

**Yapı ve Kredi Bankası
Anonim Şirketi**

**Consolidated Financial Statements
Together With
Report of Independent Auditors
December 31, 2002**

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To the Board of Directors of
Yapı ve Kredi Bankası Anonim Şirketi

We have audited the accompanying consolidated balance sheet of Yapı ve Kredi Bankası Anonim Şirketi (the Bank) and its subsidiaries (the Group) as of December 31, 2002 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of Turkish lira as of December 31, 2002. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in detail in Note 7, the Bank has a receivable from a government agency as of December 31, 2002. In accordance with the opinion taken from Banking Regulatory and Supervision Agency (BRSA), the Bank has calculated income accrual only for three months period between July 1, and September 30, 2002. The discussions with the governmental authorities are ongoing regarding the settlement amount of this receivable.

In our opinion except for the effects of matter explained in the third paragraph above, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we would like to draw attention to the following;

As explained in more detail in Note 32, in line with the process started by BRSA on June 18, 2002, an agreement was signed on January 31, 2003 among BRSA, Saving Deposit Insurance Fund (SDIF), and the Çukurova Group for the transfer of management, control and shareholding rights (excluding dividends) of Pamukbank T.A.Ş. to SDIF. With the mentioned agreement, the transfer of Pamukbank to SDIF is finalized and in line with the provisions of Banking Act 4389 it was concluded that SDIF will continue to exercise the partnership rights of Pamukbank T.A.Ş.. Moreover the shares of the Bank, which are held by Pamukbank T.A.Ş. and its subsidiaries, are taken over by SDIF. In line with the mentioned agreement, the shares of the Bank owned by SDIF, and the Çukurova Group will be sold to third parties by the Çukurova Group within two years after the agreement date so that the direct and indirect participation of the Çukurova Group in the Bank will be reduced to less than 10%. In case, the sale cannot be realized within this period, a reputable investment bank that will mutually be authorized by SDIF and the Çukurova Group, will realize the sale.

As explained in detail in Note 32, as of December 31, 2002, in line with the Financial Restructuring Agreement, which was signed between the Bank and the Çukurova Group and became effective after the agreement mentioned in the preceding paragraph, the Bank has classified the Çukurova Group risks as medium and long term restructured loans. Such classification is in line with the opinion taken from BRSA. Due to the agreement, the Bank cancelled the provisions set for these loans and recorded the interest and income accruals until December 31, 2002 in the accompanying financial statements. The collection of the restructured receivable in nine years is directly related with the Çukurova Group's ability to pay its debts.

The agreement, signed on January 31, 2003 among BRSA, SDIF and Çukurova representatives, comprise the article that some portion of the risks mentioned above can be collected by means of the sales of assets owned by the Çukurova Group including their stake in the Bank. In case of total or partial sales of assets of the Çukurova Group to third parties, the 55% of revenue will be used in the payment of debt to the Bank and SDIF whereas in case of sales of assets pledged in favor of SDIF, the total amount of collection will be given to SDIF. However if requested by the Çukurova Group, a portion of revenue on pledged items' sales, which is to be approved by SDIF, can be used for the payment of the Çukurova Group risk to the Bank.

As required by the agreement signed among BRSA, SDIF and the Çukurova Group, as explained in the preceding paragraph, all necessary precautions will be taken in order for the capital adequacy ratio of the Bank not to fall below 10%. In case the capital adequacy ratio falls below 10% and if the Çukurova Group is unable to increase capital, the necessary capital will be provided by SDIF.

April 24, 2003
İstanbul, Turkey

Yapı ve Kredi Bankası Anonim Şirketi

CONSOLIDATED BALANCE SHEET

As at December 31, 2002

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	Notes	2002	2001
ASSETS			
Cash and balances with the central banks	4	434,795	656,540
Deposits with banks and other financial institutions	4	571,165	2,185,510
Other money market placements	4	325,918	491,710
Reserve deposits at the central banks	5	968,373	1,058,768
Trading securities	6	3,417,225	638,757
Available for sale securities	6	927,818	2,106,842
Held to maturity securities	6	760,135	1,334,947
Originated loans and advances	7	8,456,254	9,224,636
Factoring receivables	8	158,588	114,599
Minimum lease payments receivable	9	249,742	200,001
Derivative financial instruments	22	6,750	10,503
Investment in joint ventures	10	398,591	-
Investments in unconsolidated subsidiaries	11	8,714	10,790
Investments in associates	12	298,324	316,187
Investment properties	13	16,847	18,623
Premises and equipment	14	2,001,943	2,140,181
Intangibles	15	132,064	183,693
Other assets	16	697,465	768,015
Deferred tax asset	21	65,645	21,373
Total assets		19,896,356	21,481,675
LIABILITIES AND EQUITY			
Deposits from other banks	17	129,254	192,303
Customers' deposits	17	13,509,189	15,075,625
Other money market deposits	17	1,715,887	587,369
Funds borrowed	18	844,120	2,304,462
Debt securities	18	7,497	358,321
Insurance technical reserves	20	513,588	506,728
Factoring payables	8	75,966	44,928
Derivative financial instruments	22	2,371	3,606
Other liabilities and provisions	19	581,240	632,944
Income taxes payable	21	11,854	16,079
Deferred tax liability	21	19,849	111,652
Total liabilities		17,410,815	19,834,017
Minority interest		84,958	117,116
Equity			
Share capital issued	23	2,776,446	2,776,446
Net unrealized gains		24,292	59,837
Reserve for general banking risk	24	75,000	-
Currency translation differences		(22,753)	(9,993)
Legal reserves and accumulated profits (deficit)	24	(1,353,905)	1,350,841
Profit (loss) for the year		901,503	(2,646,589)
Total equity		2,400,583	1,530,542
Total liabilities and equity		19,896,356	21,481,675

The accompanying policies and explanatory notes on pages 7 through 58 form an integral part of the financial statements.

Yapı ve Kredi Bankası Anonim Şirketi

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2002

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	Notes	2002	2001
Interest income			
Interest on originated loans and advances		2,103,627	2,176,022
Interest on securities		794,104	972,375
Interest on deposits with banks and other financial institutions		160,184	207,191
Interest on other money market placements		115,888	225,299
Interest on financial leases		29,683	30,138
Interest income from factoring advances		16,574	20,953
Other interest income		2,739	24,291
Total interest income		3,222,799	3,656,269
Interest expense			
Interest on deposits		(2,041,116)	(2,297,247)
Interest on other money market deposits		(380,510)	(185,146)
Interest on funds borrowed		(109,011)	(541,643)
Interest on debt securities		(16,038)	(31,939)
Total interest expense		(2,546,675)	(3,055,975)
Net interest income		676,124	600,294
Provision for possible loan, lease and factoring receivable losses		(392,840)	(1,716,376)
Net interest income (expense) after provision for possible loan, lease and factoring receivable losses		283,284	(1,116,082)
Foreign exchange loss		(211,809)	(1,172,724)
Net interest income (loss) after foreign exchange loss and provision for possible loan, lease and factoring receivable losses		71,475	(2,288,806)
Other operating income			
Fees and commissions income		201,636	306,710
Income from banking services		399,121	326,086
Trading income, net		404,130	-
Other income	28	1,366,024	605,699
Other operating expense			
Fees and commissions expense		(173,759)	(23,256)
Trading loss, net		-	(93,653)
Salaries and employee benefits	27	(335,044)	(369,959)
Depreciation and amortization		(190,308)	(189,198)
Taxes other than on income		(24,365)	(77,513)
Other expenses	28	(1,019,983)	(1,375,661)
Profit (loss) from operating activities		698,927	(3,179,551)
Loss from associates		(4,691)	(58,401)
Profit (loss) from operating activities before income tax, monetary gain, minority interest and extraordinary items		694,236	(3,237,952)
Income tax(credit)	21	81,371	98,015
Monetary gain		134,206	514,314
Net profit (loss) from ordinary activities		909,813	(2,625,623)
Minority interest		(8,310)	6,900
Extraordinary items	33	-	(27,866)
Net profit (loss)		901,503	(2,646,589)
Earnings (Loss) per share			
Basic (full TL)	25	1,198	(4,647)

The accompanying policies and explanatory notes on pages 7 through 58 form an integral part of the financial statements.

Yapı ve Kredi Bankası Anonim Şirketi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2002

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	Share Capital	Net unrealized gains (losses)	Reserve for general banking risk	Currency translation differences	Legal reserves and accumulated profits (deficit)	Total
At January 1, 2001						
As previously stated	2,468,139	-	-	(10,096)	1,682,956	4,140,999
Effect of adopting IAS 39 (Note 2)	-	65,372	-	-	(71,647)	(6,275)
At January 1, 2001 (restated)	2,468,139	65,372	-	(10,096)	1,611,309	4,134,724
Issue of share capital	308,307	-	-	-	(308,307)	-
Net gain (loss) on available for sale financial assets	-	(5,535)	-	-	-	(5,535)
Change in retained earnings due to consolidated subsidiary	-	-	-	-	665	665
Retained earnings increase from merger	-	-	-	-	47,454	47,454
Dividends declared	-	-	-	-	(280)	(280)
Currency translation differences	-	-	-	103	-	103
Net loss for the year	-	-	-	-	(2,646,589)	(2,646,589)
At December 31, 2001	2,776,446	59,837	-	(9,993)	(1,295,748)	1,530,542
Net gain (loss) on available for sale financial assets	-	(35,545)	-	-	-	(35,545)
Retained earnings increase from change in participation percentages	-	-	-	-	18,583	18,583
Dividends declared	-	-	-	-	(1,740)	(1,740)
Currency translation differences	-	-	-	(12,760)	-	(12,760)
Net profit for the year	-	-	-	-	901,503	901,503
Reserve for general banking risk	-	-	75,000	-	(75,000)	-
At December 31, 2002	2,776,446	24,292	75,000	(22,753)	(452,402)	2,400,583

The accompanying policies and explanatory notes on pages 7 through 58 form an integral part of the financial statements.

Yapı ve Kredi Bankası Anonim Şirketi

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2002

(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002	2001
Cash flows from operating activities		
Interest received	3,164,901	3,987,639
Interest paid	(2,583,426)	(3,189,446)
Loss from associates	(4,691)	(58,401)
Fees and commissions received	201,636	306,710
Income from banking services	399,121	326,086
Trading income (loss)	404,130	(93,653)
Recoveries of loans previously written off	27,556	38,212
Fees and commissions paid	(173,759)	(23,256)
Cash payments to employees and other parties	(335,044)	(369,959)
Cash received from other operating activities	637,565	616,629
Cash paid for other operating activities	(844,778)	(2,052,733)
Income taxes paid	(37,370)	(130,683)
Cash flows from operating activities before changes in operating assets and liabilities	855,841	(642,855)
Changes in operating assets and liabilities		
Net (increase) decrease trading securities	(2,330,659)	1,150,988
Net (increase) decrease in bank accounts	(2,769)	474,623
Net decrease (increase) in reserve deposits at the Central Banks	95,259	(262,200)
Net decrease (increase) in originated loans and advances	1,493,022	(1,769,328)
Net (increase) decrease in factoring receivables	(43,953)	27,985
Net (increase) decrease in minimum lease payments receivable	(55,208)	40,234
Net decrease (increase) in other assets	88,110	(380,730)
Net decrease in deposits from other banks	(63,049)	(1,045,692)
Net (decrease) increase in customers' deposits	(1,564,288)	5,120,725
Net increase (decrease) in other money market deposits	1,127,610	(1,227,264)
Net increase in factoring payables	31,038	5,120
Net increase in other liabilities	86,029	212,253
Net cash (used in) provided by operating activities	(283,017)	1,703,859
Cash flows from investing activities		
Net proceeds from sale and redemption of available for sale securities	902,127	890,957
Purchases of held to maturity securities	(466,952)	(72,136)
Proceeds from redemption of held to maturity securities	890,911	-
Acquisition of subsidiaries, associates net of cash acquired	(442,538)	(61,166)
Disposal of subsidiaries and associates and joint ventures net of cash disposed	64,388	-
Purchases of investment property	-	(18,623)
Purchases of premises and equipment	(87,067)	(64,935)
Proceeds from the sale of premises and equipment	23,232	17,941
Purchase of intangible assets	(55,169)	(49,391)
Proceeds from intangible assets	2,772	16,682
Net cash provided by investing activities	831,704	659,329
Cash flows from financing activities		
Retained earnings from change in participation percentage	18,583	41,846
Repayments of funds borrowed and debt securities	(1,775,655)	(471,623)
Dividends paid to minority interests	(1,740)	(280)
Payment of finance lease liabilities	(7,414)	7,485
Net cash used in financing activities	(1,766,226)	(422,572)
Effect of net foreign exchanges difference and monetary loss on cash and cash equivalents	(787,112)	(397,735)
Extraordinary items	-	(27,866)
Net (decrease) increase in cash and cash equivalents	(1,217,539)	1,940,616
Cash and cash equivalents at beginning of year	3,245,817	1,730,802
Cash and cash equivalents at end of year	1,241,166	3,245,817

The accompanying policies and explanatory notes on pages 7 through 58 form an integral part of the financial statements.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

1. CORPORATE INFORMATION

General

Yapı ve Kredi Bankası Anonim Şirketi (the Bank) was established on September 9, 1944 under the Turkish Banking and Commercial Codes. The Bank's ordinary shares have been listed on the İstanbul Stock Exchange since 1987 and its shares in the form of Global Depository Receipts have been listed on the London Stock Exchange since 1997. The address of the headquarter and registered office of the Bank is Yapı Kredi Plaza D Blok, Büyükdere Caddesi, Levent 80620, İstanbul, Turkey.

The consolidated financial statements of the Bank are authorized for issue by the management on March 5, 2003. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

In accordance with the decision of the BRSA dated June 18, 2002 and numbered 742, the management and control of Pamukbank T.A.Ş. (another bank in the Çukurova Group and a shareholder of the Bank), was transferred to the SDIF but then, as a result of the decision of the General Assembly of Administrative Lawsuit Chambers of the Council of State dated November 22, 2002 and numbered 2002/892 YK, related with the suspension of the execution of the resolution of the BRSA regarding the take over of Pamukbank by SDIF, SDIF has transferred the management, control and privileges related with shareholding of Pamukbank T.A.Ş. to its former owners as of January 24, 2003. Following that, an agreement has been signed among the BRSA, SDIF and the Çukurova Group on January 31, 2003. With this agreement, the transfer of management, control, and shareholding rights (excluding dividends) of Pamukbank T.A.Ş. to SDIF is finalized and in line with the provisions of Banking Law numbered 4389, it was concluded that SDIF will continue to exercise the partnership rights of Pamukbank T.A.Ş. in the Bank due to the fact that the shareholders of Pamukbank T.A.Ş. have lost the qualification of being a bank owner in accordance with the Article 7/2d of Banks Act. Moreover, the shares of the Bank held by Pamukbank T.A.Ş. and its subsidiaries are taken over by SDIF and within the scope of the above mentioned agreement, the shares of the Bank owned by SDIF and the Çukurova Group will be sold to third parties by the Çukurova Group within two years after the agreement date so that direct and indirect participation of the Çukurova Group in the Bank will be reduced to less than 10%. In case, the sale cannot be realized within this period, a reputable investment bank that will mutually be authorized by SDIF and the Çukurova Group will realize the sales.

Currently, the Bank is managed by an independent board under the supervision of BRSA and Çukurova Group.

Nature of Activities of the Bank / Group

The Bank is a full-service financial institution engaged in corporate, retail, international and investment banking businesses through a network which includes 425 domestic branches, five offshore banking units in İstanbul, İzmir, Mersin, Antalya and Bahrain, four overseas representative offices in Germany and the Russian Federation. Services provided include customer deposit-taking, consumer and corporate lending, foreign trade transactions, investment banking and mutual fund management, credit and debit cards, electronic, telephone and internet banking and payment services.

The Bank has established or acquired financial subsidiaries which complement the core areas of its business including life and non-life insurance, leasing, factoring and investment banking. The Bank also has subsidiaries, associates, and joint ventures in information technology, tourism, telecommunication, and construction sectors operating in Turkey and abroad.

For the purpose of these consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by International Accounting Standards Committee (IASC) that remain in effect. The consolidated financial statements have been prepared on an historical cost convention except for the measurement at fair value of derivative financial instruments, trading securities and available-for-sale financial assets.

The Bank and its subsidiaries which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Banking Law, accounting standards promulgated by the Turkish Capital Market Board, Turkish Commercial Code and Tax Legislation. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS in Turkish Lira (TL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. The major adjustments which are reflected to be in conformity with IFRS constitute:

- (a) Consolidation adjustments
- (b) Deferred tax on restatement differences
- (c) Employee benefits

Reclassifications on 2001 Financials

The Group has made certain reclassifications in the consolidated financial statements as of December 31, 2001 to be consistent with the current year presentation:

- (a) "Cash and due from banks" and "Placements with banks" have been classified into "Cash and balances with the Central Bank", "Deposits with banks and other financial institutions", and "Other money market placements".
- (b) Trading securities have been reflected as a separate line item in the balance sheet.
- (c) Goodwill has been classified into intangible assets.
- (d) Deposits have been classified into "Deposits from other banks", "Customers deposits" and "Other money market deposits".
- (e) "Insurance technical expense" and "General and administrative expenses" have been classified into "Other expense".
- (f) "Insurance technical income" has been classified into "Other income".
- (g) "Factoring commission income" has been classified into "Fees and commissions income".
- (h) Presentation of cash flow statement using direct method is made primarily to be consistent with the financial statement reporting format prescribed by the Banking Regulation and Supervision Agency (BRSA) effective December 31, 2002 which is also in line with the international banking practices.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Accounting Policies

The Group adopted IAS 39- Financial Instruments: Recognition and Measurement in 2001. The financial effects of adopting IAS 39 were reported as an adjustment to the opening balances of equity in 2001.

Change in Accounting Estimate

In accordance with regulations of Turkish Undersecretariat of Treasury for Insurance and Reinsurance Companies, insurance companies are required to set a reserve for earthquake claims. This is the reserve set for 15 years beginning from 1993 to compensate the future earthquake damage risks. This allowance covers the residual amount of earthquake premiums produced within engineering and fire insurance policies after one third of such premiums are deducted for commission and other expenses and is reflected in each year's income statement. The revenues of funds held for earthquake reserve are also accounted within this allowance. The claims that are paid for damage and compensation as a result of the guarantees given for earthquake are deducted from allowance for earthquake claims.

During 2002, based on the recent experiences, it was understood that the losses incurred due to earthquake damages are not directly correlated with the earthquake reserves provided. Therefore, management decided to reverse earthquake reserves provided in the past and account for such reserve as undistributable retained earnings. The effect of such change was adjusted on the current year financial statements. Accordingly, such change in accounting estimate resulted in a net increase in profit for the year ended December 31, 2002 of TL 7,536.

Measurement Currency, Reporting Currency and Translation Methodology

Measurement Currency for the Bank and Its Subsidiaries Which Operate in Turkey :

Measurement currency of the Bank and its subsidiaries, which operate in Turkey, is Turkish Lira (TL). The restatement for the changes in the general purchasing power of TL as of December 31, 2002 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of December 31, 2002, the three year cumulative rate has been 227 % (2001 - 308 %) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such index and conversion factors as of the end of the three year period ended December 31, 2002 are given below:

Dates	Index	Conversion Factors
December 31, 2000	2,626.0	2.467
December 31, 2001	4,951.7	1.308
December 31, 2002	6,478.8	1.000

The main guidelines for the above mentioned restatement are as follows :

- the financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2002.
- monetary assets and liabilities reported in the consolidated balance sheet are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the inflation adjusted share capital was derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings and income from sale of investments and property transferred to share capital from the date they were contributed.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity (except for the statutory revaluation adjustment which is eliminated) are restated by applying the relevant conversion factors.
- the effect of general inflation on the net monetary position is included in the income statement as monetary gain(loss).
- all items in the income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets (which have been calculated based on the restated gross book values and accumulated depreciation/amortization).

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

Measurement and Reporting Currencies of Foreign Subsidiaries and Translation Methodology

	Local Currency	Measurement Currency
Yapı Kredi Bank Deutschland A.G. (YK Deutschland)	Euro	Euro
Yapı Kredi Holding B.V. (YK Holding)	Euro	USD
Yapı Kredi Moscow (YK Moscow)	RUR	USD
Yapı Kredi International Financial Services Ltd. (YK International)	USD	USD
Yapı Kredi Bank Nederland N.V. (YK Nederland)	Euro	Euro

Because of the international nature of the foreign subsidiaries' activities and the fact that some foreign subsidiaries transact more of their business in USD or EURO than in any other currency, those foreign subsidiaries has adopted these currencies as their measurement currency.

The majority of foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous.

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are also translated at year-end exchange rates, which is considered as a proxy to restate such income statement amounts at year-end purchasing power of TL. Differences resulting from the deviation between the inflation rate and the appreciation of foreign currencies against the Turkish Lira related to equity accounts of consolidated subsidiaries were taken to equity as a translation gain (loss).

On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction and restated thereafter.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries drawn up to December 31 each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements of the Group include the Bank and its subsidiaries, which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2002 and 2001 are as follows:

	Place of Incorporation	Principal Activities	Effective Shareholding and Voting Rights (%)	
			2002	2001
Yapı Kredi Sigorta A.Ş.	Turkey	Insurance	66.31	67.72
Yapı Kredi Finansal Kiralama A.O	Turkey	Leasing	65.40	65.40
Yapı Kredi Faktoring A.Ş.	Turkey	Factoring	99.98	99.98
Yapı Kredi Yatırım Menkul Değerler A.Ş.	Turkey	Investment banking	99.99	99.99
Yapı Kredi Emeklilik Sigorta A.Ş.	Turkey	Insurance	99.99	99.99
Yapı Kredi Bank Deutschland A.G	Germany	Banking	97.50	72.92
Yapı Kredi Holding B.V	Netherlands	Holding	100.00	100.00
Yapı Kredi Moscow	Russia	Banking	99.70	99.70
Yapı Kredi Yatırım Ortaklığı A.Ş	Turkey	Investment Trust	51.47	34.99
Yapı Kredi International Financial Services Ltd.	Ireland	Financial Services	100.00	100.00
Bayındırlık İşleri A.Ş	Turkey	Construction	84.86	84.86
Akdeniz Marmara Turizm İnşaat ve Ticaret A.Ş.	Turkey	Construction	99.99	99.99
Yapı Kredi Niderland N.V.	Netherlands	Banking	100.00	100.00

The purchase method of accounting is used for acquired businesses. Subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

In October 2001, Yapı Kredi Bank Deutschland A.G. merged with Bank Kreiss A.G. another bank incorporated in Germany belonging to the Çukurova Group. After the merger, the Bank's share in YK Deutschland A.G. decreased to 72.92% from 100%. In May 2002, due to purchase of additional shares, the Banking Group's share in YK Deutschland increased to 97.50%.

All significant intercompany balances and transactions are eliminated on consolidation.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associates

The Group's investments in associates are accounted for under the equity method of accounting. These are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. The investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The income statement reflects the Group's share of the results of operations of the associates. The Group's investments in associates include goodwill (net of accumulated amortization) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

Interest in Joint Venture

The Group's interest in its joint venture is accounted for by equity basis of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee.

Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Bank as of respective year-end are as follows :

Dates	USD / TL (full)	EURO / TL (full)
December 31, 2000	671,765	618,561
December 31, 2001	1,440,000	1,236,412
December 31, 2002	1,595,000	1,662,309

Premises and Equipment

Premises and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and land improvements	50 years
Furniture and fixtures, equipment, leased equipment	5-17 years
Leasehold improvements	Over the term of respective leases

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of premises and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Properties

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Investment properties are depreciated on a straight-line basis over the estimated useful lives of 50 years.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is amortized on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortization and any impairment in value.

Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. The Group maintains four separate securities portfolio, as follows:

Trading securities

Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. After initial recognition, trading securities are remeasured at fair value based on quoted bid prices. All related realized and unrealized gains or losses are recognized in trading income.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Held to maturity securities

Investment securities with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

Held-to-maturity investments are carried at amortized cost using the effective yield method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognised or impaired, as well as through the amortization process.

Interest earned whilst holding held to maturity securities is reported as interest income.

Originated loans and advances to government

Debt securities that are purchased from government at original issuance and not classified as trading are classified as originated loans and advances and carried at amortized cost using the effective yield method less any impairment in value. Interest earned on such securities is reported as interest income.

Available for sale securities

All other investments are classified as available for sale. Available for sale securities are subsequently carried at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

Interest earned on available for sale investments is reported as interest income. Dividends received are included in dividend income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

Repurchase and Resale Transactions

The Group enters into short-term sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement, continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they are part of. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

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

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with central banks, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

Originated Loans and Advances to Customers

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorized as loans originated by the Group and are carried at amortized cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers.

Provisions for Possible Loan, Lease, Factoring Receivable Losses

Based upon its evaluation of credits granted, management estimates the total credit risk provision that it believes is adequate to cover uncollectable amounts in the Group's loan and receivable portfolio and losses under guarantees and commitments. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to original contractual terms of the loan; such loans are considered impaired and classified as "loans in arrears". The amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and the fair value of collateral, if the loan is collateralized and foreclosure is probable.

Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

The Group ceases to accrue interest on those loans that are classified as "loans in arrears" and for which the recoverable amount is determined primarily in reference to fair value of collateral.

The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a loan. Recoveries of loans written off in earlier period are included in income.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

Deposits and Funds Borrowed

Deposits and funds borrowed are initially recognized at cost. After initial recognition, all interest bearing liabilities are subsequently measured at amortized cost using effective yield method, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the income statement when the liability is derecognized or impaired as well as through the amortization process.

Employee Termination Benefits

In accordance with existing social legislation, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Group has reflected a liability calculated using the Projected Unit Credit Method and based upon estimated inflation rates and factors derived using the Company and its Turkish subsidiaries' experience of personnel terminating their services and being eligible to receive such benefits and discounted by using the current market yield at the balance sheet date on government bonds.

Pension Plan

Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı (the Fund), is a separate legal entity and a foundation recognized by an official decree, providing all qualified Bank employees with pension plan benefits. The Fund is a defined contribution plan under which the Bank pays fixed contributions. As of December 31, 2002, since the financial statements of the Fund bear no deficit, there is no liability to be recognized in the consolidated financial statements.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group as Lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as Lessor

Finance Lease

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized immediately as expenses.

Operating Lease

The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognized in income on a straight-line basis over the lease term.

Insurance Technical Income/Expense

Insurance technical income and expense mainly represent :

Premium Income

Premiums are recorded as income at the date of policy issuance except for the life branch for which premiums are recorded as income when they become due.

Claims

Claims incurred comprise all claims occurring during the year, together with their related expertise expenses, and any adjustments to claims outstanding from the previous year. When applicable, deductions are made for estimated salvage and recoveries.

Deferred Acquisition Costs

Deferred acquisition costs represent a proportion of net commissions and all other policy acquisition costs which are deferred to the next accounting period, except for acquisition costs related to life policies with more than one year of maturity, in parallel with the unearned premiums.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Insurance Technical Reserves

Insurance technical reserves represent :

Unearned Premium Reserve

Unearned premiums are those proportions of the premiums written in a year that relate to the period of risk subsequent to the balance sheet date for all policies other than life policies with more than one year of maturity. Unearned premium reserve set aside for unexpired risks has been computed by using the one twenty-fourths method which assumes that premium revenues are realised on average in the middle of each month.

Outstanding Claims / IBNR Reserves

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

Mathematical Reserves

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

Profit Share Reserve

Profit share is the portion of investment income allocated to life policy holders from income generated due to premiums of life policies with a savings clause. Such policies normally have at least 10 years of maturity and policy holders are entitled to receive a profit share after 3 years from the date of policy issuance. Profit share is calculated on an individual policy basis. In Note 20, investment income presented within income from insurance operations represents income generated through utilization of funds associated with mathematical reserves in various investment tools whereas provision for profit share represents the amount allocated to policy holders out of investment income after certain deductions.

Factoring receivables and factoring payables

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for possible losses. Factoring payables are recognized at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and then carried at amortized cost.

Income and Expense Recognition

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

Commission income and fee for various banking services are recorded as income when collected. Dividends are recognized when the shareholders' right to receive the payments is established.

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Income Tax

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards and swaps in the foreign exchange and capital markets. These derivative 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. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value.

Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Fiduciary Assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

Use of Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. SEGMENT INFORMATION

Segment information is prepared on the following bases:

Business segments

The Group conducts the majority of its business activities in the financial sector.

Year ended December 31, 2002

	Banking	Leasing	Factoring	Insurance	Construction	Consolidated
Net interest income	612,501	23,909	13,539	26,175	-	676,124
Provision for possible loan, lease and factoring receivable losses	(379,725)	(12,554)	(561)	-	-	(392,840)
Foreign exchange gain/loss	(216,315)	12,266	(7,347)	(413)	-	(211,809)
Other operating income	1,941,018	5,671	3,526	418,869	1,827	2,370,911
Other operating expense	(1,299,861)	(15,677)	(7,041)	(419,988)	(892)	(1,743,459)
Profit from operating activities	657,618	13,615	2,116	24,643	935	698,927
Income/loss from associates	(4,691)	-	-	-	-	(4,691)
Income tax (Credit)						81,371
Monetary gain						134,206
Minority interest						(8,310)
Extraordinary item						-
Net profit						901,503
Other segment information						
Segment assets	18,074,091	273,830	174,117	591,024	86,379	19,199,441
Investments in associates and joint ventures	696,914	-	-	1	-	696,915
Total assets	18,771,005	273,830	174,117	591,025	86,379	19,896,356
Segment liabilities	16,475,218	209,114	153,122	560,569	12,792	17,410,815
Total liabilities	16,475,218	209,114	153,122	560,569	12,792	17,410,815
Capital expenditures						
Tangible fixed assets	78,999	300	547	7,221	-	87,067
Intangible fixed assets	14,173	26	31	-	-	14,230
Depreciation	118,155	575	196	3,342	892	123,160
Amortization	66,567	136	445	-	-	67,148
Impairment losses	101,350	-	-	3,320	-	104,670

3. SEGMENT INFORMATION (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Year ended December 31, 2001

	Banking	Leasing	Factoring	Insurance	Construction	Consolidated
Net interest income	500,076	29,244	22,908	48,066	-	600,294
Provision for possible loan, lease and factoring receivable losses	(1,706,075)	(9,057)	(1,244)	-	-	(1,716,376)
Foreign exchange gain/loss	(1,162,218)	27,932	(40,161)	1,723	-	(1,172,724)
Other operating income	694,144	4,606	2,800	535,061	1,884	1,238,495
Other operating expense	(1,501,610)	(15,218)	(10,680)	(598,993)	(2,739)	(2,129,240)
Profit from operating activities	(3,175,683)	37,507	(26,377)	(14,143)	(855)	(3,179,551)
Income from associates	(58,401)	-	-	-	-	(58,401)
Income tax						98,015
Monetary gain						514,314
Minority interest						6,900
Extraordinary items						(27,866)
Net loss						(2,646,589)
Other segment information						
Segment assets	20,052,257	243,807	132,049	625,313	112,062	21,165,488
Investment in associates	316,187	-	-	-	-	316,187
Total assets	20,368,444	243,807	132,049	625,313	112,062	21,481,675
Segment liabilities	18,955,658	183,922	128,060	551,614	14,763	19,834,017
Total liabilities	18,955,658	183,922	128,060	551,614	14,763	19,834,017
Capital expenditures						
Tangible fixed assets	73,305	237	242	2,683	-	76,467
Intangible fixed assets	13,272	-	-	-	-	13,272
Depreciation	124,853	878	106	3,424	1,996	131,257
Amortization	56,210	-	535	-	1,196	57,941

Geographical segments

The Group's activities are conducted predominantly in Turkey.

Transactions between the business segments are on normal commercial terms and conditions. Those transactions are eliminated in consolidation.

Year ended December 31, 2002

	Turkey	EU Countries	OECD Countries	Off-shore	USA	Other	Consolidated
Net interest income	629,741	36,961	-	-	-	9,422	676,124
Provision for possible loan, lease and factoring receivable losses	(337,203)	(56,141)	-	-	-	504	(392,840)
Foreign exchange loss	(206,487)	(4,540)	-	-	-	(782)	(211,809)
Other operating income	2,337,237	29,419	-	-	-	4,255	2,370,911
Other operating expense	(1,692,555)	(44,845)	-	-	-	(6,059)	(1,743,459)
Profit/ loss from operating activities	730,733	(39,146)	-	-	-	7,340	698,927
Other segment information							
Segment assets	16,411,366	1,816,554	114,896	478,291	169,332	209,002	19,199,441
Investment in associates and joint ventures	660,351	-	36,564	-	-	-	696,915
Total assets	17,071,717	1,816,554	151,460	478,291	169,332	209,002	19,896,356
Capital expenditures							
Tangible fixed assets	84,526	2,349	-	-	-	192	87,067
Intangible fixed assets	14,063	167	-	-	-	-	14,230

3. SEGMENT INFORMATION (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Year ended December 31, 2001

	Turkey	EU Countries	OECD Countries	Off-shore	USA	Other	Consolidated
Net interest income	543,347	52,415	-	-	-	4,532	600,294
Provision for possible loan, lease and factoring receivable losses	(1,706,129)	(7,328)	-	-	-	(2,919)	(1,716,376)
Foreign exchange gain/loss	(1,157,034)	(18,854)	-	-	-	3,164	(1,172,724)
Other operating income	1,221,424	12,636	-	-	-	4,435	1,238,495
Other operating expense	(2,087,442)	(36,803)	-	-	-	(4,995)	(2,129,240)
Profit / loss from operating activities	(3,185,834)	2,066	-	-	-	4,217	(3,179,551)
Other segment information							
Segment assets	16,480,551	2,669,098	164,788	349,840	967,518	533,693	21,165,488
Investment in associates	281,440	-	34,747	-	-	-	316,187
	16,761,991	2,669,098	199,535	349,840	967,518	533,693	21,481,675
Capital expenditures							
Tangible fixed assets	68,582	3,804	-	-	-	4,081	76,467
Intangible fixed assets	12,541	731	-	-	-	-	13,272

4. CASH AND CASH EQUIVALENTS

	2002	2001
Cash on hand	165,449	264,479
Balances with the central banks	269,346	392,061
Cash and balances with the central banks	434,795	656,540
Deposits with banks and other financial institutions	571,165	2,185,510
Funds lent under reverse repurchase agreements	39,957	-
Interbank placements	285,961	491,710
Other money market placements	325,918	491,710
Cash and cash equivalents in the balance sheet	1,331,878	3,333,760
Less: Time deposits with original maturities of more than three months	(90,712)	(87,943)
Cash and cash equivalents in the cash flow statement	1,241,166	3,245,817

4. CASH AND CASH EQUIVALENTS (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

As of December 31, 2002 and 2001, interest range of deposits and placements are as follows:

	2002				2001			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Central bank	5	269,291	-	1.28%	24,954	367,107	-	2.75%
Deposits with banks and other financial institutions	18,080	553,085	55	1.00%	275,626	1,909,884	56.00%	1.50%
Funds lent under reverse repurchase agreements	31,565	8,388	44	-	-	-	-	-
Interbank placements	285,961	-	44	-	491,710	-	59.00%	-
Total	335,661	830,764			792,290	2,276,991		

As at December 31, 2002, USD 20,183,000 (TL 32,192), (2001 - None) portion of deposits with banks and other financial institutions is kept as cash guarantee for one of the suppliers of Digital Platform İletişim Hizmetleri A.Ş. (Digital Platform).

As at December 31, 2002, TL 244,529 (2001 - TL 369,034) portion of balances with the Central Bank represent funds deposited for liquidity requirements as per Turkish Banking Regulations and TL 44,062 (2001 - TL 102,921) portion of balance with deposits with banks and other financial institutions represents the amounts blocked for insureds per Turkish Insurance Regulations.

5. RESERVE DEPOSITS AT THE CENTRAL BANK

	2002	2001
- Turkish lira	273,928	137,855
- Foreign currency	694,445	920,913
	968,373	1,058,768

According to the regulations of the Central Bank of Turkish Republic (the Central Bank), banks are obliged to reserve a portion of certain liability accounts as specified in the related decree. Such reserves are deposited with the Central Bank.

As of December 31, 2002, the interest rates applied for Turkish lira and foreign currency reserve deposits are 25% and for USD 0.80% and Euro 1.43% (2001 - 40% and 0%), respectively.

6. INVESTMENTS IN SECURITIES

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Trading Securities

	2002		2001	
	Amount	Effective interest rates	Amount	Effective interest rates
Trading securities at fair value				
Debt instruments				
Turkish government bonds	910,291	49.80%-102.8	381,134	44.75% - 181.86%
Turkish treasury bills	523,326	48.80%-78.20	175,553	60.10% - 85.84%
Turkish corporate bonds	179,599	11.79%-21.01	2,978	12.75%
Eurobonds issued by the Turkish government	1,648,529	6.84%-15.03	2,099	8.00%
Foreign government bonds	3,524	9.73%-10.38	-	-
Foreign corporate bonds	40,743	11.72%-12.34	-	-
	3,306,012		561,764	
Others				
Mutual funds	41,077	-	14,119	-
Equity securities	70,136	-	62,874	-
	111,213		76,993	
Total trading securities	3,417,225		638,757	

6. INVESTMENTS IN SECURITIES (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Available for sale securities

	2002		2001	
	Amount	Effective interest rates	Amount	Effective interest rates
Available for sale securities at fair value				
Debt instruments				
Turkish government bonds	18,995	47.41%-63.83%	35,183	58.37% - 67.41%
Turkish treasury bills	3,930	56.89%	74,032	55.20%-78.41%
Turkish corporate bonds	5,327	12.75%-15.00%	56,558	10.41%-29.11%
Eurobonds issued by the Turkish government	127,919	7.00%-11.88%	630,065	7.00%-12.11%
Foreign government bonds	14,049	10.00%-14.00%	334,238	2.25%-5.21%
Foreign corporate bonds	13,980	5.00%-20.00%	8,489	-
	184,200		1,138,565	
Others				
Mutual funds	437,638	-	557,152	-
Equity instruments	133,558	-	213,883	-
Listed	70,060	-	139,842	-
Unlisted	63,498	-	74,041	-
	571,196		771,035	
Total available for sale securities at fair value	755,396		1,909,600	
Available for sale securities at cost				
Equity instruments –unlisted	172,422	-	197,242	-
Total available for sale securities	927,818		2,106,842	

As of December 31, 2002 and 2001, mutual funds within the available-for-sale portfolio include investment certificates of a foreign mutual fund which is established for the purpose of investments in securities traded in OECD countries and share certificates of a mutual fund established in the Netherlands for the purposes of investments in real estate projects. The total carrying value of these funds is TL 426,718 (U.S. Dollars 267,534,796) (2001 - TL 519,746) (U.S. Dollars 275,943,750). As of December 31, 2001, the Bank has set a provision of TL 83,784 for the permanent decrease in value of mutual funds.

Equity securities which are not listed and whose fair values could not be reliably measured are reflected at cost.

As of December 31, 2002, available for sale securities at cost constitute mainly 72.36% of Fintur Technologies B.V., established in the Netherlands, and 25.21% of Digital Platform with restated costs of TL 71,097 and TL 81,699 respectively. The Bank has no control in the management of these two companies and as explained in Note 32, there is an option given to Çukurova Group to purchase these companies.

6. INVESTMENTS IN SECURITIES (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

As of December 31, 2001, available for sale securities at cost constitute mainly 19.44% of Fintur Holding B.V., at an amount of TL 170,507. In line with the Board of Directors' decision taken on February 28, 2002 and in line with the restructuring of telecommunication sector investments within the Çukurova Group, the Banking Group has decided to sell its share (19.44%) of Euro 105 million in Fintur Holding B.V., which has a share capital of Euro 540 million, to Sonera Holding B.V. and Turkcell İletişim Hizmetleri A.Ş. In line with this decision, share sales agreement has been signed between the parties on May 10, 2002. Procedural and regulatory requirements and share transfers have been completed on August 21, 2002, and U.S. Dollars 91 million have been transferred to the Bank's accounts.

Held to maturity securities

	2002		2001	
	Amount	Effective interest rates	Amount	Effective interest rates
Held to maturity securities at amortized cost				
Debt instruments				
Turkish government bonds	481,393	54.93%-71.86%	724,288	44.75%-181.86%
Turkish treasury bills	21,892	56.10%	-	-
Turkish corporate bonds	75,304	10.41%-12.86%	179,773	11.75%-15.00%
Eurobonds issued by the Turkish government	145,419	7.00%-10.95%	370,682	6.94%-8.00%
Foreign government bonds	35,298	3.20%-8.50%	31,164	3.20%-4.71%
Foreign corporate bonds	829	3.92%	29,040	9.38%-10.00%
Total held to maturity securities	760,135		1,334,947	

As of December 31, 2002, the carrying value and the nominal amounts of securities kept in the Central Bank, in İstanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (İstanbul Stock Exchange Clearing and Custody Incorporation), and other authoritative bodies for legal requirements and as a guarantee for stock exchange and money market operations, and insurance blockage are as follows:

	2002		2001	
	Nominal	Carrying Value	Nominal	Carrying Value
Trading Securities	769,718	767,961	-	-
Available for Sale Securities	22,071	20,754	326,558	310,483
Held to Maturity Securities	658,993	592,626	619,067	724,768
Originated Loans and advances	123,000	99,787	303,455	289,394
Total	1,573,782	1,481,128	1,249,080	1,324,645

As of December 31, 2002, TL 1,791,685 (2001 - TL 129,937) of government bonds and treasury bills within the trading portfolio have been sold to customers and banks through repurchase agreements.

As of December 31, 2002, investment in securities contain bonds issued by a certain related party which are classified as trading securities amounting to TL 165,168 (2001 – TL 2,978), available for sale securities amounting to TL 3,681 (2001 – TL 34,564) and held to maturity securities amounting to TL 75,304 (2001 – TL 179,773).

7. ORIGINATED LOANS AND ADVANCES

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002						
	Amount				Effective Interest Rates		
	Turkish Lira	Foreign Currency	Foreign Currency Indexed	Total	Turkish Lira	Foreign Currency	Foreign Currency Indexed
Corporate loans	672,696	4,928,750	167,809	5,769,255	58.3'	7.79%	10.03%
Loans to government	844,878	86,450	-	931,328	58.2'	3.21%	-
Consumer loans	296,788	9,188	39,304	345,280	50.2'	10.00%	8.86%
Credit cards	1,168,608	-	-	1,168,608	102.0'	-	-
Total loans	2,982,970	5,024,388	207,113	8,214,471	-	-	-
Loans in arrears	595,887	325,226	189	921,302	-	-	-
Less: Reserve for possible loan losses	(600,777)	(78,553)	(189)	(679,519)	-	-	-
Total	2,978,080	5,271,061	207,113	8,456,254	-	-	-

	2001						
	Amount				Effective Interest Rates		
	Turkish Lira	Foreign Currency	Foreign Currency Indexed	Total	Turkish Lira	Foreign Currency	Foreign Currency Indexed
Corporate loans	992,633	2,508,628	122,133	3,623,394	71.9'	13.67%	14.0%
Loans to government	751,200	276,041	602,905	1,630,146	67.2'	4.53% -11.38%	12.2%
Consumer loans	124,365	4,540	17,786	146,691	49.9'	20.00%	23.5%
Credit cards	768,199	-	-	768,199	108.9'	-	-
Total loans	2,636,397	2,789,209	742,824	6,168,430	-	-	-
Loans in arrears	750,112	3,725,723	-	4,475,835	-	-	-
Less: Reserve for possible loan losses	(354,502)	(1,065,127)	-	(1,419,629)	-	-	-
Total	3,032,007	5,449,805	742,824	9,224,636	-	-	-

As of December 31, 2002, originated loans and advances include TL 625,710 (2001 - TL 701,845) due from Findık Tarım Satış Kooperatifleri Birliği (governmental union of agricultural cooperatives for the sale of hazelnut) (Fiskobirlik). In 1994, Fiskobirlik defaulted on loans granted by the Bank and various other Turkish banks and since then no interest or principle has been collected by the Bank. Loans granted to Fiskobirlik are under the guarantee of the Turkish Government and hence the banks cannot file a court case against either Fiskobirlik or the Turkish Government. Between 1994 and 1999 there were various attempts to resolve the issue by the Turkish Government and the banks. In 1997, the Turkish Government proposed a repayment plan with an interest rate of ¼ of market rate which was not accepted by the Bank.

Until September 30, 2000, the Bank accrued interest on the risk of Fiskobirlik quarterly and included it in originated loans and advances in its financial statements by applying the Bank's average Turkish Lira interest rates. From that date on, interest accrual was calculated but not recorded in the financial statements of the Bank. In 2001, the Bank has again begun to accrue interest in its financial statements based on the law numbered 4572 Transitional Article 1-E regarding union of agricultural cooperatives which states that the debts of Fiskobirlik have been undertaken by the Undersecretariat of Treasury and will be repaid by the transfer of government securities.

The remaining portion of loans to government consists of securities directly purchased from Turkish Treasury amounting to TL 224,641 (2001 - TL 919,556) and loans granted majorly to Turkish Treasury and other governmental institutions amounting to TL 80,977 (2001 - TL 8,745).

7. ORIGINATED LOANS AND ADVANCES (continued)

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

As of December 31, 2002, in line with the opinion taken from BRSA, the Bank has calculated income accrual at a nominal amount of TL 89,132 for the period between June 30, 2002 and September 30, 2002 and reflected in the financial statements. The discussions with the governmental authorities are ongoing regarding the settlement of this receivable.

The Bank signed Financial Restructuring Agreement with the Çukurova Group in order to restructure Çukurova Group risks and in line with the waiver obtained from BRSA, reversed the provision previously set for those risks amounting to TL 867,076.

Movements in the reserve for possible loan losses:

	2002	2001
Reserve at beginning of year	1,419,629	313,534
Allowance of Bank Kreiss due to merger	-	10,440
Provision for possible loan losses	379,725	1,706,075
Recoveries	(760,503)	(22,732)
Write offs during the year	(10,040)	(15,479)
Reversal of interest accruals	-	51,071
Monetary gain	(349,292)	(623,280)
Reserve at end of year	679,519	1,419,629

As of December 31, 2002, loans and advances on which interest is not being accrued, or where interest is suspended, amounted to TL 921,302 (2001- TL 4,475,835). There is no uncollected interest accrued on impaired loans.

As explained in Note 32, in 2002 the Bank has reclassified the risks of the Çukurova Group which have been classified in the loans in arrears as at December 31, 2001, to performing loans portfolio.

8. FACTORING RECEIVABLES AND PAYABLES

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002						
	Amount				Interest rates		
	Turkish Lira	Foreign currency	Foreign currency indexed	Total	Turkish Lira	Foreign Currency	Foreign currency indexed
Open accounts	33,180	103,960	10,632	147,772	42.21%-63	2.99%-8.7	10.00%
Checks receivable	10,762	54	-	10,816	-	-	-
Total factoring receivables	43,942	104,014	10,632	158,588	-	-	-
Doubtful factoring receivables	854	716	-	1,570	-	-	-
Less: Reserve for possible losses	(854)	(716)	-	(1,570)	-	-	-
Net factoring receivables	43,942	104,014	10,632	158,588	-	-	-
Factoring payables	(15,597)	(58,750)	(1,619)	(75,966)	-	-	-
Net factoring payables	(15,597)	(58,750)	(1,619)	(75,966)	-	-	-
Net funds in use	28,345	45,264	9,013	82,622	-	-	-

	2001						
	Amount				Interest rates		
	Turkish Lira	Foreign currency	Foreign currency indexed	Total	Turkish Lira	Foreign Currency	Foreign currency indexed
Open accounts	12,481	89,717	-	102,198	54.46%- ξ	4.20%- ξ	-
Checks receivable	12,401	-	-	12,401	-	-	-
Total factoring receivables	24,882	89,717	-	114,599	-	-	-
Doubtful factoring receivables	633	973	-	1,606	-	-	-
Less: Reserve for possible losses	(633)	(973)	-	(1,606)	-	-	-
Net factoring receivables	24,882	89,717	-	114,599	-	-	-
Factoring payables	(3,831)	(41,097)	-	(44,928)	-	-	-
Net factoring payables	(3,831)	(41,097)	-	(44,928)	-	-	-
Net funds in use	21,051	48,620	-	69,671	-	-	-

Movements in the reserve for possible losses:

	2002	2001
Reserve at beginning of year	1,606	1,266
Provision for possible losses	561	1,244
Recoveries	(86)	-
Provision net of recoveries	475	1,244
Factoring receivables written off during the year	-	(128)
Monetary gain	(511)	(776)
Reserve at end of year	1,570	1,606

9. MINIMUM LEASE PAYMENTS RECEIVABLES

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Gross investment in finance leases:

	2002	2001
Not later than 1 year	178,387	149,400
Later than 1 year and not later than 5 years	135,162	106,839
Later than 5 years	6,095	17,322
Minimum lease payment receivables, gross	319,644	273,561
Less: Unearned interest income	(59,966)	(69,091)
Net investment in finance leases	259,678	204,470
Less: Reserve for impairment	(9,936)	(4,469)
Minimum lease payments receivables, net	249,742	200,001

Net investment in finance leases may be analyzed as follows:

	2002	2001
Not later than 1 year	134,588	107,945
Later than 1 year and not later than 5 years	114,548	78,228
Later than 5 years	606	13,828
Minimum lease payment receivables, net	249,742	200,001

As of December 31, 2002 and 2001, TL 288,169 and TL 249,879 of gross lease receivables are denominated in foreign currency (mainly US\$ and Euro) and TL, respectively and the effective interest rates for minimum lease receivable denominated in US\$ is 10.82%, in Euro 10.54%, and in TL 48.45% (2001 - in US\$ 14.60 %, in Euro 14.89 %, and in TL 69.75 %)

Movements in the reserve for impairment:

	2002	2001
Reserve at beginning of year	4,469	3,852
Provision for impairment	6,696	3,359
Monetary gain	(1,229)	(2,742)
Reserve at end of year	9,936	4,469

10. INVESTMENT IN JOINT VENTURES

Acquisition

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

As of December 31, 2002 in line with the Financial Restructuring Agreement, explained in more detail in Note 32, signed between the Bank and the Çukurova Group companies, Bank received 50% shares of A-Tel Pazarlama ve Servis Hizmetleri A.Ş. (A-TEL, an unlisted company based in Turkey specialized in marketing of pre-paid GSM cards of Turkcell İletişim Hizmetleri Anonim Şirketi) corresponding to seven million shares with TL 7,000 billion nominal value. Such shares are valued as U.S. Dollars 268,906,707 and deducted from the total receivable of U.S. Dollars 2,213 million of the Çukurova Group. According to the agreement, the valuation of the A-TEL shares, are made based on the assumption that the Service Rendering Agreement between A-TEL and Turkcell İletişim Hizmetleri A.Ş. dated July 9, 1999 and Distribution Rendering Agreement dated August 1, 1999 will continue to be valid.

The fair value of the Bank's share in identifiable assets and liabilities of A-TEL acquired are :

Cash and cash equivalents	828
Trade receivables	5,903
Inventories	47
Property, plant and equipment	18,967
Intangibles	392,843
Other assets	10,842
Total assets	429,430
Trade payables	8,417
Other liabilities	22,422
Fair value of net assets	398,591
Goodwill arising on acquisition	40,939
	439,530

Consideration:

Originated loan balance reduced	439,530
Total consideration	439,530

The cash outflow on acquisition is as follows:

Net cash acquired with subsidiary	828
Cash paid	(439,530)
Net cash outflow	(438,702)

11. INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

The breakdown of unconsolidated subsidiaries is comprised of the following:

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	Participation Percentage		Participation Amount	
	2002	2001	2002	2001
Halk Reasürans A.Ş.	95.78%	95.78%	5,418	5,418
Yapı Kredi Sigorta Aracılık Hizmetleri A.Ş.	99.99%	99.99%	344	2,366
Yapı Kredi Kart Hizmetleri A.Ş.	100.00%	100.00%	747	747
Ascot Telecommunication Investment N.V.	100.00%	100.00%	407	407
Yapı Kredi Portföy Yönetimi A.Ş.	97.50%	97.50%	1,429	1,656
Other	-	-	369	196
			8,714	10,790

For the purposes of these consolidated financial statements, the Bank's participations in the following subsidiaries have been written off.

Name	Ownership (%)		Restated Cost	
	2002	2001	2002	2001
Comag Continental Madencilik Sanayi ve Ticaret A.Ş.	90.87	90.87	92,129	92,129
Agro-San Kimya Sanayi ve Ticaret A.Ş.	99.17	99.17	43,836	43,836
Auer İmalat A.Ş.	96.27	96.27	38,064	38,064
Tifdruk Matbaacılık Sanayi A.Ş.	96.10	96.10	23,667	23,667
Yapı Kredi Teknoloji Hizmetleri A.Ş.	99.42	99.42	8,378	8,378
Yapı Kredi Kültür - Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	99.99	99.99	2,816	2,816
Çukurova Havacılık A.Ş.	30.00	30.00	4,082	4,082

12. INVESTMENTS IN ASSOCIATES

The following is a list of the investments in associates:

Entity	Principle Activities	Country of Business	2002			2001		
			Carrying Value	Ownership Interest	Group's Share of Income	Carrying Value	Ownership Interest	Group's Share of Income
Turkcell Holding Anonim Şirketi	Holding	Turkey	225,569	20.02 %	16,578	247,213	20.02 %	(35,924)
YK Koray Gayrimenkul Yatırım Ortaklığı Anonim Şirketi	Real Estate	Turkey	23,980	26.01 %	(8,729)	33,528	26.01 %	(1,825)
Banque de Commerce et Placements SA.	Banking	Switzerland	36,565	30.67 %	1,065	34,747	30.67 %	1,486
Groupe SEB İstanbul Ev Aletleri A.Ş.	Retail	Turkey	12,210	32.00 %	(13,605)	699	32.00 %	(22,138)
			298,324		(4,691)	316,187		(58,401)

13. INVESTMENT PROPERTIES

At January 1, 2002, net

18,623

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Additions	-
Capitalized subsequent expenditure	-
Disposals	-
Transfers to/from inventories and owner occupied properties	-
Depreciation	(425)
Provision for impairment	(1,351)
At December 31, 2002	16,847

14. PREMISES AND EQUIPMENT

	Land and Buildings	Equipment and Motor Vehicles	Leasehold improvements	Continuing Investments	Total
At January 1, 2002, net of accumulated depreciation	1,769,091	313,693	25,893	31,504	2,140,181
Additions	4,038	49,001	7,509	26,519	87,067
Disposals	(12,283)	(2,372)	(2,478)	(6,099)	(23,232)
Transfers	5,298	74,481	(2,341)	(40,239)	37,199
Impairment	(115,385)	-	-	-	(115,385)
Depreciation charge for the year	(62,313)	(50,934)	(9,488)	-	(122,735)
Exchange adjustment	(972)	(180)	-	-	(1,152)
At December 31, 2002, net of accumulated depreciation	1,587,474	383,689	19,095	11,685	2,001,943
At December 31, 2001					
Cost	2,924,005	644,082	85,786	31,504	3,685,377
Accumulated depreciation	(1,154,914)	(330,389)	(59,893)	-	(1,545,196)
Net carrying amount	1,769,091	313,693	25,893	31,504	2,140,181
At December 31, 2002					
Cost	2,914,598	911,037	55,023	11,685	3,892,343
Accumulated depreciation	(1,211,739)	(527,348)	(35,928)	-	(1,775,015)
Accumulated Impairment Provision	(115,385)	-	-	-	(115,385)
Net carrying amount	1,587,474	383,689	19,095	11,685	2,001,943

The impairment loss of TL 115,385 represents the write-down of certain property and equipment to recoverable amount in the land and buildings segment. The recoverable amount was based on the selling price disclosed in independent appraisal report.

The carrying value of premises and equipments under finance leases at December 31, 2002 is TL 55,382 (2001- TL 65,714). Leased assets are pledged as securities for the related finance lease obligations.

Continuing investments are mainly comprised of expenditures made for various constructions and other banking projects. The transfers amounting to TL 37,199 represent balance transferred from intangible assets (See Note 15).

15. INTANGIBLES

	Goodwill	Other Intangibles	Total
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

At January 1, 2002, net of accumulated amortization	56,211	127,482	183,693
Additions	40,939	14,230	55,169
Disposals	-	(2,772)	(2,772)
Transfers	-	(37,199)	(37,199)
Exchange adjustment	288	33	321
Amortization charge for the year	(4,368)	(62,780)	(67,148)
At December 31, 2002, net of accumulated amortization	93,070	38,994	132,064
At December 31, 2001			
Cost	77,653	303,874	381,527
Accumulated amortization	(21,442)	(176,392)	(197,834)
Net carrying amount	56,211	127,482	183,693
At December 31, 2002			
Cost	118,942	123,693	242,635
Accumulated amortization	(25,872)	(84,699)	(110,571)
Net carrying amount	93,070	38,994	132,064

Other intangibles mainly comprises capitalized software development expense. Goodwill arising on acquisition of investment in joint venture (A-TEL) amounting to TL 40,939 is amortized on a straight-line basis over its economic useful life of 10 years.

16. OTHER ASSETS

	2002	2001
Asset held for resale	433,926	404,440
Due from insureds, net	66,785	79,568
Long-term receivables	40,781	54,304
Inventory	31,743	29,795
Receivable from lease payments outstanding, net	14,554	23,035
Payments for credit cards settlements	16,316	9,718
Deferred expenses	13,988	12,477
Prepaid expenses	13,922	36,128
Advances given	12,026	17,179
Miscellaneous	53,424	101,371
	697,465	768,015

Assets held for resale are stated at cost less reserve for impairment of TL 22,713 (2001- TL 12,211) based on the valuations made by independent appraisal firms.

The Bank has long-term receivables related to the sale of land in 1987 on which Ataşehir Mass Housing Project is being developed. In accordance with the agreement, the balance will be collected by the Bank in terms of a fixed percentage (net 7.5% of sales) from the sale of the housing units by a State Bank. As of December 31, 2002, the book value of such receivable is TL 40,781 (2001 - TL 54,304) after considering the partial collections made through 1995 to 2002 and the resolution of court cases against the State Bank and included the amount in long-term receivables within other assets.

As of December 31, 2002 and 2001 advances given mainly represent advances given for equipment purchases.

17. DEPOSITS

Deposits from other banks

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002				2001			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	4,094	5,399	1.00%	-	-	10,641	-	1.00%- 3.00%
Time	23,781	95,980	42.07%	2.52%	52,888	128,774	49.00%-59.0	2.25%-11
Total	27,875	101,379			52,888	139,415		

Customers' deposits

	2002				2001			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Saving								
Demand	224,126	1,225,432	1.00%	-	179,107	1,133,553	2.00%	-
Time	2,208,978	4,877,490	45.71%	3.37%	2,560,778	5,525,997	50.00%-6:	1.00%-11
Total	2,433,104	6,102,922			2,739,885	6,659,550		
Commercial and other								
Demand	667,281	609,741	1.00%	-	605,044	659,263	2.00%	1.00%- 3
Time	1,566,687	2,129,454	45.71%	3.37%	1,328,146	3,083,737	50.00%-6:	1.00% -
Total	2,233,968	2,739,195			1,933,190	3,743,000		
Total	4,667,072	8,842,117			4,673,075	10,402,550		

Other money market deposits

	2002				2001			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Obligations under repurchase agreements:								
-Due to customers	96,652	-	39.60%	-	191,939	-	38.00%-59	-
-Due to banks	1,193,532	325,587	39.60%	2.70%	264,041	-	38.00%-59	-
	1,290,184	325,587			455,980	-		
Interbank deposits	100,116	-	41.70%	-	131,389	-	53.00%-55	
Total	1,390,300	325,587			587,369	-		

18. FUNDS BORROWED AND DEBT SECURITIES

Funds Borrowed

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002				2001			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Short term	58,205	580,836			61,46	2,073,414		
Fixed interest	58,205	206,631	44	5.13%	61,46	745,572	43.00%	3.00%
Floating interest	-	374,205	-	2.67%-4.1	-	1,327,842	-	3.30%- 6.50%
Medium/long term	-	205,079			-	169,585		
Fixed interest	-	166,467	-	5.21%	-	129,526	-	3.00%
Floating interest	-	38,612	-	2.67%-4.1	-	40,059	-	5.00%- 6.50%
Total	58,205	785,915	-		61,46	2,242,999	-	

As of December 31, 2001, short-term borrowings include two syndication loans amounting to U.S. Dollars 579,905,833.

As of December 31, 2002 and 2001 foreign currency funds borrowed include a loan from IFC obtained by YK Leasing. There are certain restrictive covenants in the loan agreement between IFC and YK Leasing on financial expense coverage, foreign exchange short position, debt to equity ratio of YK Leasing.

Repayments of medium/long term borrowing are as follows:

	2002		2001	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2003	-	-	102,434	29,159
2004	78,382	25,270	16,966	658
2005	59,919	3,983	7,673	244
2006	6,855	855	2,453	-
2007	4,809	396	-	-
Thereafter	16,502	8,108	-	9,998
Total	166,467	38,612	129,526	40,059

Debt securities

In April 1998, the Bank issued U.S. Dollars 115,000,000 of floating rate (Libor + 2.5%) notes and U.S. Dollars 5,000,000 of fixed rate (8.36%) notes through securitization of its qualifying foreign currency checks. The notes are being repaid through monthly installments starting in April 1999 until April 2003. As of December 31, 2001, the Bank also had notes amounting to U.S. Dollars 150,000,000 which were issued in August 1997 and due on August 19, 2002, bearing an interest of 10%.

19. OTHER LIABILITIES AND PROVISIONS

	2002	2001
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Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Payables to merchants (credit cards)	162,452	7,303
Trade payables	74,038	25,573
Other payables and accrued expense	66,424	61,031
Taxes and duties payable	49,069	53,407
Loan loss reserve for non-cash loans	39,614	226,691
Cash collaterals	31,665	123,215
Transitory payables	29,243	19,755
Salary payments of public and private institutions	22,611	16,391
Due to insurance and reinsurance companies	22,594	26,963
Employee termination benefits	21,685	24,305
Provisions for credit card promotions	18,125	-
Money received from invoice payments of customers for institutions	16,224	19,449
Payment orders	12,900	12,558
Resource utilization fund	10,060	9,435
Miscellaneous	4,536	6,868
	581,240	632,944

As of December 31, 2001, loan loss reserve for non-cash loans include TL 204,743 provision set over the non-cash loan risks of the Çukurova Group, which have been included in loans in arrears. As of December 31, 2002, loan loss reserve for non-cash loans has been reduced due to restructuring agreement and includes TL 25,600 provision set for the risks of the Çukurova Group Companies, which have not been included in the restructuring.

Employee Termination Benefits

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 1.260 and TL 0.978 at December 31, 2002 and December 31, 2001, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements as of December 31, 2002 and December 31, 2001, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

IAS 19 (revised) requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

The principal actuarial assumptions used at the balance sheet dates are as follows:

	2002	2001
Discount rate	43%	70%
Expected rates of salary/limit increases	35%	60%

19. OTHER LIABILITIES AND PROVISIONS (continued)

The movement in provision for retirement pay liability is as follows :

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

At January 1, 2001	33,503
Paid during the year	(12,192)
Increase during the year	10,057
Monetary loss	(7,063)
At December 31, 2001	24,305
Paid during the year	(8,552)
Increase during the year	4,044
Monetary gain	1,888
At December 31, 2002	21,685

20. INSURANCE TECHNICAL INCOME AND EXPENSE AND INSURANCE TECHNICAL RESERVES

Insurance Technical Income and Expense

	2002	2001
Premium income, net	286,902	341,902
Investment income	127,577	189,933
Total insurance technical income (Note 28)	414,479	531,835
Claims paid, net	201,782	189,961
Provision for unearned premiums	7,062	87,170
Provision for mathematical reserve	76,734	135,833
Provision for profit share	54,662	87,580
Provision for IBNR	3,205	(702)
Provision for earthquake reserve	(13,024)	4,810
Commissions paid, net	12,130	29,744
Acquisition costs	442	1,602
Other technical expenses	6,585	3,122
Total insurance technical expenses (Note 28)	349,578	539,120
Income (loss) from insurance operations, net	64,901	(7,285)

20. INSURANCE TECHNICAL INCOME AND EXPENSE AND INSURANCE TECHNICAL RESERVES (continued)

Insurance Technical Reserves

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002	2001
Profit share reserve	183,518	177,643
Mathematical reserve	215,778	193,574
Unearned premium reserve	92,933	101,244
Outstanding claim reserve	18,196	21,243
Earthquake reserve	-	13,024
IBNR reserve	3,163	-
	513,588	506,728

21. INCOME TAXES

General Information

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which the Group companies operate.

In Turkey, the effective corporate tax rate including the fund levied is 33%. Items exempted from corporation tax (except dividends collected) are subject to income tax at the effective rate of 11% or 19.8%. In case of dividend distributions in the form of cash, depending on public or privately owned status of the entity, 5% or 15% income tax (plus 10% additional fund) is calculated over that portion of the distributed amount which is subject to 33% corporation tax and paid to tax authorities on behalf of shareholders.

In Turkey, tax regulations do not provide a procedure for final agreement of tax assessments. Tax returns are filed within the fourth month after the end of the year to which they relate to and tax authorities may examine the accounting records and revise assessments within five years.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

In accordance with the advance tax payment regulation in Turkey, entities are required to file temporary tax returns quarterly and pay 25% of their quarterly earnings which is offset from the final tax liability computed on the current year's operating results. Accordingly, the taxation charge computed is not equal to the final tax liability appearing on the balance sheet.

Subsequent to balance sheet date, the effective corporate tax rate has been reduced to 30%.

21. INCOME TAXES (continued)

Major components of income tax expense for the years ended December 31, 2002 and 2001 are:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002	2001
Consolidated income statement		
<i>Current income tax</i>		
Current income tax charge	31,793	60,559
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(113,164)	(158,574)
Income tax reported in consolidated income statement	(81,371)	(98,015)
Consolidated statement of changes in equity		
<i>Deferred income tax</i>		
Unrealized gain on available-for-sale financial assets	10,960	27,413
Income tax benefit reported in equity	10,960	27,413

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the group's effective income tax rate for the years ended December 31, 2002 and 2001 was as follows

	2002	2001
Net profit/loss from ordinary activities before income tax	833,133	(2,665,237)
At Turkish statutory income tax rate of 33%	274,934	(879,528)
Effect of different income tax rates	13,990	25,243
Income not subject to tax	(174,714)	(360,520)
Expenditure not allowable for income tax purposes (including goodwill amortization)	118,885	813,103
Unutilized tax losses	-	130,336
Utilization of previously unrecognized tax losses	(330,570)	-
Effect of change in deferred tax rate from %33 to %30	(11,316)	-
Other	27,420	173,351
Income tax	(81,371)	(98,015)

21. INCOME TAXES (continued)

Deferred income tax

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002

(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

Deferred income tax at December 31, relates to the following:

	Consolidated Balance Sheet	
	2002	2001
Deferred income tax liabilities		
Year end interest income accruals	10,372	116,483
Revaluations of available-for-sale financial assets to fair value	22,236	10,075
Restatement of premises, equipment, leased assets and intangible assets	149,615	193,655
Deferred gains and losses on foreign exchange contracts	-	2,589
Others	5,229	20,909
Gross deferred income tax liabilities	187,452	343,711
Deferred income tax assets		
Post-employment benefits	6,687	6,830
Loan loss provision	27,890	85,343
Deferred tax on tax loss carry forward	132,668	92,091
Impairment on fixed assets	19,581	-
Impairment on investments	20,259	7,305
Provisions for credit card promotions	5,438	-
Earthquake reserve	-	4,298
Unearned premium reserve	11,163	15,570
Others	9,562	41,995
Gross deferred income tax assets	233,248	253,432
Net deferred income tax liability	19,849	111,652
Net deferred income tax asset	65,645	21,373

Movement of net deferred tax liability (asset) can be presented as follows:

	2002	2001
Balance at January 1	(90,279)	(331,804)
Deferred income tax recognized in income statement	113,164	158,574
Deferred income tax recognized in equity	16,453	27,413
Monetary gain	6,458	55,538
Balance at December 31	45,796	(90,279)

21. INCOME TAXES (continued)

The Group has tax losses arising in Turkey of TL 989,272 (2001-TL 1,978,544) at nominal amounts that are available for five years for offset against future taxable profits of the entities in which the losses arose.

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Deferred income tax liabilities have not been established for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries and associates and joint ventures, as it is not certain whether such amounts will be permanently reinvested or received in cash. Such unremitted earnings totaled TL 118,616 at December 31, 2002 (2001 – TL 115,185) at nominal amounts. If such amounts are collected in cash in the form of dividends, they will be subject to withholding tax at the effective rates of 5.5% to 16.5% depending on whether the subsidiary is publicly quoted or not.

22. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards and swaps.

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair of financial instrument is calculated by using forward exchange rates at the balance sheet date. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

2002									
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives held for trading									
Forward purchase contract	21	(2,336)	112,332	44,993	19,800	21,584	25,955	-	-
Forward sale contract	2,012	(4)	114,943	45,274	20,102	22,763	26,804	-	-
Currency swap purchase	9	(5)	737,197	735,599	790	-	808	-	-
Currency swap sale	4,708	(26)	725,020	723,423	766	-	831	-	-
	6,750	(2,371)	1,689,492	1,549,289	41,458	44,347	54,398	-	-

2001									
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives held for trading									
Forward purchase contract	445	(86)	544,057	464,519	1,236	-	78,302	-	-
Forward sale contract	6,420	(165)	537,757	473,019	1,171	-	63,567	-	-
Currency swap purchase	2,292	(1,092)	912,428	911,894	-	256	278	-	-
Currency swap sale	1,346	(2,263)	896,811	896,262	-	256	293	-	-
	10,503	(3,606)	2,891,053	2,745,694	2,407	512	142,440	-	-

23. SHARE CAPITAL ISSUED

Yapı ve Kredi Bankası Anonim Şirketi

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(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002	2001
Number of common shares , TL one thousand, par value		
Authorized, issued and outstanding in 2002 and 2001	752,345 million	752,345 million

As of December 31, 2002 and 2001, the Bank's subscribed and issued share capital in historical terms is TL 752,345.

The movement of the share capital of the Bank (in numbers and in historical TL) is as follows:

	2002		2001	
	Number	TL	Number	TL
At January 1	752,345,000,000	752,345	501,563,000,000	501,563
Shares issued in				
- bonus shares from revaluation fund	-	-	85,603	85,603
- bonus shares from general reserve	-	-	99,976	99,976
- bonus shares from dividends declared	-	-	65,203	65,203
At December 31	752,345	752,345	752,345	752,345

As of December 31, 2002 and 2001, the composition of shareholders and their respective % of ownership in historical TL can be summarized as follows:

	Amount	%
Publicly Traded	314,594	41.82
Sinai ve Mali Yatırım Holding A.Ş.	115,223	15.32
Baytur İnşaat Taahhüt A.Ş.	82,888	11.02
Pamukbank T.A.Ş.	74,518	9.91
Çukurova Holding A.Ş.	66,651	8.86
T. Genel Sigorta A.Ş.	41,546	5.51
Others	56,925	7.56
	752,345	100.00
Restatement effect	2,024,101	-
Restated share capital	2,776,446	

24. LEGAL RESERVES AND ACCUMULATED PROFITS (DEFICIT)

Legal Reserves

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As of December 31, 2002, the Group's legal reserves amount to TL 44,421(2001 - TL 41,888) at nominal values.

The statutory general reserve and statutory current year profit are available for distribution, subject to the reserve requirements referred to above. However, as explained in more detail in Note 32(c), the Bank will not distribute any profit in line with the provisions of the agreement among BRSA, SDIF and the Çukurova Group.

As of December 31, 2002, the Group has provided a general banking risk reserve at the amount of TL 75,000 for possible losses that may occur in the future due to changes in the market and recorded the amount as a line item in the shareholders' equity in the accompanying financial statements.

Dividends

In 2001, the nominal amount of dividends declared is TL 65,203. The profit appropriation for 2002 is subject to the restrictions referred to above.

As further explained in Note 2, retained earnings include undistributable funds at the amount of TL 11,248 before deferred taxes due to earthquake losses to be incurred in the future.

25. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2002.

There are no dilution of shares as of December 31, 2002 and 2001.

The following reflects the income and share data used in the basic earnings per share computations:

	2002	2001
Net profit (loss) attributable to ordinary shareholders for basic earnings per share	901,;	(2,646,589)
Weighted average number of ordinary shares for basic earnings per share (million)	752,;	569,583

There have been no other transactions involving ordinary shares or potential ordinary shares since the balance sheet date and before the completion of these financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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26. RELATED PARTY DISCLOSURES

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 the financial and operating decisions. The ultimate owner of the Group is Mr. Mehmet Emin Karamahmet and his family who controls 58.18% at December 31, 2002 of which 12.90% was transferred to SDIF on January 31, 2003. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders and other Çukurova Group companies are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the course of conducting its banking business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates.

The following transactions have been entered into with related parties:

Related party		Cash loans	Non-cash loans	Loans in arrears	Short-term placements	Minimum lease payments receivable	Factoring receivables	Deposits	Funds borrowed	Notional amount of derivative transactions		Interest income	Interest expense	Commission Income
										Buy	Sell			
Shareholders	2002	523,646	41,318	-	129,660	-	-	61,580	-	-	-	24,744	(1,978)	103
	2001	-	117,903	487,480	33,869	-	-	9,573	3,993	-	-	2,230	(6,439)	404
Associates	2002	96,815	574,307	87,804	-	18,388	-	153,063	-	-	-	20,134	(29,622)	734
	2001	141,318	137,505	480,319	39,007	24,087	-	418,248	9,125	79,910	64,682	51,642	(48,271)	1,674
Others	2002	2,599,166	225,515	-	-	20,209	1,690	115,708	-	-	-	106,024	(3,402)	967
	2001	-	575,212	2,570,692	-	37,880	10,730	51,536	-	-	-	9,795	(24,336)	4,340

Yapı ve Kredi Bankası Anonim Şirketi

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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27. SALARIES AND EMPLOYEE BENEFITS

	2002	2001
Staff costs		
Wages and salaries	174,954	185,681
Bonuses	46,442	54,675
Other fringe benefits	92,102	98,092
Provision for employee termination benefits	4,044	10,057
Cost of defined contribution plan and others	17,502	21,454
Total	335,044	369,959

The average number of employees for the years is:

	2002	2001
The Bank	10,420	9,674
Subsidiaries	1,252	1,243
Total	11,672	10,917

28. OTHER INCOME/OTHER EXPENSE

	2002	2001
Other income		
Reversal of prior year cash loan provision	760,503	22,732
Insurance technical income	414,479	531,835
Reversal of provision for non -cash loans	145,407	-
Others	45,635	51,132
Total	1,366,024	605,699

Other expense		
Insurance technical expense	349,578	539,120
General and administrative expenses	353,392	397,418
Provision for non-cash loans	24,601	312,607
Saving deposit insurance fund premiums	92,354	73,292
Credit card promotion reserve	21,607	-
Impairment provision on premises, equipment and assets held for resale	104,670	-
Others	73,781	53,224
Total	1,019,983	1,375,661

Yapı ve Kredi Bankası Anonim Şirketi

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29. COMMITMENTS AND CONTINGENCIES

- a) In the normal course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the financial statements including:

	2002	2001
Cash loan limits	9,591,435	-
Letters of guarantee	6,730,195	6,993,465
Credit card limits	1,701,894	1,495,790
Letters of credit	1,032,463	1,111,202
Acceptance credits	211,750	159,380
Other	35,457	147,800

Maturities of non-cash loans are less than one year except for certain letters of guarantee which are indefinite.

In 2002, the Group has started to follow up cash loan limits in memorandum accounts.

The management does not anticipate any material losses as a result of these commitments and contingencies.

The Banking Group is contingently liable with respect to reinsurance which would become an actual liability to the extent that any reinsuring company fails to meet its obligations to Yapı Kredi Sigorta, a consolidated subsidiary. The Banking Group's management believes that no provision is necessary for this contingency.

30. FINANCIAL RISK MANAGEMENT

Credit Risk

The Group identifies loan limits for each customer considering statutory regulations. In the process of loan granting the internal scoring system, financial analysis reports, geographical and industry concentration are considered within the limits defined. The limits defined by Board of Directors for each foreign bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury and Fund Management employee who is authorized for transactions in the market are controlled by the system. In loan granting process, primarily the liquid collaterals are obtained. Long-term projections of the companies are analyzed both by financial analysis specialists and head office when granting long-term and project finance loans. Since credit and interest risks are higher in long-term commitments, their pricing is coordinated with treasury management.

As a part of internal scoring system, the loan proposals received from branches are not accepted unless they include a detailed financial information of the companies. All loan customers are followed-up in the system with risk scores and risky customers are closely monitored by the Risk Management Department.

The audited financial statements of the companies are obtained for the loans granted according to the materiality of the loans granted.

The Group has control limits over the positions of forward, options and similar agreements.

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30. FINANCIAL RISK MANAGEMENT (Continued)

The non-cash risks of the customers whose cash risks are classified as non-performing are subject to provision in accordance with Provisioning Regulation. These risks are classified within the same group with the non-performing loans when they are liquidated.

Segment information of cash and non-cash loans is as follows:

	2002		2001	
	Cash	Non-cash	Cash	Non-cash
Finance	1,544,915	1,013,261	843,449	1,503,594
Main metal product, processed materials	745,134	735,118	354,876	631,793
Textile, fabric's, yarn industry	515,115	553,704	379,552	410,094
Construction	300,600	2,056,904	548,242	1,762,896
Government	290,788	-	928,753	-
Transportation, communication, travel agency	243,798	342,681	210,862	519,274
Food and beverage, tobacco	159,906	300,261	168,690	298,522
Wholesale and retail trade	148,294	517,829	399,235	438,443
Automotive industry	123,892	324,672	290,710	218,115
Optics and electrical equipments	51,045	332,581	18,355	295,859
Chemical industry	43,410	335,210	16,789	138,060
Paper production and publishing	32,581	84,163	12,830	55,720
Agriculture	20,832	16,433	7,395	23,840
Petroleum products	18,015	-	-	1,882
Foreign trade	17,786	22,420	5,123	39,137
Tourism	461	101,960	10,099	100,497
Other (including credit card balances)	2,838,647	1,237,211	969,966	1,826,321
Corporate loans	7,095,219		5,164,926	
Consumer loans	333,023		125,327	
Interest accruals	786,229		878,177	
Loans in arrears	921,302		4,475,835	
Provision for possible loan losses	(679,519)		(1,419,629)	
	8,456,254	7,974,408	9,224,636	8,264,047

Liquidity Risk

The major funding source of the Group is its stable deposit base provided by quality banking service, widespread branches and effective usage of alternative distribution channels. In parallel to market conditions, despite the average maturities of deposits are short-term, they are renewed on the maturities and consequently forms a long-term funding source.

The Group has short-term and liquid assets in interbank placements and securities portfolio against liquidity risk. Major part of the securities portfolio comprises of the securities, which are actively traded in markets and foreign currency indexed bonds, which are barely traded, are not included in the Bank's portfolio. Moreover some of the associates and subsidiaries, which are not included in liquid assets, are publicly traded companies.

The liquidity risk and the maturity structure of assets and liabilities are weekly reported to Asset and Liability Committee and to the top level Risk Committee.

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30. FINANCIAL RISK MANAGEMENT (Continued)

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

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
As at December 31, 2002							
Assets							
Cash and balances with the central banks	434,795	-	-	-	-	-	434,795
Deposits with banks and other financial institutions	467,035	13,418	17,043	49,298	24,371	-	571,165
Other money market placements	325,918	-	-	-	-	-	325,918
Reserve deposits at the central banks	968,373	-	-	-	-	-	968,373
Trading securities	183,121	315,150	497,528	287,827	1,642,683	490,916	3,417,225
Available for sale securities	483,141	2,409	-	35,135	84,022	323,111	927,818
Held to maturity securities	-	126,853	389,629	-	168,808	74,845	760,135
Originated loans and advances	792,745	1,682,696	578,226	1,133,597	948,516	3,320,474	8,456,254
Factoring receivables	54,574	104,014	-	-	-	-	158,588
Minimum lease payments receivable	6,729	44,299	31,714	51,846	114,548	606	249,742
Derivative financial instruments	5,948	729	13	60	-	-	6,750
Investments in joint venture	-	-	-	-	-	398,591	398,591
Investments in unconsolidated subsidiaries	-	-	-	-	-	8,714	8,714
Investments in associates	-	-	-	-	-	298,324	298,324
Investment properties	-	-	-	-	-	16,847	16,847
Premises and equipment	-	-	-	-	-	2,001,943	2,001,943
Intangibles	-	-	-	-	-	132,064	132,064
Other assets	191,418	22,383	9,981	12,006	1,638	460,039	697,465
Deferred tax asset	699	416	1,150	4,943	58,437	-	65,645
Total assets	3,914,496	2,312,367	1,525,284	1,574,712	3,043,023	7,526,474	19,896,356
Liabilities:							
Deposits from other banks	64,812	7,070	3,262	1,246	52,864	-	129,254
Customers' deposits	7,186,101	4,359,332	1,372,380	393,243	196,193	1,940	13,509,189
Other money market deposits	1,599,729	100,116	-	16,042	-	-	1,715,887
Funds borrowed	122,118	149,879	219,330	147,714	180,468	24,611	844,120
Debt securities	-	-	7,497	-	-	-	7,497
Insurance technical reserves	424,489	4,236	16,028	68,835	-	-	513,588
Factoring payables	17,216	58,750	-	-	-	-	75,966
Derivative financial instruments	883	223	617	648	-	-	2,371
Other liabilities and provisions	516,558	8,048	9,960	13,244	33,430	-	581,240
Deferred tax liability	2,640	-	-	900	15,846	463	19,849
Income taxes payable	5,439	3,423	2,992	-	-	-	11,854
Total liabilities	9,939,985	4,691,077	1,632,066	641,872	478,801	27,014	17,410,815
Net liquidity gap	(6,025,489)	(2,378,710)	(106,782)	932,840	2,564,222	7,499,460	2,485,541
As at December 31, 2001							
Total assets	9,418,452	1,706,349	1,506,450	3,336,118	1,219,860	4,294,446	21,481,675
Total Liabilities	9,179,441	5,601,794	1,255,144	2,541,498	425,592	830,548	19,834,017
Net liquidity gap	239,011	(3,895,445)	251,306	794,620	794,268	3,463,898	1,647,658

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30. FINANCIAL RISK MANAGEMENT (Continued)

Currency Risk

The Group follows-up the daily currency risk and reports the findings both to Asset and Liability Committee and Risk Committee. The foreign currency position is managed according to the expectations in the markets and within the limits defined by the statutory regulations and top management. The forward buy and sell transactions are generally realized to hedge risk on parity differences.

The concentrations of assets, liabilities and off balance sheet items:

	Turkish Lira	US Dollars	Euro	GBP	CHF	Others	Total
As at December 31, 2002							
Assets							
Cash and balances with the central banks	69,872	295,836	56,536	3,454	1,646	7,451	434,795
Deposits with banks and other financial institutions	18,080	284,946	244,587	4,987	2,460	16,105	571,165
Other money market placements	317,530	8,388	-	-	-	-	325,918
Reserve deposits at the central banks	273,928	466,894	227,551	-	-	-	968,373
Trading securities	1,542,349	1,191,913	655,327	27,636	-	-	3,417,225
Available for sale securities	268,030	465,475	167,889	-	-	26,424	927,818
Held to maturity securities	503,287	232,140	24,708	-	-	-	760,135
Originated loans and advances	2,978,506	4,882,021	581,119	1,815	-	12,793	8,456,254
Factoring receivables	54,574	17,934	73,835	11,975	-	270	158,588
Minimum lease payments receivable	23,594	87,901	134,452	520	2,734	541	249,742
Derivative financial instruments	-	6,737	-	-	-	13	6,750
Investments in joint ventures	398,591	-	-	-	-	-	398,591
Investments in unconsolidated subsidiaries	8,131	475	108	-	-	-	8,714
Investments in associates	261,760	-	-	-	36,564	-	298,324
Investment properties	16,847	-	-	-	-	-	16,847
Premises and equipment	1,977,266	35	12,708	-	-	11,934	2,001,943
Intangibles	118,321	587	10,778	-	2,378	-	132,064
Other assets	649,379	11,107	35,962	55	1	961	697,465
Deferred tax asset	54,898	-	10,747	-	-	-	65,645
Total assets	9,534,943	7,952,389	2,236,307	50,442	45,783	76,492	19,896,356
Liabilities and Equity							
Deposits from other banks	27,875	92,928	6,939	1,382	99	31	129,254
Customers' deposits	4,667,072	6,179,457	2,499,610	87,990	57,410	17,650	13,509,189
Other money market deposits	1,406,342	269,720	39,825	-	-	-	1,715,887
Funds borrowed	58,205	557,753	218,695	3,404	5,978	85	844,120
Debt securities	-	7,497	-	-	-	-	7,497
Insurance technical reserves	513,588	-	-	-	-	-	513,588
Factoring payables	17,216	6,696	43,388	8,462	-	204	75,966
Derivative financial instruments	-	2,283	-	-	-	88	2,371
Other liabilities and provisions	452,095	48,354	76,323	866	2,085	1,517	581,240
Deferred tax liability	18,484	-	1,365	-	-	-	19,849
Income taxes payable	9,878	-	1,976	-	-	-	11,854
Minority interest	81,261	-	3,697	-	-	-	84,958
Total equity	2,372,086	23,392	628	-	-	4,477	2,400,583
Total liabilities and equity	9,624,102	7,188,080	2,892,446	102,104	65,572	24,052	19,896,356
Net balance sheet position	(89,159)	764,309	(656,139)	(51,662)	(19,789)	52,440	-
Off-balance sheet position							
Net notional amount of derivatives	(11,092)	(457,611)	375,385	51,940	60,199	(9,255)	9,566
Non-cash loans	2,298,411	3,531,243	1,706,397	13,206	134,150	291,001	7,974,408
At December 31, 2001							
Total assets	8,932,172	10,322,467	2,072,937	51,912	49,369	52,818	21,481,675
Total liabilities and equity	8,023,210	10,520,798	2,625,160	106,608	62,869	143,030	21,481,675
Net balance sheet position	908,962	(198,331)	(552,223)	(54,696)	(13,500)	(90,212)	-
Off-balance sheet net notional position	76,404	(281,145)	96,053	97,233	36,772	(3,400)	21,917

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30. FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

The monitoring of interest rate sensitive assets and liabilities and sensitivity analysis regarding the effect of interest rate fluctuations on financial statements are performed by the related departments and periodically reported to the Asset and Liability Committee and to the top level Risk Committee.

In parallel to the fluctuations in the market, the funding cost of the Bank is daily followed-up by Treasury Management and the related departments and branches are informed regarding the minimum and maximum limits on currency basis. The demands that are not within the limits defined by Treasury Management can only be accepted with the approval of Treasury Management. Moreover the daily reference interest rates, which results from the transactions in the market are determined according to the funding cost of the Bank and the income and loss differences between the applied interest rates by the branches, head office, and reference interest rate are calculated by the system. Since income and loss computed in this method is also utilized by the performance evaluations of Human Resources Department, sensitive work is performed by wide network of branches.

Moreover, the Group has aimed to decrease interest rate risk by evaluating its liquidity in assets with variable interest rate.

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
As at December 31, 2002								
Assets:								
Cash and balances with the central banks	262,280	-	-	-	-	-	172,515	434,795
Deposits with banks and other financial institutions	436,503	13,416	17,045	49,298	24,371	-	30,532	571,165
Other money market placements	325,918	-	-	-	-	-	-	325,918
Reserve deposits at the central banks	968,373	-	-	-	-	-	-	968,373
Trading securities	72,096	838,418	497,526	287,827	1,119,234	490,911	111,213	3,417,225
Available for sale securities	469,745	16,426	-	35,134	77,691	29,667	299,155	927,818
Held to maturity securities	827	126,854	398,777	-	145,880	74,844	12,953	760,135
Originated loans and advances	567,676	1,717,061	583,699	1,133,597	891,964	3,320,474	241,783	8,456,254
Factoring receivables	54,574	104,014	-	-	-	-	-	158,588
Minimum lease payments receivable	12,729	44,299	31,714	51,846	108,548	606	-	249,742
Derivative financial instruments	5,948	729	13	60	-	-	-	6,750
Investment in joint venture	-	-	-	-	-	-	398,591	398,591
Investments in unconsolidated subsidiaries	-	-	-	-	-	-	8,714	8,714
Investments in associates	-	-	-	-	-	-	298,324	298,324
Investment properties	-	-	-	-	-	-	16,847	16,847
Premises and equipment	-	-	-	-	-	-	2,001,943	2,001,943
Intangibles	-	-	-	-	-	-	132,064	132,064
Other assets	104,667	22,238	9,979	12,006	1,638	-	546,937	697,465
Deferred tax asset	-	-	-	-	-	-	65,645	65,645
Total assets	3,281,336	2,883,455	1,538,753	1,569,768	2,369,326	3,916,502	4,337,216	19,896,356
Liabilities:								
Deposits from other banks	55,319	7,070	3,262	1,246	52,864	-	9,493	129,254
Customers' deposits	4,459,519	4,359,332	1,372,380	393,243	196,193	1,940	2,726,582	13,509,189
Other money market deposits	1,599,729	100,116	-	16,042	-	-	-	1,715,887
Funds borrowed	134,432	204,271	216,714	123,282	148,918	16,503	-	844,120
Debt securities	-	-	7,497	-	-	-	-	7,497
Insurance technical reserves	2,071	4,236	16,028	68,835	-	-	422,418	513,588
Factoring payables	17,216	58,750	-	-	-	-	-	75,966
Derivative financial instruments	883	223	617	648	-	-	-	2,371
Other liabilities and provisions	108,556	7,622	5,179	659	3,876	-	455,348	581,240
Deferred tax liability	-	-	-	-	-	-	19,849	19,849
Income taxes payable	-	-	-	-	-	-	11,854	11,854
Total liabilities	6,377,725	4,741,620	1,621,677	603,955	401,851	18,443	3,645,544	17,410,815
Total interest sensitivity gap	(3,096,389)	(1,858,165)	(82,924)	965,813	1,967,475	3,898,059	691,672	2,485,541

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30. FINANCIAL RISK MANAGEMENT (Continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
As at December 31, 2001								
Assets								
Cash and balances with the central banks	343,808	-	-	-	-	-	312,732	656,540
Deposits with banks and other financial institutions	1,326,326	238,188	69,128	8,658	10,158	-	533,052	2,185,510
Other money market placements	491,710	-	-	-	-	-	-	491,710
Reserve deposits at the central banks	-	-	-	-	-	-	1,058,768	1,058,768
Trading securities	76,800	48,945	327,802	105,239	2,978	-	76,993	638,757
Available for sale securities	26,592	64,314	6,343	771,097	356,293	410,847	471,356	2,106,842
Held to maturity securities	250,308	492,968	248,575	33,669	195,662	113,765	-	1,334,947
Originated loans and advances	2,662,350	1,084,888	516,149	1,221,897	478,217	204,928	3,056,207	9,224,636
Factoring receivables	4,322	109,583	689	5	-	-	-	114,599
Minimum lease payments receivable	-	17,742	35,230	54,973	78,228	13,828	-	200,001
Derivative financial instruments	7,644	60	-	2,799	-	-	-	10,503
Investments in unconsolidated subsidiaries	-	-	-	-	-	-	10,790	10,790
Investments in associates	-	-	-	-	-	-	316,187	316,187
Investment properties	-	-	-	-	-	-	18,623	18,623
Premises and equipment	-	-	-	-	-	-	2,140,181	2,140,181
Intangibles	-	-	-	-	-	-	183,693	183,693
Other assets	82,235	81,367	23,769	10,969	69,116	15,466	485,093	768,015
Deferred tax asset	-	-	-	-	-	-	21,373	21,373
Total assets	5,272,095	2,138,055	1,227,685	2,209,306	1,190,652	758,834	8,685,048	21,481,675
Liabilities:								
Deposits from other banks	97,066	51,281	-	4,139	29,081	94	10,642	192,303
Customers' deposits	5,274,356	5,240,940	902,077	973,295	107,960	29	2,576,968	15,075,625
Other money market deposits	587,369	-	-	-	-	-	-	587,369
Funds borrowed	539,406	860,672	651,587	120,348	132,449	-	-	2,304,462
Debt securities	2,860	3,955	8,476	334,177	8,853	-	-	358,321
Insurance technical reserves	-	-	-	-	-	-	506,728	506,728
Factoring payables	1,073	43,700	154	1	-	-	-	44,928
Derivative financial instruments	3,584	22	-	-	-	-	-	3,606
Other liabilities and provisions	86,125	104,768	115,816	4,067	29,842	-	292,326	632,944
Income taxes payable	-	-	5,360	5,360	5,359	-	-	16,079
Deferred tax liability	-	-	-	-	-	-	111,652	111,652
Total liabilities	6,591,839	6,305,338	1,683,470	1,441,387	313,544	123	3,498,316	19,834,017
Net liquidity gap	(1,319,744)	(4,167,283)	(455,785)	767,919	877,108	758,711	5,186,732	1,647,658

Market Risk

The interest rate risk and foreign currency risk, which are the main components of market risk is followed-up daily by the Bank's Board of Directors and top level risk committee.

Capital Adequacy

To monitor the adequacy of its capital, the Group uses ratios established by Banking Regulatory and Supervision Agency (BRSA). These ratios measure capital adequacy (minimum 8% as required by BRSA) by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of December 31, 2002, the Group's capital adequacy ratio on a consolidated basis in line with the requirements of BRSA is 16.95 %.

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31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2002	2001	2002	2001
Financial assets				
Originated loans and advances to customers	8,456,254	9,224,636	8,456,254	-
Investments held to maturity	760,135	1,334,947	763,381	1,243,233
Minimum lease payments receivables	249,742	200,001	273,061	-
Financial liabilities				
Deposits from other banks	129,254	192,303	129,254	192,303
Customer deposits	13,509,189	15,075,625	13,509,189	15,070,241
Funds borrowed	844,120	2,304,462	844,120	2,304,462

Fair values of remaining financial assets and liabilities carried at cost, including deposits with banks and other financial institutions, balances with the central banks, other money market placements, reserve deposits, factoring receivables, and payables, debt securities and other money market deposits are considered to approximate their respective carrying values due to their short term nature.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data. The fair values of other financial instruments are determined by using estimation techniques that include reference to the current market value of another instrument with similar characteristics or by discounting the expected future cash flows at prevailing interest rates.

As of December 31, 2002 and 2001, the fair values of originated loans and advances to customers and as of December 31, 2001 the fair value of minimum lease payment receivables could not be presented due to impracticality. However, management believes that the fair value of mentioned financial assets are also considered to be carrying value resulting from assessing the various risk components of the respective portfolios.

32. SUBSEQUENT AND OTHER EVENTS

Subsequent Events

- In line with the agreement signed among BRSA, Saving Deposit Insurance Fund (the Fund), and the Çukurova Group on January 31, 2003, 12.90% of the shares of the Bank owned by Pamukbank T.A.Ş and its subsidiaries have been transferred to the Fund.
- As of January 1, 2003 retirement pay liability ceiling was increased to TL 1.324.

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32. SUBSEQUENT AND OTHER EVENTS (continued)

Other Events

- a) As of December 31, 2002, in line with the Financial Restructuring Agreement, signed between the Bank and the Çukurova Group companies and in accordance with the opinion taken from BRSA, the Bank has transferred the Çukurova Group risks, which have been classified as loans arrears previously with a provision of 50%, at the amount of TL 3,100,827 (US Dollars 1,944 million) to mid-term and long-term restructured loans. Consequently, the Bank has reversed the prior year provisions set for these risks at the amount of TL 867,076 and in line with the agreement, the interest income accruals and foreign currency differences calculated as of December 31, 2002 are included in TL 3,100,827 and were reflected to the financial statements. As of December 31, 2002, the receivable is indexed to US Dollars with nine-year period. During the first three years of the agreement there will be no principal payment but there will be annual interest payment and for the following six years there will be semiannual principal payments and annual interest payments. The interest rate is determined as Libor+3,5 for the life of the agreement. According to the agreement, the Bank received 50% shares of A-Tel Pazarlama ve Servis Hizmetleri A.Ş., corresponding to seven million shares with TL 7,000 billion nominal value. Such shares are valued as U.S. Dollars 268,906,707 and deducted from the total receivable of U.S. Dollars 2,213 million, the amount subject to the agreement. According to the agreement, the value of the A-TEL shares, as agreed by the Bank, BRSA, and the Çukurova Group, are determined based on the assumption that the Service Rendering Agreement between A-TEL and Turkcell İletişim Hizmetleri A.Ş. dated July 9, 1999 and Distribution Rendering Agreement dated August 1, 1999 will continue to be valid.

In case of the liquidation of the non-cash risks of the Çukurova Group related with the Bank, the US Dollars equivalents of these amounts will be computed by using Central Bank foreign exchange rates on the liquidation dates and the amount will be added to the cash risk balances which are subject to the agreement. These amounts will be added to the installments in the payment plan and Libor+3.5 interest will be applied starting from liquidation dates.

- b) In accordance with the decision of the BRSA dated June 18, 2002 and numbered 742, the management and control of Pamukbank T.A.Ş. (Pamukbank), was transferred to the SDIF. In accordance with Article 8/2c at the Banks Act, the control and shareholding rights (excluding dividends) of Pamukbank will be used by SDIF due to the fact that the shareholders of Pamukbank who hold direct or indirect shares of 10% or more has lost the qualification of being a bank owner, in line with the Article 7/2d of Banks Act. As a result of the decision of the General Assembly of Administrative Lawsuit Chambers of the Council of State dated November 22, 2002 and numbered 2002/892 YK, related with the suspension of the execution of the resolution of the BRSA regarding the take over of Pamukbank by SDIF, SDIF has transferred the management, control and privileges relating with shareholding of Pamukbank T.A.Ş. to its former owners as of January 24, 2003.

An agreement has been signed among the BRSA, SDIF and the Çukurova Group on January 31, 2003. With this agreement, the transfer of management, control, and shareholding rights (excluding dividends) of Pamukbank T.A.Ş. to SDIF is finalized and in line with the provisions of Banking Law numbered 4389, it was concluded that SDIF will continue to exercise the partnership rights of Pamukbank in the Bank. Moreover, the shares of the Bank held by Pamukbank T.A.Ş. and its subsidiaries are taken over by SDIF and within the scope of the above mentioned agreement, the shares of the Bank owned by SDIF and the Çukurova Group will be sold to third parties by the Çukurova Group within two years after the agreement date so that direct and indirect participation of the Çukurova Group in the Bank will be reduced to less than 10%. In case the sale cannot be realized within this period, a reputable investment bank that will mutually be authorized by SDIF and the Çukurova Group will realize the sales.

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32. SUBSEQUENT AND OTHER EVENTS (continued)

- c) In addition to the matters explained above in section a, the agreement signed among the BRSA, SDIF and the Çukurova Group on January 31, 2003 require that;
- i) All necessary precautions will be taken in order for the capital adequacy ratio of the Bank not to fall below %10. In case the capital adequacy ratio falls below %10 and if the Çukurova Group will be unable to increase capital, the necessary capital increase will be provided by SDIF.
 - ii) Before the sales of the shares, the Bank will not distribute any profit or in case of a profit distribution the Bank will increase its capital so that profit will remain within the Bank.
 - iii) Çukurova Holding A.Ş. has the right to purchase all shares of Turkcell Holding A.Ş. and Turkcell İletişim Hizmetleri A.Ş. which are directly or indirectly owned by the Bank within two years from the starting date of the agreement by means of payment in cash and in advance and in single payment. It was accepted by SDIF, which is the minority shareholder of the Bank, that the purchase prices of these stocks will be calculated by taking into consideration the last 30 days the weighted average closing prices of these shares' realized prior to the purchase transaction. The right to determine the management and auditing principles of these shares will belong to Çukurova Holding A.Ş. until the purchase transaction is realized.
 - iv) The Çukurova Group is able to purchase all Fintur Technologies BV shares and/or all Digital Platform Hizmetleri A.Ş. shares owned by the Bank within one year starting from the agreement date at their net book value prevailing at the date of transfer by means of payment in cash and/or in exchange of shares of T. Genel Sigorta A.Ş and/or Banque de Commerce et de Placements S.A. over their book values.
 - v) If acceptable to all parties, the merger of the Bank and Pamukbank A.Ş. will be considered.
 - vi) A "Partnership Orientation Board" will be formed in order to contribute to the cooperation of the Bank and its' subsidiaries with other Group companies aimed at creating synergy. The Board will not be a decision making body and have four members of which two will be selected by the Fund and the other two will be selected by the Bank.
- d) In line with the Board of Directors' decision dated September 11, 2002 and number 59/25, the Bank has decided to participate with 69.05% in Tümteks Tekstil Sanayi ve Ticaret Anonim Şirketi in line with İstanbul Approach and in return for its loan receivables from the same company amounting to U.S. Dollars 35,652,174. As of the balance sheet date the transactions have not taken place yet. The Bank has classified the mentioned loan receivables with their net book value of 19,013 TL in "Loans Under Follow-up" as of December 31,2002.
- e) In accordance with the above mentioned decision the Bank has decided to participate in Boyasan Tekstil Sanayi ve Ticaret Anonim Şirketi with 29.17% in line with İstanbul Approach and in return for its loan receivables from the same company amounting to U.S. Dollars 10,208,333. As of the balance sheet date the transactions have not taken place yet. The Bank has classified the mentioned loan receivables with their net book value of 6,895 TL in "Loans Under Follow-up" as of December 31,2002.

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- f) According to the new tax legislation numbered 4842 and published in the Official Gazette dated April 24, 2003, the effective corporate tax rate on taxable income of 2003 will be applied as 30%. The corporation tax will be paid in one installment within the period of the declaration.

The Bank will not pay withholding tax other than the above mentioned 30% corporation tax if the net income of 2003 is not distributed as dividend. In case of dividend distributions, withholding tax will be computed as follows:

If the profit is added to share capital, it will not be regarded as dividend distribution and will be exempt from withholding tax.

Dividends distributed to corporations will be exempt from withholding tax.

Dividends distributed to individuals, entities which are not liable to pay corporate tax or income tax, entities exempt from corporate tax and income tax, corporations and individuals with limited tax liability will be subject to dividend withholding tax.

Items exempted from corporation tax were subject to income tax at the effective rate of 19.8% before the above mentioned new tax legislation.

Investment allowance system is simplified with a uniform rate of 40% that will be provided automatically without an investment certificate. The new legislation eliminates the current 19.8% withholding tax over the investment allowance.

The investment allowances related with the investment incentive certificates obtained before the effective date of new tax legislation will be subject to former legislation. However, the Bank may apply to the tax office for the expenditures made related with the incentives obtained beforehand in order to benefit from the new tax legislation.

Advance corporate tax rate paid on corporate income quarterly has been increased from 25% to 30% and will be paid until the fifteenth day of the second month following the period and will be offset from the final tax liability computed on the current year's results.

33. EXTRAORDINARY ITEMS

As of December 31, 2001, extraordinary items are comprised of additional earthquake taxes imposed by the government on income from government securities.

34. UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

The Bank's own unconsolidated balance sheets and income statements prepared in accordance with IFRS as of and for the years ended December 31, 2002 and 2001 are included in the Appendix for information purposes only. In the unconsolidated financial statements, the Bank opted to account for investments in subsidiaries at restated cost in accordance with IAS 27. These financial statements have been included within the consolidated financial statements as of the respective dates.

UNCONSOLIDATED BALANCE SHEET**As at December 31, 2002****(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)**

	2002	2001
ASSETS		
Cash and balances with the central banks	408,889	629,381
Deposits with banks and other financial institutions	588,578	2,055,430
Other money market placements	285,348	490,904
Reserve deposits at the central banks	950,322	1,054,731
Trading securities	3,160,920	630,358
Available for sale securities	706,485	1,220,645
Held to maturity securities	701,168	1,312,460
Originated loans and advances	7,852,996	8,537,404
Derivative financial instruments	2,170	10,503
Investment in joint ventures	398,591	-
Investments in subsidiaries	580,962	496,824
Investments in associates	323,521	303,082
Premises and equipment	1,883,206	2,006,718
Intangibles	36,014	125,581
Other assets	533,464	575,794
Deferred tax asset	37,431	-
Total assets	18,450,065	19,449,815
LIABILITIES AND EQUITY		
Deposits from other banks	150,394	207,025
Customers' deposits	13,014,553	14,584,005
Other money market deposits	1,699,845	587,313
Funds borrowed	636,469	1,591,527
Debt securities	7,497	358,321
Derivative financial instruments	2,283	2,938
Other liabilities and provisions	456,130	551,920
Deferred tax liability	-	94,019
Total liabilities	15,967,171	17,977,068
Equity		
Share capital issued	2,776,446	2,776,446
Net unrealized gains	16,972	46,909
Reserve for general banking risk	75,000	-
Legal reserves and accumulated profits (deficit)	(1,425,608)	1,253,560
Profit (loss) for the year	1,040,084	(2,604,168)
Total equity	2,482,894	1,472,747
Total liabilities and equity	18,450,065	19,449,815

UNCONSOLIDATED INCOME STATEMENT**For the year ended December 31, 2002****(Currency -- In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)**

	2002	2001
Interest income		
Interest on originated loans and advances	2,017,472	2,008,097
Interest on securities	769,404	903,242
Interest on deposits with banks and other financial institutions	172,088	224,518
Interest on other money market placements	115,888	221,286
Other interest income	351	20,369
Total interest income	3,075,203	3,377,512
Interest expense		
Interest on deposits	(1,953,788)	(2,492,449)
Interest on other money market deposits	(380,510)	(185,146)
Interest on funds borrowed	(127,552)	(337,979)
Interest on debt securities	(16,038)	(31,939)
Total interest expense	(2,477,888)	(3,047,513)
Net interest income	597,315	329,999
Provision for possible loan losses	(324,088)	(1,695,829)
Net interest income (expense) after provision for possible loan	273,227	(1,365,830)
Foreign exchange loss	(211,733)	(1,146,709)
Net interest income (loss) after foreign exchange loss and provision for possible loan losses	61,494	(2,512,539)
Other operating income		
Fees and commissions income	153,630	244,274
Income from banking services	399,121	316,855
Trading income, net	366,262	-
Dividend income from subsidiaries and associates	33,750	99,893
Other income	934,005	50,731
Other operating expense		
Fees and commissions expense	(168,295)	(13,943)
Trading loss, net	-	(143,472)
Salaries and employee benefits	(264,565)	(311,116)
Depreciation and amortization	(175,204)	(173,319)
Taxes other than on income	(24,365)	(72,835)
Other expenses	(588,183)	(753,785)
Profit (loss) from operating activities before income tax, monetary gain and extraordinary items	727,650	(3,269,256)
Income tax(credit)	107,375	159,845
Monetary gain	205,059	533,107
Net profit (loss) from ordinary activities	1,040,084	(2,576,304)
Extraordinary items	-	(27,866)
Net profit (loss)	1,040,084	(2,604,170)