



CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003

(As adjusted for the effects of inflation in TL units at
30 September 2003 pursuant to IAS 29)

Contents

Section 1

Highlights of Q3 2003

Section 2

Segment Analysis

Section 3

Consolidated Financial Performance – Balance Sheet

Section 4

Consolidated Financial Performance – Income Statement

Section 1

Highlights of Q3 2003

- Net income reached TL237,211 Billion on consolidated basis in the first nine months of 2003
- Net income of the banking segment increased by 262.4% on an annual basis, reaching TL270,761 Billion
- Net banking income of the banking segment increased by 55.3%, reaching TL922,773 Billion
 - Adjusted net interest income, exceeded last year's level of TL109,292 Billion by 91.3%, reaching TL209,044 Billion
 - Net fees and commissions income was up by 3.7%, reaching TL274,941 Billion
 - Net trading income was almost doubled over the same period last year, reaching TL438,788 Billion
- Cost / Income ratio came further down to 65.2% in Q3 2003, from 94.5% in Q3 2002 and 72.0% in H1 03
- Asset quality improved further, with NPL ratio declining to 4.3% as opposed to 5.0% in 2002 year-end
- BIS capital adequacy ratio reached 14.8% in Q3 2003

Section 2

Segment Analysis

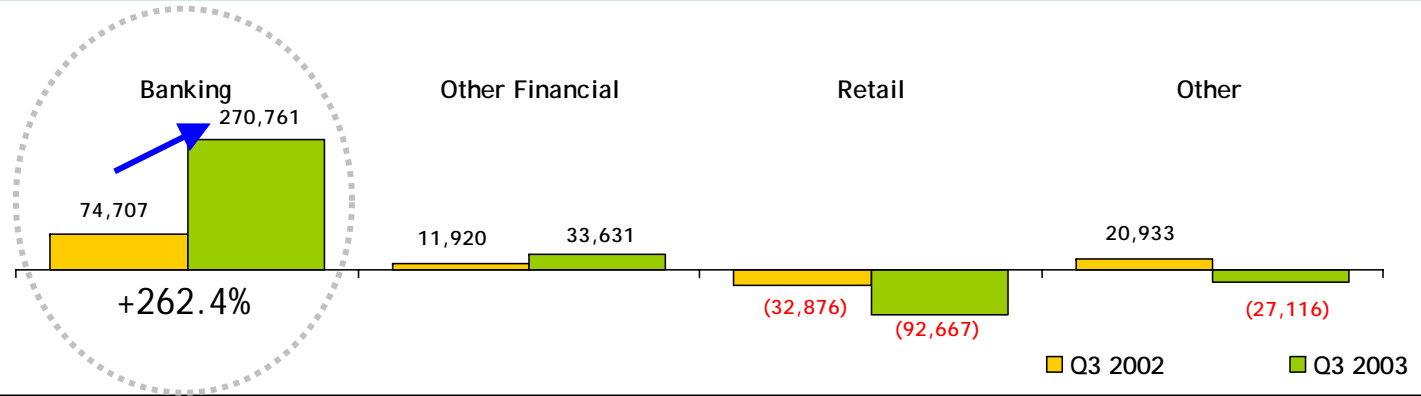
Segment Analysis*

Net Income for the Year

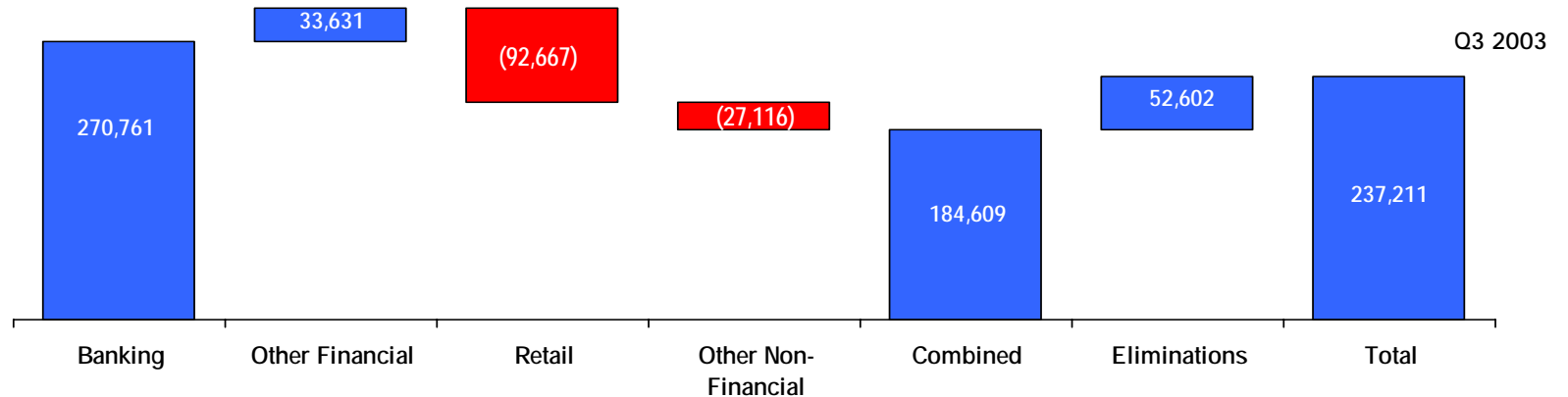
Significant increase in net income of the banking segment

- Net income of the banking segment increased by 262.4% over the same period last year, reaching TL270,761 Trillion

Net Income
TL Billion



Net Income
TL Billion



* Segment analysis is based on pre-elimination figures

Section 3

Consolidated Financial Performance – Balance Sheet

Garanti Bank

Consolidated Financial Performance

Financial Summary

Increase in profitability

- Total assets were TL 22,593 Trillion (US\$16,810 Million) as of September 30, 2003. The decline in total assets in TL terms is due to the overvaluation of TL
- Garanti registered a net income of US\$176 Million in the first nine months of 2003
- NPL ratio decreased further to 4.3% at Q3 2003
- Cost / Income ratio decreased further to 65.2% in Q3 2003
- Capital adequacy ratio increased to 14.8% in Q3 2003

Selected Figures

IAS29

	December 31, 2002	September 30, 2003
Total Assets (TL Trillion)	24,675	22,593
Total Assets ¹ (US\$ Million)	13,940	16,810
TL Net Cash Loans (TL Trillion)	2,125	2,586
FC Net Cash Loans ¹ (US\$ Million)	3,553	3,700
TL Deposits (TL Trillion)	5,008	5,434
FC Deposits ¹ (US\$ Million)	6,827	7,414
Total Shareholders' Equity ¹ (US\$ Million)	1,062	1,575
Net Income ^{1,2} (US\$ Million)	8	176
NPL Ratio (%)	5.0%	4.3%
ROAA (%)	0.1%	1.3%
ROAE (%)	1.6%	15.8%
Cost / Income (%)	83.7%	65.2%
Capital Adequacy Ratio (%)	13.2%	14.8%

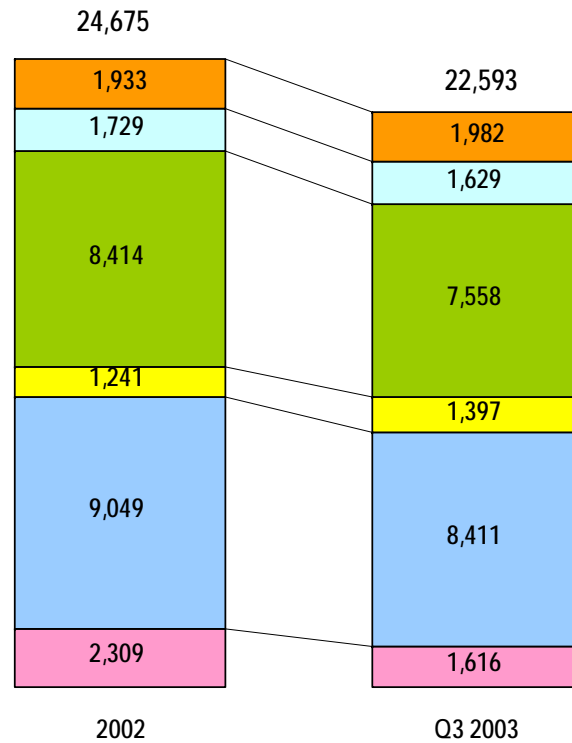
¹ Foreign currency, not inflation adjusted² As at September 30, 2002

Asset Size

Assets increased to US\$16.8 Billion in Q3 2003 vs US\$13.9 Billion in 2002 year-end

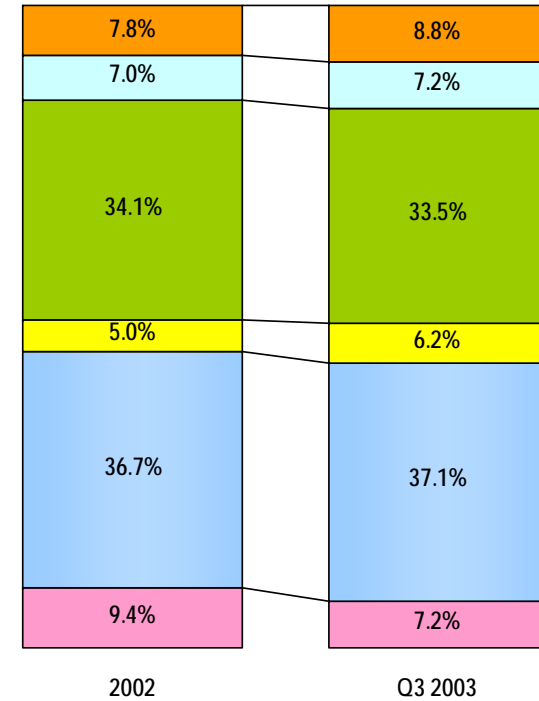
- Total assets were TL22,593 trillion at Q3 2003 (US\$ 16.8 Billion). The decline in TL terms was due to the appreciation of TL

Asset Size
TL Trillion



■ Cash Equivalents
 ■ Securities
 ■ Loans to Banks
■ Loans to Customers
 ■ Tangible Assets
 ■ Other*

Composition of Assets
%



■ Cash Equivalents
 ■ Securities
■ Loans to Banks
 ■ Loans to Customers
■ Tangible Assets
 ■ Other*



*Other assets include intangible assets, investments in associated companies, deferred tax assets, and other assets

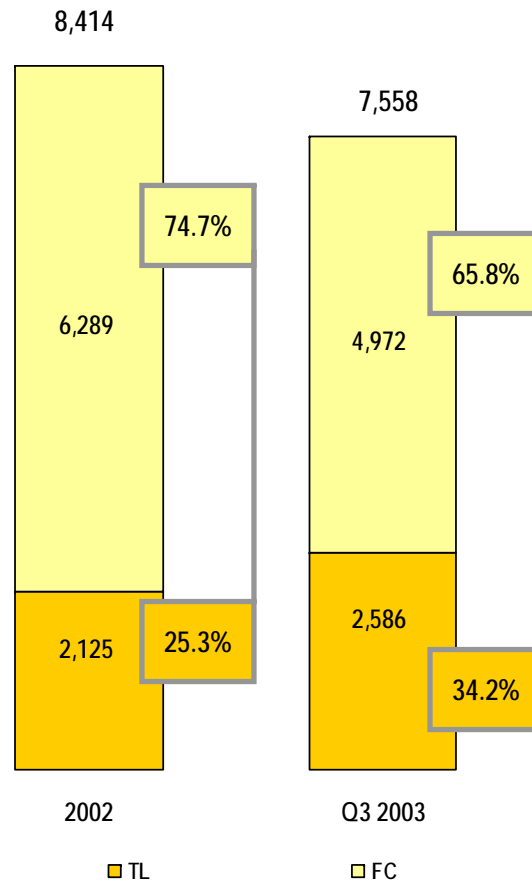
Consolidated Financial Performance

Loans

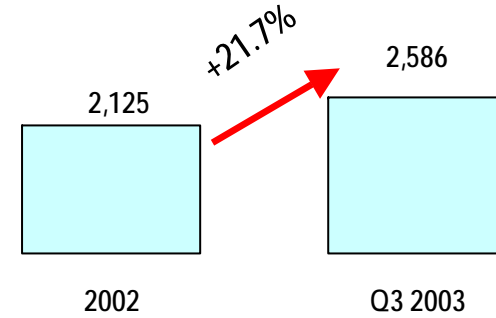
Increase in relatively more profitable TL loans

- The share of TL loans in total loans increased further to 34.2% in Q3 2003 from 25.3% at 2002 YE, due to increasing credit card business and overvaluation of TL
- TL loans increased by 21.7%, reaching TL2,586 Trillion in Q3 2003
- FC loans increased by 4.1%, reaching US\$3,700 Million in Q3 2003

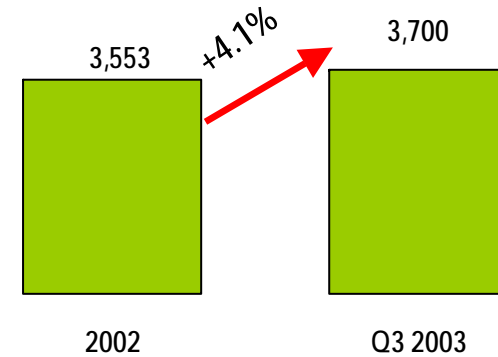
Net Cash Loans
TL Trillion



TL Loans
TL Trillion



FC Loans ¹
US\$ Million



¹ Foreign currency, not inflation adjusted

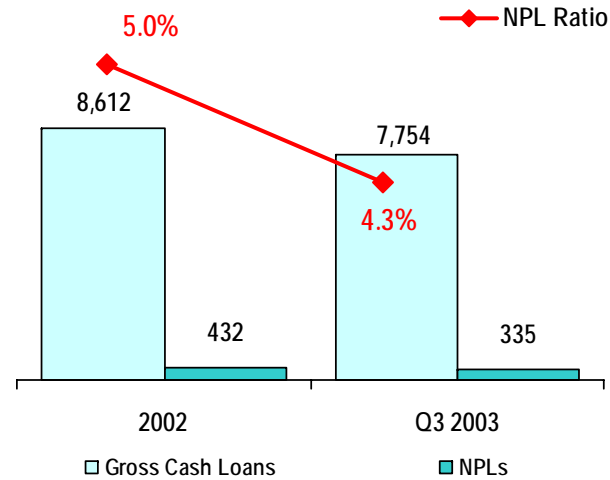
Loans

Continuous improvement in NPLs

- The share of NPLs in gross cash loans decreased further to 4.3% at Q3 2003
- NPL provisioning rate increased to 46.6% at Q3 2003 from 31.8% in 2002 YE
- The share of consumer and industrial loans increased in line with the improvement on the macro front

NPLs and Provisioning

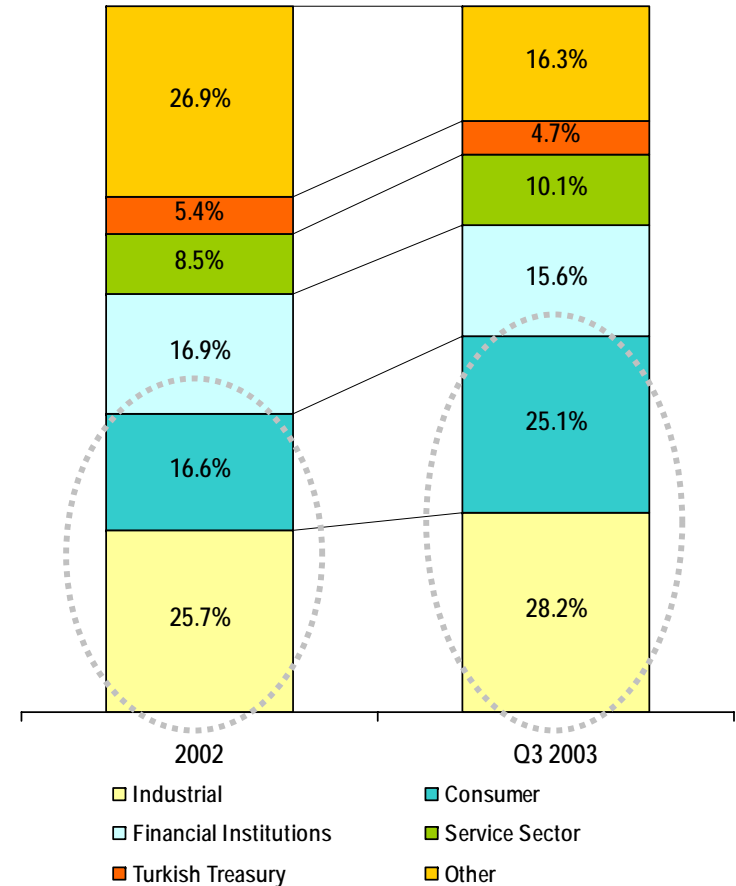
%



Asset Quality	31.12.2002	30.09.2003
Secured Loans	67.67%	63.45%
Unsecured Loans	32.33%	36.55%
Provisioned NPL	1.8%	2.0%
Unprovisioned NPL	3.2%	2.3%

Loan Allocation

%

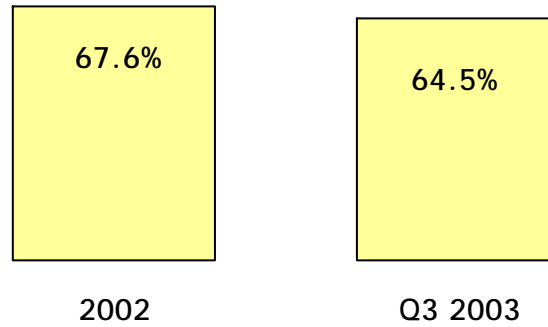


IEA versus IBL

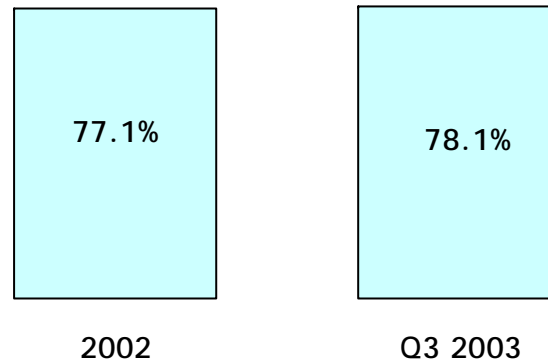
The spread between IEAs and IBLs continued to increase

- The share of IBLs declined to 64.5% in Q3 2003 from 67.6% at 2002 YE
- Even though there is a slight decline in IEA/Total Assets, IEAs surpassed IBLs by TL3,090 Trillion

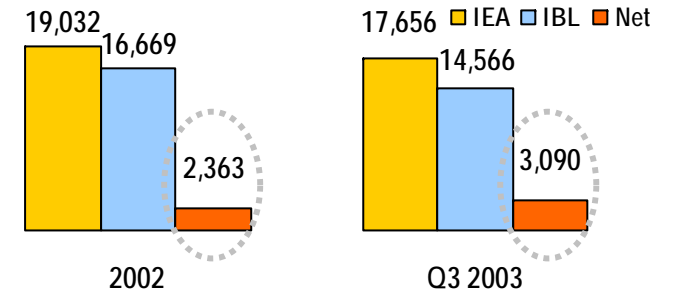
IBL/Total Liabilities and SHE
%



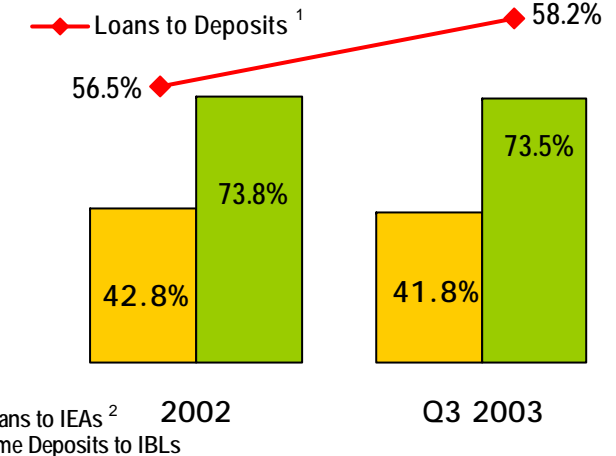
IEA/Total Assets
%



IEA - IBL
TL Trillion



Loans / Deposits
%



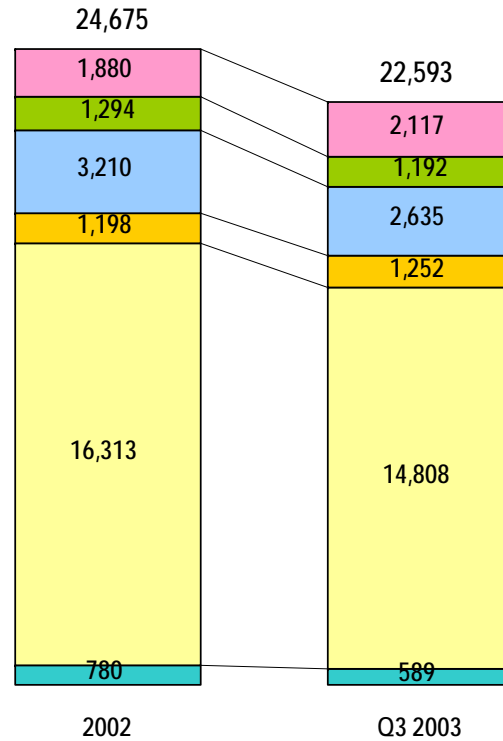
¹ Including loans to banks and deposits from banks
² Excluding accrued interest income on loans

Composition of Liabilities and SHE

Improving cost of funding

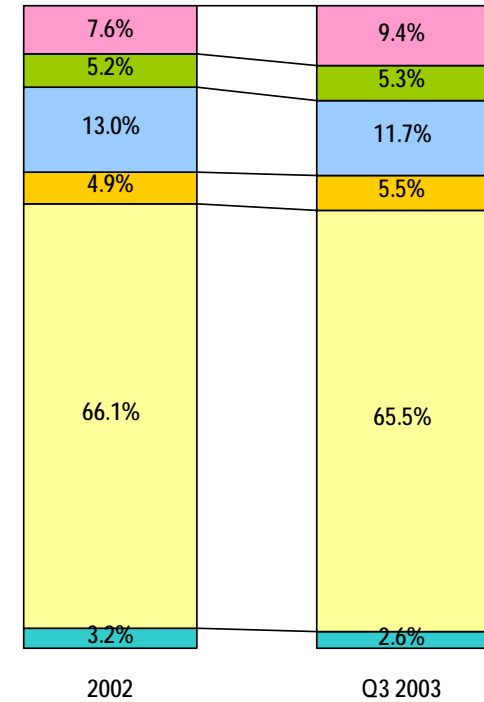
- Share of deposits (including deposits from banks) in total liabilities and shareholders' equity stood at 68.1%

Liabilities & SHE
TL Trillion



- Deposits from banks
- Deposits from customers
- Repo obligations
- Funds Borrowed
- Other
- SHE

Composition of Liabilities & SHE
%



- Deposits from Banks
- Deposits from Customers
- Repo Obligations
- Funds Borrowed
- Other
- SHE

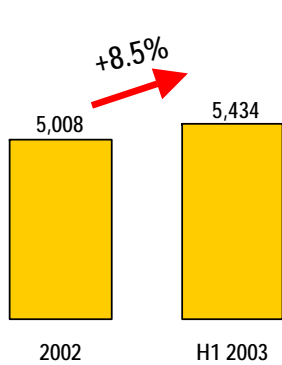
Consolidated Financial Performance

Deposits

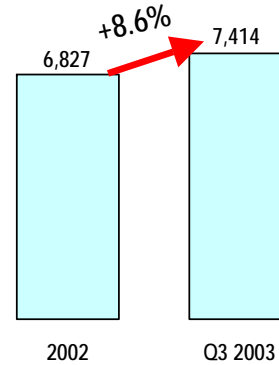
Increase in both TL and FC deposits

- TL and FC deposits increased by 8.5% and 8.6%, respectively
- Saving deposits increased 19.3% in real terms over 2002 YE, bringing its share from 13.6% at 2002 YE to 17.9% in Q3 2003
- The share of TL deposits in total deposits increased further to 35.3% in Q3 2003
- The share of demand deposits continued to increase in the first three quarters of 2003, bringing its share in total deposits up to 30.64%

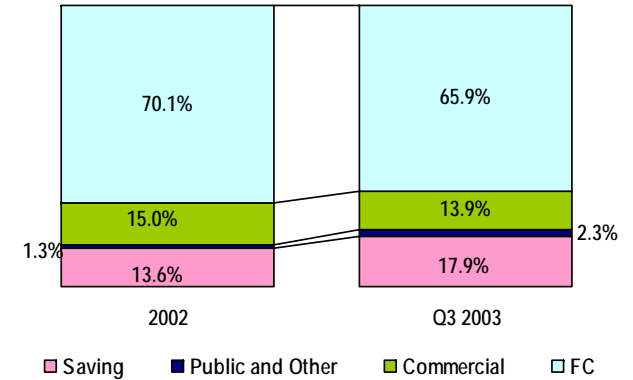
TL Deposits
TL Trillion



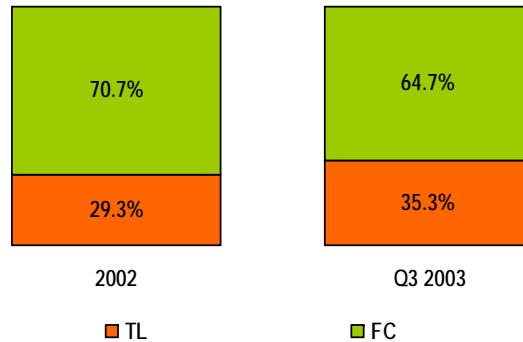
FC Deposits ¹
US\$ Million



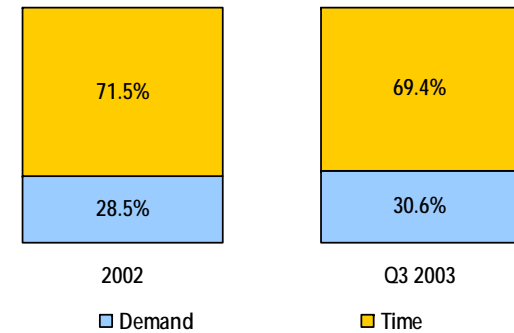
Composition of Customer Deposits %
(excluding accrued interest expense)



TL – FC Breakdown %
(including bank deposits)



Demand vs. Time Customer Deposit %
(excluding accrued interest expense)

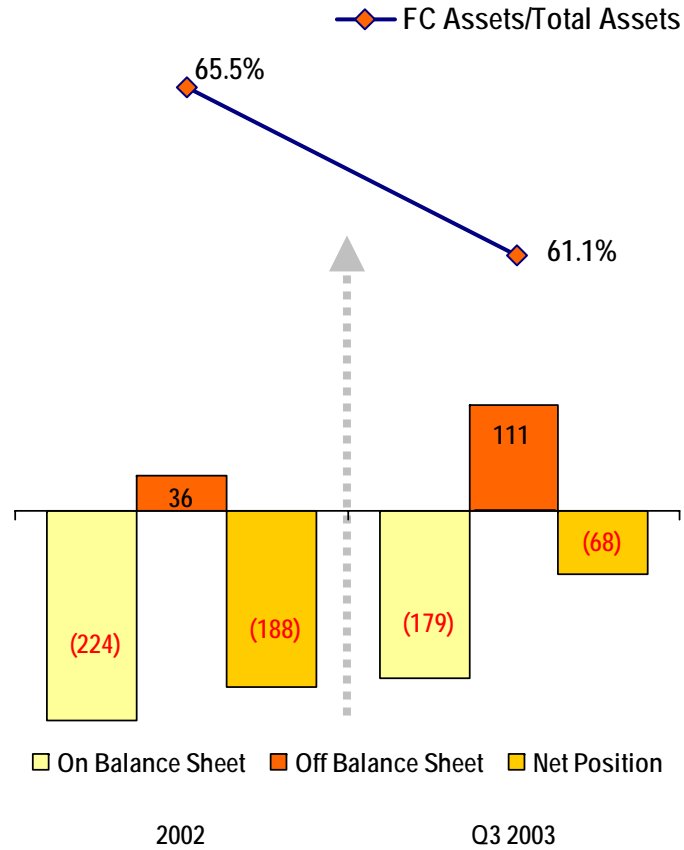


¹ Foreign currency, not inflation adjusted

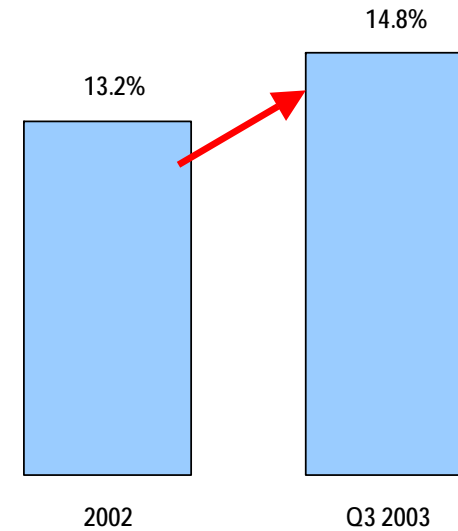
FX Position and CAR

- Capital adequacy ratio increased further to 14.8% in Q3 03 as opposed to 13.2% in 2002 year-end

FX Position
US\$ Million



Capital Adequacy Ratio
%



Section 4

Consolidated Financial Performance – Income Statement

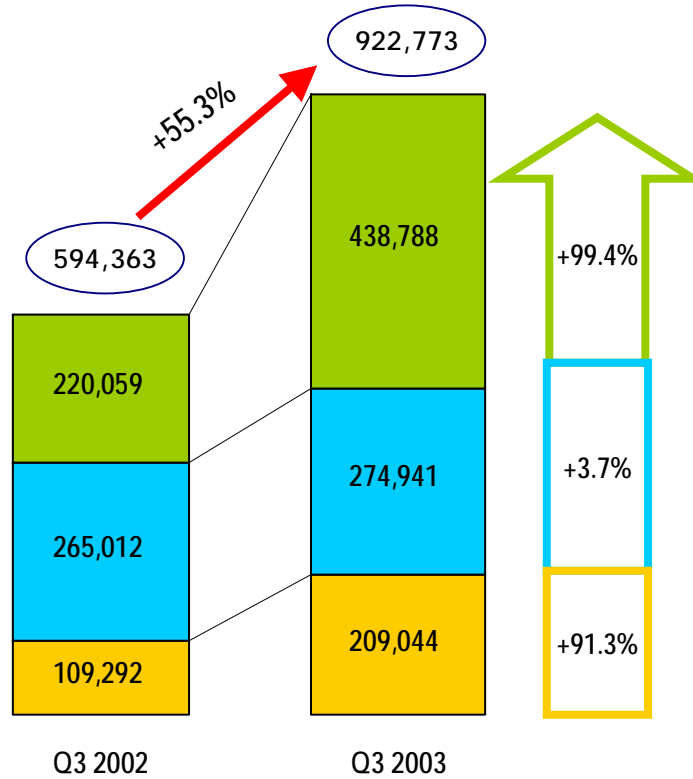
Segment Analysis

Net Banking Income and Non-Interest Expenses of the Banking Segment

Increase in net banking income in all income components

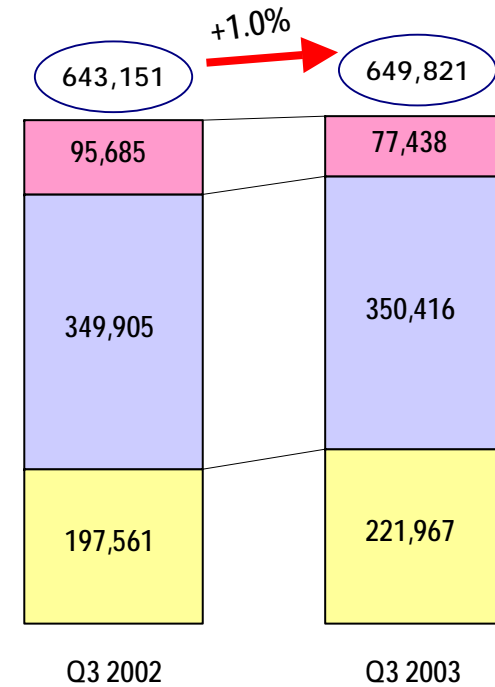
- Net banking income of the banking segment increased by 55.3% in Q3 2003 as compared to Q3 2002
- Adjusted NII of the banking segment registered 91.3% increase in Q3 03 as compared to Q3 02, reaching TL209,044 Billion
- Net trading income increased by 99.4% in Q3 02 on annual basis, standing at TL438,788 Billion
- Non-interest expenses of the banking segment remained almost flat in Q3 03 on an annual basis, standing at TL649,821 Billion

Net Banking Income
TL Billion



■ Adjusted NII ■ Net Fees & Commissions
■ Net Trading Income

Non-Interest Expenses
TL Billion



■ Personnel¹ ■ Other Administrative²
■ Depreciation



¹ Personnel expenses include salaries and wages and employee benefits

² Other administrative expenses are advertising, rent, computer usage, SDIF, taxes and duties, utility, repair and maintenance, R&D and other expenses

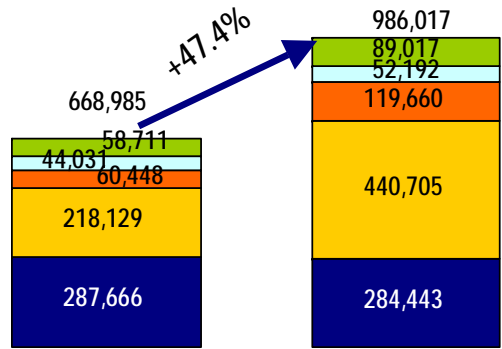
Consolidated Financial Performance

Non-Interest Income

Strong focus on sustainable sources of revenue

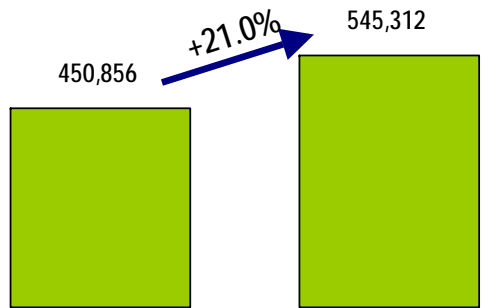
- Total non-interest income was up by 47.4% on a year-on-year basis to reach TL986,017 Billion
- When trading income is excluded, the increase in non-interest income was 21.0%
- Income from retail business registered a 98.0% increase, reaching TL119,660 Billion and constituting 12.1% of the total non-interest income
- Net income from trading activities was TL440,705 Billion, 102.0% higher than the TL 218,129 Billion achieved in Q3 2002. The decline in interest rates and increased volatility in FC markets led to a very strong first nine months for fixed income and foreign exchange trading

Non-Interest Income
TL Billion



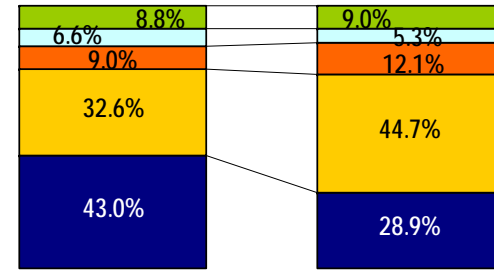
Q3 2002 Q3 2003
 ■ Net Fees and Comm. ■ Trading Income ■ Retail
 □ Insurance □ Other

Non-Interest Income Excl. Trading
TL Billion



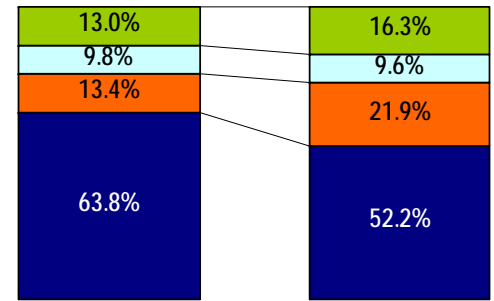
Q3 2002 Q3 2003

Composition of Non-Interest Income
%



Q3 2002 Q3 2003
 ■ Net Fees and Comm. ■ Trading Income ■ Retail
 □ Insurance □ Other

Composition of Non-Interest Income Excl. Trading
%



Q3 2002 Q3 2003
 ■ Net Fees and Commissions ■ Retail □ Insurance ■ Other

Consolidated Financial Performance

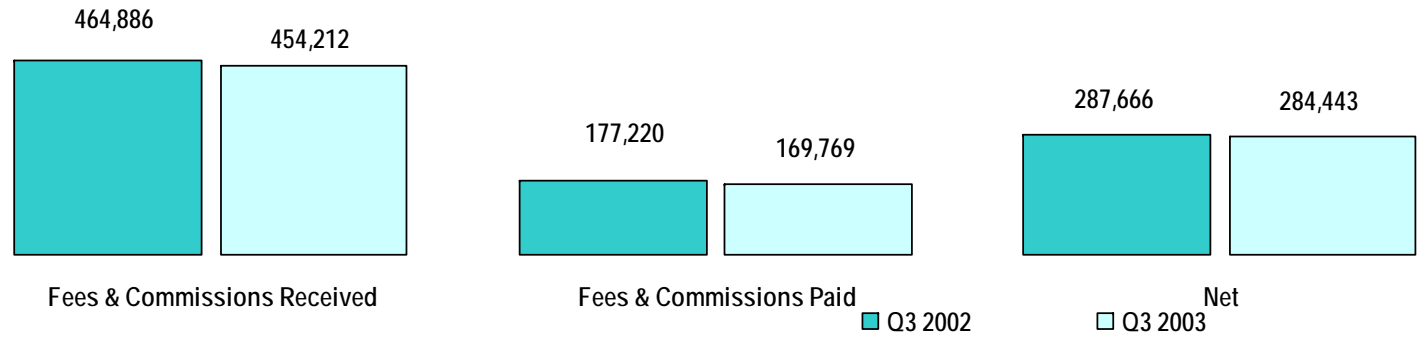
Fees and Commissions

Small decline in net fees and commissions in non-banking segments

- Net fees and commissions were TL284,443 Billion in Q3 2003
- Net Fees and Commissions / Average Assets ratio increased to 1.6% in Q3 on an annual basis
- Net fees and commissions covered 36.5% of its operating expenses in Q3 2003

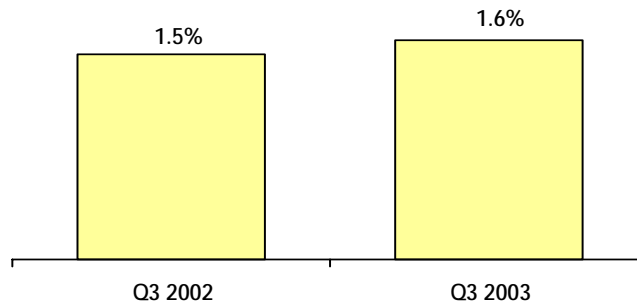
Fees and Commissions

TL Billion



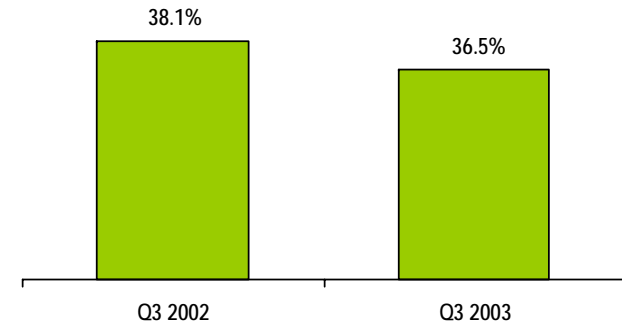
Net Fees and Commissions / Average Assets

%



Net Fees and Commissions / Operating Expenses

%



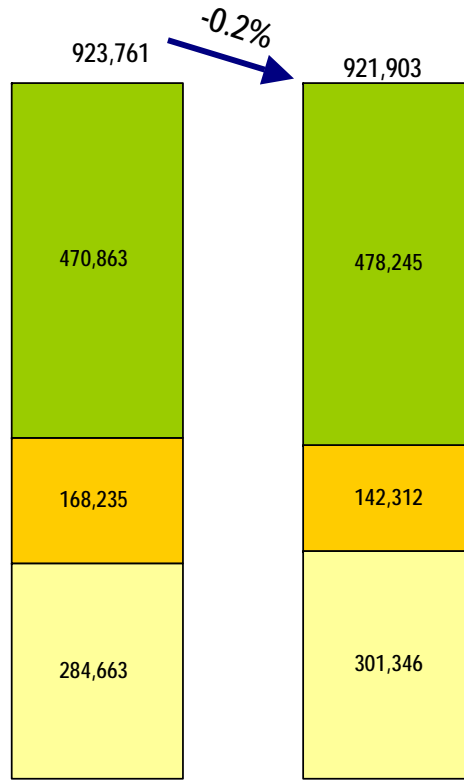
Non-Interest Expenses

Continuous cost-cutting measures

- Total non-interest expenses declined by 0.2% in Q3 2003.

Non-Interest Expenses ¹

TL Billion



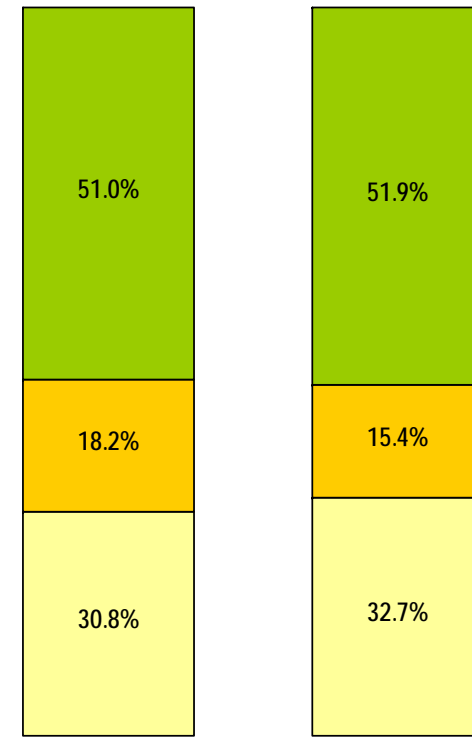
Q3 2002

Q3 2003

Personnel² Depreciation Other Admin³

Composition of Non-Interest Expenses

%



Q3 2002

Q3 2003

Personnel² Depreciation Other Admin³

¹ excluding impairment, general provision and provision for severance payments

² Personnel expenses include salaries and wages and employee benefits

³ Other administrative expenses are advertising, rent, EDP, SDIF, taxes and duties and other operating expenses

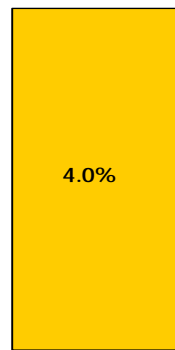
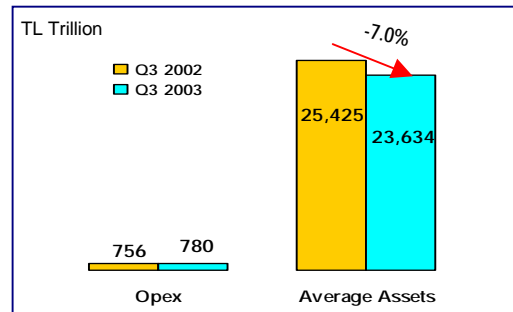


Operating Expenses and Cost / Income

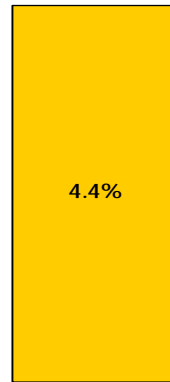
Further improvement in Cost / Income ratio

- During the last two years, Garanti continuously improved its Cost/Income ratio through aggressive cost reduction and earnings enhancement initiatives. Garanti introduced aggressive cost-cutting measures in year 2002, starting 2003 with a low base
- Of the 0.4 percentage point increase in Opex / Average Assets in Q3 2003; only 0.1 percentage points (25%) stemmed from the increase in operating expenses, while 0.3 percentage points (75%) came from the shrinkage in average assets

Operating Expenses / Average Assets %

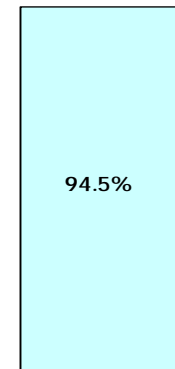
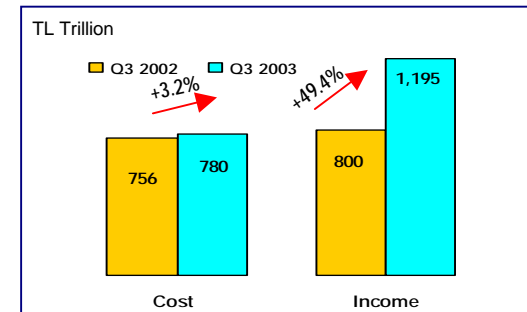


Q3 2002

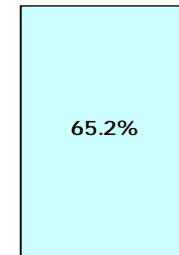


Q3 2003

Cost / Income Ratio %



Q3 2002



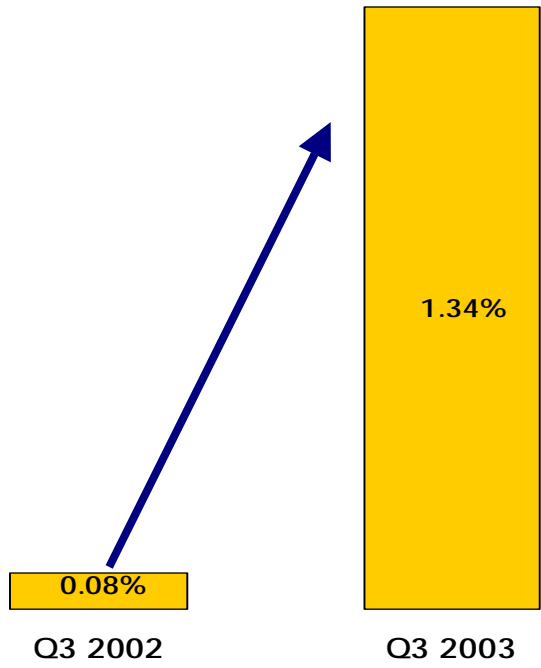
Q3 2003

ROAE and ROAE

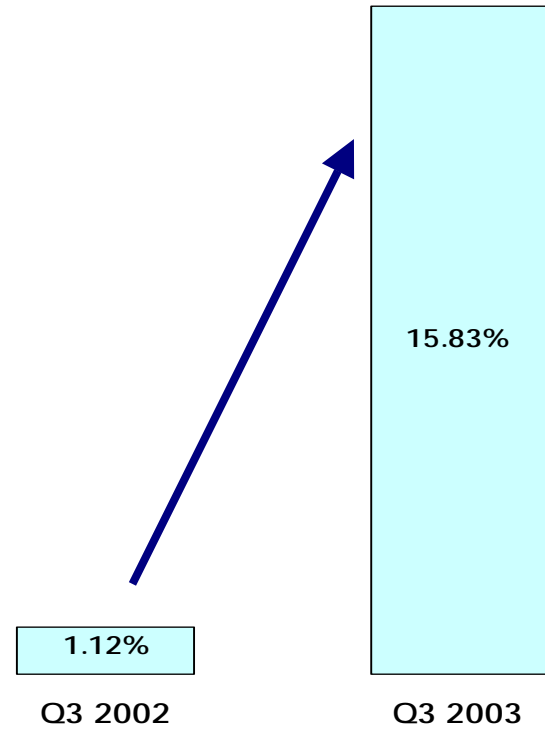
Strong and improving performance in ROAA and ROAE

- ROE reached 15.83% as of September 2003

ROAA
%



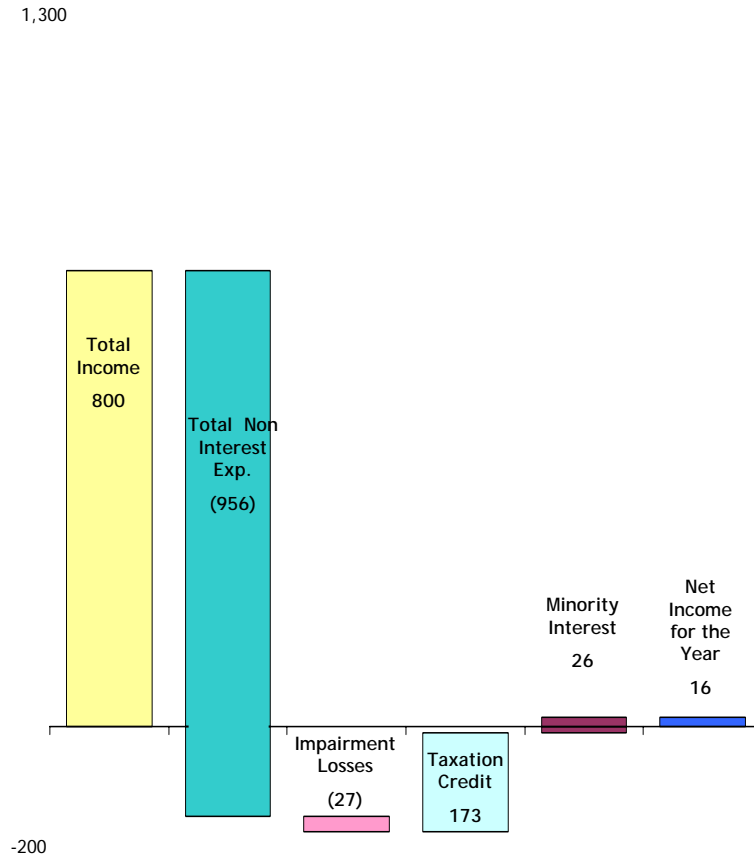
ROAE
%



Profit / Loss

- The consolidated net income for the first half of 2003 was TL237,211 Billion, as opposed to TL16,152 Billion in the same period last year
- Total income increased by 51.4%, reaching TL1,211,444 Billion
- Total non-interest expenses were cut by 2.1%

Q3 2002 Profit / Loss
TL Trillion



Q3 2003 Profit / Loss
TL Trillion

