



## **BRSA Earnings Presentation**

**March 31, 2006**

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## 2006 Q1 Performance Review

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## Solid Financial Performance

### Selected Financials

BRSA, YTL Million

Since year-end 2005;

- Total assets increased by 6.6%, reaching YTL38,830 million
- Total cash loans increased at a faster pace, 22.3%, reaching YTL20,429 million
- Total deposits increased by 9.1%, reaching YTL24,762 million
- ROAA and ROAE improved by 40 and 605 bps, respectively
- Cost / Income ratio significantly improved by 937 bps and decreased to 50.73%

	31/12/2005	31/03/2006	YTD
Total Assets	36,411	38,830	6.6%
Total Loans <sup>1</sup>	16,700	20,429	22.3%
Deposits	22,695	24,762	9.1%
Shareholders' Equity	3,900	4,154	6.5%
CAR	15.03%	13.62%	(141) bps
	31/03/2005	31/03/2006	Y-o-Y
Total Revenues <sup>2</sup>	714	762	6.7%
Operating Income <sup>3</sup>	410	419	2.2%
Net Income	150	251	66.9%
ROAE	18.86%	24.91%	605 bps
ROAA	2.27%	2.67%	40 bps
Cost / Income	60.10%	50.73%	(937) bps

<sup>1</sup> Performing Loans

<sup>2</sup> Total Revenues : NIM adjusted by FX gain/(loss) + Net non-interest income

<sup>3</sup> Operating Income : Total revenues – Operating expenses.

## Emphasis on Fee and Commission Income

### Selected Financials

BRSA, YTL Million

	31/03/2005	31/03/2006	Y-o-Y
– Net income growth was 66.9%			
– Adjusted NII was down by 16.0% in Q1-2006			
– Net fee and commission income increased by 48.7% over Q1-2005			
– Total revenues increased by 6.7%			
– Operating expense growth of 12.8% is mainly due to branch expansion			
– Year-over-year operating income growth was 2.2%			
Adj. Net Interest Income <sup>(1)</sup>	519,555	436,518	-16.0%
Net Fee & Commission Income	161,429	240,003	48.7%
Net Trading Income	1,724	41,297	n.m.
Other Non-Interest Income	30,955	43,976	42.1%
<b>Total Revenues</b>	<b>713,663</b>	<b>761,794</b>	<b>6.7%</b>
Operating Expenses	303,451	342,389	12.8%
<b>Operating Income</b>	<b>410,212</b>	<b>419,405</b>	<b>2.2%</b>
Provisions	208,772	86,897	-58.4%
Taxes	51,200	81,750	59.7%
<b>Net Income</b>	<b>150,240</b>	<b>250,758</b>	<b>66.9%</b>

<sup>1</sup> Adjusted for FX gain/(loss)

## Summary

### Balance Sheet Highlights

- Total assets were up by 6.6% as compared to YE 2005
- TL loans increased by 21.5%; while FC loans were up by 23.5% in US\$ terms over YE 2005
- Share of performing loans in total assets increased to 52.6% in Q1-2006 from 45.9% in YE 2005
- Share of consumer and SME segments in gross cash loans were 46.1%
- TL deposits increased by 17.3% in TL terms and FC deposits went up by 0.6% in US\$ terms as compared to YE 2005
- Shareholders' equity increased by 6.5%, reaching YTL4.2 Billion

### P/L Highlights

- Total revenues increased by 6.7% y-o-y
- Operating income was up by 2.2% as compared to a year ago
- Net fee and commission income was up by 48.7% on an annual basis, and up by 18.5% on a quarterly basis
- Net fee and commission income covered 70.1% of operating expenses in Q1-2006, compared to 53.2% in Q1-2005
- Net income was YTL250.8 Million
- Cost / Income ratio improved to 50.7% in Q1-2006, down from 60.1% in Q1-2005
- ROAA and ROAE were 2.67% and 24.91%, respectively



## 2006 Q1 Performance – Balance Sheet

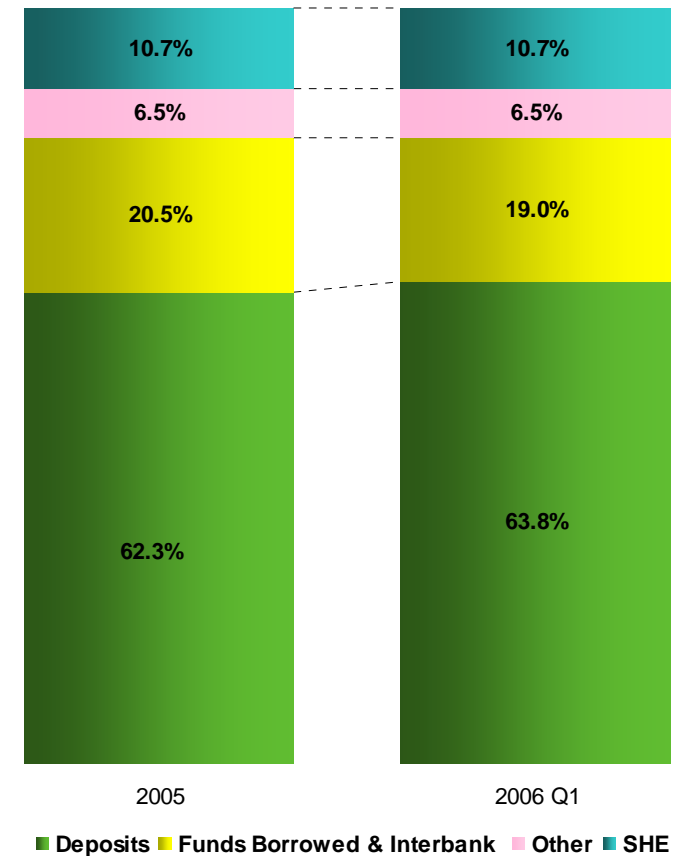
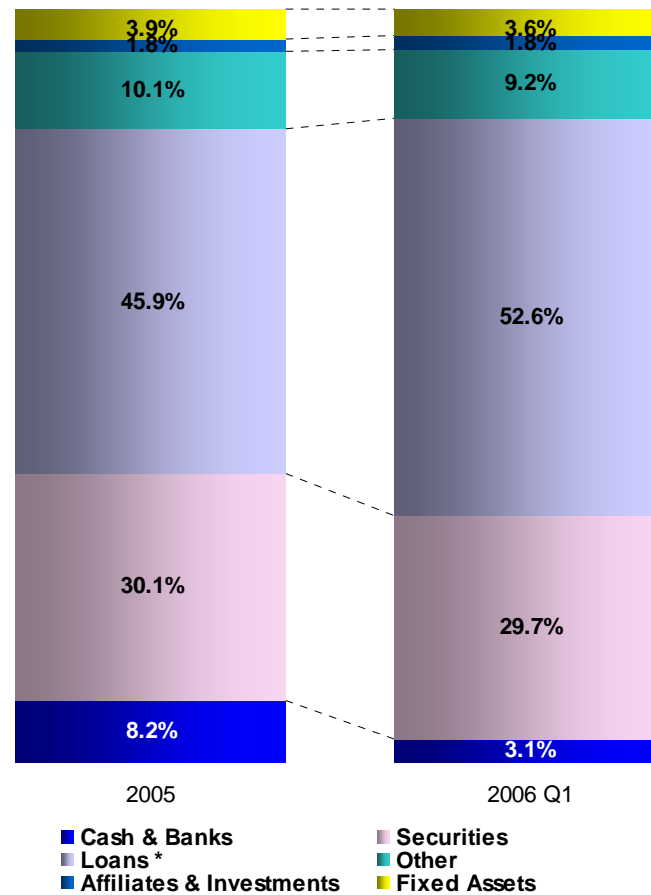
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# Loans Contribute More Than Half of the Assets

Composition of Total Assets

Composition of Total Liabilities and SHE

- Garanti's asset size stood at US\$29,152 million in US\$ terms at Q1-2006
- Share of loans in total assets increased by another 675 bps reaching 52.6% in Q1-2006
- Securities composed 29.7% of the assets
- Total deposits made up 63.8% of total liabilities and SHE
- On the liability side, share of funds borrowed and interbank decreased, contributing 19.0% of the liability mix
- Share of shareholders' equity in total liabilities and SHE was stable at 10.7%



\*Throughout the presentation, loans refer to performing loans only

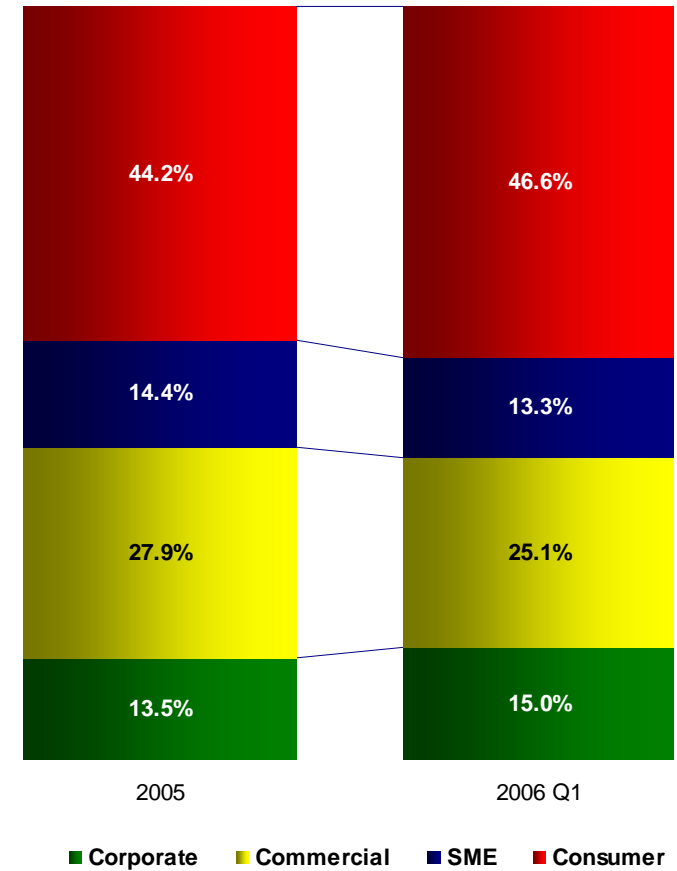
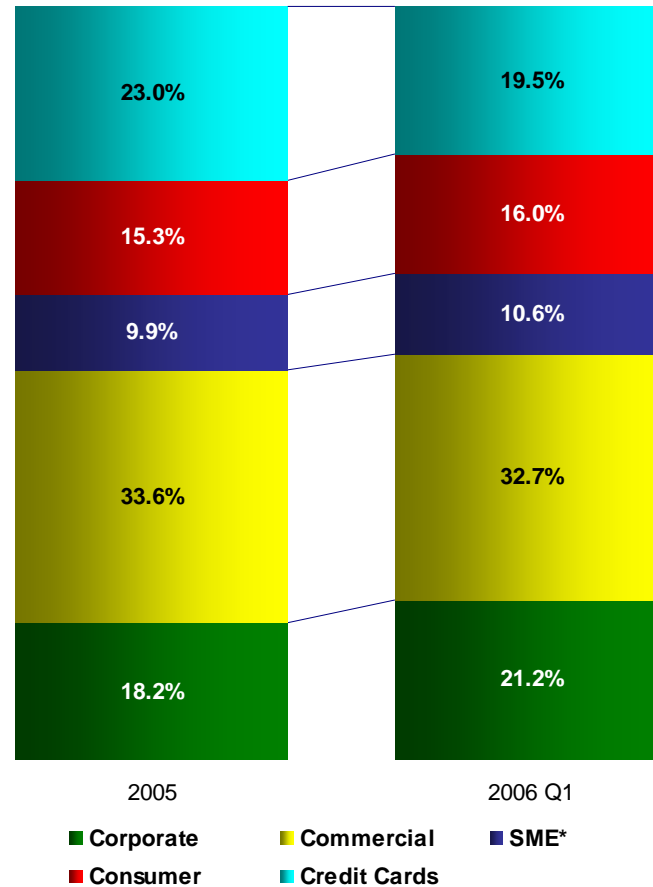


# Loans to Retail Segment Make Up Almost Half of the Total

Breakdown of Loan Portfolio by LOB

Breakdown of Deposits by LOB \*\*

- Loans to retail segment composed of credit cards, consumer loans and SMEs contribute nearly half of the cash loan portfolio (46.1%)
- Share of credit cards decreased to 19.5% in Q1-2006 from 23.0% in 2005 due to faster increase in consumer loans and SMEs
- Corporate loans in total loans increased 300 bps mainly due to strong performance in FC working capital and project finance loans in Q1-2006
- Consumer and SME segment deposits composed 59.9% of total deposits



\*Per Garanti, SMEs are defined as those companies with annual turnover less than US\$ 5mm

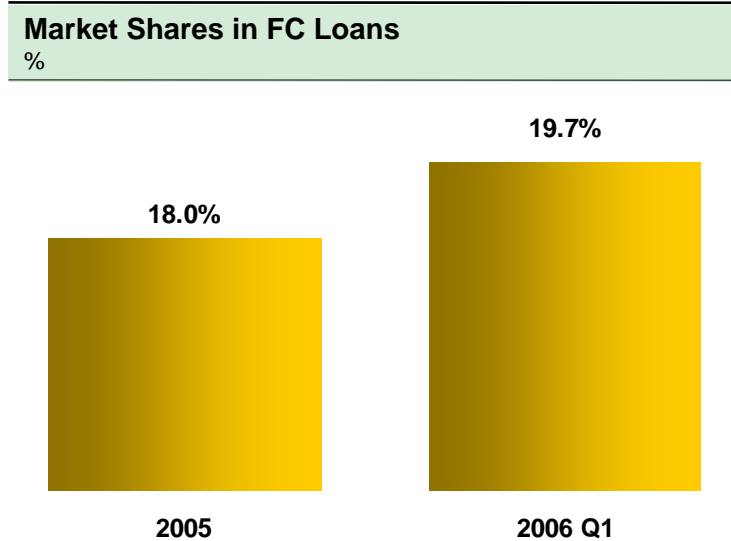
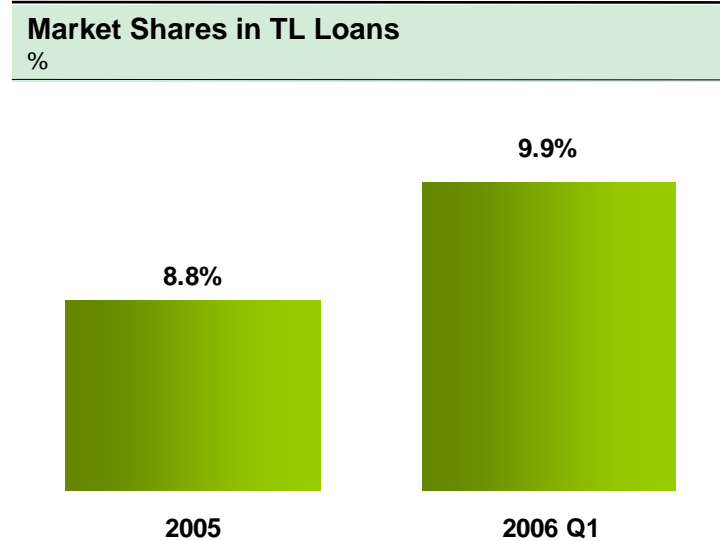
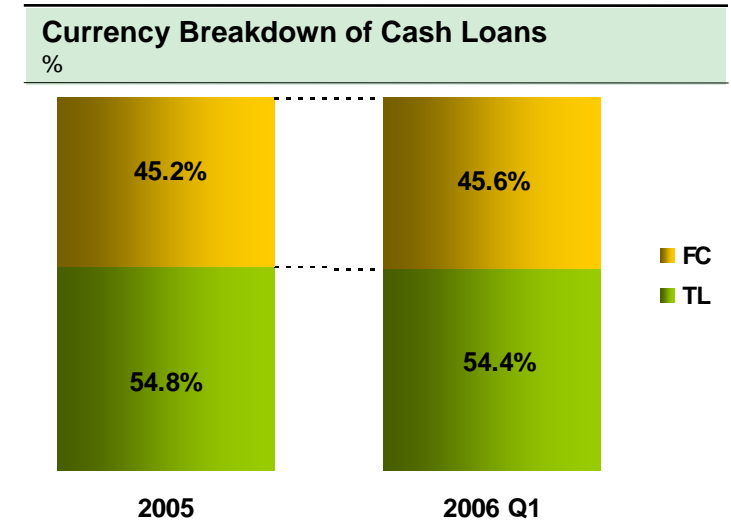
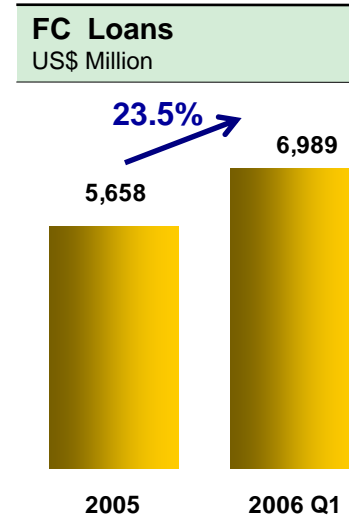
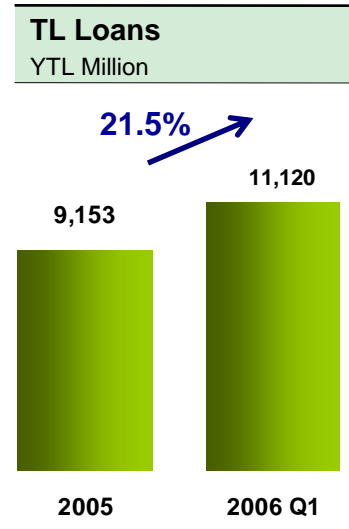
\*\* Excludes bank deposits





# Significant Loan Growth Performance

- During the first quarter of 2006, TL loans surged by 21.5% and FC loans in US\$ terms increased by 23.5%
- Year-over-year increase in TL and FC loans were 98.1% and 63.5%, respectively
- Currency breakdown of loans remained flat
- Garanti realized a sizeable increase in both TL and FC loan market shares. In the first quarter, its share in TL and FC loan market increased 110 bps and 170 bps, respectively

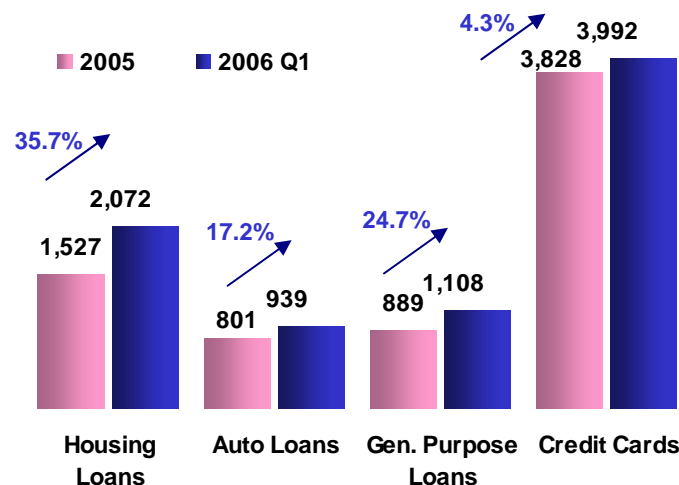


## Growth in Consumer Lending is at Faster Pace

- Consumer loans (excluding credit cards) increased at a fast pace by 28.1% YTD
- Credit card growth in Q1 was above market growth, at 4.3%
- Due to faster growth rates experienced in consumer loans, share of credit cards in total consumer loans decreased by 512 bps to 49.2%, whereas share of housing loans increased to 25.5% at Q1-2006
- Total consumer loans, including credit cards, increased by 15.1% YTD and 101.2% Y-o-Y
- Garanti's market share in housing, auto and general purpose loans increased 40 bps, 170 bps and 50 bps, respectively

### Consumer Loans

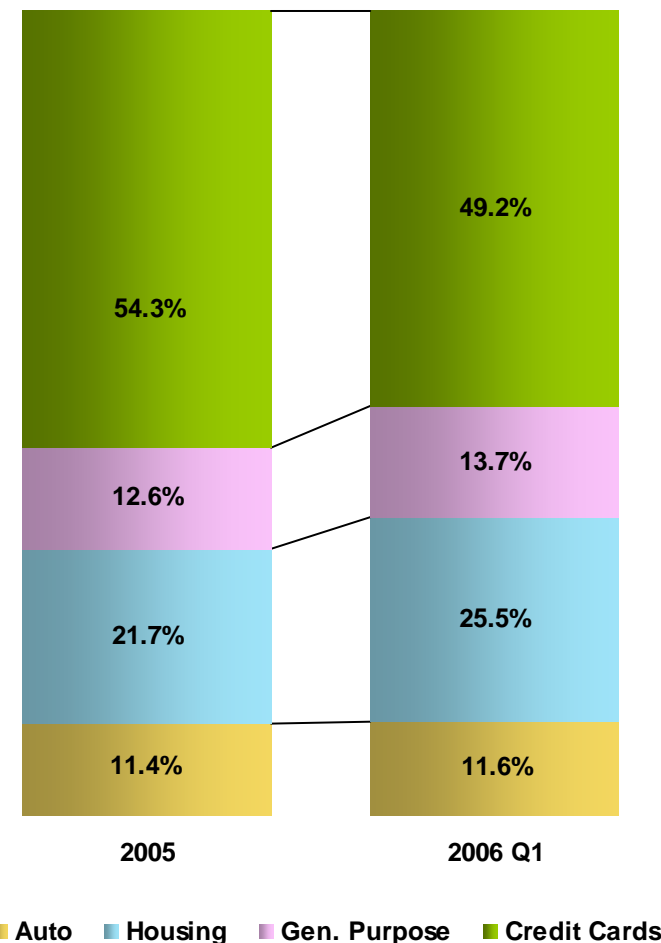
YTL Million



### Market Shares

	31/12/2005	31/03/2006	YTD Δ
Housing Loans	12.4%	12.8%	40 bps
Auto Loans	14.7%	16.4%	170 bps
General Purpose	7.8%	8.3%	50 bps
Consumer Loans	11.3%	12.0%	70 bps

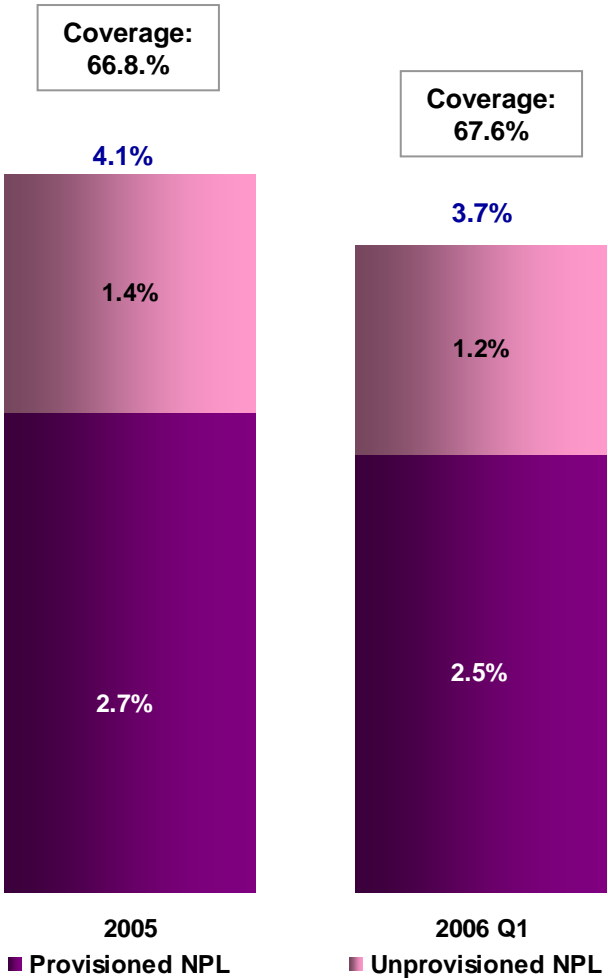
### Composition of Consumer Loans



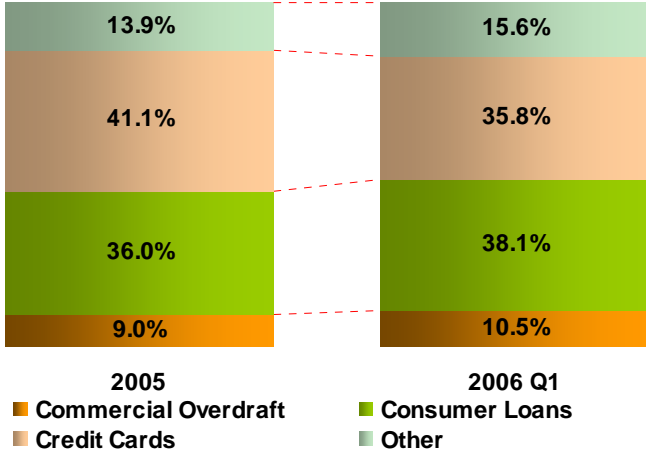
# Stronger Asset Quality

- NPL ratio improved 40 bps to 3.7% in Q1-2006, and the coverage ratio slightly increased to 67.6%
- Share of consumer loans in TL loans increased to 38.1% in Q1-2006 from 36.0% at YE2005, whereas share of credit cards were down by 530 bps during the same period
- Working capital loans composed 58.0% of FC cash loans in Q1-2006. Participations in the major privatizations are recorded as working capital loans

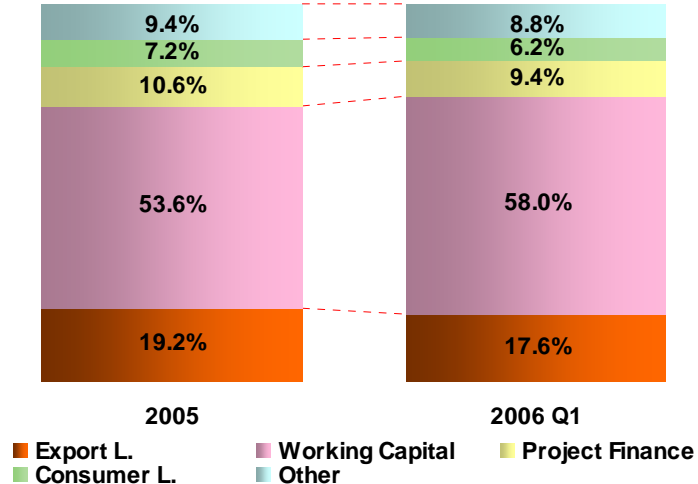
**NPLs**  
NPL % of gross cash loans



**Composition of TL Cash Loans**

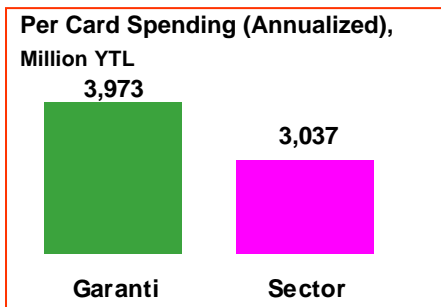
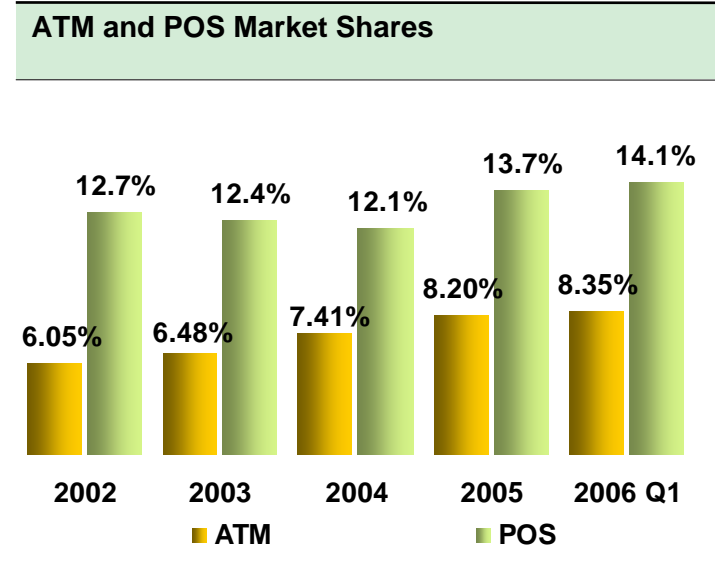
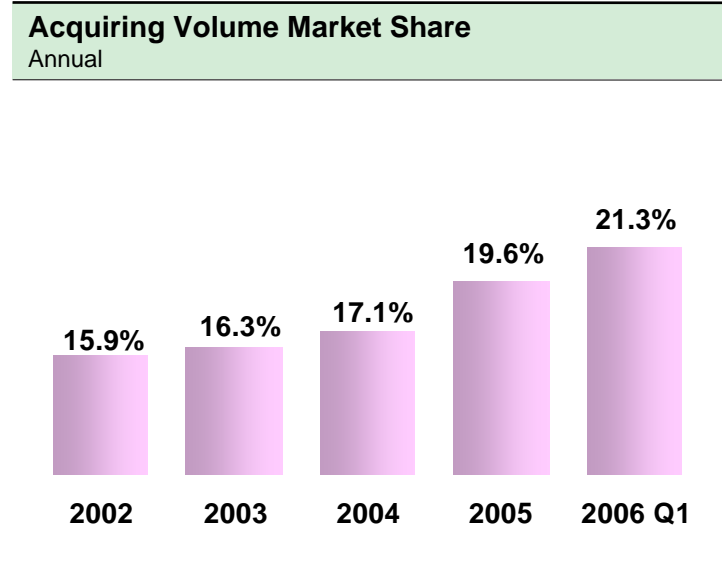
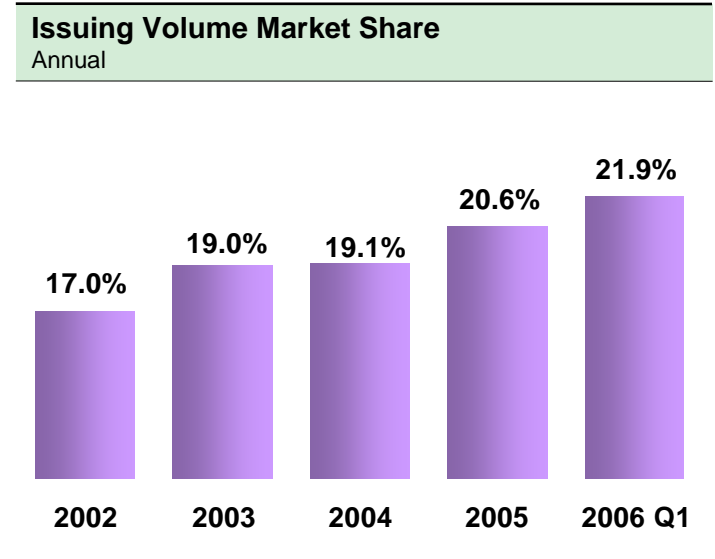
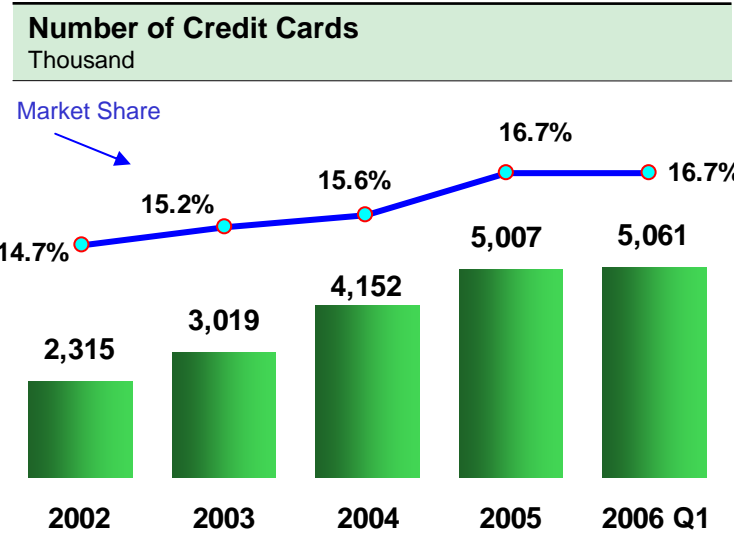


**Composition of FC Cash Loans**



# Continuous Stream of Innovative Offerings

- Garanti continued to increase its market share both in issuing and acquiring volumes
- Garanti's success in growing its market share is derived from its ability to offer a continuous stream of innovative products
- Flexicard, the first card in Europe allowing customers to custom design their credit card in accordance with their specific financial needs was launched in January 2006



# Growing Customer Funds

**TL Deposits**  
YTL Million

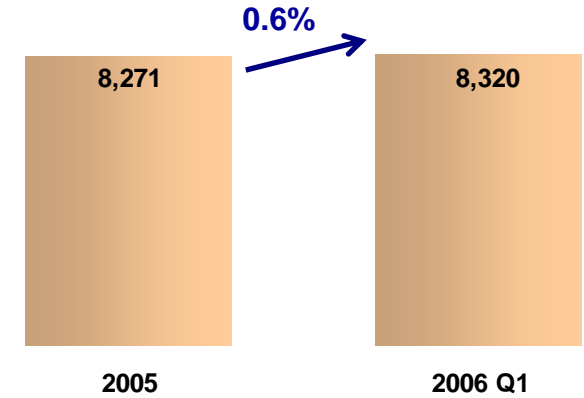
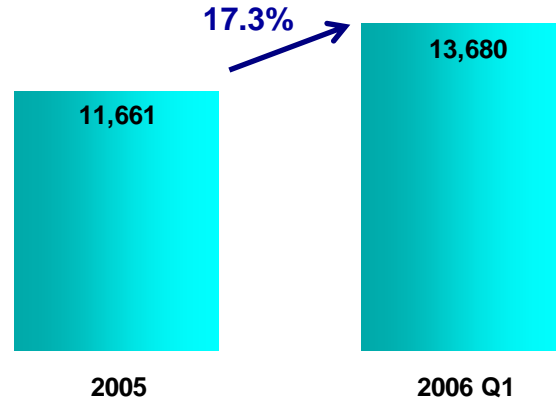
**FC Deposits**  
US\$ Million

– TL deposits increased by 17.3% in Q1-2006 and 60.6% over Q1-2005 year, reaching YTL 13,680 Million

– FC deposits in US\$ terms were up by 0.6% YTD

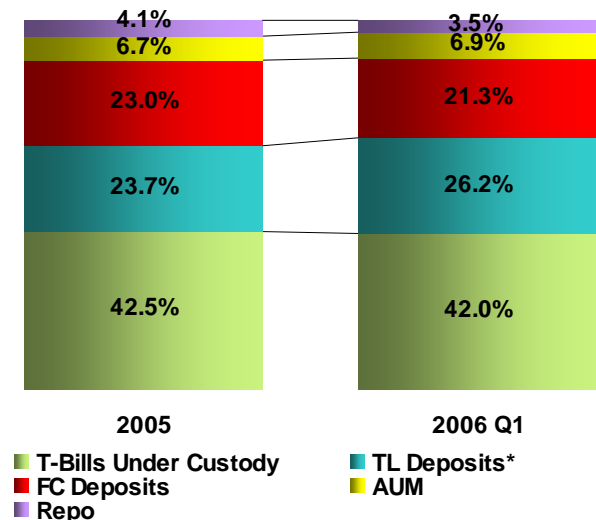
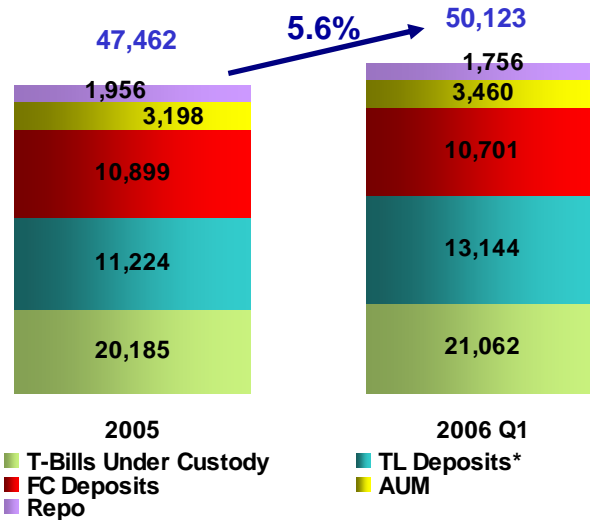
– Total customer funds increased by 5.6% during the first quarter, reaching YTL50,123 Million

– Share of T-bills under custody stood at 42.0%, whereas TL and FC deposits' share in total remained the same at 47.5%



**Total Customer Funds**  
YTL Million

**Composition of Total Customer Funds**

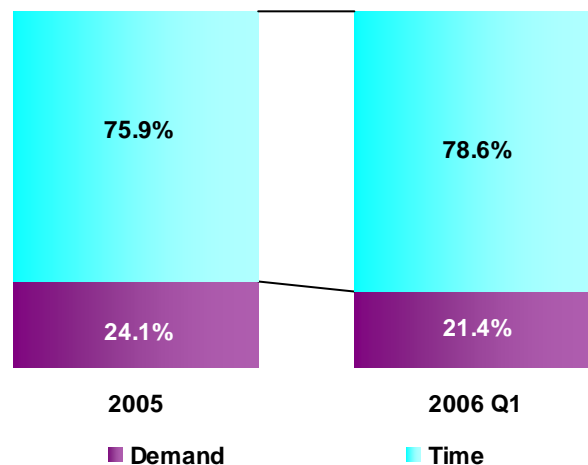


\*Excluding bank deposits

## Favorable Deposit Mix

- Share of TL deposits in total deposits continued to increase and reached 55.2% as of Q1 2006
- Garanti managed to increase its market share in TL deposits; from 7.4% in 2005 to 8.0% in Q1-2006
- Market share in TL and demand deposits were up by 60 bps each, whereas market share in total deposits increased by 20 bps in Q1-2006

### Demand vs Time Deposits



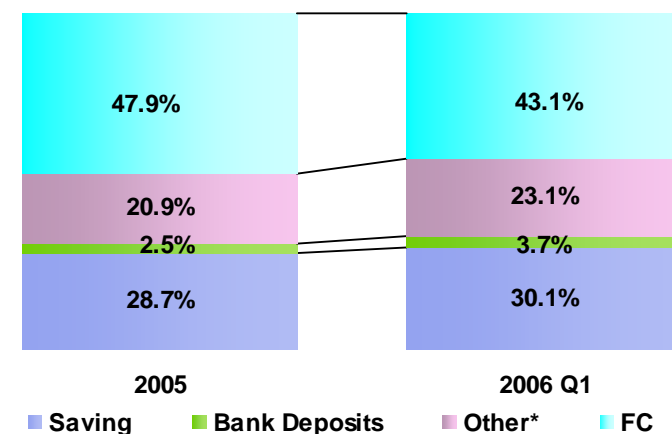
### Currency Composition of Deposits



### Market Shares

	<u>31/12/2005</u>	<u>31/03/2006</u>	<u>YTD Δ</u>
TL Deposits	7.4%	8.0%	60 bps
FC Deposits	12.2%	12.0%	(20) bps
Demand Deposits	10.9%	11.5%	60 bps
Total Deposits	9.2%	9.4%	20 bps

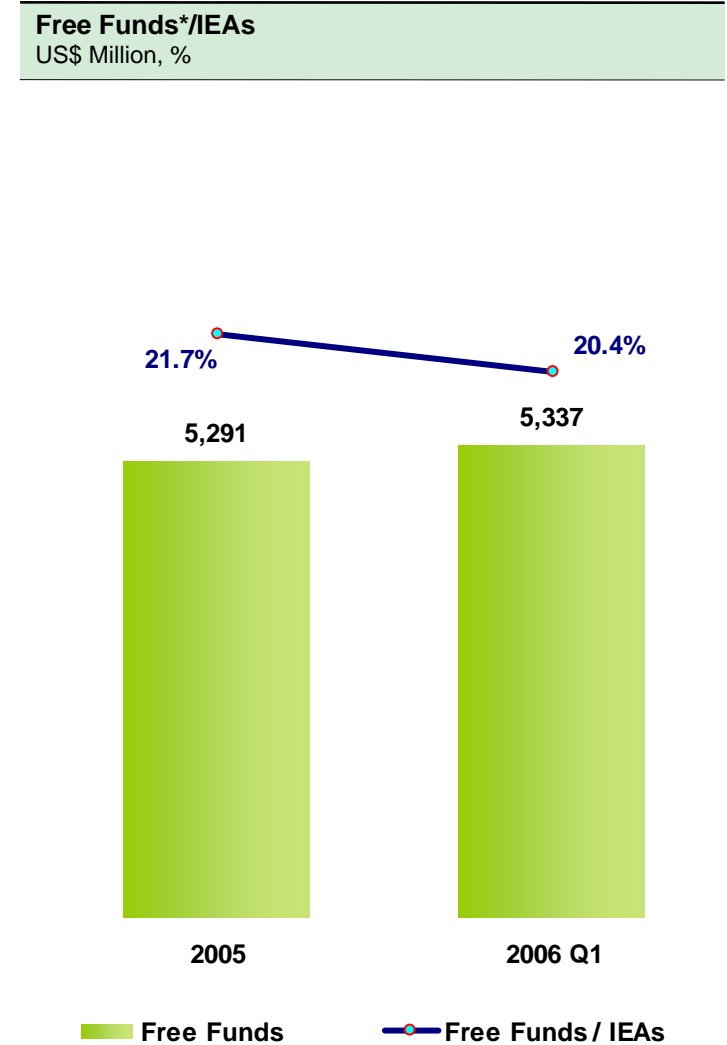
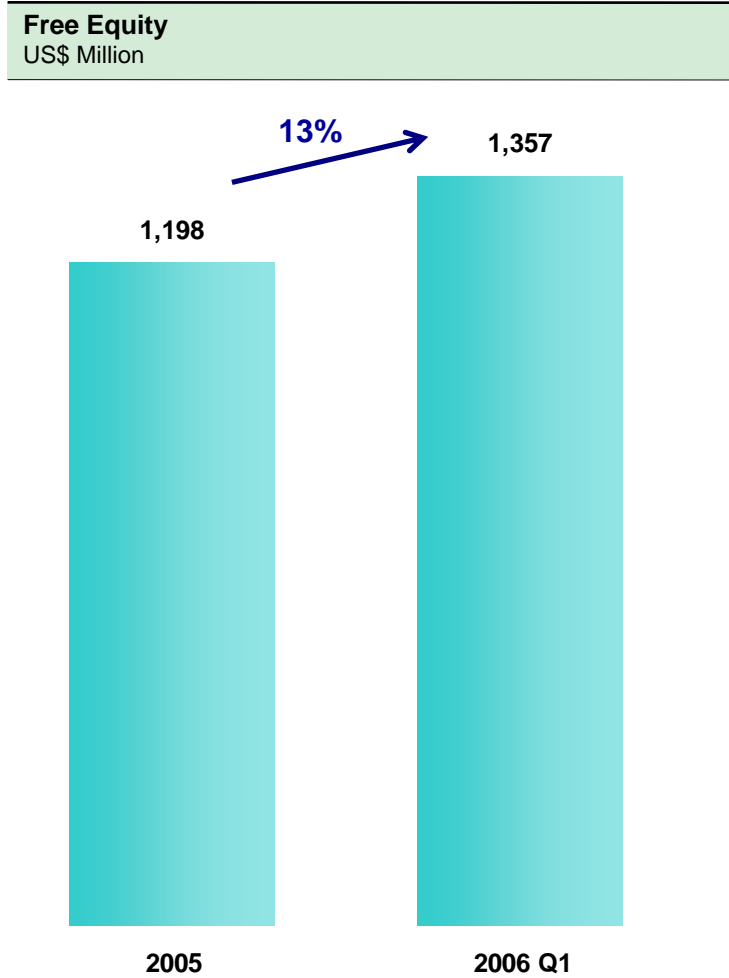
### Composition of Deposits



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

# Significant Improvement in Free Equity

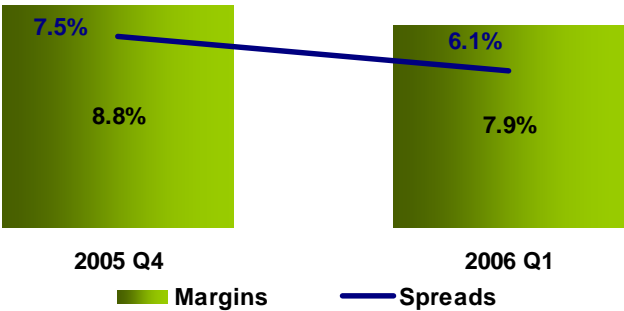
- Free equity increased to US\$1,357 million in Q1-2006
- Free funds went up slightly in Q1-2006 and stood at US\$5,337 million
- Ratio of free funds to interest earning assets was 20.4% in Q1 2006



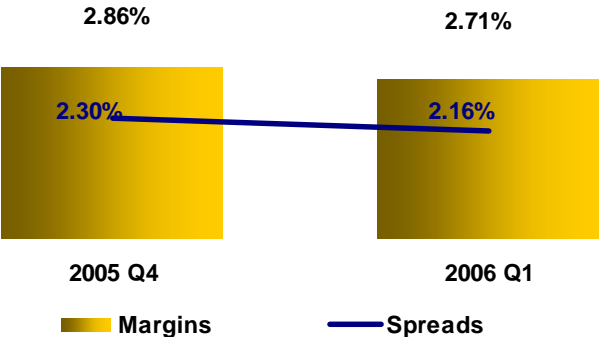
\*Free Funds : Free Capital + Demand Deposits

# Increasing Share of Higher Margin TL Assets Against Margin Pressure

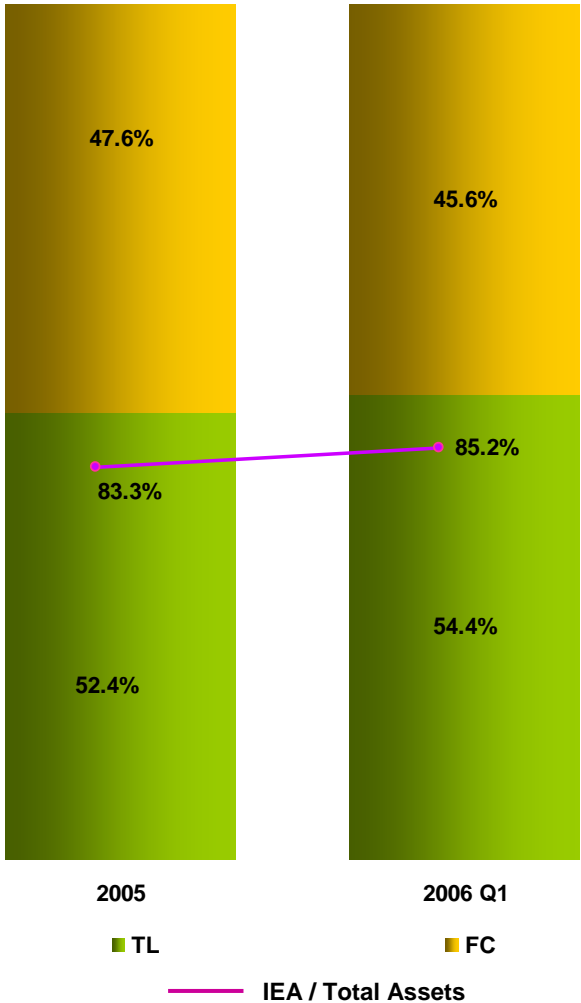
TL Balance Sheet



FC Balance Sheet



TL / FC Breakdown of Assets







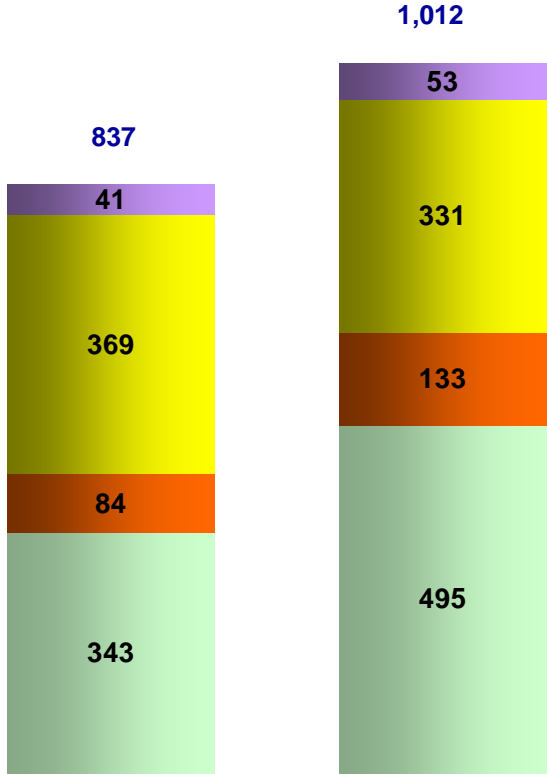
## 2006 Q1 Performance – P/L

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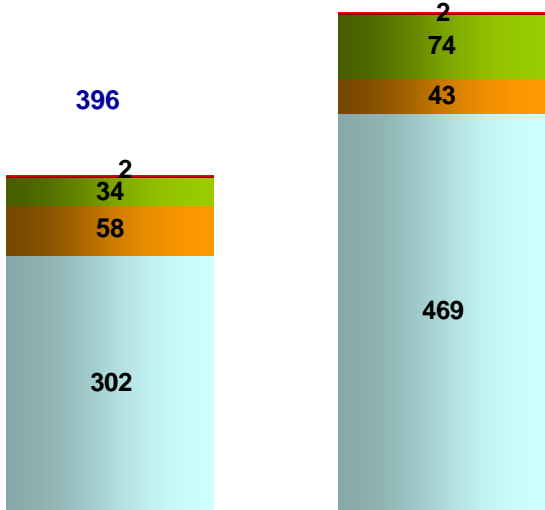
# Real Banking Focus

- Interest earned on total loans composed 62.3% of interest income in Q1-2006, as compared to 51.0% in Q1-2005
- Interest paid to deposits composed 79.8% of interest expense in Q1-2006

**Interest Income**  
YTL Million



**Interest Expense**  
YTL Million



■ TL Loans ■ FC Loans ■ Securities ■ Other

■ Deposits ■ Interbank ■ Funds Borrowed ■ Other

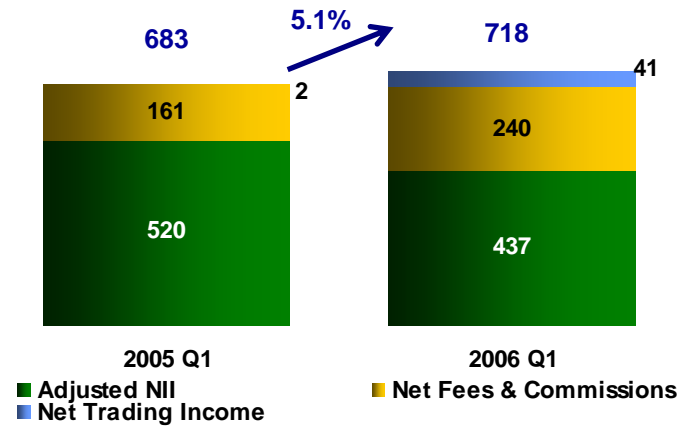


# Significant Growth in Sustainable Revenues

- Ordinary Banking income YTD was YTL718 Million
- Share of sustainable / customer – driven income in ordinary banking income increased further to 77.8% in Q1-2006 from 64.4% in Q1-2005

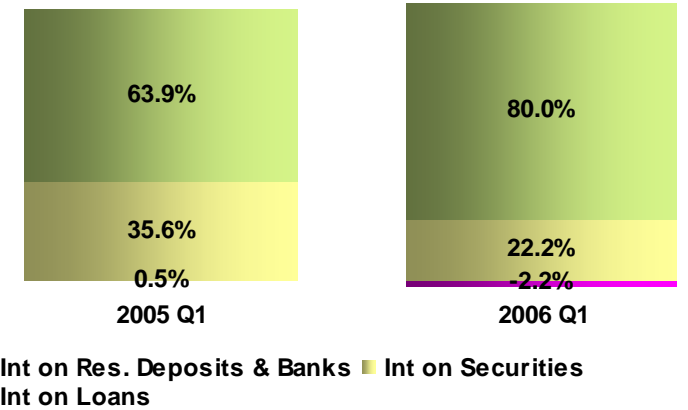
## Ordinary Banking Income

YTL Million



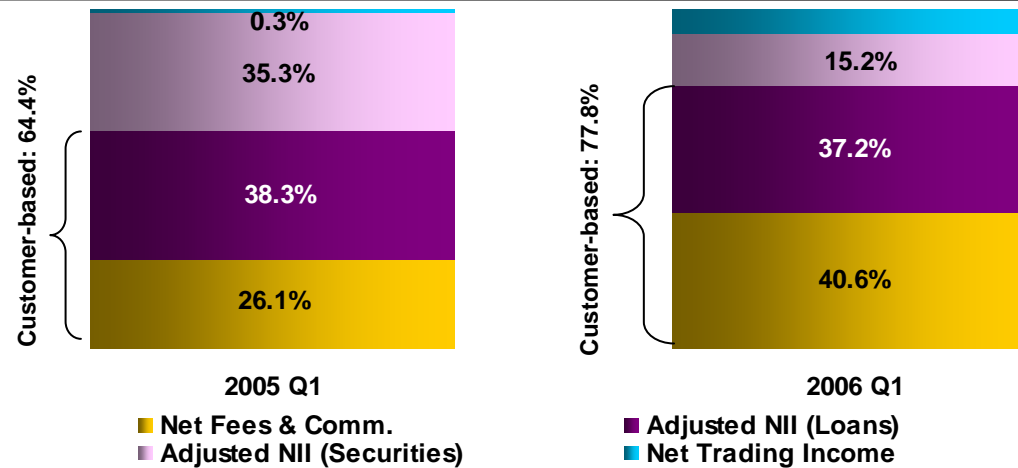
NII adjusted by FX Gain/ (Loss)

## Composition of Adjusted NII



Based on MIS criteria

## Composition of Ordinary Banking Income\*



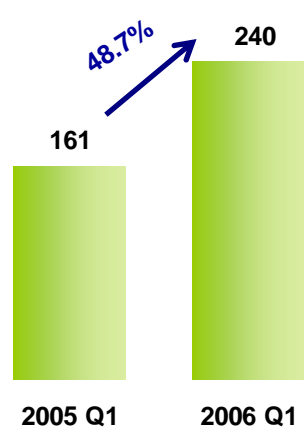
\*Based on MIS criteria, reflecting the reclassification of accrued interest on securities sold



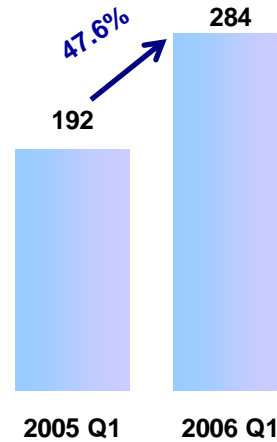
# Notable Increase in Fee and Commission Income

- Net fee and commission income increased by 48.7% over Q1-2005, and 18.5% over Q4-2005
- 73.8% of non-interest income is from net fee and commission income
- Despite large growth in average assets net fee and commission income to average assets went up to 2.55% in Q12006 from 2.44% in Q1-2005
- Net fee and commission income covers 70.1% of operating expenses in Q1-2006 whereas this coverage ratio was 53.2% a year ago

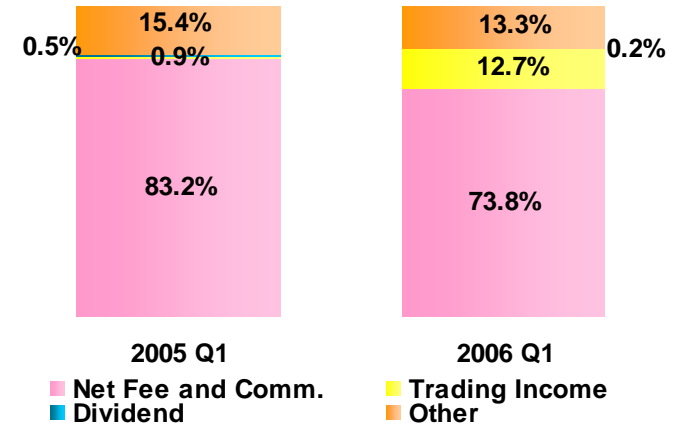
**Net Fee & Com. Income, YTL Million**



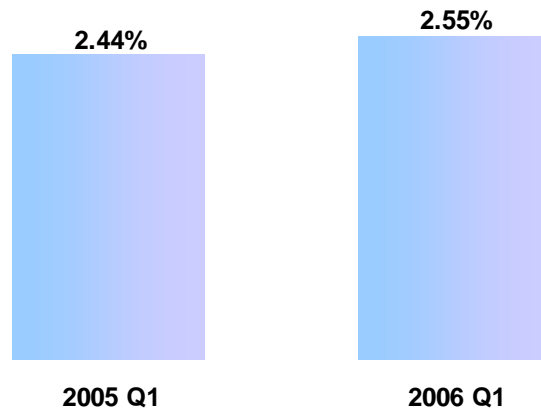
**Non-Interest Inc. Excl. Trading Inc., YTL Million**



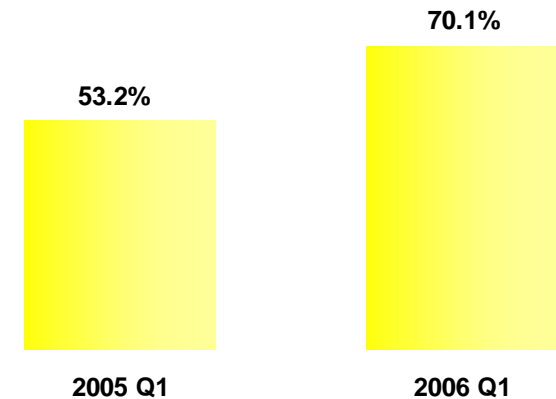
**Composition of Non-Interest Income**



**Net Fee and Commission Income / Average Assets**



**Net Fee and Commission Income / Operating Expenses**

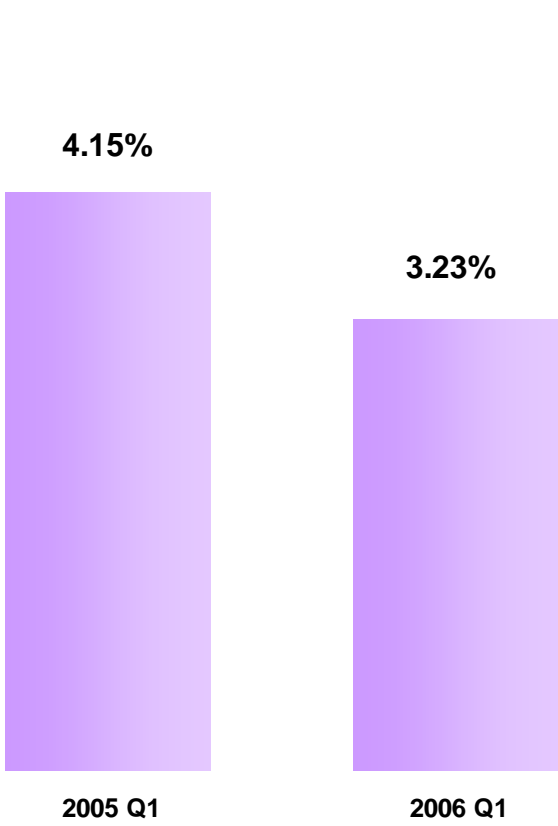
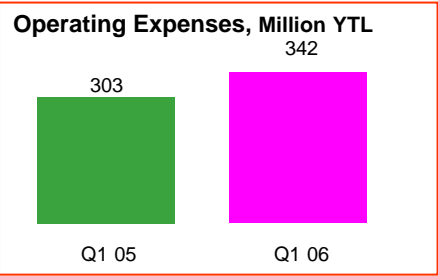


# Significant Improvement in Operating Expense Ratios

## Operating Expenses / Average Assets

## Cost / Income Ratio

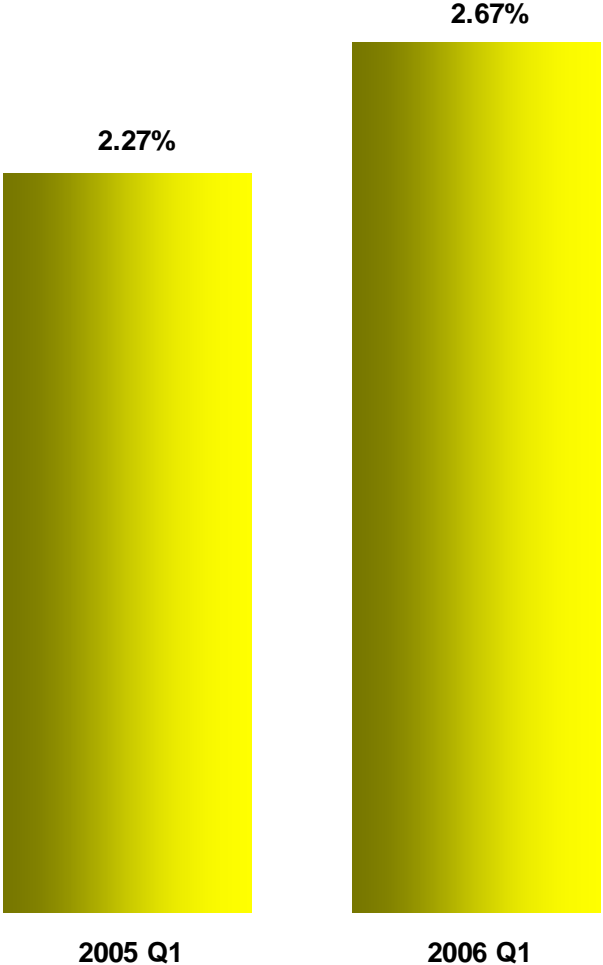
- Although operating expenses increased by 12.8% y-o-y, mainly due to new branch openings, operating expenses to average assets improved to 3.23% in Q1-2006 from 4.15% in Q1-2005
- Cost / Income ratio improved to 50.7% in Q1-2006 down from 60.1% in Q1-2005



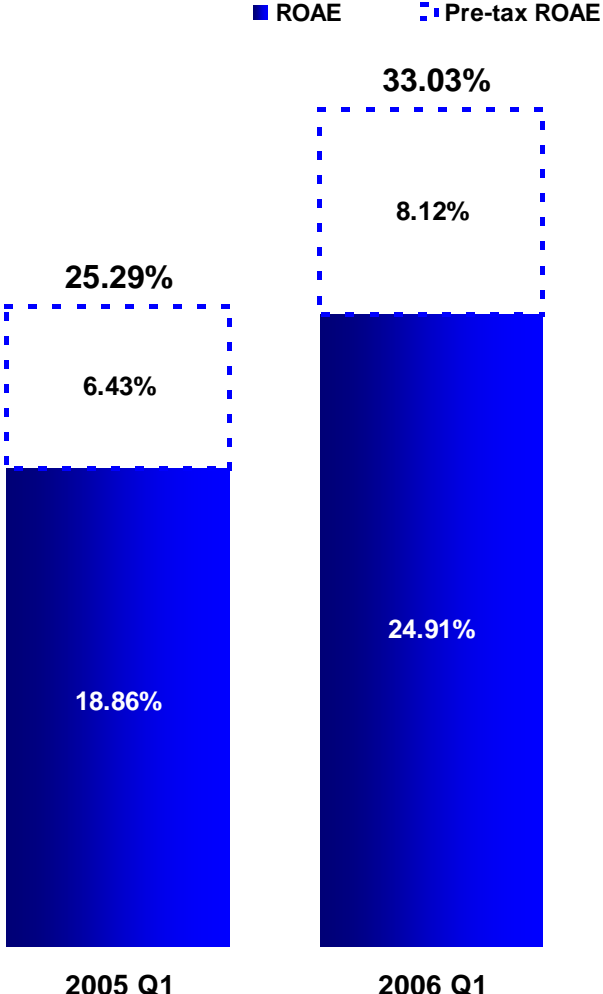
# Solid Profitability Ratios

- ROAA and ROAE were 2.67% and 24.91%, as of Q12006

## Return on Average Assets



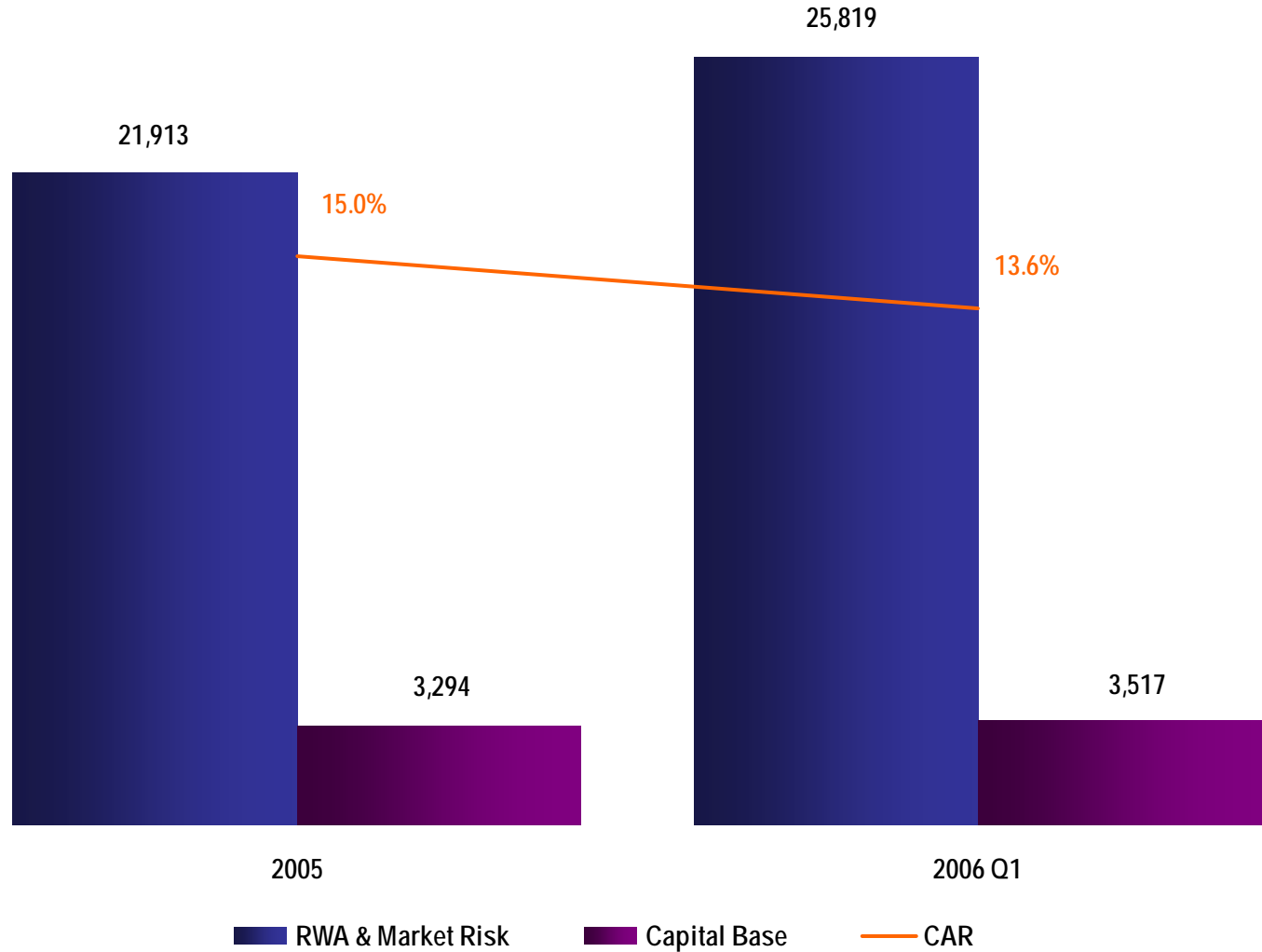
## Return on Average Shareholders' Equity



# Capital Adequacy – At Comfort Levels

– Garanti’s capital adequacy ratio stood at 13.6% as of Q1 2006, well within the comfort zone

RWA +Market Risk, Equity Base and CAR  
%, YTL Million





**Garanti**

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