

BANK STRATEGY 2005

Including Analyses of Big-4 and Midcap Banks

Retail Demand Fuels Lending

AKBANK NR

GARANTI Market Performer

ISBANK Market Performer

YAPI KREDI BANK Market Outperformer

DENIZBANK Market Performer

DISBANK Market Performer

FINANSBANK Market Underperformer

TEB Market Outperformer

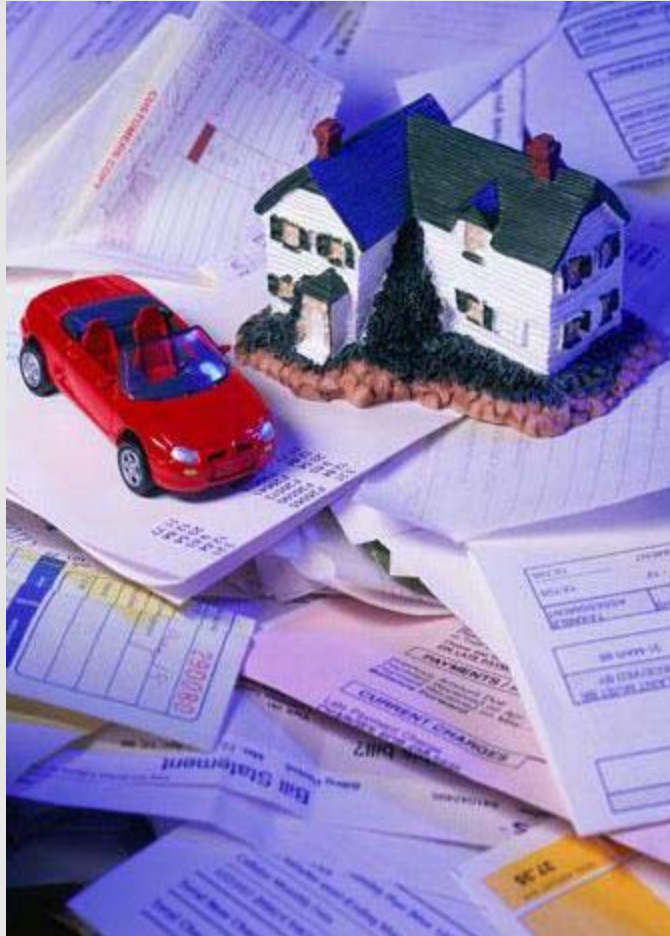


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I. INVESTMENT THEME

We maintain our optimistic view on the banking sector for 2005

We maintain our optimistic view on the banking sector for 2005 due to persistently strong retail loan demand, a healthy foreign borrowing market and a solid 5% GDP growth forecast for the year. The banks with TL-denominated fixed rate bonds stand to continue benefiting from yields that are likely to slide by 500bp. However, it should be the year to switch from bonds to lending, and be prepared for a low real interest rate operating environment.

Those banks that manage to build a loyal retail clientele base, especially in the commission generating credit card business that also earns the highest real interest yields worldwide, would be the ones to become the relative winners beyond 2005. In such a growing and healing economy banks that take higher risks and operate with wider gaps between the repricing periods of assets and liabilities stand to strengthen their books faster than the rest. Increased consumer confidence and a solidifying economy should eventually increase the maturity of deposits to over 3 years and gradually boost long-term securitizations. In this manner, the liquidity risk would naturally diminish.

As the economy continues its recovery on the way to EU accession, foreign Banks' direct investment appetite for commercial deposit banks would continue

As the economy continues its recovery on the way to EU accession, foreign Banks' direct investment appetite for commercial deposit banks would continue. In particular, the medium-sized banks would allow relatively low cost entry to the expanding Turkish financial market. Market talk identifies Garanti and Disbank as two banks in the pipeline for possible foreign acquisition. TEB's joint venture with BNP Paribas should be complete in the first half of 2005, whereas Sekerbank signed an agreement with third largest Dutch Bank, Rabobank, aimed at strategic cooperation. The due diligence is set for completion in 1H05. Cukurova has signed a preliminary deal with Koc Financial Services, which is jointly owned by Unicredito and Koc Holding for the sale of its stake in YKB. The foreign banks whispered to be interested in acquiring a Turkish Bank are Intesa, Deutsche Bank and Societe Generale.

Even while we are positive for the sector's condition for this year and expect the robust bottomline performance to improve further, there is virtually no bank left with a meaningful upside potential under our coverage. Our top pick among the big-four is YKB, and we maintain our 'Market Outperformer'

rating for TEB. Due to their recent strong price appreciation we downgrade Disbank to 'Market Performer' and Finansbank to 'Market Underperformer'.

Banks	Rating	Mcap	Target	Upside
Akbank	NR	9,486	9,587	1%
Garanti	Market Performer	4,908	4,688	-4%
Isbank	Market Performer	10,066	9,818	-2%
YKB	Market Outperformer	3,419	4,053	19%
Disbank	Market Performer	1,014	974	-4%
Finansbank	Market Underperformer	1,412	1,161	-18%
TEB	Market Outperformer	394	444	13%
Denizbank	Market Performer	1,029	984	-4%

Source : Ak Securities

II. BANKING SECTOR OUTLOOK

The main obstacle to deposit growth is high withholding tax rates

Continuing Lack of Deposit Collection to Hamper BS Growth in 2005

The main obstacle to deposit growth is high withholding tax rates coupled with attractive default-risk-free yields on deposit-substitute government bonds that also bear significant tax incentives. The interest earned on FX deposits with less than 1-year of maturity has a withholding tax burden of 24%, while TL deposits with less than 3-month maturity have an 18% withholding tax burden.

We forecast a 12% growth in banking sector balance sheet size to US\$226bn in 2005

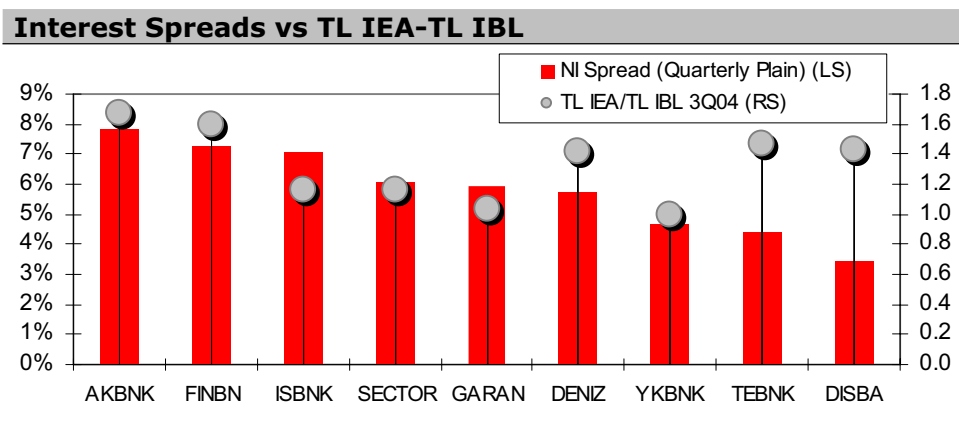
We forecast a 12% growth in banking sector balance sheet size to US\$226bn in 2005 fuelled mainly by a 26% rise in foreign borrowings. Slow deposit growth is likely to continue as well. Deposits stand to expand by a further 10%. And should the government apply a 15% withholding tax burden to all instruments across the board from bonds to deposits and equities starting from 2006 as planned, deposit growth would become significantly higher than our current expectation beyond 2005.

The tax incentives on alternative instruments have deterred deposit growth in the sector. As real rates slide, balance sheet expansion or volume increase will become more central to sustaining bottomline growth.

Banking Sector Forecasts				
US\$m	2003A	2004F	2005F	2006F
Loans	51,085	66,906	76,902	88,250
Securities	78,032	81,494	87,190	93,127
Deposits	117,374	129,191	142,447	156,671
Funds Borrowed	15,015	19,282	24,363	30,756
Assets	182,288	201,459	225,965	252,775
YoY Chg.	2003A	2004F	2005F	2006F
Loans	9.0%	31.0%	14.9%	14.8%
Securities	9.0%	4.4%	7.0%	6.8%
Deposits	-0.9%	10.1%	10.3%	10.0%
Funds Borrowed	1.0%	28.4%	26.4%	26.2%
Assets	3.1%	10.5%	12.2%	11.9%
Breakdown	2003A	2004F	2005F	2006F
Loans	28.0%	33.2%	34.0%	34.9%
Securities	42.8%	40.5%	38.6%	36.8%
Deposits	64.4%	64.1%	63.0%	62.0%
Funds Borrowed	8.2%	9.6%	10.8%	12.2%
TL/Total	2003A	2004F	2005F	2006F
Loans	53.7%	59.8%	61.6%	63.5%
Securities	62.8%	63.3%	64.2%	65.1%
Deposits	50.7%	53.9%	55.1%	56.3%
Assets	60.7%	61.2%	62.2%	63.2%
Liabilities	56.7%	58.3%	59.2%	60.2%

Source: The BAT, Ak Securities

As the chart above indicates, the weight of TL is increasing in every major item. However, the ratio of TL IEA (interest earning assets) and TL IBL (interest bearing liabilities) has remained very stable at 1.16 levels for the past couple of years. We can simply state that those banks that manage to increase their TL IEA/TL IBL ratios would have a higher chance of amplifying their bottom-line relative to the others.



Source: Ak Securities, Banks

We expect the market share of largest banks in major figures such as loans, deposits and assets to increase in 2005. However, the aggregate market share enlargement will be limited, as YKB is likely to continue losing market share.

If the ownership and administration problems of the Bank are solved through acquisition by a strong third party such as Koc Financial Services, then YKB would restart gaining market share.

Market Shares of Big-4							
Loans	2001	2002	2003	1H04	3Q04	2004F	2005F
AKBNK	11%	11%	12%	12%	12%	12%	13%
GARAN	10%	10%	10%	10%	11%	10%	11%
ISCTR	12%	13%	12%	12%	12%	12%	13%
YKBK	12%	13%	11%	11%	10%	9%	8%
Big4 Total	44%	47%	46%	45%	45%	44%	45%
Deposits	2001	2002	2003	1H04	3Q04	2004F	2005F
AKBNK	10%	12%	12%	11%	11%	11%	11%
GARAN	9%	9%	9%	9%	9%	9%	9%
ISCTR	10%	12%	12%	12%	12%	12%	13%
YKBK	10%	9%	8%	8%	8%	7%	7%
Big4 Total	40%	42%	41%	40%	39%	39%	40%
Assets	2001	2002	2003	1H04	3Q04	2004F	2005F
AKBNK	10%	11%	12%	11%	11%	11%	11%
GARAN	10%	9%	9%	9%	9%	9%	9%
ISCTR	10%	11%	12%	12%	13%	13%	13%
YKBK	9%	9%	8%	8%	8%	8%	7%
Big4 Total	39%	41%	42%	41%	41%	41%	41%

Source: The BAT, Ak Securities

We expect Turkey's GDP growth at 5.3% through constant prices, whereas in US\$-terms the GDP figure would rise from US\$298mn to US\$339mn, or by a solid 14% in 2005, which exceeds our 12% balance sheet growth projection for the sector. Therefore, we expect the sector's Assets/GDP ratio to decline from 68% to 67% due to lack of deposit collection, whereas loans/GDP and foreign borrowings/GDP stand to appreciate by 1pp each, in 2005.

Banking Sector Key Figures as Percentage of GDP			
US\$m	2003A	2004F	2005F
Loans	21%	22%	23%
Securities	32%	27%	26%
Deposits	48%	43%	42%
Funds Borrowed	6%	6%	7%
Assets	75%	68%	67%

Source: The BAT, Ak Securities

Interest Rates to Slide Further

When discussing banks, the primary issue, not surprisingly, appears to be interest rates. We stick to our view that similar to 2004, 2005 will continue to be a bright year for the sector. The nominal yield on the benchmark bond slipped from 25% levels to 20% in 2004. And for 2005 we expect the yields to

Profit generation will not be an easy issue at all beyond 2005

contract to 15%. Due to the convexity effect, a 5pp slide in a lower interest environment causes a higher percentage appreciation in bond prices. Thus, banks will continue enjoying strong mark-to-market gains on fixed rate TL bonds in a declining yield environment. However, profit generation will not be an easy issue at all beyond 2005, when yield contraction slows pace, and real interest rates decline. Sustainable-low real interest rates are a partly different issue, and are not favorable for banks unless they bring about volume growth.

We expect real rates to contract from an average of 13% in 2004 to 9% in 2005

We expect real rates to contract from an average of 13% in 2004 to 9% in 2005 and end the year at 8%. This contraction would inevitably crop interest margins. Those banks with the highest gap between the repricing periods of assets and liabilities, in other words, that have more fixed interest-rated assets and less fixed-rated liabilities would book relatively higher profits during that period. However, this interest rate exposure would naturally deteriorate the financial status during a period of economic downturn. In such a study, it is extremely inadequate to merely compare the fixed and floating maturities of securities. Hence we have favored the entire interest earning assets and interest bearing liabilities in order to obtain more accurate result. Consequently, the midcap banks appear to be more liquidity-risk averse, whereas Akbank is relatively less vulnerable among the big-four. Isbank, with the highest gap to repricing period, will be the top beneficiary in a declining interest rate environment.

Interest rate sensitivity of assets and liab. based on repricing dates¹ (months)								
	AKBNK	GARAN	ISCTR	YKBNK	DISBA	FINBN	TEBNK	DENIZ
Assets	5.9	7.5	7.6	7.5	6.0	4.2	1.9	4.3
Liabilities	2.0	3.2	1.6	2.5	2.7	1.6	0.6	1.3
Repricing Gap	3.9	4.3	6.0	5.0	3.3	2.6	1.2	3.0

Source: Company Financials, Ak Securities Estimates

To face minimum margin damage in a declining real interest rate environment, banks are switching from FX-denominated blue-chip financing and project finance deals bearing Treasury guaranties to lucrative TLdenominated SME and consumer lending. Additionally, to maintain bottomline growth banks are laying more emphasis on fee generating activities such as the credit card business. As well as supporting interest margins with relatively the highest TL returns, credit cards are the main

¹ We used average time intervals in months to attain weighted average months to repricing dates. For figures that have repricing deadlines exceeding 1 year, we used 18 months as a benchmark.

source of fee generation. The banks derive more than half of their gross fee income from the card business.

No Way Out of TL Retail Loans

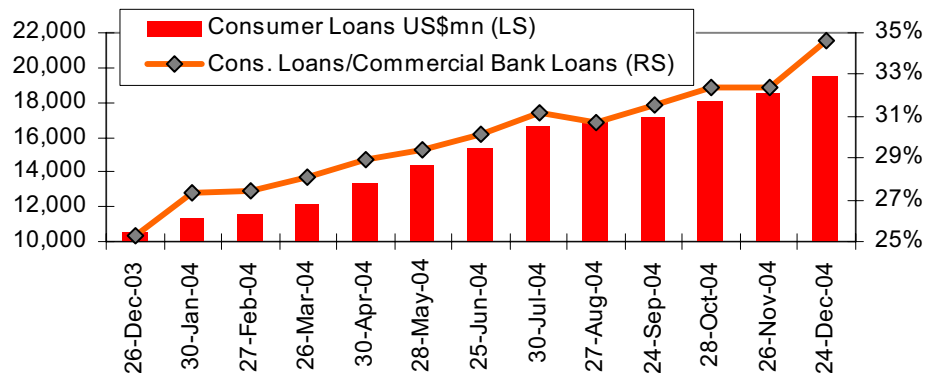
TL-denominated retail lending, which is the most profitable asset domestic banks have, took off in 2004 through a real rise of 86%

Fuelled by the boosted demand, TL-denominated retail lending, which is the most profitable asset domestic banks have, took off in 2004 through a real rise of 86%. Consumer and credit card loans (including consumer loans of companies) make up an incredible 45% of commercial banks' loans. Of the US\$15bn rise in commercial banks' loans in 2004, 61% is directed to retail lending.

73% of retail credit card loans earn incredible real yields, whereas 27% are installment receivables

The real TL interest rate on loans to blue chip companies and on government papers is slightly above 10%, whereas core consumer loans earn 16% and credit card loans earn an incredible 86% real interest rate. This is the core reason why the banks fiercely compete on credit card market share. Retail credit card loans constitute half of total consumer loans. **73% of retail credit card loans earn the above-mentioned incredible world record real yields, whereas 27% are installment receivables earning similarly to core consumer loans.** We expect the credit card loans share in consumer loans to rise significantly to 60% with the continuing rise in credit card lending, and due to the expected slowdown in core consumer loan growth.

Inflation Adjusted Real Consumer Loans (US\$m)



Source: Ak Securities, The CB

The core consumer loan trend has moved away from car loans. We expect the 76% real automobile loan rise of 2004 to slump to 10% with satisfied car demand, whereas the 166% rise in house loans is set to contract to 30% in 2005. Consequently, consumer loans' share in commercial bank loans are set to rise from 35% to 44% by the end of 2005 (53% including consumer loans of companies).

Real Monthly CAGR of Consumer Loans

	2H04	1H04
House	4%	14%
Automobile	1%	9%
Other	2%	7%
Credit Card Loans	6%	4%

Source: Ak Securities

Banks that manage to restructure their loan books from foreign currency to TL-denominated lending will be able to mitigate the negative impact of the inevitable real interest slide backed margin decline. We expect Isbank remain the frontrunner in terms of TL share in the lending book. However, Akbank, with the highest share in core consumer loans is the fastest growing Bank in the segment.

Rising TL Lending

TL Loans/Loans	AKBNK	GARAN	ISCTR	YKBK	DENIZ	DISBA	FINBN	TEBNK
2002	19%	29%	44%	32%	46%	35%	27%	44%
2003	44%	38%	53%	44%	47%	47%	44%	44%
2004F	56%	45%	61%	47%	56%	52%	49%	48%
PP Rise Since 02	37%	16%	17%	15%	10%	17%	22%	4%

Source: Bank Financials, Ak Securities

Retail Lending is about to Bring Asset Quality Problems

The problematic loan ratio of the sector is 6%, whereas the figure is 1% for core consumer loans and 4% for credit cards

Asset quality of retail loans is factually higher than the rest. The problematic loan ratio of the sector is 6%, whereas the figure is 1% for core consumer loans and 4% for credit cards. The question is how accurate is this asset quality indicator. Not very accurate at all. In particular, the real size of problematic credit card loans cannot be identified even by the banks themselves. Is the cardholder financing himself through cash advances from his secondary credit card? Will the remaining monthly payments ever be cashed out, or will they be rolled over through minimum possible payments?

Extraordinary real growth of retail loans causes a lag in the true size of problematic amounts

On top of these arguments, extraordinary real growth of retail loans also causes a lag in the true size of problematic amounts. The real asset quality figures will start to emerge as retail loan expansion loses pace, which is not yet the case in the market. We do not have the tools to derive the true asset quality of retail loans; the NPL ratio would even be a few times higher should true status somehow be revealed.

Watch Out for Competition from State Banks

State Banks are attracting the deposit base of the system even though they deny doing so. After the removal of the blanket guarantee on deposits, and fuelled by the closure of Uzan Group's Imar Bank, the risk of having a major loss of savings became all too apparent to deposit holders. And it is the simple truth that state banks cannot be taken-over by the SDIF, or become bankrupt.

We expect state banks to continue hampering the deposit expansion of the private sector

Even though the state banks' share in loans is only 19%, their aggregate share in deposits was a huge 39% in 3Q04, which leaped from 34% at end-2002. The big 4 private banks' share in deposits on the other hand slipped from 42% to 39% during the same period. We expect state banks to continue hampering the deposit expansion of the private sector, which would consequently leave shareholder equity and foreign borrowings as the two major sources supporting volume growth.

Cost Management and Fee Collection Era

Joint usage of POS terminals and ATM's will be crucial in a low real rate environment

As margins decline, cost control will be one of the sector's major concerns. Joint usage of POS terminals and ATM's will be crucial in a low real rate environment. Isbank and Garanti took the first step towards merging their POS networks in return for US\$5mn cost savings in the following two years. And while not very significant relative to their size, it is important in displaying the attitude of banks towards cost control. We expect this joint usage scheme to intensify among the banks as the profitability rise becomes harder to attain in the coming years.

The Banks need to motivate staff via efficiency-based bonus payments rather than higher salaries

Wages will be another issue to keep under strict control. The Banks need to motivate staff via efficiency-based bonus payments such as the EVA system, rather than higher salaries. Ad spending, on the other, should gain pace owing to credit card and fund management businesses, as fee generation will gain importance in a low margin environment. Half of the gross fee income of the banks is generated from the issuing and acquiring sides of the credit card business.

We expect an 18% real rise in non-deposit customer funds in 2005

Securities and mutual funds held on behalf of customers, as well as credit card volume account for around 90% (R2) of gross fee income together (with constant at zero). As savings are allocated to mutual funds and direct holdings of bonds instead of deposits with incredible withholding tax loads, banks will continue enjoying fee income from those intermediary activities.

We expect an 18% real rise in non-deposit customer funds in 2005, and there is no cooling down of credit card spending activity for now. Therefore, 2005 definitely stands to be a fine year for raising commission and fee income.

Fee Income Generation (09/2004)

	ISBNK	GARAN	YKBNK	AKBNK	FINBN	DISBA	DENIZ	TEBNK
Gross Fee Income (US\$m)	387	359	319	302	110	92	41	21
Net Fee Income/Op. Exp.	48%	48%	45%	39%	54%	41%	22%	20%
Securities and Mutual Funds Held for Customers (US\$m)	12,106	12,630	5,269	12,606	1,966	1,541	1,039	1,096
CC Issuer Market Share	12.9%	19.7%	25.3%	12.5%	4.4%	3.3%	1.8%	0.3%
CC Acquirer Market Share	13.5%	17.2%	25.5%	18.2%	3.3%	6.6%	1.1%	0.3%

Source: Bank Financials, Ak Securities, the CMB

B-type mutual funds that constitute 96% of funds in the market generate ~4% commission income per year; the A-type on the other hand earns ~5% annual commission income

Around 20% of the non-deposit customer funds figure is made up of mutual funds, one of the highest commission-generating assets. Through a mutual fund size of US\$3.2bn that is 1.4 times larger than its closest peer Akbank, Isbank is the market leader in this segment. B-type mutual funds that constitute 96% of funds in the market generate ~4% commission income per year; the A-type on the other hand earns ~5% annual commission income. Portfolio management companies cut around 10% of commission income, while the banks get the remainder.

Success in collecting demand deposits is the primary factor for the banks in analyzing per-branch performance ratings

The free funds to assets ratio is another indicator of low cost funding. To attain virtually cost-free funds, we simply add up free capital with demand deposits. Success in collecting demand deposits is the primary factor for the banks in analyzing per-branch performance ratings. Akbank has the highest free funds to assets ratio of 25% followed by Garanti's 16%. Even though Garanti's cash capital is in the red, its huge demand deposit base corresponding to 28% of deposits supports margins. YKB's 6% free funds to assets ratio on the other hand is by far the lowest of the entire banking sector.

Possible Effects of Basel II

According to a BRSA study, the sector's CAR would decline from its current level of 29% to 17% under Basel II

In this section we will try to provide very brief calculations of CARs should Basel II practices become applied on current financials. In the new CAR calculations we have used standardized methodology. It is worth mentioning that the ratios would improve significantly under advanced methods and the IRB approach. We have granted a 100% risk weighting (RW) on FX-denominated bonds, and also take into account operational risk as 15% of the past three year's average annual operational income.

We have bestowed a 0% risk on TL bonds as at national discretion a lower risk weight may be applied to banks' exposure in local currency. Although it is at the BRSA's discretion to grant a higher than zero risk weight to TL bonds, this is unlikely as certain banks would face major capital adequacy problems. We also take into account the lower 35% RW of house loans and 75% RW on other retail loans. We have ignored the effects of the definition of collateral, as Basel II no longer takes into consideration guarantees granted by credible real persons, business pledges and customer checks as collateral.

Akbank's limit per credit card of US\$3,000 is also considerably higher than the peer group average of US\$1,000

According to our calculations under above-mentioned assumptions, Akbank faces the highest slide in its CAR, although a significant proportion of this contraction stems from the increased risk weight of unused credit card limit commitments, rather than the effects of Basel II. Akbank's total credit card limit of US\$6.8bn is two times higher than that of YKB, which has 1.7 times more credit cards. Akbank's limit per credit card of US\$3,000 is also considerably higher than the peer group average of US\$1,000. The Bank expects its CAR to deteriorate to 30% levels in mid-2005 from the current level of 37% simply because of higher capital that should be set aside against credit card commitments.²

As far as we have learnt from the Bank, its current high credit card limit stems from two factors. The first one is a reporting difference of the cards belonging to the same individual, and the other one is huge limits of Amex cards that roughly constitute 10% of the cards, but have 3-4 times higher limits than ordinary cards. The Bank states that the true level of its real total credit card limit commitment is US\$5bn, which while less than the announced US\$6.8bn, is still the highest among peers.

Although Finansbank's CAR slides to 9.3% under Basel II using 3Q04 financials, the current level would be a fair 14%, as in early October the Bank sold US\$200mn of 10-year subordinated Bonds, which count as Tier II capital.

² Before 1 October 2005, 25% of unused credit card limits were granted a 50% risk weight. After 30 June 2005, the 50% risk weight will be applied on 100% of unused credit card limit commitments.

CAR - BASEL I vs BASEL II								
3Q04	AKBNK	GARAN	ISCTR	YKBNK	DENIZ	DISBA	FINBN	TEBNK
Announced CAR	37.0%	16.2%	30.4%	17.8%	20.1%	13.1%	10.3%	13.3%
Basel II CAR (incl. increased CC limit risk weight)	20.1% ³	10.9%	21.2%	15.5%	16.8%	9.3%	9.3%	12.5%
Source: Ak Securities Estimates, BRSA Bank Financials								

Increase in Turkey's sovereign rating will be crucial to reducing risk weighting under the upcoming practice

Also, according to a BRSA study, the sector's CAR would decline from its current level of 29% to 17% under Basel II, which is quite similar to our calculations. It is worth noting that the increase in Turkey's sovereign rating will be crucial to reducing risk weighting under the upcoming practice. And should the Country's sovereign rating climb by three notches from the current BB- level to BBB- then the risk weight of foreign currency bonds would slide to 50% from 100%. Risk weight on corporate claims, on the other hand, halves when a company's rating reaches A-.

³ Akbank states that its CAR under Basel II is 23% using advanced IRB methods and lower than announced unused credit card limit commitments.

III. VALUATION

Our key model in bank valuation is warranted equity approach

Methodology and Targets

Our key model in bank valuation is WEA (warranted equity approach) in which we use $[(ROE-g)/(k-g)]$ as a benchmark P/B multiple. For the cost-of-capital (k) calculations we use an adjusted CAPM approach, whereas a 3% growth rate is incorporated in the model. We arrive at equity risk premiums by subtracting long-term US Government security's current yield from the sustainable yield on the long-term Turkish Government Eurobond. This risk premium spread can only be valid for bonds. The stock market is empirically 2.2 times more volatile (standard deviation) than the bond market.

Accordingly, we have multiplied the risk premium by the volatility coefficient and then added the beta multiplied outcome to the US long-term risk-free rate to arrive at a cost of equity for the Bank ($k=RfUS+B*(RfTR-RfUS)*2.2$). Subsequent to reaching a benchmark P/B multiple via the warranted equity approach, it is quite a straightforward process to reach a fair value using the adjusted target book value.

We directly made the book value adjustments on shareholders' equity forecasts for the Banks where we used IFRS financials, whereas we worked through bank only shareholders' equities and banking business only market caps for those Banks with CMB financials. We worked through CMB financials for some of the banks under our coverage that do not make timely announcements of IFRS financial statements with detailed footnotes. We have provided details of haircuts and hidden values in our separate bank pieces in the following pages. For those banks where we worked through CMB financials, besides Deniz and Isbank, which have strong industrial participation portfolios, we simply omitted the effects of non-banking assets as their contributions to book values are none or negligible.

	AKBNK	GARAN	ISCTR	YKBANK	DISBA	FINBN	TEBNK	DENIZ
P/B 2004	2.04	2.31	1.71	1.54	1.59	2.12	1.56	1.85
P/B 2005	1.89	1.89	1.54	1.15	1.38	1.81	1.34	1.57
Sustainable ROE	20%	20%	23%	16%	14%	16%	16%	17%
CoE	12%	13%	13%	13%	12%	12%	12%	12%
Benchmark Adj. P/B	1.91	1.81	2.04	1.37	1.33	1.49	1.51	1.29
2005 Book Values	5,021	2,596	6,628	2,962	734	780	294	656
Target M.Cap. (US\$m)	9,587	4,688	9,818	4,053	974	1,161	444	984
M.Cap. (US\$m)	9,486	4,908	10,066	3,419	1,014	1,412	394	1,029
Upside	1%	-4%	-2%	19%	-4%	-18%	13%	-4%

Source: Ak Securities, IFRS financials for Akbank, Garanti and YKB. Others CMB. Sh. Eq. Adj.s can be found in separate bank pieces.

As our valuations indicate, only Yapi Kredi Bank and TEB offer reasonable upside potentials

As our valuations indicate, only Yapi Kredi Bank and TEB offer reasonable upside potentials. The remaining banks under our coverage are fully-valued as market caps have soared over the past couple of quarters on the back of market speculation on foreign party interest, especially in medium-sized banks. Further momentum on bank stocks will be directly linked to potential offers they would receive as acquisition targets. Additionally, we may revisit our valuations should the annual compound yield on the 2030 Eurobond slide from 8.0% to 7.5% levels (in other words, should the domestic risk premium declines dramatically).

Turkish Bank's market multiples have approached the emerging peers' average. Now is not the time to invest in the sector as a whole, but rather to pick stocks selectively

International Comparison

Emerging Market Market Multiple Comparison				
Bank	Country	Mcap (US\$m)	P/B	P/E
Banco Do Brasil	Brazil	9,286	1.6	7.5
Banco Bradesco	Brazil	10,560	1.7	12.4
Banco Sudameris Brasil	Brazil	880	1.8	33.3
Uniao De Bancos Brasileiros	Brazil	4,435	1.7	11.5
Privredna Banka Zagreb	Croatia	1,627	2.5	13.5
Erste	Croatia	749	2.7	15.5
Zagrebacka Banka	Croatia	1,783	1.5	8.8
Komercni Banka	Czech	5,712	3.8	16.5
Hansabank	Estonia	4,114	4.1	19.0
Otp Bank	Hungary	9,128	5.0	19.0
Bank Leumi	Israel	4,378	1.2	10.8
United Mizrahi Bank	Israel	968	1.0	9.5
Bank Hapoalim	Israel	4,541	1.3	12.2
Handlowy	Poland	2,544	1.3	21.1
BPH	Poland	4,436	2.4	21.5
Bre Bank Sa	Poland	956	1.3	53.8
Bank Zachodni Wbk S.A.	Poland	2,179	2.4	20.5
Pekao	Poland	7,044	3.1	18.8
Pko Bank	Poland	8,559	4.1	21.7
Sberbank	Russia	9,941	2.0	19.7
Tatra Banka	Slovakia	885	2.3	12.7
Vseobecna Uverova Banka	Slovakia	1,354	2.0	12.6
Akbank	Turkey	9,486	2.0	11.9
Garanti Bank	Turkey	4,908	2.3	13.8
Isbank	Turkey	10,066	1.7	16.2
YKB	Turkey	3,419	1.5	48.7
Denizbank	Turkey	1,029	1.8	12.7
Disbank	Turkey	1,014	1.6	15.4
Finansbank	Turkey	1,412	2.1	11.4
TEB	Turkey	394	1.6	16.7
Emerging Banks' Geomean			2.0	16.0
Turkish Banks' Geomean			1.8	16.2

Source: Bloomberg, Ak Securities. Turkish Bank Multiples are 2004F. Peers are latest available.

Turkish Bank's market multiples have approached the emerging peers' average. Now is not the time to invest in the sector as a whole, but rather to pick stocks selectively. Peer group comparison also supports our YKB and TEB picks. Even though YKB's P/E is significantly higher than the peer group, it is a temporary issue stemming from its blurred administration status that can be solved once the Bank has been acquired by a credible party.

IV. COMPANY UPDATES

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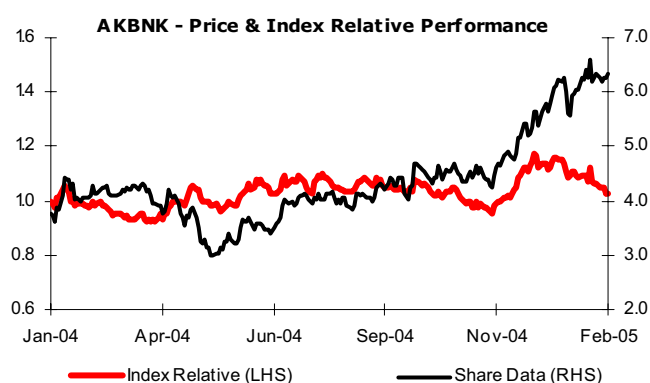
AKBANK

Banking Sector

N/R

- Akbank is the leader in many banking sector indicators. It is the most solid Turkish Bank, with 37% CAR and has the highest free capital of US\$3.2bn. These two bullets give the Bank the ability to take higher risks in return for more return when opportunities arise. The Bank stands to emerge as an acquirer in the consolidation era.
- The Bank's annualized 3Q04 ROE of 25% is the highest in the Banking sector. It aims at a sustainable ROE of 20%, which we believe is attainable without doubt.
- Akbank's asset quality is the best among peers as indicated by a 1.3% NPL ratio. The Bank sets aside 100% provision coverage against its problematic receivables.
- Akbank also lays strong emphasis on cost control. Cost/Income ratio of 29% is the best in the sector, and incomparably lower than the sector's 44% level. The Bank realizes 65% of transactions through alternative distribution channels.
- A huge 45% of the Bank's assets are made up of securities, which is the highest ratio in the domestic banking sector. The bulk of the securities are TL-denominated and booked as available for sale. Therefore, the mark-to-market gains and losses are mainly booked under shareholder equity unless the security is liquidated. We expect the Bank to benefit from sliding yields in supporting its bottomline in 2005 as well.
- The Bank has a 12% market share in credit card loans and a 16.8% market share in consumer loans, which appreciated from the 2001-end figures of 6% and 7%, respectively.
- The share of lending rose by 2pp to 34.4% in 3Q04. The share of retail and SME loans in total reached 28.1% and 22.9%, respectively.
- We do not rate Akbank, which trades very close to our target value of US\$9.6bn.

Price (TL / US\$)	8.35 / 6.32
1-Year Price Range (TL/US\$)	4.60 / 2.98 - 8.80 / 6.58
Number of Shares (000)	1,500,000
Market Cap. (US\$mn)	9,486
Free Float	28%
Daily Vol. (3 Month, US\$mn)	16.5
Ticker (Reuters, Bloomberg)	AKBNK.IS, AKBNK TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	-0.1%	0.8%	40.8%	68.3%
Index Relative	-3.7%	-9.5%	5.0%	2.7%

SUMMARY FORECASTS (IFRS Cons. US\$mn) & VALUATION				
	2002A	2003A	2004F	2005F
Assets	24,000	24,860	26,256	30,214
Sh. Equity	3,025	4,211	4,658	5,021
Net Profit	657	1,279	796	1,028
ROE	21.7%	35.4%	18.0%	21.2%
P/B	3.1	2.3	2.0	1.9
P/E	14.4	7.4	11.9	9.2

SHAREHOLDING STRUCTURE

Sabancı Group	43.06%
Sabancı Family	23.29%
Free Float	33.65%

Supplementary Valuation Model for Akbank – The DDM

Akbank clearly identified a dividend policy of distributing 30-50% of its distributable profit in cash

For the majority of the Banks we do not credit the dividend discount model (DDM), which we believe is not applicable to companies with low or zero dividend distribution policies. However, as Akbank clearly identified a dividend policy of distributing 30-50% of its distributable profit in cash, we also granted the DDM results in this section. We maintain the WEA as a primary valuation tool, but have provided the DDM merely to provide an indication.

We expect its dividend distribution ratio to remain on the higher end of the declared limit

As the Bank is adequately capitalized with a CAR of 37%, we expect its dividend distribution ratio to remain on the higher end of the declared limit. One obstacle to pull down the dividend distribution ratio would be significant erosion in CAR, especially following the enactment of Basel II probably in 2008 for Turkey. The Bank expects its CAR to deteriorate to 30% levels in mid-2005 due to higher capital that should be set aside against unused credit card limit commitments. Under Basel II practices, we calculate the Bank's CAR at 20% in that period. Hence, there is currently no need for concern.

We expect the lack of deposit collection in the sector to persist in the coming years unless the high withholding tax burden relative to alternative instruments is removed

Another obstacle to cutting the dividend distribution ratio would be the lack of funding. Since the banks scarcely find financing due to investor preference for keeping savings in mutual funds and government bonds instead of deposits, they are forced to keep profits to achieve balance sheet growth. We expect the lack of deposit collection in the sector to persist in the coming years unless the high withholding tax burden relative to alternative instruments is removed. However, as Akbank comfortably obtains foreign financing through syndicated loans and asset-backed securitizations, we do not expect the issue to result in a slide in DD ratio.

BRSA Financials (US\$m)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Profit	967	756	860	907	1,136	1,283	1,476	1,697	1,952	2,245	2,581	2,968
Legal Reserves (5%)	48	38	43	45	57	64	74	85	98	112	129	148
Net Distributable Profit	918	718	817	861	1,079	1,219	1,402	1,612	1,854	2,132	2,452	2,820
Dividend Distribution Ratio	33%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Total Dividends	307	359	408	431	539	610	701	806	927	1,066	1,226	1,410
First Div. to Common Shares (Paid In Cap.*5%)	45	50	50	50	50	50	50	50	50	50	50	50
Net Distributable Profit-First Dividend (RDS)	873	668	767	811	1,029	1,169	1,352	1,562	1,804	2,082	2,402	2,770
Dividend to Founders' Shares (RDS*10%)	87	67	77	81	103	117	135	156	180	208	240	277
Second Dividend to Common Shares	174	242	282	300	386	443	516	600	697	808	936	1,083
Total Pre-Tax Dividend to Common Shares	219	292	332	350	437	493	566	650	747	858	986	1,133
Total Net Div. to Common Shares (10% Tax)	197	263	299	315	393	443	509	585	672	772	887	1,020
R _f Turkey (30yr Eurobond)	8.6%	7.9%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
R _f US (30yr Eurobond)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
R _f Turkey - R _f US	3.6%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Asset Beta	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of Equity	13.4%	11.9%	12.0%	11.9%	11.8%	11.7%	11.7%	11.7%	11.7%	11.7%	11.6%	11.6%
Discount Factor			1.04	1.16	1.30	1.45	1.62	1.81	2.02	2.25	2.51	2.81
Terminal Growth Rate of Dividends	3.0%											
Terminal Value (PV)	4,201.8											
PV of Cash Flows (2004-2013)	2,792.9											
Value of the Bank	6,994.7											

IFRS FINANCIAL STATEMENTS AND FORECASTS (US\$mn)					
BALANCE SHEET	2002	2003	2004F	2005F	2006F
ASSETS (US\$mn)					
Cash and due from banks	3,877	1,391	1,502	1,868	2,230
Trading securities	5,050	6,556	3,560	3,743	3,924
Derivative financial instruments	78	163	24	24	24
Reserve req. with the CB	1,277	1,309	1,426	1,708	2,005
Originated loans:					
- Loans to customers	6,129	7,446	9,530	11,656	14,199
- Securities	6,546	5,995	6,504	7,393	7,834
Investment securities:	268	1,165	2,872	2,905	2,930
Investment in associated comp.	180	173	177	205	237
Property and equipment	522	542	534	575	640
Deferred tax assets, net	0	58	0	0	0
Other assets and pre-payments	73	62	127	138	153
Total Assets	24,000	24,860	26,256	30,214	34,175
LIABILITIES AND SH. EQUITY					
		2003	2004F	2005F	2006F
Customer deposits	17,150	16,900	17,091	20,097	22,417
Derivative financial instruments	0	4	1	1	1
Funds borrowed	2,750	2,883	3,822	4,486	5,835
Debt securities in issue	382	233	118	118	118
Income taxes payable	227	226	93	93	93
Deferred tax liabilities, net	49	0	9	9	9
Other liabilities and accrued exp.	399	382	444	423	404
Res. for empl. term. benefits	19	22	21	21	21
Total Liabilities	20,976	20,649	21,599	25,247	28,897
Total shareholders' equity	3,025	4,211	4,658	5,021	5,431
Total liab. and sh. equity	24,000	24,860	26,257	30,267	34,328
P/L (US\$mn)					
	2002	2003	2004F	2005F	2006F
Interest income	4,110	3,989	3,253	3,779	4,044
Interest income	4,110	3,989	3,253	3,779	4,044
Interest expenses	-1,911	-1,734	-1,441	-1,640	-1,846
Net interest income	2,199	2,255	1,813	2,139	2,197
Net FX gains and (losses)	-6	154	24	28	30
Net int. income after FX gains	2,194	2,409	1,837	2,167	2,228
Impairment losses on loans	-33	-78	-56	-69	-85
Net int. income after FX gains	2,160	2,331	1,781	2,097	2,143
Net fee and commission inc.	131	191	323	365	405
Net trading gains on securities	153	425	246	278	308
Dividend income	2	4	4	5	5
Other operating income	40	26	10	11	13
Operating income	2,487	2,977	2,364	2,756	2,874
Operating expenses	-820	-801	-749	-846	-938
Income from associates	21	18	13	16	18
Loss on net mon. position	-512	-315	-491	-458	-343
Income before income taxes	1,176	1,879	1,137	1,468	1,611
Income taxes	-518	-600	-341	-440	-483
Net income	657	1,279	796	1,028	1,127

Source: IFRS Bank Financials & Ak Securities

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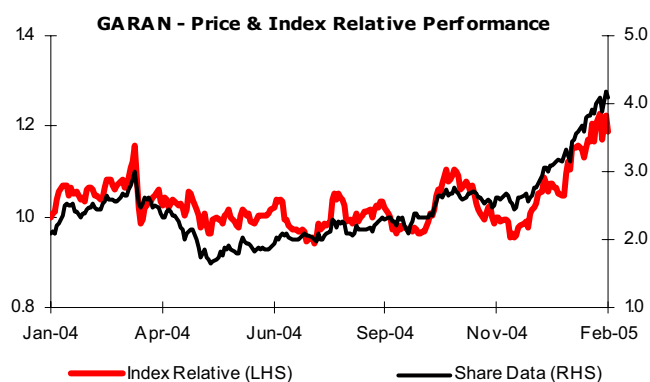
GARANTI BANK

Banking Sector

Market Performer

- Garanti had started divesting its non-core participations to Dogus Group starting with Dogus Otomotiv.
- We expect the Group to continue removing non core subsidiaries from Garanti's books with 24% of Tansas, worth US\$110mn, by October 2005, the Group's verbally committed to deadline to do so.
- Although Garanti's cash capital is in the red it has the second highest ratio of free funds to assets (16%) thanks to a hefty demand deposit base. A huge 28% of the Bank's deposits comprise demand deposits, whereas the ratio is only 20% for the banking sector per se.
- Through a CAGR of 13% since 2001, Garanti has been displaying the highest growth rate in loans among the big-4 banks. The CAGR of the sector's loans in the same period was only 10%.
- The chief competitive advantage of the Bank is the credit card business. Garanti has a 21% market share in credit card loans that rose from 9% at year-end 2000. The Bank is likely to become the market leader in credit card loans when 2004 results are announced. However, it still has the second highest market share in credit card spending volume after YKB.
- The credit card business is the most profitable asset of all. Being the frontrunner in the top fee generating credit card business that also earns more than 80% real interest per annum will be the name of the game in a contracting spread environment.
- Per-branch and per-employee efficiency figures of Garanti remain the best in the banking sector. In particular, branch efficiency indicators, which are two times larger than that of the sector, are highly impressive.
- We maintain our 'Market Performer' rating on Garanti, which trades with a 4% downside potential to our target value of US\$4.7bn.

Price (TL / US\$)	5.40 / 4.09
1-Year Price Range (TL/US\$)	2.60 / 1.64 - 5.55 / 4.19
Number of Shares (000)	1,200,000
Market Cap. (US\$mn)	4,908
Free Float	41%
Daily Vol. (3 Month, US\$mn)	27.2
Ticker (Reuters, Bloomberg)	GARAN.IS, GARAN TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	2.4%	26.1%	56.9%	94.7%
Index Relative	-1.3%	13.3%	17.0%	18.8%

SUMMARY FORECASTS (IFRS Cons. US\$mn) & VALUATION

	2002A	2003A	2004F	2005F
Assets	21,539	21,761	23,583	27,340
Sh. Equity	1,641	2,096	2,402	2,860
Net Profit	27	455	355	458
ROE	1.7%	24.4%	15.8%	17.4%
P/B	3.0	2.3	2.0	1.7
P/E	181.3	10.8	13.8	10.7

SHAREHOLDING STRUCTURE

Dogus Group	59%
Float	41%

Dogus sold US\$125mn worth of Garanti shares corresponding to 3.667% of the Bank to HBK Fund

HBK can sell as much as 15% of the Bank's previous month's trading volume worth of shares in any given month

As the option is in-the-money, Dogus Group would now be feeling the freedom to use the US\$125mn financing in any way it likes

HBK's Option is deeply In-the-Money

In order to raise cash after the annulment of the Intesa deal, Dogus Group started to increase the float of the Bank through SPOs. At the first SPO, it liquidated 4.9% of Garanti and injected the bulk of proceeds into the Bank by acquiring Dogus Otomotiv. The Group also sold US\$125mn worth of Garanti shares corresponding to 3.667% of the Bank to HBK Fund. The deal has the option for HBK to return the shares and get its money back from Dogus should the shares remain out-of-money until May 2006. The current value of the stake is US\$180mn, which means that the holder is in-the-money.

The option deal has a cushion to prevent HBK from divesting its Garanti shares in bulk. According to the agreement, HBK can sell as much as 15% of the Bank's previous month's trading volume worth of shares in any given month. With the recent hike in trading volume HBK can liquidate US\$75mn worth of Garanti shares in one month, which is not very solid protection at all.

HBK also has the option to acquire a further 1.1% of Garanti paying a mere 7% higher price than the amount it cashed out in November. The Fund has not exercised this option to date, although it would definitely be unwise for HBK not to use it given the current price level. Consequently, we may start seeing pressure on Garanti shares in the coming periods.

As the option is in-the-money, Dogus Group would now be feeling the freedom to use the US\$125mn financing in any way it likes. Although acquiring Tansas seems to be a good move at the first glance, there could be another possibility. Dogus Group with two other parties has won the tender to control automobile inspection stations for 20 years paying a sum of US\$613.5mn. Therefore, the financing would not be solely dedicated to acquiring Tansas.

Valuation Adjustments

We adjust Garanti's 2005F target IFRS shareholder equity of US\$2.86bn with the US\$276mn haircut, details of which are stated below, and work through an adjusted US\$2.6bn in our valuation. The difference between the market value of assets and their book values provided us the mentioned hidden value. We applied one of the largest haircuts to Voyager Tourism, which has shareholder equity that is in the red, with the company continuing to generate losses.

Haircut Details	
Book value of Assets (US\$mn)	724
(-) Voyager Tourism	112
(-) Tansas (24%)	33
(-) BV of tangible assets held for resale	372
(-) Net intangible Assets (Goodwill)	89
(-) Net Deferred Tax Assets	117
Market Value of Assets (US\$mn)	448
(+) Voyager Tourism Market Value	0.5
(+) Tansas (24%)	113
(+) MV of tangible assets held for resale	335
Haircut (Net hidden value)	-276
<i>Source: Ak Securities Estimates, Garanti Bank</i>	

Please refer to the valuation section on page 12 for further details on our Garanti Bank valuation.

IFRS FINANCIAL STATEMENTS AND FORECASTS (US\$mn)					
BALANCE SHEET	2002	2003	2004F	2005F	2006F
ASSETS (US\$mn)					
Cash and cash equivalents	2,016	1,394	1,920	2,063	2,216
Financial assets held for trading	1,459	808	656	682	707
Loans and advances to banks	1,083	1,133	1,859	2,172	2,503
Loans and advances to customers	7,345	8,240	11,485	14,237	17,535
Other assets	928	1,078	711	806	912
Security investments	6,440	6,888	5,204	5,616	6,057
Investments in equity participations	181	335	219	236	253
Tangible assets, net	1,509	1,386	1,333	1,351	1,414
Intangible assets, net	121	102	77	69	63
Deferred tax assets	456	397	118	106	96
Total Assets	21,539	21,761	23,583	27,340	31,755
LIABILITIES AND SH. EQUITY					
Deposits from banks	681	770	713	805	907
Deposits from customers	14,240	13,807	14,507	16,372	18,442
Obligations under repurchase agreements	1,045	1,371	1,661	1,883	2,131
Loans and advances from banks	2,729	2,737	3,211	4,185	5,439
Bonds payable	74	0	0	0	0
Current tax liability	38	26	26	29	33
Deferred tax liabilities	89	4	1	1	1
Other liabilities and accrued expenses	815	778	910	1,031	1,167
Total liabilities	19,710	19,493	21,029	24,307	28,119
Minority interest	188	173	152	172	195
Total shareholders' equity	1,641	2,096	2,402	2,860	3,442
Total liab. and sh. equity	21,539	21,761	23,583	27,340	31,755
P/L (US\$mn)					
Interest income	2,390	2,114	2,203	2,593	3,009
Interest expenses	-2,417	-1,864	-1,332	-1,560	-1,770
Net interest income/(expenses)	-27	250	871	1,033	1,239
Net fee and commission income	328	330	433	522	611
<i>Trading account income, net</i>	<i>343</i>	<i>518</i>	<i>95</i>	<i>106</i>	<i>118</i>
<i>Foreign exchange gain, net</i>	<i>280</i>	<i>156</i>	<i>3</i>	<i>3</i>	<i>4</i>
<i>Gross profit from retail business</i>	<i>60</i>	<i>145</i>	<i>166</i>	<i>195</i>	<i>228</i>
<i>Premium income from insurance business</i>	<i>56</i>	<i>63</i>	<i>78</i>	<i>91</i>	<i>107</i>
<i>Other operating income</i>	<i>70</i>	<i>115</i>	<i>52</i>	<i>60</i>	<i>71</i>
Operating income	1,110	1,578	1,697	2,010	2,378
Operating expenses	-1,225	-1,221	-1,267	-1,456	-1,672
Income/(loss) from operations	-114	357	430	554	706
Gain/(loss) on net monetary position, net	47	-2	40	26	31
Income/(loss) before tax	-67	355	470	580	736
Taxation credit	64	52	-155	-174	-221
Income/(loss) after tax	-3	408	315	406	515
Minority interest	30	48	40	52	66
Net income for the period	27	455	355	458	582

Source: IFRS Bank Financials & Ak Securities

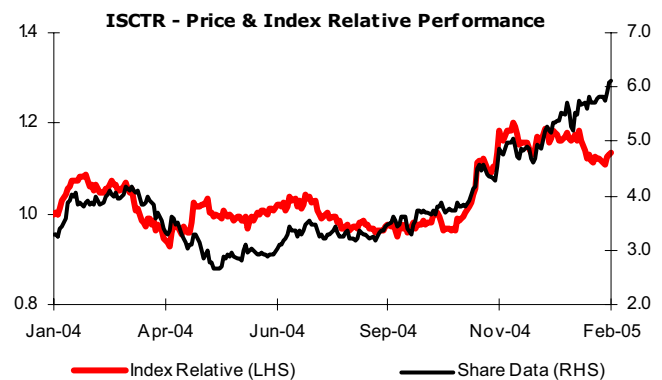
ISBANK

Banking Sector

Market Performer

- Isbank determination to return to core banking activities through non-core asset divestures is noteworthy. The key indicator of this metamorphosis is free capital, which shifted into positive territory following long years in the red. The free capital to assets ratio that had stood at -10% in 2001 gradually improved to an estimated positive 3% at the end of 2004. We expect the Bank's current US\$900mn forecast free capital, to have climbed to US\$1.2bn (4% of assets) by the end of 2005.
- Isbank collected 4 bids for Izmir Demir Celik at the end of 2003, but no agreement has as yet been signed. Isbank expects to raise around US\$100mn from the sale. 26% stake in Pirelli tires, 49% stake in Celikkord and patterned flat glass producer Cayirova Cam are also in the pipeline for liquidation.
- Isbank Group's restructuring aimed at boosting efficiency and creating shareholder value is approaching its final phase. The restructuring will be in harmony with the new banks' act and the statutes to follow.
- Under this restructuring we believe that the Pension Fund will have to establish an industrial holding company that will purchase the industrial (or non-financial) participations from the Bank, after Isbank realizes IPOs and SPOs to reduce the financial weight of its subsidiaries.
- The Bank is striving to enhance its asset quality. In 3Q04 Isbank set aside US\$250mn provisions for the difference between the market and book value of fixed assets. We view this clean up as a very constructive move in terms of increasing the Bank's asset quality. There is also a positive difference of US\$130mn between the market and book values of certain real estates; those remain a hidden value in the assets.
- We maintain our 'Market Performer' rating for Isbank as it trades very close to our target value of US\$9,818mn.

Price (TL / US\$)	8.10 / 6.13
1-Year Price Range (TL/US\$)	4.11 / 2.65 - 8.10 / 6.13
Number of Shares (000)	1,640,727
Market Cap. (US\$mn)	10,066
Free Float	33%
Daily Vol. (3 Month, US\$mn)	46.7
Ticker (Reuters, Bloomberg)	ISCTR.IS, ISCTR TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	5.0%	7.3%	37.6%	86.2%
Index Relative	1.2%	-3.6%	2.6%	13.6%

SUMMARY FORECASTS (BRSA US\$mn) & VALUATION

	2002A	2003A	2004F	2005F
Assets	22,936	26,348	28,681	32,216
Sh. Equity	4,105	4,755	5,896	6,549
Net Profit	300	359	623	656
ROE	7.3%	8.1%	11.7%	10.5%
P/B	2.5	2.1	1.7	1.5
P/E	33.5	28.0	16.2	15.4

SHAREHOLDING STRUCTURE

Isbank Pension Fund	43.4%
Republican People's Party	28.1%
Float	28.5%

Isbank pension fund intends to sell 4% of Isbank at the ISE

Pension Fund's Stake Sale is about to Take Place

Isbank pension fund intends to sell 4% of Isbank at the ISE. We believe that the Bank's current price level is more than satisfactory for the pension fund to realize this sale to a foreign party in the ISE wholesale market. The Bank's management states that there is foreign investor interest in purchasing the shares in a block. Following the realization of this ~US\$400mn SPO, we would expect potential short-term selling pressure, especially should the sale take place at a discount to market value.

The value of Avea to Isbank is US\$249mn, rather than the US\$795mn investment

Valuation Adjustments

Isbank holds Avea's 20% direct and indirect stake with a US\$795mn value in its books. We rely on Turkcell's number of subscribers and EV in establishing a fair value for Avea. Avea's value increases as we rely on Turkcell's EV and number of subscribers in our model. Turkcell has an US\$10.5bn EV with more than 23mn subscribers, and therefore Avea deserves a US\$2.24bn EV with 5mn subscribers. As Avea reportedly has US\$1bn net debt, the Company has a fair value of US\$1.24bn. Thus, the value to Isbank is US\$249mn, rather than the US\$795mn investment.

The bank has a US\$79mn net hidden value

As the Bank directly holds 15% of the Company we have made a US\$410mn haircut over its book value. For the value of the remaining equity stakes other than Avea we reach a US\$489mn hidden value. The largest hidden value of US\$528mn stems from Sisecam's 66% stake. We believe that Sisecam trades with a 30% upside potential to our US\$1.7bn target. Therefore, the bank has a US\$79mn net hidden value.

Consequently, we value Isbank's banking business at US\$6,183mn and add the US\$3,636mn value of the subsidiaries to reach US\$9,818mn for the entire Bank that corresponds to a 2% downside potential.

Unconsolidated Inflation Adjusted BRSA Financials US\$mn					
	2002	2003	2004F	2005F	2006F
BALANCE SHEET					
Cash And Balances With The Cb	326	592	998	1,085	1,252
Trading Securities (Net)	1,068	1,909	321	358	380
Banks And Other Financial Institutions	864	1,091	695	818	1,007
Money Market Securities	613	297	227	247	285
Investment Sec. Available For Sale (Net)	4,804	7,320	9,674	10,675	11,209
Loans	6,992	7,277	9,216	10,891	12,746
Investment Sec. Held To Maturity (Net)	1,447	812	238	250	263
Investments And Associates (Net)	814	613	1,240	1,349	1,556
Subsidiaries (Net)	1,874	2,041	2,280	2,418	2,727
Reserve Deposits	1,044	1,005	1,082	1,177	1,358
Miscellaneous Receivables	49	53	45	49	57
Accrued Interest And Income Receivable	1,033	1,257	840	914	1,054
Property And Equipment (Net)	1,932	1,871	1,475	1,604	1,851
Intangible Assets [Net]	0	0	0	0	0
Other Assets	74	210	350	381	440
Total Assets	22,936	26,348	28,681	32,216	36,187
Deposits	16,160	16,593	17,902	21,157	24,640
Interbank Money Market	293	1,618	1,065	847	684
Funds Borrowed	1,387	2,312	2,456	2,579	2,708
Miscellaneous Payables	125	105	87	69	56
Other External Resources	279	366	462	368	297
Taxes And Other Duties Payable	50	54	31	25	20
Finance Leasing Payables (Net)	5	6	-	-	-
Accrued Interest And Expenses Payable	215	208	168	134	108
Provisions	317	331	615	489	395
Shareholders' Equity	4,105	4,755	5,896	6,549	7,278
TOTAL LIABILITIES	22,936	26,348	28,681	32,216	36,187
INCOME STATEMENT					
NET INTEREST INCOME (I - II)	1,093	929	1,558	1,743	1,820
NET FEES AND COMMISSIONS INCOME	253	411	508	607	697
DIVIDEND INCOME	-	0	1	-	-
NET TRADING INCOME	(83)	763	208	137	146
Profit/losses on trading account securities (Net)	342	569	265	100	103
Foreign exchange gains/losses (Net)	(424)	195	(58)	38	43
PROFIT/LOSS FROM HELD TO MATURITY M. S.	-	-	-	-	-
OTHER OPERATING INCOME	467	277	332	331	372
TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	1,731	2,380	2,606	2,819	3,034
PROVISION FOR LOAN LOSSES OR OTHER REC. (-)	556	686	808	689	748
OTHER OPERATING EXPENSES (-)	1,027	1,239	1,044	1,217	1,300
NET OPERATING INCOME (IX-X-XI)	148	456	753	913	986
PROFIT/LOSSES FROM ASSOCIATES AND SUBS.	107	56	77	81	85
NET MONETARY PROFIT/LOSS	46	(91)	(92)	(92)	(62)
INCOME BEFORE TAXES (XII+XIII)	300	421	738	902	1,009
PROVISION FOR TAXES ON INCOME (-)	-	62	116	246	277
NET OPERATING INC./EXP. AFTER TAXES (XIV-XV)	300	359	623	656	732
NET PROFIT/LOSS	300	359	623	656	732

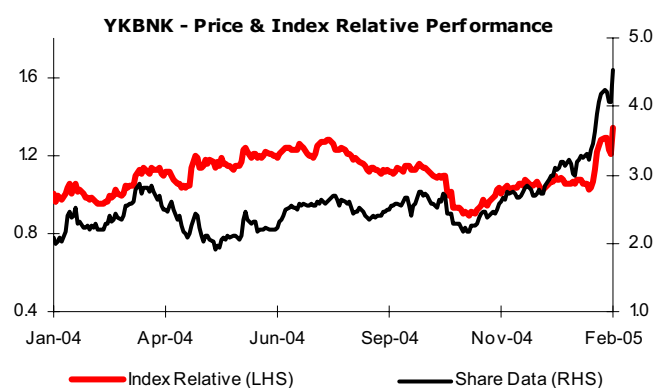
Source: BRSA Financials, Ak Securities

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YAPI KREDI BANK**Banking Sector****Market Outperformer**

- YKB is the leader in credit card spending volume with a 25% market share in 3Q04 (2002:30%) followed by Garanti's a 20% share.
- The Bank is also the leader in monthly per credit card spending volume among the peer group with US\$210mn/card, and in credit card loans with a 22.6% market share (2002:28%). High per card spending volume indicates that YKB's credit cards are the primary ones in consumers' wallets.
- After the BRSA transferred the administrative rights of YKB's 13% owner Pamukbank to the SDIF in 2002, there appeared the requirement for Cukurova Group to reduce its YKB shares to below 10%. During that blurry period, the Bank started losing market share in every segment.
- Cukurova's total liability to YKB that will be paid until the end of 2011 is US\$2,027mn. YKB holds 16.53% of Turkcell as collateral for this receivable. The payment has a three-year grace period. The next interest payment of US\$100mn must be made until the end of February 2005. The payment of principle, on the other hand, will start in mid-2006.
- Cukurova Group has the option to buy 13.15% of Turkcell from YKB in one year after the final deal is signed with KFS.
- Koc Financial Services, which is a JV between Koc Holding and Unicredito continues its due diligence in YKB to acquire 44.5% Cukurova stake and 12.9% SDIF stake. We expect the examination phase to be concluded before mid-2005.
- Koc Group has long expressed regret at not having made a strong entry into the banking sector and not becoming a major player. Acquiring YKB will prove to be the cure for their problem as it is nearly impossible to enter the large player league through organic growth. Even if the price appears to be less than the market value, YKB will also win from such a transaction, as it would be administrated by firm and credible hands.

Price (TL / US\$)	6.00 / 4.54
1-Year Price Range (TL/US\$)	3.03 / 1.90 - 6.00 / 4.54
Number of Shares (000)	752,345
Market Cap. (US\$mn)	3,419
Free Float	42%
Daily Vol. (3 Month, US\$mn)	52.5
Ticker (Reuters, Bloomberg)	YKBNK.IS, YKBNK TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	8.6%	41.4%	85.1%	119.0%
Index Relative	4.7%	27.1%	38.0%	33.6%

SUMMARY FORECASTS (IFRS Cons. US\$mn) & VALUATION

	2002A	2003A	2004F	2005F
Assets	19,200	18,967	18,515	19,462
Sh. Equity	2,297	2,433	2,466	2,610
Net Profit	972	81	70	144
ROE	42.3%	3.4%	2.9%	5.7%
P/B	1.5	1.4	1.4	1.3
P/E	3.5	42.0	48.7	23.7

SHAREHOLDING STRUCTURE

Cukurova Group	44.53%
SDIF	12.89%
Other	42.58%

Cukurova Group and Koc Financial Services (coupled with Kocbank Nederland) signed the long-awaited preliminary deal for the sale of the 44.53% Yapi Kredi Bank stake held by Cukurova and 12.89% stake held by the SDIF

The announced value was nothing but the book value of the Bank at the end of 1H04. The final valuation will be announced after the due diligence

Koc Financial Services will provide a 1-year option period for Cukurova to acquire 13.15% of Turkcell starting from the completion of YKB's acquisition process

YKB to Benefit from a Credible Acquirer

Cukurova Group and Koc Financial Services (coupled with Kocbank Nederland) signed the long-awaited preliminary deal for the sale of the 44.53% Yapi Kredi Bank stake held by Cukurova and 12.89% stake held by the SDIF at the end of January 2005. Genel Sigorta's 5.5% stake that was held out of Cukurova's YKB holdings in the previous announcements is also taken into account. The total value of the Bank, which was settled at €2.05bn (US\$2.68bn) on 1H04 financials, will be revised through the Bank's most recent financial statements and by considering new findings during the due diligence period.

Even though the announced US\$2.7bn value is lower than the Bank's market cap, we expect YKB shares to continue their positive trend as the ownership problem of the Bank that kept it depressed for a long period of time is about to be completely removed. Also, we expect the transaction to be finalized at a higher level as even Turkcell's 13.15% share rose by around US\$600mn in the second half of 2004. In other words, the announced value was nothing but the book value of the Bank at the end of 1H04. The final valuation will be announced after the due diligence.

Koc Financial Services will provide a 1-year option period for Cukurova to acquire 13.15% of Turkcell starting from the completion of YKB's acquisition process. Should the Turkcell option not be exercised by Cukurova within the first six months of completion, Cukurova would pay €55mn in six equal instalments to cover overall carry costs. After the expiry of the deadline YKB or its potential owner KFS will be able to sell Turkcell to any party (most likely to TeliaSonera) or keep it for itself. Therefore, TeliaSonera would have to hang around until the Cukurova-Koc deal is complete before taking a solid step to acquire the Turkcell shares held by the Bank.

Cukurova Group cannot use the proceeds from the sale of its YKB stake (~US\$1.5bn), to acquire Turkcell as the proceeds are pledged against the Group's liability to the SDIF. Some of the proceeds Cukurova would raise from the YKB sale could be used on YKB's receivables should the Bank apply and the BRSA approve such a practice. In its announcement YKB stated that the majority of the proceeds would be used to partially cover the Group's US\$2,027mn liability to the Bank. Therefore, believing that the deal will go through we no longer apply a haircut on this related party receivable.

A strong third party with adequate financial power and solid credibility would carry the Bank to the higher stage it deserves

We expect the merger of Koc Financial Services and YKB to take place under the YKB name. We believe that the pricing of the deal will not be particularly crucial for minority investors unless it significantly exceeds the market cap and results in an attractive call. In other words, we do not expect selling pressure on YKB even if a deal is signed through a value less than the market cap, as a clearly strong third party with adequate financial power and solid credibility would carry the Bank to the higher stage it deserves.

Valuation Adjustments

YKB has a 13.15% stake in Turkcell, whereas the Bank holds another 16.53% as collateral against its Cukurova Group receivables. At the end of 3Q04, the collateral hardly covered a half of related party loans whereas the current situation is exceptionally in favor of YKB. The market value of Turkcell collateral almost totally covers the receivable. Taking into consideration the augmenting value of Turkcell and using the assumptions stated below we revise our target market cap for YKB to US\$4.05bn. The Bank's 2005F IFRS adjusted P/B of 1.2x is the lowest among the large banks.

A clearly strong third party with adequate financial power and solid credibility would carry the Bank to the higher stage it deserves

YKB shares appreciated by a huge 35% since we upgraded the Bank two weeks ago and significantly outperformed the ISE100 index that climbed by 5% during the same period. We still see a significant upside on the Bank assuming a 16% sustainable ROE and considering the joint announcement of KFS and Cukurova that majority of the proceeds from YKB sale will be used on the Group's liabilities to YKB, which will initially reduce the uncollateralized receivables. Therefore, the remaining part of the loan will be fully pledged by Turkcell shares.

Taking into account both the absolute and relative attractive valuation of the Bank, and disregarding the potential synergy and profitability improvement after a sale to a strong third party, we maintain our 'Market Outperformer' rating on YKB that trades with a 19% upside potential.

Yapi Kredi Bank Valuation	
R _T Turkey (Sustainable LT Eurobond Yield)	8.0%
R _{US} (30yr Eurobond)	5.0%
g	3.0%
B	1.1
R _f Turkey - R _f US	3.0%
Equity risk coefficient	2.2
k	13%
Sustainable ROE	16%
Benchmark P/B [(ROE-g)/(k-g)]	1.37
NAV Calculations (US\$mn)	
Book Value of 2005 IFRS Sh. Eq.	2,610
13.15% Tcell market value net of restated cost	990
2005F IFRS Adjusted Sh.Eq.	3,600
Write Offs	
Fiskobirlik loan accrual write off (-)	265
Haircut on Non-Core Assets (-)	310
Unprovisioned NPLs (-)	63
Related Party Loans & Collaterals	
Cukurova Group Loan	2,027
16.53% Turkcell Collateral	1,763
Cukurova payment (US\$2,027mn-collateral)	264
2005 Sh.Eq. (Collateral & Write-off adjusted)	2,962
Target Value	4,053
M Cap	3,419
2005F P/B	1.15
Upside (downside)	19%
<i>Source: Ak Securities</i>	

We did not take into consideration YKB's current ROE levels but the lower end of its potential under KFS management. Large banks other than YKB manage to post more than 20% bank-only sustainable ROEs. Kocbank's ROE is also higher than that.

YKB books Turkcell at its restated cost in its IFRS financials. We estimate the figure as US\$413mn for 2005. 13.15% of Turkcell corresponds to US\$1,403mn

The Bank books its Fiskobirlik receivable as US\$418mn. The loan was granted in 1989 and the sum is almost totally booked in interest accruals. We expect the Bank to collect US\$153mn through a WPI+10bp interest rate and write off the rest.

Write Offs include Atel (US\$158mn), Enternasyonal (US\$100mn), Fintur (US\$34mn), Atasehir (US\$18mn)

At the end of 3Q04 the 16.53% Turkcell collateral hardly covered a half of Cukurova

Even if the value of Turkcell collateral declines there is no need to apply a haircut on Cukurova's liability as the Group will use the majority of US\$1.5bn funds to be received from KFS to cover its debt to YKB. Therefore the collateral will become adequate to cover the rest.

When we apply 1.4x P/B multiple on our 2005 adjusted shareholders' equity we obtain a US\$4,05bn target value for the Bank that corresponds to a 19% upside potential.

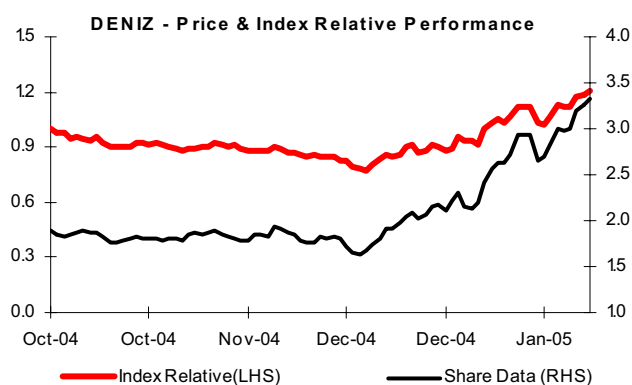
DENIZBANK

Banking Sector

Market Performer

- With a 2% market share in major banking sector indicators, Denizbank is Turkey's 11th largest bank. The Bank operates through a 189-branch distribution network, and has 4,162 employees.
- Loans make up 35% of assets, which is one of the lowest ratios among the peer group. The Bank targets increasing the share of retail and SME loans in total lending from 22% to 40% by 2006-end.
- Unlike the peers that strive to build their own credit card and merchant store networks, Deniz has wisely preferred to grow in the credit card issuing business through Garanti Bank's Bonus Card scheme. The Bank welcomes joint usage of ATMs and POS systems to cut costs.
- Deniz continues its liquid asset allocation strategy through a core liquidity ratio of 30%, which is the highest after TEB. With this amount of liquidity, the Bank can cover 36% of its IBLs.
- Denizbank's loan book remained unchanged in 3Q04. In contrast to strong peer performance in the TL-denominated retail loan segment, Deniz lost 2% of its TL lending base. Therefore, the share of loans in assets declined by 2pp. The share of securities, on the other hand, displayed the same pp rise to 26%.
- The Bank, which preferred to hold almost its entire securities book as trading until the end of 2003, now keeps the bulk available for sale (AFS) to protect its P/L from sudden profit slides. This is because the mark-to-market gains/losses on AFS are booked under the shareholder equity unless the security is liquidated.
- In our valuation model, we have eliminated the Bank's 45% stake in Zorlu Enerji and worked through a financial only book value. After attaining a banking business value through our warranted equity model we added up the market value of Zorlu Enerji's stake for the whole Bank. We maintain our 'Market Performer' rating for Denizbank with a US\$984mn target value.

Price (TL / US\$)	4.30 / 3.26
1-Year Price Range (TL/US\$)	2.35 / 1.64 - 4.30 / 3.26
Number of Shares (000)	316,100
Market Cap. (US\$mn)	1,029
Free Float	25%
Daily Vol. (3 Month, US\$mn)	3.9
Ticker (Reuters, Bloomberg)	DENIZ.IS, DENIZ TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	15.5%	47.5%	76.0%	
Index Relative	11.3%	32.5%	31.2%	

SUMMARY FORECASTS (BRSA US\$mn) & VALUATION

	2002A	2003A	2004F	2005F
Assets	2,804	3,478	4,358	5,027
Sh. Equity	332	377	558	656
Net Profit	14	69	81	98
ROE	4.3%	19.5%	17.3%	16.2%
P/B	3.1	2.7	1.8	1.6
P/E	71.7	14.9	12.7	10.5

SHAREHOLDING STRUCTURE

Zorlu Holding	75%
Float	25%

Unconsolidated Inflation Adjusted BRSA Financials US\$m					
	2002	2003	2004F	2005F	2006F
BALANCE SHEET					
Cash And Balances With The Cb	117	153	162	190	221
Trading Securities (Net)	984	1,137	129	131	132
Banks And Other Financial Institutions	278	503	958	1,124	1,307
Money Market Securities	137	47	-	-	-
Investment Sec. Available For Sale (Net)	2	2	914	973	1,034
Loans	698	1,109	1,588	1,879	2,221
Investment Sec. Held To Maturity (Net)	111	63	49	50	50
Investments And Associates (Net)	106	104	109	138	172
Subsidiaries (Net)	50	51	54	65	77
Reserve Deposits	142	131	187	219	253
Miscellaneous Receivables	5	3	16	20	24
Accrued Interest And Income Receivable	89	102	75	93	113
Property And Equipment (Net)	56	55	69	87	108
Intangible Assets [Net]	6	6	8	10	12
Other Assets	22	12	41	51	63
Total Assets	2,804	3,478	4,358	5,027	5,787
Deposits	2,169	2,257	2,642	2,970	3,334
Interbank Money Market	21	428	375	456	554
Funds Borrowed	164	259	619	803	1,038
Miscellaneous Payables	27	29	103	110	113
Other External Resources	24	45	43	42	38
Taxes And Other Duties Payable	9	9	11	14	16
Finance Leasing Payables (Net)	7	6	9	11	12
Accrued Interest And Expenses Payable	28	33	(32)	(59)	(98)
Provisions	22	35	30	25	15
Shareholders' Equity	332	377	558	656	765
TOTAL LIABILITIES	2,804	3,478	4,358	5,027	5,787
INCOME STATEMENT					
NET INTEREST INCOME (I - II)	123	99	236	262	269
NET FEES AND COMMISSIONS INCOME	23	34	37	41	47
DIVIDEND INCOME	-	-	-	-	-
NET TRADING INCOME	9	93	(11)	5	5
Profit/losses on trading account securities (Net)	57	72	22	3	3
Foreign exchange gains/losses (Net)	48	21	(32)	3	2
PROFIT/LOSS FROM HELD TO MATURITY M. S.	-	-	-	-	-
OTHER OPERATING INCOME	40	23	51	31	35
TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	195	250	313	339	356
PROVISION FOR LOAN LOSSES OR OTHER REC. (-)	46	33	32	35	37
OTHER OPERATING EXPENSES (-)	108	133	177	174	184
NET OPERATING INCOME (IX-X-XI)	41	83	105	129	135
PROFIT/LOSSES FROM ASSOCIATES AND SUBS.	6	26	34	36	37
NET MONETARY PROFIT/LOSS	(33)	(15)	(29)	(24)	(16)
INCOME BEFORE TAXES (XII+XIII)	14	94	110	140	156
PROVISION FOR TAXES ON INCOME (-)	-	(25)	29	42	47
NET OPERATING INC./EXP. AFTER TAXES (XIV-XV)	14	69	81	98	109
NET PROFIT/LOSS	14	69	81	98	109

Source: BRSA Financials, Ak Securities

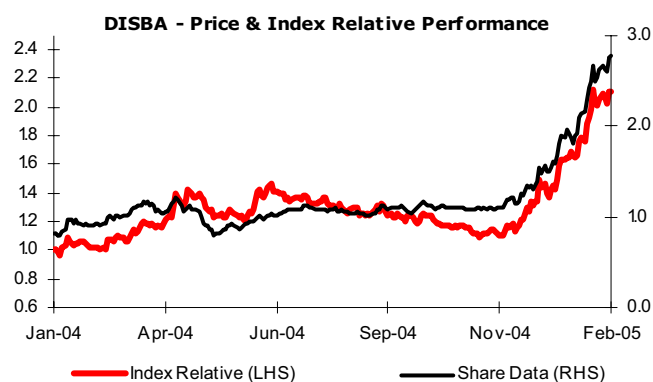
DISBANK

Banking Sector

Market Performer

- Disbank is the 10th largest Bank after Finansbank and followed by Denizbank, with US\$5bn of consolidated assets. The Bank, operating through 170 branches mainly in western Turkey has a 3.2% market share in loans and 1.7% share in deposits.
- Has the third highest free capital of US\$306mn among the peers after the largest two private Banks, namely Akbank and Isbank.
- First foreign trade-finance bank in Turkey established in 1964. The Bank has a 6% market share in Turkey's foreign trade volume.
- Disbank, which used to serve large corporates five years ago, now lays emphasis on retail clients and SMEs as its core target market. 60% of Disbank's loans are to corporates, whereas the remainder is directed to retail and SME clients.
- The Bank is strong in the credit card business, especially as an acquirer (POS volume) with a 6.6% market share (7.7% share in the number of POS). It is the 5th largest bank in terms of POS volume, whereas the issuing volume market share is 3.3%.
- In mid-2004, Dogan Holding decided to hire an advisor to seek and evaluate potential partnership and stake sale opportunities for Disbank. Over past weeks, there has been market speculation over two foreign banks' interest in Disbank, namely Intesa and Societe Generale, which caused strong momentum in the Bank's market performance.
- Disbank has been on our recommendations list since we upgraded the bank to 'Market Outperformer' at the end of 2002. Since then, it has generated a huge 612% US\$-return and significantly outperformed the ISE-100 index, which rose by 280% during the period.
- Although Disbank's 1.4x 2005F P/B remains one of the lowest among the banks in our coverage, we downgrade the stock to 'Market Performer' believing that the Bank is fundamentally fully valued.

Price (TL / US\$)	3.68 / 2.79
1-Year Price Range (TL/US\$)	1.06 / 0.79 - 3.68 / 2.79
Number of Shares (000)	363,944
Market Cap. (US\$mn)	1,014
Free Float	33%
Daily Vol. (3 Month, US\$mn)	5.9
Ticker (Reuters, Bloomberg)	DISBA.IS, DISBA TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	6.3%	42.4%	155.6%	245.8%
Index Relative	2.4%	27.9%	90.6%	110.9%

SUMMARY FORECASTS (BRSA US\$mn) & VALUATION

	2002A	2003A	2004F	2005F
Assets	3,239	3,816	4,728	4,965
Sh. Equity	473	639	637	734
Net Profit	68	125	66	98
ROE	14.4%	22.5%	10.3%	14.2%
P/B	2.1	1.6	1.6	1.4
P/E	14.9	8.1	15.4	10.4

SHAREHOLDING STRUCTURE

Dogan Holding	62.37%
Others	20.56%
Float	17.07%

Unconsolidated Inflation Adjusted BRSA Financials US\$mn					
	2002	2003	2004F	2005F	2006F
BALANCE SHEET					
Cash And Balances With The Cb	45	37	105	100	96
Trading Securities (Net)	498	318	171	180	188
Banks And Other Financial Institutions	267	192	504	481	461
Money Market Securities	217	384	33	163	288
Investment Sec. Available For Sale (Net)	564	729	799	839	881
Loans	1,033	1,486	2,109	2,214	2,325
Investment Sec. Held To Maturity (Net)	-	10	301	317	332
Investments And Associates (Net)	1	-	-	-	-
Subsidiaries (Net)	199	146	162	155	148
Reserve Deposits	212	165	266	254	243
Miscellaneous Receivables	9	10	14	14	13
Accrued Interest And Income Receivable	72	165	106	101	97
Property And Equipment (Net)	105	110	110	105	101
Intangible Assets [Net]	5	6	7	7	7
Other Assets	12	57	72	68	65
Total Assets	3,239	3,816	4,728	4,965	5,213
Deposits	1,864	2,006	2,158	2,266	2,379
Interbank Money Market	94	236	322	309	282
Funds Borrowed	567	713	1,217	1,278	1,342
Miscellaneous Payables	54	58	73	70	64
Other External Resources	123	69	214	205	187
Taxes And Other Duties Payable	9	9	9	9	8
Finance Leasing Payables (Net)	9	5	-	-	-
Accrued Interest And Expenses Payable	32	36	59	56	52
Provisions	15	44	39	37	34
Shareholders' Equity	473	639	637	734	865
TOTAL LIABILITIES	3,239	3,816	4,728	4,965	5,213
INCOME STATEMENT					
NET INTEREST INCOME (I - II)	199	173	202	186	237
NET FEES AND COMMISSIONS INCOME	15	43	84	113	129
DIVIDEND INCOME	88	0	-	-	-
NET TRADING INCOME	31	100	97	124	102
Profit/losses on trading account securities (Net)	75	111	97	141	114
Foreign exchange gains/losses (Net)	(44)	(11)	(1)	(17)	(11)
PROFIT/LOSS FROM HELD TO MATURITY M. S.	-	-	-	-	-
OTHER OPERATING INCOME	60	34	7	8	8
TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	392	351	390	430	476
PROVISION FOR LOAN LOSSES OR OTHER REC. (-)	30	22	56	56	57
OTHER OPERATING EXPENSES (-)	222	220	248	256	271
NET OPERATING INCOME (IX-X-XI)	140	109	85	119	147
PROFIT/LOSSES FROM ASSOCIATES AND SUBS.	-	26	45	47	50
NET MONETARY PROFIT/LOSS	(81)	(35)	(60)	(47)	(32)
INCOME BEFORE TAXES (XII+XIII)	58	101	71	119	165
PROVISION FOR TAXES ON INCOME (-)	(10)	(25)	5	21	35
NET OPERATING INC./EXP. AFTER TAXES (XIV-XV)	68	125	66	98	131
NET PROFIT/LOSS	68	125	66	98	131

Source: BRSA Financials, Ak Securities

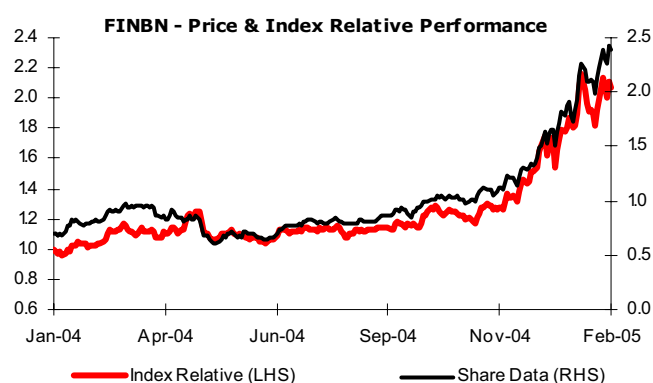
FINANSBANK

Banking Sector

Market Underperformer

- Finansbank is the 5th largest private bank in Turkey with US\$8.2bn consolidated assets and US\$689mn shareholder equity. The bank has a 170-branch distribution network with more than 5,000 employees. Despite being strong in the local market, Finans also has an extensive banking presence in Europe, especially in the Netherlands and Germany via its subsidiary Finansbank Holland NV (US\$2.7bn asset size).
- The Bank's subsidiaries are capable of collecting deposits mainly from local clients, allocating the funds to export financing and government securities, as well as participating in syndicated loan deals of Turkish Banks. Finansbank derives around 40% of its deposits from foreign subsidiaries.
- One of the main issues differentiating Finansbank from the rest of the pack is its strong emphasis on the core banking business of loan issuing. A huge 58% of the bank's balance sheet comprises loans whereas the ratio derived from the aggregate commercial banks' balance sheet is only 33%. Long-term project finance lending to SMEs is the bank's strongest activity. These FX-denominated loans earn a 7-10% annual interest rate, which greatly exceeds the 4-5% interest on loans granted to blue-chip companies.
- Even though the Bank places strong emphasis on corporate loans, it is also powerful in retail banking, and especially on the credit card business. Its market share in credit card transaction volume hiked from 2.6% in 2002 to 4.8% in 3Q04; one of the most significant leaps among the peers. We expect the intensified marketing efforts and increased instalments available in electronic goods outlets to be the main drivers of the rise in credit card loans.
- We downgrade our rating on the Bank from 'Market Performer' to 'Market Underperformer' due to its recent price appreciation that caused an 18% downside potential to our US\$1,161mn target.

Price (TL / US\$)	3.16 / 2.39
1-Year Price Range (TL/US\$)	0.92 / 0.61 - 3.16 / 2.43
Number of Shares (000)	590,000
Market Cap. (US\$m)	1,412
Free Float	39%
Daily Vol. (3 Month, US\$m)	8.6
Ticker (Reuters, Bloomberg)	FINBN.IS, FINBN TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	8.0%	27.1%	116.8%	239.0%
Index Relative	4.1%	14.2%	61.6%	106.8%

SUMMARY FORECASTS (BRSA US\$m) & VALUATION

	2002A	2003A	2004F	2005F
Assets	4,097	4,184	5,170	5,494
Sh. Equity	445	561	667	780
Net Profit	157	112	124	128
ROE	35.2%	22.2%	20.1%	17.7%
P/B	3.2	2.5	2.1	1.8
P/E	9.0	12.6	11.4	11.1

SHAREHOLDING STRUCTURE

Fiba & Fina Group Companies	55.97%
CGU International Insurance	3.21%
Other	40.82%

Unconsolidated Inflation Adjusted BRSA Financials US\$mn					
	2002	2003	2004F	2005F	2006F
BALANCE SHEET					
Cash And Balances With The Cb	115	98	78	82	86
Trading Securities (Net)	-	-	-	-	-
Banks And Other Financial Institutions	85	190	352	371	390
Money Market Securities	6	-	-	-	-
Investment Sec. Available For Sale (Net)	847	541	842	884	928
Loans	1,442	1,922	2,974	3,186	3,413
Investment Sec. Held To Maturity (Net)	697	685	-	-	-
Investments And Associates (Net)	-	-	-	-	-
Subsidiaries (Net)	266	235	247	260	273
Reserve Deposits	222	220	345	363	381
Miscellaneous Receivables	23	9	11	11	12
Accrued Interest And Income Receivable	250	147	128	135	142
Property And Equipment (Net)	89	85	122	129	135
Intangible Assets [Net]	15	15	13	13	14
Other Assets	40	38	59	62	65
Total Assets	4,097	4,184	5,170	5,494	5,838
Deposits	3,043	2,653	3,456	3,629	3,810
Interbank Money Market	41	32	101	102	104
Funds Borrowed	427	695	679	713	748
Miscellaneous Payables	52	75	76	77	78
Other External Resources	33	61	69	70	71
Taxes And Other Duties Payable	10	12	11	11	11
Finance Leasing Payables (Net)	4	4	-	-	-
Accrued Interest And Expenses Payable	29	28	38	38	39
Provisions	14	63	73	73	75
Shareholders' Equity	445	561	667	780	901
TOTAL LIABILITIES	4,097	4,184	5,170	5,494	5,838
INCOME STATEMENT					
	2002	2003	2004F	2005F	2006F
NET INTEREST INCOME (I - II)	388	208	351	356	350
NET FEES AND COMMISSIONS INCOME	97	73	123	156	177
DIVIDEND INCOME	0	-	-	-	-
NET TRADING INCOME	(120)	113	(35)	48	51
Profit/losses on trading account securities (Net)	-	-	2	35	37
Foreign exchange gains/losses (Net)	(120)	113	(38)	13	14
PROFIT/LOSS FROM HELD TO MATURITY M. S.	5	46	-	-	-
OTHER OPERATING INCOME	21	73	43	16	17
TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	392	512	483	577	596
PROVISION FOR LOAN LOSSES OR OTHER REC. (-)	38	68	67	98	105
OTHER OPERATING EXPENSES (-)	165	274	242	264	281
NET OPERATING INCOME (IX-X-XI)	189	170	173	215	210
PROFIT/LOSSES FROM ASSOCIATES AND SUBS.	10	21	13	14	15
NET MONETARY PROFIT/LOSS	(55)	(23)	(48)	(33)	(22)
INCOME BEFORE TAXES (XII+XIII)	144	168	139	197	203
PROVISION FOR TAXES ON INCOME (-)	(12)	(56)	15	69	67
NET OPERATING INC./EXP. AFTER TAXES (XIV-XV)	157	112	124	128	135
NET PROFIT/LOSS	157	112	124	128	135

Source: BRSA Financials, Ak Securities

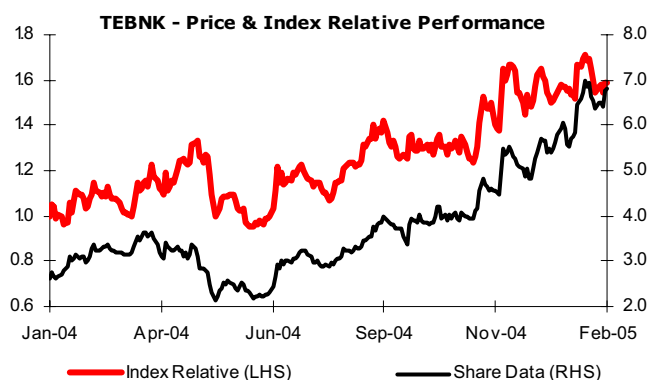
TEB

Banking Sector

Market Outperformer

- Unlike its peers TEB is not competing in retail loans, rather placing strong emphasis on export financing. Consumer and credit card loans constitute 5.6% of the Bank's lending book, whereas a hefty 39% of TEB's loans are directed at export financing, the Bank's niche market.
- A huge 39% of the Bank's balance sheet comprises of core liquid items (excluding securities) that do not generate meaningful spreads. Although loans constitute 43% of assets, which is significantly higher than the sector's 33%, the loan margins are relatively poorer as the preferred loan type has low risk and low return, parallel to the Bank's conservative management strategy.
- Colakoglu family members, controlling shareholders of TEB, agreed to sell 50% of TEB Mali Yatirimlar (TMY) to BNP Paribas for US\$216.8mn, valuing the company overall at US\$433.6mn. The Bank management informed us that the value is derived through applying a 2.05x P/B multiple on TMY's 1H04 NAV. BNP Paribas also agreed to make additional payment to Colakoglu family members should TMY's performance improve over the next 3 years.
- TMY holds 84.25% of TEB with the remaining portion held by the public. TMY also directly holds 25% of TEB Yatirim, 35% of TEB Portfoy, 100% of TEB Insurance and 8.25% of TEB Kiyetli Madenler. The collective equity value of those stakes (excluding TEB) under TMY is around US\$5.7mn. Attaching a 1.5x P/B to the equity of those stakes (i.e. US\$8.6mn = US\$5.7mn x 1.5) yields a US\$425mn value for the TEB stake under TMY. This in turn corresponds to ~US\$504mn implied transaction value for TEB, indicating a 1.7x 2005F P/B. With its current market cap, the Bank trades with a 1.3x 2005F P/B.
- We maintain our 'Market Outperformer' rating for the Bank taking into account the potential improvement to its asset allocation and 13% upside potential to our US\$444mn target.

Price (TL / US\$)	9.00 / 6.82
1-Year Price Range (TL/US\$)	3.43 / 2.13 - 9.05 / 6.98
Number of Shares (000)	57,800
Market Cap. (US\$mn)	394
Free Float	20%
Daily Vol. (3 Month, US\$mn)	2.1
Ticker (Reuters, Bloomberg)	TEBANK.IS, TEBNK TI
ISE-100 Index (TL/US\$)	27,937 / 21,159



PERFORMANCE	1 Week	1 Month	3 Month	1 Year
US\$	7.0%	12.6%	62.9%	160.8%
Index Relative	3.2%	1.2%	21.5%	59.1%

SUMMARY FORECASTS (BRSA US\$mn) & VALUATION

	2002A	2003A	2004F	2005F
Assets	1,974	2,079	2,488	2,718
Sh. Equity	213	238	252	294
Net Profit	15	37	24	43
ROE	7.2%	16.5%	9.6%	15.6%
P/B	1.9	1.7	1.6	1.3
P/E	25.6	10.6	16.7	9.3

SHAREHOLDING STRUCTURE

TEB Financial Services	84.25%
Float	15.75%

Unconsolidated Inflation Adjusted BRSA Financials US\$mn					
	2002	2003	2004F	2005F	2006F
BALANCE SHEET					
Cash And Balances With The Cb	357	423	523	516	470
Trading Securities (Net)	23	20	67	70	74
Banks And Other Financial Institutions	272	128	110	109	99
Money Market Securities	338	315	251	381	476
Investment Sec. Available For Sale (Net)	14	0	151	159	167
Loans	667	852	1,074	1,173	1,282
Investment Sec. Held To Maturity (Net)	30	63	44	46	49
Investments And Associates (Net)	5	7	-	-	-
Subsidiaries (Net)	84	89	99	97	89
Reserve Deposits	110	108	130	128	117
Miscellaneous Receivables	0	0	0	0	0
Accrued Interest And Income Receivable	23	21	25	25	23
Property And Equipment (Net)	31	27	26	26	24
Intangible Assets [Net]	2	2	2	2	2
Other Assets	17	24	18	17	16
Total Assets	1,974	2,079	2,488	2,718	2,854
Deposits	1,407	1,443	1,599	1,747	1,909
Interbank Money Market	19	11	133	145	93
Funds Borrowed	219	265	377	396	415
Miscellaneous Payables	30	18	19	21	14
Other External Resources	21	28	41	45	29
Taxes And Other Duties Payable	5	6	6	6	4
Finance Leasing Payables (Net)	6	4	-	-	-
Accrued Interest And Expenses Payable	12	22	26	29	18
Provisions	23	29	18	19	13
Shareholders' Equity	213	238	252	294	348
TOTAL LIABILITIES	1,974	2,079	2,488	2,718	2,854
INCOME STATEMENT					
	2002	2003	2004F	2005F	2006F
NET INTEREST INCOME (I - II)	129	100	122	149	176
NET FEES AND COMMISSIONS INCOME	14	14	19	22	24
DIVIDEND INCOME	-	-	-	-	-
NET TRADING INCOME	17	38	10	19	20
Profit/losses on trading account securities (Net)	16	30	12	8	8
Foreign exchange gains/losses (Net)	1	8	33	11	11
PROFIT/LOSS FROM HELD TO MATURITY M. S.	-	-	-	-	-
OTHER OPERATING INCOME	10	12	11	6	6
TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)	169	164	162	197	225
PROVISION FOR LOAN LOSSES OR OTHER REC. (-)	13	5	16	8	8
OTHER OPERATING EXPENSES (-)	94	91	95	112	120
NET OPERATING INCOME (IX-X-XI)	62	68	50	77	97
PROFIT/LOSSES FROM ASSOCIATES AND SUBS.	6	9	4	6	6
NET MONETARY PROFIT/LOSS	(34)	(19)	(19)	(12)	(8)
INCOME BEFORE TAXES (XII+XIII)	33	59	35	71	95
PROVISION FOR TAXES ON INCOME (-)	18	22	12	29	38
NET OPERATING INC./EXP. AFTER TAXES (XIV-XV)	15	37	23	43	57
NET PROFIT/LOSS	15	37	24	43	57

Source: BRSA Financials, Ak Securities

V. RATIOS AND KEY FIGURES ON BANKS

Ratios and Key Figures on Banks (US\$m)									
US\$m 3Q04	AKBNK	GARAN	ISCTR	YKBK	DISBA	FINBN	TEBNK	DENIZ	SECTOR
Main Figures									
Assets	22,002	17,600	27,935	16,412	4,684	5,106	2,440	4,139	196,450
Loans	7,928	6,961	8,863	6,517	2,068	2,946	1,053	1,459	64,856
Trading Securities	2,910	418	313	2,244	169	0	66	182	15,017
Available For Sale	6,853	3,062	9,441	1,776	792	834	150	855	33,007
Held to Maturity	215	2,532	236	117	299	0	44	25	32,400
Total Deposits	13,495	11,161	17,217	9,770	2,138	3,390	1,568	2,530	126,523
Repo	670	1,292	1,273	2,049	326	111	128	272	8,945
Repo+Deposits	14,166	12,453	18,489	11,819	2,464	3,501	1,696	2,802	135,468
Demand Deposits/Total Deposits	18%	28%	22%	18%	20%	18%	27%	37%	
IEA	20,234	15,050	21,792	12,208	4,208	4,539	2,273	3,776	172,779
Sh. Eq.	3,881	1,943	5,362	2,776	611	628	246	538	26,661
Free Capital	3,170	-131	424	-735	306	218	115	229	11,055
Profit (Ytd Cumulative)	590	234	401	6	40	85	17	61	3,092
Total Free Funds/Assets	25%	16%	14%	6%	16%	17%	21%	28%	6%
QoQ Change									
Assets	6.1%	4.3%	8.3%	4.9%	14.4%	1.1%	2.4%	3.7%	5.9%
Loans	11.3%	8.7%	6.4%	-0.1%	2.2%	7.7%	8.9%	0.2%	5.5%
Trading Securities	-20.2%	-14.5%	-39.6%	-7.2%	10.0%	0.0%	48.6%	32.0%	-6.7%
Available For Sale	15.8%	17.7%	23.4%	18.7%	0.1%	331.0%	0.0%	10.2%	20.7%
Held to Maturity	-1.1%	-10.7%	-35.1%	0.2%			-0.6%	-52.4%	-3.5%
Deposits	2.5%	1.8%	8.6%	3.8%	1.9%	4.2%	-5.7%	4.4%	5.6%
Sh. Eq.	7.7%	8.2%	16.3%	7.2%	5.8%	7.1%	2.5%	35.3%	10.9%
Profit	26%	112%	-11%	-52%	2917%	114%	-63%	3008%	47%
Ratios									
Free Capital/Assets	14.4%	-0.7%	1.5%	-4.5%	6.5%	4.3%	4.7%	5.5%	5.6%
IEA/IBL	115%	98%	101%	95%	108%	107%	107%	111%	107%
NPL Ratio	1.3%	3.7%	7.7%	6.1%	3.4%	2.3%	1.3%	3.8%	5.9%
NPL Coverage	100%	53%	100%	80%	78%	100%	51%	82%	89%
Cost/Income (Quarterly)	29%	53%	40%	82%	52%	52%	65%	57%	44%
NI Spread (Quarterly Plain)	7.9%	6.0%	7.1%	4.7%	3.4%	7.2%	4.4%	5.7%	6.1%
NI Margin (Quarterly Plain)	9.3%	6.2%	7.8%	4.6%	4.5%	8.3%	5.2%	6.9%	7.2%
ROE (Annualized Q)	25%	20%	11%	-3%	20%	13%	6%	30%	23%
Liquidity Ratio (excluding securities)	11%	12%	11%	9%	19%	15%	39%	30%	14%
Core Liquid Assets/IBL	13%	13%	14%	12%	22%	17%	45%	36%	17%
CAR	37.0%	16.2%	30.4%	17.8%	13.1%	10.3%	13.3%	20.1%	0.0%
Securities/Assets	45.3%	34.2%	35.8%	25.2%	26.9%	16.3%	10.7%	25.7%	40.9%
Loans/Assets	36.0%	39.6%	31.7%	39.7%	44.2%	57.7%	43.2%	35.3%	33.0%
Deposits/Assets	61.3%	63.4%	61.6%	59.5%	45.6%	66.4%	64.3%	61.1%	64.4%
Trading Securities/Total Securities	29%	7%	3%	54%	13%	0%	25%	17%	19%
Available for Sale/Total Securities	69%	51%	95%	43%	63%	100%	58%	81%	41%
Investment Securities/Total Securities	2%	42%	2%	3%	24%	0%	17%	2%	40%
BS FX Position	-20	-111	-45	-231	-99	215	-23	-35	
Net FX Position	119	-53	-39	-122	-6	65	-14	29	
Net FX P./Capital Base	3.1%	-2.7%	-0.7%	-4.4%	-1.0%	10.4%	-5.6%	5.4%	
Employees 3Q04	10,345	8,874	15,802	10,600	3,909	5,046	2,059	4,162	
Branches 27/10/04	638	335	849	408	169	170	86	189	
Loan/Employee	0.77	0.78	0.56	0.61	0.53	0.58	0.51	0.35	
Loan/Branch	12.43	20.78	10.44	15.97	12.24	17.33	12.24	7.72	
Deposit+Repo/Employee	1.37	1.40	1.17	1.11	0.63	0.69	0.82	0.67	
Deposit+Repo/Branch	22.20	37.17	21.78	28.97	14.58	20.59	19.72	14.83	
Free Float	28%	41%	33%	42%	33%	39%	20%	25%	
Daily Volume (US\$m)	16.5	27.2	46.7	52.5	5.9	8.6	2.14	3.9	
Net Fee Income/Op. Exp.	39%	48%	48%	45%	41%	54%	20%	22%	38%
Customer Funds (Cust. Sec.+Mutual F.+Dep.)	26,772	25,083	30,596	17,088	4,005	5,467	2,792	3,841	
Credit card limit commitment (3Q04)	6,841	4,003	2,710	3,322	2,145	1,141	81	516	
Number of Cards	2,300,265	3,601,729	2,686,611	3,899,035	1,018,908	1,473,620	70,878	667,040	
Limit/Card (\$)	2,974	1,111	1,009	852	2,106	774	1,139	774	
Interest on TL deposits	15.2%	17.3%	15.6%	19.1%	21.9%	18.0%	17.9%	20.4%	17.1%
Interest on FX deposits	2.5%	1.2%	1.8%	3.2%	3.3%	3.5%	1.7%	2.1%	2.4%
Interest on TL loans	29.5%	27.6%	30.1%	33.8%	27.2%	31.0%	29.1%	24.9%	26.4%
Interest on FX loans	4.0%	6.2%	5.5%	6.0%	5.2%	7.0%	5.3%	6.1%	5.4%
TL Spread (3Q04-Annualized)	12%	10%	13%	12%	4%	11%	10%	5%	8%
FX Spread (3Q04-Annualized)	1%	4%	4%	3%	2%	3%	4%	4%	3%
TL Spread (2Q04-Annualized)	10%	7%	13%	15%	7%	12%	12%	6%	9%
FX Spread (2Q04-Annualized)	1%	8%	4%	3%	2%	4%	4%	4%	3%

Source: BRSA Financials, Ak Securities

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