Yapı ve Kredi Bankası A.Ş.

Interim condensed consolidated financial statements at June 30, 2010 together with independent auditor's review report

Index to the interim condensed consolidated financial statements at June 30, 2010
(These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

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Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Yapı ve Kredi Bankası A.Ş. and its subsidiaries ("the Group") as at June 30, 2010, comprising of interim consolidated statement of financial position as at June 30, 2010 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated 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. Consequently it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2009 were audited by another auditor, who expressed an audit report with an unqualified opinion on those statements on March 23, 2010.The interim condensed consolidated financial statements of the Group as at and for the six-month period ended June 30, 2009 were reviewed by the same auditor, who expressed a review report with an unqualified conclusion on those statements on August 21, 2009.

Ernst & Young

August 27, 2010
İstanbul, Turkey

Yapı ve Kredi Bankası A.Ş.

Interim consolidated statement of financial position at June 30, 2010
(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

	Note	June 30, 2010	December 31, 2009
Assets			
Cash and balances with central banks	5	4,885,420	4,229,335
Loans and advances to banks		4,694,824	3,796,084
Financial assets held for trading			
-Trading securities		218,959	365,923
-Derivative financial instruments	4	383,390	617,704
Loans and advances to customers	6	50,050,414	42,137,597
Hedging derivatives	4	31,351	128,631
Investment securities			
-Available-for-sale	7	3,313,643	2,054,256
-Held-to-maturity	7	12,881,601	13,318,719
Investment in associate		58,125	58,939
Goodwill		1,023,528	1,023,528
Other intangible assets		234,373	216,441
Property and equipment		1,101,276	1,156,183
Deferred income tax assets	12	820,731	771,084
Other assets		1,667,804	1,149,887
Total assets		**81,365,439**	**71,024,311**
Liabilities			
Deposits from banks	8	4,098,324	2,432,179
Customer deposits	9	47,989,673	42,181,386
Funds borrowed	10	9,444,864	8,631,136
Debt securities in issue	11	1,532,500	1,744,478
Derivative financial instruments	4	597,151	268,515
Income taxes payable		158,174	69,036
Deferred income tax liabilities	12	231,429	288,294
Hedging derivatives	4	327,158	357,613
Other provisions	13	424,919	397,871
Retirement benefit obligations		968,162	964,541
Insurance technical reserves		912,236	866,804
Other liabilities		4,888,410	4,116,055
Total liabilities		**71,573,000**	**62,317,908**
Equity			
Share capital and share premium		4,822,259	4,822,259
Other reserves	14	211,622	235,993
Retained earnings	14	4,703,934	3,594,934
Equity attributable to equity holders of the parent		**9,737,815**	**8,653,186**
Equity attributable to non-controlling interests		54,624	53,217
Total equity		**9,792,439**	**8,706,403**
Total liabilities and equity		**81,365,439**	**71,024,311**

The accompanying notes set out on pages 7 to 40 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of income for the six-month period ended June 30, 2010
(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

	Note	June 30, 2010	June 30, 2009
Interest income		3,226,469	4,126,443
Interest expense		(1,548,465)	(2,183,165)
Net interest income		**1,678,004**	**1,943,278**
Fee and commission income		1,040,146	1,009,991
Fee and commission expense		(143,609)	(194,411)
Net fee and commission income		**896,537**	**815,580**
Foreign exchange gains, net		38,509	83,558
Net trading, hedging and fair value income / (loss)	15	(43,874)	210,474
Gains / (losses) from investment securities, net	15	39,822	(35,574)
Insurance technical income, net		43,791	18,730
Other operating income		116,745	102,109
Operating income		**2,769,534**	**3,138,155**
Impairment losses on loans and credit related commitments, net		(39,576)	(770,621)
Provision for retirement benefit obligations		(12,745)	(47,071)
Other provisions	13	(69,411)	(72,774)
Other operating expenses	16	(1,175,727)	(1,075,998)
Operating profit		**1,472,075**	**1,171,691**
Share of profit of associate		2,593	1,680
Profit before income tax		**1,474,668**	**1,173,371**
Income tax expense	12	(295,610)	(229,600)
Profit for the period		**1,179,058**	**943,771**
Attributable to:			
Equity holders of the parent		1,176,739	937,877
Non-controlling interest		2,319	5,894
		1,179,058	**943,771**
Basic and diluted earnings per share attributable to the equity holders of the parent (expressed in TL per thousand share)	20	2.71	2.16

The accompanying notes set out on pages 7 to 40 form an integral part of these interim condensed consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Interim consolidated statement of comprehensive income
for the six-month period ended June 30, 2010
(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

	Note	June 30, 2010	June 30, 2009
Profit for the period		**1,179,058**	**943,771**
Exchange differences on translation of foreign operations		(42,228)	(4,175)
Net gains / (losses) on available-for-sale financial assets			
- Unrealised net gains / (losses) arising during the period, before tax		(2,187)	32,502
- Net amount reclassified to the statement of income, before tax		(1,463)	1,378
Net investment hedges			
- Net gains (losses) arising on hedges recognized in other comprehensive income, before tax		44,460	(626)
- Net amount reclassified to the statement of income, before tax		-	-
Cash flow hedges			
- Net losses arising on hedges recognized in other comprehensive income, before tax		(123,142)	-
- Net amount reclassified to the statement of income, before tax		18,423	-
Income tax relating to components of other comprehensive income	**14**	**13,808**	**607**
Other comprehensive income for the period, net of tax		**(92,329)**	**29,686**
Total comprehensive income for the period		**1,086,729**	**973,457**
Total comprehensive income attributable to:			
Equity holders of the parent (total)		1,084,629	967,140
Non-controlling interest (total)		2,100	6,317

The accompanying notes set out on pages 7 to 40 form an integral part of these interim condensed consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Interim consolidated statement of changes in equity
for the six-month period ended June 30, 2010
(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

	Note	Share capital	Share premium	Other reserves (Note 14)	Retained earnings (Note 14)	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the parent						
Balance at January 1, 2009		4,286,580	535,679	107,598	2,065,235	6,995,092	43,923	7,039,015
Profit for the period		-	-	-	937,877	937,877	5,894	943,771
Other comprehensive income for the period		-	-	29,263	-	29,263	423	29,686
Total comprehensive income for the period		-	-	29,263	937,877	967,140	6,317	973,457
Dividends paid		-	-	-	-	-	(1,438)	(1,438)
Transfer to statutory reserves		-	-	52,131	(52,131)	-	-	-
Balance at June 30, 2009		4,286,580	535,679	188,992	2,950,981	7,962,232	48,802	8,011,034
Balance at January 1, 2010		4,286,580	535,679	235,993	3,594,934	8,653,186	53,217	8,706,403
Profit for the period		-	-	-	1,176,739	1,176,739	2,319	1,179,058
Other comprehensive income for the period		-	-	(92,110)	-	(92,110)	(219)	(92,329)
Total comprehensive income		-	-	(92,110)	1,176,739	1,084,629	2,100	1,086,729
Dividends paid		-	-	-	-	-	(693)	(693)
Transfer to statutory reserves		-	-	67,739	(67,739)	-	-	-
Balance at June 30, 2010		4,286,580	535,679	211,622	4,703,934	9,737,815	54,624	9,792,439

The accompanying notes set out on pages 7 to 40 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of cash flow for the six-month period ended June 30, 2010

(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

	Note	June 30, 2010	June 30, 2009
Cash flows from operating activities			
Net profit		1,179,058	943,771
Adjustments for:			
Unrealized gain on financial assets held for trading, net		22,586	(6,288)
Allowances for losses on loans and credit related commitments	6,13	39,576	770,621
Measurement of derivative financial instruments at fair value	4	629,775	(228,275)
Share of profit of associate		(2,593)	(1,680)
Amortization of other intangible assets	16	21,221	18,654
Depreciation of property and equipment	16	69,705	72,532
(Reversal of) impairment charge on property and equipment	16	(1,246)	(20)
(Reversal of) impairment charge on intangible assets	16	(2,770)	-
Provision for current and deferred income taxes	12	295,610	229,600
Other provisions	13	69,411	72,774
Provision for retirement benefit obligations		12,745	47,071
Other liabilities		(48,878)	(71,235)
Unearned commission income		8,795	(3,946)
Dividend income		(927)	(3,365)
Interest income, net		(1,678,004)	(1,943,278)
Interest paid		(1,504,479)	(2,273,465)
Interest received		3,260,761	4,388,817
Translation difference		(6,660)	(4,676)
Effect of exchange rates on financing activities		(633,248)	52,194
Other non-cash items		37,844	(277,219)
Cash flows from operating profits before changes in operating assets and liabilities		**1,768,282**	**1,782,587**
Changes in operating assets and liabilities:			
Net decrease / (increase) in cash balances with central banks		(661,099)	125,938
Net decrease / (increase) in loans and advances to banks		(362,028)	709,715
Net decrease / (increase) in trading securities		124,378	(71,260)
Net decrease / (increase) in loans and advances to customers		(7,950,709)	65,170
Net (increase) in other assets		(941,715)	(157,761)
Net increase in deposits from banks		1,912,558	391,312
Net (decrease) / increase in customer deposits		5,793,429	(2,243,825)
Net increase in other liabilities and provisions		675,943	679,262
Income taxes paid		(218,959)	(147,586)
Net cash from operating activities		**140,080**	**1,133,552**
Cash flows from investing activities			
(Purchase of) property and equipment		(29,198)	(37,641)
Proceeds from the sale of property and equipment		16,039	2,702
(Purchase of) intangible assets, net		(36,383)	(32,379)
(Purchase of) held-to-maturity securities		(401,646)	(239,047)
Redemption of held-to-maturity securities		1,131,841	562,463
(Purchase of) available-for-sale securities		(4,654,384)	(1,788,739)
Sale or redemption of available-for-sale securities		3,362,880	2,055,656
Dividends received		927	3,366
Other, net		6,226	27,873
Net cash (used in) / from investing activities		**(603,698)**	**554,254**
Cash flows from financing activities			
(Repayments of) borrowed funds and debt securities		(3,569,268)	(3,141,673)
Proceeds from borrowed funds and debt securities		4,585,553	2,678,954
Issue of ordinary shares		-	-
Dividend paid to minority		(693)	(1,438)
Net cash from / (used in) financing activities		**1,015,592**	**(464,157)**
Net increase in cash and cash equivalents		**551,974**	**1,223,649**
Effects of foreign exchange rate changes on cash and cash equivalents		(72,839)	50,135
Cash and cash equivalents at beginning of period		5,078,426	3,553,244
Cash and cash equivalents at end of period	5	**5,557,561**	**4,827,028**

The accompanying notes set out on pages 7 to 40 form an integral part of these interim condensed consolidated financial statements.

1. General information

Yapı ve Kredi Bankası A.Ş. ("YKB" or the "Bank" or together with its subsidiaries it is referred to as the "Group" in these interim condensed consolidated financial statements) was established with the permission of the Council of Ministers of the Republic of Turkey No.3/6710 on September 9, 1944 as a private capital commercial bank, authorized to perform all banking, economic, financial and commercial activities which are allowed by Turkish laws. The statute of the Bank has not changed since its incorporation. The Group provides retail, corporate and private banking, credit cards, insurance, leasing, factoring and investment management services. The Group has operations in Turkey, the Netherlands, Azerbaijan and Russia.

The Group's immediate parent with 81.80% of shareholding is Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit Group ("UCI") and Koç Group. KFS was established as a financial holding company on March 16, 2001 to combine Koç Group financial services companies under one organization. As of October 22, 2002, Koç Group established a strategic partnership with UCI over KFS.

The Bank's shares have been traded on the Istanbul Stock Exchange ("ISE") since 1987. As of June 30, 2010, 18.20% of the shares of the Bank are publicly traded (December 31, 2009 - 18.20%). The Bank's publicly traded shares are traded on ISE and the representatives of these shares, Global Depository Receipts, are quoted on the London Stock Exchange.

At June 30, 2010, the Group has 16,826 employees (December 31, 2009 - 16,713 employees). The Bank has 846 branches operating in Turkey and 1 branch in an off-shore region (December 31, 2009 - 837 branches operating in Turkey, 1 branch in an off-shore region) and 14,438 employees (December 31, 2009 - 14,333 employees).

There is no change in the consolidation structure of the Group since December 31, 2009.

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

The interim condensed consolidated financial statements have been reviewed, not audited.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 25, 2010.

2. Summary of significant accounting policies

A. Basis of preparation

These interim condensed consolidated financial statements for the period ended June 30, 2010 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2009.

2. Summary of significant accounting policies (continued)

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended December 31, 2009, except for the adoption of the new standards and interpretations as of January 1, 2010 noted below:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009
- IFRS 2 Share–based Payment (Amended) - Group Cash Settled Share-based Payment Transactions effective for annual reporting periods beginning on or after January 1,2010
- IAS 39 Financial Instruments: Recognition and Measurement-Eligible Hedged Items effective for annual reporting periods beginning on or after July 1, 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners effective for annual reporting periods beginning on or after July 1, 2009
- Improvements to IFRSs (April 2009)
- Improvements to IFRSs (issued May 2008)

The adoption of these standards, amendments, and interpretations did not have any effect on the financial performance or position of the Group.

New standards and interpretations not yet adopted

New standards and interpretations that have been issued subsequent to the date of the issuance of the December 31, 2009 annual consolidated financial statements and up to the date of issuance of the Group's interim condensed consolidated financial statements that are not yet effective and not early adopted by the Group are listed below:

Improvements to IFRS (issued May 2010)

In May 2010, International Accounting Standards Board (IASB) made 11 changes in 7 standards:

- IFRS 1: Accounting policy changes in the year of adoption (effective from January 1, 2011)
- IFRS 1: Revaluation basis as deemed cost (effective from July 1, 2010)
- IFRS 1: Use of deemed cost for operations subject to rate regulation effective from January 1, 2011)
- IFRS 3: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised standard
- IFRS 3: Measurement of non-controlling interests
- IFRS 3: Un-replaced and voluntarily replaced share-based payment awards
- IFRS 7: Clarification of disclosures
- IAS 1: Clarification of statement of changes in equity
- IAS 27: Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements
- IAS 34: Significant events and transactions
- IFRIC 13: Fair value of award credits

The adoption of these standards, amendments, and interpretations are not expected to have any material effect on the financial performance or position of the Group.

The interim condensed consolidated financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

2. Summary of significant accounting policies (continued)

The interim condensed consolidated financial statements have been prepared on a historical cost basis; except for available-for-sale investments, derivative financial instruments and other financial assets held for trading, which have all been measured at fair value.

The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The Group does not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or financial asset carried at cost.

The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdiction. Consolidated financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

Reclassifications have been made on comparative figures for the period ended June 30, 2009, to conform to changes in presentation of the consolidated financial statements as of June 30, 2010. Such reclassifications mainly relate to the separate presentation of the effects of foreign exchange rates changes on cash and cash equivalents in the statement of cash flow and correction of the classification of provisions relating to retirement benefit obligations in the statement of income.

B. Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate and foreign currency risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions that meet the specified criteria. 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.

In addition to net investment and fair value hedges that have been adopted in the preparation of the annual consolidated financial statements for the year ended December 31, 2009, effective from January 1, 2010 the Group has designated cash flow hedges the accounting policy for which is described below;

Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in the 'Cash flow hedge' reserve. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in 'Net trading income'.

2. Summary of significant accounting policies (continued)

When the hedged cash flow affects the statement of income, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of income. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged cash flows are ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

3. Changes to critical accounting estimates and judgements in applying accounting policies

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that are applied in the annual consolidated financial statements for the year ended December 31, 2009.

4. Financial risk management

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

A. Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties.

4. Financial risk management (continued)

The Group manages credit risk through the following implementations:

(a) establishment of credit risk policy involving credit risk strategies, implementation of credit policy guidelines, definition of the optimum composition of the overall loan portfolio, credit risk budget and identification of risk positions within legal and group wide limitations;

(b) monitoring and measuring the evolution of credit risk for all segments, (i.e. by industry, sector, geographical area, etc.), presentation of the strategic credit risk related reports to senior management, including evolution of loan provisioning and comparison with peer banks;

(c) obtaining continuity of operative methodologies (e.g. borrower evaluation, loan and collateral classifications, monitoring and recovery principles) for credit processes (underwriting, monitoring and work-out) and related tools (including testing of new functionalities);

(d) evaluation of new credit products, changes to existing ones and monitoring them so as to ensure that their profile is coherent with the risk appetite and reputation risk of the Bank (e.g. on the basis of minimum requirements in terms of granting, monitoring, work-out procedures, pilot phase definition, regular performance measurement, sustainable and sound introduction and growth criteria, etc.);

(e) enhancement and monitoring of the rating and scoring models (probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD")) as well as pricing models for all segments. This includes:

- methodological documentation,
- technical specification for IT implementation and support to local use,
- definition of process guidelines regarding models usage and use tests,
- validation,
- definition of rating override process,
- definition of credit data warehouse,
- cooperation with UniCredit Group for internal validation and credit risk Value-at-Risk ("VaR") model development and calculation;

(f) preparation of credit risk budget in line with predefined lending targets;

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

(h) definition of provisioning methodologies in line with BRSA and IFRS requirements.

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

The higher provisions in 2009 were mainly related to rising non-performing loans related to the global economic crises.

4. Financial risk management (continued)

B. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. As a commercial group, the focus is serving the financial needs of the customers, thereby generating exposure to interest rate and foreign exchange risk.

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

The trading activity of the Group is realized mainly in FX and Securities, which is tolerated within predefined limits. Risk limits are set on an intra-day and end-of-day position basis, as well as on Value at Risk, monitored on a daily basis.

The 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. Besides Economic Value Sensitivity, an overall Value at Risk, covering all statement of financial position items and Basis Point Value ("BPV") methods are used to measure the structural interest rate risk.

As part of the management of market risk, the Group undertakes various hedging strategies with hedge accounting applied (Note 4F). The Group also uses derivative financial instruments such as forwards, swaps, futures and options in the foreign exchange and capital markets. These transactions are considered as effective economic hedges under the Group's risk management policies. However, since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading.

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-statement of financial position foreign exchange derivative instruments. The Group takes an 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 assets and liabilities at carrying amounts, categorized by currency. The off-statement of financial position gap represents the difference between the notional amounts of purchase and sale foreign currency derivative financial instruments.

Notes to the interim condensed consolidated financial statements (continued)
(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

4. Financial risk management (continued)

June 30, 2010

	Foreign currency					
	US$	EUR	Other	Total	TL	Total
Assets						
Cash and balances with central banks	84,340	2,909,916	54,045	3,048,301	1,837,119	4,885,420
Loans and advances to banks	1,788,841	576,887	93,565	2,459,293	2,235,531	4,694,824
Financial assets held for trading						
- Trading securities	17,017	49,286	-	66,303	152,656	218,959
- Derivative financial instruments	40,337	6,257	585	47,179	336,211	383,390
Loans and advances to customers (1)	13,272,719	6,505,007	792,147	20,569,873	29,480,541	50,050,414
Hedging derivatives	-	-	-	-	31,351	31,351
Investment securities						
- Available-for-sale (2)	1,111,483	72,531	67,167	1,251,181	2,062,462	3,313,643
- Held-to-maturity	6,261,900	1,172,559	-	7,434,459	5,447,142	12,881,601
Investment in associate (2)	-	-	58,125	58,125	-	58,125
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	593	593	233,780	234,373
Property and equipment	-	480	16,001	16,481	1,084,795	1,101,276
Deferred income tax assets	-	526	2,116	2,642	818,089	820,731
Other assets	531,865	317,878	149,123	998,866	668,938	1,667,804
Total assets	23,108,502	11,611,327	1,233,467	35,953,296	45,412,143	81,365,439
Liabilities						
Deposits from banks	1,486,126	1,675,552	256,745	3,418,423	679,901	4,098,324
Customer deposits	12,498,089	6,750,133	691,381	19,939,603	28,050,070	47,989,673
Funds borrowed	2,143,955	5,609,911	15,664	7,769,530	1,675,334	9,444,864
Debt securities in issue	949,354	583,146	-	1,532,500	-	1,532,500
Derivative financial instruments	81,480	3,895	395	85,770	511,381	597,151
Income taxes payable	-	4,540	-	4,540	153,634	158,174
Deferred income tax liabilities	-	-	1,686	1,686	229,743	231,429
Hedging derivatives	79,075		-	79,075	248,083	327,158
Other provisions	-	5,373	-	5,373	419,546	424,919
Retirement benefit obligations	-	1,724	-	1,724	966,438	968,162
Insurance technical reserves	252,450	47,634	-	300,084	612,152	912,236
Other liabilities	534,621	397,743	22,081	954,445	3,933,965	4,888,410
Total liabilities	18,025,150	15,079,651	987,952	34,092,753	37,480,247	71,573,000
Net position on statement of financial position	5,083,352	(3,468,324)	245,515	1,860,543	7,931,896	9,792,439
Off-statement of financial position derivative instruments net notional position	(5,553,611)	3,594,246	73,178	(1,886,187)	4,669,642	2,783,455
Net currency position	(470,259)	125,922	318,693	(25,644)	12,601,538	12,575,894

(1) Collective impairment allowance of TL 358,565 calculated on foreign currency denominated loans is presented as TL balance in the above currency position table.

(2) Had the investment in associate and AFS equity instruments been excluded from the foreign currency position table as of June 30, 2010, the net foreign currency position of the Group would decrease from TL (25,644) to TL (83,921).

Notes to the interim condensed consolidated financial statements (continued)
(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

4. Financial risk management (continued)

December 31, 2009

	Foreign currency					
	US$	EUR	Other	Total	TL	Total
Assets						
Cash and balances with central banks	88,474	2,306,349	50,239	2,445,062	1,784,273	4,229,335
Loans and advances to banks	764,160	827,321	78,069	1,669,550	2,126,534	3,796,084
Financial assets held for trading						
- Trading securities	44,227	65,365	-	109,592	256,331	365,923
- Derivative financial instruments	-	-	-	-	617,704	617,704
Loans and advances to customers [1]	11,111,317	6,369,968	586,277	18,067,562	24,070,035	42,137,597
Hedging derivatives	-	-	-	-	128,631	128,631
Investment securities						
- Available-for-sale [2]	937,685	70,587	81,434	1,089,706	964,550	2,054,256
- Held-to-maturity	5,986,127	1,275,991	504	7,262,622	6,056,097	13,318,719
Investment in associate [2]	-	-	58,939	58,939	-	58,939
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	111	111	216,330	216,441
Property and equipment	-	615	16,315	16,930	1,139,253	1,156,183
Deferred income tax assets	-	541	2,970	3,511	767,573	771,084
Other assets	143,529	170,380	192,775	506,684	643,203	1,149,887
Total assets	19,075,519	11,087,117	1,067,633	31,230,269	39,794,042	71,024,311
Liabilities						
Deposits from banks	1,199,071	616,659	196,714	2,012,444	419,735	2,432,179
Customer deposits	11,504,089	6,994,241	740,414	19,238,744	22,942,642	42,181,386
Funds borrowed	1,512,248	5,658,712	43,017	7,213,977	1,417,159	8,631,136
Debt securities in issue	1,016,282	728,196	-	1,744,478	-	1,744,478
Derivative financial instruments	-	-	-	-	268,515	268,515
Income taxes payable	-	653	-	653	68,383	69,036
Deferred income tax liabilities	-	-	1,650	1,650	286,644	288,294
Hedging derivatives	-	-	-	-	357,613	357,613
Other provisions	-	7,012	-	7,012	390,859	397,871
Retirement benefit obligations	-	1,938	-	1,938	962,603	964,541
Insurance technical reserves	264,935	55,513	-	320,448	546,356	866,804
Other liabilities	349,144	242,366	19,515	611,025	3,505,030	4,116,055
Total liabilities	15,845,769	14,305,290	1,001,310	31,152,369	31,165,539	62,317,908
Net position on statement of financial position	3,229,750	(3,218,173)	66,323	77,900	8,628,503	8,706,403
Off- statement of financial position derivative instruments net notional position	(3,092,881)	3,385,106	112,263	404,488	4,072,515	4,477,003
Net currency position	136,869	166,933	178,586	482,388	12,701,018	13,183,406

(1) Collective impairment allowance of TL 352,501 calculated on foreign currency denominated loans is presented as TL balance in the above currency position table.

(2) Had the investment in associate and AFS equity instruments were excluded from the foreign currency position table as of December 31, 2009, the net foreign currency position of the Group would decrease from TL 482,388 to TL 421,543.

At June 30, 2010, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL1.53530 = US$1, and TL1.87360 = EUR 1 (December 31, 2009 - TL 1.46800 = US$1 and TL 2.10620 = EUR 1).

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 TL unless otherwise indicated.
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4. Financial risk management (continued)

ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest rate risk limits are set in terms of an economic sensitivity limit and Basis Point Value ("BPV") limit. Economic sensitivity analysis is performed according to a scenario of 5% shift in TL yield curve and 1% shift in FX yield curve. The resulting profit/loss should not exceed 20% (Sensitivity Limit) of the Bank's Tier 1 + Tier 2 Capital. The BPV limit restricts maximum interest rate risk position by currency and time buckets. BPV is applied for the banking book and represents the sensitivity of the banking book to 1 bps change in interest rates.

The table below summarizes the Group's exposure to interest rate risk at June 30, 2010 and December 31, 2009. Included in the table are the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

June 30, 2010	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	1,426,031	-	-	-	3,459,389	4,885,420
Loans and advances to banks	3,473,891	181,751	539,194	13,406	486,582	4,694,824
Financial assets held for trading						
- Trading securities	33,472	81,592	36,867	9,504	57,524	218,959
- Derivative financial instruments	174,785	193,735	14,870	-	-	383,390
Loans and advances to customers	15,631,889	13,668,486	13,418,316	6,623,426	708,297	50,050,414
Hedging derivatives	5,469	25,882	-	-	-	31,351
Investment securities						
- Available-for-sale	466,054	1,158,269	814,580	842,569	32,171	3,313,643
- Held-to-maturity	3,937,764	2,018,008	2,442,275	4,483,554	-	12,881,601
Investment in associate	-	-	-	-	58,125	58,125
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	-	-	234,373	234,373
Property and equipment	-	-	-	-	1,101,276	1,101,276
Deferred income tax assets	-	-	-	-	820,731	820,731
Other assets	32,000	6,241	-	-	1,629,563	1,667,804
Total assets	**25,181,355**	**17,333,964**	**17,266,102**	**11,972,459**	**9,611,559**	**81,365,439**
Liabilities						
Deposits from banks	2,011,326	1,527,251	232,452	-	327,295	4,098,324
Customer deposits	36,762,494	1,437,741	479,260	130,755	9,179,423	47,989,673
Funds borrowed	4,688,943	4,260,335	307,069	188,517	-	9,444,864
Debt securities in issue	1,531,967	-	-	-	533	1,532,500
Derivative financial instruments	507,233	77,233	12,685	-	-	597,151
Income taxes payable	-	-	-	-	158,174	158,174
Deferred income tax liabilities	-	-	-	-	231,429	231,429
Hedging derivatives	190,858	136,300	-	-	-	327,158
Other provisions	-	-	-	-	424,919	424,919
Retirement benefit obligations	-	-	-	-	968,162	968,162
Insurance technical reserves	26,000	94,006	280,406	115,368	396,456	912,236
Other liabilities	1,498,103	942,120	-	20	2,448,167	4,888,410
Total liabilities	**47,216,924**	**8,474,986**	**1,311,872**	**434,660**	**14,134,558**	**71,573,000**
Net interest repricing gap	**(22,035,569)**	**8,858,978**	**15,954,230**	**11,537,799**	**(4,522,999)**	**9,792,439**
Off- statement of financial position derivative instruments net notional position	5,897,910	1,466,673	(6,837,403)	(564,983)	-	(37,803)

(Amounts expressed in thousands of TL unless otherwise indicated.
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4. Financial risk management (continued)

December 31, 2009	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	1,302,954	-	-	-	2,926,381	4,229,335
Loans and advances to banks	3,212,700	95,689	146,168	13,899	327,628	3,796,084
Financial assets held for trading						
- Trading securities	143,878	50,069	63,024	17,097	91,855	365,923
- Derivative financial instruments	477,729	33,246	105,412	1,317	-	617,704
Loans and advances to customers	13,143,049	10,450,643	11,378,469	6,618,735	546,701	42,137,597
Hedging derivatives	128,519	28	84	-	-	128,631
Investment securities						
- Available-for-sale	657,076	267,807	187,114	886,971	55,288	2,054,256
- Held-to-maturity	4,690,434	1,449,880	2,733,148	4,445,257	-	13,318,719
Investment in associate	-	-	-	-	58,939	58,939
Goodwill	-	-	-	-	1,023,528	1,023,528
Other intangible assets	-	-	-	-	216,441	216,441
Property and equipment	-	-	-	-	1,156,183	1,156,183
Deferred income tax assets	-	-	-	-	771,084	771,084
Other assets	278,063	7,572	-	-	864,252	1,149,887
Total assets	24,034,402	12,354,934	14,613,419	11,983,276	8,038,280	71,024,311
Liabilities						
Deposits from banks	1,673,841	481,449	-	-	276,889	2,432,179
Customer deposits	32,119,692	1,619,626	556,231	134,036	7,751,801	42,181,386
Funds borrowed	5,239,191	3,263,947	127,998	-	-	8,631,136
Debt securities in issue	1,743,760	-	-	-	718	1,744,478
Derivative financial instruments	122,982	47,014	74,773	23,746	-	268,515
Income taxes payable	-	-	-	-	69,036	69,036
Deferred income tax liabilities	-	-	-	-	288,294	288,294
Hedging derivatives	73,077	40	259,616	24,880	-	357,613
Other provisions	-	-	-	-	397,871	397,871
Retirement benefit obligations	-	-	-	-	964,541	964,541
Insurance technical reserves	-	-	-	-	866,804	866,804
Other liabilities	2,215,932	3,570	-	-	1,896,553	4,116,055
Total liabilities	43,188,475	5,415,646	1,018,618	182,662	12,512,507	62,317,908
Net interest repricing gap	(19,154,073)	6,939,288	13,594,801	11,800,614	(4,474,227)	8,706,403
Off- statement of financial position derivative instruments net notional position	2,995,776	2,624,496	(4,678,080)	(417,983)	-	524,209

The table below summarizes weighted average interest rates for financial instruments by major currencies outstanding at June 30, 2010 and December 31, 2009 based on yearly contractual rates.

	June 30, 2010			December 31, 2009		
	US$ (%)	EUR (%)	TL (%)	US$ (%)	EUR (%)	TL (%)
Assets						
Cash and balances with central banks	-	-	4.02	-	-	3.78
Loans and advances to banks	1.32	0.97	7.07	1.80	1.06	7.33
Financial assets held for trading	3.57	7.40	11.36	5.81	7.34	8.59
Investment securities						
- Available-for-sale	7.01	6.31	10.16	7.43	7.18	11.73
- Held-to-maturity	6.62	5.33	9.98	6.80	5.54	11.49
Loans and advances to customers	4.47	4.18	14.25	5.29	6.14	17.81
Liabilities						
Deposits from banks	0.58	0.85	4.96	1.68	1.16	2.98
Customer deposits	2.73	2.12	8.07	1.94	1.90	7.87
Debt securities in issue	1.50	1.73	-	1.29	1.76	-
Funds borrowed	1.12	1.81	7.63	2.30	2.77	13.29

4. Financial risk management (continued)

C. Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The liquidity risk is managed within the Asset and Liability Management strategy in accordance with the market risk policies. In this scope, the funding sources are being diversified and sufficient cash and cash equivalents are held to fulfill the obligations associated with financial liabilities. During the monthly meetings of the ALCO, the liquidity position of the Group is evaluated and it is ensured that the required actions are taken when considered necessary.

Liquidity risk is closely monitored within the Group and particular attention is paid to keeping enough cash and cash-equivalent instruments to fund increases in assets or unexpected decreases in liabilities, and to meet legal requirements, thereby optimizing the cost of carrying any excess liquidity. The Liquidity Policy provides guidelines to quantify the liquidity position and achieve a sound balance between profitability and liquidity needs. Liquidity risk limits are set both for short-term and structural (long-term) liquidity positions.

Within the Group, 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 Group. 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; and

3. ***Market Liquidity Risk*** refers to the risk that the Group may incur losses as a result of the sale of assets deemed to be liquid, or in extreme conditions 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 the Liquidity Policy.

Reports on short term liquidity positions and structural liquidity positions are prepared by Risk Management. Short-term liquidity risk management considers the events that will impact upon the Group's liquidity position from one day up to three months. Structural liquidity positions consider the events effecting the Group's liquidity position in the long-term. The primary objective is to maintain an adequate ratio between total liabilities and medium or 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 BRSA communiqué on liquidity, banks have to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities for weekly and monthly time brackets. Risk Management performs the calculation of the mentioned ratios on a daily basis and shares the results with Treasury department and senior management.

4. Financial risk management (continued)

D. Operational risk

Operational risk is defined as the risk of losses due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. Legal and compliance risk is a sub-category of operational risk: it is the risk to earnings from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards. Operational Risk Management department ("ORM") monitors the Group's operational risk exposure in accordance to standards and policies, collects operational risk data in a web-based database, performs the risk indicators' identification, the scenario analysis assessment, Business Continuity Management and assures the quality of data gathered in accordance to 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.

For regulatory purposes and consideration in statutory capital adequacy ratio, on a consolidated base the Group calculates the amount subject to operational risk with the basic indicator method in accordance with Section 4 of the " Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published in the Official Gazette No. 26333 dated November 1, 2006, namely "The Calculation of the Amount Subject to Operational Risk", based on the gross income of the Group for the years ended 2009, 2008 and 2007. As of June 30, 2010, the total amount subject to operational risk is calculated as TL 8,999,966 (December 31, 2009 - TL 7,695,259) and the amount of the related capital requirement is TL 719,998 (December 31, 2009 - TL 615,621).

E. 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-statement of financial position 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 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%.

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4. Financial risk management (continued)

The Group's regulatory capital adequacy position on a consolidated basis at June 30, 2010 and December 31, 2009 was as follows:

	June 30, 2010	December 31, 2009
Tier I capital	8,237,538	7,076,126
Tier II capital	2,933,961	3,010,838
Deductions	(100,471)	(103,614)
Total regulatory capital	11,071,028	9,983,350
Risk-weighted assets (including market and operational risk)	73,407,068	60,445,665
Capital adequacy ratio (%)	**15.08**	**16.52**

F. Derivative financial instruments and hedging activities

The Group utilizes the following derivative instruments:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions. Forwards are customized contracts transacted in over-the-counter (OTC) market. The Group has credit exposure to the counterparties of forward contracts.

"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's credit risk represents the potential cost to replace or settle 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 contractual agreements that convey the right to the buyer and the obligations to the writer to buy or sell an asset at a specified price either at a fixed future date or at any time within a specified period. Options are traded for clients' needs therefore the Group does not carry an open position in the options book. The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

"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 recognized on the statement of financial position 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 favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

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4. Financial risk management (continued)

June 30, 2010

	Contract/ notional amount (aggregate of buy and sell)	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	14,168,873	29,550	54,260
Currency swaps	27,564,153	70,729	392,190
OTC currency options	10,230,270	49,654	49,154
Other derivatives	1,118,880	364	1,065
Total OTC foreign exchange derivatives	**53,082,176**	**150,297**	**496,669**
Interest rate derivatives:			
Interest rate swaps	6,144,422	31,418	56,382
Cross-currency interest rate swaps	2,965,809	201,675	44,100
Total OTC interest rate derivatives	**9,110,231**	**233,093**	**100,482**
Total derivative assets/ liabilities held for trading	**62,192,407**	**383,390**	**597,151**
Derivatives used for hedging			
Derivatives designated as fair value hedges:			
Cross-currency interest rate swaps	4,366,462	31,351	233,632
Derivatives designated as cash flow hedges:			
Interest rate swaps	6,005,900	-	93,526
Total derivative assets/ liabilities used for hedging	**10,372,362**	**31,351**	**327,158**
Total recognized derivative assets/ liabilities	**72,564,769**	**414,741**	**924,309**
Current		348,358	437,744
Non-current		66,383	486,565
Total recognized derivative assets/ liabilities	**72,564,769**	**414,741**	**924,309**

(Amounts expressed in thousands of TL unless otherwise indicated.
These interim condensed consolidated financial statements should be read in conjunction with the review report presented preceding the financial statements.)

4. Financial risk management (continued)

December 31, 2009

	Contract/ notional amount(aggregate of buy and sell)	Fair values	
		Assets	Liabilities
Derivatives held for trading			
Foreign exchange derivatives:			
Currency forwards	4,076,196	39,284	42,170
Currency swaps	13,815,348	474,910	12,707
OTC currency options	3,938,532	30,974	30,880
Other derivatives	423,808	-	-
Total OTC foreign exchange derivatives	**22,253,884**	**545,168**	**85,757**
Interest rate derivatives:			
Interest rate swaps	7,191,104	38,170	25,336
Cross-currency interest rate swaps	3,025,092	33,889	156,490
OTC interest rate options	1,793,988	477	932
Total OTC interest rate derivatives	**12,010,184**	**72,536**	**182,758**
Total derivative assets/ liabilities held for trading	**34,264,068**	**617,704**	**268,515**
Derivatives used for hedging			
Derivatives designated as fair value hedges:			
Cross-currency interest rate swaps	3,968,893	128,631	357,613
Total derivative assets/ liabilities held for hedging	**3,968,893**	**128,631**	**357,613**
Total recognized derivative assets/ liabilities	**38,232,961**	**746,335**	**626,128**
Current		494,171	126,341
Non-current		252,164	499,787
Total recognized derivative assets/ liabilities	**38,232,961**	**746,335**	**626,128**

Fair value hedges

Starting from March 1, 2009, the Group has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funds borrowed using cross-currency interest rate swaps. The net carrying value of hedging instruments at June 30, 2010 is a liability amounting to TL 202,281. At June 30, 2010, the mark to market difference of the hedging instruments since the inception date of the hedge relationship is TL 199,170 (December 31, 2009 – TL 147,649) and the fair value difference of the hedged item is TL 187,829 (December 31, 2009 – TL 140,137).

Cash flow hedges

The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks.

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4. Financial risk management (continued)

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

Net gain on cash flow hedges reclassified to the statement of income

The net gain / (loss) on cash flow hedges reclassified to the statement of income during the six month period ended June 30, 2010 was as follows:

	June 30, 2010	June 30, 2009
Net interest income / (expense)	(18,423)	-
Taxation	3,685	-

In the first six months of 2010, a loss of TL 1,451 (June 30, 2009: None) was recognized in the statement of income due to hedge ineffectiveness from cash flow hedges.

As of June 30, 2010 losses arising from cash flow hedges recognized under equity, net of reclassification to statement of income and net of tax, is TL 83,775 (June 30, 2009: None).

There were no transactions for which cash flow hedge accounting had to be ceased in 2010 or 2009 as a result of the highly probable cash flows no longer being expected to occur.

Net investment hedges

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

The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at June 30, 2010 is EUR 191 million (December 31, 2009 – EUR 191 million). The foreign exchange gain of TL 35,568 (June 30, 2009 – TL 501 loss), net of tax, on translation of the borrowing to TL at the statement of financial position date is recognized in "other reserves" in equity.

No ineffectiveness from hedges of net investments in foreign operations was recognized in profit or loss during the period (June 30, 2009 – none).

5. Cash and cash equivalents for the purpose of presentation in the consolidated statement of cash flow

	June 30, 2010	June 30, 2009
Cash and balances with central banks	4,885,420	4,371,594
Reserve deposits with central banks (-)	(3,520,570)	(3,063,559)
Loans and advances to banks (with original maturity less than 90 days) (+)	4,050,795	3,419,465
Other cash equivalents (+)	141,916	99,528
Cash and balances with central banks	**5,557,561**	**4,827,028**

(Amounts expressed in thousands of TL unless otherwise indicated.
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6. Loans and advances to customers

June 30, 2010	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	30,003,739	7,937,174	7,725,822	1,598,524	1,204,559	48,469,818
Watch listed loans	812,203	393,025	335,904	216,305	-	1,757,437
Loans under legal follow-up	846,654	422,884	639,866	314,731	8,096	2,232,231
Gross	**31,662,596**	**8,753,083**	**8,701,592**	**2,129,560**	**1,212,655**	**52,459,486**
Specific allowance for impairment	(721,216)	(255,435)	(542,498)	(167,882)	(6,692)	(1,693,723)
Collective allowance for impairment	(402,705)	(67,031)	(226,748)	(7,864)	(11,001)	(715,349)
Total allowance for impairment	**(1,123,921)**	**(322,466)**	**(769,246)**	**(175,746)**	**(17,693)**	**(2,409,072)**
Net	**30,538,675**	**8,430,617**	**7,932,346**	**1,953,814**	**1,194,962**	**50,050,414**
Current						29,676,985
Non-current						20,373,429

December 31, 2009	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Performing loans	22,964,455	6,631,435	7,083,106	1,717,570	1,429,416	39,825,982
Watch listed loans	1,482,618	361,959	411,500	328,665	-	2,584,742
Loans under legal follow-up	1,242,429	492,319	803,888	284,233	8,173	2,831,042
Gross	**25,689,502**	**7,485,713**	**8,298,494**	**2,330,468**	**1,437,589**	**45,241,766**
Specific allowance for impairment	(1,157,577)	(368,479)	(804,461)	(152,998)	(6,258)	(2,489,773)
Collective allowance for impairment	(306,114)	(55,732)	(232,802)	(8,416)	(11,332)	(614,396)
Total allowance for impairment	**(1,463,691)**	**(424,211)**	**(1,037,263)**	**(161,414)**	**(17,590)**	**(3,104,169)**
Net	**24,225,811**	**7,061,502**	**7,261,231**	**2,169,054**	**1,419,999**	**42,137,597**
Current						23,338,486
Non-current						18,799,111

Fair value of collateral:

Collateral mainly comprises the following: cash funds, deposits, mortgages of real estate at the land registry and mortgages of real estate built on allocated land, export documents, guarantees, and acceptances and pledge on vehicles.

June 30, 2010(*)	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Watch listed loans	314,729	172,311	-	114,910	-	601,950
Loans under legal follow-up	185,501	80,557	-	133,033	8,096	407,187
Total	**500,230**	**252,868**	**-**	**247,943**	**8,096**	**1,009,137**

December 31, 2009(*)	Corporate	Consumer	Credit cards	Leasing	Factoring	Total
Watch listed loans	410,783	180,037	-	183,043	-	773,863
Loans under legal follow-up	342,043	173,030	-	117,649	8,173	640,895
Total	**752,826**	**353,067**	**-**	**300,692**	**8,173**	**1,414,758**

(*) Excludes collaterals exceeding individual loan balance

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6. Loans and advances to customers (continued)

Included in the performing loans and advances to consumers, are loans amounting to TL 2,222,724 (at amortized cost) which have been designated as hedged items in fair value hedges as of June 30, 2010 (December 31, 2009 – TL 2,083,948). Those loans have been hedged with interest rate swaps as part of a documented interest rate risk management strategy. The carrying values of such loans that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

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

	2010						2009
	Corporate	Consumer	Credit cards	Leasing	Factoring	Total	Total
At January 1	**1,463,691**	**424,211**	**1,037,263**	**161,414**	**17,590**	**3,104,169**	**1,657,482**
Provision for loan impairment	218,254	160,337	234,251	67,903	173	680,918	943,327
Amounts recovered during the year	(148,074)	(189,982)	(274,903)	(53,381)	(96)	(666,436)	(167,413)
Loans written-off during the period as uncollectible (-)	(411,168)	(72,105)	(227,370)	(191)	-	(710,834)	(104,549)
Exchange differences	1,218	5	5	1	26	1,255	(1,785)
At June 30	**1,123,921**	**322,466**	**769,246**	**175,746**	**17,693**	**2,409,072**	**2,327,062**

During the six-month period ended June 30, 2010, the Group sold non-performing loans portfolios with principal amounting to TL 770,182 (net-of previously written-off amounts) for a total consideration of TL 77,617 and realized pre-tax income before legal expenses amounting to approximately TL 16,837. The impairment provisions that were released in relation to these sales amounted to TL 709,402 and are included in "loans written-off" in the table above.

The calculation of net investment in direct finance leases is as follows:

	June 30, 2010	December 31,2009
Gross investment in direct finance leases	2,412,143	2,644,114
Unearned finance income	(357,880)	(412,710)
	2,054,263	**2,231,404**
Interest accrual on receivables	34,553	39,187
Receivables from outstanding lease payments	40,744	59,877
Provision for impaired lease receivables	(175,746)	(161,414)
Net investment in direct finance leases	**1,953,814**	**2,169,054**

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6. Loans and advances to customers (continued)

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

	June 30, 2010	December 31, 2009
Less than 1 year	457,475	895,583
More than 1 year but not later than 5 years	1,424,163	1,180,003
Later than 5 years	74,766	54,694
Less: unearned finance income	(357,880)	(412,710)
Investment in performing lease receivables	**1,598,524**	**1,717,570**

7. Investment securities

(i) Securities available-for-sale

	June 30, 2010	December 31, 2009
Debt securities - at fair value:		
Government bonds and treasury bills	1,946,064	960,334
Eurobonds	938,759	919,003
Eurobonds sold under repurchase agreements	18,613	17,585
Other	361,413	105,721
Equity securities - at fair value		
Listed	23,914	26,743
Equity securities - at cost		
Unlisted	24,880	24,870
Total securities available-for-sale	**3,313,643**	**2,054,256**
Current	897,524	584,333
Non-current	2,416,119	1,469,923

Government bonds, treasury bills and Eurobonds are discount and coupon securities issued by the Government of the Republic of Turkey. Other debt securities represent mainly bonds issued by foreign and domestic institutions.

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7. Investment securities (continued)

(ii) Securities held-to-maturity

	June 30, 2010	December 31, 2009
Debt securities - at amortized cost - listed:		
Government bonds and treasury bills	5,487,571	6,830,558
Eurobonds	3,406,582	4,960,654
Government bonds and treasury bills sold under repurchase agreements	905,473	65,815
Eurobonds sold under repurchase agreements	2,710,855	1,309,650
Foreign government bonds	371,120	152,042
Total securities held-to-maturity	**12,881,601**	**13,318,719**
Current	3,386,620	2,919,207
Non-current	9,494,981	10,399,512

8. Deposits from banks

	June 30, 2010			December 31, 2009		
	Demand	Term	Total	Demand	Term	Total
Foreign currency:						
Domestic banks	40,744	302,451	343,195	135,245	160,824	296,069
Foreign banks	116,582	532,024	648,606	8,166	599,628	607,794
Funds deposited under repurchase agreements	-	2,426,622	2,426,622	-	1,108,581	1,108,581
	157,326	3,261,097	3,418,423	143,411	1,869,033	2,012,444
TL:						
Domestic banks	68,085	10,248	78,333	56,574	9,321	65,895
Foreign banks	101,884	299,655	401,539	76,904	276,936	353,840
Funds deposited under repurchase agreements	-	200,029	200,029	-	-	-
	169,969	509,932	679,901	133,478	286,257	419,735
	327,295	3,771,029	4,098,324	276,889	2,155,290	2,432,179
Current	327,295	3,538,579	3,865,874	276,889	2,155,290	2,432,179
Non-current	-	232,450	232,450	-	-	-

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9. Customer deposits

	June 30, 2010			December 31, 2009		
	Demand	Term	Total	Demand	Term	Total
Foreign currency:						
Saving deposits	2,005,718	7,302,801	9,308,519	2,076,935	8,229,426	10,306,361
Commercial deposits	2,529,682	8,101,402	10,631,084	2,208,694	6,723,689	8,932,383
	4,535,400	**15,404,203**	**19,939,603**	**4,285,629**	**14,953,115**	**19,238,744**
TL:						
Saving deposits	1,699,837	15,819,774	17,519,611	1,440,267	13,946,703	15,386,970
Commercial deposits	1,882,580	7,025,396	8,907,976	1,747,739	5,344,243	7,091,982
Funds deposited under repurchase agreements	-	503,422	503,422	-	130,106	130,106
Public sector deposits	1,061,606	57,455	1,119,061	278,166	55,418	333,584
	4,644,023	**23,406,047**	**28,050,070**	**3,466,172**	**19,476,470**	**22,942,642**
	9,179,423	**38,810,250**	**47,989,673**	**7,751,801**	**34,429,585**	**42,181,386**
Current	9,179,423	38,200,235	47,379,658	7,751,801	33,739,320	41,491,121
Non-current	-	610,015	610,015	-	690,265	690,265

10. Funds borrowed

	June 30, 2010	December 31, 2009
Foreign institutions and banks		
Syndication loans	2,826,416	2,070,306
Subordinated debt	1,978,102	2,224,023
Other	3,219,217	3,212,281
Total foreign	**8,023,735**	**7,506,610**
Domestic		
Domestic banks	1,121,431	1,077,640
Interbank money market	299,698	46,886
Total domestic	**1,421,129**	**1,124,526**
	9,444,864	**8,631,136**
Current	4,214,120	5,012,536
Non-current	5,230,744	3,618,600

During the first six months of 2010, the Bank obtained a syndication loan from international banks from 19 countries, 51 banks, consisting of 2 credit tranches with 1 year maturity; one tranche amounting to USD 324 million (equivalent of TL 497 million) with total cost of Libor+1,5% and the other tranche amounting to EUR 516 million (equivalent of TL 967 million) with total cost of Euribor+1,5%. The agreement was signed on April 21, 2010.

During the first six month period of 2010, the Bank repaid TL 3,414,108 of funds borrowed.

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11. Debt securities in issue

The details of YKB's diversified payment rights securitization transaction are as follows:

			Average interest rate (%) [1]	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
US$175,000,000 Series 2006-A Floating Rate Notes Due 2014	228,387	257,266	0.72	0.51
US$200,000,000 Series 2006-B Floating Rate Notes Due 2014	276,835	294,019	0.69	0.48
US$114,000,000 Series 2006-C Floating Rate Notes Due 2013	153,392	167,569	0.82	0.61
€279,846,000 Series 2006-D Floating Rate Notes Due 2014	465,498	590,539	0.91	0.93
€67,215,000 Series 2007-A Floating Rate Notes Due 2015	119,868	141,833	0.87	0.89
US$199,000,000 of Series 2007-B Floating Rate Notes Due 2015	287,987	292,534	0.66	0.45
Other	533	718		
	1,532,500	**1,744,478**		
Current	352,866	337,673		
Non-current	1,179,634	1,406,805		

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

The repayment of these debt securities commenced in 2010 and during the six-month period ended June 30, 2010, the Group repaid TL 155,160 of debt securities in issue.

12. Taxation

Consolidated statement of income

	June 30, 2010	June 30, 2009
Current tax expense	(388,314)	(237,376)
Deferred tax income	92,704	7,776
	(295,610)	**(229,600)**

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12. Taxation (continued)

Deferred income taxes

For all domestic subsidiaries and the parent, deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in fiscal year 2010 under the liability method using a principal tax rate of 20% at June 30, 2010 (June 30, 2009 - 20%).

For foreign subsidiaries deferred income taxes are calculated on all temporary differences under the liability method using the principal tax rates at June 30, 2010 and 2009 which are as follows:

Country of incorporation	Tax rate (%)	
	June 30, 2010	June 30, 2009
Russia	20.00	20.00
the Netherlands	25.50	25.50
Azerbaijan	20.00	20.00

The deferred income tax assets and liabilities 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 returns 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	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Impairment on assets	761,564	764,446	85,437	86,013
Allowance for loan impairment	1,091,157	1,004,005	217,199	200,597
Pension benefits transferable to the Social Security Institution	864,059	864,059	172,812	172,812
Reserve for employment termination benefits	104,103	100,482	20,916	20,200
Derivative valuation at fair value	924,309	612,151	177,820	122,429
Valuation differences on investment securities	32,788	37,755	6,572	7,561
Other	700,864	808,169	139,975	161,472
Deferred income tax assets	**4,478,844**	**4,191,067**	**820,731**	**771,084**
Difference between carrying value and tax base of property and equipment	950,936	953,649	98,446	98,968
Valuation differences on investment securities	3,384	2,843	328	306
Derivative and hedged loans valuation at fair value	602,571	884,086	118,224	174,320
Assets capitalized under finance leases	7,990	8,088	1,598	1,618
Other	64,060	66,784	12,833	13,082
Deferred income tax liabilities	**1,628,941**	**1,915,450**	**231,429**	**288,294**
Deferred income tax assets, net	**2,849,903**	**2,275,617**	**589,302**	**482,790**

(Amounts expressed in thousands of TL unless otherwise indicated.
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13. Other provisions

	June 30, 2010	December 31, 2009
Provision for losses on credit related commitments	206,710	181,953
Tax and other legal provisions	123,350	96,616
Provisions on credit cards and promotion campaigns	45,399	48,469
Provision on export commitment estimated liability	38,655	38,261
Other	10,805	32,572
	424,919	**397,871**
Current	8,357	14,624
Non-current	416,562	383,247

Credit related commitments provision

The Group management has estimated losses that may arise from credit related commitments and has recognized provision of TL 206,710 (December 31, 2009 – TL 181,953).

Tax and other legal provisions

At June 30, 2010, 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 recognized a provision of TL 39,584 (December 31, 2009 - TL 26,668) as the best estimate of the amount to settle these potential obligations.

The Group recorded a total provision of TL 83,766 (December 31, 2009 - TL 69,948) against potential tax risks in the form of possible tax duties and penalties in the interim condensed consolidated financial statements for the six-month period ended June 30, 2010.

Export commitment provision

The Group management has estimated losses that may arise from export loans to customers under legal follow-up that do not have the ability to fulfill their export commitments and has recognized provision of TL 38,655 (December 31, 2009 - TL 38,261).

Movement in other provisions is as follows:

	Provision for credit related commitments	Tax and other legal provisions	Provisions on credit cards and promotion campaigns	Export commitment provisions	Other	June 30, 2010 Total	June 30, 2009 Total
At January 1	**181,953**	**96,616**	**48,469**	**38,261**	**32,572**	**397,871**	**377,235**
Provision charged	25,094	26,845	51,381	394	(9,209)	94,505	85,271
Provision used	-	(111)	(54,451)	-	(12,197)	(66,759)	(113,576)
Translation difference	(337)	-	-	-	(361)	(698)	(148)
Balance at June 30	**206,710**	**123,350**	**45,399**	**38,655**	**10,805**	**424,919**	**348,782**

(Amounts expressed in thousands of TL unless otherwise indicated.
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14. Retained earnings and other reserves

	June 30, 2010	December 31, 2009
Statutory reserves	163,984	96,245
Translation reserves	70,789	113,017
Revaluation reserve for available-for-sale investments	92,794	94,469
Hedging reserves	(115,945)	(67,738)
Total other reserves	**211,622**	**235,993**
Retained earnings	**4,703,934**	**3,594,934**

Movements in other reserves were as follows:

	Statutory reserves	Revaluation reserves	Translation reserves	Hedging reserves	Total
At January 1, 2010	**96,245**	**94,469**	**113,017**	**(67,738)**	**235,993**
Net change in available-for-sale investments, before tax	-	(3,431)	-	-	(3,431)
Gains on hedges of a net investment in a foreign operation	-	-	-	44,460	44,460
Losses on cash flow hedges	-	-	-	(104,719)	(104,719)
Currency translation differences	-	-	(42,228)	-	(42,228)
Transfer to statutory reserves	67,739	-	-	-	67,739
Tax	-	1,756	-	12,052	13,808
At June 30, 2010	**163,984**	**92,794**	**70,789**	**(115,945)**	**211,622**

	Statutory reserves	Revaluation reserves	Translation reserves	Hedging reserves	Total
At January 1, 2009	**44,114**	**16,108**	**112,761**	**(65,385)**	**107,598**
Net change in available-for-sale investments, before tax	-	33,457	-	-	33,457
Losses on hedges of a net investment in a foreign operation	-	-	-	(626)	(626)
Currency translation differences	-	-	(4,175)	-	(4,175)
Transfer to statutory reserves	52,131	-	-	-	52,131
Tax	-	482	-	125	607
At June 30, 2009	**96,245**	**50,047**	**108,586**	**(65,886)**	**188,992**

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.

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14. Retained earnings and other reserves (continued)

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.

The Group's share in the total legal reserves and extraordinary reserves of the consolidated subsidiaries amounting to TL 380,805 (June 30, 2009 - TL 261,346) and TL 3,367,865 (June 30, 2009 - TL 1,970,416), respectively, have been presented under retained earnings.

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

15. Net trading, hedging and fair value income and net gains / losses from investment securities

	June 30, 2010	June 30, 2009
Foreign exchange:		
- Translation gains less losses of trading securities	6,338	6,879
- Transaction gains less losses	102,191	306,727
Interest rate instruments	(152,665)	(111,018)
Equities	262	8,528
Net (loss) / income from financial instruments designated at fair value	-	(642)
	(43,874)	**210,474**

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

Net gains from investment securities amounting to TL 39,822 (2009 - TL 35,574 losses) comprise of net results on disposals of available-for-sale financial assets.

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16. Other operating expenses

	June 30, 2010	June 30, 2009
Staff costs	**(594,364)**	**(554,568)**
Depreciation on property and equipment	(69,705)	(72,532)
Amortization of intangible assets	(21,221)	(18,654)
Depreciation and amortization	**(90,926)**	**(91,186)**
(Impairment charge) / reversal of impairment on property and equipment	1,246	20
(Impairment charge) / reversal of impairment on other intangible assets	2,770	-
Impairment (charge) / reversal	**4,016**	**20**
Sundry taxes and duties	(72,086)	(35,987)
Rent expenses	(60,959)	(59,259)
Communication expenses	(45,498)	(46,008)
Marketing and advertisement costs	(42,916)	(36,298)
Outsourcing expenses	(31,614)	(29,072)
Payments to Saving Deposit Insurance Fund	(31,604)	(31,199)
Utilities expenses	(18,119)	(17,233)
Repair and maintenance expenses	(10,811)	(12,633)
Audit and consultancy fees	(7,081)	(7,361)
Charity expenses	(2,584)	(2,289)
Other expenses	(171,181)	(152,925)
General administrative expenses	**(494,453)**	**(430,264)**
Total	**(1,175,727)**	**(1,075,998)**

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17. Assets pledged and restricted

The Group has the following assets pledged as collateral:

	June 30, 2010		December 31, 2009	
	Assets	Related liability	Assets	Related liability
Trading securities	40,579	30,837	66,654	51,748
Investment securities	3,634,941	3,099,236	1,393,050	1,183,458
Other assets pledged [1]	695,158	-	215,980	-
Total	**4,370,678**	**3,130,073**	**1,675,684**	**1,235,206**

(1) Other assets pledged are the collaterals given to the counter parties of the derivative transactions and the additional collaterals given in relation to the funds obtained under repurchase agreements.

Available-for-sale held-to-maturity and trading securities whose total carrying amount is TL 3,675,520 as of June 30, 2010 (December 31, 2009 – TL 1,459,704) are pledged to banks and other financial institutions against borrowed funds and funds obtained under repurchase agreements. Total amount of funds obtained under repurchase agreements is TL 3,130,073 as of June 30, 2010 (December 31, 2009 – TL 1,235,206). In accordance with the terms of the agreements with these financial institutions ("transferees"), the Bank provides these collaterals (debt instruments as given above) to the transferees and the transferees have the right to sell or repledge the collaterals until the expiry date of the agreements.

Securities are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the Central Bank of Republic of Turkey (CBRT), Istanbul Stock Exchange (ISE) Settlement and Custody Bank and other financial institutions and amount to TL 1,835,061 (December 31, 2009 – 1,550,481).

As of June 30, 2010, the Group's reserve deposits that are not available for unrestricted use, including those at foreign central banks, amount to TL 2,094,539 (December 31, 2009 – TL 1,555,864).

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18. Contingent liabilities

June 30 ,2010	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letters of credit	1,869,134	1,501,767	209,924	-	3,580,825
Letters of guarantee	9,623,417	3,785,515	1,201,413	746,461	15,356,806
Acceptance credits	182,365	-	-	-	182,365
Other guarantees	139,106	264,122	82,529	-	485,757
Total	**11,814,022**	**5,551,404**	**1,493,866**	**746,461**	**19,605,753**

December 31 ,2009	Indefinite	Not later than 1 year	1-5 years	Over 5 years	Total
Letters of credit	1,395,290	944,002	398,943	-	2,738,235
Letters of guarantee	7,213,576	2,104,208	3,076,144	902,813	13,296,741
Acceptance credits	151,669	-	-	-	151,669
Other guarantees	100,362	77,980	200,309	20,759	399,410
Total	**8,860,897**	**3,126,190**	**3,675,396**	**923,572**	**16,586,055**

19. Segment analysis

Through its new organizational structure launched in February 2009 aimed at further enhancing the customer-focused divisionalised service model as well as supporting the performances of business units in closer collaboration with product factories, the Group carries out its banking operations through three main business units: (1) Retail Banking (including credit cards and SME banking), (2) Corporate and Commercial Banking (3) Private Banking and Wealth Management.

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

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

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19. Segment analysis (continued)

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

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

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

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

The Chief Operating Decision Maker manages segment performance based on IFRS consolidated figures.

June 30, 2010	Retail banking	Corporate and commercial banking	Private banking and wealth management	Foreign operations	Other(*)	Eliminations	Group
Segment revenue	1,340,654	650,639	209,046	68,438	792,628	(291,871)	2,769,534
Segment expenses	(605,951)	(251,420)	(53,683)	(19,119)	(396,468)	29,182	(1,297,459)
Segment result	734,703	399,219	155,363	49,319	396,160	(262,689)	1,472,075
Operating profit	**734,703**	**399,219**	**155,363**	**49,319**	**396,160**	**(262,689)**	**1,472,075**
Share of results of associates	-	-	-	-	2,593	-	2,593
Profit before tax	**734,703**	**399,219**	**155,363**	**49,319**	**398,753**	**(262,689)**	**1,474,668**
Income tax expense	-	-	-	-	(295,610)	-	(295,610)
Profit for the period	**734,703**	**399,219**	**155,363**	**49,319**	**103,143**	**(262,689)**	**1,179,058**
Segment assets	21,988,879	27,620,354	1,005,810	4,329,203	27,193,234	(830,166)	81,307,314
Associates	-	-	-	-	58,125	-	58,125
Total assets	**21,988,879**	**27,620,354**	**1,005,810**	**4,329,203**	**27,251,359**	**(830,166)**	**81,365,439**
Segment liabilities	20,112,921	20,363,368	10,940,697	3,726,224	27,048,704	(826,475)	81,365,439
Total liabilities	**20,112,921**	**20,363,368**	**10,940,697**	**3,726,224**	**27,048,704**	**(826,475)**	**81,365,439**

(*) Other segment liabilities also include the equity.

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19. Segment analysis (continued)

June 30, 2009	retail banking	Corporate and commercial banking	Private banking and wealth management	Foreign operations	Other(*)	Eliminations	Group
Segment revenue	1,356,428	685,510	206,962	56,305	1,050,020	(217,070)	3,138,155
Segment expenses	(1,163,209)	(190,421)	(53,155)	(23,172)	(564,355)	27,848	(1,966,464)
Segment result	193,219	495,089	153,807	33,133	485,665	(189,222)	1,171,691
Operating profit	**193,219**	**495,089**	**153,807**	**33,133**	**485,665**	**(189,222)**	**1,171,691**
Share of results of associates	-	-	-	-	1,680	-	1,680
Profit before tax	**193,219**	**495,089**	**153,807**	**33,133**	**487,345**	**(189,222)**	**1,173,371**
Income tax expense	-	-	-	-	(229,600)	-	(229,600)
Profit for the period	**193,219**	**495,089**	**153,807**	**33,133**	**257,745**	**(189,222)**	**943,771**
December 31, 2009							
Segment assets	19,207,596	22,926,250	809,251	3,952,931	24,779,779	(710,435)	70,965,372
Associates	-	-	-	-	58,939	-	58,939
Total assets	**19,207,596**	**22,926,250**	**809,251**	**3,952,931**	**24,838,718**	**(710,435)**	**71,024,311**
Segment liabilities	20,518,455	15,860,713	9,989,572	3,350,094	22,009,363	(703,886)	71,024,311
Total liabilities	**20,518,455**	**15,860,713**	**9,989,572**	**3,350,094**	**22,009,363**	**(703,886)**	**71,024,311**

(*) Other segment liabilities also include the equity.

20. Earnings per share

Earnings per share disclosed in the consolidated statements of income is determined by dividing the net income attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the period in which they were issued and for each earlier period.

The Bank has not issued any share attributable to transfers to share capital from retained earnings during the six-month period ended June 30, 2010 (2009: none).

The earnings attributable to basic shares for each period are as follows:

	June 30, 2010	June 30, 2009
Profit attributable to equity holders of the parent	1,176,739	937,877
Weighted average number of ordinary shares in issue (thousand) (1 Kr each)	434,705,128	434,705,128
Basic and diluted earnings per share (expressed in TL, full amount per thousand share)	**2.71**	**2.16**

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20. Earnings per share (continued)

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares in issue.

There are no dilutive potential ordinary shares and accordingly there are no diluted earnings per share for any class of shares.

21. Related party balances and 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 jointly controlled by 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:

	June 30, 2010		December 31, 2009	
	Total	Share in total %	Total	Share in total %
Loans and advances to customers, net	1,335,825	3	1,073,663	3
Trading and investment securities	21,870	-	22,359	-
Derivative financial instruments	9,898	3	20,133	3
Loans and advances to banks	22,934	-	1,423	-
Other assets	1,006	-	139	-
Total assets	**1,391,533**		**1,117,717**	
Due to customers	5,819,593	12	4,270,341	10
Funds borrowed	464,136	5	1,167,800	14
Derivative financial instruments	2,614	-	3,395	1
Other liabilities	2,918	-	1,694	-
Deposits from banks	9	-	166	-
Total liabilities	**6,289,270**		**5,443,396**	
Commitments under derivative instruments	345,709	1	1,088,205	3
Credit related commitments	701,523	4	606,281	4
Total commitments and contingent liabilities	**1,047,232**		**1,694,486**	

(ii) Transactions with related parties:

Notes to the interim condensed consolidated financial statements (continued)
(Amounts expressed in thousands of TL unless otherwise indicated.
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21. Related party balances and transactions (continued)

	June 30, 2010		June 30, 2009	
	Total	Share in total %	Total	Share in total %
Interest income on loans and advances to customers	58,385	3	33,840	1
Fee and commission income	40	-	2,017	-
Interest income on financial leases	1,096	1	610	1
Interest income on loans and advances to banks	9,828	1	8	-
Other operating income	2,108	2	889	-
Total interest and fee income	**71,457**		**37,364**	
Interest expense on deposits	(107,946)	10	(192,610)	9
Interest expense on funds borrowed	(278)	-	(12,210)	-
Other operating expense	(2)	-	(3,621)	-
Fee and commission expense	(3,504)	-	(1)	-
Total interest and fee expense	**(111,730)**		**(208,442)**	

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

	June 30, 2010	December 31, 2009
Loans and advances to customers, net	175	177
Interest income on loans and advances to customers	6	10[1]
Due to customers	32,544	35,932
Interest expense on deposits	721	248[1]
Fee and commission income	-	-
Commitments and contingent liabilities	-	-

(1) Items represent June 30, 2009 amounts.

Salaries and other benefits paid to the Group's key management approximately amount to TL 18,968 as of June 30, 2010 (2009 - TL 25,079).

Significant part of the related party balances and transactions are with related parties other than the parent or the associate; mainly comprising Koç Group and UCI entities.

22. Post statement of financial position events

1- The Bank's shares in UniCredit Menkul Değerler A.Ş included in the available-for-sale securities portfolio (TL 3,418 nominal, 10.73% of the capital) have been sold to KFS as of July 9, 2010 for a consideration of TL 8,548.

2- According to the resolution of the Board of Directors of the Bank dated July 16, 2010, the Bank decided to obtain a long-term loan amounting to USD 500,000,000 with 5 years maturity from UniCredit Luxemburg S.A. For this borrowing transaction Citigroup Global Markets Limited, Deutsche Bank AG, London Branch and UniCredit Bank are assigned as lead managers.

3- In accordance with the "Change in Communiqué Regarding the Reserve Requirements" published in the Official Gazzette numbered 27656 dated July 29, 2010, foreign currency reserve requirement ratio increased to 10%. The new ratio is going to be valid starting from August 6, 2010.

4- According to the resolution of the Board of Directors of Yapı Kredi Sigorta A.Ş. dated July 30, 2010, it has been decided that; 99,9% of Yapı Kredi Emeklilik A.Ş. shares owned by Yapı Kredi Sigorta A.Ş. ("Shares") will be added to the capital of a new established company ("NewCo") as capital in-kind through a partial spin-off and the shares to be issued for the capital in-kind contribution to the NewCo, which will be established within the partial spin-off process, will be distributed to the shareholders of Yapı Kredi Sigorta A.Ş. at the rate of their ownership.

5- In the Board of Directors meeting dated August 10, 2010, it has been decided to start discussions with Turkcell İletişim Hizmetleri A.Ş. to reach an agreement within the context of Co-branded Credit Cards, Debit Cards, Prepaid Cards and Mobile Financial Services Cooperation Project.