

Yapı ve Kredi Bankası A.Ş.

**Publicly announced consolidated financial statements
and related disclosures at December 31, 2010
together with independent auditor's report**

**(Convenience translation of publicly announced consolidated
financial statements and independent auditor's report
originally issued in Turkish, See Note I. of Section three)**

(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

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

We have audited the accompanying consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries as at December 31, 2010 and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the financial statements:

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error and selecting and applying appropriate accounting policies.

Auditor's responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditor's 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 as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the Banking Regulation and Supervision Agency in respect of accounting and financial reporting.

Other matter:

The consolidated financial statements of the Bank as at and for the year ended December 31, 2009 prepared in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Act No: 5411 were audited by another independent audit firm, who expressed an unqualified opinion in their report dated March 2, 2010.

Additional paragraph for convenience translation to English:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Articles 37 and 38 of the Banking Act No: 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Selim Elhedef
Partner, SMMM

Istanbul, February 28, 2011

Convenience translation of publicly announced consolidated financial statements and independent auditor's report originally issued in Turkish, See Note I. of Section three

**The consolidated financial report of
Yapı ve Kredi Bankası A.Ş. as of December 31, 2010**

Yapı ve Kredi Bankası A.Ş.
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The consolidated financial report includes the following sections in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" 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.
- **Section seven** - Independent Auditor's Report.

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

Subsidiaries	Associates	Joint Ventures
1. Yapı Kredi Sigorta A.Ş. 2. Yapı Kredi Emeklilik A.Ş. 3. Yapı Kredi Finansal Kiralama A.O 4. Yapı Kredi Faktoring A.Ş. 5. Yapı Kredi Yatırım Menkul Değerler A.Ş. 6. Yapı Kredi B Tipi Yatırım Ortaklığı A.Ş. 7. Yapı Kredi Portföy Yönetimi A.Ş. 8. Yapı Kredi Holding B.V 9. Yapı Kredi Bank Nederland N.V. 10. Yapı Kredi Bank Moscow 11. Sticking Custody servises YKB 12. Yapı Kredi Bank Azerbaijan CJSC 13. Yapı Kredi Invest LLC	1. Banque de Commerce et de Placements S.A.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.

Additionally, although Yapı Kredi Diversified Payment Rights Finance Company, a Special Purpose Entity, is not a subsidiary, as our Bank has a control of 100%, it has been included in the consolidation.

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in **thousands of Turkish Lira, ("TL")**, 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 Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited.

Tayfun BAYAZIT
Chairman of the
Board of Directors

H. Faik AÇIKALIN
Chief Executive Officer

Marco CRAVARIO
Chief Financial Officer

M. Gökmen UÇAR
Head of Financial
Reporting and
Accounting

Federico GHIZZONI
President of Audit Committee

Vittorio G. M. OGLIENGO
Member of Audit Committee

Fusun Akkal BOZOK
Member of Audit Committee

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

Name-Surname / Title: Serkan Savaş / Head of Consolidation
Telephone Number : 0212 339 63 22
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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

Section one

General information about the group

I. History of the parent bank including its incorporation date, initial legal status and amendments to legal status, if any:

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

II. Explanation about the parent bank’s capital structure, shareholders of the parent bank who are in charge of the management and/or auditing of the parent bank directly or indirectly, changes in these matters (if any) and the group the parent bank belongs to:

The Parent Bank’s publicly traded shares are traded on the Istanbul Stock Exchange (“ISE”) since 1987 and the representatives of these shares, Global Depository Receipts, are quoted in London Stock Exchange. As of December 31, 2010 18,20% shares of the Bank are publicly traded (2009: 18,20%). The remaining 81,80% being owned by Koç Finansal Hizmetler A.Ş. (“KFS”), a joint venture of UniCredit (“UCI”) and Koç Group.

KFS was established on 16 March 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. As of October 22, 2002, Koç Group established a strategic partnership with UCI over KFS.

In 2005, 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”). In 2006, Koçbank purchased additional shares of the Bank from ISE and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries have been legally merged in 2006 and 2007:

Merging Entities		Merger Date	Merged Entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. (“Yapı Kredi Leasing”)	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. (“Yapı Kredi Faktoring”)	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. (“Yapı Kredi Portföy”)	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. (“Yapı Kredi Menkul”)	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
	Koçbank		
Yapı Kredi Bank Nederland N.V. (“Yapı Kredi NV”)	Nederland N.V.	July 2, 2007	Yapı Kredi NV

After the merger and the share transfer procedures in 2007 and the capital increase by TL 920 million in 2008, KFS owns 81,80% of the shares of the Bank.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

General information about the group (continued)

III. Explanation regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2010, the Parent Bank’s Board of Directors, Members of the Audit Committee and Executive President and Vice Presidents are as follows.

Board of Directors Members:

Name	Responsibility
Tayfun BAYAZIT	Chairman
Federico GHIZZONI	Vice Chairman
H. Faik AÇIKALIN	Chief Executive Officer
Alessandro M. DECIO ⁽¹⁾	Executive Director and Deputy Chief Executive Officer
Ahmet F. ASHABOĞLU	Member
Füsun Akkal BOZOK	Member
Carlo VIVALDI ^{(1) (2)}	Member
Vittorio G. M. OGLIENGO	Member
O. Turgay DURAK	Member
Massimiliano FOSSATI	Member

(1) According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, Alessandro M. DECIO has resigned from his duty as Executive Director and Deputy Chief Executive Officer and was appointed as member of Board of Directors effective from January 31, 2011.

(2) According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, Carlo VIVALDI was appointed as Executive Director and Deputy Chief Executive Officer

(1)(2) According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, Alessandro M. DECIO has resigned from his duty as deputy chairman of Credit Committee and Executive Committee and was appointed as member of Credit Committee; Carlo VIVALDI has resigned from his duty as member of Credit Committee was appointed as deputy chairman of Credit Committee and Executive Committee effective from January 31, 2011.

General Manager and Assistant General Managers:

Name	Responsibility
H. Faik AÇIKALIN	General Manager
Alessandro M. DECIO ⁽¹⁾	Deputy General Manager
Mehmet Güray ALPKAYA ⁽²⁾	Corporate Sales Management
Marco CRAVARIO	Financial Planning and Administration Management
Yakup DOĞAN	Alternative Distribution Channels
Mehmet Murat ERMERT	Corporate Communication Management
Mert GÜVENEN	Corporate and Commercial Banking Management
Süleyman Cihangir KAVUNCU	Human Resources Management
Erhan ÖZÇELİK	Private Banking and Asset Management
Mehmet Erkan ÖZDEMİR	Compliance Officer
Muzaffer ÖZTÜRK ⁽³⁾	Retail Sales Management
Stefano PERAZZINI	Internal Audit
Yüksel RİZELİ	Information Systems and Operation Management
Luca RUBAGA	Organization and Logistics Management
Cemal Aybars SANAL	Legal Activities Management
Wolfgang SCHILK	Risk Management
Zeynep Nazan SOMER	Retail Banking Management
Feza TAN	Corporate and Commercial Credit Management
Selim Hakkı TEZEL	Consumer and SME Credit Management
Mert YAZICIOĞLU	Treasury Management

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

General information about the group (continued)

- (1) According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, Alessandro M. DECIO has resigned from his duty as Deputy General Manager and Carlo VIVALDI was appointed as Deputy General Manager effective from January 31, 2011, unless the response of the application to the Banking Regulation and Supervision Agency is negative in 7 days.
- (2) According to the resolution of the Board of Directors of the Parent Bank dated December 29, 2010, Mehmet Güray ALPKAYA was appointed as vice president of Corporate Sales Management effective from December 31, 2010.
- (3) Effective from January 31, 2011, Muzaffer ÖZTÜRK has resigned from his duty as vice president of Retail Sales Management due to retirement.

Audit Committee Members:

Name	Responsibility
Federico GHIZZONI	Chairman
Füsun Akkal BOZOK	Member
Vittorio G. M. OGLIENGO	Member

Statutory auditors:

Name	Responsibility
Abdullah GEÇER	Auditor
Adil G. ÖZTOPRAK	Auditor

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

IV. Information on individual and corporate shareholders having control shares of the Parent Bank:

Name/Commercial title	Share amounts (Nominal)	Share percentage	Paid-in capital (Nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.555.712.396,07	81,80%	3.555.712.396,07	-

V. Summary information on the parent bank’s activities and services:

The Parent Bank’s activities summarized from the section 5 of the articles of association are as follows:

The Parent Bank’s purpose and subject matter in accordance with the Banking Act, regulations and existing laws; includes:

- The execution of all banking activities
- The execution of all economic and financial activities which are allowed by law and regulation
- The execution of representation, attorney and agency activities related to the subjects referred to above
- Purchase and sale of share certificates, bonds and all the capital market instruments, as part of Capital Market Law and regulations

In case of necessity to perform activities which are useful and required but that are not specified in the articles of association, a Board of Directors’ proposal is to be presented to the General Assembly.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

General information about the group (continued)

With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2010, the Parent Bank has 867 branches operating in Turkey, 1 branch in off-shore region (December 31, 2009 - 837 branches operating in Turkey, 1 branch in off-shore region).

As of December 31, 2010, the Bank has 14.411 employees (December 31, 2009 - 14.333 employees). The parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2010, the Group has 16.780 employees (December 31, 2009 - 16.713 employees).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements at December 31, 2010 and 2009

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

**Section two
Consolidated financial statements**

I. Consolidated balance sheet

		(31/12/2010)			(31/12/2009)		
Assets	Note (Section five)	TL	FC	Total	TL	FC	Total
I. Cash and balances with central bank	I-a	2.558.311	3.476.115	6.034.426	1.784.273	2.445.062	4.229.335
II. Financial assets at fair value through profit or (loss) (net)	I-b	938.171	131.944	1.070.115	802.452	181.175	983.627
2.1 Trading financial assets		938.171	131.944	1.070.115	802.452	181.175	983.627
2.1.1 Government debt securities		239.553	60.999	300.552	164.476	109.402	273.878
2.1.2 Share certificates		6.448	-	6.448	38.963	-	38.963
2.1.3 Trading derivative financial assets		622.779	70.745	693.524	546.121	71.583	617.704
2.1.4 Other marketable securities		69.391	200	69.591	52.892	190	53.082
2.2 Financial assets designated at fair value through profit/(loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-c	708.938	1.854.792	2.563.730	545.079	1.849.569	2.394.648
IV. Money markets		970.970	-	970.970	1.581.459	-	1.581.459
4.1 Interbank money market placements		-	-	-	1.500.271	-	1.500.271
4.2 Receivables from Istanbul stock exchange money market		-	-	-	30.015	-	30.015
4.3 Receivables from reverse repurchase agreements		970.970	-	970.970	51.173	-	51.173
V. Available-for-sale financial assets (net)	I-d	4.422.875	1.453.105	5.875.980	934.109	1.089.706	2.023.815
5.1 Share certificates		16.331	269	16.600	18.978	2.193	21.171
5.2 Government debt securities		3.339.007	1.077.982	4.416.989	867.008	1.018.499	1.885.507
5.3 Other marketable securities		1.067.537	374.854	1.442.391	48.123	69.014	117.137
VI. Loans and receivables	I-e	34.957.515	19.718.347	54.675.862	24.960.975	14.309.544	39.270.519
6.1 Loans		34.562.909	19.680.071	54.242.980	24.564.156	14.298.626	38.862.782
6.1.1 Bank's risk group		733.913	494.603	1.228.516	414.041	181.577	595.618
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		33.828.996	19.185.468	53.014.464	24.150.115	14.117.049	38.267.164
6.2 Loans under follow-up		1.766.342	141.624	1.907.966	2.569.983	52.675	2.622.658
6.3 Specific provisions (-)		(1.371.736)	(103.348)	(1.475.084)	(2.173.164)	(41.757)	(2.214.921)
VII. Factoring receivables		1.082.586	742.306	1.824.892	1.027.290	404.041	1.431.331
VIII. Held-to-maturity securities (net)	I-f	5.319.830	7.655.114	12.974.944	6.056.097	7.262.622	13.318.719
8.1 Government debt securities		5.319.830	7.655.114	12.974.944	6.056.097	7.262.622	13.318.719
8.2 Other marketable securities		-	-	-	-	-	-
IX. Investments in associates (net)	I-g	3.940	71.906	75.846	3.940	58.939	62.879
9.1 Consolidated based on equity method		-	71.906	71.906	-	58.939	58.939
9.2 Unconsolidated		3.940	-	3.940	3.940	-	3.940
9.2.1 Financial investments in associates		3.940	-	3.940	3.940	-	3.940
9.2.2 Non-financial investments in associates		-	-	-	-	-	-
X. Subsidiaries (net)	I-h	2.300	-	2.300	2.300	-	2.300
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		2.300	-	2.300	2.300	-	2.300
XI. Joint ventures (net)	I-i	22.265	-	22.265	24.590	-	24.590
11.1 Accounted based on equity method		22.265	-	22.265	24.590	-	24.590
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-j	384.445	1.605.169	1.989.614	398.762	1.786.448	2.185.210
12.1 Financial lease receivables		461.940	1.869.514	2.331.454	493.872	2.104.050	2.597.922
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(77.495)	(264.345)	(341.840)	(95.110)	(317.602)	(412.712)
XIII. Hedging derivative financial assets	I-k	34.463	3.738	38.201	127.678	953	128.631
13.1 Fair value hedge		34.463	-	34.463	127.678	953	128.631
13.2 Cash flow hedge		-	3.738	3.738	-	-	-
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-l	1.139.529	16.986	1.156.515	1.130.617	16.930	1.147.547
XV. Intangible assets (net)	I-m	1.241.866	1.214	1.243.080	1.194.538	111	1.194.649
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		262.373	1.214	263.587	215.045	111	215.156
XVI. Investment property (net)	I-n	-	-	-	-	-	-
XVII. Tax asset		317.180	2.248	319.428	307.991	3.366	311.357
17.1 Current tax asset		-	1.223	1.223	-	236	236
17.2 Deferred tax asset	I-o	317.180	1.025	318.205	307.991	3.130	311.121
XVIII. Assets held for resale and related to discontinued operations (net)	I-p	82.416	-	82.416	88.680	-	88.680
18.1 Held for sale purposes		82.416	-	82.416	88.680	-	88.680
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-r	957.024	936.450	1.893.474	836.513	518.675	1.355.188
Total assets		55.144.624	37.669.434	92.814.058	41.807.343	29.927.141	71.734.484

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements at December 31, 2010 and 2009

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

I. Consolidated balance sheet

		(31/12/2010)			(31/12/2009)		
Liabilities	Note (Section five)	TL	FC	Total	TL	FC	Total
I.. Deposits	II-a	32.261.175	22.945.827	55.207.002	23.232.276	20.142.609	43.374.885
1.1 Deposits of the Bank's risk group		3.707.671	3.157.886	6.865.557	1.617.242	2.648.296	4.265.538
1.2 Other		28.553.504	19.787.941	48.341.445	21.615.034	17.494.313	39.109.347
II. Derivative financial liabilities held for trading	II-b	294.227	64.941	359.168	212.626	55.889	268.515
III. Borrowings	II-c	2.026.611	8.046.459	10.073.070	1.417.155	4.943.071	6.360.226
IV. Money markets		469.580	3.181.436	3.651.016	130.100	1.155.467	1.285.567
4.1 Funds from interbank money market		-	29.843	29.843	-	46.886	46.886
4.2 Funds from istanbul stock exchange money market		401.755	-	401.755	-	-	-
4.3 Funds provided under repurchase agreements		67.825	3.151.593	3.219.418	130.100	1.108.581	1.238.681
V. Marketable securities issued (net)	II-d	-	1.394.904	1.394.904	-	1.744.478	1.744.478
5.1 Bills		-	19.485	19.485	-	718	718
5.2 Asset backed securities		-	1.375.419	1.375.419	-	1.743.760	1.743.760
5.3 Bonds		-	-	-	-	-	-
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		3.421.542	784.429	4.205.971	2.828.474	417.351	3.245.825
VIII. Other liabilities	II-e	703.682	340.801	1.044.483	509.530	397.055	906.585
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables (net)		-	-	-	1	112	113
10.1 Financial lease payables	II-f	-	-	-	1	113	114
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	(1)	(1)
XI. Hedging derivative financial liabilities	II-g	352.025	101.638	453.663	357.513	100	357.613
11.1 Fair value hedge		313.917	-	313.917	357.513	100	357.613
11.2 Cash flow hedge		38.108	101.638	139.746	-	-	-
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-h	2.576.902	702.836	3.279.738	2.541.836	731.445	3.273.281
12.1 General loan loss provision		520.460	306.393	826.853	557.129	352.501	909.630
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		178.753	3.214	181.967	164.049	2.150	166.199
12.4 Insurance technical provisions (net)		614.469	316.238	930.707	546.356	320.448	866.804
12.5 Other provisions		1.263.220	76.991	1.340.211	1.274.302	56.346	1.330.648
XIII. Tax liability	II-i	286.688	2.312	289.000	204.945	2.288	207.233
13.1 Current tax liability		286.688	180	286.868	204.444	653	205.097
13.2 Deferred tax liability		-	2.132	2.132	501	1.635	2.136
XIV. Liabilities for assets held for sale and related to discontinued operations (net)		-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-j	-	2.110.274	2.110.274	-	2.224.023	2.224.023
XVI. Shareholders' equity	II-k	10.824.482	(78.713)	10.745.769	8.499.057	(12.917)	8.486.140
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		812.686	(78.713)	733.973	722.973	(12.917)	710.056
16.2.1 Share premium		543.881	-	543.881	543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences	II-k	187.262	65.535	252.797	102.824	58.577	161.401
16.2.4 Property and equipment revaluation differences		-	-	-	-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Revaluation differences of investment property		-	-	-	-	-	-
16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-
16.2.8 Hedging funds (effective portion)		812	(144.248)	(143.436)	14.299	(71.494)	(57.195)
16.2.9 Value increase in property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		80.731	-	80.731	61.969	-	61.969
16.3 Profit reserves		3.202.502	-	3.202.502	1.865.878	-	1.865.878
16.3.1 Legal reserves		163.959	-	163.959	96.220	-	96.220
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		3.038.543	-	3.038.543	1.769.658	-	1.769.658
16.3.4 Other profit reserves		-	-	-	-	-	-
16.4 Income or (loss)		2.399.148	-	2.399.148	1.505.894	-	1.505.894
16.4.1 Prior years' income or (loss)		151.117	-	151.117	(37.054)	-	(37.054)
16.4.2 Current year income or (loss)		2.248.031	-	2.248.031	1.542.948	-	1.542.948
16.5 Minority interest	II-l	63.095	-	63.095	57.261	-	57.261
Total liabilities and shareholders' equity		53.216.914	39.597.144	92.814.058	39.933.513	31.800.971	71.734.484

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements at December 31, 2010 and 2009

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

II. Consolidated off-balance sheet commitments

		(31/12/2010)			(31/12/2009)			
		Note (Section five)	TL	FC	Total	TL	FC	Total
A	Off-balance sheet commitments (I+II+III)		46.872.065	56.333.943	103.206.008	33.280.612	40.993.912	74.274.524
I.	Guarantees and warranties	III-a-2, 3	7.798.109	11.894.444	19.692.553	6.256.478	10.329.577	16.586.055
1.1	Letters of guarantee		7.780.097	7.167.366	14.947.463	6.251.627	7.045.114	13.296.741
1.1.1	Guarantees subject to state tender law		510.007	596.097	1.106.104	476.948	441.239	918.187
1.1.2	Guarantees given for foreign trade operations		840.037	6.434.849	7.274.886	683.494	6.342.845	7.026.339
1.1.3	Other letters of guarantee		6.430.053	136.420	6.566.473	5.091.185	261.030	5.352.215
1.2	Bank acceptances		-	165.797	165.797	-	151.669	151.669
1.2.1	Import letter of acceptance		-	165.797	165.797	-	151.669	151.669
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		12.337	3.987.536	3.999.873	1.410	2.736.825	2.738.235
1.3.1	Documentary letters of credit		12.337	3.974.126	3.986.463	1.410	2.709.285	2.710.695
1.3.2	Other letters of credit		-	13.410	13.410	-	27.540	27.540
1.4	Prefinancing given as guarantee		143	2.062	2.205	143	2.008	2.151
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		5.532	269.072	274.604	2.398	197.374	199.772
1.9	Other collaterals		-	302.611	302.611	900	196.587	197.487
II.	Commitments	III -a-1	19.805.392	2.819.338	22.624.730	16.411.945	3.043.663	19.455.508
2.1	Irrevocable commitments		19.370.406	2.819.338	22.189.744	16.411.945	3.043.663	19.455.508
2.1.1	Asset purchase and sale commitments		-	2.544.040	2.544.040	-	517.280	517.280
2.1.2	Deposit purchase and sales commitments		44	9.797	9.841	5.419	-	5.419
2.1.3	Share capital commitments to associates and subsidiaries		2.000	-	2.000	2.000	-	2.000
2.1.4	Loan granting commitments		3.070.259	233.241	3.303.500	2.693.259	422.894	3.116.153
2.1.5	Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	1.209.483	2.088.453	3.297.936
2.1.7	Commitments for cheques		3.653.626	-	3.653.626	1.468.823	-	1.468.823
2.1.8	Tax and fund liabilities from export commitments		39.486	-	39.486	38.261	-	38.261
2.1.9	Commitments for credit card limits		11.706.172	21.507	11.727.679	10.952.962	1.306	10.954.268
2.1.10	Commitments for credit cards and banking services promotions		-	-	-	-	-	-
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		898.819	10.753	909.572	41.738	13.630	55.368
2.2	Revocable commitments		434.986	-	434.986	-	-	-
2.2.1	Revocable loan granting commitments		434.986	-	434.986	-	-	-
2.2.2	Other revocable commitments		-	-	-	-	-	-
III.	Derivative financial instruments	III -b,c	19.268.564	41.620.161	60.888.725	10.612.189	27.620.772	38.232.961
3.1	Hedging derivative financial instruments		3.446.632	9.397.626	12.844.258	1.957.152	2.011.741	3.968.893
3.1.1	Transactions for fair value hedge		2.106.632	2.210.606	4.317.238	1.957.152	2.011.741	3.968.893
3.1.2	Transactions for cash flow hedge		1.340.000	7.187.020	8.527.020	-	-	-
3.1.3	Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2	Trading transactions		15.821.932	32.222.535	48.044.467	8.655.037	25.609.031	34.264.068
3.2.1	Forward foreign currency buy/sell transactions		2.081.770	3.206.163	5.287.933	1.763.364	2.312.832	4.076.196
3.2.1.1	Forward foreign currency transactions-buy		637.179	2.004.987	2.642.166	854.121	1.182.108	2.036.229
3.2.1.2	Forward foreign currency transactions-sell		1.444.591	1.201.176	2.645.767	909.243	1.130.724	2.039.967
3.2.2	Swap transactions related to foreign currency and interest rates		8.030.332	21.979.345	30.009.677	5.428.414	18.078.075	23.506.489
3.2.2.1	Foreign currency swap-buy		5.869.467	7.636.788	13.506.255	3.839.391	4.658.545	8.497.936
3.2.2.2	Foreign currency swap-sell		1.960.865	11.000.959	12.961.824	1.589.023	6.428.426	8.017.449
3.2.2.3	Interest rate swap-buy		100.000	1.670.799	1.770.799	-	3.495.552	3.495.552
3.2.2.4	Interest rate swap-sell		100.000	1.670.799	1.770.799	-	3.495.552	3.495.552
3.2.3	Foreign currency, interest rate and securities options		5.159.829	6.683.197	11.843.026	1.463.259	4.693.069	6.156.328
3.2.3.1	Foreign currency options-buy		2.330.226	3.125.062	5.455.288	530.200	1.432.885	1.963.085
3.2.3.2	Foreign currency options-sell		2.524.459	2.944.966	5.469.425	653.793	1.321.654	1.975.447
3.2.3.3	Interest rate options-buy		-	-	-	16.194	880.800	896.994
3.2.3.4	Interest rate options-sell		-	-	-	16.194	880.800	896.994
3.2.3.5	Securities options-buy		152.572	340.122	492.694	129.092	88.465	217.557
3.2.3.6	Securities options-sell		152.572	273.047	425.619	117.786	88.465	206.251
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		1	-	1	-	-	-
3.2.5.1	Interest rate futures-buy		1	-	1	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		550.000	353.830	903.830	-	525.055	525.055
B.	Custody and pledges received (IV+V+VI)		105.034.734	20.439.132	125.473.866	75.768.203	17.689.193	93.457.396
IV.	Items held in custody		63.860.271	3.846.300	67.706.571	48.319.294	3.636.594	51.955.888
4.1	Customer fund and portfolio balances		5.569	102	5.671	5.337	107	5.444
4.2	Investment securities held in custody		55.522.712	3.387.712	58.910.424	41.864.639	3.337.576	45.202.215
4.3	Checks received for collection		6.615.323	62.224	6.677.547	4.993.095	39.960	5.033.055
4.4	Commercial notes received for collection		1.713.892	375.385	2.089.277	1.456.124	237.166	1.693.290
4.5	Other assets received for collection		-	20.877	20.877	-	21.785	21.785
4.6	Assets received for public offering		-	-	-	-	-	-
4.7	Other items under custody		2.775	-	2.775	99	-	99
4.8	Custodians		-	-	-	-	-	-
V.	Pledges received		40.304.331	15.999.918	56.304.249	26.604.251	13.446.313	40.050.564
5.1	Marketable securities		281.601	167	281.768	199.083	163	199.246
5.2	Guarantee notes		433.773	380.268	814.041	303.643	355.528	659.171
5.3	Commodity		58.680	-	58.680	11.329	-	11.329
5.4	Warranty		-	-	-	-	-	-
5.5	Properties		27.491.727	11.473.952	38.965.679	17.764.131	9.292.461	27.056.592
5.6	Other pledged items		12.038.550	4.142.785	16.181.335	8.326.065	3.795.462	12.121.527
5.7	Pledged items-depository		-	2.746	2.746	-	2.699	2.699
VI.	Accepted independent guarantees and warranties		870.132	592.914	1.463.046	844.658	606.286	1.450.944
Total off-balance sheet commitments (a+b)			151.906.799	76.773.075	228.679.874	109.048.815	58.683.105	167.731.920

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements at December 31, 2010 and 2009

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

III. Consolidated income statement

Income and expense items	Note (Section five)	01/01-31/12/2010	01/01-31/12/2009
I. Interest income	IV-a	6.389.724	7.378.943
1.1 Interest on loans	IV-a-1	4.649.422	5.271.062
1.2 Interest received from reserve requirements		58.431	114.668
1.3 Interest received from banks	IV -a-2	75.741	66.803
1.4 Interest received from money market transactions		46.856	89.198
1.5 Interest received from marketable securities portfolio	IV -a-3	1.251.191	1.453.143
1.5.1 Trading financial assets		18.105	29.676
1.5.2 Financial assets classified as at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		250.982	148.989
1.5.4 Held to maturity investments		982.104	1.274.478
1.6 Financial lease income		199.400	254.671
1.7 Other interest income		108.683	129.398
II. Interest expense	IV-b	(2.807.571)	(3.482.088)
2.1 Interest on deposits	IV -b-3	(2.330.761)	(2.894.618)
2.2 Interest on funds borrowed	IV -b-1	(377.625)	(477.259)
2.3 Interest expense on money market transactions		(66.447)	(64.152)
2.4 Interest on securities issued		(24.674)	(44.863)
2.5 Other interest expenses		(8.064)	(1.196)
III. Net interest income (I-II)		3.582.153	3.896.855
IV. Net fees and commissions income		1.738.087	1.569.115
4.1 Fees and commissions received		2.071.264	1.912.286
4.1.1 Non-cash loans		219.730	200.305
4.1.2 Other		1.851.534	1.711.981
4.2 Fees and commissions paid		(333.177)	(343.171)
4.2.1 Non-cash loans		(3.836)	(3.028)
4.2.2 Other		(329.341)	(340.143)
V. Dividend income	IV -c	1.082	3.402
VI. Trading gain/(loss) (net)	IV -d	(32.138)	371.002
6.1 Trading gains/(losses) on securities		115.205	161.618
6.2 Derivative financial transactions gains/(losses)	IV -e	(470.513)	326.390
6.3 Foreign exchange gains/(losses)		323.170	(117.006)
VII. Other operating income	IV -f	1.353.599	225.170
VIII. Total operating income (III+IV+V+VI+VII)		6.642.783	6.065.544
IX. Provision for loan losses and other receivables (-)	IV -g	(1.162.305)	(1.648.729)
X. Other operating expenses (-)	IV -h	(2.693.198)	(2.510.242)
XI. Net operating income/(loss) (VIII-IX-X)		2.787.280	1.906.573
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments consolidated based on equity method		6.419	1.865
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/loss before taxes from continuing operations (XI+...+XIV)	IV -i	2.793.699	1.908.438
XVI. Provision for taxes on income from continuing operations (±)	IV -j	(538.996)	(355.260)
16.1 Current tax provision		(550.611)	(480.911)
16.2 Deferred tax provision		11.615	125.651
XVII. Net profit/losses from continuing operations (XV±XVI)		2.254.703	1.553.178
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures (business partnerships)		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures (business partnerships)		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit /losses before taxes from discontinued operations (XVIII-XIX)		-	-
XXI. Provision for income taxes from discontinued operations (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/losses from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/losses (XVII+XXII)	IV -k	2.254.703	1.553.178
23.1 Group's profit/loss		2.248.031	1.542.948
23.2 Minority interest profit/losses (-)	IV -m	6.672	10.230
Earnings/(loss) per share (in TL full)		0,0052	0,0035

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements at December 31, 2010 and 2009

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

IV. Consolidated statement of income and expense items accounted under shareholders' equity

Income and expense items accounted under equity		(31/12/2010)	(31/12/2009)
I.	Transfers to the marketable securities valuation differences from the available for sale financial assets	122.640	72.121
II.	Property and equipment revaluation differences	-	-
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	(5.301)	(141)
V.	Profit or loss on cash flow hedges (effective part of the fair value differences)	(127.285)	-
VI.	Profit/loss from foreign investment hedges (effective part of fair value changes)	19.484	(2.943)
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	609	-
IX.	Deferred tax related to valuation differences	(4.528)	1.682
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	5.619	70.719
XI.	Current year profit/loss	2.254.703	1.553.178
11.1	Net change in fair value of marketable securities (transfer to profit-loss)	4.710	14.678
11.2	Reclassification of cash flow hedge transactions and presentation of the related part under income statement	(65.061)	-
11.3	Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4	Other	2.315.054	1.538.500
XII.	Total profit/loss related to the current period (x-xi)	2.260.322	1.623.897

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated statement of changes in shareholders' equity at December 31, 2009
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Consolidated statement of changes in shareholders' equity

December 31, 2009	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves *	Status reserves	Extraordinary reserves*	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss)*	Marketable securities value increase fund	Property and Equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund.	Total equity except minority interest	Minority interest	Tota shareholders equity
I. Period opening balance		4.347.051	-	543.881	-	44.089	-	822.644	18.513	1.261.395	(255.848)	88.817	-	-	(54.841)	-	6.815.701	47.980	6.863.68*
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)		4.347.051	-	543.881	-	44.089	-	822.644	18.513	1.261.395	(255.848)	88.817	-	-	(54.841)	-	6.815.701	47.980	6.863.68*
Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	72.725	-	-	-	-	72.725	489	73.214
VI. Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(2.354)	-	(2.354)	-	(2.354)
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(2.354)	-	(2.354)	-	(2.354)
VII. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	(141)	-	-	-	-	(141)	-	(141)
XI. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid in-capital adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current year income or loss		-	-	-	-	-	-	-	-	1.542.948	-	-	-	-	-	-	1.542.948	10.230	1.553.178
XX. Profit distribution		-	-	-	-	52.131	-	947.014	43.456	(1.261.395)	218.794	-	-	-	-	-	-	(1.438)	(1.438)
20.1 Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.438)	(1.438)
20.2 Transfers to reserves		-	-	-	-	52.131	-	947.014	43.456	(1.261.395)	218.794	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III++XVIII+XIX+XX)		4.347.051	-	543.881	-	96.220	-	1.769.658	61.969	1.542.948	(37.054)	161.401	-	-	(57.195)	-	8.428.879	57.261	8.486.141

(*) Total legal reserves and extraordinary reserves of the consolidated subsidiaries amounting to TL 261.346 and TL 1.970.416, respectively, and the share of the Parent Bank in such reserves have been presented under Prior Period Net Income / (Loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity at December 31, 2010

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

V. Consolidated statement of changes in shareholders' equity

December 31, 2010	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves *	Status reserves	Extraordinary reserves *	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) *	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund.	Total equity except minority interest	Minority interest	Total shareholders' equity
I. Prior period-end balance		4.347.051	-	543.881	-	96.220	-	1.769.658	61.969	1.542.948	(37.054)	161.401	-	-	(57.195)	-	8.428.879	57.261	8.486.140
Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	96.697	-	-	-	-	96.697	(145)	96.552
IV. Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(86.241)	-	(86.241)	-	(86.241)
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(101.828)	-	(101.828)	-	(101.828)
4.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	15.587	-	15.587	-	15.587
V. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	(5.301)	-	-	-	-	(5.301)	-	(5.301)
IX. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	609	-	-	-	-	-	-	-	609	-	609
XVII. Current year income or loss		-	-	-	-	-	-	-	-	2.248.031	-	-	-	-	-	-	2.248.031	6.672	2.254.703
XVIII. Profit distribution		-	-	-	-	67.739	-	1.268.885	18.153	(1.542.948)	188.171	-	-	-	-	-	-	(693)	(693)
18.1 Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(693)	(693)
18.2 Transfers to reserves		-	-	-	-	67.739	-	1.268.885	18.153	(1.542.948)	188.171	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+III+.....+XVII+XVIII)		4.347.051	-	543.881	-	163.959	-	3.038.543	80.731	2.248.031	151.117	252.797	-	-	(143.436)	-	10.682.674	63.095	10.745.769

(*) Total legal reserves and extraordinary reserves of the consolidated subsidiaries amounting to TL 380.805 and TL 3.367.805 respectively, and the share of the Parent Bank in such reserves have been presented under Prior Period Net Income / (Loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements at December 31, 2010 and 2009

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

VI. Consolidated statement of cash flows

	Notes (Section five)	(31/12/2010)	(31/12/2009)
A. Cash flows from banking operations			
1.1	Operating profit before changes in operating assets and liabilities	1.702.094	3.754.173
1.1.1	Interest received	6.124.353	8.076.524
1.1.2	Interest paid	(2.759.804)	(3.717.239)
1.1.3	Dividend received	1.082	3.402
1.1.4	Fees and commissions received	2.071.527	1.910.870
1.1.5	Other income	(513.433)	618.075
1.1.6	Collections from previously written-off loans and other receivables	1.594.440	1.708.090
1.1.7	Payments to personnel and service suppliers	(2.418.476)	(2.324.990)
1.1.8	Taxes paid	(592.927)	(531.252)
1.1.9	Other	VI-c (1.804.668)	(1.989.307)
1.2	Changes in operating assets and liabilities	1.899.184	(3.818.462)
1.2.1	Net (increase)/decrease in trading securities	(3.405)	7.900
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets	-	-
1.2.3	Net (increase)/decrease in banks	(288.670)	993.231
1.2.4	Net (increase)/decrease in loans	(14.933.529)	(1.555.263)
1.2.5	Net decrease/(increase) in other assets	(475.172)	(381.112)
1.2.6	Net (decrease)/increase in bank deposits	444.084	1.092.544
1.2.7	Net (increase)/decrease in other deposits	11.363.637	(1.348.668)
1.2.8	Net (increase)/decrease in funds borrowed	4.658.570	(2.867.262)
1.2.9	Net increase/(decrease) in payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	VI-c 1.133.669	240.168
I.	Net cash provided from banking operations	3.601.278	(64.289)
B. Cash flows from investing activities			
II.	Net cash provided from investing activities	(3.425.860)	(1.177.078)
2.1	Cash paid for acquisition of investments, associates and subsidiaries (business partnerships)	-	-
2.2	Cash obtained from disposal of investments, associates and subsidiaries (business partnerships)	-	-
2.3	Purchases of property and equipment	(234.847)	(203.691)
2.4	Disposals of property and equipment	45.330	43.942
2.5	Cash paid for purchase of investments available-for-sale	(9.624.918)	(1.479.806)
2.6	Cash obtained from sale of investments available-for-sale	6.025.287	1.331.397
2.7	Cash paid for purchase of investment securities	(3.020.222)	(2.008.035)
2.8	Cash obtained from sale of investment securities	3.383.510	1.139.115
2.9	Other	-	-
C. Cash flows from financing activities			
III.	Net cash provided from financing activities	935.956	2.067.819
3.1	Cash obtained from funds borrowed and securities issued	3.222.407	2.069.424
3.2	Cash used for repayment of funds borrowed and securities issued	(2.285.645)	-
3.3	Issued capital instruments	-	-
3.4	Dividends paid	(693)	(1.438)
3.5	Payments for finance leases	(113)	(167)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	VI-c (54.185)	32.709
V.	Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	1.057.189	859.161
VI.	Cash and cash equivalents at beginning of the period	VI-a 5.047.843	4.188.682
VII.	Cash and cash equivalents at end of the period	VI-a 6.105.032	5.047.843

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Profit appropriation statements at December 31, 2010 and 2009

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

VII. Profit appropriation statement ^{(1) (2)}

	(31/12/2010)	(31/12/2009)
I. Distribution of current year income		
1.1 Current year income	2.519.768	1.713.903
1.2 Taxes and duties payable (-)	(459.478)	(359.126)
1.2.1 Corporate tax (income tax)	(461.928)	(397.268)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	2.450	38.142
A. Net income for the year (1.1-1.2)	2.060.290	1.354.777
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	67.739
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(A+(1.3+1.4+1.5))]	2.060.290	1.287.038
1.6 First dividend to shareholders (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	-
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	1.268.885
1.13 Other reserves	-	-
1.14 Special funds	-	18.153
II. Distribution of reserves	-	-
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
III. Earnings per share	-	-
3.1 To owners of ordinary shares	0,0047	0,0031
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share	-	-
4.1 To owners of ordinary shares	-	-
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

- (1) Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet. Since the profit appropriation proposal for the year 2010 has not been prepared by the Board of Directors, only net profit related to the year 2010, which is base for the profit appropriation calculation, has been disclosed. The aforementioned amount also includes 75% of gains on sales of property and equipment, and share certificates amounting to TL 65.692 thousand which are not going to be distributed and are going to be held in reserves according to the article 5/1-e of Corporate Tax Law No. 5520.
- (2) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statement at December 31, 2010

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

Section three

Explanations on accounting policies

I. Basis of presentation:

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 November 1, 2005, the Turkish Commercial Code (“TCC”) and Turkish tax legislation.

The consolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision 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 February 10, 2007.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those consolidated financial statements.

The consolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments applied until 31 December 2004, except for the trading and available for sale financial assets, trading and hedging derivative financial assets and financial liabilities carried at fair value. Besides, the carrying values of financial assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

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 are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of these financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied at financial statements for the year ended December 31, 2009. TAS/TFRS changes (TFRS 2 (Change) “Share-based Payment” Group Cash Settled Share Based Payments, TFRS 3 (Change) “Business Combinations” and TAS 27 (Change) “Consolidated and Separate Financial Statements”, TAS 39 (Change) “Financial Instruments: Recognition and Measurement” Eligible Hedged Items, TFRIC 17 “Distribution of Non-cash Assets to Shareholders” and Improvements to TFRS (Published in 2009) effective from January 1, 2010, do not have an effect on the Group’s accounting policies, financial position or performance. Those accounting policies and valuation principles are explained in Notes II. to XXIX. below.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statement at December 31, 2010

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Explanations on accounting policies (continued)

IFRS 9, “Financial Instruments” which will be compulsory for periods beginning on or after January 1, 2013, is allowed for the volunteering banks for early adoption starting as of December 31, 2010 as announced in “Change in Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements ” published in the Official Gazette numbered 27824 dated January 23, 2011. The standard which the Bank did not early adopt for 2010, will primarily have an effect on the classification and measurement of the Bank’s financial assets. The Bank is currently assessing the impact of adopting IFRS 9. However, as the impact of adoption depends on the assets held by the Bank at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/IFRS standards announced but not yet effective are not expected to have significant impact on the Bank’s accounting policies, financial position and performance.

Additional paragraph for convenience translation:

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

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 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 of 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 is being held at minimum levels and currency risk exposure is followed within the determined levels by the Board of Directors by considering the limits specified by the Banking Act.

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”, except for valuation differences arising from foreign currency subsidiaries and foreign currency non-performing loans. Since the foreign currency investments and unconsolidated subsidiaries are considered as non-monetary items, they are translated with the exchange rates at the transaction date and therefore no foreign exchange differences are realised. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in “Marketable securities valuation differences” in equity.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statement at December 31, 2010

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

Explanations on accounting policies (continued)

III. Information on consolidation principles:

a. Consolidation principles 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" published in the Official Gazette No. 26340 dated November 8, 2006 and the "Turkish Accounting Standard for Consolidated and Unconsolidated Financial Statements" ("TAS 27").

1. Consolidation principles of subsidiaries:

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

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.

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.

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 entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, See in Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statement at December 31, 2010

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Explanations on accounting policies (continued)

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

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) 2010	Direct and indirect rates (%) 2010
Yapı Kredi Sigorta A.Ş.	Istanbul/Turkey	Insurance	93,94	93,94
Yapı Kredi Emeklilik A.Ş.	Istanbul/Turkey	Insurance	93,94	100,00
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	98,85	98,85
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi B tipi Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Portfolio Management	56,06	56,07
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Bank Moscow	Moscow/Russia	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stitching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Invest LLC	Baku/Azerbaijan	Portfolio Management	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company ⁽¹⁾	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose company established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Bank.

2. Consolidation principles of associates:

The associate is an entity in which the Parent Bank participates in its capital and has significant influence on it although the Parent Bank 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 influence 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, unless proved otherwise, it is assumed that the Parent Bank has significant influence 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 changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

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

Title	(City/ Country)	Main activities	Effective rates (%) December 31, 2010	Direct and indirect rates (%) December 31, 2010
Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	Banking	30,67	30,67

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Explanations on accounting policies (continued)

3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust (“GYO”) and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture’s shareholders’ equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates (%)	Direct and indirect rates (%)
			December 31, 2010	December 31, 2010
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş..	İstanbul/Türkiye	GYO	30,45	30,45

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

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

5. Transactions with minority shareholders:

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

b. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

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

Foreign currency denominated unconsolidated associates, subsidiaries and joint ventures are booked at their original foreign currency costs translated into Turkish Lira using the exchange rate prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures 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.

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Explanations on accounting policies (continued)

IV. Explanations on forward transactions, options and derivative instruments:

The Group’s derivative transactions mostly include foreign money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives are reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedge instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognised under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in “Derivative Financial Transactions Gains/Losses” account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. If the underlying hedge does not conform to the hedge accounting requirements, the adjustments made to the carrying value (amortised cost) of the hedged item, are discounted within the time to maturity and recognised under the profit and loss accounts.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira variable interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments within this context are recorded in “Hedging funds” under shareholders’ equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization or sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders’ equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Certain derivative transactions, even though they provide effective economic hedges under the Group’s risk management policy, 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 “derivative financial assets held for trading” and if the fair value difference is negative, it is disclosed under “derivative financial liabilities held for trading”. Fair value changes are recorded under “Derivative Financial Transactions Gains/(Losses)” in the income statement.

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Explanations on accounting policies (continued)

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

Options in the Parent Bank's portfolio are valued on a daily basis. Parameters vary according to the type of option (barrier/digital etc.).

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2010, the Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of Credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps) and credit default swaps.

Credit default swaps are the contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events return for the premium paid by the buyer for the contract.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or the asset pool. Since the active assets in the reference asset pool are recorded in the balance sheet of the issuer or the owner of the active assets; the issuer or the owner of the active assets can assume the offering of the credit linked bonds as an insurance for the credit losses of the active assets that are in the reference asset pool.

Credit default swaps are valued daily by the valuation model of the Bank and then accounted over their fair values while credit linked notes are valued and accounted monthly.

Market risks of these products are monitored using the Bank's internal modelling system for the Value-at-Risk and basis points sensitivity analysis; while the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

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

VI. Explanations on fee and commission income and expense:

All fees and commission income/expenses are recognized on an accrual basis, certain commission income and fees from various banking services are recorded as income at the time of realization. Loan related fees and commissions paid to or received from the other institutions are considered as transaction costs and accounted using the effective interest method. Contract-based fees or fees received in return for services like the purchase and sale of assets on behalf of a third party are recognized 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". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Group management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Group. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in the same manner as acquired assets.

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 recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized 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 designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of this Section.

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Explanations on accounting policies (continued)

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized acquisition cost which includes transaction costs as well. Held-to-maturity securities are carried at “amortized cost” using the “effective interest method” after their initial recognition. Interest income related with held-to-maturity securities is recorded in “Interest income” and impairment arising from a decrease in cost or revalued amounts is recorded in “Provision for impairment of loans and other receivables” accounts.

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

c. Loans and receivables:

Loans and receivables are non-derivative financial assets that are not quoted in a market or classified as held for trading, at fair value through profit or loss or available for sale, and which have fixed or determinable payments. Loans and receivables are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the “effective interest method”. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

The Parent Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and the Parent Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture. General provisions are determined in accordance with the “incurred loss” model taking into consideration the factors listed above and the principles of TAS 39. As a result of changes in the internal composition of the loan portfolio, in the current year, the Parent Bank revised the general loan loss provisions by updating the related parameters used in the calculation of such provision. The general loan loss provision determined through this methodology is higher 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 previous years, the recovery amount is classified under “other operating income”. Uncollectible receivables are written-off after all the legal procedures are finalized.

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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 values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted in a market and the fair values of which can not be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

VIII. Explanations on impairment of financial assets:

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortized cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value.

The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as a the difference between the purchase cost (after deduction of principal payment and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the Uniform Chart of Accounts ("UCA").

The principles for the accounting of provisions for loans and receivables are explained in detail in Note VII. of this section.

IX. Explanations on offsetting financial assets:

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

X. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repos") are classified as "At fair value 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.

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Explanations on accounting policies (continued)

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

The Group has no securities lending transactions.

XI. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the TFRS 5, a tangible asset (or a group of assets to be disposed) classified as “asset held for resale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “asset held for resale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

A discontinued operation is a part of the Group’s business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Group has no discontinued operations.

XII. Explanations on goodwill and other intangible assets:

a. Goodwill:

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

In line with “Turkish Financial Reporting Standard for Business Combinations” (“TFRS 3”), the goodwill is not subject to depreciation but is tested annually or more frequently for impairment and carried at cost less accumulated impairment losses, if any, in line with “Turkish Accounting Standard for Impairment on Assets” (“TAS 36”).

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Explanations on accounting policies (continued)

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 amortization and the provision for impairment.

The Parent Bank evaluates the possibility of existence of impairment of other intangible assets at the end of each reporting period. If there is an evidence of impairment, the Bank estimates the recoverable amount. The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

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

Credit card brand value, deposit base and customer portfolio	10%
Other intangible assets	20%

XIII. Explanations on property and equipment:

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

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

Buildings	2%
Movables, movables acquired under financial leasing	20%

The depreciation charge for items remaining in property and equipment for less than the full 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 impairment is charged to the income statement.

Property and equipment have 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 proceeds.

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Explanations on accounting policies (continued)

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

XIV. Explanations on leasing transactions:

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

a. Accounting of leasing operations according to lessee:

Financial lease

The Group includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. The liabilities arising from the financial leasing transactions are included in "financial lease payables" on the balance sheet. Interest and foreign exchange expenses regarding financial lease transactions are charged to the income statement. Lease payments are deducted from financial leasing payables. The Parent Bank does not perform financial leasing operations as "Lessor".

Operational lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases, are accounted in income statements on a straight line basis during the lease period.

b. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in consolidated balance sheet. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

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Explanations on accounting policies (continued)

XV. Explanations on provisions and contingent asset and liabilities:

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

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

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVI. Explanations on obligations related to employee rights:

a. Employee termination benefit

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

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

b. Pension rights

The Parent Bank’s personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı (“Fund”) which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the “Regulation Regarding the Actuaries” by a registered independent actuary.

Temporary article 23 paragraph one of the Banking Act published in the Official Gazette dated November 1, 2005 numbered 25983 stated that foundations like the Fund are to be transferred to the Social Security Institution (“SSI”) within three years beginning from the publication date of the article.

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The article of the Law related to the transfer was cancelled (pursuant application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, numbered 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" numbered 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette dated May 8, 2008, numbered 26870 and came into force. With the new law, the Banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum two years with the decision of the Council of Ministers.

A commission whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The main opposition party has applied to the Constitutional Court at June 19, 2008 for cancellation of some articles and requested them to be ineffective until the case of abrogation is finalised. As of the date of the publication of the financial statements, there is no decision of the Constitutional Court announced regarding the court case of abrogation. The Bank provided provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

c. Defined contribution plans:

The Group is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments, the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

d. Short term benefits of employee:

According to TAS19, liabilities derived from unused vacation pay defined in "Short term benefits of employee" are accrued in the period in which they are realized and are not discounted

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Explanations on accounting policies (continued)

XVII. Explanations on taxation:

a. Current tax:

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

The corporate tax rate in Turkey is 20% and it is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to 5 years. Losses cannot be carried back to offset profits from previous periods.

Under the Turkish Corporate Tax Law, effective from April 24, 2003, investment allowances had provided a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand new fixed assets having economic useful life and exceeding TL 10 and directly related with the production of goods and services and investment allowance that arose prior to April 24, 2003 had been taxed at 19,8% (withholding tax) unless they had been converted to new type at companies’ will. Effective from January 1, 2006, Turkish government had ceased to offer investment incentives for capital investments and companies having unused qualifying capital investment amounts as of June 30, 2006 would be able to deduct such amounts from corporate income until the end of December 31, 2008. However, On October 15, 2009, the Ministry of Finance announced that the Turkish Constitutional Court (“TCC”) resolved to annul the provision numbered 69 of the Income Tax Law regulating that investment incentives carried forward can only be deducted from the corporate profits of 2006, 2007 and 2008, thus allowing such deduction for unlimited time. The resolution is published in the official gazette dated January 8, 2010.

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 and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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Explanations on accounting policies (continued)

Tax rates that are used in tax calculations by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2010 are as follows:

Netherlands	25,50%
Russia	20,00%
Azerbaijan	20,00%

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for 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 in accordance with BRSA’s explanations and circulars and the tax legislation, the Group calculates deferred tax on temporary differences except for general loan loss provisions, to the extent that future taxable income is estimated to be available. 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 future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with TAS12. The deferred tax asset and deferred tax liability are presented as separate in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

c. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing (previously included as “disguised profit” in the Corporate Tax Law No.5422). “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at November 18, 2007, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

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Explanations on accounting policies (continued)

XVIII. Explanations on borrowings:

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

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

XIX. Explanations on issuance of share certificates:

At capital increases, the Parent Bank accounts for the difference between the issued value and nominal value as share premium under shareholders' equity, in cases where the issued value is higher than the nominal value.

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

XX. Explanations on avalized drafts and acceptances:

Avalized drafts and letter of acceptances are included in the "Off-balance sheet commitments".

XXI. Explanations on government grants:

As of December 31, 2010 and December 31, 2009, the Group has no government grants.

XXII. Profit reserves and profit distribution:

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

XXIII. Earnings per share:

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

	December 31, 2010	December 31, 2009
Group's Profit	2.248.031	1.542.948
Weighted Average Number of Issued Ordinary Shares (Thousand)	434.705.128	434.705.128
Earnings per share (Disclosed in full TL)	0,0052	0,0035

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Explanations on accounting policies (continued)

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2010. (December 31, 2009 - no bonus shares were issued).

XXIV. Related parties:

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by/affiliated with them, and associated companies and joint ventures and the Fund providing post employment benefits to the employees of the Bank are considered and referred to as related parties in accordance with "Turkish Accounting Standard For Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VIII. of Section Five.

XXV. Cash and cash equivalents:

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

XXVI. Operating segments:

Information about operating segments which are determined in line with the "Turkish Financial Reporting Standard about Operating Segments" ("TFRS 8") together with organisational and internal reporting structure of the Group, are disclosed in Note X. of in Section Four.

XXVII. Reclassifications:

Reclassifications have been made on comparative figures as of December 31, 2009, to conform to changes in presentation of the consolidated financial statements as of December 31, 2010.

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Explanations on accounting policies (continued)

XXVIII. Legal mergers under common control:

As in TFRS 3 or in another standard in TFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the "pooling of interests" method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as "the effect of legal mergers under common control".

XXIX. Other accounting policies:

Premium income of insurance companies is recognised by deducting the ceded premium of reinsurance over written risk premiums.

Claims are booked as expense when reported and paid. Reserve for Outstanding Claims is set aside for the ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not yet certain, and for the incurred but not reported claims. Reinsurance share of outstanding and paid claims is netted off in mentioned reserves.

Explanations related to insurance technical reserves

Insurance companies, according to the insurance regulation in force, are required to account unearned premium reserves, provision for unexpired risks, outstanding claims provision, mathematical reserves, provision for bonuses and rebates.

Non-life

Unearned premium reserve ("UPR") is calculated on a daily basis for all policies in force for unearned portions of premiums written, except for earthquake premiums issued before June 14, 2007. For marine policies, UPR is calculated as 50% of the last three months' premiums.

Outstanding claims is set for the estimated cost of claims notified but not settled and incurred but not reported claims ("IBNR") at the balance sheet date, less amounts recoverable from reinsurers.

The unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premiums are recorded on a daily basis for all policies in force.

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Explanations on accounting policies (continued)

Life, pension and non-life

Unearned premium reserve, for insurance contracts in effect, consists of that part of the gross premium which extends to the next fiscal period or periods on a daily basis, and in respect of annual life assurances in effect or those life assurances with periods longer than a year for which accumulation premiums are collected, after the portion that has been set aside for the accumulation and the expense share attributable to the accumulation premium is deducted.

No additional provision was required as a result of the liability adequacy tests. The guaranteed returns in the life insurance portfolio are limited to the lower of guaranteed rate of return and annual inflation rate.

Outstanding claims provision, consists of the amount of claims that has been reported but not yet paid, estimated amount of claims that has been incurred but not reported and reserves for expenses arising from such claims. In accordance with the Technical Reserves Communiqué numbered 2010-12 and 2010-14, after September 30, 2010, incurred but not reported outstanding claim balance is calculated with the method is determined by Undersecretariat of Treasury.

Mathematical reserve, is the sum of the reserves specified in the contract's technical terms and calculated using statistical and actuarial methods in order to cover the liabilities of insurance companies to policyholders and beneficiaries for life, health, sickness and personal accident insurance contracts with periods longer than a year, and if it is committed, the reserves for the part allocated to insured from the revenues derived from the investment of such reserves.

Provision for bonus and rebate; consists of the amounts of bonuses and rebates reserved for insured or beneficiaries according to the technical results of the current year if the company gives bonuses or applies rebates.

The entrance fee income includes the accrued balance when the participants enter the private pension system for the first time or when they open a new private pension account, not exceeding the monthly minimum wage (half of monthly amount for contracts issued after August 9, 2008) at the date the private pension agreement is signed. In the Group's private pension plans, half of the entrance fee is collected within the first year of the contract and is recorded as income. The collection of the other half is deferred till the date the participants leave the private pension system or make a demand for transfer to another company within 10 years (5 years for the contracts issued after August 9, 2008).

Based on the entrance fee amount collected at the beginning, the Group contributes a continuity (loyalty) award (for TL contracts, the deferred portion of the entrance fee is increased with the inflation rate), amounting to the deferred portion of the entrance fee which is fixed for foreign currency denominated contracts and the deferred portion of the entrance fee increased with the inflation for TL contracts, to the private pension account of the participants on the condition that the participants hold their private pension account in the Group for 10 years without interruption. For contracts issued after August 9, 2008, loyalty bonus is given when the participants are entitled to pension therefore the calculation of this provision for contracts issued after this date is made over the probability of the participants to keep their pension accounts in the Group until the date of their eligibility to pension.

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Explanations on accounting policies (continued)

Fund management charge, which is charged in return for the fund management services, representation and other services provided to pension funds, is recorded as income in the Group's accounts and is shared between the Group and the funds' portfolio manager according to the ratios specified in the agreement signed between the parties. The total charge is recorded to the Group's technical income as fund management revenue and the part of charge which belongs to the funds' portfolio manager thereof, is recorded in the Group's technical expenses.

Management expense deduction, which is deducted as 8% at most, from contributions made to participants' private pension accounts, is accounted for under the management expense deductions account.

Commission expenses incurred for pension fund operations are accounted as pension operating expenses when incurred. The Group, defers the commissions paid for issuing the private pension contracts in the context of TAS 18 "Revenue" and TAS 39 "Financial Instruments: Recognition and Measurement" with the condition of not exceeding the total guaranteed income from these contracts and by considering the expected period of time to secure this income.

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Section four

Information related to financial position of the group

I. Explanations on consolidated capital adequacy ratio:

- a. The capital adequacy ratio of the Group is 15,43% (December 31, 2009 - 16,52%).
- b. The capital adequacy ratio is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" and "Regulation Regarding Banks' Shareholders' Equity" published as of 1 November 2006 and (together referred as "Regulation Regarding Capital Adequacy"). The following tables show the details of "risk weighted assets" and the calculation of "shareholders' equity" for the capital adequacy ratio calculation.

c. Information related to capital adequacy ratio:

	Risk Weights ⁽¹⁾					
	The Parent Bank					
	0%	20%	50%	100%	150%	200%
Amount subject to credit risk						
Balance sheet items (Net)	21.060.410	2.753.141	8.265.201	44.786.527	379.048	148.916
Cash	810.638	358	-	-	-	-
Matured marketable securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	2.906.833	-	-	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	960.652	-	99.139	-	-
Interbank Money Market Placements	-	-	-	-	-	-
Receivables from reverse repurchase transactions	-	949.000	-	-	-	-
Reserve Requirements with the Central Bank of the Republic of Turkey	2.307.047	-	-	-	-	-
Loans	2.240.627	824.395	8.135.164	39.648.007	379.048	148.916
Non-Performing receivables (Net)	-	-	-	426.221	-	-
Lease receivables	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Held-to-Maturity investments	12.317.027	-	-	-	-	-
Receivables from the disposal of assets	-	-	-	43.380	-	-
Miscellaneous receivables	-	132	-	774.845	-	-
Interest and income accruals	252.500	18.356	130.037	648.311	-	-
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	1.789.841	-	-
Fixed assets	-	-	-	1.077.739	-	-
Other assets	225.738	248	-	279.044	-	-
Off-balance sheet items	196.742	2.963.973	378.497	12.924.937	-	-
Non-cash loans and commitments	196.742	1.899.956	378.497	12.768.653	-	-
Derivative financial instruments	-	1.064.017	-	156.284	-	-
Non-risk weighted accounts	-	-	-	-	-	-
Total risk weighted assets ⁽²⁾	21.257.152	5.717.114	8.643.698	57.711.464	379.048	148.916

(1) There are no assets weighted with 10% risk.

(2) Not weighted

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Information related to financial position of the group (continued)

	Risk Weights ⁽¹⁾					
	Consolidated					
	0%	20%	50%	100%	150%	200%
Amount subject to credit risk						
Balance sheet items (Net)	22.383.313	4.464.784	8.635.427	48.247.094	379.048	148.916
Cash	915.620	358	-	25.962	-	-
Matured marketable securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	2.906.833	-	-	-	-	-
Domestic, foreign banks, foreign head offices and branches	756	2.373.910	-	163.094	-	-
Interbank Money Market Placements	-	-	-	-	-	-
Receivables from reverse repurchase transactions	21.423	949.120	-	-	-	-
Reserve Requirements with the Central Bank of the Republic of Turkey	2.307.047	-	-	-	-	-
Loans	2.614.108	1.099.070	8.357.144	42.633.887	379.048	148.916
Non-Performing receivables (Net)	-	-	-	432.882	-	-
Lease receivables	16.022	1.587	145.108	1.797.136	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Held-to-Maturity investments	12.739.572	-	-	-	-	-
Receivables from the disposal of assets	-	-	-	43.380	-	-
Miscellaneous receivables	246.889	132	-	956.772	-	-
Interest and income accruals	278.666	40.359	133.175	692.641	-	-
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	24.565	-	-
Fixed assets	-	-	-	1.125.327	-	-
Other assets	336.377	248	-	351.448	-	-
Off-balance sheet items	222.172	2.994.949	431.262	13.161.545	-	-
Non-cash loans and commitments	222.172	1.907.040	431.262	12.985.348	-	-
Derivative financial instruments	-	1.087.909	-	176.197	-	-
Non-risk weighted accounts	-	-	-	-	-	-
Total risk weighted assets ⁽²⁾	22.605.485	7.459.733	9.066.689	61.408.639	379.048	148.916

(1) There are no assets weighted with 10% risk.

(2) Not weighted

d. Summary information about capital adequacy ratio:

	The Parent Bank		Consolidated	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Amount subject to credit risk (ASCR)	64.043.140	47.294.053	68.300.334	50.885.068
Amount subject to market risk (ASMR)	1.410.150	1.029.475	1.949.350	1.865.338
Amount subject to operational risk (ASOR)	7.806.018	6.209.003	8.999.966	7.695.259
Shareholder's equity	11.820.819	9.697.491	12.227.770	9.983.350
Shareholder's equity/(ASCR+ASMR+ASOR)*100	16,14	17,78	15,43	16,52

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Information related to financial position of the group (continued)

e. Information about shareholders' equity items:

	December 31, 2010	December 31, 2009
Core capital		
Paid-in capital	4.347.051	4.347.051
Nominal capital	4.347.051	4.347.051
Capital commitments (-)	-	-
Inflation adjustment to share capital	-	-
Share premium	543.881	543.881
Share cancellation profits	-	-
Legal reserves	163.959	96.220
First legal reserve (Turkish Commercial Code 466/1)	163.959	96.220
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Status reserves	-	-
Extraordinary reserves	3.038.543	1.769.658
Reserves allocated by the General Assembly	3.038.543	1.769.658
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Inflation adjustment of legal reserves, status reserves, extraordinary reserves	-	-
Profit	2.399.148	1.542.948
Current period profit (net)	2.248.031	1.542.948
Prior period profit	151.117	-
Provisions for possible risks up to 25% of core capital	124.712	96.616
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	80.731	61.969
Primary subordinated loans (up to 15% of core capital)	-	-
Minority interests	63.095	57.261
Uncovered portion of loss with reserves (-)	-	(37.054)
Current period loss (net)	-	-
Prior period loss	-	(37.054)
Special costs (-) ⁽¹⁾	102.899	97.938
Prepaid expenses (-)	138.650	109.837
Intangible assets (-)	1.243.080	1.194.649
Deferred tax asset amount exceeding 10% of core capital (-)	-	-
Limit exceeding amount regarding the third clause of the article 56 of the Law (-)	-	-
Total core capital	9.276.491	7.076.126

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Information related to financial position of the group (continued)

Supplementary capital	December 31, 2010	December 31, 2009
General provisions	826.853	755.571
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⁾	2.097.218	2.208.374
45% of Marketable Securities valuation differences	113.759	46.893
Investments in associates and subsidiaries	(5.269)	-
Available-for-Sale financial assets	119.028	46.893
Inflation adjustment of Capital Reserve, Profit Reserve and Prior Years' Income or Loss (Except inflation adjustment of Legal Reserves, Status Reserves and Extraordinary Reserves)	-	-
Total supplementary capital	3.037.830	3.010.838
Tier III capital		-
Capital	12.314.321	10.086.964
Deductions from the capital	86.551	103.614
Investments in Unconsolidated Financial Institutions and Banks	3.940	28.530
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	-	-
Investments in Financial Institutions (Domestic, Foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 10% and more of the total core and supplementary capital of the Bank	71.906	58.939
Loans extended as contradictory to the articles 50 and 51 of the Law	-	-
The Net Book Value of Bank's Immovables That Are Over 50% of Shareholders' Equity and Immovables or Commodities That Are Received on behalf of the Receivables From Customers and are to be Disposed According to Banking Law article 57 as They have been Held for More Than Five Years From the Acquisition Date.	10.705	16.145
Other	-	-
Total shareholders' equity	12.227.770	9.983.350

(1) In accordance with the Regulation, the balance is disclosed net of the related bank receivables.

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Information related to financial position of the group (continued)

II. Explanations on consolidated credit risk:

- a. Credit risk is the loss or the risk of the Parent Bank in case a counterparty can not fulfill its obligations stated in agreements where the Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury and Fund Management employee who is authorised for transactions in the market are controlled by the system. In the loan granting process, liquid collaterals are obtained to the greatest extent possible. Long term projections of the companies are analysed both by financial analysis specialists and head office when granting long-term and project finance loans. Since credit and interest risks are higher in long-term commitments, their pricing is coordinated with Treasury Management.

Corporate and commercial loan customers are followed-up in the system with risk scores and relatively more risky customers are monitored.

In case of SME, risk scores generated by the credit rating system are used in the SME loans rating approval authorization system. By this system, high graded clients are approved by the branches while low graded clients are directed to the higher authorization levels for approval.

The Parent Bank calculates the probability of default for the customers with its rating system for various types of customers. The rating concentration of the corporate and commercial loans that are rated individually by the Parent Bank’s internal rating system are disclosed below.

	December 31, 2010	December 31, 2009
Above average (1-4)	31,2%	30,3%
Average (5+ -6)	47,9%	47,9%
Below average (7+ -9)	20,9%	21,8%

- b. The Group has control limits over the positions of forwards, options and similar agreements.
- c. When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.
- d. In line with the Communiqué related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provisions for these loans and other receivables, if the cash risk of a customer is classified as non performing, the non-cash is classified as non performing under the same group where the cash risks were already followed and specific provision is reserved.

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements at December 31, 2010

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

Information related to financial position of the group (continued)

- e. The Group's banking activities in foreign countries and crediting transactions are subject to periodical follow-up in terms of the economic conditions of the related countries and the evaluation of the creditworthiness of the customers and financial institutions and no material risks have been observed in scope of these operations.
- f. 1. The proportion of the Group's top 100 cash loan balances in total cash loans is 21% (December 31, 2009 - 22%).
2. The proportion of the Group's top 100 non-cash loan balances in total non-cash loans is 40% (December 31, 2009 - 45%).
3. The proportion of the Group's cash and non-cash loan balances with the first 100 customers comprises of 20% of total cash loans and non-cash loans (December 31,2009 - 22%).
- g. The Group provided a general loan loss provision amounting to TL 826.853 (December 31, 2009 – TL 909.630).
- h. Loans concentration according to the type of borrowers:

	Loans granted to real persons and corporate entities		Loans granted to banks and other financial institutions		Marketable Securities ⁽¹⁾		Other Loans ⁽²⁾		Off Balance Sheet Liabilities ⁽³⁾	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Loans concentration according to the type of borrowers										
Private Sector	37.593.280	25.614.522	951.217	1.029.335	354.437	99.257	902.643	739.025	28.844.057	17.065.974
Public Sector	1.292.231	1.234.148	-	-	17.647.959	14.979.268	-	51.053	28.807	3.075.773
Banks	-	-	625.234	446.493	1.202.071	569.798	4.862.930	6.549.138	1.653.115	4.898.938
Individual										
Customers	18.028.406	14.562.562	-	-	-	-	97.823	251.620	11.791.304	11.000.878
Share certificates	-	-	-	-	23.048	60.134	100.411	89.769	-	-
Total	56.913.917	41.411.232	1.576.451	1.475.828	19.227.515	15.708.457	5.963.807	7.680.605	42.317.283	36.041.563
Information according to geographical concentration										
Domestic	55.166.929	40.346.948	1.533.148	1.464.697	17.706.179	15.392.795	4.327.715	5.057.449	38.672.180	34.317.385
European Union Countries	329.931	327.703	2.745	3.665	1.138.604	164.095	655.966	1.420.408	2.052.987	793.459
OECD Countries ⁽³⁾	43.080	45.141	-	-	12.262	12.884	786.198	787.537	729.517	294.193
Off-shore banking regions	73	3.067	-	-	14.574	27.916	73	143	930	10.636
USA, Canada	77.180	23.742	-	-	299.464	16.890	191.868	193.388	254.347	124.319
Other Countries	1.296.724	664.631	40.558	7.466	56.432	93.877	1.987	221.680	607.322	501.571
Total	56.913.917	41.411.232	1.576.451	1.475.828	19.227.515	15.708.457	5.963.807	7.680.605	42.317.283	36.041.563

- (1) Contains trading financial assets (excluding derivative assets), available-for-sale financial assets and held-to-maturity investments.
- (2) Contains the items defined as loan in Article 48 of the Banking Act No. 5411 other than those listed in first three columns of Uniform Chart of Accounts ("UCA").
- (3) OECD countries other than EU countries, USA and Canada.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Information related to financial position of the group (continued)

i. Information on amounts that are exposed to credit risk:

	December 31, 2010	December 31, 2009
Balance sheet items that are exposed to credit risk:		
Bank placements	2.563.730	2.394.648
Money markets	970.970	1.581.459
Loans and advances to customers	58.490.368	42.887.060
-Credit Cards	8.618.396	7.522.124
-Consumer loans	9.767.283	7.040.438
-Corporate, commercial and other loans	36.290.183	24.707.957
-Financial Leasing	1.989.614	2.185.210
-Factoring	1.824.892	1.431.331
Trading financial assets	1.070.115	983.627
-Government securities	300.552	273.878
-Share certificates	6.448	38.963
-Other marketable securities	69.591	53.082
-Derivative financial instruments	693.524	617.704
Investment securities	18.850.924	15.342.534
-Government debt securities	17.391.933	15.204.226
-Share certificates	16.600	21.171
-Other marketable securities	1.442.391	117.137
Held for hedging derivative financial assets	38.201	128.631
Other assets	1.754.824	1.245.351
Credit risk exposures relating to off-balance sheet items		
Financial guarantees	18.947.336	16.034.976
Loan commitments and other credit related liabilities	15.776.396	14.621.500
Other commitments	7.593.551	5.385.087

j. Debt securities, treasury bills and other eligible bills:

December 31, 2010					
Moody's credit rating	Financial assets at fair value through profit or loss (Net)	Available-for-sale financial assets (Net)	Held to maturity investments (Net)	Total	
Aaa	-	-	70.309	70.309	
Aa2	200	10.812	16.454	27.466	
Aa3	-	457.300	-	457.300	
A2	-	304.986	-	304.986	
A3	-	163.210	-	163.210	
Baa1	-	25.293	-	25.293	
Baa2	-	189.873	-	189.873	
Baa3	-	33.730	-	33.730	
Ba1	-	32.092	-	32.092	
Ba2 ⁽¹⁾	270.826	3.773.825	12.822.164	16.866.815	
Ba3	41.165	632.187	66.017	739.369	
Unrated	57.952	236.072	-	294.024	
Total	370.143	5.859.380	12.974.944	19.204.467	

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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

Information related to financial position of the group (Continued)

December 31, 2009				
Moody's credit rating	Financial assets at fair value through profit or loss (Net)	Available-for-sale financial assets (Net)	Held to maturity investments (Net)	Total
Aaa	-	14.974	75.549	90.523
Aa	190	11.282	17.336	28.808
A	-	-	-	-
Baa	-	28.357	72.544	100.901
Ba2 ⁽¹⁾	227.149	1.157.582	12.014.792	13.399.523
Ba3	46.729	735.853	1.138.498	1.921.080
Unrated ⁽²⁾	52.892	54.596	-	107.488
Total	326.960	2.002.644	13.318.719	15.648.323

(1) Securities consist of Republic of Turkey government bonds and treasury bills.

(2) Also included investment funds amounting TL 114.934 (December 31, 2009 – TL 101.622).

k. Information according to geographical concentration:

	Assets	Liabilities ⁽²⁾	Non-cash loans	Capital expenditures	Net profit ⁽³⁾
December 31, 2010					
Domestic	87.274.582	64.876.912	17.338.659	231.504	2.254.703
European Union countries	2.390.822	13.733.224	1.304.997	254	-
OECD countries ⁽¹⁾	793.042	1.046.489	250.891	-	-
Off-shore banking regions	14.720	15.075	930	-	-
USA, Canada	595.380	1.305.300	238.404	-	-
Other Countries	1.645.101	1.091.289	558.672	3.089	-
Investments in associates, subsidiaries and joint ventures	100.411	-	-	-	-
Unallocated assets/liabilities	-	-	-	-	-
Total	92.814.058	82.068.289	19.692.553	234.847	2.254.703
December 31, 2009					
Domestic	67.905.094	49.124.229	14.861.877	200.249	1.553.178
European Union countries	2.446.335	11.586.983	793.459	51	-
OECD countries ⁽¹⁾	50.753	744.962	294.193	-	-
Off-shore banking regions	31.126	25.538	10.636	-	-
USA, Canada	261.576	840.292	124.319	-	-
Other Countries	949.831	926.340	501.571	3.391	-
Investments in associates, subsidiaries and joint ventures	89.769	-	-	-	-
Unallocated assets/liabilities	-	-	-	-	-
Total	71.734.484	63.248.344	16.586.055	203.691	1.553.178

(1) OECD Countries other than EU countries, USA and Canada.

(2) Shareholders' equity is not included.

(3) The net profit can not be distributed according to geographical concentration.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Information related to financial position of the group (Continued)

I. Sectoral concentrations for cash loans:

	December 31, 2010				December 31, 2009			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	442.899	1,28	458.744	2,33	649.935	2,65	171.991	1,20
Farming and Raising								
Livestock	369.600	1,07	429.742	2,18	579.470	2,36	142.843	1,00
Forestry	63.893	0,18	6.210	0,03	53.172	0,22	4.366	0,03
Fishing	9.406	0,03	22.792	0,12	17.293	0,07	24.782	0,17
Manufacturing	6.703.756	19,40	10.253.185	52,10	4.713.903	19,18	7.154.713	50,04
Mining	168.107	0,49	1.344.520	6,83	81.687	0,33	702.445	4,91
Production	6.355.704	18,39	7.045.224	35,80	4.506.059	18,34	5.042.183	35,27
Electric, Gas and Water	179.945	0,52	1.863.441	9,47	126.157	0,51	1.410.085	9,86
Construction	1.466.977	4,24	2.792.075	14,19	1.020.844	4,16	1.163.126	8,13
Services	4.967.579	14,37	4.417.885	22,45	3.787.458	15,42	3.795.757	26,55
Wholesale and Retail Trade	1.884.014	5,45	684.193	3,48	1.430.268	5,82	468.455	3,28
Hotel Food and Beverage services	486.210	1,41	1.100.963	5,59	205.506	0,84	695.412	4,86
Transportation and Telecommunication	538.570	1,56	2.214.708	11,25	551.146	2,24	2.047.654	14,33
Financial Institutions	1.462.171	4,23	114.280	0,58	1.081.663	4,40	394.165	2,76
Real Estate and Leasing services	235.352	0,68	117.700	0,60	228.202	0,93	137.596	0,96
Self Employment services	-	-	-	-	-	-	-	-
Education services	27.431	0,08	8.550	0,04	35.831	0,15	3.369	0,02
Health and Social services	333.831	0,96	177.491	0,91	254.842	1,04	49.106	0,34
Other	20.981.698	60,71	1.758.182	8,93	14.392.016	58,59	2.013.039	14,08
Total	34.562.909	100,00	19.680.071	100,00	24.564.156	100,00	14.298.626	100,00

III. Explanations on consolidated 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 the “Value-at-Risk Method” on the basis of the marketable securities portfolio and net foreign currency position including the Bank’s currency risk. Notwithstanding, the Parent Bank monitors its position in terms of portfolio created according to risk management policy and value-at-risk limits on a daily basis. All the Bank’s on- and off-balance-sheet positions and exchange positions are taken into consideration in the value-at-risk calculations. The results are presented daily to the senior management and monthly to the Asset and Liability Committee. The below table represents the details of market risk calculation as of December 31, 2010 in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio” published in the Official Gazette No. 26333, dated November 1, 2006, namely the “Calculation of Market Risk with Standard Method”.

a. Information on market risk:

	December 31, 2010	December 31, 2009
(I) Capital to be Employed for General Market Risk - Standard Method	78.386	107.626
(II) Capital to be Employed for Specific Risk –Standard Method	62.568	14.694
(III) Capital to be Employed for Currency Risk - Standard Method	13.723	26.772
(IV) Capital to be Employed for Commodity Risk – Standard method	390	-
(V) Capital to be employed for settlement risk – Standard method	-	-
(VI) Capital to be employed for market risk due to options-Standard method	881	135
(VII)Capital to be employed for market risk for banks applying risk measurement model	-	-
(VIII) Total Capital to be employed for market risk (I+II+III+IV+V+VI+VII)	155.948	149.227
(IX) Amount Subject to Market Risk 12,5x(VIII) or (12,5xVII)	1.949.350	1.865.338

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Information related to financial position of the group (Continued)

b. Average market risk table of calculated market risk at the period ends:

	December 31, 2010			December 31, 2009		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	98.187	123.579	78.386	77.405	100.096	54.634
Share price risk	47.072	62.568	38.490	17.756	22.224	14.120
Currency risk	49.063	95.928	13.723	21.547	26.907	17.705
Commodity risk	180	390	51	-	-	-
Settlement risk	-	-	-	-	-	-
Option risk	5.519	20.724	131	-	-	-
Total amount subject to risk	2.500.254	3.789.863	1.634.763	1.458.850	1.865.338	1.080.738

IV. Explanations on consolidated operational risk:

The Group calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2009, 2008 and 2007 year-end gross income balances of the Group, in accordance with Section 4 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" effective from 1 June 2007, published in the Official Gazette No. 26333 dated November 1, 2006, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2010, the total amount subject to operational risk is TL 8.999.966 (December 31, 2009 - TL 7.695.259) and the amount of the related capital requirement is TL 719.998 (December 31, 2009 - TL 615.621).

(Convenience translation of publicly announced consolidated financial statements originally issued In Turkish, see in note I. of section three)

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Information related to financial position of the group (continued)

V. Explanations on consolidated 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 amount of currency risk exposure within the related legal limits and follow the exchange position on a daily/regular basis. Notwithstanding, the internal exchange position limit is the minimal when compared to the related legal limit, internal position limits are not exceeded during the period. As a tool of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year Stress tests are applied.

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

(Exchange rates presented as full TL)

	USD	EUR	Yen
Balance Sheet Evaluation Rate:	TL 1,50730	TL 1,99780	TL 0,01845
December 30, 2010 bid rate	TL 1,51770	TL 1,99260	TL 0,01843
December 29, 2010 bid rate	TL 1,50300	TL 1,98950	TL 0,01826
December 28, 2010 bid rate	TL 1,50170	TL 1,97530	TL 0,01810
December 27, 2010 bid rate	TL 1,50070	TL 1,96980	TL 0,01806
December 24, 2010 bid rate	TL 1,50590	TL 1,97190	TL 0,01810

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 : TL 1,47251
Euro : TL 1,94601
Yen : TL 0,01761

As of December 31, 2009;

	USD	EUR	Yen
Balance sheet evaluation rate:	1,46800TL	2,10620TL	0,01589TL

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Notes to consolidated financial statements at December 31, 2009

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Information related to financial position of the group (continued)

Information on currency risk of the Group:

Foreign currency position of the Group is disclosed in terms of the material currencies in the following table. Foreign currency indexed assets, classified as Turkish Lira assets according to Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of net foreign currency position. In addition, foreign currency general provisions in the balance sheet, the specific provision for non cash loans, derivative financial instruments, prepaid expenses, marketable securities valuation differences and non-performing loans are considered as Turkish Lira in the calculation of the net currency position regarding the related regulation. Therefore, there is a difference between the sum of the foreign currency assets in the following table and in the balance sheet. The Groups' real position, both in financial and economic terms, is presented in the table below:

	EURO	USD	Yen	Other FC	Total
December 31, 2010					
Assets					
Cash (Cash in vault, effectives, cash in transit, cheques purchased) and Balances with The Central Bank of the Republic of Turkey	2.799.528	580.667	574	95.346	3.476.115
Banks	531.381	1.250.342	2.611	70.458	1.854.792
Financial assets at fair value through profit or loss	65.840	59.854	6.171	79	131.944
Money market placements	-	-	-	-	-
Available-for-sale financial assets	76.317	1.323.109	-	53.679	1.453.105
Loans (1)	7.092.159	14.083.288	79.493	587.040	21.841.980
Investments in associates, subsidiaries and joint ventures	-	-	-	71.906	71.906
Held-to-maturity investments	774.441	6.880.673	-	-	7.655.114
Hedging derivative financial assets	-	3.738	-	-	3.738
Tangible assets	607	-	-	16.379	16.986
Intangible assets	-	-	-	1.214	1.214
Other assets	1.675.742	1.313.144	1.480	272.912	3.263.278
Total assets	13.016.015	25.494.815	90.329	1.169.013	39.770.172
Liabilities					
Bank deposits	526.876	467.470	48	251.265	1.245.659
Foreign currency deposits	7.076.309	13.874.813	7.942	741.104	21.700.168
Funds from money market	884.162	2.297.274	-	-	3.181.436
Funds borrowed from other financial institutions	4.437.791	3.550.709	40.960	16.999	8.046.459
Marketable securities issued	759.958	634.946	-	-	1.394.904
Miscellaneous payables	462.214	311.416	39	10.760	784.429
Hedging derivative financial liabilities	-	101.638	-	-	101.638
Other liabilities	2.313.121	512.004	6.514	2.927	2.834.566
Total liabilities	16.460.431	21.750.270	55.503	1.023.055	39.289.259
Net on balance sheet position	(3.444.416)	3.744.545	34.826	145.958	480.913
Net off balance sheet position	4.390.714	(4.821.403)	(49.169)	27.141	(452.717)
Financial derivative assets	7.702.003	12.339.276	140.930	401.513	20.583.722
Financial derivative liabilities	3.311.289	17.160.679	190.099	374.372	21.036.439
Non-cash loans	3.989.735	7.344.613	324.972	235.124	11.894.444
December 31, 2009					
Total assets	11.267.136	19.084.376	73.225	992.024	31.416.761
Total liabilities	14.482.739	15.869.576	28.320	972.535	31.353.170
Net on-balance sheet position	(3.215.603)	3.214.800	44.905	19.489	63.591
Net off-balance sheet position	3.385.106	(3.092.881)	(38.762)	151.025	404.488
Financial derivative assets	4.141.508	9.526.441	14.865	329.816	14.012.630
Financial derivative liabilities	756.402	12.619.322	53.627	178.791	13.608.142
Non-cash loans	3.420.279	6.429.582	315.569	164.147	10.329.577

(1) Includes FC indexed loans amounting to TL 2.161.909 (December 31, 2009 – TL 1.593.570) which has been disclosed as TL in the financial statements.

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Information related to financial position of the group (Continued)

Currency Risk Sensitivity:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates (USD and EUR). 15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Parent Bank’s stress test scenarios.

Change in currency exchange rate	December 31, 2010 Profit/loss effect ⁽¹⁾	December 31,2009 Profit/loss effect ⁽¹⁾
(+) 15%	(15.330)	(52.405)
(-) 15%	15.330	52.405

(1) Excluding tax effect.

VI. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities and sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements are performed by the risk management department for all interest sensitive instruments. The results are presented monthly to Executive Committee as Asset and Liability Management. By using sensitivity and scenario analyses, the possible effects due to the interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Parent Bank utilizes TL/Foreign Currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce repricing mismatch in the Foreign Currency balance sheet, Foreign Currency / Foreign Currency interest swaps were utilized.

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Information related to financial position of the group (Continued)

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

December 31, 2010	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic Turkey	-	-	-	-	-	6.034.426	6.034.426
Banks	540.361	755.486	385.433	402.066	-	480.384	2.563.730
Financial assets at fair value through profit/loss	282.589	377.955	132.778	85.728	126.666	64.399	1.070.115
Money market placements	970.970	-	-	-	-	-	970.970
Available-for-sale financial assets	670.127	167.152	793.347	2.234.836	1.989.900	20.618	5.875.980
Loans	10.327.087	5.869.082	13.962.312	15.694.640	7.841.257	981.484	54.675.862
Held-to-maturity investments	2.020.451	2.173.896	822.733	2.169.162	5.788.702	-	12.974.944
Other assets	1.013.925	1.502.890	754.359	986.972	39.670	4.350.215	8.648.031
Total assets	15.825.510	10.846.461	16.850.962	21.573.404	15.786.195	11.931.526	92.814.058
Liabilities							
Bank deposits	571.638	367.371	219.328	328.878	103.660	193.023	1.783.898
Other deposits	36.476.310	6.290.441	933.054	366.958	30.530	9.325.811	53.423.104
Funds from money market	1.378.265	1.892.553	380.198	-	-	-	3.651.016
Miscellaneous payables	2.606.114	1.166	-	-	-	1.598.691	4.205.971
Marketable securities issued	-	1.375.419	-	-	19.033	452	1.394.904
Funds borrowed from other financial institutions	5.645.591	735.268	2.846.779	312.164	533.095	173	10.073.070
Other liabilities and shareholders' equity	159.008	1.198.528	1.678.196	313.473	123.616	14.809.274	18.282.095
Total liabilities	46.836.926	11.860.746	6.057.555	1.321.473	809.934	25.927.424	92.814.058
Balance sheet long position	-	-	10.793.407	20.251.931	14.976.261	-	46.021.599
Balance sheet short position	(31.011.416)	(1.014.285)	-	-	-	(13.995.898)	(46.021.599)
Off-balance sheet long position	3.042.205	4.589.973	423.157	-	-	-	8.055.335
Off-balance sheet short position	-	-	-	(7.757.173)	(500.565)	-	(8.257.738)
Total position	(27.969.211)	3.575.688	11.216.564	12.494.758	14.475.696	(13.995.898)	(202.403)

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Information related to financial position of the group (continued)

December 31, 2009	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic Turkey	1.302.954	-	-	-	-	2.926.381	4.229.335
Banks	1.199.380	451.583	95.689	146.168	2.940	498.888	2.394.648
Financial assets at fair value through profit/loss	136.585	485.022	83.315	168.436	18.414	91.855	983.627
Money market placements	1.581.459	-	-	-	-	-	1.581.459
Available-for-sale financial assets	360.382	296.694	267.807	187.114	886.971	24.847	2.023.815
Loans	9.297.026	4.615.773	9.321.360	10.153.910	5.474.713	407.737	39.270.519
Held-to-maturity investments	1.254.947	3.435.487	1.449.880	2.733.148	4.445.257	-	13.318.719
Other assets	650.232	339.437	1.818.865	957.051	30.166	4.136.611	7.932.362
Total assets	15.782.965	9.623.996	13.036.916	14.345.827	10.858.461	8.086.319	71.734.484
Liabilities							
Bank deposits	530.897	257.905	257.906	-	-	276.889	1.323.597
Other deposits	27.001.728	4.987.866	1.619.626	556.231	134.036	7.751.801	42.051.288
Funds from money market	573.300	471.698	240.569	-	-	-	1.285.567
Miscellaneous payables	2.208.170	1.158	-	-	-	1.036.497	3.245.825
Marketable securities issued	-	1.743.760	-	-	-	718	1.744.478
Funds borrowed from other financial institutions	1.972.630	2.175.394	2.084.204	127.998	-	-	6.360.226
Other liabilities and shareholders' equity	139.510	1.147.307	1.212.606	334.389	48.626	12.841.065	15.723.503
Total liabilities	32.426.235	10.785.088	5.414.911	1.018.618	182.662	21.906.970	71.734.484
Balance sheet long position	-	-	7.622.005	13.327.209	10.675.799	-	31.625.013
Balance sheet short position	(16.643.270)	(1.161.092)	-	-	-	(13.820.651)	(31.625.013)
Off-balance sheet long position	919.125	2.076.651	2.624.496	-	-	-	5.620.272
Off-balance sheet short position	-	-	-	(4.678.080)	(417.983)	-	(5.096.063)
Total position	(15.724.145)	915.559	10.246.501	8.649.129	10.257.816	(13.820.651)	524.209

Interest rate sensitivity analysis ⁽¹⁾:

The table below represents the effect of 1% parallel change in the yield curve on assets and liabilities sensitive to interest rate excluding the tax effects.

Change in Interest rate	December 31, 2010 Value effect	December 31, 2009 Value effect
(+) %1	(751.170)	(468.288)
(-) %1	842.281	515.509

(1) The interest rate sensitivity analysis disclosed above is that of the Parent Bank.

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Information related to financial position of the group (continued)

b. Average interest rates for monetary financial instruments:

The following average interest rates have been calculated by weighting the rates with their principal amounts as of the balance sheet date.

December 31, 2010⁽¹⁾	EURO	USD	Yen	TL
Assets⁽³⁾	%	%	%	%
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	1,19	-	7,91
Financial assets at fair value through profit/loss	8,02	4,62	-	8,24
Money market placements	-	-	-	6,02
Available-for-sale financial assets	6,89	6,81	-	7,72
Loans ⁽²⁾	4,95	4,35	4,72	12,87
Held-to-maturity Investments	5,23	6,76	-	9,98
Liabilities⁽³⁾				
Bank deposits	0,55	1,05	-	8,13
Other deposits	2,54	2,78	0,30	8,71
Funds from money market	1,75	1,49	-	5,42
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds borrowed from other financial institutions	2,44	2,46	2,38	10,74
December 31, 2009⁽¹⁾	EURO	USD	Yen	TL
Assets⁽³⁾	%	%	%	%
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	5,20
Banks	0,36	0,60	-	6,98
Financial assets at fair value through profit/loss	7,41	6,43	-	8,51
Money market placements	-	-	-	6,72
Available-for-sale financial assets	6,48	7,13	-	10,05
Loans ⁽²⁾	5,87	4,97	4,58	17,90
Held-to-maturity Investments	4,79	6,72	-	11,37
Liabilities⁽³⁾				
Bank deposits	0,19	0,17	-	7,13
Other deposits	2,20	2,28	0,29	9,25
Funds from money market	3,13	1,62	-	6,41
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds borrowed from other financial institutions	2,03	1,52	-	14,95

(1) The average interest rates disclosed above are those of the Parent Bank.

(2) Does not include credit card receivables.

(3) Does not include demand/non-interest transactions

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Information related to financial position of the group (continued)

VII. Explanations on consolidated liquidity risk:

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. The liquidity risk is managed within the Asset and Liability Management strategy in accordance with the market risk policies. In this scope, the funding sources are being diversified, and sufficient cash and cash equivalents are held, the liquidity position of the Parent Bank in the short and the long term is followed. During the monthly meetings of the Assets and Liability Committee, the liquidity position of the Parent Bank is evaluated and it is ensured that the required actions are taken when considered necessary.

Subordinated loans with long-term maturity and off-balance-sheet derivative instruments are used in order to extend the short-term funding structure in the banking sector. The liquidity risk according to the mismatch of assets and liabilities is limited by investing in short-term instruments and liquid bonds.

In accordance with the “Regulation on Measurement and Evaluation of Liquidity Adequacy of the Banks” published in the Official gazette numbered 26333 dated November 1, 2006 by BRSA, effective from June 1, 2007, liquidity ratio, calculated weekly and monthly, have to be at least 80% for the foreign currency asset / liability and 100% for the total asset / liability. Liquidity ratios realized in 2010 and 2009 are disclosed below.

December 31, 2010 ⁽¹⁾	First-term period (Weekly)		Second-term period (Monthly)	
	FC	Total	FC	Total
Average %	154,33	167,16	100,52	112,11
Highest %	195,67	197,43	128,36	131,23
Lowest %	119,30	149,81	78,15	102,00

December 31, 2009	First-term period (Weekly)		Second-term period (Monthly)	
	FC	Total	FC	Total
Average %	177,00	174,07	113,21	118,27
Highest %	235,77	206,76	131,03	133,50
Lowest %	139,49	145,07	92,22	103,72

(1) The liquidity risk disclosed above is that of the Parent Bank.

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Information related to financial position of the group (continued)

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified ^{(1) (2)}	Total
December 31, 2010								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	3.724.323	2.310.103	-	-	-	-	-	6.034.426
Banks	480.384	436.002	580.415	640.900	426.029	-	-	2.563.730
Financial assets at fair value through profit or loss	57.951	267.355	352.220	79.956	161.902	144.283	6.448	1.070.115
Money market placements	-	970.970	-	-	-	-	-	970.970
Available-for-sale financial assets	56.983	59.122	18.386	105.361	2.390.248	3.229.280	16.600	5.875.980
Loans	-	10.205.709	5.229.662	11.969.759	16.938.841	9.899.009	432.882	54.675.862
Held-to-maturity Investments	-	1.595.485	31.967	555.664	4.188.211	6.603.617	-	12.974.944
Other assets ⁽¹⁾	587.300	1.170.512	1.612.164	900.904	1.135.981	67.366	3.173.804	8.648.031
Total assets	4.906.941	17.015.258	7.824.814	14.252.544	25.241.212	19.943.555	3.629.734	92.814.058
Liabilities								
Bank deposits	193.023	571.638	367.371	219.328	328.878	103.660	-	1.783.898
Other deposits	9.325.811	36.476.310	6,290.441	933.054	366.958	30.530	-	53,423.104
Funds borrowed from other financial institutions	-	2,128.247	404.215	4,479.234	2,309.593	751.781	-	10,073.070
Funds from money market	-	1,102.748	1,415.720	531.051	474.116	127.381	-	3,651.016
Marketable securities issued	-	113	86.839	273.634	1,015.285	19.033	-	1,394.904
Miscellaneous payables	484.177	3,568.545	24.470	46.796	2,650	109	79.224	4,205.971
Other liabilities ⁽²⁾	145.817	1,477.529	341.817	636.037	1,996.128	2,579.216	11,105.551	18,282.095
Total liabilities	10,148.828	45,325.130	8,930.873	7,119.134	6,493.608	3,611.710	11,184.775	92,814.058
Net liquidity gap	(5,241.887)	(28,309.872)	(1,106.059)	7,133.410	18,747.604	16,331.845	(7,555.041)	-
December 31, 2009								
Total assets	4,094.899	13,281.799	5,876.070	13,337.240	19,075.261	12,378.159	3,691.056	71,734.484
Total liabilities	8,600.894	33,293.562	6,486.384	6,583.587	4,712.782	3,282.198	8,775.077	71,734.484
Net liquidity gap	(4,505.995)	(20,011.763)	(610.314)	6,753.653	14,362.479	9,095.961	(5,084.021)	-

(1) Assets that are necessary for banking activities and that can not be liquidated in the short term, such as fixed and intangible assets, investments in associates, subsidiaries, stationery stocks, prepaid expenses, loans under follow-up, are classified in this column.

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

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Information related to financial position of the group (continued)

Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also includes the interests of related assets and liabilities.

December 31, 2010	Demand and Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years
Liabilities					
Deposits	46.670.003	6.772.971	1.183.011	800.752	171.391
Funds borrowed from other financial institutions	2.128.796	519.849	4.663.791	2.539.474	914.532
Funds from money market	1.105.553	1.423.875	554.459	475.175	138.837
Total	49.904.352	8.716.695	6.401.261	3.815.401	1.224.760

December 31, 2009	Demand and Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years
Liabilities					
Deposits	35.625.160	5.279.222	1.929.833	614.776	164.736
Funds borrowed from other financial institutions	1.123.977	354.502	3.786.333	1.408.221	294.855
Funds from money market	574.103	472.805	243.738	-	-
Total	37.323.240	6.106.529	5.959.904	2.022.997	459.591

VIII. Explanations on the presentation of financial assets and liabilities at their fair values:

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

	Carrying Value		Fair Value	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Financial assets	77.061.486	58.589.160	79.196.443	60.522.264
Due from money market	970.970	1.581.459	970.970	1.582.249
Banks	2.563.730	2.394.648	2.583.555	2.396.328
Available-for-sale financial assets	5.875.980	2.023.815	5.875.980	2.023.815
Held-to-maturity investments	12.974.944	13.318.719	13.741.481	13.982.200
Loans	54.675.862	39.270.519	56.024.457	40.537.672
Financial liabilities	70.880.947	54.725.414	70.919.389	54.776.756
Bank deposits	1.783.898	1.323.597	1.800.003	1.323.748
Other deposits	53.423.104	42.051.288	53.423.104	42.051.288
Funds borrowed from other financial institutions	10.073.070	6.360.226	10.095.407	6.411.417
Marketable securities issued	1.394.904	1.744.478	1.394.904	1.744.478
Miscellaneous payables	4.205.971	3.245.825	4.205.971	3.245.825

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Information related to financial position of the group (continued)

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

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

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

The fair value of other deposits, due to the short maturity, is assumed to approximate their carrying value.

TFRS 7, “Financial Instruments: Disclosures”, requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the observability of data used during fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Group’s classification of financial assets and liabilities carried at their fair value are as follows:

December 31, 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss) (Net)	376.391	731.925	-	1.108.316
Government debt securities	300.552	-	-	300.552
Share certificates	6.448	-	-	6.448
Trading derivative financial assets	-	693.524	-	693.524
Hedging derivative financial assets	-	38.201	-	38.201
Other marketable securities ⁽¹⁾	69.391	200	-	69.591
Available-for-sale financial assets (Net)	4.552.088	1.308.165	15.727	5.875.980
Government debt securities	4.416.989	-	-	4.416.989
Other marketable securities ⁽¹⁾	135.099	1.308.165	15.727	1.458.991
Total assets	4.928.479	2.040.090	15.727	6.984.296
Trading derivative financial liabilities	-	359.168	-	359.168
Hedging derivative financial liabilities	-	453.663	-	453.663
Total liabilities	-	812.831	-	812.831

(1) Non-listed share certificates disclosed in Level 3, are accounted in accordance with TAS 39, at acquisition costs.

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Information related to financial position of the group (continued)

December 31, 2009	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss) (Net)	365.733	746.525	-	1.112.258
Government debt securities	273.878	-	-	273.878
Share certificates	38.963	-	-	38.963
Trading derivative financial assets	-	617.704	-	617.704
Hedging derivative financial assets	-	128.631	-	128.631
Other marketable securities	52.892	190	-	53.082
Available-for-sale financial assets (Net)	1.963.150	39.199	21.466	2.023.815
Government debt securities	1.885.507	-	-	1.885.507
Other marketable securities ⁽¹⁾	77.643	39.199	21.466	138.308
Total assets	2.328.883	785.724	21.466	3.136.073
Trading derivative financial liabilities	-	268.515	-	268.515
Hedging derivative financial liabilities	-	357.613	-	357.613
Total liabilities	-	626.128	-	626.128

(1) Non-listed share certificates disclosed in Level 3, are accounted in accordance with TAS 39, at acquisition costs.

In the current year, there is no transfer between Level 1 and Level 2.

Decrease in Level 3 amounting to TL 5.739, is due to sales of non-listed shares

IX. Explanations on the activities carried out on behalf of others and fiduciary transactions:

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

X. Explanations on operating segments:

The Group carries out its banking operations through three main business units: (1) retail banking (including credit cards and SME banking), (2) corporate and commercial banking (3) private banking and wealth management.

The Group's retail banking activities include credit cards, SME (small and medium size enterprises) banking and individual banking. Retail banking products and services offered to customers include credit cards, consumer loans (including general purpose loans, auto loans and mortgages), commercial instalment loans, SME loans, time and demand deposits, investment accounts, life and non-life insurance products and payroll services. Credit card operations cover the management of products and services for member merchants as well as the sales and marketing operations for a variety of customer types. The clubs and programs under the umbrella of the World brand includes, Gold Club, Platinum Club, Crystal Club, Adios (Travel Program), Adios Premium (VIP Travel Program), Play Card (Young Employees Program and Student Program), Fenerbahçe Worldcard, KoçAilem Worldcard, Business Club (Corporate Program, Trio Program, Company Program and SME Program), Taksitçi Card, Share Program and Communication Program. The Parent Bank also offers debit cards and a prepaid card named World Hediye Card.

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Information related to financial position of the group (continued)

Corporate and commercial banking is organized into two sub-segments: commercial banking, which serves mid-sized companies; and corporate banking, which serves large, local and multinational companies. Corporate and commercial banking provides products and services including working capital financing, foreign trade finance, project finance, leasing and factoring, domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management and e-banking services.

Through its private banking and wealth management activities, the Group serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to private banking customers are time deposits, mutual funds, derivative products such as forwards, futures and options, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products, safe deposit boxes and e-banking services. Private banking services are enhanced by investment advisory and portfolio management services provided by the Parent Bank and its portfolio management and brokerage subsidiaries.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments.

Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan and Russia.

Other operations mainly consist of treasury transactions, operations of supporting business units, insurance operations and other unallocated transactions.

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Information related to financial position of the group (continued)

Some balance sheet and income statement items based on operating segments:

December 31, 2010	Retail banking	Corporate and commercial banking	Private banking and wealth management	Foreign operations	Other ⁽¹⁾	Consolidation adjustments ⁽²⁾	Total operations of the Group
Operating revenue	2.791.902	1.326.630	338.760	167.124	2.082.432	(65.147)	6.641.701
Operating costs	(1.347.294)	(631.115)	(104.023)	(55.293)	(1.770.637)	52.859	(3.855.503)
Net operating profit	1.444.608	695.515	234.737	111.831	311.795	(12.288)	2.786.198
Dividend income ⁽³⁾	-	-	-	-	1.082	-	1.082
Income/Loss from investments accounted based on equity method	-	-	-	-	6.419	-	6.419
Income before tax	1.444.608	695.515	234.737	111.831	319.296	(12.288)	2.793.699
Tax provision ⁽³⁾	-	-	-	-	(538.996)	-	(538.996)
Net income	1.444.608	695.515	234.737	111.831	(219.700)	(12.288)	2.254.703
Minority interest	-	-	-	-	(6.672)	-	(6.672)
Group income/loss	1.444.608	695.515	234.737	111.831	(226.372)	(12.288)	2.248.031
Segment assets	26.522.965	33.129.240	1.275.280	4.193.536	28.578.708	(986.082)	92.713.647
Investments in associates, subsidiaries and joint ventures	-	-	-	-	100.411	-	100.411
Total assets	26.522.965	33.129.240	1.275.280	4.193.536	28.679.119	(986.082)	92.814.058
Segment liabilities	23.676.641	21.843.565	11.257.345	3.551.013	22.718.162	(978.437)	82.068.289
Shareholders' equity	-	-	-	-	10.745.769	-	10.745.769
Total liabilities	23.676.641	21.843.565	11.257.345	3.551.013	33.463.931	(978.437)	92.814.058

(1) Other segment, mainly includes Treasury management results, activities of business support units, insurance operations and the other undistributed operations.

(2) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(3) Dividend income and tax expenses have not been distributed based on operating segments and have been presented under "Other" column.

December 31, 2009	Retail banking	Corporate and commercial banking	Private banking and wealth management	Foreign operations	Other ⁽¹⁾	Consolidation adjustments ⁽²⁾	Total operations of the Group
Operating revenue	2.775.312	1.331.024	324.297	116.413	1.570.991	(55.895)	6.062.142
Operating costs	(2.356.880)	(460.533)	(107.788)	(52.973)	(1.239.380)	58.583	(4.158.971)
Net operating profit	418.432	870.491	216.509	63.440	331.611	2.688	1.903.171
Dividend income ⁽³⁾	-	-	-	-	3.402	-	3.402
Income/Loss from investments accounted based on equity method	-	-	-	-	1.865	-	1.865
Income before tax	418.432	870.491	216.509	63.440	336.878	2.688	1.908.438
Tax provision ⁽³⁾	-	-	-	-	(355.260)	-	(355.260)
Net income	418.432	870.491	216.509	63.440	(18.382)	2.688	1.553.178
Minority interest	-	-	-	-	(10.230)	-	(10.230)
Group income/loss	418.432	870.491	216.509	63.440	(28.612)	2.688	1.542.948
Segment assets	19.207.596	22.950.318	774.042	3.912.923	25.534.213	(734.377)	71.644.715
Investments in associates, subsidiaries and joint ventures	-	-	-	-	89.769	-	89.769
Total assets	19.207.596	22.950.318	774.042	3.912.923	25.623.982	(734.377)	71.734.484
Segment liabilities	20.518.455	15.888.170	9.989.535	3.353.304	14.218.677	(719.797)	63.248.344
Shareholders' equity	-	-	-	-	8.486.140	-	8.486.140
Total liabilities	20.518.455	15.888.170	9.989.535	3.353.304	22.704.817	(719.797)	71.734.484

(1) Other segment, mainly includes Treasury management results, activities of business support units, insurance operations and the other undistributed operations.

(2) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(3) Dividend income and tax expenses have not been distributed based on operating segments and have been presented under "Other" column.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

Section five

Explanations and notes related to consolidated financial statements

I. Explanations and notes related to consolidated assets:

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

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

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Cash	513.679	188.190	481.585	173.797
The CBRT	2.044.632	3.172.303	1.302.688	2.034.806
Other	-	115.622	-	236.459
Total	2.558.311	3.476.115	1.784.273	2.445.062

2. Information on the account of the CBRT:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	2.044.632	865.256	1.302.688	678.258
Time unrestricted amount	-	-	-	-
Reserve requirement	-	2.307.047	-	1.356.548
Total	2.044.632	3.172.303	1.302.688	2.034.806

(1) The reserve requirement booked as average has been classified in “Central Bank Demand Unrestricted Account” based on the correspondence with BRSA as of January 3, 2008.

3. Information on reserve requirements:

In accordance with the “Communiqué Regarding the Reserve Requirements” numbered 2005/1, the banks operating in Turkey are supposed to place reserves in the CBRT for their TL liabilities by 6% and for their foreign currency liabilities by 11% as USD and/or EUR. As of December 31, 2010, no interest is earned on TL and foreign currency reserve requirements. As explained in detail in Section 5 Note IX, reserve requirement ratio for TL liabilities have been changed according to “Change in Communiqué Regarding the Reserve Requirements” published in Official Gazette numbered 27788 dated December 17, 2010 and numbered 27825 dated January 24, 2011.

As of December 31, 2010, the Group’s reserve deposits, including those at foreign banks, amount to TL 5.255.231(December 31, 2009 – TL 3.536.809).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements at December 31, 2010

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

Information related to financial position of the group (continued)

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

- As of December 31, 2010, financial assets at fair value through profit and loss subject to repo transactions amount to TL 43.734 (December 31, 2009 – TL 66.654) and financial assets at fair value through profit and loss given as collateral/blocked amount to TL 72.723 (December 31, 2009 – TL 72.280).
- Positive differences related to trading derivative financial assets:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Forward Transactions	27.563	1.723	37.705	1.579
Swap Transactions	541.681	37.956	503.759	43.210
Futures Transactions	-	-	-	-
Options	53.535	31.066	4.657	26.794
Other	-	-	-	-
Total	622.779	70.745	546.121	71.583

c. Information on banks:

- Information on banks:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Banks	708.938	1.854.792	545.079	1.849.569
Domestic	682.482	658.248	485.086	503.149
Foreign	26.456	1.196.544	59.993	1.346.420
Head Quarters and Branches Abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	708.938	1.854.792	545.079	1.849.569

- Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	December 31, 2010	December 31, 2009	December 31, 2009	December 31, 2009
EU Countries	886.752	1.101.530	87.186	-
USA, Canada	128.030	202.111	-	-
OECD countries ⁽¹⁾	19.858	9.470	-	-
Off-shore banking regions	73	143	-	-
Other	101.101	93.159	-	-
Total	1.135.814	1.406.413	87.186	-

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements at December 31, 2010

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

Information related to financial position of the group (continued)

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

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

As of December 31, 2010, available-for-sale financial assets given as collateral/blocked amount to TL 512.549 (December 31, 2009 – TL 555.493) and available for sale financial assets subject to repo transactions are TL 196.783 (December 31, 2009 – TL 17.585).

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

	December 31, 2010	December 31, 2009
Debt securities	5.804.928	1.955.646
Quoted on stock exchange ⁽¹⁾	4.494.573	1.916.447
Not quoted ⁽²⁾	1.310.355	39.199
Share certificates	58.401	62.970
Quoted on stock exchange	354	253
Not quoted	58.047	62.717
Impairment provision (-)	(44.332)	(43.530)
Other ⁽³⁾	56.983	48.729
Total	5.875.980	2.023.815

- (1) As of December 31, 2010, Eurobonds amounting to TL 809.457 (December 31, 2009 – TL 936.588) have been classified under debt securities quoted on Stock Exchange, even though they are not quoted on a stock exchange since these are traded in the secondary market.
- (2) As of December 31, 2010, not quoted debt securities mainly includes credit linked notes.
- (3) As of December 31, 2010, other available-for-sale financial assets include mutual funds amounting to TL 56.984 (December 31, 2009 – TL 48.729).

e. Explanations on loans:

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

	December 31, 2010		December 31, 2009	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	7.962	81.282	58.004	54.926
Loans granted to employees	85.204	83	76.758	-
Total	93.166	81.365	134.762	54.926

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

Information related to financial position of the group (continued)

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

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
Cash loans				
Non-specialised loans	52.565.533	-	1.567.626	109.821
Discount and purchase notes	671.040	-	1.989	-
Export loans	7.855.353	-	196.338	-
Import loans	-	-	-	-
Loans granted to financial sector	1.544.024	-	-	-
Foreign loans	1.508.632	-	46.374	10.506
Consumer loans	9.166.002	-	437.697	6.962
Credit cards	8.244.470	-	233.765	71.252
Precious metal loans	335.490	-	7.236	-
Other ⁽¹⁾	23.240.522	-	644.227	21.101
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Total	52.565.533	-	1.567.626	109.821

(1) As explained in the Note I.i of Section V, TL 224.429 of fair value difference of hedged items is classified under other loans.

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	25.847.614	-	627.115	38.100
Non-specialised loans	25.847.614	-	627.115	38.100
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	26.717.919	-	940.511	71.721
Non-specialised loans	26.717.919	-	940.511	71.721
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

Information related to financial position of the group (continued)

4. (i) Information on loans by types and specific provisions:

December 31, 2010	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing	Factoring	Total
Standard loans	35.155.061	9.166.002	8.244.470	1.674.712	1.823.566	56.063.811
Watch list	927.771	444.659	305.017	193.801	-	1.871.248
Loans under legal follow-up	1.057.915	378.569	471.482	313.781	18.707	2.240.454
Specific provisions (-)	(850.564)	(221.947)	(402.573)	(192.680)	(17.381)	(1.685.145)
Total	36.290.183	9.767.283	8.618.396	1.989.614	1.824.892	58.490.368

December 31, 2009	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing	Factoring	Total
Standard loans	22.976.198	6.547.402	7.083.105	1.717.571	1.429.416	39.753.692
Watch list	1.482.618	361.959	411.500	328.665	-	2.584.742
Loans under legal follow-up	1.326.451	492.319	803.888	284.233	8.173	2.915.064
Specific provisions (-)	(1.077.310)	(361.242)	(776.369)	(145.259)	(6.258)	(2.366.438)
Total	24.707.957	7.040.438	7.522.124	2.185.210	1.431.331	42.887.060

(ii) Fair value of collaterals:

December 31, 2010	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing	Factoring	Total
Watch list	372.980	174.571	-	107.818	-	655.369
Loans under legal follow-up	190.853	80.735	-	101.858	-	373.446
Total	563.833	255.306	-	209.676	-	1.028.815

December 31, 2009	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing	Factoring	Total
Watch List	410.783	180.037	-	183.043	-	773.863
Loans under legal follow-up	408.112	173.030	-	117.649	-	698.791
Total	818.895	353.067	-	300.692	-	1.472.654

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

Explanations and notes related to consolidated financial statements (continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	195.950	9.013.331	9.209.281
Real estate loans	6.518	5.023.465	5.029.983
Automotive loans	18.616	932.497	951.113
Consumer loans	882	45.719	46.601
Other	169.934	3.011.650	3.181.584
Consumer Loans-FC Indexed	-	208.007	208.007
Real estate loans	-	199.852	199.852
Automotive loans	-	3.114	3.114
Consumer loans	-	1.478	1.478
Other	-	3.563	3.563
Consumer Loans-FC	3.777	19.913	23.690
Real estate loans	-	-	-
Automotive loans	280	1.439	1.719
Consumer loans	1.458	11.926	13.384
Other	2.039	6.548	8.587
Individual Credit Cards-TL	8.069.489	146.582	8.216.071
With installments	4.034.476	111.173	4.145.649
Without installments	4.035.013	35.409	4.070.422
Individual Credit Cards- FC	421	12	433
With installments	421	12	433
Without installments	-	-	-
Personnel Loans-TL	7.239	32.625	39.864
Real estate loans	33	1.317	1.350
Automotive loans	40	1.037	1.077
Consumer loans	-	36	36
Other	7.166	30.235	37.401
Personnel Loans-FC Indexed	-	13	13
Real estate loans	-	13	13
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	104	184	288
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	39	-	39
Other	65	184	249
Personnel Credit Cards-TL	43.736	415	44.151
With installments	23.629	415	24.044
Without installments	20.107	-	20.107
Personnel Credit Cards-FC	36	-	36
With installments	36	-	36
Without installments	-	-	-
Credit Deposit Account-TL (Real Person) ⁽¹⁾	129.500	-	129.500
Credit Deposit Account-FC (Real Person)	18	-	18
Total	8.450.270	9.421.082	17.871.352

(1) TL 852 of the credit deposit account belongs to the credits used by personnel.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

Explanations and notes related to consolidated financial statements (continued)

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

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	342.186	3.811.371	4.153.557
Business Loans	1.616	320.899	322.515
Automotive Loans	68.302	1.169.722	1.238.024
Consumer Loans	-	402	402
Other	272.268	2.320.348	2.592.616
Commercial Installments Loans-FC Indexed	32.889	411.104	443.993
Business Loans	-	29.794	29.794
Automotive Loans	1.778	79.522	81.300
Consumer Loans	-	-	-
Other	31.111	301.788	332.899
Commercial Installments Loans-FC	151.731	95.603	247.334
Business Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	111.730	23.313	135.043
Other	40.001	72.290	112.291
Corporate Credit Cards-TL	285.014	3.782	288.796
With installment	90.962	3.782	94.744
Without installment	194.052	-	194.052
Corporate Credit Cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Credit Deposit Account-TL (Legal Person)	284.503	-	284.503
Credit Deposit Account-FC (Legal Person)	19	-	19
Total	1.096.342	4.321.860	5.418.202

7. Loans according to types of borrowers:

	December 31, 2010	December 31, 2009
Public	1.292.231	1.234.148
Private	52.950.749	37.628.634
Total	54.242.980	38.862.782

8. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

	December 31, 2010	December 31, 2009
Domestic loans	52.677.468	38.167.578
Foreign loans	1.565.512	695.204
Total	54.242.980	38.862.782

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

Explanations and notes related to consolidated financial statements (continued)

9. Loans granted to investments in associates and subsidiaries:

	December 31, 2010	December 31, 2009
Direct loans granted to associates and subsidiaries	25.085	5.128
Indirect loans granted to associates and subsidiaries	-	-
Total	25.085	5.128

10. Specific provisions provided against loans:

	December 31, 2010	December 31, 2009
Loans and other receivables with limited collectibility	54.980	265.495
Loans and other receivables with doubtful collectibility	340.240	610.618
Uncollectible loans and other receivables	1.079.864	1.338.808
Total	1.475.084	2.214.921

	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1, 2010	1.077.310	361.242	776.369	2.214.921
Allowance for impairment	685.934	322.777	93.526	1.102.237
Amount recovered during the period	(396.349)	(326.005)	(14.871)	(737.225)
Loans written off during the period as uncollectible	(516.836)	(136.003)	(452.455)	(1.105.294)
Exchange differences	505	(64)	4	445
December 31, 2010	850.564	221.947	402.573	1.475.084

	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1, 2009	696.886	98.168	306.392	1.101.446
Allowance for impairment	726.147	647.668	860.799	2.234.614
Amount recovered during the period	(311.816)	(360.390)	(302.991)	(975.197)
Loans written off during the period as uncollectible	(33.502)	(24.189)	(87.831)	(145.522)
Exchange differences	(405)	(15)	-	(420)
December 31, 2009	1.077.310	361.242	776.369	2.214.921

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements at December 31, 2010

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

Explanations and notes related to consolidated financial statements (continued)

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

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
December 31, 2010			
(Gross amounts before specific reserves)	28.592	34.388	62.729
Restructured loans and other receivables	28.592	34.388	62.729
Rescheduled loans and other receivables	-	-	-
December 31, 2009			
(Gross amounts before specific reserves)	5.348	47.329	50.390
Restructured loans and other receivables	5.348	47.329	50.390
Rescheduled loans and other receivables	-	-	-

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
December 31, 2009	359.646	682.342	1.580.670
Additions (+)	1.599.597	125.584	322.504
Transfers from other categories of non-performing loans (+)	-	1.080.178	1.143.256
Transfer to other categories of non-performing loans (-)	(1.082.882)	(1.140.552)	-
Collections (-)	(628.586)	(373.350)	(592.504)
FX valuation differences	(309)	25	831
Write-offs(-) ⁽¹⁾	(14)	(147)	(1.168.323)
Corporate and Commercial Loans	(14)	(83)	(563.419)
Consumer Loans	-	(64)	(152.151)
Credit Cards	-	-	(452.455)
Other	-	-	(298)
December 31, 2010	247.452	374.080	1.286.434
Specific Provision (-)	(54.980)	(340.240)	(1.079.864)
Net Balance on Balance Sheet	192.472	33.840	206.570

(1) Also includes the effects of the sales of non-performing loan portfolios.

According to the resolution of the Board of Directors of the Parent Bank dated March 15, 2010, portfolios composed of SME loans, consumer loans and credit cards followed under non-performing loan accounts are sold according to auction and confidentiality agreements. Consumer loan portfolio with principal amounting to TL 74.606 as of February 28, 2010 was sold to Standart Varlık Yönetim A.Ş. for a consideration of TL 6.450, credit card portfolio with principal amounting to TL 381.973 as of February 28, 2010 was sold to Girişim Varlık Yönetim A.Ş. for a consideration of TL 32.435 and SME loan portfolio with principal amounting to TL 224.390 as of February 28, 2010 was sold to LBT Varlık Yönetim A.Ş. for a consideration of TL 31.232. Profit on these sales before taxes and legal expenses amounted to TL 11,817. TL 181,200 of the total principal amount sold was written off in prior periods.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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Explanations and notes related to consolidated financial statements (continued)

According to the resolution of the Board of Directors of the Bank dated May 26, 2010, portfolios composed of corporate and commercial loans followed under non-performing loan accounts are sold according to auction and confidentiality agreements. Corporate and commercial loan portfolio with principal amounting to TL 298.741 including TL 28.328 as legal and other expenses as of April 30, 2010 was sold to LBT Varlık Yönetim A.Ş. for a consideration of TL 7.518. Profit on this sale before taxes and legal expenses amounted to TL 5.020.

According to the resolution of the Board of Directors of the Bank dated November 25, 2010; portfolios composed of SME loans, consumer loans and credit cards followed under non-performing loan accounts are sold according to auction and confidentiality agreements. Consumer and SME loan portfolio amounting to TL 170.867 as of October 31, 2010 was sold to Girişim Varlık Yönetim A.Ş. and Credit cards portfolio amounting to TL 256.955 as of October 31, 2010 was sold to LBT Varlık Yönetim A.Ş. for a total consideration of TL 56.045. Profit on this sale before taxes and legal expenses amounted to TL 55.074.

11 (iii). Information on Non-performing loans granted as foreign currency loans

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
December 31, 2010			
Period end balance	13.651	662	127.311
Specific provision (-)	(7.433)	(219)	(95.696)
Net Balance on-balance sheet	6.218	443	31.615
December 31, 2009			
Period end balance	1.870	3.501	47.304
Specific provision (-)	(1.690)	(854)	(39.213)
Net Balance on-balance sheet	180	2.647	8.091

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

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

Explanations and notes related to consolidated financial statements (continued)

11 (iv).Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
December 31, 2010	192.472	33.840	206.570
Loans granted to real persons and corporate entities (Gross)	247.452	373.357	1.201.042
Specific provision amount (-)	(54.980)	(339.517)	(994.472)
Loans granted to real persons and corporate entities (Net)	192.472	33.840	206.570
Banks (Gross)	-	723	1.380
Specific provision amount (-)	-	(723)	(1.380)
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	84.012
Specific provision amount (-)	-	-	(84.012)
Other loans and receivables (Net)	-	-	-
December 31, 2009	94.151	71.724	241.862
Loans granted to real persons and corporate entities (Gross)	358.184	682.342	1.496.658
Specific provision amount (-)	(264.033)	(610.618)	(1.254.796)
Loans granted to real persons and corporate entities (Net)	94.151	71.724	241.862
Banks (Gross)	1.462	-	-
Specific provision amount (-)	(1.462)	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	84.012
Specific provision amount (-)	-	-	(84.012)
Other loans and receivables (Net)	-	-	-

f. Information on held-to-maturity investments:

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

	December 31, 2010	December 31, 2009
Government Bond	12.974.944	13.110.619
Treasury Bill	-	208.100
Other debt securities	-	-
Total	12.974.944	13.318.719

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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

Explanations and notes related to consolidated financial statements (continued)

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

	December 31, 2010	December 31, 2009
Debt Securities	13.053.379	13.386.216
Quoted on Stock Exchange ⁽¹⁾	13.053.379	13.386.216
Not Quoted	-	-
Impairment Provision (-)	(78.435)	(67.497)
Total	12.974.944	13.318.719

(1) As of December 31, 2010, Eurobonds amounting to TL 7.665.114 (December 31, 2009 – TL 6.519.991) have been classified under debt securities quoted on Stock Exchange, although they are not quoted on a stock exchange because they are traded in the secondary market

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

	December 31, 2010	December 31, 2009
Beginning balance	13.318.719	12.705.781
FC differences on monetary assets ⁽¹⁾	33.702	(232.776)
Purchases during year	3.020.222	2.008.035
Disposals through sales and redemptions	(3.383.510)	(1.139.115)
Impairment provision (-)	(14.189)	(23.206)
Period end balance	12.974.944	13.318.719

(1) Includes the changes in interest income accruals.

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

As of December 31, 2010, held-to-maturity investments given as collateral/blocked amount to TL 1.463.634 (December 31, 2009 – TL 922.708). Held-to-maturity investments subject to repo transactions amount to TL 3.464.024 (December 31, 2009 – TL 1.375.465).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

g. Information on investments in associates (Net):

1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's share holding percentage if different voting percentage (%)	The Parent Bank's risk group share holding percentage(%)
1	Kredi Kayıt Bürosu	İstanbul/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	İstanbul/Türkiye	9,98	9,98

No	Total Shareholders' assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value
1	44.767	36.805	2.005	2.322	-	14.132	9.013	-
2	21.011	15.865	6.792	912	-	1.465	1.607	-

Financial statement information disclosed above shows December 31, 2010 results.

2. Consolidated investments in associates:

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

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

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

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1	2.550.303	146.300	4.610	43.949	10.132	16.784	13.505	-

Financial statement information disclosed above shows December 31, 2010 results.

Financial statement information in the table above has been disclosed in CHF. As of December 31, 2010 the evaluation rate for CHF is full TL 1,6027 (December 31, 2009 – full TL 1,4129).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

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

	December 31, 2010	December 31, 2009
Balance at the beginning of the period	58.939	55.593
Movements during the period	12.967	3.346
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	8.744	5.417
Sales	-	-
Revaluation (decrease)/increase ⁽¹⁾	4.223	(2.071)
Impairment provision	-	-
Balance at the end of the period	71.906	58.939
Capital Commitments	-	-
Share percentage at the end of the period (%)	30,67	30,67

(1) Includes TL 2.069 (December 31, 2009 – TL 1.840) of dividend received in the current period.

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

	December 31, 2010	December 31, 2009
Banks	71.906	58.939
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	71.906	58.939

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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

Explanations and notes related to consolidated financial statements (continued)

h. Information on subsidiaries (Net):

1. Unconsolidated subsidiaries:

1 (i). Information on unconsolidated subsidiaries:

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

	Description	Address (City/ Country)	The Parent Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1	Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş. ⁽¹⁾	Istanbul/Turkey	99,99	100,00
2	Enternasyonal Turizm Yatırım A.Ş. ⁽¹⁾	Istanbul/Turkey	99,96	99,99

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	Market value ⁽²⁾
1	11.350	9.568	189	70	-	1.135	806	-
2	37.023	22.697	19.781	1.517	-	1.018	8.804	-

Financial statement information disclosed above shows December 31, 2010 results.

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Explanations and notes related to consolidated financial statements (continued)

2. Information on consolidated subsidiaries:

2 (i). Information on consolidated subsidiaries:

	Description	Address (City/ Country)	The Parent Bank's shareholding percentage if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Yapı Kredi Holding B.V. ⁽¹⁾	Amsterdam/Netherlands	100,00	100,00
2	Yapı Kredi Menkul	Istanbul/Turkey	99,98	99,99
3	Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Moscow ⁽²⁾	Moscow/Russia	99,84	100,00
5	Yapı Kredi Sigorta A.Ş.	Istanbul/Turkey	74,01	93,94
6	Yapı Kredi Leasing	Istanbul/Turkey	98,85	99,58
7	Yapı Kredi Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	11,09	56,07
8	Yapı Kredi Emeklilik A.Ş.	Istanbul/Turkey	-	100,00
9	Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
10	Yapı Kredi Bank NV ^{(1), (4)}	Amsterdam/Netherlands	67,24	100,00
11	Yapı Kredi Azerbaijan ^{(3), (5)}	Baku/Azerbaijan	99,80	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation as the Bank has a control of %100.

(1) Financial figures presented in note 2 (ii) are in thousands of EURO.

(2) Financial figures presented in note 2 (ii) are in thousands of USD.

(3) Financial figures presented in note 2 (ii) are in thousands of AZM. As of December 31, 2010 the evaluation rate for AZM is TL 1,8891 (December 31, 2009 – TL 1,8279).

(4) Includes the balances for Sticing Custody Services YKB.

(5) Includes the balances for Yapı Kredi Invest LLC.

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit /loss	Market value ⁽¹⁾
1	45.470	45.439	-	15	-	1.065	(1.106)	-
2	797.605	270.170	5.659	40.374	13.477	76.454	71.216	-
3	1.954.760	103.309	659	106.767	2.906	26.178	27.365	-
4	191.959	56.480	5.951	14.683	1.680	576	7.332	-
5	902.063	198.495	19.473	61.725	14.679	42.549	(11.930)	1.128.000
6	2.201.330	735.206	2.084	200.611	-	91.765	150.133	1.934.000
7	79.844	78.582	30	5.346	2.904	5.589	19.115	44.900
8	744.205	132.829	19.008	16.372	12.339	23.377	20.218	-
9	98.774	89.681	784	6.550	106	52.419	52.530	-
10	1.739.474	212.079	304	79.117	27.886	36.298	15.361	-
11	206.823	50.496	4.565	11.401	1.012	7.467	4.656	-

(1) Calculated with the ISE market prices as of December 31, 2010 considering the total number of shares.

Financial statement information in the table above has been obtained from the financial statements of subsidiaries as at December 31, 2010.

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Explanations and notes related to consolidated financial statements (continued)

2 (iii). Movement schedule of consolidated subsidiaries:

	December 31, 2010	December 31, 2009
Balance at the beginning of the period	1.779.651	1.781.083
Movements during the period	7.893	(1.432)
Purchases	-	-
Transfers ⁽¹⁾	-	(1.432)
Bonus shares obtained ⁽²⁾	7.893	-
Share of current year income	-	-
Sales	-	-
Foreign exchange valuation differences	-	-
Impairment provision	-	-
Balance at the end of the period	1.787.544	1.779.651
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) As a result of the Extraordinary General Assembly Meetings, dated December 31, 2009, of Yapı Kredi Menkul, the Parent Bank's subsidiary with a shareholding of 99,98%, and of Unicredit Menkul Değerler A.Ş. ("UCM"), the Parent Bank's main shareholder Koç Finansal Hizmetler A.Ş.'s subsidiary with a shareholding of 99,99%; it has been decided that Yapı Kredi Menkul's intermediary activities function, which serves corporate clients, was added to UCM's capital as capital in-kind through a partial spin-off over its book values at December 31, 2008. As a result of this operation, the share of the Bank in Yapı Kredi Menkul's capital did not change. According to the spin-off agreement, the Bank has acquired a share in UCM share capital (10,73%). The fair value of this business line was TL 1.432 and classified as share certificates under available for sale portfolio.

(2) As a result of the General Assembly Meeting of Yapı Kredi Azerbaycan registered on April 30, 2010; capital was increased by 4.392 AZN from the profit of 2009.

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

Subsidiaries	December 31, 2010	December 31, 2009
Banks	286.137	278.244
Insurance companies	148.019	148.019
Factoring companies	183.325	183.325
Leasing companies	722.491	722.491
Finance companies	-	-
Other financial subsidiaries	447.572	447.572
Total financial subsidiaries	1.787.544	1.779.651

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Explanations and notes related to consolidated financial statements (continued)

2 (v). Subsidiaries quoted on Stock Exchange:

	December 31, 2010	December 31, 2009
Quoted on domestic stock exchanges	876.095	876.095
Quoted on foreign stock exchanges	-	-
Total of subsidiaries quoted to stock exchanges	876.095	876.095

i. Information on joint ventures (net):

1. Unconsolidated joint ventures : None.

2. Consolidated joint ventures :

2 (i). Information on consolidated Joint Ventures:

	The Parent Bank's shareholding percentage	Group's shareholding percentage	Current assets	Non- current assets	Long term liabilities	Income	Expense
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	84.330	20.022	467	16.533	(23.065)
Total			84.330	20.022	467	16.533	(23.065)

Financial statements in the table above has been obtained from the financial statements as at December 31, 2010

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements at December 31, 2010

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

Explanations and notes related to consolidated financial statements (continued)

j. Information on lease receivables (net):

1) Breakdown according to maturities:

	December 30, 2010		December 31, 2009	
	Gross	Net	Gross	Net
Less than 1 year	881.135	714.985	1.018.467	821.027
Between 1- 4 years	1.151.085	991.929	1.240.170	1.042.160
More than 4 years	299.234	282.700	339.285	322.023
Total	2.331.454	1.989.614	2.597.922	2.185.210

2) Information for net investments in finance leases:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Gross lease receivables	461.940	1.869.514	493.872	2.104.050
Unearned financial income from leases (-)	(77.495)	(264.345)	(95.110)	(317.602)
Amount of cancelled leases (-)	-	-	-	-
Total	384.445	1.605.169	398.762	1.786.448

k. Information on hedging derivative financial assets:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Fair Value Hedge	34.463	-	127.678	953
Cash Flow Hedge	-	3.738	-	-
Foreign Net Investment Hedge	-	-	-	-
Total	34.463	3.738	127.678	953

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funds using cross-currency interest rate swaps. The net carrying value of hedging instruments at December 31, 2010 is a liability amounting to TL 279.454 (December 31, 2009 – TL 228.982) At December 31, 2010, the marked to market difference of the hedging instruments since the inception date is TL 240.233 (December 31, 2009 – TL 147.649) and the fair value difference of the hedged item is TL 224.429 (December 31, 2009 – TL 140.137)

In order to hedge its cash flow risk from liabilities, the Bank started to apply cash flow hedge accounting from January 1, 2010 onwards. The hedging instruments are USD and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD and TL deposits and repos.

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Explanations and notes related to consolidated financial statements (continued)

I. Information on property and equipment:

	Immovables	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
December 31, 2009					
Cost	2.140.272	339.849	5.417	795.521	3.281.059
Accumulated depreciation (-)	(1.326.742)	(234.598)	(4.546)	(567.626)	(2.133.512)
Net book value	813.530	105.251	871	227.895	1.147.547
December 31, 2010					
Net book value at beginning of the period	813.530	105.251	871	227.895	1.147.547
Additions	24.824	50.606	201	68.541	144.172
Transfers from intangible assets	-	-	-	-	-
Disposals (-), net	(43.014)	(295)	(64)	(1.798)	(45.171)
Reversal of impairment, net	53.950	-	27	-	53.977
Impairment (-)	(1.324)	-	-	-	(1.324)
Depreciation (-)	(42.174)	(41.684)	(278)	(58.789)	(142.925)
Foreign currency differences (net)	113	56	11	59	239
Net book value at end of the period	805.905	113.934	768	235.908	1.156.515
Cost at the end of the period	2.101.826	385.309	5.191	837.995	3.330.321
Accumulated depreciation at the period end (-)	(1.295.921)	(271.375)	(4.423)	(602.087)	(2.173.806)
December 31, 2010	805.905	113.934	768	235.908	1.156.515

As of December 31, 2010, the Parent Bank booked total provision for impairment amounting to TL 545.324 (2009 - TL 597.904) for the property and equipment.

m. Information on intangible assets:

	December 31, 2010	December 31, 2009
Net book value at the beginning of the period	1.194.649	1.157.825
Additions during the period	90.675	81.416
Unused and disposed items (-)	(159)	(6.083)
Transfers	-	(281)
Impairment reversal	4.015	-
Amortisation expenses (-)	(46.100)	(38.218)
Foreign exchange valuation differences	-	(10)
Net book value at the closing of the period	1.243.080	1.194.649

n. Information on investment property:

None (December 31, 2009 - None).

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Explanations and notes related to consolidated financial statements (continued)

o. Information on deferred tax asset:

	December 31, 2010		December 31, 2009	
	Tax base	Deferred tax	Tax base	Deferred tax
Reserves for employee benefit	181.967	36.461	166.199	33.300
Provision for the actuarial deficit of the pension fund	838.036	167.607	864.059	172.812
Derivative financial liabilities	812.831	150.173	622.832	122.430
Securities portfolio valuation differences	306.985	61.396	212.691	42.538
Subsidiaries, investment in associates and share certificates	123.117	24.623	123.117	24.624
Other	662.443	131.935	668.722	133.346
Total deferred tax asset	2.925.379	572.195	2.657.620	529.050
Derivative financial assets	(956.156)	(178.328)	(884.086)	(174.320)
Valuation difference of securities portfolio	(129.603)	(25.658)	(37.266)	(7.192)
Property, equipment and intangibles, net	(334.790)	(41.928)	(283.363)	(31.625)
Other	(47.948)	(10.208)	(34.575)	(6.928)
Total deferred tax liability	(1.468.497)	(256.122)	(1.239.290)	(220.065)
Deferred tax asset, net	1.456.882	316.073	1.418.330	308.985

According to TAS 12, deferred tax assets and deferred tax liabilities have been netted off in the financial statements of each subsidiary subject to consolidation and disclosed separately in assets and liabilities.

p. Movement schedule of assets held for resale:

	December 31, 2010	December 31, 2009
Net book value at the beginning of the period	88.680	90.046
Additions	58.076	16.656
Disposals (-), net	(64.936)	(21.381)
Impairment reversal	2.752	6.986
Impairment provision (-)	(219)	(1.012)
Depreciation (-)	(1.937)	(2.615)
Net book value at the end of the period	82.416	88.680
Cost at the end of the period	88.875	97.819
Accumulated depreciation at the end of the period (-)	(6.459)	(9.139)
Net book value at the end of the period	82.416	88.680

As of December 31, 2010, the Parent Bank booked impairment provision on assets held for resale with an amount of TL 10.933 (December 31, 2009 – TL 13.466).

r. Information on other assets:

As of December 31, 2010, other assets do not exceed 10% of the total assets

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

II. Explanations and notes related to consolidated liabilities:

a. Information on deposits:

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

1(i) December 31, 2010:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Total
Saving deposits	1.812.754	22.181	4.586.189	10.872.860	210.498	37.412	114.112	17.656.006
Foreign currency deposits	4.514.769	30.503	4.023.430	11.273.139	528.832	262.680	722.673	21.356.026
Residents in Turkey	3.838.021	16.092	3.864.195	9.765.581	250.273	149.836	341.088	18.225.086
Residents abroad	676.748	14.411	159.235	1.507.558	278.559	112.844	381.585	3.130.940
Public sector deposits	320.906	-	14.937	60.880	543	-	-	397.266
Commercial deposits	2.404.752	-	3.069.321	6.377.905	143.864	3.206	70.318	12.069.366
Other institutions deposits	34.853	-	85.306	1.478.796	288	65	990	1.600.298
Precious metals	237.777	-	-	45.422	16.774	17.917	26.252	344.142
Bank deposits	193.023	149.383	419.083	163.480	196.727	229.668	432.534	1.783.898
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	68.087	-	357.762	4.022	-	-	246.138	676.009
Foreign banks	110.663	149.383	61.321	159.458	196.727	229.668	186.396	1.093.616
Participation banks	14.273	-	-	-	-	-	-	14.273
Other	-	-	-	-	-	-	-	-
Total	9.518.834	202.067	12.198.266	30.272.482	1.097.526	550.948	1.366.879	55.207.002

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Notes to consolidated financial statements at December 31, 2010

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Explanations and notes related to consolidated financial statements (continued)

1 (ii). December 31, 2009:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Total
Saving deposits	1.440.267	68.306	3.959.921	9.385.626	167.796	193.994	171.060	15.386.970
Foreign currency deposits	4.071.274	124.462	4.808.321	6.266.905	1.713.034	325.210	1.643.440	18.952.646
Residents in Turkey	3.464.253	44.725	4.566.618	5.174.454	1.614.912	222.817	951.073	16.038.852
Residents abroad	607.021	79.737	241.703	1.092.451	98.122	102.393	692.367	2.913.794
Public sector deposits	278.166	-	8.313	43.792	391	112	2.810	333.584
Commercial deposits	1.722.280	-	2.410.829	2.629.021	85.027	32.449	24.470	6.904.076
Other institutions deposits	25.543	-	24.902	135.425	373	72	1.599	187.914
Precious metals	214.271	-	-	37.018	17.041	9.089	8.679	286.098
Bank deposits	276.889	-	523.591	77.262	99.741	346.114	-	1.323.597
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	63.052	-	90.059	-	2.029	7.282	-	162.422
Foreign banks	85.058	-	433.532	77.262	97.712	338.832	-	1.032.396
Participation banks	128.766	-	-	-	-	-	-	128.766
Other	13	-	-	-	-	-	-	13
Total	8.028.690	192.768	11.735.877	18.575.049	2.083.403	907.040	1.852.058	43.374.885

2. Information on saving deposits insurance:

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

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Saving deposits	8.779.823	7.738.057	8.651.347	7.431.249
Foreign currency savings deposit	2.448.173	2.596.806	5.572.934	5.973.850
Other deposits in the form of savings deposits	117.017	71.411	196.827	194.074
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

- 2 (ii). Saving deposits which are not under the guarantee of saving deposit insurance fund of real persons (Represents information regarding the Parent Bank):

	December 31, 2010	December 31, 2009
Foreign branches' deposits and other accounts	-	-
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	21.080	23.864
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law No:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which established in Turkey in order to engage in off-shore banking activities solely	116.231	88.283

b. Information on trading derivative financial liabilities:

Trading derivative financial liabilities	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Forward transactions	38.372	321	42.016	154
Swap transactions	203.768	31.881	166.244	28.289
Futures transactions	-	-	-	-
Options	52.087	32.739	4.366	27.446
Other	-	-	-	-
Total	294.227	64.941	212.626	55.889

c. Information on borrowings:

1. Information on borrowings:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	1.078.428	360.655	703.447	374.477
From foreign banks, institutions and funds	948.183	7.685.804	713.708	4.568.594
Total	2.026.611	8.046.459	1.417.155	4.943.071

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Explanations and notes related to consolidated financial statements (continued)

2. Information on maturity structure of borrowings:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Short-term	1.510.635	4.099.579	900.249	4.119.320
Medium and long-term	515.976	3.946.880	516.906	823.751
Total	2.026.611	8.046.459	1.417.155	4.943.071

d. Information on asset backed securities:

The Parent Bank has a securitisation borrowing deal from Standart Chartered Bank and Unicredit Markets and Investment Banking amounting USD 547 million and EUR 275 million, the equivalent of TL 1.375.419 using Yapı Kredi Diversified Payment Rights Finance Company (“Special Purpose Entity”) as an intermediary and Assured Guaranty, MBIA, Radian, Ambac, FGIC and XL Capital as guarantors. The borrowing has floating interest rates based on Euribor/Libor, the maturity is between 2014 and 2015 and the repayments commenced in 2010, with a total of TL 345.191

e. Information on other liabilities:

As of December 31, 2010, other liabilities do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

f. Information on lease payables:

1. Information on financial leasing agreements:

	December 31, 2010		December 31, 2009	
	Gross	Net	Gross	Net
Less than 1 year	-	-	114	113
Between 1-4 years	-	-	-	-
More than 4 years	-	-	-	-
Total	-	-	114	113

2. Information on operational leasing agreements:

The Parent Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under “Other Assets”. The Parent Bank has no liability that stems from operational leasing agreements.

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Explanations and notes related to consolidated financial statements (continued)

g. Information on hedging derivative financial liabilities:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Fair Value Hedge	313.917	-	357.513	100
Cash Flow Hedge ⁽¹⁾	38.108	101.638	-	-
Foreign Net Investment Hedge	-	-	-	-
Total	352.025	101.638	357.513	100

(1) Represented as explained in Note I.k of Section Five

h. Information on provisions:

1. Information on general provisions:

	December 31, 2010	December 31, 2009
Provisions for Group I loans and receivables	596.325	573.866
Provisions for Group II loans and receivables	108.673	207.516
Provisions for non cash loans	61.702	103.703
Other	60.153	24.545
Total	826.853	909.630

2. Information on reserve for employment termination benefits:

In accordance with Turkish Labour Law, reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. TAS 19 necessitates actuarial valuation methods to calculate the liabilities of enterprises.

The following actuarial assumptions are used in the calculation of total liabilities

	December 31, 2010	December 31, 2009
Discount rate (%)	4,66	5,92
The rate used related to retirement expectation (%)	94,71	94,78

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 2.623,23 (full TL) effective from January 1, 2011 (January 1, 2010 - TL 2.427,04 (full TL) has been taken into consideration in calculating the reserve for employment termination benefits.

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Explanations and notes related to consolidated financial statements (continued)

Movement of employment termination benefit liability in the balance sheet:

	December 31, 2010	December 31, 2009
Prior period ending balance	100.482	94.889
Changes during the period	19.705	20.610
Paid during the period	(18.385)	(15.031)
Foreign currency differences	(102)	14
Balance at the end of the period	101.700	100.482

In addition, the Group has accounted for unused vacation rights provision amounting to TL 80.267 as of December 31, 2010 (December 31, 2009 – TL 65.717).

3. Other provisions:

	December 31, 2010	December 31, 2009
Pension fund provision	838.036	864.059
Provision for possible risks ⁽¹⁾	88.826	69.948
Non-cash loan provision	127.958	78.250
Provisions on credit cards and promotion campaigns related to banking services	39.697	48.469
Provision on export commitment estimated tax and funds liability	39.486	38.261
Legal risk provision ⁽¹⁾	35.886	26.668
Other	170.322	204.993
Total	1.340.211	1.330.648

(1) Considered as provisions for possible risks and charges.

4. Pension fund provision:

The Bank provided provision amounting to TL 838.036 (December 31, 2009 – TL 864.059) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	December 31, 2010	December 31, 2009
Income statement (charge)/benefit	26.023	(89.693)

The amount of TL 26.023 is recorded as other operating income in the income statement.

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Explanations and notes related to consolidated financial statements (continued)

The amounts recognised in the balance sheet are determined as follows:

	December 31, 2010	December 31, 2009
Present value of funded obligations	1.279.566	1.239.133
- Pension benefits transferable to SSI	1.183.533	1.077.965
- Post employment medical benefits transferable to SSI	96.033	161.168
Fair value of plan assets	(441.530)	(375.074)
Provision for the actuarial deficit of the pension fund	838.036	864.059

The principal actuarial assumptions used were as follows:

	December 31, 2010	December 31, 2009
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to the mortality table based on statistical data, as 15 years for men and 19 years for women who retire at the age of 64 and 63, respectively.

Plan assets are comprised as follows:

	December 31, 2010		December 31, 2009	
	Amount	%	Amount	%
Government bonds and treasury bills	154.902	35	180.519	48
Premises and equipment	116.393	26	113.826	30
Bank placements	133.432	30	29.328	8
Short term receivables	19.493	5	26.907	7
Other	17.310	4	24.494	7
Total	441.530	100	375.074	100

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

As of December 31, 2010, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 21.327 (December 31, 2009 – TL 36.290). Provision related to the foreign currency difference of foreign currency indexed loans is netted from the loan amount in the financial statements.

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Explanations and notes related to consolidated financial statements (continued)

i. Information on taxes payable:

(i) Information on taxes payable:

	December 31, 2010	December 31, 2009
Corporate Tax Payable	122.306	76.160
Taxation of Marketable Securities	81.688	52.241
Property Tax	1.359	1.190
Banking Insurance Transaction Tax (“BITT”)	35.985	32.670
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	3.437	2.673
Other	23.497	23.043
Total	268.272	187.977

(ii) Information on premium payables:

	December 31, 2010	December 31, 2009
Social security premiums – employee	962	533
Social security premiums – employer	995	1.252
Bank pension fund premiums – employee	7.291	6.356
Bank pension fund premiums – employer	7.604	6.635
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	581	483
Unemployment insurance – employer	1.163	1.041
Other	-	820
Total	18.596	17.120

(iii) Information on deferred tax liability:

There is a net deferred tax liability of TL 2.132 (December 31, 2009 – TL 2.136) reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been net off in their standalone financial statements as per TAS 12.

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Explanations and notes related to consolidated financial statements (continued)

j. Information on subordinated loans:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	2.110.274	-	2.224.023
From other foreign institutions	-	-	-	-
Total	-	2.110.274	-	2.224.023

At March 30, 2006, Yapı Kredi obtained a subordinated loan amounting to EUR 500 million, with 10 years maturity and a repayment option at the end of five years. The interest rate was determined as EURIBOR+2% for the first five years. The loan was obtained from Merrill Lynch Capital Corporation with UniCredito Italiano S.p.A. as guarantor. In addition, the subordinated loan obtained by Koçbank on April 28, 2006 amounting to EUR 350 million, with 10 years maturity and a repayment option at the end of 5 years has been transferred to the Parent Bank. The interest rate is determined as EURIBOR+2,25% for the first five years. The loan was obtained from Goldman Sachs International Bank with Unicredit S.p.A. as guarantor. In addition, the Bank obtained a subordinated loan on June 25, 2007 amounting to EUR 200 million, with 10 years maturity and a repayment option at the end of 5 years. The interest rate is determined as EURIBOR+1,85% for the first 5 years. The loan was obtained from Citibank, N.A., London Branch with Unicredito Italiano SpA as guarantor. With the written approvals of the BRSA dated April 3, 2006, May 2, 2006 and June 19, 2007, the loans have been approved as subordinated loans and can be taken into consideration as supplementary capital within the limits of the Capital Adequacy Regulation.

k. Information on shareholders' equity:

1. Presentation of Paid-in capital :

	December 31, 2010	December 31, 2009
Common Stock	4.347.051	4.347.051
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 :

The Parent Bank's paid-in-capital is amounting of TL 4.347.051 and in accordance with the decision taken in the Ordinary General Assembly at April 7, 2008, the Bank has switched to the registered capital system and the registered share capital ceiling is TL 5.000.000.

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

None (December 31, 2009 - None).

4. Information on transfers from capital reserves to capital during the current period: None.

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Explanations and notes related to consolidated financial statements (continued)

5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.
6. Information on prior periods indicators on the Group's income, profitability, liquidity, and possible effects of these future assumptions on the Group's equity due to uncertainties of these indicators:

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

7. Privileges on the corporate stock: None.
8. Information on marketable securities valuation differences:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference	108.075	63.235	16.036	58.577
Foreign currency difference ⁽¹⁾	79.187	2.300	86.788	-
Total	187.262	65.535	102.824	58.577

(1) Also includes current period foreign currency differences.

I. Information on minority interest:

	December 31, 2010	December 31, 2009
Period opening balance	57.261	47.980
Current period net income	6.672	10.230
Dividends paid	(693)	(1.438)
Foreign currency translation differences	(145)	489
Period ending balance	63.095	57.261

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III. Explanations and notes related to consolidated off-balance sheet accounts

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	December 31, 2010	December 31, 2009
Commitments on credit cards limits	11.727.679	10.954.268
Loan granting commitments	3.303.500	3.116.153
Commitments for cheques	3.653.626	1.468.823
Other irrevocable commitments	3.504.939	3.916.264
Total	22.189.744	19.455.508

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

There are no material probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group has recorded a general provision for its non-cash loans amounting to TL 61.702 (December 31, 2009 – TL 103.703) and a specific provision regarding non-cash loans amounting to TL 127.958 (December 31, 2009 – TL 78.250)

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

	December 31, 2010	December 31, 2009
Bank acceptance loans	165.797	151.669
Letter of credits	3.999.873	2.738.235
Other guarantees and collaterals	579.420	399.410
Total	4.745.090	3.289.314

2 (ii). Revocable, irrevocable guarantees, contingencies and other similar commitments:

The total of revocable, irrevocable guarantees, contingencies and other similar commitments as of December 31, 2010 is TL 14.947.463 (2009 – TL 13.296.741).

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

	December 31, 2010	December 31, 2009
Non-cash loans given against cash loans	297.715	232.309
With original maturity of 1 year or less than 1 year	84.962	103.849
With original maturity of more than 1 year	212.753	128.460
Other non-cash loans	19.394.838	16.353.746
Total	19.692.553	16.586.055

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Explanations and notes related to consolidated financial statements (continued)

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

	December 31, 2010				December 31, 2009			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	128.439	1,64	179.169	1,51	112.666	1,80	352.875	3,42
Farming and raising livestock	96.758	1,24	175.426	1,47	78.469	1,25	348.639	3,37
Forestry	24.429	0,31	1.237	0,01	27.409	0,44	3.684	0,04
Fishing	7.252	0,09	2.506	0,03	6.788	0,11	552	0,01
Manufacturing	3.193.878	40,96	5.618.099	47,23	2.680.163	42,84	4.554.979	44,09
Mining	271.652	3,48	481.108	4,04	149.203	2,39	637.763	6,17
Production	2.462.232	31,58	4.319.847	36,32	2.151.782	34,39	3.239.512	31,36
Electric, gas and water	459.994	5,90	817.144	6,87	379.178	6,06	677.704	6,56
Construction	2.194.349	28,14	3.022.661	25,41	1.633.745	26,11	2.747.640	26,60
Services	1.964.996	25,20	2.863.639	24,08	1.693.304	27,07	2.009.812	19,46
Wholesale and retail trade	981.340	12,58	399.881	3,36	860.116	13,75	332.650	3,22
Hotel, food and beverage services	77.349	0,99	76.832	0,65	69.689	1,11	108.175	1,05
Transportation and telecommunication	260.105	3,34	308.714	2,60	218.483	3,49	245.793	2,38
Financial institutions	381.561	4,89	1.588.141	13,35	332.078	5,32	869.293	8,42
Real estate and leasing services	60.406	0,77	220.842	1,86	45.918	0,73	94.518	0,92
Self-employment services	-	0,00	-	0,00	-	-	-	-
Education services	15.835	0,20	2.931	0,02	14.001	0,22	14.497	0,14
Health and social services	188.400	2,43	266.298	2,24	153.019	2,45	344.886	3,33
Other	316.447	4,06	210.876	1,77	136.600	2,18	664.271	6,43
Total	7.798.109	100,00	11.894.444	100,00	6.256.478	100,00	10.329.577	100,00

3 (iii). Information on non-cash loans classified in Group I. and Group II.:

December 31, 2010	Group I		Group II(*)	
	TL	FC	TL	FC
Non-Cash Loans				
Letters of Guarantee	7.698.324	7.133.344	81.773	34.022
Bank Acceptances	-	165.797	-	-
Letters of Credit	12.337	3.987.368	-	168
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	5.675	571.843	-	1.902
Total	7.716.336	11.858.352	81.773	36.092

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December 31, 2009	Group I		Group II(*)	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	6.101.988	6.991.089	149.639	54.025
Bank acceptances	-	151.616	-	53
Letters of credit	1.410	2.736.539	-	286
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	3.441	390.095	-	5.874
Total	6.106.839	10.269.339	149.639	60.238

(*) Also include balances of Group III, IV and V.

3 (iv). Maturity distribution of non cash loans:

December 31, 2010 ⁽¹⁾	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of credit	1.934.347	1.708.092	357.434	-	3.999.873
Letter of guarantee	7.816.864	2.711.202	3.620.745	798.652	14.947.463
Bank acceptances	165.797	-	-	-	165.797
Other	142.724	144.453	272.644	19.599	579.420
Total	10.059.732	4.563.747	4.250.823	818.251	19.692.553

December 31, 2009 ⁽¹⁾	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of credit	1.395.290	944.002	398.943	-	2.738.235
Letter of guarantee	7.213.576	2.104.208	3.076.144	902.813	13.296.741
Bank acceptances	151.669	-	-	-	151.669
Other	100.362	77.980	200.309	20.759	399.410
total	8.860.897	3.126.190	3.675.396	923.572	16.586.055

(1) The distribution is based on the original maturities.

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Explanations and notes related to consolidated financial statements (continued)

b. Information on derivative financial instruments:

	December 31, 2010	December 31, 2009
Types of trading transactions		
Foreign currency related derivative transactions (I)	42.680.725	24.530.113
FC trading forward transactions	5.287.933	4.076.196
Trading swap transactions	26.468.079	16.515.385
Futures transactions	-	-
Trading option transactions	10.924.713	3.938.532
Interest related derivative transactions (II)	3.541.599	8.785.092
Forward interest rate agreements	-	-
Interest rate swaps	3.541.598	6.991.104
Interest rate options	-	1.793.988
Interest rate futures	1	-
Other trading derivative transactions (III)	1.822.143	948.863
A. Total trading derivative transactions (I+II+III)	48.044.467	34.264.068
Types of hedging transactions		
Fair value hedges	4.317.238	3.968.893
Cash flow hedges	8.527.020	-
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	12.844.258	3.968.893
Total derivative transactions (A+B)	60.888.725	38.232.961

c. Breakdown of derivative instruments according to their remaining contractual maturities:

December 31, 2010 ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Year	Above 5 years	Total
Derivatives held for trading						
Foreign exchange derivatives:	199.679	397.349	(43.927)	(533.470)	(222.020)	(202.389)
– Inflow	7.327.810	8.587.374	4.731.083	2.758.746	376.825	23.781.838
– Outflow	(7.128.131)	(8.190.025)	(4.775.010)	(3.292.216)	(598.845)	(23.984.227)
Interest rate derivatives:	460	(79.904)	(119.388)	(268.554)	(43.331)	(510.717)
– Inflow	65.372	8.536	613.117	3.246.597	353.200	4.286.822
– Outflow	(64.912)	(88.440)	(732.505)	(3.515.151)	(396.531)	(4.797.539)
Derivatives held for hedging						
Foreign exchange derivatives:	-	-	-	-	-	-
– Inflow	-	-	-	-	-	-
– Outflow	-	-	-	-	-	-
Interest rate derivatives:	(20.546)	(25.509)	(224.288)	(623.637)	(2.933)	(896.913)
– Inflow	1.828	109.620	559.671	5.830.245	30.256	6.531.620
– Outflow	(22.374)	(135.129)	(783.959)	(6.453.882)	(33.189)	(7.428.533)
Total inflow	7.395.010	8.705.530	5.903.871	11.835.588	760.281	34.600.280
Total outflow	(7.215.417)	(8.413.594)	(6.291.474)	(13.261.249)	(1.028.565)	(36.210.299)

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Explanations and notes related to consolidated financial statements (continued)

December 31, 2009 ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Year	Above 5 years	Total
Derivatives held for trading						
Foreign exchange derivatives	36.554	370.512	10.610	86.184	525.056	1.028.916
– Inflow	7.578.917	2.720.600	725.628	353.728	262.528	11.641.401
– Outflow	(7.542.363)	(2.350.088)	(715.018)	(267.544)	262.528	(10.612.485)
Interest rate derivatives:	(4.266)	(4.283)	(109.391)	(268.337)	(35.527)	(421.804)
– Inflow	94.622	893.260	358.828	3.558.805	987.070	5.892.585
– Outflow	(98.888)	(897.543)	(468.219)	(3.827.142)	(1.022.597)	(6.314.389)
Derivatives held for hedging						
Foreign exchange derivatives:	-	-	-	-	-	-
– Inflow	-	-	-	-	-	-
– Outflow	-	-	-	-	-	-
Interest rate derivatives:	(9.395)	(12.904)	(131.221)	(259.909)	(22.295)	(435.724)
– Inflow	452	865	8.057	1.806.284	213.395	2.029.053
– Outflow	(9.847)	(13.769)	(139.278)	(2.066.193)	(235.690)	(2.464.777)
Total inflow	7.673.991	3.614.725	1.092.513	5.718.817	1.462.993	19.563.039
Total outflow	(7.651.098)	(3.261.400)	(1.322.515)	(6.160.879)	(995.759)	(19.391.651)

(1) In table above no amortisation of the notional amount has been taken into consideration.

d. Information on contingent liabilities:

The Group has recorded a provision of TL 35.886 (December 31, 2009 – TL 26.668) for litigation against the Bank and has accounted for it in the financial statements under the "Other provisions" account.

According to the decision of Turkish Competition Authority numbered 09-36/919-M dated August 19, 2009 and numbered 09-37/924-M dated August 24, 2009, an investigation has been initiated in accordance to the Law on Protection of Competition No. 4054 on the allegations that 8 banks, including the Parent Bank, concurred on a collusion of salary payment promotions offered to public institutions and private companies. The investigation is still ongoing and depending on the final decision of Turkish Competition Authority, a penalty may arise.

e. Information on services in the name and accounts of others:

The Group's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

IV. Explanations and notes related to consolidated income statement:

a. Information on interest income:

1. Information on interest income on loans:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	2.194.855	261.631	2.740.291	436.368
Medium/long-term loans ⁽¹⁾	1.542.430	564.816	1.566.893	464.741
Interest on loans under follow-up	85.459	231	62.295	474
Premiums received from resource utilisation support fund	-	-	-	-
Total ⁽¹⁾	3.822.744	826.678	4.369.479	901.583

(1) Includes fees and commissions received for cash loans.

2. Information on interest income on banks:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	33.477	14.546	12.220	19.565
From Foreign Banks	6.639	21.079	5.986	29.032
Headquarters and Branches Abroad	-	-	-	-
Total	40.116	35.625	18.206	48.597

(1) Does not include interest income from reserve deposits.

3. Information on interest income on marketable securities:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	FC
From trading financial assets	11.678	6.427	18.203	11.473
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	195.097	55.885	94.046	54.943
From held-to-maturity investments	514.304	467.800	788.018	486.460
Total	721.079	530.112	900.267	552.876

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Explanations and notes related to consolidated financial statements (continued)

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

	December 31, 2010	December 31, 2009
Interests received from associates and subsidiaries	816	1.363

b. Information on interest expense:

1. Information on interest expense on borrowings:

	December 31, 2010		December 31, 2009	
	TL	FC	TL	TL
Banks	156.016	221.364	185.112	291.904
The CBRT	-	-	-	-
Domestic banks	48.658	12.518	48.907	18.125
Foreign banks	107.358	208.846	136.205	273.779
Headquarters and branches abroad	-	-	-	-
Other institutions	-	245	-	243
Total ⁽¹⁾	156.016	221.609	185.112	292.147

(1) Includes fees and commissions received for borrowings.

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

	December 31, 2010	December 31, 2009
Interests paid to associates and subsidiaries	1.125	2.117

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Explanations and notes related to consolidated financial statements (continued)

3. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time deposit					Accumulating deposit	Total	December 31, 2009
		Up to 1 months	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year			
TL									
Bank deposit	2.053	3.800	55	-	122	13.452	-	19.482	5.599
Saving deposit	871	319.239	917.145	19.305	6.255	10.906	-	1.273.721	1.620.288
Public sector deposit	-	1.104	4.849	15	11	100	-	6.079	6.353
Commercial deposit	12.101	162.568	328.469	10.640	1.305	2.508	-	517.591	626.453
Other deposit	-	5.680	53.658	1.557	26	84	-	61.005	42.118
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	15.025	492.391	1.304.176	31.517	7.719	27.050	-	1.877.878	2.300.811
FC									
Foreign currency deposit	5.556	114.748	228.147	33.358	9.632	26.267	591	418.299	552.507
Bank deposit	-	5.523	5.372	6.884	9.852	6.523	-	34.154	40.950
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	323	23	16	21	47	-	430	350
Total	5.556	120.594	233.542	40.258	19.505	32.837	591	452.883	593.807
Grand total	20.581	612.985	1.537.718	71.775	27.224	59.887	591	2.330.761	2.894.618

c. Information on dividend income:

	December 31, 2010	December 31, 2009
Trading financial assets	401	693
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	582	762
Other	99	1.947
Total	1.082	3.402

d. Information on trading loss / gain: (Net)

	December 31, 2010	December 31, 2009
Gain	17.960.280	13.913.173
Gain from capital market transactions	122.725	177.466
Derivative financial transaction gains	10.739.279	8.268.340
Foreign exchange gains	7.098.276	5.467.367
Loss (-)	(17.992.418)	(13.542.171)
Loss from capital market transactions	(7.520)	(15.848)
Derivative financial transaction losses	(11.209.792)	(7.941.950)
Foreign exchange loss	(6.775.106)	(5.584.373)
Net gain/loss	(32.138)	371.002

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Explanations and notes related to consolidated financial statements (continued)

e. Information on loss / gain from derivative financial transactions

	December 31, 2010	December 31, 2009
Effect of changes in foreign exchange rates	(7.871)	650.501
Effect of changes in interest rates	(462.642)	(324.111)
Total	(470.513)	326.390

f. Information on other operating income:

Other operating income mainly results from collections from provisions recorded as expense, release of provisions, sale of loans under follow-up, sale of real estate and net insurance income.

g. Provision expenses related to loans and other receivables:

	December 31, 2010	December 31, 2009
Specific provisions for loans and other receivables	1.045.337	1.348.990
III. Group loans and receivables	8.268	158.689
IV. Group loans and receivables	133.683	457.344
V. Group loans and receivables	903.386	732.957
General provision expenses	74.315	243.775
Provision expense for possible risks	25.905	21.088
Marketable securities impairment expenses	1.014	660
Financial assets at fair value through profit or loss	1.014	-
Available-for-sale financial assets	-	660
Impairment of investments in associates, subsidiaries and held-to-maturity securities	14.189	23.206
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments	14.189	23.206
Other	1.545	11.010
Total	1.162.305	1.648.729

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

h. Information related to other operating expenses:

	December 31, 2010	December 31, 2009
Personnel expenses	1.125.639	1.015.601
Reserve for employee termination benefits	2.259	5.828
Provision expense for pension fund	-	89.693
Impairment expenses of fixed assets	1.324	-
Depreciation expenses of fixed assets	142.925	144.157
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	46.100	38.218
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	219	1.012
Depreciation expenses of assets held for resale	1.937	2.615
Impairment expenses of fixed assets held for sale	-	-
Other operating expenses	855.796	801.350
Operational lease expenses	113.235	109.147
Maintenance expenses	29.073	28.645
Advertising expenses	82.411	63.402
Other expense	631.077	600.156
Loss on sales of assets	2.883	284
Other	514.116	411.484
Total	2.693.198	2.510.242

i. Explanations on income/loss from continuing operations before tax:

Income before tax includes net interest income amounting to TL 3.582.153 (December 31, 2009 – TL3.896.855), net fee and commission income amounting to TL 1.738.087 (December 31, 2009 – TL1.569.115) and total other operating expense amounting TL 2.693.198 (December 31, 2009 – TL2.510.242).

j. Provision for taxes on income from continuing operations:

As of December 31, 2010, the Group has current tax expense amounting to TL 550.611 (2009 – TL 480.911) and deferred tax credit amounting to TL 11.615 (2009 – TL 125.651)

Total provision for taxes on income for current period and the previous period:

	December 31, 2010	December 31, 2009
Income before tax provision	2.793.699	1.908.438
Tax calculated with tax rate of 20%	558.740	381.688
Disallowables, deductions and other, net	(25.052)	(28.754)
Tax rate difference	5.308	2.326
Total provision for taxes on income	538.996	355.260

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

k. Information on net income/loss for the period:

1. As a result of changes in the internal composition of the loan portfolio in the current year, the Parent Bank revised the general loan loss provisions by updating the related parameters used with calculation of such provision. As of December 31, 2010, as a result of the revision, TL 114 million is recorded as income. Apart from this income, the characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Bank's current period performance. (December 31, 2009 - The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Parent Bank's current period performance.)
2. Information on any change in the accounting estimates concerning the current period or future periods: None.

l. Other items in income statement :

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions and services.

m. Income/loss of minority interest:

	December 31, 2010	December 31, 2009
Income / loss of minority interest	6.672	10.230

V. Explanations and notes related to consolidated statement of changes in shareholders' equity

a. Information on dividends:

None.

b. Information on available for sale financial assets:

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

c. Information on increase/decrease amounts resulting from merger:

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

d. Information on foreign currency valuation differences:

During the consolidation of the Group's subsidiaries abroad, balance sheet items are translated to Turkish Lira with the relevant period end exchange rates and income statement items are translated with the relevant period average exchange rates. Translation differences arising from these calculations are recorded in equity as "Marketable Securities Valuation Difference".

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Explanations and notes related to consolidated financial statements (continued)

e. Information on share issue premium:

Explained in details in Note XIX of Section Three.

VI. Explanations and notes related to consolidated 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"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

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

- 3 (i). Cash and cash equivalents at the beginning of period:

	December 31, 2010	December 31, 2009
Cash	2.032.372	2.768.546
Cash and effectives	655.382	607.721
Demand deposits in banks	1.376.990	2.160.825
Cash equivalents	3.015.471	1.420.136
Interbank money market	1.581.164	227.553
Deposits in bank	1.434.307	1.192.583
Total cash and cash equivalents	5.047.843	4.188.682

- 3 (ii). Cash and cash equivalents at the end of the period:

	December 31, 2010	December 31, 2009
Cash	4.127.914	2.032.372
Cash and effectives	702.227	655.382
Demand deposits in banks	3.425.687	1.376.990
Cash equivalents	1.977.118	3.015.471
Interbank money market	970.536	1.581.164
Deposits in bank	1.006.582	1.434.307
Total cash and cash equivalents	6.105.032	5.047.843

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Explanations and notes related to consolidated financial statements (continued)

b Information on cash and cash equivalents that are not in use due to legal limitations and other reasons:

As of December 31, 2010, the Group's reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 5.255.231 (December 31, 2009 – TL 3.536.809). There is also TL 87.186 blocked amount in foreign banks account.

c. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents::

Decrease in "Other account" amounting to TL 1.804.668 (December 31, 2009 - TL 1.989.307) which is classified under "Operating profit before changes in operating assets and liabilities" includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 1.133.669 (December 31, 2009 – TL 240.168 increase) which is classified under "Changes in operating assets and liabilities" mainly arises from changes in miscellaneous payables and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as a decrease approximately of TL 54.185 as of December 31, 2010 (December 31, 2009-TL 32.709 increase).

VII. Explanations and notes related to group's merger, transfers and companies acquired by banks

Mergers and transfers in the year 2010:

- (i) None.

Mergers and transfers in the year 2009:

- (i) As a result of the Extraordinary General Assembly Meetings, dated June 30, 2009, of Yapı Kredi Menkul, and of UCM it has been decided that Yapı Kredi Menkul's intermediary activities function, which serves corporate clients, was added to Unicredit Menkul's ("UCM")'s capital as capital in-kind through a partial spin-off over its book values at December 31, 2008. As a result of this operation, the share of the Bank in Yapı Kredi Menkul's capital did not change. According to the spin-off agreement, the Bank has acquired a share in UCM share capital (10,73%). The fair value of this business line was TL 1.432 and classified as share certificates under available for sale portfolio.

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Explanations and notes related to consolidated financial statements (continued)

VIII. Explanations and notes related to group’s risk group

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

1. Information on loans of the Group’s Risk Group:

December 31, 2010	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Groups’ risk group ^{(1) (2)}						
Loans and other receivables						
Balance at the beginning of the period	5.128	1.281	68.674	54.926	545.598	550.074
Balance at the end of the period	25.085	3.271	258.251	81.282	951.016	671.337
Interest and commission income received	816	38	4.388	868	77.789	3.921

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes banks, marketable securities and loans.

December 31, 2009	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Groups’ risk group ^{(1) (2)}						
Loans and other receivables						
Balance at the beginning of the period	5	940	219.751	64.690	561.783	567.664
Balance at the end of the period	5.128	1.281	68.674	54.926	545.598	550.074
Interest and commission income received	1.363	18	13.384	1.187	56.412	2.984

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes banks, loans and marketable securities.

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Explanations and notes related to consolidated financial statements (continued)

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

Group’s risk group ^{(1) (2)}	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	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Deposit						
Beginning of the period	41.731	25.966	3.060.980	3.999.194	2.330.627	1.693.037
End of the period	11.699	41.731	4.367.079	3.060.980	5.279.564	2.330.627
Interest expense on deposits	1.125	2.117	198.531	210.921	137.756	139.252

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings as well as deposits and repo transactions.

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

Group’s risk group ⁽¹⁾	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	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Transactions at fair value through profit or loss⁽³⁾						
Beginning of the period ⁽³⁾	-	-	378.169	171.366	710.036	540.506
End of the period ⁽³⁾	38.038	-	187.782	378.169	642.637	710.036
Total profit / loss	(486)	-	(17.801)	3.395	(26.061)	13.343
Transactions for hedging purposes⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / loss	-	-	-	-	-	-

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The Bank’s derivative instruments are classified as “at Fair Value Through Profit or Loss” or “for Hedging Purposes” according to TAS 39.

(3) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments.

b. With respect to the Group’s risk group:

1. The relations with entities that are included in the Group’s risk group and controlled by the Bank irrespective of the relationship between the parties:

The Parent Bank performs various transactions with group companies during its banking activities. These are commercial transactions realised with market prices.

c. Information regarding benefits provided to the Group’s top management:

Salaries and benefits paid to the Group’s top management amount to TL 30.808 as of December 31, 2010 (December 31, 2009 – TL 35.238).

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Explanations and notes related to consolidated financial statements (continued)

IX. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the parent bank

	Number	Employee number			
Domestic Branch	867	14.407			
			Country of incorporation		
Foreign Rep. Office	-	-			
				Total asset	Statutory share capital
Foreign Branch	-	-		-	-
Off-Shore Banking Region Branch	1	4	Bahrain	13.947.130	-

X. Explanations and notes related to subsequent events

- 1- According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, effective from January 31, 2011, Alessandro M. DECIO has resigned from his duty as Executive Director and Deputy Chief Executive Officer and will continue as member of Board of Directors
- 2- According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, Carlo VIVALDI was appointed as Executive Director and Deputy Chief Executive Officer.
- 3- According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, effective from January 31, 2011, Alessandro M. DECIO has resigned from his duty as deputy chairman of Credit Committee and Executive Committee and was appointed as substitute member of Credit Committee; Carlo VIVALDI has resigned from his duty as substitute member of Credit Committee and was appointed as deputy chairman of Credit Committee and Executive Committee.
- 4- According to the resolution of the Board of Directors of the Parent Bank dated January 24, 2011, effective from January 31, 2011, Alessandro M. DECIO has resigned from his duty as Deputy General Manager and Carlo VIVALDI was appointed as Deputy General Manager, unless the response of the application to the BRSA is negative in 7 days.
- 5- Effective from January 31, 2011, Muzaffer OZTURK has resigned from his duty as vice president of Retail Sales Management due to retirement.
- 6- In accordance with the "Change in communiqué regarding the reserve requirements" published in the Official gazette numbered 27788 dated December 17, 2010; TL reserve requirement ratios are regulated as stated below. The new ratio is going to be valid starting from January 7, 2011.
 - Demand, notice deposits and private current accounts 8%
 - Up to 1 month time deposit accounts (1 month included) 8%
 - Up to 3 months time deposit accounts (3 months included) 7%
 - Up to 6 months time deposit accounts (6 months included) 7%
 - Up to 1 year time deposit accounts 6%
 - 1 year and over 1 year time deposit accounts and accumulating deposit accounts 5%
 - Liabilities excluding deposit 8%

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements at December 31, 2010

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

Explanations and notes related to consolidated financial statements (continued)

7- In accordance with the "Change in communiqué regarding the reserve requirements" published in the Official gazette numbered 27825 dated January 24, 2011; TL reserve requirement ratios are regulated as stated below. The new ratio is going to be valid starting from February 4, 2011.

- Demand, notice deposits and private current accounts 12%
- Up to 1 month time deposit accounts (1 month included) 10%
- Up to 3 months time deposit accounts (3 months included) 9%
- Up to 6 months time deposit accounts (6 months included) 7%
- Up to 1 year time deposit accounts 6%
- 1 year and over 1 year time deposit accounts and accumulating deposit accounts 5%,
- Liabilities excluding deposit 9%

Section six

Other explanations and notes

I. Other explanations on Group's operations

According to the resolution of the Board of Directors of the Bank dated March 15, 2010, the Bank's shares in UniCredit Menkul Değerler A.Ş. included in the available for sale securities portfolio (TL 3.148 nominal, 10,73% of the capital) have been sold to Koç Finansal Hizmetler A.Ş. as of July 9, 2010 for a consideration of TL 8.548.

Section seven

Explanations on independent auditor's report

I. Explanations on independent auditor's report

The consolidated financial statements for the period ended December 31, 2010 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited). The independent auditor's report dated February 28, 2011 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.