

TÜRKİYE  BANKASI

Investor Presentation

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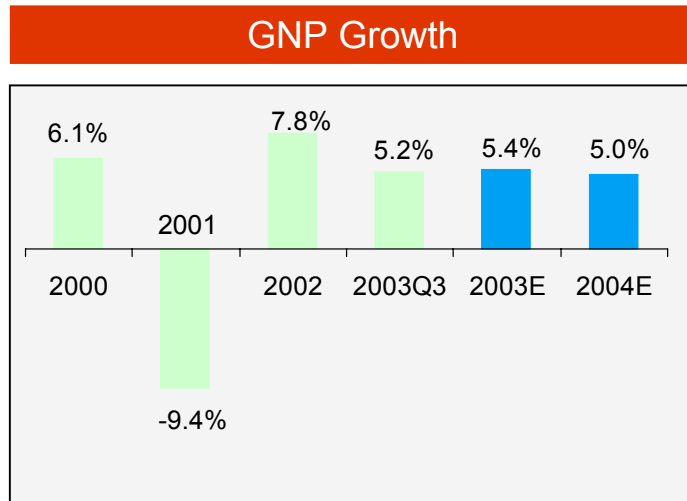
Improvement in macroeconomic indicators

(%)	2001	2002	2003	2004 E ⁽²⁾
GNP Growth	-9.5	7.8	5.4 ⁽¹⁾	5.0
WPI	88.6	30.8	13.9	12.0
CPI	68.5	29.7	18.4	12.0
Av. T.Bill Interest Rate (comp.)	96.2	63.8	45.0	n.a.
PSBR/GNP	16.5	12.6	8.7	8.1
Primary Surplus/GNP	5.9	4.0	6.5 ⁽²⁾	6.5
Net Public Debt/GNP	92.0	79.0	70.0 ⁽¹⁾	68.0
Current Account (USD bn.)	3.4	-1.5	-6.8	-7.6
\$/TL (end-period)	1,439,567	1,634,501	1,395,835	n.a.

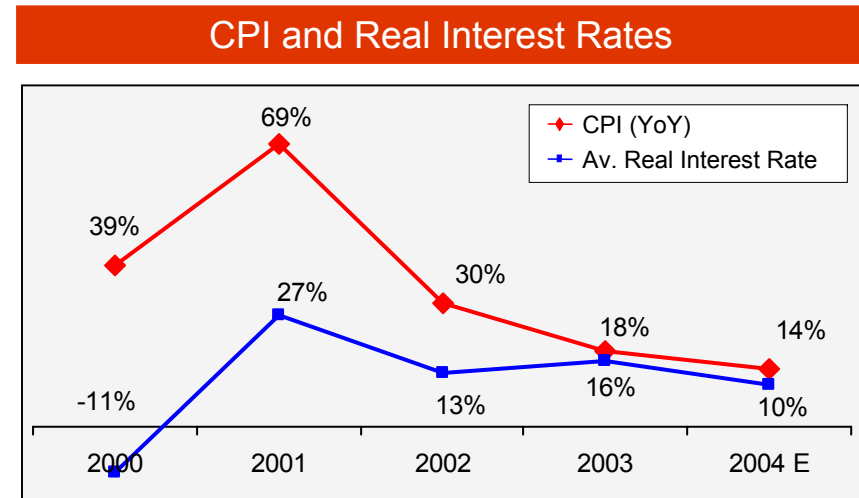
(1) Isbank year-end expectations.

(2) Official targets.

Towards a more stable environment



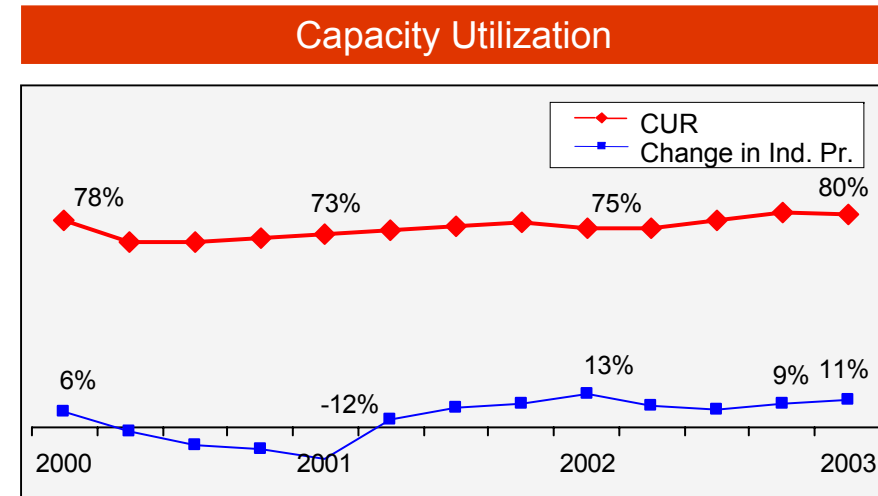
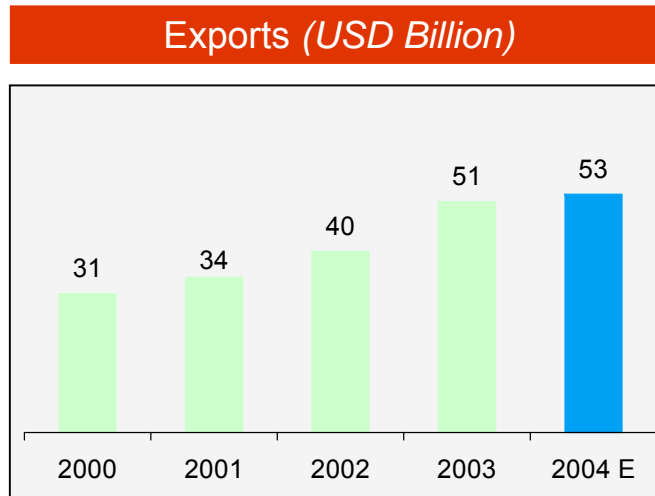
▶ As a result of the economic measures applied, Turkey is expected to attain sustainable growth in the following years.



▶ With falling interest rates and inflation, we expect a more stable economic environment.

Increasing economic activity...

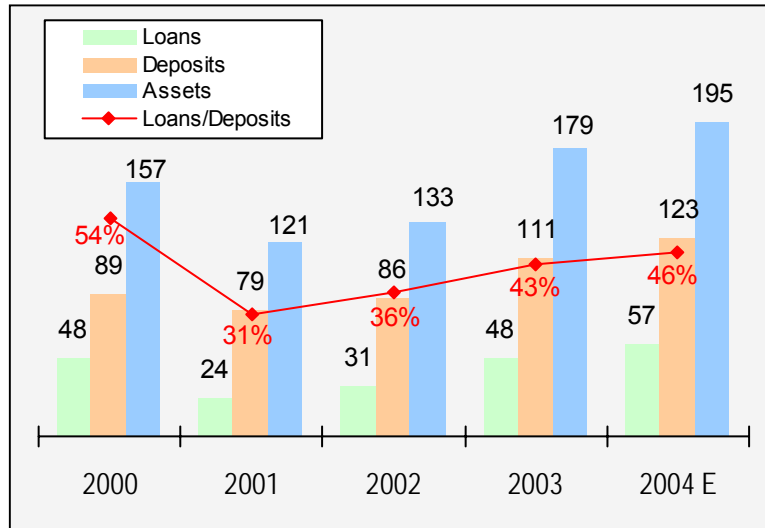
... underpins demand for funds.



- ▶ Reviving economic demand and pick up in exports are the basic driver behind higher production.
- ▶ As the biggest fund provider, Isbank is expected to benefit mostly from economic recovery.

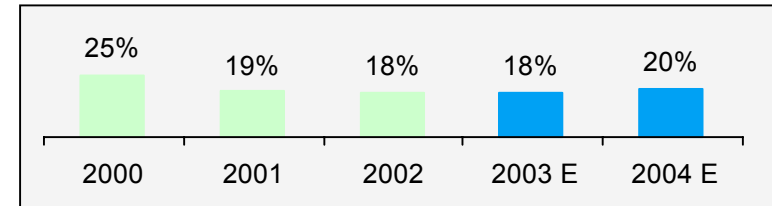
Banking sector

Main Indicators (USD bn)

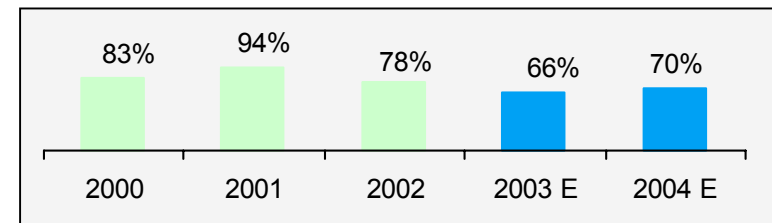


▶ We expect a change in the balance sheet composition of the sector in favor of loans.

Loans /GNP



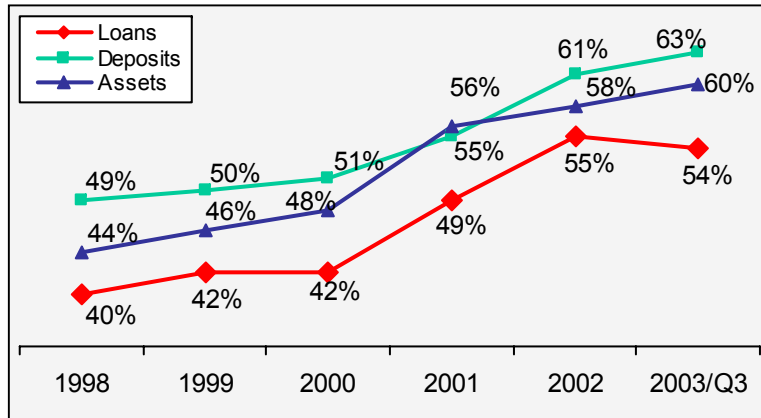
Assets /GNP



▶ Turkish banking sector has a substantial growth potential when compared with developed countries.

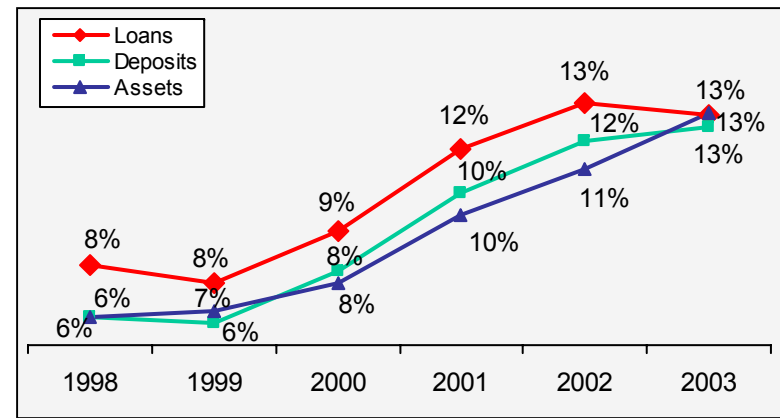
Increasing concentration in the sector

Share of Top Five Banks



▶ The concentration trend is expected to speed up with the removal of government guarantee on deposits and further consolidations in the sector.

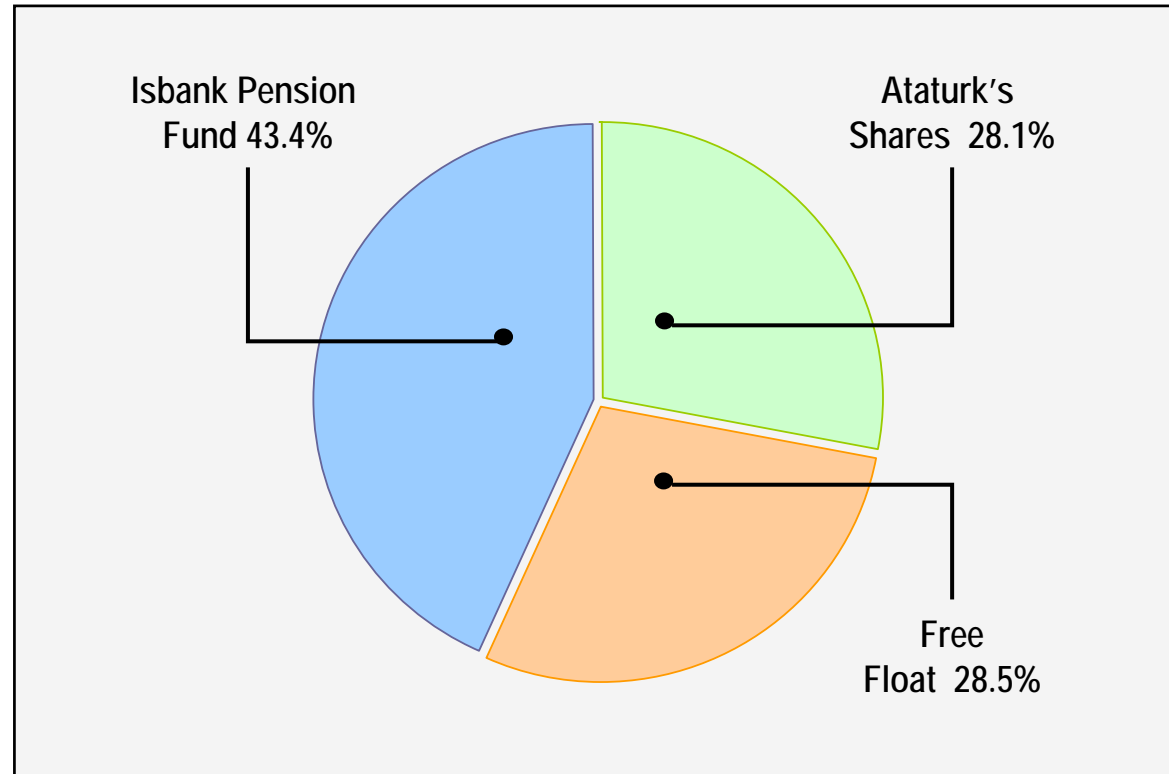
Isbank Market Shares



▶ As the biggest private bank in the sector, Isbank will be the main beneficiary of the consolidation and stabilization process.

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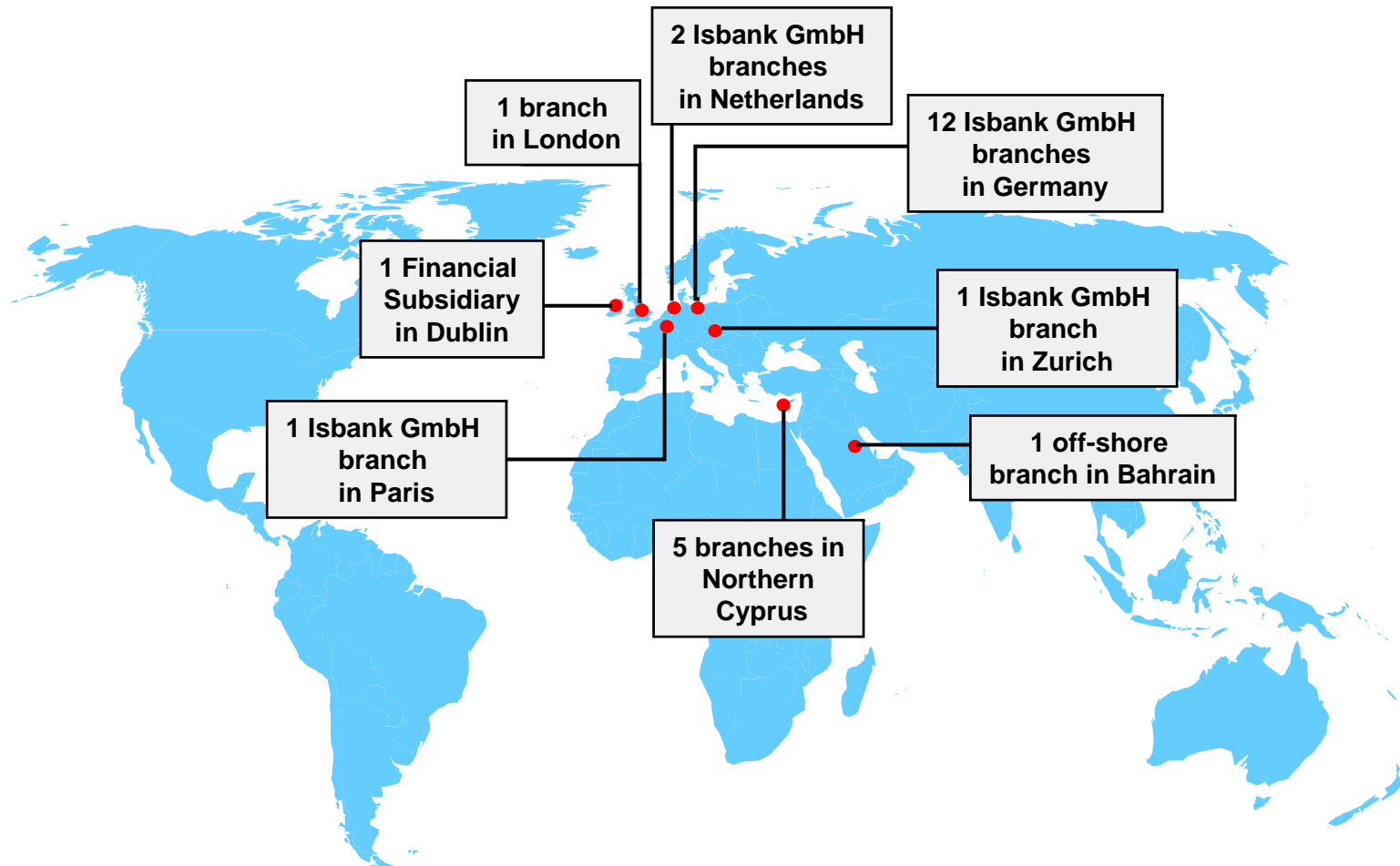
Shareholder structure



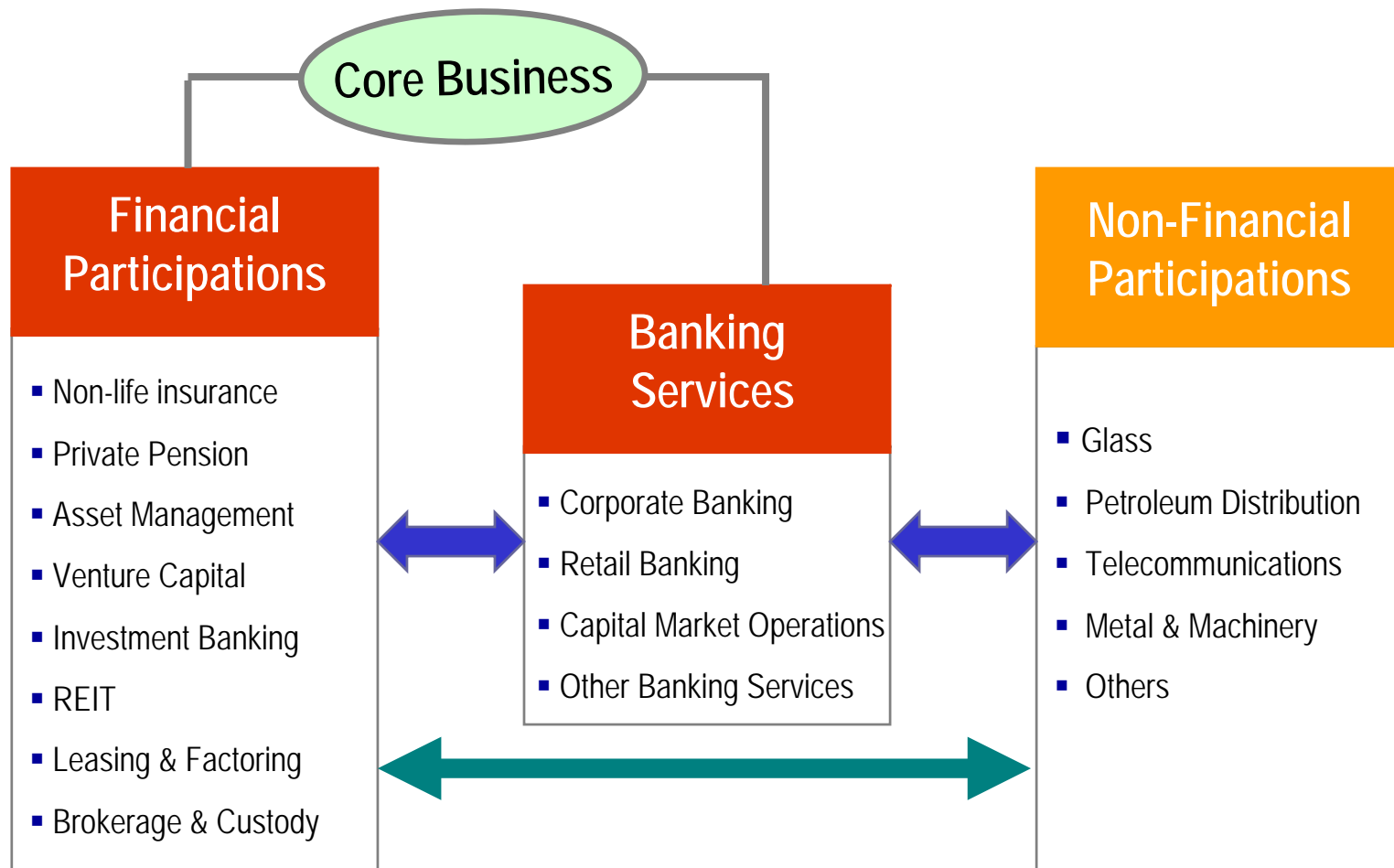
- ▶ Around 250,000 domestic and foreign shareholders
- ▶ Shareholding of employees via pension fund creates self-motivation
- ▶ Stocks are quoted at ISE and also traded at LSE in the form of GDR

International presence

... focusing on Turkish populated EU countries.



Main business lines of Isbank Group




Strengths of Isbank

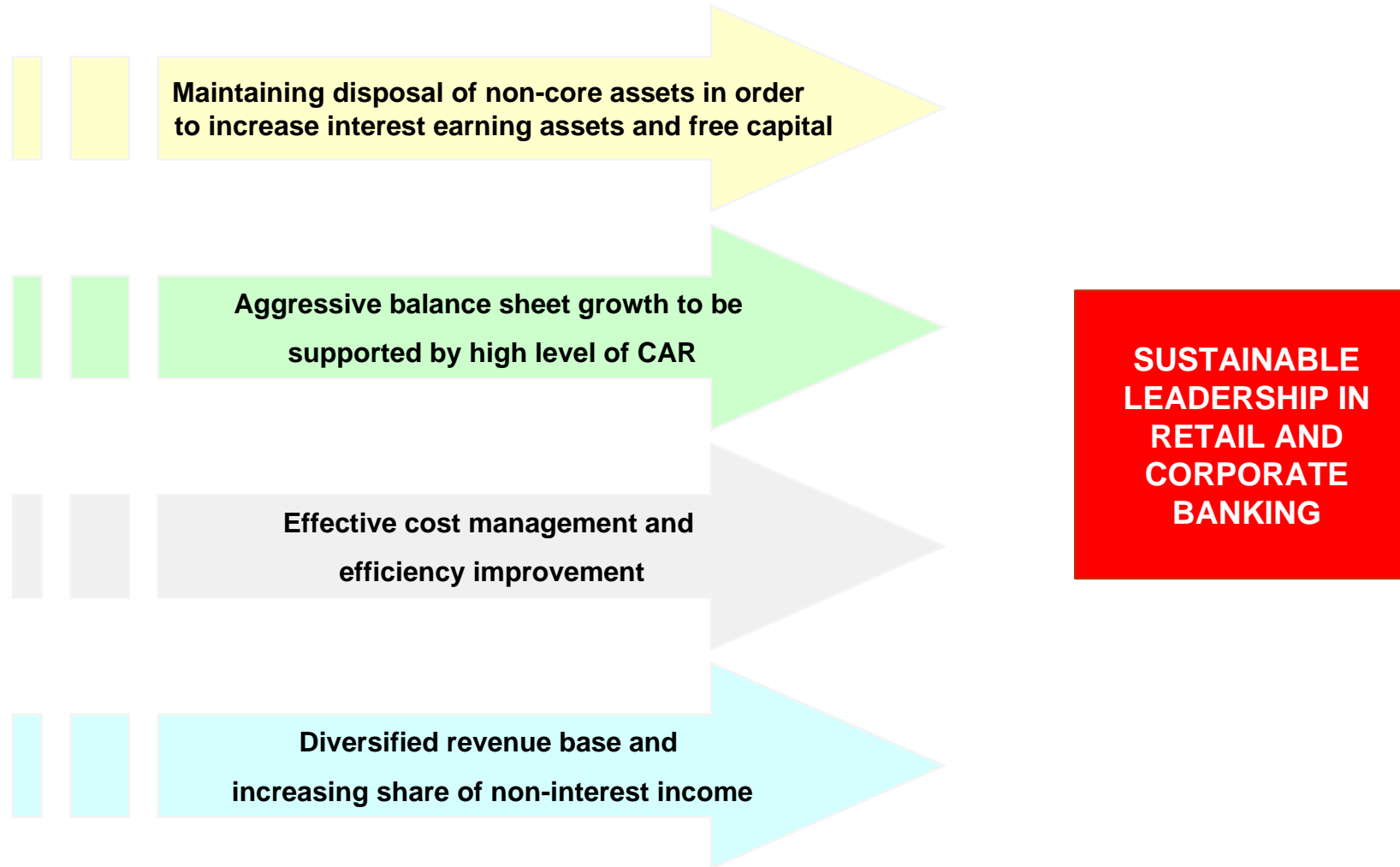
Thanks to its

- ▶ 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,

Isbank will

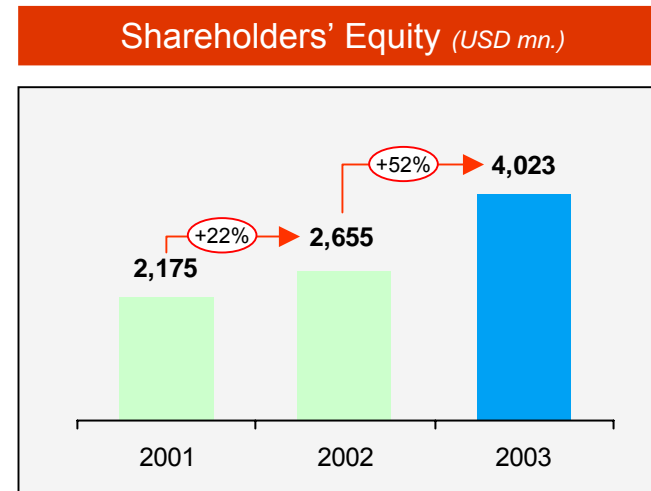
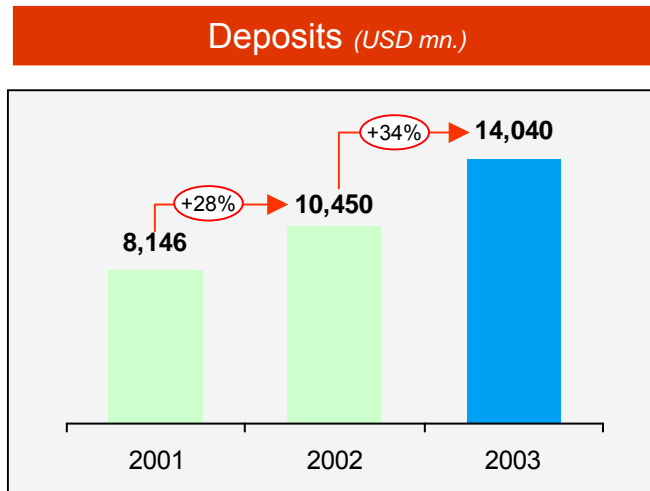
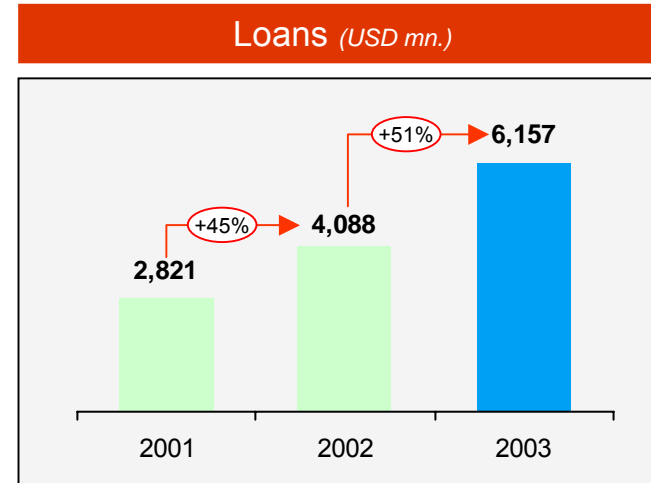
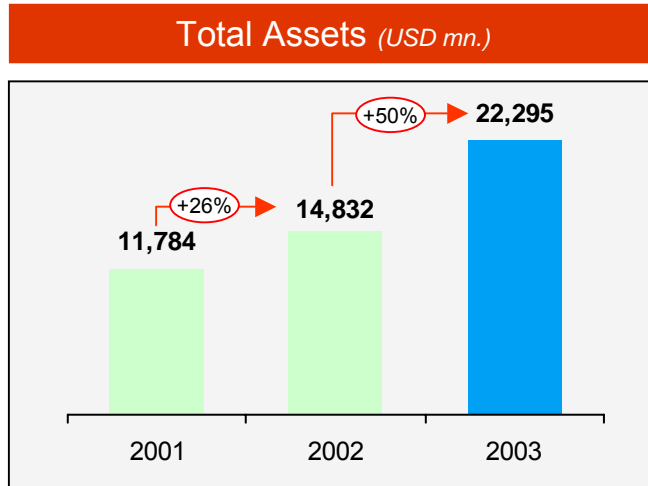
- 
- ✓ **be the main beneficiary of the stabilized environment,**
 - ✓ **further benefit from “flight to quality” process,**
 - ✓ **be positively affected from the economic recovery having the largest exposure to real economy.**

Main strategies going forward



Impressive growth performance...

... in all key items.



A dominant position in the market...

... both in corporate and retail products and services.

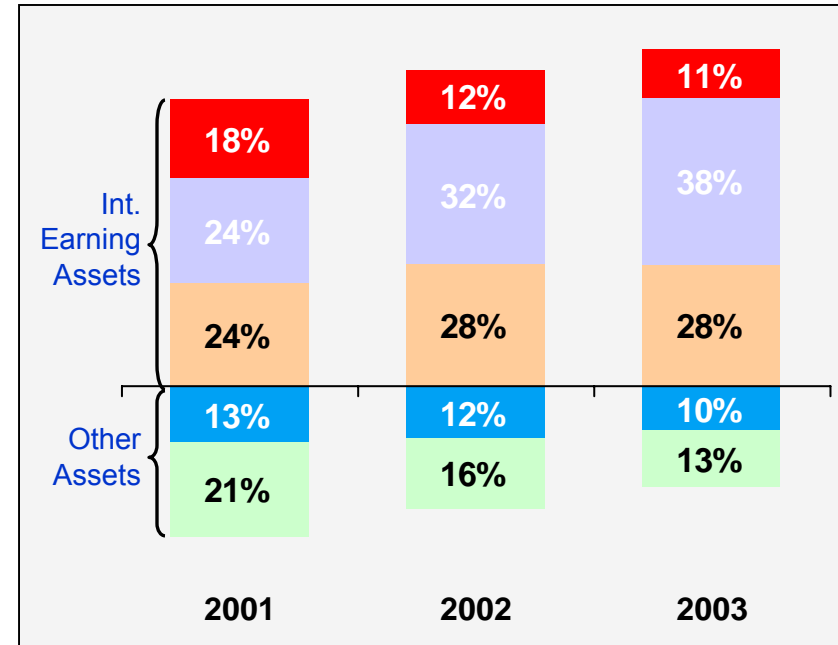
		Share(%)	Rank
Loans	Consumer	22.5	1 st in the sector
	Credit Cards	11.9	3 rd in the sector
	Total Loans	12.9	2 nd among private banks
Deposits	Demand	15.7	1 st among private banks
	TRL	11.0	1 st among private banks
	FX	13.9	2 nd among private banks
	Total Deposits	12.5	1 st among private banks
Retail Products	Number of Credit Cards	12.3	3 rd in the sector
	Volume of Credit Cards	13.1	3 rd in the sector
	Volume of Debit Cards	28.2	1 st in the sector
	Number of POS	17.3	3 rd in the sector
Capital Markets	Odd-lot Equity Trading	87.0	1 st in the sector
	Mutual Funds	19.8	1 st in the sector
	Custody Services	37.0	1 st in the sector

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Asset composition...

... has been changing in favour of interest earning assets.

(USD mn.)	2002	2003	Change YoY (%)
Cash & Banks	1,841	2,526	37
Securities	4,733	8,496	80
Loans	4,088	6,157	51
Participations	1,738	2,246	29
Other	2,430	2,870	18
Total Assets	14,832	22,295	50
Interest Earning Assets	10,433	16,670	60



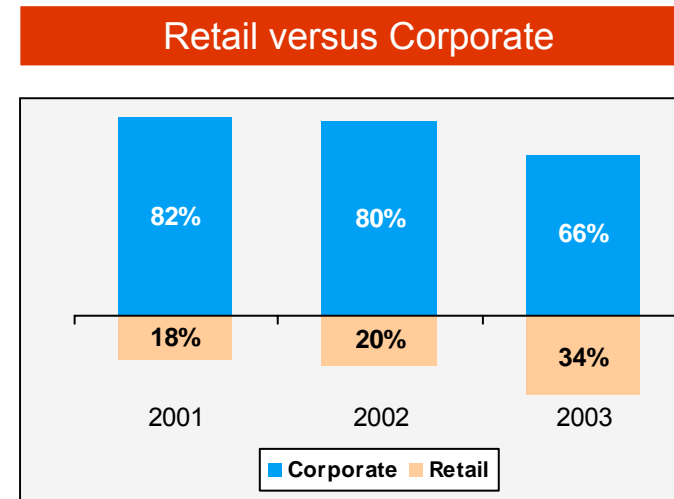
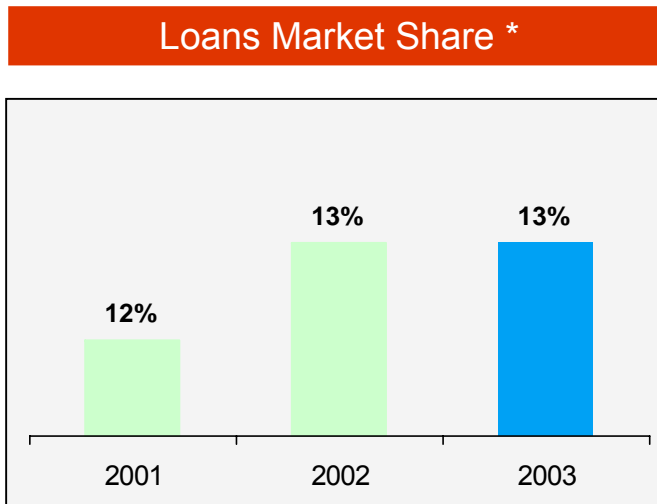
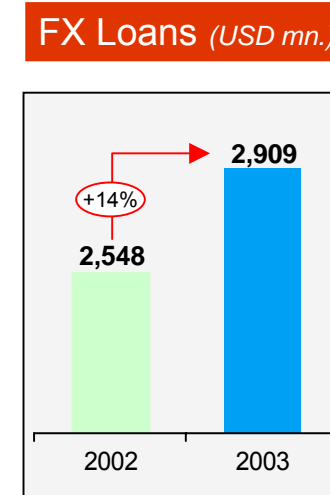
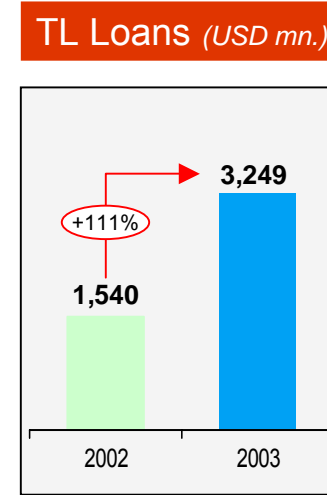
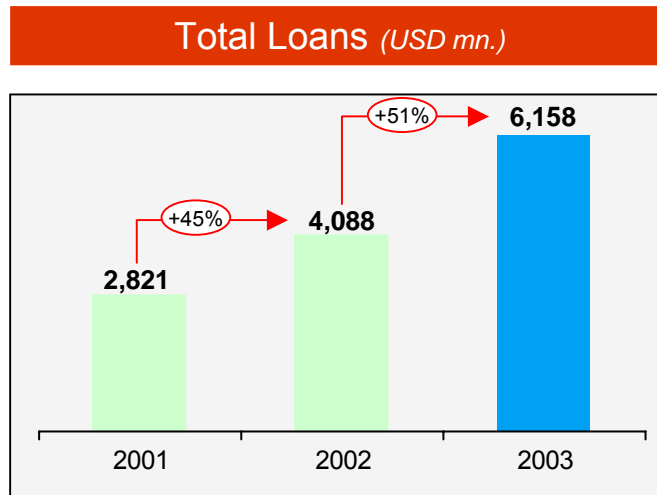
- ▶ 50% YoY asset growth
- ▶ Share of interest earning assets in total assets has reached 75%



* Including Reserve Requirements

Largest and superior lending franchise...

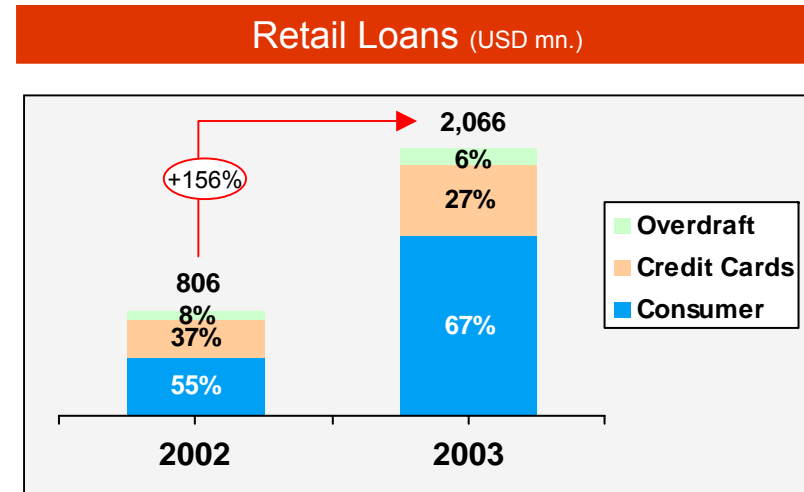
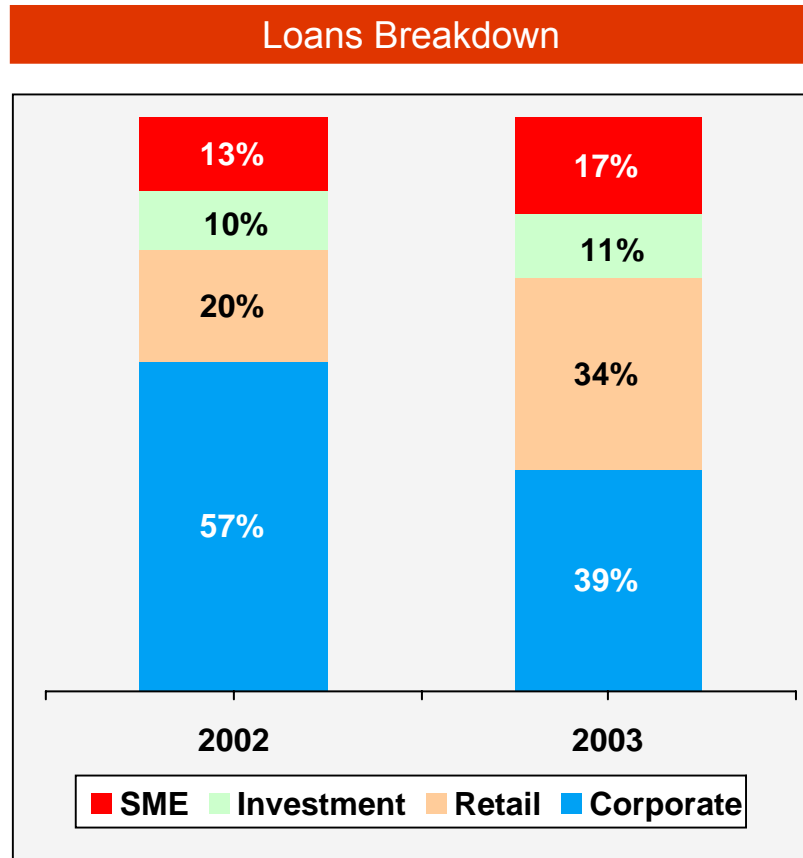
... a crucial competitive edge.



* BRSA data

More retail oriented loan portfolio...

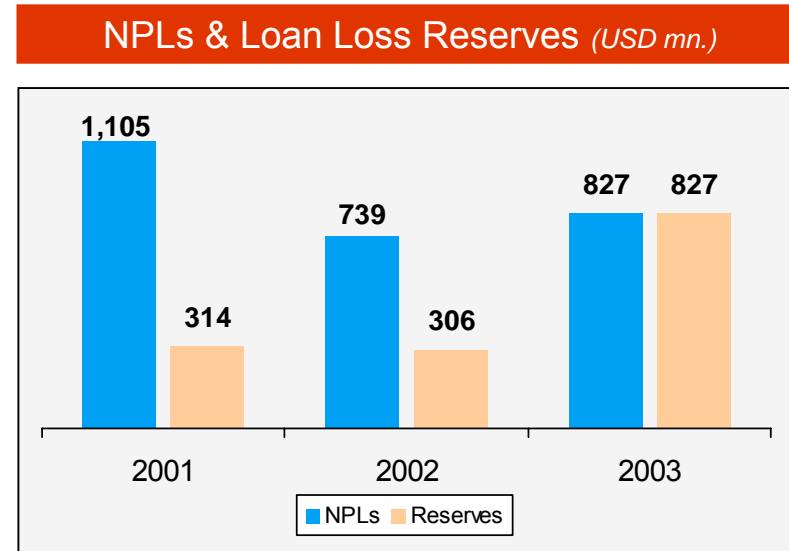
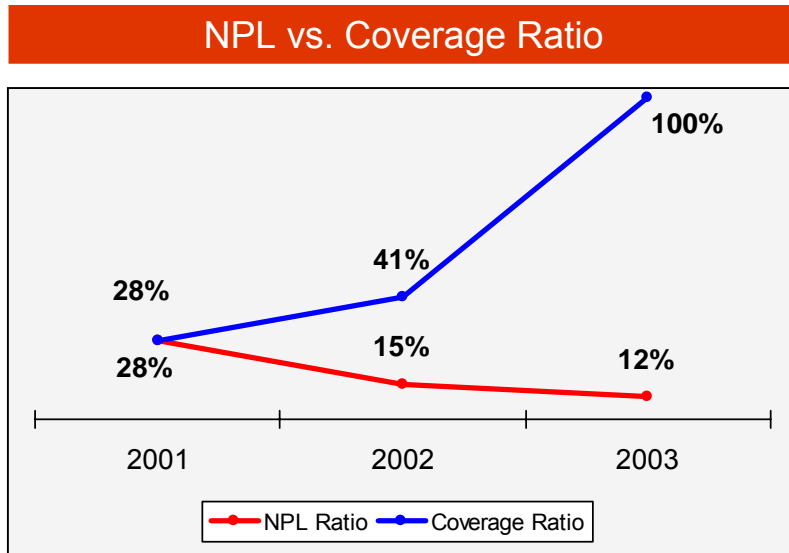
... 51% comprised of retail and SME loans.



- ▶ Auto loans make up 65% of consumer loans
- ▶ 40% of total investment loans are in the form of treasury guaranteed project finance loans
- ▶ Share of loans extended to textile sector declined to 11% of total loan portfolio
- ▶ Share of loans extended to construction sector declined to 8% of total loan portfolio

Improving loan quality...

... marked by continuing decrease in NPL ratio and 100% NPL provisioning.



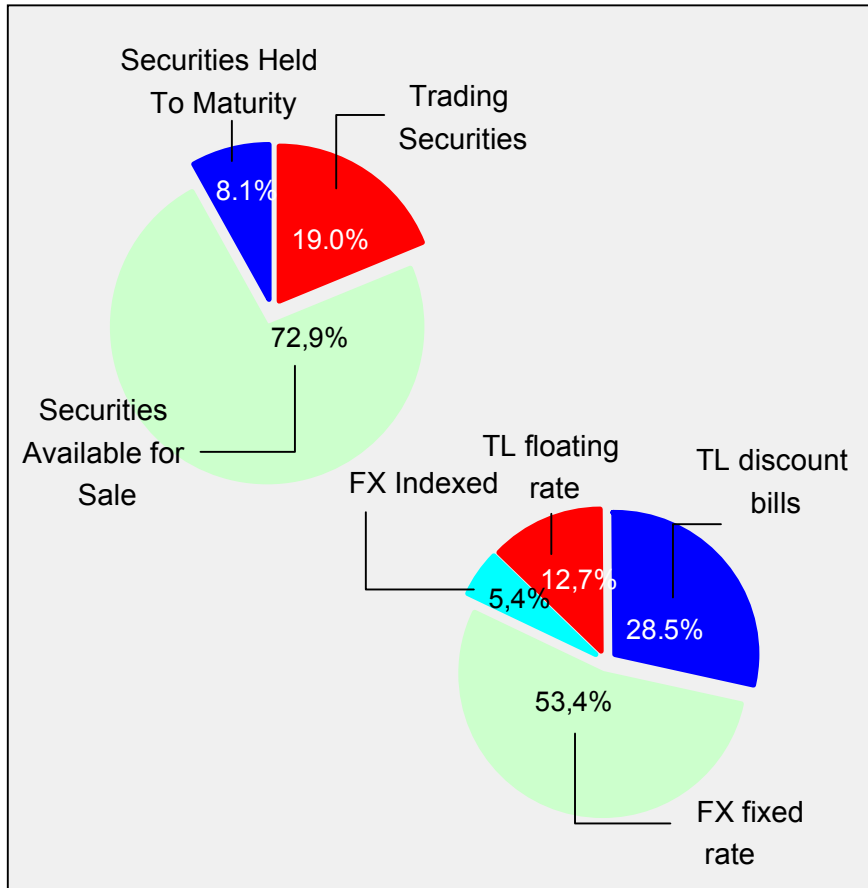
- ▶ Prominent improvement in NPL ratio due to restructuring, collections and loan growth
- ▶ High provisioning generates hidden reserves as recoveries realized
- ▶ When collaterals included coverage ratio exceeds 150%

- ▶ 100% NPL provisioning as of 31.12.2003
- ▶ 25% decrease in gross NPLs since 2001

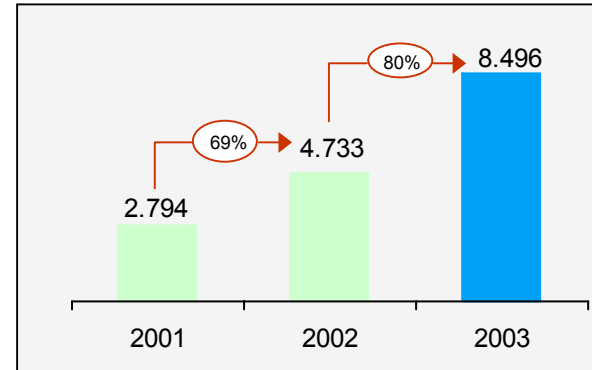
Securities portfolio...

... the largest asset component.

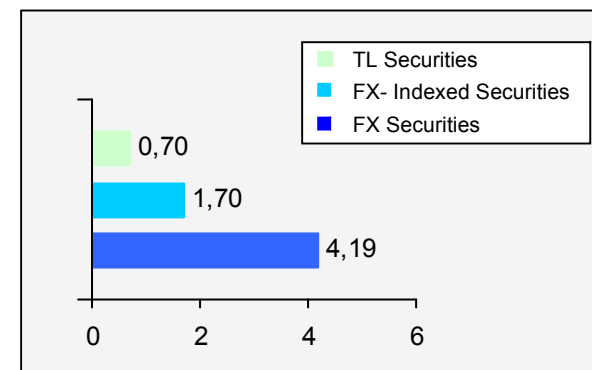
Breakdown of Securities Portfolio



Total Portfolio Growth (USD mn.)



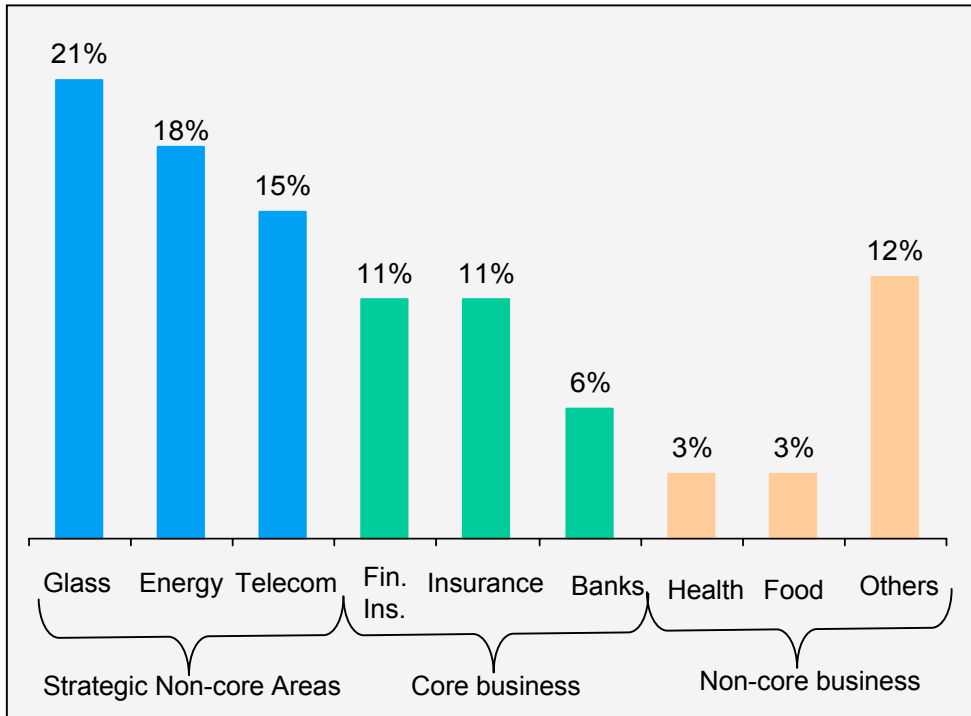
Average Maturity (Years)



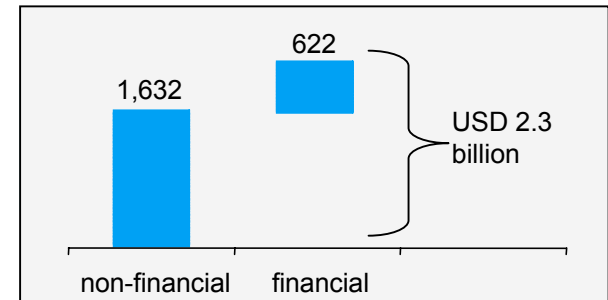
A diversified equity participation portfolio...

... operating in financial and non-financial sectors.

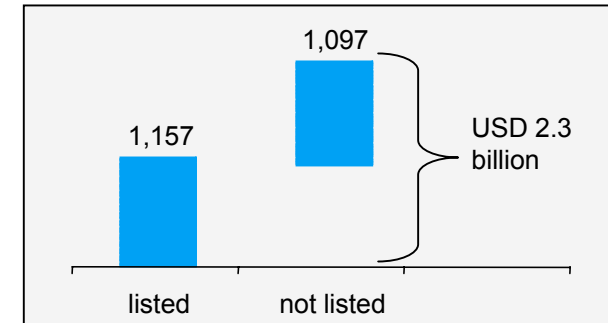
Sectoral Breakdown by Book Value



Financial vs. Non-financial



Listed vs. Non-listed



- ▶ As at end of 2003 İsbank group has 58 participations in various sectors.
- ▶ Non-strategic equity holdings will be divested under favorable economic conditions.

Asset disposals reinforce free equity

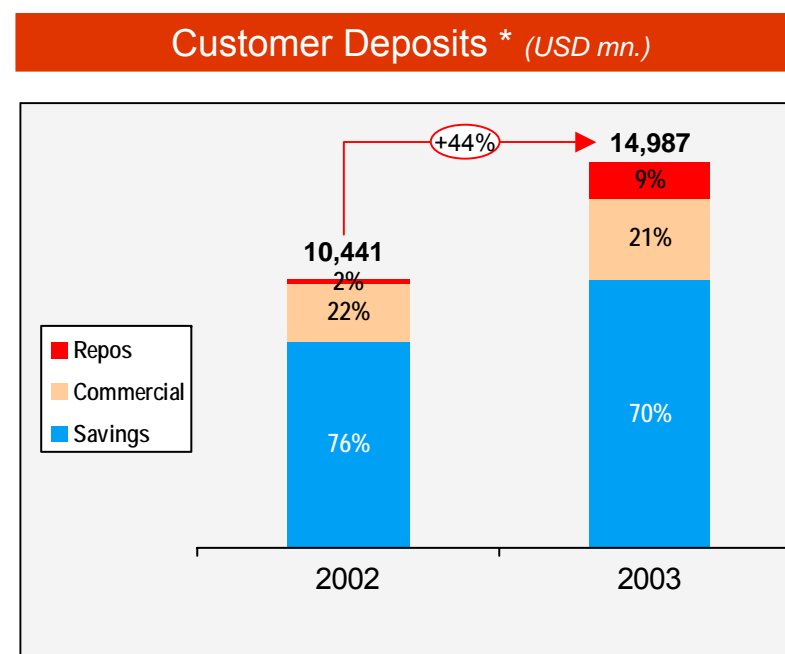
Sale of Participations 2002 – USD Thousand	Acq. Cost	Sales Revenue	Profit	Prev. Share	Rem. Share
İş G.Menkul Yat. A.Ş.	494	607	113	66.65%	66.34%
Dışbank	172	202	29	9.29%	9.16%
Trakya İplik San. A.Ş.	55	701	645	19.58%	-
İş Risk Sermayesi A.Ş. *	5,379	13,447	8,068	40.00%	-
Cam Elyaf San. A.Ş. *	3,492	38,004	34,511	48.78%	-
Paşabahçe Cam A.Ş.	15,588	76,007	60,419	33.20%	-
Anadolu Sigorta	793	1,149	355	37.00%	35.53%
İzmir Demir Çelik A.Ş.	914	1,168	255	56.86%	54.68%
TOTAL	26,888	131,283	104,395	-	-

Sale of Participations 2003 – USD Thousand	Acq. Cost	Sales Revenue	Profit	Prev. Share	Rem. Share
Yatırım Finansman A.Ş. *	1,896	3,643	1,746	33.74%	-
Dışbank	11,300	15,325	4,024	9.16%	-
Trakya Cam San. A.Ş.	17,596	47,403	29,807	15.94%	-
TUBA-Sim İnş. Kors. A.Ş.	797	1,889	1,092	47.50%	-
Anadolu Cam San.A.Ş.	21,809	44,664	22,855	33.16%	-
Camiş Ambalaj San. A.Ş.	1,088	2,120	1,033	4.42%	-
Soda San. A.Ş.	16,043	20,884	4,841	33.64%	-
Paşabahçe Mağ. A.Ş.	0.2	0.3	0.1	0.01%	-
Others	34	1,276	1,242	-	-
TOTAL	70,563	137,203	66,640	-	-

Strong fund generation capability...

... driven by flight to quality, strong franchise and solid reputation.

(USD mn.)	2002	2003	Change YoY (%)
Deposits	10,450	14,040	34
REPOs	189	1,368	624
Funds Borrowed	897	1,958	118
Other	641	905	41
Equity	2,655	4,024	52
Total Liabilities	14,832	22,295	50



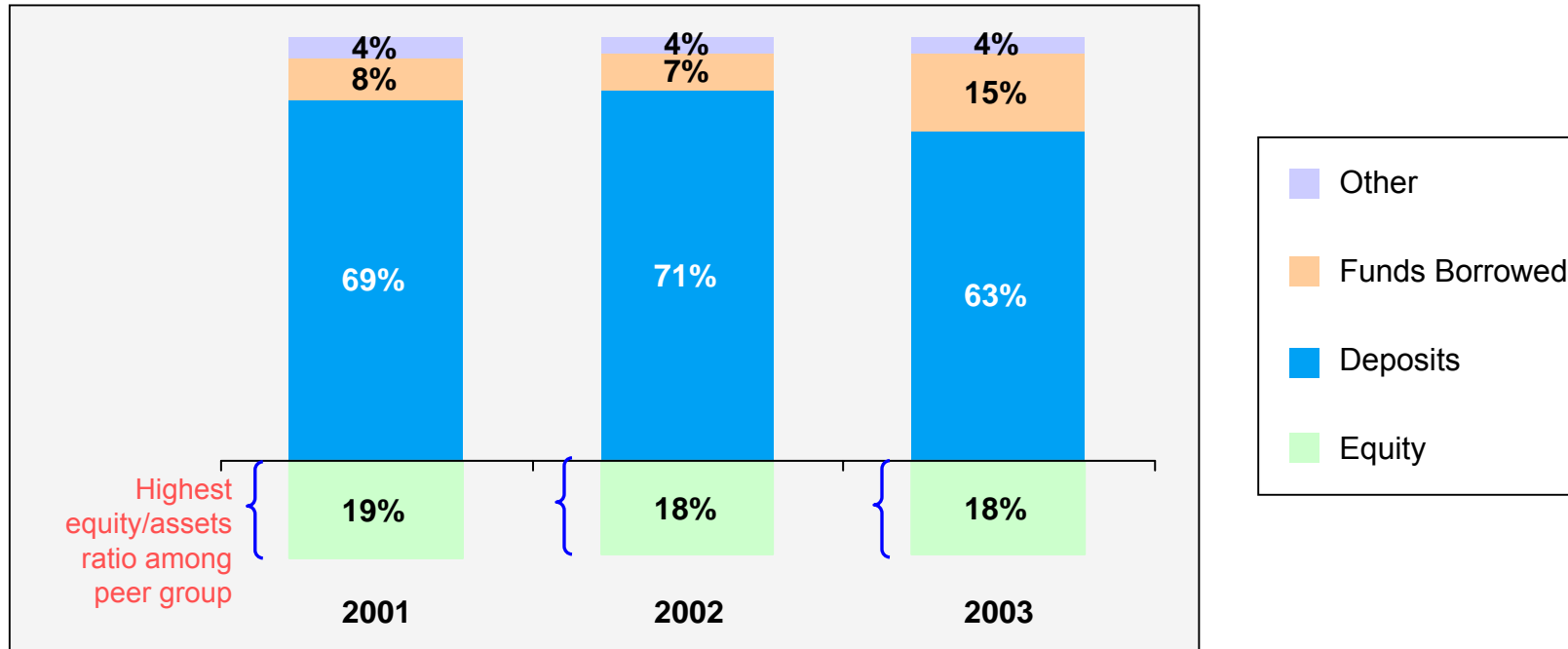
- ▶ YoY increase in TL liabilities and FX liabilities are %46 and % 35, respectively.
- ▶ Liabilities growth stems mainly from customer deposits

- ▶ Customer deposits compose 67 % of total liabilities
- ▶ Sustained growth of saving deposits reflects diversified and widespread funding base

* Excluding bank deposits.

Liabilities composition...

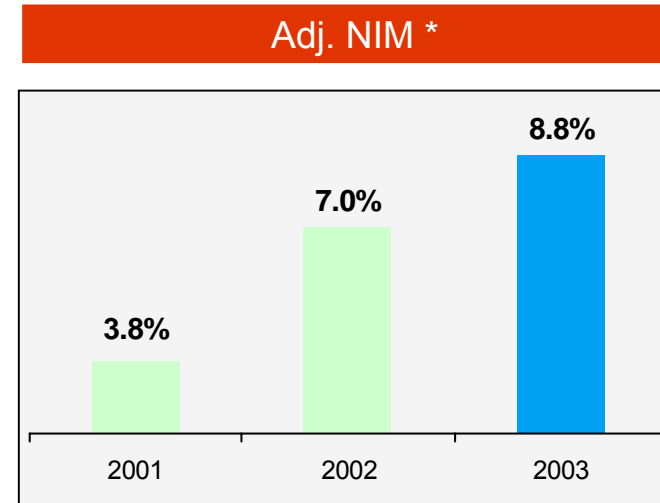
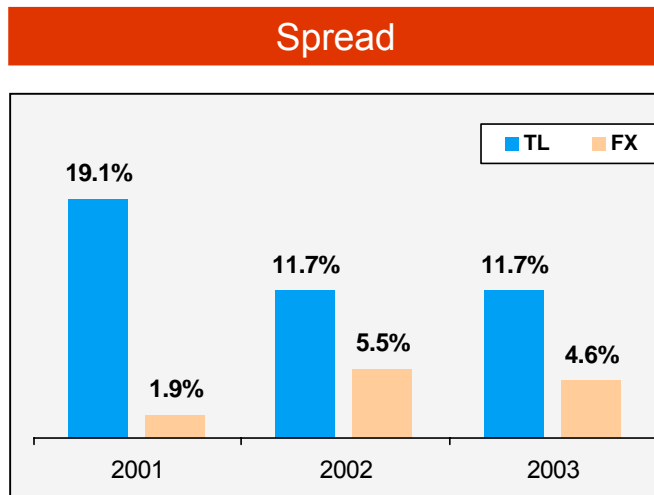
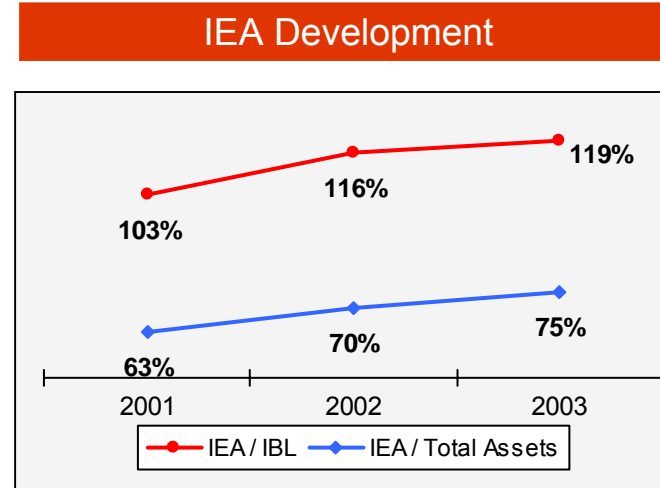
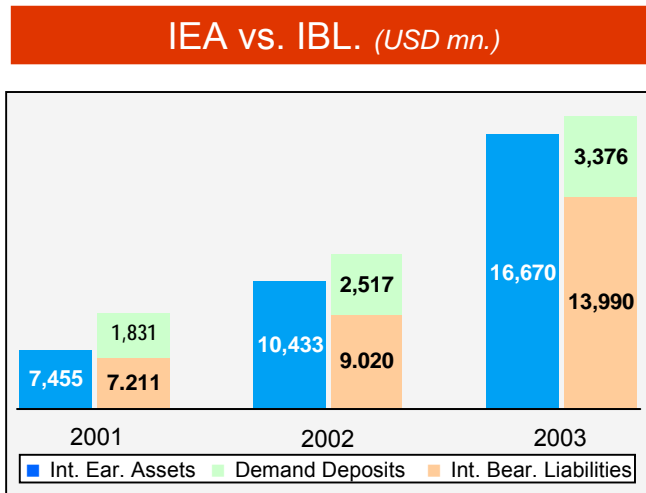
... reflects sound funding structure and adequate capitalisation.



- ▶ Stable deposits base remains as the main source of funding
- ▶ Increasing borrowings enhance balance sheet growth
- ▶ Sufficient capital base underpins growth of RWA

Increasing volume of interest earning assets...

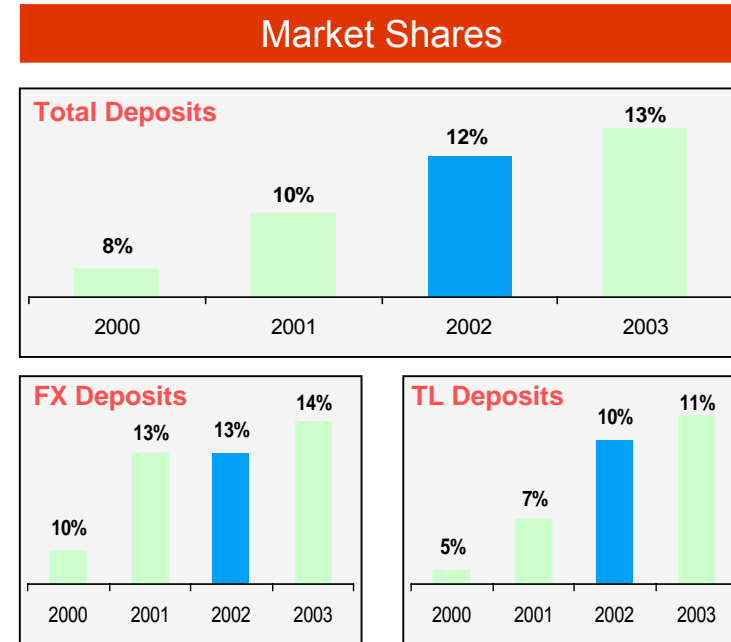
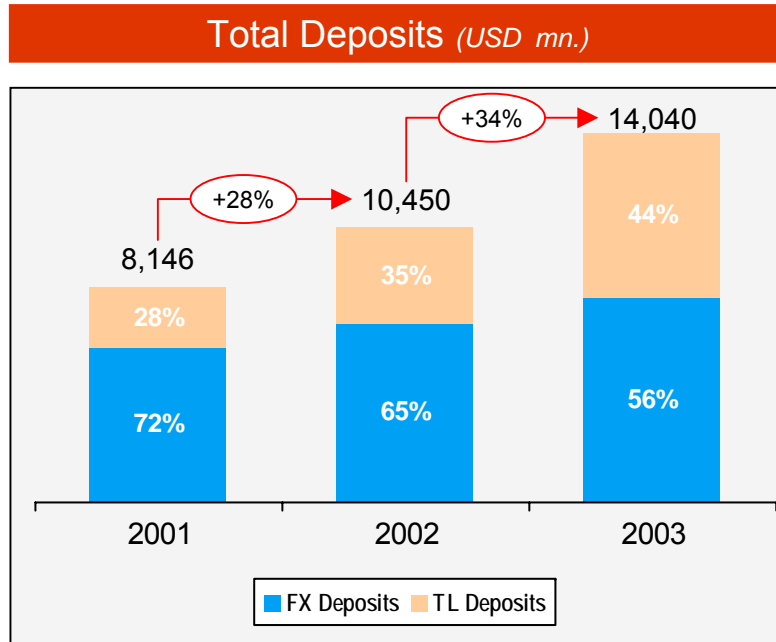
... contributes to net interest margin improvement.



* Adj. for FX Gains / Losses and Net Trading Income

Largest deposits franchise...

... is a clear indicator of customer trust.

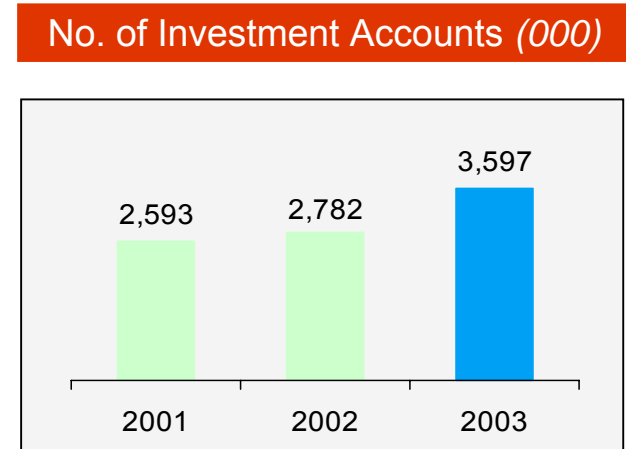
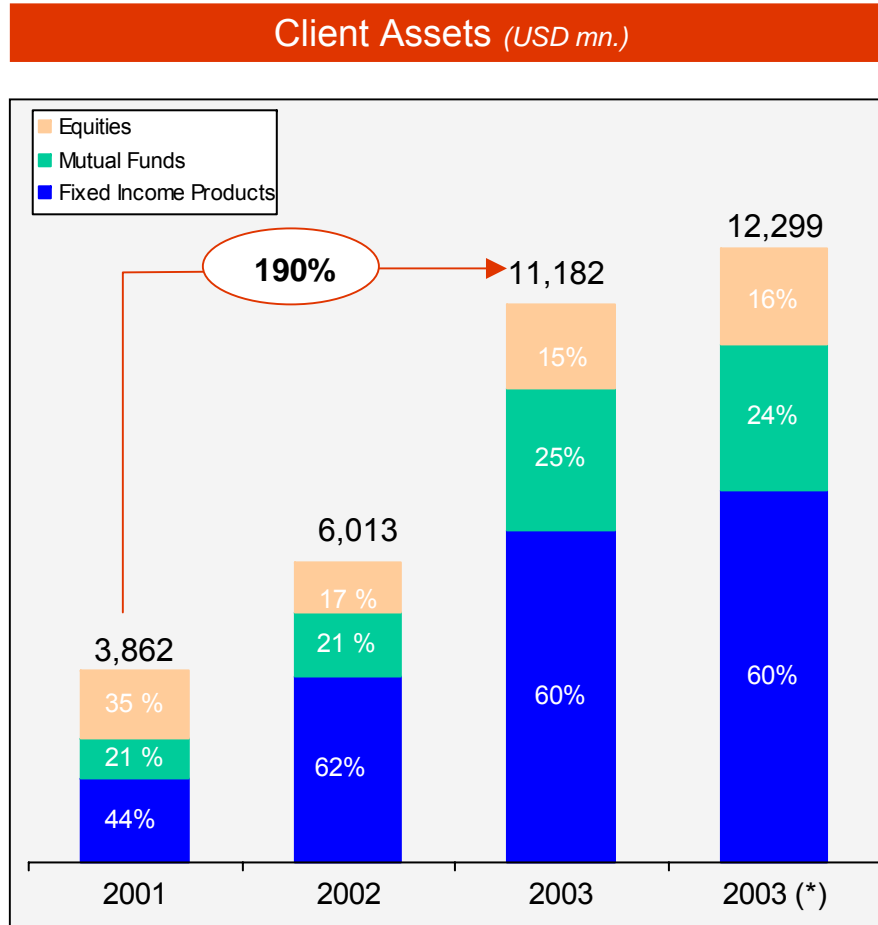


- ▶ Well diversified retail customer base
- ▶ Unmatched domestic franchise
- ▶ Enjoying the advantage of safe haven status
- ▶ Minimum level of price sensitivity

- ▶ Largest market share in TL and total deposits
- ▶ Second and increasing market share in FX deposits
- ▶ Lowest cost of FX deposits among peers

Client assets under custody...

... has reached a remarkable total of USD 12.3 billion.

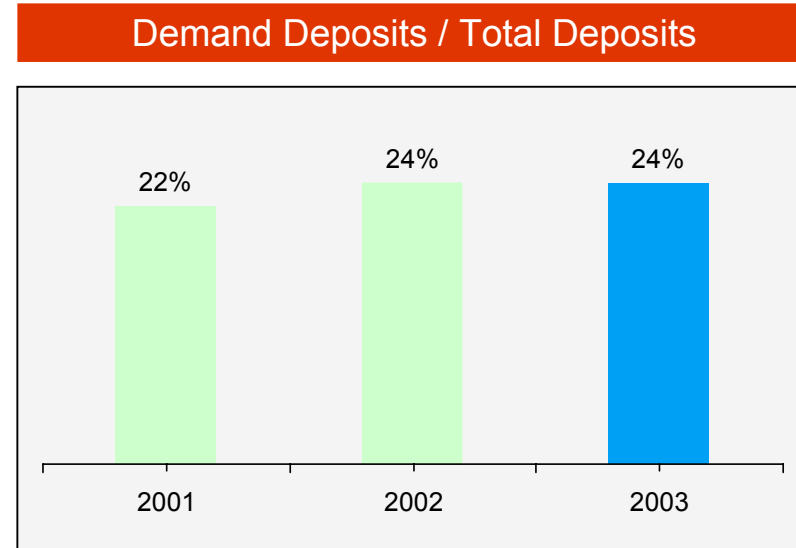
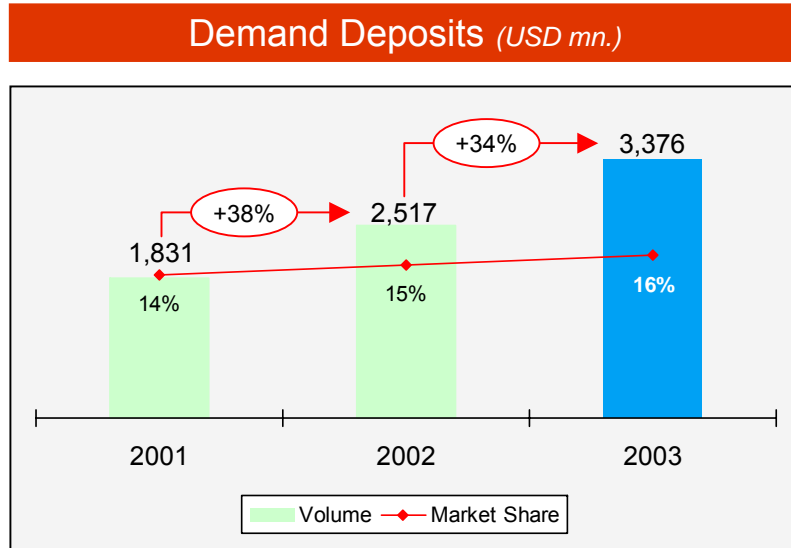


- ▶ Client assets in investment accounts almost tripled in two years.
- ▶ The growing amount of fixed income securities will create a potential for deposit growth with the fall of interest rates.

* Including the portfolio managed by Is Investment.

Demand deposits ...

... are the main contributor to lower cost of funding.

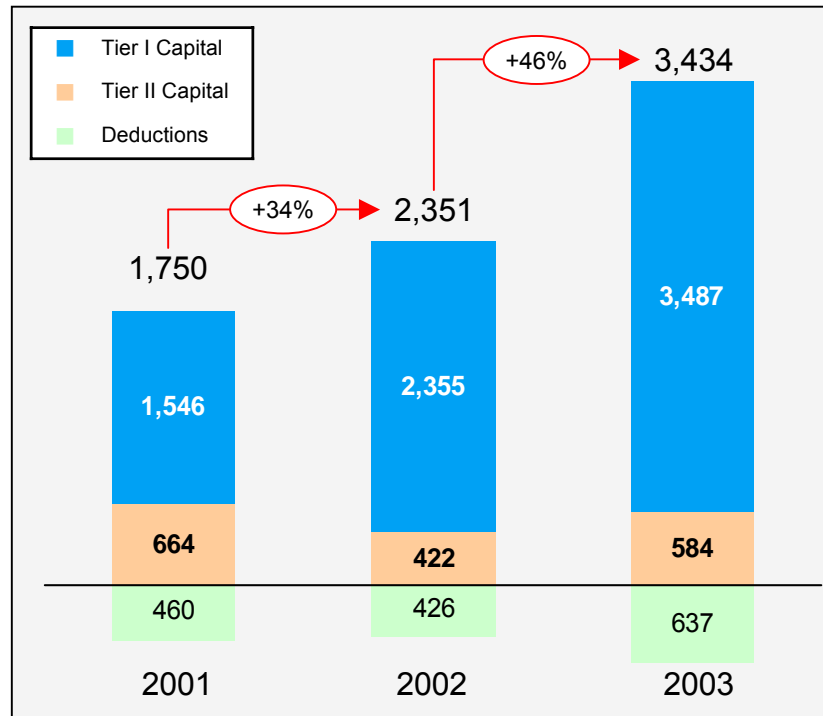


- ▶ Largest demand deposits market share among private sector banks
- ▶ 17 % of Interest Earning assets are funded by zero-cost demand deposits as at 31.12.2003.
- ▶ 19 % of Interest Bearing Liabilities are in the form of Demand Deposits

Sufficient capitalisation...

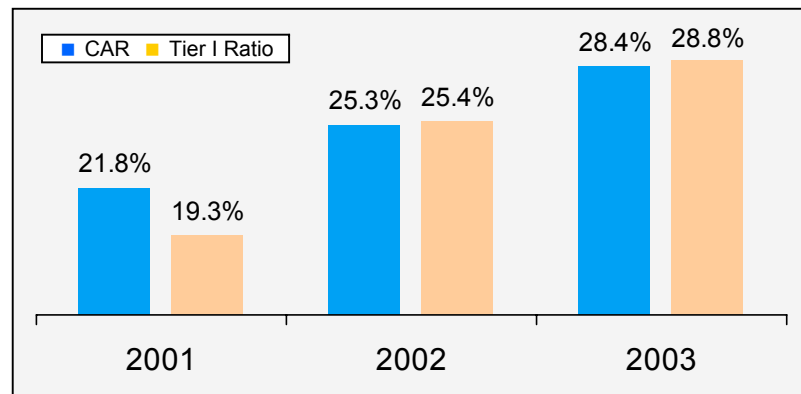
... and high CAR support balance sheet growth going forward.

Regulatory Capital (USD mn.)

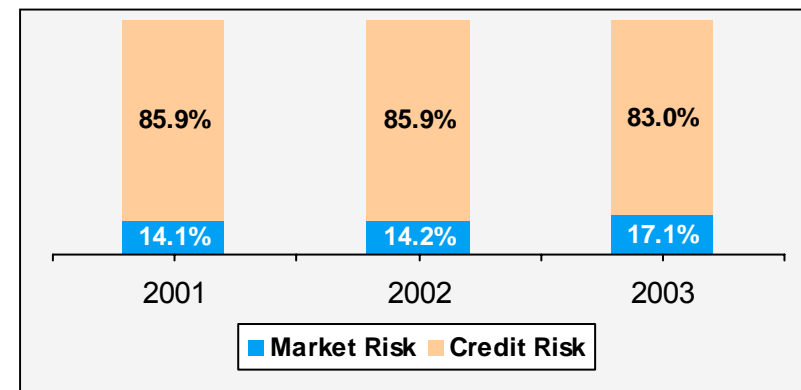


- ▶ Tier I capital makes up the bulk of capital base.
- ▶ High CAR allows further expansion of RWA.

Capital Adequacy



Risk Weighted Assets



Income statement highlights

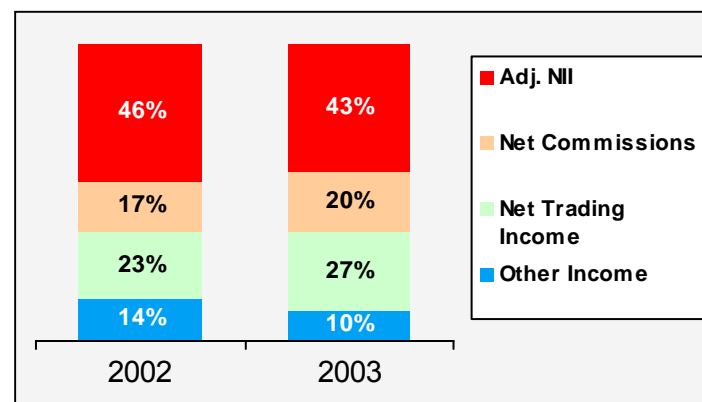
(USD mn.)	2002	2003	Change %
Adj. Net Interest Income ⁽¹⁾	430	754	75
Net Commissions	163	348	113
Net Trading Income	221	481	118
Other Operating Income ⁽²⁾	130	182	40
Net Banking Income	944	1,765	87
Personnel Expenses	325	446	37
Adm. Expenses	200	253	27
Other Op. Expenses	136	153	13
Operating Profit	283	913	223
Net Provision Charge ⁽³⁾	118	532	351
Net Monetary Gain/Loss	29	-77	-366
Net Profit	194	304	57

(1) Adjusted for FX Gains/Loss

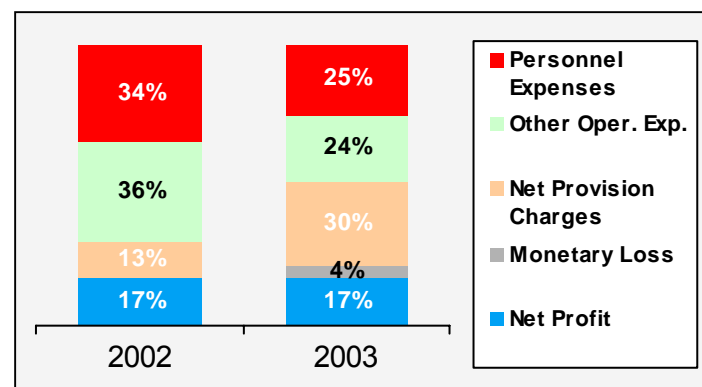
(2) Released Provisions are excluded.

(3) Provision Charges inc. Prov. for taxes - Released Provisions

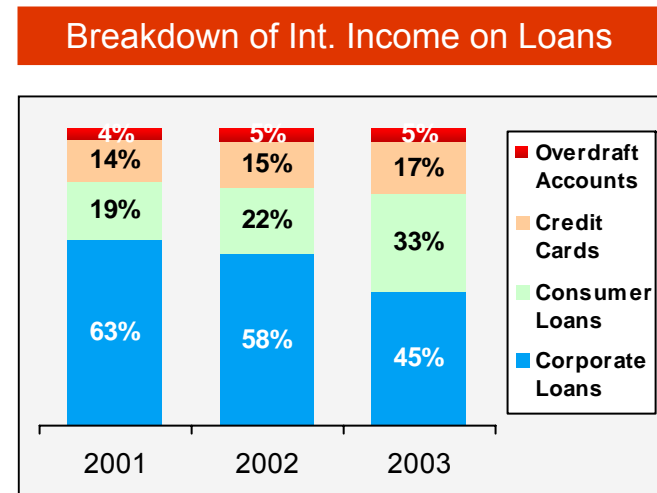
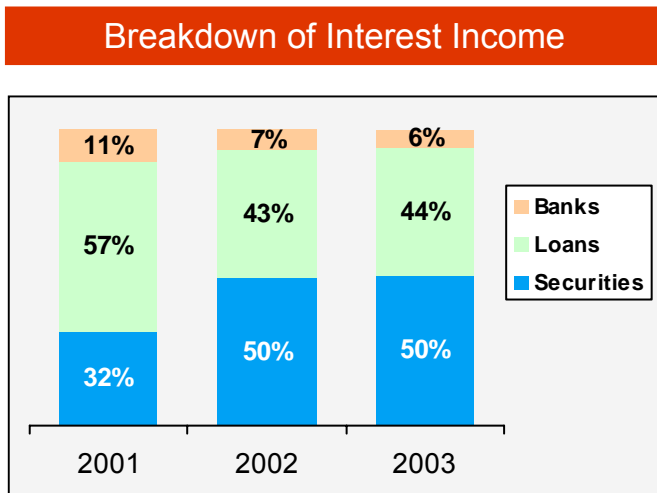
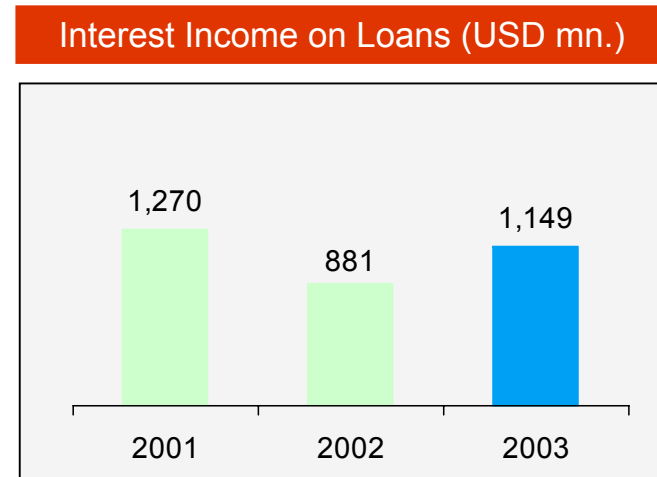
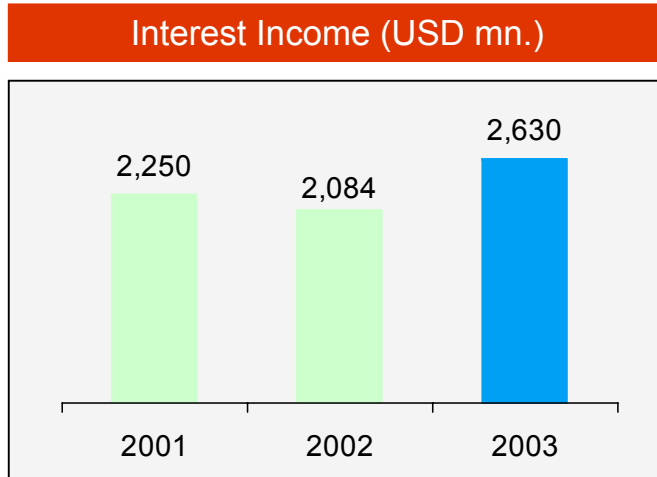
Income Composition



Allocation of Net Banking Income

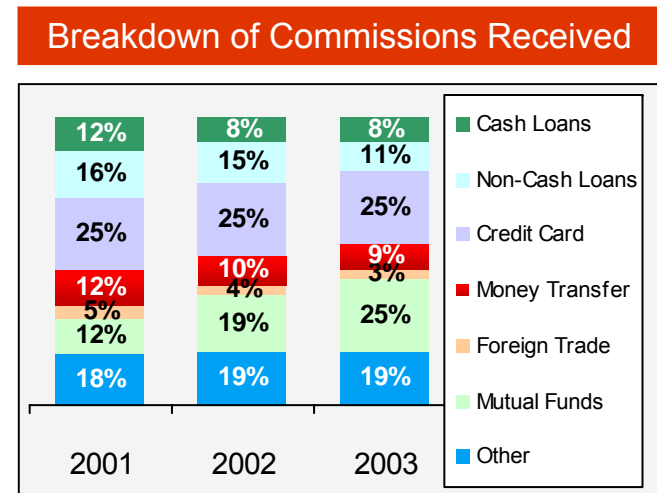
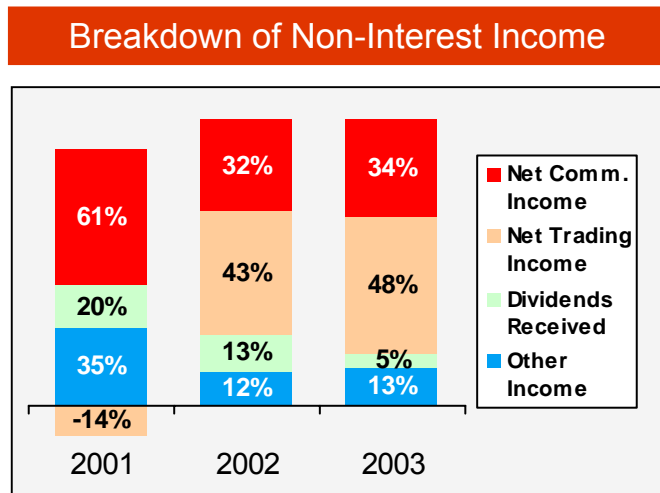
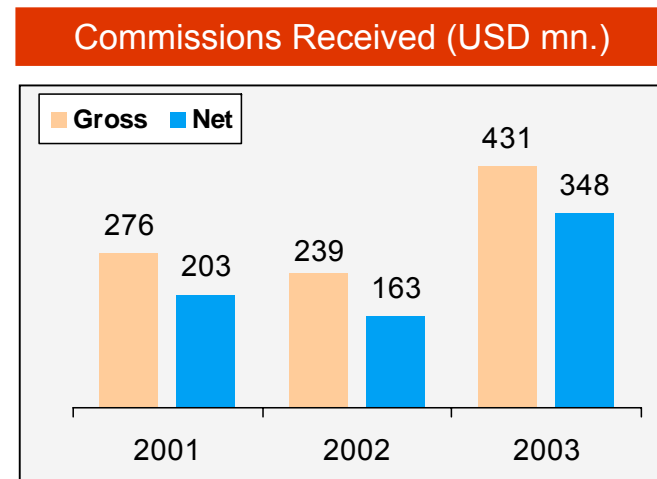
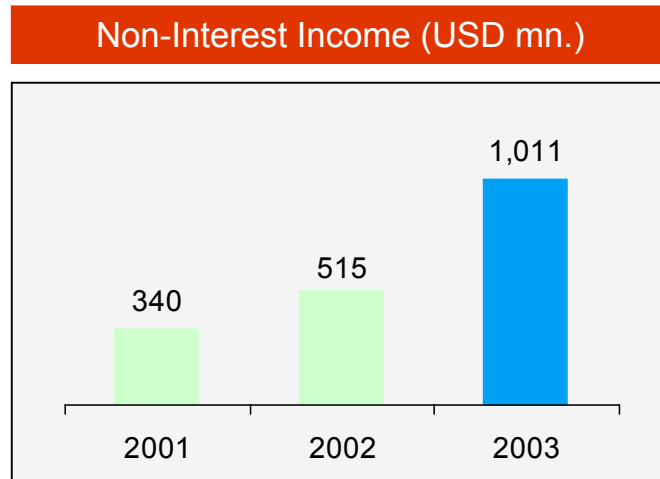


Breakdown of interest income



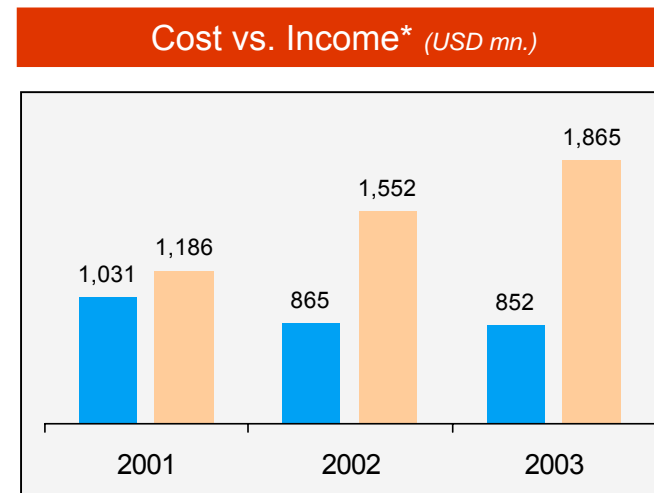
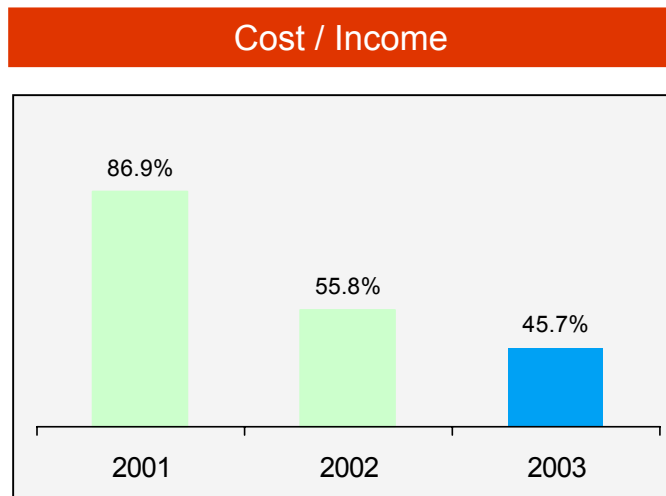
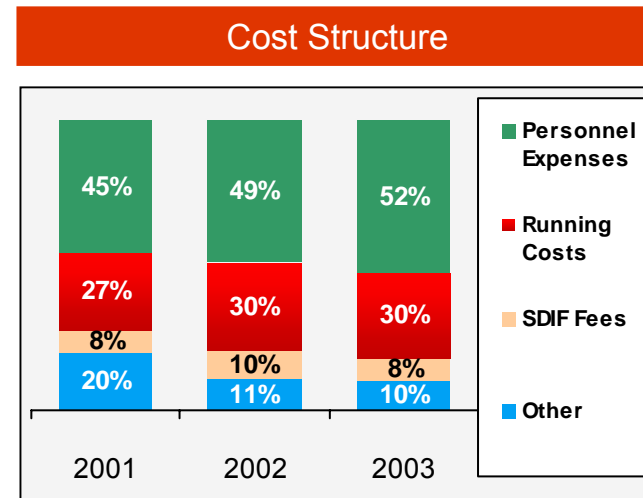
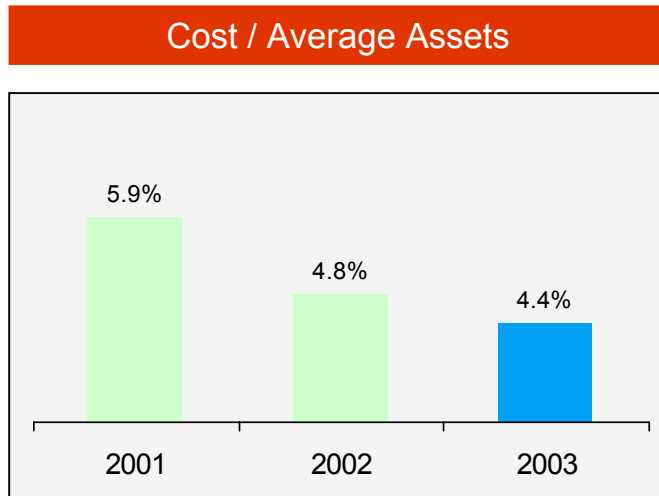
Robust non-interest income performance...

... supported by superior retail and corporate franchise.



Efficiency improvement...

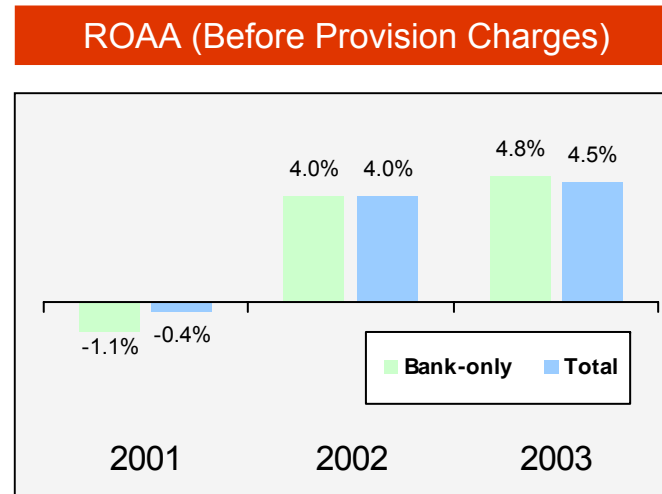
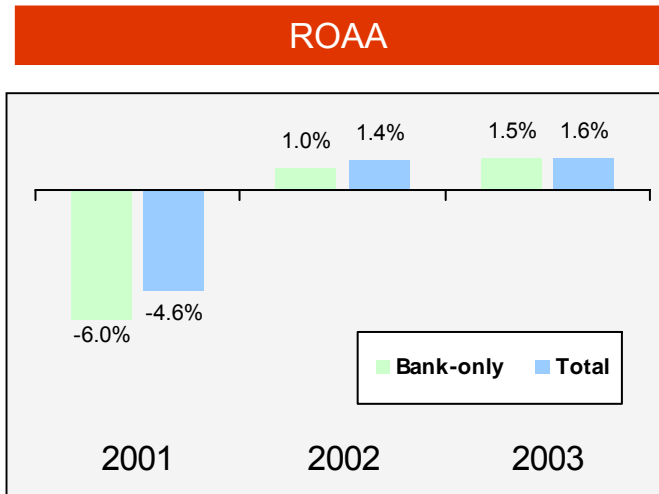
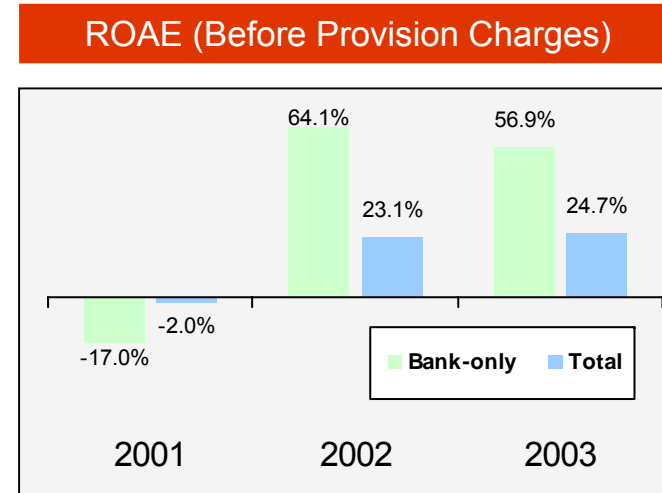
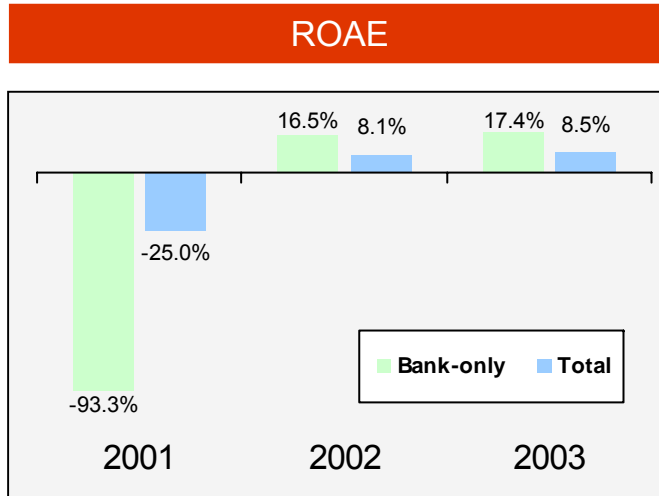
... as a result of effective cost management and increased profitability.



* Restated

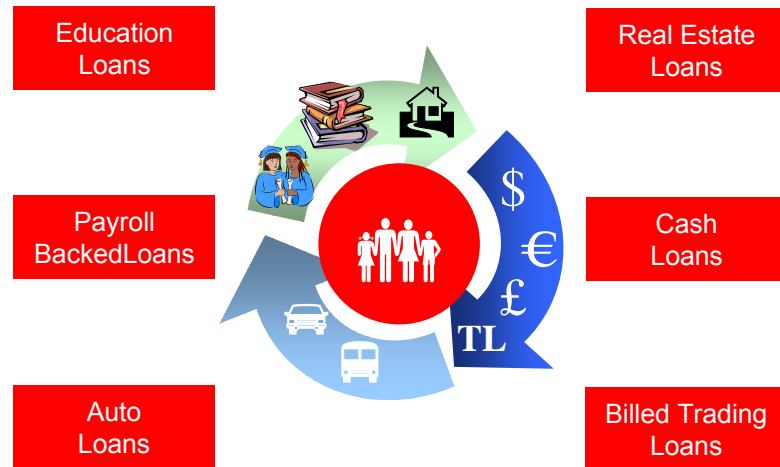
Higher profitability...

... reflected in improved ratios.



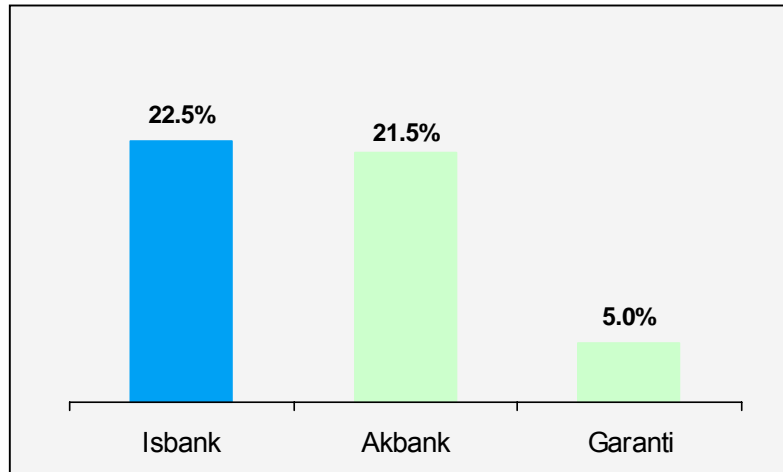
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Leading consumer lender

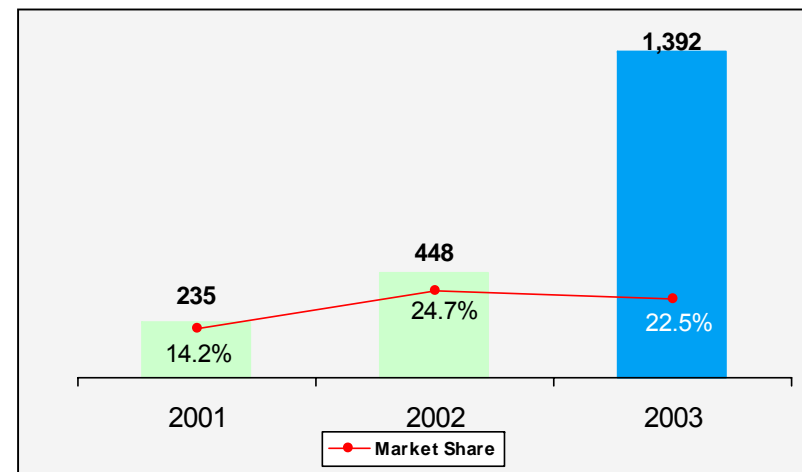


(USD mn.)	2002	2003	Change
Home Loans	33.8	93.8	177.5%
Cash Loans	154.5	392.5	154.0%
Auto Loans	260.1	905.7	248.2%
Total	448.4	1,392.0	210.4%

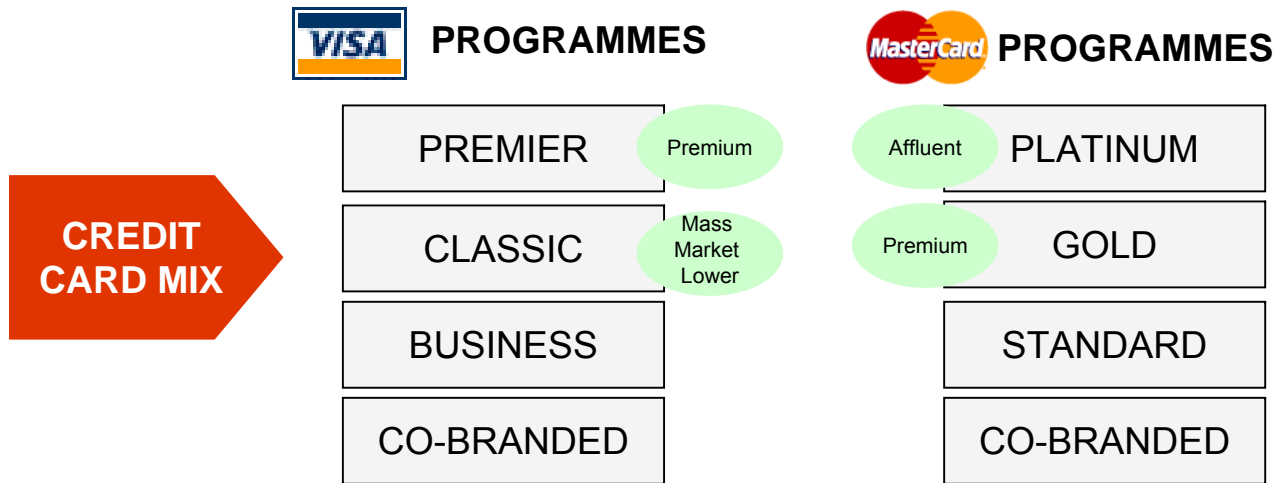
Peer Group Market Share (31.12.2003)



Balance of Consumer Loans (USD mn)



Wide range of credit cards

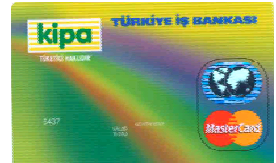


Affinity Cards



- ✓ 19 different Affinity Cards
- ✓ Targeting various customer segments
- ✓ Bearing a distinctive logo

Co-branded Cards



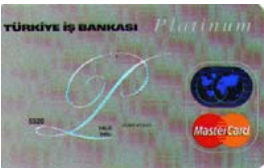
- ✓ With 3 Turkey-wide retail stores
- ✓ Interest-free instalments

Maximum Card



- ✓ A multi co-branded card
- ✓ Interest-free instalments
- ✓ Reward points by more than 19,577 merchant firms through 33,973 chains, called "Maxipuan"
- ✓ Immediate cash-back of "Maxipuan"

Platinum Card



- ✓ Targeting the most affluent customer segment whose monthly income exceeds \$3,600 net worth exceeds \$109,000

Among the top three in credit card business



Credit Cards

- ▶ 14 different products for different customer segments
- ▶ 12.3% market share in number of cards and 13.1% market share in transaction volume
- ▶ Low NPL ratio of 1.2% due to advanced Credit Scoring System
- ▶ High commission generating capability
- ▶ Significant contribution to fee income

(USD mn.)	2001	2002	Change	2003	Change
Issuing Volume	1,417	2,019	42%	3,716	84%
Issuing Volume Market Share	14%	13%	-	13%	-
Acquiring Volume	1,293	2,046	58%	3,482	70%
Acquiring Volume Market Share	14%	14%	-	14%	-
Balance	229	295	29%	560	90%
Number of Cards (000)	1,645	1,934	18%	2,447	27%

Capital market operations...

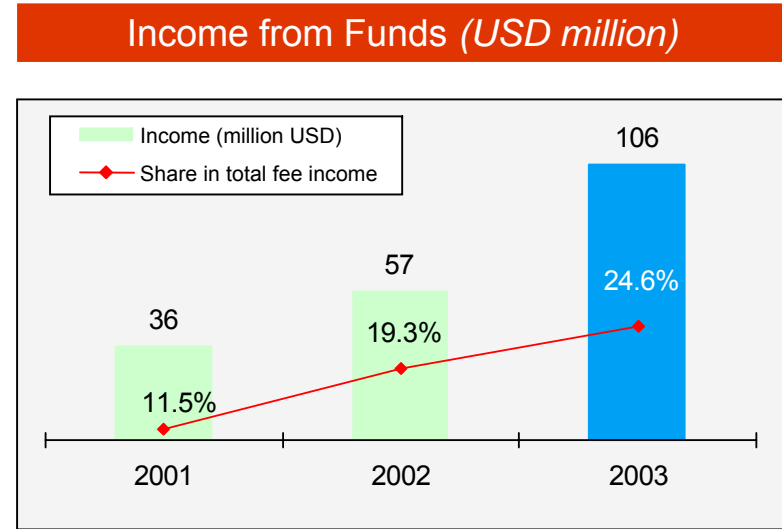
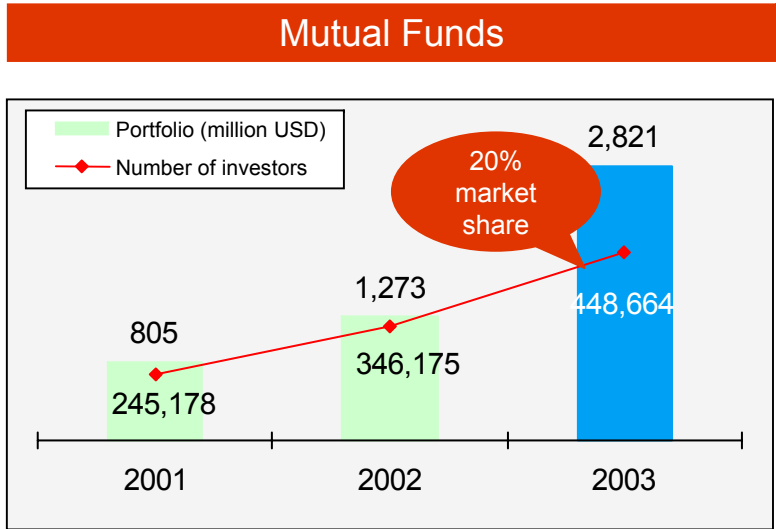
... another area Isbank dominates

	Market Share	Rank	USD bn.
Volume of Mutual Funds	20%	1st	2.8
Fixed Income Sec. Under Custody	16%	1st	6.5
Number of Equity Investor Accounts	37%	1st	409,223
Odd-lot Equity Trading in 2003	87%	1st	0.014
Stock Trading Volume in 2003 *	5%	1st	10.6

* *Is Investment*

First and largest mutual fund provider...

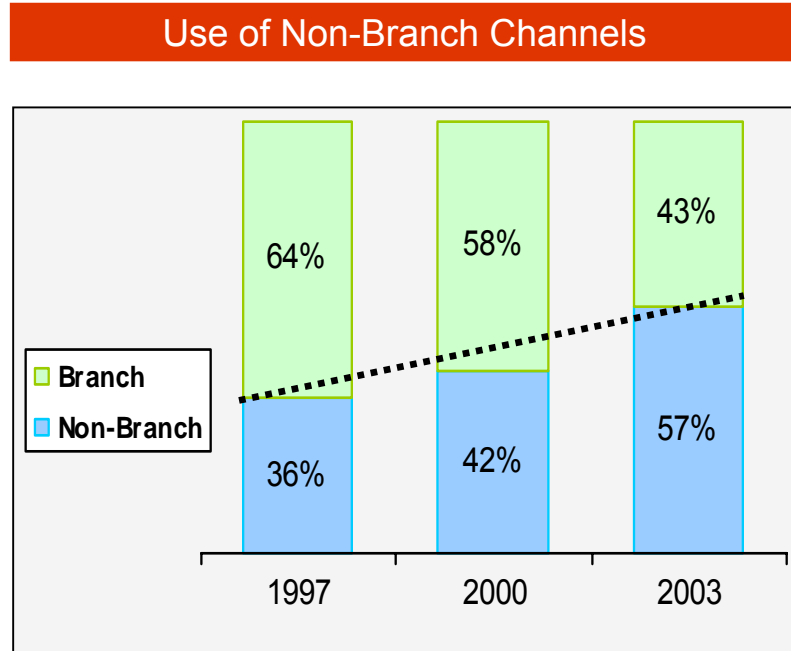
... 13 types of mutual funds designed for different risk appetites.



- ▶ Total trading income rose to USD 481 million in 2003, increasing by 118% from its 2002 level of USD 221 million.
- ▶ With 8 A type and 5 B type mutual funds and more than 400 thousand investors, Isbank is the most preferred bank in the sector.
- ▶ Contribution of mutual funds to fee income is steadily increasing.

Alternative distribution channels...

... are being used more efficiently.

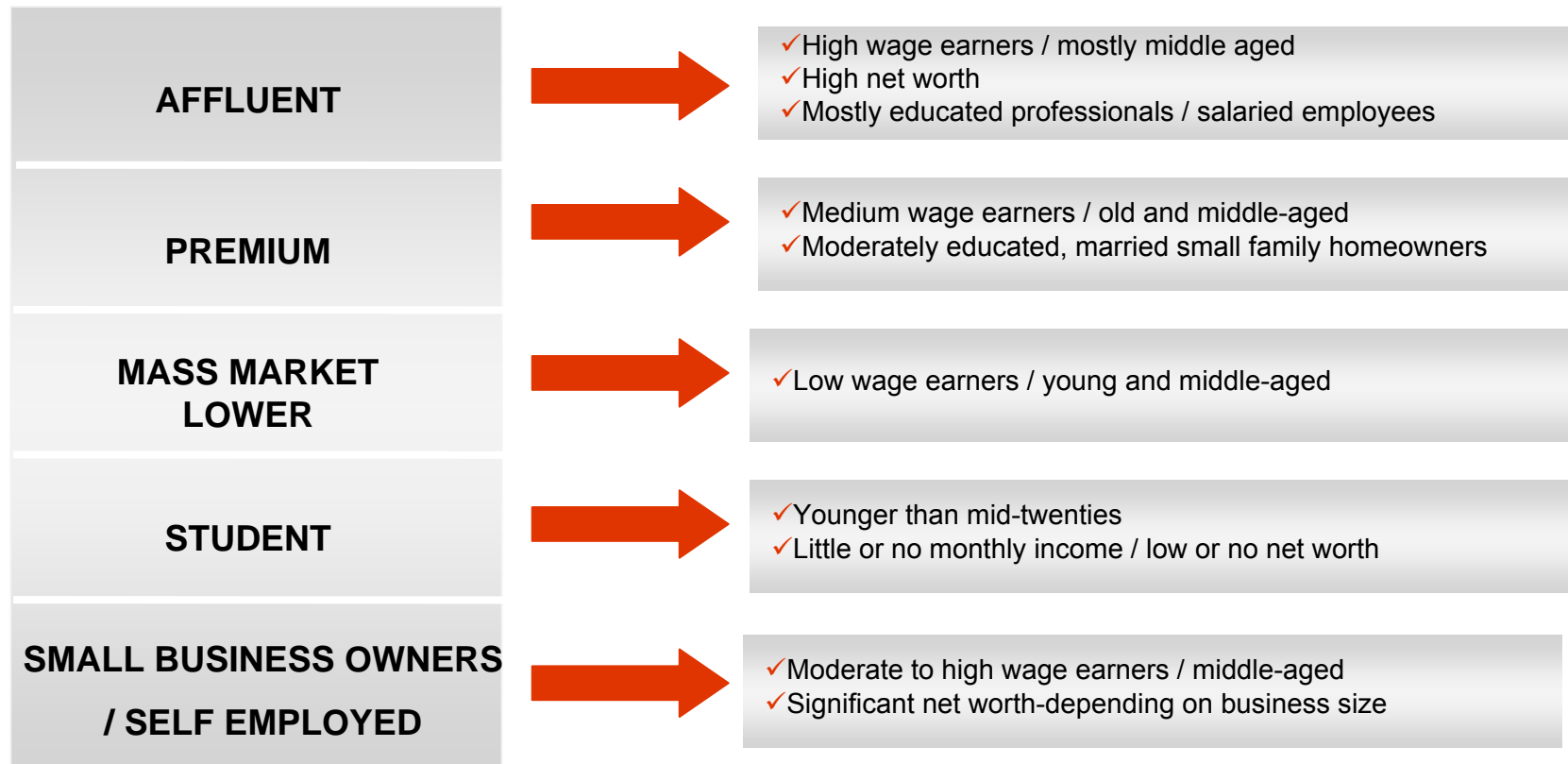


(%)	1997	2000	2003
ATM	28	29	23
POS	5	6	20
Internet	1	5	10
Telephone	2	2	2
Kiosk	-	-	1
Call Center	-	-	1

- ✓ The share of non-branch channels in total transactions has reached 57%, increasing more than 20 points in 6 years.
- ✓ The fastest growing channel is internet: the share of internet transactions has increased from 0.1% in 1997 to 10% in 2003.
- ✓ Customers are encouraged to use low-cost non-branch channels.
- ✓ The use of alternative channels creates operational efficiency, allowing the bank to focus on marketing activities.

Customer segmentation...

... aims at providing customized and top quality services and products.

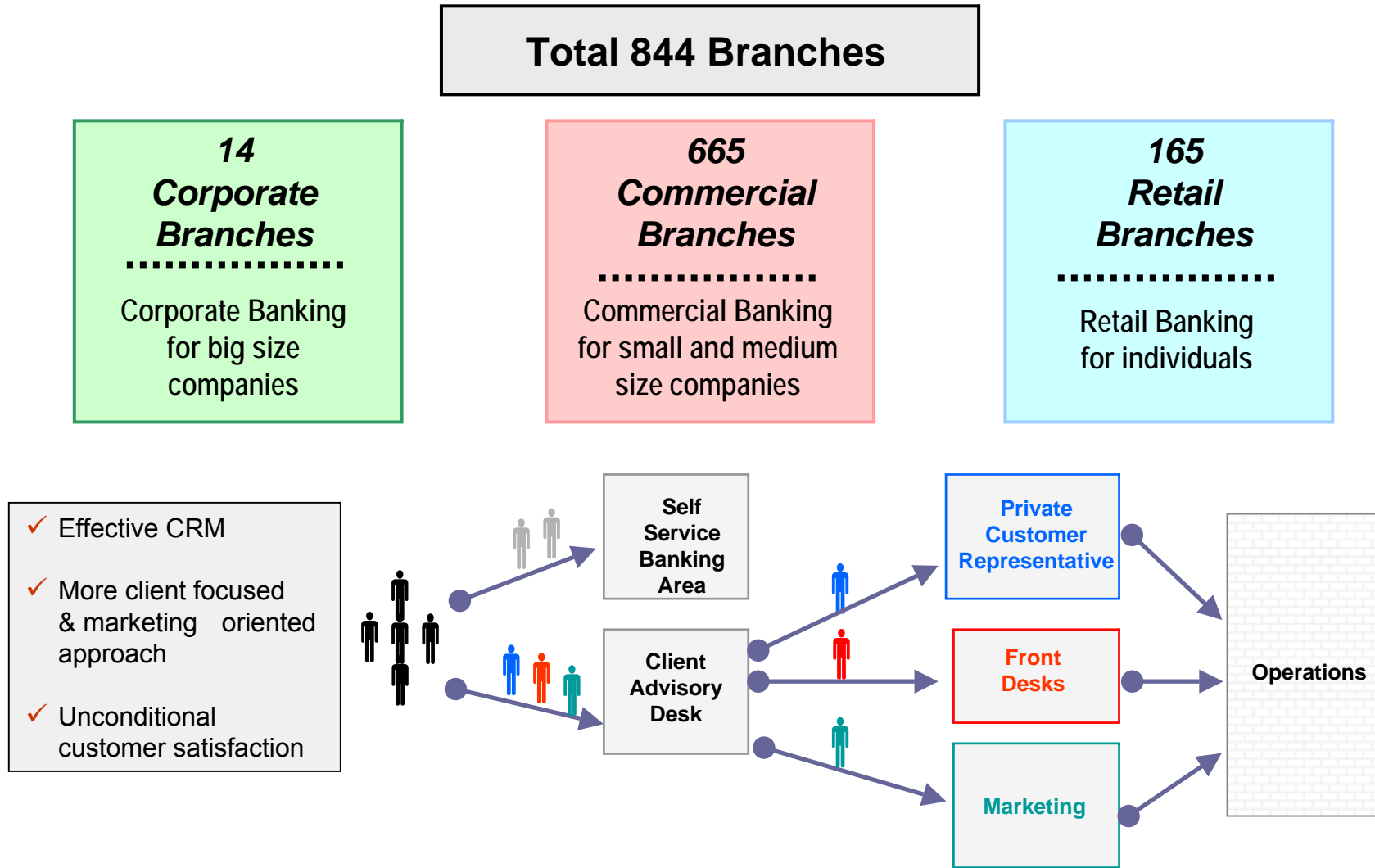


Segmentation allows better evaluation of customer needs and development of different products for different customer segments. İşbank has specially customized product packages for youngsters, students, affluent customers, etc.

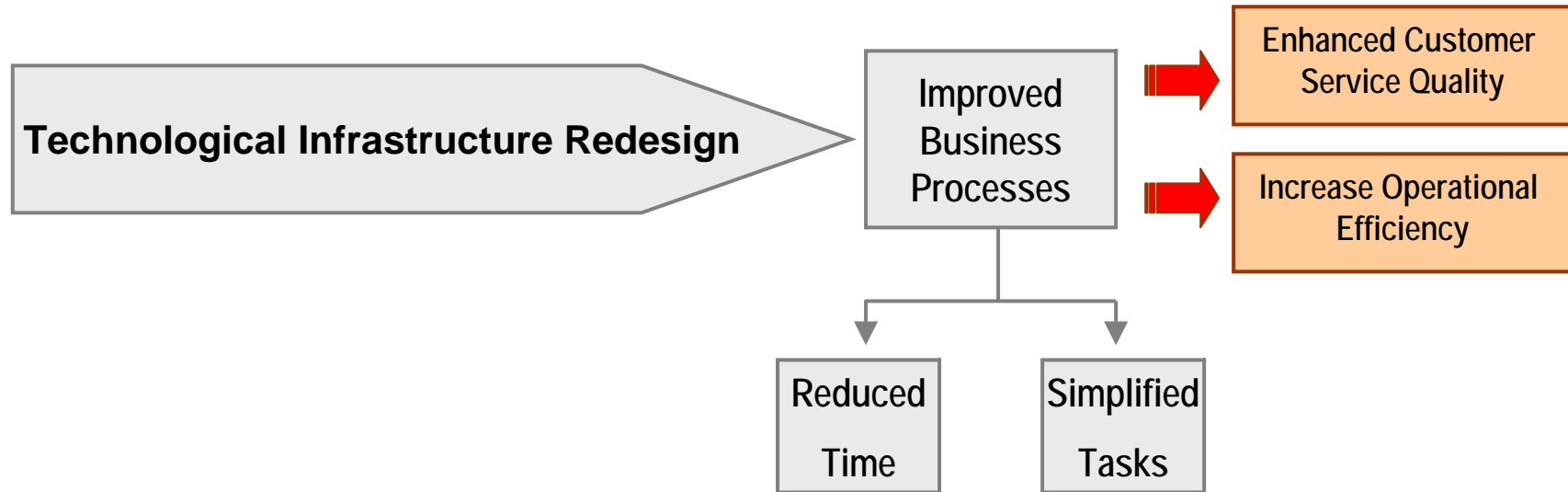
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Redesigned branches

Prototype, client and marketing focused branch network.



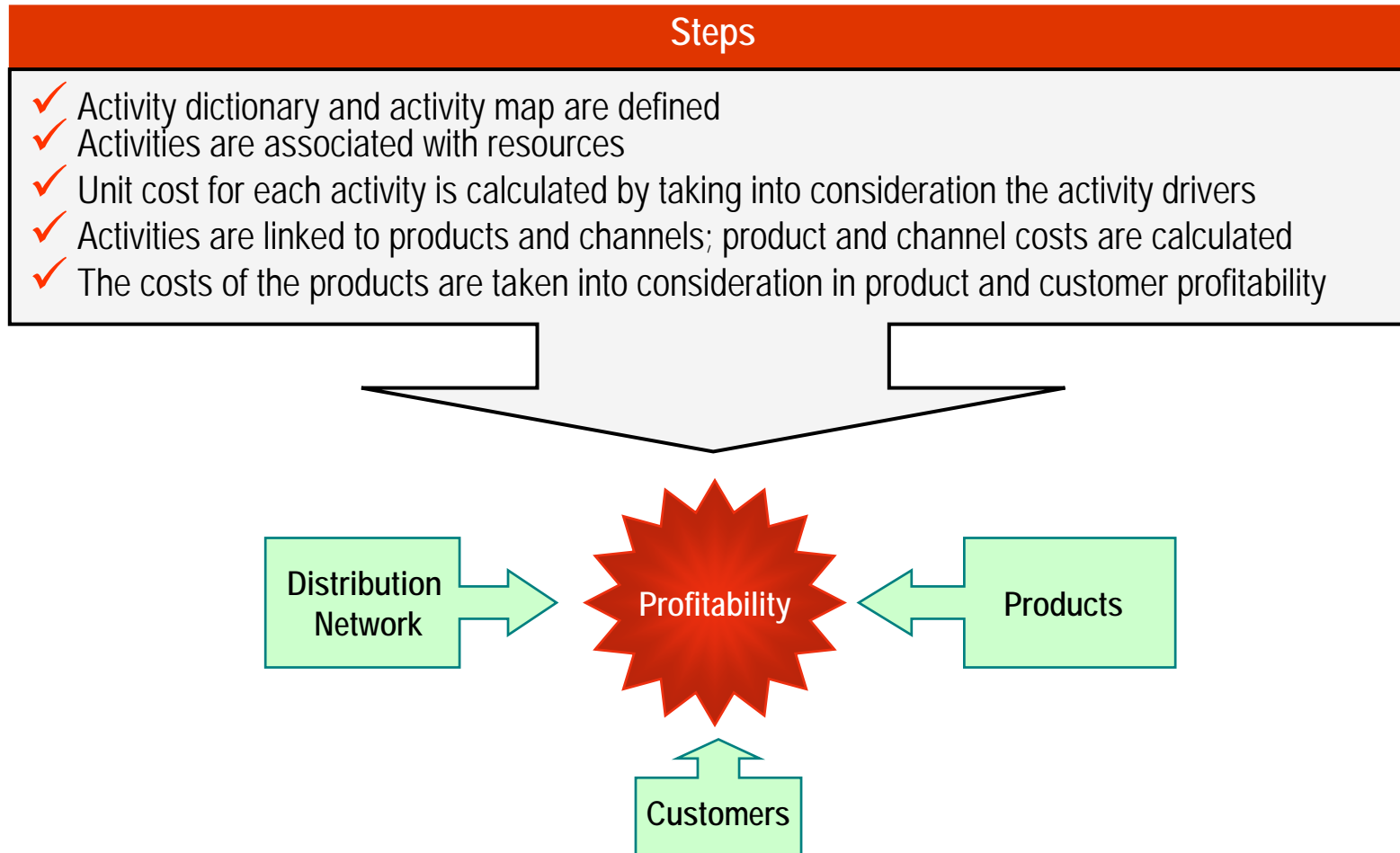
TAP – Technological Advance Project



- ✓ 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.

Activity Based Management Program

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








Restructuring of "Isbank Group"

Financial Participations

		Banks	5
		Insurance	4
		Other	7

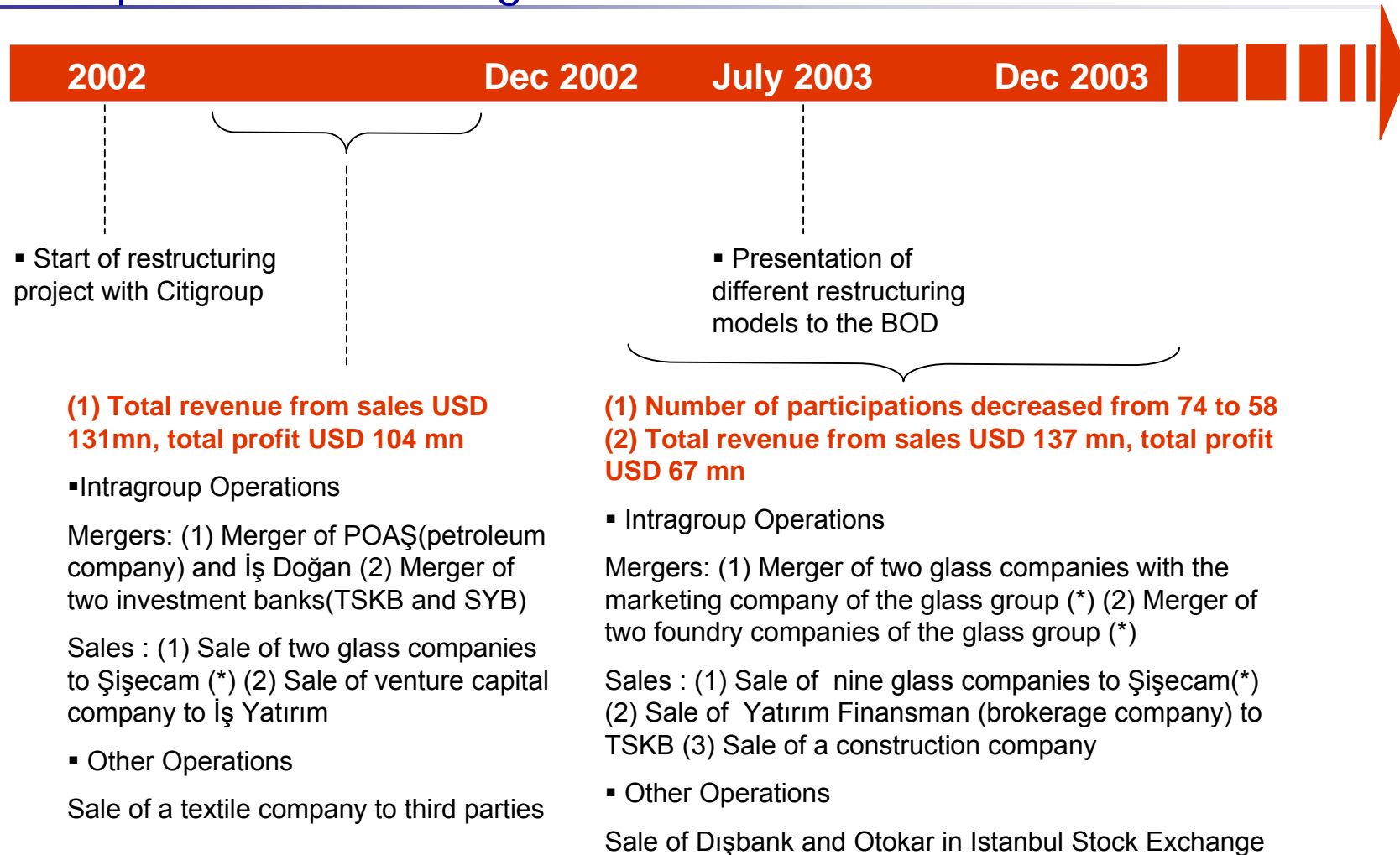
Non-financial Participations

		Glass	4
		Oil and Gas	2
		Telecom	4
		Other	32

Principal goal of restructuring efforts is to split the group into separate financial and non-financial divisions through mergers, divestitures, sales and to focus on glass, telecommunications, energy and financial services sectors which are considered as strategic areas. As a result of the restructuring project the bank will

- ▶ facilitate its adaptation to the new regulatory environment,
- ▶ increase efficiency and competitive advantage by focusing on core activities,
- ▶ attain a more simple and transparent corporate structure,
- ▶ increase return on equity and create additional value for shareholders.

First steps in restructuring



* As a part of the plan to simplify group structure, all glass companies are gathered under the glass holding company Şişecam.