

## INVESTOR RELATIONS RELEASE

### Share Exchange Transactions between Yapı Kredi and KFS within the framework of “KFS Restructuring”

On 26 April 2007, the Boards of Directors of Yapı Kredi Bank (YKB) and its main shareholder Koç Financial Services (KFS) had resolved that necessary actions would be taken for the transfer of the shares owned by KFS in YK Faktoring A.Ş. (factoring subsidiary), YK Finansal Kiralama A.O. (leasing subsidiary) and YK Azerbaijan Closed Joint Stock Company to YKB through share exchange method (non-cash and tax-free) in line with the BRSA Regulation Regarding Mergers, Acquisitions, Spin-offs and Share Exchanges of Banks dated 1 November 2006 and capital markets legislation.

Upon receiving BRSA’s preliminary approval (first application) on 22 June 2007 for initiating the share exchange transactions, on 18 July 2007 General Assemblies of YKB and KFS approved the financials to be used as the basis for share exchange dated 31 March 2007 and audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (PriceWaterhouseCoopers), the independent audit company jointly appointed by the Boards of Directors of both parties, as well as the draft share exchange agreement.

For the calculation of the share exchange ratio and the amount of capital increase in consideration of the share exchange transactions, an independent evaluation report was prepared both by Deloitte & Touche Danışmanlık Hizmetleri A.Ş. (“Deloitte”) and separately by the court experts appointed by the Istanbul 12th First Instance Commercial Court in compliance with the relevant legislation:

- 1) The independent valuation report prepared by Deloitte as per the Capital Markets and BRSA legislation applied combination of methods such as the “discounted cash flow”, “net asset value”, “market capitalization” and “comparable company”, determining the share exchange ratio as 91.90%, the capital after share exchange as YTL 3,426 million and the capital increase amount as YTL 277 million (the valuation amounts are determined in ‘YTL million’ terms by Deloitte).
- 2) The court expert report applied combination of methods such as the “discounted cash flow”, “net asset value” “market capitalization” and “comparable company”, determining the share exchange ratio as 91.90%, the capital after share exchange as YTL 3,427,051, 284 and the capital increase amount as YTL 277,601,284.



Taking into account the identical results based on the evaluation of both reports, YKB Board of Directors determined the share exchange ratio as 91.90%, the capital after share exchange as YTL 3,427,051,284 and the capital increase amount as YTL 277,601,284.

YKB capital share increase in an amount of of YTL 277.601.284 at a ratio of 91.90% shall be allocated to KFS in return for the shares of YK Faktoring A.S., YK Finansal Kiralama A.O. and YK Bank Azerbaijan Closed Joint Stock Company which will be transferred.

Upon the completion of the share exchange transaction, 59.47% of KFS share in YK Faktoring A.Ş., 73.10% of KFS share in YK Finansal Kiralama A.O. and 99.80% of KFS share in YK Azerbaijan Closed Joint Stock Company will be transferred to YKB. The ownership of KFS in YKB is expected to increase from its current 80.2% to 81.8%. The total value of YKB (including minorities) will increase from its current level in accordance with the fair value of the KFS subsidiaries included in this process. So, the value of the minorities' share will not be negatively affected as the total value of YKB (including the minorities) is expected to increase accordingly. On the other hand, YKB's capital adequacy ratio (CAR) is expected to be affected positively from the transaction.

As for the next steps in KFS restructuring:

- Necessary applications will be made to CMB and to BRSA (2nd application) upon the determination of the exchange ratio.
- Following the receipt of authorizations by CMB and BRSA, 2nd Extraordinary General Assembly is expected to be held in September 2007 to receive shareholders' approval on the capital increase and the relevant amendment to the Articles of Association. The 3rd BRSA notification will follow the shareholder approval and completion of the share transfer is expected within 2007.
- Following the completion of the share transfer, the transfer of YK NV and YK Yatırım (including YK Portföy) from KFS to YKB is expected to be realized through cash transaction in line with the BRSA regulation after September 2007.

Once KFS restructuring is completed, all the above mentioned financial subsidiaries will be moved under YKB. This would mean more transparency for the market due to full consolidation of all subs under the listed Bank and more efficient allocation of capital (increase of capital in YKB) contributing to the absorption of Basel II impact on YKB's capital adequacy ratio. In addition, cross shareholding, existing complex chain of control and duplication of functions will be eliminated.

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**Enquiries:**

Yapı Kredi Investor Relations

Tel: (90) (212) 339 7647

Email: yapikredi\_investorrelations@yapikredi.com.tr