



CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

(As adjusted for the effects of inflation in TL units at
31 March 2004 pursuant to IAS 29)

Contents

Section 1

Highlights of 2004 Q1 Financial Results

Section 2

Segment Analysis

Section 3

Consolidated Financial Performance – Balance Sheet

Section 4

Consolidated Financial Performance – Income Statement

Section 1

Highlights of 2004 Q1 Financial Results

- Total assets were TL25,475 Trillion on consolidated basis as of Q1 2004
- Net income was TL143,659 Billion on consolidated basis in the first quarter of 2004
- Net income of the banking segment increased by 214.8% over Q1 2003, reaching TL159,202 Billion
- Net banking income of the banking segment increased by 276.1% in Q1 2004 over Q1 2003, reaching TL491,336 Billion
 - Adjusted net interest income registered 480.2% increase, reaching TL274,500 Billion
 - Net fees and commissions of the banking segment increased by 27.3%, reaching TL120,540 Billion
- Cost / Income ratio came further down to 52.0% in Q1 2004, from 63.2% in 2003 YE and 141.5% in Q1 2003
- Asset quality improved further, with NPL ratio declining to 3.0% in comparison to 4.5% in Q1 2003
- BIS capital adequacy ratio reached 16.7% as of Q1 2004

Section 2

Segment Analysis

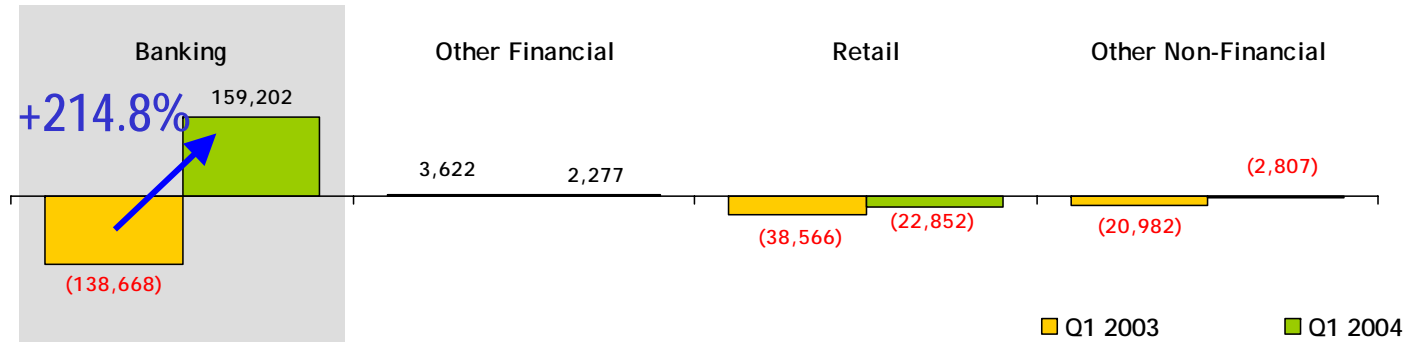
Segment Analysis

Net Income for Q1 2004

Strong growth in net income of the banking segment

- Net income of the banking segment increased by 214.8% over the same period previous year, reaching TL159,202 Billion

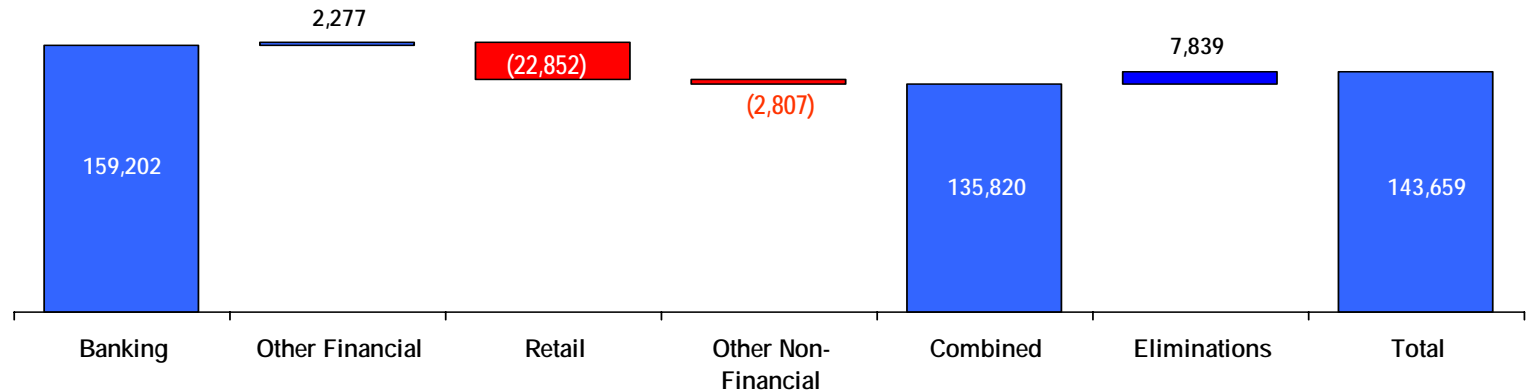
Net Income*
TL Billion



* Segment analysis is based on pre-elimination figures

Composition of Consolidated Net Income, Q1 2004

TL Billion



Section 3

Consolidated Financial Performance – Balance Sheet

Financial Summary

Increase in profitability

- Total assets were up by 7.4% in US\$ terms, reaching US\$19,513 Million as of March 31, 2004
- Capital adequacy ratio increased to 16.7% as of March 2004
- Garanti registered a net income of US\$110 Million in Q1 2004, against a loss of US\$92 in Q1 2003
- NPL ratio decreased further to 3.0% as of Q1 2004
- ROAA and ROAE improved to 2.18% and 21.26%, respectively
- Cost / Income ratio decreased further to 52.0% as of Q1 2004

Selected Figures

IAS29

	December 31, 2003	March 31, 2004	Change
Total Assets ¹ (US\$ Million)	18,169	19,513	7.4%
Total Assets (TL Trillion)	27,323	25,475	-6.8%
TL Net Cash Loans (TL Trillion)	3,998	4,743	18.6%
FC Net Cash Loans ¹ (US\$ Million)	4,221	4,838	14.6%
Non-cash Loans (TL Trillion)	5,841	5,618	-3.8%
TL Deposits (TL Trillion)	6,480	6,634	2.4%
FC Deposits ¹ (US\$ Million)	7,863	7,948	1.1%
Total Shareholders' Equity ¹ (US\$ Million)	1,750	2,126	21.5%
Capital Adequacy Ratio (%)	14.5%	16.7%	2.2pp
	March 31, 2003	March 31, 2004	Change
Net Income (TL Trillion)	-167	144	186.2%
NPL Ratio (%)	4.5%	3.0%	-1.5pp
ROAA (%)	-2.57%	2.18%	+4.75pp
ROAE (%)	-33.85%	21.26%	+55.11pp
Cost / Income (%)	141.46%	52.00%	-89.46pp

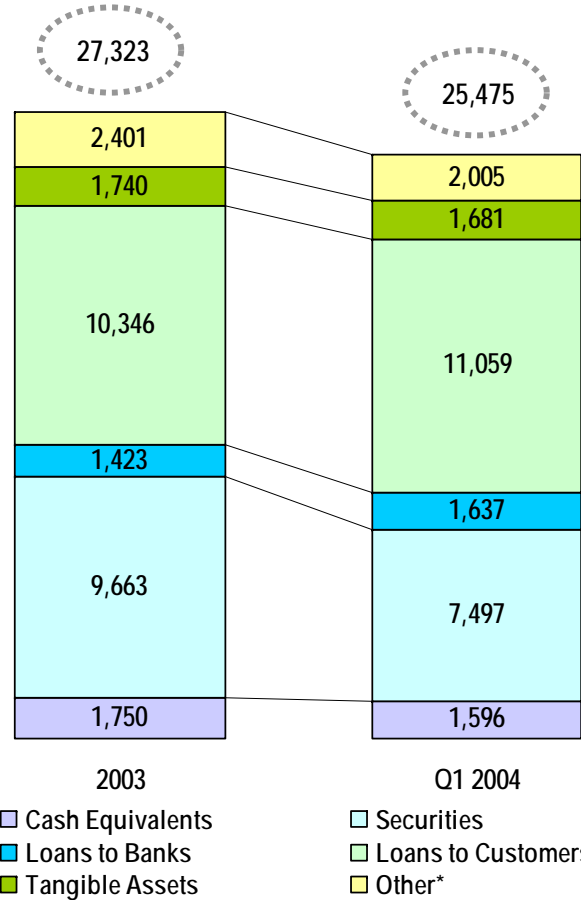
¹ Foreign currency, not inflation adjusted

Asset Size

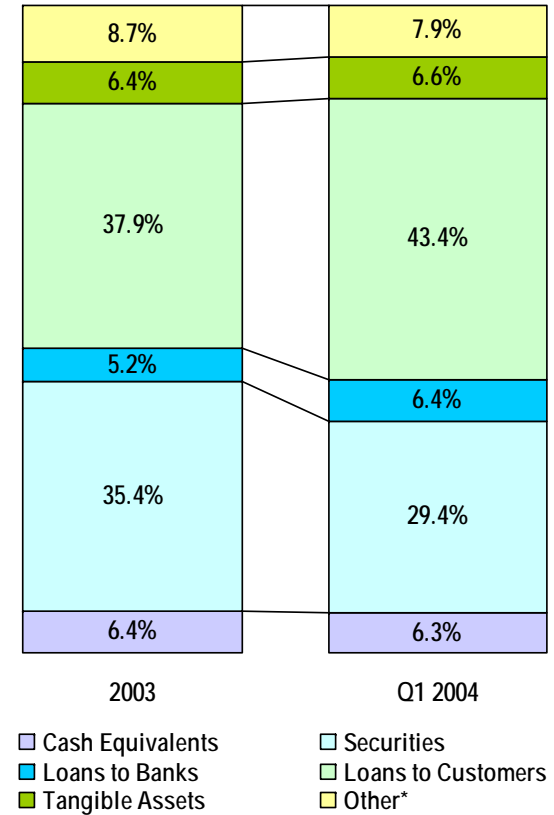
Assets increased to US\$19.5 Billion in Q1 2004 vs US\$18.2 Billion in 2003 YE

- Total assets were TL25,475 Trillion at Q1 2004 (US\$ 19.5 Billion)
- Loans to customers increased by 6.9% in real terms, bringing its share in total assets up to 43.4% at Q1 2004 from 37.9% at 2003 YE
- The share of securities in total assets declined to 29.4% as of Q1 2004, from 35.4% as of 2003 YE

Asset Size
TL Trillion



Composition of Assets
%

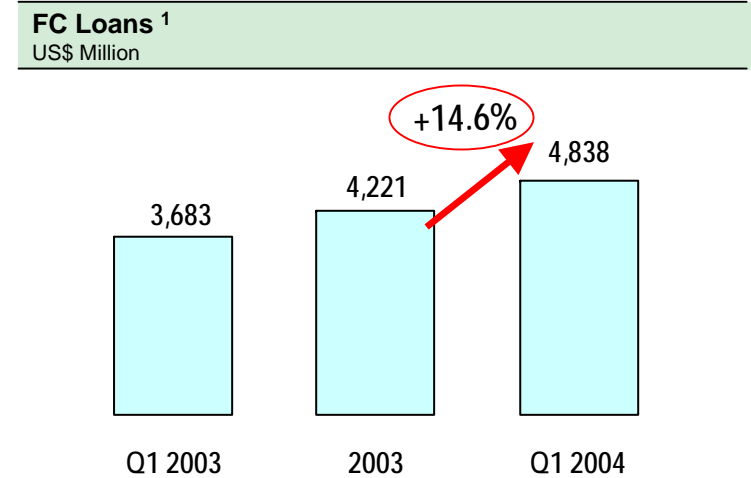
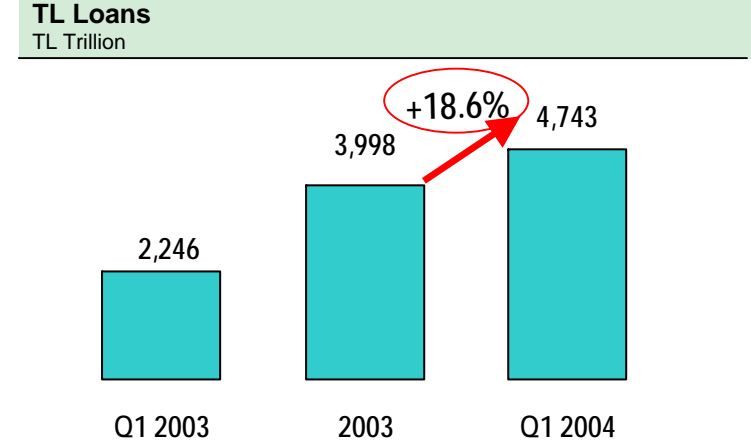
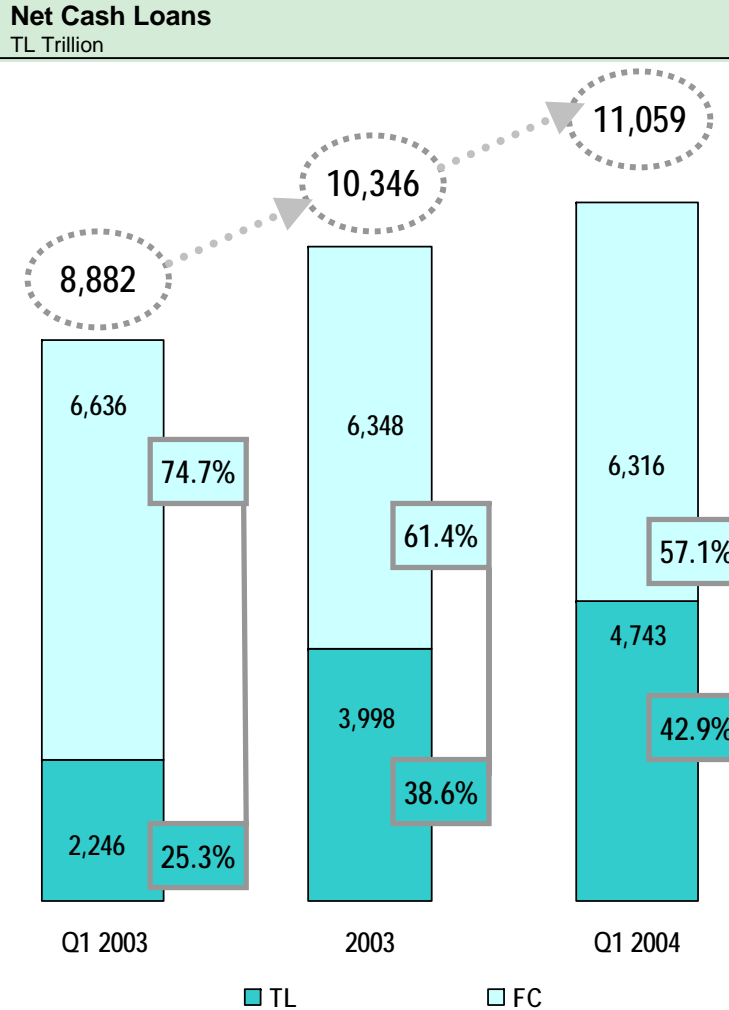


*Other assets include intangible assets, investments in associated companies, deferred tax assets, and other assets

Loans

The share of relatively more profitable TL loans continued to increase

- The share of TL loans in total loans increased further to 42.9% as of Q1 2004 from 38.6% at 2003 YE
- TL loans increased by 18.6% quarterly, reaching TL4,743 Trillion at Q1 2004
- The increase in TL loans at Q1 2004 over Q1 2003 was as high as 111.2%
- FC loans increased by 14.6% quarterly, reaching US\$4,483 Million as of Q1 2004
- FC loans increased by 31.4% over Q1 2003 in US\$ terms



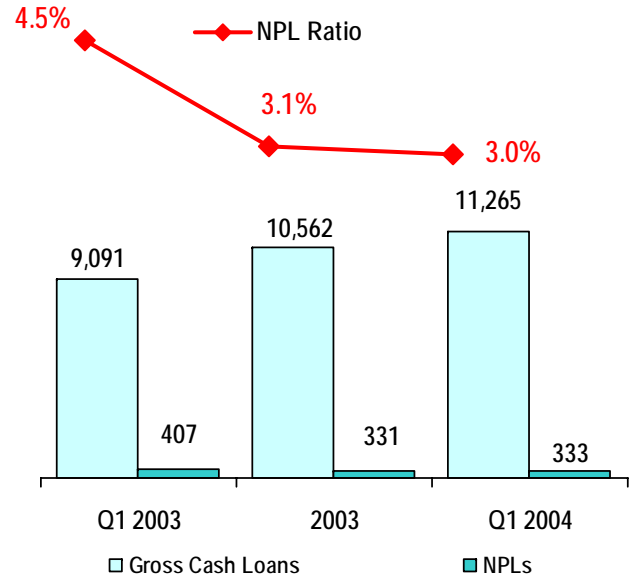
¹ Foreign currency, not inflation adjusted

Loans

NPL ratio decreased further to 3.0%

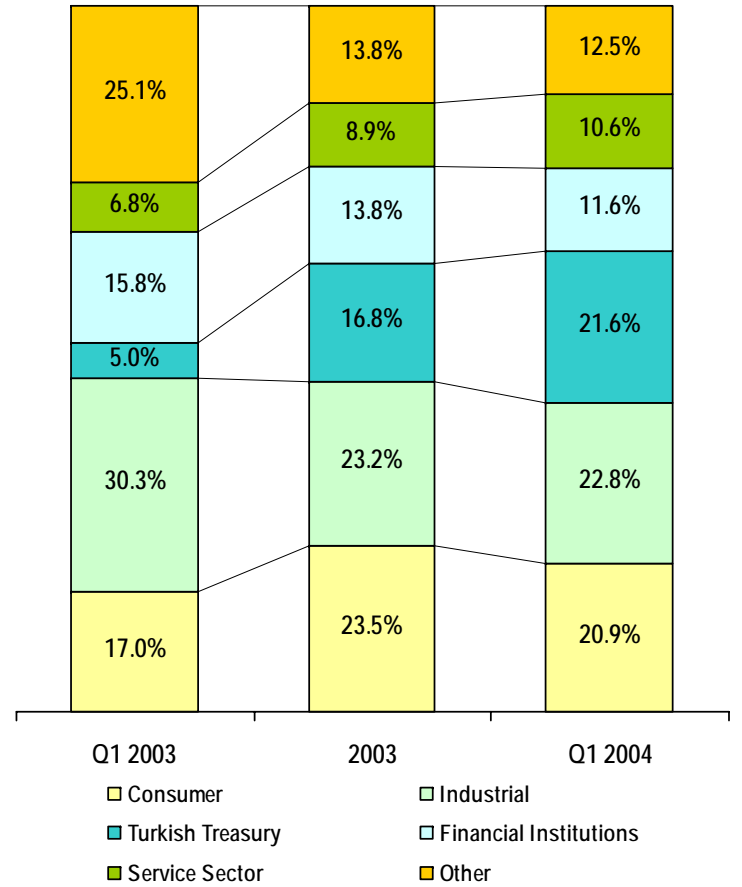
- The share of NPLs in gross cash loans decreased further to 3.0% as of Q1 2004

NPLs and Provisioning
%, TL Trillion



Asset Quality	31.12.2003	31.03.2004
Secured Loans	71.14%	73.26%
Unsecured Loans	28.86%	26.74%
Provisioned NPL	1.5%	1.5%
Unprovisioned NPL	1.6%	1.5%

Loan Allocation
%

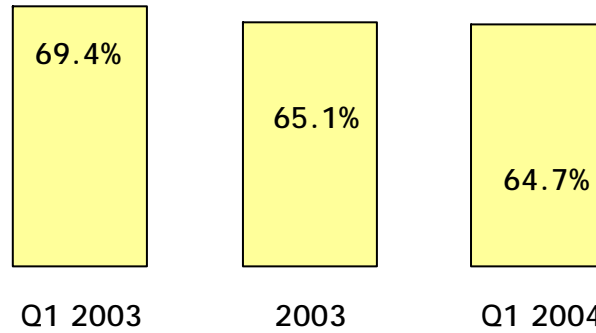


IEA versus IBL

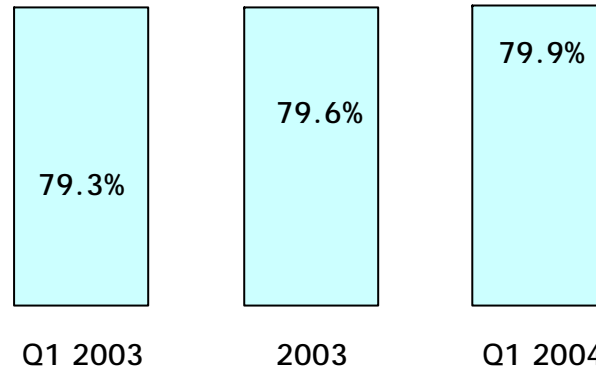
Share of IEAs continued to increase

- The share of IBLs declined further to 64.7% as of Q1 2004 from 65.1% at 2003 YE
- The share of IEAs in total assets reached 79.9% by Q1 2004
- The gap between IEAs and IBLs was TL3,857 Trillion as of Q1 2004 as opposed to TL2,484 Trillion at Q1 2003
- The ratio of customer loans to customer deposits increased by 9.0 pp over 2003 YE, reaching 68.7%
- Loans to IEAs increased by 6.7 pp over 2003 YE, reaching 53.1%

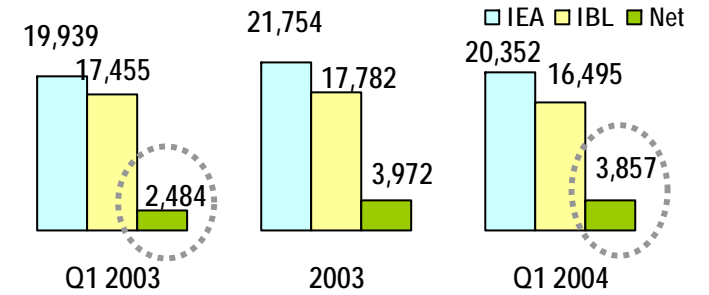
IBL/Total Liabilities and SHE
%



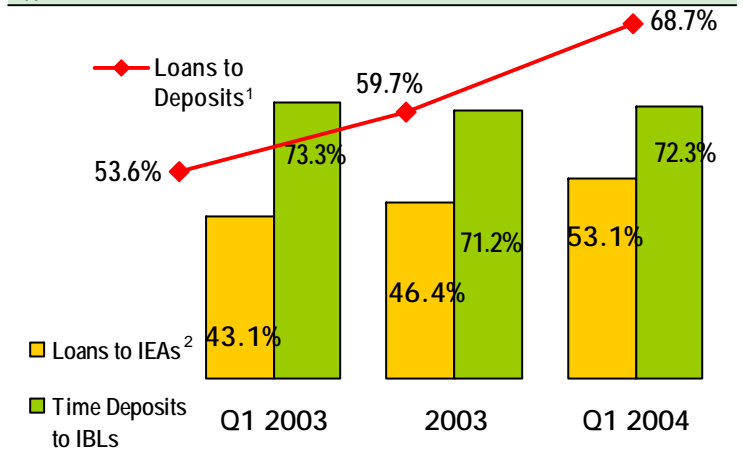
IEA/Total Assets
%



IEA - IBL
TL Trillion



Loans / Deposits
%



¹ Loans to customers/deposits from customers

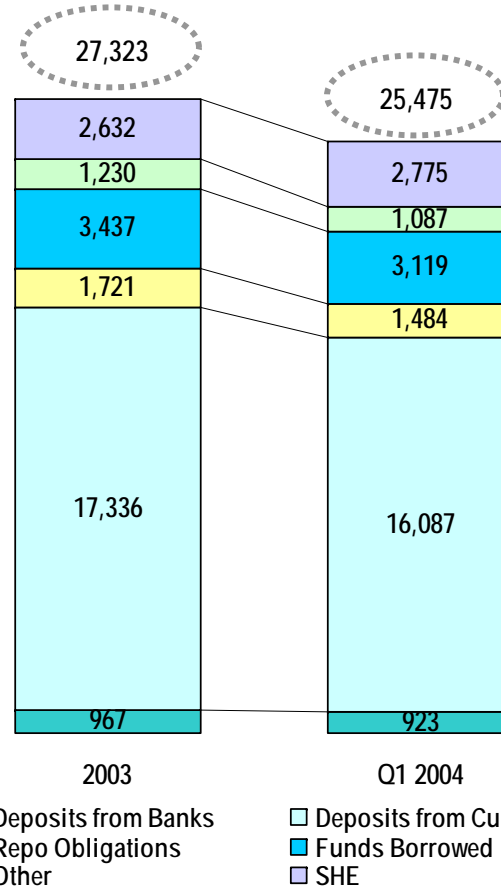
² Excluding accrued interest income on loans

Composition of Liabilities and SHE

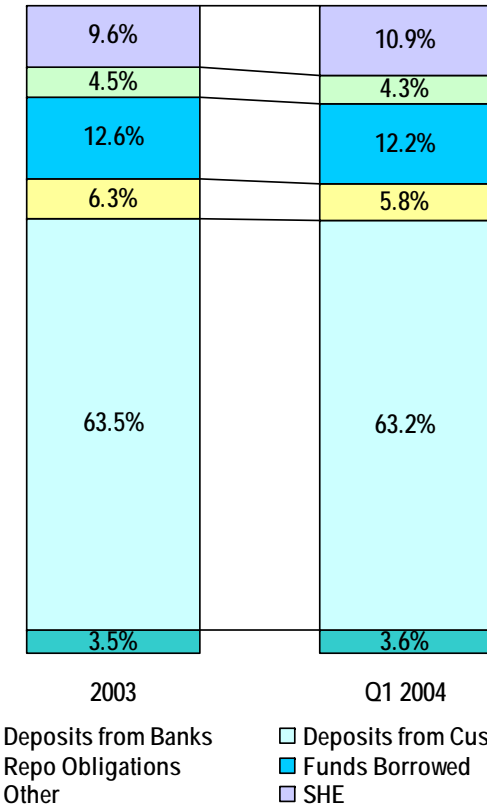
The share of SHE increased to 10.9%

- Share of deposits (including deposits from banks) in total liabilities and shareholders' equity stood at 66.8%
- The share of shareholders' equity increased to 10.9%

Liabilities & SHE
TL Trillion



Composition of Liabilities & SHE
%

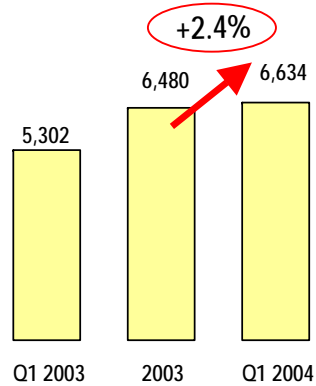


Deposits

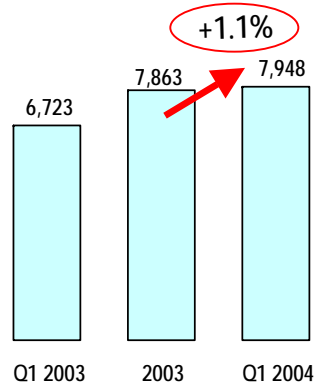
Increasing deposit base

- TL and FC deposits increased slightly by 2.4% and 1.1, respectively, as of March 2004, on a quarterly basis
- Relatively small increase in deposits was due to the shift towards other saving instruments, mainly T-bills
- Share of saving deposits in total deposits increased further to 21.2% as of March 2004
- The share of TL deposits in total deposits continued to increase in the first quarter of 2004
- Around 1/3 of total deposits were comprised of demand deposits

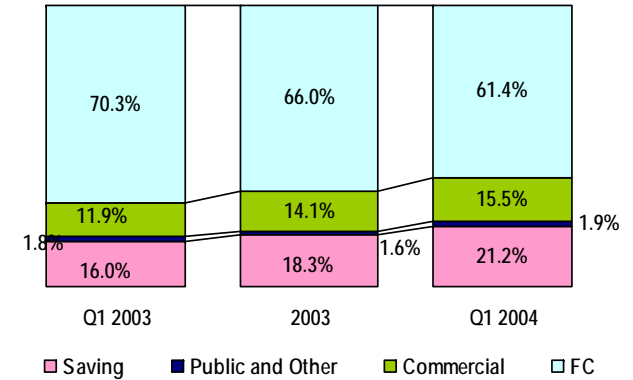
TL Deposits
TL Trillion



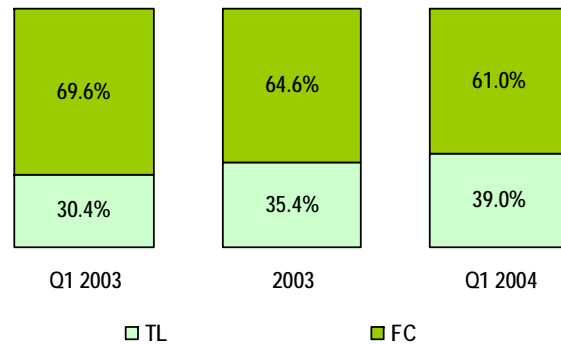
FC Deposits ¹
US\$ Million



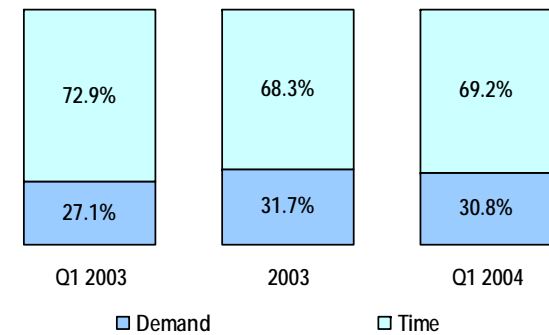
Composition of Customer Deposits %
(excluding accrued interest expense)



TL – FC Breakdown %
(including bank deposits)



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

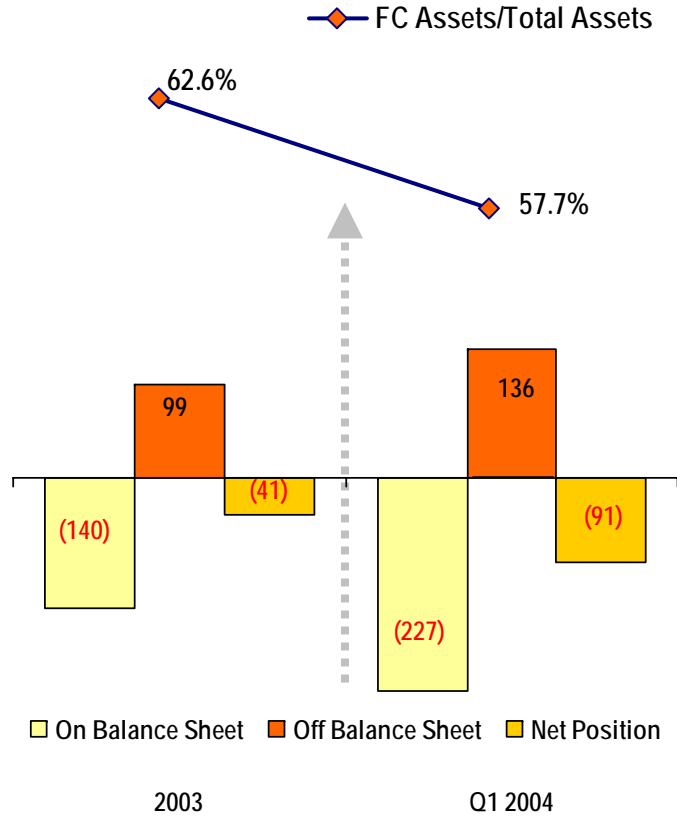


¹ Foreign currency, not inflation adjusted

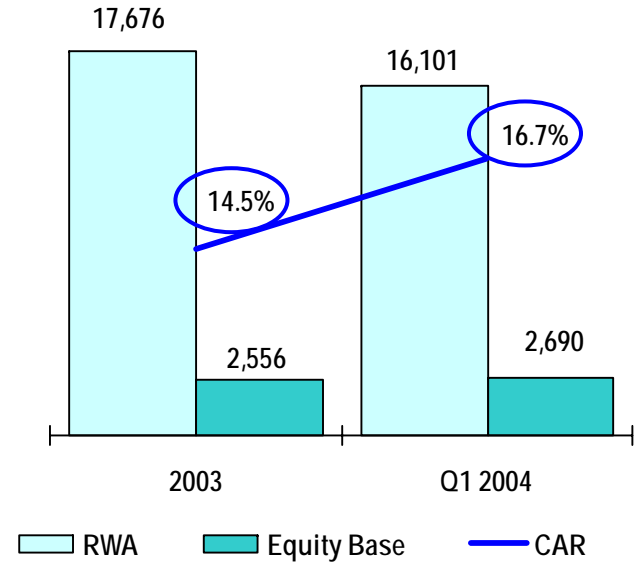
FX Position and Capital Adequacy Ratio

- Capital adequacy ratio increased further to 16.7% in Q1 2004 as opposed to 14.5% in 2003 YE

FX Position
US\$ Million



RWA vs CAR
%



Section 4

Consolidated Financial Performance – Income Statement

Segment Analysis

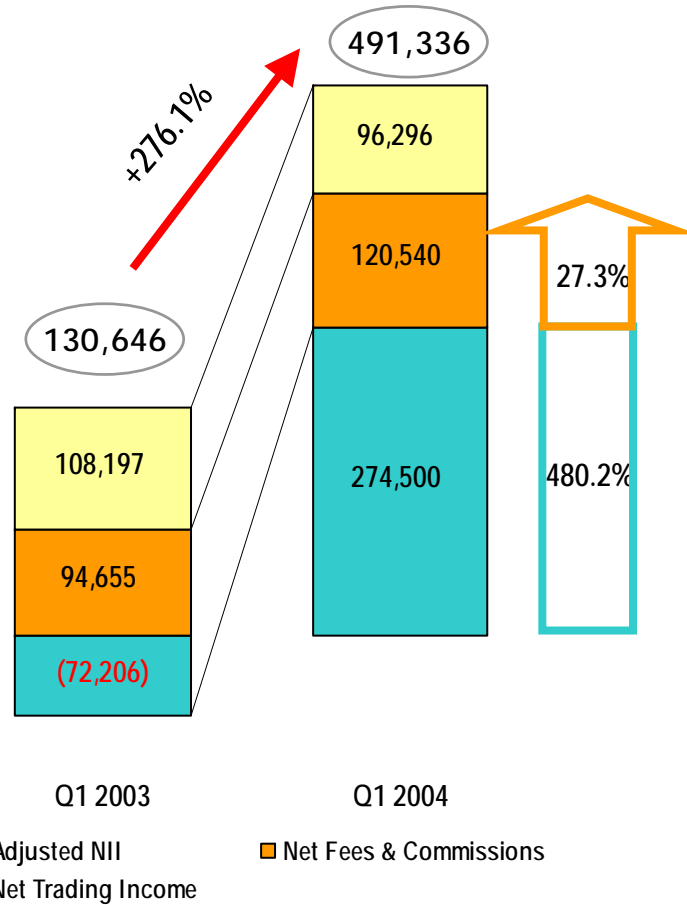
Net Banking Income and Non-Interest Expenses of the Banking Segment

Net banking income increased by 276.1%

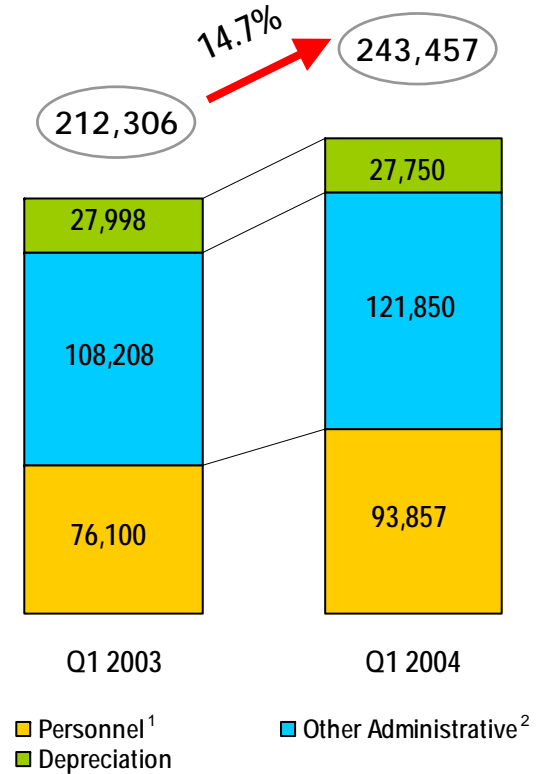
- Net banking income of the banking segment increased by 276.1% in Q1 2004 as compared to Q1 2003

-Adjusted NII of the banking segment registered 480.2% increase in the first quarter of 2004 as compared to the same period in 2003, reaching TL274,500 Billion

Net Banking Income
TL Billion



Non-Interest Expenses
TL Billion



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

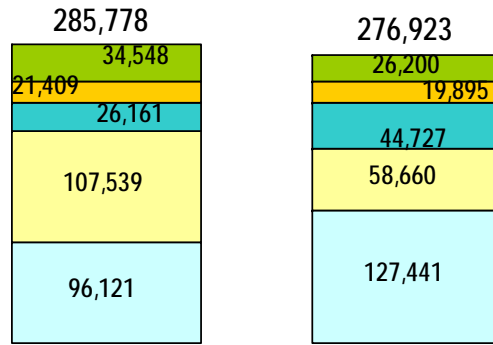
Non-Interest Income

Strong focus on sustainable sources of revenue

- Total non-interest income was TL276,923 Billion in Q1 2004
- When trading income is excluded, non-interest income registered 22.5% increase in Q1 2004 over Q1 2003, reaching TL218,263 Billion
- Net fees and commissions increased by 32.6% in Q1 2004 over Q1 2003; constituting 46.0% of total non-interest income, and 58.4% of non-interest income when trading income is excluded

Non-Interest Income

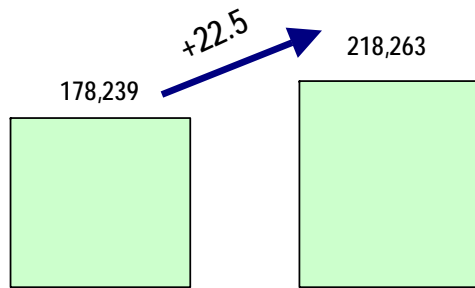
TL Billion



Q1 2003 Q1 2004
 Net Fees and Comm. Trading Income Insurance Retail Other

Non-Interest Income Excl. Trading

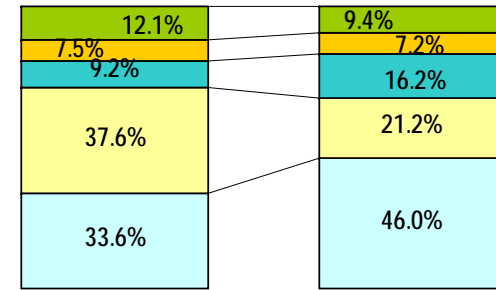
TL Billion



Q1 2003 Q1 2004

Composition of Non-Interest Income

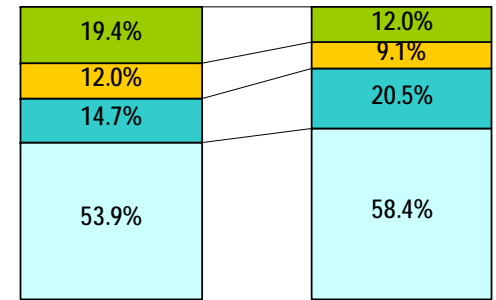
%



Q1 2003 Q1 2004
 Net Fees and Comm. Trading Income Insurance Retail Other

Composition of Non-Interest Income Excl. Trading

%



Q1 2003 Q1 2004
 Net Fees and Commissions Retail Insurance Other

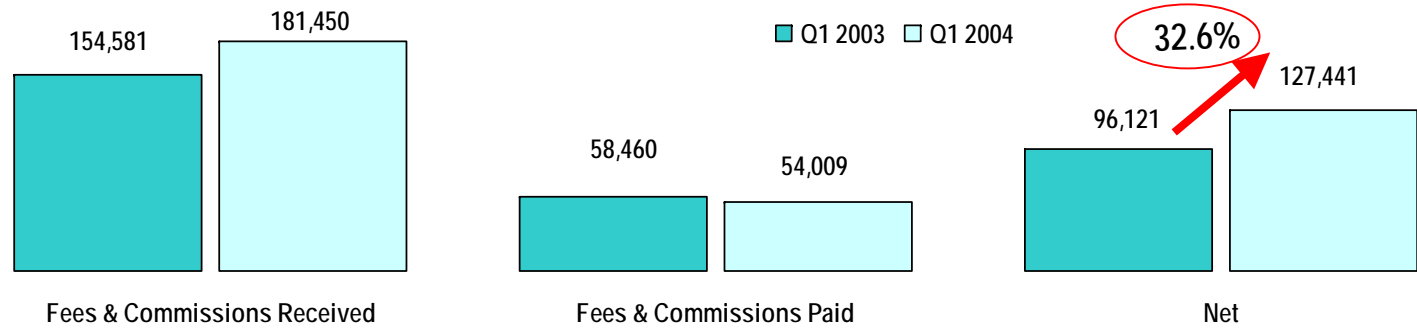
Fees and Commissions

Strong increase in net fees and commissions

- Net fees and commissions increased by 32.6% in Q1 2004 over Q1 2003, reaching TL127,441Billion
- Net fees and commissions of the financial sector increased by 26.5%, reaching TL130,886 Billion
- Net fees and commissions to average assets increased to 1.93% in Q1 2004 from 1.48% in Q1 2003
- The coverage of operating expenses by net fees and commissions increased to 43.6% in Q1 2004 from 37.2% in Q1 2003

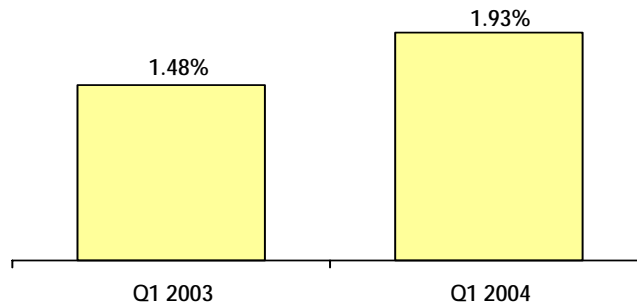
Fees and Commissions

TL Billion



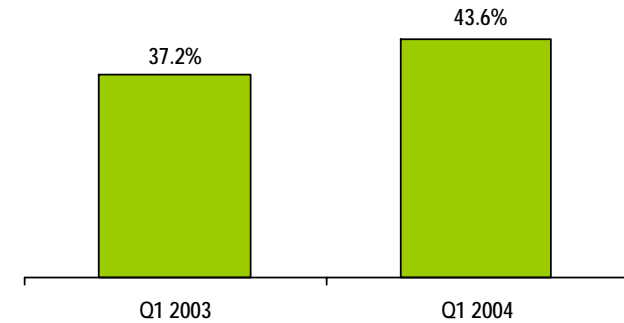
Net Fees and Commissions / Average Assets

%



Net Fees and Commissions / Operating Expenses

%



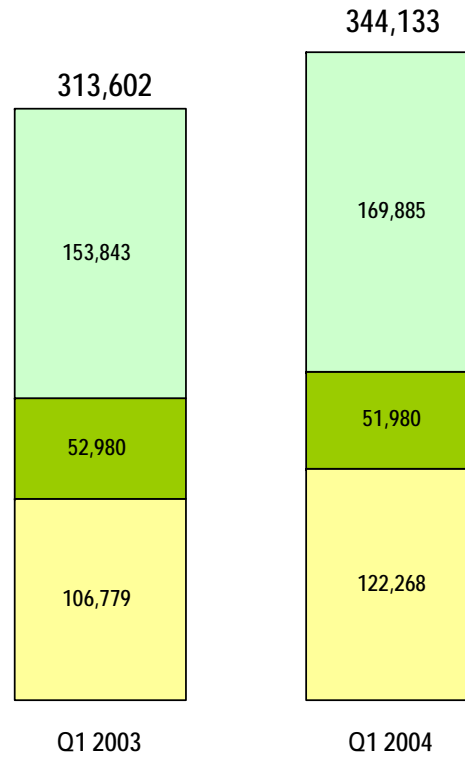
Non-Interest Expenses

Continuous cost-cutting measures

- Total non-interest expenses were TL344,133 Billion as of Q1 2004
- Personnel expenses registered 14.5% increase in line with expanding branch network

Non-Interest Expenses ¹

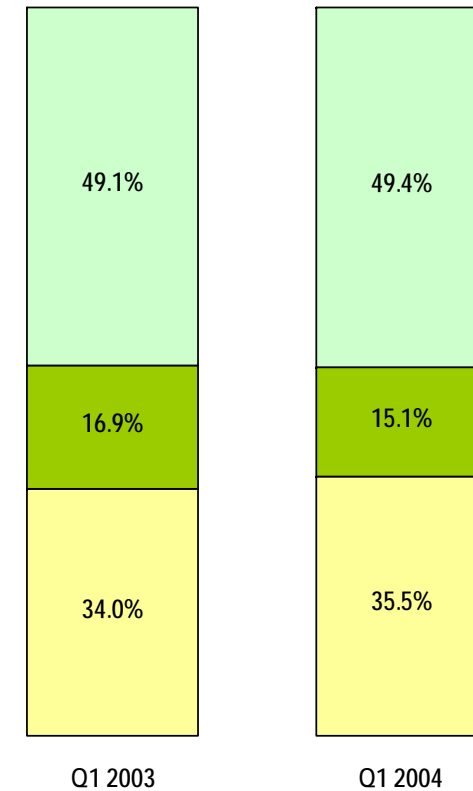
TL Billion



Personnel ² Depreciation Other Admin. ³

Composition of Non-Interest Expenses

%



Personnel ² Depreciation Other Admin. ³

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, utility, repair&maintenance, stationary, R&D and other operating expenses

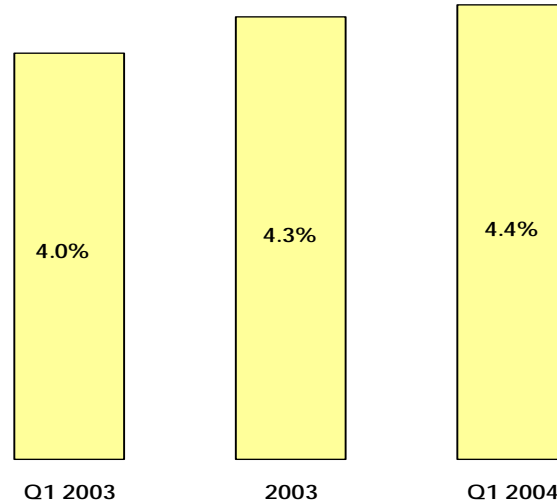


Operating Expenses and Cost / Income

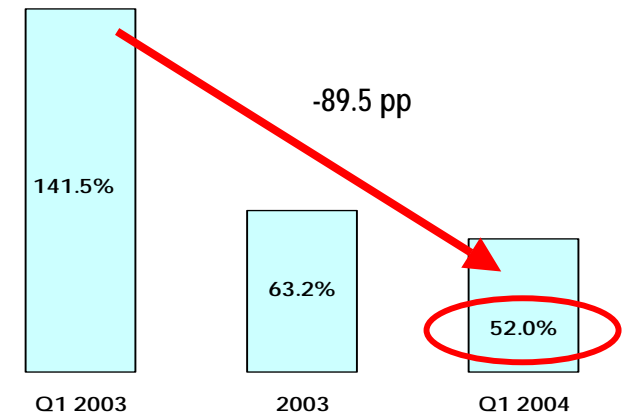
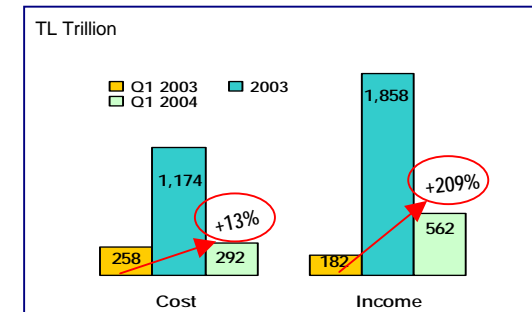
Superior improvement in Cost / Income ratio

- During the last two years, Garanti continuously improved its Cost/Income ratio through cost reduction and earnings enhancement initiatives
- Garanti increased its revenues by 209% in Q1 2004 over Q1 2003, while the increase in its costs was limited to 13% during the same period

Operating Expenses / Average Assets %



Cost / Income Ratio %



ROAE and ROAE

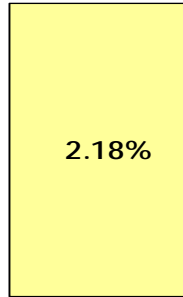
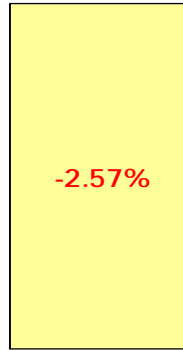
Strong and improving performance in ROAA and ROAE

- ROA went up to 2.18% as of Q1 2004, from minus 2.57% in Q1 2003
- ROE increased to 21.26% in Q1 2004 from minus 33.85% in Q1 2003

ROAA %

Q1 2003

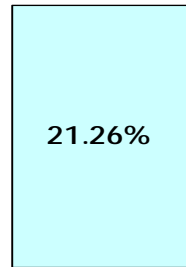
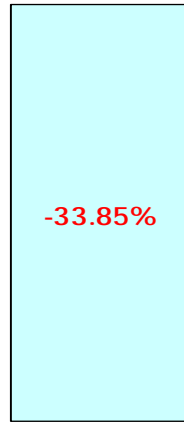
Q1 2004



ROAE %

Q1 2003

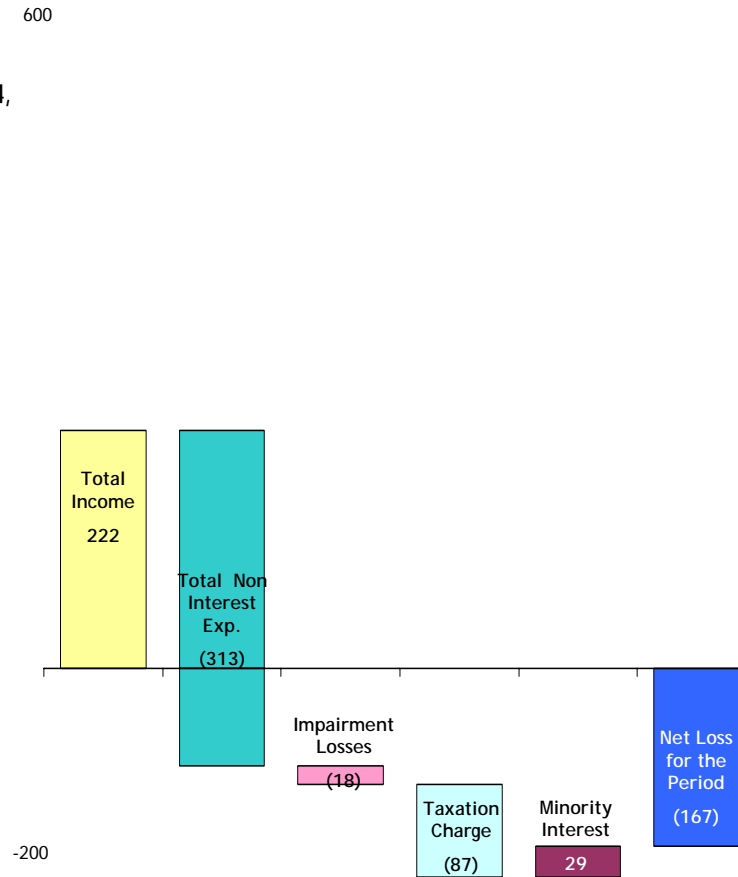
Q1 2004



Profit / Loss

- The consolidated net income for Q1 2004 was TL143,659 Billion, against a loss of TL167,295 Billion in Q1 2003
- Total income almost tripled in Q1 2004, reaching TL587,467 Billion

Q1 2003 Profit / Loss
TL Trillion



Q1 2004 Profit / Loss
TL Trillion

