



## **CONSOLIDATED EARNINGS REVIEW**

**September 30, 2005**

**(As adjusted for the effects of inflation in YTL units  
at 30 September 2005 pursuant to IFRS)**

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Section 1

## **Q3 2005 Earnings Highlights**

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## Third Quarter 2005 Earnings Highlights

- Total assets reached YTL36,916 Million (US\$27,840 Million) on a consolidated basis as of Q3 2005
- Net cash loans increased by 31.6% in real terms, constituting 45.5% of total assets
- TL loans increased by 47.8% in Q3 2005, reaching YTL8,582 Million while FC loans increased by 29.0% in US\$ terms, reaching US\$6,183 Million as of Q3 2005
- NPL ratio stood at 4.0% as of Q3 2005
- TL deposits were up by 23.8% over 2004 YE. TL demand deposits (from customers) grew by 28.7% over 2004 YE, reaching YTL2,689 Million
- Total revenues expanded by 20.2% in real terms on a consolidated basis over Q3 2004
- Operating income on a consolidated basis reached YTL1,096 Million, increasing by 40.0% in real terms over Q3 2004
- Ordinary banking income of the banking segment grew by 18.2%, reaching YTL1,926 Million
  - Adjusted net interest income of the banking segment registered 24.8% increase, reaching YTL1,333 Million
  - Net fees and commissions of the banking segment increased by 28.2%, reaching YTL580 Million despite an already large base
  - Non-interest expenses of the banking segment were YTL921 Million
- Net income increased by 15.6% in Q3 2005 over Q3 2004, reaching YTL469 Million
- ROAA and ROAE strengthened to 1.81% and 16.46%, respectively, as of Q3 2005

Section 2

## Consolidated Financial Performance – Balance Sheet

## Balance Sheet Highlights

- Total assets were up by 24.6% in US\$ terms, reaching US\$27,840 Million as of Q3 2005
- TL Loans increased by 47.8% in real terms over 2004 YE, reaching YTL8,582 Million
- FC loans increased by 29.0% in US\$ terms, reaching US\$6,183 Million
- TL deposits increased by 23.8% in real terms, reaching YTL10,815 Million
- Total shareholders' equity was up by 12.6% in real terms

### Selected Financials

IFRS

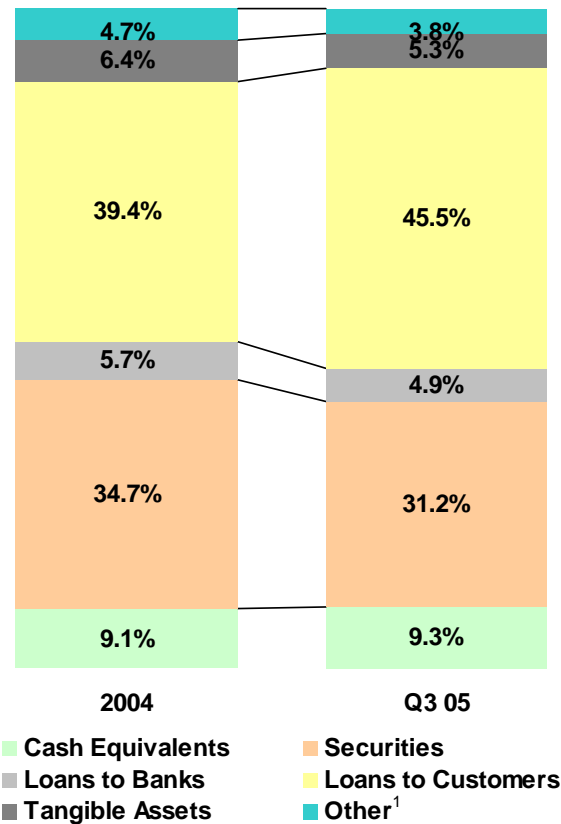
	December 31, 2004	September 30, 2005	Change
<b>Total Assets<sup>1</sup> (US\$ Million)</b>	<b>22,339</b>	<b>27,840</b>	<b>24.6%</b>
<b>Total Assets (YTL Million)</b>	<b>32,356</b>	<b>36,916</b>	<b>14.1%</b>
<b>TL Net Cash Loans (YTL Million)</b>	<b>5,807</b>	<b>8,582</b>	<b>47.8%</b>
<b>FC Net Cash Loans <sup>1</sup> (US\$ Million)</b>	<b>4,794</b>	<b>6,183</b>	<b>29.0%</b>
<b>Total Non-cash Loans (YTL Million)</b>	<b>7,536</b>	<b>7,903</b>	<b>4.9%</b>
<b>TL Deposits (YTL Million)</b>	<b>8,735</b>	<b>10,815</b>	<b>23.8%</b>
<b>FC Deposits<sup>1</sup> (US\$ Million)</b>	<b>9,293</b>	<b>9,074</b>	<b>(2.4%)</b>
<b>Total Shareholders' Equity<sup>2</sup> (YTL Million)</b>	<b>3,575</b>	<b>4,027</b>	<b>12.6%</b>

# Balance Sheet Composition

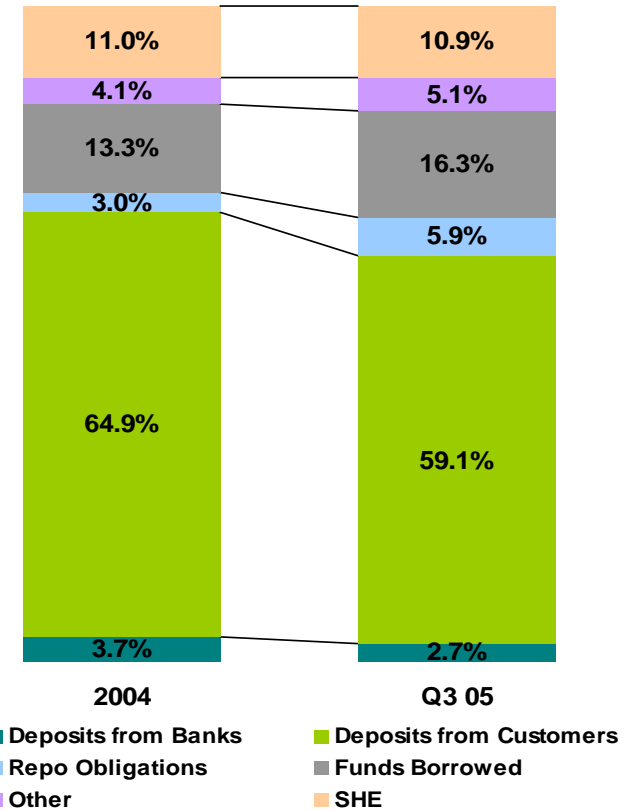
Increasing retail banking focus and strong growth in loans reflected as rising share of loans to customers; lessened dependability on securities

- Total assets increased to YTL36,916 Million at Q3 2005 (US\$ 27,840 Million)
- Loans to customers (net cash loans) increased by 31.6% in real terms, bringing its share in total assets up to 45.5% at Q3 2005 from 39.4% at 2004 YE
- Share of securities declined to 31.2% in Q3 2005 from 34.7% at YE 2004
- Share of deposits from customers in total liabilities and shareholders' equity was 59.1% as of Q3 2005
- Share of total deposits (including deposits from banks) was 61.8% as of Q3 2005

Composition of Assets %



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



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

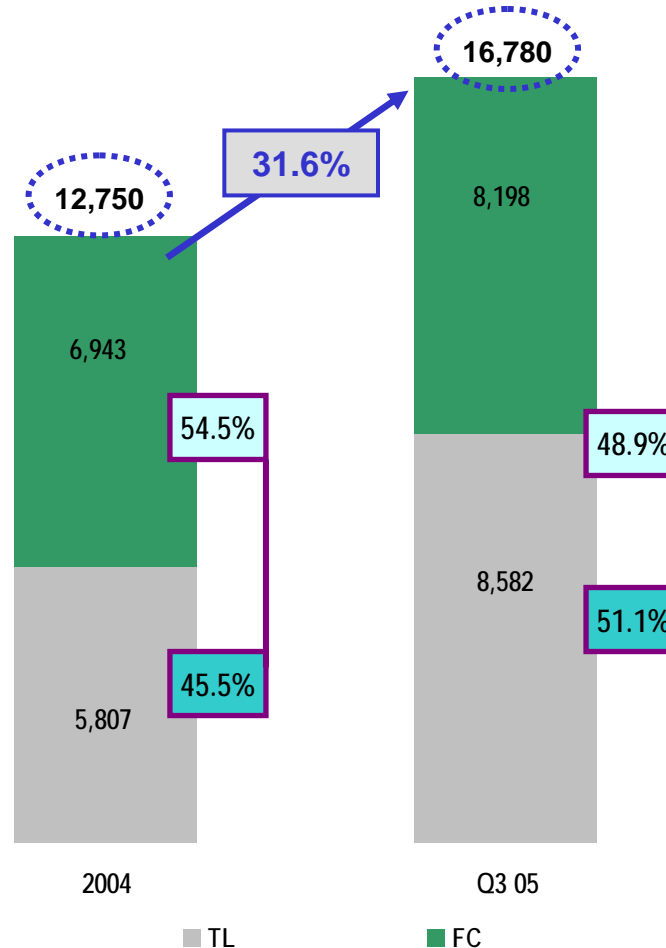
<sup>2</sup> Shareholders' equity includes minority interest

# Loans

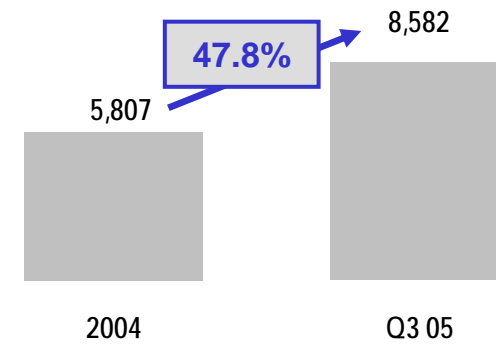
Strong volume growth generated in TL loans with high margins

- Lending book continued to grow strongly, with especially the share of TL loans in total loans further increasing to 51.1% as of Q3 2005 from 45.5% at 2004 YE
- TL loans increased by 47.8% in Q3 2005, reaching YTL8,582 Million
- FC loans increased by 29.0% in US\$ terms, reaching US\$6,183 Million as of Q3 2005

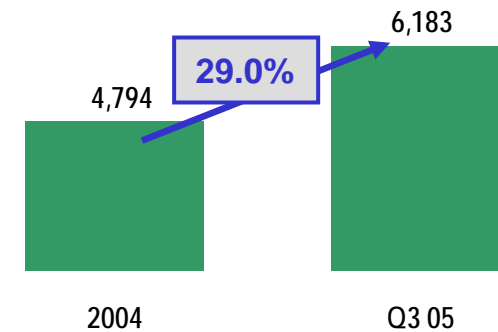
**Net Cash Loans**  
YTL Million



**TL Loans**  
YTL Million



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



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

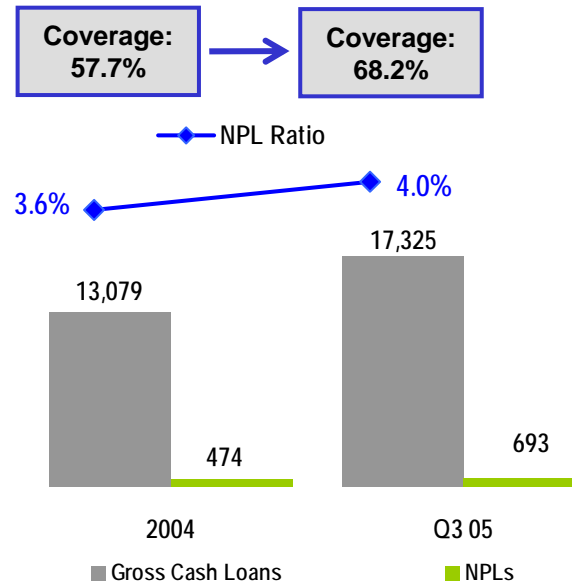


## Lending book quality

Credit quality remaining mainly benign in light of increasing share of consumer loans; higher provisions reflecting 'coverage building'

- NPL ratio was 4.0% as of Q3 2005 while provisioning went up to 68.2% from 57.7% at 2004YE
- The share of unsecured loans in total loans decreased to 33.36% as of Q3 2005 from 36.27% at 2004 YE. This was mainly due to declining share of credit cards in consumer loans

**NPLs and Provisioning**  
%, YTL Million



Asset Quality	31.12.2004	30.09.2005
Secured Loans	63.73%	66.64%
Unsecured Loans	36.27%	33.36%
Provisioned NPLs	2.1%	2.7%
Unprovisioned NPLs	1.5%	1.3%

**Sectoral Loan Allocation**  
%



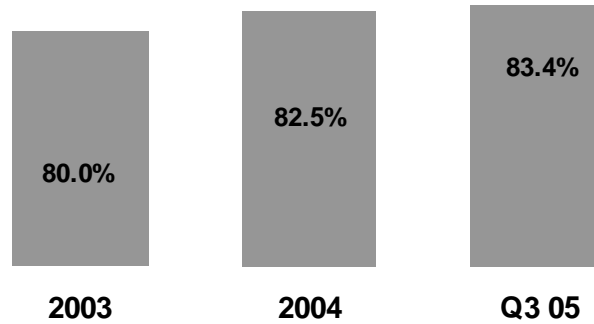
\* Other includes loans extended to sectors such as agriculture, tourism, construction, foreign trade, transportation and others

## IEAs vs IBLs

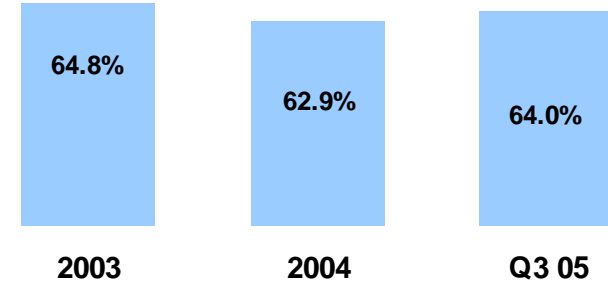
Continued to benefit from further widening gap between IEAs and IBLs

- The share of IEAs in total assets increased to 83.4% as of Q3 2005 from 80.0% at 2003 YE
- The share of IBLs in total liabilities and SHE declined to 64.0% as of Q3 2005 from 64.8% at 2003 YE
- As a result, the gap between IEAs and IBLs further widened to YTL7,144 Million at Q3 2005 from YTL6,355 Million at 2004YE and YTL4,730 Million at 2003 YE

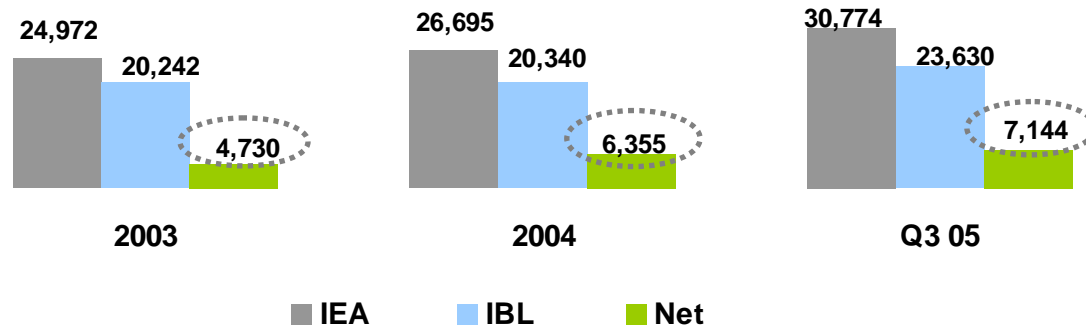
IEAs/Total Assets  
%



IBLs/Total Liabilites and SHE  
%



IEAs vs IBLs  
YTL Million

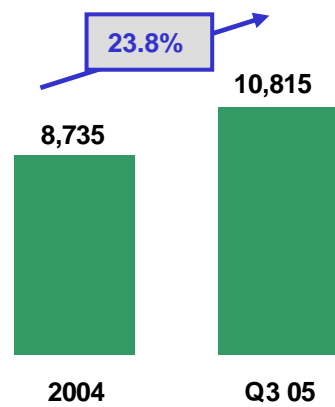


# Deposits

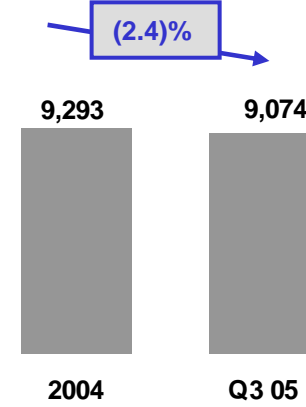
Reinforced leadership in demand deposits; strengthened and more diversified TL deposit base

- TL deposits increased by 23.8% over 2004 YE
- The share of FC deposits in customer deposits declined to 53.8% at Q3 2005 from 62.2% at 2004 YE
- The share of FC deposits in total deposits (including bank deposits) declined to 52.7% as of Q3 2005 from 60.6% as of 2004 YE
- TL demand deposits (from customers) increased by 28.7% over 2004 YE, reaching YTL2,689 Million
- The share of demand deposits in total deposits was 31.8% as of Q3 2005

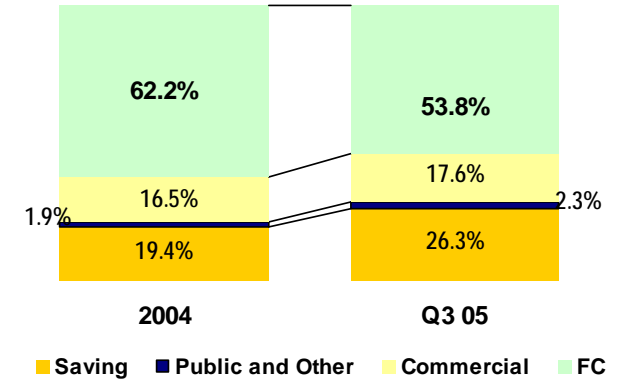
**TL Deposits**  
YTL Million



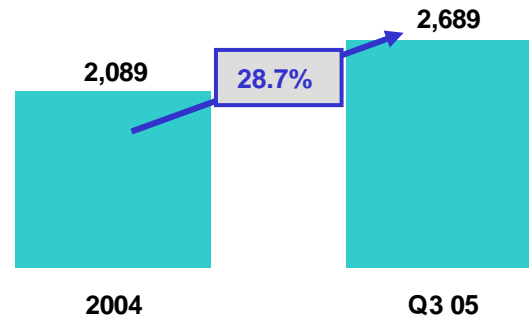
**FC Deposits <sup>1</sup>**  
US\$ Million



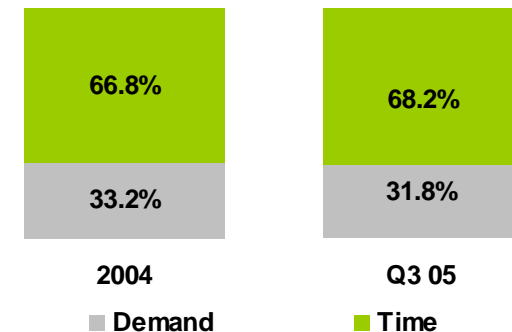
**Composition of Customer Deposits**  
% (excluding accrued interest expense)



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



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



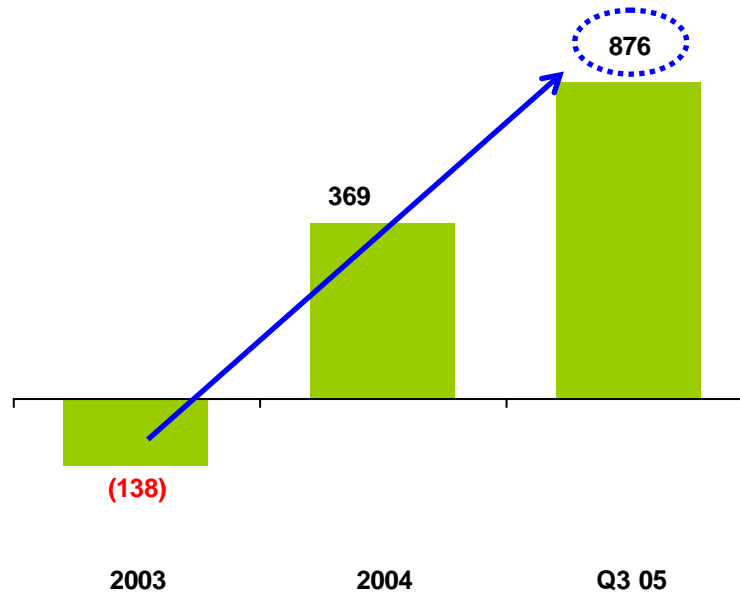
<sup>1</sup> Foreign currency, not inflation adjusted

# Free Equity

Increasing share of IEAs as a key contributor to free equity growth

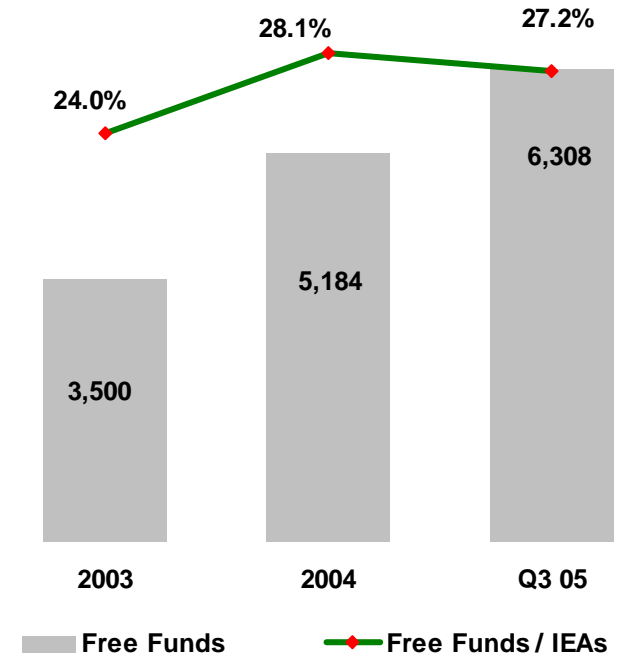
- Free equity further improved to **US\$876 Million** as of Q3 2005 from a negative **US\$138 Million** at 2003 YE, in line with the increasing share of IEAs.
- Free funds increased by 21.7% (in US\$ terms) over 2004 YE and 80.2% over 2003 YE, reaching **US\$6,308 Million**
- Free funds to IEAs increased to 27.2% at Q3 2005 from 24.0% 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 3

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

## Summary Income Statement

- Total revenues increased by 20.2% in real terms on a consolidated basis, reaching YTL2,396 Million
- Consolidated operating income was up by 40.0% over Q3 2004
- Despite a large base, net fee and commission income registered a further 27.5% increase in Q3 2005 on a consolidated basis

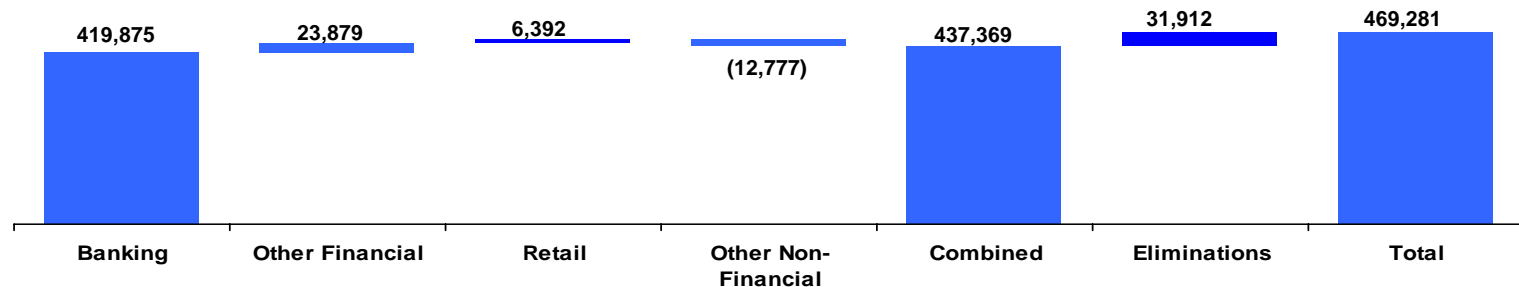
YTL Thousand	September 30, 2004	September 30, 2005	Change
Net Interest Inc.Adj.by FX & Monetary Gain/Loss	1,079,353	1,382,316	28.1%
Net Fees & Comm. Income	471,655	601,342	27.5%
Other Non-Interest Income	442,996	412,658	(6.8%)
<b>Total Revenues</b>	<b>1,994,004</b>	<b>2,396,316</b>	<b>20.2%</b>
Operating Expenses <sup>1</sup>	(1,211,194)	(1,300,279)	7.4%
<b>Operating Income</b>	<b>782,810</b>	<b>1,096,037</b>	<b>40.0%</b>
Impairment Losses	(188,517)	(401,001)	112.7%
Taxation Charge	(188,352)	(225,755)	19.9%
<b>Net Income</b>	<b>405,941</b>	<b>469,281</b>	<b>15.6%</b>
ROAA (%)	1.66%	1.81%	0.15 pp
ROAE <sup>2</sup> (%)	15.80%	16.46%	0.66 pp

<sup>1</sup> Including depreciation, amortization and provision for severance indemnity

<sup>2</sup> Shareholders' Equity includes minority interest

### Composition of Consolidated Net Income, Q3 2005

YTL Thousand



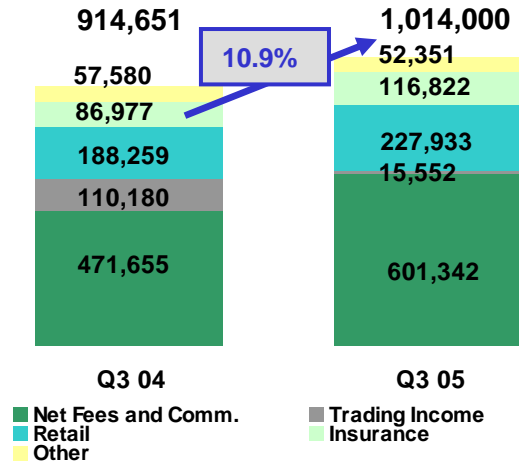
Consolidated Financial Performance – Income Statement

# Non-Interest Income

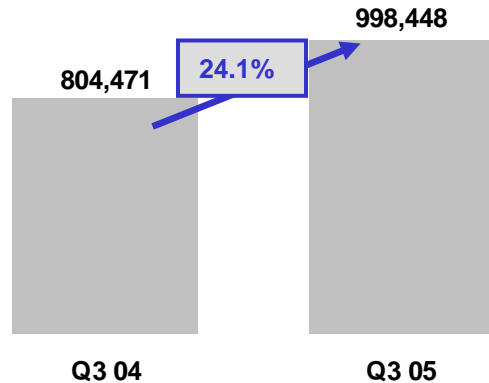
Continuous increase and further diversification in sustainable revenue streams as a result of expanding branch coverage and improved product capabilities

- Total non-interest income was YTL1,014 Million as of Q3 2005
- When trading income is excluded, non-interest income increased by 24.1% over Q3 2004, reaching YTL998 Million
- Net fee and commission income increased by 27.5% in Q3 2005 over Q3 2004; constituting 59.3% of total non-interest income
- Income from insurance business reached YTL117 Million in Q3 2005, increasing 34.3% over Q3 2004 and constituting 11.5% of non-interest income

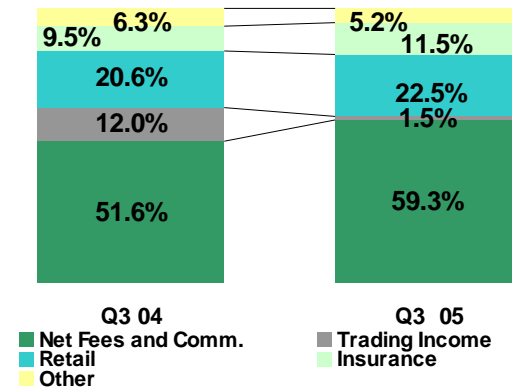
**Non-Interest Income**  
YTL Thousand



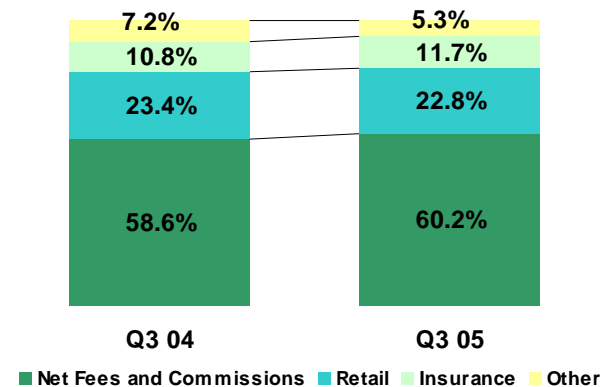
**Non-Interest Income Excl. Trading**  
YTL Thousand



**Composition of Non-Interest Income**  
%



**Composition of Non-Interest Income Excl. Trading**  
%



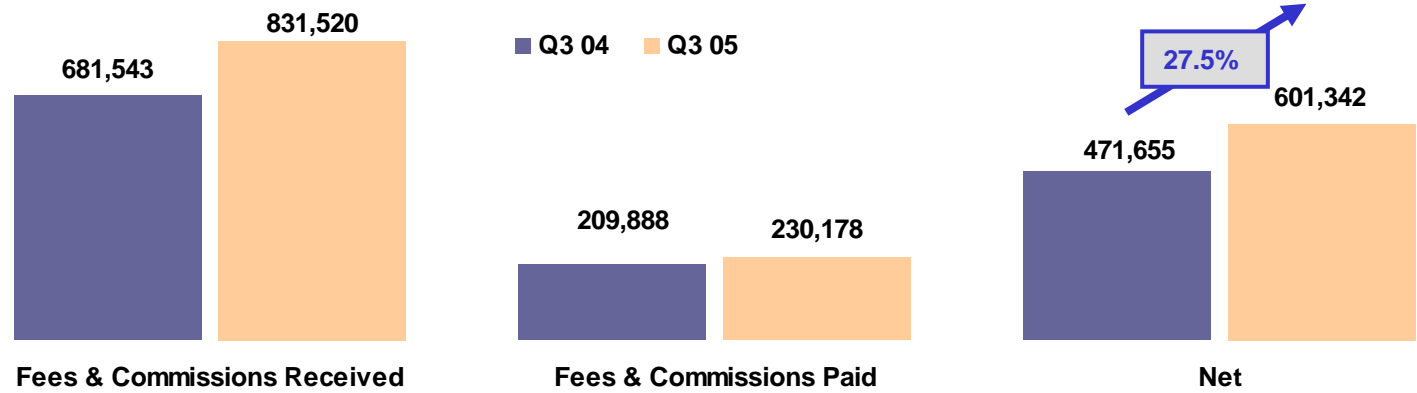
# Fees and Commissions

Continuing superior performance in customer-driven net fees and commissions

- Net fees and commissions increased by 27.5% in Q3 2005 over Q3 2004, reaching YTL601 Million
- Net fees and commissions to average assets reached 2.31%
- Net fees and commissions covered 52.7% of total operating expenses as of Q3 2005, compared to 45.5% in Q3 2004

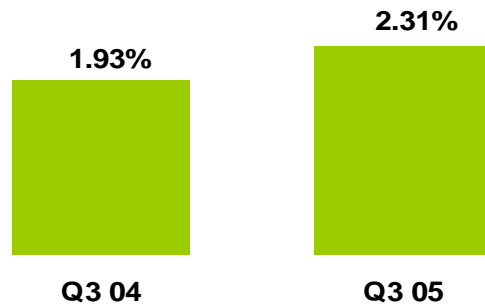
## Fees and Commissions

YTL Thousand



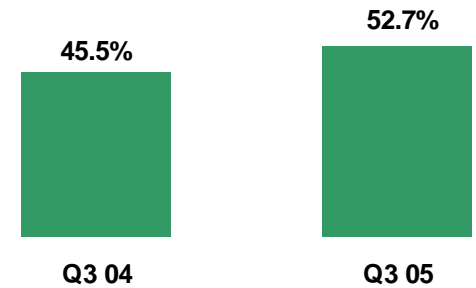
## Net Fees and Commissions / Average Assets

%



## Net Fees and Commissions / Operating Expenses

%



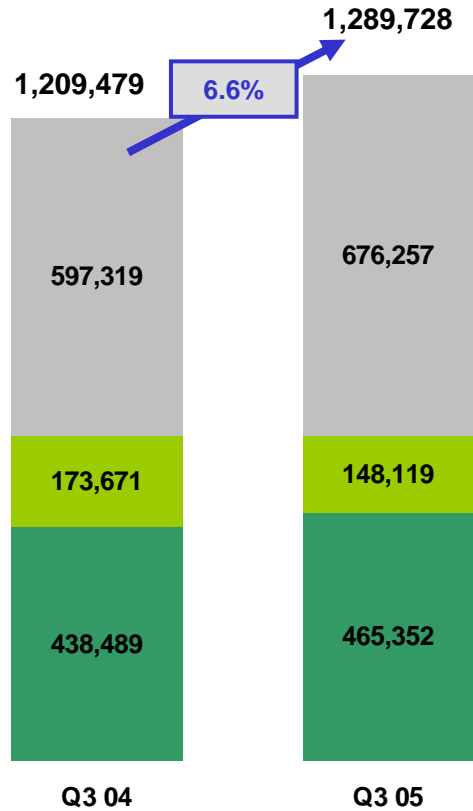


# Non-Interest Expenses

Managed cost growth in light of continuing branch expansion

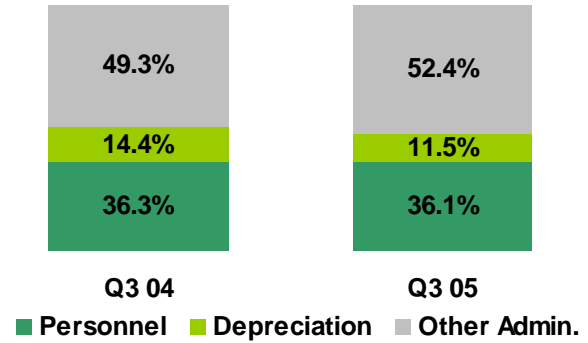
- Total non-interest expenses were YTL1,290 Million as of Q3 2005
- Personnel expenses registered 6.1% increase in line with the expanding branch network

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

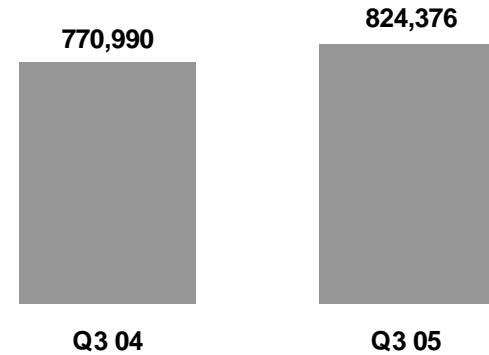


■ Personnel<sup>2</sup> ■ Depreciation ■ Other Admin.<sup>3</sup>

**Composition of Non-Interest Expenses**  
%



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



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

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

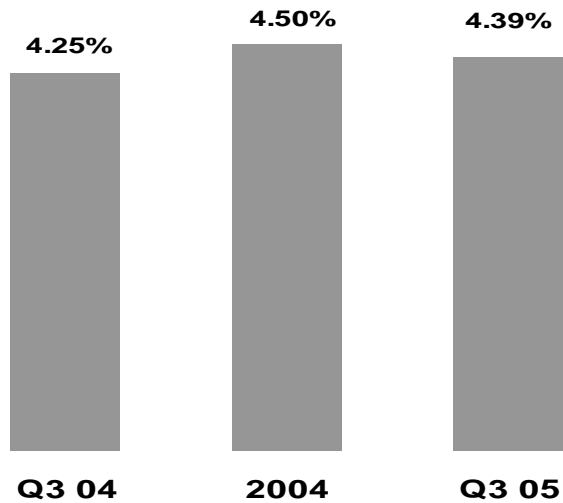
<sup>3</sup> Other administrative expenses are advertising, rent, EDP, SDIF, taxes and duties, utility, repair&maintenance, stationery, R&D and other operating expenses

# Operating Expenses and Cost/Income

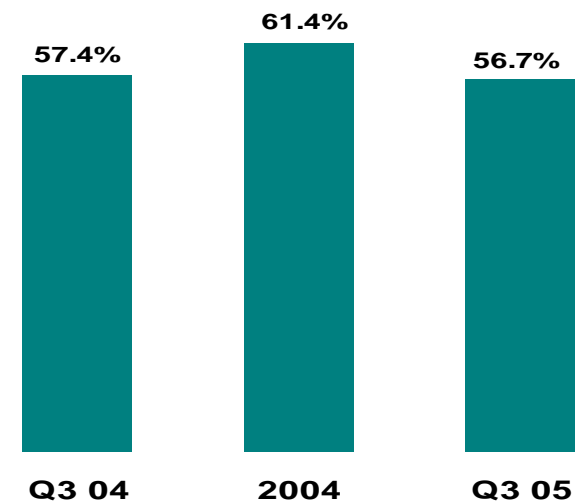
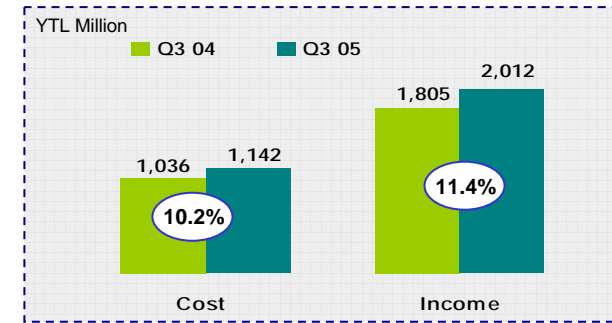
Maintaining strong expense control

- Opex/average assets ratio stood at 4.39% as of Q3 2005
- Positive revenue trends coupled with cost management and revenue enhancement measures resulted in a further improved Cost/Income ratio, which came down to 56.7% as of Q3 2005

Operating Expenses/Average Assets %



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



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

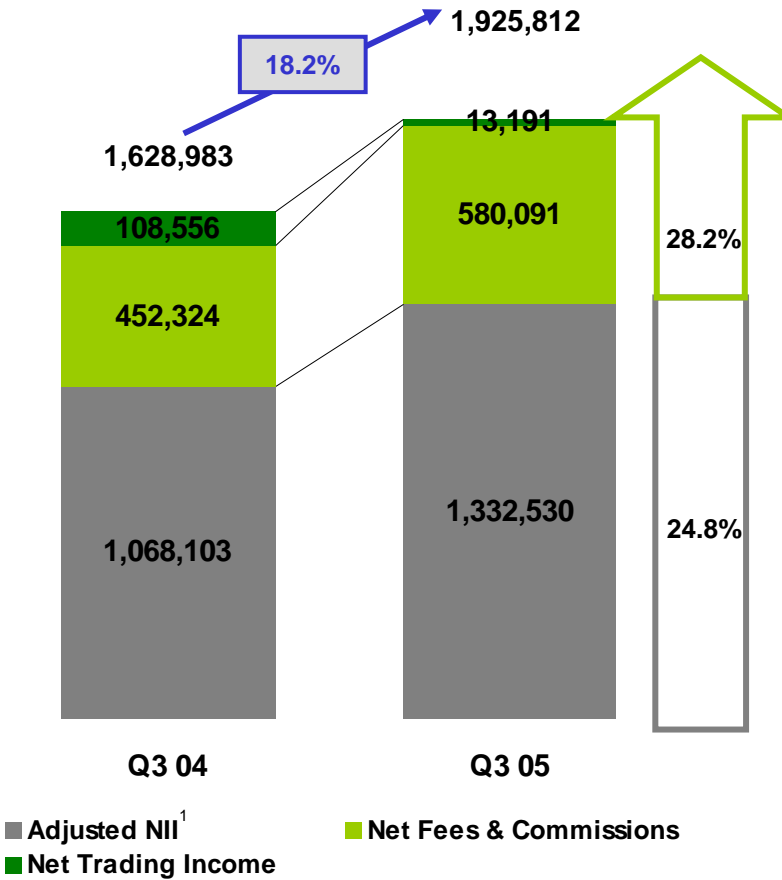
Segment Analysis

# Banking Segment

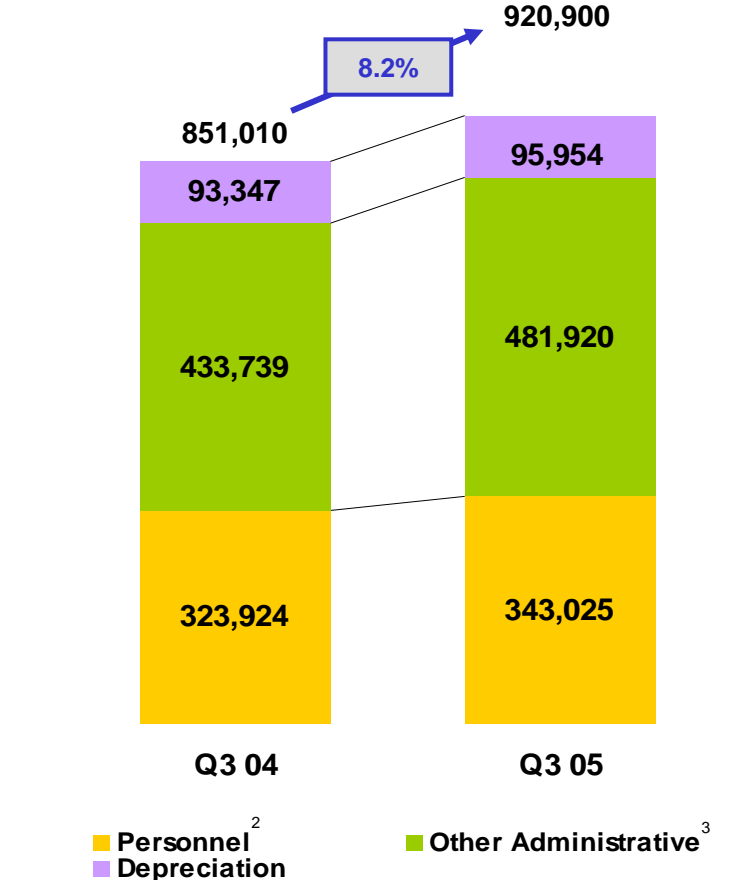
Ordinary banking income grew by 18.2%

- Ordinary banking income of the banking segment registered 18.2% increase in Q3 2005 over Q3 2004, reaching YTL1,926 Million
- Adjusted NII (adjusted by net fx gain and monetary gain/loss) of the banking segment registered 24.8% increase during Q3 2005 compared to Q3 2004, reaching YTL1,333 Million
- Net fee and commission income of the banking segment increased by 28.2% despite the already large base effect
- Personnel expenses increased by 5.9% over Q3 2004

Ordinary Banking Income-Banking Segment  
YTL Thousand



Non-Interest Expenses-Banking Segment  
YTL Thousand



1 Net Interest Income (NII) adjusted by net fx gain and monetary gain/loss

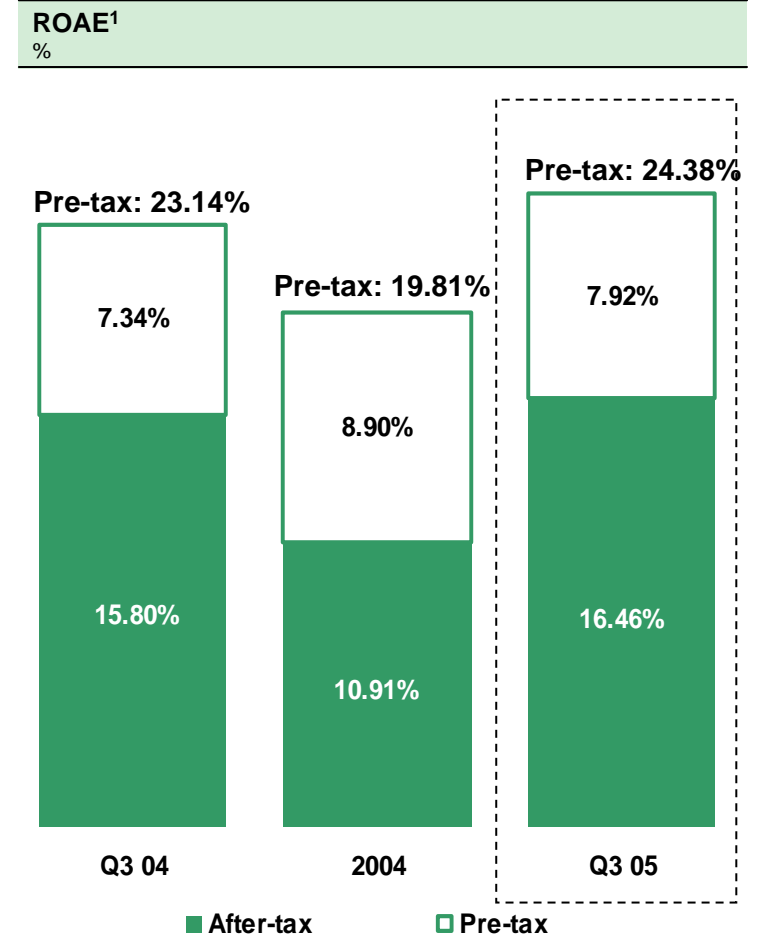
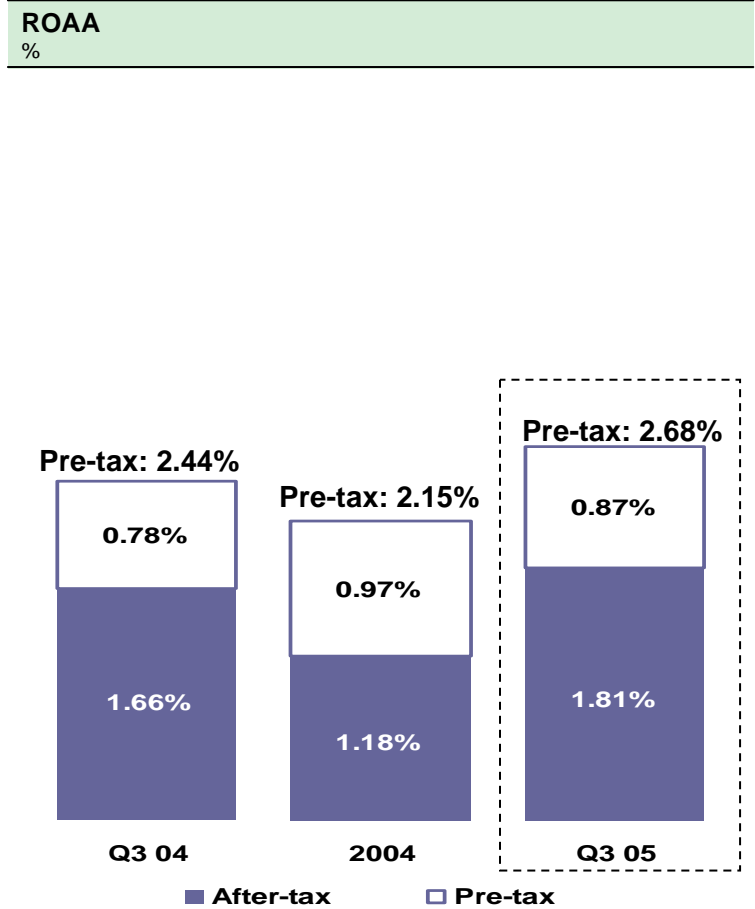
2 Personnel expenses include salaries and wages, employee benefits

3 Other administrative expenses are advertising, rent, computer usage, SDIF, taxes and duties, utility, repair and maintenance, R&D and other expenses

# ROAA and ROAE

Leveraging competitive strengths as well as broadening domestic reach and expertise paved the way for stronger return on assets and on equity

– Garanti’s pre-tax ROAA and ROAE strengthened to 2.68% and 24.38%, respectively as of Q3 2005



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

Consolidated Financial Performance – Income Statement

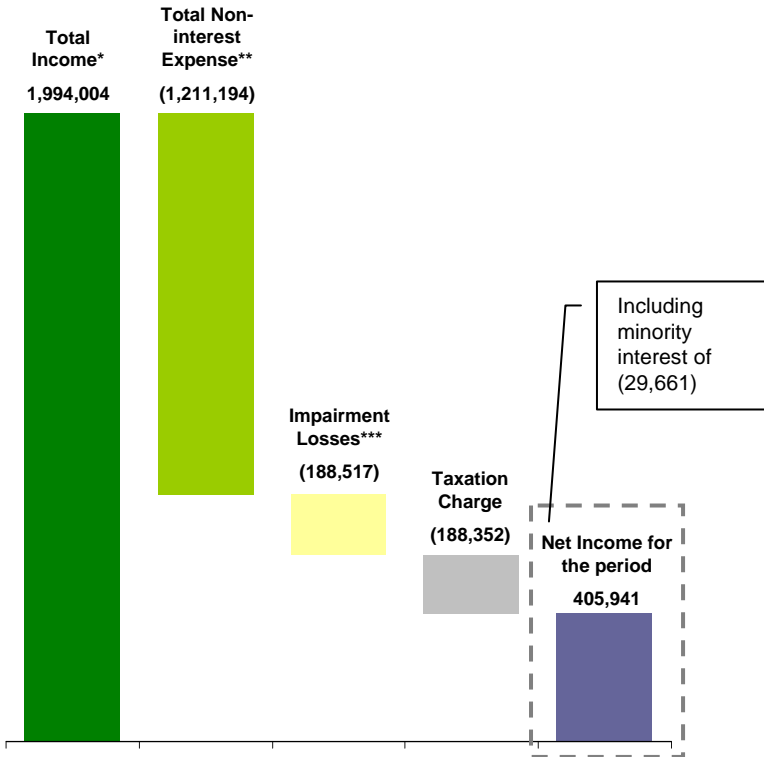
Profit / Loss

Net income increased by 15.6%, mainly driven by solid revenue growth

- Total income increased by 20.2% in Q3 2005, reaching YTL2,396 Million
- Consolidated net income for Q3 2005 increased by 15.6% compared to the same period of last year, reaching YTL469 Million

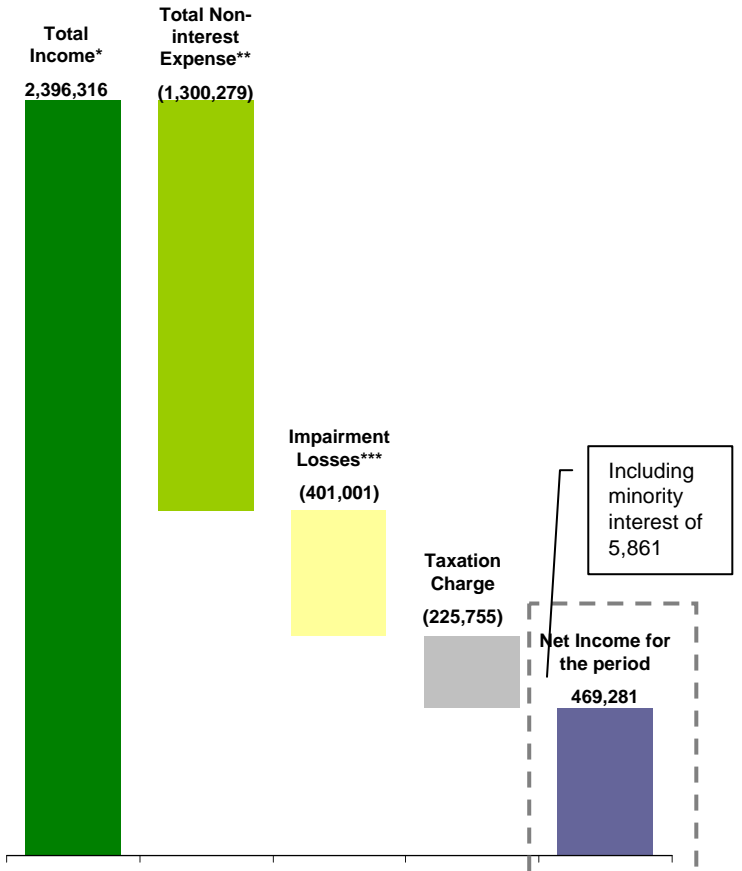
Q3 2004 Profit / Loss

YTL Thousand



Q3 2005 Profit / Loss

YTL Thousand



\* Adjusted by net fx gain/loss and net monetary gain/loss  
 \*\* Excluding impairment losses  
 \*\*\* Including loan loss provisions





# Garanti

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