



# **CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2005**

**(As adjusted for the effects of inflation in YTL units at  
31 March 2005 pursuant to IFRS)**

*Corporate Strategy, Business Development & Investor Relations*

# Contents

**Section 1**

**Highlights of Q1 2005 Financial Results**

**Section 2**

**Consolidated Financial Performance – Balance Sheet**

**Section 3**

**Consolidated Financial Performance – Income Statement**

Section 1

## **Highlights of Q1 2005 Financial Results**

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- Total assets were YTL30,497 Million (US\$23,070 Million) on a consolidated basis as of Q1 2005
- Net cash loans increased by 6.6% in real terms, constituting 42.3% of total assets
- NPL ratio was 3.8% as of Q1 2005
- Total revenues increased by 16.4% in real terms on a consolidated basis over Q1 2004
- Operating income on a consolidated basis reached YTL416,067 Thousand, increasing by 35.4% in real terms over Q1 2004
- Ordinary banking income of the banking segment increased by 13.7%, reaching YTL652,870 Thousand
  - Adjusted net interest income registered 40.3% increase, reaching YTL476,775 Thousand
  - Net fees and commissions of the banking segment increased by 32.6%, reaching YTL172,940 Thousand despite an already large base
  - Non-interest expenses remained flat at YTL263,602 Thousand
- ROAA and ROAE were 2.10% and 18.60%, respectively, as of Q1 2005

Section 3

## **Consolidated Financial Performance – Balance Sheet**

## Summary Balance Sheet

- Total assets were up by 3.3% in US\$ terms, reaching US\$23,070 Million as of Q1 2005
- TL Loans increased by 10.3% in real terms over 2004 YE, reaching YTL6,083 Million
- FC loans increased by 7.7% in US\$ terms, reaching US\$5,165 Million
- TL deposits increased by 7.8% in real terms, reaching YTL8,943 Million
- Total shareholders' equity was up by 2.7% in real terms
- NPL ratio was 3.8% as of Q1 2005

### Selected Figures

IFRS

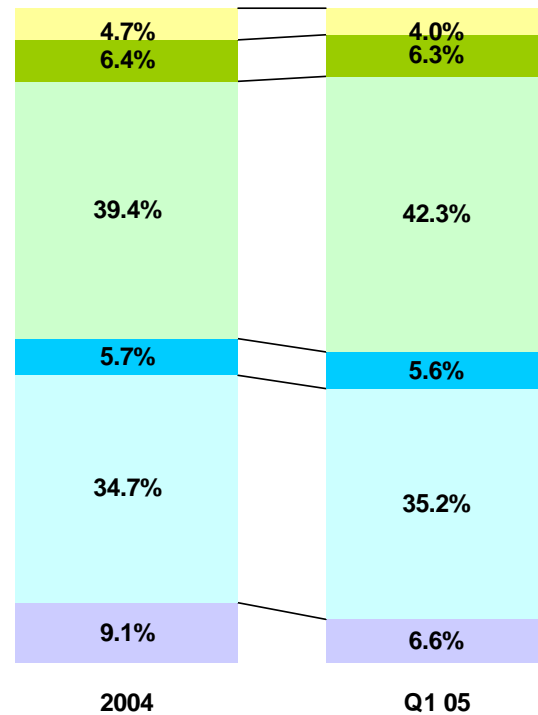
	December 31, 2004	March 31, 2005	Change
Total Assets <sup>1</sup> (US\$ Million)	22,333	23,070	3.3%
Total Assets (YTL Million)	30,734	30,497	(0.8%)
TL Net Cash Loans (YTL Million)	5,517	6,083	10.3%
FC Net Cash Loans <sup>1</sup> (US\$ Million)	4,794	5,165	7.7
TL Deposits (YTL Million)	8,299	8,943	7.8%
FC Deposits <sup>1</sup> (US\$ Million)	9,293	8,725	(6.1%)
Total Shareholders' Equity <sup>2</sup> (YTL Million)	3,415	3,507	2.7%
NPL Ratio (%)	3.6%	3.8%	0.2pp

# B/S Composition

Increasing share of loans to customers and less dependability on securities

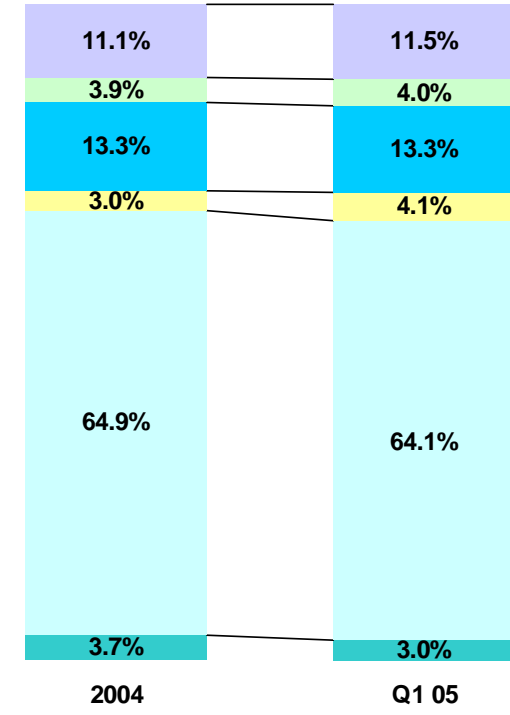
- Total assets were YTL30,497 Million at Q1 2005 (US\$ 23.1 Billion)
- Loans to customers increased by 6.6% in real terms, bringing its share in total assets up to 42.3% at Q1 2005 from 39.4% at 2004 YE
- Share of deposits from customers in total liabilities and shareholders' equity stood at 64.1% as of Q1 2005
- Share of total deposits (including deposits from banks) was 67.1% as of Q1 2005
- The share of shareholders' equity increased to 11.5% as of Q1 2005 from 11.1% at 2004 YE

Composition of Assets  
%



■ Cash Equivalents    ■ Securities  
■ Loans to Banks    ■ Loans to Customers  
■ Tangible Assets    ■ Other<sup>1</sup>

Composition of Liabilities & SHE<sup>2</sup>  
%



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



<sup>1</sup>Other assets include intangible assets, investments in associated companies, deferred tax assets, and other assets

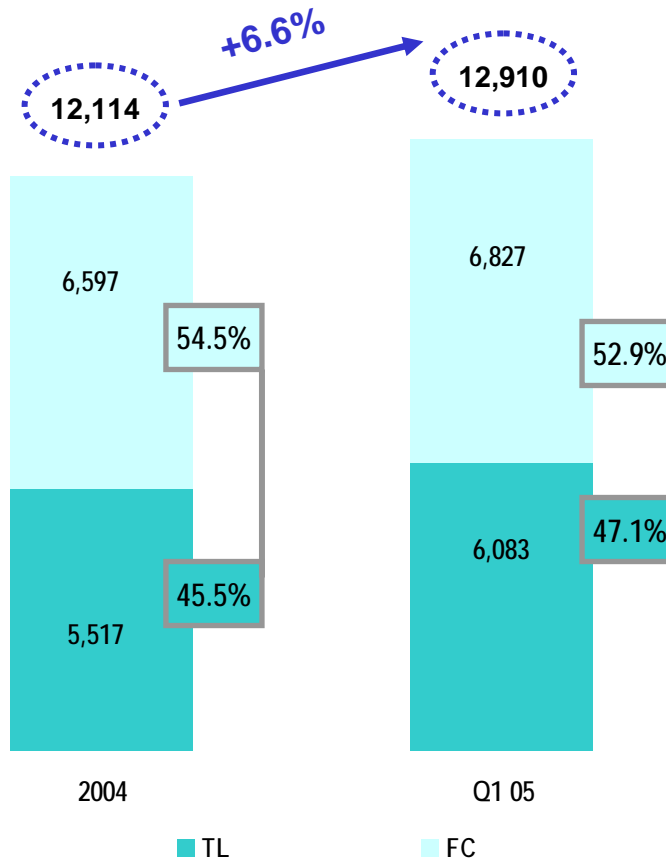
<sup>2</sup> SHE includes minority interest

# Loans

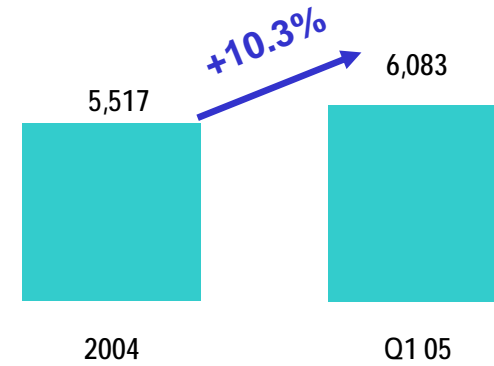
Further increase in the share of high margin TL loans

- The share of TL loans in total loans increased further to 47.1% as of Q1 2005 from 45.5% at 2004 YE
- TL loans increased by 10.3% in Q1 2005, reaching YTL6,083 Million
- FC loans increased by 7.7% in US\$ terms, reaching US\$5,165 Million as of Q1 2005

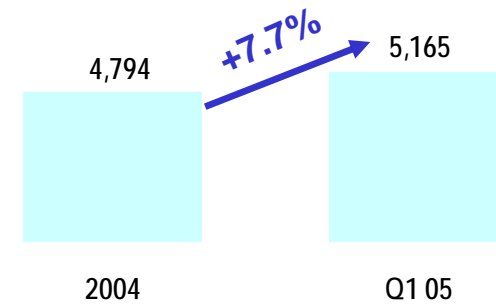
**Net Cash Loans**  
YTL Million



**TL Loans**  
YTL Million



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



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



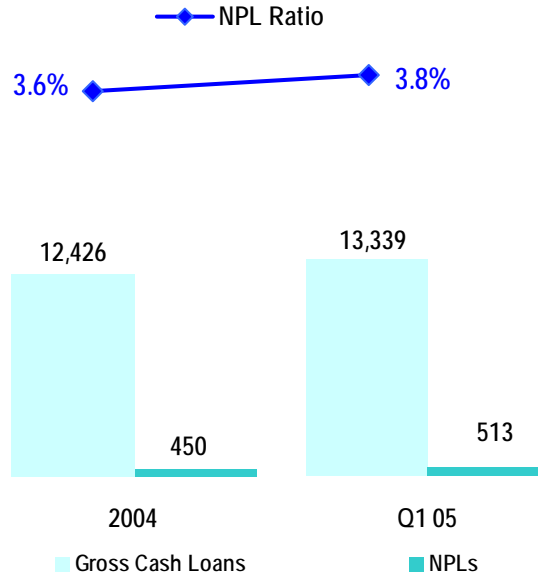
Consolidated Financial Performance - Balance Sheet

# Loans

Increasing share of consumer loans

### NPLs and Provisioning

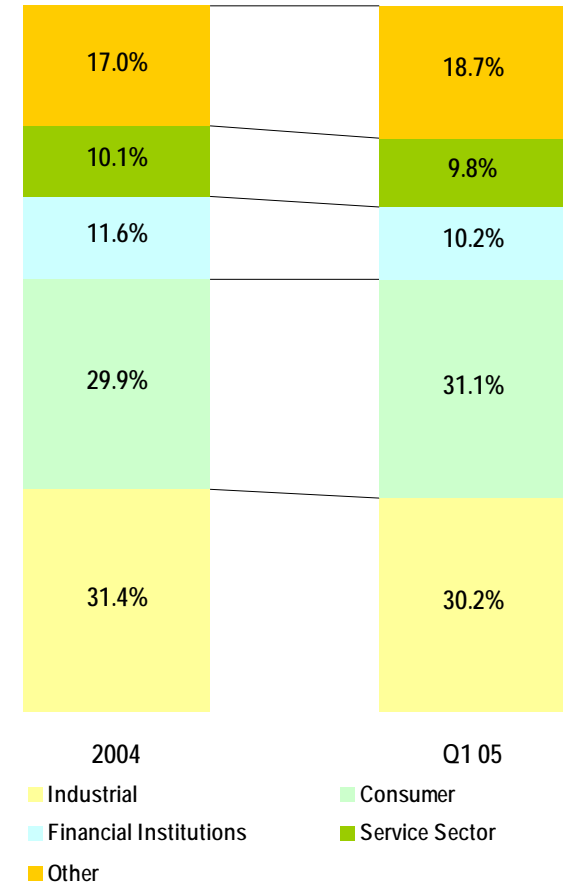
%, YTL Million



Asset Quality	31.12.2004	31.03.2005
Secured Loans	63.73%	63.07%
Unsecured Loans	36.27%	36.93%
Provisioned NPLs	2.1%	2.8%
Unprovisioned NPLs	1.5%	1.0%

### Loan Allocation

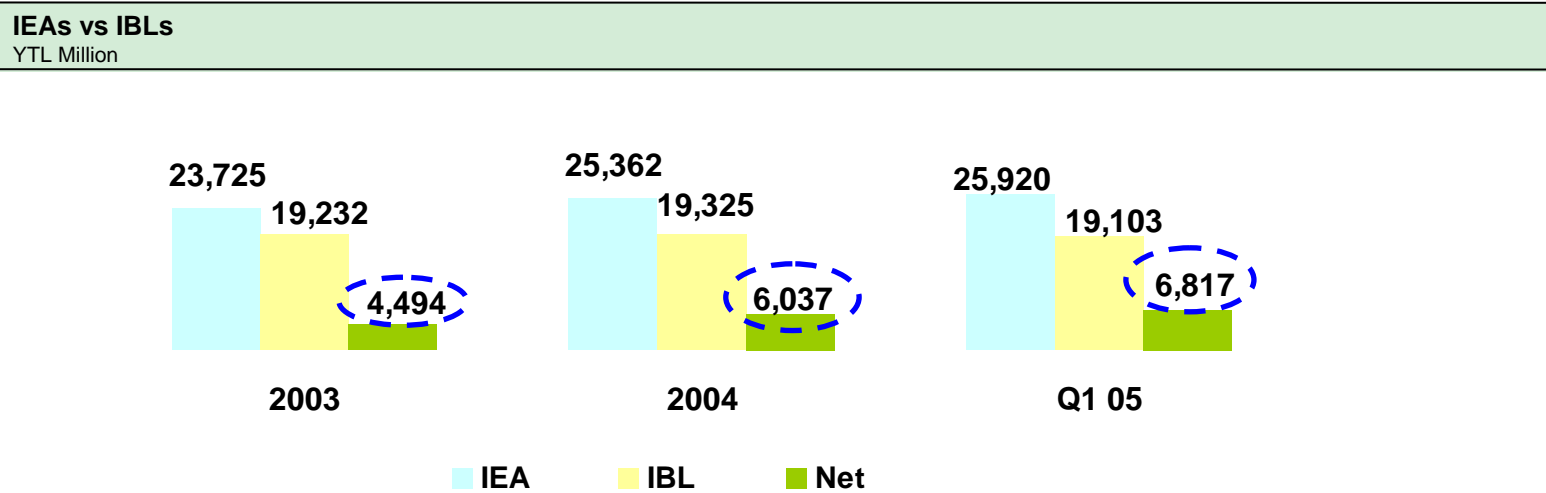
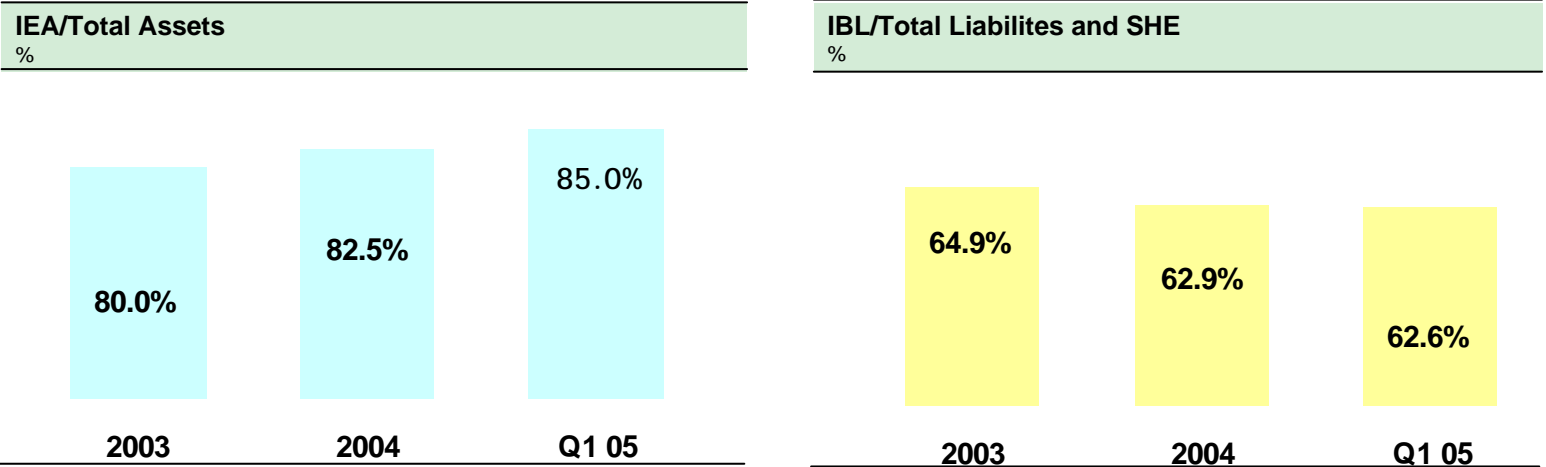
%



# IEAs versus IBLs

Widening gap between IEAs and IBLs

- The share of IBLs in total liabilities and SHE declined to 62.6% as of Q1 2005 from 62.9% at 2004 YE
- The share of IEAs in total assets increased to 85.0% as of Q1 2005 from 82.5% at 2004 YE
- The gap between IEAs and IBLs increased to YTL6,817 Million in Q1 2005 from YTL6,037 Million in 2004YE and YTL4,494 Million in 2003 YE

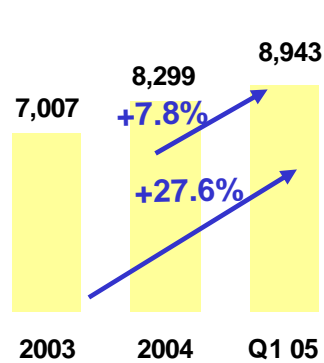


# Deposits

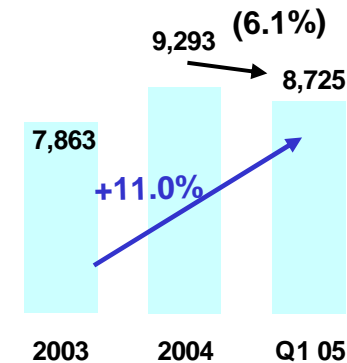
Best performer in demand deposits

- TL deposits increased by 7.8% over 2004 YE
- The share of FC deposits in customer deposits declined to 56.8% in Q1 2005 from 62.2% in 2004 YE
- The share of FC deposits in total deposits (including bank deposits) declined to 56.3% as of Q1 2005 from 60.6% as of 2004 YE
- The share of demand deposits was 32.6% as of Q1 2005
- TL demand deposits increased by 16.9% over 2004 YE and 40.3% over 2003 YE, reaching YTL2,320 Million

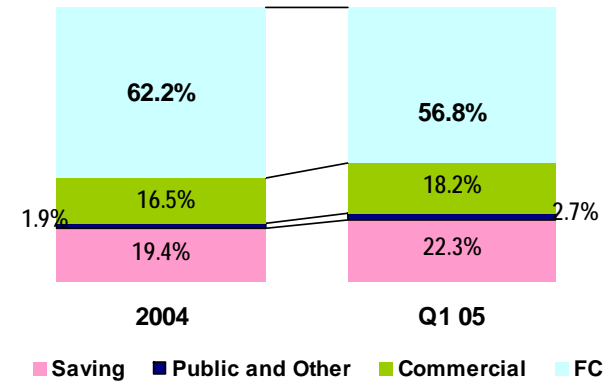
**TL Deposits**  
YTL Million



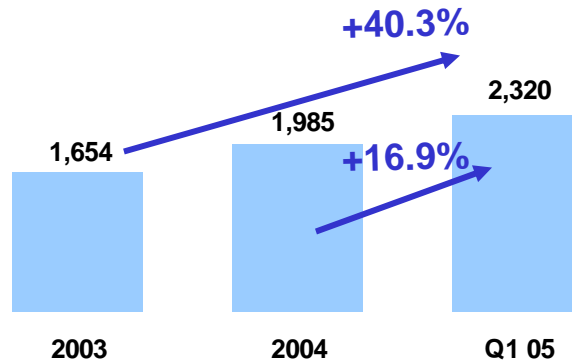
**FC Deposits <sup>1</sup>**  
US\$ Million



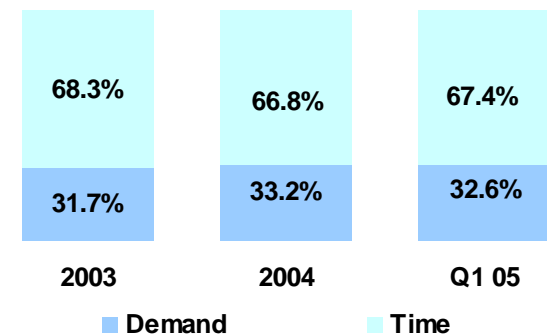
**Composition of Customer Deposits %**  
(excluding accrued interest expense)



**TL Demand Deposits (from customers)**  
YTL Million



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



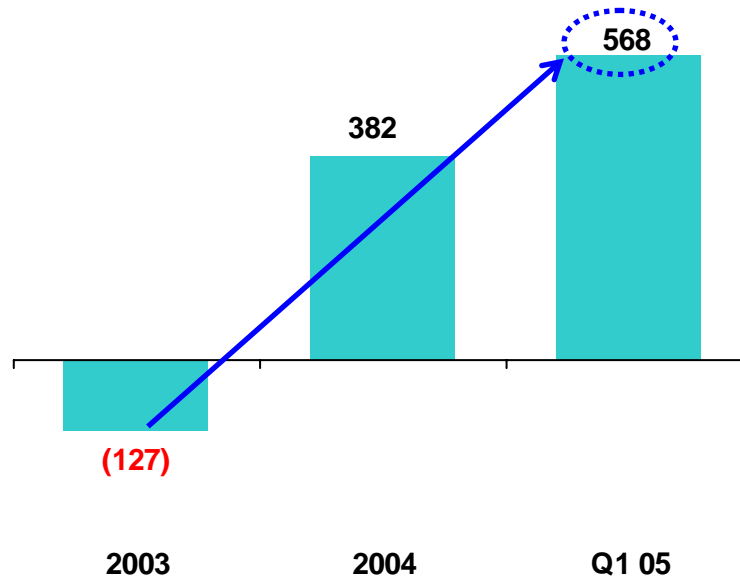
<sup>1</sup> Foreign currency, not inflation adjusted

# Free Equity

Continuous improvement in free equity

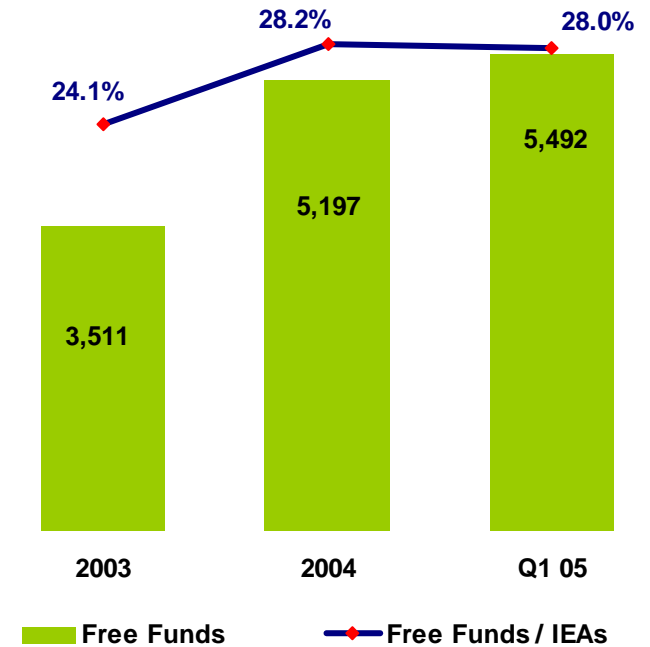
- In line with increasing share of IEAs, free equity improved to US\$568 Million as of Q1 2005 from a negative US\$127 Million at 2003 YE
- Capital adequacy ratio stood at 14.71% as of Q1 2005
- Free funds increased by 5.7% over 2004 YE and 56.4% over 2003 YE, reaching US\$5,492 Million
- Free funds to IEAs increased to 28.0% at Q1 2005 from 24.1% at 2003 YE

**Free Equity<sup>1</sup>**  
US\$ Million



<sup>1</sup> Including minority interest

**Free Funds<sup>2</sup>/IEAs**  
US\$ Million, %



<sup>2</sup> Free Funds : Free Equity + Demand Deposits (including demand deposits from banks)

Section 4

## **Consolidated Financial Performance – Income Statement**

Garanti Bank

## Consolidated Financial Performance – Income Statement

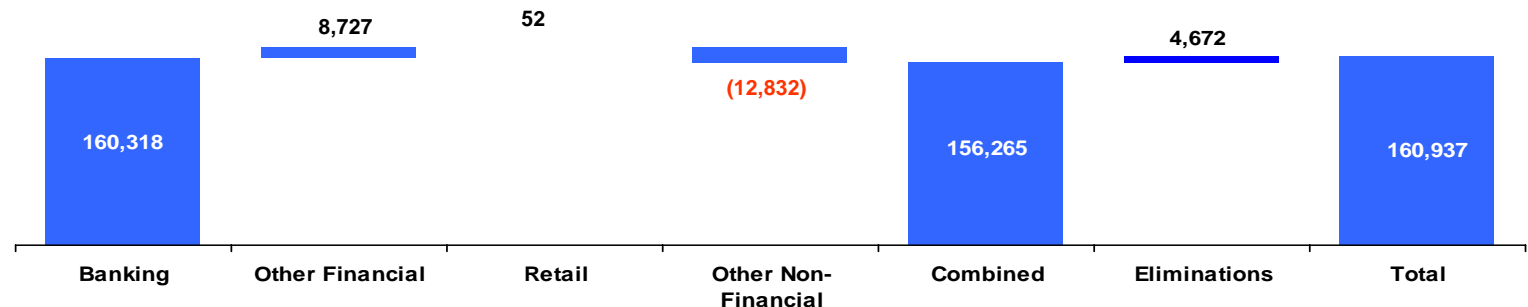
## Summary Income Statement

- Total revenues increased by 16.4% in real terms on a consolidated basis, reaching YTL790 Million
- Consolidated operating income was up by 35.4% over Q1 2004
- Despite a large base, net fees and commissions income registered a further 30.7% increase in Q1 2005 on a consolidated basis

YTL Thousand	March 31, 2004	March 31, 2005	Change
Net Interest Inc.Adj.by FX & Monetary Gain/Loss	379,351	490,940	29.4%
Net Fees & Comm. Income	137,838	180,167	30.7%
Other Non-Interest Income	161,645	119,104	(26.3%)
<b>Total Revenues</b>	<b>678,834</b>	<b>790,211</b>	<b>16.4%</b>
Operating Expenses <sup>1</sup>	(371,654)	(374,144)	0.7%
<b>Operating Income</b>	<b>307,180</b>	<b>416,067</b>	<b>35.4%</b>
Impairment Losses <sup>2</sup>	(30,486)	(197,009)	n.m.
Taxation Charge	(109,585)	(58,121)	(47.0%)
<b>Net Income</b>	<b>167,109</b>	<b>160,937</b>	<b>(3.7%)</b>
ROAA (%)	2.33%	2.10%	(0.23pp)
ROAE <sup>3</sup> (%)	20.64%	18.60%	(2.04pp)

## Composition of Consolidated Net Income, Q1 2005

YTL Thousand

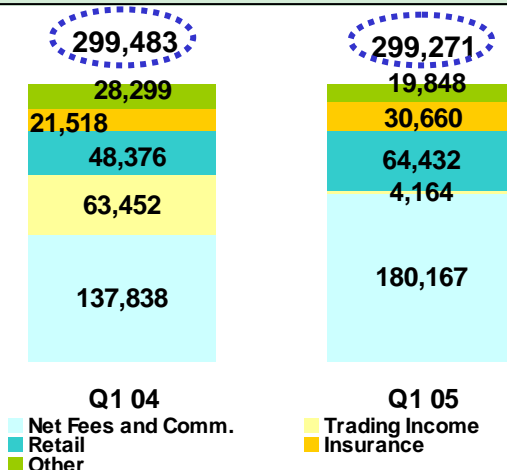
<sup>1</sup> Including depreciation and amortization<sup>2</sup> Including provision for severance payments<sup>3</sup> SHE includes minority interest

# Non-Interest Income

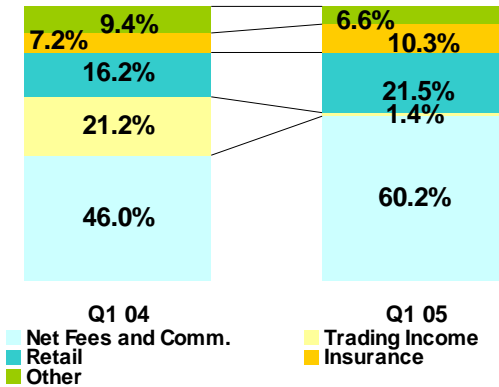
Continuous increase in sustainable sources of revenue

- Total non-interest income was YTL299,271 Thousand as of 1Q 2005
- When trading income is excluded, non-interest income increased by 25.0% over 1Q 2004, reaching YTL295,107 Thousand
- Net fees and commissions increased by 30.7% in 1Q 2005 over 1Q 2004; constituting 60.2% of total non-interest income

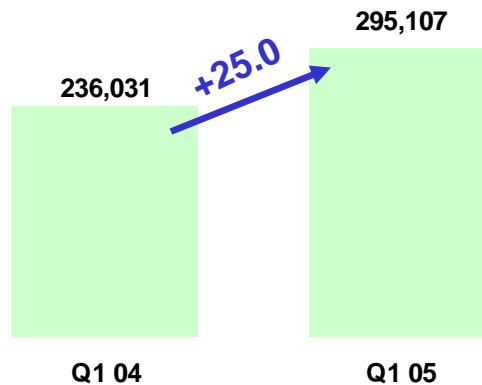
Non-Interest Income  
YTL Thousand



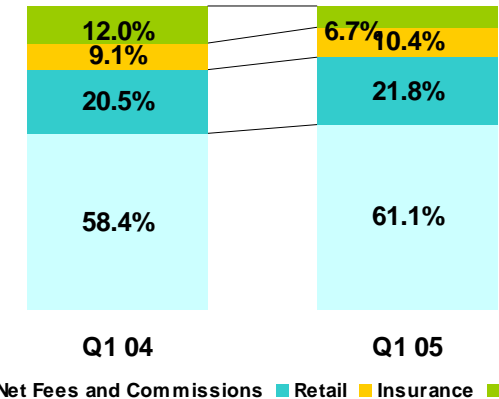
Composition of Non-Interest Income  
%



Non-Interest Income Excl. Trading  
YTL Thousand



Composition of Non-Interest Income Excl. Trading  
%



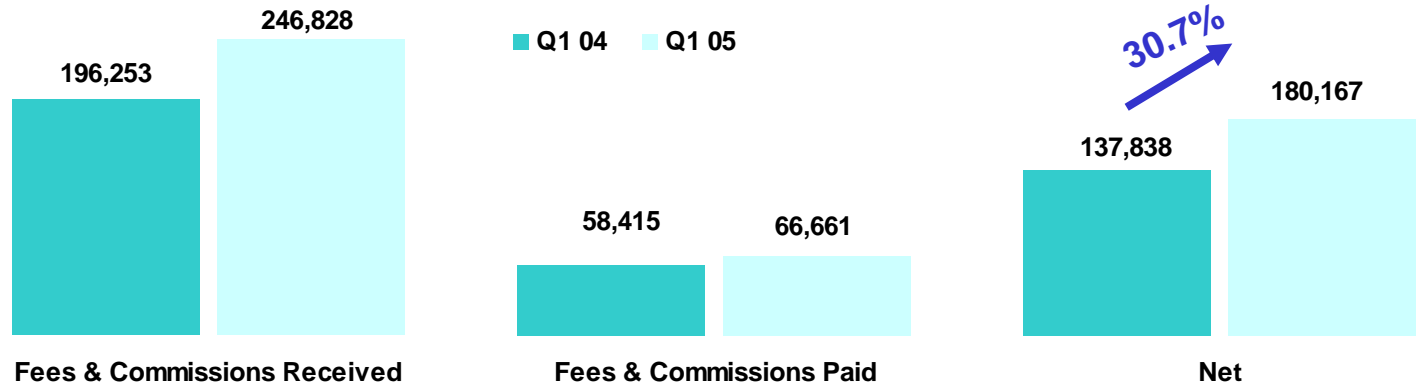
# Fees and Commissions

Superior performance in net fees and commissions despite a high base

- Net fees and commissions increased by 30.7% in Q1 2005 over Q1 2004, reaching YTL180,167 Thousand
- Net fees and commissions to average assets reached 2.35%
- Garanti covered 55.4% of its operating expenses through net fees and commissions income

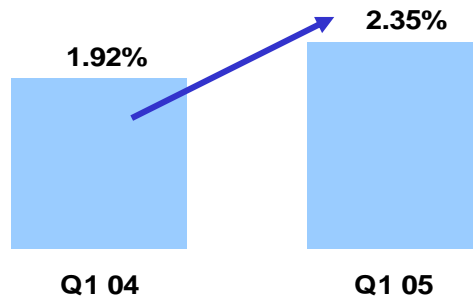
## Fees and Commissions

YTL Thousand



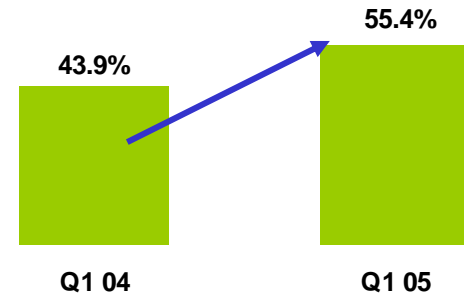
## Net Fees and Commissions / Average Assets

%



## Net Fees and Commissions / Operating Expenses

%



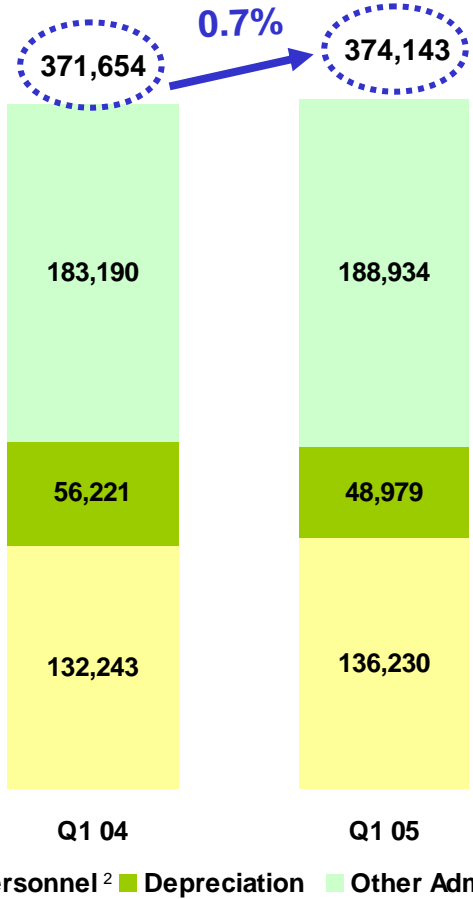


# Non-Interest Expenses

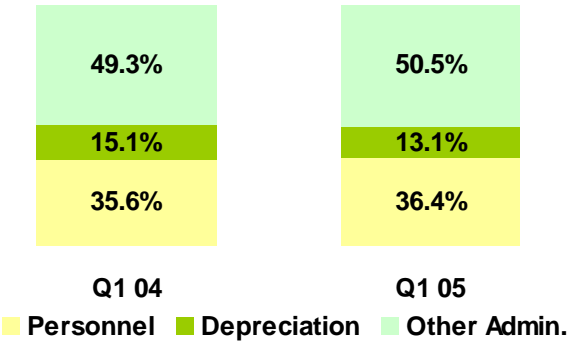
Continuous cost-cutting measures

- Total non-interest expenses were YTL374,143 Thousand as of 1Q 2005, registering only a slight increase of 0.7%
- Personnel expenses registered only 3.0% increase despite the expanding branch network

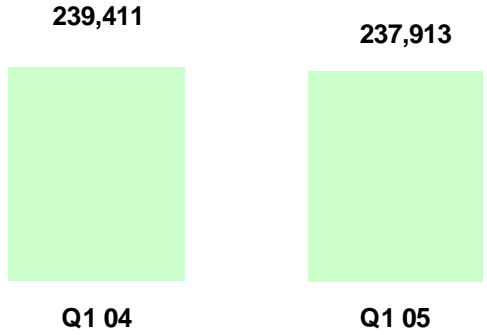
**Non-Interest Expenses <sup>1</sup>**  
YTL Thousand



**Composition of Non-Interest Expenses**  
%



**Non-Interest Expenses Excluding Personnel Expenses**  
YTL Thousand



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

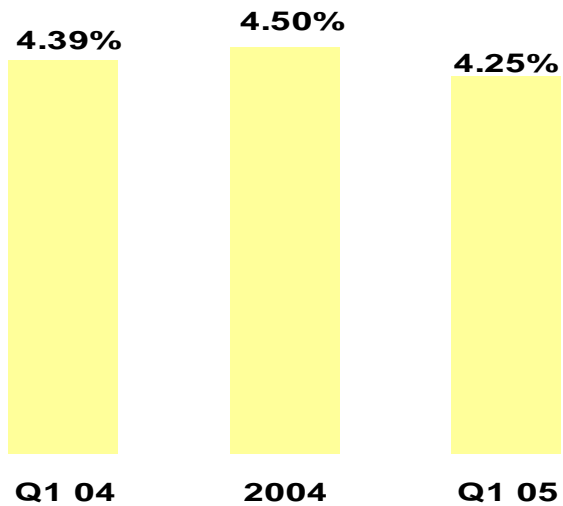
<sup>2</sup> Personnel expenses include salaries and wages and employee benefits.

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

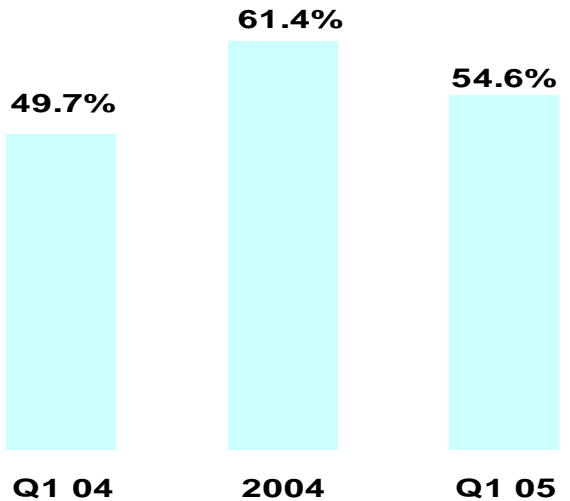
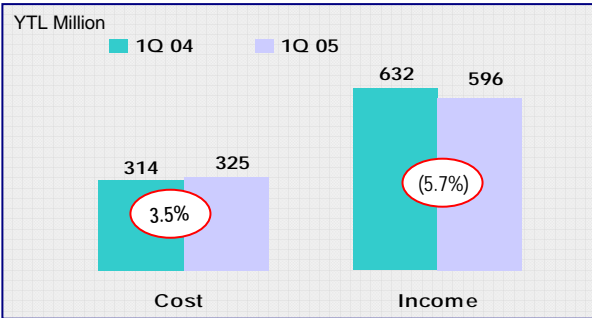
# Operating Expenses and Cost/Income

- Opex/average assets ratio was 4.25% as of 1Q 2005
- Cost/income ratio stood at 54.6% as of 1Q 2005

Operating Expenses/Average Assets %



Cost/Income Ratio<sup>1</sup> %



<sup>1</sup> Excluding depreciation and amortization

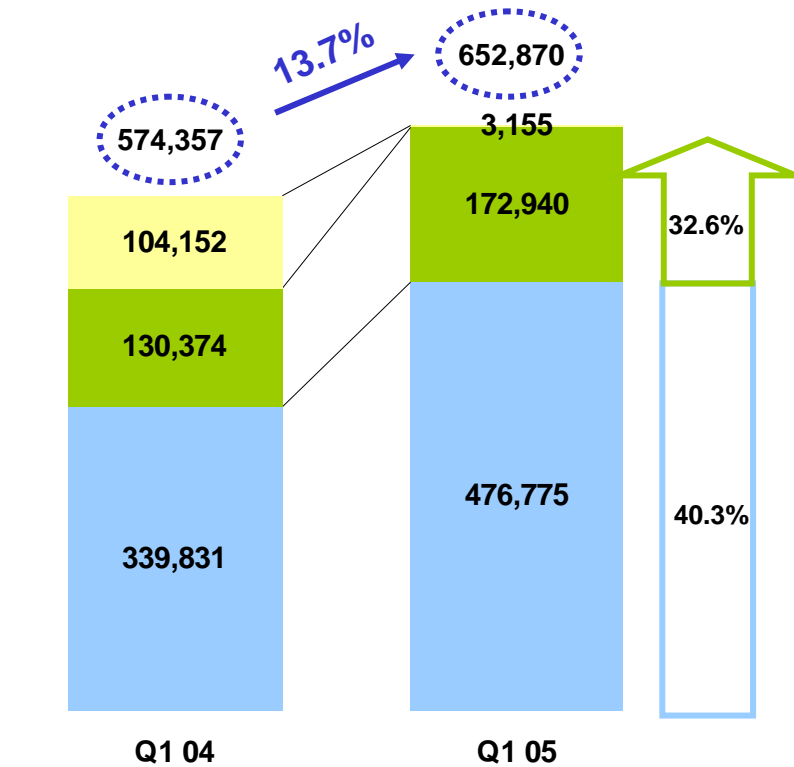
Segment Analysis

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

Ordinary banking income registered 13.7% increase

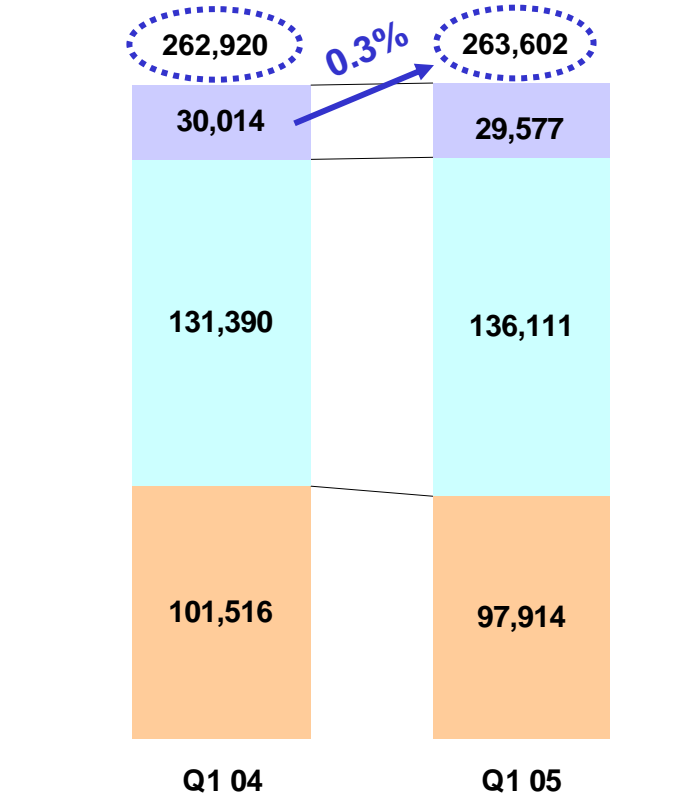
- Ordinary banking income of the banking segment registered 13.7% increase in Q1 2005 over Q1 2004, reaching YTL652,870 Thousand
- Adjusted NII (adjusted by net fx gain and monetary gain/loss) of the banking segment registered 40.3% increase as of 1Q 2005 compared to 1Q 2004, reaching YTL476,775 Thousand
- Net fees and commissions income of the banking segment increased by 32.6% despite an already large base
- Personnel expenses registered 3.5% decrease over 1Q 2004

Ordinary Banking Income  
YTL Thousand



Adjusted NII      Net Fees & Commissions  
Net Trading Income

Non-Interest Expenses  
YTL Thousand



Personnel<sup>1</sup>      Other Administrative<sup>2</sup>  
Depreciation



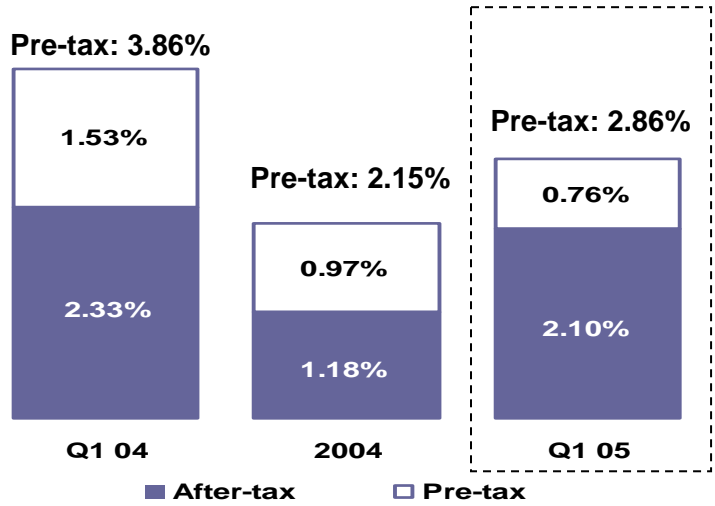
<sup>1</sup> Personnel expenses include salaries and wages, employee benefits.

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

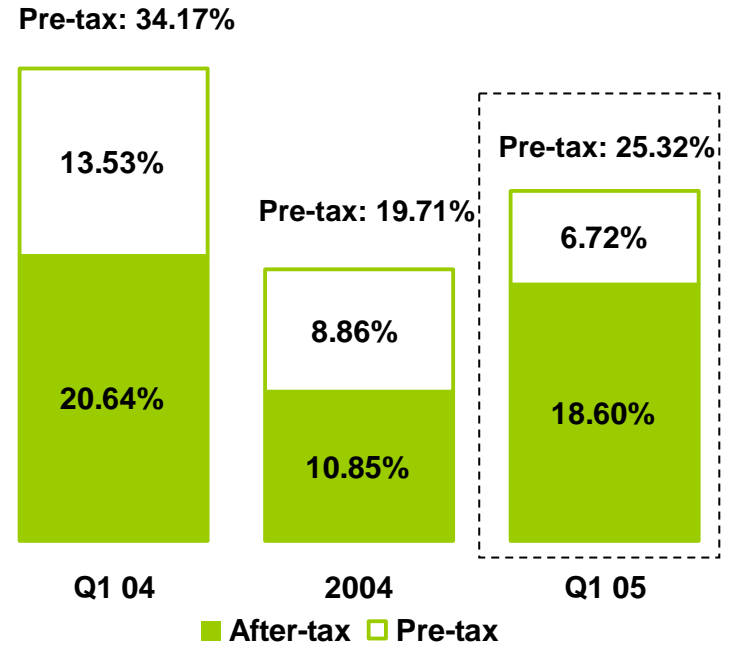
# ROAA and ROAE

– Garanti’s pre-tax ROAA and ROAE were 2.86% and 25.32%, respectively, as of Q1 2005

**ROAA**  
%



**ROAE<sup>1</sup>**  
%



<sup>1</sup> Shareholders' equity includes minority interest

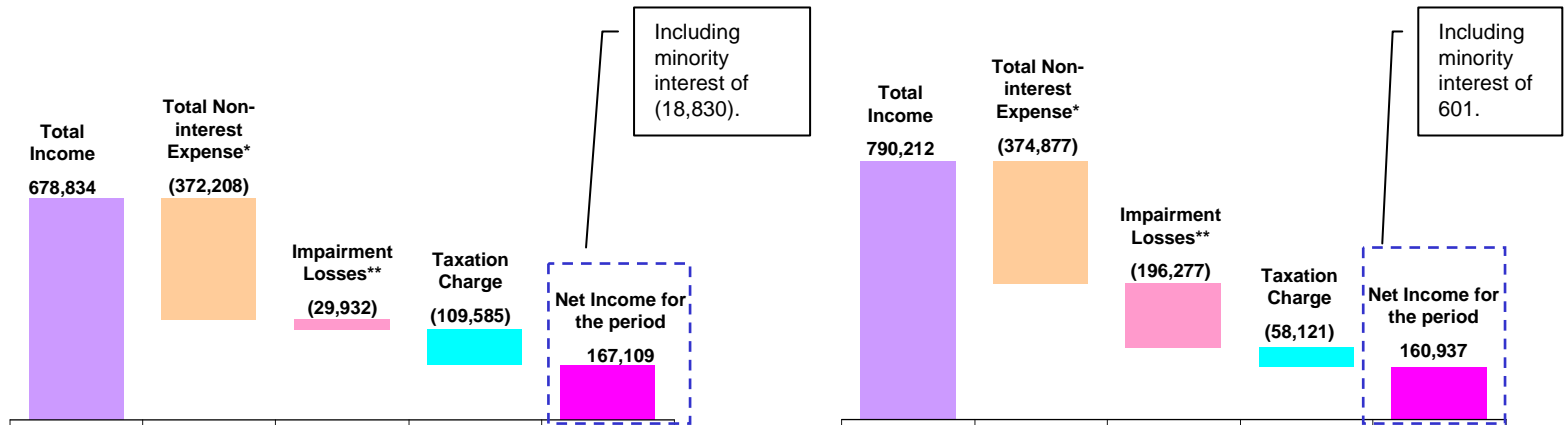
Consolidated Financial Performance – Income Statement

Profit / Loss

- The consolidated net income for Q1 2005 was YTL160,937 Thousand
- Total income increased by 16.4% in 1Q 2005, reaching YTL790,212 Thousand
- The slight decrease in net income was mainly due to the increase in impairment losses, including loan loss provisions

Q1 2004 Profit / Loss  
YTL Thousand

Q1 2005 Profit / Loss  
YTL Thousand



\* Excluding impairment losses.

\*\* Including loan loss provisions, excluding provision for severance payments.

