

**CONVENIENCE TRANSLATION  
OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S  
REPORT ORIGINALLY ISSUED IN TURKISH,  
SEE IN NOTE I. OF SECTION THREE**

**YAPI VE KREDİ BANKASI A.Ş.**

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2006**

**CONVENIENCE TRANSLATION OF  
THE INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

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

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

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

*Disclosure for the Responsibility of the Authorized Audit Firm:*

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

*Independent Auditors' Opinion*

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

*Additional paragraph for convenience translation:*

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

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

Zeynep Uras, SMMM  
Partner

İstanbul, 12 April 2007

**THE CONSOLIDATED FINANCIAL REPORT OF  
YAPI VE KREDİ BANKASI A.Ş. AS OF 31 DECEMBER 2006**

E-Mail : [financialreports@yapikredi.com.tr](mailto:financialreports@yapikredi.com.tr)

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

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

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows.

**Subsidiaries**

1. Yapı Kredi Sigorta A.Ş.
2. Yapı Kredi Emeklilik A.Ş.
3. Yapı Kredi Finansal Kiralama A.O.
4. Yapı Kredi Faktoring A.Ş.
5. Yapı Kredi Yatırım Menkul Değerler A.Ş.
6. Koç Yatırım Menkul Değerler A.Ş.
7. Yapı Kredi Yatırım Ortaklığı A.Ş.
8. Yapı Kredi Portföy Yönetimi A.Ş.
9. Yapı Kredi Bank Deutschland A.G.
10. Yapı Kredi Holding B.V.
11. Yapı Kredi Bank Nederland N.V.
12. Yapı Kredi Bank Moscow

**Associates**

1. Banque de Commerce et de Placements S.A.

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

Rüşdü SARAÇOĞLU  
Chairman of the  
Board of Directors

S. Kemal Kaya  
General Manager

Carlo VIVALDI  
Executive Vice President

Duygu DÖNMEZ  
Head of Financial  
Reporting Unit

Andrea MONETA  
President of Audit Committee

F.Füsun AKKAL BOZOK  
Member of Audit Committee

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

**Name-Surname / Title:** M.Serkan Keskin / Assistant Manager

**Telephone Number** : 0212 339 72 73

**Fax Number** : 0212 339 61 05

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**YAPI VE KREDİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

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

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE GROUP**

**I. THE PARENT BANK’S FOUNDATION DATE, START-UP STATUTE, HISTORY ABOUT THE CHANGES IN THIS MENTIONED STATUTE :**

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

**II. EXPLANATION ABOUT THE PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE PARENT BANK BELONGS TO:**

The Parent Bank’s shares have been traded on the Istanbul Stock Exchange (“ISE”) since 1987. As of 31 December 2006, 19,54% shares of the Bank are publicly traded.

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

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

In 2006, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries have been legally merged in 2006:

<b>Merging Entities</b>		<b>Merger Date</b>	<b>Merged Entity</b>
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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

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

**GENERAL INFORMATION ABOUT THE GROUP (Continued)**

**III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS:**

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

<b><u>Title</u></b>	<b><u>Name</u></b>	<b><u>Responsibility</u></b>
<b>Chairman of the Board of Directors:</b>	Dr. Rüşdü SARAÇOĞLU	Chairman
<b>Board of Directors Members:</b>	Andrea MONETA	Chairman Representative
	Seyit Kemal KAYA	Member/General Manager
	Federico GHIZZONI	Member/COO
	Ranieri De MARCHIS	Member
	Ahmet Fadıl ASHABOĞLU	Member
	Füsun Akkal BOZOK	Member
	Henning GIESECKE (*)	Member
	Halil Sedat ERGÜR	Member
	Marco IANNACCONNE (*)	Member
<b>General Manager:</b>	Seyit Kemal KAYA (**)	Member and General Manager
<b>Vice General Managers:</b>	Süleyman Cihangir KAVUNCU	Human Resources Management
	Alpar ERGUN	Legal Activities Management
	Mehmet Gani SÖNMEZ	Retail Banking Management
	Erhan ÖZÇELİK	Foreign Relations Management
	Hamit AYDOĞAN	Corporate and Commercial Management
	Hüseyin İMECE (***)	Investor Relations, Capital Activities
	Mert YAZICIOĞLU	Treasury Management
	Tülay GÜNGEN	Corporate Identity and Communication
	Didem GORDON (****)	Private Banking and Asset Management
	Zeynep Nazan SOMER	Credit Cards and Consumer Lendings
	Carlo VIVALDI	Financial Planning, Administration and Control
	Mehmet Güray ALPKAYA	Credit Management
	Marco ARNABOLDI	Risk Management
	Mahmut Tevfik ÇEVİKEL	Central Purchasing and Insurance Management
	Mohammed Hishem LAROSSI	Information Technology Management
	Ahmet İLERİGELEN (***)	Corporate Banking Management
	Mert GÜVENEN	Commercial Banking Management
	Muzaffer ÖZTÜRK	Retail Sales Management
	Ali Bahadır MİNİBAŞ (***)	General Services
	Kemal SEMERCİLER	Compliance Officer
	Stefano PERAZZINI	Internal Audit
	Luca RUBAGA	Organisation Management
<b>Audit Committee Members:</b>	Andrea MONETA	Chairman
	Ranieri De MARCHIS	Member
	Füsun Akkal BOZOK	Member
<b>Statutory auditors:</b>	M. Erkan ÖZDEMİR	Auditor
	Adil G. ÖZTOPRAK	Auditor

(\*) They resigned with the decision taken in the General Assembly Meeting dated 29 March 2007 and have been replaced by Thomas Gross and Robert Zadrazil.

(\*\*) As of 10 April 2007, he resigned from the General Manager position; however he is still a member of the Board of Directors.

(\*\*\*) They have resigned after 31 December 2006.

(\*\*\*\*) After 31 December 2006, she has been assigned as "Asset Management and Investment Banking Management President" in KFS level and General Manager of Yapı Kredi Portföy Yönetimi A.Ş..

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

**CONVENIENCE TRANSLATION OF PUBLICLY  
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**YAPI VE KREDİ BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

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

**GENERAL INFORMATION ABOUT THE GROUP (Continued)**

**IV. INFORMATION ON SHAREHOLDERS HAVING CONTROL SHARES :**

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

**V. EXPLANATION ON THE PARENT BANK'S SERVICE TYPE AND FIELD OF OPERATIONS:**

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

The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements.

As of 31 December 2006, the Group has 15.873 employees.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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**YAPI VE KREDİ BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

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

**SECTION TWO  
CONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five)	(31/12/2006)		
		YTL	FC	Total
<b>ASSETS</b>				
<b>I. CASH BALANCES WITH CENTRAL BANK</b>	<b>I-a</b>	<b>1.857.188</b>	<b>2.264.206</b>	<b>4.121.394</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)</b>	<b>I-b</b>	<b>245.898</b>	<b>368.630</b>	<b>614.528</b>
2.1 Trading Financial Assets		173.798	363.025	536.823
2.1.1 Government Debt Securities		122.699	342.773	465.472
2.1.2 Share Certificates		17.735	-	17.735
2.1.3 Other Marketable Securities		33.364	20.252	53.616
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Share Certificates		-	-	-
2.2.3 Other Marketable Securities		-	-	-
2.3 Trading Derivative Financial Assets		72.100	5.605	77.705
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	<b>I-c</b>	<b>76.037</b>	<b>2.240.567</b>	<b>2.316.604</b>
<b>IV. MONEY MARKETS</b>		<b>28.354</b>	<b>27.422</b>	<b>55.776</b>
4.1 Interbank Money Market Placements		-	27.422	27.422
4.2 Receivables from Istanbul Stock Exchange Money Market		700	-	700
4.3 Receivables from Reverse Repurchase Agreements		27.654	-	27.654
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>I-d</b>	<b>365.189</b>	<b>407.876</b>	<b>773.065</b>
5.1 Share Certificates		17.496	15.244	32.740
5.2 Government Debt Securities		292.540	326.601	619.141
5.3 Other Marketable Securities		55.153	66.031	121.184
<b>VI. LOANS</b>	<b>I-e</b>	<b>15.347.891</b>	<b>7.337.415</b>	<b>22.685.306</b>
6.1 Loans		15.036.005	7.321.433	22.357.438
6.2 Loans under Follow-up		1.724.812	51.893	1.776.705
6.3 Specific Provisions (-)		(1.412.926)	(35.911)	(1.448.837)
<b>VII. FACTORING RECEIVABLES</b>		<b>641.151</b>	<b>517.669</b>	<b>1.158.820</b>
<b>VIII. HELD-TO-MATURITY INVESTMENTS (Net)</b>	<b>I-f</b>	<b>6.505.820</b>	<b>9.901.346</b>	<b>16.407.166</b>
8.1 Government Debt Securities		6.505.820	9.901.346	16.407.166
8.2 Other Marketable Securities		-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>I-g</b>	<b>3.529</b>	<b>41.352</b>	<b>44.881</b>
9.1 Consolidated Based on Equity Method		-	41.352	41.352
9.2 Unconsolidated		3.529	-	3.529
9.2.1 Financial Investments in Associates		3.529	-	3.529
9.2.2 Non-Financial Investments in Associates		-	-	-
<b>X. SUBSIDIARIES (Net)</b>	<b>I-h</b>	<b>110.608</b>	<b>24.500</b>	<b>135.108</b>
10.1 Unconsolidated Financial Subsidiaries		30.173	-	30.173
10.2 Unconsolidated Non-Financial Subsidiaries		80.435	24.500	104.935
<b>XI. JOINT VENTURES (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
11.1 Consolidated 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>	<b>I-m</b>	<b>545.056</b>	<b>1.045.360</b>	<b>1.590.416</b>
12.1 Financial Lease Receivables		706.053	1.221.498	1.927.551
12.2 Operating Lease Receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned Income (-)		(160.997)	(176.138)	(337.135)
<b>XIII. HEDGING DERIVATIVE FINANCIAL ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair Value Hedge		-	-	-
13.2 Cash Flow Hedge		-	-	-
13.3 Foreign Net Investment Hedge		-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	<b>I-i</b>	<b>1.220.216</b>	<b>16.879</b>	<b>1.237.095</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>I-j</b>	<b>1.156.130</b>	<b>16</b>	<b>1.156.146</b>
15.1 Goodwill		979.493	-	979.493
15.2 Other		176.637	16	176.653
<b>XVI. TAX ASSET</b>		<b>287.812</b>	<b>1.399</b>	<b>289.211</b>
16.1 Current Tax Asset		120.960	1.270	122.230
16.2 Deferred Tax Asset	I-k	166.852	129	166.981
<b>XVII. ASSETS HELD FOR RESALE (Net)</b>	<b>I-l</b>	<b>182.487</b>	<b>7.430</b>	<b>189.917</b>
<b>XVIII. OTHER ASSETS</b>	<b>I-n</b>	<b>462.488</b>	<b>283.722</b>	<b>746.210</b>
<b>TOTAL ASSETS</b>		<b>29.035.854</b>	<b>24.485.789</b>	<b>53.521.643</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**YAPI VE KREDİ BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2006)		
		YTL	FC	Total
<b>LIABILITIES</b>				
<b>I. DEPOSITS</b>	<b>II-a</b>	<b>16.045.124</b>	<b>15.635.956</b>	<b>31.681.080</b>
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>II-b</b>	<b>29.275</b>	<b>2.798</b>	<b>32.073</b>
<b>III. BORROWINGS</b>	<b>II-c</b>	<b>574.320</b>	<b>4.313.442</b>	<b>4.887.762</b>
<b>IV. MONEY MARKETS</b>		<b>2.957.832</b>	<b>399.088</b>	<b>3.356.920</b>
4.1 Funds from Interbank Money Market		-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-
4.3 Funds Provided Under Repurchase Agreements		2.957.832	399.088	3.356.920
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	<b>II-d</b>	<b>-</b>	<b>1.650.006</b>	<b>1.650.006</b>
5.1 Bills		-	-	-
5.2 Asset Backed Securities		-	1.650.006	1.650.006
5.3 Bonds		-	-	-
<b>VI. FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>2.011.478</b>	<b>525.034</b>	<b>2.536.512</b>
<b>VIII. OTHER LIABILITIES</b>	<b>II-e</b>	<b>315.472</b>	<b>483.533</b>	<b>799.005</b>
<b>IX. FACTORING PAYABLES</b>		<b>104.890</b>	<b>267.945</b>	<b>372.835</b>
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	<b>II-f</b>	<b>1</b>	<b>4</b>	<b>5</b>
10.1 Financial Lease Payables		1	5	6
10.2 Operational Lease Payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	(1)	(1)
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair Value Hedge		-	-	-
11.2 Cash Flow Hedge		-	-	-
11.3 Foreign Net Investment Hedge		-	-	-
<b>XII. PROVISIONS</b>	<b>II-g</b>	<b>1.973.911</b>	<b>555.948</b>	<b>2.529.859</b>
12.1 General Loan Loss Provision		482.686	226.261	708.947
12.2 Restructuring Provisions		-	-	-
12.3 Reserve for Employee Rights		159.574	3.602	163.176
12.4 Insurance Technical Provisions (Net)		468.744	321.669	790.413
12.5 Other Provisions		862.907	4.416	867.323
<b>XIII. TAX LIABILITY</b>	<b>II-h</b>	<b>175.549</b>	<b>6.448</b>	<b>181.997</b>
13.1 Current Tax Liability		173.751	3.883	177.634
13.2 Deferred Tax Liability		1.798	2.565	4.363
<b>XIV. PAYABLES FOR ASSET HELD FOR RESALE</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. SUBORDINATED LOANS</b>	<b>II-i</b>	<b>-</b>	<b>1.559.258</b>	<b>1.559.258</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>II-j</b>	<b>3.919.316</b>	<b>15.015</b>	<b>3.934.331</b>
16.1 Paid-in capital		3.142.818	-	3.142.818
16.2 Capital Reserves		53.306	15.015	68.321
16.2.1 Share Premium		45.781	-	45.781
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Marketable Securities Value Increase Fund		7.525	15.015	22.540
16.2.4 Revaluation of Property and Equipment		-	-	-
16.2.5 Revaluation of Intangible Fixed Assets		-	-	-
16.2.6 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-
16.2.7 Hedging Funds (Effective portion)		-	-	-
16.2.8 Value Increase of Assets Held for Resale		-	-	-
16.2.9 Other Capital Reserves		-	-	-
16.3 Profit Reserves		343.184	-	343.184
16.3.1 Legal Reserves		17.159	-	17.159
16.3.2 Status Reserves		-	-	-
16.3.3 Extraordinary Reserves		326.025	-	326.025
16.3.4 Other Profit Reserves		-	-	-
16.4 Income or (Loss)		(168.602)	-	(168.602)
16.4.1 Prior Years' Income or (Loss)		(696.955)	-	(696.955)
16.4.2 Current Year Income or (Loss)		528.353	-	528.353
16.5 Minority Interest		548.610	-	548.610
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>28.107.168</b>	<b>25.414.475</b>	<b>53.521.643</b>

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE IN NOTE I. OF SECTION THREE**

**YAPI VE KREDİ BANKASI A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

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

<b>II. INCOME STATEMENTS</b>		
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five)</b>	<b>01/01-31/12/2006</b>
<b>I. INTEREST INCOME</b>	<b>III-a</b>	<b>5.359.580</b>
1.1 Interest on loans	III-a-1	3.445.339
1.2 Interest Received from Reserve Requirements		146.063
1.3 Interest Received from Banks	III-a-2	102.329
1.4 Interest Received from Money Market Transactions		18.720
1.5 Interest Received from Marketable Securities Portfolio	III-a-3	1.378.785
1.5.1 Trading Financial Assets		92.537
1.5.2 Financial Assets at fair value through profit or loss		-
1.5.3 Available-for-sale Financial Assets		67.326
1.5.4 Held to maturity Investments		1.218.922
1.6 Financial Lease Income		166.917
1.7 Other Interest Income		101.427
<b>II. INTEREST EXPENSE</b>	<b>III-b</b>	<b>(3.353.761)</b>
2.1 Interest on Deposits	III-b-3	(2.717.792)
2.3 Interest on Funds Borrowed	III-b-1	(377.793)
2.4 Interest Expense on Money Market Transactions		(239.654)
2.5 Interest on Securities Issued	III-b-4	(4.216)
2.6 Other Interest Expenses		(14.306)
<b>III. NET INTEREST INCOME (I + II)</b>		<b>2.005.819</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.442.608</b>
4.1 Fees and Commissions Received		1.943.656
4.1.1 Cash Loans		62.529
4.1.2 Non-cash Loans		130.431
4.1.3 Other		1.750.696
4.2 Fees and Commissions Paid		(501.048)
4.2.1 Cash Loans		(8.733)
4.2.2 Non-cash Loans		(303)
4.2.3 Other		(492.012)
<b>V. DIVIDEND INCOME</b>	<b>III-c</b>	<b>4.125</b>
<b>VI. TRADING INCOME/(LOSS) (Net)</b>	<b>III-d</b>	<b>57.290</b>
6.1 Trading Gains / (Losses) on Securities		261.669
6.2 Foreign Exchange Gains / (Losses)		(204.379)
<b>VII. OTHER OPERATING INCOME</b>		<b>472.219</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>	<b>III-e</b>	<b>3.982.061</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>III-f</b>	<b>(360.091)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>III-g</b>	<b>(2.719.599)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>902.371</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>
<b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>2.048</b>
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>
<b>XV. INCOME/(LOSS) BEFORE INCOME TAXES (XI+XII+XIII+XIV+XV)</b>	<b>III-h</b>	<b>904.419</b>
<b>XVI. PROVISION FOR INCOME TAXES (±)</b>	<b>III-i</b>	<b>(234.616)</b>
16.1 Current Tax Provision		(80.674)
16.2 Deferred Tax Provision		(153.942)
<b>XVII. OPERATING INCOME/(LOSS) AFTER TAXES</b>		<b>669.803</b>
17.1 Discontinued Operations		-
17.2 Other		669.803
<b>XVIII. NET INCOME/(LOSS) (XV+XVI)</b>	<b>III-j</b>	<b>669.803</b>
18.1 Group's Gains / (Losses)		528.353
18.2 Minority Interest Gains / (Losses)	III-k	141.450
Earnings/(Loss) per share (in YTL full)		<b>0,0017</b>

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

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**YAPI VE KREDİ BANKASI A.Ş.  
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006**

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

III. OFF-BALANCE SHEET COMMITMENTS	Note (Section five)	(31/12/2006)		
		YTL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>17.697.746</b>	<b>13.475.298</b>	<b>31.173.044</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>IV-a-2,3</b>	<b>6.292.731</b>	<b>9.209.176</b>	<b>15.501.907</b>
1.1. Letters of Guarantee		5.566.960	5.646.062	11.213.022
1.1.1. Guarantees Subject to State Tender Law		431.794	650.341	1.082.135
1.1.2. Guarantees Given for Foreign Trade Operations		1.032.092	4.902.924	5.935.016
1.1.3. Other Letters of Guarantee		4.103.074	92.797	4.195.871
1.2. Bank Acceptances		-	216.649	216.649
1.2.1. Import Letter of Acceptance		-	216.649	216.649
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letters of Credit		325	2.589.144	2.589.469
1.3.1. Documentary Letters of Credit		325	2.544.433	2.544.758
1.3.2. Other Letters of Credit		-	44.711	44.711
1.4. Prefinancing Given as Guarantee		143	1.884	2.027
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-
1.7. Factoring Guarantees		-	-	-
1.8. Other Guarantees		4.770	583.506	588.276
1.9. Other Collaterals		720.533	171.931	892.464
<b>II. COMMITMENTS</b>	<b>IV-a-1</b>	<b>9.514.236</b>	<b>586.371</b>	<b>10.100.607</b>
2.1. Irrevocable Commitments		9.514.236	586.371	10.100.607
2.1.1. Asset Purchase Commitments		-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	569.144	569.144
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4. Loan Granting Commitments		-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-
2.1.7. Commitments for Cheques		1.310.760	-	1.310.760
2.1.8. Tax and Fund Liabilities from Export Commitments		39.365	-	39.365
2.1.9. Commitments for Credit Card Limits		8.163.986	-	8.163.986
2.1.10. Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11. Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12. Other Irrevocable Commitments		125	17.227	17.352
2.2. Revocable Commitments		-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-
2.2.2. Other Revocable Commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>IV-b</b>	<b>1.890.779</b>	<b>3.679.751</b>	<b>5.570.530</b>
3.1. Hedging Derivative Financial Instruments		-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-
3.2. Trading Transactions		1.890.779	3.679.751	5.570.530
3.2.1. Forward Foreign Currency Buy/Sell Transactions		551.647	1.524.875	2.076.522
3.2.1.1. Forward Foreign Currency Transactions-Buy		379.139	674.128	1.053.267
3.2.1.2. Forward Foreign Currency Transactions-Sell		172.508	850.747	1.023.255
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		579.009	1.548.452	2.127.461
3.2.2.1. Foreign Currency Swap-Buy		112.788	504.311	617.099
3.2.2.2. Foreign Currency Swap-Sell		159.236	450.111	609.347
3.2.2.3. Interest Rate Swap-Buy		-	450.968	450.968
3.2.2.4. Interest Rate Swap-Sell		306.985	143.062	450.047
3.2.3. Foreign Currency, Interest rate and Securities Options		546.180	606.424	1.152.604
3.2.3.1. Foreign Currency Options-Buy		273.090	303.212	576.302
3.2.3.2. Foreign Currency Options-Sell		273.090	303.212	576.302
3.2.3.3. Interest Rate Options-Buy		-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-
3.2.3.5. Securities Options-Buy		-	-	-
3.2.3.6. Securities Options-Sell		-	-	-
3.2.4. Foreign Currency Futures		-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-
3.2.5. Interest Rate Futures		-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-
3.2.6. Other		213.943	-	213.943
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>68.025.125</b>	<b>2.527.949</b>	<b>70.553.074</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>54.784.978</b>	<b>1.500.439</b>	<b>56.285.417</b>
4.1. Customer Fund and Portfolio Balances		6.858.696	2.267	6.860.963
4.2. Investment Securities Held in Custody		39.859.872	1.154.620	41.014.492
4.3. Checks Received for Collection		4.669.933	49.098	4.719.031
4.4. Commercial Notes Received for Collection		3.395.301	235.461	3.630.762
4.5. Other Assets Received for Collection		-	58.993	58.993
4.6. Assets Received for Public Offering		-	-	-
4.7. Other Items Under Custody		11	-	11
4.8. Custodians		1.165	-	1.165
<b>V. PLEDGES RECEIVED</b>		<b>13.240.147</b>	<b>1.027.510</b>	<b>14.267.657</b>
5.1. Marketable Securities		362.711	580	363.291
5.2. Guarantee Notes		291.104	363.967	655.071
5.3. Commodity		20.617	-	20.617
5.4. Warranty		-	-	-
5.5. Immovable		9.682.256	499.324	10.181.580
5.6. Other Pledged Items		2.883.210	39.853	2.923.063
5.7. Pledged Items-Depository		249	123.786	124.035
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>85.722.871</b>	<b>16.003.247</b>	<b>101.726.118</b>

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**YAPI VE KREDİ BANKASI A.Ş.**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY MOVEMENT AT 31 DECEMBER 2006**

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

**IV. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Revaluation Fund	Revaluation Value Increase	Marketable Securities Value Increase Fund	Total Equity Except Minority Interest	Minority Interest	Total Shareholders' Equity
<b>31 December 2006</b>																	
<b>I. Prior Period End Balance (*)</b>		2.342.316	-	35.000	-	5.237	-	99.503	-	215.784	-	3.299	-	1.443	2.702.582	777.984	3.480.566
<b>II. Changes in Accounting Policies according to TAS 8</b>		-	-	-	-	-	-	-	-	21.571	-	(2.930)	-	-	18.641	(3.779)	14.862
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	21.571	-	(2.930)	-	-	18.641	(3.779)	14.862
<b>III. Effect of changes in consolidation scope (*)</b>		-	-	-	-	-	-	-	-	(39)	396.505	-	-	-	396.466	-	396.466
<b>IV. Effect of adjustments on preliminary fair values (**)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35.643)	(35.643)
<b>V. New Balance (I+II+III+IV)</b>		2.342.316	-	35.000	-	5.237	-	99.503	-	237.316	396.505	369	-	1.443	3.117.689	738.562	3.856.251
Changes in the period																	
<b>VI. Increase/Decrease due to the Merger (*)</b>	VII.	797.572	-	10.781	-	-	-	-	-	-	(669.163)	-	-	7.517	146.707	(146.707)	-
<b>VII. Available-for-sale Investments, Subsidiaries and Associates</b>		-	-	-	-	-	-	-	-	-	-	-	-	14.908	14.908	(3.744)	11.164
<b>VIII. Hedging transactions</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.3 Transferred Amounts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Available-for-sale Investments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Hedging transactions</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Net Current Period Income/Loss</b>		-	-	-	-	-	-	-	-	528.353	-	-	-	-	528.353	141.450	669.803
<b>XII. Profit Distribution</b>		-	-	-	-	11.922	-	226.522	-	(237.316)	(1.128)	-	-	-	-	(33.152)	(33.152)
12.1 Dividends Paid		-	-	-	-	11.922	-	226.522	-	(237.316)	(1.128)	-	-	-	-	(33.152)	(33.152)
12.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Capital Increase</b>		2.930	-	-	-	-	-	-	-	-	(2.930)	-	-	-	-	-	-
13.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.2 Value increase due to revaluation of property and equipment		2.930	-	-	-	-	-	-	-	-	(2.930)	-	-	-	-	-	-
13.3 Investments in associates, subsidiaries and joint ventures bonus shares obtained		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.4 Marketable securities value increase fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.5 Adjustment to share capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.6 Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.7 Foreign Currency Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.8 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Changes due to the disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Changes due to the reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Primary subordinated borrowings</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Secondary subordinated borrowings</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII. Effects of changes in equity of investments in associates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIX. Purchase from minority interest (*)</b>	VII.	-	-	-	-	-	-	-	-	-	(420.239)	-	-	(1.328)	(421.567)	(147.799)	(569.366)
<b>XX. Other</b>		-	-	-	-	-	-	-	-	-	-	(369)	-	-	(369)	-	(369)
<b>Period End Balance (V+..... XVII+XVIII+XX)</b>		3.142.818	-	45.781	-	17.159	-	326.025	-	528.353	(696.955)	(369)	-	22.540	3.385.721	548.610	3.934.331

(\*) Explained in detail in Note VII. of Section Five.

(\*\*) In accordance with TFRS 3, preliminary identifiable assets, liabilities, commitments and contingencies designated during the purchase of Yapı Kredi on 28 September 2005 have been adjusted and the effect of adjustment shown on the opening balances.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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V. STATEMENT OF CASH FLOWS		Notes (Section Five)	(31/12/2006)
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
1.1	Operating Profit before changes in operating assets and liabilities		1.734.619
1.1.1	Interest received		4.836.611
1.1.2	Interest paid		(3.405.550)
1.1.3	Dividend received		4.125
1.1.4	Fees and commissions received		1.943.656
1.1.5	Other income		741.677
1.1.6	Collections from previously written-off loans and other receivables		267.557
1.1.7	Payments to personnel and service suppliers		(779.257)
1.1.8	Taxes paid		38.438
1.1.9	Extraordinary Items		-
1.1.10	Other		(1.912.638)
1.2	Changes in operating assets and liabilities		4.217.389
1.2.1	Net decrease in trading securities		1.023.318
1.2.2	Net (increase) / decrease in fair value through profit/loss financial assets		-
1.2.3	Net (increase) in due from banks and other financial institutions		(1.740.147)
1.2.4	Net (increase) in loans		(4.737.569)
1.2.5	Net (increase) in other assets		(83.467)
1.2.6	Net increase in bank deposits		2.535.983
1.2.7	Net increase in other deposits		4.457.278
1.2.8	Net increase in funds borrowed		1.791.232
1.2.9	Net increase / (decrease) in payables		-
1.2.10	Net increase in other liabilities		970.761
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>5.952.008</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash provided from investing activities</b>		<b>(8.506.737)</b>
2.1	Cash paid for acquisition of investments, associates and subsidiaries		(62.019)
2.2	Cash obtained from disposal of investments, associates and subsidiaries		7.400
2.3	Purchases of property and equipment		(92.650)
2.4	Disposals of property and equipments		50.580
2.5	Cash paid for purchase of investments available-for-sale		(394.922)
2.6	Cash obtained from sale of investments available-for-sale		718.729
2.7	Cash paid for purchase of investment securities		(9.992.463)
2.8	Cash obtained from sale of investment securities		1.791.592
2.9	Other		(532.984)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash provided from financing activities</b>		<b>1.610.366</b>
3.1	Cash obtained from funds borrowed and securities issued		1.645.790
3.2	Cash used for repayment of funds borrowed and securities issued		-
3.3	Issued capital instruments		-
3.4	Dividends paid		(33.152)
3.5	Payments for finance leases		(2.272)
3.6	Other		-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>-</b>
<b>V.</b>	<b>Net (decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>(944.363)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the year</b>		<b>4.228.589</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the year</b>	<b>VI-a</b>	<b>3.284.226</b>

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION:**

The consolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents” published in the Official Gazette No:26333 dated 1 November 2006 by the Banking Regulatory and Supervisory Agency (“BRSA”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards”(“TFRS”) issued by the Turkish Accounting Standards Board (“TASB”) and other decrees, notes, explanations related to the accounting and financial reporting principles (all “Turkish Accounting Standards” or “TAS” ) published by the BRSA. The format and the details of the publicly announced consolidated financial statements and related disclosures to these statements have been prepared in accordance with the “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. The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No: 5411 (“Banking Act”), which is effective from 1 November 2005, the Turkish Commercial Code and Turkish tax legislation.

In accordance with temporary article 1 of “Regulation for Banks Consolidated Financial Statements” published in the Official Gazette No. 26340 dated 8 November 2006 by the BRSA, since the Parent Bank is the subsidiary of a domestic financial holding company (“KFS”), the Group is not obligated to prepare comparative consolidated financial statements until 31 December 2007 and therefore the consolidated financial statements prepared as of 31 December 2006 are not presented comparatively.

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**Additional paragraph for convenience translation into English:**

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

**Explanations on first-time adoption of Turkish Accounting Standards:**

The Group has prepared its consolidated financial statements in accordance with TAS as of 31 December 2006 for the first time. The effects of related adjustments are shown below:

**Effects of adoption of TAS:**

	<b>Revaluation Fund</b>	<b>Net Income/ Loss for the Period</b>	<b>Minority Interest</b>	<b>Total Equity</b>
Adjustment of reserve for employee rights	-	(4.736)	(3.523)	(8.259)
Adjustment of goodwill amortisation	-	23.494	-	23.494
Provision for premium receivable	-	(1.829)	(1.561)	(3.390)
Adjustment on sales income of immovables	(2.930)	2.930	-	-
Cumulative translation adjustments	-	-	-	-
Other	-	106	90	196
Effect of adjustments on deferred tax	-	1.606	1.215	2.821
<b>Total effect of adoption of TAS</b>	<b>(2.930)</b>	<b>21.571</b>	<b>(3.779)</b>	<b>14.862</b>

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**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”.

**III. INFORMATION ON CONSOLIDATION PRINCIPALS:**

**a. Consolidation principals applied:**

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” and the “Turkish Accounting Standard for Consolidated and Separate Financial Statements” (“TAS 27”) published in the Official Gazette No. 26340 dated 8 November 2006.

**1. Consolidation principles of subsidiaries:**

Subsidiaries (including special purpose entities), in which Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies, have been fully consolidated.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from their acquisition date. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority interest in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority interest has been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority interest has been presented separately.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

<u>Title</u>	<u>Incorporation (City/ Country)</u>	<u>Main Activities</u>	<u>Effective Rates at (%) 2006</u>	<u>Direct and Indirect Rates (%) 2006</u>
Yapı Kredi Sigorta A.Ş.	Istanbul/ Turkey	Insurance	89,21	93,94
Yapı Kredi Emeklilik A.Ş.	Istanbul/ Turkey	Insurance	89,20	100,00
Yapı Kredi Leasing (*)	Istanbul/ Turkey	Leasing	25,73	25,74
Yapı Kredi Faktoring (*)	Istanbul/ Turkey	Factoring	40,48	40,48
Yapı Kredi Menkul (**)	Istanbul/ Turkey	Portfolio Management	99,99	99,99
Yapı Kredi Yatırım Ortaklığı A.Ş.	Istanbul/ Turkey	Portfolio Management	56,06	56,07
Yapı Kredi Portföy (*)	Istanbul/ Turkey	Portfolio Management	14,04	14,88
Yapı Kredi Bank Deutschland A.G.	Frankfurt/Germany	Banking	97,50	97,50
Yapı Kredi Bank Holding B.V.	Amsterdam/ Nederland	Financial Consultancy	100,00	100,00
Yapı Kredi Bank Nederland N.V.	Amsterdam/ Nederland	Banking	100,00	100,00
Yapı Kredi Bank Moscow	Moscow/ Russia	Banking	99,89	100,00
Koç Yatırım (**)	Istanbul/ Turkey	Investment Marketable Securities	-	-
Yapı Kredi Diversified Payment Rights Company (***)	George Town/ Cayman Islands	Special Purpose Company	-	-

(\*) Although the shareholding rate is less than 50%, the Group has power to control the financial and operating policies for the benefit of the Group.

(\*\*) Extraordinary General Assembly meetings regarding the transfer of Koç Yatırım with all its rights, receivables, liabilities and obligations to Yapı Kredi Menkul and the consequent dissolution without liquidation were held on 29 December 2006, the merger was approved on 15 December 2006 by Capital Market Board and registered on 12 January 2007. As a result of the merger, the Bank has 64,70% of direct share in Yapı Kredi Menkul.

(\*\*\*) It is a special purpose company established for securitisation transactions and is included in the consolidation although the Bank or any of its affiliates does not have any shareholding interest in this company.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

2. Consolidation principles of associates:

Associate is a partnership which the Parent Bank participates in its capital and has significant effect on it although it has no capital or management control, whose main operation is banking and which operates according to special legislation with permission and license and is established abroad. The related associate is consolidated with equity method in accordance with materiality principle.

Significant effect, refers to the participation power on the constitution of the financial and management policies of the participated associate. If the Parent Bank has 10% or more voting right on the associate, as long as otherwise is not proved, it will be accepted that the Parent Bank has significant effect on that associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changed amount occurred in the participated associate’s shareholder’s equity during the period by the portion of the participant and the deduction of the dividend from the associate from the changed value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

<u>Title</u>	<u>Incorporation (City/ Country)</u>	<u>Main Activities</u>	<u>Effective Rates at (%) 31 December 2006</u>	<u>Direct and Indirect Rates (%) 31 December 2006</u>
Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	Banking	30,67	30,67

3. Consolidation principles of joint ventures: None.

4. Principles applied during share transfer, merger and acquisition:

It is explained in more detail in Note VII. of Section Five.

5. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group, as the minority interests are perceived as genuine equity participations. The difference between the acquisition cost and net asset acquired portion is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**b. Presentation of unconsolidated subsidiaries, associates and share certificates included in the available-for-sale portfolio in consolidated financial statements:**

Turkish lira denominated unconsolidated associates and subsidiaries accounted for at cost value, less any impairment if any, in accordance with “Turkish Accounting Standards for Consolidated and Separate Financial Statements” (“TAS 27”) are recognised in the consolidated financial statements.

Foreign currency denominated unconsolidated investments and associates, subsidiaries and share certificates in the available-for-sale portfolio are booked at their original foreign currency costs less any impairment, if any, translated into Turkish Lira using the exchange rate prevailing at the balance sheet date.

When the inflation adjusted value of investments, associates and share certificates is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

**IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS :**

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

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

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

The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models. Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE :**

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

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

**VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE :**

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS :**

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

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

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

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

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

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**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 held-for-trading at the time of acquisition and, not included in available for sale financial assets, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost which is considered as their fair values. The fair values of held-to-maturity financial assets on initial recognition are either the transaction price at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at “amortised cost” using the “effective interest method” after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

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

**c. Loans and receivables:**

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**d. Available-for-sale financial assets:**

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

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

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS :**

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the “effective interest method”, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and is charged against the income for the year. The principles for accounting of provisions for loans are explained in details in Note VII. of this Section.

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS :**

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

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:**

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

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

The Group has no securities lending transactions.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XI. INFORMATION ON ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS:**

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

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:**

**a. Goodwill:**

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

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

**b. Other Intangible Assets:**

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT :**

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

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

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

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

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

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

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

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

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS:**

The Group performs financial leasing operations in the capacity of lessee and lessor.

**a. Accounting of leasing operations according to lessee :**

The Group, includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities part. Financing costs arising due to leasing are spread through the lease period forming a fixed interest ratio. In addition, fixed assets that are obtained by the way of financial leasing are subject to amortization when their given useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. Lease payments are deducted from financial leasing payables.

**b. Accounting of leasing operations according to lessor:**

Asset that is subject to financial leasing is reflected as a receivable which is equal to net leasing amount in consolidated balance sheet. Interest income is set to create a fixed periodical gain rate on net investment amount of the related leased asset by the lessor and the portion which is not in that period is followed in the unearned interest income account.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON FACTORING RECEIVABLES AND PAYABLES :**

Factoring receivables are recognised at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortised cost less reserve for factoring receivable losses. Factoring payables are recognised at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and then carried at amortised cost.

**XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSES :**

*Premium Income*

Premium income arises after the deduction of transferred share to reinsurers from the installment amount of policies arranged within the year and accumulated life policies issued in previous years. In non-life branches, accrual of premium income is realized when the policy is issued.

In life branch, accrual of premium income is realized in installments’ maturities. The Company cancels life premiums which accrues in installment maturities but not paid in a certain time and deducts it from the premium income and receivables of the insured.

*Paid Claims*

Claims are expensed as they are reported. Outstanding claim reserves are set for the reported but not paid claims in the period end. Paid claims are reflected after the deduction of related reinsurer shares.

*Commission Expense/Income*

Commission expense related with the sale of issued insurance policies and commission income taken from reinsurers is reflected to operations in the period when the policy was issued. In life branch, commission expense occurs as premiums are received.

*Deferred Policy Expense*

Deferred policy expenses consist of the portion of all insurance policies excluding life insurances more than 1 year long proportional with the policy acquisition and net commission expenses which falls to the following period.

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL RESERVES :**

*Unearned Premium Reserves*

Insurance companies have to set unearned premium reserves for its liabilities excluding life insurances covering more than one year and earthquake guarantees. Unearned premium reserves consist of the following year’s portion of the premiums accrued for the policies in force. As for the transportation branch policies, 50% of premiums written for the last three months are set as unearned premium reserves. Unearned premium reserves are identified according to actuary accounts on policy and day base.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

*Outstanding Claim Reserves*

Outstanding claim reserves are set for all obligations of claim files that are realized as of year end but not paid yet. Outstanding claim reserves are identified consistent to expert reports or first evaluations of the insured and expert. Outstanding claim reserves are reflected after the deduction of related reinsurer shares. In addition, reserves are also set for realized but not notified outstanding claims.

Outstanding claim reserves for the realized but not reported claim and insurance amounts in 2004 are started to be set. Outstanding claim reserves for the realized but not reported claim and insurance amounts are calculated by multiplying weighted average rates found by various statistical models with net conservation premiums.

*Life Mathematical Reserves and Life Profit Share*

Mathematical reserves are set for the compensations that the life branch subsidiaries are committed to pay in the future. In accordance with the Insurance Inspection Law, the subsidiaries operating as life branches set life mathematical reserves by deducting the collection expenses and mortality risk premiums and commissions from the premiums collected based on the life insurance contracts made by the life branches of correspondent subsidiaries. Revenue generated from the utilization of these reserves in investment activities is set as life profit share reserve in order to distribute to the policy owners. These reserves are calculated based on the actuarial mortality tables approved by the Turkish Treasury.

**XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS :**

Provisions and contingent liabilities are provided for in accordance with “Communiqué 8 on the Accounting Application Regulation-Standard for Provisions, Contingent Liabilities and Accounting of Assets” (“AAR 8”) except for the specific and general provisions provided for loans and other receivables.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provision for contingent liabilities arisen from past events should be recognised in the same period of occurrence in accordance with the “Matching principle”. When a reliable estimate of the amount of obligation cannot be made, it is considered that a “contingent” liability exists. A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made.

***Provision for the Parent Bank’s Pension Fund Deficit:***

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:**

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

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

**XX. EXPLANATIONS ON TAXATION :**

**a. Current Tax:**

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

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

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

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

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

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**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 five years. Losses cannot be carried back to offset profits from previous periods.

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

**b. Deferred Tax:**

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

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with TAS 12. The deferred tax asset and deferred tax liability are presented as separate in these financial statements.

**XXI. EXPLANATIONS ON BORROWINGS :**

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

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

**XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES :**

Transaction costs regarding the issuance of share certificates are accounted as expense in the income statement.

No dividend payments were announced after the balance sheet date of the Parent Bank.

**XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES :**

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

**XXIV. EXPLANATIONS ON GOVERNMENT GRANTS :**

As of 31 December 2006, the Group has no government grants.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXV. LEGAL MERGER :**

Assets and liabilities, subject to business combinations in the accounting of business combinations which occur under common control are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year when the business combinations occurred. Previous period financial statements are adjusted in the same way in order to be comparable. As a result of those transactions, any goodwill or negative goodwill is not calculated.

**XXVI. PROFIT RESERVES AND PROFIT DISTRIBUTION:**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in Turkish Commercial Code (“TCC”). TCC foresees that first legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued but holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and can not be used for other purposes unless they exceed 50% of paid-in capital.

**XXVII. EARNINGS PER SHARE :**

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

	<b>31 December 2006</b>
Group’s Profit	528,353
Weighted Average Number of Issued Ordinary Shares(Thousand)	314,281,800
<b>Earning Per Share (Disclosed in full YTL)</b>	<b>0.0017</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.

**XXVIII. RELATED PARTIES :**

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

**XXIX. CASH AND CASH EQUIVALENTS :**

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

**XXX. RECLASSIFICATIONS:**

Since the Parent Bank is the subsidiary of a domestic financial holding company (“KFS”), the Group is not obligated to prepare comparative consolidated financial statements until 31 December 2007.

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**SECTION FOUR  
INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP**

**I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO:**

- a. The capital adequacy ratio of the Group is 13,30%.
- b. The capital adequacy ratio is calculated in accordance with the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio” and “Regulation Regarding Banks’ Shareholders Equity” (together referred as “Regulation Regarding Capital Adequacy”) published as of 1 November 2006. The following tables show the details of “Risk weighted assets” and the calculation of “Shareholders’ Equity” for the capital adequacy ratio calculation.
- c. Information related to capital adequacy ratio :

	Risk Weights							
	The Parent Bank				Consolidated			
	0%	20%	50%	100%	0%	20%	50%	100%
<b>Amount subject to credit risk</b>								
<b>Balance sheet items (Net)</b>	<b>21.563.340</b>	<b>2.050.029</b>	<b>2.907.176</b>	<b>20.625.227</b>	<b>22.820.257</b>	<b>2.703.258</b>	<b>3.186.969</b>	<b>22.485.068</b>
Cash	477.363	3.164	-	-	514.720	3.164	-	3.352
Matured marketable securities	-	-	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	570.547	-	-	-	570.547	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	1.946.297	-	13.476	-	2.295.482	-	13.476
Interbank Money Market Placements	-	-	-	-	28.122	-	-	-
Receivables from reverse repurchase transactions	-	-	-	-	27.654	-	-	-
Reserve requirements with the Central Bank of the Republic of Turkey	3.029.637	-	-	-	3.029.637	-	-	-
Loans	1.148.721	16.127	2.868.912	17.865.459	1.159.102	106.082	2.920.894	18.660.553
Non-Performing Receivables (Net)	-	-	-	312.023	-	-	-	327.867
Lease receivables	-	-	-	-	36.452	11.855	224.804	1.301.162
Available-for-Sale financial assets	90.102	-	-	63.124	611.377	-	-	109.527
Held-to-Maturity investments	15.239.392	-	-	-	15.744.764	-	-	-
Receivables from the disposal of assets	-	-	-	15.284	-	-	-	15.284
Miscellaneous receivables	-	80.506	-	79.434	16.878	278.670	-	162.942
Interest and income accruals	727.343	3.805	38.264	238.297	798.763	7.983	41.271	258.405
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	696.655	-	-	-	104.935
Fixed assets	-	-	-	1.314.108	-	-	-	1.396.039
Other assets	280.235	130	-	27.367	282.241	22	-	131.526
<b>Off-balance sheet items</b>	<b>465.914</b>	<b>3.918.877</b>	<b>2.518.910</b>	<b>7.942.551</b>	<b>465.914</b>	<b>3.937.098</b>	<b>2.572.576</b>	<b>8.048.341</b>
<b>Non-cash loans and commitments</b>	<b>465.914</b>	<b>3.896.806</b>	<b>2.518.910</b>	<b>7.925.633</b>	<b>465.914</b>	<b>3.896.806</b>	<b>2.572.576</b>	<b>8.024.993</b>
Derivative financial instruments	-	22.071	-	16.918	-	40.292	-	23.348
Non-risk weighted accounts	-	-	-	-	-	-	-	-
<b>Total Risk Weighted Assets</b>	<b>22.029.254</b>	<b>5.968.906</b>	<b>5.426.086</b>	<b>28.567.778</b>	<b>23.286.171</b>	<b>6.640.356</b>	<b>5.759.545</b>	<b>30.533.409</b>

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**d. Summary information about capital adequacy ratio:**

	<b>The Parent Bank</b>	<b>Consolidated</b>
	<b>31 December 2006</b>	<b>31 December 2006</b>
Amount subject to credit risk “ASCR”	32.474.602	34.741.253
Amount subject to market risk “ASMR”	309.900	391.363
Amount subject to operational risk “ASOR”	-	-
Shareholder’s Equity	4.037.076	4.671.162
Shareholder’s Equity/(ASCR+ASMR+ASOR) *100	<b>12,31</b>	<b>13,30</b>

**Information about shareholders’ equity items:**

	<b>31 December 2006</b>
<b>CORE CAPITAL</b>	
Paid-in capital	3.142.818
Nominal capital	3.142.818
Capital commitments (-)	-
Inflation adjustment to share capital	-
Share Premium	45.781
Share cancellation profits	-
Legal reserves	17.159
First legal reserve (Turkish Commercial Code 466/1)	17.159
Second legal reserve (Turkish Commercial Code 466/2)	-
Other legal reserve per special legislation	-
Status reserves	-
Extraordinary reserves	326.025
Reserves allocated by the General Assembly	326.025
Retained earnings	-
Accumulated loss	-
Foreign currency share capital exchange difference	-
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	548.610
Profit	528.353
Current period profit (net)	528.353
Prior period profit	-
Provisions for possible risks (up to 25% of core capital)	108.514
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	-
Primary Subordinated Loans (up to 15% of core capital)	-
Uncovered portion of loss with reserves (-)	(696.955)
Current period loss (net)	-
Prior period loss	(696.955)
Special costs (-) (*)	30.974
Prepaid expenses (-) (*)	75.726
Intangible assets (-) (*)	1.156.146
Deferred tax asset amount exceeding 10% of core capital (-) (*)	-
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)	-
<b>Total Core Capital</b>	<b>4.020.305</b>

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<b>SUPPLEMENTARY CAPITAL</b>	
General provisions	439.157
45% of the movables revaluation fund	-
45% of the immovables revaluation fund	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-
Primary Subordinated Loans that are not considered in the calculation of core capital	-
Secondary Subordinated Loans	1.540.285
45 % of Marketable Securities valuation fund	10.143
From investments in associates and subsidiaries	-
Available-for-Sale financial assets	10.143
Inflation adjustment of Capital Reserve, Profit Reserve and Prior Years' Income or Loss (Except inflation adjustment of Legal Reserves, Status Reserves and Extraordinary Reserves)	-
<b>Total Supplementary Capital</b>	<b>1.989.585</b>
<b>TIER III CAPITAL</b>	<b>-</b>
<b>CAPITAL</b>	<b>6.009.890</b>
<b>DEDUCTIONS FROM THE CAPITAL (*)</b>	<b>1.338.728</b>
Investments in unconsolidated financial institutions and banks	33.702
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and the Debt Instruments That Have Primary or Secondary Subordinated Loan Nature Purchased From Them	828
The carrying amounts for investments, subsidiaries, other investments, financial subsidiaries which equity method is applied without consolidating asset and liability	41.352
Loans extended as contradictory to the articles 50 and 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	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4.671.162</b>

(\*) 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. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury and Fund Management employee who is authorised for transactions in the market are controlled by the system. In the loan granting process, liquid collaterals are obtained to the greatest extent possible. Long term projections of the companies are analysed both by financial analysis specialists and head office when granting long-term and project finance loans. Since credit and interest risks are higher in long-term commitments, their pricing is coordinated with Treasury Management.

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

- b. The Group has control limits over the positions of forwards, options and similar agreements.
- c. When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.
- d. A special provision is provided for cash risks and non-cash risks that are classified as non performing, in accordance with the regulation on provisions. After the classification of non-cash risks and they are converted to cash receivables they are followed up in the same group as cash risks and a specific provision is provided.

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

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

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- f. 1. The proportion of the Group’s top 100 cash loan balances in total cash loans is 21%.  
2. The proportion of the Group’s top 100 non-cash loan balances in total non-cash loans is 39%.  
3. The proportion of the Group’s cash and non-cash loan balances with the first 100 customers comprises of 23% of total cash loans and non-cash loans.
- g. The Group provided a general loan loss provision amounting to YTL708.947 thousand.
- h. **Information according to geographical concentration:**

	<b>Assets</b>	<b>Liabilities (***)</b>	<b>Non-Cash Loans</b>	<b>Capital Expenditures</b>	<b>Net profit (****)</b>
<b>31 December 2006</b>					
Domestic	45.729.496	39.882.439	14.434.818	92.215	528.353
European Union Countries	4.200.669	7.134.010	523.907	42	-
OECD Countries (*)	89.983	1.236.628	174.943		-
Off-shore banking regions	41	-			-
USA, Canada	1.841.798	636.125	6.700		-
Other Countries	369.360	363.331	361.539	393	-
Subsidiaries, investments and Joint Ventures	179.989	-	-	-	-
Unallocated Assets/Liabilities (**)	1.110.307	334.779	-	-	-
<b>Total</b>	<b>53.521.643</b>	<b>49.587.312</b>	<b>15.501.907</b>	<b>92.650</b>	<b>528.353</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 in liabilities.

(\*\*\*\*) The net profit could not be distributed according to geographical concentration.

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**i. Sectoral concentrations for cash loans:**

	31 December 2006			
	YTL	(%)	FC	(%)
<b>Agricultural</b>	<b>219.166</b>	<b>1,47</b>	<b>119.609</b>	<b>1,67</b>
Farming and Raising Livestock	168.685	1,13	100.707	1,40
Forestry	41.427	0,28	3.839	0,05
Fishing	9.054	0,06	15.063	0,22
<b>Manufacturing</b>	<b>3.356.278</b>	<b>22,56</b>	<b>3.982.637</b>	<b>55,44</b>
Mining	90.571	0,61	135.275	1,88
Production	3.238.156	21,76	3.644.655	50,74
Electric, Gas and Water	27.551	0,19	202.707	2,82
<b>Construction</b>	<b>630.463</b>	<b>4,24</b>	<b>388.189</b>	<b>5,40</b>
<b>Services</b>	<b>2.228.026</b>	<b>14,97</b>	<b>2.644.228</b>	<b>36,81</b>
Wholesale and Retail Trade	1.037.076	6,97	388.117	5,40
Hotel Food and Beverage Services	152.410	1,02	316.972	4,41
Transportation and Telecommunication	407.536	2,74	235.375	3,28
Financial Institutions	376.896	2,53	1.457.549	20,29
Real Estate and Leasing Services	89.434	0,60	63.817	0,89
Self Employment Services	-	-	-	-
Education Services	20.373	0,14	3.444	0,05
Health and Social Services	144.301	0,97	178.954	2,49
<b>Other</b>	<b>8.445.720</b>	<b>56,76</b>	<b>48.557</b>	<b>0,68</b>
<b>Loan Interest and Income Accruals</b>	<b>156.352</b>		<b>138.213</b>	
<b>Total</b>	<b>15.036.005</b>	<b>100,00</b>	<b>7.321.433</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. Below table represents the details of market risk calculation as of 31 December 2006 in accordance with the Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio” published in the Official Gazette No. 26333 dated 1 November 2006, namely “Calculation of Market Risk with Standard Method”.

**a. Information on Market Risk:**

	Balance
(I) Capital to be Employed for General Market Risk - Standard Method	15.317
(II) Capital to be Employed for Specific Risk –Standard Method	2.791
(III) Capital to be Employed for Currency Risk - Standard Method	13.201
(IV) Capital to be Employed for Commodity Risk	-
(V) Capital to be Employed for Exchange Risk-Standard Method	-
(VI) Capital to be Employed for Market Risk Due to Options-Standard Method	-
(VII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measurement Model	-
(VIII) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI)	31.309
<b>(IX) Amount Subject to Market Risk 12,5x(VIII) or (12,5xVII)</b>	<b>391.363</b>

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

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

	31 December 2006		
	Average	Maximum	Minimum
Interest Rate Risk	73.013	137.522	11.229
Share Premium Risk	6.622	7.679	6.879
Currency Risk	13.093	33.263	13.201
Commodity Risk	-	-	-
Exchange Risk	-	-	-
Operational Risk	-	-	-
<b>Total Amount Subject to Risk</b>	<b>92.728</b>	<b>178.464</b>	<b>31.309</b>

**IV. EXPLANATIONS ON CURRENCY RISK:**

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

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

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

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

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

As of 31 December 2005;

	USD	EUR	Yen
<b>Balance Sheet Evaluation Rate:</b>	<b>1,34180 YTL</b>	<b>1,58748 YTL</b>	<b>0,01144 YTL</b>

**Information on currency risk of the Bank:**

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

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	<b>EURO</b>	<b>USD</b>	<b>Yen</b>	<b>Other FC (*)</b>	<b>Total</b>
<b>31 December 2006</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	1.841.123	395.512	217	27.354	2.264.206
Due From Banks and Other Financial Institutions	378.872	1.706.550	2.589	152.556	2.240.567
Financial Assets at Fair Value Through Profit or Loss	169.197	193.828	-	-	363.025
Interbank Money Market Placements	4.090	22.682	-	650	27.422
Available-for-Sale Financial Assets	71.357	258.850	-	77.669	407.876
Loans (**)	2.136.219	5.645.211	21.839	183.313	7.986.582
Investments in Associates, Subsidiaries and Joint Ventures	-	24.500	-	41.352	65.852
Held-to-Maturity Investments	3.102.612	6.798.734	-	-	9.901.346
Hedging Derivative Financial Assets	-	-	-	-	-
<b>Tangible Assets</b>	<b>6.665</b>	<b>-</b>	<b>-</b>	<b>10.214</b>	<b>16.879</b>
Intangible Assets	16	-	-	-	16
Other Assets	1.226.377	432.044	2.685	191.498	1.852.604
<b>Total Assets</b>	<b>8.936.528</b>	<b>15.477.911</b>	<b>27.330</b>	<b>684.606</b>	<b>25.126.375</b>
<b>Liabilities</b>					
Bank Deposits	23.067	163.255	55	10.725	197.102
Foreign Currency Deposits	4.622.966	10.247.459	16.458	551.971	15.438.854
Funds From Interbank Money Market	192.787	206.301	-	-	399.088
Funds Borrowed From Other Financial Institutions	1.313.387	2.924.699	1.287	74.069	4.313.442
Marketable Securities Issued	544.684	1.105.322	-	-	1.650.006
Miscellaneous Payables	181.046	331.442	106	12.440	525.034
Hedging Derivative Financial Liabilities	-	-	-	-	-
Other Liabilities	2.096.532	492.587	1.327	48.805	2.639.251
<b>Total Liabilities</b>	<b>8.974.469</b>	<b>15.471.065</b>	<b>19.233</b>	<b>698.010</b>	<b>25.162.777</b>
<b>Net On Balance Sheet Position</b>	<b>(37.941)</b>	<b>6.846</b>	<b>8.097</b>	<b>(13.404)</b>	<b>(36.402)</b>
<b>Net Off Balance Sheet Position</b>	<b>(2.237)</b>	<b>92.590</b>	<b>(7.192)</b>	<b>102.326</b>	<b>185.487</b>
Financial Derivative Assets	561.109	1.164.826	3.259	203.425	1.932.619
Financial Derivative Liabilities	563.346	1.072.236	10.451	101.099	1.747.132
<b>Non-Cash Loans</b>	<b>2.838.437</b>	<b>5.883.178</b>	<b>348.346</b>	<b>139.215</b>	<b>9.209.176</b>

(\*) Of the “Other FC” total assets amounting to YTL684.606 thousand; YTL243.728 thousand is in Gold; YTL197.703 thousand is in British Pounds; YTL70.443 thousand is in Swiss Francs and YTL172.732 thousand is in other currencies. Of the total liabilities amounting to YTL698.010 thousand; YTL254.771 thousand is in Gold; YTL305.563 thousand is in British Pounds, YTL63.652 thousand is in Swiss Francs and YTL74.024 thousand is in other currencies.

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

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**V. EXPLANATIONS ON INTEREST RATE RISK:**

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

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

<b>31 December 2006</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Non Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	3.106.514	-	-	-	-	1.014.880	4.121.394
Due From Banks and Other Financial Institutions	1.758.236	79.525	37.805	26.781	21.889	392.368	2.316.604
Financial Assets at Fair Value Through Profit/Loss	18.806	86.995	148.699	36.418	272.510	51.100	614.528
Interbank Money Market Placements	28.355	-	-	-	-	27.421	55.776
Available-for-Sale Financial Assets	34.089	125.749	60.232	49.039	371.095	132.861	773.065
Loans	5.224.474	4.012.015	4.264.282	3.635.177	5.221.140	328.218	22.685.306
Held-to-Maturity Investments	3.419.703	3.669.897	2.402.885	795.132	6.119.549	-	16.407.166
Other Assets	122.700	1.291.492	236.398	312.293	888.169	3.696.752	6.547.804
<b>Total Assets</b>	<b>13.712.877</b>	<b>9.265.673</b>	<b>7.150.301</b>	<b>4.854.840</b>	<b>12.894.352</b>	<b>5.643.600</b>	<b>53.521.643</b>
<b>Liabilities</b>							
Bank Deposits	342.081	14.832	13.806	61.843	-	70.732	503.294
Other Deposits	21.384.461	3.729.445	393.488	506.523	84.739	5.079.130	31.177.786
Funds From Interbank Money Market	3.071.866	12.808	272.246	-	-	-	3.356.920
Miscellaneous Payables	1.941.700	227.745	86.707	316	-	280.044	2.536.512
Marketable Securities Issued	-	1.650.006	-	-	-	-	1.650.006
Funds Borrowed From Other Financial Institutions	592.923	901.206	675.083	1.288.301	1.430.249	-	4.887.762
Other Liabilities and Shareholders' Equity	19.663	355.924	42.132	9.222	1.559.367	7.423.055	9.409.363
<b>Total Liabilities</b>	<b>27.352.694</b>	<b>6.891.966</b>	<b>1.483.462</b>	<b>1.866.205</b>	<b>3.074.355</b>	<b>12.852.961</b>	<b>53.521.643</b>
<b>Balance Sheet Long Position</b>	-	<b>2.373.707</b>	<b>5.666.839</b>	<b>2.988.635</b>	<b>9.819.997</b>	-	<b>20.849.178</b>
<b>Balance Sheet Short Position</b>	<b>(13.639.817)</b>	-	-	-	-	<b>(7.209.361)</b>	<b>(20.849.178)</b>
Off-balance Sheet Long Position	333.765	25.097	13.646	-	86	-	372.594
Off-balance Sheet Short Position	(112.945)	(1.266)	(1.382)	(4.375)	-	-	(119.968)
<b>Total Position</b>	<b>(13.418.997)</b>	<b>2.397.538</b>	<b>5.679.103</b>	<b>2.984.260</b>	<b>9.820.083</b>	<b>(7.209.361)</b>	<b>252.626</b>

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**b. Average interest rates for monetary financial instruments:**

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

<b>31 December 2006 (*)</b>	<b>EURO</b>	<b>USD</b>	<b>Yen</b>	<b>YTL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</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	1,71	2,26		11,07
Due From Banks and Other Financial Institutions	0,67	4,88		16,70
Financial Assets at Fair Value Through Profit/Loss	9,06	8,44		19,08
Interbank Money Market Placements	-			-
Available-for-Sale Financial Assets		7,43		16,94
Loans	5,55	5,48	2,17	21,38
Held-to-maturity Investments	3,85	7,25		19,25
<b>Liabilities</b>				
Bank Deposits	0,04	1,66		18,79
Other Deposits	1,86	4,14	0,11	18,98
Funds From Interbank Money Market	-			-
Miscellaneous Payables				-
Marketable Securities Issued	3,88	5,73		-
Funds Borrowed From Other Financial Institutions	4,06	5,30	1,28	15,62

(\*) The average interest rates disclosed above are those of the Parent Bank

**VI. EXPLANATIONS ON LIQUIDITY RISK:**

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

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

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

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**Breakdown of assets and liabilities according to their outstanding maturities:**

	Demand	Up to 1 month	1-3 Months	3-6 Months	6-12 Months	1 year and over	Unclassified (*)	Total
<b>31 December 2006</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	1.014.880	3.106.514	-	-	-	-	-	4.121.394
Due From Banks and Other Financial Institutions	392.368	1.806.113	31.646	43.856	20.730	21.891	-	2.316.604
Financial Assets at Fair Value Through Profit or Loss	49.797	12.427	43.246	138.307	38.194	331.254	1.303	614.528
Interbank Money Market Placements	27.421	28.355	-	-	-	-	-	55.776
Available-for-Sale Financial Assets	92.507	20.546	24.165	32.803	50.434	512.256	40.354	773.065
Loans	28	5.074.760	3.371.400	3.825.086	2.638.124	7.447.718	328.190	22.685.306
Held-to-maturity Investments	-	2.280.824	1.342.569	1.277.340	844.284	10.662.149	-	16.407.166
Other Assets (**)	212.416	368.089	1.331.726	395.655	315.454	1.046.745	2.877.719	6.547.804
<b>Total Assets</b>	<b>1.789.417</b>	<b>12.697.628</b>	<b>6.144.752</b>	<b>5.713.047</b>	<b>3.907.220</b>	<b>20.022.013</b>	<b>3.247.566</b>	<b>53.521.643</b>
<b>Liabilities</b>								
Bank Deposits	70.732	342.081	14.878	13.617	61.986	-	-	503.294
Other Deposits	5.079.130	21.381.853	3.731.953	393.908	506.197	84.745	-	31.177.786
Funds Borrowed From Other Financial Institutions	-	469.086	718.002	363.162	1.527.824	1.809.688	-	4.887.762
Funds From Interbank Money Market	-	3.071.866	12.808	272.246	-	-	-	3.356.920
Marketable Securities Issued	-	-	-	-	-	1.650.006	-	1.650.006
Miscellaneous Payables	156.760	1.942.801	212.824	84.891	761	32.757	105.718	2.536.512
Other Liabilities (**)	2.188.573	969.972	346.775	45.850	8.816	1.556.489	4.292.888	9.409.363
<b>Total Liabilities</b>	<b>7.495.195</b>	<b>28.177.659</b>	<b>5.037.240</b>	<b>1.173.674</b>	<b>2.105.584</b>	<b>5.133.685</b>	<b>4.398.606</b>	<b>53.521.643</b>
<b>Net Liquidity Gap</b>	<b>(5.705.778)</b>	<b>(15.480.031)</b>	<b>1.107.512</b>	<b>4.539.373</b>	<b>1.801.636</b>	<b>14.888.328</b>	<b>(1.151.040)</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, stationary stocks, prepaid expenses, loans under follow-up, are classified in this column.

(\*\*) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

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**INFORMATION RELATED TO FINANCIAL POSITION OF THE GROUP (Continued)**

**VII. INFORMATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND  
LIABILITIES AT THEIR FAIR VALUES:**

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

	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>31 December 2006</b>	<b>31 December 2006</b>
<b>Financial Assets</b>	<b>42.237.917</b>	<b>42.467.271</b>
Due From Interbank Money Market	55.776	55.776
Due from banks and other financial Institutions	2.316.604	2.317.185
Available-for-Sale Financial Assets	773.065	773.065
Held-to-maturity Investments	16.407.166	16.451.801
Loans	22.685.306	22.869.444
<b>Financial Liabilities</b>	<b>40.755.360</b>	<b>40.760.450</b>
Bank deposits	503.294	503.920
Other deposits	31.177.786	31.175.308
Funds Borrowed From Other Financial Institutions	4.887.762	4.894.711
Marketable Securities Issued	1.650.006	1.650.006
Miscellaneous Payables	2.536.512	2.536.512

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

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

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

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

**VIII. INFORMATION REGARDING THE ACTIVITIES CARRIED OUT ON BEHALF AND ON  
ACCOUNT OF OTHER PARTIES:**

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

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**SECTION FIVE  
EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

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

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

	31 December 2006	
	YTL	FC
Cash/Foreign currency	307.328	127.893
CBRT	1.549.860	2.095.114
Other	-	41.199
<b>Total</b>	<b>1.857.188</b>	<b>2.264.206</b>

2. Information on the account of the CBRT:

	31 December 2006	
	YTL	FC
Demand Unrestricted Amount	283	570.264
Time Unrestricted Amount	-	-
Reserve Requirement	1.549.577	1.524.850
<b>Total</b>	<b>1.549.860</b>	<b>2.095.114</b>

3. Information on reserve requirements:

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

As of 31 December 2006, the Group’s reserve deposits, including those at foreign banks, amount to YTL3.096.049 thousand.

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

- As of 31 December 2006, financial assets at fair value through profit or loss subject to repo transactions amount to YTL195.994 thousand given as collateral/blocked amounts to YTL15.302 thousand.
- Positive differences related to trading derivative financial assets:

	31 December 2006	
	YTL	FC
Forward Transactions	34.414	3.665
Swap Transactions	37.686	1.940
Futures Transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>72.100</b>	<b>5.605</b>

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
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**c. Information on banks and other financial institutions:**

1. Information on banks and other financial institutions:

	31 December 2006	
	YTL	FC
Banks	75.946	2.240.567
Domestic	46.274	147.291
Foreign	29.672	2.093.276
Head Quarters and Branches Abroad	-	-
Other Financial Institutions	91	-
<b>Total</b>	<b>76.037</b>	<b>2.240.567</b>

2. Information on foreign banks account :

	Unrestricted Amount	Restricted Amount
	31 December 2006	31 December 2006
European Union Countries	1.871.994	-
USA, Canada	153.824	-
OECD Countries (*)	43.634	-
Off-Shore Banking Regions	41	-
Other	50.328	-
Foreign Banks Interest Accruals	3.127	-
<b>Total</b>	<b>2.122.948</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 2006, available-for-sale financial assets given as collateral/blocked amount to YTL37.320 thousand. There are no available for sale financial assets subject to repo transactions.

2. Information on available-for-sale financial assets:

	31 December 2006
Debt Securities	620.086
Quoted to Stock Exchange (*)	618.515
Not Quoted	1.571
Share Certificates	33.734
Quoted to Stock Exchange	632
Not Quoted	33.102
Impairment Provision (-)	(1.939)
Other	121.184
<b>Total</b>	<b>773.065</b>

(\*) As of 31 December 2006, even though Eurobonds amounting to YTL312.236 thousand are not quoted to stock exchanges, they are classified as such according to current sector practice as they are traded in secondary markets.

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**e. Explanations on loans:**

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

	31 December 2006	
	Cash	Non-cash
<b>Direct Loans Granted To Shareholders</b>	89	224
Corporate Shareholders	-	-
Real Person Shareholders	89	224
<b>Indirect Loans Granted To Shareholders</b>	418.362	719.753
<b>Loans Granted To Employees</b>	45.415	-
<b>Total</b>	<b>463.866</b>	<b>719.977</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>20.099.069</b>	<b>1.097.438</b>	<b>844.740</b>	<b>21.626</b>
Discount and Purchase Notes	194.451	-	2.828	-
Export Loans	2.110.007	-	57.456	-
Import Loans				
Loans Granted To Financial Sector	143.913	-	-	-
Foreign Loans	71.049	723.199	-	-
Consumer Loans	2.550.576	-	194.249	-
Credit Cards	5.205.507	-	418.292	-
Precious Metal Loans	111.563	-	142	-
Other	9.712.003	374.239	171.773	21.626
<b>Specialised Loans</b>				
<b>Other Receivables</b>				
<b>Cash Loans Interest Accruals</b>	<b>220.228</b>	<b>63.946</b>	<b>9.072</b>	<b>1.319</b>
<b>Total</b>	<b>20.319.297</b>	<b>1.161.384</b>	<b>853.812</b>	<b>22.945</b>

The Bank’s cash risk balance to Çukurova Group in the scope of Financial Restructuring Agreement (“FRA”) amounted to USD752.945.836 (YTL1.037.333 thousand) as of 31 December 2006, which is classified under “Standard Loans and Other Receivables that have been restructured or rescheduled”. The annual interest rate for the remaining portion of the Çukurova Group risk per “FRA Modification Agreement” is identified as Libor+2,5% and the maturity of the last payment is 30 September 2015. According to the “Pledge Agreement” signed between the Bank, Çukurova Holding A.Ş. (“Çukurova Holding”) and Çukurova Investments N.V. (“Çukurova Investments”) on 28 September 2005, the Bank has a continuous pledge on 6,682% of Turkcell İletişim Hizmetleri A.Ş. (“Turkcell”) shares of Çukurova Holding and Çukurova Investments in relation to the Çukurova Group loans repayment liability. The fair value of those Turkcell collaterals amounts to approximately YTL991.004 thousand as of 31 December 2006.

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3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other receivables	Restructured or Rescheduled	Loans and Other receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	12.003.792	49.327	744.432	-
Non-specialised Loans	12.003.792	49.327	744.432	-
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium And Long-Term Loans and Other Receivables	8.095.277	1.048.111	100.308	21.626
Non-Specialised Loans	8.095.277	1.048.111	100.308	21.626
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Cash Loans Interest Accruals	220.228	63.946	9.072	1.319
<b>Total</b>	<b>20.319.297</b>	<b>1.161.384</b>	<b>853.812</b>	<b>22.945</b>

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

	Short-term	Medium and Long-term	Accrued Interest and Income	Total
<b>Consumer Loans-YTL</b>	<b>113.227</b>	<b>2.448.025</b>	<b>16.024</b>	<b>2.577.276</b>
Real estate loans	4.497	1.457.510	8.186	1.470.193
Automotive loans	14.195	502.619	2.970	519.784
Consumer loans	2.649	1.736	29	4.414
Other	91.886	486.160	4.839	582.885
<b>Consumer Loans-FC Indexed</b>	<b>2.359</b>	<b>91.480</b>	<b>3.909</b>	<b>97.748</b>
Real estate loans	258	72.356	2.827	75.441
Automotive loans	1.090	13.511	761	15.362
Consumer loans	41	70	5	116
Other	970	5.543	316	6.829
<b>Consumer Loans-FC</b>	<b>1.223</b>	<b>1.055</b>	-	<b>2.278</b>
Real estate loans	-	-	-	-
Automotive loans	-	-	-	-
Consumer loans	-	-	-	-
Other	1.223	1.055	-	2.278
<b>Individual Credit Cards-YTL</b>	<b>4.693.852</b>	<b>815.360</b>	<b>48.977</b>	<b>5.558.189</b>
With installments	1.929.395	815.360	24.401	2.769.156
Without installments	2.764.457	-	24.576	2.789.033
<b>Individual Credit Cards- FC</b>	-	-	-	-
With installments	-	-	-	-
Without installments	-	-	-	-
<b>Personnel Loans-YTL</b>	<b>3.861</b>	<b>14.344</b>	<b>174</b>	<b>18.379</b>
Real estate loans	-	1.830	12	1.842
Automotive loans	148	788	7	943
Consumer loans	31	24	1	56
Other	3.682	11.702	154	15.538
<b>Personnel Loans-FC Indexed</b>	<b>535</b>	<b>364</b>	<b>23</b>	<b>922</b>
Real estate loans	-	214	8	222
Automotive loans	-	28	4	32
Consumer loans	-	-	-	-
Other	535	122	11	668
<b>Personnel Loans-FC</b>	-	-	-	-
Real estate loans	-	-	-	-
Automotive loans	-	-	-	-
Consumer loans	-	-	-	-
Other	-	-	-	-
<b>Personnel Credit Cards-YTL</b>	<b>22.848</b>	<b>2.506</b>	<b>225</b>	<b>25.579</b>
With installments	10.138	2.506	112	12.756
Without installments	12.710	-	113	12.823
<b>Personnel Credit Cards-FC</b>	-	-	-	-
With installments	-	-	-	-
Without installments	-	-	-	-
<b>Credit Deposit Account-YTL (Real Person)</b>	<b>68.352</b>	-	<b>264</b>	<b>68.616</b>
<b>Credit Deposit Account-FC (Real Person)</b>	-	-	-	-
<b>Total</b>	<b>4.906.257</b>	<b>3.373.134</b>	<b>69.596</b>	<b>8.348.987</b>

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

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

6. Loans according to types of borrowers:

	31 December 2006
Public	390.141
Private	21.967.297
<b>Total</b>	<b>22.357.438</b>

7. Distribution of domestic and foreign loans:

	31 December 2006
Domestic loans	21.434.168
Foreign loans	923.270
<b>Total</b>	<b>22.357.438</b>

8. Loans granted to investments in associates and subsidiaries:

	31 December 2006
Direct loans granted to investments in associates and subsidiaries	329.416
Indirect loans granted to investments in associates and subsidiaries	-
<b>Total</b>	<b>329.416</b>

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9. Specific provisions provided against loans:

	<b>31 December 2006</b>
Loans and other receivables with limited collectibility	25.098
Loans and other receivables with doubtful collectibility	110.156
Uncollectible loans and other receivables	1.313.583
<b>Total</b>	<b>1.448.837</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectibility</b>	<b>Loans and other receivables with doubtful collectibility</b>	<b>Uncollectible loans and other receivables</b>
<b>31 December 2006</b>			
(Gross amounts before specific reserves)	455	1.110	234.670
Restructured loans and other receivables	-	-	13.478
Rescheduled loans and other receivables	455	1.110	221.192

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectibility</b>	<b>Loans and other receivables with doubtful collectibility</b>	<b>Uncollectible loans and other receivables</b>
<b>31 December 2005</b>	<b>92.191</b>	<b>206.692</b>	<b>1.207.608</b>
Additions (+)	349.603	67.774	150.773
Transfers from other categories of non-performing loans (+)	-	260.766	306.236
Transfers to other categories of non-performing loans (-)	(264.867)	(302.135)	-
Collections (-)	(39.819)	(58.577)	(169.161)
Foreign exchange valuation differences	1.259	4.689	451
Write-offs (-)	(168)	(5.441)	(31.169)
<b>31 December 2006</b>	<b>138.199</b>	<b>173.768</b>	<b>1.464.738</b>
Special Provision (-)	(25.098)	(110.156)	(1.313.583)
<b>Net Balance on balance sheet</b>	<b>113.101</b>	<b>63.612</b>	<b>151.155</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectibility</b>	<b>Loans and other receivables with doubtful collectibility</b>	<b>Uncollectible loans and other receivables</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>-</b>	<b>11.374</b>	<b>4.608</b>

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

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

**f. Information on held-to-maturity investments:**

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

	<b>31 December 2006</b>
Government Bond	13.215.501
Treasury Bill	17.320
Other debt securities(*)	3.174.345
<b>Total</b>	<b>16.407.166</b>

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

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

	<b>31 December 2006</b>
Debt Securities	16.410.654
Quoted to Stock Exchange (*)	16.264.798
Not Quoted	145.856
Impairment Provision (-)	(3.488)
<b>Total</b>	<b>16.407.166</b>

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

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

	<b>31 December 2006</b>
<b>Beginning balance</b>	<b>8.290.032</b>
FC differences on monetary assets	(478.283)
Purchases during year	10.388.933
Disposals through sales and redemptions	(1.791.592)
Impairment provision	(1.924)
<b>Period end balance</b>	<b>16.407.166</b>

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

As of 31 December 2006, held-to-maturity investments given as collateral amount to YTL1.317.671 thousand. Held-to-maturity investments subject to repo transactions amount to YTL3.497.368 thousand.

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**g. Information on investments in associates (Net):**

1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank’s share percentage if different voting percentage (%)	Bank’s risk group share percentage(%)
1	Kredi Kayıt Bürosu	Istanbul/ Turkey	18,18	18,18

No	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	18.257	15.474	1.757	3.121	-	3.673	2.031	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2. Consolidated investments in associates:

2(i). Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank’s share percentage if different voting percentage (%)	Other Shareholders’ share percentage (%)
1	Banque de Commerce et de Placements S.A.(*)	Geneva/ Switzerland	30,67	69,33

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

2(ii). Main financial figures of the consolidated investments in associates in the order of the above table:

No	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	1.571.706	119.805	3.820	63.874	4.178	8.458	7.296	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2(iii). Movement of consolidated investments in associates:

	31 December 2006
<b>Balance at the beginning of the period</b>	<b>36.352</b>
Movements during the period	
Purchases	-
Bonus shares obtained	-
Dividends from current year income	2.048
Sales	-
Foreign exchange valuation differences	2.952
Impairment provision	-
<b>Balance at the end of the period</b>	<b>41.352</b>
<b>Capital Commitments</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>30,67</b>

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2(iv). Information on sectors and the carrying amounts of consolidated investments in associates:

	<b>31 December 2006</b>
Banks	41.352
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Investments	-

2(v). Investments in associates quoted to stock exchange: None.

**h. Information on subsidiaries (Net):**

1. Unconsolidated subsidiaries:

1(i). Information on unconsolidated subsidiaries:

	<b>Description</b>	<b>Address (City/ Country)</b>	<b>The Parent Bank's share percentage if different voting percentage(%)</b>	<b>Bank's risk group share percentage (%)</b>
1	Akdeniz Marmara Turizm ve Ticaret A.Ş. (*)	Istanbul/Turkey	99,99	100,00
2	Yapı Kredi Kart Hizmetleri A.Ş.	Istanbul/Turkey	99,99	100,00
3	Yapı Kredi-Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Istanbul/Turkey	99,99	100,00
4	Bayındırlık İşleri A.Ş. (*)	Istanbul/Turkey	99,18	100,00
5	Agro-san Kimya San.ve Tic.A.Ş.	Istanbul/Turkey	99,17	100,00
6	Enternasyonal Turizm Yatırım A.Ş. (*)	Istanbul/Turkey	99,99	100,00
7	Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.(**)	Istanbul/Turkey	30,45	30,45
8	Azur Tourism Investment N.V.	Caraçua/ Netherlands Antilles	100,00	100,00

(\*) As stated in Note X. of this Section, Extraordinary General Assembly related with taking over Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş by Enternasyonal Turizm Yatırım A.Ş. has been made on 5 February 2007 and the merger is registered on 8 February 2007. As a result of the merger, the Parent Bank's investment share in Enternasyonal Turizm Yatırım A.Ş. has been decreased from 99,99% to 99,96%.

(\*\*) Since the total asset amount is below the 1% of the total assets of the Parent Bank, the related subsidiary is unconsolidated and is carried at restated cost.

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1(ii). Main financial figures of the subsidiaries in the order of the above table:

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income From Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit /Loss	Fair value
1	9.230	(33.430)	8.485	-	2	(40.141)	(1.168)	-
2	343	339	-	8	-	46	183	-
3	7.412	4.339	103	38	-	431	3.603	-
4	24.022	6.045	3.736	442	266	(15.134)	(89)	-
5	19.376	(26.914)	13.351	2	1	(1.744)	(3.560)	-
6	74.495	50.059	62	13.099	-	(49.590)	(140.504)	-
7	288.941	99.095	4.270	1.424	1.022	6.217	5.179	124.000
8	18.109	18.109	-	-	-	(207.891)	-	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2. Information on consolidated subsidiaries:

2(i). Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's share percentage if different voting percentage(%)	Bank's risk group share percentage (%)
1	Yapı Kredi Holding B.V. (*)	Amsterdam/Holland	100,00	100,00
2	Yapı Kredi Yatırım	Istanbul/Turkey	99,99	100,00
3	Yapı Kredi Faktoring	Istanbul/Turkey	40,48	100,00
4	Yapı Kredi Moscow (**)	Moscow/Russia	99,84	100,00
5	Yapı Kredi Bank Deutschland AG (*)	Frankfurt/Germany	62,92	97,50
6	Yapı Kredi Sigorta A.Ş.	Istanbul/Turkey	74,01	93,94
7	Yapı Kredi Leasing	Istanbul/Turkey	25,67	99,58
8	Yapı Kredi Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	11,09	56,00
9	Yapı Kredi Emeklilik	Istanbul/Turkey	-	100,00
10	Yapı Kredi Portföy	Istanbul/Turkey	4,84	99,99
11	Yapı Kredi Nederland (*)	Amsterdam/Holland	-	100,00
12	Koç Yatırım	Istanbul/Turkey	-	100,00

Yapı Kredi Diversified Payment Rights Company which is a special purpose entity established for securitisation transactions of Yapı Kredi and is included in the consolidation although Yapı Kredi or any of its affiliates does not have any shareholding interest in this company.

(\*) Financial statement information is expressed in EURO thousand in note 2.

(\*\*) Financial statement information is expressed in USD thousand in note 2.

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2(ii). Main financial figures of the consolidated subsidiaries in the order of the above table:

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income From Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit /Loss	Fair value
1	50.722	48.457	3.368	107	-	3.611	1.098	-
2	181.010	125.767	7.783	11.394	6.078	15.270	11.672	-
3	1.285.725	96.927	510	88.962	-	20.524	2.971	-
4	217.748	50.374	7.414	11.230	2.209	5.504	2.027	-
5	84.555	45.899	230	8.135	3.200	(21.282)	6.526	-
6	569.112	208.495	30.710	23.529	21.459	14.937	(11.814)	500.000
7	1.741.455	478.447	643	180.340	2.521	111.942	5.848	389.640
8	48.640	48.462	9	1.762	1.760	4.382	10.690	30.168
9	1.120.832	55.832	19.049	10.259	8.938	(1.784)	(10.004)	-
10	52.940	43.356	477	6.345	-	27.538	1.982	-
11	357.851	52.368	81	25.418	12.424	2.236	9.076	-
12	82.151	74.835	8.787	10.726	7.370	31.848	28.711	-

Financial statement information in the table above has been obtained from the financial statements as at 31 December 2006.

2(iii). Movement schedules of consolidated subsidiaries:

	31 December 2006
<b>Balance at the beginning of the period</b>	<b>544.063</b>
Movements during the period	
Purchases (*)	39.844
Bonus shares obtained	696
Dividends from current year income	-
Sales	-
Foreign exchange valuation differences	19.290
Impairment provision	(16.646)
<b>Balance at the end of the period</b>	<b>587.247</b>
<b>Capital commitments</b>	-
<b>Share percentage at the end of the period (%)</b>	-

(\*) As explained in Note I.2 of Section Six, by the liquidation of foreign funds that are directly controlled by the Bank, the Bank has purchased 6,77% of Yapı Kredi Sigorta A.Ş shares and 5,40% of Yapı Kredi Finansal Kiralama A.O. shares under Anatolia Investment Fund.

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2(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

	<b>31 December 2006</b>
Banks	85.033
Insurance Companies	148.018
Factoring Companies	38.784
Leasing Companies	114.322
Finance Companies	-
Other Financial Subsidiaries	201.090

2(v). Subsidiaries quoted to Stock Exchange:

	<b>31 December 2006</b>
Quoted to domestic stock exchanges	267.926
Quoted to foreign stock exchanges	-

**i. Information on property and equipment :**

	<b>Immovables</b>	<b>Leased Fixed Assets</b>	<b>Vehicles</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
<b>31 December 2005</b>					
Cost	2.654.803	248.675	11.279	632.983	3.547.740
Accumulated depreciation (-)	(1.549.139)	(175.312)	(9.163)	(465.821)	(2.199.435)
<b>Net book value</b>	<b>1.105.664</b>	<b>73.363</b>	<b>2.116</b>	<b>167.162</b>	<b>1.348.305</b>
<b>31 December 2006</b>					
Net book value at beginning of the period	1.105.664	73.363	2.116	167.162	1.348.305
Additions	5.831	50.878	291	19.745	76.745
Disposals (-), net	(39.106)	(354)	(193)	(10.673)	(50.326)
Reversal of impairment	33.988	-	-	3.966	37.954
Impairment (-)	(30.879)	-	-	-	(30.879)
Depreciation (-)	(55.620)	(22.838)	(1.000)	(66.114)	(145.572)
Foreign exchange valuation differences	870	-	6	(8)	868
<b>Net book value at the end of the period</b>	<b>1.020.748</b>	<b>101.049</b>	<b>1.220</b>	<b>114.078</b>	<b>1.237.095</b>
Cost	2.546.611	222.026	9.309	781.563	3.559.509
Accumulated depreciation (-)	(1.525.863)	(120.977)	(8.089)	(667.485)	(2.322.414)
<b>31 December 2006</b>	<b>1.020.748</b>	<b>101.049</b>	<b>1.220</b>	<b>114.078</b>	<b>1.237.095</b>

As of 31 December 2006, the Group booked total provision for impairment on immovables amounting to YTL731.405 thousand for the property and equipment.

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**j. Information on intangible assets:**

	<b>31 December 2006</b>
<b>Beginning of the period</b>	<b>1.179.104</b>
Additions during the Period	15.905
Unused and Disposed Items	(254)
Impairment Charges on Income Statement	(4.015)
Amortisation Expenses (-)	(33.720)
Foreign exchange valuation differences	(874)
<b>End of the period</b>	<b>1.156.146</b>

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

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

	<b>31 December 2006</b>
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 acquisition are as follows:

	<b>28 September 2005</b>
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 credit card trademark, customer base and relationship that can be measured reliably the future economic benefits embodied in the asset will flow to the Group. In line with the report dated 13 February 2006 the Bank recognized YTL163.084 thousand of intangibles in the unconsolidated financial statements. And this amount is booked under intangible assets in the unconsolidated financial statements. Identified intangible assets are amortised using the straight-line method over their useful lives, which have been assessed as 10 years. As of 31 December 2006, net book value of these intangible assets amounts to YTL142.699 thousand.

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**k. Information on deferred tax asset:**

	31 December 2006	
	Tax Base	Deferred Tax
Reserves for employment termination benefit	158.995	31.821
Fund deficit provision	483.281	96.656
Trading derivative financial liabilities	31.445	6.289
Property, equipment and intangibles, net	584.510	116.902
Subsidiaries, investment in associates and share certificates	78.397	15.680
Carry-forward tax losses	16.475	3.295
Other	153.571	30.734
<b>Total deferred tax asset</b>	<b>1.506.674</b>	<b>301.377</b>
Trading derivative financial assets	77.656	15.531
Valuation difference of securities portfolio	116.868	27.803
Property, equipment and intangibles, net	592.579	94.351
Other	7.406	1.074
<b>Total deferred tax liability</b>	<b>794.509</b>	<b>138.759</b>
<b>Deferred Tax Asset, net</b>	<b>712.165</b>	<b>162.618</b>

According to TAS 12, deferred tax assets amounting to YTL166.981 thousand and deferred tax liabilities amounting to YTL4.363 thousand have been netted off in the financial statements of subsidiaries subject to consolidation during the preparation of consolidated financial statements. They are shown separately in assets and liabilities in the consolidated financial statements.

**l. Movement schedule of assets held for resale :**

	31 December 2006
<b>Balance at the beginning of the period</b>	<b>214.005</b>
Additions	11.787
Disposals (-) Net	(23.509)
Impairment, net	(1.879)
Depreciation (-)	(10.207)
Foreign exchange valuation differences	(280)
<b>Net Book Value at the end of the period</b>	<b>189.917</b>
Cost at the end of the period	220.953
Depreciation at the end of the period (-)	(31.036)
<b>Net Book Value at the end of the period</b>	<b>189.917</b>

As of 31 December 2006, the Group has booked impairment provision on assets held for resale with an amount of YTL286.952 thousand.

**m. Information on Leasing Receivables (Net):**

1. The breakdown of the maturities of investments by leasing :

	31 December 2006	
	Gross	Net
Less than 1 Year	894.066	702.315
Between 1-4 Years	967.993	830.283
Over 4 Years	65.492	57.818
<b>Total</b>	<b>1.927.551</b>	<b>1.590.416</b>

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**n. Information on other assets:**

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**a. Information on deposits:**

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

1(i). 31 December 2006 :

	Demand	With 7 days notifications	Up to 1 month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over
Saving Deposits	834.919	-	2.501.374	5.984.533	240.647	17.653	68.195
Foreign Currency Deposits	3.173.343	-	3.863.138	6.240.918	954.213	265.945	641.354
Residents in Turkey	3.040.113	-	3.316.433	5.836.814	866.101	226.603	529.805
Residents Abroad	133.230	-	546.705	404.104	88.112	39.342	111.549
Public Sector Deposits	9.115	-	44.113	9.710	6.603	-	37
Commercial Deposits	842.241	-	2.238.504	2.395.751	54.068	959	1.823
Other Institutions Deposits	63.553	-	23.694	253.088	5.463	87	204
Gold Vault	151.312	-	101.452	456	246	444	590
Bank Deposits	70.732	-	321.232	27.664	20.104	62.264	-
The CBRT	-	-	-	-	-	-	-
Domestic Banks	6.662	-	276.910	15.879	2.067	10.118	-
Foreign Banks	45.337	-	44.322	11.785	18.037	52.146	-
Special Financial Institutions	18.733	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Accrued Interest on Deposit	4.647	-	142.799	31.113	4.378	5.362	1.040
<b>Total</b>	<b>5.149.862</b>	<b>-</b>	<b>9.236.306</b>	<b>14.943.233</b>	<b>1.285.722</b>	<b>352.714</b>	<b>713.243</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:

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

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

	<b>31 December 2006</b>
Saving deposits in foreign branches	-
Saving deposits in off-shore banking regions	158.746
<b>Total</b>	<b>158.746</b>

**b. Information on trading derivative financial liabilities :**

	<b>31 December 2006</b>	
	<b>YTL</b>	<b>FC</b>
<b>Trading Derivative Financial Liabilities</b>		
Forward Transactions	19.757	2.349
Swap Transactions	9.518	449
Futures Transactions	-	-
Options	-	-
Other	-	-
<b>Total</b>	<b>29.275</b>	<b>2.798</b>

**c. Information on borrowings:**

1. Information on banks and other financial institutions :

	<b>31 December 2006</b>	
	<b>YTL</b>	<b>FC</b>
The CBRT Borrowings	-	-
From Domestic Banks and Institutions	359.459	239.147
From Foreign Banks, Institutions and Funds	203.632	4.029.960
Accrued Interest Expense of Banks and Other Financial Institutions	11.229	44.335
<b>Total</b>	<b>574.320</b>	<b>4.313.442</b>

2. Information on maturity structure of borrowings :

	<b>31 December 2006</b>	
	<b>YTL</b>	<b>FC</b>
Short-Term	563.091	3.625.172
Medium and Long-Term	-	643.935
Accrued Interest on Borrowings	11.229	44.335
<b>Total</b>	<b>574.320</b>	<b>4.313.442</b>

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**d. Information on marketable securities issued:**

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

	31 December 2006
2006	-
2007	-
2008	32.853
2009	131.411
2010	383.074
2011	383.074
2012	251.662
2013	251.662
2014	212.054
<b>Expense Accrual</b>	<b>4.216</b>
<b>Total</b>	<b>1.650.006</b>

As explained in Note X. of Section Five, the Bank has repaid USD310 million of the credit as of 1 March 2007 and refunded USD400 million of the credit.

**e. Information on other foreign liabilities:**

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

**f. Information on financial leasing agreements:**

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

	31 December 2006	
	Gross	Net
Less than 1 year	6	5
Between 1-4 years	-	-
More than 4 years	-	-
<b>Total</b>	<b>6</b>	<b>5</b>

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**g. Information on provisions:**

1. Information on general provisions:

	<b>31 December 2006</b>
Provisions for Group I loans and receivables	447.333
Provisions for Group II loans and receivables	142.775
Provisions for non cash loans	102.806
Other	16.033
<b>Total</b>	<b>708.947</b>

2. Information on reserve for employment termination benefit:

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

Following actuarial assumptions are used in the calculation of total liabilities

	<b>31 December 2006</b>
Discount rate (%)	5,71
The Rate Used Related to Retirement Expectation (%)	96,50

The principal actuarial assumption is that the maximum liability of YTL1.857,44 as of 31 December 2006 will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1.960,69 (1 January 2006:YTL1.770,62) effective from 1 January 2007 has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefit liability in the balance sheet:

	<b>31 December 2006</b>
<b>Prior Period Beginning Balance</b>	<b>86.777</b>
Provisions Recognised During the Period	28.624
Paid During the Period	(11.396)
<b>Balance at the end of the period</b>	<b>104.005</b>

In addition, the Group has accounted for vacation rights provision amounting to YTL59.171 thousand as of 31 December 2006.

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3. Other provisions:

	<b>31 December 2006</b>
Pension fund provision (*)	483.281
Tax risk provision (**)	95.740
Non-cash loan provision	57.666
Provisions on credit cards and promotion campaigns related to banking services	53.441
Tax and fund liability provisions on possible export commitments	39.365
Legal risk provision (**)	12.774
Other	125.056
<b>Total</b>	<b>867.323</b>

(\*) According to the temporary article 23 of the Banking Law No 5387 accepted on 2 July 2005 by Grand National Assembly of Turkey (“TBMM”), pension funds will be transferred to the Social Security Institution within three years beginning from the published date of this article without the need of any transaction. At 22 July 2005, the temporary article 23 was vetoed by the President of the Turkish Republic and sent back to “TBMM” to be discussed again. The stated Banking Law was accepted by TBMM on 19 October 2005 without changing the related temporary article 23. As of 2 November 2005, the President of Turkish Republic used the application right related with the temporary article 23 to apply to the Constitutional Court of Turkey.

The Parent Bank obtained a actuarial report from a registered actuary regarding this Fund in accordance with the decree related to principles and procedures on determining the application of transfer transactions published in the Official Gazette dated 15 December 2006, No 26377 determined by the decision of Council of Ministers No 2006/11345. Based on this decree, the actuarial balance sheet of the Fund has been prepared in accordance with a technical interest rate of 10,24% and CSO 1980 mortality table, and reflects a technical deficit of YTL599.240 thousand as of 31 December 2006. The Parent Bank will provide a full provision regarding the actuarial report until the end of the year 2007 and has provided a provision amounting to YTL483.281 thousand in the financial statements as of 31 December 2006.

(\*\*) Considered as provisions for possible risks.

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

As of 31 December 2006, the provision related to the foreign currency difference of foreign indexed loans amounts to YTL32.202 thousand.

**h. Information on taxes payable:**

i) Information on taxes payable:

	<b>31 December 2006</b>
Corporate Tax Payable	76.938
Taxation of Marketable Securities	44.390
Property Tax	655
Banking Insurance Transaction Tax (BITT)	30.184
Foreign Exchange Transaction Tax	3.122
Value Added Tax Payable	1.580
Other	16.936
<b>Total</b>	<b>173.805</b>

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(ii) Information on premium payables:

	<b>31 December 2006</b>
Social Security Premiums – Employee	784
Social Security Premiums – Employer	1.768
Bank Pension Fund Premiums – Employee	-
Bank Pension Fund Premiums – Employer	-
Pension Fund Deposit and Provisions – Employee	-
Pension Fund Deposit and Provisions – Employer	-
Unemployment Insurance – Employee	403
Unemployment Insurance – Employer	827
Other	47
<b>Total</b>	<b>3.829</b>

**i. Information on subordinated loans:**

	<b>31 December 2006</b>	
	<b>YTL</b>	<b>FC</b>
From Domestic Banks	-	-
From Other Domestic Institutions	-	-
From Foreign Banks	-	1.559.258
From Other Foreign Institutions	-	-
<b>Total</b>	<b>-</b>	<b>1.559.258</b>

At 31 March 2006, the Parent Bank obtained a subordinated loan amounting to EUR500 million, with ten years maturity and a repayment option at the end of five years. The interest rate is determined as EURIBOR+2% for the first five years. The loan was obtained from Merrill Lynch Capital Corporation with UniCredito Italiano S.p.A. as guarantor. In addition, the subordinated loan obtained by Koçbank at 28 April 2006 amounting to EUR350 million, with ten years maturity and repayment option at the end of five years has been transferred to the Bank. The interest rate is determined as EURIBOR+2,25% for the first five years. The loan was obtained decrees from Goldman Sachs International Bank with Unicredit S.p.A. as guarantor. With the written of the BRSA dated 3 April 2006 and 2 May 2006, both of the loans have been approved as subordinated loans and accepted to be taken into consideration as supplementary capital within the limits of “Capital Adequacy Regulation”.

**j. Information on shareholders’ equity:**

1. Presentation of Paid-in capital (as nominal; inflation unadjusted balances):

	<b>31 December 2006</b>
Common Stock	3.142.818
Preferred Stock	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling (As nominal; inflation unadjusted balances):

The Parent Bank has paid-in-capital with an amount of YTL3.142.818 thousand and does not apply registered share capital system .

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3. Information on the share capital increase during the period and their sources :

Increase Date	Increase Amount	Cash	Profit Reserve Regarding Increase	Capital Reserve Regarding Increase
31 March 2006	1.144.318	-	-	1.144.318
2 October 2006 (*)	1.246.155	-	-	-

- (\*) The approval of the BRSA with regard to the merger of the two banks through the transfer of Koçbank with all of its rights, receivables, liabilities and obligations to Yapı Kredi and the consequential dissolution of Koçbank without liquidation; and the transfer of all its rights, receivables, liabilities and obligations to Yapı Kredi in accordance with the provisions of article 19 of the Banking Law and all other relevant legislation, was published in the Official Gazette dated 1 October 2006. The new capital of Yapı Kredi was registered with the Istanbul Commercial Registrar on 2 October 2006. Yapı Kredi’s current capital has increased from YTL1.896.662 thousand to YTL3.142.818 thousand.

Paid-in capital as of 31 December 2006 in the consolidated statement of changes in shareholders’ equity represents Koçbank’s paid-in capital, since the 31 December 2005 figures of Koçbank’s consolidated financials have been used as opening financial statements as explained in detail in Note VII. of Section 5.

4. Information on transfers from revaluation funds to capital during the current period: None.
5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.
6. Information on privileges given to shares representing the capital by considering the Groups income profitability, prior period indicators on liquidity and uncertainty on these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities is managed by the Bank within several risk limits and legal limits.

7. Privilege on the corporate stock: None

**k. Information on marketable securities value increase fund:**

	31 December 2006	
	YTL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	5.148	15.015
Foreign Currency Difference	2.377	-
<b>Total</b>	<b>7.525</b>	<b>15.015</b>

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**III. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:**

**a. Information on interest income:**

**1. Information on interest income on loans**

	31 December 2006	
	YTL	FC
Short Term Loans	2.280.788	175.483
Medium/Long Term Loans	595.687	330.709
Interest on Loans Under Follow-up	61.653	1.019
Premiums Received from Resource Utilisation Support Fund	-	-
<b>Total</b>	<b>2.938.128</b>	<b>507.211</b>

**2. Information on interest income on banks:**

	31 December 2006	
	YTL	FC
From the CBRT	-	4.724
From Domestic Banks	14.013	6.750
From Foreign Banks	5.456	71.386
Headquarters and Branches Abroad	-	-
<b>Total</b>	<b>19.469</b>	<b>82.860</b>

**3. Information on interest income on marketable securities:**

	31 December 2006	
	YTL	FC
From Trading Financial Assets	47.070	45.467
From Financial Assets At Fair Value Through Profit or Loss	-	-
From Available-for-Sale Financial Assets	54.231	13.095
From Held-to-Maturity Investments	810.481	408.441
<b>Total</b>	<b>911.782</b>	<b>467.003</b>

**4. Information on interest income received from investments in associates and subsidiaries:**

	31 December 2006
Interests Received From Investments in Associates and Subsidiaries	10.629

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**b. Information on interest income:**

**1. Information on interest expense on borrowings:**

	31 December 2006	
	YTL	FC
Banks	96.746	217.066
The CBRT	-	-
Domestic Banks	77.060	16.201
Foreign Banks	19.686	200.865
Headquarters and Branches Abroad	-	-
Other Institutions	-	63.981
<b>Total</b>	<b>96.746</b>	<b>281.047</b>

**2. Information on interest expense given to investments in associates and subsidiaries:**

	31 December 2006
Interests paid to Investments in Associates and Subsidiaries	2.364

**3. Maturity structure of the interest expense on deposits :**

Account Name	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
<b>YTL</b>								
Bank Deposits	24.822	14.312	212	-	-	-	-	39.346
Saving Deposits	873	414.867	920.425	71.263	22.399	22.166	-	1.451.993
Public Sector Deposits	-	2.433	2.783	77	5	3	-	5.301
Commercial Deposits	23.334	455.010	199.606	7.547	1.373	4.936	-	691.806
Other Deposits	27	21.268	58.574	30.253	733	186	-	111.041
Deposits with 7 days notification	18	-	-	-	-	-	-	18
<b>Total</b>	<b>49.074</b>	<b>907.890</b>	<b>1.181.600</b>	<b>109.140</b>	<b>24.510</b>	<b>27.291</b>	<b>-</b>	<b>2.299.505</b>
<b>FC</b>								
Foreign Currency Deposits	10.276	162.132	168.391	32.341	11.815	18.770	-	403.725
Bank Deposits	10.280	3.304	-	-	-	-	-	13.584
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Gold Vault	-	51	4	910	6	7	-	978
<b>Total</b>	<b>20.556</b>	<b>165.487</b>	<b>168.395</b>	<b>33.251</b>	<b>11.821</b>	<b>18.777</b>	<b>-</b>	<b>418.287</b>
<b>Grand Total</b>	<b>69.630</b>	<b>1.073.377</b>	<b>1.349.995</b>	<b>142.391</b>	<b>36.331</b>	<b>46.068</b>	<b>-</b>	<b>2.717.792</b>

**4. Interest given on marketable securities issued:**

	31 December 2006	
	YTL	FC
Interest given on marketable securities issued	-	4.216

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**c. Information on dividend income**

	<b>31 December 2006</b>
Trading Financial Assets	261
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-Sale Financial Assets	1.207
Other	2.657
<b>Total</b>	<b>4.125</b>

**d. Information on trading loss / income : (Net)**

	<b>31 December 2006</b>
<b>Income</b>	<b>6.607.923</b>
Income from Capital Market Transactions	2.498.817
Derivative Financial Transactions	2.317.879
Other	180.938
Foreign Exchange Gains	4.109.106
<b>Loss(-)</b>	<b>(6.550.633)</b>
Loss from Capital Market Transactions	(2.237.148)
Derivative Financial Transactions	(2.120.239)
Other	(116.909)
Foreign Exchange Loss	(4.313.485)
<b>Net Gain/Loss</b>	<b>57.290</b>

**e. Information on other operating income:**

Other operating income mainly consists of collections from loans that were provisioned in the previous years’.

Besides, according to Uniform Chart of Account, foreign exchange income on “Foreign indexed assets” amounting to YTL35.209 thousand are classified into “Other operating income” instead of “Foreign Exchange Gains” account.

**f. Provision expenses related to loans and other receivables:**

	<b>31 December 2006</b>
Specific provisions for loans and other receivables	234.329
III. Group Loans and Receivables	33.882
IV. Group Loans and Receivables	13.220
V. Group Loans and Receivables	187.227
General Provision Expenses	119.893
Provision Expense for Possible Risks	1.652
Marketable Securities Impairment Expenses	3.218
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-Sale Financial Assets	3.218
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value	
Decrease	698
Investments in Associates	698
Subsidiaries	-
Joint Ventures	-
Held-to-Maturity Investments	-
Other (*)	301
<b>Total</b>	<b>360.091</b>

(\*) Other refers to provisions on non-cash loans.

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**g. Information related to other operating expenses:**

	<b>31 December 2006</b>
Personnel Expenses	779.257
Reserve for employee termination benefits	17.228
Bank social aid provision fund deficit provision	152.539
Impairment expenses of fixed assets	30.879
Depreciation expenses of fixed assets	145.572
Impairment expenses of intangible assets	4.015
Goodwill impairment expenses	-
Amortisation expenses of intangible assets	33.720
Impairment expenses of equity participations for which equity method is applied	-
Impairment expenses of Assets Held For Resale	9.887
Depreciation expenses of Assets Held for Resale	10.207
Impairment expenses of Fixed Assets Held for Sale	-
Other operating expenses	674.018
Operational Lease Expenses	18.984
Maintenance Expenses	29.622
Advertising Expenses	124.532
Other Expense	500.880
Loss on sales of assets	24.291
Other (*)	837.986
<b>Total</b>	<b>2.719.599</b>

(\*) Other mainly consists of insurance technical provisions amounting to YTL490.530 thousand

**h. Explanations on profit and loss before tax:**

Profit and loss before tax consists of net interest income amounting to YTL2.005.819 thousand, net fee and commission income amounting to YTL1.442.608 thousand and total other operating expense amounting YTL2.719.599 thousand.

**i. Information on tax provision:**

As of 31 December 2006, the Bank has current tax expense amounting to YTL80.674 thousand and deferred tax expense amounting to YTL153.942 thousand.

YTL133.888 thousand of deferred tax expense is a result of the decrease of corporate tax rate from 30% to 20% in accordance with New Corporate Tax Law.

The tax litigations against the corporation tax of 2003 fiscal year and the withholding tax of the 2004/4 period and have been concluded in favour of Koçbank with the decisions of Istanbul 1. Tax Court dated 17 May 2006 and Istanbul 3. Tax Court dated 12 June 2006. The Tax Office has already appealed to the Council of State against the resolutions of Tax Courts and the appeal investigations are continuing. Based on the resolutions of Tax Courts, YTL109.328 thousand, the tax amount subject to litigation has been refunded from the Tax Office to Koçbank and has been recognised in the Bank’s financial statements as deferred tax income as of 31 December 2006.

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**j. Information on net income/loss for the period :**

For the understanding of the Bank's current year performance, the characteristic of income or expense items arising from common banking transactions, dimension and recurrence of these transactions are not required except for the deferred tax income arising from tax court as explained in Note i of this Section.

**k. Profit/loss of minority interest:**

	<b>31 December 2006</b>
Profit/loss of minority interest:	141.450

**IV. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS**

**a. Information on off balance sheet commitments :**

1. The amount and type of non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments :

Commitments on credit cards limits are YTL8.163.986 thousand, commitments for cheque books is YTL1.310.760 thousand.

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

- 2(i). Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letter of credits :

	<b>31 December 2006</b>
Bank acceptance loans	216.649
Letter of credits	2.589.469
Other guarantees	1.482.767
<b>Total</b>	<b>4.288.885</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 2006 is YTL11.213.022 thousand.

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3(i). Total amount of non-cash loans :

	<b>31 December 2006</b>
Non-cash loans given against cash loans	418.597
With original maturity of 1 year or less than 1 year	178.246
With original maturity of more than 1 year	240.351
Other non-cash loans	15.083.310
<b>Total</b>	<b>15.501.907</b>

3(ii). Information on sectoral concentration of non-cash loans :

	<b>31 December 2006</b>			
	YTL	(%)	FC	(%)
<b>Agricultural</b>	<b>76.530</b>	<b>1,21</b>	<b>48.383</b>	<b>0,53</b>
Farming and Raising livestock	59.239	0,94	43.824	0,48
Forestry	13.439	0,21	3.949	0,04
Fishing	3.852	0,06	610	0,01
<b>Manufacturing</b>	<b>2.355.731</b>	<b>37,44</b>	<b>4.051.092</b>	<b>43,99</b>
Mining	29.417	0,47	94.787	1,03
Production	2.278.549	36,21	3.619.999	39,31
Electric, Gas and Water	47.765	0,76	336.306	3,65
<b>Construction</b>	<b>1.461.235</b>	<b>23,22</b>	<b>1.818.268</b>	<b>19,74</b>
<b>Services</b>	<b>2.341.363</b>	<b>37,21</b>	<b>2.836.030</b>	<b>30,79</b>
Wholesale and Retail Trade	1.483.733	23,58	381.290	4,14
Hotel, Food and Beverage Services	70.874	1,13	91.303	0,99
Transportation and Telecommunication	236.576	3,76	605.619	6,58
Financial Institutions	318.796	5,07	1.129.409	12,26
Real Estate and Leasing Services	70.282	1,12	135.389	1,47
Self-Employment Services	-	-	-	-
Education Services	7.833	0,12	3.850	0,04
Health and Social Services	153.269	2,43	489.170	5,31
<b>Other</b>	<b>57.872</b>	<b>0,92</b>	<b>455.403</b>	<b>4,95</b>
<b>Total</b>	<b>6.292.731</b>	<b>100,00</b>	<b>9.209.176</b>	<b>100,00</b>

3(iii). Information on non-cash loans classified in 1st and 2nd group:

	<b>Group I</b>		<b>Group II</b>	
	YTL	FC	YTL	FC
<b>Non- Cash Loans</b>				
Letters of Guarantee	5.514.725	5.590.080	52.235	55.982
Bank Acceptances	-	214.153	-	2.496
Letters of Credit	325	2.549.971	-	39.173
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	702.569	755.276	22.877	2.045
<b>Total</b>	<b>6.217.619</b>	<b>9.109.480</b>	<b>75.112</b>	<b>99.696</b>

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**b. Information on derivative financial instruments:**

	<b>31 December 2006</b>
Types of Trading Transactions	
Foreign currency related derivative transactions (I)	4.455.572
FC trading forward transactions	2.076.522
Trading swap transactions	1.226.446
Futures transactions	-
Trading option transactions	1.152.604
Interest related derivative transactions (II)	1.114.958
Forward interest rate agreements	213.943
Interest rate swaps	901.015
Interest rate options	-
Interest rate futures	-
Other trading derivative transactions (III)	-
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>5.570.530</b>
Types of hedging transactions	-
Fair value hedges	-
Cash flow hedges	-
Foreign currency investment hedges	-
<b>B. Total hedging related derivatives</b>	<b>-</b>
<b>Total derivative transactions (A+B)</b>	<b>5.570.530</b>

**c. Information on contingent liabilities:**

In this respect, several outstanding legal cases against the group have been considered as contingent liability and YTL12.215 thousand provision against these legal cases has been accounted for in the financial statements under “Other Provisions” account.

**d. Information on services in the name of others’ names and accounts:**

The Group’s activities of saving and depositing in the name of real and legal persons are not considered as material.

**V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS’ EQUITY**

**a. Information on dividends:** None

**c. Information on foreign currency differences:**

Foreign currency denominated associates and subsidiaries’ acquisition costs are booked at their original foreign currency costs translated into Turkish Lira using exchange rate prevailing at the balance sheet date and foreign exchange differences arising from the translation are recognised in “marketable securities value increase fund” under shareholders’ equity account.

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**c. Information on available for sale financial assets:**

“Unrealised gain/loss” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year profit or loss statement but recognized in the “Marketable securities value increase fund” account under equity, until the financial assets are derecognised, sold, disposed or impaired.

**d. Information on increase/decrease amounts result from the merger:**

It is explained in details in Note VII. of Section Five.

**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

**a. Information on cash and cash equivalent assets :**

1. Components of cash and cash equivalents and the accounting policy applied in their determination :

Cash and foreign currency together with demand deposits at banks including the CBRT are defined as “Cash”; Interbank money market and time deposits in banks with original maturities less than three months are defined as “Cash Equivalents”.

2. Effect of a change on the accounting policies : None.
3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

Cash and cash equivalents at the end of period :

	<b>31 December 2006</b>
<b>Cash</b>	<b>1.398.136</b>
Cash and Effectives	435.221
Demand Deposits in Banks	962.915
<b>Cash Equivalents</b>	<b>1.886.090</b>
Interbank Money Market	55.741
Deposits in Bank	1.830.349
<b>Total Cash and Cash Equivalents</b>	<b>3.284.226</b>

- b. Information on cash and cash equivalents that are not in use due to legal limitations and other reasons: None.

**VIII. The effects of the change in foreign exchange rates on cash and cash equivalents: None.**

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Continued)**

**VII. EXPLANATIONS AND NOTES RELATED TO BANK'S MERGER, TRANSFERS AND COMPANIES ACQUIRED BY BANKS**

On 28 September 2005, the final version of the Share Purchase Agreement was signed between Çukurova Holding, various Çukurova Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş., Koçbank N.V., Koçbank regarding the sale of 57,42% of the shares of the Bank. With the signing of the agreement, the Share Purchase Agreement which was agreed on 8 May 2005 officially became valid. According to the agreement on 28 September 2005, 44,52% of the shares of Yapı Kredi owned by Çukurova companies amounted to nominal YTL335.015 thousand and 12,90% of the shares of Yapı Kredi owned by Saving Deposit Insurance Fund amounted to a nominal YTL97.032 thousand were transferred to Koçbank.

Moreover, Koçbank purchased a further 9,09% of Yapı Kredi shares traded on the in ISE and 0,79% of the shares under a foreign mutual fund in Yapı Kredi's available-for-sale financial assets portfolio during April and as a result, the ownership of the Bank increased to 67,31%. The Bank recognized the difference between the acquisition cost and net asset acquired amount directly in the account of "Prior Years' Income / Losses" under Equity, as it was considered as a transaction with minorities. (Section Three III.5)

Besides, the approval of the BRSA with regard to the merger of Koçbank and Yapı Kredi through the transfer of Koçbank with all of its rights, receivables, liabilities and obligations to Yapı Kredi and the consequential dissolution of Koçbank without liquidation; and the transfer of all Koçbank's rights, receivables, liabilities and obligations to Yapı Kredi in accordance with article 19 of the Banking Act No.5411 and other relevant legislation was published in the Official Gazette dated 1 October 2006. The new capital of Yapı Kredi was registered with the Istanbul Commercial Registrar on 2 October 2006. Yapı Kredi's current capital has increased from YTL1.896.662.493,80 to YTL3.142.818.454,10 and a distribution of the increased portion amounting to YTL1.246.155.960,30 has been made to the shareholders of the Bank starting from 10 October 2006. The shareholders of the Bank have the right to purchase 1Ykr nominal valued 0,5313538 units of shares in exchange for each 1Ykr nominal valued the Bank share. Due to the merger and the consequential dissolution of Koçbank without liquidation, the record of Koçbank was erased from the trade registry as of 2 October 2006.

After the merger, the share of KFS, which owned the 99,78% shares of Koçbank, became 80,18% in the merged Bank.

Due to the fact that the shareholders with the final control right over Yapı Kredi and Koçbank did not change before or after the merger, the merger has been defined as transactions under common control. By examining the principles in globally generally accepted accounting standards, the Group has decided to employ a methodology in line with "the pooling of interest" method of which resulted in information that is relevant to the economic decision-making needs of users and reflected the economic substance of transactions for the accounting of mergers under common control which is neither stated in TFRS 3 nor any of TFRS standards. According to this methodology, all the assets and liabilities subject to merger under common control are recorded to the consolidated financial statements at their carrying values. Income statements have been merged from the beginning of the financial year when the merger took place.

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As a result of the purchase on 28 September 2005, Yapı Kredi and the subsidiaries owned by Yapı Kredi have been taken into the scope of consolidation. In accordance with generally accepted accounting practice explained in Section 5.j.1, goodwill, credit card brand value, deposit base and customer portfolio values stated as other identifiable intangibles are reflected to the Koçbank consolidated financial statements. With the merger on 2 October 2006, the transfer of Koçbank to Yapı Kredi had no effect on the Group's (Koçbank, Yapı Kredi and subsidiaries owned by Yapı Kredi) structure. As a result of these, 31 December 2006 consolidated financial statements are considered as a continuation of the 31 December 2005 Koçbank consolidated financial statements and the effects of the TFRS application are also reflected to these financial statements.

Extraordinary General Assembly meetings regarding the transfer of Koç Leasing with all its rights, receivables, liabilities and obligations to the Yapı Kredi Leasing and the consequential dissolution without liquidation were held on 21 December 2006 and the merger was approved on 27 December 2006. As a result of the merger, with the share purchase realized on 28 December 2006, the Bank's share in Yapı Kredi Leasing has decreased from 98,13% to 25,67%. However, share of Bank's risk Group is 99,58%.

Extraordinary General Assembly meetings regarding the transfer of one of the Bank's subsidiaries, Yapı Kredi Faktoring with all its rights, receivables, liabilities and obligations to the Koç Faktoring and the consequential dissolution without liquidation were held on 22 and 27 December 2006 and the corporate title of Koç Faktoring Hizmetleri A.Ş. has been changed as Yapı Kredi Faktoring A.Ş. and the merger was approved on 29 December 2006. As a result of the merger, the Bank's share in Yapı Kredi Faktoring A.Ş. has decreased from 99,98% to 40,48%. However, share of Bank's risk Group is 100%.

Extraordinary General Assembly meetings regarding the transfer of Yapı Kredi Portföy which the Bank indirectly owns, with all its rights, receivables, liabilities and obligations to the Koç Portföy and the consequential dissolution without liquidation were held on 22 December 2006. The corporate title of Koç Portföy Yönetimi A.Ş. was changed to Yapı Kredi Portföy Yönetimi A.Ş. and the merger was approved on 29 December 2006. As a result of the merger, the Bank's share in Yapı Kredi Portföy Yönetimi A.Ş. has decreased from 32,49% to 4,84%. However, share of Bank's risk Group is 99,99%.

Besides, the merger operations of the above-mentioned entities have been reflected in the consolidated financial statements by taking the 'Pooling of Interest' methodology into consideration. In this context, equities of the entities which were subject to merger process but not included in the consolidation scope since they were not under the control of the Bank at 31 December 2005, namely Koç Leasing, Koç Faktoring, Koç Menkul and Koç Portföy were consolidated in the Group's equity at 1 January 2006 and the income statements from the beginning of the fiscal year when the merger took place.

The effect of those companies on the Group's consolidated equities on 1 January 2006 is YTL396.466 thousand.

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**VIII. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP**

**a. The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period :**

1. 31 December 2006 :

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	Cash	Non-Cash	Cash
Loans and Other Receivables						
Balance at the End of the Period	329.416	25.578	418.451	719.977	-	-
<b>Interest and Commission Income Received</b>	<b>10.629</b>	<b>2</b>	<b>51.079</b>	<b>1.274</b>	-	-

(\*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

2. Information on deposits of the Bank’s risk group:

Group’s Risk Group(*)	Associates , subsidiaries and joint ventures	Direct and indirect shareholders of the Bank	Other real and legal persons that have been included in the risk group
<b>Deposit</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
End of the Period	61.693	3.496.591	-
<b>Interest Expense on Deposits</b>	<b>2.364</b>	<b>254.451</b>	-

(\*) Defined in the 49th Article of subsection 2 of the Banking Act No. 5411.

3. Information on forward and option agreements and other derivative instruments with the Bank’s risk group:

Group’s Risk Group(*)	Associates , subsidiaries and joint ventures	Direct and indirect shareholders of the Bank	Other real and legal persons that have been included in the risk group
	<b>2006</b>	<b>2006</b>	<b>2006</b>
<b>Transactions at Fair Value Through Profit or Loss (**)</b>			
End of the Period (***)	-	230.617	-
<b>Total Profit / Loss</b>	-	<b>127</b>	-
<b>Transactions for hedging purposes</b>			
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.

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**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:

	<b>Total Risk Group</b>	<b>Total Transaction Volume</b>	<b>%</b>
<b>Loans and Due from Banks</b>	747.867	24.674.042	3
<b>Interest Income Received</b>	61.708	3.547.668	2
<b>Non- Cash Loans</b>	745.555	15.501.907	5
<b>Commission Income Received</b>	1.276	130.431	1
<b>Deposit, Borrowings and Money Markets</b>	3.558.284	39.925.762	9
<b>Interest Expense Paid</b>	256.815	3.335.239	8
<b>Trading Transactions</b>	230.617	5.570.530	4
<b>Trading Transactions Expenses (net)</b>	127	261.669	-

4. Information regarding benefits provided to the Bank's key management:

Salaries paid to the Bank's key management amount to YTL17.580 thousand in 2006.

**IX. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK**

	<b>Number</b>	<b>Employee number</b>	<b>Country of Incorporation</b>	<b>Total Asset</b>	<b>Statutory Share capital</b>
Domestic Branch	607	13.463			
Foreign Rep. Office	3	8	1-Germany		
Foreign Rep. Office	1	-	2-Russia		
Foreign Branch	-	-		-	-
Off-Shore Banking Region Branch	1	7	1-Bahreyn	5.046.489	-

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**X. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

- 1- As of 1 March 2007, the Bank received external financing which consisting of two parts and amounting to USD400 million according to the securitization program based on diversified payment rights of future cash flows with the leadership of the Standard Chartered Bank and Bayerische Hypo-und Vereinsbank AG. The maturity of the both parts is eight years which amounts to EUR115 million and USD250 million, respectively. With the external financing, fifth part of the transaction made in 2006 with a five-year maturity amounting to the USD310 million was repaid.
- 2- Based on the “Fintur, Superonline and Digitürk Purchase-Sale agreement” signed between the Bank and the Çukurova Group companies at 28 September 2005, the date set for the transfer of the Superonline shares was extended for an additional three months on 26 February 2007 in order to complete the share transfer.
- 3- Extraordinary General Assembly meetings regarding the transfer of Koç Yatırım with all its rights, receivables, liabilities and obligations to one of the Group’s subsidiaries, Yapı Kredi Menkul and the consequential dissolution without liquidation were held on 29 December 2006 the merger was approved on 12 January 2007. As a result of the merger, the Bank’s share in Yapı Kredi Menkul has decreased from 99,99% to 64,70%. However, share of Bank’s risk Group in the aforementioned company is 100%.
- 4- Extraordinary General Assembly meetings regarding the transfer of the Group’s subsidiaries, Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş. to another subsidiary of the Group, Enternasyonal Turizm Yatırım A.Ş. were held on 5 February 2007 and the merger was approved on 8 February 2006. As a result of the merger, the Bank’s share in Enternasyonal Turizm Yatırım A.Ş. has decreased from 99,99% to 99,96%.
- 5- In the meeting of the Board of Directors held on 28 February 2007; it was resolved that YTL6.632 thousand of current year’s profit related to proceeds from sale of an investment will be added to the Parent Bank’s capital according to Corporate Tax Law No.5422 Part No.12 of article 8 and YTL7.308 thousand of current year’s profit related to property sales income will be transferred to a special fund according to Corporate Tax Law No.5422 Part “e” of article 5 and the remaining current year profit will be offset with prior years’ losses.
- 6- As of 26 February 2007, UCI transferred 50% of its shares in KFS to the Bank Austria Creditanstalt AG (“BACA”). This transfer is subject to the permission of the CMB regarding the amendment of an indirect shareholding in terms of Yapı Kredi Portföy Yönetimi A.Ş. Since BACA is a company under the management of UCI, the share transfer does not result in an amendment to the management or the control of either Yapı Kredi or Yapı Kredi’s equity participations. Consequently, BACA plans to apply to the CMB in order to be exempted from the permission requirement as a result of other publicly held shares.
- 7- With the decision of the Constitutional Court No. E. 2005/39, K. 2007/33 dated 22 March 2007, which was published in the Official Gazette No.26479 dated 31 March 2007, paragraph 1 of temporary article 23 of the Banking Law No.5411 containing the provision related to the transfer of banks’ pension funds to the Social Security Institution explained in Note XVIII. of Section Three, was annulled and its execution was suspended as of the publication date of the decision.

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**SECTION SIX  
OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS ON GROUPS'S OPERATIONS**

- 1- On 4 April 2005 the auditors of the CBRT sent an audit report dated 31 March 2005 to the Bank. The report includes critiques on the calculation methods of reserve requirements and liquidity obligations for various liability items. On the other hand, on 16 November 2005, the "Communiqué regarding the reserve requirements" numbered 2005/1 was issued in the Official Gazette numbered 25995. According to this Communiqué, if CBRT auditors conclude that the reserve requirements were understated for a specific time, twofold and threefold of the understated TL and foreign currency denominated amount, respectively, can be placed in the CBRT as interest free demand deposits for this specific time period. Otherwise, penalty interest will be charged regarding the understated amounts. The Bank management plans to use the option of placing interest free deposits in the CBRT, if any liability occurs against the Bank as a result of this process.
- 2- Ensuring the liquidation of foreign companies and funds that are direct or indirect shareholders of the Group's non-financial investments and associates and Enternasyonel Turizm Yatırım A.Ş. ;
  - The 85,2% shares of Enternasyonel Turizm Yatırım A.Ş. held by Havenfields Tourism Investment N.V., which the Group indirectly owns, have been purchased by the Bank.
  - Azur Tourism Investment N.V. shares within the portfolio of Sun Investment Fund, which the Group directly and indirectly owns, have been purchased by the Bank for USD17.783.875 (YTL24.501 thousand).
  - The 6,77% of shares of Yapı Kredi Sigorta A.Ş. with a nominal value of YTL5.418.266, the shares of Yapı Kredi Finansal Kiralama A.O. realized as 5,40% after the merger with a nominal value of YTL21.048.664, and the 3,19% of shares of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. with a nominal value of YTL1.275.872 that were in the portfolio of Anatolia Investment Fund, which the Bank directly and indirectly owns, have been purchased by the Bank as of 28 December 2006 over-the-counter with no intermediary institutions.
  - The participation shares of Anatolia Investment Fund and Sun Investment Fund in the fund have been redeemed parallel with their liquidation process.

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**SECTION SEVEN  
EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

The consolidated financial statements and notes as of 31 December 2006 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and the auditor’s report dated 12 April 2007 was presented prior to consolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR**

None.

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