KOÇ FİNANSAL HİZMETLER A.Ş.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2007
TOGETHER WITH AUDITOR’S REVIEW REPORT**

Report on Review of Consolidated Interim Financial Statements

To the Shareholders and Board of Directors of Koç Finansal Hizmetler A.Ş.

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Koç Finansal Hizmetler A.Ş. as of 30 June 2007 and the related consolidated interim statements of income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of Koç Finansal Hizmetler A.Ş. as at 30 June 2007, and of its financial performance and its cash flows for the six months period then ended in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the Note 21 to the consolidated interim financial statements. On 22 March 2007, the 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 funds to the Social Security Institution (“SSK”), until the decision regarding the cancellation thereof is published in the Official Gazette. The detailed verdict of the Constitutional Court with regards to the cancellation has not been issued as at the date of our report. The Banking Regulation and Supervision Agency (“BRSA”) expressed its opinion that the cancellation of transfer of the pension funds to the SSK will not have any impact on the measurement principles of the existing liability of Yapı Kredi Bankası A.Ş. (“the Bank”). Considering whether a settlement to eliminate all legal and constructive obligations of all of the benefits provided under the defined benefit plan will occur or not upon the publication of the decision of the Constitutional Court, it is not certain whether there will be any possible change to the measuring of the retirement benefits and possible obligation of the Bank as at the date of our report.

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

Zeynep Uras, SMMM

Istanbul, 24 August 2007

KOÇ FİNANSAL HİZMETLER A.Ş.

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CONSOLIDATED INTERIM BALANCE SHEET
AT 30 JUNE 2007 AND 31 DECEMBER 2006

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

	Notes	30 June 2007	31 December 2006
ASSETS			
Cash and balances with central banks	5	3,726,696	4,161,359
Loans and advances to banks	6	3,224,584	2,904,232
Trading assets	7	364,271	561,480
Investment securities			
- Available-for-sale	8	983,772	891,833
- Held-to-maturity	8	14,242,566	16,964,466
Investment in associate	9	40,172	41,352
Loans and advances to customers	10	26,910,486	25,076,879
Derivative financial instruments	11	39,438	81,013
Goodwill	12	1,317,735	1,299,005
Other intangible assets	13	168,406	179,220
Premises and equipment	14	1,218,747	1,254,074
Other assets	15	1,114,656	942,961
Deferred income tax assets	22	504,928	486,781
Total assets		**53,856,457**	**54,844,655**
LIABILITIES			
Deposits from banks	16	484,339	1,736,315
Due to customers	17	33,462,307	34,139,121
Other borrowed funds	18	7,347,400	7,081,738
Debt securities in issue	19	1,675,590	1,651,341
Derivative financial instruments	11	128,666	33,656
Financial liabilities designated at fair value	20	56,521	-
Other provisions	21	1,104,799	1,154,016
Current income taxes payable	22	162,795	13,591
Deferred income tax liabilities	22	159,388	181,252
Reserve for employee benefits	23	141,672	165,838
Insurance technical reserves	24	761,344	790,413
Other liabilities	25	3,501,227	3,567,320
Total liabilities		**48,986,048**	**50,514,601**
EQUITY			
Share capital	27	2,511,275	2,511,275
Adjustment to share capital	27	82,466	82,466
Total paid-in share capital	27	2,593,741	2,593,741
Other reserves	28	(6,904)	1,274
Retained earnings	28	1,445,704	1,000,446
Equity attributable to shareholders of the Parent		**4,032,541**	**3,595,461**
Equity attributable to minority interest		837,868	734,593
Total equity		**4,870,409**	**4,330,054**
Total liabilities and equity		**53,856,457**	**54,844,655**
Commitments and contingent liabilities	33		

These consolidated interim financial statements as at and for the period ended 30 June 2007 have been approved for issue by the Board of Directors on 24 August 2007.

KOÇ FİNANSAL HİZMETLER A.Ş.

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

	Notes	2007	2006
Interest income	29	3,167,580	2,402,002
Interest expense	29	(2,098,088)	(1,420,340)
Net interest income		**1,069,492**	**981,662**
Fee and commission income	30	674,085	619,248
Fee and commission expense	30	(165,931)	(145,713)
Net fee and commission income		**508,154**	**473,535**
Foreign exchange gains, net		56,144	22,369
Net trading gains		5,032	14,111
Net income from financial instruments designated at fair value		(424)	-
Losses from investment securities, net		(1,285)	(1,093)
Insurance technical income, net		74,088	48,514
Other operating income		85,693	40,964
Operating revenues		**1,796,894**	**1,580,062**
Other operating expenses	31	(908,028)	(808,804)
		888,866	**771,258**
Impairment losses on loans and credit related commitments, net	32	(85,620)	(115,034)
Other provisions	21	(134,995)	(143,249)
Operating profit		**668,251**	**512,975**
Share of profit of associate	9	2,453	2,398
Profit before income tax		**670,704**	**515,373**
Income tax expense	22	(120,186)	(332,317)
- current tax		(163,058)	(25,711)
- deferred tax		42,872	(306,606)
Profit for the period		**550,518**	**183,056**
Attributable to:			
Equity holders of the Parent		457,213	209,903
Minority interest		93,305	(26,847)
		550,518	**183,056**
Basic earning per share attributable to the equity holders of the Parent (expressed in YTL per thousand share)		1.82	0.84

The accompanying notes set out on pages 5 to 73 form an integral part of these consolidated interim financial statements.

KOÇ FİNANSAL HİZMETLER A.Ş.

CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE

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

	Notes	2007	Restated 2006
Cash flows from operating activities			
Net profit for the period		550,518	183,056
Adjustments for:			
Unrealised gain on trading assets, net		16,688	81,728
Allowances for losses on loans and advances	32	85,620	115,034
Measurement of derivative financial instruments at fair value		136,585	(91,562)
Share of profit of associate	9	(2,453)	(2,398)
Amortisation of other intangible assets	31	16,819	17,114
Depreciation of premises and equipment	31	69,484	75,435
Impairment charge on premises and equipment	31	(100)	(1,331)
Impairment charge on assets held for resale	31	-	2,865
Impairment charge on intangible assets	31	-	2,770
Other provisions	21	134,995	143,249
Provision for current and deferred income taxes	22	120,186	332,317
Employment termination benefits	23	1,036	6,601
Other liabilities		-	146,912
Unearned commission income		(6,069)	(257)
Add back dividend income		-	(4,393)
Interest income - net		(1,069,492)	(981,662)
Interest paid		(2,108,208)	(1,457,561)
Interest received		3,323,489	2,071,651
Translation difference		(14,747)	67,113
Cash flows from operating profits before changes in operating assets and liabilities		**1,254,351**	**706,681**
Changes in operating assets and liabilities:			
Net decrease / (increase) in cash balances with central banks		306,885	(1,021,063)
Net decrease in loans and advances to banks		70,941	11,336
Net decrease in trading assets		180,512	725,446
Net (increase) in loans and advances to customers		(1,918,584)	(4,934,031)
Net (increase) / decrease in other assets		(207,124)	93,045
Net (decrease) in deposits from banks		(1,328,032)	(357,659)
Net (decrease) / increase in due to customers		(665,601)	5,282,136
Net (decrease) / increase in other liabilities and provisions		(194,874)	232,532
Income taxes paid		(53,380)	(132,728)
Net cash (used in) / from operating activities		**(2,554,906)**	**605,695**
Cash flows from investing activities			
Purchase of premises and equipment, net	14	(34,940)	(20,465)
Purchase of intangible assets, net	13	(5,957)	(971)
Purchase of investment securities, net		2,443,284	(4,370,721)
Cash outflow on acquisition		-	(612,620)
Dividends received		3,608	4,393
Disposal of investments, net		13,591	-
Net cash from / (used in) investing activities		**2,419,586**	**(5,000,384)**
Cash flows from financing activities			
Proceeds from borrowed funds, net		364,873	3,009,983
Dividend paid to minority		(1,453)	(527)
Net cash from financing activities		**363,420**	**3,009,456**
Net increase / (decrease) in cash and cash equivalents		**228,100**	**(1,385,233)**
Cash and cash equivalents at the beginning of the period		3,525,756	4,390,689
Cash and cash equivalents at the end of the period	**4**	**3,753,856**	**3,005,456**

The accompanying notes set out on pages 5 to 73 form an integral part of these consolidated interim financial statements.

KOÇ FİNANSAL HİZMETLER A.Ş.

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

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

	Attributable to equity holders of the Company						
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Other reserves**	**Retained earnings**	**Minority interest**	**Total**
Balance at 1 January 2006							
- as previously reported	2,511,275	82,466	2,593,741	(46,678)	841,292	733,803	4,122,158
- effect of adjustments on preliminary fair values due to business combination	-	-	-	-	-	(6,222)	(6,222)
- as restated	**2,511,275**	**82,466**	**2,593,741**	**(46,678)**	**841,292**	**727,581**	**4,115,936**
Net change in available-for-sale investments, net of tax (Note 28)	-	-	-	8,153	-	6,025	14,178
Gains on hedges of a net investment in a foreign operation (Note 28)	-	-	-	(22,465)	-	(10,985)	(33,450)
Capital increase cost	-	-	-	-	(3,384)	(2,222)	(5,606)
Transfer from reserves (Note 28)	-	-	-	6,986	(6,986)	-	-
Purchase from minority interests	-	-	-	-	(438,324)	(136,073)	(574,397)
Currency translation differences (Note 28)	-	-	-	78,007	-	22,556	100,563
Dividends paid	-	-	-	-	-	(540)	(540)
Profit for the period	-	-	-	-	209,903	(26,847)	183,056
Balance at 30 June 2006	**2,511,275**	**82,466**	**2,593,741**	**24,003**	**602,501**	**579,495**	**3,799,740**
Balance at 1 January 2007	**2,511,275**	**82,466**	**2,593,741**	**1,274**	**1,000,446**	**734,593**	**4,330,054**
Net change in available-for-sale investments, net of tax (Note 28)	-	-	-	5,846	-	1,376	7,222
Gains on hedges of a net investment in a foreign operation (Note 28)	-	-	-	5,458	-	1,349	6,807
Transfer to reserves (Note 28)	-	-	-	724	(724)	-	-
Purchase from minority interests	-	-	-	-	67	(67)	-
Currency translation differences (Note 28)	-	-	-	(20,206)	-	(2,533)	(22,739)
Dividends paid	-	-	-	-	-	(1,453)	(1,453)
Effect of merged entities under common control (Note 2.P and 26)	-	-	-	-	(11,298)	11,298	-
Profit for the period	-	-	-	-	457,213	93,305	550,518
Balance at 30 June 2007	**2,511,275**	**82,466**	**2,593,741**	**(6,904)**	**1,445,704**	**837,868**	**4,870,409**

The accompanying notes set out on pages 5 to 73 form an integral part of these consolidated interim financial statements.

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Koç Finansal Hizmetler A.Ş. ("KFS" or the "Company" or the "Parent" or together with its subsidiaries it is referred to as "the Group" in these consolidated interim financial statements) was established as an investment company on 16 March 2001 for the purpose of bringing the ownership of Koç Group's financial sector companies together by acquiring the majority shares and rationalising their business activities under one umbrella.

On 12 December 2001, a letter of intent was signed for the establishment of a joint strategic partnership between Koç Holding A.Ş. (together with its subsidiaries referred to as "Koç Group" in these consolidated interim financial statements) and UniCredito Italiano S.p.A. ("UCI" or "UCI Group") in the financial services area. Within the restructuring of the financial sector companies under KFS, the Company has become the ultimate shareholder of Koçbank A.Ş. ("Koçbank"), Koç Finansal Kiralama A.Ş. ("Koç Leasing"), Koç Factoring Hizmetleri A.Ş. ("Koç Faktoring"), Koç Yatırım Menkul Değerler A.Ş. ("Koç Yatırım"), Koç Portföy Yönetimi A.Ş. ("Koç Portföy"), Koçbank Nederland N.V, Koç Asset Management Suisse SA ("KAM Suisse") (currently liquidated), Stiching Custody Services KBN and Koçbank Azerbaijan Ltd ("Koçbank Azerbaijan"). On 22 October 2002, after completion of the KFS restructuring, 50% of KFS shares were sold to UCI.

On 28 September 2005, the Group acquired 57.42% of Yapı ve Kredi Bankası A.Ş. ("YKB" or "the Bank") from the companies of Çukurova Group and the Savings Deposit Insurance Fund ("SDIF") (Note 26). During April 2006, the Group purchased further 9.09% of YKB shares traded on the Istanbul Stock Exchange ("ISE") and 0.8% of the shares under a foreign mutual fund in the YKB available-for-sale portfolio and as a result, the ownership of the Group in YKB increased to 67.31%.

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

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 Factoring
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

The Group continued the reorganization in 2007 and the merger of Yapı Kredi Bank Nederland N.V. and Koçbank Nederland N.V. was completed on 2 July 2007 (Note 37).

The Group provides banking, leasing, factoring and investment services and has operations in Turkey, the Netherlands, Germany, Azerbaijan and Russia.

At 30 June 2007, the Group has 15,533 employees (31 December 2006: 15,943) and the Group has 674 branches operating in Turkey, 10 branches operating abroad (31 December 2006: 644 branches operating in Turkey, 9 branches operating abroad).

The Company 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 interim 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 interim 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 interim 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.

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

The preparation of consolidated interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policy disclosures. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

Restatement for the effects of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of YTL in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". 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. As the characteristics of the economic environment of the Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Company no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these consolidated interim financial statements.

Amendments to published standards and interpretations effective 1 January 2007

The application of the amendments and interpretations listed below did not result in substantial changes to the Group's accounting policies:

- IAS 1 Amendment – Capital Disclosures;
- IFRS 7, Financial instruments: Disclosures;
- IFRIC 7 - Applying the Restatement Approach under IAS 29 (effective 1 March 2006);
- IFRIC 8 - Scope of IFRS 2 (effective 1 May 2006);
- IFRIC 9 - Reassessment of embedded derivative (effective 1 June 2006);
- IFRIC 10 - Interim Financial Reporting and Impairment (effective 1 November 2006);

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interpretations issued but not yet effective

The Group has chosen not to adopt early the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2008:

- IFRS 8 - Operating Segments (effective 1 January 2009);
- IFRIC 11 - IFRS 2 - Group Treasury Share Transactions (effective 1 March 2007); and
- IFRIC 12 - Service Concession Arrangements (effective 1 January 2008).

The application of these new interpretations will not have a material impact on the Group's consolidated interim financial statements in the period of initial application.

B. Restatement of income statement, cash flow statement and statement of changes in equity for the six-months period ended 30 June 2006

In accordance with International Financial Reporting Standard 3 ("IFRS 3") Business Combinations, the Group recognised adjustments to the provisionally determined fair values of acquired identifiable assets and liabilities as a result of completing the initial accounting arising from the acquisition of YKB within twelve months of the acquisition date. The Group adjusted goodwill from the acquisition date by an amount equal to the adjustments to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being adjusted (Notes 12 and 26).

C. Consolidation

(a) Subsidiaries

Subsidiaries (including special purpose entities), in which Group has power to control the financial and operating policies for the benefit of KFS, 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 securitisation transactions. Such entities are consolidated in the Group's consolidated interim 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 KFS 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.

The list of principal subsidiaries at 30 June 2007 is as follows:

			30 June 2007		31 December 2006	
Name of subsidiary	**Country of incorporation**	**Nature of business**	**Control rates (%)**	**Effective rates (%)**	**Control rates (%)**	**Effective rates (%)**
YKB	Turkey	Banking	80.18	80.18	80.18	80.18
Yapı Kredi Leasing	Turkey	Leasing	98.85	93.74	98.85	93.74
Yapı Kredi Faktoring	Turkey	Factoring	99.96	91.94	99.96	91.94
Yapı Kredi Portföy	Turkey	Portfolio management	99.97	86.25	99.97	96.67
Koç Yatırım (1)	Turkey	Investment management	-	-	99.94	99.94
Yapı Kredi Menkul (1)	Turkey	Investment management	99.98	87.16	99.99	80.18
Yapı Kredi Yatırım Ortaklığı A.Ş.	Turkey	Portfolio management	56.07	48.09	56.07	44.95
Yapı Kredi Sigorta A.Ş.	Turkey	Insurance	93.94	77.10	93.94	76.26
Yapı Kredi Emeklilik A.Ş.	Turkey	Insurance	100.00	77.12	100.00	76.27
Yapı Kredi Bank Nederland N.V.	Netherlands	Banking	100.00	80.18	100.00	80.18
Yapı Kredi Bank Moscow	Russia	Banking	100.00	80.20	100.00	80.20
Yapı Kredi Bank Deutschland A.G. (2)	Germany	Banking	97.50	78.18	97.50	78.18
Yapı Kredi Bank Holding B.V.	Netherlands	Holding	100.00	80.18	100.00	80.18
Koçbank Nederland N.V.	Netherlands	Banking	100.00	100.00	100.00	100.00
Yapı Kredi Azerbaijan Ltd.	Azerbaijan	Banking	100.00	99.98	100.00	99.99
Stiching Custody Services KBN	Netherlands	Custody services	100.00	100.00	100.00	100.00
Azur Tourism Investment N.V. ("Azur")	Netherland Antilles	Tourism investment	100.00	80.18	100.00	80.18
Havenfields Tourism Investment N.V. (2)	Netherland Antilles	Tourism investment	99.89	80.10	99.89	80.10
Enternasyonel Turizm Yatırım A.Ş. ("Enternasyonel") (3, 4)	Turkey	Investment	100.00	80.15	100.00	80.18
Yapı Kredi Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ("Yapı Kredi Kültür") (3)	Turkey	Culture / art publications	100.00	80.18	100.00	80.18
Agro-san Kimya Sanayi ve Ticaret A.Ş. ("Agro-san") (3)	Turkey	Agricultural chemicals	100.00	80.17	100.00	80.17
Koç Kültür Sanat ve Tanıtım Hizmetleri Tic. A.Ş. ("Koç Kültür") (3)	Turkey	Culture / art publications	54.84	54.84	54.84	54.84
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. ("Yapı Kredi Koray") (3)	Turkey	Real estate	30.45	24.42	30.45	24.42
Akdeniz Marmara Turizm Ticaret A.Ş. ("Akdeniz Marmara") (4)	Turkey	Tourism	-	-	100.00	80.18
Bayındırlık İşleri A.Ş. ("Bayındırlık İşleri") (4)	Turkey	Construction	-	-	99.99	80.17
Yapı Kredi Kart Hizmetleri A.Ş. ("Yapı Kredi Kart") (4)	Turkey	Member store services	-	-	100.00	80.18
Yapı Kredi Diversified Payment Rights Company (5)	Cayman Islands	Special Purpose Company ("SPC")				

(1) Merged in 2007 (Note 26).

(2) Under liquidation process.

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

(4) 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.

(5) Yapı Kredi Diversified Payment Rights Finance Company is a special purpose entity established for YKB's securitisation transactions as explained in Note 19. It is included in the consolidation although KFS or any of its affiliates does not have any shareholding interest in this company.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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

The details of the associate at 30 June 2007 is as follows:

				30 June 2007		31 December 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	24.59	30.67	24.59

(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.

D. 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 interim financial statements are presented in YTL, which is the presentation currency of the parent company, KFS.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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,

(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.

E. Related parties

For the purpose of these consolidated interim financial statements, shareholders, companies controlled by or affiliated with them and other companies within the Koç Group and the UCI Group are considered and referred to as related parties (Note 35).

F. Financial assets 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. At 30 June 2007, the Group has not classified any financial asset as financial assets designated at fair value through profit or loss.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Investment securities

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

Investment securities are initially recognised at fair value. Available-for-sale financial assets are subsequently re-measured at fair value. Gains and losses arising from changes in the fair value of securities classified as available-for sale are recognised in the equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is transferred to 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 8).

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

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

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

H. Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the financial statements as available-for-sale, held for trading and held-to-maturity and a counterparty liability is included in due to other banks or due to customers. Securities purchased under agreements to resell ("reverse repo") are recorded as 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Loans and advances to customers

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

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

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

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

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

J. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. Fair values of derivatives are carried as assets when positive and as liabilities when 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 30 June 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Hedge accounting

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

Net investment hedge

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

L. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

M. 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.

N. 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)

O. 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 interim financial statements. The goodwill previously recognised in the financial statements of the acquiree is not considered as an identifiable asset.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any (Notes 12 and 26). 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 34). 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.

P. 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, Group 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.

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

Q. 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 interim financial statements.

R. 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.

S. 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 interim 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 31).

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).

T. 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.

U. 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 interim financial statements and are treated as contingent assets or liabilities.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision on estimated liability on transfer of the Fund

Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognised by an official decree, providing all qualified YKB employees with pension and post-retirement benefits. The Banking Law No. 5411 ("the Banking Law") which was enacted on 1 November 2005, includes the provision that requires the transfer of pension funds of the banks, including the Fund, to the Social Security Institution ("SSK") within three years following the publication of the Banking Law. In accordance with the Banking Law, the actuarial calculation of the liability (if any) on the transfer should be performed by taking into account the procedures and other parameters determined by the commission established by Ministry of Labour and Social Security. Accordingly, the provision on estimated liability on transfer of the Fund is calculated in accordance with the Decree published by the Council of Ministers in the Official Gazette dated 15 December 2006 No.26377 for the purpose of determining the principles and procedures to be applied during the transfer of funds (Note 21).

V. 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.

W. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

X. 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) 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.

Y. 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.

Z. Other credit related commitments

In the normal course of business, the Group enters into other credit related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as originated loans (Note 2.I). Specific provisions are therefore established when losses are considered probable and recorded as other provisions. The provision for credit related commitments also covers losses from the collective assessment where the commitments are grouped 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.

AA. 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.

AB. 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 4).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

AC. 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 claims incurred but not reported ("IBNR") at the balance sheet date, less amounts recoverable from reinsurers.

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

(iii) Unearned Premium Reserve

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

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

(iv) Deferred Acquisition Costs

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

(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").

(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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

AD. 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 interim financial statements as the secondary segment, as the operations of the Group in geographical areas other than Turkey are not qualified as reportable individually.

AE. 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.

	30 June 2007	30 June 2006
Profit attributable to equity holders of the Company	457,213	209,903
Weighted average number of ordinary shares in issue (thousand)	251,127,487	251,127,487
Basic earning per share (expressed in YTL per 1,000 share)	**1.82**	**0.84**

AF. Comparatives

Comparative figures are reclassified, where necessary, to conform to changes in presentation in the 30 June 2007 consolidated interim financial statements.

NOTE 3 - FINANCIAL RISK MANAGEMENT

Group’s risk management functions mainly followed by YKB 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) maximising 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) development of credit policies, definition of the optimum composition of the overall credit within legal and group wide limitations,

(b) definition of guidelines and development of methods for credit risk evaluation, management, measurement and monitoring (i.e. rating, scoring and trend monitoring systems, evolution of portfolio risk is managed by diversifying lending activity, i.e. by industry, sector or geographical area), and ensuring correct implementation functioning - acting as a second level of control,

(c) definition of principles for identifying risk positions and monitoring evolution of the credit portfolio for individual entities as well as for the Group as a whole,

(d) preparation and presentation of the strategic Credit Tableau de Board report, including evolution of loan provisioning, loan market & competition with peer banks to senior management,

(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 for better analysis of performing loan portfolio riskiness at client, group, sectoral and strategic business levels

(g) calculation of provisions based on collective assessment at each strategic business unit level and

(h) compliance with Basel II and related projects.

Credit policies establish the general credit risk principles to be followed throughout YKB’s lending activities and reflect its strategies and goals, as well as shareholders’ risk appetites. The credit policy guidelines are prepared by YKB’s credit risk department and approved by the Board of Directors.

<u>Bank Rating System:</u>

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 has been back-tested with UniCredit, and subject to back-testing through changes in customer composition.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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 cost of credit risk (a complete check up of clients' financial strength) at both single client and segment levels. The outcomes of the grading system reflect the riskiness of each rated customer, and provisions are set aside in accordance with performing client rate. 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 an important historical database on customer information and behaviour.

The Bank's rating tool concentration by risk classes as of June 2007 is as follows:

	Rating class (*)	**Concentration level (%)**
Low	1-4	29.3
Medium	5+ - 6-	48.4
High	7+ - 8-	21.5
Unrated	9	0.7

(*) For corporate clients only

In order to more accurately measure and manage credit risk for the SME segment, YKB began in 2005 to use a new underwriting and evaluation tool developed by YKB in conjunction with Fair Isaac and UniCredit especially for SMEs. Although scoring criteria and cut-off levels have been set for this tool, the appropriate data are in the process of being accumulated; thus for the time being this model currently employs a generic score card. Using separate methodologies and processes for different market segments under two distinct credit evaluation tools gives YKB the ability to measure, manage and monitor credit risk in a more accurate way.

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.

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	90.94	1.75
2. Watch-listed – individually impaired	2.92	12.54
3. Legal follow-up – individually impaired	6.14	78.04
	100.00	**6.75**

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

30 June 2007

	Corporate	**Consumer**	**Credit cards**	**Leasing**	**Factoring**	**Total**
Past due up to 30 days	33,476	-	-	-	-	33,476
Past due 30 - 60 days	11,932	-	-	-	-	11,932
Past due 60-90 days	10,913	-	-	-	-	10,913
Total	**56,321**	**-**	**-**	**-**	**-**	**56,321**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2006

	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Past due up to 30 days	21,101	-	-	-	-	21,101
Past due 30 - 60 days	7,670	-	-	-	-	7,670
Past due 60-90 days	663	-	-	-	-	663
Total	**29,434**	**-**	**-**	**-**	**-**	**29,434**

Impairment and Provisioning Policies:

The Group sets aside specific allowances for possible loan losses on a case by case basis and actual allowances established take into account the value of any collateral or third party guarantees. Allowances for possible loan losses are defined as the difference between the carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and assessed collateral, discounted at the original effective interest rate of the loan. The allowances are based on the Group's own loss experience and management's judgment as to the level of losses that will most likely be recognised from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower.

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

The allowances for possible loan losses are also determined on the basis of existing economic and political conditions.

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 30 June 2007, the total amount of restructured loans in loans under legal follow up is YTL171,129 thousand (31 December 2006: YTL221,192 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 Banking Regulation and Supervision Agency ("BRSA").

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Maximum exposure to credit risk

	30 June 2007	31 December 2006
Credit risk exposures relating to on-balance sheet assets:		
Loans and advances to banks	3,224,584	2,904,232
Loans and advances to customers		
– Credit cards	5,936,186	5,848,110
– Consumer	2,990,091	2,825,301
– Corporate	15,226,813	14,040,235
– Leasing	1,990,718	1,582,423
– Factoring	766,678	780,810
Trading assets:		
– Debt securities	346,177	542,800
Derivative financial instruments	39,438	81,013
Investment securities		
– Debt securities	15,115,633	17,696,173
Other assets	1,114,656	942,961
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	13,401,294	13,800,145
Loan commitments and other credit related liabilities	1,641,756	1,713,008
Total	**61,794,024**	**62,757,211**

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 KFS'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	3,224,584	-	-	-	-	-	-	3,224,584
Loans and advances to customers	421,755	7,586,810	211,876	1,543,656	710,802	7,509,194	8,926,393	26,910,486
Trading assets – debt securities	63,421	-	-	-	282,756	-	-	346,177
Derivative financial instruments	19,887	7,996	-	10,747	-	443	365	39,438
Investment securities – debt securities	59,524	-	-	-	15,056,014	95	-	15,115,633
Other assets	335,359	-	7,074	-	73,995	629,482	68,746	1,114,656
As of 30 June 2007	**4,124,530**	**7,594,806**	**218,950**	**1,554,403**	**16,123,567**	**8,139,214**	**8,995,504**	**46,750,974**
As of 31 December 2006	**5,113,574**	**7,711,963**	**153,251**	**1,495,733**	**16,895,300**	**7,130,948**	**8,743,289**	**47,244,058**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Geographical sectors

Geographical concentrations of assets:

	Turkey	Italy	Other EU	Other	Total
Cash and balances with central banks	3,677,031	-	23,202	26,463	3,726,696
Loans and advances to banks	674,787	126,496	1,666,795	756,506	3,224,584
Trading assets	364,271	-	-	-	364,271
Investment securities					
- Available for sale	859,149	-	-	124,623	983,772
- Held-to-maturity	14,185,440	-	36,511	20,615	14,242,566
Loans and advances to customers, net					
– Credit cards	5,936,086	-	-	100	5,936,186
– Consumer	2,987,410	-	-	2,681	2,990,091
– Corporate	14,220,270	7,218	93,214	906,111	15,226,813
– Leasing	1,990,718	-	-	-	1,990,718
– Factoring	766,678	-	-	-	766,678
Investment in associate	-	-	-	40,172	40,172
Derivative financial instruments	38,046	-	553	839	39,438
Goodwill	1,317,735	-	-	-	1,317,735
Other intangible assets	168,080	-	-	326	168,406
Premises and equipment	1,207,823	-	353	10,571	1,218,747
Other assets	1,063,085	2,653	33,580	15,338	1,114,656
Deferred income tax assets	504,150	-	712	66	504,928
As of 30 June 2007	**49,960,759**	**136,367**	**1,854,920**	**1,904,411**	**53,856,457**
As of 31 December 2006	**47,821,139**	**271,665**	**4,253,931**	**2,497,920**	**54,844,655**

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 Structural 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.

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

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 30 June 2007 was YTL(20,253) thousand. The losses on the cross currency interest rate swaps at 30 June 2007 were YTL(10,131) thousand. The gains on the YTL fixed loans at 30 June 2007 were YTL10,085 thousand (Note 11).

(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 30 June 2007 is EUR98 million. The foreign exchange loss of YTL9,932 thousand, 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.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The consolidated value at market risks as of 30 June 2007 and 31 December 2006 calculated as per the statutory consolidated interim financial statements prepared for BRSA reporting purposes within the scope of "Regulation on Measurement and Assesment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006, are as follows:

Average market risk table of calculated market risk during the month ends (*):

	30 June 2007			31 December 2006		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Interest rate risk	12,929	19,217	6,641	73,013	137,522	11,229
Equity share risk	7,489	7,944	7,033	6,622	7,679	6,879
Currency risk	7,061	8,393	5,728	13,093	33,263	13,201
Total capital to be employed for market risk (A)	**27,479**	**35,554**	**19,402**	**92,728**	**178,464**	**31,309**
Total amount subject to market risk (A*12.5)	**343,488**	**444,425**	**242,525**	**1,159,100**	**2,230,800**	**391,363**

(*) Figures above are the YKB group consolidated balances and do not include the market risk calculated for KFS, Yapı Kredi Azerbaijan Ltd. and Koçbank Nederland N.V..

(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 3 - 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 30 June 2007 and 31 December 2006. 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.

30 June 2007

	Foreign currency					
	US$	**EUR**	**Other**	**Total**	**YTL**	**Total**
Assets						
Cash and balances with central banks	219,694	1,865,543	30,546	2,115,783	1,610,913	3,726,696
Loans and advances to banks	995,026	1,703,265	255,056	2,953,347	271,237	3,224,584
Trading assets	118,237	71,099	-	189,336	174,935	364,271
Investment securities						
- available-for-sale (*)	261,891	64,578	95,459	421,928	561,844	983,772
- held-to-maturity	6,609,908	1,092,923	-	7,702,831	6,539,735	14,242,566
Investment in associates (*)	-	-	40,172	40,172	-	40,172
Loans and advances to customers (**)	6,195,855	3,716,007	284,686	10,196,548	16,713,938	26,910,486
Derivative financial instruments	-	-	-	-	39,438	39,438
Goodwill	-	-	-	-	1,317,735	1,317,735
Other intangible assets	-	-	40	40	168,366	168,406
Premises and equipment	-	353	9,984	10,337	1,208,410	1,218,747
Other assets	132,261	177,321	107,057	416,639	698,017	1,114,656
Deferred income tax assets	-	715	66	781	504,147	504,928
Total assets	**14,532,872**	**8,691,804**	**823,066**	**24,047,742**	**29,808,715**	**53,856,457**
Liabilities						
Deposits from banks	262,376	55,936	107,544	425,856	58,483	484,339
Due to customers	9,639,458	4,433,061	490,457	14,562,976	18,899,331	33,462,307
Other borrowed funds	3,036,365	3,761,657	66,938	6,864,960	482,440	7,347,400
Debt securities in issue	955,422	720,168	-	1,675,590	-	1,675,590
Derivative financial instruments	-	-	-	-	128,666	128,666
Financial liabilities designated at fair value	56,521	-	-	56,521	-	56,521
Current income taxes payable	-	9,560	786	10,346	152,449	162,795
Other provisions	-	3,074	-	3,074	1,101,725	1,104,799
Deferred income tax liabilities	-	304	2,638	2,942	156,446	159,388
Reserve for employee benefits	-	3,345	-	3,345	138,327	141,672
Insurance technical reserves	244,212	62,702	-	306,914	454,430	761,344
Other liabilities	408,750	514,491	52,760	976,001	2,525,226	3,501,227
Total liabilities	**14,603,104**	**9,564,298**	**721,123**	**24,888,525**	**24,097,523**	**48,986,048**
Net balance sheet position	**(70,232)**	**(872,494)**	**101,943**	**(840,783)**	**5,711,192**	**4,870,409**
Off-balance sheet derivative instruments net notional position	203,952	1,007,829	5,462	1,217,243	(1,031,660)	185,583
Net foreign currency position	**133,720**	**135,335**	**107,405**	**376,460**	**4,679,532**	**5,055,992**

(*) Had the investment in associate and AFS equity instruments were excluded from the foreign currency position table as of 30 June 2007, the net foreign currency position of the Group would decrease from YTL376,460 thousand to YTL312,824 thousand.

(**) Collective impairment allowance of YTL215,998 thousand calculated on foreign currency denominated loans is presented as YTL balance in the above foreign currency position table.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2006

	Foreign currency					
	US$	**EUR**	**Other**	**Total**	**YTL**	**Total**
Assets						
Cash and balances with central banks	402,223	1,863,894	38,056	2,304,173	1,857,186	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
Investment securities						
- available-for-sale (*)	258,848	71,353	68,947	399,148	492,685	891,833
- 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
Loans and advances to customers (**)	6,091,408	3,114,136	284,488	9,490,032	15,586,847	25,076,879
Derivative financial instruments	4,957	3,437	515	8,909	72,104	81,013
Goodwill	-	-	-	-	1,299,005	1,299,005
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
Other assets	87,564	93,260	137,337	318,161	624,800	942,961
Deferred income tax assets	-	885	84	969	485,812	486,781
Total assets	**16,158,602**	**9,304,984**	**807,348**	**26,270,934**	**28,573,721**	**54,844,655**
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	18,065,275	34,139,121
Other borrowed funds	3,206,781	3,146,243	135,690	6,488,714	593,024	7,081,738
Debt securities in issue	1,106,655	544,686	-	1,651,341	-	1,651,341
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
Other provisions	-	4,525	103	4,628	1,149,388	1,154,016
Deferred income tax liabilities	-	1,413	2,565	3,978	177,274	181,252
Reserve for employee benefits	-	4,697	-	4,697	161,141	165,838
Insurance technical reserves	254,707	66,961	-	321,668	468,745	790,413
Other liabilities	561,900	462,095	37,069	1,061,064	2,506,256	3,567,320
Total liabilities	**16,192,740**	**9,305,282**	**800,854**	**26,298,876**	**24,215,725**	**50,514,601**
Net balance sheet position	**(34,138)**	**(298)**	**6,494**	**(27,942)**	**4,357,996**	**4,330,054**
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**	**4,222,469**	**4,584,383**

(*) 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.

(**) Collective impairment allowance of YTL226,819 thousand calculated on foreign currency denominated loans is presented as YTL balance in the above foreign currency position table.

At 30 June 2007, assets and liabilities denominated in foreign currency were translated into YTL using a foreign exchange rate of YTL1.2818 = US$1, and YTL1.7253 = EUR1 (31 December 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 3 - 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 30 June. Included in the table are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

30 June 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	2,826,495	-	-	-	900,201	3,726,696
Loans and advances to banks	2,339,203	162,707	88,382	-	634,292	3,224,584
Trading assets	65,842	68,293	153,739	20,739	55,658	364,271
Investment securities						
- available-for-sale	271,728	240,401	127,324	194,983	149,336	983,772
- held-to-maturity	5,364,705	1,905,115	2,116,640	4,856,106	-	14,242,566
Investment in associate	-	-	-	-	40,172	40,172
Loans and advances to customers	10,037,328	8,349,187	5,791,080	2,348,178	384,713	26,910,486
Derivative financial instruments	21,746	17,325	367	-	-	39,438
Goodwill	-	-	-	-	1,317,735	1,317,735
Other intangible assets	-	-	-	-	168,406	168,406
Premises and equipment	-	-	-	-	1,218,747	1,218,747
Other assets	14,041	6,087	-	-	1,094,528	1,114,656
Deferred income tax assets	-	-	-	-	504,928	504,928
Total assets	**20,941,088**	**10,749,115**	**8,277,532**	**7,420,006**	**6,468,716**	**53,856,457**
Liabilities						
Deposits from banks	315,757	126,912	-	-	41,670	484,339
Due to customers	26,637,112	1,361,229	261,454	-	5,202,512	33,462,307
Other borrowed funds	3,355,931	3,866,311	121,612	3,505	41	7,347,400
Debt securities in issue	1,675,590	-	-	-	-	1,675,590
Derivative financial instruments	13,789	107,719	7,158	-	-	128,666
Financial liabilities designated at fair value	-	56,521	-	-	-	56,521
Current income taxes payable	-	-	-	-	162,795	162,795
Other provisions	-	-	-	-	1,104,799	1,104,799
Deferred income tax liabilities	-	-	-	-	159,388	159,388
Reserve for employee benefits	-	-	-	-	141,672	141,672
Insurance technical reserves	29,988	84,270	268,968	126,740	251,378	761,344
Other liabilities	2,114,232	13,455	30	618,968	754,542	3,501,227
Total liabilities	**34,142,399**	**5,616,417**	**659,222**	**749,213**	**7,818,797**	**48,986,048**
Net interest repricing gap	**(13,201,311)**	**5,132,698**	**7,618,310**	**6,670,793**	**(1,350,081)**	**4,870,409**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 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
Investment securities						
- available-for-sale	94,996	109,813	272,701	207,711	206,612	891,833
- 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
Loans and advances to customers	10,114,585	8,573,532	4,298,976	1,704,718	385,068	25,076,879
Derivative financial instruments	66,431	14,538	44	-	-	81,013
Goodwill	-	-	-	-	1,299,005	1,299,005
Other intangible assets	-	-	-	-	179,220	179,220
Premises and equipment	-	-	-	-	1,254,074	1,254,074
Other assets	1,160	76,057	-	-	865,744	942,961
Deferred income tax assets	-	-	-	-	486,781	486,781
Total assets	**22,631,262**	**12,466,789**	**7,129,331**	**6,359,836**	**6,257,437**	**54,844,655**
Liabilities						
Deposits from banks	1,331,512	348,665	-	-	56,138	1,736,315
Due to customers	27,083,393	1,480,140	329,468	11,400	5,234,720	34,139,121
Other borrowed funds	1,725,613	2,009,625	3,335,745	10,755	-	7,081,738
Debt securities in issue	1,651,341	-	-	-	-	1,651,341
Derivative financial instruments	21,520	12,136	-	-	-	33,656
Financial liabilities designated at fair value	-	-	-	-	-	-
Current income taxes payable	-	-	-	-	13,591	13,591
Other provisions	-	-	-	-	1,154,016	1,154,016
Deferred income tax liabilities	-	-	-	-	181,252	181,252
Reserve for employee benefits	-	-	-	-	165,838	165,838
Insurance technical reserves	-	-	-	-	790,413	790,413
Other liabilities	2,157,064	100,956	115	-	1,309,185	3,567,320
Total liabilities	**33,970,443**	**3,951,522**	**3,665,328**	**22,155**	**8,905,153**	**50,514,601**
Net interest repricing gap	**(11,339,181)**	**8,515,267**	**3,464,003**	**6,337,681**	**(2,647,716)**	**4,330,054**

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at 30 June 2007 based on yearly contractual rates.

	30 June 2007			31 December 2006		
	US$ (%)	EUR (%)	YTL (%)	US$ (%)	EUR (%)	YTL (%)
Assets						
Cash and balances with central banks	2.13	1.93	11.28	2.10	1.72	11.07
Loans and advances to banks	5.60	4.19	18.57	5.12	3.90	19.57
Trading assets	8.71	6.42	18.24	8.16	9.06	16.72
Investment securities						
- available-for-sale	7.95	7.69	18.90	8.36	7.72	18.79
- held-to-maturity	7.57	6.26	19.90	7.22	4.32	19.24
Loans and advances to customers	7.24	6.40	21.98	5.75	5.89	21.33
Liabilities						
Deposits from banks	7.20	4.22	19.21	5.97	1.22	18.79
Due to customers	4.77	2.83	20.00	4.19	2.15	18.97
Debt securities in issue	5.60	4.28	-	5.73	3.88	-
Financial liabilities designated at fair value	6.16	-	-	-	-	-
Other borrowed funds	5.23	4.68	17.09	5.49	4.37	17.38

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

iii) Liquidity risk

Liquidity risk is the risk that a bank may find itself unable to fulfil its payment obligations (by cash or delivery), whether expected or unexpected, without jeopardizing its day-to-day operations or its financial condition.

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 fulfils 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 one year. Structural liquidity positions consider the events that will impact 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 on a weekly and monthly basis effective from 1 June 2007. Treasury 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 3 - FINANCIAL RISK MANAGEMENT (Continued)

The following table analyses assets and liabilities of the Group into relevant maturity groupings at 30 June 2007 based on the remaining period at the balance sheet date to the contractual maturity date.

30 June 2007	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Term not specified**	**Total**
Assets						
Cash and balances with central banks	900,201	-	-	-	2,826,495	3,726,696
Loans and advances to banks	2,973,495	162,707	88,382	-	-	3,224,584
Trading assets	75,062	67,294	182,728	21,093	18,094	364,271
Investment securities						
- available-for-sale	111,165	212,100	332,784	217,018	110,705	983,772
- held-to-maturity	484,481	1,440,665	5,972,431	6,344,989	-	14,242,566
Investment in associate	-	-	-	-	40,172	40,172
Loans and advances to customers	9,248,221	7,536,932	6,421,105	3,314,986	389,242	26,910,486
Derivative financial instruments	21,746	4,754	12,938	-	-	39,438
Goodwill	-	-	-	-	1,317,735	1,317,735
Other intangible assets	-	-	-	-	168,406	168,406
Premises and equipment	-	-	-	-	1,218,747	1,218,747
Other assets	678,860	49,621	3,371	-	382,804	1,114,656
Deferred income tax assets	-	-	127,888	-	377,040	504,928
Total assets	**14,493,231**	**9,474,073**	**13,141,627**	**9,898,086**	**6,849,440**	**53,856,457**
Liabilities						
Deposits from banks	357,427	126,912	-	-	-	484,339
Due to customers	31,839,624	1,361,229	261,454	-	-	33,462,307
Other borrowed funds	2,055,145	1,772,225	1,684,406	1,835,624	-	7,347,400
Debt securities in issue	-	-	830,094	845,496	-	1,675,590
Derivative financial instruments	13,789	51,830	63,047	-	-	128,666
Financial liabilities designated at fair value	-	424	56,097	-	-	56,521
Current income taxes payable	162,795	-	-	-	-	162,795
Other provisions	-	-	639,439	-	465,360	1,104,799
Deferred income tax liabilities	-	-	-	-	159,388	159,388
Reserve for employee benefits	-	-	-	-	141,672	141,672
Insurance technical reserves	29,988	84,270	268,968	126,740	251,378	761,344
Other liabilities	3,325,295	34,500	3,522	-	137,910	3,501,227
Total liabilities	**37,784,063**	**3,431,390**	**3,807,027**	**2,807,860**	**1,155,708**	**48,986,048**
Net liquidity gap	**(23,290,832)**	**6,042,683**	**9,334,600**	**7,090,226**	**5,693,732**	**4,870,409**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2006

	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Term not specified	Total
Assets						
Cash and balances with central banks	1,038,445	-	-	-	3,122,914	4,161,359
Loans and advances to banks	2,420,125	396,616	87,491	-	-	2,904,232
Trading assets	70,808	164,575	232,678	74,739	18,680	561,480
Investment securities						
- available-for-sale	162,261	91,894	295,743	226,205	115,730	891,833
- held-to-maturity	3,618,015	2,253,922	6,719,861	4,372,668	-	16,964,466
Investment in associate	-	-	-	-	41,352	41,352
Loans and advances to customers	9,376,889	7,114,471	5,848,499	2,389,828	347,192	25,076,879
Derivative financial instruments	41,788	11,899	45	27,281	-	81,013
Goodwill	-	-	-	-	1,299,005	1,299,005
Other intangible assets	-	-	-	-	179,220	179,220
Premises and equipment	-	-	-	-	1,254,074	1,254,074
Other assets	455,234	171,177	3,919	-	312,631	942,961
Deferred income tax assets	-	-	119,848	-	366,933	486,781
Total assets	**17,183,565**	**10,204,554**	**13,308,084**	**7,090,721**	**7,057,731**	**54,844,655**
Liabilities						
Deposits from banks	1,386,780	349,535	-	-	-	1,736,315
Due to customers	32,318,208	1,481,443	328,070	11,400	-	34,139,121
Other borrowed funds	1,747,759	1,991,742	2,622,027	720,210	-	7,081,738
Debt securities in issue	1,335	-	932,796	717,210		1,651,341
Derivative financial instruments	13,392	15,677	3,631	956	-	33,656
Financial liabilities designated at fair value	-	-	-	-	-	-
Current income taxes payable	13,591	-	-	-	-	13,591
Other provisions	480	-	599,240	-	554,296	1,154,016
Deferred income tax liabilities	-	-	-	-	181,252	181,252
Reserve for employee benefits	-	-	-	-	165,838	165,838
Insurance technical reserves	-	-	-	-	790,413	790,413
Other liabilities	3,249,444	100,802	32,873	-	184,201	3,567,320
Total liabilities	**38,730,989**	**3,939,199**	**4,518,637**	**1,449,776**	**1,876,000**	**50,514,601**
Net liquidity gap	**(21,547,424)**	**6,265,355**	**8,789,447**	**5,640,945**	**5,181,731**	**4,330,054**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

Derivatives settled on a gross basis

30 June 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	2,288,490	529,832	495,737	118,954	-	3,433,013
– Inflow	2,300,636	562,821	686,172	122,821	-	3,672,450
Interest rate derivatives:						
– Outflow	-	32,985	76,801	771,946	15,042	896,774
– Inflow	252,062	350,240	112,992	123,653	15,042	853,989
Derivatives held for hedging:						
Interest rate derivatives:						
– Outflow	-	-	61,218	93,215	-	154,433
– Inflow	19,227	124,137	-	-	-	143,364
Total outflow	**2,288,490**	**562,817**	**633,756**	**984,115**	**15,042**	**4,484,220**
Total inflow	**2,571,925**	**1,037,198**	**799,164**	**246,474**	**15,042**	**4,669,803**

31 December 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	1,071,252	582,814	403,769	2,818	-	2,060,653
– Inflow	1,075,653	608,744	625,624	2,904	-	2,312,925
Interest rate derivatives:						
– Outflow	490,101	86,071	74,232	289,744	-	940,148
– Inflow	569,279	315,935	34,232	22,759	-	942,205
Total outflow	**1,561,353**	**668,885**	**478,001**	**292,562**	**-**	**3,000,801**
Total inflow	**1,644,932**	**924,679**	**659,856**	**25,663**	**-**	**3,255,130**

C. Operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions and damages caused by internal processes, personnel, systems and 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 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 Group's operational risks.

The regulatory consolidated operational risk for the YKB group is calculated 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,. As of 30 June 2007, the total amount subject to operational risk is calculated as YTL6,046,863 thousand and the amount of the related capital requirement is YTL483,749 thousand.

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

NOTE 3 - 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 (excluding KFS, Koçbank Nederland N.V and Koçbank Azerbaijan) on a consolidated basis at 30 June 2007 and 31 December 2006 were as follows:

	30 June 2007	**31 December 2006**
Tier I capital	4,452,078	4,020,305
Tier II capital	2,263,997	1,989,585
Deductions	(1,350,847)	(1,338,728)
Total regulatory capital	5,365,228	4,671,162
Risk-weighted assets (including market and operational risk) (*)	42,563,417	35,132,616
Capital adequacy ratio (%)	**12.61**	**13.30**

(*) Operational risk amounting to YTL6,046,863 thousand is included starting from 1 June 2007.

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.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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.

	30 June 2007		31 December 2006	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets:				
Loans and advances to banks	3,224,584	3,235,567	2,904,232	2,903,987
Investment securities (held-to-maturity)	14,242,566	14,346,171	16,964,466	16,993,857
Loans and advances to customers	26,910,486	26,936,847	25,076,879	25,291,500
Financial liabilities:				
Deposits from banks	484,339	482,951	1,736,315	1,736,121
Due to customers	33,462,307	33,470,175	34,139,121	34,156,416
Other borrowed funds	7,347,400	7,317,808	7,081,738	7,100,305
Debt securities in issue	1,675,590	1,675,590	1,651,341	1,651,341

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 CBRT in the Official Gazette.

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.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

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

	30 June 2007	31 December 2006
Investment securities held in custody	17,337,359	21,127,265
Cheques received for collection	4,990,159	4,722,637
Commercial notes received for collection	3,435,480	3,658,939
	25,762,998	**29,508,841**

NOTE 4 - 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:

	30 June 2007	30 June 2006
Cash and cash equivalents	349,706	335,752
Demand deposits with central banks	550,495	518,806
Gold	6,820	123,130
Loans and advances to banks		
(with original maturity less than three months)	2,846,835	2,027,768
Total	**3,753,856**	**3,005,456**

NOTE 5 - CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2007	31 December 2006
Cash and cash equivalents		
Cash in hand - foreign currency	107,785	132,958
Cash in hand - YTL	234,391	301,144
Cheques received - foreign currency	2,875	3,167
Other	4,655	6,181
	349,706	**443,450**
Demand deposits at central banks		
Foreign currency	550,084	584,246
YTL	411	283
	550,495	**584,529**
Time deposits at central banks		
Foreign currency	-	10,466
YTL	-	-
	-	**10,466**
Reserve deposits at central banks		
Foreign currency	1,455,039	1,573,336
YTL	1,371,456	1,549,578
	2,826,495	**3,122,914**
	3,726,696	**4,161,359**

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

NOTE 5 - CASH AND BALANCES WITH CENTRAL BANKS (Continued)

Reserve deposits at central banks are as follows:

	30 June 2007	31 December 2006
The Central Bank of Republic of Turkey	2,797,490	3,074,427
De Nederlandsche Bank	22,798	39,696
The Central Bank of the Russian Federation	3,830	3,352
National Bank of Azerbaijan	2,377	4,239
Deutsche Bundesbank	-	1,200
	2,826,495	**3,122,914**

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% (31 December 2006: 6%) and 11% (31 December 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.

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 6 - LOANS AND ADVANCES TO BANKS

	30 June 2007			31 December 2006		
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
YTL:						
Nostro/ Demand deposits	47,651	647	48,298	44,606	28	44,634
Time deposits	66,196	135,538	201,734	23,880	-	23,880
Interbank money market	21,205	-	21,205	3,004	-	3,004
	135,052	**136,185**	**271,237**	**71,490**	**28**	**71,518**
Foreign currency:						
Nostro/ Demand deposits	27,222	558,772	585,994	1,996	413,872	415,868
Time deposits	531,080	1,651,038	2,182,118	586,392	1,726,974	2,313,366
Interbank money market	185,235	-	185,235	103,480	-	103,480
	743,537	**2,209,810**	**2,953,347**	**691,868**	**2,140,846**	**2,832,714**
	878,589	**2,345,995**	**3,224,584**	**763,358**	**2,140,874**	**2,904,232**

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

NOTE 7 - TRADING ASSETS

	30 June 2007	31 December 2006
Government bonds and treasury bills	196,133	289,732
Government bonds and treasury bills sold under repurchase agreements	101,765	220,648
Other debt securities	48,279	32,420
Total debt securities	**346,177**	**542,800**
Equity securities - listed	18,094	18,680
Total equity securities	**18,094**	**18,680**
Total trading assets	**364,271**	**561,480**

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

As of 30 June 2007, trading assets given as collateral/blocked amounts to YTL72,663 thousand (31 December 2006: YTL15,302 thousand).

NOTE 8 - INVESTMENT SECURITIES

(i) Securities available-for-sale

	30 June 2007	31 December 2006
Debt securities - at fair value - listed:	873,067	731,707
Government bonds and treasury bills	516,989	358,838
Eurobonds	274,878	304,920
Other	81,200	67,949
Equity securities - at fair value:		
- Listed	54,421	45,341
- Unlisted	56,284	114,785
Total securities available-for-sale	**983,772**	**891,833**

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

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

NOTE 8 - INVESTMENT SECURITIES (Continued)

The principal available-for-sale equity shares at 30 June 2007 and 31 December 2006 are as follows:

Name of the company	Nature of Business	30 June 2007 Effective rates (%)	31 December 2006 Effective rates (%)	30 June 2007	31 December 2006
Listed					
Yapı Kredi Koray	Real estate management	24.42	24.42	30,850	30,175
Mastercard Inc.	Credit Card Services	0.09	0.09	23,464	15,064
Other				107	102
				54,421	**45,341**
Unlisted					
Enternasyonal (1)	Tourism	80.15	80.18	35,980	34,882
ISE Settlement and Custody Bank Inc.	Custody	3.90	3.90	12,360	12,360
Kredi Kayıt Bürosu A.Ş.	Credit Card Services	14.58	14.58	2,751	3,621
Türkiye Genel Sigorta A.Ş.	Insurance	0.24	0.92	26	2,440
Akdeniz Marmara (1)	Tourism	-	80.18	-	27,373
Superonline Uluslararası İletişim Hizmetleri A.Ş. ("Superonline") (2)	Info-Com	-	77.52	-	13,591
Bayındırlık İşleri (1)	Construction	-	79.53	-	17,204
Other				5,167	3,314
				56,284	**114,785**
				110,705	**160,126**

(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") has been sold to Demir Toprak A.Ş. (member of Çukurova Group) for EUR7,5 million on 31 May 2007.

(ii) Securities held-to-maturity

	30 June 2007	31 December 2006
Debt securities - at amortised cost - listed:	14,242,566	16,964,466
Government bonds and treasury bills	7,392,679	5,301,416
Eurobonds	5,797,302	4,935,350
Government bonds and treasury bills sold under repurchase agreements	1,001,286	3,497,368
Foreign government bonds	51,299	3,230,332
Total securities held-to-maturity	**14,242,566**	**16,964,466**
Total investment securities	**15,226,338**	**17,856,299**

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

NOTE 8 - INVESTMENT SECURITIES (Continued)

The movement in held-to-maturity securities as of 30 June is as follows:

	2007	2006
Balance at 1 January	**16,964,466**	**8,700,377**
Additions	2,821,905	4,978,721
Transfers	-	60,519
Disposals (redemption)	(5,049,241)	(1,174,301)
Exchange differences on monetary assets	(494,564)	749,991
Balance at 30 June	**14,242,566**	**13,315,307**

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

At 30 June 2007, investments securities amounting to YTL1,930,041 thousand (31 December 2006: YTL1,552,480 thousand) were pledged to third parties, namely CBRT for legal requirements, Lehman Brothers, UniCredito Italiano S.p.A, Bayerische Hypo-Und Vereins Bank AG, DZ Bank, and other foreign private financial institutions for borrowed funds (Note 18), ISE Settlement and Custody Bank Inc. and other financial institutions as a guarantee for stock exchange and money market operations.

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

NOTE 9 - INVESTMENT IN ASSOCIATE

	2007	2006
Balance at 1 January	**41,352**	**35,917**
Share of results	2,453	2,398
Dividends paid	(1,191)	(1,340)
Exchange difference	(2,442)	9,345
Balance at 30 June	**40,172**	**46,320**

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

	Total Assets	Equity	Revenues	Net Profit
30 June 2007	2,490,175	130,980	45,661	11,967
31 December 2006	1,768,798	134,829	71,885	9,520
30 June 2006	1,668,112	151,034	34,584	11,803

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

30 June 2007	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	15,082,134	2,839,560	5,623,624	1,928,893	770,349	26,244,560
Watch listed loans	240,436	174,653	359,221	67,854	-	842,164
Loans under legal follow – up	1,134,767	58,330	506,272	67,830	4,253	1,771,452
Gross	**16,457,337**	**3,072,543**	**6,489,117**	**2,064,577**	**774,602**	**28,858,176**
Collective allowance for impairment	(248,739)	(12,114)	(179,897)	(15,156)	(3,702)	(459,608)
Specific allowance for impairment	(981,785)	(70,338)	(373,034)	(58,703)	(4,222)	(1,488,082)
Total allowance for impairment	**(1,230,524)**	**(82,452)**	**(552,931)**	**(73,859)**	**(7,924)**	**(1,947,690)**
Net	**15,226,813**	**2,990,091**	**5,936,186**	**1,990,718**	**766,678**	**26,910,486**

31 December 2006	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	13,878,750	2,677,989	5,514,823	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	**15,312,047**	**2,888,188**	**6,376,625**	**1,648,414**	**788,640**	**27,013,914**
Collective impairment	(252,423)	(11,367)	(197,776)	(15,156)	(3,513)	(480,235)
Specific allowance for impairment	(1,019,389)	(51,520)	(330,739)	(50,835)	(4,317)	(1,456,800)
Total allowance for impairment	**(1,271,812)**	**(62,887)**	**(528,515)**	**(65,991)**	**(7,830)**	**(1,937,035)**
Net	**14,040,235**	**2,825,301**	**5,848,110**	**1,582,423**	**780,810**	**25,076,879**

Fair value of collateral:

30 June 2007	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Watch listed loans	87,820	111,933	-	17,996	-	217,749
Loans under legal follow - up	242,771	26,168	-	21,687	756	291,382
Total	**330,591**	**138,101**	**-**	**39,683**	**756**	**509,131**

31 December 2006	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Watch listed loans	103,325	123,670	-	8,193	-	235,188
Loans under legal follow - up	220,642	5,122	-	25,215	756	251,735
Total	**323,967**	**128,792**	**-**	**33,408**	**756**	**486,923**

The Group's total cash exposure to Çukurova Group amounts to US$777,142,563 including the accrued interest of US$14,725,386 as of 30 June 2007 (31 December 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 6.743% 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 YTL1,235,706 thousand as of 30 June 2007. As further explained in Note 37, Çukurova Holding made an early repayment at 13 July 2007 amounting to around USD480 million and loan amount regarding to the FRA decreased to USD257,858,006.

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Allowance for impairment:

Reconciliation of allowance account for losses on loans and advances at 30 June by classes is as follows:

	2007						2006
	Corporate	**Consumer**	**Credit cards**	**Leasing**	**Factoring**	**Total**	**Total**
At 1 January	**1,271,812**	**62,887**	**528,515**	**65,991**	**7,830**	**1,937,035**	**1,703,662**
Provision for loan impairment	78,411	35,296	64,020	19,629	238	197,594	243,082
Amounts recovered during the period	(45,506)	(15,529)	(29,723)	(11,761)	(20)	(102,539)	(124,173)
Loans written off during the period as uncollectible (-)	(72,177)	(156)	(9,881)	-	(124)	(82,338)	(3,045)
Exchange differences	(2,016)	(46)	-	-	-	(2,062)	9,774
At 30 June	**1,230,524**	**82,452**	**552,931**	**73,859**	**7,924**	**1,947,690**	**1,829,300**

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

	30 June 2007	**31 December 2006**
2007	-	840,533
2008	1,376,716	531,580
2009	524,166	303,160
2010 and over	451,085	194,548
Less: unearned finance income	(423,074)	(338,090)
Net investment in finance leases	**1,928,893**	**1,531,731**

NOTE 11 - 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 11 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At 30 June 2007

	Contract/ notional amount	Fair values	
		Assets	**Liabilities**
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	2,861,085	24,868	(24,322)
Currency swaps	2,685,855	692	(23,814)
OTC currency options	1,558,523	-	-
Total OTC derivatives		**25,560**	**(48,136)**
Interest rate derivatives:			
Cross-currency interest rate swaps	1,750,763	12,931	(59,330)
Total OTC derivatives		**12,931**	**(59,330)**
Total derivative assets/ (liabilities) held for trading		**38,491**	**(107,466)**
Derivatives held for hedging			
Derivatives designated as fair value hedges:			
Cross-currency interest rate swaps	297,797	947	(21,200)
Total derivative assets/ (liabilities) held for hedging		**947**	**(21,200)**
Total recognised derivative assets/ (liabilities)		**39,438**	**(128,666)**
Current		26,665	(70,400)
Non-current		12,773	(58,266)
Total recognised derivative assets/ (liabilities)		**39,438**	**(128,666)**

At 31 December 2006:

	Contract/ notional amount	Fair values	
		Assets	**Liabilities**
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	2,012,654	36,873	(20,290)
Currency swaps	1,208,320	15,638	(3,866)
OTC currency options	1,152,604	-	-
Total OTC derivatives		**52,511**	**(24,156)**
Interest rate derivatives:			
Cross-currency interest rate swaps	1,882,353	28,502	(9,500)
Total OTC derivatives		**28,502**	**(9,500)**
Total derivative assets/ (liabilities) held for trading		**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 12 - GOODWILL

	30 June 2007	30 June 2006
Net book amount at 1 January as previously reported	**1,299,005**	**1,121,170**
effect of adjustments on:		
-cost of business combination (Note 26)	-	141,923
-preliminary fair values acquired due to business combination (Note 26)	-	35,912
Net book amount at 1 January as restated	**1,299,005**	**1,299,005**
Additions (*)	18,730	-
Impairment charge	-	-
At 30 June	**1,317,735**	**1,299,005**

(*) Additions in the current period represent cost of combination contingent on the outcome regarding “Non-core Assets Option Agreement” (Note 21).

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 34). Additions to the goodwill amount represent an adjustment to the cost of the business combination which is contingent on the realization of sales of non-core assets as stipulated in “Non-Core Option Agreement” signed between the Bank and Çukurova Holding at 28 September 2005 (Note 21.i.). There was no impairment identified at 30 June 2007 (30 June 2006: None).

NOTE 13 - OTHER INTANGIBLE ASSETS

	30 June 2007	31 December 2006
Cost	338,854	332,898
Accumulated amortisation and impairment	(170,448)	(153,678)
Net book amount	**168,406**	**179,220**

Movements of other intangible assets were as follows:

30 June 2007	Rights and licenses	Software	Trademarks and customer relationships related intangibles	Total
Cost				
At 1 January 2007	**91,002**	**78,812**	**163,084**	**332,898**
Additions	5,578	382	-	5,960
Disposals	(8)	-	-	(8)
Transfers	(4,589)	4,642	-	53
Translation differences	-	(49)	-	(49)
At 30 June 2007	**91,983**	**83,787**	**163,084**	**338,854**
Accumulated amortisation and impairment				
At 1 January 2007	**(59,765)**	**(73,528)**	**(20,385)**	**(153,678)**
Amortisation charge (Note 31)	(6,927)	(1,738)	(8,154)	(16,819)
Disposals	5	-	-	5
Transfers	4,245	(4,247)	-	(2)
Translation differences	-	46	-	46
At 30 June 2007	**(62,442)**	**(79,467)**	**(28,539)**	**(170,448)**
Net book amount at 30 June 2007	**29,541**	**4,320**	**134,545**	**168,406**

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

NOTE 13 - OTHER INTANGIBLE ASSETS (Continued)

30 June 2006	Rights and licences	Software	Trademarks and customer relationships related intangibles	Total
Cost				
At 1 January	**84,322**	**74,636**	**163,084**	**322,042**
Additions	474	910	-	1,384
Disposals	(9,409)	(1)	-	(9,410)
Transfers	-	2,258	-	2,258
Translation differences	-	202	-	202
At 30 June 2006	**75,387**	**78,005**	**163,084**	**316,476**
Accumulated amortisation and impairment				
At 1 January	**(50,978)**	**(65,606)**	**(5,436)**	**(122,020)**
Amortisation charge (Note 31)	(6,802)	(2,158)	(8,154)	(17,114)
Disposals	8,996	1	-	8,997
Transfers	-	(1,492)	-	(1,492)
Impairment charge (Note 31)	-	(2,770)	-	(2,770)
Translation differences	-	(151)	-	(151)
At 30 June 2006	**(48,784)**	**(72,176)**	**(13,590)**	**(134,550)**
Net book amount at 30 June 2006	**26,603**	**5,829**	**149,494**	**181,926**

NOTE 14 - PREMISES AND EQUIPMENT

	30 June 2007	31 December 2006
Cost	4,402,297	4,408,411
Accumulated depreciation and impairment	(3,183,550)	(3,154,337)
Net book amount	**1,218,747**	**1,254,074**

30 June 2007	Land and buildings	Office equipments	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost					
At 1 January 2007	**3,369,374**	**614,220**	**296,026**	**128,791**	**4,408,411**
Additions	584	33,573	4,076	6,815	45,048
Disposals	(17,933)	(24,282)	(4,580)	(2,446)	(49,241)
Transfers	-	2,887	(2,940)	-	(53)
Translation difference	(1,056)	(226)	(384)	(202)	(1,868)
At 30 June 2007	**3,350,969**	**626,172**	**292,198**	**132,958**	**4,402,297**
Accumulated depreciation and impairment					
At 1 January 2007	**(2,330,310)**	**(484,459)**	**(239,560)**	**(100,008)**	**(3,154,337)**
Depreciation charge (Note 31)	(27,585)	(25,598)	(9,056)	(7,245)	(69,484)
Disposals	9,034	23,867	4,335	1,897	39,133
Transfers	-	(2,736)	2,738	-	2
Impairment charge (Note 31)	100	-	-	-	100
Translation difference	296	186	352	202	1,036
At 30 June 2007	**(2,348,465)**	**(488,740)**	**(241,191)**	**(105,154)**	**(3,183,550)**
Net book amount at 30 June 2007	**1,002,504**	**137,432**	**51,007**	**27,804**	**1,218,747**

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

NOTE 14 - PREMISES AND EQUIPMENT (Continued)

30 June 2006

	Land and buildings	Office equipments	Furniture and fixtures, vehicles and other	Leasehold improvements	Total
Cost					
At 1 January	**3,481,567**	**692,423**	**341,698**	**131,700**	**4,647,388**
Additions	169	18,393	3,394	462	22,418
Disposals	(1,564)	(37,907)	(13,819)	(2,836)	(56,126)
Transfers	-	(2,258)	-	-	(2,258)
Translation difference	4,517	923	1,622	866	7,928
At 30 June 2006	**3,484,689**	**671,574**	**332,895**	**130,192**	**4,619,350**
Accumulated depreciation and impairment					
At 1 January 2006 as previously reported	**(2,345,880)**	**(564,010)**	**(268,442)**	**(93,263)**	**(3,271,595)**
preliminary fair values acquired due to business combination	(20,948)	-	-	-	(20,948)
At 1 January 2006 as restated	**(2,366,828)**	**(564,010)**	**(268,442)**	**(93,263)**	**(3,292,543)**
Depreciation charge (Note 31)	(28,978)	(27,099)	(11,431)	(7,927)	(75,435)
Disposals	359	37,569	13,630	2,615	54,173
Transfers	-	1,492	-	-	1,492
Translation difference	(2,462)	(663)	(1,423)	(422)	(4,970)
Impairment charge (Note 31)	1,811	-	(480)	-	1,331
At 30 June 2006	**(2,396,098)**	**(552,711)**	**(268,146)**	**(98,997)**	**(3,315,952)**
Net book amount at 30 June 2006	**1,088,591**	**118,863**	**64,749**	**31,195**	**1,303,398**

At 30 June 2007, total impairment provision on premises and equipment amounts to YTL768,220 thousand (31 December 2006: YTL768,320 thousand).

Leased assets included in the furniture, fixtures, vehicles and equipment, where the Group is the lessee, amounted to YTL117,419 thousand (31 December 2006: YTL100,322 thousand).

NOTE 15 - OTHER ASSETS

	30 June 2007	31 December 2006
Due from insurance policyholders	197,188	182,453
Asset held for resale, net	177,989	182,541
Advances given	162,862	81,076
Prepaid expenses	98,702	76,063
Accounts receivable	63,935	12,362
Prepaid taxes	53,380	64,285
Payments for credit card settlements	48,340	54,674
Other	312,260	289,507
	1,114,656	**942,961**

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.

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

NOTE 15 - OTHER ASSETS (Continued)

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

	2007	2006
Cost		
At 1 January	**497,072**	**503,352**
Additions	8,913	7,286
Disposals	(19,868)	(9,274)
Translation difference	1,262	5,263
At 30 June	**487,379**	**506,627**
Impairment		
At 1 January as previously reported	**(314,531)**	**(312,323)**
- effect of adjustments on preliminary fair values acquired due to business combination	-	(7,925)
At 1 January as restated	**(314,531)**	**(320,248)**
Impairment charge for the period (Note 31)	-	(2,865)
Disposals	6,761	905
Translation difference	(1,620)	(2,732)
At 30 June	**(309,390)**	**(324,940)**
Net book amount at 30 June	**177,989**	**181,687**

NOTE 16 - DEPOSITS FROM BANKS

	30 June 2007			31 December 2006		
	Current/ Demand	Term	Total	Current/ Demand	Term	Total
Foreign currency:						
Domestic banks	15,205	18,094	33,299	22,086	29,586	51,672
Foreign banks	4,445	160,557	165,002	9,330	219,447	228,777
Funds deposited under repurchase agreements	-	227,555	227,555	-	399,088	399,088
	19,650	**406,206**	**425,856**	**31,416**	**648,121**	**679,537**
YTL:						
Domestic banks	2,990	24,068	27,058	3,602	281,255	284,857
Foreign banks	19,030	4,518	23,548	21,120	545	21,665
Funds deposited under repurchase agreements	-	7,877	7,877	-	750,256	750,256
	22,020	**36,463**	**58,483**	**24,722**	**1,032,056**	**1,056,778**
	41,670	**442,669**	**484,339**	**56,138**	**1,680,177**	**1,736,315**

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

NOTE 17 - DUE TO CUSTOMERS

	30 June 2007			31 December 2006		
	Current/ Demand	**Term**	**Total**	**Current/ Demand**	**Term**	**Total**
Foreign currency deposits:						
Saving deposits	1,451,578	7,580,749	9,032,327	1,740,886	7,182,420	8,923,306
Commercial deposits	1,890,872	3,639,232	5,530,104	1,670,682	5,479,847	7,150,529
Public sector deposits	545	-	545	11	-	11
	3,342,995	**11,219,981**	**14,562,976**	**3,411,579**	**12,662,267**	**16,073,846**
YTL deposits:						
Saving deposits	901,552	10,338,788	11,240,340	837,991	8,983,285	9,821,276
Commercial deposits	897,964	5,704,326	6,602,290	976,035	4,990,810	5,966,845
Funds deposited under repurchase agreements	-	769,756	769,756	-	2,207,576	2,207,576
Public sector deposits	60,001	226,944	286,945	9,115	60,463	69,578
	1,859,517	**17,039,814**	**18,899,331**	**1,823,141**	**16,242,134**	**18,065,275**
	5,202,512	**28,259,795**	**33,462,307**	**5,234,720**	**28,904,401**	**34,139,121**

NOTE 18 - OTHER BORROWED FUNDS

	30 June 2007	**31 December 2006**
Foreign institutions and banks		
Syndication loans	1,824,885	2,091,835
Subordinated debt	1,832,118	1,559,258
Other	3,051,595	2,551,145
Total foreign	**6,708,598**	**6,202,238**
Domestic banks	430,552	591,212
Interbank money market	208,250	288,288
Total domestic	**638,802**	**879,500**
	7,347,400	**7,081,738**

Funds borrowed from foreign institutions include two syndicated credit facilities, the first of which in the amount of US$650 million club-term loan facility dated 29 August 2006, with an interest rate of annual Libor+0.25% provided by 24 international banks with Sumitomo Mitsui Banking Corporation Europe Limited acting as agent, and matures on 5 September 2007 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 31 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.

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

NOTE 18 - OTHER BORROWED FUNDS (Continued)

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

NOTE 19 - DEBT SECURITIES IN ISSUE

			Average interest rate (%)	
	30 June 2007	31 December 2006	30 June 2007 (*)	31 December 2006 (*)
US$175,000,000 Series 2006-A Floating Rate Notes Due 2014	225,953	241,773	5.61	5.60
US$200,000,000 Series 2006-B Floating Rate Notes Due 2014	258,231	276,308	5.58	5.57
US$115,000,000 Series 2006-C Floating Rate Notes Due 2013	148,463	158,887	5.71	5.70
€300,000,000 Series 2006-D Floating Rate Notes Due 2014	520,610	544,685	4.29	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	199,558	-	4.25	-
US$250,000,000 of Series 2007-B Floating Rate Notes Due 2015	322,775	-	5.55	-
Other	-	1,335	-	4.00
	1,675,590	**1,651,341**		
Current	-	1,335		
Non-current	1,675,590	1,650,006		
	1,675,590	**1,651,341**		

(*) 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.

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

NOTE 20 - FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	30 June 2007	31 December 2006
Financial liabilities designated at fair value	56,521	-

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 YTL63,124 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 (31 December 2006: None).

NOTE 21 - OTHER PROVISIONS

	30 June 2007	31 December 2006
Provision on estimated liability on transfer of the Fund	639,439	599,240
Provision for losses on credit related commitments	151,140	160,576
Provision for the adjustment on cost of business combination	149,854	175,762
Tax and other legal provisions	80,358	109,792
Provision on export commitment estimated liability	41,541	39,365
Credit card bonus provision	32,231	53,441
Other	10,236	15,840
	1,104,799	**1,154,016**

Estimated liability on transfer of the Fund

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, includes the provision that requires the transfer of pension funds of the banks, including the Fund, to the SSK within three years following the publication of the Banking Law. In accordance with the Banking Law, the actuarial calculation of the liability (if any) on the transfer should be performed by taking into account the procedures and other parameters determined by the commission established by Ministry of Labour and Social Security. Accordingly, the Group calculated the estimated liability for transfer of the Fund to SSK in accordance with the Decree published by the Council of Ministers in the Official Gazette dated 15 December 2006 No.26377 for the purpose of determining the principles and procedures to be applied during the transfer 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.

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 SSK, until the decision regarding the cancellation thereof is published in the Official Gazette. As stipulated in the other relevant articles of the Banking Act, namely article 58, temporary article 7 and in light of the legal opinions obtained, it is interpreted that it is against the law for the Bank to transfer any resources to the Pension Fund to cover the deficit of the Pension Fund as of 31 December 2007. Besides, BRSA expressed its opinion that the cancellation of the transfer of the Fund to the SSK will not have any impact on the measurement principles of the existing liability of the Bank in the subsequent period.

NOTE 21 - OTHER PROVISIONS (Continued)

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 on the Principles and Procedures of Determining the Application of Transfer Transactions ("the Decree"), published in the Official Gazette dated 15 December 2006 with number 26377 by the Decision of Council of Ministers No.2006/11345. Based on this Decree, the actuarial balance sheet of the Fund has been prepared in accordance with a technical interest rate of 10.24% and the CSO 1980 mortality table, and reflects a technical deficit of YTL599,240 thousand at 31 December 2006. The provision for the Fund has been updated in the consolidated interim financial statements at 30 June 2007 as YTL639,439 thousand in order to reflect the estimated 6 months effect.

Provision for the adjustment on cost of business combination

(i) On 28 September 2005 as part of YKB acquisition, KFS and Çukurova Group signed a "Non-core Assets Option Agreement". In accordance with this agreement, for the next 6 years, any 57.4% of the difference calculated between the sale price and the agreed adjusted book value of assets stipulated as non-core for YKB, will be offset against cash loan exposure of Çukurova Group to YKB. The Group estimated the value of this option as YTL106,720 thousand at 30 June 2007 (31 December 2006: YTL106,570 thousand).

(ii) In accordance with the "Advertising Publication Agreement", the parties agreed that YKB and its subsidiaries will spend up to EUR15 million per year for a five-year period after the share transfer on giving advertisements via media companies of Çukurova Group and half of this amount will be used in the payment of the Çukurova Group Loan. New advertisement agreements have been signed between YKB, Çukurova Media Companies and KFS on 10 August 2006 to be replaced with the "Advertising Publication Agreement" signed between YKB and Çukurova Media Companies on 28 September 2005. There has been no change in conditions of the agreement such as the amount of advertisement and duration of the agreement and also in the new agreement, it is anticipated that YKB will publish advertisements via media companies of Çukurova based on Koç Group prices but this time under guarantee of KFS. KFS management estimated cost of this agreement as YTL43,134 thousand as of 30 June 2007 (31 December 2006: YTL52,074 thousand).

(iii) In accordance with Share Purchase Agreement signed between KFS and Çukurova Group on 28 September 2005, if the payment to be done to Turkish Treasury in respect of the transfer of the Yapı Kredi Foundation to the Turkish Social Security Administration or any other prescribed entity or authority does not exceed EUR350 million, 50% of the difference between the payment and EUR350 million will be used to net off the cash loan exposure of Çukurova Group at YKB. According to the clauses of the agreement, the Group estimated no liability as of 30 June 2007 (31 December 2006: YTL17,118 thousand).

Tax and other legal provisions

At 30 June 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 YTL13,910 thousand (31 December 2006: YTL13,599 thousand) as the best estimate of the amount to settle these potential obligations.

The Group recorded total provision of YTL66,448 thousand (31 December 2006: YTL96,193 thousand) against potential tax risks in the form of possible tax duties and penalties in the consolidated interim financial statements for the period ended 30 June 2007.

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

NOTE 21 - OTHER PROVISIONS (Continued)

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 YTL41,541 thousand (31 December 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	**160,576**	**154,070**
Impairment losses on credit related commitments (Note 32)	(9,435)	(3,875)
Translation difference	(1)	-
Balance at 30 June	**151,140**	**150,195**

Movement in other provisions is as follows:

	Estimated liability on transfer of the Fund	Tax and other legal provision	Credit card bonus provision	Export commitment provision	Provision for the adjustment on cost of business combination	Other	Total
Balance at 1 January 2007	**599,240**	**109,792**	**53,441**	**39,365**	**175,762**	**15,840**	**993,440**
Provision (released)/charged	40,199	(23,520)	120,847	2,176	-	(4,707)	134,995
Provision used	-	(5,863)	(142,057)	-	(25,908)	(889)	(174,717)
Translation difference	-	(51)	-	-	-	(8)	(59)
Balance at 30 June 2007	**639,439**	**80,358**	**32,231**	**41,541**	**149,854**	**10,236**	**953,659**

NOTE 22 - TAXATION

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 interim financial statements, have been calculated on a separate-entity basis.

Corporate Tax Law numbered 5520 became effective at 21 June 2006 by being published in the Official Gazette numbered 26205. 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 in the period between the 1st and 25th days of the fourth month following the close of the related fiscal year. Payments can be made up until the end of the month in which the tax return is to be filed.

NOTE 22 - TAXATION (Continued)

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 Controlled Foreign Corporations "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 in a foreign currency in the related period.

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 as per this article 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.

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. 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.

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.

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%.

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%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

NOTE 22 - TAXATION (Continued)

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.

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.

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

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 taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

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 revenues 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:

NOTE 22 - TAXATION (Continued)

If the Turkish resident company holds at least 10% stake for a continuous period of a year in the non resident company. If the total tax burden of the non resident company is at least 15% (For insurance finance and financing leasing companies and for the companies whose main activity is investment in securities tax burden should be equal to at least the corporate tax burden in Turkey). If the profit is transferred to Turkey in cash till the corporate tax declaration date.

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.

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.

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

NOTE 22 - TAXATION (Continued)

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 temporary article 69 of the Income Tax Law. The choice of benefiting from investment allowance can not be changed in the annual tax return term.

Apart from the abovementioned 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.

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:

	30 June 2007
Profit before income taxes	**670,704**
Theoretical income tax at the applicable tax rate of 20%	134,141
Effect of different tax rates in other countries	1,437
Non-taxable consolidation adjustments	32,143
Tax effect of items which are not deductible or assessable for taxation purposes:	
- Income exempt from taxation	(50,590)
- Non-deductible expenses for tax purposes	7,392
- Utilisation of investment incentive	(1,286)
- Utilised tax loss carry forward	(3,051)
Income tax expense	**120,186**

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 30 June 2007 (31 December 2006: 20%).

For foreign subsidiaries deferred income taxes calculated on all temporary differences under the liability method using the principal tax rates at 30 June 2007 and 31 December 2006 which are as follows:

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

NOTE 22 - TAXATION (Continued)

Country of incorporation	**Tax rate (%) 30 June 2007**	**Tax rate (%) 31 December 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.

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**	
	30 June 2007	**31 December 2006**	**30 June 2007**	**31 December 2006**
Impairment on assets	1,147,315	1,152,279	162,866	162,511
Allowance for loan impairment	697,648	651,538	126,168	130,307
Estimated liability transfer of the Fund (Note 21)	639,439	599,240	127,888	119,848
Reserve for employee benefits	141,672	165,838	28,314	33,168
Revaluation of derivative instruments at fair value	120,001	31,445	23,123	6,289
Tax losses carried forward	-	11,737	-	2,347
Valuation differences on investment securities	1,285	54,166	316	10,924
Other	186,912	106,690	36,253	21,387
Deferred income tax assets	**2,934,272**	**2,772,933**	**504,928**	**486,781**
Difference between carrying value and tax base of premises and equipment	1,107,116	1,106,023	130,594	130,375
Valuation differences on investment securities	61,310	121,485	11,913	24,300
Revaluation of derivative instruments at fair value	45,799	70,177	9,058	14,417
Assets capitalised under finance leases	8,704	33,138	1,740	6,628
Other	54,996	38,656	6,083	5,532
Deferred income tax liabilities	**1,277,925**	**1,369,479**	**159,388**	**181,252**
Deferred income tax assets, net	**1,656,347**	**1,403,454**	**345,540**	**305,529**

The movements of deferred income taxes were as follows:

	2007	**2006**
Balance at 1 January as previously reported	**305,529**	**634,567**
- effect of adjustments on preliminary fair values acquired due to business combination	-	(917)
Balance at 1 January as restated	**305,529**	**633,650**
Charge for the period, net	42,872	(306,606)
Tax assets charged to equity	(3,012)	27,778
Translation difference	151	633
Balance at 30 June	**345,540**	**355,455**

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

NOTE 23 - RESERVE FOR EMPLOYEE BENEFITS

	30 June 2007	31 December 2006
Reserve for employee benefits	93,714	106,589
Provision for unused annual vacation	47,958	59,249
	141,672	**165,838**

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

	2007	2006
Balance at 1 January as previously reported	**106,589**	**88,625**
- effect of adjustments on preliminary fair values acquired due to business combination	-	6,197
Balance at 1 January as restated	**106,589**	**94,822**
Interest costs	2,590	2,113
Actuarial gains and losses	3,203	1,961
Annual charge	(4,536)	2,305
Paid during the year	(13,911)	(4,210)
Translation difference	(221)	222
Balance at 30 June	**93,714**	**97,213**

The total of interest cost, actuarial gains and losses and annual charge for the year amounting to YTL1,257 thousand (30 June 2006: YTL6,379 thousand) were included in staff costs (Note 31).

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 YTL1,969,69 (31 December 2006: YTL1,857.44 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 interim 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:

	30 June 2007	31 December 2006
Discount rate (%)	5.71	5.71
The probability of retirement (%)	96.24	96.50

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

NOTE 23 - RESERVE FOR EMPLOYEE BENEFITS (Continued)

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 YTL2,030.19 (1 January 2007: YTL1,960.69) which is effective from 1 July 2007, has been taken into consideration in calculating the reserve for employee benefits of the parent and its domestic subsidiaries.

NOTE 24 - INSURANCE TECHNICAL RESERVES

	30 June 2007	31 December 2006
Mathematical reserve	283,375	301,374
Profit share reserve	218,655	230,992
Unearned premium reserve	202,017	196,039
Outstanding claim reserve	48,082	50,785
IBNR reserve	9,215	11,223
Total	**761,344**	**790,413**

The movements of insurance technical reserves were as follows:

	2007	2006
Net book amount at 1 January	**790,413**	**830,043**
Provision released	(210,839)	(122,719)
Charge for the period, net	203,255	58,110
Foreign exchange difference	(21,485)	76,283
Net book amount 30 June	**761,344**	**841,717**

NOTE 25 - OTHER LIABILITIES

	30 June 2007	31 December 2006
Credit card payables	1,810,183	1,667,683
Import deposit and transfer orders	385,434	373,670
Miscellaneous payables to customers	183,948	241,609
Blocked accounts	144,796	427,243
Clearing accounts	121,954	64,344
Taxes other than income and withholdings	107,666	99,327
Premium and bonuses payable to personnel	57,171	95,260
Unearned income	39,260	45,329
Advances taken	28,900	25,163
Saving Deposits Insurance Fund payable	6,210	5,979
Other	615,705	521,713
Total	**3,501,227**	**3,567,320**

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

NOTE 26 - ACQUISITIONS AND MERGERS

(i) 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.

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**
	1,023,528
Adjustment on cost of business combination	189,279
Goodwill on acquisition (Note 12)	**1,212,807**

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.(c), 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.

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

NOTE 26 - ACQUISITIONS AND MERGERS (Continued)

(ii)Legal mergers of other financial subsidiaries

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.

Koç Yatırım, has been transferred 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.

NOTE 27 - SHARE CAPITAL

The historic amount of share capital of the Company consists of 251,127,486,844 (31 December 2006: 251,127,486,844) authorised shares with a nominal value of YTL0.01 each. The Company's authorised capital amounts to YTL2,511,275 thousand (31 December 2006: YTL2,511,275 thousand).

As of 26 February 2007, UCI is transferred 50% of its shares in KFS to the Bank Austria Creditanstalt AG ("BA-CA"). This transfer is subject to the permission of the Capital Market Board. Since BA-CA is a company under the management of UCI, the share transfer does not result in an amendment to the management or the control of either YKB or YKB's equity participations. Consequently, BA-CA received the exemption from the permission requirement as a result of other publicly held shares from CMB.

At 30 June 2007, the issued and fully paid-in share capital held is as follows:

	30 June 2007		31 December 2006	
Shareholders	**Participation rate (%)**	**YTL thousand**	**Participation rate (%)**	**YTL thousand**
BA-CA	50.00	1,255,638	-	-
Koç Holding A.Ş.	33.13	831,919	33.13	831,919
Koç Family and Koç Group Companies	16.87	423,718	16.87	423,718
UniCredito Italiano S.p.A.	-	-	50.00	1,255,638
Historical share capital	**100.00**	**2,511,275**	**100.00**	**2,511,275**
Adjustment to share capital		82,466		82,466
Total paid in share capital		**2,593,741**		**2,593,741**

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

NOTE 28 - RETAINED EARNINGS AND OTHER RESERVES

	30 June 2007	31 December 2006
Revaluation reserve - available-for-sale investments	20,498	14,652
Statutory reserve	10,418	9,694
Translation reserves	(27,888)	(7,682)
Hedging reserves	(9,932)	(15,390)
Total other reserves	**(6,904)**	**1,274**
Retained earnings	1,445,704	1,000,446
	1,438,800	**1,001,720**

Movements in other reserves were as follows:

	Revaluation reserves	Statutory reserves	Translation reserves	Hedging reserves	Total
Balance at 1 January 2007	**14,652**	**9,694**	**(7,682)**	**(15,390)**	**1,274**
Net change in available-for-sale Investments, net of tax	5,846	-	-	-	5,846
Gains on hedges of a net investment in a foreign operation	-	-	-	5,458	5,458
Currency translation differences	-	-	(20,206)	-	(20,206)
Transfer to reserves	-	724	-	-	724
Balance at 30 June 2007	**20,498**	**10,418**	**(27,888)**	**(9,932)**	**(6,904)**

	Revaluation reserves	Statutory reserves	Translation reserves	Hedging reserves	Total
Balance at 1 January 2006	**6,844**	**2,708**	**(56,230)**	**-**	**(46,678)**
Net change in available-for-sale Investments, net of tax	8,153	-	-	-	8,153
Gains on hedges of a net investment in a foreign operation	-	-	-	(22,465)	(22,465)
Transfer from reserves	-	6,986	-	-	6,986
Currency translation differences	-	-	78,007	-	78,007
Balance at 30 June 2006	**14,997**	**9,694**	**21,777**	**(22,465)**	**24,003**

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 29 - NET INTEREST INCOME

	30 June 2007	30 June 2006
Interest income on:		
Loans and advances :		
- to banks	68,582	60,013
- to customers	1,916,708	1,587,740
Reserve deposits	90,740	59,032
Investment securities	915,820	604,855
Financial leases	117,181	71,695
Other	58,549	18,667
Total interest income	**3,167,580**	**2,402,002**
Interest expense on:		
Deposits from banks	12,806	33,924
Due to customers	1,617,932	1,141,843
Repurchase agreement	173,168	37,281
Other borrowed funds	229,788	181,455
Other	64,394	25,837
Total interest expense	**2,098,088**	**1,420,340**
Net interest income	**1,069,492**	**981,662**

NOTE 30 - NET FEE AND COMMISSION INCOME

	30 June 2007	30 June 2006
Fee and commission income on:		
Credit/debit cards	306,258	260,454
Assets under management	90,356	110,564
Banking services	126,647	61,756
Loans		
- Credit related commitments	66,404	68,457
- Loans and advances	25,767	33,662
Insurance products	20,777	21,487
Brokerage	8,817	16,439
Factoring	5,593	5,907
Other	23,466	40,522
Total fee and commission income	**674,085**	**619,248**
Fee and commission expense on:		
Credit/debit cards	108,455	97,275
Other borrowed funds	2,026	4,107
Brokerage	2,555	2,572
Factoring	2,034	2,265
Other	50,861	39,494
Total fee and commission expense	**165,931**	**145,713**
Net fee and commission income	**508,154**	**473,535**

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

NOTE 31 - OTHER OPERATING EXPENSES

	30 June 2007	30 June 2006
Staff costs	**509,488**	**409,047**
Depreciation on premises and equipment (Note 14)	69,484	75,435
Amortisation of intangible assets (Note 13)	16,819	17,114
Depreciation and amortisation	**86,303**	**92,549**
Reversal of impairment on premises and equipment (Note 14)	(100)	(1,331)
Impairment charge on intangible assets (Note 13)	-	2,770
Impairment charge on assets held for resale (Note 15)	-	2,865
Impairment charge	**(100)**	**4,304**
Marketing and advertisement costs	57,654	50,437
Communication expenses	47,833	43,444
Rent expenses	30,297	25,597
Sundry taxes and duties	23,204	18,403
Payment to saving deposit insurance find	12,426	25,965
Repair and maintenance expenses	11,369	17,332
Utilities	11,054	9,216
Audit and consultancy fees	8,671	9,101
Charity	2,624	2,417
Insurance fee	1,124	4,621
Other	106,081	96,371
General administrative expenses	**312,337**	**302,904**
Total	**908,028**	**808,804**

NOTE 32 - IMPAIRMENT LOSSES ON LOANS AND CREDIT RELATED COMMITMENTS

	30 June 2007	30 June 2006
Impairment losses on loans and receivables (Note 10)	95,055	118,909
Impairment losses on credit related commitments (Note 21)	(9,435)	(3,875)
	85,620	**115,034**

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

NOTE 33 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities at 30 June 2007 and 31 December 2006.

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 21).

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

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer 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:

30 June 2007	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	2,218,577	147,259	-	2,365,836
Letter of guarantees	9,583,173	1,162,270	290,015	11,035,458
Acceptance credits	214,521	-	-	214,521
Other commitments	1,193,074	226,317	7,844	1,427,235
Total	**13,209,345**	**1,535,846**	**297,859**	**15,043,050**

31 December 2006	Not later than 1 year	1-5 years	Over 5 years	Total
Letter of credits	2,410,902	167,106	-	2,578,008
Letter of guarantees	9,671,812	1,407,804	142,521	11,222,137
Acceptance credits	230,239	-	-	230,239
Other commitments	1,128,018	344,334	10,417	1,482,769
Total	**13,440,971**	**1,919,244**	**152,938**	**15,513,153**

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

NOTE 34 - 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, Azerbaijan and Russia.

Other operations comprise mainly treasury operations with total assets managed by treasury amounting to YTL16,188,706 thousand, total liabilities amounting to YTL7,907,747 thousand, insurance business with total assets amounting to YTL1,824,470 thousand and total liabilities amounting to YTL1,502,347 thousand.

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

At 30 June 2007	**Retail banking**	**Corporate banking**	**Private banking and wealth management**	**Credit cards**	**Foreign operations**	**Other**	**Eliminations**	**Group**
Segment revenue	466,198	439,936	142,570	455,554	45,078	422,472	(174,914)	1,796,894
Segment result	444,384	412,716	142,545	335,762	45,803	369,983	(174,914)	1,576,279
Unallocated costs	-	-	-	-	-	-	-	(908,028)
Operating profit	**444,384**	**412,716**	**142,545**	**335,762**	**45,803**	**369,983**	**(174,914)**	**668,251**
Share of results of associates								2,453
Profit before tax								**670,704**
Income tax expense								(120,186)
Profit for the period								**550,518**
Segment assets	5,049,875	14,619,588	519,718	5,894,972	2,571,830	22,060,857	(916,439)	49,800,401
Associates								40,172
Unallocated assets								4,015,884
Total assets								**53,856,457**
Segment liabilities	13,138,688	12,599,068	7,720,095	1,558,589	2,091,546	8,476,743	(933,158)	44,651,571
Unallocated liabilities								4,334,477
Total liabilities								**48,986,048**

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

NOTE 35 - 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:

	30 June 2007		31 December 2006	
	Total	**Share in total %**	**Total**	**Share in total %**
Loans and advances to customers, net	715,229	1	1,191,328	5
Loans and advances to banks	20,827	3	79,889	3
Derivative financial instruments	89	-	201	-
Other assets	142	-	160	-
Total assets	**736,287**		**1,271,578**	
Due to customers	2,721,459	8	3,011,990	9
Deposits from banks	32,058	7	112,990	7
Other borrowed funds	448,621	6	296,444	4
Other liabilities	253	-	10,395	-
Derivative financial instruments	-	-	74	-
Total liabilities	**3,202,391**		**3,431,893**	
Credit related commitments	563,991	4	717,021	4
Commitment under derivative instruments	139,546	2	118,777	2
Total commitments and contingent liabilities	**703,537**		**835,798**	

(ii) Transactions with related parties:

	30 June 2007		30 June 2006	
	Total	**Share in total %**	**Total**	**Share in total %**
Interest income on loans and advances to customers	38,889	2	22,960	1
Interest income on loans and advances to banks	85	-	1,356	
Interest income on financial leases	4,134	4	2,538	4
Fee and commission income	5,649	1	2,885	-
Other operating income	428	-	1,591	4
Total interest and fee income	**49,185**		**31,330**	
Interest expense on deposits	152,574	9	69,922	6
Fee and commission expense	48	-	51	-
Other operating expense	2,102	-	714	-
Total interest and fee expense	**154,724**		**70,687**	

(iii) Information regarding benefits provided to the Group's key management:

Salaries paid to the Group's key management approximately amount to YTL7,604 thousand in 30 June 2007 (31 December 2006: YTL18,500 thousand).

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

NOTE 36 - ASSETS UNDER MANAGEMENT

At 30 June 2007, the Group manages 26 open-ended mutual funds (31 December 2006: 30) and 19 private pension funds (31 December 2006: 19), which were established under the Turkish Capital Market Board Regulations.

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

Name of the fund	30 June 2007 %	31 December 2006 %	30 June 2007 YTL	31 December 2006 YTL
Mutual Funds				
Yapı ve Kredi Bankası A.Ş. B Tipi Likit Fonu	0.013	0.013	3,238,408	1,337,291
Yapı ve Kredi Bankası A.Ş. B Tipi Orta Vadeli Tahvil ve Bono Fonu	0.006	0.008	257,235	217,900
Yapı ve Kredi Bankası A.Ş. B Tipi Değişken Fon	0.007	0.010	341,802	299,870
Koç Yatırım Menkul Değerler A.Ş. B Tipi Tahvil ve Bono Fonu	0.006	0.006	91,388	85,327
Koç Yatırım Menkul Değerler A.Ş. B Tipi Özel Portföy Yönetimi Değişken Fonu	0.005	0.005	69,252	76,886
Koç Yatırım Menkul Değerler A.Ş. B Tipi Likit Fonu	0.009	0.009	103,849	97,553
Yapı ve Kredi Bankası A.Ş. B tipi Özel Bankacılık Büyüme Amaçlı Değişken Fonu	0.006	0.008	33,273	38,939
Yapı ve Kredi Bankası A.Ş. B tipi Özel Bankacılık Değişken Fonu	0.006	0.007	45,665	53,587
Yapı ve Kredi Bankası A.Ş. A Tipi Özel Bankacılık İMKB Ulusal 30 Endeksi Fonu	0.003	0.003	26,435	24,731
Koçbank A.Ş. A Tipi Değişken Fon	-	0.015	-	27,323
Yapı Kredi Bankası A.Ş. A Tipi İMKB Ulusal 100 Endeksi Fonu	0.010	0.010	10,614	16,278
Koç Yatırım Menkul Değerler A.Ş. A Tipi Özel Portföy Yönetimi Değişken Fonu	0.008	0.008	4,949	8,730
Yapı Kredi Bankası A.Ş. A Tipi Hisse Senedi Fonu	0.010	0.015	12,925	4,975
Koç Yatırım Menkul Değerler A.Ş. A Tipi Koç Şirketleri İştirak Fonu	0.010	0.010	5,574	6,916
Yapı ve Kredi Bankası A.Ş. B Tipi Tahvil Bono (Eurobond) Fonu	0.008	0.008	1,468	1,450
Yapı ve Kredi Bankası A.Ş. A Tipi Koç Allianz Sigorta Özel Fon	0.003	0.003	299	262
BankEuropa Bankası A.Ş. A Tipi Değişken Fonu	0.014	0.014	851	1,292
BankEuropa Bankası A.Ş. B Tipi Tahvil Bono Fonu	0.010	0.010	5,172	3,796
BankEuropa Bankası A.Ş. B Tipi Likit Fonu	0.008	0.008	46,017	42,860
Yapı Kredi Bankası A.Ş. B Tipi Likit Fonu	-	0.013	-	2,430,064
Yapı Kredi Bankası A.Ş. B Tipi Büyüme Amaçlı Değişken Fon	0.007	0.010	53,032	15,474
Yapı Kredi Yatırım Menkul Değerler A.Ş. B Tipi Tahvil ve Bono Fonu	0.008	0.008	15,816	12,569
Yapı Kredi Bankası A.Ş. A Tipi Karma Fon	0.010	0.015	2,192	3,121
Yapı Kredi Bankası A.Ş. A Tipi Hisse Fon	-	0.015	-	3,271
Yapı Kredi Bankası A.Ş. A Tipi Yabancı Menkul Kıymetler Fonu	0.010	0.015	477	820
Yapı Kredi Bankası A.Ş. B Tipi Tahvil ve Bono Fonu	-	0.008	-	66,863
Yapı Kredi Yatırım Menkul Değerler A.Ş. B Tipi Likit Fonu	0.008	0.008	228,760	113,380
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi İMKB Ulusal 30 Endeksi Fonu	0.012	0.012	12,944	13,862
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Değişken Fon	0.012	0.012	18,969	5,211
Yapı Kredi Yatırım Menkul Değerler A.Ş. A Tipi Karma Fonu	0.003	0.003	33,964	30,353
Total mutual funds			**4,661,330**	**5,040,954**

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

NOTE 36 - ASSETS UNDER MANAGEMENT (Continued)

Name of the fund	30 June 2007 %	31 December 2006 %	30 June 2007 YTL	31 December 2006 YTL
Pension funds				
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.0052	0.0052	129,450	102,981
Koç Allianz İhtisaslaşmış IMKB Ulusal 30 Endeksi Emeklilik Yatırım Fonu	0.0082	0.0082	17,619	12,746
Koç Allianz Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	0.0052	0.0052	23,037	18,005
Koç Allianz Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	0.0075	0.0075	12,646	9,489
Koç Allianz Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	9,486	8,630
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları (Dövize End.) Emeklilik Yatırım Fonu	0.0058	0.0058	5,758	5,502
Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz") Para Piyasası Emanet Likit Kamu Emeklilik Yatırım Fonu	0.0060	0.0060	282	357
Koç Allianz Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	0.0055	0.0055	3,115	2,663
Yapı Kredi Emeklilik Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.0055	0.0055	36,804	26,439
Yapı Kredi Emeklilik Esnek (YTL) Grup Emeklilik Yatırım Fonu	0.0028	0.0028	798	514
Yapı Kredi Emeklilik Esnek(Döviz) Grup Emeklilik Yatırım Fonu	0.0028	0.0028	209	207
Yapı Kredi Emeklilik Esnek Emeklilik Yatırım Fonu	0.0055	0.0055	124,198	100,936
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	80,913	80,939
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.0055	0.0055	207,466	163,007
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Borçlanma Araçları (Döviz) Emeklilik Yatırım Fonu	0.0055	0.0055	40,629	38,019
Yapı Kredi Emeklilik Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	0.0055	0.0055	1,818	1,604
Yapı Kredi Emeklilik Para Piyasası Emanet Likit Karma Emeklilik Yatırım Fonu	0.0055	0.0055	985	1,294
Yapı Kredi Emeklilik Para Piyasası Likit- Kamu Emeklilik Yatırım Fonu	0.0055	0.0055	87,841	67,034
Yapı Kredi Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu (Euro)	0.0055	0.0055	2,005	634
Total pension funds			**785,059**	**641,000**
Total			**5,446,389**	**5,681,954**

NOTE 37 - POST BALANCE SHEET EVENTS

(i) The early repayment of the loan in the scope of Çukurova FRA amounting to USD480.000 thousand was made on 13 July 2007 and the amount was charged against loans in the scope of Çukurova FRA by transferring the money to the related Bank accounts by Çukurova Holding. After the early repayment of the loan, the cash loan liability of Çukurova Group to the Parent Bank decreased from USD737.858.006 to USD257.858.006.The remaining portion of the cash loan with interests will be paid by 30 September 2015 in instalments. According to the "Pledge Agreement" signed on 28 September 2005, the pledge on the Çukurova Group loan, non-cash risks, additional loans and guarantees corresponding to over 100% of accrued and non-accrued interests was removed. After the payment, according to the "Pledge Agreement" signed between the Bank, Çukurova Holding and Çukurova Investments on 28 September 2005, the Bank has a continuous pledge on 2,73% of Turkcell shares of Çukurova Holding and Çukurova Investments in relation to the Çukurova Group loans.

(ii) In scope of the restructuring process of the foreign subsidiaries of the Bank and KFS, the merger transaction of Yapı Kredi Bank Nederland N.V. that is established in Nederland and fully owned by YKB (via Yapı Kredi Holding B.V. which is a 100% subsidiary) and Koçbank Nederland N.V. that is a 100% subsidiary of KFS was completed on 2 July 2007 under the name of Yapı Kredi Bank Nederland N.V. and YKB's share percentage in the new shareholding structure has been realised as 32,76% and KFS's as 67,24%.

(iii) The process that started as of October 2006 regarding the collection of offers via adjudication in order to wholesale some immovable that are under the scope of the "Non-Core Option Agreement" signed between the Bank and Çukurova Holding at 28 September 2005, and some other non-core real estate that are outside the scope of the Option Agreement, has been finalised as of 11 July 2007 with the Real Estate Wholesale Agreement signed with Anadolu Gayrimenkul Yatırımcılığı ve Ticaret A.Ş. which is fully owned by AIM Consortium. The purchasing party has paid the collateral of the agreement amounting to EUR34.125.000 in cash on 10 August 2007 and the transfer procedures have started from this date on. The Group will realise EUR134 million of sales proceeds as a result of the transaction and each sales transaction will be realised individually.

(iv) With the permission decisions of the BRSA dated 21 June 2007 and 8 August 2007, it has been decided to start of the transactions regarding the shares of KFS in Yapı Kredi Faktoring, Yapı Kredi Leasing and Yapı Kredi Azerbaycan Closed Joint Stock Company and the YKB share certificates to be subject to the share exchange in accordance with article 19 of the Banking Act numbered 5411 and article 5 of the Regulation regarding the Merger, Transfer, Spin-off and Share Exchange Transactions of Banks. As a result of the calculations in accordance with the Capital Markets Board ("CMB") and BRSA regulations, in order to determine the share exchange ratio and the amount of the capital increase out of the share exchange transaction, the "share exchange ratio" has been determined as 91.90%, the capital after share exchange as YTL3,426 million, and the amount of capital increase as YTL277 million. The share of KFS in YKB is expected to increase from 80.2% to 81.8% with the completion of share exchange transactions. The required legal procedures are in progress as of the reporting date.

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