KOÇBANK A.Ş.

CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AS OF 30 JUNE 2006
TOGETHER WITH AUDITOR'S REVIEW REPORT

REVIEW REPORT OF THE AUDITOR

To the Board of Directors of
Koçbank A.Ş.

1. We have reviewed the accompanying consolidated interim balance sheet of Koçbank A.Ş. ("the Bank") and its subsidiaries ("the Group") as of 30 June 2006 and the related consolidated interim statements of income, cash flows and changes in equity for the six months then ended. These consolidated interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the consolidated interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as of 30 June 2006, and of the results of its operations and its cash flows for the period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

   We would like to draw your attention to the following matter:

4. As further explained in Note 35 of the accompanying consolidated interim financial statements, the process of the transfer of all rights, receivables, obligations and liabilities of the Bank to Yapı ve Kredi Bankası A.Ş. by virtue of dissolution of the Bank is still ongoing.

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

Zeynep Uras, SMMM
Istanbul, 27 September 2006

KOÇBANK A.Ş.

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KOÇBANK A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2006 AND 31 DECEMBER 2005
(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	30 June 2006	Restated 31 December 2005
ASSETS			
Cash and balances with central banks	5	3,403,614	2,250,878
Due from banks	6	1,936,003	3,559,780
Trading securities	7	809,029	1,616,203
Investment securities			
- available-for-sale	8	1,169,193	1,193,594
- held-to-maturity	8	12,520,269	8,034,338
Investment in associate	9	46,320	35,917
Loans and advances to customers	10	23,776,046	19,094,274
Derivative financial instruments	11	127,768	24,351
Goodwill	12	1,014,977	1,014,977
Other intangible assets	13	181,482	199,524
Premises and equipment	14	1,309,341	1,360,480
Other assets	15	853,871	620,697
Deferred income tax assets	19	548,062	859,302
Total assets		**47,695,975**	**39,864,315**
LIABILITIES			
Due to banks	16	423,032	779,285
Due to customers	17	32,297,981	27,280,677
Other borrowed funds	18	6,502,788	3,687,300
Derivative financial instruments	11	47,073	30,039
Current income taxes payable	19	3,341	12,778
Deferred income tax liabilities	19	196,260	229,868
Other provisions	20	909,683	857,882
Reserve for employment termination benefits	21	89,583	87,467
Insurance technical reserves	22	841,717	830,043
Other liabilities	23	3,334,045	2,582,778
Total liabilities		**44,645,503**	**36,378,117**
EQUITY			
Capital and reserves attributable to the Bank's equity holders:			
Share capital	25	2,345,246	2,342,316
Adjustment to share capital	25	40,368	40,368
Total paid-in share capital	25	2,385,614	2,382,684
Share issue premium		37,579	37,579
Other reserves	26	49,845	8,499
Retained earnings	26	1,319	334,142
		2,474,357	**2,762,904**
Minority interest		576,115	723,294
Total equity		**3,050,472**	**3,486,198**
Total liabilities and equity		**47,695,975**	**39,864,315**

Commitments and contingent liabilities 31

These consolidated interim financial statements as at and for the period ended 30 June 2006 have been approved for issue by the Board of Directors 27 September 2006 and signed on its behalf by Kemal Kaya, the Chief Executive Officer and by Federico Ghizzoni, the Chief Operating Officer

The accompanying notes set out on pages 5 to 66 form an integral part of these consolidated interim financial statements.

KOÇBANK A.Ş.

CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED 30 JUNE
(Amounts expressed in thousands of New Turkish Lira ("YTL") unless otherwise indicated.)

	Notes	2006	2005 (*)
Interest income	27	2,258,792	633,689
Interest expense	27	(1,359,341)	(343,038)
Net interest income		**899,451**	**290,651**
Fee and commission income	28	588,411	127,582
Fee and commission expense	28	(142,894)	(21,961)
Net fee and commission income		**445,517**	**105,621**
Foreign exchange gains, net		23,850	14,426
Net trading gains		11,844	9,712
Insurance technical income, net		48,514	-
Other operating income		34,138	6,126
Operating revenues		**1,463,314**	**426,536**
Other operating expenses	29	(874,427)	(204,752)
		588,887	**221,784**
Impairment losses on loans and advances	30	(117,764)	(55,117)
Other provisions	20	(58,636)	(1,605)
Loss on net monetary position	2	-	(12,011)
Operating profit		**412,487**	**153,051**
Share of profit of associate	9	2,398	**-**
Profit before income tax		**414,885**	**153,051**
Income tax expense	19	(320,442)	(53,120)
Profit for the period		**94,443**	**99,931**
Attributable to:			
Equity holders of the Bank		122,030	99,931
Minority interest		(27,587)	-
		94,443	**99,931**

* 30 June 2005 figures represent Koçbank's standalone financial statements.

The accompanying notes set out on pages 5 to 66 form an integral part of these consolidated interim financial statements.

KOÇBANK A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE

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

	Notes	2006	2005
Cash flows from operating activities			
Net profit for the period		94,443	99,931
Adjustments for:			
Unrealised gain on trading securities, net		81,976	(1,098)
Allowance for losses on loans and advances	30	117,764	55,117
Measurement of derivative financial instruments at fair value		(86,383)	20,701
Share of profit of associates	9	(2,398)	-
Amortisation of other intangible assets	29	16,991	3,586
Depreciation of premises and equipment	29	74,821	18,470
Impairment charge on premises	14	(1,331)	526
Impairment charge on other intangible assets	13	2,770	-
Impairment charge on assets held for resale	15	2,865	2,876
Provision for current and deferred income taxes	19	320,442	53,120
Reserve for employment termination benefits	21	6,196	2,121
Other provisions	20	58,636	1,605
Other liabilities		144,023	20,230
Unearned commission income		(257)	4,893
Add back dividend income		(4,393)	-
Interest income - net	27	(899,451)	(290,651)
Interest paid		(1,407,652)	(326,939)
Interest received		1,938,647	544,492
Inflation effect on non-operating activities		-	1,268
Inflation effect on provision for loan losses		-	(11,663)
Translation difference		32,438	-
Cash flows from operating profits before changes in operating assets and liabilities		490,147	198,585
Changes in operating assets and liabilities:			
Net (increase)/decrease in cash balances with central banks		(1,013,959)	54,093
Net (increase)/decrease in due from banks		(55,005)	39,916
Net decrease/ (increase) in trading securities		725,446	(63,633)
Net increase in loans and advances to customers		(4,658,570)	(994,446)
Net decrease in other assets		103,328	43,687
Net (decrease)/increase in due to banks		(356,492)	70,563
Net increase in due to customers		5,088,856	628,980
Net increase/ (decrease) in other liabilities and provisions		335,173	(9,267)
Income taxes paid		(123,989)	(75,906)
Inflation effect on operating activities		-	70,516
Net cash from/ (used in) operating activities		**534,935**	**(36,912)**
Cash flows from investing activities			
Purchase of property and equipment, net	14	(20,260)	(3,743)
Purchase of intangible assets, net	13	(914)	(806)
Cash outflow on acquisition		(609,264)	-
Purchase of investment securities, net		(4,238,821)	(188,263)
Dividends received		4,393	-
Inflation effect on investing activities		-	(74,450)
Net cash used in investing activities		**(4,864,866)**	**(267,262)**
Cash flows from financing activities			
Proceeds from borrowed funds, net		2,783,969	43,933
Dividend paid to minority		(527)	-
Inflation effect on financing activities		-	28,416
Net cash from financing activities		**2,783,442**	**72,349**
Net increase/ (decrease) in cash and cash equivalents		**(1,546,489)**	**(231,825)**
Inflation effect on cash and cash equivalents		-	(25,750)
Cash and cash equivalents at the beginning of the period		4,236,400	1,633,896
Cash and cash equivalents at the end of the period	**4**	**2,689,911**	**1,376,321**

The accompanying notes set out on pages 5 to 66 form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE

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

	Attributable to equity holders of the Bank							
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Share issue premium**	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
Balance at 1 January 2005								
- as previously reported	430,000	132,145	562,145	99,491	-	108,879	-	770,515
- effect of revision in IAS 39	-	-	-	-	3,567	(3,567)	-	-
- as restated	**430,000**	**132,145**	**562,145**	**99,491**	**3,567**	**105,312**	**-**	**770,515**
Capital increase transfers	9,000	(4,108)	4,892	-	-	(4,892)	-	-
Net change in available for sale investments, net-of tax	-	-	-	-	(2,017)	-	-	(2,017)
Profit for the period	-	-	-	-	-	99,931	-	99,931
Balance at 30 June 2005	**439,000**	**128,037**	**567,037**	**99,491**	**1,550**	**200,351**	**-**	**868,429**
Balance at 1 January 2006								
- as previously reported	2,342,316	40,368	2,382,684	37,579	8,499	334,142	743,206	3,506,110
- effect of adjustments on preliminary fair values due to business combination (Note 24)	-	-	-	-	-	-	(19,912)	(19,912)
-as restated	**2,342,316**	**40,368**	**2,382,684**	**37,579**	**8,499**	**334,142**	**723,294**	**3,486,198**
Net change in available for sale investments, net-of tax	-	-	-	-	8,518	-	6,050	14,568
Gains on hedges of a net investment in a foreign operation (Note 26)	-	-	-	-	(22,516)	-	(10,935)	(33,451)
Capital increase cost	-	-	-	-	-	(3,353)	(2,253)	(5,606)
Transfer from reserves	2,930	-	2,930	-	11,922	(14,852)	-	-
Purchase from minority interests (Note 24)	-	-	-	-	-	(436,648)	(134,394)	(571,042)
Currency translation differences (Note 26)	-	-	-	-	43,422	-	22,467	65,889
Dividends paid	-	-	-	-	-	-	(527)	(527)
Profit for the period	-	-	-	-	-	122,030	(27,587)	94,443
Balance at 30 June 2006	**2,345,246**	**40,368**	**2,385,614**	**37,579**	**49,845**	**1,319**	**576,115**	**3,050,472**

The accompanying notes set out on pages 5 to 66 form an integral part of these consolidated interim financial statements.

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Koçbank Anonim Şirketi ("the Bank" or "Koçbank" or together with its subsidiaries it is referred to as "the Group" in these consolidated interim financial statements) was established as a joint stock company by Koç and American Express Bank Limited - New York ("AEB") under Turkish Banking Law 3182 at 23 December 1985 and registered in İstanbul, Turkey. The Bank commenced full banking operations on 28 January 1986, following its purchase of the banking business of AEB's İstanbul Branch. In November 1992, all shares belonging to AEB were transferred to Koç Group.

On 16 March 2001 Koç Finansal Hizmetler A.Ş. ("KFS") was incorporated for the purpose of combining financial sector companies of the Koç Group under one umbrella and in 2002 became the ultimate shareholder of the Bank, as well as its subsidiaries, namely, Koç Finansal Kiralama A.Ş., Koç Faktoring Hizmetleri A.Ş., Koç Yatırım Menkul Değerler A.Ş., Koç Portföy Yönetimi A.Ş., Koçbank Nederland N.V., Koç Asset Management Suisse SA (''KAM Suisse'') (currently liquidated), Stiching Custody Services KBN and Koçbank Azerbaijan Ltd. On 22 October 2002, after completion of the KFS restructuring, 50% of KFS shares were sold to UniCredit Group ("UCI"), an Italian banking group.

On 28 September 2005, the Bank has acquired 57.42% of Yapı ve Kredi Bankası A.Ş. ("YKB") from companies of Çukurova Group and Savings Deposit Insurance Fund ("SDIF"). During April, Koçbank purchased further 9.09% of YKB shares traded in Istanbul Stock Exchange ("ISE") and 0.79% of the shares under a foreign mutual fund in YKB's available-for-sale portfolio and as a result, the ownership of the Bank increased to 67.31%.

YKB was established with the permission of the Council of Ministers of the Republic of Turkey No. 3/6710 at 9 September 1944 and registered in İstanbul, Turkey. YKB is authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Republic of Turkey. Statute of YKB didn't change since its incorporation. YKB shares are traded on the Istanbul Stock Exchange ("ISE") since 1987. As of 30 June 2006, 31.75% shares of YKB are publicly traded.

Group's core business activities include retail banking, corporate banking, foreign exchange, money market and securities transactions (Treasury transactions) and international banking. The Group has operations in Turkey, Netherlands, Germany and Russia. At 30 June 2006, the Group has 590 branches (31 December 2005: 588 branches) operating in Turkey and 2 off-shore branches. At 30 June 2006, the Group employed 15,479 people (31 December 2005: 15,911 people).

The registered office address of the Bank is as follows: Barboros Bulvarı, Morbasan Sokak, Koza İş Merkezi, C Blok, Beşiktaş - İstanbul, Turkey.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

These consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The consolidated interim financial statements are based on the historical cost convention, restated for the effects of inflation and as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts.

Koçbank and its domestic subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with Turkish Banking Law and accounting principles promulgated by the Banking Regulation and Supervision Agency ("BRSA") in Turkey, other relevant rules and regulations promulgated by the Turkish Commercial Code, Turkish Capital Market Board and Turkish tax legislation. The foreign subsidiaries maintain their books of account based on statutory rules and regulations applicable in their jurisdictions namely the Netherlands, Germany and Russian Federation. The consolidated interim financial statements are based on the statutory records with adjustments and reclassification including, where necessary, restatements for changes in the general purchasing power of YTL, for the purpose of fair presentation in accordance with IFRS.

These consolidated interim financial statements are presented in the national currency of the Republic of Turkey, YTL which is the Group's functional and presentation currency.

The preparation of consolidated interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the respective accounting policy disclosures.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Restatement for the effects of hyperinflation

Financial reporting in hyperinflationary economies

Effective from 1 January 2006, international accounting and financial reporting bodies have determined that the Republic of Turkey is no longer meets the criteria of IAS 29 for hyperinflation. Beginning in 2006, the Bank ceased applying IAS 29 to current periods and only recognizes the cumulative impact of inflation indexing on non-monetary elements of the financial statements through 31 December 2005. Monetary items and results of operations as of and for the period ended 30 June 2006 are reported at actual, nominal amounts.

IAS 29 "Financial Reporting in Hyperinflationary Economies" requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The inflation rate is determined on the basis of the Turkish nationwide Wholesale Price Index ("WPI") published by the Turkish Statistical Institute ("TURKSTAT") valid up until 31 December 2004. From 1 January 2005 TURKSTAT has introduced the Producer Price Index ("PPI") as a new index measuring inflation.

The restatement for changes in the general purchasing power of the New Turkish lira as of 31 December 2005 was based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") adjusted for 31 December 2005 with Producer Price Index ("PPI") published by the Turkish Statistical Institute ("Turkstat").

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The indices and conversion factors used to restate the comparative amounts until 31 December 2005 are given below,

Dates	Index	Conversion factor
31 December 2005	8,627.3	1.000
30 June 2005	8,562.6	1.008

The main procedures for the above-mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.

- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of equity are restated by applying the relevant (monthly, yearly average, year end) conversion factors.

- Comparative financial statements are restated using general inflation indices at the current purchasing power at the latest balance sheet date.

- All items in the statement of income are restated by applying the monthly conversion factors.

- The effects of inflation on the Group's net monetary position are included in the statement of income as gains or losses on net monetary position.

C. Consolidation

(a) Subsidiaries

Subsidiaries in which Group directly has power to govern the financial and operating policies, have been fully consolidated. Subsidiaries are consolidated from the date on which control is transferred to Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The list of subsidiaries at 30 June 2006 is as follows:

Name of subsidiary	Country of incorporation	Nature of business	Original currency	Historical share capital	Direct control rates (%)	Effective rates (%)
YKB	Turkey	Banking	YTL thousand	1,896,663	67.31	67.31
Yapı Kredi Sigorta A.Ş.	Turkey	Insurance	YTL thousand	80,000	93.95	63.24
Yapı Kredi Emeklilik A.Ş.	Turkey	Retirement	YTL thousand	58,000	100.00	63.24
Yapı Kredi Finansal Kiralama A.O.	Turkey	Leasing	YTL thousand	102,000	98.41	66.23
Yapı Kredi Faktoring A.Ş.	Turkey	Factoring	YTL thousand	19,000	99.99	67.30
Yapı Kredi Yatırım Menkul Değerler A.Ş.	Turkey	Portfolio management	YTL thousand	64,000	99.99	67.30
Yapı Kredi Yatırım Ortaklığı A.Ş.	Turkey	Portfolio management	YTL thousand	31.425	56.07	37.73
Yapı Kredi Portföy Yönetimi A.Ş.	Turkey	Portfolio management	YTL thousand	1,500	97.50	63.49
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. ("Yapı Kredi Koray") (*)	Turkey	Real estate	YTL thousand	40,000	30.45	20.50
Akdeniz Marmara Turizm Ticaret A.Ş. ("Akdeniz Marmara") (*)	Turkey	Tourism	YTL thousand	50	100.00	67.31
Bayındırlık İşleri A.Ş. ("Bayındırlık İşleri") (*)	Turkey	Construction	YTL thousand	9,417	100.00	66.75
Agro-san Kimya Sanayi ve Tic. A.Ş. ("Agro-san") (*)	Turkey	Agricultural Chemicals	YTL thousand	3,400	100.00	66.75
Yapı Kredi Kart Hizmetleri A.Ş. ("Yapı Kredi Kart") (*)	Turkey	Member store services	YTL thousand	100	100.00	67.31
Yapı Kredi Kültür Sanat Yay. Tic. A.Ş. ("Yapı Kredi Kültür") (*)	Turkey	Culture and art publications	YTL thousand	600	100.00	67.31
Yapı Kredi Bank Deutschland A.G.	Germany	Banking	EURO thousand	48,000	97.50	65.63
Yapı Kredi Bank Holding B.V.	Netherlands	Holding	EURO thousand	59,000	100.00	67.31
Yapı Kredi Bank Nederland N.V.	Netherlands	Banking	EURO thousand	35,000	100.00	67.31
Yapı Kredi Bank Moscow	Russia	Banking	RUBLE thousand	478,272	100.00	67.31
Yapı Kredi Bank Netherland Global Custody B.V.	Netherland	Custody services	EURO thousand	20	100.00	67.31

(*) These subsidiaries were not consolidated due to immateriality.

At 30 June 2006 total assets, total shareholder's equity, net profit/ (loss) for the period, and number of personnel of above-mentioned subsidiaries that were not consolidated due to immateriality carried at cost after deduction for any impairment, are as follows:

	Total assets	Total shareholders' equity	Total retained earnings	Net profit/ (loss)	Number of personnel
Yapı Kredi Koray	236,731	94,859	(37,314)	1,974	59
Akdeniz Marmara (**)	30,164	27,374	3,642	(291)	-
Agro-san	19,867	(26,499)	(33,333)	(1,329)	5
Bayındırlık İşleri (**)	18,170	17,347	(3,313)	(3,748)	3
Yapı Kredi Kültür	6,525	4,201	266	266	88
Yapı Kredi Kart	439	421	35	36	1
	311,896	**117,703**	**(70,017)**	**(3,092)**	**156**

(**) Figures are as of 30 April 2006.

The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Group is eliminated against the related equity. Intercompany transactions and balances between the Group companies are eliminated on consolidation. The dividends arising from subsidiaries are eliminated from profit of the period.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in Group's equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The details of the associate at 30 June 2006 is as follows:

Name of associate	Country of incorporation	Nature of business	Original currency	Historical share capital	Control rate(%)	Effective rate (%)
Banque de Commerce et de Placements ("Banque de Commerce")	Switzerland	Banking	CHF thousand	75,000	30.67	20.64

(c) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions within the Group, as the minority interests are perceived as genuine equity participations. An acquisition of minority interest is treated as a transaction between equity shareholders which effects the ownership structure of the entity but not its operations. The difference between the acquisition cost and net asset acquired portion is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

D. Foreign currency translation

(i) Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic environment in which the entity operates ("the functional currency"). The consolidated interim financial statements are presented in YTL, which is the presentation currency of the parent company, Koçbank.

(ii) Transactions and balances

The financial statements are presented in YTL, the currency of the primary economic environment in which the Group operates ("the functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the exchange rate prevailing at the date of that balance sheet,

(ii) income and expenses for each income statement are translated at average exchange rates.

Exchange differences resulting from the different rates applied for the translation of the balance sheet and the income statement as well as differences arising from the translation of the portion of the net asset value in foreign entities pertaining to the Group are recognised as translation reserves in the equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings designated as hedges of such investments, are taken to shareholders' equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

E. Related parties

For the purpose of these consolidated interim financial statements, shareholders, companies controlled by or affiliated with them and other companies within the Koç Group and the UCI Group are considered and referred to as related parties (Note 32).

F. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are trading securities, which were either acquired or incurred principally for the purpose of selling or repurchasing them in the near term or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking .

Trading securities are initially recognised and subsequently re-measured at fair value. All related realised and unrealised fair value gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/by the Group.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity, where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or client's servicing activity are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at fair value. Available-for-sale financial assets are subsequently re-measured at fair value. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is transferred to income statement.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Equity securities classified as available-for-sale are carried at fair values except unlisted equity securities, which are measured at cost after deduction for any impairment (Note 8).

Interest earned whilst holding investment securities is reported as interest income.

All purchases and sales of investment securities are recognised at settlement date, which is the date the asset is delivered to/by the Group.

Unsettled transactions are recorded as off-balance sheet commitments until the settlement date.

H. Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as available-for-sale, held-for-trading and held to maturity and a counterparty liability is included in due to other banks or due to customers. Securities purchased under agreements to resell ("reverse repo") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and amortised over the life of repo agreements using the effective interest method.

I. Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

All loans and advances are recognised when cash is advanced to borrowers and carried at amortised cost using the effective interest method.

Impairment on loans and advances are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount of the provision for the loans that are assessed as individually impaired and loans under legal follow-up is the difference between the carrying amount and the recoverable amount, being the net present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The provision for loan also covers losses from the collective assessment where financial assets are grouped by using the internal models developed by the Group stemming from the classification of loans into risk rating classes based on the observation of a series of parameters related to the borrower and/or to the utilisation of the loan. The methodology and assumptions used for the collective assessment are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The movement in provision is charged against the income for the period. When a loan is deemed uncollectible, it is written off against the related provision for impairment. The loan is written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the income statement if previously written off. Provisions are reversed, in part or as a whole, if the reason that originated them ceases to exist.

J. Premises and equipment

All premises and equipment are carried at cost less accumulated depreciation and permanent impairment if any. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful life as follows:

Buildings	50 years
Furniture and fixtures and motor vehicles	5 years
Office equipment	5 years
Leasehold improvements	5 years, or over the period of the lease if less than 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account for the determination of net profit.

Expenses for the repair of property and equipment are charged against income. They are, however, capitalised if they result in an enlargement or substantial improvement of the respective assets.

Leasehold improvements comprise primarily the capitalised branch refurbishment costs.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Other intangible assets

(i) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (not exceeding a period of five years).

(ii) Trademarks and customer relationships related intangibles

Intangible assets such as trademarks and customer relationships related intangibles acquired in a business combination (Note 24) are carried at fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. In other words, the effect of probability is reflected in the fair value measurement of the intangible asset. The Group recognises at the acquisition date separately from goodwill an intangible asset of the acquiree if the asset’s fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. Identified intangible assets are amortised using the straight-line method over their useful lives, which have been assessed as 10 years.

(iii) Other intangible assets

Expenditure to acquire patents, rights and licenses are capitalised and amortised using the straight-line method over their useful lives of 5 years.

L. Accounting for leases

(i) Group company is the lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(ii) Group company is the lessee

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, which is the amount of cash consideration given for the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

M. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition of the control. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any (Note 12 and 24).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Financial liabilities

Financial liabilities including due to banks, due to customers and other borrowed funds are recognised initially at cost. Subsequently, financial liabilities are stated at amortised cost, including transaction costs, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

O. Income taxes

(i) Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation (Note 19).

Taxation for foreign subsidiaries has been provided for in these consolidated interim financial statements in accordance with relevant tax legislations currently in force in countries of the operation of related foreign subsidiaries.

Taxes other than on income are recorded within operating expenses (Note 29).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from measurement of financial assets and liabilities at fair value, provision for loan impairment and provision for employment termination benefits.

Deferred income tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group. Deferred income tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilised (Note 19).

P. Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve for the future probable obligation of the Bank and its domestic subsidiaries arising from the retirement of the employees calculated in accordance with the Turkish Labor Law and other legislation in the countries where the Group operate (Note 21).

Q. Other provisions

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision on estimated liability on transfer of the Fund (Note 20)

Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognised by an official decree, providing all qualified YKB employees with pension and post-retirement benefits.

The Banking Law No.5411 ("the Banking Law") which was enacted on 1 November 2005 includes the provision that requires the transfer of pension funds of the banks, including the Fund, to the Social Security Institution ("SSK") within three years following the publication of the Banking Law. In accordance with the Banking Law, the actuarial calculation of the liability (if any) on the transfer should be performed by taking into account the procedures and other parameters determined by the commission established by Ministry of Labor and Social Security. Accordingly, the Group calculated the estimated liability for transfer of the Fund to SSK in accordance with the methods determined by this commission and the amount of the liability has been accounted for under "Other provisions" in the balance sheet (Note 20).

R. Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

S. Fee and commission income and expense

Fees and commissions are generally recognised in the income statement on an accrual basis over the life of the transaction to which they refer to or on a cash basis at the time the service is received/ the transaction are performed, whichever is more appropriate.

Portfolio and other management, advisory and service fees are recognised based on the applicable service contracts.

T. Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers, if the latter fails to meet their obligation. Acceptances are accounted for as off-balance sheet transactions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Other credit related commitments

In the normal course of business, the Group enters into other credit related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as originated loans (Note 2.I). Specific provisions are therefore established when losses are considered probable and recorded as other provisions. The provision for credit related commitments also covers losses from the collective assessment where the commitments are grouped by using the internal models developed by the Group stemming from the classification of credit related commitments into risk rating classes based on the observation of a series of parameters related to the borrower and/or to the utilisation of the loan.

V. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair values of derivatives are carried as assets when positive and as liabilities when is negative. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), derivative financial instruments are classified as held for trading.

Certain derivative transactions, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 30 June 2006. The difference between the spot rate at the time of origination and the original forward rate (for matured contracts) and the original forward rate discounted to balance sheet date (for outstanding contracts) is reclassified to interest income or expense.

W. Hedge accounting

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in values of hedged items.

Net investment hedge

The effective portion of changes in the fair value of borrowings that are designated and qualify as net investment hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

X. Offsetting

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

Y. Cash and cash equivalents

The cash and cash equivalents comprise balances with less than 90 days' maturity including cash and balance with the central banks excluding reserve requirements and amounts due from banks (Note 4).

Z. Insurance business

Premium Income

Premium income is recognised in the period over which insurance coverage is provided to the customer. Premiums received relating to future periods are deferred on a daily pro-rated basis and only recognised in the income statement when earned.

Reinsurance premiums are recognised on the same basis as the related premium income.

Claims

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

The provision for the cost of claims notified but not settled is based upon a best estimate of the cost of settling each outstanding claim, on a case by case basis, after taking into account all known facts, recent past experience and assumptions about the future development of the outstanding cases.

Deferred Acquisition Costs

The direct and indirect costs and commission expenses incurred in acquiring the unearned portion of premiums are recorded in the balance sheet under other assets and recognised in the income statement on the same basis as the premiums to which they relate.

Unearned Premium Reserve

Unearned premiums are those portions of the premiums underwritten during the year that relate to the period of risk subsequent to the balance sheet date for all policies other than life policies with more than one year of maturity. Unearned premium reserve set aside for unexpired risks has been computed on a daily pro-rated basis.

In calculating the provision for unearned premium, reinsurance commissions are deferred with the same rates used in the unearned premium calculation and included in current year unearned premium reserve.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Outstanding Claims/IBNR Reserves

The outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the end of the year, as well as the corresponding handling costs. A provision for claims incurred but not reported (IBNR) is also established.

Mathematical Reserves

The mathematical reserves have been calculated on the life policies in force at year-end by using actuarial assumptions and formulas which have been approved by the Prime Ministry Undersecretariat of Treasury ("Treasury").

Profit Share Reserve

Profit share is the portion of investment income allocated to life policy holders from income generated due to premiums of life policies with a savings clause. Such policies normally have at least 10 years of maturity and policy holders are entitled to receive a profit share after 3 years from the date of policy issuance. Profit share is calculated on an individual policy basis. Investment income presented within income from insurance operations represents income generated through the utilisation of funds associated with mathematical reserves in various investment tools whereas provision for profit share represents the amount allocated to policy holders out of investment income after certain deductions.

Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Any deficiency is immediately charged to profit or loss. The Group has no additional liability with respect to the life insurance portfolio of its subsidiary since in its revised tariffs the subsidiary changed the basis of its life profit share calculation to guarantee an annual return of the lower of the guaranteed rate or the annual inflation rate.

AA. Comparatives

Where necessary, comparative figures have been adjusted to conform changes in presentation in the current year.

NOTE 3 - FINANCIAL RISK MANAGEMENT

A. Strategy in using financial instruments

The Group provides a wide range of services to satisfy customer needs that involve the use of financial instruments including derivative transactions.

In particular, the Group accepts deposits from customers and seeks to earn above-average interest margins by investing these funds in high quality assets, mostly Turkish government bonds and treasury bills, and through lending to commercial and retail borrowers with a range of credit standing. Lending activity also involves off-balance sheet transactions, such as letters of credit and other credit related commitments.

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The Group also seeks to increase margins by consolidating short-term funds and lending for longer periods at higher rates through money market and interbank borrowings, whilst maintaining sufficient liquidity to manage potential outflows.

Derivative instruments are limited to financial instruments such as forwards, swaps, futures in the foreign exchange and capital markets. These transactions are considered as effective economic hedges under the Group's risk management policies. However, since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading.

Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings.

The Group's Euro-denominated borrowing is designated as a hedge of the net investment in the Group's some EUR denominated subsidiaries. The fair value of the borrowing at 30 June 2006 was EUR110 million. The foreign exchange loss of YTL22,516 thousand (net of tax) on translation of the borrowing to YTL at the balance sheet date was recognised in "other reserves" in shareholders' equity. No amounts were withdrawn from equity during the period as there were no disposals of foreign operations.

B. Risk management

The Value-at-Risk (VaR) approach is used for measurement of the potential future loss of the Group's portfolio under normal market conditions. The reaction of the portfolio to extreme market movements in terms of market value is measured via Stress Testing.

Risks emerging in the Group's business and activities are defined as credit risk, market risk, liquidity risk and operational risk.

The Board of Directors and senior management supports any development in the use of risk management tools in terms of measurement, monitoring and management of the risks, allocation of the capital through business divisions on a risk/return basis and the determination of the economic capital.

C. Credit risk

Credit risk is defined as the likelihood that the credit standing of a counterparty can deteriorate and, therefore, the counterparty will not be able to meet its obligations (both cash and non-cash ones).

Credit quality is monitored by managing the specific risk of the counterparty as well as the portfolio risk. With regard to the specific risk component i.e. that associated with individual relationships the focus of approaches and tools used to support the lending activity, during both the loan approval phase and in managing customer relationships, is to provide a standardised assessment of each customer. Specifically, loans are made to corporate and commercial customers basing on a process combining both quantitative (balance sheet, income and cash flow analysis, collaterals' value) and qualitative information (management assessment, competitive position, sector performance and environmental factors). Portfolio risk is managed by diversifying lending activity, i.e. by industry, sector or geographical area.

Retail lending assessment, instead, is mostly based on the scoring resulting from the combination of several factors (credit history, salary, time of employment, etc.)

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Geographical concentrations of assets, liabilities and other credit related commitments:

30 June 2006	Total assets	%	Total liabilities	%	Other credit related commitments	%
Turkey	44,345,080	93	36,073,854	81	13,265,392	91
Other European Union countries	1,809,010	4	7,935,510	18	616,075	4
Italy	28,017	-	208,554	-	68,637	-
Other countries	1,513,868	3	427,585	1	742,075	5
Total	**47,695,975**	**100**	**44,645,503**	**100**	**14,692,179**	**100**

31 December 2005	Total assets	%	Total liabilities	%	Other credit related commitments	%
Turkey	36,200,211	91	30,724,604	85	12,090,351	93
Other European Union countries	2,004,129	5	4,611,436	13	416,664	3
Italy	16,416	-	175,554	-	65,211	-
Other countries	1,643,559	4	866,523	2	509,432	4
Total	**39,864,315**	**100**	**36,378,117**	**100**	**13,081,658**	**100**

D. Market risk

Market risk is the risk of incurring value fluctuations in the Group's positions which are associated with potential changes in prices and other market factors.

The Group, based on its current activities, considers foreign exchange risk, interest rate risk and liquidity risk as the most important components of market risk. Currency and interest rate risks are analyzed both on a portfolio and product basis.

The monitoring of limits for such risks is performed both with reference to capital structure as well as to VaR analysis.

(i). Currency risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities (including foreign currency indexed ones) together with exposures resulting from off-balance sheet foreign exchange derivative instruments. These are mainly represented by currency forwards and currency swaps.

Limits for currency risk are set in terms of maximum position and Value-at-Risk allowed and are monitored on a daily basis (both intraday and overnight exposure).

Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the notional amounts of purchase and sale foreign currency derivative financial instruments.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Concentrations of assets, liabilities and off balance sheet items:

30 June 2006

	Foreign currency					
	US$	**EUR**	**Other**	**Total**	**YTL**	**Total**
Assets						
Cash and balances with central banks	496,229	1,478,783	137,997	2,113,009	1,290,605	3,403,614
Due from banks	592,556	1,072,034	53,780	1,718,370	217,633	1,936,003
Trading securities	245,608	202,454	1,088	449,150	359,879	809,029
Investment securities						
- available-for-sale	622,052	95,617	153,151	870,820	298,373	1,169,193
- held-to-maturity	5,884,444	1,009,339	-	6,893,783	5,626,486	12,520,269
Investment in associates	-	-	46,320	46,320	-	46,320
Loans and advances to customers	7,703,714	2,331,551	223,785	10,259,050	13,516,996	23,776,046
Derivative financial instruments	9,880	400	576	10,856	116,912	127,768
Goodwill	-	-	-	-	1,014,977	1,014,977
Other intangible assets	-	121	-	121	181,361	181,482
Premises and equipment	-	9,872	11,604	21,476	1,287,865	1,309,341
Other assets	137,334	105,756	6,301	249,391	604,480	853,871
Deferred income tax assets	-	215	-	215	547,847	548,062
Total assets	**15,691,817**	**6,306,142**	**634,602**	**22,632,561**	**25,063,414**	**47,695,975**
Liabilities						
Due to banks	80,701	30,326	161,798	272,825	150,207	423,032
Due to customers	9,868,953	5,031,661	474,087	15,374,701	16,923,280	32,297,981
Other borrowed funds	3,858,041	2,261,361	18,666	6,138,068	364,720	6,502,788
Derivative financial instruments	19,442	36	268	19,746	27,327	47,073
Current income taxes payable	-	2,534	-	2,534	807	3,341
Deferred income tax liabilities	-	9	3,069	3,078	193,182	196,260
Other provisions	-	1,072	-	1,072	908,611	909,683
Reserve for employment termination benefits	-	251	-	251	89,332	89,583
Insurance technical reserves	300,985	100,030	-	401,015	440,702	841,717
Other liabilities	328,640	230,439	39,184	598,263	2,735,782	3,334,045
Total liabilities	**14,456,762**	**7,657,719**	**697,072**	**22,811,553**	**21,833,950**	**44,645,503**
Net balance sheet position	**1,235,055**	**(1,351,577)**	**(62,470)**	**(178,992)**	**3,229,464**	**3,050,472**
Off-balance sheet derivative instruments net notional position (Note 31)	(1,006,252)	1,250,403	179,722	423,873	(353,258)	70,615
Net foreign currency position	**228,803**	**(101,174)**	**117,252**	**244,881**	**2,876,206**	**3,121,087**

At 30 June 2006, assets and liabilities denominated in foreign currency were translated into YTL using a foreign exchange rate of YTL1.5628 = US$1, and YTL1.9592 = EUR1 (31 December 2005: YTL1.3094 = US$1, and YTL1.5506 = EUR1).

For the purpose of calculating currency risks, foreign currency indexed loans and securities have been reported in this table in the relevant currency of indexation.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2005

	Foreign currency					
	US$	**EUR**	**Other**	**Total**	**YTL**	**Total**
Assets						
Cash and balances with central banks	516,396	1,125,779	83,803	1,725,978	524,900	2,250,878
Due from banks	1,333,287	1,225,446	153,933	2,712,666	847,114	3,559,780
Trading securities	624,739	224,359	-	849,098	767,105	1,616,203
Investment securities						
- available-for-sale	350,025	73,277	53,296	476,598	716,996	1,193,594
- held-to-maturity	4,040,609	604,588	-	4,645,197	3,389,141	8,034,338
Investment in associates	-	-	35,917	35,917	-	35,917
Loans and advances to customers	5,646,827	1,489,216	174,905	7,310,948	11,783,326	19,094,274
Derivative financial instruments	7,379	73	174	7,626	16,725	24,351
Goodwill	-	-	-	-	1,014,977	1,014,977
Other intangible assets	-	171	-	171	199,353	199,524
Premises and equipment	15,177	2,831	-	18,008	1,342,472	1,360,480
Other assets	29,568	64,065	3,298	96,931	523,766	620,697
Deferred income tax assets	-	11,674	-	11,674	847,628	859,302
Total assets	**12,564,007**	**4,821,479**	**505,326**	**17,890,812**	**21,973,503**	**39,864,315**
Liabilities						
Due to banks	254,312	53,666	143,492	451,470	327,815	779,285
Due to customers	8,270,601	4,704,129	316,784	13,291,514	13,989,163	27,280,677
Other borrowed funds	3,036,496	386,737	18,286	3,441,519	245,781	3,687,300
Derivative financial instruments	10,037	1,023	103	11,163	18,876	30,039
Current income taxes payable	-	3,240	-	3,240	9,538	12,778
Deferred income tax liabilities	2,022	1,927	-	3,949	225,919	229,868
Other provisions	-	2,538	-	2,538	855,344	857,882
Reserve for employment termination benefits	-	203	-	203	87,264	87,467
Insurance technical reserves	244,401	114,680	-	359,081	470,962	830,043
Other liabilities	216,559	189,014	14,810	420,383	2,162,395	2,582,778
Total liabilities	**12,034,428**	**5,457,157**	**493,475**	**17,985,060**	**18,393,057**	**36,378,117**
Net balance sheet position	**529,579**	**(635,678)**	**11,851**	**(94,248)**	**3,580,446**	**3,486,198**
Off-balance sheet derivative instruments net notional position (Note 31)	(478,920)	348,213	93,855	(36,852)	17,076	(19,776)
Net foreign currency position	**50,659**	**(287,465)**	**105,706**	**(131,100)**	**3,597,522**	**3,466,422**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

(ii) Interest rate risk

The interest rate risk is the exposure of the Group to possible adverse movements in interest rates. Such an exposure can result from a variety of factors, including differences in the timing between the maturities or repricing of assets, liabilities and off-balance sheet instruments.

Due to the current balance sheet structure of the Group, particular emphasis is placed on managing the interest rate risk. Duration, gap and economic sensitivity analysis are the main methods used to measure this risk. Furthermore, various simulation techniques are employed in order to analyze the effects of market volatilities on balance sheets of each entity of the Group.

The table below summarises the Group's exposure to interest rate risk at 30 June 2006 and 31 December 2005. Included in the table are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

30 June 2006	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets						
Cash and balances with central banks	2,443,303	-	-	-	960,311	3,403,614
Due from banks	1,466,387	162,901	42,995	-	263,720	1,936,003
Trading securities	90,432	296,791	327,885	33,196	60,725	809,029
Investment securities						
- available-for-sale	22,165	119,770	226,364	203,086	597,808	1,169,193
- held-to-maturity	3,211,391	3,306,385	2,171,950	3,830,543	-	12,520,269
Investment in associates	-	-	-	-	46,320	46,320
Loans and advances to customers	10,408,008	8,575,839	3,732,367	752,269	307,563	23,776,046
Derivative financial instruments	94,407	33,347	14	-	-	127,768
Goodwill	-	-	-	-	1,014,977	1,014,977
Other intangible assets	-	-	-	-	181,482	181,482
Premises and equipment net	-	-	-	-	1,309,341	1,309,341
Other assets	11,698	974	103	-	841,096	853,871
Deferred income tax assets	-	-	-	-	548,062	548,062
Total assets	**17,747,791**	**12,496,007**	**6,501,678**	**4,819,094**	**6,131,405**	**47,695,975**
Liabilities						
Due to banks	291,030	51,381	-	-	80,621	423,032
Due to customers	24,816,353	1,683,841	104,722	12,019	5,681,046	32,297,981
Other borrowed funds	3,890,760	2,433,219	173,323	5,486	-	6,502,788
Derivative financial instruments	35,672	11,390	11	-	-	47,073
Current income taxes payable	-	-	-	-	3,341	3,341
Deferred income tax liabilities	-	-	-	-	196,260	196,260
Other provisions	-	-	-	-	909,683	909,683
Reserve for employment termination	-	-	-	-	89,583	89,583
Insurance technical reserves	-	-	-	-	841,717	841,717
Other liabilities	646,662	34,875	11,973	-	2,640,535	3,334,045
Total liabilities	**29,680,477**	**4,214,706**	**290,029**	**17,505**	**10,442,786**	**44,645,503**
Net interest sensitivity gap	**(11,932,686)**	**8,281,301**	**6,211,649**	**4,801,589**	**(4,311,381)**	**3,050,472**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2005	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	1,431,941	-	-	-	818,937	2,250,878
Due from banks	3,157,891	131,454	12,484	-	257,951	3,559,780
Trading securities	431,791	361,758	518,022	180,420	124,212	1,616,203
Investment securities						
- available-for-sale	44,261	132,953	196,553	222,873	596,954	1,193,594
- held-to-maturity	1,862,331	1,923,136	2,150,119	2,098,752	-	8,034,338
Investment in associates	-	-	-	-	35,917	35,917
Loans and advances to customers	9,889,105	5,404,473	2,549,995	913,491	337,210	19,094,274
Derivative financial instruments	21,025	3,143	183	-	-	24,351
Goodwill	-	-	-	-	1,014,977	1,014,977
Other intangible assets	-	-	-	-	199,524	199,524
Premises and equipment net	-	-	-	-	1,360,480	1,360,480
Other assets	81,713	13,269	-	-	525,715	620,697
Deferred income tax assets	-	-	-	-	859,302	859,302
Total assets	**16,920,058**	**7,970,186**	**5,427,356**	**3,415,536**	**6,131,179**	**39,864,315**
Liabilities						
Due to banks	674,307	21,815	-	-	83,163	779,285
Due to customers	19,305,827	1,867,172	149,719	-	5,957,959	27,280,677
Other borrowed funds	1,244,293	2,320,344	30,110	92,302	251	3,687,300
Derivative financial instruments	22,243	7,567	229	-	-	30,039
Current income taxes payable	-	-	-	-	12,778	12,778
Deferred income tax liabilities	-	-	-	-	229,868	229,868
Other provisions	-	-	-	-	857,882	857,882
Reserve for employment termination benefits	-	-	-	-	87,467	87,467
Insurance technical reserves	-	-	-	-	830,043	830,043
Other liabilities	383,655	22,361	20,521	-	2,156,241	2,582,778
Total liabilities	**21,630,325**	**4,239,259**	**200,579**	**92,302**	**10,215,652**	**36,378,117**
Net interest sensitivity gap	**(4,710,267)**	**3,730,927**	**5,226,777**	**3,323,234**	**(4,084,473)**	**3,486,198**

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding as at 30 June 2006 and 31 December 2005 based on yearly contractual rates.

	30 June 2006			31 December 2005		
	US$ (%)	EUR (%)	YTL (%)	US$ (%)	EUR (%)	YTL (%)
Assets						
Cash and balances with central banks	2.42	1.22	12.29	1.89	1.11	10.25
Due from banks	5.26	2.98	18.50	4.25	2.41	14.43
Trading securities	7.40	5.47	15.58	5.77	3.64	15.44
Investment securities						
- available-for-sale	8.74	7.95	18.17	7.67	6.96	17.00
- held to maturity	8.01	5.83	15.62	7.33	5.19	17.23
Loans and advances to customers	6.63	5.12	24.52	5.79	5.16	18.58
Liabilities						
Due to banks	5.21	3.66	16.82	4.61	3.64	16.16
Due to customers	3.22	2.66	15.02	2.60	1.95	14.70
Other borrowed funds	5.06	3.88	13.31	4.72	3.58	13.58

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

E. Liquidity risk

Liquidity risk is the ability to fund increases in assets and meet obligations as they come due and the risks associated with transactions made in liquid markets.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margins and other calls on cash settled derivatives. Liquidity risk limits and consequent availability of cash and cash equivalent instruments are set based on the level of outstanding deposits.

The following table analyses assets and liabilities of the Group into relevant maturity groupings at 30 June 2006 and 31 December 2005, based on the remaining period at the balance sheet date to the contractual maturity date.

30 June 2006

	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Term not specified	Total
Assets						
Cash and balances with central banks	960,311	-	-	-	2,443,303	3,403,614
Due from banks	1,730,107	162,901	42,995	-	-	1,936,003
Trading securities	138,248	257,369	379,958	33,454	-	809,029
Investment securities						
- available-for-sale	246,933	84,871	264,315	217,161	355,913	1,169,193
- held-to-maturity	379,498	1,950,850	6,359,379	3,830,542	-	12,520,269
Investment in associates	-	-	-	-	46,320	46,320
Loans and advances to customers	9,526,391	7,084,625	3,929,183	2,930,743	305,104	23,776,046
Derivative financial instruments	42,407	33,347	52,014	-	-	127,768
Goodwill	-	-	-	-	1,014,977	1,014,977
Other intangible assets	-	-	-	-	181,482	181,482
Premises and equipment	-	-	-	-	1,309,341	1,309,341
Other assets	310,284	142,376	134	-	401,077	853,871
Deferred income tax assets	-	-	123,159	-	424,903	548,062
Total assets	**13,334,179**	**9,716,339**	**11,151,137**	**7,011,900**	**6,482,420**	**47,695,975**
Liabilities						
Due to banks	371,651	51,381	-	-	-	423,032
Due to customers	30,497,064	1,684,176	104,722	12,019	-	32,297,981
Other borrowed funds	2,876,180	1,564,010	372,918	1,689,680	-	6,502,788
Derivative financial instruments	35,672	11,390	11	-	-	47,073
Current income taxes payable	3,341	-	-	-	-	3,341
Deferred income tax liabilities	-	-	-	-	196,260	196,260
Other provisions	-	-	615,794	-	293,889	909,683
Reserve for employment termination benefits	-	-	-	-	89,583	89,583
Insurance technical reserves	-	-	-	-	841,717	841,717
Other liabilities	2,658,629	41,510	53,673	-	580,233	3,334,045
Total liabilities	**36,442,537**	**3,352,467**	**1,147,118**	**1,701,699**	**2,001,682**	**44,645,503**
Net liquidity gap	**(23,108,358)**	**6,363,872**	**10,004,019**	**5,310,201**	**4,480,738**	**3,050,472**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2005

	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Term not specified	Total
Assets						
Cash and balances with central banks	818,937	-	-	-	1,431,941	2,250,878
Due from banks	3,415,842	131,454	12,484	-	-	3,559,780
Trading securities	257,257	393,054	785,472	180,420	-	1,616,203
Investment securities						
- available-for-sale	129,240	132,953	213,370	222,873	495,158	1,193,594
- held-to-maturity	475,323	1,082,192	4,378,071	2,098,752	-	8,034,338
Investment in associates	-	-	-	-	35,917	35,917
Loans and advances to customers	8,671,921	5,213,863	2,901,875	1,970,807	335,808	19,094,274
Derivative financial instruments	21,025	3,143	183	-	-	24,351
Goodwill	-	-	-	-	1,014,977	1,014,977
Other intangible assets	-	-	-	-	199,524	199,524
Premises and equipment	-	-	-	-	1,360,480	1,360,480
Other assets	233,176	99,631	369	-	287,521	620,697
Deferred income tax assets	-	-	166,685	-	692,617	859,302
Total assets	**14,022,721**	**7,056,290**	**8,458,509**	**4,472,852**	**5,853,943**	**39,864,315**
Liabilities						
Due to banks	726,283	53,002	-	-	-	779,285
Due to customers	25,249,935	1,881,023	149,719	-	-	27,280,677
Other borrowed funds	1,080,472	2,087,466	437,602	81,760	-	3,687,300
Derivative financial instruments	22,243	7,567	229	-	-	30,039
Current income taxes payable	12,778	-	-	-	-	12,778
Deferred income tax liabilities	-	-	-	-	229,868	229,868
Other provisions	-	-	555,619	-	302,263	857,882
Reserve for employment termination benefits	-	-	-	-	87,467	87,467
Insurance technical reserves	-	-	-	-	830,043	830,043
Other liabilities	2,157,658	23,929	18,162	-	383,029	2,582,778
Total liabilities	**29,249,369**	**4,052,987**	**1,161,331**	**81,760**	**1,832,670**	**36,378,117**
Net liquidity gap	**(15,226,648)**	**3,003,303**	**7,297,178**	**4,391,092**	**4,021,273**	**3,486,198**

F. Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. Legal and compliance risk is a sub-category of operational risk: It is the risk to earnings from violations or non compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards. Operational Risk Management Department ("ORM") monitors the Bank operational risk exposure in accordance to standards and policies, collects operational risk data in a web based database, performs the risk indicators' identification, the scenario analysis assessment and assures the quality of data gathered in accordance to the standards, proposes insurance hedging on operational risks and prepares risk mitigation plans. ORM performs second level controls and measures the Bank's operational risks.

G. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value at 30 June 2006 and 31 December 2005.

	30 June 2006		31 December 2005	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Due from banks	1,936,003	1,934,984	3,559,780	3,559,808
Investment securities				
- held to maturity	12,520,269	12,005,086	8,034,338	8,289,134
Loans and advances to customers	23,776,046	23,833,733	19,094,274	19,199,427
Financial liabilities:				
Due to banks	423,032	421,883	779,285	779,443
Due to customers	32,297,981	32,275,834	27,280,677	27,309,266
Other borrowed funds	6,502,788	6,514,680	3,687,300	3,689,431

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Due from banks

The fair value of overnight deposits is considered to approximate its carrying amounts. The estimated fair value of interest bearing placements is based on discounted cash flows using prevailing money market interest rates at the balance sheet date with similar credit risk and remaining maturity.

Loans and advances to customers

Originated loans are net of provisions for impairment. The estimated fair value of originated loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine their fair value.

Investment securities

Investment securities include only interest-bearing assets held-to-maturity, as assets available-for-sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices or prices prevailing at the balance sheet date announced by the Central Bank of the Republic of Turkey ("CBRT") in the Official Gazette.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Due to customers, due to banks and other borrowed funds

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of interest bearing time deposits and other borrowings without quoted market price is based on discounted cash flows using money market interest rates prevailing at the balance sheet date with similar credit risk, currency and remaining maturity.

H. Fiduciary activities

The Group provides custody services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated interim financial statements. Fiduciary capacity at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Investment securities held in custody	18,677,605	17,902,234
Cheques received for collection	4,900,562	4,090,369
Commercial notes received for collection	2,365,686	2,028,974
	25,943,853	**24,021,577**

NOTE 4 - CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than three months maturity from the date of acquisition:

	30 June 2006	30 June 2005
Cash in hand	318,392	93,884
Cheques received	2,088	1,863
Demand deposits with central banks	504,779	34,194
Gold	123,130	234
Other	11,922	-
Due from other banks (with original maturity less than three months)	1,729,600	1,246,146
Total	**2,689,911**	**1,376,321**

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

NOTE 5 - CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2006	31 December 2005
Cash and cash equivalents		
Cash in hand - foreign currency	118,669	185,533
Cash in hand - YTL	199,723	202,298
Cheques received	2,088	1,102
Other	135,052	21,918
	455,532	**410,851**
Demand deposits at central banks		
Foreign currency	504,617	407,883
YTL	162	203
	504,779	**408,086**
Reserve deposits at central banks		
Foreign currency	1,354,017	1,110,391
YTL	1,089,286	321,550
	2,443,303	**1,431,941**
	3,403,614	**2,250,878**

Reserve deposits include the balance with CBRT of YTL2,421,446 thousand (31 December 2005: YTL1,416,524 thousand), balance with the Central Bank of the Russian Federation YTL2,318 thousand (31 December 2005: YTL2,349 thousand), balance with the Deutsche Bundesbank of YTL4,177 thousand (31 December 2005: YTL2,964 thousand) and balance with the De Nederlandsche Bank of YTL15,362 thousand (31 December 2005: YTL10,104 thousand). These funds are not available to finance the Group's day-to-day operations.

NOTE 6 - DUE FROM BANKS

	30 June 2006			31 December 2005		
YTL:	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Nostro/Demand deposits	42,703	10,297	53,000	32,380	3	32,383
Time deposits	52,533	14,025	66,558	121,663	43,047	164,710
Interbank money market	98,075	-	98,075	650,021	-	650,021
	193,311	**24,322**	**217,633**	**804,064**	**43,050**	**847,114**
Foreign currency:						
Nostro/Demand deposits	4,766	203,328	208,094	6,484	219,084	225,568
Time deposits	290,218	1,217,431	1,507,649	114,818	2,372,165	2,486,983
Interbank money market	2,627	-	2,627	-	115	115
	297,611	**1,420,759**	**1,718,370**	**121,302**	**2,591,364**	**2,712,666**
	490,922	**1,445,081**	**1,936,003**	**925,366**	**2,634,414**	**3,559,780**

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

NOTE 7 - TRADING SECURITIES

	30 June 2006		31 December 2005	
Debt Securities	**Cost**	**Carrying value**	**Cost**	**Carrying value**
YTL:				
Government bonds	278,494	294,541	542,403	580,609
Treasury bills	5,387	5,701	52,859	56,136
Government bonds sold under repurchase agreements	-	-	4,380	5,065
Treasury bills sold under repurchase agreements	-	-	983	1,083
	283,881	**300,242**	**600,625**	**642,893**
Foreign currency:				
Eurobonds	190,335	188,281	360,201	376,166
Government bonds	32,783	33,168	259,927	266,999
Eurobonds sold under repurchase agreements	208,530	226,613	174,955	205,933
	431,648	**448,062**	**795,083**	**849,098**
	715,529	**748,304**	**1,395,708**	**1,491,991**
Other				
Mutual funds	38,314	37,931	58,775	64,702
Equity shares-listed	22,508	21,706	54,772	59,510
Precious metals	1,088	1,088	-	-
	61,910	**60,725**	**113,547**	**124,212**
Total trading securities	**777,439**	**809,029**	**1,509,255**	**1,616,203**

Government bonds, treasury bills and Eurobonds are discount and coupon securities issued by the Government of Turkey. Mutual funds represent A and B type open-ended funds incorporated in Turkey managed by the Group and carried for resale to customers.

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

NOTE 8 - INVESTMENT SECURITIES

(i) Available-for-sale

	30 June 2006		31 December 2005	
	Cost	Carrying value	Cost	Carrying value
Debt Securities				
YTL:				
Government bonds	161,018	160,676	103,362	117,937
Treasury bills	18,631	19,220	86,966	93,149
Government bonds sold under repurchase agreements	142	142	2,565	2,938
	179,791	**180,038**	**192,893**	**214,024**
Foreign currency:				
Government bonds	41,275	45,973	40,793	41,708
Eurobonds	281,066	324,461	297,244	322,695
	322,341	**370,434**	**338,037**	**364,403**
	502,132	**550,472**	**530,930**	**578,427**
Other				
Equity shares	770,435	355,913	976,805	495,158
Investment funds	394,822	130,335	304,004	80,145
Precious metals-gold	111,560	111,560	21,651	21,651
Public sector bonds	19,021	19,341	16,042	16,323
Other	1,561	1,572	1,843	1,890
	1,297,399	**618,721**	**1,320,345**	**615,167**
Total available-for-sale securities	**1,799,531**	**1,169,193**	**1,851,275**	**1,193,594**

Investment funds represent foreign funds owned and controlled by the Group.

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

NOTE 8 - INVESTMENT SECURITIES (Continued)

The principal available-for-sale equity shares at 30 June 2006 and 31 December 2005 are as follows:

Name of the company	Nature of Business	2006 Effective rates(%)	2005 Effective rates(%)	30 June 2006	31 December 2005
Unlisted					
A-Tel Pazarlama ve Servis Hizmetleri A.Ş.(*)	Telecoms	33.66	28.94	234,420	201,270
Akdeniz Marmara Turizm ve Tic.A.Ş.	Tourism	67.31	57.88	27,373	27,373
Bayındırlık İşleri A.Ş.	Construction	66.75	57.41	17,204	17,204
Superonline Uluslararası İletişim Hizmetleri A.Ş. (**)	Info-Com	24.28	20.88	14,695	11,906
ISE Settlement and Custody Bank Inc.	Custody	3.27	2.81	12,360	12,243
Enternasyonal Turizm Yatırım A.Ş.	Tourism	9.96	8.57	12,279	12,279
Kredi Kayıt Bürosu A.Ş.	Credit Card Services	15.20	14.35	3,621	3,621
Türkiye Genel Sigorta A.Ş.	Insurance	0.78	0.67	2,414	2,414
Digital Platform İletişim Hizmetleri A.Ş.(**)	Media	-	41.85	-	106,041
Fintur Technologies B.V.(**)	Telecoms	-	14.59	-	67,025
Other				3,428	3,823
				327,794	465,199
Listed					
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Real estate management	20.49	17.62	28,023	28,055
Turkcell İletişim Hizmetleri A.Ş.("Turkcell")	Telecoms	-	0.01	-	1,888
Other				96	16
				28,119	29,959
Total				**355,913**	**495,158**

(*) Based on the "A-Tel Option Agreement" signed between YKB, and Çukurova Holding A.Ş. ("Çukurova Holding") on 28 September 2005, a call option has been granted to Çukurova Group within two years from the agreement date where Çukurova Group or a third party designated by Çukurova Group can purchase 50% of A-Tel Pazarlama ve Servis Hizmetleri A.Ş. ("A-Tel") shares for USD150,000,000 which are owned by YKB. If Çukurova Group does not exercise its option during the above mentioned two years period, YKB will have a put option in order to sell those A-Tel shares to Çukurova Group in three months following the end of the two years. Various mortgages and pledges have been granted in favour of YKB in relation to the "A-Tel option agreement".

As of 30 June 2006, carrying value of A-Tel accounted for as available for sale securities amounted to YTL234,420 thousand (USD150,000,000) (31 December 2005: YTL201,270 thousand) by taking into consideration of the above mentioned "A-Tel Option Agreement". The Share Sale Agreement has been signed on 12 May 2006 and the transfer of the shares was realised at 10 August 2006 as explained in Note 35.

(**) Based on the "Fintur, Digitürk and Superonline Purchase and Sale Agreement" signed between YKB and Çukurova Group on 28 September 2005, the shares of YKB in Fintur and Digitürk has been sold for EUR42.2 million and YTL106,041 thousand, respectively on 5 January 2006. The sale of Superonline in order to complete the necessary permissions for the transfer of the shares has been extended for 3 additional months on 28 August 2006 as explained in Note 35. The carrying amount of Superonline in 30 June 2006 financials is YTL14,695 thousand (31 December 2005: YTL11,906 thousand).

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

NOTE 8 - INVESTMENT SECURITIES (Continued)

(ii) Held-to-maturity

	30 June 2006		31 December 2005	
	Cost	Carrying value	Cost	Carrying value
YTL:				
Government bonds	3,603,724	3,773,434	2,897,352	3,061,065
Treasury bills	207,552	221,017	178,579	181,249
Government bonds sold under repurchase agreements	1,473,891	1,564,619	144,391	146,827
Treasury bills sold under repurchase agreements	62,247	67,416	-	-
	5,347,414	**5,626,486**	**3,220,322**	**3,389,141**
Foreign currency:				
Eurobonds	3,339,901	3,395,842	2,486,467	2,529,856
Government bonds	2,259,448	2,295,887	1,735,670	1,739,376
Eurobonds sold under repurchase agreements	1,167,781	1,181,688	356,175	358,827
Other	20,277	20,366	16,936	17,138
	6,787,407	**6,893,783**	**4,595,248**	**4,645,197**
Total securities held-to-maturity	**12,134,821**	**12,520,269**	**7,815,570**	**8,034,338**

Government bonds, treasury bills and Eurobonds are discount and coupon securities issued by the Government of the Republic of Turkey.

At 30 June 2006, investments securities amounting to YTL3,932,840 thousand (31 December 2005: YTL1,963,435 thousand) were pledged to third parties, namely CBRT for legal requirements, Lehman Brothers, UniCredit SpA, Bayerische Hypo-Und Vereins Bank AG, UBS London, DZ Bank, Koçbank Nederland and other foreign private financial institutions for borrowed funds (Note 18), ISE Settlement and Custody Bank Inc. and Koç Allianz Sigorta A.Ş. as a guarantee for stock exchange and money market operations.

The movements in held-to-maturity securities were as follows:

	2006	2005
Balance at 1 January	**8,034,338**	**3,424,323**
Additions	4,586,744	942,907
Redemptions	(953,908)	(377,407)
Exchange differences on monetary assets	853,095	(21,693)
Monetary loss	-	(100,291)
Balance at 30 June	**12,520,269**	**3,867,839**

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

NOTE 9- INVESTMENT IN ASSOCIATES

	30 June 2006	31 December 2005
Balance at opening	**35,917**	**-**
Increase due to acquisition of subsidiary (Note 24)	-	37,166
Share of results	2,398	(900)
Dividends paid	(1,340)	-
Exchange difference	9,345	(349)
Balance at closing	**46,320**	**35,917**

The Group's interest in its principal associate as of 30 June 2006 is as follows:

Name	Country of incorporation	Total Assets	Shareholder's Equity	Revenues	Net Profit
Banque de Commerce	Switzerland	1,668,112	15,034	34,584	11,803

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

	30 June 2006	31 December 2005
Corporate and commercial originated by the Group		
Direct loans	11,114,436	9,394,120
Export loans	2,939,893	2,095,872
Investment loans	780,737	514,391
Net investment in finance leases	274,169	176,299
Debt securities	155,488	142,431
Factoring receivables	136,415	141,002
Other	72,463	51,196
Total corporate and commercial loans	**15,473,601**	**12,515,311**
Retail and consumer		
Credit cards receivables	4,959,534	4,099,533
Other consumer and retail loans	2,721,179	1,959,065
Total retail and consumer loans	**7,680,713**	**6,058,598**
	23,154,314	**18,573,909**
Loans under legal follow up	1,593,329	1,559,291
Other impaired loans	825,597	630,965
Total impaired loans	**2,418,926**	**2,190,256**
Gross loans and advances	**25,573,240**	**20,764,165**
Less: Allowance for losses on loans and advances	(1,797,194)	(1,669,891)
Net loans and advances to customers	**23,776,046**	**19,094,274**

Debt securities represent a special type of government bonds issued by the Undersecretariat of Republic of Turkey ("Treasury") as a part of a protocol signed on 30 December 2005 between Treasury, YKB and a government agency from which YKB had a receivable. This security has a maturity of three years and yearly coupon payments.

Other impaired loans represent performing loans either to borrowers or to classes of borrowers (i.e. sectors) in temporary difficulties, which are expected to be resolved within a reasonable period of time.

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movement in the allowance for losses on loan and advances is as follows:

	2006	2005
Balance at 1 January	**1,669,891**	**426,781**
Impairment losses on loans and advances (Note 30)	238,158	68,253
Write - off during the period as uncollectible	(3,045)	-
Recoveries of amounts previously provided (Note 30)	(116,500)	(30,208)
Translation difference	8,690	-
Monetary gain	-	(10,262)
Balance at 30 June	**1,797,194**	**454,564**

The loans and advances to customers include finance lease receivables as shown below:

	30 June 2006	31 December 2005
Gross investment in finance leases	320,355	201,258
Unearned income	(46,186)	(24,959)
Net investment in finance leases - performing	**274,169**	**176,299**
Impaired finance lease receivables	46,602	45,168
Less: Allowance for losses on finance lease receivables	(32,972)	(30,853)
Investment in finance leases, net	**287,799**	**190,614**

Lease payments receivable consists of rentals over the terms of leases. The rentals according to maturity are as follows:

	30 June 2006	31 December 2005
2006	99,375	127,103
2007	135,968	53,669
2008	57,569	14,393
2009 and over	27,443	6,093
Less: unearned finance income	(46,186)	(24,959)
Net investment in finance leases	**274,169**	**176,299**

The loans and advances include factoring receivables as shown below:

	30 June 2006	31 December 2005
Domestic transactions	62,572	105,126
Export and import transactions	73,843	35,876
Gross factoring receivables	**136,415**	**141,002**
Impaired factoring receivables	4,185	3,962
Less: Allowance for losses on factoring receivables	(4,185)	(3,962)
Factoring receivables, net	**136,415**	**141,002**

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Economic sector risk concentrations for performing loans were as follows:

	30 June 2006	%	31 December 2005	%
Consumer and retail	7,680,713	33	6,058,598	33
Financial institutions	2,256,423	10	1,669,231	9
Metal processing	1,604,091	7	1,238,749	7
Textiles	1,600,725	7	1,338,969	7
Manufacturing	1,375,193	6	1,286,167	7
Construction and cement	1,308,849	6	916,892	5
Petrochemical industry	1,219,578	5	630,336	3
Food, beverage and tobacco	1,030,401	4	1,102,572	6
Wholesale trade	888,155	4	770,328	4
Automotive	520,146	2	451,812	2
Tourism	466,491	2	396,127	2
Agriculture	230,880	1	288,563	2
Durable goods	166,273	1	118,734	1
Other	2,806,396	12	2,306,831	12
	23,154,314	**100**	**18,573,909**	**100**

The Group's total cash exposure to Çukurova Group amounts to US$807,051,008 (YTL1,261,259 thousand) including the accrued interest of US$15,431,917 as of 30 June 2006 (31 December 2005: US$805,431,881). The annual interest rate for Çukurova Group risk is Libor+2.5 and the maturity of the last payment is 31 December 2015. According to the pledge agreement signed between YKB, Çukurova Holding and Çukurova Investments N.V. on 28 September 2005, the Group has a continuous pledge on 6.682% of Turkcell shares in relation to Çukurova Group loans repayment liability. The market value of those pledged shares amounts to approximately YTL929,050 thousand as of 30 June 2006.

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

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments:

"Currency forwards" represents commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Group risks are represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

"Interest rate cap and floor arrangements" provides the purchaser with the right to receive interest rate differential payments on a notional amount when the indexed rate is in excess of the specified cap rate and limits the benefit of reductions in interest rates if it occurs.

Options are the right to buy or sell for the buyer and are the obligations for the writer an asset at a specified price until a specified expiration date. Options are traded for clients' needs therefore the Group does not carry open position in the options book.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

The fair values of derivative instruments at 30 June 2006 and 31 December 2005, are set out in the follows:

30 June 2006	**Contract/notional amount**	**Fair Values**	
		Assets	**(Liabilities)**
Foreign exchange derivatives			
Currency forwards	2,143,411	35,687	(23,724)
Currency swaps	4,060,183	27,723	(18,972)
Security forwards	1,362	-	-
Interest rate derivatives			
Interest rate swaps, cap and floor arrangements	707,255	64,306	(895)
Total OTC derivatives held-for trading	**6,912,211**	**127,716**	**(43,591)**
Options (Note 31)	625,631	52	(3,482)
Futures	159	-	-
	7,538,001	**127,768**	**(47,073)**

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

NOTE 11 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2005	Contract/notional amount	Fair Values Assets	Fair Values (Liabilities)
Foreign exchange derivatives			
Currency forwards	1,531,119	20,005	(19,179)
Currency swaps	1,980,395	3,745	(10,572)
Security forwards	5,750	6	-
Interest rate derivatives			
Interest rate swaps, cap and floor arrangements	361,658	594	(287)
Total OTC derivatives held-for trading	**3,878,922**	**24,350**	**(30,038)**
Options (Note 31)	4,044	1	(1)
	3,882,966	**24,351**	**(30,039)**

As also explained in Note 2.V, even though certain derivative transactions provide effective economic hedges under the Group's risk management position, they do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading.

The notional amounts of derivative instruments are further explained in detail in Note 31.

NOTE 12 - GOODWILL

	2006
Net book amount at 31 December 2005 as previously reported	**985,682**
- direct cost relating to acquisition	1,933
- effect of adjustments on preliminary fair values due to business combination (Note 24)	27,362
as restated at 31 December 2005	**1,014,977**
Impairment charge	-
Closing at 30 June 2006	**1,014,977**

NOTE 13 - OTHER INTANGIBLE ASSETS

	30 June 2006	31 December 2005
Cost	324,484	330,126
Accumulated amortisation and impairment	(143,002)	(130,602)
Net book amount	**181,482**	**199,524**

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

NOTE 13 - OTHER INTANGIBLE ASSETS (Continued)

Movements of other intangible assets were as follows:

30 June 2006

Cost	Rights and licenses	Software	Trademarks and customer relationships related intangibles	Total
Opening balance at 1 January 2006	**88,678**	**78,364**	**163,084**	**330,126**
Additions	431	898	-	1,329
Disposals	(9,409)	(1)	-	(9,410)
Transfers	-	2,258	-	2,258
Translation difference	-	181	-	181
Closing balance at 30 June 2006	**79,700**	**81,700**	**163,084**	**324,484**
Accumulated amortisation and impairment				
Opening balance at 1 January 2006	**(55,144)**	**(70,022)**	**(5,436)**	**(130,602)**
Amortisation charge (Note 29)	(6,755)	(2,082)	(8,154)	(16,991)
Disposals	8,994	1	-	8,995
Transfers	-	(1,492)	-	(1,492)
Impairment charge (Note 29)	-	(2,770)	-	(2,770)
Translation difference	-	(142)	-	(142)
Closing balance at 30 June 2006	**(52,905)**	**(76,507)**	**(13,590)**	**(143,002)**
Net book amount at 30 June 2006	**26,795**	**5,193**	**149,494**	**181,482**

30 June 2005

Cost	Rights and licenses	Software	Trademarks and customer relationships related intangibles	Total
Opening balance at 1 January 2005	**17,579**	**45,754**	**-**	**63,333**
Additions	-	806	-	806
Disposals	-	-	-	-
Translation difference	-	-	-	-
Closing balance at 30 June 2005	**17,579**	**46,560**	**-**	**64,139**
Accumulated amortisation				
Opening balance at 1 January 2005	**(12,080)**	**(35,270)**	**-**	**(47,350)**
Amortisation charge (Note 29)	(1,423)	(2,163)	-	(3,586)
Disposals	-	-	-	-
Translation difference	-	-	-	-
Closing balance at 30 June 2005	**(13,503)**	**(37,433)**	**-**	**(50,936)**
Net book amount at 30 June 2005	**4,076**	**9,127**	**-**	**13,203**

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

NOTE 14 - PREMISES AND EQUIPMENT, NET

30 June 2006

Opening balance at 1 January 2006	Land and buildings	Office equipments	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost	3,477,610	687,357	301,001	131,129	4,597,097
Accumulated depreciation and impairment	(2,344,793)	(559,433)	(229,099)	(91,630)	(3,224,955)
Net book amounts previously reported	1,132,817	127,924	71,902	39,499	1,372,142
- effect of adjustments on preliminary fair values acquired due to business combination (Note 24)	(11,662)	-	-	-	(11,662)
Net book amount as restated	**1,121,155**	**127,924**	**71,902**	**39,499**	**1,360,480**
Cost					
Opening balance at 1 January 2006	3,477,610	687,357	301,001	131,129	4,597,097
Additions	169	18,281	3,386	377	22,213
Disposals	(1,564)	(37,907)	(13,763)	(2,285)	(55,519)
Transfers	-	(2,258)	-	-	(2,258)
Translation difference	4,516	738	1,428	866	7,548
Closing balance at 30 June 2006	**3,480,731**	**666,211**	**292,052**	**130,087**	**4,569,081**
Accumulated depreciation and impairment					
Opening balance at 1 January 2006	(2,356,455)	(559,433)	(229,099)	(91,630)	(3,236,617)
Depreciation charge (Note 29)	(28,958)	(26,993)	(11,076)	(7,794)	(74,821)
Disposals	360	37,569	13,574	2,063	53,566
Transfers	-	1,492	-	-	1,492
Translation difference	(2,462)	(544)	(1,261)	(424)	(4,691)
Impairment charge (Note 29)	1,811	-	(480)	-	1,331
Closing balance at 30 June 2006	**(2,385,704)**	**(547,909)**	**(228,342)**	**(97,785)**	**(3,259,740)**
At 30 June 2006					
Cost	3,480,731	666,211	292,052	130,087	4,569,081
Accumulated depreciation and impairment	(2,385,704)	(547,909)	(228,342)	(97,785)	(3,259,740)
Net book amount	**1,095,027**	**118,302**	**63,710**	**32,302**	**1,309,341**

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

NOTE 14 - PREMISES AND EQUIPMENT, NET (Continued)

At 30 June 2006, total impairment provision on premises and equipment amounts to YTL765,548 thousand (31 December 2005: YTL766,879 thousand).

Leased assets included in the furniture, fixtures, vehicles and equipment, where the Group is the lessee, amounted to YTL78,665 thousand (31 December 2005: YTL71,568 thousand)

30 June 2005

Opening balance at 1 January 2005	**Land and buildings**	**Office equipments**	**Furniture and fixtures, vehicles and other**	**Leasehold improvements**	**Total**
Cost	66,553	324,034	16,560	76,784	483,931
Accumulated depreciation	(24,781)	(262,748)	(12,689)	(52,589)	(352,807)
Net book amount	**41,772**	**61,286**	**3,871**	**24,195**	**131,124**
Cost					
Opening balance at 1 January 2005	66,553	324,034	16,560	76,784	483,931
Additions	3	2,498	394	1,050	3,945
Disposals	-	(11)	(650)	-	(661)
Closing balance at 30 June 2005	**66,556**	**326,521**	**16,304**	**77,834**	**487,215**
Accumulated depreciation and impairment					
Opening balance at 1 January 2005	(24,781)	(262,748)	(12,689)	(52,589)	(352,807)
Disposals	-	11	448	-	459
Depreciation charge (Note 29)	(860)	(12,861)	(734)	(4,015)	(18,470)
Impairment charge (Note 29)	(526)	-	-	-	(526)
Closing balance at 30 June 2005	**(26,167)**	**(275,598)**	**(12,975)**	**(56,604)**	**(371,344)**
At 30 June 2005					
Cost	66,556	326,521	16,304	77,834	487,215
Accumulated depreciation	(26,167)	(275,598)	(12,975)	(56,604)	(371,344)
Net book amount	**40,389**	**50,923**	**3,329**	**21,230**	**115,871**

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

NOTE 15 - OTHER ASSETS

	30 June 2006	**31 December 2005**
Asset held for resale, net	185,621	187,038
Due from insurance policyholders	169,404	133,619
Collaterals given	141,134	16,788
Prepaid taxes	112,776	64,198
Payments for credit card settlements	55,022	42,848
Prepaid expenses	44,244	45,193
Advances given	28,363	5,827
Account receivable	22,634	24,331
Other	94,673	100,855
Total	**853,871**	**620,697**

Assets held for resale represent mainly foreclosed assets received against uncollectible loans and advances to customers, to be sold as required by the Turkish Banking Law. At 30 June 2006, the total impairment recognised for assets held for resale amounted to YTL321,006 thousand (31 December 2005: YTL316,314 thousand).

Movements in assets held for resale were at 30 June as follows:

	2006	**2005**
Cost		
Opening balance at 1 January	503,352	20,881
Additions	7,286	8,190
Disposals	(9,274)	(3,704)
Translation difference	5,263	-
Closing balance at 30 June	**506,627**	**25,367**
Impairment		
Opening balance at 1 January		
as previously reported	(312,323)	(1,589)
- effect of adjustments on preliminary		
fair values acquired due to business combination	(3,991)	-
as restated at 1 January	(316,314)	(1,589)
Impairment charge for the year (Note 29)	(2,865)	(2,876)
Recoveries	905	-
Translation difference	(2,732)	-
Closing balance at 30 June	**(321,006)**	**(4,465)**
Net book amount at 30 June	**185,621**	**20,902**

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

NOTE 16 - DUE TO BANKS

	30 June 2006			31 December 2005		
	Current/ Demand	Term	Total	Current/ Demand	Term	Total
Foreign currency:						
Domestic banks	23,069	453	23,522	25,205	212,614	237,819
Foreign banks	33,141	216,162	249,303	26,578	187,073	213,651
	56,210	**216,615**	**272,825**	**51,783**	**399,687**	**451,470**
YTL:						
Domestic banks	14,999	80,483	95,482	19,074	177,438	196,512
Foreign banks	9,412	45,313	54,725	12,306	118,997	131,303
	24,411	**125,796**	**150,207**	**31,380**	**296,435**	**327,815**
Total	**80,621**	**342,411**	**423,032**	**83,163**	**696,122**	**779,285**

NOTE 17 - DUE TO CUSTOMERS

	30 June 2006			31 December 2005		
	Current/ Demand	Term	Total	Current/ Demand	Term	Total
Foreign currency deposits:						
Saving deposits	1,817,763	7,411,101	9,228,864	1,728,169	6,873,653	8,601,822
Commercial deposits	2,188,164	2,800,374	4,988,538	1,918,305	2,340,829	4,259,134
Funds deposited under repurchase agreements	-	1,155,939	1,155,939	-	430,558	430,558
Public sector deposits	1,360	-	1,360	-	-	-
	4,007,287	**11,367,414**	**15,374,701**	**3,646,474**	**9,645,040**	**13,291,514**
YTL deposits:						
Saving deposits	844,577	9,522,918	10,367,495	809,261	7,089,090	7,898,351
Commercial deposits	1,069,457	3,929,983	4,999,440	1,477,607	4,407,791	5,885,398
Funds deposited under repurchase agreements	-	1,439,009	1,439,009	-	153,695	153,695
Public sector deposits	97,760	19,576	117,336	24,617	27,102	51,719
	2,011,794	**14,911,486**	**16,923,280**	**2,311,485**	**11,677,678**	**13,989,163**
	6,019,081	**26,278,900**	**32,297,981**	**5,957,959**	**21,322,718**	**27,280,677**

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

NOTE 18 - OTHER BORROWED FUNDS

	30 June 2006	31 December 2005
Foreign institutions and banks		
Syndication loans	2,044,466	1,739,047
Subordinated debt	1,684,194	-
Structured finance deal	39,070	273,044
Other	2,179,785	1,181,863
	5,947,515	**3,193,954**
Domestic banks	496,100	453,206
Interbank money market	59,173	40,140
	555,273	**493,346**
	6,502,788	**3,687,300**

At 30 June 2006, syndication loans comprised of original principal amount US$500 million obtained from Sumitomo Mitsui Banking Corporation on 31 August 2005 and original principal amount US$800 million which is provided by 21 international banks with the Bank of New York acting as agent on 29 December 2005 which bear interest rates of 6 months Libor+0.40% and one year Libor+0.3%, respectively.

As of 30 June 2006, Koçbank and YKB have subordinated loans amounting to EUR350 million and EUR500 million respectively with ten years maturity and a repayment option at the end of the first five years with interest rates of Euribor+2.25% and Euribor+2%. The loans have been obtained from Goldman Sachs International Bank and Merrill Lynch Capital Corporation with UniCredit S.p.A. as guarantor.

In November 2003, the Group finalised a structured finance deal of US$200 million by securitising its foreign currency present and future remittances. At 30 June 2006, the outstanding principal amount of the securitisation deal is US$25 million. The deal has an interest rate of 3 month Libor+0.45% and maturity 31 March 2007.

Other borrowed funds from foreign institutions and banks include original principal amount EUR100 million obtained from Unicredit S.p.A on 31 December 2005 which bear interest rate of 12 months Euribor+0.85%.

Funds borrowed from domestic banks represent funds obtained from Export Credit Bank of Turkey (Türk Eximbank) in context of Export Financing and International Loans ("EFIL") sourced by World Bank to finance certain export loans provided to customers in line with the prevailing regulations.

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

NOTE 19 - TAXATION

	30 June 2006	30 June 2005
(i) Income tax expense		
Turkish		
- Current tax expense	12,144	75,906
- Deferred income tax expense / (benefit)	294,765	(22,786)
	306,909	**53,120**
Foreign		
- Current tax expense	2,442	-
- Deferred income tax expense	11,091	-
	13,533	**-**
Total income tax expenses	**320,442**	**53,120**

	30 June 2006	31 December 2005
(ii) Current income taxes payable		
Turkish		
- Taxation on income	10,971	107,091
- Prepaid taxes	(10,164)	(97,553)
	807	**9,538**
Foreign		
- Taxation on income	3,583	3,240
- Prepaid taxes	(1,049)	-
	2,534	**3,240**
Total current income taxes payable	**3,341**	**12,778**

	30 June 2006	31 December 2005
(iii) Deferred income taxes		
Deferred income tax assets		
- Turkish	547,847	847,628
- Foreign	215	11,674
	548,062	**859,302**
Deferred income tax liabilities		
- Turkish	(193,182)	(225,919)
- Foreign	(3,078)	(3,949)
	(196,260)	**(229,868)**
Deferred income tax assets, net	**351,802**	**629,434**

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

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

NOTE 19 - TAXATION (Continued)

The Corporate Tax Law has been amended with the law dated 13 June 2006 and numbered 5520. Many articles of the new Corporate Tax Law numbered 5520 have been effective from 1 January 2006. Accordingly, the corporate tax rate in Turkey is 20% for the year 2006 (31 December 2005:30%). Corporate tax rate is calculated on the total income of the company 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 thus is not subject to withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% (30% for 2005) on their corporate income. Advance tax is declared by the 10th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

Capital gains derived from the sale of equity investments and immovable properties are tax exempt, if such gains are added to paid-in capital by the end of the second year following their sale.

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

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

Reconciliation between the expected and the actual taxation charge is stated below:

	30 June 2006
Profit before income taxes	**414,885**
Theoretical income tax at the applicable tax rate of 20%	(82,977)
Effect of different tax rates in other countries	(1,073)
Effect of change in tax rate	(207,907)
Non-taxable consolidation adjustments	4,119
Tax effect of items which are not deductible or assessable for taxation purposes:	
- Income exempt from taxation	228,097
- Non-deductible expenses	(262,859)
- Utilisation of investment incentive	2,158
	(320,442)

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

NOTE 19 - TAXATION (Continued)

Deferred income taxes

For all domestic subsidiaries and parent, deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2006 under the liability method using a principal tax rate of 20% at 30 June 2006 (31 December 2005: 30%).

For foreign subsidiaries deferred income taxes are calculated on all temporary differences under the liability method using the principal tax rates at 30 June 2006 as follows:

Country of incorporation	Tax rate (%) 30 June 2006	Tax rate (%) 31 December 2005
Germany	26.38	26.38
Russia	24.00	24.00
Netherlands	29.60	31.50

The deferred income tax asset and liability represent the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return in accordance with the applicable tax law plus any available tax loss carry forward from previous years.

The temporary differences giving rise to the deferred income tax assets and deferred income tax liabilities are as follows:

	Cumulative Temporary Differences		Deferred Income Tax Asset/Liability	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Impairment on assets	1,138,962	1,295,262	227,793	388,579
Provision for loan losses	623,169	540,232	124,634	162,070
Estimated liability on transfer of the Fund (Note 20)	615,794	555,619	123,159	166,685
Other provisions	159,937	117,080	31,988	35,124
Employment termination benefits	88,959	87,155	17,816	26,146
Revaluation of derivative instruments at fair value	33,894	28,010	6,779	8,403
Tax losses carried forward	7,185	138,030	1,437	43,617
Valuation differences on investment securities	3,710	46,144	742	13,843
Other	68,342	49,762	13,714	14,835
Deferred income tax assets	**2,739,952**	**2,857,294**	**548,062**	**859,302**
Difference between carrying value and tax base of premises and equipment	502,579	626,937	100,516	188,081
Valuation differences on investment securities	294,772	38,583	58,688	11,574
Revaluation of derivative instruments at fair value	124,456	12,143	24,852	3,643
Assets capitalised under finance leases	7,924	9,889	1,585	2,967
Other	50,395	78,677	10,619	23,603
Deferred income tax liabilities	**980,126**	**766,229**	**196,260**	**229,868**
Deferred income tax assets, net	**1,759,826**	**2,091,065**	**351,802**	**629,434**

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

NOTE 19 - TAXATION (Continued)

The movements of deferred income taxes were as follows:

	2006	2005
Balance at 1 January previously reported	**635,001**	**78,800**
- effect of adjustments on preliminary fair values acquired due to business combination (Note 24)	(5,567)	-
as restated at 1 January	**629,434**	**78,800**
Charge for the period, net	(305,856)	22,786
Tax charged to equity	27,778	-
Monetary loss	-	(1,633)
Translation difference	446	-
Balance at 30 June	**351,802**	**99,953**

NOTE 20 - OTHER PROVISIONS

	30 June 2006	31 December 2005
Provision on estimated liability on transfer of the Fund	615,794	555,619
Provision for credit related commitments (Note 31)	150,114	154,008
Tax and other legal provisions	100,943	104,681
Provision on export commitment estimated liabilities	41,509	43,574
Other	1,323	-
	909,683	**857,882**

Estimated liability on transfer of the Fund

As of 30 June 2006, YKB personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with 20th temporary article of the Social Security Law numbered 506 ("the Social Security Law"). The 23rd temporary article of the Banking Act No.5387 ("the Article"), which was approved by the Grand National Assembly of the Republic of Turkey ("National Assembly") on 2 July 2005, stated that funds established in accordance the Social Security Law should be transferred to the Social Security Institution ("SSK") within three years following the publishing of the Article. However, the article was vetoed by the President of the Republic of Turkey ("the President") and sent back to the National Assembly for reconsideration on 22 July 2005. Upon discussion in National Assembly the article was approved without any modification on 19 October 2005. Although, on 2 November 2005 the President has applied to the Constitutional Court on revocation of the article, the article is currently enforceable under Turkish laws and regulations.

Furthermore, in the article the general guideline on the method of transfer of funds stipulating actuarial calculation to determine the value of funds on transfer was set. This is a special committee, assembled in accordance with the article, commenced its work under the supervision of Ministry of Labor to determine the method and specific parameters to apply for the actuarial calculation of the value of funds on transfer. In that respect, the management of YKB requested the preparation of an actuarial report to determine the value of the Fund as of 30 April 2006 from local sworn actuary. The actuarial calculation was performed using a technical interest rate of 10.24% and the mortality table CSO 1980 as prescribed by the special committee. According to this report dated 30 April 2006 the Fund has technical deficit of YTL595,909 thousand. The provision for the Fund has been updated in the consolidated interim financial statements at 30 June 2006 as YTL615,794 thousand in order to reflect the estimated 2 months effect.

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

NOTE 20 - OTHER PROVISIONS (Continued)

Tax and other legal provisions

As of 30 June 2006, the Group is involved in some legal disputes. The Group's lawyers advise that, owing to developments in some of these cases, it is probable that the Group will be found liable. Therefore, the management has recognised a provision of YTL12,654 thousand (31 December 2005: YTL17,354 thousand) as the best estimate of the amount to settle these potential obligations.

The Group recorded total provision of YTL88,289 thousand (31 December 2005: YTL87,327 thousand) against potential tax risks in these consolidated interim financial statements for the period ended 30 June 2006.

Export commitment provision

The Group management has estimated losses that may arise from export loans to customers under legal follow-up that do not have the ability to fulfill their export commitments and has recognised a provision of YTL41,509 thousand (31 December 2005: YTL43,574 thousand).

Provision for credit related commitments

Movement in provision for credit related commitments is as follows:

	2006	**2005**
Balance at 1 January	**154,008**	**34,640**
Impairment losses on credit related commitments (Note 30)	(3,894)	17,072
Monetary gain	-	(1,633)
Balance at 30 June	**150,114**	**50,079**

Movement in other provisions is as follows:

	Tax and other legal provisions	**Estimated liability on transfer of the Fund**	**Export commitment provision**	**Total**
Balance at 1 January 2006 as previously reported	**100,474**	**555,619**	**43,574**	**699,667**
-effect of adjustments on preliminary fair values acquired due to business combination (Note 24)	4,207	-	-	4,207
as restated at 1 January 2006	**104,681**	**555,619**	**43,574**	**703,874**
Provision (released)/charged	(1,113)	60,175	(2,065)	56,997
Provision used	(2,625)	-	-	(2,625)
Balance at 30 June 2006	**100,943**	**615,794**	**41,509**	**758,246**

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

NOTE 21 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

	30 June 2006	**31 December 2005**
Reserve for employment termination benefits		
- domestic	89,332	87,264
- foreign	251	203
	89,583	**87,467**

The movement in the reserve for employment termination benefits is as follows:

	2006	**2005**
Opening balance at 1 January	87,467	8,490
Increase during the period	6,196	2,121
Paid during the period	(4,128)	(886)
Translation difference	48	-
Monetary gain	-	(184)
Balance at 30 June	**89,583**	**9,541**

Under the Turkish Labor Law, the parent and its domestic subsidiaries are required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of YTL1,771 (31 December 2005: YTL1,727 in terms of the purchasing power of YTL at 2005) for each year of service.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees.

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the domestic liability as at 30 June 2006 and 31 December 2005:

	30 June 2006	**31 December 2005**
Discount rate (%)	5.49	5.49
Turnover rate to estimate the probability of retirement (%)	2-6	2-7

Additionally, the principal actuarial assumption is that the maximum liability of YTL1,771 for each year of service would increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1,815 which is effective from 1 July 2006, has been taken into consideration in calculating the reserve for employment termination benefit of the parent and its domestic subsidiaries.

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

NOTE 22 - INSURANCE TECHNICAL RESERVES

	30 June 2006	31 December 2005
Mathematical reserve	374,604	334,977
Profit share reserve	234,628	289,865
Unearned premium reserve	180,662	152,731
Outstanding claim reserve	41,977	41,841
IBNR reserve	9,846	10,629
Total	**841,717**	**830,043**

The movements of insurance technical reserves were as follows:

	2006
Opening net book amount at 1 January	**830,043**
Provision used	(122,719)
Foreign exchange difference	76,283
Charge for the period, net	58,110
Closing net book amount 30 June	**841,717**

NOTE 23 - OTHER LIABILITIES

	30 June 2006	31 December 2005
Credit card payables	1,737,891	1,483,125
Clearing accounts	284,331	123,713
Import deposit and transfer orders	251,437	181,435
Miscellaneous payables to customers	189,846	40,678
Blocked accounts	167,166	130,532
Taxes other than income and withholdings	85,484	80,329
Credit card bonus provision	56,820	52,329
Unused annual vacation	49,118	48,325
Unearned income for miscellaneous fees and commissions	47,303	47,559
Premium and bonuses payable to personnel	34,770	55,348
Payable to Saving Deposits Insurance Fund	13,349	11,216
Advances taken	9,353	7,328
Leasing obligations	1,464	2,277
Other	405,713	318,584
Total	**3,334,045**	**2,582,778**

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

NOTE 24 - ACQUISITIONS

30 June 2006:

The Bank purchased further 9.09% of YKB shares traded in ISE and 0.8% of the shares under a foreign mutual fund in YKB's available-for-sale portfolio during April and as a result, the ownership of the Bank increased from 57.42% to 67.31%. As explained in Note 2.C, the Bank recognised the difference between the acquisition cost and net asset acquired amount directly under Equity.

Total acquisition cost	607,331
Net assets acquired	(170,683)
Difference (Note 26)	**436,648**

31 December 2005:

In accordance with the Share Purchase Agreement ("SPA") signed on 28 September 2005 between Çukurova Holding, various Çukurova Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş., Koçbank N.V. and Koçbank, Koçbank acquired of 57.4% of the shares of YKB. The value for 57.4% of the shares of YKB was realised as EUR1,182,369 thousand.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
- Cash paid	1,919,990
- Direct costs relating to the acquisition	41,940
Total purchase consideration	**1,961,930**
- preliminary fair value of net identifiable assets acquired	974,315
- adjustments on preliminary fair values in initial accounting period	(27,362)
Fair value of net identifiable assets acquired	**946,953**
Goodwill on acquisition (Note 12)	**1,014,977**

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

NOTE 24 - ACQUISITIONS (Continued)

The assets and liabilities arising from initial acquisition are as follows:

	Fair Value	Acquiree's carrying amount
Cash and cash equivalents	2,736,740	2,736,740
Due from banks	1,148,564	1,148,564
Premises and equipment	1,294,560	1,294,560
Trademarks and customer related intangibles	163,084	-
Other intangibles	33,419	33,419
Investment in associates (Note 9)	37,166	37,166
Trading securities	3,015,454	3,015,454
Investment securities	5,012,740	5,012,740
Loans and advances to customers	10,571,824	10,571,824
Other assets	735,636	735,636
Net deferred income tax assets	567,576	567,576
Deposits	(18,494,773)	(18,494,773)
Other liabilities	(3,908,489)	(3,908,489)
Borrowings	(1,200,471)	(1,200,471)
	1,713,030	**1,549,946**

Adjustments on preliminary fair values in the initial accounting period:	
Premises and equipment	(11,662)
Investment securities	(5,664)
Other assets	697
Deferred income tax assets	(5,567)
Other liabilities	(25,097)
Total effect of adjustments	**(47,293)**
Net identifiable assets	**1,665,737**
Minority interest as previously reported	**738,715**
Effect of adjustments on preliminary fair values	(19,931)
Minority interest	**718,784**
Net identifiable assets acquired	**946,953**
Inflow of cash to acquire business, net of cash acquired:	
Purchase consideration settled in cash	(1,961,930)
Cash and cash equivalents in subsidiary acquired	2,736,740
Cash inflow on acquisition	**774,810**

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. As the initial accounting for a business combination for some identifiable assets, liabilities and contingent liabilities was determined only provisionally by the end of the period in which the combination is effected, the Group accounted for the combination using those provisional values. The Group will recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

The General Assembly of YKB held on 28 September 2005 and the new members of the Board of Directors of YKB, who started to work by swearing at the same date. In the first meeting of YKB Board of Directors held on the same date and also in the year end General Assembly of YKB, following agreements were ratified:

NOTE 24 - ACQUISITIONS (Continued)

Turkcell Option Agreement

Based on the Turkcell Option Agreement signed between the Bank and Çukurova Holding on 28 September 2005, a call option has been granted to Çukurova Holding for the purchase of 1.15% of the shares of Turkcell and 20.02% of the shares of Turkcell Holding in the following 12 months after the option agreement date. In accordance with that agreement Turkcell and Turkcell Holding shares were sold at 25 November 2005.

Option Agreement in Relation to Non-Core Assets

In accordance with the "Non-Core Assets Option Agreement" signed between YKB and Çukurova Group at 28 September 2005, parties agreed that for the following six years after the date of share transfer, if the non-core assets that have a carrying value of approximately YTL455,000 thousand in the financial statements as of 30 September 2005 are sold to third parties, 57.4% of the difference between the value of the assets stated in the agreement and the sales value will be used to reduce debts of the Çukurova Group to YKB. In addition, KFS, the ultimate shareholder of YKB, has declared to YKB that it has agreed and committed to irrevocably pay any difference in favour of Çukurova Group resulting from the transactions subject to this agreement during the life of the Option Agreement, which will be deducted from Çukurova Group's debts.

Purchase-Sale Agreement for Fintur, Superonline and Digitürk

Digitürk, Superonline and Fintur Purchase and Sale Agreement was signed between the YKB and Çukurova Group on 28 September 2005, and the parties have agreed to sell the shares owned by YKB in Fintur, Superonline and Digitürk to Çukurova Group within 4 months of that date for EUR42.2 million, EUR7.5 million and YTL106,041 thousand, respectively. As further explained in detail in Note 8, Fintur and Digitürk have been sold to Çukurova at 5 January 2006.

A-Tel Option Agreement

Based on the "A-Tel Option Agreement" signed between YKB, and Çukurova Holding A.Ş. ("Çukurova Holding") on 28 September 2005, a call option has been granted to Çukurova Group within two years from the agreement date where Çukurova Group or a third party designated by Çukurova Group can purchase 50% of A-Tel Pazarlama ve Servis Hizmetleri A.Ş.'s ("A-Tel") shares for USD150,000,000 which are owned by YKB. If Çukurova Group does not exercise its option during the above mentioned two years period, YKB will have a put option in order to sell those A-Tel shares to Çukurova Group in three months following the end of the two years. As further explained in detail in Note 35.ii, A-Tel was sold to Çukurova Group at 9 August 2006.

Yapı Kredi Plaza Agreement in relation to the sale of immovable in Yapı Kredi Plaza A Block 15, 16, 17 and 18th floors and Yapı Kredi Plaza E Block

According to "Yapı Kredi Plaza Agreement in relation to the sale of immovable in Yapı Kredi Plaza A Block 15, 16, 17 and 18th floors and Yapı Kredi Plaza E Block", the parties agree on the selling of Bank's various immovable in Yapı Kredi Plaza (A Block Floors 15, 16, 17 and 18 and the whole E Block) located in İstanbul, Levent to Çukurova Group. Accordingly, the transfer operation in relation to those immovable commenced and the transfer price amounting to USD13,995,820 was collected by YKB at 28 September 2005.

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

NOTE 24 - ACQUISITIONS (Continued)

Superonline Modification Agreement

According to Superonline Modification Agreement, the parties agreed on extending present agreements between YKB and Superonline for five additional years on an arm's length basis.

Advertising Publication Agreement

According to "Advertising Publication Agreement", the parties agreed that YKB and its subsidiaries will spend up to EUR15 million per year for a five-year period after the share transfer on giving advertisements via media companies of Çukurova Group and half of this amount will be used in the payment of the Çukurova Group Loan. New advertisement agreements have been signed between YKB, Çukurova Media Companies and KFS on 10 August 2006 to be replaced with the "Advertising Publication Agreement" signed between YKB and Çukurova Media Companies on 28 September 2005. There has been no change in conditions of the agreement such as the amount of advertisement and duration of the agreement and also in the new agreement, it is anticipated that YKB will publish advertisements via media companies of Çukurova based on Koç Group prices but this time under guarantee of KFS.

NOTE 25 - SHARE CAPITAL

The historic amount of share capital of the Company consists of 234,524,670,000 (31 December 2005: 234,231,647,700) authorised shares with a nominal value of YTL0.01 each. The Company's authorised capital amounts to YTL 2,345,246 thousand (31 December 2005: YTL2,342,316 thousand).

At 30 June 2006 and 31 December 2005, the issued and fully paid-in share capital held is as follows:

	30 June 2006		31 December 2005	
Shareholders	**Participation rate (%)**	**YTL thousand**	**Participation rate (%)**	**YTL thousand**
Koç Finansal Hizmetler A.Ş.	99.78	2,339,998	99.78	2,337,074
Other	0.22	5,248	0.22	5,242
Historical share capital	**100.00**	**2,345,246**	**100.00**	**2,342,316**
Adjustment to share capital	-	40,368	-	40,368
Total paid in share capital	**-**	**2,385,614**	**-**	**2,382,684**

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2005.

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

NOTE 26 - RETAINED EARNINGS AND OTHER RESERVES

	30 June 2006	31 December 2005
Hedging reserves	(22,516)	-
Statutory reserve	17,184	5,262
Translation reserves	40,035	(3,387)
Revaluation reserve - available-for-sale investments	15,142	6,624
Total other reserves	**49,845**	**8,499**
Retained earnings	1,319	334,142
	51,164	**342,641**

Movements in other reserves were as follows:

	Hedging reserves	Statutory reserves	Translation reserves	Retained earnings	Total
Balance at 1 January 2006	**-**	**5,262**	**(3,387)**	**334,142**	**336,017**
Purchase from minority interest (Note 24)	-	-	-	(436,648)	(436,648)
Gains on hedges of a net investment in a foreign operation	(22,516)	-	-	-	(22,516)
Transfer to reserves	-	11,922	-	(11,922)	-
Capital increase cost	-	-	-	(3,353)	(3,353)
Currency translation differences	-	-	43,422	-	43,422
Transfer to share capital	-	-	-	(2,930)	(2,930)
Net profit for the year	-	-	-	122,030	122,030
Balance at 30 June 2006	**(22,516)**	**17,184**	**40,035**	**1,319**	**36,022**

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

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

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

b) Second legal reserve, appropriated at the rate of at least 10% of distribution in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders.

Starting from 2002, the lower of non-inflation adjusted historical profits or profits arising in the inflation adjusted statutory financial statements can be subjected to the profit appropriation and distribution.

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

NOTE 27 - NET INTEREST INCOME

	30 June 2006	30 June 2005
Interest income on:		
Loans and advances to customers	1,549,061	320,573
Investment securities	571,263	283,153
Placements with banks	45,158	15,984
Reserve deposits	59,032	12,431
Money market transactions	16,873	1,548
Financial leases	15,420	-
Other	1,985	-
Total interest income	**2,258,792**	**633,689**
Interest expense on:		
Customer deposits	1,126,333	271,691
Other borrowed funds	135,077	27,843
Repurchase agreements	37,281	21,257
Deposits from banks	33,924	7,352
Money market transactions	8,785	4,509
Other	17,941	10,386
Total interest expense	**1,359,341**	**343,038**
Net interest income	**899,451**	**290,651**

NOTE 28 - NET FEE AND COMMISSION INCOME

	30 June 2006	30 June 2005
Fee and commission income on:		
Assets under management	95,851	42,949
Credit/debit cards	260,314	25,839
Loans		
- Credit related commitments	67,928	20,850
- Loans and advances	41,873	13,872
Banking services		
-Payment/sales, EFT orders	35,393	6,115
-Other	16,670	4,416
Insurance Products	26,223	2,357
Brokerage	9,310	-
Factoring	2,274	-
Other	32,575	11,184
Total fee and commission income	**588,411**	**127,582**
Fee and commission expense on:		
Credit/debit cards	97,188	12,845
Other borrowed funds	3,979	3,545
Brokerage	2,514	2,398
Factoring	877	-
Other	38,336	3,173
Total fee and commission expense	**142,894**	**21,961**
Net fee and commission income	**445,517**	**105,621**

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

NOTE 29 - OTHER OPERATING EXPENSES

	30 June 2006	30 June 2005
Staff costs	**395,085**	**101,123**
Depreciation of premises and equipment (Note 14)	74,821	18,470
Amortisation of other intangible assets (Note 13)	16,991	3,586
Depreciation and amortisation	**91,812**	**22,056**
Impairment charge on other intangible assets (Note 13)	2,770	-
(Reversal of impairment) / impairment charge on property and equipment (Note 14)	(1,331)	526
Impairment charge on assets held for resale (Note 15)	2,865	2,876
Impairment	**4,304**	**3,402**
Promotion expense on credit cards	87,563	5,348
Marketing and advertisement costs	49,564	11,920
Communication expenses	42,643	7,393
Payments to Saving Deposit Insurance Fund	25,965	5,485
Rent expenses	24,732	12,642
Repair and maintenance expenses	20,530	6,052
Sundry taxes and duties	18,007	3,846
Utilities	9,088	1,228
Audit and consultancy fees	7,567	2,277
Insurance fee	4,486	1,381
Charity	1,375	1,993
Other	91,706	18,606
General administrative expenses	**383,226**	**78,171**
Total	**874,427**	**204,752**

NOTE 30 - IMPAIRMENT LOSSES ON LOANS AND CREDIT RELATED COMMITMENTS

	30 June 2006	30 June 2005
Impairment losses on loans and receivables (Note 10)	121,658	38,045
(Reversal of impairment) / impairment losses on credit related commitments (Note 20)	(3,894)	17,072
	117,764	**55,117**

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities at 30 June 2006 and 31 December 2005.

Legal proceedings

Due to the nature of its business, the Group is involved in a number of claims and legal proceedings, arising in the ordinary course of business. The Group recognises provisions for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated (Note 20).

In respect of the further claims asserted against the Group ,which according to the principles outlined above, have not been provided for, it is the opinion of the management and its professional advisors that such claims are either without merit, can be successfully defended or will not have a material adverse effect on the Group's financial position.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Other

On 4 April 2005 the CBRT auditors sent an audit report dated 31 March 2005 to YKB. The report includes critiques on the calculation methods of reserve requirements and liquidity obligations for various liability items. On the other hand, on 16 November 2005, the "Communiqué regarding the reserve requirements" numbered 2005/1 was issued in the Official Gazette numbered 25995. According to this Communiqué, if CBRT auditors conclude that the reserve requirements were understated for a specific time, twofold and threefold of the understated YTL and foreign currency denominated amount, respectively, can be placed in the CBRT as interest free demand deposits for this specific time period. Otherwise, penalty interest will be charged regarding the understated amounts. YKB management plans to use the option of placing interest free deposits in the CBRT, if any liability occurs against YKB as a result of this process.

As of 30 June 2006, YKB has legal proceedings against the responsible individuals and the companies regarding the interest income losses arising from the interest free advances extended by YKB. These legal cases and the collectibility of corresponding contingent assets are currently under review.

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

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The following table shows the outstanding credit related commitments of the Group:

	30 June 2006			31 December 2005		
	Related Parties	Other	Total	Related Parties	Other	Total
Letters of guarantee						
-Foreign Currency	482,079	5,852,146	6,334,225	157,145	5,145,756	5,302,901
-YTL	66,535	4,786,961	4,853,496	317,946	4,826,948	5,144,894
Letters of credit	37,841	2,415,029	2,452,870	71,839	1,981,827	2,053,666
Acceptance credits	-	304,814	304,814	1,048	246,691	247,739
Other commitments and contingencies	84,375	812,513	896,888	54,036	432,430	486,466
Total	**670,830**	**14,171,463**	**14,842,293**	**602,014**	**12,633,652**	**13,235,666**
Less: Provision for losses on credit related commitments (Note 20)	-	(150,114)	(150,114)	-	(154,008)	(154,008)
Total	**670,830**	**14,021,349**	**14,692,179**	**602,014**	**12,479,644**	**13,081,658**

The economic sector risk concentrations for outstanding credit related commitments of the Group are as follows:

	30 June 2006	%	31 December 2005	%
Construction and cement	2,859,772	19	2,763,210	21
Manufacturing	1,991,684	13	2,124,631	16
Financial institutions	1,486,545	10	1,052,304	8
Metal processing	1,091,834	7	1,109,369	8
Trade	1,057,050	7	1,190,434	9
Textiles	774,313	5	704,514	5
Petrochemical industry	750,242	5	635,028	5
Automotive	564,172	4	361,885	3
Food, beverage and tobacco	524,038	4	727,064	5
Tourism	163,726	1	161,339	1
Durable goods	99,100	1	72,174	1
Other	3,479,817	24	2,333,714	18
Total	**14,842,293**	**100**	**13,235,666**	**100**

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

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Commitments under derivative instruments:

30 June 2006	Notional amounts				
	US$	**EUR**	**Other**	**YTL**	**Total**
Forward transactions	**285,181**	**462,281**	**53,114**	**276,206**	**1,076,782**
- Currency forwards	285,181	462,281	53,114	276,206	1,076,782
- Security forwards	-	-	-	-	-
Swap transactions	**765,487**	**1,107,228**	**188,188**	**353,726**	**2,414,629**
- Interest rate swaps	326,798	48,889	-	-	375,687
- Currency swaps	438,689	1,058,339	188,188	353,726	2,038,942
Options (call)	**155,180**	**1,959**	**-**	**155,677**	**312,816**
Futures	**-**	**-**	**-**	**81**	**81**
Total purchases	**1,205,848**	**1,571,468**	**241,302**	**785,690**	**3,804,308**
Forward transactions	**341,986**	**262,674**	**32,725**	**430,606**	**1,067,991**
-Currency forwards	341,986	262,674	32,725	429,244	1,066,629
-Security forwards	-	-	-	1,362	1,362
Swap transactions	**1,714,850**	**56,432**	**28,855**	**552,672**	**2,352,809**
- Interest rate swaps	4,724	48,889	-	277,955	331,568
- Currency swaps	1,710,126	7,543	28,855	274,717	2,021,241
Options (put)	**155,186**	**1,959**	**-**	**155,670**	**312,815**
Futures	**78**	**-**	**-**	**-**	**78**
Total sales	**2,212,100**	**321,065**	**61,580**	**1,138,948**	**3,733,693**
Off balance sheet net notional position (Note 3)	**(1,006,252)**	**1,250,403**	**179,722**	**(353,258)**	**70,615**

31 December 2005	Notional amounts				
	US$	**EUR**	**Other**	**YTL**	**Total**
Forward transactions	**246,796**	**174,174**	**48,429**	**297,475**	**766,874**
- Currency forwards	246,796	174,174	48,429	297,475	766,874
- Security forwards	-	-	-	-	-
Swap transactions	**335,123**	**592,388**	**126,190**	**109,000**	**1,162,701**
- Interest rate swaps	136,809	41,075	-	-	177,884
- Currency swaps	198,314	551,313	126,190	109,000	984,817
Options (call)	**-**	**1,015**	**-**	**1,005**	**2,020**
Total purchases	**581,919**	**767,577**	**174,619**	**407,480**	**1,931,595**
Forward transactions	**268,789**	**242,803**	**71,152**	**187,251**	**769,995**
-Currency forwards	268,789	242,803	71,152	181,501	764,245
-Security forwards	-	-	-	5,750	5,750
Swap transactions	**792,050**	**175,608**	**9,612**	**202,082**	**1,179,352**
- Interest rate swaps	6,600	41,074	-	136,100	183,774
- Currency swaps	785,450	134,534	9,612	65,982	995,578
Options (put)	**-**	**953**	**-**	**1,071**	**2,024**
Total sales	**1,060,839**	**419,364**	**80,764**	**390,404**	**1,951,371**
Off balance sheet net notional position (Note 3)	**(478,920)**	**348,213**	**93,855**	**17,076**	**(19,776)**

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

NOTE 32 - RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by the Koç Group and UCI.

A number of transactions were entered into with related parties in the normal course of business.

(i) Balances with related parties:

	30 June 2006		31 December 2005	
	Total	**Share in total %**	**Total**	**Share in total %**
Originated loans and receivables, net	412,071	2	530,120	3
Due from banks	3,243	-	10,531	-
Trading securities	5,605	1	2,742	-
Derivative financial instruments	748	1	8,426	35
Other assets	78	-	1,789	-
Total assets	**421,745**		**553,608**	
Due to customers	2,125,142	7	1,408,700	5
Due to banks	71,075	17	85,730	11
Other liabilities	169	-	2,276	-
Other borrowed funds	627,199	10	261,761	7
Derivative financial instruments	2,364	5	10,943	36
Total liabilities	**2,825,949**		**1,769,410**	
Credit related commitments	670,830	5	602,014	5
Commitment under derivative instruments	423,825	6	382,290	10
Total commitments and contingent liabilities	**1,094,655**		**984,304**	

(ii) Transactions with related parties:

	30 June 2006		30 June 2005	
	Total	**Share in total %**	**Total**	**Share in total %**
Interest income on originated loans	13,364	1	21,167	7
Fee and commission income	1,811	-	6,115	5
Total interest and fee income	**15,175**		**27,282**	
Interest expense on deposits	(75,169)	7	(56,572)	21
Interest expense on other borrowed funds	(5,465)	4	(3,865)	14
Other interest expense	(382)	-	(13,536)	31
Total interest expense	**(81,016)**		**(73,973)**	

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

NOTE 33 - ASSETS UNDER MANAGEMENT

At 30 June 2006, the Group manages 11 open-ended mutual funds ,10 private pension funds, which were established under the Turkish Capital Market Board Regulations.

The details of daily management fee commission rates and net assets values for each fund is as follows:

Name of the fund	30 June 2006 %	31 December 2005 %	30 June 2006 YTL	31 December 2005 YTL
Mutual Funds				
Yapı Kredi Bankası A.Ş. B Tipi Likit Fonu	0.010	0.010	2,603,959	2,574,006
Yapı Kredi Bankası A.Ş. B Tipi Değişken Fon	0.012	0.012	17,457	25,785
Yapı Kredi Yatırım Menkul Değerler A.Ş. B Tipi Tahvil ve Bono Fonu	0.012	0.012	15,977	22,058
Yapı Kredi Bankası A.Ş. A Tipi Karma Fon	0.015	0.015	5,232	2,888
Yapı Kredi Bankası A.Ş. A Tipi Hisse Fon	0.015	0.015	4,679	3,438
Yapı Kredi Bankası A.Ş. A Tipi Yabancı Menkul Kıymetler Fonu	0.015	0.015	1,337	898
Yapı Kredi Bankası A.Ş. B Tipi Tahvil ve Bono Fonu	0.008	0.012	83,787	168,157
Yapı Kredi Yatırım Menkul Değerler A.Ş. B Tipi Likit Fonu	0.008	0.008	93,922	109,854
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi İMKB Ulusal 30 Endeksi Fonu	0.012	0.012	17,137	22,941
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Değişken Fon	0.012	0.012	5,573	6,240
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Karma Fonu	0.003	0.003	31,249	31,656
Total mutual funds			**2,880,309**	**2,967,921**
Pension funds				
Yapı Kredi Emeklilik Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.0055	0.0055	16,001	9,188
Yapı Kredi Emeklilik Esnek (YTL) Grup Emeklilik Yatırım Fonu	0.0028	0.0027	3,193	2,554
Yapı Kredi Emeklilik Esnek(Döviz) Grup Emeklilik Yatırım Fonu	0.0028	0.0027	1,937	1,420
Yapı Kredi Emeklilik Esnek Emeklilik Yatırım Fonu	0.0055	0.0055	72,839	53,131
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	46,617	25,497
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	103,111	60,125
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Borçlanma Araçları (Döviz) Emeklilik Yatırım Fonu	0.0055	0.0055	22,560	12,173
Yapı Kredi Emeklilik Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	0.0055	0.0055	1,029	640
Yapı Kredi Emeklilik Para Piyasası Emanet Likit Karma Emeklilik Yatırım Fonu	0.0055	0.0055	1,002	769
Yapı Kredi Emeklilik Para Piyasası Likit- Kamu Emeklilik Yatırım Fonu	0.0055	0.0055	43,808	26,659
Total pension funds			**312,097**	**192,156**
Total			**3,192,406**	**3,160,077**

NOTE 34 - RESERVE REQUIREMENTS

Turkish:

Reserve requirements of CBRT represent the minimum deposits, as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the CBRT. In accordance with the current legislation, the mandatory reserve deposit rates for Turkish lira and foreign currency deposits are 6% (31 December 2005: 6%) and 11% (31 December 2005: 11%), respectively. The mandatory reserve deposit rates are applicable to both time and demand deposits.

Foreign:

Reserve requirements of De Nederlandsche Bank represents reserve deposits equivalent to 2% of the overnight deposits, deposits with agreed maturity or deposits redeemable at notice up to 2 years, debt securities issued with agreed maturity up to 2 years and money market paper.

Reserve requirements of Deutsche Bundesbank represents reserve deposits equivalent to 2% of all financial liabilities except for bank borrowings and bank deposits in the Eurozone.

Reserve requirements of Central Bank of the Russian Federation represents reserve deposits equivalent to 2% of borrowings from non-resident bank from all currencies, 3.5% of individual deposits denominated in Russia Rubles, 3.5% of the deposits of legal entities for all currencies.

NOTE 35 - POST BALANCE SHEET EVENTS

(i) The deadline for the transfer of Superonline shares, set as 28 August 2006 with the "Purchase-Sale Agreement for Fintur, Digitürk and Superonline" signed between the Bank and the Çukurova Group on 28 September 2005, has been extended for another three months for the procedures that has to be completed for share transfer expiring on 28 November 2006.

(ii) The Share Sell Agreement signed on 12 May 2006 in accordance with the "A-Tel Option Agreement" signed between YKB and Çukurova Holding on 28 September 2005, regarding the transfer of the A-Tel shares with a nominal value of YTL7,000 thousand (50% of the company's capital) for USD150,000,000 to Turkcell has been exercised on 9 August 2006 after the necessary permissions have been received. The consideration for the share sale has been collected in cash and at once since the share transfer has been realised based on A-Tel's book value in YKB, no gain or loss has been recognised.

(iii) On 25 May 2006 the BRSA permitted the commencement of the necessary actions concerning the termination of the Bank's judicial personality and its transfer to YKB, with all its rights, claims, liabilities and obligations. On 27 June 2006, pursuant to the resolutions of Board of Directors, both the Bank and YKB submitted an application to the Capital Markets Board ("CMB") for obtainment of its permission to contemplate the merger of the Bank with YKB, through the transfer of all rights, receivables, obligations and liabilities of the Bank to YKB by virtue of dissolution of the Bank. Within the context of this application; as a result of the merger by virtue of dissolution, existing shareholders of the Bank will receive 0.53 YKB shares with a nominal value of 1 YKr for each Bank share with a nominal value of 1 YKr. The corresponding ratios have been defined within the context of the report from the expert appointed by the Istanbul 7th Commercial Court and independent valuation reports prepared by two expert companies.

NOTE 35 - POST BALANCE SHEET EVENTS (Continued)

As of the preparation date of these financial statements, the proposed ratios had been approved by the CMB at the Board Meeting held on 3 August 2006 and numbered 34/956. The merger agreement, regarding the transfer of the Bank to YKB prepared and signed by the Board of Directors with the authorization given by the General Assembly of both banks and the draft of the amendment to the Articles of Association of YKB relating to the capital increase due to merger, had been approved with BRSA statement number BDDK.UY1.50.1,35.1-9354 dated 18 August 2006. According to the amendment to the Articles of Association, it was decided that the share capital of YKB will be increased from YTL1,896,662,493.8 to YTL3,142,818,454.1 with an increase of YTL1.246.155.960,3. With the announcement regarding the merger approved by the CMB on 18 August 2006, the Merger and Transfer Agreement was announced to investors in the ISE bulletin dated 21 August 2006. Subjects related with the merger were discussed and presented to shareholders in the Extraordinary General Assembly of the two banks which convened on 21 September 2006. Accordingly shareholders of both banks approved the merger of the Bank into YKB on the basis of the Merger and Transfer Agreement. The merger process is expected to be finalised shortly.

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