



## CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004

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

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Section 1

## Highlights of 2004 H1 Financial Results

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- Total assets were TL28,999 Trillion on consolidated basis as of H1 2004
- Net income was TL66,492 Billion on consolidated basis in the first half of 2004
- Net income of the banking segment increased by 15.1% over H1 2003, reaching TL100,987 Billion
- Net banking income of the banking segment increased by 22.2% in H1 2004 over H1 2003, reaching TL684,979 Billion
  - Adjusted net interest income registered 219.7% increase, reaching TL362,528 Billion
  - Net fees and commissions of the banking segment increased by 24.3%, reaching TL255,503 Billion
- Cost / Income ratio came further down to 67.5% in H1 2004 from 63.2% in 2003 YE and 72% in H1 2003
- Asset quality improved further, with NPL ratio declining to 2.4% in comparison to 4.5% in H1 2003
- BIS capital adequacy ratio of 13.5% was registered as of H1 2004

Section 2

## **Business Segment Analysis**

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Segment Analysis

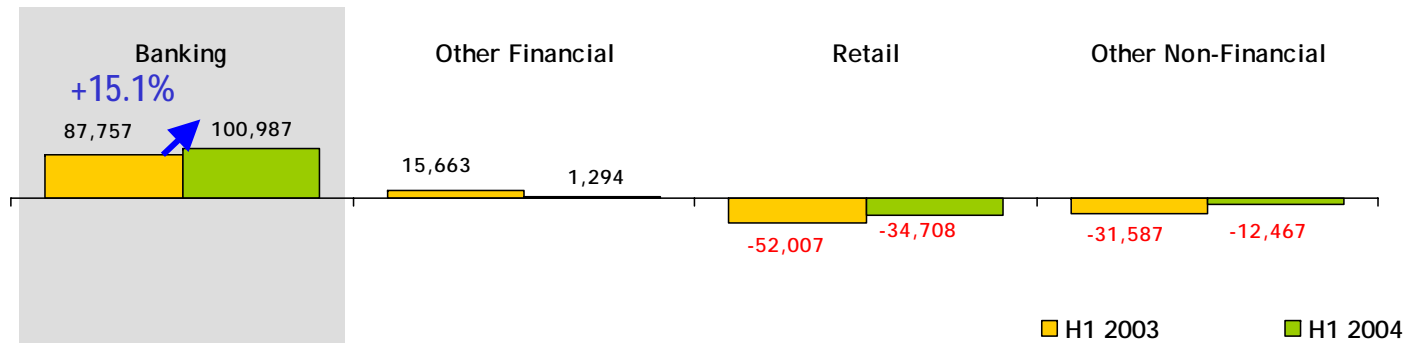
# Net Income for H1 2004

Strong growth in net income of the banking segment

- Net income of the banking segment increased by 15.1% over the same period previous year, reaching TL100,987 Billion

**Net Income\*, H1 2004**

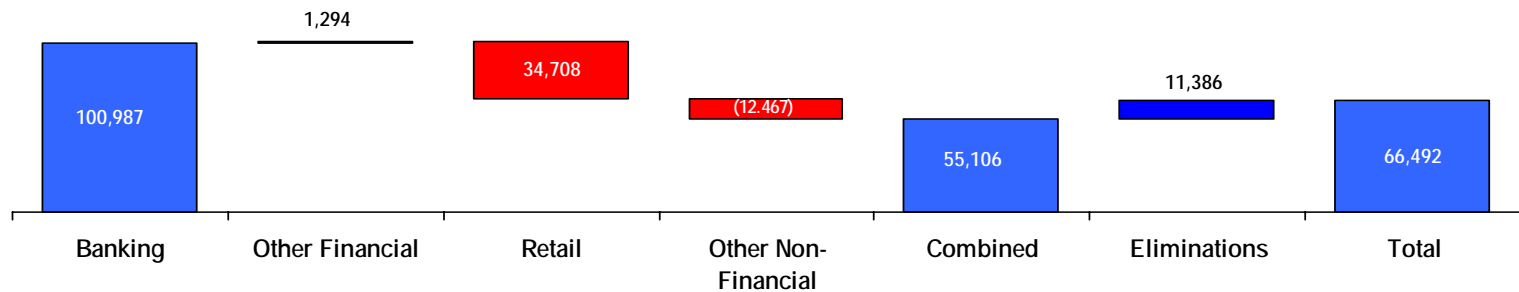
TL Billion



\* Segment analysis is based on pre-elimination figures

**Composition of Consolidated Net Income, H1 2004**

TL Billion



Section 3

## Consolidated Financial Performance – Balance Sheet

## Financial Summary

Stronger balance sheet due to continued increase in loans and deposits; improved profitability

- Total assets were up by 8.1% in US\$ terms, reaching US\$19,634 Million as of June 30, 2004
- 13.5% capital adequacy ratio was registered as of June 2004
- Garanti posted a net income of US\$45 Million in H1 2004, compared to US\$30 million in H1 2003
- NPL ratio decreased further down to 2.4% as of H1 2004
- ROAA and ROAE improved to 0.5% and 4.9% respectively
- Cost / income ratio decreased down to 67.5% as of H1 2004 from a high of 72% in H1 2003

### Selected Figures

IAS29

	December 31, 2003	June 30, 2004	Change
Total Assets <sup>1</sup> (US\$ Million)	18,169	19,634	8.1%
Total Assets (TL Trillion)	27,742	28,999	4.5%
TL Net Cash Loans (TL Trillion)	4,115	5,749	39.7%
FC Net Cash Loans <sup>1</sup> (US\$ Million)	4,276	5,410	26.5%
Non-cash Loans (TL Trillion)	5,930	6,645	12.1%
TL Deposits (TL Trillion)	6,578	7,520	14.3%
FC Deposits <sup>1</sup> (US\$ Million)	7,863	7,936	0.9%
Total Shareholders' Equity (TL Trillion)	2,672	2,746	2.8%
Capital Adequacy Ratio (%)	14.5%	13.5%	1 pp
	June 30, 2003	June 30, 2004	Change
Net Income (TL Trillion)	46.5	66.5	43.0%
NPL Ratio (%)	4.5%	2.4%	(2.1) pp
ROAA (%)	0.4%	0.5%	0.1 pp
ROAE (%)	4.4%	4.9%	0.5 pp
Cost / Income (%)	72.0 %	67.5%	(4.5) pp

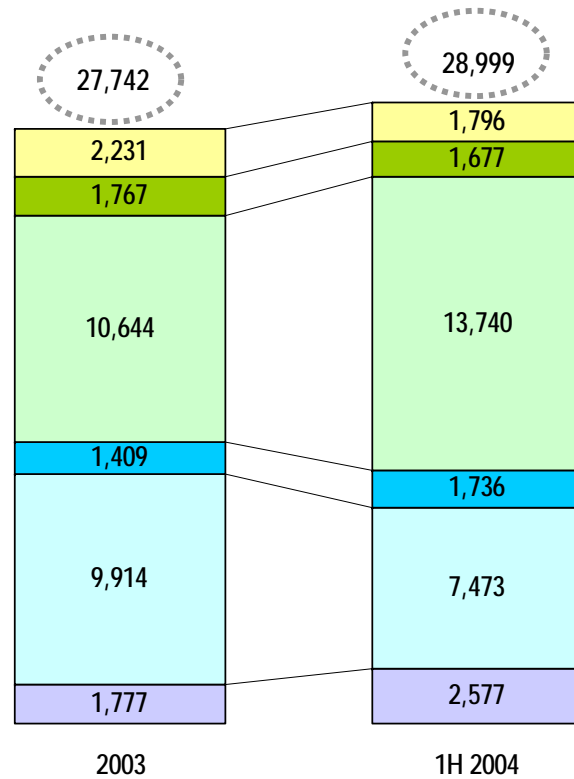


# Asset Size

Assets increased to US\$19.6 Billion in H1 2004 vs US\$18.2 Billion in 2003 YE

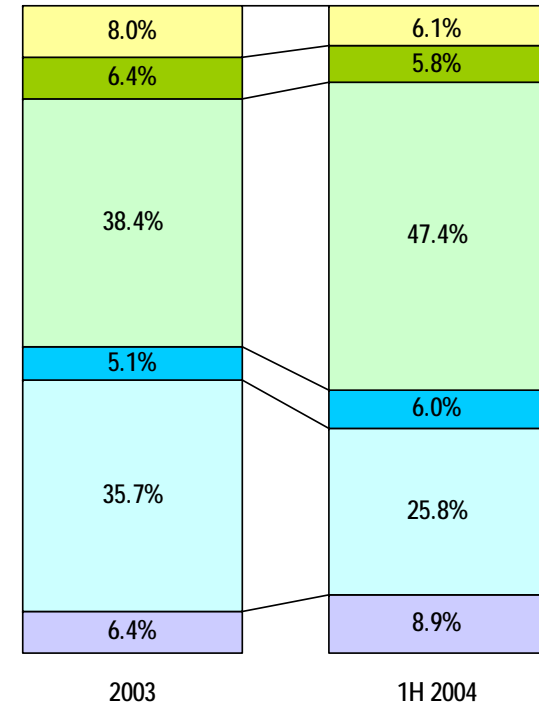
- Total assets were TL27,742 Trillion at 2003 YE (US\$ 18.2 Billion)
- Loans to customers increased by 29.1% in real terms, bringing its share in total assets up to 47.4% at H1 2004 from 38.4% at YE 2003
- The share of securities in total assets declined to 25.8% as of H1 2004 from 35.7% as of YE 2003

**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\*



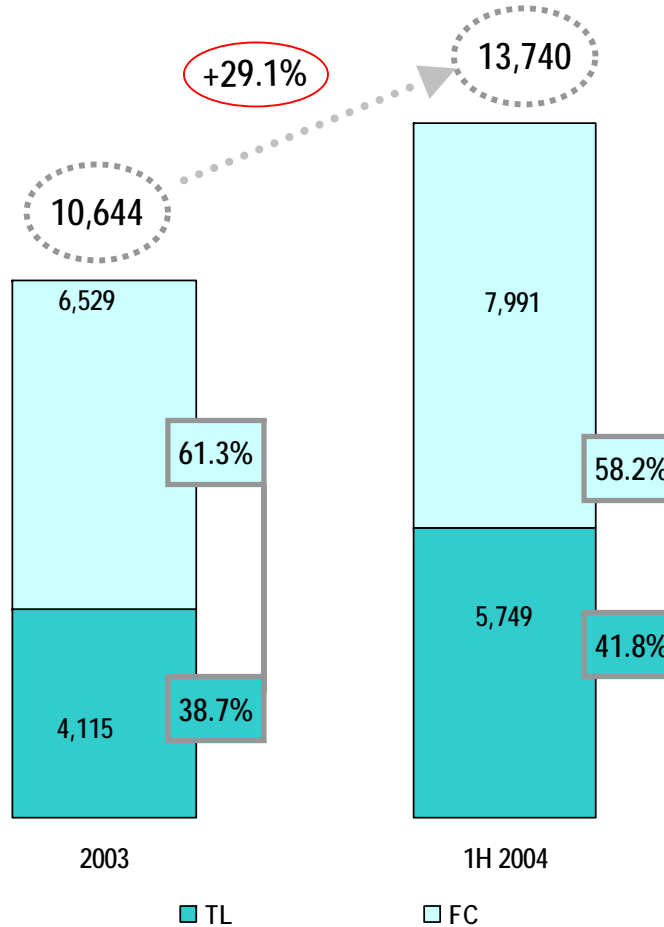
\*Other assets include intangible assets, investments in associated companies, deferred tax assets, and other assets

# Loans

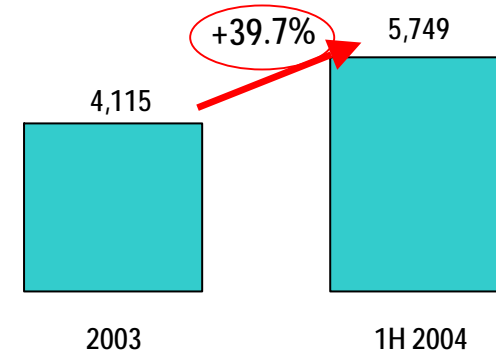
Continued increase in the share of relatively more profitable TL loans

- The share of TL loans in total loans increased further to 41.8% as of H1 2004 from 38.7% at 2003 YE
- TL loans increased by 39.7% during the first six months, reaching TL5,749 Trillion at H1 2004
- FC loans increased by 26.5% during the first six months, reaching US\$5,410 Million as of H1 2004

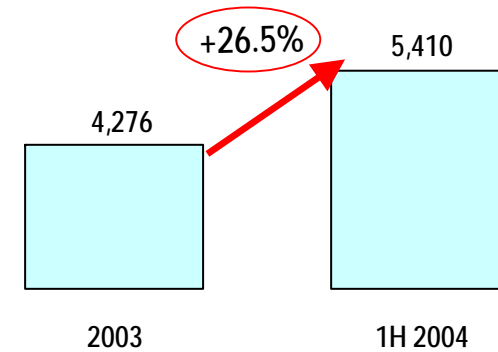
**Net Cash Loans**  
TL Trillion



**TL Loans**  
TL Trillion



**FC Loans <sup>1</sup>**  
US\$ Million



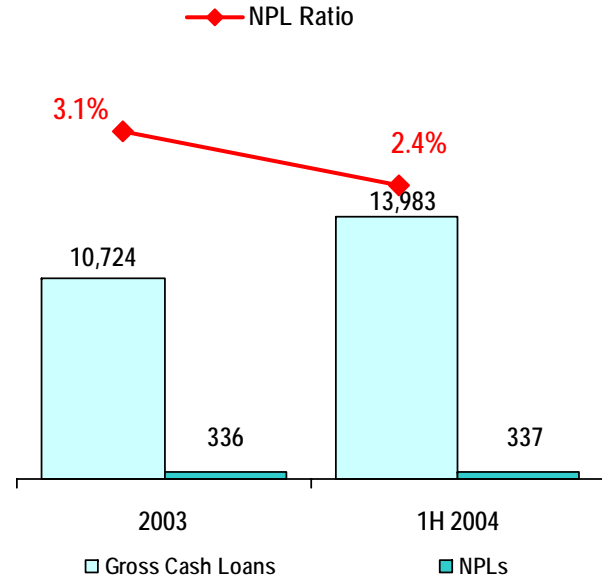
<sup>1</sup> Foreign currency, not inflation adjusted

# Loans

Further improvement in asset quality with NPL ratio declining to 2.4%

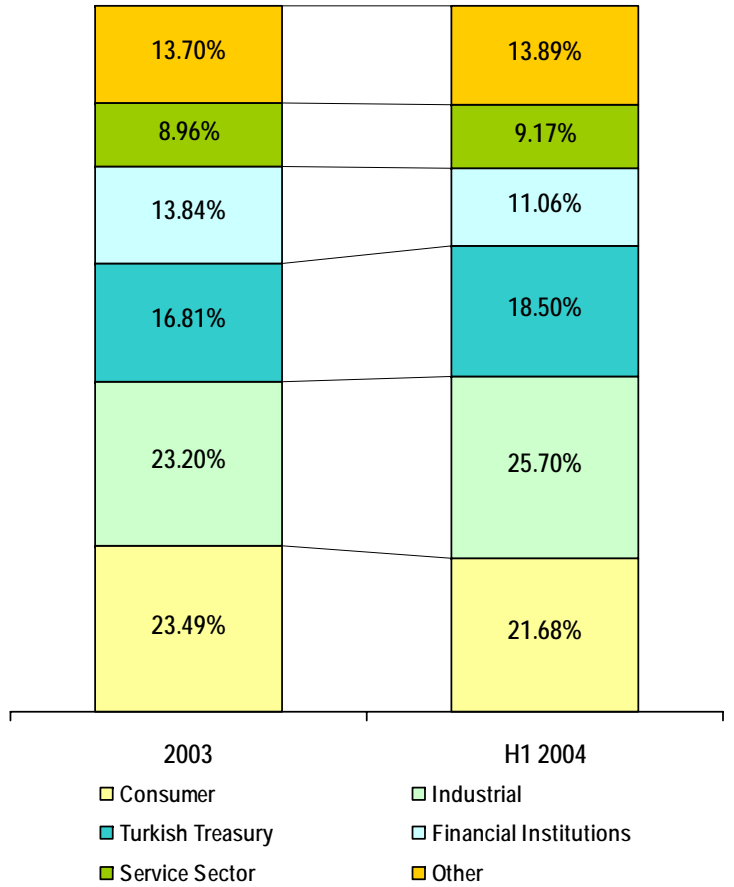
- The share of NPLs in gross cash loans decreased further down to 2.4% as of H1 2004

**NPLs and Provisioning**  
%, TL Trillion



Asset Quality	31.12.2003	30.06.2004
Secured Loans	70.92%	71.63%
Unsecured Loans	29.08%	28.37%
Provisioned NPLs	2.0%	1.7%
Unprovisioned NPLs	1.1%	0.7%

**Loan Allocation**  
%

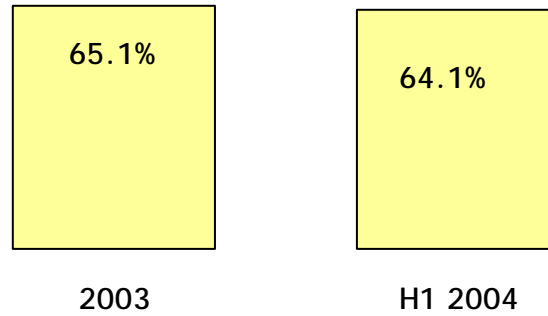


# IEAs versus IBLs

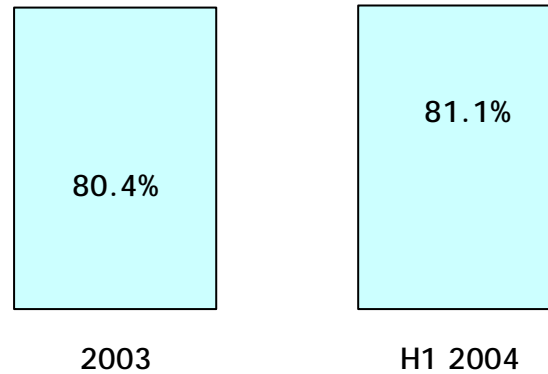
Share of IEAs continued to increase

- The share of IBLs in total liabilities and SHE declined further down to 64.1% as of H1 2004 from 65.1% at 2003 YE
- The share of IEAs in total assets reached 81.1% as of H1 2004
- The gap between IEAs and IBLs was TL4,919 Trillion as of H1 2004 as opposed to TL4,256 Trillion at YE 2003
- The ratio of customer loans to customer deposits increased by 15.9 pp over 2003 YE, reaching 76.4%
- Loans to IEAs increased by 10.9 pp over 2003 YE, reaching 59.1%

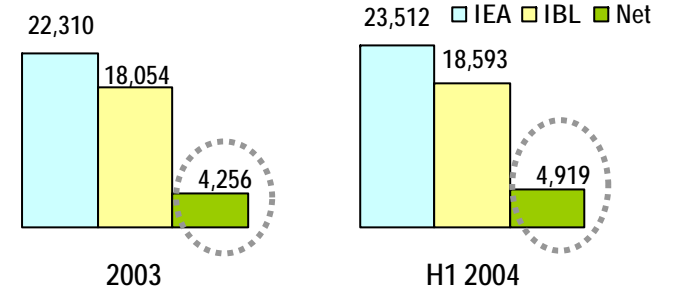
**IBL/Total Liabilities and SHE**  
%



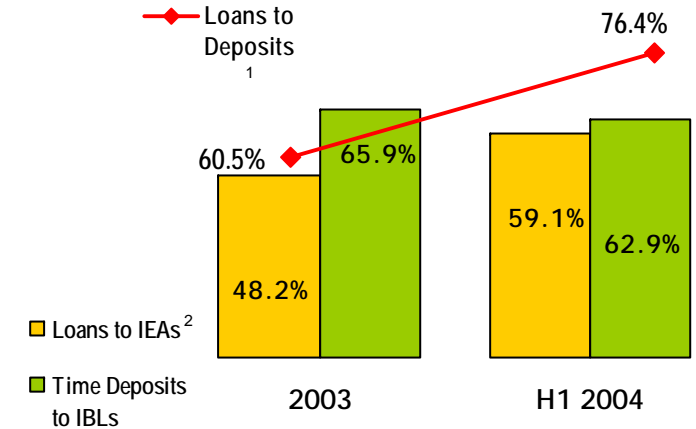
**IEA/Total Assets**  
%



**IEA - IBL**  
TL Trillion



**Loans / Deposits**  
%



<sup>1</sup> Loans to customers/deposits from customers

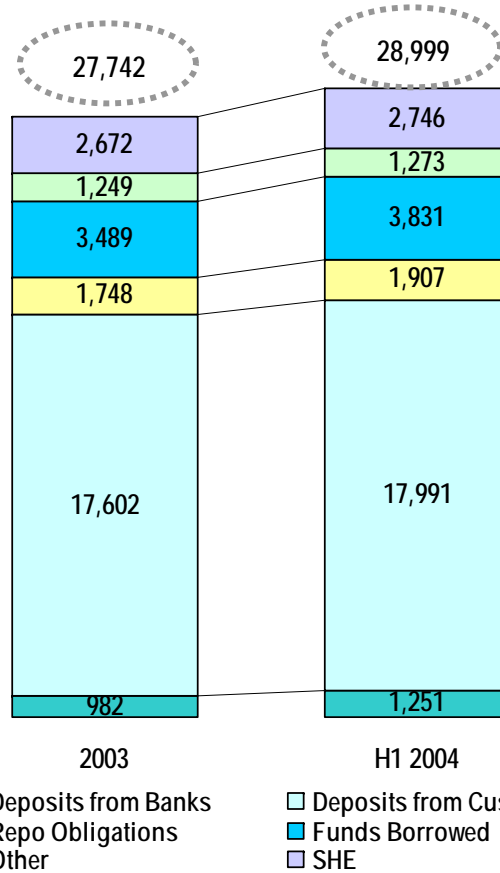
<sup>2</sup> Excluding accrued interest income on loans

## Composition of Liabilities and SHE

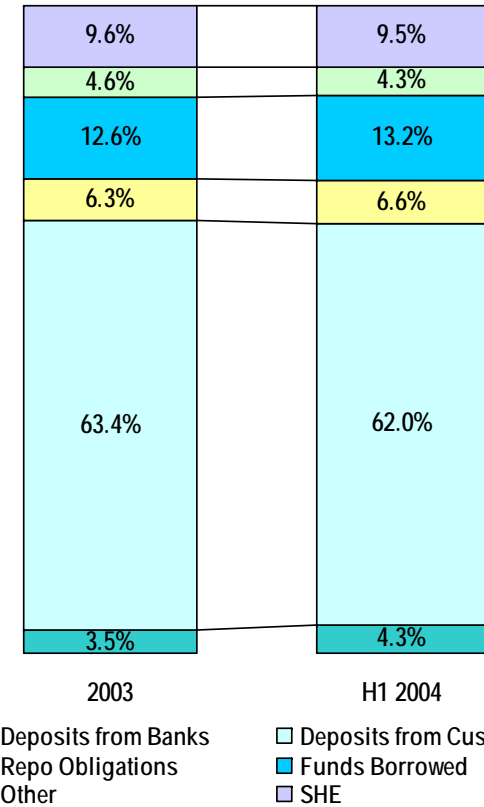
Share of customer deposits stood at 62%

- Share of deposits (including deposits from banks) in total liabilities and shareholders' equity stood at 66.3%
- The share of shareholders' equity slightly decreased to 9.5%

**Liabilities & SHE**  
TL Trillion



**Composition of Liabilities & SHE**  
%

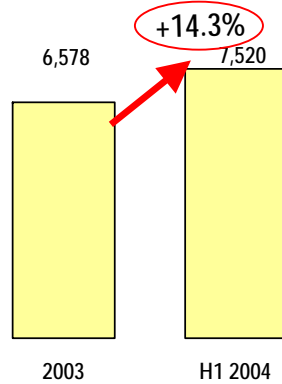


# Deposits

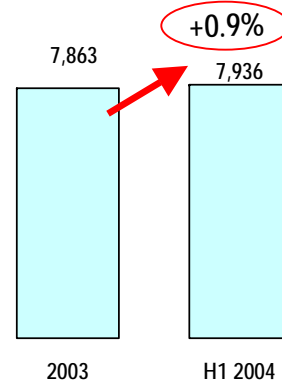
Expanding deposit base

- TL and FC deposits increased by 14.3% and 0.9% respectively as of H1 2004 since YE 2003
- The share of saving deposits in total deposits increased further to 20.7% as of H1 2004
- The share of TL deposits in total deposits increases to 39.1 as of H1 2004
- Over 1/3 of total deposits were comprised of demand deposits

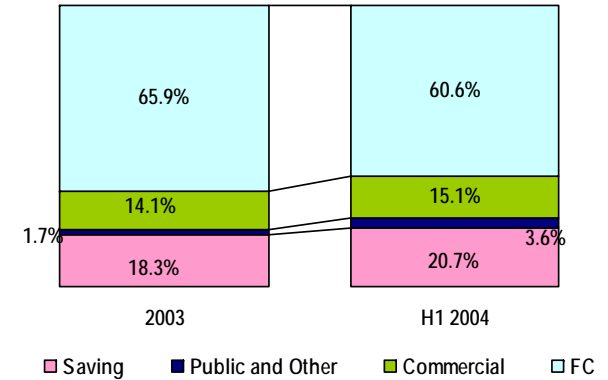
**TL Deposits**  
TL Trillion



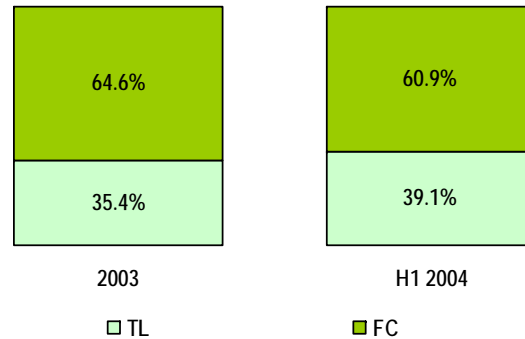
**FC Deposits <sup>1</sup>**  
US\$ Million



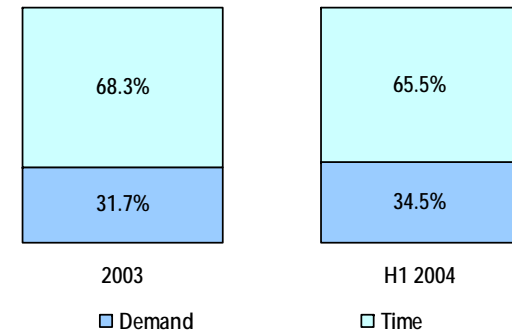
**Composition of Customer Deposits %**  
(excluding accrued interest expense)



**TL – FC Breakdown %**  
(including bank deposits)



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

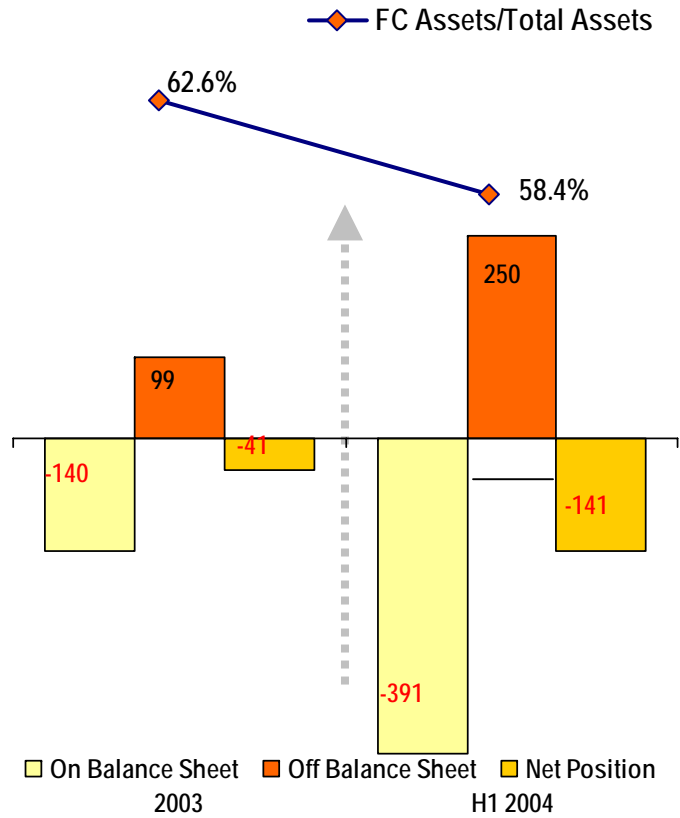


<sup>1</sup> Foreign currency, not inflation adjusted

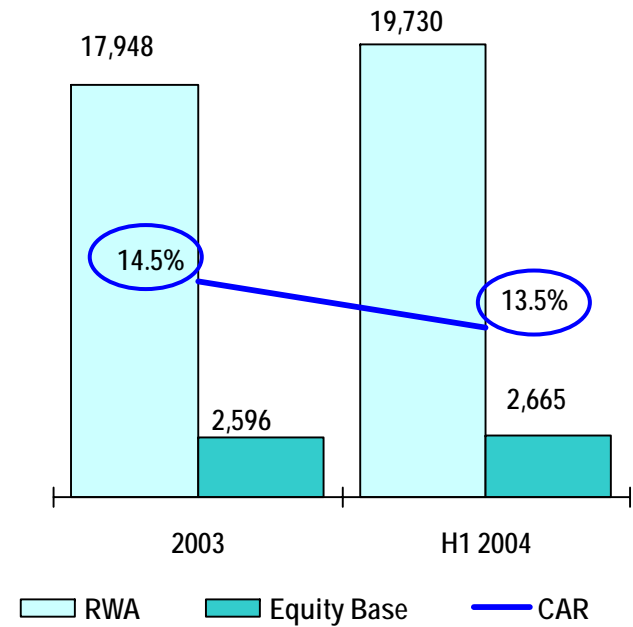
# FX Position and Capital Adequacy Ratio

- Capital adequacy ratio stood at 13.5% in H1 2004

**FX Position**  
US\$ Million



**RWA vs CAR**  
%, TL trillion



Section 4

## Consolidated Financial Performance – Income Statement

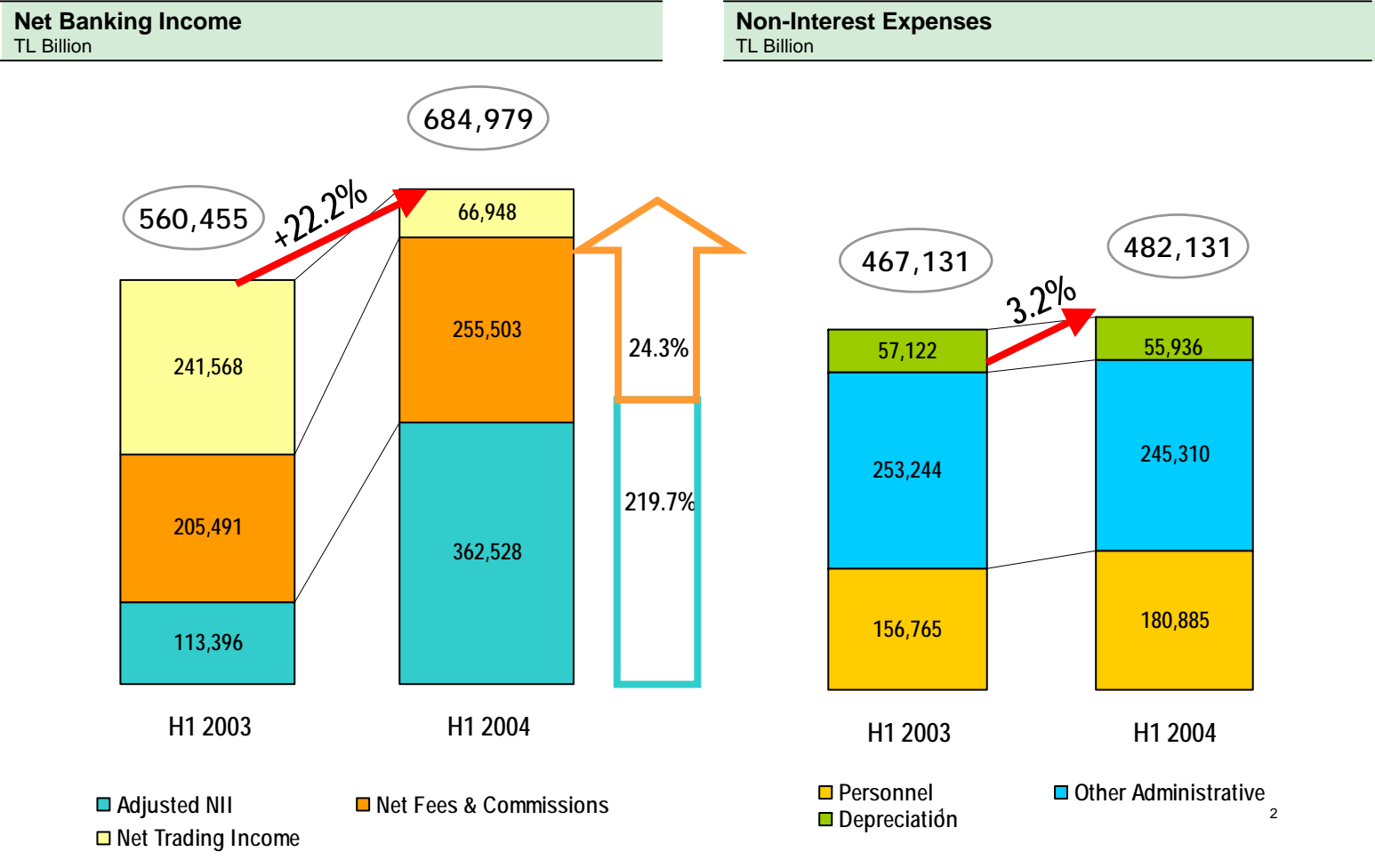


Segment Analysis

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

Net banking income of the banking segment went up by 22.2%

- Net banking income of the banking segment increased by 22.2% in H1 2004 as compared to H1 2003
- Adjusted NII of the banking segment registered 219.7% increase in the first half of 2004 as compared to the same period in 2003, reaching TL362,528 Billion



<sup>1</sup> Personnel expenses include salaries and wages, employee benefits.

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

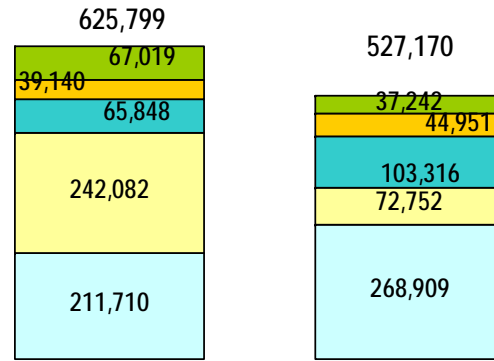
# Non-Interest Income

Stronger focus on sustainable sources of revenue

- Total non-interest income was TL527,170 Billion in H1 2004
- When trading income is excluded, non-interest income registered 18.4% increase in H1 2004 over H1 2003, reaching TL454,418 Billion
- Net fees and commissions increased by 27.0% in H1 2004 over H1 2003; constituting 51.0% of total non-interest income, and 59.2 % of non-interest income when trading income is excluded

## Non-Interest Income

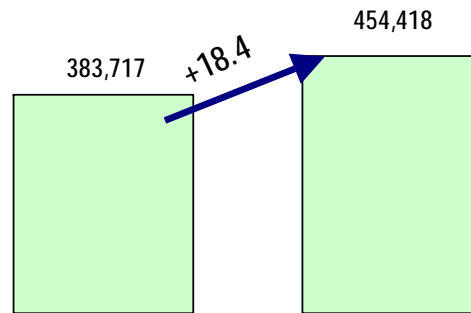
TL Billion



H1 2003 H1 2004  
 Net Fees and Comm. Trading Income Retail Insurance Other

## Non-Interest Income Excl. Trading

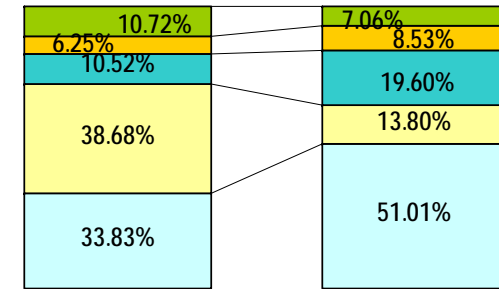
TL Billion



H1 2003 H1 2004

## Composition of Non-Interest Income

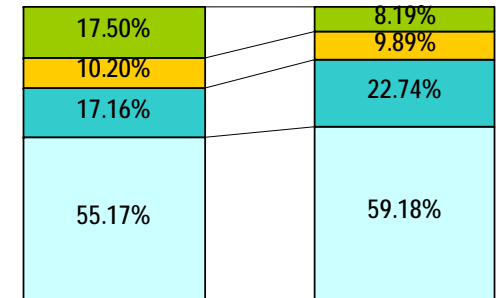
%



H1 2003 H1 2004  
 Net Fees and Comm. Trading Income Retail Insurance Other

## Composition of Non-Interest Income Excl. Trading

%



H1 2003 H1 2004  
 Net Fees and Commissions Retail Insurance Other

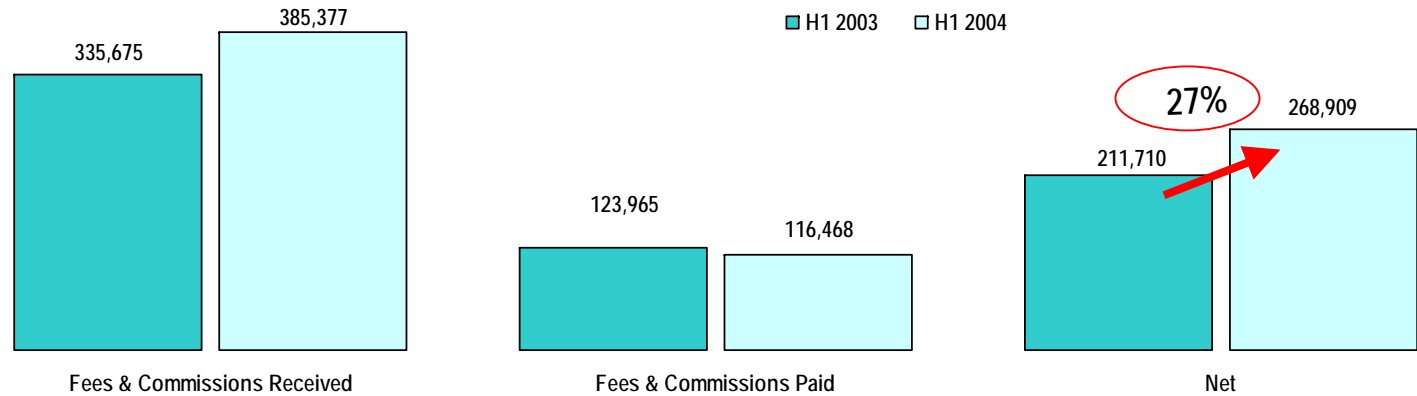
## Fees and Commissions

Strong increase in net fees and commissions

- Net fees and commissions increased by 27% in H1 2004 over H1 2003, reaching TL268,909Billion
- Net fees and commissions of the financial segment increased by 23.4%, reaching TL276,340 Billion
- Net fees and commissions to average assets increased to 1.90% in H1 2004 from 1.66% in H1 2003
- The coverage of operating expenses by net fees and commissions increased to 46.1% in H1 2004 from 38.3% in H1 2003

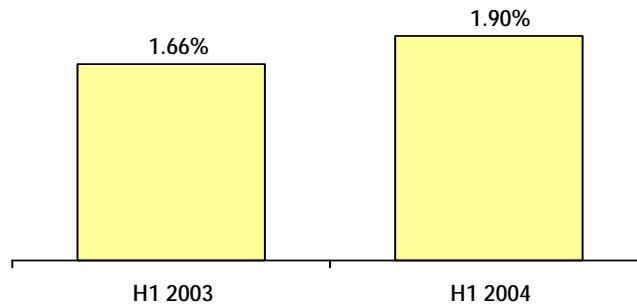
### Fees and Commissions

TL Billion



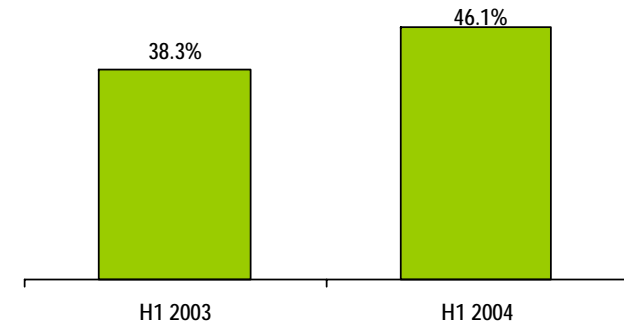
### Net Fees and Commissions / Average Assets

%



### Net Fees and Commissions / Operating Expenses

%



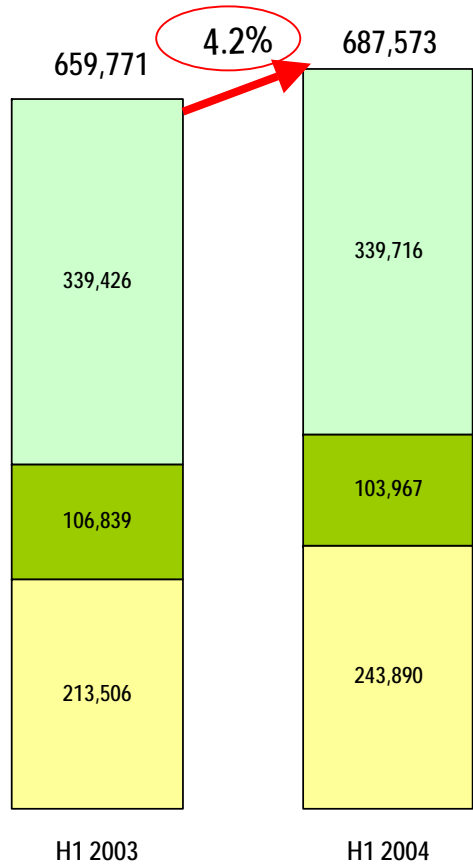
# Non-Interest Expenses

Continuous cost-cutting measures

- Total non-interest expenses were TL687,573 Billion as of H1 2004
- Personnel expenses registered 14.2% increase in line with expanding branch network

## Non-Interest Expenses <sup>1</sup>

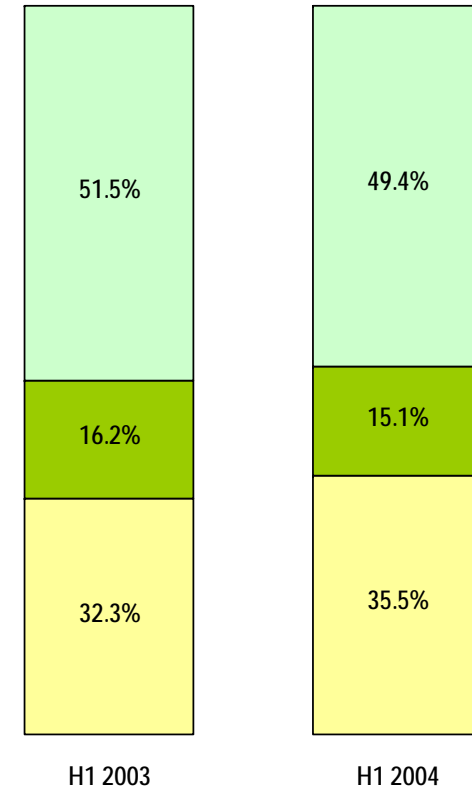
TL Billion



Personnel <sup>2</sup> Depreciation Other Admin. <sup>3</sup>

## Composition of Non-Interest Expenses

%



Personnel <sup>2</sup> Depreciation Other Admin. <sup>3</sup>



<sup>1</sup> Excluding impairments, general provision and provision for severance payments.

<sup>2</sup> Personnel expenses include salaries and wages and employee benefits.

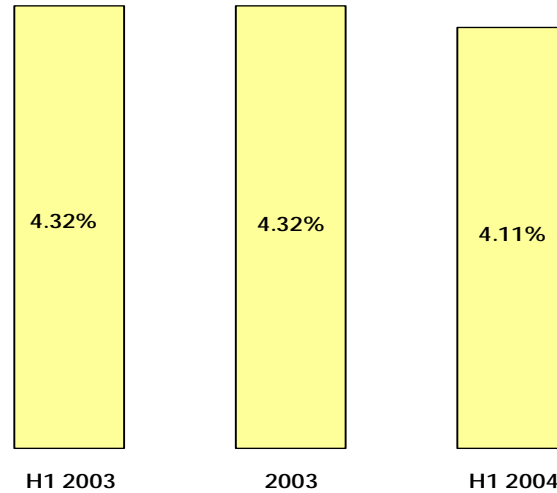
<sup>3</sup> Other administrative expenses are advertising, rent, EDP, SDIF, taxes and duties, utility, repair&maintenance, stationary, R&D and other operating expenses.

# Operating Expenses and Cost / Income

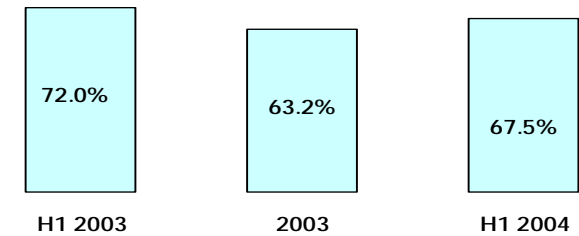
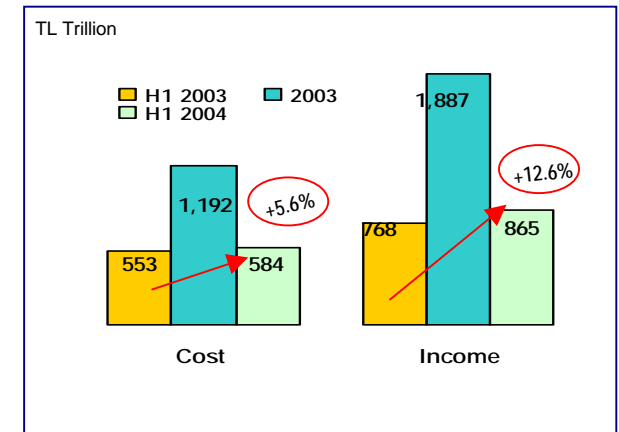
Superior improvement in cost/income ratio

- During the last two years, Garanti continuously improved its cost/income ratio through cost reduction and earnings enhancement measures
- Garanti increased its revenues by 12.6% in H1 2004 over H1 2003 while the increase in its costs was limited to 5.6% during the same period

## Operating Expenses/Average Assets %



## Cost/Income Ratio %

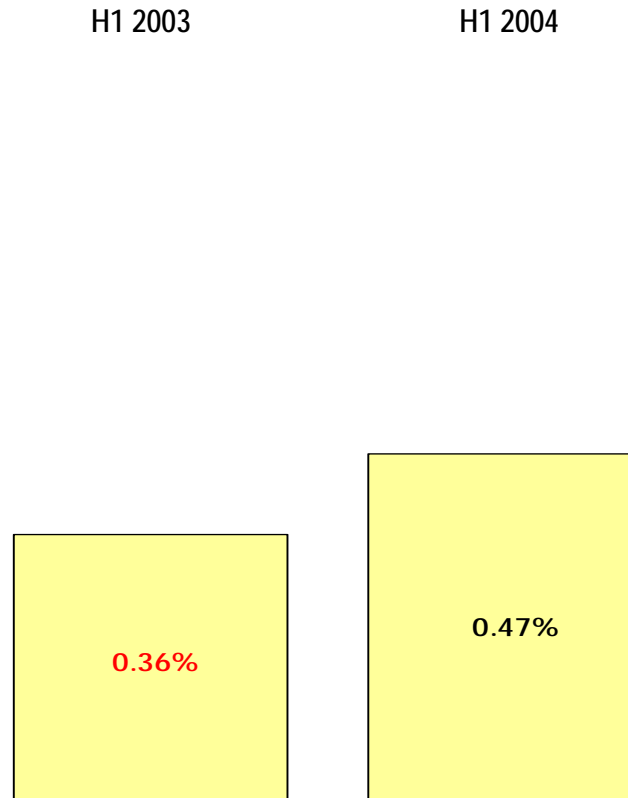


# ROAE and ROAE

Improving performance in ROAA and ROAE

- ROA went up to 0.47% as of H1 2004, from a negative 2.57% in Q1 2003 and 0.36% in H1 2003
- ROE increased to 4.91% in H1 2004 from a negative 33.85% in Q1 2003 and 4.40% in H1 2003

**ROAA**  
%



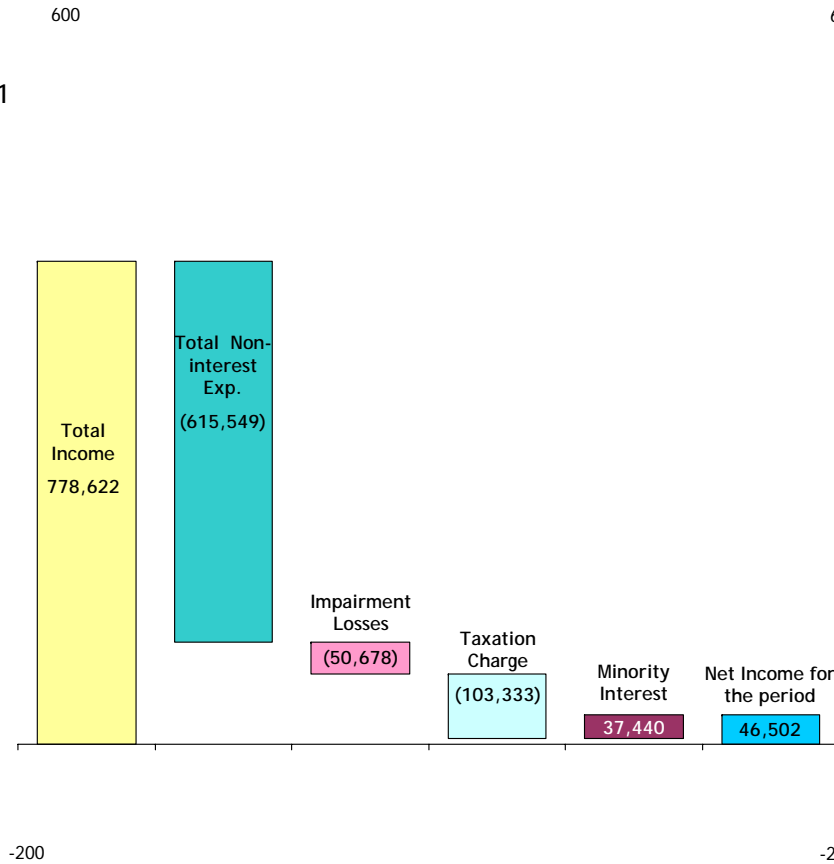
**ROAE**  
%



# Profit / Loss

- The consolidated net income for H1 2004 was TL66,492 Billion as compared to TL46,502 Billion in H1 2003
- Total income increased by 25.2 % in H1 2004, reaching TL974,420 Billion

**H1 2003 Profit / Loss**  
TL Trillion



**H1 2004 Profit / Loss**  
TL Trillion

