



**BRSA Consolidated Earnings Presentation**

**June 30, 2007**

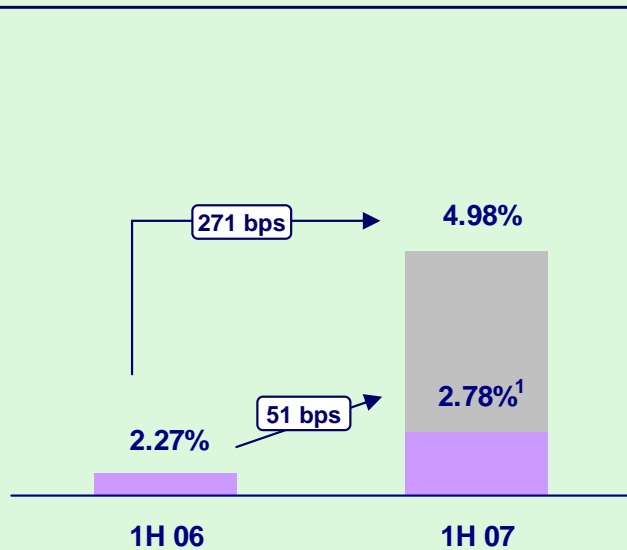
*Keeps delivering  
outstanding results...  
not only through  
strategic moves,  
... but also through  
customer driven  
organic growth*

# 1H07 -- Record of Consistent Value Creation

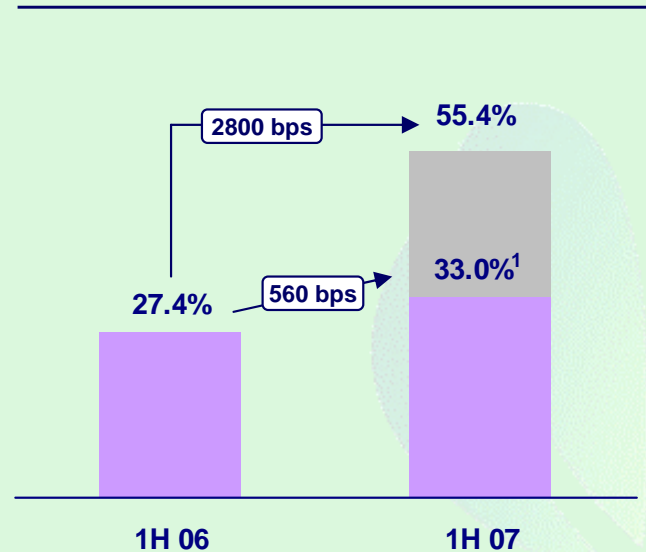
- Volume growth **momentum in high yielding loans** – above sector —————> **market share gains**
- **Positive impact of re-pricing**
  - Increasing yield on loans and securities
  - Flattening curve on cost of funding —————> **margins expanding**
- Net fees and commissions' **quarterly sequential growth momentum** continues
- Customer driven sources of income which are mainly **sustainable revenue sources** constitute **85.3% of the total ordinary banking income**
  - The contribution to the banking income from securities book dropped to 14.7% from 23.2% (adjusted NII from securities plus trading income)
- **Despite branch openings, operating expense growth is under control.** Cost/Income ratio<sup>1</sup> for the quarter is 770 bps better than the ratio in the same period last year
- **Record profitability.** Y-o-y normalized<sup>1</sup> ROAA and ROAE improved by 51 bps and 560 bps reaching 2.78% and 33.0%, respectively
- **5% expansion in free funds** has been realized in the second quarter due to sale of stakes in insurance and pension & life business subsidiaries.
- **Stronger capital base** with CAR 13.5%
- Effects yet to be seen on:
  - **The sale** of 80% stake in **insurance subsidiary** and 15% stake in **pension & life business subsidiary** for total cash proceeds of **€465 mn.** received on **June 21st**
  - **The sale of custody business** serving foreign institutional investors to Deutsche Bank for an **upfront payment of USD115 mn.** received in **Q3**

# Outstanding Profitability -- With and Without One-off Gains...

## ROAA

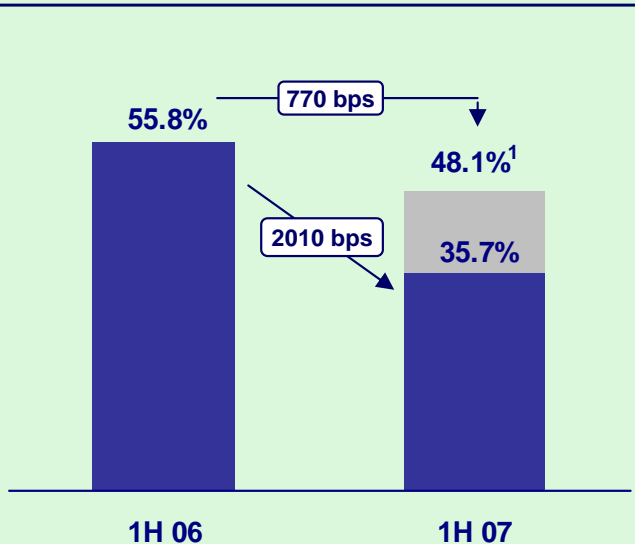


## ROAE



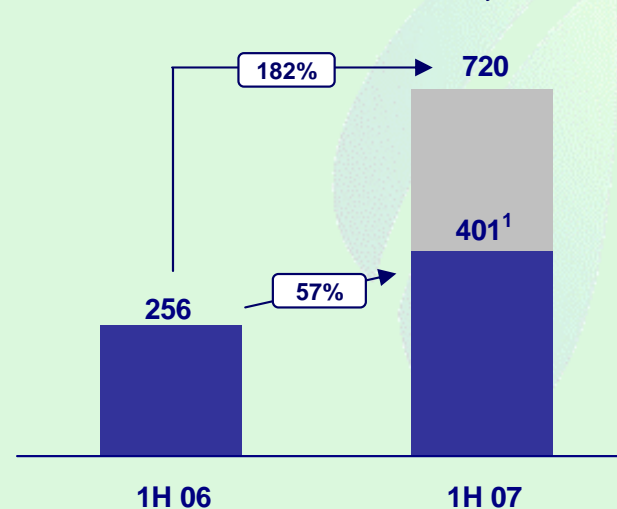
Consistent improvement in all profitability ratios. Y-o-y normalized ROAA went up by 51 bps to 2.78%, normalized ROAE went up by 560 bps to 33.0% while normalized EPS went up by 57% in 1H 07.

## Cost / Income



## EPS<sup>2</sup>

Per 1000 YTL nominal – First half only



Normalized Cost/Income ratio improved 770 bps largely due to high revenue growth and improved operational efficiency despite branch expansion.

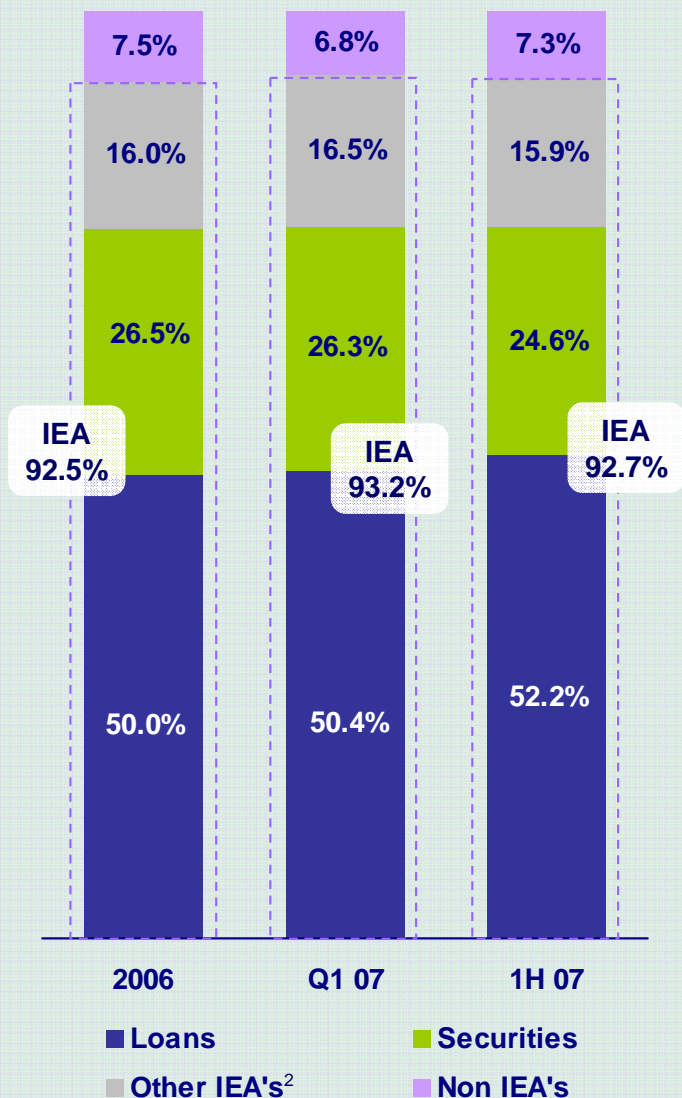
<sup>1</sup>Normalized to exclude one-off gains from insurance and pension & life business subsidiaries stake sale amounting to YTL 669 mn (post-tax)

<sup>2</sup>Excluding minority

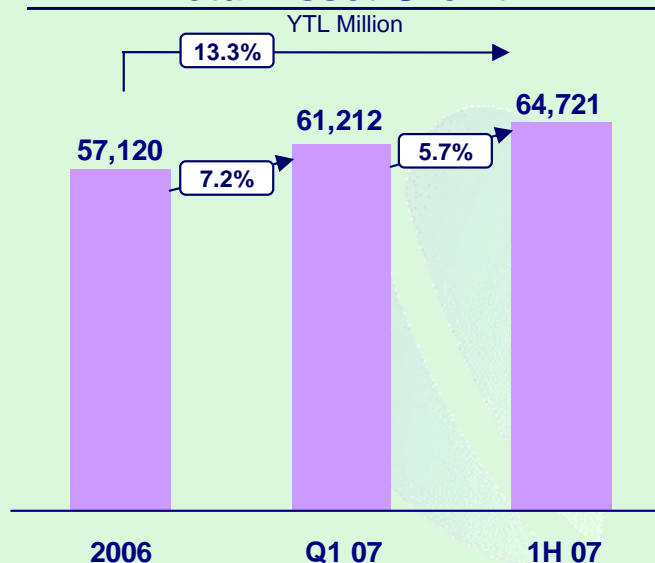


# Healthy & High Yielding Asset Growth...

## Composition of Assets<sup>1</sup>



## Total Asset Growth

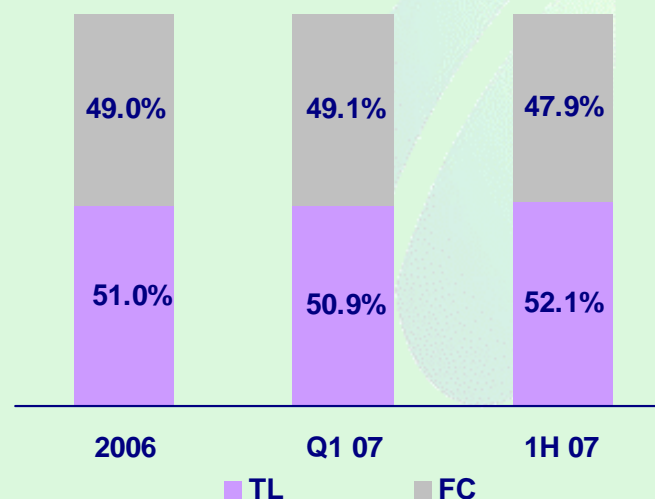


Assets reached 64.7 billion YTL at the end of 1H07. Asset growth was 13.3% ytd.

Mainly loan driven asset growth.

Increasing share of loans in total assets, reaching 52.2% in 1H07 vs. 50.0% at YE06.

## Composition of IEAs

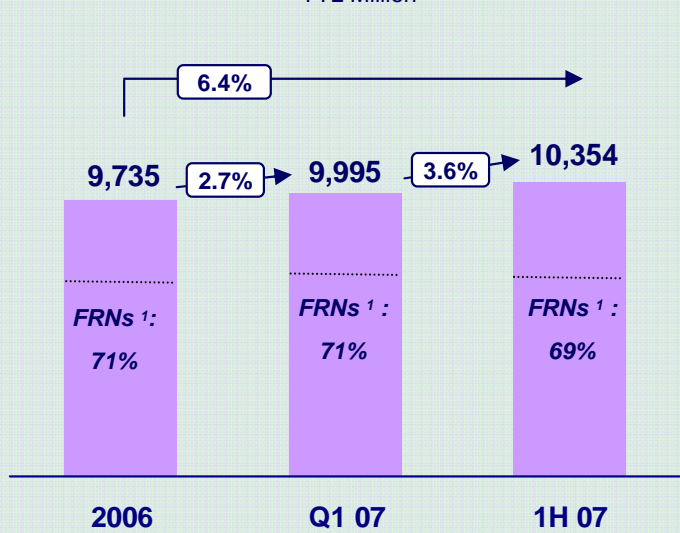


IEAs' mix in total assets remained at 93% levels. TL IEAs increased ytd from 51.0% to 52.1% while FC IEAs decreased to 47.9% from 49.0% shifting the TL/FC weight to TL.

# Effective Securities Portfolio Management...

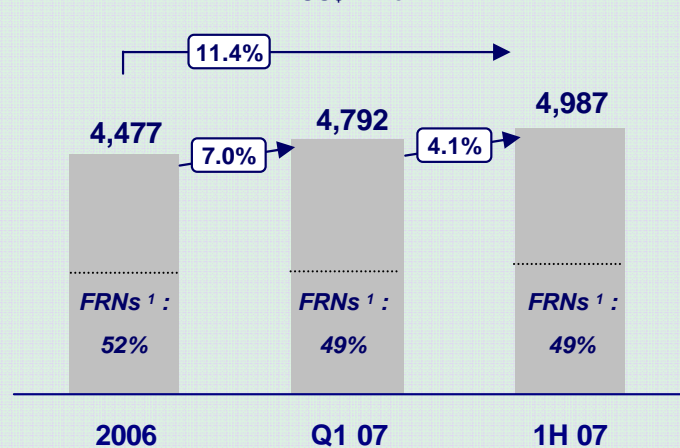
## TL Portfolio

YTL Million



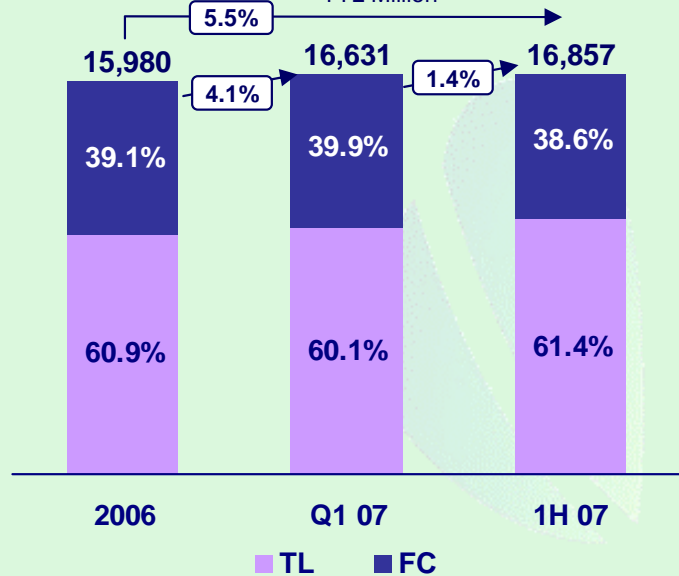
## FC Portfolio

US\$ Million

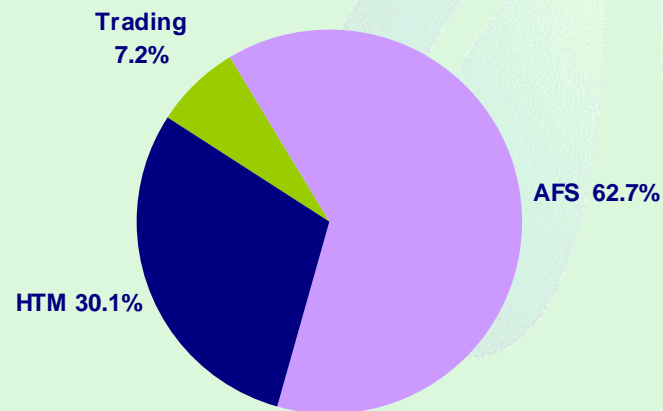


## Total Securities Growth

YTL Million



## Total Securities Composition

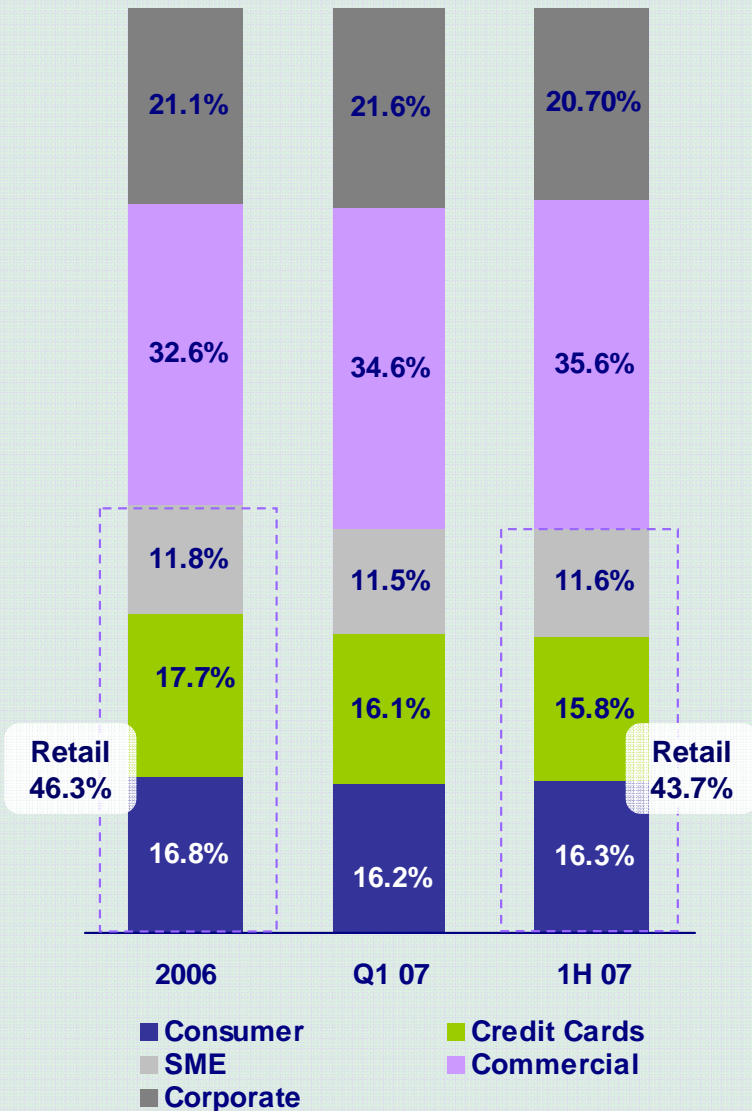


Securities portfolio ytd growth of 5.5% was significantly lower than total loan growth, thus securities mix in assets declined by 190 bps to 24.6% in 1H 07.

The TL portfolio went up by 6.4% ytd and reached 10.4 bn. Accordingly, the TL/FC mix of total securities shifted to predominantly TL with TL portion increasing from 60.9% as of YE 06 to 61.4% as of June 07.

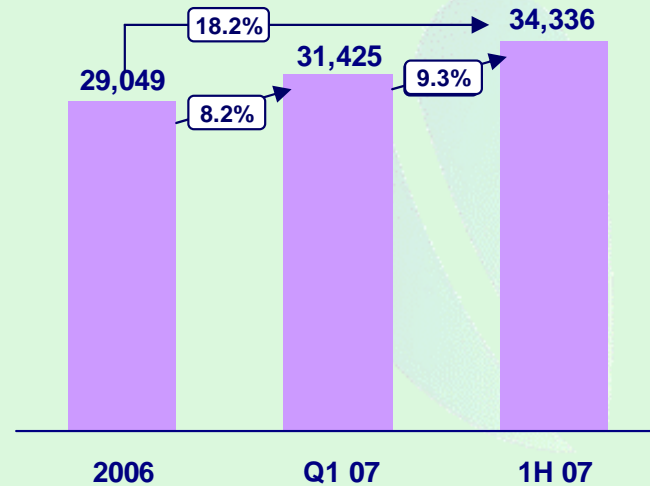
# Accelerated Volume Growth in Q2 with Solid Asset Quality...

## Composition of Loans<sup>1</sup>



## Total Loan<sup>2</sup> Growth

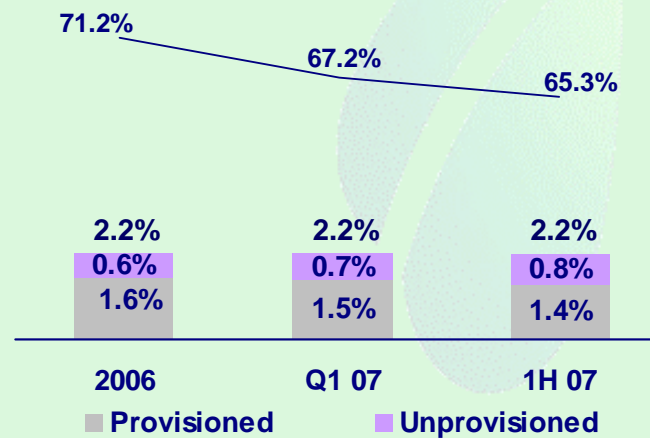
YTL Million



Loans grew ytd by 18.2%. The growth of 8.2% in the first quarter of 2007 accelerated in the second quarter reaching 9.3%.

Retail loan composition in 1H07 slightly diluted to 43.7% due to better than expected commercial loan activity.

## NPL Ratio & Coverage



NPL ratio remained stable at 2.2%.

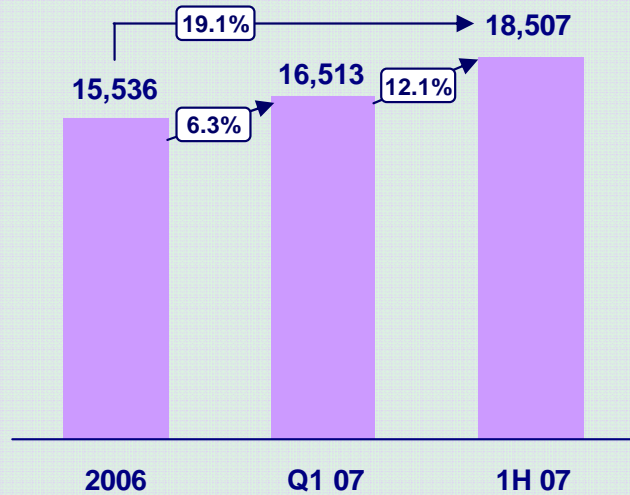
Coverage ratio excludes the collaterals and stands at 65.3%.



# Remarkable Growth in All Loan Categories...

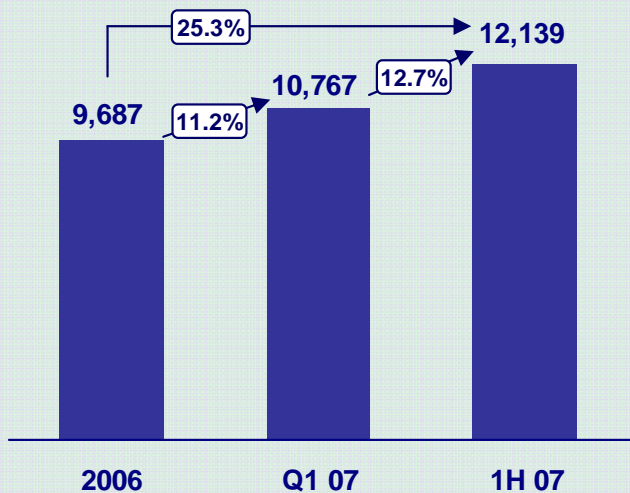
## TL Loan<sup>2</sup> Growth

YTL Million



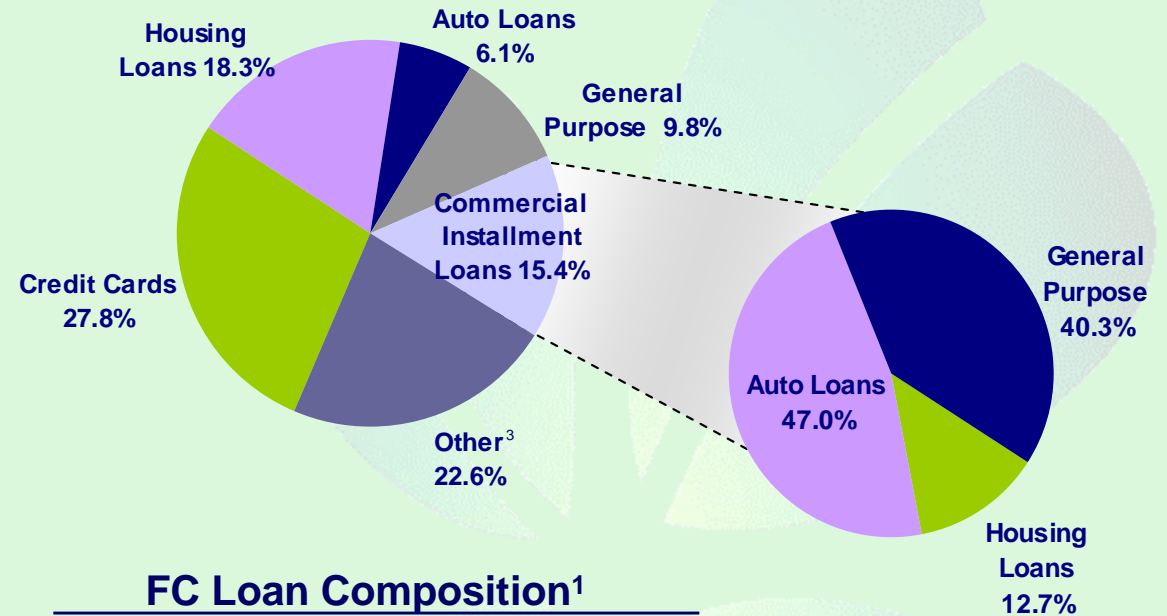
## FC Loan<sup>2</sup> Growth

US\$ Million



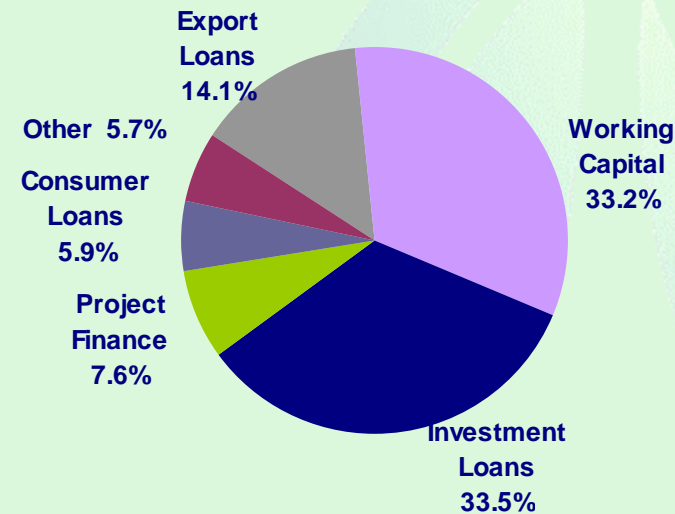
## TL Loan Composition

(excluding accrued interest)



## FC Loan Composition<sup>1</sup>

(excluding accrued interest)



<sup>1</sup> Based on bank-only data

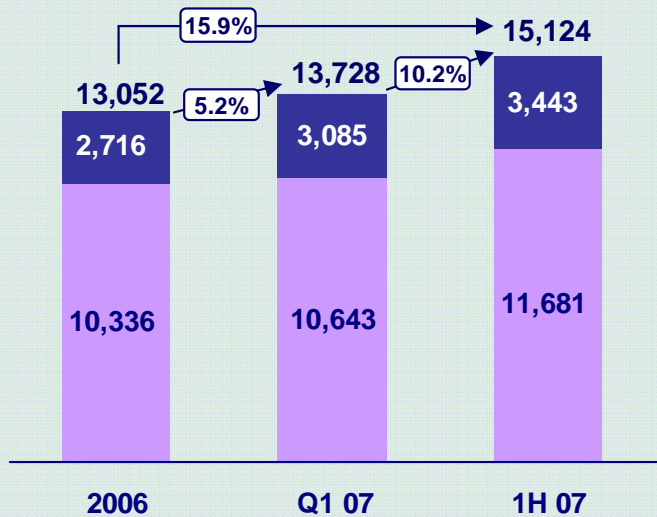
<sup>2</sup> Performing cash loans

<sup>3</sup> Includes commercial and retail overdraft

# Key Growth Focus -- Retail Loans...

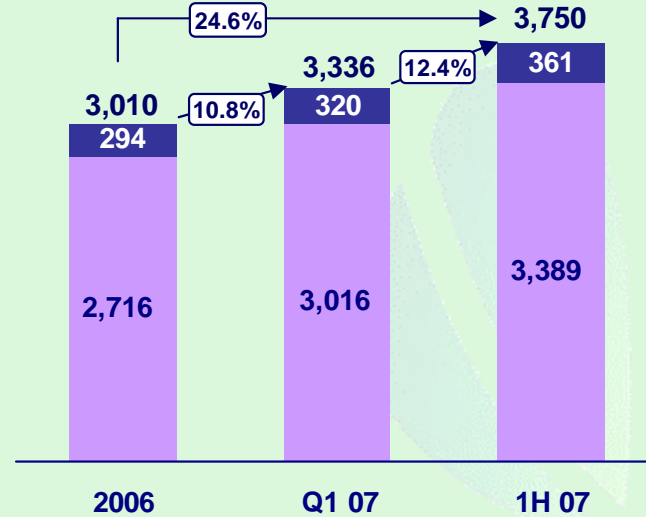
## Retail Loans<sup>1</sup>

YTL Million



## Housing Loan Growth

YTL Million



YTD growth in total retail lending was 16%.

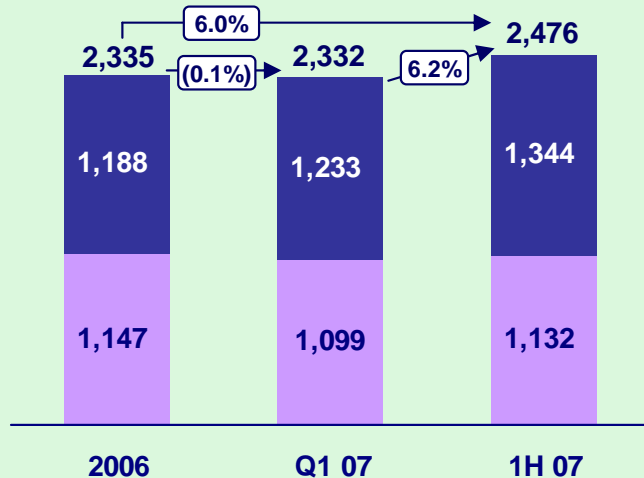
Growth in general purpose loans, the highest yielding consumer loan, was 27.3%, followed by housing loans with 24.6% growth.

After a slow first quarter, auto loans picked up in Q2 and recorded 6.2% growth in the second quarter.

■ Consumer Loans ■ Commercial Installment Loans

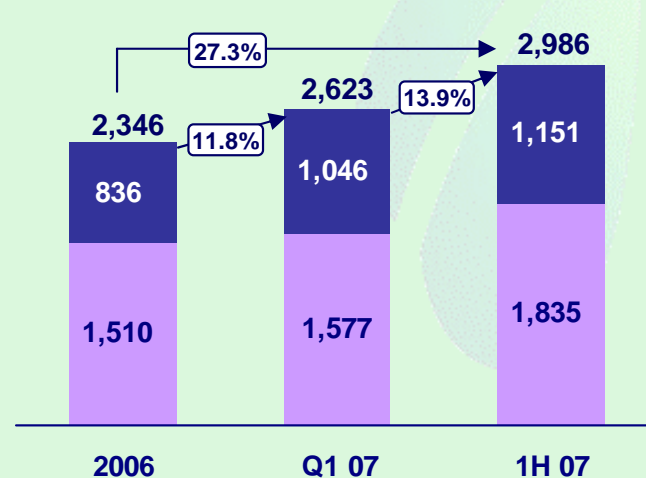
## Auto Loan Growth

YTL Million



## General Purpose Growth

YTL Million



Market Shares <sup>2</sup>			
	2006	Q1 07	1H 07
Housing	12.3%	13.0%	13.5%
Auto	15.1%	15.5%	16.4%
Gen. Pur.	8.3%	8.7%	8.9%

<sup>1</sup>Including consumer, commercial installment, overdraft accounts, credit cards and other

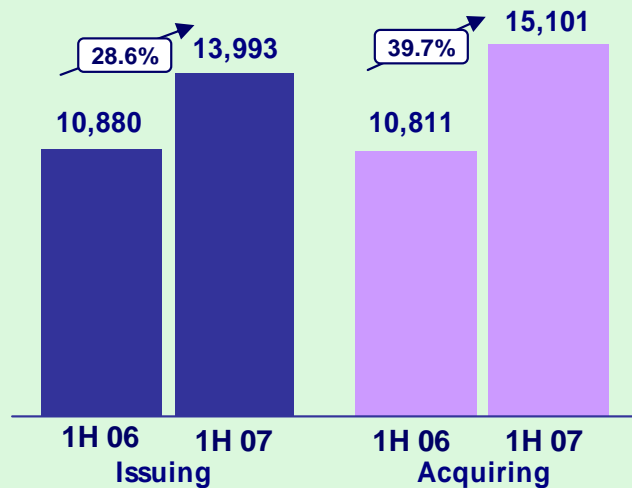
<sup>2</sup>Including consumer and commercial installment loans and based on bank-only data



# Credit Cards – Leading Market Position...

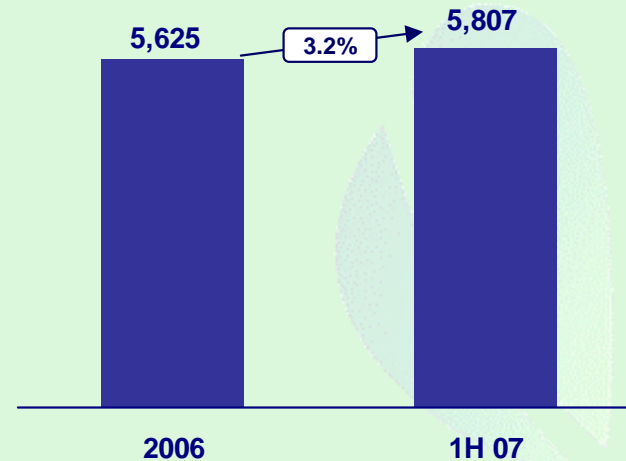
## Issuing/ Acquiring Volume

YTL Million



## No. Of Credit Cards

In Thousands



As of 2007, Garanti has become #1 in credit card business by acquiring volume with 23.2% and remains #2 by issuing volume with 21.6% market share.

## Market Shares

1H07 – Growth over 2006

Acquiring	23.2%	▲ +100 bps
Issuing	21.6%	▬ -10 bps
Credit Cards	16.8%	▬ - 50 bps
POS <sup>1</sup>	17.8%	▲ +110 bps
ATM	9.3%	▲ +60 bps

## Credit Card Balances

YTL Million

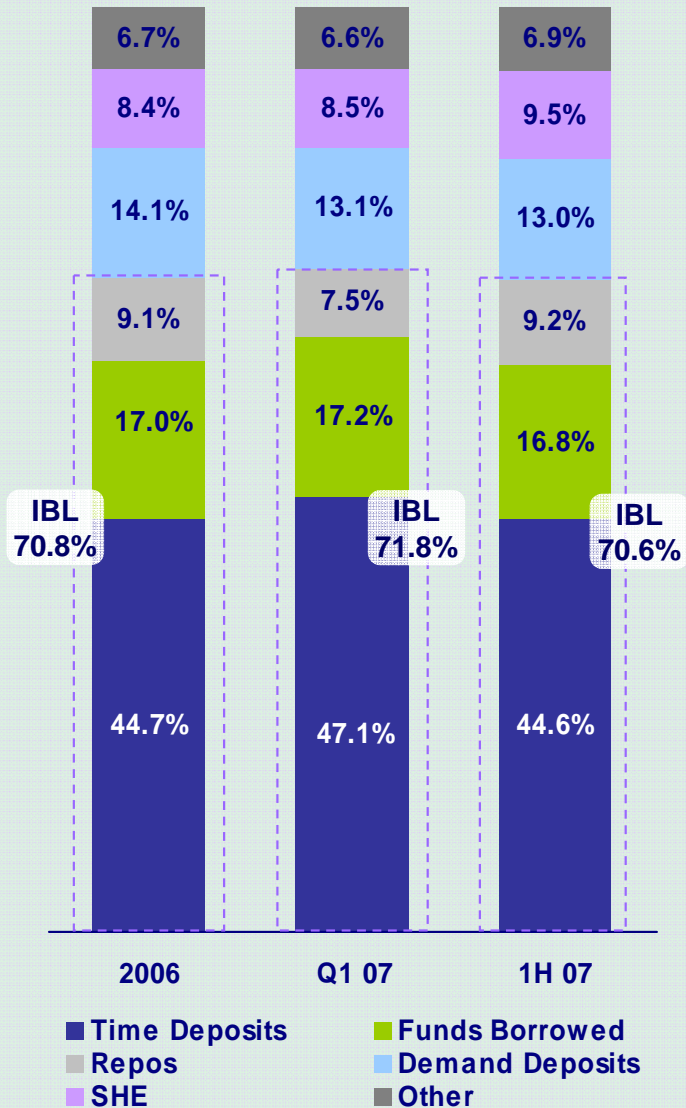


Issuing and acquiring volumes were up by 28.6% and 39.7%, respectively vs. same period last year.

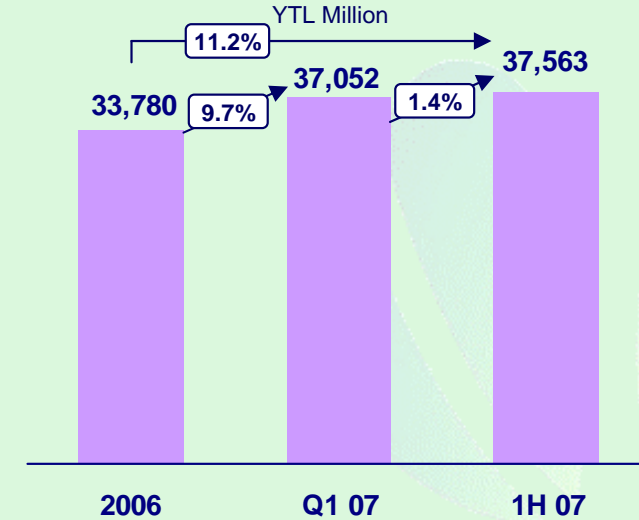


# Strengthened Equity -- Improving IBL Levels...

## Composition of Liabilities



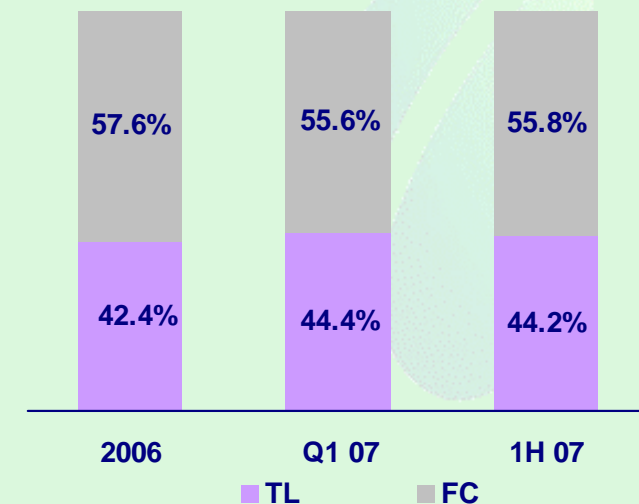
## Total Deposit Growth



Total deposits were up by 11.2% ytd reaching 37.6 billion YTL.

TL deposit growth ytd was 16% vs. FC deposit growth of 15% in US\$ terms. TL/FC mix remained stable at 44% / 56% levels.

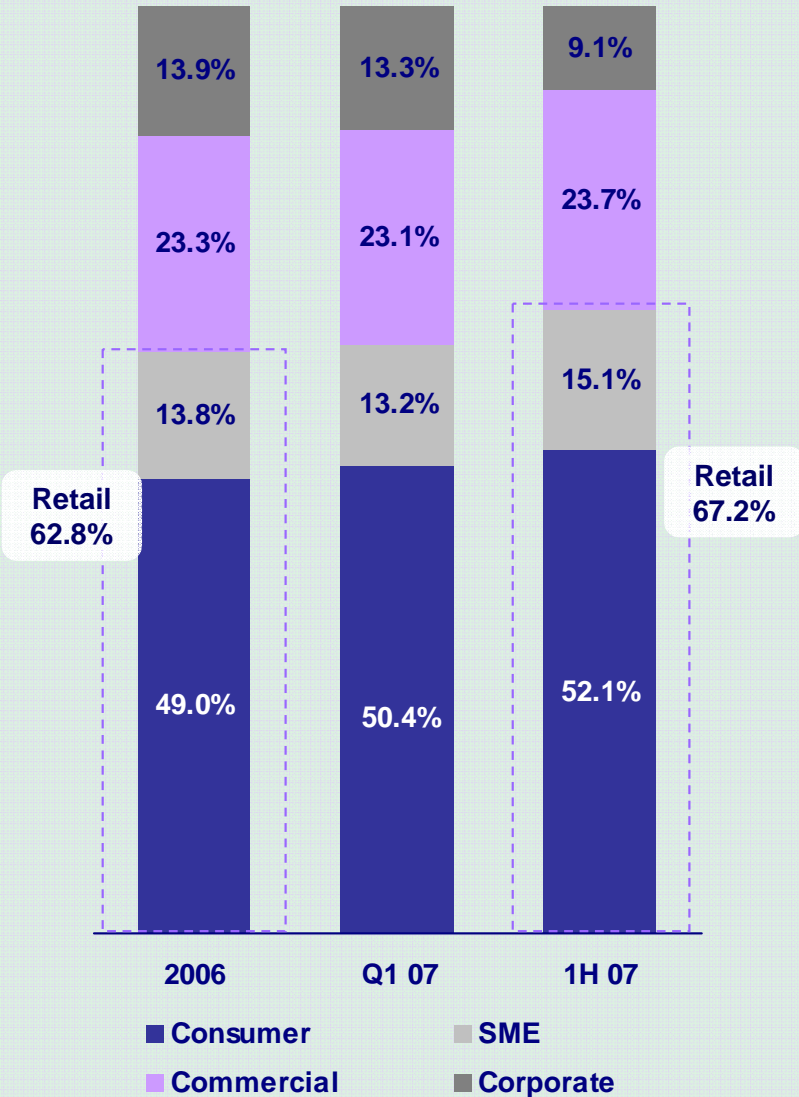
## Deposits – TL/FC Mix



# Sustainable High Level of Demand Deposits -- Favourable Effect on Funding Costs...

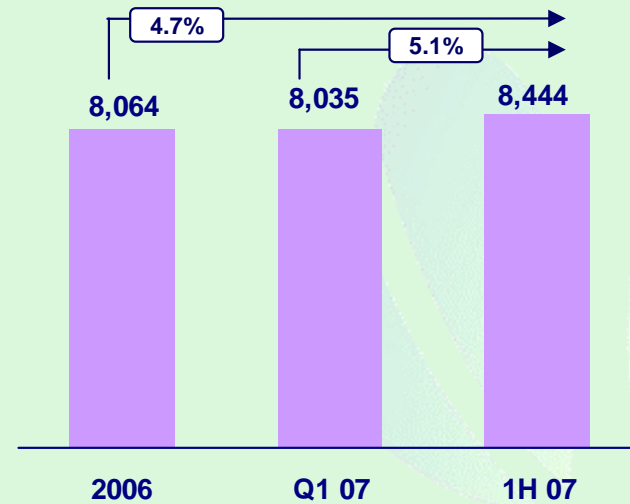
## Deposits by LOB<sup>1</sup>

(excluding bank deposits)



## Demand Deposit Growth

YTL Million

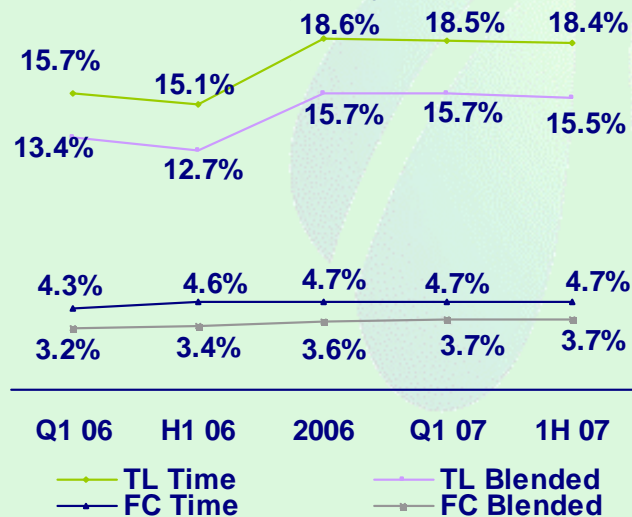


Share of retail deposits increased by 440 bps and composed 67.2% of total customer deposits.

Demand deposits reached 8.4 bn. YTL, up by 4.7% since YE 06, constituting a high 22.5% of total deposits affecting the funding costs positively.

## Cost of Deposits<sup>1</sup>

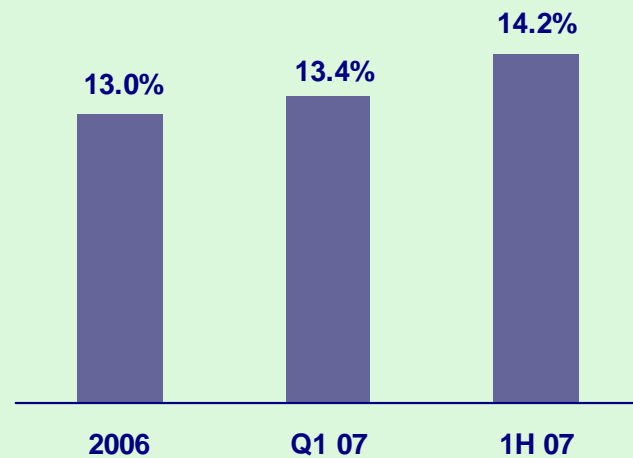
Monthly Averages



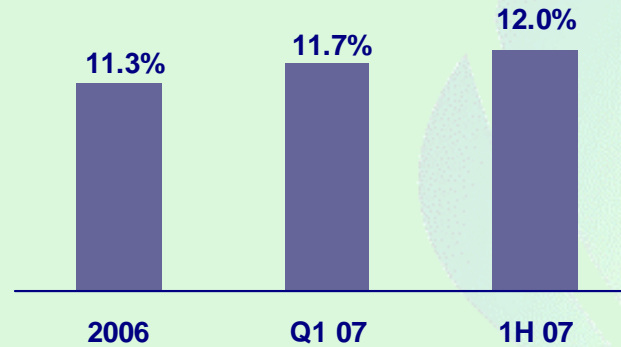


# Consistently Improving Market Shares in Loans and Deposits...

## Total Loans<sup>1</sup>

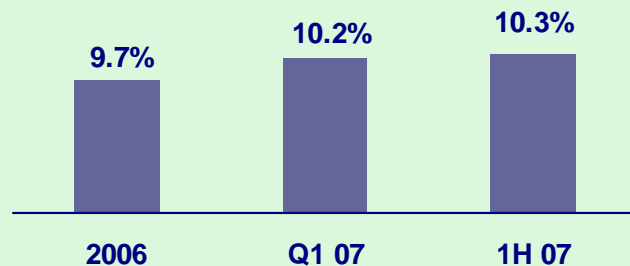


## Consumer and Comm. Install. Loans<sup>1,2</sup>



Market share growth in 1H07 was significant. Ytd, total loans, and consumer & comm. install. loans went up by 120 bps and 70 bps, respectively.

## Total Deposits<sup>1</sup>



## Demand Deposits<sup>1</sup>

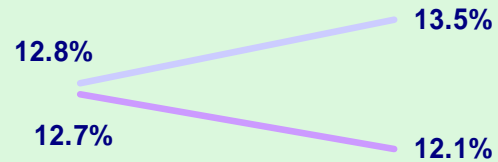


Total deposits market share went up by 60 bps.

Demand deposits market share increased by 130 bps and reached 13.3% compared to YE 2006.

# Stronger Capital Base and Adequacy Levels...

## CAR & Tier I Ratio

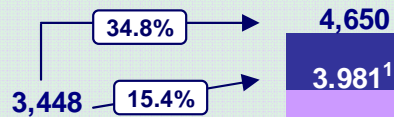


2006 1H 07

CAR Tier I

## Free Equity

YTL Million



2006

1H 07

## Effect of recent events on the CAR

Dividend Distribution (April 07) - 0.72 pps

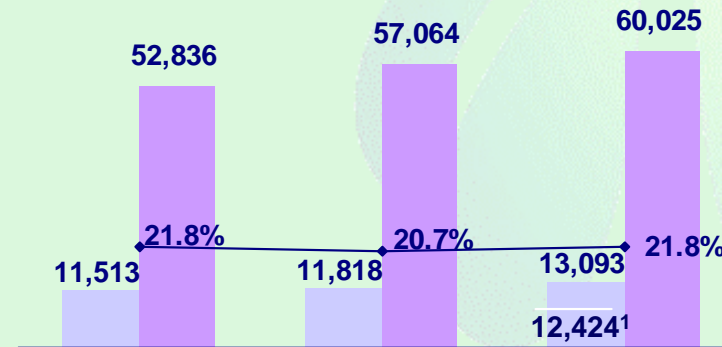
Effect of insurance and pension & life business subsidiaries stake sale (June 07) + 1.65 pps

Effect of operational risk calculation (June 07) - 1.47 pps

*The proceeds from the stake sale of insurance and pension & life business subsidiaries contributed free funds by an additional 5 %.*

## Free Funds<sup>2</sup>/IEAs

YTL Million



2006

Q1 07

1H 07

Free Funds IEAs Free Funds / IEAs

*In 1H 07, free funds growth was 1,580 mn. YTL corresponding to 22% of IEAs.*

# NII Growth -- Function of Both Volume and Margin...

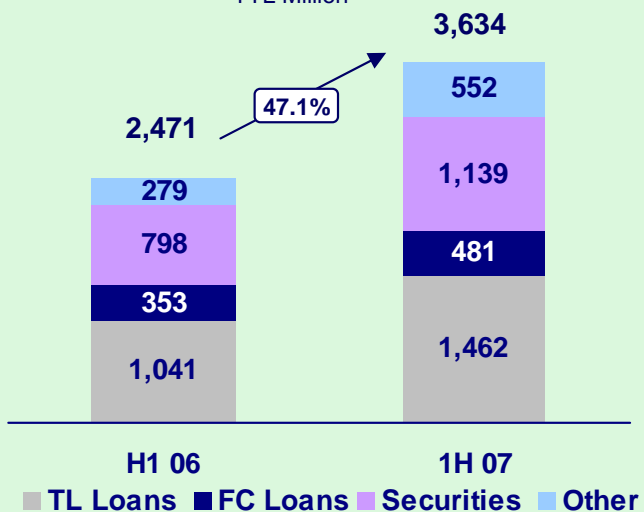
(YTL Million)	1H 06	1H 07	Growth
<b>Net Interest Income</b>	1,039	1,415	36.2%
<b>Net FX Gain / Loss</b>	(76)	(6)	n.m.
<b>Adjusted Net Interest Income</b>	963	1,409	46.3%

Adjusted NII growth y-o-y was 46.3%.

Income on loans, constituting the highest proportion in interest income, has grown by 39% y-o-y.

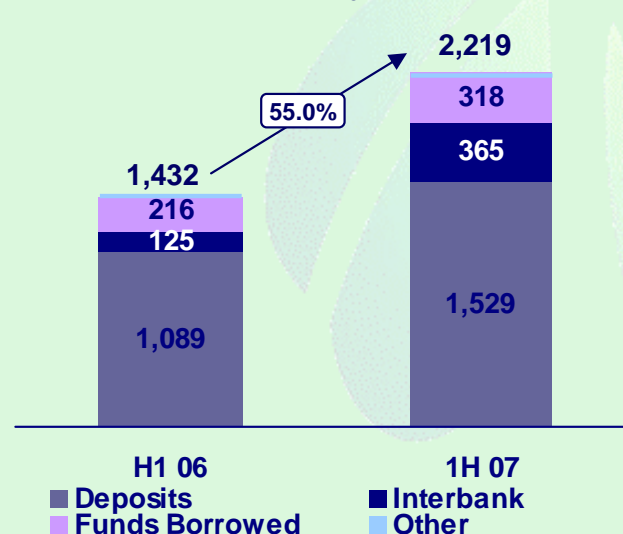
## Interest Income

YTL Million



## Interest Expense

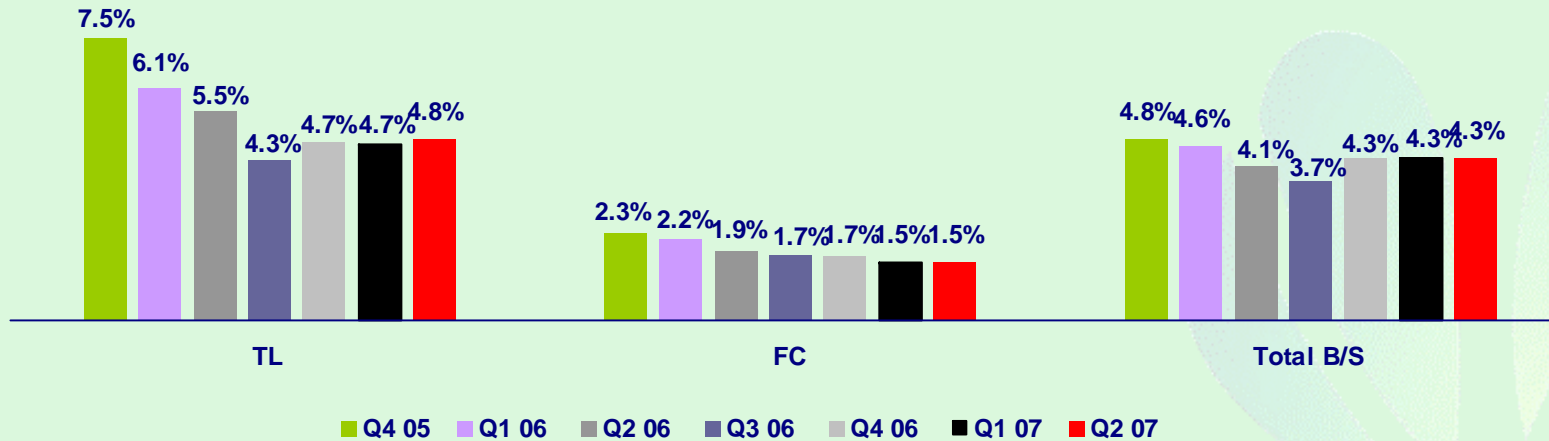
YTL Million





# Quarterly Expansion of Margins and Spreads...

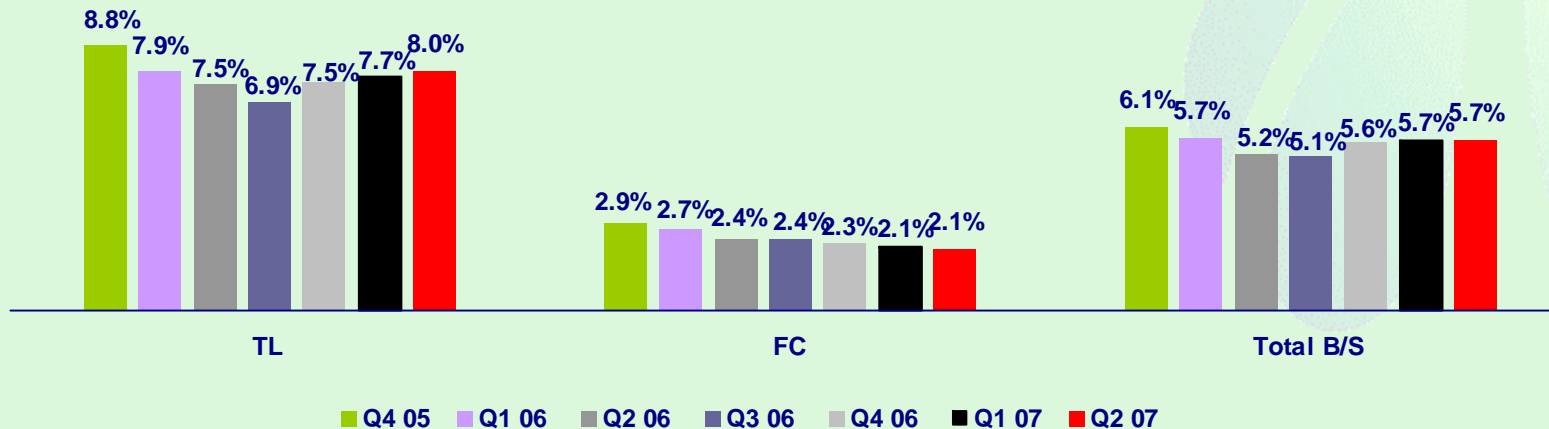
## Spreads<sup>1</sup>



*TL margin expansion over the last three quarters positively affected the blended margin. The increase in blended margin was 50 bps vs. same period last year.*

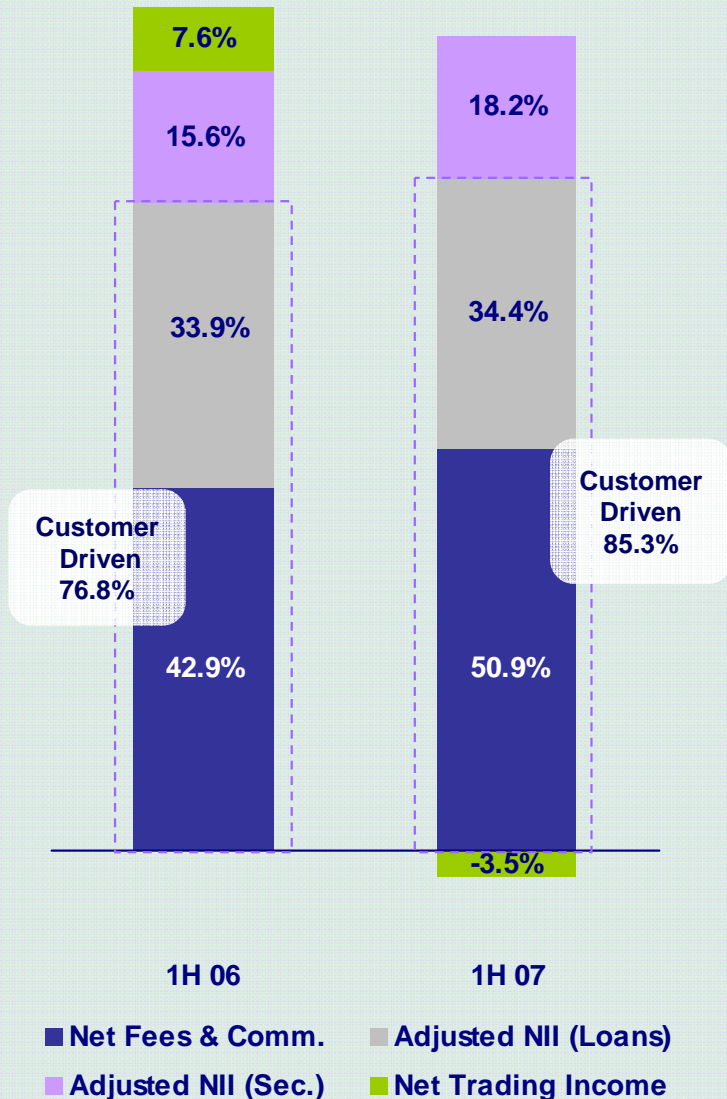
*There has been slight compression in FC margins.*

## Margins<sup>1</sup>



# Higher Levels of Customer Driven Income...

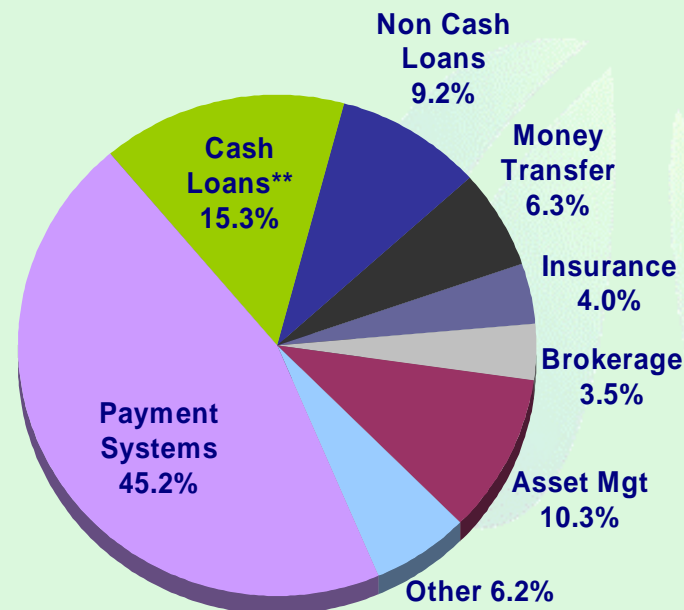
## Ordinary Banking Income<sup>1,2</sup>



(YTL Million)	1H 06	1H 07	Growth
Net Fees and Comms.	546	665	21.7%
Net Trading Account Inc.	60	(95)	n.m.
Dividend Income	2	2	13.1%
Other Income <sup>2</sup>	243	257	5.9%
Total Non-Interest Inc. (normalized) <sup>2</sup>	851	829	(2.6%)
Insurance and pension & life subs. stake sale	-	707	n.m.
Total Non-Interest Inc.	851	1,536	80.5%

The quarterly sequential growth in net fees and commissions continues with y-o-y growth of 22% --confirming continued growth in sustainable revenue sources with increasing trend.

## Net Fees & Commissions<sup>1</sup>



Customer driven sources of income increased by 850 bps and now constitute 85.3% of ordinary banking income.

Net fees and commissions contribute 50.9% to ordinary banking income

<sup>1</sup> Based on bank-only data

<sup>2</sup> Normalized income excludes one-off gains from insurance and pension & life business subsidiaries stake sale amounting to YTL 762 mn before tax.

<sup>3</sup> Include consumer loans

# High Earnings Growth Momentum...

(YTL Million)	1H 06	1H 07	Growth
Total Revenues <sup>2</sup>	1,814	2,238	23.4%
Operating Expense	851	985	15.8%
Operating Income <sup>2</sup>	963	1,253	30.1%
Provisions <sup>1</sup>	289	188	(35.0%)
Taxes	136	218	60.3%
Normalized Net Income <sup>2</sup>	538	847	57.6%
Income on Insurance and pension & life subs. stake sale (post tax)	-	669	n.m.
Net Income	538	1,516	181.9%
Equity holders of the bank	537	1,512	181.6%
Minority interest	1	4	n.m.

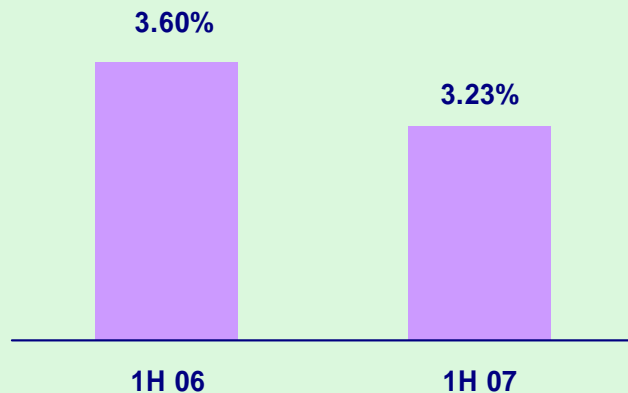
Operating income grew by 30.1%, reaching 1.3 bn. YTL.

Total revenue growth was higher than expense growth.

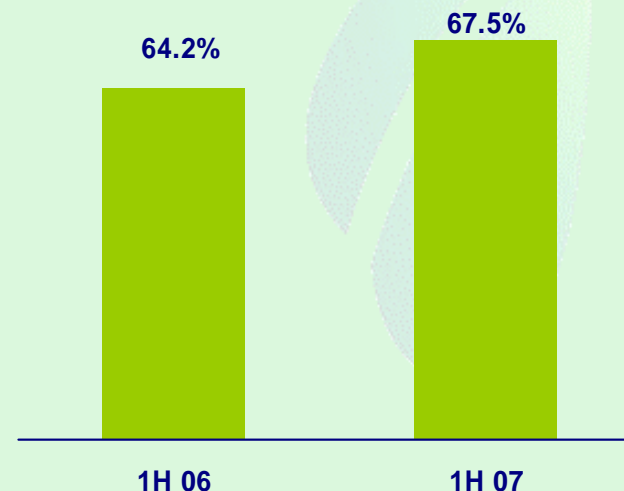
Operating expenses in average assets improved 37 bps to 3.23% 1H 07 from 3.60% in 1H 06.

Also, the net fees & commissions coverage of operating expenses reached 67.5%.

## Opex / Avg. Assets



## Fees & Comm. / Opex

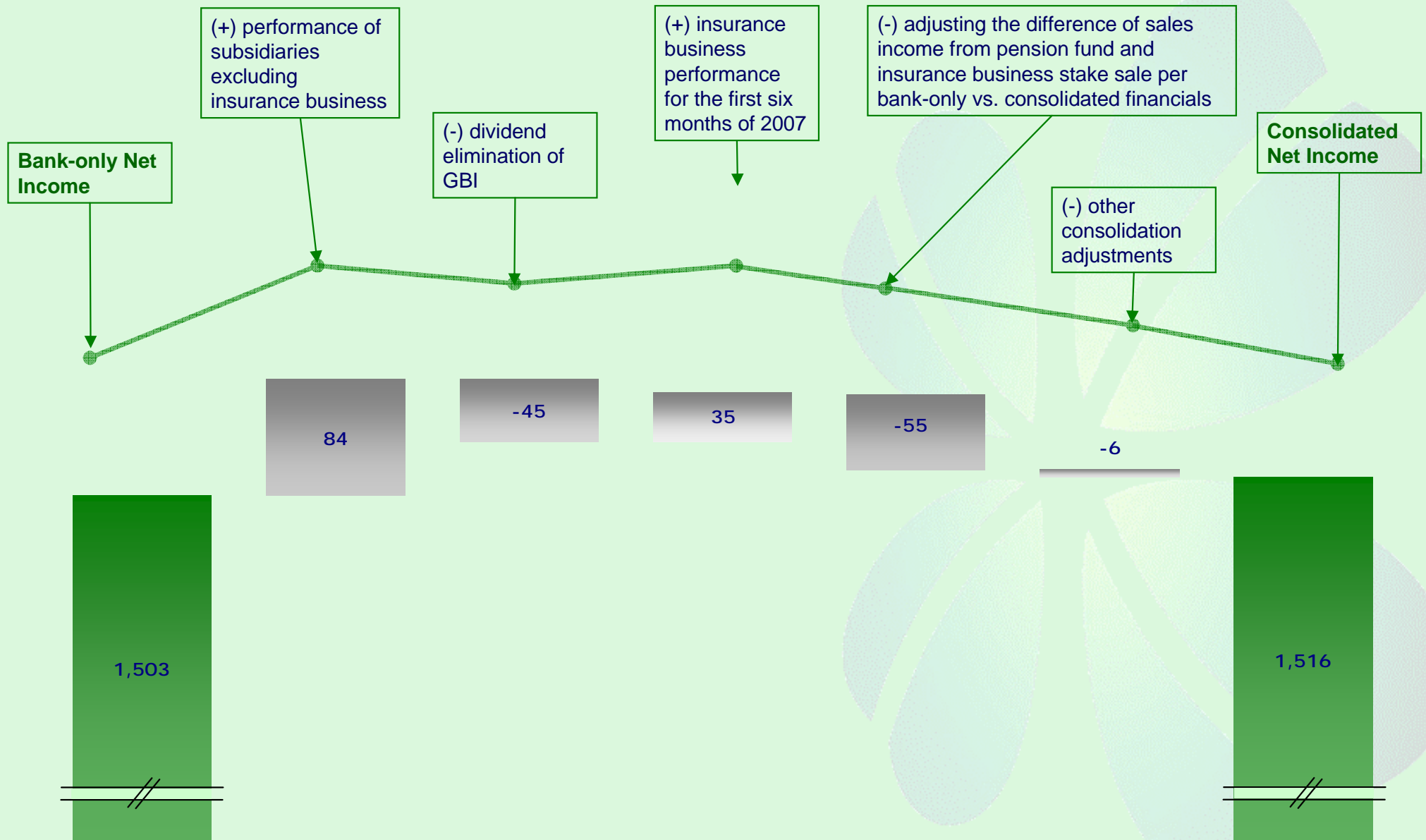




# Appendix



# Route to consolidated Net Income from bank-only result...



# Balance Sheet - Summary

<i>(YTL Million)</i>		<b>2006</b>	<b>June 07</b>	<b>YTD % Change</b>
<b>Assets</b>	<b>Cash &amp; Banks<sup>1</sup></b>	7,837	8,704	11.1%
	<b>Securities</b>	15,980	16,857	5.5%
	<b>Performing Loans</b>	29,049	34,336	18.2%
	<b>Fixed Assets &amp; Subsidiaries</b>	1,074	1,102	2.5%
	<b>Other</b>	3,180	3,722	17.0%
	<b>Total Assets</b>	57,120	64,721	13.3%
<b>Liabilities and SHE</b>	<b>Deposits</b>	33,780	37,562	11.2%
	<b>Repos</b>	5,296	6,055	14.3%
	<b>Borrowings</b>	9,805	11,038	12.6%
	<b>Other</b>	3,415	3,938	15.3%
	<b>SHE</b>	4,824	6,128	27.0%
	<b>Total Liabilities &amp; SHE</b>	57,120	64,721	13.3%



## Performance Highlights vs. Sector (Bank-only)

<i>(YTL mn. unless otherwise stated)</i>	<b>As of 1H 07</b>	<b>YTD Growth</b>	
		<b>Garanti</b>	<b>Sector</b>
<b>Total Loans</b>	<b>32,732</b>	<b>20.5%</b>	<b>11.0%</b>
<b>TL</b>	<b>18,280</b>	<b>20.8%</b>	<b>11.8%</b>
<b>FC (US\$ mn.)</b>	<b>11,083</b>	<b>28.5%</b>	<b>16.4%</b>
<b>Total Deposits</b>	<b>33,481</b>	<b>11.1%</b>	<b>7.3%</b>
<b>Demand</b>	<b>7,069</b>	<b>6.2%</b>	<b>3.1%</b>
<b>TL</b>	<b>16,080</b>	<b>12.9%</b>	<b>10.3%</b>
<b>FC (US\$ mn.)</b>	<b>13,345</b>	<b>17.1%</b>	<b>9.8%</b>



# GarantiBank

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