



BRSA Consolidated Earnings Presentation

March 31, 2009



## 1Q 2009: Economic Downturn Emerged

### **Global recession and lack of confidence in the financial system**

- *Rescue packages failed to restore confidence, world's major financial institutions in need of capital*
- *Currencies have crumbled across Eastern Europe on mounting fears of a debt crisis, ratings under pressure*
- **USD/TL hit an all-time-high of above 1.81** by early-March
- *Recovery towards the end of 1Q, G-20 summit increased hopes, **USD/TL eased to 1.66** at the end of 1Q*

### **CBT's monetary easing continued at full pace while BRSA played supportive role**

- **CBT cut policy rate by 450 bps** to 10.5% from 15.0% at the end of 2008
- *BRSA eased loan loss provisioning burden on banks' balance sheets*

### **Impact of the macroeconomic crisis became more pronounced**

- *4Q08 GDP growth contracted by 6.2% -- 1.1% 2008 growth rate is the lowest since 2001*
- **Biggest shrinkage in GDP estimated for 1Q09** leading to **acceleration in the unemployment rate**
- *Decreasing foreign trade deficit due to **weakening foreign demand** but even **deeper fall in imports***
- *C/A balance improved significantly, giving first monthly surplus since Sept. 2004*
- **CPI** increased by 1.0% in 1Q09, bringing annual inflation **down to 7.9% from 10.1%** as of YE '08
- *Government unveiled an **economic stimulus package** ahead of municipal elections*

### **Post local elections, government's return to economy focus is inevitable**

- *IMF deal is almost assured with rising need for an anchor*
- **Economic deterioration pace is slowing down**

## 1Q 09 Highlights -- Resilient Business Model

### **Proven ability to generate recurrent income via dynamic B/S management**

- *Y-o-y net income growth 44%, **ROAE 29%***
- *Selective and healthy loan **market share expansion** remains despite lower demand*
  - *Reinforced leadership in consumer loan products, commercial loans and leasing (21% mrkt. sh.) while attaining #1 position in factoring (20% mrkt. sh.) and credit card retail issuing volume (21% mrkt. sh.)*
- *Focus on risk-return balance maintaining **high profitability & sound asset quality** (NPL: 2.8%)*
- ***Coverage ratio increased to 77%** vs. 64% at YE '08 in light of economic downturn*
- ***Timely and effectively managed securities** portfolio benefiting from volatility*
- *Robust deposit growth -- Easing **loans-to-deposits ratio** from 90% to **84%** in 1Q 09*
- *Solvency remains strong -- **CAR at 14.9%***
- *Significant **margin expansion** result of sharp decline in funding costs further reinforced with strong quarterly **growth in demand deposits (6%) and free equity (11%)***
- *Focus on **strict cost discipline** while investment in retail network expansion continues*
- ***Net customer increase per year exceeds 1 mn***

# Dynamic balance sheet management generating robust earnings in challenging environment

Earnings  
Y-o-Y



44%

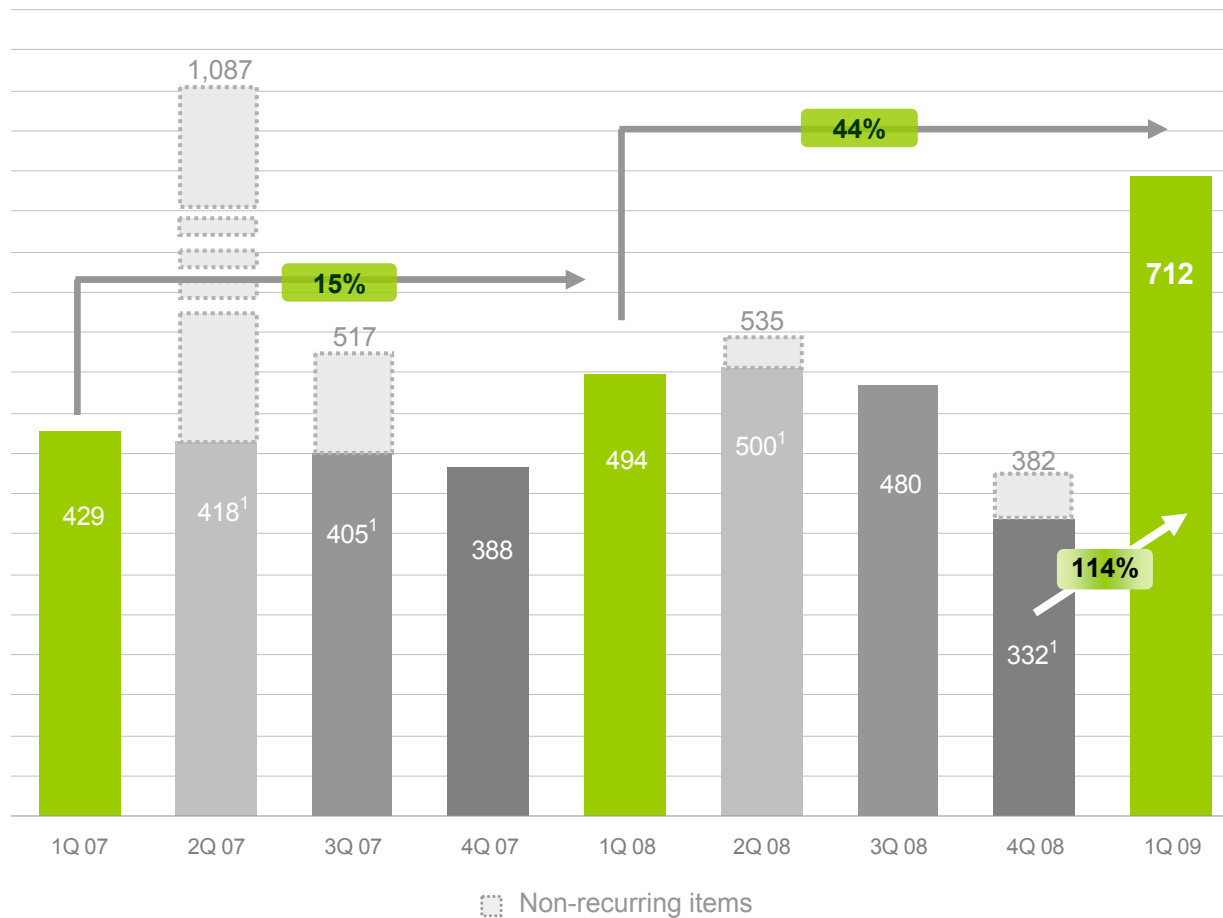
ROAE

29%

Result of;

**Liquid, low risk & well-capitalized B/S**

## Quarterly Normalized Net Income<sup>1</sup>

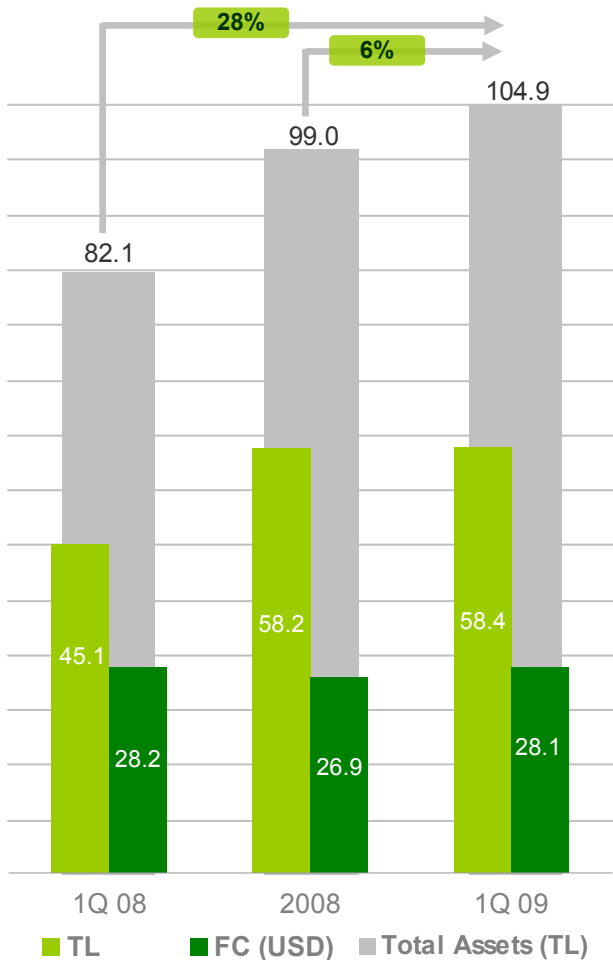


<sup>1</sup> Please refer to Slide 23 for breakdown of non-recurring items

# Shaping balance sheet for increased liquidity

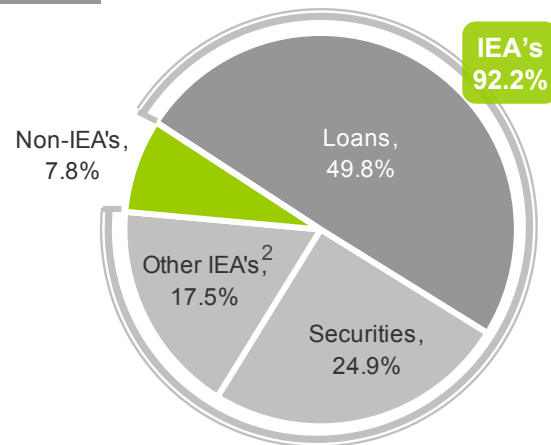
## Total Assets

TL / USD Billion

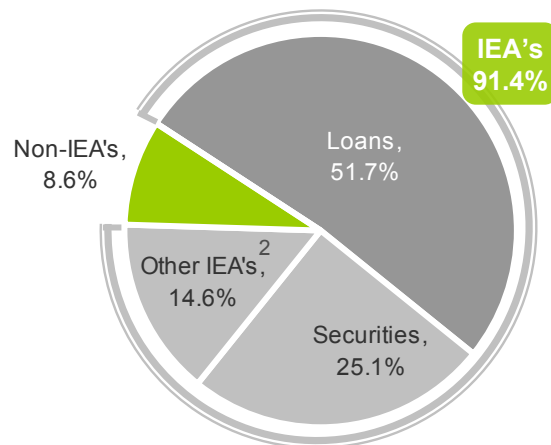


## Composition of Assets<sup>1</sup>

1Q 09



2008



## Liquidity<sup>3</sup>

Ytd



TL 3.5bn

*Ytd Growth in:*

*TL Assets*

*Flat*

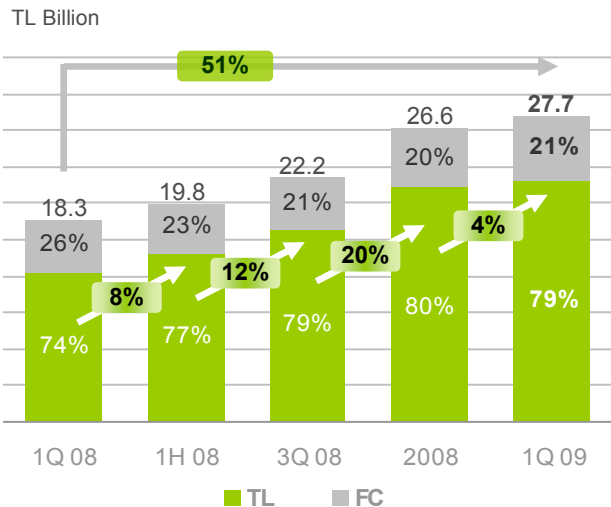
*FC Assets (\$)*

*5%*

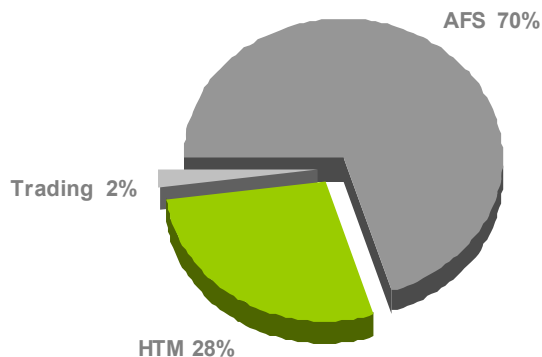
<sup>1</sup> Accrued interest on B/S items are shown in non-IEAs  
<sup>2</sup> Other IEA's include factoring and leasing receivables  
<sup>3</sup> Cash and banks

# Well positioned securities portfolio: prolonged benefit of higher yields

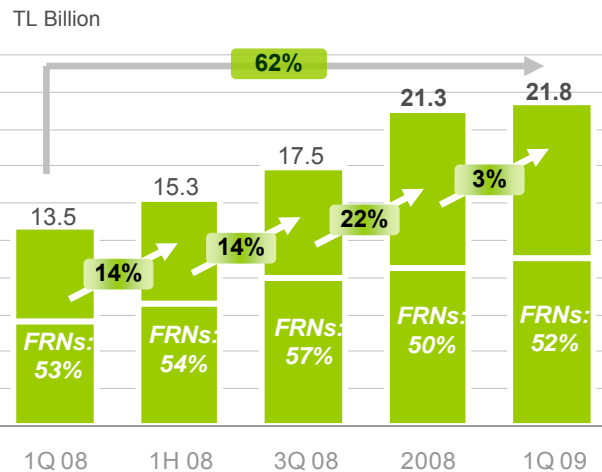
## Total Securities



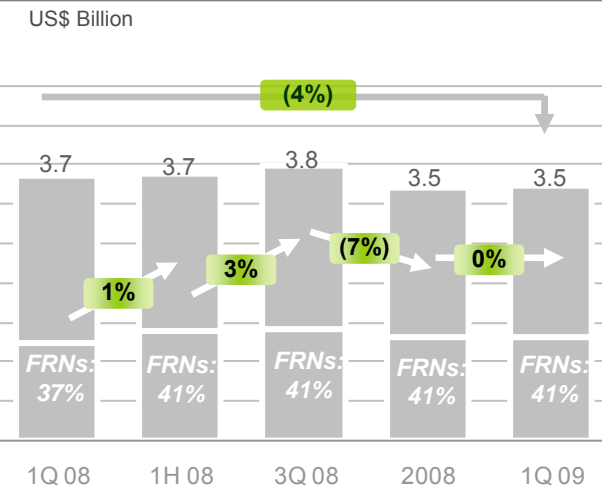
## Total Securities Composition



## TL Securities



## FC Securities



*Securities mix in assets remains vs. year-end at*

*~25%*

TL Weight in Total

79%

FRN's in Total

50%

# Despite decrease in demand for loans, market share expansion with selective growth continues...

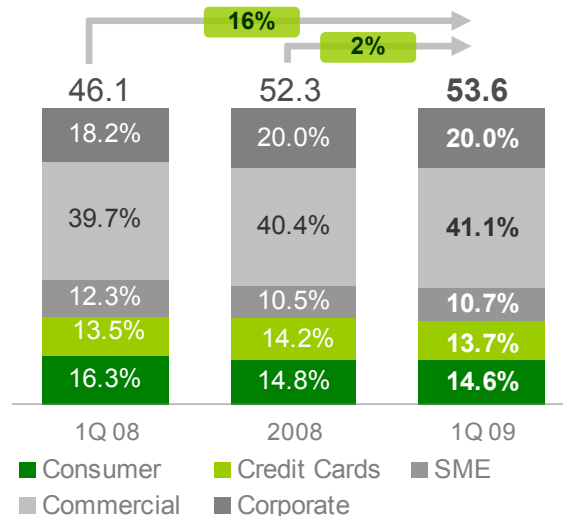
## TL Loans<sup>1</sup>

TL Billion



## Loans by LOB<sup>1, 2</sup>

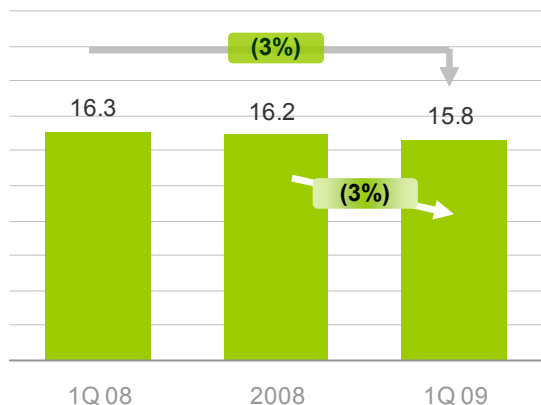
TL Billion



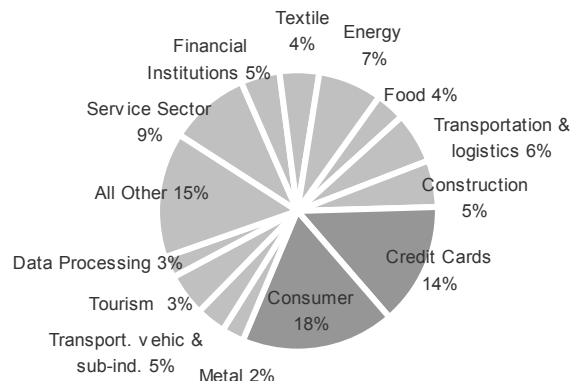
*Loan growth in 1Q 09 mainly driven by Commercial Banking while shrinkage observed in Credit Cards*

## FC Loans<sup>1</sup>

US\$ Billion



## Loans by Sectoral Breakdown<sup>1, 3</sup>



## Market Shares<sup>3</sup>

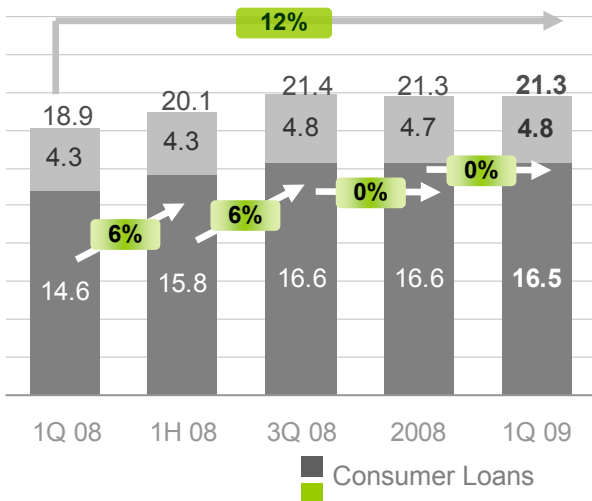
	YTD Δ	1Q 09
<b>Total Loans</b>	+50 bps	15.1%
<b>TL Loans</b>	+20 bps	11.9%
<b>FC Loans</b>	+80 bps	21.9%

<sup>1</sup> Performing cash loans  
<sup>2</sup> Based on bank-only MIS data  
<sup>3</sup> Based on bank-only financials  
 Source: Sector figures are based on BRSA weekly data, commercial banks only

# Reaping the benefits of expanding retail franchise -- Increasing market shares in profitable retail products

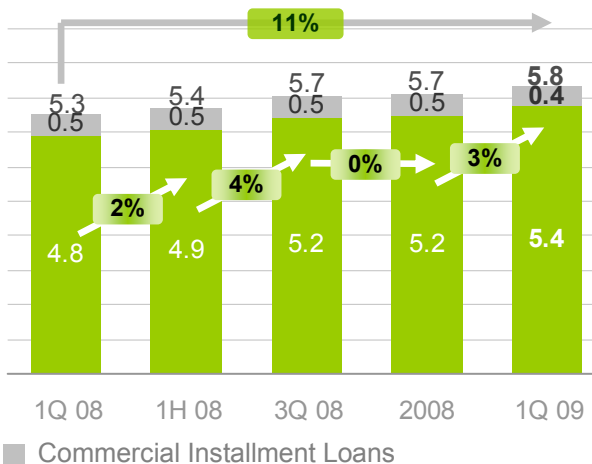
## Retail Loans<sup>1</sup>

TL Billion



## Housing Loan Growth

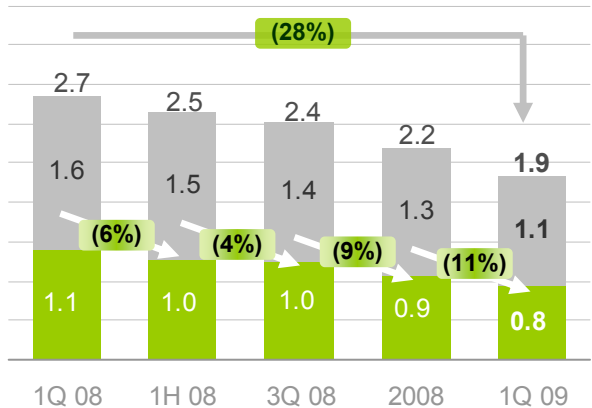
TL Billion



*Strong originations in housing & GPL compensate for maturing book*

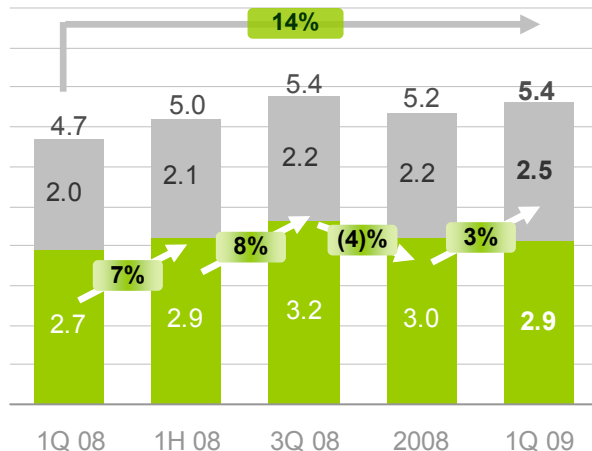
## Auto Loan Growth

TL Billion



## General Purpose Loan Growth

TL Billion



## Market Shares<sup>2,3</sup>

	YTD Δ		1Q 09
Housing	+60 bps	↑	14.6%
Auto	+20 bps	↑	15.2%
General Purpose	+20 bps	↑	10.1%
Retail <sup>1</sup>	+20 bps	↑	14.0%

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

<sup>2</sup> Including consumer and commercial installment loans

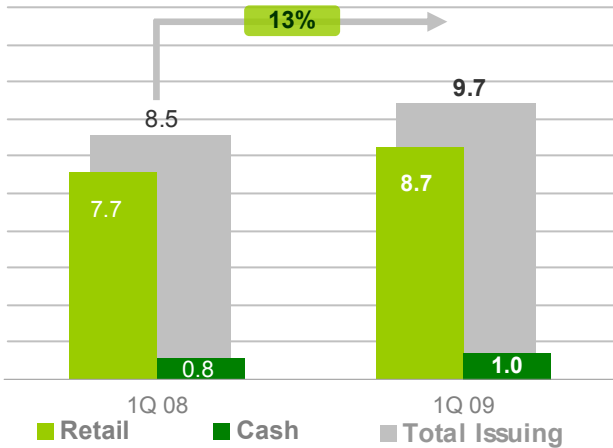
<sup>3</sup> Sector figures are based on bank-only BRSA weekly data, commercial banks only, Garanti figures are based on bank-only financials



# Difference created on cards business with well-established lending culture

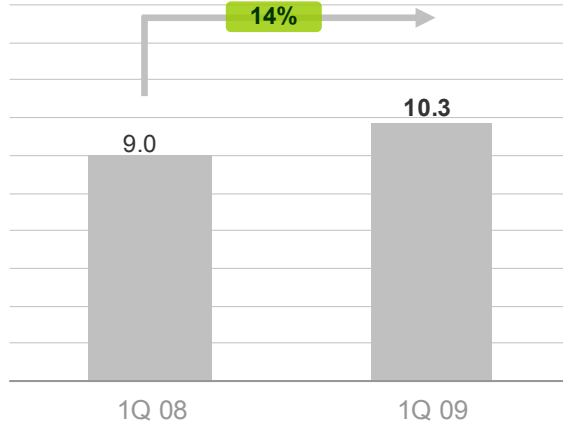
## Issuing Volume

TL Billion



## Acquiring Volume

TL Billion



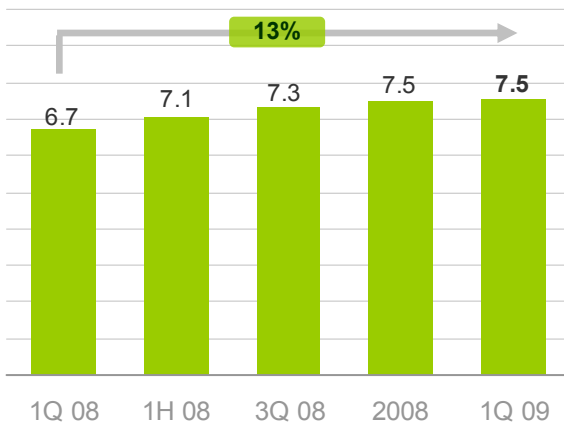
#1 in

Acquiring & Issuing  
Retail Volume



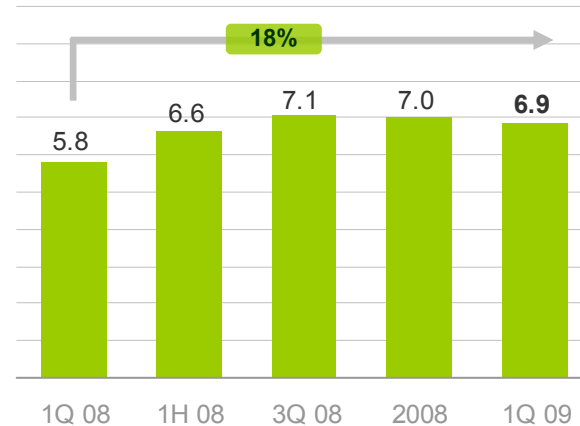
## No. of Credit Cards

In Million



## Credit Card Balances

TL Billion



## Market Shares

	YTD Δ	1Q 09	Rank
Acquiring	-10 bps	22.2%	#1
Issuing	-20 bps	20.9%	#2
Issuing Retail	-30 bps	21.1%	#1
# of Plastic Credit Cards	0 bps	16.1%	#1
POS <sup>1</sup>	+30 bps	20.3%	#1
ATM	-20 bps	11.6%	#2

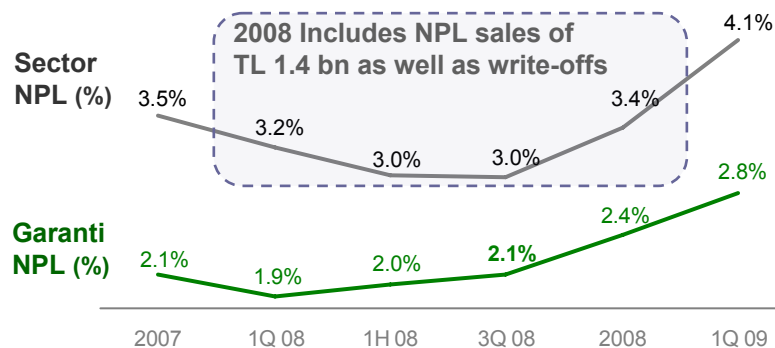
<sup>1</sup> Including shared POS  
<sup>2</sup> Annualized  
 Note: All figures are based on bank-only data excluding credit card balances

# Sound asset quality -- widening the gap again with the sector

## NPL Ratio & Coverage<sup>1</sup>

Coverage Ratio	2007	2008	1Q 09
Sector	89%	81%	81%
<b>Garanti (Consolidated)</b>	<b>64%</b>	<b>64%</b>	<b>77%</b>
<b>(Bank-only)</b>	<b>64%</b>	<b>64%</b>	<b>76%</b>

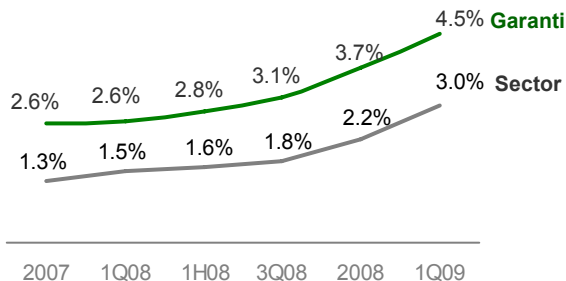
- *New NPL generation lowest among peers*
  - ✓ *Centralized approval*
  - ✓ *Established strong risk culture*
  - ✓ *More selective origination in higher risk segments*
  - ✓ *Closer monitoring of cash flow cycles of customers*
  - ✓ *Enhanced collection capability*
- *Strong collateralization*
- *Limited write-offs*



## NPL Categorisation<sup>1, 2</sup>

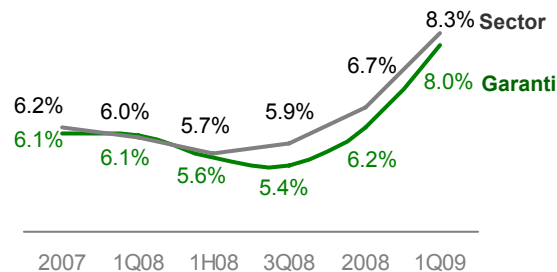
### Retail Banking (Consumer & SME Personal)

18% of Garanti's Total Loans



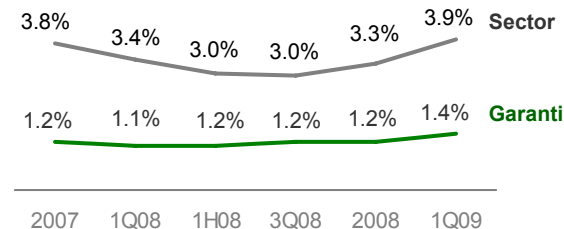
### Credit Cards

14% of Garanti's Total Loans



### Business Banking (Including SME)

68% of Garanti's Total Loans

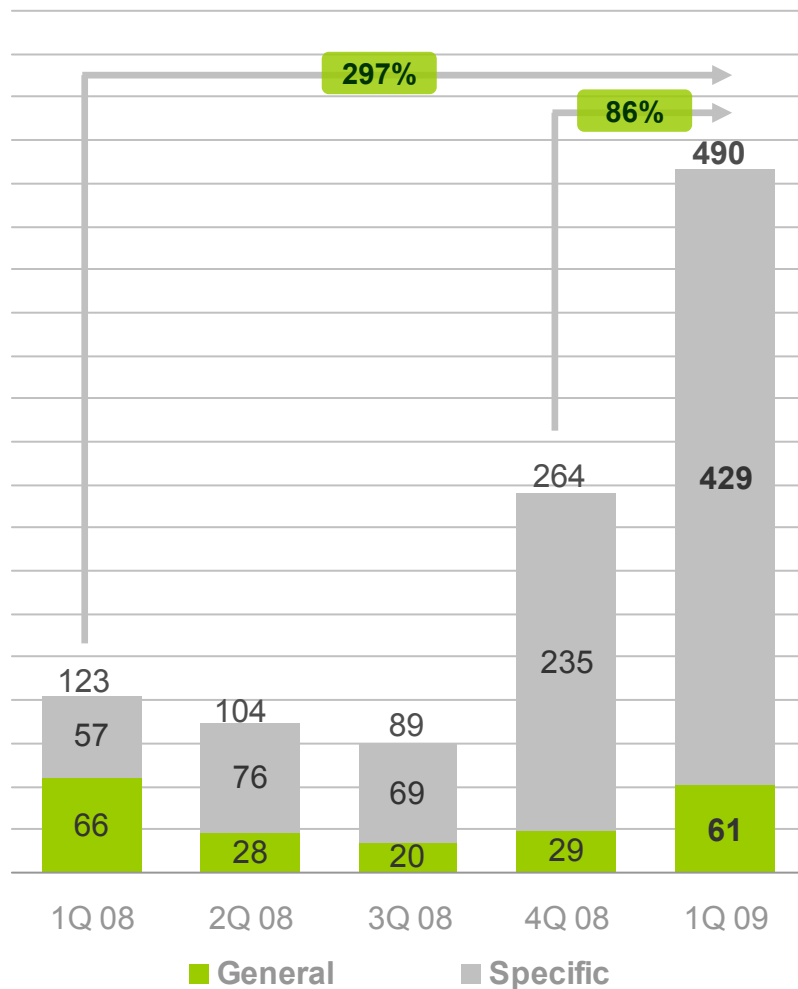


<sup>1</sup> Sector figures are per BRSA bank-only data. Bank-only NPL ratios for Garanti are; 2.9% for 1Q 09, 2.4% for YE 2008 and 2.2% for YE 2007.  
<sup>2</sup> Garanti NPL categorisation based on bank-only financials  
 Source: BRSA, TBA & CBT

# Higher provisions absorbed due to volatile environment

## Quarterly Loan-Loss Provisions

TL Million



## Coverage Ratio

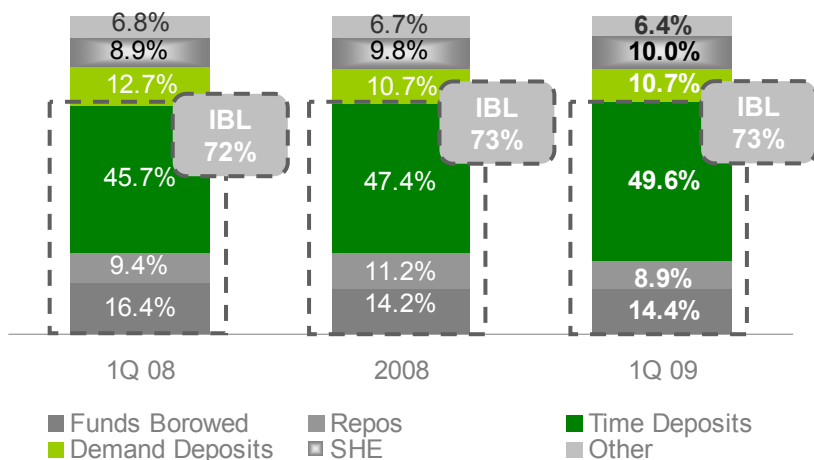


77%

*More conservative provisioning led to increased coverage ratio and will lead to temporary rise in loan-loss provisions throughout 2009*

# Robust deposit growth continues strengthening funding base -- Loans / Deposits ratio at 84%

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



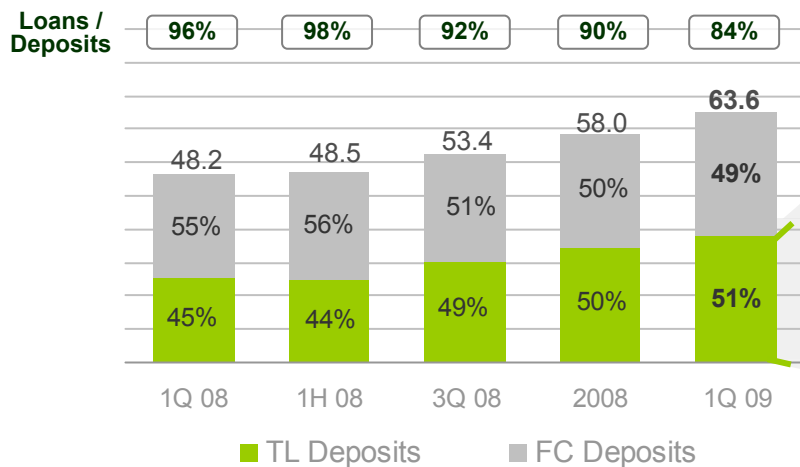
## Total Deposits

Ytd



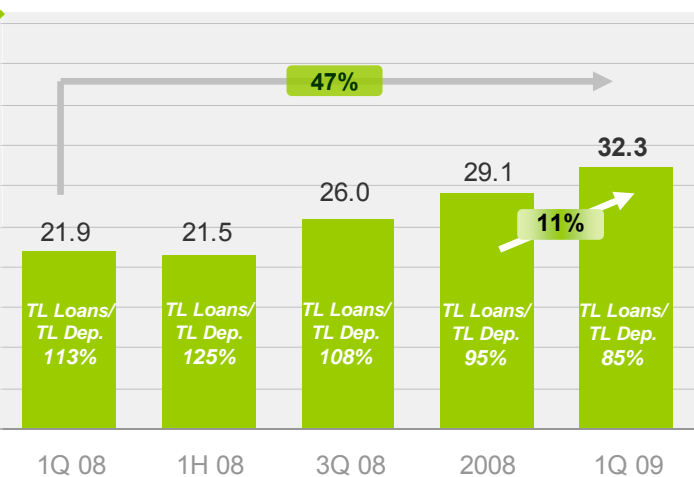
## Total Deposits

TL Billion



## TL Deposits

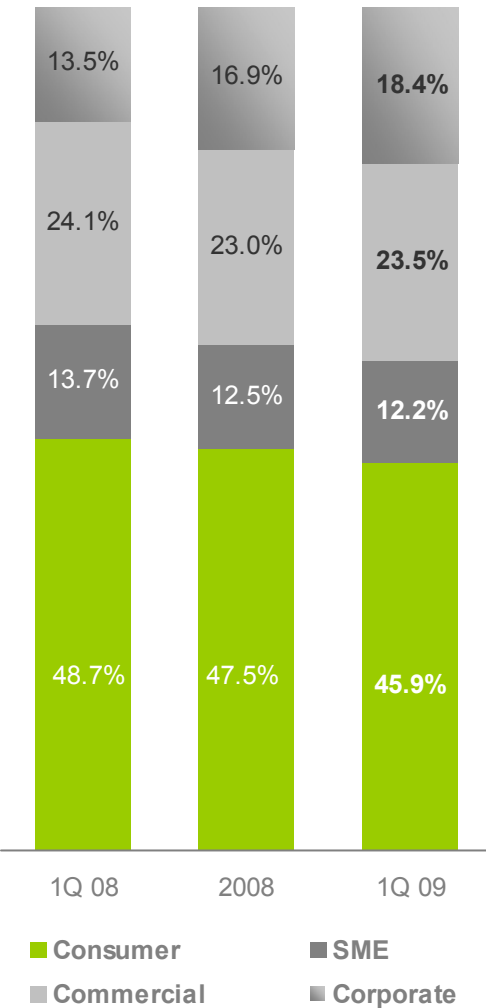
TL Billion



# Sharp decline in deposit costs exacerbated with solid demand deposit growth

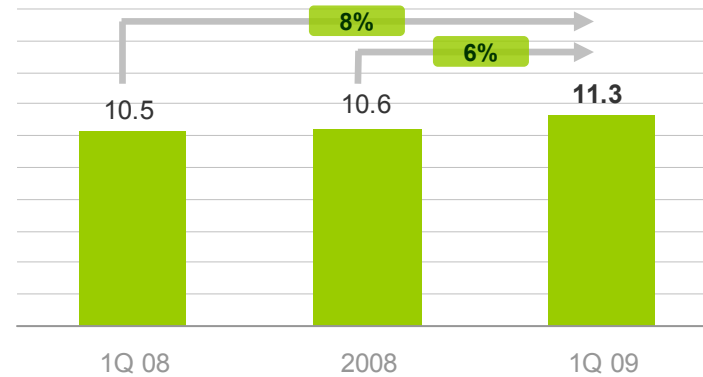
## Deposits by LOB<sup>1</sup>

(Excluding bank deposits)



## Demand Deposits

TL Billion



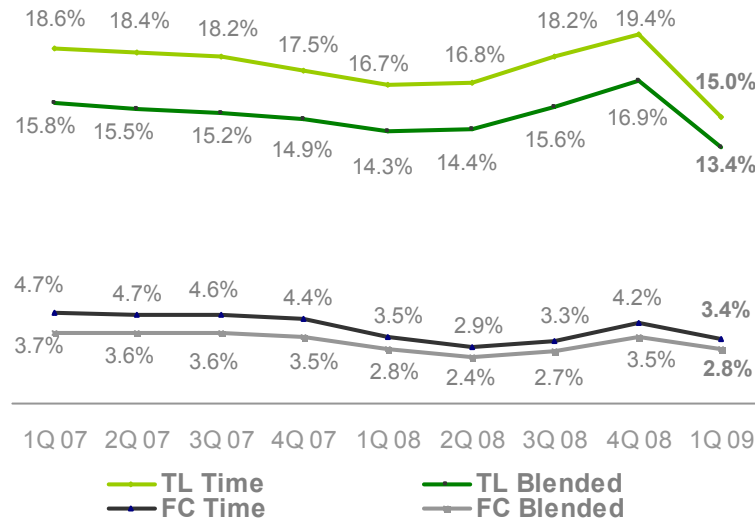
## Demand Deposits

Ytd Growth

**6%** vs. Sector's<sup>2</sup> **3%**

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

Quarterly Averages



## Demand Deposit Market Share<sup>2</sup>

**14%**

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

<sup>2</sup> Sector figures are per BRSA weekly data, commercial banks only and excluding bank deposits. Bank-only data used for market share calculation.

# Lift solvency levels -- strengthened by effective capital management

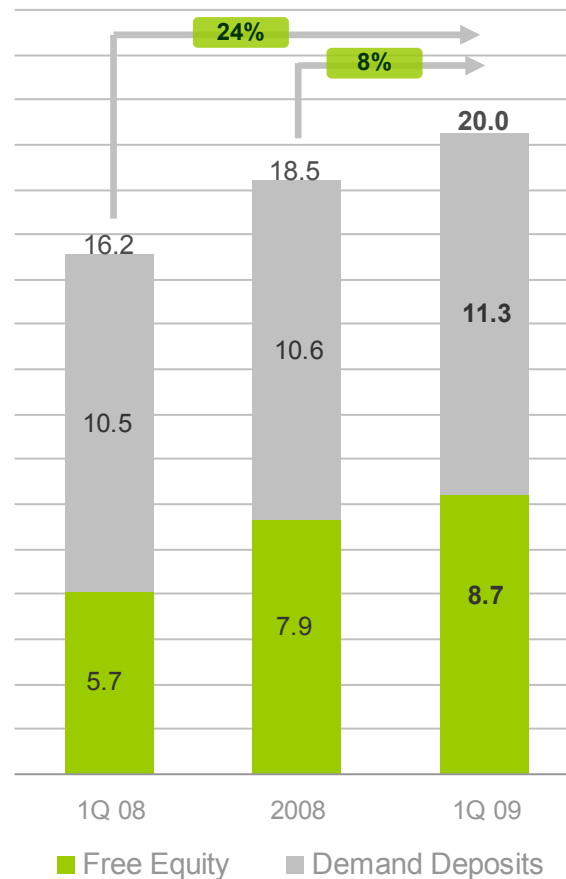
## CAR



## Free Funds

TL Billion (Free Funds = Free Equity + Demand Deposits)

Free Funds / IEAs → 20.7%



- Resilient earnings stream
- Strong demand deposit base
- Non-core asset divestments
- Timely increase in capital
- Optimum security mix against market fluctuations
- Fully retained 2008 earnings

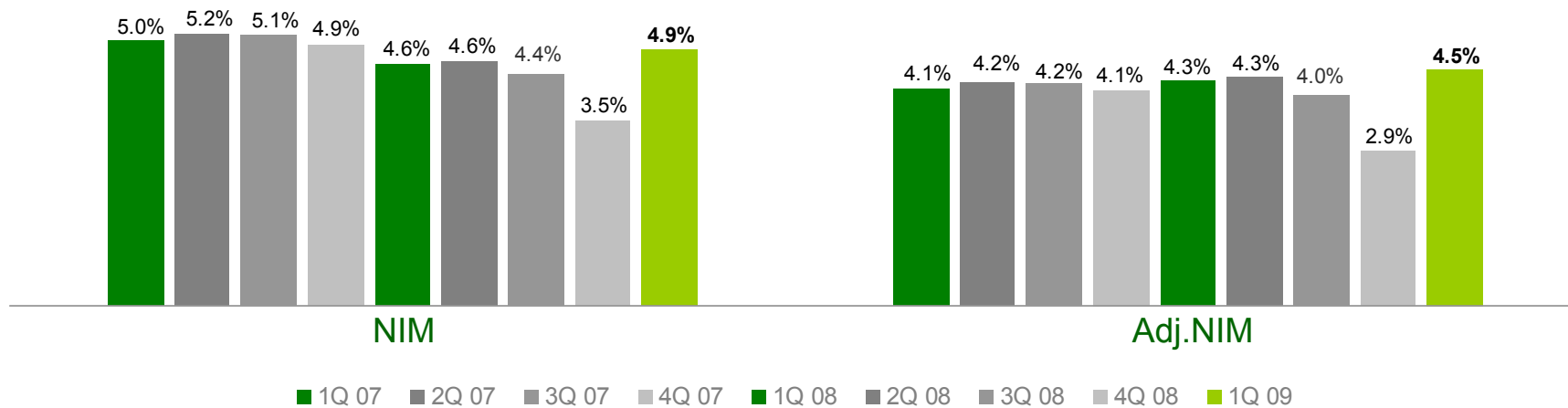
Leverage Ratio

9x

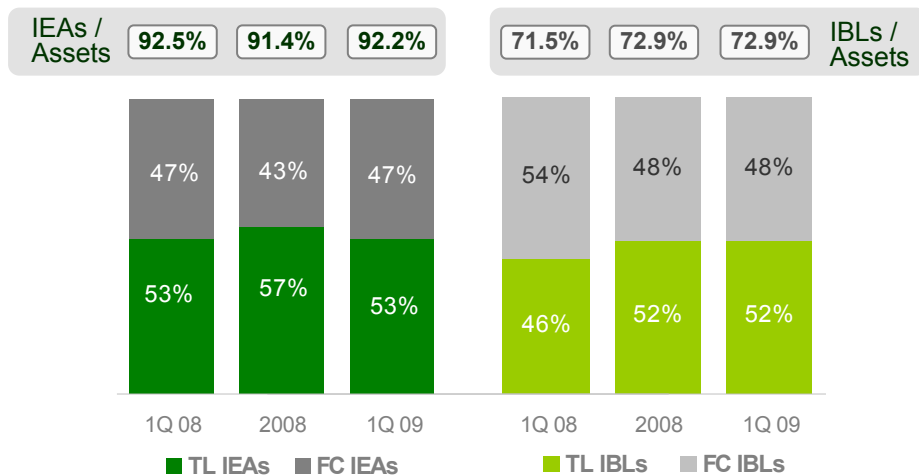
Robust B/S in a challenging environment

# Significant margin expansion due to sharp decline in funding costs

## NIM (Net Interest Income / Average IEAs)



## Composition of IEAs & IBLs



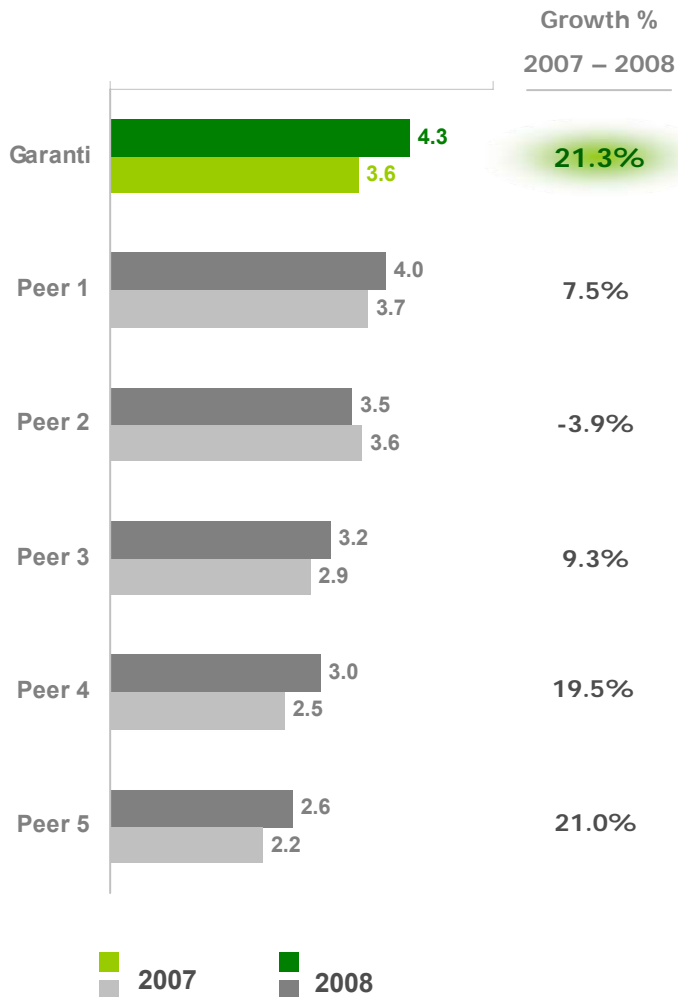
## 1Q 09 over 4Q 08:

- Declining funding costs' impact on margin +240 bps
- Impact of limited drop in asset yields on margin -100 bps
- Adjusted NIM including significantly higher provisions largely offset by strong trading & FX gains -- Result of dynamic balance sheet management

# Sustained highest capacity to generate ordinary banking income

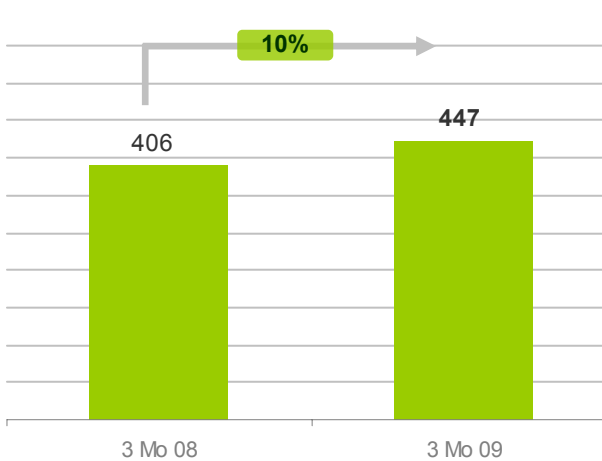
## Ordinary Banking Income<sup>1</sup> Generation

TL Billion

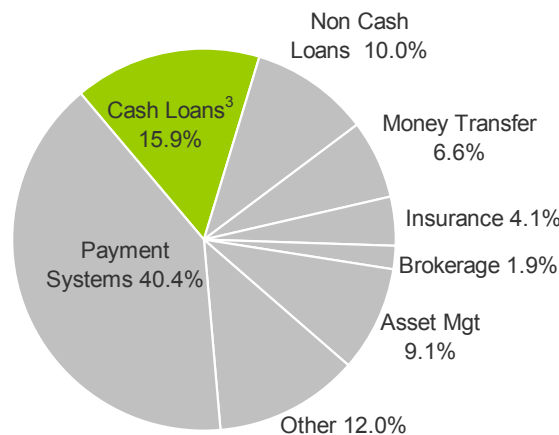


## Net Fees & Commissions<sup>2</sup>

TL Million



## Net Fees & Commissions Breakdown<sup>4</sup>



*Garanti recorded the highest ordinary banking income volume & y-o-y growth rate among peers in 2008*

**Ordinary Banking Income**  
1Q 09 over 1Q 08

**27%**

<sup>1</sup> Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions. Bank-only financials used for ordinary banking income calculations.

<sup>2</sup> As per new BRSA classification in P/L, excludes net fees and commissions received from cash loans amounting 39 mn for 1Q 09 and 26 mn for 1Q 08

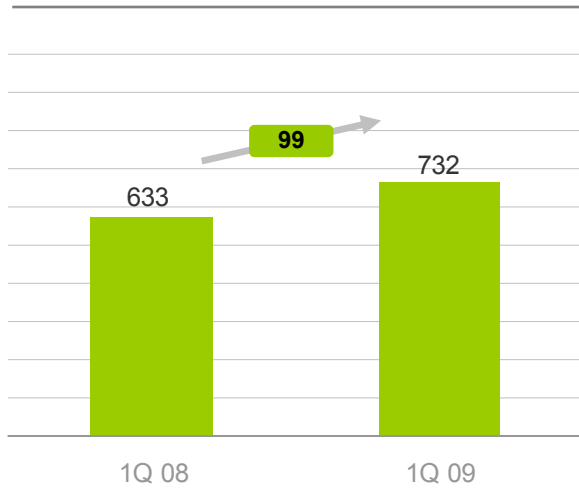
<sup>3</sup> Include consumer loans fees as well as other cash loan fees now classified as interest on loans in income statement amounting 39 mn for 1Q 09 and 26 mn for 1Q 08

<sup>4</sup> Bank-only MIS data

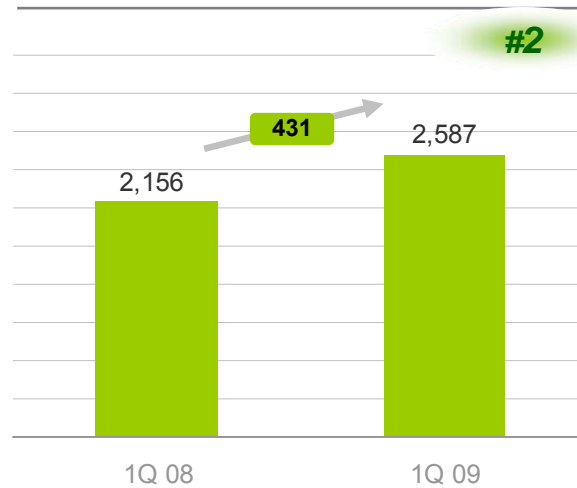


# Strengthened retail network leads to over 1 mn net customer increase per year

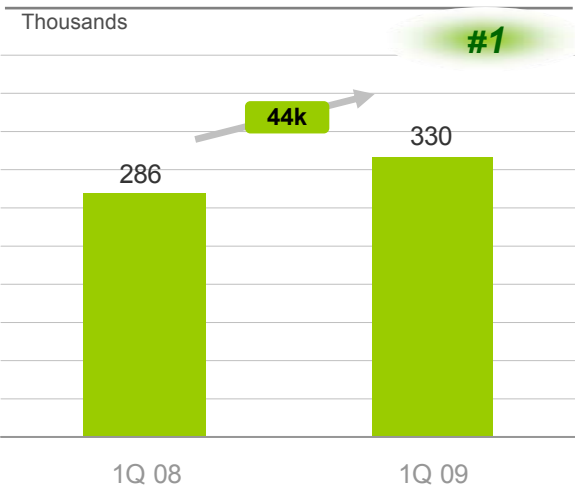
## Number of Branches



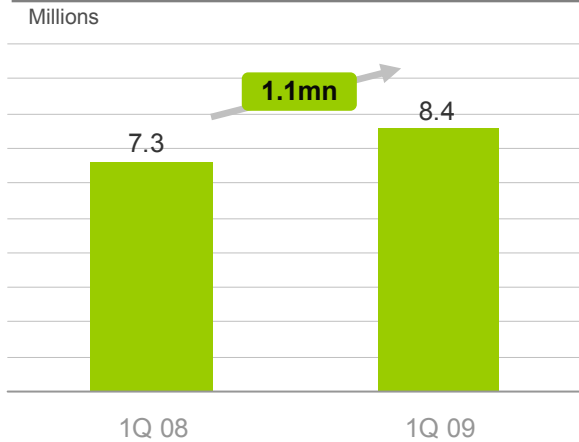
## Number of ATMs



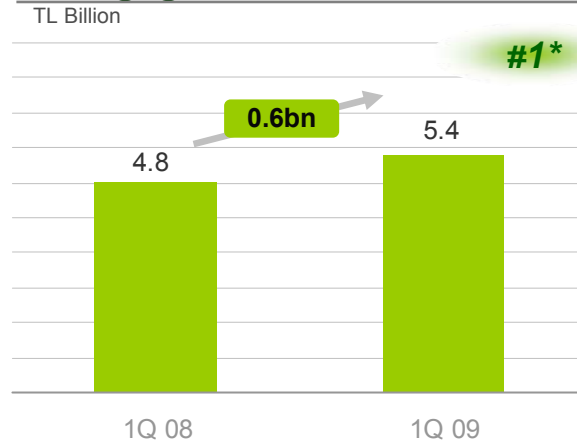
## Number of POS



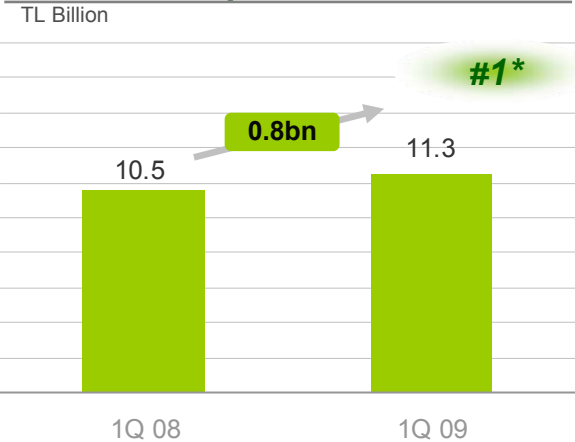
## Number of Customers



## Mortgages



## Demand Deposits



\* Mortgage and demand deposit ranks are as of 2008

## ...resulted in record profitability

<i>(TL Million)</i>	<b>3 Mo 08</b>	<b>3 Mo 09</b>	<b>Growth</b>
<b>Ordinary Banking Income</b>	1,194	1,515	27%
<b>Other Income</b>	88	129	47%
<b>Total Revenue</b>	<b>1,282</b>	<b>1,644</b>	<b>28%</b>
<b>Operating Expense</b>	(645)	(638)	(1%)
<i>Personnel Expense</i>	(229)	(257)	12%
<i>Bonus Provision</i>	(98)	(47)	(53%)
<i>Rent Expense</i>	(23)	(31)	34%
<i>Communication Expense</i>	(32)	(33)	4%
<i>Other</i>	(263)	(270)	2%
<b>Operating Income</b>	<b>637</b>	<b>1,006</b>	<b>58%</b>
<b>Other Provisions</b>	(2)	(96)	n.m.
<b>Taxes</b>	(141)	(198)	41%
<b>Net Income</b>	<b>494</b>	<b>712</b>	<b>44%</b>
<b>Equity Holders of the Bank</b>	491	709	44%
<b>Minority Interest</b>	3	3	35%

44%



**Net Income Growth**  
Y-o-Y

*Cost / Income*

38.8%

## 2Q 09 – Focus remains on liquidity, asset quality, solvency and profitability

### ✓ **LIQUIDITY**

*Robust and above sector growth in both TL and FC deposits remain resulting in market share expansion*

*100% rollover of €600 mn syndication completed*

### ✓ **ASSET QUALITY**

*NPL on the rise, but significantly below sector average*

*Prudent provisioning – Coverage levels reaching sector average*

### ✓ **SOLVENCY**

*Capitalization remains comfortable and sound*

### ✓ **PROFITABILITY**

*Continued expansion on margins*

- *Average cost of TL funding in April down by ~250 bps vs. avg. in 1Q 09*
- *Sustained demand deposit market share*
- *Prolonged benefit of higher yielding TL assets*
- *Acquired sizeable amount of CPI bonds yielding 12% real interest rate increasing the FRN mix in securities*

*Above budget fee generation continues*

*Strict cost management in line with budget*

# Appendix

# Balance Sheet - Summary

<i>(TL Million)</i>	<b>2008</b>	<b>1Q 09</b>	<b>YTD Change</b>	
<b>Assets</b>	<b>Cash &amp; Banks<sup>1</sup></b>	<b>10,827</b>	<b>14,355</b>	<b>33%</b>
	<b>Reserve Requirements</b>	<b>1,773</b>	<b>1,949</b>	<b>10%</b>
	<b>Securities</b>	<b>26,643</b>	<b>27,700</b>	<b>4%</b>
	<b>Performing Loans</b>	<b>52,300</b>	<b>53,603</b>	<b>2%</b>
	<b>Fixed Assets &amp; Subsidiaries</b>	<b>1,323</b>	<b>1,331</b>	<b>1%</b>
	<b>Other</b>	<b>6,172</b>	<b>5,996</b>	<b>(3%)</b>
	<b>Total Assets</b>	<b>99,038</b>	<b>104,934</b>	<b>6%</b>
	<b>Liabilities &amp; SHE</b>	<b>Deposits</b>	<b>57,960</b>	<b>63,642</b>
<b>Repos</b>		<b>11,153</b>	<b>9,433</b>	<b>(15%)</b>
<b>Borrowings</b>		<b>14,420</b>	<b>15,241</b>	<b>6%</b>
<b>Other</b>		<b>5,762</b>	<b>6,119</b>	<b>6%</b>
<b>SHE</b>		<b>9,743</b>	<b>10,499</b>	<b>8%</b>
<b>Total Liabilities &amp; SHE</b>		<b>99,038</b>	<b>104,934</b>	<b>6%</b>

<sup>1</sup> Includes banks and other financial institutions

# Quarterly Analysis of Ordinary Banking Income

<i>(TL Thousand)</i>	1Q 08	2Q 08	3Q 08	4Q 08	1Q 09	$\Delta$ Q-o-Q 1Q 09 - 4Q 08	$\Delta$ Y-o-Y 1Q 09 - 1Q 08
<b>Interest Income</b>	<b>2,228,737</b>	<b>2,324,196</b>	<b>2,537,592</b>	<b>2,975,551</b>	<b>2,928,991</b>	<b>(2%)</b>	<b>31%</b>
-Loans	1,315,176	1,406,832	1,489,659	1,745,713	1,718,159	(2%)	31%
-Securities	642,956	674,712	793,410	964,720	987,620	2%	54%
-Other	270,605	242,652	254,523	265,118	223,212	(16%)	(18%)
<b>Interest Expense</b>	<b>(1,382,824)</b>	<b>(1,426,866)</b>	<b>(1,637,762)</b>	<b>(2,187,920)</b>	<b>(1,771,432)</b>	<b>(19%)</b>	<b>28%</b>
-Deposits	(942,188)	(996,339)	(1,131,301)	(1,472,192)	(1,302,967)	(11%)	38%
-Funds Borrowed	(220,691)	(204,152)	(211,524)	(272,467)	(206,581)	(24%)	(6%)
-Interbank & Other	(219,945)	(226,375)	(294,937)	(443,261)	(261,884)	(41%)	19%
<b>Net Interest Income</b>	<b>845,913</b>	<b>897,330</b>	<b>899,830</b>	<b>787,631</b>	<b>1,157,559</b>	<b>47%</b>	<b>37%</b>
<b>Prov. for loans &amp; securities</b>	<b>(126,989)</b>	<b>(104,491)</b>	<b>(88,459)</b>	<b>(264,468)</b>	<b>(489,894)</b>	<b>85%</b>	<b>286%</b>
<b>Net FX Gain/(Loss) + Net trading Income/(loss)</b>	<b>69,121</b>	<b>46,566</b>	<b>6,590</b>	<b>131,308</b>	<b>400,492</b>	<b>205%</b>	<b>479%</b>
<b>Adj. Net Interest Income</b>	<b>788,045</b>	<b>839,405</b>	<b>817,961</b>	<b>654,471</b>	<b>1,068,157</b>	<b>63%</b>	<b>36%</b>
<b>Net Fees and Comm.</b>	<b>405,953</b>	<b>390,392</b>	<b>398,939</b>	<b>383,051</b>	<b>447,059</b>	<b>17%</b>	<b>10%</b>
<b>Ordinary Banking Income</b>	<b>1,193,998</b>	<b>1,229,797</b>	<b>1,216,900</b>	<b>1,037,522</b>	<b>1,515,216</b>	<b>46%</b>	<b>27%</b>

## Non-recurring items

### December 2008:

- I.** The net income resulting from the non-recurring items amounts to **TL 84 mn**, breakdown of which is;
- i) Other income:
    - Tax refund that the Bank collected through conciliation from the tax office, due to the prepaid taxes in 2005 **TL 131 mn**
    - Tax refund on an existing unused investment incentive certificate **TL 6 mn**
    - Proceeds from NPL sales **29 mn**
  - ii) Other expense (Please refer to footnote 5.2.7.4.2 — Other Provisions for Possible Losses on page 66-67 in the financial report)  
Defined Benefit Obligation: **TL 103 mn**
  - ii) Taxation expense  
Tax credit resulting from the deferred tax asset calculated on defined benefit obligation liability **TL 21 mn**

### December 2007:

- II.** The net income resulting from the non-recurring items amounts to **TL 837 mn**, breakdown of which is;
- i) Other income:
    - Gains from insurance and pension & life business subsidiaries stake sale **TL 762 mn**
    - Gains from custody sale **TL 148 mn**
  - ii) Other expense:
    - Banking Insurance and transaction tax related to custody sale **TL 7 mn**
  - iii) Taxation expense
    - Tax expense of insurance and pension & life business subsidiaries stake sale **TL 38 mn**
    - Tax expense of custody sale **TL 28 mn**



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