YAPI VE KREDİ BANKASI A.Ş. 1999 ANNUAL REPORT

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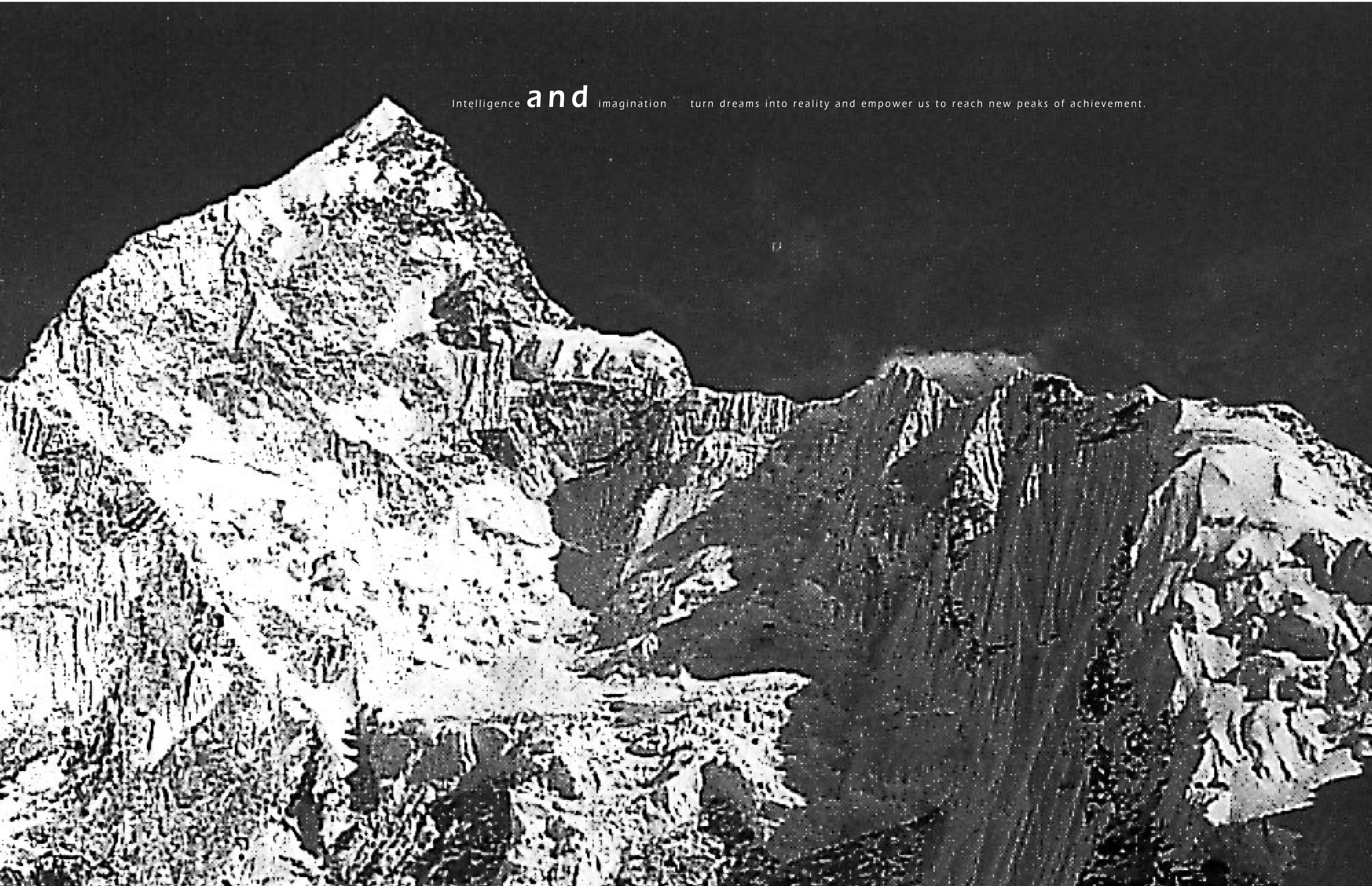
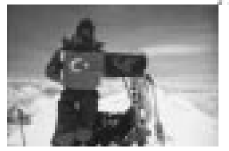
CONTENTS


Intelligence **and** imagination turn dreams into reality and empower us to reach new peaks of achievement.



BANK DESCRIPTION

A full service financial institution committed to innovation and customer service, Yapı ve Kredi Bankası (Yapı Kredi or YKB) is the largest privately owned bank in Turkey.

The mission of YKB since its foundation in 1944 has been to provide financial services to the public. Fifty-five years later, the Bank remains dedicated to extending real financial services to individuals and businesses of all sizes. Over the years YKB has concentrated its resources on building a large and loyal franchise among corporate, commercial and retail customers by investing in technology, infrastructure, human resources, branches and new delivery channels. As a long-term business strategy, YKB aspires to generate sustainable profits through relationship banking.

Today, at the conclusion of a five-year change program, Yapı Kredi is stronger than ever. Operating through 439 domestic branches, more than 1200 ATMs, one offshore banking unit in Bahrain, six overseas representative offices and four international subsidiaries, with equity participations in Turkcell, Turkey's dominant mobile telephone operator, and SuperOnline, the country's major Internet Service Provider, Yapı Kredi is positioned to excel.

The Çukurova Group —a diversified conglomerate involved in banking, insurance, financial services, telecommunications, information technology, media and industry— is the major shareholder in Yapı Kredi. Approximately 40 percent of the Bank's shares are traded on the Istanbul Stock Exchange under the symbol YKBNK.

- Expansion of the balance sheet in a contracting economy due to higher business volumes.
- Increase in funds borrowed by 35% to $1,056 million.
- Deposits increased by 16% to $ 5,966 and contribute 67% of total funding.
- Allocation of a large percentage of assets to loans compared to the sector.
- Improved profitability resulted in net income of $226 million, up 22% over 1998.
- Finalization of change program leading to an increase in efficiency and reduction of cost/income ratio.
- Change in senior management from within the Bank ensured continuity in management and strategy.
- Completion of preparations for Internet banking by year-end.

Yapı Kredi Bank (Bank only)	**1997**	**1998**	**1999**
Branches	428	435	439
ATMs	1,136	1,170	1,207
POS Terminals	8,073	21,586	35,327
Employees	9,909	10,864	10,383

RATIOS

Profitability:	1997	1998	1999
Net interest spread	18.4	18.4	16.8
Net interest margin	16.1	15.9	15.0
Non-interest income to total operating income (*)	45.0	45.6	48.5
Operating expenses to average total assets	10.2	10.4	10.2
Return on average shareholders' equity (*)	4.5	7.6	6.4

Funding and Liquidity Ratios:	1997	1998	1999
Deposits to total assets	52.8	52.5	53.8
Net loans to total assets	36.8	36.1	33.4
Shareholders' equity to total assets	21.9	19.8	19.5
Liquid assets to total assets	26.2	28.8	34.2
Total regulatory capital / risk weighted assets	27.0	28.0	27.0

* Excluding income from sale of equity participations

SUMMARY BALANCE SHEET

(US$ millions)

ASSETS:

	1997	1998	1999
Cash, due from banks, short term placements	625	620	648
Reserve deposits	228	246	428
Investment securities, net	1,452	2,191	3,141
Loans, net	2,919	3,529	3,707
Accrued interest income	657	908	758
Equity participations	210	242	272
Premises and equipment	1,336	1,491	1,616
Leasing rec., factoring rec., goodwill and other assets	513	548	523
	7,940	9,775	11,093

LIABILITIES AND SHAREHOLDER'S EQUITY:

	1997	1998	1999
Deposits	4,196	5,135	5,966
Funds borrowed from banks	689	781	1,056
Obligations for repurchase agreements	656	1,010	773
Insurance technical reserves	193	256	316
Accrued interest expense	133	194	176
Deferred tax liability and taxation on income	160	189	252
Factoring payables and other liabilities	143	193	302
	6,170	7,758	8,841
Minority interest payable	31	86	90
Shareholders' equity	1,739	1,931	2,162
	7,940	9,775	11,093

SUMMARY INCOME STATEMENT

(US$ millions)

	1997	1998	1999
Interest income	1,503	2,008	2,470
Interest expense	802	1,136	1,463
Net interest income	701	872	1,007
Provision for loan losses and doubtful receivables	25	73	78
Foreign exchange loss ,net	226	248	315
Net interest income after provision for loan losses and foreign exchange loss	450	551	614
Non-interest income	578	779	1,048
Non-interest expense	747	921	1,069
Income before taxation, minority interest and loss on net monetary position	281	409	593
Taxation charge	140	111	226
Net income before minority interest and loss on net monetary position	141	298	367
Minority interest	6	1	14
Net income before loss on net monetary position	135	297	353
Loss on net monetary position	56	112	127
Net income	79	185	226

BOARD OF DIRECTORS

STANDING (left to right):

Mustafa Kâmil Toker
(Auditor)

Doç. Dr. Deniz Gökçe
(Member)

Naci Sığın
(President and Member)

A. Rona Yırcalı
(Chairman)

Osman Berkmen
(Vice Chairman and Executive Director)

Tuluy Ergörül
(Member)

Can Erol
(Auditor)

SITTING (left to right):

Selçuk Altun
(Acting President and Managing Director)

Ali İhsan Karacan
(Member)

Mehmet Emin Karamehmet
(Member)

Prof. Dr. Özer Seliçi
(Vice Chairman and Managing Director)

Nurdan Yıldırım
(Secretary)

Yapı Kredi's mission is to finance the real sector. Development of long-term, sustainable relations with customers, employees and shareholders has been a hallmark of the Bank since its foundation 55 years ago.

Over the years, YKB has invested in building strong customer franchises in all segments of the market. Today, as Turkey heads towards a period of lower inflation and lower interest rates, this unswerving dedication to customers puts Yapı Kredi in an excellent position to extend its business.

Readiness for a lower inflation environment

Finalization of a five-year change program during 1999 puts YKB far ahead of other banks in Turkey. A strategy to maintain profitability in a lower inflation environment has been put in place. The program has changed YKB's infrastructure and organization radically. Internal procedures and standards have been brought into line with European norms. Approximately $100 million was invested in a new Operations Center and a new client server system. The organizational structure of the Bank has been changed to focus on Large Corporations, Small and Medium Size Enterprises and Individual Banking. Sales and operations staff and functions have been separated in the branches. The regional management structure has been eliminated. The transaction-oriented system has been replaced with a customer information approach. Customer Information File (CIF) have been compiled that give a complete history and profile of each of the Bank's five million customers. CIF enables YKB to monitor customer activity and profitability and set budgets and targets accordingly. Operational efficiency has been improved and sales management enhanced.

Increased profitability, lower costs

The impact of the change program is reflected in Yapı Kredi's results for 1999. Profitability increased significantly despite negative conditions in the real sector to reach $226 million, up from $185 million a year earlier. According to inflation adjusted IAS figures, assets increased by 13%, loans by 5%, deposits by 16% and total shareholders' equity by 12% over 1998 figures. This makes YKB one of the best performers among private commercial banks in Turkey and one of the few that reduced costs compared to income in 1999.

YKB generates income mainly from core banking activities and customer service, a reflection of the overall quality of its technology, infrastructure and human resources. Yapı Kredi is the strongest bank in covering expenses through non-interest income from fees and commissions and is much less dependent on income from government securities than other financial institutions in Turkey. Investment securities provided only 28% of revenues in 1999 whereas the average of other large banks was nearly twice this figure.

The experience of 1999 —a year in which Turkey's GNP plummeted by 6.4%— confirmed YKB's commitment to extending real financial services to society despite economic turbulence and regardless of trading opportunities.

Loyal franchises

Ten years ago, Yapı Kredi had the vision and courage to pioneer retail banking applications in Turkey. YKB introduced the first credit cards, the first consumer loans, the first mutual funds, the first debit cards and the first overdraft facilities. Despite increasing competition in recent years, YKB has maintained its leadership position in individual banking. Customer deposits —the majority small savings accounts of millions of people in nearly 450 branches nationwide— constitute more than 67% of total funding. The Bank runs the largest credit card operation in Turkey with a portfolio of 2.4 million cards at the end of 1999, a huge operation in international terms. Revolving credit card interest and intercharge fee from acquirers have generated a solid income

that makes credit cards a very profitable business for Yapı Kredi.

YKB is the biggest lender to the private sector in Turkey. This will put the Bank in an enviable position as the economy recovers and demand increases. In 2000, a customized scoring system for corporate and commercial customers developed over the past three years will be implemented in all branches. This will give YKB a world-class risk management system that will strengthen its position in commercial lending, especially under anti-inflationary environment.

YKB handles 45% of total transactions through non-branch channels. In 1999, all telephone banking products and functions were gathered under one number (444 0 444). Internet banking (Teleweb) was launched in January 2000 after a year of intensive development and testing. The Bank aims to increase utilization of the Call Center and Internet. At the same time, YKB is moving quickly to develop and introduce secure mobile banking through WAP technology due to the existence of more than eight million mobile phone users in Turkey, six million of them subscribers of Turkcell, an affiliated company. YKB will be a pioneer in this very new field. YKB is also laying the foundations for e-commerce by developing banking applications, free Internet access through its affiliate SuperOnline and an Internet credit card that will enable secure shopping on the web.

A universal bank

Yapı Kredi has become increasingly international in scope and reach. Turkey's prospective membership in the European Union makes a presence in the EU an advantage on a long-term basis. During 1999, the Düsseldorf branch was transformed into a fully licensed German bank. This will enable YKB to expand in Germany as well as in other EU countries. A branch of the subsidiary in Düsseldorf will be opened in the Netherlands in 2000.YKB was an early investor in Russia, setting up Yapı Toko Bank in 1993. In 1999, the shares of Toko Bank were acquired, making Yapı Kredi Bank Moscow a fully owned subsidiary, evidence of YKB's commitment to Russia. During the year, Yapı Kredi International Holding BV in the Netherlands was founded to hold international subsidiaries under one umbrella.

Investor confidence

Yapı Kredi shares have been listed on the Istanbul Stock Exchange since 1987. The Bank enjoys the highest trading volume on the ISE, an indication of investor confidence. Market capitalization and shareholder value enhancement are becoming important concepts within the Bank as a measurement of success.

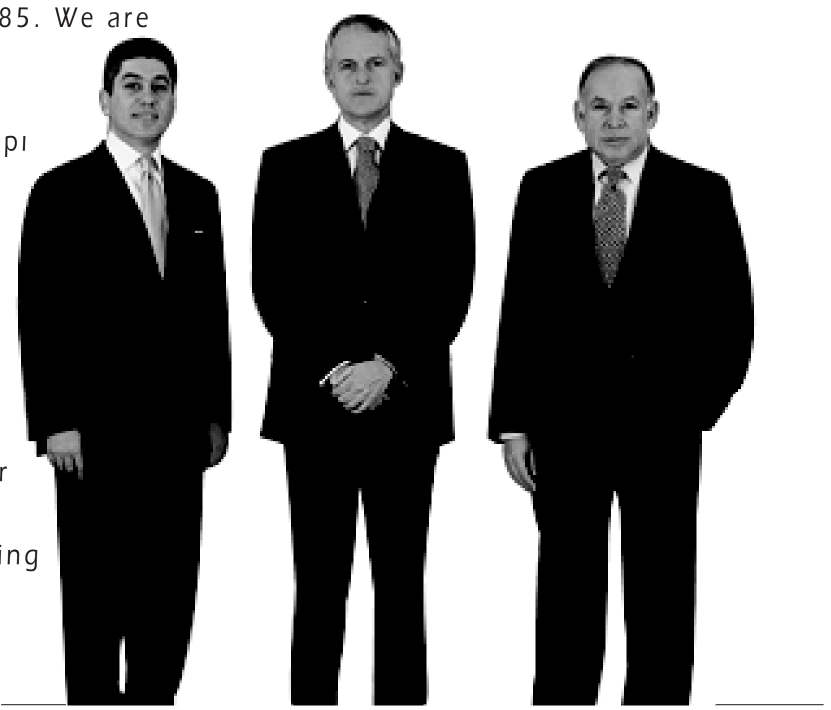
Our ultimate aim is to maximize shareholder value in the long run. In 1999, YKB share price increased by 726%, outperforming the financial index and ISE 100 which performed 548% and 485% respectively. International institutional investors, who hold approximately 30% of the shares, see strength in a number of critical areas:

- strong customer franchises served by a well-placed branch network and effective non-branch channels
- diversified revenue stream with high service income
- strategic investment in the new economy
- customer focused infrastructure, organization and approach
- effective cost management
- broadly based and low-cost funding structure.

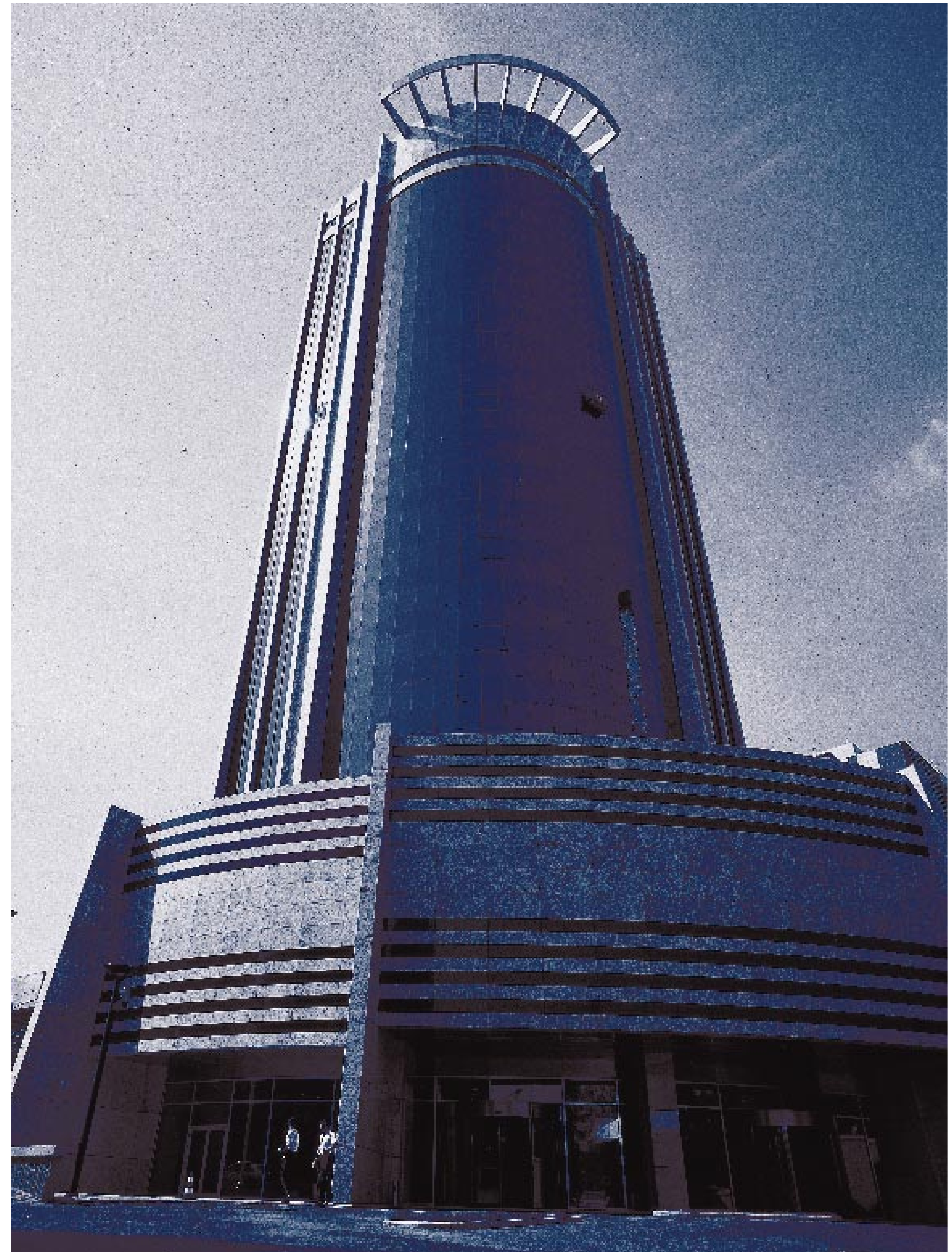
Over the past six years, Yapı Kredi has divested many of its industrial participations, injecting the proceeds into core banking businesses and New Economy investments. In 2000, synergy with New Economy businesses will further diversify the Bank's income stream and build customer loyalty. Development of new products related to mobile communications and the Internet will give YKB a clear edge in the new economy.

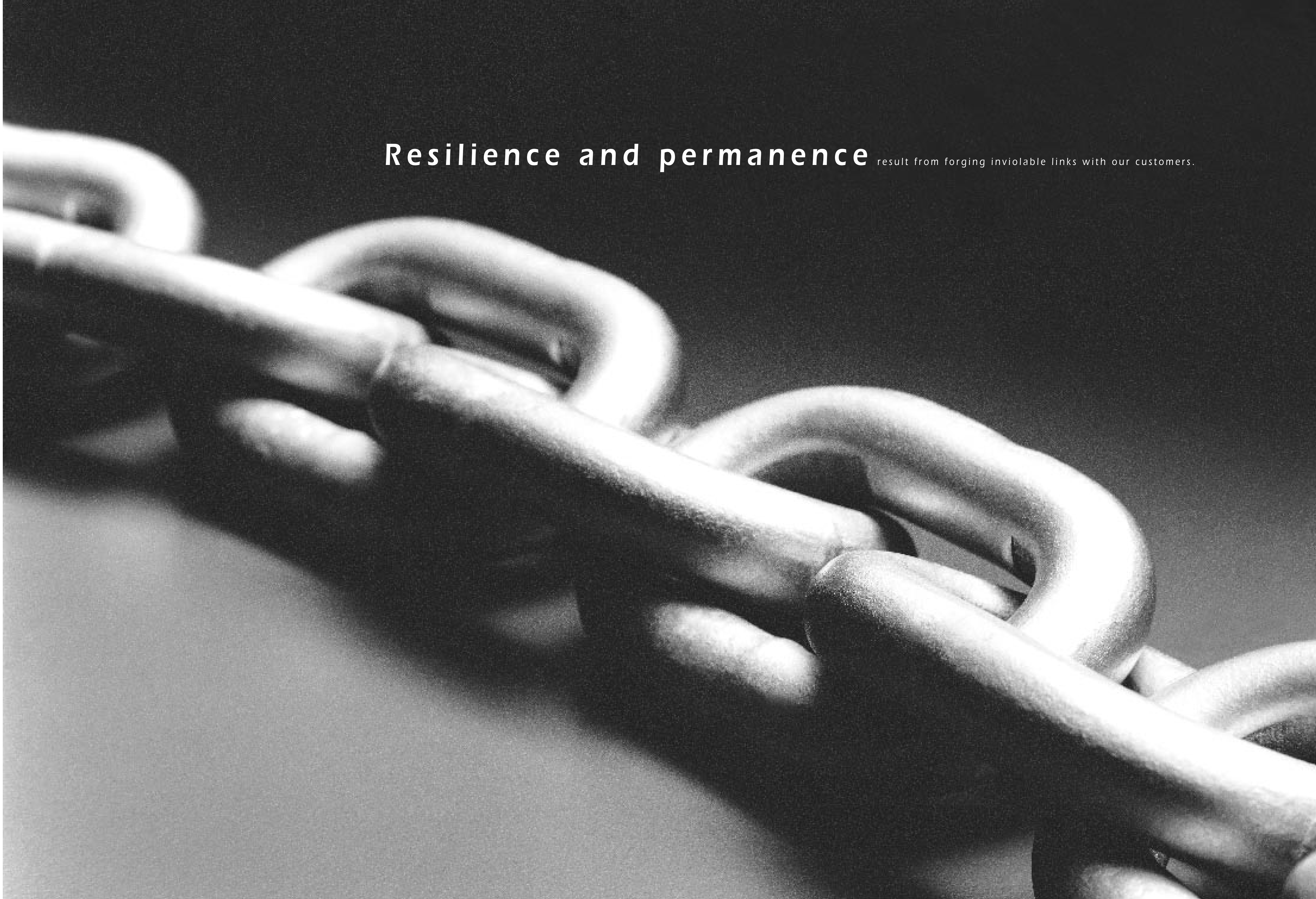
Continuity in management

In closing, the Board would like to express its appreciation to Burhan Karaçam, who managed Yapı Kredi creatively and successfully for the past 12 years. The Bank's new President, Naci Sığın, who was appointed on March 4, has been with YKB since 1991 and with the Çukurova Group since 1985. We are confident that he has the experience, enthusiasm and leadership ability to guide Yapı Kredi effectively in the coming years. Finally, we extend our heartfelt sympathies to all those who lost family members and property in the terrible August and November earthquakes. We applaud the dedication and bravery of our employees in the earthquake affected zone who kept working despite their personal losses.



Naci Sığın	**A. Rona Yırcalı**	**Osman Berkmen**
President and Member of the Board	Chairman of the Board	Vice-Chairman and Executive Director




Resilience and permanence result from forging inviolable links with our customers.

Inflation Adjusted And Consolidated Financials

Starting in 1999, due to the need for increased disclosure and more comprehensive financial statements, the International Accounting Standards Committee has revised International Accounting Standards.

Yapı Kredi has adopted the revisions in the accompanying financial statements and is disclosing three years comparative inflation adjusted and consolidated financials for the first time in this report. In Note 26 of the financial statements, "bank only" inflation adjusted financial statements are also presented.

Accordingly, all of the financial data, except otherwise indicated, are gathered from consolidated and inflation adjusted financial statements. The major subsidiaries whose results are included in the consolidated financial statements are :

Yapı Kredi Leasing, a market leader in providing highly specialized financial services in the commercial and corporate based leasing industry with an 11% market share.

Yapı Kredi Factoring, with an 8% market share in international and domestic factoring business in recourse as well as non-recourse factoring.

Halk Sigorta, a leading provider of non-life insurance products that is listed on the ISE.

Halk Yaşam, a very successful life and health insurance company.

Yapı Kredi Yatırım, the full service investment banking and brokerage arm of YKB, serving corporate clients and institutional and retail investors in Turkey and abroad.

Yapı Kredi-Koray Real Estate Investment Co., an independent and professionally managed REIC that is well-positioned in the market in terms of image, funding and access to investment opportunities.

Yapı Kredi Deutschland A.G., focusing on corporate banking and foreign trade and treasury business for the European market.

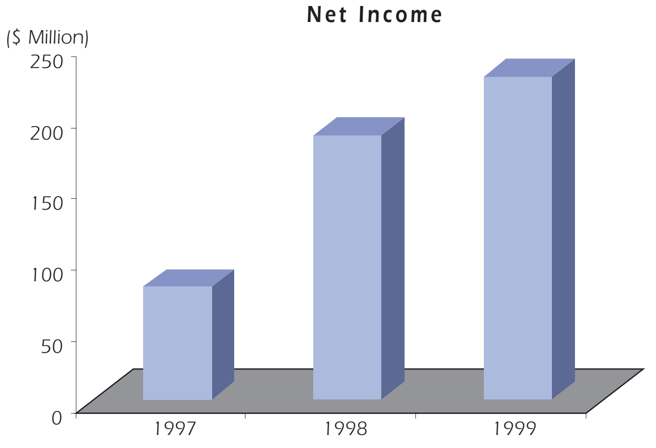
Yapı Kredi Moscow, providing services to Turkish and multinational corporations and individuals.

Banque de Commerce et de Placement SA, concentrating on financing of commercial transactions in the field of international trade and portfolio management for private banking clients.

SuperOnline, the leading Internet Service Provider and portal in Turkey.

Net Income

Yapı Kredi posted real growth in 1999, increasing net income significantly in spite of unfavorable conditions in the real sector. Net income rose to $226 million from $185 million, a gain of 22%.

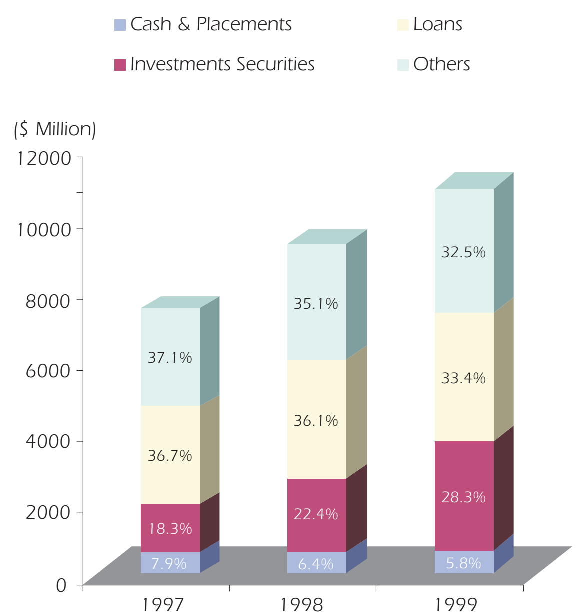


Efficiency is improving. According to the statutory books, the Bank's cost/income ratio decreased to 43% from 48%, a good achievement without downsizing. YKB is one of the few banks in Turkey that reduced costs compared to income in 1999.

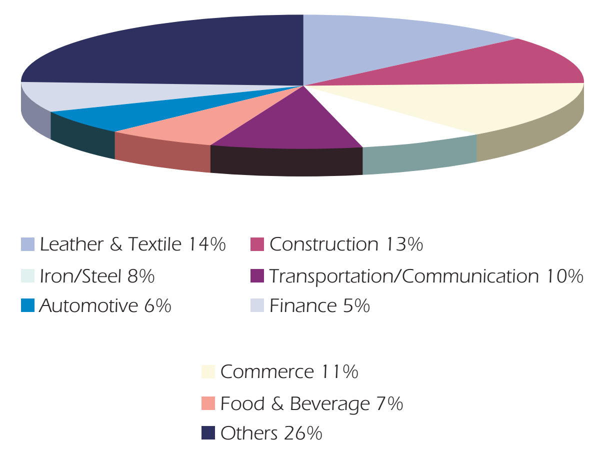
Asset Growth

The Bank's assets grew by 13% to $11,093 million, making it one of the largest private sector banks in Turkey. The recession that started in 1998 was felt throughout the economy in 1999. High interest rates and poor business conditions weakened loan demand. Lack of demand and decline in customer quality changed the Bank's asset composition significantly. The ratio of total loans, which was more than 35% of assets in previous years, slipped to 33% in 1999. Despite the contraction in the loan portfolio, YKB is still one of the largest lenders to the private sector in Turkey. Due to economic conditions, the Bank kept more assets in liquid assets.

Asset Composition

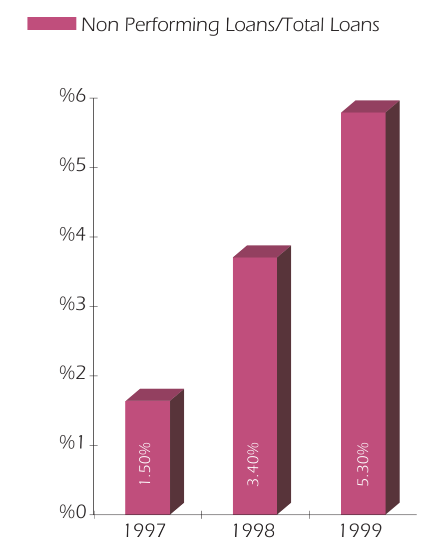


Broadly diversified loan portfolio



Loan Portfolio Composition (%)	1997	1998	1999
Consumer	15	19	19
TL Commercial	14	10	17
FX	71	71	64
	100	**100**	**100**
Short term	78	74	73
Medium term	22	26	27

Asset quality



This resulted in a 35% increase in marketable securities and cash placements.

The composition of the loan portfolio changed considerably in 1999. Consumer loans continued to make up 19% of the total loan portfolio. Commercial TL loans made up 17% of total loans compared to 10% a year earlier. The proportion of foreign currency loans dropped from 71% to 64% of total loans. YKB continued to favor short-term lending. Loans with maturities of one year or less made up 73% of the portfolio in 1999, on par with the previous year.

Over the years, Yapı Kredi has developed a broadly diversified loan portfolio in line with sound risk management principles. No one sector represents more than 15% of the total portfolio.

Adverse economic conditions took their toll on asset quality in 1999. According to statistics published by Central Bank of Turkey, non-performing loans made up 10.56% of total loans in 1999 compared with 3.45% in 1998. At Yapı Kredi, the share of non-performing loans to total loans increased from 3.4% in 1998 to 5.3% in 1999. The Bank has provisioned non-performing loans with reserves amounting to $104 million.

Strong And Stable Liability Structure

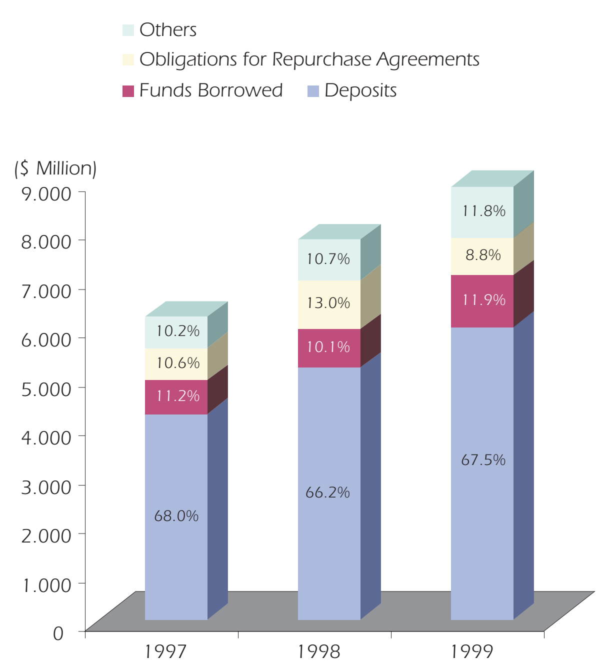
Yapı Kredi has always had a large customer deposit base. For the past two years, deposits have made up more than 66% of total funding.

In 1999, deposits increased by 16% to $5,966 million, a result of the preference of depositors for large, trustworthy financial institutions after the government takeover of five ailing banks, problems with off-shore banks and the rapid decline in interest rates. Both demand and time deposits increased sharply, and foreign currency deposits made up 76% of total deposits (including interbank deposits) at year-end 1999. Demand deposits and accounts with maturities less than one month compose 48% of total deposits. YKB enjoys a stable TL demand deposit base of around $350 million. The breadth of stability of YKB's deposit base is demonstrated by the size of deposits: 90% of deposits are accounts less than $200,000. These represent the savings of individuals or small companies and thus are not very sensitive to interest rates.

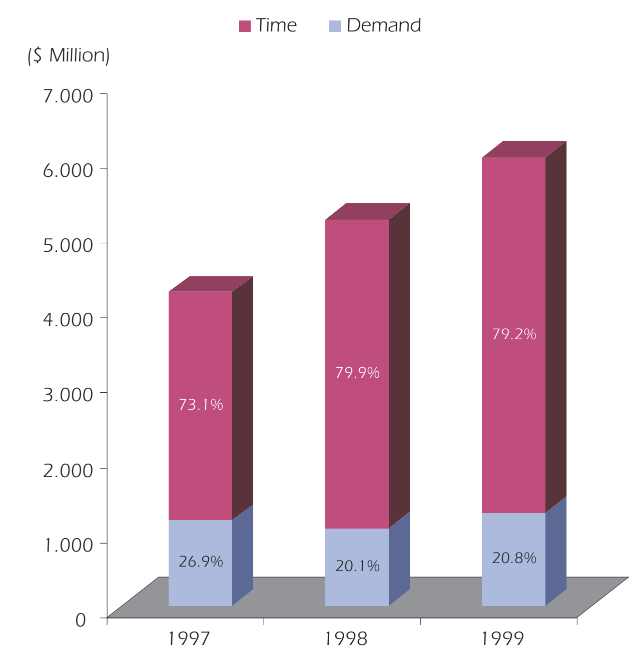
Funds borrowed also increased in 1999, climbing from $781 million to $1,056, an increase of 35%. Yapı Kredi renewed two syndicated one-year trade finance facilities for another year, increasing the size by 35% to $420 million. Other projects in the international markets were deferred to 2000 due to the high cost of funds during the year.

YKB is a strong bank in terms of capitalization but this is not adequately reflected in the statutory financial statements for several reasons, mainly due to unrealistic revaluation of land and equity participations.

Funding Base



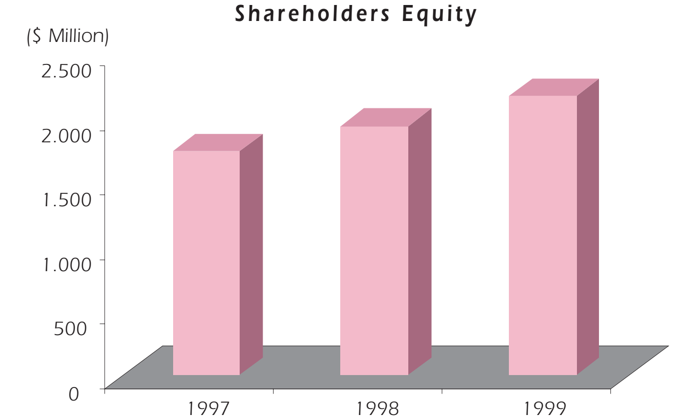
Deposit Composition



According to IAS, consolidated equity in 1999 totaled more than $2.1 billion. Capital adequacy increases from 14% to 27% when IAS figures are considered, making it one of the highest figures in the industry.

Since 1994, YKB has generated more than $650 million from sales of non-core participations. In 1999, the Bank obtained extraordinary income of $59 million from the sale of 50% of its shares in SuperOnline to Çukurova Holding, representing a yield of more than 600% on the initial investment. The divestiture program will continue in 2000 with the sale of shares in Turkcell in international markets.

Shareholders Equity



Diversified Revenue Streams

Yapı Kredi posted net interest income of $ 1,007 million and non-interest income of $1,048 million in 1999.

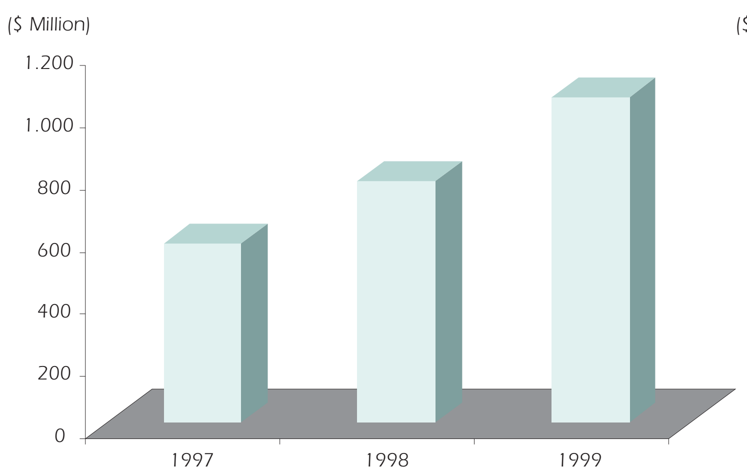
YKB earns more than 70% of its

revenues from core banking activities. Interest income on loans contributed $1,506 million to total interest income in 1999, compared to $1,352 million a year earlier, and its contribution to total interest income fell from 67% to 61% as a result of economic contraction.

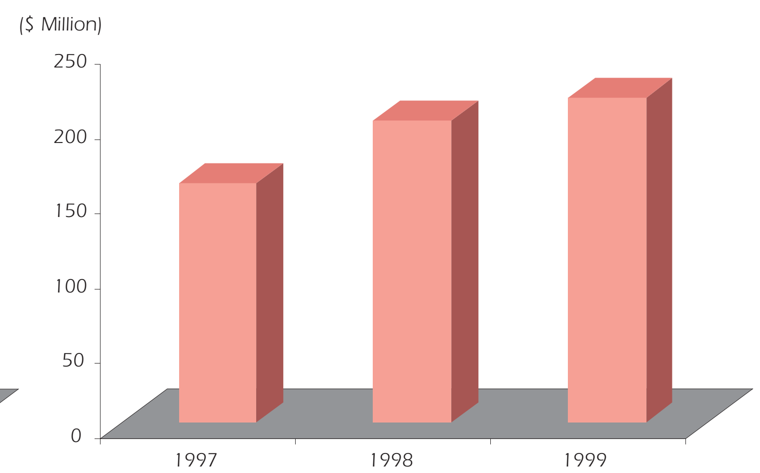
Income from investment securities provided 28% of revenues in 1999, a figure much lower than the average of the banking sector. Consequently, the imposition of an extraordinary tax in late 1999, levied as a withholding tax on government bonds to meet the cost of earthquake reconstruction, did not significantly impact 1999 income. The earthquake tax will have a total impact of $70 million on the Bank's earnings over three years.

Yapı Kredi generated $217 million in income from banking services in 1999, up from $202 million the previous year, a reflection of the overall quality of the Bank's technology, infrastructure and human resources. YKB makes more money from services than any other bank in Turkey, a result of its broad customer base and its early introduction of service fees.

Non-Interest Income



Income From Banking Services



Projections For 2000

The true impact of the Operations Center and the Change Program will become apparent in 2000. We expect operational expenses to decline as a result of the centralization of operations and greater utilization of non-branch delivery channels with the introduction of Internet Banking and wider usage of the Call Center. At the same time, a great emphasis on the expansion of personalized customer services in the branches is expected to have a positive effect on income. Introduction of new products and joint promotions with our affiliates in telecommunications, insurance and financial services will stimulate sales and add new customers. We anticipate strong growth in both commercial and consumer loans as interest rates go down and the economy recovers.

In summary, YKB has the ability to increase revenues and profits in lower inflation environment.


Clarity of vision
gives depth to our perceptions, propelling us forward to new successes.

Customer Businesses

Corporates

A continuing commitment to serving customers, places YKB in an enviable position.

Yapı Kredi was one of the largest lenders to private sector corporates in 1999. Loans to corporate clients and small and medium size enterprises totaled $2,900 million compared to $2,827 million the preceding year, an increase of 3%. The minimal increase reflected the economic hardship experienced in all business sectors during the year as well as the high cost of borrowing.

Years of experience in commercial lending —and the Bank's continuing commitment to serving customers even during periods of economic contraction—places it in an enviable position as other banks seek to increase their loan portfolios.

Accumulation of meaningful market data on companies for a period of ten or more years supports effective risk management. In anticipation of a sharp increase in lending activities as the economy stabilizes, the Bank worked with Dun and Bradstreet to develop a customized scoring system for corporate customers that will be applied in all branches in January 2000. This system will enable branches to assume more responsibility and authority in lending decisions, thus decentralizing the lending process to accommodate more customers, more quickly while keeping asset quality high.

Small and medium sized enterprises

YKB is the first and prime bank of small and medium sized creditworthy businesses.

Traditionally YKB is heavily involved in the real sector. Good penetration of small and medium sized enterprises has been achieved through a nationwide network of nearly 450 branches. The Bank focuses on working capital loans, international trade finance, particularly for exporters, and cash management products.

YKB is an aggressive competitor in this market segment, pioneering innovative services and exploring new potential. In 1999 for example, telephone banking (Teletel) for medium and small business was launched and an auto fax system that provides a daily transaction journal every morning was promoted. The Bank continues to promote Telerom PC Banking Program that provides easy access to accounts and offer a direct link between the customers and the Bank for other banking operations.

YKB is structuring models to meet the needs of different sectors, going deeper into the specific requirements of different businesses. New programs include:

- commercial vehicle loans
- seasonal financing for agricultural enterprises
- an installment card
- a purchase card for small retail outlets that enables them to buy supplies for large distribution companies on credit
- automated collection systems for companies with very large distribution networks

Yapı Kredi believes it can penetrate the vast market of small and medium sized enterprises in Turkey while maintaining high standards of risk control and diversification. Introduction of a standard risk rating system empowers the branches to make sounder decisions and assume more responsibility in the lending process.

YKB has developed an innovative cash management system that extends credit to small retail outlets for the purchase of goods from large distributors through plastic cards and electronic banking applications. This will be launched in 2000. YKB is also strong in project management, with a track record of successful arrangement of finance packages for large-scale infrastructure projects. This will continue to be a focus of interest in 2000.

Individuals

YKB nurtures lifetime relationships with customers

Yapı Kredi pioneered individual banking services in Turkey. In the twelve years since the introduction of credit cards, consumer loans and overdraft accounts, individual banking has become a very profitable business for the Bank.

Interest from revolving credit cards, loans and overdraft accounts, plus intercharge fees from acquirers, generate a solid revenue stream that amounted to more than $600 million in 1999.

YKB aims to accompany customers through their life cycle, providing appropriate, competitively priced products to meet needs of each stage of life and delivering them with a very high standard of service.

YKB is proud to apply the same approach and projects at the same time as the leading banks in the world. A customer oriented marketing organization was established in 1998 consisting of three groups: market analysis, product development and management, and customer segmentation. These groups intersect and exchange information to enhance customer relationship management. Customer Information File enables the Bank to use data warehousing as a tool to target groups for specific campaigns. The introduction of Personal Banking services is a case in point, in which a Personal Banker directs and advises the customer on all his banking and investment needs and transactions. This program has proven an overwhelming success; it will be further developed to accommodate a larger number of customers in the coming years.

Credit cards are a central component of individual banking services. The Bank has a very strong image and leadership in credit cards. A portfolio of 2.4 million cards at end 1999 makes Yapı Kredi the number one issuer in Turkey. YKB has a commanding 28% market share in sales volume and a 20% share in the total number of cards issued, equivalent to the combined total of the next three issuers. As a desired and used product, the activity rate is far above the market average at 89%. The Bank has offered a successful bonus point loyalty program for eleven years, making YKB cards the first preferred card in the market. New loyalty programs for credit cardholders that go beyond gifts will further differentiate YKB from its competitors, increase product usage and enhance loyalty.

In total —including 2.9 million Maestro debit cards— YKB is handling almost 5.5 million cards. This is a huge operation in international terms as well, equivalent or larger than the major card operations in the US.

The synergetic projects developed with Çukurova Group of Companies like Turkey's biggest Internet Service Provider SuperOnline and GSM Operator Turkcell has enabled YKB to gain new customers through joint campaigns and a co-branded Turkcell credit card. Projects designed to tap the huge customer base of the Group will be carried out by YKB to pursue higher market share in individual banking.

International Network

Yapı Kredi has a global outlook.

YKB's strategy is to expand its international network in countries with significant flow of funds to or trade activity with Turkey.

The Bank is keen to expand in the Euro zone. The transformation of the Düsseldorf branch into a full commercial bank, Yapı Kredi Düsseldorf A.G., in 1999 will be the vehicle for this expansion. A license has been obtained from the Netherlands to open a branch of Yapı Kredi Düsseldorf A.G in Amsterdam in 2000. Expansion to other parts of the European Union will be a priority in the coming years.

During the year Yapı Kredi International Financial Services Company was established in Dublin to develop business in Treasury and Asset Management.

In Russia, where Yapı Kredi has been active for many years, our subsidiary became a fully owned entity, Yapı Kredi Moscow. We believe that the prospects are good for Russia in the medium and long term and remain committed to maintaining a presence in this market.

A large correspondent network gives YKB a strong funding base. Trade finance activities continued in 1999. A strong presence in corporate and retail markets maintained foreign currency inflows and outflows at 1998 levels despite the

decline in Turkey's foreign trade volume.

Project financing is becoming important in light of Turkey's major infrastructure and energy projects. YKB has the expertise to undertake the financing of complex projects, raising financing from correspondents and Export Credit Agencies. In 1999, the Bank acted as the arranger of financing packages for three power plants and pipeline projects. Project finance will be a key area for YKB in the future.

During the year, Yapı Kredi successfully renewed two international trade finance related syndications, increasing the amount from $310 million to $420 million. In line with the repositioning of the international funding strategy to tap capital market facilities, YKB will be active in the capital markets to raise medium term financing in 2000 while continuing to access the international syndication market.

Treasury And Capital Markets

Total capital markets transaction volume was up 100% over 1998 to TL 80 quadrillion.

1999 was a memorable year for treasury activities. The liquidity squeeze caused by the outflow of $8 billion in foreign capital following the Russian crisis in August 1998 and the subsequent reluctance of banks to lend to emerging countries increased financing costs steeply, resulting in an economic contraction that became a recession in 1999. Elections, formation of a new coalition government in June and the August earthquake also had an enormous impact on the economy and markets. In the end, the usually buoyant Turkish economy experienced its worst year since 1945, contracting by 6.4%.

Towards the end of the year, the realization that public borrowing and real interest rates had reached unaffordable levels spurred Turkey —with the support of her allies and the IMF— to introduce a stiff disinflation program. A positive response from the market brought downward pressure on interest rates and fueled the ascent of the Istanbul Stock Exchange index.

Balance sheet risks were managed during 1999 to preserve liquidity and generate profits. The significant volatility in interest rates, which fell from a high of 140% to 45% by year-end, made managing interest rate risk crucial.

YKB's high credibility in the international market enabled it to increase bank borrowings and stay very liquid. Trading volume in the capital markets soared 100% over 1998 to TL 80 quadrillion due to activities in the interbank market and the preference of foreign banks to work with YKB. Business with international institutional investors soared from $10 billion in 1998 to $60 billion last year, reflecting increased interest of international institutional investors in doing business in Turkey.

Branches kept volumes of foreign exchange inflows and outflows at $14 billion, the same level as 1998, despite the 27% drop in tourism revenues, 11% decline in import revenues and 2% fall in export revenues experienced in 1999.

YKB increased its securities portfolio in TL denominated high yielding T-bills in reaction to soft loan demand. The Bank does not regard repos as a core business but as a complementary business on the client side.

On the liability side, high TL returns moved savings deposits in favor of TL. Demand deposits made a good improvement despite high real returns, evidence of the strength of YKB's client focused activities.

An automated integrated risk management system was developed and partially implemented in 1999. The automation of back office functions has already produced a noticeable improvement; the system will be fully integrated by year-end 2000.


Unchanging core values
are a source of stability in a fluctuating and often volatile environment.

New Distribution Channels

Creating more ways for customers to reach YKB

Yapı Kredi currently handles 45% of total transactions through non-branch channels, primarily ATMs and the Call Center (Teletel). With more than 1,200 ATMs, Yapı Kredi has one of the largest networks in the country. Locations are monitored closely to analyze the utilization and productivity of each site. In 1999, a new generation of ATMs was installed with new functionalities such as buying and selling of mutual funds and foreign currency and obtaining credit card statements.

In October 1999, all customer services were gathered under one local charge rate number (444 0 444), Teletel serves 180,000 registered users, representing the most active customer groups, averaging 80,000-100,000 calls per day. The Call Center answers calls from all YKB customers with a debit/credit card or a payment order. Registered users may perform all banking transactions on the phone; other customers receive a limited service.

The project and pilot for Internet banking (Teleweb) were completed in 1999 and launched in January 2000. The variety of transactions has been developed quickly and will continue to be enhanced in 2000. Internet applications will make it possible to acquire new customers as well as serve existing customers in an efficient and cost effective way. The Call Center has an Internet Banking Help Desk for added customer support.

YKB aims to increase utilization of Call Center and Internet while moving swiftly to develop and introduce secure mobile banking through Wireless Access Protocol (WAP) technology. This is an attractive area due to the eight million users of mobile phone users in Turkey, approximately 75% of whom are subscribers of Turkcell, an affiliated company.

Attention is also being paid to building the foundations for e-commerce by developing banking applications, offering free Internet access through SuperOnline, and designing a secure e-credit card. The Bank is exploring other new channels such as digital interactive TVs and Palm Pilots.

Point of Sale (POS) machines are another important delivery channel of Yapı Kredi's business strategy. During 1999, the Bank acted aggressively to become number one in this area by installing 14,000 machines at merchants across the country. At the end of the year, YKB had more than 35,000 machines in use compared to 21,500 a year earlier.

Technology

YKB aspires to be the financial institution that rolls out the best products on a market-need basis in the shortest amount of time.

Yapı Kredi entered 2000 problem free due to a very successful Y2K management program.

In 1999, the Bank finalized and rolled-out all projects related to the change program. IT has become a client server system with a centralized database. This ensures integrity by reducing technical management problems and supports the transformation of a product-based organization to a customer-based approach.

During the year:

- all Legacy systems for deposits, loans, etc. were changed
- the mainframe capacity was expanded by 100% to 2500 mips
- air-cooled technology was introduced, doubling cpu power while reducing footprint and lowering costs
- technology infrastructure and networking system were upgraded to an Internet Protocol (IP) platform

The IP migration enabled utilization of Lotus Notes at the Head Office and Operations in non-mission critical functions as well as at the branches, consolidating e-mailing throughout the Bank. In 2000, Lotus Notes will be launched in mission critical Legacy integrated applications.

Development of user-friendly applications will be the priority in the coming year. A key driver of change is the Customer Information File (CIF). This milestone project merged and

consolidated all customer databases, leading to a notable improvement in accuracy of information and enabling YKB to obtain realistic customer numbers and profiles. A new organization has been set up to maintain and develop CIF and inject this new culture to users.

Establishment of a product factory with the capability to develop and launch products very quickly will empower YKB to keep its leadership in a fast moving market. YKB has the technological base and customer information to be the financial institution that rolls out the best products on a market-need basis in the shortest amount of time.

In another important change, a service agreement culture was launched by introducing concepts and defining parameters. The business was split into 14 technology server groups, with efforts made to establish a service commitment within the Bank in each of these areas. This clarity maturity model paves the way for ISO 9001 certification by year-end 2000.

Beyond this, central targets for 2000 are to stabilize the platform and enhance functionality, schedule technology infrastructure projects and upgrade servers in the branches. Work is also being done to establish a disaster center in case of failure of Turk Telecom switches during an emergency.

Human Resources

People are proud to work for Yapı Kredi.

YKB's employee profile has almost completely changed in the last nine years. Employees are younger, better educated and more motivated. They are thoroughly trained in customer service principles and are highly competent in technical banking applications.

The average age has declined from 33.8 years in 1991 to 30 in 1999. At the same time the educational background of employees has changed radically. In 1990, 37% were university graduates; currently 49% have university degrees. The proportion of women has also increased noticeably: in 1990, 35% of employees were women compared to 54% today and there is a correspondingly higher percentage of women in management positions.

YKB has hired 4500 newcomers since 1997 due to a high retirement rate for older employees and the need for more people to handle increasing business volumes. At end-1999, the Bank employed a total of 10,383 people.

As a policy, YKB does not transfer personnel from other institutions, preferring to create a culture within the bank and provide career path advancement for its employees. This practice, supported by outstanding career path technical training, has resulted in a very low turnover rate of 2.9%, excluding those who retired or left to do their military service. Ninety percent of training is done in-house in four centers and through Computer Based Trainings (CBT).

YKB bases its Human Resources management on certain well-defined principles:

- no outside transfers
- an objective, statistical approach to open performance appraisals
- equal opportunity with no exceptions
- training is an investment, not a cost
- newcomers are trained before being assigned
- training is compulsory for advancement

A key challenge of the change program is the separation of operations and sales. Since 1998, the Bank has separated its focus accordingly. People with suitable competencies are being moved to sales. All career paths, training and recruitment have been modified according to the new system.

Yapı Kredi is one of the few banks in Turkey ready for the new environment in terms of organization, people, training programs and sales force. The results of this will become apparent in 2000.

Community Involvement

Yapı Kredi brings first-rate art exhibits and performances to Turkish audiences and publishes a large selection of quality titles.

Yapı Kredi has a very high profile in the community through a far-reaching program of performing arts events, exhibitions and publishing.

At the end of 1996, YKB spun off its non-banking activities to a non-profit organization, Yapı Kredi Kültür Sanat Yayıncılık, which operates a publishing house, cultural center, museum, art galleries and library, arranges a busy calendar of performing arts. Yapı Kredi strives to bring first-rate art exhibits and performances to Turkish audiences and publishes a large selection of quality titles.

In the performing arts, Yapı Kredi organizes a year-round program of dance, opera, jazz, rock and pop. In 1999, Yapı Kredi Arts Festival held 21 performances ranging from gospel to blues, tango to jazz and choral to classical music.

Art exhibits during the year explored historical themes. Major shows included "Byzantium: 1000 Purple Years in the Mediterranean" and "A Journey over the Ottoman Rainbow", a survey of the Ottoman decorative arts. "Mehmet the Conqueror: The Artist, the Sultan and His Portrait " brought Gentile Bellini's 1481 portrait of the sultan to Turkey for the first time as a loan from The National Gallery in London. As always, Yapı Kredi showcases the work of well-known Turkish artists in seven exhibitions during in 1999.

Yapı Kredi is the leading publisher in Turkey, known for its translations of masterpieces of world literature.159 new titles in series ranging from literature and poetry to history, art and children's books were published in 1999 in addition to 14 periodicals.

YKB is as ambitious in the cultural sphere as it is in banking. We believe that our out-reach arts program is an important corollary to our banking activities. In both spheres we are committed to adding value to the life of the community by bringing new ideas and opening new perspectives.

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 1999, 1998 AND 1997 TOGETHER WITH AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Yapı ve Kredi Bankası Anonim Şirketi (a Turkish corporation) (the Bank) as of December 31, 1999, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements which are all expressed in the equivalent purchasing power of Turkish Lira (TL) as of December 31, 1999 are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We did not audit the financial statements of Yapı Kredi Faktoring Anonim Şirketi, Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi, Yapı Kredi International Financial Services Ltd., Yapı Kredi Moscow and Yapı Kredi Holding B.V., consolidated subsidiaries, which statements reflect total assets of TL 610,156 billion, TL 64,166 billion and TL 62,883 billion and total net income (loss) of TL 957 billion, (TL 275 billion) and TL 666 billion as of and for the years ended December 31, 1999, 1998 and 1997, respectively. Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included for those subsidiaries is based solely on the reports of other auditors.

We conducted our audits 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yapı ve Kredi Bankası Anonim Şirketi as of December 31, 1999, 1998 and 1997, and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Accounting Standards.

Önce Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
An Affiliated Firm of Ernst & Young International
S. Selda Bozkurt, SMMM

February 24, 2000
Istanbul, Turkey

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ CONSOLIDATED BALANCE SHEETS DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira)

ASSETS	1999	1998	1997
CASH AND DUE FROM BANKS	98,645	100,755	94,850
SHORT-TERM PLACEMENTS (Note 5)	251,363	233,835	242,417
RESERVE DEPOSITS (Note 6)	231,049	132,894	123,146
INVESTMENT SECURITIES, net (Notes 3 and 7)	1,696,390	1,183,255	784,483
LOANS, net (Notes 3 and 8)	2,002,262	1,905,736	1,576,303
MINIMUM LEASE PAYMENTS RECEIVABLE, net (Note 3)	48,537	55,028	61,338
FACTORING RECEIVABLES, net (Note 3)	42,205	31,244	26,793
ACCRUED INTEREST INCOME (Note 9)	409,179	490,179	354,630
EQUITY PARTICIPATIONS (Notes 3 and 10)	147,145	130,869	113,432
GOODWILL, net (Notes 3 and 11)	4,542	10,613	28,887
PREMISES AND EQUIPMENT, net (Notes 3 and 12)	872,694	805,194	721,469
OTHER ASSETS (Note 13)	187,052	199,707	160,662
	5,991,063	5,279,309	4,288,410
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS (Note 14):			
Turkish Lira deposits	650,054	714,760	545,969
Foreign currency deposits	2,132,306	1,916,420	1,603,289
Interbank deposits	439,649	142,292	116,987
	3,222,009	2,773,472	2,266,245
FUNDS BORROWED FROM BANKS (Note 15)	438,133	285,908	219,347
OBLIGATIONS FOR REPURCHASE AGREEMENTS (Notes 3 and 16)	417,458	545,401	354,150
NOTES ISSUED (Note 17)	132,162	136,228	152,927
INSURANCE TECHNICAL RESERVES (Notes 3 and 23)	170,803	138,121	104,378
FACTORING PAYABLES (Note 3)	23,553	12,112	7,598
ACCRUED INTEREST EXPENSE (Note 9)	94,816	104,844	71,746
DEFERRED TAX LIABILITY (Notes 3 and 18)	115,035	99,339	83,307
OTHER LIABILITIES (Note 19)	140,233	91,541	68,956
TAXATION ON INCOME (Note 18)	20,835	2,888	3,491
Total liabilities	4,775,037	4,189,854	3,332,145
MINORITY INTEREST PAYABLE	48,594	46,599	16,870
SHAREHOLDERS' EQUITY:			
Share capital (Note 21)	582,701	484,476	412,697
Retained earnings (Note 22)	462,510	458,614	483,953
Income for the year	122,221	99,766	42,745
Total shareholders' equity	1,167,432	1,042,856	939,395
COMMITMENTS AND CONTINGENCIES (Notes 3 and 25)			
	5,991,063	5,279,309	4,288,410

See Notes to Consolidated Financial Statements.
(For Parent Company Financial Statements See Note 26)

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira)

	1999	1998	1997
INTEREST INCOME:			
Interest and fees on loans	813,270	730,351	591,027
Interest on investment securities	400,641	224,936	110,298
Interest on deposits in banks	44,591	52,941	32,090
Interest income from financial leases	36,551	47,722	45,045
Interest income from factoring advances (Note 3)	8,281	8,495	4,146
Other interest income	30,839	19,907	29,322
Total interest income	1,334,173	1,084,352	811,928
INTEREST EXPENSE:			
Interest on deposits	(672,753)	(579,461)	(406,859)
Interest on funds borrowed from banks and notes issued	(117,386)	(34,037)	(26,380)
Total interest expense	(790,139)	(613,498)	(433,239)
Net interest income	544,034	470,854	378,689
PROVISION FOR LOAN LOSSES AND DOUBTFUL RECEIVABLES (Note 3)	(42,103)	(39,581)	(13,576)
FOREIGN EXCHANGE LOSS, net (Note 3)	(170,257)	(133,840)	(122,333)
Net interest income after provision for loan losses and doubtful receivables and foreign exchange loss	331,674	297,433	242,780
NON-INTEREST INCOME:			
Income from capital market operations, net	122,393	68,635	43,941
Income from banking services, net	117,174	109,397	86,648
Insurance technical income (Notes 3 and 23)	192,899	142,909	119,230
Factoring commission income (Note 3)	1,089	1,046	805
Dividend income from equity participations	3,419	5,061	2,963
Income from sale of equity participations, net (Note 10)	52,711	25,383	1,663
Other income (Note 24)	76,202	68,385	56,773
Total non-interest income	565,887	420,816	312,023
NON-INTEREST EXPENSE:			
Insurance technical expenses (Notes 3 and 23)	(185,221)	(136,570)	(121,378)
Salaries and employee benefits	(140,156)	(129,633)	(106,388)
General and administrative expenses	(107,604)	(88,396)	(58,256)
Depreciation and amortization (Note 3)	(58,006)	(43,618)	(32,510)
Provision for retirement pay	(3,945)	(6,119)	(4,108)
Transaction taxes and duties	(17,291)	(20,165)	(17,506)
Other expense (Note 24)	(65,205)	(73,054)	(63,352)
Total non-interest expense	(577,428)	(497,555)	(403,498)
Income before taxation, minority interest and loss on net monetary position	320,133	220,694	151,305
TAXATION CHARGE:			
Current (Note 18)	(61,707)	(20,625)	(16,544)
Deferred (Notes 3 and 18)	(60,441)	(39,226)	(58,854)
	(122,148)	(59,851)	(75,398)
Net income before minority interest and loss on net monetary position	197,985	160,843	75,907
MINORITY INTEREST	(7,388)	(639)	(3,118)
Net income before loss on net monetary position	190,597	160,204	72,789
LOSS ON NET MONETARY POSITION (Note 3)	(68,376)	(60,438)	(30,044)
Net income	122,221	99,766	42,745
Weighted average number of shares	139,222,004,000	117,305,807,000	90,724,892,000
Basic / diluted earnings per share in full TL (Note 3)	878	850	471

See Notes to Consolidated Financial Statements.
(For Parent Company Financial Statements See Note 26)

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira)

			Retained Earnings	
	Total	Share Capital	Translation Loss (See Note 3(b))	Legal Reserves and General Reserve
Balances, January 1, 1997	896,542	352,816	-	543,726
Share capital increase-				
Through dividend distributions	-	51,631	-	(51,631)
Transfer from retained earnings	-	8,250	-	(8,250)
Capital surplus	150	-	-	150
Dividends	(42)	-	-	(42)
Current year income	42,745	-	-	42,745
Balances, December 31, 1997	**939,395**	**412,697**	**-**	**526,698**
Share capital increase-				
Through dividend distributions	-	50,098	-	(50,098)
Transfer from retained earnings	-	21,681	-	(21,681)
Capital surplus	738	-	-	738
General reserve of Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı Anonim Şirketi	1,219	-	-	1,219
Accumulated deficit of the consolidated equity participation sold	1,790	-	-	1,790
Dividends	(52)	-	-	(52)
Current year income	99,766	-	-	99,766
Balances, December 31, 1998	**1,042,856**	**484,476**	**-**	**558,380**
Share capital increase-				
Through dividend distributions	-	92,667	-	(92,667)
Transfer from retained earnings	-	5,558	-	(5,558)
Capital surplus	948	-	-	948
Accumulated deficit of the consolidated equity participation sold	1,219	-	-	1,219
Retained earning increase from increase in participation percentage	1,763	-	-	1,763
Dividends	(69)	-	-	(69)
Translation loss	(1,506)	-	(1,506)	-
Current year income	122,221	-	-	122,221
Balances, December 31, 1999	**1,167,432**	**582,701**	**(1,506)**	**586,237**

See Notes to Consolidated Financial Statements.

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira)

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	122,221	99,766	42,745
Adjustments to reconcile net income to net cash provided by operating activities :			
Provision for losses in investment securities	-	22	11
Provision for loan losses and doubtful receivables	42,103	39,581	13,576
Income from sale of equity participations	(31,648)	(25,383)	(1,663)
Valuation of Turkcell shares	(21,063)	-	-
Loss from sale of premises and equipment and property held for resale	599	5,061	10,447
Depreciation and amortization	58,006	43,618	32,510
Provision for retirement pay liability	3,945	6,120	4,108
Net change in insurance technical reserves	32,682	33,742	18,553
Operating profit before changes in net operating assets	**206,845**	**202,527**	**120,287**
(Increase) decrease in operating assets :			
Accrued interest income	(34,292)	(135,549)	(89,927)
Other assets	10,463	(55,201)	(38,616)
Increase (decrease) in operating liabilities :			
Accrued interest expense	(10,028)	33,098	1,622
Other liabilities	44,747	16,464	(34,189)
Taxation on income	17,947	(603)	3,491
Deferred tax liability	15,696	16,036	27,981
Minority interest payable	1,995	29,729	4,555
Net cash provided from (used by) operating activities	**253,373**	**106,501**	**(4,796)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase) decrease in short-term placements	(17,528)	8,583	(27,957)
Net increase in investment securities	(513,135)	(398,794)	(487,897)
Net increase in reserve deposits	(98,155)	(9,748)	(4,170)
Net decrease in loans	(23,337)	(369,014)	(191,010)
Cash paid for purchase of equity participations	(5,554)	(15,972)	(15,467)
Cash obtained from sale of equity participations	37,660	77,224	25,978
Cost of consolidated equity participations sold	(4,793)	(58,184)	(4,986)
Cost of equity participation consolidated	10,722	-	-
Net increase in retained earnings due to consolidation	1,763	1,218	-
Net increase in premises and equipment	(125,086)	(124,773)	(83,737)
Proceeds from sale of premises and equipment and property held for resale	1,263	9,815	3,049
Net increase in factoring receivables	(10,961)	(4,452)	(9,912)
Net decrease (increase) in minimum lease payments receivable	6,491	6,311	(18,480)
Decrease (increase) in goodwill	5,601	23,653	(432)
Net cash used by investing activities	**(735,049)**	**(854,133)**	**(815,021)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	448,537	507,227	239,419
Net increase in funds borrowed from banks	152,225	66,561	50,012
Net (decrease) increase in notes issued	(4,066)	(16,701)	152,927
Dividends distribution	(92,737)	(50,150)	(51,675)
Cash proceeds from share capital increase	92,667	50,098	51,631
Capital surplus from share capital increase	948	738	150
Net increase in factoring payables	11,441	4,513	2,108
Net (decrease) increase in obligations for repurchase agreements	(127,943)	191,251	354,150
Net cash provided from financing activities	**481,072**	**753,537**	**798,722**
Translation loss	(1,506)	-	-
NET (DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(2,110)	5,905	(21,095)
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	**100,755**	**94,850**	**115,945**
CASH AND DUE FROM BANKS AT END OF YEAR	**98,645**	**100,755**	**94,850**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
a) The cash paid by the Bank for interest during 1999, 1998 and 1997.	800,167	580,400	431,617
b) The cash received by the Bank for interest during 1999, 1998 and 1997.	1,415,173	948,803	722,004
c) Dividend income received by the Bank during 1999, 1998 and 1997.	2,874	5,061	2,963
d) Income taxes paid by the Bank during 1999, 1998 and 1997.	2,888	15,625	28,077
e) For the purposes of the consolidated statements of cash flows, cash and due from banks is considered as cash and cash equivalents.			

See Notes to Consolidated Financial Statements.
(For Parent Company Financial Statements See Note 26)

YAPI VE KREDİ BANKASI ANONİM ŞİRKETİ NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira unless otherwise indicated)

1) ORGANIZATION AND NATURE OF ACTIVITIES:

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 and the London Stock Exchange since 1987 and 1997, respectively. The address of the headquarters and registered office of the Bank is Yapı Kredi Plaza D Blok, Büyükdere Caddesi, Levent 80620, Istanbul, Turkey.

The Bank is a full-service financial institution engaged in corporate, retail, international and investment banking businesses through a network which includes 444 domestic branches, five offshore banking units in Istanbul, Izmir, Mersin, Antalya and Bahrain, six overseas representative offices in Germany, in the U.S.A., the U.K. 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 has also established or acquired subsidiaries operating in tourism, information technology and construction sectors. Please see Note 3(b).

As of December 31, 1999, the number of personnel of the Bank and its consolidated subsidiaries is 12,537 (1998-12,387; 1997-11,280).

2) ADJUSTMENTS AND RECLASSIFICATIONS TO STATUTORY BOOKS OF ACCOUNT:

The Bank maintains its books of account in accordance with Turkish commercial practice, tax regulations and Banking Law. The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee.

We also reported separately on the non-consolidated financial statements of the Bank as of December 31, 1999, 1998 and 1997, prepared in accordance with accounting standards applicable to banks in Turkey, uniform chart of accounts and generally accepted accounting principles issued by Turkish Capital Market Board (TCMB). The significant differences between the accounting principles applied in the mentioned report and IAS arise mainly from the application of inflation accounting, deferred taxes, valuation of investment securities and equity participations, consolidation and equity basis of accounting.

3) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

The major accounting principles followed in the preparation of the accompanying consolidated financial statements are set out below:

a) **Accounting Convention:** The accompanying consolidated financial statements which are originally prepared under the historical cost convention, except for the revaluation of premises and equipment in accordance with the Turkish Procedural Tax Code, are restated in accordance with IAS 29. IAS 29 has become applicable for the accounting periods beginning from January 1, 1990 and afterwards and deals with the effect of inflation on financial statements prepared in highly inflationary economies. There are certain criteria prescribed by IAS 29 in order to define an economy as highly inflationary, one of which is the cumulative inflation rate over three years approaching or exceeding 100%. As of December 31, 1999, the three year cumulative rate in Turkey has been 379.9% (1998 - 444.6% ; 1997 - 482.1%), based on the wholesale price index as published by the Turkish State Institute of Statistics.

IAS 29 requires financial statements prepared in accordance with IAS in highly inflationary economies be stated in terms of the measuring units current at the balance sheet dates and corresponding figures for previous periods be restated at the same terms.

The main guidelines for the restatement are as follows:

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet dates.

Non-monetary assets and liabilities and components of shareholders' equity (except revaluation adjustment which is eliminated) which are not expressed in terms of the measuring unit current at the balance sheet dates are restated by applying a general price index.

All items in the consolidated statements of income are restated by applying the relevant conversion factors except net foreign exchange loss which is not restated but reflected at historical value.

The gain or loss on net monetary position is included in the consolidated statements of income as loss on net monetary position.

Indices and conversion factors used to restate the accompanying consolidated financial statements as at December 31,1999, 1998 and 1997, are as follows:

	Index	Conversion Factor
December 31, 1999	1,979.5	1.629
December 31, 1998	1,215.1	1.543
December 31, 1997	787.7	1.910

b) **Basis of Presentation:** The accompanying consolidated financial statements comprise the accounts of the Bank (parent company) and its subsidiaries presented as a single economic entity.

As of December 31, 1999, 1998 and 1997 accounts of the following subsidiaries are included in the consolidated financial statements for each respective year that the Bank has ownership:

Name	Ownership (%) 1999	1998	1997	Year of Incorporation	Country of Incorporation	Nature of Business Activities
Halk Sigorta T.A.Ş. (Halk Sigorta)	53.10	53.10	53.10	1943	Turkey	Insurance
Yapı Kredi Finansal Kiralama A.O. (YK Leasing) (*)	30.47	30.47	30.47	1987	Turkey	Leasing
Yapı Kredi Faktoring A.Ş. (YK Faktoring)	99.98	99.98	99.96	1992	Turkey	Factoring
Yapı Kredi Yatırım Menkul Değerler A.Ş. (YK Yatırım)	99.99	99.99	99.99	1989	Turkey	Investment Banking
Yapı Kredi Bank Deutschland A.G. (YK Deutschland)	100.00	-	-	1999	Germany	Banking
Yapı Kredi Holding B.V.	100.00	-	-	1999	Netherlands	Holding
Yapı Kredi Moscow (YK Moscow)	99.56	64.81	64.81	1994	The Russian Federation	Banking
Yapı Kredi International Financial Services Ltd. (YK International)	100.00	100.00	-	1998	Ireland	Financial Services
SuperOnline Uluslararası Elektronik Bilgilendirme ve Haberleşme Sistemleri A.Ş. (SuperOnline)	50.00	99.99	99.99	1995	Turkey	Internet service providing
Enternasyonal Turizm Yatırım A.Ş. (Enternasyonal)	55.22	33.33	-	1965	Turkey	Tourism
Bayındırlık İşleri A.Ş.	84.86	84.86	84.86	1963	Turkey	Construction
Akdeniz Marmara Turizm İnşaat ve Ticaret A.Ş. (Akdeniz Marmara)	99.99	99.99	99.99	1992	Turkey	Construction
Havenfields Tourism Investment N.V. (Havenfields)	-	-	100.00	1997	Netherlands Antilles	Tourism

(*)Total percentage is 65.40 together with the shares held in common stock portfolio, which are eliminated during consolidation.

As of December 31, 1999 and 1998, the Bank's participations in Yapı Kredi Koray Gayrimenkul Yatırım Ortaklğı Anonim Şirketi (YK Koray-incorporated in 1996, in Turkey) (26.01 %) and Banque de Commerce et de Placements S.A. (BCP - incorporated in 1963, in Switzerland) (30.67%) have been accounted for under the equity method of accounting. As of December 31, 1997, equity method of accounting has been applied for the Bank's participation in BCP.

In 1999, the Bank has contributed U.S. Dollars 20,000,000 to share capital increase of Yapı Toko Bank and the Bank's participation increased from 64.81% to 99.56%. In 1999, the name of the subsidiary has been changed as Yapı Kredi Moscow.

As of January 1, 1999, the Bank's Düsseldorf - Germany branch started to operate as a separate entity with the name of Yapı Kredi Bank Deutschland A.G..

During 1999, the Bank has established Yapı Kredi Holding B.V. in Netherlands with a share capital of Euro 500,000 and ownership percentage of 100%.

During 1999, the Bank has sold 50% of its shares in SuperOnline to Çukurova Group.

As of December 31, 1997, Enternasyonal was wholly owned subsidiary of Havenfields, which was also controlled by the Bank. In 1998, the Bank sold Havenfields to Çukurova Group and acquired 33.33% of Enternasyonal and full management responsibility through share capital increase. In 1999, the Bank increased its ownership to 55.22% through share capital increase.

As of December 31, 1998 and 1997, participation of Enternasyonal in Kumköy Turizm Anonim Şirketi (Kumköy) (99.99%) and Köroğlu Turizm Anonim Şirketi (Köroğlu) (99.99%) are carried in the subsidiary's books at cost since these companies are at investment stage and those investments are totally financed by Enternasyonal. As of December 31, 1999, participation of Enternasyonal in Kumköy has been consolidated to the financial statements of Enternasyonal whereas participation in Köroğlu has continued to be carried at cost.

As of December 31, 1999, 1998 and 1997, equity basis of accounting has not been applied for the Bank's participation in Çukurova Çelik Endüstrisi A.Ş. (Çukurova Çelik) (21.46%) and Genel Denizcilik Nakliyat A.Ş. (Genel Denizcilik) (23.01%) since the Bank has no significant influence on these participations and also plans to dispose certain portions of them in the short term (please see Note 30).

As of December 31, 1999, the Bank's participation in Turkcell Holding Anonim Şirketi has been stated at cost since this company has been established in December 1999.

For the purpose of these consolidated financial statements, the Bank's participations in the following subsidiaries have been written off against retained earnings on the grounds of impracticality of consolidating the financial statements of those subsidiaries:

Name	Ownership (%) 1999	1998	1997	Restated Cost 1999	1998	1997
Comag Continental Madencilik Sanayi ve Ticaret A.Ş.	90.87	90.87	90.87	28,143	28,143	28,143
Agro-San Kimya Sanayi ve Ticaret A.Ş.	98.17	98.17	98.17	12,279	12,279	12,279
Auer Imalat A.Ş.	87.03	87.03	87.03	10,042	10,042	10,042
Tifdruk Matbaacılık Sanayi A.Ş.	96.10	96.10	96.10	7,230	7,230	7,230
Bilpa Bilgi İşlem Pazarlama A.Ş.	99.42	99.42	99.42	2,559	2,559	2,559
Yapı Kredi Kültür-Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	99.99	99.99	99.99	733	449	449
Çukurova Havacılık A.Ş.	30.00	30.00	30.00	635	434	166

All significant intercompany balances and transactions are eliminated. The assets and liabilities, both monetary and non monetary and income statement items of the foreign subsidiaries are translated, for the purpose of consolidation, at year-end foreign exchange rates. Differences resulting from the deviation between inflation rate and the appreciation of foreign exchanges against Turkish Lira, related with equity accounts of consolidated foreign subsidiaries were taken to shareholders' equity as translation loss.

For the purpose of this report, the Bank and its consolidated subsidiaries are referred to as "the Bank".

c) **Investment Securities**: Investment securities are held both for investment and trading purposes. Except for common stocks and investment securities kept in trading portfolio, all investment securities are stated at lower of cost or market value. Common stocks and investment securities kept in trading portfolio are stated at market values and income generated due to market valuation is recorded as capital market gain and as interest income, respectively. As of December 31, 1998 and 1997, all investment securities other than common stocks are stated at lower of cost or market value. Gain or loss on the sale of investment securities is determined by specific identification method.

d) **Repurchase and Reverse Repurchase Transactions**: The Bank enters into short-term sales of investment securities under agreements to repurchase such securities. Investment 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 for trading securities. The proceeds from the sale of these securities are treated as liabilities and included in obligations for repurchase agreements.

The Bank also enters into short-term purchases of investment securities under reverse repurchase agreements. The differences between the purchase and resale of investment securities, which are fixed in the agreements, are recognized as income over the life of respective agreements.

e) **Allowance for Loan Losses**: An allowance for loan losses is provided through charges to income in the form of a provision for loan losses. The allowance is an estimated amount that management believes will be adequate to absorb possible future losses on existing loans that may become uncollectible due to current economic conditions, quality and inherent risks in the loan portfolio and other relevant factors which warrant current recognition, together with the local regulations.

A write-off is made when all or a part of a loan is deemed uncollectible or in case of a debt forgiveness. Write-offs are charged against previously established allowances and reduce the principal amount of a loan. Recoveries of loans written-off in an earlier period are included in income.

In accordance with the new regulation related with the loan reclassification and provisioning, effective from January 1, 1998, the banks in Turkey are required to follow-up their non-performing loans in four different groups

determined based on the types of collaterals obtained for such loans. Loan loss provision rates are based on these classifications and the period of time that a loan has been classified as in arrears. Furthermore, the banks are also required to set a general provision of 0.5% (1998-1%) over cash loans and 0.1% (1998-0.2%) over non-cash loans. Based on the regulation, banks are allowed to reach such level of general provisions beginning from March 1998 till March 2000 by providing equal installments on a quarterly basis.

f) **Premises and Equipment:** Premises and equipment are stated at cost less accumulated depreciation. Depreciation and amortization is computed using the straight-line method at rates determined by the Procedural Tax Code. The annual depreciation and amortization rates used approximate the estimated useful lives of the related items and, are as follows:

Buildings	0.5% - 2%
Equipment, leased equipments, furniture and fixtures	2% - 20%
Pre-operating expenses and intangibles	20%
Leasehold improvements	Over the term of the respective leases

g) **Revenue and Expense Recognition:** All income and expense items are recognized on accrual basis except service fee and commission income and expense, which are recorded on cash basis. The impact of not applying accrual basis of accounting for commission income and expense is not material to the accompanying consolidated financial statements.

h) **Foreign Currency Items:** Transactions in foreign currencies are translated at the rates of exchange ruling at the time of the transaction. Foreign currency assets and liabilities, except for equity participations, are translated into their Turkish Lira equivalents based on rates of exchange at the end of each respective year, the effects of which, are also recorded in foreign exchange gain or loss.

i) **Equity Participations:** Equity participations are stated at cost or cost plus equity accounting adjustment unless there is an evidence of permanent decline in the value (if any). In the Bank's separate financial statements, (See Note 26) equity participations are stated at their restated costs.

j) **Goodwill:** Goodwill (positive and negative) arising from the difference between the acquisition cost and the restated book value of equity participations at the time of acquisition, if any, is amortized on a straight-line basis over 20 years based on the management's estimation for the realization of future economic benefits. In the Bank's separate financial statements, goodwill is not calculated.

k) **Factoring Receivables and Payables:** Factoring receivables represent the advance payments made to customers. The invoices of factoring services are issued at the date of advance payment or in the collection period. Factoring payables represent cheques, notes and invoices factored by the customers.

l) **Factoring Fees and Commissions:** Factoring fees represent interest charges at each period/month-end from the date on which advances are extended against the factored receivables to the date on which such factored receivables are collected. Factoring commissions represent the upfront charge to the customer to cover for services rendered and collection expenses incurred.

m) **Reserve for Retirement Pay:** In accordance with the Turkish Social Security Legislation, the Bank is obligated to make payments to employees leaving the Bank for reasons other than resignation or misconduct. Provision is made for the maximum amount of the obligation which is calculated on the basis of 30 days' pay per year of service by taking into consideration the rate of voluntary resignations.

In the application of IAS 19 (revised)- Employee Benefits, which has become applicable for the accounting periods beginning on or after January 1, 1999, the Bank has taken voluntary resignation into consideration but has not discounted the liability. Had the Bank discounted the liability, this adjustment would not have significant impact on the accompanying consolidated financial statements.

n) **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 and has no legal or constructive obligation to pay further contributions if the Fund does not hold sufficient asset to pay all employee benefits relating to employee service in the current and prior periods. As of December 31, 1999, the amount recognized as an expense for the Fund is TL 6,385 (1998-TL 5,302; 1997-TL 4,567).

o) **Investment in Direct Financing and Sale-Leaseback Leases:** Leasing contracts per Turkish regulations, should be minimum for 2 or 4 years. The sum of the minimum lease payments is recorded as gross investment in the leases. The difference between the gross investment and the cost of leased assets is recorded as unearned income and is deducted from the gross investment in the leases. Per lease agreements made with the lessees there is no residual value guaranteed to the lessor and the ownership of the items leased will be transferred to the lessee at the end of the lease term. Minimum lease payments receivable is also stated net of general reserve for doubtful receivables (See Note 15).

p) **Allowance for Doubtful Receivables:** An allowance for doubtful receivables is established through a provision charged to expense. The allowance is an estimated amount that management believes will be adequate to absorb possible future losses on existing receivables.

q) **Insurance Technical Income/Expense:** Insurance technical income and expense mainly represent:
<u>Premium Income:</u> Premiums are recorded as income at the date of policy issuance except for life branch for which premiums are recorded as income when they become due.

<u>Claims:</u> 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 salvage and recoveries.

<u>Deferred Acquisition Costs:</u> 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 with life policies with more than one year of maturity, in parallel with the unearned premiums.

r) **Insurance Technical Reserves:** Insurance technical reserves represent:
<u>Unearned Premium Reserve</u>: 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 over twenty four method which assumes that premium revenues are realised every two weeks.

<u>Outstanding Claims/IBNR Reserves:</u> Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at end of the year, as well as the corresponding handling costs. A provision for claims incurred but not reported is also established.

<u>Mathematical Reserves:</u> The mathematical reserves have been calculated on the life policies in force at year-end by using the following major actuarial assumptions:

Interest rates	:	9% per annum for Turkish Lira 3% per annum for foreign currency
Mortality tables	:	American CSO 1953 - 1958

The formulas used in calculating the mathematical reserve have been approved by the Prime Ministry Undersecretariat of Treasury.

<u>Profit Share Reserve:</u> Profit share is the portion of investment income allocated to life policy holders over income generated from life policy premiums of policies with a saving clause. Such policies are normally with at least 10 years of maturity and policy holders are entitled to receive profit share after 3 years from the policy issuance. Profit share is calculated on an individual policy basis. In Note 23, investment income presented within income (loss) from insurance operations represents income generated through utilization of funds associated with mathematical reserves in various investment tools whereas provision for profit share represents amount allocated to policy holders out of investment income after certain deductions.

<u>Earthquake Reserve:</u> In accordance with Insurance Audit Law in Turkey, a reserve is provided for the compensation of earthquake risk for a period of 15 years, starting from 1993. Such reserve is calculated as 2/3 of retained portion of earthquake premiums written as part of engineering and fire insurance

policies plus income generated over funds reserved for earthquake risk

s) **Deferred Taxes:** Deferred income tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date. Such temporary differences are the differences between the tax base of an asset or liability and its carrying amount in the balance sheet.

Deferred 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 subsequently enacted at the balance sheet dates.

t) **Related Parties:** For the purpose of this report, Çukurova Group companies, shareholders and unconsolidated equity participations are referred to as related parties.

u) **Items Held in Trust:** Items held by the Bank in a fiduciary or agency capacity for their customers are not included in the accompanying consolidated financial statements.

v) **E-Commerce Development Expenses:** Consolidated subsidiary, SuperOnline, capitalises payroll, overhead costs and other expenses as intangibles, related to the activities in creating a comprehensive electronic commerce platform on the Internet as well as populating their existing web-databases with content. The management expects a return on such investment through the year 2003 when Turkish electronic commerce business on Internet is expected to become a significant revenue generating business.

w) **Forward Contracts:** The Bank enters into forward contracts in exchange of currencies to hedge its foreign currency exposure. The discount or premium on a forward contract that is the effect of the difference between the foreign exchange rate at the inception of the contract and the contract rate, is amortised over the life of the forward contract and included in income.

x) **Foreign Currency Swap Contracts:** Foreign currency swap contracts are followed-up in memorandum accounts. At year-end, contract amounts are evaluated with the year-end foreign exchange rates and resulting difference between currency sold and currency bought is included in income.

y) **Earnings per Share:** For the purpose of this report, earnings per share are calculated by dividing net earnings by the weighted average number of shares that have been outstanding during the year. The weighted average number of shares outstanding in prior year has been adjusted in respect of free share issues without corresponding increase in resources. However, for statutory purposes, earnings per share calculation is subject to the requirements of local regulations and laws.

z) **Financial Instruments:** The Bank is exposed to following risks due to its transactions in financial instruments;

<u>Price Risk</u>: This is a combination of currency, interest and market risks which the Bank manages through natural hedges that arise from offsetting the same currency receivables and payables, interest bearing assets and liabilities. Market risk is closely monitored by the management using the available market information and appropriate valuation methods.

<u>Credit Risk</u>: This risk is resulting from carrying a financial instrument of which counterparty may not be able to meet its obligation. Such risks are managed by review of credibility ratings of counterparties with whom trading transactions gone into.

<u>Liquidity Risk</u>: In order to continue the operations, the banks are obliged to raise adequate funds to meet their commitments. The risk is monitored by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions (for maturity analysis please see Note 28).

<u>Cash Flow Risk</u>: Cash flow risk is generally associated with the cash flows fluctuations of monetary assets and liabilities and monitored through natural hedges.

<u>Capital Adequacy</u>: The capital adequacy rules require a minimum amount of capital to cover credit and market risk exposures. For the calculation of the capital required for credit risk, the balance sheet assets are weighted according to broad categories of notional credit risk, being assigned risk weighting according to the amount of capital deemed to be necessary to support them. As of December 31, 1999, 1998 and 1997, the Bank's Risk Based Capital Adequacy Ratio computed based on the Bank's consolidated financial statements which are prepared on the basis of International Accounting Standards and in accordance with the relevant guidelines issued by the Basle Committee on Banking Supervision, is 27%, 28% and 27%, respectively.

<u>Fair Value of Financial Instruments</u>: The fair values of financial instruments, including cash and due from banks, short-term placements, investment securities and other financial assets and deposits, funds borrowed (short-term) and other financial liabilities plus the respective accrued interests are considered to approximate their carrying values due to their short-term nature. Long-term borrowings are at the rates and terms consistent with market and their fair values are considered to be their carrying values. The fair values of loans, minimum lease payment receivables and factoring receivables are also considered to approximate the carrying values resulting from combination of assessing the various risk components of the respective portfolios. Derivatives and other foreign exchange instruments are carried at their estimated fair values.

aa) <u>**Uses of Estimates:**</u> The preparation of consolidated financial statements in conformity with IAS requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from those estimates.

4) TRANSACTIONS WITH RELATED PARTIES:

The majority of the Bank's shares (approximately 58% of the share capital) are owned and controlled by the Çukurova Holding Group. The Group is comprised of many companies engaged in telecommunication, trading, manufacturing, banking and insurance activities. The Bank has business transactions with Group companies and other related parties on arms-length basis, which are included in the accompanying consolidated financial statements as of December 31, 1999, 1998 and 1997, as follows:

	1999	1998	1997
Loans	436,930	407,118	361,664
Short-term placements	-	56,386	285
Deposits	12,059	16,274	28,661
Non-cash loans	286,555	289,312	223,258
Minimum lease payment receivable, net	2,474	11,468	9,469
Factoring receivables	1,808	-	-

Other transactions with related parties are included in Notes 7 and 10.

5) SHORT-TERM PLACEMENTS:

Short-term placements as of December 31, 1999, 1998 and 1997, are comprised of the following:

	1999	1998	1997
Foreign currency short-term placements	218,086	200,553	201,129
Turkish Lira short-term placements	33,277	33,282	41,288
	251,363	233,835	242,417

Foreign currency short-term placements earn interest between 2.90% and 17% (1998-4.63% and 16%; 1997-3.10% and 9%) for various foreign currencies.

Turkish Lira short-term placements earn interest between 52% and 86% (1998-70% and 139%; 1997-75% and 117%).

6) RESERVE DEPOSITS:

According to Turkish Banking Regulations, banks are obliged to place a certain percentage of their deposits excluding the local interbank deposits with the Central Bank. The percentages prevailing at December 31,1999, 1998 and 1997, are as follows:

	Reserve Requirement		
	1999	1998	1997
Turkish Lira deposits	6%	8%	8%
Foreign currency deposits	11%	11%	11%

7) INVESTMENT SECURITIES:

Investment securities as of December 31, 1999, 1998 and 1997, are comprised of the following:

	1999	1998	1997
Government bonds and treasury bills	934,220	867,425	506,836
Corporate bonds	261,127	147,159	21,434
Foreign currency Turkish Government bonds	132,428	69,869	68,983
Mutual funds	78,744	57,891	36,866
Common stocks	28,008	17,566	13,822
Government bonds funding legal reserves	-	15,829	11,625
Foreign government bonds	261,863	7,516	122,278
Gold	-	-	1,745
Other foreign currency securities	-	-	894
	1,696,390	1,183,255	784,483

Cost of investment securities and the related accrued interest which is included in accrued interest income caption approximate market value.

Government bonds and treasury bills earn interest between 70% and 140% (1998-66% and 140%; 1997-82% and 136%).

As of December 31, 1999, foreign government bonds, foreign currency Turkish government bonds and corporate bonds earn interest between 5% and 15% (1998-3% and 16%; 1997-3% and 13%).

As of December 31, 1999, 1998 and 1997, mutual funds mainly represent investment certificates of a foreign mutual fund which was established for the purpose of investment in securities traded in OECD countries.

As of December 31, 1999, TL 417,458 (1998-TL 545, 401; 1997-TL 354,150) of government bonds and treasury bills have been sold to customers through repurchase agreements.

With the new Banking Law enacted in 1999, the banks in Turkey are no longer required to keep government bonds against their legal reserves.

According to Turkish Banking Regulations, minimum ratios of deposits and investment securities that the banks should maintain with the Central Bank against their liabilities are as follows:

Type of Liability	Liquidity Requirement
Turkish Lira deposits other than local interbank deposits	Minimum 4% government securities (1998 and 1997 - 6% government securities) 2% deposit in the Central Bank in an interest free Turkish Lira demand account (1998 and 1997-None) 2% cash (Turkish Lira) in vault (1998 and 1997-None)

Foreign currency deposits other than local interbank deposits	Minimum 1% government securities (1998 and 1997-3% government securities) 2% cash (foreign currency) in vault (1998 and 1997 - None)
Qualifying Turkish Lira liabilities other than deposits	8% deposit in the Central Bank in an interest free Turkish Lira demand account (1998 and 1997- Same) Minimum 4% government securities (1998 and 1997-6% government securities) 2% cash (Turkish Lira) in vault (1998 and 1997-None)
Qualifying foreign currency liabilities other than deposits	11% deposit in the Central Bank in an interest free foreign currency demand account (1998 and 1997-Same) Minimum 1% government securities (1998 and 1997-3% government securities) 2% cash (foreign currency) in vault (1998 and 1997-None

As of December 31, 1997, common stocks included shares of YK Koray at the amount of TL 6,366 corresponding to 51% ownership. As of December 31, 1997, consolidation was not applied to YK Koray since its shares were held exclusively for disposal. In 1998, 49% of YK Koray shares have been offered to the public and as of December 31, 1999 and 1998, remaining 26.01% shares are included in the Bank's equity participations portfolio and are accounted for under the equity method of accounting.

As of December 31, 1999, Eurobonds and foreign currency government bonds with nominal values amounting to Pound Sterlings 10,575,000, U.S. Dollars 14,189,000, totalling to equivalent of TL 17,183, at cost (1998 - equivalent of TL 9,332 ; 1997 - equivalent of TL 11,962 at cost) and government bonds and treasury bills amounting to TL 144,691 (1998 - TL 29,167 ; 1997 - TL 20,239) with nominal value of TL 229,690 (1998 - TL 50,096 ; 1997 - TL 35,371) are kept at the Central Bank as security against foreign currency market transactions and interbank transactions.

8) LOANS:

Loans as of December 31, 1999, 1998 and 1997, are comprised of the following:

	1999	1998	1997
Short-term loans (Turkish Lira)	523,988	535,262	446,199
Short-term loans (Foreign currency indexed)	14,689	31,660	36,470
Short-term loans (Foreign currency)	883,513	831,860	737,318
Medium-term loans (Turkish Lira)	187,522	9,298	2,046
Medium-term loans (Foreign currency)	340,455	470,507	341,930
	1,950,167	1,878,587	1,563,963
Loans in arrears	108,312	66,045	24,453
	2,058,479	1,944,632	1,588,416
Less : Allowance for loan losses	(56,217)	(38,896)	(12,113)
Net loans	2,002,262	1,905,736	1,576,303

As of December 31, 1999, interest rates on Turkish Lira short-term and medium-term loans are between 55% and 80% (1998-80% and 135%; 1997-80% and 140%); interest rates on various foreign currency loans are between 14% and 17% (1998-15% and 25%; 1997-8% and 10%) and between 10% and 14% (1998-6% and 15%; 1997-9% and 15%) for foreign currency indexed loans. Short-term loans also include Eximbank loans which are granted at 35% and 63% (1998-49% and 67%; 1997-44% and 78%) for Turkish Lira and Libor +0.5% and Libor +3.5% (1998-Libor-0.50% and Libor +2%; 1997 Libor +0.50% and Libor +2%) for foreign currency loans. Medium-term loans also include loan facilities obtained from the World Bank and directly granted to certain companies.

As of December 31, 1999, foreign exchange evaluation income on foreign currency indexed loans amounting to TL 51,725 (1998-TL 55,909; 1997-TL 53,110) is included in accrued interest income.

As of December 31, 1999, 1998 and 1997 movement of allowance for possible loan losses is as follows:

	1999	1998	1997
Allowance at beginning of year	38,896	12,113	9,190
Recovery of loans previously reserved for	(6,137)	(2,034)	(2,123)
Provision for possible loan losses	41,002	39,581	13,576
Restatement effect	(17,544)	(10,764)	(8,530)
Allowance at end of year	56,217	38,896	12,113

9) ACCRUED INTEREST INCOME AND EXPENSE:

Accrued interest income consists of year-end interest accruals on loans, investment securities, short-term placements and net interest accrual on investment securities sold through repurchase agreements and foreign exchange evaluation gain on foreign currency indexed loans and income accrued for outstanding forward, swap and options contracts.

Accrued interest expense consists of year-end interest accruals made for deposits, funds borrowed from banks and notes issued.

10) EQUITY PARTICIPATIONS:

Equity participations as of December 31, 1999, 1998 and 1997, are comprised of the following:

	1999		1998		1997	
	Ownership %	Cost	Ownership (%)	Cost	Ownership (%)	Cost
Investment in Associates						
Turkcell Holding Anonim Şirketi	20.02	51,442	-	-	-	-
YK Koray	26.01	11,171	26.01	8,560	-	-
BCP	30.67	9,247	30.67	9,297	30.67	8,940
		71,860		17,857		8,940
Investment in Subsidiaries						
Köroğlu Turizm A.Ş.	99.99	3,285	99.99	2,600	99.99	622
Halk Reasürans A.Ş.	50.70	1,655	74.55	1,655	74.55	1,459
Yapı Kredi Yatırım Ortaklığı A.Ş.	10.00	411	10.02	411	9.99	226
Yapı Kredi Kart Hizmetleri A.Ş.	100.00	228	99.99	228	99.92	24
Ascot Telecommunication Investment N.V.	100.00	124	100.00	124	-	-
Kumköy Turizm Yatırım A.Ş.	-	-	99.99	10,722	99.99	10,180
		5,703		15,740		12,511
Other Investments						
Çukurova Çelik	21.46	29,817	21.46	29,817	21.46	29,817
Genel Denizcilik	23.01	10,499	23.01	10,499	23.01	10,499
Çukurova İnşaat Makinaları Sanayi ve Ticaret A.Ş.	4.21	10,233	5.45	10,163	9.15	10,123
Turkcell İletişim Hizmetleri A.Ş.	2.59	4,537	12.76	33,119	11.77	27,043
Çukurova Sanayi İşletmeleri T.A.Ş.	0.87	3,939	1.06	3,939	1.47	3,939
Türkiye Sınai Kalkınma Bankası A.Ş.	0.09	2,125	0.09	2,114	0.09	2,108
Netsel Turizm Yatırımları A.Ş.	12.04	2,118	12.04	2,118	12.04	2,118
Satel A.Ş.	5.50	1,780	5.50	1,780	5.50	1,780
Yatırım Finansman A.Ş.	0.13	1,310	0.15	1,310	0.15	1,310
İ.M.K.B. Takas ve Saklama Bankası A.Ş.	4.86	1,021	4.86	668	4.86	515
Eterplast Plastik Sanayi A.Ş.	19.81	652	19.81	652	48.96	652
Türk Kablo A.O.	0.05	254	1.34	254	1.34	254
Kredi Kayıt Bürosu A.Ş.	9.09	249	9.09	249	9.09	249
Bankalararası Kart Merkezi A.Ş.	9.98	192	9.98	192	9.98	192
Others (each below TL 100 as of December 31, 1999)	-	856	-	398	-	1,382
		69,582		97,272		91,981
		147,145		130,869		113,432

As of December 31, 1999, participation in YK Koray includes equity gain of TL 757 (1998-TL 2,318; 1997-None). As of December 31, 1999, participation in BCP has been reduced due to loss under equity method of accounting amounting to TL 50 (1998-TL 357 gain; 1997-TL 1,036 loss).

In 1999, the Bank has sold 50% of its shares in SuperOnline to Çukurova Group and generated income of TL 31,648 which has been recorded as income from sale of equity participations.

In 1999, the Bank has participated in Turkcell Holding Anonim Şirketi at 20.02% with an amount of TL 51,441 of which TL 12 has been paid in cash. For the remaining portion, the Bank has contributed TL 51,431 worth of Turkcell İletişim Hizmetleri Anonim Şirketi (Turkcell) shares as capital in kind. Value of the shares has been determined by an independent valuator and the difference between the value and cost of such shares amounting to TL 21,063 has been recorded as income from sale of equity participations.

In 1997, the Bank established Havenfields with 100% ownership and sold Enternasyonal to Havenfields. The sales value was determined based on the independent valuators' report which was prepared by consideration of the physical assets only without any goodwill consideration. As of December 31, 1997 income generated out of this transaction was eliminated in the consolidation. In 1998, the Bank sold Havenfields to Çukurova Group and accordingly, as of December 31, 1998, income of TL 26,704 was recognized as income and included in income from sale of equity participations in the accompanying consolidated statements of income.

In 1997, the Bank sold certain portions of its equity participations in Halk Sigorta and YK Leasing through a foreign investment bank and generated income of TL 2,730.

In 1998 and 1997, the Bank also sold certain other equity participations to Çukurova Group and incurred loss of TL 1,321 and TL 1,067, respectively, which were charged to income from sale of equity participations in the accompanying consolidated statements of income.

In the Bank's statutory accounts, income generated from sale of equity participations has been used in nominal share capital increase in 1999 and 1998.

11) GOODWILL:

As of December 31, 1999, 1998 and 1997, the movement of sources of goodwill and details of respective amortization are as follows :

Company Name	December 31, 1996	Addition	Disposal	December 31, 1997	Addition	Disposal	December 31, 1998	Addition	Disposal	December 31, 1999
Positive Goodwill Gross Amount										
Halk Sigorta	966	-	-	966	-	-	966	-	-	966
YK Leasing	5,107	-	(637)	4,470	-	-	4,470	-	-	4,470
Enternasyonal	13,340	-	-	13,340	-	(13,340)	-	-	-	-
YK Faktoring	1,059	-	-	1,059	-	-	1,059	-	-	1,059
Yapı Toko Bank	275	-	-	275	-	-	275	-	-	275
Akdeniz Marmara	3,932	-	-	3,932	-	-	3,932	-	-	3,932
Bayındırlık	7,306	-	-	7,306	-	-	7,306	-	-	7,306
BCP	-	1,038	-	1,038	-	-	1,038	-	-	1,038
Kartal Otel Marmaris Turizm İşletmeciliği Ticaret ve Sanayi A.Ş. (*)	2,039	-	-	2,039	-	-	2,039	-	-	2,039
Sultanahmet Turizm A.Ş. (*)	3,569	-	-	3,569	-	-	3,569	-	-	3,569
Pegasus Hava Taşımacılığı A.Ş. (Pegasus) (*)	1,202	-	-	1,202	-	-	1,202	-	-	1,202
Total	38,795	1,038	(637)	39,196	-	(13,340)	25,856	-	-	25,856
Positive Goodwill Accumulated Amortization										
Halk Sigorta	49	49	-	98	48	-	146	48	-	194
YK Leasing	256	224	(32)	448	222	-	670	222	-	892
Enternasyonal	6,003	666	-	6,669	-	(6,669)	-	-	-	-
YK Faktoring	54	52	-	106	54	-	160	54	-	214
Yapı Toko Bank	13	14	-	27	14	-	41	14	-	55
Akdeniz Marmara	197	197	-	394	197	-	591	197	-	788
Bayındırlık	365	365	-	730	364	-	1,094	364	-	1,458
BCP	-	52	-	52	52	-	104	52	-	156
Kartal Otel Marmaris Turizm İşletmeciliği Ticaret ve Sanayi A.Ş.	609	104	-	713	103	-	816	103	-	919
Sultanahmet Turizm A.Ş.	713	178	-	891	178	-	1,069	178	-	1,247
Pegasus Hava Taşımacılığı A.Ş	121	60	-	181	60	-	241	60	-	301
Total	8,380	1,961	(32)	10,309	1,292	(6,669)	4,932	1,292	-	6,224
Net Balance of Positive Goodwill	30,415			28,887			20,924		-	19,632
Negative Goodwill Gross Amount										
Enternasyonal	-	-	-	-	10,855	-	10,855	5,601	-	16,456
Negative Goodwill Accumulated Amortization										
Enternasyonal	-	-	-	-	(544)	-	(544)	(822)	-	(1,366)
Net Balance of Negative Goodwill					10,311		10,311	4,779		15,090
Net goodwill	30,415			28,887			10,613			4,542

(*) Consolidated Subsidiaries of Enternasyonal.

12) PREMISES AND EQUIPMENT:

As of December 31, 1999, 1998 and 1997, the movement of premises and equipment is as follows:

	Land and Building	Equipment, Furniture and Fixtures and Vehicles	Leased Assets	Leasehold Improvements	Pre-operating Expenses and Intangibles	Continuing Investments	Total
COST:							
Balances at January 1, 1997	786,041	126,490	-	11,045	8,167	79,456	1,011,199
Additions	3,719	21,106	-	2,837	3,863	53,467	84,992
Retirements	(1,473)	(4,775)	-	-	-	(1,077)	(7,325)
Transfers	44,477	549	-	-	-	(45,026)	-
Balances at December 31, 1997	832,764	143,370	-	13,882	12,030	86,820	1,088,866
Additions, net	6,987	38,344	17,555	4,903	7,888	51,202	126,879
Retirements	(8)	(5,934)	-	-	-	(68)	(6,010)
Transfers	31,924	1,579	-	-	-	(33,503)	-
Balances at December 31, 1998	871,667	177,359	17,555	18,785	19,918	104,451	1,209,735
Additions, net	16,187	29,661	22,455	3,837	4,546	50,358	127,044
Retirement	(444)	(12,014)	-	-	-	(460)	(12,918)
Transfers	47,160	8,957	-	-	32,892	(89,009)	-
Balances at December 31, 1999	934,570	203,963	40,010	22,622	57,356	65,340	1,323,861
ACCUMULATED DEPRECIATION:							
Balances at January 1, 1997	276,757	57,369	-	3,434	3,565	-	341,125
Charge for the year	12,024	13,230	-	2,487	2,514	-	30,255
Retirements	(254)	(3,729)	-	-	-	-	(3,983)
Balances at December 31, 1997	288,527	66,870	-	5,921	6,079	-	367,397
Charge for the year	18,262	16,820	657	3,212	3,562	-	42,513
Retirements	(8)	(5,361)	-	-	-	-	(5,369)
Balances at December 31, 1998	306,781	78,329	657	9,133	9,641	-	404,541
Charge for the year	19,241	19,288	1,720	3,976	11,115	-	55,340
Retirements	(249)	(8,465)	-	-	-	-	(8,714)
Balances at December 31, 1999	325,773	89,152	2,377	13,109	20,756	-	451,167
NET VALUES:							
Balances at December 31, 1999	608,797	114,811	37,633	9,513	36,600	65,340	872,694
Balances at December 31, 1998	564,886	99,030	16,898	9,652	10,277	104,451	805,194
Balances at December 31, 1997	544,237	76,500	-	7,961	5,951	86,820	721,469

As of December 31, 1999, continuing investments are mainly comprised of expenditures made for various constructions and the change program which is a project related with the improvement of the Bank's information technology and other banking projects.

13) OTHER ASSETS:

Other assets as of December 31, 1999, 1998 and 1997, are comprised of the following:

	1999	1998	1997
Property held for resale	76,412	67,291	61,143
Due from insureds, net	23,631	22,464	17,572
Advances given	12,303	19,248	29,593
Prepaid expenses	6,510	8,924	8,885
Receivables from lease payments outstanding, net	6,155	4,176	1,539
Due from investment banking customers	4,295	1,541	1,693
Deferred expenses	3,710	2,769	3,172
Office supplies and stationary	3,335	5,586	4,012
Trade receivables	1,770	1,405	1,067
Deposits given	1,395	1,085	1,202
Value added taxes, net	839	1,624	1,367
Prepaid withholding taxes	-	32,422	28
Long-term receivables	13,992	17,965	18,911
Miscellaneous	32,705	13,207	10,478
	187,052	199,707	160,662

The Bank has long-term receivables related with 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, 1999, the Bank has calculated its total receivable as TL 61,796 (1998-TL 63,531; 1997-TL 64,662) considering the partial collections made in 1995 and the resolution of court cases against the state bank. Of the total amount TL 47,804 (1998-TL 45,566; 1997-TL 45,751) is reflected within the accrued interest income and TL 13,992 (1998-TL 17,965; 1997-TL 18,911) is reflected within other assets. On January 3, 2000, the Bank made a preliminary collection of TL 2,922 and further collections will be made.

As of December 31, 1999, 1998 and 1997, advances given mainly represent advances given for equipment purchases.

In 1999, the Bank has realized loss of TL 599 (1998-TL 5,004; 1997-TL 10,145) on the sale of property held for resale and charged to other expense.

14) DEPOSITS:

The breakdown of deposits as of December 31, 1999, 1998 and 1997, is as follows:

	1999			1998			1997		
	Demand	Time	Total	Demand	Time	Total	Demand	Time	Total
Saving deposits	64,216	436,253	500,469	69,316	474,089	543,405	67,845	350,871	418,716
Commercial deposits	115,815	33,770	149,585	128,069	43,286	171,355	99,376	27,877	127,253
Foreign currency deposits	289,907	1,842,399	2,132,306	352,885	1,563,535	1,916,420	412,842	1,190,447	1,603,289
Interbank deposits	199,155	240,494	439,649	8,378	133,914	142,292	29,660	87,327	116,987
	669,093	2,552,916	3,222,009	558,648	2,214,824	2,773,472	609,723	1,656,522	2,266,245

As of December 31, 1999, deposits bear interest at the rates between 35% and 64% (1998-75% and 85%; 1997-75% and 95%) for Turkish Lira and between 2% and 8% (1998-2.5% and 8.5%; 1997-1.5% and 7%) for various foreign currency time deposits. Interest rate on demand deposits is 3% (1998 and 1997-3%) for Turkish Lira whereas interest rate on foreign currency demand deposits is zero.

15) FUNDS BORROWED FROM BANKS:

The breakdown of funds borrowed from banks as of December 31, 1999, 1998 and 1997, as to currency, interest rate and maturity is as follows:

1999

Currency	Total Amount	Interest Rate Fixed	Interest Rate Variable	TL Equivalent Short-term	TL Equivalent Medium term	Total
U.S. Dollars	647 million	5.2%-9.41%	L-0.25/L+0.5	316,285	33,270	349,555
German Marks	101 million	3.31%-13.45%	L-0.25/L+3.375	21,720	6,379	28,099
TL	39,728	32.00%-60.00%	-	39,728	-	39,728
Various others				19,318	1,433	20,751
Total				397,051	41,082	438,133

1998

Currency	Total Amount	Interest Rate Fixed	Interest Rate Variable	TL Equivalent Short-term	TL Equivalent Medium term	Total
U.S. Dollars	401 million	5.82% - 7.85%	L-1.5 / L+1	177,949	24,375	202,324
German Marks	148 million	4.375% - 6.18%	L-1.5/L+3.375	29,240	15,259	44,499
TL	32,174	41.00% - 63.00%	-	32,174	-	32,174
Various Others				6,911	-	6,911
Total				246,274	39,634	285,908

			1997			
				TL	TL	
	Total	Interest Rate	Interest Rate	Equivalent	Equivalent	
Currency	Amount	Fixed	Variable	Short-term	Medium term	Total
U.S. Dollars	319 million	6.40% - 7.97%	L-0.5/L+1	141,938	20,193	162,131
German Marks	141 million	3.81% - 8.80%	L-0.5/L+3	24,860	17,370	42,230
TL	11,632	41.00% - 75.00%	-	11,632	-	11,632
Various Others				3,354	-	3,354
Total				181,784	37,563	219,347

As of December 31, 1999, U.S. Dollar borrowings include two syndication loans amounting to U.S. Dollars 420,000,000 (1998-two syndication loans amounting to U.S. Dollars 310,000,000; 1997-one syndication loan amounting to U.S. Dollars 200,000,000).

As of December 31, 1999, 1998 and 1997, funds borrowed in German Marks 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. Also in accordance with the agreement, YK Leasing shall maintain at all times a general reserve which shall be at least equal to 1/2% of the lease receivables during the first year of the loan agreement, 1% during the second year and 1/2% during the third year of the loan agreement and thereafter until maturity and repayment of loan.

16) OBLIGATIONS FOR REPURCHASE AGREEMENTS:

The proceeds from the sale of investment securities are treated as liabilities and recorded as obligations for repurchase agreements. The maturities and interest rates of the obligations are within one month and between 60% and 85% (1998-67% and 92%; 1997-65% and 90%), respectively.

17) NOTES ISSUED:

In April 1998, the Bank has issued U.S. Dollars 115,000,000 of floating rate (Libor +2.5%) 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 till April 2003.

In August 1997, the Bank issued U.S. Dollars 150,000,000 notes due on August 19, 2002, bearing interest rate of 10%.

In December 1997, Havenfields issued U.S. Dollars 150,000,000 floating rate notes due on December 15, 2000, bearing interest at the rate of Libor +1.75%.

18) TAXATION ON INCOME:

Corporation tax is computed at the rate of 30%. An additional 10% of the total taxation charge is levied to support a state fund, which results in an effective Corporation Tax rate of 33%. Items exempted from Corporation Tax (except dividends collected) are subject to income tax at the rate of 15% and an additional 10% will also be levied on this rate. In case of dividend distributions in the form of cash, depending on public or privately owned status of the Company, 5% or 15% income tax (plus 10% additional fund) is calculated over the portion of distributed amount which is subject to 33% Corporation Tax and paid to tax authorities on behalf of shareholders.

Advance taxes which were previously calculated, until December 31, 1998, as 70% of preceding year's Corporation Tax were quarterly calculated and paid as 25% of related period income with new legislation effective from January 1, 1999. Such advance payments during the year are being deducted from the final tax liability calculated over current year operations. Accordingly, the taxation charge computed is not equal to the final tax liability appearing on the balance sheet. Effective from January 1, 2000, temporary tax returns will be filed semiannually and advance taxes will be calculated as 20% of semiannual earnings. However, effective from July 1, 2000, temporary tax returns will be filed quarterly again.

Taxation on income as of December 31, 1998 and 1997, was computed in two tiers. Corporation Tax was computed at the rate of 25%. An additional 10% of the total taxation charge was levied to support a state fund, which resulted in an effective Corporation Tax rate of 27.5%. A second tier tax, namely Income Tax, was computed at 10% or 20% depending on the public or privately owned status of the Company. An additional 10% of the total taxation charge was also levied on Income Tax.

In Turkey, in accordance with tax laws, the tax liabilities of the parent company and the subsidiaries are treated separately.

The reconciliation of the Bank's taxation charge as of December 31, 1999, 1998 and 1997, can be presented as follows:

	1999	1998	1997
Statutory income before taxation (IBT)			
Parent Company	291,829	171,143	180,384
Tax deductible items, net	(225,613)	(153,059)	(190,560)
Disallowables	12,890	13,855	1,064
Corporate/Minimum Corporate tax base (effective rate 33% (1998 and 1997 - 22%))	79,106	31,939	(9,112)
Corporate tax	26,105	7,027	-
Income tax base (effective rate 16.5% (1998 and 1997 - 11%))	51,722	23,459	77,923
Income tax	8,534	2,580	8,572
Tax effect of temporary differences	48,787	33,654	48,652
Restatement effect of tax provision	17,272	5,801	9,229
Taxation charge of the Parent Company	100,698	49,062	66,453
Taxation charge of consolidated subsidiaries (current and deferred)	21,450	10,789	8,945
Taxation charge per accompanying consolidated financial statements	122,148	59,851	75,398

The breakdown of temporary differences which give rise to the deferred tax assets and/or liabilities is as follows:

	1999 Deferred Tax Asset (Liability)	1998 Deferred Tax Asset (Liability)	1997 Deferred Tax Asset (Liability)
Year end interest income accruals, net	(75,978)	(64,784)	(49,354)
Fixed assets restatement difference	(57,067)	(40,521)	(39,521)
Mark to market valuation of common stocks	(3,305)	(4,380)	(1,056)
Allowance for possible loan losses	10,958	4,358	2,279
Reserve for retirement pay	2,003	2,523	1,831
Stating foreign currency equity participations at historical amounts	4,474	2,390	1,487
Other	3,880	1,075	1,027
	(115,035)	(99,339)	(83,307)

19) OTHER LIABILITIES:

The breakdown of other liabilities as of December 31, 1999, 1998 and 1997, is comprised of the following:

	1999	1998	1997
Taxes and duties payable	16,598	23,894	18,994
Obligation under capital leases	35,432	12,513	-
Trade payables	7,939	12,003	10,962
Reserve for retirement pay	8,693	9,161	6,324
Due to insurance and reinsurance companies	7,143	5,892	5,289
Cash collaterals	5,274	4,146	4,789
Payment orders	2,770	4,095	5,460
Payables to merchants (credit cards)	7,265	3,804	1,851
Transitory payables	24,391	2,448	2,676
Deferred income	1,311	929	958
Other payables and accrued expenses	23,417	12,656	11,653
	140,233	91,541	68,956

20) RESERVE FOR RETIREMENT PAY:

Retirement pay reserve is calculated as explained in Note 3(m) and, subject to a maximum of TL 345.2 million (1998-TL 326.7 million; 1997-TL 263.2 million), as of December 31, 1999, for each year of employment at the rate of pay applicable at the date of retirement or termination. The reserve as of year-end is TL 8,693 (1998-TL 9,161; 1997-TL 6,324) and is included in other liabilities.

21) SHARE CAPITAL:

The nominal share capital of the Bank consists of authorized, issued and fully paid 239,982 million shares (1998-133,323 million shares; 1997-60,066.4 million shares) having par value of TL one thousand each.

As shown on consolidated statements of changes in shareholders' equity, cash dividends paid were used in share capital increase in 1999, 1998 and 1997.

22) RETAINED EARNINGS:

Retained earnings are comprised of legal reserves, general reserve and translation loss (see Note 3(b)).

The legal reserves consist of first and second legal reserves and loss contingency reserve in accordance with the Turkish Commercial Code and the Banking Law. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches to a maximum of 20% of the Bank's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Bank'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. The loss contingency reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve is equal to the Bank's share capital. As of December 31, 1999, the Bank's legal reserves amount to TL 16,939 (1998-TL 9,717; 1997-TL 4,625) in its statutory accounts at nominal values.

In accordance with the new Banking Law, starting from appropriation of 1999 profit, the loss contingency reserve will no longer be appropriated.

The general reserve and current year profit are available for distribution, subject to the reserve requirements referred to above.

23) INSURANCE TECHNICAL INCOME AND EXPENSE AND INSURANCE TECHNICAL RESERVES:

As of December 31, 1999, 1998 and 1997, the breakdown of insurance technical income and expense is as follows:

	1999	1998	1997
Premium income, net	102,645	85,426	72,315
Investment income	90,254	57,483	46,915
Total insurance technical income	192,899	142,909	119,230
Claims paid, net	67,468	44,604	34,453
Provision for unearned premiums	16,653	11,629	15,345
Provision for mathematical reserve	27,937	26,287	22,280
Provision for profit share	57,528	40,525	37,548
Provision for IBNR	814	238	1,085
Provision for earthquake reserve	1,099	497	515
Commissions paid, net	4,228	4,105	3,576
Acquisition costs	2,491	3,693	4,465
Other technical expenses	7,003	4,992	2,111
Total insurance technical expenses	185,221	136,570	121,378
Income (loss) from insurance operations, net	7,678	6,339	(2,148)

Insurance Technical Reserves

As of December 31, 1999, 1998 and 1997 the breakdown of insurance technical reserves is as follows:

	1999	1998	1997
Profit share reserve	84,424	64,090	47,207
Mathematical reserve	47,106	40,894	29,570
Unearned premium reserve	27,647	23,752	19,821
Outstanding claim reserve	7,071	5,957	4,705
Earthquake reserve	2,929	1,826	1,657
IBNR reserve	1,626	1,602	1,418
	170,803	138,121	104,378

24) OTHER INCOME AND OTHER EXPENSE:

As of December 31, 1999, 1998 and 1997, the breakdown of other income and other expense is as follows:

	1999	1998	1997
Other income			
Aircraft charter revenue	56,063	54,010	45,560
Hotel revenues	6,226	9,205	8,576
Internet services revenue	5,474	2,732	1,021
Others	8,439	2,438	1,616
	76,202	68,385	56,773
Other expense			
Aircraft operations expenses	43,108	45,513	43,252
Saving deposit insurance fund premiums	16,383	14,065	11,025
Others	5,714	13,476	9,075
	65,205	73,054	63,352

25) COMMITMENTS AND CONTINGENCIES:

a) The Bank's outstanding commitments and contingencies as of December 31, 1999, 1998 and 1997, are as follows:

	1999	1998	1997
Letters of guarantee	1,669,911	1,574,850	1,167,485
Acceptance credits and letters of credit	548,305	480,461	447,035
Swap transactions in foreign currencies-			
Buy	159,780	100,537	114,287
Sell	159,181	99,569	114,662
Forward contracts-			
Buy	941,310	259,107	81,787
Sell	775,502	97,838	82,807
Options written and purchased	245,668	-	-
Reverse repurchase agreements (nominal)	108,569	6,638	48,855

Maturities of non-cash loans are less than one year except for the certain amounts of letters of guarantee which are indefinite. Maturities of forward purchase and sale contracts and swap transactions are also less than one year. Options written and purchased represent American type of put and call options at notional amount of Euro 226,590,000, with a maturity at November 19, 2001.

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

b) The Bank 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 Halk Sigorta, a consolidated subsidiary. The Bank's management deems that no provision is necessary for this contingency.

c) As of December 31, 1999, the Bank's commitment for operating lease payments, related with aircrafts operated by Pegasus, a consolidated subsidiary of Enternasyonal, is as follows:

0 - 1 year	15,556
1 - 5 years	62,024
Over 5 years	18,459
	96,039

26) PARENT COMPANY FINANCIAL STATEMENTS:

The following are the balance sheets, statements of income and cash flows for Yapı ve Kredi Bankası Anonim Şirketi, the Parent Company.

BALANCE SHEETS - DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira)

	1999	1998	1997
ASSETS			
CASH AND DUE FROM BANKS	99,796	94,156	89,527
SHORT-TERM PLACEMENTS	750,153	323,897	246,196
RESERVE DEPOSITS	230,697	132,894	123,146
INVESTMENT SECURITIES, net	1,213,207	980,062	703,476
LOANS, net	1,921,382	1,994,932	1,625,154
ACCRUED INTEREST INCOME	331,309	451,961	324,451
EQUITY PARTICIPATIONS	309,473	250,260	219,120
PREMISES AND EQUIPMENT, net	701,257	697,503	654,060
OTHER ASSETS	139,072	162,571	121,288
	5,696,346	5,088,236	4,106,418
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS-			
Turkish Lira deposits	666,797	716,190	547,694
Foreign currency deposits	2,100,080	1,932,569	1,602,763
Interbank deposits	504,838	142,248	115,485
	3,271,715	2,791,007	2,265,942
FUNDS BORROWED FROM BANKS	373,262	242,677	180,500
NOTES ISSUED	132,162	136,228	76,464
OBLIGATIONS FOR REPURCHASE AGREEMENTS	417,367	545,401	354,150
ACCRUED INTEREST EXPENSE	93,777	102,547	70,418
DEFERRED TAX LIABILITY	104,398	91,174	75,030
TAXATION ON INCOME	12,315	-	1,310
OTHER LIABILITIES	76,388	60,409	47,665
Total liabilities	4,481,384	3,969,443	3,071,479
SHAREHOLDERS' EQUITY:			
Share capital	582,701	484,476	412,697
Retained earnings	536,970	551,148	556,629
Income for the year	95,291	83,169	65,613
Total shareholders' equity	1,214,962	1,118,793	1,034,939
COMMITMENTS AND CONTINGENCIES			
	5,696,346	5,088,236	4,106,418

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira)

	1999	1998	1997
INTEREST INCOME:			
Interest and fees on loans	791,510	734,365	608,938
Interest on investment securities	323,474	196,345	83,069
Interest on deposits in banks	59,233	55,052	31,761
Other interest income	19,727	19,331	28,737
Total interest income	1,193,944	1,005,093	752,505
INTEREST EXPENSE:			
Interest on deposits	(714,620)	(579,382)	(406,804)
Interest on funds borrowed from banks and notes issued	(110,905)	(28,996)	(39,769)
Total interest expense	(825,525)	(608,378)	(446,573)
Net interest income	368,419	396,715	305,932
PROVISION FOR LOAN LOSSES	(41,002)	(38,671)	(12,362)
FOREIGN EXCHANGE LOSS, net	(68,758)	(97,199)	(98,006)
Net interest income after provision for loan losses and foreign exchange loss	258,659	260,845	195,564
NON-INTEREST INCOME:			
Income from capital market operations, net	113,538	69,951	45,478
Income from banking services	110,319	102,762	80,697
Dividend income from equity participations	11,045	10,281	5,620
Income (loss) from sale of equity participations	52,711	(1,319)	21,697
Total non-interest income	287,613	181,675	153,492
NON-INTEREST EXPENSE:			
Salaries and employee benefits	(123,290)	(112,109)	(89,538)
General and administrative expenses	(77,744)	(67,102)	(47,590)
Depreciation and amortization	(46,973)	(36,752)	(26,134)
Provision for retirement pay	(2,415)	(4,928)	(3,152)
Transaction taxes and duties	(16,348)	(19,107)	(16,583)
Other expense, net	(15,369)	(21,032)	(19,445)
Total non-interest expense	(282,139)	(261,030)	(202,442)
Income before taxation and loss on net monetary position	264,133	181,490	146,614
TAXATION CHARGE:			
Current	(44,801)	(11,624)	(11,621)
Deferred	(55,897)	(37,438)	(54,832)
	(100,698)	(49,062)	(66,453)
Net income before loss on net monetary position	163,435	132,428	80,161
LOSS ON NET MONETARY POSITION	(68,144)	(49,259)	(14,548)
Net income	95,291	83,169	65,613

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

(Currency - Billions of Turkish Lira)

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	95,291	83,169	65,613
Adjustments to reconcile net income to net cash Provided by operating activities:			
Provision for losses in investment securities	-	20	11
Provision for possible loan losses	41,002	38,671	12,362
(Income) loss from sale of equity participations	(31,648)	1,319	(21,697)
Loss from sale of premises and equipment and property held for resale	3,736	5,061	10,447
Depreciation and amortization	46,973	36,752	26,134
Provision for retirement pay liability	2,415	4,928	3,152
Valuation of Turkcell shares	(21,063)	-	-
Operating profit before changes in net operating assets	136,706	169,920	96,022
(Increase) decrease in operating assets:			
Accrued interest income	5,360	(127,510)	(74,479)
Other assets	21,307	(61,141)	(29,125)
Increase (decrease) in operating liabilities-			
Accrued interest expense	(8,770)	32,128	1,399
Other liabilities	13,564	2,300	(28,110)
Deferred tax liability	13,224	16,143	26,807
Taxation on income	12,315	-	(1,310)
Net cash provided from (used by) operating activities	193,706	31,840	(8,796)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net increase in short-term placements	(426,256)	(77,702)	(55,876)
Net increase in investment securities	(233,145)	(276,602)	(465,046)
Net increase in reserve deposits	(97,803)	(9,748)	(4,170)
Net decrease (increase) in loans	147,840	(408,449)	(215,895)
Cash paid for purchase of equity participations	(44,162)	(33,258)	(25,295)
Cash obtained from sale of equity participations	37,660	795	101,568
Increase in premises and equipment, net	(56,256)	(71,003)	(73,379)
Proceeds from sale of premises and equipment and property held for resale	3,985	9,813	3,048
Net cash used by investing activities	(668,137)	(866,154)	(735,045)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	480,708	525,066	239,859
Net increase in funds borrowed from banks	130,585	62,176	49,569
Net (decrease) increase in notes issued	(4,066)	59,763	76,464
Dividends paid	(92,737)	(50,149)	(51,674)
Cash proceeds from share capital increase	92,667	50,098	51,631
Capital surplus from share capital increase	948	738	150
Net (decrease) increase in obligations for repurchase agreements	(128,034)	191,251	354,150
Net cash provided from financing activities	480,071	838,943	720,149
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	5,640	4,629	(23,692)
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	94,156	89,527	113,219
CASH AND DUE FROM BANKS AT END OF YEAR	99,796	94,156	89,527
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
a) The cash paid by the Bank for interest during 1999, 1998 and 1997.	834,295	566,475	445,171
b) The cash received by the Bank for interest during 1999, 1998 and 1997.	1,314,596	877,585	678,026
c) Dividend income received by the Bank during 1999, 1998 and 1997.	11,045	10,281	5,620
d) Income taxes paid by the Bank during 1999, 1998 and 1997.	6,234	6,974	23,958

e) For the purposes of the statements of cash flows, cash and due from banks is considered as cash and cash equivalents.

27) SEGMENT REPORTING:

a) Segment Reporting by Business Division:

1999

	Banking	Leasing	Factoring	Insurance	Tourism	Construction	Internet Services	Consolidated
Net interest income (expense)	455,606	42,177	8,465	40,742	(2,995)	-	39	544,034
Less : Provision for possible loan losses and doubtful receivables	(41,117)	(619)	(367)	-	-	-	-	(42,103)
Less : Foreign exchange loss	(119,177)	(25,270)	(4,217)	-	(21,204)	-	(389)	(170,257)
	295,312	16,288	3,881	40,742	(24,199)	-	(350)	331,674
Non-interest income	296,996	(2,003)	959	200,036	64,184	241	5,474	565,887
Non-interest expense	(298,818)	(3,583)	(2,168)	(202,104)	(63,579)	(849)	(6,327)	(577,428)
Income (loss) before taxation, minority interest and loss on net monetary position	293,490	10,702	2,672	38,674	(23,594)	(608)	(1,203)	320,133
Unallocated expenses:								
Taxation charge								(122,148)
Minority interest								(7,388)
Loss on net monetary position								(68,376)
Net income								122,221
Total assets employed by the segments	5,463,603	68,927	54,570	239,328	110,302	29,465	24,868	5,991,063

1998

	Banking	Leasing	Factoring	Insurance	Tourism	Construction	Internet Services	Consolidated
Net interest income (expense)	403,057	43,777	6,526	19,661	(2,167)	-	-	470,854
Less: Provision for possible loan losses and doubtful receivables	(38,671)	(812)	(98)	-	-	-	-	(39,581)
Less: Foreign exchange (loss) gain	(91,878)	(29,688)	(5,034)	391	(7,631)	-	-	(133,840)
	272,508	13,277	1,394	20,052	(9,798)	-	-	297,433
Non-interest income	201,326	371	4,414	148,318	63,513	142	2,732	420,816
Non-interest expense	(269,015)	(4,782)	(1,986)	(155,680)	(62,408)	-	(3,684)	(497,555)
Income (loss) before taxation, minority interest and loss on net monetary position	204,819	8,866	3,822	12,690	(8,693)	142	(952)	220,694
Unallocated expenses:								
Taxation charge								(59,851)
Minority interest								(639)
Loss on net monetary position								(60,438)
Net income								99,766
Total assets employed by the segments	4,844,700	95,027	43,768	188,289	85,995	9,678	11,852	5,279,309

1997

	Banking	Leasing	Factoring	Insurance	Tourism	Construction	Internet Services	Consolidated
Net interest income (expense)	306,409	41,068	3,162	28,950	(900)	-	-	378,689
Less : Provision for possible loan losses and doubtful receivables	(12,363)	(883)	(330)	-	-	-	-	(13,576)
Less : Foreign exchange (loss) gain	(89,358)	(28,784)	(2,444)	321	(2,068)	-	-	(122,333)
	204,688	11,401	388	29,271	(2,968)	-	-	242,780
Non-interest income	133,362	268	1,553	121,333	54,460	26	1,021	312,023
Non-interest expense	(206,356)	(3,668)	(1,199)	(132,402)	(58,197)	-	(1,676)	(403,498)
Income (loss) before taxation, minority interest and loss on net monetary position	131,694	8,001	742	18,202	(6,705)	26	(655)	151,305
Unallocated expenses :								
Taxation charge								(75,398)
Minority interest								(3,118)
Loss on net monetary position								(30,044)
Net income								42,745
Total assets employed by the segments	3,882,197	73,479	31,389	151,789	138,091	4,650	6,815	4,288,410

b) Segment Reporting by Geographic Area: The Bank has no significant operations and assets employed outside Turkey.

28) MATURITY ANALYSIS:

As of December 31, 1999, 1998 and 1997, the maturity breakdown of the significant financial assets and liabilities is as follows:

1999

	On Demand	0-1 Months	1-3 Months	3-6 Months	6-9 Months	9-12 Months	1-5 Years	Over 5 Years	Total
ASSETS :									
Cash and due from banks	98,645	-	-	-	-	-	-	-	98,645
Reserve deposits	231,049	-	-	-	-	-	-	-	231,049
Short-term placements	-	185,151	50,391	5,022	10,799	-	-	-	251,363
Investment securities	106,572	87,738	318,908	284,868	98,310	98,550	589,700	111,744	1,696,390
Loans	-	697,183	211,629	169,237	194,390	135,062	542,666	-	1,950,167
Minimum lease payments receivable, net	-	3,200	5,825	7,707	7,115	5,177	19,513	-	48,537
Factoring receivables, net	-	-	42,205	-	-	-	-	-	42,205
Total	436,266	973,272	628,958	466,834	310,614	238,789	1,151,879	111,744	4,318,356
LIABILITIES:									
Deposits-									
Turkish Lira deposits	180,031	85,294	213,951	128,083	-	41,492	1,203	-	650,054
Foreign currency deposits	289,907	602,094	886,650	154,158	118,408	58,448	21,339	1,302	2,132,306
Interbank deposits	199,155	200,831	25,401	14,262	-	-	-	-	439,649
Funds borrowed from banks	-	63,345	10,005	31,875	253,493	11,327	68,088	-	438,133
Obligations for repurchase agreements	-	417,458	-	-	-	-	-	-	417,458
Notes issued	-	1,462	1,462	3,426	6,972	6,621	112,219	-	132,162
Factoring payables	-	-	23,553	-	-	-	-	-	23,553
Total	669,093	1,370,484	1,161,022	331,804	378,873	117,888	202,849	1,302	4,233,315

1998

	On Demand	0-1 Months	1-3 Months	3-6 Months	6-9 Months	9-12 Months	1-5 Years	Over 5 Years	Total
ASSETS:									
Cash and due from banks	100,755	-	-	-	-	-	-	-	100,755
Reserve deposits	132,894	-	-	-	-	-	-	-	132,894
Short-term placements	-	134,133	81,656	5,386	7,247	5,413	-	-	233,835
Investment securities	75,828	234,568	367,206	240,299	86,978	24,993	125,828	27,555	1,183,255
Loans	-	667,250	185,338	237,898	119,415	157,220	511,466	-	1,878,587
Minimum lease payments receivable, net	-	3,450	6,568	8,392	5,246	6,815	24,557	-	55,028
Factoring receivables, net	-	-	31,244	-	-	-	-	-	31,244
Total	309,477	1,039,401	672,012	491,975	218,886	194,441	661,851	27,555	3,615,598
LIABILITIES:									
Deposits-									
Turkish Lira deposits	197,385	30,525	223,994	221,559	41,264	-	33	-	714,760
Foreign currency deposits	352,885	379,778	732,678	175,046	114,113	32,558	129,362	-	1,916,420
Interbank deposits	8,378	55,442	78,472	-	-	-	-	-	142,292
Funds borrowed from banks	-	41,762	1,030	25,610	104,147	83,797	29,562	-	285,908
Obligations for repurchase agreements	-	545,401	-	-	-	-	-	-	545,401
Notes issued	-	207	207	2,901	6,824	6,495	119,594	-	136,228
Factoring payables	-	-	12,112	-	-	-	-	-	12,112
Total	558,648	1,053,115	1,048,493	425,116	266,348	122,850	278,551	-	3,753,121

	1997								
	On Demand	0-1 Months	1-3 Months	3-6 Months	6-9 Months	9-12 Months	1-5 Years	Over 5 Years	Total
ASSETS:									
Cash and due from banks	94,850	-	-	-	-	-	-	-	94,850
Reserve deposits	123,146	-	-	-	-	-	-	-	123,146
Short-term placements	-	117,976	123,410	1,031	-	-	-	-	242,417
Investment securities	68,115	92,974	234,420	124,310	56,438	16,438	145,638	46,150	784,483
Loans	-	185,235	546,757	180,611	167,967	102,947	380,446	-	1,563,963
Minimum lease payments receivable, net	-	3,620	6,971	9,045	8,350	6,075	27,277	-	61,338
Factoring receivables, net	-	-	26,793	-	-	-	-	-	26,793
Total	286,111	399,805	938,351	314,997	232,755	125,460	553,361	46,150	2,896,990
LIABILITIES:									
Deposits-									
Turkish Lira deposits	167,221	25,977	154,643	159,668	38,425	-	35	-	545,969
Foreign currency deposits	412,842	158,704	677,250	222,220	132,273	-	-	-	1,603,289
Interbank deposits	29,660	751	86,576	-	-	-	-	-	116,987
Funds borrowed from banks	-	14,176	8,757	33,857	16,187	107,512	33,858	-	214,347
Obligations for repurchase agreements	-	354,150	-	-	-	-	-	-	354,150
Notes issued	-	-	-	-	-	-	152,927	-	152,927
Factoring payables	-	-	7,598	-	-	-	-	-	7,598
Total	609,723	553,758	934,824	415,745	186,885	107,512	186,820	-	2,995,267

29) OTHER SUPPLEMENTARY INFORMATION:

a) In 1999, annual average amounts of interest bearing assets and liabilities of the Bank are TL 3,242,106 (1998-TL 2,909,586; 1997-TL 2,346,715) and TL 3,031,961 (1998-TL 2,734,203; 1997-TL 2,160,135), respectively. Average interest rates on interest bearing assets and liabilities are disclosed in related notes.

b) As of December 31, 1999, net foreign currency exposure of the Bank, including net foreign exchange forward contracts, is oversold by U.S. Dollars 197 millions (1998-U.S. Dollars 314 millions; 1997-U.S. Dollars 229 millions) which is composed of foreign currency assets and foreign currency indexed assets amounting to U.S. Dollars 7,238 millions (1998-U.S. Dollars 4,549 millions; 1997-U.S. Dollars 3,812 millions) netted off by foreign currency liabilities of U.S. Dollars 7,435 millions (1998-U.S. Dollars 4,863 millions; 1997-U.S. Dollars 4,041 millions) and within the limits as allowed by the Central Bank of Turkey.

c) As of December 31, 1999, 1998 and 1997, concentration of the Bank's cash and non-cash loans as to industry groups is as follows:

	1999	1998	1997
Industry Group	%	%	%
Textile and leather	14	18	19
Construction	13	14	13
Commerce	11	11	10
Iron/steel	8	9	12
Transportation/communication	10	9	7
Food and beverage	7	7	7
Automotive	6	5	5
Finance	5	5	4
Others	26	22	23
	100	100	100

d) The management does not expect any potential liability because of its custodianship.

30) SUBSEQUENT EVENTS:

a) Effective from January 1, 2000, the ceiling on retirement pay has been increased from TL 345.2 million to TL 488.99 million per annum.

b) At Board of Directors' meeting held on February 7, 2000 and numbered 57/3 it was decided to increase the Bank's nominal share capital by an amount of TL 261,581 from TL 239,982 to TL 501,563. TL 153,592 of the increase will be provided from dividend distribution out of 1999 income, TL 59,029 will be provided from the revaluation adjustments, TL 37,323 will be provided from income from sale of participations and TL 11,637 will be provided from current cost reserve.

c) In accordance with the decree number 99/13761 which was published in the Official Gazette on December 21, 1999, numbered 23913, starting on January 1, 2000, banks will classify and record loans and other receivables in accordance with their collectibility and credit ratings of borrowers. Also banks have to revise the classification of their cash and non-cash loans and other receivables quarterly and, if required, a reserve must be set.

d) At the Board of Directors' meeting held on February 23, 2000 and numbered 57/4, it was decided to sell shares of YK International to Stork Financial Investments Company for an amount of U.S. Dollars 1,650,000 in cash. Also, it was decided to participate in the share capital increase of Fintur Holdings B.V., (amounting to Euro 362,500,000 (U.S. Dollars 360,000,000)) which is established in the Netherlands to invest in companies operating in telecommunication industry, by the amount of Euro 70,583,000 (U.S. Dollars 70,000,000) upon the permission of Turkish Undersecretariat of Treasury.

e) At the Board of Directors' meeting held on March 9, 2000 it was decided to sell 1.58% shares of Çukurova Çelik for an amount of TL 70 and to sell 3.11% shares of Genel Denizcilik for an amount of TL 160.

f) Subsequent to year-end, YK Faktoring has purchased 17.45% shares of Halk Sigorta from minority shareholders for an amount of U.S. Dollars 14,000,000.

31) RECLASSIFICATIONS:

Certain reclassifications have been made in the accompanying consolidated financial statements and in the financial statements of the parent company as of December 31, 1998 and 1997 to conform with current year presentation. Those reclassifications relate to recognition of obligation for repurchase transactions on the balance sheet at an amount TL 545,401 for 1998 and TL 354,150 for 1997, reclassification of preoperating expenses and intangibles, net, within premises and equipment and presentation of certain other income and other expense items at gross amounts.

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