

# **Yapı ve Kredi Bankası A.Ş.**

**Publicly announced consolidated financial statements  
and related disclosures at December 31, 2011  
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)**

## **Independent Audit Report**

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 ("the Group") as at December 31, 2011 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 judgement, 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, 2011 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.

*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 Elhadeef  
Partner, SMMM

Istanbul, February 23, 2012

**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, 2011**

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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 parent bank
- **Section two** - Consolidated financial statements of the parent bank
- **Section three** - Explanations on accounting policies applied in the related period
- **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 consolidated reporting package are as follows.

Subsidiaries	Associates	Joint Ventures
1. Yapı Kredi Sigorta A.Ş.	1. Banque de Commerce et de Placements S.A.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı 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 Services YKB		
12. Yapı Kredi Bank Azerbaijan CJSC		
13. Yapı Kredi Invest LLC		

Additionally, although Yapı Kredi Diversified Payment Rights Finance Company, the "Special Purpose Entity", is not a subsidiary, as the 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 the 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.

**Mustafa V. KOÇ**  
Chairman of the  
Board of Directors

**H. Faik AÇIKALIN**  
Chief Executive Officer

**Marco CRAVARIO**  
Chief Financial Officer

**M. Gökmen UÇAR**  
Financial Reporting  
and Accounting  
Executive Vice President

**Gianni F.G. PAPA**  
Chairman of Audit Committee

**Francesco GIORDANO**  
Member of Audit Committee

**Füsun 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 / International Reporting and Consolidation Manager  
Telephone Number : 0212 339 63 22  
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## **Section one**

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**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statements at December 31, 2011**

(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 holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank:**

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, 2011 18,20% of the shares Bank are publicly traded (December 31, 2010 - 18,20%). The remaining 81,80% is 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. On 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 were 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.

(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, 2011

(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, 2011, the Bank's Board of Directors, Members of the Audit Committee and General Manager and Assistant General Managers are as follows:

##### Board of Directors Members:

Name	Responsibility
Mustafa V. KOÇ	Chairman
Gianni F.G. PAPA	Vice Chairman
H. Faik AÇIKALIN	Chief Executive Officer
Carlo VIVALDI	Executive Director and Deputy Chief Executive Officer
Ahmet F. ASHABOĞLU	Member
Füsun Akkal BOZOK	Member
O. Turgay DURAK	Member
Massimiliano FOSSATI	Member
Francesco GIORDANO	Member
Vittorio G.M. OGLIENGO	Member

##### General Manager and Assistant General Managers:

Name	Responsibility
H. Faik AÇIKALIN	General Manager
Carlo VIVALDI	Deputy General Manager
Mehmet Güray ALPKAYA	Asst.Gen.Man./ Corporate Sales Management
Marco CRAVARIO	Asst.Gen.Man./ Financial Planning and Administration Management
Yakup DOĞAN	Asst.Gen.Man./ Alternative Distribution Channels
Mehmet Murat ERMERT	Asst.Gen.Man./ Corporate Communication Management
Mert GÜVENEN	Asst.Gen.Man./ Corporate and Commercial Banking Management
Süleyman Cihangir KAVUNCU	Asst.Gen.Man./ Human Resources and Organization Management
Mert ÖNCÜ	Asst.Gen.Man./ Treasury Management
Mehmet Erkan ÖZDEMİR	Asst.Gen.Man. -(Compliance Officer) / Compliance Office
Stefano PERAZZINI	Asst.Gen.Man. -(Chief Audit Executive) / Internal Audit
Yüksel RİZELİ	Asst.Gen.Man./ Information Systems and Operation Management
Cemal Aybars SANAL	Asst.Gen.Man./ Legal Activities Management
Wolfgang SCHILK	Asst.Gen.Man./ Risk Management
Zeynep Nazan SOMER	Asst.Gen.Man./ Retail Banking Management
Feza TAN	Asst.Gen.Man./ Corporate and Commercial Credit Management
Selim Hakkı TEZEL	Asst.Gen.Man./ Consumer and SME Credit Management
Mert YAZICIOĞLU	Asst.Gen.Man./ Private Banking and Asset Management

##### Audit Committee Members:

Name	Responsibility
Gianni F.G. PAPA	Chairman
Füsun Akkal BOZOK	Member
Francesco GIORDANO	Member

##### Statutory Auditors:

Name	Responsibility
Abdulfah GEÇER	Auditor
Adil G. ÖZTOPRAK	Auditor

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

(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, 2011

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

**IV. Information on the 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 service types:**

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 Law, regulations and existing laws; include:

- The execution of all banking activities
- The execution of all economic and financial activities which are allowed the law and regulation
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations

In case of necessity for performing 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.

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

As of December 31, 2011, the Parent Bank has 906 branches operating in Turkey, 1 branch in off-shore region (December 31, 2010 - 867 branches operating in Turkey, 1 branch in off-shore region).

As of December 31, 2011, the Parent Bank has 14.859 employees (December 31, 2010 - 14.411 employees).The parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2011, the Group has 17.306 employees (December 31, 2010 - 16.780 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.**

**Notes to consolidated financial statements at December 31, 2011 and 2010**

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

**Section two  
Consolidated financial statements**

**I. Consolidated balance sheet**

		(31/12/2011)			(31/12/2010)			
		Note (Section five)	TL	FC	Total	TL	FC	Total
I.	Cash and balances with central bank	I-a	4.652.286	5.429.417	10.081.703	2.558.311	3.476.115	6.034.426
II.	Financial assets at fair value through profit or (loss) (net)	I-b	440.707	116.123	556.830	938.171	131.944	1.070.115
2.1	Trading financial assets		440.707	116.123	556.830	938.171	131.944	1.070.115
2.1.1	Government debt securities		199.631	27.459	227.090	239.553	60.999	300.552
2.1.2	Share certificates		-	-	-	6.448	-	6.448
2.1.3	Trading derivative financial assets		188.600	86.018	274.618	622.779	70.745	693.524
2.1.4	Other marketable securities		52.476	2.646	55.122	69.391	200	69.591
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	268.424	3.160.100	3.428.524	708.938	1.854.792	2.563.730
IV.	Money markets		2.136.726	36.835	2.173.561	970.970	-	970.970
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Receivables from Istanbul stock exchange money market		15.000	36.835	51.835	-	-	-
4.3	Receivables from reverse repurchase agreements		2.121.726	-	2.121.726	970.970	-	970.970
V.	Available-for-sale financial assets (net)	I-d	6.520.393	1.490.883	8.011.276	4.422.875	1.453.105	5.875.980
5.1	Share certificates		17.100	326	17.426	16.331	269	16.600
5.2	Government debt securities		5.097.440	1.138.590	6.236.030	3.339.007	1.077.982	4.416.989
5.3	Other marketable securities		1.405.853	351.967	1.757.820	1.067.537	374.854	1.442.391
VI.	Loans and receivables	I-e	45.160.589	24.910.325	70.070.914	34.957.515	19.718.347	54.675.862
6.1	Loans		44.592.162	24.733.855	69.326.017	34.562.909	19.680.071	54.242.980
6.1.1	Bank's risk group		336.681	790.617	1.127.298	733.913	494.603	1.228.516
6.1.2	Government debt securities		-	-	-	-	-	-
6.1.3	Other		44.255.481	23.943.238	68.198.719	33.828.996	19.185.468	53.014.464
6.2	Loans under follow-up		1.835.600	302.518	2.138.118	1.766.342	141.624	1.907.966
6.3	Specific provisions (-)		(1.267.173)	(126.048)	(1.393.221)	(1.371.736)	(103.348)	(1.475.084)
VII.	Factoring receivables		795.163	995.598	1.790.761	1.082.586	742.306	1.824.892
VIII.	Held-to-maturity securities (net)	I-f	3.468.882	9.241.740	12.710.622	5.319.830	7.655.114	12.974.944
8.1	Government debt securities		3.468.882	9.241.740	12.710.622	5.319.830	7.655.114	12.974.944
8.2	Other marketable securities		-	-	-	-	-	-
IX.	Investments in associates (net)	I-g	4.503	183.940	188.443	3.940	71.906	75.846
9.1	Consolidated based on equity method		-	183.940	183.940	-	71.906	71.906
9.2	Unconsolidated		4.503	-	4.503	3.940	-	3.940
9.2.1	Financial investments in associates		4.503	-	4.503	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	19.650	-	19.650	22.265	-	22.265
11.1	Accounted based on equity method		19.650	-	19.650	22.265	-	22.265
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial joint ventures		-	-	-	-	-	-
11.2.2	Non-financial joint ventures		-	-	-	-	-	-
XII.	Lease receivables	I-j	540.478	2.254.005	2.794.483	384.445	1.605.169	1.989.614
12.1	Financial lease receivables		655.326	2.643.519	3.298.845	461.940	1.869.514	2.331.454
12.2	Operating lease receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned income (-)		(114.848)	(389.514)	(504.362)	(77.495)	(264.345)	(341.840)
XIII.	Hedging derivative financial assets	I-k	376.973	362	377.335	34.463	3.738	38.201
13.1	Fair value hedge		369.747	-	369.747	34.463	-	34.463
13.2	Cash flow hedge		7.226	362	7.588	-	3.738	3.738
13.3	Foreign net investment hedge		-	-	-	-	-	-
XIV.	Property and equipment (net)	I-l	1.043.112	20.272	1.063.384	1.139.529	16.986	1.156.515
XV.	Intangible assets (net)	I-m	1.281.233	2.932	1.284.165	1.241.866	1.214	1.243.080
15.1	Goodwill		979.493	-	979.493	979.493	-	979.493
15.2	Other		301.740	2.932	304.672	262.373	1.214	263.587
XVI.	Investment property (net)	I-n	-	-	-	-	-	-
XVII.	Tax asset		359.938	4.524	364.462	317.180	2.248	319.428
17.1	Current tax asset		-	2.584	2.584	-	1.223	1.223
17.2	Deferred tax asset		359.938	1.940	361.878	317.180	1.025	318.205
XVIII.	Assets held for resale and related to discontinued operations (net)	I-p	103.572	-	103.572	82.416	-	82.416
18.1	Held for sale purposes		103.572	-	103.572	82.416	-	82.416
18.2	Related to discontinued operations		-	-	-	-	-	-
XIX.	Other assets	I-r	1.029.662	1.398.484	2.428.146	957.024	936.450	1.893.474
<b>Total assets</b>			<b>68.204.591</b>	<b>49.245.540</b>	<b>117.450.131</b>	<b>55.144.624</b>	<b>37.669.434</b>	<b>92.814.058</b>

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.**

**Notes to consolidated financial statements at December 31, 2011 and 2010**

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

**I. Consolidated balance sheet**

		(31/12/2011)			(31/12/2010)			
	Liabilities	Note (Section five)	TL	FC	Total	TL	FC	Total
I	Deposits							
1.1	Deposits of the Bank's risk group	II-a	35.075.620	31.110.930	66.186.550	32.261.175	22.945.827	55.207.002
1.2	Other		3.373.946	3.984.002	7.357.948	3.707.671	3.157.866	6.865.537
II.	Derivative financial liabilities held for trading	II-b	31.701.674	27.146.928	58.848.602	28.553.504	19.787.941	48.341.445
III.	Borrowings	II-c	409.917	130.422	540.339	294.227	64.941	359.168
IV.	Money markets		1.367.084	13.315.818	14.682.902	2.026.611	8.046.459	10.073.070
4.1	Funds from interbank money market		1.845.799	5.040.094	6.885.893	469.580	3.181.436	3.651.016
4.2	Funds from Istanbul stock exchange money market		-	19.137	19.137	-	29.843	29.843
4.3	Funds provided under repurchase agreements		942.043	-	942.043	401.755	-	401.755
V.	Marketable securities issued (net)	II-d	903.756	5.020.957	5.924.713	67.825	3.151.593	3.219.418
5.1	Bills		1.095.354	2.153.363	3.248.717	-	1.394.904	1.394.904
5.2	Asset backed securities		951.004	5.582	956.586	-	19.485	19.485
5.3	Bonds		-	2.147.781	2.147.781	-	1.375.419	1.375.419
VI.	Funds		144.350	-	144.350	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	Miscellaneous payables		3.961.864	833.636	4.795.500	3.421.542	784.429	4.205.971
VIII.	Other liabilities	II-e	767.922	842.187	1.610.109	703.682	340.801	1.044.483
IX.	Factoring payables		-	-	-	-	-	-
X.	Lease payables (net)	II-f	-	-	-	-	-	-
10.1	Financial lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred lease expenses (-)		-	-	-	-	-	-
XI.	Hedging derivative financial liabilities	II-g	62.652	440.189	502.841	352.025	101.638	453.663
11.1	Fair value hedge		18.959	-	18.959	313.917	-	313.917
11.2	Cash flow hedge		43.693	440.189	483.882	38.108	101.638	139.746
11.3	Foreign net investment hedge		-	-	-	-	-	-
XII.	Provisions	II-h	2.760.713	784.192	3.544.905	2.576.802	702.836	3.279.638
12.1	General loan loss provision		670.146	382.122	1.052.268	520.460	306.393	826.853
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee rights		201.362	4.979	206.341	178.753	3.214	181.967
12.4	Insurance technical provisions (net)		731.166	332.728	1.063.894	614.469	316.238	930.707
12.5	Other provisions		1.158.039	64.363	1.222.402	1.263.220	76.991	1.340.211
XIII.	Tax liability	II-i	292.396	929	293.325	286.688	2.312	289.000
13.1	Current tax liability		292.396	929	293.325	286.688	180	286.868
13.2	Deferred tax liability		-	-	-	-	2.132	2.132
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	-	2.523.816	2.523.816	-	2.110.274	2.110.274
XVI.	Shareholders' equity	II-k	13.151.420	(516.186)	12.635.234	10.824.482	(78.713)	10.745.769
16.1	Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2	Capital reserves		916.528	(516.186)	400.342	812.686	(78.713)	733.973
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	114.015	17.109	131.124	187.262	65.535	252.797
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)		111.991	(533.295)	(421.304)	812	(144.248)	(143.436)
16.2.9	Value increase in property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		146.641	-	146.641	80.731	-	80.731
16.3	Profit reserves		5.197.101	-	5.197.101	3.202.502	-	3.202.502
16.3.1	Legal reserves		266.973	-	266.973	163.959	-	163.959
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		4.930.128	-	4.930.128	3.038.543	-	3.038.543
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Income or (loss)		2.623.562	-	2.623.562	2.399.148	-	2.399.148
16.4.1	Prior years' income or (loss)		338.858	-	338.858	151.117	-	151.117
16.4.2	Current year income or (loss)		2.284.704	-	2.284.704	2.248.031	-	2.248.031
16.5	Minority interest	II-l	67.178	-	67.178	63.095	-	63.095
<b>Total liabilities and shareholders' equity</b>			<b>60.790.741</b>	<b>56.659.390</b>	<b>117.450.131</b>	<b>53.216.914</b>	<b>39.597.144</b>	<b>92.814.058</b>

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, 2011 and 2010

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

II. Consolidated off-balance sheet commitments

	Note (Section five)	(31/12/2011)			(31/12/2010)		
		TL	FC	Total	TL	FC	Total
<b>A</b>							
Off-balance sheet commitments (I+II+III)		81.022.711	111.759.068	192.791.779	46.872.065	56.333.943	103.206.008
<b>I.</b>							
Guarantees and warranties	III-a-2, 3	10.695.392	15.677.117	26.372.509	7.798.109	11.894.444	19.692.553
1.1		9.943.564	8.871.149	18.814.713	7.780.097	7.167.366	14.947.463
1.1.1		502.263	628.039	1.130.302	510.007	696.097	1.106.104
1.1.2		1.105.998	8.126.300	9.232.298	840.037	6.434.849	7.274.886
1.1.3		8.335.303	116.810	8.452.113	6.430.053	136.420	6.566.473
1.2		-	158.915	158.915	-	165.797	165.797
1.2.1		-	158.915	158.915	-	165.797	165.797
1.2.2		-	-	-	-	-	-
1.3		13.687	4.993.297	5.006.984	12.337	3.987.536	3.999.873
1.3.1		13.687	4.983.502	4.997.189	12.337	3.974.126	3.986.463
1.3.2		-	9.795	9.795	-	13.410	13.410
1.4		143	2.519	2.662	143	2.062	2.205
1.5		-	-	-	-	-	-
1.5.1		-	-	-	-	-	-
1.5.2		-	-	-	-	-	-
1.6		-	-	-	-	-	-
1.7		-	-	-	-	-	-
1.8		737.998	614.488	1.352.486	5.532	269.072	274.604
1.9		-	1.036.749	1.036.749	-	302.611	302.611
<b>II.</b>							
Commitments	III-a-1	50.502.978	30.435.022	80.938.000	19.805.392	2.819.338	22.624.730
2.1		23.716.890	6.930.298	30.647.188	19.805.392	2.819.338	22.624.730
2.1.1		42.700	6.067.378	6.110.078	-	2.544.040	2.544.040
2.1.2		1.682	301	1.983	44	9.797	9.841
2.1.3		1.000	-	1.000	2.000	-	2.000
2.1.4		4.345.796	814.989	5.160.785	3.070.259	233.241	3.303.500
2.1.5		-	-	-	-	-	-
2.1.6		-	-	-	-	-	-
2.1.7		4.220.740	-	4.220.740	3.853.826	-	3.653.626
2.1.8		37.251	-	37.251	39.486	-	39.486
2.1.9		13.666.113	47.569	13.713.682	11.706.172	21.507	11.727.679
2.1.10		-	-	-	-	-	-
2.1.11		-	-	-	-	-	-
2.1.12		-	-	-	-	-	-
2.1.13		1.401.598	61	1.401.659	1.333.805	10.753	1.344.558
2.2		28.786.088	23.504.724	50.290.812	-	-	-
2.2.1		28.786.088	23.504.724	50.290.812	-	-	-
2.2.2		-	-	-	-	-	-
<b>III.</b>							
Derivative financial instruments	III-b, c	19.824.341	65.656.929	85.481.270	19.268.564	41.620.161	60.888.725
3.1		9.094.408	29.549.643	38.644.051	3.446.832	9.397.626	12.844.258
3.1.1		2.782.808	3.424.046	6.206.854	2.105.832	2.110.808	4.317.238
3.1.2		6.311.600	26.125.597	32.437.197	1.340.000	7.187.020	8.527.020
3.1.3		-	-	-	-	-	-
3.2		10.729.933	36.107.286	46.837.219	15.821.932	32.222.535	48.044.467
3.2.1		3.531.519	7.107.230	10.638.749	2.081.770	3.205.183	5.287.953
3.2.1.1		1.219.066	4.078.821	5.297.887	637.179	2.004.897	2.642.076
3.2.1.2		2.312.453	3.028.409	5.340.862	1.444.591	1.201.176	2.645.766
3.2.2		3.156.690	20.650.084	23.806.774	8.030.332	21.979.345	30.005.677
3.2.2.1		1.915.136	7.569.282	9.484.418	5.869.467	7.638.788	13.506.255
3.2.2.2		1.241.554	8.502.444	9.743.998	1.960.865	11.000.959	12.961.824
3.2.2.3		-	2.289.674	2.289.674	100.000	1.670.799	1.770.799
3.2.2.4		-	2.289.674	2.289.674	100.000	1.670.799	1.770.799
3.2.3		3.334.724	7.568.881	10.901.605	5.159.829	6.683.197	11.843.026
3.2.3.1		1.211.348	1.942.920	3.154.268	2.330.226	3.125.062	5.455.288
3.2.3.2		1.591.738	1.540.119	3.131.857	2.524.459	2.944.866	5.469.425
3.2.3.3		2.62.350	2.348.516	2.610.866	-	-	-
3.2.3.4		187.350	1.660.906	1.848.256	-	-	-
3.2.3.5		40.989	29.383	70.352	152.572	340.122	492.684
3.2.3.6		40.989	45.037	86.006	152.572	273.047	425.619
3.2.4		-	-	-	-	-	-
3.2.4.1		-	-	-	-	-	-
3.2.4.2		-	-	-	-	-	-
3.2.5		-	-	-	1	-	1
3.2.5.1		-	-	-	1	-	1
3.2.5.2		-	-	-	-	-	-
3.2.6		707.000	783.091	1.490.091	550.000	353.830	903.830
<b>B.</b>							
Custody and pledges received (IV+V+VI)		107.146.729	27.609.324	134.756.053	105.034.734	20.439.132	125.473.866
<b>IV.</b>							
Items held in custody		53.463.516	4.289.298	57.752.814	63.860.271	3.846.300	67.706.571
4.1		10.497	122	10.619	5.569	102	5.671
4.2		42.441.549	3.581.191	46.022.740	55.522.712	3.387.712	58.910.424
4.3		8.669.405	92.110	8.761.515	6.615.323	62.224	6.677.547
4.4		2.336.837	590.894	2.927.731	1.713.892	375.385	2.089.277
4.5		-	24.981	24.981	-	20.877	20.877
4.6		-	-	-	-	-	-
4.7		5.228	-	5.228	-	-	-
4.8		-	-	-	-	-	-
<b>V.</b>							
Pledges received		52.561.567	22.673.972	75.235.539	40.304.331	15.999.918	56.304.249
5.1		207.970	204	208.174	281.601	167	281.768
5.2		560.893	442.768	1.003.661	433.773	380.268	814.041
5.3		38.944	-	38.944	58.680	-	58.680
5.4		-	-	-	-	-	-
5.5		36.292.482	16.967.526	53.260.008	27.491.727	11.473.952	38.965.679
5.6		15.461.278	5.260.128	20.721.406	12.038.550	4.142.785	16.181.335
5.7		-	3.346	3.346	-	2.746	2.746
<b>VI.</b>							
Accepted independent guarantees and warranties		1.121.646	546.654	1.768.300	870.132	592.914	1.463.046
<b>Total off-balance sheet commitments (A+B)</b>		<b>188.169.440</b>	<b>139.378.992</b>	<b>327.548.432</b>	<b>151.905.799</b>	<b>76.773.075</b>	<b>228.679.874</b>

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, 2011 and 2010**

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

**III. Consolidated income statement**

Income and expense items		Note (Section five)	01/01-31/12/2011	01/01-31/12/2010
I.	Interest income	IV-a	7.839.559	6.389.724
1.1	Interest on loans	IV-a-1	5.738.756	4.649.422
1.2	Interest received from reserve requirements		505	58.431
1.3	Interest received from banks	IV -a-2	115.615	75.741
1.4	Interest received from money market transactions		33.007	46.856
1.5	Interest received from marketable securities portfolio	IV -a-3	1.574.371	1.251.191
1.5.1	Trading financial assets		43.495	18.105
1.5.2	Financial assets classified as at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		599.915	250.982
1.5.4	Held to maturity investments		930.961	982.104
1.6	Financial lease income		222.355	199.400
1.7	Other interest income		154.950	108.683
II.	Interest expense	IV-b	(4.094.381)	(2.807.571)
2.1	Interest on deposits	IV -b-4	(3.137.304)	(2.330.761)
2.2	Interest on funds borrowed	IV -b-1	(537.565)	(377.625)
2.3	Interest expense on money market transactions		(317.144)	(66.447)
2.4	Interest on securities issued	IV-b-3	(77.445)	(24.674)
2.5	Other interest expenses		(24.923)	(8.064)
III.	Net interest income (I+II)		3.745.178	3.582.153
IV.	Net fees and commissions income		1.969.214	1.738.087
4.1	Fees and commissions received		2.369.225	2.071.264
4.1.1	Non-cash loans		233.835	219.730
4.1.2	Other	IV-l	2.135.390	1.851.534
4.2	Fees and commissions paid		(400.011)	(333.177)
4.2.1	Non-cash loans		(429)	(3.836)
4.2.2	Other		(399.582)	(329.341)
V.	Dividend income	IV-c	5.891	1.082
VI.	Trading gain/(loss) (net)	IV-d	(137.246)	(32.138)
6.1	Trading gains/(losses) on securities		34.730	115.205
6.2	Derivative financial transactions gains/(losses)	IV-e	(533.847)	(470.513)
6.3	Foreign exchange gains/(losses)		361.871	323.170
VII.	Other operating income	IV-f	1.050.117	1.353.599
VIII.	Total operating income (III+IV+V+VI+VII)		6.633.154	6.642.783
IX.	Provision for loan losses and other receivables (-)	IV-g	(860.585)	(1.162.305)
X.	Other operating expenses (-)	IV-h	(2.910.825)	(2.693.198)
XI.	Net operating income/(loss) (VIII-IX-X)		2.861.744	2.787.280
XII.	Excess amount recorded as income after merger		-	-
XIII.	Income/(loss) from investments consolidated based on equity method		14.420	6.419
XIV.	Income/(loss) on net monetary position		-	-
XV.	Profit/loss before taxes from continuing operations (XI+...+XIV)	IV-i	2.876.164	2.793.699
XVI.	Provision for taxes on income from continuing operations (±)	IV-j	(584.784)	(538.996)
16.1	Current tax provision		(512.317)	(550.611)
16.2	Deferred tax provision		(72.467)	11.615
XVII.	Net profit/losses from continuing operations (XV±XVI)		2.291.380	2.254.703
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	2.291.380	2.254.703
23.1	Group's profit/loss		2.284.704	2.248.031
23.2	Minority interest profit/losses (-)	IV-m	6.676	6.672
	Earnings/(loss) per share (in TL full)		0,0053	0,0052

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, 2011 and 2010**

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

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

<b>Income and expense items accounted under equity</b>	<b>(31/12/2011)</b>	<b>(31/12/2010)</b>
I. Transfers to the marketable securities valuation differences from the available for sale financial assets	(351.368)	122.640
II. Property and equipment revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	159.642	(5.301)
V. Profit or loss on cash flow hedges (effective part of the fair value differences)	(237.914)	(127.285)
VI. Profit/loss from foreign investment hedges (effective part of fair value changes)	(88.958)	19.484
VII. Effects of changes in accounting policy and adjustment of errors	-	-
VIII. Other income and expense items accounted under shareholders' equity according to TAS	219	609
IX. Deferred tax related to valuation differences	118.272	(4.528)
X. Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	(400.107)	5.619
XI. Current year profit/loss	2.291.380	2.254.703
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	11.130	4.710
11.2 Reclassification of cash flow hedge transactions and presentation of the related part under income statement	(185.994)	(65.061)
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	2.466.244	2.315.054
<b>XII. Total profit/loss related to the current period (X+XI)</b>	<b>1.891.273</b>	<b>2.260.322</b>

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 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 premium	Share cancellation premium	Share cancellation profits reserves *	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 intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ operations discontinued revaluation fund.	Total equity except minority interest	Minority interest	Total shareholders' equity
I. Period opening 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
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 (H-H)		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
IV. Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	96.697	-	-	-	-	96.697	(145)	96.552
VI. Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	(86.241)	-	-	-	(86.241)	-	(86.241)
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	(5.301)	-	-	-	-	(5.301)	-	(5.301)
XI. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. 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		-	-	-	-	-	-	-	609	-	-	-	-	-	-	-	609	-	609
XIX. Current year income or loss		-	-	-	-	-	-	-	-	2.248.031	-	-	-	-	-	-	2.248.031	6.672	2.254.703
XX. Profit distribution		-	-	-	-	67.739	-	1.268.885	18.153	(1.542.948)	188.171	-	-	-	-	-	(693)	(693)	(693)
20.1 Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	67.739	-	1.268.885	18.153	(1.542.948)	188.171	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+ .....+XVIII+XIX+XX)		4.347.051	-	543.881	-	153.959	-	3.028.543	80.731	2.248.031	151.117	252.797	-	-	(143.456)	-	10.602.874	63.095	10.745.769

(\* Total legal reserves and extraordinary reserves of the Parent Bank and the consolidated entities amounting to TL 380.805 and TL 3.367.965, respectively, and the share of the Parent Bank in such reserves of the subsidiaries 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, 2011**

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

**V. Consolidated statement of changes in shareholders' equity**

December 31, 2011	Note (Section Five)	Paid-in capital	Adjustment to share capital premium	Share cancellation premium	Share profits reserves	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 valuation difference	Bonus shares from investments	Hedging funds	Asset held for resale/ operations discontinued fund	Total equity except minority interest	Minority shareholders' interest	Total shareholders' equity
I.	Period opening balance	4.347.051	-	543.881	-	163.359	-	3.038.543	80.731	2.248.031	181.117	252.797	-	-	(143.436)	-	10.662.674	63.095	10.745.769
II.	Changes in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Increase/decrease due to the merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	-	(237.686)	-	-	-	-	(237.686)	(785)	(238.471)
V.	Hedging transactions funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(251.497)	-	(251.497)
VI.	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(190.331)	-	(190.331)
VII.	Foreign net investment hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(71.166)	-	(71.166)
VIII.	Property and equipment revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Bonus shares from investments in associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	176.013	-	-	-	-	-	-	-
XI.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Changes due to the reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Effect of the changes in equity of investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Cash increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX.	Paid in-capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXII.	Current year income or loss	-	-	-	-	-	-	-	219	2.284.704	-	-	-	-	-	-	219	-	219
XXIII.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXIV.	Dividend paid	-	-	-	-	103.014	-	1.891.555	65.691	(2.248.031)	187.741	-	-	-	-	-	2.284.704	6.576	2.291.360
XXV.	Transfers to reserves	-	-	-	-	103.014	-	1.891.555	65.691	(2.248.031)	187.741	-	-	-	-	-	(1.808)	(1.808)	(1.808)
XXVI.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXVII.	Period end balance (I+II+III+...+XXVI+XXVII)	4.347.051	-	543.881	-	266.973	-	4.930.128	146.641	2.284.704	338.858	131.124	-	-	(421.304)	-	12.558.056	67.178	12.625.234

(\*) Total legal reserves and extraordinary reserves of the Parent Bank and the consolidated entities amounting to TL 502.769 and TL 5.425.773, respectively, and the share of the Parent Bank in such of the subsidiaries 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, 2011 and 2010**

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

**VI. Consolidated statement of cash flows**

		Notes (Section five)	(31/12/2011)	(31/12/2010)
<b>A.</b>	<b>Cash flows from banking operations</b>			
1.1	Operating profit before changes in operating assets and liabilities		2.026.926	3.296.534
1.1.1	Interest received		7.595.985	6.124.353
1.1.2	Interest paid		(3.889.448)	(2.759.804)
1.1.3	Dividend received		5.891	1.082
1.1.4	Fees and commissions received		2.374.835	2.071.527
1.1.5	Other income		331.228	(513.433)
1.1.6	Collections from previously written-off loans and other receivables		1.346.270	1.594.440
1.1.7	Payments to personnel and service suppliers		(2.733.322)	(2.403.581)
1.1.8	Taxes paid		(606.786)	(607.822)
1.1.9	Other	VI-c	(2.397.727)	(210.228)
1.2	Changes in operating assets and liabilities		953.376	217.558
1.2.1	Net (increase)/decrease in trading securities		62.288	(3.405)
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase)/decrease in banks		(761.304)	(375.856)
1.2.4	Net (increase)/decrease in loans		(17.389.935)	(16.527.969)
1.2.5	Net decrease/(increase) in other assets		(496.008)	(475.172)
1.2.6	Net (decrease)/increase in bank deposits		(234.362)	444.084
1.2.7	Net (increase)/decrease in other deposits		11.064.633	11.363.637
1.2.8	Net (increase)/decrease in funds borrowed		7.132.577	4.772.319
1.2.9	Net increase/(decrease) in payables		-	-
1.2.10	Net increase / (decrease) in other liabilities	VI-c	1.575.487	1.019.920
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>2.980.302</b>	<b>3.514.092</b>
<b>B.</b>	<b>Cash flows from Investing activities</b>			
<b>II.</b>	<b>Net cash provided from Investing activities</b>		<b>(388.890)</b>	<b>(3.425.860)</b>
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		(247.644)	(234.847)
2.4	Disposals of property and equipment		188.868	45.330
2.5	Cash paid for purchase of investments available-for-sale		(4.462.379)	(9.624.918)
2.6	Cash obtained from sale of investments available-for-sale		2.194.414	6.025.287
2.7	Cash paid for purchase of investment securities		(563.716)	(3.020.222)
2.8	Cash obtained from sale of investment securities		2.501.567	3.383.510
2.9	Other		-	-
<b>C.</b>	<b>Cash flows from financing activities</b>			
<b>III.</b>	<b>Net cash provided from financing activities</b>		<b>2.114.382</b>	<b>935.956</b>
3.1	Cash obtained from funds borrowed and securities issued		6.319.492	3.222.407
3.2	Cash used for repayment of funds borrowed and securities issued		(4.203.302)	(2.285.645)
3.3	Issued capital instruments		-	-
3.4	Dividends paid		(1.808)	(693)
3.5	Payments for finance leases		-	(113)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	VI-c	<b>653.549</b>	<b>(54.185)</b>
<b>V.</b>	<b>Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>5.359.343</b>	<b>970.003</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	VI-a	<b>6.105.032</b>	<b>5.047.843</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period</b>	VI-a	<b>11.464.375</b>	<b>6.017.846</b>

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, 2011 and 2010**

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

**VII. Profit appropriation statement <sup>(1)</sup> <sup>(2)</sup>**

	(31/12/2011)	(31/12/2010)
<b>I. Distribution of current year income</b>		
1.1 Current year income	2.355.065	2.519.768
1.2 Taxes and duties payable (-)	(497.579)	(459.478)
1.2.1 Corporate tax (income tax)	(420.569)	(461.928)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(77.010)	2.450
<b>A. Net income for the year (1.1-1.2)</b>	<b>1.857.486</b>	<b>2.060.290</b>
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	(103.014)
1.5 Other statutory reserves (-)	-	-
<b>B. Net income available for distribution [(A+(1.3+1.4+1.5))]</b>	<b>1.857.486</b>	<b>1.957.276</b>
1.6 First dividend to shareholders (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	-
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	1.891.585
1.13 Other reserves	-	-
1.14 Special funds	-	65.691
<b>II. Distribution of reserves</b>	-	-
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
<b>III. Earnings per share</b>	-	-
3.1 To owners of ordinary shares	0,0043	0,0047
3.2 To owners of ordinary shares ( % )	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares ( % )	-	-
<b>IV. Dividend per share</b>	-	-
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 2011 has not been prepared by the Board of Directors, only net profit related to the year 2011, 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 147.891 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

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.**

**Notes to consolidated financial statement at December 31, 2011**

(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 and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS" ) published by the BRSA. The format and the details of the publicly announced consolidated financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué 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 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 on the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of 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, 2010. TAS/TFRS changes (TFRIC 14 (Change) "Repayments of a Minimum Funding Instrument "; TAS 32 (Change), "Classification on Rights Issue"; TFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments; TAS 24, "Related Party Disclosures", Improvements to TFRS (Published in 2010) (effective from January 1, 2011) 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.

(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, 2011 (continued)**

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

### **Explanations on accounting policies (continued)**

TFRS 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 TFRS 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/TFRS 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 accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these 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.

## **II. Explanations on strategy of using financial instruments and foreign currency transactions:**

The general strategy of the Group in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the 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 the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the 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. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, 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 "Hedging funds" in equity.

(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, 2011 (continued)

(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 "Communiqué 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 Separate 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 results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. 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, 2011 (continued)**

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

**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	Direct and
			rates (%) 2011	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
Stichting 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 <sup>(1)</sup>	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity 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.

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	Activity center (City/ Country)	Main activities	Effective	Direct and
			rates (%) December 31, 2011	indirect rates (%) December 31, 2010
Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	Banking	30,67	30,67

(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, 2011 (continued)

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

### 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	Activity center (City/ Country)	Main activities	Effective rates (%)	Direct and indirect rates (%)
			December 31, 2011	December 31, 2010
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş..	Istanbul/Türkiye	GYO	30,45	30,45

4. 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 are 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 Separate 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 rates 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.

(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, 2011 (continued)

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

#### Explanations on accounting policies (continued)

#### IV. Explanations on forward and options contracts and derivative instruments:

The Group's derivative transactions mostly include foreign currency 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 is 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 hedging 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 amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating 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 for 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 instruments at fair value through profit or loss".

"Financial instruments 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.

(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, 2011 (continued)**

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

### **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 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, 2011, 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 linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with TAS 39 and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified. Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in cases of certain credit risk events in return for the premium paid by the buyer for the contract.

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; 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.



(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, 2011 (continued)**

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

#### **Explanations on accounting policies (continued)**

##### **V. Explanations on interest income and expenses:**

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, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially 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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**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 at total of acquisition and transaction cost. 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. In accordance with TAS 39, the sales or reclassifications to available for sale portfolio of financial assets that are insignificant or so close to maturity or the financial asset's call date will not result in tainting.

**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. The parameters of the incurred loss model are reviewed regularly and the effects of the changes are reflected in the income statement accordingly. 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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**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 assets 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 the difference between the purchase cost (after deduction of principal repayment 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 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.

(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, 2011 (continued)**

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

### **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 amortisation 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").

(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, 2011 (continued)

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

### 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 amortisation and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group 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 and 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 a 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.

(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, 2011 (continued)**

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

#### **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 contracts are accounted under "financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables.

###### **Operational lease**

Leases, in which the majority of risk and return of property belongs to lessor, are classified as 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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**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 benefits:**

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 No 25983 dated November 1, 2005 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.

(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, 2011 (continued)**

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

### **Explanations on accounting policies (continued)**

The article of the Law related to the transfer was cancelled (pursuant to the 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, No 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" No 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 No:26870 dated May 8, 2008 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.

The transfer period is extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011.

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 finalized. The Constitutional Court announced that it has rejected the cancellation request with the decision taken in the meeting dated March 30, 2011. The decision with reasoning is published in the Official Gazette No. 28156 dated December 28, 2011. The Bank accounts for a 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.



(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, 2011 (continued)**

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

#### **Explanations on accounting policies (continued)**

##### **d. Short term benefits of employee:**

According to TAS 19, 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

#### **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 five 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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Explanations on accounting policies (continued)**

As per the Law numbered 6009, taxpayers are permitted to deduct the investment incentive amount to a limit that does not exceed 25% of the related revenues (within the context of December 31, 2005 legislation including the provision on tax rate stated in the second paragraph of temporary Article 61 of income tax legislation) from their income subject to tax.

As per the decision of the Constitutional Court (decision no: E.2010/93, K. 2012/9 dated February 9, 2012) the effect of the sentence "In so far, the amount to be used as investment incentive exception in the determination of the tax base cannot exceed 25% of the related gain" added to 1st article of the 69th clause of the Law No. 193 was suspended until the date of the publication of the cancellation decision in the Official Gazette to preclude any unpreventable consequences or damages that could rise from the application of the sentence, and to prevent the cancellation decision prove abortive as the sentence was cancelled on February 9, 2012 (decision no: E.2010/93, K.2012/20).

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.

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, 2011 are as follows:

Netherlands	25,00%
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 stand alone 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.

(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, 2011 (continued)**

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

**Explanations on accounting policies (continued)**

**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" in the official gazette No:26704 dated 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. 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.

**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.

Also, the Bank has started to obtain funds by issuing bonds at the current period

**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 letter of acceptances:**

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

**XXI. Explanations on government grants:**

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until December 31,2011 the Group received government grant from TÜBİTAK amounting to TL 828 (December 31, 2010 - TL 609).

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Explanations on accounting policies (continued)**

**XXII. Profit reserves and profit distribution:**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the 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, 2011	December 31, 2010
Group's Profit	2.284.704	2.248.031
Weighted Average Number of Issued Ordinary Shares (Thousand)	434.705.128	434.705.128
<b>Earnings per share (Disclosed in full TL)</b>	<b>0,0053</b>	<b>0,0052</b>

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. 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 2011. (December 31, 2010 - no bonus shares were issued).

**XXIV. Related parties:**

For the purpose of these financial statements, shareholders, having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits 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.

(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, 2011 (continued)**

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

#### **Explanations on accounting policies (continued)**

##### **XXVI. Operating segments:**

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

##### **XXVII. Reclassifications:**

Reclassifications have been made on comparative figures as of December 31, 2010 to conform the changes in presentation in the December 31, 2011 financials.

##### **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, 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.

(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, 2011 (continued)**

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

### **Explanations on accounting policies (continued)**

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.

### **Life and 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 technical interest calculated as per the profit share distribution system disclosed in the approved profit share technical principals 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 2010-12-14-16 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.

(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, 2011 (continued)**

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

#### **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.

(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, 2011 (continued)**

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

**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 14,88% (December 31, 2010 - 15,43%).
- 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 on Own Funds of Banks"). 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 <sup>(1)</sup>					
	The Parent Bank					
	0%	20%	50%	100%	150%	200%
<b>Amount subject to credit risk</b>						
<b>Balance sheet items (Net)</b>	<b>25.434.790</b>	<b>4.980.806</b>	<b>11.773.173</b>	<b>53.101.570</b>	<b>1.199.105</b>	<b>2.192.478</b>
Cash	1.428.135	171	-	-	-	-
Matured marketable securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	5.281.746	-	-	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	1.585.001	-	224.364	-	-
Interbank Money Market Placements	36.834	-	-	-	-	-
Receivables from reverse repurchase transactions	-	2.100.000	-	-	-	-
Reserve Requirements with the Central Bank of the Republic of Turkey	3.439.176	-	-	-	-	-
Loans	2.419.174	1.072.649	11.549.363	47.287.786	1.199.105	2.192.478
Non-Performing receivables (Net)	-	-	-	734.940	-	-
Lease receivables	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Held-to-Maturity investments	12.319.605	-	-	-	-	-
Receivables from the disposal of assets	-	-	-	32.153	-	-
Miscellaneous receivables	-	194.959	-	680.080	-	-
Interest and income accruals	264.702	26.308	223.810	926.845	-	-
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	1.801.223	-	-
Fixed assets	-	-	-	1.015.964	-	-
Other assets	245.418	1.718	-	398.215	-	-
<b>Off-balance sheet items</b>	<b>875.728</b>	<b>5.343.930</b>	<b>531.741</b>	<b>17.630.015</b>	<b>-</b>	<b>-</b>
Non-cash loans and commitments	875.728	3.749.632	531.741	17.469.958	-	-
Derivative financial instruments	-	1.594.298	-	160.057	-	-
Non-risk weighted accounts	-	-	-	-	-	-
<b>Total risk weighted assets<sup>(2)</sup></b>	<b>26.310.518</b>	<b>10.324.736</b>	<b>12.304.914</b>	<b>70.731.585</b>	<b>1.199.105</b>	<b>2.192.478</b>

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

(2) Not weighted



(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 statement at December 31, 2011 (continued)**

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**Information related to financial position of the Group (continued)**

	Risk Weights <sup>(1)</sup>					
	Consolidated					
	0%	20%	50%	100%	150%	200%
Amount subject to credit risk						
Balance sheet items (Net)	27.276.076	6.902.173	12.244.564	56.978.312	1.199.105	2.192.478
Cash	1.766.254	171	-	8.879	-	-
Matured marketable securities	-	-	-	-	-	-
The Central Bank of the Republic of Turkey	5.281.746	-	-	-	-	-
Domestic, foreign banks, foreign head offices and branches	-	3.083.964	-	323.090	-	-
Interbank Money Market Placements	51.834	-	-	-	-	-
Receivables from reverse repurchase transactions	-	2.120.366	-	-	-	-
Reserve Requirements with the Central Bank of the Republic of Turkey	3.439.176	-	-	-	-	-
Loans	3.252.815	1.448.534	11.844.673	49.824.880	1.199.105	2.192.478
Non-Performing receivables (Net)	-	-	-	744.897	-	-
Lease receivables	6.770	7.495	173.594	2.579.396	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Held-to-Maturity investments	12.487.666	-	-	-	-	-
Receivables from the disposal of assets	-	-	-	32.153	-	-
Miscellaneous receivables	333.427	194.959	-	892.672	-	-
Interest and income accruals	279.648	44.966	226.297	970.250	-	-
Investments in associates, subsidiaries and joint ventures (Net)	-	-	-	2.300	-	-
Fixed assets	-	-	-	1.063.703	-	-
Other assets	376.740	1.718	-	536.092	-	-
Off-balance sheet items	893.597	5.414.549	576.085	17.882.667	-	-
Non-cash loans and commitments	893.597	3.796.128	576.085	17.703.996	-	-
Derivative financial instruments	-	1.618.421	-	178.671	-	-
Non-risk weighted accounts	-	-	-	-	-	-
<b>Total risk weighted assets<sup>(2)</sup></b>	<b>28.169.673</b>	<b>12.316.722</b>	<b>12.820.649</b>	<b>74.860.979</b>	<b>1.199.105</b>	<b>2.192.478</b>

(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, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Amount subject to credit risk (ASCR)	85.132.603	64.043.140	89.918.261	68.300.334
Amount subject to market risk (ASMR)	3.299.213	1.410.150	3.779.300	1.949.350
Amount subject to operational risk (ASOR)	8.842.703	7.806.018	9.764.669	8.999.966
Shareholder's equity	14.294.439	11.820.819	15.393.036	12.227.770
Shareholder's equity/(ASCR+ASMR+ASOR)*100	14,69	16,14	14,88	15,43

(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, 2011 (continued)

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

Information related to financial position of the group (continued)

e. Information about shareholders' equity items:

	December 31, 2011	December 31, 2010
<b>Core capital</b>		
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	266.973	163.959
First legal reserve (Turkish Commercial Code 466/1)	266.973	163.959
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Status reserves	-	-
Extraordinary reserves	4.930.128	3.038.543
Reserves allocated by the General Assembly	4.930.128	3.038.543
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Inflation adjustment of legal reserves, status reserves, extraordinary reserves	-	-
Profit	2.623.562	2.399.148
Current period profit (net)	2.284.704	2.248.031
Prior period profit	338.858	151.117
Provisions for possible risks (up to 25% of core capital)	151.960	124.712
Profit on disposal of associates, subsidiaries and immovables	146.641	80.731
Primary subordinated loans (up to 15% of core capital)	-	-
Minority interests	67.178	63.095
Portion of loss not covered with reserves (-)	-	-
Current period loss (net)	-	-
Prior period loss	-	-
Leasehold improvements (-)	94.353	102.899
Prepaid expenses (-) <sup>(1)</sup>	-	138.650
Intangible assets (-)	1.284.165	1.243.080
Deferred tax asset amount exceeding 10% of core capital (-)	-	-
Amount exceeding limits as per the third clause of the article 56 of the Law (-)	-	-
<b>Total core capital</b>	<b>11.698.856</b>	<b>9.276.491</b>

(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, 2011 (continued)**

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

**Information related to financial position of the group (continued)**

	December 31, 2011	December 31, 2010
<b>Supplementary capital</b>		
General provisions	1.052.268	826.853
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 <sup>(2) (3)</sup>	2.916.370	2.097.218
45% of Marketable Securities valuation differences	59.006	113.759
Investments in associates and subsidiaries	80.468	5.269
Available-for-Sale financial assets	(21.462)	108.490
Inflation adjustment of capital reserve, profit reserve and prior years' income or loss (except inflation adjustment of legal reserves, status reserves and extraordinary reserves)reserves, status reserves and extraordinary reserves)	-	-
<b>Total supplementary capital</b>	<b>4.027.644</b>	<b>3.037.830</b>
<b>Tier III capital</b>		
<b>Capital</b>	<b>15.726.500</b>	<b>12.314.321</b>
<b>Deductions from the capital</b>	<b>333.464</b>	<b>86.551</b>
Investments in Unconsolidated Financial Institutions and Banks	4.503	3.940
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	203.590	71.906
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.	8.900	10.705
Other	116.471	-
<b>Total shareholders' equity</b>	<b>15.393.036</b>	<b>12.227.770</b>

- (1) In accordance with the article no.1 of the "Regulation Regarding Banks' Shareholders Equity" published in the Official Gazette No. 27870 dated March 10, 2011, prepaid expenses are no longer deducted from core capital.
- (2) In accordance with the Regulation, the balance is disclosed net of the related receivables from banks and debt instruments issued by these banks.
- (3) According to the resolution of the Board of Directors dated February 22, 2012, the Parent Bank has signed a subordinated loan agreement with UniCredit Bank Austria AG, amounting to USD 585 million, with 10 years maturity and a repayment option by the borrower at the end of five years, at an interest rate of 3 months LIBOR + 8,30%. The amount of TL 1.046.776, calculated after the deduction of the required items as described in "Banking Law" and "Regulation on Own Funds of Banks" from the available amount in the Bank's accounts for this agreement since December 28, 2011, has been utilised as secondary subordinated loan under supplementary capital in the calculation of the current period's consolidated capital adequacy ratio by the authorization of BRSA dated February 20, 2012 and numbered B.02.1.BDK.0.11.00.00.50.1-3685.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**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 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, the credit rating system are used in the SME loans rating approval authorization system and the amount of loan requested determine the authorization level. By this system, high graded clients are approved by lower authorization level 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 concentrations of the corporate and commercial loans that are rated individually by the Parent Bank's internal rating system are disclosed below.

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Above average (1-4)	35,9%	31,2%
Average (5+ -6)	51,0%	47,9%
Below average (7+ -9)	13,1%	20,9%

- 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)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

(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, 2010 - 21%).
2. The proportion of the Group's top 100 non-cash loan balances in total non-cash loans is 38% (December 31, 2010 - 40%).
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 31,2010 - 20%).
- g. The Group provided a general loan loss provision amounting to TL 1.052.268 (December 31, 2010 – TL 826.853).
- 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 <sup>(1)</sup>		Other loans <sup>(2)</sup>		Off Balance sheet liabilities <sup>(3)</sup>	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Loans concentration according to the type of borrowers</b>										
Private Sector	48.041.586	37.593.280	955.954	951.217	283.449	309.911	1.550.733	902.643	39.870.173	28.844.057
Public Sector	1.471.372	1.292.231	-	-	19.173.742	17.682.485	-	-	12.912	28.807
Banks	-	-	794.739	625.234	1.529.493	1.202.071	8.132.377	4.862.930	3.376.691	1.653.115
Individual Customers	23.392.507	18.028.406	-	-	-	-	167.728	97.823	13.759.921	11.791.304
Share certificates	-	-	-	-	17.426	23.048	210.393	100.411	-	-
<b>Total</b>	<b>72.905.465</b>	<b>56.913.917</b>	<b>1.750.693</b>	<b>1.576.451</b>	<b>21.004.110</b>	<b>19.227.515</b>	<b>10.061.231</b>	<b>5.963.807</b>	<b>57.019.697</b>	<b>42.317.283</b>
<b>Information according to geographical concentration</b>										
Domestic	70.644.637	55.166.929	1.717.634	1.533.148	19.230.576	17.706.179	8.358.683	4.327.715	51.219.981	38.672.180
European Union Countries	778.860	329.931	3.645	2.745	1.417.369	1.138.604	1.064.315	655.986	4.286.248	2.052.987
OECD Countries <sup>(3)</sup>	102.595	43.080	-	-	14.666	12.262	207.466	786.198	586.160	729.517
Off-shore banking regions	-	73	-	-	8.072	14.574	212	73	177	930
USA, Canada	9.684	77.180	-	-	275.260	299.464	395.002	191.888	267.775	254.347
Other Countries	1.369.709	1.286.724	29.414	40.558	58.167	56.432	35.553	1.967	659.356	607.322
<b>Total</b>	<b>72.905.465</b>	<b>56.913.917</b>	<b>1.750.693</b>	<b>1.576.451</b>	<b>21.004.110</b>	<b>19.227.515</b>	<b>10.061.231</b>	<b>5.963.807</b>	<b>57.019.697</b>	<b>42.317.283</b>

(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)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Information related to financial position of the group (continued)**

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

	December 31, 2011	December 31, 2010
<b>Balance sheet items that are exposed to credit risk:</b>		
Bank placements	3.428.524	2.563.730
Money markets	2.173.561	970.970
Loans and advances to customers	74.656.158	58.490.368
-Credit Cards	10.502.599	8.618.396
-Consumer loans	13.622.880	9.767.283
-Corporate, commercial and other loans	45.945.435	36.290.183
-Financial Leasing	2.794.483	1.989.614
-Factoring	1.790.761	1.824.892
Trading financial assets	556.830	1.070.115
-Government securities	227.090	300.552
-Share certificates	-	6.448
-Other marketable securities	55.122	69.591
-Derivative financial instruments	274.618	693.524
Investment securities	20.721.898	18.850.924
-Government debt securities	18.946.652	17.391.933
-Share certificates	17.426	16.600
-Other marketable securities	1.757.820	1.442.391
Held for hedging derivative financial assets	377.335	38.201
Other assets	2.267.516	1.754.824
<b>Credit risk exposures relating to off-balance sheet items</b>		
Financial guarantees	23.821.697	18.947.336
Loan commitments and other credit related liabilities	21.425.279	15.776.396
Other commitments	11.772.721	7.593.551

**j. Marketable securities:**

December 31, 2011				
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	-	9.791	83.468	93.259
Aa1	-	45.065	-	45.065
Aa2	246	13.285	19.626	33.157
Aa3	-	432.025	-	432.025
A1	-	144.134	-	144.134
A2	-	586.345	-	586.345
A3	-	-	-	-
Baa1	2.400	17.396	14.668	34.464
Baa2	-	229.932	-	229.932
Baa3	-	78.037	-	78.037
Ba1	-	20.648	-	20.648
Ba2	-	36.518	-	36.518
Ba2 <sup>(1)</sup>	278.934	6.180.476	12.578.211	19.037.621
Ba3	-	15.144	-	15.144
Ca	-	-	14.649	14.649
Unrated <sup>(2)</sup>	632	185.054	-	185.686
<b>Total</b>	<b>282.212</b>	<b>7.993.850</b>	<b>12.710.622</b>	<b>20.986.684</b>

(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, 2011 (continued)**

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

**Information related to financial position of the group (Continued)**

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 <sup>(1)</sup>	270.826	3.773.825	12.822.164	16.866.815
Ba3	41.165	632.187	66.017	739.369
Unrated <sup>(2)</sup>	57.952	236.072	-	294.024
<b>Total</b>	<b>370.143</b>	<b>5.859.380</b>	<b>12.974.944</b>	<b>19.204.467</b>

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

(2) Also include investment funds amounting TL 128.456 (December 31, 2010 - TL 114.934).

**k. Information according to geographical concentration:**

	Assets	Liabilities <sup>(2)</sup>	Non-cash loans	Capital expenditures	Net profit <sup>(3)</sup>
<b>December 31, 2011</b>					
Domestic	109.953.442	74.633.184	23.685.605	242.704	2.291.380
European Union countries	4.224.819	25.603.121	1.539.139	110	-
OECD countries <sup>(1)</sup>	85.723	1.629.186	376.409	-	-
Off-shore banking regions	8.290	56	188	-	-
USA, Canada	763.553	1.446.664	205.257	-	-
Other Countries	2.203.911	1.502.686	565.911	4.830	-
Investments in associates, subsidiaries and joint ventures	210.393	-	-	-	-
Unallocated assets/liabilities	-	-	-	-	-
<b>Total</b>	<b>117.450.131</b>	<b>104.814.897</b>	<b>26.372.509</b>	<b>247.644</b>	<b>2.291.380</b>
<b>December 31, 2010</b>					
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 <sup>(1)</sup>	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	-	-	-	-	-
<b>Total</b>	<b>92.814.058</b>	<b>82.068.289</b>	<b>19.692.553</b>	<b>234.847</b>	<b>2.254.703</b>

(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)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

(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, 2011				December 31, 2010			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>552.717</b>	<b>1,25</b>	<b>493.224</b>	<b>2,00</b>	<b>442.899</b>	<b>1,28</b>	<b>458.744</b>	<b>2,33</b>
Farming and Raising Livestock	462.042	1,04	468.954	1,90	369.600	1,07	429.742	2,18
Forestry	78.638	0,18	4.526	0,02	63.893	0,18	6.210	0,03
Fishing	12.037	0,03	19.744	0,08	9.406	0,03	22.792	0,12
<b>Manufacturing</b>	<b>8.625.718</b>	<b>19,34</b>	<b>13.224.164</b>	<b>53,46</b>	<b>6.703.756</b>	<b>19,40</b>	<b>10.253.185</b>	<b>52,10</b>
Mining	236.476	0,53	2.013.564	8,14	168.107	0,49	1.344.520	6,83
Production	8.188.916	18,36	8.202.561	33,16	6.355.704	18,39	7.045.224	35,80
Electric, Gas and Water	200.326	0,45	3.008.039	12,16	179.945	0,52	1.863.441	9,47
<b>Construction</b>	<b>2.018.357</b>	<b>4,53</b>	<b>3.221.677</b>	<b>13,03</b>	<b>1.466.977</b>	<b>4,24</b>	<b>2.792.075</b>	<b>14,19</b>
<b>Services</b>	<b>5.741.769</b>	<b>12,87</b>	<b>5.110.620</b>	<b>20,66</b>	<b>4.967.579</b>	<b>14,37</b>	<b>4.417.885</b>	<b>22,45</b>
Wholesale and Retail Trade	2.237.386	5,02	801.895	3,24	1.884.014	5,45	684.193	3,48
Hotel Food and Beverage services	322.438	0,72	1.293.387	5,23	486.210	1,41	1.100.963	5,59
Transportation and Telecommunication	731.105	1,64	2.559.199	10,35	538.570	1,56	2.214.708	11,25
Financial Institutions	1.711.622	3,84	39.071	0,16	1.462.171	4,23	114.280	0,58
Real Estate and Leasing services	222.839	0,50	195.608	0,79	235.352	0,68	117.700	0,60
Self Employment services	-	-	-	-	-	-	-	-
Education services	46.080	0,10	13.145	0,05	27.431	0,08	8.550	0,04
Health and Social services	470.299	1,05	208.315	0,84	333.831	0,96	177.491	0,91
Other	27.653.601	62,01	2.684.170	10,85	20.981.698	60,71	1.758.182	8,93
<b>Total</b>	<b>44.592.162</b>	<b>100,00</b>	<b>24.733.855</b>	<b>100,00</b>	<b>34.562.909</b>	<b>100,00</b>	<b>19.680.071</b>	<b>100,00</b>

**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. The 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 Executive Committee as a result of its Asset and Liability Management function. The below table represents the details of market risk calculation as of December 31, 2011 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, 2011	December 31, 2010
(I) Capital to be Employed for General Market Risk - Standard Method	202.880	78.386
(II) Capital to be Employed for Specific Risk -Standard Method	47.295	62.568
(III) Capital to be Employed for Currency Risk - Standard Method	49.829	13.723
(IV) Capital to be Employed for Commodity Risk - Standard method	1.534	390
(V) Capital to be employed for settlement risk - Standard method	-	-
(VI) Capital to be employed for market risk due to options-Standard method	806	881
(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)	302.344	155.948
<b>(IX) Amount Subject to Market Risk (12,5xVIII) or (12,5xVII)</b>	<b>3.779.300</b>	<b>1.949.350</b>



(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, 2011 (continued)

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

**Information related to financial position of the group (Continued)**

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

	December 31, 2011			December 31, 2010		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	193.848	230.685	167.599	98.187	123.579	78.386
Share price risk	59.605	71.645	47.295	47.072	62.568	38.490
Currency risk	34.674	49.829	15.276	49.063	95.928	13.723
Commodity risk	2.483	6.400	-	180	390	51
Settlement risk	-	-	-	-	-	-
Option risk	8.885	25.852	530	5.519	20.724	131
<b>Total amount subject to risk</b>	<b>3.743.669</b>	<b>4.805.138</b>	<b>2.883.750</b>	<b>2.500.254</b>	<b>3.789.863</b>	<b>1.634.763</b>

**IV. Explanations on consolidated operational risk:**

The Group calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2010, 2009 and 2008 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, 2011, the total amount subject to operational risk is TL 9.764.669 (December 31, 2010 - TL 8.999.966) and the amount of the related capital requirement is TL 781.174 (December 31, 2010 - TL 719.998).

(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, 2011 (continued)

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

#### 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 change in 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 follows the exchange position on a daily/regular basis. Notwithstanding, the internal exchange position limit is 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
<b>Balance sheet evaluation rate:</b>	<b>TL 1,84170</b>	<b>TL 2,38270</b>	<b>TL 0,02373</b>
December 30, 2011 bid rate	TL 1,85880	TL 2,39770	TL 0,02385
December 29, 2011 bid rate	TL 1,84250	TL 2,40840	TL 0,02367
December 28, 2011 bid rate	TL 1,83760	TL 2,40170	TL 0,02355
December 27, 2011 bid rate	TL 1,83620	TL 2,39980	TL 0,02351
December 26, 2011 bid rate	TL 1,83390	TL 2,39680	TL 0,02345

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

USD : 1,81134  
Euro : 2,39021  
Yen : 0,02323

As of December 31, 2010;

	USD	EUR	Yen
<b>Balance sheet evaluation rate:</b>	<b>TL 1,50730</b>	<b>TL 1,99780</b>	<b>TL 0,01845</b>

(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 statement at December 31, 2011 (continued)**

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

**Information related to financial position of the group (continued)**

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

The 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 the net foreign currency position. In addition, foreign currency general provisions in the balance sheet, specific provision for non cash loans, 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 and liabilities in the following table and in the balance sheet. The Group's real position, both in financial and economic terms, is presented in the table below:

	EURO	USD	Yen	Other FC	Total
<b>December 31, 2011</b>					
<b>Assets</b>					
Cash (Cash in vault, effectives, cash in transit, cheques purchased) and Balances with The Central Bank of the Republic of Turkey	3.900.059	874.752	1.139	653.467	5.429.417
Banks	1.275.323	1.821.447	6.509	56.821	3.160.100
Financial assets at fair value through profit or loss	7.843	106.269	1.108	903	116.123
Money market placements	-	36.835	-	-	36.835
Available-for-sale financial assets	165.851	1.270.495	-	54.537	1.490.883
Loans <sup>(1)</sup>	9.039.423	18.662.267	121.991	830.227	28.653.908
Investments in associates, subsidiaries and joint ventures	-	-	-	183.940	183.940
Held-to-maturity investments	628.558	8.613.182	-	-	9.241.740
Hedging derivative financial assets	-	362	-	-	362
Tangible assets	522	-	-	19.750	20.272
Intangible assets	-	-	-	2.932	2.932
Other assets	2.192.691	1.786.159	1.242	638.315	4.618.407
<b>Total assets</b>	<b>17.210.270</b>	<b>33.171.768</b>	<b>131.989</b>	<b>2.440.892</b>	<b>52.954.919</b>
<b>Liabilities</b>					
Bank deposits	709.938	375.695	21	52.208	1.137.862
Foreign currency deposits	8.916.338	19.109.954	9.927	1.936.849	29.973.068
Funds from money market	329.225	4.688.397	-	22.472	5.040.094
Funds borrowed from other financial institutions	7.717.932	5.488.545	86.832	22.509	13.315.818
Marketable securities issued	987.567	1.165.796	-	-	2.153.363
Miscellaneous payables	500.153	320.924	286	12.273	833.636
Hedging derivative financial liabilities	65.776	374.413	-	-	440.189
Other liabilities	2.957.141	861.640	1.007	10.294	3.830.082
<b>Total liabilities</b>	<b>22.184.070</b>	<b>32.385.364</b>	<b>98.073</b>	<b>2.056.605</b>	<b>56.724.112</b>
<b>Net on balance sheet position</b>	<b>(4.973.800)</b>	<b>786.404</b>	<b>33.916</b>	<b>384.287</b>	<b>(3.769.193)</b>
<b>Net off balance sheet position<sup>(2)</sup></b>	<b>6.151.489</b>	<b>(2.580.679)</b>	<b>(33.673)</b>	<b>(11.875)</b>	<b>3.525.262</b>
Financial derivative assets	7.405.899	7.682.168	32.234	343.688	15.463.989
Financial derivative liabilities	1.254.410	10.262.847	65.907	355.563	11.938.727
<b>Non-cash loans</b>	<b>4.852.200</b>	<b>10.223.512</b>	<b>363.258</b>	<b>238.147</b>	<b>15.677.117</b>
<b>December 31, 2010</b>					
Total assets	13.016.015	25.494.815	90.329	1.169.013	39.770.172
Total liabilities	16.460.431	21.750.270	55.503	1.023.055	39.289.259
<b>Net on-balance sheet position</b>	<b>(3.444.416)</b>	<b>3.744.545</b>	<b>34.826</b>	<b>145.958</b>	<b>480.913</b>
<b>Net off-balance sheet position</b>	<b>4.389.539</b>	<b>(4.717.269)</b>	<b>(49.169)</b>	<b>27.141</b>	<b>(349.758)</b>
Financial derivative assets	6.368.760	5.768.346	23.917	357.377	12.518.400
Financial derivative liabilities	1.979.221	10.485.615	73.086	330.236	12.868.158
<b>Non-cash loans</b>	<b>3.989.735</b>	<b>7.344.613</b>	<b>324.972</b>	<b>235.124</b>	<b>11.894.444</b>

(1) FX indexed loans amounting to TL 3.920.053 (December 31, 2010 - TL 2.161.909) which have been disclosed as TL in the financial statements.

(2) Forward transactions classified as commitments amounting to 11.370 TL are not included.

(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 statement at December 31, 2011 (continued)

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

#### 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, 2011 Profit/loss effect <sup>(1)</sup>	December 31, 2010 Profit/loss effect <sup>(1)</sup>
(+) 15%	(39.850)	(15.330)
(-) 15%	39.850	15.330

(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 the Executive Committee as result of its Asset and Liability Management function. 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/FC 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, FC / FC interest rate swaps were utilized.

(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, 2011 (continued)**

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

**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, 2011	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic Turkey	-	-	-	-	-	10.081.703	10.081.703
Banks	1.593.147	289.844	268.240	272.225	-	1.005.068	3.428.524
Financial assets at fair value through profit/loss	68.260	74.433	259.683	95.613	17.804	41.037	556.830
Money market placements	2.173.561	-	-	-	-	-	2.173.561
Available-for-sale financial assets	957.834	165.745	2.389.281	1.768.348	2.712.642	17.426	8.011.276
Loans	10.043.452	5.959.171	16.055.788	21.506.848	14.213.791	2.291.864	70.070.914
Held-to-maturity investments	423.296	1.671.715	1.212.450	2.721.385	6.681.776	-	12.710.622
Other assets	696.809	1.599.063	1.068.662	1.457.089	195.030	5.400.048	10.416.701
<b>Total assets</b>	<b>15.956.359</b>	<b>9.759.971</b>	<b>21.254.104</b>	<b>27.821.508</b>	<b>23.821.043</b>	<b>18.837.146</b>	<b>117.450.131</b>
<b>Liabilities</b>							
Bank deposits	665.788	295.368	284.029	43.102	95.463	178.739	1.562.489
Other deposits	37.568.281	13.004.721	2.626.054	556.390	20.032	10.848.583	64.624.061
Funds from money market	3.767.886	2.039.669	1.078.338	-	-	-	6.885.893
Miscellaneous payables	20	-	-	-	-	4.795.480	4.795.500
Marketable securities issued	145.048	2.146.847	956.822	-	-	-	3.248.717
Funds borrowed from other financial institutions	2.029.221	4.652.783	5.954.420	1.462.084	584.394	-	14.682.902
Other liabilities and shareholders' equity	326.274	1.731.901	1.587.816	400.887	135.494	17.468.197	21.650.569
<b>Total liabilities</b>	<b>44.502.518</b>	<b>23.871.289</b>	<b>12.487.479</b>	<b>2.462.463</b>	<b>835.383</b>	<b>33.290.999</b>	<b>117.450.131</b>
<b>Balance sheet long position</b>	-	-	8.766.625	25.359.045	22.985.660	-	57.111.330
<b>Balance sheet short position</b>	(28.546.159)	(14.111.318)	-	-	-	(14.453.853)	(57.111.330)
Off-balance sheet long position	4.590.724	12.445.139	1.162.079	-	-	-	18.197.942
Off-balance sheet short position	-	-	-	(17.481.361)	(658.792)	-	(18.140.153)
<b>Total position</b>	<b>(23.955.435)</b>	<b>(1.666.179)</b>	<b>9.928.704</b>	<b>7.877.684</b>	<b>22.326.868</b>	<b>(14.453.853)</b>	<b>57.789</b>

(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 statement at December 31, 2011 (continued)**

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

**Information related to financial position of the group (continued)**

December 31, 2010	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic Turkey	-	-	-	-	-	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
<b>Total assets</b>	<b>15.825.510</b>	<b>10.846.461</b>	<b>16.850.962</b>	<b>21.573.404</b>	<b>15.786.195</b>	<b>11.931.526</b>	<b>92.814.058</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>	<b>46.836.926</b>	<b>11.860.746</b>	<b>6.057.555</b>	<b>1.321.473</b>	<b>809.934</b>	<b>25.927.424</b>	<b>92.814.058</b>
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)
<b>Total position</b>	<b>(27.969.211)</b>	<b>3.575.688</b>	<b>11.216.564</b>	<b>12.494.758</b>	<b>14.475.696</b>	<b>(13.995.898)</b>	<b>(202.403)</b>

Interest rate sensitivity analysis <sup>(1)</sup>:

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, 2011 Value effect	December 31, 2010 Value effect
(+) %1	(569.485)	(751.170)
(-) %1	685.592	842.281

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

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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**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 outstanding as of the balance sheet date.

December 31, 2011 <sup>(1)</sup>	EURO	USD	Yen	TL
<b>Assets<sup>(3)</sup></b>	%	%	%	%
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,13	1,33	-	12,76
Financial assets at fair value through profit/loss	5,98	5,56	-	8,36
Money market placements	-	0,50	-	12,66
Available-for-sale financial assets	7,85	6,60	-	9,87
Loans <sup>(2)</sup>	5,80	4,81	4,02	13,74
Held-to-maturity Investments	5,26	6,70	-	9,93
<b>Liabilities<sup>(3)</sup></b>				
Bank deposits	0,41	0,44	-	9,46
Other deposits	4,16	4,74	0,30	10,91
Funds from money market	2,45	1,95	-	6,25
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	10,40
Funds borrowed from other financial institutions	3,09	2,42	2,21	10,21
December 31, 2010 <sup>(1)</sup>	EURO	USD	Yen	TL
<b>Assets<sup>(3)</sup></b>	%	%	%	%
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 <sup>(2)</sup>	4,95	4,35	4,72	12,87
Held-to-maturity Investments	5,23	6,76	-	9,98
<b>Liabilities<sup>(3)</sup></b>				
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

(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

(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, 2011 (continued)

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

#### Information related to financial position of the group (continued)

#### VII. Explanations on consolidated liquidity risk:

Liquidity risk covers the inability to fund increases in assets, inability to meet liabilities when they are due and other risks arising from transactions undertaken in illiquid markets. These risks contain maturity mismatch risk, emergency risk and market liquidity risk.

The main objective of the Bank's overall liquidity management is to ensure the continuity of the Bank's payment obligations and sustain the level of payments availability in crisis time without risking the value and the brand name of the Bank. For this reason, two different models are defined: the current situation liquidity management and emergency situation liquidity management.

The current situation liquidity risk is monitored by the reports of short and long term liquidity. Short-term liquidity position is monitored on a daily basis including the legal Liquidity Adequacy Reports as to whether the position is within legal limits. Long-term liquidity position aims to ensure the financial stability of the balance sheet and is monitored on a monthly basis. On a monthly basis, the Asset and Liability Management function within the scope of the meetings of the Executive Board evaluates the Bank's liquidity position and actions are taken when necessary.

In cases when the future financial events require more liquidity than the Bank's daily liquidity needs, "Emergency Situation Liquidity Plan" is activated where duties and responsibilities are defined in detail. Liquidity Stress Test scenarios are used to measure the Bank's resistance to unexpected situations.

The Bank issues bonds and obtains long-term bank loans to overcome the current short-term funding of the banking sector.

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 2011 and 2010 are disclosed below.

December 31, 2011 <sup>(1)</sup>	First-term period (Weekly)		Second-term period (Monthly)	
	FC	Total	FC	Total
Average %	146,26	154,79	101,83	113,56
Highest %	187,20	189,05	128,50	126,62
Lowest %	115,02	135,55	83,91	100,74

December 31, 2010 <sup>(1)</sup>	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

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



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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**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 <sup>(1)(2)</sup>	Total
<b>December 31, 2011</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	6.642.526	3.439.177	-	-	-	-	-	10.081.703
Banks	1.005.068	1.468.792	320.164	266.297	368.203	-	-	3.428.524
Financial assets at fair value through profit or loss	41.037	47.967	66.915	227.321	109.798	63.792	-	556.830
Money market placements	-	2.173.561	-	-	-	-	-	2.173.561
Available-for-sale financial assets	87.419	238.702	30.893	1.050.207	2.400.612	4.186.017	17.426	8.011.276
Loans	-	11.484.640	5.496.522	16.498.220	21.537.428	14.309.207	744.897	70.070.914
Held-to-maturity Investments	-	-	79.249	191.934	4.737.146	7.702.293	-	12.710.622
Other assets <sup>(1)</sup>	1.023.979	1.418.230	1.653.029	1.201.142	1.810.991	244.566	3.064.764	10.416.701
<b>Total assets</b>	<b>8.800.029</b>	<b>20.271.069</b>	<b>7.646.772</b>	<b>19.435.121</b>	<b>30.964.178</b>	<b>26.505.875</b>	<b>3.827.087</b>	<b>117.450.131</b>
<b>Liabilities</b>								
Bank deposits	178.739	665.788	295.368	284.029	43.102	95.463	-	1.562.489
Other deposits	10.848.583	36.806.994	13.039.207	3.338.649	570.596	20.032	-	64.624.061
Funds borrowed from other financial institutions	-	1.797.521	469.226	8.492.047	2.749.117	1.174.991	-	14.682.902
Funds from money market	-	3.528.706	1.641.320	1.078.338	637.529	-	-	6.885.893
Marketable securities issued	-	698	109.765	1.417.785	1.599.844	120.625	-	3.248.717
Miscellaneous payables	500.404	4.004.786	109.437	95.965	197	102	84.609	4.795.500
Other liabilities <sup>(2)</sup>	1.736.534	354.315	480.691	751.088	4.125.809	1.011.521	13.190.611	21.650.569
<b>Total liabilities</b>	<b>13.264.260</b>	<b>47.158.808</b>	<b>16.145.014</b>	<b>15.457.901</b>	<b>9.726.194</b>	<b>2.422.734</b>	<b>13.275.220</b>	<b>117.450.131</b>
<b>Net liquidity gap</b>	<b>(4.464.231)</b>	<b>(26.887.739)</b>	<b>(8.498.242)</b>	<b>3.977.220</b>	<b>21.237.984</b>	<b>24.083.141</b>	<b>(9.448.133)</b>	<b>-</b>
<b>December 31, 2010</b>								
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
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
<b>Net liquidity gap</b>	<b>(5.241.887)</b>	<b>(28.309.872)</b>	<b>(1.106.059)</b>	<b>7.133.410</b>	<b>18.747.604</b>	<b>16.331.845</b>	<b>(7.555.041)</b>	<b>-</b>

- (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, stationary 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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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Information related to financial position of the group (continued)**

**Breakdown of financial liabilities according to their remaining contractual maturities:**

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

December 31, 2011 <sup>(1)</sup>	Demand and Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Liabilities</b>						
Deposits	48.631.002	13.429.422	3.674.818	696.942	145.030	66.577.214
Funds borrowed from other financial institutions	1.799.739	649.283	9.104.618	3.235.131	827.007	15.615.778
Funds from money market	3.529.197	1.647.208	1.096.668	663.952	-	6.937.025
Subordinated loans	-	28.585	100.180	2.534.617	491.272	3.154.654
Marketable securities issued (net)	700	116.212	1.457.768	1.692.192	133.264	3.400.136
<b>Total</b>	<b>53.960.638</b>	<b>15.870.710</b>	<b>15.434.052</b>	<b>8.822.834</b>	<b>1.596.573</b>	<b>95.684.807</b>

(1) Maturities of non-cash loans are described in Note 3 (iv) of Section V.

December 31, 2010 <sup>(1)</sup>	Demand and Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Liabilities</b>						
Deposits	46.670.003	6.772.971	1.183.011	800.752	171.391	55.598.128
Funds borrowed from other financial institutions	2.128.796	519.849	4.663.791	2.539.474	914.532	10.766.442
Funds from money market	1.105.553	1.423.875	554.459	475.175	138.837	3.697.899
Subordinated loans	-	15.862	78.129	473.882	2.181.519	2.749.392
Marketable securities issued (net)	-	92.063	289.975	1.076.120	-	1.458.158
<b>Total</b>	<b>49.904.352</b>	<b>8.824.620</b>	<b>6.769.365</b>	<b>5.365.403</b>	<b>3.406.279</b>	<b>74.270.019</b>

(1) Maturities of non-cash loans are described in Note 3 (iv) of Section V.

**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, 2011	December 31, 2010	December 31, 2011	December 31, 2010
<b>Financial assets</b>	<b>96.394.897</b>	<b>77.061.486</b>	<b>98.662.117</b>	<b>79.196.443</b>
Due from money market	2.173.561	970.970	2.173.561	970.970
Banks	3.428.524	2.563.730	3.445.199	2.583.555
Available-for-sale financial assets	8.011.276	5.875.980	8.011.276	5.875.980
Held-to-maturity investments	12.710.622	12.974.944	12.975.342	13.741.481
Loans	70.070.914	54.675.862	72.056.739	56.024.457
<b>Financial liabilities</b>	<b>91.437.485</b>	<b>72.991.221</b>	<b>91.381.062</b>	<b>73.029.663</b>
Bank deposits	1.562.489	1.783.898	1.565.177	1.800.003
Other deposits	64.624.061	53.423.104	64.624.061	53.423.104
Funds borrowed from other financial institutions	14.682.902	10.073.070	14.623.791	10.095.407
Subordinated Loans	2.523.816	2.110.274	2.523.816	2.110.274
Marketable securities issued	3.248.717	1.394.904	3.248.717	1.394.904
Miscellaneous payables	4.795.500	4.205.971	4.795.500	4.205.971

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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**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 is 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 for 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:

<b>December 31, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit or (loss) (Net)</b>	<b>268.127</b>	<b>288.703</b>	<b>-</b>	<b>556.830</b>
Government debt securities	227.090	-	-	227.090
Share certificates	-	-	-	-
Trading derivative financial assets	-	274.618	-	274.618
Other marketable securities	41.037	14.085	-	55.122
<b>Available-for-sale financial assets (Net)</b>	<b>6.352.710</b>	<b>1.641.140</b>	<b>17.426</b>	<b>8.011.276</b>
Government debt securities	6.236.030	-	-	6.236.030
Other marketable securities <sup>(1)</sup>	116.680	1.641.140	17.426	1.775.246
Hedging derivative financial assets	-	377.335	-	377.335
<b>Total assets</b>	<b>6.620.837</b>	<b>2.307.178</b>	<b>17.426</b>	<b>8.945.441</b>
Trading derivative financial liabilities	-	540.339	-	540.339
Hedging derivative financial liabilities	-	502.841	-	502.841
<b>Total liabilities</b>	<b>-</b>	<b>1.043.180</b>	<b>-</b>	<b>1.043.180</b>

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

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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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**Information related to financial position of the group (continued)**

December 31, 2010	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or (loss) (Net)</b>	<b>376.391</b>	<b>693.724</b>	<b>-</b>	<b>1.070.115</b>
Government debt securities	300.552	-	-	300.552
Share certificates	6.448	-	-	6.448
Trading derivative financial assets	-	693.524	-	693.524
Other marketable securities	69.391	200	-	69.591
<b>Available-for-sale financial assets (Net)</b>	<b>4.552.088</b>	<b>1.308.165</b>	<b>15.727</b>	<b>5.875.980</b>
Government debt securities	4.416.989	-	-	4.416.989
Other marketable securities <sup>(1)</sup>	135.099	1.308.165	15.727	1.458.991
<b>Hedging derivative financial assets</b>	<b>-</b>	<b>38.201</b>	<b>-</b>	<b>38.201</b>
<b>Total assets</b>	<b>4.928.479</b>	<b>2.040.090</b>	<b>15.727</b>	<b>6.984.296</b>
Trading derivative financial liabilities	-	359.168	-	359.168
Hedging derivative financial liabilities	-	453.663	-	453.663
<b>Total liabilities</b>	<b>-</b>	<b>812.831</b>	<b>-</b>	<b>812.831</b>

(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.

The increase in the current year on Level 3 amounting to 1.699 TL is due to capital increases in non-public equity shares.

**IX. Explanations on hedge accounting:**

The Bank applies the following hedge accounting models as of December 31, 2011;

- Fair Value Hedge ("FVH")
- Cash Flow Hedge ("CFH")
- Net Investment Hedge("NIH")

Cross currency interest rate swaps are used as hedging instrument in FVH accounting and interest rate swaps are used as hedging instrument in CFH accounting.

Contractual amounts and the fair values as at December 31, 2011 and 2010 of these hedging instruments are presented in the table below:

	December 31, 2011			December 31, 2010		
	Notional <sup>(1)</sup>	Asset	Liability	Notional <sup>(1)</sup>	Asset	Liability
<b>Hedging instrument</b>						
Interest rate swap	32.437.197	7.588	483.882	8.527.020	3.738	139.746
Cross currency interest rate swap	6.206.854	369.747	18.959	4.317.238	34.463	313.917
<b>Total</b>	<b>38.644.051</b>	<b>377.335</b>	<b>502.841</b>	<b>12.844.258</b>	<b>38.201</b>	<b>453.663</b>

(1) Includes total of buy and sell legs.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principle section of these financial statements in Section III. Part IV.

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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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**Information related to financial position of the group (continued)**

**Fair value hedge accounting:**

Starting from March 1, 2009, the 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 portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated fundings using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship.

The impact of application of FVH accounting is summarized below;

December 31, 2011

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item <sup>(1)</sup>	Net fair value of the hedging instrument <sup>(2)</sup>		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	107.204	369.747	18.959	(117.225)

- (1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement.
- (2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (3) The ineffective portion of the mentioned hedging transaction is TL 4.426.

December 31, 2010

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value of the hedged item <sup>(1)</sup>	Net fair value of the hedging instrument <sup>(2)</sup>		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	224.429	34.463	313.917	84.292

- (1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement.
- (2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (3) The ineffective portion of the mentioned hedging transaction is TL 16.178.

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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**Information related to financial position of the group (continued)**

The effectiveness tests are performed prospectively and retrospectively on a monthly basis. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortised cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method.

**Cash flow hedge accounting:**

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR 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, EUR and TL deposits, borrowings and repos.

The impact of application of FVH accounting is summarized below:

**December 31, 2011**

Type of hedging instrument	Hedged item ( asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			Asset	Liability		
Interest rate swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	7.588	483.882	(308.530)	(206.702)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 1.076.

**December 31, 2010**

Type of hedging instrument	Hedged item ( asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			Asset	Liability		
Interest rate swaps	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	3.738	139.746	(101.828)	(101.828)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 4.208.

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

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**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Information related to financial position of the group (continued)**

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the reserves accounted under equity is transferred to profit and loss accounts through amortization over the life of the remaining maturity of the hedging instrument. In addition if the hedging instrument is sold or closed before its maturity, the reserves accounted under equity are amortized to profit and loss accounts with the straight line method.

Below is a schedule as at December 31, 2011 and 2010 indicating the periods when expected cash flows are expected to occur and when they are expected to affect profit or loss (the periods are disclosed based on the remaining maturity of the hedging instruments):

December 31, 2011	Up to 1 year	1-3 years	3-5 years	Above 5 years	Total
Interest rate swaps <sup>(1)</sup>	328.919	14.087.347	17.946.647	74.284	32.437.197

(1) Includes total of buy and sell legs.

December 31, 2010	Up to 1 year	1-3 years	3-5 years	Above 5 years	Total
Interest rate swaps <sup>(1)</sup>	-	3.614.600	4.658.980	253.440	8.527.020

(1) Includes total of buy and sell legs.

The Bank performs effectiveness test on a monthly basis prospectively to confirm that the expected interest cash flows of customer deposits, borrowings and repos subject to CFH accounting are equal to the expected interest cash flows of the hedging instruments whose remaining maturities are disclosed in the above table.

**Net Investment Hedge**

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2011 is EUR 238 million (December 31, 2010 - EUR 203 million). The foreign exchange loss of TL 112.775 (December 31, 2010 - TL 41.608 foreign exchange loss), net of tax, on translation of the borrowing to TL at the statement of financial position date is recognized in "hedging reserves" in equity.

**X. 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.

**XI. Explanations on operating segments:**

The Group carries out its banking operations through three main business units: (1) Retail Banking (including card payment systems and SME banking), (2) Corporate and Commercial Banking (3) Private Banking and Wealth Management.

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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statement at December 31, 2011 (continued)

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

### Information related to financial position of the group (continued)

The Group's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and individual banking. Retail Banking products and services offered to customers include card payment systems, 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. Card payment systems cover the management of products and services for member merchants as well as the sales and marketing operations for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing different services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit cards and a prepaid card named World Hediye Card.

Corporate and Commercial Banking is organised 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 management's results, operations of supporting business units, insurance operations and other unallocated transactions.



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**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Information related to financial position of the group (continued)**

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

December 31, 2011	Retail banking	Corporate and commercial banking	Private banking and wealth management	Foreign operations	Other	Consolidation adjustments <sup>(1)</sup>	Total operations of the Group
Operating revenue <sup>(2)</sup>	2.685.663	1.605.212	268.103	166.037	1.823.484	78.764	6.627.263
Operating costs <sup>(2)</sup>	(1.551.352)	(556.396)	(113.246)	(92.821)	(1.533.499)	75.904	(3.771.410)
Net operating profit	1.134.311	1.048.816	154.857	73.216	289.985	154.668	2.855.853
Dividend income <sup>(2)</sup>					5.891		5.891
Income/Loss from investments accounted based on equity method					14.420		14.420
Income before tax	1.134.311	1.048.816	154.857	73.216	310.296	154.668	2.876.164
Tax provision <sup>(2)</sup>					(584.784)		(584.784)
Net income <sup>(2)</sup>	1.134.311	1.048.816	154.857	73.216	(274.488)	154.668	2.291.380
Minority interest(-)					(6.676)		(6.676)
<b>Group income/loss</b>	<b>1.134.311</b>	<b>1.048.816</b>	<b>154.857</b>	<b>73.216</b>	<b>(281.164)</b>	<b>154.668</b>	<b>2.284.704</b>
Segment assets <sup>(3)</sup>	31.022.708	37.482.434	1.650.498	5.068.889	44.260.882	(2.245.673)	117.239.738
Investments in associates, subsidiaries and joint ventures					210.393		210.393
<b>Total assets</b>	<b>31.022.708</b>	<b>37.482.434</b>	<b>1.650.498</b>	<b>5.068.889</b>	<b>44.471.275</b>	<b>(2.245.673)</b>	<b>117.450.131</b>
Segment liabilities <sup>(3)</sup>	25.921.556	26.691.404	16.735.360	4.250.605	33.457.263	(2.241.291)	104.814.897
Shareholders' equity					12.635.234		12.635.234
<b>Total liabilities</b>	<b>25.921.556</b>	<b>26.691.404</b>	<b>16.735.360</b>	<b>4.250.605</b>	<b>46.092.497</b>	<b>(2.241.291)</b>	<b>117.450.131</b>

- (1) Consolidation adjustments include transactions with subsidiaries and investments consolidated and other consolidated adjustments in these financial statements.
- (2) Dividend income and tax expenses have not been distributed based on operating segments and have been presented under "Other" column
- (3) Segment asset and liabilities figures are prepared according to Management Information Systems (MIS) data.

December 31, 2010	Retail banking	Corporate and commercial banking	Private banking and wealth management	Foreign operations	Other	Consolidation adjustments <sup>(1)</sup>	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 <sup>(2)</sup>					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 <sup>(2)</sup>					(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)
<b>Group income/loss</b>	<b>1.444.608</b>	<b>695.515</b>	<b>234.737</b>	<b>111.831</b>	<b>(226.372)</b>	<b>(12.288)</b>	<b>2.248.031</b>
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
<b>Total assets</b>	<b>26.522.965</b>	<b>33.129.240</b>	<b>1.275.280</b>	<b>4.193.536</b>	<b>28.679.119</b>	<b>(986.082)</b>	<b>92.814.058</b>
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
<b>Total liabilities</b>	<b>23.676.641</b>	<b>21.843.565</b>	<b>11.257.345</b>	<b>3.551.013</b>	<b>33.463.931</b>	<b>(978.437)</b>	<b>92.814.058</b>

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

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Notes to consolidated financial statement at December 31, 2011 (continued)

(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 of the Central Bank of the Republic of Turkey ("the CBRT"):

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

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Cash	781.556	251.463	513.679	188.190
The CBRT	3.870.730	4.850.192	2.044.632	3.172.303
Other	-	327.762	-	115.622
<b>Total</b>	<b>4.652.286</b>	<b>5.429.417</b>	<b>2.558.311</b>	<b>3.476.115</b>

###### 2. Information on the account of the CBRT:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Demand unrestricted amount <sup>(1)</sup>	3.870.730	1.411.016	2.044.632	865.256
Time unrestricted amount	-	-	-	-
Reserve requirement	-	3.439.176	-	2.307.047
<b>Total</b>	<b>3.870.730</b>	<b>4.850.192</b>	<b>2.044.632</b>	<b>3.172.303</b>

(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 place reserves in the CBRT for their TL and foreign currency liabilities according to the maturities stated below.

###### a) TL liabilities;

- Demand, notice deposits and private current accounts 11%,
- Up to 1 month time deposit accounts (1 month included) 11%,
- Up to 3 months time deposit accounts (3 months included) 11%,
- Up to 6 months time deposit accounts (6 months included) 8%,
- Up to 1 year time deposit accounts 6%,
- 1 year and over 1 year time deposit accounts and accumulating deposit accounts 5%,
- Up to 1 year liabilities excluding deposit (1 year included) 11%,
- Up to 3 year liabilities excluding deposit (3 year included) 8%,
- Over 3 year liabilities excluding deposit 5%,

(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 statement at December 31, 2011 (continued)

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

**Explanations and notes related to consolidated financial statements (continued)**

- b) Foreign currency liabilities;
- Demand, notice FC deposits and private current accounts and up to 1 month, up to 3 months, up to 6 months, and up to 1 year time FC deposits 11%,
  - 1 year time and more than 1 year time FC deposits 9%,
  - Up to 1 year FC liabilities excluding deposit (1 year included) 11%,
  - Up to 3 years FC liabilities excluding deposit (3 years included) 9%,
  - Over 3 years FC liabilities excluding deposit 6%

As of December 31, 2011, the Group's reserve deposits, including those at foreign banks, amount to TL 8.986.633 (December 31, 2010 – TL 5.255.231).

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

1. As of December 31, 2011, The Group does not have financial assets at fair value through profit and loss subject to repo transactions (December 31, 2010 - TL 43.734) and financial assets at fair value through profit and loss given as collateral/blocked amount to TL 57.144 (December 31, 2010 – TL 72.723).
2. Positive differences related to trading derivative financial assets:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Forward Transactions	107.654	5.973	27.563	1.723
Swap Transactions	34.541	65.637	541.681	37.956
Futures Transactions	-	-	-	-
Options	46.405	14.408	53.535	31.066
Other	-	-	-	-
<b>Total</b>	<b>188.600</b>	<b>86.018</b>	<b>622.779</b>	<b>70.745</b>

**c. Information on banks:**

1. Information on banks:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Banks	268.424	3.160.100	708.938	1.854.792
Domestic	221.993	1.355.011	682.482	658.248
Foreign	46.431	1.805.089	26.456	1.196.544
Head Quarters and Branches Abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
<b>Total</b>	<b>268.424</b>	<b>3.160.100</b>	<b>708.938</b>	<b>1.854.792</b>

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
EU Countries	1.239.550	886.752	105.538	87.186
USA, Canada	334.092	128.030	-	-
OECD countries <sup>(1)</sup>	18.001	19.858	-	-
Off-shore banking regions	213	73	-	-
Other	125.120	101.101	29.006	-
<b>Total</b>	<b>1.716.976</b>	<b>1.135.814</b>	<b>134.544</b>	<b>87.186</b>

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

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

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

As of December 31, 2011, available-for-sale financial assets given as collateral/blocked amount to TL 555.400 (December 31, 2010 - TL 512.549) and available for sale financial assets subject to repo transactions are TL 705.903 (December 31, 2010 - TL 196.783).

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

	December 31, 2011	December 31, 2010
Debt securities	8.046.603	5.804.928
Quoted on stock exchange <sup>(1)</sup>	6.376.457	4.494.573
Not quoted <sup>(2)</sup>	1.670.146	1.310.355
Share certificates	64.717	58.401
Quoted on stock exchange	140	354
Not quoted	64.577	58.047
Impairment provision (-)	(187.463)	(44.332)
Other <sup>(3)</sup>	87.419	56.983
<b>Total</b>	<b>8.011.276</b>	<b>5.875.980</b>

(1) As of December 31, 2011, Eurobonds amounting to TL 1.083.123 (December 31, 2010 - TL 809.457) 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, 2011, not quoted debt securities amounting to TL 951.989 (December 31, 2010 - TL 729.227) are credit linked notes.

(3) As of December 31, 2011, other available-for-sale financial assets include mutual funds amounting to TL 87.419 (December 31, 2010 - TL 56.983).

(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 statement at December 31, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

**e. Explanations on loans:**

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

	December 31, 2011		December 31, 2010	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	4.576	230.061	7.962	81.282
Loans granted to employees	96.504	71	85.204	83
<b>Total</b>	<b>101.080</b>	<b>230.132</b>	<b>93.166</b>	<b>81.365</b>

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

Cash loans	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
Non-specialised loans	67.833.862	-	1.421.678	70.477
Discount and purchase notes	992.456	-	5.523	-
Export loans	4.170.547	-	125.137	-
Import loans	-	-	-	-
Loans granted to financial sector	1.731.297	-	-	-
Foreign loans	2.202.896	-	4	5.235
Consumer loans	12.936.404	-	522.759	2.423
Credit cards	10.147.831	-	233.345	13.006
Precious metal loans	336.748	-	181	-
Other <sup>(1)</sup>	35.315.683	-	534.729	49.813
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>67.833.862</b>	<b>-</b>	<b>1.421.678</b>	<b>70.477</b>

(1) As explained in the Note IX of Section IV, TL 107.204 of fair value difference of hedged items is classified under other loans.

(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 statement at December 31, 2011 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

3. Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
<b>Short-term loans and other receivables</b>	<b>26.685.363</b>	-	<b>512.971</b>	<b>6.777</b>
Non-specialised loans	26.685.363	-	512.971	6.777
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
<b>Medium and long-term loans and other receivables</b>	<b>41.148.499</b>	-	<b>908.707</b>	<b>63.700</b>
Non-specialised loans	41.148.499	-	908.707	63.700
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

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

December 31, 2011	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing	Factoring	Total
Standard loans	44.749.627	12.936.404	10.147.831	2.549.066	1.787.155	72.170.083
Watch list	720.622	525.182	246.351	131.498	-	1.623.653
Loans under legal follow-up	1.452.724	317.376	368.018	264.121	22.836	2.425.075
Specific provisions (-)	(977.538)	(156.082)	(259.601)	(150.202)	(19.230)	(1.562.653)
<b>Total</b>	<b>45.945.435</b>	<b>13.622.880</b>	<b>10.502.599</b>	<b>2.794.483</b>	<b>1.790.761</b>	<b>74.656.158</b>

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)
<b>Total</b>	<b>36.290.183</b>	<b>9.767.283</b>	<b>8.618.396</b>	<b>1.989.614</b>	<b>1.824.892</b>	<b>58.490.368</b>

(ii) Fair value of collaterals:

December 31, 2011	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing	Factoring	Total
Watch list	333.927	232.157	-	59.312	-	625.396
Loans under legal follow-up	302.664	52.892	-	91.951	-	447.507
<b>Total</b>	<b>636.591</b>	<b>285.049</b>	<b>-</b>	<b>151.263</b>	<b>-</b>	<b>1.072.903</b>

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
<b>Total</b>	<b>563.833</b>	<b>255.306</b>	<b>-</b>	<b>209.676</b>	<b>-</b>	<b>1.028.815</b>

(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, 2011 (continued)**

(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
<b>Consumer Loans-TL</b>	<b>97.119</b>	<b>12.903.728</b>	<b>13.000.847</b>
Real estate loans	7.052	6.415.601	6.422.653
Automotive loans	6.711	1.262.491	1.269.202
Consumer loans	3.384	40.556	43.940
Other	79.972	5.185.080	5.265.052
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>182.192</b>	<b>182.192</b>
Real estate loans	-	175.070	175.070
Automotive loans	-	502	502
Consumer loans	-	4.509	4.509
Other	-	2.111	2.111
<b>Consumer Loans-FC</b>	<b>6.938</b>	<b>53.471</b>	<b>60.409</b>
Real estate loans	33	808	841
Automotive loans	668	3.641	4.309
Consumer loans	2.849	32.959	35.808
Other	3.388	16.063	19.451
<b>Individual Credit Cards-TL</b>	<b>9.496.805</b>	<b>220.192</b>	<b>9.716.997</b>
With installments	5.240.139	213.698	5.453.837
Without installments	4.256.666	6.494	4.263.160
<b>Individual Credit Cards- FC</b>	<b>230</b>	<b>627</b>	<b>857</b>
With installments	230	627	857
Without installments	-	-	-
<b>Personnel Loans-TL</b>	<b>2.835</b>	<b>39.866</b>	<b>42.701</b>
Real estate loans	-	1.233	1.233
Automotive loans	1	1.071	1.072
Consumer loans	-	-	-
Other	2.834	37.562	40.396
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>5</b>	<b>5</b>
Real estate loans	-	5	5
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>321</b>	<b>195</b>	<b>516</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	321	195	516
<b>Personnel Credit Cards-TL</b>	<b>51.785</b>	<b>403</b>	<b>52.188</b>
With installments	29.851	403	30.254
Without installments	21.934	-	21.934
<b>Personnel Credit Cards-FC</b>	<b>1</b>	<b>53</b>	<b>54</b>
With installments	1	53	54
Without installments	-	-	-
<b>Credit Deposit Account-TL (Real Person) <sup>(1)</sup></b>	<b>174.711</b>	<b>-</b>	<b>174.711</b>
<b>Credit Deposit Account-FC (Real Person)</b>	<b>205</b>	<b>-</b>	<b>205</b>
<b>Total</b>	<b>9.830.950</b>	<b>13.400.732</b>	<b>23.231.682</b>

(1) TL 1.040 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 statement at December 31, 2011 (continued)**

(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
<b>Commercial Installments Loans-TL</b>	<b>672.684</b>	<b>5.246.725</b>	<b>5.919.409</b>
Business Loans	842	291.731	292.573
Automotive Loans	30.681	1.868.356	1.899.037
Consumer Loans	-	78	78
Other	641.161	3.086.560	3.727.721
<b>Commercial Installments Loans-FC Indexed</b>	<b>20.996</b>	<b>529.262</b>	<b>550.258</b>
Business Loans	-	30.519	30.519
Automotive Loans	766	115.317	116.083
Consumer Loans	-	-	-
Other	20.230	383.426	403.656
<b>Commercial Installments Loans-FC</b>	<b>1.601.514</b>	<b>800.684</b>	<b>2.402.198</b>
Business Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	125.770	63.936	189.706
Other	1.475.744	736.748	2.212.492
<b>Corporate Credit Cards-TL</b>	<b>622.862</b>	<b>1.224</b>	<b>624.086</b>
With installment	238.440	1.224	239.664
Without installment	384.422	-	384.422
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Credit Deposit Account-TL (Legal Person)</b>	<b>528.676</b>	<b>-</b>	<b>528.676</b>
<b>Credit Deposit Account-FC (Legal Person)</b>	<b>3.296</b>	<b>-</b>	<b>3.296</b>
<b>Total</b>	<b>3.450.028</b>	<b>6.577.895</b>	<b>10.027.923</b>

7. Loans according to types of borrowers:

	December 31, 2011	December 31, 2010
Public	1.471.372	1.292.231
Private	67.854.645	52.950.749
<b>Total</b>	<b>69.326.017</b>	<b>54.242.980</b>

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

	December 31, 2011	December 31, 2010
Domestic loans	67.117.882	52.677.468
Foreign loans	2.208.135	1.565.512
<b>Total</b>	<b>69.326.017</b>	<b>54.242.980</b>



(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 statement at December 31, 2011 (continued)

(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, 2011	December 31, 2010
Direct loans granted to associates and subsidiaries	15.079	25.085
Indirect loans granted to associates and subsidiaries	-	-
<b>Total</b>	<b>15.079</b>	<b>25.085</b>

10. Specific provisions provided against loans:

	December 31, 2011	December 31, 2010
Loans and other receivables with limited collectability	75.878	54.980
Loans and other receivables with doubtful collectability	201.954	340.240
Uncollectible loans and other receivables	1.115.389	1.079.864
<b>Total</b>	<b>1.393.221</b>	<b>1.475.084</b>

	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1, 2011	850.564	221.947	402.573	1.475.084
Allowance for impairment	345.479	368.826	84.455	798.760
Amount recovered during the period	(226.251)	(361.706)	(45.441)	(633.398)
Loans written off during the period as uncollectible <sup>(1)</sup>	(103)	(73.646)	(182.003)	(255.752)
Exchange differences	7.849	661	17	8.527
<b>December 31, 2011</b>	<b>977.538</b>	<b>156.082</b>	<b>259.601</b>	<b>1.393.221</b>

	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 <sup>(1)</sup>	(516.836)	(136.003)	(452.455)	(1.105.294)
Exchange differences	505	(64)	4	445
<b>December 31, 2010</b>	<b>850.564</b>	<b>221.947</b>	<b>402.573</b>	<b>1.475.084</b>

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

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**Notes to consolidated financial statement at December 31, 2011 (continued)**

(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	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
<b>December 31, 2011</b>			
(Gross amounts before specific reserves)	116.892	32.509	82.818
Restructured loans and other receivables	116.892	32.509	82.818
Rescheduled loans and other receivables	-	-	-
<b>December 31, 2010</b>			
(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	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
<b>December 31, 2010</b>	247.452	374.080	1.286.434
Additions (+)	1.536.077	55.082	232.210
Transfers from other categories of non-performing loans (+)	-	726.330	553.032
Transfer to other categories of non-performing loans (-)	(726.330)	(553.032)	-
Collections (-)	(558.221)	(246.949)	(541.100)
FX valuation differences	2.843	159	6.429
Write-offs(-) <sup>(1)</sup>	-	-	(256.378)
Corporate and Commercial Loans	-	-	(103)
Consumer Loans	-	-	(73.646)
Credit Cards	-	-	(182.003)
Other	-	-	(626)
<b>December 31, 2011</b>	501.821	355.670	1.280.627
Specific Provision (-)	(75.878)	(201.954)	(1.115.389)
<b>Net Balance on Balance Sheet</b>	<b>425.943</b>	<b>153.716</b>	<b>165.238</b>

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

According to the resolution of the Board of Directors of the Bank dated November 24, 2011, a portfolio composed of non-performing consumer loans and credit card loans amounting to TL 290.277 as of October 31, 2011, all fully provisioned, was sold to LBT Varlık Yönetim A.Ş. with a gain of TL 45.801.

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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
<b>December 31, 2011</b>			
Period end balance	135.453	50.685	116.380
Specific provision (-)	(18.886)	(12.745)	(94.417)
<b>Net Balance on-balance sheet</b>	<b>116.567</b>	<b>37.940</b>	<b>21.963</b>
<b>December 31, 2010</b>			
Period end balance	13.651	662	127.311
Specific provision (-)	(7.433)	(219)	(95.696)
<b>Net Balance on-balance sheet</b>	<b>6.218</b>	<b>443</b>	<b>31.615</b>

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
<b>December 31, 2011</b>	<b>425.943</b>	<b>153.716</b>	<b>165.238</b>
Loans granted to real persons and corporate entities (Gross)	501.821	331.082	1.196.631
Specific provision amount (-)	(75.878)	(177.366)	(1.031.393)
Loans granted to real persons and corporate entities (Net)	425.943	153.716	165.238
Banks (Gross)	-	24.588	-
Specific provision amount (-)	-	(24.588)	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	83.996
Specific provision amount (-)	-	-	(83.996)
Other loans and receivables (Net)	-	-	-
<b>December 31, 2010</b>	<b>192.472</b>	<b>33.840</b>	<b>206.570</b>
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)	-	-	-

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

12. Information on the performing and close monitoring loans the maturity of which were extended:

Extended Agreements <sup>(1)</sup>	Up to 1 month	1-3 months	3-6 months	6months-1 year	1 - 5 years	Over 5 years	Total
1	6.322	21.306	83.814	119.790	1.084.194	111.224	1.426.650
2	7.125	42.252	8.783	34.841	110.060	-	203.061
3 and over	1.491	1.762	8.089	9.249	-	-	20.591
<b>Total</b>	<b>14.938</b>	<b>65.320</b>	<b>100.686</b>	<b>163.880</b>	<b>1.194.254</b>	<b>111.224</b>	<b>1.650.302</b>

- (1) Two loans with maturities extended 6 months to 1 year and 1 year to 5 years are restructured in accordance with the temporary article 5 subsection 2 of the amendment of "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set Aside" dated April 9, 2011.

The Bank did not restructure any loan in accordance with temporary article 6 subsection 2 of the amendment of "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set Aside" dated December 30, 2011.

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

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

	December 31, 2011	December 31, 2010
Government Bond	12.710.622	12.974.944
Treasury Bill	-	-
Other debt securities	-	-
<b>Total</b>	<b>12.710.622</b>	<b>12.974.944</b>

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

	December 31, 2011	December 31, 2010
Debt Securities	12.853.755	13.053.379
Quoted on Stock Exchange <sup>(1)</sup>	12.853.755	13.053.379
Not Quoted	-	-
Impairment Provision (-) <sup>(2)</sup>	(143.133)	(78.435)
<b>Total</b>	<b>12.710.622</b>	<b>12.974.944</b>

- (1) As of December 31, 2011, Eurobonds amounting to TL 9.241.740 (December 31, 2010 – TL 7.665.114) have been classified under debt securities quoted on stock exchange, even though they are not quoted on a stock exchange because they are traded in the secondary market.

- (2) Necessary impairment provision has been provided for foreign government securities held in Group companies.

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

	December 31, 2011	December 31, 2010
Beginning balance	12.974.944	13.318.719
FC differences on monetary assets <sup>(1)</sup>	1.738.227	33.702
Purchases during year	563.716	3.020.222
Disposals through sales and redemptions	(2.501.567)	(3.383.510)
Impairment provision (-)	(64.698)	(14.189)
<b>Period end balance</b>	<b>12.710.622</b>	<b>12.974.944</b>

(1) Also includes the changes in interest income accruals.

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

As of December 31, 2011, held-to-maturity investments given as collateral/blocked amount to TL 2.760.106 (December 31, 2010 - TL 1.463.634). Held-to-maturity investments subject to repo transactions amount to TL 6.467.221 (December 31, 2010 - TL 3.464.024).

**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.	İstanbul/Türkiye	9,98	9,98

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value
1	33.294	28.668	3.163	1.804	-	12.969	3.986	-
2	22.629	19.044	6.401	686	-	3.179	2.525	-

Financial statement information disclosed above shows September 30, 2011 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

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

No	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value
1	4.499.320	617.970	6.938	87.812	15.244	55.033	26.900	-

Financial statement information disclosed above shows December 31, 2011 results.

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

	December 31, 2011	December 31, 2010
<b>Balance at the beginning of the period</b>	<b>71.906</b>	<b>58.939</b>
<b>Movements during the period</b>	<b>112.034</b>	<b>12.967</b>
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	17.035	8.744
Sales	-	-
Revaluation (decrease)/increase(1)	94.999	4.223
Impairment provision	-	-
<b>Balance at the end of the period</b>	<b>183.940</b>	<b>71.906</b>
<b>Capital Commitments</b>	-	-
<b>Share percentage at the end of the period (%)</b>	<b>30,67</b>	<b>30,67</b>

(1) Includes TL 2.489 (December 31, 2010 - TL 2.069) of dividend received in the current period and the effect of updating equity pick-up by an amount of TL 57.469 (in accordance with TAS and TFRS) based on financial statements prepared in accordance with International Financial Reporting Standards that were made available this period.

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

	December 31, 2011	December 31, 2010
Banks	183.940	71.906
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
<b>Total financial investments</b>	<b>183.940</b>	<b>71.906</b>

- 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)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

(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.	Istanbul/Turkey	99,99	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	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 <sup>(2)</sup>
1	12.907	10.897	319	54	-	1.338	1.135	-
2	37.555	23.318	3.948	1.021	16	621	1.018	-

Financial statement information disclosed above shows December 31, 2011 results.

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.	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	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 <sup>(1)</sup>	Amsterdam/Netherlands	67,24	100,00
11 Yapı Kredi Azerbajjan <sup>(2)</sup>	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) Includes the balances for Sticking Custody Services YKB.

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

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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 <sup>(1)</sup>
1	108.346	108.270	-	-	-	5	2.065	-
2	1.304.705	290.201	5.631	89.305	22.785	84.107	76.454	-
3	1.820.004	129.345	519	136.793	-	46.040	26.178	-
4	347.906	108.837	9.735	19.736	2.162	10.155	842	-
5	1.030.983	353.655	21.755	38.770	25.743	55.185	42.549	984.000
6	3.202.602	877.942	3.471	223.735	-	142.736	91.765	1.649.400
7	78.403	77.112	44	2.576	(1.216)	(527)	5.589	45.900
8	821.999	151.630	20.465	17.818	9.831	42.433	23.377	-
9	84.907	77.442	831	6.390	49	41.505	52.419	-
10	4.115.628	530.849	522	171.080	20.881	33.314	70.385	-
11	559.587	132.907	12.947	27.060	1.005	15.478	13.677	-

(1) Calculated with the ISE market prices as of December 31, 2011 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, 2011.

2 (iii). Movement schedule of consolidated subsidiaries:

	December 31, 2011	December 31, 2010
Balance at the beginning of the period	1.787.541	1.779.648
Movements during the period	11.382	7.893
Purchases	-	-
Transfers	-	-
Bonus shares obtained <sup>(1), (2)</sup>	11.382	7.893
Share of current year income	-	-
Sales	-	-
Foreign exchange valuation differences	-	-
Impairment provision	-	-
<b>Balance at the end of the period</b>	<b>1.798.923</b>	<b>1.787.541</b>
<b>Capital commitments</b>	<b>-</b>	<b>-</b>
<b>Share percentage at the end of the period (%)</b>	<b>-</b>	<b>-</b>

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

(2) As a result of the General Assembly Meeting of Yapı Kredi Azerbaijan registered on April 20, 2011; capital was increased by 6.499 thousand AZN from the profit of 2010.



(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

<b>Subsidiaries</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Banks	297.519	286.137
Insurance companies	148.019	148.019
Factoring companies	183.325	183.325
Leasing companies	722.491	722.491
Finance companies	-	-
Other financial subsidiaries	447.569	447.569
<b>Total financial subsidiaries</b>	<b>1.798.923</b>	<b>1.787.541</b>

2 (v). Subsidiaries quoted on Stock Exchange:

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Quoted on domestic stock exchanges	876.095	876.095
Quoted on foreign stock exchanges	-	-
<b>Total of subsidiaries quoted to stock exchanges</b>	<b>876.095</b>	<b>876.095</b>

**i. Information on joint ventures (net):**

1. Unconsolidated joint ventures: None.

2. Consolidated joint ventures :

2 (i). Information on consolidated Joint Ventures:

	<b>The Parent Bank's shareholding percentage</b>	<b>Group's shareholding percentage</b>	<b>Current assets</b>	<b>Non- current assets</b>	<b>Long term liabilities</b>	<b>Income</b>	<b>Expense</b>
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	80.525	24.789	344	24.867	(35.255)
<b>Total</b>			<b>80.525</b>	<b>24.789</b>	<b>344</b>	<b>24.867</b>	<b>(35.255)</b>

Financial statements in the table above has been obtained from the financial statements as at December 31, 2011

(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, 2011 (continued)**

(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 31, 2011		December 31, 2010	
	Gross	Net	Gross	Net
Less than 1 year	1.093.526	893.073	881.135	714.985
Between 1- 4 years	1.690.542	1.443.695	1.151.085	991.929
More than 4 years	514.777	457.715	299.234	282.700
<b>Total</b>	<b>3.298.845</b>	<b>2.794.483</b>	<b>2.331.454</b>	<b>1.989.614</b>

2) Information for net investments in finance leases:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Gross lease receivables	655.326	2.643.519	461.940	1.869.514
Unearned financial income from leases (-)	(114.848)	(389.514)	(77.495)	(264.345)
Amount of cancelled leases (-)	-	-	-	-
<b>Total</b>	<b>540.478</b>	<b>2.254.005</b>	<b>384.445</b>	<b>1.605.169</b>

According to the resolution of the Board of Directors of Yapı Kredi Leasing dated November 28, 2011; as a result of the studies performed in accordance with the confidentiality agreements about the auction sale of selected portfolios composed of overdue receivables of the Company, portfolio followed under non-performing loan accounts amounting to TL 34.481 as of October 31, 2011 was sold to Anadolu Varlık Yönetim A.Ş. for a total consideration of TL 1.500.

**k. Information on hedging derivative financial assets:**

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Fair Value Hedge <sup>(1)</sup>	369.747	-	34.463	-
Cash Flow Hedge <sup>(1)</sup>	7.226	362	-	3.738
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>376.973</b>	<b>362</b>	<b>34.463</b>	<b>3.738</b>

(1) Explained in the note IX of Section IV.

(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, 2011 (continued)**

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

**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
<b>December 31, 2010</b>					
Cost	2.101.826	385.309	5.191	837.995	3.330.321
Accumulated depreciation (-)	(1.295.921)	(271.375)	(4.423)	(602.087)	(2.173.806)
<b>Net book value</b>	<b>805.905</b>	<b>113.934</b>	<b>768</b>	<b>235.908</b>	<b>1.156.515</b>
<b>December 31, 2011</b>					
<b>Net book value at beginning of the period</b>	<b>805.905</b>	<b>113.934</b>	<b>768</b>	<b>235.908</b>	<b>1.156.515</b>
Additions	2.469	69.091	-	71.717	143.277
Transfers from intangible assets	-	-	-	-	-
Disposals (-), net	(178.862)	(3.435)	(152)	(2.753)	(185.202)
Reversal of impairment, net	99.374	-	-	-	99.374
Impairment (-)	-	-	-	-	-
Depreciation (-)	(40.862)	(42.856)	(252)	(69.463)	(153.433)
Foreign currency differences(-) (net)	1.305	926	63	559	2.853
<b>Net Book Value at end of the period</b>	<b>689.329</b>	<b>137.660</b>	<b>427</b>	<b>235.968</b>	<b>1.063.384</b>
Cost at the end of the period	2.012.485	434.744	3.457	870.019	3.320.705
Accumulated depreciation at the period end (-)	(1.323.156)	(297.084)	(3.030)	(634.051)	(2.257.321)
<b>December 31, 2011</b>	<b>689.329</b>	<b>137.660</b>	<b>427</b>	<b>235.968</b>	<b>1.063.384</b>

As of December 31, 2011, the Parent Bank booked total provision for impairment amounting to TL 328.682 (December 31, 2010 - TL 545.324) for the property and equipment.

**m. Information on intangible assets:**

	December 31, 2011	December 31, 2010
<b>Net book value at the beginning of the period</b>	<b>1.243.080</b>	<b>1.194.649</b>
Additions during the period	104.367	90.675
Unused and disposed items (-)	(3.666)	(159)
Transfers to tangible assets	-	-
Impairment reversal	-	4.015
Amortisation expenses (-)	(60.014)	(46.100)
Foreign exchange valuation differences	398	-
<b>Net book value at the closing of the period</b>	<b>1.284.165</b>	<b>1.243.080</b>

**n. Information on investment property:**

None (December 31, 2010 - None).

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

	December 31, 2011		December 31, 2010	
	Tax base	Deferred tax	Tax base	Deferred tax
Reserves for employee benefit	206.341	41.332	181.967	36.461
Provision for the actuarial deficit of the pension fund	775.286	155.057	838.036	167.607
Derivative financial liabilities	1.050.724	204.298	812.831	150.173
Securities portfolio valuation differences	198.453	39.691	306.985	61.396
Subsidiaries, investment in associates and share certificates	123.072	24.614	123.117	24.623
Other	699.127	139.283	662.443	131.935
<b>Total deferred tax asset</b>	<b>3.053.003</b>	<b>604.275</b>	<b>2.925.379</b>	<b>572.195</b>
Derivative financial assets	(821.361)	(159.232)	(956.156)	(178.328)
Valuation difference of securities portfolio	(179.761)	(35.952)	(129.603)	(25.658)
Property, equipment and intangibles, net	(264.371)	(42.255)	(334.790)	(41.928)
Other	(25.940)	(4.958)	(47.948)	(10.208)
<b>Total deferred tax liability</b>	<b>(1.291.433)</b>	<b>(242.397)</b>	<b>(1.468.497)</b>	<b>(256.122)</b>
<b>Deferred tax asset, net</b>	<b>1.761.570</b>	<b>361.878</b>	<b>1.456.882</b>	<b>316.073</b>

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, 2011	December 31, 2010
<b>Net book value at the beginning of the period</b>	<b>82.416</b>	<b>88.680</b>
Additions	64.432	58.076
Disposals (-), net	(42.028)	(64.936)
Impairment reversal	1.380	2.752
Impairment provision (-)	(238)	(219)
Depreciation (-)	(2.390)	(1.937)
<b>Net book value at the end of the period</b>	<b>103.572</b>	<b>82.416</b>
Cost at the end of the period	110.958	88.875
Accumulated depreciation at the end of the period (-)	(7.386)	(6.459)
<b>Net book value at the end of the period</b>	<b>103.572</b>	<b>82.416</b>

As of December 31, 2011, the Parent Bank booked impairment provision on assets held for resale with an amount of TL 9.791 (December 31, 2010 – TL 10.933).

**r. Information on other assets:**

As of December 31, 2011, 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)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statement at December 31, 2011 (continued)

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

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, 2011:

	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	1.940.416	3.167	1.382.500	15.301.949	1.106.198	302.340	1.272.065	21.308.635
Foreign currency deposits	4.706.743	130.728	3.832.802	15.696.455	2.330.317	357.924	1.507.173	28.564.142
Residents in Turkey	4.045.617	50.442	3.445.831	13.773.807	2.046.671	123.073	723.724	24.209.165
Residents abroad	663.126	80.286	386.971	1.922.648	283.646	234.851	783.449	4.354.977
Public sector deposits	136.025	-	281	101.058	564	139	17	238.084
Commercial deposits	3.038.540	4.968	1.263.337	5.506.015	1.750.784	199.152	159.582	11.922.378
Other institutions deposits	31.314	-	23.494	584.712	485.866	7.940	48.570	1.181.896
Precious metals vault	993.545	-	380	166.607	132.281	64.377	51.736	1.408.926
Bank deposits	178.739	77.714	685.174	165.957	279.759	33.559	141.587	1.562.489
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	12.673	-	391.434	-	-	-	3.104	407.211
Foreign banks	117.216	77.714	293.740	165.957	279.759	33.559	138.483	1.106.428
Participation banks	48.850	-	-	-	-	-	-	48.850
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11.027.322</b>	<b>216.577</b>	<b>7.187.968</b>	<b>37.522.753</b>	<b>6.085.769</b>	<b>965.431</b>	<b>3.180.730</b>	<b>66.186.550</b>

1 (ii). 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 vault	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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9.518.834</b>	<b>202.067</b>	<b>12.198.266</b>	<b>30.272.482</b>	<b>1.097.526</b>	<b>550.948</b>	<b>1.366.879</b>	<b>55.207.002</b>

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statement at December 31, 2011 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Saving deposits	8.534.672	8.779.823	12.736.461	8.651.347
Foreign currency savings deposit	2.751.032	2.448.173	7.640.970	5.572.934
Other deposits in the form of savings deposits	607.610	117.017	633.098	196.827
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

	December 31, 2011	December 31, 2010
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	37.005	21.080
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 is established in Turkey in order to engage in off-shore banking activities solely	9.026	116.231

b. Information on trading derivative financial liabilities:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Forward transactions	94.915	8.414	38.372	321
Swap transactions	285.853	91.283	203.768	31.881
Futures transactions	-	17	-	-
Options	29.149	30.708	52.087	32.739
Other	-	-	-	-
<b>Total</b>	<b>409.917</b>	<b>130.422</b>	<b>294.227</b>	<b>64.941</b>

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

**c. Information on borrowings:**

1. Information on borrowings:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
The CBRT borrowings	-	-	-	-
From domestic banks and institutions	713.873	394.273	1.078.428	360.655
From foreign banks, institutions and funds	653.211	12.921.545	948.183	7.685.804
<b>Total</b>	<b>1.367.084</b>	<b>13.315.818</b>	<b>2.026.611</b>	<b>8.046.459</b>

2. Information on maturity structure of borrowings:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Short-term	915.891	6.938.501	1.510.635	4.099.579
Medium and long-term	451.193	6.377.317	515.976	3.946.880
<b>Total</b>	<b>1.367.084</b>	<b>13.315.818</b>	<b>2.026.611</b>	<b>8.046.459</b>

**d. Information on securities issued:**

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Bills	951.004	5.582	-	19.485
Asset backed securities	-	2.147.781	-	1.375.419
Bank Bonds	144.350	-	-	-
<b>Total</b>	<b>1.095.354</b>	<b>2.153.363</b>	<b>-</b>	<b>1.394.904</b>

The Parent Bank has a securitisation borrowing deal from Standard Chartered Bank and Unicredit Markets and Investment Banking amounting USD 406 million and EUR 208 million, the equivalent of TL 1.242.144 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. The repayments commenced in 2010, and during 2011, a total of TL 387.701 is paid (December 31, 2010 - TL 345.191)

The Bank also made a securitisation borrowing deal at August and September 2011, from Standard Chartered Bank, Wells Fargo, West LB and SMBC amounting USD 225 million and EUR 206 million, the equivalent of TL 905.637 using Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity"). The borrowing has floating interest rates based on Euribor/Libor, the maturity is between 2016 and 2023 and repayments will start in the last quarter of 2013.

On October 10, 2011, the Bank issued bonds amounting to TL 150.000 (nominal) at an interest rate of 9,08% with 368 days to maturity and coupon payment within period of 92 days.

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

On December 5, 2011, the Bank issued domestic bills amounting to TL 1.000.000 (nominal) at an interest rate of 10,62%, issue price of TL 95.34 (full TL) with 168 days to maturity.

These bonds and bills can be re-purchased and re-sold according to the relevant legislation and net outstanding balances are reflected on the accompanying financial statements.

**e. Information on other liabilities:**

As of December 31, 2011, 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:  
None (December 31, 2010 - None).

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.

**g. Information on hedging derivative financial liabilities:**

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Fair Value Hedge <sup>(1)</sup>	18.959	-	313.917	-
Cash Flow Hedge <sup>(1)</sup>	43.693	440.189	38.108	101.638
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>62.652</b>	<b>440.189</b>	<b>352.025</b>	<b>101.638</b>

(1) Represented as explained in Note IX of Section IV

**h. Information on provisions:**

1. Information on general provisions:

	December 31, 2011	December 31, 2010
Provisions for Group I loans and receivables	783.800	596.325
Provisions for Group II loans and receivables	73.036	108.673
Provisions for non cash loans	67.095	61.702
Other	128.337	60.153
<b>Total</b>	<b>1.052.268</b>	<b>826.853</b>



(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, 2011 (continued)

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

### Explanations and notes related to consolidated financial statements (continued)

In accordance with the amendment of "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 27947 dated May 28, 2011 and No.28158 dated December 30, 2011, the Bank provided TL 61.691 of additional general provision for the loans whose payment plans are extended. Such loans are explained in note I.e.12 section V.

#### 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, 2011	December 31, 2010
Discount rate (%)	4,66	4,66
The rate used related to retirement expectation (%)	94,94	94,71

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 2.805,04 (full TL) effective from January 1, 2012 (January 1, 2011 - TL 2.623,23 (full TL)) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefit liability in the balance sheet:

	December 31, 2011	December 31, 2010
Prior period ending balance	101.701	100.482
Changes during the period	36.817	19.705
Paid during the period	(25.063)	(18.385)
Foreign currency differences	528	(102)
<b>Balance at the end of the period</b>	<b>113.983</b>	<b>101.700</b>

In addition, the Group has accounted for unused vacation rights provision amounting to TL 92.358 as of December 31, 2011 (December 31, 2010 – TL 80.267).

**Yapı ve Kredi Bankası A.Ş.**

**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

3. Other provisions:

	December 31, 2011	December 31, 2010
Pension fund provision	775.286	838.036
Non-cash loan provision	108.232	127.958
Provisions for possible risks <sup>(1)</sup>	108.432	88.826
Provisions on credit cards and promotion campaigns related to banking services	33.905	39.697
Legal risk provision <sup>(1)</sup>	43.528	35.886
Provision on export commitment tax and funds liability	37.251	39.486
Other	115.768	170.322
<b>Total</b>	<b>1.222.402</b>	<b>1.340.211</b>

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

4. Pension fund provision:

The Bank provided provision amounting to TL 775.286 (December 31, 2010 – TL 838.036) 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, 2011	December 31, 2010
Income statement (charge)/benefit	62.750	26.023

The amount of TL 62.750 (December 31, 2010 – TL 26.023) is recorded as other operating income in the income statement.

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

	December 31, 2011	December 31, 2010
Present value of funded obligations	1.293.105	1.279.566
- Pension benefits transferable to SSI	1.250.572	1.183.533
- Post employment medical benefits transferable to SSI	42.533	96.033
Fair value of plan assets	(517.819)	(441.530)
<b>Provision for the actuarial deficit of the pension fund</b>	<b>775.286</b>	<b>838.036</b>

The principal actuarial assumptions used were as follows:

	December 31, 2011	December 31, 2010
Discount rate		
- Pension benefits transferable to SSI	%9,80	%9,80
- Post employment medical benefits transferable to SSI	%9,80	%9,80

(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, 2011 (continued)

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

#### Explanations and notes related to consolidated financial statements (continued)

**Mortality rate:** Average life expectation is defined according to the mortality table based on statistical data, as 14 years for men and 18 years for women who retire at the age of 65 and 64, respectively.

Plan assets are comprised as follows:

	December 31, 2011		December 31, 2010	
	Amount	%	Amount	%
Government bonds and treasury bills	195.456	38	154.902	35
Premises and equipment	116.055	22	116.393	26
Bank placements	167.717	32	133.432	30
Short term receivables	19.367	4	19.493	5
Other	19.224	4	17.310	4
<b>Total</b>	<b>517.819</b>	<b>100</b>	<b>441.530</b>	<b>100</b>

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

As of December 31, 2011, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 17.520 (December 31, 2010 - TL 21.327). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

i. Information on taxes payable:

(i) Information on taxes payable:

	December 31, 2011	December 31, 2010
Corporate Tax Payable	112.576	122.306
Taxation of Marketable Securities	71.281	81.688
Property Tax	1.489	1.359
Banking Insurance Transaction Tax ("BITT")	56.607	35.985
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	3.759	3.437
Other	24.848	23.497
<b>Total</b>	<b>270.560</b>	<b>268.272</b>

As at December 31, 2011, the Bank has submitted its application to Boğaziçi Corporate Tax Authority and Taxpayers Office to claim for the benefit of the tax amnesty (the Law numbered 6111) regarding 6 tax penalties resulting from tax inspectors' review of 2005, 2006, 2007, 2009 and 2010 fiscal years. The restructured tax payable amounting to TL 1.332 was paid in the second quarter of 2011.

In addition, Group companies which have submitted application regarding this law have paid amounts of no significance.

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

(ii) Information on premium payables:

	December 31, 2011	December 31, 2010
Social security premiums – employee	1.864	962
Social security premiums – employer	2.196	995
Bank pension fund premiums – employee	8.097	7.291
Bank pension fund premiums – employer	8.471	7.604
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	710	581
Unemployment insurance – employer	1.427	1.163
Other	-	-
<b>Total</b>	<b>22.765</b>	<b>18.596</b>

(iii) Information on deferred tax liability:

There is no deferred tax liability (December 31, 2010 – TL 2.132) 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.

**j. Information on subordinated loans:**

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	2.523.816	-	2.110.274
From other foreign institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2.523.816</b>	<b>-</b>	<b>2.110.274</b>

On March 31, 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 27, 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 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. The Bank has not exercised the early repayment option related to these two loans which was available as of the date of these financial statements. 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.

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

According to the Regulation, subordinated loans obtained from Merrill Lynch Capital Corporation and Goldman Sachs International Bank are considered in the supplementary capital calculation at the rate of 80% as the remaining maturity of these loans is less than 5 years.

According to the resolution of the Board of Directors dated February 22, 2012, the Parent Bank has signed a subordinated loan agreement with UniCredit Bank Austria AG, amounting to USD 585 million, with 10 years maturity and a repayment option by the borrower at the end of five years, at an interest rate of 3 months LIBOR + 8,30%.

**k. Information on shareholders' equity:**

1. Presentation of Paid-in capital:

	December 31, 2011	December 31, 2010
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, 2010 - None).

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

5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.

6. Information on prior period's 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.

(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, 2011 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

8. Information on marketable securities valuation differences:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference	(112.200)	2.195	108.075	63.235
Foreign currency difference <sup>(1)</sup>	226.215	14.914	79.187	2.300
<b>Total</b>	<b>114.015</b>	<b>17.109</b>	<b>187.262</b>	<b>65.535</b>

(1) Also includes current period foreign currency differences.

I. Information on minority interest:

	December 31, 2011	December 31, 2010
Period opening balance	63.095	57.261
Current period net income	6.676	6.672
Dividends paid	(1.808)	(693)
Foreign currency translation differences	(785)	(145)
<b>Period ending balance</b>	<b>67.178</b>	<b>63.095</b>

(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, 2011 (continued)

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

### 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, 2011	December 31, 2010
Commitments on credit cards limits	13.713.682	11.727.679
Loan granting commitments	5.160.785	3.303.500
Commitments for cheques	4.220.740	3.653.626
Other irrevocable commitments	7.551.981	3.939.925
<b>Total</b>	<b>30.647.188</b>	<b>22.624.730</b>

##### 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 67.095 (December 31, 2010 - TL 61.702) and a specific provision regarding non-cash loans amounting to TL 108.232 (December 31, 2010 - TL 127.958)

##### 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, 2011	December 31, 2010
Bank acceptance loans	158.915	165.797
Letter of credits	5.006.984	3.999.873
Other guarantees and collaterals	2.391.897	579.420
<b>Total</b>	<b>7.557.796</b>	<b>4.745.090</b>

##### 2 (ii). Guarantees, surety ships and other similar transactions:

	December 31, 2011	December 31, 2010
Temporary letter of guarantees	1.789.616	1.020.700
Definite letter of guarantees	13.020.400	10.637.897
Advance letter of guarantees	2.476.742	2.100.373
Letter of guarantees given to customs	1.048.085	807.679
Other letter of guarantees	479.870	380.814
<b>Total</b>	<b>18.814.713</b>	<b>14.947.463</b>

(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, 2011 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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

	December 31, 2011	December 31, 2010
Non-cash loans given against cash loans	342.946	297.715
With original maturity of 1 year or less than 1 year	32.580	84.962
With original maturity of more than 1 year	310.366	212.753
Other non-cash loans	26.029.563	19.394.838
<b>Total</b>	<b>26.372.509</b>	<b>19.692.553</b>

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

	December 31, 2011				December 31, 2010			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>153.475</b>	<b>1,44</b>	<b>254.661</b>	<b>1,62</b>	<b>128.439</b>	<b>1,64</b>	<b>179.169</b>	<b>1,51</b>
Farming and raising livestock	115.608	1,08	241.083	1,54	96.758	1,24	175.426	1,47
Forestry	33.968	0,32	8.424	0,05	24.429	0,31	1.237	0,01
Fishing	3.899	0,04	5.154	0,03	7.252	0,09	2.506	0,03
<b>Manufacturing</b>	<b>3.966.462</b>	<b>37,09</b>	<b>7.464.265</b>	<b>47,64</b>	<b>3.193.878</b>	<b>40,96</b>	<b>5.618.099</b>	<b>47,23</b>
Mining	474.401	4,44	650.116	4,15	271.652	3,48	481.108	4,04
Production	3.058.194	28,59	5.661.873	36,14	2.462.232	31,58	4.319.847	36,32
Electric, gas and water	433.867	4,06	1.152.276	7,35	459.994	5,90	817.144	6,87
<b>Construction</b>	<b>3.164.314</b>	<b>29,59</b>	<b>3.788.942</b>	<b>24,17</b>	<b>2.194.349</b>	<b>28,14</b>	<b>3.022.661</b>	<b>25,41</b>
<b>Services</b>	<b>2.330.696</b>	<b>21,79</b>	<b>3.931.494</b>	<b>25,08</b>	<b>1.964.996</b>	<b>25,20</b>	<b>2.863.639</b>	<b>24,08</b>
Wholesale and retail trade	1.112.054	10,4	853.137	5,44	981.340	12,58	399.881	3,36
Hotel, food and beverage services	97.522	0,91	127.342	0,81	77.349	0,99	76.832	0,65
Transportation and telecommunication	317.317	2,97	396.460	2,53	260.105	3,34	308.714	2,60
Financial institutions	470.730	4,40	1.949.497	12,44	381.561	4,89	1.588.141	13,35
Real estate and leasing services	94.246	0,88	277.906	1,77	60.406	0,77	220.842	1,86
Self-employment services	-	-	-	-	-	-	-	-
Education services	15.498	0,14	2.531	0,02	15.835	0,20	2.931	0,02
Health and social services	223.329	2,09	324.621	2,07	188.400	2,43	266.298	2,24
<b>Other</b>	<b>1.080.445</b>	<b>10,09</b>	<b>237.755</b>	<b>1,49</b>	<b>316.447</b>	<b>4,06</b>	<b>210.876</b>	<b>1,77</b>
<b>Total</b>	<b>10.695.392</b>	<b>100,00</b>	<b>15.677.117</b>	<b>100,00</b>	<b>7.798.109</b>	<b>100,00</b>	<b>11.894.444</b>	<b>100,00</b>

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

December 31, 2011	Group I		Group II <sup>(1)</sup>	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>				
Letters of Guarantee	9.846.873	8.818.586	96.691	52.563
Bank Acceptances	-	158.915	-	-
Letters of Credit	13.687	4.993.297	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	738.141	1.653.756	-	-
<b>Total</b>	<b>10.598.701</b>	<b>15.624.554</b>	<b>96.691</b>	<b>52.563</b>



(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 statement at December 31, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

December 31, 2010	Group I		Group II <sup>(1)</sup>	
	TL	FC	TL	FC
<b>Non-cash loans</b>				
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
<b>Total</b>	<b>7.716.336</b>	<b>11.858.352</b>	<b>81.773</b>	<b>36.092</b>

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

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

December 31, 2011 <sup>(1)</sup>	Indefinite	Up to 1 year	1-5 Years	Above 5 years	Total
Letter of credit	2.727.074	1.802.256	477.654	-	5.006.984
Letter of guarantee	9.164.695	3.183.647	5.468.158	998.213	18.814.713
Bank acceptances	158.915	-	-	-	158.915
Other	913.922	647.746	815.288	14.941	2.391.897
<b>Total</b>	<b>12.964.606</b>	<b>5.633.649</b>	<b>6.761.100</b>	<b>1.013.154</b>	<b>26.372.509</b>

December 31, 2010 <sup>(1)</sup>	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
<b>total</b>	<b>10.059.732</b>	<b>4.563.747</b>	<b>4.250.823</b>	<b>818.251</b>	<b>19.692.553</b>

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

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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

	December 31, 2011	December 31, 2010
Types of trading transactions		
Foreign currency related derivative transactions (I)	36.152.300	42.680.725
FC trading forward transactions	10.638.749	5.287.933
Trading swap transactions	19.227.426	26.468.079
Futures transactions	-	-
Trading option transactions	6.286.125	10.924.713
Interest related derivative transactions (II)	9.038.470	3.541.599
Forward interest rate agreements	-	-
Interest rate swaps	4.579.348	3.541.598
Interest rate options	4.459.122	-
Interest rate futures	-	1
Other trading derivative transactions (III)	1.646.449	1.822.143
<b>A. Total trading derivative transactions (I+II+III)</b>	<b>46.837.219</b>	<b>48.044.467</b>
Types of hedging transactions		
Fair value hedges	6.206.854	4.317.238
Cash flow hedges	32.437.197	8.527.020
Foreign currency investment hedges	-	-
<b>B. Total hedging related derivatives</b>	<b>38.644.051</b>	<b>12.844.258</b>
<b>Total derivative transactions (A+B)</b>	<b>85.481.270</b>	<b>60.888.725</b>

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

December 31, 2011 <sup>(1)</sup>	Up to 1 month	1-3 Months	3-12 Months	1-5 Year	Above 5 years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:	(125.298)	(95.077)	92.234	(602.951)	(163.310)	(894.402)
– Inflow	9.136.901	4.156.536	4.805.995	3.000.351	368.340	21.468.123
– Outflow	(9.262.199)	(4.251.613)	(4.713.761)	(3.603.302)	(531.650)	(22.362.525)
Interest rate derivatives:	454	2.010	(1.374)	3.017	887	4.994
– Inflow	97.487	5.159	294.006	3.814.968	662.743	4.874.363
– Outflow	(97.033)	(3.149)	(295.380)	(3.811.951)	(661.856)	(4.869.369)
<b>Derivatives held for hedging</b>						
Foreign exchange derivatives:	-	-	-	-	-	-
– Inflow	-	-	-	-	-	-
– Outflow	-	-	-	-	-	-
Interest rate derivatives:	(33.879)	(7.309)	(170.816)	(571.407)	30.649	(752.762)
– Inflow	17.528	263.013	1.481.977	18.229.258	495.315	20.487.091
– Outflow	(51.407)	(270.322)	(1.652.793)	(18.800.665)	(464.666)	(21.239.853)
<b>Total cash inflow</b>	<b>9.251.916</b>	<b>4.424.708</b>	<b>6.581.978</b>	<b>25.044.577</b>	<b>1.526.398</b>	<b>46.829.577</b>
<b>Total cash outflow</b>	<b>(9.410.639)</b>	<b>(4.525.084)</b>	<b>(6.661.934)</b>	<b>(26.215.918)</b>	<b>(1.658.172)</b>	<b>(48.471.747)</b>

(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 statement at December 31, 2011 (continued)

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

**Explanations and notes related to consolidated financial statements (continued)**

December 31, 2010 <sup>(1)</sup>	Up to 1 month	1-3 Months	3-12 Months	1-5 Year	Above 5 years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives	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)
<b>Derivatives held for hedging</b>						
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)
<b>Total cash inflow</b>	<b>7.395.010</b>	<b>8.705.530</b>	<b>5.903.871</b>	<b>11.835.588</b>	<b>760.281</b>	<b>34.600.280</b>
<b>Total cash outflow</b>	<b>(7.215.417)</b>	<b>(8.413.594)</b>	<b>(6.291.474)</b>	<b>(13.261.249)</b>	<b>(1.028.565)</b>	<b>(36.210.299)</b>

(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 43.528 (December 31, 2010 - TL 35.886) for litigation and has accounted for it in the financial statements under the "Other provisions" account. Except for the cases where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations resulting in cash outflows.

As a result of preliminary research conducted in the banking sector regarding the interest rates, an investigation process is initiated on some banks including the Bank according to the Competition Board decision dated November 2, 2011 and no 11-55/1438-M to determine whether there is a violation of the 4th article of the Protection of Competition Law No. 4054, and the process is still ongoing.

**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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Notes to consolidated financial statement at December 31, 2011 (continued)

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

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, 2011		December 31, 2010	
	TL	FC	TL	FC
Short-term loans <sup>(1)</sup>	2.384.819	222.848	2.194.855	261.631
Medium/long-term loans <sup>(1)</sup>	2.072.204	961.496	1.542.430	564.816
Interest on loans under follow-up	97.260	129	85.459	231
Premiums received from resource utilisation support fund	-	-	-	-
<b>Total</b>	<b>4.554.283</b>	<b>1.184.473</b>	<b>3.822.744</b>	<b>826.678</b>

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

2. Information on interest income on banks:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	59.367	24.952	33.477	14.546
From Foreign Banks	2.551	28.745	6.639	21.079
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>61.918</b>	<b>53.697</b>	<b>40.116</b>	<b>35.625</b>

3. Information on interest income on marketable securities:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
From trading financial assets	41.904	1.591	11.678	6.427
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	531.621	68.294	195.097	55.885
From held-to-maturity investments	348.634	582.327	514.304	467.800
<b>Total</b>	<b>922.159</b>	<b>652.212</b>	<b>721.079</b>	<b>530.112</b>

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

	December 31, 2011	December 31, 2010
Interests received from associates and subsidiaries	1.360	816

**b. Information on interest expense:**

1. Information on interest expense on borrowings:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	TL
Banks	147.070	390.391	156.016	221.364
The CBRT	-	-	-	-
Domestic banks	37.246	5.824	48.658	12.518
Foreign banks	109.824	384.567	107.358	208.846
Headquarters and branches abroad	-	-	-	-
Other institutions	-	104	-	245
<b>Total <sup>(1)</sup></b>	<b>147.070</b>	<b>390.495</b>	<b>156.016</b>	<b>221.609</b>

(1) Includes fees and commissions received for borrowings.

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

	December 31, 2011	December 31, 2010
Interests paid to associates and subsidiaries	489	1.125

3. Information on securities issued:

	December 31, 2011		December 31, 2010	
	TL	FC	TL	FC
Interest on securities issued	48.042	29.403	-	24.674
<b>Total</b>	<b>48.042</b>	<b>29.403</b>	<b>-</b>	<b>24.674</b>

(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 statement at December 31, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time deposit					Accumulating deposit	Total	December 31, 2010
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year			
<b>TL</b>									
Bank deposit	224	3.664	9.554	-	-	500	-	13.942	19.482
Saving deposit	27	161.592	1.124.688	55.330	35.072	107.341	-	1.484.050	1.273.721
Public sector deposit	-	141	705	437	12	25	-	1.320	6.079
Commercial deposit	49	126.667	491.584	97.486	10.687	9.148	-	735.621	517.591
Other deposit	-	5.349	53.535	20.805	261	1.621	-	81.571	61.005
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>300</b>	<b>297.413</b>	<b>1.680.066</b>	<b>174.058</b>	<b>46.032</b>	<b>118.635</b>	<b>-</b>	<b>2.316.504</b>	<b>1.877.878</b>
<b>FC</b>									
Foreign currency deposit	2.764	192.477	509.220	45.451	10.148	30.794	725	791.579	418.299
Bank deposit	172	4.745	5.525	6.758	6.014	4.793	-	28.007	34.154
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	949	89	58	71	47	-	1.214	430
<b>Total</b>	<b>2.936</b>	<b>198.171</b>	<b>514.834</b>	<b>52.267</b>	<b>16.233</b>	<b>35.634</b>	<b>725</b>	<b>820.800</b>	<b>452.883</b>
<b>Grand total</b>	<b>3.236</b>	<b>495.584</b>	<b>2.194.900</b>	<b>226.325</b>	<b>62.265</b>	<b>154.269</b>	<b>725</b>	<b>3.137.304</b>	<b>2.330.761</b>

c. Information on dividend income:

	December 31, 2011	December 31, 2010
Trading financial assets	211	401
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	158	582
Other	5.522	99
<b>Total</b>	<b>5.891</b>	<b>1.082</b>

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

	December 31, 2011	December 31, 2010
<b>Gain</b>	<b>23.566.321</b>	<b>17.960.280</b>
Gain from capital market transactions	60.867	122.725
Derivative financial transaction gains	13.831.192	10.739.279
Foreign exchange gains	9.674.262	7.098.276
<b>Loss (-)</b>	<b>(23.703.567)</b>	<b>(17.992.418)</b>
Loss from capital market transactions	(26.137)	(7.520)
Derivative financial transaction losses	(14.365.039)	(11.209.792)
Foreign exchange loss	(9.312.391)	(6.775.106)
<b>Net gain/loss</b>	<b>(137.246)</b>	<b>(32.138)</b>

(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 statement at December 31, 2011 (continued)**

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**Explanations and notes related to consolidated financial statements (continued)**

**e. Information on loss / gain from derivative financial transactions**

The amount of net loss from derivative financial transactions related to exchange rate changes is TL 67.798 (December, 31 2010 – TL 7.871 loss).

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

Other operating income mainly includes reversal of provisions for non-performing loans collected. It also comprises reversal of other expense provisions which were recorded in previous years, including the provision for pension fund for TL 62.750 (December 31, 2010 – TL 26.023), the gain from the sale of non-performing loan portfolio for TL 45.801 (December 31, 2010 – TL 71.911) and the positive effect of real estate sale and impairment reversals for 171.664 TL (December 31, 2010 – TL 143.773).

Apart from these, it also includes, the effect of updating equity pick-up by an amount of TL 57.469 (in accordance with TAS and TFRS) based on financial statements prepared in accordance with International Financial Reporting Standards that were made available this period.

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

	December 31, 2011	December 31, 2010
Specific provisions for loans and other receivables	491.825	1.045.337
III. Group loans and receivables	132.905	8.268
IV. Group loans and receivables	46.837	133.683
V. Group loans and receivables	312.083	903.386
General provision expenses	248.713	74.315
Provision expense for possible risks	24.371	25.905
Marketable securities impairment expenses	29.345	1.014
Financial assets at fair value through profit or loss	1.014	1.014
Available-for-sale financial assets	28.331	-
Impairment of investments in associates, subsidiaries and held-to-maturity securities	62.997	14.189
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments	62.997	14.189
Other	3.334	1.545
<b>Total</b>	<b>860.585</b>	<b>1.162.305</b>

(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 statement at December 31, 2011 (continued)**

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**Explanations and notes related to consolidated financial statements (continued)**

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

	December 31, 2011	December 31, 2010
Personnel expenses	1.281.148	1.125.639
Reserve for employee termination benefits	11.659	2.259
Provision expense for pension fund	-	-
Impairment expenses of fixed assets	-	1.324
Depreciation expenses of fixed assets	153.433	142.925
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	60.014	46.100
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	238	219
Depreciation expenses of assets held for resale	2.390	1.937
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	908.683	855.796
Operational lease expenses	130.722	113.235
Maintenance expenses	30.856	29.073
Advertising expenses	74.496	82.411
Other expense	672.609	631.077
Loss on sales of assets	888	2.883
Other	492.372	514.116
<b>Total</b>	<b>2.910.825</b>	<b>2.693.198</b>

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

Income before tax includes net interest income amounting to TL 3.745.178 (December 31, 2010 - TL 3.582.153), net fee and commission income amounting to TL 1.969.214 (December 31, 2010 - TL 1.738.087) and total other operating expense amounting TL 2.910.825 (December 31, 2010 - TL 2.693.198).

The Group has no discontinued operations.

**j. Provision for taxes on income from continuing operations and discontinued operations:**

As of December 31, 2011, the Group has current tax expense amounting to TL 512.317 (December 31, 2010 TL- 550.611) and deferred tax charge amounting to TL 72.467 (December 31, 2010 - TL 11.615)

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

	December 31, 2011	December 31, 2010
Income before tax provision	2.876.164	2.793.699
Tax calculated with tax rate of 20%	575.233	558.740
Disallowables, deductions and other, net	7.331	(25.053)
Tax rate difference	2.220	5.309
<b>Total provision for taxes on income</b>	<b>584.784</b>	<b>538.996</b>



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**Notes to consolidated financial statement at December 31, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

A tax investigation report (No. GKR-2009-748/9, dated November 3, 2009) was issued following the examination of 2004 corporate tax. The Bank objected against Boğaziçi Corporate Tax Office report with No. 2010 / 1614 at İstanbul 3rd Tax Court asking for the cancellation of the tax / penalty notification No. 2009/1. In December 2011 Tax Court (decision no. 2011/4287) accepted only partially the banks objection, leaving to the Bank the right to file an appeal to the Council of State. As of December 31, 2011, due to the denied part of the case, the Bank recognized TL 16.640 as current tax provision for additional corporate tax and TL 22.406 as operational expense for tax delay interest in the income statement.

The Group has no discontinued operations.

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

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation except as disclosed in other footnotes, to understand the Group's current period performance. (December 31, 2010 - as a result of changes in the internal composition of the loan portfolio, the Bank revised the general loan loss provisions by updating the related parameters used in the calculation of such provision. 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.)
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

**m. Income/loss of minority interest:**

	December 31, 2011	December 31, 2010
Income / loss of minority interest	6.676	6.672

(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, 2011 (continued)

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

**Explanations and notes related to consolidated financial statements (continued)**

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

**a. Information on dividends:**

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

**b. Information on increase/decrease amounts resulting from merger:**

None.

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

"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 valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

**d. Hedging transactions:**

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2011 is TL 308.530 loss (December 31, 2010 - TL 101.828 loss).

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2011 is EUR 238 million (December 31, 2010 - EUR 203 million). The foreign exchange loss of TL 112.775 (December 31, 2010 - TL 41.608 foreign exchange loss), net of tax, on translation of the borrowing to TL at the statement of financial position date is recognized in "hedging reserves" in equity.

**e. Information on share issue premium:**

Explained in details in Note XIX of Section Three.

(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 statement at December 31, 2011 (continued)

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

Explanations and notes related to consolidated financial statements (continued)

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 in 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, 2011	December 31, 2009
<b>Cash</b>	<b>4.127.914</b>	<b>2.032.372</b>
Cash and effectives	702.227	655.382
Demand deposits in banks	3.425.687	1.376.990
<b>Cash equivalents</b>	<b>1.977.118</b>	<b>3.015.471</b>
Interbank money market	970.536	1.581.164
Deposits in bank	1.006.582	1.434.307
<b>Total cash and cash equivalents</b>	<b>6.105.032</b>	<b>5.047.843</b>

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

	December 31, 2011	December 31, 2010
<b>Cash</b>	<b>7.647.595</b>	<b>4.127.914</b>
Cash and effectives	1.033.190	702.227
Demand deposits in banks	6.614.405	3.425.687
<b>Cash equivalents</b>	<b>3.816.780</b>	<b>1.889.932</b>
Interbank money market	2.172.189	970.536
Deposits in bank	1.644.591	919.396
<b>Total cash and cash equivalents</b>	<b>11.464.375</b>	<b>6.017.846</b>

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

As of December 31, 2011, the Group's reserve deposits, including those at foreign banks and the TL reserve requirements, amount to TL 8.986.633 (December 31, 2010 - TL 5.255.231). There is also TL 134.544 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 2.397.727 (December 31, 2010 - TL 210.228) 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 1.575.487 (December 31, 2010 - TL 1.019.920 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 an increase approximately of TL 653.549 as of December 31, 2011 (December 31, 2010-TL 54.185 decrease).

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

None.

(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, 2011 (continued)

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

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, 2011 Group's risk group <sup>(1)(2)</sup>	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	25.085	3.271	258.251	81.282	951.016	671.337
Balance at the end of the period	15.079	2.053	426.591	230.061	693.445	723.808
Interest and commission income received	1.360	16	8.156	1.191	64.530	5.913

(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, 2010 Group's risk group <sup>(1)(2)</sup>	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	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, loans and marketable securities.

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

Group's risk group <sup>(1)(2)</sup>	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, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Deposit						
Beginning of the period	11.699	41.731	4.367.079	3.060.980	5.279.564	2.330.627
End of the period	10.801	11.699	7.546.932	4.367.079	4.885.191	5.279.564
Interest expense on deposits	489	1.125	275.723	198.531	244.178	137.756

(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.

(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, 2011 (continued)**

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

**Explanations and notes related to consolidated financial statements (continued)**

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

Group's risk group <sup>(1)</sup>	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, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Transactions at fair value through profit or loss <sup>(2)</sup>						
Beginning of the period <sup>(3)</sup>	38.038	-	187.782	378.169	642.637	710.036
End of the period <sup>(3)</sup>	-	38.038	216.174	187.782	97.206	642.637
Total profit / loss	(3.745)	(486)	3.718	(17.801)	(17.777)	(26.061)
Transactions for hedging purposes <sup>(2)</sup>						
Beginning of the period	-	-	-	-	-	-
End of the period	-	-	-	-	-	-
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 buy 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 Parent Bank's risk group and controlled by the Bank irrespective of the relationship between the parties:

The Parent Bank performs various transactions with group companies during its banking activities. These are commercial transactions realized with market prices. The Parent Bank sold real estate to a related party with a sales profit amounting to TL 12.628.

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

Amount of TL 30.299 was paid to the Group's top management as of December 31, 2011 (December 31, 2010 - TL 30.808).

(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, 2011 (continued)**

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

**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 <sup>(1)(2)</sup>	906	14.855			
			Country of incorporation		
Foreign Rep. Office <sup>(2)</sup>	-	-	-		
				Total asset	Statutory share capital
Foreign Branch <sup>(2)</sup>	-	-	-	-	-
Off-Shore Banking Region Branch <sup>(2)</sup>	1	4	Bahrain	7.985.171	-

(1) In 2011, 41 new branches have been opened while 2 branches have been closed.

(2) The values disclosed above are those of the Parent Bank

**X. Explanations and notes related to subsequent events**

1. In the meeting held on January 18, 2012, the Board decided to submit to the approval of shareholders at the General Assembly the extension of the registered capital ceiling of the Bank which will expire at the end of 2012 until the end of 2016 and the authorization to the Management regarding obtaining permits (required from Banking Regulation and Supervision Agency, Capital Market Board and other relevant authorities for a change as indicated in the accompanying Articles of Association of the Bank, "Capital," Chapter 8) to increase the amount of the Authorized Capital from TL 5.000.000 to TL 10.000.000.
2. On February 8, 2012, the Bank finalized a bond issuance of USD 500 million with 5 years maturity with a fixed semi-annual coupon rate of 6,75% managed by J.P. Morgan Securities Ltd., Standard Chartered Bank and UniCredit Bank AG.
3. On February 6, 2012, the Bank has issued TL 400.000 nominal value discounted bill with a simple interest rate of 9,95%, 161 days to maturity and issued bonds amounting to TL 150.000 nominal value with a quarterly coupon at an interest rate of 2,48 % with 368 days to maturity.
4. On February 17, 2012, the Bank completed a private placement bond issuance amounting to TL 30.000 nominal value with 6 year maturity and semi annual coupon payment.
5. By the decision of the Constitutional Court (decision no: E.2010/93, K. 2012/9 dated February 9, 2012) the effect of the sentence "In so far, the amount to be used as investment incentive exception in the determination of the tax base cannot exceed 25% of the related gain" added to 1st article of the 69th clause of the Law No. 193 was suspended until the date of the publication of the cancellation decision in the Official Gazette to preclude any unpreventable consequences or damages that could rise from the application of the sentence, and to prevent the cancellation decision prove abortive as the sentence was cancelled on February 9, 2012 (decision no: E.2010/93, K.2012/20).
6. According to the resolution of the Board of Directors dated February 22, 2012, the Parent Bank has signed a subordinated loan agreement with UniCredit Bank Austria AG, amounting to USD 585 million, with 10 years maturity and a repayment option by the borrower at the end of five years, at an interest rate of 3 months LIBOR + 8,30%.

(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, 2011 (continued)**

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

## **Section six**

### **Other explanations and notes**

#### **I. Other explanations on Group's operations**

None.

## **Section seven**

### **Independent auditor's report**

#### **I. Explanations on independent auditor's report**

The consolidated financial statements for the period ended December 31, 2011 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 23, 2012 is presented preceding the consolidated financial statements.

#### **II. Explanations and notes prepared by independent auditor**

None.