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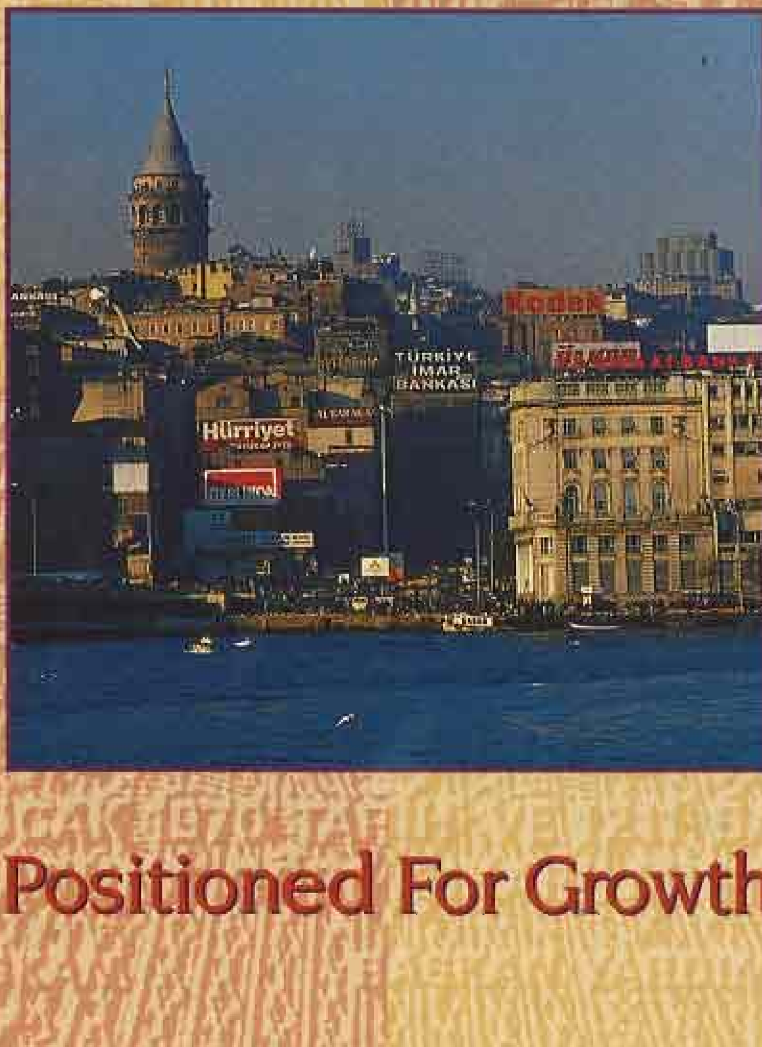
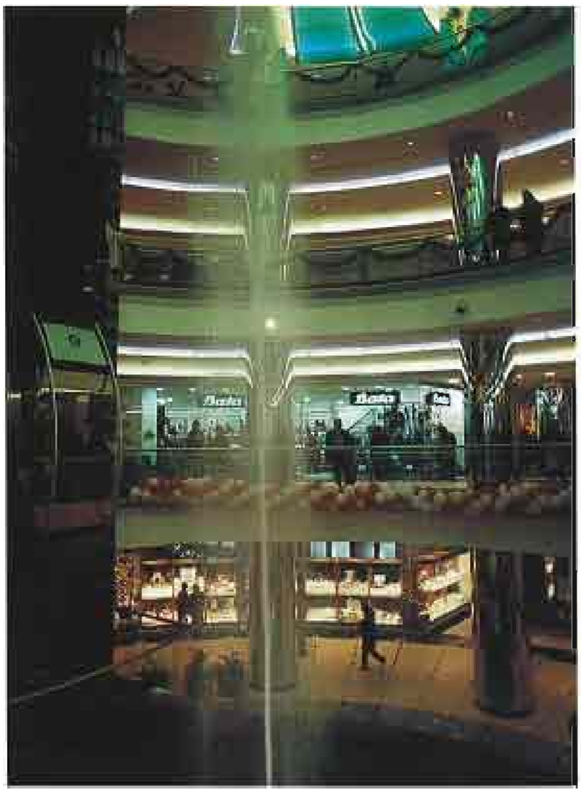
TURKEY



Positioned For Growth



AK Center, a 180,000 square meter enclosed shopping center, opened last December in Istanbul.

Table of Contents

4 Positioned for Growth
10 Privatization Inches Forward
12 An Interview with Central Bank Governor Dr. Nihat Bluent Gultekin
16 Foreign Capital's Growing Role
20 Banking Boom
24 Market Sets New Records

Sponsor Profiles
7 Disbank
14 GAP
17 Yapi Kredi Bank
23 TurkInvest

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Ankara, the capital of Turkey, is a focus of much recent development.

Positioned for Growth

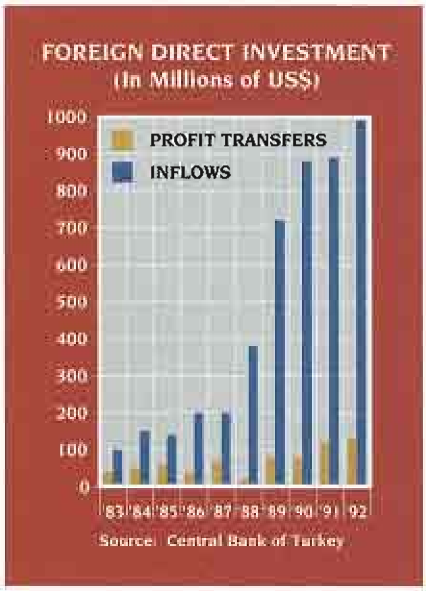
For nearly four decades, Turkey has been trying to carve a niche for itself in the global economy. It tried to parlay its historical role as a trading bridge between Europe and Asia into a much grander vision of becoming a modern major financial and business center linking the world's largest money markets — New York and Tokyo — both seven time zones away from Istanbul.

But while the Turks were busy trying to position themselves at the center of things, the world was rapidly changing around them. The fall of Communism and the Gulf war are perhaps the two most significant external events that have reshaped Turkey, while the sudden death of President Turgut Ozal last April created a political vacuum that is forcing the country to redefine both its domestic and foreign agendas.

What is emerging from this turmoil is a more sober, realistic assessment of Turkey's capabilities, making it a more attractive place for foreign investment. While the process of change, both within the country and in the nations surrounding it, are by no means over, the end result for Turkey could well be to win that pivotal economic role it has so long desired.

Studies by U.S. foreign banks on the competitiveness of the Turkish economy usually group it with Italy and Spain — above Greece and Portugal, but below the rest of European Community. Its labor costs are one third of the EC average.

The domestic market of 60 million people is currently undergoing a consumer revolution, led by a 27 percent jump in automobile sales in 1993. The resulting growth levels of retail sales are the fastest of any OECD country. With 38 percent of the population under the age of 15, and only 4.4 percent over the age of 65, the spending spree is expected to continue well into the next century. Turkey's



average annual real GNP growth rate of 5 percent from 1980-1992 is also the highest of any developed country. The Istanbul Stock Exchange has mirrored the economy's dramatic growth with a record year, up 207 percent in U.S. dollar terms in 1993, with the index rising from 4,004 to 20,682.

WIDER SCOPE

The fall of Communism in Eastern Europe and the break-up of the Soviet Union has given Turkey its first chance to expand its direct economic influence outside its borders since the days of the Ottoman Empire.

Turkey's desire to play a key role in the long-term economic development of this region led it to initiate the Black Sea Economic Cooperation (BSEC) Agreement in June 1992. This could eventually lead to a free trade zone in a virtually untapped consumer market of more than 300 million people. The 11 member countries (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldavia, Romania, Russia, Ukraine and Turkey) have already agreed to set up a Black Sea Trade and Development Bank based in the northern Greek city of Thessaloniki.

Greece, Turkey and Russia will each take a 16.5 percent stake in the bank, whose share capital is one billion Special Drawing Rights. Bulgaria, Romania and Ukraine will contribute 13.5 percent of the bank's capital, while the others will each have a 2 percent stake.

Unlike other international organizations, BSEC is based on the private sector. The creation of a Black Sea Cooperation Council in December 1992 brought together the business communities of the 11 member states. The Council, which has been granted observer status, is the backbone of BSEC and participates in all its meetings. So far, BSEC has established a secretariat in Istanbul and 25 working groups of businessmen from member nations have met during the past 18 months. In addition, BSEC has set up a data center in Ankara to coordinate economic statistics from member countries.

Turkey's policy is to develop its relationship with the Commonwealth of Independent States (CIS) and inner Asia as a complement, not an alternative, to its relations with the U.S. and Europe. Although Turkey does not have a common border with any of the central Asian republics, (Azerbaijan, Turkmenistan, Uzbekistan, Kyrgyzstan, Kazakhstan and Tajikistan), all share a common cultural and religious tradition with Turkey and, with the exception of Tajikistan, all speak Turkic languages.

Though these republics have shown no desire to be part of a pan-Turkic union, they nevertheless view Turkey, with its comparatively advanced economy and its mixed secular and Islamic cultures, as a model. To date, Turkey has signed more than 100 bilateral accords with these six countries. While in dollar terms the actual trade figures represent less than 1 percent of Turkey's overall trade, the numbers are deceiving because much of the trade in this part of the world is done on a barter or offset basis due to a lack of a hard convertible currency.

Nevertheless, the importance of the start Turkey has made as a bridge from the developed Western world into this struggling economic region should not be underestimated.

Turkish business leaders contend that many of the 2,450 foreign companies already operating in Turkey can minimize their risks in these emerging markets by entering joint ventures with Turkish partners. They cite as examples:

- U.K. construction firm John Laing Co. has a joint venture contract with Turkey's Alarko Holdings to build an airport at Ashkadbad, the capital of Turkmenistan.
- Netas, the Turkish subsidiary of Northern Telecom of Canada, in cooperation with the Turkish government, is supplying digital switches for public exchanges in all five central Asian republics.
- Jacobs Suchard, the Swiss confectionary group owned by Philip Morris, has acquired a 50 percent share in Turkey's largest edible oil company to use as a base to market the whole range of Suchard products in Turkey and central Asia.
- Merloni, the Italian white goods concern, has acquired a stake in Turkey's Vestel electronics group in a bid to provide a platform for sales in the Caucasus.

The natural gas deal with Russia is a prime

DISBANK

Turkish Foreign Trade Bank

The Turkish Foreign Trade Bank — also known by its acronym, Disbank — is a privately owned commercial bank established in 1964 initially as a joint venture between The Bank of America and Turkiye Is Bankasi. The Bank is currently a subsidiary of the Lapis Group of Companies, following the latter's recent acquisition of the majority stake in Disbank previously held by the Is Bankasi Group of Companies.

Throughout its existence, Disbank has chosen to operate as a medium-sized specialist commercial bank whose present network consists of 21 branches located in the important commercial and industrial centers of Turkey. The bank's extensive network of foreign correspondents in virtually every area of the world, coupled with its up-to-date technological facilities, permit the transaction of a broad range of financial activities on a worldwide scale.

Although the focal point of Disbank's operations during its earlier years was the financing of foreign trade and related activities, the bank's range of specialist activities was successfully broadened in subsequent years in line with the outward-looking economic attitude and policies implemented in the Turkish economy as a whole. Accordingly, at present capital market activities and consumer banking, along with foreign trade financing, are the pillars on which Disbank's activities rest. The open-minded yet prudent management policies traditionally pursued by Disbank have permitted the bank to maintain a competitive edge in high service quality among its banking peers in Turkey.

Disbank's sound capital base enables it to handle a sizeable volume of transactions on a domestic and international scale alike. The bank's financial strength is evidenced by a BIS capital adequacy (Cooke) ratio of 9.23 percent at year-end 1992. The equity capital of the bank was recently increased by 31.3 percent from $23.0 billion to $30.2 billion, fully paid-up. This soundness will be a key factor in safeguarding the bank's financial health in the current economic environment and in the face of intensively competitive conditions which now prevail.

Disbank's management strategy for the future will be centered on achieving a steadily growing share of the market in which it operates, while implementing a strategy that involves maximization of efficiency in all operational fields of activity, without compromising the service quality or financial soundness which are the Disbank's traditional features.

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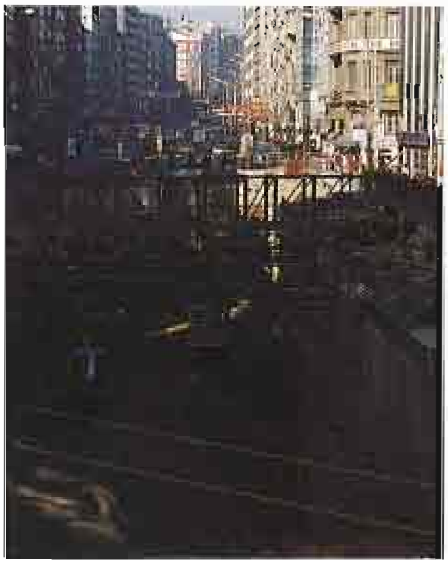


To date, the Istanbul Metro project has completed 5,500 meters of tunnels.

example of Turkey's adaptability to the economic realities of the CIS region. Under the agreement, Russia will import Turkish products and services up to the equivalent of 70 percent of Turkish natural gas imports (about 8 billion cubic meters).

In 1992, Russia was Turkey's sixth largest export market, accounting for 4.6 percent of total earnings of $14.7 billion. It ranked behind Germany (24.9 percent), followed by Italy (6.4 percent), the U.S. (5.9 percent), France (5.5 percent) and the U.K. (5.4 percent).

While Turkey's exports are estimated to have risen a healthy 4.5 percent in 1993, the insatiable demand for imported consumer goods widened the trade gap by $13.5 billion from $22.8 billion in 1992. By the end of 1994 the deficit is expected to worsen to $14.4 billion.

BENEFITS OF THE CLUB

Despite the long-term prospects of a new regional trading base to the north and east, it is to the west, and more specifically, to the European Community, that Turkey must set its trade sights. The EC already provides a market for 53 percent of Turkey's exports and is the source of 48 percent of its imports. Turkey's reliance on the EC should be strengthened by January 1, 1996 when it is due to meet the terms of complete customs union with the Community.

Turkey has spent the last 23 years trying to become a full member of the European Community. While the government and the business community now accept that it is unlikely to become a full member until early in the 21st century, Turkey still plans to capitalize on the benefits on offer, including $630 million in financial aid; increased industrial and technological aid and full association in the EC's Mediterranean program. As Turkey cannot even contemplate meeting the Maastrict treaty's economic convergence criteria, the benefits offered as an associate member along with customs union mean it will enjoy most advantages of membership without having to join the club.

Turkey's position vis-à-vis the EC improved substantially as a result of its involvement as a front line NATO state in the Gulf war. Allegiance to the Western cause despite the severe economic hardships caused by closing off the Iraqi pipeline and the loss of tourism's hard currency, has won Turkey the support of the majority of member countries who will no longer be put off by Greek intransigence towards its long-time nemesis and neighbor.

REFORMING THE ECONOMY

To capitalize on current economic opportunities, the Turkish government under Mrs. Tansu Çiller is trying to push through two major reforms — taxation and privatization.

Turkey's budget deficit, estimated at $9 billion in 1993, is expected to rise to $14 billion by the end of 1994. The public sector borrow requirement, 11.6 percent of GNP in 1993, is projected to rise to 12.7 percent this year as real economic growth is expected to slow to 4.5 percent in 1994, down from an estimated 7.5 percent in 1993.

Only 57 percent of state spending is now covered by tax revenues, about 20 percent less than in most OECD countries. The government estimates that over $8.1 billion was lost in 1993 through tax evasion and that the underground economy is now worth more than one third of GNP.

Last December the National Assembly approved a sweeping tax reform plan that will take effect in 1995. It is hoped that this will raise government revenues to 25 percent of GNP, up from the current level of 13 percent. Only 7 percent of that is from corporate earnings.

The new unitary tax system will have seven bands ranging from 25 percent for those with incomes of $5,200 and under, rising to 55 percent for those with incomes over $175,000. Per capita income in Turkey is $2,707. The top rate for corporate taxes will fall to 35 percent from 46 percent, with the minimum corporate tax rate set at 25 percent with no exemptions. To minimize tax evasion, after-tax profits will be subject to an additional withholding tax of 25 percent. Firms can avoid this additional tax if they go public with a minimum of 40 percent of their share capital.

The government also recently increased its revenues from indirect taxation by raising the value-added tax (VAT) by 3 percent. Most consumer goods now carry a surcharge of 15 percent while luxury goods have a levy of 23 percent.

Çiller was less successful in getting her privatization program through. The former economics professor, who takes Margaret Thatcher as a role model, is staking her political reputation on the premise that scaling back the state sector is the only way to curb Turkey's endemic inflation, now running at an annual rate of over 70 percent.

Her plans to raise $10 billion over the next five years by selling strategic stakes in projects like the telecommunications system, electric utility, oil refinery and distribution network, steel industry and banking sector, suffered a major setback last October when the Turkish Constitutional Court overturned executive decrees preparing the state entities for public sale and ruled that in future, privatization plans must be approved by the National Assembly where they face considerable opposition.

Turkey's future economic policies are most likely to be determined by the results of the national municipal elections on March 27th. As Mrs. Çiller was appointed rather than elected Prime Minister after the death of President Ozal, many see this vote as the first public referendum on her rule.

At the moment, Çiller's True Path Party is in a shaky coalition government with the left-wing Social Democratic Populist Party, which opposes her views on the critical issues of how to resolve the nine-year Kurdish rebellion, which has claimed over 2,000 lives in the past 12 months, and the social impact of her privatization program.

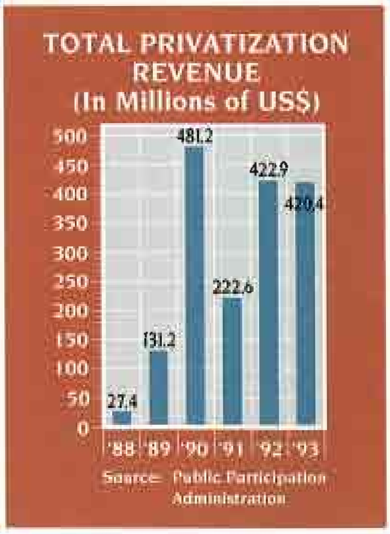
If the True Path Party does well in the local elections, Çiller may try to seek a stronger mandate by calling a general election before the end of the year.

Privatization Inches Forward

The Turkish government is the largest employer of any OECD country. It is involved in 34 enterprises with over 450 companies, accounting in all for 30 percent of its annual budget. Since 1986, it has been slowly trying to get out of the business of running businesses through a privatization program that hopes to raise $10 billion in the next five years by selling off one third of the state's assets.

The main offerings are due to include Turk Telecom; Turkish Electricity Authority (TWK); oil refinery Turkiye Petrol Rafinerileri A.S. (Tupras); Petrol Ofisi A.S. (Poas), the retail and distribution arm of Tupras; Petrokimya Holdings (Petkim), the petrochemical firm; Lastik Sanayi ve Ticaret (Petlas), a tire company; Turizm (Turban) a chain of 19 hotels and four marinas; Summerbank and Etibank. Other areas the government hopes to divest include maritime and vessel construction, zinc and copper mines, sea transport of oil, airport handling services, dairy enterprises, meat and fish processing plants, forest products, animal feed and some cement companies.

The key player in the program is the Public Participation Administration (PPA), responsible for managing the privatization of enterprises selected by the Council of Ministers, in the case of fully state-owned enterprises, or by the Public Participation High Council in the case of partially-owned companies and their subsidiaries. So far, only 10 percent of the fully-owned state companies have be turned over to PPA.



The major privatization methods used to date are block sales and public offerings, or a combination of the two. The government has raised $1.7 billion through the sale of 73 companies, 50 in block sales, 16 through public offering, and 7 through a combination process. PPA's traget for 1993 was to raise $1.5 billion in revenues, but it only managed to come up with $420 million. The shortfall was due mainly to a delay in the planned sale of PPA's 21 percent stake in the car firm Tofas for an estimated $600 million.

After years of struggling on its own, PPA has sought advice from the World Bank and a host of foreign firms including Chase Manhattan, Citibank, Chemical Bank, CS First Boston, Bankers Trust, Goldman Sachs, J.P. Morgan, Kleinwort Benson, Lehman Brothers, Morgan Stanley, Samuel Montagu, S.G. Warburg and J. Schroder-Wagg.

But the problems of disposing of the assets are political, not financial. Prime Minister Çiller's coalition partners, the Social Democratic Populists, seem to have stopped her program dead in its tracks by having the Constitution Court overturn the special decree powers, known as the Authorization Bill, granted to the government in June. The court's ruling effectively means that Çiller must now either work within the context of the Privatization Act of 1987 or pass sweeping new legislation in a National Assembly that seems unwilling to risk the wrath of powerful unions or give up the patronage privileges associated with state jobs. The 1987 Act requires that, before the government can sell shares to overseas investors, it must first go through a time-consuming process of offering the stock first to the firm's employees, then to businesses located in the same region as the company, and finally to the general public.

This test of wills could prove very costly for Turkey. Plans to sell 20 percent of Turk Telecom this year for an estimated $2.3 billion have already been shelved. Though the government recently named Chase to head a consortium of advisors to arrange the sale of a strategic stake in Tupras and Poas for an estimated $1 billion, it is still uncertain whether the deal will be concluded this year.

CAPITALIZING ON NEW INVESTMENTS REQUIRES PROFESSIONAL COMPETENCE AND ACCUMULATION OF KNOWLEDGE AND TECHNOLOGY.

This announcement appears as a matter of record only

bayındır

US $204,500,000

Letter of Guarantee Facility

beneficiary

Government Of Pakistan National Highway Authority

arranger

INTERBANK

lead managers

INTERBANK

T. HALK BANKASI · PAMUKBANK · EGEBANK

ŞEKERBANK · YAPI ve KREDİ BANKASI · TOPRAKBANK

managers

DEMİRBANK · T. VAKIFLAR BANKASI · TYT BANK

ALTERNATİF BANK · İMPEXBANK · KENTBANK

BANK EKSPRES

agent

INTERBANK

April 1993

This announcement appears as a matter of record only

Elektrim

"ELEKTRIM" TOWARZYSTWO HANDLOWE S.A.

US $30,000,000

Prefinance Facility

arranger

INTERBANK

lead managers

ESBANK · INTERBANK · PAMUKBANK

GARANTİ BANKASI · TEKFENBANK

managers

TOPRAKBANK · BANK KREISS · EGEBANK

İMPEXBANK · ALTERNATİF BANK · KENTBANK

agent

INTERBANK

May 1993

This announcement appears as a matter of record only

FMC-NUROL

US $200,000,000

Syndicated Standby Letter of Credit and Revolving Cash Loan Facility

arranger

INTERBANK

lead managers

EMLAK BANKASI · INTERBANK · TÜRKİYE İŞ BANKASI

GARANTİ BANKASI · YAPI ve KREDİ BANKASI

managers

DIŞBANK · FİNANSBANK

THE CHASE MANHATTAN BANK · HALK BANKASI

advisors

FİNANSBANK · INTERBANK

agent

INTERBANK

April 1993

This announcement appears as a matter of record only

Sezai Türkeş Feyzi Akkaya İnşaat A.Ş.

US $35,448,580

Letter of Guarantee Facility

beneficiary

Government Of Pakistan National Highway Authority

arranger

INTERBANK

lead manager

INTERBANK

managers

TOPRAKBANK · EGEBANK · KENTBANK

agent

INTERBANK

April 1993

This announcement appears as a matter of record only

GE MEDICAL SYSTEMS TÜRKİYE A.Ş.

AND

INTERLEASE FİNANSAL KİRALAMA A.Ş.

US $25,000,000

BUYERS CREDIT FACILITY

MEDICAL EQUIPMENT

arranger

INTERBANK

June 1993

This announcement appears as a matter of record only

Sezai Türkeş Feyzi Akkaya İnşaat A.Ş.

US $15,200,000

Letter of Guarantee Facility

beneficiary

Government Of Pakistan Ormara Naval Harbour Project Board

arranger

INTERBANK

managers

INTERBANK

VAKIFBANK · BANK EKSPRES · İMPEXBANK

KENTBANK

agent

INTERBANK

July 1993

WITH THE INCREASING INTEGRATION OF TURKEY IN INTERNATIONAL FINANCIAL MARKETS, **INTERBANK** HAS OBTAINED OVER $ 750 MILLION DURING THE LAST 10 YEARS THROUGH 25 SYNDICATED CREDIT FACILITIES AND PROVED TO BE THE LEADING CORPORATE BANK. **INTERBANK** IS NOW SHARING THIS EXPERTISE WITH HER INSTITUTIONAL CUSTOMERS.

INTERBANK PROUDLY ANNOUNCES THAT IN 1993 ALONE, IT SUCCESSFULLY RAISED OVER $ 500 MILLION THROUGH 6 SYNDICATIONS FOR HER CUSTOMERS.

AT THE FOREFRONT OF THE PROGRESS ACHIEVED IN THE COUNTRY'S PRIVATE SECTOR, **INTERBANK** OFFERS THIS SOLID RECORD IN CORPORATE BANKING AND PROJECT FINANCE TO GROWING COMPANIES.

INTERBANK

An Interview with Central Bank Governor Dr. Nihat Bluent Gultekin

Q. What is the government's monetary policy?
Last year was very interesting for Turkey because the growth rate has been phenomenally high compared to the rest of Europe; for example, in the second quarter Turkey posted 12.9 percent growth. That's a mixed blessing because it strains the macro balances. Monetary policy's aim for 1994 is to make sure that the growth rates and the balances are sustainable, which means a budget posting a surplus instead of the deficits we have run for the past two years.

Q. Can the government stick to its targets in 1994? It didn't do so last year.
The 1993 budget was more of a political document than an actual budget, which is why the limits were exceeded. When I started as governor of the Central Bank in August of 1993, the instructions to the Treasury and the Ministry of Finance were to prepare a budget that reflects the reality of the economy and hope that there are no surprises.

Q. What will the government do differently in the 1994 budget?
I think everyone recognizes the imbalances. Yet, when you look at it from a longer perspective, government spending in Turkey as a percentage of GNP is not really as high as in OECD countries.

However, it is the composition that is not desirable. A fairly large proportion goes to personnel expenditures, and very little goes towards education and infrastructure investment.

Also, as in any government, there is waste and areas where we should do more. One is agriculture and another is the state-owned enterprises, which is why privatization is an important issue.

The dynamism and vibrancy of the country is breathtaking, but sustainability of economic reform requires institutional developments on the fiscal side while also reducing tax rates, enforcing tax collection and setting up a more efficient agency.

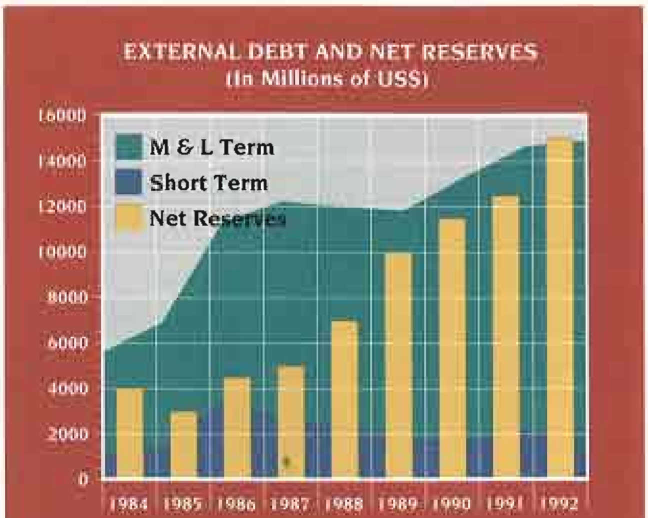
Q. How important is privatization?
As in the United States, we have to contain growth in the budget. In some instances, this can be achieved by selling some state-owned enterprises and trimming the public payroll.

Privatization is a necessity in Turkey, not so much for raising revenues in the short run, but to reduce waste. Everybody agrees on the process; what is at issue is the execution, and that requires a much more active role by the government.

Turkey has 34 state enterprises with about 450 affiliates — a very manageable number to sell off in the next five years. People already recognize that there is a credible privatization program in place and this will make things happen a lot faster.

Turkey has tremendous advantages over other countries going through a privatization program. The absorption capacity of the private sector compared to the state sector is much larger. Of the largest 500 enterprises in Turkey, only about 40 percent are state-owned, and the public sector produces only about 10 percent of the value-added in the country. Most importantly, both this government and the opposition parties are determined to reduce the role of the public sector.

Q. Does Turkey's frequent use of international capital markets undermine the country's financial credibility to foreign investors?
Looked at over the long term, Turkey is one of



Data after 1988 include FX Deposits
Source: Central Bank of Turkey

the fastest growing emerging markets. What is important is the ability to go to the international capital markets. Turkey has and will continue to have this ability. Our repayment record is one of the best of any country.

Q. Will political unrest in the southeastern part of the country affect Turkey's credit rating in 1994?

I hope not. Usually rating agencies look at a broad spectrum of things, and I hope Standard & Poor's and Moody's recognize that Turkey is actually far stronger than it looks on paper. In the final analysis, what really counts for a rating agency is a country's ability to repay interest and the principal, and Turkey has never defaulted on a repayment.

There was a rescheduling in 1979, and I think the country learned a lot from that experience, which proved very costly. That is why Turkey's ability to access foreign capital and credit markets is a very important asset, because our high growth rates require foreign capital, which makes it a very important variable for policy makers.

Q. Do you foresee a major devaluation of the Turkish lira?

Today the Turkish lira is convertible and its value is determined on the foreign exchange markets on a minute-by-minute basis. Our role as a Central Bank is to ensure that our currency will not hinder our exports, but exports are not a function of currency alone, they are also a matter of quality and output. We are currently using a crawling peg policy for the Turkish lira, so from time to time we have made sure that the lira has not appreciated substantially.

Q. Do you expect lower interest rates this year?

One thing we don't do is make predictions. You cannot target interest rates as such because so much depends on the scarcity of capital. Those of us who believe in a market economy say the market will determine the clearing price and we hope our policies as a Central Bank are conducive to maintaining stability. Nominal interest rates do have the expected inflation rate embedded in them, so to reduce nominal interest rates you have to fight against inflation, which is the core responsibility of the Central Bank.

Real rates in Turkey are conducive to investment, and lower interest rates can only occur when fiscal policy is changed by broadening the tax base and tightening controls on the public sector. When the deficit is lowered, we will have a sustainable long-term reduction in interest rates.

Q. Is the inflation rate — now around 65 percent — the biggest concern for a foreign investor?

Yes and no. For foreign investors in Turkey, the question is whether they can earn an adequate return in real terms and be able to repatriate their profits. The answer to that is yes. On the other hand, the inflation rate is often the single most important statistic that people look at, so in that sense it is an important problem we must address.

There is also the danger that if a government becomes complacent about inflation it will endanger the social fabric of the society. But the crucial issue is how you go from one inflationary stage to another without creating other disruptions. I always tell people, both here and abroad, that Turkey is just at the beginning of many things.

Politically and economically, Turkey wants to be part of the EC. As in other countries, our goal is to have our inflation rate converge with EC requirements. I'm not saying this will happen tomorrow or the next day, but if one is willing to pay the price and withstand the consequences, it will.

GAP

New Horizons in an Ancient Land

The Southeastern Anatolia Project or GAP — its Turkish acronym — is the largest and most comprehensive enterprise ever carried out in Turkey.

GAP is Turkey's giant step toward peace, cooperation and prosperity. The goal of this huge undertaking is to remove the socio-economic "gap" between the country's more developed regions and the project area, whose economy is now dominated by agriculture. Although the region has rich soil and water resources, agriculture there depends primarily on rainfall conditions.

The hydropower plant at the Atatürk Dam has an installed capacity of 2,400 megawatts.

To improve the economy of the region, mobilization of its water and soil resources has been planned on the basis of multi-sectoral integrated regional development concept. The $31 billion project comprises not only the development of water resources but also investments in agriculture, energy, transportation, telecommunications, health care, education and urban and rural infrastructure. The project — one of the largest of its kind in the world — includes the irrigation of 1.7 million hectares of land and generation of 27 billion kilowatt-hours of hydroelectric power with an installed capacity of 7,500 MWs. The plans call for construction of 22 dams (including the Atatürk Dam, with the sixth largest volume in the world; 19 hydropower plants; the Sanliurfa irrigation tunnel system, the largest of its kind; and extensive irrigation networks and canal systems. Some of these projects, like the Atatürk dam and power plant and the Sanliurfa tunnels, are either completed or near completion. A comprehensive investment program is being implemented. Ten billion dollars have already been invested.

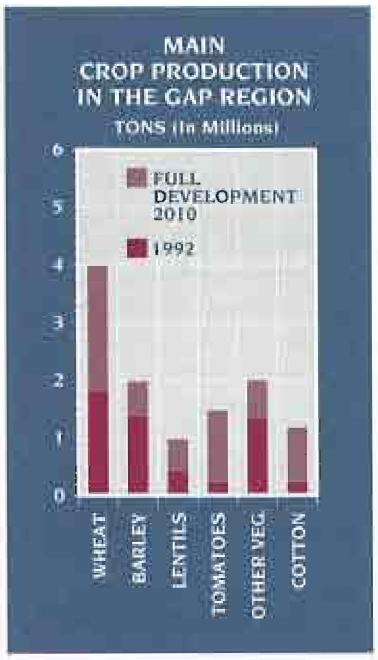
GAP will double Turkey's hydroelectric production, increase irrigated areas by 50 percent, more than double per capita income in the region, more than quadruple GNP, and create two million new jobs in the coming decade.

Water from the Atatürk Dam reservoir will be diverted to the plains of upper Mesopotamia through the Sanliurfa tunnel system, which consists of two parallel tunnels, each 26.5 km long and with a diameter of 7.62 meters. It is expected that the water will start flowing from the tunnel in 1994 and irrigation on a large scale will begin. A transregional highway and railroad line are in the design stage, while studies for an international airport have been completed and a major new university is under construction in Sanliurfa, at the very heart of the region.

The Atatürk dam and its hydropower plant, with an installed capacity of 2,400 MWs, and the Sanliurfa tunnels which have a capacity of 328 cubic meters per second, are physical symbols of Turkey's commitment to development.

INVESTMENT OPPORTUNITIES IN THE GAP REGION

The project area, Southeastern Anatolia, has a favorable environment for large-scale, intensive agriculture and irrigation will enable the region to use its agricultural potential to the full extent. The large increases expected in crop production will create new investment opportunities for the development of agro-industries and those produc-



ing agricultural inputs. Potential investment areas include:

1) Export-oriented production of vegetables, legumes, seeds, seedlings and establishment of nurseries and greenhouses;

2) Vegetable and fruit canning and processing, frozen foods, packing and storage facilities, dry fruit processing, edible oils, ginning, and integrated livestock and poultry production;

3) Cotton yarn, cotton weaving, woolen yarn, leather, underwear, clothing;

4) Furniture and packaging materials;

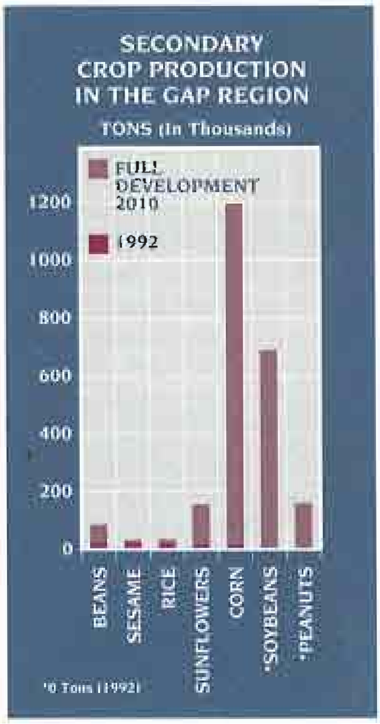
5) Pesticides and herbicides, polypropylene packing materials, commercial fertilizers;

6) Textile machinery, agricultural machinery and equipment.

The government's policy is to promote private investment and increase the role of the private sector in the industrialization process. There are opportunities for foreign capital not only in agriculture and manufacturing but also in building dams, power plants, highways, railways and airports, especially on a build-operate-transfer (BOT) basis.

The Sanliurfa irrigation tunnel

The region is expected to be a major exporter of processed and unprocessed agricultural commodities. This means investment opportunities in storing, sorting and packaging facilities, as well as in ports, railways, and container depots. Urbanization, population growth and increased demand for urban infrastructure will give further impetus to the construction sector.



INVESTMENT INCENTIVES

The following incentives apply to investments in the GAP region, regardless of whether an investor is domestic or foreign:

- Exemption from customs duties;
- Investment allowance (corporate tax exemption to investments with incentive certificates);
- Subsidized credits;
- Exemption from various taxes, duties, credit charges and building construction charges;
- Value-added tax compensation;
- Land allocation.

For further information, please contact:

Republic of Turkey
Prime Ministry
Southeastern Anatolia Project
Regional Development Administration
Ugur Mumcu'nun Sokagi, 59, G.O.P.
06700 Ankara, Turkey
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GAP

Foreign Capital's Growing Role

If ambition could be monetized, Turkey would be one of the wealthiest nations in the world. The Southeastern Anatolia Project (GAP) is certainly one of the most ambitious development projects ever launched. If successful, it will not only divert two of the world's mightiest rivers, the Tigris and Euphrates, but will completely redirect the course of Turkey's economy.

Voted one of the seven wonders of the modern world by *Infrastructure Finance* last year, the $31 billion GAP project, which covers an area of 75,000 square kilometers — half the size of Belgium, aims to create the largest concentrated area of agricultural land in the region. By the time the project is finished early in the next decade, Turkey could be one of the world's leading producers of cotton, sugar beet, oil seed, vegetables and fodder crops.

The project of 22 dams, 19 hydropower plants, irrigation networks and canal systems, will double the nation's hydroelectric production, increase irrigated areas by 50 percent and more than quadruple the gross regional product to over 16 percent of Turkey's annual GDP.

While the government was originally determined to self-finance the entire project, the growing budget deficit is forcing it to look for private overseas funding through build-operate-transfer (BOT) contracts. The plan calls for the participation of foreign and local investors in infrastructure projects using indirect guarantees from the government.

An inside view of the construction of the GAP hydroelectric project.

So far, the only one to use this scheme has been Germany's Philipp Holzmann AG, which signed a 15-year contract for the 675MW Birecik hydroelectric dam on the Euphrates. The DM2 billion deal is being arranged by Chase Manhattan Bank and consists of 15 percent equity and DM500 in commercial loans and export credits from Germany, France, Belgium and Austria. This year the State Hydraulic Works will solicit bids for the Kargamis Dam and hydroelectric power plant, the Mardin-Ceylanpinar irrigation scheme and the Adiyaman-Kahta irrigation scheme and hydroelectric station.

In 1992, foreign companies accounted for 27 of Turkey's top 100 companies or 85 out of the top 500. They averaged a 7 percent profit margin on sales, a return on assets of 15.1 percent and on equity of 41.1 percent. In all these areas, they outperformed companies with only domestic capital. They achieved sales equivalent to $15.1 billion, exports of $1.4 billion and pre-tax profits of $1.1 billion.

Turkey is the world's 26th largest economy, and one of only seven countries in the world self-sufficient in food with exportable surpluses. It has attracted a host of foreign firms such as Bridgestone, Coca-Cola, Du Pont, Fiat, IBM, Procter & Gamble, Shell, Unilever, Toyota, General Motors, Goodyear, Mitsui, Philip Morris, Reynolds, General Dynamics, Renault, Pirelli, Siemens, and Mercedes-Benz. Most of these are joint ventures with the two largest private holding companies in Turkey, the Koc and Sabanci Groups.

Of the nearly 2,500 foreign firms operating in Turkey, 171 are from the United States with a total investment of about $1 billion. In dollar terms, the countries with the largest direct investments in Turkey are France (13.8 percent), the U.S. (12.5 percent), Switzerland (12.4 percent), the U.K. (11 percent), and the Netherlands (10.5 percent).

Out of a total of $1.2 billion invested in the country in 1992, over half of all the ventures in dollar terms were in manufacturing (54.63 percent) followed by services (39.9 percent), agriculture (3.7 percent) and mining (1.6 percent).

In order to attract more direct investment, Turkey has established six free-trade zones (Istanbul, Izmir, Mersin, Antalya, Adana and Trabzon), more than in any other country in the region. Companies operating there can repatriate 100 percent of capital and are exempt from taxes and duties.

YAPI KREDI BANK

An Interview with Burhan Karaçam, President and CEO

After working as a partner at Arthur Anderson, Burhan Karaçam, 44, started his banking career as executive vice president at Pamukbank. He became head of Yapi Kredi Bank in 1987.

Burhan Karaçam
President and CEO

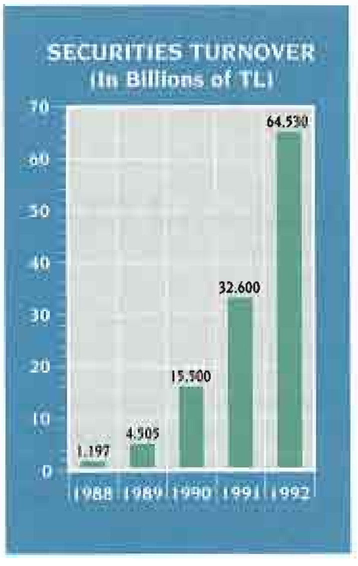
Q. The credit agency IBCA recently gave Yapi Kredi the first rating — B/C on a scale of A to E — of any Turkish bank. Why was Yapi Kredi the first, and why was the rating so high?
The supervisory systems and standards for the Turkish banking system set and monitored by the Undersecretariat of Treasury and Foreign Trade and the Central Bank have improved substantially in the past seven to eight years. However, the multinational institutions charged with assessing Turkey's banking system and its individual banks did not have in-depth knowledge of our financial system and so had trouble assessing it. Some local and international agencies performed this function to some extent. IBCA is accepted worldwide for its consistent standards of quality. We had a mutual understanding of the importance of the step when IBCA approached us with the idea of rating Turkish banks. I am sure more Turkish banks will follow suit this year and be rated by IBCA. The contribution of this to the financial system will be very positive.

Yapi Kredi has a reputation for innovation. For example, we were the first major bank to publish an external audit report [by Arthur Young, now Ernst and Young] in 1986. Our bank has undergone a major transformation in the past five years and proved its leadership in many aspects of banking in the international arena as well as in Turkey. We think our rating fairly reflects Yapi Kredi's technological superiority, asset quality, human resources, innovation and dedication to quality.

Q. Boris Yeltsin recently cancelled foreign banks' right to operate in Russia. Last November you received a license to form a partnership with one of Russia's biggest banks, Tokobank. How will the new ruling affect your plans? And what message does it send to foreigners trying to do business in Russia?
We believe the national dimension of this decree is much more important than its international dimension in view of the strong aversion of some large Russian banks toward international competition. We don't think the Russian government has any intention, in principle, to deter foreign investment.

In the long run, Russia has tremendous potential for growth, and foreign investment should play a significant role in this process, but foreign investment with a longer term view demands consistent and coherent policies from the host government. We went through a similar experience in the early 1980s when foreign banks opened in Turkey. There was a lot of skepticism but in time the advantages brought to the banking system by the foreign banks in the areas of technology, know-how, professional training and staff qualifications outweighed the disadvantages. The competitive environment thus created has been tremendously useful for the local banking sector. Turkey's experience is a vivid example of the foreign banking community's positive catalytic role in transforming a financial system. When the long-term prospects of the contribution of international financial institutions to Russia's economy and banking system are considered, I am sure this decree will be reevaluated and changed.

In practice, however, this decree will have a minimal effect on Yapi Toko Bank's operations because of the excellent understanding between the partners. As we had a 51 percent-49 percent share distribution, realignment of the



shareholder structure should not be a major problem. Nevertheless, this decree will be a major obstacle for branches or wholly owned subsidiaries of other multinational banks holding a license from Russia's Central Bank.

Q. Does Turkey have any special advantages in operating in Russia and the rest of the former Soviet Union?
Turkey has both natural and cultural advantages for trading with the former Soviet republics. Turkey's geographical proximity to these republics is a certain advantage in terms of transportation costs. In addition, the import needs of the Central Asian republics can be perfectly met by Turkey's export drive, which has focused on industrial and especially consumer goods in the past decade. Relations between business partners and traders play an important role in this part of the world, and the advantages of cultural proximity come into play in this aspect.

Yapi Kredi has been the most proactive Turkish bank in the former Soviet Union. We have established correspondent links with all of the republics and have been serving the commercial banks for at least the past two years. We have also been helping to bring new technology to the domestic banking scene, and offering our training programs to the sector.

The Turkish banking system sets a perfect example for the developing financial systems of the republics. Turkish banks, in general, have worked hard and achieved Western standards in the past decade. As one of the leading financial institutions in Turkey, we feel morally obligated to contribute to upgrading the region's banking standards. We believe that the region, with its natural wealth and talented and educated human resources, will become a world economic power in the next decade.

Q. How do you evaluate the Turkish economy?
Industry-led economic growth was impressive in 1993, especially when compared with a world suffering from recession. However, the sharp rise in imports induced by the high growth rate of the economy, coupled with modest increases in exports because Turkey's major trading partners were in recession, raised the foreign deficit to an unprecedented level. Although foreign exchange earnings moderated the deterioration in the current account balance, 1993 estimates indicate that the current account deficit is much higher than expected.

The economy's main and enduring problems are high public sector deficits and persistent inflation. Government policy seem ineffective in curbing public sector deficits and high public sector financing requirements threaten the stability of the financial markets, which in turn adversely affects the expectations of businesses. The government's policy of financing domestic deficits through internal and external borrowing can only be considered a temporary measure to gain time instead of dealing with core issues.

Q. How do you evaluate the government's privatization program, and what role will Yapi Kredi play in it?
Serious privatization is an issue long past the point of discussion and has become an immediate "must" for the healthy growth of the Turkish economy as a whole.

We view the privatization program so far as a period where the government, the public and the investors wet their feet. The privatization of state-owned enterprises like the post office will be the next step and will have the impact everyone is looking for. However, the key here is that the funds generated must be invested in job creation and revenue-generating areas. It would be shortsighted to use the proceeds to reduce the budget deficit without eliminating the factors that caused the deficit in the first place. Yapi Kredi is willing and able to play any role from advisor to underwriter to market marker in these projects so long as the entire country benefits.

Q. Last July the government introduced new rules for the banking sector. What effect will they have?
The new rules can be summarized as follows:

• Establishment of new banks is facilitated for Turkish and foreign banks. New rules also pertain to the establishment of investment and development banks and off-

shore banks.

• Approval from the undersecretariat of Treasury and Foreign Trade is needed to transfer shares above or below the established rate.

• Banks may now issue securities.

• Credit limits for clients are generally raised, but the limit for those who have an indirect credit relationship with a bank is lowered.

• The amount of capital that banks may allocate to their participations, except for financial participations, is also highly restricted, as are credit limits on banks' participations.

• The Treasury Minister is authorized to take all of the necessary steps to improve the financial structure of a bank whose financial situation is jeopardized.

• Limits for real estate acquired by banks are lowered.

Q. What are Yapi Kredi's major recent accomplishments in banking services and technology?

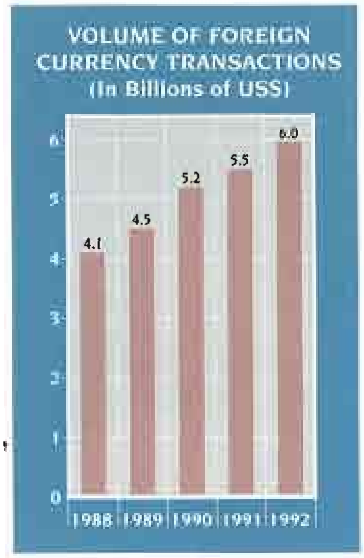
Yapi Kredi has always been considered the trend-setting bank in Turkey. Our accomplishments over the last decade not only reinforce this image, but also gave us the leadership position in many banking areas, most notably consumer and investment banking.

While many of our competitors are in the midst of implementing on-line, real-time branch and head office systems, Yapi Kredi has finished converting our branch network to the latest generation of automated systems, thus providing superior service to our customers.

Yapi Kredi pioneered consumer banking in Turkey. Starting in 1988 we implemented a strategy to develop the potential of this sector, almost untouched to that date. We introduced many services that have become indispensable for any multi-branch retail bank wishing to compete in this market. Among these are:

• 24-hour banking with the biggest ATM network linked to all major systems (Visa, Plus, Electron, MasterCard, Europay, and Maestro).

• Yapi Kredi Worldcard (Visa and MasterCard) is a strong market leader with a 40 percent share in the credit card market in Turkey. According to Visa statistics, we rank 83rd among 19,000 card-issuing banks worldwide.



• Consumer loans were introduced for the first time by Yapi Kredi in 1988. Today we offer a package of consumer loans from small purchases to mortgages.

• Overdraft accounts and debit cards were introduced to the market by Yapi Kredi.

• Yapi Kredi introduced telephone banking to Turkey in 1990.

As a result of these and other innovations, we have the largest active consumer banking customer base, which is estimated to increase by over 500,000 new customers in 1993. We are now entering a new phase to develop and implement the services that will be required by our customers in the near future.

Q. What are Yapi Kredi's plans for the new few years, and which new services will you offer the foreign investment community?

Based on our corporate motto, "Openness — Participation — Sharing," we are concentrating on increasing the efficiency of our operations and improving quality in all our products and services.

We were probably the first large financial institution to foresee the foreign investment community's current interest in Turkey. Since the inception of the Istanbul Stock Exchange, we have been very active in serving the needs of foreign investors. We offer full brokerage services, discretionary and non-discretionary fund management, and custodial and safekeeping services which incidentally are on par with the best anywhere. On the investment banking side, we concentrate on underwriting and M&A. Good research is of paramount importance to the foreign investor, so we are bolstering our very strong research capabilities by reorganizing our various research departments to produce the most comprehensive analyses available. We will continue to search for ways to better serve our foreign and domestic clients. In this effort, we will develop new products and services and do whatever is necessary to respond to the changing needs of the foreign investing community.

Automation has been emphasized in the heightened competition among Turkish banks.

Banking Boom

The 12 months just past were a "golden year" for Turkish banking, according to the Turkish Association of Banking Experts, with many of the country's 60-odd banks registering record profits for the year.

The boom has been largely sparked by a fund management policy initiated in 1992, based on trading short positions in foreign exchange. The fact that the depreciation of the Turkish lira was slower than the increase in the rate of inflation at the beginning of the year enabled the banks to rake in high profits by placing their borrowed foreign currency as Turkish lira.

Banking experts estimate the total short position of the sector at $5.5 billion. Banking specialist Dr. Selcuk Abac warns that, with the government favoring faster depreciation of the lira in part to jump start the dwindling export sector, the banks will have to close their short positions by year-end.

A greater worry for many bankers, however, is new draft tax legislation calling for a heavier tax burden on the banking sector. In particular, it foresees withholding taxes on securities, including Treasury bills, and time deposits.

Only the so-called "A Type" mutual funds, which include a component representing 25 percent of the shares traded on the Istanbul Stock Exchange, will be exempt from the tax. The aim of this measure is to further boost the five year-old exchange which continues to be one of the best-performing emerging markets in the world and is now quoted in the *Financial Times*.

According to Hayri Culhaci, vice president of privately owned Akbank, which ranks among the country's top three banks, should the tax legislation be approved as is, the government is likely to be negatively affected by it as well. "By imposing higher taxes on Treasury bills, for example," he explains, "the government will be curtailing its internal bor-

This announcement appears as a matter of record only

DEMİRBANK

İSTANBUL

US$50,000,000 Term Loan

Arranged by
International Finance Corporation

Co-Arranged by
The Bank of Tokyo, Ltd.

US$15,000,000 5 year tranche

Provided by
International Finance Corporation

US$35,000,000 3 year tranche

Provided through
International Finance Corporation participations by

Lead Managers

The Bank of Tokyo, Ltd.

KLB Asia Finance Limited

Managers

The Arab Investment Company S.A.A.

Banque et Caisse d'Epargne de L'Etat
Luxembourg

Caixa Geral de Depositos, Paris Branch

Participants

Banc Agricol i Comercial d'Andorra S.A.
Swiss Volksbank, Berne
MTB Bank — New York
Bayerische Vereinsbank Aktiengesellschaft
Chiao Tung Bank Europe N.V.
The Development Bank of Singapore Ltd.

Kredietbank N.V.
Kexim Bank (UK) Limited
American Express Bank GmbH
Berliner Bank Aktiengesellschaft
Deutsch Turkische Bank AG
Nordbanken

Agent
The Bank of Tokyo, Ltd.

September 1993

rowing capacity. It doesn't make much sense."

Another problem, Culhaci points out, is that the legislation also calls for depositors to declare interest earnings above TL225 million. "As a result, customers are likely to shift towards other instruments," he warns. While the government hopes they will turn to the stock market, they could well turn en masse toward foreign exchange, "and that would be disastrous," Culhaci adds.

Meanwhile, many bankers complain that the new tax burden, together with onerous capital adequacy requirements, will make the sector less profitable in the year ahead. On average, 46 lira must be held as a reserve or liquidity requirement for every TL100 in time deposits with a bank. Combined with high interest rates, this makes deposit-taking a very costly, and thus increasingly less lucrative, business.

Optimists counter that this can only be healthy for Turkish banks as it forces them to come up with innovative new ways to raise funds, making the sector more modern and competitive.

An increasingly popular way of raising money as well as spreading risk is consumer lending. Although it still accounts for a modest share of most bank's portfolios, growth has been staggering.

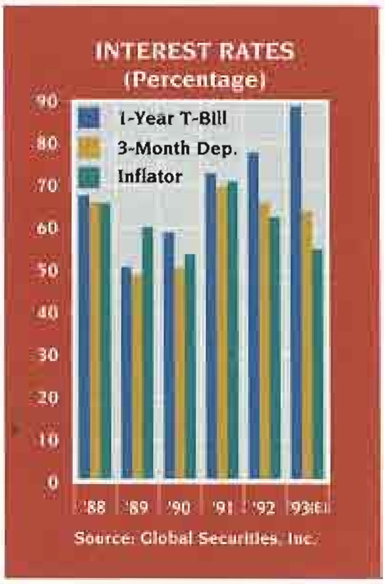
This is especially true of Akbank where, according to preliminary year-end figures, consumer lending, called "the jewel in our crown" by Culhaci, grew by a phenomenal 400 percent in 1993.

Consumer lending has also caught on with state banks, which through sheer size continue to dominate the industry. Leading the pack is the State Agricultural Bank, Turkiye Ziraat Bankasi, which with more than $11 billion in assets, 1,290 branches and a staff of 40,000, is the country's largest bank. According to Ziraat officials, the bank has 16 different credit cards to choose from. Eleven hundred of its branches are fully automated; 900 of these have ATMs.

Competition for consumer lending business has meant that the banks have had to broaden the range of customers to whom they lend. This has been accompanied by a rising number of defaults, but has not deterred foreign card companies from wanting to increase their Turkish business. Visa continues to dominate the market with one million cards out of a total of 1.2 million charge cards issued so far.

Eager to duplicate its competitor's success, MasterCard has launched a major marketing drive, investing some $1 million in an advertising campaign and opening a branch office in Istanbul.

According to MasterCard representative Mehmet Sezgin, the group is not trying to woo customers from Visa, but aims to tap the market for new customers. "With the number of voters set to reach 35 million by the year 2000, the potential is considerable," he says, adding that MasterCard will use Turkey as a base to reach out to the new Muslim republics of the former Soviet Union.



Source: Global Securities, Inc.

Meanwhile, the banks have also turned to asset securitization as another source of funding. At Akbank, business has leapt by a hefty 500 percent over 1992, making it the fastest growing area for the bank.

Last year also saw many Turkish banks raise their international profiles. Thus, privately owned Garanti Bank used ADRs to float $120 million worth of shares, equivalent to 7 percent of the bank's total stock. The offering was snapped up by 51 leading international investment funds for their long-term portfolios. The deal was arranged by Lazard Freres and the U.K.'s Baring Brothers.

In a separate deal, lead-managed by Chemical Bank, Akbank concluded its first-ever syndication abroad, borrowing $100 million in a fully subscribed deal.

Similarly, Isbank, the half state-owned, half privately owned banking giant, raised $110 million in December through a consortium of international banks led by Sumitomo Bank Limited. The fully subscribed loan is for one year and carries an interest rate of Libor plus 0.95 percent.

Last year Ziraat also became the first Turkish bank to seek a rating from the world's leading rating agencies, Moody's and Standard & Poor's. Ziraat officials note that the bank has earned a Baa3 rating for the long term, the same as that accorded to Turkey as a country. "In other words, we are as reliable as the state," a Ziraat official boasts.

The Istanbul Stock Exchange had a record year in 1993.

Market Sets New Records

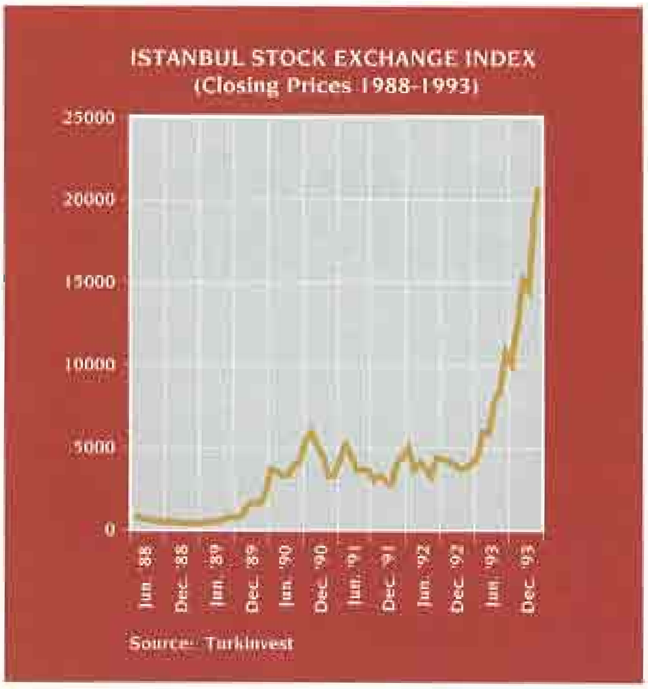
It is hardly surprising that the Turkish stock market remains a darling of investors in emerging markets. In 1993 the Istanbul Stock Exchange (ISE) composite index of 50 companies rose from 4,004 to 20,682, an increase in dollar terms of over 200 percent. The index covers about 80 percent of transaction volume on the ISE.

Not only did market capitalization grow almost fourfold, to around $35.2 billion, in a single year, but automation of the exchange has vastly improved trading and settlement conditions. Local analysts also contend that automation helped to improve market conditions by creating greater public visibility and ease of transactions.

"The most important factor driving the market last year was probably the fact the most shares were undervalued at the beginning of 1993 with a total market capitalization of $9.9 billion and an average P/E ratio of 3.5 times," says Arzu Turksoy, assistant economist at Global Securities. "Secondly, corporate earnings for 1993 grew 38 percent in dollar terms, and third, we saw the emergence of large-scale Turkish institutional investors."

Another major force driving the market, according to Dr. Aydin Ulusan, managing director of TurkInvest, was "the government's favorable stance towards the Istanbul Stock Exchange, which manifested itself in legislation making investments in equities more attractive than alternatives."

Ulusan optimistically predicts that by the end of the first quarter of 1994 "market capitalization will grow to $100 billion and the ISE composite index will reach 35,000." The two main reasons he cites are "the government's new tax legislation which makes investing in stocks more attractive, and privatization, or rather the expec-



tation of privatization."

Global's director of research, Emre Yigit, takes a far more sober view. While he too believes the index will rise to 35,000, he expects market capitalization, to reach no more than $45 billion by year-end.

Of the 160 companies listed on the exchange, the average P/E ratio was 16.5 in 1993. This year Yigit is forecasting higher corporate earnings of about 10 percent in dollar terms which should drive the average P/E down to 8.5 times. "This doesn't make the market undervalued, but it does mean it is trading at a lower ratio than other markets and, more specifically, other emerging markets," he says.

Fifteen firms account for 58.3 percent of total capitalization, with five firms (Tofas, 8.9 percent; Turkiye Is Bank, 6.2 percent; Koc Holdings, 5.9 percent; Tupras, 5.7 percent and Akbank, 4.6 percent) accounting for 31.3 percent of the market's total value.

Late last year, the exchange began automated trading using the ELIT system — a modified electronic system modeled on those used by the Mexico and Vancouver stock exchanges. The system, which currently handles transactions on 50 stocks, is scheduled to be capable of handling all listings by June, and certainly by the time the exchange moves to its new headquarters. The move is now planned for late 1994, in the Levant-Maslak area in the northwestern part of the city on the European side.

This new financial area has replaced Banklar Street, Turkey's version of Wall Street, in the old city. Already, Garanti Bank, Yapi Kredi Bank, Akbank, Emlack Bank, Ege Bank and Turkiye Is Bank, as well as many foreign banks, have set up new corporate offices there.

Total trading volume in 1992 was $5.7 billion; as of November 30, 1993, this figure had risen to $7 billion. Brokerage firms accounted for a little over 79 percent of trading activity in equities, commercial banks, 19 percent and investment banks, just under 2 percent. (The ISE has 174 members of which 112 are brokerage houses and 51 are commercial banks. The remaining 11 are investment banks.) Although there is no concrete data, the ISE claims that about 25 percent of the volume was foreign capital.

The five most actively traded stocks last year were Turkiye Is Bank, Erdemir (iron and steel), Cimentas (cement), Cukurova Elektrik (hydroelectric) and Dogan Holding. Together, they accounted for 24 percent of volume.

The best performers in 1993 were Pinar Sut (milk distributor and processor), up 2,498 percent, Pinar Su (water bottler and distributor), up 2,400 percent; Iktisat Finansal Kiralama (financial leasing), up 2,054.6 percent; Turkiye Is Bank, up 2230.7 percent; and Denizili Cam (glass), up 1,900 percent. Even the five worst performers — Afyon Cimento, Celik Halat, Koc Yatirim, Turkish Airlines and Tupras — posted gains ranging from 69.6 percent to 6.6 percent last year.

TurkInvest's Ulusan thinks investors should keep an eye on these five laggards. "These stocks should do well in 1994 because the first three seem undervalued and the last two could be privatized shortly."

For this year, Global's Yigit likes Demirbank, Dogan Holding, Ege Seramik, Erciyas Biracilik, Finans Leasing, Milliyet, and Petrol Ofisi, if the latter is privatized. "These companies offer the best combination of growth and current pricing," he explains.

The market is still eagerly awaiting the public offering of the government's 21 percent stake in the Tofas car firm, a joint venture with the Koc Group and Italy's Fiat Corporation, for an estimated $600 million — 70 percent of which is expected to be raised from foreign investors. The offering was originally scheduled to come to market in the fourth quarter of 1993, but most analysts now believe it is unlikely to be sold before the March elections.

International Ziraat

If you want to know what makes Ziraat the most international bank in Türkiye, look around you...
to **Moscow...** where Ziraat has pioneered to be established in a new economical environment.
and to the new **Commonwealth of Independent States (CIS)...** where Ziraat has established partnerships with the leading banks in **Azerbaijan, Uzbekistan, Kazakhstan** and in **Turkmenistan** as the first foreign bank.
to **Germany...**where Ziraat's joint venture bank, DT Bank, Ziraat's Frankfurt branch and eight representative offices feel the pulse of the European market and build a bridge with Turkish citizens working in Europe.
to **London...** where Ziraat provides a full range of banking services for business between the U.K. and Türkiye.
to **Brussels...** where Ziraat plays an active role in the integration of Türkiye with the European Community.
to **Rotterdam...** where Ziraat forges vital links with European financial institutions.
to **New York...** where Ziraat speeds up banking transactions between the United States and Türkiye.
to **Tokyo...** where Ziraat acts as an advisor on business opportunities between Japan and Türkiye.

All this makes Türkiye's biggest bank also its most international bank.

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