RAYMOND JAMES SECURITIES TURKEY

May 1, 2002

EQUITY RESEARCH / BANKING

TURK EKONOMI BANKASI - TEB   BUY

(TEBNK.IS) TL2,500-Usc0.19

We BET on TEB

A winning banking strategy in the volatile Turkish market...

- TEB's prudent management style proved to be a virtue after the twin crises of November 2000 and February 2001. Now TEB shines among its peers as the beneficiary of the ongoing consolidation phase with minimal risk of being adversely affected by the special audit process under the recapitalization program.
- The NPL ratio of 1.3% in 9M2001 together with 0.1% related party lending, as well as liquidity standing at 49.5%, compared to the corresponding averages of our Turkish banking coverage universe; 5%, 19% and 17%, highlight the bank's superior asset quality, to be leveraged in the loan market once the economy shifts to growth in 2H2002.
- After an estimated lack luster loss figure of US$22mn in IAS consolidated statements in 2001, TEB's bottom-line will shift into the black in 2002 with US$17mn. We project further 32% EPS growth in 2003.
- Based on our sum of parts valuation, TEB's fair value stands at US$200 mn (TL4,900/share from current US$ rate), of which US$129 mn is the bank-only value. Our target value for the bank implies 96% upside potential at an undemanding 2002E Adj. P/BV of 1.1x on consolidated basis.
- Our strong opinion that TEB's financials are almost immune to the special audit supports our valuation and BUY recommendation.

(US$ mn)	2000	2001	2002E	2003F
Total Assets*	2,024	1,775	2,152	2,396
growth yoy	26%	-12%	21%	11%
Loans*	686	659	1,021	1,246
growth yoy	68%	-4%	55%	22%
Deposits*	989	1,145	1,436	1,436
growth yoy	29%	16%	25%	0%
SH Equity*	169	125	142	165
growth yoy	52%	-26%	14%	16%
Adj. Net Int. Incom	189	83	93	89
growth yoy	70%	-56%	12%	-5%
Net Income*	16	(22)	17	23
growth yoy	-47%	n.m.	n.m.	32%
Adjusted NIM*	8.3%	4.6%	4.8%	3.9%
ROAA %*	0.9%	n.m.	0.9%	1.0%
ROAE %*	11.1%	n.m.	12.8%	14.7%
(in US$)				
P/E (x)	6.8	n.m.	6.2	4.7
P/Deposits (x)	0.11	0.09	0.07	0.07
P/Assets (x)	0.05	0.06	0.05	0.04
P/BV (x)	0.63	0.84	0.74	0.64
Adj. P/BV (x)	0.52	0.67	0.60	0.53

**IAS Consolidated*

As of May 01, 2002				KEY DATA
Shares Outstanding				55,125 mn
Mcap.				US$102 mn
Major Shareholder			TEB Mali Yatırımlar	70.1%
Free Float				20.0%
Foreign Holding*				43.2%
12mth Range				TL3,500 - TL1,200
				USc0.07 - USc0.29
Avg. Daily Vol.				1 mth - US$0.49 mn
				3 mth - US$0.58 mn
Price Performance	1mth	3mths	12mths	YTD
US$	-4%	-28%	-33%	-3%
Relative	-3%	-22%	-17%	6%
TL/US$= 1,350,726				ISE-100= 11,481

**As % of free float*

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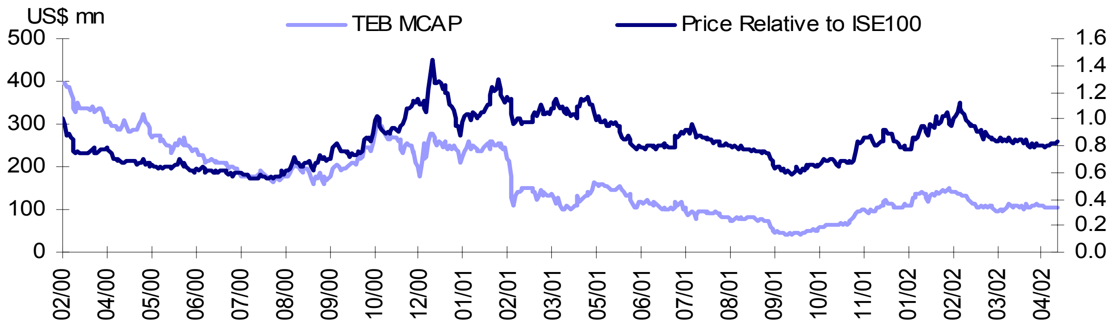
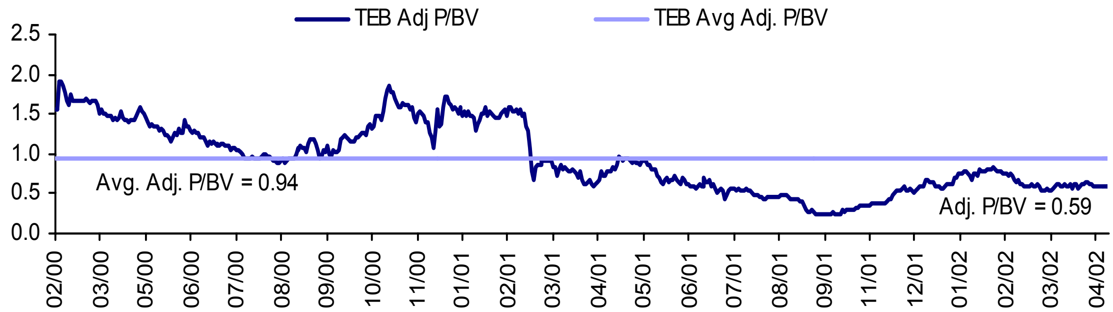
RELATIVE PERFORMANCE

TEB Relative to the ISE



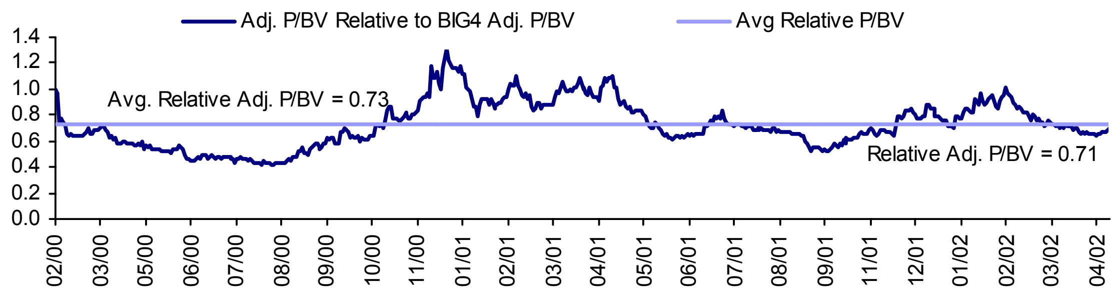
Adjusted P/BV CHART –IAS Consolidated

TEB's Historic Adj. P/BV



RELATIVE P/BV CHART

TEB's Historic Adj. P/BV Relative to the Big 4



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INVESTMENT HIGHLIGHTS

Conservatism, a virtue in the Turkish banking sector… TEB's highly criticized conservatism proved to be a virtue during the twin crises of November 2000 and February 2001. In the mentioned period the bank was able to overcome the crises period with minimum damage parallel to its high liquidity, almost always square fx position and negligible maturity mismatch.

A high quality loan book with lowest NPL… TEB's cautious approach to lending resulted in a very low NPL ratio of 1.3% as of 9M2001 against the 5% average of our banking universe and 23.6% industry average including State banks and banks under State Deposit Insurance Fund (SDIF). Moreover, TEB's NPLs are fully provisioned for, while the provision ratio is 45.3% for our coverage universe and 65.3% for the sector as of 9M2001, another fact to note regarding TEB's asset quality.

Very negligible related party exposure… Despite being a part of a large industrial group with total sales turnover of US$1.1 bn in 2001 xcluding financial sector participations-, the bank's Group exposure is relatively low with the Group credits at only 0.1% of its total lending, compared to its peers with an average related party exposure at 19.3%.

Best quality deposit base: stable and low cost… In our coverage universe, TEB has the highest client deposits to total deposits ratio with 98.7%, versus the peer group average of 87.2%. The dominance of core deposits in the overall deposit base is an important aspect, determining the quality and the reliability of the deposit base. Moreover, TEB's clients are banking with TEB to minimize risks rather than maximize returns and this factor positively impacts the banks' deposit cost. Linked to their risk averse nature, TEB's clientele prefer hard currency deposits to the more costly TL, and for safety as well as high quality service they tolerate a return lower than offered by TEB's competitors. To that end, TEB enjoys the lowest fx deposit cost in our universe despite its smaller size. However, as the bank's strategy is to grow in TL loans in 2002, TEB's TL deposit rates are the highest among the peer group for the sake of attracting TL deposits and hence to enhance the deposit base while enjoying perfect currency match. Having said that, TEB is not an outlier in terms of its TL deposit rates when compared to the market rates. Last but not the least, at TEB the overall cost of deposits is still the lowest among banks under our coverage.

A brand name in private banking, creating significant synergy for the bank… The bank's brand name, which is associated with high quality service and conservatism, makes TEB the bank, where the Turkish affluent mass parks its savings. On top of this, the bank's proven track record in asset management makes TEB Turkey's leading local private banking house. Private banking deposits make up 40% of TEB's total deposit base, while TEB together with its brokerage subsidiary TEB Investment manage US$207mn in mutual funds - as of April 24, 2002 -, commanding 3.6% market share ahead of many larger-size banks.

Well positioned for the ongoing consolidation process in the sector… Together with the Big 4 (Four largest Turkish banks, namely Akbank, YKB, Garanti, Isbank) and foreign banks, TEB stands in the list of banks, which will benefit from the ongoing consolidation in the

TEB

banking sector. The 9M2001 figures already highlight TEB as the beneficiary of flight to quality with the bank's deposit market share surging to 1.0%, up from 0.6% in FY2000. In our view, the recent acquisition of Kentbank branches should further boost the ongoing trend.

Visible earnings outlook and attractive valuation… After remaining in the negative territory throughout 2001, mainly linked to diminishing margins and monetary loss because of high free capital-to-assets ratio, TEB will be posting a loss on consolidated-IAS29 basis in FY2001. However, we forecast TEB to report profit starting in 2002 and expect the bottom line to grow by another 32% in 2003, linked to the anticipated asset growth and shift to lending in parallel to our economic recovery anticipations. Based on our IAS forecasts, with its consolidated 2002E P/E of 6.0x and 2002E Adj. P/BV of 0.58x, TEB trades at respective discounts of 75% and 56% to the average of the Big 4. Although some discount is reasonable, given TEB's smaller size, the current discount is not fundamentally justified in our view, also considering TEB's superior qualities over some banks in our coverage.

Historically proven conservative reporting policy is an advantage for equity investors ahead of special audit results… In our opinion, TEB is likely to be among the least adversely affected banks from the ongoing special audit process in the framework of the bank recapitalization program thanks to its conservative reporting. This is an aspect supporting our valuation and BUY recommendation for the bank.

INVESTMENT NEGATIVES

Despite stronghold in retail investment products low penetration to retail lending and credit card segment remains a weakness… Although TEB launched Telepati brand/platform to expand its retail banking penetration in 2000, it still has a negligible market share with the number of credit cards at c63K, in September 2001 – against c14 million for the sector. The bank's overall market share in retail lending is an insignificant 0.05% as well. This has its roots in the bank's general cautious approach, but TEB has the resources to expand in this segment through capitalizing on the recently acquired Kentbank branches once the economy recovers and macro visibility improves.

A small cap investment idea, with relatively lower liquidity… TEB is a small cap investment idea and is not listed on the MSCI-EM Turkey index, but the average daily trading volume of US$1mn in 2002 makes the stock investable, in our opinion. On the other hand, TEB's share in daily trading volume of the ISE rose to 0.36% so far in 2002, compared to 0.31% on average in 2001.

Diminishing chances in the Citibank deal, but still a good acquisition target… A merger with Citibank was the main driving force behind TEB's share price up until recently and the diminishing chances regarding the realization of this deal upset some of the dedicated followers of the stock, especially at the local side. But in our view, TEB is still a suitable target for foreign banks seeking presence in Turkey, especially after its expansion via the acquisition of 21 Kentbank branches from the State Deposit and Insurance Fund (SDIF).

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VALUATION

Methodology: Sum-of-parts…We prefer to value the bank using the sum-of-parts methodology. For the valuation of TEB's core banking business, we make use of a dividend discount model (DDM) and add the estimated value of participations and real estate portfolio to come up with a target price for TEB shares.

The table below sets forth our valuation model assumptions.

DDM Model Assumptions

Risk Free Rate	11.3%
Equity Risk Premium as % of risk free rate	60%
Beta	0.93
Cost of equity	17.6%
Growth Rate	8.0%
Avg. Free Capital (2001-2002)	64
Banking Earnings (2002)	11
RoA Free Capital (2002)	17.1%
Target P/BV	0.9
12 Month Target Banking Value 2002	**129**
Participations	46
Real Estate	26
Fair Equity Value	**200**
MCAP	102
Upside	**96%**

Source: RJST

Our main assumptions are based on the following:

Risk free rate: We use the current yield of the long-term Eurobonds.

Equity Risk Premium: We conservatively use a 60% equity risk premium as % of risk free rate. The average equity risk premium that we use for large banks under our coverage is 35% and the above average rate that we use for TEB is due to its relatively smaller size and shallow liquidity.

Growth Rate: This is the most subjective part of our DDM model. Theoretically, for Turkish banks, dividend growth is a function of earnings based on TAS (Turkish accounting standards) accounts, though the accounting standards will move to international standards in the medium term. Here we use the net earnings CAGR of 8% TEB posted in the past decade based on TAS accounts.

With a pessimistic view, one can argue that spreads and margins should be squeezed with declining inflation, and thus, historical earnings growth may not be maintained. However, note that declining inflation should positively affect the monetary loss item on IAS accounts and hence the bottom line. Moreover, we think that TEB will surely surpass its last decade average asset growth performance with the ongoing consolidation in the sector, thereby making up for the margin squeeze. Also, TEB has not historically relied on trading income and lucrative

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returns on Government securities, hence its bottom line performance should rather be affected at a limited degree with the normalization of the Turkish banking system earnings drivers. On the other hand, we forecast TEB to post EPS CAGR of 13.2% between 2000-2003 in TAS accounts, 13.0% in IAS bank-only accounts and 18.4% in IAS consolidated accounts compared to our long-term growth estimate of 8.0% that we use in our DDM.

Free Capital: Here we use bank-only IAS forecasts of TEB. We prefer to reach a target only for the free capital base of the bank rather than its equity to avoid any distortion that would have otherwise come from investments. Later, following the determination of a target market value based on the free capital of the bank, we add the fair value of investments, i.e. the value of its participations and real estates.

Banking earnings: Here as well we use bank-only IAS forecasts of TEB.

Value of participations and real estate: For these, we use the latest reported book values in IAS accounts.

Valuation Summary and Recommendation…

According to the methodology described, we value the core banking business of TEB at US$129mn and its equity value at US$200mn, including the value of its participations and real estate portfolio. Accordingly, our 12-month target value for TEB at US$200mn suggests 96% upside to its current MCAP and 33% relative upside compared to our 12-month index target. At our target MCAP, 2002E Adj. P/BV would stand at an undemanding 1.1x, compared to historical average 12 month forward looking multiple of 0.94x.

All in all, we comfortably maintain our BUY rating for the bank.

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VALUATION TABLE	1-May-02	AKBANK	GARANTI	ISBANK	YKB	TEB	Average
Recommendation		Buy	Buy	Sell	Hold	Buy	
Price	TL	4,250	2,500	7,600	3,900	2,500	
	Usc	0.31	0.19	0.56	0.29	0.19	
MCAP	US$mn	2,517	1,388	4,561	2,172	102	
Upside to target		40%	69%	13%	36%	96%	
Free Float		22%	31%	27%	42%	20%	
FF MCAP	US$mn	554	430	1,231	912	20	
3 M Avg Trading Vol.	US$mn	8	17	10	23	1	
IAS MULTIPLES							
P/BV							
	1999	1.7	1.1	1.7	1.0	0.9	1.3
	2000	1.4	0.8	1.4	0.8	0.6	1.1
	2001E	1.9	1.0	1.7	1.0	0.8	1.3
	2002E	1.8	0.9	1.6	0.9	0.7	1.2
	2003E	1.6	0.8	1.5	0.9	0.6	1.2
Adj.P/BV							
	1999	1.6	1.0	2.4	1.0	0.7	1.4
	2000	1.4	0.8	1.9	0.9	0.5	1.2
	2001E	1.8	0.9	2.3	1.0	0.6	1.5
	2002E	1.7	0.8	2.2	1.0	0.6	1.4
	2003E	1.6	0.8	2.0	0.9	0.5	1.3
P/E							
	1999	15.2	6.3	15.2	12.3	3.5	11.2
	2000	9.8	6.0	14.4	10.7	6.6	9.8
	2001E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
	2002E	50.5	9.9	35.7	20.2	6.0	23.6
	2003E	17.7	11.8	23.7	13.3	4.5	15.8
P/Assets							
	1999	0.29	0.12	0.44	0.21	0.06	0.23
	2000	0.22	0.09	0.33	0.18	0.05	0.19
	2001E	0.25	0.12	0.36	0.20	0.06	0.22
	2002E	0.18	0.10	0.31	0.15	0.05	0.17
	2003E	0.15	0.09	0.26	0.12	0.04	0.15

TAS MULTIPLES							
P/BV							
	2000	1.6	1.1	1.9	0.9	0.3	1.4
	2001E	2.0	1.6	3.7	1.8	0.4	2.3
	2002E	1.6	1.2	2.6	1.5	0.4	1.8
	2003E	1.5	1.0	2.2	1.1	0.3	1.5
P/E							
	2000	4.6	4.2	11.1	5.3	0.9	6.2
	2001E	4.6	8.3	42.0	16.7	1.3	10.8
	2002E	3.7	5.4	13.9	7.5	1.2	6.7
	2003E	3.9	6.6	12.1	6.8	0.9	6.7
P/Assets							
	2000	0.23	0.14	0.39	0.19	0.03	0.24
	2001E	0.25	0.18	0.43	0.23	0.04	0.28
	2002E	0.18	0.15	0.34	0.19	0.03	0.22
	2003E	0.15	0.12	0.28	0.15	0.02	0.18
P/Deposits							
	2000	0.39	0.27	0.66	0.32	0.08	0.41
	2001E	0.38	0.32	0.59	0.33	0.06	0.41
	2002E	0.27	0.25	0.48	0.27	0.04	0.32
	2003E	0.21	0.20	0.40	0.22	0.03	0.26

Source: Banks, RJST

TEB

FINANCIAL REVIEW

Growth Strategy and Track Record

Conservative growth rather than uncalculated aggressiveness for profitability… Since its inception, TEB has pursued a conservative growth strategy, placing greater importance on operational quality than uncalculated aggressiveness for profitability. A strategy focus on reliable banking rather than the hedge fund approach has paid off largely given the highly volatile nature of the Turkish economy and financial markets, limiting the damage in periods of crisis that came periodically every three to four years. In our opinion, this trait together with TEB's proven conservative reporting policy will be more apparent when the results of the special audit process will be public latest around mid-June. Once again, we expect TEB's financials to produce no negative surprise.

Yet, superior track record in terms of growth vis-à-vis the sector… Within the past decade, TEB's deposit and asset growth surpassed the banking sector averages based on TAS accounts, with CAGR of 16.7% versus 10.8% and CAGR of 15.8% versus 11.4%, respectively, while TEB's loan growth lagged slightly behind the sector average, with CAGR of 8.5% versus 9.9%. This is not to our surprise and in fact is a product of TEB's prudent lending policy, visible at the bank's significantly lower-than-average NPLs.

The picture is similar when TEB is compared to our coverage universe (including large four banks and TEB) performance in the last decade that posted deposit and loan CAGR of 10.2% and asset CAGR of 11.2%, lagging behind TEB's performance. In fact, in the mentioned period, TEB's deposit growth surpassed all the banks in our coverage universe individually. Its asset growth was only lower than that of Garanti (with CAGR of 16.3%), and its loan growth only surpassed that of Isbank (with CAGR of 5.6%).

Below average yet high earnings growth performance in the past decade… In terms of profitability, as we mentioned above, TEB's bottom line and shareholder's equity growth has been limited relative to our coverage universe: between 1990 and 2000, TEB posted CAGR of 8% in net income and 13% in equity compared to our coverage universe averages of 16% and 18%, respectively.

Growth Outlook

Superior growth trend of TEB will continue… In our opinion, in the new era, through the ongoing consolidation and the yet-to-follow removal of State guarantee on deposits that we estimate to take place within the next 24 months, TEB's proven brand name as a quality bank and its conservative stance should pave the way for a period with growth superior to the sector average, even surpassing its own past performance.

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Deposits

The acquisition of 21 branches should give a nice boost to deposit growth in 2002-2003… For the short term outlook, the acquisition of 21 branches, suggesting an almost 40% growth in the number of branches and a 25% jump in GDP coverage should boost the deposits in 2002 and 2003, let alone the still ongoing flight to quality that will gain pace especially in 2003-2004 with the removal of State guarantee on deposits. Note that the ex-Kentbank branches acquired by TEB had a total of US$500mn deposits prior to their acquisition.

Management conservatively foresees 15% deposit growth in both 2002 and 2003 versus our estimation of 23% and 22%, respectively, in TAS accounts. Note that our deposit growth forecasts of 13% and 11% respectively for 2002 and 2003 IAS consolidated financials are relatively milder due to our relatively lower deposit growth projection mainly in TEB N.V. in the mentioned period. Our 2002 deposit growth forecasts for TAS accounts yield a US$168mn increase in deposits to US$908mn versus the FY2001E figure of US$740mn, a rather conservative estimate given the potential contribution of new branches.

Loans

Aggressive loan growth is aimed yet at TEB's way… TEB's 2002 main strategy is based on an aggressive loan growth, yet at TEB's way. The management targets 67% YoY loan growth contrary to the bank's past decade strategy of controlled asset growth. The management intends especially to be relatively more aggressive on TL loans, evident also from its relatively higher TL deposit rates that we will discuss in more details further in this report. We forecast TEB's loan book to post 55% and 40% respective growths in 2002 and 2003 in TAS accounts, significantly above our respective growth projections of 12% and 24% for the banking sector aggregate loan book. Note that our house real GDP growth forecasts are 1.8% and 4%, respectively for 2002 and 2003.

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GROWTH	TEB						RJ Universe: Big4+TEB			
US$ mn	TAS	% chg.	IAS-bank only	% chg.	IAS Cons.	% chg.	TAS	% chg.	IAS	% chg.
Loans										
2001E	316	-9%	316	-8%	659	-4%	12,633	-25%	16,308	-18%
2002E	490	55%	461	46%	1,021	55%	13,619	8%	21,097	29%
2003E	688	40%	640	39%	1,246	22%	18,685	37%	26,637	26%
CAGR 2000/1990	**16%**		**n.a.**		**n.a.**		**11%**		**n.a.**	
CAGR 2003E/2001E	**48%**		**42%**		**38%**		**22%**		**28%**	
Assets										
2001E	1,211	-21%	1,132	-19%	1,775	-12%	38,929	-14%	49,112	-14%
2002E	1,422	17%	1,323	17%	2,152	21%	49,746	28%	62,200	27%
2003E	1,766	24%	1,654	25%	2,396	11%	60,759	22%	73,991	19%
CAGR 2000/1990	**9%**		**n.a.**		**n.a.**		**10%**		**n.a.**	
CAGR 2003E/2001E	**21%**		**21%**		**16%**		**25%**		**23%**	
Deposits										
2001E	740	12%	725	10%	1,145	16%	26,057	0%	30,341	-1%
2002E	908	23%	854	18%	1,294	13%	33,381	28%	37,551	24%
2003E	1,108	22%	1,052	23%	1,436	11%	41,446	24%	45,974	22%
CAGR 2000/1990	**17%**		**n.a.**		**n.a.**		**10%**		**n.a.**	
CAGR 2003E/2001E	**22%**		**20%**		**12%**		**26%**		**23%**	
Equity										
2001E	103	-26%	125	-18%	125	-26%	4,668	-41%	8,059	-17%
2002E	137	33%	136	9%	142	14%	6,119	31%	8,604	7%
2003E	166	21%	153	12%	165	16%	7,259	19%	9,163	7%
CAGR 2000/1990	**13%**		**n.a.**		**n.a.**		**18%**		**n.a.**	
CAGR 2003E/2001E	**27%**		**11%**		**15%**		**25%**		**7%**	
Net Income										
2001E	38	3%	-8	n.m.	-22	n.m.	993	-43%	-50	n.m.
2002E	48	24%	11	n.m.	17	n.m.	1,598	61%	456	n.m.
2003E	54	13%	17	53%	23	32%	1,611	1%	681	49%
CAGR 2000/1990	**8%**		**n.a.**		**n.a.**		**12%**		**n.a.**	
CAGR 2003E/2001E	**19%**		**n.m.**		**n.m.**		**27%**		**n.m.**	

Source: Banks' Association of Turkey, RJST

TEB

EARNINGS OUTLOOK

2001 is another year of proven resilience for TEB… 2001, was the most severe crisis year that Turkey faced in her history. TEB's prudent and pro-active style, differentiated its earnings performance from that of the sector so far in 2001. Despite the 29% YoY fall of fx gain/loss adjusted net interest income, the 47% cost cutting achieved in operating expenses –driven by the 57% reduction in personnel expenses and 41% in rent expenses- resulted in a strong bottom line, surging by 13.5% YoY, according to TAS accounts, in 9M2001. Note that our coverage universe aggregate net income slump has been 67% YoY, in the same period, mainly driven by huge fx losses.

Immune to special audit process of the BRSA: 2001 net income is forecast to post 3.1% YoY growth in TAS accounts… We are pretty much confident that the special audit process introduced by BRSA (Banking Regulation and Supervision Agency) will not produce significant negative surprises for TEB, if any, thanks to the prudent reporting tradition of the bank already in place. We view TEB as one of the safest banking bets in the Turkish banking universe, together with Akbank, in the framework of the recapitalization program, in terms of recognition of previous periods' losses. Having said that, our FY2001 net income forecast of US$39mn for TEB suggests a 3.1% YoY surge, slightly below than the 9M2001 performance in terms of growth just because of strong 4Q2000. However, on IAS bank-only accounts, we forecast TEB to report a US$8mn loss, mainly on the back of US$45mn net monetary loss forecast, a consequence of TEB's low leverage -a similar case to Akbank that reports relatively lower earnings in the IAS format when compared to TAS accounts. Similarly, we project TEB to post a US$22mn loss in the consolidated IAS format as well.

Profitability Outlook 2002-2003 for the Banking Sector

Spread Analysis…To simplify the calculations, below we present the evolution of spreads, namely returns on TL and hard currency loans and compare them with cost of deposits.

Fx spreads already enjoyed some major improvement, and going forward there will be some minor retreat… A sharp decline in fx deposit rates in parallel to FED's rate cuts has already taken place: the average 3-month US$ deposit rate came down from 16.9% in YE2000 to 4.2% as of YE2001 (and further down to 3.7% as of March, 2002), according to Central Bank data. The improvement is significant considering that the average 3-month US$ deposit rates were 8.2% in the past five years. In the same period, given that the decline in the return of fx assets was not significant, fx spreads improved significantly to around 10 pp levels. More specifically, our coverage universe average annualized fx spread stood at 9.6 pp in 3Q2001 compared to the five-year average of 5.6 pp. Currently, fx deposit rates further declined to 2-3% levels –the average of our coverage universe for 3-month fx deposits stands currently at 2.5%- and the US$ abundance in the market does suggest the continuation of the trend, up until the rise of interest rates globally. In our forecast period, we expect fx spreads to stabilize at around 8 pp by YE2003 with a slight decline in US$ loan returns, though we expect fx deposit rates to move to 3-4% levels by YE2003, for banks under our coverage.

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…as it is the case for TL spreads… Our coverage universe's five-year average annualized TL spread is 9.4 pp, compared to the 9M2001 level of 29 pp. Current TL deposit rates are still quite high as banks intend to attract TL deposits since demand for fx loans is limited. In our opinion, going forward, TL spreads should narrow down with the Turkish Central Bank lowering its quotations in parallel to success in disinflation. Having said that, we forecast TL spreads to level at 23.3 pp on average in the 2002-2003 period.

Yet a more comprehensive picture should be attained through an analysis of US$-based returns. According to our calculations, our coverage universe's five-year average net gain on TL loans funded by TL deposits stood at 33 pp and the 3Q2001 annualized return was slightly below at 30%. Our forecasts suggest that US$ return on TL asset/liability class will average 23.3 pp in the 2002-2003 period for our coverage universe, lower than the past five years average.

In overall terms, our 2002-2003 forecasts suggest that combined US$ return will be 3.3 pp lower with fx spreads partially making up the lower TL returns.

Summary Spread and Return Analysis

	5 Years Avg.	3Q2001	2002-2003 Avg.
TL Spread	9.4 pp	28.6 pp	11.4 pp
FX Spread	5.4 pp	9.6 pp	8.3 pp
$ Return on TL	33.2 pp	28.7 pp	23.3 pp
$ Return on fx	5.4 pp	9.6 pp	8.3 pp
Combined $ Return	17.0 pp	17.2 pp	13.7 pp

Source: RJST

US$-based returns might be improved through a shift in earning assets/liabilities to TL from hard currencies…For our coverage universe, we forecast TL spreads to yield more than two fold annual return over fx spreads on average. Hence banks can limit the upcoming margin contraction through a shift of earning assets/liabilities from hard currencies to TL, while we do not anticipate banks to resort to fx short positions for profit maximization, as it is currently the case along with BRSA's recent announcements.

All in all, profitability of the sector is improving but the special audit creates substantial uncertainty for FY2001 financials. The profitability of the banking sector which was eroded until 9M2001, should have improved in the last quarter of 2001 and in 1Q2002, mainly linked to TL's real appreciation and downward trend of the interest rates with bond rates currently standing at as low as 52% ca compared to 90% ca in September 2001, while 10 years Turkish Eurobonds are yielding over 10.7% annually again compared to 14.5% in September 2001. Banks are also benefiting from their positive asset maturity gap -assets with longer average maturity compared to liabilities- but the spreads should narrow later in the year and also in 2003. Yet, all of these positive developments on the profitability front are clouded by the special audit process, a factor creating substantial uncertainty regarding the true financial picture of the private banks.

TEB

TEB's Case: 2002-2003 Outlook

High liquidity will be gradually invested in high yield earning assets… As of 9M2001, TEB still sits on high liquidity, with liquid assets making up 49.5% of total assets, almost three fold of the average ratio of our coverage universe. As of 9M2001, 25% of the bank's liquidity is placed on international banks, at possibly around libor plus a minor margin and another 61% in the interbank market -compared to 7% in the past five years' average- where obviously yields are lower compared to commercial lending. Currently the high liquid asset base of the bank offers a strong upside for future profitability, when the risk of lending declines together with a general pick up in the economy.

Cost of funding to decline more than the sector average… According to our calculations, in 3Q2001, TEB enjoyed the lowest US$ deposit cost –1% quarterly cost compared to 1.4% of our coverage universe average - but faced high TL deposit cost -12.9% quarterly in US$ terms compared to 10.2% of our coverage universe average. In fact, thanks to its reliable and stable deposit base, TEB has always offered deposit rates below market averages. Yet, along with the previously outlined strategy, TEB tries to attract TL deposits from the market at market rates as well as to motivate its existing clients to reverse currency substitution. Hence, the downside in TL deposit costs is significantly higher than the market average, another upside for the profitability.

Net fee income is forecast to grow at a CAGR of 25% in 2002-2003… In the 2002-2003 period, we estimate 25% CAGR in net fee income (versus 22% CAGR in deposits and 48% in loans), from our forecast of US11.5mn in FY2001 to US$18mn in FY2003. Note that in 9M2001, TEB recorded a 48% YoY net fee income growth. Here TEB's stable deposit base comes on to the scene one more time coupled with the bank's strong hold in commission-generating products as well as cross-selling opportunities.

Margin improvement together with strong earning assets growth will produce 19% CAGR in TAS bottom line… Our projections yield 24% and 13% US$ EPS growth in 2002 and 2003 respectively, in TAS accounts. In IAS bank-only accounts, we forecast net income to grow to US$11mn in 2002 and US$17mn in 2003 from US$8mn loss forecast in 2001. Similarly, for the IAS consolidated accounts, we project net income to grow to US$17mn in 2002 and US$23mn in 2003 from US$22mn loss forecast in 2001. The table below depicts the summary of our forecasts and profitability ratios.

Summary Earnings Forecasts and Ratios

	TAS				IAS bank only				IAS consolidated			
	2000	2001E	2002E	2003E	2000	2001E	2002E	2003E	2000	2001E	2002E	2003E
Net Income (US$ mn)	37	38	48	54	12	-8	11	17	14	-22	17	23
yoy change	-19%	3.1%	24.0%	13.3%	-43%	n.m.	n.m.	53%	-54%	n.m.	n.m.	32%
Adj. Net Int. Income (US$	108	66	82	100	103	72	60	65	189	83	93	89
yoy change	2%	-39%	25%	21%	19%	-30%	-17%	9%	73%	-56%	12%	-5%
RoAE	33%	32%	40%	36%	9%	n.m.	8%	12%	10%	n.m.	13%	15%
RoAA	2.7%	2.8%	3.6%	3.4%	0.9%	n.m.	0.9%	1.1%	0.7%	n.m.	0.9%	1.0%

Source: Banks' Association of Turkey, RJST

TEB

BALANCE SHEET ANALYSIS

Liquidity

High liquidity ratio of 49.5% as of 9M2001, compared to our coverage universe average of 17.4%. The bank's liquid assets to total assets ratio reached over 65% in 3M2001, just after the devaluation along with squared positions on loans and G-bonds. Yet, throughout the normalization period, the liquidity has been gradually pulled down to its 9M2001 level of 49.5% that we estimate to further decline to 37.5% in 2002 and 33.4% by 2003.

The recent boost in liquidity of TEB is in fact a natural consequence of TEB's stable deposit base. Accordingly, when lending is reduced due to increased risk perception and/or low loan demand, the liquidity rises eventually. Looking forward the stable deposit base is one important asset of the bank, for the sake of the balance sheet flexibility. As it has been the case in the past, we anticipate the current excess liquidity to be primarily diverted to loans in parallel to the economic recovery.

Loans

Prudent lending…TEB has always pursued a conservative stance against extending loans. This strategy is obviously evident in the bank's loans to assets and loans to earning assets ratios when compared to its peers': TEB's current loans/assets and loans/earning assets ratios of 25.7% and 27.8% are lowest, when compared to our coverage universe average ratios of 35.3% and 34.9%, respectively, as of 9M2001. The picture is similar in terms of historical averages as well. Five-year average loans to assets of our coverage universe stood at 38.3% compared to TEB's 29.5%. Yet, given the bank's aggressive loan growth target of 67% in 2002, its FY2002 loans to assets ratio is expected by the management at 45% in FY2002, compared to our forecast of 35%.

TEB's lending breakdown is currently as follows: corporate loans making up 53% of total, commercial loans comprising 41% of total and retail loans making up the remaining 6%. We estimate the current composition of loans to remain largely intact in 2002, with some expansion in favor of commercial lending, in parallel to the management guidance.

As of 9M2001, TEB's fx loans to total loans ratio stands at 63%, the minimum compared to our coverage universe average of 76%. TEB's breakdown of loans supports the management intension of being aggressive on TL loans that is also highly viable in terms of profitability, in our opinion, an issue that we elaborated in the earnings outlook section.

Marketable Securities

Low marketable securities exposure… One other distinctive strategic investment choice of TEB's management has been low marketable securities exposure compared to the rest of the sector that historically relied, above international standards, on lucrative but unsustainable returns on government securities mostly financed through massive short fx positions. As of

T E B

9M2001, TEB has the lowest repo inclusive government securities to assets ratio at 13.4% versus the average ratio of our coverage universe at 26.2%. This is a product of TEB's traditional stance of emphasizing on real banking activities with a longer-term scope at the expense of short-term gains. We anticipate the bank's G-bond exposure to remain at current levels, mostly on relatively less risky Eurobonds and floating rate notes. We forecast repo inclusive G-bonds to total assets ratio of TEB at 13.3% and 13.1% of assets in FY2002 and FY2003, respectively.

Deposits

One of the two banks that experienced net deposit inflow since YE2000… TEB's strong brand image is visible in its deposit base evolution through the crisis period in 2001. Since YE2000, in a period when depositors' confidence to the Turkish banking system was lowest as perceived from the significant fund outflows from the system, TEB's deposits grew by 10% versus our coverage universe's average 6% decline, with only Isbank managing some deposit base expansion. One more time, this is a product of TEB's strong brand image visible in stable and high quality deposit franchise.

As of 9M2001, deposits to assets ratio of TEB currently stands at 68.3%, in line with our coverage universe average of 69.1%. Fx deposits to total deposits ratio stands at 85% as of 9M2001, significantly higher than the peer group average of 75%. In our opinion, this is related to the rather conservative nature of TEB's dedicated depositors.

Highest demand deposits share… As of 9M2001, the bank's weight of demand deposits in the total deposit mix at 23% is only lower than that of Garanti with 25% and compares favorably with our coverage universe average of 19.4%.

A high quality deposit franchise… One aspect determining the quality of a deposit base is definitely the amount of core deposits within total deposits. In our coverage universe, TEB has the highest client deposits to total deposits ratio of 98.7%, versus the average of 87.2%. More strikingly, some 40% of TEB's deposit base comes from the bank's private banking clients.

Lowest deposit costs despite its smaller size in our coverage universe… As the bank's strategy is to grow in TL loans in 2002, TEB's TL deposit rates are the highest compared to Big 4, as of 3Q2001, at annualized cost of 64% in TL terms. Yet, according to the CBT data, the banking sector weigthed average 3 month TL deposit rates stood at 67.7% in 3Q2001 and hence TEB's TL deposit costs are in line with the market. On the other hand, the bank offered the lowest rates in fx deposits at annualized cost of only 4.1% in 3Q2001. All in all, in 3Q2001, TEB enjoyed the lowest annualized US$ deposit cost of 12%, compared to the peer group average of 15.1% despite its significantly smaller size.

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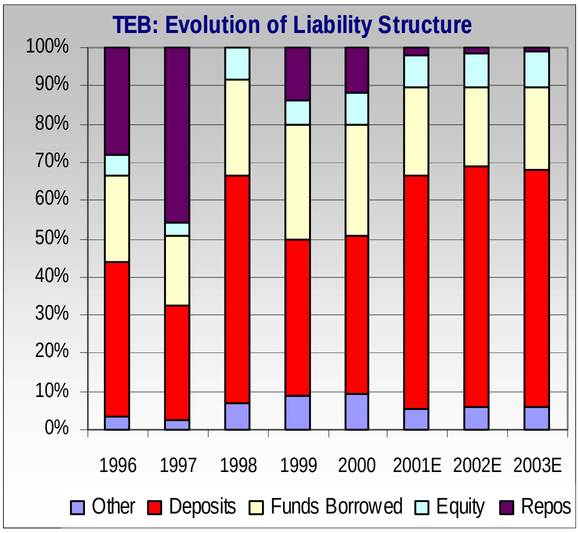
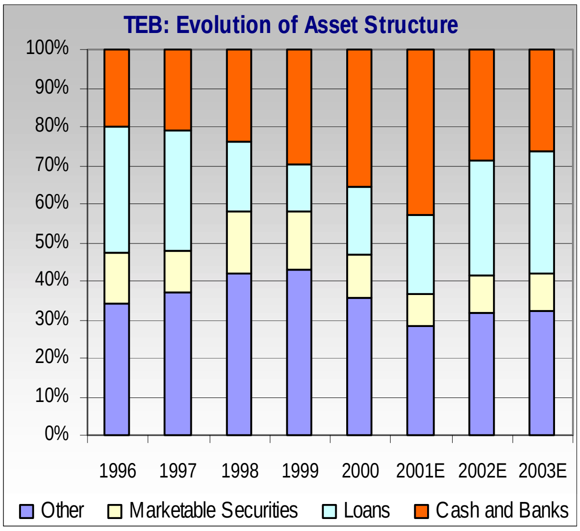
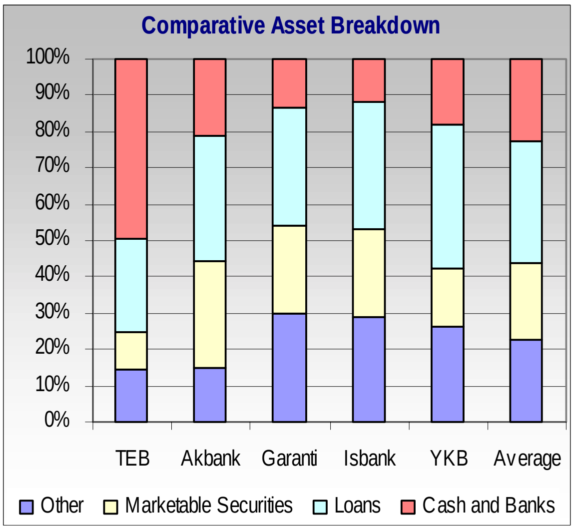
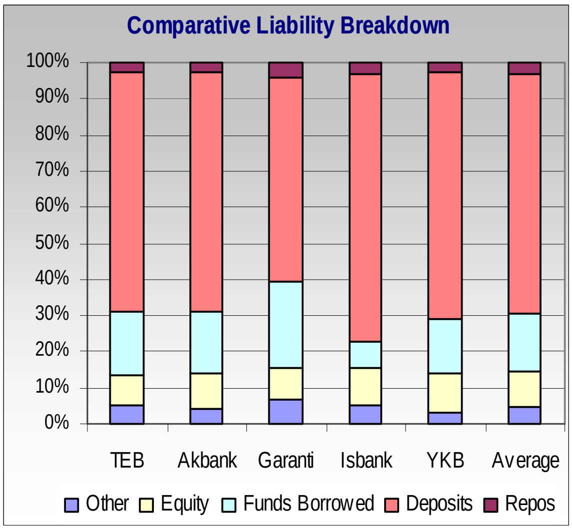
Funds Borrowed

Funds borrowed declined from a record high level of US$608mn in YE2000 to US$193mn as of 9M2001, in line with the trend in the sector. This has its roots not only in lenders' increased risk perception against Turkish banks following the devaluation, but also in the scarcity of profitable but low-risk investment opportunities. TEB renewed a loan facility of US$100mn in 4Q2001 that matured in 9M2001 and the management indicates its intention to rollover only maturing borrowings without taking on board a new syndicated loan facility within a 12-month horizon. Currently, the funds borrowed to total assets ratio of 18.1% is slightly above our coverage universe, averaging at 16.7%. The same ratio stood at 31% between 1996-2000 for TEB and we expect it to reach 24.2% as of YE2001.









Source: Banks' Association of Turkey, RJST

TEB

Asset Quality and Balance Sheet Management

TEB's sound fundamentals are also strongly confirmed by the rating agencies… As it can be followed from the table below, despite being a mid-size bank, TEB's ratings are in parallel to the largest Turkish banks.

TURKISH BANKS' RATINGS (April 2002)

MOODY'S INVESTORS SERVICES				
BANKS	**Bank Financial Strength (BFS)**		**Long Term FX Deposits**	**Short Term Deposits**
Akbank	D+		B3	NP
Türkiye Garanti Bankası	D+		B3	NP
TEB	D+		B3	NP
Türkiye İş Bankası	D		B3	NP
Koçbank	E+		B3	NP
FITCH				
BANKS	**Individual**	**Support**	**Long Term FX Deposits**	**LC**
Akbank	C	4T	B	B+
TEB	C/D	4T	B	B
Türkiye İş Bankası	C/D	4T	B	B-
Türkiye Garanti Bankası	C/D	4T	B	B-
Yapı Kredi Bankası	C/D	4T	B	B-
Koçbank	C/D	4T	B	B-
CAPITAL INTELLIGENCE				
BANKS	**Domestic Strength**	**Support**	**Long Term FX Deposits**	**Short Term FX**
Akbank	A	2	B	C
Türkiye Garanti Bankası	A	2	B	C
TEB	A-	2	B	C
Türkiye İş Bankası	A-	2	B	C
Koçbank	BBB	2	B	C
Yapı Kredi Bankası	BBB-	2	B	C

High quality loan book: low NPL, related party loans and accrued interest on loans…TEB has the lowest NPL to loans ratio of 1.3% as of 9M2001 in our coverage universe with average of 5% and well below the industry average of 23.6%. TEB's success in maintaining a quality loan book cannot be utterly related to its prudent lending practices. Proactive loan book management is also an aspect of this success: both in the 1998 and 2002 crises, TEB management systematically and quickly reduced its lending activities together with the first signs of the bleak outlook. Secondly and more importantly, TEB's policy to approve credit demand from high quality and selected clients, together with its highly institutionalized credit monitoring & reviewing processes as well as a strict collateral policy are the basis of the bank's success in achieving a high quality loan book. We are also in the view that the familiarity of the bank's management with the market in general is another factor to mention. Moreover, TEB's NPLs are fully provisioned, while our coverage universe's and the sector's provisioning ratios are 45.3% and 65.3%, respectively, as of 9M2001.

TEB

TEB has a minimal related party loan exposure of only US$0.2mn or 0.1% of net loans as of 9M2001, compared to our coverage universe average of 19.3% of net loans. The bank has traditionally pursued an arm's length lending policy with the Group companies, which are in fact high quality corporations in their fields.

One other aspect of the quality loan book is evident with TEB's low accrued interest income on loans, when compared to the peers. It is often suspected by the investment community that an increased amount of accrued interest income on loans might emanate from increased, but non-recognized NPLs. As of 9M2001, TEB booked US$9mn accrued interest income on loans, representing 8.7% of its 12M trailing interest income versus our coverage universe's average ratio of 20.3%. Note that only Akbank, which has also a high quality loan book - though with a bigger size-, scores as good as TEB in this respect with a similar ratio.

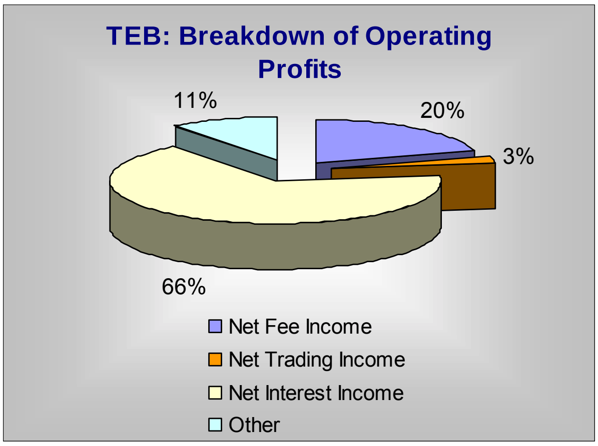
A scarce quality, virtually no maturity mismatch… One major weakness of the Turkish banking system is the high maturity mismatch between assets and liabilities emanating from both the short maturity choice of depositors, due to historically high volatility in interest rates and fx prices, and more importantly the unavailability of long-term local financing sources. Once again, TEB stands out from the crowd with only an estimated 10-day maturity mismatch as of 9M2001 between assets and liabilities compared to our coverage universe average of over 6 months. Most of the banks suffered enormously from the maturity mismatch, especially after the devaluation when the rates skyrocketed. Particularly after the debt swap, where the banks switched their short-term maturity TL based securities with longer-term fx linked bonds, the average maturity mismatch of the system widened further. Yet, the downtrend in interest rates since mid-September works to the benefit of the system and we anticipate this to be the case in the foreseeable future. In TEB's case, especially with growth resuming in 2H2002, the bank's strategy of aggressive loan extension should widen the maturity mismatch of the bank.

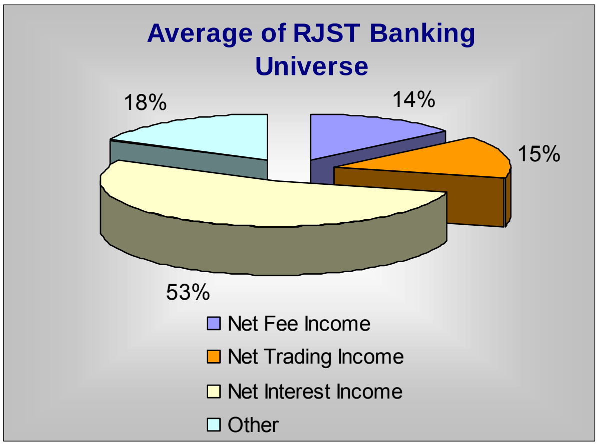
Currency risk exposure… The bank's currency position has historically never been aggressive, compared to its equity base due to the management's evident risk aversion. As of 9M2001, TEB has a negligible US$7mn short fx position, climbing to a moderate US$26mn including off-balance sheet exposure. As a proof of the management's foresightedness, the bank had a US$18mn fx short position as of 6M2000 and reduced it to US$1mn as of 9M2000, before the November liquidity crisis, having felt the upcoming turbulence. In the meantime, TEB recorded some US$13mn net fx gains –through active fx trading possibly- despite a US$4mn short position on average until 9M2001, representing 4% of TAS average equity base in the mentioned period, that is well below the regulatory limit of 20%.

TEB

INCOME STATEMENT STRUCTURE and EARNINGS QUALITY

High earnings quality…TEB scores well in terms of earnings quality, as well. Based on 9M2001 TAS accounts, the bank enjoys the highest net fee income and lowest trading income as % of operating income. Looking forward, given the potential margin erosion with the hopefully declining inflation and interest rates, profitability of the sector will narrow compared to the past. In TEB, the stable depositor base and successful product differentiation, together with the strength in retail investment products, as highlighted by TEB's (and its investment subsidiaries') strong presence in the mutual fund business with a total size of US$207mn and 3.6% market share (US$400mn including off-shore), are the most important elements of the relatively stronger fee income generation potential of the bank.





Source: Banks' Association of Turkey, RJST

…and also relatively lower earnings volatility… As previously highlighted, TEB's strategy of not relying on short term trading gains with high risk exposure, results in a relatively more sustainable profitability for the bank. More importantly, the damage in crisis years that TEB faced has been relatively milder than the sector average. As an example, in 9M2001 TEB reported a 14% US$ EPS growth compared to a 67% slump in our coverage universe in the mentioned period, based on financials prepared according to TAS. Likewise, TEB's equity eroded by 32% compared to our coverage universe average equity plunge of 53%, in the same period.

High operational efficiency due to rational cost structure… Among the banks we cover, TEB has the lowest cost to income ratio, lagging only behind Akbank. As of 9M2001, the cost to income ratio of TEB stands at 66% versus 45% of Akbank and 82% of our coverage universe average. Similarly and not to our surprise at all, in terms of branch and employee efficiency measures, TEB statistics score well above the sector averages.

High level of interest earning assets, a major contributor to asset profitability… Among the banks in our coverage universe, TEB differentiates itself from the crowd with the highest earnings assets to total assets ratio of 92%, even surpassing that of Akbank and significantly exceeding the average of our coverage universe at 84%. Indeed, as of 9M2001, TEB's annualized RoAA of 3.4% is only inferior to that of Akbank that stands at 3.9%, compared to our coverage universe average of 1.7%.

TEB

STRATEGY

A clean and flexible balance sheet managed with a controlled growth strategy…TEB bases its strategy on a clean and flexible balance sheet as well as controlled growth. TEB's conservative approach and its contribution to the bank's brand name made it the bank, where affluent Turks, seeking risk minimization rather than return optimization, parked their holdings. Over the years, this factor enabled TEB to establish a strong base of relationship banking, where clients seek TEB branded products without scrutinizing the alternatives. This factor also enhances the cross-selling capacity of TEB. A widely used marketing strategy by TEB is also a horizontal penetration through the clients of clients, a system which also reduces the risk of non-performing assets especially in corporate lending.

With increased focus on lower segments…TEB's acquisition of Kentbank branches also implies that TEB is now expanding its target clientele towards the lower segments, but obviously under TEB's cautious culture which proved to be a virtue under the current banking environment.

Increased the efficiency…TEB already increased its efficiency level through cost rationalization. The bank has reduced its number of personnel by 8% since FY2000. Accordingly, the bank's cost to assets ratio dropped to annualized 4.5% in 9M2001, from 6.7% in FY2000, despite the fact that banks' assets shrunk by 31% in US$ terms in the same time span in parallel to the contracting economy. Although TEB's cost to assets ratio is favorable compared to large banks in our universe, with the exception of Akbank, the management nevertheless implies desire for higher efficiency. In our view, the leaner structure of the bank should bring an increased efficiency level to TEB going forward, as the bank could easily command a larger asset base keeping a stable cost structure.

Corporate Banking…To expand the client base in corporate lending TEB divided its corporate clients into two categories. Clients with more than US$25mn sales volume are covered by the Corporate Banking Group, while smaller accounts are handled by the commercial banking group. The bank's main corporate banking activity is to provide short-term foreign trade financing among many other services, while services of subsidiaries, i.e. leasing, factoring and insurance, are marketed to complement the corporate banking package and optimize cross-selling opportunities. As of the most recent 2001 data TEB commands a 4% market share in foreign trade financing.

Retail Banking… Aiming to create a strong brand in retail banking, TEB launched the "Telepati" brand/platform, providing around the clock services to retail banking clientele via branch offices and contemporary alternative distribution channels such as internet and telephone banking. Yet, "Telepati" and related marketing efforts could not boost the bank's credit card market share as the number of credit cards remained at a negligible c63K, compared to 14 million credit cards issued by the sector. Nevertheless, the number of the payroll accounts approached 15K compared to 10.8K in FY2000. Obviously, the current position in retail banking is not satisfactory and the bank seeks risk averse expansion on this front, also capitalizing on the penetration potential brought by the recently acquired Kentbank branches.

TEB

Private Banking…TEB is the leader of the private banking segment in Turkey as being the first bank seriously tapping the affluent mass in the country through a wide range of financial products, providing services both in Turkey and abroad. The bank's generally accepted conservatism was a point of attraction for local individuals with high net worth, when choosing TEB. Moreover, TEB's stronghold in asset management, as proven with its 3.6% market share in mutual funds, is also a strong factor behind TEB's successful penetration into the private banking segment. In parallel to this strong edge, 40% of the bank's deposit base is made up by the private banking clients. Together with the variety of the product range and high caliber services, the horizontal penetration approach paid-off as private banking clients are mainly the owners, shareholders and senior management of the bank's corporate clients.

All in all TEB's strategy has never been to be a high street bank, but rather a service and product driven niche institution with the primary goal of being the largest mid-size entity of Turkey, always putting a special emphasis on private banking activities.

TEB

COMPANY OVERVIEW

Turkey's 10th largest private commercial bank… A private commercial bank, TEB was previously established as a regional bank in 1927 under the name of "Kocaeli Halk Bankasi". The bank was later acquired by the Colakoglu Group and its name was changed to Turk Ekonomi Bankasi. The bank is mainly active in corporate, private and retail banking as well as Treasury operations. TEB operates with 1,524 employees in 73 branches and ranks 10th among private commercial banks as of 1Q2002.

A full fletched financial institution… The bank owns financial participations active in different segments of financial services, namely leasing, factoring, insurance, investment banking and asset management. TEB also wholly owns a large bank subsidiary in Netherlands, with assets and equity of €615mn and €35mn, respectively, as of FY2001.

TEB's SUBSIDIARIES

TEB Investment (Owned 74.8% by TEB)	**TEB Factoring (Owned 65.8% by TEB)**
Among the leading brokerage houses with strong underwriting capacity. The company ranked 9th in terms of equity market trading volume with a 3.7% market share in 2001.	Third largest factoring company in Turkey in 2001 with a 9.1% market share in the sector. Mainly supports exporter clients of the bank.
TEB N.V.(Owned 100% by TEB)	**TEB Asset Management (Owned 55.9% by TEB)**
Established in the Netherlands in 1998, the bank is mainly involved in trade finance. As of FY2001 TEB N.V. has a total asset size of €615mn with equity size of €35mn.	One of the largest fund management company of Turkey with assets under management of US$207mn corresponding to c4% market share. The total number of clients is around 15,000.
TEB Leasing (Owned 68.7% by TEB)	**TEB Insurance (Owned 50% by TEB)**
TEB Leasing commands 1.8% market share as of FY2001, ranking 10th in the sector. Ability to access foreign funding is a major advantage over rivals. Both factoring and leasing subsidiaries should benefit from consolidation in the financial sector.	Non-life niche insurer with around 98,000 policy holders, established to complement banking services. The first insurance company to be assessed by an international rating agency, Fitch, with a rating of A-.

Source: Company, RJST

Part of a large group… TEB is owned by TEB Mali Yatirimlar, that controls the financial subsidiaries of the Colakoglu Group. Established in 1930, the Colakoglu Group is one of Turkey's largest business groups, active in the iron & steel industry, trade shipping and energy other than banking & finance. Excluding financial sector participations, the group's 2001 combined turnover stands at US$1.1 bn. TEB's parent TEB Mali Yatırımlar has recently announced an interest in the privatization of Vakifbank. Societe Generale together with Groupama, Akbank, Dogan Holding & Dısbank and Oyakbank are the other interested parties invited to one to one meetings by the auction committee. The binding offers will be submitted to the auction committee by the first week of June and the block sale will be finalized by the end of June 2002.

TEB

SECTOR OVERVIEW

Long-necessitated consolidation in the Turkish banking sector is now progressing… The twin crises of November 2000 and February 2001 made local depositors brand quality sensitive contrary to their previous focus on returns. Brand quality will gain further importance in our view, once the existing full State guarantee –actually in practice- on deposits is removed. This development is expected in 18 months, after the completion of the bank recapitalization program in August 2002 (or in around 2 years from now on), according to the revelations of the President of BRSA.

The Big 4 have gained 7 pp market share in deposits since FY2000… In our view, the above consideration suggests that the Turkish banking sector is going into an inevitable consolidation stage, where only prominent local brands along with foreign names will remain as the players to share a growing pie. In that respect, the flight to quality is already taking place despite the existing deposit guarantee scheme. The market share gain of the four large private banks up from 27.7% in FY 2000 to 35.8% in 3Q2001 is a clear indication of increased risk perception of depositors. Despite being a mid-size bank, TEB was among the beneficiaries of the flight to quality trend in the sector as its deposit market share surged by 0.4 pp, to 1% as of 9M2001. In our view, TEB is among the few mid-size banks benefiting from a high reliability tag.

Market Share in Deposits

	Akbank	Garanti	Isbank	YKB	TEB	TOTAL
Market Shares (%)						
FY1995	5.9%	5.1%	9.5%	7.3%	0.8%	28.6%
FY1996	5.4%	5.3%	7.7%	6.8%	0.9%	26.2%
FY1997	6.0%	5.7%	7.4%	7.2%	0.9%	27.1%
FY1998	5.9%	7.6%	6.4%	7.1%	0.8%	27.7%
FY1999	5.4%	8.1%	6.2%	7.2%	0.6%	27.5%
9M2000	6.4%	7.8%	6.7%	6.5%	0.8%	28.2%
FY2000	**6.4%**	**7.7%**	**6.8%**	**6.7%**	**0.6%**	**28.3%**
3M2001	7.2%	7.9%	6.9%	7.4%	1.1%	30.6%
6M2001	8.2%	8.0%	8.9%	7.4%	0.8%	33.3%
9M2001	**8.7%**	**8.0%**	**9.8%**	**8.2%**	**1.0%**	**35.8%**
2001E	8.3%	8.1%	9.9%	8.4%	1.0%	35.8%
2002E	9.2%	7.3%	10.2%	8.7%	1.0%	36.4%
2003E	10.1%	8.4%	11.3%	9.8%	1.1%	40.7%
2004E	10.8%	8.9%	11.9%	10.5%	1.1%	43.2%
2005E	11.5%	9.3%	12.4%	11.0%	1.2%	45.4%

Source: Banks' Association of Turkey, RJST

Significant growth potential in banking assets… Growth will not only come through the consolidation, but also through the inherent expansion potential of the sector in the coming years. In our opinion, the shrinkage in 1994 and subsequent recovery in 1995 sets a good example for the potential recovery in late 2002 and 2003 although the current economic dynamics are much more different. Compared to the aftermath of the 1994 devaluation, we think that the Turkish economy's switch to growth will take longer, starting in the second half of 2002 and gaining pace in the last quarter. Moreover the slow process of the bank

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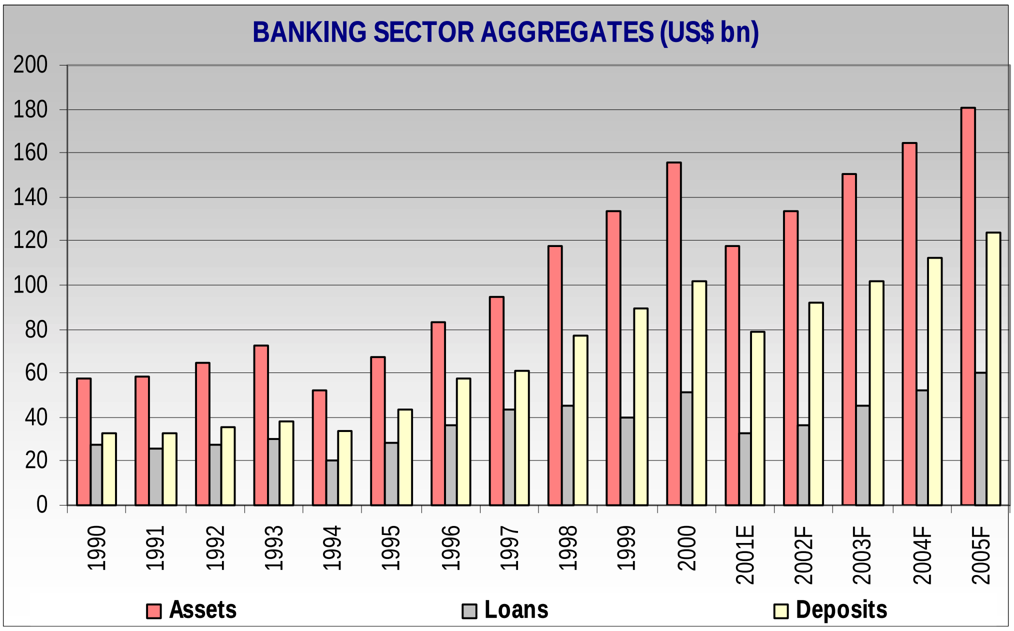
recapitalization program appears to be a factor, delaying the recovery in bank financials and the economy overall.

With double digit growth forecast until 2005… Yet, inspired by the 1994 crisis experience and using a statistical correlation model, we envisage a 14% US$ based growth in aggregate banking assets in Turkey on the back of the expected 2.2% GNP growth in 2002, which will be followed by another 4% growth in 2003. The reason of higher asset growth forecast in 2002 is in fact a product of TL's 14% expected real appreciation, according to our house estimate. Similarly, we forecast the deposit growth of the sector to reach 17% in 2002. In 2002-2005, we anticipate an attractive pace in the growth of banking assets at CAGR of 10%. We foresee the loan-to-GDP ratio of the sector to jump to 28.5% by the end of 2005 from 22.5% in 9M2001, a rather conservative figure in our opinion.



Source: Banks' Association of Turkey, RJST

Margin contraction… On the dark side, the sector will eventually experience a margin contraction in case Turkey proves successful in its disinflation strides as this would consequently lead to lower real interest rates. Actually, the first sign of margin contraction was evident in the year 2000 as interest rates came down significantly with the implementation of the 1999 Stand-by program. The profitability of banks decreased gradually until 9M2000, purely due to declining inflation and interest rates. In the same period, Turkish banks especially increased efforts in the area of core financial services –especially in retail banking-, concentrated on increased efficiency on the operational side, accelerated technology investments and expanded alternative distribution channels.

Cost efficiency and product variety are critical success factors… The same trend will also prevail in the upcoming post-recapitalization era and more efficient franchises will be better off. Profitability in the low interest rate environment will be positively influenced by an efficient cost base in operations & funding and increased product variety together with enhanced access to masses. With respect to the latter, reaching a certain number of clients

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with the least cost possible will be critical, thus alternative marketing channels will gain further importance once again.

Medium and small size banks will have to find niche products… Overall, the banking sector should grow with larger banks benefiting the most, while medium and small size banks have to find niche products or differentiate their services to remain competitive in the future. Large banks will also have an advantage in terms of generating commission revenues over their smaller competitors, thanks to their larger franchise. A niche for commission generation for small and medium size banks, on the other hand, could be created by enhancing their expertise on more sophisticated products such as retail investment products like mutual funds, considering their tendency of employing higher caliber personnel.

The recent balance sheet trends in the sector

Reverse currency substitution in the works… At the funding side, the reverse currency substitution since October 2001 continued in the first quarter of 2002 as well with TL deposits - including repos - within the overall deposit mix surging to 50%, from 45.4% at FY2001 and 41.5% in 9M2001. The current supply and demand dynamics call for further expansion in the share of TL deposits in the period ahead. We expect the fx deposits' weight in the aggregate deposit base to retreat to 45% as we near 2003 in parallel to our anticipation of a further recovery in consumer and investor confidence. The total amount of deposits, on the other hand, grew by 5% since the year-end, only in parallel to TL gaining strength.

With improved maturity structure… Moreover, the maturity structure of banks' deposits shifted in favor of longer-term deposits in case of TL, highlighting mounting confidence towards the health of the economy, in our view.

Foreign borrowing is still on a downtrend in the funding mix… Borrowings from foreign sources came down significantly to US$9.7 bn in 9M2001 from US$16.3 bn in FY2000, as the rollover ratio was as low as 55%-60% throughout 2001. Although the sharp drop in 2001 was largely linked to the lenders' reluctance to rollover their lines to Turkey, in many instances Turkish banks preferred to roll-over a lower amount, due to lack of placement possibilities vis-à-vis the dried up loan demand. The foreign borrowings' share in overall funding base will continue to remain low in 2002, at least in 1H2002, linked to the special audit process under the recapitalization program. First of all, foreign banks are still reluctant to extend new lines to the Turkish banks before the audit process is finalized and the health of the banking sector becomes visible, while on the other hand local banks refrain from expanding their balance sheets to secure the capital adequacy ratio (CAR) requirement under the recapitalization program.

Limited loan growth so far in 2002… At the placement side, on the other hand, the liquidity ratio continued to remain high with the overall loan base of the sector surging by only 5% since FY2001 to US$25 bn. The surge in the loan base is also related to TL gaining strength by 7.9% in the same period, boosting the US$ value of TL loans. In the meantime, the loans to deposits ratio remained as low as 31.6%, the lowest level since the twin crises. The total government securities position of the banking sector, on the other hand, surged by 25% since

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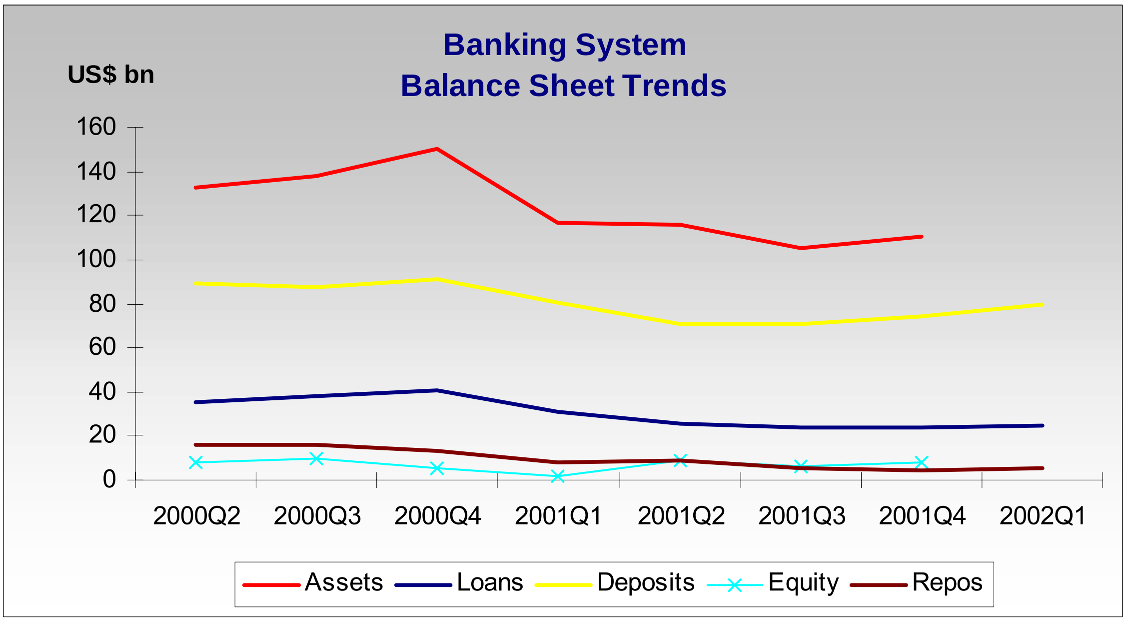
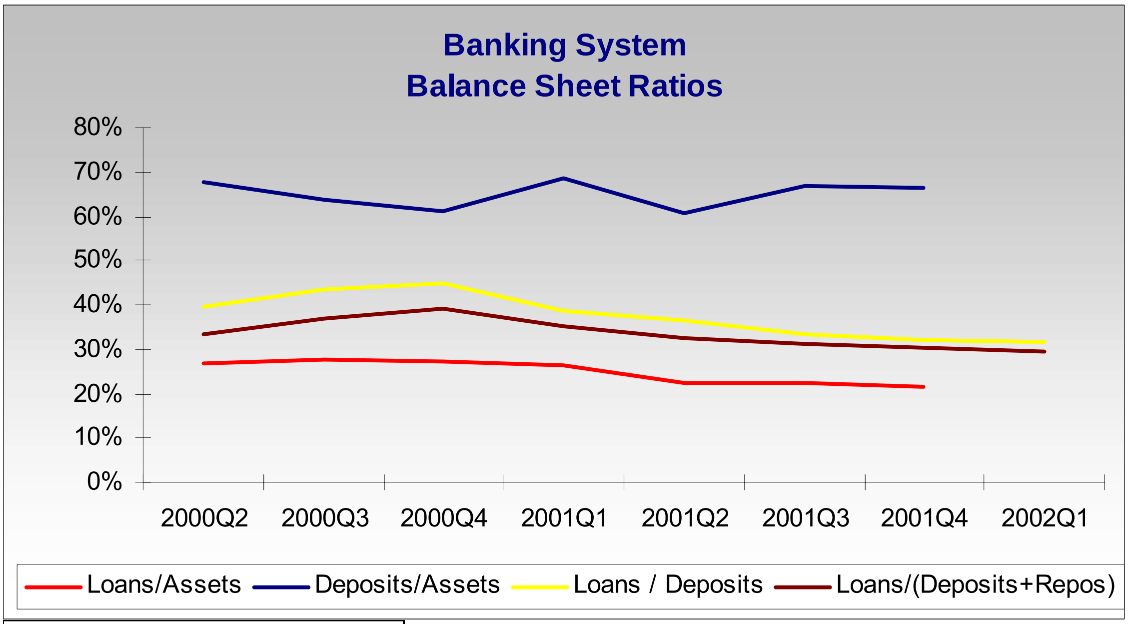
year-end 2001, to US$50.6 bn. This is also linked to weak loan demand and the crowding-out effect of public debt, but banks also refrain from lending in order to be able to keep high BIS ratios not to resort to State assistance provided in the framework of the bank recapitalization program.

Shift to TL lending…The composition of the aggregate loan portfolio on the other hand, changed in favor of TL lending. The share of TL loans to total loans grew to 58% as of March 22, 2002 from 55.3% in FY2001 and 49.2% in 3Q2001. Though, this is largely linked to TL's appreciation against fx, the changing tendency of depositors in favor of TL at the funding side is a factor affecting banks' appetite towards TL lending as well.

A growing NPL problem… A negative development has been the further climb of the NPL ratio to 20.5%, from 18.5% in FY2001, as the ripple effects of the twin crises of November 2000 and February 2001 continued and the stagnant economic activity persisted to adversely impact the financial health of the real sector. In our opinion, the ratio could potentially go further up following the special audit process as banks will have to recognize new NPLs, which they have not recorded so far.

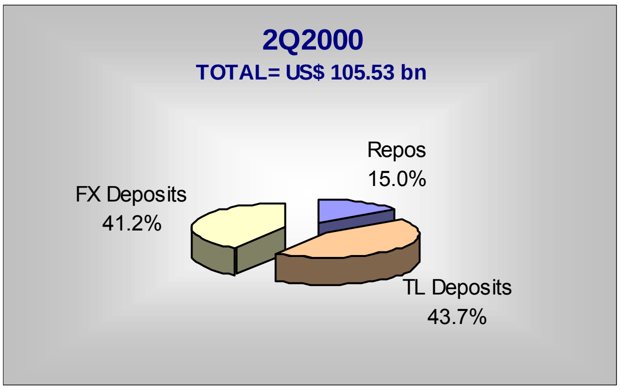
Banking System Balance Sheet Trends

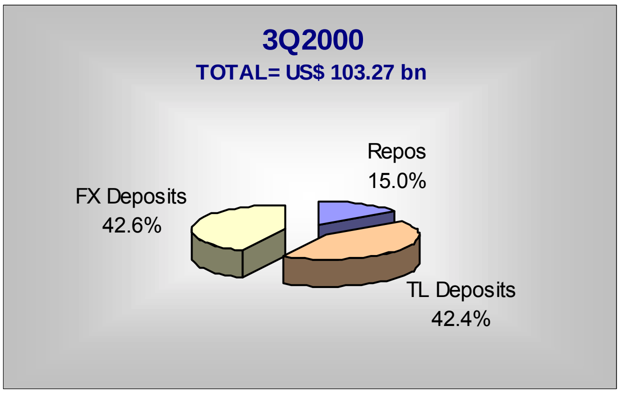


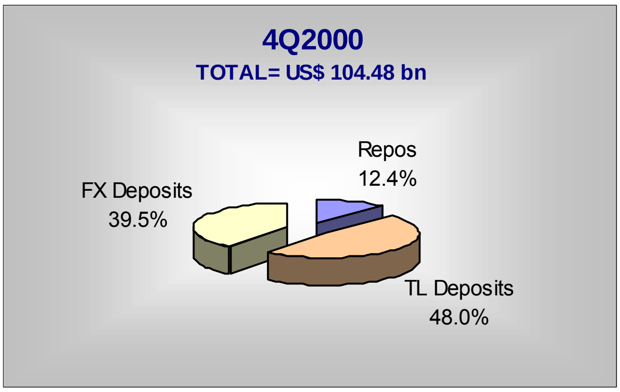


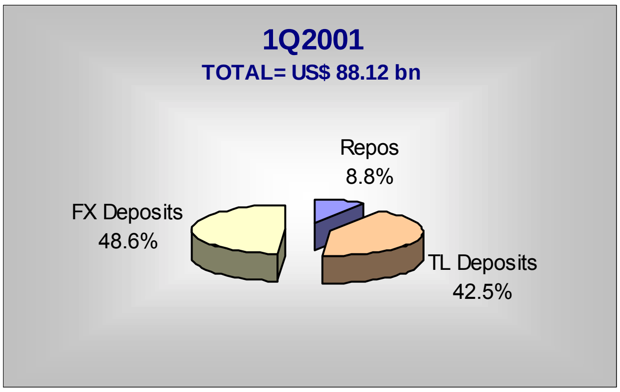
Source: The Central Bank of Turkey

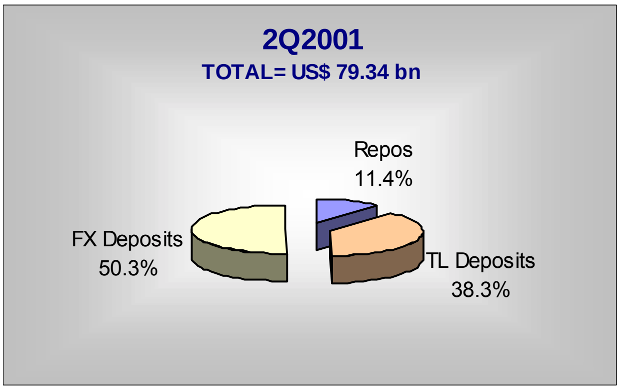
Banking System Deposits and Repos

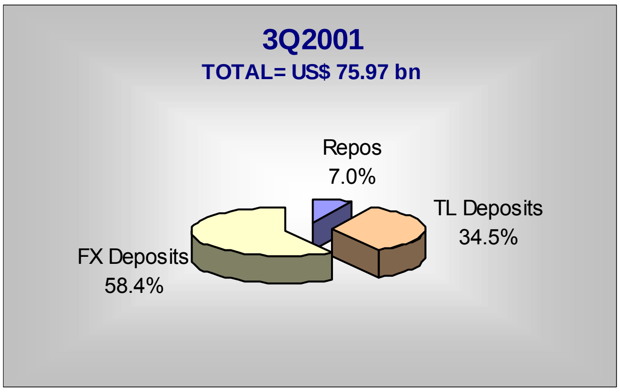


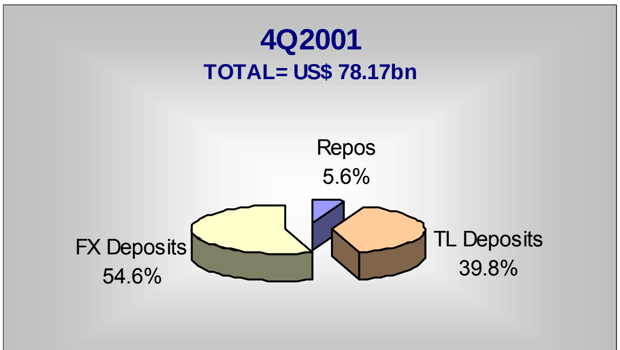




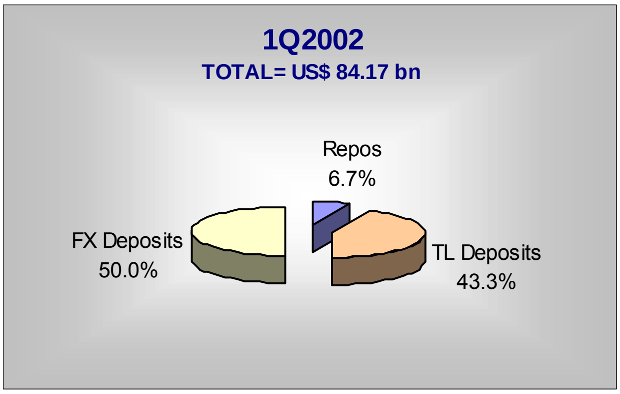




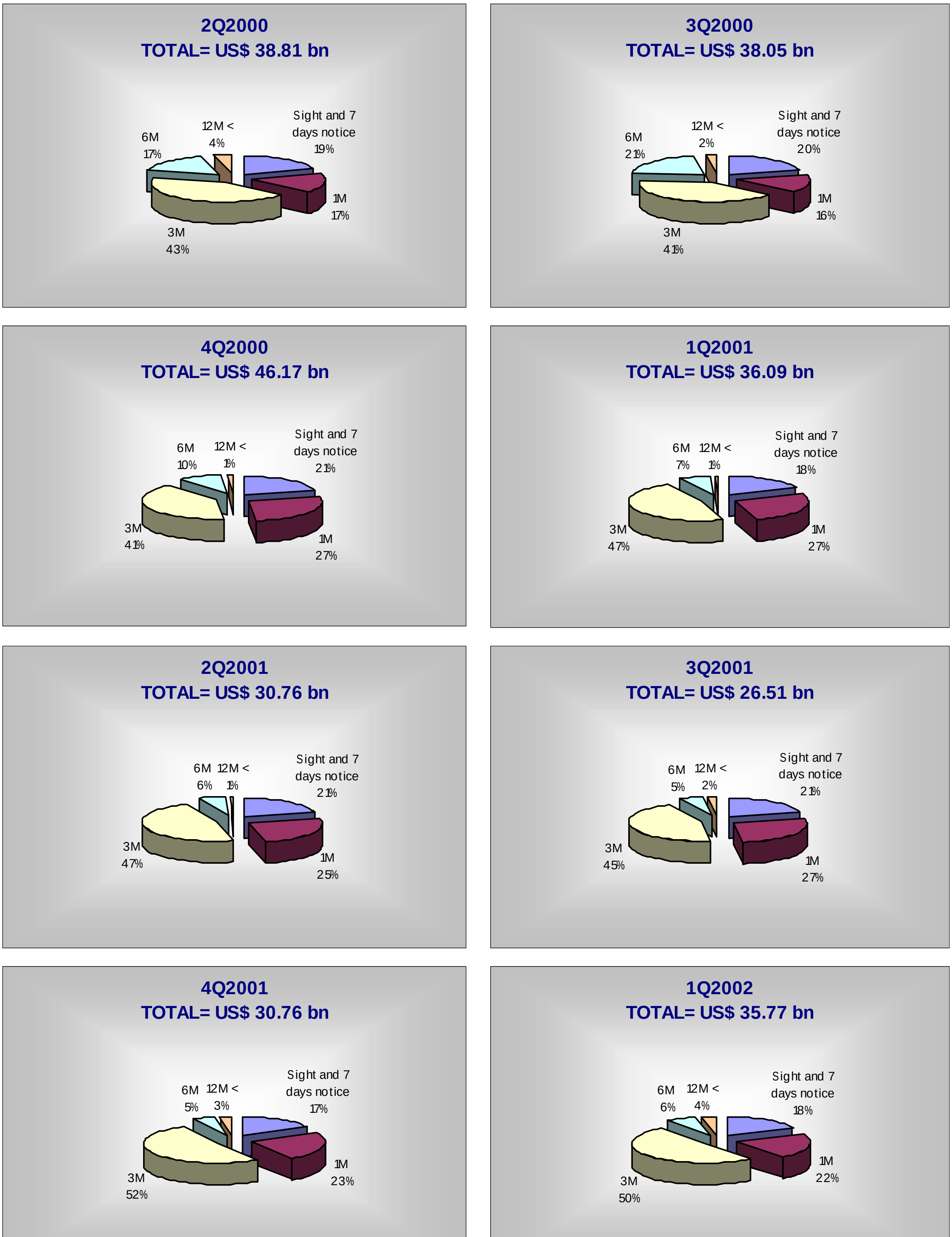




Source: The Central Bank of Turkey

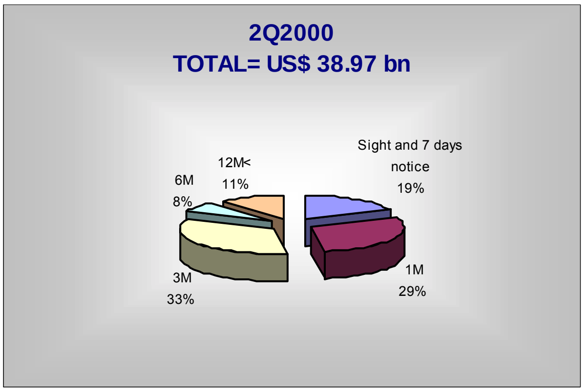


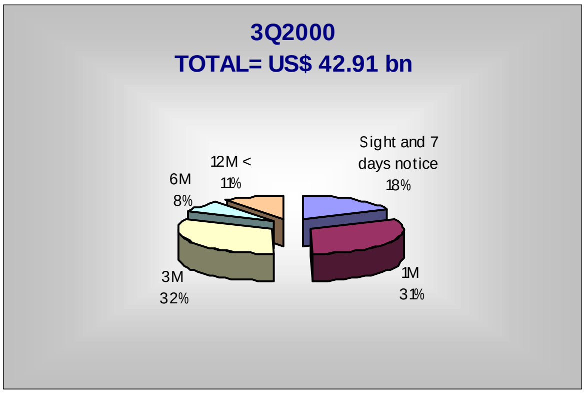
Maturity Breakdown of TL Deposits

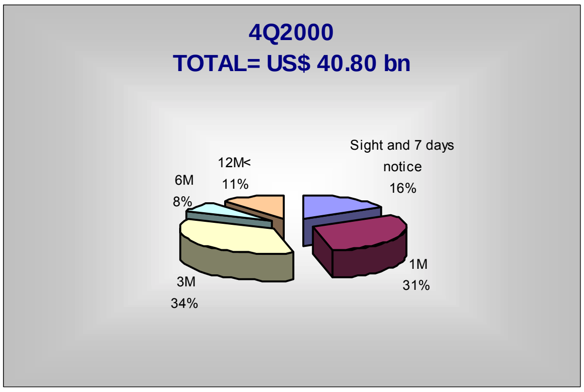


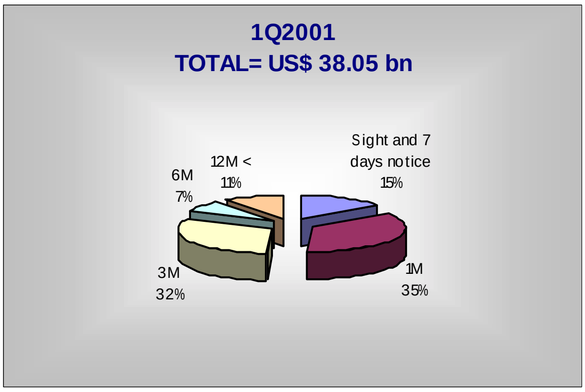
Source: The Central Bank of Turkey

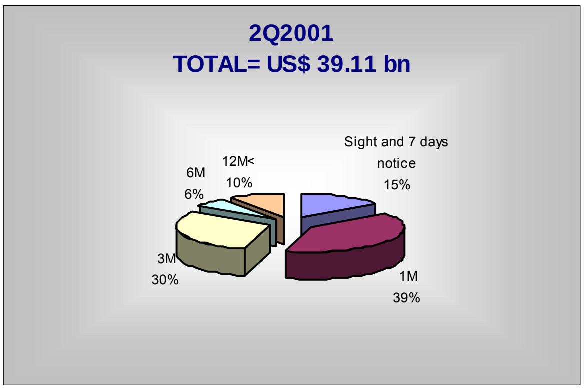
Maturity Breakdown of FX Deposits

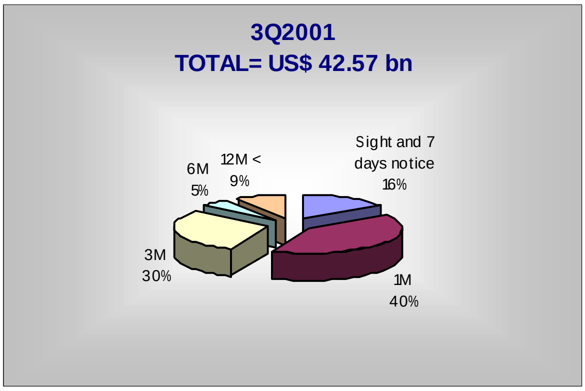


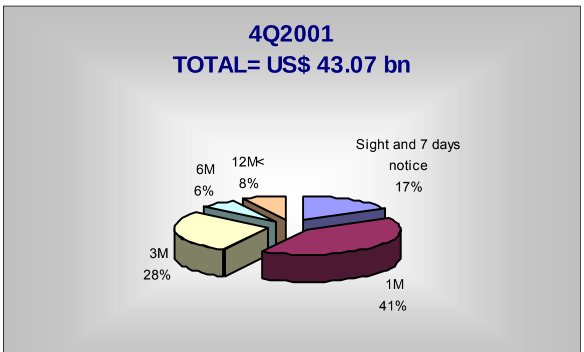




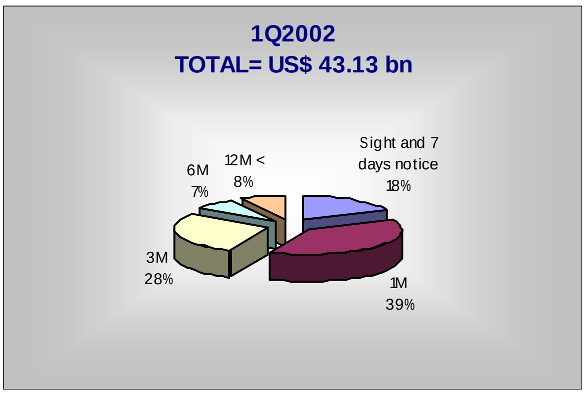




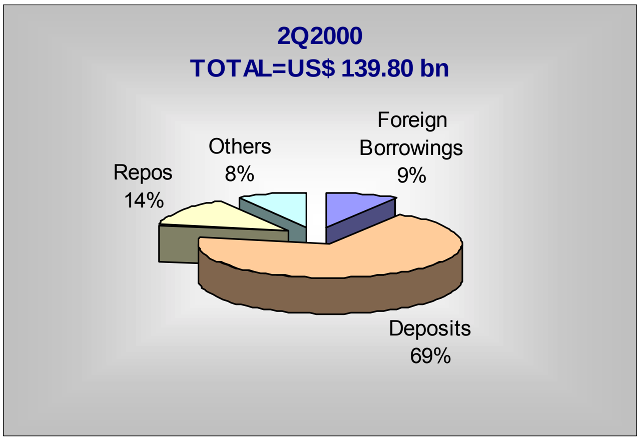


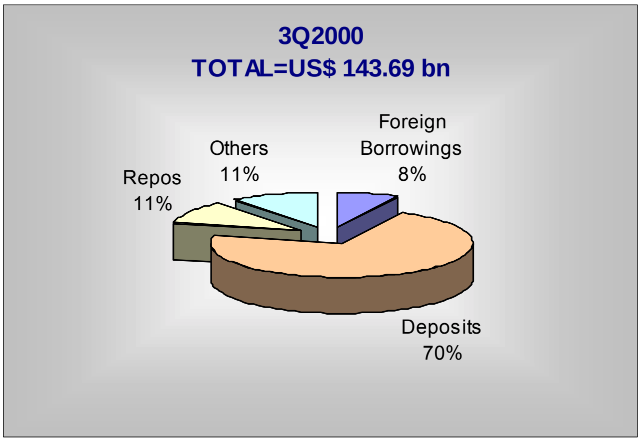


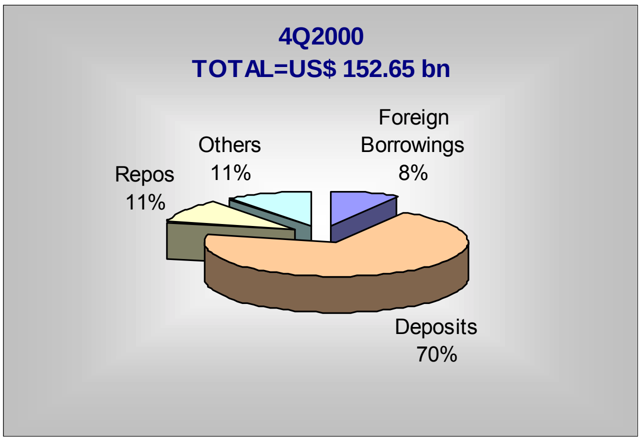
Source: The Central Bank of Turkey

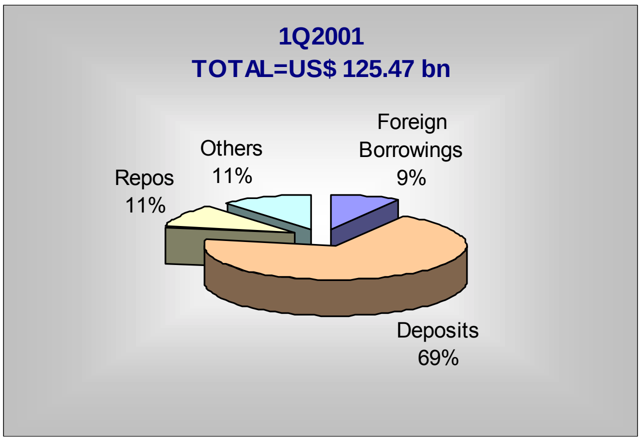


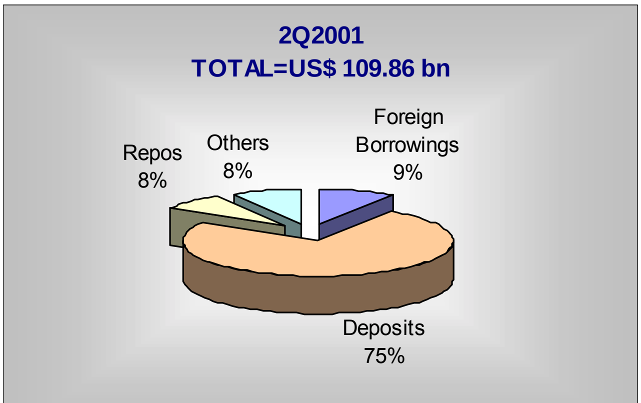
Banking System Funding Sources

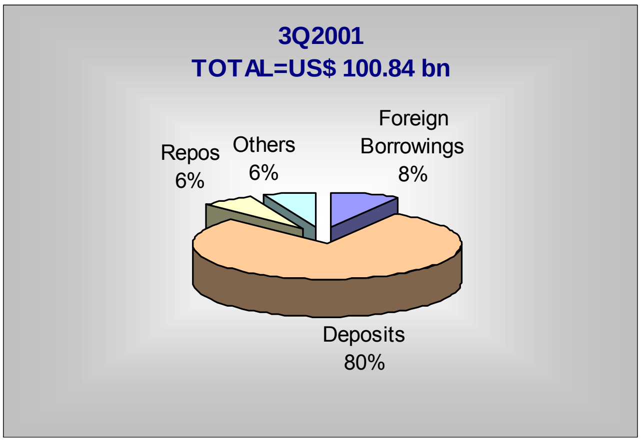






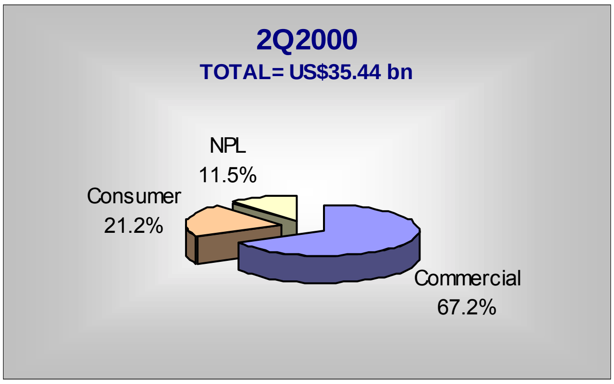


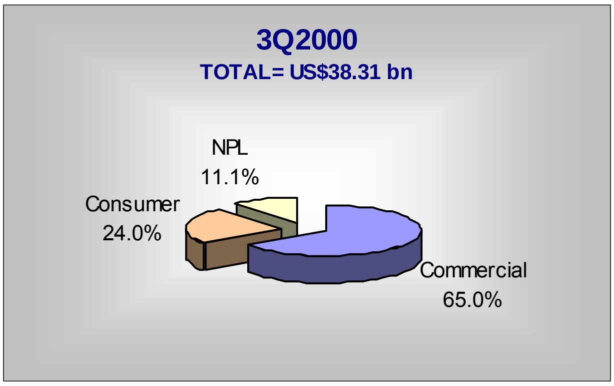


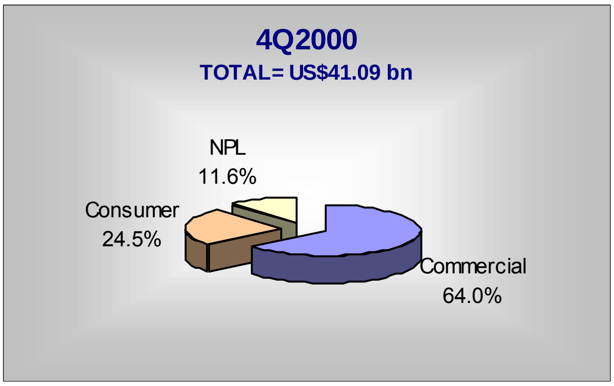


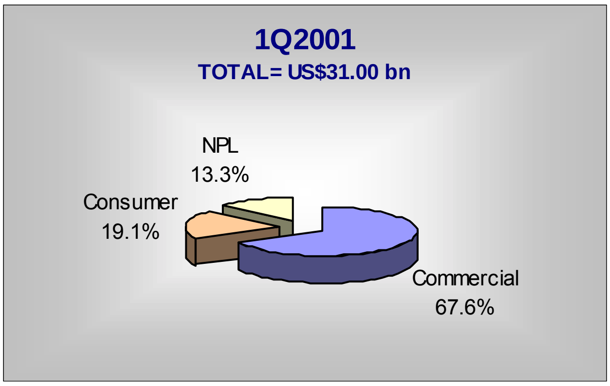
Source: The Banks Association of Turkey

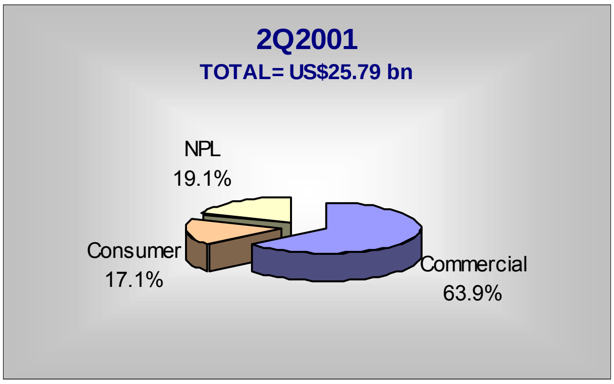
Banking System Loans

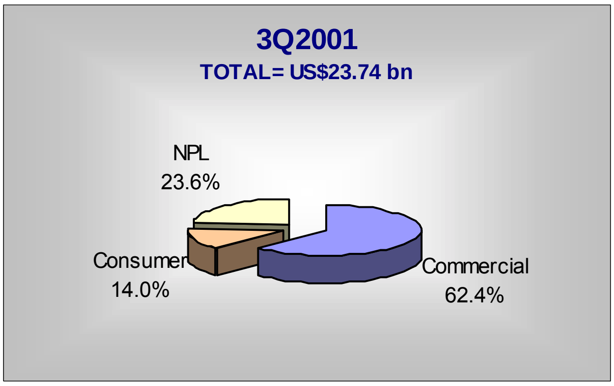


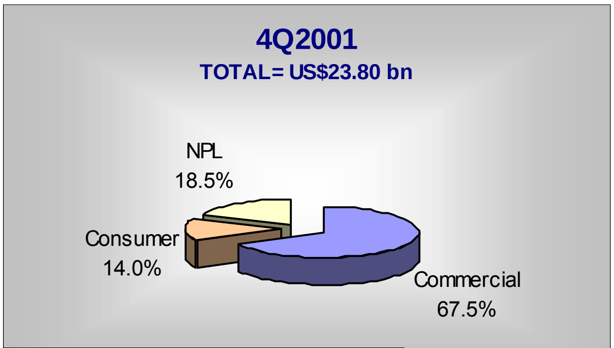




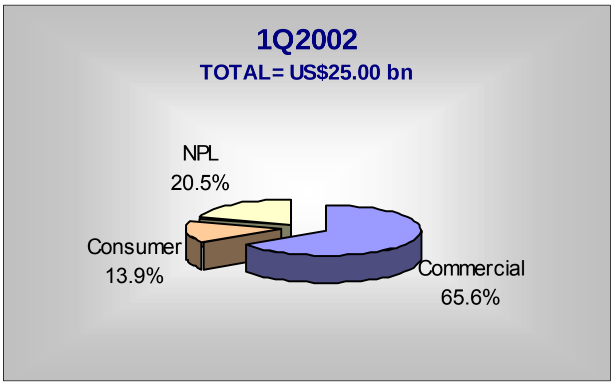




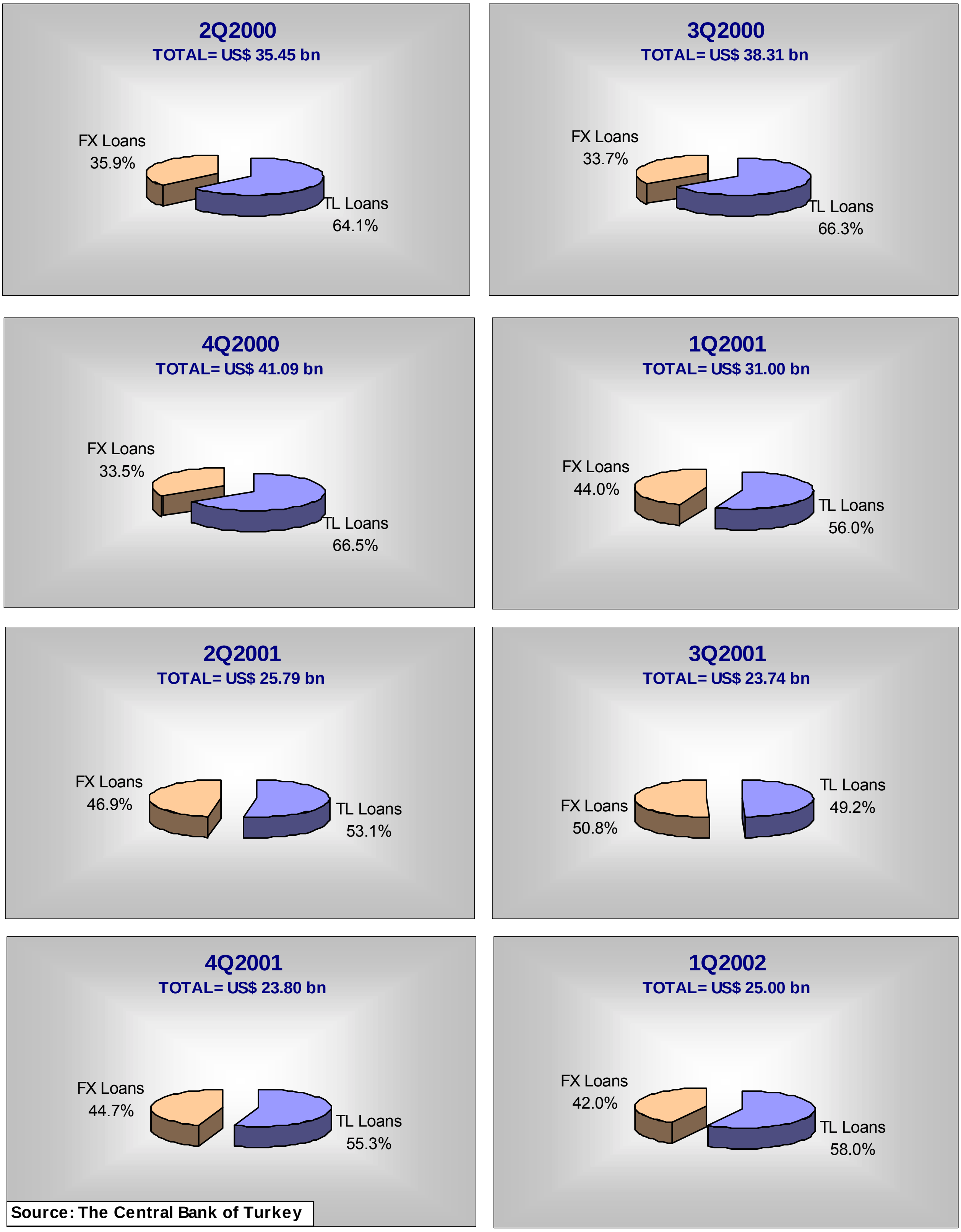




Source: The Central Bank of Turkey



Loans TL - FX Breakdown



Source: The Central Bank of Turkey

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THE RECAPITALIZATION PROGRAM

Rehabilitation and transformation of the system in the works…The Turkish banking sector is currently in the midst of a major transformation and rehabilitation process to soothe the wounds of the twin crises: huge fx losses and shrunken balance sheets as well as rising NPLs. So far the State has transferred funds amounting to around US$40-45 bn -representing around 27-30% of 2001 GDP- to the sector both to recapitalize State banks and to assume the losses of the private sector banks that failed. In the meantime, the number of ailing banks under the SDIF has been reduced from 19 to three.

The BRSA has done a great job, so far…In our opinion, the BRSA has done a great job in terms of setting up the necessary framework for the much needed restructuring of the sector. The recapitalization program is well designed to increase the transparency of the system, reduce the systematic risk, force the bank owners to increase their banks' capitalization, open up the way for mergers, hence for further consolidation of the sector and allow the use of State funds by the banks -even if at a high cost- with proper supervision. In that respect BRSA's work is appreciated by both the IMF and the WB as well as by the financial circles.

Private banking sector recapitalization program… The State is determined to put a final and decisive touch to the private banking sector via injecting some funds, namely US$3-4bn according to the estimates of the BRSA before the special audit. According to the plan, funds will be channeled to the undercapitalized banks with CAR below 8% –calculated according to IAS for both bank-only and consolidated financials - in return of bank shares, either as collateral or equity.

Summary Legislation on State funding to the private sector banks...

Eligibility criteria and the form of the State assistance are categorized as follows:

1-Banks with CAR between 5-8%: All banks will be eligible to get the State assistance in the form of G-bonds to be issued by the Treasury with a +5% spread to the market rates. The bonds will carry a 7-year maturity with two years of grace period.

2-Banks with CAR between 0-5%: These banks have to increase their CAR to 5% to get the State assistance. The regulation categorizes these banks into two as described below.

a - *Banks with market share higher than 1% in terms of assets or banks reaching this criterion through merger:* These banks would opt a cash capital increase to raise the CAR to 5%, where the contribution of the State will at most be equal to the contribution of the existing shareholders. Yet, the capital contribution of the State will be in the form of G-bonds to be issued by the Treasury at market rates, and not in cash.

b - *Banks with market share less than 1%:* These banks will have the CAR raised to 5% via a cash capital injection of the existing shareholders to apply for State assistance to further increase their capital adequacy ratio from 5% to 8%.

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Private sector banks in a blackout period until mid-May… Currently, the deadline of the 2nd phase of the special audit process has expired, including the one week extension. The final evaluation of the special audit will be made by the BRSA around May 15, 2002 along with the regulator's written notification to all the private banks. At least until then, banks are in a blackout period. So far, the BRSA has not done any public announcement regarding the timing of the release of financials for the listed banks, but according to the below timetable we estimate it as June 15, 2002, the latest.

BANK RECAPITALIZATION PROGRAM TIMELINE

Date	Event
April 8	First audit to be completed.
April 22	Completion of the second audit and BRSA's evaluation of the audits
May-15	BRSA to send letters to banks stipulating required actions on the basis of the BRSA's evaluation
May-18	Banks with losses higher than their reserves should notify BRSA the precautions to be taken
May-31	All banks will call their General Assemblies If needed, Extraordinary General Assemblies should be called to propose rights offerings
June 15	Deadline to finalize Assemblies
June 18	Banks' public announcement of the decisions of management in the Assemblies
June 21	Announcement of the rights issue if required
June 30	BRSA to issue an implementation regulation to ensure that banks' end-2002 financials to comply with IAS
July 7	The right offerings should be finalized and the start of the application for the recapitalization program
July 12	The unused rights of listed banks should be offered to public
August	Injection of state funds to the banks

Source: BRSA, RJST

The short term outcome is a big question mark… Most banks under our coverage have already revealed that they do not intend to apply to the State assistance claiming that their expected capital adequacy ratios are above the 8% requirement. It is true that the IAS29 standards will inflate the capital base of most banks compared to what is reported in financial statements prepared according to TAS. On the other hand, we strongly believe that the audit regulations issued by the BRSA will be strictly followed by the auditors and the BRSA will be aggressive on identifying previously hidden losses or overstated gains on loans, fx transactions and securities portfolios, through optimist judgments. As such, the outcome of the recapitalization program is still a big question mark. All in all, the recapitalization program promises a financially healthier and more transparent banking sector with lower systematic risk, but on the dark side there is a potential for a decline in private banks' equities and a possibility of dilution for existing shareholders of the banks.

Yet, the longer term implications of the program are buoyant...

- The fund transfer to the private banks by the State will reduce investors' and depositors' risk perception regarding the banking sector, once finalized.
- With improved CARs, banks will be able to contribute more to the financing of both the private and public sector.
- The rehabilitation cost of the banking sector will decline, since the State funding will work as a leverage until the financial health of the sector is improved and the State Guarantee on deposits is eventually removed.

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- The 1% market share limit reduces the survival chance of small banks on one hand, but it encourages M&A activity on the other hand, which will further stimulate required consolidation in the sector.
- The increased transparency and consolidation in the sector will heighten foreign banks' appetite for entering the Turkish banking system.

Real Sector Problems: The resolution of NPLs and the "Istanbul Approach"

Transition to growth from the current economic stagnancy is a necessity… A fast transition to growth from the current economic stagnancy is a must for the government as it faces high pressure from the real sector representatives regarding their financial problems with the banks. The coalition parties believe that they did all that was planned by the bureaucrats and the international institutions, but the betterment is still not visible in the real economy. Hence, the Government is pressuring the BRSA hard to speed up the process for the banks in order to restructure the problematic loans to financially viable companies and extend new loans to ignite economic growth. This plan is called the "Istanbul Approach".

Banks are asked to be cooperative with the real sector problems, and that with no incentive… It is true that, if banks trigger the liquidation process of NPLs in chase of collaterals with fear of someone else moving ahead, this would obviously mean more job losses and a major hit on expected growth in 2002. Regarding the problem of the real sector, banks are squeezed to recognize their NPLs in the BRSA's special audit, but also asked to be patient with their debtors in terms of calling loans back or chasing collaterals, and even to be cooperative in restructuring problematic loans, with no specific incentive. It all boils down to the need of extra financing for the resolution of the problem.

The WB is likely to put money on the table for the resolution of the problem… Chief of Turkey Desk Chibber made it specifically clear that "the WB will surely financially support the project". He also added that the WB aims to make "the maximum available contribution" as this would help the economic activity to pick up in Turkey. In that respect, the WB, the Turkish Treasury and the financial sector representatives gathered on April 5, 2002. There were unconfirmed news in the media revealing that the WB will contribute to the financing of the resolution plan.

The solution: establishment of an Asset Management Company (AMC)… Parallel to the other countries' experiences, the solution lies in the operational existence of an AMC that will purchase bad loans from banks so that they can extend new loans to the real sector with new funds available. The SDIF recently made a public announcement regarding the establishment of an AMC, a step towards the resolution of bad loan management with minimum damage to the real sector companies. According to the detailed timetable, the AMC is aimed to be established earliest by August 2002 and it will begin to purchase bad loans from private sector banks only after that. The selection of viable real sector companies is another problematic issue of the whole process.

IAS BANK ONLY FINANCIALS

BALANCE SHEET (US$mn)	1998	1999	2000	2001E	2002E	2003E
Cash and due from banks	328	488	441	211	224	306
Interbank Placings	15	28	269	329	292	280
Reserve deposits with the CBT	60	57	63	67	82	100
Securities	335	323	176	115	165	222
Loans, Net	260	213	344	316	461	640
Accrued interest income	34	0	0	0	0	0
Investment in Associates	22	30	46	45	45	45
Property and equipment	17	19	26	21	21	21
Other assets and pre-payments	0	22	35	28	33	41
Total Assets	**1,069**	**1,181**	**1,399**	**1,132**	**1,323**	**1,654**
Deposits	581	575	660	725	854	1,052
Interbank Takings	0	0	1	0	0	0
Obligations for repurchase agreements	93	188	61	66	25	10
Short Term Borrowings	244	220	434	173	268	390
Short Term Bonds payable	0	0	0	0	0	0
Taxation on Income	26	31	15	10	8	11
Accrued interest and other Liabilities	49	68	76	32	33	38
Long Term Debts	0	0	0	0	0	0
Total Liabilities	**992**	**1,083**	**1,247**	**1,007**	**1,187**	**1,502**
Share capital	63	63	104	91	91	91
Retained Earnings	14	34	48	34	45	62
Total shareholders' equity	**77**	**98**	**152**	**125**	**136**	**153**
Total Liabilities and equity	**1,069**	**1,181**	**1,399**	**1,132**	**1,323**	**1,654**

INCOME STATEMENT (US$ mn)	1998	1999	2000	2001E	2002E	2003E
Total interest income	216	219	230	248	161	172
Total interest expenses	89	94	101	190	106	101
Net interest income	**127**	**125**	**130**	**58**	**54**	**72**
FX gains and (losses)	-40	-39	-27	14	6	-6
Net interest income after fx gains and losses	**86**	**86**	**103**	**72**	**60**	**65**
Provision for loan losses	1	1	4	4	4	4
Net interest income after fx and loan losses	**85**	**86**	**99**	**68**	**56**	**62**
Total non-interest income	**10**	**36**	**41**	**44**	**50**	**56**
Income from banking and financial services	7	12	12	15	17	19
Net Trading Income	0	18	6	10	6	5
Other Operating Income	3	6	23	19	27	32
Total non-interest expenses	**56**	**75**	**108**	**69**	**74**	**82**
Salaries and Wages	29	36	41	25	28	31
Administration and other expenses	19	29	41	30	30	33
Transaction Taxes	4	6	20	8	12	14
Depreciation and amortisation	4	4	6	6	4	4
Other Expenses	0	0	0	0	0	0
Loss on net monetary position	**4**	**9**	**12**	**45**	**15**	**13**
Income before income taxes	35	38	19	-2	17	23
Income taxes	13	18	8	6	6	6
(Loss)/income before extraordinary taxes	21	20	12	-8	11	17
Extraordinary items	0	0	0	0	0	0
Net Income	**21**	**20**	**12**	**-8**	**11**	**17**

Source: Company, RJST

IAS CONSOLIDATED FINANCIALS

BALANCE SHEET (US$ mn)	1998	1999	2000	2001E	2002E	2003E
Cash and due from banks	340	612	598	349	361	395
Interbank Placings	15	42	269	350	260	170
Reserve deposits with the CBT	60	57	63	70	79	88
Securities	373	338	170	170	201	241
Loans, Net	258	408	686	659	1,021	1,246
Accrued interest income	40	44	61	22	48	57
Investment in Associates	2	3	2	2	2	2
Property and equipment	19	22	30	26	26	26
Other assets and pre-payments	67	76	144	126	153	171
Total Assets	1,173	1,601	2,024	1,775	2,152	2,396
Deposits	481	767	989	1,145	1,294	1,436
Interbank Takings	0	0	0	0	0	0
Obligations for repurchase agreements	93	200	60	155	225	239
Short Term Borrowings	338	390	655	255	348	396
Short Term Bonds payable	79	0	9	0	0	0
Taxation on Income	30	37	25	15	17	25
Accrued interest and other Liabilities	65	86	106	75	119	127
Long Term Debts	0	0	0	0	0	0
Total Liabilities	1,086	1,480	1,845	1,645	2,003	2,223
Minority Interest	5	10	10	5	7	8
Share capital	63	63	104	91	91	91
Retained Earnings	18	48	65	34	51	74
Total shareholders' equity	82	111	169	125	142	165
Total Liabilities and shareholders' equity	**1,173**	**1,601**	**2,024**	**1,775**	**2,152**	**2,396**

INCOME STATEMENT (US$ mn)	1998	1999	2000	2001E	2002E	2003E
Total interest income	259	302	341	357	280	263
Total interest expenses	97	128	147	251	177	168
Net interest income	**162**	**174**	**193**	**106**	**103**	**94**
FX gains and losses	58	64	4	23	10	5
Net interest income after fx gains and losses	**104**	**110**	**189**	**83**	**93**	**89**
Provision for loan losses	1	1	55	5	8	10
Net interest income after fx and loan losses	**103**	**109**	**134**	**78**	**85**	**79**
Total non-interest income	17	56	56	56	72	82
Total non-interest expenses	69	94	132	91	111	123
Loss on net monetary position	**6**	**13**	**18**	**57**	**15**	**-2**
Income before income taxes	45	58	40	-14	31	40
Income taxes	17	24	20	11	12	15
(Loss)/income before extraordinary taxes	28	34	20	-25	19	25
Extraordinary items	0	0	0	0	0	0
Net (loss)/income before minority interests	28	34	20	-25	19	25
Minority Interest	3	4	5	-2	2	2
Net Income	**25**	**29**	**16**	**-22**	**17**	**23**

Source: Company, RJST

TURKISH ACCOUNTING STANDARDS FINANCIALS -Bank Only

BALANCE SHEET (US$ mn)	1998	1999	9M2000	2000	9M2001	2001E	2002E	2003E
Cash and Banks	363	512	771	708	528	601	533	590
Marketable Securities	246	262	237	220	114	115	165	222
Loans	279	213	365	347	273	316	490	688
Participations	20	24	29	37	32	39	44	44
Fixed Assets	10	10	10	13	9	10	12	12
Accrued Interest Income	27	65	90	83	33	45	72	76
Reserve Deposits	56	56	70	63	66	67	82	100
Other assets	31	62	67	65	11	18	24	35
Total Assets	**1,033**	**1,205**	**1,639**	**1,537**	**1,066**	**1,211**	**1,422**	**1,766**
Deposits	616	574	766	660	728	740	908	1,108
Funds Borrowed	259	419	544	608	193	293	293	390
Accrued Interest Expense	29	53	92	68	19	32	33	38
Provisions	18	31	10	15	3	4	6	8
Other Liabilities	26	40	97	48	34	39	46	57
Shareholders' Equity	**85**	**87**	**130**	**139**	**89**	**103**	**137**	**166**
Paid-in-Capital	40	41	83	82	36	38	32	25
Legal Reserves	6	6	6	6	3	4	30	55
Provisionary Reserves	2	2	10	10	19	20	17	13
Revaluation Fund	3	3	4	6	6	8	17	24
Current Year Profit	34	36	27	35	25	33	40	48
Total Liabilities	**1,033**	**1,205**	**1,639**	**1,537**	**1,066**	**1,211**	**1,422**	**1,766**

INCOME STATEMENT (US$ mn)	1998	1999	9M2000	2000	9M2001	2001E	2002E	2003E
Interest Income	274	280	164	250	178	216	206	233
Interest Expense	112	124	79	114	143	164	121	126
Net Interest Income	162	155	84	136	34	52	85	107
Loan Loss Provision	1	1	1	1	2	3	8	4
Net Int. Income after LL Provision	**161**	**155**	**84**	**135**	**33**	**48**	**77**	**103**
Non Interest Income	-40	-14	30	13	47	52	42	43
Net Commission Income	7	8	5	6	8	11	15	18
Net FX Gain (Loss)	-51	-50	-17	-29	13	14	-3	-8
Trading Income (Loss)	-1	21	19	14	3	1	2	1
Other	4	6	22	22	22	26	28	33
Non Interest Expense	63	68	81	102	43	56	56	66
Personnel Expenses	30	34	28	37	16	21	23	24
Indemnity Provisions	0	0	1	2	1	1	0	0
Other Provisions	2	1	3	4	1	2	2	3
Taxes and Duties Expenses	4	5	10	8	5	7	6	7
Rent Expense	4	5	5	6	4	5	6	7
Depreciation Expense	2	3	2	3	2	3	2	1
Other Expenses	20	20	33	42	14	18	16	24
Net Non-Interest Income	-103	-83	-51	-89	4	-5	-14	-22
PBT	58	72	33	47	36	44	64	81
Tax Provisions	17	26	3	9	3	5	16	27
Net Profit	**41**	**46**	**29**	**37**	**33**	**38**	**48**	**54**

Source: Company, RJST

TAS ACCOUNTS	AKBANK	GARANTI	ISBANK	YKB	TEB	SUM / AVERAGE
ASSET STRUCTURE						
Assets (US$ mn)						
2000	10,983	9,866	11,635	11,208	1,537	45,228
Current	9,540	6,844	9,581	8,719	1,066	35,750
Loans (US$ mn)						
2000	3,926	3,749	4,354	4,395	347	16,770
Current	3,295	2,230	3,359	3,476	273.5	12,633
Current Ratios and Loan Related Data						
Market Share	10.3%	7.0%	10.5%	10.9%	0.9%	39.6%
Loans/Assets	34.5%	32.6%	35.1%	39.9%	25.7%	35.3%
Loans/Earnings Assets	37.8%	41.9%	43.4%	48.9%	27.8%	35.0%
FX Loans/Total Loans	82.3%	79.0%	81.0%	73.6%	63.3%	75.8%
Gross Total NPL (US$ mn)	56	154	240	207	4	661
Total Provisions (US$ mn)	56	68	75	96	4	299
Total Net NPL (US$ mn)	0	86	165	111	0	362
Gross NPL/Gross Loans	1.7%	6.5%	6.7%	5.6%	1.3%	5.0%
NPL Coverage	100.0%	44.0%	31.4%	46.4%	100.0%	45.3%
Loans under watch (US$ mn)	27	6	550	123	3	709
% of net loans	0.8%	0.3%	16.4%	3.5%	1.0%	5.6%
Related Party Loans (US$ mn)	542	213	504	1,173	0.2	2,432
% of net loans	16.4%	9.5%	15.0%	33.7%	0.1%	19.3%
Retail Loans (US$ mn)	181.2	384.0	407.2	430.0	16.3	1,418.7
% of net loans	5.5%	17.2%	12.1%	12.4%	6.0%	11.2%
Accrued Interest on Loans (US$ mn)	111	194	483	409	9	1,206
Acc. Int. on Loans/12M Int. on Loans	8.7%	19.2%	33.7%	31.4%	8.7%	20.3%
Total Loan Risks (US$ mn)	3,433	2,516	4,557	4,120	285	14,202
Loan Risk/Assets	36%	37%	48%	47%	27%	40%
Off balance Sheet Related Party Exposure (US$ mn)						
Total	555	159	440	667	129	
Marketable Securities (US$ mn)						
Total Marketable Securities	2,803	1,658	2,287	1,394	114	8,256
Repo	279	281	323	235	30	1,149
Total G bonds (Repo inc. Marketable Securi	3,082	1,940	2,610	1,630	143	9,404
G bonds/Assets	32.3%	28.3%	27.2%	18.7%	13.4%	26.3%
G bonds/Interest Earnings Assets	35.3%	36.4%	33.8%	22.9%	14.6%	31.5%
Liquid Assets (US$ mn)						
Current	2,043	927	1,158	1,571	528	6,226
Liquid Assets/Total Assets	21.4%	13.5%	12.1%	18.0%	49.5%	17.4%
Net Money Market Position (US$ mn)						
Current	1,772	693	863	1,336	498	5,161
Money Market Position/Assets	18.6%	10.1%	9.0%	15.3%	46.7%	14.4%

Source: RJST

TAS ACCOUNTS	AKBANK	GARANTI	ISBANK	YKB	TEB	SUM / AVERAGE
LIABILITY STRUCTURE						
Deposits (US$ mn)						
2000	6,532	5,130	6,951	6,887	660	26,160
Current	6,505	4,042	7,303	6,132	728	24,708
Net Deposit flow in last quarter	161	213	472	417	121	1,384
% chg in last quarter	3%	6%	7%	7%	20%	6%
Deposit flow in 12 M	234	-823	755	-262	-38	-135
FX/Total Deposits	70.8%	72.2%	76.5%	70.2%	85.4%	75.0%
Weighted Avg Demand Deposits/Deposits	13.6%	25.0%	20.2%	18.1%	23.0%	19.4%
Market Share	8.7%	5.4%	9.8%	8.2%	1.0%	33.2%
Deposits/Assets	68.2%	59.1%	76.2%	70.3%	68.3%	69.1%
Deposits/Interest Bearing Liabilities	79.5%	70.5%	90.6%	82.4%	79.0%	81.4%
Bank Deposits/Total Deposits	9.0%	4.4%	2.1%	3.9%	1.3%	4.1%
Funds Borrowed (US$ mn)						
Current	1,677	1,695	754	1,312	193	5,631
Borrowings/Interest Bearing Liabilities	20.5%	29.5%	9.4%	17.6%	21.0%	18.6%
12 M chg in borrowings	-224	-747	-371	86	-351	-1,607
Interest Bearing Liabilities						
Current	8,181	5,737	8,056	7,444	921	30,339
2000	8,851	8,105	8,344	8,131	1,268	34,699
Equity (US$ mn)						
2000	1,615	1,221	2,447	2,483	139	7,905
Current	951	645	1,011	1,007	89	3,704
Current Ratios						
Equity/Assets	10.0%	9.4%	10.6%	11.6%	8.3%	10.4%
Equity/Interest Bearing Liabilities	11.6%	11.3%	12.6%	13.5%	9.6%	12.2%
Leverage	8.6	8.9	8.0	7.4	10.4	8.2
Free Capital	753	-142	-57	163	48	764
Free Capital/Equity	79.2%	-22.0%	-5.7%	16.2%	54.0%	20.6%
Free Capital / Total Assets	7.9%	-2.1%	-0.6%	1.9%	4.5%	2.1%
Capital Adequcy						
BIS Ratio						
TAS	18.1%	8.1%	12.5%	11.3%	10.7%	n.m.
Tier 1						
TAS	16.5%	8.4%	12.0%	11.5%	16.6%	n.m.
Short Position in FX						
Gross -On balance Sheet	87	-40	1	174	-7	215
FX Position/CMB Current Equity	9%	-6%	0%	17%	-8%	6%
Net -Including off-Balance Sheet	64	-24	121	126	-33	254
Estimated Maturity Mismatch						
Maturity Gap (Assets > Liabilities) -Months	9	10	10	5	0	7

Source: RJST

TAS ACCOUNTS	AKBANK	GARANTI	ISBANK	YKB	TEB	SUM / AVERAGE
PROFITABILITY						
Expenses, ytd (US$ mn)						
Personnel Expenses	133	171	374	222	37	938
Total Operating Expenses	437	656	744	512	96	2,445
Provisions	76	83	204	122	6	491
Tax Provisions	272	96	143	153	9	673
Breakdown of Operating Income						
Net Fee Income	56%	56%	27%	36%	47%	48%
Net Trading Income	20%	23%	12%	23%	28%	20%
FX Adjusted Interest Income	24%	20%	47%	29%	25%	27%
Other	1%	2%	14%	11%	1%	5%
Net Profit (US$ mn)						
2000	550	329	409	410	37	1,736
2001E	549	167	109	130	38	993
CAGR 2003-2000	6%	-14%	-3%	-8%	13%	-2%
Profitability Ratios -US$ based						
Pretax Profits/Avg. Total Assets, ytd	3.8%	0.8%	0.4%	0.8%	2.8%	1.5%
Operating Income/Avg. Total Assets, ytd	6.9%	5.1%	4.5%	3.9%	5.5%	5.1%
Net Interest Income/Avg. Interest Earnings	21.0%	6.5%	9.1%	5.6%	3.0%	10.9%
3Q01 Adjusted NIM	2.1%	0.9%	1.1%	1.1%	2.2%	1.5%
9M01 Adjusted NIM	6.0%	1.4%	3.1%	1.8%	4.1%	3.3%
ROAA annualised	3.9%	1.1%	0.5%	0.9%	3.4%	1.7%
ROAE annualised	30.9%	9.4%	3.2%	5.3%	38.9%	11.7%
Loan Yield						
3Q01 Quarterly $ yield in loans	7.8%	7.3%	8.8%	8.2%	8.3%	8.1%
Deposit Yield						
3Q01 Quarterly $ cost of deposits	3.2%	4.5%	4.0%	4.2%	3.0%	3.8%
Spreads						
3Q01 Quarterly $ Spread on TL	11.9%	10.2%	17.7%	8.4%	3.3%	10.3%
3Q01 Quarterly $ Spread on FX	3.7%	1.8%	1.8%	2.3%	2.4%	2.4%
3Q01 Quarterly $ Spread	4.6%	2.8%	4.8%	4.1%	5.3%	4.3%
EFFICIENCY						
Cost/Income Analysis						
Operating Efficiency (%)						
2000	49%	93%	75%	96%	77%	78%
Current	70%	93%	65%	94%	58%	76%
2001E	69%	85%	65%	88%	51%	72%
2002E	53%	74%	68%	102%	53%	70%
2003E	46%	73%	67%	104%	53%	69%
Cost/Income						
2000	39%	52%	67%	55%	71%	57%
Current	45%	98%	103%	97%	66%	82%
2001E	37%	86%	90%	84%	69%	73%
2002E	34%	69%	59%	54%	58%	55%
2003E	34%	68%	62%	55%	53%	55%
Cost / Assets	3.1%	5.0%	4.8%	4.1%	3.5%	4.2%
Current Employee/Branch Efficiency (US$mn, unless stated otherwise)						
Deposits/Branches	11	14	9	15	13	11
Avg Monthly US$ Cost of an Employee	791	1,338	1,140	908	1,043	1,034
Assets/Employee	1.1	1.2	0.6	0.9	0.9	0.9
Loan / Branche	5.4	7.8	4.0	8.3	5.1	5.7
Operating Income/ Branche	1.2	1.5	0.6	0.9	1.3	0.9
Operating Expenses/ Branche	0.44	0.98	0.46	0.68	0.77	0.57

Source: RJST

IAS ACCOUNTS	AKBANK*	GARANTI*	ISBANK	YKB	TEB*
ASSET STRUCTURE					
Latest reporting period	**9M2001**	**6M2001**	**6M2001**	**6M2001**	**YE2000**
Assets (US$ mn)					
2000	11,632	14,616	13,856	11,891	2,024
Latest	9,703	11,084	11,700	9,346	2,024
Loans (US$ mn)					
2000	3,779	5,855	4,394	4,368	686
Latest	3,263	3,760	3,622	3,458	686
Latest Ratios					
Loans/Assets	33.6%	33.9%	31.0%	37.0%	33.9%
Loans/Earnings Assets	37.3%	42.9%	46.6%	54.4%	39.8%
Net NPL (US$ mn)	55	174	186	n.a.	3
Total Provisions (US$ mn)	77	121	79	n.a.	3
Net NPL/Gross Loans	1.7%	4.4%	4.9%	n.a.	0.8%
NPL Coverage	139.0%	69.8%	42.7%	n.a.	93.7%
Marketable Securities (US$ mn)					
1999	3,771	3,791	2,150	2,050	338
2000	2,315	4,075	3,265	2,439	170
G bonds/Assets	19.9%	27.9%	23.6%	20.5%	8.4%
G bonds/Interest Earnings Assets	22.5%	34.0%	35.2%	28.6%	9.9%
Latest	3,639	3,266	2,185	1,307	170
G bonds/Assets	37.5%	29.5%	18.7%	14.0%	8.4%
G bonds/Interest Earnings Assets	41.6%	37.3%	28.1%	20.5%	9.9%
Liquid Assets (US$ mn)					
1999	1,445	1,718	1,574	1,574	654
2000	4,197	2,070	1,619	1,720	866
Liquid Assets/Total Assets	36.1%	14.2%	11.7%	14.5%	42.8%
Latest	1,841	1,732	1,958	1,597	866
Liquid Assets/Total Assets	19.0%	15.6%	16.7%	17.1%	42.8%
Interest Earning Assets (US$ mn)					
2000	10,291	12,001	9,278	8,526	1,723
Interest Earning Assets/Total Assets	88.5%	82.1%	67.0%	71.7%	85.1%
Latest	8,743	8,759	7,765	6,362	1,723
Interest Earning Assets/Total Assets	90.1%	79.0%	66.4%	68.1%	85.1%
Participations (US$ mn)					
Latest	86	80	1,312	779	2
Participations/Assets	0.9%	0.7%	11.2%	8.3%	0.1%
Real Estate (US$ mn)					
Latest	208	799	1,111	1,023	30
Real Estate/Assets	2.1%	7.2%	9.5%	10.9%	1.5%

**Consolidated*

Source: RJST

IAS ACCOUNTS	AKBANK*	GARANTI*	ISBANK	YKB	TEB*
LIABILITY STRUCTURE					
Latest reporting period	**9M2001**	**6M2001**	**6M2001**	**6M2001**	**YE2000**
Deposits (US$ mn)					
2000	7,261	7,379	7,213	6,707	989
Latest	6,628	6,039	6,831	5,718	989
2001E	6,558	6,617	7,785	6,636	1,145
Growth 2001/2000	-10%	-10%	8%	-1%	16%
Growth 2002/2001	44%	15%	21%	20%	13%
CAGR 2003-2000	18%	7%	17%	14%	13%
Latest Ratios					
Deposits/Assets	68.3%	54.5%	58.4%	61.2%	48.8%
Deposits/Interest Bearing Liabilities	79.6%	69.7%	80.0%	80.0%	57.7%
Funds Borrowed (US$ mn)					
2000	2,080	3,659	2,639	1,985	725
Borrowings/Interest Bearing Liabilities	22.3%	33.2%	26.8%	22.8%	42.3%
Latest	1,695	2,630	1,711	1,433	725
Borrowings/Interest Bearing Liabilities	20.4%	30.3%	20.0%	20.0%	42.3%
2001E	1,793	2,155	1,164	1,509	410
Interest Bearing Liabilities (US$ mn)					
2000	9,340	11,038	9,852	8,692	1,714
Latest	8,324	8,669	8,542	7,151	1,714
2001E	8,351	8,772	8,950	8,145	1,555
Total Liabilities (US$ mn)					
2000	9,868	12,934	10,642	9,282	1,845
Latest	8,611	10,131	9,354	7,414	1,845
Equity (US$ mn)					
1999	1,519	1,313	2,711	2,250	111
2000	1,764	1,637	3,214	2,609	169
Equity/Assets	15.2%	11.2%	23.2%	21.9%	8.3%
Latest	1,092	933	2,346	1,933	169
Equity/Assets	11.3%	8.4%	20.1%	20.7%	8.3%
2001E	1,357	1,425	2,726	2,198	125
2001E -Bank Only	1,268	992	1,414	1,419	125
Bank Only/Consolidated	93%	70%	52%	65%	100%
2002E	1,406	1,564	2,854	2,363	142
2003E	1,549	1,682	3,046	2,419	165
Growth 2001/2000	-23%	-13%	-15%	-16%	-26%
Growth 2002/2001	4%	10%	5%	8%	14%
Growth 2003/2002	10%	8%	7%	2%	16%
CAGR 2003-2000	-4%	1%	-2%	-2%	-1%
Free Capital (US$ mn)					
2000	1,398	416	226	525	136
Latest	797	53	-77	131	136
2001E	1,052	431	303	396	97
Latest Ratios					
Equity/Interest Bearing Liabilities	13.1%	10.8%	27.5%	27.0%	9.8%
Leverage	12.7%	9.2%	25.1%	26.1%	9.1%
Free Capital/Equity	73.0%	5.7%	-3.3%	6.8%	80.8%
Free Capital / Total Assets	8.2%	0.5%	-0.7%	1.4%	6.7%
BIS Ratio	27.0%	10.6%	15.0%	20.0%	n.a.

**Consolidated*

Source: RJST

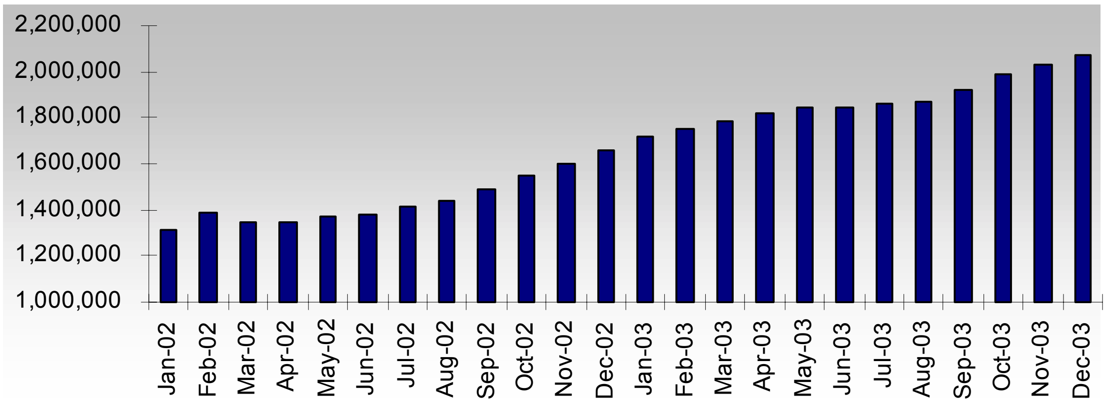
IAS ACCOUNTS	AKBANK*	GARANTI*	ISBANK	YKB	TEB*
PROFITABILITY					
P&L Data Most Recent (US$ mn)	**9M2001**	**6M2001**	**6M2001**	**6M2001**	**YE2000**
Net Interest Income	1,340	212	n.a.	364	193
FX Gain (Loss)	-771	-321	n.a.	-280	-4
Adjusted Interest Income	570	-109	459	85	189
Provision for loan losses	36	36	37	72	55
Net Fee Income	39	46	n.a.	97	33
Net Trading Income	128	21	n.a.	24	9
Other Operating Income	32	93	n.a.	70	14
Total Operating Income	733	14	291	204	190
Dividend Income	1	3	n.a.	70	n.a.
Operating Expenses	254	376	670	240	132
Gain (Loss) on net monetary position	-477	-43	-6	-148	-18
Pretax Profit	2	-404	-385	-184	40
Income taxes	108	-56	7	-101	20
Minority Interest	n.m.	16	n.m.	n.m.	5
Net Profit	-106	-332	30	-84	16
Net Profit (US$ mn)					
2000	256	232	317	203	16
2001E	-87	39	109	-58	-22
Growth 2001/2000	-134%	-83%	-66%	-128%	-243%
Profitability					
Operating Income/Avg. Assets					
2000	16.1%	17.4%	14.8%	13.1%	5.3%
2001E	13.1%	7.6%	8.5%	8.8%	7.1%
Net Interest Margin					
2000	16.2%	14.9%	11.4%	15.0%	2.6%
2001E	12.2%	5.7%	5.5%	9.4%	5.3%
ROaE					
2000	15.6%	15.7%	10.7%	8.4%	11.1%
2001E	-5.6%	2.5%	3.7%	-2.4%	-15.2%
2002E	3.6%	9.4%	4.6%	4.7%	12.8%
2003E	9.6%	7.2%	6.5%	6.9%	14.7%
EFFICIENCY					
Cost/Income Analysis					
2000					
Cost / Assets	4.5%	7.3%	8.9%	6.1%	7.3%
2001E					
Cost / Assets Annualised	3.2%	5.8%	10.5%	4.5%	8.7%

**Consolidated*

Source: RJST

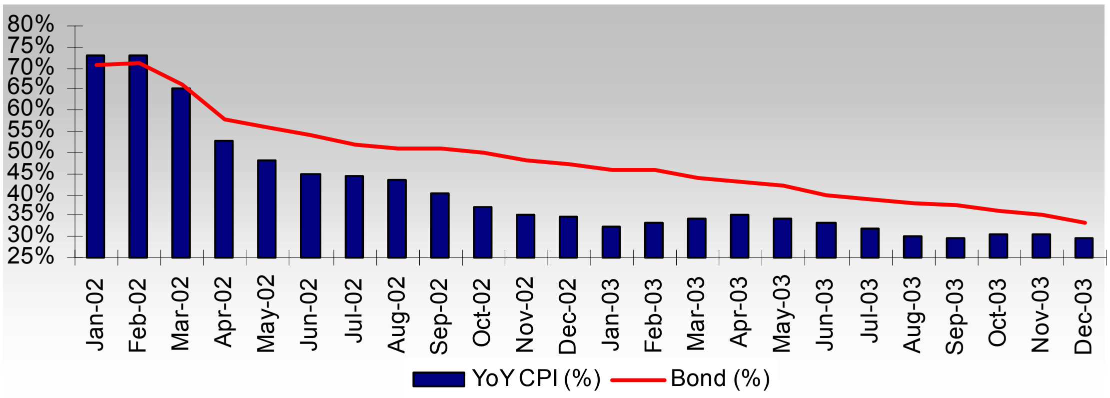
Appendix

US$ /TL



Source: RJST

YoY CPI (expected) versus Secondary Market Compounded Bond Rates (expected)



Source: RJST

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