yapı Kredi Invest's extensive service network and it also has recourse to that Company's strong research and analysis support when making its investment decisions.

# Yapı Kredi Insurance is one of Turkey's deepest-rooted and strongest insurers

## Yapı Kredi Insurance

### One of Turkey's deepest-rooted and strongest insurers

Founded in 1943, Yapı Kredi Insurance (Yapı Kredi Sigorta) provides insurance products and services through 872 employees, 735 agents and brokers, and 676 Yapı Kredi branches throughout Turkey. In 2007, Yapı Kredi Insurance recorded YTL 628 million in non-life premium production. The country's leading supplier of health insurance for many years, the Company registered health insurance premium production in that branch amounted of YTL 267 million in 2007. 33,69% of Yapı Kredi Insurance shares are publicly traded on the İstanbul Stock Exchange.

### To be the best in non-life insurance

Yapı Kredi Insurance's goal is to be the preferred insurer in Turkey, recognized as an enduring and leading name, and which is pointed to as a reference in the international insurance sector.

To achieve this, Yapı Kredi Insurance aims to possess both the technical and the sales infrastructure capable of satisfying its customers' needs for all forms of general insurance, be able to deliver unconditional customer satisfaction and as a result, be the best service provider in the sector.

Shaping its strategies in light of these objectives and active in all non-life branches, in 2007 Yapı Kredi Insurance registered a year-on-year rise of 7% in its overall premium production while the rate of growth in health and hull insurance was more than twice that at 17%. In the corporate health insurance segment, the Company's premium production surpassed its yearly target by 12%. In 2007, Yapı Kredi Insurance ranked seventh in non-life insurance.

## New projects

In 2007, Yapı Kredi Insurance continued to reap the benefits of its comprehensive motor vehicle insurance actuarial project and launched a similar one for traffic insurance.

The development of the software that will be playing a major role in the initiatives that Yapı Kredi Insurance plans to undertake in the near future was largely completed during 2007. It is expected that these projects will be ready for use by mid-2008.

## Yapı Kredi's subsidiaries

# In 2007, Yapı Kredi Pension ranked third in private pension funds and fifth in life insurance

### Yapı Kredi Pension

#### No 3 player in private pension funds

Founded in 1991 with the name "Halk Yaşam" ("Halk Life"), Yapı Kredi Pension (Yapı Kredi Emeklilik) had a total of YTL 701 million in private pension funds under management at end-2007. As of the same date, the assets of its life insurance policies were worth a total of YTL 476 million.

In 2007, Yapı Kredi Pension ranked third among Turkey's private pension funds and fifth among the country's life insurers in terms of premium production.

The same year, Yapı Kredi Pension experienced a 26% year-on-year rise in the number of its participants in the private pension system while the value of pension funds under its management increased 46%. As of 31 December 2007, the Company had 220.107(\*) pension plan holders and 460.199 life insureds in its portfolio.

#### Success of a strategy focused on customer satisfaction

Yapı Kredi Pension serves its customers with an experienced staff of 917 people and conducts its operations through 8 regional offices, 7 branches, and 125 tied-agencies. Yapı Kredi Pension gives special importance to activities that are aimed at enhancing customer satisfaction. The Company was the first in Turkey to be awarded CMSAS 86:2000 complaints management certification by the British Standards Institution (BSI) and in 2007 it became the first pension company to upgrade that certification to the ISO 10002:2004 quality management and customer satisfaction standard.

#### In the scope of social responsibility

Yapı Kredi Pension is currently involved in two social responsibility projects.

"Ertuğrul Frigate: A Turkish frigate in Japan", launched in 2007, commemorates the memories of 550 Turkish naval personnel who lost their lives in an accident off the coast of Japan in 1863 and of the Japanese fishermen who came to the aid of the survivors. The other project, being carried out together with the Old Age Research Center (65+), is concerned with changing public perceptions about aging and the elderly.

#### Collaboration with Boğaziçi University in education

The Private Pension and Insurance Academy, set up by Yapı Kredi Pension in collaboration with Boğaziçi University Lifetime Education Center and Watson Wyatt, a leading international consultancy, averaged 94 hours of training per person in 2007.

#### Delivering more service to more customers

Focusing on efforts to gain new customers while holding on to its existing ones, Yapı Kredi Pension launched a customer segmentation project in 2007 that will be concluded during the first quarter of 2008. Based on the results of this project, revisions will be made in the Company's efforts to recruit new customers as well as in all of its business processes pertaining to the services provided to existing customers.

Possessing a strong and trusted position in its sector, Yapı Kredi Pension will continue to grow strongly in 2008 and the years that follow as it benefits from the synergies arising from its membership in the Koç Financial Services Group.

(\*) Figures published by the Pension Monitoring Center.



Founded in 1994, Yapı Kredi Moscow provides high-quality services for more than 1.400 active customers

In 2007, Yapı Kredi Nederland's total assets grew 13%, reaching EUR 1.459 million

### Yapı Kredi Moscow

#### High-quality services for more than 1.400 active customers

Founded in 1994 to contribute to the development of Turkish-Russian commercial relations, Yapı Kredi Moscow is at the service of a distinguished group of customers particularly in the areas of construction, contractor services, trade, and tourism.

Yapı Kredi Moscow ranks 177th among 1.104 banks in the Russian Federation in terms of capital, 244th in assets, 162nd in profitability, and 211th in size of loan portfolio.

Headquartered in Moscow near Kremlin, the Bank delivers high-quality services to more than 1.400 active customers with 100 experienced personnel employed in 8 branches/liaison offices.

Yapı Kredi Moscow's total assets grew 8% year-on-year in 2007 and reached USD 231 million. Its net profit was up 4% during the same period and amounted to USD 5,7 million.

In 2007, the Bank successfully renewed a USD 40 million syndicated loan. Working with 245 correspondent banks in 25 countries, Yapı Kredi Moscow will continue to pursue additional growth in 2008 and the years that follow.

### Yapı Kredi Nederland

#### A broad range of banking services

Yapı Kredi Nederland was formed as a result of the merger between Koçbank NV (founded 1996) and Yapı Kredi Bank Nederland (founded 2001) that was finalized on 1 July 2007.

Yapı Kredi Nederland delivers a broad range of banking services in the retail, commercial, corporate, and private banking segments and it is also active in correspondent banking activities.

While seeking to generate a significant portion of its revenues in Turkish markets, Yapı Kredi Nederland also provides savings and deposit services to 15.000 customers in the Netherlands.

#### 13% balance sheet growth and effective cost management in 2007

In 2007, Yapı Kredi Nederland successfully achieved its profitability target and registered net profit of EUR 13,2 million. The Bank's total assets grew 13% in 2007 and reached EUR 1.459 million in value.

The Bank's loans increased 36% year-on-year basis while customer loans and deposits increased 23% and 16%, respectively.

Adhering to a business strategy that emphasizes strict cost control, Yapı Kredi Nederland achieved a cost/income ratio of 32% in 2007.

#### In the future

Yapı Kredi Nederland's primary goal is to make the most effective use of its capital while minimizing the cost of its resources. The Bank will be entering new markets such as structured trade and commodity finance in its efforts to expand its customer base while endeavoring to secure more commission income by increasing the volume of its forfeiting business.

Another of Yapı Kredi Nederland's growth objectives is to set up an in-house Treasury Marketing Unit that will be selling derivative and structured products to its retail banking customers and thus contributing towards its revenue base. Yapı Kredi Nederland's internet banking branch will also be active in the near future and this too will help it to further strengthen its retail deposit base and give it a stronger customer portfolio.

## Yapı Kredi's subsidiaries

# Yapı Kredi Azerbaijan is the only wholly foreign-owned bank in Azerbaijan

### Yapı Kredi Bank Azerbaijan

Koçbank Azerbaijan was set up in 1998 as a joint venture between Koçbank (80%) and the International Finance Corporation (IFC) (20%) and it commenced operations in 2000. Koç Financial Services (KFS) became a partner with IFC in Koçbank Azerbaijan when it bought Koçbank's shares in the Bank. The IFC partnership ended in March 2006 when its shares were acquired by KFS. Following the merger of Yapı Kredi and Koçbank in Turkey, Koçbank Azerbaijan's name was changed to Yapı Kredi Bank Azerbaijan on March 2007.

The Bank provides a full range of banking products and services to its customers and also benefits from a worldwide network of correspondents. The Bank currently has 4 branches, all located in Baku, and 54 employees. In the years since its inception, the Bank has firmly established itself among the top major banks in Azerbaijan with its unique 100% foreign ownership structure.

Yapı Kredi Bank Azerbaijan is a member of the Banking Association of Azerbaijan, the Baku Interbank Currency Exchange, and the American Chamber of Commerce.

At year-end 2007, the Bank's customer base consisted of 15.870 retail and 1.100 corporate clients. Yapı Kredi Bank Azerbaijan ranks 14th in the country in terms asset size, 9th in terms of deposits, and 6th in terms of gross profit.

The Bank's goal is to be ranked among the top ten members of the banking sector in terms of asset size and to expand its market share by establishing branches outside Baku in order to enter new markets and substantially increase the size of its loan portfolio.

## Founded in Switzerland in 1963, Banque de Commerce et de Placements (BCP) has longstanding experience in private banking and international trade finance

### **Banque de Commerce et de Placements**

Banque de Commerce et de Placements (BCP) was founded in Switzerland in 1963. Headquartered in Geneva, the Bank has branches in Luxembourg and Dubai and a representative office in Istanbul. Yapı Kredi controls a 30,67% stake in BCP's capital.

BCP is active in the areas of trade finance, private banking, treasury transactions, and correspondent banking. Focused on delivering only the highest-quality service, BCP is the preferred choice of an ever-growing number of customers with its products and services that are innovative, value-added and tailor made.

### **Expertise in international trade finance**

BCP supplies highly specialized international trade finance products and services to a large number of trading companies, producers, and end-users in eastern and western Europe and in the Gulf region. In 2007, the Bank handled an international trade volume of CHF 9,7 billion.

### **Years of experience in private banking**

As a bank with long-standing experience in private banking, BCP provides its customers with tailored asset management services to suit their highly diversified needs. BCP also puts its extensive expertise in trade finance and treasury management to work for its private banking customers, allowing them to take advantage of banking services on a truly global scale.

In international markets, BCP enjoys a well-earned reputation as an excellent and reliable foreign exchange trading desk. In 2007, the Bank ranked in third place among all banks operating in Geneva with an FX transaction volume totaling CHF 234 billion.

In correspondent banking, BCP is able to generate substantial transaction volumes as a result of the good relations that it has built up with many of the world's leading financial institutions. In recognition of the Bank's consistent growth, profitability, and sound financial fundamentals, Fitch Ratings assigned BCP an Issuer Default Rating of BB+, Short-Term rating of B, and an individual rating of C.

## Yapı Kredi's subsidiaries

Founded in 1996, Yapı Kredi Koray has a goal to become one of the best real estate developers in Europe

### Yapı Kredi Koray

#### More than a decade of real estate projects that blend functionality and aesthetics

Yapı Kredi Koray Real Estate Investment Company (Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı) was founded in December 1996 as a joint venture of Yapı Kredi Bank (51%) and Koray Construction (49%), one of Turkey's leading construction groups. In 1998, the Company made a public offering of 49% of its shares. Of the remaining shares, the Bank and Koray Group control 26% and 25%, respectively.

During the 11 years since its inception, Yapı Kredi Koray has focused its attention on putting all of its experience, knowledge, and energy to the realization of projects that are people-oriented and capable of satisfying the continuously expanding and changing needs of city life.

Yapı Kredi Koray's projects blend functionality and aesthetics in contemporary urban architecture. Admired by its target groups, the Company's projects have also drawn the attention of international organizations as well.

#### To join the ranks of Europe's premier real estate firms

Yapı Kredi Koray's vision is to raise the levels of all of its business development, project management, sales, post-sale customer relations, and financial management processes and organizational structures to those of Europe's premier real estate firms by creating a corporate culture that is focused on performance. The Company also intends to become one of Europe's most respected firms in the areas of real estate development and real estate value-creation by entering into strategic partnerships with the best real estate management, marketing, and design firms.

#### Projects and developments

In little more than a decade since its inception, Yapı Kredi Koray has been the author of a stream of successful projects in the Turkish real estate investment market. Among the completed projects in its portfolio are İstanbul İstanbul, İstanbul Zen, İstanbul Bis, Evidea, Ankara Ankara, and Neo Shopping Center.

Neo Shopping Center, a Yapı Kredi Koray development in the city of Eskişehir, was sold to Bosphorus Real Estate Partners I, Ltd in March 2007.

Going forward Yapı Kredi Koray will be concentrating on developing and managing a diversified portfolio of real estate assets that provide returns commensurate with risk profiles of the assets owned. Secure and regularly growing returns to shareholders is the primary target of the Company.

Founded in 1984, Yapı Kredi Culture, Arts, and Publishing is the leader of Turkey's publishing market of which it controls a 10% share

### **Yapı Kredi Cultural Activities, Arts and Publishing**

#### **Turkey's oldest and most prestigious privately-owned cultural and artistic institution**

Founded in 1984, Yapı Kredi Cultural Activities, Arts and Publishing (Yapı Kredi K lt r Sanat Yayıncılık) is Turkey's oldest and most prestigious privately-owned company dedicated to culture and the arts.

The Company's objectives are to enrich cultural and artistic life in Turkey at both the national and universal levels, to organize enlightened, top-quality, and distinctive activities in the arts, and to foster an appreciation for culture and the arts among wider audiences.

#### **At the service of culture and art**

Undertaking activities and publications that coincide with its principles of identifying and publicizing cultural assets that are at risk of disappearing, ensuring that existing cultural and artistic assets are passed on to future generations, and supporting those engaging in cultural and artistic production, Yapı Kredi Cultural Activities, Arts and Publishing delivers its cultural and artistic services to the public through Yapı Kredi Cultural Center and Yapı Kredi Publications.

### **Yapı Kredi Cultural Center**

The Yapı Kredi Cultural Center is a complex consisting of the Yapı Kredi Kazım Taşkent Art Gallery, the Yapı Kredi Vedat Nedim T r Museum, and the Yapı Kredi Sermet  ifter Library. In addition to the activities that are regularly held at these venues, the center also conducts a program of periodic and themed exhibitions for which it has catalogues prepared by the company's publishing arm.

### **Yapı Kredi Publications**

Yapı Kredi Publications is the publishing arm of Yapı Kredi Cultural Activities, Arts and Publishing. Originally established in 1949 to publish the Bank's Doğan Kardeş magazine for children, Yapı Kredi Publications today is one of the biggest and most influential publishing houses in Turkey.

#### **In 2007**

In 2007, Yapı Kredi Cultural Activities, Arts and Publishing published 521 titles, of which 186 were new works and 335 were reprints of older ones. A total of 936.677 books were printed while a total of 911.420 were sold generating a turnover worth YTL 11,3 million. A total of 15 exhibitions were held during the year: 7 at the Kazım Taşkent Art Gallery, 2 at the Vedat Nedim T r Museum, and 6 at the Sermet  ifter Library.

### **The leader of Turkey's publishing market**

Yapı Kredi Cultural Activities, Arts and Publishing is the leader of Turkey's publishing market of which it controls a 10% share.

Since 1992 the company's publication activities have been concentrated in such areas as philosophy, art, literature, and history, as a result of which Yapı Kredi Cultural Activities, Arts and Publishing enjoys a prestigious position in Turkey's publishing industry that is ably defended by the 2.611 titles that it has published to date.

### **Yapı Kredi Cultural Activities, Arts and Publishing in 2008**

In its program for 2008, Yapı Kredi Cultural Activities, Arts and Publishing will be publishing 482 titles (192 first editions and 290 reprints) and a total of 807.000 books. The company's book sales target for the year is 753.000. The year's exhibition program consists of 7 exhibitions at the Kazım Taşkent Art Gallery, 2 at the Vedat Nedim T r Museum, and 7 at the Sermet  ifter Library. A special exhibition is also planned for November 10th, the anniversary of Atat rk's death.

## **Part 2:**

# **Information on Management and Corporate Governance Practices**





Şükriye Dikmen, Still Life with Bird, Oil on Board, 80 x 50 cm (detail)  
Yapı Kredi Collection

## Board of Directors

### **Dr. Rüşdü SARAÇOĞLU**

#### **Chairman of Board of Directors**

Mr. Saraçoğlu graduated from the Department of Economics and Statistics at the Middle East Technical University, and went on to receive an MBA from the Department of Economics at the University of Minnesota. He then worked in the research division of the American Federal Reserve Bank. Taking a post at Boston College, Massachusetts between 1977 and 1979 as an Assistant Professor in the field of Economy, Mr. Saraçoğlu then joined the economics staff of the International Monetary Fund (IMF) headquartered in Washington, where he worked between 1979 and 1984. Returning home and joining the Central Bank of Turkey in 1984, Mr. Saraçoğlu worked as the General Manager of the Research Planning and Education department before serving as Vice-Chairman for one and a half years from 1986, and as Chairman for the following six years. He continued in his post as Founder Partner in the company, Makro Danışmanlık, for more than two years until the end of 1995. His political career started when he was selected as a candidate MP from Izmir in 1995 and went on to become a Minister of State in the 53rd Government. He became the President of the Finance Group at Koç Holding in March 2002 and then served as the President of Banking and Insurance Group. Serving as the Chairman of Board of Directors of both Yapı Kredi and Koçbank until October 2, 2006, when the two banks were merged, Mr. Saraçoğlu continued his duty in Koç Holding until the end of 2007 as the President of Banking and Insurance Group. Mr. Saraçoğlu has been the Chairman of the Board of Directors of Yapı Kredi since September 28, 2005.

### **Federico GHIZZONI**

#### **Vice-Chairman of the Board of Directors**

After graduating from the Faculty of Law at Parma University, Mr. Federico Ghizzoni began his career in 1980 as the Customer Relations Director in the Piacenza branch of the UniCredit Group. Serving as Branch Manager in the Triese Branch between 1988 and 1990 and Branch Manager in the Seriate Branch between 1990 and 1992, Mr. Ghizzoni later became the Assistant General Manager at the Group's London office. In 1995, Mr. Ghizzoni became General Manager at the Group's Singapore office and between 2000 and 2002, Mr. Ghizzoni worked as Executive Director at the Corporate and International Banking Division of Bank Pekao S.A., a subsidiary of UniCredit. Assuming the role as a Member of Board of Directors in Koç Financial Services in the beginning of 2003, Mr. Ghizzoni also served as Executive Board Member of Koçbank. Joining Yapı Kredi on September 28, 2005 as Executive Board Member, Mr. Ghizzoni also worked as the Chief Operating Officer (COO) within the Bank. Appointed as the President of Polish Markets Division within the UniCredit Group and Member of the Executive Committee responsible for BA-CA's Central and Eastern Europe operations on July 1, 2007, Mr. Ghizzoni has been serving as the Member of Board of Directors of Yapı Kredi since September 28, 2005 and working as the Vice-Chairman of the Board of Directors since April 26, 2007.

### **Tayfun BAYAZIT**

#### **Chief Executive Officer**

After having received BS degree in Mechanical Engineering (1980) and an MBA degree from Columbia University (Finance and International Business - 1983), Mr. Bayazit began his banking career in Citibank in 1983 and consecutively worked in senior executive positions within the Çukurova Group for 13 years, including Yapı Kredi (Senior Executive Vice President), Interbank (CEO) and Banque de Commerce et de Placements SA Switzerland (President & CEO). He was appointed as the Deputy Chairman of Doğan Holding in 1999. He left this position in April 2001 to assume the CEO position at Dışbank within the same Group. Mr. Bayazit, who was also appointed Chairman of the Board of Directors in the 2003 General Assembly acted as the Chairman of the Board of Directors of the subsidiaries of the Bank such as leasing, factoring, insurance, brokerage. Mr. Bayazit remained the CEO of Fortis Turkey after acquisition in April 2005 and was also appointed as Management Committee Member. In May 2006, he was elected as the Chairman of the Board of Fortis Bank until he resigned just after the Ordinary General Assembly on April 18, 2007. On April 19 2007, Mr. Bayazit was appointed the Executive Director of Yapı Kredi and on May 1, 2007, he was officially appointed CEO of Yapı Kredi. Mr. Bayazit is also Chairman of the Board of Directors for Yapı Kredi Asset Management, Yapı Kredi Investment, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Insurance, Yapı Kredi Pension Fund, Yapı Kredi Nederland N.V., Yapı Kredi Azerbaijan and Yapı Kredi Moscow.



## Board of Directors

### **Alessandro Maria DECIO**

#### **Executive Director and COO**

Mr. Alessandro Decio graduated with a degree in Economics from Commerciale L. Bocconi and holds an MBA from INSEAD (the European Institute for Business Administration). Starting his banking career with IMI International, Mr. Decio worked in Morgan Stanley International, McKinsey and later in the European Bank for Reconstruction and Development (EBRD). He joined UniCredit Group in June, 2000 as the Head of Strategy, Mergers, Acquisitions, Planning and Control Group for Foreign Banks. Mr. Decio went on to serve as Chief Operating Officer for Zagrebacka Banka and Bulbank (within UniCredit Group), as well as UniCredit Group's Integration Project Manager. Mr. Decio was appointed UniCredit Group's Germany Integration Project Manager at the beginning of 2006, before going on to serve as the Deputy Head of Integration Office from July 2006 to July 2007. Appointed as the Executive Director of Yapı Kredi on April 26, 2007, Mr. Decio also became the COO at Yapı Kredi on July 1, 2007.

### **Seyit Kemal KAYA**

#### **Member of the Board of Directors**

Having graduated from the Department of Business Administration, Kansas University, Mr. Kaya joined Yapı Kredi in September, 1985. Serving at Yapı Kredi as Vice General Manager responsible for Financial Corporations and Investor Relations from April, 1996, Mr. Kaya became a Member of the Board of Directors at Koçbank in June, 2000. Serving as the Chairman of the Board of Directors in Koçbank between April and August, 2003, Mr. Kaya became the CEO of Koçbank in August, 2003. With the addition of Yapı Kredi Group to Koç Financial Services, he also concurrently served as the CEO of Yapı Kredi. Resigning from his post as CEO at Yapı Kredi on April 10, 2007, Mr. Kaya has been serving as a Member of the Board of Directors of Yapı Kredi since September 28, 2005.

### **Fatma Füsün AKKAL BOZOK**

#### **Member of the Board of Directors**

Mrs. Akkal completed her academic studies with an MBA from the Faculty of Administrative Sciences in the Boğaziçi University of Istanbul and a PhD degree from the Faculty of Administration at Istanbul University. Beginning her career at Arthur Andersen in 1980, Mrs. Akkal joined Koç Group in 1980. She assumed the position of Coordinator of the Audit and Financial Group in 1992, and served in this position for eleven years. As Finance Group Coordinator between 2003 and 2006, Mrs. Akkal still works as an assistant professor in Koç and Sabancı Universities. She has been a Member of the Board of Directors of Yapı Kredi since September 28, 2005.

### **Ahmet Fadıl ASHABOĞLU**

#### **Member of the Board of Directors**

After graduating from the Department of Mechanical Engineering at Tufts University, Mr. Ashaboğlu received a Master of Science degree from the Department of Mechanical Engineering at the Massachusetts Institute of Technology (MIT) and served as a Research Assistant at MIT for more than one year. Mr. Ashaboğlu worked as a Risk Manager and Director at UBS AG between 1996 and 1999 and as a Consultant at McKinsey&Company between 1999 and 2003 in New York. Joining Koç Holding in 2003, Mr. Ashaboğlu worked as the Coordinator of the Finance Group. Continuing his career as CFO at Koç Holding since January, 2006, Mr. Ashaboğlu has been a Member of the Board of Directors of Yapı Kredi since September 28, 2005.

### **Ranieri de MARCHIS**

#### **Member of the Board of Directors**

After graduating from the Faculty of Economics at L.U.I.S.S. University in 1985, and graduating from INSEAD (the European Institute for Business Administration) with a post-graduate degree, Mr. Ranieri de Marchis worked as Head Auditor and Finance and Commercial Development President at the Europe Division of GE between 1990 and 1997. Mr. de Marchis was appointed as the CEO of Nuovo Pignone in Florence in 1997, and then became Vice President and Finance Director responsible for Petroleum and Gas Products at GE in 2001. Joining UniCredit Group in 2003 as the President of the Planning and Finance Division, Mr. de Marchis has been a Member of the Board of Directors of Yapı Kredi since September 28, 2005.

## Board of Directors

### **Thomas GROSS**

#### **Member of the Board of Directors**

Having graduated from the University of Karlsruhe in 1992, Mr. Gross began his career at the Boston Consulting Group. He started working at HypoVereinsbank (HVB) in 2004 as the President of the Group's Credit Risk Audit Division, before being appointed as President of Risk Controls and Policies Department in UniCredit Group in 2006, following the merger process of HVB Group with UniCredit Group. Currently serving as the President of the Risk Management Division at Bank Austria Creditanstalt AG since October 2006, Mr. Gross has also been a Member of the Board of Directors of Yapı Kredi since March 29, 2007.

### **Robert ZADRAZIL\***

#### **Member of the Board of Directors**

Having graduated from the Department of Communication Engineering at Vienna Technical University in 1990 and still continuing his studies in the field of Business Management at the Faculty of Economy and Business Administration in Vienna University, Mr. Zadrazil began his career by founding a company specialized in Project Management, Information Technology and Organization in 1993. Joining Bank Austria Creditanstalt AG in December, 2001 as Vice President of Retail Organization Division, Mr. Zadrazil became the President of the division in 2002. Mr. Zadrazil went on to become President of the Bank Organization Division in 2003 and President of the Organization and Information Technology Division in 2004, before being appointed as Chief Operating Officer (COO) within Bank Austria Creditanstalt AG in January, 2006. He was then elected as a Member of the Board of Directors of Yapı Kredi on 29 March 2007.

*\* As of 25 January 2008, Mr. Zadrazil resigned from the Board of Directors and Audit Committee of Yapı Kredi and as of the same date, Mr. Herbert Hangel was elected to the same position.*

## Statutory Auditors

### Statutory Auditors:

At the Ordinary Shareholder's Meeting held on March 29, 2007, Mr. Erkan Özdemir and Mr. Adil G. Öztoprak were chosen to act as legal auditors of Yapı Kredi until the General Assembly held for the examination of the Bank's 2007 accounts.

### M. Erkan ÖZDEMİR:

Having graduated from the Department of Economics at the Middle East Technical University in 1989, Mr. Özdemir served as the Sworn Bank Auditor under the Board of Sworn Bank Auditors at the Banking Regulation and Supervision Agency between April, 1994 and August, 2001. Mr. Özdemir joined Koç Group in August, 2001, and currently serves as Coordinator under the Auditing Group.

### Adil G. ÖZTOPRAK:

Having graduated from the Department of Finance and Economics at the Faculty of Political Sciences in Ankara University in 1966, Mr. Öztoprak worked as Inspector of Finance at Ministry of Finance between 1966 and 1975. Promoted to Assistant General Director of Budget and Financial Control in 1975. Mr. Öztoprak served as CFO and CEO in various companies from 1976 to 1993. Mr. Öztoprak worked as a Partner at Başaran Nas Yeminli Mali Müşavirlik A.Ş. (PriceWaterhouseCoopers) between 1993 and 2000. Since 2000, Mr. Öztoprak has been continuing his career as an Independent Sworn Financial Advisor.

The members of the Board of Directors each have a one-year term of duty; the appointment of members and distribution of the duties of members of the Board of Directors and auditors are set out annually at the Annual Shareholders' Meeting.

## CEO and Assistant General Managers

### **Tayfun BAYAZIT**

#### **Chief Executive Officer**

(Please see page 66)

### **Alessandro DECIO**

#### **Executive Director and COO**

(Please see page 67)

### **Mehmet Güray ALPKAYA**

#### **Assistant General Manager - Credit Management**

Mehmet Güray Alpkaya earned his MBA from Koç University and 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 a Head of Project and Structured Finance Group and then Head of Credit Underwriting Division between 2003 and 2006. Mr. Alpkaya continues his post at Yapı Kredi as Assistant General Manager responsible for Credit Management since February 28, 2006

### **Marco ARNABOLDI**

#### **Assistant General Manager - Risk Management**

Having graduated from the University of L. Bocconi, Economics Department, Mr. Arnaboldi worked as Financial Consultant in EuroConsult between 1989 and 1992. He served in various positions within Banca Popolare Commercio Industria Group for eleven years from 1992 to 2003 including Money Market and Fixed Income Desk, Internal Control, Manager of the Foreign Currency Bond Division of Treasury Department, Manager of the Asset & Liability Management Project in Planning and Control Department, Manager of Treasury Market Risk Management and Asset & Liability Management and Manager of Group Market Risk Management and Asset & Liability Management. Following a post in UniCredit Group Risk Management in May-June, 2003, Mr. Arnaboldi joined Koçbank's Market and Operational Risk Management Division. Mr. Arnaboldi became Head of Risk Management in January 2006, and continues his post since February 28, 2006 at Yapı Kredi as Assistant General Manager responsible for Risk Management.

### **Hamit AYDOĞAN**

#### **Assistant General Manager - Corporate Banking Management**

Having graduated from the Middle East Technical University, Faculty of Economical and Administrative Sciences, Department of Political Sciences and Public Administration, Mr. Aydoğan began his career at Yapı Kredi in 1981. Serving as an Inspector in the Inspection Committee and then as Branch Manager, Mr. Aydoğan was then appointed as the Assistant General Manager responsible for Corporate Marketing in 1993. Mr. Aydoğan later went on to serve as the Executive Director and General Manager in Yapı Kredi Factoring and Yapı Kredi Leasing, respectively. He also worked as General Manager in Koç Leasing and Assistant General Manager in Koçbank under the umbrella of Koç Holding. Mr. Aydoğan has been serving at Yapı Kredi since February 2006 as the Assistant General Manager responsible for Corporate Banking.

### **Marco CRAVARIO\***

#### **Assistant General Manager / CFO**

Having graduated from the Faculty of Economics in University of Turin, Mr. Cravario participated at top-level financial education programs at London School of Economics and INSEAD (European Institute for Business Administration). Starting his career at Reconta Ernst & Young (Turin), Mr. Cravario held various positions in Ernst & Young (Prague) and Ernst & Young Corporate Finance (Milan). Mr. Cravario joined UniCredit Group in 2001 and headed the group's New Europe Division M&A Unit, Planning Unit and Organization unit. After a period spent in the Retail Division to follow business development projects in the consumer credit card area, Mr. Cravario served as CFO and Executive Board Member at UniCredit's Tiriak Bank in Romania.

\* Mr. Cravario was appointed as the Assistant General Manager / CFO at Yapı Kredi on 7 January 2008, after Carlo Vivaldi resigned from the same position on 1 October 2007.

## CEO and Assistant General Managers

### **Mahmut Tevfik ÇELİKEL**

#### **Assistant General Manager - Logistics and Cost Management**

Having graduated from the department of Journalism and Public Relations of I.I.T.I.A. (Istanbul Economical and Commercial Sciences Academy), Mr. Çelikel worked as an Officer and Deputy Chief at İş Bank between 1975 and 1981. Mr. Çelikel later worked at American Express International as an Assistant Manager, Assistant Director and then as a Director before moving on to work at Koç-Amerikan Bank as the Izmir Branch Manager, the Istanbul Regional Manager and then as a Business Unit Director. Mr. Çelikel was promoted to the position of Group Director and Assistant General Manager at Koçbank in the following years and became Assistant General Manager at Koç Leasing in 1997. After having served as a Chairman of the Inspection Committee and Assistant General Manager responsible for Operations and Administrative Affairs at Koçbank between 1999 and 2006, Mr. Çelikel became Assistant General Manager responsible for Central Purchasing at Yapı Kredi, and currently serves as Assistant General Manager responsible for Logistics and Costs.

### **Alpar ERGÜN**

#### **Assistant General Manager - Legal Activities Management**

Having graduated from the Faculty of Law at Istanbul University, Mr. Alpar Ergün began his career at the Zengin Law Firm in 1974 as an independent lawyer. Becoming an intern judge in 1976, Mr. Ergün joined Yapı Kredi in 1977 where served as a Lawyer, Assistant Legal Advisor and later as a Legal Advisor in the Legal department. In the same department, he was later appointed the Group President and Division Manager and in 2000 became the Chief Legal Advisor at Koçbank. Mr. Ergün has been serving as Assistant General Manager responsible for Legal Affairs at Yapı Kredi since 2006.

### **Tülay GÜNGEN**

#### **Assistant General Manager - Corporate Identity and Communication**

Having graduated from the Department of Computer Engineering at Boğaziçi University in Istanbul with a post-graduate degree, Ms. Tülay Güngen began her career as a research engineer in the Electronic Research Division of TÜBİTAK in 1979. Entering the banking sector in 1985, Ms. Güngen worked as Manager responsible for Information Technology and Operations and became Assistant General Manager of the company Intertech in 1991. Ms. Güngen joined Yapı Kredi in 1994 as Division Director of Project Application Management, before assuming the position of Assistant General Manager responsible for Alternative Distribution Channels, Retail & SME Marketing and Technology. Ms. Tülay Güngen has been serving at Yapı Kredi as the Assistant General Manager of Corporate Identity and Communication since February, 2006.

### **Mert GÜVENEN**

#### **Assistant General Manager - Commercial Banking Management**

Having graduated from the University of West Georgia with an MBA, Mr. Güvenen began his career at Yapı Kredi in 1990. Appointed as the Director of the bank's Esentepe Corporate Branch in 1999, Mr. Güvenen continued his career at Körfezbank as the Central Branch Manager. Mr. Güvenen then worked as Corporate Marketing Director in Koçbank and General Manager in Koç Factoring. Mr. Güvenen has been serving at Yapı Kredi as the Assistant General Manager responsible for Commercial Banking since May, 2006.

### **Süleyman Cihangir KAVUNCU**

#### **Assistant General Manager - Human Resources Management**

Having earned his a post-graduate MBA degree from the University of Bridgeport, Mr. Kavuncu began his career at Arthur Andersen in 1983 as an Auditor. Working as the Foreign Funds Manager at the Treasury Division of Interbank between 1985 and 1989, Mr. Kavuncu, went on to serve as Financial Controller and later as the Human Resources Director at Coca-Cola bottling company before working at Çukurova Holding as an Administrative Affairs Coordinator and at Colgate Palmolive as a Human Resources Director. Mr. Kavuncu, was appointed as Assistant General Manager at Koçbank in August, 2004, and currently continued his position as Assistant General Manager responsible for Human Resources at Yapı Kredi since February 28, 2006.

## CEO and Assistant General Managers

### Fahri ÖBEK

#### Assistant General Manager - Information Technology Management

Having graduated from the Computer Engineering Department at Ege University and earning an MBA from Koç University, Mr. Öbek began his career at Bilpa. Advancing his career in Egebank, Mr. Öbek joined Koçbank in 1991 as a Senior Systems Analyst and was promoted to the position of Group Manager in 1996. Mr. Öbek was appointed as Assistant General Manager responsible for Information Technologies at Yapı Kredi on 6 March 2008 following his serving of the same post as Acting Assistant General Manager between 1 October 2007 and 6 March 2008.

### Erhan ÖZÇELİK

#### Assistant General Manager - Private Banking and International Operations Management

Having graduated from the University of Evansville, Indiana, Faculty of Business Administration in Marketing, Mr. Özçelik began his career at Yapı Kredi in 1988 as Account Officer; and served for ten years as a Foreign Representative from 1991. He also served as the Assistant General Manager of Yapı Kredi Bank for four years and as Executive Director in Yapı Kredi Moscow between 1997 and 2000. He assumed the position of Assistant General Manager responsible for Corporate Banking in 2001, and between 2006 and 2007, he became the Assistant General Manager responsible for International Relations and Foreign Subsidiaries. Currently, Mr. Özçelik serves as Assistant General Manager responsible for Private Banking and International Activities.

### Muzaffer ÖZTÜRK

#### Assistant General Manager - Retail Sales Management

Having graduated from the Faculty of Business Administration in Uludağ University, Mr. Muzaffer Öztürk began his career at Yapı Kredi as Intern Inspector in 1984. Appointed as the Vice President of the Inspection Committee in 1990, Mr. Öztürk has been the Manager of the bank's Beyazıt and Plaza branches for between 1993 and 1997. During the same period, he also served as the Corporate Banking Coordinator of both the bank and its Esentepe branch. Assuming the duty as the Assistant General Manager of Group 2 of Yapı Kredi's Retail Commercial Banking in October, 2000, Mr. Öztürk continued his work after August, 2003 as an Assistant General Manager responsible for Personal Banking & Business Banking Sales Management. Mr. Öztürk has been working as an Assistant General Manager responsible for Retail Sales since February 28, 2006.

### Stefano PERAZZINI

#### Assistant General Manager – Internal Audit

Completing his graduate education at the Faculty of Economy at Torino University, Mr. Perazzini started his career at San Paolo IMI Bank's branch in 1987. After he worked at the Honeywell Bull Planning and Control Department between 1989 and 1992, Mr. Perazzini then served as IT Auditor at Banca CRT Head Office and as Internal Auditor in the bank's foreign branches in London and Paris. Assuming the position of Internal Auditor in UniCredit Holding in by September, 1999, Mr. Perazzini was then appointed as the Deputy Manager of the Internal Audit Department at Bank Pekao under the umbrella of the UniCredit Group. Serving as the Assistant General Manager responsible for Internal Audit at Koç Financial Services since March, 2003, Mr. Perazzini was appointed as the Assistant General Manager at Yapı Kredi responsible for Internal Audit since March 16, 2006.

### Luca RUBAGA

#### Assistant General Manager - Organization Management

Having graduated from Cattolica University Milan in Business Administration, he started his career in Andersen Consulting working as senior consultant within the finance division between 1995 and 1999. Then he joined Allstate insurance company as Project Manager, later worked at Banca Popolare di Verona Banking Group in 2000 as Manager. Later, Mr. Rubaga served as Online Business Unit Director at Banca Primavera (Intesa Banking Group) and then became Operation Director at UniCredit Private Banking in September 2003. Mr. Rubaga joined Koçbank in March 2005 as the Responsible of Integration activities. Mr. Rubaga has been serving at Yapı Kredi since April 7, 2006 as the Assistant General Manager responsible for Organization.

## CEO and Assistant General Managers

### **Kemal SEMERCİLER**

#### **Assistant General Manager - Compliance Officer**

Having graduated from the Faculty of Economics and Administrative Sciences in Uludağ University, Mr. Semerciler began his career in 1981 at Yapı Kredi as an Intern Inspector. Promoting to Inspector in 1985, he remained an inspector for four years. In February 1989, he was appointed Assistant Director in the Financial Management Department, and following that, he served as Unit Manager (1990-1996) and Department Manager (1996-2004) in the same department. Appointed as the Head of Inspection Committee at Yapı Kredi in May 2004, Mr. Semerciler has been serving as the Compliance Officer at Yapı Kredi since February 28, 2006.

### **Zeynep Nazan SOMER**

#### **Assistant General Manager - Credit Cards and Consumer Lending**

Having graduated from the Faculty of Business Administration at the Boğaziçi University of Istanbul, Ms. Somer began her career at her family company. In 1988, she joined Arthur Andersen and following her responsibilities as team leader and senior manager, she became partner in charge of finance sector between 1999-2000. Joining Yapı Kredi in September 2000, Ms. Somer served as Assistant General Manager responsible for Retail Banking and Credit Cards before being appointed to her current position as Assistant General Manager responsible for Credit Cards and Consumer Lending in February 2006.

### **Mehmet SÖNMEZ**

#### **Assistant General Manager - Retail Banking Management**

Having graduated from the Faculty of Business Administration at the Boğaziçi University of Istanbul, Mr. Mehmet Sönmez took duty at companies Eternit and 3M respectively as Sales and Marketing Director. Mr. Sönmez who was formerly the General Manager of Eczacıbaşı-Avon Kozmetik entered the banking sector in 1998; and he worked as the Assistant General Manager at Citibank, Ottoman Bank and Türk Ekonomi Bank. In October 2003, Mr. Sönmez was appointed as the Assistant General Manager responsible for Retail Banking in Koçbank, and he assumed the same position at Yapı Kredi on February 28, 2006.

### **Mert YAZICIOĞLU**

#### **Assistant General Manager - Treasury Management**

Having graduated from Istanbul Technical University, Department of Business Administration with a post-graduate degree, Mr. Mert Yazıcıoğlu began his career at S. Bolton and Sons in 1987 as International Relations Officer. He joined the banking sector in 1989 at Koçbank and served as Customer Relations Officer, Dealer, Senior Dealer and Assistant Manager. He was promoted to Group Manager in TL/FX Management under the Treasury in 1996 and Assistant General Manager in 1999. Mr. Yazıcıoğlu has been serving as Assistant General Manager responsible for the Treasury since February 28, 2006.



## Information on Committees

### 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; credit scoring, setting the parameters related to credit rating and monitoring systems; and fulfilling the duties assigned by the Board of Directors regarding credits. In accordance with applicable laws and legislation, the Committee is constituted by 5 principal members who are members of the Board of Directors and General Manager or the Acting General Manager, and 2 alternate members who are members of the Board of Directors. Group Credit Risk Manager attends the meetings upon invitation.

#### Principal Members of the Credit Committee:

Chairman	Alessandro M. Decio	Executive Director and COO
Member	Federico Ghizzoni	Vice Chairman of the Board of Directors
Member	F. Füsün Akkal Bozok	Member of the Board of Directors
Member	Thomas Gross	Member of the Board of Directors
Member	Tayfun Bayazit	Chief Executive Officer

#### Alternate Members of the Credit Committee:

Alternate Member	Dr. Rüştü Saraçoğlu	Chairman of the Board of Directors
Alternate Member	S. Kemal Kaya	Member of the Board of Directors

#### 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; fulfills 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	Ranieri de Marchis	Member of the Board of Directors
Member	Ahmet F. Ashaboğlu	Member of the Board of Directors
Member	Robert Zadrzil*	Member of the Board of Directors

\* Left his seat as a member on the Board of Directors and on the Audit Committee on 25 January 2008 and was replaced with Herbert Hangel.

## Information on Committees

### Asset and Liability Committee

The Committee defines the Bank's structural risk management guidelines and policies, as well as the market risk profile management strategies in line with the Board of Directors' guidelines relating to risk exposure, and sets the interest rates applied on the Bank's products. The Committee is also responsible for optimizing the market risk that the Bank's balance sheet is exposed within the frame of policies set out by the Board of Directors; for establishing market and liquidity risk limits, and reviewing credit, market, and operational risks. The members serving on the Committee are stated below:

#### Members of the Asset and Liability Committee:

Chairman	Alessandro M. Decio	Executive Director and COO
Member	Tayfun Bayazit	Chief Executive Officer
Member	Marco Arnaboldi	Assistant General Manager - Risk Management
Member	Marco Cravario*	Assistant General Manager - Financial Planning, Administration and Control
Member	Güray Alpkaya	Assistant General Manager - Credit Management
Member	Mert Yazıcıoğlu	Assistant General Manager - Treasury
Member	Hamit Aydoğan	Assistant General Manager - Corporate Banking
Member	Mert Güvenen	Assistant General Manager - Commercial Banking
Member	Mehmet Sönmez	Assistant General Manager - Retail Banking
Member	Nazan Somer	Assistant General Manager - Credit Cards and Consumer Lending
Member	Erhan Özçelik	Assistant General Manager - Private Banking and International Operations

\* Carlo Vivaldi, who has left his post with the Bank as of 1 October 2007, was replaced with Marco Cravario who has been appointed as the Assistant General Manager/CFO at Yapı ve Kredi Bankası A.Ş. on 7 January 2008. Until the aforementioned official date of appointment, Alessandro M. Decio served in proxy in this position.

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

**The Board of Directors** convenes upon request by the Chairman as and when necessitated by the Bank's business and affairs, as per the relevant article of the Articles of Association. In 2007, The Board of Directors convened once a month, a 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 adhoc session. Members committed regular attendance to the Board meetings and satisfied the required majority and the quorum in 2007.

**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 2007; 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 in 2007. The members committed regular attendance to the Committee meetings and satisfied the required majority and the quorum.

**Asset and Liability Committee** meets at monthly intervals as and when necessary. The Committee fulfilled its functions with regular attendance committed by the members to Committee meetings held during 2007, thus satisfying the required majority and the quorum.

# Report of the Board of Directors to be Submitted to the Annual Shareholders' Meeting to be Held on 7 April 2008

Dear Shareholders,

We would first like to thank you for your participation at this meeting during which you will be presented with our Bank's activities and accounts for the year 2007.

Characterized by highly important developments in global economy, growing concerns related to global economic growth in the world economy, and financial volatilities paralleling these developments that had an impact on many emerging economies, 2007 was a difficult period for our country as well, particularly in respect of financial markets. However, continuing to grow in such a challenging period, the Turkish banking industry supported financial stability, and to contributed to the production capacity of national economy and to welfare levels of individuals in 2007.

An intense year both for the Turkish economy and for the banking industry, 2007 has certainly been a significant period for Yapı Kredi, as well. After spending 2006 with efforts focused on the merger, our Bank last year accelerated its healthy growth with its new structure created based on these efforts. One of the cardinal establishments in the sector with its deeply-rooted history and major achievements, our Bank registered the first impressive successes of its future-focused growth strategy in 2007 in the aftermath of the merger. Focused on rapid growth, profitability and productivity, Yapı Kredi posted year-end consolidated financial that incorporated the following key highlights:

- Total asset size reached YTL 56,7 billion. Yapı Kredi is the fourth biggest privately-owned bank in the sector.
- Total cash loans rose to YTL 29 billion, up 26% year-on-year. Yapı Kredi controls 10,4% market share of total cash loans.
- The share of Turkish lira cash loans (excluding non-performing) loans to total cash loans increased from 66,9% to 67.5%.
- Deposit volume registered 3,5% increase year-on-year and reached YTL 33,8 billion. Yapı Kredi's market share of total deposits stood at 9,3% as of year-end 2007. Turkish lira deposits had a 56% share within total deposits.
- Through profitability-focused activities and the projects undertaken to improve financial strength, shareholder equity increased 22% to YTL 5,0 billion on consolidated basis.
- Consolidated net profit for 2007 went up to YTL 870 million, which represents year-on-year growth of 57%.

As of year-end 2007, Yapı Kredi offers its large customer base high quality, modern products and services in every field of banking through its 14.249 employees, 676 branches and its widely used alternative delivery channels including its 1.930 ATM's. In the upcoming period, Yapı Kredi Group will continue to strive to overachieve and post results accordingly. With its strong positioning in the market, our Bank is focused on being the establishment to reflect the unique growth potential presented by the Turkish financial market in its performance at the maximum level. Rich diversity of its products and services, its know-how and experience of many years, the strength of its human capital and of its shareholders owners will give Yapı Kredi the energy it will need through its growth process, as they always have.

As we present our annual report and financial statements for 2007 for your information and approval, we would like to take this opportunity to extend our grateful thanks on behalf of the Board of Directors to our customers for always being alongside us, all our colleagues for contributing to these positive results with their commitment and hard work, our correspondent banks for their strong and long-standing relationships, and our shareholders for their unrelenting support.

Sincerely,

On behalf of the Board of Directors  
Dr. Rüşdü Saraçoğlu  
Chairman

# Human Resources Implementations

## Recruitment Process at Yapı Kredi

During recruitments, 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 behavior 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.

## Promotion Process at Yapı Kredi

In 2007, grade levels were determined on the basis of positions at Yapı Kredi and the promotion system was revised accordingly. Two promotion systems were set up:

Lateral move refers to promotions in the same salary band without progression to the upper level, and means moving within the same HR level which does not entail additional responsibilities compared with the currently held position.

Vertical move refers to move to the upper human resource level compared with the currently held position; in other words, it means advancement to the next human resource level. In this type of progression, the new position involves expanded responsibilities and greater workload, as well as different qualifications.

From June, when the implementation was introduced, until October, candidates fulfilling the defined criteria were promoted upon their applications and their managers' approvals.

## Information on the Transactions Carried out with the YK Group's Risk Group

The volume of the transactions with the YK Group's risk group, loans and deposit transactions that are not ended as of the end of the period, income and expenses during the period

**With respect to the YK Group's risk group:**

The relations with entities that are included in the YK 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 realized with market prices.

**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	387.335	28.733.042	1,35
Banks	5.563	1.383.437	0,40
Interest Income Received	52.538	4.253.997	1,24
Non- Cash Loans	638.314	14.015.551	4,55
Commission Income Received	2.125	132.674	1,60
Deposit	2.816.169	33.707.132	8,35
Borrowings and Money Markets	439.128	7.664.034	5,73
Interest Expense Paid	334.010	4.106.586	8,13
Trading Transactions	188.006	10.802.153	1,74
Trading Transactions Expenses (net)	55	189.699	0,03

## Information on Support Services

Yapı Kredi procures support services for account statement printing, transport of cash and valuable articles, and security services.

The printing service for credit card account statements is obtained from Koçsistem Bilgi ve İletişim Hizmetleri A.Ş. and their electronic distribution is undertaken by Yapı Kredi.

Support service in cash transportation is provided from Group-4 Securicor Güvenlik Hizmetleri A.Ş., which offers service under Yapı Kredi organization in 20 provinces with 285 employees and 144 armored vehicles.

All security services are provided by Group-4 Securicor.



# 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, 2007 in line with the explanations in this report.

## 2. Investor Relations Division

Founded in 1944 as the first privately-owned, Yapı Kredi carries out its relations with shareholders via two special units. The first unit is the "Shareholder Relations", whose structure and organization are 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 Surname	E-mail address	Telephone No
Erdiç TETİK (Head of Subsidiaries and Shareholders)	erdinc.tetik@yapikredi.com.tr	(212) 339 64 31
Canan KARAKAYA	canan.karakaya@yapikredi.com.tr	(212) 339 63 40
Şensin ÖCAL	sensin.ocal@yapikredi.com.tr	(212) 339 63 43
Ercan YILMAZ	ercan.yilmaz@yapikredi.com.tr	(212) 339 73 17

### Investor Relations

Name Surname	E-mail address	Telephone No
Hale TUNABOYLU (Head of Investor Relations)	hale.tunaboynu@yapikredi.com.tr	(212) 339 76 47
Gülsevin TUNCAY	gulsevin.tuncay@yapikredi.com.tr	(212) 339 73 23
İlknur ÇAKICI	ilknur.cakici@yapikredi.com.tr	(212) 339 76 40

The key roles and responsibilities of the Shareholder 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 majority shareholders, existing and potential local and foreign institutional investors/shareholders, 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.

During 2007, Yapı Kredi participated in 16 international investors' conferences under the leadership of Investor Relations unit. In addition, one-to-one and/or group meetings were held with nearly 450 foreign corporate investors, which took place at the Head Office and in foreign countries.

# Corporate Governance Principles Compliance Report

## 3. Exercise of Right to Obtain Information by Shareholders

The Shareholder Relations and the Investor Relations units 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 that are 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, organizational structure, member lists of senior management, Board of Directors, Board of Auditors, as well as introductory information on committees, the Bank's ratings assigned by credit rating agencies, information regarding the corporate governance and Ordinary Shareholders' 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 directive No. VIII/39 via ISE (Istanbul Stock Exchange) and shareholders are appropriately informed.

The investor relations website in English, is accessible through <http://www.yapikredi.com.tr/en-US>. The site includes detailed information about Yapı Kredi's shareholder structure and share performance, newsletter and introductory information, Bank's corporate profile and organizational 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 2007, shareholders did not make any requests for the appointment of special auditors.

## 4. Information on Annual Shareholders' Meetings

The Annual Shareholders' Meeting was held on 29 March 2007. Shareholders attended this meeting with an 81,09% majority, while stakeholders and the media representatives did not attend. In accord with the applicable law and the Bank's Articles of Association, the invitation to the meeting was made by announcements that included the date, time and agenda of the meeting, which were published in the Turkish Trade Registry Gazette dated 13 March 2007, and Hürriyet and Sabah newspapers dated 14 March 2007.

During 2007, two extraordinary Annual Shareholders' Meetings were convened concerning the transfer of the shares with the nominal value of YTL 9.992.000 and representing 59,47% of the capital, owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Faktoring A.Ş., the shares with the nominal value of YTL 285.048.428 and representing 73,10% of the capital owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Finansal Kiralama A.O. and the shares with the nominal value of AZN 6.336.200 (Azerbaijani Manats) and representing 99,80% of the capital owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Bank Azerbaycan Closed Joint Stock Company to Yapı Kredi through share exchange procedure and to increase the capital of Yapı Kredi by allocating share certificate in Yapı Kredi's capital to Finansal Hizmetler A.Ş.

The first of these extraordinary meetings was held on 18 July 2007. While shareholders attended this meeting with an 82,27% majority, stakeholders and media representatives did not attend. In accord with the applicable law and the Bank's Articles of Association, the invitation to the meeting was made by announcements that included the date, time and agenda of the meeting, which were published in the Turkish Trade Registry Gazette, and Sabah and Hürriyet newspapers dated 02 July 2007.

The extraordinary Annual Shareholders' Meeting relating to share exchange was held on 30 September 2007. Shareholders attended this meeting with 80,92% majority, while stakeholders and the media representatives did not attend. In accord with the applicable law and the Bank's Articles of Association, the invitation to the meeting was made by announcements that included the date, time and agenda of the meeting, which were published in the Turkish Trade Registry Gazette, and Dünya and Referans newspapers dated 14 September 2007. Drawn up in accord with the Capital Market Legislation, the announcement on the share exchange was published in the Dünya and Referans newspapers dated 14 September 2007 and communicated to our shareholders. The Share Exchange Agreement, Yapı Kredi and Koç Finansal A.Ş. financial statements for the past three years, current independent audit reports and annual reports, independent audit report for the financial statements that made the basis of share exchange, appraiser report, independent auditor's report, board of directors report describing the legal and economic grounds of share exchange, announcement text, interim financial statements for the last quarter, projected financial statements showing the targets for three years starting from the share exchange, and the projected opening balance sheet following share exchange were made available for 15 days for the information of our shareholders at the Bank's Head Office, as well as Kızılay, Ankara and Kordon, İzmir branches. All this information

# Corporate Governance Principles Compliance Report

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 Unit 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 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 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 Shareholders' meeting; and the Annual Report, Balance Sheet, Profit and Loss Statement and Auditors Reports including the date and the agenda of the 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.

Principles with regard to the dividend distribution of our Bank are set out in detail in Article 78 of the Articles of Association of the Bank. In this respect, the General Assembly is, taking into consideration the growth of our Bank towards its targets within the sector as well as its financing requirements, authorized to pass resolutions on whether the dividend distribution shall be in cash or in the form of capital increase whereupon bonus shares will be issued to shareholders or if part of the distribution shall be in cash and part in the form of capital increase and to fix the distribution dates as required by law. The General Assembly may take the decision to transfer a portion or all of the distributable profit to retained earnings or extraordinary reserves in accordance with Article 80 of the Articles of Association.

It is envisaged that the dividend policy of the Bank will be set out in a way to ensure the realization of the growth plan initiated in 2007. This policy is subject to revision by the Board of Directors whenever necessary, taking into consideration the domestic and international economic conditions and the projects and funds on the agenda.

## 7. Transfer of Shares

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

## 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 and Group Head Hakan Kurtoğlu to manage the disclosure activity as authorized signatories. Additionally, Hakan Kurtoğlu has been assigned the task of monitoring and following all issues regarding disclosures. Hale Tunaboğlu, 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 2007, 68 special event disclosures were issued in accordance with CMB notifications. For none 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](http://www.yapikredi.com.tr). The web site contains the information listed in the Corporate Governance Principles section II/1.11.5.

# Corporate Governance Principles Compliance Report

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

At the extraordinary General Assembly convened on 30 September 2007, approval was given to the independently audited financial statements dated 31 March 2007 which formed the basis of the transfer through exchange of shares owned by Koç Finansal Hizmetler A.Ş. in Yapı Kredi Faktoring A.Ş., Yapı Kredi Finansal Kiralama A.O. and Yapı Kredi Bank Azerbaijan Closed Joint Stock Company to Yapı Kredi, and to the Share Exchange Agreement concluded on 07 September 2007 by and between the parties, which was approved by the Capital Markets Board of Turkey with its letter dated 12 September 2007 and numbered 1522-23222, and by the Banking Regulation and Supervision Agency with its letter dated 10 September 2007 and numbered 12546. Through the transfer of the mentioned shares to Yapı Kredi by way of share exchange under the Share Exchange Agreement and in accord with the provisions of Article 19 of the Banking Law and other applicable legislation, and through allocating share certificate representing the capital of Yapı Kredi to Koç Finansal Hizmetler A.Ş. in exchange, the Bank's capital was raised by YTL 277.601.284,00 and increased from YTL 3.149.450.000,00 to YTL 3.427.051.284,00. The capital increase was registered by the İstanbul Trade Registry Office on 18 October 2007. As a result of this share exchange, Koç Finansal Hizmetler A.Ş. now controls 81,8% stake in Yapı Kredi's capital.

## 12. Disclosure of People in a Position to Acquire Insider Information

Due to the fact that Yapı Kredi operates through an extensive range of departments organized 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.

## 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.

## 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,
- Developing and implementing systems encouraging and rewarding 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.

Performance, motivation and determination are the basic requirements for promotion at Yapı Kredi. The Bank implements an open, objective and participative performance evaluation system coupled with a training system which considers training not as an expense but as an investment item.

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.

# Corporate Governance Principles Compliance Report

## 16. Information on Customer and Supplier Relations

Supported by “no limit to 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 “Infinite Blue” project that is carried out in cooperation with the DenizTemiz Association (Clean Sea Association)/TURMEPA and the Ministry of National Education in order to raise the awareness among elementary school students. The project aims at raising awareness about the dangers that seas are facing today and at establishing an early environmental consciousness in young people. Nearly 1.000.000 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 2007 as well. In this scope, the “Reading Hour”, implemented in all education parks and learning centers 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 “Creative Reading” and supported through additional activities. During 2007, a total of 16.804 students participated in the activities across the nation.

With a view to putting into life Yapı Kredi’s social responsibility awareness on a shared platform with its customers, “Share Program” was launched in the last quarter of 2007 within the scope of World’s new club and programs system. Through this program, World aims to offer solutions for different issues faced in education, youth, arts/science, healthcare and environment, which calls for the support of the society, with the contributions of cardholders. Every donation made by World Share Program members will be matched by World and channeled to projects that will be conducted in cooperation with non-governmental organizations. Worldcard holders will be able to join any one or several projects and extend contributions using their Worldpoints. The projects in this scope are “More Schools!” by Unicef, “Drama Workshop” by TEGV, “A Youth Story” by UNFPA, “Intervene” by TEMA (The Turkish Foundation for Combating Soil Erosion, For Reforestation and the Protection of Natural Habitats), “Let’s Keep our Children with Cancer Alive” by LÖSEV (Foundation for Children With Leukemia), “7 Youngsters from 7 Regions” by AFS, “Let’s Be Scientists” by TBMV (Turkish Foundation of Science Centers), “Supported Business Place Project for Handicapped Individuals” by İZEV (İstanbul Foundation for Mentally Challenged), and “Infinite Blue” by TURMEPA.

Yapı Kredi Cultural Activities, Arts, and Publishing (Yapı Kredi Kültür Sanat-YKKSŞ) was once again the distinguished name in its arena with the exhibitions held, books published and cultural and artistic events organized in 2007. Controlling the largest market share in the publication sector since its foundation, YKKSŞ sustained its conventional leadership in book sales also during the reporting period. During 2007, YKKSŞ published 186 first editions and 335 reprints, a total of 521 books, bringing the total number of book titles published since the company’s foundation to 2.600.

YKKSŞ organized 18 exhibitions, all of which attracted great interest and attention. “Yurdaer Altıntaş Graphics Exhibition” by the famous graphic artist Yurdaer Altıntaş in January was followed by the “Amadeo Preziosi” exhibition held at Kâzım Taşkent Art Gallery. Amadeo Preziosi is the only representative of the Turkish art of painting in Europe. After the monthly Freud sessions organized by Yapı Kredi Cultural Center, Sigmund Freud was brought together with art lovers in the exhibition “Freud and Contemporary Art” that covered 13 artworks. This event was on the occasion of the 150th anniversary of Freud’s birth in January who was commemorated particularly in Austria and across the whole world.

An exhibition titled “For Doğan Kardeş: Book Covers by Yalçın Emiroğlu” was held, which displayed the book covers designed for Doğan Kardeş publications by Yalçın Emiroğlu, who is renowned as an architect, as well as for his stage decorations and poster designs made for various theaters. Opened in 2005 at the New York Rivington Arms Gallery by Pınar Yolağan, the entirety of the “Perishables” exhibition was on display for the first time in Turkey at Kâzım Taşkent Art Gallery. This was followed by “İhap Hulusi Style”, an exhibition by İhap Hulusi, one of the pioneers of the Turkish poster art.



# Corporate Governance Principles Compliance Report

Kâzım Taşkent Art Gallery started hosting contemporary art exhibitions curated by René Block. The first of the series titled "Contemporary Art Exhibition Series / 1" was "Lâhavle" by Hale Tenger. This was followed by "Paris Photos: 1958-1961" by Güneş Karabuda, one of the leading Turkish photographers and documentary filmmakers. Another exhibition opened at Kâzım Taşkent Art Gallery was "Happy/Unhappy" that displayed the late artworks of Peter Hristoff, a painter who lives in the USA. Comprising texts by Yaşar Kemal and photos by Lütfi Günaydın, "Çukurova Puts on her Best Clothes" was exhibited with Sadık Karamustafa's designs, bringing us a taste of Çukurova region's nature. "Contemporary Art in Turkey" and "Adventure İstiklal" exhibition series was carried on with Füsün Onur's "Erratum Musicale" exhibition. One exhibition to draw the highest level of attention was "The Start of the Civilization's Journey from Anatolia to Europe 12.000 Years Ago, The Neolithic Era", an exhibition that was opened at Vedat Nedim Tör Museum and focused on life in Anatolia 12 thousand years earlier.

Contemporary Art in Turkey series was added another chain with Gülsün Karamustafa's exhibition entitled "Cineması". One of Turkey's most significant painters and sculptors, Mehmet Gülerüz's sculpture exhibition "From Somewhere to Somewhere Else" was opened at Kâzım Taşkent Art Gallery. A master acclaimed in Turkey and abroad with his sculptures, as well as for his paintings and drawings, Mehmet Gülerüz was applauded for his new artworks that included "The Red Car". An outstanding name of the Turkish literature, Sabahattin Ali was an honorable guest at Sermet Çifter Hall. Entitled "A Photographic Plate / Sabahattin Ali in Photographs He Took and Couldn't Take", the exhibition consisted of "artistic" photographs taken by the author himself, as well as photographs of him taken by his friends.

The last exhibition of 2007 took place at Vedat Nedim Tör Museum. Titled "The Mysterious Civilization of the Phrygians" stands out as the first-ever exhibition on Phrygia in the world.

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

Dr. Rüşdü Saraçoğlu	Chairman of the Board of Directors
Federico Ghizzoni	Vice Chairman of the Board of Directors
Tayfun Bayazit	Chief Executive Officer
Alessandro M. Decio	Executive Member of the Board of Directors and COO
Seyit Kemal Kaya	Member of the Board of Directors
Fatma Füsün Akkal Bozok	Member of the Board of Directors
Ranieri de Marchis	Member of the Board of Directors
Ahmet F. Ashaboğlu	Member of the Board of Directors
Thomas Gross	Member of the Board of Directors
Robert Zadrzail *	Member of the Board of Directors

\* Left his seat as a member on the Board of Directors and on the Audit Committee on 25 January 2008 and was replaced with Herbert Hangel.

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 elected from amongst shareholders. However, if non-shareholders are elected as members, such individuals can start serving in their posts upon earning the shareholder title. A legal entity shareholder may not be a member on the Board of Directors. However, real persons who are representatives of such a legal entity may be elected to seats on the Board of Directors. The Bank is governed and represented by the Board of Directors. Members of the Board of Directors are elected to serve for a term of office of three years maximum. Any member, whose term of office expires, 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 fulfill 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 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 vision is to become the undisputed leader of the finance sector through sustainable growth and value creation and be the first 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;

- Expand branch network significantly
- Reinforce leadership in credit cards

# Corporate Governance Principles Compliance Report

- Grow in SME banking
- Bring individuals segment towards higher profitability
- Strong focus on cost and efficiency

## 21. Corporate Governance, Information About Risk Management Policies According to Risk Types

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 2007. 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 2008 in the credit risk management area will continue to be focused on properly assessing potential risks, calculating the cost of credit risk for each customer segments, in compliance with Basel II implementations. The main strategies to be followed throughout 2008 will be:

- Effective implementation of the credit policy guidelines to strengthen the common risk management approach in the organization
- Improvement of credit risk models in compliance with the IRB approach of Basel II
- 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 reputation risk
- Measurement of cost of risk by business segments, while applying generic provisioning in line with cost of risk

The Bank is exposed to market risk as a result of the volatility of interest rates; foreign exchange rates and equity prices. Market risk is measured with Value at Risk method using 99% confidence interval and Historical Simulation covering 500 days historical data. In the Market Risk Policy, all risks under the caption of "market risk" are clearly defined, and risk limits are determined. Risk limits are set in terms of maximum position, stop-loss, and Value at Risk. Risk limit compliance is monitored on a daily basis and reported by Risk Management. ALCO is highly involved in risk management process. The Bank is keeping trading activities at a minimum level, thereby trying to reduce the volatility in the revenues. Therefore, 97% of the Securities Portfolio is composed of Held to Maturity securities, FX position is at minimum level, and derivative instruments are highly utilized for hedging purposes. In 2007, the average daily VaR for trading securities was USD 1,8 million with a maximum usage of and a minimum usage of 62% and 9% and carried an average nominal position of approximately USD 285 million. Average risk appetite for held to maturity portfolio was 1% in 2007.

Regarding compliance to Corporate Governance Principles, General Operational Risk Limits are defined in Operational Risk Regulation, Operational Risk Regulation is reviewed in the light of changing risks and conditions every year. Operational Risk limits which were defined according to intra-corporation hierarchical titles were updated in 2007. Monitoring Compliance to Corporate Governance Principle is ensured by informing Bank Management and Asset and Liability Committee periodically about risk management policy breaches, risk changes and limit breaches in operational risk.

## 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.



# Corporate Governance Principles Compliance Report

## 25. Rules of Ethic

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

### I. 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.
- Display behaviors and business ethic that conform to the "Rules of Ethic and Working Principles" announced across Yapı Kredi; read, understand and comply with all of the principles of Yapı Kredi Bank.
- 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.
- Keep in mind that it is a part of our identity to be open, complete and accurate in our communications with all of our stakeholders, and act so as to further Yapı Kredi's respectability.
- 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.

### II. Customer Relations

Yapı Kredi employees;

- Adhere to the principle of integrity in their relations with customers, shareholders, subsidiaries and other companies.
- 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 authorized 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.
- Refrain from actions constituting unfair competition, remaining loyal to the principles of observing the corporate interests in the activities carried out within the scope of free market economy, while working towards ensuring continued trust in the financial services sector and development of the industry, being mindful of shared interests; do not voice opinions, make comments, either negative or positive, on competitive establishments and their products and services.
- May not make actual or implied commitments, either officially or unofficially, on behalf of Yapı Kredi, without proper authorization on the basis of approved procedures.

### III. 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.
- Carry out all their external relations in compliance with the procedures established by Yapı Kredi.
- Act honestly and realistically in line with fair competition rules concerning the promotion and marketing of the bank's product and services.

### IV. 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.

# Corporate Governance Principles Compliance Report

- 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:

Ranieri de Marchis	- Chairman
Ahmet F. Ashaboğlu	- Member
Robert Zadrazil*	- Member

### Credit Committee:

#### Principal Members:

Alessandro M. Decio	- Chairman
Tayfun Bayazit	- Member and Chief Executive Officer
Federico Ghizzoni	- Member
Thomas Gross	- Member
F. Füsün Akkal Bozok	- Member

#### Alternate Members:

Dr. Rüşdü Saraçoğlu  
S. Kemal Kaya

### Asset and Liability Committee:

Alessandro M. Decio	- Chairman
Tayfun Bayazit	- Member and Chief Executive Officer
Marco Arnaboldi	- Member
Marco Cravario**	- Member
Güray Alpkaya	- Member
Mert Yazıcıoğlu	- Member
Hamit Aydoğan	- Member
Mert Güvenen	- Member
Mehmet Sönmez	- Member
Nazan Somer	- Member
Erhan Özçelik	- Member

\* Left his seat as a member on the Board of Directors and on the Audit Committee on 25 January 2008 and was replaced with Herbert Hangel.

\*\* Carlo Vivaldi, who has left his post with the Bank as of 1 October 2007 was replaced with by Marco Cravario, who has been appointed as Assistant General Manager/CFO at Yapı ve Kredi Bankası A.Ş. on 7 January 2008. Until the aforementioned official date of appointment, Alessandro M. Decio served in proxy in this position.

## 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 receive attendance fee fixed by the General Assembly for each meeting they attend.

## **Part 3:**

# **Unconsolidated Financial Information and Risk Management Assessment**



Sali Turan, No Name, 1990, Various techniques on Paper, 50 x 70 cm (detail)  
Yapı Kredi Collection

# Statutory Auditors' Report

To the Annual General Meeting of Yapı ve Kredi Bankası A.Ş.

•Title of the Company	: Yapı ve Kredi Bankası A.Ş.
•Headquarters	: Yapı Kredi Plaza D Blok, Levent - Istanbul
•Capital	: YTL 3.427.051.284,05
•Sector	: Banking

	Name- Surname	Terms of Office	Partnership Status
•Auditors names, their terms of office and partnership status.	: M. Erkan Özdemir	01.01.2007 - 31.12.2007	Not employee or shareholders of the bank
	: Adil G. Öztoprak	01.01.2007 - 31.12.2007	

•Number of Board of Directors meetings attended and Board of Auditors meetings held : We attended all meetings of the Board of Directors and made nine meetings of the Board of Auditors during the course of the year. We also prepared and presented quarterly audit reports to the Board of Directors in accordance with Article 50, Paragraph 5(a) of the Bank's Articles of Association.

•Scope, duration and results of the auditing undertaken on the Company's accounts, ledgers and documents irregularities. : Within the scope of our auditing, we obtained information from Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. (PricewaterhouseCoopers), the independent auditor of the Bank, regarding the audit. We examined the accounts, ledgers and documents of the Bank on a monthly basis and found no irregularities. The balance sheet and profit statement are both consistent with the accounts. We submit the following information recorded during our auditing to the attention of the General Assembly which is also included in the General Assembly agenda by the Board of Directors for the shareholders' approval and.

In 2006, the Board of Directors, in order to strengthen the Bank's capital base, decided to sell certain immovable properties belonging to the Bank, not directly related to its principal banking activities. The consultancy firm commissioned to provide a financial evaluation of the properties to be sold suggested a discount of between 15% and 25% in the total expertise value, provided that the properties were all sold at the same time. Taking the evaluations of the consultancy firm into account, a tender was organized to sell the related properties.

As a result, a settlement was arranged with the successful bidder for the sale of the 407 properties for EUR 136.500.000 as approved by the Board of Directors. The sale price, herein stated, is 15% below the total expertise value, as recommended by the consultancy firm. After the signing of, and in accordance with the sales contract; the sale of 14 properties, with a total book value of EUR 501.347 and an expertise value of EUR 1.303.374, was cancelled due to legal reasons. The total sale price of the 14 properties not sold is EUR 1.369.006. In conclusion, 393 properties, with a book value of EUR 103.122.417 and an expertise value of EUR 156.729.962 have been sold for EUR 135.130.994.

The properties sold are gradually being transferred to the buyer. Up to and including 31 December 2007, properties with a total book value of 149.199 (000 YTL) were sold and transferred for YTL 184.210 (000 YTL) making a profit of YTL 35.439 (000 YTL).

•Number and results of cash counts conducted in accordance with Turkish Commercial Code Article 353, Paragraph 1, Item 3. : Six cash counts have been conducted under our supervision on various dates without prior notification at Head Office cashiers office. It has been observed that the cash balance was consistent with the records.

•Reported complaints and frauds, including any action taken. : No occurrences of complaint or fraud were reported to the Board of Auditors.

We examined Yapı ve Kredi Bankası A.Ş.'s accounts and operations for the year ended 31 December 2007 in accordance with the Turkish Commercial Code, the Turkish Banking Code, the Bank's Articles of Association, and other applicable legislation using generally accepted accounting principles and standards.

In our opinion, the attached balance sheet, prepared for the year ended 31 December 2007, give a true and fair view of the state of the Bank as of the above mentioned date, and the income statement true results for the period covering 01 January 2007 to 31 December 2007. The proposed dividend distribution proposal conforms to all applicable legislation and the Company's Articles of Association.

We recommend that the balance sheet and the income statement to be approved and the Board of Directors to be discharged from any liabilities regarding their service for the year. 17.03.2008



Auditor  
M. Erkan Özdemir



Auditor  
Adil G. Öztoprak



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

The vision of Yapı Kredi's Internal Audit Department is to become a world class Internal Audit Function at Koç Financial Services in order to satisfy expectations coming from various stakeholders and counterparties such as Audit Committee, Board of Directors, Supervisory Bodies, External Auditors, etc. In order to achieve this target, Deloitte was engaged to perform a Quality Assessment Review (QAR) in 2007. During the project, Deloitte performed an in-depth review of our Internal Audit methodologies and documentation; sent surveys and follow up; interviewed members of Audit Committee, Executive Directors as well as some Auditees and Auditors. As a result of this review, KFS Audit Department received the best opinion on conformity to International Audit Standards. Yapı Kredi is the first bank in Turkey to achieve such a result.

Internal Audit department, with its 128 experienced staff, performs audits of the Bank and subsidiaries to ensure the compliance with 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 a risk-oriented approach.

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 different types of audit reports. Reports presenting a significant level of risk are also delivered to top management and shareholders' representatives.

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 preparation, a "Business Risk Assessment" process is performed every year by involving all the top management 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) and shareholders 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 2007, Internal Audit department over-performed its targets by reviewing 496 branches instead of budgeted 480 branches. Moreover, 56 full/process HQ department audits were performed and 129 subsidiaries audits were also completed. In addition, another 93 unplanned HQ/Subs audits and Follow-up audits were carried out and 140 investigations/inquiries were also performed.

Internal controls are carried out by the Internal Control Unit (ICU) which directly reports to the BoD of the Bank. In 2007 the main areas of treasury, credits, financial/administrative affairs, credits cards and operations/branches have been controlled by checking the compliance with the Banking Law and other regulations and obligations. At the same time Fraud Prevention & Anti Money Laundering (AML) Section continued to perform a strict control on money laundering and frauds, also by means of automated tools.

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 performed on-site or remotely. As a result of these controls, the findings are reported to the related department/personnel and necessary follow-up and corrections are provided.

In 2007, ICU also carried out a project in the subsidiaries of the Bank in order to identify the major risks, evaluate current level of internal control systems in the company and determine the need of further strengthening the local internal control function.

In 2007, the Bank achieved to keep the risk/return balance at an optimum level, having had a very minimal effect of global volatility in August thanks to the long-term borrowings, interest rate swaps and Held to Maturity securities. Risk limits are set in accordance with the risk tolerance of the Bank and limit compliance is monitored on a daily basis. Limit breaches are immediately communicated to Top Management and ALCO and actions are taken accordingly. Liquidity risk is measured and reported timely, so as to take precautionary actions. In order to establish the necessary framework for liquidity management, to achieve a balance between profitability and liquidity needs and to fulfill the financial obligations, Liquidity policy is started to be set up. Additionally, for a more efficient interest rate risk management, a new software, has started to be developed, which is in compliance with Basel II norms and able to perform dynamic simulations.

Yapı Kredi is targeting advanced measurement approaches in Operational Risk Management and Measurement Systems. In this context, Basel II and Operational Risk Project, which was started last year, is still continuing. Regarding managing realized operational risks, for the last three years operational risk data have been collected from the departments and branches via a web based system instantaneously. For managing unrealized, potential operational risks, key risk indicators and scenario analyses studies were started in 2007. Risk based insurance management was used as an important tool for minimizing exposed risks, risk evaluations were made and shared with related departments before implementation of new products and services developed by departments of the bank. Besides, bank wide Business Continuity Management Project was started in 2007 and a consultancy firm specialized on Business Continuity Management was included into project. Realizing Business Impact Analyses via web based system in line with Basel II Standards are aimed and Board of Directors were informed about project in 2007.

The credit policy guideline reflecting the Banks risk appetite in the context of corporate governance has been updated and approved by the Board of Directors in 2007. 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.

A variety of projects were conducted in 2007 to improve and develop credit risk management practices. Enhancements and further developments were made in existing credit underwriting, monitoring, and workout tools so as to encompass the bank's loans in all segments. The credit database and the scope of the credit risk management tools referred to above were expanded in terms of Basel II compliance. A project was launched to make it possible to include scorecard and default probability calculations in the existing credit underwriting module for the SME segment. Completion of this project, which is to take place in 2008, will provide an environment in which it will be possible to obtain SME-segment risk parameters with system support as well.

Work continued in 2007 to achieve compliance both with the standards of the corporate group of which the bank is a member and with advanced Basel II methods. During 2008, work will also continue as required by the bank's Basel II roadmap to develop methods based on external ratings. Throughout 2007 the bank's senior management was kept informed about all developments taking place in the area of credit risk management through regular monthly and quarterly reports and the cost of the bank's exposure to credit risk was calculated on the basis of individual studies of each segment.



**Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.**  
a member of  
**PricewaterhouseCoopers**  
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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 unconsolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") at 31 December 2007 and the related unconsolidated 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 selecting and applying appropriate 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 ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency (the "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. Our independent audit has been implemented in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006. 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 these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion:

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. at 31 December 2007 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 article 37 of the Banking Act No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Additional Paragraph for Convenience Translation:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act 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 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.

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

Zeynep Uras, SMMM  
İstanbul, 12 March 2008



# THE UNCONSOLIDATED FINANCIAL REPORT OF YAPI VE KREDİ BANKASI A.Ş. AS OF 31 DECEMBER 2007

Yapı ve Kredi Bankası A.Ş.  
Genel Müdürlük  
Yapı Kredi Plaza D Blok  
Levent 34330 İstanbul  
Tel: (0212) 339 70 00  
Faks: (0212) 339 60 00  
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E-mail : financialreports@yapikredi.com.tr

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

- **Section one** - **GENERAL INFORMATION ABOUT THE BANK**
- **Section two** - **UNCONSOLIDATED FINANCIAL STATEMENTS**
- **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 the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited.



Rüşdü SARAÇOĞLU  
Chairman of the  
Board of Directors



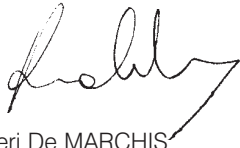
Tayfun BAYAZIT  
Chief Executive Officer



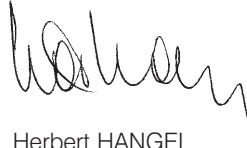
Marco CRAVARIO  
Chief Financial Officer



Duygu DÖNMEZ  
Head of Financial  
Reporting Unit



Ranieri De MARCHIS  
President of Audit Committee



Herbert HANGEL  
Member of Audit Committee



Ahmet F. ASHABOĞLU  
Member of Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

**Name-Surname / Title** : Aysel GÜRSOY / Head of Regulatory Reporting Section  
**Telephone Number** : 0212 339 63 29  
**Fax Number** : 0212 339 61 05

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## YAPI VE KREDİ BANKASI A.Ş.

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# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### SECTION ONE

#### GENERAL INFORMATION ABOUT THE BANK

##### I. HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS, IF ANY:

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 incorporation.

##### 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 2007, 18,21% shares of the Bank are publicly traded (2006: 19,54%).

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 ("SDİF") 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 owned by the Bank by 100%, 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 detail 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 was transferred to the Koç Finansal Hizmetler A.Ş. ("KFH").

With and in scope of the Share Exchange Agreement signed with KFH and approved by the Banking Regulatory and Supervisory Agency ("BRSA") and the Capital Markets Board ("CMB"), allowing the transfer of 59,47% of the capital of Yapı Kredi Faktoring A.Ş. with a nominal value of YTL9.992.000, 73,10% of the capital of Yapı Kredi Finansal Kiralama A.O. with a nominal value of YTL285.048.428 and 99,80% of the capital of Yapı Kredi Bank Azerbaycan Joint Stock Company with a nominal value of AZN6.336.200 (Azerbaijani Manats) from KFH, the increase in capital by YTL277,601,284.00 from YTL3.149.450.000 to YTL3.427.051.284 giving the share to KFH has been approved in the Extraordinary General Assembly meeting held on 30 September 2007 and the decisions of the meeting have been registered as of 18 October 2007. The share transfer transactions in the framework of the agreement have been finalised as of 31 October 2007 and after the transaction, the share of KFH in YKB has increased to 81,79%.

KFH was established on 16 March 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. As of 22 October 2002, Koç Group established a strategic partnership with UniCredit SpA ("UCI") over KFH. Therefore, the Bank is a joint venture of UCI and Koç Group.

##### III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE BANK THEY POSSESS:

As of 31 December 2007, the Bank's Board of Directors, Members of the Audit Committee and Executive President and Vice Presidents are listed below:

Title	Name	Responsibility
<b>Chairman of the Board of Directors:</b>	Dr. Rüşdü SARAÇOĞLU	Chairman
<b>Board of Directors Members:</b>	Federico GHIZZONI	Vice Chairman
	Tayfun BAYAZIT	Chief Executive Officer
	Alessandro M. DECIO	Chief Operating Officer
	Seyit Kemal KAYA	Member
	Fusun Akkal BOZOK	Member
	Ranieri De MARCHIS	Member
	Ahmet Fadıl ASHABOĞLU	Member
	Herbert HANGEL (*)	Member
	Thomas GROSS	Member

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### GENERAL INFORMATION ABOUT THE BANK (Continued)

Title	Name	Responsibility
<b>General Manager:</b>	Tayfun BAYAZIT	Chief Executive Officer
<b>Vice General Managers:</b>	Süleyman Cihangir KAVUNCU	Human Resources Management
	Alpar ERGUN	Legal Activities Management
	Mehmet Gani SÖNMEZ	Retail Banking Management
	Erhan ÖZÇELİK	Private Banking and Foreign Operations Management
	Hamit AYDOĞAN	Corporate Banking Management
	Mert GÜVENEN	Commercial Banking Management
	Mert YAZICIOĞLU	Treasury Management
	Tülay GÜNGEN	Corporate Identity and Communication
	Zeynep Nazan SOMER	Credit Cards and Consumer Lending
	Marco CRAVARIO (**)	Financial Planning, Administration and Control/CFO
	Mehmet Güray ALPKAYA	Credit Management
	Marco ARNABOLDI	Risk Management
	Mahmut Tevfik ÇELİKEL	Logistics and Cost Management
	Fahri ÖBEK (***)	Information Technology Management
	Muzaffer ÖZTÜRK	Retail Sales Management
	Kemal SEMERCİLER	Compliance Officer
	Stefano PERAZZINI	Internal Audit
	Luca RUBAGA	Organisation Management
<b>Audit Committee Members:</b>	Ranieri De MARCHIS	Chairman
	Herbert HANGEL (*)	Member
	Ahmet Fadıl ASHABOĞLU	Member
<b>Statutory auditors:</b>	M. Erkan ÖZDEMİR	Auditor
	Adil G. ÖZTOPRAK	Auditor

The shares of the above individuals are insignificant in the Bank.

(\*) As of 25 February 2008 Robert Zadrzil has resigned from Board of Directors and Audit Committee and as of the same date Herbert Hangel has been assigned for the same areas.

(\*\*) As of 1 October 2007, Carlo Vivaldi has resigned and as of the same date it is resolved that Alessandro M. Decio to be responsible for the aforementioned area temporarily and as of 7 January 2008 officially.

(\*\*\*) As of 1 October 2007, Mohammed Hishem Laroussi has resigned and as of the same date Fahri Öbek has been assigned as Acting Manager temporarily and as of 1 March 2008 officially.

### IV. INFORMATION ON QUALIFIED SHAREHOLDERS:

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	2.802.933.461,57	%81,79	2.802.933.461,57	-

### V. SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES:

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 2007, the Bank has 675 branches operating in Turkey, 1 branch in off-shore region and 1 representative office operating abroad (2006: 607 branches operating in Turkey, 1 branch in off-shore region and 4 representative offices operating abroad) and 14.249 employees (2006: 13.478 employees).

# YAPI VE KREDİ BANKASI A.Ş.

## UNCONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

#### SECTION TWO: UNCONSOLIDATED FINANCIAL STATEMENTS

##### I. BALANCE SHEET

	Note (Section Five)	(31/12/2007)			(31/12/2006)		
		YTL	FC	Total	YTL	FC	Total
<b>ASSETS</b>							
<b>I. CASH BALANCES WITH CENTRAL BANK</b>	<b>I-a</b>	<b>1.640.591</b>	<b>2.048.074</b>	<b>3.688.665</b>	<b>1.857.176</b>	<b>2.223.509</b>	<b>4.080.685</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	<b>I-b</b>	<b>38.724</b>	<b>190.218</b>	<b>228.942</b>	<b>85.613</b>	<b>347.828</b>	<b>433.441</b>
2.1 Trading Financial Assets		3.317	179.823	183.140	13.513	342.773	356.286
2.1.1 Government Debt Securities		3.317	179.823	183.140	13.513	342.773	356.286
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Other Marketable Securities		-	-	-	-	-	-
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		35.407	10.395	45.802	72.100	5.055	77.155
<b>III. BANKS</b>	<b>I-c</b>	<b>47.846</b>	<b>683.129</b>	<b>730.975</b>	<b>7.397</b>	<b>1.955.988</b>	<b>1.963.385</b>
<b>IV. MONEY MARKETS</b>		-	-	-	-	-	-
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>I-d</b>	<b>207.958</b>	<b>71.906</b>	<b>279.864</b>	<b>78.803</b>	<b>33.035</b>	<b>111.838</b>
5.1 Share Certificates		2.063	26.873	28.936	1.814	15.206	17.020
5.2 Government Debt Securities		159.064	36.314	195.378	31.457	17.258	48.715
5.3 Other Marketable Securities		46.831	8.719	55.550	45.532	571	46.103
<b>VI. LOANS</b>	<b>I-e</b>	<b>19.575.498</b>	<b>8.933.383</b>	<b>28.508.881</b>	<b>15.348.542</b>	<b>7.155.604</b>	<b>22.504.146</b>
6.1 Loans		19.228.559	8.933.326	28.161.885	15.036.519	7.155.604	22.192.123
6.1.1 Bank's risk group		208.630	190.931	399.561	118.953	192.352	311.305
6.1.2 Other		19.019.929	8.742.395	27.762.324	14.917.566	6.963.252	21.880.818
6.2 Loans under Follow-up		1.736.839	2.416	1.739.255	1.714.040	-	1.714.040
6.3 Specific Provisions (-)		(1.389.900)	(2.359)	(1.392.259)	(1.402.017)	-	(1.402.017)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD-TO-MATURITY SECURITIES (Net)</b>	<b>I-f</b>	<b>6.205.305</b>	<b>5.837.681</b>	<b>12.042.986</b>	<b>6.416.628</b>	<b>9.463.271</b>	<b>15.879.899</b>
8.1 Government Debt Securities		6.205.305	5.837.681	12.042.986	6.416.628	9.463.271	15.879.899
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>I-g</b>	<b>2.658</b>	<b>43.404</b>	<b>46.062</b>	<b>3.528</b>	<b>43.404</b>	<b>46.932</b>
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		2.658	43.404	46.062	3.528	43.404	46.932
9.2.1 Financial Investments in Associates		2.658	43.404	46.062	3.528	43.404	46.932
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>	<b>I-h</b>	<b>1.255.591</b>	<b>166.251</b>	<b>1.421.842</b>	<b>533.288</b>	<b>257.931</b>	<b>791.219</b>
10.1 Unconsolidated Financial Subsidiaries		1.253.291	166.251	1.419.542	452.853	233.431	686.284
10.2 Unconsolidated Non-financial Subsidiaries		2.300	-	2.300	80.435	24.500	104.935
<b>XI. JOINT VENTURES (Net)</b>		-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII. FINANCIAL LEASE RECEIVABLES (Net)</b>		-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. HEDGING DERIVATIVE FINANCIAL ASSETS</b>	<b>I-i</b>	<b>1.018</b>	<b>666</b>	<b>1.684</b>	-	-	-
13.1 Fair Value Hedge		1.018	666	1.684	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	<b>I-j</b>	<b>1.068.086</b>	-	<b>1.068.086</b>	<b>1.159.432</b>	-	<b>1.159.432</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>I-k</b>	<b>1.187.125</b>	-	<b>1.187.125</b>	<b>1.152.548</b>	-	<b>1.152.548</b>
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		207.632	-	207.632	173.055	-	173.055
<b>XVI. INVESTMENT PROPERTY (Net)</b>		-	-	-	-	-	-
<b>XVI.1. TAX ASSET</b>		<b>420.118</b>	-	<b>420.118</b>	<b>275.664</b>	-	<b>275.664</b>
17.1 Current Tax Asset		212.319	-	212.319	118.070	-	118.070
17.2 Deferred Tax Asset	<b>I-l</b>	207.799	-	207.799	157.594	-	157.594
<b>XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>I-m</b>	<b>59.629</b>	<b>48.734</b>	<b>108.363</b>	<b>180.447</b>	-	<b>180.447</b>
18.1 Held for sale Purposes		59.629	48.734	108.363	180.447	-	180.447
18.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>I-n</b>	<b>269.159</b>	<b>350.157</b>	<b>619.316</b>	<b>219.010</b>	<b>217.992</b>	<b>437.002</b>
<b>TOTAL ASSETS</b>		<b>31.979.306</b>	<b>18.373.603</b>	<b>50.352.909</b>	<b>27.318.076</b>	<b>21.698.562</b>	<b>49.016.638</b>

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## UNCONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

**I. BALANCE SHEET**

	Note (Section Five)	(31/12/2007)			(31/12/2006)		
		YTL	FC	Total	YTL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	<b>II-a</b>	<b>18.864.312</b>	<b>13.302.621</b>	<b>32.166.933</b>	<b>16.166.969</b>	<b>14.960.302</b>	<b>31.127.271</b>
1.1. Deposits of Bank's risk group		1.386.568	1.444.162	2.830.730	1.445.701	1.619.475	3.065.176
1.2. Other		17.477.744	11.858.459	29.336.203	14.721.268	13.340.827	28.062.095
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>II-b</b>	<b>185.086</b>	<b>6.501</b>	<b>191.587</b>	<b>21.061</b>	<b>2.603</b>	<b>23.664</b>
<b>III. BORROWINGS</b>	<b>II-c</b>	<b>179.267</b>	<b>4.056.734</b>	<b>4.236.001</b>	<b>192.385</b>	<b>4.407.358</b>	<b>4.599.743</b>
<b>IV. MONEY MARKETS</b>		<b>1.571.744</b>	<b>204.890</b>	<b>1.776.634</b>	<b>2.957.463</b>	<b>399.088</b>	<b>3.356.551</b>
4.1. Funds from Interbank Money Market		-	-	-	-	-	-
4.2. Funds from Istanbul Stock Exchange Money Market		150.000	-	150.000	-	-	-
4.3. Funds Provided Under Repurchase Agreements		1.421.744	204.890	1.626.634	2.957.463	399.088	3.356.551
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1. Bills		-	-	-	-	-	-
5.2. Asset Backed Securities		-	-	-	-	-	-
5.3. Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1. Borrower funds		-	-	-	-	-	-
6.2. Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>2.058.983</b>	<b>149.909</b>	<b>2.208.892</b>	<b>1.844.442</b>	<b>467.460</b>	<b>2.311.902</b>
<b>VIII. OTHER LIABILITIES</b>	<b>II-d</b>	<b>440.584</b>	<b>497.434</b>	<b>938.018</b>	<b>363.516</b>	<b>482.291</b>	<b>845.807</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>		-	<b>23.594</b>	<b>23.594</b>	-	<b>18.789</b>	<b>18.789</b>
10.1. Financial Lease Payables	<b>II-e</b>	-	24.540	24.540	2	19.455	19.457
10.2. Operational Lease Payables		-	-	-	-	-	-
10.3. Other		-	-	-	-	-	-
10.4. Deferred Financial Lease Expenses (-)		-	(946)	(946)	(2)	(666)	(668)
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>II-f</b>	<b>27.786</b>	-	<b>27.786</b>	-	-	-
11.1. Fair Value Hedge		27.786	-	27.786	-	-	-
11.2. Cash Flow Hedge		-	-	-	-	-	-
11.3. Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	<b>II-g</b>	<b>1.495.813</b>	<b>261.611</b>	<b>1.757.424</b>	<b>1.334.285</b>	<b>270.066</b>	<b>1.604.351</b>
12.1. General Loan Loss Provision		433.346	232.548	665.894	410.912	236.070	646.982
12.2. Restructuring Provisions		-	-	-	-	-	-
12.3. Reserve for Employee Rights		126.225	-	126.225	148.292	-	148.292
12.4. Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5. Other Provisions		936.242	29.063	965.305	775.081	33.996	809.077
<b>XIII. TAX LIABILITY</b>	<b>II-h</b>	<b>349.377</b>	-	<b>349.377</b>	<b>144.139</b>	-	<b>144.139</b>
13.1. Current Tax Liability		349.377	-	349.377	144.139	-	144.139
13.2. Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
14.1. Held for sale purpose		-	-	-	-	-	-
14.2. Related to discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	<b>II-i</b>	-	<b>1.772.914</b>	<b>1.772.914</b>	-	<b>1.559.258</b>	<b>1.559.258</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>II-j</b>	<b>4.860.522</b>	<b>43.227</b>	<b>4.903.749</b>	<b>3.382.604</b>	<b>42.559</b>	<b>3.425.163</b>
16.1. Paid-in Capital		3.427.051	-	3.427.051	3.142.818	-	3.142.818
16.2. Capital Reserves		551.679	43.227	594.906	53.239	42.559	95.798
16.2.1. Share Premium		541.633	-	541.633	45.781	-	45.781
16.2.2. Share Cancellation Profits		-	-	-	-	-	-
16.2.3. Marketable Securities Valuation Differences	<b>II-k</b>	4.748	43.227	47.975	7.458	42.559	50.017
16.2.4. Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5. Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6. Revaluation differences of investment property		-	-	-	-	-	-
16.2.7. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-	-	-
16.2.8. Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9. Value increase in property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10. Other capital reserves		5.298	-	5.298	-	-	-
16.3. Profit Reserves		343.184	-	343.184	343.184	-	343.184
16.3.1. Legal Reserves		17.159	-	17.159	17.159	-	17.159
16.3.2. Status Reserves		-	-	-	-	-	-
16.3.3. Extraordinary Reserves		326.025	-	326.025	326.025	-	326.025
16.3.4. Other Profit Reserves		-	-	-	-	-	-
16.4. Income or (Loss)		538.608	-	538.608	(156.637)	-	(156.637)
16.4.1. Prior Years' Income or (Loss)		(170.577)	-	(170.577)	(670.545)	-	(670.545)
16.4.2. Current Year Income or (Loss)		709.185	-	709.185	513.908	-	513.908
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>30.033.474</b>	<b>20.319.435</b>	<b>50.352.909</b>	<b>26.406.864</b>	<b>22.609.774</b>	<b>49.016.638</b>

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 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

#### II. INCOME STATEMENTS

INCOME AND EXPENSE ITEMS		Note (Section Five)	01/01-31/12/2007	01/01-31/12/2006
<b>I.</b>	<b>INTEREST INCOME</b>	<b>III-a</b>	<b>6.059.185</b>	<b>5.045.202</b>
1.1	Interest on Loans	III-a-1	4.070.672	3.480.960
1.2	Interest Received from Reserve Requirements		189.066	145.627
1.3	Interest Received from Banks	III-a-2	85.958	90.320
1.4	Interest Received from Money Market Transactions		10.271	18.131
1.5	Interest Received from Marketable Securities Portfolio	III-a-3	1.631.977	1.295.244
1.5.1	Trading Financial Assets		20.230	72.695
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3	Available-for-sale Financial Assets		28.579	40.962
1.5.4	Held to Maturity Investments		1.583.168	1.181.587
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		71.241	14.920
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>III-b</b>	<b>(3.936.467)</b>	<b>(3.233.785)</b>
2.1	Interest on Deposits	III-b-3	(3.303.943)	(2.698.187)
2.2	Interest on Funds Borrowed	III-b-1	(390.007)	(286.447)
2.3	Interest Expense on Money Market Transactions		(236.430)	(235.644)
2.4	Interest on Securities Issued		-	-
2.5	Other Interest Expenses		(6.087)	(13.507)
<b>III.</b>	<b>NET INTEREST INCOME (I + II)</b>		<b>2.122.718</b>	<b>1.811.417</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>973.785</b>	<b>799.696</b>
4.1	Fees and Commissions Received		1.230.032	1.047.782
4.1.1	Non-cash Loans		129.827	128.398
4.1.2	Other		1.100.205	919.384
4.2	Fees and Commissions Paid		(256.247)	(248.086)
4.2.1	Non-cash Loans		(70)	(177)
4.2.2	Other		(256.177)	(247.909)
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>III-c</b>	<b>38.617</b>	<b>41.758</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	<b>III-d</b>	<b>73.083</b>	<b>50.029</b>
6.1	Trading Gains/(Losses) on Securities		(200.876)	257.675
6.2	Foreign Exchange Gains/(Losses)		273.959	(207.646)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>III-e</b>	<b>802.708</b>	<b>344.644</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>4.010.911</b>	<b>3.047.544</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>III-f</b>	<b>(425.682)</b>	<b>(338.296)</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>III-g</b>	<b>(2.732.364)</b>	<b>(1.998.077)</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>852.865</b>	<b>711.171</b>
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XIV.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>	<b>III-h</b>	<b>852.865</b>	<b>711.171</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>III-i</b>	<b>(143.680)</b>	<b>(197.263)</b>
16.1	Current Tax Provision		(217.406)	(58.536)
16.2	Deferred Tax Provision		73.726	(138.727)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>709.185</b>	<b>513.908</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from Non-current Assets Held for Resale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>III-j</b>	<b>709.185</b>	<b>513.908</b>
	Earnings/(Loss) per share (in YTL full)		0,0022	0,0016

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## UNCONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

**III. OFF-BALANCE SHEET COMMITMENTS**

	Note (Section Five)	(31/12/2007)			(31/12/2006)		
		YTL	FC	Total	YTL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>22.155.591</b>	<b>14.192.776</b>	<b>36.348.367</b>	<b>17.472.598</b>	<b>13.979.771</b>	<b>31.452.369</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>IV-a-2,3</b>	<b>5.797.524</b>	<b>7.953.203</b>	<b>13.750.727</b>	<b>5.572.857</b>	<b>9.044.405</b>	<b>14.617.262</b>
1.1. Letters of Guarantee		5.772.747	5.062.683	10.835.430	5.571.632	5.534.958	11.106.590
1.1.1. Guarantees Subject to State Tender Law		437.494	409.529	847.023	431.794	647.471	1.079.265
1.1.2. Guarantees Given for Foreign Trade Operations		650.971	4.653.154	5.304.125	1.032.791	4.887.487	5.920.278
1.1.3. Other Letters of Guarantee		4.684.282	-	4.684.282	4.107.047	-	4.107.047
1.2. Bank Acceptances		-	184.493	184.493	-	216.649	216.649
1.2.1. Import Letter of Acceptance		-	184.493	184.493	-	216.649	216.649
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		787	2.009.776	2.010.563	325	2.535.477	2.535.802
1.3.1. Documentary Letters of Credit		787	2.009.776	2.010.563	325	2.535.477	2.535.802
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		143	1.553	1.696	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		23.847	548.393	572.240	757	583.506	584.263
1.9. Other Collaterals		-	146.305	146.305	-	171.931	171.931
<b>II. COMMITMENTS</b>	<b>IV-a-1</b>	<b>13.330.953</b>	<b>852.372</b>	<b>14.183.325</b>	<b>10.238.783</b>	<b>1.894.425</b>	<b>12.133.208</b>
2.1. Irrevocable Commitments		13.330.953	852.372	14.183.325	10.238.783	1.894.425	12.133.208
2.1.1. Asset Purchase and Sale Commitments		-	431.565	431.565	-	470.055	470.055
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		1.482.180	420.760	1.902.940	724.547	837.999	1.562.546
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		1.359.423	-	1.359.423	1.310.760	-	1.310.760
2.1.8. Tax and Fund Liabilities from Export Commitments		39.945	-	39.945	39.365	-	39.365
2.1.9. Commitments for Credit Card Limits		10.449.281	-	10.449.281	8.163.986	-	8.163.986
2.1.10. Commitments for credit cards and banking services promotions		-	-	-	-	-	-
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		124	47	171	125	17.227	17.352
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>IV-b</b>	<b>3.027.114</b>	<b>5.387.201</b>	<b>8.414.315</b>	<b>1.660.958</b>	<b>3.040.941</b>	<b>4.701.899</b>
3.1. Hedging Derivative Financial Instruments		119.763	102.004	221.767	-	-	-
3.1.1. Transactions for Fair Value Hedge		119.763	102.004	221.767	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Transactions		2.907.351	5.285.197	8.192.548	1.660.958	3.040.941	4.701.899
3.2.1. Forward Foreign Currency Buy/Sell Transactions		955.130	1.235.526	2.190.656	535.769	994.628	1.530.397
3.2.1.1. Forward Foreign Currency Transactions-Buy		375.653	713.805	1.089.458	379.139	400.948	780.087
3.2.1.2. Forward Foreign Currency Transactions-Sell		579.477	521.721	1.101.198	156.630	593.680	750.310
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		1.069.229	2.923.019	3.992.248	579.009	1.439.889	2.018.898
3.2.2.1. Foreign Currency Swap-Buy		305.407	956.634	1.262.041	112.788	449.948	562.736
3.2.2.2. Foreign Currency Swap-Sell		40.000	1.222.741	1.262.741	159.236	395.911	555.147
3.2.2.3. Interest Rate Swap-Buy		33.375	646.700	680.075	-	450.968	450.968
3.2.2.4. Interest Rate Swap-Sell		690.447	96.944	787.391	306.985	143.062	450.047
3.2.3. Foreign Currency, Interest rate and Securities Options		882.981	1.124.248	2.007.229	546.180	606.424	1.152.604
3.2.3.1. Foreign Currency Options-Buy		431.680	568.325	1.000.005	273.090	303.212	576.302
3.2.3.2. Foreign Currency Options-Sell		445.729	555.923	1.001.652	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		3.240	-	3.240	-	-	-
3.2.3.6. Securities Options-Sell		2.332	-	2.332	-	-	-
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		11	2.404	2.415	-	-	-

# YAPI VE KREDİ BANKASI A.Ş.

## UNCONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

#### III. OFF-BALANCE SHEET COMMITMENTS

	Note (Section Five)	(31/12/2007)			(31/12/2006)		
		YTL	FC	Total	YTL	FC	Total
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>71.401.397</b>	<b>9.219.570</b>	<b>80.620.967</b>	<b>60.536.429</b>	<b>2.527.949</b>	<b>63.064.378</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>53.411.780</b>	<b>999.643</b>	<b>54.411.423</b>	<b>47.296.282</b>	<b>1.500.439</b>	<b>48.796.721</b>
4.1 Customer Fund and Portfolio Balances		-	2.603	2.603	-	2.267	2.267
4.2 Investment Securities Held in Custody		45.505.901	791.271	46.297.172	39.229.872	1.154.620	40.384.492
4.3 Checks Received for Collection		4.797.997	26.350	4.824.347	4.669.933	49.098	4.719.031
4.4 Commercial Notes Received for Collection		3.106.718	154.172	3.260.890	3.395.301	235.461	3.630.762
4.5 Other Assets Received for Collection		-	25.247	25.247	-	58.993	58.993
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	11	-	11
4.8 Custodians		1.164	-	1.164	1.165	-	1.165
<b>V. PLEDGES RECEIVED</b>		<b>16.985.999</b>	<b>7.413.664</b>	<b>24.399.663</b>	<b>13.240.147</b>	<b>1.027.510</b>	<b>14.267.657</b>
5.1 Marketable Securities		342.775	434	343.209	362.711	580	363.291
5.2 Guarantee Notes		304.997	223.708	528.705	291.104	363.967	655.071
5.3 Commodity		7.609	-	7.609	20.617	-	20.617
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		10.769.129	5.275.952	16.045.081	9.682.256	499.324	10.181.580
5.6 Other Pledged Items		5.561.240	1.911.476	7.472.716	2.883.210	39.853	2.923.063
5.7 Pledged Items-Depository		249	2.094	2.343	249	123.786	124.035
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>1.003.618</b>	<b>806.263</b>	<b>1.809.881</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>93.556.988</b>	<b>23.412.346</b>	<b>116.969.334</b>	<b>78.009.027</b>	<b>16.507.720</b>	<b>94.516.747</b>

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## UNCONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

## IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		(31/12/2007)	(31/12/2006)
I.	ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	14.082	9.811
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(7.101)	736
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(2.010)	-
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	(660)	2.878
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	4.311	13.425
XI.	CURRENT YEAR PROFIT/LOSS	8.363	64.168
1.1	Net change in fair value of marketable securities (transfer to profit-loss)	8.363	64.168
1.2	Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
1.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
1.4	Other	-	-
XII.	TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X-XI)	(4.052)	(50.743)

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

# YAPI VE KREDİ BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits
<b>31 December 2006</b>					
I. Period Opening Balance (31 December 2005) (*)		752.345	2.672.886	10.781	-
II. Changes in Accounting Policies according to TAS 8		-	-	-	-
2.1 Effects of Errors		-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-
III. New Balance (I+II)		752.345	2.672.886	10.781	-
Changes in the Period					
IV. Increase/Decrease due to the Merger	VII.	1.246.155	-	35.000	-
V. Marketable Securities Valuation Differences		-	-	-	-
VI. Hedging Transactions Funds (Effective Parts)		-	-	-	-
6.1 Cash Flow Hedge		-	-	-	-
6.2 Foreign Investment Hedge		-	-	-	-
VII. Property and Equipment Revaluation Differences		-	-	-	-
VIII. Intangible Fixed Assets Revaluation Differences		-	-	-	-
IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-
X. Foreign Exchange Differences		-	-	-	-
XI. Changes due to the Disposal of Assets		-	-	-	-
XII. Changes due to the Reclassification of Assets		-	-	-	-
XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-
XIV. Capital Increase		1.144.318	-	-	-
14.1 Cash increase		-	-	-	-
14.2 Internal Resources		1.144.318	-	-	-
XV. Share Premium		-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-
XVII. Paid in-capital Adjustment Difference		-	-	-	-
XVIII. Other		-	(2.672.886)	-	-
XIX. Current Year Income or Loss		-	-	-	-
XX. Profit Distribution		-	-	-	-
20.1 Dividend Paid		-	-	-	-
20.2 Transfers to Reserves		-	-	-	-
20.3 Other		-	-	-	-
<b>Period End Balance (III+IV+V+.....+XVIII+XIX+XX)</b>		<b>3.142.818</b>	<b>-</b>	<b>45.781</b>	<b>-</b>
(*) The unconsolidated publicly announced financial statement information of YKB as of 31 December 2005 before the merger.					
<b>31 December 2007</b>					
I. Prior Period End Balance		3.142.818	-	45.781	-
Changes in the Period					
II. Increase/Decrease due to the Merger		-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-
IV. Hedging Transactions Funds (Effective Parts)		-	-	-	-
4.1 Cash Flow Hedge		-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-
V. Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-
VI. Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-
VII. Property and Equipment Revaluation Differences		-	-	-	-
VIII. Intangible Fixed Assets Revaluation Differences		-	-	-	-
IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-
X. Foreign Exchange Differences		-	-	-	-
XI. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-
XII. Capital Increase	II-j-3	284.233	-	-	-
12.1 Cash increase		277.601	-	-	-
12.2 Internal Resources		6.632	-	-	-
XIII. Share Premium	II-j-3	-	-	495.852	-
XIV. Share Cancellation Profits		-	-	-	-
XV. Paid in-capital Adjustment Difference		-	-	-	-
XVI. Other		-	-	-	-
XVII. Current Year Income or Loss		-	-	-	-
XVIII. Profit Distribution		-	-	-	-
18.1 Dividend Paid		-	-	-	-
18.2 Transfers to Reserves		-	-	-	-
18.3 Other		-	-	-	-
<b>Period End Balance (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>3.427.051</b>	<b>-</b>	<b>541.633</b>	<b>-</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

## YAPI VE KREDİ BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase Fund	PPE and Intangible Assets Revaluation Fund	Bonus Shares From Investment in Associates and Subsidiaries	Hedging Transactions Funds	Held for Resale/ Discontinued Operations Revaluation Fund	Total Shareholders' Equity
-	-	-	-	(1.543.010)	(379.263)	73.876	-	-	-	-	1.587.615
-	-	-	-	-	74.955	26.884	-	-	-	-	101.839
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	74.955	26.884	-	-	-	-	101.839
-	-	-	-	(1.543.010)	(304.308)	100.760	-	-	-	-	1.689.454
17.159	-	326.025	-	-	(351.795)	1.053	-	-	-	-	1.273.597
-	-	-	-	-	-	(51.796)	-	-	-	-	(51.796)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(1.144.318)	-	-	-	-	-	-
-	-	-	-	-	(1.144.318)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	2.672.886	-	-	-	-	-	-
-	-	-	-	513.908	-	-	-	-	-	-	513.908
-	-	-	-	1.543.010	(1.543.010)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1.543.010	(1.543.010)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
17.159	-	326.025	-	513.908	(670.545)	50.017	-	-	-	-	3.425.163
17.159	-	326.025	-	513.908	(670.545)	50.017	-	-	-	-	3.425.163
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(2.042)	-	-	-	-	(2.042)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	(6.632)	-	-	-	-	-	277.601
-	-	-	-	-	(6.632)	-	-	-	-	-	277.601
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	495.852
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	(2.010)	-	-	-	-	-	-	-	(2.010)
-	-	-	-	709.185	-	-	-	-	-	-	709.185
-	-	-	7.308	(513.908)	506.600	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	7.308	(513.908)	506.600	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
17.159	-	326.025	5.298	709.185	(170.577)	47.975	-	-	-	-	4.903.749

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOWS AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### VI. STATEMENT OF CASH FLOWS

	Note (Section Five)	(31/12/2007)	(31/12/2006)*
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		1.996.307	748.580
1.1.1 Interest received		6.141.326	4.577.433
1.1.2 Interest paid		(3.913.935)	(3.256.099)
1.1.3 Dividend received		38.617	41.061
1.1.4 Fees and commissions received		1.230.032	1.047.783
1.1.5 Other income		558.919	448.334
1.1.6 Collections from previously written-off loans and other receivables		510.580	226.763
1.1.7 Payments to personnel and service suppliers		(788.348)	(636.863)
1.1.8 Taxes paid		(179.846)	31.214
1.1.9 Other		(1.601.038)	(1.731.046)
1.2 Changes in operating assets and liabilities		(6.380.346)	6.492.493
1.2.1 Net decrease in trading securities		170.211	831.901
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase) in banks		(2.315)	5.314
1.2.4 Net (increase) in loans		(5.951.026)	(3.441.332)
1.2.5 Net decrease/(increase) in other assets		8.660	(1.851.976)
1.2.6 Net (decrease)/increase in bank deposits		(1.496.936)	2.433.831
1.2.7 Net increase in other deposits		940.486	4.810.750
1.2.8 Net (decrease)/increase in funds borrowed		(156.422)	2.800.000
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase in other liabilities		106.996	904.005
<b>I. Net cash provided from banking operations</b>		<b>(4.384.039)</b>	<b>7.241.073</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>3.101.177</b>	<b>(7.996.479)</b>
2.1 Cash paid for acquisition of investments, associates and subsidiaries (Business Partnerships)		(26.985)	(97.910)
2.2 Cash obtained from disposal of investments, associates and subsidiaries (Business Partnerships)		24.500	7.400
2.3 Purchases of property and equipment		(169.242)	(85.449)
2.4 Disposals of property and equipment		512.624	56.116
2.5 Cash paid for purchase of investments available-for-sale		(122.431)	(180.656)
2.6 Cash obtained from sale of investments available-for-sale		-	759.606
2.7 Cash paid for purchase of investment securities		(2.668.918)	(9.564.840)
2.8 Cash obtained from sale of investment securities		5.409.464	1.632.061
2.9 Other		142.165	(522.807)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>4.805</b>	<b>2.289</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		4.805	2.289
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>(1.278.057)</b>	<b>(753.117)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>VI-a</b>	<b>2.962.345</b>	<b>3.715.462</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>VI-a</b>	<b>1.684.288</b>	<b>2.962.345</b>

(\*) YTL765.957 thousand of the period beginning balance of cash and cash equivalents as at 31 December 2006 resulted from the transfer of Koçbank to Yapı Kredi due to the legal merger.



CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## PROFIT APPROPRIATION STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

VII. PROFIT APPROPRIATION STATEMENT		(31/12/2007) (*)	(31/12/2006)
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	Current Year Income	852.865	711.171
1.2	Taxes And Duties Payable (-)	(143.680)	(197.263)
1.2.1	Corporate Tax (Income tax)	(217.406)	(58.536)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	73.726	(138.727)
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>709.185</b>	<b>513.908</b>
1.3	Prior Year Losses (-)	(170.577)	(670.545)
1.4	First Legal Reserves (-)	(26.930)	-
1.5	Other Statutory Reserves (-)	(15.059)	(13.940)
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A+(1.3+1.4+1.5))]</b>	<b>496.619</b>	<b>(170.577)</b>
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	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>	-	-
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 (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>	-	-
3.1	To Owners Of Ordinary Shares	0,0022	0,0016
3.2	To Owners Of Ordinary Shares (%)	-	-
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>	-	-
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 (%)	-	-

(\*) Authorised body for profit appropriation of the current period is General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

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

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### 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 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 and 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 "Communiqués 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 and "Draft Communiqués Regarding the Change in the Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published as of 22 September 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.

The 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, the BRSA announced a decree that the inflation accounting application in the banking sector had been terminated. 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 judgement 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 effects 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 TAS. Those accounting policies and valuation principles are explained in Notes II. to XXVIII. 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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### Explanations on first-time adoption of Turkish Accounting Standards:

The accounting principles and valuation methods used in the preparation of the prior period financial statements are revised in compliance with Turkish Accounting Standards and Turkish Financial Reporting Standards as per the communiqué no.1 "Frame for Preparation and Presentation of Financial Statements" of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 2005. In compliance with the Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors", the adjustments net of deferred tax effects made to the financial statements of the prior period are summarized below:

	Marketable Securities Value Increase Fund	Prior Years' Income or Losses	Total Shareholders' Equity
<b>Balances Reported as at 31 December 2005</b>	<b>73.876</b>	<b>(379.263)</b>	<b>1.587.615</b>
Adjustment on currency differences of foreign subsidiaries and investments	26.884	74.955	101.839
<b>Adjusted balances as of 31 December 2005</b>	<b>100.760</b>	<b>(304.308)</b>	<b>1.689.454</b>

The reconciliation of the net income reported under previous accounting principles in the financial statements to profit under TAS for the same period is as follows:

	31 December 2006
<b>Income for the period before TAS applications</b>	<b>512.239</b>
Adjustment on currency differences of foreign subsidiaries and investments	1.669
<b>Income for the period after TAS applications</b>	<b>513.908</b>

### II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS:

The general strategy of the Bank in 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 the asset-liability strategy. The currency, interest and liquidity risks of 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 being held at minimum levels and the 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" except foreign currency investments and subsidiaries valuation differences. Since the foreign currency investments and subsidiaries are considered as non-monetary items, they are translated with the exchange rates at the transaction date and therefore no foreign exchange differences are realised.

### III. EXPLANATIONS ON INVESTMENTS 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 one 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 transaction date and are reflected to the financial statements after deducting the provision for impairment, if one exists. To comply with the current period evaluation policies, the effect of the related change has been reflected to the previous period's financial statements.

The Bank has no joint ventures as of 31 December 2007 and 31 December 2006.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

The Bank's derivative transactions mostly include foreign money and interest rate swaps and foreign exchange purchase and sale transactions.

Derivative instruments are measured at fair value on initial recognition and subsequently re-valued at their fair values. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Bank documents the relation between hedge items and hedged balances, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank regularly documents the hedge effectiveness of fair value hedges.

Changes in the fair value of derivative instruments subject to fair value hedges are recognised under profit or loss accounts together with the variation in the fair value of hedged items. If the underlying hedge does not conform to the hedge accounting requirements, the corrections in the hedged item for which the effective interest rate is considered, is discounted within the time to maturity and recognised under the profit and loss accounts.

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 assets" 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. Differences in the fair value of fair value hedge derivative instruments are accounted under "trading income/loss" in the income statement.

The fair values of the derivative financial instruments are calculated 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 an accrual basis using the effective interest method.

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

#### VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

All fees and commission income/expenses are recognised on an accrual basis, except for certain commission income and fees from various banking services which are recorded as income at the time of collection. Fees and commission expenses paid to the other institutions are recognised as operational costs and recorded 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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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 are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are 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 cannot 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 instruments. The principles regarding the accounting of derivative financial instruments are explained in detail 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 are held-for-trading at the time of acquisition and are 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 value. The fair values of held-to-maturity financial assets on initial recognition are either the transaction prices 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 cannot 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 debtors. Loans and receivables originated by the Bank are carried initially at cost and subsequently recognised at the amortised cost value calculated using the "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. The 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

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 it is charged against the income for the year.

The principles for the accounting of provisions for loans are explained in detail 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 ("repos") 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 the 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 RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS:

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables 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 2006, No.26333 and classified as assets held for resale.

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Bank has no discontinued operations.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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, intangible assets (i.e. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it 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.

When the book value of an other intangible asset exceeds the recoverable amount, the related asset is meant to be impaired. Some indicators of a possible loss out of impairment can be identified. If any of these indicators exists, the Bank develops a recoverable amount expectation. If not, there is no need to forecast the recoverable amount.

Intangibles are amortised over 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 intangible assets	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 are carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over 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 immovable and are amortised over the lease period if the lease period is less than the useful life and over the useful life (five years) if the lease period is greater than the useful life.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 or 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" is 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, CONTINGENT ASSET AND LIABILITIES :

Provisions and contingent liabilities, except for the specific and general provisions recognised for loans and other receivables, are accounted in accordance with the "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 an 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.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

#### a. Employee Termination Benefit

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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. 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.

#### b. Pension Rights

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

Banking Law No.5411 temporary article 23 paragraph one states that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the published date of the article. However, on 2 November 2005 the President applied to the Constitutional Court for abrogation of the concerned article of Banking Law and with the decision of the Constitutional Court dated 22 March 2007 numbered E. 2005/39, K. 2007/33 published in the Official Gazette dated 31 March 2007 numbered 26479, the article has been abrogated as of the publication date of the decision. The reasoning of the Constitutional Court regarding the abrogation of the corresponding article has been published in the Official Gazette dated 15 December 2007, numbered 26732. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") has started to work on a new law regarding the transfer of the funds to SSI. The draft legislation on the change in the Social Security and General Health Security Law and respective laws and decrees have been discussed and adopted on the meeting of the GNAT Plan and Budget Commission held on 6 March 2008. In that respect, the Article adopted by GNAT that revises the temporary article 20 which regulates Funds under the temporary article 20 of the Social Security Law No.506 has been referred to the GNAT for final discussion. As of the reporting date, the legislation process is ongoing.

BRSA expressed its opinion that in the framework of the abrogation of temporary article 23 of the Banking Law described in corresponding decision of the Council of Ministers, the provision amount calculated as of the end of 2006 should be preserved. Related with the opinion, the Bank has an actuarial report made a registered actuary for the Fund in accordance with the decree. The Bank provided a full provision regarding the deficit reported in the actuarial report by 31 December 2006 and therefore this provision has been accounted under the "Other provisions"

### 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 the 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 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the 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 two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five 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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 5 years from the beginning of the year following the balance sheet date and during this 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 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.

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 2007 and 31 December 2006, the Bank has no government grants.

### XXII. LEGAL MERGER:

As both Koçbank and Yapı Kredi were banks under the common control of KFS and in order to provide the financial statement users with more useful information, the legal merger has been accounted 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 for 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.
- As of 31 December 2006, all the transactions between Koçbank and Yapı Kredi 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.k of Section Five).
- As of the acquisition date, a valuation of the intangible assets of Yapı Kredi was performed and the credit card brand value, deposit base and customer portfolio values have been reflected to the unconsolidated financial statements of the Bank in accordance with TFRS 3 (Note I.k 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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### XXIII. 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 the Turkish Commercial Code ("TCC"). The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

#### XXIV. EARNINGS PER SHARE:

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

	31 December 2007	31 December 2006
Net Income/(Loss) to be Appropriated to Ordinary Shareholders	709.185	513.908
Weighted Average Number of Issued Ordinary Shares (Thousand)	320.573.075	314.281.800
<b>Earnings Per Share (Disclosed in full YTL)</b>	<b>0,0022</b>	<b>0,0016</b>

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.

During 2007, the total number bonus shares issued is 6.631.545.090 (2006: 239.047.376.092).

#### 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 detail in Note VIII. of Section Five.

#### XXVI. CASH AND CASH EQUIVALENTS:

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

#### XXVII. EXPLANATIONS ON OPERATING SEGMENTS:

Information about operating segments which are determined in line with "Turkish Accounting Standard about Segment Reporting" ("TAS 14") together with organisational and internal reporting structure of the Bank, are disclosed in Note X. of Section Four.

#### XXVIII. RECLASSIFICATIONS:

Together with the adjustments made in accordance with 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 2006, to conform to changes in presentation in the 31 December 2007 financials.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### 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 13,67% (2006: 12,31%).

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" published as of 1 November 2006 and "Regulation Regarding the Change in the Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" published as of 10 October 2007 (together referred as "Regulation Regarding Capital Adequacy"). 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%
<b>Amount subject to credit risk</b>				
<b>Balance sheet items (Net)</b>	<b>17.665.983</b>	<b>792.311</b>	<b>4.276.866</b>	<b>25.982.862</b>
Cash	572.457	1.079	-	-
Matured marketable securities	-	-	-	-
The Central Bank of the Republic of Turkey	1.815.806	-	-	-
Domestic, foreign banks, head offices and branches abroad	-	715.880	-	12.680
Interbank money market placements	-	-	-	-
Receivables from reverse repurchase transactions	-	-	-	-
Reserve requirements with the Central Bank of the Republic of Turkey	1.385.612	-	-	-
Loans	1.147.189	13.056	4.226.213	22.441.437
Non-performing receivables (Net)	-	-	-	346.996
Lease receivables	-	-	-	-
Available-for-sale financial assets	191.202	47.301	-	37.154
Held-to-maturity investments	11.493.366	-	-	-
Receivables from the disposal of assets	-	-	-	9.777
Miscellaneous receivables	-	113	-	238.354
Interest and income accruals	631.280	2.534	50.653	269.012
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	1.442.434
Fixed assets	-	-	-	1.101.498
Other assets	429.071	12.348	-	83.520
<b>Off-balance sheet items</b>	<b>382.712</b>	<b>4.143.917</b>	<b>1.957.642</b>	<b>8.600.638</b>
Non-cash loans and commitments	382.712	4.112.978	1.957.642	8.583.537
Derivative financial instruments	-	30.939	-	17.101
Non-risk weighted accounts	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>18.048.695</b>	<b>4.936.228</b>	<b>6.234.508</b>	<b>34.583.500</b>

(\*) There are no assets weighted with 10% risk

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

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

	31 December 2007	31 December 2006
Amount subject to credit risk "ASCR"	38.688.000	32.474.602
Amount subject to market risk "ASMR"	331.825	309.900
Amount subject to operational risk "ASOR" (*)	3.640.891	-
<b>Shareholders' equity</b>	<b>5.831.740</b>	<b>4.037.076</b>
<b>Shareholders' equity / (ASCR+ASMR+ASOR) *100</b>	<b>13,67</b>	<b>12,31</b>

(\*) Amount subject to operational risk is effective from 1 June 2007 regarding the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 26333 dated 1 November 2006, and it has been calculated for the first time as of 30 June 2007.

#### e. Information about shareholders' equity items:

	31 December 2007	31 December 2006
<b>CORE CAPITAL</b>		
Paid-in capital	3.427.051	3.142.818
Nominal capital	3.427.051	3.142.818
Capital commitments (-)	-	-
Inflation adjustment to share capital	-	-
Share premium	541.633	45.781
Share cancellation profits	-	-
Legal reserves	17.159	17.159
First legal reserve (Turkish Commercial Code 466/1)	17.159	17.159
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Status reserves	-	-
Extraordinary reserves	326.025	326.025
Reserves allocated by the General Assembly	326.025	326.025
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	-	-
Profit	709.185	512.239
Current period net profit	709.185	512.239
Prior periods profit	-	-
Provisions for possible risks (up to 25% of core capital)	83.040	76.138
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	5.298	-
Primary subordinated loans (up to 15% of core capital)	-	-
Uncovered portion of loss with reserves (-)	(170.577)	(745.500)
Current period loss (net)	-	-
Prior periods loss	(170.577)	(745.500)
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)	-	-
<b>Total Core Capital (*)</b>	<b>4.938.814</b>	<b>3.374.660</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### SUPPLEMENTARY CAPITAL

General provisions	533.259	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	1.742.336	1.540.285
45% of Marketable Securities valuation fund	21.589	20.400
From investments in associates and subsidiaries	-	(2.108)
Available-for-Sale financial assets	21.589	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)	-	-
<b>Total Supplementary Capital</b>	<b>2.297.184</b>	<b>1.970.491</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>7.235.998</b>	<b>5.345.151</b>
<b>DEDUCTIONS FROM THE CAPITAL (*)</b>	<b>1.404.258</b>	<b>1.308.075</b>
Investments in Unconsolidated Financial Institutions (Domestic, foreign) and Banks in which 10% or more equity interest exercised	74.204	60.217
Investments in Financial Institutions (Domestic, foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 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	454	828
Loans extended as contradictory to the articles 50 and 51 of 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 are to be Disposed According to Banking Law article 57 as They have been Held for More Than Five Years From the Acquisition Date.	-	-
Other	-	-
Special costs	26.217	25.771
Prepaid expenses	116.258	68.711
Intangible Assets	1.187.125	1.152.548
Deferred tax asset amount exceeding 10% of core capital	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5.831.740</b>	<b>4.037.076</b>

(\*) According to the temporary article 1. of the "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.

Previous period's information disclosed in the tables of summary information about capital adequacy ratio and information about shareholders' equity items does not include the effects of the TAS corrections made as of 31 December 2007, on 31 December 2006 financial statements.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### II. EXPLANATIONS ON CREDIT RISK:

a. Credit risk is the loss or the risk of the Bank in case a counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. 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 rated corporate and commercial loan customers (excluding construction companies and financial institutions) are followed-up in the system with risk scores and relatively more risky customers are closely monitored by the Credit Management - Risk Monitoring Department.

The Bank calculates the probability of default for the customers with its rating system for various types of customers. The rating concentration of the corporate and commercial loans that are rated by the Bank's internal rating system are disclosed below:

	31 December 2007	31 December 2006
Above average	20,2%	20,8%
Average	53,6%	51,5%
Below Average	26,2%	27,7%

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. In line with the Regulation on provisions, if the cash risk of a customer classified as non performing, the non-cash is classified as non performing under the same group where the cash risks were already followed and specific provision is reserved.

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. Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related countries and the evaluation of the creditworthiness of the customers and financial institutions and no material risks have been observed in scope of these operations.

f. 1. The proportion of the Bank's top 100 cash loan balances in total cash loans is 21% (2006: 21%).

2. The proportion of the Bank's top 100 non-cash loan balances in total non-cash loans is 43% (2006: 39%).

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 (2006: 23%).

g. The Bank provided a general loan loss provision amounting to YTL665.894 thousand (2006: YTL646.982 thousand).

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### h. Loans concentration according to the type of borrowers:

	Loans granted to real persons and corporate entities		Loans granted to Banks and other financial Institutions		Marketable Securities (*)		Other Loans (**)		Off Balance Sheet	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Loans concentration according to the type of borrowers</b>										
Private Sector	16.499.234	13.587.010	520.976	160.649	2.812	602	396.314	276.892	15.679.992	16.792.833
Public Sector	791.487	390.141	-	-	12.421.504	16.284.900	-	-	618.805	854.856
Banks	-	-	34.938	-	52.738	45.501	765.107	2.007.781	1.159.897	918.998
Individual Customers	10.662.246	8.366.346	-	-	-	-	727	174	10.475.358	8.183.783
Share certificates	-	-	-	-	28.936	17.020	1.467.904	838.151	-	-
<b>Total</b>	<b>27.952.967</b>	<b>22.343.497</b>	<b>555.914</b>	<b>160.649</b>	<b>12.505.990</b>	<b>16.348.023</b>	<b>2.630.052</b>	<b>3.122.998</b>	<b>27.934.052</b>	<b>26.750.470</b>
<b>Information according to geographical concentration</b>										
Domestic	27.715.430	21.550.939	536.072	159.821	12.388.872	13.157.774	1.932.787	1.171.834	26.833.938	25.741.202
European Union										
Countries	2.870	5.434	4.072	-	50.048	2.210.827	426.730	1.766.499	558.471	521.122
OECD Countries (***)			9.640	-	-	-	20.734	43.646	298.831	174.943
Off-shore banking										
regions	171.530	767.543	-	-	-	-	85	41	84	-
USA, Canada	6.813		-	-	67.070	979.422	237.121	127.543	42.645	6.700
Other Countries	56.324	19.581	6.130	828	-	-	12.595	13.435	200.083	306.503
<b>Total</b>	<b>27.952.967</b>	<b>22.343.497</b>	<b>555.914</b>	<b>160.649</b>	<b>12.505.990</b>	<b>16.348.023</b>	<b>2.630.052</b>	<b>3.122.998</b>	<b>27.934.052</b>	<b>26.750.470</b>

(\*) Contains Financial Assets Designated at Fair Value, Available-for-sale Financial Assets and Held-to-maturity Investments.

(\*\*) Contains the items defined as loan in Article 48 of the Banking Act No. 5411 other than those listed in first three columns of Uniform Chart of Accounts.

(\*\*\*) OECD countries other than EU countries, USA and Canada.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### i. Information on amounts that are exposed to credit risk:

	31 December 2007	31 December 2006
<b>Balance sheet items that are exposed to credit risk:</b>		
Bank placements	730.975	1.963.385
Loans and advances to customers	28.508.881	22.504.146
-Credit Cards	6.700.602	5.802.512
-Consumer	4.113.140	2.766.875
-Corporate	17.695.139	13.934.759
Trading Securities	228.942	433.441
-Government Securities	183.140	356.286
-Share certificates	-	-
-Other marketable securities	-	-
-Derivative financial instruments	45.802	77.155
Investment Securities	12.322.850	15.991.737
-Government Debt Securities	12.238.364	15.928.614
-Share certificates	28.936	17.020
-Other marketable securities	55.550	46.103
Receivables from financial leasing	-	-
Other assets	619.316	437.002
<b>Credit risk exposures relating to off-balance sheet items:</b>		
Financial guarantees	12.845.993	13.642.392
Loan commitments and other credit related liabilities	904.734	974.870
<b>Total</b>	<b>56.161.691</b>	<b>55.946.973</b>

#### j. Loans and other receivables past due:

31 December 2007	Corporate	Consumer	Credit Cards	Total	31 December 2006
Past due up to 30 days	88.162	120.931	252.597	461.690	399.294
Past due 30-60 days	60.934	70.995	101.323	233.252	188.111
Past due 60-90 days	53.486	24.223	8.316	86.025	87.438
<b>Total</b>	<b>202.582</b>	<b>216.149</b>	<b>362.236</b>	<b>780.967</b>	<b>674.843</b>

#### k. Debt securities, treasury bills and other eligible bills:

31 December 2007	Financial Assets At Fair Value Through Profit Or Loss (Net)	Available-for-sale Financial Assets (Net)	Held to Maturity Investments (Net)	Total
<b>Moody's Rating</b>				
Aaa	-	11.875	40.327	52.202
Aa	-	-	49.917	49.917
A	-	-	-	-
Baa	-	-	-	-
Ba3 (*)	183.140	183.503	11.952.742	12.319.385
<b>Total</b>	<b>183.140</b>	<b>195.378</b>	<b>12.042.986</b>	<b>12.421.504</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### 31 December 2006

Moody's Rating	Financial Assets At Fair Value Through Profit Or Loss (Net)	Available-for-sale Financial Assets (Net)	Held to Maturity Investments (Net)	Total
Aaa	-	-	2.740.779	2.740.779
Aa	-	-	433.566	433.566
A	-	-	-	-
Baa	-	-	-	-
Ba3 (*)	356.286	48.715	12.705.554	13.110.555
<b>Total</b>	<b>356.286</b>	<b>48.715</b>	<b>15.879.899</b>	<b>16.284.900</b>

(\*) Securities consist of Republic of Turkey government bonds and treasury bills.

#### I. Information according to geographical concentration:

	Assets	Liabilities (***)	Non-Cash Loans	Capital Expenditures	Net profit (****)
<b>31 December 2007</b>					
Domestic	46.656.229	40.580.106	12.650.613	169.242	709.185
European Union Countries	499.866	3.375.393	558.471	-	-
OECD Countries (*)	37.025	804.722	298.831	-	-
Off-shore banking regions	152.235	1.195	84	-	-
USA, Canada	389.904	5.558	42.645	-	-
Other Countries	138.217	90.077	200.083	-	-
Subsidiaries, Investments and Joint Ventures	1.467.901	-	-	-	-
Unallocated Assets/Liabilities (**)	1.011.532	592.109	-	-	-
<b>Total</b>	<b>50.352.909</b>	<b>45.449.160</b>	<b>13.750.727</b>	<b>169.242</b>	<b>709.185</b>
<b>31 December 2006</b>					
Domestic	41.013.477	38.253.530	13.607.994	85.449	513.908
European Union Countries	4.047.040	5.076.408	521.122	-	-
OECD Countries (*)	89.983	1.236.628	174.943	-	-
Off-shore banking regions	723.240	-	-	-	-
USA, Canada	1.085.571	632.438	6.700	-	-
Other Countries	108.872	57.693	306.503	-	-
Investments in associates, subsidiaries and joint ventures	838.151	-	-	-	-
Unallocated Assets/Liabilities (**)	1.110.304	334.778	-	-	-
<b>Total</b>	<b>49.016.638</b>	<b>45.591.475</b>	<b>14.617.262</b>	<b>85.449</b>	<b>513.908</b>

(\*) 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.

(\*\*\*\*) The net profit could not be distributed according to geographical concentration.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### m. Sectoral concentrations for cash loans:

	31 December 2007				31 December 2006			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agricultural</b>	<b>401.405</b>	<b>2,09</b>	<b>129.134</b>	<b>1,45</b>	<b>219.166</b>	<b>1,47</b>	<b>119.609</b>	<b>1,70</b>
Farming and Raising Livestock	314.365	1,63	107.944	1,21	168.685	1,13	100.707	1,44
Forestry	64.769	0,34	4.534	0,05	41.427	0,28	3.839	0,05
Fishing	22.271	0,12	16.656	0,19	9.054	0,06	15.063	0,21
<b>Manufacturing</b>	<b>4.083.455</b>	<b>21,24</b>	<b>4.603.713</b>	<b>51,53</b>	<b>3.356.278</b>	<b>22,55</b>	<b>3.940.602</b>	<b>56,15</b>
Mining	109.069	0,57	151.717	1,69	90.571	0,61	135.275	1,93
Production	3.928.481	20,43	4.116.548	46,08	3.238.156	21,75	3.602.620	51,33
Electric, Gas and Water	45.905	0,24	335.448	3,76	27.551	0,19	202.707	2,89
<b>Construction</b>	<b>887.036</b>	<b>4,61</b>	<b>434.725</b>	<b>4,87</b>	<b>630.463</b>	<b>4,24</b>	<b>357.799</b>	<b>5,10</b>
<b>Services</b>	<b>2.890.028</b>	<b>15,03</b>	<b>2.314.070</b>	<b>25,90</b>	<b>2.231.491</b>	<b>14,99</b>	<b>2.260.643</b>	<b>32,21</b>
Wholesale and Retail Trade	1.384.656	7,20	305.236	3,41	1.025.908	6,89	345.196	4,92
Hotel Food and Beverage Services	187.475	0,97	397.406	4,45	152.410	1,02	312.266	4,45
Transportation and Telecommunication	542.016	2,82	1.267.028	14,18	407.536	2,74	229.653	3,27
Financial Institutions	398.008	2,07	157.906	1,77	391.529	2,63	1.127.313	16,06
Real Estate and Leasing Services	117.193	0,61	108.631	1,22	89.434	0,60	63.817	0,91
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	27.683	0,14	163	0,00	20.373	0,14	3.444	0,05
Health and Social Services	232.997	1,22	77.700	0,87	144.301	0,97	178.954	2,55
<b>Other</b>	<b>10.966.635</b>	<b>57,03</b>	<b>1.451.684</b>	<b>16,25</b>	<b>8.445.251</b>	<b>56,75</b>	<b>338.745</b>	<b>4,83</b>
<b>Loan Interest and Income Accruals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153.870</b>	<b>-</b>	<b>138.206</b>	<b>-</b>
<b>Total</b>	<b>19.228.559</b>	<b>100,00</b>	<b>8.933.326</b>	<b>100,00</b>	<b>15.036.519</b>	<b>100,00</b>	<b>7.155.604</b>	<b>100,00</b>

### 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 the "Value-at-Risk Method" on the basis of the marketable securities portfolio including the Bank's currency risk. The below table represents the details of market risk calculation as of 31 December 2007 in accordance with 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 the "Calculation of Market Risk with Standard Method".

#### a. Information on Market Risk:

	31 December 2007	31 December 2006
(I) Capital to be Employed for General Market Risk - Standard Method	16.277	11.311
(II) Capital to be Employed for Specific Risk -Standard Method	397	-
(III) Capital to be Employed for Currency Risk - Standard Method	3.802	13.481
(IV) Capital to be Employed for Commodity Risk - Standard Method	-	-
(V) Capital to be Employed for Exchange Risk-Standard Method	-	-
(VI) Capital to be Employed for Market Risk Due to Options-Standard Method	6.070	-
(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+VII)	26.546	24.792
<b>(IX) Amount Subject to Market Risk (12,5xVIII) or (12,5xVII)</b>	<b>331.825</b>	<b>309.900</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

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

	31 December 2007			31 December 2006		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	14.332	16.856	7.253	35.176	78.693	11.311
Share Premium Risk	343	1.600	-	3.177	4.102	-
Currency Risk	8.588	21.739	3.475	20.039	19.275	13.481
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Operational Risk	-	-	-	-	-	-
<b>Total Amount Subject to Risk</b>	<b>23.263</b>	<b>40.195</b>	<b>10.728</b>	<b>58.392</b>	<b>102.070</b>	<b>24.792</b>

#### IV. EXPLANATIONS ON OPERATIONAL RISK:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2006, 2005 and 2004 year-end gross income balances of the Bank, in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No.26333 dated 1 November 2006, namely "The Calculation of the Amount Subject to Operational Risk". As of 31 December 2007, the total amount subject to operational risk is YTL 3.640.891 thousand and the amount of the related capital requirement is YTL 291.271 thousand.

#### V. 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 change in 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. When necessary, derivatives like forward foreign exchange contracts and currency swaps are used as part of 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 are as follows:

	USD YTL1,13550	EUR YTL1,66740	Yen YTL0,01002
Balance Sheet Evaluation Rate:			
28 December 2007 bid rate	YTL1,14150	YTL1,65510	YTL0,00996
27 December 2007 bid rate	YTL1,14220	YTL1,64890	YTL0,00998
26 December 2007 bid rate	YTL1,14520	YTL1,64940	YTL0,01001
25 December 2007 bid rate	YTL1,15040	YTL1,65610	YTL0,01005
24 December 2007 bid rate	YTL1,15310	YTL1,65990	YTL0,01015

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 below:

USD	: YTL1,18140
Euro	: YTL1,72302
Yen	: YTL0,01052

As of 31 December 2006;

	USD 1,37770 YTL	EUR 1,81210 YTL	Yen 0,01157YTL
Balance Sheet Evaluation Rate:			

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### Information on currency risk of the Bank:

The 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 the Net Foreign Currency Position. In addition, foreign currency general provisions in the balance sheet, the specific provision for non cash loans, derivative financial instruments and prepaid expenses are considered as Turkish Lira in the calculation of the Net Currency Position regarding the related regulation. Therefore, there is a difference between the sum of the foreign currency assets and the sum of liabilities 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
<b>31 December 2007</b>					
<b>Assets</b>					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.963.321	80.069	119	4.565	2.048.074
Banks	198.145	469.233	735	15.016	683.129
Financial Assets at Fair Value Through Profit or Loss	59.457	120.366	-	-	179.823
Interbank Money Market Placements	-	-	-	-	-
Available-for-Sale Financial Assets	10.012	61.894	-	-	71.906
Loans (*)	3.385.112	6.424.711	29.513	178.941	10.018.277
Investments in Associates, Subsidiaries and Joint Ventures	110.904	55.347	-	43.404	209.655
Held-to-Maturity Investments	392.169	5.445.512	-	-	5.837.681
Hedging Derivative Financial Assets	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	133.945	129.012	96	134.245	397.298
<b>Total Assets</b>	<b>6.253.065</b>	<b>12.786.144</b>	<b>30.463</b>	<b>376.171</b>	<b>19.445.843</b>
<b>Liabilities</b>					
Bank Deposits	15.259	291.326	186	138.161	444.932
Foreign Currency Deposits	3.916.693	8.656.368	9.478	275.150	12.857.689
Funds From Interbank Money Market	34.948	169.942	-	-	204.890
Funds Borrowed From Other Financial Institutions	911.037	3.144.630	454	613	4.056.734
Marketable Securities Issued	-	-	-	-	-
Miscellaneous Payables	45.290	93.070	200	11.349	149.909
Hedging Derivative Financial Liabilities	-	-	-	-	-
Other Liabilities	1.998.179	264.204	278	31.281	2.293.942
<b>Total Liabilities</b>	<b>6.921.406</b>	<b>12.619.540</b>	<b>10.596</b>	<b>456.554</b>	<b>20.008.096</b>
<b>Net On-balance Sheet Position</b>	<b>(668.341)</b>	<b>166.604</b>	<b>19.867</b>	<b>(80.383)</b>	<b>(562.253)</b>
<b>Net Off-balance Sheet Position</b>	<b>703.468</b>	<b>(196.072)</b>	<b>(21.878)</b>	<b>104.612</b>	<b>590.130</b>
Financial Derivative Assets	985.773	1.761.524	5.794	235.573	2.988.664
Financial Derivative Liabilities	282.305	1.957.596	27.672	130.961	2.398.534
<b>Non-Cash Loans</b>	<b>2.614.748</b>	<b>4.918.273</b>	<b>270.066</b>	<b>150.115</b>	<b>7.953.202</b>
<b>31 December 2006</b>					
Total Assets	7.271.108	14.607.714	24.597	439.258	22.342.677
Total Liabilities	7.169.852	14.567.230	19.179	538.285	22.294.546
<b>Net On-balance Sheet Position</b>	<b>101.256</b>	<b>40.484</b>	<b>5.418</b>	<b>(99.027)</b>	<b>48.131</b>
<b>Net Off-balance Sheet Position</b>	<b>(61.148)</b>	<b>92.896</b>	<b>(5.304)</b>	<b>142.767</b>	<b>169.211</b>
Financial Derivative Assets	374.573	1.032.918	2.537	195.048	1.605.076
Financial Derivative Liabilities	435.721	940.022	7.841	52.281	1.435.865
<b>Non-Cash Loans</b>	<b>2.747.217</b>	<b>5.813.378</b>	<b>347.800</b>	<b>136.010</b>	<b>9.044.405</b>

(\*) Includes FX indexed loans amounting to YTL1.084.894 thousand (2006: YTL649.167 thousand) which have been disclosed as YTL in the financial statements.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### VI. 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 presented monthly to Asset and Liability Committee ("ALCO"). By using sensitivity and scenario analyses, the possible loss effects on the equity are analysed due to the interest rate volatility not only within the 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 2007	Up to 1 Month	1-3 Months	3-12 Months	1-5Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.433.091	-	-	-	-	2.255.574	3.688.665
Banks	253.199	102.572	6.273	-	-	368.931	730.975
Financial Assets at Fair Value Through Profit/Loss	33.184	32.985	34.449	101.655	26.669	-	228.942
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	211	3.816	5.840	166.656	27.103	76.238	279.864
Loans	7.063.232	3.365.101	7.923.353	6.485.701	3.324.498	346.996	28.508.881
Held-to-Maturity Investments	1.150.245	4.021.609	1.783.185	1.213.323	3.874.624	-	12.042.986
Other Assets	209	72	529	874	-	4.870.912	4.872.596
<b>Total Assets</b>	<b>9.933.371</b>	<b>7.526.155</b>	<b>9.753.629</b>	<b>7.968.209</b>	<b>7.252.894</b>	<b>7.918.651</b>	<b>50.352.909</b>
<b>Liabilities</b>							
Bank Deposits	306.927	109.257	12.063	-	-	101.162	529.409
Other Deposits	22.765.554	2.090.180	1.575.450	21.977	-	5.184.363	31.637.524
Funds From Interbank Money Market	1.609.630	70.613	96.391	-	-	-	1.776.634
Miscellaneous Payables	2.139.396	7.703	2.546	-	-	59.247	2.208.892
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	35.517	4.009.529	143.099	47.856	-	-	4.236.001
Other Liabilities and Shareholders' Equity	48.263	898.443	1.068.190	984	-	7.948.569	9.964.449
<b>Total Liabilities</b>	<b>26.905.287</b>	<b>7.185.725</b>	<b>2.897.739</b>	<b>70.817</b>	<b>-</b>	<b>13.293.341</b>	<b>50.352.909</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>340.430</b>	<b>6.855.890</b>	<b>7.897.392</b>	<b>7.252.894</b>	<b>-</b>	<b>22.346.606</b>
<b>Balance Sheet Short Position</b>	<b>(16.971.916)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.374.690)</b>	<b>(22.346.606)</b>
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	(11.797)	(33.902)	(86.037)	(6.517)	-	-	(138.253)
<b>Total Position</b>	<b>(16.983.713)</b>	<b>306.528</b>	<b>6.769.853</b>	<b>7.890.875</b>	<b>7.252.894</b>	<b>(5.374.690)</b>	<b>(138.253)</b>

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

31 December 2006	Up to 1 Month	1-3 Months	3-12 Months	1-5Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	3.074.427	-	-	-	-	1.006.258	4.080.685
Banks	1.476.745	94.274	4.009	-	-	388.357	1.963.385
Financial Assets at Fair Value Through Profit/Loss	16.233	56.472	133.690	157.069	69.977	-	433.441
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	1.275	2.688	21.708	7.939	15.105	63.123	111.838
Loans	5.162.457	3.960.928	7.851.189	4.492.792	724.757	312.023	22.504.146
Held-to-Maturity Investments	3.419.703	3.629.478	3.141.243	2.062.270	3.627.205	-	15.879.899
Other Assets	-	-	-	-	-	4.043.244	4.043.244
<b>Total Assets</b>	<b>13.150.840</b>	<b>7.743.840</b>	<b>11.151.839</b>	<b>6.720.070</b>	<b>4.437.044</b>	<b>5.813.005</b>	<b>49.016.638</b>
<b>Liabilities</b>							
Bank Deposits	273.903	6.836	-	-	-	72.059	352.798
Other Deposits	21.051.890	3.721.781	865.961	38.255	516	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	1.122.394	-	1.248.493	-	4.599.743
Other Liabilities and Shareholders' Equity	1.995	2.587	14.092	115	1.559.258	6.043.124	7.621.171
<b>Total Liabilities</b>	<b>26.431.113</b>	<b>6.043.899</b>	<b>2.361.294</b>	<b>38.370</b>	<b>2.808.267</b>	<b>11.333.695</b>	<b>49.016.638</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>1.699.941</b>	<b>8.790.545</b>	<b>6.681.700</b>	<b>1.628.777</b>	<b>-</b>	<b>18.800.963</b>
<b>Balance Sheet Short Position</b>	<b>(13.280.273)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5.520.690)</b>	<b>(18.800.963)</b>
Off-balance Sheet Long Position	6.550	23.882	12.229	86	-	-	42.747
Off-balance Sheet Short Position	-	-	(4.375)	-	-	-	(4.375)
<b>Total Position</b>	<b>(13.273.723)</b>	<b>1.723.823</b>	<b>8.798.399</b>	<b>6.681.786</b>	<b>1.628.777</b>	<b>(5.520.690)</b>	<b>38.372</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### b. Average interest rates for monetary financial instruments:

The following average interest rates have been calculated by weighting the simple rates with their principal amounts as of the balance sheet date.

31 December 2007	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	1,78	1,10	-	9,73
Banks	0,81	2,65	-	17,84
Financial Assets at Fair Value Through Profit/Loss	7,22	8,57	-	17,01
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	9,98	5,57	-	16,41
Loans	6,01	6,76	3,24	19,38
Held-to-maturity Investments	5,34	7,45	-	18,96
<b>Liabilities</b>				
Bank Deposits	0,54	4,27	-	14,24
Other Deposits	2,15	3,94	0,02	16,33
Funds From Interbank Money Market	6,36	7,43	-	17,37
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	6,40	5,49	1,87	15,26
<b>31 December 2006</b>	<b>EURO</b>	<b>USD</b>	<b>Yen</b>	<b>YTL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
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
Banks	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	21,70
Held-to-maturity Investments	3,85	7,25	-	19,25
<b>Liabilities</b>				
Bank Deposits	0,04	1,66	-	18,79
Other Deposits	1,86	4,14	0,11	18,67
Funds From Interbank Money Market	4,02	6,97	-	20,38
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	4,19	5,35	1,28	15,62

#### VII. 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 and 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 ALCO, the liquidity position of the Bank is evaluated and it is ensured that the required actions are taken when considered necessary.

The mismatching of payments, asset and liabilities with interest rates is followed via daily and monthly liquidity gap reports and any effects of incompliance investigated.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

Subordinated loans with a maturity of 10 years 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 the placement of these loans in 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	3-12 Months	1-5 Years	5 Years and Over	Unclassified (*)	Total
<b>31 December 2007</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	2.255.574	1.433.091	-	-	-	-	-	3.688.665
Banks	368.931	253.199	102.572	6.273	-	-	-	730.975
Financial Assets at Fair Value Through Profit or Loss	-	30.912	25.004	35.801	110.464	26.761	-	228.942
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-sale Financial Assets	47.302	1	2	6.049	168.658	28.916	28.936	279.864
Loans	-	6.141.349	3.208.205	8.091.487	7.038.276	3.682.568	346.996	28.508.881
Held-to-maturity Investments	-	56.468	316.291	1.390.814	4.753.993	5.525.420	-	12.042.986
Other Assets (*)	229.635	255.716	1.664	216.203	4.889	207.799	3.956.690	4.872.596
<b>Total Assets</b>	<b>2.901.442</b>	<b>8.170.736</b>	<b>3.653.738</b>	<b>9.746.627</b>	<b>12.076.280</b>	<b>9.471.464</b>	<b>4.332.622</b>	<b>50.352.909</b>
<b>Liabilities</b>								
Bank Deposits	101.162	306.927	109.257	12.063	-	-	-	529.409
Other Deposits	5.184.363	22.765.554	2.090.180	1.575.450	21.977	-	-	31.637.524
Funds Borrowed From Other Financial Institutions	-	35.517	580.374	1.860.195	1.138.649	621.266	-	4.236.001
Funds From Interbank Money Market	-	1.609.630	70.613	96.391	-	-	-	1.776.634
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	59.247	2.139.396	7.703	2.546	-	-	-	2.208.892
Other Liabilities (**)	1.757.424	1.317.925	18.341	72.657	121.437	1.772.916	4.903.749	9.964.449
<b>Total Liabilities</b>	<b>7.102.196</b>	<b>28.174.949</b>	<b>2.876.468</b>	<b>3.619.302</b>	<b>1.282.063</b>	<b>2.394.182</b>	<b>4.903.749</b>	<b>50.352.909</b>
<b>Net Liquidity Gap</b>	<b>(4.200.754)</b>	<b>(20.004.213)</b>	<b>777.270</b>	<b>6.127.325</b>	<b>10.794.217</b>	<b>7.077.282</b>	<b>(571.127)</b>	<b>-</b>
<b>31 December 2006</b>								
Total Assets	1.601.855	12.094.728	4.798.936	8.691.972	4.652.288	13.443.925	3.732.934	49.016.638
Total Liabilities	6.966.628	27.365.853	4.376.718	2.357.091	38.369	4.486.816	3.425.163	49.016.638
<b>Net Liquidity Gap</b>	<b>(5.364.773)</b>	<b>(15.271.125)</b>	<b>422.218</b>	<b>6.334.881</b>	<b>4.613.919</b>	<b>8.957.109</b>	<b>307.771</b>	<b>-</b>

(\*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, stationery stocks, prepaid expenses and loans under follow-up, are classified in this column.

(\*\*) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

#### Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2007	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years
<b>Liabilities</b>					
Deposit	28.550.548	2.294.738	1.623.396	37.563	-
Funds Borrowed From Other Financial Institutions	37.127	636.396	1.997.137	1.379.594	856.069
Funds From Interbank Money Market	1.616.616	73.166	99.295	-	-
<b>Total</b>	<b>30.204.291</b>	<b>3.004.300</b>	<b>3.719.828</b>	<b>1.417.157</b>	<b>856.069</b>

#### VIII. EXPLANATIONS ON 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		Fair Value	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
<b>Financial Assets</b>	<b>41.562.706</b>	<b>40.459.268</b>	<b>41.801.296</b>	<b>40.685.558</b>
Due From Interbank Money Market	-	-	-	-
Banks	730.975	1.963.385	731.022	1.963.991
Available-for-sale Financial Assets	279.864	111.838	279.864	111.838
Held-to-maturity Investments	12.042.986	15.879.899	12.228.769	15.921.444
Loans	28.508.881	22.504.146	28.561.641	22.688.285
<b>Financial Liabilities</b>	<b>38.611.826</b>	<b>38.038.916</b>	<b>38.626.754</b>	<b>38.044.113</b>
Bank deposits	529.409	352.798	529.431	352.630
Other deposits	31.637.524	30.774.473	31.638.088	30.772.789
Funds Borrowed From Other Financial Institutions	4.236.001	4.599.743	4.250.343	4.606.792
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	2.208.892	2.311.902	2.208.892	2.311.902

The fair values of banks and 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 approaches to 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.

#### IX. EXPLANATIONS ON 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.

#### X. EXPLANATIONS ON OPERATING SEGMENTS:

The Bank manages its banking operations through four main commercial business units: retail banking, corporate banking, private banking and credit cards.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### INFORMATION RELATED TO FINANCIAL POSITION OF THE BANK (Continued)

Retail banking provides products and services to individual customers and small and medium enterprises. Products and services include general purpose loans, car loans, mortgage, deposits, investment accounts, life and non-life insurance products, payroll services, ATMs, telephone banking, internet banking and mobile banking.

Corporate banking is organised into two segments, namely commercial banking, which serves mid-sized company clients, and corporate banking, which serves large-sized company clients. Corporate and commercial banking activities include working capital financing, foreign trade finance, project finance, domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management, investment banking and factoring and leasing services.

Private banking serves affluent, high net worth and ultra high net worth customers of the Group and delivers investment products to the Group. Activities include time deposits, fiduciary deposits, mutual funds, derivative products such as forwards, futures and options, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products, safe deposit boxes and e-banking services. Private banking services are enhanced by investment advisory and portfolio management services provided by the Group's portfolio management and brokerage subsidiaries.

The credit cards operations covers the management of products for the member stores as well as the sales and marketing operations for different types of customers. The clubs and programs under the umbrella brand of World include Gold Club, Platinum Club, Crystal Club, Travel Club (Travel Program and VIP Travel Program) Play Club (Young Employees Program and Student Program), Business Club (Corporate Program, Trio Program, Company Program and SME Program), Share Program and Communication Program.

Other operations mainly consist of Treasury transactions, operations of supporting business units and other unallocated transactions.

### Some balance sheet and income statement items based on operating segments:

						Total Operations of the Bank
31 December 2007	Retail Banking	Corporate Banking	Private Banking	Credit Cards	Other	
Operating revenue	1.040.771	712.866	92.605	959.579	1.166.473	3.972.294
Unallocated costs	-	-	-	-	(3.158.046)	(3.158.046)
<b>Net Operating Profit</b>	<b>1.040.771</b>	<b>712.866</b>	<b>92.605</b>	<b>959.579</b>	<b>(1.991.573)</b>	<b>814.248</b>
Dividend income	-	-	-	-	-	38.617
<b>Profit before tax</b>	-	-	-	-	-	<b>852.865</b>
Tax Expense	-	-	-	-	-	143.680
<b>Net Profit</b>	-	-	-	-	-	<b>709.185</b>
Segment assets	6.989.098	14.144.367	186.856	6.436.115	17.725.561	45.481.997
Investments in associates, subsidiaries and joint ventures	-	-	-	-	1.467.904	1.467.904
Unallocated assets	-	-	-	-	3.403.008	3.403.008
<b>Total Assets</b>	<b>6.989.098</b>	<b>14.144.367</b>	<b>186.856</b>	<b>6.436.115</b>	<b>22.596.473</b>	<b>50.352.909</b>
Segment liabilities	14.022.927	10.943.966	6.874.275	1.662.613	9.838.578	43.342.359
Shareholders' Equity	-	-	-	-	4.903.749	4.903.749
Unallocated liabilities	-	-	-	-	2.106.801	2.106.801
<b>Total liabilities</b>	<b>14.022.927</b>	<b>10.943.966</b>	<b>6.874.275</b>	<b>1.662.613</b>	<b>16.849.128</b>	<b>50.352.909</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### 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 2007		31 December 2006	
	YTL	FC	YTL	FC
Cash	307.931	130.758	307.316	125.231
The CBRT	1.332.660	1.916.237	1.549.860	2.095.114
Other	-	1.079	-	3.164
<b>Total</b>	<b>1.640.591</b>	<b>2.048.074</b>	<b>1.857.176</b>	<b>2.223.509</b>

###### 2. Information on the account of the CBRT:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Demand Unrestricted Amount (*)	1.332.660	521.735	283	570.264
Time Unrestricted Amount	-	-	-	-
Reserve Requirement	-	1.394.502	1.549.577	1.524.850
<b>Total</b>	<b>1.332.660</b>	<b>1.916.237</b>	<b>1.549.860</b>	<b>2.095.114</b>

(\*) The YTL reserve requirement booked as average has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA as of 3 January 2008.

###### 3. Information on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements" numbered 2005/1, issued by the CBRT, the banks operating in Turkey are supposed to place reserves in the CBRT for their YTL liabilities by 6% and for their foreign currency liabilities by 11% as USD and/or EUR. The CBRT makes quarterly interest payments over the reserve requirements based on the interest rates set. As of 31 December 2007 the corresponding interest rates are 11,81% for YTL, 1,95% for USD and 1,80% for EUR reserves.

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

1. As of 31 December 2007, financial assets at fair value through profit or loss subject to repo transactions amount to YTL102.027 thousand (2006: YTL195.994 thousand), and those given as collateral/blocked amount to YTL1 thousand (2006: YTL14.358 thousand).

###### 2. Positive differences related to trading derivative financial assets:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Forward Transactions	18.806	4.854	34.413	3.311
Swap Transactions	16.601	4.480	37.687	1.744
Futures Transactions	-	-	-	-
Options	-	1.061	-	-
Other	-	-	-	-
<b>Total</b>	<b>35.407</b>	<b>10.395</b>	<b>72.100</b>	<b>5.055</b>



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### c. Information on banks:

##### 1. Information on banks :

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Banks	47.846	683.129	7.306	1.955.988
Domestic	31.277	11.751	7.298	226
Foreign	16.569	671.378	8	1.955.762
Head Quarters and Branches Abroad	-	-	-	-
Other Financial Institutions	-	-	91	-
<b>Total</b>	<b>47.846</b>	<b>683.129</b>	<b>7.397</b>	<b>1.955.988</b>

##### 2. Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
EU Countries	417.227	1.767.385	-	-
USA, Canada	237.126	131.274	-	-
OECD Countries (*)	15.736	43.634	-	-
Off-shore Banking Regions	85	41	-	-
Other	17.773	13.436	-	-
<b>Total</b>	<b>687.947</b>	<b>1.955.770</b>	<b>-</b>	<b>-</b>

(\*) 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 2007, available-for-sale financial assets given as collateral/blocked amount to YTL12.767 thousand (2006: YTL21.113 thousand). There are no available-for-sale financial assets subject to repo transactions (2006: None).

##### 2. Information on available-for-sale financial assets:

	31 December 2007	31 December 2006
Debt Securities	196.067	49.660
Quoted to Stock Exchange (*)	196.067	49.660
Not Quoted	-	-
Share Certificates	70.738	58.822
Quoted to Stock Exchange	-	-
Not Quoted	70.738	58.822
Impairment Provision (-)	(42.491)	(42.747)
Other (**)	55.550	46.103
<b>Total</b>	<b>279.864</b>	<b>111.838</b>

(\*) As of 31 December 2007, even though Eurobonds amounting to YTL35.448 thousand (2006: YTL15.104 thousand) are not quoted on stock exchanges, they are classified as such according to current sector practice as they are traded in secondary markets.

(\*\*) As of 31 December 2007, other available-for-sale financial assets include mutual funds amounting to YTL47.301 thousand (2006: YTL46.103 thousand) and other countries' bonds amounting to YTL8.249 thousand (2006: None).

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### e. Explanations on loans:

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

	31 December 2007		31 December 2006	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	-	-	89	224
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	89	224
<b>Indirect Loans Granted to Shareholders</b>	358.699	679.098	379.531	731.251
<b>Loans Granted to Employees</b>	56.355	-	45.343	-
<b>Total</b>	<b>415.054</b>	<b>679.098</b>	<b>424.963</b>	<b>731.475</b>

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
<b>Cash Loans</b>				
<b>Non-Specialised Loans</b>	<b>27.179.628</b>	<b>249.898</b>	<b>717.690</b>	<b>14.669</b>
Discount and Purchase Notes	287.292	-	39	-
Export Loans	2.337.231	5.028	32.406	-
Import Loans	-	-	-	-
Loans Granted To Financial Sector	555.914	-	-	-
Foreign Loans	85.848	171.530	-	-
Consumer Loans	3.837.318	-	227.691	-
Credit Cards	6.234.999	-	362.236	-
Precious Metal Loans	135.527	-	-	-
Other	13.705.499	73.340	95.318	14.669
<b>Specialised Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>27.179.628</b>	<b>249.898</b>	<b>717.690</b>	<b>14.669</b>

The Bank's cash risk balance to Çukurova Group in the scope of Financial Restructuring Agreement ("FRA") amounted to USD193.969.222 (YTL220.252 thousand) (2006: USD752.945.836 (YTL1.037.333 thousand)) as of 31 December 2007, 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 the "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 2,73% 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 YTL771.222 thousand as of 31 December 2007.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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
<b>Short-term Loans and Other Receivables</b>	<b>15.749.230</b>	<b>-</b>	<b>663.481</b>	<b>-</b>
Non-specialised Loans	15.749.230	-	663.481	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium And Long-Term Loans and Other Receivables</b>	<b>11.430.398</b>	<b>249.898</b>	<b>54.209</b>	<b>14.669</b>
Non-Specialised Loans	11.430.398	249.898	54.209	14.669
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-

#### 4.(i) Information on loans by types and specific provisions:

	Corporate Loans	Consumer Loans	Credit Cards	Total	31 December 2006
<b>31 December 2007</b>					
Standard loans	17.357.209	3.837.318	6.234.999	27.429.526	21.315.366
Watch listed	142.432	227.691	362.236	732.359	876.757
Loans under legal follow-up	1.233.126	100.893	405.236	1.739.255	1.714.040
Specific Provisions (-)	(1.037.628)	(52.762)	(301.869)	(1.392.259)	(1.402.017)
<b>Total</b>	<b>17.695.139</b>	<b>4.113.140</b>	<b>6.700.602</b>	<b>28.508.881</b>	<b>22.504.146</b>

#### (ii) Fair value of collaterals (Loans and advances given to customers):

	Corporate Loans	Consumer Loans	Credit Cards	Total
<b>31 December 2007</b>				
Watch listed	39.634	114.244	-	153.878
Loans under legal follow-up	246.077	25.993	-	272.070
<b>Total</b>	<b>285.711</b>	<b>140.237</b>	<b>-</b>	<b>425.948</b>

	Corporate Loans	Consumer Loans	Credit Cards	Total
<b>31 December 2006</b>				
Watch Listed	137.765	123.670	-	261.435
Loans under legal follow-up	289.513	11.555	-	301.068
<b>Total</b>	<b>427.278</b>	<b>135.225</b>	<b>-</b>	<b>562.503</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-YTL</b>	<b>170.322</b>	<b>3.596.773</b>	<b>3.767.095</b>
Real estate loans	7.530	2.069.460	2.076.990
Automotive loans	16.158	472.533	488.691
Consumer loans	31.463	135.059	166.522
Other	115.171	919.721	1.034.892
<b>Consumer Loans-FC Indexed</b>	<b>4.800</b>	<b>189.096</b>	<b>193.896</b>
Real estate loans	1.014	144.178	145.192
Automotive loans	1.838	25.033	26.871
Consumer loans	17	1.462	1.479
Other	1.931	18.423	20.354
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-YTL</b>	<b>6.211.821</b>	<b>237.121</b>	<b>6.448.942</b>
With installments	2.820.526	237.121	3.057.647
Without installments	3.391.295	-	3.391.295
<b>Individual Credit Cards- FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installments	-	-	-
Without installments	-	-	-
<b>Personnel Loans-YTL</b>	<b>5.736</b>	<b>17.877</b>	<b>23.613</b>
Real estate loans	27	1.921	1.948
Automotive loans	121	709	830
Consumer loans	138	220	358
Other	5.450	15.027	20.477
<b>Personnel Loans-FC Indexed</b>	<b>16</b>	<b>280</b>	<b>296</b>
Real estate loans	-	239	239
Automotive loans	-	4	4
Consumer loans	-	-	-
Other	16	37	53
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-YTL</b>	<b>30.861</b>	<b>834</b>	<b>31.695</b>
With installments	15.847	834	16.681
Without installments	15.014	-	15.014
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installments	-	-	-
Without installments	-	-	-
<b>Credit Deposit Account-YTL (Real Person)</b>	<b>80.109</b>	<b>-</b>	<b>80.109</b>
<b>Credit Deposit Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>6.503.665</b>	<b>4.041.981</b>	<b>10.545.646</b>

(\*) YTL751 thousand of the credit deposit account belongs to the credits used by personnel.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Information on commercial instalment loans and corporate credit cards:

	Short-term	Medium and Long-term	Total
<b>Commercial Installments Loans-YTL</b>	<b>240.196</b>	<b>1.974.084</b>	<b>2.214.280</b>
Business Loans	6.038	256.754	262.792
Automotive Loans	65.800	1.168.003	1.233.803
Consumer Loans	-	-	-
Other	168.358	549.327	717.685
<b>Commercial Installments Loans-FC Indexed</b>	<b>25.547</b>	<b>195.625</b>	<b>221.172</b>
Business Loans	41	14.103	14.144
Automotive Loans	3.820	111.919	115.739
Consumer Loans	-	-	-
Other	21.686	69.603	91.289
<b>Commercial Installments Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-YTL</b>	<b>116.530</b>	<b>68</b>	<b>116.598</b>
With installment	18.419	68	18.487
Without installment	98.111	-	98.111
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Credit Deposit Account-YTL (Legal Person)</b>	<b>107.795</b>	<b>-</b>	<b>107.795</b>
<b>Credit Deposit Account-FC (Legal Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>490.068</b>	<b>2.169.777</b>	<b>2.659.845</b>

#### 7. Loans according to types of borrowers:

	31 December 2007	31 December 2006
Public	791.487	390.141
Private	27.370.398	21.801.982
<b>Total</b>	<b>28.161.885</b>	<b>22.192.123</b>

#### 8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

	31 December 2007	31 December 2006
Domestic loans	27.904.507	21.398.737
Foreign loans	257.378	793.386
<b>Total</b>	<b>28.161.885</b>	<b>22.192.123</b>

#### 9. Loans granted to investments in associates and subsidiaries:

	31 December 2007	31 December 2006
Direct loans granted to investments in associates and subsidiaries	67.986	24.145
Indirect loans granted to investments in associates and subsidiaries	-	-
<b>Total</b>	<b>67.986</b>	<b>24.145</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. (i) Specific provisions provided against loans:

	31 December 2007	31 December 2006
Loans and other receivables with limited collectibility	30.108	25.098
Loans and other receivables with doubtful collectibility	120.683	87.664
Uncollectible loans and other receivables	1.241.468	1.289.255
<b>Total</b>	<b>1.392.259</b>	<b>1.402.017</b>

(ii) Provisions related to loans :

	Commercial Loans	Consumer Loans	Credit Cards	Total	31.12.2006
<b>1 January</b>	<b>1.065.133</b>	<b>22.044</b>	<b>314.840</b>	<b>1.402.017</b>	<b>823.425</b>
Transfer from Koçbank due to Legal Merger	-	-	-	-	335.740
Allowance for impairment	127.319	66.344	242.630	436.293	327.234
Amount recovered during the period	(62.221)	(34.867)	(75.391)	(172.479)	(52.379)
Loans written off during the period as uncollectible	(92.603)	(759)	(180.210)	(273.572)	(32.003)
Exchange differences	-	-	-	-	-
<b>31 December</b>	<b>1.037.628</b>	<b>52.762</b>	<b>301.869</b>	<b>1.392.259</b>	<b>1.402.017</b>

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

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2007</b>			
<b>(Gross amounts before specific reserves)</b>	<b>303</b>	<b>576</b>	<b>185.107</b>
Restructured loans and other receivables	303	576	185.107
Rescheduled loans and other receivables	-	-	-
<b>31 December 2006</b>			
<b>(Gross amounts before the specific reserves)</b>	<b>303</b>	<b>576</b>	<b>185.107</b>
Restructured loans and other receivables	455	1.110	221.192
Rescheduled loans and other receivables	-	-	-

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2006</b>	<b>138.198</b>	<b>139.901</b>	<b>1.435.941</b>
Additions (+)	664.044	55.273	90.050
Transfers from other categories of non-performing loans (+)	-	554.052	457.495
Transfer to other categories of non-performing loans (-)	(554.052)	(457.495)	-
Collections (-)	(88.213)	(78.891)	(343.476)
Write-offs (-)	-	-	(273.572)
Corporate and Commercial Loans	-	-	(92.547)
Consumer Loans	-	-	(759)
Credit Cards	-	-	(180.210)
Other	-	-	(56)
<b>31 December 2007</b>	<b>159.977</b>	<b>212.840</b>	<b>1.366.438</b>
Special Provision (-)	(30.108)	(120.683)	(1.241.468)
<b>Net Balance on Balance Sheet</b>	<b>129.869</b>	<b>92.157</b>	<b>124.970</b>

11(iii) Information on Non-performing loans granted as foreign currency loans

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2007</b>			
Period end balance	-	-	2.416
Specific provision (-)	-	-	(2.359)
<b>Net Balance on-balance sheet</b>	-	-	<b>57</b>
<b>31 December 2006</b>			
Period end balance	-	-	-
Specific provision (-)	-	-	-
<b>Net Balance on-balance sheet</b>	-	-	-



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

11(iv). Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2007 (Net)</b>	<b>129.869</b>	<b>92.157</b>	<b>124.970</b>
Loans granted to real persons and corporate entities (Gross)	159.977	212.840	1.281.452
Specific provision amount (-)	(30.108)	(120.683)	(1.156.482)
Loans granted to real persons and corporate entities (Net)	129.869	92.157	124.970
Banks (Gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	84.986
Specific provision amount (-)	-	-	(84.986)
Other loans and receivables (Net)	-	-	-
<b>31 December 2006 (Net)</b>	<b>113.100</b>	<b>52.237</b>	<b>146.686</b>
Loans granted to real persons and corporate entities (Gross)	138.198	139.901	1.311.623
Specific provision amount (-)	(25.098)	(87.664)	(1.164.937)
Loans granted to real persons and corporate entities (Net)	113.100	52.237	146.686
Banks (Gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	124.318
Specific provision amount (-)	-	-	(124.318)
Other loans and receivables (Net)	-	-	-

12. 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. The policy of the Bank regarding the writing-off the loans under legal follow up is as writing-off the ones that is proved as uncollectible.

#### f. Information on held-to-maturity investments:

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

	31 December 2007	31 December 2006
Government Bond	11.952.742	12.705.554
Treasury Bill	-	-
Other debt securities (*)	90.244	3.174.345
<b>Total</b>	<b>12.042.986</b>	<b>15.879.899</b>

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

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	31 December 2007	31 December 2006
Debt Securities	12.070.661	15.883.387
Quoted to Stock Exchange (*)	11.921.396	15.737.531
Not Quoted	149.265	145.856
Impairment Provision (-)	(27.675)	(3.488)
<b>Total</b>	<b>12.042.986</b>	<b>15.879.899</b>

(\*) Even though Eurobonds are not quoted on 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 2007	31 December 2006
<b>Beginning balance</b>	<b>15.879.899</b>	<b>4.162.401</b>
FC differences on monetary assets	(981.293)	(831.228)
Transfers from Koçbank due to legal merger	-	5.038.780
Purchases during year	2.886.776	7.949.578
Disposals through sales and redemptions	(5.718.209)	(437.708)
Impairment provision (-)	(24.187)	(1.924)
<b>Period end balance</b>	<b>12.042.986</b>	<b>15.879.899</b>

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

As of 31 December 2007, held-to-maturity investments given as collateral amount to YTL1.324.464 thousand (2006:YTL1.254.568 thousand). Held-to-maturity investments subject to repo transactions amount to YTL1.764.891 thousand (2006: YTL3.497.368 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	Banque de Commerce et de Placements S.A. (*)	Geneva/ Switzerland	30,67	30,67
2	Kredi Kayıt Bürosu	Istanbul/ Turkey	18,18	18,18

##### 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	Market value
1	2.226.171	124.417	4.208	93.855	6.443	10.113	8.458	-
2	20.524	15.725	1.877	2.373	-	3.457	3.673	-

(\*) Financial statement information is disclosed in thousands of CHF.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Movement of unconsolidated investments in associates :

	31 December 2007	31 December 2006
<b>Balance at the beginning of the period</b>	<b>46.932</b>	<b>55.684</b>
<b>Movements during the period</b>	<b>(870)</b>	<b>(8.752)</b>
Purchases	-	-
Transfers from Koçbank due to legal merger	-	2.003
Transfers	-	(2.657)
Bonus shares obtained	-	-
Dividends from current year income	-	-
Sales	-	(7.400)
Revaluation (decrease)/increase	-	-
Impairment provision	(870)	(698)
<b>Balance at the end of the period</b>	<b>46.062</b>	<b>46.932</b>
<b>Capital Commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	-	-

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

	31 December 2007	31 December 2006
Banks	43.404	43.404
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Investments	2.658	3.528
<b>Total Financial Investments</b>	<b>46.062</b>	<b>46.932</b>

#### 5. Valuation of unconsolidated investments in associates:

	31 December 2007	31 December 2006
Valuation with cost	46.062	46.932
Valuation with fair value	-	-
Valuation with equity method	-	-
<b>Total</b>	<b>46.062</b>	<b>46.932</b>

#### 6. The Bank has no investments in associates quoted on a stock exchange.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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 Portföy Yönetimi A.Ş. (Yapı Kredi Portföy)	Istanbul/Turkey	12,65	99,99
2	Yapı Kredi Holding B.V. (*)	Amsterdam/ The Netherlands	100,00	100,00
3	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Istanbul/ Turkey	64,70	99,99
4	Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	Istanbul/ Turkey	99,99	100,00
5	Yapı Kredi Faktoring A.Ş.	Istanbul/ Turkey	99,95	100,00
6	Yapı Kredi Moscow (**)	Moscow/Russia	99,84	100,00
7	Yapı Kredi Sigorta A.Ş.	Istanbul/Turkey	74,01	93,94
8	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	98,85	99,58
9	Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/ Turkey	30,45	30,45
10	Yapı Kredi Yatırım Ortaklığı A.Ş.	Istanbul/ Turkey	11,09	56,07
11	Enternasyonal Turizm Yatırım A.Ş. (****)	Istanbul/ Turkey	99,96	99,99
12	Yapı Kredi Azerbaycan (***)	Baku/Azerbaijan	99,80	100,00

(\*) Financial statement information is expressed in EUR thousands in Note 2.

(\*\*) Financial statement information is expressed in USD thousands in Note 2.

(\*\*\*) Financial statement information is expressed in AZM thousands in Note 2.

(\*\*\*\*) Extraordinary General Assembly related with the taking over of Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş. by Enternasyonal Turizm Yatırım A.Ş. was held on 5 February 2007 and the merger was registered on 8 February 2007.

##### 2. Main financial figures of the subsidiaries in 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	Market value (*)
1	70.652	63.026	476	8.473	2.571	44.669	27.538	-
2	50.904	50.867	-	14	-	2.410	3.611	-
3	283.341	224.415	17.140	29.503	13.141	48.768	15.270	-
4	8.865	6.845	133	92	-	806	431	-
5	1.192.426	107.193	432	101.978	-	19.766	20.524	-
6	232.402	59.787	7.931	14.692	2.654	5.723	5.504	-
7	650.522	253.598	32.420	30.705	20.392	25.357	19.464	796.000
8	2.460.330	552.947	817	263.173	-	131.876	111.942	1.317.956
9	259.325	106.148	28.396	4.224	727	11.358	6.217	133.600
10	60.193	60.002	34	2.146	2.146	13.341	4.217	30.482
11	35.831	11.526	4.163	-	-	(20.964)	(49.590)	-
12	99.718	12.289	448	6.078	3.411	4.082	2.315	-

(\*) Calculated with the ISE market prices as of 31 December 2007 considering the total number of shares.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Movement schedule of subsidiaries:

	31 December 2007	31 December 2006
<b>Balance at the beginning of the period</b>	<b>791.219</b>	<b>693.764</b>
<b>Movements during the period</b>	<b>630.623</b>	<b>97.455</b>
Purchases (*)	804.103	97.910
Transfers (**)	(54.299)	4.470
Bonus shares obtained	-	697
Dividends from current year income	-	-
Sales (***)	(24.500)	-
Revaluation (decrease) / increase	-	-
Impairment provision (****)	(94.681)	(5.622)
<b>Balance at the end of the period</b>	<b>1.421.842</b>	<b>791.219</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>-</b>	<b>-</b>

(\*) As explained in Note II. of Section One, the Bank has purchased 59,47% of shares of Yapı Kredi Faktoring A.Ş. amounting to YTL144.541 thousand, 73,10% of shares of Yapı Kredi Finansal Kiralama A.O. amounting to YTL 607.080 thousand and 99,80% of shares of Yapı Kredi Bank Azerbaijan Closed Joint Stock Company's amounting to YTL21.831 thousand that were owned by KFH via share exchange.

18.345.746 shares of Yapı Kredi Portföy with a value of USD19.521.380 and the 289.468,32 shares of Yapı Kredi Finansal Kiralama A.O. with a total amount of YTL1.088.562,64 that were in the Yapı Kredi Emeklilik portfolio have been purchased by the Bank at 1 May 2007.

(\*\*) By the decision of the board of directors at 3 October 2007; shares of Yapı Kredi Bank (Deutschland), which is owned 65,42% by the Bank and 34,58% by Yapı Kredi Holding BV, amounting to YTL54.299 thousand is reclassified under assets held for sale according to the commerce agreement with Avenue Europe Investment LP. Moreover, as explained in details in Note X of this section, the sale of Yapı Kredi Bank Deutschland AG finalized as of 29 February 2008.

(\*\*\*) The sales are due to liquidation of Azur Tourism Investments N.V.

(\*\*\*\*) Out of the impairment provision, YTL79.831 thousand is the provision for the impairment of the Enternasyonel Turizm Yatırım A.Ş. as one of the subsidiaries of the Bank. This impairment has been realised out of the payments of Enternasyonel Turizm Yatırım A.Ş. regarding its advance and interest payables to the Bank carried from prior years and an income of YTL68.982 thousand has been recognised under the Bank's interest income. Out of the impairment provision, YTL14.850 thousand is the provision for the impairment of Yapı Kredi Holding B.V. as one of the subsidiaries of the Bank.

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

<b>Subsidiaries</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Banks	77.178	107.679
Insurance Companies	148.019	148.016
Factoring Companies	183.325	38.782
Leasing Companies	722.491	114.321
Finance Companies	-	-
Other Financial Subsidiaries	288.529	277.486
<b>Total Financial Subsidiaries</b>	<b>1.419.542</b>	<b>686.284</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 5. Subsidiaries quoted to stock exchange:

	31 December 2007	31 December 2006
Quoted to domestic stock exchanges	904.240	296.069
Quoted to foreign stock exchanges	-	-

#### i. Information on hedging derivative financial assets:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Fair Value Hedge	1.018	666	-	-
Cash Flow Hedge	-	-	-	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>1.018</b>	<b>666</b>	<b>-</b>	<b>-</b>

#### j. Information on property and equipment: (Net)

	Immovables	Leased Fixed Assets	Vehicles	Other Tangible Fixed Assets	Total
<b>31 December 2006</b>					
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)
<b>Net book value</b>	<b>954.905</b>	<b>99.604</b>	<b>974</b>	<b>103.949</b>	<b>1.159.432</b>
<b>31 December 2007</b>					
Net book value at beginning of the Period	954.905	99.604	974	103.949	1.159.432
Additions	7.767	69.698	72	25.724	103.261
Disposals (-), net	(160.109)	(6.473)	(265)	(3.868)	(170.715)
Reversal of impairment, net	126.812	-	-	-	126.812
Impairment (-)	(27.820)	-	-	-	(27.820)
Depreciation (-)	(49.685)	(30.559)	(438)	(42.202)	(122.884)
<b>Net book value at the end of the period</b>	<b>851.870</b>	<b>132.270</b>	<b>343</b>	<b>83.603</b>	<b>1.068.086</b>
Cost at the end of the period	2.238.581	270.231	4.788	576.578	3.090.178
Accumulated depreciation at the period end (-)	(1.386.711)	(137.961)	(4.445)	(492.975)	(2.022.092)
<b>31 December 2007</b>	<b>851.870</b>	<b>132.270</b>	<b>343</b>	<b>83.603</b>	<b>1.068.086</b>

As of 31 December 2007, the Bank booked total provision for impairment on immovables amounting to YTL627.103 thousand (2006: YTL726.095 thousand) for the property and equipment.

# YAPI VE KREDİ BANKASI A.Ş.

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(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### k. Information on intangible assets:

	31 December 2007	31 December 2006
<b>Balance at the beginning of the period</b>	<b>1.152.548</b>	<b>27.172</b>
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	65.981	12.388
Unused and Disposed Items (-)	(707)	(254)
Impairment Charges on Income Statement (-)	-	(4.015)
Amortisation Expenses (-)	(30.697)	(32.105)
<b>Balance at the end of the period</b>	<b>1.187.125</b>	<b>1.152.548</b>

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

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

Paid cash	1.925.965
Direct costs attributable to acquisition	42.054
<b>Total cost of acquisition</b>	<b>1.968.019</b>
Net assets acquired	988.526
<b>Goodwill</b>	<b>979.493</b>

Fair value amounts of assets and liabilities from the 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
Purchase Price Allocation (*)	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)
<b>Addition to Net Assets</b>	<b>1.721.576</b>

(\*) Koçbank, assigned a consultancy firm for the valuation of intangible assets determined as a credit card trademark, customer base and relationship that can be measured reliably and for which the future economic benefit is embodied in the asset. In line with the report dated 13 February 2006 the Bank recognised YTL163.084 thousand of intangible assets in its 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 2007, the net book value of these intangible assets amounts to YTL126.391 thousand.



# YAPI VE KREDİ BANKASI A.Ş.

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(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. Information on deferred tax asset:

	31 December 2007		31 December 2006	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserves for employment termination benefit	126.225	25.245	148.292	29.658
Provision for pension fund	604.278	120.856	483.281	96.656
Trading derivative financial liabilities	219.373	43.875	23.231	4.646
Impairment on immovables	257.378	51.476	576.027	115.205
Subsidiaries, investment in associates and share certificates	132.472	26.494	76.333	15.267
Other	147.692	29.539	138.221	27.645
<b>Total deferred tax asset</b>	<b>1.487.418</b>	<b>297.485</b>	<b>1.445.385</b>	<b>289.077</b>
Trading derivative financial assets	(47.486)	(9.497)	(66.167)	(13.233)
Valuation difference of securities portfolio	(48.213)	(9.642)	(110.981)	(24.061)
Property, equipment and intangibles , net	(484.369)	(70.145)	(591.768)	(94.189)
Other	(2.010)	(402)	-	-
<b>Total deferred tax liability</b>	<b>(582.078)</b>	<b>(89.686)</b>	<b>(768.916)</b>	<b>(131.483)</b>
<b>Deferred Tax Asset, net</b>	<b>905.340</b>	<b>207.799</b>	<b>676.469</b>	<b>157.594</b>

#### m. Movement schedule of assets held for resale and related to discontinued operations:

	31 December 2007	31 December 2006
<b>Balance at the beginning of the period</b>	<b>180.447</b>	<b>157.549</b>
Transfers from Koçbank due to Legal Merger	-	38.318
Additions (*)	73.884	11.787
Disposals (-), net	(341.202)	(23.488)
Impairment reversal	223.385	12.090
Impairment (-)	(11.204)	(5.602)
Depreciation (-)	(16.947)	(10.207)
<b>Net Book Value at the end of the period</b>	<b>108.363</b>	<b>180.447</b>
Cost at the end of the period	126.922	209.665
Depreciation at the end of the period (-)	(18.559)	(29.218)
<b>Net Book Value at the end of the period</b>	<b>108.363</b>	<b>180.447</b>

(\*) By the decision of the board of directors at 3 October 2007; shares of Yapı Kredi Bank (Deutschland), which is owned 65,42% by the Bank and 34,58% by Yapı Kredi Holding BV, amounting to YTL54.298 thousand is reclassified under assets held for sale according to the commerce agreement with Avenue Europe Investment LP. Moreover, as explained in details in Note X of this section, the sale of Yapı Kredi Bank Deutschland AG finalized as of 29 February 2008.

As of 31 December 2007, the Bank has booked impairment provision on assets held for resale with an amount of YTL63.502 thousand (2006:YTL275.683 thousand).

#### n. Information on other assets:

As of 31 December 2007, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

##### a. Information on deposits:

1. Information on maturity structure of deposits/collected funds (\*):

1(i). 31 December 2007:

	Demand	Up to 1 Month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Total
Saving Deposits	930.436	2.913.831	7.136.187	176.172	29.122	63.605	11.249.353
Foreign Currency Deposits	2.773.702	4.843.571	3.143.355	687.897	186.509	1.137.875	12.772.909
Residents in Turkey	2.695.687	4.439.224	3.031.222	660.202	166.576	1.041.101	12.034.012
Residents Abroad	78.015	404.347	112.133	27.695	19.933	96.774	738.897
Public Sector Deposits	221.383	55.564	13.811	3.979	109.652	542	404.931
Commercial Deposits	1.177.592	3.145.445	2.234.202	282.095	12.659	101.394	6.953.387
Other Institutions Deposits	15.872	21.298	139.642	333	107	271	177.523
Gold Vault	65.378	10.126	375	283	624	2.635	79.421
Bank Deposits	101.162	306.623	126	1.848	116.438	3.212	529.409
The CBRT	72	-	-	-	-	-	72
Domestic Banks	6.633	264.702	-	-	3.153	-	274.488
Foreign Banks	53.653	41.921	126	1.848	113.285	3.212	214.045
Special Financial Institutions	40.804	-	-	-	-	-	40.804
Other	-	-	-	-	-	-	-
<b>Total</b>	<b>5.285.525</b>	<b>11.296.458</b>	<b>12.667.698</b>	<b>1.152.607</b>	<b>455.111</b>	<b>1.309.534</b>	<b>32.166.933</b>

1(ii). 31 December 2006:

	Demand	Up to 1 Month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Total
Saving Deposits	832.569	2.501.374	5.984.533	240.647	17.653	68.195	9.644.971
Foreign Currency Deposits	3.099.672	3.478.312	6.234.730	945.431	241.899	597.265	14.597.309
Residents in Turkey	3.014.434	3.340.963	5.838.622	866.036	225.797	529.805	13.815.657
Residents Abroad	85.238	137.349	396.108	79.395	16.102	67.460	781.652
Public Sector Deposits	9.115	44.113	9.710	6.603	-	37	69.578
Commercial Deposits	935.225	2.280.723	2.408.194	54.068	959	1.823	5.680.992
Other Institutions Deposits	63.553	23.694	253.088	5.463	87	204	346.089
Gold Vault	151.312	101.452	456	246	444	590	254.500
Bank Deposits	72.036	253.054	20.121	6.889	-	-	352.100
The CBRT	-	-	-	-	-	-	-
Domestic Banks	6.616	252.508	15.879	2.067	-	-	277.070
Foreign Banks	46.687	546	4.242	4.822	-	-	56.297
Special Financial Institutions	18.733	-	-	-	-	-	18.733
Other	-	-	-	-	-	-	-
Accrued Interest on Deposit	4.647	137.130	30.941	4.128	4.383	503	181.732
<b>Total</b>	<b>5.168.129</b>	<b>8.819.852</b>	<b>14.941.773</b>	<b>1.263.475</b>	<b>265.425</b>	<b>668.617</b>	<b>31.127.271</b>

(\*) The Bank has no cumulative deposits and deposits with 7 days notifications.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Information on saving deposits insurance:

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

Saving Deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Saving Deposits	5.996.775	4.970.931	5.228.946	4.749.385
Foreign Currency Savings Deposit	2.837.947	3.058.148	4.712.030	5.209.910
Other Deposits in the Form of Savings deposits	5.793	5.893	64.590	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 the saving deposits insurance fund:

	31 December 2007	31 December 2006
Saving Deposits in Foreign Branches	-	-
Saving Deposits in Off-shore Banking Regions	83.319	158.746
<b>Total</b>	<b>83.319</b>	<b>158.746</b>

2(iii). Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons:

	31 December 2007
Foreign Branches' Deposits and other accounts	-
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children in care	19.825
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	83.319

#### b. Information on trading derivative financial liabilities :

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Forward Transactions	24.528	5.522	11.542	2.154
Swap Transactions	160.558	-	9.519	449
Futures Transactions	-	-	-	-
Options	-	979	-	-
Other	-	-	-	-
<b>Total</b>	<b>185.086</b>	<b>6.501</b>	<b>21.061</b>	<b>2.603</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### c. Information on borrowings:

##### 1. Information on borrowings:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	178.941	116.453	176.640	188.672
From Foreign Banks, Institutions and Funds	326	3.940.281	8.584	4.183.889
Accrued Interest Expense of Banks and Other Financial Institutions	-	-	7.161	34.797
<b>Total</b>	<b>179.267</b>	<b>4.056.734</b>	<b>192.385</b>	<b>4.407.358</b>

##### 2. Information on maturity structure of borrowings :

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Short-term	179.267	1.376.738	185.224	2.447.116
Medium and Long-term	-	2.679.996	-	1.925.445
Accrued Interest on Borrowings	-	-	7.161	34.797
<b>Total</b>	<b>179.267</b>	<b>4.056.734</b>	<b>192.385</b>	<b>4.407.358</b>

##### 3. Repayment schedule of securitisation credits:

The Bank has a securitisation borrowing deal from Standard Chartered Bank and Unicredit Markets and Investment Banking amounting to YTL1.542.609 thousand using Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") as an intermediary and Assured Guarantee, MBIA, Radian, Ambac, FGIC and XL Capital as guarantors. The interest rate of this borrowing ranges between Euribor/Libor+ 0,18% and 0,35%, and the maturity ranges between 7 and 8 years; the repayments will begin in the first period of 2010.

	31 December 2007	31 December 2006
2008	-	32.853
2009	-	131.411
2010	289.196	383.074
2011	312.977	383.074
2012	312.977	251.662
2013	312.977	251.662
2014	280.332	212.054
2015	23.781	-
Interest Expense Accrual	10.369	4.216
<b>Total</b>	<b>1.542.609</b>	<b>1.650.006</b>

#### d. Information on other foreign liabilities:

As of 31 December 2007, other foreign liabilities do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### e. Information on financial leasing agreements:

	31 December 2007		31 December 2006	
	Gross	Net	Gross	Net
Less than 1 year	24.483	23.581	19.338	18.674
Between 1-4 years	57	13	119	115
More than 4 years	-	-	-	-
<b>Total</b>	<b>24.540</b>	<b>23.594</b>	<b>19.457</b>	<b>18.789</b>

#### f. Information on hedging derivative financial liabilities:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Fair Value Hedge	27.786	-	-	-
Cash Flow Hedge	-	-	-	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>27.786</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### g. Information on provisions:

##### 1. Information on general provisions:

	31 December 2007	31 December 2006
Provisions for Group I loans and receivables	528.050	430.929
Provisions for Group II loans and receivables	42.466	97.214
Provisions for non cash loans	81.623	102.806
Other	13.755	16.033
<b>Total</b>	<b>665.894</b>	<b>646.982</b>

##### 2. Information on reserve for employment termination benefits:

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

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

	31 December 2007	31 December 2006
Discount rate (%)	5,71	5,71
The Rate Used Related to Retirement Expectation (%)	95,50	96,50

The principal actuarial assumption is that the maximum liability 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 YTL2.087,92 (1 January 2007: YTL1.960,69) effective from 1 January 2008 has been taken into consideration in calculating the reserve for employment termination benefits.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

Movement of employment termination benefits liability in the balance sheet:

	31 December 2007	31 December 2006
<b>Prior period ending balance</b>	<b>94.345</b>	<b>72.230</b>
Transfer from Koçbank due to Legal Merger	-	9.923
Provisions recognised during the period	11.198	21.146
Paid during the period	(16.994)	(8.954)
<b>Balance at the end of the period</b>	<b>88.549</b>	<b>94.345</b>

In addition, the Bank has accounted for vacation rights provision amounting to YTL37.676 thousand as of 31 December 2007 (2006 : YTL53.947 thousand).

3. Other provisions:

	31 December 2007	31 December 2006
Pension fund provision (*)	604.278	483.281
Tax risk provision (**)	72.043	63.662
Non-cash loan provision	50.249	57.666
Provisions on credit cards and promotion campaigns related to banking services	36.014	53.441
Provision on export commitment estimated liability	39.945	39.365
Legal risk provision (**)	10.997	12.476
Other	151.779	99.186
<b>Total</b>	<b>965.305</b>	<b>809.077</b>

(\*) The Bank obtained an 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 604.278 thousand as of 31 December 2006. Indeed, the BRSA expressed its opinion that in the framework of the abrogation of temporary article 23 of the Banking Law described in corresponding decision of the Council of Ministers, the provision amount calculated as of the end of 2006 should be kept.

(\*\*) Considered as provisions for possible risks.

4. Information on provisions related with the foreign currency difference of foreign indexed loans:

As of 31 December 2007, the provision related to the foreign currency difference of foreign indexed loans amounts to YTL99.986 thousand (2006: YTL32.202 thousand).

### h. Information on taxes payable:

(i) Information on taxes payable:

	31 December 2007	31 December 2006
Corporate Tax Payable	215.422	58.536
Taxation of Marketable Securities	84.246	41.971
Property Tax	1.051	651
Banking Insurance Transaction Tax (BITT)	28.033	25.584
Foreign Exchange Transaction Tax	3.167	3.122
Value Added Tax Payable	2.738	1.432
Other	13.580	11.818
<b>Total</b>	<b>348.237</b>	<b>143.114</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii) Information on premium payables:

	31 December 2007	31 December 2006
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	380	341
Unemployment Insurance – Employer	760	684
Other	-	-
<b>Total</b>	<b>1.140</b>	<b>1.025</b>

i. Information on subordinated loans:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1.772.914	-	1.559.258
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.772.914</b>	<b>-</b>	<b>1.559.258</b>

At 30 March 2006, Yapı Kredi obtained a subordinated loan amounting to EUR500 million, with 10 years maturity and a repayment option at the end of five years. The interest rate was 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 on 28 April 2006 amounting to EUR350 million, with 10 years maturity and a repayment option at the end of 5 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 with decrees from Goldman Sachs International Bank with Unicredit S.p.A. as guarantor. In addition, the Bank obtained a subordinated loan on 25 June 2007 amounting to EUR200 million, with 10 years maturity and a repayment option at the end of 5 years. The interest rate is determined as EURIBOR+1,85% for the first 5 years. The loan was obtained from Citibank, N.A., London Branch with Unicredito Italiano SpA as guarantor. With the written approvals of the BRSA dated 3 April 2006, 2 May 2006 and 19 June 2007, the loans have been approved as subordinated loans and can be taken into consideration as supplementary capital within the limits of the Capital Adequacy Regulation.

j. Information on shareholders' equity:

1. Presentation of paid-in capital (as nominal; inflation unadjusted balances):

	31 December 2007	31 December 2006
Common Stock	3.427.051	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 Bank has paid-in-capital in an amount of YTL3.427.051 thousand and does not apply the registered share capital system. The Bank has paid-in-capital in an amount of YTL3.427.051 thousand and does not apply the registered share capital system. Nonetheless, as explained in Note X. of this section, the Bank has started the necessary legal process to switch to the registered capital system.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Information on the share capital increases during the period and the sources:

Increase Date	Increase Amount	Cash	Profit Reserve Regarding Increase	Capital Reserve Regarding Increase
29 March 2007	6.632	-	-	-
18 October 2007	277.601	-	-	-

In the General Assembly held at 29 March 2007 it was decided that the Bank's capital would increase by YTL6.632 through the addition of the recent gain from the subsidiaries' sale into the capital.

As explained in details in Note II. of Section Five, in scope of the transfer of the shares of Yapı Kredi Faktoring A.Ş., Yapı Kredi Finansal Kiralama A.O. and Yapı Kredi Azerbaijan Closed Joint Stock Company from KFH the capital of the Bank has increased by YTL277.601 thousand. The difference between the fair values of the transferred shares and the capital increase amounting to YTL495.852 has been accounted under share premium.

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 are managed by the Bank within several risk and legal limits.

7. Privilege on the corporate stock: None.

#### k. Information on marketable securities value increase fund:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	4.748	43.227	7.458	42.559
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>4.748</b>	<b>43.227</b>	<b>7.458</b>	<b>42.559</b>

### III. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:

#### a. Information on interest income:

1. Information on interest income on loans:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Short-term Loans	2.649.827	185.840	2.344.840	155.198
Medium/Long-term Loans	834.934	317.110	595.004	324.209
Interest on Loans Under Follow-up	82.655	306	61.653	56
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total (*)</b>	<b>3.567.416</b>	<b>503.256</b>	<b>3.001.497</b>	<b>479.463</b>

(\*) Includes fees and commissions received for cash loans.

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## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Information on interest income on banks:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From the CBRT	-	-	-	-
From Domestic Banks	4.900	3.169	10.283	10.089
From Foreign Banks	5.468	72.421	5.403	64.545
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>10.368</b>	<b>75.590</b>	<b>15.686</b>	<b>74.634</b>

#### 3. Information on interest income on marketable securities:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From Trading Financial Assets	2.860	17.370	28.487	44.208
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	21.273	7.306	30.490	10.472
From Held-to-maturity investments	1.102.465	480.703	795.641	385.946
<b>Total</b>	<b>1.126.598</b>	<b>505.379</b>	<b>854.618</b>	<b>440.626</b>

#### 4. Information on interest income received from investments in associates and subsidiaries:

	31 December 2007	31 December 2006
Interests Received From Investments in Associates and Subsidiaries	11.108	13.442

#### b. Information on interest expense:

##### 1. Information on interest expense on borrowings:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Banks	33.664	257.262	24.043	198.423
The CBRT	1	-	-	-
Domestic Banks	26.080	8.791	19.941	12.273
Foreign Banks	7.583	248.471	4.102	186.150
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	99.081	-	63.981
<b>Total (*)</b>	<b>33.664</b>	<b>356.343</b>	<b>24.043</b>	<b>262.404</b>

(\*) Includes fees and commissions related to cash loans.

##### 2. Information on interest expense given to investments in associates and subsidiaries:

	31 December 2007	31 December 2006
Interests paid to Investments in Associates and Subsidiaries	18.751	13.675

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(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Maturity structure of the interest expense on deposits :

Account Name	Demand Deposit	Up to 1 month	Up to 3 Month	Up to 6 month	Time Deposit		Cumulative Deposit	Total
					Up to 1 year	More than 1 year		
<b>YTL</b>								
Bank Deposits	2.012	10.783	3	50	840	840	-	14.528
Saving Deposits	3.344	386.859	1.345.272	35.929	3.490	10.238	-	1.785.132
Public Sector Deposits	-	11.378	7.968	580	9.101	24	-	29.051
Commercial Deposits	25.305	479.117	440.094	42.486	925	9.361	-	997.288
Other Deposits	-	10.605	24.685	203	15	36	-	35.544
Deposits With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30.661</b>	<b>898.742</b>	<b>1.818.022</b>	<b>79.248</b>	<b>14.371</b>	<b>20.499</b>	<b>-</b>	<b>2.861.543</b>
<b>FC</b>								
Foreign Currency Deposits	9.470	176.628	179.271	31.672	8.752	33.101	-	438.894
Bank Deposits	-	2.364	-	15	996	-	-	3.375
Deposits With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	49	4	4	8	66	-	131
<b>Total</b>	<b>9.470</b>	<b>179.041</b>	<b>179.275</b>	<b>31.691</b>	<b>9.756</b>	<b>33.167</b>	<b>-</b>	<b>442.400</b>
<b>Grand Total</b>	<b>40.131</b>	<b>1.077.783</b>	<b>1.997.297</b>	<b>110.939</b>	<b>24.127</b>	<b>53.666</b>	<b>-</b>	<b>3.303.943</b>

#### c. Information on dividend income :

	31 December 2007	31 December 2006
Trading Financial Assets	-	-
Financial Assets at Fair Value Through Profit or Loss	3	-
Available-for-Sale Financial Assets	822	1.208
Subsidiaries and associates	37.792	40.550
<b>Total</b>	<b>38.617</b>	<b>41.758</b>

#### d. Information on trading loss/income (Net):

	31 December 2007	31 December 2006
<b>Income</b>	<b>8.220.072</b>	<b>6.511.299</b>
Income from Capital Market Transactions	4.138.547	2.486.312
Derivative Financial Transactions	4.106.289	2.311.459
Other	32.258	174.853
Foreign Exchange Gains	4.081.525	4.024.987
<b>Loss (-)</b>	<b>(8.146.989)</b>	<b>(6.461.270)</b>
Loss from Capital Market Transactions	(4.339.423)	(2.228.637)
Derivative Financial Transactions	(4.305.892)	(2.112.452)
Other	(33.531)	(116.185)
Foreign Exchange Loss	(3.807.566)	(4.232.633)
<b>Net Gain/Loss</b>	<b>73.083</b>	<b>50.029</b>

#### e. Information on other operating income:

Other operating income mainly consists of collections from provisions recorded as expense in the previous years and income from sales of fixed assets due to reversal of impairments charged in previous years.

# YAPI VE KREDİ BANKASI A.Ş.

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(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### f. Provision expenses related to loans and other receivables of the Bank:

	31 December 2007	31 December 2006
Specific provisions for loans and other receivables	238.118	214.260
III. Group Loans and Receivables	10.070	15.033
IV. Group Loans and Receivables	18.969	12.345
V. Group Loans and Receivables	209.079	186.882
General Provision Expenses	44.742	118.500
Provision Expense for Possible Risks	38.673	1.317
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	95.551	698
Investments in Associates	870	698
Subsidiaries (*)	94.681	-
Joint Ventures	-	-
Held-to-maturity Investments	-	-
Other	8.598	303
<b>Total</b>	<b>425.682</b>	<b>338.296</b>

(\*) YTL79.831 thousand consists of the impairment provisions for Enternasyonel Turizm Yatırım A.Ş and Yapı Kredi Holding amounting to YTL79.831 thousand and YTL14.850 thousand respectively.

#### g. Information related to other operational expenses:

	31 December 2007	31 December 2006
Personnel Expenses	788.343	636.863
Reserve For Employee Termination Benefits	157	12.192
Provision Expense for Pension Fund	120.996	152.539
Impairment Expenses of Fixed Assets	27.820	30.879
Depreciation Expenses of Fixed Assets	122.884	133.666
Impairment Expenses of Intangible Assets	-	4.015
Goodwill Impairment Expenses	-	-
Amortisation Expenses of Intangible Assets	30.697	32.105
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	5.639	5.602
Depreciation Expenses of Assets Held for Resale	16.947	10.207
Impairment Expenses of Fixed Assets Held for Sale	5.565	-
Other Operating Expenses	744.654	630.833
Operational Lease Expenses	59.510	19.190
Maintenance Expenses	25.655	27.407
Advertising Expenses	116.428	119.507
Other Expense	543.061	464.729
Loss on Sales of Assets (*)	344.229	24.291
Other	524.433	324.885
<b>Total</b>	<b>2.732.364</b>	<b>1.998.077</b>

(\*) As of 31 December 2007 YTL35.361 thousand has been realised due to the Real Estate Wholesale Agreement signed by the Bank as of 11 July 2007. In accordance with Uniform Chart of Accounts, regarding the sales profit, YTL310.323 thousand has been accounted under "Other Operating Expenses" and YTL345.684 thousand has been accounted under "Other Operating Income".

# YAPI VE KREDİ BANKASI A.Ş.

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(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### h. Explanations on profit and loss from continuing operations before tax:

Profit and loss before tax consists of net interest income amounting to YTL2.122.718 thousand (2006: YTL1.811.417 thousand), net fee and commission income amounting to YTL973.785 thousand (2006: YTL799.696 thousand) and total other operating expense amounting YTL2.732.364 thousand (2006: YTL1.998.077 thousand).

#### i Provision for taxes on income from continuing operations:

As of 31 December 2007, the Bank has current tax expense amounting to YTL217.406 thousand (2006: YTL58.536 thousand) and deferred tax income amounting to YTL73.726 thousand (2006: YTL138.727 thousand deferred tax expense).

#### j. Information on net income/loss for the period:

To understand the Bank's current year performance, the characteristics of income or expense items arising from common banking transactions, and the dimension and recurrence of these transactions are not required.

### 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 YTL10.449.281 thousand (2006: YTL8.163.986 thousand), commitments for cheque books are YTL1.359.423 thousand (2006: YTL1.310.760 thousand) and loan granting commitments are YTL1.902.940 thousand (2006: YTL1.562.546 thousand).

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no material 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 2007	31 December 2006
Bank acceptance loans	184.493	216.649
Letter of credits	2.010.563	2.535.802
Other guarantees and collaterals	720.241	758.221
<b>Total</b>	<b>2.915.297</b>	<b>3.510.672</b>

2(ii). Revocable, irrevocable guarantees, contingencies and other similar commitments:

	31 December 2007	31 December 2006
Temporary letter of guarantees	638.848	645.865
Definite letter of guarantees	7.778.742	7.529.880
Advance letter of guarantees	1.539.381	1.564.355
Letter of guarantees given to customs	579.354	1.073.683
Other letter of guarantees	299.105	292.807
<b>Total</b>	<b>10.835.430</b>	<b>11.106.590</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

3(i). Total amount of non-cash loans

	31 December 2007	31 December 2006
Non-cash Loans Given Against Cash Loans	180.627	291.750
With Original Maturity of 1 Year or Less Than 1 Year	28.046	75.127
With Original Maturity of More Than 1 Year	152.581	216.623
Other Non-cash Loans	13.570.100	14.325.512
<b>Total</b>	<b>13.750.727</b>	<b>14.617.262</b>

3 (ii) Information on sectoral concentration of non-cash loans:

	31 December 2007				31 December 2006			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agricultural</b>	<b>62.854</b>	<b>1,08</b>	<b>141.387</b>	<b>1,78</b>	<b>73.879</b>	<b>1,33</b>	<b>48.383</b>	<b>0,53</b>
Farming and Raising								
Livestock	42.028	0,72	131.632	1,66	56.698	1,02	43.824	0,48
Forestry	15.672	0,27	9.298	0,12	13.410	0,24	3.949	0,04
Fishing	5.154	0,09	457	0,01	3.771	0,07	610	0,01
<b>Manufacturing</b>	<b>2.332.805</b>	<b>40,24</b>	<b>3.626.331</b>	<b>45,60</b>	<b>2.156.815</b>	<b>38,70</b>	<b>4.048.609</b>	<b>44,78</b>
Mining	110.087	1,90	86.120	1,08	27.860	0,50	94.787	1,05
Production	2.105.265	36,31	3.253.455	40,91	2.083.670	37,39	3.617.516	40,00
Electric, Gas and Water	117.453	2,03	286.756	3,61	45.285	0,81	336.306	3,73
<b>Construction</b>	<b>1.509.655</b>	<b>26,04</b>	<b>1.752.787</b>	<b>22,04</b>	<b>1.428.154</b>	<b>25,63</b>	<b>1.773.148</b>	<b>19,60</b>
<b>Services</b>	<b>1.823.460</b>	<b>31,45</b>	<b>1.911.885</b>	<b>24,04</b>	<b>1.866.143</b>	<b>33,49</b>	<b>2.836.511</b>	<b>31,36</b>
Wholesale and Retail Trade	898.417	15,50	320.201	4,03	1.028.914	18,46	366.995	4,06
Hotel, Food and Beverage Services	65.138	1,12	73.944	0,93	62.385	1,12	91.289	1,01
Transportation and								
Telecommunication	272.424	4,70	369.086	4,64	224.476	4,03	604.485	6,68
Financial Institutions	394.968	6,81	727.448	9,15	328.494	5,89	1.145.333	12,66
Real Estate and Leasing Services	67.599	1,17	95.376	1,20	69.386	1,25	135.389	1,50
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	5.946	0,10	1.918	0,02	7.781	0,14	3.850	0,04
Health and Social Services	118.968	2,05	323.912	4,07	144.707	2,60	489.170	5,41
<b>Other</b>	<b>68.750</b>	<b>1,19</b>	<b>520.813</b>	<b>6,55</b>	<b>47.866</b>	<b>0,86</b>	<b>337.754</b>	<b>3,73</b>
<b>Total</b>	<b>5.797.524</b>	<b>100,00</b>	<b>7.953.203</b>	<b>100,00</b>	<b>5.572.857</b>	<b>100,00</b>	<b>9.044.405</b>	<b>100,00</b>

3(iii). Information on non-cash loans classified in Group I. and Group II:

	Group I		Group II	
	YTL	FC	YTL	FC
Non-cash Loans				
Letters of Guarantee	5.720.757	5.025.767	51.990	36.916
Bank Acceptances	-	180.488	-	4.005
Letters of Credit	787	2.008.977	-	799
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	15.492	696.251	8.498	-
Total	5.737.036	7.911.483	60.488	41.720

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

3(iv). Maturity distribution of non cash loans:

31 December 2007 (*)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	426	1.849.707	160.430	-	2.010.563
Letter of Guarantee	6.211.978	1.416.866	2.874.887	331.699	10.835.430
Bank Acceptances	184.493	-	-	-	184.493
Other	48.395	200.298	335.950	135.598	720.241
<b>Total</b>	<b>6.445.292</b>	<b>3.466.871</b>	<b>3.371.267</b>	<b>467.297</b>	<b>13.750.727</b>

31 December 2006(*)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	-	2.371.089	164.713	-	2.535.802
Letter of Guarantee	6.250.428	3.391.430	1.386.364	78.368	11.106.590
Bank Acceptances	206.059	10.590	-	-	216.649
Other	127.584	275.890	344.334	10.413	758.221
<b>Total</b>	<b>6.584.071</b>	<b>6.048.999</b>	<b>1.895.411</b>	<b>88.781</b>	<b>14.617.262</b>

(\*) The distribution is based on the original maturities.

### b. Information on derivative financial instruments :

	31 December 2007	31 December 2006
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	6.717.095	3.800.884
FC trading forward transactions	2.190.656	1.530.397
Trading swap transactions	2.524.782	1.117.883
Futures transactions	-	-
Trading option transactions	2.001.657	1.152.604
Interest related derivative transactions (II)	1.467.466	901.015
Forward interest rate agreements	-	-
Interest rate swaps	1.467.466	901.015
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	7.987	-
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>8.192.548</b>	<b>4.701.899</b>
Types of hedging transactions		
Fair value hedges	221.767	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total hedging related derivatives</b>	<b>221.767</b>	<b>-</b>
<b>Total derivative transactions (A+B)</b>	<b>8.414.315</b>	<b>4.701.899</b>



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## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### c. Breakdown of derivative instruments according to their remaining contractual maturities:

31 December 2007	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	4.935	208	(12.068)	(6.255)	-	(13.180)
– Inflow	2.316.460	569.921	398.683	70.887	-	3.355.951
– Outflow	(2.311.525)	(569.713)	(410.751)	(77.142)	-	(3.369.131)
Interest rate Derivatives	223.292	136.420	18.969	(485.997)	-	(107.316)
– Inflow	223.292	293.471	104.031	45.955	13.326	680.075
– Outflow	-	(157.051)	(85.062)	(531.952)	(13.326)	(787.391)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives	-	-	-	-	-	-
– Inflow	-	-	-	-	-	-
– Outflow	-	-	-	-	-	-
Interest rate Derivatives	4.708	41.325	(63.790)	-	-	(17.757)
– Inflow	25.926	62.453	13.626	-	-	102.005
– Outflow	(21.218)	(21.128)	(77.416)	-	-	(119.762)
<b>Total inflow</b>	<b>2.565.678</b>	<b>925.845</b>	<b>516.340</b>	<b>116.842</b>	<b>13.326</b>	<b>4.138.031</b>
<b>Total outflow</b>	<b>(2.332.743)</b>	<b>(747.892)</b>	<b>(573.229)</b>	<b>(609.094)</b>	<b>(13.326)</b>	<b>(4.276.284)</b>

#### d. Information on contingent liabilities:

In this respect, several outstanding legal cases against the Bank have been considered as contingent liabilities and an YTL10.997 thousand (2006: YTL11.986 thousand) provision against these legal cases has been accounted for in the financial statements under the "Other provisions" account.

#### e. 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 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.

#### c. Information on increase/decrease amounts result from the merger:

It is explained in details in Note VII. of Section Five.

#### d. Information on share issue premium:

Explained in details in Note II.j.3 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 of less than three months are defined as "Cash Equivalents".

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2007	31 December 2006
<b>Cash</b>	<b>1.394.615</b>	<b>537.364</b>
Cash and Effectives	435.711	256.465
Demand Deposits in Banks	958.904	280.899
<b>Cash Equivalents</b>	<b>1.567.730</b>	<b>2.412.141</b>
Interbank Money Market	-	640.000
Deposits in Bank	1.567.730	1.772.141
<b>Total Cash and Cash Equivalents</b>	<b>2.962.345</b>	<b>2.949.505</b>

The total amount from the operations occurring in the prior period is 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 2007	31 December 2006
<b>Cash</b>	<b>1.330.660</b>	<b>1.394.615</b>
Cash and Effectives	439.766	435.711
Demand Deposits in Banks	890.894	958.904
<b>Cash equivalents</b>	<b>353.628</b>	<b>1.567.730</b>
Interbank Money Market	-	-
Time Deposits in Banks	353.628	1.567.730
<b>Total Cash and Cash Equivalents</b>	<b>1.684.288</b>	<b>2.962.345</b>

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 amounting to a nominal YTL335.015 thousand and 12,90% of the shares of Yapı Kredi owned by SDIF amounting to a nominal YTL97.032 thousand were transferred to Koçbank.

Moreover, Koçbank purchased a further 9,09% of Yapı Kredi shares traded on the ISE and 0,79% of the shares under a foreign mutual fund in Yapı Kredi's available-for-sale financial assets portfolio during April 2006 and as a result, the ownership of the Bank increased to 67,31%. The Bank recognised 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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, 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 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 0,5313538 units of Ykr1 nominal valued shares in exchange for each Ykr1 nominal valued Bank share.

After the merger, the share of KFH, which owned 99,78% shares of 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 2007 are explained in detail in Note XXII. of Section Three.

The effects of the related applications on the equity as of 31 December 2006 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)
<b>Total</b>	<b>1.246.155</b>	<b>36.053</b>	<b>343.184</b>	<b>(351.795)</b>	<b>1.273.597</b>

### 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 2007:

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 Receivables						
Balance at the Beginning of the Period	24.145	85.916	379.620	731.475	-	-
Balance at the End of the Period	67.986	110.549	358.699	679.098	-	-
<b>Interest and Commission Income Received</b>	<b>11.108</b>	<b>857</b>	<b>50.044</b>	<b>2.064</b>	<b>-</b>	<b>-</b>

(\*) Defined in the 49th article of subsection 2 of the Banking Act No.5411

(\*\*) The information in table above includes banks as well as loans.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. 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 Receivables					-	-
Balance at the Beginning of the Period	176.616	132.626	210.560	358.908	-	-
Balance at the End of the Period	24.145	85.916	379.620	731.475	-	-
<b>Interest and Commission Income Received (**)</b>	<b>13.442</b>	<b>59</b>	<b>27.578</b>	<b>1.979</b>	<b>-</b>	<b>-</b>

(\*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes banks as well as loans.

#### 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	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Deposit						
Beginning of the Period	145.912	180.120	3.134.323	107.017	-	-
End of the Period	156.132	145.912	2.890.090	3.134.323	-	-
<b>Interest Expense on Deposits (**)</b>	<b>18.751</b>	<b>13.675</b>	<b>310.134</b>	<b>231.925</b>	<b>-</b>	<b>-</b>

(\*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes borrowings as well as deposits.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	31 December 2006
<b>Transactions at Fair Value Through Profit or Loss (**)</b>						
Beginning of the Period (***)	1.472	10.641	213.997	-	-	-
End of the Period (***)	844.729	1.472	261.295	213.997	-	-
<b>Total Profit / Loss</b>	<b>12.753</b>	<b>(5)</b>	<b>55</b>	<b>1.815</b>	<b>-</b>	<b>-</b>
<b>Transactions for hedging purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
<b>Total Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) 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	%
<b>Loans</b>	399.561	28.508.881	1,40
<b>Banks</b>	27.124	730.975	3,71
<b>Interest Income Received</b>	61.152	4.156.630	1,47
<b>Non-cash Loans</b>	789.647	13.750.727	5,74
<b>Commission Income Received</b>	2.921	129.827	2,25
<b>Deposit</b>	2.830.730	32.166.933	8,80
<b>Borrowings and Money Markets</b>	215.492	5.862.635	3,68
<b>Interest Expense Paid</b>	328.885	3.930.380	8,37
<b>Trading Transactions</b>	1.106.024	8.414.315	13,14
<b>Trading Transactions Profit (net)</b>	12.808	200.876	6,38

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Information regarding benefits provided to the Bank's key management:

Salaries paid to the Bank's key management amount to YTL6.897 thousand (2006: YTL8.192 thousand) as of 31 December 2007.

### IX. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

	Number	Employee number			
Domestic Branch	675	14.242			
			Country of Incorporation		
Foreign Rep. Office	1	1	1- Russia		
				Total Asset	Statutory Share capital
Foreign Branch	-	-		-	-
Off-Shore Banking Region Branch	1	6	1-Bahrain	7.644.850	-

### X. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

1) Nominal share capital amount of YTL34.897.132,53 (35.28% of the capital), owned by KFH in Yapı Kredi Yatırım Menkul Değerler A.Ş. shall be purchased by YKB in return for USD158.754.689,63 in accordance with the value determined in the independent valuation report prepared by DTT Kurumsal Finans Danışmanlık Hizmetleri A.Ş. (Member of Deloitte Touche Tohmatsu) and the USD Exchange Buying Rate announced by the CBRT on the payment date shall be used as the exchange rate for conversion into YTL. In scope of the decision of the Board of Directors at 3 October 2007 to apply to CBM in order to assure the approval of the share transfer, the approval of CMB regarding the transfer of the Yapı Kredi Yatırım Menkul Değerler A.Ş. shares has been approved and the cost of the share purchase as USD158.754.689,63 has been paid to KFH as YTL188.616.446,75 converted with the TCMB exchange rate at 15 February 2008.

2) During the meeting of the Board of Directors of the Bank held on 21 February 2008, it was resolved that Merrill Lynch International and UniCredit CAIB AG would be appointed as joint financial advisors to assist YKB in the reorganisation of its presence in the insurance business, including assessment of divestiture and partnerships, with the purpose of maximising the value for its clients and shareholders.

3) It has been decided by the Board of Directors at 3 October 2007 to purchase nominal share capital amount of EUR32.672.880 (67.24% of the capital), owned by KFS in Yapı Kredi Bank Nederland N.V. in return for EUR97.502.661,71 in accordance with the value determined in the independent valuation report prepared by Ernst&Young Transaction Advisory Services B.V. and to apply to Dutch authorities in order to assure the approval of the share transfer. The sale of the Yapı Kredi Bank Nederland N.V shares has been approved by the Dutch authorities and the cost of the share purchase as EUR97.502.661,71 has been paid to KFH as YTL165.062.256,01 converted with the TCMB EUR exchange buying rate at 15 January 2008.

4) Board of Directors has decided the Bank to switch to the registered capital system as of 4 March 2008 and in this aspect, to amend the related articles in Bank General Agreement and apply to BRSA, CMB and other related bodies to get necessary permissions in order to realise the switch to the registered capital and amend the main agreement, and following the permissions to present the switch to the registered capital system and amendment of the main agreement to the ordinary General Assembly for the approval of the shareholders. the following the permission.

5) As of 29 February 2008, the shares of Yapı Kredi Bank (Deutschland), which is owned 65,42% by the bank and 34,58% by Yapı Kredi Holding BV has been sold to Avenue Europe Investments Singapore Pte Ltd. for net assets + EUR250 thousand and EUR4.742 thousand after capital decrease has been deposited to the Bank's account.

# YAPI VE KREDİ BANKASI A.Ş. NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

(Amounts are expressed in thousands of New Turkish Lira ("YTL") unless otherwise stated.)

## SECTION SIX

### OTHER EXPLANATIONS AND NOTES

#### I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

## SECTION SEVEN

### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

#### I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements for the period ended 31 December 2007 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers). The independent auditor's report dated 12 March 2008 is presented prior to the unconsolidated financial statements.

#### II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.



## 2007 Financial Review

In 2007, a year of post-merger & integration stabilization and launch of the accelerated branch expansion plan, Yapı Kredi's consolidated net income grew by 57% YoY to reach YTL 870 million. In the same period, Yapı Kredi's ROE (Return on Equity) grew by 4,2 pps to reach 22,7%.

The divisionalization implementation of the Bank was completed in the first half of 2007. The divisionalized structure consists of segments including credit cards, retail banking (including SME banking), corporate, commercial and private banking. Yapı Kredi had a renewed focus on commercial business in 2007 and many new projects were executed in light of this new focus leading to an increased presence of the Bank with positive market share gains in both retail and SME segments.

In line with Yapı Kredi's accelerated growth strategy, an ambitious branch opening plan was announced in July 2007 with a target to reach a total of 1.000 branches by 2009. With the opening of 82 retail branches in 2007, the Bank closed the year with a total of 676 branches.

Driven by robust growth in net fees and commissions and net interest income, Yapı Kredi's total consolidated revenues recorded a healthy increase of 23% YoY and reached YTL 4.955 million. In 2007, net interest income recorded 18% growth and reached YTL 2.473 million, mainly a result of solid retail banking volumes especially in consumer and SME loans. Net fees and commissions recorded a YoY growth of 14% and reached 1,577 on a consolidated basis, mainly due to the strong net fee and commission growth of the Bank (22%).

In 2007, core non-HR costs increased 11%, driven by growth initiatives including branch expansion, credit card brand repositioning and credit card direct sales force expansion. The increase in other costs was mainly due to gross up effect of non-core fixed asset sales and NPL write-offs.

Yapı Kredi's balance sheet mix improved in 2007 with heavier weight of core banking activities. Total performing loans grew 26% YoY and reached YTL 28.733 million mainly attributable to growth in TL loans while the Bank's total deposits reached YTL 33.707 million, recording a yearly increase of 3,5%, driven by growth in TL deposits. As a result of increased commercial focus, Yapı Kredi's asset composition became healthier and higher quality. The share of total loans in total consolidated assets increased to 50,7% from 41,2% in 2006 while share of total securities declined from 33,4% in 2006 to 25,6%. Performing loans to deposits ratio increased to 85,2% in 2007 from 69,8% in 2006.

NPL (non-performing loans) ratio improved to 5,2% at end-2007 with a decrease of 1,3 pps versus 2006 while NPL coverage was 80%. The NPL ratio, recorded as 6,5% in 2006, is 6,0% in 2007 on a like for like basis excluding the effect of write-offs.

In 2007, the capital adequacy ratio was 12,8% on a consolidated basis and 13,7% on a bank-only basis.

## Information on Risk Management Policies

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 2007. 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 2008 in the credit risk management area will continue to be focused on properly assessing potential risks, calculating the cost of credit risk for each customer segments, in compliance with Basel II implementations. The main strategies to be followed throughout 2008 will be:

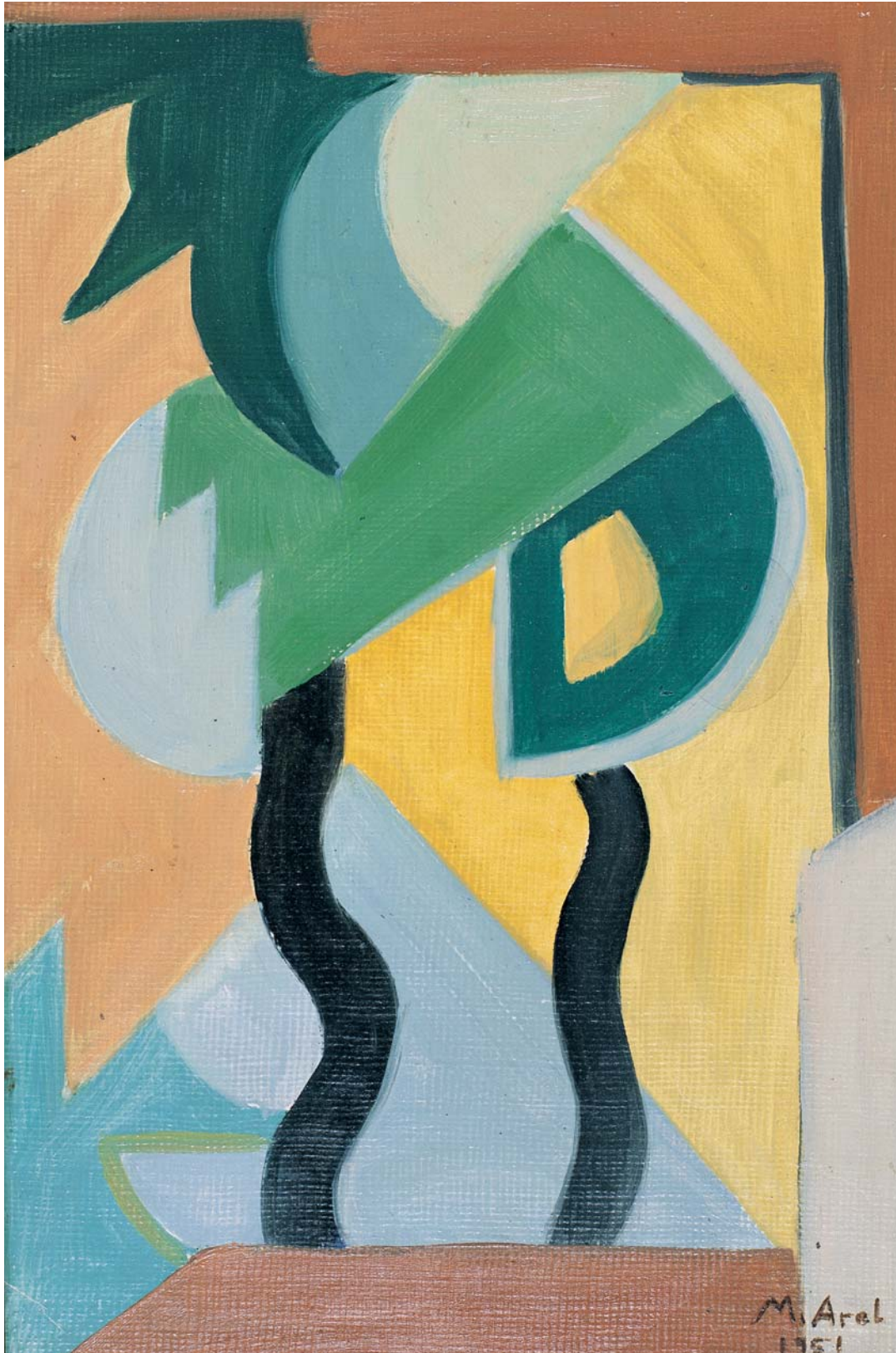
- Effective implementation of the credit policy guidelines to strengthen the common risk management approach in the organization
- Improvement of credit risk models in compliance with the IRB approach of Basel II
- Better diversification of portfolio towards less risky sectors
- Focus on low / average risk profile companies
- Avoid excessive concentration in Group exposures, while strictly obeying statutory limits
- Minimize transactions bearing high and / or reputation 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. Market Risk Policy is revised ever year according to the new year's budget. 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. The methods of the risk calculations, and the relevant risk limits, the duties and responsibilities of Committees in the market risk management process are identified. Asset Liability Committee plays an active role in the market risk management process.

Through its risk management policy, Yapı Kredi adopted participation of every employee to the risk management in the bank. For this purpose, with the regulation which was updated in 2006 and came into effect after approval by Board of Directors, both for Yapı Kredi and for subsidiaries, operational risk framework was determined and general limits were defined, general standards and principals were put into effect. Besides, with this regulation, together with responsibilities of Board of Directors and senior management, responsibilities and scope of duties of Audit Committee, Asset and Liability Committee were redefined. In accordance with this regulation, in case a limit breach, changes in risk or breaches in policy, bank management and Asset and Liability Committee were informed. On the other hand, regarding for monitoring and managing realized operational risks efficiently, operational risk approval limits were redefined according to hierarchical titles in 2007. Moreover, related regulation is planned to be updated in 2008. Yapı Kredi is targeting Basel II Advanced Measurement Approaches as a methodology for implementation of Risk Management Policies.

## **Part 4:**

# **Consolidated Financial Information**



Maide Arel, No Name, 1951, Oil on Board, 41 x 28 cm (detail)  
Yapi Kredi Collection



**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 2007 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 consolidated financial statements; and for selecting and applying appropriate accounting policies in compliance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents published on the Official Gazette No. 26333 dated 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency ("the 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 consolidated financial statements based on our audit. Our independent audit has been implemented in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006. 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 these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that our 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 2007 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, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Additional Paragraph for Convenience Translation:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with articles 37 and 38 of the Banking Act No. 5411, accounting principles generally accepted in countries in which the accompanying consolidated 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.

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

Zeynep Uras, SMMM  
Istanbul, 12 March 2008



# THE CONSOLIDATED FINANCIAL REPORT OF YAPI VE KREDİ BANKASI A.Ş. AS OF 31 DECEMBER 2007

Yapı ve Kredi Bankası A.Ş.  
Head Quarters  
Yapı Kredi Plaza D Blok  
Levent 34330 İstanbul  
Phone: (0212) 339 70 00  
Fax: (0212) 339 60 00  
www.yapikredi.com.tr  
E-Mail : financialreports@yapikredi.com.tr

The consolidated financial report includes the following sections in accordance with the "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 PARENT BANK
- **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 AUDIT 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 Değerler A.Ş.
6. Yapı Kredi Yatırım Ortaklığı A.Ş.
7. Yapı Kredi Portföy Yönetimi A.Ş.
8. Yapı Kredi Bank Deutschland A.G.
9. Yapı Kredi Holding B.V.
10. Yapı Kredi Bank Nederland N.V.
11. Yapı Kredi Bank Moscow
12. Sticking Custody Services YKB
13. Yapı Kredi Bank Azerbaijan Closed Joint Stock Company

## Associates

1. Banque de Commerce et de Placements S.A.

(\*) Additionally, although, Yapı Kredi Diversified Payment Rights Finance Company, the "Special Purpose Entity", is not a subsidiary of the Bank, as our Bank has a control of 100% it has been included in the consolidation.

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 audited.



**Rüşdü SARAÇOĞLU**  
Chairman of the  
Board of Directors



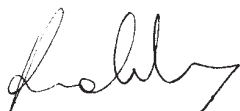
**Tayfun BAYAZIT**  
Member of the  
Board of Directors  
and General Manager



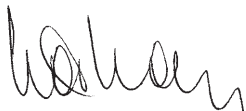
**Marco CRAVARIO**  
Chief Financial Officer



**Duygu DÖNMEZ**  
Head of Financial  
Reporting Unit



**Ranieri De MARCHIS**  
President of Audit Committee



**Herbert HANGEL**  
Member of Audit Committee



**Ahmet F. ASHABOĞLU**  
Member of Audit Committee

Contact information of the personnel in charge for addressing questions about this financial report:

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## YAPI VE KREDİ BANKASI A.Ş.

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## YAPI VE KREDİ BANKASI A.Ş.

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# YAPI VE KREDİ BANKASI A.Ş. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## SECTION ONE

### GENERAL INFORMATION ABOUT THE GROUP

#### I. HISTORY OF THE PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS AND AMENDMENTS TO LEGAL STATUS, IF ANY:

Yapi ve Kredi Bankası A.Ş. ("the Bank", "Yapi 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 incorporation.

#### 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 2007, 18,21% shares of the Bank are publicly traded (2006: 19,54%).

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 owned by the Bank by 100% 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 was transferred to the Koç Finansal Hizmetler A.Ş. ("KFS").

With and in scope of the Share Exchange Agreement signed with KFS and approved by the Banking Regulatory and Supervisory Agency ("BRSA") and the Capital Markets Board ("CMB"), allowing the transfer of 59,47% of the capital of Yapı Kredi Faktoring A.Ş. with a nominal value of YTL9.992.000, 73,10% of the capital of Yapı Kredi Finansal Kiralama A.O. with a nominal value of YTL285.048.428 and 99,80% of the capital of Yapı Kredi Bank Azerbaijan Joint Stock Company with a nominal value of AZN6.336.200 (Azerbaijani Manats) from KFS, the increase in capital by YTL277,601,284 from YTL3.149.450.000 to YTL3.427.051.284 giving the share to KFS has been approved in the Extraordinary General Assembly meeting held on 30 September 2007 and the decisions of the meeting have been registered as of 18 October 2007. The share transfer transactions in the framework of the agreement have been finalised as of 31 October 2007 and after the transaction, the share of KFS in YKB has increased to 81,79%.

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. 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 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries have been legally merged in 2006 and 2007:

#### Merging Entities

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 Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Koç Portföy	29 December 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	Koç Yatırım	12 January 2007	Yapı Kredi Menkul
Yapı Kredi Nederland N.V. ("Yapı Kredi NV")	Koçbank Nederland N.V.	2 July 2007	Yapı Kredi NV

#### III. INFORMATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS:

As of 31 December 2007, the Parent Bank's Board of Directors, Members of the Audit Committee and Executive President and Vice Presidents are listed below:

Title	Name	Responsibility
<b>Chairman of the Board of Directors:</b>	Dr. Rüştü SARAÇOĞLU	Chairman
<b>Board of Directors Members:</b>	Federico GHIZZONI	Vice Chairman
	Tayfun BAYAZIT	Chief Executive Officer
	Alessandro M. DECIO	Chief Operating Officer
	Seyit Kemal KAYA	Member
	Füsun Akkal BOZOK	Member

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### GENERAL INFORMATION ABOUT THE GROUP (Continued)

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>
	Ranieri De MARCHIS	Member
	Ahmet Fadil ASHABOĞLU	Member
	Herbert HANGEL(*)	Member
	Thomas GROSS	Member
<b>General Manager:</b>	Tayfun BAYAZIT	Chief Executive Officer
<b>Vice General Managers:</b>	Süleyman Cihangir KAVUNCU	Human Resources Management
	Alpar ERGUN	Legal Activities Management
	Mehmet Gani SÖNMEZ	Retail Banking Management
	Erhan ÖZÇELİK	Private Banking and Foreign Operations Management
	Hamit AYDOĞAN	Corporate Banking Management
	Mert GÜVENEN	Commercial Banking Management
	Mert YAZICIOĞLU	Treasury Management
	Tülay GÜNGEN	Corporate Identity and Communication
	Zeynep Nazan SOMER	Credit Cards and Consumer Lendings
	Marco CRAVARIO (**)	Financial Planning, Administration and Control/CFO
	Mehmet Güray ALPKAYA	Credit Management
	Marco ARNABOLDI	Risk Management
	Mahmut Tevfik ÇELİKEL	Logistics and Cost Management
	Fahri ÖBEK (***)	System Technology Management
	Muzaffer ÖZTÜRK	Retail Sales Management
	Kemal SEMERCİLER	Compliance Officer
	Stefano PERAZZINI	Internal Audit
	Luca RUBAGA	Organisation Management
<b>Audit Committee Members:</b>	Ranieri De MARCHIS	Chairman
	Herbert HANGEL(*)	Member
	Ahmet Fadil ASHABOĞLU	Member
<b>Statutory auditors:</b>	M. Erkan ÖZDEMİR	Auditor
	Adil G. ÖZTOPRAK	Auditor

The shares of the above individuals are insignificant in the Bank.

- (\*) As of 25 February 2008 Robert Zadrzil has resigned from Board of Directors and Audit Committee and as of the same date Herbert Hangel has been assigned for the same areas.
- (\*\*) As of 1 October 2007, Carlo Vivaldi has resigned and as of the same date it is resolved that Alessandro M. Decio to be responsible for the aforementioned area temporarily and as of 7 January 2008, it is resolved that Marco Cravario to be responsible for the aforementioned area officially.
- (\*\*\*) As of 1 October 2007, Mohammed Hishem Laroussi has resigned and as of the same date Fahri Öbek has been assigned as Acting Manager temporarily and as of 1 March 2008 officially.

### IV. INFORMATION ON QUALIFIED SHAREHOLDERS:

<u>Name/Commercial Title</u>	<u>Share Amounts (Nominal)</u>	<u>Share Percentage</u>	<u>Paid-in Capital (Nominal)</u>	<u>Unpaid Portion</u>
Koç Finansal Hizmetler A.Ş.	2.802.933.461,57	81,79%	2.802.933.461,57	-

### V. SUMMARY INFORMATION ON THE PARENT BANK'S ACTIVITIES AND SERVICES:

The Parent Bank's core business activities include retail banking, corporate banking, private banking, credit cards and international banking. As of 31 December 2007, the Bank has 675 branches operating in Turkey, 1 branch in off-shore region and 1 representative offices operating abroad (2006: 607 branches operating in Turkey, 1 branch in off-shore region and 4 representative offices operating abroad) and 14.249 employees (2006: 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 2007, the Group has 16.779 employees (2006: 15.873 employees).

# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

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

#### SECTION TWO: CONSOLIDATED FINANCIAL STATEMENTS

I.	BALANCE SHEET	Note (Section Five)	(31/12/2007)		Total	Restated (*) (31/12/2006)		
			YTL	FC		YTL	FC	Total
I.	ASSETS							
I.	CASH BALANCES WITH CENTRAL BANK	I-a	1.640.594	2.099.794	3.740.388	1.857.188	2.304.171	4.161.359
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	I-b	165.829	198.368	364.197	245.898	373.780	619.678
2.1	Trading Financial Assets		135.148	180.382	315.530	173.798	363.025	536.823
2.1.1	Government Debt Securities		74.392	179.823	254.215	122.699	342.773	465.472
2.1.2	Share Certificates		19.226	-	19.226	17.735	-	17.735
2.1.3	Other Marketable Securities		41.530	559	42.089	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		30.681	17.986	48.667	72.100	10.755	82.855
III.	BANKS	I-c	171.973	1.211.464	1.383.437	47.272	2.701.034	2.748.306
IV.	MONEY MARKETS		13.728	419.748	433.476	28.354	130.860	159.214
4.1	Interbank Money Market Placements		-	419.748	419.748	-	130.860	130.860
4.2	Receivables from Istanbul Stock Exchange Money Market		1.448	-	1.448	700	-	700
4.3	Receivables from Reverse Repurchase Agreements		12.280	-	12.280	27.654	-	27.654
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	560.169	441.390	1.001.559	365.357	398.985	764.342
5.1	Share Certificates		15.622	26.954	42.576	17.496	15.338	32.834
5.2	Government Debt Securities		494.702	369.743	864.445	292.708	362.179	654.887
5.3	Other Marketable Securities		49.845	44.693	94.538	55.153	21.468	76.621
VI.	LOANS	I-e	19.754.508	9.333.804	29.088.312	15.518.882	7.563.107	23.081.989
6.1	Loans		19.407.569	9.325.472	28.733.041	15.206.858	7.547.125	22.753.983
6.1.1	Bank's risk group		197.614	189.721	387.335	104.380	243.008	347.388
6.1.2	Other		19.209.955	9.135.751	28.345.706	15.102.478	7.304.117	22.406.595
6.2	Loans under Follow-up		1.736.839	24.265	1.761.104	1.714.041	51.893	1.765.934
6.3	Specific Provisions (-)		(1.389.900)	(15.933)	(1.405.833)	(1.402.017)	(35.911)	(1.437.928)
VII.	FACTORING RECEIVABLES		529.089	587.904	1.116.993	641.013	517.669	1.158.682
VIII.	HELD-TO-MATURITY SECURITIES (Net)	I-f	6.441.862	6.710.689	13.152.551	6.615.809	10.494.934	17.110.743
8.1	Government Debt Securities		6.441.862	6.701.210	13.143.072	6.615.809	10.494.934	17.110.743
8.2	Other Marketable Securities		-	9.479	9.479	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-g	2.658	38.220	40.878	3.529	41.352	44.881
9.1	Consolidated Based on Equity Method		-	38.220	38.220	-	41.352	41.352
9.2	Unconsolidated		2.658	-	2.658	3.529	-	3.529
9.2.1	Financial Investments in Associates		2.658	-	2.658	3.529	-	3.529
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
X.	SUBSIDIARIES (Net)	I-h	30.443	-	30.443	110.608	24.500	135.108
10.1	Unconsolidated Financial Subsidiaries		28.143	-	28.143	30.173	-	30.173
10.2	Unconsolidated Non-financial Subsidiaries		2.300	-	2.300	80.435	24.500	104.935
XI.	JOINT VENTURES (Net)		-	-	-	-	-	-
11.1	Accounted Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)		678.315	1.661.425	2.339.740	545.056	1.045.360	1.590.416
12.1	Financial Lease Receivables		881.119	1.954.183	2.835.302	706.053	1.221.498	1.927.551
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		(202.804)	(292.758)	(495.562)	(160.997)	(176.138)	(337.135)
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-i	1.018	666	1.684	-	-	-
13.1	Fair Value Hedge		1.018	666	1.684	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)	I-j	1.127.201	9.748	1.136.949	1.220.216	17.443	1.237.659
XV.	INTANGIBLE ASSETS (Net)	I-k	1.191.681	30	1.191.711	1.156.130	70	1.156.200
15.1	Goodwill		979.493	-	979.493	979.493	-	979.493
15.2	Other		212.188	30	212.218	176.637	70	176.707
XVI.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
XVII.	TAX ASSET		440.577	2.812	443.389	287.812	2.465	290.277
17.1	Current Tax Asset		222.290	510	222.800	120.960	1.496	122.456
17.2	Deferred Tax Asset	I-l	218.287	2.302	220.589	166.852	969	167.821
XVIII.	ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	I-m	61.344	78.533	139.877	182.487	7.430	189.917
18.1	Held for sale Purposes		61.344	78.533	139.877	182.487	7.430	189.917
18.2	Related to Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	I-n	584.320	469.987	1.054.307	508.659	335.070	843.729
TOTAL ASSETS			33.395.309	23.264.582	56.659.891	29.334.270	25.958.230	55.292.500

(\*) As explained in Notes XXVIII. of Section Three and Note VII. of Section Five, the Bank has restated its financial statements as of 31 December 2006.

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

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

I.	BALANCE SHEET	Note (Section Five)	(31/12/2007)			Restated (*) (31/12/2006)		
			YTL	FC	Total	YTL	FC	Total
I.	<b>LIABILITIES</b>							
I.	<b>DEPOSITS</b>	II-a	18.873.709	14.833.423	33.707.132	16.221.115	16.354.460	32.575.575
1.1.	Deposits of Bank's risk group		1.236.588	1.579.581	2.816.169	1.288.381	1.697.580	2.985.961
1.2.	Other		17.637.121	13.253.842	30.890.963	14.932.734	14.656.880	29.589.614
II.	<b>TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	II-b	226.654	10.366	237.020	29.275	6.212	35.487
III.	<b>BORROWINGS</b>	II-c	418.891	4.767.179	5.186.070	568.640	4.313.448	4.882.088
IV.	<b>MONEY MARKETS</b>		1.660.729	817.235	2.477.964	2.996.015	1.002.683	3.998.698
4.1	Funds from Interbank Money Market		88.985	159.267	248.252	38.183	251.440	289.623
4.2	Funds from Istanbul Stock Exchange Money Market		150.000	-	150.000	-	-	-
4.3	Funds Provided Under Repurchase Agreements		1.421.744	657.968	2.079.712	2.957.832	751.243	3.709.075
V.	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	II-d	-	1.542.609	1.542.609	-	1.650.006	1.650.006
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	1.542.609	1.542.609	-	1.650.006	1.650.006
5.3	Bonds		-	-	-	-	-	-
VI.	<b>FUNDS</b>		-	-	-	-	-	-
6.1.	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	<b>MISCELLANEOUS PAYABLES</b>		2.179.051	224.270	2.403.321	2.009.851	533.463	2.543.314
VIII.	<b>OTHER LIABILITIES</b>	II-e	440.582	498.673	939.255	363.378	483.527	846.905
IX.	<b>FACTORING PAYABLES</b>		-	307.956	307.956	104.890	267.945	372.835
X.	<b>LEASE PAYABLES (Net)</b>		6	95	101	1	4	5
10.1	Financial Lease Payables	II-f	6	100	106	1	5	6
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Lease Expenses (-)		-	(5)	(5)	-	(1)	(1)
XI.	<b>HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	II-g	27.786	-	27.786	-	-	-
11.1	Fair Value Hedge		27.786	-	27.786	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	<b>PROVISIONS</b>	II-h	2.092.958	563.904	2.656.862	1.912.432	619.384	2.531.816
12.1	General Loan Loss Provision		480.673	248.210	728.883	455.203	253.744	708.947
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		138.634	950	139.584	159.574	4.697	164.271
12.4	Insurance Technical Provisions (Net)		501.581	284.887	786.468	468.744	321.669	790.413
12.5	Other Provisions		972.070	29.857	1.001.927	828.911	39.274	868.185
XIII.	<b>TAX LIABILITY</b>	II-i	388.495	4.531	393.026	175.549	14.249	189.798
13.1	Current Tax Liability		388.495	619	389.114	173.751	10.270	184.021
13.2	Deferred Tax Liability		-	3.912	3.912	1.798	3.979	5.777
XIV.	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS</b>		-	4.037	4.037	-	-	-
14.1.	Held for sale purpose		-	4.037	4.037	-	-	-
14.2	Related to discontinued operations		-	-	-	-	-	-
XV.	<b>SUBORDINATED LOANS</b>	II-k	-	1.772.914	1.772.914	-	1.559.258	1.559.258
XVI.	<b>SHAREHOLDERS' EQUITY</b>	II-l	4.988.157	15.681	5.003.838	4.091.700	15.015	4.106.715
16.1	Paid-in Capital		3.427.051	-	3.427.051	3.142.818	-	3.142.818
16.2	Capital Reserves		533.949	15.681	549.630	53.306	15.015	68.321
16.2.1	Share Premium		541.633	-	541.633	45.781	-	45.781
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences	II-m	(12.982)	15.681	2.699	7.525	15.015	22.540
16.2.4	Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6	Revaluation differences of investment property		-	-	-	-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9	Value increase in property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		5.298	-	5.298	-	-	-
16.3	Profit Reserves		343.184	-	343.184	343.184	-	343.184
16.3.1	Legal Reserves		17.159	-	17.159	17.159	-	17.159
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		326.025	-	326.025	326.025	-	326.025
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		388.939	-	388.939	3.782	-	3.782
16.4.1	Prior Years' Income or (Loss)		(480.805)	-	(480.805)	(551.567)	-	(551.567)
16.4.2	Current Year Income or (Loss)		869.744	-	869.744	555.349	-	555.349
16.5	Minority Interest	II-n	295.034	-	295.034	548.610	-	548.610
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>31.297.018</b>	<b>25.362.873</b>	<b>56.659.891</b>	<b>28.472.846</b>	<b>26.819.654</b>	<b>55.292.500</b>

(\*) As explained in Notes XXVIII. of Section Three and Note VII. of Section Five, the Bank has restated its financial statements as of 31 December 2006.

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

# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

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

II.	INCOME STATEMENTS	Note		Restated (*)
	INCOME AND EXPENSE ITEMS	(Section Five)	01/01-31/12/2007	01/01-31/12/2006
I.	INTEREST INCOME	III-a	6.675.935	5.538.539
1.1	Interest on Loans	III-a-1	4.120.765	3.542.286
1.2	Interest Received from Reserve Requirements		189.073	146.063
1.3	Interest Received from Banks	III-a-2	133.232	128.052
1.4	Interest Received from Money Market Transactions		10.840	18.720
1.5	Interest Received from Marketable Securities Portfolio	III-a-3	1.780.351	1.435.073
1.5.1	Trading Financial Assets		33.233	92.537
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		66.474	69.804
1.5.4	Held to Maturity Investments		1.680.644	1.272.732
1.6	Financial Lease Income		261.204	166.917
1.7	Other Interest Income		180.470	101.428
II.	INTEREST EXPENSE	III-b	(4.202.849)	(3.441.399)
2.1	Interest on Deposits	III-b-3	(3.380.053)	(2.771.340)
2.2	Interest on Funds Borrowed	III-b-1	(490.104)	(411.844)
2.3	Interest Expense on Money Market Transactions		(236.429)	(239.654)
2.4	Interest on Securities Issued		(89.931)	(4.216)
2.5	Other Interest Expenses		(6.332)	(14.345)
III.	NET INTEREST INCOME (I+II)		2.473.086	2.097.140
IV.	NET FEES AND COMMISSIONS INCOME		1.576.995	1.380.671
4.1	Fees and Commissions Received		2.080.417	1.874.578
4.1.1	Non-cash Loans		132.674	133.775
4.1.2	Other		1.947.743	1.740.803
4.2	Fees and Commissions Paid		(503.422)	(493.907)
4.2.1	Non-cash Loans		(100)	(494)
4.2.2	Other		(503.322)	(493.413)
V.	DIVIDEND INCOME	III-c	3.336	4.125
VI.	TRADING INCOME/(LOSS) (Net)	III-d	81.596	60.397
6.1	Trading Gains/(Losses) on Securities		(189.699)	265.352
6.2	Foreign Exchange Gains/(Losses)		271.295	(204.955)
VII.	OTHER OPERATING INCOME	III-e	819.974	488.681
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		4.954.987	4.031.014
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	III-f	(420.526)	(360.146)
X.	OTHER OPERATING EXPENSES (-)	III-g	(3.326.887)	(2.730.576)
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1.207.574	940.292
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES		-	-
	CONSOLIDATED BASED ON EQUITY METHOD		1.890	2.048
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)	III-h	1.209.464	942.340
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	III-i	(190.135)	(245.541)
16.1	Current Tax Provision		(269.029)	(90.715)
16.2	Deferred Tax Provision		78.894	(154.826)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)		1.019.329	696.799
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-current Assets Held for Resale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	III-j	1.019.329	696.799
23.1	Group's Profit/ Loss		869.744	555.349
23.2	Minority Shares Profit / Losses (-)	III-k	149.585	141.450
	Earnings/(Loss) per share (in YTL full)		0,0027	0,0018

(\*) As explained in Notes XXVIII. of Section Three and Note VII. of Section Five, the Bank has restated its financial statements as of 31 December 2006.

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

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

#### III. OFF-BALANCE SHEET COMMITMENTS

	Note (Section five)	(31/12/2007)			Restated (*) (31/12/2006)		
		YTL	FC	Total	YTL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>22.590.694</b>	<b>16.438.648</b>	<b>39.029.342</b>	<b>17.805.813</b>	<b>15.419.953</b>	<b>33.225.766</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>IV-a-2, 3</b>	<b>5.830.328</b>	<b>8.185.223</b>	<b>14.015.551</b>	<b>5.579.201</b>	<b>9.273.528</b>	<b>14.852.729</b>
1.1. Letters of Guarantee		5.801.536	5.260.507	11.062.043	5.571.808	5.706.560	11.278.368
1.1.1. Guarantees Subject to State Tender Law		437.175	405.285	842.460	431.794	650.341	1.082.135
1.1.2. Guarantees Given for Foreign Trade Operations		651.743	4.693.511	5.345.254	1.032.092	4.902.924	5.935.016
1.1.3. Other Letters of Guarantee		4.712.618	161.711	4.874.329	4.107.922	153.295	4.261.217
1.2. Bank Acceptances		-	184.493	184.493	-	216.649	216.649
1.2.1. Import Letter of Acceptance		-	184.493	184.493	-	216.649	216.649
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		4.802	2.159.337	2.164.139	6.493	2.585.728	2.592.221
1.3.1. Documentary Letters of Credit		787	2.069.716	2.070.503	325	2.541.017	2.541.342
1.3.2. Other Letters of Credit		4.015	89.621	93.636	6.168	44.711	50.879
1.4. Prefinancing Given as Guarantee		143	1.553	1.696	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		23.847	548.393	572.240	757	590.776	591.533
1.9. Other Collaterals		-	30.940	30.940	-	171.931	171.931
<b>II. COMMITMENTS</b>	<b>IV-a-1</b>	<b>13.330.953</b>	<b>880.685</b>	<b>14.211.638</b>	<b>10.238.783</b>	<b>1.894.425</b>	<b>12.133.208</b>
2.1. Irrevocable Commitments		13.330.953	880.685	14.211.638	10.238.783	1.894.425	12.133.208
2.1.1. Asset Purchase and Sale Commitments		-	431.565	431.565	-	470.055	470.055
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		1.482.180	449.073	1.931.253	724.547	837.999	1.562.546
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		1.359.423	-	1.359.423	1.310.760	-	1.310.760
2.1.8. Tax and Fund Liabilities from Export Commitments		39.945	-	39.945	39.365	-	39.365
2.1.9. Commitments for Credit Card Limits		10.449.281	-	10.449.281	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		124	47	171	125	17.227	17.352
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>3.429.413</b>	<b>7.372.740</b>	<b>10.802.153</b>	<b>1.987.829</b>	<b>4.252.000</b>	<b>6.239.829</b>
3.1. Hedging Derivative Financial Instruments	<b>IV-b, c</b>	119.763	102.004	221.767	-	-	-
3.1.1. Transactions for Fair Value Hedge		119.763	102.004	221.767	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Transactions		3.309.650	7.270.736	10.580.386	1.987.829	4.252.000	6.239.829
3.2.1. Forward Foreign Currency Buy/Sell Transactions		1.194.844	1.707.358	2.902.202	648.697	2.097.124	2.745.821
3.2.1.1. Forward Foreign Currency Transactions-Buy		341.206	1.090.945	1.432.151	433.301	958.396	1.391.697
3.2.1.2. Forward Foreign Currency Transactions-Sell		853.638	616.413	1.470.051	215.396	1.138.728	1.354.124
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		1.198.654	4.379.230	5.577.884	579.009	1.548.452	2.127.461
3.2.2.1. Foreign Currency Swap-Buy		305.407	1.271.216	1.576.623	112.788	504.311	617.099
3.2.2.2. Foreign Currency Swap-Sell		169.425	1.427.452	1.596.877	159.236	450.111	609.347
3.2.2.3. Interest Rate Swap-Buy		33.375	1.115.159	1.148.534	-	450.968	450.968
3.2.2.4. Interest Rate Swap-Sell		690.447	565.403	1.255.850	306.985	143.062	450.047
3.2.3. Foreign Currency, Interest rate and Securities Options		916.141	1.181.744	2.097.885	546.180	606.424	1.152.604
3.2.3.1. Foreign Currency Options-Buy		442.539	598.423	1.040.962	273.090	303.212	576.302
3.2.3.2. Foreign Currency Options-Sell		468.030	583.321	1.051.351	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		3.240	-	3.240	-	-	-
3.2.3.6. Securities Options-Sell		2.332	-	2.332	-	-	-



# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

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

#### III. OFF-BALANCE SHEET COMMITMENTS

	Note (Section five)	(31/12/2007)			Restated (*) (31/12/2006)		
		YTL	FC	Total	YTL	FC	Total
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	11	2.404	2.415	213.943	-	213.943
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>	<b>84.300.721</b>	<b>9.516.991</b>	<b>93.817.712</b>	<b>68.031.176</b>	<b>2.733.586</b>	<b>70.764.762</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>66.311.104</b>	<b>1.297.064</b>	<b>67.608.168</b>	<b>54.791.029</b>	<b>1.706.076</b>	<b>56.497.105</b>
4.1	Customer Fund and Portfolio Balances	4.990.701	2.603	4.993.304	6.864.747	171.662	7.036.409
4.2	Investment Securities Held in Custody	53.414.439	1.088.692	54.503.131	39.859.872	1.154.620	41.014.492
4.3	Checks Received for Collection	4.797.997	26.350	4.824.347	4.669.933	49.098	4.719.031
4.4	Commercial Notes Received for Collection	3.106.718	154.172	3.260.890	3.395.301	235.461	3.630.762
4.5	Other Assets Received for Collection	-	25.247	25.247	-	58.993	58.993
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	85	-	85	11	36.242	36.253
4.8	Custodians	1.164	-	1.164	1.165	-	1.165
<b>V.</b>	<b>PLEDGES RECEIVED</b>	<b>16.985.999</b>	<b>7.413.664</b>	<b>24.399.663</b>	<b>13.240.147</b>	<b>1.027.510</b>	<b>14.267.657</b>
5.1	Marketable Securities	342.775	434	343.209	362.711	580	363.291
5.2	Guarantee Notes	304.997	223.708	528.705	291.104	363.967	655.071
5.3	Commodity	7.609	-	7.609	20.617	-	20.617
5.4	Warranty	-	-	-	-	-	-
5.5	Immovable	10.769.129	5.275.952	16.045.081	9.682.256	499.324	10.181.580
5.6	Other Pledged Items	5.561.240	1.911.476	7.472.716	2.883.210	39.853	2.923.063
5.7	Pledged Items-Depository	249	2.094	2.343	249	123.786	124.035
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>1.003.618</b>	<b>806.263</b>	<b>1.809.881</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>106.891.415</b>	<b>25.955.639</b>	<b>132.847.054</b>	<b>85.836.989</b>	<b>18.153.539</b>	<b>103.990.528</b>

(\*) As explained in Notes XXVIII. of Section Three and Note VII. of Section Five, the Bank has restated its financial statements as of 31 December 2006.

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED FINANCIAL STATEMENTS

### AT 31 DECEMBER 2007 AND 2006

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

#### IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER EQUITY

	(31/12/2007)	(31/12/2006)
<b>INCOME AND EXPENSE ITEMS ACCOUNTED UNDER EQUITY</b>		
<b>I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>19.418</b>	<b>4.816</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>(49.821)</b>	<b>(18.862)</b>
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)</b>	-	-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>(2.010)</b>	-
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>(1.725)</b>	<b>3.877</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(34.138)</b>	<b>(10.169)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>8.363</b>	<b>(21.333)</b>
1.1 Net change in fair value of marketable securities (transfer to profit-loss)	8.363	(21.333)
1.2 Reclassification of cash flow hedge transactions and presentation of the related part under income statement	-	-
1.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
1.4 Other	-	-
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>(42.501)</b>	<b>11.164</b>

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

# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2007 AND 2006

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

### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves
<b>31 December 2006</b>						
I. Period Opening Balance (31 December 2005)		2.342.316	-	35.000	-	5.237
II. Changes in Accounting Policies according to TAS 8		-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-
III. Effect of changes in consolidation scope (*)		-	-	-	-	-
IV. New Balance (I+II+III)		2.342.316	-	35.000	-	5.237
Changes in the period						
V. Increase/Decrease due to the Merger	VII.	797.572	-	10.781	-	-
VI. Marketable Securities Valuation Differences		-	-	-	-	-
VII. Hedging Transactions (Effective part)		-	-	-	-	-
7.1 Cash Flow Hedge		-	-	-	-	-
7.2 Foreign Investment Hedge		-	-	-	-	-
VIII. Property and Equipment Revaluation Differences		-	-	-	-	-
IX. Intangible Fixed Assets Revaluation Differences		-	-	-	-	-
X. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-
XI. Foreign Exchange Differences		-	-	-	-	-
XII. Changes due to the Disposal of Assets		-	-	-	-	-
XIII. Changes due to the Reclassification of Assets		-	-	-	-	-
XIV. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-
XV. Capital Increase		2.930	-	-	-	-
15.1 Cash increase		-	-	-	-	-
15.2 Internal Resources		2.930	-	-	-	-
XVI. Share Premium		-	-	-	-	-
XVII. Share Cancellation Profits		-	-	-	-	-
XVIII. Paid in-capital Adjustment Difference		-	-	-	-	-
XIX. Other		-	-	-	-	-
XX. Current Year Income or Loss		-	-	-	-	-
XXI. Profit Distribution		-	-	-	-	11.922
21.1 Dividend Paid		-	-	-	-	-
21.2 Transfers to Reserves		-	-	-	-	11.922
21.3 Other		-	-	-	-	-
XXII. Purchase from minority interest	VII.	-	-	-	-	-
<b>Period End Balance (V+VI+VII+ ..... +XXII+XXIII)</b>		<b>3.142.818</b>	<b>-</b>	<b>45.781</b>	<b>-</b>	<b>17.159</b>

(\*) Explained in details in Note XXVIII. of Section Three.

### 31 December 2007

I. Period Opening Balance (31 December 2006)		3.142.818	-	45.781	-	17.159
Changes in the period						
II. Increase/Decrease due to the Merger		-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-
IV. Hedging Transactions (Effective Part)		-	-	-	-	-
4.1 Cash Flow Hedging transactions		-	-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-	-
V. Valuation Differences due to Revaluation of the Property and Equipment		-	-	-	-	-
VI. Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-
VII. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-
IX. Changes due o the Disposal of Assets		-	-	-	-	-
X. Changes due to the Reclassification of Assets		-	-	-	-	-
XI. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-
XII. Capital Increase	II-I-3	284.233	-	495.852	-	-
12.1 Cash increase		277.601	-	495.852	-	-
12.2 Internal Resources		6.632	-	-	-	-
XIII. Share Premium		-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-
XV. Paid in-capital Adjustment Difference		-	-	-	-	-
XVI. Other		-	-	-	-	-
XVII. Current Year Income or Loss		-	-	-	-	-
XVIII. Profit Distribution		-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	-
18.3 Other		-	-	-	-	-
XIX. Purchase from minority interest (*)		-	-	-	-	-
<b>Period end balance (I+II+III+ ..... +XVII+XVIII+XIX)</b>		<b>3.427.051</b>	<b>-</b>	<b>541.633</b>	<b>-</b>	<b>17.159</b>

(\*) Explained in details in Note VII. of Section Five.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2007 AND 2006

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

										Assets Held for Resale	Total Equity Except		Total
Status	Extraordinary	Other	Current	Prior	Marketable	PPE and	Bonus		Hedging	Discontinued	Minority	Minority	Shareholders'
Reserves	Reserves	Reserves	Income/ (Loss)	Income/ (Loss)	Securities Value Increase Fund	Intangible Assets Revaluation Fund	Shares from Investment in Associates and Subsidiaries		Transactions Funds	Operations Revaluation Fund	Interest	Interest	Equity
-	99.503	-	237.316	396.505	1.443	369	-	-	-	-	3.117.689	738.562	3.856.251
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	145.388	-	-	-	-	-	-	145.388	-	145.388
-	99.503	-	237.316	541.893	1.443	369	-	-	-	-	3.263.077	738.562	4.001.639
-	-	-	-	(669.163)	7.517	-	-	-	-	-	146.707	(146.707)	-
-	-	-	-	-	14.908	-	-	-	-	-	14.908	(3.744)	11.164
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# YAPI VE KREDİ BANKASI A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOWS AT 31 DECEMBER 2007 AND 2006

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

### VI. STATEMENT OF CASH FLOWS

	Notes (Section Five)	(31/12/2007)	(31/12/2006) (*)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		2.606.973	1.762.410
1.1.1 Interest received		6.730.858	5.012.694
1.1.2 Interest paid		(4.143.522)	(3.497.284)
1.1.3 Dividend received		3.336	4.125
1.1.4 Fees and commissions received		2.080.417	1.874.578
1.1.5 Other income		379.907	759.390
1.1.6 Collections from previously written-off loans and other receivables		516.364	267.557
1.1.7 Payments to personnel and service suppliers		(945.916)	(785.259)
1.1.8 Taxes paid		(84.983)	38.016
1.1.9 Other		(1.929.488)	(1.911.407)
1.2 Changes in operating assets and liabilities		(6.187.397)	4.249.926
1.2.1 Net decrease in trading securities		199.481	1.023.318
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net decrease/(increase) in banks		526.882	(1.907.072)
1.2.4 Net (increase) in loans		(6.645.768)	(4.781.605)
1.2.5 Net (increase) in other assets		(465.795)	(189.865)
1.2.6 Net (decrease)/increase in bank deposits		(1.424.339)	2.490.652
1.2.7 Net increase in other deposits		1.003.176	4.688.509
1.2.8 Net increase in funds borrowed		496.448	1.927.593
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase in other liabilities		122.518	998.396
<b>I. Net cash provided from banking operations</b>		<b>(3.580.424)</b>	<b>6.012.336</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>2.784.281</b>	<b>(8.590.434)</b>
2.1 Cash paid for acquisition of investments, associates and subsidiaries(Business Partnerships)		-	(62.019)
2.2 Cash obtained from disposal of investments, associates and subsidiaries (Business Partnerships)		24.500	7.400
2.3 Purchases of property and equipment		(177.182)	(92.947)
2.4 Disposals of property and equipment		518.824	50.580
2.5 Cash paid for purchase of investments available-for-sale		(286.496)	(394.944)
2.6 Cash obtained from sale of investments available-for -sale		-	750.569
2.7 Cash paid for purchase of investment securities		(3.589.451)	(10.128.873)
2.8 Cash obtained from sale of investment securities		6.336.506	1.791.592
2.9 Other		(42.420)	(511.792)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>(191.188)</b>	<b>1.610.924</b>
3.1 Cash obtained from funds borrowed and securities issued		(113.542)	1.646.348
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		(77.742)	(33.152)
3.5 Payments for finance leases		96	(2.272)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>(987.331)</b>	<b>(967.174)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>VI-a</b>	<b>3.421.488</b>	<b>4.388.662</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>VI-a</b>	<b>2.434.157</b>	<b>3.421.488</b>

(\*) As explained in Notes XXVIII. of Section Three and Note VII. of Section Five, the Bank has restated its financial statements as of 31 December 2006.

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## PROFIT APPROPRIATION STATEMENT

### AT 31 DECEMBER 2007 AND 2006

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

**VII. PROFIT APPROPRIATION STATEMENT (\*)**

	(31/12/2007)	(31/12/2006)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 Current Year Income	852.865	711.171
1.2 Taxes And Duties Payable (-)	(143.680)	(197.263)
1.2.1 Corporate Tax (Income tax)	(217.406)	(58.536)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	73.726	(138.727)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>709.185</b>	<b>513.908</b>
1.3 Prior Year Losses (-)	(170.577)	(670.545)
1.4 First Legal Reserves (-)	(26.930)	-
1.5 Other Statutory Reserves (-)	(15.059)	(13.940)
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A+(1.3+1.4+1.5))]</b>	<b>496.619</b>	<b>(170.577)</b>
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	-	-
<b>II. DISTRIBUTION OF RESERVES</b>	<b>-</b>	<b>-</b>
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 (-)	-	-
<b>III. EARNINGS PER SHARE</b>	<b>-</b>	<b>-</b>
3.1 To Owners Of Ordinary Shares	0,0022	0,0016
3.2 To Owners Of Ordinary Shares (%)	-	-
3.3 To Owners Of Privileged Shares	-	-
3.4 To Owners Of Privileged Shares (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>	<b>-</b>	<b>-</b>
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 (%)	-	-

Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank

(\*) Authorised body for profit appropriation of the current period is General Assembly. On the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

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

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### 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 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 "Communiqués 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 and "Draft Communiqués Regarding the Change in the Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published as of 22 September 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.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those consolidated financial statements.

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, the BRSA announced a decree that the inflation accounting application in the banking sector had been terminated. 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 audited 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 XXVIII below.

##### Additional paragraph for convenience translation:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, the 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.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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". Since the foreign currency investments and unconsolidated subsidiaries are considered as non-monetary items, they are translated with the exchange rates at the transaction date and therefore no foreign exchange differences are realised.

#### 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 entity), 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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 (%) 2007	Direct and Indirect Rates (%) 2007
Yapı Kredi Sigorta A.Ş.	Istanbul/ Turkey	Insurance	89,71	93,94
Yapı Kredi Emeklilik A.Ş.	Istanbul/ Turkey	Insurance	89,70	100,00
Yapı Kredi Leasing	Istanbul/ Turkey	Leasing	98,85	98,85
Yapı Kredi Faktoring	Istanbul/ Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul (*)	Istanbul/ Turkey	Portfolio Management	64,70	64,70
Yapı Kredi Yatırım Ortaklığı A.Ş.	Istanbul/ Turkey	Portfolio Management	40,19	56,07
Yapı Kredi Portföy	Istanbul/ Turkey	Portfolio Management	69,15	99,97
Yapı Kredi Bank Deutschland A.G. (**)	Frankfurt/Germany	Banking	100,00	100,00
Yapı Kredi Bank Holding B.V.	Amsterdam/ Nederland	Financial Consultancy	100,00	100,00
Yapı Kredi Bank Nederland N.V. (***)	Amsterdam/ Nederland	Banking	32,76	32,76
Yapı Kredi Bank Moscow	Moscow/ Russia	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Azerbaijan	Banking	99,96	100,00
Stiching Custody Services YKB (**)	Amsterdam/ Nederland	Custody services	32,76	32,76
Yapı Kredi Diversified Payment Rights Company (****)	George Town/ Cayman Islands	Special Purpose Company	-	-

(\*) Extraordinary General Assemblies meetings regarding the transfer of Koç Yatırım, with all its rights, receivables, liabilities and obligations to the Yapı Kredi Menkul and the consequential dissolution without liquidation were held on 29 December 2006 and 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 the Bank's risk Group is 100%.

(\*\*) By the decision of the board of directors at 3 October 2007; shares of Yapı Kredi Bank Deutschland A.G., which is owned 65,42% by the Bank and 34,58% by Yapı Kredi Holding B.V. is reclassified under assets held for sale according to the commerce agreement with Avenue Europe Investment LP. Moreover, as explained in details in Note X of Section V, the sale of Yapı Kredi Bank Deutschland A.G. finalized as of 29 February 2008.

(\*\*\*) Although the shareholding rate is less than 50%, the Group has power to control the financial and operating policies of these companies for the benefit of the Group.

(\*\*\*\*) It is a special purpose company established for securitization 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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
			31 December 2007	31 December 2007
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. 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 translated into Turkish Lira using the exchange rate prevailing at the transaction date less impairment, if any.

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 :

The Group's derivative transactions mostly include foreign money and interest rate swaps and foreign exchange purchase and sale transactions.

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 whether the derivative is being used for hedging purposes or not and depends on the type of the item being hedged.

At the transaction date, the Group documents the relation between hedge items and hedged balances, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the hedge effectiveness of fair value hedges.

Changes in the fair value of derivative instruments subject to fair value hedges are recognised under profit or loss accounts together with the variation in the fair value of hedged items. If the underlying hedge does not conform to the hedge accounting requirements, the corrections in the hedged item for which the effective interest rate is considered, is discounted within the time to maturity and recognised under the profit and loss accounts.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 assets" 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. Differences in the fair value of fair value hedge derivative instruments are accounted under "trading income/loss" in the income statement.

The fair values of the derivative financial instruments are calculated 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 accrued interest income on non-performing loans and, any interest income accruals from such loans are 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 commission income/expenses are recognised on an accrual basis, except for certain commission income and fees from various banking services which are recorded as income at the time of collection. Fees and commission 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 instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of Section Three.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### b. Held-to-maturity financial assets:

Held-to-maturity financial assets are assets that are not classified under loans and receivables and are 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 value. 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 cannot 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 the accounting of provisions for loans are explained in details in Note VII. of this section.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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 ("repos") 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 RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS:

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables 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 2006, No.26333 and classified as assets held for resale.

A discontinued operation is a part of the Group's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Group has no discontinued operations.

#### XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

##### a. Business combinations and 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, intangible assets (i.e. credit card brand value, deposit base and customer portfolio) 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.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 Parent 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.

When the book value of an other intangible asset exceeds the recoverable amount, the related asset is meant to be impaired. Some indicators of a possible loss out of impairment can be identified. If any of these indicators exists, The Bank develops a recoverable amount expectation. If not, there is no need to forecast the recoverable amount.

Intangibles are amortised over their estimated 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 or 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 intangible assets	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 are 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 the useful life (five 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.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 or 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:

###### Financial Lease

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.

###### Operational Lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operating lease. Payments that are made as operating leases, are accounted in income statements with linear method during the lease period.

##### 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 PROVISIONS AND CONTINGENT ASSET AND LIABILITIES:

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

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.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

#### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

##### a. Employee Termination Benefit

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.

# YAPI VE KREDİ BANKASI A.Ş. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

### b. Pension Rights

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506.

Banking Law No.5411 temporary article 23 paragraph one states that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the published date of the article. However, on 2 November 2005 the President applied to the Constitutional Court for abrogation of the concerned article of Banking Law and with the decision of the Constitutional Court dated 22 March 2007 numbered E. 2005/39, K. 2007/33 published in the Official Gazette dated 31 March 2007 numbered 26479, the article has been abrogated as of the publication date of the decision. The reasoning of the Constitutional Court regarding the abrogation of the corresponding article has been published in the Official Gazette dated 15 December 2007, numbered 26732. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey has started to work on a new law regarding the transfer of the funds to SSI. The draft legislation on the change in the Social Security and General Health Security Law and respective laws and decrees have been discussed and adopted on the meeting of the GNAT Plan and Budget Commission held on 6 March 2008. In that respect, the Article adopted by GNAT that revises the temporary article 20 which regulates Funds under the temporary article 20 of the Social Security Law No.506 has been referred to the GNAT for final discussion. As of the reporting date, the legislation process is ongoing.

BRSA expressed its opinion that in the framework of the abrogation of temporary article 23 of the Banking Law described in the decision of the Council of Ministers in the Official Gazette dated 15 December 2006 No.26377, the provision amount calculated as of the end of 2006 should be preserved. Inline with this opinion, the Bank received an actuarial report which was prepared in accordance with this decree by a registered actuary. The Bank provided a full provision as of 31 December 2007 regarding the deficit reported in the actuarial report by 31 December 2006 and therefore this provision has been accounted under the "Other provisions"

## XVII. 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. 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 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the 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 two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to 5 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 5 years from the beginning of the year following the balance sheet date and during this 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.

Tax rates that are used in tax calculations by taking current tax regulations in every country into consideration as of 31 December 2007 are as follows:

Netherlands	25,50%
Russia	24,00%
Azerbaijan	22,00%
Germany	26,38%

Tax provisions that are reflected to consolidated financial statements, are calculated separately for every company in the scope of consolidation.

#### 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 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.

### 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.

### XIX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

At capital increases, the Parent Bank accounts the difference between the issued value and nominal value as share issue premium under shareholders' equity, in the case where the issued value is higher than the nominal value.

No dividend payments of the Parent Bank 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 2007 and 31 December 2006, the Group has no government grants.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### XXII. 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 the Turkish Commercial Code ("TCC"). The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

#### XXIII. EARNINGS PER SHARE:

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

	31 December 2007	31 December 2006
Group's Profit	869.744	555.349
Weighted Average Number of Issued Ordinary Shares(Thousand)	320.573.075	314.281.800
<b>Earnings Per Share (Disclosed in full YTL)</b>	<b>0,0027</b>	<b>0,0018</b>

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.

During 2007, the total number bonus shares issued by the Parent Bank is 6.631.545.090 (2006: 239.047.376.092).

#### XXIV. 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 detail in Note VIII. of Section Five.

#### XXV. 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.

#### XXVI. OPERATING SEGMENTS:

Information about operating segments which are determined in line with the "Turkish Accounting Standard about the Segment Reporting" ("TAS 14") together with organisational and internal reporting structure of the Group, are disclosed in Note X. of in Section Four.

#### XXVII. COMPARATIVE INFORMATION AND RESTATEMENT OF PREVIOUS PERIOD'S FINANCIAL STATEMENTS:

Reclassifications have been made on comparative figures as of 31 December 2006, to conform to changes in presentation of the consolidated financial statements as of 31 December 2007. Previous year consolidated financial statements have been restated in accordance with the accounting policies used for preparation of consolidated financial statements as of 31 December 2007. The effect of the aforementioned change is explained in Note XXVIII. below.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### XXVIII. TRANSACTIONS UNDER COMMON CONTROL:

As in TFRS 3 or in another standard in TFRS there is an absence of treatment that specifically applies to business combination involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the "pooling of interest" method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as "the effect of legal mergers under common control".

The Group used the aforementioned policy for the legal merger of Yapı Kredi N.V. and Koçbank Nederland N.V., which is explained in detail in Note VII.(ii) of Section Five, and for the share Exchange transaction of Yapı Kredi Azerbaycan, which is explained in details in Note VII.(iii) of Section Five, with the intention of fair presentation of the economic substance of the transactions. The consolidated financial statements, presented for comparative purposes in accordance with the afore-mentioned accounting policy, have been restated taking into account the amounts arising after the relevant consolidation adjustments of all the assets and liabilities regarding the business combinations as of the earliest reported period.

The effect of the aforementioned restatement as of 1 January 2006 on Prior Period Net Income/(Loss) is summarized below:

	<b>YTL thousand</b>
<b>1 January 2006 - as previously reported</b>	<b>396.505</b>
Legal mergers under common control	145.388
<b>1 January 2006 - as restated</b>	<b>541.893</b>

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.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### 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 12,81% (2006: 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" published as of 1 November 2006 and "Regulation Regarding the Change in the Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" published as of 10 October 2007 (together referred as "Regulation Regarding Capital Adequacy"). 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%
<b>Amount subject to credit risk</b>								
<b>Balance sheet items (Net)</b>	<b>17.665.983</b>	<b>792.311</b>	<b>4.276.866</b>	<b>25.982.862</b>	<b>20.083.408</b>	<b>1.915.079</b>	<b>4.551.941</b>	<b>28.003.113</b>
Cash	572.457	1.079	-	-	611.517	13.742	-	-
Matured marketable securities	-	-	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	1.815.806	-	-	-	1.815.806	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	715.880	-	12.680	-	1.349.433	-	12.718
Interbank Money Market Placements	-	-	-	-	421.174	-	-	-
Receivables from reverse repurchase transactions	-	-	-	-	12.280	-	-	-
Reserve Requirements with the Central Bank of the republic of Turkey	1.385.612	-	-	-	1.385.612	-	-	-
Loans	1.147.189	13.056	4.226.213	22.441.437	1.258.013	333.830	4.270.144	23.334.911
Non-Performing receivables (Net)	-	-	-	346.996	-	-	-	355.271
Lease receivables	-	-	-	-	33.134	8.953	227.905	2.045.819
Available-for-sale financial assets	191.202	47.301	-	37.154	863.738	-	-	137.114
Held-to-Maturity investments	11.493.366	-	-	-	12.539.979	-	-	9.479
Receivables from the disposal of assets	-	-	-	9.777	-	-	-	9.777
Miscellaneous receivables	-	113	-	238.354	656	183.095	-	383.585
Interest and income accruals	631.280	2.534	50.653	269.012	682.951	13.678	53.892	299.003
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	1.442.434	-	-	-	2.300
Fixed assets	-	-	-	1.101.498	-	-	-	1.249.006
Other assets	429.071	12.348	-	83.520	458.548	12.348	-	164.130
<b>Off-balance sheet items</b>	<b>382.712</b>	<b>4.143.917</b>	<b>1.957.642</b>	<b>8.600.638</b>	<b>382.712</b>	<b>4.179.100</b>	<b>2.111.218</b>	<b>8.674.166</b>
Non-cash loans and commitments	382.712	4.112.978	1.957.642	8.583.537	382.712	4.112.978	2.111.218	8.656.878
Derivative financial instruments	-	30.939	-	17.101	-	66.122	-	17.288
Non-risk weighted accounts	-	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>18.048.695</b>	<b>4.936.228</b>	<b>6.234.508</b>	<b>34.583.500</b>	<b>20.466.120</b>	<b>6.094.179</b>	<b>6.663.159</b>	<b>36.677.279</b>

(\*) There are no assets weighted with 10% risk

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### d. Summary information about capital adequacy ratio:

	The Parent Bank		Consolidated	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006 (**)
Amount subject to credit risk ("ASCR")	38.688.000	32.474.602	41.227.695	34.741.253
Amount subject to market risk ("ASMR")	331.825	309.900	552.013	391.363
Amount subject to operational risk ("ASOR") (*)	3.640.891	-	5.056.682	-
<b>Shareholder's Equity</b>	<b>5.831.740</b>	<b>4.037.076</b>	<b>5.998.249</b>	<b>4.671.162</b>
<b>Shareholder's Equity/(ASCR+ASMR+ASOR)*100</b>	<b>13,67</b>	<b>12,31</b>	<b>12,81</b>	<b>13,30</b>

(\*) Amount subject to operational risk is effective from 1 June 2007 regarding the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 26333 dated 1 November 2006, and it has been calculated for the first time as of 30 June 2007.

#### e. Information about shareholders' equity items:

	31 December 2007	31 December 2006 (**)
<b>CORE CAPITAL</b>		
Paid-in capital	3.427.051	3.142.818
Nominal capital	3.427.051	3.142.818
Capital commitments (-)	-	-
Inflation adjustment to share capital	-	-
Share Premium	541.633	45.781
Share cancellation profits	-	-
Legal reserves	17.159	17.159
First legal reserve (Turkish Commercial Code 466/1)	17.159	17.159
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Status reserves	-	-
Extraordinary reserves	326.025	326.025
Reserves allocated by the General Assembly	326.025	326.025
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Inflation adjustment of legal reserves, status reserves, extraordinary reserves	-	-
Profit	869.744	528.353
Current period profit (net)	869.744	528.353
Prior period profit	-	-
Provisions for possible risks up to 25% of core capital	92.185	108.514
Profit on disposal of associates, subsidiaries and immovables to be transferred to share	5.298	-
Primary Subordinated Loans (up to 15% of core capital)	-	-
Minority interests	295.034	548.610
Uncovered portion of loss with reserves (-)	(480.805)	(696.955)
Current period loss (net)	-	-
Prior period loss	(480.805)	(696.955)
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)	-	-
<b>Total Core Capital (***)</b>	<b>5.093.324</b>	<b>4.020.305</b>



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### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### SUPPLEMENTARY CAPITAL

General provisions	585.454	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	1.742.336	1.540.285
45% of Marketable Securities valuation fund	1.215	10.143
From investments in associates and subsidiaries	-	-
Available-for-Sale financial assets	1.215	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)	-	-
<b>Total Supplementary Capital</b>	<b>2.329.005</b>	<b>1.989.585</b>

#### TIER III CAPITAL

<b>CAPITAL</b>	<b>7.422.329</b>	<b>6.009.890</b>
<b>DEDUCTIONS FROM THE CAPITAL (***)</b>	<b>1.424.080</b>	<b>1.338.728</b>
Investments in unconsolidated financial institutions and banks	30.801	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	38.220	41.352
Loans extended as contradictory to the articles 50 and 51 of 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	-	-
Special costs	27.820	30.974
Prepaid expenses	135.528	75.726
Intangible Assets	1.191.711	1.156.146
Deferred tax asset amount exceeding 10% of core capital	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5.998.249</b>	<b>4.671.162</b>

(\*\*) The prior period values in the summary information about capital adequacy ratio and the information about shareholders' equity tables disclosed above, do not include the effects of restatement made to the 31 December 2006 financial statements as of 31 December 2007.

(\*\*\*) 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.

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### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### II. EXPLANATIONS ON CREDIT RISK:

a. Credit risk is the loss or the risk of the Parent Bank in case a counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. 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 rated corporate and commercial loan customers (excluding construction companies and financial institutions) are followed-up in the system with risk scores and relatively more risky customers are closely monitored by the Credit Management - Risk Monitoring Department.

The Parent Bank calculates the probability of default for the customers with its rating system for various types of customers. The rating concentration of the corporate and commercial loans that are rated by the Parent Bank's internal rating system are disclosed below:

	31 December 2007	31 December 2006
Above average	20,2%	20,8%
Average	53,6%	51,5%
Below Average	26,2%	27,7%

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. In line with the Regulation on provisions, if the cash risk of a customer classified as non performing, the non-cash is classified as non performing under the same group where the cash risks were already followed and specific provision is reserved.

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 economic conditions of the related countries and the evaluation of the creditworthiness of the customers and financial institutions and no material risks have been observed in scope of these operations.

f. 1.The proportion of the Group's top 100 cash loan balances in total cash loans is 21% (2006: 21%).

2. The proportion of the Group's top 100 non-cash loan balances in total non-cash loans is 43% (2006: 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 (2006: 23%).

g. The Group provided a general loan loss provision amounting to YTL728.883 thousand (2006: YTL708.947 thousand).

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### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### h. Loans concentration according to the type of borrowers:

	Loans granted to real persons and corporate entities		Loans granted to Banks and other financial Institutions		Marketable Securities (*)		Other Loans(**)		Off Balance Sheet	
	2007	2006	2007	2006	2007	2007	2007	2006	2007	2006
<b>Loans concentration according to the type of borrowers</b>										
Private Sector	20.374.828	16.889.652	675.080	182.669	31.361	30.685	374.476	255.053	15.774.001	16.966.294
Public Sector	791.487	390.141	-	-	14.207.912	18.214.168	-	-	618.805	856.390
Banks	-	-	36.409	-	168.565	116.486	988.000	2.190.116	1.358.756	979.163
Individual Customers	10.667.240	8.368.625	-	-	-	-	727	174	10.475.627	8.184.090
Share certificates	-	-	-	-	61.802	50.569	71.321	179.989	-	-
<b>Total</b>	<b>31.833.555</b>	<b>25.648.418</b>	<b>711.489</b>	<b>182.669</b>	<b>14.469.640</b>	<b>18.411.908</b>	<b>1.434.524</b>	<b>2.652.332</b>	<b>28.227.189</b>	<b>26.985.937</b>

#### Information according to geographical concentration

Domestic	31.305.659	24.647.860	692.106	182.669	14.188.611	15.080.443	708.259	671.820	26.933.882	25.863.676
European Union Countries	106.576	77.984	4.072	-	79.434	2.246.123	454.464	1.768.847	584.082	539.771
OECD Countries (***)	-	-	9.640	-	-	-	20.734	43.646	298.831	174.943
Off-shore banking regions	171.530	767.543	-	-	-	-	85	41	84	-
USA, Canada	6.813	-	-	-	67.070	979.422	237.121	127.543	42.645	6.700
Other Countries	242.977	155.031	5.671	-	134.525	105.920	13.861	13.435	367.665	400.847
<b>Total</b>	<b>31.833.555</b>	<b>25.648.418</b>	<b>711.489</b>	<b>182.669</b>	<b>14.469.640</b>	<b>18.411.908</b>	<b>1.434.524</b>	<b>2.625.332</b>	<b>28.227.189</b>	<b>26.985.937</b>

(\*) Contains Financial Assets Designated at Fair Value, Available-for-sale Financial Assets and Held-to-maturity Investments.

(\*\*) Contains the items defined as loan in Article 48 of the Banking Act No. 5411 other than those listed in first three columns of Uniform Chart of Accounts ("UCA").

(\*\*\*) OECD countries other than EU countries, USA and Canada.

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### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### i. Information on amounts that are exposed to credit risk:

	31 December 2007	31 December 2006
<b>Balance sheet items that are exposed to credit risk:</b>		
Bank placements	1.383.437	2.748.306
Loans and advances to customers	32.545.045	25.831.087
-Credit Cards	6.700.724	5.802.648
-Consumer	4.118.038	2.770.640
-Corporate	18.269.550	14.508.701
-Financial Leasing	2.339.740	1.590.416
-Factoring	1.116.993	1.158.682
Trading Securities	364.197	619.678
-Government Securities	254.215	465.472
-Share certificates	19.226	17.735
-Other marketable securities	42.089	53.616
-Derivative financial instruments	48.667	82.855
Investment Securities	14.154.110	17.875.085
-Government Debt Securities	14.007.517	17.765.630
-Share certificates	42.576	32.834
-Other marketable securities	104.017	76.621
Receivables from financial leasing	-	-
Other assets	1.054.307	843.729
<b>Credit risk exposures relating to off-balance sheet items</b>		
Financial guarantees	13.226.182	13.870.589
Loan commitments and other credit related liabilities	789.369	982.140
<b>Total</b>	<b>63.516.647</b>	<b>62.770.614</b>

#### j. Loans and other receivables past due:

31 December 2007	Corporate	Consumer	Credit Cards	Financial Leasing	Factoring	Total	31 December 2006
Past due up to 30 days	105.090	120.931	252.597	88.619	-	567.237	464.688
Past due 30-60 days	60.934	70.997	101.323	-	-	233.254	188.141
Past due 60-90 days	53.486	24.278	8.316	-	-	86.080	87.525
<b>Total</b>	<b>219.510</b>	<b>216.206</b>	<b>362.236</b>	<b>88.619</b>	<b>-</b>	<b>886.571</b>	<b>740.354</b>

#### k. Debt securities, treasury bills and other eligible bills:

##### 31 December 2007

Moody's Rating	Financial Assets At Fair Value Through Profit Or Loss (Net)	Available-for-sale Financial Assets (Net)	Held to Maturity Investments (Net)	Total
Aaa	-	11.875	57.674	69.549
Aa	-	-	63.623	63.623
A	-	-	-	-
Baa	-	74.895	11.865	86.760
Ba3 (*)	254.215	777.675	13.009.910	14.041.800
<b>Total</b>	<b>254.215</b>	<b>864.445</b>	<b>13.143.072</b>	<b>14.261.732</b>

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### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

31 December 2006

Moody's Rating	Financial Assets At Fair Value Through Profit Or Loss (Net)	Available-for-sale Financial Assets (Net)	Held to Maturity Investments (Net)	Total
Aaa	-	-	2.768.728	2.768.728
Aa	-	-	448.391	448.391
A	-	-	-	-
Baa	-	55.103	22.324	77.427
Ba3 (*)	465.472	599.784	13.871.300	14.936.556
<b>Total</b>	<b>465.472</b>	<b>654.887</b>	<b>17.110.743</b>	<b>18.231.102</b>

(\*) Securities consist of Republic of Turkey government bonds and treasury bills.

### I. Information according to geographical concentration:

	Assets	Liabilities (***)	Non-Cash Loans	Capital Expenditures	Net profit (****)
<b>31 December 2007</b>					
Domestic	53.302.508	42.831.019	12.750.556	176.407	1.019.329
European Union Countries	969.648	6.418.883	584.082	177	-
OECD Countries (*)	52.855	805.177	298.831	-	-
Off-shore banking regions	191.188	42.724	84	-	-
USA, Canada	391.468	6.696	42.645	-	-
Other Countries	669.371	959.438	339.353	598	-
Investments in associates, subsidiaries and joint ventures	71.321	-	-	-	-
Unallocated Assets/Liabilities (**)	1.011.532	592.109	-	-	-
<b>Total</b>	<b>56.659.891</b>	<b>51.656.046</b>	<b>14.015.551</b>	<b>177.182</b>	<b>1.019.329</b>
<b>31 December 2006</b>					
Domestic	47.272.851	40.551.969	13.730.467	92.215	696.799
European Union Countries	4.321.863	7.383.504	539.771	42	-
OECD Countries (*)	105.951	1.237.461	174.943	-	-
Off-shore banking regions	723.240	-	-	-	-
USA, Canada	1.189.536	1.055.314	6.700	-	-
Other Countries	388.766	622.759	400.848	9.708	-
Investments in associates, subsidiaries and joint ventures	179.989	-	-	-	-
Unallocated Assets/Liabilities (**)	1.110.304	334.778	-	-	-
<b>Total</b>	<b>55.292.500</b>	<b>51.185.785</b>	<b>14.852.729</b>	<b>101.965</b>	<b>696.799</b>

(\*) 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.

(\*\*\*\*) The net profit could not be distributed according to geographical concentration.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### m. Sectoral concentrations for cash loans:

	31 December 2007				31 December 2006			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agricultural</b>	<b>401.405</b>	<b>2,07</b>	<b>129.134</b>	<b>1,39</b>	<b>219.166</b>	<b>1,46</b>	<b>119.609</b>	<b>1,61</b>
Farming and Raising Livestock	314.365	1,63	107.944	1,16	168.685	1,12	100.707	1,36
Forestry	64.769	0,33	4.534	0,05	41.427	0,28	3.839	0,05
Fishing	22.271	0,11	16.656	0,18	9.054	0,06	15.063	0,20
<b>Manufacturing</b>	<b>4.091.609</b>	<b>21,08</b>	<b>4.734.703</b>	<b>50,77</b>	<b>3.428.988</b>	<b>22,78</b>	<b>4.073.880</b>	<b>54,99</b>
Mining	109.069	0,56	151.717	1,63	90.571	0,60	135.275	1,83
Production	3.936.518	20,28	4.236.861	45,43	3.302.235	21,94	3.725.348	50,28
Electric, Gas and Water	46.022	0,24	346.125	3,71	36.182	0,24	213.257	2,88
<b>Construction</b>	<b>887.036</b>	<b>4,57</b>	<b>489.199</b>	<b>5,25</b>	<b>639.090</b>	<b>4,25</b>	<b>400.590</b>	<b>5,41</b>
<b>Services</b>	<b>3.036.390</b>	<b>15,65</b>	<b>2.451.874</b>	<b>26,28</b>	<b>2.290.605</b>	<b>15,22</b>	<b>2.731.342</b>	<b>36,86</b>
Wholesale and Retail Trade	1.384.656	7,14	380.817	4,08	1.040.557	6,92	394.201	5,31
Hotel Food and Beverage								
Services	187.475	0,98	401.014	4,30	152.541	1,01	317.135	4,28
Transportation and								
Telecommunication	542.016	2,79	1.323.959	14,20	411.360	2,73	242.744	3,28
Financial Institutions	544.370	2,80	159.590	1,71	432.038	2,87	1.225.662	16,54
Real Estate and Leasing								
Services	117.193	0,60	108.631	1,16	89.434	0,59	63.817	0,86
Self Employment Services	-	-	-	-	-	-	-	-
Education Services	27.683	0,14	163	-	20.373	0,14	3.444	0,05
Health and Social Services	232.997	1,20	77.700	0,83	144.302	0,96	484.339	6,54
<b>Other</b>	<b>10.991.129</b>	<b>56,63</b>	<b>1.520.562</b>	<b>16,31</b>	<b>8.472.708</b>	<b>56,29</b>	<b>83.440</b>	<b>1,13</b>
<b>Loan Interest and Income Accruals</b>					<b>156.301</b>		<b>138.264</b>	
<b>Total</b>	<b>19.407.569</b>	<b>100,00</b>	<b>9.325.472</b>	<b>100,00</b>	<b>15.206.858</b>	<b>100,00</b>	<b>7.547.125</b>	<b>100,00</b>

### 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. The below table represents the details of market risk calculation as of 31 December 2007 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 the "Calculation of Market Risk with Standard Method".

#### a. Information on Market Risk:

	31 December 2007	31 December 2006 (*)
(I) Capital to be Employed for General Market Risk - Standard Method	20.590	15.317
(II) Capital to be Employed for Specific Risk -Standard Method	8.464	2.791
(III) Capital to be Employed for Currency Risk - Standard Method	9.037	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	6.070	-
(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+VII)	44.161	31.309
<b>(IX) Amount Subject to Market Risk 12,5xVIII) or (12,5xVII)</b>	<b>552.013</b>	<b>391.363</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

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

	31 December 2007			31 December 2006 (*)		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	17.088	20.590	6.641	73.013	137.522	11.229
Share Premium Risk	7.831	8.464	7.033	6.622	7.679	6.879
Currency Risk	10.393	15.107	5.728	13.093	33.263	13.201
Commodity Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Operational Risk	-	-	-	-	-	-
<b>Total Amount Subject to Risk</b>	<b>35.312</b>	<b>44.161</b>	<b>19.402</b>	<b>92.728</b>	<b>178.464</b>	<b>31.309</b>

(\*) The prior period values in the information on market risk and the average market risk tables disclosed above, do not include the effects of restatement made in the 31 December 2006 financial statements as of 31 December 2007.

#### IV. EXPLANATIONS ON OPERATIONAL RISK:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2006, 2005 and 2004 year-end gross income balances of the Bank, in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 26333 dated 1 November 2006, namely "The Calculation of the Amount Subject to Operational Risk". As of 31 December 2007, the total amount subject to operational risk is YTL5.056.682 thousand and the amount of the related capital requirement is YTL404.535 thousand.

#### V. 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 are 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 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 are as follows:

	USD	EUR	Yen
<b>Balance Sheet Evaluation Rate:</b>	<b>YTL1,13550</b>	<b>YTL1,66740</b>	<b>YTL0,01002</b>
28 December 2007 bid rate	YTL1,14150	YTL1,65510	YTL0,00996
27 December 2007 bid rate	YTL1,14220	YTL1,64890	YTL0,00998
26 December 2007 bid rate	YTL1,14520	YTL1,64940	YTL0,01001
25 December 2007 bid rate	YTL1,15040	YTL1,65610	YTL0,01005
24 December 2007 bid rate	YTL1,15310	YTL1,65990	YTL0,01015

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	: YTL1,18140
Euro	: YTL1,72302
Yen	: YTL0,01052

	USD	EUR	Yen
<b>As of 31 December 2006;</b>			
<b>Balance Sheet Evaluation Rate:</b>	<b>YTL1,37770</b>	<b>YTL1,81210</b>	<b>YTL0,01157</b>



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### Information on currency risk of the Group:

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, the specific provision for non cash loans, derivative financial instruments and prepaid expenses are considered as Turkish Lira in the calculation of the 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	Ten	Other	Total
<b>31 December 2007</b>					
<b>Assets</b>					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.984.033	86.990	119	28.652	2.099.794
Banks	369.274	799.356	926	41.908	1.211.464
Financial Assets at Fair Value Through Profit or Loss	59.457	120.366	-	559	180.382
Interbank Money Market Placements	313.213	87.887	357	18.291	419.748
Available-for-Sale Financial Assets	73.844	259.072	-	108.474	441.390
Loans (*)	3.483.780	6.655.544	29.513	249.861	10.418.698
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	38.220	38.220
Held-to-Maturity Investments	1.054.277	5.654.529	-	1.883	6.710.689
Hedging Derivative Financial Assets	-	-	-	-	-
Tangible Assets	170	-	-	9.578	9.748
Intangible Assets	-	-	-	30	30
Other Assets	1.743.386	878.622	1.196	175.551	2.798.755
<b>Total Assets</b>	<b>9.081.434</b>	<b>14.542.366</b>	<b>32.111</b>	<b>673.007</b>	<b>24.328.918</b>
<b>Liabilities</b>					
Bank Deposits	912.622	704.345	186	153.500	1.770.653
Foreign Currency Deposits	3.922.912	8.702.125	9.478	428.255	13.062.770
Funds From Interbank Money Market	217.295	580.466	-	19.474	817.235
Funds Borrowed From Other Financial Institutions	1.684.703	3.069.304	454	12.718	4.767.179
Marketable Securities Issued	696.423	846.186	-	-	1.542.609
Miscellaneous Payables	94.045	115.750	1.612	12.863	224.270
Hedging Derivative Financial Liabilities	-	-	-	-	-
Other Liabilities	2.268.867	548.598	403	56.974	2.874.842
<b>Total Liabilities</b>	<b>9.796.867</b>	<b>14.566.774</b>	<b>12.133</b>	<b>683.784</b>	<b>25.059.558</b>
<b>Net On Balance Sheet Position</b>	<b>(715.433)</b>	<b>(24.408)</b>	<b>19.978</b>	<b>(10.777)</b>	<b>(730.640)</b>
<b>Net Off Balance Sheet Position</b>	<b>1.136.774</b>	<b>(245.412)</b>	<b>(21.758)</b>	<b>115.548</b>	<b>985.152</b>
Financial Derivative Assets	1.386.212	2.514.733	6.767	271.234	4.178.946
Financial Derivative Liabilities	249.438	2.760.145	28.525	155.686	3.193.794
<b>Non-Cash Loans</b>	<b>2.662.390</b>	<b>5.062.626</b>	<b>273.810</b>	<b>186.397</b>	<b>8.185.223</b>
<b>31 December 2006</b>					
Total Assets	9.538.353	16.229.446	27.350	805.359	26.600.508
Total Liabilities	9.482.536	16.206.484	19.237	805.841	26.514.098
<b>Net On-Balance Sheet Position</b>	<b>55.817</b>	<b>22.962</b>	<b>8.113</b>	<b>(482)</b>	<b>86.410</b>
<b>Net Off-Balance Sheet Position</b>	<b>79.685</b>	<b>(29.050)</b>	<b>(7.123)</b>	<b>138.262</b>	<b>181.774</b>
Financial Derivative Assets	767.786	1.240.446	2.915	205.740	2.216.887
Financial Derivative Liabilities	688.101	1.269.496	10.038	67.478	2.035.113
<b>Non-Cash Loans</b>	<b>2.851.802</b>	<b>5.931.173</b>	<b>351.338</b>	<b>139.215</b>	<b>9.273.528</b>

(\*) Includes FC indexed loans amounting to YTL1.084.894 thousand (2006: YTL649.167 thousand) which has been disclosed as YTL in the financial statements.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### VI. 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 presented monthly 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 2007	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1.436.218	-	-	-	-	2.304.170	3.740.388
Banks	423.608	148.944	275.992	84.510	2.557	447.826	1.383.437
Financial Assets at Fair Value Through Profit/Loss	37.691	47.168	69.548	122.366	26.668	60.756	364.197
Interbank Money Market Placements	152.675	5.811	153.835	101.162	19.993	-	433.476
Available-for-Sale Financial Assets	92.107	166.635	130.426	324.495	195.279	92.617	1.001.559
Loans	7.379.295	3.401.564	8.050.646	6.576.935	3.324.601	355.271	29.088.312
Held-to-Maturity Investments	1.224.550	4.032.719	1.954.480	1.674.014	4.266.788	-	13.152.551
Other Assets	139.898	1.261.489	976.390	1.279.358	22.359	3.816.477	7.495.971
<b>Total Assets</b>	<b>10.886.042</b>	<b>9.064.330</b>	<b>11.611.317</b>	<b>10.162.840</b>	<b>7.858.245</b>	<b>7.077.117</b>	<b>56.659.891</b>
<b>Liabilities</b>							
Bank Deposits	330.892	127.545	54.440	-	-	83.820	596.697
Other Deposits	23.080.787	2.303.956	1.885.316	249.582	-	5.590.794	33.110.435
Funds From Interbank Money Market	1.901.321	216.196	351.196	9.251	-	-	2.477.964
Miscellaneous Payables	2.173.126	9.081	2.462	-	-	218.652	2.403.321
Marketable Securities Issued	-	1.542.609	-	-	-	-	1.542.609
Funds Borrowed From Other Financial Institutions	35.517	3.150.599	1.945.912	54.042	-	-	5.186.070
Other Liabilities and Shareholders' Equity	74.703	918.351	1.438.086	335.258	126.706	8.449.691	11.342.795
<b>Total Liabilities</b>	<b>27.596.346</b>	<b>8.268.337</b>	<b>5.677.412</b>	<b>648.133</b>	<b>126.706</b>	<b>14.342.957</b>	<b>56.659.891</b>
<b>Balance Sheet Long Position</b>	-	<b>795.993</b>	<b>5.933.905</b>	<b>9.514.707</b>	<b>7.731.539</b>	-	<b>23.976.144</b>
<b>Balance Sheet Short Position</b>	<b>(16.710.304)</b>	-	-	-	-	<b>(7.265.840)</b>	<b>(23.976.144)</b>
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	(20.557)	(51.907)	(112.877)	(7.370)	-	-	(192.711)
<b>Total Position</b>	<b>(16.730.861)</b>	<b>744.086</b>	<b>5.821.028</b>	<b>9.507.337</b>	<b>7.731.539</b>	<b>(7.265.840)</b>	<b>(192.711)</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

31 December 2006	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	3.137.174	-	-	-	-	1.024.185	4.161.359
Banks	1.804.324	95.516	318.669	114.720	12.699	402.378	2.748.306
Financial Assets at Fair Value							
Through Profit/Loss	18.806	89.312	184.456	200.757	75.248	51.099	619.678
Interbank Money Market Placements	131.770	23	-	-	-	27.421	159.214
Available-for-Sale Financial Assets	56.736	129.860	111.384	169.937	207.710	88.715	764.342
Loans	5.304.301	4.111.680	8.094.916	4.518.293	724.793	328.006	23.081.989
Held-to-Maturity Investments	3.419.703	3.669.897	3.355.687	2.438.646	4.226.810	-	17.110.743
Other Assets	122.588	1.287.551	544.664	871.892	17.130	3.803.044	6.646.869
<b>Total Assets</b>	<b>13.995.402</b>	<b>9.383.839</b>	<b>12.609.776</b>	<b>8.314.245</b>	<b>5.264.390</b>	<b>5.724.848</b>	<b>55.292.500</b>
<b>Liabilities</b>							
Bank Deposits	341.346	16.940	76.519	-	-	53.847	488.652
Other Deposits	21.731.445	3.806.937	979.497	206.508	195.995	5.166.541	32.086.923
Funds From Interbank Money Market	3.282.806	297.603	375.740	14.181	28.334	34	3.998.698
Miscellaneous Payables	1.941.588	226.122	86.988	-	-	288.616	2.543.314
Marketable Securities Issued	-	1.650.006	-	-	-	-	1.650.006
Funds Borrowed From Other Financial Institutions	592.923	900.841	1.588.208	554.674	1.245.442	-	4.882.088
Other Liabilities and Shareholders' Equity	19.663	355.924	51.351	114	1.559.258	7.656.509	9.642.819
<b>Total Liabilities</b>	<b>27.909.771</b>	<b>7.254.373</b>	<b>3.158.303</b>	<b>775.477</b>	<b>3.029.029</b>	<b>13.165.547</b>	<b>55.292.500</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>2.129.466</b>	<b>9.451.473</b>	<b>7.538.768</b>	<b>2.235.361</b>	<b>-</b>	<b>21.355.068</b>
<b>Balance Sheet Short Position</b>	<b>(13.914.369)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7.440.699)</b>	<b>(21.355.068)</b>
Off-balance Sheet Long Position	333.765	25.097	13.646	86	-	-	372.594
Off-balance Sheet Short Position	(112.945)	(1.266)	(5.757)	-	-	-	(119.968)
<b>Total Position</b>	<b>(13.693.549)</b>	<b>2.153.297</b>	<b>9.459.362</b>	<b>7.538.854</b>	<b>2.235.361</b>	<b>(7.440.699)</b>	<b>252.626</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### b. Average interest rates for monetary financial instruments:

The following average interest rates have been calculated by weighting the simple rates with their principal amounts as of the balance sheet date.

31 December 2007 (*)	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	1,78	1,10	-	9,73
Banks	0,81	2,65	-	17,84
Financial Assets at Fair Value Through Profit/Loss	7,22	8,57	-	17,01
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	9,98	5,57	-	16,41
Loans	6,01	6,76	3,24	19,38
Held-to-maturity Investments	5,34	7,45	-	18,96
<b>Liabilities</b>				
Bank Deposits	0,54	4,27	-	14,24
Other Deposits	2,15	3,94	0,02	16,33
Funds From Interbank Money Market	6,36	7,43	-	17,37
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	6,40	5,49	1,87	15,26
<b>31 December 2006 (*)</b>	<b>EURO</b>	<b>USD</b>	<b>Yen</b>	<b>YTL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
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
Banks	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	21,70
Held-to-maturity Investments	3,85	7,25	-	19,25
<b>Liabilities</b>				
Bank Deposits	0,04	1,66	-	18,79
Other Deposits	1,86	4,14	0,11	18,67
Funds From Interbank Money Market	4,02	6,97	-	20,38
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	4,19	5,35	1,28	15,62

(\*) The average interest rates disclosed above are those of the Parent Bank.

#### VII. 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 and Liability Management strategy 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 ALCO, the liquidity position of the Group is evaluated and it is ensured that the required actions are taken when considered necessary.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

The mismatching of payments, asset and liabilities with interest rates is followed via daily and monthly liquidity gap reports and any effects of incompliance investigated.

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	3-12 Months	1-5 Years	5 Years and Over	Unclassified (*)	Total
<b>31 December 2007</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	2.304.170	1.436.218	-	-	-	-	-	3.740.388
Banks	447.826	423.608	148.944	275.992	84.510	2.557	-	1.383.437
Financial Assets at Fair Value Through Profit or Loss	41.530	35.446	19.562	73.534	148.138	26.761	19.226	364.197
Interbank Money Market Placements	-	152.675	5.811	153.835	101.162	19.993	-	433.476
Available-for-Sale Financial Assets	50.041	64.328	22.617	113.185	486.288	222.524	42.576	1.001.559
Loans	-	6.347.561	3.258.167	8.295.556	7.149.086	3.682.671	355.271	29.088.312
Held-to-maturity Investments	-	130.773	327.581	1.561.930	5.214.684	5.917.583	-	13.152.551
Other Assets (*)	280.012	562.300	946.244	1.248.251	1.361.955	275.060	2.822.149	7.495.971
<b>Total Assets</b>	<b>3.123.579</b>	<b>9.152.909</b>	<b>4.728.926</b>	<b>11.722.283</b>	<b>14.545.823</b>	<b>10.147.149</b>	<b>3.239.222</b>	<b>56.659.891</b>
<b>Liabilities</b>								
Bank Deposits	83.820	330.892	127.545	54.440	-	-	-	596.697
Other Deposits	5.590.794	23.080.787	2.303.956	1.885.316	249.582	-	-	33.110.435
Funds Borrowed From Other Financial Institutions	-	55.564	922.140	3.247.956	960.410	-	-	5.186.070
Funds From Interbank Money Market	-	1.901.321	216.196	351.196	9.251	-	-	2.477.964
Marketable Securities Issued	-	-	-	-	921.343	621.266	-	1.542.609
Miscellaneous Payables	57.419	2.169.751	65.345	19.846	-	-	90.960	2.403.321
Other Liabilities (**)	2.221.079	1.344.347	28.905	454.359	390.569	1.899.698	5.003.838	11.342.795
<b>Total Liabilities</b>	<b>7.953.112</b>	<b>28.882.662</b>	<b>3.664.087</b>	<b>6.013.113</b>	<b>2.531.155</b>	<b>2.520.964</b>	<b>5.094.798</b>	<b>56.659.891</b>
<b>Net Liquidity Gap</b>	<b>(4.829.533)</b>	<b>(19.729.753)</b>	<b>1.064.839</b>	<b>5.709.170</b>	<b>12.014.668</b>	<b>7.626.185</b>	<b>(1.855.576)</b>	<b>-</b>
<b>31 December 2006</b>								
Total Assets	1.868.474	12.908.713	6.251.009	10.289.192	6.398.832	14.295.291	3.280.989	55.292.500
Total Liabilities	7.614.977	28.729.444	5.393.384	3.595.720	857.622	4.509.933	4.591.420	55.292.500
<b>Net Liquidity Gap</b>	<b>(5.746.503)</b>	<b>(15.820.731)</b>	<b>857.625</b>	<b>6.693.472</b>	<b>5.541.210</b>	<b>9.785.358</b>	<b>(1.310.431)</b>	<b>-</b>

(\*) 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, stationery stocks, prepaid expenses, loans under follow-up, are classified in this column.

(\*\*) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

#### Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2007	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Above 5 years
<b>Liabilities</b>					
Deposit	29.163.808	2.550.279	2.134.453	277.688	-
Funds Borrowed From Other Financial Institutions	59.012	1.116.186	3.454.294	2.163.794	856.069
Funds From Interbank Money Market	1.909.045	219.805	360.928	9.988	-
<b>Total</b>	<b>31.131.865</b>	<b>3.886.270</b>	<b>5.949.675</b>	<b>2.451.470</b>	<b>856.069</b>

### VIII. EXPLANATIONS ON 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		Fair Value	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
<b>Financial Assets</b>	<b>45.059.335</b>	<b>43.864.594</b>	<b>45.344.357</b>	<b>44.137.465</b>
Due From Interbank Money Market	433.476	159.214	433.476	159.214
Banks	1.383.437	2.748.306	1.416.181	2.763.652
Available-for-sale Financial Assets	1.001.559	764.342	1.001.559	764.342
Held-to-maturity Investments	13.152.551	17.110.743	13.333.593	17.161.966
Loans	29.088.312	23.081.989	29.159.548	23.288.291
<b>Financial Liabilities</b>	<b>42.839.132</b>	<b>41.650.983</b>	<b>42.909.219</b>	<b>41.675.051</b>
Bank deposits	596.697	488.652	596.720	488.484
Other deposits	33.110.435	32.086.923	33.139.035	32.104.217
Funds Borrowed From Other Financial Institutions	5.186.070	4.882.088	5.227.534	4.889.030
Marketable Securities Issued	1.542.609	1.650.006	1.542.609	1.650.006
Miscellaneous Payables	2.403.321	2.543.314	2.403.321	2.543.314

The fair values of banks and 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 approaches to 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.

### IX. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF OTHER PARTIES:

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

### X. EXPLANATIONS ON OPERATING SEGMENTS:

The Group manages its banking operations through 5 main commercial business units: retail banking, corporate banking, private banking, credit cards and foreign operations.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

Retail banking provides products and services to individual and small and medium enterprise. Products and services include general purpose loans, car loans, mortgage, deposits, investment accounts, life and non-life insurance products, payroll services, foreign currency buy and sell, safe deposit boxes services, cheques and promissory notes, money transfers ATMs, telephone banking, internet banking and mobile banking.

Corporate banking is organised into two segments, namely commercial banking, which serves mid-sized company clients, and corporate banking, which serves large-sized company clients and multinational companies and includes factoring and leasing transactions. Corporate and commercial banking activities include working capital financing, foreign trade finance, project finance, domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management, investment banking.

Private banking serves affluent, high net worth and ultra high net worth customers of the Group and delivers investment products to the Group. Activities include time deposits, fiduciary deposits, mutual funds, derivative products such as forwards, futures and options, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products, safe deposit boxes and e-banking services. Private banking and wealth management services are enhanced by investment advisory and portfolio management services provided by the Group's portfolio management and brokerage subsidiaries.

The credit cards operations cover the management of products for the member stores as well as the sales and marketing operations for different types of customers. The clubs and programs under the umbrella brand of World include Gold Club, Platinum Club, Crystal Club, Travel Club (Travel Program and VIP Travel Program) Play Club (Young Employees Program and Student Program), Business Club (Corporate Program, Trio Program, Company Program and SME Program), Share Program and Communication Program.

Foreign operations include the Group's banking transactions in Holland, Germany, Switzerland Azerbaijan and Russia.

Other operations mainly consist of Treasury transactions, operations of supporting business units, insurance operations and other unallocated transactions.



CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)

Some balance sheet and income statement items based on operating segments:

	Retail Banking	Corporate Banking	Private Banking	Credit Cards	Foreign Operations	Other	Consolidation Adjustments (*)	Total Operations of the Group
<b>31 December 2007</b>								
Operating revenue	1.040.771	913.553	240.835	959.579	85.622	1.788.889	(77.598)	4.951.651
Unallocated costs	-	-	-	-	-	(3.823.346)	75.933	(3.747.413)
<b>Net Operating Profit</b>	<b>1.040.771</b>	<b>913.553</b>	<b>240.835</b>	<b>959.579</b>	<b>85.622</b>	<b>(2.034.457)</b>	<b>(1.665)</b>	<b>1.204.238</b>
Dividend income	-	-	-	-	-	-	-	3.336
Profit/Loss from Shareholders that are applied Equity Method	-	-	-	-	-	-	-	1.890
<b>Profit before tax</b>	-	-	-	-	-	-	-	<b>1.209.464</b>
Tax Expense	-	-	-	-	-	-	-	(190.135)
<b>Net Profit</b>	-	-	-	-	-	-	-	<b>1.019.329</b>
Minority Interest	-	-	-	-	-	-	-	149.585
<b>Group Profit/Loss</b>	-	-	-	-	-	-	-	<b>869.744</b>
Segment assets	6.989.098	17.864.195	552.319	6.436.115	2.915.067	18.881.048	(452.280)	53.185.562
Investments in associates, subsidiaries and Joint ventures	-	-	-	-	-	71.321	-	71.321
Unallocated assets	-	-	-	-	-	3.403.008	-	3.403.008
<b>Total Assets</b>	<b>6.989.098</b>	<b>17.864.195</b>	<b>552.319</b>	<b>6.436.115</b>	<b>2.915.067</b>	<b>22.355.377</b>	<b>(452.280)</b>	<b>56.659.891</b>
Segment liabilities	14.022.927	14.001.724	6.941.018	1.662.613	2.513.881	10.787.338	(380.249)	49.549.252
Shareholders' Equity	-	-	-	-	-	5.003.838	-	5.003.838
Unallocated liabilities	-	-	-	-	-	2.106.801	-	2.106.801
<b>Total liabilities</b>	<b>14.022.927</b>	<b>14.001.724</b>	<b>6.941.018</b>	<b>1.662.613</b>	<b>2.513.881</b>	<b>17.897.977</b>	<b>(380.249)</b>	<b>56.659.891</b>

(\*) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### 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 2007		31 December 2006	
	YTL	FC	YTL	FC
Cash	307.934	135.929	307.328	132.960
The CBRT	1.332.660	1.916.237	1.549.860	2.095.114
Other	-	47.628	-	76.097
<b>Total</b>	<b>1.640.594</b>	<b>2.099.794</b>	<b>1.857.188</b>	<b>2.304.171</b>

##### 2. Information on the account of the CBRT:

31 December 2007	31 December 2006		YTL	FC
	YTL	FC		
Demand Unrestricted Amount	1.332.660	521.735	283	570.264
Time Unrestricted Amount	-	-	-	-
Reserve Requirement (*)	-	1.394.502	1.549.577	1.524.850
<b>Total</b>	<b>1.332.660</b>	<b>1.916.237</b>	<b>1.549.860</b>	<b>2.095.114</b>

(\*) The reserve requirement booked as average has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA as of 3 January 2008.

##### 3. Information on reserve requirements:

In accordance with "Communiqué regarding the reserve requirements" numbered 2005/1, issued by the CBRT, the banks operating in Turkey are supposed to place reserves in CBRT for their YTL liabilities by 6% and for their foreign currency liabilities by 11% as USD and/or EUR. CBRT makes quarterly interest payments over the reserve requirements based on the interest rates set. As of 31 December 2007 the corresponding interest rates are 11,81% for YTL, 1,95% for USD and 1,80% for EUR reserves.

As of 31 December 2007, the Group's reserve deposits, including those at foreign banks, amount to YTL2.752.989 thousand (2006: YTL 3.100.288 thousand).

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. As of 31 December 2007, financial assets at fair value through profit or loss subject to repo transactions amount to YTL102.027 thousand (2006: YTL195.994 thousand) and those given as collateral/blocked amounts to YTL54.274 thousand (2006: YTL15.302 thousand).

2. Positive differences related to trading derivative financial assets:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Forward Transactions	14.080	5.129	34.413	4.288
Swap Transactions	16.601	11.796	37.687	6.467
Futures Transactions	-	-	-	-
Options	-	1.061	-	-
Other	-	-	-	-
<b>Total</b>	<b>30.681</b>	<b>17.986</b>	<b>72.100</b>	<b>10.755</b>

#### c. Information on banks:

1. Information on banks:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Banks	171.973	1.211.464	47.181	2.701.034
Domestic	90.831	477.082	46.267	589.381
Foreign	81.142	734.382	914	2.111.653
Head Quarters and Branches Abroad	-	-	-	-
Other Financial Institutions	-	-	91	-
<b>Total</b>	<b>171.973</b>	<b>1.211.464</b>	<b>47.272</b>	<b>2.701.034</b>

2. Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
EU Countries	459.967	1.852.308	-	-
USA, Canada	238.859	156.398	-	-
OECD Countries (*)	10.028	43.613	-	-
Off-shore Banking Regions	38.490	41	-	-
Other	68.180	60.207	-	-
<b>Total</b>	<b>815.524</b>	<b>2.112.567</b>	<b>-</b>	<b>-</b>

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

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 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 2007, available-for-sale financial assets given as collateral/blocked amount to YTL487.359 thousand (2006: YTL455.533 thousand). There are no available for sale financial assets subject to repo transactions (2006: None).

2. Information on available-for-sale financial assets:

	31 December 2007	31 December 2006
Debt Securities	865.133	655.832
Quoted on Stock Exchange (*)	865.133	654.261
Not Quoted	-	1.571
Share Certificates	84.379	74.636
Quoted on Stock Exchange	194	632
Not Quoted	84.185	74.004
Impairment Provision (-)	(42.491)	(42.747)
Other (**)	94.538	76.621
<b>Total</b>	<b>1.001.559</b>	<b>764.342</b>

(\*) As of 31 December 2007, even though Eurobonds amounting to YTL282.480 thousand (2006: YTL312.236 thousand) are not quoted on stock exchanges, they are classified as such according to current sector practice as they are traded in secondary markets.

(\*\*) As of 31 December 2007, other available-for-sale financial assets include mutual funds amounting to YTL47.301 thousand (2006: YTL46.103 thousand) and other countries' bonds amounting to YTL8.249 thousand (2006: None).

#### e. Explanations on loans:

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

	31 December 2007		31 December 2006	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	-	-	89	224
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	89	224
<b>Indirect Loans Granted to Shareholders</b>	<b>392.898</b>	<b>628.045</b>	<b>426.753</b>	<b>716.337</b>
<b>Loans Granted to Employees</b>	<b>59.207</b>	-	<b>45.502</b>	-
<b>Total</b>	<b>452.105</b>	<b>628.045</b>	<b>472.344</b>	<b>716.561</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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
<b>Cash Loans</b>				
<b>Non-Specialised Loans</b>	<b>27.733.820</b>	<b>249.934</b>	<b>734.618</b>	<b>14.669</b>
Discount and Purchase Notes	287.292	-	39	-
Export Loans	2.337.231	5.028	32.406	-
Import Loans	-	-	-	-
Loans Granted To Financial Sector	703.960	-	-	-
Foreign Loans	236.253	171.530	16.928	-
Consumer Loans	3.842.164	36	227.691	-
Credit Cards	6.235.113	-	362.236	-
Precious Metal Loans	135.527	-	-	-
Other	13.956.280	73.340	95.318	14.669
<b>Specialised Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>27.733.820</b>	<b>249.934</b>	<b>734.618</b>	<b>14.669</b>

The Bank's cash risk balance to Çukurova Group in the scope of Financial Restructuring Agreement ("FRA") amounted to USD193.969.222 (YTL220.252 thousand) (2006: USD752.945.836 (YTL1.037.333 thousand)) as of 31 December 2007, 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 the "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 2,73% 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 YTL771.222 thousand as of 31 December 2007.

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
<b>Short-term Loans and Other Receivables</b>	<b>16.192.453</b>	<b>36</b>	<b>680.409</b>	-
Non-specialised Loans	16.192.453	36	680.409	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>11.541.367</b>	<b>249.898</b>	<b>54.209</b>	<b>14.669</b>
Non-Specialised Loans	11.541.367	249.898	54.209	14.669
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 4. (i) Information on loans by types and specific provisions:

31 December 2007	Corporate Loans	Consumer Loans	Credit Cards	Financial Leasing	Factoring	Total	31 December 2006
Standard loans	17.906.441	3.842.200	6.235.113	2.177.297	1.116.993	31.278.044	24.516.101
Watch listed	159.360	227.691	362.236	162.443	-	911.730	986.980
Loans under legal follow-up	1.254.166	101.694	405.244	10.332	4.073	1.775.509	1.776.843
Specific Provisions (-)	(1.050.417)	(53.547)	(301.869)	(10.332)	(4.073)	(1.420.238)	(1.448.837)
<b>Total</b>	<b>18.269.550</b>	<b>4.118.038</b>	<b>6.700.724</b>	<b>2.339.740</b>	<b>1.116.993</b>	<b>32.545.045</b>	<b>25.831.087</b>

#### (ii) Fair value of collaterals (Loans and advances given to customers):

31 December 2007	Corporate Loans	Consumer Loans	Credit Cards	Financial Leasing	Factoring	Total
Watch listed	47.131	114.280	-	29.757	-	191.168
Loans under legal follow-up	263.244	25.993	-	-	-	289.237
<b>Total</b>	<b>310.375</b>	<b>140.273</b>	<b>-</b>	<b>29.757</b>	<b>-</b>	<b>480.405</b>

31 December 2006	Corporate Loans	Consumer Loans	Credit Cards	Financial Leasing	Factoring	Total
Watch Listed	138.122	123.718	-	29.990	-	291.830
Loans under legal follow-up	306.040	11.555	-	-	-	317.595
<b>Total</b>	<b>444.162</b>	<b>135.273</b>	<b>-</b>	<b>29.990</b>	<b>-</b>	<b>609.425</b>

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Short- term	Medium and Long-term	Total
<b>Consumer Loans-YTL</b>	<b>170.322</b>	<b>3.596.773</b>	<b>3.767.095</b>
Real estate loans	7.530	2.069.460	2.076.990
Automotive loans	16.158	472.533	488.691
Consumer loans	31.463	135.059	166.522
Other	115.171	919.721	1.034.892
<b>Consumer Loans-FC Indexed</b>	<b>5.161</b>	<b>190.765</b>	<b>195.926</b>
Real estate loans	1.014	144.178	145.192
Automotive loans	1.854	25.126	26.980
Consumer loans	44	1.494	1.538
Other	2.249	19.967	22.216
<b>Consumer Loans-FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-YTL</b>	<b>6.211.935</b>	<b>237.121</b>	<b>6.449.056</b>
With installments	2.820.640	237.121	3.057.761
Without installments	3.391.295	-	3.391.295
<b>Individual Credit Cards- FC</b>	-	-	-
With installments	-	-	-
Without installments	-	-	-
<b>Personnel Loans-YTL</b>	<b>5.736</b>	<b>17.877</b>	<b>23.613</b>
Real estate loans	27	1.921	1.948
Automotive loans	121	709	830
Consumer loans	138	220	358
Other	5.450	15.027	20.477
<b>Personnel Loans-FC Indexed</b>	<b>16</b>	<b>280</b>	<b>296</b>
Real estate loans	-	239	239
Automotive loans	-	4	4
Consumer loans	-	-	-
Other	16	37	53
<b>Personnel Loans-FC</b>	<b>2.818</b>	<b>34</b>	<b>2.852</b>
Real estate loans	15	19	34
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	2.803	15	2.818
<b>Personnel Credit Cards-YTL</b>	<b>30.861</b>	<b>834</b>	<b>31.695</b>
With installments	15.847	834	16.681
Without installments	15.014	-	15.014
<b>Personnel Credit Cards-FC</b>	-	-	-
With installments	-	-	-
Without installments	-	-	-
<b>Credit Deposit Account-YTL (Real Person) (*)</b>	<b>80.109</b>	-	<b>80.109</b>
<b>Credit Deposit Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>6.506.958</b>	<b>4.043.684</b>	<b>10.550.642</b>

(\*) YTL751 thousand of the credit deposit account belongs to the credits used by personnel.



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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 6. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
<b>Commercial Installments Loans-YTL</b>	<b>254.107</b>	<b>1.977.420</b>	<b>2.231.527</b>
Business Loans	6.038	256.754	262.792
Automotive Loans	65.800	1.168.003	1.233.803
Consumer Loans	-	-	-
Other	182.269	552.663	734.932
<b>Commercial Installments Loans-FC Indexed</b>	<b>25.547</b>	<b>195.625</b>	<b>221.172</b>
Business Loans	41	14.103	14.144
Automotive Loans	3.820	111.919	115.739
Consumer Loans	-	-	-
Other	21.686	69.603	91.289
<b>Commercial Installments Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-YTL</b>	<b>116.530</b>	<b>68</b>	<b>116.598</b>
With installment	18.419	68	18.487
Without installment	98.111	-	98.111
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Credit Deposit Account-YTL (Legal Person)</b>	<b>107.795</b>	<b>-</b>	<b>107.795</b>
<b>Credit Deposit Account-FC (Legal Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>503.979</b>	<b>2.173.113</b>	<b>2.677.092</b>

#### 7. Loans according to types of borrowers:

	31 December 2007	31 December 2006
Public	791.487	390.141
Private	27.941.554	22.363.842
<b>Total</b>	<b>28.733.041</b>	<b>22.753.983</b>

#### 8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

	31 December 2007	31 December 2006
Domestic loans	28.194.036	21.766.567
Foreign loans	539.005	987.416
<b>Total</b>	<b>28.733.041</b>	<b>22.753.983</b>

#### 9. Loans granted to investments in associates and subsidiaries: None (2006: None).

#### 10. (i). Specific provisions provided against loans:

	31 December 2007	31 December 2006
Loans and other receivables with limited collectibility	30.108	25.098
Loans and other receivables with doubtful collectibility	120.683	110.156
Uncollectible loans and other receivables	1.255.042	1.302.674
<b>Total</b>	<b>1.405.833</b>	<b>1.437.928</b>

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(ii). Provisions related to loans :

	Commercial Loans	Consumer Loans	Credit Cards	Total	2006
<b>1 January 2007</b>	<b>1.100.241</b>	<b>22.847</b>	<b>314.840</b>	<b>1.437.928</b>	<b>1.203.604</b>
Allowance for impairment	143.665	66.343	242.630	452.638	329.269
Amount recovered during the period	(73.915)	(34.884)	(75.391)	(184.190)	(56.871)
Loans written off during the period as uncollectible	(122.427)	(759)	(180.210)	(303.396)	(33.782)
Exchange differences	2.853	-	-	2.853	(4.292)
<b>31 December 2007</b>	<b>1.050.417</b>	<b>53.547</b>	<b>301.869</b>	<b>1.405.833</b>	<b>1.437.928</b>

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

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2007</b>			
<b>(Gross amounts before specific reserves)</b>	<b>303</b>	<b>576</b>	<b>185.107</b>
Restructured loans and other receivables	303	576	185.107
Rescheduled loans and other receivables	-	-	-
<b>31 December 2006</b>			
<b>(Gross amounts before specific reserves)</b>	<b>455</b>	<b>1.110</b>	<b>221.192</b>
Restructured loans and other receivables	455	1.110	221.192
Rescheduled loans and other receivables	-	-	-

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2006</b>	<b>138.199</b>	<b>173.768</b>	<b>1.453.967</b>
Additions (+)	664.044	55.273	100.777
Transfers from other categories of non-performing loans (+)	-	554.052	487.823
Transfer to other categories of non-performing loans (-)	(554.052)	(487.823)	-
Collections (-)	(88.213)	(79.725)	(348.426)
FX valuation differences	-	(2.704)	(2.460)
Write-offs (-)	-	-	(303.396)
Corporate and Commercial Loans	-	-	(92.793)
Consumer Loans	-	-	(759)
Credit Cards	-	-	(180.210)
Other	-	-	(29.634)
<b>31 December 2007</b>	<b>159.978</b>	<b>212.841</b>	<b>1.388.285</b>
Specific Provision (-)	(30.108)	(120.683)	(1.255.042)
<b>Net Balance on Balance Sheet</b>	<b>129.870</b>	<b>92.158</b>	<b>133.243</b>

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11(iii). Information on Non-performing loans granted as foreign currency loans

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2007</b>			
Period end balance	-	-	24.265
Specific provision (-)	-	-	(15.933)
<b>Net Balance on-balance sheet</b>	-	-	<b>8.332</b>
<b>31 December 2006</b>			
Period end balance	-	33.866	18.027
Specific provision (-)	-	(22.492)	(13.419)
<b>Net Balance on-balance sheet</b>	-	<b>11.374</b>	<b>4.608</b>

11(iv). Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>31 December 2007</b>	<b>129.870</b>	<b>92.158</b>	<b>133.243</b>
Loans granted to real persons and corporate entities (Gross)	159.978	212.841	1.303.299
Specific provision amount (-)	(30.108)	(120.683)	(1.170.056)
Loans granted to real persons and corporate entities (Net)	129.870	92.158	133.243
Banks (Gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	84.986
Specific provision amount (-)	-	-	(84.986)
Other loans and receivables (Net)	-	-	-
<b>31 December 2006</b>	<b>113.101</b>	<b>63.612</b>	<b>151.293</b>
Loans granted to real persons and corporate entities (Gross)	138.199	173.768	1.329.649
Specific provision amount (-)	(25.098)	(110.156)	(1.178.356)
Loans granted to real persons and corporate entities (Net)	113.101	63.612	151.293
Banks (Gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	124.318
Specific provision amount (-)	-	-	(124.318)
Other loans and receivables (Net)	-	-	-

12. 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. The policy of the Group regarding the writing-off the loans under legal follow up is as writing-off the ones that is proved as uncollectible.

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### f. Information on held-to-maturity investments:

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

	31 December 2007	31 December 2006
Government Bond	13.009.910	13.781.920
Treasury Bill	-	89.380
Other debt securities(*)	133.162	3.239.443
<b>Total</b>	<b>13.143.072</b>	<b>17.110.743</b>

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

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

	31 December 2007	31 December 2006
Debt Securities	13.180.226	17.114.231
Quoted on Stock Exchange (*)	13.023.365	16.968.375
Not Quoted	156.861	145.856
Impairment Provision (-)	(27.675)	(3.488)
<b>Total</b>	<b>13.152.551</b>	<b>17.110.743</b>

(\*) Even though Eurobonds are not quoted on stock exchanges, they are classified as such as they are traded in secondary markets.

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

	31 December 2007	31 December 2006
<b>Beginning balance</b>	<b>17.110.743</b>	<b>8.849.967</b>
FC differences on monetary assets	(1.078.370)	(399.055)
Purchases during year	3.789.617	10.599.251
Transfer to assets held for resale and related to discontinued operations	(4.199)	-
Disposals through sales and redemptions	(6.641.053)	(1.937.496)
Impairment provision (-)	(24.187)	(1.924)
<b>Period end balance</b>	<b>13.152.551</b>	<b>17.110.743</b>

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

As of 31 December 2007, held-to-maturity investments given as collateral amount to YTL1.429.683 thousand (2006: YTL1.524.535 thousand). Held-to-maturity investments subject to repo transactions amount to YTL1.764.891 thousand (2006: 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

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No	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Market value
1	20.524	15.725	1.877	2.373	-	3.457	3.673	-

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 (%)	Bank's risk group share percentage (%)
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	69,33

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	Market value
1	2.226.171	124.417	4.208	93.855	6.443	10.113	8.458	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2007.

2(iii). Movement of consolidated investments in associates:

	31 December 2007	31 December 2006
Balance at the beginning of the period	41.352	36.352
Movements during the period	(3.132)	5.000
Purchases	-	-
Bonus shares obtained	-	-
Dividends from current year income	1.890	2.048
Sales	-	-
Revaluation (decrease)/increase	(5.022)	2.952
Impairment provision	-	-
Balance at the end of the period	38.220	41.352
Capital Commitments	-	-
Share percentage at the end of the period (%)	30,67	30,67

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2(iv). Information on sectors and the carrying amounts of consolidated investments in associates:

	31 December 2007	31 December 2006
Banks	38.220	41.352
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Investments	-	-
<b>Total Financial Investments</b>	<b>38.220</b>	<b>41.352</b>

2(v). Investments in associates quoted on stock exchange: None.

#### h. Information on subsidiaries (Net):

1. Unconsolidated subsidiaries:

1(i). Information on unconsolidated subsidiaries:

Since the total asset amount of the subsidiaries below is less than 1% of the total assets of the Parent Bank, the related subsidiaries are unconsolidated and are carried at restated cost.

No	Description	Address (City/ Country)	The Parent Bank's share percentage if different voting percentage (%)	Bank's risk group share percentage (%)
1	Yapı Kredi-Kültür Sanat Yayınçılık Tic. ve San. A.Ş.	Istanbul/Turkey	99,99	100,00
2	Enternasyonal Turizm Yatırım A.Ş. (*)	Istanbul/Turkey	99,96	99,99
3	Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	30,45	30,45

(\*) Extraordinary General Assembly related with the take-over of 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.

1(ii). 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	Market value (*)
1	8.865	6.845	133	92	-	806	431	-
2	35.831	11.526	4.163	-	-	(20.964)	(49.590)	-
3	259.325	106.148	28.396	4.224	727	11.358	6.217	133.600

(\*) Fair value represents the market value of the Company's total shares based on ISE prices as of 31 December 2007.

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2007.

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Information on consolidated subsidiaries:

2(i). Information on consolidated subsidiaries:

No	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 Menkul	Istanbul/Turkey	64,70	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Moscow (**)	Moscow/Russia	99,84	100,00
5	Yapı Kredi Bank			
	Deutschland AG (*) (****)	Frankfurt/Germany	65,42	100,00
6	Yapı Kredi Sigorta A.Ş.	Istanbul/Turkey	74,01	93,94
7	Yapı Kredi Leasing	Istanbul/Turkey	98,85	99,58
8	Yapı Kredi Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	11,09	56,07
9	Yapı Kredi Emeklilik A.Ş.	Istanbul/Turkey	-	100,00
10	Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
11	Yapı Kredi Nederland (*) (*****)	Amsterdam/Holland	-	100,00
12	Yapı Kredi Azerbaijan (***)	Baku/Azerbaijan	99,80	100,00

Although Yapı Kredi or any of its affiliates does not have any shareholding interest in, Yapı Kredi Diversified Payment Rights Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is included in the consolidation as the Bank has a control of 100%

(\*) Financial figures presented in note 2(ii) are in thousands of EURO.

(\*\*) Financial figures presented in note 2(ii) are in thousands of USD.

(\*\*\*) Financial figures presented in note 2(ii) are in thousands of AZM.

(\*\*\*\*) As explained in details in Note X.5. of Section Five, Yapı Kredi Bank Deutschland A.G. has been sold to Avenue Europe Investments LP as of 29 February 2008 in accordance with the purchase-sale agreement that would be subject to the transaction between the buyer and the seller.

(\*\*\*\*\*) Includes the balances for Sticking Custody Services YKB.



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2(ii). Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Market value (*)
1	50.904	50.867	-	14	-	2.410	3.611	-
2	283.341	224.415	17.140	29.503	13.141	48.768	15.270	-
3	1.192.426	107.193	432	101.978	-	19.766	20.524	-
4	232.402	59.787	7.931	14.692	2.654	5.723	5.504	-
5	47.099	44.678	-	2.254	457	(1.254)	(21.282)	-
6	650.522	253.598	32.420	30.705	20.392	25.357	19.464	796.000
7	2.460.330	552.947	817	263.173	-	131.876	111.942	1.317.956
8	60.193	60.002	34	2.146	2.146	13.341	4.217	30.482
9	646.876	100.487	19.063	16.178	13.272	44.075	(1.784)	-
10	70.652	63.026	476	8.473	2.571	44.669	27.538	-
11	1.458.977	141.748	102	96.683	47.653	13.211	2.236	-
12	99.718	12.289	448	6.078	3.411	4.082	2.315	-

(\*) Fair value represents the market value of the Company's total shares based on ISE prices as of 31 December 2007.

Financial statement information in the table above has been obtained from the financial statements of subsidiaries as at 31 December 2007.

2(iii). Movement schedule of consolidated subsidiaries:

	31 December 2007	31 December 2006
Balance at the beginning of the period	658.142	634.121
Movements during the period	781.989	24.021
Purchases (*)	802.404	39.973
Bonus shares obtained	-	-
Dividends from current year income	-	696
Sales	-	-
Foreign exchange valuation differences	-	-
Impairment provision	-	-
Balance at the end of the period	(20.415)	(16.648)
Capital commitments	1.440.131	658.142
Share percentage at the end of the period (%)	-	-

(\*) As explained in Note II. of Section One, the Parent Bank has purchased 59,47% of shares of Yapı Kredi Faktoring amounting to YTL144.541 thousand, 73,10% of shares of Yapı Kredi Leasing amounting to YTL 607.080 thousand and 99,80% of shares of Yapı Kredi Bank Azerbaijan Closed Joint Stock Company's amounting to YTL21.831 thousand that were owned by KFS via share exchange.

18.345.746 shares of Yapı Kredi Portföy with a value of USD19.521.380 and the 289.468,32 shares of Yapı Kredi Leasing with a total amount of YTL1.088.562,64 that were in the Yapı Kredi Emeklilik portfolio have been purchased by the Bank at 1 May 2007

# YAPI VE KREDİ BANKASI A.Ş.

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

Subsidiaries	31 December 2007	31 December 2006
Banks	125.909	85.032
Insurance Companies	148.019	148.016
Factoring Companies	183.325	38.782
Leasing Companies	722.491	114.321
Finance Companies	-	-
Other Financial Subsidiaries	260.387	271.991
<b>Total Financial Subsidiaries</b>	<b>1.440.131</b>	<b>658.142</b>

2(v). Subsidiaries quoted on Stock Exchange:

	31 December 2007	31 December 2006
Quoted on domestic stock exchanges	876.095	267.926
Quoted on foreign stock exchanges	-	-

#### i. Information on hedging derivative financial assets:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Fair Value Hedge	1.018	666	-	-
Cash Flow Hedge	-	-	-	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>1.018</b>	<b>666</b>	<b>-</b>	<b>-</b>

#### j. Information on property and equipment:

	Immovables	Leased Fixed Assets	Vehicles	Other Tangible Fixed Assets	Total
<b>31 December 2006</b>					
Cost	2.546.611	222.026	9.396	783.369	3.561.402
Accumulated depreciation (-)	(1.525.863)	(120.977)	(8.157)	(668.746)	(2.323.743)
<b>Net book value</b>	<b>1.020.748</b>	<b>101.049</b>	<b>1.239</b>	<b>114.623</b>	<b>1.237.659</b>
<b>31 December 2007</b>					
<b>Net book value at beginning of the Period</b>	<b>1.020.748</b>	<b>101.049</b>	<b>1.239</b>	<b>114.623</b>	<b>1.237.659</b>
Additions	7.945	69.936	271	30.498	108.650
Disposals (-), net	(165.681)	(6.473)	(333)	(4.104)	(176.591)
Reversal of impairment, net	126.897	-	-	-	126.897
Impairment (-)	(28.006)	-	-	-	(28.006)
Depreciation (-)	(51.105)	(30.862)	(581)	(47.691)	(130.239)
Foreign currency valuation difference (-), net	(1.599)	-	30	148	(1.421)
<b>Net book value at the end of the period</b>	<b>909.199</b>	<b>133.650</b>	<b>626</b>	<b>93.474</b>	<b>1.136.949</b>
Cost at the period end	2.312.020	281.661	6.137	652.767	3.252.585
Accumulated depreciation at the period end (-)	(1.402.821)	(148.011)	(5.511)	(559.293)	(2.115.636)
<b>31 December 2007</b>	<b>909.199</b>	<b>133.650</b>	<b>626</b>	<b>93.474</b>	<b>1.136.949</b>

As of 31 December 2007, the Parent Bank booked total provision for impairment on immovables amounting to YTL627.103 thousand (2006: YTL726.095 thousand) for the property and equipment.

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### k. Information on intangible assets:

Subsidiaries	31 December 2007	31 December 2006
<b>Net book value at the beginning of the period</b>	<b>1.156.200</b>	<b>1.179.195</b>
Additions during the Period	68.532	15.929
Unused and Disposed Items (-)	(707)	(254)
Impairment Charges on Income Statement	-	(4.036)
Amortisation Expenses (-)	(32.287)	(33.720)
Foreign exchange valuation differences	(27)	(914)
<b>Net book value at the closing of the period</b>	<b>1.191.711</b>	<b>1.156.200</b>

Koçbank acquired 57,42% of the shares of Yapı Kredi Bank 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 was accounted as goodwill.

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

Paid cash	1.925.965
Direct costs attributable to acquisition	42.054
<b>Total cost of acquisition</b>	<b>1.968.019</b>
Net assets acquired	988.256
<b>Goodwill</b>	<b>979.493</b>

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)
<b>Addition to Net Assets</b>	<b>1.721.576</b>

- (\*) Koçbank, assigned a consultancy firm for the valuation of intangible assets determined as a credit card trademark, customer base and relationship that can be measured reliably and for which the future economic benefit is embodied in the asset. In line with the report dated 13 February 2006 the Bank recognised YTL163.084 thousand of intangible assets in its consolidated 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 2007, the net book value of these intangible assets amounts to YTL126.391 thousand.

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. Information on deferred tax asset:

	31 December 2007		31 December 2006	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserves for employment termination benefit	139.584	27.745	164.271	32.854
Provision for pension fund	604.278	120.856	483.281	96.656
Trading derivative financial liabilities	225.886	45.536	31.445	6.289
Impairment on immovables	269.561	53.912	584.510	116.902
Subsidiaries, investment in associates and share certificates	132.736	26.547	78.397	15.680
Carry-forward tax losses	-	-	16.475	3.295
Other	195.794	39.280	155.728	31.249
<b>Total deferred tax asset</b>	<b>1.567.839</b>	<b>313.876</b>	<b>1.514.107</b>	<b>302.925</b>
Trading derivative financial assets	(55.892)	(11.282)	(77.656)	(15.531)
Valuation difference of securities portfolio	(48.213)	(9.642)	(123.936)	(29.925)
Property, equipment and intangibles, net	(496.200)	(72.632)	(592.579)	(94.351)
Other	(7.750)	(3.643)	(7.406)	(1.074)
<b>Total deferred tax liability</b>	<b>(608.055)</b>	<b>(97.199)</b>	<b>(801.577)</b>	<b>(140.881)</b>
<b>Deferred Tax Asset, net</b>	<b>959.784</b>	<b>216.677</b>	<b>712.530</b>	<b>162.044</b>

According to TAS 12, deferred tax assets amounting to YTL313.876 thousand and deferred tax liabilities amounting to YTL97.199 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.

#### m. Movement schedule of assets held for resale:

	31 December 2007	31 December 2006
<b>Net book value at the beginning of the period</b>	<b>189.917</b>	<b>214.005</b>
Additions	25.151	11.787
Transfers (*)	71.698	-
Disposals (-), net	(341.526)	(23.509)
Impairment Provision	(6.521)	(9.887)
Impairment Cancellation	218.702	8.008
Depreciation (-)	(16.947)	(10.207)
Foreign currency valuation difference	(597)	(280)
<b>Net book value at the end of the period</b>	<b>139.877</b>	<b>189.917</b>
Cost at the end of the period	158.437	220.953
Depreciation at the end of the period (-)	(18.560)	(31.036)
<b>Net book value at the end of the period</b>	<b>139.877</b>	<b>189.917</b>

(\*) By the decision of the board of directors at 3 October 2007; assets of Yapı Kredi Bank Deutschland A.G., which are owned 65,42% by the Bank and 34,58% by Yapı Kredi Holding BV and included in the consolidated financial statements, are reclassified under assets held for sale according to the commerce agreement with Avenue Europe Investment LP. Moreover, as explained in details in Note X of this section, the sale of Yapı Kredi Bank Deutschland AG finalized as of 29 February 2008.

As of 31 December 2007, the Bank has booked impairment provision on assets held for resale with an amount of YTL63.502 thousand (2006: YTL275.683 thousand).

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Details of the assets related with Yapı Kredi Bank Deutschland A.G., included in the consolidation and classified in assets held for resale:

	31 December 2007
Cash Balances with Central Bank	15
Banks	66.806
Loans	599
Held-to-Maturity Securities (Net)	4.199
Other	79
<b>Total</b>	<b>71.698</b>

#### n. Information on other assets:

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 2007:

	Demand	With 7 days notifications	Up to 1 month	1-3 Months	3-6 Months	6 Months - 1 Year	1 year and over	Total
Saving Deposits	947.799	12.887	2.923.015	7.157.848	176.390	50.305	63.607	11.331.851
Foreign Currency Deposits	3.105.678	178.096	5.039.311	3.265.431	761.200	419.851	1.361.014	14.130.581
Residents in Turkey	2.731.478	139.866	4.596.822	3.071.286	678.735	235.736	1.084.901	12.538.824
Residents Abroad	374.200	38.230	442.489	194.145	82.465	184.115	276.113	1.591.757
Public Sector Deposits	223.103	-	55.564	13.811	3.979	109.652	542	406.651
Commercial Deposits	1.232.964	177	3.092.081	2.278.164	261.336	15.209	104.475	6.984.406
Other Institutions Deposits	15.872	-	21.298	139.642	333	109	271	177.525
Gold Vault	65.378	-	10.126	375	283	624	2.635	79.421
Bank Deposits	83.820	-	330.588	1.940	13.378	163.759	3.212	596.697
The CBRT	72	-	-	-	-	-	-	72
Domestic Banks	6.443	-	269.115	-	-	6.009	-	281.567
Foreign Banks	36.500	-	61.473	1.940	13.378	157.750	3.212	274.253
Special Financial Institutions	40.805	-	-	-	-	-	-	40.805
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5.674.614</b>	<b>191.160</b>	<b>11.471.983</b>	<b>12.857.211</b>	<b>1.216.899</b>	<b>759.509</b>	<b>1.535.756</b>	<b>33.707.132</b>

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1(ii). 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	Total
Saving Deposits	849.816	-	2.519.735	5.993.999	256.552	53.005	68.195	9.741.302
Foreign Currency Deposits	3.182.068	-	3.974.870	6.287.913	989.562	311.577	812.070	15.558.060
Residents in Turkey	3.048.544	-	3.416.364	5.875.921	888.477	250.411	662.881	14.142.598
Residents Abroad	133.524	-	558.506	411.992	101.085	61.166	149.189	1.415.462
Public Sector Deposits	9.115	-	44.113	9.710	6.603	-	37	69.578
Commercial Deposits	906.030	-	2.455.396	2.416.901	84.687	39.508	26.830	5.929.352
Other Institutions Deposits	63.553	-	23.694	253.088	5.463	87	204	346.089
Gold Vault	151.312	-	101.452	456	246	444	590	254.500
Bank Deposits	53.847	-	323.526	27.614	20.104	62.264	-	487.355
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	7.862	-	279.224	15.829	2.067	10.118	-	315.100
Foreign Banks	27.252	-	44.302	11.785	18.037	52.146	-	153.522
Special Financial Institutions	18.733	-	-	-	-	-	-	18.733
Other	-	-	-	-	-	-	-	-
Accrued Interest on Deposit	4.647	-	142.799	31.113	4.378	5.362	1.040	189.339
<b>Total</b>	<b>5.220.388</b>	<b>-</b>	<b>9.585.585</b>	<b>15.020.794</b>	<b>1.367.595</b>	<b>472.247</b>	<b>908.966</b>	<b>32.575.575</b>

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 (Represents information regarding the Parent Bank):

Saving Deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Saving Deposits	5.996.775	4.970.931	5.228.946	4.749.385
Foreign Currency Savings Deposit	2.837.947	3.058.148	4.712.030	5.209.910
Other deposits in the form of savings deposits	5.793	5.893	64.590	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 (Represents information regarding the Parent Bank):

	31 December 2007	31 December 2006
Saving deposits in foreign branches	-	-
Saving deposits in off-shore banking regions	83.319	158.746
<b>Total</b>	<b>83.319</b>	<b>158.746</b>

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2(iii). Saving deposits which are not under the guarantee of saving deposit insurance fund of real person:

	31 December 2007
Foreign Branches' Deposits and other accounts	-
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children in care	19.825
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	83.319

#### b. Information on trading derivative financial liabilities :

	31 December 2007		31 December 2006	
Trading Derivative Financial Liabilities	YTL	FC	YTL	FC
Forward Transactions	42.595	3.009	19.757	2.349
Swap Transactions	184.059	6.378	9.518	3.863
Futures Transactions	-	-	-	-
Options	-	979	-	-
Other	-	-	-	-
<b>Total</b>	<b>226.654</b>	<b>10.366</b>	<b>29.275</b>	<b>6.212</b>

#### c. Information on borrowings:

1. Information on borrowings :

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	359.632	149.266	353.809	239.147
From Foreign Banks, Institutions and Funds	59.259	4.617.913	203.632	4.029.960
Accrued Interest Expense of Banks and Other Financial Institutions	-	-	11.199	44.341
<b>Total</b>	<b>418.891</b>	<b>4.767.179</b>	<b>568.640</b>	<b>4.313.448</b>

2. Information on maturity structure of borrowings :

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Short-Term	418.891	2.887.368	557.441	3.625.172
Medium and Long-Term	-	1.879.811	-	643.935
Accrued Interest on Borrowings	-	-	11.199	44.341
<b>Total</b>	<b>418.891</b>	<b>4.767.179</b>	<b>568.640</b>	<b>4.313.448</b>



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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### d. Information marketable securities issued:

The Parent Bank has a securitisation borrowing deal from Standard Chartered Bank and Unicredit Markets and Investment Banking amounting to YTL1.542.609 thousand using Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") as an intermediary and Assured Guarantee, MBIA, Radian, Ambac, FGIC and XL Capital as guarantors. The interest rate of this borrowing ranges between Euribor/Libor+ 0,18% and 0,35%, and the maturity ranges between 7 and 8 years; the repayments will begin in the first period of 2010.

	31 December 2007	31 December 2006
2008	-	32.853
2009	-	131.411
2010	289.196	383.074
2011	312.977	383.074
2012	312.977	251.662
2013	312.977	251.662
2014	280.332	212.054
2015	23.781	-
Interest Expense Accrual	10.369	4.216
<b>Total</b>	<b>1.542.609</b>	<b>1.650.006</b>

#### e. Information on other foreign liabilities:

Other foreign liabilities do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

#### f. Information on financial leasing agreements:

	31 December 2007		31 December 2006	
	Gross	Net	Gross	Net
Less than 1 year	105	100	6	5
Between 1-4 years	1	1	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>106</b>	<b>101</b>	<b>6</b>	<b>5</b>

#### g. Information on hedging derivative financial liabilities:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Fair Value Hedge	27.786	-	-	-
Cash Flow Hedge	-	-	-	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>27.786</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### h. Information on provisions:

##### 1. Information on general provisions:

	31 December 2007	31 December 2006
Provisions for Group I loans and receivables	529.091	435.286
Provisions for Group II loans and receivables	42.466	97.214
Provisions for non cash loans	81.623	102.806
Other	75.703	73.641
<b>Total</b>	<b>728.883</b>	<b>708.947</b>

# YAPI VE KREDİ BANKASI A.Ş.

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### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Information on reserve for employment termination benefits:

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

Following actuarial assumptions are used in the calculation of total liabilities

	31 December 2007	31 December 2006
Discount rate (%)	5,71	5,71
The Rate Used Related to Retirement Expectation (%)	95,50	96,50

The principal actuarial assumption is that the maximum liability 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 YTL2.087,92 (1 January 2007: YTL1.960,69) effective from 1 January 2008 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 2007	31 December 2006
<b>Prior period ending balance</b>	<b>105.100</b>	<b>87.441</b>
Provisions recognised during the period	13.445	29.055
Paid during the period	(20.785)	(11.408)
Transfers to payables for assets held for resale	(879)	-
Foreign currency differences	(255)	12
<b>Balance at the end of the period</b>	<b>96.626</b>	<b>105.100</b>

In addition, the Group has accounted for vacation rights provision amounting to YTL42.958 thousand as of 31 December 2007 (2006: YTL59.171 thousand).

#### 3. Other provisions:

	31 December 2007	31 December 2006
Pension fund provision (*)	604.278	483.281
Tax risk provision (**)	79.320	95.740
Non-cash loan provision	50.249	57.666
Provisions on credit cards and promotion campaigns related to banking services	36.014	53.441
Provision on export commitment estimated liability	39.945	39.365
Legal risk provision (**)	12.865	12.774
Other	179.256	125.918
<b>Total</b>	<b>1.001.927</b>	<b>868.185</b>

(\*) The Parent Bank obtained an 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 604.278 thousand as of 31 December 2006. Indeed, the BRSA expressed its opinion that the abrogation of temporary article 23 of the Banking Law described in corresponding decision of the Council of Ministers, the provision amount calculated as of the end of 2006 should be kept.

(\*\*) Considered as provisions for possible risks.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As of 31 December 2007, the provision related to the foreign currency difference of foreign indexed loans amounts to YTL99.986 thousand (2006: YTL32.202 thousand).

#### i. Information on taxes payable:

##### (i) Information on taxes payable:

	31 December 2007	31 December 2006
Corporate Tax Payable	232.860	83.325
Taxation of Marketable Securities	84.246	44.390
Property Tax	1.054	655
Banking Insurance Transaction Tax (BITT)	32.359	30.184
Foreign Exchange Transaction Tax	3.167	3.122
Value Added Tax Payable	2.929	1.580
Other	29.378	16.936
<b>Total</b>	<b>385.993</b>	<b>180.192</b>

##### (ii) Information on premium payables:

	31 December 2007	31 December 2006
Social Security Premiums – Employee	1.164	784
Social Security Premiums – Employer	653	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	417	403
Unemployment Insurance – Employer	887	827
Other	-	47
<b>Total</b>	<b>3.121</b>	<b>3.829</b>

#### j. Information on payables for assets held for resale:

Details of the liabilities related with Yapı Kredi Bank Deutschland A.G., classified in payables for assets held for resale:

	31 December 2007
Deposits	205
Borrowings	682
Other Liabilities	168
Reserve for Employee Rights	879
Other	2.103
<b>Total</b>	<b>4.037</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### k. Information on subordinated loans:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	1.772.914	-	1.559.258
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.772.914</b>	<b>-</b>	<b>1.559.258</b>

At 30 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 was 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 a 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. In addition, the Bank obtained a subordinated loan on 25 June 2007 amounting to EUR200 million, with ten years maturity and a repayment option at the end of five years. The interest rate is determined as EURIBOR+1,85% for the first five years. The loan was obtained from Citibank, N.A., London Branch with Unicredito Italiano SpA as guarantor. With the written approvals of the BRSA dated 3 April 2006, 2 May 2006 and 19 June 2007, the loans have been approved as subordinated loans and can be taken into consideration as supplementary capital within the limits of the "Capital Adequacy Regulation".

#### l. Information on shareholders' equity:

##### 1. Presentation of Paid-in capital (as nominal; inflation unadjusted balances):

	31 December 2007	31 December 2006
Common Stock	3.427.051	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 in an amount of YTL3.427.051 thousand and does not apply the registered share capital system. Besides, as explained in Note X in this section the Parent Bank has started the legal process to apply the registered share capital system.

##### 3. Information on the share capital increases during the period and the sources :

Increase Date	Increase Amount	Cash	Profit Reserve Regarding Increase	Capital Reserve Regarding Increase
29 March 2007	6.632	-	-	-
18 October 2007	277.601	-	-	-

In the General Assembly held at 29 March 2007 it was decided that the Bank's capital would increase by YTL6.632 thousand through the addition of the recent gain from the subsidiaries' sale into the capital.

As explained in details in Note II. of Section Five, in scope of the transfer of the shares of Yapı Kredi Faktoring, Yapı Kredi Leasing and Yapı Kredi Azerbaijan Closed Joint Stock Company from KFS, the capital of the Bank has increased by YTL277.601 thousand. The difference between the fair values of the transferred shares and the capital increase of YTL495.852 thousand has been accounted under share premium.

##### 4. Information on transfers from revaluation funds to capital during the current period: None.

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 are managed by the Bank within several risk and legal limits.

7. Privilege on the corporate stock: None

#### m. Information on marketable securities value increase fund:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	6.462	15.681	5.148	15.015
Foreign Currency Difference	(19.444)	-	2.377	-
<b>Total</b>	<b>(12.982)</b>	<b>15.681</b>	<b>7.525</b>	<b>15.015</b>

#### n. Information on minority interest:

	31 December 2007	31 December 2006
<b>Period Opening Balance</b>	<b>548.610</b>	<b>738.562</b>
Current year income	149.585	141.450
Dividends paid	(77.742)	(33.152)
Purchase from minority interest	(452.554)	(147.799)
Foreign Currency translation differences	(5.940)	(3.744)
Increase/Decrease due to merger	133.075	(146.707)
<b>Period Ending Balance</b>	<b>295.034</b>	<b>548.610</b>

### III. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:

#### a. Information on interest income:

1. Information on interest income on loans:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Interest income on loans				
Short-term Loans	2.635.999	222.302	2.334.903	218.510
Medium/Long-term Loans	834.934	342.590	595.492	330.709
Interest on Loans Under Follow-up	82.655	2.285	61.653	1.019
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total (*)</b>	<b>3.553.588</b>	<b>567.177</b>	<b>2.992.048</b>	<b>550.238</b>

(\*) Includes fees and commissions received for cash loans.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2. Information on interest income on banks:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From the CBRT	-	-	-	-
From Domestic Banks	7.375	2.888	13.492	11.562
From Foreign Banks	7.471	114.763	1.142	101.856
Headquarters and Branches Abroad	735	-	-	-
<b>Total</b>	<b>15.581</b>	<b>117.651</b>	<b>14.634</b>	<b>113.418</b>

#### 3. Information on interest income on marketable securities:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
From Trading Financial Assets	15.354	17.879	47.070	47.947
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	51.363	15.111	54.231	13.094
From Held-to-maturity investments	1.116.523	564.121	810.483	462.248
<b>Total</b>	<b>1.183.240</b>	<b>597.111</b>	<b>911.784</b>	<b>523.289</b>

#### 4. Information on interest income received from investments in associates and subsidiaries:

None (2006: None).

#### b. Information on interest expense:

##### 1. Information on interest expense on borrowings:

	31 December 2007		31 December 2006	
	YTL	FC	YTL	FC
Banks	56.262	334.761	91.876	255.987
The CBRT	-	-	-	-
Domestic Banks	31.444	24.325	76.505	16.201
Foreign Banks	24.818	310.436	15.371	239.786
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	99.081	-	63.981
<b>Total (*)</b>	<b>56.262</b>	<b>433.842</b>	<b>91.876</b>	<b>319.968</b>

(\*) Includes fees and commissions received for cash loans.

##### 2. Information on interest expense given to investments in associates and subsidiaries:

	31 December 2007	31 December 2006
Interests Paid to Investments in Associates and Subsidiaries	1.340	2.364

# YAPI VE KREDİ BANKASI A.Ş.

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 3. Maturity structure of the interest expense on deposits :

Account Name	Demand Deposit	Up to 1 month	Up to 3 months	Time Deposit			Cumulative Deposit	Total
				Up to 6 months	Up to 1 year	More than 1 year		
<b>YTL</b>								
Bank Deposits	2.012	75	3	50	840	840	-	3.820
Saving Deposits	3.344	386.859	1.345.272	35.929	3.490	10.238	-	1.785.132
Public Sector Deposits	-	11.378	7.968	580	9.101	24	-	29.051
Commercial Deposits	25.305	467.425	440.094	41.486	925	9.361	-	984.596
Other Deposits	-	10.605	24.686	203	15	36	-	35.545
Deposits With 7 Days Notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>30.661</b>	<b>876.342</b>	<b>1.818.023</b>	<b>78.248</b>	<b>14.371</b>	<b>20.499</b>	<b>-</b>	<b>2.838.144</b>
<b>FC</b>								
Foreign Currency Deposits	9.473	221.552	191.700	36.510	24.174	47.954	1.593	532.956
Bank Deposits	-	3.757	127	785	4.153	-	-	8.822
Deposits With 7 Days Notification	-	-	-	-	-	-	-	-
Gold Vault	-	49	4	4	8	66	-	131
<b>Total</b>	<b>9.473</b>	<b>225.358</b>	<b>191.831</b>	<b>37.299</b>	<b>28.335</b>	<b>48.020</b>	<b>1.593</b>	<b>541.909</b>
<b>Grand Total</b>	<b>40.134</b>	<b>1.101.700</b>	<b>2.009.854</b>	<b>115.547</b>	<b>42.706</b>	<b>68.519</b>	<b>1.593</b>	<b>3.380.053</b>

#### c. Information on dividend income :

	31 December 2007	31 December 2006
Trading Financial Assets	327	261
Financial Assets at Fair Value Through Profit or Loss	3	-
Available-for-Sale Financial Assets	836	1.207
Other	2.170	2.657
<b>Total</b>	<b>3.336</b>	<b>4.125</b>

#### d. Information on trading loss / income : (Net)

	31 December 2007	31 December 2006
<b>Income</b>	<b>8.409.856</b>	<b>6.612.599</b>
Income from Capital Market Transactions	4.149.735	2.502.500
Derivative Financial Transactions	4.108.018	2.321.563
Other	41.717	180.937
Foreign Exchange Gains	4.260.121	4.110.099
<b>Loss (-)</b>	<b>(8.328.260)</b>	<b>(6.552.202)</b>
Loss from Capital Market Transactions	(4.339.434)	(2.237.148)
Derivative Financial Transactions	(4.305.892)	(2.120.239)
Other	(33.542)	(116.909)
Foreign Exchange Loss	(3.988.826)	(4.315.054)
<b>Net Gain/Loss</b>	<b>81.596</b>	<b>60.397</b>

#### e. Information on other operating income:

Other operating income mainly consist of collections from provisions recorded as expense in the previous years and income from sales of fixed assets due to reversal of impairments charged in previous years.



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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### f. Provision expenses related to loans and other receivables:

	31 December 2007	31 December 2006
Specific provisions for loans and other receivables	238.817	215.853
III. Group Loans and Receivables	10.112	15.406
IV. Group Loans and Receivables	18.969	13.220
V. Group Loans and Receivables	209.736	187.227
General Provision Expenses	43.646	119.893
Provision Expense for Possible Risks	38.673	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	80.701	698
Investments in Associates	870	698
Subsidiaries (*)	79.831	-
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other	18.689	18.832
<b>Total</b>	<b>420.526</b>	<b>360.146</b>

(\*) YTL79.831 thousand consists of the impairment provisions for Enternasyonel Turizm Yatırım A.Ş. and Yapı Kredi Holding amounting to YTL79.831 thousand and YTL14.850 thousand respectively.

#### g. Information related to other operating expenses:

	31 December 2007	31 December 2006
Personnel Expenses	945.916	785.259
Reserve for Employee Termination Benefits	2.312	17.228
Provision Expense for Pension Fund	120.997	152.539
Impairment Expenses of Fixed Assets	28.006	30.879
Depreciation Expenses of Fixed Assets	130.239	145.768
Impairment Expenses of Intangible Assets	-	4.036
Goodwill Impairment Expenses	-	-
Amortisation Expenses of Intangible Assets	32.287	33.720
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	6.521	9.887
Depreciation Expenses of Assets Held for Resale	16.947	10.207
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	810.107	678.381
Operational Lease Expenses	60.285	18.984
Maintenance Expenses	28.986	30.015
Advertising Expenses	127.331	124.795
Other Expense	593.505	504.587
Loss on Sales of Assets (*)	344.229	24.291
Other (**)	889.326	838.381
<b>Total</b>	<b>3.326.887</b>	<b>2.730.576</b>

(\*) As of 31 December 2007 YTL35.361 thousand has been realised due to the Real Estate Wholesale Agreement signed by the Parent Bank as of 11 July 2007. In accordance with Uniform Chart of Accounts, regarding the sales profit, YTL310.323 thousand has been accounted under "Other Operating Expenses" and YTL345.684 thousand has been accounted under "Other Operating Income".

(\*\*) Other mainly consists of insurance technical provisions amounting to YTL408.955 thousand (2006: YTL490.530 thousand).

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### h. Explanations on profit and loss from continuing operations before tax:

Profit and loss before tax consists of net interest income amounting to YTL2.473.086 thousand (2006: YTL2.097.140 thousand), net fee and commission income amounting to YTL1.576.995 thousand (2006: YTL1.380.671 thousand) and total other operating expense amounting YTL3.326.887 thousand (2006: YTL2.730.576 thousand).

#### i. Provision for taxes on income from continuing operations:

As of 31 December 2007, the Bank has current tax expense amounting to YTL269.029 thousand (2006: YTL90.715 thousand) and deferred tax income amounting to YTL78.894 thousand (2006: YTL154.826 thousand deferred tax expense).

#### j. Information on net income/loss for the period:

To understand the Group'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.

#### k. Profit/loss of minority interest:

	31 December 2007	31 December 2006
Profit of minority interest	149.585	141.450

### IV. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET COMMITMENTS 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 :

The Group's Commitments on credit cards limits are YTL10.449.281 thousand (2006: YTL8.163.986 thousand), commitments for cheque books are YTL1.359.423 thousand (2006: YTL1.310.760 thousand) and loan granting commitments are YTL1.931.253 thousand (2006: YTL1.562.546 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 2007	31 December 2006
Bank acceptance loans	184.493	216.649
Letter of credits	2.164.139	2.592.221
Other guarantees	604.876	765.491
<b>Total</b>	<b>2.953.508</b>	<b>3.574.361</b>

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 2007 is YTL11.062.043 thousand (2006: YTL11.278.368 thousand).

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3(i). Total amount of non-cash loans:

	31 December 2007	31 December 2006
Non-cash loans given against cash loans	303.112	429.301
With original maturity of 1 year or less than 1 year	135.770	188.949
With original maturity of more than 1 year	167.342	240.352
Other non-cash loans	13.712.439	14.423.428
<b>Total</b>	<b>14.015.551</b>	<b>14.852.729</b>

3(ii). Information on sectoral concentration of non-cash loans :

	31 December 2007				31 December 2006			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agricultural</b>	<b>62.854</b>	<b>1,08</b>	<b>144.511</b>	<b>1,77</b>	<b>73.879</b>	<b>1,33</b>	<b>48.383</b>	<b>0,52</b>
Farming and Raising Livestock	42.028	0,72	134.756	1,65	56.698	1,02	43.824	0,47
Forestry	15.672	0,27	9.298	0,11	13.410	0,24	3.949	0,04
Fishing	5.154	0,09	457	0,01	3.771	0,07	610	0,01
<b>Manufacturing</b>	<b>2.332.805</b>	<b>40,01</b>	<b>3.694.646</b>	<b>45,14</b>	<b>2.158.100</b>	<b>38,68</b>	<b>4.097.993</b>	<b>44,19</b>
Mining	110.087	1,89	116.043	1,42	27.860	0,50	94.787	1,02
Production	2.105.265	36,11	3.291.847	40,22	2.084.955	37,37	3.666.881	39,54
Electric, Gas and Water	117.453	2,01	286.756	3,50	45.285	0,81	336.325	3,63
<b>Construction</b>	<b>1.509.655</b>	<b>25,89</b>	<b>1.812.788</b>	<b>22,15</b>	<b>1.433.038</b>	<b>25,69</b>	<b>1.818.617</b>	<b>19,61</b>
<b>Services</b>	<b>1.816.433</b>	<b>31,16</b>	<b>1.836.618</b>	<b>22,43</b>	<b>1.855.956</b>	<b>33,26</b>	<b>2.851.403</b>	<b>30,75</b>
Wholesale and Retail Trade	898.417	15,42	334.214	4,08	1.028.914	18,44	381.833	4,13
Hotel, Food and Beverage								
Services	65.138	1,12	73.944	0,90	62.385	1,12	91.303	0,98
Transportation and								
Telecommunication	272.424	4,67	371.951	4,54	224.476	4,02	608.970	6,57
Financial Institutions	387.941	6,65	635.303	7,76	318.307	5,71	1.140.888	12,30
Real Estate and Leasing								
Services	67.599	1,16	95.376	1,17	69.386	1,24	135.389	1,46
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	5.946	0,10	1.918	0,02	7.781	0,14	3.850	0,04
Health and Social Services	118.968	2,04	323.912	3,96	144.707	2,59	489.170	5,27
<b>Other</b>	<b>108.581</b>	<b>1,86</b>	<b>696.660</b>	<b>8,51</b>	<b>58.228</b>	<b>1,04</b>	<b>457.132</b>	<b>4,93</b>
<b>Total</b>	<b>5.830.328</b>	<b>100,00</b>	<b>8.185.223</b>	<b>100,00</b>	<b>5.579.201</b>	<b>100</b>	<b>9.273.528</b>	<b>100</b>

3(iii). Information on non-cash loans classified in Group I. and Group II.:

	Group I		Group II	
	YTL	FC	YTL	FC
Non-Cash Loans				
Letters of Guarantee	5.749.546	5.223.591	51.990	36.916
Bank Acceptances	-	180.488	-	4.005
Letters of Credit	4.802	2.158.538	-	799
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	15.492	580.886	8.498	-
Total	5.769.840	8.143.503	60.488	41.720

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3(iv). Maturity distribution of non cash loans:

31 December 2007 (*)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	426	2.000.157	163.556	-	2.164.139
Letter of Guarantee	6.354.208	1.465.169	2.907.231	335.435	11.062.043
Bank Acceptances	184.493	-	-	-	184.493
Other	48.395	107.642	313.241	135.598	604.876
<b>Total</b>	<b>6.587.522</b>	<b>3.572.968</b>	<b>3.384.028</b>	<b>471.033</b>	<b>14.015.551</b>

31 December 2006 (*)	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of Credit	-	2.425.300	166.907	14	2.592.221
Letter of Guarantee	6.325.550	3.480.771	1.407.121	64.926	11.278.368
Bank Acceptances	206.059	10.590	-	-	216.649
Other	127.584	283.160	344.334	10.413	765.491
<b>Total</b>	<b>6.659.193</b>	<b>6.199.821</b>	<b>1.918.362</b>	<b>75.353</b>	<b>14.852.729</b>

(\*) The distribution is based on the original maturities.

### b. Information on derivative financial instruments :

	31 December 2007	31 December 2006
Types of trading transactions		
Foreign currency related derivative transactions (I)	8.168.015	5.124.871
FC trading forward transactions	2.902.202	2.745.821
Trading swap transactions	3.173.500	1.226.446
Futures transactions	-	-
Trading option transactions	2.092.313	1.152.604
Interest related derivative transactions (II)	2.404.384	1.114.958
Forward interest rate agreements	-	213.943
Interest rate swaps	2.404.384	901.015
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	7.987	-
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>10.580.386</b>	<b>6.239.829</b>
Types of hedging transactions		
Fair value hedges	-	-
Cash flow hedges	221.767	-
Foreign currency investment hedges	-	-
<b>B. Total hedging related derivatives</b>	<b>221.767</b>	<b>-</b>
<b>Total derivative transactions (A+B)</b>	<b>10.802.153</b>	<b>6.239.829</b>

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### c. Breakdown of derivative instruments according to their remaining contractual maturities:

31 December 2007	Up to 1 month	1-3 Months	3-12 Months	1-5 Year	Above 5 years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	68.071	(82.537)	(30.590)	(22.582)	-	(67.638)
– Inflow	2.936.229	823.943	202.542	91.468	-	4.054.182
– Outflow	(2.868.158)	(906.480)	(233.132)	(114.050)	-	(4.121.820)
Interest rate Derivatives:	223.292	136.420	18.969	(485.997)	-	(107.316)
– Inflow	223.292	293.471	104.031	45.955	481.785	1.148.534
– Outflow	-	(157.051)	(85.062)	(531.952)	(481.785)	(1.255.850)
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:	-	-	-	-	-	-
– Inflow	-	-	-	-	-	-
– Outflow	-	-	-	-	-	-
Interest rate Derivatives:	4.708	41.325	(63.790)	-	-	(17.757)
– Inflow	25.926	62.453	13.626	-	-	102.005
– Outflow	(21.218)	(21.128)	(77.416)	-	-	(119.762)
<b>Total inflow</b>	<b>3.185.447</b>	<b>1.179.867</b>	<b>320.199</b>	<b>137.423</b>	<b>481.785</b>	<b>5.304.721</b>
<b>Total outflow</b>	<b>(2.889.376)</b>	<b>(1.084.659)</b>	<b>(395.610)</b>	<b>(646.002)</b>	<b>(481.785)</b>	<b>(5.497.432)</b>

#### d. Information on contingent liabilities:

In this respect, several outstanding legal cases against the group have been considered as contingent liabilities and an YTL12.865 thousand (2006: YTL12.774 thousand) provision against these legal cases has been accounted for in the financial statements under "Other Provisions" account.

#### e. 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 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.

#### c. Information on increase/decrease amounts result from the merger:

It is explained in details in Note VII. of Section Five.

#### d. Information on foreign currency valuation differences:

During the consolidation of the Group's subsidiaries abroad, balance sheet items are translated to Turkish Lira with the relevant period and exchange rates and income statement items are translated with the relevant period exchange rate. Translation differences arising from these calculations are recorded in equity as "Marketable Securities Valuation Difference".

### 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 of less than three months are defined as "Cash Equivalents".

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2007	31 December 2006
<b>Cash</b>	<b>1.417.017</b>	<b>1.099.208</b>
Cash and Effectives	440.288	419.488
Demand Deposits in Banks	976.729	679.720
<b>Cash Equivalents</b>	<b>2.004.471</b>	<b>3.289.454</b>
Interbank Money Market	159.179	690.010
Deposits in Bank	1.845.292	2.599.444
<b>Total Cash and Cash Equivalents</b>	<b>3.421.488</b>	<b>4.388.662</b>

The total amount from the operations occurring in the prior period is 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 2007	31 December 2006
<b>Cash</b>	<b>1.434.389</b>	<b>1.417.017</b>
Cash and Effectives	443.863	440.288
Demand Deposits in Banks	990.526	976.729
<b>Cash Equivalents</b>	<b>999.768</b>	<b>2.004.471</b>
Interbank Money Market	431.517	159.179
Deposits in Bank	568.251	1.845.292
<b>Total Cash and Cash Equivalents</b>	<b>2.434.157</b>	<b>3.421.488</b>

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 GROUP'S MERGER, TRANSFERS AND COMPANIES ACQUIRED BY BANKS

#### Mergers and transfers in the year 2007:

(i) Extraordinary General Assemblies meetings regarding the transfer of Koç Yatırım, with all its rights, receivables, liabilities and obligations to the Yapı Kredi Menkul and the consequential dissolution without liquidation were held on 29 December 2006 and the merger was registered 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 the Bank's risk Group is 100%.

(ii) Regarding the restructuring process of the foreign investments of the Parent Bank and KFS, the merger transaction of Yapı Kredi Bank Nederland N.V., established in Holland and wholly-owned by Bank (through Yapı Kredi Holding B.V. which is a 100% owned investment in associate), with the Koçbank Nederland N.V. 100% investment in associate of KFS, was completed as of 2 July 2007. After the merger, regarding the new structure of the partnership, the Parent's Bank's shareholding ratio is realised as 32,76% and the shareholding ratio of KFS is realised as 67,24%. Due to this merger, the Bank has restated its financial statements as of 31 December 2006.

Besides, as a part of the structural reorganization, transfer of 99,80% the shares of Yapı Kredi Azerbaijan owned by KFS with a nominal value of AZN 6.336.200 was completed as of 31 October 2007.

During and after transactions stated above, as there has been no change in the owners of final control rights of Yapı Kredi Bank Nederland N.V., Koçbank Nederland N.V. and Yapı Kredi Bank Azerbaijan, these transactions have been identified as transactions under common control and recorded in line with the accounting policy defined in Note XXVIII of Section Three.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) Transfer of the 59,47% of the shares of Yapı Kredi Faktoring with a nominal value of YTL9.992.000, 73,10% of the shares of Yapı Kredi Leasing with a nominal value of YTL285.048.428 and 99,80% of the shares of Yapı Kredi Bank Azerbaijan with a nominal value of AZN6.336.200; all formerly owned by KFS have been completed as of 31 October 2007. As a part of this share exchange the Bank's capital was increased by YTL277.601.284 through increasing the shareholding of KFS. Besides, the YTL495.852 difference between the nominal values of the shares issued by the Bank and the fair values of the shares transferred to the Bank, have been recorded in equity as "Share Premium". As this transaction is defined as a transaction with minority interests, differences of YTL322.862 thousand and YTL450.591 thousand have been recorded in equity as, "Prior Period Net Income / (Loss)" and "Minority Interest" respectively. The share exchange had no effect in total equity when these amounts have been considered together with the capital increase and share issue premium amounts.

#### Mergers and transfers in the year 2006:

(i) 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. and 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 amounting to nominal YTL335.015 thousand and 12,90% of the shares of Yapı Kredi owned by SDIF amounting to a nominal YTL97.032 thousand were transferred to Koçbank.

Moreover, Koçbank purchased a further 9,09% of Yapı Kredi shares traded on the 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 Note III.5)

In addition, 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 0,5313538 units of Ykr1 nominal valued shares in exchange for each Ykr1 nominal valued 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.k., goodwill, credit card brand value, deposit base and customer portfolio values stated as other identifiable intangibles are reflected in 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 in these financial statements.

(ii) 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 registered on 25 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 ratio of Bank's risk Group related to relevant company is 99,58%.



# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 Koç Faktoring and the consequential dissolution without liquidation were held on 22 and 27 December 2006 and the corporate title of Koç Faktoring has been changed as Yapı Kredi Faktoring A.Ş. and the merger was approved registered on 29 December 2006.

As a result of the merger, the Bank's share in Yapı Kredi Faktoring has decreased from 99,98% to 40,48%. However, share ratio of the Bank's risk Group related to relevant company 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 Koç Portföy and the consequential dissolution without liquidation were held on 22 December 2006. The corporate title of Koç Portföy 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 has decreased from 32,49% to 4,84%. However, Bank's risk Group related to relevant Company 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 as of the beginning of the fiscal year when the merger took place.

### 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. Information on loans of the Group's Risk Group:

Groups' 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 Receivables						
Balance at the Beginning of the Period	-	471	426.842	716.561	-	-
Balance at the End of the Period	-	10.269	392.898	628.045	-	-
<b>Interest and Commission Income Received</b>	<b>-</b>	<b>83</b>	<b>52.538</b>	<b>2.042</b>	<b>-</b>	<b>-</b>

(\*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes banks as well as loans.

##### 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	
	2007	2006	2007	2006	2007	2006
Deposit						
Beginning of the Period	61.693		3.655.994		-	
End of the Period	7.823	61.693	3.867.644	3.655.994	-	-
<b>Interest Expense on Deposits</b>	<b>1.340</b>	<b>2.364</b>	<b>332.670</b>	<b>260.857</b>	<b>-</b>	<b>-</b>

(\*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes borrowings as well as deposits.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Information on forward and option agreements and other derivative instruments with 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	
	2007	2006	2007	2006	2007	2006
<b>Transactions for trading purposes (**)</b>						
Beginning of the Period (***)	-	-	118.777		-	
End of the Period (***)	-	-	188.006	118.777	-	-
<b>Total Profit / Loss</b>	-	-	<b>55</b>	<b>127</b>	-	
<b>Transactions for hedging purposes</b>						
Beginning of the Period	-	-			-	
End of the Period	-	-	-	-	-	-
<b>Total Profit / Loss</b>	-	-	-		-	

(\*) 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	%
<b>Loans</b>	387.335	28.733.042	1,35
<b>Banks</b>	5.563	1.383.437	0,40
<b>Interest Income Received</b>	52.538	4.253.997	1,24
<b>Non- Cash Loans</b>	638.314	14.015.551	4,55
<b>Commission Income Received</b>	2.125	132.674	1,60
<b>Deposit</b>	2.816.169	33.707.132	8,35
<b>Borrowings and Money Markets</b>	439.128	7.664.034	5,73
<b>Interest Expense Paid</b>	334.010	4.106.586	8,13
<b>Trading Transactions</b>	188.006	10.802.153	1,74
<b>Trading Transactions Expenses (net)</b>	55	189.699	0,03

3. Information regarding benefits provided to the Bank's key management:

Salaries paid to the Bank's key management amount to YTL14.482 thousand (2006: YTL17.580 thousand) as of 31 December 2007.

### IX. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

	Number	Employee number		
Domestic Branch	675	14.242	<b>Country of Incorporation</b>	
Foreign Rep. Office	1	1	1- Russia	
			<b>Total Asset</b>	<b>Statutory Share capital</b>
Foreign Branch	-	-	-	-
<b>Off-Shore Banking Region Branch</b>	<b>1</b>	<b>6</b>	<b>1-Bahrain</b>	<b>7.644.850</b>
				-

# YAPI VE KREDİ BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### X. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

1) Nominal share capital amount of YTL34.897.132,53 (35.28% of the capital), owned by KFS in Yapı Kredi Menkul shall be purchased by YKB in return for USD158.754.689,63 in accordance with the value determined in the independent valuation report prepared by DTT Kurumsal Finans Danışmanlık Hizmetleri A.Ş. (Member of Deloitte Touche Tohmatsu) and the USD Exchange Buying Rate announced by the CBRT on the payment date shall be used as the exchange rate for conversion into YTL. In scope of the decision of the Board of Directors at 3 October 2007 to apply to CBM in order to assure the approval of the share transfer, the approval of CMB regarding the transfer of the Yapı Kredi Menkul shares has been approved and the cost of the share purchase as USD158.754.689,63 has been paid to KFS as YTL188.616.446,75 converted with the TCMB exchange rate at 15 February 2008.

2) During the meeting of the Board of Directors of the Bank held on 21 February 2008, it was resolved that Merrill Lynch International and UniCredit CAIB AG would be appointed as joint financial advisors to assist YKB in the reorganisation of its presence in the insurance business, including assessment of divestiture and partnerships, with the purpose of maximising the value for its clients and shareholders.

3) It has been decided by the Board of Directors at 3 October 2007 to purchase nominal share capital amount of EUR32.672.880 (67.24% of the capital), owned by KFS in Yapı Kredi Bank Nederland N.V. in return for EUR97.502.661,71 in accordance with the value determined in the independent valuation report prepared by Ernst&Young Transaction Advisory Services B.V. and to apply to Dutch authorities in order to assure the approval of the share transfer. The sale of the Yapı Kredi Bank Nederland N.V shares has been approved by the Dutch authorities and the cost of the share purchase as EUR97.502.661,71 has been paid to KFS as YTL165.062.256,01 converted with the TCMB EUR exchange buying rate at 15 January 2008.

4) Board of Directors has decided the Bank to switch to the registered capital system as of 4 March 2008 and in this aspect, to amend the related articles in Bank General Agreement and apply to BRSA, CMB and other related bodies to get necessary permissions in order to realise the switch to the registered capital and amend the main agreement, and following the permissions to present the switch to the registered capital system and amendment of the main agreement to the ordinary General Assembly for the approval of the shareholders.

5) As of 29 February 2008, the shares of Yapı Kredi Bank Deutschland AG, which is owned 65,42% by the Bank and 34,58% by Yapı Kredi Holding BV have been sold to Avenue Europe Investments Singapore Pte Ltd. for net assets + EUR250 thousand and EUR4.742 thousand after capital decrease has been deposited to the Bank's account.

#### SECTION SIX

##### OTHER EXPLANATIONS AND NOTES

##### I. OTHER EXPLANATIONS ON GROUP'S OPERATIONS

None.

#### SECTION SEVEN

##### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

##### I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The consolidated financial statements and explanatory notes as of 31 December 2007 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers). The independent auditor's report dated 12 March 2008 is presented prior to the consolidated financial statements.

##### II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

## Yapı Kredi's Ratings and Rating Agencies' Views on Yapı Kredi

MOODY'S	Rating	Outlook
Financial Strength Rating	D+	Stable
Short Term Foreign Currency Deposit	NP	Stable
Long Term Foreign Currency Deposit	B1	Stable
Long Term Local Currency Deposit	A3	Stable
Short Term Local Currency Deposit	Prime-2	Stable
National Scale Rating	Aaa.tr	
STANDARD&POOR'S	Rating	Outlook
Long term FC Counterparty Rating	BB-	Stable
Short term Credit Rating on the International Scale	B	
Long term Credit Rating on the Turkish Scale	trA+	
Short term Credit Rating on the Turkish Scale	trA-1	
FITCH RATINGS	Rating	Outlook
Foreign Currency Issuer Default Rating		
Long Term	BB	Stable
Short Term	B	
Local Currency Issuer Default Rating		
Long Term	BBB-	Stable
Short Term	F3	
Individual Rating	D	
Support Rating	3	
National Long Term Rating	AAA (tur)	Stable

Moody's believes that YKB has **the core competencies and resources available to maintain and further develop current market positions**. New owners are reinvigorating **the Bank's commercial strategy, focused on increasing revenue market share, supporting franchise value**. We note **the continuing recovery in the Bank's profitability and capitalisation metrics**, along with **progress in the implementation of the new service model**.

Moody's, August 2007

Yapı Kredi has a **segment-based service model and customer-focused strategy**, which will enable it to **strengthen its franchise and increase traditional banking activities** as the Turkish economy continues to grow rapidly. The bank has **centralized many key operational activities at its head office to enhance standardization, expertise, and operational control**.

Standard&Poors, June 2007

The Individual Rating indicates YKB's **strong credit card franchise, improved profitability and better risk management**.

Fitch, August 2007

## Bank Analysts' Views on Yapı Kredi

We think YKB has an **ideal ownership structure benefiting from the strong support and aligned interests of its two powerful parents-UniCredito and Koç Group**. The initial restructuring efforts have been completed and the Bank has been profitable since 2006. However, we think **it can deliver much better results in the future**.

Credit Suisse, December 2007

YKB says it plans to **increase the total number of its branches to 1,000 from 660**. We do not expect such rapid expansion to be easy. But **if it is completed successfully, which we believe is likely**, the expansion will **create the necessary YTL funding base, increase efficiencies**, and **make the Bank one of the leading players in the market**.

HSBC, November 2007

We expect YKB to show **one of highest EPS growth performances among the peer group going forward**, with its **more productive balance sheet, high local currency return on the loan book, strong non-interest income generation power** and **expected improvement at the cost level**.

UBS, October 2007

We feel that YKB should be able to achieve above sector earnings growth within its existing organic growth plans. Turkey is a strategic priority for UniCredit in terms of growth markets (also Poland and Russia/CIS), which strongly supports YKB's ambitions to gain scale and presence in Turkey becoming a top 3 bank in the next few years.

JP Morgan, September 2007

Yapı Kredi Bank continues to unveil its potential... Thus, the **Bank recovered a significant portion of market share lost with the management's focus now entirely on growth and profitability**. Going forward, **new branch openings should start to contribute to growth**.

Deutsche Bank, August 2007

We firmly believe that Yapı Kredi has **produced substantiated proof of focus on profitability** and that the merger with Koçbank, combined with the ongoing restructuring program at YKB is resulting in **visible improvements in efficiency and commerciality**. In our mind, if the Bank **continues to deliver earnings growth in line with our estimates**, valuation levels should start to reflect the **Bank's superior profitability**.

Goldman Sachs, May 2007

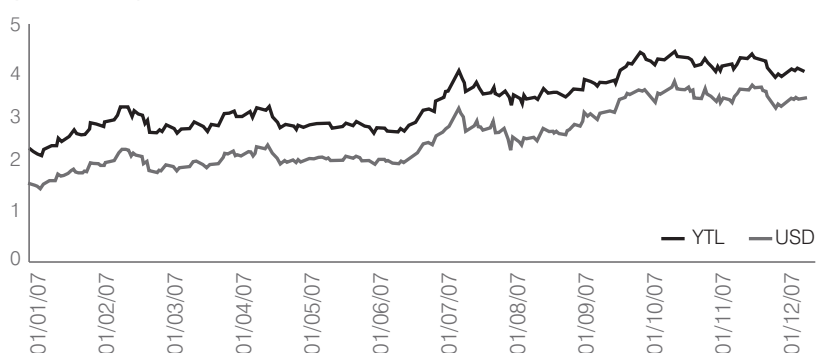
## Yapı Kredi Share Performance

Yapı Kredi shares are traded on the Istanbul 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 the 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 2007 is presented on page 7 of this Annual Report.

YKBNK	Market Capitalisation		Price (YTL)		
	YTL mln	USD mln	Close	Lowest	Highest
1Q07	9.302	6.692	2,95	2,97	2,89
2Q07	9.195	7.008	2,92	2,94	2,86
3Q07	12.155	10.099	3,86	3,94	3,86
4Q07	14.119	12.114	4,12	4,14	4,08

### Yapı Kredi Share Price Performance (YTL & USD)



In 2007, Yapı Kredi's share price increased by 69% in TL terms and 102% in USD terms. With this performance, Yapı Kredi outperformed the Banking Index by 29%. In the same period, Yapı Kredi's market capitalisation increased by 83% in TL terms.

### Yapı Kredi Share Price Performance Relative to ISE-100 Index



Yapı Kredi's share outperformed the ISE by 41% at the highest point during the year while performing in line with the ISE at the lowest point.

## Summary Financial Highlights

(Consolidated BRSA financials)

	2007	2006	2005*	2004*	2003*
Total Assets	50.352.909	49.016.638	23.839.660	24.624.008	23.819.579
Deposits	32.166.933	31.127.271	17.079.186	14.293.241	15.277.967
Loans	28.508.881	22.504.146	11.420.852	10.055.975	9.096.373
Shareholders' Equity	4.903.749	3.425.163	1.587.615	4.639.658	4.006.510
Net Profit	709.185	513.908	-1.543.010	-58.871	184.674
No of Personnel	14.249	13.478	10.211	10.579	10.504
No of Branches	676	608	416	420	426

\* Figures for 2003, 2004, and 2005 have been taken from pre-merger Yapı Kredi financial statements.



# Yapi Kredi Abroad

## Foreign Subsidiaries

### YAPI KREDİ BANK NEDERLAND NV

Rembrandt Tower, 16th Floor  
Amstelplein 1, 1096 HA  
Amsterdam - The Netherlands  
Tel: + 3120 462 44 44  
Fax: + 3120 663 13 31  
Swift Code: KABA NL 2A

### YAPI KREDİ BANK MOSCOW

Goncharnaya Naberezhnaya Construction  
2, House 1  
115172 Moscow - The Russian Federation  
Tel: + 7495 234 98 89  
Fax: + 7495 956 19 72  
Swift Code: YKBM RU MM  
Telex Code: 414150 yapi ru

### BANQUE DE COMMERCE ET DE PLACEMENTS S.A.

PO Box 1331, 25 Rue de Chantepoulet  
CH-1211 Geneva - Switzerland  
Tel: + 41 22 909 19 19  
Fax: + 41 22 909 19 00  
Swift Code: BPCP CH GG  
Telex Code: 412391 bcp ch

### YAPI KREDİ BANK AZERBAIJAN

28 May Street, No: 5  
AZ 1014 Baku - Azerbaijan  
Tel: + 99 412 497 77 95  
Fax: + 99 412 497 02 76  
Swift Code: KABA AZ 22

## Foreign Branches

### YAPI KREDİ - BAHRAIN BRANCH

Bahrain Development Bank Building,  
2nd Floor  
Diplomatic Area P.O. Box: 10615  
Manama - Bahrain  
Tel: + 973 175 410 55 - + 973 175 303 13  
Fax: + 973 175 410 56 - + 973 175 303 11  
Swift Code: YAPI BH BX  
Telex Code: 9935 yapibah bn

## Representative Offices

### YAPI KREDİ - MOSCOW REPRESENTATIVE OFFICE

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Construction 1, House 2  
115172 Moscow - The Russian Federation  
Tel: + 7495 915 07 12  
Fax: + 7495 915 31 95

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