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THE TURKISH BANKING SECTOR: POST CRISIS ANALYSIS com.tr or gov.tr?

I.	Executive Summary	3
a.	Recovering Economy	3
b.	Attractive Valuations	4
II.	Sector Overview	5
III.	Recent Developments	6
a.	Bumpy Ride Continues	6
b.	The New Banking Law	8
IV.	Banking Sector Expectations	9
a.	Asset allocation decision is a bet	9
b.	FX open positions & Innovative ideas to overcome legal limits	10
c.	Winner takes it all	11
d.	Operational efficiency does matter	12
e.	Maturity mismatch slapped them all	14
f.	Liquidity must be underlined	15
g.	Fortitude Without Capital	15
h.	Asset Quality Distortion is Unavoidable	15
i.	Deposit holders get irritated	17
j.	Internet banking up to the mark	18
V.	Policies to heal the financial sector	21
a.	Healing the Banking Sector	21
b.	Private Banks	21
c.	State Banks	21
d.	SDIF banks	23
e.	New Risk Measures	24
VI.	Valuation	25
a.	Adj. P/BV Approach	25
b.	Discounted Economic Profit	27
c.	International Comparison	28
d.	Valuation Commentary	29
VII.	Company Reports	30
a.	Akbank	30
b.	Garanti Bank	34
c.	Isbank	37
d.	Yapi Kredi	40
VIII.	Appendix	43
a.	Top 20 Banks	44
b.	Syndicated Loans	45
c.	Financial Tables & Ratios	46
	i. Akbank	47
	ii. Garanti Bank	50
	iii. Isbank	53
	iv. Yapi Kredi	56

I. EXECUTIVE SUMMARY

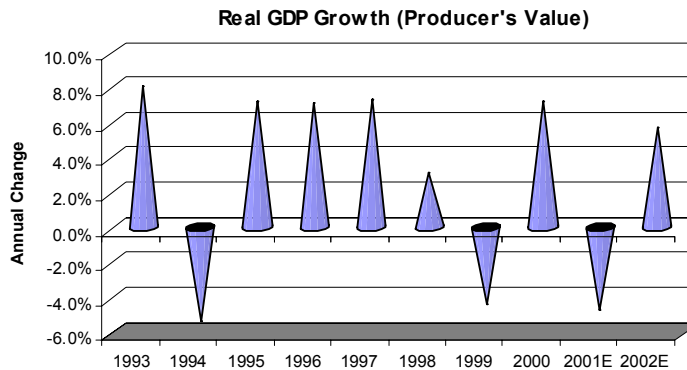
a. Recovering Economy

Fresh credit of US\$ 16 bn will bring relief to the beleaguered Turkish economy

We expect the arrival of the first US\$ 4 bn tranche of the IMF and World Bank's US\$ 16 bn loan to relieve markets in May 2001. A second tranche of US\$ 2 bn is expected in June. The remainder will be transferred step by step in 2001, if the government meets its legislative reform targets. Of the total amount, US\$ 4.3 bn corresponds to an earlier IMF loan, whereas the remainder is fresh IMF credit and World Bank loan. Most of the loan, which will have maturity of up to five years, will be used to restructure Turkey's financial system. Disbursement of the US\$ 11.7 bn supplementary loan will only begin after Parliament approves the new telecom law and a series of amendments to the banking law, which we expect to happen in the coming days despite selected opposition.

At the same time, Turkey continues to negotiate with the US Eximbank for an increase in its credit line to US\$ 1.6 bn. Of this amount, US\$ 600 mn corresponds to the remainder of a credit disbursed in 2000 to be used solely for the construction of housing in earthquake-devastated regions. The remainder will be available for other industry segments. Japan is also expected to provide a minimum US\$ 1 bn credit in 2001. This loan will not have an upper limit and will probably be transferred via OECF. Negotiations with Germany's Eximbank are likely to be finalized in the coming days.

Subsequent to a strong 7.2% increase in GDP in 2000, we project a 4.8% contraction in the economy for 2001, followed by a 5.7% recovery in 2002. Our target GDP figures for 2001 and 2002 are US\$ 156 bn and US\$ 204 bn respectively.



Source: Turkish Treasury and ATA INVEST estimates

Malfunctioning Banks May be Eliminated

State takeovers of malfunctioning banks have accelerated during the last two years, raising the total number of banks transferred to the SDIF to 13. We expect more banks to malfunction after the enactment of the new banking law. Unless the government decides to allow these to become insolvent, which we believe is the best response but which the government is unlikely to support, the weight of .gov.tr banks in the system may increase in the coming days.

The government is preparing the legal basis for long-overdue mergers

To avoid this and facilitate the sale of SDIF banks, the government is preparing to enact certain decrees to promote mergers and acquisitions. One draft decree prepared by the BSRB exempts all bank mergers and acquisitions from payment of capital in cash, defers deposit-provisioning obligations and exempts merged banks from providing for their liabilities under certain circumstances. However, the decree would also require merged banks whose capital remains below TL 20 trln (US\$ 21 mn) to make up the difference via a rights issue. It also requires banks to prepare their targets and financial statement projections for the merged bank for the three years following the merger, together with a list of possible sources for the bank's capital increase.

We believe that the decree, which is currently being reviewed by the BAT, will be approved by the Council of Ministers in the coming weeks. That said, we do not expect a rush towards mergers in the current economic environment.

A New Era for the Big Four

If more banks malfunction, as we expect, the only address for deposits will be the few reputable banks with strong capital bases. We expect the big four to benefit the most from this shift in deposits and subsequent increase in their funding base.

b. Attractive Valuations

All valuation methods show that Yapi Kredi and Garanti are trading at substantial discounts to their peers

We have evaluated the top four banks using three methods: an adjusted price to book value approach, a discounted economic profit approach and international market multiple comparisons. All three methods show that **Yapi Kredi** and **Garanti** are trading at substantial discounts to their peers, **Akbank** and **Isbank**. While Akbank still has a slight upside potential, Isbank is clearly overvalued, even when we consider its hidden value portfolio.

Yapi Kredi - BUY

Since Yapi Kredi has focused on loan granting as its core banking business, it was not positioned to take full advantage of the high interest rate environment subsequent to the crisis. Yapi Kredi is considerably underpriced with an adjusted P/BV of 0.77x compared to an average of 1.69x for its peer group. We issue a **“BUY”** recommendation for Yapi Kredi on grounds that the bank was oversold during the crisis and trades at a 55% discount to its target value.

Garanti Bank – BUY

Even though Garanti's short FX position and rising NPLs as a percentage of its capital base cause concern, we issue a **“BUY”** recommendation for the bank based on its strong presence in alternative distribution channels and the price level of its stocks. With an IAS-adjusted P/BV of 1.04x, Garanti is trading at an unjustifiable discount to its peer group average of 1.69x.

Isbank – MARKET PERFORM

Isbank is the most esteemed bank franchise in Turkey and the top safe haven stock in the ISE according to the man on the street. Although the bank is trading at a huge premium relative to the big four average of 1.69x, with an IAS-adjusted P/BV of 3.29x, Isbank deserves a **“MARKET PERFORM”** rating due to its heavy weight in the ISE-100 index.

Akbank – HOLD

We believe that Akbank will benefit from the high interest rate environment in 2001, because of its hefty liquidity position. With an adjusted IAS P/B of 1.67x, Akbank's banking operations carry a slight discount relative to its peer group average of 1.69x. But the bank's bottom-line fair value, which includes the market values of affiliates, still has room to expand. Considering the bank's valuation results through all three methods we issue a **“HOLD”** recommendation for Akbank.

II. SECTOR OVERVIEW

Concise Figures

Turkey currently has 57 commercial and 18 development and investment banks that have a combined shareholders' equity of US\$ 10.21 bn and total assets of US\$ 144 bn. State-owned commercial banks' weak capital structures are reflected clearly in their financial leverage ratio of 27x, while SDIF banks, which have massive loan losses, strive to operate with negative equity structures. State banks, which lost a good proportion of their capital base during the crisis, account for one third of the system's total assets but only 17% of shareholders' equity. In contrast, the shareholders' equity of privately owned commercial banks exceeds the sector total due to the negative capital base (-US\$ 6 bn) of SDIF banks. The big four, namely Akbank, Garanti, Isbank and Yapi Kredi, account for 28% of the system's assets and 75% of shareholders' equity.

Highlights of Turkey's Banking Sector

Bank Group	# of		Branch/ Bank	Loans * (\$ mn)	Assets * (\$ mn)	Deposits * (\$ mn)	Sh. Equity * (\$ mn)**	Loans/ Assets	Financial Leverage
	Banks	Branches							
COMMERCIAL BANKS									
State-owned Commercial Banks	4	2,815	704	12,213	47,983	37,240	1,766	25%	27
Privately-owned Com. Banks	27	3,718	138	28,901	77,317	47,916	12,099	37%	6
SDIF Banks	9	1,038	115	1,034	4,595	9,315	-6,108	22%	-1
FOREIGN BANKS									
Foreign Banks Founded in Turkey	4	80	20	976	4,804	2,358	508	20%	9
Foreign Banks with Branches in T.	13	31	2	414	2,900	582	388	14%	7
DEVELOPMENT AND INVESTMENT BANKS									
State-owned Dev. and Inv. Banks	3	11	4	3,691	4,681	0	1,203	79%	4
Priv.-owned Dev. and Inv. Banks	12	16	1	470	1,353	0	314	35%	4
Foreign Banks	3	3	1	33	273	0	42	12%	7
TOTAL	75	7,712	985	47,732	143,908	97,411	10,212	2	64

* 3Q00 figures

** Incl. Net Income

Source: BAT

As shown in the chart below, the big four increased their assets when individuals shifted their deposits from smaller banks to relatively stronger ones in the last quarter of 2000. Since the big four had more room to lever their earnings, their financial leverage appreciated relative to the smaller banks. Following the November 2000 crisis, all of the smaller banks except Sekerbank faced a harsh slide in their deposit bases, which eventually lowered their financial leverage ratios.

Fundamental Figures of ISE-Traded Banks

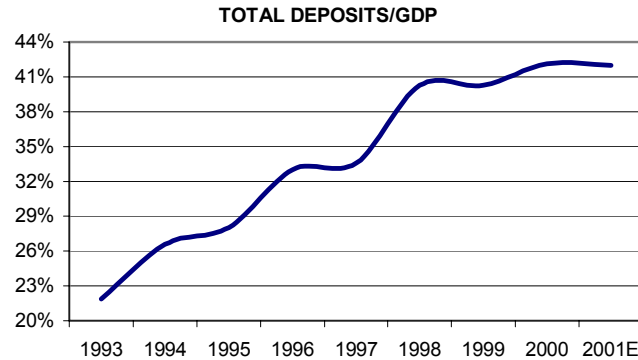
ISE TRADED BANKS	4Q00	Change 3Q00-4Q00 (in US\$ terms)					3Q00	4Q00	3Q00	4Q00
	Assets (US\$ mn)	Branches	Loans	Assets	Deposits	Sh. Equity	Loans/ Assets	Loans/ Assets	Financial Leverage	Financial Leverage
COMMERCIAL BANKS										
Isbank	11,600	851	13%	7%	7%	-5%	35%	37%	4.2	4.8
Yapi Kredi	11,207	425	7%	7%	9%	0%	39%	39%	4.2	4.5
Akbank	10,982	596	23%	10%	5%	12%	32%	36%	6.9	6.8
Garanti	9,865	266	10%	10%	6%	8%	38%	38%	7.9	8.1
Finans	2,993	109	3%	-3%	-19%	8%	27%	29%	10.1	9.1
Disbank	1,715	101	13%	-2%	-16%	20%	21%	24%	6.9	5.6
Toprak	1,623	166	-14%	-18%	-10%	-12%	25%	26%	15.0	13.9
TEB	1,537	54	-4%	-5%	-13%	8%	22%	23%	12.6	11.1
Seker	1,259	180	6%	43%	38%	70%	47%	35%	13.9	11.7
Alternatif	962	27	1%	2%	-18%	10%	40%	40%	10.1	9.3
Tekstil	855	27	-29%	-4%	-14%	9%	38%	28%	9.0	8.0
AVERAGE			3%	4%	-2%	12%	33%	32%	9.2	8.4
DEVELOPMENT AND INVESTMENT BANKS										
TSKB	484	3	5%	5%	0	9%	43%	42%	7.1	6.8
Sinai Yat.	370	1	-3%	-16%	0	2%	39%	46%	7.0	5.7
Kalkinma	361	7	3%	2%	0	-17%	46%	45%	1.8	2.2
AVERAGE			2%	-3%	0%	-2%	43%	44%	5.3	4.9

Source: BAT

Turkish Banking Sector

Unstable economic growth, high inflation and high real interest rates have affected the growth of the banking sector in recent years

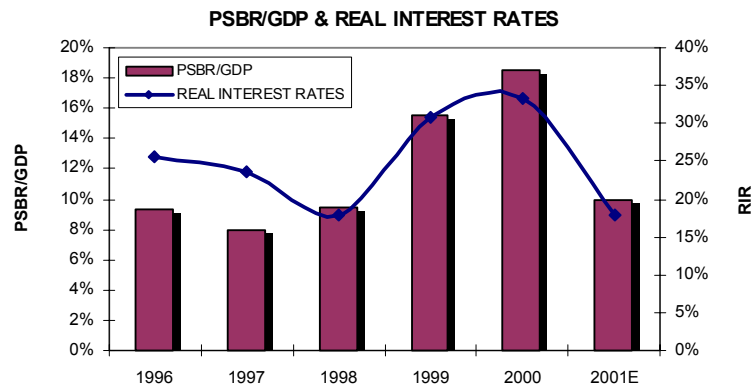
Turkey's banking sector has recorded limited and unhealthy growth in recent years due to high inflation and real interest rates and unstable economic growth. A scarcity of savings deposits has also hindered the banking system's expansion. Traditionally, Turkish consumers have preferred real estate, gold and foreign currency to deposits and other financial instruments. The total value of gold hoarding by Turkish residents is projected to range between US\$ 45 bn and US\$ 60 bn. This is almost large enough to cover Turkey's domestic debt stock. Recent events have weakened confidence in the TL, so we do not expect the ratio of TL deposits to GDP to increase significantly in the short run.



Source: Central Bank, Treasury, ATA INVEST estimates

Unstable and high inflation has pulled down the average maturity of deposits below three months

Unstable and high inflation rates have also pulled down the average maturity of deposits below three months according to most estimates. This figure is even low compared to Russia, where the average is seven months. The average maturity of banking sector assets is also estimated to have slipped to less than four months. A weak deposit base, coupled with a rising PSBR, has pushed real interest rates over 30% in recent years. Turkey's PSBR/GDP ratio, which was a mere 4% in 1995, leaped to 11% in 1999.



Source: The Treasury & ATA INVEST estimates

III. RECENT DEVELOPMENTS

a. Bumpy Ride Continues

Many developing countries implementing IMF disinflation programs have experienced financial turmoil at the end of their program's first year. Similarly, Turkish financial markets faced extreme liquidity squeeze-backed crises in both November 2000 and in February 2001. The second crisis brought Turkey's year-old, IMF-backed stabilization program to an abrupt end.

Causes of the February 2001 Crisis

Following a top-level dispute in the government, Turkish banks rushed to buy US dollars from the Central Bank to close their short FX positions in anticipation of a one-off devaluation. Because they did not have sufficient Turkish Lira to finance these FX purchases, O/N rates shot up to 5000%, a rate corresponding to a daily real return of 13%. Declining T-Bill and government bond prices also boosted

interest rates on government paper, lowering the profitability of banks through the marking to market of trading securities. O/N rates were also spurred by the open T-Bill positions of the three state banks, which were being financed by O/N repo accounts.

A Return to the Floating Rate Regime

In February, the government abandoned the crawling peg exchange rate regime, which would have allowed the TL to depreciate by just 15% this year and empowered the Central Bank to pursue a tough monetary policy to control inflation. The measure, which sought to pull down soaring O/N interest rates following the February crisis, effectively brought the government's ambitious disinflation program to an end.

Banks with high liquidity and low open FX positions are not significantly affected by the devaluation, but the bottom-line profitability of the sector will plunge. We expect a good number of banks to post net operating losses at least in their 2001 IAS inflation adjusted financials. Our base scenario is based on the arrival of the first US\$ 4.3 bn tranche in May and the steady disbursement of US\$ 10 bn in fresh credit through the end of 2001. Clearly, the recovery of the banking system will be faster if credit disbursements are large and completed sooner rather than later in the year. Similarly, supplementary loans from the US Eximbank, Germany and Japan would further accelerate the system's recovery. Our current information is that the second tranche of US\$ 2 bn will be transferred in June. The World Bank will be providing US\$ 1.1 bn of this amount.

The situation of the financial sector is still unpredictable and depends on where interest and exchange rates settle

The situation of the financial sector is still unpredictable and depends on where interest and exchange rates settle and whether or not structural reforms are undertaken immediately. We believe that the sector has been relieved somewhat by the Treasury's coverage of the three state banks' duty losses, through the issue of US\$ 24 bn (TL 23 quad.) in floating rate bonds since January 2000. Although these bonds are not traded in the secondary market, Ziraat, Halk and Emlak can eventually sell these to the Central Bank to cover their liquidity needs. The last tranche of bonds amounting to US\$ 7.7 bn (TL 8.9 bn) was issued at the beginning of May 2001. These bonds covered the last of the state banks' duty losses and enabled them to raise their capital adequacy ratios above the legal limit of 8%. By eliminating the liquidity requirements of these banks, the operation should contribute to a decline in interest rates.

November 2000 Crisis: Anticipating a decline in the profitability of Treasury bill operations, banks moved their funds to the less liquid consumer loan market in 2000. Over the same period, consumers withdrew their deposits to purchase real estate and automobiles, causing the banking sector's deposit base to contract in real terms and the maturity of its deposits to fall, further squeezing the system. To cover their liquidity requirements, banks turned to foreign sources, mainly short-term syndicated loans.

Overnight repo rates surpassed 1500% in November 2000

However, tougher open position restrictions accompanied by the long year-end holiday raised domestic banks' FX demand earlier than usual. Similarly, foreign investors' seasonal FX demand was augmented by delays in structural reforms and the widening current account deficit. At the same time, the shortfall in expected FX revenues from privatization affected the sector's liquidity and raised doubts about the success of the government's stabilization program. Between 17 and 30 November, the Central Bank sold approximately US\$ 6.2 billion in FX to the money markets, reducing its foreign exchange reserves from US\$ 24.2 billion to US\$ 18.5 billion. During the same period, overnight repo rates surpassed 1500%.

The increase in interest rates did not cut back the demand for foreign exchange, much to the dismay of the Central Bank. The reverse happened; the squeeze in TL liquidity actually fuelled the demand for FX as it caused expectations of faster devaluation. International players in particular viewed high interest rates as a risk rather than a higher yield, and so increased their FX demand. Although Turkey's financial system received US\$ 4.2 bn from various sources during the last days of 2000, only US\$ 1.4 bn of this met the specifications required to ease the liquidity crisis.

During the crisis, most banks were trapped with huge securities portfolios aimed at reaping the final benefits from rapidly sliding real returns on T-Bills. This strategy eventually depressed their bottom-line profitability in 4Q00 due to the negative

effect of mark to market booking requirements. In 2001, we expect high interest rates to defer the demand for both consumer and corporate loans, which had reached peak levels during the first 10 months of 2000.

b. The New Banking Law

Amendments to the banking law, which are so many they effectively constitute a new law, aim to heal the banking system by eliminating legal loopholes that have been abused widely in the past. International creditors have made these changes a prerequisite for fresh loans to Turkey.

The Banking Supervisory and Regulatory Board (BSRB), which was responsible for preparing the amendments, has proposed a number of measures to help problematic banks get back on their feet before they require liquidation or a state takeover. One of these measures, which we believe will create a burden for both the Central Bank and taxpayers, allows the Central Bank to support banks with liquidity problems. Another measure would enable the Treasury to redeem bonds before their maturity, if banks face losses due to volatility in money markets. This measure aims to prevent banks from experiencing the kind of trouble that led to Demirbank's demise.

Additionally, the Savings Deposit Insurance Fund (SDIF) will contribute to the recovery of SDIF banks through the support of mergers and acquisitions involving these banks. This proposed amendment gives the SDIF the authority to purchase a limited amount of SDIF banks' affiliates and premises, so as to provide fresh capital, and to take over SDIF banks' losses and non-performing loans.

The receivables of bailed out banks' under follow up will be saddled on the SDIF and treated as state receivables in order to accelerate the collection period

The receivables of bailed out banks' under follow up will be saddled on the SDIF and treated as state receivables in order to accelerate the collection period. The BAT is opposed to this measure since it will create unfair competition between SDIF banks and other lenders. The World Bank supports the article.

The World Bank also supports the article that allows the SDIF to take over bank owners' personnel assets in the case of default. The BAT wants this measure to apply only to owners that have used bank resources illegally. The amendment will allow the SDIF to seize the properties of former owners of bailed out banks and their close relatives. Special courts will be developed in an effort to speed up the collections and judicial action.

Another amendment gives a tax shield to discretionary reserves for problematic loans. While this clause will encourage banks to fully set aside reserves for NPLs and improve their cash flows via tax shield, their bottom-line profits will decline.

The subsidiaries will be accounted as loans to related parties

Yet another will itemize off-balance forward and swap figures as loans in the calculations of loan limitations. Also the subsidiaries will be accounted as loans to related parties. Whereas consolidated shareholders' equity will be used in this type of calculations. This article will affect loans to related parties that have a ceiling of 25% of the equity.

A final key amendment limits banks' non-financial businesses. According to this amendment, bank's direct and indirect non-financial affiliates will not surpass 60% of shareholders' equity. At the same time, the weight of a single participation will not surpass 15% of a bank's book value. Banks will have until the end of 2009 to meet this regulation. This clause will encourage banks to emphasise core banking activities.

We expect the banking law to be approved by Parliament before the end of May.

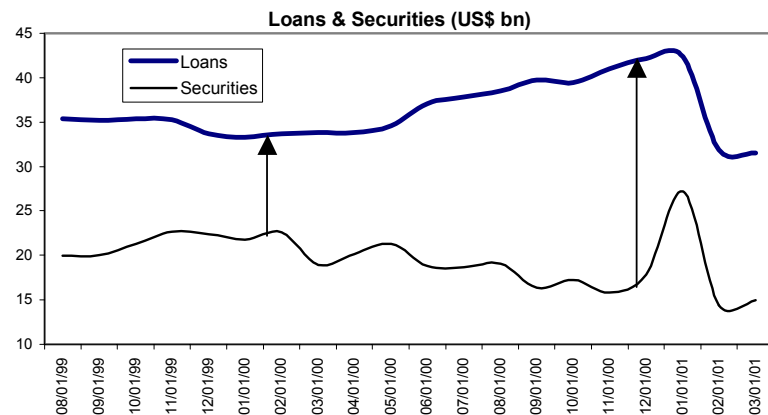
IV. BANKING SECTOR EXPECTATIONS

a. Asset Allocation Decision is a Bet

Sliding risk premiums on government securities pulled down bank revenues in 2000

Sliding risk premiums on government securities pulled down bank revenues in 2000. For many years, banks have earned a substantial proportion of their income via open position-backed Treasury bill purchases. Last year, in response to stricter banking regulations, plummeting float income and the elimination of high real interest rates on government paper, banks started to shift to core banking activities, mainly consumer loans. As shown in the graph below, the size of loans and securities are inversely proportional. While the total loans of the banking system appreciated by 25% to US\$ 42.1 bn at end-2000, total securities contracted 20% to US\$ 17.8 bn.

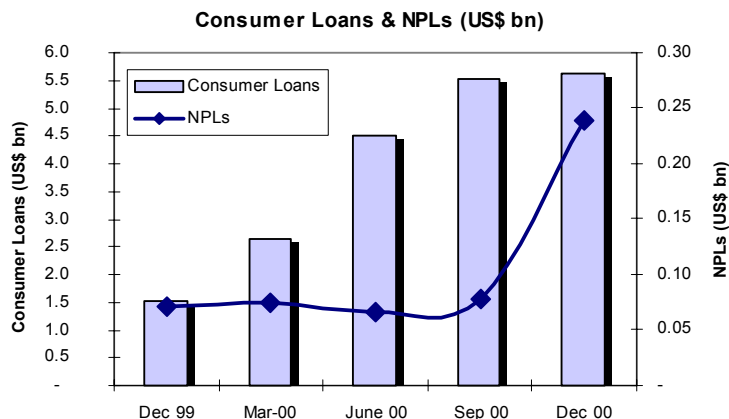
The whole picture changed in 2001. Loans increased by a mere 0.5% in January 2001, whereas securities leaped 50% to US\$ 27.2 bn, fuelled by the Treasury's first special bill issue of US\$ 6.7 bn to cover the duty losses of state banks. The effect of the 23 February devaluation can be clearly seen in the graph below, with both loans and securities plummeting drastically in US dollar terms after that date.



Source: Central Bank

Banks' common line of attack in 2001 is to stay as liquid as possible and focus on Treasury operations

Banks' common line of attack in 2001 is to stay as liquid as possible and to give emphasis to Treasury operations. Banks have received a major slap from their short-lived focus on lending, mainly from consumer loans with fixed interest rates. Banks are striving to reduce their loan base by asking for annual interest rates as high as 150%. Although we expect the sector start to return to its core business by the fourth quarter, we project that the consumer loan base will slide 60% to US\$ 2.26 bn in 2001, while the ratio of non-performing consumer loans to total consumer loans rises to 10%.



Source: Central Bank

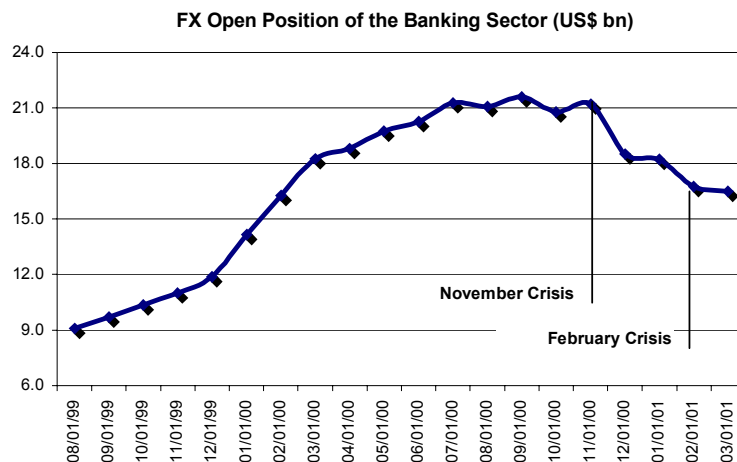
b. FX Open Positions and Innovative Ideas to Overcome Legal Limits

The banking system's total open FX position on its balance sheet (FX loans+FX securities-FX deposits-Other FX sources) declined to US\$ 16.7 bn on 23 February from its end-2000 level of US\$ 18.5 bn. This indicates that banks reduced their open FX exposures by about 10% before the devaluation. Although forward and swap transactions cover an estimated 88% of the system's total open position, we believe that 40% these transactions could fail. The system's total open FX position was US\$ 16.5 bn as of 30 March 2001.

	US\$ bn
a. Banks' Total Shareholders' Equity (3Q00)	10.21
b. Legal Ceiling for Net FX Open Positions (20% of the Capital Base*)	2.03
c. Balance Sheet FX Open Position of the Sector	16.50
Estimated Amount of Forward contracts (c-b)	14.47
Forward Contracts/FX open position	88%

* The capital base is assumed to be equal to shareholders' equity

As seen in the chart below, the short FX position of the banking system started to contract with the November crisis, as banks remembered the risks of open positions during devaluation. Banks pulled down their open positions by 22% between November and February. They have undertaken no further reductions since the devaluation.



Source: Central Bank and ATA INVEST estimates

Banks' open FX positions have produced high and effortless returns over the last decade

The public sector's high financing requirement has enabled banks to earn high and effortless returns from FX open positions over the last decade. Borrowing FX currency via low cost syndicated loans and investing these in high yield government securities has been rewarding. To maximize these trouble-free returns, banks have sought to use as much FX funding as possible. Although legal standards limit banks' net FX position to a maximum 20% of their capital base, banks have discovered innovative ways to amplify returns.

A general practice is to arrange FX-receivable forward contracts with related offshore banks and not offset these positions by the help of contra contracts. Another creative FX forward transaction is made with non-financial related parties, preferably export-oriented ones. Although the fundamentals of this practice are quite similar to the first, it has additional benefits. Banks with taxable income can easily transfer their profits to loss-making affiliates, reducing the overall tax burden of their groups. We estimate that approximately 40% of the banking system's forward contracts are at risk of malfunctioning.

We expect banks to carry on with their practice of borrowing in FX and investing in TL assets, since the spreads are still hard to refuse. Even at currently high funding costs, banks are earning positive returns. Taking Garanti Bank's € 350 mn syndicated loan of 16 March as a benchmark, which has a spread of 60 basis points and a co-arranger fee of 85 basis points over Euribor, the spread on open position doubles.

Turkish Banking Sector

Compound interest on most actively traded bond	144%
Inflation rate April 01-April 02	97%
Real interest rate	24%
Annual interest rate on FX deposits	15%
Spread	9%

Source: ATA INVEST estimates and ISE

With the exception of Disbank, all ISE-traded banks were short in FX but below the legal ceiling of 20% at end-2000. However, we estimate that banks with positions close to the legal limit were greatly affected by the devaluation. If banks' short positions exceed the legal limit, current regulations give them six months to lower their ratios below the benchmark. Disbank, which holds a long FX position contrary to the general practice, is the best positioned of them all in this respect

FX OPEN 4Q00 (US\$ mn)	Net*	Unhedged	Capital Base	Net FX/CB
LARGE BANKS				
AKBANK	(167)	(1,958)	1,278	-13%
GARANTI	(133)	(1,231)	738	-18%
ISBANK	(306)	(531)	2,003	-15%
YAPI KREDI	(229)	(721)	2,080	-11%
MEDIUM-SIZED BANKS				
ALTERNATIF	(5)	(468)	83	-6%
DISBANK	27	98	214	13%
FINANS	(5)	(377)	152	-3%
TEB	(6)	(142)	97	-7%

* Hedged FX position

** Hedged FX open - net FX forward contracts

c. Winner Takes All

The government will eventually succeed in healing the financial system

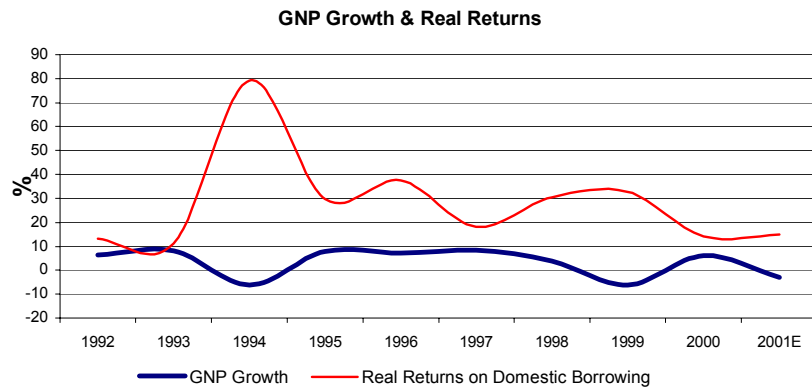
We believe that the government will eventually succeed in healing the financial system, even if the medicine is bitter, since a stronger banking system is the key to re-establishing market confidence in the stabilization program. For the longer term, the challenge is to recapture growth and use this to converge towards EU standards, in preparation for Turkey's eventual membership in the EU.

Although several bank takeovers and liquidations are expected in the short run, we believe the big four will benefit the most from the current environment, especially in terms of increasing their deposit bases. During the February liquidity crisis, the top four banks increased their TL saving deposits by approximately 50%, while their FX deposits contracted slightly on the back of hefty interest rates on O/N TL repos. TL-denominated saving deposits only constitute about 25% of total deposits and a significant rise is not expected in the near future.

Who will Win?

Success in Treasury operations will mainly determine the winners in 2001. Since even medium-term asset allocation bears severe risks in the current environment, banks are leaning towards liquidity and interbank money market operations rather than loans to the real sector. For the long term, the primary revenue-generating item will be commission income. After ignoring fee and commission revenue for many years, banks started to focus on this revenue source in 2000. Banks used to offer basic banking transactions virtually free of charge due to heavy competition in the sector. Fees started to gain importance in 2000, when banks saw their interest income fall with the real returns on government papers.

Turkish Banking Sector



Source: Treasury

As seen in the chart below, the average contribution of net commission and fee income to the pre-tax profit of the big four rose from 22% in 1995 to 39% in 2000. Although we expect commission income to decline slightly in 2001, commission and fee-generating banks will be the winners in a low inflation environment. Yapi Kredi, which dominates the credit card market with a market share exceeding 20%, also leads in commission and fee income. Isbank, on the other hand, benefits from having the largest branch network (850 in all), which helps it to diversify its income composition.

Net Commission and Fee Income/Pre-Tax Profit

	1996	1997	1998	1999	2000
LARGE BANKS					
AKBANK	4%	2%	2%	1%	8%
GARANTI	11%	28%	6%	9%	21%
ISBANK	18%	20%	21%	19%	34%
YAPI KREDI	41%	45%	53%	33%	37%
AVERAGE	18%	24%	20%	15%	25%
MEDIUM-SIZED BANKS					
ALTERNATIF	18%	31%	13%	4%	18%
DISBANK	9%	16%	9%	7%	1%
FINANS	8%	17%	10%	10%	28%
TEB	-	-	13%	11%	13%
AVERAGE	12%	21%	11%	8%	15%

Source: Company Data
Based on CMB accounts

The improvement in the commission income of medium-sized banks was less impressive. While Finansbank substantially increased its commission income as a percentage of pre-tax profit between 1996 and 2000, Disbank's ratio declined drastically while Alternatif and TEB's remained virtually unchanged.

d. Operational Efficiency Does Matter

Internet banking has begun to reduce operating costs

Banks set up most of their technological infrastructure at mid 1990s and have continued using this with only minor changes since. For this reason, little progress was made in reducing operating costs until 2000, when Internet banking gained force. We expect the slow but steady increase in Internet banking to lower banks' Operating Costs/AEA ratios in the coming years.

While large banks managed to cut operating costs somewhat between 1996 and 2000, medium-sized banks were less successful. Aggressive marketing to capture market share from larger banks saddled most medium-sized banks with massive operating costs. Finansbank is a noteworthy exception, ranking among the most efficient banks in our ISE-traded bank universe.

Turkish Banking Sector

Operating Costs/Average Earning Assets

	1996	1997	1998	1999	2000
LARGE BANKS					
AKBANK	4.9%	4.3%	4.3%	4.4%	3.1%
GARANTI	5.1%	5.3%	5.2%	5.6%	4.9%
ISBANK	7.3%	6.4%	7.4%	7.5%	6.6%
YAPI KREDI	5.7%	5.5%	5.9%	5.2%	4.6%
AVERAGE	5.8%	5.4%	5.7%	5.7%	4.8%
MEDIUM-SIZED BANKS					
ALTERNATIF	3.2%	2.9%	5.2%	5.2%	5.0%
DISBANK	5.5%	5.6%	5.9%	5.6%	7.3%
FINANS	4.9%	3.8%	5.1%	4.9%	4.5%
TEB	-	-	-	5.0%	4.7%
AVERAGE	4.5%	4.1%	5.4%	5.2%	5.4%

Source: Company Data

In terms of per-branch and per-employee value, Garanti is the most efficient domestic bank

In terms of per-branch and per-employee value, Garanti is Turkey's most efficient bank, with the smallest branch network of 266. This is followed by Yapi Kredi, which aggressively publicizes its technological base. With their emphasis on alternative distribution channels, we expect both banks to have the most success in cutting operating costs in the coming years. We also expect both banks to further increase their efficiency through personnel layoffs. Yapi Kredi has announced that it will reduce the number of its employees below 10,000, while Garanti have cut some 65 employees in 1Q01. Isbank, on the other hand, has relatively higher operating figures and continues to act as a conglomerate, acquiring huge industrial and service sector giants at the cost of sluggish banking performance and sliding profitability.

Isbank is the only big four bank that cannot cover its personnel expenses with commission income. Although Isbank projects that it will increase both efficiency and profitability using the Petrol Ofisi's gas station network, we are not optimistic about its success in a dot com world.

Branch and Employee Efficiency of Large Banks

CMB 2000 (US\$)	AKBANK	GARANTI	ISBANK	YAPI KREDI	AVERAGE
Branch Network	596	266	851	425	

Per-Branch Efficiency

Commission Income	226,708	678,381	258,281	614,090	444,365
Bank Only Pre-Tax Profit	1,266,618	1,296,487	505,119	1,150,100	1,054,581
Loans	6,586,422	14,093,660	5,100,208	10,341,018	9,030,327
Personnel Expenses	208,687	600,163	403,624	486,627	424,775
Core Deposits	10,034,604	14,472,091	8,078,900	13,806,978	11,598,143
Number of Employees	14	18	19	24	19

Number of Employees	8,244	4,728	16,133	10,326	
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Per-Employee Efficiency

Commission Income	16,390	38,166	13,624	25,275	23,364
Bank Only Pre-Tax Profit	91,570	72,941	26,645	47,336	59,623
Loans	476,165	792,917	269,031	425,618	490,933
Personnel Expenses	15,087	33,765	21,291	20,029	22,543
Core Deposits	725,452	814,208	426,154	568,271	633,521

Source: Company Data and ATA estimates

The per-branch and per-employee efficiency of medium-sized banks lag behind the big four. If we examine the mid-four ISE-traded banks, Finansbank and Alternatifbank are the most efficient, and Disbank and TEB the most inefficient. Finansbank is also the only medium-sized bank that almost covers its per-branch personnel expenses with per-branch commission income.

Turkish Banking Sector

Branch and Employee Efficiency of Medium-Sized Banks

CMB 2000 (US\$)	ALTERNATIF	DISBANK	FINANS	TEB	AVERAGE
Branch Network	27	101	109	54	

Per-Branch Efficiency

Commission Income	348,922	197,503	453,197	199,834	299,864
Bank Only Pre-Tax Profit	815,091	364,815	803,396	489,608	618,227
Loans	14,158,154	4,064,785	7,918,705	6,422,416	8,141,015
Personnel Expenses	803,759	523,674	496,317	639,994	615,936
Core Deposits	13,682,808	5,103,222	8,043,297	10,960,779	9,447,527
Number of Employees	27	16	21	25	22

Number of Employees

	738	1,586	2,324	1,358	
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Per-Employee Efficiency

Commission Income	12,765	12,577	21,256	7,946	13,636
Bank Only Pre-Tax Profit	29,820	23,232	37,681	19,469	27,551
Loans	517,981	258,855	371,402	255,383	350,905
Personnel Expenses	29,406	33,349	23,278	25,449	27,870
Core Deposits	500,591	324,984	377,246	435,848	409,667

Source: Company Data & ATA estimates

e. Maturity Mismatch Slapped Them All

Domestic banks allocated their assets for a longer maturity in 2000

Due to the lack of long-term financing and the fall in interest rates, domestic banks allocated their assets for a longer maturity than their liabilities in 2000. Last year, banks earned interest income from longer-term placements, which they financed through reasonably priced short-term funding. In an environment where interest rates were sliding, this worked splendidly. But the unanticipated November crisis ruined the whole strategy.

Since Akbank habitually has a relatively narrow mismatch between the maturities of its assets and liabilities, the impact of the harsh rise in interest rates on its balance sheet is expected to be fairly minimal. Whereas Garanti and Isbank, which aggressively widened the maturity mismatch to more than four months, will be drastically affected. Although we expect the gap to close in the coming months, the bias will remain in favor of assets.

Maturity Gap

CMB 2000 US\$ mn	AKBANK		GARANTI		ISBANK		YAPI KREDI	
	Assets	Liab.	Assets	Liab.	Assets	Liab.	Assets	Liab.
MATURITY								
Demand	266	1,061	648	914	1,619	1,792	1,061	1,428
0m-1m	3,968	4,014	1,736	3,965	4,740	5,639	1,851	2,506
1m-3m	1,789	1,851	1,286	1,809			1,770	2,530
3m-12m	2,605	1,635	2,385	848	2,287	1,487	2,586	1,712
12m-60m	1,588	763	2,533	750	3,087	172	1,847	258
Avg. Maturity (months)	5.3	3.4	7.8	3.1	6.8	2.5	6.3	2.8
GAP (months)	1.9		4.7		4.3		3.4	

Source: Company Data & ATA INVEST estimates

In our maturity calculations, we used the arithmetic average of maturity intervals. For items with maturities exceeding 12 months, we assumed a conservative average figure of 18 months. Obviously, the exact situation may differ from our calculations.

f. Liquidity Must Be Underlined

Liquidity is the keyword in a cloudy financial environment. Banks will generate the major proportion of their income from their liquidity base, since both demand for and the supply of loans have been deferred to better days. Despite the one-off mark to market losses of government securities, the year 2001 is likely to be a good year for cash-rich banks.

In our liquidity measurements, we used assets and liabilities up to three months of maturity and applied a standard current ratio. Akbank appears to be the leader in this area, with a hefty liquidity base, followed by the leading deposit collector, Isbank. If we exclude core deposits (since there are not many safe havens, we assumed deposit rollovers even in the worst case) from current liabilities, Isbank is the frontrunner of the big four with a liquidity ratio of 580%, followed by Akbank's 380%.

Liquidity		AKBANK		GARANTI		ISBANK		YAPI KREDI	
CMB 2000 US\$ mn									
		Assets	Liab.	Assets	Liab.	Assets	Liab.	Assets	Liab.
Current Items		6,023	6,925	3,318	6,688	5,734	7,431	4,208	6,465
Liquidity		87%		50%		77%		65%	

Source: Company Data and ATA INVEST estimates
Assets are adjusted for reserve requirements.

g. Fortitude Without Capital

Turkish banks traditionally operate with high financial leverage

What Adequacy?

Although banks were aware that they could lose a huge proportion of their equity in a devaluation, they never anticipate a devaluation as sharp as the one in February. Turkish banks traditionally operate with high financial leverage (Assets/Equity) and a high ROE. The weight of the funding structure has moved significantly against equity during the last couple of years. Financial leverage rose to 14.1 in 3Q00 from 12.1 in 3Q99 and 10.54 in 3Q98, leaving equity vulnerable to even minor exposure. The 48% devaluation of the TL since January 2001 has reduced the sector's equity by US\$ 6.28 bn. This erosion represented a huge 62% of total equity, leaving the sector with assets worth US\$ 144 bn versus a mere US\$ 3.85 bn in capital. (Liquidity gains are omitted in this analysis.)

Estimated Shareholders' Equity of the Banking Sector

	US\$ bn
Banks' Total Shareholders' Equity (3Q00)	10.21
FX Open Position of the Banking Sector during the February crisis	16.7
Estimated Size of Reliable Forward Hedge Contracts (60% of FX open positions)	10.02
Net FX Open Position	6.68
Devaluation Rate y-t-d	48%
Slide in Shareholders' Equity	6.28
Estimated Shareholders' Equity	3.85

Source: ATA INVEST estimates and BAT

This equity figure only includes the effect of devaluation. If we consider the windfall losses on government securities that were marked to market and soaring non-performing loans, the whole banking sector, including some of the top players, would appear to be working with a negative capital base.

h. Asset Quality Distortion is Unavoidable

The banking system's NPL/Loan ratio was around 12% as of 2 March 2001, but the picture worsens when we look at TL and FX loans separately. FX NPLs make up a mere 3% of FX loans, whereas the TL NPL/Loan ratio is a huge 19%. At the end of 2000, the sector's NPL/Loan ratio was 10%. We have since learned from the BSRB that the total value of SDIF bank NPLs has reached US\$ 9 bn. Including these loans, we project that the sector's overall NPL/Loan ratio will exceed 25% by end-2001, as total loans slide from US\$32.3 to US\$ 30.3 bn and NPLs rise from US\$3.9

Turkish Banking Sector

to US\$ 7.6 bn. This means that Turkey's NPL/GDP ratio will increase from 2% to 5% by the end of the year.

That said, we believe that the big four private banks, which did relatively less aggressive loan marketing last year, preferring instead to continue with existing borrowers, will sustain minor injuries.

Breakdown of NPLs/Loans

US\$ MN 2-Mar-01	Loans to TL Loans	Loans to Abroad *	Loans to Fin. Sector *	TL NPLs	NPLs/ Loans
State Banks	6,830	3	144	944	14%
Private Deposit Banks	9,717	4	205	2,437	25%
Foreign Banks	396	0	8	30	8%
Investment and Dev. Banks	965	0	20	45	5%
Total	17,908	7	377	3,456	19%

US\$ MN 2-Mar-01	Loans to FX Loans	Loans to Abroad *	Loans to Fin. Sector *	FX NPLs	NPLs/ Loans
State Banks	1,851	48	215	217	12%
Private Deposit Banks	7,776	203	904	164	2%
Foreign Banks	700	18	81	3	0%
Investment and Dev. Banks	1,882	49	219	16	1%
Total	12,209	318	1,420	400	3%

TOTAL ** **32,239** **318** **1,420** **3,856** **12%**

* Breakdowns are estimated by ATA INVEST

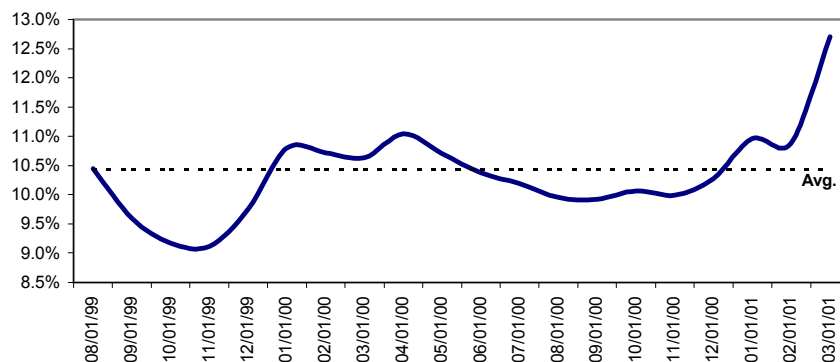
** Omits Central Bank loans of US\$ 937 mn

Source: CB and ATA INVEST estimates

We do not expect a further widening of the gap between provisions and NPLs in 2001

We are also concerned about Turkish banks' declining NPL provisioning adequacy, mainly after the rise in loan volumes in 2000. Provisions for NPLs fell from 68% of total NPLs in 1Q00 to 61% in 3Q00. We expect the provisions gap to narrow in 2001 as the new banking law gave the loan loss provisions full tax deductibility.

NPLs/LOANS of the Banking Sector



Source: Central Bank

Even with a slight appreciation in 4Q00, the G.NPLs/Loans ratio of ISE-traded banks remained fairly stable through 2000. Isbank has traditionally had the highest ratio among the big four, whereas conservative Akbank has had the lowest percentage of problematic loans.

Gross Non-Performing Loans/Total Loans

	1999/3	1999/6	1999/9	1999/12	2000/3	2000/6	2000/9	2000/12
LARGE BANKS								
AKBANK	2.5%	2.9%	3.1%	2.5%	2.4%	2.1%	1.8%	1.6%
GARANTI	1.2%	1.1%	1.8%	1.9%	1.9%	1.7%	1.5%	2.7%
ISBANK	4.7%	6.1%	7.2%	7.4%	5.7%	4.8%	4.8%	5.6%
YAPI KREDI	3.4%	3.8%	4.1%	4.6%	4.4%	5.1%	4.5%	4.3%
AVERAGE	2.9%	3.5%	4.0%	4.1%	3.6%	3.4%	3.1%	3.5%
MEDIUM SIZED BANKS								
ALTERNATIF	5.0%	6.0%	6.2%	4.8%	4.4%	3.7%	3.1%	3.3%
DISBANK	4.8%	9.0%	10.5%	8.3%	5.8%	8.5%	5.8%	5.9%
FINANS	1.3%	1.6%	1.5%	1.4%	1.0%	1.2%	1.1%	1.9%
TEB	0.6%	0.6%	0.6%	0.5%	0.5%	0.4%	0.3%	0.9%
AVERAGE	2.9%	4.3%	4.7%	3.8%	2.9%	3.4%	2.6%	3.0%

Source: Company Data

i. Deposit Holders are Getting Irritated

We do not expect domestic debt consolidation

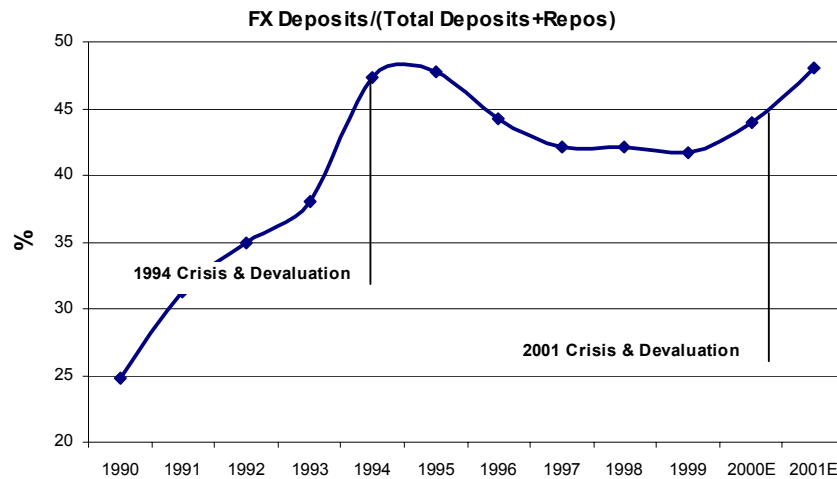
Monetization and domestic debt restructuring would change the entire picture. However, while slight money printing is inevitable, we have no expectation of domestic debt consolidation. Although the government faces the hard mission of rolling over approximately US\$ 16 bn in outstanding domestic debt falling due this year, taking over of saving deposits "is not an option" according to Economy Minister Kemal Dervis. The real risk to saving deposits is the removal of state assurance. The step-by-step elimination of the state guaranty on deposits will affect small and medium-sized banks the most. The SDIF, which covered deposits up to TL 100 bn in 2000 (US\$ 160,000), has since reduced its coverage to TL 50 bn (US\$ 71,000). On 1 June 2001, it will reduce this even further to the EU standard of €20,000. In order to attract deposits, therefore, small-sized banks will have to offer significantly higher rates, which will depress their profitability.

If large banks cannot make depositors perceive the risk associated with high-interest deposits in small banks, they too will have to raise interest rates if they are to maintain their funding base. But we believe that the big four banks in particular will capture leakage from the small and medium-sized banks, which continue to operate with low capital bases. Deposit relocation will especially accelerate if the government allows the liquidation of bankrupt banks. Even during the February crisis, depositors did not rush to draw deposits, confirming the effectiveness of the state guarantee for deposits.

The breakdown of deposits started moving in favor of FX at the end of 1999

The breakdown of deposits started moving in favor of FX at the end of 1999. Although the previous IMF-backed stabilization program emphasized a strong TL, a goal which officials reiterated on every occasion, demand for FX deposits continued. FX deposits approached the total value of TL deposits and repos, mainly because of the effect of the devaluation on the US dollar value of TL deposits. An identical situation occurred in 1994, which was also a year of liquidity crisis and devaluation. We expect interest rates on FX deposits to fall to 11-12% by 2002 down from its current level of 15%-20%.

Turkish Banking Sector



Source: Treasury and ATA INVEST estimates

While the boost in FX deposits raised these to almost half of total deposits, the increase in foreign borrowings raised banks' FX-denominated liabilities. Banks borrowed abroad mainly to purchase high yielding state papers. This situation increased banks' FX short positions making them very vulnerable to currency risk.

j. Internet Banking up to Mark

We estimate that, through a CAGR of 27%, Internet users in Turkey will rise from 4.95 mn at end-2000 to 16.1 mn by end-2005. This will raise Internet penetration in the total population from 7.6% to 23.1%.

Estimated number of Weekly Internet users*:

	2000	2001	2002	2003	2004	2005
Weekly Internet users (mn)	4.95	6.26	7.93	10.04	12.71	16.10
Weekly Internet Users/Population	7.57%	9.46%	11.82%	14.78%	18.47%	23.09%

Source: ATA INVEST estimates

We believe that Garanti and Yapi Kredi will be the sector leaders in Internet banking

Although hard data on the total number of Internet banking accounts is scarce, we believe that Garanti and Yapi Kredi will be the frontrunners in this area in the long run. Isbank and Akbank have more active Internet accounts than Yapi Kredi, but their growth rates lag behind both Garanti and Yapi. Yapi Kredi has also initiated an innovative distribution channel that uses the digital TV broadcasts provided by an affiliate, Digiturk. It is worth noting that each bank defines "active account" differently. For example, Isbank considers an Internet account to be active if even a single transaction takes place after the opening of an account, whereas Garanti requires that a transaction be made during the previous two months.

Internet users in Turkey

	Monthly	Weekly	Daily
April 2000	5,652,000	4,546,000	1,782,000
August 2000	5,068,000	4,116,000	1,935,000
December 2000	5,590,000	4,945,000	1,137,000

Source: Taylor Nelson

Turkish Banking Sector

Number of Active Internet Banking Accounts

	2000	1Q2001	2001E	2002E	2003E	2004E	2005E
Akbank	150,000	170,000	247,470	292,414	345,522	408,275	482,425
Garanti	229,747	292,328	602,188	830,283	1,144,775	1,578,390	2,176,248
Isbank	133,000	152,000	226,892	271,108	323,940	387,068	462,498
Yapi	57,537	72,297	143,430	194,478	263,694	357,546	484,800

Source: Company data and ATA INVEST estimates

We expect Internet banking services to constitute 20% of the banking system's total transactions by end-2003. Worldwide, consumers are rapidly shifting away from traditional banking channels towards non-branch and electronic distribution channels. In Turkey, the share of traditional branch usage in banking services dropped below 50% during the second half of 1990s. ATMs and call centers captured most of the difference, with almost 60% of all transactions carried out through these venues in 1999. According to 1999 data, the latest available, online banking only accounts for 5% of total banking transactions. We expect this to increase as Internet usage expands. As of end-1Q01, 5% of Akbank's total transaction volume and 7% of Isbank's was conducted through the Internet. Currently, banks are not charging fees on these transactions, but we expect them to start as Internet usage expands.

Turkish Banking Services by Type of Distribution Channel

	1998	1999	2000E	2001E	2002E	2003E
ATMs	38%	39%	42%	44%	44%	41%
Branch	42%	34%	29%	24%	21%	18%
Internet Banking	1%	5%	6%	10%	15%	20%
Call Center	17%	19%	22%	21%	19%	19%
Other	2%	3%	1%	1%	1%	2%

Source: BAT and ATA INVEST estimates

Banks are eager to invest in online banking systems because of their cost advantages. An average branch transaction costs US\$ 1.07 in Turkey compared to US\$ 0.03 for an Internet transaction.

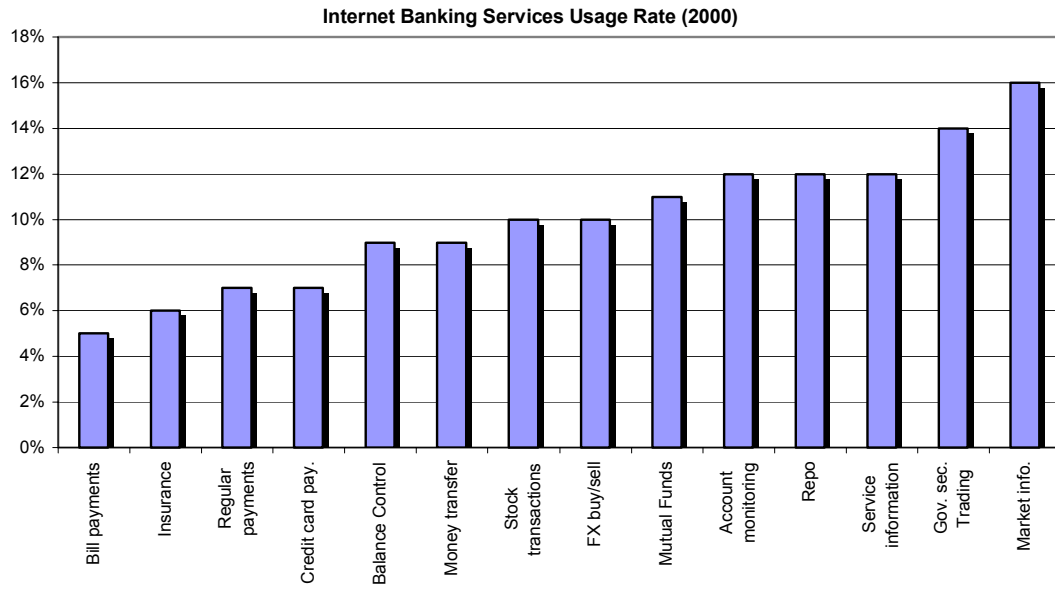
Distribution Channel	Branch	Call Center	ATM	Internet
Cost/Transaction (US cents)	107	74	44	3

Source: ATA INVEST estimates

Most domestic customers visit Internet banking sites to obtain information

As shown in the chart below, most domestic customers visit Internet banking sites to obtain information on online banking services and key market variables, such as interest rates. A significant portion also uses these sites to conduct repo transactions and investment banking activities, such as the buying and selling of stocks, mutual funds and bonds. Online use of commission-generating banking services, credit placements and the opening of deposit accounts is still negligible but bill payments are expanding rapidly. Consumers are expected to increase their use of these services, which will eventually contribute to banks' assets and profitability. Expanded use of the Internet will also enable banks to further rationalize their cost structures.

Turkish Banking Sector



Source: Taylor Nelson Sofres Piar

IV. POLICIES TO HEAL THE FINANCIAL SECTOR

a. Healing the Banking Sector – The New Economic Program

The February 2000 crisis started with the liquidity squeeze of November 2000, when short-term interest rates exceeded 1500%. The problem began in September, when short-term interest rates started to rise after their low of 30% in the July-August period. This increase, combined with greater bank sensitivity about liquidity and exposure to interest and FX rates, raised the concern of foreign investors in particular about the survival of the program. The sharp jump in interest rates that accompanied the liquidity crisis led to a similar decline in bond and stock markets, causing several medium-scale banks carrying significant government paper in their portfolios to be taken over by the SDIF. As foreign investors left the country, capital outflows from the Central Bank's reserves reached US\$ 6 bn.

Now, the government is implementing a number of measures that will facilitate an extensive and rapid restructuring of state-administered banks and reduce the mismatch of banking asset and liability maturities. These measures include a series of amendments to the banking law that will facilitate a sharp increase in shareholders' equity, the full harmonization of banking regulations with international standards and greater financial and operational transparency. They also include full coverage of state banks' duty losses through the issue of special Treasury notes.

Apart from healing the sector, the measures will fortify the relationship between banks and the real sector, which has been weakened by high real returns on government paper. High real interest rates caused by Turkey's rising PSBR has steadily shifted funding from the real sector to the state deficit. The share of government paper in the total assets of depository banks jumped to 23% in 1999 from 10% in 1990. Over the same period, the share of loans to the real sector decreased from 36% to 24%.

The government will use most of the US\$ 16 credit from the IMF and World Bank to heal the banking sector. We expect the first US\$ 4 bn tranche to arrive in May 2001 and a second tranche of US\$ 2 bn in June. The remainder (US\$ 10 bn) will be transferred step by step in 2001 as the government fulfills its pledges of structural reform. The IMF is contributing US\$ 14.5 bn, US\$ 4.3 bn of which corresponds to an existing loan. The World Bank is contributing US\$ 1.5 bn.

b. Private Banks – The New Economic Program

The new program also seeks to heal problematic private banks that have not been taken over by the SDIF. To raise capital adequacy ratios above BIS standards, the government is obliging banks to retain their earnings. To this end, BRBS is negotiating with private banks the amount of their capital increases over a specific period of time.

Another measure simplifies the process for mergers and acquisitions of both industrial companies and banks. The purpose of this measure is two-fold: to accelerate consolidation in the banking sector and to encourage the sale of non-financial affiliates in order to strengthen the capital bases.

A third measure aims to encourage more provisioning by enabling banks to itemize discretionary provisions as expenses in the calculation of corporate tax liabilities.

c. State Banks – The New Economic Program

The February crisis confirmed the flimsy structure of the Turkish banking sector. At the center of the turmoil were the state-owned banks, which were burdened by duty losses, bad debts and high O/N funding needs. The daily funding needs of both the state banks and the SDIF banks were damaging the equilibrium of markets and their own financial structures. To reduce state banks' financing requirement and strengthen their capital, the Treasury issued US\$ 24 bn in special bills to state banks to cover past duty losses. These bills carry interest rates parallel to repo rates and can be used by state banks as collateral for the issue of B-type funds. With this measure, the capital adequacy ratio of state banks has surpassed 8%. The Treasury also plans to swap state banks' WPI-denominated bonds for bonds carrying market interest rates. To offset the monetary expansion that might arise

The program also seeks to heal problematic private banks

Turkish Banking Sector

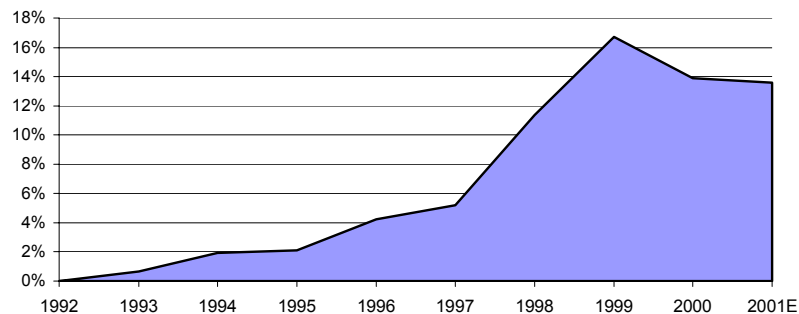
from these measures, the Central Bank will withdraw excess money through reverse repos and interbank transactions.

State banks will no longer be saddled with loss-causing duties

The new program also frees state banks from loss-causing duties. Henceforth, if support for loss-making activities is required, the Treasury must itemize these losses in its budget and provide direct support to the state banks for the same amount. For example, the government has asked Halk Bank and Ziraat Bank to reduce the interest rate on loans to small tradesmen and farmers distributed before February 19 from around 250% to 55%. However, it has capped the total amount of this subsidy at TL 400 trln (US\$ 348 mn) and has itemized this amount in its 2001 budget.

To further enhance the operating efficiency of state banks, the new program obliges them to set interest rates on new loans at levels that amply cover their resource costs. This measure and others like it are being implemented by a management board comprising professional bankers. All authority for the restructuring and privatization of state banks has been given to the board. Apart from other advantages, joint management will prevent the state banks from competing with each other in the O/N market.

Duty Losses of the State Banks (% of GNP)



Source: Treasury

Inefficient branches of state banks will be closed

Another radical measure is the planned merger of Emlak Bank and Ziraat Bank. Emlak Bank's banking operations will be merged with Ziraat Bank's and its non-banking assets transferred to the Mass Housing Administration. After the merger, the government has said it will shut down 700 Emlak/Ziraat Bank branches and 300 Halk Bank branches. Halk Bank branches will be closed in areas where there are Emlak/Ziraat branches and its customers transferred to Emlak/Ziraat. Additionally, the government has said that it will retire about 25,000 state bank employees gradually.

Financial Highlights of State Banks

30 September 2000	Halk	Ziraat	Emlak	E+Z	Vakif
Total Assets (US\$ mn)	13,958	22,562	9,030	31,592	6,176
Securities Portfolio (US\$ mn)	851	1,170	385	1,555	984
Total Loans (US\$ mn)	2,087	5,186	3,442	8,628	3,199
Gross NPL (US\$ mn)	461	269	624	893	197
Total Deposits (US\$ mn)	11,255	18,153	4,854	23,006	4,169
Equity (US\$ mn)	363	598	37	636	507
N. of Branches (y-end 99)	808	1,309	406	1,715	334
N. of Employees (y-end 99)	14,843	37,705	10,277	47,982	9,182
G.NPL/Total Assets	3.3%	1.2%	6.9%	2.8%	3.2%
Total Debt/Total Assets	97.4%	97.3%	99.6%	98.0%	91.8%
Sec. Portfolio/Total Assets	6.1%	5.2%	4.3%	4.9%	15.9%
M. Share in T. Loans	4.4%	10.8%	7.2%	18.0%	6.7%
M. S. in T. Assets	9.7%	15.6%	6.3%	21.9%	4.3%
M. Share in T. Deposits	11.5%	18.6%	5.0%	23.6%	4.3%
Employees/Branch	18	29	25	28	27
Deposit/Branch (US\$ mn)	14	14	12	13	12
Asset/Branch (US\$ mn)	17	17	22	18	18

d. SDIF Banks - New Economic Program

The government program foresees the merger, with Etibank, of bailed-out banks with no bidders as of 6 April. It also foresees the sale of Demirbank by mid-July. Before the February crisis, the BRSB had announced that eight bidders were interested in four SDIF banks, namely Interbank, Esbank, Ekspres and Turkbank. Economic turmoil deterred further progress on these sales. Iktisat Bank, which offered the highest interest rates during the crisis, was taken over by the SDIF just as rumors began circulating that its sale to Societe Generale had been cancelled. Demirbank is the most sought-after. Less than one month after the February crisis, three groups expressed their interest in the bank: The Aydin Dogan Consortium, Unicredito Italiano and HSBC. The main obstacle to Demirbank's immediate sale is an article of the current banking law that preserves the dividend rights of former shareholders after the sale. Efforts to remove this continue. On the other hand Bank Ekspres is said to attract interest of the construction group, Tekfen.

Five of the 13 SDIF banks have been merged with Sumerbank

Sumerbank is the merger of Sumer, Ege, Kapital, Yurt and Yasar banks, none of which received bids during the first bidding process that ended in January 2001. Following this merger, Sumerbank reduced its employees from 9141 to 4596 and its branches from 396 to 213. The latter is to fall to 134 by June 2001. We have estimated the financial figures for Sumer in the table below through a simple consolidation of the 3Q00 financial statements of the five merged banks. This does not reflect faithfully the current situation. This merger method will be applied to the remaining SDIF banks if they do not receive offers by end-June.

A newly formed asset management unit is managing the problematic loans of bailed-out banks. An amendment in the banking law will enhance the ability of SDIF banks to collect loans and accelerate their collection period. We have learned from the BRSB, that the government is interested in selling SDIF banks' NPLs, valued at US\$ 9 bn, to collection firms but is not eager to provide satisfactory discounts. On the other hand, total amount supplied by the government for the restructuring of the SDIF banks reach US\$ 12 bn, which corresponds to a rough 7.7% of the GDP.

Following Parliament's approval of modifications in the banking law, the Treasury will have to meet all the non-deposit liabilities of SDIF banks, which are principally international syndicated loans.

Financial Highlights of SDIF Banks

30 September 2000	Ekspres	Esbank	Interbank	Turkbank	Demir	Etibank	Ulusal	Iktisat	Sumer
Total Assets (US\$ mn)	323	678	880	968	4,756	1,673	794	1,508	2,211
Securities Portfolio (US\$ mn)	6	227	66	409	988	133	484	90	600
Total Loans (US\$ mn)	202	224	158	169	1,931	740	38	556	440
Gross NPL (US\$ mn)	202	220	622	103	16	7	-	17	778
Total Deposits (US\$ mn)	529	1,388	2,045	906	3,653	1,439	282	950	4,858
Equity (US\$ mn)	(261)	(1,087)	(1,394)	1	347	34	81	110	(3,361)
N. of Branches (y-end 99)	27	95	43	270	125	151	5	62	311
N. of Employees (y-end 99)	653	2,291	1,525	4,025	2,556	1,198	231	1,321	8,110
G.NPL/Total Assets	63%	32%	71%	11%	0%	0%	0%	1%	35%
Total Debt/Total Assets	181%	260%	258%	100%	93%	98%	90%	93%	252%
Sec. Portfolio/Total Assets	1.8%	33.5%	7.4%	42.3%	20.8%	8.0%	60.9%	5.9%	27.2%
M. Share in T. Loans	0.4%	0.5%	0.3%	0.4%	4.0%	1.5%	0.1%	1.2%	0.9%
M. S. in T. Assets	0.2%	0.5%	0.6%	0.7%	3.3%	1.2%	0.6%	1.0%	1.5%
M. Share in T. Deposits	0.5%	1.4%	2.1%	0.9%	3.7%	1.5%	0.3%	1.0%	5.0%
Employees/Branch	24	24	35	15	20	8	46	21	26
Deposit/Branch (US\$ mn)	20	15	48	3	29	10	56	15	16
Asset/Branch (US\$ mn)	12	7	20	4	38	11	159	24	7

Source: BAT and ATA INVEST estimates

e. New Risk Measures

BRSB has extended the 8% minimum capital adequacy ratio to consolidated bank financials

New risk limitations for banks were announced in February 2000. The BRSB has officially extended the minimum capital adequacy ratio of 8% to non-consolidated bank financials. It has also modified risk-weighted asset details and added a new **'Market Risk'** figure to the calculation of risky assets.

'Market Risk' is calculated through a risk evaluation model that evaluates 'Interest Rate Exposure', 'Stock Market Exposure', 'FX Exposure' and 'Other Specific Exposures'. Banks may use the 'Standard Method Risk Evaluation Practice' to obtain this figure or their own BRSB-approved risk evaluation models. The sum of these exposures are multiplied by a constant 12.5x and added to risk-weighted assets to obtain a total figure for risky assets.

RISK WEIGHTED ASSETS (x0%+x20%+x50%+x100%+Market Risk) = CAPITAL ADEQUACY RATIO = 8% CAPITAL BASE

Interest Rate Exposure: Additional capital commitment for net interest-earning assets is calculated as follows.

Type of Marketable Security	Ratio Subject to Capital Commitment
Government Bonds	0.00%
Qualified Bonds *	
-Less than 2 months to maturity	0.25%
- 6 –24 months to maturity	1.00%
-Longer than 24 months to maturity	1.60%
Other Bonds	8.00%

* Bonds that have positive ratings from at least two rating agencies.

Source: BRSB

Stock Market Exposure: Banks are required to determine all stock market-related exposure other than stock options in their calculation of 'Market Risk'. Generally, 8% of the total absolute value of stock market instruments' short and long positions is to be used in capital commitment calculations. The ratio falls to 4% if the stock is listed in one the following indices:

INDEX	
IMKB-100	TSE 35
S & P 500	SMI
NIKKEI 225	OMX
DAX	IBEX 35
FTSE 100 & FTSE -Mid 250	EOE 25
CAC 40	BEL 20
ATX	

Source: BRSB

V. VALUATION

a. Adjusted P/BV Approach

We believe that the top-tier banks are well capitalized but not completely hedged against further unexpected devaluation

We believe that the direct negative impact of the current financial crisis on the top four private banks is manageable, but that indirect effects may trigger further problems. We calculate that the top-tier banks are well capitalized but not completely hedged against further unexpected TL devaluation. The big four account for about 75% of the banking system's total equity. Our calculations are based on an annual devaluation rate of 58%, which will push the US\$/TL exchange rate to 1,600,000 at end-December 2001.

Banks are expected to face serious asset quality problems due to the downturn in the real sector. Apart from low demand, loan repayments are being threatened by interest rates up to five times the initially settled rate due to concealed floating rates. (Banks were not the only ruthless players; before the hike in interest rates, some borrowers were delaying their payments and paying trivial interest rates on overdue payments in order to earn huge returns in the O/N market.) For these reasons, we expect the NPL/Loan ratio of the top four banks to increase by five percentage points in 2001, causing a further 5% decline in their book values.

At the same time, government papers purchased a few months earlier at interest rates of around 37% are being financed at rates above 80%. This unfavorable circumstance is expected to erode BV further. Losses on ISE-traded affiliates were another outcome of the crisis. Garanti and Akbank, which have insignificant exposure to ISE-traded stocks, faced minor injuries, while Isbank and Yapi Kredi were seriously affected on this account. Since Yapi Kredi uses the marking to market method of accounting, it will have to book its losses on ISE-traded affiliates in its CMB accounts. In its IAS accounts, however, Turkcell is booked at cost so the devaluation will not affect its value.

11-May-2001

IAS 29 (US\$ mn)	AKBANK	GARANTI	ISBANK	YAPI KREDI
2000E IAS BV	1,643	1,636	2,880	2,650
FX losses	-1,199	-633	-475	-493
Monetary loss	-630	-241	-210	-121
Net interest income	2,039	1,005	1,115	936
Provision for NPLs	-163	-263	-298	-196
Comission & Services	144	242	234	277
Trading income	133	322	85	52
Other	36	56	142	0
Operating expenses	-520	-987	-774	-641
Taxation Charge	-160	0	-27	-23
Estimated Bank Only Loss	-310	-499	-172	-118
Percentage loss on BV	-19%	-30%	-6%	-4%

Source: ATA INVEST estimates

According to our calculations based on the above assumptions, Akbank and Garanti will face a fairly significant percentage loss in their book values, whereas Isbank and Yapi Kredi will not. Although Akbank will benefit from its huge liquidity position in boosting its interest income, the monetary loss will push up its loss. Another major point is that Akbank and Garanti publish consolidated inflation-adjusted accounts whereas the other two banks publish unconsolidated accounts. Akbank's consolidated accounts do not differ much from its unconsolidated ones due to its trivial participation portfolio, but Garanti holds two large banks, namely Osmanli and Korfez, in its consolidated IAS 29 statements.

Turkish Banking Sector

IAS (US\$ mn)	AKBANK	GARANTI	ISBANK	YAPI KREDI
2001E IAS BV	1,333	1,137	2,708	2,532
Book Value of Affiliates	144	156	1,250	575
Adjusted 2001E IAS BV	1,189	981	1,458	1,957
Market Capitalisation	2,161	1,385	7,197	2,277
Market Value of Affiliates	174	364	2,402	767
Value of Banking Operations	1,986	1,021	4,795	1,510
Adj. P/BV	1.67	1.04	3.29	0.77
Avg. P/BV	1.69			
Fair Value of Banking Operations	2,256	1,926	4,584	4,287
FAIR VALUE OF THE BANK	2,431	2,289	6,986	5,054

Source: ATA INVEST estimates

After adjusting for the market and book value of affiliates, we calculated bank-only P/BV multiples for the big four. We used the arithmetic mean for average P/BV calculations. Compared to a peer group average of 1.69x, Garanti and Yapi Kredi trade at substantial discounts with P/BV multiples of 1.04x and 0.77x respectively. Akbank's banking value is close to the sector mean with a trivial upside potential, while Isbank's P/BV multiple, at two times the sector average, trades at a hefty premium that can only be justified somehow by the large hidden value of its affiliates.

IAS (US\$ mn)	AKBANK	GARANTI	ISBANK	YAPI KREDI
Hidden Value of Subsidiaries	30	208	1,152	192

Source: ATA INVEST estimates

Isbank has large participations in colossal establishments, such as Petrol Ofisi, Istim (GSM 1800) and Sisecam, making it more of a conglomerate than a bank. Akbank on the other hand, which liquidated nearly its entire participation portfolio in previous years, enjoys unadulterated banking income.

IAS (US\$ mn)	AKBANK	GARANTI	ISBANK	YAPI KREDI
Number of Shares (trln)	500	260	559	502
Target Value/Share Usc	0.49	0.88	1.25	1.01
Target Value/Share TL	5,568	10,085	14,315	11,541
Premium/(Discount)	(0.11)	(0.40)	0.03	(0.55)

Source: Company Data and ATA INVEST estimates

Yapi Kredi Bank, which trades at a 55% discount, is our top pick followed by another bargain, Garanti. Akbank and Isbank, which are traditionally perceived as safe havens, trade close to their fair values.

Turkish Banking Sector

b. Discounted Economic Profit Approach

Based on our DEP approach, Yapi Kredi and Garanti trade at hefty discounts

This method seeks to calculate the ratio of bank-only returns to the opportunity costs of capital. The incremental value generated from banking operations is obtained by discounting banking income net of capital charges and adding the book value to the PV of perpetual income streams. In β calculations, we used the monthly returns of the stock and the ISE-100 index since 1995 in TL terms. Conservatively, the key stand-in for the Rf is the projected long-term bond yield, which is 14.5% in our case. Under normal market conditions, with positive sloping yield curves, the long bond yield is the largest value that can be attributed to Rf. Since 2001 will be a lost year for the banking sector, we used 2002 projections in this study. Beyond the current distorted year, the growth rate of banking returns is expected to be in line with long-term economic expansion.

11-May-2001

IAS 2002E	AKBANK	GARANTI	ISBANK	YAPI KREDI
Avg. Free Capital (BV-Affiliates-Premises&Equip.)	1,031	95	330	792
Risk Free Rate of Return (Rf)	14.5%	14.5%	14.5%	14.5%
RoFC	150	14	48	115
Net Banking Income	225	207	163	170
Economic Profit	75	193	115	55
Systematic risk (B)	93%	103%	107%	105%
Risk Premium (Rm-Rf)	10%	10%	10%	10%
Cost of Equity	24%	25%	25%	25%
Long Term Growth Rate	3%	3%	3%	3%
PV of Additional Income from Banking operations	362	884	519	252
Bank Only Value (PV+Free Capital)	1,394	979	849	1,044
M. Value of Affiliates	174	364	2,402	767
Premises and equipment	270	990	1,210	1,250
Fair Value	1,838	2,333	4,461	3,062
Market Cap.	2,161	1,385	7,197	2,277
Premium/(Discount)	17.6%	-40.6%	61.3%	-25.6%

Source: ATA INVEST estimates

Our discounted economic profit approach leads us to the same two under-priced banks. Garanti and Yapi Kredi trade at discounts whereas Akbank trades at a slight premium. Isbank, on the other hand, once more appears to be the heavily overvalued one of the big four.

Turkish Banking Sector

c. International Comparison

Turkish banks trade at substantial discounts to international peers

Besides Isbank, Turkish banks' trade at discounts to their international peers. Since the multiples given below are not adjusted for the value of affiliates, banks with huge hidden value, such as Isbank, affect Turkey's average negatively. Although the average ROE of the big four is lower than the average of their international peer group, since they stress capital adequacy, the average ROA of domestic banks is slightly higher on the back of relatively higher earning assets. Our top picks, Yapi Kredi and Garanti, are still remarkably underpriced in terms of P/E and P/BV multiples compared to their international peers.

11-May-2001

Name of Bank	COUNTRY	M. Cap. (USD mn)	P/E	P/BV	ROE	ROA
BANCO RIO PLAT-B	Argentina	1,908	8.99	1.42	16.3%	1.6%
BBVA BANCO FRANC	Argentina	1,909	9.96	1.86	17.8%	1.5%
BANCO GALICIA-B	Argentina	1,570	8.62	1.18	12.3%	1.1%
BANCO HIPOTECA	Argentina	1,141	-	0.59	6.0%	2.9%
BANCO MACRO MISI	Argentina	142	7.07	1.47	22.9%	2.4%
Argentina Avg.			8.66	1.30	15.1%	1.9%
BANCO BRASIL	Brazil	2,929	6.76	0.83	12.8%	0.7%
BRADESCO SA	Brazil	7,096	7.89	1.81	23.4%	2.0%
BANCO BEMGE SA	Brazil	1,187	20.00	1.59	21.8%	7.6%
ITAUBANCO SA	Brazil	9,349	10.16	3.10	29.3%	3.0%
UNIBANCO	Brazil	5,385	8.68	1.31	12.1%	1.4%
Brazil Avg.			10.70	1.73	19.9%	3.0%
ALPHA BANK A.E.	Greece	5,232	16.87	3.25	16.6%	1.0%
NATL BANK GREECE	Greece	8,939	13.63	4.67	32.8%	1.6%
EFG EUROBANK ERG	Greece	4,489	21.16	2.93	13.6%	1.5%
COMMERCIAL BK GR	Greece	4,042	15.96	2.30	14.8%	1.9%
PIRAEUS BANK	Greece	2,072	14.40	2.62	18.6%	1.5%
Greece Avg.			16.40	3.15	19.3%	1.5%
BANK LEUMI LE-IS	Israel	2,880	7.44	1.07	14.8%	0.8%
BANK HAPOALIM	Israel	3,055	7.78	1.06	14.2%	0.8%
UNITED MIZRAHI	Israel	634	7.99	0.93	12.4%	0.5%
MISHKAN HAPOALIM	Israel	295	8.38	1.16	13.8%	0.7%
UNION BANK ISRAEL	Israel	197	10.65	0.73	5.1%	0.3%
Israel Avg.			8.45	0.99	12.1%	0.6%
BANK PEKAO SA	Poland	2,770	12.16	1.95	16.2%	1.2%
BANK HANDLOWY w	Poland	1,444	10.25	1.17	11.4%	1.9%
POWSZECHNY BK KR	Poland	785	9.37	1.42	14.9%	1.6%
BANK PRZEMYSLOWO	Poland	739	8.72	1.32	17.9%	1.7%
BRE BANK SA	Poland	657	7.65	1.24	16.7%	2.2%
Poland Avg.			9.63	1.42	15.4%	1.7%
AVERAGE			10.77	1.72	16.3%	1.7%
AKBANK	Turkey	2,161	10.54	1.32	12.9%	2.0%
GARANTI	Turkey	1,385	5.97	0.85	15.2%	1.5%
ISBANK	Turkey	7,197	33.32	2.50	7.7%	1.9%
YAPI KREDI	Turkey	2,277	7.49	0.86	12.4%	2.7%
Turkey Avg. *			14.33	1.38	12.1%	2.0%

* IAS-adjusted 2000 figures. Multiples are not adjusted for affiliates.
Source: Bloomberg and ATA INVEST estimates

If we exclude the bug in our data, Isbank, the average market multiples of the remaining three banks are considerably lower than the figures for the peers. Akbank also trades at a hefty 40% discount, with a P/E multiple of 7.47x, while conglomerate-like Isbank carries a huge premium.

All valuations indicate that Yapi Kredi and Garanti trade at substantial discounts

d. Valuation Commentary

All valuation methods indicate that Yapi Kredi and Garanti trade at substantial discounts to Akbank and Isbank. Akbank trades at its fair value, but Isbank is definitely overvalued, even if we consider its hidden value portfolio.

We do not use the dividend discount model as an evaluation tool for Turkish banks, as they generally do not pay cash dividends. If a cash dividend is paid, banks usually announce a rights issue that covers the full amount of the cash dividend.

VI. COMPANY REPORTS

a. AKBANK - HOLD

11-May-2001

Reuters Code:	AKBNK.IS
TL/US\$:	1,145,357
ISE-100 Index:	11,779
Stock Price (TL):	4,950
Stock Price (US\$):	0.004
Market Capitalization (US\$ mn):	2,160.9
Free Float Rate(%):	19
Avg. Daily Tra. Vol. (00-01) (TL mn):	19,068,156
Avg. Daily Tra. Vol. (00-01) (US\$ mn):	28.0
Current P/E:	4.0
Sectoral P/E:	7.4
ISE P/E:	7.0
MV/BV :	1.3
Industry MV/BV :	1.3

We believe that Akbank will benefit from the high interest rate environment in 2001, because of its hefty liquidity position. With an adjusted IAS P/B of 1.67x, Akbank's banking operations carry a slight discount relative to its peer group average of 1.69x. But the bank's bottom-line fair value, which includes the market values of affiliates, still has room to expand. Considering the bank's valuation results through all three methods we issue a "HOLD" recommendation for Akbank.

Since Akbank is perceived to be one of the ISE's safe haven stocks and has a good amount of liquidity, the bank was relatively less affected during the crisis. In addition to an outstanding liquidity ratio of 87%*, which exceeds its closest peer ratio by 10 percentage points, Akbank has an exceptionally low maturity GAP of 1.9 months. The bank's superior management in hedging maturity exposure is clearest in comparison with its peer group. The average maturity GAP of Akbank's peers is 4.16 months with a standard deviation of 0.65 months.

During the crisis, banks offered O/N rates as high as 7500% to cover their liquidity requirements. Cash-rich Akbank was the sole winner in that environment. Akbank was able to earn more than 39% flat interest in six days on O/N placement during the crisis. Akbank's daily returns on its liquidity position during the first days of the crisis were as follows:

Return on Liquidity Position

Date 2001	Akbank's Avg. Rate (Annualized)	Daily Return
20 Feb.	1,079%	3.0%
21 Feb.	5,500%	15.3%
22 Feb.	2,875%	8.0%
23 Feb.	1,559%	4.3%
24 Feb.	1,559%	4.3%
25 Feb.	1,559%	4.3%

Source: Company Data

Hefty returns on cash positions still persist. Akbank used its hefty liquidity position to purchase about US\$ 1 bn in government securities during the first three auctions in April 2001. This represented almost half of the total issue volume. Then, the weighted average of the three auction's annual simple interest rates was 107%, in May, it has slipped to the 80% level. Therefore, we expect the bank to maintain strong profitability in the coming quarters.

In spite of skillful management, Akbank's huge forward FX position is a concern. At end-2000, the bank had a US\$ 1.96 bn unhedged FX open position, roughly 60% of which involved export-oriented Sabanci group companies – Exsa, Pilsa and Tamsa. The bank's US\$ 1.2 bn related-party forward FX receivables,

* Assets with 3 months to maturity/Liabilities with 3 months to maturity.

Turkish Banking Sector

Akbank's huge forward FX position is a concern

which matured on 31 March, were exercised at an estimated average TL/US\$ exchange rate of 935,000. On the other hand, since Akbank closed contracts before the devaluation, it had to purchase the stated amount at much lower TL/US\$ rates, such as 850,000 or even 750,000. Sabanci Holding made the shrewd move of changing forward FX rates so that related parties would not book deep losses. Although the bank lost an estimated US\$ 200 mn in this transaction, it compensated the loss with windfall gains made during the crisis on its cash position. Akbank posted a 1Q01 net profit of TL 120 trln (US\$ 153 mn), which was significantly higher than our projection of US\$ 88 mn. Although the bank's net profit slipped 8% on a y-o-y basis, we believe this net profit figure is substantially higher than the market consensus considering the depth of the February crisis. With its leading position in liquidity, Akbank generated substantial interest income during the first quarter, especially from loans to domestic banks. Interest income from domestic banks leaped from US\$ 97 mn in 1Q00 to US\$ 743 mn in 1Q01, almost covering the whole net FX loss figure of US\$ 848 mn.

Akbank's top management told us that only 20% of their forward contracts was going to work out as a result of the extraordinary FX rate environment. However, we calculate that virtually all of the bank's forward contracts were useless since Akbank booked an FX loss of US\$ 848 mn FX for the first quarter and our estimate of FX losses in the case of complete failure is US\$ 871 mn. (The bank uses a TL/US\$ exchange rate of 960,000 for the booking of end-3Q01 results, whereas we use an exchange rate of 1,020,000 TL/US\$.) Akbank has pulled down its balance sheet FX position from its end-2000 level of US\$ 1.96 bn to US\$ 1.5 bn in the first quarter of 2001 and US\$ 1.3 bn in May 2001. The bank continues efforts to reduce its open FX position to more reasonable levels.

Estimated Total FX Loss in 1Q01

	FX Open Position		TL/US\$	TL/US\$ FX Loss	
	US\$ mn	Exchange Rate (Beginning)		Exchange Rate (End)	US\$ mn
Related Parties	1,200		670,000	935,000	475
Others	758		670,000	1,020,000	396
					Estimated Total Net FX loss: 871

Source: ATA INVEST estimates

Although the bank increased fee and commission income by 37% to US\$ 145 mn in the last quarter of 2000, the contribution of commission income to Akbank's pre-tax profit is still significantly low compared to its peers. Last quarter commission growth largely reflected brokerage, credit card and lending activities. A mere 8% of Akbank's income was made up of net commissions compared to an average of 25% for the big four in 2000. In contrast to its peer group, Akbank charges minor fees on basic transactions. We believe that the bank has a solid potential for increasing its fee and commission revenues if it raises its fees to market rates.

The bank gives emphasis to alternative distribution channels, such as Internet banking. With 170,000 active customers as of end-1Q01, Akbank has the second highest number of Internet customers after Garanti. The low per-transaction cost of Internet business has helped to reduce Akbank's operating costs as a percentage of average earning assets. The bank has the lowest Op.Costs/AEA ratio among the big four. Akbank spent US\$ 60 mn on developing its Internet banking business in 2000.

Akbank focuses on consumer lending, credit cards, mortgage lending, asset management and individual deposits

Akbank focuses on five products, namely consumer lending, credit cards, mortgage lending, asset management and individual deposits. It plans to have market shares of 10-15% in all these products by 2005. As a first step to increasing its market share in consumer lending and credit cards, Akbank is acquiring a majority shareholding in Benkar, which issues the highly popular "Advantage Card". This card offers consumers long-term installments and high discounts in a wide variety of stores. The bank has signed a preliminary agreement with Benkar, which is the first domestic issuer of a multi-branded store card. Advantage Card has a market share of about 9% in the Turkish credit card market, more than 1.4 million cardholders and over 3,000 retail members. It also has full-scale marketing, call-center and credit risk management operations. What Benkar currently lacks is the backing of a bank to strengthen its position and enable it to expand into such areas as consumer lending and cash advances. Akbank currently has 1 mn credit

card holders and a 7% market share, so this acquisition will enable the bank to increase its overall market share to more than 15%.

The bank also gives emphasis to FX loans. Akbank's shares of the loan market were 8% and 10% in respectively 1Q00 and 4Q00. In 1Q01, it increased its share to 12%, mainly on the back of FX export financing and FX project finance loans guaranteed by the Treasury. Overall, 73% of Akbank's loans are denominated in foreign currency. Because FX loans have radically lower NPL/Loan ratios than TL loans, Akbank has the lowest NPL/Loan ratio among its peers.

Akbank is reorganizing its departmental structure and process flow. The bank started the project in February 2000 and plans to complete it by 2003. The project will help the bank to increase efficiency and control costs more effectively.

Akbank has implemented a private banking service for individual investment banking customers. The minimum investment to benefit from portfolio management services is US\$ 250,000. Although this service is quite innovative, , we believe it will be costly for the bank in the mid-run in the current economic environment.

Turkish Banking Sector

Valuation - Akbank

Our adjusted P/BV approach indicates that Akbank is almost trading at its fair value of US\$ 2,431 mn

With an estimated 2001 IAS inflation-adjusted P/BV of 1.67x and a participation value of US\$ 174 mn, Akbank is almost trading at its fair value of US\$ 2,431 mn or USc 0.49 per share. The discounted economic profit approach gives a less favorable outlook for Akbank. According to our DEP calculation, the bank is trading at a slight premium, with a target market capitalization of US\$ 1,838 mn. Comparisons with international multiples also confirm Akbank's valuation. With unadjusted P/E and P/BV multiples of 10.54x and 1.32x, the bank is trading close its international peer group averages of respectively 10.77x and 1.32x .

IAS-Adjusted Financial Tables

IAS 21(1999), IAS 29 (2000, 2001) Consolidated	1999	2000E	2001E	2002E
Balance Sheet (Including Repos US\$ mn)				
Total assets	8,606	11,618	11,967	12,804
Liquid assets	1,390	3,911	4,107	4,312
Securities	3,481	1,939	1,900	1,995
Repos	343	586	615	646
Loans	2,421	3,623	3,261	3,587
Accrued Interest	120	109	120	108
Central Bank Reserves	382	491	442	486
Equity participations	125	144	144	144
Premises and equipment	241	253	270	270
Other	103	562	1,108	1,256
Liabilities & Sh.Equity	8,606	11,618	11,967	12,804
Repos	343	586	615	646
Deposits	4,867	6,402	6,658	7,058
Borrowings	1,246	2,243	2,131	2,344
Accrued Interest Payable	166	193	234	211
Other	466	551	995	988
Shareholders' equity	1,518	1,643	1,333	1,558

IAS 21(1999), IAS 29 (2000, 2001) Consolidated	1999	2000E	2001E	2002E
Income Statement (US\$ mn)				
Net interest income	1,704	1,515	2,039	1,484
FX losses	- 196	- 354	- 1,199	- 324
Adjusted Net Interest Income	1,508	1,161	840	1,160
Provision for loan losses	- 65	- 76	- 163	- 72
N. Interest Income after provisions	1,443	1,085	677	1,088
Commission & Services	123	145	144	151
Trading income	112	53	133	66
Other	33	42	36	39
Banking income	1,711	1,325	989	1,344
Operating expenses	- 515	- 515	- 520	- 494
Banking income	1,196	810	469	850
Income from equity participations	13	12	16	5
Other gain	- 70	-	-	-
Profit before tax	1,139	822	485	855
Tax	- 388	- 271	- 160	- 282
Net income	751	551	325	573
Monetary loss	- 661	- 346	- 630	- 346
Net income after monetary loss	90	205	305	227
Net Banking Income	109	201	310	225

Source: Company Data and ATA INVEST estimates

b. GARANTI BANK - BUY

Buy one, get two free

11-May-2001

Reuters Code:	GARAN.IS
TL/US\$:	1,145,357
ISE-100 Index:	11,779
Stock Price (TL):	6,100
Stock Price (US\$):	0.005
Market Capitalization (US\$ mn):	1,384.7
Free Float Rate(%):	31
Avg. Daily Tra. Vol. (00-01) (TL mn):	17,370,881
Avg. Daily Tra. Vol. (00-01) (US\$ mn):	26.0
Current P/E:	4.1
Sectoral P/E:	7.4
ISE P/E:	7.0
MV/BV :	1.1
Industry MV/BV :	1.3

Even though Garanti's short FX position and rising NPLs as a percentage of its capital base cause concern, we issue a "BUY" recommendation for the bank based on its strong presence in alternative distribution channels and the price level of its stocks. With an IAS-adjusted P/BV of 1.04x, Garanti is trading at an unjustifiable discount to its peer group average of 1.69x.

Garanti's € 350 mn syndicated loan roll-over greatly alleviated our concerns

The bank rolled over € 350 mn of its € 400 mn loan in mid-March. Although we continue to have questions about the bank's liquidity and open FX position, the roll-over greatly alleviated our concerns. Garanti signed its €350 mn 365-day loan in London on 16 March. This was the first international loan for a Turkish company in 2001. Given the February economic crisis, which hit mid-syndication, the Garanti deal was a success. The deal was oversubscribed at the original offer of €275 mn, demonstrating Garanti's strength and relationship with its lending banks. Garanti's subsidiary, Ottoman Bank, is expected to return to the market to refinance a US\$100 mn loan on 17 May 2000. Ottoman generally pays a premium of 10bp relative to Garanti.

Garanti expects about one-third of its FX forward contracts to fail

Garanti had a net open FX position of US\$ 133 mn and US\$ 1,098 mn in net FX forward receivables as of end-2000. The bank's top management is not confident about all of these contracts, even though they were made with counter parties having S&P ratings. Garanti expects about one third of these to fail due to a material adverse change clause. We were concerned about the bank's net forward FX position to capital base ratio following the devaluation, since this ratio was 18% at the end of 2000 and the regulatory ceiling is 20%. We have learned from the bank that its ratio leaped above the limit immediately after the devaluation, but that it returned below the regulatory level by end-March 2001.

Garanti is the most efficient bank in all fields. The bank operates with a branch network of 231, which is small compared to Yapi Kredi's 424. Garanti is the leader in all per-branch efficiency figures, followed by Akbank in terms of profit per branch and by Yapi Kredi in terms of commission income, loans and core deposits. Garanti is also the leader in terms of per-employee efficiency, followed by Akbank and Yapi.

The bank's net commission income to pre-tax profit, which was 11% in 1996, rose to 21% at the end of 2000. Since 2001 is not going to be a robust year for the bank in terms of net interest income, we expect the bank to focus on commission income this year.

The bank is going through a cost cutting program. Garanti temporarily laid off about 200 personnel for the following three or four months. Also, through deterring its technology investments and branch network increasing plans, Garanti expects to cut capital expenditures by US\$ 80 mn in 2001.

Garanti's strong presence in Internet banking gives it a major cost advantage. Through its focus on Internet banking services, the bank reduced its operating costs to average earning assets ratio from 5.6% in 1999 to 4.9% in 2000. We

expect this to fall further due the bank's large and fast-growing portfolio of active Internet customers. With 292,328 active Internet banking customers, Garanti accounts for 43% of the big four's Internet customer portfolio. Moreover, Garanti's active Internet banking customers are growing by 8.4% per month, compared to 4.3% for its closest peer, Akbank. If the top four banks sustain their current growth rates, Garanti's market share in the Internet banking market will reach 60% by the end of 2005.

Garanti has the widest maturity gap of 4.7 months

Maturity mismatch causes problems in highly volatile financial environments.

At 4.7 months*, Garanti has the widest gap between the maturities of its assets and liabilities. Holding a maturity gap in favor of assets while interest rates fell was a smart strategy, but the sudden reverse caught banks with wide mismatches. We believe that Garanti will easily adapt to the current financial environment given the talent of its top management.

Garanti's liquidity position lags behind its peer group. Although Garanti's liquidity position lags behind its peers, we believe the bank will compensate for this through aggressive Treasury operations. Garanti's short-term assets (up to three months of maturity) to short-term liabilities is 50%. Its closest peer in this area is Yapi Kredi, which has a ratio of 65%.

Garanti's gross NPL/Loan ratio was the lowest among its peers until end-September 2000

Garanti's gross non-performing loan to total loan ratio was the lowest among its peers until end-September 2000.

At that date, Garanti's loans soared 41% in US\$ terms on a y-o-y basis to US\$ 3.7 bn. The growth reflected aggressive loan marketing to grab market share in an environment where returns on government securities were falling. This strategy caused the bank's G.NPL/Loan ratio to rise to 2.7% in 4Q00 from 1.5% in 3Q00, following the November liquidity crisis. Garanti projects that this ratio will reach 4.5% by end-2001, but we expect the deterioration in asset quality to be even greater due to the depth of the current economic recession.

Garanti continues to be interested in acquiring Vakifbank. With its strong TL funding base and more than 330 branches across the country, Vakifbank offers Garanti the chance for sound expansion. The government plans to sell a 50% stake in Vakifbank as a block sale as soon as the stock market recovers. Following the block sale, a further 20% is expected to be sold through an IPO. We believe the government will complete this privatization sale before the end of 2001 in order to meet its privatization targets.

There are rumors that several foreign banks are interested in acquiring stakes in Garanti. Garanti has confirmed discussions but says there are no concrete developments to date. Garanti is also said to have plans for merging Korfez, which recently bid for two SDIF banks, with Osmanli Bank. We believe that such a merger would cut costs right away and create a solid opponent for the big four.

* Assumptions and methodology are stated under IV/e section.

Turkish Banking Sector

Valuation - Garanti

With an estimated 2001 IAS inflation-adjusted P/BV of 1.04x and a participation value of US\$ 364 mn, Garanti is trading at a 40% discount to its fair value of US\$ 2,289 mn or USc 0.88 per share. The bank's fair value is slightly higher if we use the discounted economic profit approach. Based on our DEP calculation, Garanti is trading at a 41% discount to its target market capitalization of US\$ 2,333 mn. International market multiples also confirm Garanti's substantial discount. With unadjusted P/E and P/BV multiples of 5.97x and 0.85x, the bank is trading at a discount to its international peer group averages of respectively 10.77x and 1.72x.

IAS 29 Inflation-Adjusted Financial Statements

	1,999	2000A	2001E	2002E
Balance Sheet (Including Repos US\$ mn)				
Total assets	14,556	15,554	15,243	16,310
Liquid assets	1,838	2,070	2,153	2,261
Securities	4,056	4,075	3,994	4,193
Repos	1,662	939	986	1,035
Loans	4,374	5,855	5,270	5,797
Accrued Interest	1,024	795	875	787
Central Bank Reserves	428	448	403	443
Equity participations	120	156	156	156
Premises and equipment	880	1,065	990	990
Other	174	150	416	647
Liabilities & Sh.Equity	14,556	15,554	15,243	16,310
Repos	1,662	939	986	1,035
Deposits	6,791	7,378	7,452	7,899
Borrowings	2,540	3,659	3,476	3,824
Accrued Interest Payable	659	790	869	782
Other	1,500	1,151	1,322	1,425
Shareholders' equity	1,405	1,637	1,137	1,344
	1,999	2000A	2001E	2002E
Income Statement (US\$ mn)				
Net interest income	1,518	1,092	1,005	674
FX losses	- 396	- 124	- 633	- 171
Adjusted Net Interest Income	1,122	968	372	503
Provision for loan losses	- 59	- 112	- 263	- 116
N. Interest Income after provisions	1,064	856	108	387
Commission & Services	181	245	242	254
Trading income	333	358	322	644
Other	9	66	30	32
Banking income	1,587	1,526	703	1,318
Operating expenses	- 795	- 977	- 987	- 938
Banking income	793	548	285	380
Income from equity participations	4	4	2	1
Other gain or (loss)	25	79	26	-
Profit before tax	821	630	257	380
Tax	- 338	- 277	0	41
Net income	487	379	257	340
Monetary loss	- 253	- 133	- 241	- 133
Net income after monetary loss	234	232	498	207
Net Banking Income	232	230	499	207

Source: Company Data and ATA INVEST estimates

c. ISBANK – MARKET PERFORMER

11-May-2001

Reuters Code:	ISCTR.IS
TL/US\$:	1,145,357
ISE-100 Index:	11,779
Stock Price (TL):	14,750
Stock Price (US\$):	0.013
Market Capitalization (US\$ mn):	7,196.9
Free Float Rate(%):	26
Avg. Daily Tra. Vol. (00-01) (TL mn):	20,730,560
Avg. Daily Tra. Vol. (00-01) (US\$ mn):	32.6
Current P/E:	17.0
Sectoral P/E:	7.4
ISE P/E:	7.0
MV/BV :	2.9
Industry MV/BV :	1.3

Isbank is the most esteemed bank franchise in Turkey and the top safe haven stock in the ISE according to the man on the street. Although the bank is trading at a huge premium relative to the big four average of 1.69x, with an IAS-adjusted P/BV of 3.29x, Isbank deserves a **"MARKET PERFORM"** rating due to its heavy weight in the ISE-100 index.

With a huge and widely-diversified affiliate portfolio, Isbank is practically a conglomerate. The total market value of the bank's affiliates account for more than 40% of the its current market capitalization. Isbank has general plans to move all its subsidiaries under a probable Isbank Conglomerate in the coming years, though no administrative decision has yet been taken. Since the bank holds a huge amount of non-interest earning assets on its balance sheet, its operating costs as a percentage of average earning assets is 6.6%, which is substantially higher than its peer group average of 4.8%.

The bank charges a high fee even for minor transactions

Isbank is the second leading bank in terms of the contribution of net commission income to its pre-tax profit. Peer group banks generally reduce commission rates if customers bargain, but Isbank does not. As a result, its net commission income is relatively high. With a branch network of 850, customers can easily make EFT transactions to anywhere in Turkey. However, a number of those branches pull down the general performance of the company, so Isbank is the least efficient of the big four in terms of per-branch efficiency. Isbank also lags in per-employee efficiency, with the second highest ratio of personnel expenses per employee. These inefficiencies and the bureaucracy associated with holding numerous non-financial affiliates have hurt the bank's overall profitability. More recently, changes in both top management and process flows have enabled the bank to gradually improve its operating efficiency. We expect this to accelerate if Isbank succeeds in divesting some of its non-financial participations.

Isbank does not expect positive cash generation from Istim for the next seven years

The performance of Isbank's newest subsidiaries – Istim (Aria) and Petrol Ofisi – are still questionable. Isbank does not expect positive cash generation from Istim for the first seven to eight years of its 25-year license. Currently, Aria can only be accessed from Turkey's three largest cities (Ankara, Istanbul and Izmir); the company plans to reach 90% of the country over the next five years. Istim has been unable to make roaming agreements with other GSM service providers in order to gain access to new areas and we do not expect such an agreement in the short run. Aria has attracted more than 60,000 customers since it started operations on 21 March. The company has a tough target of 600,000 customers by end-2001. Istim paid a total of US\$ 3 bn for the GSM license, financing about US\$ 0.8 bn of this with equity, US\$ 0.8 bn with bank loans and the remainder with quasi-equity. Istim plans to invest an additional US\$ 2 bn in Aria's infrastructure using venture capital, which Siemens and Ericsson are likely to supply.

Isbank is planning to use Petrol Ofisi gas stations as alternative distribution channels for its banking products. Isbank will use 60% of the stations and Disbank, the banking subsidiary of its partner, the remainder. Although Isbank projects that

* Major subsidiaries are Istim (GSM1800), Siseccam (Glass Conglomerate) and Petrol Ofisi (Fuel retailer)

it will increase both efficiency and profitability through these stations, we are not so optimistic. In a dot com world, penetration in Internet banking will be the decisive factor for success. Currently, Isbank ranks third among its peer group in the number of its Internet customers. However, we project that it will fall to fourth by end-2005 if its Internet customers continue to increase at the relatively low monthly rate of 4.6%.

Isbank, like Garanti, also has some maturity mismatch problems. With a gap* of 4.3 months, Isbank's maturity mismatch is significantly higher than Akbank's figure of 1.9 months. Although the total size of Isbank's non-financial subsidiaries is below the legal limit and Isbank does not finance them with long-term funding, we do not believe it can close the gap quickly with its current line of attack.

Isbank has the highest net FX position among the big four. However, if we take into consideration the bank's balance sheet short position, which is free of forward contracts, the bank appears to have the lowest FX exposure. Because its net FX position is so high, Isbank has a high net FX/capital base ratio of 15%, which probably leaped above the legal ceiling of 20% during the devaluation.

Isbank will clearly benefit from high interest rates, due to its liquid balance sheet. Isbank is the second most cash-rich bank after Akbank. Isbank was also a net lender during the crisis. With a current assets to current liabilities ratio of 77%, Isbank will continue to improve its net interest revenues via Treasury operations in 2001, while economic activity contracts.

Historically, Isbank has had the highest gross NPL/ Assets ratio among its peers

Historically, Isbank has had the highest ratio of gross non-performing loans to assets among its peers. The bank's provisions for NPLs rose 96% in the last quarter of 2000 to a hefty US\$ 118 mn. Over the same period, the bank's gross problematic loans jumped 27%. Isbank broke with its tradition of booking full provisions for NPLs in its 4Q00 financials. If Isbank had booked full provision for NPLs, its net profit would have been US\$ 22 mn lower. We expect the bank's NPLs to rise by five percentage points in 2001 due to the contraction in industry.

* In our maturity calculations, we used the arithmetic average of maturity intervals. For items whose maturity exceeded 12 months, we assumed a conservative figure of 18 months. Obviously, the exact situation may differ from our calculations.

Turkish Banking Sector

Valuation - Isbank

With an estimated 2001 IAS inflation-adjusted P/BV of 3.29x and a huge subsidiary value of US\$ 2,402 mn, Isbank is almost trading at its fair value of US\$ 6,986 mn or USc 1.25 per share. However, the discounted economic profit approach pulls down Isbank's target value to US\$ 4,461 mn, which means that the bank is trading at a 61% premium. International market multiples also confirm Isbank's premium, although this can be misleading since we did not adjust figures for the prices or book values of affiliates. As we stated above, Isbank must be adjusted for subsidiaries because of its conglomerate status. With unadjusted P/E and P/BV multiples of 33.32x and 2.50x, Isbank is trading at a premium to international peer group averages.

IAS 29 Inflation-Adjusted Financial Statements

	1999	2000E	2001E	2002E
Balance Sheet (Including Repos US\$ mn)				
Total assets	10,415	12,706	12,579	13,460
Liquid assets	1,573	1,762	1,832	1,924
Securities	1,790	1,432	1,403	1,474
Repos	357	1,246	1,308	1,374
Loans	3,004	4,146	3,731	4,104
Accrued Interest	689	551	606	546
Central Bank Reserves	481	596	537	590
Equity participations	1,103	1,250	1,250	1,250
Premises and equipment	1,171	1,220	1,210	1,210
Other	247	503	701	988
Liabilities & Sh.Equity	10,415	12,706	12,579	13,460
Repos	357	1,246	1,308	1,374
Deposits	5,507	6,663	6,797	7,205
Borrowings	869	1,634	1,519	1,671
Accrued Interest Payable	235	192	236	212
Other	740	91	11	127
Shareholders' equity	2,707	2,880	2,708	2,871
	1999	2000E	2001E	2002E
Income Statement (US\$ mn)				
Net interest income	1,265	935	1,115	825
FX losses	- 95	- 87	- 475	- 128
Adjusted Net Interest Income	1,170	848	640	697
Provision for loan losses	- 246	- 238	- 298	- 82
N. Interest Income after provisions	924	610	341	615
Commission & Services	229	236	234	245
Trading income	159	165	85	170
Other	106	165	142	152
Banking income	1,419	1,176	802	1,182
Operating expenses	- 695	- 766	- 774	- 735
Banking income	723	410	28	447
Income from equity participations	77	84	55	18
Other gain	1	-	-	-
Profit before tax	801	494	83	466
Tax	- 282	- 163	- 27	- 181
Net income	520	331	56	285
Monetary loss	- 220	- 115	- 210	- 115
Net income after monetary loss	299	216	154	169
Net Banking Income	272	188	- 172	163

Source: Company Data & ATA INVEST estimates

d. YAPI KREDI BANK - BUY

11-May-2001

Reuters Code:	YKBNK.IS
TL/US\$:	1,145,357
ISE-100 Index:	11,779
Stock Price (TL):	5,200
Stock Price (US\$):	0.005
Market Capitalization (US\$ mn):	2,277.1
Free Float Rate(%):	42
Avg. Daily Tra. Vol. (00-01) (TL mn):	29,537,773
Avg. Daily Tra. Vol. (00-01) (US\$ mn):	44.3
Current P/E:	5.5
Sectoral P/E:	7.4
ISE P/E:	7.0
MV/BV :	0.9
Industry MV/BV :	1.3

Since Yapi Kredi has focused on loan granting as its core banking business, it was not positioned to take full advantage of the high interest rate environment subsequent to the crisis. Yapi Kredi is considerably underpriced with an adjusted P/BV of 0.77x compared to an average of 1.69x for its peer group. We issue a "BUY" recommendation for Yapi Kredi on grounds that the bank was oversold during the crisis and trades at a 55% discount to its target value.

Yapi Kredi has one of the lowest balance sheet net FX positions among its peers

Yapi Kredi carries one of the lowest balance sheet net FX positions among its peers. With a net FX position of US\$ 229 mn, the bank's Net FX/Capital Base ratio of 11% is well below the legal limit of 20%. One of the reasons why Yapi Kredi has such a strong capital base is that it changed its method for valuing its stake in Turkcell. By switching from a 'Cost Method' to 'Marking to Market Method', Yapi Kredi increased its assets by 23% in 2000 on a y-o-y basis. If the bank had continued booking Turkcell at cost, its asset growth would have been 11%. This accounting change also augmented shareholders' equity by 182% in 2000 on a y-o-y basis.

Since Yapi Kredi is strongest in real banking activities, its net commission as a percentage of pre-tax profit is predictably the highest. The bank generated a huge 37% of its pre-tax profit through net commission and fee revenues in 2000. The main reason behind this strength is both its leading position in POS machines and in credit cards. The bank has a 21% market share in the number of pos machines and a 20% market share in terms of volume and charges 2.5% to 5% commission for each transaction. Another aspect is that Yapi Kredi has a large and loyal retail customer base, which is fully satisfied by the bank's customer-oriented approach. These customers are ready to pay the required commission rate for high quality services. We project that the bank's commission income/pre-tax profit will reach the 50% level by 2003 as real interest rates gradually fall.

Yapi Kredi's efficiency figures are just slightly above its peer group average

Yapi Kredi's operating costs to average earning assets ratio of 4.6% is one of the highest among its ISE-traded peers. The bank has the highest employee per branch figure of 24, which is well above the big four average of 20. The bank needs to cut some 1,600 jobs to operate more efficiently.

Yapi Kredi is relatively less troubled by the maturity gap. With a mismatch of 3.4 months in the maturity of its assets and liabilities, Yapi Kredi is less exposed to interest rate variations than Isbank (4.3 months) or Garanti (4.7 months). We believe that the bank's talented top administration will narrow the gap in the following quarters to hedge against further economic shocks.

Since the bank has focused on core banking activities, its liquidity situation during the crisis was not as favorable as Akbank or Isbank's. Although the bank was a net lender, it was not able to benefit fully from the massive interest rates that accompanied the crisis. In the long-run, we believe that the bank's assets are well allocated.

Most banks sought to widen their consumer and corporate loan portfolios in 2000 through aggressive marketing. Yapi Kredi, whose loans to assets ratio

has historically been the highest, did not. Hence, while the average G.NPL/Loan ratio of its peers rose from 3.1% to 3.5% in the last quarter of 2000, Yapi Kredi pulled down its ratio from 4.5% to 4.3%. Although we expect the bank's problematic loans to rise in 2001, Yapi Kredi is still likely to face the smallest increase in this area.

Yapi Kredi's another strong suit is its active presence in alternative distribution channels. Although the bank has the lowest number of Internet customers among the big four, its monthly growth rate of 7.9% should move it to third position by end-2005. Serving through 1313 ATMs Yapi has the second largest number of teller machines following Isbank. Yapi adds at least two ATMs per month to strengthen its solid distribution base. On the other hand, the bank is competitive in telephone banking serving to a huge size of 311,000 customers. Yapi Kredi is also strong in other alternative distribution channels, such as WAP and digital TV banking.

Despite the unfavorable banking environment in 2000, Yapi Kredi's net interest income (adjusted for FX loss) rose 17%. This was mainly due to the decline in its huge deposit base backed funding costs. Yapi Kredi has the largest deposit base (US\$ 6.9 bn) among the domestic private banks, roughly 20% of which is composed of non-interest-bearing demand deposits.

Turkish Banking Sector

Valuation – Yapi Kredi

The bank is trading at more than a 50% discount to its fair value of US\$ 3,364 mn

With an estimated 2001 IAS inflation-adjusted P/BV of 0.77x and a participation value of US\$ 767 mn, Yapi Kredi is our top pick. The bank is trading at more than a 50% discount to its fair value of US\$ 5,054 mn or USc 1.01 per share. The discounted economic profit approach also suggests substantial upside potential for Yapi Kredi's shares. Based on our DEP calculation, Yapi Kredi is trading at a 26% discount to its target market capitalization of US\$ 3,062 mn. International market multiples also confirm Yapi Kredi's substantial discount. With unadjusted P/E and P/BV multiples of 7.49x and 0.86x, the bank is trading at a discounts to its international peer group averages of respectively 10.77x and 1.72x.

IAS 29 Inflation-Adjusted Financial Statements

	1999	2000E	2001E	2002E
Balance Sheet (Including Repos US\$ mn)				
Total assets	10,584	11,643	11,410	12,208
Liquid assets	1,579	1,706	1,774	1,863
Securities	1,479	1,538	1,507	1,582
Repos	775	638	670	703
Loans	3,570	4,355	3,920	4,312
Accrued Interest	616	625	688	619
Central Bank Reserves	429	375	338	371
Equity participations	575	575	575	575
Premises and equipment	1,303	1,290	1,250	1,250
Other	258	541	689	933
Liabilities & Sh.Equity	10,582	11,643	11,410	12,208
Repos	775	638	670	703
Deposits	6,079	6,444	6,637	7,035
Borrowings	939	1,221	1,160	1,276
Accrued Interest Payable	173	221	243	219
Other	359	469	167	273
Shareholders' equity	2,257	2,650	2,532	2,703
	1,999	2000E	2001E	2002E
Income Statement (US\$ mn)				
Net interest income	685	753	936	814
FX losses	- 128	- 98	- 493	- 133
Adjusted Net Interest Income	557	655	443	681
Provision for loan losses	- 76	- 88	- 196	- 86
N. Interest Income after provisions	481	567	247	595
Commission & Services	205	280	277	291
Trading income	211	58	52	104
Other	-	-	-	-
Banking income	897	905	577	991
Operating expenses	- 524	- 634	- 641	- 609
Banking income	372	271	64	382
Income from equity participations	21	39	35	12
Other gain	98	243	100	-
Profit before tax	491	553	71	394
Tax	- 187	- 182	- 23	- 153
Net income	304	370	47	240
Monetary loss	- 127	- 66	- 121	- 66
Net income after monetary loss	177	304	73	174
Net Banking Income	132	211	118	170

Source: Company Data and ATA INVEST estimates

VII. APPENDIX

Turkish Banking Sector

a. Top 20 Banks in Terms of Asset Size (3Q00)

	Total Assets US\$ mn	Loans/ Assets	Deposits/ Assets	Sh.Equity/ Assets
Ziraat	22,573	23%	80%	3%
Halk	13,937	15%	81%	3%
Isbank	10,916	35%	60%	21%
Yapı Kredi	10,567	39%	60%	20%
Akbank	10,035	32%	62%	11%
Garanti	9,016	38%	54%	10%
Pamukbank	6,799	55%	65%	20%
Vakif	6,167	52%	67%	8%
Emlak	5,358	33%	70%	1%
Demir	4,749	41%	77%	7%
Eximbank	3,109	89%	0%	18%
Finans	3,095	27%	50%	7%
Osmanli	2,816	26%	63%	8%
Kocbank	2,665	51%	64%	9%
Toprak	2,004	25%	57%	5%
Disbank	1,779	21%	54%	11%
Korfez	1,738	23%	56%	11%
Etibank	1,671	44%	86%	2%
TEB	1,632	22%	47%	6%
İktisat	1,506	37%	63%	7%
AVERAGE		36%	61%	9%

Source: BAT

Turkish Banking Sector

b. Syndicated Loans 2000

Name	Loan Type	Received	Maturity	Amount (mn US\$)	Spread
Garanti	Syndicated Loan	03/10/00	03/10/01	E400	50.0
Disbank	Syndicated Loan	03/22/00	03/21/01	60	85.0
Toprak	Syndicated Loan	04/10/00	04/09/01	90	80.0
Osmanli	Syndicated Loan	05/17/00	05/17/01	100	55.0
Turkexim	Syndicated Loan	05/23/00	05/22/01	160	110.0
Finansbank	Syndicated Loan	06/08/00	06/07/01	110	90.0
Vakif	Syndicated Loan	06/09/00	06/08/01	130	100.0
Disbank	Syndicated Loan	06/20/00	06/20/01	45	80.0
Alternatif	Syndicated Loan	06/22/00	06/21/01	40	110.0
Akbank	Syndicated Loan	06/23/00	06/23/01	400	50.0
TEB	Syndicated Loan	06/26/00	06/25/01	80	65.0
Garanti	Syndicated Loan	07/07/00	07/06/01	400	47.5
Yapi Kredi	Syndicated Loan	07/11/00	07/11/01	450	50.0
Koc	Syndicated Loan	07/13/00	07/12/01	220	55.0
Demir	Syndicated Loan	07/17/00	07/17/01	110	75.0
Korfez	Syndicated Loan	07/21/00	07/20/01	100	75.0
Isbank	Syndicated Loan	08/17/00	08/18/01	500	45.0
Finansbank	USCP	08/24/00	08/24/01	85	90.0
TEB	Syndicated Loan	09/15/00	09/15/01	100	60.0
Tekstil	Syndicated Loan	09/20/00	09/20/01	25	100.0
Yapi Kredi	Self Arranged/Club Loan	09/29/00	09/29/01	300	50.0
Turkexim	Syndicated Loan	10/03/00	10/03/01	220	95.0
Turkexim	Syndicated Loan	10/03/00	10/03/01	220	95.0
HSBC	Syndicated Loan	10/06/00	10/06/01	100	42.5
Akbank	Syndicated Loan	10/13/00	10/13/01	350	50.0
Denizbank	Syndicated Loan	10/13/00	10/13/01	35	110.0
Akbank	Syndicated Loan	10/13/00	10/13/01	350	50.0
Denizbank	Syndicated Loan	10/13/00	10/13/01	35	110.0
Osmanli	Club Deal	10/27/00	10/27/01	120	55.0
Garanti	USCP	10/27/00	10/29/01	225	45.0
Alternatif	Syndicated Loan	11/17/00	11/16/01	35	90.0
Demir	Syndicated Loan	11/22/00	11/21/01	140	70.0
Korfez	Syndicated Loan	12/01/00	12/01/01	100	75.0
Kocbank	Syndicated Loan	12/01/00	12/01/01	220	50.0
Pamukbank	Syndicated Loan	12/01/00	12/01/01	100	85.0
Vakif	Syndicated Loan	12/15/00	12/15/01	75	85.0
Isbank	Syndicated Loan	12/18/00	12/18/01	275	45.0
TOTAL				6,505	

Financial Tables & Ratios

Turkish Banking Sector

Akbank

BALANCE SHEET (TL mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	98,687,000	88,415,410	73,055,114	39,338,455
Central Bank	4,511,000	3,502,505	1,452,797	6,195,414
Due From Banks	2,333,322,000	600,796,915	277,933,349	105,252,601
Interbank Money Market	293,370,000	55,597,834	41,311,040	-
Securities Portfolio (Net)	645,187,000	1,281,830,721	535,379,186	246,860,760
Reserve Deposits	325,413,000	206,278,238	123,784,792	66,830,212
Loans (Net)	2,630,090,000	1,376,895,429	864,100,159	438,908,765
Non-Performing Loans (Net)	5,957,000	8,378,965	6,701,119	1,988,577
Bonds Funding Legal Reserves	-	-	25,280,402	10,145,338
Accrued Interest Income	291,436,000	398,875,203	192,842,144	130,775,178
Other Receivables	145,180,000	39,797,984	50,977,539	31,554,978
Participations (Net)	29,577,000	23,097,349	12,754,515	4,863,281
Subsidiaries(Net)	11,184,000	1,511,185	2,001,185	1,001,225
Subsidiary Securities	395,656,000	173,123,290	84,415,263	36,755,809
Premises and Equipment (Net)	137,644,000	85,160,865	50,799,800	25,542,356
Other Assets	15,275,000	14,062,740	64,096,038	29,738,802
Total Assets	7,357,978,000	4,353,822,128	2,405,431,645	1,169,556,337
TOTAL LIAB. AND S. EQUITY (TL mn)				
Deposits	4,375,895,000	2,601,194,542	1,434,126,373	749,963,770
Interbank Money Market	27,577,000	19,623,402	11,000,000	5,000,000
Central Bank	-	-	-	-
Other Credits	1,526,610,000	653,534,404	264,584,725	99,064,767
Public Funds	-	-	-	-
Accrued Interest Expense	155,848,000	89,113,321	72,398,598	39,685,076
Taxes and Other Expenses Payable	22,398,000	12,981,430	6,206,064	3,224,935
Other Liabilities	23,178,000	19,011,759	9,285,711	6,674,617
Bonds	-	-	-	-
Asset Back Securities	-	-	-	-
Provisions	116,071,000	174,513,458	145,307,170	57,354,088
Other	1,540,000	1,013,618	112,500	7,786
Shareholder's Equity	1,082,111,000	758,277,320	450,537,974	200,928,283
Paid-Up Capital	500,000,000	250,000,000	125,000,000	50,000,000
Reserves	189,531,000	159,514,979	52,108,521	24,480,228
Miscellaneous Expenses Allocation	-	-	7,769,288	3,278,411
Revaluation Funds	48,974,000	30,375,542	67,762,441	33,352,088
Loss (-)	-	-	-	-
Income	343,606,000	318,386,799	197,897,724	89,817,556
Total Liabilities	7,357,978,000	4,353,822,128	2,405,431,645	1,169,556,337
INCOME STATEMENT	2000/12	1999/12	1998/12	1997/12
INTEREST INCOME	1,413,780,000	1,111,079,110	632,968,654	302,055,395
Interest On Loans	508,967,000	366,129,479	270,590,598	120,223,012
On Reserve Deposits	-	-	-	106,454
Interest On Banks	589,884,000	57,169,692	17,368,343	6,468,399
Interbank Money Market	18,600,000	14,845,414	7,073,521	94,608
Interest On Securities Portfolio	295,588,000	648,797,739	315,972,170	163,970,823
Other Interest Income	741,000	24,136,786	21,964,022	11,192,099
INTEREST EXPENSES	468,797,000	432,182,738	228,424,625	115,004,412
Interest On Deposits	381,457,000	395,841,950	209,838,893	108,197,898
Interests Given To Interbank Trading	9,642,000	8,938,341	4,392,765	2,797,784
Interest On Funds Borrowed From	77,446,000	27,200,088	13,816,613	3,134,935
Interest On debt Instruments Issued	-	-	-	-
Other Interest Expenses	252,000	202,359	376,354	873,795
NON INTEREST REVENUES/EXPENSES				
Foreign Exchange Gain	1,947,537,000	597,712,100	406,679,542	126,900,993
Foreign Exchange Losses	2,168,064,000	670,873,772	439,914,769	152,181,119
Fees & Commissions Received	90,529,000	50,528,952	24,418,610	10,377,021
Fees & Commissions Paid (-)	48,713,000	47,593,475	20,022,657	7,547,566
Other Non-Interest Revenues	104,142,000	64,870,134	13,742,949	5,877,346
Other Non-Interest Expenses (-)	357,134,000	195,993,218	102,293,500	22,659,141
Provision For Loan Losses (-)	24,729,000	21,534,496	8,050,299	427,175
Pretax Profit	513,280,000	477,547,093	287,154,204	130,746,725
Tax	169,674,000	159,160,294	89,256,480	40,929,169
Net Profit	343,606,000	318,386,799	197,897,724	89,817,556

AKBANK

Turkish Banking Sector

Akbank

BALANCE SHEET (US\$ mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	147	164	233	198
Central Bank	7	7	5	31
Due From Banks	3,483	1,116	886	529
Interbank Money Market	438	103	132	-
Securities Portfolio (Net)	963	2,382	1,707	1,240
Reserve Deposits	486	383	395	336
Loans (Net)	3,926	2,558	2,754	2,205
Non-Performing Loans (Net)	9	16	21	10
Bonds Funding Legal Reserves	-	-	81	51
Accrued Interest Income	435	741	615	657
Other Receivables	217	74	163	159
Participations (Net)	44	43	41	24
Subsidiaries(Net)	17	3	6	5
Subsidiary Securities	591	322	269	185
Premises and Equipment (Net)	205	158	162	128
Other Assets	23	26	204	149
Total Assets	10,983	8,090	7,668	5,876
TOTAL LIAB. AND S. EQUITY (US\$ mn)				
Deposits	6,532	4,833	4,572	3,768
Interbank Money Market	41	36	35	25
Other Credits	2,279	1,214	843	498
Public Funds	-	-	-	-
Accrued Interest Expense	233	166	231	199
Taxes and Other Expenses Payable	33	24	20	16
Other Liabilities	35	35	30	34
Bonds	-	-	-	-
Provisions	173	324	463	288
Other	2	2	0	0
Shareholder's Equity	1,615	1,409	1,436	1,009
Paid-Up Capital	746	465	398	251
Reserves	283	296	166	123
Miscellaneous Expenses Allocation	-	-	25	16
Revaluation Funds	73	56	216	168
Loss (-)	-	-	-	-
Income	550	757	758	594
FX Conversion Adjustment	(37)	(165)	(127)	(143)
Total Liabilities	10,983	8,090	7,668	5,876
INCOME STATEMENT	2000/12	1999/12	1998/12	1997/12
INTEREST INCOME	2,263	2,641	2,423	1,997
Interest On Loans	815	870	1,036	795
Interest On Banks	944	136	66	43
Interbank Money Market	30	35	27	1
Interest On Securities Portfolio	473	1,542	1,209	1,084
Other Interest Income	1	57	84	74
INTEREST EXPENSES	750	1,027	874	760
Interest On Deposits	611	941	803	715
Interests Given To Interbank Trading	15	21	17	19
Interest On Funds Borrowed From	124	65	53	21
Other Interest Expenses	0	0	1	6
NON INTEREST REVENUES/EXPENSES	353	174	127	167
Foreign Exchange Gain	3,118	1,421	1,557	839
Foreign Exchange Losses	3,471	1,594	1,684	1,006
Fees & Commissions Received	145	120	93	69
Fees & Commissions Paid (-)	78	113	77	50
Other Non-Interest Revenues	167	154	53	39
Other Non-Interest Expenses (-)	572	466	392	150
Provision For Loan Losses (-)	40	51	31	3
Pretax Profit	822	1,135	1,099	865
Tax	272	378	342	271
Net Profit	550	757	758	594

AKBANK

Akbank

Adjustments & Ratios AKBNK	2000/12	1999/12	1998/12
Profitability			
Net Interest Spread (Adj.)	8.0%	14.2%	16.5%
Net Interest Margin (Adj.)	14.9%	23.4%	27.8%
ROaA	6%	10%	11%
ROaE	36%	53%	62%
IEA/IBL	104%	105%	108%
IEA/Assets	84%	79%	77%
IBL/Assets	81%	75%	71%
Effective Tax Rate	33%	33%	31%
Operating			
Fees & Commissions Received/AEA	2%	2%	2%
Fees & Commissions Paid/AIBL	1%	2%	2%
Net Non-Int. Expenses/Pretax Profit	49%	27%	31%
Net Non-Int. Expenses/AEA	5%	5%	7%
Asset Allocation			
Due From Banks/Assets	32%	14%	12%
Trading&Investment Securities/Assets	14%	33%	26%
Loans/Assets	36%	32%	36%
Subsidiaries/Assets	1%	1%	1%
Premises and Equipment/Assets	5%	6%	6%
Other/Assets	13%	14%	20%
TOTAL	100%	100%	100%
Funding Structure			
Deposits/Assets	59%	60%	60%
Interbank Money Market/Assets	0%	0%	0%
Borrowings/Assets	21%	15%	11%
Sh.Equity/Assets	15%	17%	19%
Other/Assets	5%	7%	10%
TOTAL	100%	100%	100%
Growth Rates			
Assets	36%	6%	31%
Loans	53%	-7%	25%
Trading Securities	-60%	40%	38%
Investment Portfolio	84%	20%	46%
Deposits	35%	6%	21%
Other Credits	88%	44%	69%
Shareholders' Equity	15%	-2%	42%
Net Profit Growth	-27%	0%	28%
Net Interest Inc. Growth	-19%	1%	33%
Adjustments			
Interest Earning Assets (US\$ mn)	9,180	6,404	5,879
Interest Bearing Liabilities (US\$ mn)	8,851	6,084	5,450
Adj. Interest Income (US\$ mn)	5,381	4,061	3,980
Adj. Interest Expense (US\$ mn)	4,221	2,622	2,558
Adj. Net Interest Income (US\$ mn)	1,160	1,440	1,421

AKBANK

Turkish Banking Sector

Garanti Bank

BALANCE SHEET (TL mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	50,461,000	43,743,282	20,836,791	17,804,032
Central Bank	92,699,000	63,432,326	21,147,822	24,840,931
Due From Banks	891,949,000	461,045,971	408,502,095	140,717,048
Interbank Money Market	-	-	-	-
Securities Portfolio (Net)	954,818,000	1,152,073,737	463,568,171	169,168,522
Reserve Deposits	236,291,000	167,820,324	61,294,209	29,421,540
Loans (Net)	2,511,772,000	1,421,857,237	917,863,895	592,185,824
Non-Performing Loans (Net)	5,695,000	-	-	-
Bonds Funding Legal Reserves	-	-	12,704,115	6,683,507
Accrued Interest Income	259,776,000	458,014,129	189,753,665	98,448,987
Other Receivables	8,072,000	4,233,505	1,973,865	634,091
Participations (Net)	81,389,000	104,277,797	1,794,232	1,285,283
Subsidiaries(Net)	326,833,000	242,893,753	38,005,830	21,542,736
Subsidiary Securities	848,328,000	197,903,473	51,125,866	51,763,237
Premises and Equipment (Net)	313,628,000	201,739,142	117,111,971	43,921,819
Other Assets	120,689,000	76,799,322	67,770,811	19,126,780
Total Assets	6,609,701,000	4,532,401,672	2,352,305,516	1,192,703,406
TOTAL LIAB. AND S. EQUITY (TL mn)				
Deposits	3,437,096,000	2,393,913,492	1,297,322,993	514,690,449
Interbank Money Market	225,066,000	116,584,300	11,000,000	-
Central Bank	-	-	-	-
Other Credits	1,767,793,000	1,103,947,359	510,169,151	394,910,046
Public Funds	-	-	-	-
Accrued Interest Expense	101,995,000	101,096,714	42,362,838	24,078,036
Taxes and Other Expenses Payable	19,580,000	12,084,558	4,939,966	2,717,258
Other Liabilities	65,002,000	33,140,212	16,920,153	9,209,419
Bonds	-	23,777,359	50,023,922	94,911,361
Asset Back Securities	-	-	-	129,613
Provisions	41,698,000	92,101,759	58,303,600	1,218,205
Other	11,367,000	33,777,068	10,835,454	1,106,078
Shareholder's Equity	817,700,000	586,554,416	288,353,007	128,077,804
Paid-Up Capital	260,000,000	260,000,000	50,000,000	40,000,000
Reserves	201,956,000	32,202,077	63,155,962	6,099,477
Miscellaneous Expenses Allocation	-	-	4,858,793	1,848,488
Revaluation Funds	150,457,000	113,253,691	40,263,431	19,923,752
Loss (-)	-	-	-	-
Income	205,287,000	181,098,648	130,074,821	60,206,087
Total Liabilities	6,609,701,000	4,532,401,672	2,352,305,516	1,192,703,406
INCOME STATEMENT	2000/12	1999/12	1998/12	1997/12
INTEREST INCOME	1,128,109,000	1,099,877,737	595,977,335	220,445,906
Interest On Loans	517,830,000	361,268,981	244,941,428	113,391,497
On Reserve Deposits	-	-	-	-
Interest On Banks	146,244,000	79,489,913	49,765,410	12,029,081
Interbank Money Market	737,000	212,381	3,755,503	112,219
Interest On Securities Portfolio	447,347,000	639,224,873	281,524,071	88,406,897
Other Interest Income	15,951,000	19,681,589	15,990,923	6,506,212
INTEREST EXPENSES	669,378,000	606,098,324	261,222,660	77,764,359
Interest On Deposits	526,266,000	500,012,215	199,257,182	51,629,244
Interests Given To Interbank Trading	14,490,000	10,466,445	3,269,532	4,010,070
Interest On Funds Borrowed From	126,719,000	85,018,382	49,518,496	16,238,054
Interest On debt Instruments Issued	1,003,000	9,629,349	8,736,723	5,690,875
Other Interest Expenses	900,000	971,933	440,727	196,116
NON INTEREST REVENUES/EXPENSES				
Foreign Exchange Gain	895,718,000	472,676,099	75,110,949	16,075,494
Foreign Exchange Losses	960,157,000	598,680,642	128,242,033	62,206,142
Fees & Commissions Received	120,901,000	61,836,519	28,891,334	12,830,834
Fees & Commissions Paid (-)	65,068,000	39,768,999	17,817,706	7,611,331
Other Non-Interest Revenues	315,678,000	96,936,910	29,805,801	5,702,818
Other Non-Interest Expenses (-)	500,540,000	243,691,114	121,387,714	17,430,513
Provision For Loan Losses (-)	33,384,000	16,448,572	7,539,740	3,628,440
Pretax Profit	265,263,000	243,088,186	201,115,306	71,984,638
Tax	59,976,000	61,989,538	71,040,485	11,778,551
Net Profit	205,287,000	181,098,648	130,074,821	60,206,087

GARANTI

Turkish Banking Sector

Garanti Bank

BALANCE SHEET (US\$ mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	75	81	66	89
Central Bank	138	118	67	125
Due From Banks	1,331	857	1,302	707
Securities Portfolio (Net)	1,425	2,141	1,478	850
Reserve Deposits	353	312	195	148
Loans (Net)	3,749	2,642	2,926	2,975
Non-Performing Loans (Net)	9	-	-	-
Bonds Funding Legal Reserves	-	-	40	34
Accrued Interest Income	388	851	605	495
Other Receivables	12	8	6	3
Participations (Net)	121	194	6	6
Subsidiaries(Net)	488	451	121	108
Subsidiary Securities	1,266	368	163	260
Premises and Equipment (Net)	468	375	373	221
Other Assets	180	143	216	96
Total Assets	9,866	8,421	7,498	5,992
TOTAL LIAB. AND S. EQUITY (US\$ mn)				
Deposits	5,130	4,448	4,135	2,586
Interbank Money Market	336	217	35	-
Central Bank	-	-	-	-
Other Credits	2,639	2,051	1,626	1,984
Public Funds	-	-	-	-
Accrued Interest Expense	152	188	135	121
Taxes and Other Expenses Payable	29	22	16	14
Other Liabilities	97	62	54	46
Bonds	-	44	159	477
Provisions	62	171	186	6
Other	17	63	35	6
Shareholder's Equity	1,221	1,090	919	643
Paid-Up Capital	388	483	159	201
Reserves	301	60	201	31
Miscellaneous Expenses Allocation	-	-	15	9
Revaluation Funds	225	210	128	100
Loss (-)	-	-	-	-
Income	329	430	498	398
FX Conversion Adjustment	(22)	(94)	(83)	(96)
Total Liabilities	9,866	8,421	7,498	5,992
INCOME STATEMENT	2000/12	1999/12	1998/12	1997/12
INTEREST INCOME	1,806	2,614	2,281	1,458
Interest On Loans	829	859	938	750
Interest On Banks	234	189	190	80
Interbank Money Market	1	1	14	1
Interest On Securities Portfolio	716	1,519	1,078	585
Other Interest Income	26	47	61	43
INTEREST EXPENSES	1,072	1,440	1,000	514
Interest On Deposits	842	1,188	763	341
Interests Given To Interbank Trading	23	25	13	27
Interest On Funds Borrowed From	203	202	190	107
Interest On debt Instruments Issued	2	23	33	38
Other Interest Expenses	1	2	2	1
NON INTEREST REVENUES/EXPENSES	103	299	203	305
Foreign Exchange Gain	1,434	1,123	288	106
Foreign Exchange Losses	1,537	1,423	491	411
Fees & Commissions Received	194	147	111	85
Fees & Commissions Paid (-)	104	95	68	50
Other Non-Interest Revenues	505	230	114	38
Other Non-Interest Expenses (-)	801	579	465	115
Provision For Loan Losses (-)	53	39	29	24
Pretax Profit	425	578	770	476
Tax	96	147	272	78
Net Profit	329	430	498	398

GARANTI

Garanti Bank

Adjustments & Ratios GARAN	2000/12	1999/12	1998/12
Profitability			
Net Interest Spread (Adj.)	12.1%	12.5%	15.3%
Net Interest Margin (Adj.)	10.0%	15.0%	20.3%
ROaA	4%	5%	7%
ROaE	28%	43%	64%
IEA/IBL	83%	87%	101%
IEA/Assets	68%	69%	78%
IBL/Assets	82%	80%	77%
Effective Tax Rate	23%	26%	35%
Operating			
Fees & Commissions Received/AEA	3%	3%	2%
Fees & Commissions Paid/AIBL	1%	2%	1%
Net Non-Int. Expenses/Pretax Profit	70%	60%	46%
Net Non-Int. Expenses/AEA	5%	6%	7%
Asset Allocation			
Due From Banks/Assets	13%	10%	17%
Trading&Investment Securities/Assets	27%	30%	22%
Loans/Assets	38%	31%	39%
Subsidiaries/Assets	6%	8%	2%
Premises and Equipment/Assets	12%	14%	13%
Other/Assets	3%	7%	7%
TOTAL	100%	100%	100%
Funding Structure			
Deposits/Assets	52%	53%	55%
Interbank Money Market/Assets	3%	3%	0%
Borrowings/Assets	27%	24%	22%
Sh.Equity/Assets	12%	13%	12%
Other/Assets	5%	7%	10%
TOTAL	100%	100%	100%
Growth Rates			
Assets	17%	12%	25%
Loans	42%	-10%	-2%
Trading Securities	-33%	45%	74%
Investment Portfolio	244%	126%	-37%
Deposits	15%	8%	60%
Other Credits	29%	26%	-18%
Shareholders' Equity	12%	19%	43%
Net Profit Growth	-24%	-14%	25%
Net Interest Inc. Growth	-28%	-19%	69%
Adjustments			
Interest Earning Assets (US\$ mn)	6,731	5,846	5,846
Interest Bearing Liabilities (US\$ mn)	8,105	6,716	5,797
Adj. Interest Income (US\$ mn)	3,240	3,737	2,569
Adj. Interest Expense (US\$ mn)	2,609	2,863	1,491
Adj. Net Interest Income (US\$ mn)	631	874	1,078

GARANTI

Turkish Banking Sector

Isbank

BALANCE SHEET (TL mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	114,795,577	90,984,945	50,694,159	36,413,698
Central Bank	6,980,994	27,114,068	2,719,297	3,007,583
Due From Banks	787,519,333	544,118,669	211,474,238	177,218,909
Interbank Money Market	178,973,464	212,639,208	37,166,137	15,664,187
Securities Portfolio (Net)	718,313,575	884,041,999	266,010,476	141,564,850
Reserve Deposits	419,025,000	260,238,295	147,708,775	89,581,849
Loans (Net)	2,907,985,792	1,624,603,468	1,137,211,470	639,963,670
Non-Performing Loans (Net)	20,290,944	-	-	-
Bonds Funding Legal Reserves	-	-	18,964,391	7,892,734
Accrued Interest Income	312,355,000	403,479,444	129,362,514	82,792,442
Other Receivables	34,527,000	21,858,121	17,921,373	13,943,319
Participations (Net)	155,274,774	24,929,497	12,115,827	5,324,772
Subsidiaries(Net)	993,435,000	340,899,070	177,939,435	60,440,863
Subsidiary Securities	666,553,000	85,086,883	21,833,959	6,207,883
Premises and Equipment (Net)	400,461,999	213,614,393	93,391,363	52,507,158
Other Assets	69,523,801	48,437,105	31,803,502	16,326,444
Total Assets	7,771,756,574	4,751,596,412	2,352,113,321	1,345,083,877
TOTAL LIAB. AND S. EQUITY (TL mn)				
Deposits	4,643,184,532	2,969,094,132	1,534,183,961	921,730,350
Interbank Money Market	45,415,344	105,688,540	15,190,172	2,583,470
Central Bank	-	-	-	-
Other Credits	887,189,000	364,001,574	174,717,381	106,272,071
Public Funds	-	-	-	-
Accrued Interest Expense	134,011,000	126,972,071	46,896,961	29,188,277
Taxes and Other Expenses Payable	32,135,304	18,966,315	8,269,676	4,072,118
Other Liabilities	22,977,000	33,586,635	25,331,232	16,133,299
Bonds	-	-	-	-
Asset Back Securities	-	-	-	-
Provisions	127,432,000	185,570,796	70,375,894	26,934,353
Other	20,400,000	55,209,864	12,259,864	3,509,864
Shareholder's Equity	1,636,928,187	832,396,061	417,530,686	192,083,511
Paid-Up Capital	557,287,108	278,560,803	126,528,273	50,512,008
Reserves	149,369,543	107,680,571	55,382,209	25,639,290
Miscellaneous Expenses Allocation	-	-	-	2,724,479
Revaluation Funds	674,708,536	194,831,756	100,509,164	32,083,444
Loss (-)	-	-	-	-
Income	255,563,000	251,322,931	135,111,040	81,124,290
Total Liabilities	7,771,756,574	4,751,596,412	2,352,113,321	1,345,083,877
INCOME STATEMENT				
INTEREST INCOME	1,126,904,704	1,015,838,354	517,902,398	272,468,774
Interest On Loans	628,604,945	487,282,060	310,025,116	156,376,070
On Reserve Deposits	850,714	254,470	137,180	84,605
Interest On Banks	40,151,000	25,007,670	21,245,844	10,798,782
Interbank Money Market	37,237,235	22,151,414	15,994,685	3,303,293
Interest On Securities Portfolio	410,625,909	446,155,396	148,932,242	92,120,641
Other Interest Income	10,006,490	35,343,353	21,869,786	9,939,113
INTEREST EXPENSES	561,728,744	442,030,564	231,552,567	117,355,026
Interest On Deposits	506,068,565	417,806,885	218,115,096	109,119,575
Interests Given To Interbank Trading	5,494,649	3,188,107	879,386	281,798
Interest On Funds Borrowed From	46,770,559	20,098,117	12,202,180	7,256,960
Interest On debt Instruments Issued	-	-	-	36,297
Other Interest Expenses	3,394,971	937,455	355,904	660,912
NON INTEREST REVENUES/EXPENSES				
Foreign Exchange Gain	1,433,582,000	491,996,868	77,804,911	59,965,012
Foreign Exchange Losses	1,494,055,000	532,892,486	105,038,572	80,893,772
Fees & Commissions Received	147,264,270	97,938,398	50,980,686	21,147,291
Fees & Commissions Paid (-)	32,999,436	21,257,932	6,580,940	2,668,124
Other Non-Interest Revenues	349,307,445	197,888,304	87,825,518	42,413,189
Other Non-Interest Expenses (-)	629,837,017	396,493,249	178,055,153	16,637,359
Provision For Loan Losses (-)	72,846,974	98,733,921	19,262,930	9,000,999
Pretax Profit	339,905,228	412,404,393	214,053,146	117,019,277
Tax	87,980,423	164,660,281	80,865,547	37,049,872
Net Profit	251,924,805	247,744,112	133,187,599	79,969,405

ISBANK

Turkish Banking Sector

Isbank

BALANCE SHEET (US\$ mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	171	169	162	183
Central Bank	10	50	9	15
Due From Banks	1,175	1,011	674	890
Interbank Money Market	267	395	118	79
Securities Portfolio (Net)	1,072	1,643	848	711
Reserve Deposits	625	484	471	450
Loans (Net)	4,340	3,019	3,625	3,215
Non-Performing Loans (Net)	30	-	-	-
Bonds Funding Legal Reserves	-	-	60	40
Accrued Interest Income	466	750	412	416
Other Receivables	52	41	57	70
Participations (Net)	232	46	39	27
Subsidiaries(Net)	1,483	633	567	304
Subsidiary Securities	995	158	70	31
Premises and Equipment (Net)	598	397	298	264
Other Assets	104	90	101	82
Total Assets	11,600	8,829	7,498	6,757
TOTAL LIAB. AND S. EQUITY (US\$ mn)				
Deposits	6,930	5,517	4,890	4,631
Interbank Money Market	68	196	48	13
Other Credits	1,324	676	557	534
Public Funds	-	-	-	-
Accrued Interest Expense	200	236	149	147
Taxes and Other Expenses Payable	48	35	26	20
Other Liabilities	34	62	81	81
Bonds	-	-	-	-
Provisions	190	345	224	135
Other	30	103	39	18
Shareholder's Equity	2,443	1,547	1,331	965
Paid-Up Capital	832	518	403	254
Reserves	223	200	177	129
Miscellaneous Expenses Allocation	-	-	-	14
Revaluation Funds	1,007	362	320	161
Income	403	589	510	529
FX Conversion Adjustment	(22)	(122)	(79)	(121)
Total Liabilities	11,600	8,829	7,498	6,757
INCOME STATEMENT	2000/12	1999/12	1998/12	1997/12
INTEREST INCOME	1,804	2,414	1,982	1,802
Interest On Loans	1,006	1,158	1,187	1,034
On Reserve Deposits	1	1	1	1
Interest On Banks	64	59	81	71
Interbank Money Market	60	53	61	22
Interest On Securities Portfolio	657	1,060	570	609
Other Interest Income	16	84	84	66
INTEREST EXPENSES	899	1,051	886	776
Interest On Deposits	810	993	835	722
Interests Given To Interbank Trading	9	8	3	2
Interest On Funds Borrowed From	75	48	47	48
Other Interest Expenses	5	2	1	4
NON INTEREST REVENUES/EXPENSES	97	97	104	138
Foreign Exchange Gain	2,295	1,169	298	397
Foreign Exchange Losses	2,392	1,266	402	535
Fees & Commissions Received	236	233	195	140
Fees & Commissions Paid (-)	53	51	25	18
Other Non-Interest Revenues	559	470	336	280
Other Non-Interest Expenses (-)	1,008	942	682	110
Provision For Loan Losses (-)	117	235	74	60
Pretax Profit	544	980	819	774
Tax	141	391	310	245
Net Profit	403	589	510	529

ISBANK

Isbank

Adjustments & Ratios ISCTR	2000/12	1999/12	1998/12
Profitability			
Net Interest Spread (Adj.)	11.3%	15.6%	15.0%
Net Interest Margin (Adj.)	12.0%	21.4%	18.6%
ROaA	4%	7%	7%
ROaE	20%	41%	44%
IEA/IBL	85%	99%	100%
IEA/Assets	61%	72%	73%
IBL/Assets	72%	72%	73%
Effective Tax Rate	26%	40%	38%
Operating			
Fees & Commissions Received/AEA	4%	4%	4%
Fees & Commissions Paid/AIBL	1%	1%	0%
Net Non-Int. Expenses/Pretax Profit	83%	48%	42%
Net Non-Int. Expenses/AEA	7%	8%	6%
Asset Allocation			
Due From Banks/Assets	10%	11%	9%
Trading&Investment Securities/Assets	18%	20%	12%
Loans/Assets	37%	34%	48%
Subsidiaries/Assets	15%	8%	8%
Premises and Equipment/Assets	14%	13%	8%
Other/Assets	6%	13%	14%
TOTAL	100%	100%	100%
Funding Structure			
Deposits/Assets	60%	62%	65%
Interbank Money Market/Assets	1%	2%	1%
Borrowings/Assets	11%	8%	7%
Sh.Equity/Assets	21%	18%	18%
Other/Assets	7%	10%	9%
TOTAL	100%	100%	100%
Growth Rates			
Assets	31%	18%	11%
Loans	44%	-17%	13%
Trading Securities	-35%	94%	19%
Investment Portfolio	529%	127%	123%
Deposits	26%	13%	6%
Other Credits	96%	21%	4%
Shareholders' Equity	58%	16%	38%
Net Profit Growth	-32%	15%	-4%
Net Interest Inc. Growth	-36%	28%	12%
Adjustments			
Interest Earning Assets (US\$ mn)	7,089	6,327	5,493
Interest Bearing Liabilities (US\$ mn)	8,322	6,389	5,496
Adj. Interest Income (US\$ mn)	4,099	3,584	2,280
Adj. Interest Expense (US\$ mn)	3,291	2,317	1,288
Adj. Net Interest Income (US\$ mn)	808	1,267	992

ISBANK

Turkish Banking Sector

Yapi Kredi Bank

BALANCE SHEET (TL mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	78,898,000	59,472,567	44,167,132	27,149,796
Central Bank	113,951,000	65,396,524	44,459,978	19,837,888
Due From Banks	1,204,108,000	895,712,417	220,238,441	121,929,672
Interbank Money Market	-	1,000,000	9,330,000	-
Securities Portfolio (Net)	882,481,000	681,210,264	257,110,405	133,145,898
Reserve Deposits	317,568,000	230,697,338	81,579,975	48,993,086
Loans (Net)	2,944,605,000	1,942,465,390	1,211,798,299	641,648,969
Non-Performing Loans (Net)	67,942,000	63,244,426	28,726,464	6,813,621
Bonds Funding Legal Reserves	-	-	9,716,712	4,624,658
Accrued Interest Income	318,719,000	412,403,444	277,314,953	129,126,915
Other Receivables	4,502,000	6,696,436	11,294,828	7,997,329
Participations (Net)	764,236,000	66,060,165	18,482,089	9,953,855
Subsidiaries(Net)	138,417,000	105,305,694	55,533,057	22,108,940
Subsidiary Securities	349,751,000	117,382,555	872,953	666,988
Premises and Equipment (Net)	355,390,000	217,756,807	133,068,071	63,504,928
Other Assets	82,060,000	95,454,057	65,751,718	22,810,250
Total Assets	7,508,677,000	4,895,094,715	2,425,220,763	1,240,474,905
TOTAL LIAB. AND S. EQUITY (TL mn)				
Deposits	4,613,757,000	3,495,377,000	1,717,068,243	901,535,632
Interbank Money Market	43,350,000	22,100,000	13,250,000	1,000,000
Central Bank	-	-	-	-
Other Credits	790,727,000	483,323,915	219,350,024	101,231,548
Public Funds	-	-	-	-
Accrued Interest Expense	148,034,000	94,580,652	67,092,276	28,015,371
Taxes and Other Expenses Payable	22,237,000	15,957,504	9,951,601	4,868,054
Other Liabilities	73,506,000	22,560,009	23,332,463	16,055,412
Bonds	-	-	-	-
Asset Back Securities	-	-	-	-
Provisions	61,294,000	112,310,629	36,369,973	10,367,885
Other	-	-	-	-
Shareholder's Equity	1,663,699,000	612,681,786	322,757,359	160,911,532
Paid-Up Capital	501,563,000	239,982,358	133,323,532	60,066,468
Reserves	35,219,000	26,599,850	8,664,576	3,939,356
Miscellaneous Expenses Allocation	-	-	2,835,422	1,341,808
Revaluation Funds	870,771,000	134,822,982	92,814,545	33,856,398
Loss (-)	-	-	-	-
Income	256,146,000	211,276,596	85,119,284	61,707,502
Total Liabilities	7,508,677,000	4,895,094,715	2,425,220,763	1,240,474,905
INCOME STATEMENT	2000/12	1999/12	1998/12	1997/12
INTEREST INCOME	1,076,188,000	931,685,327	497,960,605	222,532,234
Interest On Loans	726,735,000	591,375,264	362,875,405	178,966,464
On Reserve Deposits	-	-	-	-
Interest On Banks	69,163,000	47,771,943	12,484,315	10,729,499
Interbank Money Market	34,350,000	21,882,181	20,705,372	7,586,206
Interest On Securities Portfolio	234,144,000	261,126,804	92,039,242	20,449,419
Other Interest Income	11,796,000	9,529,135	9,856,271	4,800,646
INTEREST EXPENSES	604,213,000	643,091,399	308,282,291	132,188,900
Interest On Deposits	456,916,000	555,992,203	277,793,366	120,418,680
Interests Given To Interbank Trading	35,811,000	14,468,264	11,302,880	6,016,639
Interest On Funds Borrowed From	111,467,000	72,426,276	18,106,907	5,351,298
Interest On debt Instruments Issued	-	-	-	-
Other Interest Expenses	19,000	204,656	1,079,138	402,283
NON INTEREST REVENUES/EXPENSES	-	-	-	-
Foreign Exchange Gain	234,370,000	196,274,272	82,613,592	24,727,499
Foreign Exchange Losses	303,060,000	253,049,819	137,680,053	63,601,360
Fees & Commissions Received	174,862,000	117,087,011	63,809,429	28,291,334
Fees & Commissions Paid (-)	43,028,000	22,442,640	8,562,817	3,951,885
Other Non-Interest Revenues	300,134,000	208,660,374	59,160,169	37,665,080
Other Non-Interest Expenses (-)	483,340,000	244,008,852	143,957,794	17,431,916
Provision For Loan Losses (-)	54,965,000	22,945,080	7,416,876	2,209,898
Pretax Profit	351,913,000	291,114,274	105,060,840	71,765,387
Tax	95,767,000	79,837,678	19,941,556	10,057,885
Net Profit	256,146,000	211,276,596	85,119,284	61,707,502

YAPI KREDİ

Turkish Banking Sector

Yapi Kredi Bank

BALANCE SHEET (US\$ mn)	2000/12	1999/12	1998/12	1997/12
ASSETS				
Cash Items	118	111	141	136
Central Bank	170	122	142	100
Due From Banks	1,797	1,664	702	613
Interbank Money Market	-	2	30	-
Securities Portfolio (Net)	1,317	1,266	820	669
Reserve Deposits	474	429	260	246
Loans (Net)	4,395	3,609	3,863	3,224
Non-Performing Loans (Net)	101	118	92	34
Bonds Funding Legal Reserves	-	-	31	23
Accrued Interest Income	476	766	884	649
Other Receivables	7	12	36	40
Participations (Net)	1,141	123	59	50
Subsidiaries(Net)	207	196	177	111
Subsidiary Securities	522	218	3	3
Premises and Equipment (Net)	530	405	424	319
Other Assets	122	177	210	115
Total Assets	11,208	9,095	7,731	6,232
TOTAL LIAB. AND S. EQUITY (US\$ mn)				
Deposits	6,887	6,495	5,473	4,529
Interbank Money Market	65	41	42	5
Other Credits	1,180	898	699	509
Public Funds	-	-	-	-
Accrued Interest Expense	221	176	214	141
Taxes and Other Expenses Payable	33	30	32	24
Other Liabilities	110	42	74	81
Bonds	-	-	-	-
Provisions	91	209	116	52
Other	-	-	-	-
Shareholder's Equity	2,483	1,138	1,029	808
Paid-Up Capital	749	446	425	302
Reserves	53	49	28	20
Miscellaneous Expenses Allocation	-	-	9	7
Revaluation Funds	1,300	251	296	170
Loss (-)	-	-	-	-
Income	410	502	326	408
FX Conversion Adjustment	(28)	(110)	(54)	(98)
Total Liabilities	11,208	9,095	7,731	6,232
INCOME STATEMENT	2000/12	1999/12	1998/12	1997/12
INTEREST INCOME	1,723	2,214	1,906	1,472
Interest On Loans	1,163	1,405	1,389	1,183
Interest On Banks	111	114	48	71
Interbank Money Market	55	52	79	50
Interest On Securities Portfolio	375	621	352	135
Other Interest Income	19	23	38	32
INTEREST EXPENSES	967	1,528	1,180	874
Interest On Deposits	731	1,321	1,063	796
Interests Given To Interbank Trading	57	34	43	40
Interest On Funds Borrowed From	178	172	69	35
Other Interest Expenses	0	0	4	3
NON INTEREST REVENUES/EXPENSES	110	135	211	257
Foreign Exchange Gain	375	466	316	164
Foreign Exchange Losses	485	601	527	421
Fees & Commissions Received	280	278	244	187
Fees & Commissions Paid (-)	69	53	33	26
Other Non-Interest Revenues	480	496	226	249
Other Non-Interest Expenses (-)	774	580	551	115
Provision For Loan Losses (-)	88	55	28	15
Pretax Profit	563	692	402	475
Tax	153	190	76	67
Net Profit	410	502	326	408

YAPI KREDİ

Yapi Kredi Bank

Adjustments & Ratios YKBNK	2000/12	1999/12	1998/12
Profitability			
Net Interest Spread (Adj.)	8.5%	8.9%	9.2%
Net Interest Margin (Adj.)	8.8%	8.8%	9.8%
ROaA	4%	6%	5%
ROaE	23%	46%	35%
IEA/IBL	96%	91%	92%
IEA/Assets	70%	75%	74%
IBL/Assets	73%	82%	80%
Effective Tax Rate	27%	27%	19%
Operating			
Fees & Commissions Received/AEA	4%	4%	5%
Fees & Commissions Paid/AIBL	1%	1%	1%
Net Non-Int. Expenses/Pretax Profit	52%	12%	81%
Net Non-Int. Expenses/AEA	4%	1%	6%
Asset Allocation			
Due From Banks/Assets	16%	18%	9%
Trading&Investment Securities/Assets	16%	16%	11%
Loans/Assets	39%	40%	50%
Subsidiaries/Assets	12%	4%	3%
Premises and Equipment/Assets	12%	11%	11%
Other/Assets	4%	11%	16%
TOTAL	100%	100%	100%
Funding Structure			
Deposits/Assets	61%	71%	71%
Interbank Money Market/Assets	1%	0%	1%
Borrowings/Assets	11%	10%	9%
Sh.Equity/Assets	22%	13%	13%
Other/Assets	5%	6%	6%
TOTAL	100%	100%	100%
Growth Rates			
Assets	23%	18%	24%
Loans	22%	-7%	20%
Trading Securities	4%	54%	23%
Investment Portfolio	139%	7738%	-17%
Deposits	6%	19%	21%
Other Credits	31%	28%	37%
Shareholders' Equity	118%	11%	27%
Net Profit Growth	-18%	54%	-20%
Net Interest Inc. Growth	17%	7%	51%
Adjustments			
Interest Earning Assets (US\$ mn)	7,804	6,786	5,733
Interest Bearing Liabilities (US\$ mn)	8,131	7,434	6,215
Adj. Interest Income (US\$ mn)	2,098	2,681	2,222
Adj. Interest Expense (US\$ mn)	1,452	2,130	1,707
Adj. Net Interest Income (US\$ mn)	646	551	515

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