Turkey and Economy in 2001/ Q3
Increased Geopolitical Importance

- Recognition of Turkey's geopolitical strategic importance and the country's status as a key United States ally in the NATO was renewed after September 11th attacks
- Imminent announcement of an additional loan package from international multilateral agencies hinted to be about US$13 Billions for fiscal year 2002
- Industrial output declined by 11% in July, and 10.1% in August in comparison to the same period a year earlier
- GNP had fallen by 8.5% in 2001/H1, whilst GDP had declined by 6.1% year-on-year
- Capacity utilization in manufacturing industry rose to 72.8% in September, the highest level in reached in any month in 2001
- The number of tourists visiting Turkey in the first eight months were up by 19.5% from a year earlier
- Shuttle trade receipts rose by 9.8% year-on-year January-July
Weak Lira Naturally Resulted in Lower Trade Deficit

- Value of exports jumped by 7.9% to US$ 19.6 billion in the first 7 months despite a weaker Lira.

- State Institute of Statistics data reveal a 0.9% fall in export prices and a 16.4% rise in export quantity. Similarly, value of imports have fallen by 23.3% from US$ 30 Billions to US$ 23 Billions in the same period.

- Foreign trade deficit shrank by a 60.1% in the first eight months.

- A solid current account position has been accompanied with a weak capital account in the balance of payments.

- Global uncertainty has discouraged foreign capital inflows despite competitive asset prices.

- WPI inflation rose to 81.4% year-on-year in October 2001, whilst CPI inflation rose to 66.5% year-on-year in the same period.
Developments in Garanti

GarantiBank
Garanti to Merge with Ottoman

- The merger of Ottoman Bank and Körfezbank became official on August 31, ranking Ottoman as the 9th largest bank in Turkey.

- Garanti will merge with its biggest subsidiary, Ottoman Bank. The merger is scheduled to be fully complete by the end of the year.

- The merger will make Garanti Bank the second-largest commercial bank in Turkey and the largest in the private sector with US$11 Billions in assets and a 9.2% market share.

- Annual cost saving of US$148 Millions is estimated.

- Ottoman’s preminent position in custodian services and blue chip customer base will add to Garanti’s own strengths.
Awards to Garanti

- Global Finance magazine choose Garanti as the best internet bank in Turkey. The magazine based its evaluation on product diversity, user friendly applications, functionality, web design, successful web partnerships and variety of delivery channels.

- Garanti tapped the international syndication market for a US$350 Millions one-year term loan facility at the end of August 2001.
Garanti ranked third in terms of market share.

The Bank has 45,159 POS with a market share of 13.0%.

Garanti maintained its top position in international acquiring with a market share of 30.1%.

Total issuing market share rose to 11.92% and ranked third.
Commissions to Call-Center Increased the Attraction of Internet

Including Cash Withdrawals

Excluding Cash Withdrawals
And Financials...
## Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>30.09.00 TL Billions</th>
<th>30.09.01 TL Billions</th>
<th>30.09.00 US$ Millions</th>
<th>30.09.01 US$ Millions</th>
<th>Y-o-Y Real Change</th>
<th>Share in Total 00/Q3</th>
<th>Share in Total 01/Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash &amp; Banks</strong></td>
<td>875,031</td>
<td>1,320,334</td>
<td>1,318</td>
<td>911</td>
<td>(13.6%)</td>
<td>14.6%</td>
<td>13.5%</td>
</tr>
<tr>
<td><strong>Total Securities</strong></td>
<td>1,495,758</td>
<td>2,525,007</td>
<td>2,252</td>
<td>1,742</td>
<td>(3.4%)</td>
<td>24.9%</td>
<td>24.3%</td>
</tr>
<tr>
<td><strong>Cash Loans</strong></td>
<td>2,288,852</td>
<td>3,386,767</td>
<td>3,446</td>
<td>2,336</td>
<td>(15.3%)</td>
<td>38.1%</td>
<td>32.6%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>6,004,949</td>
<td>10,393,762</td>
<td>9,041</td>
<td>7,168</td>
<td>(0.9%)</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
<td>3,227,641</td>
<td>6,137,905</td>
<td>4,859</td>
<td>4,233</td>
<td>8.9%</td>
<td>53.7%</td>
<td>59.1%</td>
</tr>
<tr>
<td><strong>Funds Borrowed</strong></td>
<td>1,497,200</td>
<td>2,574,450</td>
<td>2,254</td>
<td>1,775</td>
<td>(1.6%)</td>
<td>24.9%</td>
<td>24.8%</td>
</tr>
<tr>
<td><strong>Reserves</strong></td>
<td>87,763</td>
<td>152,376</td>
<td>132</td>
<td>105</td>
<td>(0.7%)</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td><strong>Total SHE</strong></td>
<td>757,660</td>
<td>980,265</td>
<td>1,141</td>
<td>676</td>
<td>(25.9%)</td>
<td>12.6%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>
### Income Statement

<table>
<thead>
<tr>
<th></th>
<th>30.09.00 TL Billions</th>
<th>30.09.01 TL Billions</th>
<th>30.09.00 US$ Millions</th>
<th>30.09.01 US$ Millions</th>
<th>Y-o-Y Real Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest Expense</strong></td>
<td>436,545</td>
<td>1,174,438</td>
<td>721</td>
<td>1,057</td>
<td>79.7%</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>379,260</td>
<td>503,061</td>
<td>626</td>
<td>453</td>
<td>(11.4%)</td>
</tr>
<tr>
<td><strong>Non-Interest Income, Net</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Expense, Net</strong></td>
<td>315,604</td>
<td>468,870</td>
<td>521</td>
<td>422</td>
<td>(0.8%)</td>
</tr>
<tr>
<td><strong>FX Loss, Net</strong></td>
<td>60,314</td>
<td>396,673</td>
<td>100</td>
<td>357</td>
<td>339.3%</td>
</tr>
<tr>
<td><strong>Earning Before Tax</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tax Provision</strong></td>
<td>57,363</td>
<td>-</td>
<td>95</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>170,200</td>
<td>74,657</td>
<td>281</td>
<td>67</td>
<td>(11.8%)</td>
</tr>
</tbody>
</table>
Net Interest Income on a Quarterly Basis

US$ Millions

Q3 00 | Q3 01
---|---
Interest Income | 288 | 358
Interest Expense | -212 | -157
NIM | 76 | 201

Up by 24.3%
Up by 164.5%
Down by 25.9%
Interest Income

Composition of Interest Income

- On Loans
- On Banks
- On Interbank
- On Securities
- Other

On a Quarterly Basis

- US$ Millions
- Up by 24.3% to reach US$358 Million
- US$288 Million
### Interest Expense

#### Composition of Interest Expense

<table>
<thead>
<tr>
<th>Year</th>
<th>On Deposits</th>
<th>On Funds Borrowed</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.09.00</td>
<td>78.5%</td>
<td>21.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>31.12.00</td>
<td>78.6%</td>
<td>21.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>31.03.01</td>
<td>81.2%</td>
<td>18.2%</td>
<td>0.6%</td>
</tr>
<tr>
<td>30.06.01</td>
<td>82.0%</td>
<td>17.6%</td>
<td>0.3%</td>
</tr>
<tr>
<td>30.09.01</td>
<td>82.2%</td>
<td>17.6%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

#### On a Quarterly Basis

- **2000/Q3**: US$212 Million
- **2001/Q3**: US$157 Million, down by 25.9% to US$157 Million
Non-Interest Income

Composition of Non-Interest Income

On a Quarterly Basis

Excluding Trading Income

Up by 46.3% to reach US$120 Million

US$82 Million

Net F & C
Dividends Received
Other Income

2000/Q3 2001/Q3

Net F & C
Dividends Received
Other Income

2000/Q3 2001/Q3

US$ Millions

130

98

60

25

10

21

47

39

20%

60%

40%

80%

100%

0%

50

216

73

78

49

95

65

33

0
Evolution of Fees & Commissions and Non-Interest Income

Q3 00 '00 Q1 01 Q2 01 Q3 01

Net F&C/ Non Int. Income

Net F&C/ Total Operating Income

Non Interest Income/ Total Operating Income

2000/ Q3 37.2%

2001/ Q3 46.5%
Operating Expenses

Composition of Operating Expenses

On a Quarterly Basis

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 00</td>
<td>68</td>
<td>10</td>
<td>9</td>
<td>14</td>
<td>64</td>
<td>6</td>
</tr>
<tr>
<td>Q3 01</td>
<td>43</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>64</td>
<td>4</td>
</tr>
</tbody>
</table>

GarantiBank
Pre-tax and Net Income on a Quarterly Basis

2000/Q3

Net Interest Income: 76
Net Other Income: 10
Tax Provision: 4
Net Income: 82

2001/Q3

Net Interest Income: 201
Net Other Income: 0
Tax Provision: 10
Net Income: -191

US$ Millions
# Profitability Ratios

<table>
<thead>
<tr>
<th></th>
<th>30.09.00</th>
<th>30.09.01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Interest Margin</td>
<td>12.9%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Adjusted Net Interest Margin</td>
<td>10.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Net Interest Spread</td>
<td>14.0%</td>
<td>13.8%</td>
</tr>
<tr>
<td>ROAA</td>
<td>4.31%</td>
<td>1.2%</td>
</tr>
<tr>
<td>ROAE</td>
<td>33.8%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Operating Expenses / NIM</td>
<td>60.1%</td>
<td>89.8%</td>
</tr>
<tr>
<td>Operating Expenses / Total Avg. Assets</td>
<td>5.8%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Cost / Income (excl. extraordinary item)</td>
<td>37.0%</td>
<td>70.0%</td>
</tr>
<tr>
<td>Cost / Avg. Assets (excl. extraordinary item)</td>
<td>4.9%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Capital Adequacy</td>
<td>13.0%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>
As at September 30, 2001, 79.0% of total loans are FC or FC-indexed and 48.7% are short-term in comparison with 63.3% and 58.4%, respectively in 2000/Q3.

Loans extended to retail and commercial sectors shrank by 39% and 43% in US$ terms, whilst loans to corporate sectors decreased by 17%.
Non-Performing Loans and Provisions

In addition to provisions, the Bank set aside US$81 Millions for possible risks that may arise in the future.

Thus, the provisioning rate increased to 93.0%.
In real terms, total deposits grew by 8.9% over the previous year.

Saving and FC deposits were up by 46.0% and 32.5% in real terms over 2000/Q3.

The share of bank deposits in total deposits decreased further to 4.4% as at 2001/Q3, down from 24.2% in 2000/Q3.

<table>
<thead>
<tr>
<th>US$ Millions</th>
<th>30.09.00</th>
<th>30.09.01</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL</td>
<td>22.4%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Demand</td>
<td>16.1%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Time</td>
<td>83.9%</td>
<td>77.6%</td>
</tr>
<tr>
<td>FC</td>
<td>77.6%</td>
<td>75.7%</td>
</tr>
<tr>
<td>Demand</td>
<td>27.6%</td>
<td>25.4%</td>
</tr>
<tr>
<td>Time</td>
<td>72.4%</td>
<td>74.6%</td>
</tr>
</tbody>
</table>

**GarantiBank**
In Summary

- Net interest income increased by 164.5% in US$ terms on a quarterly basis to reach US$201 Millions
- Interest expense went down by 25.9% in US$ terms to US$157 Millions from US$212 Millions on a quarterly basis
- Net non-interest income (excluding trading income) increased by 46.3% in US$ terms to US$120 Million, up from US$82 Million
- Non-interest income to total operating income rose to 46.5% in 2001/Q3, from 37.2% in 2000/Q3
- Saving and foreign currency deposits went up by 46.0% and 32.5%, respectively, in real and year-over-year terms