



## Contents

Yapı Kredi in Brief	01
Board of Directors	02
Message from the Board of Directors	04
Summary Financial Statements	06
Discussion of Results	09
Recent Developments	10
Evaluation of Financial Performance	11
Review of Activities in 2002	15
Treasury and Capital Markets	15
Financial Institutions	15
Corporate and Commercial Banking	16
Retail Banking	17
Credit Risk	18
Operations	19
Information Technology	19
Alternative Distribution Channels	20
Human Resources	20
Community Involvement	22
Auditors' Report and Financial Statements	23
Executive Management	90
Directory	91
Branches Authorized for International Transactions	92

"Insofar as the deciphering of ancient civilizations is concerned, the Anatolian peninsula resembles nothing if not a treasure island. Troy heads the list of that island's most strategic points. From arguments over whether or not Troy was where Europe "got its start" to the city's defining impact on the subsequent history of Anatolia, its presence is felt over a considerably wide front. It is one of the distinctive kernels of our physical and cultural geography."

Enis Batur

Yapı Kredi Culture Arts and Publishing and The General Directorate of Monuments and Museums of the Ministry of Culture prepared an exhibition for Yapı Kredi, named "Troy: Journey to a City Between Legend and Reality", held between October 3, 2002 - January 5, 2003 at Yapı Kredi Vedat Nedim Tör Museum.

We used photographs of some of the artifacts excavated from Troy in our annual report as a continuation of the exhibition, which had been another contribution to our country's cultural life.





Recently found in Çan, a Greco-Persian style sarcophagus depicting a hunting scene and dating from the 4th century BC clearly shows the Persian influences in the Troas region. It is exhibited in the Çanakkale Museum.

## Yapı Kredi in Brief

Yapı Kredi, founded in 1944 as the first privately owned bank in Turkey, has played an important role in Turkey's economic and social history since then.

Strongly positioned in corporate, commercial, and retail banking and a pioneer of many innovations in banking products and services in Turkey, Yapı Kredi today continues to support the real sector. As the major player in trade finance, cash management services, and credit cards, Yapı Kredi employs high-tech solutions not only in these business lines but also in all of the banking products and services that it offers. Its innovative approach and technological superiority distinguish Yapı Kredi from its competitors.

Yapı Kredi delivers its banking services to millions of customers through a network of 423 branches, 1,382 ATMs, a Call Center, the Internet as well as

through its offshore branch in Bahrain, four overseas representative offices, and its subsidiary banks in Germany, The Netherlands, and Russia.

Forty-two percent of Yapı Kredi's shares are actively traded on the Istanbul and London Stock Exchanges.

## Board of Directors

Standing (from left to right)

Can Erol  
Auditor

Naci Sığın  
President and Member

A. Rona Yırcalı  
Chairman

Assoc. Prof. Dr. Deniz Gökçe  
Member

Dr. Hasan Eken  
Member

Mustafa Kamil Toker  
Auditor

Seated (from left to right)

Prof. Dr. Özer Seliçi  
Vice Chairman and Executive Director

Selçuk Altun  
Executive Director

Halit Soydan  
Vice Chairman and Executive Director

Nurdan Yıldırım  
Secretary



## Message from the Board of Directors

Yapı Kredi marked its 59<sup>th</sup> anniversary in 2002, a year of positive economic developments despite the political uncertainties followed by early elections.

The "Transition to a Strong Economy" Program that started to be implemented after the 2001 crisis, continued in 2002. Gross National Product, which shrank by 9.4% in 2001, increased by 7.8% in 2002. The increase in the Consumer Price Index was 29.7%, notably below the official target of 35%. On the other hand, the Turkish lira in nominal terms depreciated by 13.3% against the US dollar and 34.2% against the euro. Imports, which contracted significantly in 2001, increased by 22.8% in line with the economic recovery. Exports increased by 12% and consequently the current account deficit amounted to nearly 1% of GNP.

2002 also marked important developments in the banking sector. The law concerning the Restructuring of Liabilities to the Financial Sector was passed on January 30, 2002. On the same date, a temporary article regarding the Restructuring Program of the Banking Sector was added to the Banking Law. In line with this article, all private banks went through a three-tier auditing process. As a result of these audits, our Bank's capital adequacy ratio was computed as 10.2%, above the 8% minimum requirement,

despite the effects of the developments explained below.

As a result of the above-mentioned audit process, the management and control of Pamukbank was transferred to the Savings Deposit Insurance Fund (SDIF). This had administrative and financial consequences for our Bank. Thirteen percent direct and indirect shares of our Bank held by Pamukbank were transferred to SDIF and SDIF started to exercise the control and shareholding rights (excluding dividends) of those shareholders of our Bank who had more than 10% ownership in Pamukbank. All exposure to our major shareholder was classified as non-performing in the year-end 2001 and quarterly 2002 financial statements. With a conservative approach, provisions were set aside for this exposure and the related interest and foreign exchange income accruals were reversed.

The legal process and the negotiations between the Çukurova Group and the Banking Regulation and Supervision Agency (BRSA) that commenced in June 2002 were finalized in the beginning of 2003 and an agreement was signed between the parties. In line with this agreement, the Financial Restructuring Agreement signed between the Çukurova Group and our Bank was approved. Consequently, the receivables were restructured and approximately TL 1.6 quadrillion of provisions





and losses recognized in 2001 and 2002 interim statements were reversed and recorded as income in our 2002 financial statements.

In the face of these difficulties and despite the intense competition, our Bank succeeded in increasing its market shares in almost all major product categories. Our Turkish Lira demand and time deposit market shares increased by over 10% to 6.1% and 7.7%, respectively and our loan market share reached 10.1%. Our credit card issuing volume, an area in which we are by far the market leader, increased by 89% and we achieved a significant market share of 30% in the last quarter of the year.

Fees and commissions income reached US\$ 377 million in 2002, marking our leadership in this area once again and we continued to cover our operational expenses with our non-interest income.

Yapı Kredi shares again had the highest transaction volume in the Istanbul Stock Exchange with a volume of TL 9.4 quadrillion.

At the end of 2002, Yapı Kredi's total assets and total shareholders' equity reached US\$ 12.5 billion and US\$ 1.5 billion, respectively. The total capital adequacy ratio was computed as 16.95%, significantly above the legal requirement. Total

customer deposits amounted to US\$ 8.5 billion. Our foreign exchange transaction volume increased by 15% to reach US\$ 17.5 billion.

The Bank posted a net income of US\$ 565 million for 2002. Our expanding market shares, high fee and commission income and net savings in our operational cost base contributed to this high level of profit together with the effect of the reversals of provisions and losses related with the Çukurova Group following the restructuring of receivables.

We wish to express our gratitude and appreciation once again to our employees who made it possible for Yapı Kredi to conclude a year of adversities with increased market presence and success. Extending our thanks to everyone for the support they have shown to us during this period, we hope for a successful and happy year for our country and for our Bank.

**Naci Sığın**

President and  
Member

**Halit Soydan**

Vice Chairman and  
Executive Director

**A. Rona Yırcalı**

Chairman

## Summary Financial Statements

### SUMMARY BALANCE SHEETS

(US\$ millions)

<b>ASSETS</b>	<b>2002</b>	<b>2001</b>
Cash, due from banks, short-term placements	835	2,090
Reserve deposits	607	664
Securities	3,201	2,558
Originated loans and advances, net	5,302	5,783
Investments in associates and subsidiaries	442	205
Premises and equipment	1,255	1,342
Others	832	826
<b>Total assets</b>	<b>12,474</b>	<b>13,468</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2002</b>	<b>2001</b>
Customer deposits	8,470	9,452
Deposits from banks and money market deposits	1,157	489
Funds borrowed and notes issued	534	1,669
Insurance technical reserves	322	318
Others	433	507
<b>Total liabilities</b>	<b>10,916</b>	<b>12,435</b>
Minority interest payable	53	73
Shareholders' equity	1,505	960
<b>Total liabilities and shareholders' equity</b>	<b>12,474</b>	<b>13,468</b>

**SUMMARY INCOME STATEMENTS**

(US\$ millions)

	<b>2002</b>	<b>2001</b>
Interest income	2,021	2,292
Interest expense	(1,597)	(1,916)
Net interest income		
	424	376
Provision for loan losses and doubtful receivables	(246)	(1,076)
Foreign exchange loss, net	(133)	(735)
Net interest income / (expense) after provisions for loan losses and foreign exchange loss	45	(1,435)
Non-interest income	1,486	777
Non-interest expense	(1,093)	(1,335)
Profit / (loss) from operating activities	438	(1,993)
Loss from associates	(3)	(37)
Income tax	51	61
Monetary gain	84	323
Net profit / (loss) from ordinary activities	570	(1,646)
Minority interest	(5)	4
Extraordinary items	0	(17)
<b>Net income / (loss)</b>	<b>565</b>	<b>(1,659)</b>



Plates, Troy II, 2550-2350 BC, terracota

Appearing with the invention of the potter's wheel and produced in large quantities, these plates exemplify the period's newest and most popular form.

Canakkale Archeology Museum Inv. No: 8872/8909/8873/8910/8048, R: 26.5-25 cm.

## Discussion of Results

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 these revisions in 1999 and is disclosing two-year comparative inflation adjusted and consolidated financial statements in this report. In Note 34 of the financial statements, "bank-only" inflation adjusted financial statements are also presented. Accordingly, all of the financial data, unless 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, with a 14% market share, is a leader in the financial leasing sector serving a large client base in the commercial and corporate segments.

Yapı Kredi Faktoring, with a 16% market share, is a full member of Factors Chain International and an associate member of Heller International Group.

Yapı Kredi Sigorta, with an 8% market share, is a leading provider of non-life insurance products and is listed on the ISE.

Yapı Kredi Emeklilik, with a 15% market share, offers life and health insurance products.

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

Yapı Kredi Koray, an independent and professionally managed real estate investment company, is well positioned in the market in terms of image, funding and access to investment opportunities.

Yapı Kredi Deutschland, focuses on corporate banking, foreign trade and treasury businesses in European markets.

Yapı Kredi Moscow, provides services to Turkish and multinational corporations and individuals, with an emphasis on fee-based business in Russia.

Yapı Kredi Bank Nederland, established in 2001, provides trade finance, treasury, individual banking and corporate banking services.

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

## Discussion of Results

### RECENT DEVELOPMENTS

At the beginning of 2002, guidelines for the 'Bank Capital Strengthening Program' were established by the Banking Regulation and Supervision Agency (BRSA) for the purpose of restructuring the banking sector. This program encompassed a three-tier audit process that would assess the financial situation of all Turkish private-sector banks.

As a result of this program, on June 18, 2002, management and control of Pamukbank (another Çukurova Group bank and a shareholder of Yapı Kredi) was transferred to the Savings Deposit Insurance Fund (SDIF). Shareholders' rights (excluding dividend rights) of the previous owners of Pamukbank were assumed by the SDIF as well as the shareholders' rights in its subsidiary Yapı Kredi (12.7% of Yapı Kredi shares are owned by Pamukbank) were taken over and exercised also by the SDIF.

In relation with the Council of State's decision of the suspension of execution of the resolution of

BRSA regarding the takeover of Pamukbank, SDIF transferred the management and control of Pamukbank to its former owners on January 24, 2003. Following this move, an agreement was signed between BRSA, SDIF and the Çukurova Group on January 31, 2003.

Impacts of the Agreement:

- The transfer of management, control and shareholding rights (excluding dividends) of Pamukbank to SDIF is finalized; the SDIF will continue to exercise the shareholder rights of Pamukbank in Yapı Kredi.
- Shares of Yapı Kredi owned by the SDIF and the Çukurova Group will be sold to third parties by the Çukurova Group within the next two years to reduce the Group's direct and indirect investment in Yapı Kredi to less than 10%. If the sale cannot be achieved within this period, a mutually agreed upon investment bank will be authorized to carry out the sale.
- The Financial Restructuring Agreement signed between Yapı Kredi and the Çukurova Group



Jug, Kumtepe, 3<sup>rd</sup> century BC, terracota

One of the first examples of the beak-rimmed jugs, which became popular during the same period in Anatolia and developed into a sharper and longer form later on.

Çanakkale Archeology Museum Inv. No: 7258

has become effective and the Çukurova Group risk was restructured and reclassified as performing loans.

- Some portion of the Çukurova Group risk can be collected through the sale of assets owned by the Group, including their stake in Yapı Kredi.
- All necessary precautions will be taken to assure that the capital adequacy ratio of Yapı Kredi does not fall below 10%. If it falls below 10%, and if the Group is unable to increase the capital, then the SDIF will provide the increase.
- Çukurova Group has the right to purchase all shares of Turkcell directly and indirectly owned by the Bank within two years at market price and by means of a single cash payment. Further, the Group has the right to purchase Fintur Technologies and/or Digital Platform shares owned by the Bank within one year at their book value in cash and/or exchange of shares of Genel Sigorta and/or Banque de Commerce et de Placements S.A.

#### EVALUATION OF FINANCIAL PERFORMANCE

In 2002, Yapı Kredi posted a net income of US\$ 565 million. As explained above, Çukurova Group loans were restructured and classified as performing loans. Consequently, the provisions set aside for these loans were cancelled and recorded as income. The effect of such treatment was US\$ 543 million. Excluding the effect of these reversals, a net income figure was achieved despite negative developments during the year and the heavy provisioning undertaken for third party non-performing loans as well as for some other assets. The provisioning expense amounted to US\$ 341 million in 2002. With total reserves of approximately US\$ 600 million, Yapı Kredi has one of the most prudently provisioned balance sheets in the sector.

Total assets of Yapı Kredi amounted to US\$ 12,474 million at the end of 2002. Even though it indicates a 7% contraction of the balance sheet, the difference is attributable to the disparity between inflation and devaluation rates in 2002. In inflation accounting application, the financial statements of the prior year were restated in their entirety to the measuring unit current on December 31, 2002 by using the 2002 WPI rate

## Discussion of Results

of 30.8%. However, during the same period, the increase in the US dollar rate was only 10.8%. Since approximately 52% of the balance sheet is denominated in currencies other than Turkish lira, there is an overstatement of the previous year's figures. If the previous year's figures are directly converted into US dollars using 2001 year-end exchange rate without being restated with the current year inflation, the increase in the balance sheet is computed as 9%.

At the end of 2002, customer deposits reached US\$ 8,470 million and made up 78% of liabilities. The real decrease that is observed in deposits is attributable to the difference in the 2002 inflation and devaluation rates, as explained above. Actually, foreign currency deposits amounted to US\$ 5,543 million, slightly over 2001's figure of US\$ 5,522 million. Turkish lira deposits were at the same level as 2001 and totaled US\$ 2,927 million. As a result, foreign currency deposits made up 65% of total customer deposits. The contribution of savings deposits and commercial deposits to total customer deposits were 63% and 37%, respectively; demand deposits made up 20% of total deposits. Bank deposits and other money market deposits, including obligations

under repurchase agreements, amounted to US\$ 1,157 million and constituted 11% of total funding.

Funds borrowed totaled US\$ 534 million at the end of 2002. The Bank paid back its two syndicated one-year trade finance facilities totaling US\$ 575 million at maturity and also repaid its five-year bond of US\$ 150 million that also matured during 2002.

With a significant amount of net income generated, shareholders' equity increased by 57% to total US\$ 1,505 million at the end of 2002. The Bank's capital adequacy ratio on a consolidated basis and in line with the requirements of the BRSA was 16.95% as of December 31, 2002.

On the assets side, liquidity was comparatively placed more in securities than in banks following the improving trend in the macroeconomic outlook. Securities amounted to US\$ 3,201 million and made up 26% of the balance sheet at the end of 2002. Originated loans and advances





Tripod, Troy I, 3<sup>rd</sup> millennium BC, terracota  
The tripod which is suitable for cooking with a strong flame can be found in every settlement contemporary to the Troy I period.  
Çanakkale Archeology Museum Inv. No: 4916, h: 17 cm.

totaled US\$ 5,302 million and constituted 43% of total assets. Consumer lending, including credit card receivables, accounted for 18% of the performing loan portfolio; and the rest of the loan book was made up of corporate loans and loans to the government including securities directly purchased from the Treasury. With the restructuring of Çukurova Group receivables, the non-performing loans to total loans ratio fell to 10.1% and the coverage ratio reached 74%.

Yapı Kredi generated US\$ 377 million in fees, commissions and income from banking services in 2002. The Bank generates the highest income from banking services in the sector despite the heavy competition. This is a result of Yapı Kredi's dominance in the credit card market, its broad customer base, service quality and timely investments in technology, infrastructure and human resources.

Yapı Kredi continued its effective cost management efforts during 2002. Personnel and general and administrative expenses decreased by 10% in real terms during 2002 and amounted to US\$ 432 million. The Bank continued having the highest coverage of operating expenses with income from banking services in the sector.



Horseman plaque from the West Sanctuary

## Review of Activities in 2002

### TREASURY AND CAPITAL MARKETS

2002 has been marked as a quite volatile year in the financial markets. The year started positively, thanks to additional financial support from the IMF, with the interest rates falling and Turkish lira appreciating against foreign currency. However, the political tensions between the members of the coalition government led into an early election decision, resulting in uneasiness in the financial markets with a hike in interest rates and fall in the value of the Turkish lira. The formation of a strong single party government after the elections resulted in a strong rally in the financial markets. The interest rates fell 15%, the Turkish lira appreciated by more than 10%, and the stock market rose approximately by 30%. However, the disappointment about accession to the European Union and the concerns over the commitment towards the economic program led into a reversal of this optimism towards the end of the year.

Asset and liability management under these volatile circumstances is of prime importance. Yapı Kredi, with its expert human resources, strong experience and market maker position, has foreseen the movements in the financial markets and has controlled its funding costs and spreads with a perception of prioritizing risk management.

The Bank's stable funding base, a result of its wide branch network, service quality and committed customer base, has helped at times of volatility.

Yapı Kredi's market share in Turkish lira time deposits increased to 7.7% at the end of the year. Despite the bank-specific negative developments, its market share in foreign currency deposits was a strong 11.4%. The Bank has been able to increase its market share in the mutual funds market to 9.1% and its customer government securities transaction volume has increased substantially. The interbank and customer foreign currency transaction volumes increased by 8% to reach US\$ 27.5 billion.

### FINANCIAL INSTITUTIONS

Yapı Kredi always gives priority to the needs of the real sector and to trade financing. Through its extensive correspondent network, it is able to reach many of the countries around the world.

When choosing the foreign correspondents with which it will work, Yapı Kredi conducts a meticulous analysis, examining the dimensions of Turkey's commercial transactions with the country concerned, investigating the credibility of the candidate bank, and evaluating the findings of

## Review of Activities in 2002

reports concerning the bank issued by international organizations.

Yapı Kredi works with all major international banks and credit insurance institutions. It also has close relationships with the export-funding and insurance institutions of countries with particularly large volumes of foreign trade. The hefty credit limits that the Bank has secured from these organizations are made available for customers' use to the maximum degree possible.

Yapı Kredi commands 12% - 15% market share in the country's import/export transactions. This is due to the importance Yapı Kredi gives to international transactions and foreign trade financing.

### CORPORATE AND COMMERCIAL BANKING

Yapı Kredi classifies its customers into "Corporate", "Commercial", and "Small business" segments and it continuously develops and conducts campaigns tailored to these customer segments in order to further increase its market influence. The Bank supplies superior-quality services both to corporate customers who demand rapid responses for their sophisticated financial needs and to commercial and small-business customers whose basic

expectation of banks is close, individualized attention and service that addresses their particular requirements.

Yapı Kredi was one of the first banks in Turkey to develop and implement the concept of a "corporate branch" and as a result of its many years of activity in this area, it has developed long-lasting relationships with many different companies. As a result of its vast experience and its high-quality services, Yapı Kredi is one of the top names in corporate banking.

In the commercial and small-business market segment, Yapı Kredi has for years been the bank providing the greatest support to the real sector. Its broad customer base, diversified loan portfolio, innovative approach, and local market experience enable the Bank to sustain and expand its high market share.

During 2002, the most important new products in corporate and commercial banking were Corporate Internet Banking with its unique detailed authorization options and YKB Çözüm (Solution) an integration software that automates the accounting reconciliation for banking applications. For commercial and small-business customers, the Bank also began offering a new

Cup, Kumtepe A, end of 6<sup>th</sup>-beginning of 5<sup>th</sup> millennium BC, terracotta  
The creativity and artistic talent in the production of ceramic objects reach their peak during the early period of the settlement.

Çanakkale Archeology Museum Inv. No: 7716, R: 10.8 cm.

type of commercial loan product with flexible installment facilities.

Yapı Kredi is a major player in cash management systems and its services in this area range from simple operations as the handling of checks and notes to the most complex banking transactions. It is possible for money transfers to be made electronically and be compatible with major accounting software packages. Automatic payment and collection systems are available for companies operating through dealerships, which need more advanced cash management services.

With the introduction of its World program, Yapı Kredi has increased its market share of credit card acquiring volume from 20% to 24.4%, maintaining the leading position it has held since the first quarter of 2000. In 2002, more than 100,000 POS terminals in 96,000 member merchants generated a total of US\$ 3.5 billion in credit card acquiring volume for the Bank. In addition, the number of member merchants of the World system has reached 30,000, more than twice that of the nearest competitor.

Yapı Kredi was the first bank to introduce a GSM POS application in 2002, which controls an 80% market share.

## RETAIL BANKING

Yapı Kredi was the first bank in Turkey to develop and offer banking products and services that were specifically targeted at consumers and it continued to maintain its position as an innovative and pioneering leader of this market segment in 2002.

Yapı Kredi's vision of retail banking is to be an institution that satisfies all the financial needs that a person might have throughout his lifetime and to be the bank that first comes to people's minds when such needs are thought about. In keeping with this vision, which regards everyone who might be in need of banking products and services as a member of its target group, Yapı Kredi offers a wide range of options that address individual customers' needs and expectations. A good example of this approach of services tailored according to specific customer needs is "Personal Banking", which is targeted at customers with high banking assets at 103 branches by 106 portfolio managers. Other examples of differentiated services according to customer needs include, Youth Banking aimed at the 12-17 age group, University Banking aimed at university students and Doctors and Dentists packages.

## Review of Activities in 2002

The Tele24 Payroll service, which facilitates companies and other organizations' payroll-handling, and the school fee payment package which addresses the needs of both students and their parents, enable Yapı Kredi to attract new customers and enhance its leadership in retail banking.

In 2002, Yapı Kredi combined its Visa and MasterCard credit cards under its World System, which is the biggest shopping and marketing platform in Turkey providing installment opportunities to its customers. The launching of the World System has further strengthened Yapı Kredi's leading position. In the last quarter of 2002, the Bank's market share in credit card issuing volume increased to 30%, with its market share in credit card numbers at 19%. Used by about 4 million people, Worldcard represents the biggest credit card portfolio in Turkey.

Seeking to satisfy all the financial needs of its customers at every stage of their lives, Yapı Kredi continued to offer broad range of credit products for their use. In order to promote the use of alternative distribution channels among its retail customers, the Bank promoted a loyalty program offering gifts.

As a way of complementing the line of financial products that their customers are in need of, Yapı Kredi also intermediates the sales and service of the insurance products provided by Yapı Kredi's subsidiary insurance and pension companies.

### CREDIT RISK

Under credit risk control, the loan portfolio is closely and continuously monitored so that loans that may create problems from the standpoint of the Bank's lending principles can be identified beforehand and essential precautions may be taken in a timely manner. The systematic infrastructure and decision-support functions needed to ensure that the credit risk monitoring process can operate proactively with the help of early warning signals have also been developed in line with macroeconomic conditions. By means of the Risk Monitoring System and the Yapı Kredi Credit Scoring Model, the Bank's loan portfolio is constantly reviewed, the quality of the portfolio is identified, and a map of the Bank's credit risk exposure is drawn.



Necked vessel, Troy II, 2550-2350 BC, terracota  
The large variety in the forms of these vessels used for storing dry goods and liquids are specific to the Troy II period.  
Çanakkale Archeology Museum Inv. No: 6724, h: 22 cm.

## OPERATIONS

The fundamental goal of the Operations Management is to ensure that customers are provided with all banking products and services rapidly, without interruption or error, and in accord with their expectations while always adhering to the principles of efficiency and high-quality service in a way that distinguishes the Bank from its competitors.

The Centralization Project has already contributed significantly in ensuring and generating additional transaction capacity. The centralization of branch credit and international trade operations continued throughout the year and now 95% of such transactions are being performed through operations centers. Centralization has lowered unit costs and ensured more rapid, effective and secure processing of transactions. Due to success attained in centralization, all Yapı Kredi branches are now authorized to perform international trade related services.

Operational activities related to treasury, cash management and ATMs, centralized cheque processing, printing and mailing continued to be provided during 2002 in keeping with the principle of uninterrupted service. With

investments in technology and improvements in work processes, the operational efficiency and service quality have increased during the year.

## INFORMATION TECHNOLOGY

Yapı Kredi's investments in technology have made it the originator of numerous firsts in the Turkish banking industry. Investments in modern technology, which received their initial impetus in the 1980s, have continued without interruption at Yapı Kredi. Its experience in project management, its customer satisfaction focused approach, its successful procurements management, and its experience with high-capacity systems are the Bank's most important strengths in information technology.

Increased competition in the credit card market during 2002 has resulted in the development and rapid implementation of new products and services. Growing demand for new investment vehicles, such as eurobonds, has led to the development of new software capable of supporting such products. In line with the policy of providing technology support for Yapı Kredi's subsidiaries, the Technology Group was reorganized in 2002. Competency centers have been formed based on functionality, technology

## Review of Activities in 2002

platform and application architecture to ensure maximum and efficient use of skills.

A service level management approach has been set up with the aims of monitoring the operations of the technical infrastructure and accordingly defining service level agreements to ensure quality of service.

With the setting up of a Project Office, a project management approach has also been formulated to ensure that the scope, timing, quality, and cost of projects that are undertaken are consistent with the requirements of business units.

### ALTERNATIVE DISTRIBUTION CHANNELS

Yapı Kredi conducted approximately 60% of comparable transactions through its alternative distribution channels. As of year-end 2002, Yapı Kredi had more than half a million customers who actively use telephone banking (Teletel), Internet banking (Teleweb), mobile telephone banking (Telemobil) and television banking (Televizyon) channels. The users of these channels generated significant transaction volume during the year and have become loyal customers who contribute significantly to the Bank's profitability. The diversity of services offered through alternative distribution channels increased during 2002 to respond to

customers' needs, Corporate Teleweb, being the most important example.

With 1,382 ATM machines, Tele24 is the second biggest ATM network among private banks in Turkey. During the year, the Yapı Kredi Call Center, which is the backbone of the Bank's distribution channels and customer service, continued to provide customers with the best and fastest service available. Teletel, the telephone banking channel, has been actively and successfully utilized in a number of promotion campaigns to complement the efforts of the branch network.

Yapı Kredi launched its m-commerce service, "Mobile Payments" in 2002, a product of the synergy with Turkcell, the largest GSM operator in Turkey. This service employs USSD technology—a first not just in Turkey but also in the world. Work is currently in progress on expanding both the scope of this service and the size of its target group.

### HUMAN RESOURCES

Providing all employees with equal opportunities, regarding training as an investment in personnel, implementing a performance evaluation system



Spiral pot, Troy III, 2250-2200, terracota

Even the big forms used for storage are delicately decorated. The spiral pots, found also on the Aegean Island, symbolize grace and elegance.

Çanakkale Archeology Museum Inv. No: 8596, R: 40 cm.

that is based on clear and objective criteria, and giving every employee an equal chance to progress within the Bank are the essential elements of Yapı Kredi's human resources policy. The planning of human resources is made with the principle of maintaining a dynamic organization structure while ensuring continuity of service quality.

The total number of employees at year-end 2002 was 10,396. Fifty-seven percent of all employees hold at least a bachelors degree and 12% of them are competent in at least one foreign language.

The personnel of the Bank's technology and call center groups were transferred from different legal entities to the Bank's payroll in 2002, resulting in an increase of 860 people in personnel number.

Performance evaluations once again served as the basis for all human resources systems in 2002. In the evaluation of branch employees' performance, their results and skills were numerically measured on a year-long basis. The performance evaluation system of the headquarters personnel was made compatible with the structure used for branches in 2002.

Customer satisfaction was continuously monitored during approximately 3,500 visits to branches, which were carried out under the "Mystery Customer" program to assess branch service quality. In the last three years, the Bank has achieved 52% improvement in the service quality as measured by this program.

During 2002, activities were launched for the purpose of fostering the development of a "we" awareness among Yapı Kredi personnel by strengthening in-house communication and corporate identity in non-work related subjects as well. In order to create opportunities to contribute to society, Yapı Kredi Volunteers' Group was created. Members of this group are contributing to various projects together with numerous non-profit organizations. The Yapı Kredi Social Activities Club, formed to create opportunities for employees to spend time together, is engaged in a wide range of activities including cinema, plastic arts, tourism trips and diving expeditions.

Training programs were implemented with high priority during 2002, resulting in an increased number of training programs per personnel. The training designed for head office staff to improve internal customer service quality was completed and projects for improvement of internal service quality were developed.

## Review of Activities in 2002

Yapı Kredi continued voluntary first aid and rescue courses and earthquake seminars in recognition of Turkey's vulnerability to earthquakes and its responsibility to safeguard the lives of its employees and their families.

### COMMUNITY INVOLVEMENT

The contributions that Yapı Kredi makes to culture and arts differentiates it from other financial institutions in Turkey and puts the Bank in a prestigious and unique position. Yapı Kredi's fully owned subsidiary, Yapı Kredi Culture Arts and Publishing, the biggest publisher in Turkey continued to make available to its readers an impressive catalog of valuable works. With 180 new titles released in 2002, it achieved a new record in the Turkish publishing industry. The company is also widely recognized for the rich series of exhibitions and other activities that it conducts in the area of culture and arts. A total of 78 lectures were held during the year and 17 exhibitions were mounted, three of which - "The ball is the world", "Troy", and Ara Güler's "100 faces" - attracted huge crowds of visitors.

## **Auditors' Report and Financial Statements**

---

