YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

31 DECEMBER 2007

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated financial statements of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its subsidiaries (together, "the Group") which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Zeynep Uras, SMMM

Istanbul, 18 April 2008

YAPI VE KREDİ BANKASI A.Ş.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

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

	Notes	2007	Restated 2006
ASSETS			
Cash and balances with central banks	6	3,740,388	4,161,359
Loans and advances to banks	7	1,835,641	2,904,232
Trading assets	8	315,530	561,480
Derivative financial instruments	9	50,351	81,013
Loans and advances to customers	10	31,846,331	25,076,879
Investment securities			
- Available-for-sale	11	1,039,899	891,756
- Held-to-maturity	11	13,003,287	16,964,466
Investment in associate	12	38,220	41,352
Goodwill	13	1,023,528	1,023,528
Other intangible assets	14	213,801	179,220
Premises and equipment	15	1,148,731	1,254,074
Deferred income tax assets	22	492,263	486,781
Other assets	16	1,072,784	940,400
Total assets		**55,820,754**	**54,566,540**
LIABILITIES			
Deposits from banks	17	1,263,812	1,736,315
Due to customers	18	34,523,020	34,171,729
Other borrowed funds	19	7,305,964	7,083,073
Debt securities in issue	20	1,542,609	1,650,006
Derivative financial instruments	9	264,806	33,656
Financial liabilities designated at fair value	21	51,273	-
Current income taxes payable	22	14,208	13,591
Deferred income tax liabilities	22	132,463	181,252
Other provisions	23	301,149	378,535
Retirement benefit obligations	24	802,626	705,821
Insurance technical reserves	25	786,468	790,413
Other liabilities	26	3,765,682	3,615,114
Total liabilities		**50,754,080**	**50,359,505**
EQUITY			
Share capital and share premium	28	3,900,011	3,119,926
Other reserves	29	43,839	46,293
Retained earnings	29	829,603	492,539
Equity attributable to shareholders of the Parent		**4,773,453**	**3,658,758**
Equity attributable to minority interest		293,221	548,277
Total equity		**5,066,674**	**4,207,035**
Total liabilities and equity		**55,820,754**	**54,566,540**
Commitments and contingent liabilities	36		

These consolidated financial statements as at and for the year ended 31 December 2007 have been approved for issue by the Board of Directors on 18 April 2008.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2007	Restated 2006
Interest income	30	6,548,688	5,479,495
Interest expense	30	(4,271,016)	(3,447,670)
Net interest income		**2,277,672**	**2,031,825**
Fee and commission income	31	1,486,052	1,283,297
Fee and commission expense	31	(334,782)	(317,560)
Net fee and commission income		**1,151,270**	**965,737**
Foreign exchange gains, net		122,760	68,214
Net trading, hedging and fair value income	32	5,209	88,870
Losses from investment securities, net		(3,911)	(8,093)
Insurance technical income, net		105,063	101,216
Other operating income		114,250	94,557
Operating revenues		**3,772,313**	**3,342,326**
Other operating expenses	33	(1,902,979)	(1,702,470)
		1,869,334	**1,639,856**
Impairment losses on loans and credit related commitments, net	34	(321,794)	(281,546)
Provision for retirement benefit obligations	24	(118,727)	(66,660)
Other provisions	23	(229,431)	(182,695)
Operating profit		**1,199,382**	**1,108,955**
Share of profit of associate	12	1,890	2,048
Profit before income tax		**1,201,272**	**1,111,003**
Income tax expense	22	(237,677)	(334,666)
Profit for the year		**963,595**	**776,337**
Attributable to:			
Equity holders of the Parent		812,474	634,370
Minority interest		151,121	141,967
Basic earning per share attributable to the equity holders of the Parent (expressed in YTL per thousand share)		2.53	2.02

The accompanying notes set out on pages 5 to 91 form an integral part of these consolidated financial statements.

YAPI VE KREDİ BANKASI A.Ş.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2007	Restated 2006
Cash flows from operating activities			
Net profit		963,595	776,337
Adjustments for:			
Unrealised gain on trading assets, net		9,648	73,774
Allowances for losses on loans and advances	34	321,794	281,546
Measurement of derivative financial instruments at fair value		261,814	(50,737)
Share of profit of associate	12	(1,890)	(2,048)
Amortisation of other intangible assets	33	34,274	31,992
Depreciation of premises and equipment	33	132,282	145,156
Impairment charge on premises and equipment, net	33	(1,345)	1,441
Impairment charge on assets held for resale	33	5,566	(141)
Impairment charge on intangible assets	33	-	4,015
Provision for current and deferred income taxes	22	237,677	334,666
Other provisions	23	229,431	182,695
Provision for retirement benefit obligations	24	118,727	66,660
Other liabilities		79,101	40,013
Unearned commission income		(5,398)	(5,428)
Add back dividend income		(3,335)	(4,124)
Interest income - net		(2,277,672)	(2,031,825)
Interest paid		(4,266,418)	(3,523,141)
Interest received		6,657,214	4,948,172
Translation difference	29	(9,872)	14,117
Cash flows from operating profits before changes in operating assets and liabilities		**2,485,193**	**1,283,140**
Changes in operating assets and liabilities:			
Net decrease / (increase) in cash balances with central banks		356,219	(1,657,411)
Net (increase) in loans and advances to banks		(212,820)	(42,293)
Net decrease in trading assets		236,300	980,949
Net (increase) in loans and advances to customers		(7,048,954)	(4,650,844)
Net (increase) / decrease in other assets		(54,490)	157,496
Net (decrease) / increase in deposits from banks		(366,847)	1,257,607
Net increase in due to customers		347,280	6,311,186
Net (decrease) / increase in other liabilities and provisions		(282,860)	537,124
Income taxes paid		(232,042)	(134,806)
Net cash (used in) / from operating activities		**(4,773,021)**	**4,042,148**
Cash flows from investing activities			
Purchase of premises and equipment	15	(108,650)	(73,503)
Proceeds from the sale of premises and equipment	15	81,545	28,943
Purchase of intangible assets, net	14	(68,824)	(14,041)
Cash outflow on acquisition		-	(612,620)
Redemption / (purchase) of investment securities, net		3,589,451	(7,526,199)
Dividends received		3,335	4,124
Disposal of investments, net		84,121	17,260
Net cash used in investing activities		**3,580,978**	**(8,176,036)**
Cash flows from financing activities			
Proceeds from borrowed funds, net		9,249	3,309,764
Dividend paid to minority		(77,740)	(33,161)
Net cash from financing activities		**(68,491)**	**3,276,603**
Net (decrease) in cash and cash equivalents		**(1,260,534)**	**(857,285)**
Cash and cash equivalents at the beginning of the year	5	3,525,757	4,383,042
Cash and cash equivalents at the end of the year	**5**	**2,265,223**	**3,525,757**

The accompanying notes set out on pages 5 to 91 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

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

	Note	Attributable to equity holders of the Bank						
		Share capital	Share premium	Other Reserves	Retained earnings	Total	Minority interest	Total equity
Previously reported balance at 31 December 2005		**2,382,684**	**37,579**	**8,499**	**730,780**	**3,159,542**	**717,072**	**3,876,614**
Effects of change in consolidation scope	2.C	-	-	-	145,390	145,390	-	145,390
Adjusted at 1 January 2006		**2,382,684**	**37,579**	**8,499**	**876,170**	**3,304,932**	**717,072**	**4,022,004**
Net change in available for sale investments, net of tax	29	-	-	(4,748)	-	(4,748)	(496)	(5,244)
Gains on hedges of a net investment in a foreign operation	29	-	-	(19,194)	-	(19,194)	-	(19,194)
Currency translation differences		-	-	36,521	-	36,521	603	37,124
Net income recognised directly in equity		-	-	8,692	-	8,692	-	8,692
Profit for the year		-	-	-	634,370	634,370	141,967	776,337
Total recognised income for the year		-	-	8,692	634,370	643,062	141,967	785,029
Effect of merged entities under common control (Note 2.S and 27)		696,734	-	4,601	(556,702)	144,633	(144,633)	-
Dividends declared		-	-	-	-	-	(33,161)	(33,161)
Transfer from reserves		2,929	-	11,922	(14,851)	-	-	-
Purchase from minority interests	27	-	-	-	(440,842)	(440,842)	(133,075)	(573,917)
Other		-	-	-	(5,606)	(5,606)	-	(5,606)
Balance at 31 December 2006		**3,082,347**	**37,579**	**46,293**	**492,539**	**3,658,758**	**548,277**	**4,207,035**
Net change in available for sale investments, net of tax	29	-	-	(10,321)	-	(10,321)	291	(10,030)
Gains on hedges of a net investment in a foreign operation	29	-	-	11,249	-	11,249	-	11,249
Currency translation differences		-	-	(27,723)	-	(27,723)	(15,441)	(43,164)
Net income recognised directly in equity		-	-	17,693	-	17,693	-	17,693
Profit for the year		-	-	-	812,474	812,474	151,121	963,595
Total recognised income for the year		-	-	17,693	812,474	830,167	151,121	981,288
Effect of merged entities under common control (Note 2.S and 27)		-	-	8,742	(146,660)	(137,918)	137,918	-
Dividends declared		-	-	-	-	-	(77,740)	(77,740)
Transfer from reserves		6,632	-	-	(6,632)	-	-	-
Purchase from minority interests	27	-	-	-	387	387	(2,351)	(1,964)
Effect of share exchange transaction	28	277,601	495,852	(2,094)	(322,505)	448,854	(448,854)	-
Balance at 31 December 2007		**3,366,580**	**533,431**	**43,839**	**829,603**	**4,773,453**	**293,221**	**5,066,674**

The accompanying notes set out on pages 5 to 91 form an integral part of these consolidated financial statements.

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

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

As of 28 September 2005, 57.4% of the Bank’s shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund (“SDIF”) were purchased by Koçbank A.Ş. (“Koçbank”). Besides, during April 2006 Koçbank purchased 9.1% of the shares of the Bank which were publicly traded on the ISE and 0.8% of the shares of an investment fund which were in the available-for-sale portfolio of the Bank. As a result, Koçbank increased its participation ratio to 67.3%. As explained in details in Note 27; all rights, receivables, debts and liabilities of the Koçbank have been transferred to the Bank thereby the merger of the two banks procedure has been registered as at the date of 2 October 2006. After the merger, 80.18% of the direct control of the Bank’s shares has been transferred to the Koç Finansal Hizmetler A.Ş. (“KFS”).

KFS was established on 16 March 2001 to collect Koç Group finance companies under one organization and it became the main shareholder of the Koçbank in 2002. During this organization process the subsidiaries of Koçbank, namely, Koç Finansal Kiralama A.Ş. (“Koç Leasing”), Koç Faktoring Hizmetleri A.Ş. (“Koç Faktoring”), Koç Yatırım Menkul Değerler A.Ş. (“Koç Yatırım”), Koç Portföy Yönetimi A.Ş. (“Koç Portföy”), Koçbank Nederland N.V. ve Koçbank Azerbaijan Ltd., were sold to KFS. As of 22 October 2002, Koç Group established a strategic partnership with UniCredito Italiano S.p.A (“UCI”) over KFS. Therefore, the indirect main shareholders of the Bank are UCI and Koç Group.

With and in scope of the Share Exchange Agreement signed with KFS and approved by the Banking Regulatory and Supervisory Agency (“BRSA”) and the Capital Markets Board (“CMB”), allowing the transfer of 59.47% of the capital of Yapı Kredi Faktoring A.Ş., 73.10% of the capital of Yapı Kredi Finansal Kiralama A.O. and 99.80% of the capital of Yapı Kredi Bank Azerbaijan Joint Stock Company from KFS, the increase in capital by YTL277,601,284 giving the share to KFS has been approved in the Extraordinary General Assembly meeting held on 30 September 2007 and the decisions of the meeting have been registered as of 18 October 2007. The share transfer transactions in the framework of the agreement have been finalised as of 31 October 2007 and after the transaction, the share of KFS in YKB has increased to 81.79%.

In 2006 and 2007, with the acquisition of YKB, the Group launched structural reorganisation and the following subsidiaries have been legally merged:

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

The Bank’s shares have been traded on the Istanbul Stock Exchange (“ISE”) since 1987. As of 31 December 2007, 18.21% shares of the Bank are publicly traded (2006: 19.54%).

The Group’s core business activities include retail banking, corporate banking, private banking, credit cards, international banking, leasing, factoring and investment services and has operations in Turkey, the Netherlands, Germany, Azerbaijan and Russia.

At 31 December 2007, the Group has 16,779 employees (2006: 15,942 employees). The Bank has 675 branches operating in Turkey, 1 branch in off-shore region and 1 representative office operating abroad (2006: 607 branches operating in Turkey, 1 branch in off-shore region and 4 representative offices) and 14,249 employees (2006: 13,478 employees).

The Bank is registered in Istanbul, Turkey at the following address: Yapı Kredi Plaza D Blok, Levent 34330, İstanbul, Turkey.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”). IFRS comprise accounting standards issued by the International Accounting Standards Board (“IASB”) and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and its predecessor body. The consolidated financial statements are based on the historical cost convention, as modified by the revaluation of available-for-sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts.

The preparation of 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 consolidated financial statements are disclosed in Note 3.

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

(a) Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group’s operations and the nature of their impact on the Group’s accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2006, unless otherwise described below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007):

The IFRS introduced new disclosures to improve the information about financial instruments, including quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity’s key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and some of the requirements in IAS 32, *Financial Instruments: Disclosure and Presentation.* The Amendment to IAS 1 introduced disclosures about the level of an entity’s capital and how it manages capital. The new disclosures are made in these financial statements.

Effect of Adoption of New or Revised Standards:

As a result of adoption of IFRS 7, the Group made certain changes in presentation. The effect of reclassifications was not significant.

Other new standards or interpretation:

The Group has adopted the following other new standards or interpretations which became effective from 1 January 2007, if applicable:

- IFRIC 7, *Applying the Restatement Approach under IAS 29* (effective for periods beginning on or after 1 March 2006);
- IFRIC 8, *Scope of IFRS 2* (effective for periods beginning on or after 1 May 2006);
- IFRIC 9, *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

The new IFRIC interpretations 7 to 10 did not significantly affect the Group’s financial statements.

(b) New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group’s accounting periods beginning on or after 1 January 2008 or later periods and which the Group has not early adopted.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009):

The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosures in the Group’s financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009):

The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised Standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amended Standard on its financial statements.

Other new standards or interpretations:

The Group has not early adopted the following other new standards or interpretations:

- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

B. Accounting for the effects of hyperinflation

Turkey has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Turkey indicated that hyperinflation had ceased effective from 1 January 2006. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2005 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the 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").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Restatement of prior year consolidated financial statements

Assets and liabilities, subject to business combinations in the accounting of business combinations which occur under common control are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year when the business combinations occurred. Previous period financial statements are adjusted in the same way in order to be comparable. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as "the effect of change in consolidation scope".

The Group used the aforementioned policy for the legal merger of Yapı Kredi NV and Koçbank Nederland N.V. and for the share Exchange transaction of Yapı Kredi Azerbaijan that are explained in Note 27 with the intention of fair presentation the economic substance of transactions. According to this policy, the consolidated financial statements presented for comparative purposes have been restated.

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

D. Consolidation

(a) Subsidiaries

Subsidiaries (including special purpose entities), in which Group has power to control the financial and operating policies for the benefit of YKB, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies, have been fully consolidated. The Group sponsors the formation of special purpose entities, which may or may not be directly owned, for the purpose of asset securitization transactions. Such entities are consolidated in the Group's consolidated financial statements when the substance of the relationship between the Group and the entity indicates that control is held by the Group. Subsidiaries and special purpose entities 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.

The balance sheets and income statements of the subsidiaries and special purpose entities are consolidated on a line-by-line basis and the carrying value of the investment held by YKB and its subsidiaries 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The list of principal subsidiaries at 31 December is as follows:

			2007		2006	
Name of subsidiary	**Country of incorporation**	**Nature of business**	**Control rates (%)**	**Effective rates (%)**	**Control rates (%)**	**Effective rates (%)**
Yapı Kredi Leasing (Note 1)	Turkey	Leasing	98.85	98.85	25.74	25.73
Yapı Kredi Faktoring (Note 1)	Turkey	Factoring	99.96	99.96	40.48	40.48
Yapı Kredi Portföy (Note 27)	Turkey	Portfolio management	99.97	69.15	14.88	14.04
Yapı Kredi Menkul (Note 27)	Turkey	Investment management	64.70	64.70	99.99	99.99
Yapı Kredi Yatırım Ortaklığı A.Ş.	Turkey	Portfolio management	56.07	40.19	56.07	56.07
Yapı Kredi Sigorta A.Ş.	Turkey	Insurance	93.94	89.71	93.94	89.21
Yapı Kredi Emeklilik A.Ş.	Turkey	Insurance	100.00	89.70	100.00	89.20
Yapı Kredi NV (Note 27)	Netherlands	Banking	32.76	32.76	100.00	100.00
Stiching Custody Services YKB	Netherlands	Custody Services	32.76	32.76	100.00	100.00
Yapı Kredi Bank Moscow	Russia	Banking	100.00	100.00	100.00	99.89
Yapı Kredi Bank Deutschland A.G. (1)	Germany	Banking	100.00	100.00	97.50	97.50
Yapı Kredi Bank Holding B.V.	Netherlands	Holding	100.00	100.00	100.00	100.00
Yapı Kredi Bank Azerbaycan Joint Stock Company (Note 1)	Azerbaijan	Banking	100.00	99.96	-	-
Azur Tourism Investment N.V. ("Azur") (5)	N.etherland Antilles	Tourism investment	-	-	100.00	100.0
Havenfields Tourism Investment N.V. (5)	Netherland .Antilles	Tourism investment	-	-	99.89	99.89
Enternasyonel Turizm Yatırım A.Ş. ("Enternasyonel") (2, 3)	Turkey	Investment	99.99	99.96	99.99	99.99
Yapı Kredi Koray G.Y.O.A.Ş. ("Yapı Kredi Koray") (2)	Turkey	Real estate	30.45	30.45	30.45	30.45
Agro-san Kimya Sanayi ve Ticaret A.Ş. ("Agro-san") (2)	Turkey	Agricultural chemicals	100.00	99.99	100.00	99.99
Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş. (2)	Turkey	Culture / art publications	100.00	99.99	100.00	99.99
Yapı Kredi Kart Hizmetleri A.Ş. ("Yapı Kredi Kart") (3)	Turkey	Member store services	-	-	100.00	99.99
Akdeniz Marmara Turizm Tic.A.Ş. ("Akdeniz Marmara") (3)	Turkey	Tourism	-	-	100.00	99.99
Bayındırlık İşleri A.Ş. ("Bayındırlık İşleri") (3)	Turkey	Construction	-	-	99.99	99.18
Yapı Kredi Diversified Payment Rights Co. (4)	Cayman Islands	Special Purpose Company ("SPC")				

(1) By the decision of the Board of Directors at 3 October 2007; assets of Yapı Kredi Bank Deutschland A.G., which is owned 65.42% by the Bank and 34.58% by Yapı Kredi Holding B.V. amounting to YTL78,533 thousand are included in the financial statements as assets held for sale according to the commerce agreement with Avenue Europe Investment LP. The sale transaction of Yapı Kredi Bank Deutschland A.G. finalised as of 29 February 2008.

(2) These subsidiaries were not consolidated due to immateriality and classified as available-for-sale securities carried at their fair values.

(3) Extraordinary General Assembly related to the take over of Bayındırlık and Akdeniz Marmara by Enternasyonel has been held on 5 February 2007 and the legal merger was registered on 8 February 2007. Further General Assembly related to the take over of Yapı Kredi Kart by Enternasyonel has been held on 26 March 2007 and the legal merger was registered on 12 April 2007.

(4) Yapı Kredi Diversified Payment Rights Finance Company is a special purpose entity established for YKB's securitisation transactions as explained in Note 20. It is included in the consolidation although YKB or any of its affiliates does not have any shareholding interest in this company.

(5) Azur has been liquidated in December 2007 and Havenfields have been liquidated in July 2007.

(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 associate is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in associate includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 31 December is as follows:

				2007		2006	
Name of associate	**Country of incorporation**	**Nature of business**	**Original currency**	**Control rate(%)**	**Effective rate (%)**	**Control rate (%)**	**Effective rate (%)**
Banque de Commerce et de Placements ("Banque de Commerce")	Switzerland	Banking	CHF thousand	30.67	30.67	30.67	30.67

(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 affects 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.

E. Foreign currency translation

(a) 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 financial statements are presented in YTL, which is the presentation currency of YKB.

(b) Transactions and balances

The financial statements are presented in YTL, the currency of the primary economic environment in which the Group operates. 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) 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,

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 “currency translation differences” 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 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.

F. Related parties

For the purpose of these consolidated 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 38).

G. Due from other banks

Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

H. Financial assets and liabilities at fair value through profit or loss

This category has two sub-categories financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets and financial liabilities are designated at fair value through profit or loss when doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for such as loans and advances to customers or banks and debt securities in issue.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in ‘net income from financial instruments designated at fair value’.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is 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. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Trading assets 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 assets is reported as interest income.

All purchases and sales of trading assets 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)

I. 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 the 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 11).

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.

J. 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 loans and advances to banks. The difference between the sale and repurchase price is treated as interest and amortised over the life of repo agreements using the effective interest method.

K. Loans and advances to customers

Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;

In practice, the Group uses a set of obligatory and judgement-based triggers that can lead to a classification as impaired. The final decision on impaired classification is always subject to expert judgement. Obligatory triggers include bankruptcy, financial restructuring and 90 days' past due. Judgement-based triggers include elements such as (but are not limited to) negative equity, regular payment problems, improper use of credit lines, legal action by other creditors. These triggers are complementary to the judgement of an expert.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of Management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Group adopted Incurred but not reported ("IBNR") model for performing loans, based on Basel II expected loss concept on a one-year time horizon with intrinsic elements such as loss detection period ("LDP") and expert views. IBNR impairments on loans represent the provisions that are created not only for transaction on which loss events were individually identified, but also for these transactions where loss events have already occurred, but have not been reported yet. In such case provision is created in such proportion to the exposure that reflects the amount of losses that have been incurred as a result of the past but not reported events.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

M. 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. The fair values of derivative financial instruments that are quoted in active markets are determined from quoted market prices in active markets including recent market transactions. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques, including discounted cash flow models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. Fair values of derivatives are carried as assets when positive and as liabilities when 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. The 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 31 December 2007. 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.

N. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in "net trading income". Any ineffectiveness is also recorded in "net trading income".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

O. 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)

P. 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 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. Those intangible assets are amortised using the straight-line method over their useful lives, which have been assessed as 10 years.

(iii) Other intangible assets

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

Q. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in the scope of IFRS 3.

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. In business combinations, the acquirer recognises identifiable assets, intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. The goodwill previously recognised in the financial statements of the acquiree is not considered as an identifiable asset.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any (Notes 13 and 27). Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Each of those cash-generating units is represented by each primary reporting segment except foreign operations (Note 37). Impairment testing is performed at least annually by comparing the present value of the expected future cash flows from a business with the carrying amount of its net assets, including attributable goodwill.

S. Business combinations involving entities under common control

A business combination involving entities under common control of KFS is a business combination in which all of the combining entities are ultimately controlled by KFS both before and after the business combination, and that control is not transitory. In that respect, the Group considers legal mergers arising between entities ultimately controlled by KFS as business combinations under common control. On the other hand, business combination involving entities under common control is scoped out of IFRS 3 and there is no other guidance on how to account for such transactions in current IFRS literature.

As there is an absence of a Standard or an Interpretation that specifically applies to business combination involving entities under common control, the Bank management, in accordance with IAS 8, used its judgment and developed and applied an accounting policy that the management believes resulted in information that is relevant to the economic decision-making needs of users and reflected the economic substance of transactions and not merely its legal form. In making its judgment in accordance with IAS 8, management considered US GAAP as a framework with a similar conceptual framework and applied pooling of interest method applicable under US GAAP in accounting the business combinations involving entities under common control of KFS.

In applying the pooling of interests method, the financial statement items of the combining entities for the period in which the combination occurs and for any comparative periods disclosed are included in the financial statements of the combined entities as if they had been combined from the beginning of the earliest period presented which is 1 January 2006 for the Group ("as if" basis). Financial statements and financial information presented for prior years are restated to furnish comparative information (i.e., restated in a manner similar to a pooling of interests). Further, financial statements of entities under common control are combined on an "as if' pooling basis only for those prior periods in which the common control existed, i.e. YKB and its financial subsidiaries are considered from the date of control transfer to KFS as of 28 September 2005 (Note 27).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Since business combinations involving entities under common control of KFS result in a single combined entity, a single uniform set of accounting policies is adopted. Therefore, the combined entity recognizes the assets, liabilities and equity of the combining entities at their existing carrying amounts adjusted only as a result of conforming the combining entities' accounting policies and applying those policies to all periods presented. There is no recognition of any new goodwill or negative goodwill. Similarly, the effects of all transactions between the combining entities, whether occurring before or after the merger, are eliminated in preparing the financial statements of the combined entity.

Expenditures incurred in relation to legal mergers are recognized as expenses in the period in which they are incurred.

T. Impairment of assets

At each reporting date, the Group evaluates whether there is any impairment indication on the asset. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognised immediately in the consolidated income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised as income in the consolidated financial statements.

U. Financial liabilities

Financial liabilities including deposits from 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.

V. Income taxes

(i) Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation (Note 22).

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

Taxes other than on income are recorded within operating expenses (Note 33).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 22).

W. Retirement benefit obligations

(a) Pension benefits transferrable to Social Security Institution ("SSI")

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. This scheme is funded through payments of both the employees and the employer as required by SSI Law Numbered 506 and are as follows:

	2007	
	Employer	**Employee**
- Retirement benefit contributions	13.5%	9%
- Medical benefit contributions	6%	5%

The Group's obligation in respect of the Fund has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the with the Temporary Article 20 of the "Law regarding the changes in Social Insurance and General Health Insurance Law and other related laws and regulations" ("New Law") (Note 24). The pension disclosures set out in Note 24 therefore reflect the actuarial parameters and results in accordance with the New Law provisions.

The pension benefits transferrable to SSI are calculated annually by an independent actuary who is registered with the Undersecretariat of the Treasury.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are directly charged to income statement

(b) Reserve for employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Group arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labor Law in Turkey, the Group is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the consolidated income statement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

X. Provisions, contingent assets and contingent liabilities

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 will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are treated as contingent assets or liabilities.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by Management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on Management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Y. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Z. 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 or on a cash basis at the time the service is received/ the transaction is performed, whichever is more appropriate.

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

AA. Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Share premium

When shares are issued, the excess of contributions received over the nominal value of the shares issued is recorded as share premium in equity.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

AB. 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.

AC. 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.K). 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 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.

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.

AD. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

AE. Cash and cash equivalents

The cash and cash equivalents comprise balances with less than 90 days' maturity including cash and balances with the central banks excluding reserve requirements and amounts loans and advances to banks (Note 5).

AF. Insurance business

(i) 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.

(ii) Claims

A provision is made for the estimated cost of claims notified but not settled and Insurance IBNR claims 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.

(iii) Unearned Premium Reserve ("UPR")

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. The unearned premium reserve set aside has been computed on a daily pro-rated basis except marine branch. For marine policies, UPR is calculated as 50% of the last three months' premiums.

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

(iv) Deferred Acquisition Costs ("DAC")

The direct commission expenses incurred in acquiring the unearned portion of premiums are recorded net of Unearned Premium Reserves on a policy by policy basis and are recognised in the income statement on the same basis as the unearned portion of the premium income.

The direct commission expenses incurred in acquiring pension contracts, which are treated as investment contracts, are deferred in the balance sheet under other assets, to extent that the Group's subsidiary has secured revenues under these contracts. Such deferred acquisition costs are amortised over 18 months and tested for recoverability at each balance sheet date.

(v) Life Mathematical Reserves

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Life Profit Share Reserve

Life 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 utilisation of funds associated with mathematical reserves in various investment tools whereas the provision for profit share represents the amount allocated to policy holders out of investment income after certain deductions.

(vii) 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.

(viii) Liability to Pension Contract holders for Loyalty Reward

The Group's subsidiary also calculates a liability for its pension contracts, recorded under other liabilities, which represent the present value of the entrance fees received from pension contract holders, since the Group has an unconditional commitment to return such entrance fees, adjusted for inflation, back to the contract holders when they meet certain loyalty criteria that is when they remain invested in the pension funds under the management of the subsidiary for 10 years. The present value of such liability is calculated using the long term real interest rate of 5.71% and the persistency rate of pension contract holders.

AG. Segment Reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format. The Group manages its business through five strategic business units: Retail banking, Corporate banking, Private banking and wealth management, Credit Cards and Foreign Operations. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment, as the operations of the Group in geographical areas other than Turkey are not qualified as reportable individually.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

AH. Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

	2007	2006
Profit attributable to equity holders of the Company	812,474	634,370
Weighted average number of ordinary shares in issue (thousand)	320,573,075	314,281,800
Basic earning per share (expressed in YTL per 1,000 share)	**2.53**	**2.02**

AI. Comparatives

Comparative figures are reclassified, where necessary, to conform to changes in presentation in the 31 December 2007 consolidated financial statements.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 4). Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than for certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. If the entire class of held-to-maturity investments is tainted, the carrying amount would increase by YTL181,042 thousand (2006: YTL29,391 thousand), with a corresponding entry in the fair value reserve in equity (Note 4.E).

Impairment of available for-sale equity investments. The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows. Had all the declines in fair value below cost been considered significant or prolonged, the Group would not suffer any additional loss, being the transfer of the total debit balance in the fair value reserve to profit or loss.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

Impairment losses on loans and advances. The methodology and assumptions used for estimating both the amount and timing of future cash flows from a portfolio of loans are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the present value of estimated cash flows differ by +/- 5% the provision would be estimated YTL71,833 thousand higher or lower. The Group calculated IBNR provision which combines the Basel II concept of expected loss on a one-year time horizon with intrinsic elements such as loss detection period and expert views. To the extent that loss detection period differs by 3 month, the IBNR provision would be estimated around YTL140,000 thousand lower.

Fair value of derivatives. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Special Purpose Entities. Judgement is also required to determine whether the substance of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group.

Tax legislation. Turkish tax, currency and customs legislation is subject to varying interpretations as disclosed in Note 22.

Pension Fund. The Group determines the present value of funded benefit obligations in accordance with New Law by using several critical actuarial assumptions, including the discount rate, mortality rate, and medical costs as disclosed in Note 24. This approach recognises the obligations of the Group to make payments to SSI in respect of the benefits which will be transferred to SSI rather than an obligation to make benefit payments to individuals.

Deferred income tax asset recognition. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

Goodwill. Recoverable amount of goodwill was estimated based on value in use calculation as disclosed in Note 13.

NOTE 4 - FINANCIAL RISK MANAGEMENT

Group's risk management functions are independent from the commercial operations along with committees such as Asset and Liability Committee ("ALCO") and the other individual risk committees covering credit, market and operational risks and are an integral part of ensuring Group's fulfillment of requirements stipulated by the new Banking Law in a manner consistent with shareholders' risk appetites. The risk management function is responsible for: (1) maximizing returns on invested capital and maintaining sustainable growth of profitability (2) monitoring trends in risk exposures and communicating irregularities promptly to senior management (3) monitoring asset and liability profiles for rebalancing actions on a timely basis (4) identifying and classifying the risk structures of products, processes and services (5) modeling risks and back-testing risk models and (6) ensuring compliance with Basel II requirements and Turkish Banking Law.

A. Credit risk

Credit risk management involves the following key roles and responsibilities in the Group:

(a) establishment of credit risk strategies, as well as definition of credit policy guidelines, supporting the organization for their correct implementation, definition of the optimum composition of the overall loan portfolio, identification of risk positions within legal and group wide limitations,

(b) monitoring, measuring and reporting the evolution of credit risk for all segments, (i.e. by industry, sector, geographical area etc.) acting as a second level of control, preparation and presentation of the strategic reports to senior management, including evolution of loan provisioning and comparison with peer banks,

(c) responsible for the development, monitoring and upgrading of the rating and scoring models (PD, EAD, LGD models) as well as pricing models for all segments. This includes:

- methodological documentation,
- technical specification for IT implementation and support to local use,
- definition of process guidelines regarding models usage and use tests,
- satisfy Regulator's requests, discuss with Regulators throughout validation process of models,
- perform back-testing analyses,
- definition of rating override process,
- cooperation with UCG for internal validation,
- development of credit risk VaR models, ensuring model feeding, performing periodical stress tests.

(d) coordination of Basel 2 compliance projects at Group level, acting as interface with Local Regulator and the Sub-Holding, defining the master roll-out plan for the implementation of Basel 2 approaches. Conducting QIS analyses as well as Capital Absorption analyses by segments, under the scope of Basel 2 implementation.

(e) preparation of credit risk budget in coordination with planning and control department in line with predefined lending targets.

(f) calculation of Cost of Risk and related provisions by segments to better assess the riskiness of loan portfolio and maintain the asset quality.

Credit policies reflect the general credit risk principles to be followed throughout YKB's lending activities and the related strategies and goals, as well as shareholders' risk appetites. The credit policy guideline is prepared by YKB's credit risk management department and approved by the Board of Directors.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Bank Rating System:

Since 2002, YKB has employed an internal rating model developed together with Oliver Wyman & Company for the credit risk management of its corporate clients. This system was back-tested with UniCredit, and is subject to recalibration through changes in customer composition.

Integrated with the underwriting process, Bank's internal rating model runs five financial and eight qualitative criteria and assigns a probability of default for each borrower, classifying them under a scale of 17 grades examining both quantitative (balance sheet, income and cash flow analysis, collaterals' value) and qualitative information (management assessment, competitive position, sector performance and environmental factors). This function enables to measure the probability of default at single client level. The outcomes of the grading system reflect the riskiness of each rated customer, and IBNR provisions are set aside in accordance with performing client's rating. In other words, Bank employs client based risk management methodology for the calculation of cost of credit risk. Additionally, the Bank's internal rating system also provides a significant historical database on customer information and behaviour.

The Bank's rating tool concentration by risk classes as of 31 December is as follows:

		Concentration level (%)	
	Rating class (*)	**2007**	**2006**
Above average	1-4	20.2	20.8
Average	5+ - 6-	53.6	51.5
Below average	7+ - 9	26.2	27.7

(*) For corporate and commercial clients only

In order to accurately assess and monitor credit risk for the SME segment, YKB has implemented a new underwriting and evaluation tool in 2006, namely SMiLE, developed by YKB with the assistance of Fair Isaac. For the time being, the model employs a generic scorecard, appropriate data being in the process of accumulation for the establishment of a statistical model which will be subject to calibration, providing proper PDs to be individually assigned to each customer.

A scoring model is also used throughout the application and granting processes for the consumer loans and credit cards segment. These models are to be developed and updated in accordance with changes in customer behaviour.

The above mentioned methodologies and processes dedicated to different market segments (usage of different credit evaluation tools per segments) gives YKB the ability to measure, manage and monitor credit risk in a more accurate way.

In line with the above mentioned methodology, the Group classifies its credit portfolio into following groups:

Group's Rating	**Loans and advances %**	**Provision Coverage %**
1. Performing loans – neither past due nor impaired	92.27	1.80
2. Watch-listed – individually impaired	2.47	6.61
3. Legal follow-up – individually impaired	5.26	77.24
	100.00	**5.88**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The details of the loans and advances past due but not impaired which classified under the performing loans are as follows;

2007

	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Past due up to 30 days	105,090	120,931	252,597	88,619	-	567,237
Past due 30 - 60 days	60,934	70,997	101,323	-	-	233,254
Past due 60-90 days	53,486	24,278	8,316	-	-	86,080
Total	**219,510**	**216,206**	**362,236**	**88,619**	**-**	**886,571**

2006

	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Past due up to 30 days	47,805	133,067	227,379	56,437	-	464,688
Past due 30 - 60 days	32,818	33,495	121,828	-	-	188,141
Past due 60-90 days	11,953	6,487	69,085	-	-	87,525
Total	**92,576**	**173,049**	**418,292**	**56,437**	**-**	**740,354**

Loans and Advances Rescheduled:

Restructuring activities include extended and/or rescheduled payment arrangements, approved external management plans, arrangement of terms of loan such as modification and deferral of payments, interest rate, FX type, collateral structure, additional loan etc, there can also be alternatives of granting additional loan for sale of collaterals, sale of debts, sale of company.

Restructuring may be applied for watch-listed loans or loans under legal follow up. If restructuring is applied for a watch-listed loan, that loan will stay in performing loan accounts but its terms (FX rate, payment dates, interest rate etc) may be changed.

On the other hand, if restructuring is applied for loans under legal follow up that loan will continue to stay at least 6 more months in under legal follow up accounts and it may be transferred specified “restructured loan accounts” when the both of the conditions of at least 15% collection of loan amount and at least staying 6 months in under legal follow up accounts. If an additional loan was granted during restructuring, then at least 15% collection necessity becomes at least 30% of total (existing + additional loan). As of 31 December 2007, the total amount of restructured loans included in legal follow up during the period is YTL185,986 thousand (2006: YTL222,757 thousand).

Restructuring policies and practices are consistent with the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” published by BRSA.

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Maximum exposure to credit risk

	2007	2006
Credit risk exposures relating to on-balance sheet assets:		
Loans and advances to banks	1,835,641	2,904,232
Loans and advances to customers		
– Credit cards	6,501,088	5,584,438
– Consumer	4,124,581	2,757,786
– Corporate	18,089,232	14,371,422
– Leasing	2,326,437	1,582,423
– Factoring	804,993	780,810
Trading assets:		
– Debt securities	296,304	543,745
Derivative financial instruments	50,351	81,013
Investment securities – debt securities		
– Available-for-sale	958,948	731,707
– Held-to-maturity	13,003,287	16,964,466
Other assets	1,072,784	940,400
Credit risk exposures relating to off-balance sheet items:		
Credit related commitments	13,226,182	13,870,589
Other	789,369	982,140
Total	**63,079,197**	**62,095,171**

The above table represent a worse case scenario of credit risk exposure.

Industry sectors

Group is using the BRSA definitions for the economic sectors to be able to make comparisons with the system figures. These definitions are also in line with NACE codifications which are used within EU. Through the Credit Policy, the Board of Directors sets the sectoral limits on lending and these limits can only be altered by the Board of Directors decision. According to YKB's credit policy, each individual sector should not exceed the targeted level of 10% on the overall corporate portfolio. The sector concentration is accordingly monitored and reported on a regular basis. Particular attention is given to some sectors which are considered as 'low performers' in terms of high non-performing ("NPL") levels. Macroeconomic conditions, NPL levels, expectations about sectors and UCI group policies are taken into consideration in setting and altering the limits. Sectoral classification is defined in terms of the borrower's activity area, not based on collaterals.

	Financial Institutions	Manufacturing	Real Estate	Wholesale and retail trade	Public Sector	Other Industries	Individuals	Total
Loans and advances to banks	1,835,641	-	-	-	-	-	-	1,835,641
Loans and advances to customers	711,490	8,179,235	280,298	1,793,855	791,487	9,464,297	10,625,669	31,846,331
Trading assets – debt securities	41,531	559	-	-	254,214	-	-	296,304
Derivative financial instruments	32,370	7,518	-	142	-	9,112	1,209	50,351
Investment securities – debt securities	11,497	3,647	-	60	13,908,342	38,689	-	13,962,235
Other assets	489,202	599	-	-	-	516,357	66,626	1,072,784
As of 31 December 2007	**3,121,731**	**8,191,558**	**280,298**	**1,794,057**	**14,954,043**	**10,028,455**	**10,693,504**	**49,063,646**
As of 31 December 2006	**5,113,574**	**7,711,963**	**153,251**	**1,495,733**	**16,895,301**	**7,461,401**	**8,411,219**	**47,242,442**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Geographical sectors

Geographical concentrations of total assets:

	Turkey	Italy	Other EU	Other	Total
Cash and balances with central banks	3,688,668	-	19,694	32,026	3,740,388
Loans and advances to banks	597,688	7,296	586,431	644,226	1,835,641
Trading assets	314,971	-	-	559	315,530
Derivative financial instruments	32,064	-	507	17,780	50,351
Loans and advances to customers, net					
– Credit cards	6,500,974	-	-	114	6,501,088
– Consumer	4,119,717	-	-	4,864	4,124,581
– Corporate	17,479,403	10,289	130,705	468,835	18,089,232
– Leasing	2,326,437	-	-	-	2,326,437
– Factoring	804,993	-	-	-	804,993
Investment securities					
- Available-for-sale	881,931	-	8,249	149,719	1,039,899
- Held-to-maturity	12,860,643	49,917	29,386	63,341	13,003,287
Investment in associate	-	-	-	38,220	38,220
Goodwill	1,023,528	-	-	-	1,023,528
Other intangible assets	213,543	-	-	258	213,801
Premises and equipment	1,138,396	-	170	10,165	1,148,731
Deferred income tax assets	489,961	-	2,243	59	492,263
Other assets	966,560	2,054	92,239	11,931	1,072,784
As of 31 December 2007	**53,439,471**	**69,556**	**869,624**	**1,442,103**	**55,820,754**
As of 31 December 2006	**47,685,855**	**271,665**	**4,118,948**	**2,490,072**	**54,566,540**

Rating of debt securities:

Moody's rating	Trading securities	Investment securities
Aaa	-	69,549
Aa	-	63,623
A	-	-
Baa	-	86,760
Ba3 (*)	254,215	13,742,303
Unrated	42,089	-
Total	**296,304**	**13,962,235**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

B. Market risk

As a commercial Group, the focus is serving the financial needs of the customers, thereby generating exposure to interest rate, liquidity and foreign exchange risk.

Market Risk Policy of the Group clearly identifies risk management guidelines. According to the Market Risk Policy, market risk is managed depending on the treatment of Banking book and trading book. Banking book consists of all assets and liabilities arising from commercial activities, sensitive to interest rate and foreign exchange movements. Trading book, on the other hand, includes the positions held for trading, client servicing purposes or for keeping the market making status.

The Trading activity of YKB is realised mainly on FX and Securities, which is tolerated within predefined limits. Risk limits are set as intra-day and end-of-day position basis, as well as on stop loss and Value at Risk, which is monitored on a daily basis.

Banking book interest rate risk is measured through the economic value sensitivity method, which implies the potential change in fair value of the interest rate positions resulting from a parallel upward/downward shift of the yield curve. The overall sensitivity is supposed to be within 20% of the Core Tier 1 Capital, as also outlined in Basel II. Interest rate swaps are utilized to mitigate the banking book interest rate risk resulting from the maturity mismatch.

Liquidity risk is closely monitored within the Group and a particular attention is paid to keep enough cash and cash equivalent instruments to fund increases in assets, unexpected decrease in liabilities, as well as meeting legal requirements, thereby optimizing the cost of carrying any excess liquidity.

Derivative instruments are limited to financial instruments such as forwards, swaps, futures and options 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.

As part of the management of market risk, the Group undertakes various hedging strategies. The Group also enters into cross currency interest rate swaps to match the interest rate risk associated with the fixed-rate long-term loans.

(i) Fair value hedges

The Group hedges part of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate YTL loans using cross-currency interest rate swaps. Cross currency interest rate swaps pay YTL and receive USD, the fair value movements of YTL pay sides are designated as a hedge of fair value movements of the loans. The fair value of these swaps' YTL side at 31 December 2007 was YTL(26,102) thousand. The losses on the cross currency interest rate swaps at 31 December 2007 were YTL(10,020) thousand. The gains on the YTL fixed loans at 31 December 2007 were YTL9,503 thousand (Note 9).

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(ii) 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 31 December 2007 is EUR96 million (2006: EUR107 million). The foreign exchange loss of YTL11,249 thousand (2006: YTL19,194 thousand income), net of tax, on translation of the borrowing to YTL at the balance sheet date is recognised in "other reserves" in equity. No amounts were withdrawn from equity during the period as there were no disposals of foreign operations.

The major measurement techniques used to measure and control market risk are outlined below.

(a) Value-at-risk

The Group applies a 'value-at-risk' methodology ("VaR") to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The VaR limits are set by Board of Directors and revised every year according to the budget and strategic plan of the Group. VaR limit compliance is monitored by Risk Management on a daily basis.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VaR estimate. The VaR model of the Group assumes one day 'holding period' until positions can be closed. The Group's assessment of past movements is based on data for the past 500 days. The Group applies these historical changes in rates, prices, indices, etc. directly to its current positions – a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation (Back testing). The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Group's market risk control regime, VaR limits are established by the Board of Directors annually for all trading portfolio operations. For investment positions, as for held to maturity portfolio, risk appetite limits are applied. (VaR/ Nominal Positions) Actual exposure against limits, together with a consolidated group-wide VaR, is reviewed daily by Risk Management. Average daily VaR for the Group for the twelve months period was YTL69,386 thousand in 2007.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The quality of the VaR model is continuously monitored by back-testing the VaR results for trading books. All back-testing exceptions are investigated, and results are reported to the monthly ALCO meetings.

2007

(a) Group VaR by risk type	12 months to Reporting Date		
	Average	High	Low
Foreign exchange risk	1,179	4,113	366
Interest rate risk of securities	69,623	154,574	3,094
Equities risk	-	-	-
Total VaR	**69,386**	**155,513**	**3,391**

(b) Trading portfolio VaR by risk type	12 months to Reporting Date		
	Average	High	Low
Foreign exchange risk	1,179	4,113	366
Interest rate risk of trading assets	2,021	2,538	1,587
Equities risk	-	-	-
Total VaR	**3,200**	**6,651**	**1,953**

(c) Non-trading portfolio VaR by risk type	12 months to Reporting Date		
	Average	High	Low
Foreign exchange risk	-	-	-
Interest rate risk of investment securities	67,602	152,036	1,507
Equities risk	-	-	-
Total VaR	**67,602**	**152,036**	**1,507**

(b) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Risk Management, also indicated in the Market Risk Policy of the Group, include: FX and Interest rate stress testing, where stress movements are applied to the FX position and to Banking Book. The results of the stress tests are reviewed by ALCO.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

i) Foreign exchange 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. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The limits are set by Board of Directors on the level of exposure in aggregate for both overnight and intra-day positions, which are monitored on a daily basis.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at 31 December. 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.

2007

	Foreign currency					
	US$	**EUR**	**Other**	**Total**	**YTL**	**Total**
Assets						
Cash and balances with central banks	86,990	1,984,033	28,771	2,099,794	1,640,594	3,740,388
Loans and advances to banks	901,730	686,720	61,486	1,649,936	185,705	1,835,641
Trading assets	120,365	59,457	559	180,381	135,149	315,530
Derivative financial instruments	-	-	-	-	50,351	50,351
Loans and advances to customers (*)	7,080,665	4,788,802	297,662	12,167,129	19,679,202	31,846,331
Investment securities						
- available-for-sale (**)	259,071	73,855	108,474	441,400	598,499	1,039,899
- held-to-maturity	5,654,528	1,054,279	1,883	6,710,690	6,292,597	13,003,287
Investment in associates (**)	-	-	38,220	38,220	-	38,220
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	30	30	213,771	213,801
Premises and equipment	-	170	9,578	9,748	1,138,983	1,148,731
Deferred income tax assets	-	2,243	59	2,302	489,961	492,263
Other assets	173,467	211,178	136,651	521,296	551,488	1,072,784
Total assets	**14,276,816**	**8,860,737**	**683,373**	**23,820,926**	**31,999,828**	**55,820,754**
Liabilities						
Deposits from banks	629,285	402,860	137,706	1,169,851	93,961	1,263,812
Due to customers	9,064,423	4,803,398	453,706	14,321,527	20,201,493	34,523,020
Other borrowed funds	3,092,784	3,522,658	32,645	6,648,087	657,877	7,305,964
Debt securities in issue	846,186	696,423	-	1,542,609	-	1,542,609
Derivative financial instruments	-	-	-	-	264,806	264,806
Financial liabilities designated at fair value	51,273	-	-	51,273	-	51,273
Current income taxes payable	-	363	255	618	13,590	14,208
Deferred income tax liabilities	-	1,854	2,058	3,912	128,551	132,463
Other provisions (*)	76,238	828	-	77,066	224,083	301,149
Retirement benefit obligations	-	950	-	950	801,676	802,626
Insurance technical reserves	224,987	59,900	-	284,887	501,581	786,468
Other liabilities	102,783	308,341	46,897	458,021	3,307,661	3,765,682
Total liabilities	**14,087,959**	**9,797,575**	**673,267**	**24,558,801**	**26,195,279**	**50,754,080**
Net balance sheet position	**188,857**	**(936,838)**	**10,106**	**(737,875)**	**5,804,549**	**5,066,674**
Off-balance sheet derivative instruments net notional position	(245,412)	1,136,774	93,790	985,152	(792,441)	192,711
Net foreign currency position	**(56,555)**	**199,936**	**103,896**	**247,277**	**5,012,108**	**5,259,385**

(*) Collective impairment allowance of YTL248,210 thousand calculated on foreign currency denominated loans is presented as YTL balance in the above currency position table.

(**) Had the investment in associate and AFS equity instruments were excluded from the foreign currency position table as of 31 December 2007, the net foreign currency position of the Group would decrease from YTL247,277 thousand to YTL182,313 thousand.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

2006

	Foreign currency					
	US$	**EUR**	**Other**	**Total**	**YTL**	**Total**
Assets						
Cash and balances with central banks	402,223	1,863,894	38,057	2,304,174	1,857,185	4,161,359
Loans and advances to banks	2,114,744	492,163	225,807	2,832,714	71,518	2,904,232
Trading assets	193,827	169,198	-	363,025	198,455	561,480
Derivative financial instruments	4,957	3,437	515	8,909	72,104	81,013
Loans and advances to customers (*)	6,091,408	3,114,136	284,488	9,490,032	15,586,847	25,076,879
Investment securities						
- available-for-sale (**)	258,848	71,353	68,945	399,146	492,610	891,756
- held-to-maturity	7,005,031	3,489,907	-	10,494,938	6,469,528	16,964,466
Investment in associates (**)	-	-	41,352	41,352	-	41,352
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	16	54	70	179,150	179,220
Premises and equipment	-	6,735	10,708	17,443	1,236,631	1,254,074
Deferred income tax assets	-	885	84	969	485,812	486,781
Other assets	87,564	93,260	137,338	318,162	622,238	940,400
Total assets	**16,158,602**	**9,304,984**	**807,348**	**26,270,934**	**28,295,606**	**54,566,540**
Liabilities						
Deposits from banks	355,600	215,379	108,558	679,537	1,056,778	1,736,315
Due to customers	10,705,514	4,852,287	516,045	16,073,846	18,097,883	34,171,729
Other borrowed funds	3,208,116	3,146,243	135,690	6,490,049	593,024	7,083,073
Debt securities in issue	1,105,320	544,686	-	1,650,006	-	1,650,006
Derivative financial instruments	1,583	720	152	2,455	31,201	33,656
Financial liabilities designated at fair value	-	-	-	-	-	-
Current income taxes payable	-	6,276	672	6,948	6,643	13,591
Deferred income tax liabilities	-	1,413	2,565	3,978	177,274	181,252
Other provisions (*)	-	4,525	103	4,628	373,907	378,535
Retirement benefit obligations	-	4,697	-	4,697	701,124	705,821
Insurance technical reserves	254,707	66,961	-	321,668	468,745	790,413
Other liabilities	561,900	462,095	37,069	1,061,064	2,554,050	3,615,114
Total liabilities	**16,192,740**	**9,305,282**	**800,854**	**26,298,876**	**24,060,629**	**50,359,505**
Net balance sheet position	**(34,138)**	**(298)**	**6,494**	**(27,942)**	**4,234,977**	**4,207,035**
Off-balance sheet derivative instruments net notional position	104,270	191,432	94,154	389,856	(135,527)	254,329
Net foreign currency position	**70,132**	**191,134**	**100,648**	**361,914**	**4,099,450**	**4,461,364**

(*) Collective impairment allowance of YTL253,744 thousand calculated on foreign currency denominated loans is presented as YTL balance in the above currency position table.

(**) Had the investment in associate and AFS equity instruments were excluded from the foreign currency position table as of 31 December 2006, the net foreign currency position of the Group would decrease from YTL361,914 thousand to YTL305,498 thousand.

At 31 December 2007, assets and liabilities denominated in foreign currency were translated into YTL using a foreign exchange rate of YTL1.1355 = US$1, and YTL1.6674 = EUR1 (2006: YTL1.3777 = US$1, and YTL1.8121 = 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 4 - FINANCIAL RISK MANAGEMENT (Continued)

ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest rate risk limits are set in terms of a total sensitivity limit. Sensitivity analysis is performed according to a scenario of 5% shift in TRL yield curve and 1% shift in FX yield curve. The resulting P/L should not exceed 20% of Bank's Tier 1 Capital.

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

2007	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	1,458,919	-	-	-	2,281,469	3,740,388
Loans and advances to banks	731,045	444,023	186,126	26,622	447,825	1,835,641
Trading assets	54,102	58,721	115,282	26,669	60,756	315,530
Derivative financial instruments	31,268	11,998	7,085	-	-	50,351
Loans and advances to customers	11,862,615	8,654,571	7,587,173	3,345,864	396,108	31,846,331
Investment securities						
- available-for-sale	254,374	130,426	324,495	195,279	135,325	1,039,899
- held-to-maturity	5,257,269	1,805,217	1,674,011	4,266,790	-	13,003,287
Investment in associate	-	-	-	-	38,220	38,220
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	-	-	213,801	213,801
Premises and equipment	-	-	-	-	1,148,731	1,148,731
Deferred income tax assets	-	-	-	-	492,263	492,263
Other assets	82,952	7,480	4,198	599	977,555	1,072,784
Total assets	**19,732,544**	**11,112,436**	**9,898,370**	**7,861,823**	**7,215,581**	**55,820,754**
Liabilities						
Deposits from banks	814,787	365,202	-	-	83,823	1,263,812
Due to customers	26,796,979	1,885,669	249,580	-	5,590,792	34,523,020
Other borrowed funds	4,383,557	2,859,561	62,846	-	-	7,305,964
Debt securities in issue	1,542,609	-	-	-	-	1,542,609
Derivative financial instruments	96,913	165,866	2,027	-	-	264,806
Financial liabilities designated at fair value	-	51,273	-	-	-	51,273
Current income taxes payable	-	-	-	-	14,208	14,208
Deferred income tax liabilities	-	-	-	-	132,463	132,463
Other provisions	-	-	-	-	301,149	301,149
Retirement benefit obligations	-	-	-	-	802,626	802,626
Insurance technical reserves	-	-	-	-	786,468	786,468
Other liabilities	2,197,158	2,200	3	682	1,565,639	3,765,682
Total liabilities	**35,832,003**	**5,329,771**	**314,456**	**682**	**9,277,168**	**50,754,080**
Net interest repricing gap	**(16,099,459)**	**5,782,665**	**9,583,914**	**7,861,141**	**(2,061,587)**	**5,066,674**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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	3,133,380	-	-	-	1,027,979	4,161,359
Loans and advances to banks	2,081,211	329,724	32,795	-	460,502	2,904,232
Trading assets	59,010	174,512	202,119	74,739	51,100	561,480
Derivative financial instruments	66,431	14,538	44	-	-	81,013
Loans and advances to customers	10,114,585	8,573,532	4,298,976	1,704,718	385,068	25,076,879
Investment securities						
- available-for-sale	94,996	109,813	272,701	207,711	206,535	891,756
- held-to-maturity	7,080,489	3,188,613	2,322,696	4,372,668	-	16,964,466
Investment in associate	-	-	-	-	41,352	41,352
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	-	-	179,220	179,220
Premises and equipment	-	-	-	-	1,254,074	1,254,074
Deferred income tax assets	-	-	-	-	486,781	486,781
Other assets	1,160	76,057	-	-	863,183	940,400
Total assets	**22,631,262**	**12,466,789**	**7,129,331**	**6,359,836**	**5,979,322**	**54,566,540**
Liabilities						
Deposits from banks	1,331,512	348,665	-	-	56,138	1,736,315
Due to customers	27,115,765	1,480,140	329,468	11,400	5,234,956	34,171,729
Other borrowed funds	1,726,948	2,009,625	3,335,745	10,755	-	7,083,073
Debt securities in issue	1,650,006	-	-	-	-	1,650,006
Derivative financial instruments	21,520	12,136	-	-	-	33,656
Financial liabilities designated at fair value	-	-	-	-	-	-
Current income taxes payable	-	-	-	-	13,591	13,591
Deferred income tax liabilities	-	-	-	-	181,252	181,252
Other provisions	-	-	-	-	378,535	378,535
Retirement benefit obligations	-	-	-	-	705,821	705,821
Insurance technical reserves	-	-	-	-	790,413	790,413
Other liabilities	2,157,013	100,956	115	-	1,357,030	3,615,114
Total liabilities	**34,002,764**	**3,951,522**	**3,665,328**	**22,155**	**8,717,736**	**50,359,505**
Net interest repricing gap	**(11,371,502)**	**8,515,267**	**3,464,003**	**6,337,681**	**(2,738,414)**	**4,207,035**

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at 31 December based on yearly contractual rates.

	2007			2006		
	US$ (%)	EUR (%)	YTL (%)	US$ (%)	EUR (%)	YTL (%)
Assets						
Cash and balances with central banks	1.01	1.78	9.73	2.10	1.72	11.07
Loans and advances to banks	5.14	4.57	17.56	5.12	3.90	19.57
Trading assets	8.57	7.22	16.89	8.16	9.06	16.72
Investment securities						
- available-for-sale	7.69	7.92	17.75	8.36	7.72	18.79
- held-to-maturity	7.49	6.09	19.04	7.22	4.32	19.24
Loans and advances to customers	6.97	6.75	19.80	5.75	5.89	21.33
Liabilities						
Deposits from banks	5.22	4.56	17.13	5.97	1.22	18.79
Due to customers	4.83	3.33	18.68	4.19	2.15	18.97
Debt securities in issue	5.22	4.83	-	5.73	3.88	-
Financial liabilities designated at fair value	6.16	-	-	-	-	-
Other borrowed funds	5.35	4.84	16.02	5.49	4.37	17.38

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

iii) Liquidity risk

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

Within the YKB, the following definitions apply to the components of Liquidity Risk:

1. ***Liquidity Mismatch Risk*** refers to the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows;
2. ***Liquidity Contingency Risk*** refers to the risk that future unexpected events could require a greater amount of liquidity than the amount foreseen as necessary for the bank. This risk could arise as a result of events such as the failure by clients to reimburse loans, the need to finance new assets, difficulties in selling liquid assets or obtaining new financings in the event of a liquidity crisis;
3. ***Market Liquidity Risk*** refers to the risk that the bank may incur losses as a result of the sale of assets deemed to be liquid or in extreme is not able to liquidate such positions due to not sufficient liquidity offered by the market or keeps the position that is too large when compared to market turnover. Market liquidity risk is primarily handled via the VaR system in the Credit Risk Officer (“CRO”) division and is not a focus of this Liquidity Policy;
4. ***Operational Liquidity Risk*** appears whenever a financial institution cannot meet its current obligations (from intraday to T/N) resulting from the current in and outflows still remaining solvent.
5. ***Funding Risk*** refers to the potential change in the cost of funding (own credit and market liquidity spreads) affecting future income of the institution; it includes both change of the rating (internal factor) as well as widening of credit spreads (external factor).
6. ***Margin Calls Liquidity Risk*** – refers to a situation where the bank is exposed on negative valuation of financial instruments and is contractually obliged to secure its credit exposure by placing collateral/margin.

The Bank fulfills its payment obligations in the following ways:
1. by using cash inflows deriving from its maturing assets;
2. by holding cash or assets which are easily sold on the market;
3. by financing itself on the market;
4. by participating in regular Central Bank refinancing transactions.

Reports on short term liquidity positions and structural liquidity positions are prepared by Risk Management. Short-term liquidity risk management, which considers the events that will impact upon the Bank’s liquidity position from 1 day up to 3 months. Structural liquidity positions consider the events effecting the Group’s liquidity position in long term period. The primary objective is to maintain an adequate ratio between total liabilities and medium- / long-term assets, with a view to avoiding pressures on short-term sources (both current and future), while in the meantime optimizing the cost of funding..

According to the communiqué of BRSA on liquidity, Banks have to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities for weekly and monthly time buckets. Risk Management performs the calculation of the mentioned ratios on a daily basis and submits to the senior management attention.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

The following table presents the cash flows payable by the Group under non-derivative financial liabilities remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

2007	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Liabilities					
Deposits from banks	1,047,621	374,311	-	-	1,421,932
Due to customers	32,442,039	2,052,970	277,688	-	34,772,697
Other borrowed funds	1,505,491	3,548,372	1,536,208	1,997,403	8,587,474
Debt securities in issue	-	-	1,134,045	856,069	1,990,114
Financial liabilities designated at fair value	-	3,128	51,625	-	54,753
Total liabilities	**34,995,151**	**5,978,781**	**2,999,566**	**2,853,472**	**46,826,970**

2006	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Liabilities					
Deposits from banks	1,391,236	359,822	-	-	1,751,058
Due to customers	32,943,378	1,138,204	292,724	14,690	34,388,996
Other borrowed funds	1,791,749	2,183,131	2,171,796	1,721,244	7,867,920
Debt securities in issue	22,411	63,224	1,211,706	769,169	2,066,510
Financial liabilities designated at fair value	-	-	-	-	-
Total liabilities	**36,148,774**	**3,744,381**	**3,676,226**	**2,505,103**	**46,074,484**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The following table represents the outstanding derivative cash flows of the Group:

Derivatives settled on a gross basis

2007	Up to 1 month	1-3 months	3-12 months	1-5 year	Over 5 year	Total
Derivatives held for trading:						
Foreign exchange derivatives:						
– Outflow	2,868,158	906,480	233,132	114,050	-	4,121,820
– Inflow	2,936,229	823,943	202,542	91,468	-	4,054,182
Interest rate derivatives:						
– Outflow	-	157,051	85,061	531,952	481,785	1,255,849
– Inflow	223,292	293,471	104,032	45,955	481,785	1,148,535
Derivatives held for hedging:						
Interest rate derivatives:						
– Outflow	21,218	21,128	77,417	-	-	119,763
– Inflow	25,926	62,453	13,625	-	-	102,004
Total outflow	**2,889,376**	**1,084,659**	**395,610**	**646,002**	**481,785**	**5,497,432**
Total inflow	**3,185,447**	**1,179,867**	**320,199**	**137,423**	**481,785**	**5,304,721**

2006	Up to 1 month	1-3 months	3-12 months	1-5 year	Over 5 year	Total
Derivatives held for trading:						
Foreign exchange derivatives:						
– Outflow	1,550,594	587,522	398,838	2,818	-	2,539,772
– Inflow	1,561,939	613,452	620,747	2,904	-	2,799,042
Interest rate derivatives:						
– Outflow	-	86,071	74,232	289,744	-	450,047
– Inflow	78,042	315,935	34,232	22,759	-	450,968
Total outflow	**1,550,594**	**673,593**	**473,070**	**292,562**	**-**	**2,989,819**
Total inflow	**1,639,981**	**929,387**	**654,979**	**25,663**	**-**	**3,250,010**

C. Operational risk

Operational risk is defined as the risk of losses 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’s 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, Business Continuity Management and assures the quality of data gathered in accordance to the Basel II standards, proposes insurance hedging on operational risks and prepares risk mitigation plans. ORM performs second level controls, manages and measures the Bank’s operational risks.

For the regulatory purposes and consideration in statutory capital adequacy ratio, on a consolidated base the Parent calculates the amount subject to operational risk with the basic indicator method in accordance with the Section 4 of the “ Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio” published in the Official Gazette No. 26333 dated 1 November 2006, namely “The Calculation of the Amount Subject to Operational Risk”, based on the gross income of the Bank for the years ended 2006, 2005 and 2004. As of 31 December 2007, the total amount subject to operational risk is calculated as YTL5,056,682 thousand and the amount of the related capital requirement is YTL404,535 thousand.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the period.

The Bank's and its affiliates regulatory capital position on a consolidated basis at 31 December were as follows:

	2007	**2006**
Tier I capital	5,093,324	4,020,305
Tier II capital	2,329,005	1,989,585
Deductions	(1,424,080)	(1,338,728)
Total regulatory capital	5,998,249	4,671,162
Risk-weighted assets (including market and operational risk) (*)	46,836,390	35,132,616
Capital adequacy ratio (%)	**12.81**	**13.30**

(*) Operational risk amounting to YTL5,056,682 thousand is included starting from 1 June 2007.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

E. 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.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement 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.

	2007		2006	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets:				
Loans and advances to banks	1,835,641	1,869,468	2,904,232	2,903,987
Investment securities (held-to-maturity)	13,003,287	13,184,329	16,964,466	16,993,857
Loans and advances to customers	31,846,331	32,014,078	25,076,879	25,291,500
Financial liabilities:				
Deposits from banks	1,263,812	1,263,835	1,736,315	1,736,121
Due to customers	34,523,020	34,550,890	34,171,729	34,189,023
Other borrowed funds	7,357,237	7,401,103	7,083,073	7,101,640
Debt securities in issue	1,542,609	1,542,609	1,650,006	1,650,006

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

Loans and advances to 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

Loans and advances to customers are net of allowances for impairment. The estimated fair value of loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar credit risk, currency and remaining maturity to determine their fair value.

Investment securities

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 Turkey ("the CBRT") in the Official Gazette.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Due to customers, deposits from banks, other borrowed funds and debt securities in issue

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. The fair value of debt securities in issue is considered to approximate its carrying amounts.

F. 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 financial statements. Fiduciary capacity at 31 December is as follows:

	2007	**2006**
Investment securities held in custody	17,543,083	21,127,265
Cheques received for collection	4,824,347	4,719,031
Commercial notes received for collection	3,260,890	3,630,762
	25,628,320	**29,477,058**

NOTE 5 - CASH AND CASH EQUIVALENTS

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

	2007	**2006**
Cash and cash equivalents	444,943	443,450
Demand deposits with central banks	542,456	607,155
Gold	133,768	44,815
Loans and advances to banks (with original maturity less than three months)	1,144,056	2,430,337
Total	**2,265,223**	**3,525,757**

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

NOTE 6 - CASH AND BALANCES WITH CENTRAL BANKS

	2007	2006
Cash and cash equivalents		
Cash in hand - foreign currency	135,929	132,960
Cash in hand - YTL	300,007	301,144
Cheques received - foreign currency	1,080	3,165
Other	7,927	6,181
	444,943	**443,450**
Demand deposits at central banks		
Foreign currency	542,456	606,872
YTL	-	283
	542,456	**607,155**
Time deposits at central banks		
Foreign currency	-	10,466
YTL	-	-
	-	**10,466**
Reserve deposits at central banks		
Foreign currency	1,420,329	1,550,711
YTL	1,332,660	1,549,577
	2,752,989	**3,100,288**
	3,740,388	**4,161,359**

Reserve deposits at central banks are as follows:

	2007	2006
The Central Bank of Republic of Turkey	2,727,162	3,074,427
De Nederlandsche Bank	19,454	17,070
The Central Bank of the Russian Federation	3,246	3,352
The National Bank of Azerbaijan	3,127	4,239
Deutsche Bundesbank	-	1,200
	2,752,989	**3,100,288**

These funds are not available to finance the Group's day-to-day operations

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% (2006: 6%) and 11% (2006: 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.

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

NOTE 6 - CASH AND BALANCES WITH CENTRAL BANKS (Continued)

Reserve requirements of Central Bank of the Russian Federation represents reserve deposits equivalent to 4.5% of borrowings from non-resident bank from all currencies, 4% of individual deposits denominated in Russia Rubles, 4.5% of the deposits of legal entities for all currencies.

Reserve requirements of National Bank of Azerbaijan; represent reserve deposits equivalent to 10% of the statutory balances of customer accounts, due to banks and other funds borrowed.

NOTE 7 - LOANS AND ADVANCES TO BANKS

	2007			2006		
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
YTL:						
Nostro/ Demand deposits	48,010	263	48,273	44,606	28	44,634
Time deposits	72,865	64,567	137,432	23,880	-	23,880
Interbank money market	-	-	-	3,004	-	3,004
	120,875	**64,830**	**185,705**	**71,490**	**28**	**71,518**
Foreign currency:						
Nostro/ Demand deposits	37,494	362,058	399,552	1,996	413,872	415,868
Time deposits	439,319	391,323	830,642	586,392	1,726,974	2,313,366
Interbank money market	-	419,742	419,742	103,480	-	103,480
	476,813	**1,173,123**	**1,649,936**	**691,868**	**2,140,846**	**2,832,714**
	597,688	**1,237,953**	**1,835,641**	**763,358**	**2,140,874**	**2,904,232**

NOTE 8 - TRADING ASSETS

	2007	**2006**
Government bonds and treasury bills	152,188	294,135
Government bonds and treasury bills sold under repurchase agreements	102,027	195,994
Other debt securities	42,089	53,616
Total debt securities	**296,304**	**543,745**
Equity securities - listed	19,226	17,735
Total equity securities	**19,226**	**17,735**
Total trading assets	**315,530**	**561,480**

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group utilises the following derivative instruments:

"Currency forwards" represent 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.

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.

"Interest rate cap and floor arrangements" provide 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.

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.

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

2007

	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	2,902,202	19,555	62,666
Currency swaps	3,173,500	11,624	8,667
OTC currency options	2,092,313	1,061	979
Other derivatives	7,987	-	-
Total OTC derivatives	**8,176,002**	**32,240**	**72,312**
Interest rate derivatives:			
Interest rate swaps	1,074,030	6,971	12,817
Cross-currency interest rate swaps	1,330,354	9,456	151,891
Total OTC derivatives	**2,404,384**	**16,427**	**164,708**
Total derivative assets/ (liabilities) held for trading	**10,580,386**	**48,667**	**237,020**
Derivatives held for hedging			
Derivatives designated as fair value hedges:			
Interest rate swaps	221,767	1,684	27,786
Total derivative assets/ (liabilities) held for hedging	**221,767**	**1,684**	**27,786**
Total recognised derivative assets/ (liabilities)	**10,802,153**	**50,351**	**264,806**
Current		39,481	135,900
Non-current		10,870	128,906
Total recognised derivative assets/ (liabilities)		**50,351**	**264,806**

2006

	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	2,959,764	36,873	20,290
Currency swaps	1,226,446	15,638	3,866
OTC currency options	1,152,604	-	-
Total OTC derivatives	**5,338,814**	**52,511**	**24,156**
Interest rate derivatives:			
Cross-currency interest rate swaps	901,015	28,502	9,500
Total OTC derivatives	**901,015**	**28,502**	**9,500**
Total derivative assets/ (liabilities) held for trading	**6,239,829**	**81,013**	**33,656**
Current		45,272	24,411
Non-current		35,741	9,245
Total recognised derivative assets/ (liabilities)		**81,013**	**33,656**

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

2007	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	18,036,931	3,911,382	6,235,113	2,229,133	809,032	31,221,591
Watch listed loans	159,360	227,691	362,236	88,619	-	837,906
Loans under legal follow - up	1,181,407	101,694	405,244	84,157	4,073	1,776,575
Gross	**19,377,698**	**4,240,767**	**7,002,593**	**2,401,909**	**813,105**	**33,836,072**
Specific allowance for impairment	(993,666)	(56,706)	(312,898)	(60,316)	(4,073)	(1,427,659)
Collective allowance for impairment	(294,800)	(59,480)	(188,607)	(15,156)	(4,039)	(562,082)
Total allowance for impairment	**(1,288,466)**	**(116,186)**	**(501,505)**	**(75,472)**	**(8,112)**	**(1,989,741)**
Net	**18,089,232**	**4,124,581**	**6,501,088**	**2,326,437**	**804,993**	**31,846,331**

2006	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	14,209,937	2,610,474	5,251,151	1,531,731	784,179	24,387,472
Watch listed loans	250,371	194,249	418,292	56,437	-	919,349
Loans under legal follow - up	1,182,926	15,950	443,510	60,246	4,461	1,707,093
Gross	**15,643,234**	**2,820,673**	**6,112,953**	**1,648,414**	**788,640**	**27,013,914**
Specific allowance for impairment	(1,019,389)	(51,520)	(330,739)	(50,835)	(4,317)	(1,456,800)
Collective impairment	(252,423)	(11,367)	(197,776)	(15,156)	(3,513)	(480,235)
Total allowance for impairment	**(1,271,812)**	**(62,887)**	**(528,515)**	**(65,991)**	**(7,830)**	**(1,937,035)**
Net	**14,371,422**	**2,757,786**	**5,584,438**	**1,582,423**	**780,810**	**25,076,879**

Fair value of collateral:

2007	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Watch listed loans	47,131	114,280	-	29,757	-	191,168
Loans under legal follow - up	263,244	25,993	-	-	-	289,237
Total	**310,375**	**140,273**	**-**	**29,757**	**-**	**480,405**

2006	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Watch listed loans	138,122	123,718	-	29,990	-	291,830
Loans under legal follow - up	306,040	11,555	-	-	-	317,595
Total	**444,162**	**135,273**	**-**	**29,990**	**-**	**609,425**

The Group's total cash exposure to Çukurova Group amounts to US$219,009,971 including the accrued interest of US$25,040,749 as of 31 December 2007 (2006: US$799,225,603). The annual interest rate for the remaining portion of Çukurova Group risk per "FRA Modification Agreement" is identified as Libor+2.5% and the maturity of the last payment is 30 September 2015. According to the "Pledge Agreement" signed between YKB, Çukurova Holding A.Ş. ("Çukurova Holding") and Çukurova Investments N.V. ("Çukurova Investments") on 28 September 2005, YKB has a continuous pledge on 2.73% of Turkcell İletişim Hizmetleri A.Ş. ("Turkcell") shares of Çukurova Holding and Çukurova Investments in relation to Çukurova Group loans repayment liability. The fair value of those Turkcell shares held as collateral amounts to approximately YTL771,222 thousand as of 31 December 2007.

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Included in the performing loans and advances to corporate customers are loans amounting to YTL115,000 thousand which have been designated as financial assets at fair value. Those loans have been matched with interest rate swaps amounting to YTL119,763 thousand as part of a documented interest rate risk management strategy. An accounting mismatch would arise if the loans and advances were accounted for at amortised cost, because the related derivatives are measured at fair value, with movements in the fair value taken through the income statement. By designating those loans and advances at fair value, the movement in the fair value of the long-term debt will be recorded in the income statement.

Reconciliation of allowance account for losses on loans and advances by class is as follows:

	2007						2006
	Corporate	**Consumer**	**Credit cards**	**Leasing**	**Factoring**	**Total**	**Total**
At 1 January as previously reported	**1,271,812**	**62,887**	**528,515**	**65,991**	**7,830**	**1,937,035**	**1,703,211**
- effect of restatement (Note 27)	-	-	-	-	-	-	451
At 1 January as restated	**1,271,812**	**62,887**	**528,515**	**65,991**	**7,830**	**1,937,035**	**1,703,662**
Provision for loan impairment	202,887	89,175	228,591	52,041	712	573,406	336,649
Amounts recovered during the period	(73,915)	(34,884)	(75,391)	(38,628)	(193)	(223,011)	(63,186)
Loans written off during the period as uncollectible (-)	(122,427)	(759)	(180,210)	(3,932)	(237)	(307,565)	(43,796)
Exchange differences	10,109	(233)	-	-	-	9,876	3,706
At 31 December	**1,288,466**	**116,186**	**501,505**	**75,472**	**8,112**	**1,989,741**	**1,937,035**

	2007	**2006**
Gross investment in direct finance leases	2,810,321	1,930,903
Unearned finance income	(496,584)	(338,090)
	2,313,737	**1,592,813**
Interest accrual on receivables	23,929	16,143
Receivables from outstanding lease payments	64,243	39,458
Provision for impaired lease receivables	(75,472)	(65,991)
Net investment in direct finance leases	**2,326,437**	**1,582,423**

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

	2007	**2006**
2007	-	840,533
2008	1,102,293	531,580
2009	772,343	303,160
2010 and over	851,081	194,548
Less: unearned finance income	(496,584)	(338,090)
Investment in performing lease receivables	**2,229,133**	**1,531,731**

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

NOTE 11 - INVESTMENT SECURITIES

(i) Securities available-for-sale

	2007	**2006**
Debt securities - at fair value - listed:	958,948	731,707
Government bonds and treasury bills	601,949	357,398
Eurobonds	282,480	312,236
Other	74,519	62,073
Equity securities - at fair value:	80,951	160,049
Listed	60,701	45,341
Unlisted	20,250	114,708
Total securities available-for-sale	**1,039,899**	**891,756**

Government bonds, treasury bills and Eurobonds are discount and coupon securities issued by the Government of the Republic of Turkey. Other debt securities represent A and B type open-ended mutual funds incorporated in Turkey managed by the Group.

Net gains/losses from changes in the fair value of available-for-sale investment securities, net of tax is YTL7,372 thousand (2006: YTL3,944 thousand). There are no impairments recognised for available-for-sale debt securities.

The principal available-for-sale equity shares at 31 December are as follows:

Name of the company	**Nature of Business**	**2007 Control rates (%)**	**2006 Control rates (%)**	**2007**	**2006**
Listed					
Yapı Kredi Koray	Real estate management	30.45	30.45	33,855	30,175
Mastercard Inc.	Credit Card Services	0.11	0.11	26,744	15,064
Other				102	102
				60,701	**45,341**
Unlisted					
ISE Settlement and Custody Bank Inc.	Custody	4.86	4.86	12,360	12,360
Kredi Kayıt Bürosu A.Ş.	Credit Card Services	18.18	18.18	2,751	3,621
Türkiye Genel Sigorta A.Ş.	Insurance	0.01	1.15	25	2,440
Enternasyonal (1)	Tourism	99.96	99.99	-	34,882
Akdeniz Marmara (1)	Tourism	-	99.99	-	27,373
Bayındırlık İşleri (1)	Construction	-	99.18	-	17,204
Superonline Uluslararası İletişim Hizmetleri A.Ş. ("Superonline") (2)	Info-Com	-	96.67	-	13,591
Other				5,114	3,237
				20,250	**114,708**
				80,951	**160,049**

(1) Extraordinary General Assembly related to the take over of Bayındırlık and Akdeniz Marmara by Enternasyonel has been held on 5 February 2007 and the legal merger was registered on 8 February 2007. Further General Assembly related to the take over of Yapı Kredi Kart by Enternasyonel has been held on 26 March 2007 and the legal merger was registered on 12 April 2007.

(2) In accordance with the "Fintur, Superonline and Digiturk Purchase and Sale Agreement" signed on 28 September 2005; Superonline Uluslararası Elektronik İletişim Hizmetleri A.Ş. ("Superonline") which was classified under "Available-for-sale financial assets" portfolio of the Group with a nominal value of YTL37,550 thousand; has been transferred to Demir Toprak A.Ş. (member of Çukurova Group) for EUR7,5 million on 31 May 2007.

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

NOTE 11 - INVESTMENT SECURITIES (Continued)

(ii) Securities held-to-maturity

	2007	2006
Debt securities - at amortised cost - listed:	13,003,287	16,964,466
Government bonds and treasury bills	5,806,239	5,292,305
Eurobonds	5,298,995	4,935,350
Government bonds and treasury bills sold under repurchase agreements	1,764,891	3,497,368
Foreign government bonds	133,162	3,239,443
Total securities held-to-maturity	**13,003,287**	**16,964,466**
Total investment securities	**14,043,186**	**17,856,222**

The movement in held-to-maturity securities as of 31 December is as follows:

	2007	2006
At 1 January as previously reported	**16,964,466**	**8,141,100**
- effect of restatement (Note 27)	-	559,277
At 1 January as restated	**16,964,466**	**8,700,377**
Additions	3,789,617	10,311,702
Disposals (redemption)	(6,644,040)	(1,743,021)
Transfers	(4,199)	132,361
Exchange differences on monetary assets	(1,102,557)	(436,953)
At 31 December	**13,003,287**	**16,964,466**

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

Gains and losses from investment securities compromise de-recognition of available-for-sale financial assets.

NOTE 12 - INVESTMENT IN ASSOCIATE

	2007	2006
Balance at 1 January	**41,352**	**35,917**
Share of results	1,890	2,048
Dividends paid	(1,217)	(1,340)
Exchange difference	(3,805)	4,727
Balance at 31 December	**38,220**	**41,352**

The Group's interest in Banque de Commerce, its principal associate, is as follows:

	Total Assets	Equity	Revenues	Net Profit
31 December 2006	1,768,798	134,829	71,885	9,520
31 December 2007	2,229,733	124,616	94,005	10,129

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

NOTE 13 - GOODWILL

	2007	2006
Net book amount at 1 January as previously reported	**1,023,528**	**985,683**
effect of adjustments on:		
- direct cost related to acquisition (Note 27)	-	1,933
- preliminary fair values acquired due to business combination (Note 27)	-	35,912
Net book amount at 1 January as restated	**1,023,528**	**1,023,528**
Impairment charge	-	-
At 31 December	**1,023,528**	**1,023,528**

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The Group allocated goodwill to its cash-generating units ("CGU") which are represented by each primary reporting segment except foreign operations (Note 37).

There was no impairment identified at 31 December 2007 (2006: None).

NOTE 14 - OTHER INTANGIBLE ASSETS

	2007	2006
Cost	313,408	332,898
Accumulated amortisation and impairment	(99,607)	(153,678)
Net book amount	**213,801**	**179,220**

Movements of other intangible assets were as follows:

2007	**Rights and licenses**	**Software**	**Trademarks and customer relationships related intangibles**	**Total**
Cost				
At 1 January	**91,002**	**78,812**	**163,084**	**332,898**
Additions	58,760	10,372	-	69,132
Disposals	(508)	(48,530)	-	(49,038)
Transfers	(38,979)	(516)	-	(39,495)
Translation differences	-	(89)	-	(89)
At 31 December	**110,275**	**40,049**	**163,084**	**313,408**
Accumulated amortisation and impairment				
At 1 January	**(59,765)**	**(73,528)**	**(20,385)**	**(153,678)**
Amortisation charge (Note 33)	(11,023)	(6,943)	(16,308)	(34,274)
Disposals	461	48,269	-	48,730
Transfers	29,260	10,285	-	39,545
Translation differences	-	70	-	70
At 31 December	**(41,067)**	**(21,847)**	**(36,693)**	**(99,607)**
Net book amount at 31 December	**69,208**	**18,202**	**126,391**	**213,801**

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

NOTE 14 - OTHER INTANGIBLE ASSETS (Continued)

2006	**Rights and licences**	**Software**	**Trademarks and customer relationships related intangibles**	**Total**
Cost				
At 1 January as previously reported	**84,322**	**74,554**	**163,084**	**321,960**
- effect of restatement (Note 27)	-	82	-	82
At 1 January as restated	**84,322**	**74,636**	**163,084**	**322,042**
Additions	12,318	1,969	-	14,287
Disposals	(5,638)	(546)	-	(6,184)
Transfers	-	2,634	-	2,634
Translation differences	-	119	-	119
At 31 December	**91,002**	**78,812**	**163,084**	**332,898**
Accumulated amortisation and impairment				
At 1 January as previously reported	**(50,978)**	**(65,569)**	**(5,436)**	**(121,983)**
- effect of restatement (Note 27)	-	(37)	-	(37)
At 1 January as restated	**(50,978)**	**(65,606)**	**(5,436)**	**(122,020)**
Amortisation charge (Note 33)	(12,960)	(4,083)	(14,949)	(31,992)
Disposals	5,418	520	-	5,938
Transfers	-	(1,492)	-	(1,492)
Impairment charge (Note 33)	(1,245)	(2,770)	-	(4,015)
Translation differences	-	(97)	-	(97)
At 31 December	**(59,765)**	**(73,528)**	**(20,385)**	**(153,678)**
Net book amount at 31 December	**31,237**	**5,284**	**142,699**	**179,220**

The Group assigned a consultancy firm for the valuation of intangible assets determined as a credit card trademark, customer base and relationship that can be measured reliably and for which the future economic benefit is embodied in the asset. In line with the report dated 13 February 2006 the Bank recognised YTL163,084 thousand of intangible assets in its consolidated financial statements. Identified intangible assets are amortised using the straight-line method over their useful lives, which have been assessed as 10 years. As of 31 December 2007, the net book value of these intangible assets amounts to YTL126,391 thousand (2006: YTL142,699 thousand).

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

NOTE 15 - PREMISES AND EQUIPMENT

	2007	2006
Cost	3,980,047	4,408,411
Accumulated depreciation and impairment	(2,831,316)	(3,154,337)
Net book amount	**1,148,731**	**1,254,074**

2007

	Land and buildings	Office equipments	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost					
At 1 January	**3,369,374**	**614,220**	**296,026**	**128,791**	**4,408,411**
Additions	7,945	74,668	11,750	14,287	108,650
Disposals	(357,043)	(83,044)	(17,245)	(56,645)	(513,977)
Transfers	(9,259)	(18,042)	18,432	(10,062)	(18,931)
Translation difference	(2,222)	(605)	(942)	(337)	(4,106)
At 31 December	**3,008,795**	**587,197**	**308,021**	**76,034**	**3,980,047**
Accumulated depreciation and impairment					
At 1 January	**(2,330,310)**	**(484,459)**	**(239,563)**	**(100,005)**	**(3,154,337)**
Depreciation charge (Note 33)	(52,787)	(47,635)	(16,893)	(14,967)	(132,282)
Disposals	179,765	79,844	15,488	56,607	331,704
Transfers	6,882	17,244	(14,971)	9,726	18,881
Recoveries from sales	100,728	-	-	-	100,728
Impairment charge, net (Note 33)	1,345	-	-	-	1,345
Translation difference	597	596	926	526	2,645
At 31 December	**(2,093,780)**	**(434,410)**	**(255,013)**	**(48,113)**	**(2,831,316)**
Net book amount at 31 December	**915,015**	**152,787**	**53,008**	**27,921**	**1,148,731**

2006

	Land and buildings	Office equipments	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
At 1 January as previously reported	**3,481,567**	**691,596**	**295,947**	**131,700**	**4,600,810**
- effect of restatement	-	827	45,751	-	46,578
At 1 January as restated	**3,481,567**	**692,423**	**341,698**	**131,700**	**4,647,388**
Additions	1,050	54,982	11,890	5,581	73,503
Disposals	(113,715)	(131,069)	(64,866)	(11,055)	(320,705)
Transfers	(2,262)	(2,634)	-	2,262	(2,634)
Translation difference	2,734	518	7,304	303	10,859
At 31 December	**3,369,374**	**614,220**	**296,026**	**128,791**	**4,408,411**
Accumulated depreciation and impairment					
At 1 January as previously reported	**(2,345,880)**	**(563,480)**	**(222,824)**	**(93,260)**	**(3,225,444)**
- effect of adjustments on preliminary fair values acquired due to business combination	(20,948)	-	-	-	(20,948)
- effect of restatement (Note 27)	-	(530)	(45,621)	-	(46,151)
At 1 January as restated	**(2,366,828)**	**(564,010)**	**(268,445)**	**(93,260)**	**(3,292,543)**
Depreciation charge (Note 33)	(57,793)	(44,570)	(26,348)	(16,445)	(145,156)
Disposals	73,080	122,991	62,424	10,385	268,880
Transfers	390	1,492	-	(390)	1,492
Recoveries from sales	22,882	-	-	-	22,882
Impairment charge, net (Note 33)	(1,441)	-	-	-	(1,441)
Translation difference	(600)	(362)	(7,194)	(295)	(8,451)
At 31 December	**(2,330,310)**	**(484,459)**	**(239,563)**	**(100,005)**	**(3,154,337)**
Net book amount at 31 December	**1,039,064**	**129,761**	**56,463**	**28,786**	**1,254,074**

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

NOTE 15 - PREMISES AND EQUIPMENT (Continued)

At 31 December 2007, total impairment provision on premises and equipment amounts to YTL666,250 thousand (2006: YTL768,320 thousand).

Leased assets included in the furniture, fixtures, vehicles and equipment, where the Group is the lessee, amounted to YTL123,842 thousand (2006: YTL100,322 thousand).

NOTE 16 - OTHER ASSETS

	2007	2006
Due from insurance policyholders	189,332	182,453
Accounts receivable	170,999	12,362
Asset held for resale, net (*)	146,617	182,540
Prepaid expenses	131,630	76,061
Advances given	75,483	81,078
Payments for credit card settlements	43,847	54,674
Other	314,876	351,232
	1,072,784	**940,400**
Current	808,523	625,751
Non-current	264,261	314,649

(*) 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. Also, by the decision of the Board of Directors at 3 October 2007; assets of Yapı Kredi Bank DeutschlandA.G., which is owned 65.42% by the Bank and 34.58% by Yapı Kredi Holding B.V. amounting to YTL78,533 thousand are included in the financial statements as assets held for sale according to the commerce agreement with Avenue Europe Investment LP. Moreover, the sale of Yapı Kredi Bank Deutschland A.G. finalised as of 29 February 2008.

Movements in assets held for resale at 31 December were as follows:

	2007	2006
Cost		
At 1 January	**497,072**	**503,352**
Additions	23,754	7,401
Disposals	(373,997)	(15,321)
Transfer of Yapı Kredi Deutschland A.G.	(16,462)	-
Translation difference	(1,429)	1,640
At 31 December	**128,938**	**497,072**
Impairment		
At 1 January as previously reported	**(314,532)**	**(312,323)**
- effect of adjustments on preliminary fair values acquired due to business combination (Note 27)	-	(7,925)
At 1 January as restated	**(314,532)**	**(320,248)**
Impairment charge for the period, net (Note 33)	(5,566)	141
Disposals	248,779	6,082
Transfer of Yapı Kredi Deutschland A.G.	9,627	-
Translation difference	838	(507)
At 31 December	**(60,854)**	**(314,532)**
Net book amount at 31 December	**68,084**	**182,540**
Total assets of Yapı Kredi Deutschland A.G.	**78,533**	**-**
Total net book amount at 31 December	**146,617**	**182,540**

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

NOTE 17 - DEPOSITS FROM BANKS

	2007			2006		
	Demand	**Term**	**Total**	**Demand**	**Term**	**Total**
Foreign currency:						
Domestic banks	28,404	393,015	421,419	22,086	29,586	51,672
Foreign banks	16,048	74,417	90,465	9,330	219,447	228,777
Funds deposited under repurchase agreements	-	657,967	657,967	-	399,088	399,088
	44,452	**1,125,399**	**1,169,851**	**31,416**	**648,121**	**679,537**
YTL:						
Domestic banks	7,167	38,759	45,926	3,602	281,255	284,857
Foreign banks	32,204	7,313	39,517	21,120	545	21,665
Funds deposited under repurchase agreements	-	8,518	8,518	-	750,256	750,256
	39,371	**54,590**	**93,961**	**24,722**	**1,032,056**	**1,056,778**
	83,823	**1,179,989**	**1,263,812**	**56,138**	**1,680,177**	**1,736,315**
Current	83,823	1,179,989	1,263,812	56,138	1,680,177	1,736,315
Non-current	-	-	-	-	-	-

NOTE 18 - DUE TO CUSTOMERS

	2007			2006		
	Demand	**Term**	**Total**	**Demand**	**Term**	**Total**
Foreign currency deposits:						
Saving deposits	1,506,940	6,934,478	8,441,418	1,740,886	7,182,420	8,923,306
Commercial deposits	1,744,676	4,133,714	5,878,390	1,670,682	5,479,847	7,150,529
Public sector deposits	1,719	-	1,719	11	-	11
	3,253,335	**11,068,192**	**14,321,527**	**3,411,579**	**12,662,267**	**16,073,846**
YTL deposits:						
Saving deposits	930,469	10,345,803	11,276,272	837,991	8,983,285	9,821,276
Commercial deposits	1,185,605	5,920,460	7,106,065	976,271	5,023,182	5,999,453
Funds deposited under repurchase agreements	-	1,413,225	1,413,225	-	2,207,576	2,207,576
Public sector deposits	221,383	184,548	405,931	9,115	60,463	69,578
	2,337,457	**17,864,036**	**20,201,493**	**1,823,377**	**16,274,506**	**18,097,883**
	5,590,792	**28,932,228**	**34,523,020**	**5,234,956**	**28,936,773**	**34,171,729**
Current	5,590,792	28,687,360	34,278,152	5,234,956	28,597,301	33,832,257
Non-current	-	244,868	244,868	-	339,472	339,472

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

NOTE 19 - OTHER BORROWED FUNDS

	2007	2006
Foreign institutions and banks		
Syndication loans	1,717,122	2,091,835
Subordinated debt	1,772,914	1,559,258
Other	2,908,352	2,552,480
Total foreign	**6,398,388**	**6,203,573**
Domestic banks	509,323	591,212
Interbank money market	398,253	288,288
Total domestic	**907,576**	**879,500**
	7,305,964	**7,083,073**
Current	4,569,412	3,740,836
Non-current	2,736,552	3,342,237

Funds borrowed from foreign institutions include two syndicated credit facilities, the first of which in the amount of US$800 million club-term loan facility dated 24 September 2007, with an interest rate of annual Libor+0.25% provided by 31 international banks with Standard Chartered Bank Corporation Europe Limited acting as agent, and matures on 24 September 2008 and the second of which in the amount of US$700 million club-term loan facility dated 19 December 2006, with an interest rate of annual Libor+0.425% provided by 16 international banks with The Bank of Tokyo Mitsubishi UFJ Ltd. acting as agent, and matures on 24 December 2008.

At 30 March 2006, YKB obtained a subordinated loan amounting to EUR500 million, with ten years maturity and a repayment option at the end of five years. The interest rate is determined as EURIBOR+2% for the first five years. The loan was obtained from Merrill Lynch Capital Corporation with UniCredito Italiano S.p.A. as guarantor. In addition, the subordinated loan obtained by Koçbank at 28 April 2006 amounting to EUR350 million, with ten years maturity and repayment option at the end of five years has been transferred to YKB. The interest rate is determined as EURIBOR+2.25% for the first five years.

The loan was obtained from Goldman Sachs International Bank with Unicredito Italiano S.p.A. as guarantor. In addition, the Bank obtained a subordinated loan on 25 June 2007 amounting to EUR200 million, with ten years maturity and repayment option at the end of five years. The interest rate is determined as EURIBOR+1.85% for the first five years. The loan was obtained from Citibank, N.A., London Branch with UniCredito Italiano S.p.A as guarantor. With the written approvals of the BRSA dated 3 April 2006, 2 May 2006 and 19 June 2007, the loans have been approved as subordinated loans and can be taken into consideration as supplementary capital within the limits of "Capital Adequacy Regulation".

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 20 - DEBT SECURITIES IN ISSUE

			Average interest rate (%)	
	2007	**2006**	**2007 (*)**	**2006 (*)**
US$175,000,000 Series 2006-A Floating Rate Notes Due 2014	200,078	241,773	5.23	5.60
US$200,000,000 Series 2006-B Floating Rate Notes Due 2014	228,660	276,308	5.20	5.57
US$115,000,000 Series 2006-C Floating Rate Notes Due 2013	131,462	158,887	5.33	5.70
€300,000,000 Series 2006-D Floating Rate Notes Due 2014	503,452	544,685	4.84	3.88
US$310,000,000 of Series 2006-E Floating Rate Notes Due 2011	-	428,353	-	5.93
€115,000,000 Series 2007-A Floating Rate Notes Due 2015	192,977	-	4.80	-
US$250,000,000 of Series 2007-B Floating Rate Notes Due 2015	285,980	-	5.17	-
	1,542,609	**1,650,006**		
Current	-	-		
Non-current	1,542,609	1,650,006		
	1,542,609	**1,650,006**		

(*) The premium rates paid to monoline companies are excluded from the interest rates.

In December 2006, YKB finalised a diversified payment rights securitization transaction of US$800 million and EUR300 million by securitising its foreign currency denominated present and future remittances created via payment orders. The deal securitizes YKB's payment orders created via SWIFT MT 103 or similar payment orders accepted as derived primarily from YKB's trade finance and other retail and corporate businesses and paid through foreign depository banks.

The offered notes under the securitization program are issued by Yapı Kredi Diversified Payment Rights Finance Company "SPC", an exempted limited liability company incorporated under the laws of the Cayman Islands. YKB acts as the originator of the diversified payment rights "DPR" and as the servicer. There were 4 tranches, which were insured by the monoline companies namely, Assured Guaranty Corporation, MBIA Insurance Corporation, Radian Asset Assurance Inc, and Ambac Assurance Corporation. The offered notes were offered for sale outside the United States in reliance upon Regulation S under the Securities Act. The Series 2006-D Notes are listed on the Luxembourg Stock Exchange. On the issuance date for the offered notes as of 14 December 2006, the SPC also entered into a private placement of US$310,000,000 of Series 2006-E Floating Rate Notes due 2011, which is a Senior Series and thus rank pari passu with the offered notes.

YKB has repaid US$310 million of the credit as of 1 March 2007 and refinanced it with a US$400 million of DPR transaction. The additional issuance was composed of two tranches one for €115 million and one for US$ 250 million, insured by Financial Guaranty Insurance Company (FGIC) and XL Capital Assurance Incorporation respectively.

NOTE 21 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	2007	**2006**
Financial liabilities designated at fair value	51,273	-

Certain fixed rate borrowed funds have been matched with cross currency swaps as part of a documented currency risk management strategy. An accounting mismatch would arise if the borrowed funds were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating the long-term debt at fair value, the movement in the fair value of the long-term debt is recorded in the income statement. The contractual undiscounted amount that will be required to be paid at maturity of the above debt is YTL54,753 thousand. There were no significant gains or losses attributable to changes in the credit risk for those financial liabilities designated at fair value in 2007 (2006: None).

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

NOTE 22 - TAXATION

	2007	**2006**
Current tax expense	269,029	90,715
Deferred tax (income) / expense	(57,537)	353,279
Refund from the tax litigation against the corporate tax (1)	(22,879)	(109,328)
Additional corporate tax liability due to tax refunds (2)	49,064	-
	237,677	**334,666**

(1) The tax litigations against the corporate tax of 2003 and 2004 fiscal year and the withholding tax of the year 2003 (which has been declared in April 2004) have been concluded in favour of Koçbank with the decisions of Istanbul 1. Tax Court dated 17 May 2006 and Istanbul 3. Tax Court dated 12 June 2006. The Tax Office has already appealed to the Council of State against the resolutions of Tax Courts and the appeal investigations are continuing. Based on the resolutions of Tax Courts, YTL22,879 thousand (related to 2005 fiscal year) (2006:YTL109,328 thousand), the tax amount subject to litigation has been refunded from the Tax Office to Koçbank and has been recognised in the Group’s consolidated financial statements as deferred tax income as of 31 December 2007.

(2) As of 28 March 2008, YKB has made an agreement with local tax authorities in relation to the corporate tax declarations for the periods 2003/2005 and gave up the legal process against tax authorities according to Law Numbered 5736 came into force on 27 February 2008. In relation to the agreement, a payment amounting to YTL49,064 thousand which has been collected previously in the years 2006 and 2007, has been made to the tax authorities.

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

(i) Corporate Tax Rate and Filing

Corporate Tax Law numbered 5520 became effective as of 1 January 2006 with the Official Gazette numbered 26205 published on 21 June 2006. By the issue of this law, Corporate Tax Law numbered 5422 was abolished.

Under the Corporate Tax Law numbered 5520, the applicable corporate tax rate is 20% for 2007 (2006:20%). Corporation tax is payable at a rate of 20% over the corporate tax base of the company after adjusting for certain disallowable expenses, exempt income, investment allowance and other additions and deductions. The annual corporate income tax return is required to be filed until 25th day of the fourth month following the close of the related fiscal year. Payments will be carried out in single instalment until the end of the month in which the tax return is to be filed.

(ii) Controlled Foreign Corporations (“CFC”)

Corporations established abroad and controlled directly or indirectly by tax resident companies and real persons by means of separate or joint participation in the capital or dividends or voting rights at the rate of a minimum 50% are considered as CFC provided that the below conditions are fulfilled:

a) 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income like interest, dividend, rent, license fee, or marketable securities sales income;
b) The CFC must be subject to an effective income tax rate lower than 10% for its commercial profit in its home country; and,
c) Gross revenue of the CFC must exceed the equivalent of YTL100 thousand in a foreign currency in the related period.

NOTE 22 - TAXATION (Continued)

CFC's profit is included in the corporate income tax base of the controlling resident corporation, irrespective of whether it is distributed or not, at the rate of the shares controlled, in the fiscal period covering the month of closing of the fiscal period of the CFC. The CFC's profit that has already been taxed in Turkey will not be subject to additional tax in Turkey in the event of dividend distribution; whereas the portion of the profit distributed that has not been previously taxed in Turkey will be subject to taxation. Taxes that CFC pays over its profit in the related foreign country will be offset from the tax calculated for the same revenue in Turkey.

(iii) Thin Capital

If the ratio of the borrowings from shareholders or from persons related to the shareholders exceeds three times the shareholders' equity of the borrower company at any time within the relevant year, the exceeding portion of the borrowing will be considered as thin capital. The interest paid or accrued and similar payments on thin capital are re-classified at the end of the relevant fiscal year as distributed dividend from the perspective of the borrower and as dividend received from the perspective of the lender, and as repatriated profit for non-resident taxpayers. In order to prevent double taxation, previously applied taxation in the hands of the lender that received interest or derived exchange gains will be amended.

For company that uses thin capital, there will be an additional tax assessment with penalty for the interest and similar payments for withholding tax over dividend distribution. Accordingly, under the new thin capitalisation regulation, the ratio of the loans received from related parties to shareholders' equity will be considered as three to one. Except for the loans received from credit institutions that provide loans only to related companies, half of the loans received from related banks and similar institutions are to be taken into account during thin capitalisation calculations. In other words, the loans received just from these institutions will not be considered as thin capital until the amount of the borrowing exceeds six times the shareholders' equity. Please note that, banks operating in Turkey are exempt from Thin Capitalisation regulation.

(iv) Transfer Pricing

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes. The expression "purchase or sale of goods or services" is used in a broad sense and includes all economic, commercial or financial transactions and employment relations between related parties.

(v) Anti-tax Heaven

All sorts of payments made to corporations (including branches of resident corporations) that are established or are operational in countries which are regarded by the Council of Ministers to undermine fair tax competition due to tax and other practices, will be subject to taxation in Turkey irrespective of the fact that the payments in question are subject to tax or not; or, whether the corporation receiving the payment is a taxpayer or not. In this case, withholding tax at the rate of 30% is envisaged to be levied over these payments. Until now, Council of Ministers has not yet defined these jurisdictions and WHT rate as 30%.

NOTE 22 - TAXATION (Continued)

(vi) Dividend Taxation

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% Provisions of the bilateral tax treaties are reserved). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

(vii) Advance Corporate Tax

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their quarterly determined corporate income. Advance tax return is filed by the 14th of the second month following the each quarterly period and is payable on the 17th of the same month. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

(viii) Inflation Accounting

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2006.

(ix) Tax Assessments

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings.

(x) Loss Carry Forward

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.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to the Company are as follows:

Exemption for participation in subsidiaries

Dividend income from participation in shares of capital of another full fledged (resident) taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships company shares) are exempt from corporate tax.

NOTE 22 - TAXATION (Continued)

Exemption for sale of preferential right certificates and share premiums

Profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

Exemption for income from foreign construction, maintenance, assembly and technical services

Income generated from construction, maintenance, assembly and technical services realised in foreign countries and recorded to results of operations are exempted from corporate taxation.

Exemption for participation into foreign subsidiaries

If the below conditions are fulfilled, participation income obtained from abroad and those transferred to Turkey by the date when corporate tax declaration regarding the taxation period in which they are obtained is filed shall not be subject to corporate tax in Turkey. Conditions are as follows:

In order to benefit from this amendment, foreign subsidiaries are required to fulfil the following conditions:
- The subsidiary should be incorporated as a joint stock or limited company,
- The legal and business center of the subsidiary should not be located in Turkey
- At least 10% of the paid-in capital of foreign subsidiary should be held.
- As of the acquisition date of participation income the participation share should have been kept for at least one fiscal year.
- Participation income is expected to carry a minimum 15% tax burden in a residence country. In the event of the core business of the foreign subsidiary is insurance, finance procurement or marketable security investment, in order to benefit from the foreign participation exemption the foreign subsidiaries should be subject to taxation (taxes such as income or corporate tax) in the company of which the subsidiary is operating, at a rate that should not be less then the corporateincome tax rate in Turkey.
- Participation income has to be transferred to Turkey before the submission deadline of the corporate tax declaration

In order to apply the participation exemption the conditions have all to be fulfilled.

Exemption for income generated from foreign offices and permanent representatives

Gains obtained by corporations through their places of business abroad or permanent offices abroad and bearing a tax liability similar to that of corporate tax at least at the rate of 15% in accordance with the tax law of the country where that place of business and permanent office is located, (equal to at least the corporate tax burden in Turkey regarding insurance and finance and financial leasing companies and for the companies whose main activity is investment in securities), and which is transferred to Turkey until the submission date of the corporate tax return of the related period, will be exempt from corporate tax.

Capital gains exemption for the capital gains obtained from the sale of foreign subsidiaries

Capital gains obtained from the sale of foreign company shares by the Turkish resident companies are exempt from corporate tax provided that the below conditions are satisfied: If as of the date of the income is generated at least 75% of the asset value (except cash) of the Turkish company is comprised of at least 10% shareholdings in one or more foreign companies. If these shares of the foreign companies are being held at least for a continuous period of two years.

NOTE 22 - TAXATION (Continued)

Exemption for sale of participation shares and property

75% of the capital gains of corporations' from sale of participation shares and property which have been in their assets at least for two years is exempt from corporate tax provided that this amount is kept in a special reserve account in the liabilities side of the balance sheet for 5 years.

In the event that these profits accounted under special reserves are withdrawn from the entity in any means, transferred to abroad by non-resident taxpayer corporations or the entity liquidates (except by take over, merger and de-merger) within five years, those profits are considered as profits regarding that year and are subject to corporate tax.

This exemption is not applicable for the companies whose main activity is real estate trading and/or leasing or securities trading.

Exemption for investment allowance

Under the investment allowance regime applicable as of 31 December 2005, capital expenditures, with some exceptions, over YTL10 thousand are eligible for investment incentive allowance of 40% is exempted from corporate income tax and this allowance is not subject to withholding tax without the requirement of an investment incentive certificate. Investment allowances calculated are deferred to the following years in cases where corporate income is insufficient. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 in accordance with provisions of Income Tax Law Temporary Article 61 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

As of 1st January 2006, the investment allowance regime has been abolished with Corporate Income Tax Law No.5479.

Under the temporary article 69 of Income Tax Law, a transition period of three years has been provided for income and corporate taxpayers which have investment incentive allowance rights as of 31 December 2005, which have not yet utilised and which have been deferred to the following years where corporate income may be insufficient and where investment allowance will be earned from the investment expenditures made for the ongoing projects as of 31 December 2005. According to this, investment allowances which is calculated in accordance with temporary article 61 and article no: 19 of the Income Tax Law can be utilised for the income generated in the years 2006, 2007 and 2008 in accordance with the articles valid on 31 December 2005 Therefore the applicable corporate tax rate is 30% in case of benefiting from investment allowances. Tax payers have to inform the relevant tax office until the submission date of the first quarter advance tax return that they opt to utilize investment allowance in accordance with the Circular numbered KVK-3 /2006-3 /Investment Allowance 2 issued by Ministry of Finance. The choice of benefiting from investment allowance can not be changed in the annual tax return term.

Apart from the above mentioned exemptions considered in the determination of the corporate income tax base, allowances stated in Corporate Income Tax Law Article 8, 9 and 10, and Income Tax Law Article 40 are also taken into consideration.

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

NOTE 22 - TAXATION (Continued)

Reconciliation between the theoretical tax amount that would arise using the basic tax rate of the Parent and the actual taxation charge for the period is stated below:

	2007	2006
Profit before income taxes	**1,201,272**	**1,111,003**
Theoretical income tax at the applicable tax rate of 20%	240,254	222,201
Effect of different tax rates in other countries	2,877	10,080
Effect of change in tax rate	-	207,288
Refund from the tax litigation against the corporate tax	(22,879)	(109,328)
Non-taxable consolidation adjustments	15,930	48,924
Additional corporate tax liability due to tax refunds	49,064	-
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income exempt from taxation	(34,410)	(94,371)
- Non-deductible expenses for tax purposes	16,213	64,035
- Utilisation of investment incentive	(29,024)	(774)
- Utilised tax loss carry forward	(1,011)	(12,214)
- Other	663	(1,175)
Income tax expense	**237,677**	**334,666**

Deferred income taxes

For all domestic subsidiaries and the 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 2007 under the liability method using a principal tax rate of 20% at 31 December 2007 (2006: 20%).

For foreign subsidiaries deferred income taxes calculated on all temporary differences under the liability method using the principal tax rates at 31 December which are as follows:

Country of incorporation	Tax rate (%) 2007	2006
Germany	26.38	26.38
Russia	24.00	24.00
Netherlands	25.50	29.60
Azerbaijan	22.00	22.00

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 carried forward from previous years.

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

NOTE 22 - TAXATION (Continued)

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

	Cumulative Temporary Differences		Deferred Tax Asset/Liability	
	2007	**2006**	**2007**	**2006**
Impairment on assets	856,770	1,152,279	104,922	162,511
Allowance for loan impairment	736,714	651,538	134,315	130,307
Pension benefits transferrable to SSI (Note 24)	706,000	599,240	141,200	119,848
Reserve for employee termination benefits (Note 24)	96,626	106,581	19,324	21,334
Revaluation of derivative instruments at fair value	235,481	31,445	45,536	6,289
Tax losses carried forward	-	11,737	-	2,347
Valuation differences on investment securities	27,336	54,166	5,468	10,924
Other	212,343	165,861	41,498	33,221
Deferred income tax assets	**2,871,270**	**2,772,847**	**492,263**	**486,781**
Difference between carrying value and tax base of premises and equipment	1,000,363	1,106,023	106,628	130,375
Valuation differences on investment securities	34,863	121,485	6,972	24,300
Revaluation of derivative instruments at fair value	55,373	70,177	11,195	14,417
Assets capitalised under finance leases	8,523	33,138	1,704	6,628
Other	77,913	38,656	5,964	5,532
Deferred income tax liabilities	**1,177,035**	**1,369,479**	**132,463**	**181,252**
Deferred income tax assets, net	**1,694,235**	**1,403,368**	**359,800**	**305,529**

The movements of deferred income taxes were as follows:

	2007	**2006**
Balance at 1 January as previously reported	**305,529**	**634,324**
- effect of adjustments on preliminary fair values acquired due to business combination (Note 27)	-	(917)
- effect of restatement (Note 27)	-	243
Balance at 1 January as restated	**305,529**	**633,650**
Charge for the period, net	57,537	(353,279)
Tax assets charged to equity	(923)	18,262
Net investment hedge	(2,812)	4,798
Translation difference	469	2,098
Balance at 31 December	**359,800**	**305,529**

The amount of deductible temporary differences for which no deferred tax assets is not recognised in the balance sheet is YTL82,714 thousand.

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

NOTE 23 - OTHER PROVISIONS

	2007	**2006**
Provision for losses on credit related commitments	131,872	160,472
Tax and other legal provisions	92,185	108,514
Provision on export commitment estimated liability	39,945	39,365
Credit card bonus provision	36,014	53,441
Other	1,133	16,743
	301,149	**378,535**

Tax and other legal provisions

At 31 December 2007, the Group is involved in number of 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 YTL12,865 thousand (2006: YTL12,774 thousand) as the best estimate of the amount to settle these potential obligations.

The Group recorded total provision of YTL79,320 thousand (2006: YTL95,740 thousand) against potential tax risks in the form of possible tax duties and penalties in the consolidated financial statements for the period ended 31 December 2007.

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 fulfil their export commitments and has recognised provision of YTL39,945 thousand (2006: YTL39,365 thousand).

Provision for credit related commitments

Movement in provision for losses on credit related commitments is as follows:

	2007	**2006**
Balance at 1 January	**160,472**	**154,070**
Impairment losses on credit related commitments (Note 34)	(28,601)	8,083
Provision used	(87)	(2,045)
Translation difference	(88)	364
Balance at 31 December	**131,872**	**160,472**

Movement in other provisions is as follows:

	Tax and other legal provision	**Credit card bonus provision**	**Export commitment provision**	**Other**	**2007 Total**	**2006 Total**
At 1 January as previously reported	**108,514**	**53,441**	**39,365**	**16,743**	**218,063**	**222,698**
-effect of adjustments on preliminary fair values acquired due to business combination (Note 27)	-	-	-	-	-	4,207
-effect of adjustments cost of business combination (Note 12)	-	-	-	-	-	1,933
- effect of restatement (Note 27)	-	-	-	-	-	1,383
At 1 January as restated	**108,514**	**53,441**	**39,365**	**16,743**	**218,063**	**230,221**
Provision (released)/charged	9,640	228,910	580	(9,699)	229,431	182,695
Provision used	(25,527)	(246,337)	-	(3,905)	(275,769)	(194,982)
Transfer related to discontinued operations	(358)	-	-	(1,715)	(2,073)	-
Translation difference	(84)	-	-	(291)	(375)	129
Balance at 31 December	**92,185**	**36,014**	**39,945**	**1,133**	**169,277**	**218,063**

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

NOTE 24 - RETIREMENT BENEFIT OBLIGATIONS

	2007	2006
Balance sheet obligations for:		
- Post employment benefits (Pension and medical) transferrable to SSI	706,000	599,240
- Reserve for employment termination benefits	96,626	106,581
	802,626	**705,821**
Income statement charge for:		
- Post employment benefits (pension and medical) transferrable to SSI	(106,760)	(43,621)
- Reserve for employment termination benefits	(11,967)	(23,039)
	(118,727)	**(66,660)**

Income statement charge for retirement benefit obligations has been recognized as a separate line item in the income statement for the years 31 December 2007 and 2006.

The cash payments to the Fund by the Group which represent the employers contribution during the year amounting to YTL 69,706 thousand (2006: YTL47,027 thousand) has been included staff cost expenses under operating expenses (Note 33). Total expenses on post employment benefits are amounting to YTL176,466 thousand (2006: YTL90,648 thousand).

(i) Post employment benefits (Pension and medical) transferrable to SSI

YKB personnel are members of the Fund which was established in accordance with the 20th temporary article of Social Security Law numbered 506 ("the Social Security Law"). The Banking Law which was enacted on 1 November 2005, included a provision requiring the transfer of pension funds of the banks, including the Fund, to the SSI 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 Labour and Social Security. Accordingly, the Group calculated the pension benefits transferrable to SSI in accordance with the Decree published by the Council of Ministers in the Official Gazette dated 15 December 2006 No.26377 ("the Decree") for the purpose of determining the principles and procedures to be applied during the transfer of funds. However, the said Article was vetoed by the President and on 2 November 2005 the President initiated a lawsuit before the Turkish Constitutional Court in order to rescind the Article.

As of 31 December 2006, the Group obtained an actuarial report from an actuary who is registered with the Undersecretariat of the Treasury regarding this Fund in accordance with the Decree. Based on this Decree, the actuarial balance sheet of the Fund has been prepared in accordance with a technical interest rate of 10.24% and the CSO 1980 mortality table, and reflects a technical deficit of YTL599,240 thousand.

On 22 March 2007, the Turkish Constitutional Court reached a verdict with regards to the suspension of the execution of the first paragraph of provisional article 23 of the Banking Law, which requires the transfer of the Pension Fund to the SSI, until the decision regarding the cancellation thereof is published in the Official Gazette. On 17 April 2008, the New Law has been substantially enacted after its ratification by the Grand National Assembly of the Republic of. In accordance with the New Law, members of the funds established in accordance with the Social Security Law should be transferred to SSI within 3 years following enactment.

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

NOTE 24 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

The Group obtained an actuarial report from a registered actuary regarding this fund in accordance with the New Law related to principles and procedures on determining the application of transfer transactions. The actuarial balance sheet of the Fund has been prepared in accordance with a technical interest rate of 9.80% and CSO 1980 mortality table and reflects a technical deficit of YTL706,000 thousand at 31 December 2007.

The Group's obligation in respect of the post employment pension and medical benefits transferrable to SSI has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations. The pension disclosures set out below therefore reflect the actuarial parameters and results in accordance with the New Law provisions.

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

	2007	2006
Present value of funded obligations	935,366	769,782
- Pension benefits transferrable to SSI	*904,367*	*703,400*
- Post-employment medical benefits transferrable to SSI	*30,999*	*66,382*
Fair value of plan assets	(229,366)	(170,542)
Liability in the balance sheet	**706,000**	**599,240**

The movement in the defined benefit obligation over the year is as follows:

	Defined benefit pension plans		Post-employment medical benefits	
	2007	**2006**	**2007**	**2006**
Beginning of year	**703,400**	**654,571**	**66,382**	**46,878**
Current service cost	67,405	47,027	2,301	-
Interest cost	68,933	67,028	6,505	4,800
Contributions by plan participants	57,192	39,902	1,917	-
Actuarial losses/(gains)	107,891	(20,998)	(14,281)	43,939
Benefits paid	(100,454)	(84,130)	(31,825)	(29,235)
End of year	**904,367**	**703,400**	**30,999**	**66,382**

The amounts recognised in the income statement are as follows:

	Defined benefit pension plans		Post-employment medical benefits	
	2007	**2006**	**2007**	**2006**
Current service cost	67,405	47,027	2,301	-
Interest cost	68,933	67,028	6,505	4,800
Return on plan assets	(34,681)	(17,530)	-	-
Net actuarial (gains) / losses recognised during the year	110,192	(25,381)	(44,189)	14,704
	211,849	**71,144**	**(35,383)**	**19,504**

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

NOTE 24 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

The principal actuarial assumptions used were as follows:

	2007 (%)	2006 (%)
Discount rate		
- Pension benefits transferrable to SSI	*9.80*	*10.24*
- Post-employment medical benefits transferrable to SSI	*9.80*	*10.24*

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase/ Decrease
Effect on the aggregate of the current service cost and interest cost	65
Effect on the defined benefit obligation	4,488

Mortality rate

The average life expectancy in years of a pensioner retiring at age 60 for men, 58 for women on the balance sheet date is as follows:

	2007	2006
Male	18.0	18.0
Female	23.4	23.4

The movement in the fair value of plan assets of the year is as follows:

	2007	2006
Beginning of year	**170,542**	**150,213**
Actual return on plan assets	34,681	17,530
Employer contributions	67,405	47,027
Employee contributions	57,192	39,902
Benefits paid	(100,454)	(84,130)
End of year	**229,366**	**170,542**

Plan assets are comprised as follows:

	2007		2006	
Government bonds and treasury bills	112,742	50%	53,924	32%
Premises and equipment	94,596	41%	97,631	57%
Bank placements	14,216	6%	12,099	7%
Short term receivables	2,080	1%	1,080	1%
Other	5,732	2%	5,808	3%
	229,366	**100%**	**170,542**	**100%**

The fair value of the premises occupied by the Group is YTL36,114 thousand (2006: YTL36,114 thousand).

Expected contributions to post-employment benefit plans for the year ending 31 December 2008 are YTL113,000 thousand.

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

NOTE 24 - RETIREMENT BENEFIT OBLIGATIONS (Continued)

(ii) Reserve for employment termination benefits

The movement in the reserve for employee benefits is as follows:

	2007	2006
Balance at 1 January as previously reported	**106,581**	**87,972**
- effect of adjustments on preliminary fair values acquired due to business combination	-	6,197
- effect of restatement (Note 27)	-	647
Balance at 1 January as restated	**106,581**	**94,816**
Interest costs	5,387	4,225
Actuarial gains and losses	11,426	10,515
Annual charge	(4,846)	8,299
Transfer to assets held for resale	(879)	-
Paid during the year	(20,785)	(11,397)
Translation difference	(258)	123
Balance at 31 December	**96,626**	**106,581**

The total of interest cost, actuarial gains and losses and annual charge for the year amounting to YTL11,967 thousand (2006: YTL23,039 thousand) were included in provision for retirement benefit obligations.

Under the Turkish Labour 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 YTL2,087.92 (1 January 2007: YTL1,960.69 in terms of the purchasing power of YTL at 2006) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the consolidated financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Accordingly the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	2007	2006
Discount rate (%)	5.71	5.71
The probability of retirement (%)	95.50	96.50

Additionally, the principal actuarial assumption is that the maximum liability of YTL1,960.69 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 2,087.92 (1 January 2007: YTL1,960.69) which is effective from 1 January 2008, has been taken into consideration in calculating the reserve for employee benefits of the parent and its domestic subsidiaries.

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

NOTE 25 - INSURANCE BUSINESS

	2007	2006
Mathematical reserve	272,742	301,375
Profit share reserve	215,810	230,992
Unearned premium reserve	223,430	196,040
Outstanding claim reserve	62,150	50,083
Insurance IBNR reserve	12,336	11,923
Total	**786,468**	**790,413**

Insurance Liabilities and Reinsurance Assets

Gross insurance liabilities	**2007**	**2006**
Life mathematical reserves	488,552	532,367
Reserve for unearned premiums	277,926	242,457
Claims provision	121,569	104,270
Total	**888,047**	**879,094**
Recoverable from reinsurers		
Reserve for unearned premiums	(54,496)	(46,417)
Claims provision	(47,083)	(42,264)
Total	**(101,579)**	**(88,681)**
Net insurance liabilities		
Life mathematical reserves	488,552	532,367
Reserve for unearned premiums	223,430	196,040
Claims provision	74,486	62,006
Total	**786,468**	**790,413**

Movements in insurance liabilities and reinsurance assets

(a) Claims and loss adjustment expenses:

		2007	
	Gross	**Reinsurance**	**Net**
At the beginning of the year	104,270	(42,264)	62,006
Cash paid for claims settled in the year	(55,466)	25,306	(30,160)
Increase/(decrease) in liabilities			
- Current year	57,279	(24,347)	32,932
- Prior years	15,486	(5,778)	9,708
Total at the end of the year	**121,569**	**(47,083)**	**74,486**
Notified claims			62,150
Insurance IBNR			12,336
Total at the end of the year			**74,486**

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

NOTE 25 - INSURANCE BUSINESS (Continued)

	2006		
	Gross	**Reinsurance**	**Net**
At the beginning of the year	92,133	(39,665)	52,468
Cash paid for claims settled in the year	(49,571)	22,205	(27,366)
Increase/(decrease) in liabilities			
- Current year	63,251	(30,417)	32,834
- Prior years	(1,543)	5,613	4,070
Total at the end of the year	**104,270**	**(42,264)**	**62,006**

Notified claims	50,083
Insurance IBNR	11,923
Total at the end of the year	**62,006**

(b) Provision for unearned premiums:

	2007		
	Gross	**Reinsurance**	**Net**
Reserve for unearned premiums			
- beginning of the year	242,457	(46,417)	196,040
Net change in			
reserve for unearned premiums	35,469	(8,079)	27,390
Total at the end of the year	**277,926**	**(54,496)**	**223,430**

	2006		
	Gross	**Reinsurance**	**Net**
Reserve for unearned premiums			
- beginning of the year	185,423	(32,694)	152,729
Net change in			
reserve for unearned premiums	57,034	(13,723)	43,311
Total at the end of the year	**242,457**	**(46,417)**	**196,040**

Commission expense amount deducted from Gross UPR is YTL42,791 thousand (2006: YTL40,466 thousand).

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

NOTE 25 - INSURANCE BUSINESS (Continued)

c) Sensitivity analysis:

If the loss ratio had increased/decreased by 1%, the expected technical profit for the year would have been YTL4,645 thousand higher/lower.

Claim development table as of 31 December 2007:

Accident year	**2000-2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
Estimate of ultimate claim costs:							
At the end of accident year	-	159,249	199,241	245,845	271,528	300,692	1,176,555
One year later	-	1,607	2,713	5,752	4,665	-	14,737
Two years later	-	(697)	46	1,104	-	-	453
Three years later	-	(193)	1,107	-	-	-	914
Four years later	-	242	-	-	-	-	242
Five years later	-	-	-	-	-	-	-
Current estimate of cumulative claims	-	-	-	-	-	-	-
Cumulative payments to date	-	(159,007)	(200,070)	(248,461)	(271,468)	(251,746)	(1,130,752)
Total							62,150
Estimated Insurance IBNR							12,336
Total liability per claim development table							**74,486**
Other assumed claims							-
Total liability included in the balance sheet							**74,486**

Assumptions used for mathematical reserve adequacy calculation:

	2007 (%)	**2006** (%)
Average investment return of the portfolio between 2007-2035	11	8
2007-2010	15	12
2011-2015	12	10
2016-2020	10	7
2021-2025	9	6
2026-2030	8	6
2031-2035	8	6
Average inflation rate	5	4
Average surrender rate	10	10
Average maturity rate	-	-
Resulting cumulative liability adequacy test	**-**	**-**

No provision is required to be accounted for, due to this financial risk arising from life insurance policies with a guaranteed annual return of 9%.

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

NOTE 25 - INSURANCE BUSINESS (Continued)

(d) Long-term insurance contracts with fixed terms and guaranteed terms:

Movement in life mathematical reserves during the year is as follows:

	2007	2006
Balance at 1 January	**532,367**	**624,843**
Premium of saving policies	65,881	89,421
Investment income	2,033	82,000
Closing balance of non-saving life policies	21,768	13,188
Surrender and policy maturities	(94,372)	(242,649)
Loading expenses	(6,351)	(8,343)
Commission expenses	(877)	(1,152)
Risk premium	(6,733)	(8,844)
Beginning balance of non-saving life policies	(13,188)	(8,082)
Other movements	(11,976)	(8,015)
Balance at 31 December	**488,552**	**532,367**

At 31 December, life mathematical reserve balances included the following foreign currency amounts:

	Amount in original currency		YTL Equivalent	
	2007	2006	2007	2006
US$	193,172	181,209	224,987	254,707
EUR	35,025	36,166	59,900	66,961
	228,197	**217,375**	**284,887**	**321,668**

e) Financial service contracts for pension fund participants:

Financial Liability (due to 'Entrance Fees'): Regarding pension contracts, an entrance fee is paid to the customer as a loyalty bonus if the contract is in-force more than 10 years. The provision was set for the financial liability due to this loyalty bonus using an 84-month (approximately 7 years) useful life, which is the best estimate supported via actuarial calculations including persistency rate indicators realized until now and expected for the future.

DAC: All commissions paid over pension contracts and rewards directly related to the sales were deferred using an 18-month useful life. The DAC amount has been limited to the exit fee, which is postponed portion of the entrance fee collected from customers as a beginning payment for the pension system, and if a customer wants to leave the system, this exit fee should be paid directly to the Company. DAC amount has been limited to the exit fee since only the exit fee is acceptable as a secured asset for our pension contracts.

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

NOTE 25 - INSURANCE BUSINESS (Continued)

	2007	2006
Earned premiums, net of reinsurance		
Gross premiums written	720,788	716,968
Outward reinsurance premiums	(170,354)	(173,534)
Change in reserve for unearned premiums, net of reinsurance	(27,390)	(43,311)
Claims incurred, net of reinsurance		
Claims paid, net	(399,551)	(517,314)
Gross amount	(485,609)	(609,260)
Reinsurers' share	86,058	91,946
Change in claims provision, net of reinsurance	(12,478)	(11,492)
Commissions, net	(42,777)	(35,677)
Other income/(expense), net	36,825	165,576
Income from non-life insurance business	**105,063**	**101,216**

NOTE 26 - OTHER LIABILITIES

	2007	2006
Credit card payables	1,896,244	1,667,683
Clearing accounts	326,528	64,344
Import deposit and transfer orders	231,397	373,670
Blocked accounts	179,108	427,243
Miscellaneous payables to customers	159,728	241,609
Taxes other than income and withholdings	145,110	99,276
Premium and bonuses payable to personnel	144,354	95,260
Provision for unused annual vacation	42,958	59,171
Unearned income	24,820	45,329
Advances taken	16,257	25,163
Saving Deposits Insurance Fund payable	6,212	5,979
Other	592,966	510,387
Total	**3,765,682**	**3,615,114**
Current	3,605,451	3,350,274
Non-current	160,231	264,840

NOTE 27 - ACQUISITIONS AND MERGERS

(i) Legal mergers of other financial subsidiaries in the year 2007

Extraordinary General Assembly meetings regarding the transfer of Koç Yatırım, with all its rights, receivables, liabilities and obligations to the Yapı Kredi Menkul and the consequential dissolution without liquidation were held on 29 December 2006 and the merger was approved on 12 January 2007. As a result of the merger, the Bank's share in Yapı Kredi Menkul. has decreased from 99,99% to 64,70%. However, share of Bank's risk Group is 100%.

Regarding the restructuring process of the foreign investments of YKB and KFS, the merger transaction of Yapı Kredi NV, established in Holland and wholly-owned by YKB (through Yapı Kredi Holding B.V. which is a 100% owned investment in associate), with the Koçbank Nederland N.V. 100% investment in associate of KFS, has been completed as of 2 July 2007. After the merger, regarding the new structure of the partnership, YKB's shareholding ratio is realised as 32.76% and the shareholding ratio of KFS is realised as 67.24%. Due to this merger, the Bank has restated its financial statements as of 31 December 2007.

Besides, as a part of the structural reorganization, transfer of 99.80% the shares of Yapı Kredi Azerbaycan owned by KFS with a nominal value of AZN 6,336,200 has been completed as of 31 October 2007.

During and after transactions stated above, as there has been no change in the owners of final control rights of Yapı Kredi NV, Koçbank Nederland N.V. and Yapı Kredi Bank Azerbaijan, these transactions have been identified as transactions under common control and recorded in line with the accounting policy defined in Note 2.S.

(ii) Legal mergers of other financial subsidiaries in the year 2006

Koç Leasing, has been transferred with all its rights, receivables, liabilities and obligations to Yapı Kredi Leasing and the consequential dissolution without liquidation were held on 21 December 2006 and the merger was approved on 27 December 2006.

Yapı Kredi Faktoring has been transferred with all its rights, receivables, liabilities and obligations to the Koç Faktoring and the consequential dissolution without liquidation were held on 22 and 27 December 2006 and the corporate title of Koç Faktoring has been changed as Yapı Kredi Faktoring A.Ş. and the merger was approved on 29 December 2006.

Yapı Kredi Portföy has been transferred with all its rights, receivables, liabilities and obligations to the Koç Portföy and the consequential dissolution without liquidation were held on 22 December 2006. The corporate title of Koç Portföy was changed to Yapı Kredi Portföy Yönetimi A.Ş. and the merger was approved on 29 December 2006.

Acquisition of YKB and legal merger with Koçbank

On 28 September 2005, the final version of the Share Purchase Agreement was signed between Çukurova Holding, various Çukurova Companies, Mehmet Emin Karamehmet (collectively "Çukurova Group") and KFS, Koçbank N.V. and Koçbank regarding the sale of 57.42% of the shares of YKB. According to the agreement on 28 September 2005, 44.52% of the shares of YKB owned by Çukurova Group and 12.90% of the shares owned by Saving Deposit Insurance Fund were transferred to Koçbank. The value for 57.4% of the shares of YKB was realised as EUR1,182,369 thousand.

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

NOTE 27 - ACQUISITIONS AND MERGERS (Continued)

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
- Cash paid	1,919,992
- Direct costs relating to the acquisition	41,940
Total purchase consideration	**1,961,932**
- preliminary fair value of net identifiable assets acquired	974,316
- adjustments on preliminary fair values in initial accounting period (Note 12)	(35,912)
Fair value of net identifiable assets acquired	**938,404**
Goodwill on acquisition (Note 12)	**1,023,528**

In April 2006, Koçbank increased its interest in YKB with the acquisition of a further 9.09% of the issued share capital of YKB, increasing its total interest to 67.31%. As explained in Note 2.C.(d), the Group recognised the difference between the acquisition cost and net assets acquired amount directly under equity.

Total acquisition cost	607,331
Net assets acquired	(166,489)
Difference	**440,842**

In 2006 shareholders of both YKB and Koçbank approved the merger of two banks and the transfer of all Koçbank’s rights, receivables, liabilities and obligations to YKB in accordance with article 19 of the Banking Act No.5411 and other relevant legislation was completed on 2 October 2006. Due to the merger and the consequential dissolution of Koçbank without liquidation, the record of Koçbank was erased from the trade registry as of 2 October 2006. After the merger, the share of the KFS, which owned the 99.78% shares of the Koçbank, became 80.18% in the merged YKB. The new combined legal entity retained the name Yapı ve Kredi Bankası A.Ş.

The Group policy is to account business combinations under common control applying pooling of interest method using predecessor values and restating comparatives on “as if” basis (Note 2.S). In that respect, the Group considered merger between YKB and Koçbank, being a transaction under common control of KFS, as legal reorganization rather than acquisition to the Group and used predecessor values in preparation of the consolidated financial statements.

However, as a result of the merger minority shareholders who held 32.69% shareholding in YKB are holding 19.73% in the merged YKB, so this portion of minority interest, previously presented in the consolidated balance sheet of Koçbank is adjusted to as “additional paid in capital” in the consolidated balance sheet 31 December 2006.

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

NOTE 28 - SHARE CAPITAL AND SHARE PREMIUM

The historic amount of share capital of the Company consists of 342,705,128.40 thousand (2006: 314,281,845.40 thousand authorised shares with a nominal value of YTL0.01 each. The Company's authorised capital amounts to YTL3,427,051 thousand (2006: YTL3,142,818 thousand).

At 31 December 2007, the issued and fully paid-in share capital and share premium are as follows:

	2007		2006	
Shareholders	**Participation rate (%)**	**YTL thousand**	**Participation rate (%)**	**YTL thousand**
Koç Finansal Hizmetler A.Ş.	81.79	2,802,933	80.18	2,520,015
Other	18.21	624,118	19.82	622,803
Historical share capital	**100.00**	**3,427,051**	**100.00**	**3,142,818**
Adjustment to share capital		(60,471)		(60,471)
Share premium		533,431		37,579
Total share capital and share premium		**3,900,011**		**3,119,926**

Transfer of the 59.47% of the shares of Yapı Kredi Faktoring with a nominal value of YTL9,992,000, 73.10% of the shares of Yapı Kredi Leasing with a nominal value of YTL285,048,428 and 99.80% of the shares of Yapı Kredi Bank Azerbaijan with a nominal value of AZN6,336,200; all formerly owned by KFS have been completed as of 31 October 2007. As a part of this share exchange the Bank's capital was increased by YTL277,601,284 through increasing the shareholding of KFS. Besides, the difference between the nominal values of the shares issued by the Bank and the fair values of the shares transferred to the Bank amounting to YTL495,852 thousand, have been recorded in equity as "Share Premium".

NOTE 29 - RETAINED EARNINGS AND OTHER RESERVES

	2007	**2006**
Statutory reserve	17,184	17,184
Translation reserves	8,803	29,924
Revaluation reserve - available-for-sale investments	25,797	18,379
Hedging reserves	(7,945)	(19,194)
Total other reserves	**43,839**	**46,293**
Retained earnings	**829,603**	**492,539**

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

NOTE 29 - RETAINED EARNINGS AND OTHER RESERVES (Continued)

Movements in other reserves were as follows:

	Statutory reserves	Revaluation reserves	Translation reserves	Hedging reserves	Total
Balance at 1 January 2007	**17,184**	**18,379**	**29,924**	**(19,194)**	**46,293**
Net change in available-for-sale Investments, net of tax	-	7,372	-	-	7,372
Gains on hedges of a net investment in a foreign operation	-	-	-	11,249	11,249
Currency translation differences	-	-	(27,723)	-	(27,723)
Effect of merged entities under common control (Note 2.S and 27)	-	46	8,696	-	8,742
Effect of share exchange	-	-	(2,094)	-	(2,094)
Balance at 31 December 2007	**17,184**	**25,797**	**8,803**	**(7,945)**	**43,839**

	Statutory reserves	Revaluation reserves	Translation reserves	Hedging reserves	Total
Balance at 1 January 2006	**5,262**	**6,624**	**(3,387)**	**-**	**8,499**
Net change in available-for-sale Investments, net of tax	-	3,944	-	-	3,944
Gains on hedges of a net investment in a foreign operation	-	-	-	(19,194)	(19,194)
Transfer from reserves	11,922	-	-	-	11,922
Currency translation differences	-	-	36,521	-	36,521
Effect of merged entities under common control (Note 2.S and 27)	-	7,811	(3,210)	-	4,601
Balance at 31 December 2006	**17,184**	**18,379**	**29,924**	**(19,194)**	**46,293**

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 30 - NET INTEREST INCOME

	2007	2006
Interest income on:		
Loans and advances :		
- to banks	134,204	124,337
- to customers	4,161,927	3,562,300
Reserve deposits	189,073	146,062
Investment securities	1,782,113	1,438,564
Financial leases	261,205	166,932
Other	20,166	41,300
Total interest income	**6,548,688**	**5,479,495**
Interest expense on:		
Deposits from banks	(22,496)	(53,964)
Due to customers	(3,357,627)	(2,721,316)
Repurchase agreement	(233,020)	(225,250)
Other borrowed funds	(447,220)	(403,201)
Securities issued	(89,931)	(4,216)
Financial derivatives	(112,858)	(14,999)
Other	(7,864)	(24,724)
Total interest expense	**(4,271,016)**	**(3,447,670)**
Net interest income	**2,277,672**	**2,031,825**

NOTE 31 - NET FEE AND COMMISSION INCOME

	2007	2006
Fee and commission income on:		
Credit/debit cards	654,509	531,488
Assets under management	186,525	203,645
Banking services	338,971	192,431
Loans		
- Credit related commitments	131,028	131,643
- Loans and advances	58,968	60,756
Insurance products	52,311	40,378
Brokerage	26,959	18,020
Factoring	11,087	12,314
Other	25,694	92,622
Total fee and commission income	**1,486,052**	**1,283,297**
Fee and commission expense on:		
Credit/debit cards	(222,976)	(207,534)
Insurance products	(63,048)	(70,838)
Other borrowed funds	(3,939)	(8,675)
Brokerage	(462)	(3,961)
Factoring	(3,597)	(4,790)
Other	(40,760)	(21,762)
Total fee and commission expense	**(334,782)**	**(317,560)**
Net fee and commission income	**1,151,270**	**965,737**

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

NOTE 32 - NET TRADING, HEDGING AND FAIR VALUE INCOME

	2007	**2006**
Foreign exchange:		
– Translation gains less losses of trading assets	2,154	5,242
– Transaction gains less losses	17,946	56,587
Interest rate instruments	(20,883)	25,467
Net income from financial instruments designated at fair value	(1,131)	-
Equities	7,123	1,574
	5,209	**88,870**

Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, futures, and translated foreign currency assets and liabilities. Interest rate instruments includes the results of making markets in instruments in government securities, money market instruments, interest rate and currency swaps, options and other derivatives.

NOTE 33 - OTHER OPERATING EXPENSES

	2007	**2006**
Staff costs	**(1,017,430)**	**(880,755)**
Depreciation on premises and equipment (Note 15)	(132,282)	(145,156)
Amortisation of intangible assets (Note 14)	(34,274)	(31,992)
Depreciation and amortisation	**(166,556)**	**(177,148)**
Reversal of impairment /(Impairment charge) on premises and equipment (Note 15)	1,345	(1,441)
Impairment charge on intangible assets (Note 14)	-	(4,015)
Impairment charge on assets held for resale (Note 16)	(5,566)	141
Impairment charge	**(4,221)**	**(5,315)**
Marketing and advertisement costs	(127,331)	(124,795)
Communication expenses	(101,320)	(91,520)
Rent expenses	(68,324)	(54,549)
Sundry taxes and duties	(45,309)	(45,325)
Repair and maintenance expenses	(28,192)	(31,564)
Audit and consultancy fees	(25,180)	(18,492)
Payment to saving deposit insurance find	(24,917)	(45,280)
Utilities	(22,852)	(19,551)
Charity	(5,308)	(4,389)
Other	(266,039)	(203,787)
General administrative expenses	**(714,772)**	**(639,252)**
Total	**(1,902,979)**	**(1,702,470)**

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

NOTE 34 -IMPAIRMENT LOSSES ON LOANS AND CREDIT RELATED COMMITMENTS

	2007	2006
Impairment losses on loans and receivables (Note 10)	(350,395)	(273,463)
Impairment losses on credit related commitments (Note 23)	28,601	(8,083)
	(321,794)	**(281,546)**

NOTE 35 - ASSETS PLEDGED AND RESTRICTED

At 31 December, the Group has the following assets pledged as collateral:

	2007		2006	
	Assets	Related liability	Assets	Related liability
Balances with the central banks (Note 6) (*)	2,752,989	41,713,570	3,100,288	39,360,133
Trading securities (Note 8)				
- repurchase agreements	102,027	80,606	195,994	170,932
Investment securities (Note 11)				
- available-for-sale repurchase agreements	-	-	-	-
- held-to-maturity repurchase agreements	1,764,891	1,999,106	3,497,368	3,538,142
Total	**4,619,907**	**43,793,282**	**6,793,650**	**43,069,207**

(*) Assets pledged with the central banks are pledged for the Group's reserve requirement.

As of 31 December 2007, trading assets given as collateral/blocked amounts to YTL54,274 thousand (2006: YTL15,302 thousand). Besides, available-for-sale investments securities amounting to YTL487,359 thousand (2006: YTL455,533 thousand) and held-to-maturity investment securities amounting to YTL1,429,683 thousand (2006: YTL1,524,535 thousand) were pledged to third parties, namely CBRT for legal requirements, Lehman Brothers, Bayerische Hypo-Und Vereins Bank AG, Barclays Bank London, and other foreign private financial institutions for borrowed funds (Note 17), ISE Settlement and Custody Bank Inc. and other financial institutions as a guarantee for stock exchange and money market operations.

NOTE 36 - 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 31 December.

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 23).

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.

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

NOTE 36 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 authorising 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.

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

2007	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	426	2,000,157	163,556	-	2,164,139
Letter of guarantees	6,354,208	1,465,169	2,907,231	335,435	11,062,043
Acceptance credits	184,493	-	-	-	184,493
Other commitments	48,395	107,642	313,241	135,598	604,876
Total	**6,587,522**	**3,572,968**	**3,384,028**	**471,033**	**14,015,551**

2006	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	-	2,425,300	166,907	14	2,592,221
Letter of guarantees	6,325,550	3,480,771	1,407,121	64,926	11,278,368
Acceptance credits	206,059	10,590	-	-	216,649
Other commitments	127,584	283,160	344,334	10,413	765,491
Total	**6,659,193**	**6,199,821**	**1,918,362**	**75,353**	**14,852,729**

NOTE 37 - SEGMENT ANALYSIS

The Group manages its business through five strategic business units: Retail banking, Corporate banking, Private banking and wealth management, Credit Cards and Foreign operations.

Retail banking provides products and services to individual and small business customers. Products and services include general purpose loans, car loans, mortgage, deposits, investment accounts, life and non-life insurance products, payroll services, ATMs, telephone banking, internet banking and mobile banking.

Corporate banking is organized into two segments, namely Commercial Banking, which serves mid-sized company clients, and Corporate Banking, which serves large-sized company clients. Corporate and commercial banking activities include working capital financing, foreign trade finance, project finance, domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management, investment banking and factoring and leasing services.

Private banking and wealth management serves affluent, high net worth and ultra high net worth customers of the Group and serves investment products to the Group. Activities include time deposits, fiduciary deposits, mutual funds, derivative products such as forwards, futures and options, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products, safe deposit boxes and e-banking services. Private banking and wealth management services are enhanced by investment advisory and portfolio management services provided by the Group's portfolio management and brokerage subsidiaries.

Credit Cards segment under the umbrella brand of "World" include Worldcard, Worldgold, Worldplatinum, World Signia, Virtual Worldcard, Worlduniversity, Visa Business Card, Worldcard-Turkcell, Worldgold-Turkcell and Cagdaskart, each addressing the various needs of different types of consumers. It also provides POS merchant services for company clients.

Foreign operations segment includes banking activities of the Group in the Netherlands, Germany, Switzerland, Russia and Azerbaijan.

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

Transactions between the business segments are on normal commercial terms and conditions.

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

NOTE 37 - SEGMENT ANALYSIS (Continued)

2007	Retail banking	Corporate banking	Private banking and wealth management	Credit cards	Foreign operations	Other	Eliminations	Group
Segment revenue	1,040,771	914,799	262,009	959,579	85,639	654,723	(145,207)	3,772,313
Segment result	986,488	798,517	261,965	634,927	83,994	481,677	(145,207)	3,102,361
Unallocated costs (*)								(1,902,979)
Operating profit								**1,199,382**
Share of results of associates								1,890
Profit before tax								**1,201,272**
Income tax expense								(237,677)
Profit for the period								**963,595**
Segment assets	6,989,098	17,487,708	594,853	6,436,115	2,991,204	18,462,633	(608,327)	52,353,284
Associates								38,220
Unallocated assets								3,429,250
Total assets								**55,820,754**
Segment liabilities	14,022,927	13,624,618	6,948,486	1,662,613	2,512,840	5,704,946	(601,464)	43,874,966
Unallocated liabilities								6,879,114
Total liabilities								**50,754,080**
Other segment items (*)								
Capital expenditure						(177,782)		(177,782)
Depreciation and amortisation						(166,556)		(166,556)
Impairment charge						1,345		1,345
Other non-cash expenses						(669,952)		(669,952)
Restructuring costs						-		-

2006	Retail banking	Corporate banking	Private banking and wealth management	Credit cards	Foreign operations	Other	Eliminations	Group
Segment revenue	886,416	802,547	225,878	1,058,353	94,360	304,326	(29,554)	3,342,326
Segment result	864,079	736,428	225,835	668,211	95,228	251,198	(29,554)	2,811,425
Unallocated costs (*)								(1,702,470)
Operating profit								**1,108,955**
Share of results of associates								2,048
Profit before tax								**1,111,003**
Income tax expense								(334,666)
Profit for the period								**776,337**
Segment assets	4,675,696	13,885,813	483,993	5,758,903	2,960,063	24,016,907	(944,527)	50,836,848
Associates								41,352
Unallocated assets								3,688,340
Total assets								**54,566,540**
Segment liabilities	12,654,264	12,688,528	6,658,313	-	2,460,995	9,022,671	(910,526)	42,574,245
Unallocated liabilities								7,785,260
Total liabilities								**50,359,505**
Other segment items (*)								
Capital expenditure						(87,790)		(87,790)
Depreciation and amortisation						(177,148)		(177,148)
Impairment charge						(1,441)		(1,441)
Other non-cash expenses						(530,901)		(530,901)
Restructuring costs						-		-

(*) The Group does not monitor its costs and other segment items based on segments.

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

NOTE 38 - 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, owning 50% of the ordinary shares each of KFS.

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

(i) Balances with related parties:

	2007		2006	
	Total	**Share in total %**	**Total**	**Share in total %**
Loans and advances to customers, net	633,843	2	1,191,328	5
Loans and advances to banks	6,702	-	79,889	3
Derivative financial instruments	86	-	201	-
Other assets	137	-	160	-
Total assets	**640,768**		**1,271,578**	
Due to customers	2,787,117	8	3,011,990	9
Deposits from banks	17,643	1	112,990	7
Other borrowed funds	620,170	8	296,444	4
Other liabilities	1,606	-	1,140	-
Derivative financial instruments	32	-	73	-
Total liabilities	**3,426,568**		**3,422,637**	
Credit related commitments	638,314	5	717,021	5
Commitment under derivative instruments	188,006	2	118,777	2
Total commitments and contingent liabilities	**826,320**		**835,798**	

(ii) Transactions with related parties:

	2007		2006	
	Total	**Share in total %**	**Total**	**Share in total %**
Interest income on loans and advances to customers	86,938	2	90,621	3
Interest income on loans and advances to banks	84	-	82	-
Interest income on financial leases	3,888	1	4,610	3
Fee and commission income	10,257	1	6,785	1
Other operating income	676	1	1,364	1
Total interest and fee income	**101,843**		**103,462**	
Interest expense on deposits	312,487	9	235,747	9
Interest expense on funds borrowed	12,670	3	689	-
Fee and commission expense	-	-	251	-
Other operating expense	2,867	-	3,338	-
Total interest and fee expense	**328,024**		**240,025**	

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

NOTE 38 - RELATED PARTY TRANSACTIONS (Continued)

(iii) Balances with directors and other key management personnel:

	2007
Loans and advances to customers, net	211
Interest income on loans and advances to customers	22
Due to customers	74,660
Interest expense on deposits	977
Fee and commission income	3
Commitments and contingent liabilities	-

Salaries paid to the Group's key management approximately amount to YTL14,482 thousand in 31 December 2007 (2006: YTL17,580 thousand).

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

NOTE 39 - ASSETS UNDER MANAGEMENT

At 31 December 2007, the Group manages 22 open-ended mutual funds (2006: 24) and 24 private pension funds (2006: 23), 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	2007 %	2006 %	2007 YTL	2006 YTL
Mutual Funds				
Yapı ve Kredi Bankası A.Ş. B Tipi Likit Fonu (*)	0.013	0.013	3,682,460	3,767,355
Yapı ve Kredi Bankası A.Ş. B Tipi Orta Vadeli Tahvil ve Bono Fonu (*)	0.175	0.008	331,445	284,763
Yapı ve Kredi Bankası A.Ş. B Tipi Değişken Fon	0.007	0.010	392,052	299,870
Yapı Kredi Yatırım Menkul Değerler A.Ş. B Tipi Uzun Vadeli Tahvil ve Bono Fonu (*)	0.006	0.006	211,756	97,896
Yapı Kredi Yatırım Menkul Değerler A.Ş. B Tipi Özel Portföy Yönetimi Değişken Fonu (*)	0.005	0.005	93,456	76,886
Yapı Kredi Menkul Değerler A.Ş. B Tipi Likit Fonu (*)	0.009	0.009	367,798	210,933
Yapı ve Kredi Bankası A.Ş. B tipi Özel Bankacılık Büyüme Amaçlı Değişken Fonu	0.006	0.008	66,852	38,939
Yapı ve Kredi Bankası A.Ş. B tipi Özel Bankacılık Değişken Fonu	0.006	0.007	47,110	53,587
Yapı ve Kredi Bankası A.Ş. A Tipi Özel Bankacılık İMKB Ulusal 30 Endeksi Fonu	0.003	0.003	32,395	24,731
Yapı Kredi Bankası A.Ş. A Tipi İMKB Ulusal 100 Endeksi Fonu	0.010	0.010	11,995	16,278
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Özel Portföy Yönetimi Değişken Fonu (*)	0.008	0.008	5,448	8,730
Yapı Kredi Bankası A.Ş. A Tipi Hisse Senedi Fonu (*)	0.010	0.015	22,388	8,246
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Koç Şirketleri İştirak Fonu (*)	0.010	0.010	4,441	6,916
Yapı ve Kredi Bankası A.Ş. B Tipi Tahvil Bono (Eurobond) Fonu	0.008	0.008	1,170	1,450
Yapı ve Kredi Bankası A.Ş. A Tipi Koç Allianz Sigorta Özel Fon	0.003	0.003	340	262
BankEuropa Bankası A.Ş. A Tipi Değişken Fonu (**)	-	0.014	-	1,292
BankEuropa Bankası A.Ş. B Tipi Tahvil Bono Fonu (**)	-	0.010	-	3,796
BankEuropa Bankası A.Ş. B Tipi Likit Fonu (**)	-	0.008	-	42,860
Yapı Kredi Bankası A.Ş. B Tipi Büyüme Amaçlı Değişken Fon (*)	0.007	0.010	81,930	42,797
Yapı Kredi Bankası A.Ş. A Tipi Karma Fon	0.010	0.015	1,787	3,121
Yapı Kredi Bankası A.Ş. A Tipi Yabancı Menkul Kıymetler Fonu	0.010	0.015	354	820
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi İMKB Ulusal 30 Endeksi Fonu	0.012	0.012	15,784	13,862
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Değişken Fon	0.012	0.012	22,276	5,211
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Karma Fonu	0.003	0.003	37,373	30,353
Yapı Kredi Bankası A.Ş. B Tipi Dünya Fonları Fon Sepeti Fonu	0.001	-	4,947	-
Total mutual funds			**5,435,557**	**5,040,954**

(*) The prior period information represents Koçbank or Koçbank and YKB combined balances.

(**) These funds are not managed by the Bank any more.

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

NOTE 39 - ASSETS UNDER MANAGEMENT (Continued)

Name of the fund	2007 %	2006 %	2007 YTL	2006 YTL
Pension funds				
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.0052	0.0052	155,149	102,981
Koç Allianz İhtisaslaşmış IMKB Ulusal 30 Endeksi Emeklilik Yatırım Fonu	0.0082	0.0082	22,700	12,746
Koç Allianz Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	0.0052	0.0052	23,076	18,005
Koç Allianz Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	0.0075	0.0075	16,104	9,489
Koç Allianz Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	9,945	8,630
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları (Dövize End.) Emeklilik Yatırım Fonu	0.0058	0.0058	4,039	5,502
Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz") Para Piyasası Emanet Likit Kamu Emeklilik Yatırım Fonu	0.0060	0.0060	556	357
Koç Allianz Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	0.0055	0.0055	3,324	2,663
Koç Allianz Gelir Amaçlı Uluslararası Esnek Emeklilik Araçları Emeklilik Yatırım Fonu	0.0034	0.0034	799	560
Koç Allianz Gruplara Yönelik Gelir Amaçlı Döviz Cinsinden Karma Borçlanma Araçları Emeklilik Yatırım Fonu	-	-	196	220
Koç Allianz Gruplara Yönelik Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.0041	0.0041	91	182
Koç Allianz Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları	0.0034	0.0034	799	560
Yapı Kredi Emeklilik Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.0055	0.0055	48,755	26,439
Yapı Kredi Emeklilik Esnek (YTL) Grup Emeklilik Yatırım Fonu	0.0028	0.0028	1,409	514
Yapı Kredi Emeklilik Esnek(Döviz) Grup Emeklilik Yatırım Fonu	0.0028	0.0028	180	207
Yapı Kredi Emeklilik Esnek Emeklilik Yatırım Fonu	0.0055	0.0055	153,788	100,936
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	78,918	80,939
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	261,887	163,007
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Borçlanma Araçları (Döviz) Emeklilik Yatırım Fonu	0.0055	0.0055	39,150	38,019
Yapı Kredi Emeklilik Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	0.0055	0.0055	1,903	1,604
Yapı Kredi Emeklilik Para Piyasası Emanet Likit Karma Emeklilik Yatırım Fonu	0.0055	0.0055	1,173	1,294
Yapı Kredi Emeklilik Para Piyasası Likit- Kamu Emeklilik Yatırım Fonu	0.0055	0.0055	111,344	67,034
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu (Euro)	0.0055	0.0055	2,432	634
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Borçlanma Araçları Grup Emeklilik Yatırım Fonu	0.0028	-	200	-
Total pension funds			**937,917**	**642,522**
Total			**6,373,474**	**5,683,476**

NOTE 40 - POST BALANCE SHEET EVENTS

(i) The purchase of nominal share capital amount of EUR32.672.880 (67.24% of the capital), owned by KFS in Yapı Kredi Bank Nederland N.V has been approved by the Dutch authorities and the cost of the share purchase in the amount of EUR97.502.661,71 was paid to KFS on 15 January 2008.

(ii) The purchase of nominal share capital amount of YTL34.897.132,53 (35.28% of the capital) owned by KFS in Yapı Kredi Menkul has been approved by the CMB, and the cost of the share purchase in the amount of USD158.754.689,63 was paid to KFS on 15 February 2008.

(iii) During the meeting of the Board of Directors of the Bank held on 21 February 2008, it was resolved that Merrill Lynch International and UniCredit CAIB AG would be appointed as joint financial advisors to assist YKB in the reorganisation of its presence in the insurance business, including assessment of divestiture and partnerships, with the purpose of maximising the value for its clients and shareholders.

(iv) As of 29 February 2008, the shares of Yapı Kredi Bank Deutschland A.G., 65,42% of which is owned by the Bank and 34,58% of which is owned by Yapı Kredi Holding B.V. were sold to Avenue Europe Investments Singapore Pte Ltd. in consideration of net assets plus EUR250 thousand, and EUR4.742 thousand after capital decrease has been deposited to the Bank's account.

(v) The Board of Directors has decided the Bank to switch to the registered capital system as of 4 March 2008 and in this aspect, to amend the related articles in Bank General Agreement and apply to BRSA, CMB and other related bodies to get necessary permissions.

(vi) On 28 March 2008, YKB completed a transaction involving the sale of a portfolio of corporate, commercial and SME non-performing loans with an account balance of YTL429,229 thousand (principal amount of YTL532,340 thousand according to legal execution files and protocols) to LBT Varlık Yönetimi (Lehman Brothers) in consideration of YTL60,500 thousand. The sale will bring about a positive impact of YTL8,907 thousand in the consolidated financial statements.

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