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Research

Turkiye Is Bankasi A.S.

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CREDIT RATING

B+/Positive/B

Outstanding Rating(s)

Counterparty Credit	B+/Positive/B
Certificate of deposit	B+/B

Credit Rating History

Oct. 21, 2003	B+/B
July 28, 2003	B/B
Apr. 17, 2001	B-/C
Feb. 23, 2001	B/C
Sept. 7, 2000	B+/B

Sovereign Rating

	Local Currency	Foreign Currency
Turkey (Republic of)	BB-/Positive/B	B+/Positive/B

Related Entities

Milli Reasurans T.A.S.

Counterparty Credit	
Local currency	B-pi

Major Rating Factors

Strengths:

- Very strong business franchise in Turkey;
- A wide customer deposit base; and
- Adequate liquidity profile and recovering profitability and capitalization.

Weaknesses:

- Vulnerabilities remain in the banking environment, linked in particular to sovereign creditworthiness;
- Large holdings of nonfinancial equity investments deplete capitalization despite being among the best-capitalized banks in Turkey; and
- Asset quality has improved significantly, but remains vulnerable to systemic shocks.

Rationale

The ratings on Turkey-based *Turkiye Is Bankasi A.S. (Isbank)* balance the high-risk banking and economic environment in the Republic of Turkey with the bank's leading commercial position and adequate liquidity profile. The 2001 crisis, however, which was characterized by high interest rates and severe economic problems, has put pressure on the bank's asset quality and capitalization.

With total unconsolidated assets--adjusted for inflation according to local accounting standards--of Turkish lira (TRL) 31.1 quadrillion (\$21.8 billion at TRL1.423 million to \$1) at Dec. 31, 2003, Isbank operates the second-largest branch network in Turkey. It has 837 domestic outlets and maintains a leading position in retail and corporate banking.

The bank holds a large equity portfolio, with a book value of more than \$2.2 billion at Dec. 31, 2003. The fall of the Istanbul stock exchange, after the lira devaluation in February 2001, dramatically reduced the bank's unrealized gains on the listed participations portfolio, although prices have now recovered significantly.

Isbank is a private bank with an unusual shareholding structure comprised of its pension fund (43.5%), the Republican People's Party (CHP; a political party; 28.1%), and private investors (28.4%). Unlike the other shareholders, the CHP does not receive dividends, having only voting rights. The financial profile of Turkish banks, including Isbank, deteriorated dramatically in 2001, with the rise in interest rates and devaluation of the Turkish lira. After taking the full brunt of the crisis in 2001, revenues began to recover. Net profit for 2003 reached TRL423 trillion according to Banking Regulation and Supervision Agency (BRSA) standards, compared with TRL354 trillion profit in the same period in 2002. The growth was even stronger, before the extraordinarily high provisioning costs and monetary position expense.

The bank's asset quality dramatically deteriorated following the crisis, as reflected in its ratio of gross nonperforming loans (NPLs) to total loans of about 26% at year-end 2001 (up from 5% in 2000). This was a direct consequence of the difficult economic situation in Turkey and high interest rates during this period. The ratio of NPLs to total loans had declined to 11.8% at year-end 2003, and economic recovery and workout on bad loans should translate into further improvements in the near term. The bank's NPLs coverage ratio also improved to 100% at the end of 2003 from 28% at year-end 2001, and is much higher (more than 150%) if collateral is taken into account.

Isbank's capital ratios are adequate. The adjusted common equity-to-assets ratio fell to 13.3% at Dec. 31, 2001, compared with 18.4% at Dec. 31, 2000, but had recovered somewhat to 15.3% by year-end 2002. The large holdings of nonfinancial equity investments constrain the bank's capitalization, however. The bank is addressing this issue by a restructuring and consolidation process of its participations, which started in 2002.

Outlook

The positive outlook reflects that on the Republic of Turkey, as well as the bank's improving financial profile. If positive and sustainable economic developments continue, good opportunities for growth will be created for leading Turkish financial institutions, including Isbank. Conversely, if confidence deteriorates, the bank will have to operate in a difficult and volatile financial environment with limited lending opportunities, making progress on asset quality and profitability much more uncertain.

Profile

Isbank was founded in 1924 at the initiative of Mustafa Kemal Atatürk, the founder of modern Turkey, who wanted to develop the banking industry to provide resources for the industrial sector. The bank has evolved into a universal bank engaging in retail banking, corporate banking, capital market operations, and equity participations. It is the country's largest private bank in terms of total assets, deposits and shareholders' equity. Over the years, Isbank has worked on reducing its overhead expenses and has reduced the number of its employees. At year-end 2003, the bank had 15,550 employees, down from more than 20,000 in 1989. Its domestic network of 837 outlets represents the second-largest network in the sector. In addition, Isbank has the largest ATM distribution capacity in the country (2,448 at year-end 2003).

Isbank, like its private peers, has evolved into a modern institution that compares relatively well with banks in other emerging markets around the world in terms of quality of operations and IT systems. Its interactive banking services allow customers to execute a wide range of transactions through ATMs, by phone, or over

the Internet. Isbank has payroll agreements with 12,933 organizations (covering around 1.1 million employees). In total, the bank has more than 13 million individual deposit accounts. To retain a leading position in retail banking, a customer-focused and market-oriented corporate culture was established within the bank.

Table 1 Isbank Distribution Channels (1997-2002)							
	2003	2002	2001	2000	1999	1998	1997
Branches	844	839	841	851	851	838	823
ATMs	2,448	2,385	2,279	2,175	1,887	1,575	1,216
Points of sale	114,797	80,476	63,861	53,477	33,923	15,032	5,948

The bank holds a prominent position in the debit and credit card business. It had issued about 2.4 million credit cards at year-end 2003, representing 12.3% of the total Turkish credit-card market (it is the third-largest issuer in terms of number and turnover volume).

Isbank has a relatively limited presence outside of Turkey. Its largest asset abroad is its fully owned bank subsidiary in Germany (Isbank GmbH). Isbank GmbH has 16 branches in Europe and is mainly active in the trade finance and retail businesses. Isbank also has a branch in London, five branches in Turkish-controlled northern Cyprus, a financial services subsidiary in Dublin, and an offshore branch in Bahrain. Isbank is particularly active in foreign-trade finance. In 2002, its total international trade volume was close to \$10 billion, representing a market share of 9%.

Its historic mission to support industrial development in Turkey means that the bank has significant shareholdings, despite moves to reduce their number in the past decade. The bank's equity participations portfolio consists of major companies operating principally in the financial, insurance, energy, telecommunications, petroleum distribution, iron and steel, and glass sectors. Isbank's equity investments include Petrol Ofisi (the largest petroleum products distribution company in Turkey), and the third-largest GSM operator in Turkey (Is-Tim Telekomunikasyon Hizmetleri, which merged with Aycell, the fourth-largest GSM operator). Isbank remains the leading shareholder in the insurance sector (with participations in Anadolu Hayat Emeklilik and Anadolu Sigorta). The bank's largest nonfinancial equity participation is its 66.1% share in Türkiye Sise ve Cam Fabrikalari (Sisecam), one of the largest industrial groups in Turkey. The group is the third-largest producer of household glass products in the world. With the help of foreign advisors, Isbank has embarked on a program to restructure these equity holdings. Under this program, the merger of subsidiaries operating in similar businesses and the sale of nonstrategic subsidiaries are underway. As a result, the number of subsidiaries decreased to 58 at year-end 2003, down from the previous year's total of 74.

Ownership and Legal Status

Isbank is a private bank with an unusual shareholding structure. At Dec. 31, 2003, it continued to be owned by its own pension fund (43.5%), the CHP political party (28.1%), and by private individuals and institutional investors (28.4%). Isbank shares are listed on the ISE (Istanbul Stock Exchange) and are traded on the LSE (London Stock Exchange) in the form of GDRs. The sole purpose of the bank's pension fund is to distribute retirement payments to former employees (of which there are about 19,000). The CHP is the only opposition party to the current ruling party and has no influence over Isbank. Unlike the other shareholders, it does not receive dividends for its participation in Isbank.

The bank's board of directors consists of 11 members, including six representatives of the bank's pension fund and four representatives of the CHP. The bank is closely linked to its pension fund, for example, Ersin Özince, the bank's chief executive and general manager, is also chairman of the bank's pension fund. In addition, two of the seven board members of the pension fund are directors of Isbank.

Strategy

Management of Isbank believes that the bank needs to continue to build on its main strength, namely its strong domestic franchise and solid reputation within Turkey. Standard & Poor's considers that when economic development and modernization in Turkey pick up, they will create enormous growth opportunities for leading Turkish financial institutions. Generally, there is a low level of market penetration with regard to many retail-banking services, but several developments point to potential expansion. Isbank is well positioned

to benefit from the economic recovery in Turkey, having one of the largest lending franchise. It held 12.9% market share of loans and 22.5% share of consumer loans at year-end 2003 (demonstrating good asset quality, with NPLs of only 0.5% for Isbank at year-end 2003).

One of Isbank's historical weaknesses is its lower operating efficiency. In the past decade, the bank has focused on cutting its operating expenses by reducing its staff and branch network. The bank's efficiency ratios have improved during the past decade, but continue to compare poorly with the most efficient banks in Turkey. Isbank has launched an activity-based costing project with an external consultant to reduce costs and enhance efficiency. As the bank has already made significant investment into its distribution channels, efficiency is expected to improve in coming years.

Asset Quality

At Dec. 31, 2003, Isbank's balance sheet consisted primarily of government securities (39.2% of total assets), loans (27.6%), and cash and bank dues, plus reserve deposits with the central bank (6.4%). As a result of its strong reputation in Turkey and its large branch network, Isbank has a large base of corporate clients. About 400 of the 500 largest corporations in Turkey are regular customers.

About one-third of the bank's commercial loan portfolio is pre-export financing granted to Turkish exporters. Credit risk stemming from intragroup lending was stable and represented about 11.5% of the bank's total lending at year-end 2003. According to the regulations, related-party lending is currently limited to 45% of the bank's capital and is due to reduce to 25% by 2006. Geographically, the loan portfolio is concentrated in the Istanbul and Ankara regions. The bank's share of short-term loans has been shrinking, with 39% of the loan portfolio having a maturity of more than one year at year-end 2003, compared with less than 35% at year-end 2002. The majority of the bank's portfolio is foreign-currency denominated (primarily in U.S. dollars and euros), although this reduced to 56% at Dec. 31, 2003, from 74% at year-end 2002.

The bank was aggressive in developing its retail loans (consumer loans, credit cards, overdrafts) in 2003, which represented a growing 34% of the total portfolio at Dec. 31, 2003 (20% at year-end 2002). With the recent revival of car sales in Turkey, the share of vehicle loans (collateralized by pledges on the purchased vehicles) increased, representing 65% of consumer loans. A further 28% were cash advances.

Isbank's loan approval system is centralized to a large extent, although branches have a certain degree of authority to approve loans. Prior to extending credit, each loan application is assessed initially at the branch level. The credit departments review all the largest credits. Decisions are also based, in the case of corporate borrowers, on industry sector reports and economic analyses prepared by other departments at the head office. Management regularly monitors the overall quality of the loan portfolio through the branches and their corporate loans, commercial loans, consumer loans, and credit card departments. Another department is in charge of the bank's problematic loans. Loan officers periodically visit clients, and the internal audit department regularly visits branches to prepare reports about loan portfolios. The credit information and financial analysis department also prepares financial analyses on a yearly basis using published financial statements.

The bank's overdue loans (categorized as 'Substandard', 'Doubtful', and 'Loss') reduced substantially to 11.8% of loans at Dec. 31, 2003, after peaking at more than 26% in 2001. It is realistic to expect it to shrink to less than 10% by year-end 2004. Rescheduled loans were negligible. The deterioration of the bank's asset quality in 2001 was mainly the consequence of the economic downturn in Turkey. The level of the bank's NPLs compares unfavorably with that of its direct private peers, but favorably with the sector average. To gain further insight into Isbank's troubled assets, it is necessary to take into account properties repossessed as settlement for bad loans. Including this real estate portfolio, gross nonperforming assets totaled 16.8% of gross total loans at the third quarter of 2003. The coverage ratio of NPLs by specific provisions stood at 100% at year-end 2003, compared with 40.3% at year-end 2001 (87.6% at year-end 2000). The coverage ratio rises to over 150% when collateral is taken into account, however.

In addition to the loan book, the other main source of risk in Isbank's balance sheet is its equity participations portfolio. As previously mentioned, the bank's equity portfolio is the largest in the Turkish financial system. It represented 10.1% of total assets and 55.8% of shareholders' equity at year-end 2003. In addition to the banking and insurance sectors, the glass industry was prevalent among Isbank's holdings. The bank's long-term strategy is to reduce gradually the number of companies in which it invests, to focus on its most important investments. It will also increase the free float of some of its majority-owned listed companies. Isbank's listed equity participations are included in Table 2 below.

Table 2 Isbank's Listed Equity Participations at Dec. 31, 2003		
Company	Industry	% Ownership
Turkiye SiseCam	Holding company of the glass group	66.1
Is Gayrimenkul	Real estate investment company	66.3
Izmir Demir Celik	Metallurgy	54.7
TSKB	Investment banking	40.5
Anadolu Hayat Emeklik	Life and private pension fund	62
Anadolu Sigorta	Insurance	35.5
Is Finansal Kiralama	Leasing	35.3
Petrol Ofisi	Petroleum distribution	39.3
Is Yatirim Ortakligi	Investment trust	10

The effective yield on Isbank's equity participations portfolio, before capital gains and financing costs, has been low recently. However, unrealized capital gains for the shares listed on the ISE have started to build up again in 2003, after dropping sharply in 2001 with the general decline in the stock market. The unrealized gains, for the most part, were concentrated in the bank's holdings in Sisecam group companies, insurance companies, and other financial companies. The bank has not disclosed a market valuation of its unlisted participations.

Profitability

Isbank's accounts for 2002 were audited according to IAS by Deloitte Touche Tohmatsu. References to figures for 2003 relate to inflation-adjusted BRSA accounts. Standard & Poor's financial analysis is based on Isbank's unconsolidated inflation-adjusted accounts (in accordance with IAS 29). Consolidated accounts do not permit a satisfactory analysis, as they fully consolidate banking, insurance, and industrial companies. Lower income at the group level reflects losses in manufacturing and other service sectors, except insurance and finance.

Isbank posted a profit of TRL418 trillion (\$250 million) in 2002 following the previous year's losses of TRL370 trillion (about \$251 million). Revenues continued to recover in 2003 and the bank managed to make a profit of TRL423 trillion (\$297 million) for 2003.

Before the crises, the bank had been highly profitable, with an ROA (adjusted for inflation) of around 2.5% in the period 1997 to 2000, as it benefited from wide net interest margins and a favorable trading environment. The bank has benefited from the high real interest rate in Turkey during the past decade. While these exceptional macroeconomic conditions implied major risk for the bank, they also offered opportunities for significant profits. Thus, a significant share of the bank's profits came from its treasury business.

Net interest income was down in 2002, although after provisions, it increased to TL785 trillion. Noninterest income exceeded net interest revenues in 2002 as the net interest spread shrunk to 7.7% in 2002 from 12.4% in 2000. This was mainly composed of released provisions, fee and commission income, and securities trading income.

Fees and commissions were the highest among Turkish banks in 2003, reflecting the bank's high involvement in core banking business and strong position in retail banking. However, they remain low by international standards, representing less than 13% of total revenues in 2002 (17.3% in 2003). Isbank expects fees and commissions to increase rapidly in the next few years. While some progress has been made in terms of efficiency, operating expenses remain high. Considering the high costs that the bank incurs to support its extensive infrastructure and staff, efficiency is acceptable (apart from the exceptional position in 2001), with a cost-to-income ratio of less than 53% in 2002.

Asset-Liability Management

Customer deposits represent the main source of Isbank's funding and have increased substantially in recent years due to a flight to quality. Isbank's market share in total deposits grew from 6.8% in 2000 to 12.5% at Dec. 31, 2003. The bank's nationwide branch network provides it with a wide deposit base. Total customer deposits (corporates and individuals, but excluding banks) stood at \$13.7 billion at Dec. 31, 2003, and funded almost 63% of the bank's total assets. About 56% of these were denominated in foreign currencies

(mainly U.S. dollars and euros). Demand deposits constituted 24% of total deposits. These pay a much lower interest rate than time deposits and represent a major strength for the bank's profitability and liquidity. After the 1994 monetary crisis, Isbank started to increase its borrowings from abroad. Since then, the bank has been able to secure several syndicated loans. Isbank obtained two one-year syndicated loans of \$225 and \$300 million in 2003. It also completed a securitization of \$150 million in 2004.

Almost all customer deposits in Turkey are short term. As such, Isbank's asset-liability management is primarily focused on liquidity management and pricing issues. Thus, the bank's policy has been to maintain a high degree of balance-sheet liquidity. The trading and investment securities portfolio amounted to almost TRL12.2 quadrillion (\$8.6 billion) at Dec. 31, 2003. This portfolio is made up of lira and foreign exchange-denominated and foreign currency-indexed Turkish government bonds and treasury bills. This situation provides the bank with a high return, but creates a direct link with the government's ability to repay its own domestic debt.

The bank has an asset-liability committee (ALCO), which meets regularly to examine the bank's interest rate mismatch, foreign exchange open position, and liquidity position.

Capital

Isbank's capital ratios have improved after being adversely affected by the financial crisis in 2001. The regulatory capital adequacy ratio increased to 28% at Dec. 31, 2003, compared with 21.8% at Dec. 31, 2001. The ratio of total equity to total assets (according to BRSA accounts) was fairly stable at 18.0% at year-end 2003. They are considered adequate at the current rating level, although, when looking at these ratios, the large holdings of nonfinancial equity investments have to be taken into account. The bank has embarked on a restructuring project for its equity participations portfolio, together with an international consultancy firm, to increase the efficiency of the portfolio and enhance shareholder value.

While the bank distributes dividends, almost all shareholders reinvest this money in the bank (through the purchase of rights shares). Thus, the bank is able to retain almost all of its profits (with the exception of bonuses paid to employees).

Table 1 Balance Sheet Statistics

(Bil. TRL)	--Year ended Dec. 31--				Breakdown as a % of assets (adj.)			
	2002*	2001	2000	1999	2002*	2001	2000	1999
Assets								
Cash and money market instruments	3,267,204	4,337,127	3,717,324	3,594,679	13.87	19.83	16.35	19.72
Securities	7,731,957	5,545,130	5,558,038	3,759,005	32.82	25.36	24.44	20.62
Trading securities (marked to market)	1,023,506	3,530,636	5,558,038	0	4.34	16.15	24.44	0.00
Nontrading securities	6,708,451	2,014,494	0	3,759,005	28.48	9.21	0.00	20.62
Customer loans (gross)	8,219,955	7,913,181	8,133,967	5,662,266	34.89	36.19	35.77	31.06
All other loans	8,219,955	7,913,181	8,133,967	5,662,266	34.89	36.19	35.77	31.06
Loan loss reserves	671,894	818,989	354,146	403,530	2.85	3.75	1.56	2.21
Customer loans (net)	7,548,061	7,094,192	7,779,821	5,258,737	32.04	32.44	34.21	28.84
Earning assets	17,776,183	15,964,896	16,075,517	11,790,161	75.46	73.01	70.69	64.67
Equity interests/participations (nonfinancial)	2,183,125	1,996,906	2,717,304	1,129,339	9.27	9.13	11.95	6.19
Inv. in unconsolidated subsidiaries (financial co.)	639,424	832,558	539,644	802,113	2.71	3.81	2.37	4.40
Fixed assets	1,999,290	1,935,943	2,168,462	2,050,181	8.49	8.85	9.54	11.25
Accrued receivables	50,924	82,882	89,896	1,276,393	0.22	0.38	0.40	7.00
All other assets	137,078	43,309	171,597	360,771	0.58	0.20	0.75	1.98
Total reported assets	23,557,063	21,868,047	22,742,087	18,231,219	100.00	100.00	100.00	100.00
Adjusted assets	23,557,063	21,868,047	22,742,087	18,231,219	100.00	100.00	100.00	100.00
Breakdown as a % of liabilities + equity								
	2002*	2001	2000	1999	2002*	2001	2000	1999
Liabilities								
Total deposits	16,906,339	15,227,800	12,046,674	9,639,574	71.77	69.63	52.97	52.87
Noncore deposits	316,984	488,216	522,194	385,113	1.35	2.23	2.30	2.11
Core/customer deposits	16,589,355	14,739,584	11,524,480	9,254,461	70.42	67.40	50.67	50.76
Repurchase agreements	303,396	453,139	2,054,940	624,923	1.29	2.07	9.04	3.43
Other borrowings	1,630,236	1,908,074	2,327,662	1,573,866	6.92	8.73	10.24	8.63
Other credit reserves	234,174	136,841	257,537	226,971	0.99	0.63	1.13	1.24
Other liabilities	404,440	281,042	852,579	1,427,249	1.72	1.29	3.75	7.83
Total liabilities	19,478,585	18,006,896	17,539,392	13,492,583	82.69	82.34	77.12	74.01
Total shareholders' equity	4,078,478	3,861,151	5,202,694	4,738,636	17.31	17.66	22.88	25.99
Common shareholders' equity (reported)	4,078,478	3,861,151	5,202,694	4,738,636	17.31	17.66	22.88	25.99
Share capital and surplus	813,774	813,774	558,964	279,399	3.45	3.72	2.46	1.53

*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available.

Table 1 Balance Sheet Statistics cont...

(Bil. TRL)	--Year ended Dec. 31--				Breakdown as a % of assets (adj.)			
	2002*	2001	2000	1999	2002*	2001	2000	1999
Liabilities cont...								
Revaluation reserve	(165,990)	113,773	483,301	483,301	(0.70)	0.52	2.13	2.65
Reserves (incl. inflation revaluations)	1,964,091	1,964,091	2,539,291	3,627,119	8.34	8.98	11.17	19.90
Retained profits	1,466,603	969,513	1,621,139	348,818	6.23	4.43	7.13	1.91
Total liabilities and equity	23,557,063	21,868,047	22,742,086	18,231,219	100.00	100.00	100.00	100.00
Less revaluation reserve, intangibles	165,990	(113,773)	(483,301)	(483,301)				
Tangible total equity	4,244,468	3,747,378	4,719,394	4,255,336				
Tangible common equity	4,244,468	3,747,378	4,719,394	4,255,336				
Less equity in unconsolidated subsidiaries	(639,424)	(832,558)	(539,644)	(802,113)				
Adjusted common equity	3,605,044	2,914,820	4,179,750	3,453,222				
Adjusted total equity	3,605,044	2,914,820	4,179,750	3,453,222				

*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available.

Table 2 Profit and Loss Statement Statistics

(Bil. TRL)	--Year ended Dec. 31--				Adj. avg. assets (%)		
	2002*	2001	2000	1999	2002*	2001	2000
Profitability							
Interest income	3,334,198	4,194,791	3,253,058	4,012,260	14.68	18.81	15.88
Interest expense	2,195,979	2,652,487	1,553,738	1,797,914	9.67	11.89	7.58
Net interest income	1,138,219	1,542,304	1,699,320	2,214,346	5.01	6.91	8.29
Operating noninterest income	881,379	(71,976)	1,049,981	264,972	3.88	(0.32)	5.13
Fees and commissions	261,390	387,938	316,562	31,786	1.15	1.74	1.55
Equity in earnings of unconsolidated subsidiaries	110,873	125,957	143,100	150,985	0.49	0.56	0.70
Trading gains	(85,638)	(922,420)	122,251	155,867	(0.38)	(4.14)	0.60
Other noninterest income	594,754	336,549	468,068	(73,666)	2.62	1.51	2.28
Operating revenues	2,019,598	1,470,328	2,749,301	2,479,318	8.89	6.59	13.42
Noninterest expenses	1,069,286	1,279,253	1,386,656	1,071,628	4.71	5.74	6.77
Personnel expenses	520,715	571,375	632,267	553,443	2.29	2.56	3.09
Other general and administrative expense	478,472	631,635	687,675	369,958	2.11	2.83	3.36
Depreciation and amortization-other	70,099	76,243	66,714	148,228	0.31	0.34	0.33
Net operating income before loss provisions	950,312	191,075	1,362,645	1,407,690	4.18	0.86	6.65
Credit loss provisions (net new)	475,528	844,594	414,343	390,134	2.09	3.79	2.02
Net operating income after loss provisions	474,784	(653,519)	948,302	1,017,556	2.09	(2.93)	4.63
Pretax profit	474,784	(653,519)	948,302	1,017,556	2.09	(2.93)	4.63
Tax expense/credit	56,420	(283,695)	283,454	493,056	0.25	(1.27)	1.38
Net income before minority interest	418,364	(369,824)	664,848	524,500	1.84	(1.66)	3.25
Net income before extraordinary	418,364	(369,824)	664,848	524,500	1.84	(1.66)	3.25
Net income after extraordinary	418,364	(369,824)	664,848	524,500	1.84	(1.66)	3.25
Core earnings	418,364	(369,824)	664,848	524,500	1.84	(1.66)	3.25
	2002*	2001	2000	1999			

*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available.

Table 2 Profit and Loss Statement Statistics cont...

(Bil. TRL)	--Year ended Dec. 31--				Adj. avg. assets (%)		
	2002*	2001	2000	1999	2002*	2001	2000
Asset Quality							
Nonperforming assets	1,502,670	2,032,497	404,226	477,249			
Nonaccrual loans	1,183,115	2,029,410	404,226	387,767			
Restructured loans	319,555	3,087	0	89,482			
Average balance sheet							
Average customer loans	7,321,127	7,437,007	6,519,279	N.A.			
Average earning assets	16,870,540	16,020,207	13,932,839	N.A.			
Average assets	22,712,555	22,305,067	20,486,653	N.A.			
Average total deposits	16,067,070	13,637,237	10,843,124	N.A.			
Average interest-bearing liabilities	18,214,492	17,009,145	14,133,820	N.A.			
Average common equity	3,969,815	4,531,923	4,970,665	N.A.			
Average adjusted assets	22,712,555	22,305,067	20,486,653	N.A.			
Other data							
Number of employees (end of period, actual)	N.A.	N.A.	16,133	15,867			
Number of branches	839	847	861	862			
Off-balance-sheet credit equivalents	7,370,048	5,987,804	7,015,193	6,292,155			

*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available.

Table 3 Ratio Analysis

Table 3 Ratio Analysis					
		--Year ended Dec. 31--			
		2002*	2001	2000	1999
ANNUAL GROWTH (%)					
Customer loans (gross)		3.88	(2.71)	43.65	N.A.
Loss reserves		(5.21)	56.26	(2.98)	N.A.
Adjusted assets		7.72	(3.84)	24.74	N.A.
Customer deposits		12.55	27.90	24.53	N.A.
Tangible common equity		13.27	(20.60)	10.91	N.A.
Total equity		5.63	(25.79)	9.79	N.A.
Operating revenues		37.36	(46.52)	10.89	N.A.
Noninterest expense		(16.41)	(7.75)	29.40	N.A.
Net operating income before provisions		397.35	(85.98)	(3.20)	N.A.
Loan loss provisions		(43.70)	103.84	6.21	N.A.
Net operating income after provisions		N.M.	(168.91)	(6.81)	N.A.
Pretax profit		N.M.	(168.91)	(6.81)	N.A.
Net income		N.M.	(155.63)	26.76	N.A.
		2002*	2001	2000	1999
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets		6.75	9.63	12.20	N.A.
Net interest spread		7.71	10.59	12.36	N.A.
Interest income (taxable equiv.)/avg. earning assets		19.76	26.18	23.35	N.A.
Interest income on loans/avg. total loans		19.26	32.18	26.51	N.A.
Interest expense/avg. interest-bearing liabilities		12.06	15.59	10.99	N.A.
Interest expense on deposits/avg. deposits		11.96	17.88	12.94	N.A.
*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available. N.M.--Not meaningful.					

Table 3 Ratio Analysis cont...

	--Year ended Dec. 31--			
	2002*	2001	2000	1999
Revenue Analysis				
Net interest income/revenues	56.36	104.90	61.81	89.31
Fee income/revenues	12.94	26.38	11.51	1.28
Market-sensitive income/revenues	(4.24)	(62.74)	4.45	6.29
Noninterest income/revenues	43.64	(4.90)	38.19	10.69
Personnel expense/revenues	25.78	38.86	23.00	22.32
Noninterest expense/revenues	52.95	87.00	50.44	43.22
Noninterest expense/revenues less investment gains	52.95	87.00	50.44	43.22
Expense less amortization of intangibles/revenues	52.95	87.00	50.44	43.22
Expense less all amortizations/revenues	49.47	81.82	48.01	37.24
Net operating income before provision/revenues	47.05	13.00	49.56	56.78
Net operating income after provisions/revenues	23.51	(44.45)	34.49	41.04
New loan loss provisions/revenues	23.55	57.44	15.07	15.74
Pretax profit/revenues	23.51	(44.45)	34.49	41.04
Net income/revenues	20.72	(25.15)	24.18	21.16
Tax/pretax profit	11.88	43.41	29.89	48.45
	2002*	2001	2000	1999
Other Returns				
Net income before minority interest/avg. adjusted assets	1.84	(1.66)	3.25	N.M.
Net income/avg. assets + securitized assets	1.84	(1.66)	3.25	N.A.
Net income/employee (currency unit)	N.A.	N.A.	41,552,997	N.A.
Personnel expense/employee (currency unit)	N.A.	N.A.	39,516,705	N.A.
Personnel expense/branch (mil. currency unit)	617.69	669.06	733.91	N.A.
*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available. N.M.--Not meaningful.				

Table 3 Ratio Analysis cont...				
		--Year ended Dec. 31--		
	2002*	2001	2000	1999
Other Returns cont...				
Noninterest expense/branch (mil. currency unit)	1268.43	1497.95	1609.58	N.A.
Cash earnings/avg. tang. common equity (ROE) (%)	12.22	(6.93)	16.30	N.A.
Core earnings/avg. tang. common equity (ROE) (%)	10.47	(8.74)	14.82	N.A.
	2002*	2001	2000	1999
FUNDING AND LIQUIDITY (%)				
Customer deposits/funding base	88.05	83.80	70.15	78.17
Total loans/customer deposits	49.55	53.69	70.58	61.18
Total loans/customer deposits + long-term funds	39.77	42.54	48.63	40.46
Customer loans (net)/assets (adj.)	32.04	32.44	34.21	28.84
	2002*	2001	2000	1999
CAPITALIZATION (%)				
Adjusted common equity/adjusted assets	15.30	13.33	18.38	18.94
Adjusted common equity/adjusted assets + securitization	15.30	13.33	18.38	18.94
Adjusted common equity/customer loans (net)	47.76	41.09	53.73	65.67
Internal capital generation/prior year's equity	10.84	(10.31)	9.54	N.A.
Adjusted total equity/adjusted assets	15.30	13.33	18.38	18.94
Adjusted total equity/adjusted assets + securitizations	15.30	13.33	18.38	18.94
Adjusted total equity plus LLR (specific)/customer loans (gross)	52.03	47.18	55.74	68.11
Common dividend payout ratio	0.00	(45.06)	32.01	164.76
	2002*	2001	2000	1999
*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available. N.M.--Not meaningful.				

Table 3 Ratio Analysis cont...

	--Year ended Dec. 31--			
	2002*	2001	2000	1999
ASSET QUALITY (%) cont...				
New loan loss provisions/avg. customer loans (net)	6.50	11.36	6.36	N.A.
Loan loss reserves/customer loans (gross)	8.17	10.35	4.35	7.13
Nonperforming assets (NPA)/customer loans + ORE	18.28	25.69	4.97	8.43
NPA (excl. delinquencies)/customer loans + ORE	18.28	25.69	4.97	8.43
Net NPA/customer loans (net) + ORE	11.01	17.11	0.64	1.40
NPA (net specifics)/customer loans (net specifics)	11.01	17.11	0.64	1.40
Loan loss reserves/NPA (gross)	44.71	40.29	87.61	84.55

*Data as of Dec. 31. Year-end financial statements are audited, unconsolidated, and prepared according to IAS, and are adjusted for inflation. N.A.--Not available. N.M.--Not meaningful.

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