



TÜRKİYE  **BANKASI**

Investor Presentation

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Macroeconomic Indicators

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Macroeconomic Indicators

(%)	2001	2002	October 2003
GNP Growth	-9.5	7.8	5.4 (1)
WPI	88.6	30.8	16.1
CPI	68.5	29.7	20.8
Av.T.Bill Interest Rate (compounded)	99.6	63.8	30.3
PSBR/GNP	16.5	12.6	na
Primary Surplus(2)/GNP	5.9	4.0	na
Current Account (\$ bn.)	3.4	-1.5	-4.0(3)
\$/TL (end-period)	1,439,567	1,634,501	1,491,399

- Favorable results were achieved especially in growth and inflation in 2003
- Commitment to economic program is going on in 2003
- Primary surplus is the key factor in debt sustainability
- Tight fiscal policy is underway

1 First half of 2003

2 Consolidated public sector

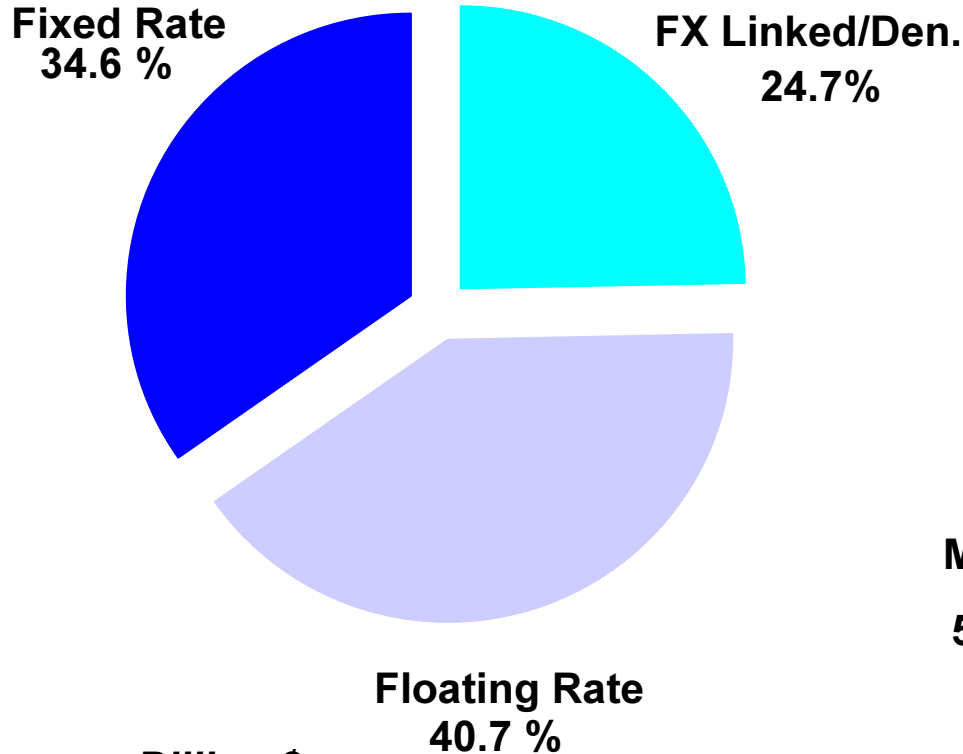
3 January-August 2003

2004 Forecasts

	Official Target
GNP Growth (%)	5.0
CPI (yoy) (%)	12.0
Current Account (\$ billion)	-5.2
Primary Surplus/GNP (%)	6.5
\$ / TL (average)	1,604,000

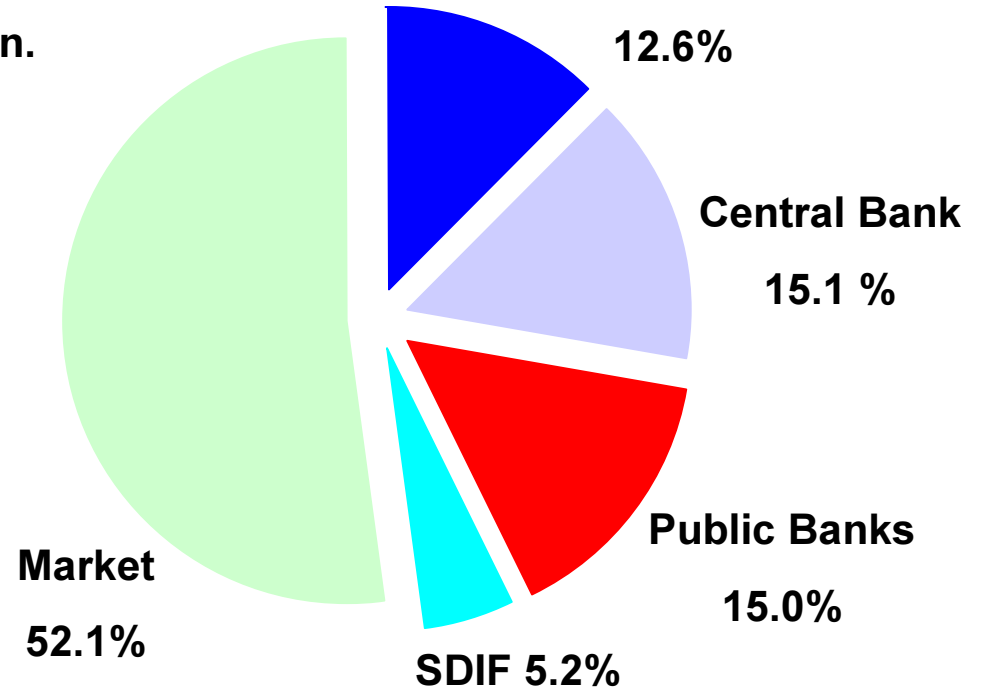
Domestic Debt Stock Composition (September '03)

By Instruments



Billion \$	
Floating rate	52.8
Fixed rate	45.0
FX linked/den.	32.0
Total	129.8

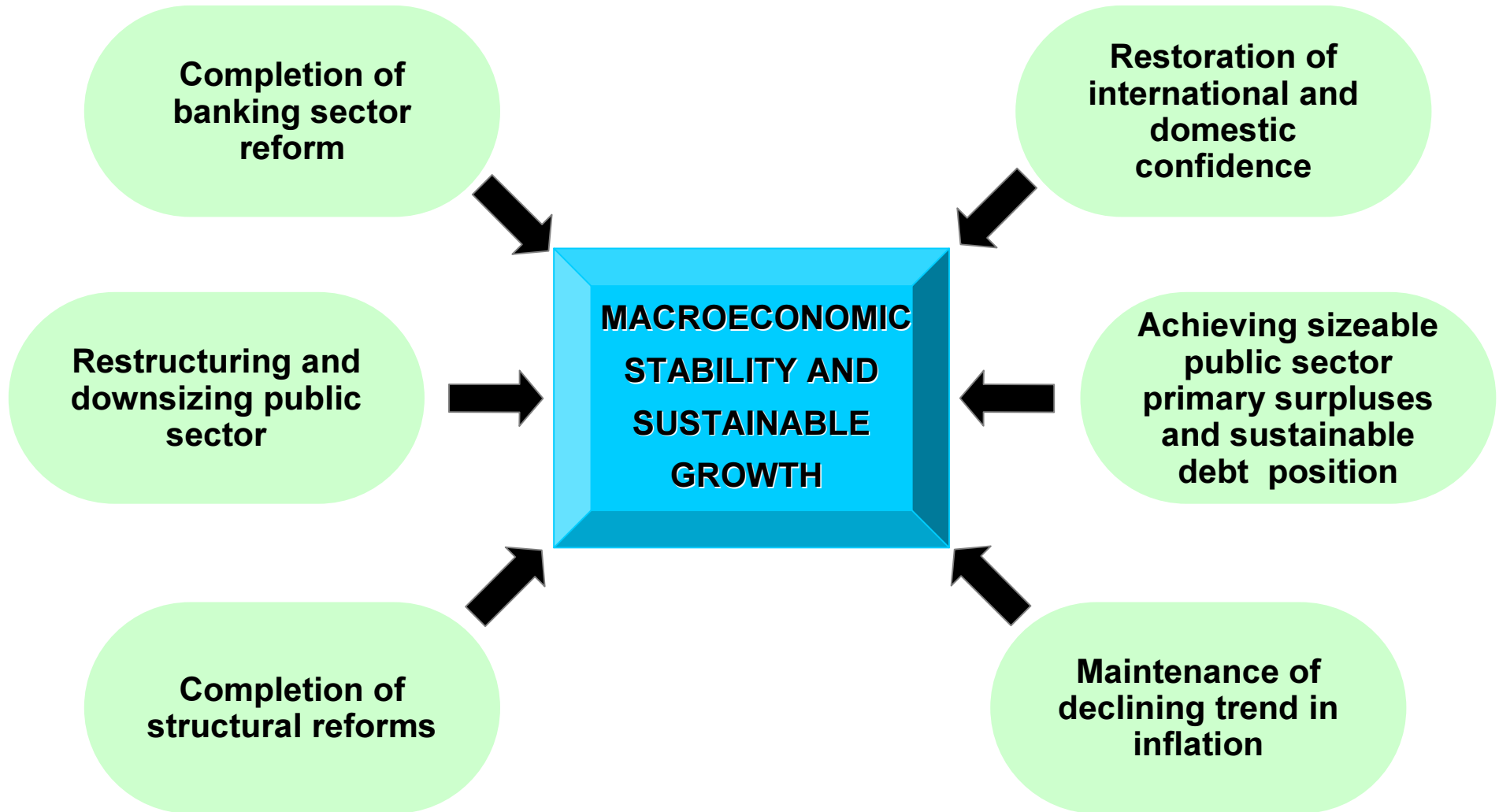
By Lenders Other Public



Billion \$	
Public	62.2
Market	67.6
Total	129.8

Source: Treasury

Main Components of the Stabilization Program

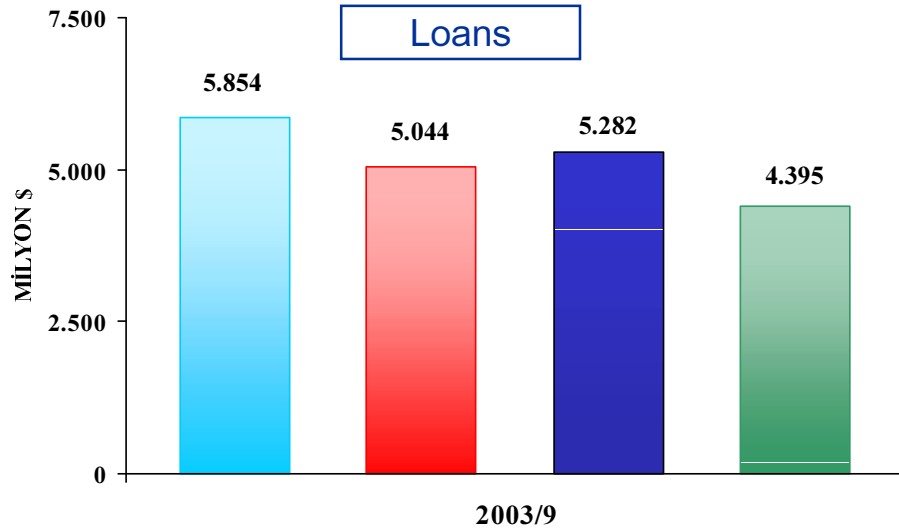


Prevailing Implications

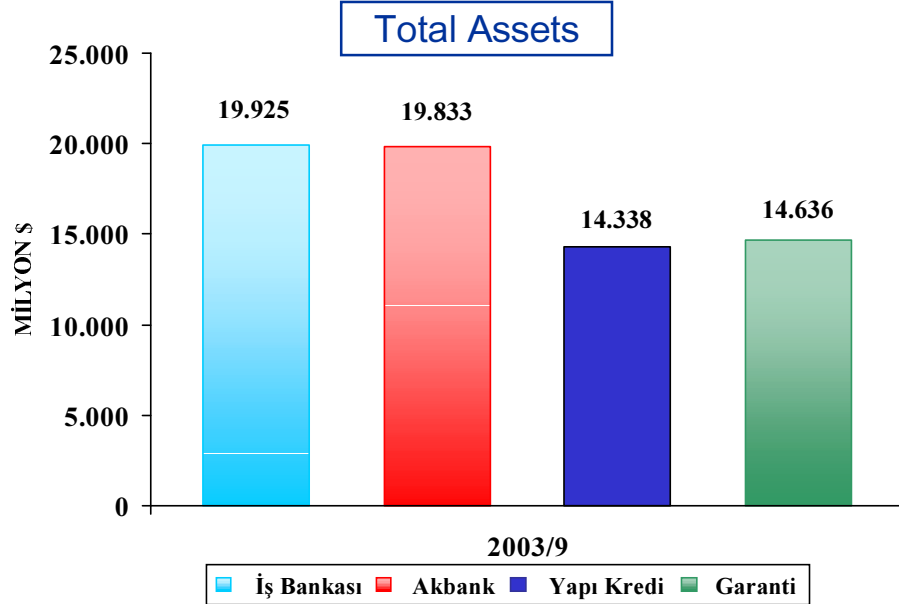
- ✓ **5% growth is expected due to the persisting strength in exports and the positive impact of the fall in interest rates on domestic demand.**
- ✓ **Thanks to the strength of the lira and stable oil prices, inflationary expectations continue to recede.**
- ✓ **Declining trend in inflation paves the way for further Central Bank rate cuts.**
- ✓ **No significant pressure exists on FX rates given the strong central bank reserves, which increased by 27% as of September 2003 compared to end-2002, and floating exchange rate regime.**
- ✓ **Tight fiscal policy, primary surplus target of 6.5% of GNP and lower real interest rates are essential for debt sustainability and lowering inflation.**

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Peer Group Comparison - I

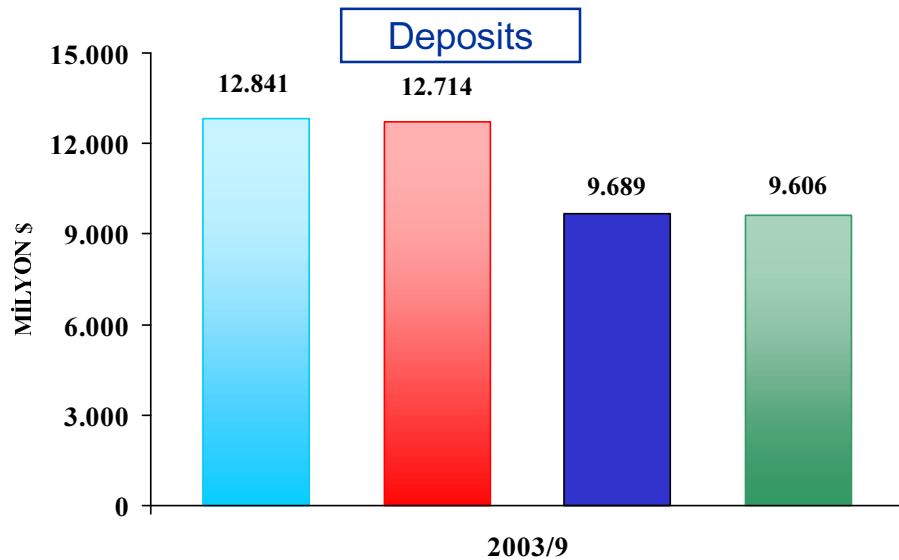


- Largest credit franchise and most effective loan provider to real economy

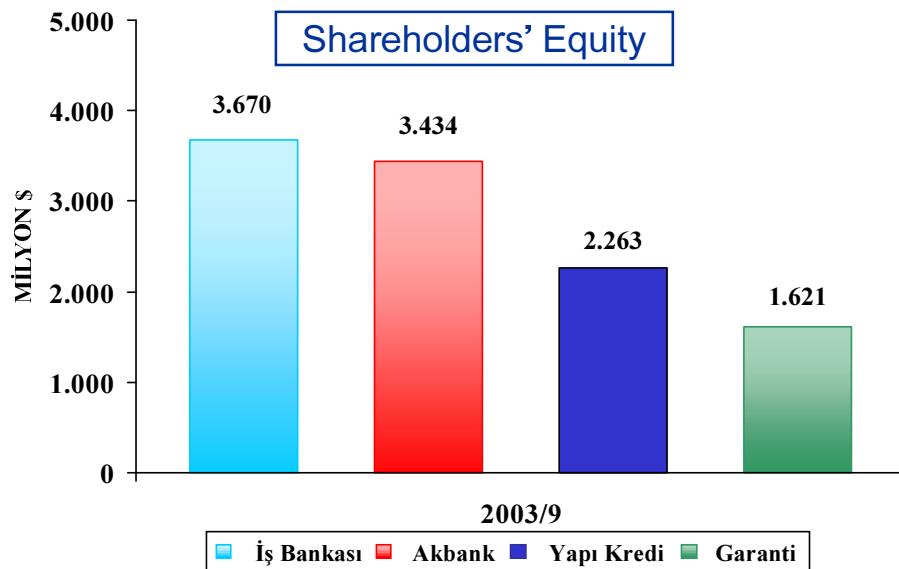


- Largest asset size and additional growth potential given the high CAR

Peer Group Comparison - II

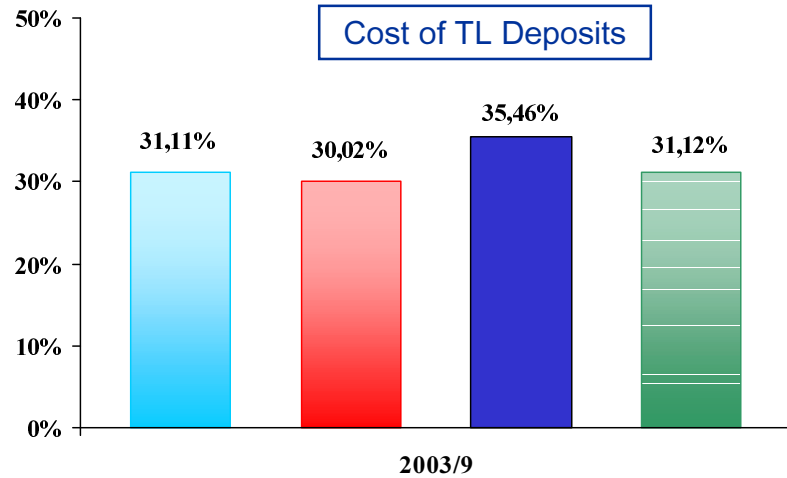


- Largest deposit taker thanks to unmatched credibility and corporate franchise

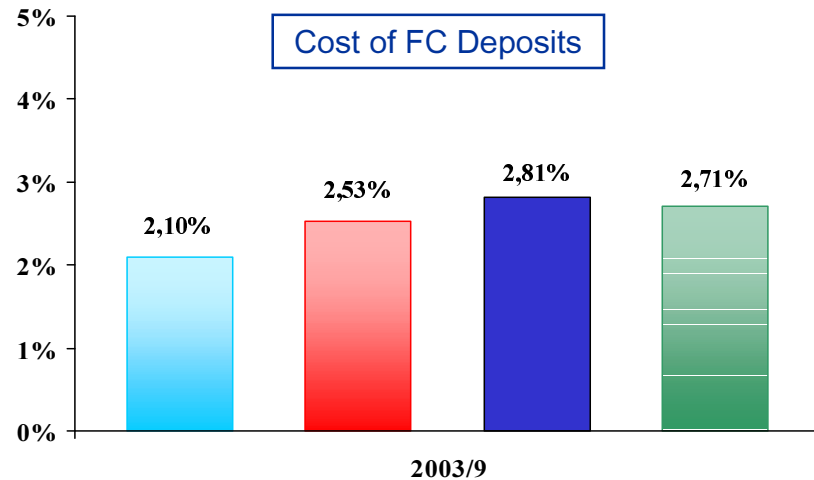


- Strong capital base being the the first bank in terms of shareholders' equity

Peer Group Comparison - III



- Calculated by using Balance Sheet and Income Statement data,
- excluding bank deposits.



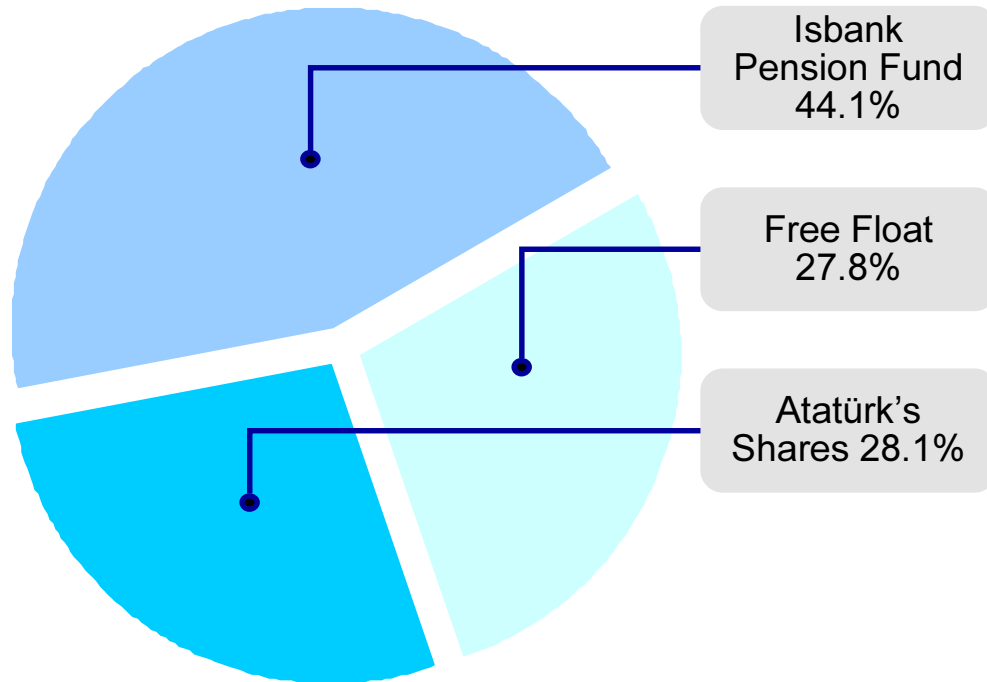
* Calculated by using Balance Sheet and Income Statement data.

İş Bankası Akbank Yapı Kredi Garanti

- Enjoying lowest cost on FC deposits among peers and low average funding cost base that underpins profitability via higher spreads

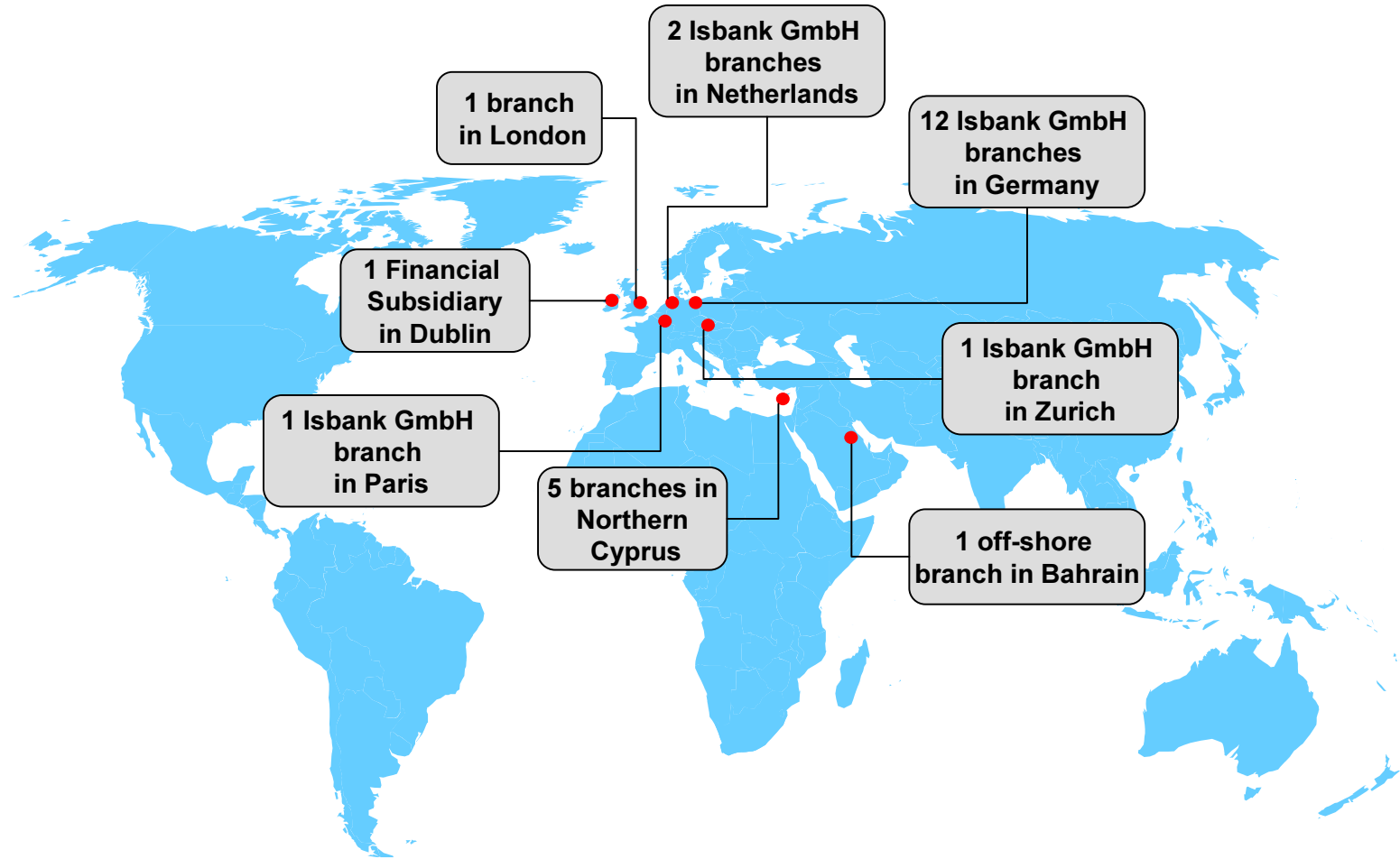
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Shareholders Structure



- More than 300,000 domestic and foreign shareholders
- Shareholding of employees via pension fund creates self-motivation
- Stocks are quoted at ISE and also traded at LSE in the form of GDR

International Presence



Services Rendered by Isbank Group

Financial Participations

Life & non-life insurance

Asset Management

Venture Capital

Investment Banking

REIT

Leasing & Factoring

Brokerage & Custody

Core Businesses

- Corporate Banking
- Retail Banking
- Other Banking Services

Non-Financial Participations

Glass

Telecommunications

Metallurgy

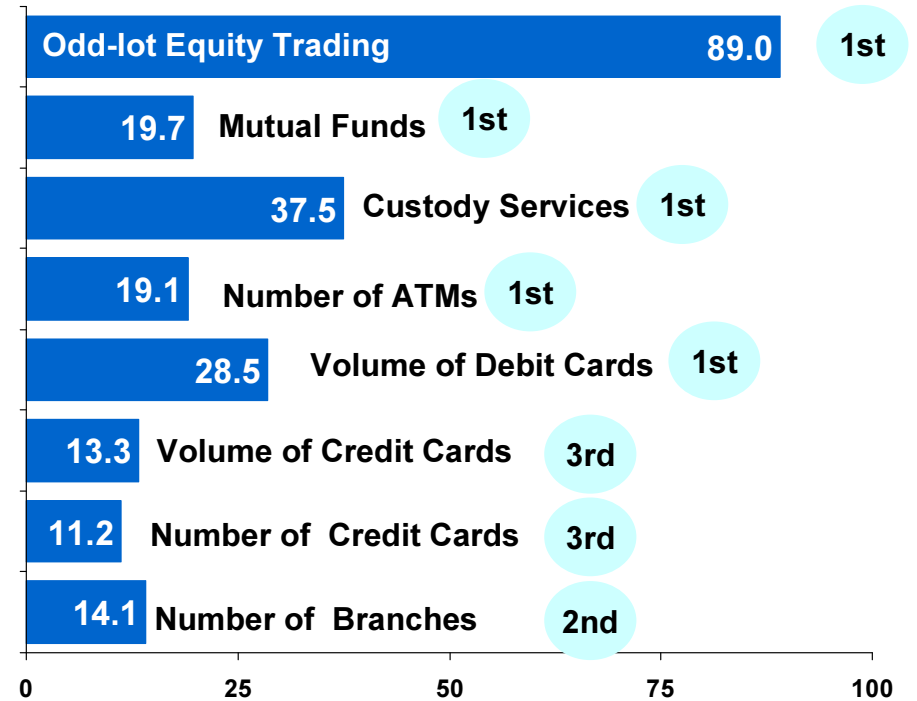
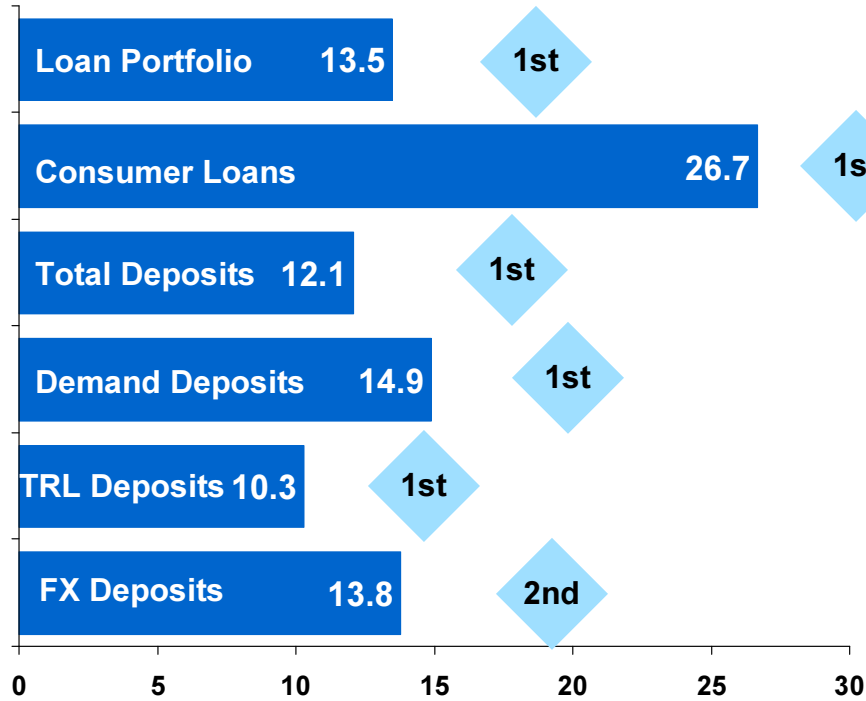
Automotive

Petroleum Distribution

Chemicals

Others

Market Shares (Sep.'03)



◆ Among private deposit banks

● Overall banking sector

Strengths & Competitive Advantages

Under expected more stabilized and lower inflationary environment Isbank will:

- ✓ be the main beneficiary of the coming period thanks to its
 - strong franchise,
 - established banking culture and expertise,
 - widespread customer base,
 - vast distribution network,
 - wide range of product portfolio,
 - largest and stable deposit base,
 - financial supermarket status via complementary financial participations

- ✓ further benefit from the “flight to quality” process, due to removal of full government guarantee on deposits

- ✓ be positively affected from the economic recovery having the largest exposure to the real economy

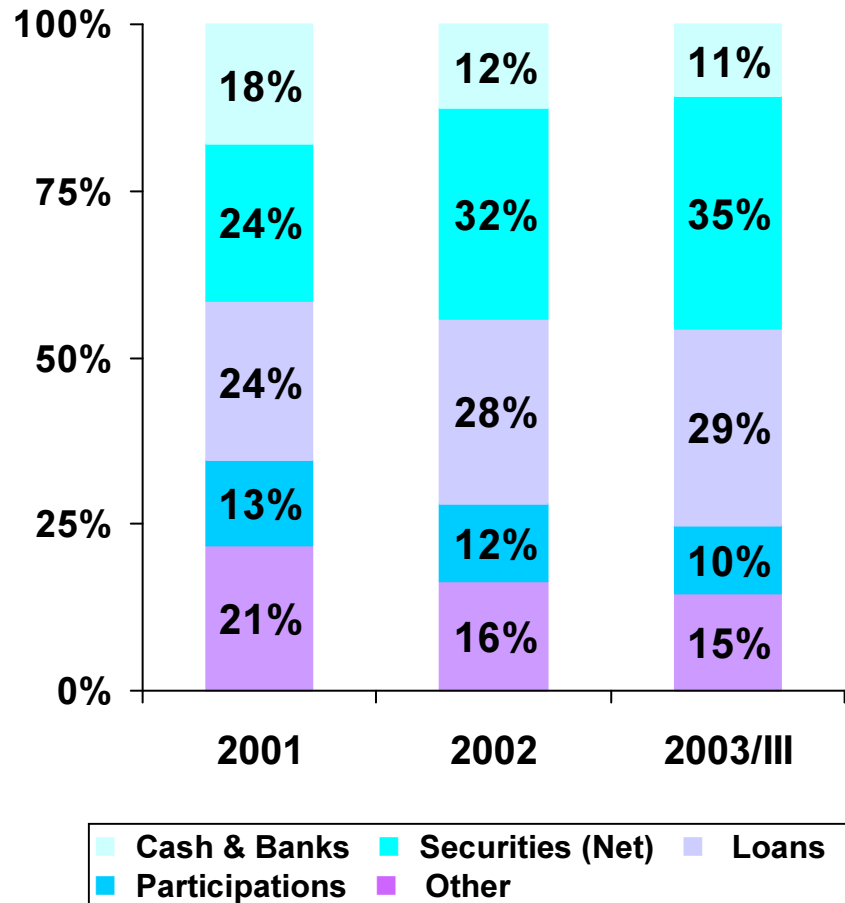
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Balance Sheet Highlights

Inflation Adj. Bank-Only

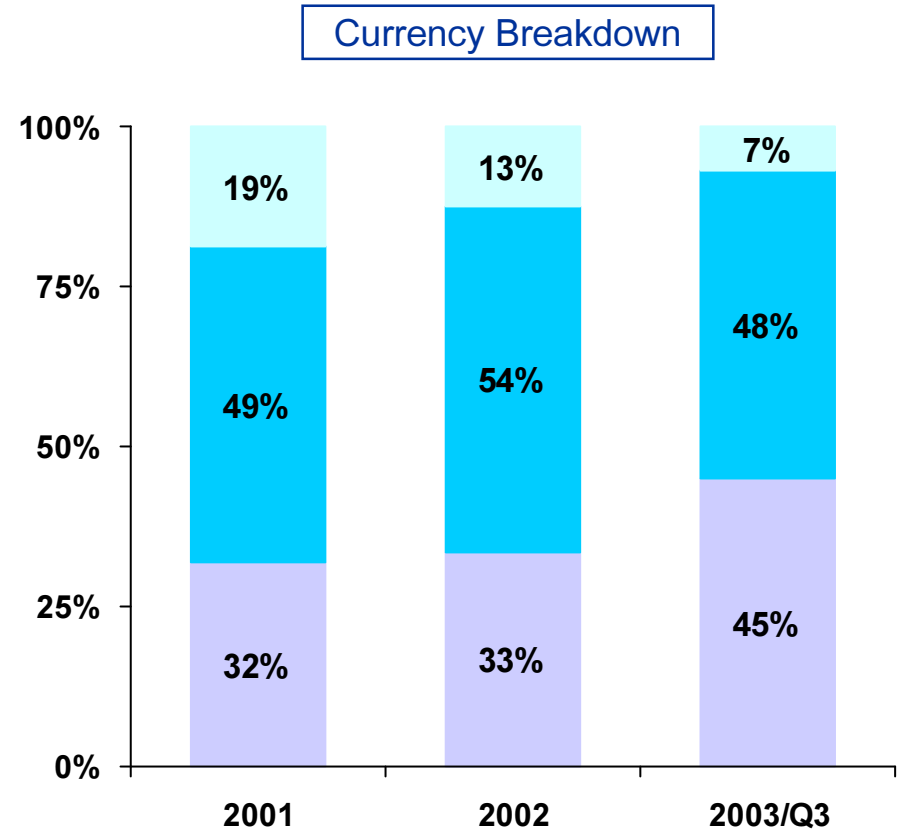
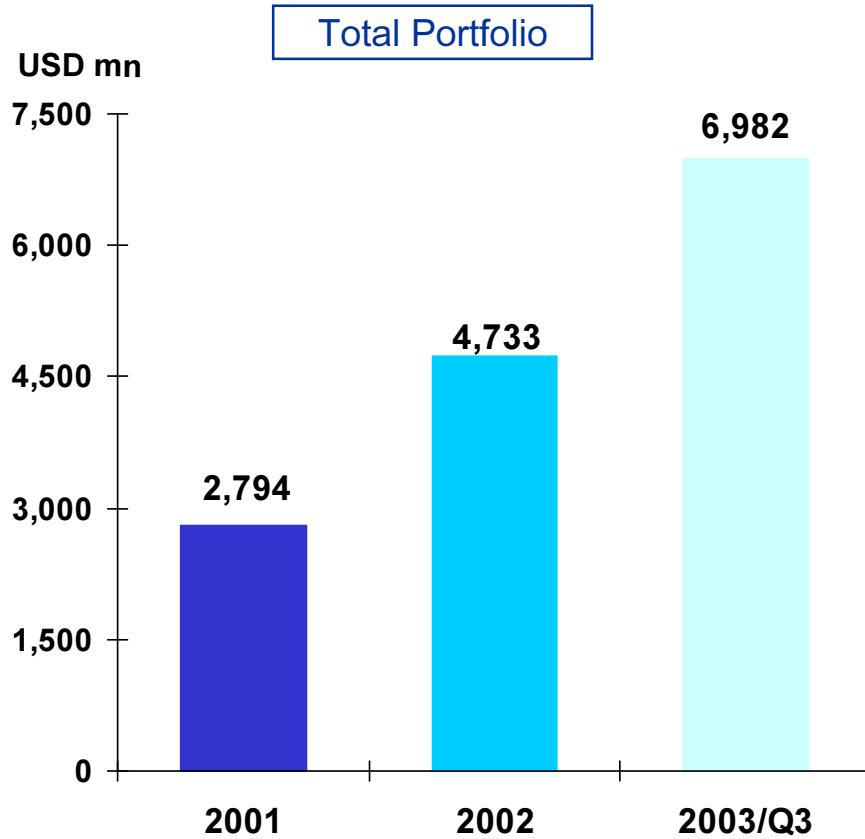
(\$ Million)	2001	2002	Change YoY(%)	2003/Q3	Change YtD(%)
Total Assets	11,784	14,832	25.9	19,925	34.3
Loans	2,821	4,088	44.9	5,854	43.2
Securities Portfolio (Net)	2,794	4,733	69.4	6,982	47.5
Deposits	8,146	10,450	28.3	12,841	22.9
Shareholders' Equity	2,175	2,655	22.1	3,670	38.2

Asset Composition



- Asset composition has changed in favor of securities and loans
- Weight of participations has a declining trend

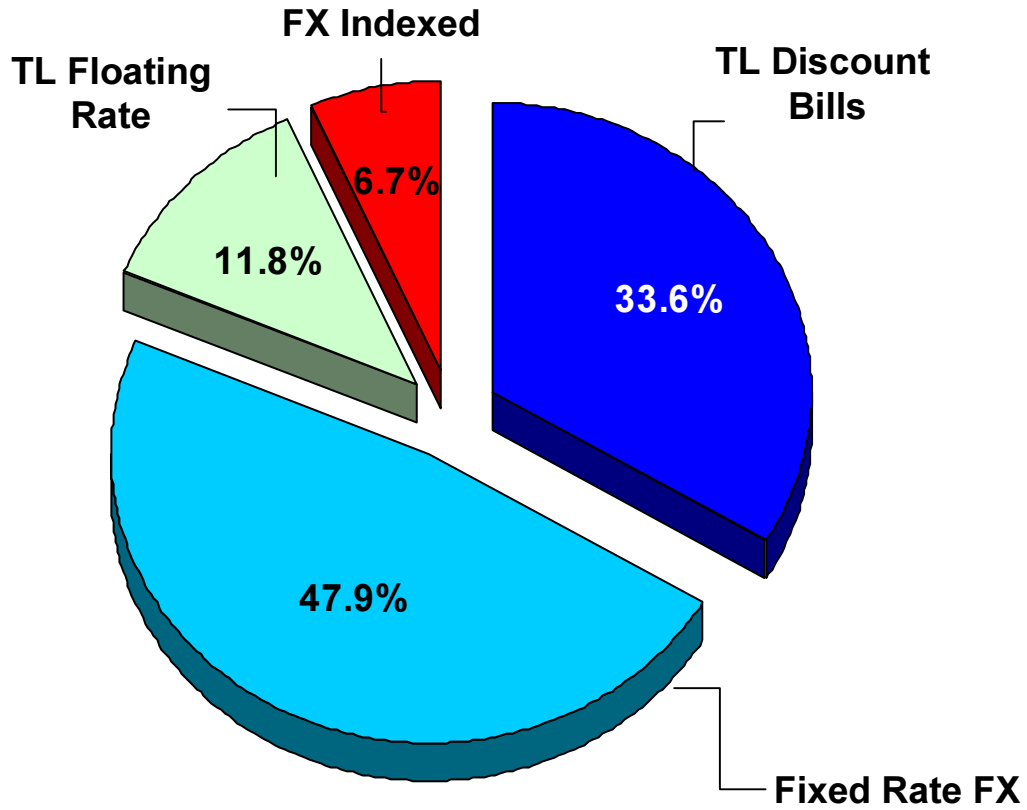
Securities Portfolio - I



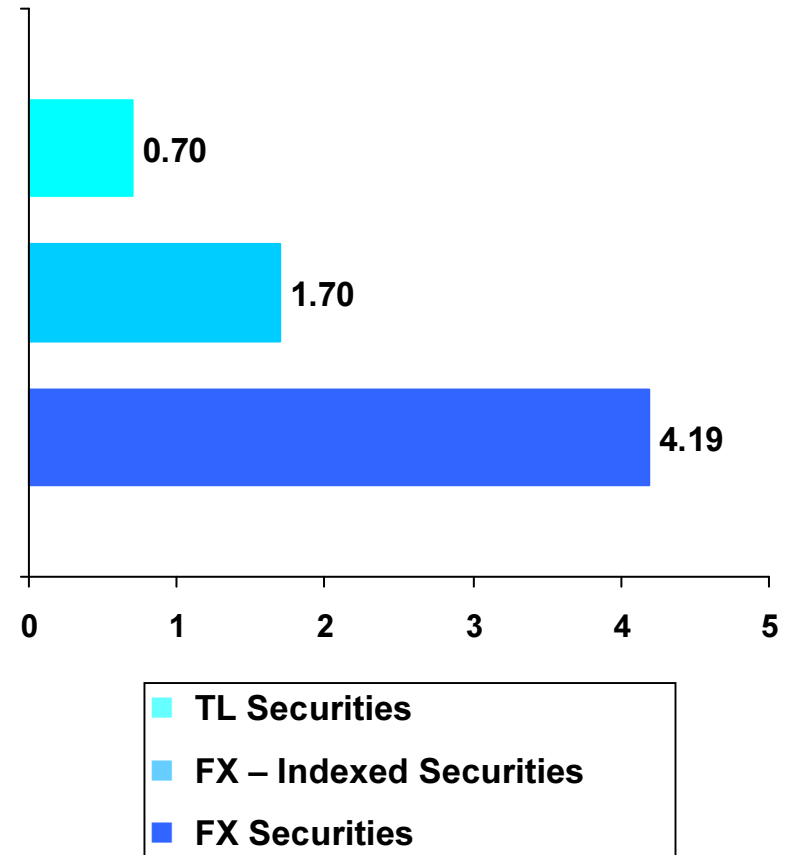
- FX - Indexed Securities
- FX Securities
- TL Securities

Securities Portfolio - II

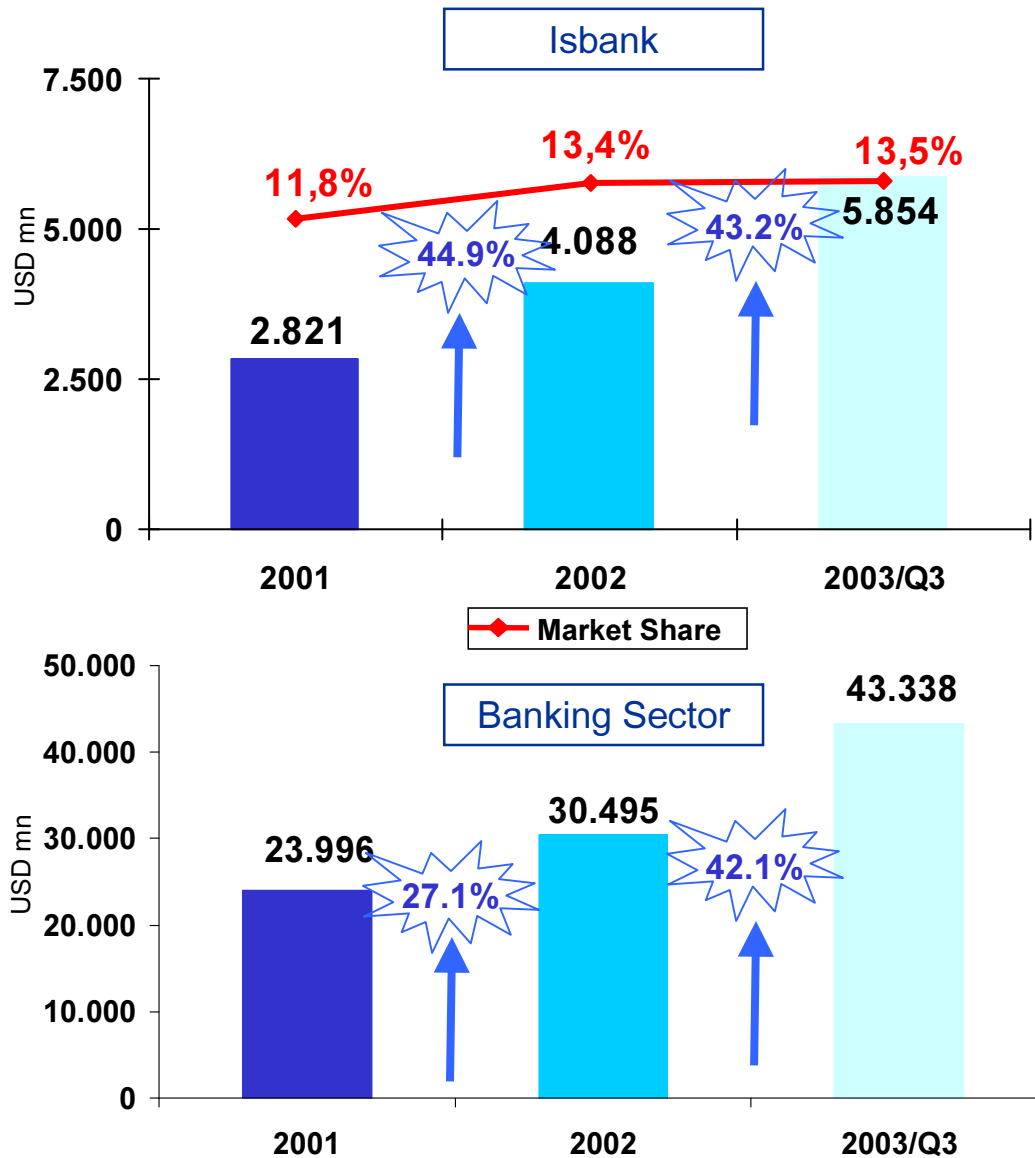
Composition



Average Maturity (Years)



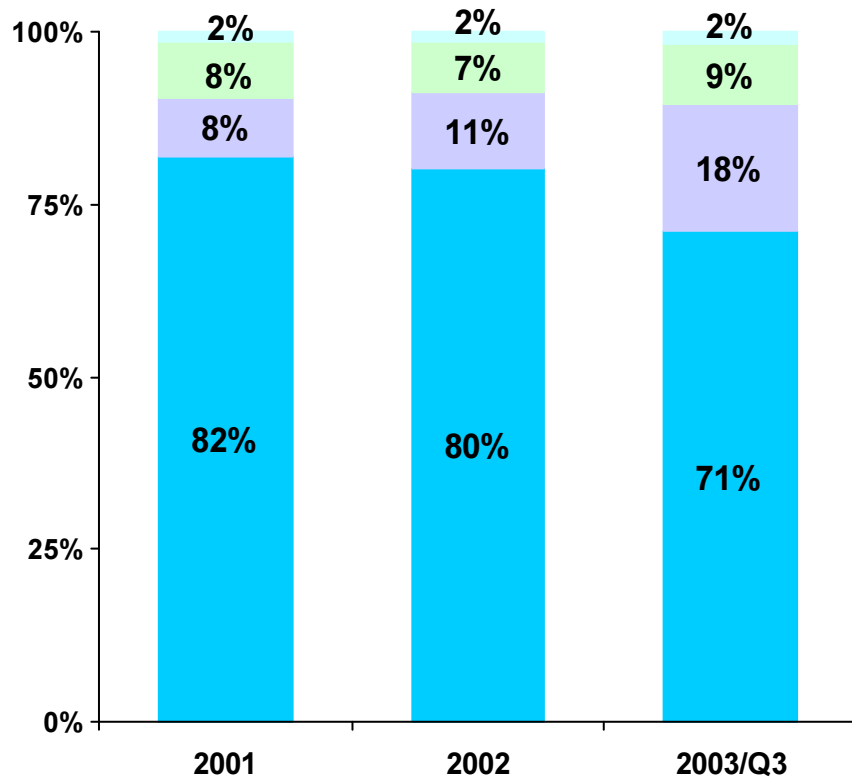
Loans



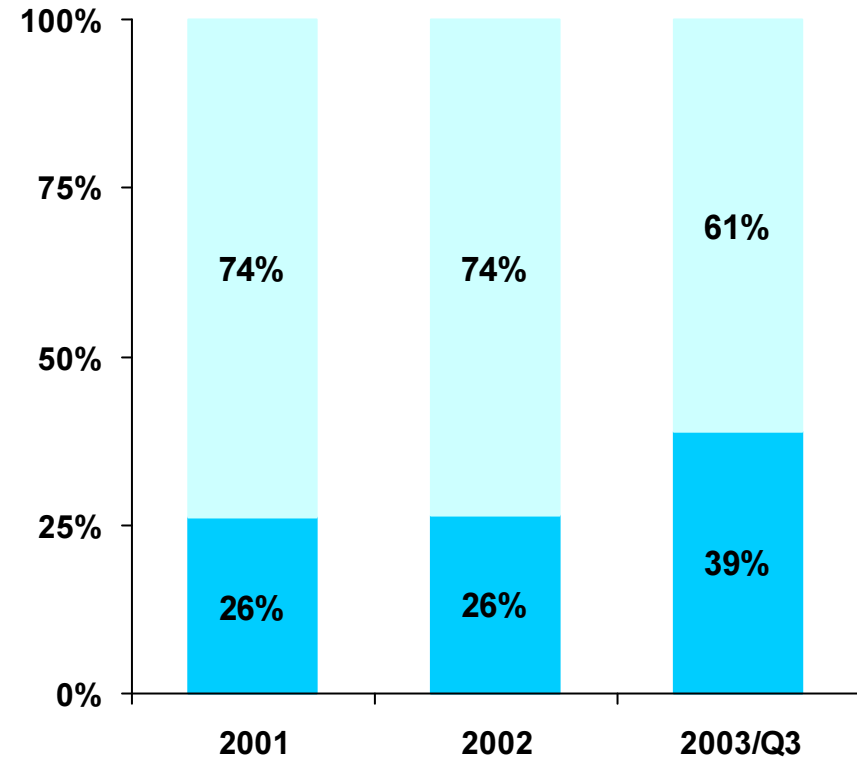
- Largest lending franchise
- Largest consumer loan portfolio
- Well positioned to take advantage of economic recovery

Loans Breakdown - I

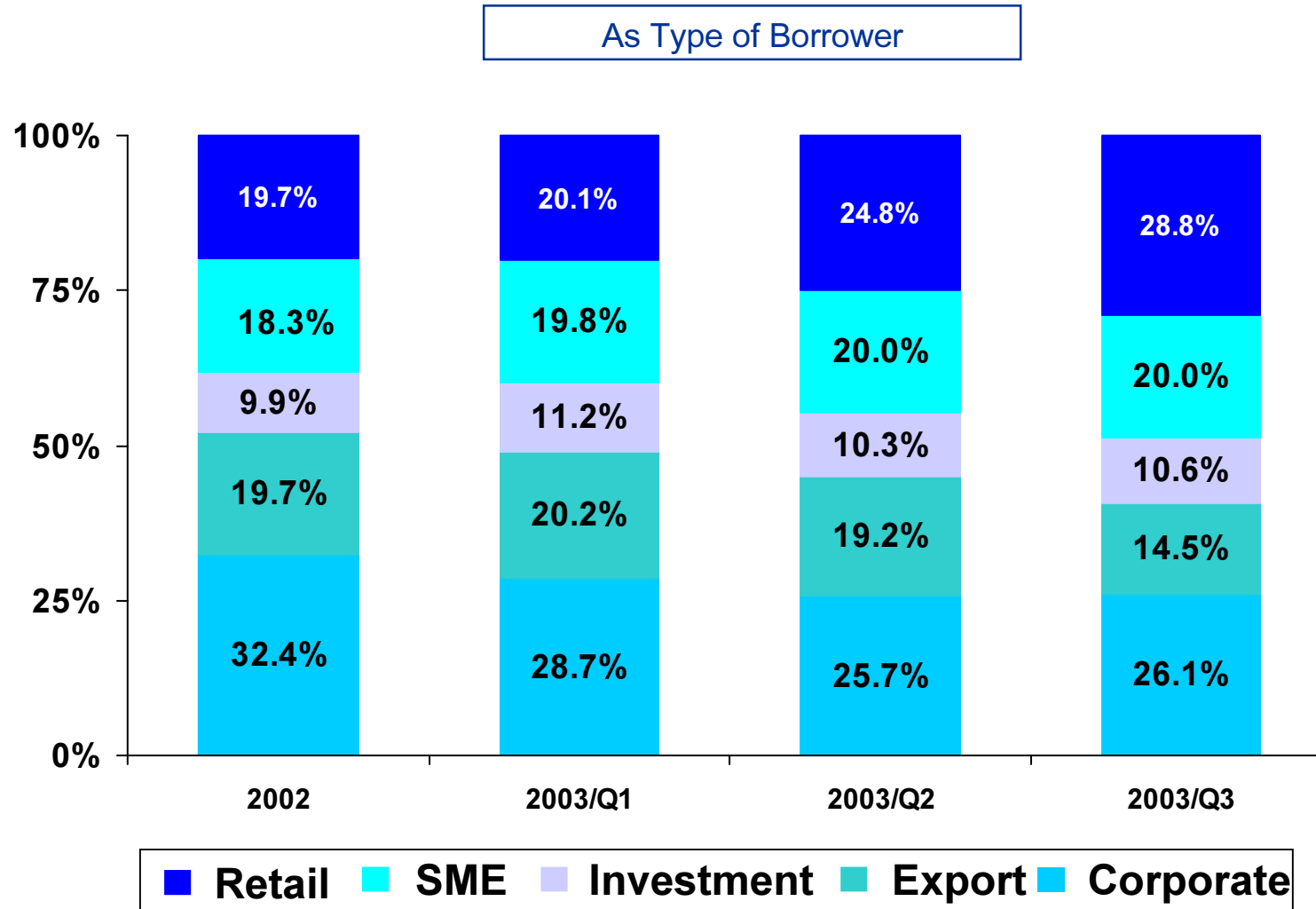
Corporate vs. Retail



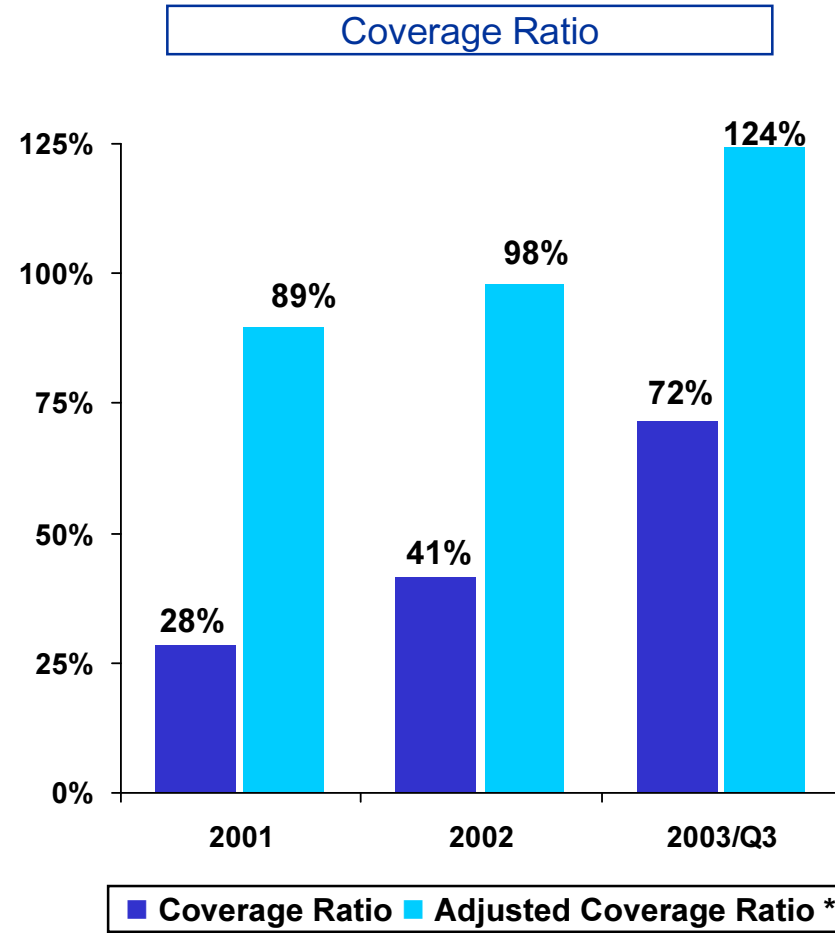
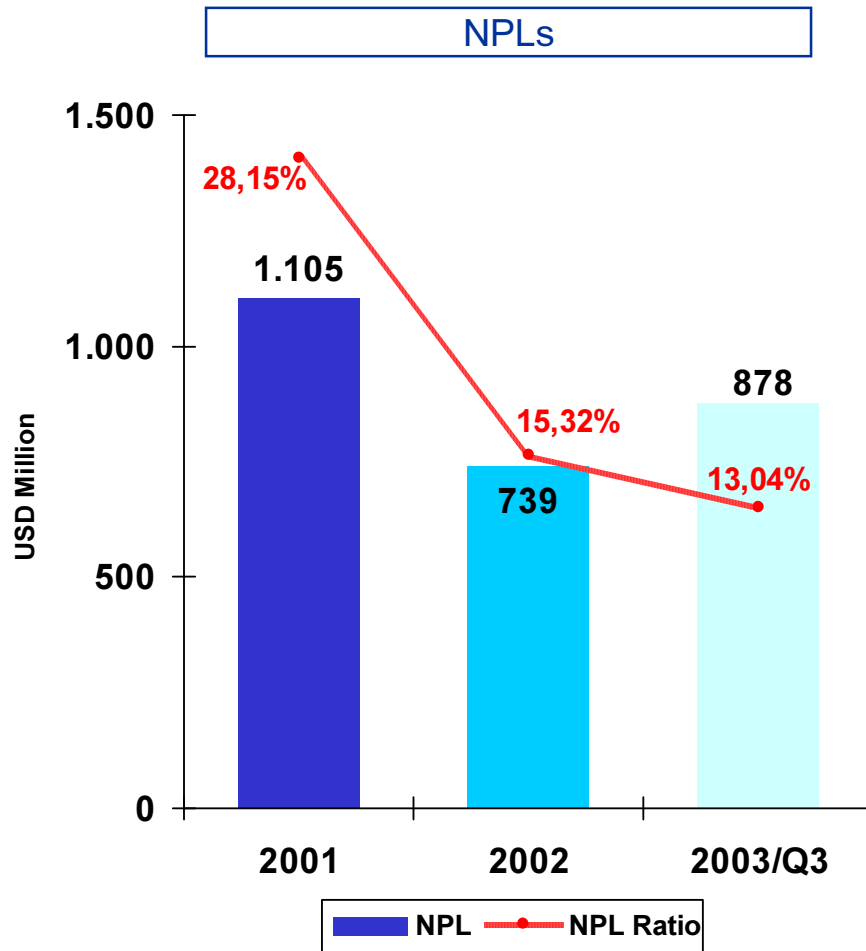
TL vs. FX



Loans Breakdown -II

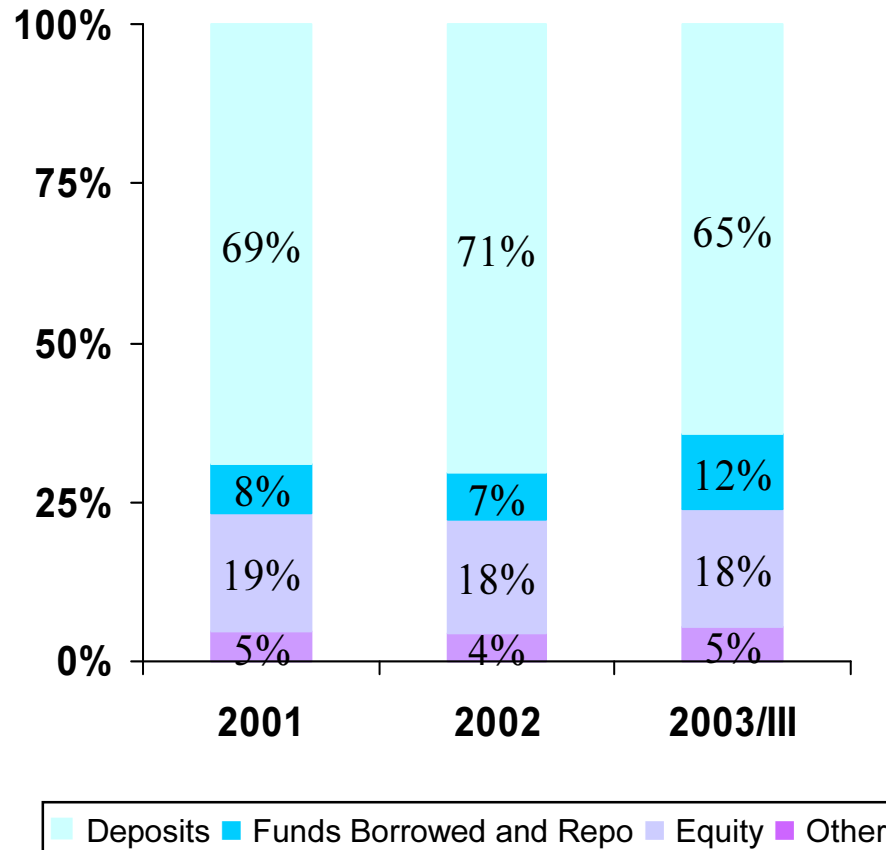


Asset Quality



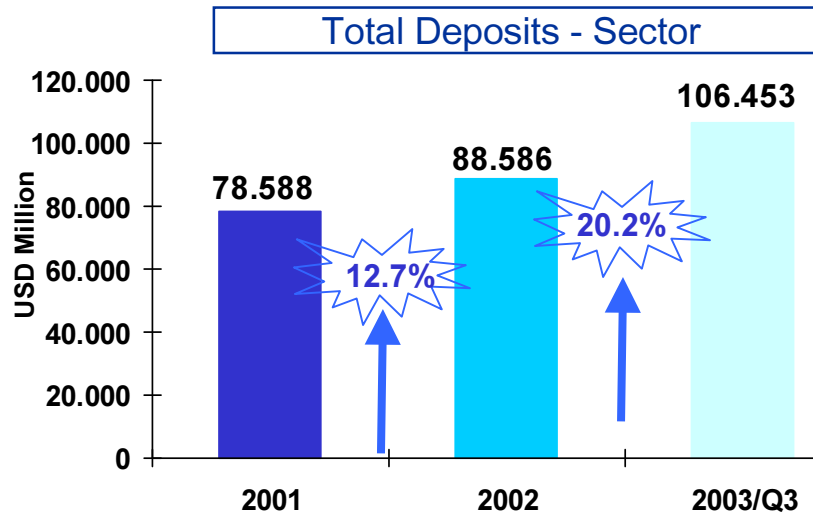
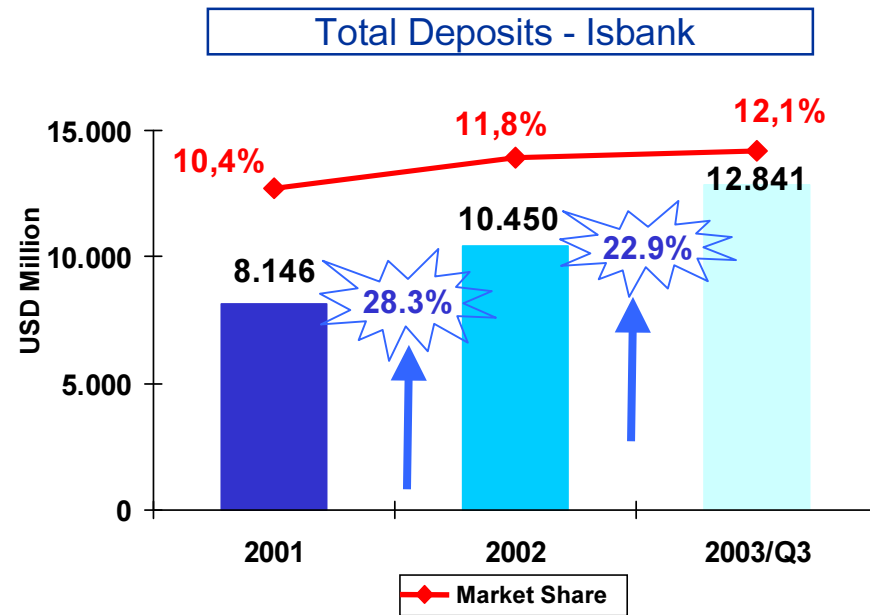
* (Loan-loss Reserves + Collaterals) / NPLs

Liabilities Composition



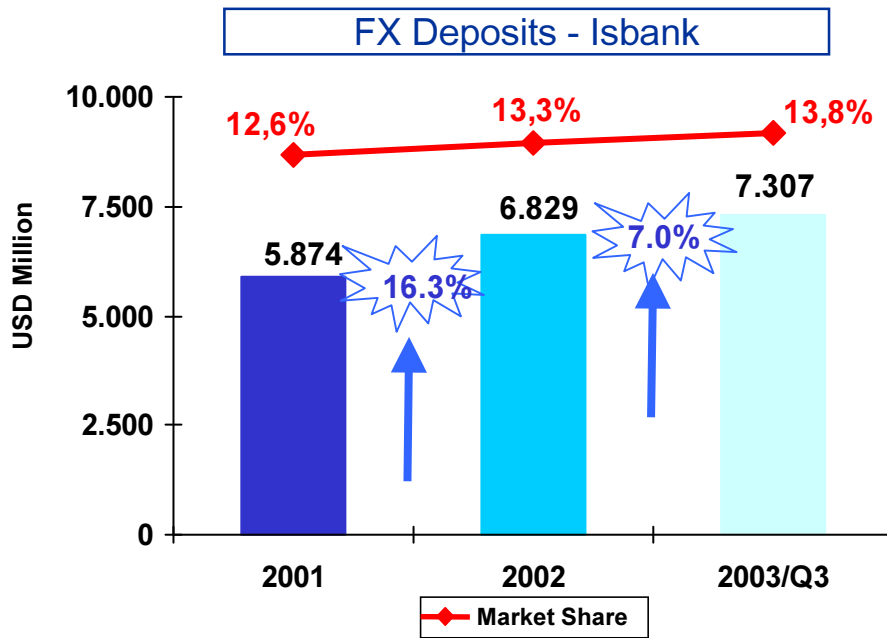
- Stable deposits base remains as the main source of funding
- Increasing borrowings from abroad
- High share of equity

Sound Deposits Base - I

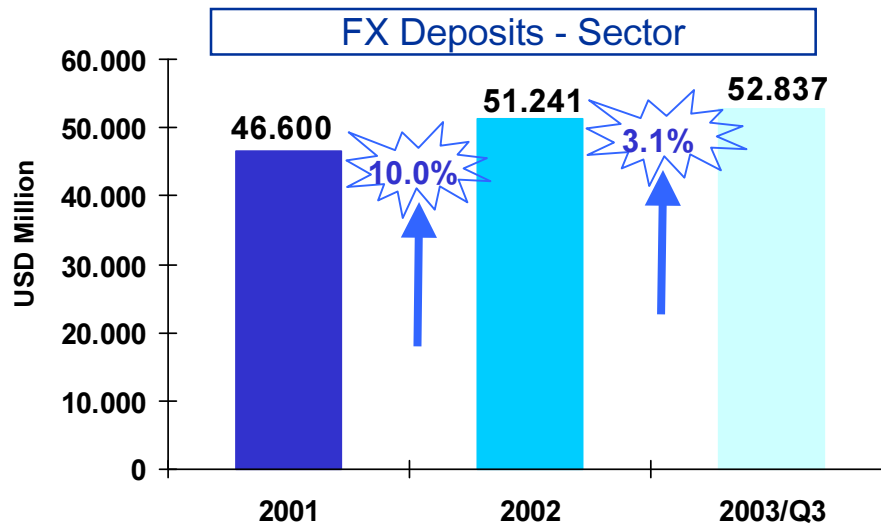


- Largest market share
- Enjoying the advantage of safe haven status
- Well diversified and widespread retail customer base
- Minimum level of price sensitivity

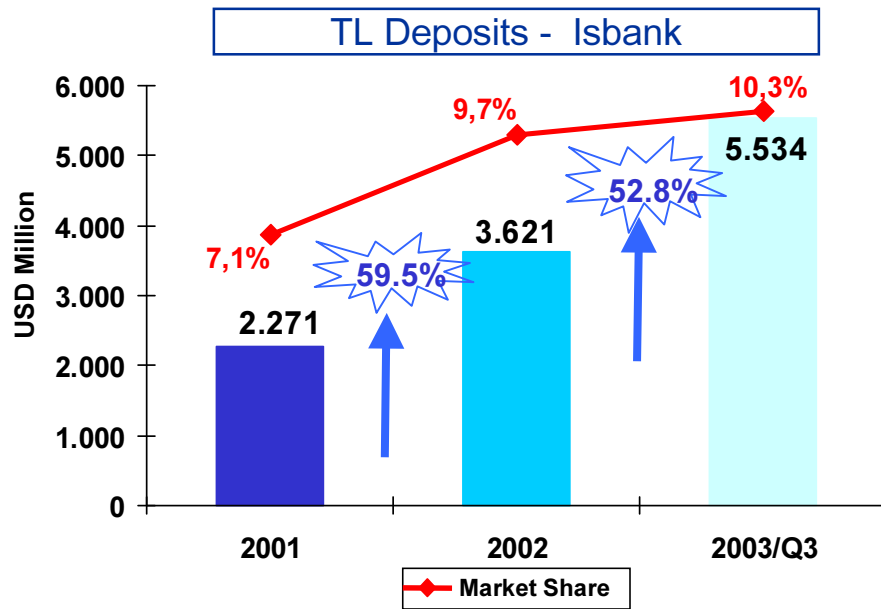
Sound Deposits Base - II



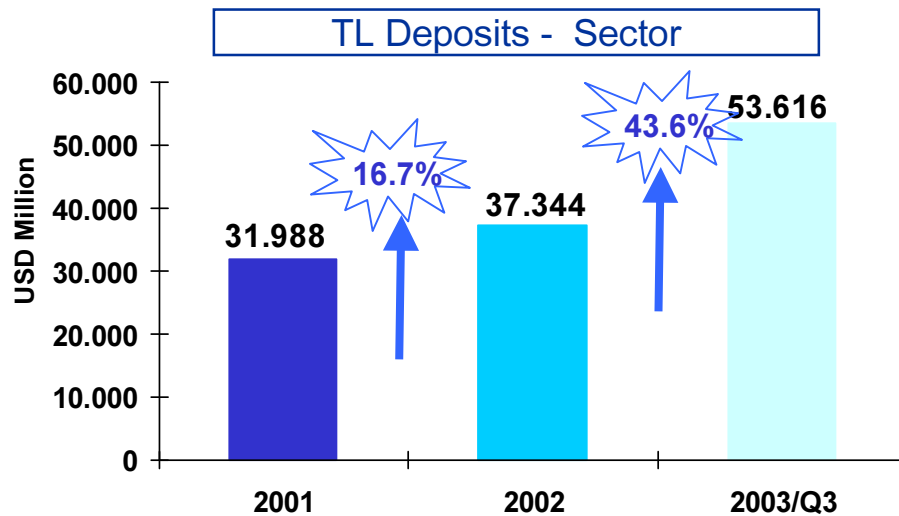
- Lowest cost of FX deposits amongst the peers
- Second and steadily increasing market share



Sound Deposits Base - III

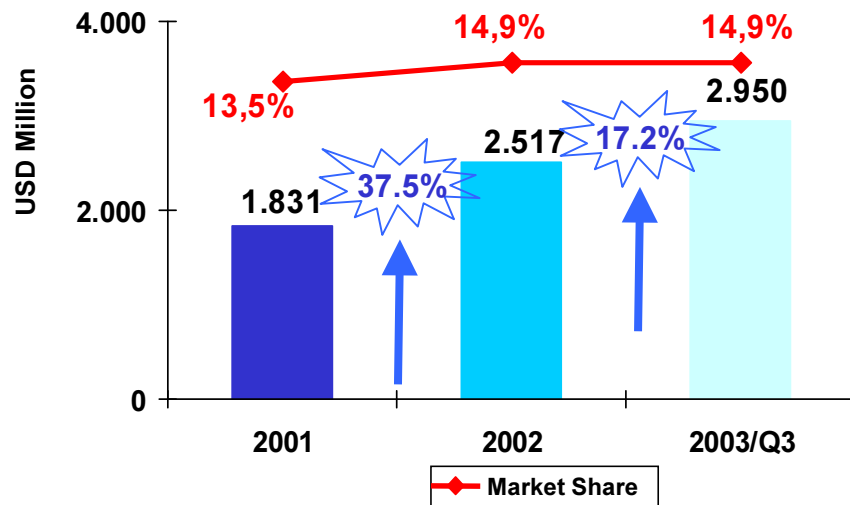


- Largest market share in TL deposits
- Non-interest bearing demand deposits make up 23% of total TL deposits



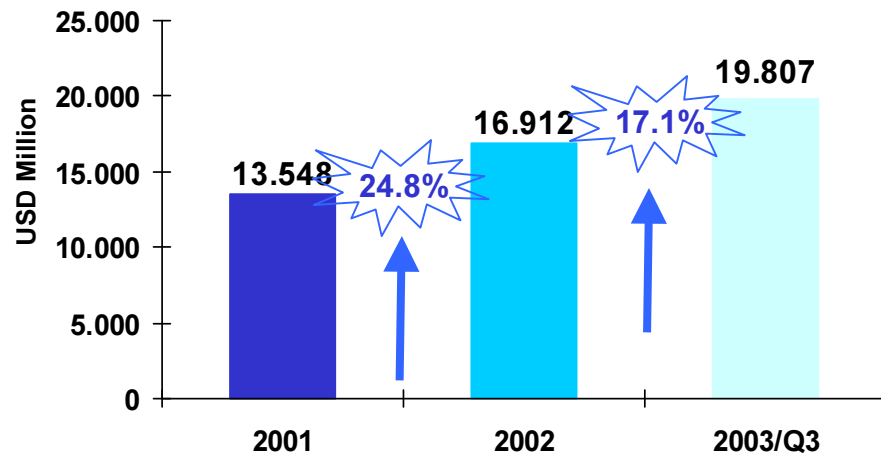
Sound Deposits Base - IV

Demand Deposits - Isbank

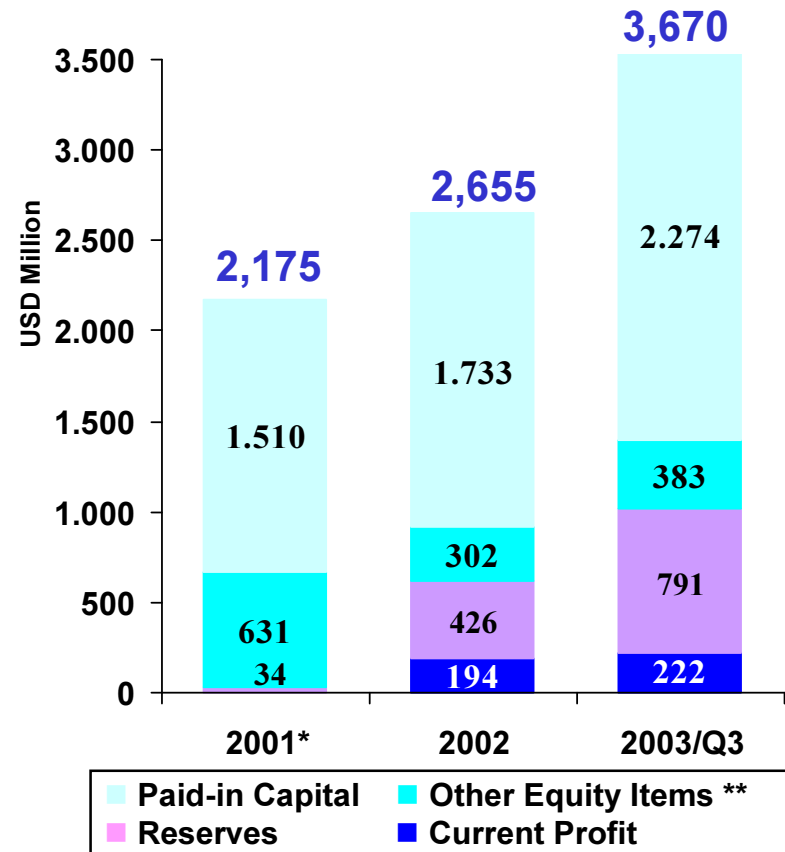


- 23 % of total deposits are in the form of demand deposits
- Largest market share
- Main contributor to lower cost of funding

Demand Deposits - Sector



Shareholders' Equity



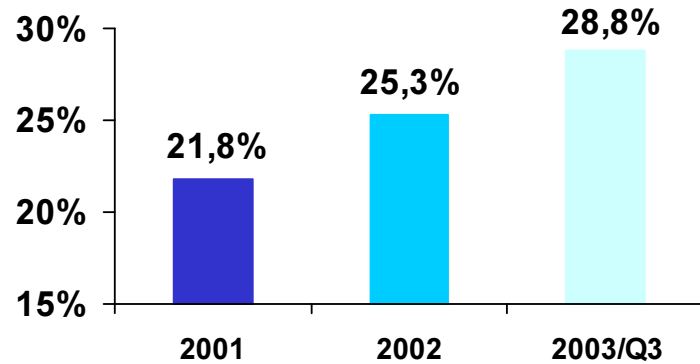
- Largest shareholders' equity among private banks
- Stable capital funds in USD terms
- Sufficient capital base which underpins balance sheet growth

* Reserves are net of loss for the period

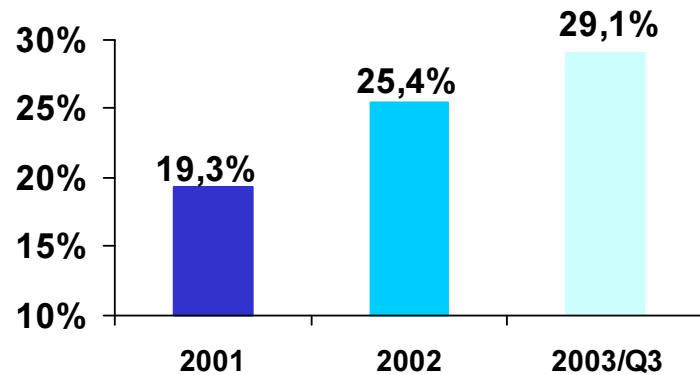
** Revaluation Funds

Capital Ratios

Capital Adequacy Ratios



Tier I Ratio



- Adequate capital adequacy ratio that is highly above the minimum required level of 8%
- Increase in CAR as a result of a considerable rise in Tier-I capital

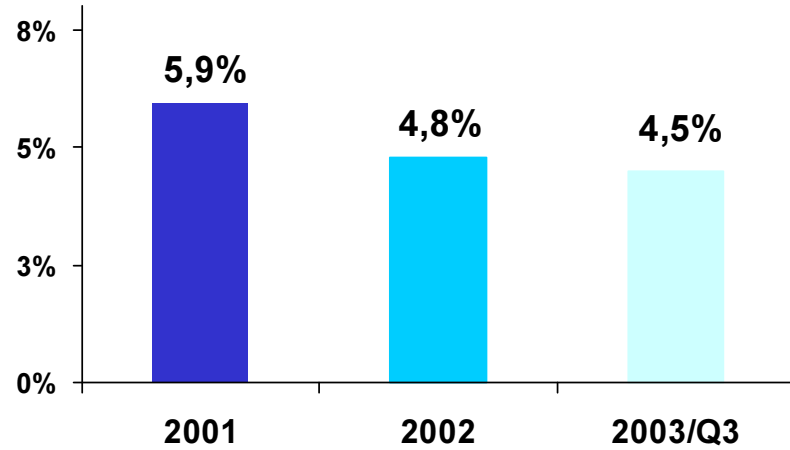
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Income Statement Highlights

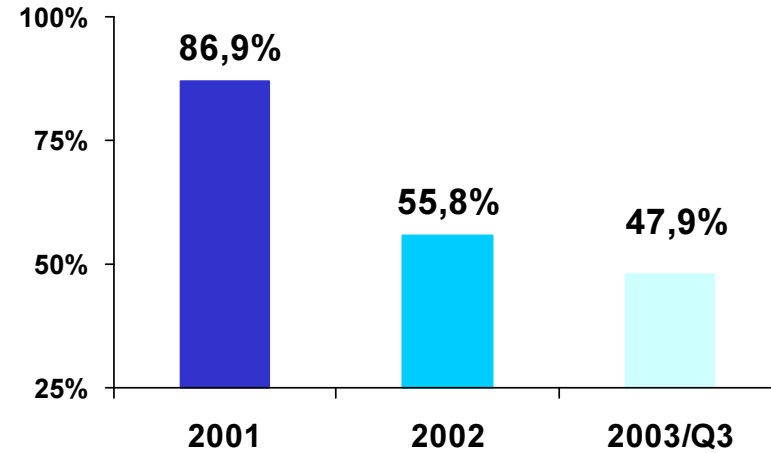
Inflation Adjusted Bank-Only (USD Million)	2001	2002	2002/Q3	2003/Q3
Net Interest Income	812	707	560	509
Net FX Gains / (Losses)	-456	-274	-290	238
Net FX Losses due to FX-indexed Items	0	3	0	198
Net Interest Income Net of FX Losses	356	430	270	549
Net Commissions Income	203	163	110	236
Net Trading Income	-46	221	109	277
Other Operating Income	277	372	229	267
Total Non-Interest Income	434	756	448	780
Net Banking Income	790	1.186	718	1.329
Personnel Expenses	311	325	228	339
Other Operating Expenses	375	336	229	297
Operating Profit	103	525	261	693
Loan Loss Provisions	295	229	177	321
Other Provisions	204	130	56	84
Earnings Before Tax	-397	165	28	288
Provision for Tax	1	0	0	11
Net Monetary Position Gain/(Loss)	-146	30	36	-55
Net Profit	-543	194	64	222

Efficiency Ratios

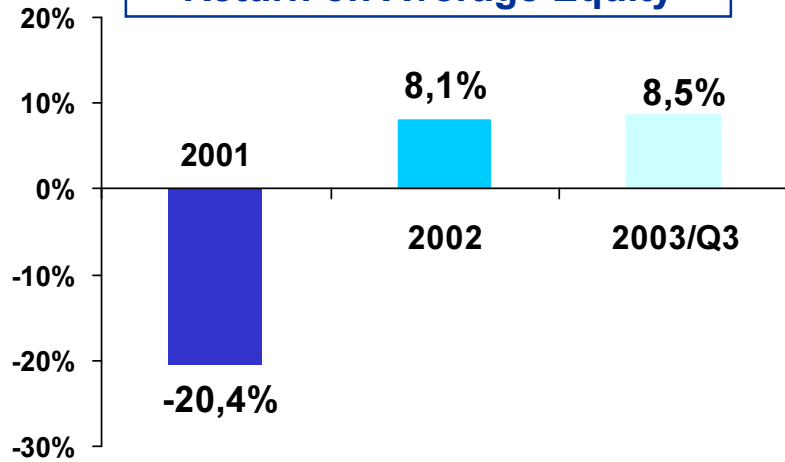
Cost / Average Assets



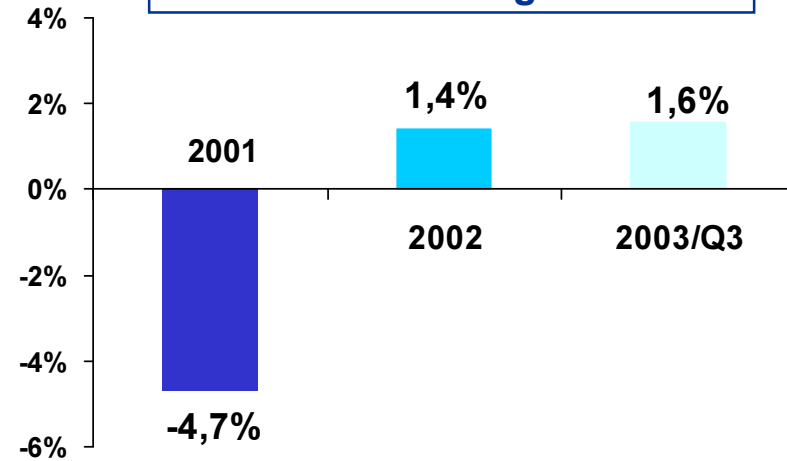
Cost / Income



Return on Average Equity



Return on Average Assets



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Retail Banking Strategy

Mission

to secure a leading position in retail banking market

Objectives

- ✓ Create a customer/sales oriented business model
- ✓ Effective marketing and CRM to sustain improvements
- ✓ Improve market share
- ✓ Increase profitability

Strategic Initiatives

to serve the above stated objectives, Isbank focuses on the following issues:

- ✓ Completing data warehouse studies which will enhance the datamining capabilities and thus cross-selling opportunities to a greater extent
- ✓ Centralization of Operations and transforming the branches into customer contact points
- ✓ Customer segmentation and product package developments
- ✓ Continuing infrastuctural and technological investments in order to meet the increasing business volume
- ✓ Broadening the alternative service channels and increasing their customer usage level,
- ✓ Development of new Retail Banking products and improving existing ones.

Retail Banking Activities

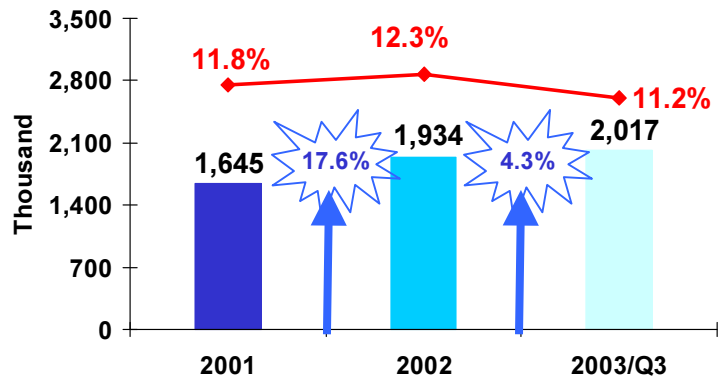
- ✓ 7.4 million retail customers
- ✓ A dedicated Retail Banking sales team (inbound-outbound)
- ✓ A marketing coordination unit at the Head Office with the mission to coordinate, direct and motivate the sales teams at branches,
- ✓ A classification of retail and commercial banking branches
- ✓ Work flows and job descriptions have been revised according to customer and marketing oriented approach
- ✓ Marketing and operation functions have been separated
- ✓ Full range of retail products including all channels of access and 7/24 service (internet, GSM Phones, Call Center, Self Service Banking Corners at branches)

Credit Cards - I

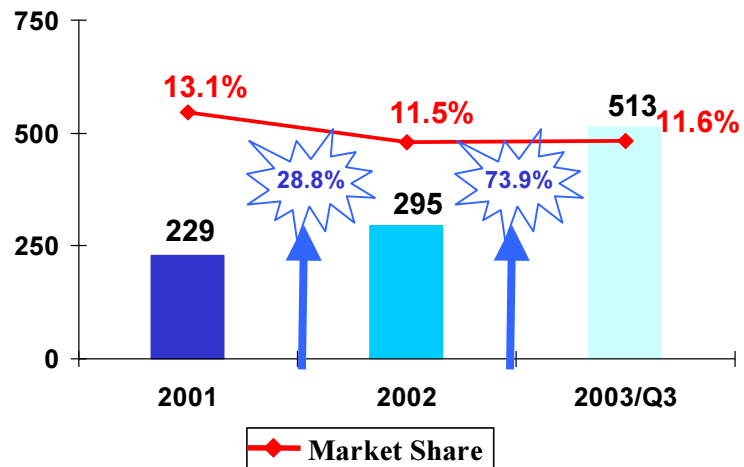


Credit Cards - II

Number of Credit Cards

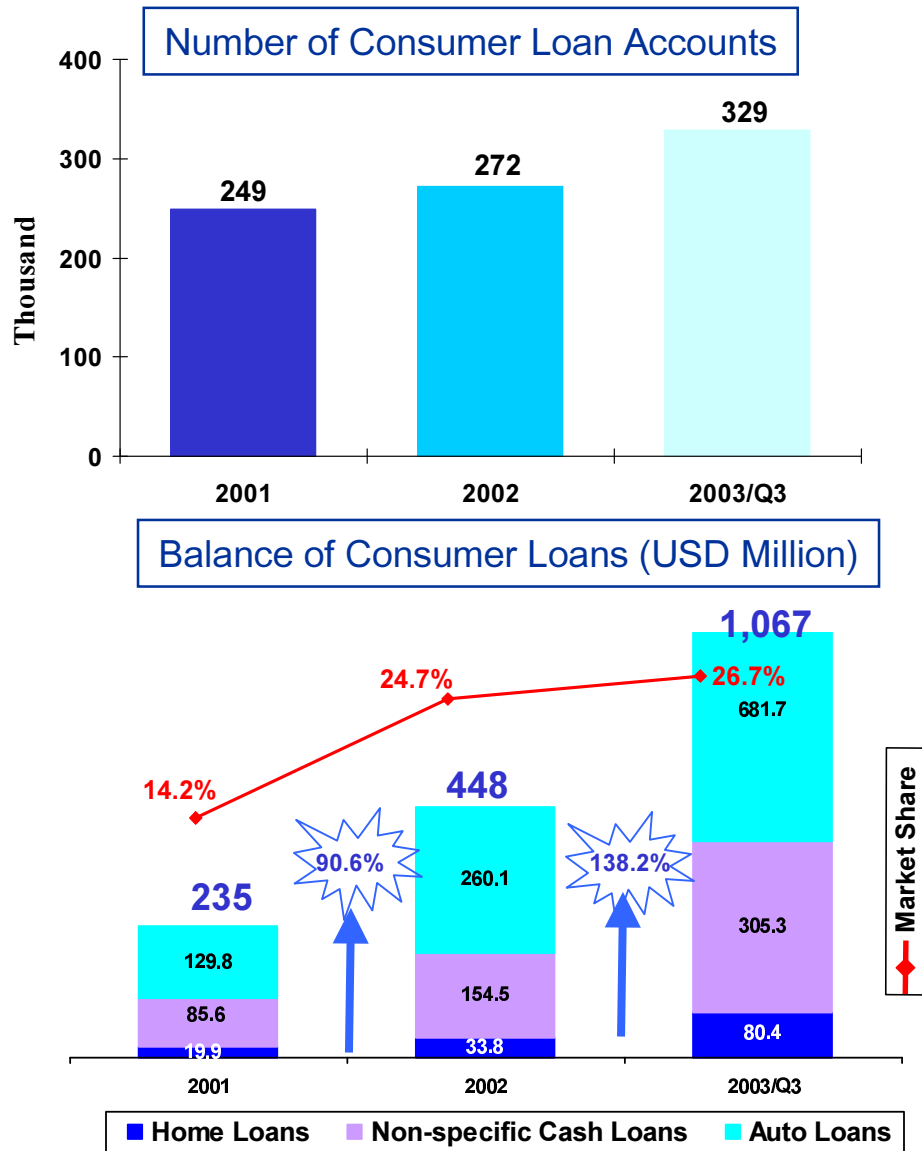


Balance of Credit Cards (USD Million)



- ✓ High commission generating capability
- ✓ 2,017,365 cardholders as of 30.09.2003
- ✓ 13.3% market share in transactions volume of credit cards
- ✓ 1.4% NPL Ratio due to advanced Credit Scoring System
- ✓ Number of POS machines has reached 105 thousand as of 30.09.2003

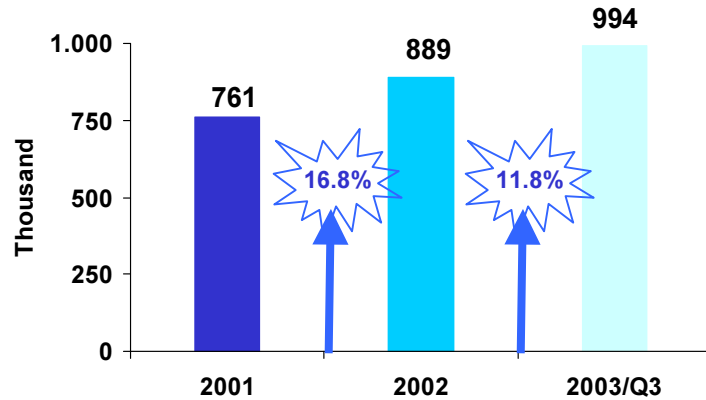
Consumer Loan Development



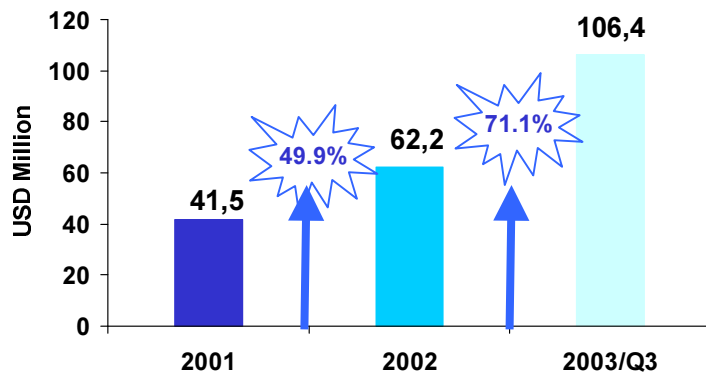
- Highest consumer loan volume market share
- 0.6% NPL ratio is well below sector average

Overdraft Accounts

Number of Overdraft Accounts



Balance of Overdraft Accounts



- Well diversified retail customer base
- High yield and high asset quality
- Mainly secured by payroll accounts

Investment Accounts - I

Through Isbank Investment Accounts;

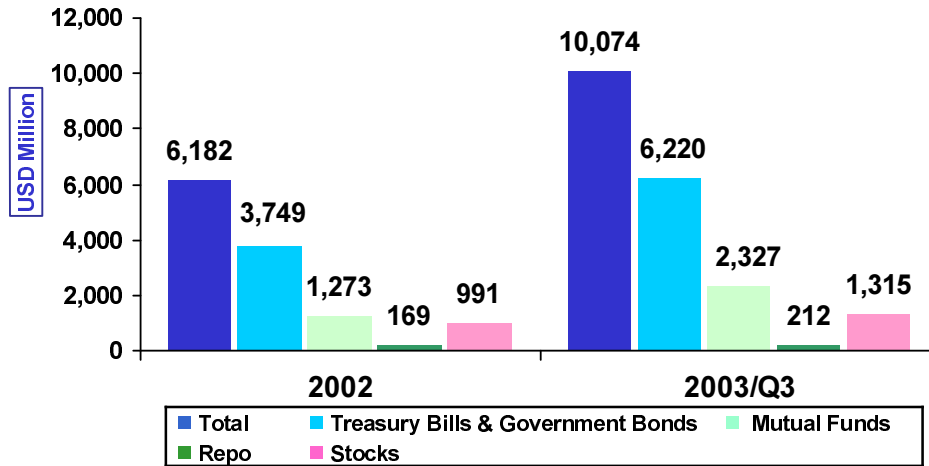
- ✓ 8 A type and 5 B type of mutual funds 20% Market Share
 - ✓ All types of government securities traded in the primary and secondary markets
 - ✓ Common stocks that are traded in the stock exchange market
 - ✓ Odd-lot common stocks 89% Market Share
 - ✓ Custodian safekeeping services, corporate actions 38% Market Share
 - ✓ REPO transactions
 - ✓ Gold securities
- ✓ **Largest fixed income securities franchise**
 - ✓ **Largest mutual funds franchise**
 - ✓ **Largest equity investor base**
 - ✓ **Largest odd-lot equity brokerage base**

can be traded or carried out round-the-clock via ATMs, kiosk machines, call center, internet or telephone banking facilities

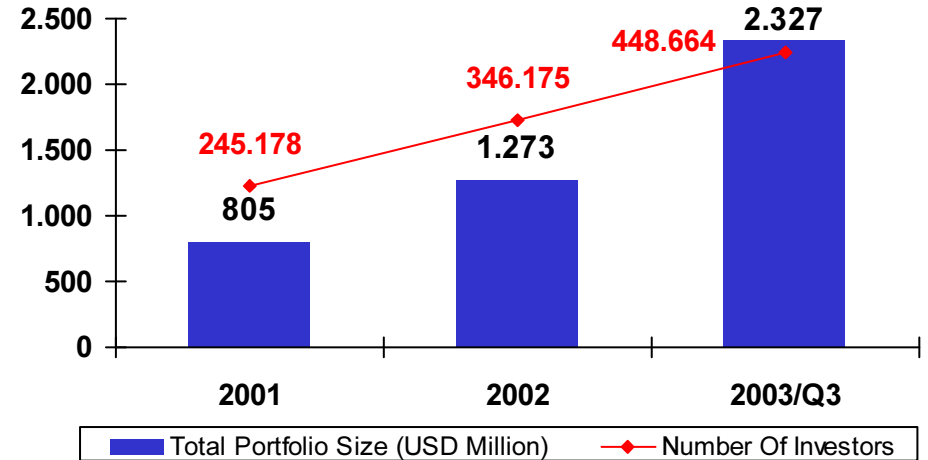
	2001	2002	2003/Q3
No of Investment Accounts	2,593,420	3,110,495	3,433,550
Overall Balance (\$ Mn.)	4,820	6,224	10,291

Investment Accounts - II

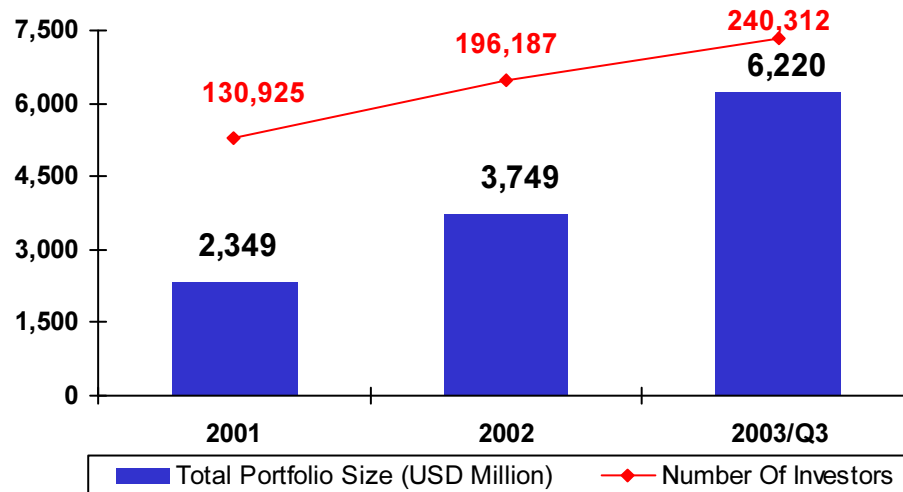
Growth of Assets in Investment Accounts



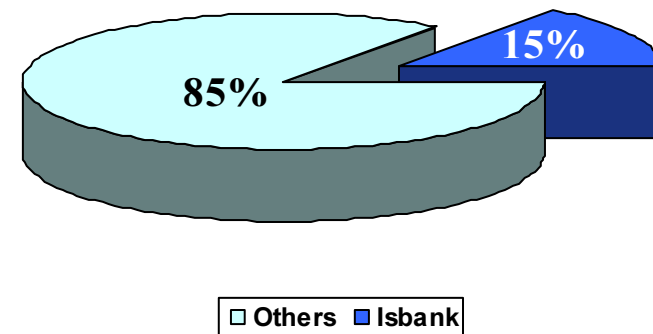
Overall Balance of Mutual Funds



Overall Balance of Government Securities

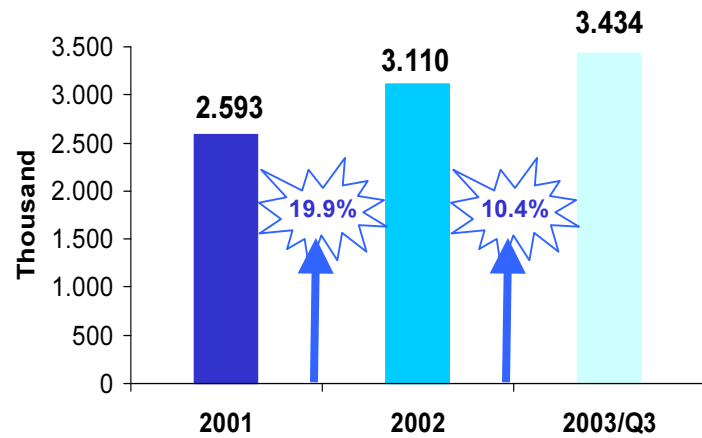


Government Securities Market Share (Sept.'03)

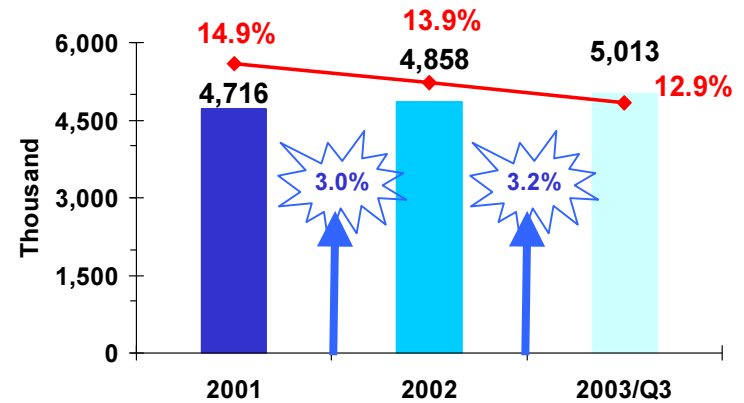


Overview of Retail Banking Activities

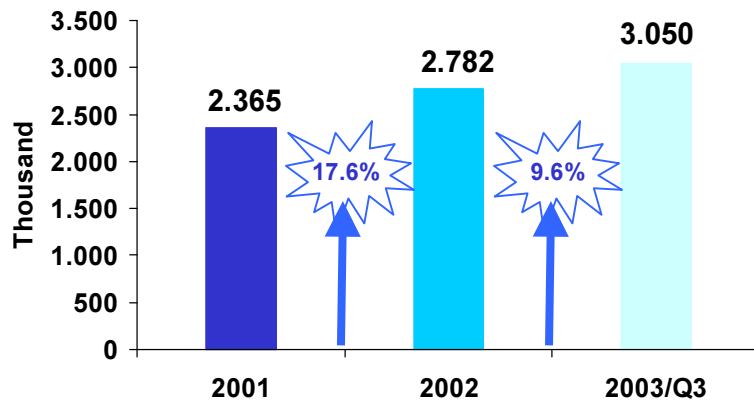
Number of Investment Accounts



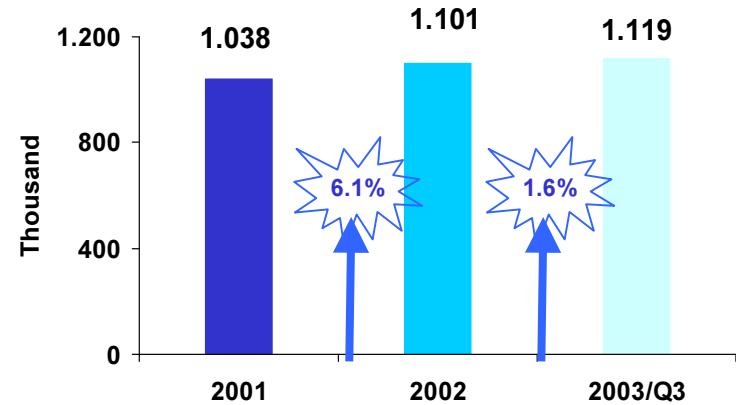
Number of Debit Cards



Number of Automated Bill Payments



Number of Payroll Accounts



Market Shares in Retail Banking Activities (%)

	30.09.2003	Rank
Volume of Debit Cards	28.5	1
Volume of Consumer Loans	26.7	1
Volume of Mutual Funds	19.7	1
Number of ATMs	19.1	1
Number of Credit Cards	11.2	3
Transaction Volume of Credit Cards	13.3	3
Balance of Credit Cards	11.6	3
Number of POS Machines	17.2	3
Number of Debit Cards	12.9	3

Alternative Distribution Channels

	<u>1997</u>	<u>2000</u>	<u>2002</u>	<u>2003/Q3</u>
Branch	64.38% ↓	57.51% ↓	44.96% ↓	43.50%
Non-Branch	35.62% ↑	42.49% ↑	55.04% ↑	56.50%
ATM	28.32%	29.15%	24.70%	23.43%
POS	5.21%	5.74%	18.96%	20.06%
Internet	0.14%	5.53%	8.51%	10.13%
Telephone	1.95%	2.07%	1.68%	1.80%
Kiosk	0.00%	0.00%	0.68%	0.56%
Call Center	0.00%	0.00%	0.51%	0.52%

- Share of non-branch channels in overall transactions has been increasing continually

- Customers are becoming more used to the new technology

- Increasing usage of alternative channels lessens operational expenses

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Ongoing Projects

RESTRUCTURING OF ISBANK GROUP

- ✓ A comprehensive restructuring process has been underway
- ✓ Creation of additional shareholder value and efficiency increase are targeted

ACTIVITY BASED MANAGEMENT PROJECT

- ✓ Product and activity based costing and activity based budgeting
- ✓ Restructuring program to reduce activities with high cost or non-value adding
- ✓ Better evaluation of customer profitability and upgraded MIS

TAP – TECHNOLOGICAL ADVANCE PROJECT

- ✓ Improving service quality and operational efficiency through IT redesign

TOTAL QUALITY IMPROVEMENT

- ✓ Increasing the value of ISBANK franchise by enhancing service quality
- ✓ Continuous individual improvement, improvement in coordination and customer satisfaction, special emphasis on education and training

Restructuring of Isbank Group

- ✓ Isbank is one of the largest financial and industrial groups of Turkey with 65 equity participations
- ✓ A comprehensive restructuring process has been underway, with the consultancy of Citigroup Smith Barney

Main Targets of Restructuring

- ✓ Adaptation to new environment
- ✓ To increase efficiency and competitive advantages
- ✓ Creation of shareholders' value

Likely Outcomes of Restructuring

- ✓ Splitting of Isbank Group into separate financial and non-financial divisions
- ✓ Keeping selected strategic investments
- ✓ Consolidation of some business lines
- ✓ Establishment of strategic partnerships
- ✓ IPO's, SPO's
- ✓ Divestitures

First Steps Taken

- ✓ Merger of Sinai Yatırım Bankası with TSKB
- ✓ Merger of İş-Doğan with POAŞ
- ✓ Sale of Paşabahçe, Cam Elyaf, Anadolu Cam and Trakya Cam to Glass Group companies (Reclassifying glass companies under the roof of Glass Group)
- ✓ Transfer of Isbank stakes of Yatırım Finansman (a brokerage company) to TSKB
- ✓ Sale of Otokar and Dışbank

Activity Based Management Programme

- ✓ Activity Based Management structures and processes aim to deliver and sustain significant improvements in the Bank's performance

STEPS

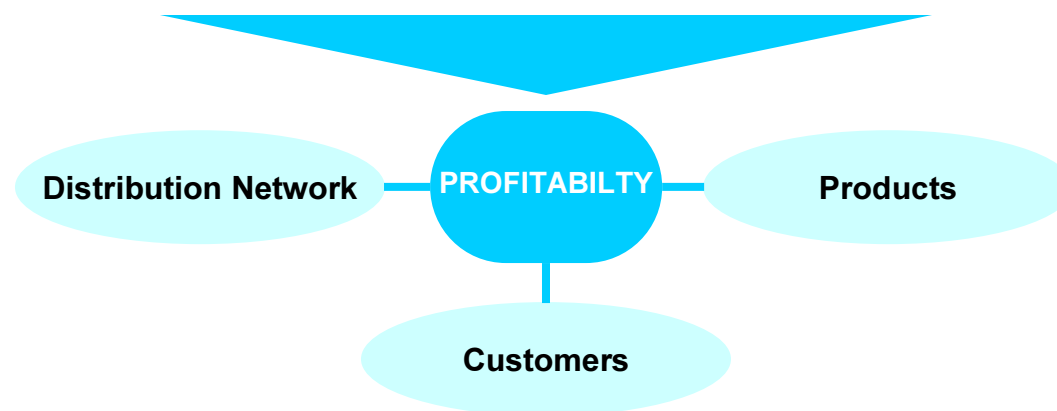
Activity dictionary and activity map are defined

Activities are associated with resources

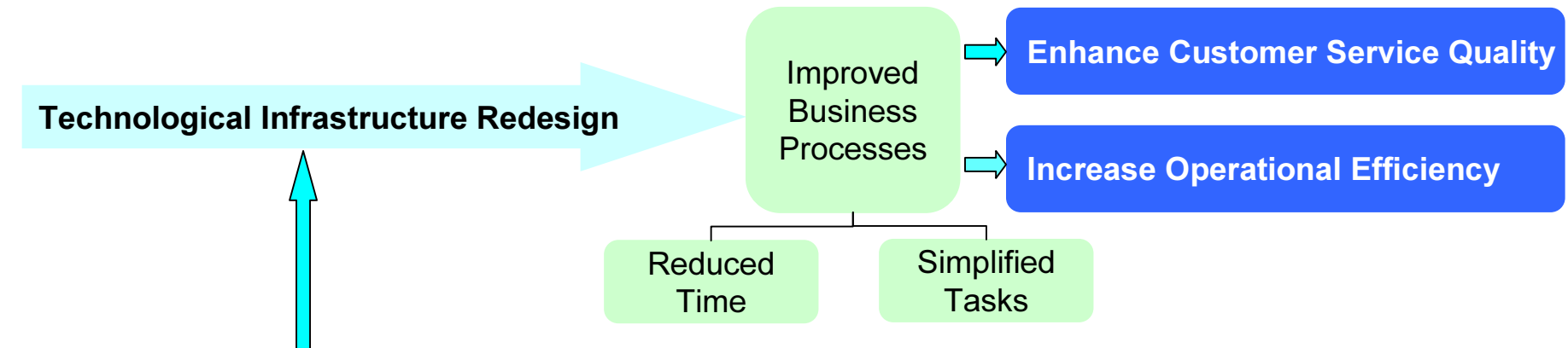
Unit cost for each activity is calculated by taking into consideration the activity drivers

Activities are linked to products and channels; product and channel costs are calculated

The costs of the products are taken into consideration in product and customer profitability



TAP – Technological Advance Project

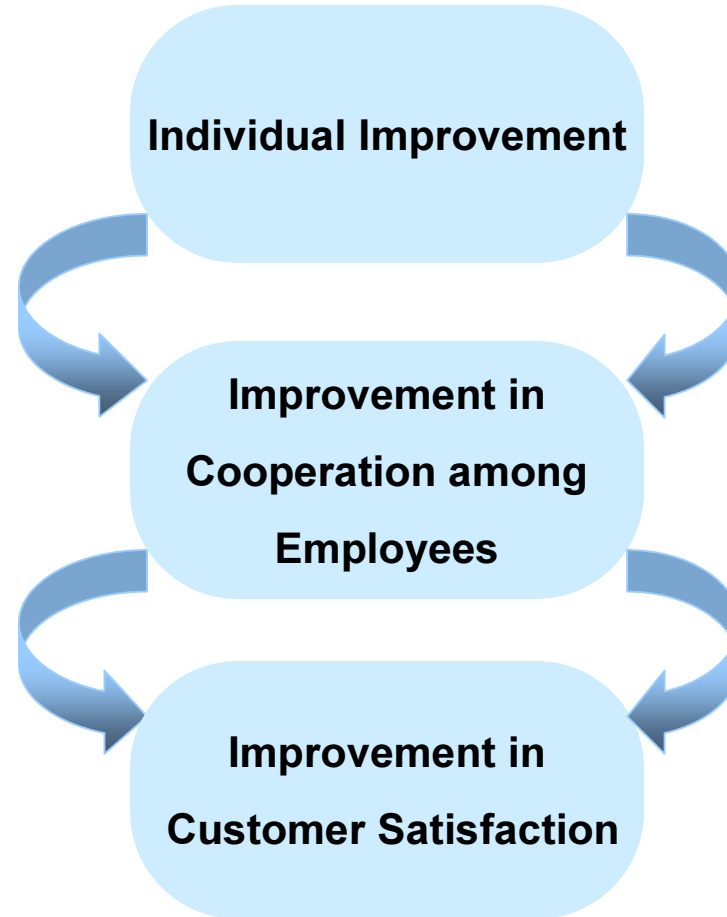


- Transformation of the existing software into customer-oriented, web- based applications
- Shift from paper-based documentation to e-based documentation
- E-transfer of the customer inquiry forms into the system by scanners
- Integrated customer information query between branches
- Customer pre-identification system through Q-matics for service priority
- Promotion of e-learning among employees
- Overall technological restructuring to be completed by the end of 2004.

Quality Improvement

Aims of the Project

- ✓ To increase customer satisfaction by enhancing service quality with active participation of all Isbank employees
- ✓ To create a competitive advantage by using service quality as a differentiating factor
- ✓ To enhance quality standards

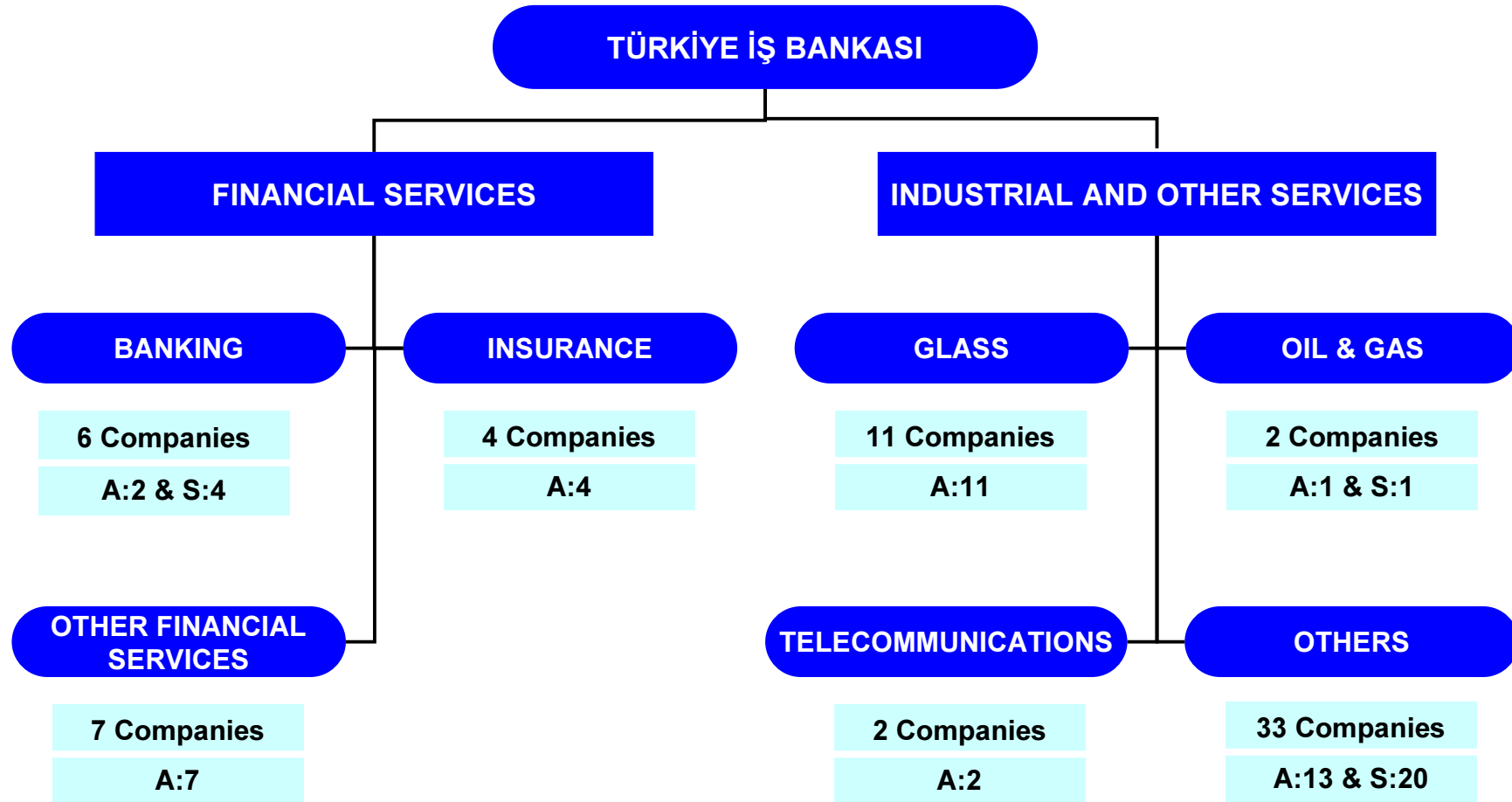


Steps Taken

- ✓ Existing processes are defined
- ✓ Problems are detected and solutions are institutionalized
- ✓ Detailed instructions and work flows are prepared to detach the work from the person performing it
- ✓ Continuous education of employees in order to make them gain the ability to adapt to the changing requirements

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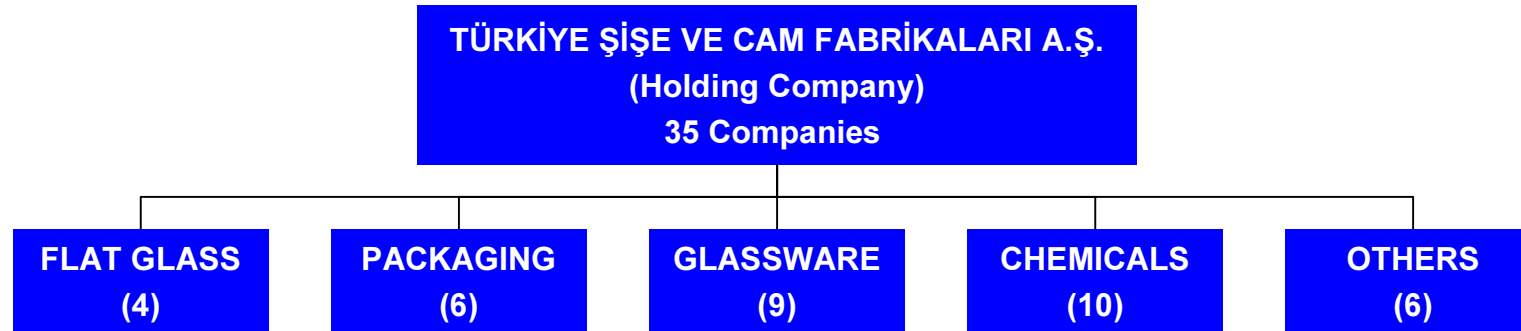
Equity Participations as of 30.09.2003



A: Affiliates

S: Subsidiaries, long-term securities

Glass



Consolidated Figures

Production Capacity (ton)	1,810,000
Production (ton)	1,339,086
Sales (USD Million)	1,104
Export Revenues (USD Million)	364
Shareholders' Equity* (USD Million)	1.409
Total Assets* (USD Million)	1.984
Number of Personnel	12,825

Market Shares (%)

	Turkey	Europe	World
Flat Glass	80	9.0	3.0
Glassware	77	15.5	6.5
Glass Packaging	97	2.5	1.5
Glass Fibre	90	5.0	1.3
Soda Ash	90	11.0	2.5
Chromium Pruducts	95	27.7	5.5

* As of 31.12.2002

Rankings of Siseecam in the World

Glassware

Balkan Countries **	1-2
Israel	1-2
Eastern Europe **	3
Greece	2
Russian Federation	1
United Kingdom	2
Italy	2
Germany	3-4

Soda Ash

Syria	1
Bulgaria	2
Italy	2

Flat Glass

Bulgaria	1-(3) *
Greece	1
Egypt	2

Packaging

Georgia	1
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Glass Fibre

Switzerland	3
Germany	4-5
Spain	5
Italy	4-5

Chromium Products

Taiwan	2
Bangladesh	3
Indonesia	3
China	2

- First in flat glass sales, third in flat glass and sheet glass sales

** Balkan Countries: Bulgaria, Romania

Eastern Europe: Czech Republic, Slovakia

Oil and Gas

ISBANK GROUP 47.4%

DOĞAN GROUP 47.4%

PETROL OFİSİ A.Ş.

General Information

Established in 1941

Privatized in 2000

Largest oil distribution company in Turkey

3,850 dealers nationwide

Shareholders' equity : USD 338 mio

Financial Performance (USD Million)

	2001	2002	2003QII
Net Sales	2,885	3,892	2,461
Net Income After Tax	129	140	56
Total Assets	437	1,977	2,115

Market Shares (%)

	2001	2002	2003/QII
Total Benzines	25.6	26.6	25.9
Diesel	35.1	35.9	35.8
Fuel Oil	53.4	42.9	31.3
Lubricants	34.2	33.5	31.0*

Restructuring

	2001	2002	2003QII
Number of Personnel	1,275	1,092	990
Personnel Expenses (USD Million)	27.6	23.8	14.0

* As of 30.06.2003

Telecommunications

ISBANK GROUP 51%

TELECOM ITALIA GROUP 49%

İŞ-TİM TELEKOMÜNİKASYON HİZMETLERİ A.Ş.

Established on Sep 5, 2000

GSM 1800 Mobile Telecommunication Services

Licence Fee : 2.525 Million USD+17% VAT(429,25 Million USD)

Service launched on March 21, 2001

Coverage more than % 68 of population (areas having more than 10.000 pop.)

1,9 million customers

Approximately 380 exclusive dealers

Market Share : 7%

Planning to merge with Aycell (Türk Telekom's GSM operator) by the end of 2003.

Export Revenues of Participations

As of 30.06.2003 (FOB/USD Million)

Glass	241
Metal Manufacturing & Machinery	87
Others	107
Total	435