



**September 30, 2004**

**BRSA Earnings Presentation**

**November 11, 2004**

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## 3Q 2004 Performance Review

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## Superior Financial Performance

### Selected Financials

BRSA, TL Billion

Garanti's superior financial performance continued during the third quarter.

Since year-end 2003 in US\$ terms:

- Total assets increased by 11.4%, reaching US\$17,661 million
- Total loans increased by 44.3%, reaching US\$6,860 million
- Total deposits increased by 9.8%, reaching US\$11,200 million
- Cost / Income declined from 73.2% in 3Q 2003 to 60.8% in 3Q 2004
- ROAE reached 16.74% as of 3Q 2004

	September 30, 2003	September 30, 2004	Y-on-Y % Change
<b>Total Revenues<sup>1</sup></b>	<b>1,020,148</b>	<b>1,435,705</b>	<b>40.7</b>
<b>Operating Income<sup>2</sup></b>	<b>329,009</b>	<b>683,637</b>	<b>107.8</b>
<b>Net Income</b>	<b>258,287</b>	<b>350,813</b>	<b>35.8</b>
<b>ROAE</b>	<b>15.13%</b>	<b>16.74%</b>	<b>1.61 pps</b>
<b>ROAA</b>	<b>1.48%</b>	<b>1.84%</b>	<b>0.36 pps</b>
<b>Cost / Income<sup>3</sup></b>	<b>73.2%</b>	<b>60.8%</b>	<b>(12.4 pps)</b>
	December 31, 2003	September 30, 2004	YTD % Change
<b>Total Assets</b>	<b>24,477,304</b>	<b>26,359,226</b>	<b>7.7</b>
<b>Total Loans</b>	<b>7,337,833</b>	<b>10,239,080</b>	<b>39.5</b>
<b>Customer Funds<sup>4</sup></b>	<b>31,439,212</b>	<b>33,060,633</b>	<b>5.2</b>
<b>Shareholders' Equity</b>	<b>2,679,064</b>	<b>2,910,185</b>	<b>8.6</b>
<b>CAR</b>	<b>16.63%</b>	<b>16.23%</b>	<b>(0.4 pps)</b>

<sup>1</sup> Total Revenues : NIM adjusted by FX gain/(loss) + monetary gain (loss) + Net non-interest income

<sup>2</sup> Operating Income : Total revenues – Operating expense

<sup>3</sup> Including amortization

<sup>4</sup> Excluding bank deposits

## Focus on Sustainable Sources of Revenues

### Income Statement

TL Billion

- NII adjusted by FX and monetary items increased by eightfold
- Net fees and commissions income was 26.9% above 3Q 2003
- Despite the expansion of branch network by 27 new branches and 729 new hirings, the increase in opex was limited to 8.8%
- The Bank increased its net income by 35.8%, reaching TL350,813 billion (US\$235 million)

	September 30, 2003	September 30, 2004	Y-on-Y % Change
Net Interest Income Adj. by FX & Monetary Gain/Loss	96,990	873,488	800.6%
Net Fees & Commissions Income	299,221	379,583	26.9%
Net Trading Income	503,243	90,677	(82.0%)
Other Non-Interest Income	120,694	91,957	(23.8%)
<b><u>Total Revenues</u></b>	<b><u>1,020,148</u></b>	<b><u>1,435,705</u></b>	<b><u>40.7%</u></b>
Operating Expenses	691,139	752,066	8.8%
<b><u>Operating Income</u></b>	<b><u>329,009</u></b>	<b><u>683,637</u></b>	<b><u>107.8%</u></b>
Provisions	<u>76,347</u>	<u>198,226</u>	<u>159.6%</u>
Ordinary Income	-	-	%
Taxes	(5,625)	134,600	n.m.
<b><u>Net Income</u></b>	<b><u>258,287</u></b>	<b><u>350,813</u></b>	<b><u>35.8%</u></b>

## Summary

### Balance Sheet Highlights

- Total assets were up by 7.7% in real terms as compared to YE 2003
- TL loans rose by 62.4% in real terms and FC loans increased by 30.7% in US\$ terms over YE 2003
- Share of performing loans in total assets increased from 30% in YE 2003 to 38.8% in 3Q 2004; while the share of securities portfolio continued to decline, reaching 34.2%
- Share of retail in total loan book composed 35.1% of total cash loans in 3Q 2004
- TL deposits increased by 8.5% in real terms and FC deposits were up by 8.2% in US\$ terms over YE 2003
- Shareholders' equity increased by 8.6% in real terms, reaching US\$1.95 billion

### P/L Highlights

- Net banking income increased by 47% in real terms as compared to 3Q 2003
- Net fees and commissions income was up by 26.9% as compared to a year ago, and up by 13.5% over the previous quarter
- The increase in operating expenses was limited to 8.8% over 3Q 2003
- Net earnings were up by 35.8% in real terms
- Cost/Income ratio was 60.8%
- Net fees and commissions covered 50.5% of operating expenses in 3Q 2004, compared to 43.3% in 3Q 2003
- ROAA and ROAE reached 1.84% and 16.74%, respectively. ROAA and ROAE on a quarterly basis were 2.09% and 19.75%, respectively



## 3Q 2004 Performance – B/S

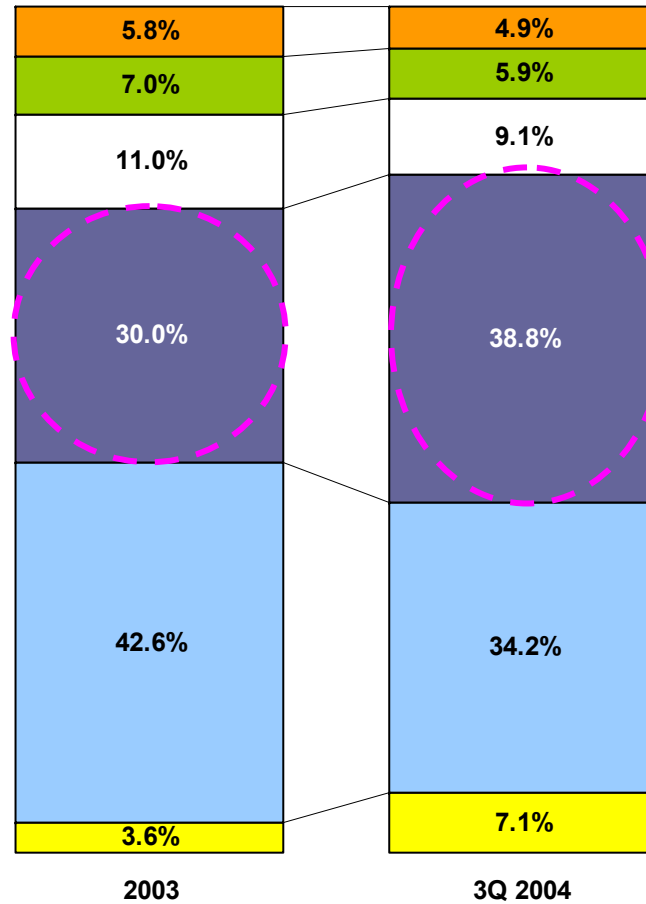
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# Increasing Share of Loans in Assets

...coupled with declining share of securities and non-IEAs

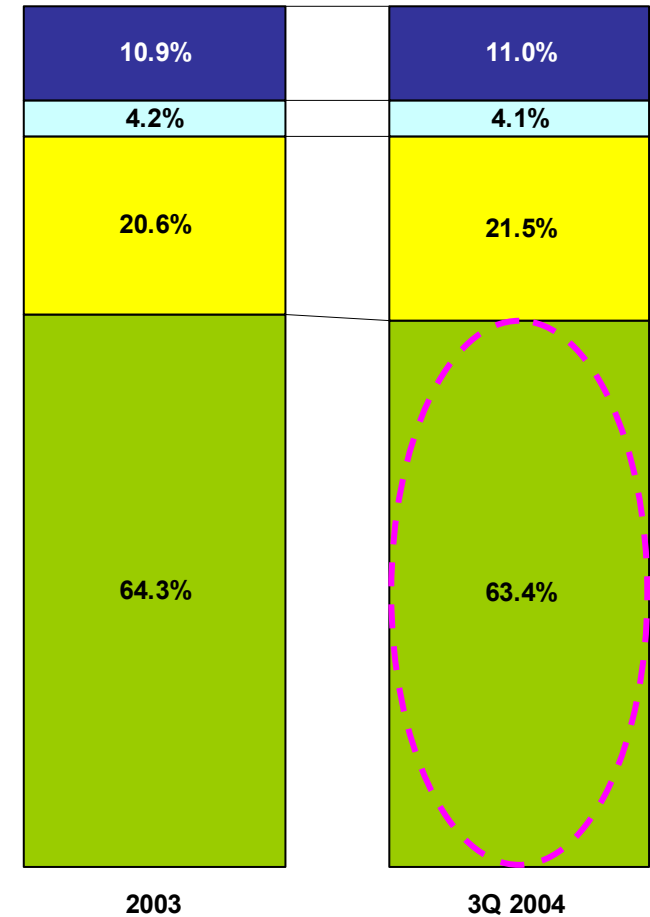
- Garanti's asset size stood at US\$17,661 million in 3Q 2004
- Share of loans in total assets reached 38.8% as of 3Q 2004, as compared to 30% in YE 2003
- Share of securities declined further to 34.2% in 3Q 2004 from 42.6% in YE 2003
- Share of deposits stood at 63.4% (highest among peer group) whereas share of shareholders' equity was 11% by the end of 3Q 2004

**Total Assets**  
%



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

**Total Liabilities and SHE**  
%



■ Deposits    ■ Funds Borrowed & Interbank    ■ Other    ■ SHE



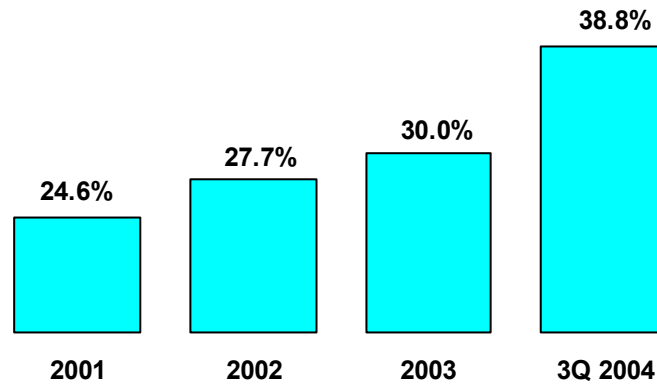
\*Throughout the presentation, loans refer to performing loans only, unless stated as gross loans.

# Focus on Real Banking

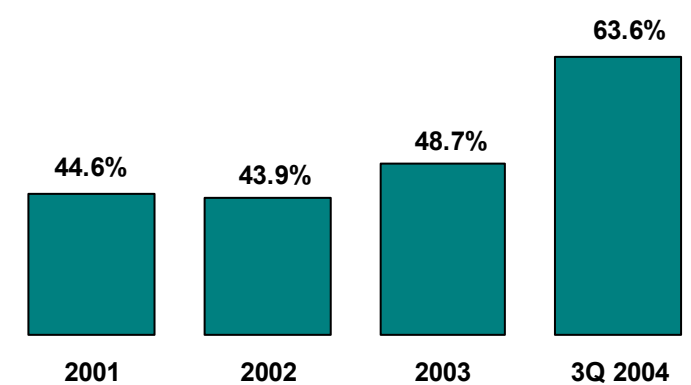
...with the highest loans/deposits ratio among the peer group

- Garanti registered one of the strongest growth rates in the share of loans in B/S, by increasing the share of performing loans over 14 pps since YE 2001
- Garanti has the highest loans to deposits ratio in the peer group with 63.6%

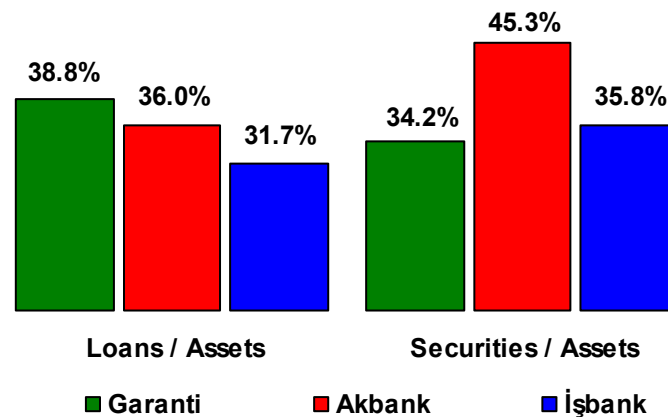
**Loans / Assets**  
%



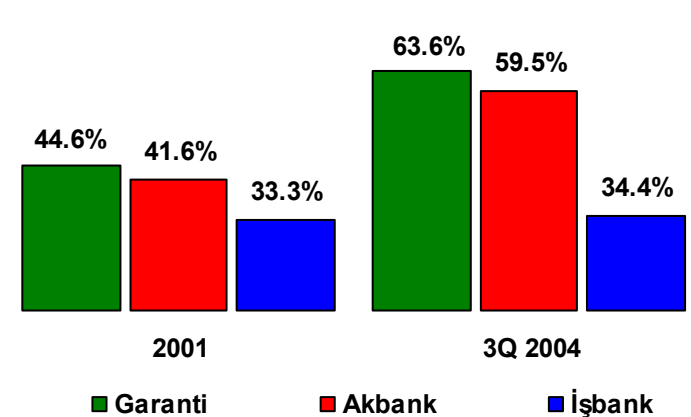
**Gross Loans / Deposits**  
%



**Loans / Assets, Securities / Assets, %**



**Gross Loans / Deposits**  
%





# Selective Expansion in Loan Book towards Retail Banking

...with focus on profitability and loyalty

- Loans to SME segment increased further to 5.6% of cash loans, whereas share of consumer banking rose to 6.3%. Total retail exposure reached 35% of the loan portfolio
- Customer funds to retail segment composed 59.6% of total funds

**Small Biz**

Annual turnover  
US\$ 50,000 - US\$ 1m

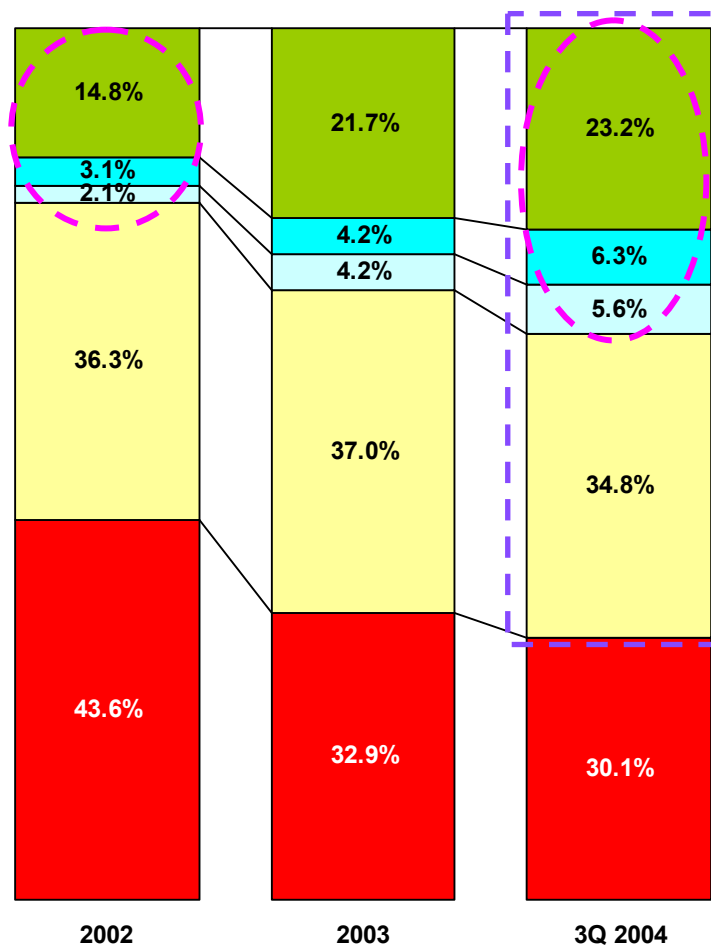
**Commercial**

Annual turnover  
US\$ 1m - US\$ 50m

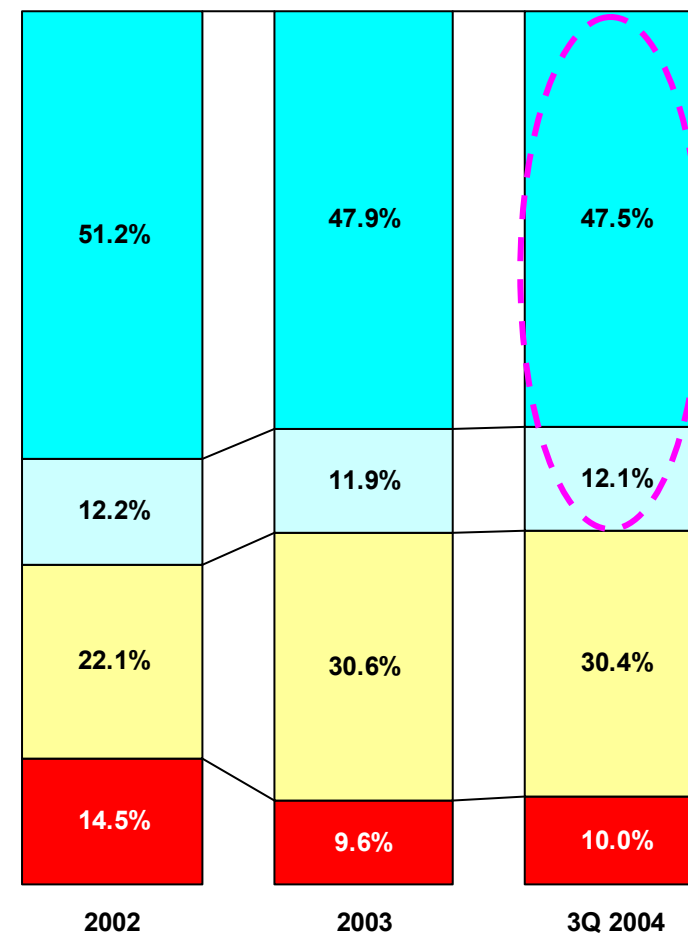
**Corporate**

Annual turnover  
Over US\$ 50m

**Breakdown of Loan Portfolio as to LOB**  
%



**Breakdown of Customer Funds by LOB \***  
%



■ Corporate ■ Commercial □ SME ■ Consumer ■ Credit Cards

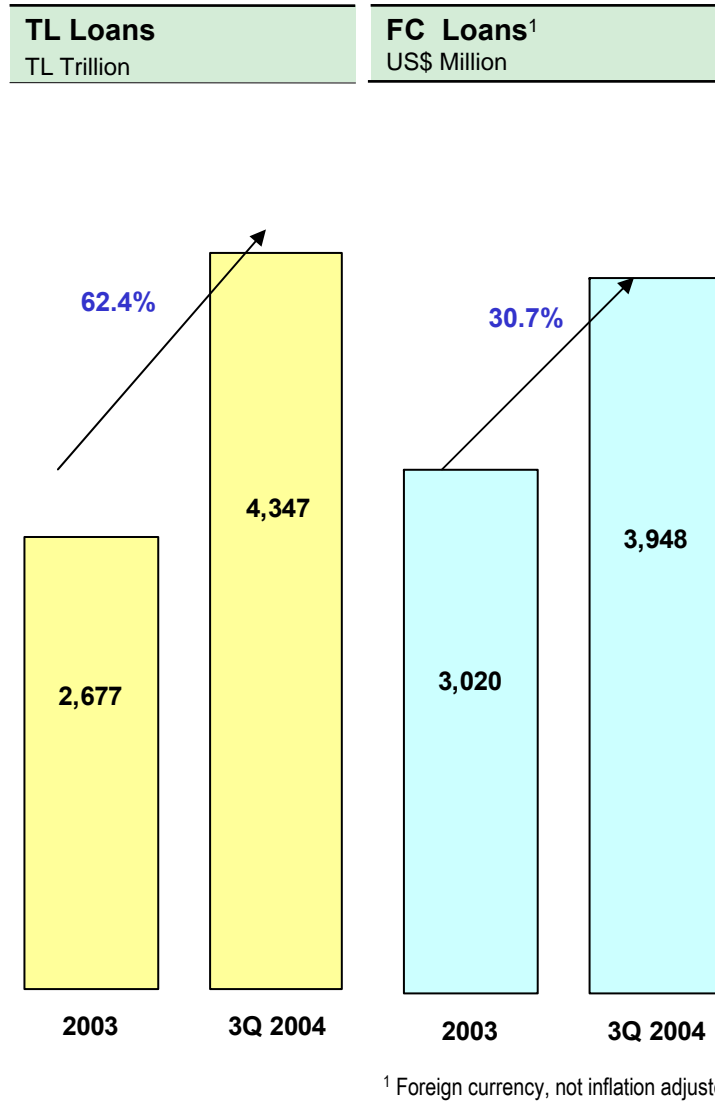
■ Corporate ■ Commercial □ SME ■ Consumer

\* Excluding bank deposits

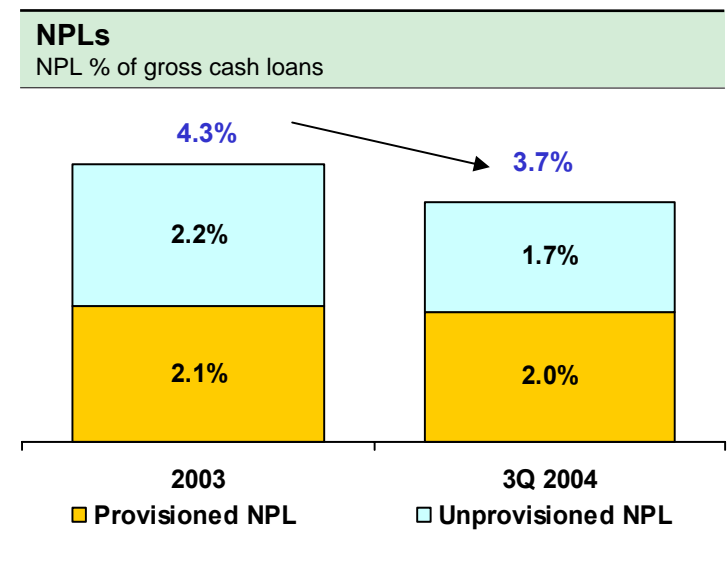
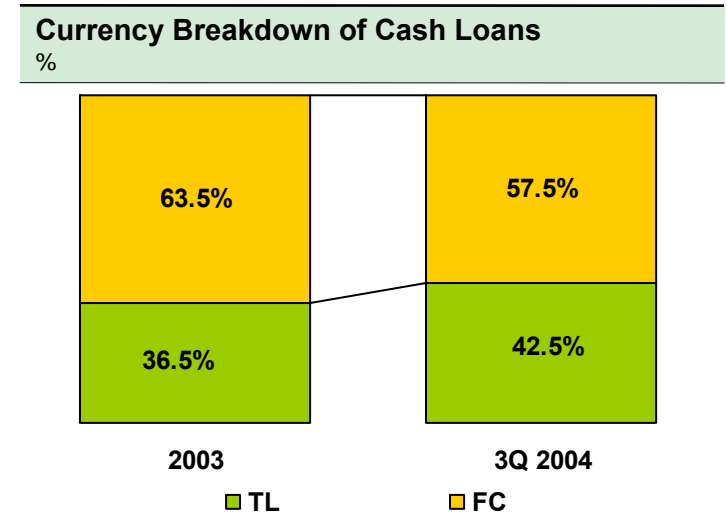
# High Growth Rate in Lucrative Lending

...registering the highest increase in TL & FC loans among the peer group

- Total loans were up by 39.5% in real terms during the first three quarters of 2004
- Increase in TL and FC loans were 62.4% (in real terms) and 30.7% (in US\$ terms), respectively since YE 2003
- During the third quarter, TL loans went up by 10.5% in real terms whereas FC loans rose by 6.8% in US\$ terms over the previous quarter
- Share of TL loans was up by 0.6 pps over 1H 2004, reaching 42.5% of cash loans



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



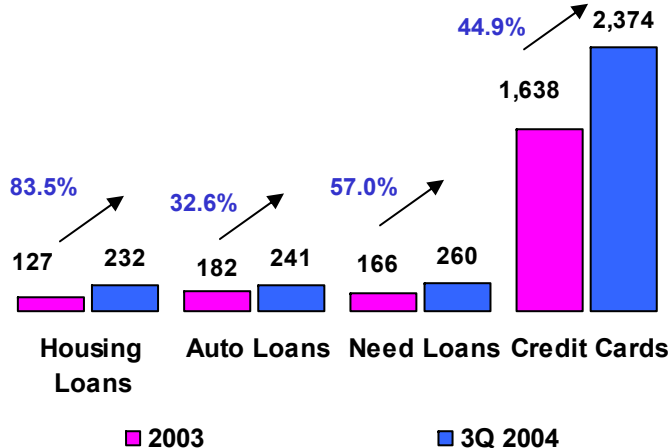
# TL Loan Growth Driven by High Margin Products

...with the most profitable consumer loan portfolio among the peer group

- Credit cards, which were up by 44.9% over YE 2003, composed 76.4% of total consumer loans
- Share of auto loans, which has a lower yield compared to other consumer loans, decreased to 7.7%
- Of the total loan book, credit cards composed 23.2% and other consumer loans made up 6.3% by the end of 3Q 2004

### Consumer Loans

TL Trillion



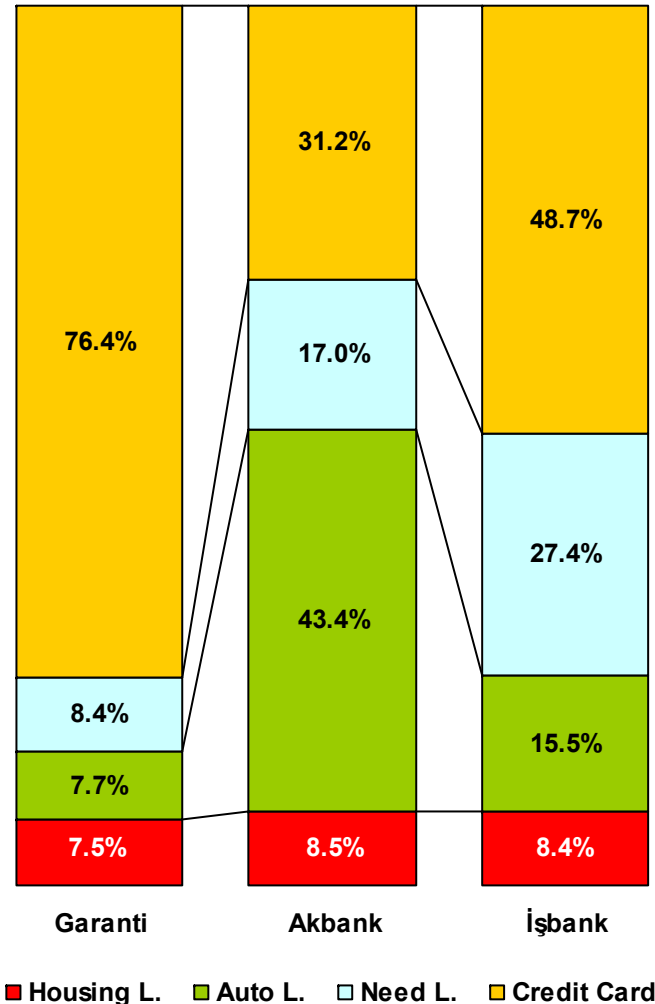
### Yields Comparison in TL Loans

%

	September 2004	
	Yields	% in Consumer Loans
Credit Cards	56.6%	76.4%
Need Loans	35.7%	8.4%
Housing Loans	32.4%	7.5%
Auto Loans	30.7%	7.7%

### Breakdown of Consumer Loans

%

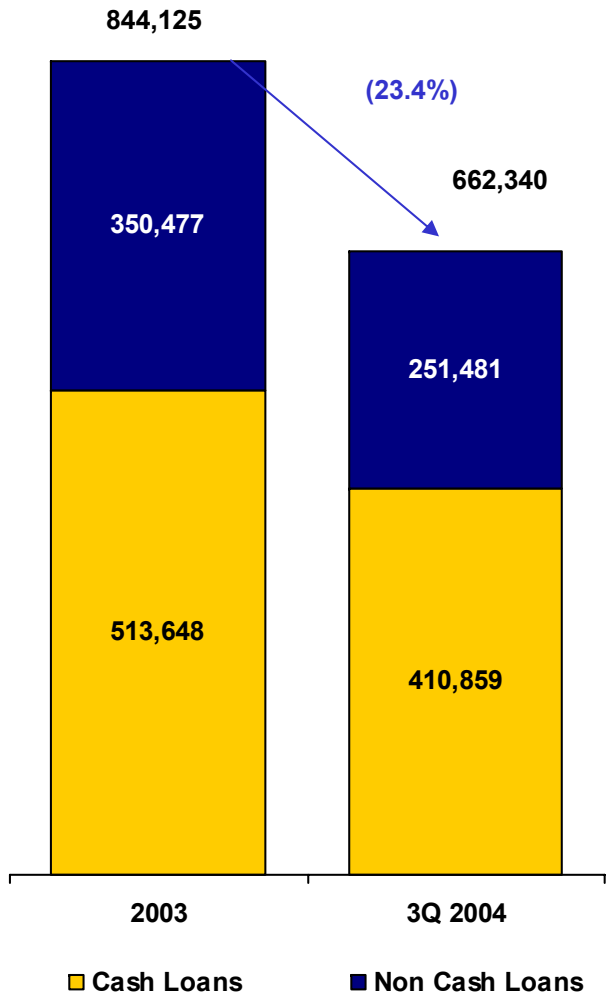


# Declining Group Exposure

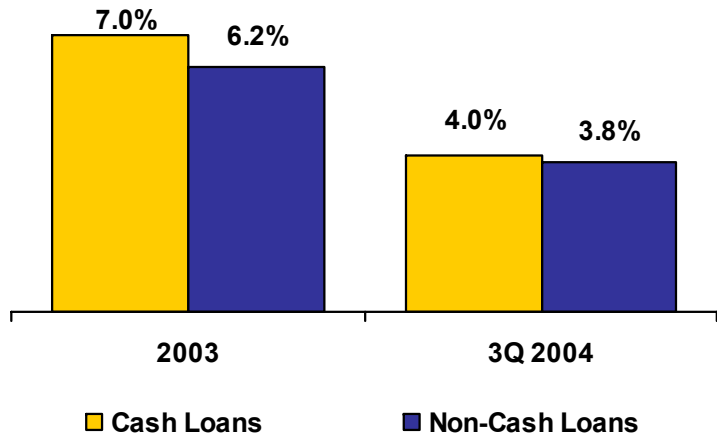
...achieving the lowest group loans to total loans ratio among the peer group

- Group exposure was down by 23.4% in real terms and comprised 3.8% of total cash and non-cash loans by the end of 3Q 2004 (lowest ratio among the peer group), in comparison to 6.5% in YE 2003

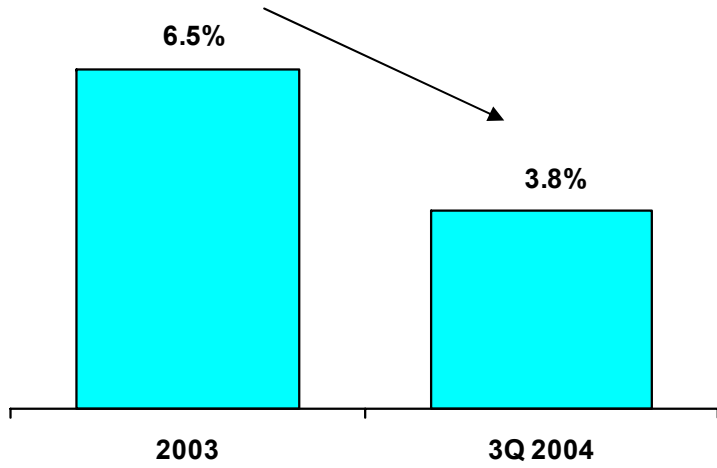
**Loans to Risk Groups**  
TL Billion



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



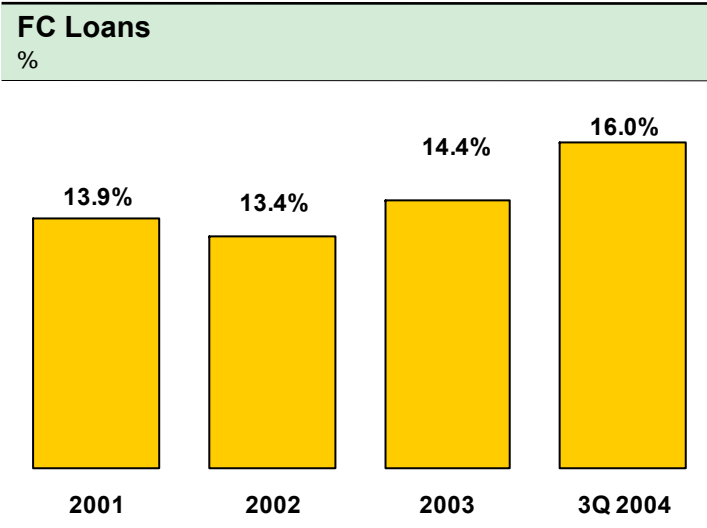
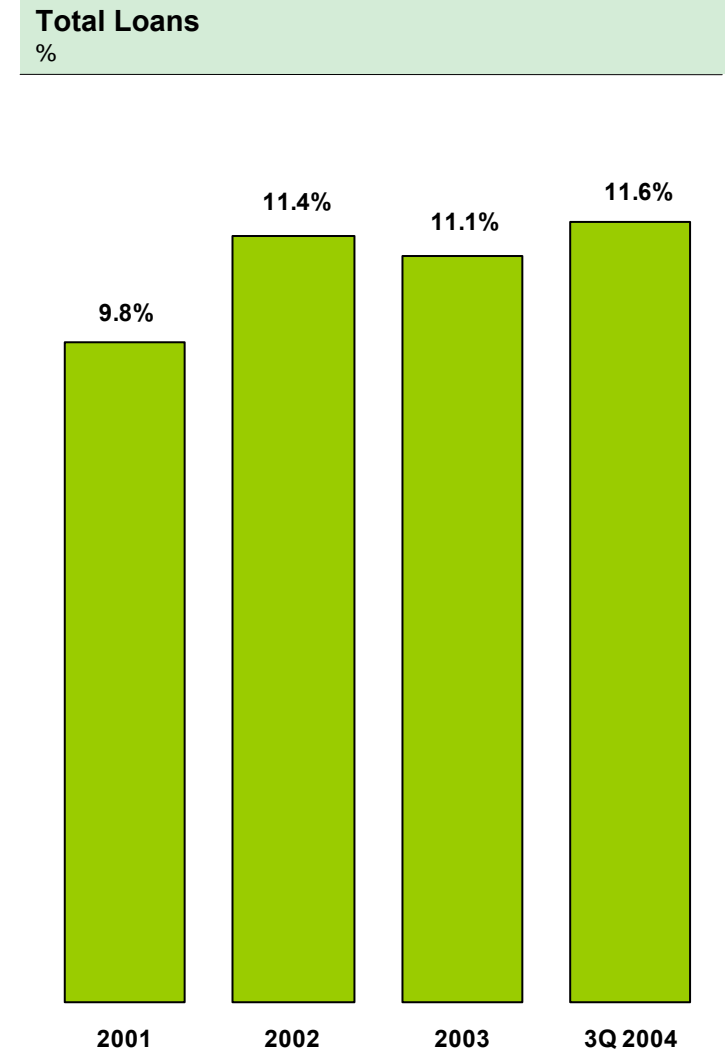
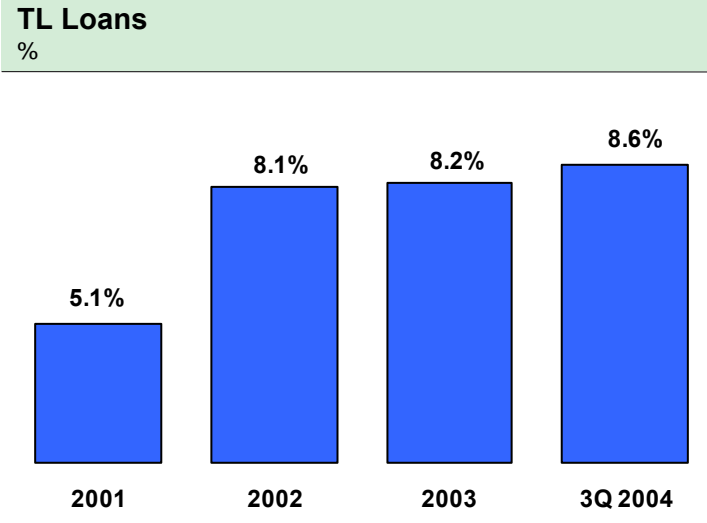
**Loans to Risk Groups / Total Cash & Non-Cash Loans, %**



# Increasing Market Shares in Loans

...with the highest market share in FC loans in the sector

- Garanti continued to increase its market share both in TL loans and FC loans, which translated into an overall market share of 11.6% in total loans

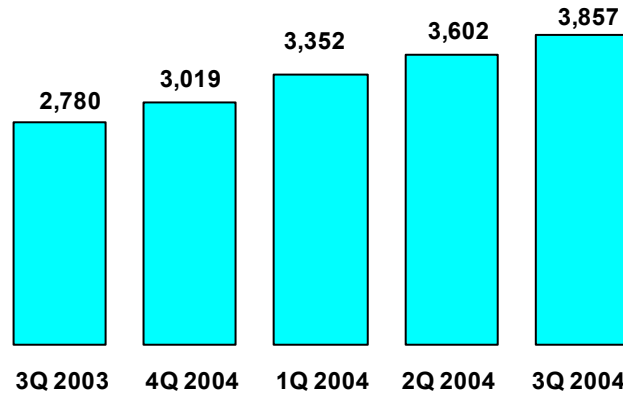


# Playing for Leadership in Credit Cards

- Due to two overwhelming quarters, number of credit cards already exceeded the year-end target of 3.6 million, although approval rates stood at 50%

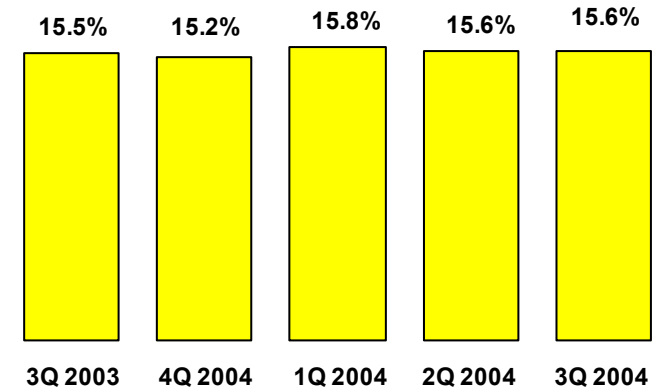
**Number of Credit Cards**

Thousands



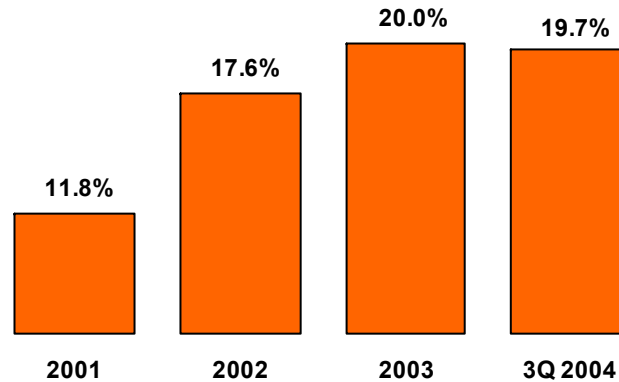
**Market Share in Number of Credit Cards**

%



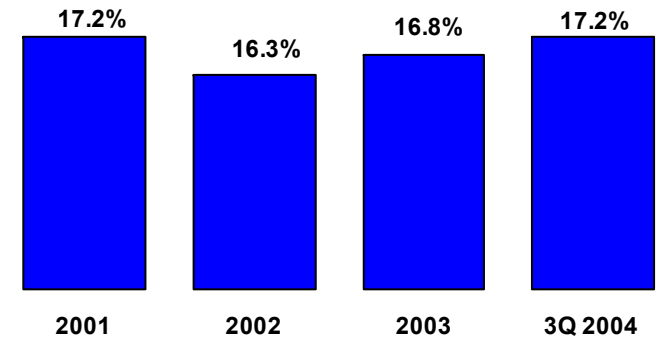
**Issuing Volume Market Share,**

Shopping, %



**Acquiring Volume Market Share**

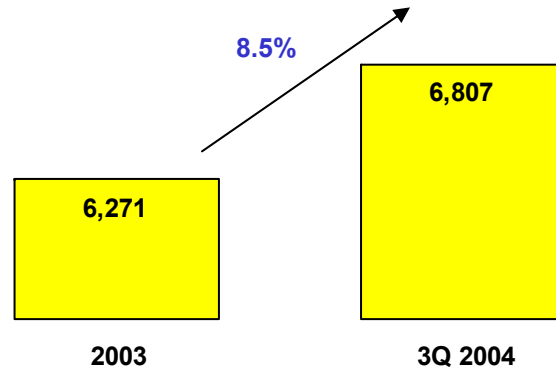
Shopping, %



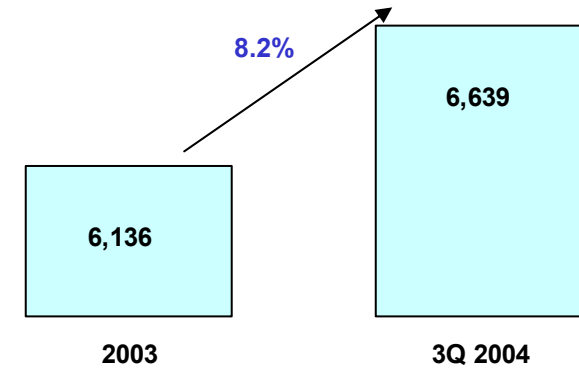
# Constant Increase in Customer Funds

- Since YE 2003, total deposits increased by 6.2% in real terms, whereas TL and FC deposits were up by 8.5% (in real terms) and 8.2% (in US\$ terms), respectively
- FC deposits increased by 6.9% in US\$ terms over the previous quarter
- Increase in total customer funds reached 5.2% in real terms

**TL Deposits**  
TL Trillion

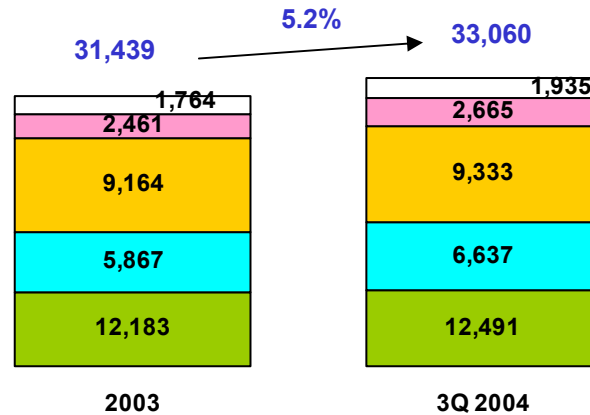


**FC Deposits<sup>1</sup>**  
US\$ Million



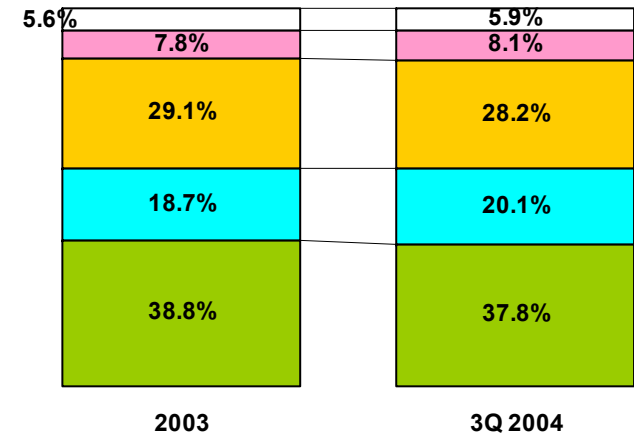
<sup>1</sup> Foreign currency, not inflation adjusted

**Total Customer Funds**  
TL Trillion



■ T-Bills Under Custody  
■ FC Deposits\*  
■ TL Deposits\*  
■ AUM  
 Repo

**Composition of Total Customer Funds**  
%



■ T-Bills Under Custody  
■ FC Deposits\*  
■ TL Deposits\*  
■ AUM  
 Repo

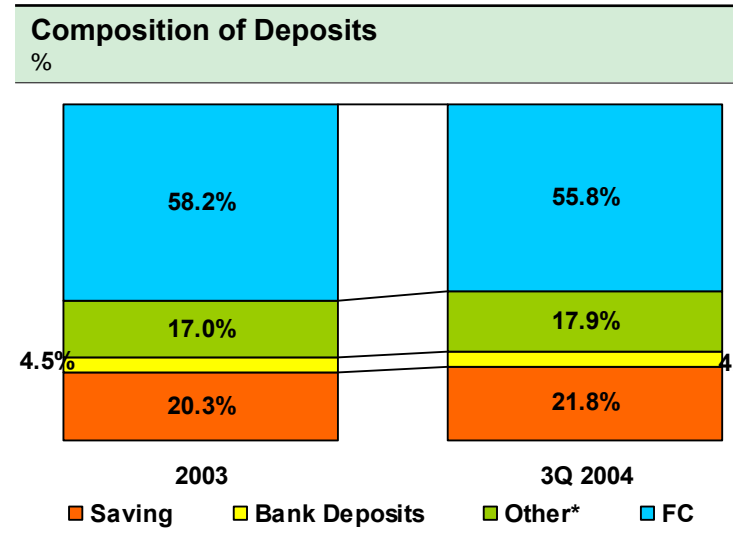
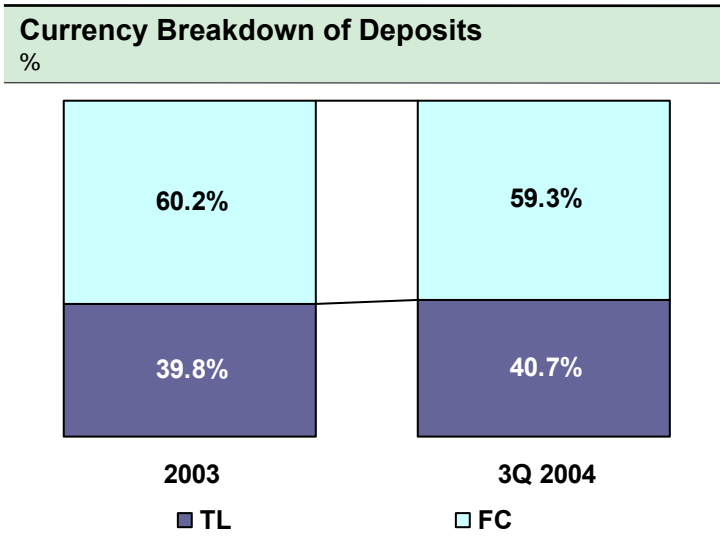
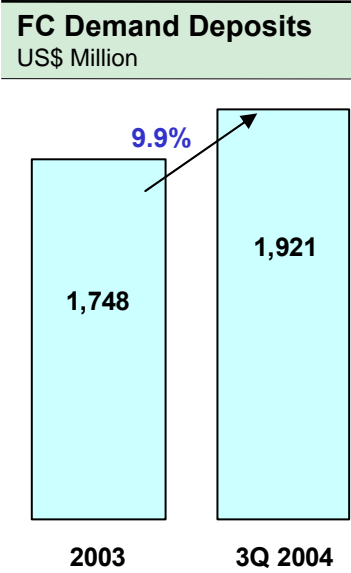
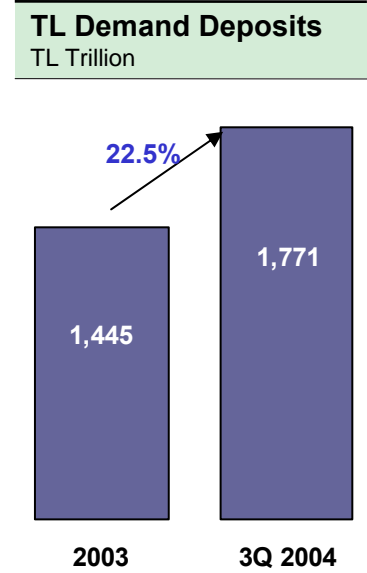
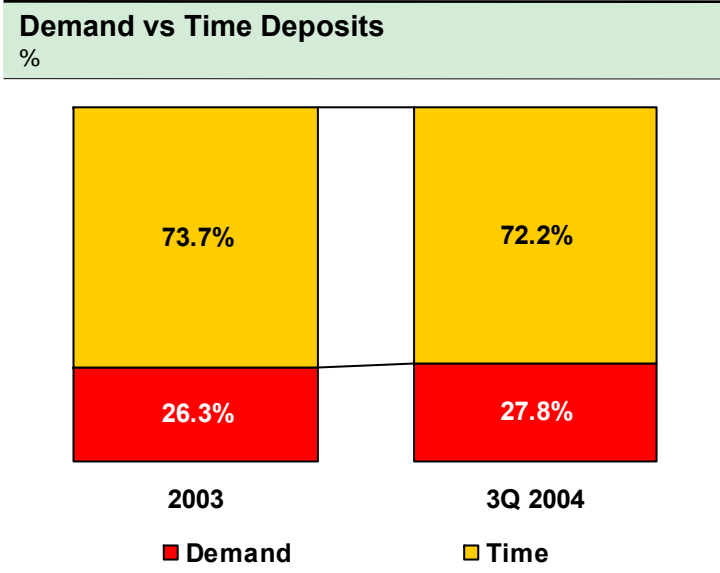
\*Excluding bank deposits



# Continuous Increase in Demand Deposits

...resulting in the highest share of demand deposits in total deposits in the sector

- No-cost demand deposits composed 27.8% of total deposits, 0.2 pps over the previous quarter, reaching the highest ratio in the sector
- YTD increase in demand deposits reached 11.9% in real terms
- Share of TL deposits stood at 40.7% of total deposits as of 3Q 2004



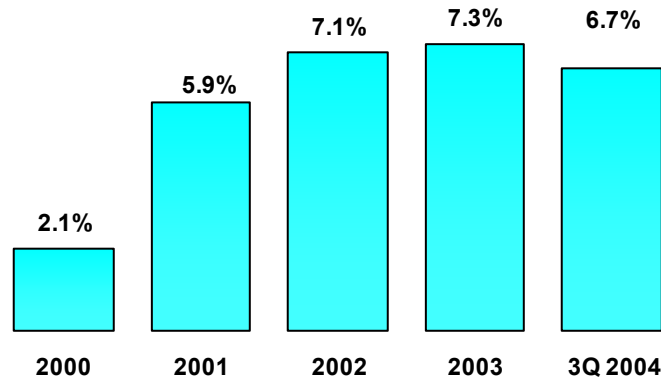
\* Other deposits include commercial deposits, deposits of official authorities & organizations and deposits of other organizations



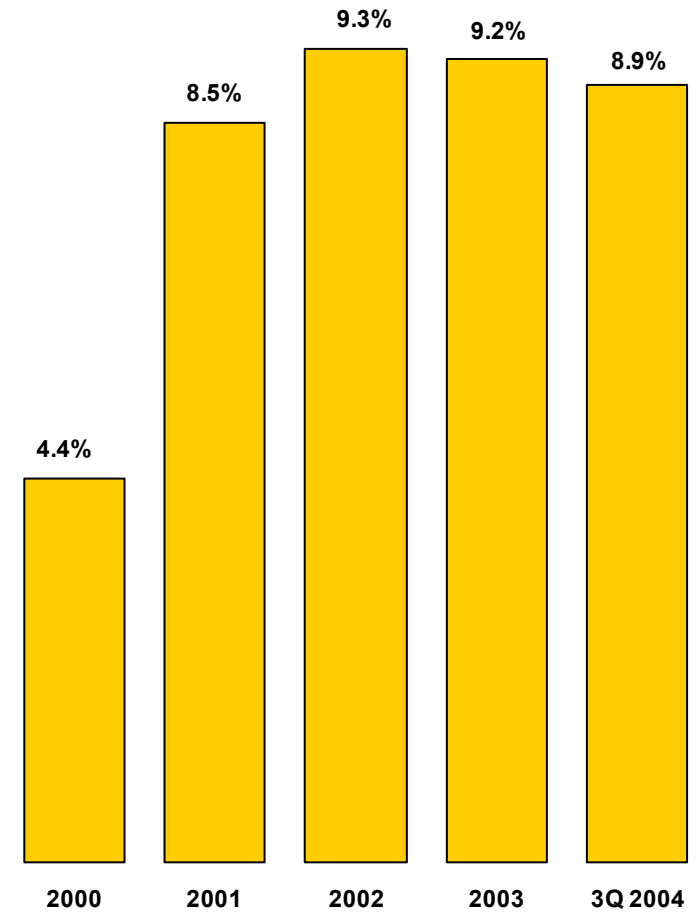
# Strong Market Shares in TL and FC Deposits

– Garanti’s market share stood at 6.7% in TL deposits and 11.3% in FC deposits

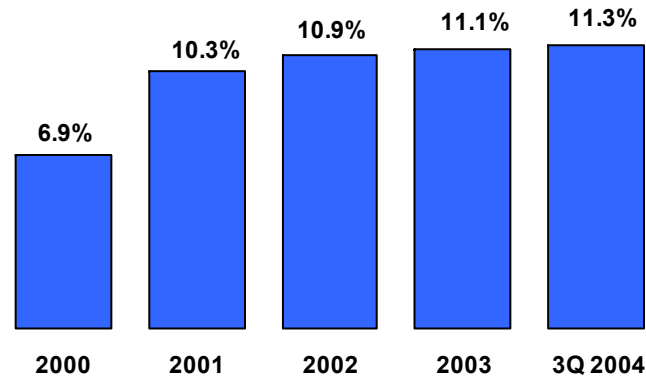
**TL Deposits**  
%



**Total Deposits**  
%

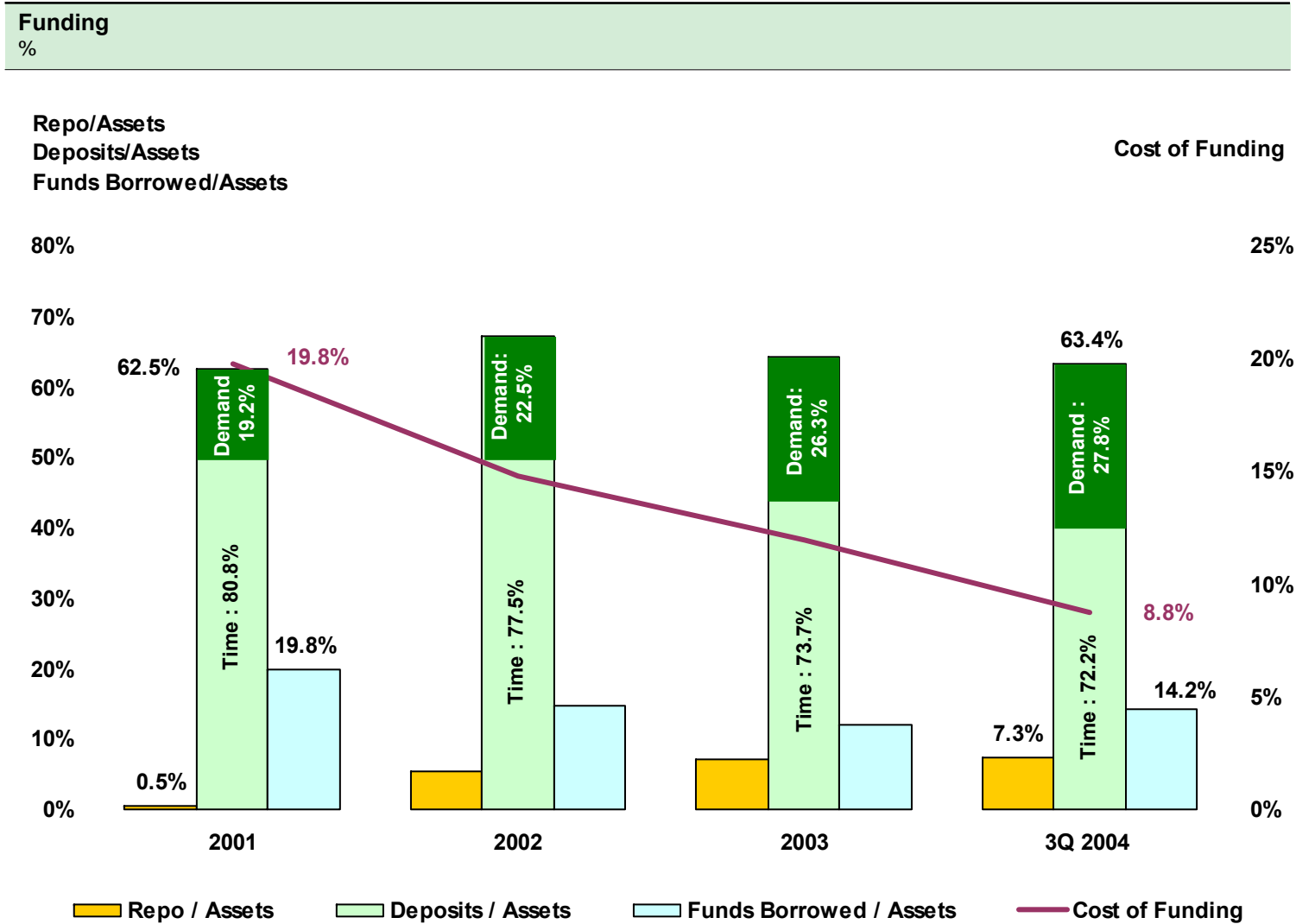


**FC Deposits**  
%



# Improving Cost of Funding and Interest Margins

- Cost of funding consistently declined with increasing share of demand deposits and improving terms of borrowing



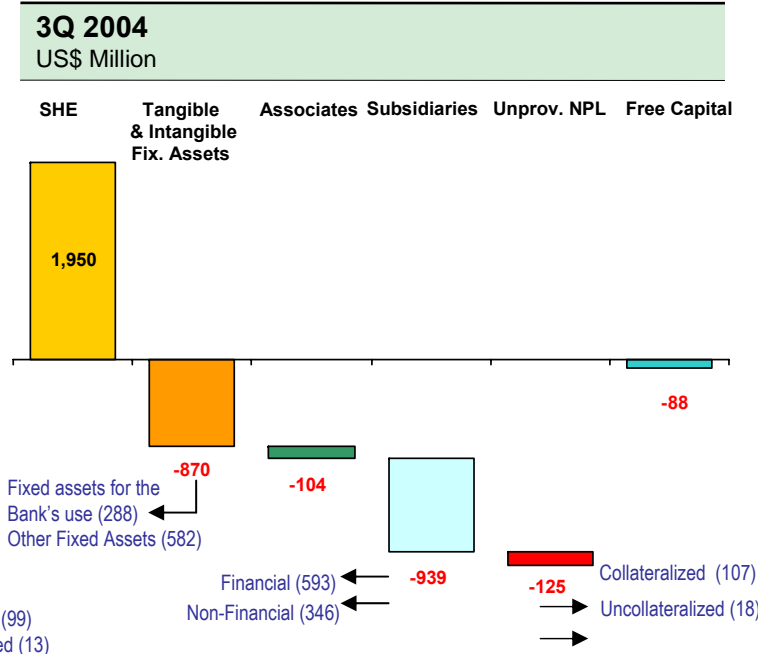
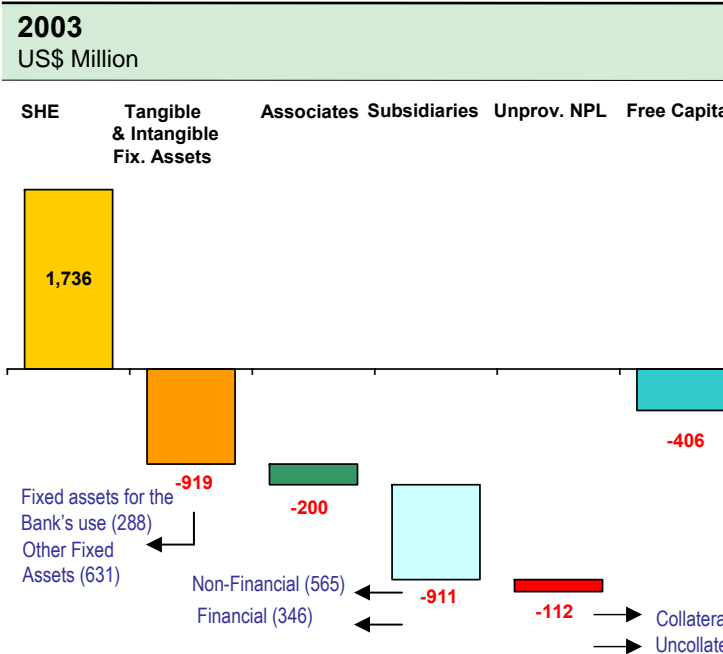
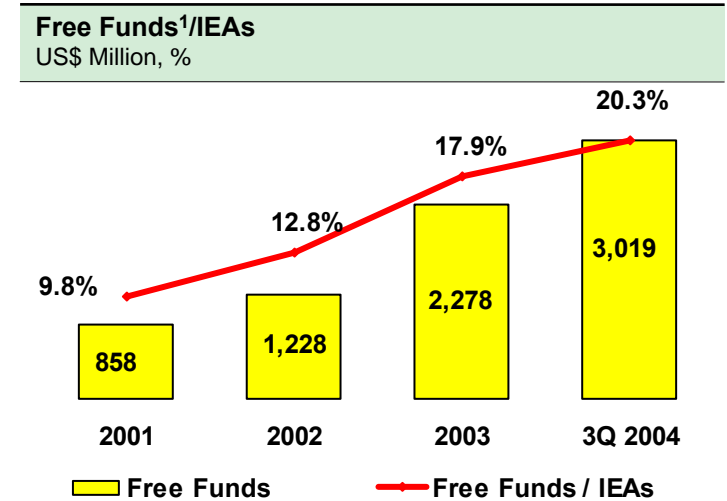
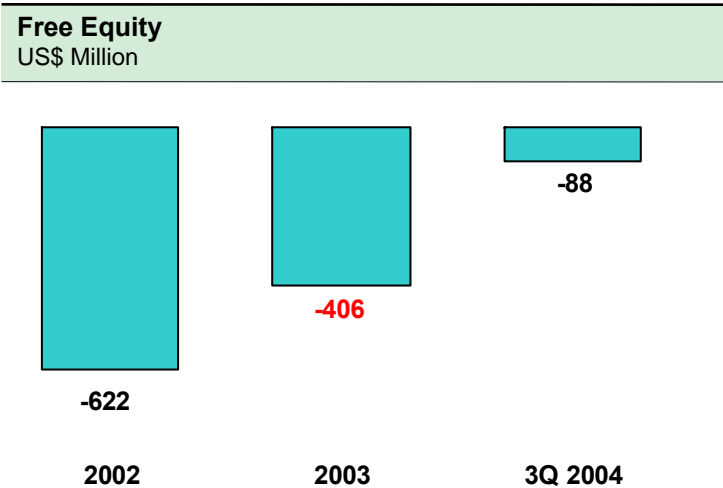
\*NIM adjusted by loan loss provisions, monetary gain/loss, FX gain/loss

# Significant Improvement in Free Equity

...with a positive free equity expectation by year-end 2004

-Free equity significantly improved to a negative US\$88 million in 3Q 2004, from a negative US\$406 million in YE 2003

-Free funds to IEA ratio improved significantly from 9.8% in year 2001 to 20.3% in 3Q 2004

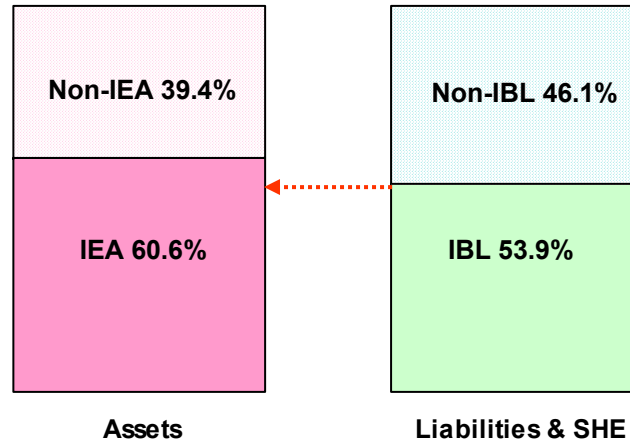


# Increasing Share of IEAs in TL B/S

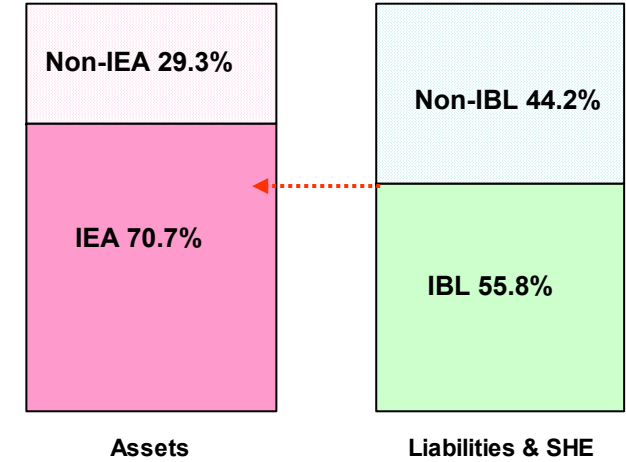
...which translates into higher margins

- On the TL side, non-IEA decreased due to the disposal of DOAŞ shares, fixed asset sales and lower DTAs. Accordingly, share of IEAs increased from 60.6% to 70.7%
- On the FC side, higher FC demand deposits resulted in a higher share of non IBL/Total liabilities and SHE
- The gap between TL IEA and TL IBL as a percentage of TL assets increased to 15.7% in 3Q 2004 from only 4% in YE 2003

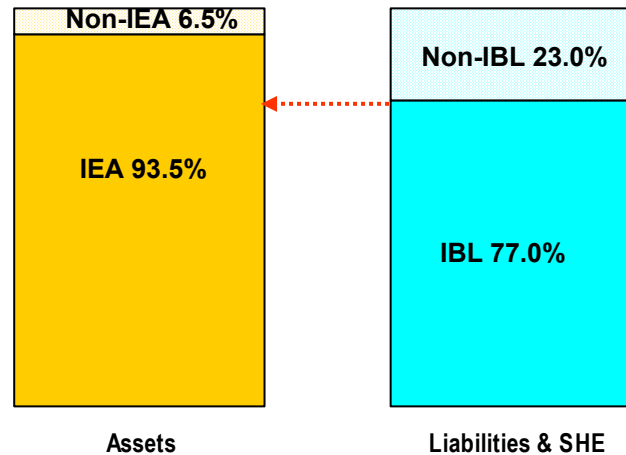
TL Balance Sheet, 2003  
%



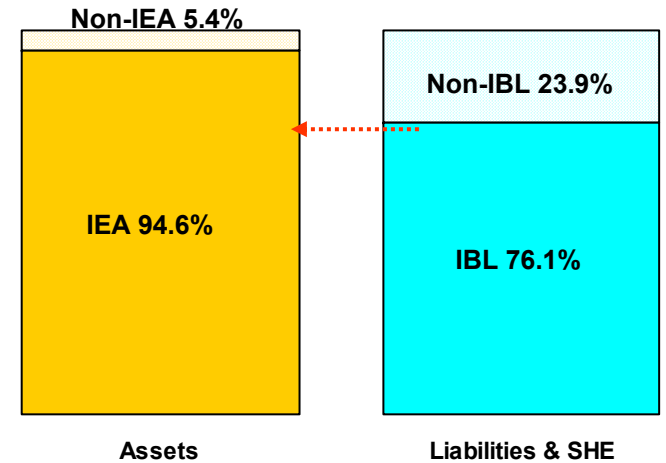
TL Balance Sheet, 3Q 2004  
%



FC Balance Sheet, 2003  
%



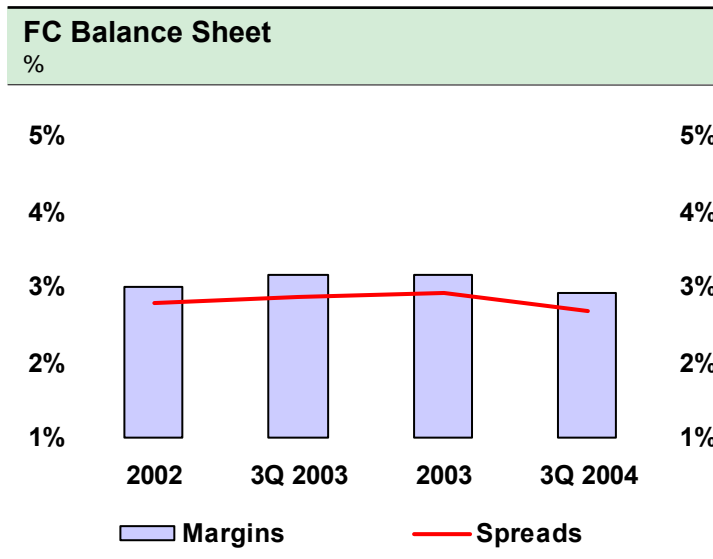
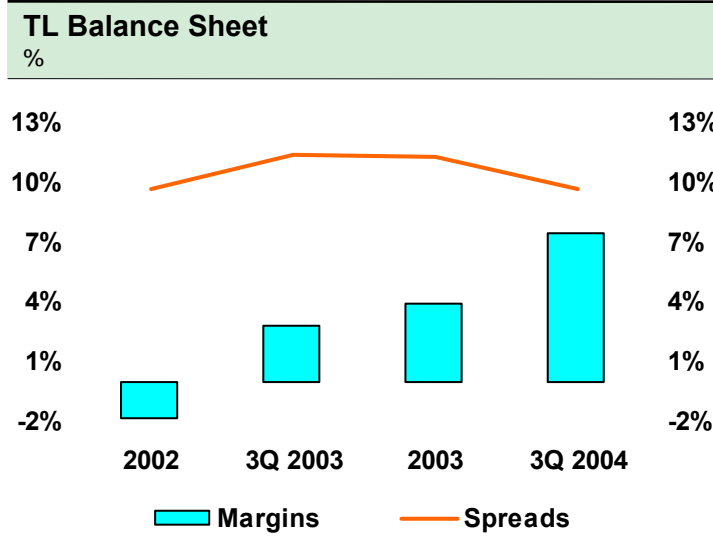
FC Balance Sheet, 3Q 2004  
%



# Increasing TL Margins regardless of Declining Spreads

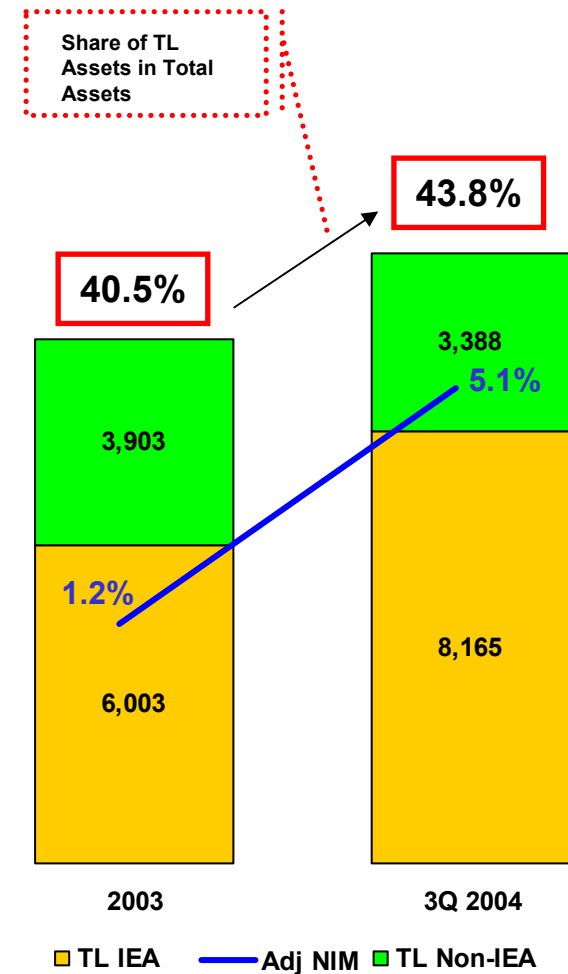
...coupled with a shift towards TL assets

- In 3Q 2004, TL margins increased to 7.5%, 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 3Q 2004
- Share of TL assets increased in line with the improvement in TL margins, reaching 43.8% of total assets
- Increasing TL margins, coupled with the increase in TL assets in total assets and the increase in the share of IEAs in TL assets, improved ROAA by 0.49 pps since YE 2003



### IEA vs Non-IEA in TL Assets vs Adj NIM

TL Trillion, %





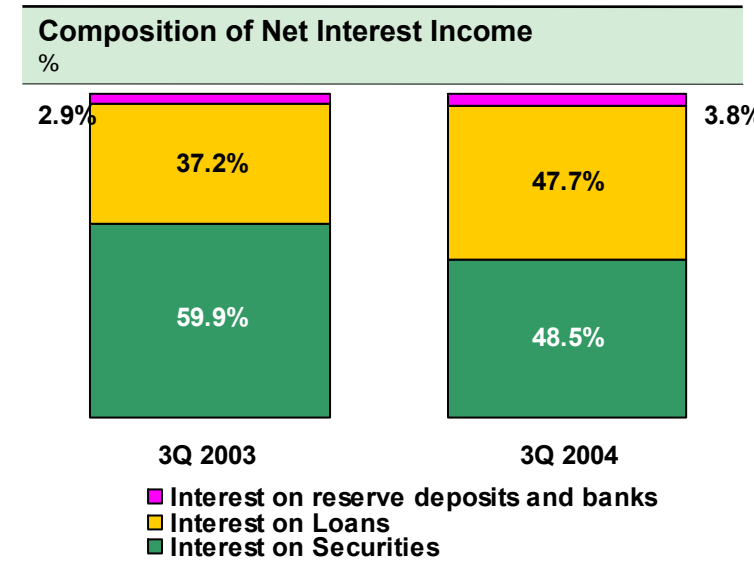
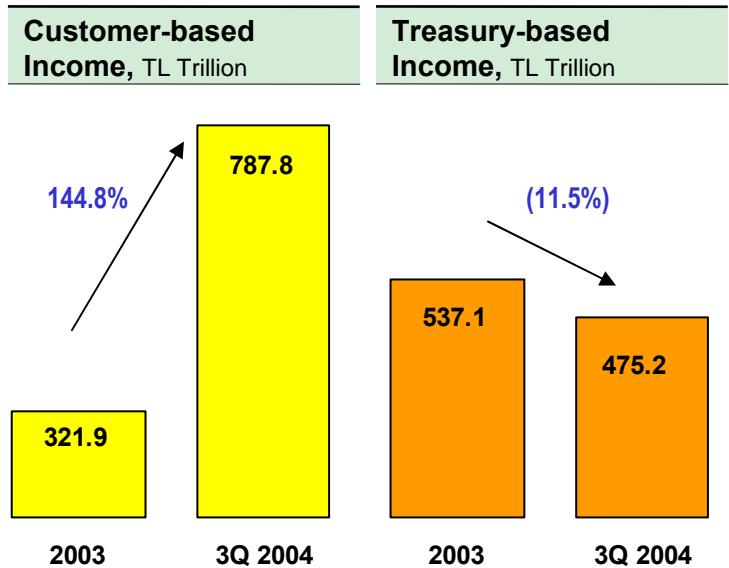
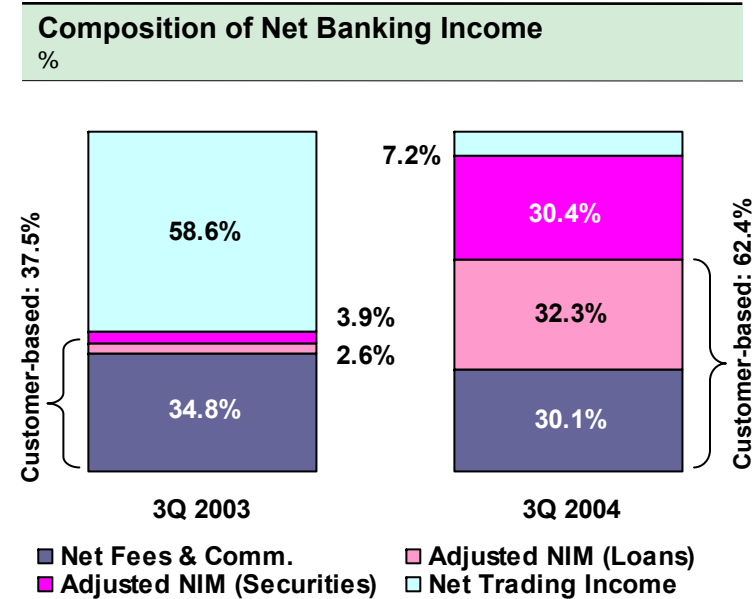
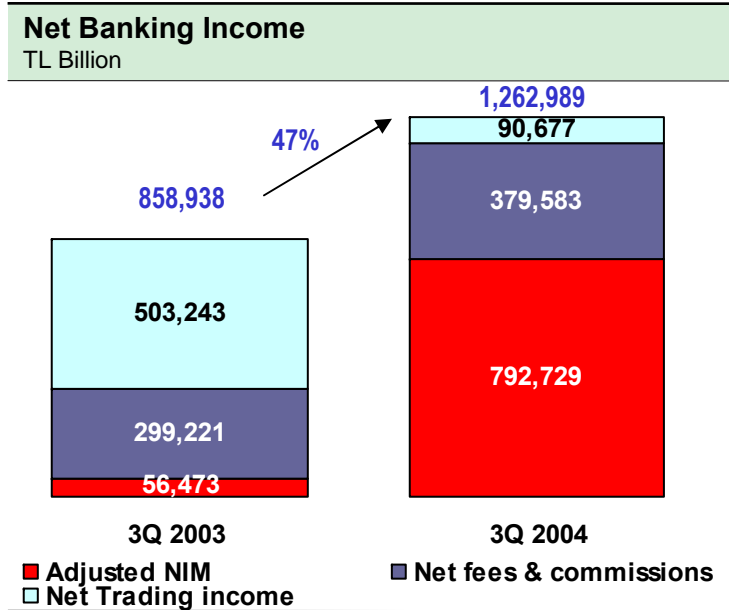
## 3Q 2004 Performance – P/L

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# Continuous Improvement in Net Banking Income

...with 47% increase in net banking income

- Net banking income increased by 47% year-on-year, reaching TL1,262,989 billion

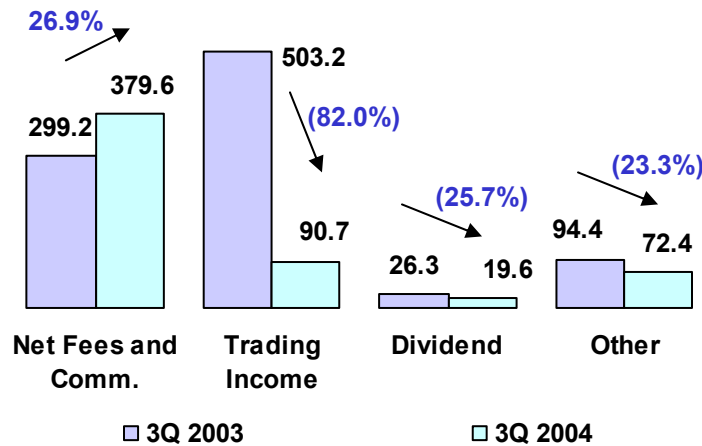


# Impressive Performance in Sustainable Revenues

- Excluding the trading income, non-interest income was up by 12.3%
- A significant portion of the decline in trading income was stemmed from the reclassification of accrued interest to interest income as of 1Q 2004 due to changes in BRSA regulations. If there was no such reclassification, the decline in trading income would be limited to 11%
- Share of net fees and commissions in total non-interest income doubled to 67.5% in 3Q 2004, as compared to 3Q 2003

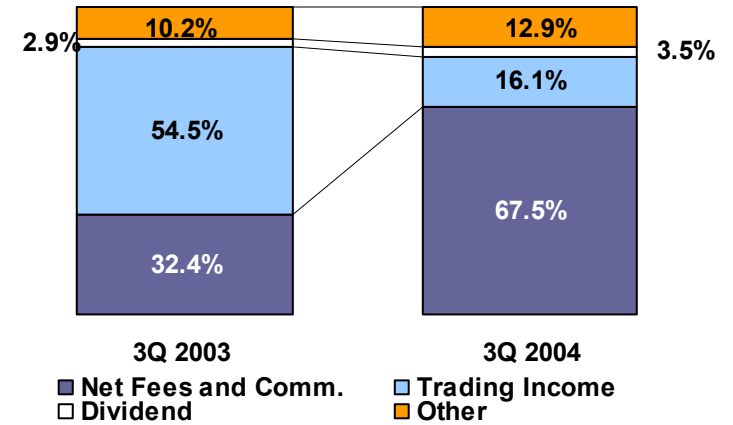
## Non-Interest Income

TL Trillion



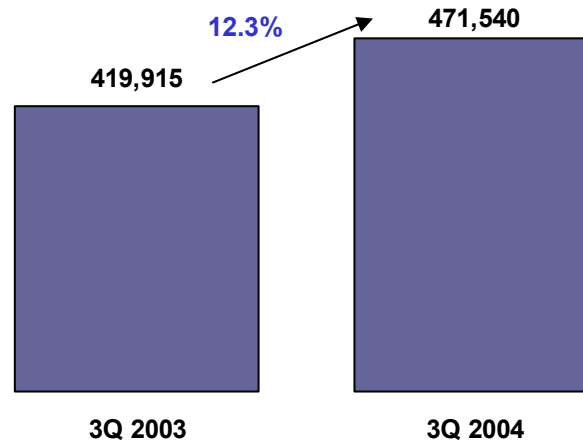
## Composition of Non-Interest Income

%

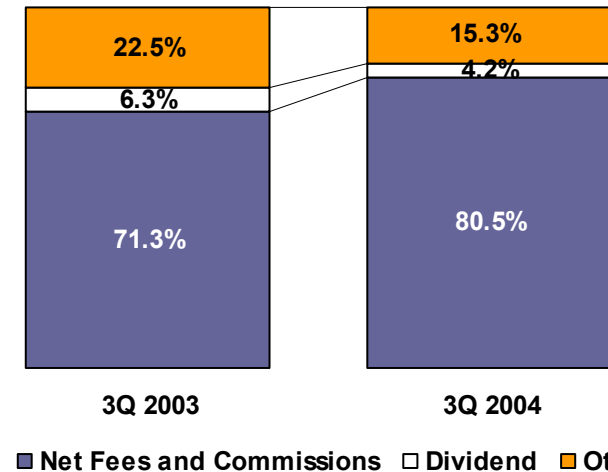


## Non-Interest Income Excl. Trading Income

TL Billion



## Composition of Non-Interest Income Excl. Trading, %



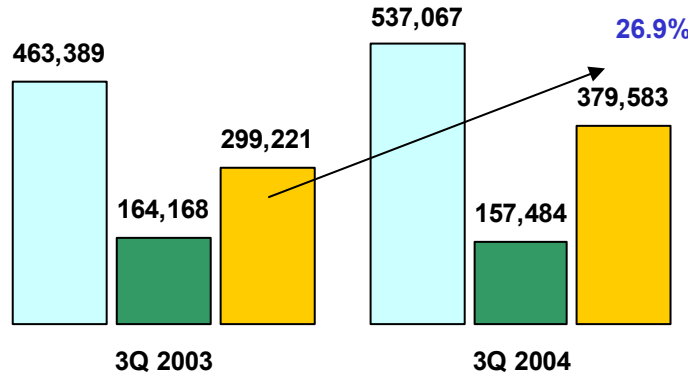


# Superior Performance in Fees & Commissions Income

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

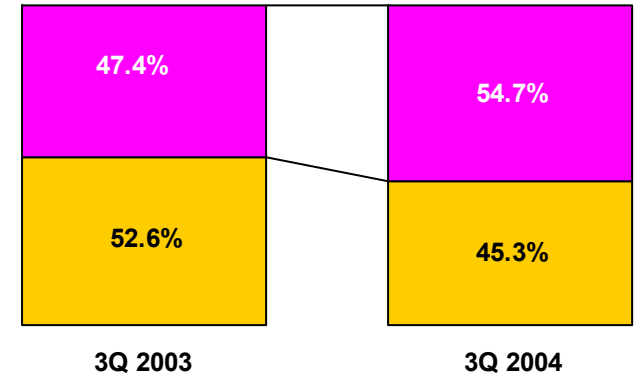
- Net fees and commissions income increased by 26.9% in real terms since 3Q 2003 and were up by 13.5% on a quarterly basis
- Net fees and commissions income to average assets reached 1.99%, significantly above the peer and the sector average
- Garanti covered 50.5% of its operating expenses through net fees and commissions income
- Share of credit cards in net fees and commissions income declined from 53% in 3Q 2003 to 45% in 3Q 2004
- Further diversification in fees and commissions income is expected in line with increasing penetration rates in other banking products

**Fees and Commissions Income**  
TL Billion



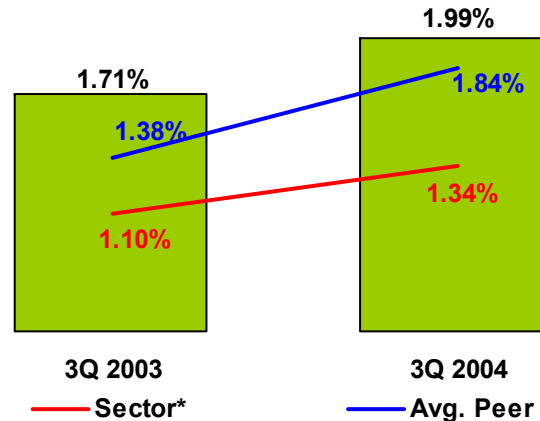
□ Fees and Comm. Received    ■ Fees and Comm. Paid    ■ Net

**Breakdown of Net Fees and Commissions Income, %**



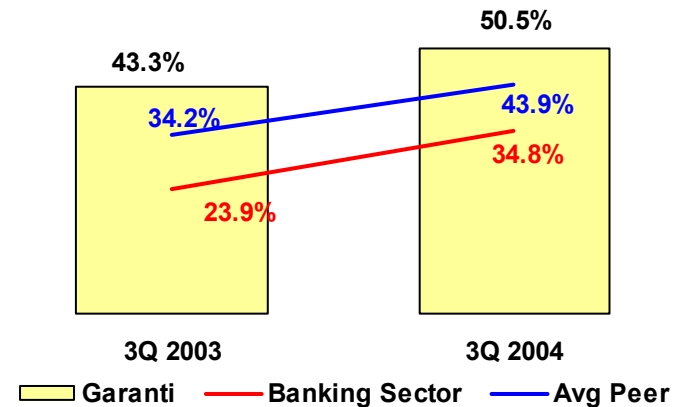
■ Credit Card Business    ■ Other Banking Transactions

**Net Fees and Commissions Income / Average Assets, %**



— Sector\*    — Avg. Peer

**Net Fees and Commissions Income / Operating Expenses, %**



■ Garanti    — Banking Sector    — Avg Peer



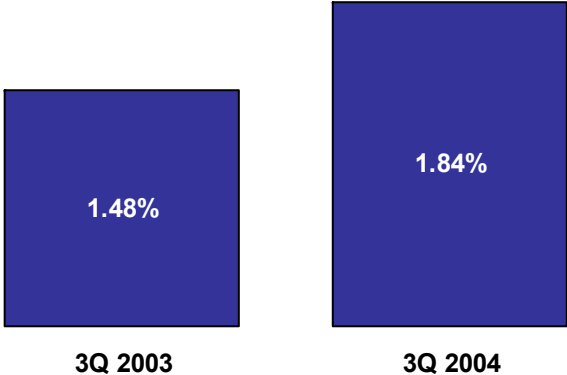
\*Sector and YKB in peer averages are as of 1H 2004, whereas İşbank and Akbank are as of 3Q 2004

# Strong Performance in Profitability Ratios

– ROAA and ROAE were 1.84% and 16.7%, respectively as of 3Q 2004

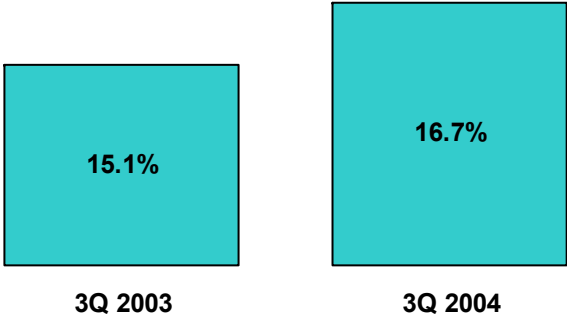
Return on Average Assets

%



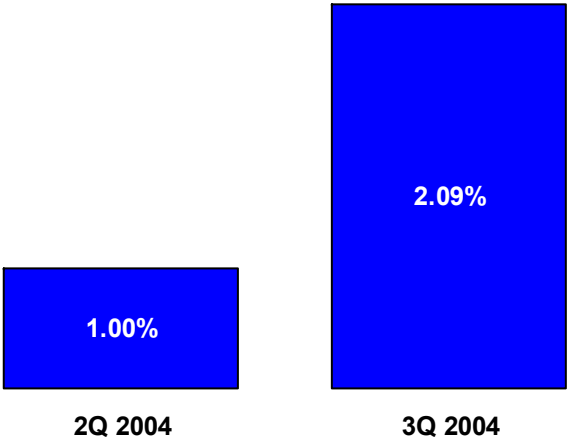
Return on Average Shareholders' Equity

%

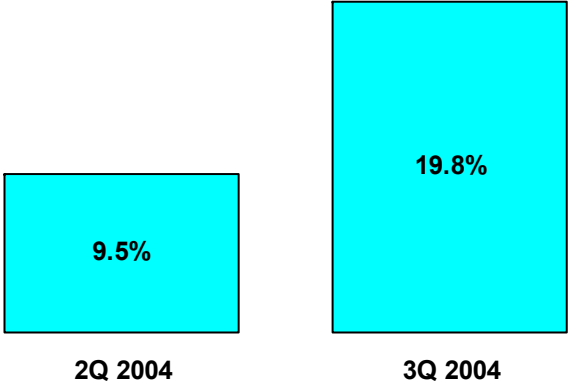


Return on Average Assets on a Quarterly Basis

%



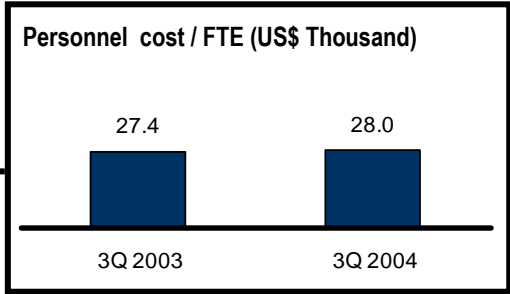
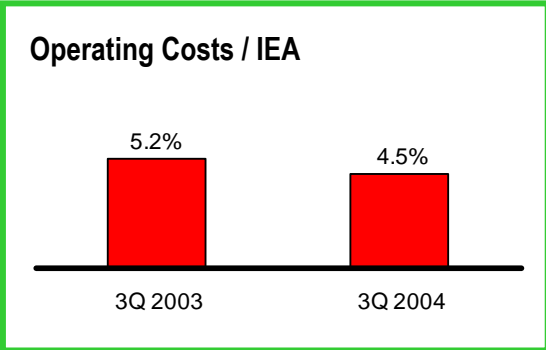
Return on Average Shareholders' Equity on a Quarterly Basis, %



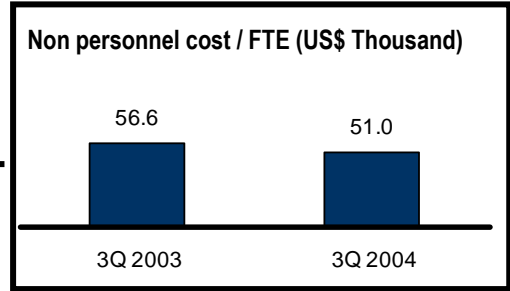
# Focus on Cost Management

...supported by constant decline in non-personnel cost per employee

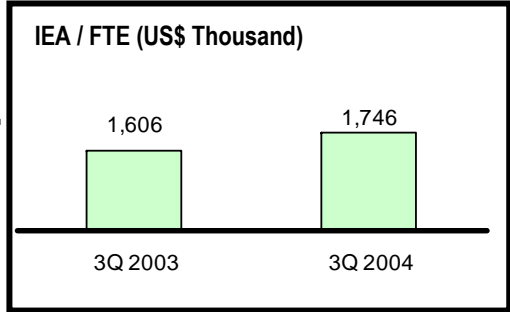
- New measures have been employed on a continuous basis to eliminate potential bottlenecks and redundancies on the expense side
- Opex to IEA declined from 5.2% in 3Q 2003 to 4.5% in 3Q 2004



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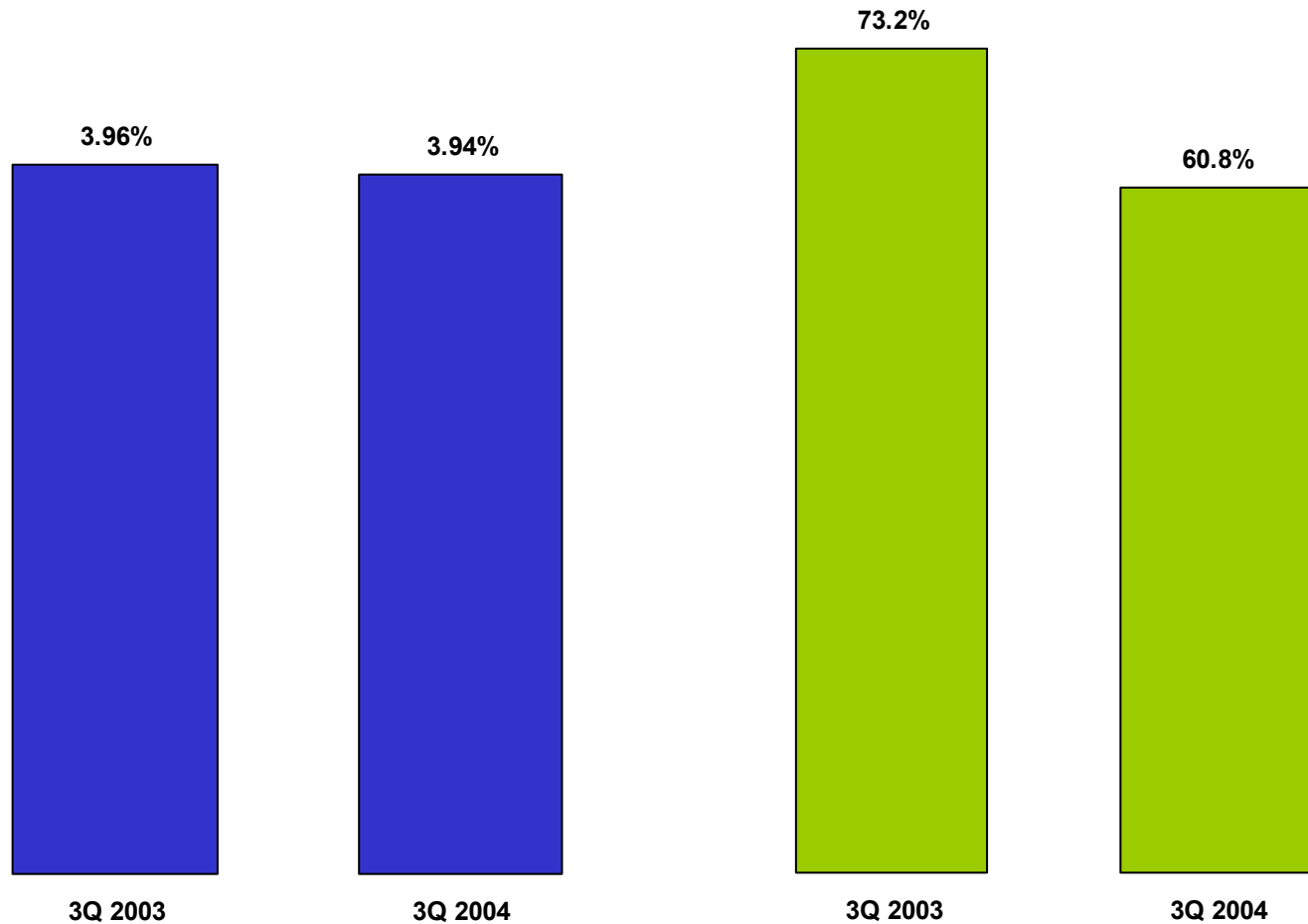
# Continuous Improvement in Cost/Income

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

- Cost / Income ratio declined to 60.8% in 3Q 2004
- Operating expenses to average assets ratio was slightly down to 3.94%

**Operating Expenses / Average Assets**  
%

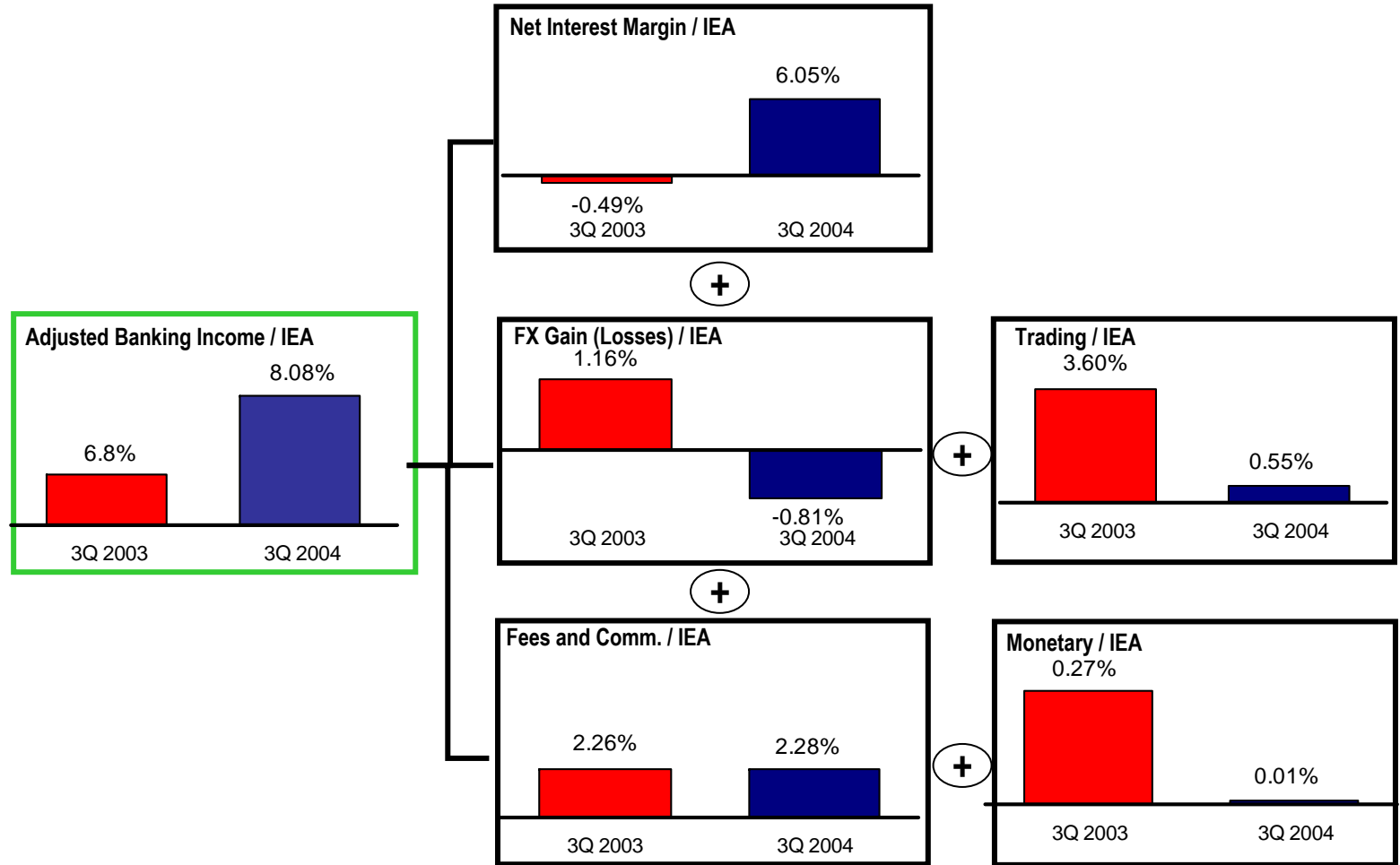
**Cost / Income Ratio**  
%



# Improvement in Adjusted Banking Income / IEA

...via higher NIM and sustainable non-interest income

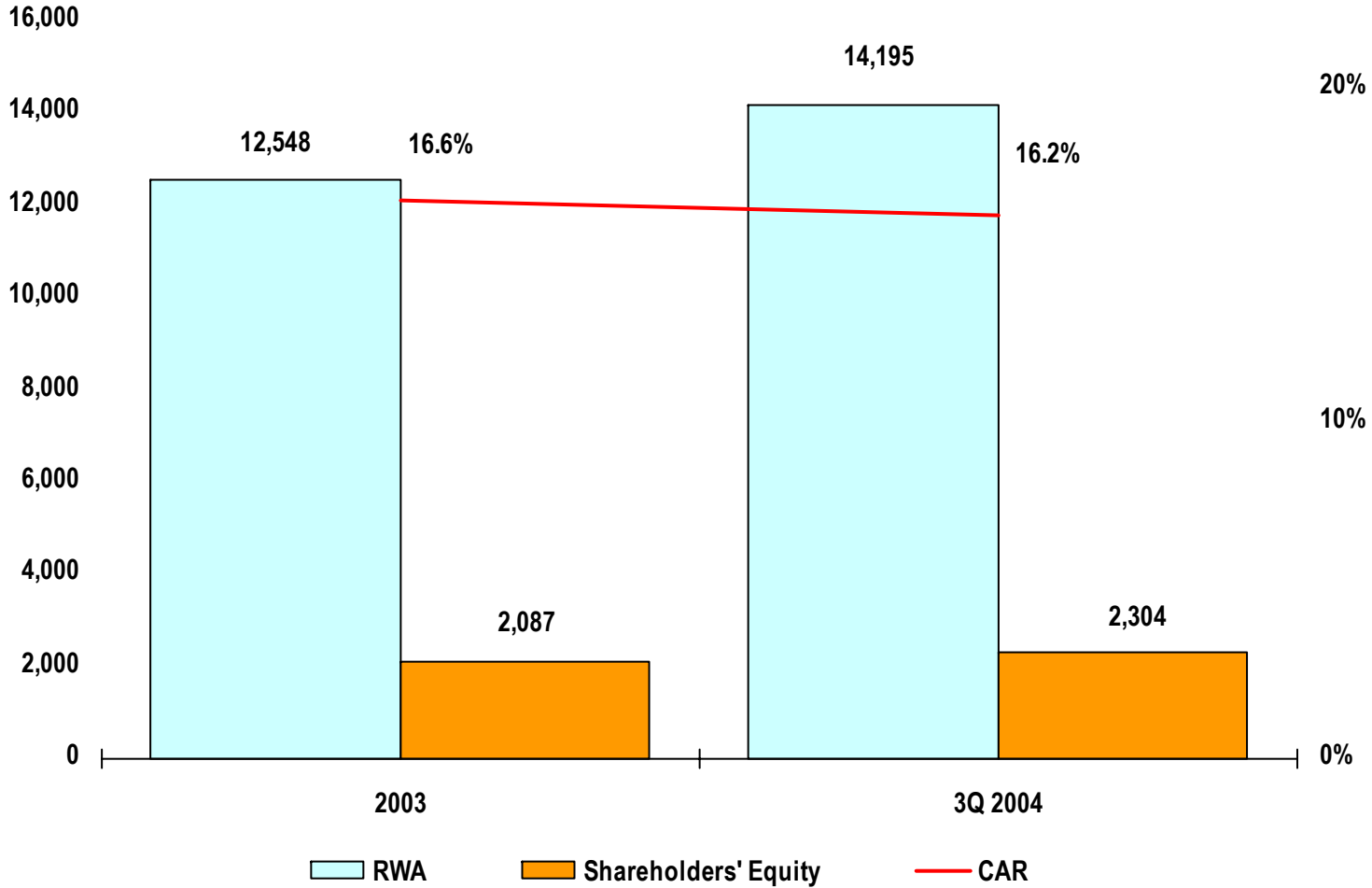
- Ratio of adjusted banking income to IEAs reached 8.08%, as compared to 6.8% a year ago



# Further Strengthening in Capital Adequacy

– Garanti’s capital adequacy ratio stood at 16.2% as of 3Q 2004

RWA vs CAR  
%, TL Billion





**Garanti**

For further information please contact [investorrelations@garanti.com.tr](mailto:investorrelations@garanti.com.tr)