



June 30, 2004

BRSA Earnings Presentation

July 23, 2004

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1H 2004 Performance Review

Superior Financial Performance

Selected Financial Summary

BRSA, TL Billion

Garanti achieved superior financial performance in all business lines.

Since year-end 2003 in USD terms:

- Total assets increased by 7%
- Total loans increased by 33%
- Total deposits increased by 8%
- Cost / Income declined from 72.9% in YE 2003 to 59.8% in 1H 2004
- ROAE reached 15.9% as of 1H 2004

	June 30, 2003	June 30, 2004	Y-on-Y % Change
Total Revenues	643,624	908,523	41.2
Operating Income	200,997	450,891	124.3
Net Income	126,754	210,512	66.1
ROE	11.86%	15.86%	4.0pp
	December 31, 2003	June 30, 2004	YTD % Change
Total Assets	24,213,416	24,994,111	3.2
Total Loans	7,258,723	9,349,205	28.8
Customer Funds*	31,100,263	33,022,194	6.2
Shareholders' Equity	2,650,181	2,660,567	0.4
Cost / Income**	72.9%	59.8%	(13.1pp)
CAR	16.63%	15.56%	(1.07pp)

*Excluding bank deposits

** Including amortization

Focus on Sustainable Sources of Revenues

Income Statement

TL Billion

- NII adjusted by FX and monetary gain/loss increased more than 3 times in real terms on an annual basis
- Net fees and commissions income was up by 16% as compared to last year
- Increase in operating expenses was limited to 3% despite 10% expansion in branch network
- Net income was up by 66% in real terms

	June 30, 2003	June 30, 2004	Y-on-Y % Change
Net Interest Income Adj. by FX & Monetary Gain/Loss	99,791	544,728	445.9%
Net Fee & Commission Income	203,528	236,688	16.3%
Net Trading Income	246,583	65,809	(73.3%)
Other Non-Interest Income	93,722	61,298	(34.6%)
<u>Total Income</u>	<u>643,624</u>	<u>908,523</u>	<u>41.2%</u>
Operating Expenses	442,627	457,632	3.4%
<u>Operating Margin</u>	<u>200,997</u>	<u>450,891</u>	<u>124.3%</u>
Provisions	<u>79,770</u>	<u>143,879</u>	<u>80.4%</u>
Ordinary Income	121,227	307,012	153.2%
Taxes	5,527	(96,500)	n.m.
<u>Net Income</u>	<u>126,754</u>	<u>210,512</u>	<u>66.1%</u>

Summary

Balance Sheet Highlights

- Total assets were up by 7% in US\$ terms as compared to YE 2003
- TL loans rose by 47% in real terms and FC loans increased by 22% in US\$ terms over YE 2003
- Share of performing loans in total assets increased from 30% in YE 2003 to 37% in 1H 2004; while the share of securities portfolio declined from 43% to 35% during the same period
- Share of retail in total loan book increased from 30% in 2003 to 32% in 1H 2004
- TL deposits increased by 14% in real terms and FC deposits were up by 1% in US\$ terms over YE 2003
- Total shareholders' equity went up by 4% in US\$ terms as compared to YE 2003

P/L Highlights

- Net banking income increased by 58% in real terms as compared to 1H 2003
- Net fees and commissions income was up by 16% as compared to a year ago, and by 7% over previous quarter
- Operating expenses slightly increased by 3% over 1H 2003 despite 10% expansion in branch network
- Net earnings were up by 66% in real terms
- Cost/Income ratio was 59.8%
- Net fees and commissions covered 52% of operating expenses in 2004 H1, compared to 46% in 1H 2003
- ROAA and ROAE were 1.71% and 15.9%, respectively



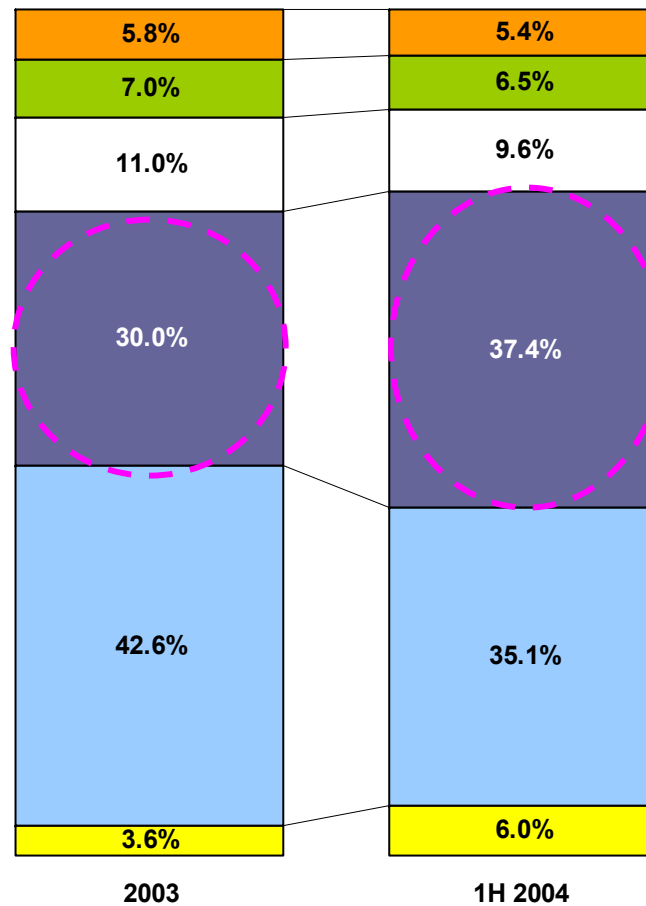
1H 2004 Performance – B/S

Prepared for Low Inflation Environment...

...with a conservative securities portfolio and increasing share of retail loans

- Garanti's asset size stood at US\$16,922 million in 1H 2004
- Share of loans in total assets continuously increased, reaching 37% by the end of 1H 2004, as compared to 30% in YE 2003
- Accordingly, share of loans surpassed the share of securities, which declined from 43% in YE 2003 to 35% in 1H 2004
- Share of deposits slightly increased from 64% in YE 2003 to 65% by the end of 1H 2004

Total Assets
%



■ Cash & Banks ■ Securities
■ Loans ■ Other
■ Affiliates & Investments ■ Fixed Assets

Total Liabilities and SHE
%



■ Deposits ■ Funds Borrowed & Interbank ■ Other ■ SHE



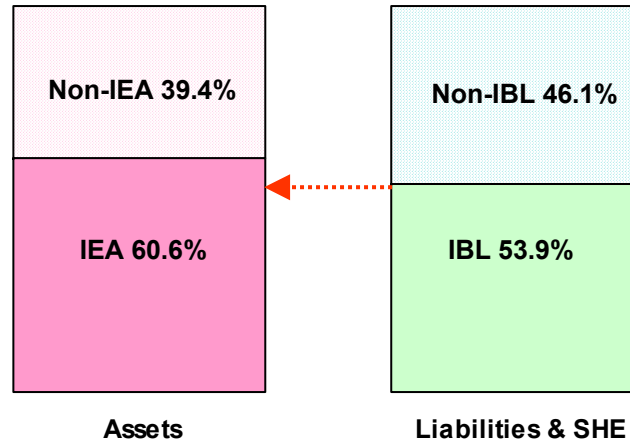
Increasing Gap between IEAs and IBLs...

...which translates into higher margins

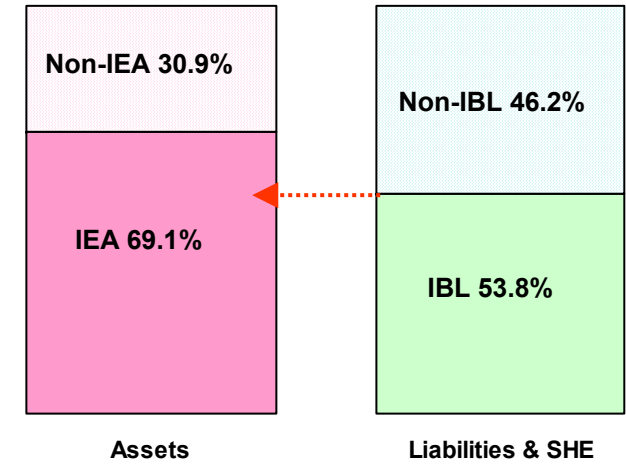
- Improvement in TL margins due to:
 - Strong focus on high-margin products
 - Increasing share of IEAs
 - Decline in NPLs
 - Decline in DTAs
 - Disposal of non-core assets
 - Increasing share of non-IBLs
 - Higher profitability
 - Increasing share of demand deposits

- The gap between TL IEA and TL IBL as a percentage of TL assets increased to 22% in 1H 2004 from 4% in YE 2003

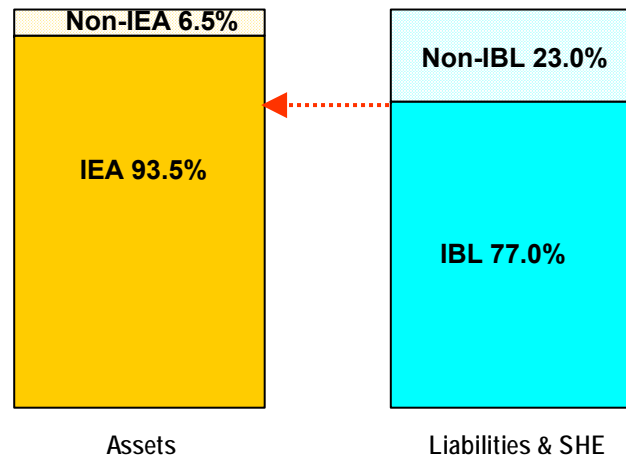
TL Balance Sheet, 2003
%



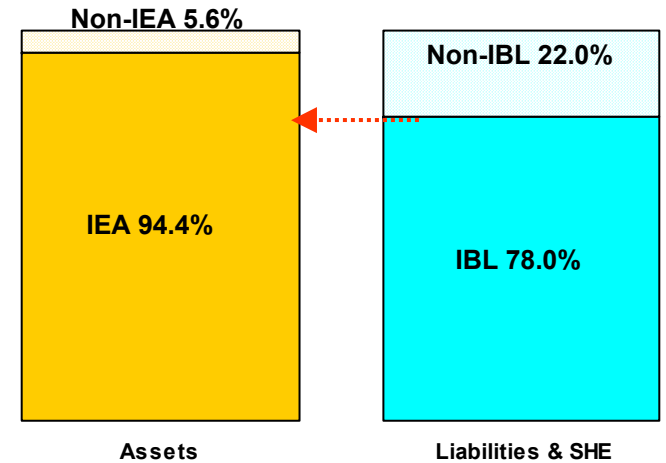
TL Balance Sheet, 1H 2004
%



FC Balance Sheet, 2003
%



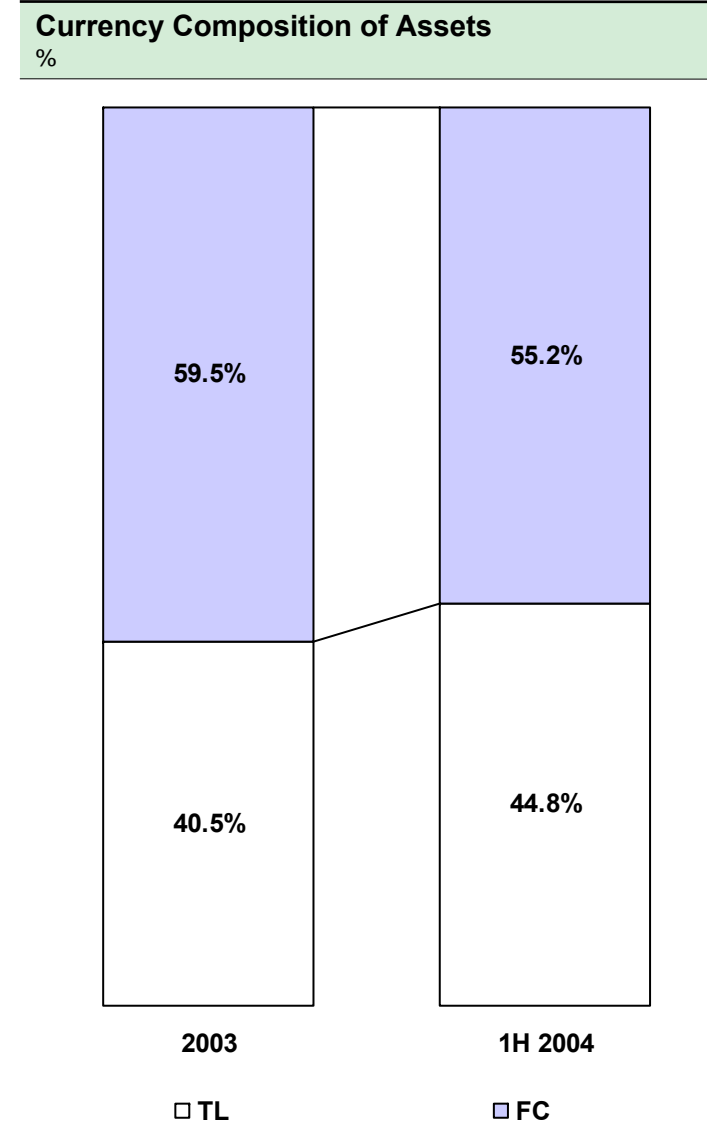
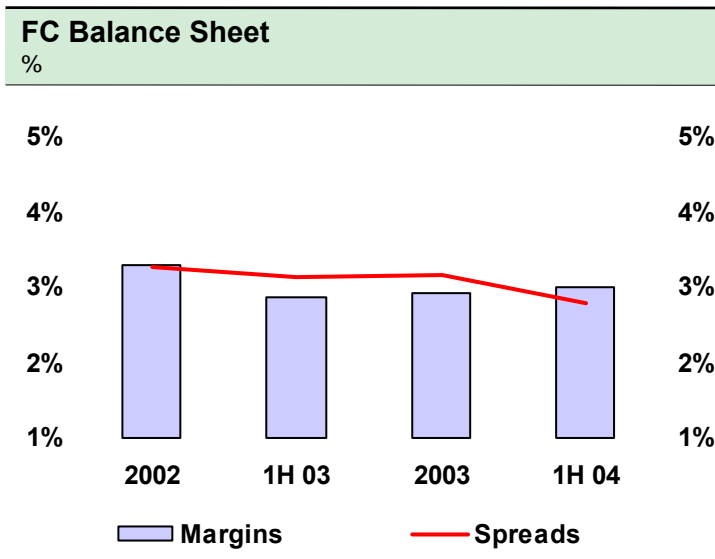
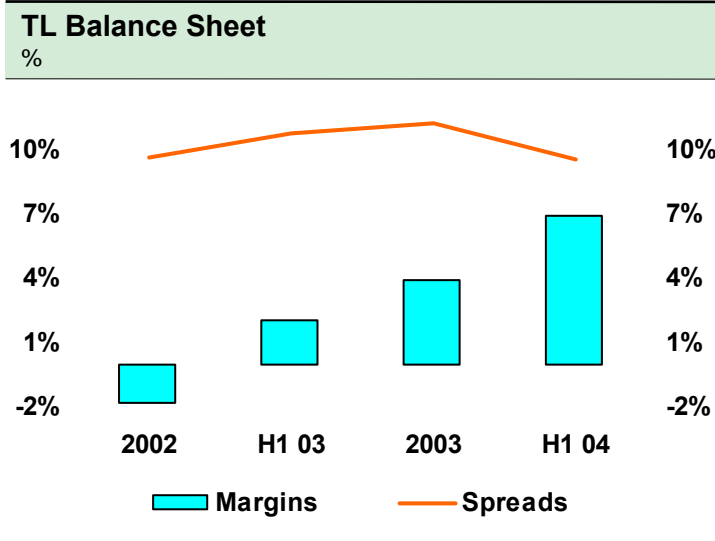
FC Balance Sheet, 1H 2004
%



Increasing Margins regardless of Declining Spreads...

...coupled with a shift towards TL assets

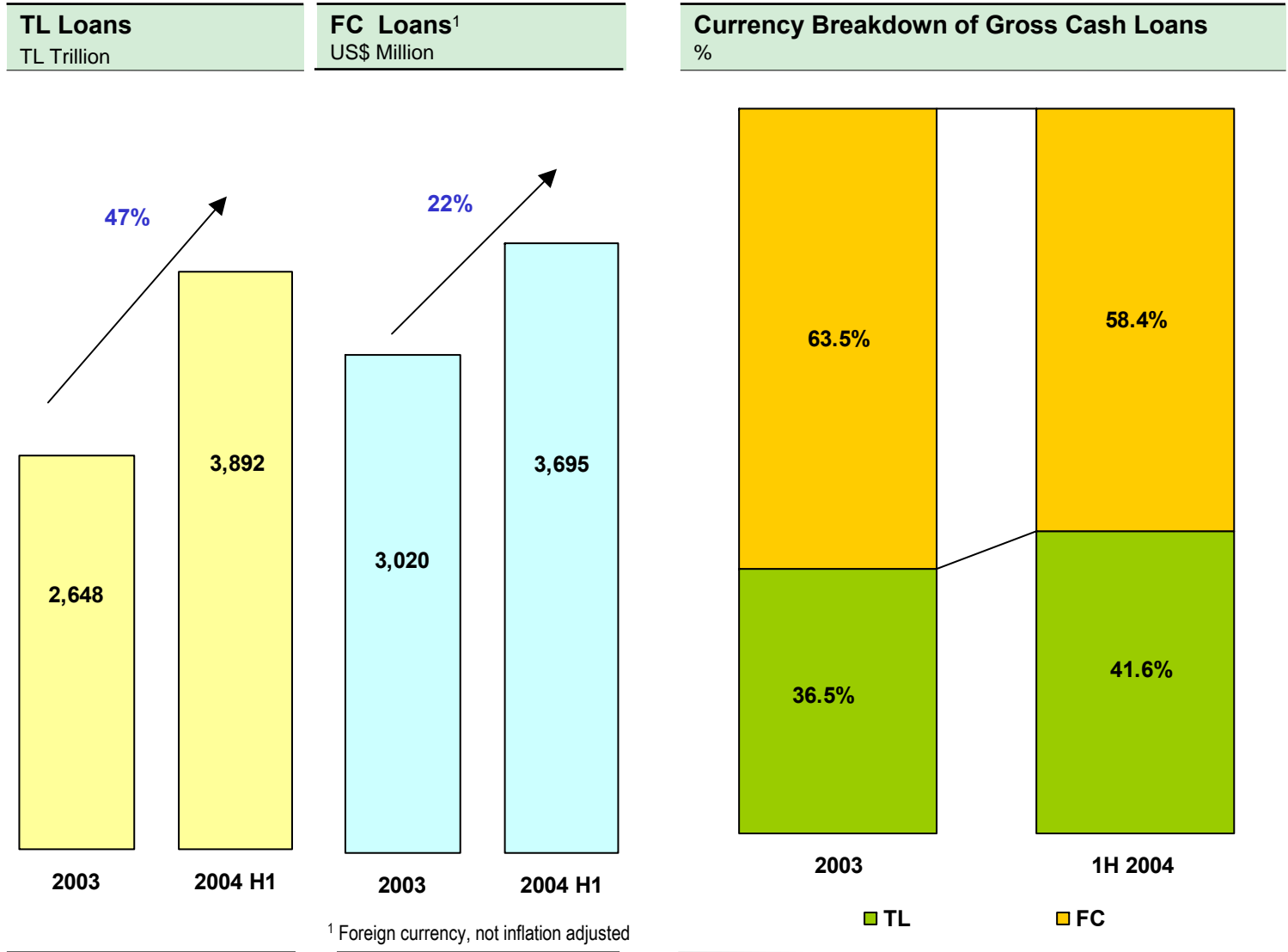
- In 1H 2004, TL margins increased to 6.9%, as compared to the cumulative margin of 3.9% in 2003 despite the decline in TL spreads from 11.3% in 2003 to 9.6% in 1H 2004
- Share of TL assets increased in line with the improvement in TL margins, reaching 45% of total assets



High Growth Rate in Lucrative Lending...

...suggesting increasing share of high margin TL loans

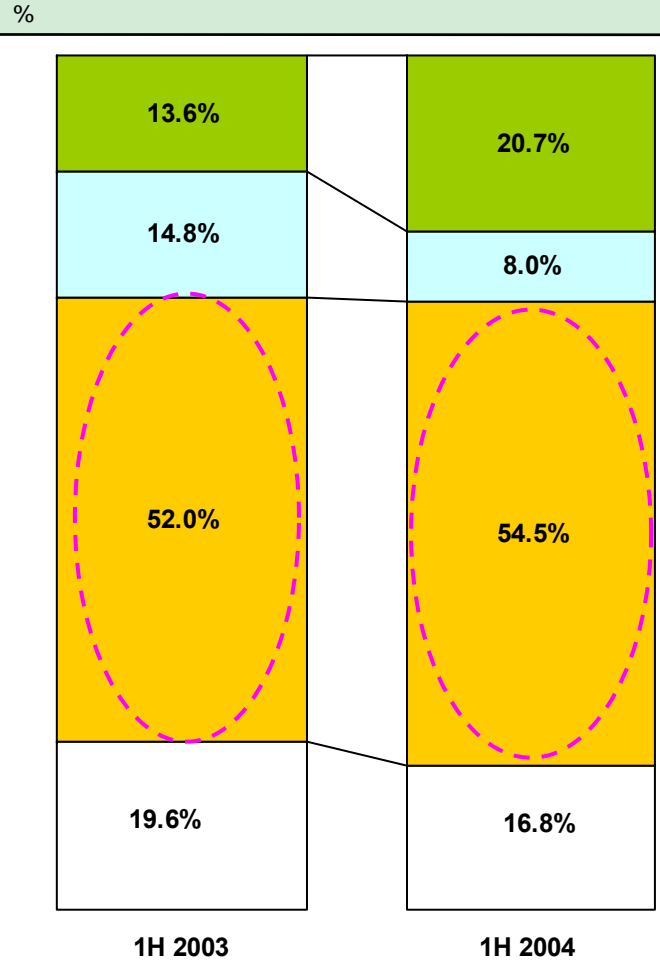
- Garanti registered 47% increase in TL loans in real terms and 22% increase in FC loans in USD terms during the first half of 2004
- With increasing spreads in TL loans due to selective lending, Garanti changed the composition of its overall loan book in favor of TL loans. As a result, share of TL loans increased from 36% in YE 2003 to 42% in 1H 2004



TL Loan Growth to be Driven by Credit Cards

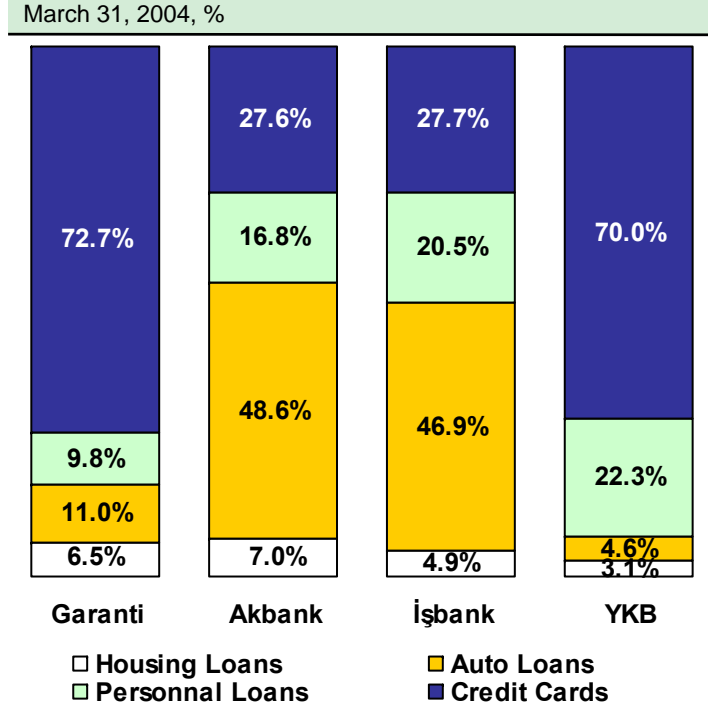
- Based on average figures, share of consumer loans (excluding credit cards) stood at 17% in 1H 2004
- Credit cards, the most profitable loan instrument in the market, continued to constitute the largest share in TL loans with around 55% share in TL loan book
- Garanti had the most profitable consumer loan allocation among peer group as of 1Q 2004

Breakdown of TL Loans*



Consumer Loans Credit Cards
 Commercial Overdraft Other

Comparison of Consumer Loans



Compounded Interest Rates in TL Loans

Category	June 2004 (%)
Credit Cards	65.9%
Personal Loans	38.5%
Housing Loans	34.3%
Auto Loans	32.0%

* Based on daily average volumes



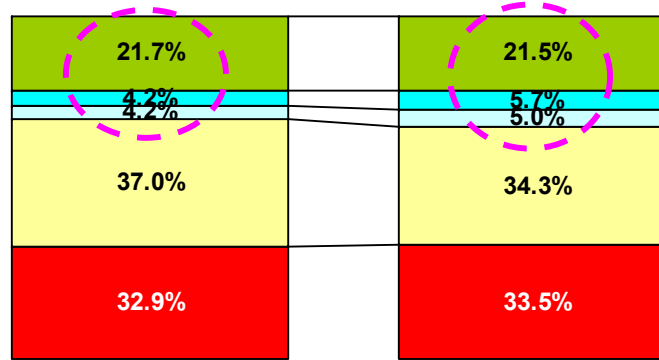
Selective Expansion in Loan Book towards Retail Banking

...with focus on profitability and loyalty

- Lending to SMEs increased to 5% of cash loans, whereas consumer and credit cards made up 27%
- Customer funds to retail segment composed 61% of total funds

Breakdown of Loan Portfolio as to LOB

%



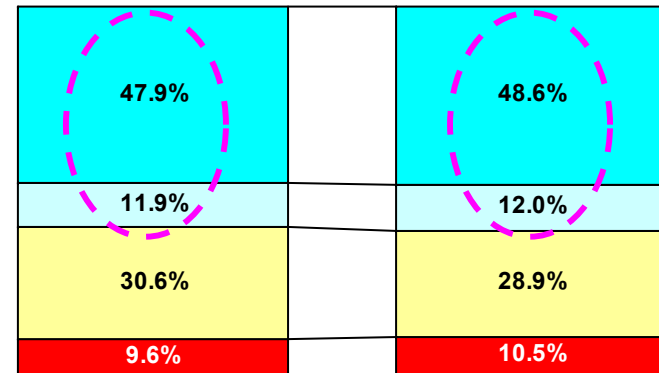
2003

1H 2004

■ Corporate ■ Commercial □ SME ■ Consumer ■ Credit Cards

Breakdown of Customer Funds by LOB *

%



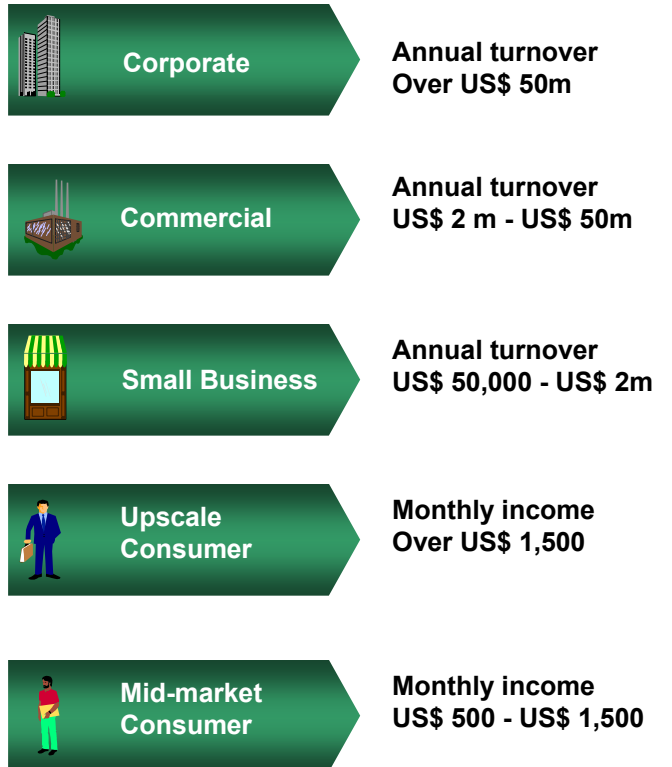
2003

2004 H1

■ Corporate ■ Commercial □ SME ■ Consumer

* Excluding bank deposits

Customer Segmentation

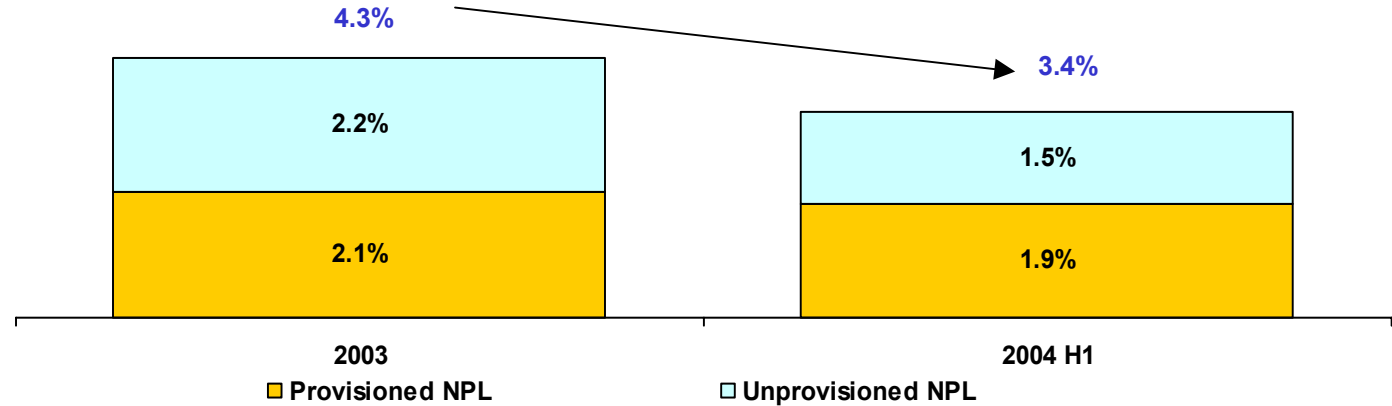


Improving Asset Quality...

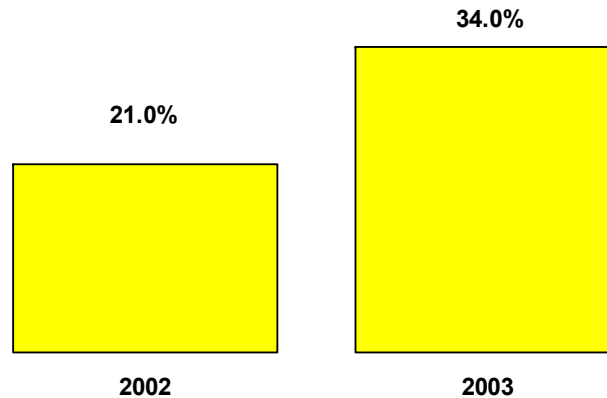
...fuelled with high collection rates

- NPL ratio declined to 3.4% during the first half of 2004
- Allowance ratio increased to 57% as of 1H 2004, from 48% in 2003

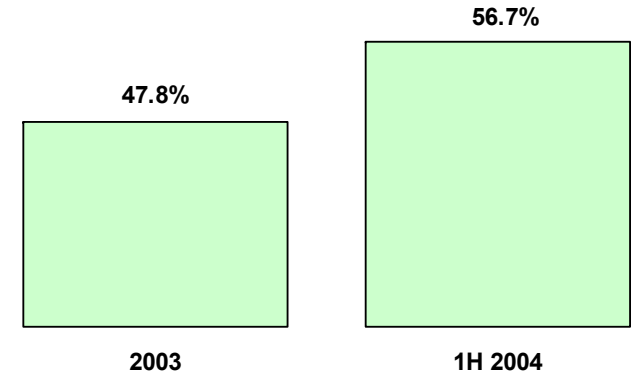
NPLs
NPL % of gross cash loans



Collection Rate
(Collections from prior year's NPL balance), %



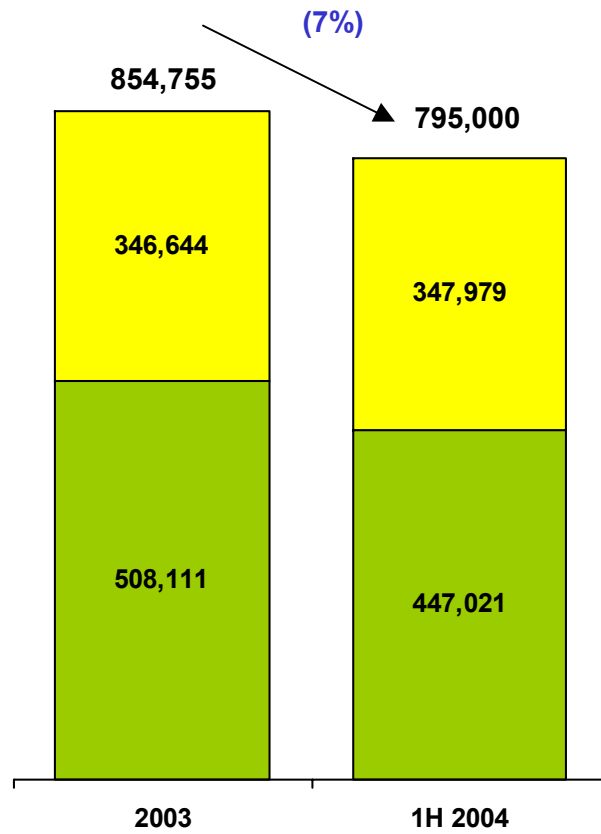
NPL Provision Ratio
%



Low and Declining Group Exposure...

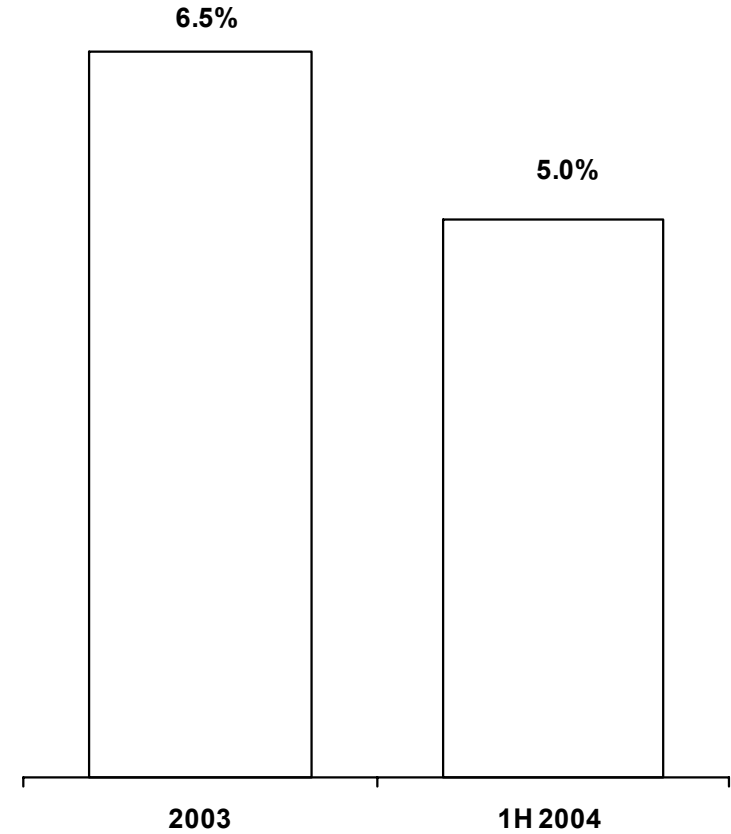
- Group exposure to total lending continued to decline and stood at 5% by the end of 1H 2004

Loans to Risk Groups
TL Billion



■ Cash Loans ■ Non Cash Loans

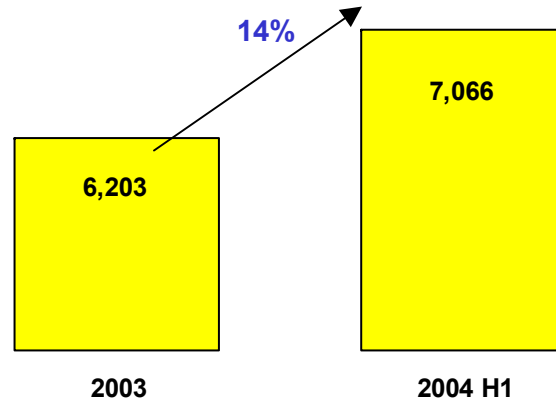
Loans to Risk Groups / Total Cash & Non-Cash Loans, %



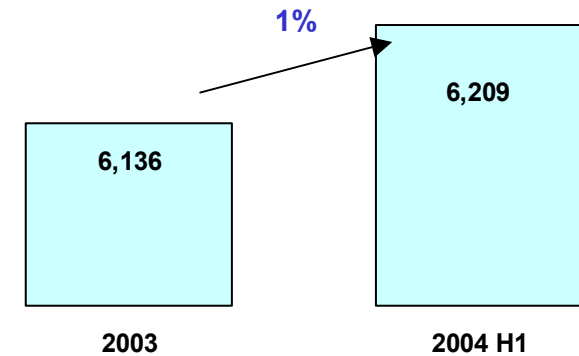
Continuous Increase in Customer Funds

- Garanti registered 14% increase in TL and 1% increase in FC deposits as compared to YE 2003
- During the same period, the increase in total customer funds was 6%

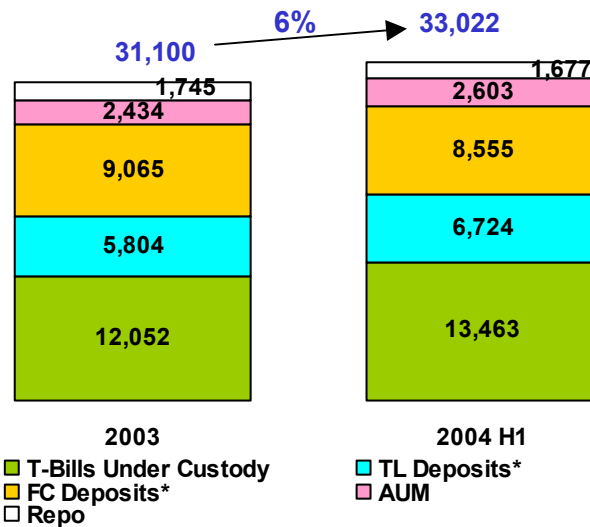
TL Deposits
TL Trillion



FC Deposits¹
US\$ Million

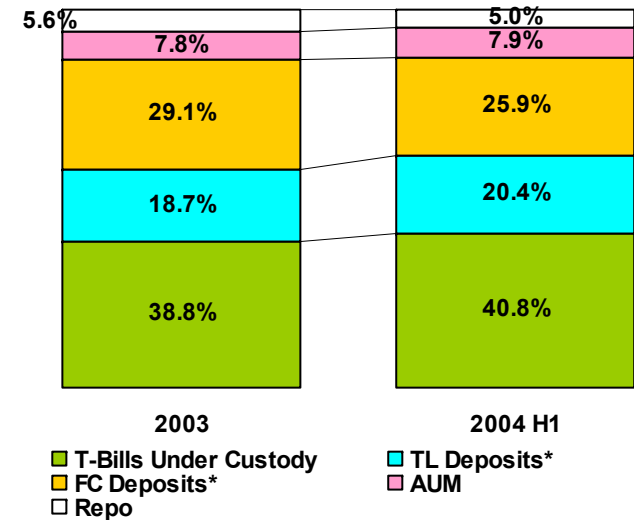


Total Customer Funds
TL Trillion



¹ Foreign currency, not inflation adjusted

Composition of Total Customer Funds
%

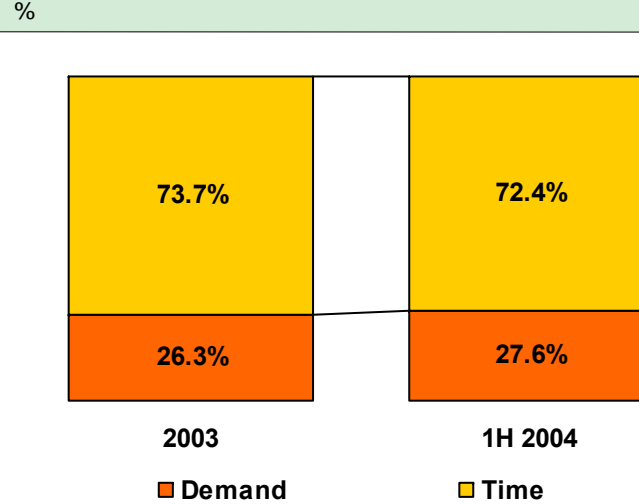


*Excluding bank deposits

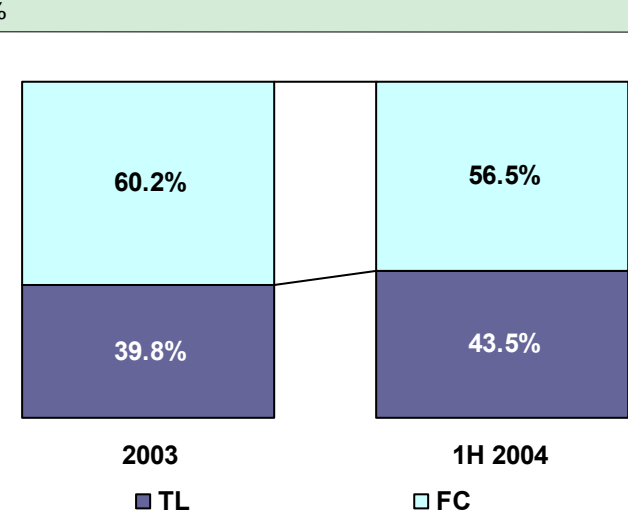
Continuous Increase in Demand Deposits

- Share of demand deposits in total deposits continued to increase, reaching 28%
- Share of TL deposits reached 44% in 1H 2004
- Saving deposits composed 22% of deposits in 1H 2004, up by 2 percentage points as compared to 2003

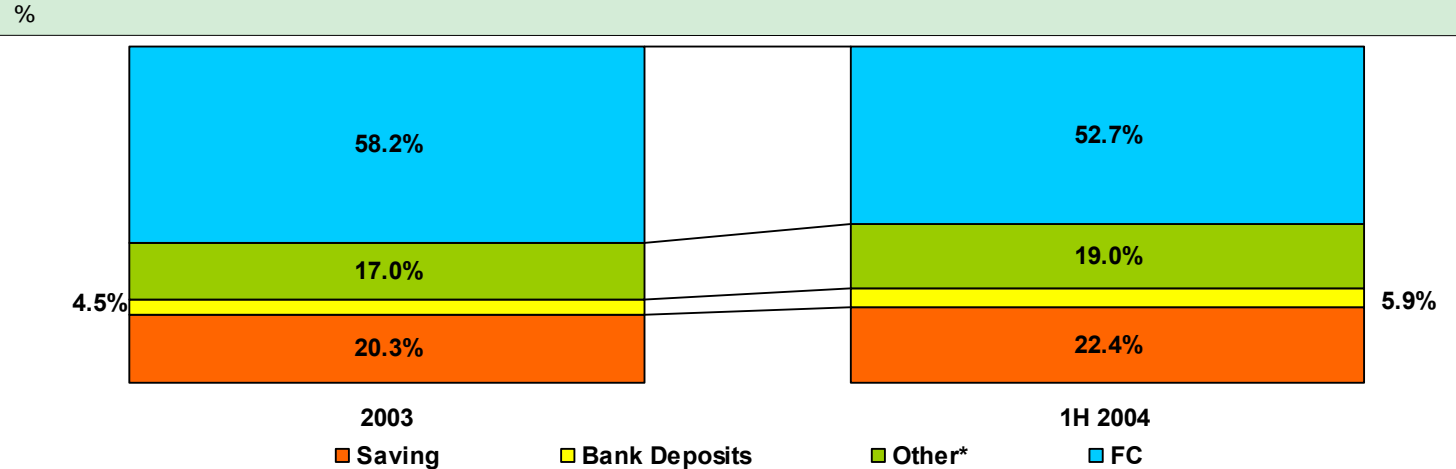
Demand vs Time Deposits



Currency Breakdown of Deposits



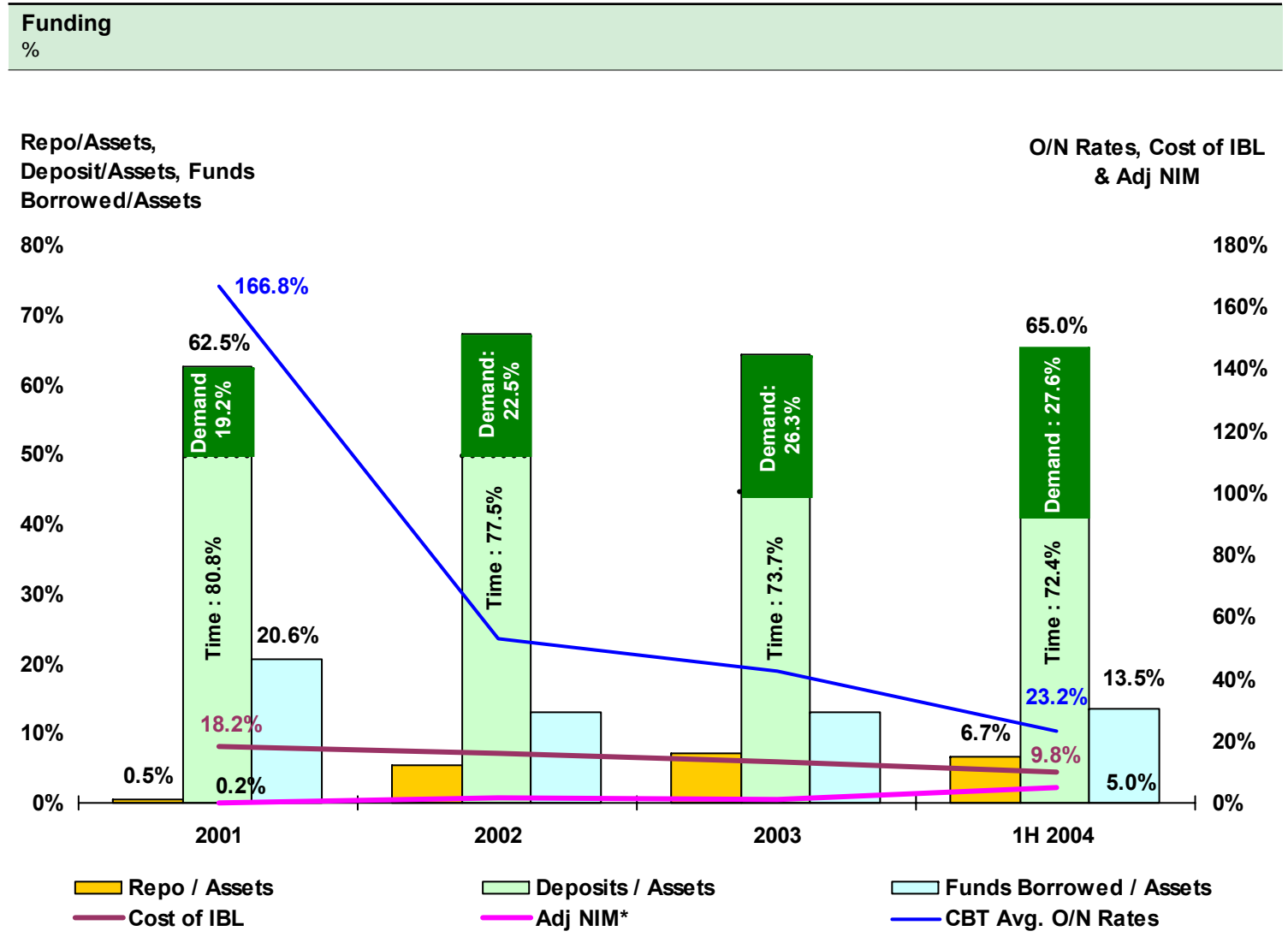
Composition of Deposits



* Other deposits include commercial deposits, deposits of official authorities & organizations and deposits of other organizations

Improving Cost of Funding and Interest Margins

- Garanti's adjusted NIM consistently improved reaching 5.0%, due to better terms in funding and shift towards lucrative products

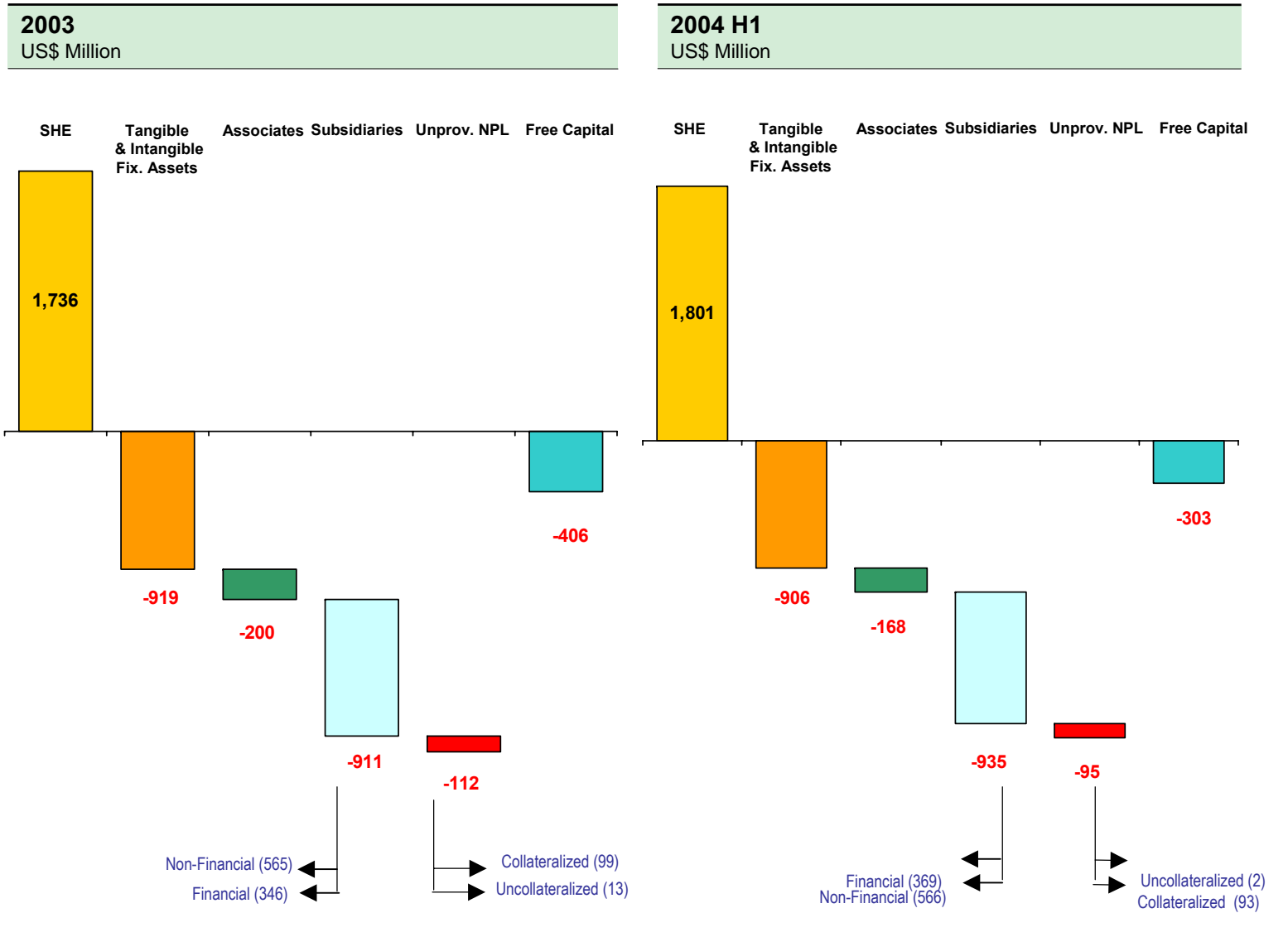


*NIM adjusted by loan loss provisions, monetary gain/loss, FX gain/loss

Improvement in Free Equity

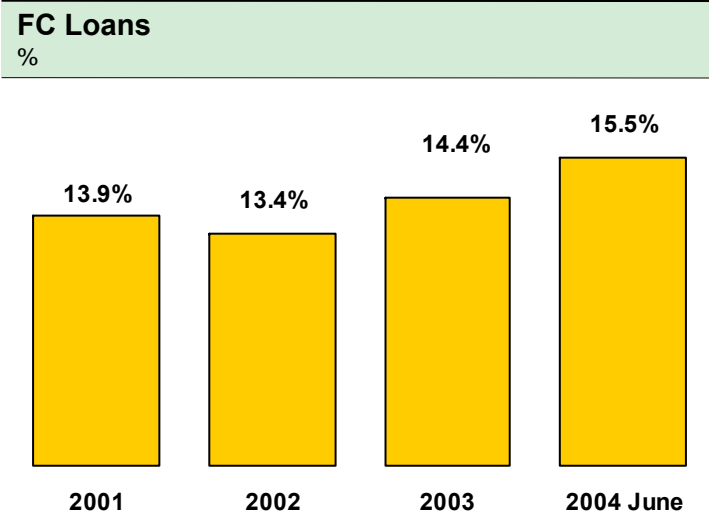
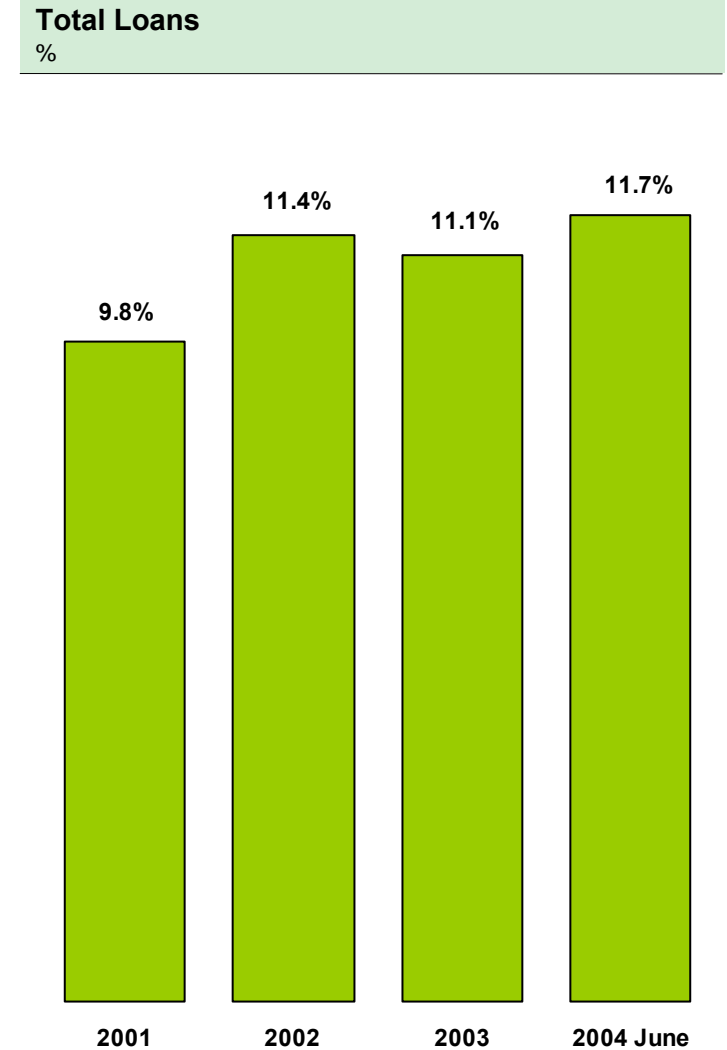
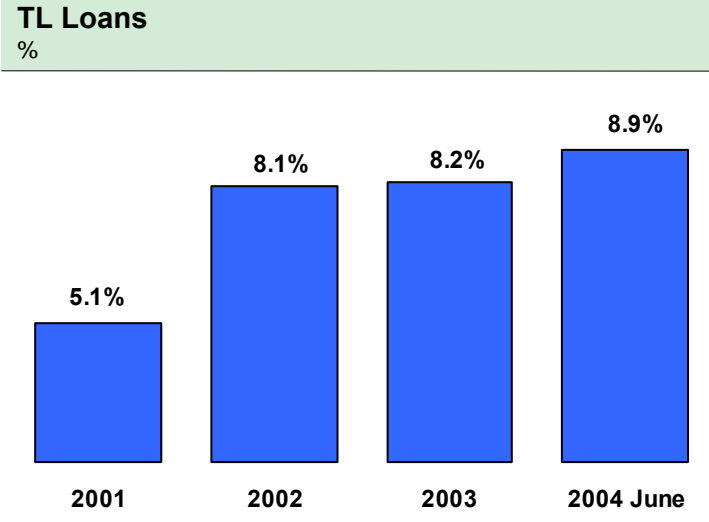
-Free equity improved by US\$103 million, reaching a negative US\$303 million

-Free equity stands at US\$159 million when financial associates and collateralized NPLs are excluded



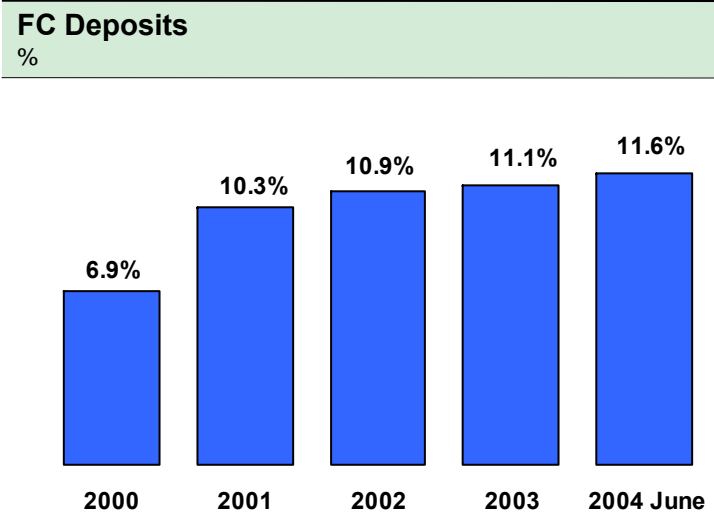
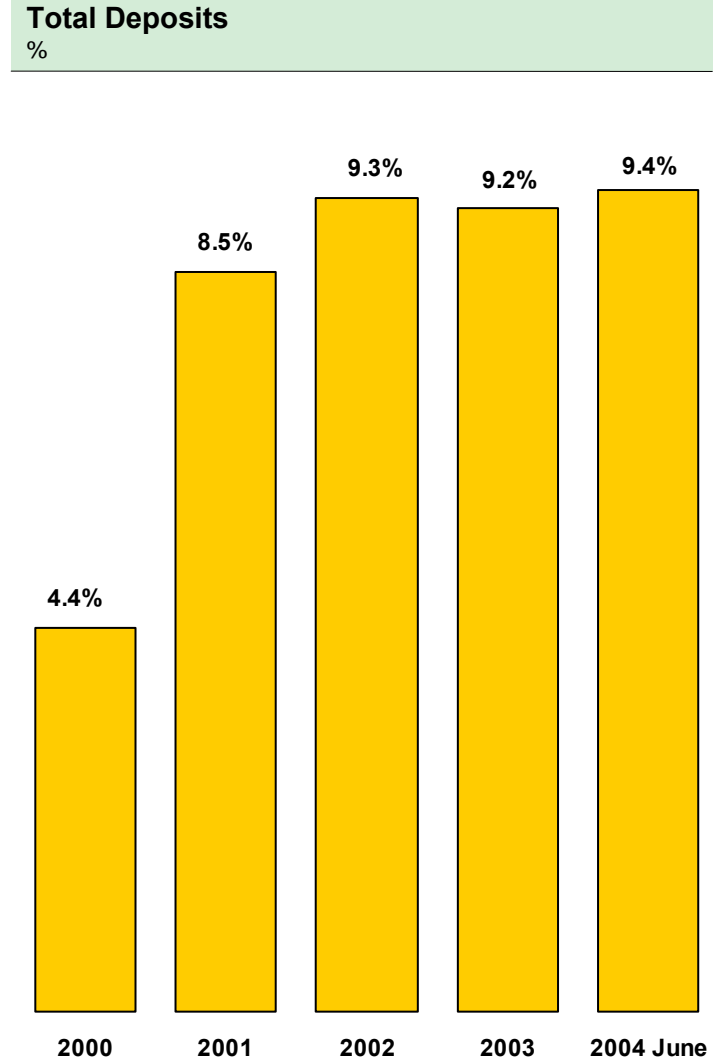
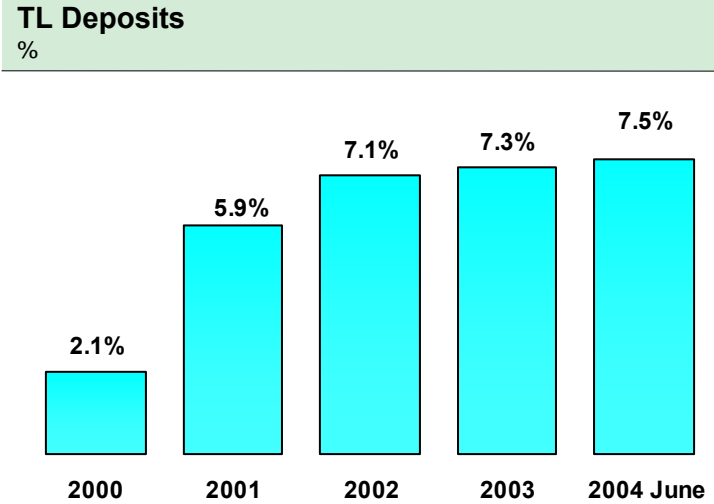
Increasing Market Shares in Loans

– Garanti continued to increase its market share both in TL loans and FC loans, which translated into 11.7% market share in overall loan market



Constant Increase in TL and FC Deposits

- Garanti's market share reached 7.5% in TL deposits and 11.6% in FC deposits

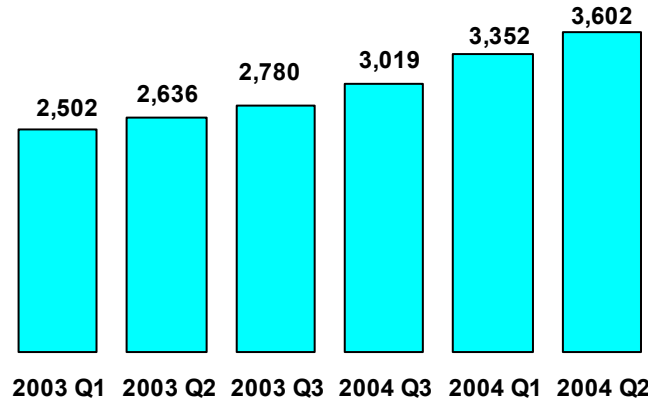


Playing for Leadership in Credit Cards

- Due to overwhelming two quarters, number of credit cards already exceeded the year-end target of 3.6 million, although approval rates stood at around 50%
- Garanti continued to gain market share in issuing volume

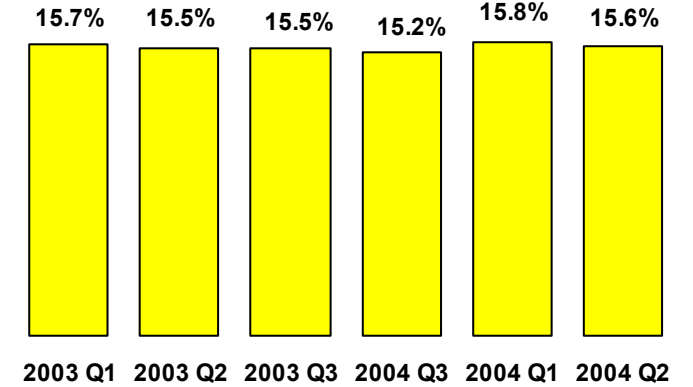
Number of Credit Cards

Thousands

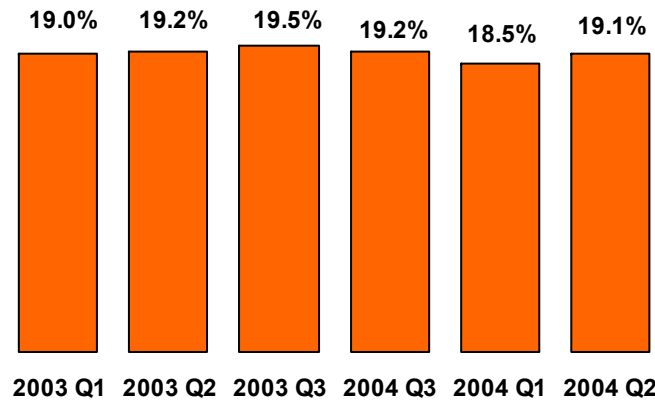


Market Share in Number of Credit Cards

%

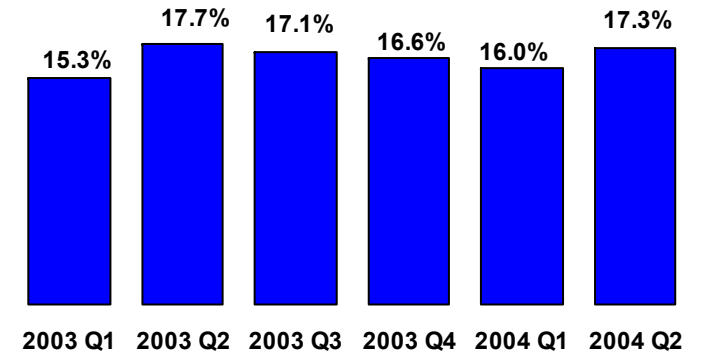


Issuing Volume (including cash advance) Market Share, %



Acquiring Volume Market Share

%

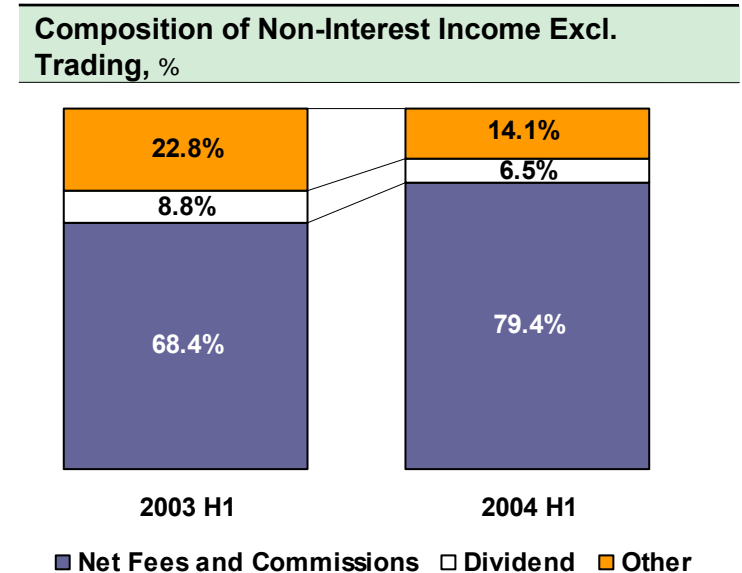
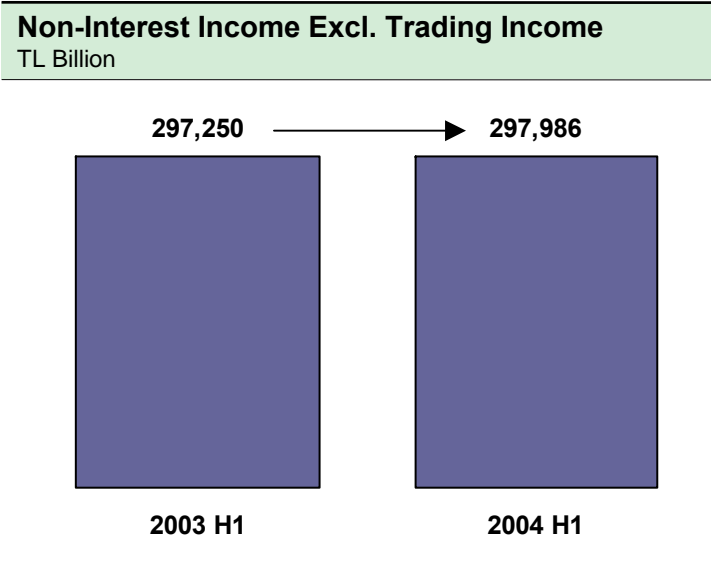
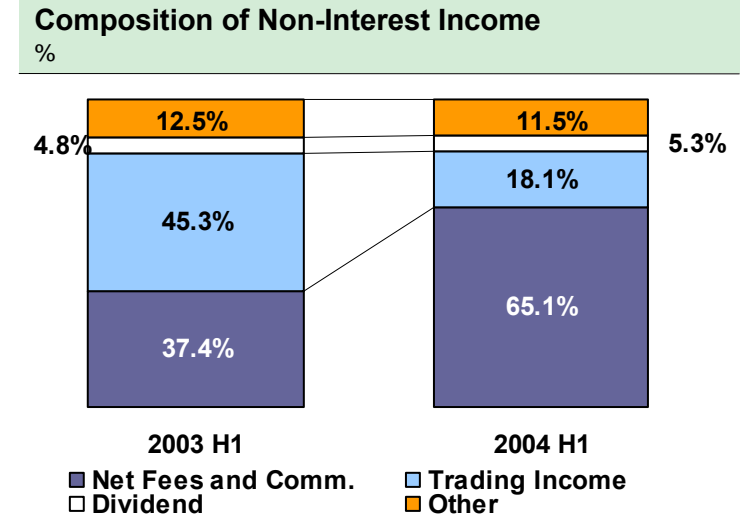
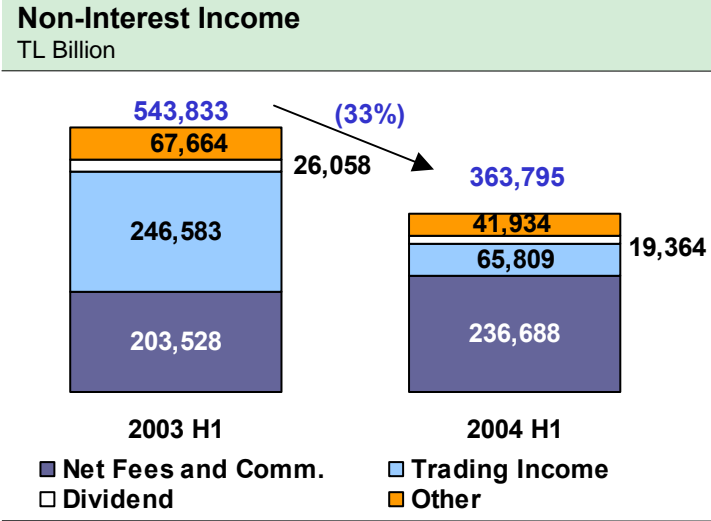




H1 Performance – P/L

Impressive Performance in Sustainable Revenues

- Total non-interest income decreased by 33% due to lower trading income and other non-interest income
- Share of net fees and commissions increased to 65% in 1H 2004, compared to 37% a year ago
- When trading income is excluded, fees and commissions comprised 79% of non-interest income

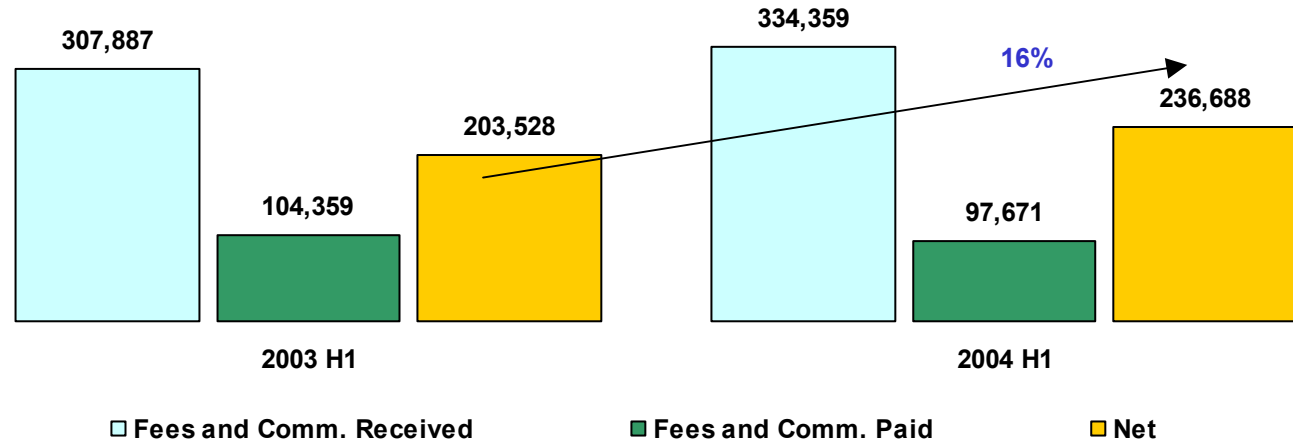


Superior Performance in Fees & Commissions Income...

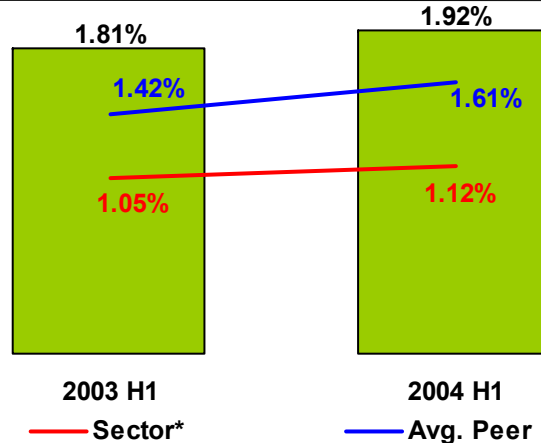
...with one of the best coverage ratio of operating expenses by fees and commissions

- Despite strong base effect, Garanti continued to register high growth rates in fees and commissions income
- While net fees and commissions increased by 16% on an annual basis, coverage of operating expenses by net fees and commissions income increased to 52%
- Net fees and commissions to average assets ratio was 1.92% as of 1H 2004

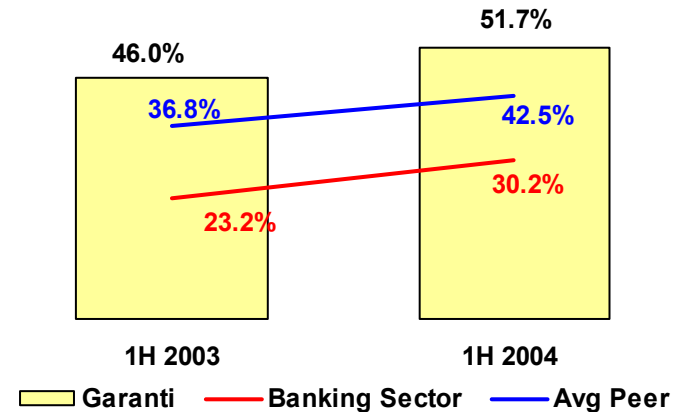
Fees and Commissions TL Billion



Net Fees and Commissions / Average Assets %



Net Fees and Commissions / Operating Expenses, %



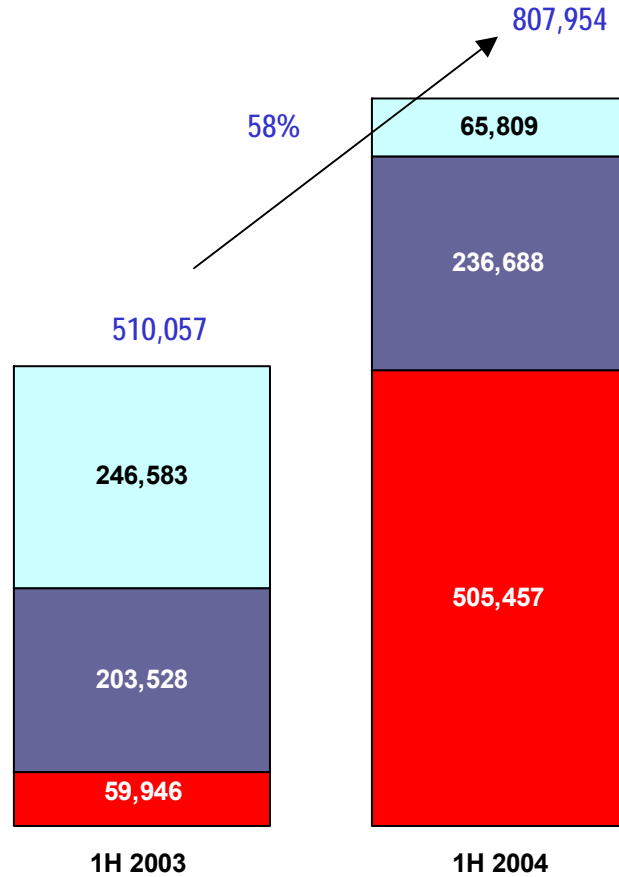
*Sector and peer averages (Akbank, İşbank & YKB) are as of Q1 04

Continuous Improvement in Net Banking Income...

...with over 50% increase in net banking income

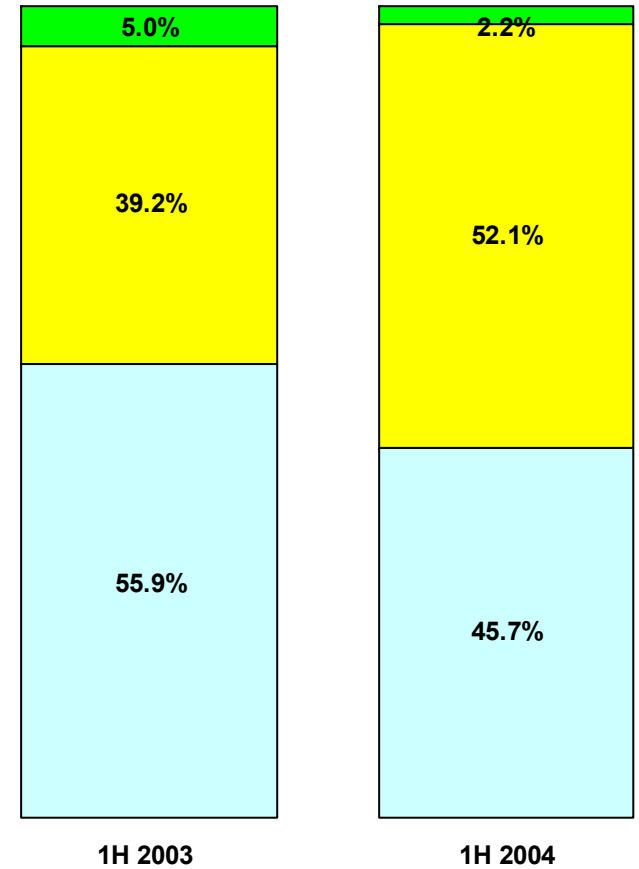
- Net banking income increased by 58% year-on-year, reaching TL807,954 billion

Net Banking Income
TL Billion



■ Adjusted NIM ■ Net fees & commissions
■ Net Trading income

Composition of Net Interest Income
%



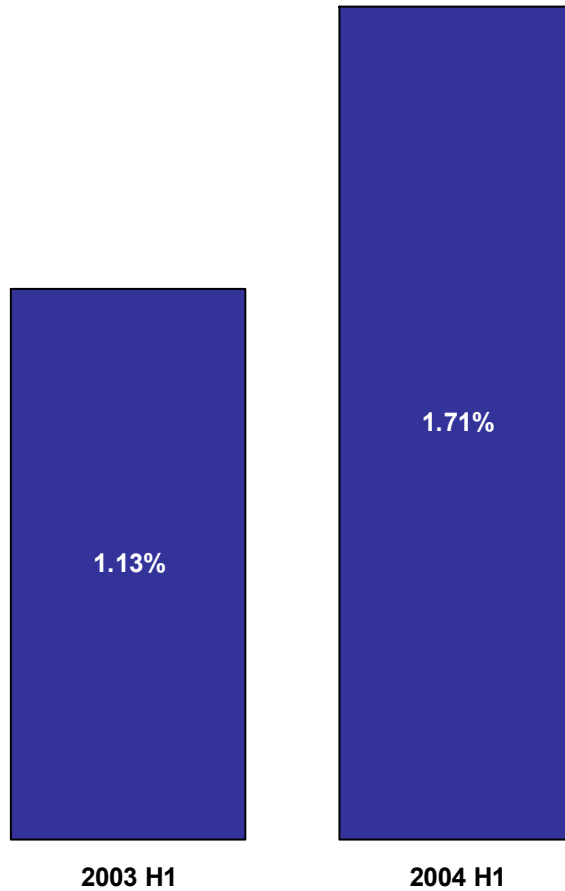
■ Interest on reserve deposits and banks
■ Interest on Loans
■ Interest on Securities



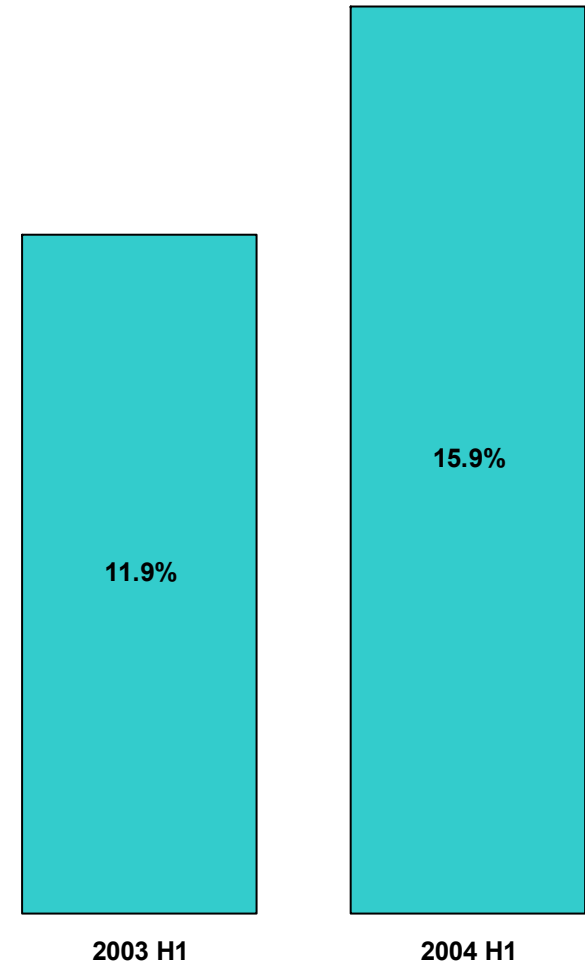
Outstanding Performance in Profitability Ratios

- ROAE increased to 15.9% and ROAA reached 1.7% as of 1H 2004

Return on Average Assets %

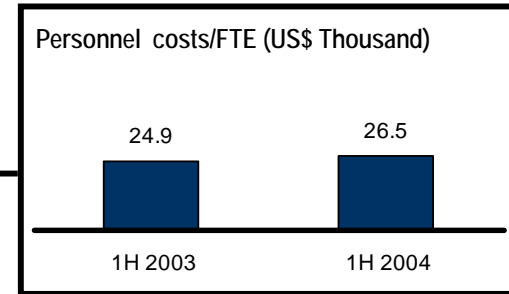
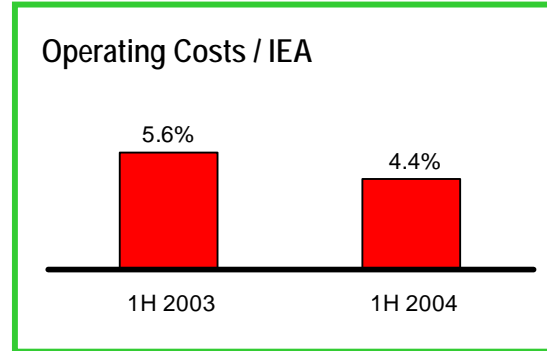


Return on Average Shareholders' Equity %

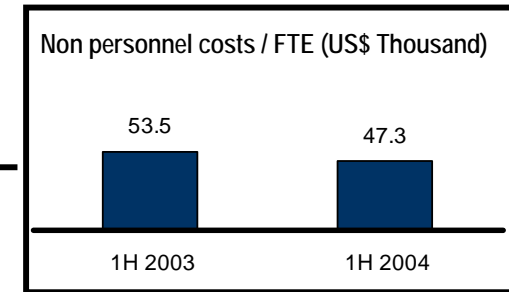


Continuous Cost-cutting Measures

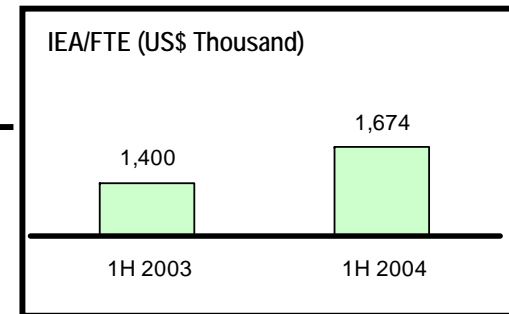
- New measures are employed on a continuous basis to eliminate potential bottlenecks and redundancies on the expense side
- Opex to IEA declined from 5.6% in 1H 2003 to 4.4% in 1H 2004



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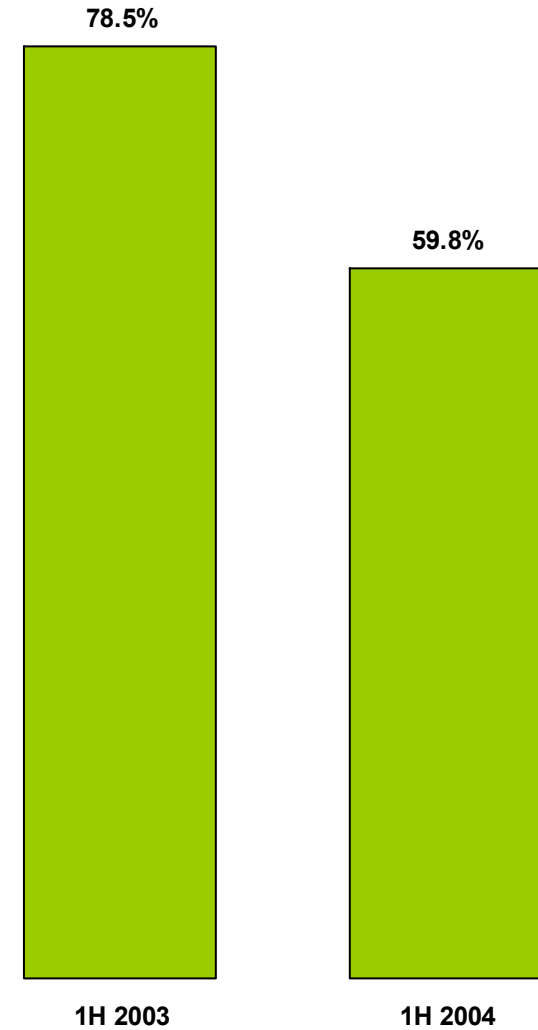
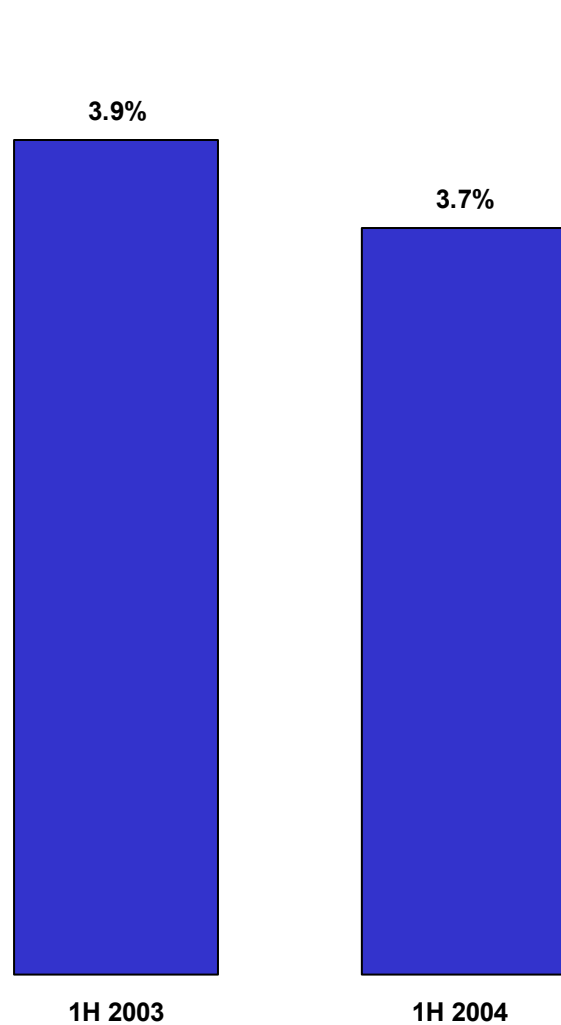
Continuous Improvement in Cost/Income...

...in line with cost cutting and revenue enhancing measures

- Cost / Income ratio declined significantly to 59.8% in 1H 2004
- Strong income generation resulted in 18.7 pp decline in Cost/Income ratio, as compared to a year ago

Operating Expenses / Average Assets
%

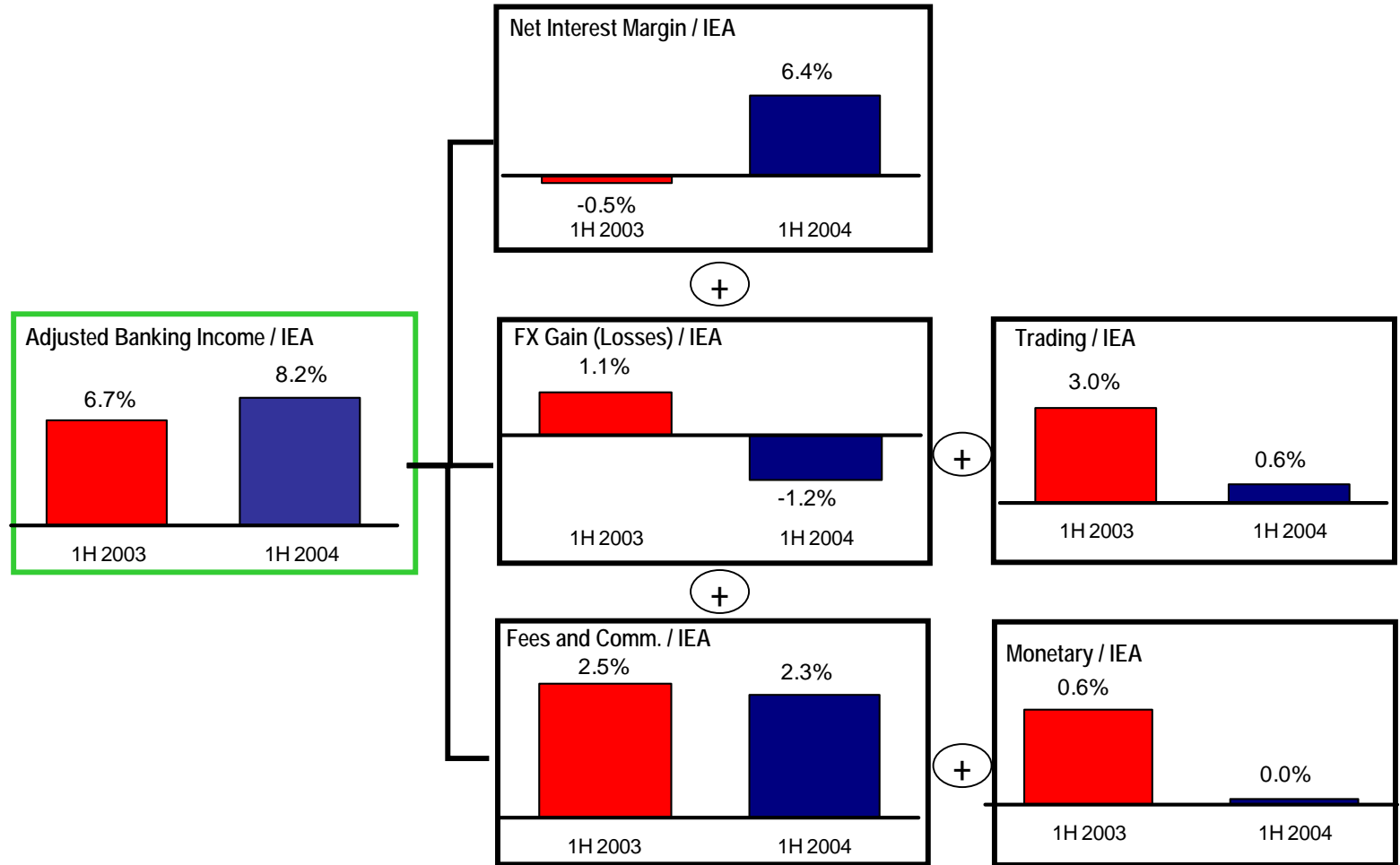
Cost /Income Ratio
%



Improvement in Adjusted Banking Income / IEA...

...supported by higher NIM and sustainable non-interest income

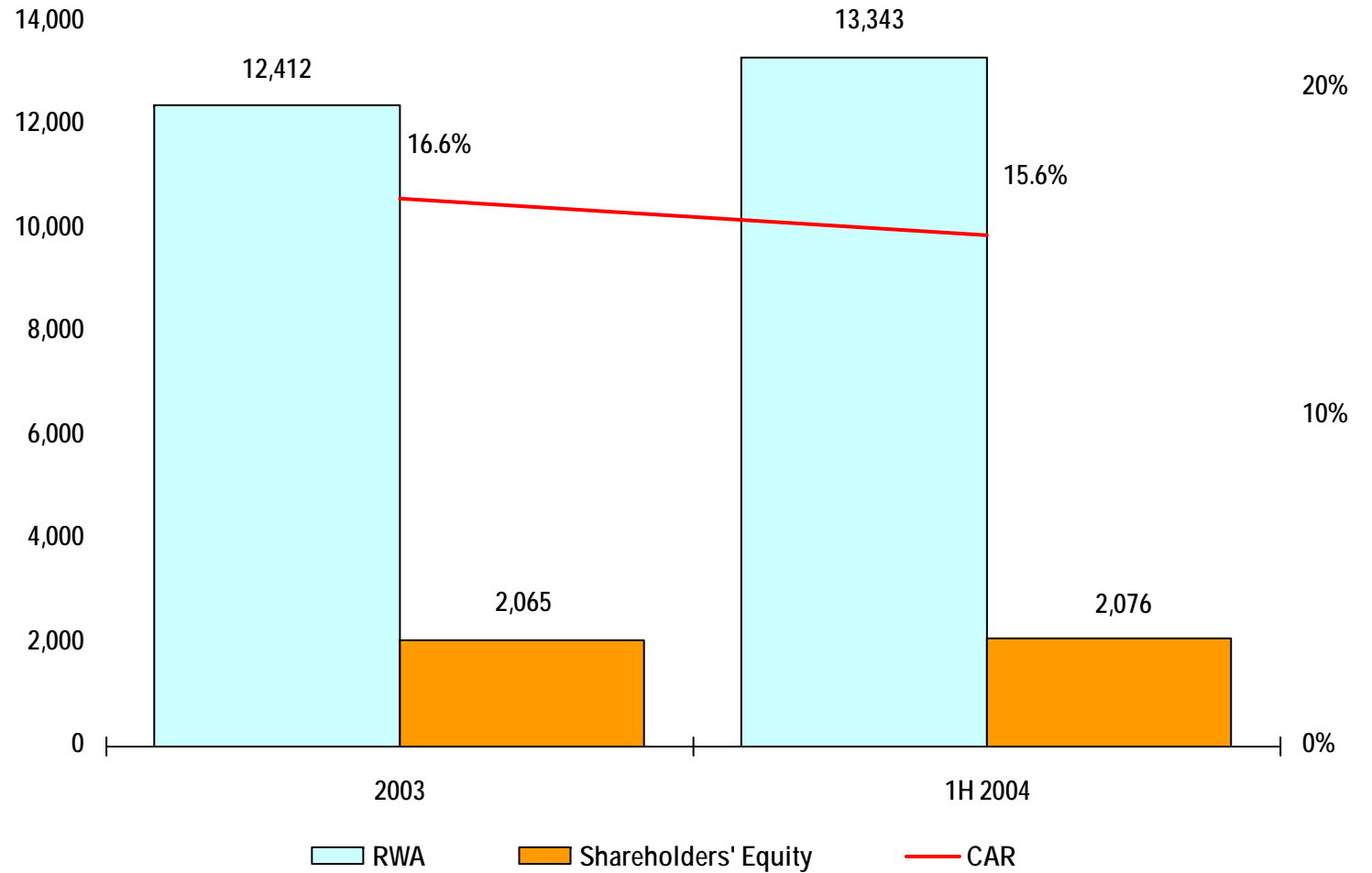
- Ratio of adjusted banking income to IEAs reached 8.2%, as compared to 6.7% a year ago



Further strengthening in capital adequacy

– Garanti’s capital adequacy ratio stood at 15.6% as of 1H 2004

RWA vs CAR
%, TL Billion





Garanti

For further information please contact investorrelations@garanti.com.tr