



BRSA Bank-Only Earnings Presentation  
December 31, 2009



## 4Q 2009: The world economy is likely to confirm its recovery in 2010...

### **Actions taken by the fiscal and monetary authorities paved the way for an eventual recovery...**

- Governments incurred a massive debt build-up.
- Rising concern for default in repayment of government bonds in Greece, Spain and Portugal as well as Dubai.

### **Towards a moderate pace of recovery in Turkish economy...**

- Turkey's rating upgrade of 2 notches by Fitch nearing investment grade, combined with successful monetary policy management in previous periods supported Turkey's macro position.
- After having higher contraction in the prior three quarters, Turkish economy shrank by another 3.3% in 3Q09 (y-o-y).
- Annual CPI inflation increased from 5.3% at the end of 3Q09 to 6.5% at the end of 4Q09 due to base effect stemming from energy and food prices.

### **CBT's interest rate easing policy came to an end...**

- CBT continued the interest rate easing policy with a further 75 bps in 4Q 09 bringing annual rate cuts to 850 bps.
- Rates likely to stay flat for a long time as lingering problems across the global economy are not completely resolved.
- Strong fiscal discipline required – possible IMF deal seen as an insurance policy for the market.

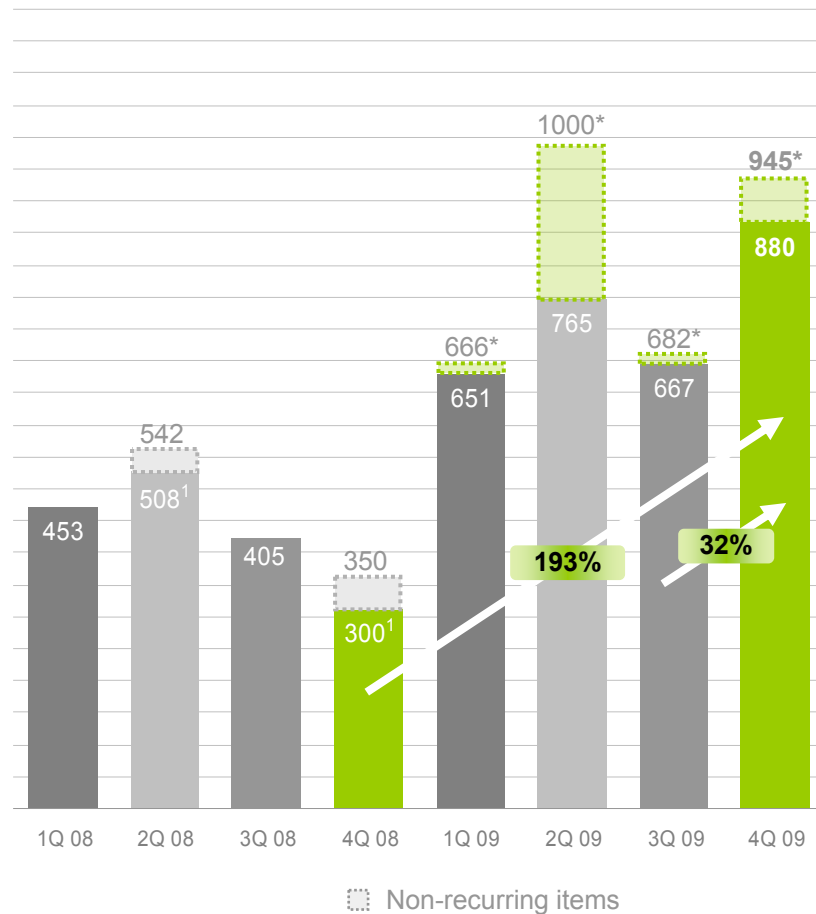
## 4Q 2009 Highlights

### **Balance sheet strength – the distinguishing feature of Garanti**

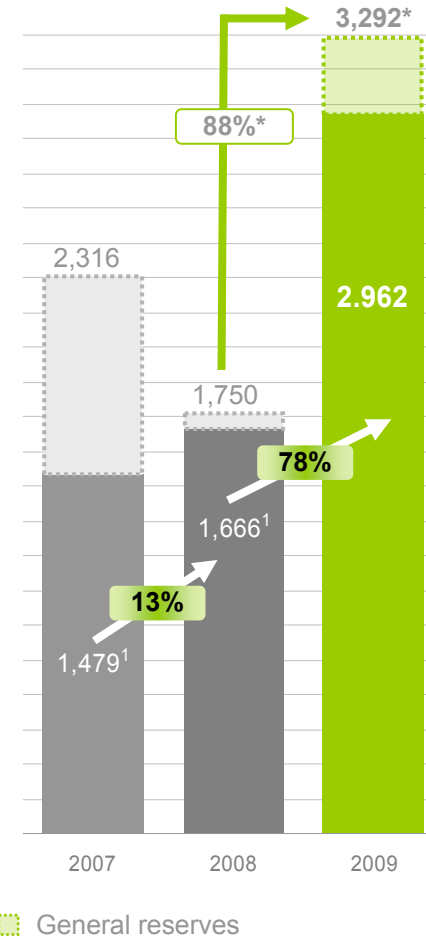
- **Record earnings** performance:
  - **Y-o-y** earnings growth **78%** ; **Q-o-q** earnings growth **32%**
  - **ROAE: 26%** (incl. TL 330mn free provisions booked in 2009)
- **Actively managed, well-diversified & more liquid asset mix**
  - Liquidity ratio 40%, boosted by significant growth in AFS securities (Securities/Assets: 31%)
- Results reflect **Risk-return balance priority**
  - Relatively limited and **selective growth in lending in 4Q 09** – preserving profitability
  - Lowest NPL formation and highest collection performance in 4Q 09
  - Garanti NPL: 4.3% vs. Sector NPL: 5.2% (including NPL sales and write-offs in sector)
  - **High coverage level** (81%) maintained while cost of risk eased to 246 bps in line with **lower NPL flows & increased collection** performance
- **Focus** remains on **deposit growth** (y-o-y: 19%; q-o-q: 8%)
- **High solvency** (CAR: 21.2%) and **low leverage** (7x)
- **Expanding margins q-o-q** – result of proactive management of asset/liability mix
- **Highest ordinary banking income** generation capacity
  - Despite the highest base in Net Fees & Comm., growth momentum sustained with further diversification
- Neared a branch network of 800 with **46 new branch openings in 4Q 09** while **tightly managing costs** (OPEX/Avg Assets down to 2.7% at YE 2009 from 3.2% at YE 2008)

# Record earnings performance -- result of liquid, low-risk, & well-capitalized B/S

## Quarterly Net Income



## Net Income



## Earnings<sup>1</sup> 2009



78%

ROAE  
>26%

ROAE – Excl. m-t-m gains on equity & general reserves: >31%

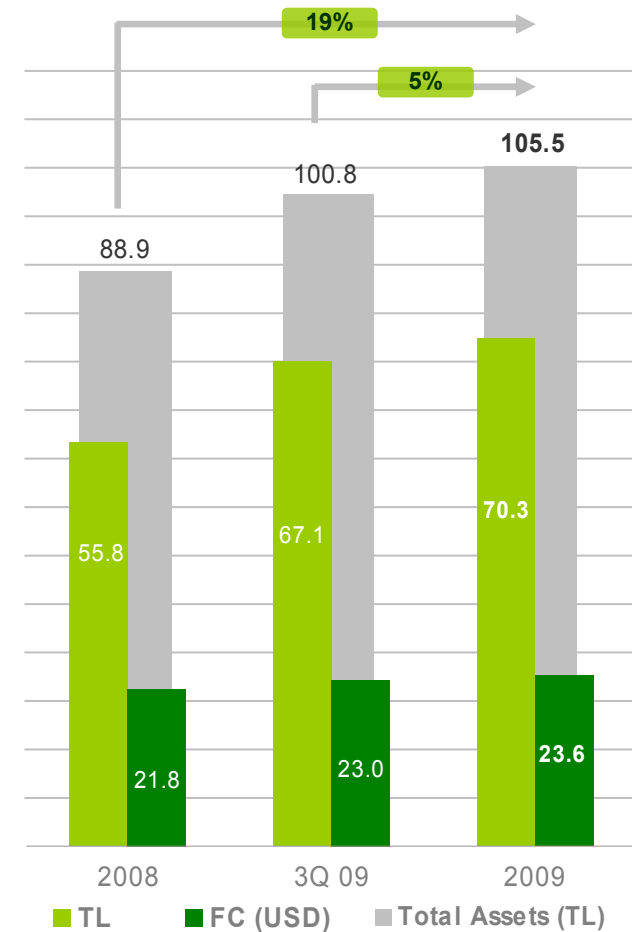
<sup>1</sup> Please refer to Slide 23 for breakdown of non-recurring items

<sup>\*</sup> Net income excluding the effect of general reserve of TL 330mn (1Q 09: TL 15mn; 2Q 09: TL 235mn; 3Q 09: TL 15mn; 4Q 09: TL 65mn) provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions, and fully recognized as expense in the current period

# More liquid asset mix...

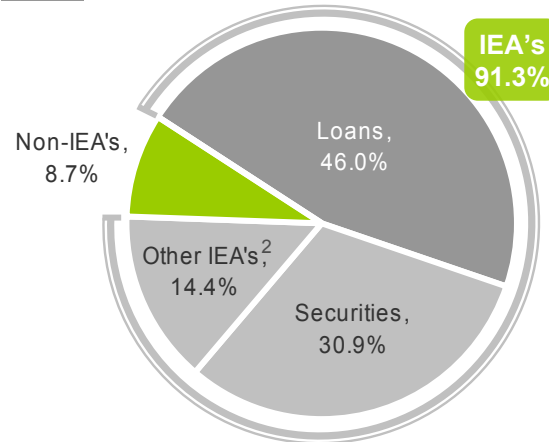
## Total Assets

TL / USD Billion

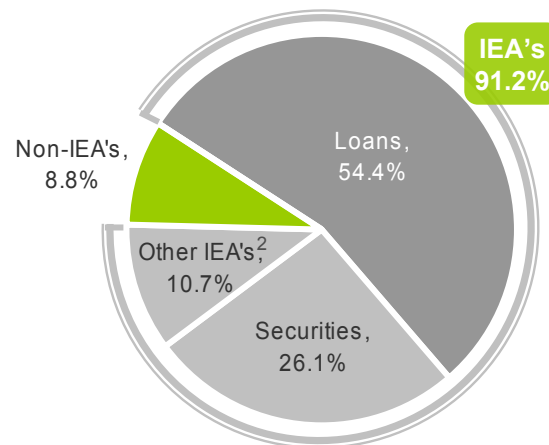


## Composition of Assets<sup>1</sup>

### 2009



### 2008



## 2009 Growth in:

*TL Assets*  
**26%**

*FC Assets (\$)*  
**8%**

## Liquidity Ratio<sup>3</sup>

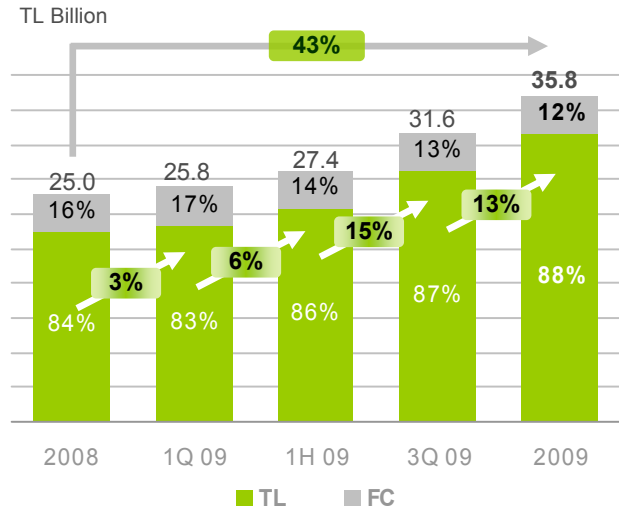
**↑**  
**40%**

up from 29% at YE 08

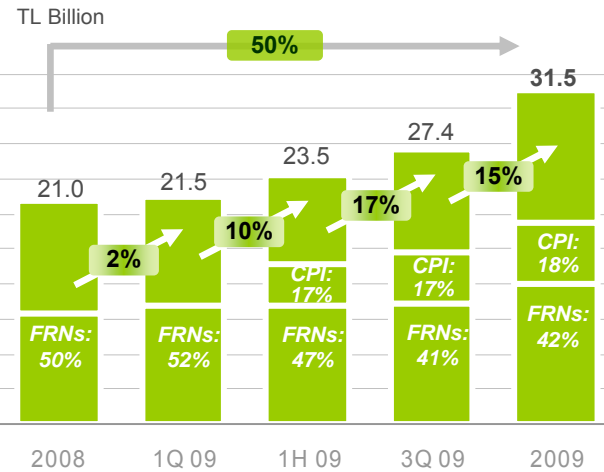
<sup>1</sup> Accrued interest on B/S items are shown in non-IEAs  
<sup>2</sup> Other IEA's include factoring and leasing receivables  
<sup>3</sup> (Cash and banks + trading securities + AFS) / Assets

...reinforced with timely additions to AFS book -- positive effect on margins

### Total Securities

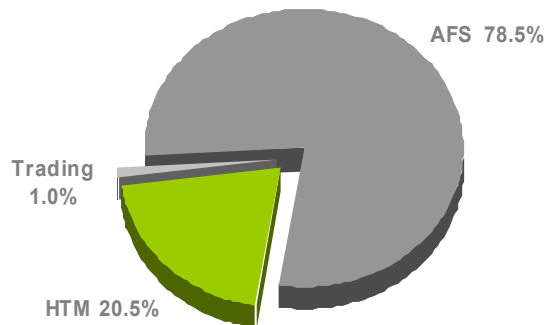


### TL Securities



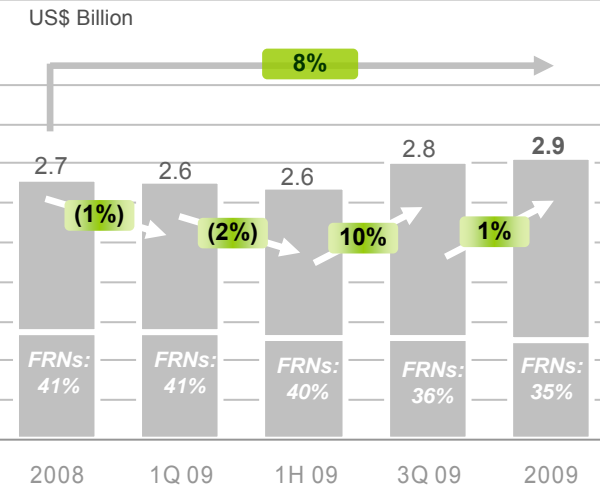
Securities mix  
in assets  
**31%**

### Total Securities Composition



Unrealized gain > TL 1.7 bn\*

### FC Securities



AFS mix in total

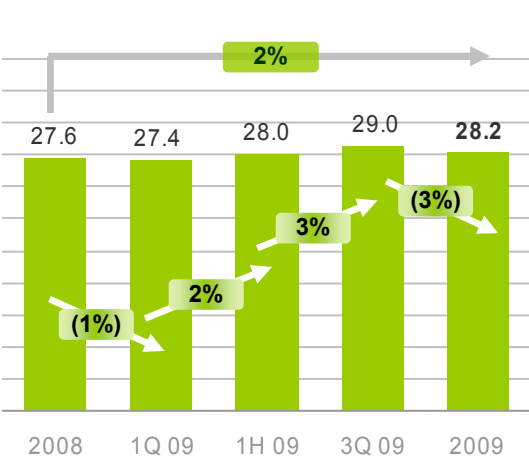
**79%**

from 69%  
at YE 08

# Timely and selective growth in lending...

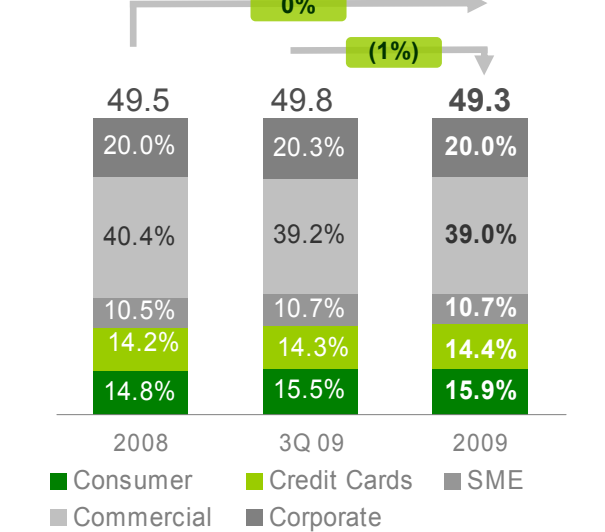
## TL Loans<sup>1</sup>

TL Billion



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

TL Billion



4Q 09

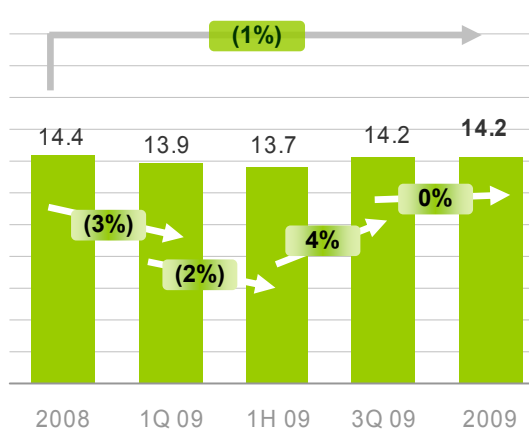
*loan growth areas*

*in TL : retail*

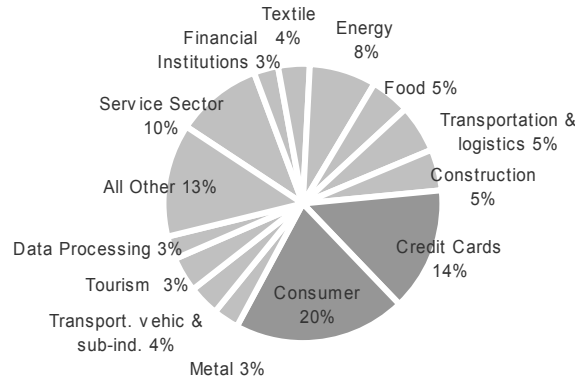
*in FC: corporate*

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

US\$ Billion



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



## Market Shares

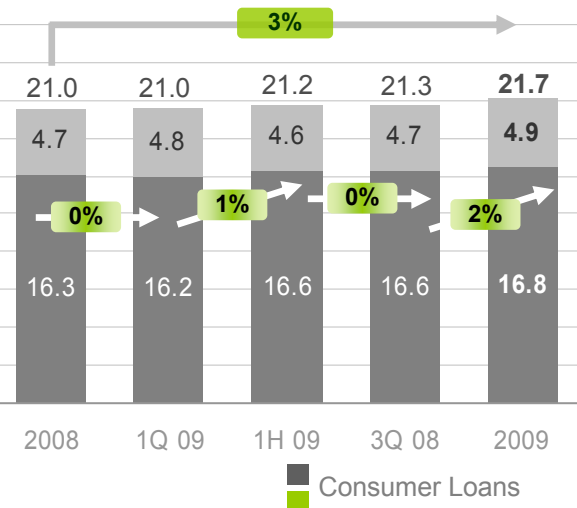
	YTD Δ	Dec 09
<b>Total Loans</b>	-80 bps ↓	13.8%
<b>TL Loans</b>	-69 bps ↓	10.9%
<b>FC Loans</b>	+25 bps ↑	21.3%

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

# ...to preserve profitability

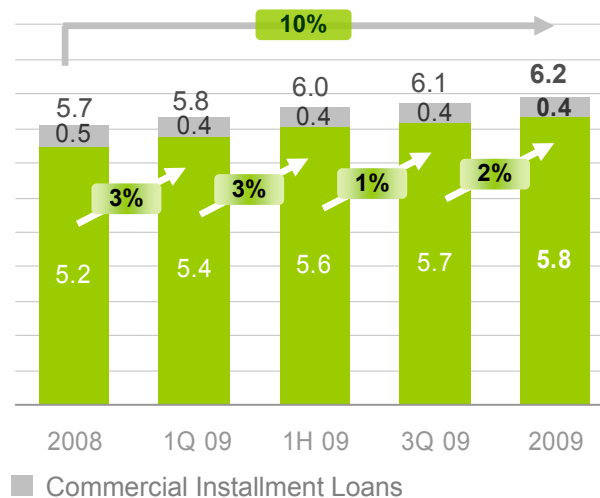
## Retail Loans<sup>1</sup>

TL Billion



## Mortgage Loan Growth

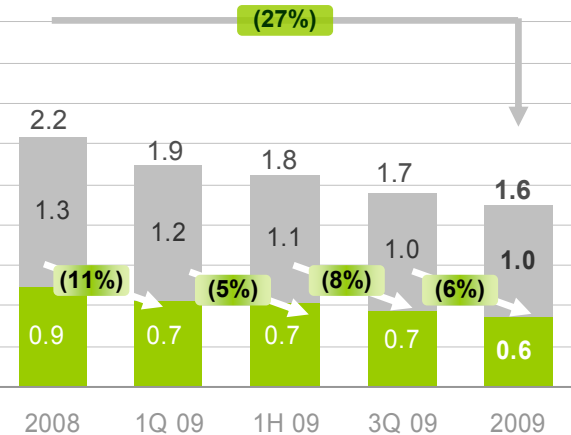
TL Billion



*Growth momentum in mortgages & GPL remains despite resistance to pricing competition*

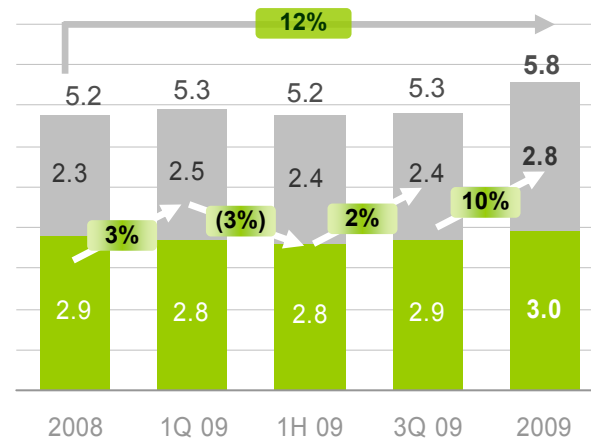
## Auto Loan Growth

TL Billion



## General Purpose Loan Growth

TL Billion



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

	YTD Δ	Dec 09	Rank <sup>4</sup>
Mortgage	-10 bps ↓	13.8%	#1
Auto	-5 bps ↓	14.9%	#2
General Purpose	-15 bps ↓	9.7%	#2
Retail <sup>1</sup>	-60bps ↓	13.2%	#2

<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

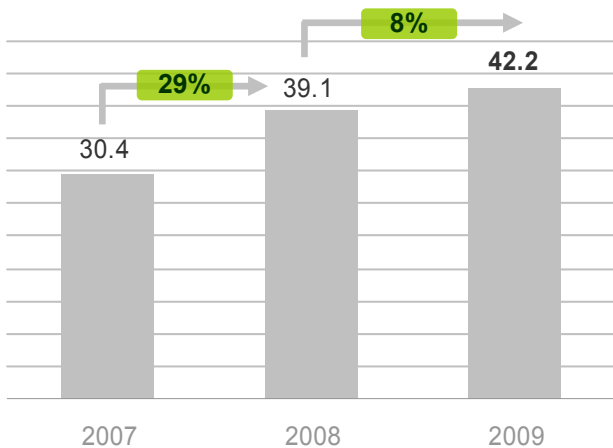
<sup>4</sup> As of 3Q 2009 among private banks



# Limited growth in credit card activity

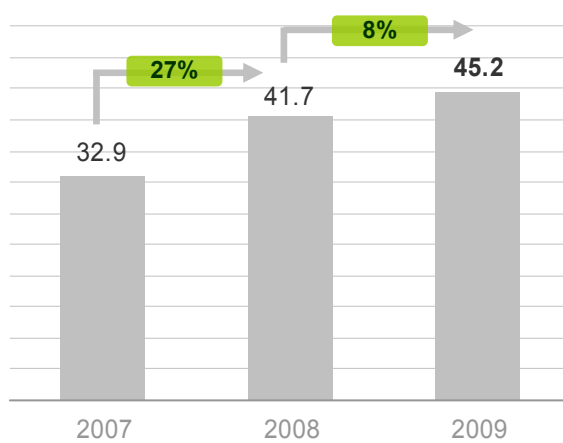
## Issuing Volume

TL Billion



## Acquiring Volume

TL Billion

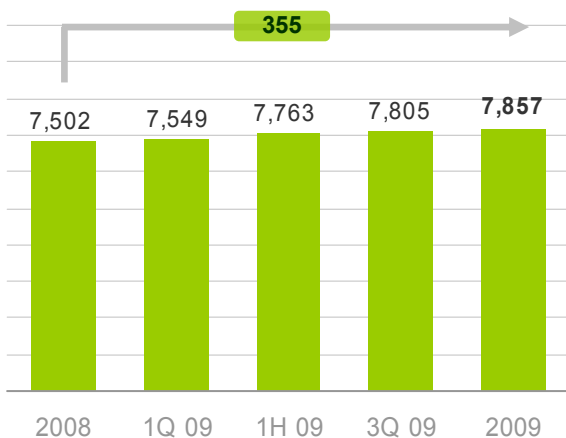


**#1** in  
*Acquiring Volume*  
& **Strong #2** in  
*Issuing Volume*



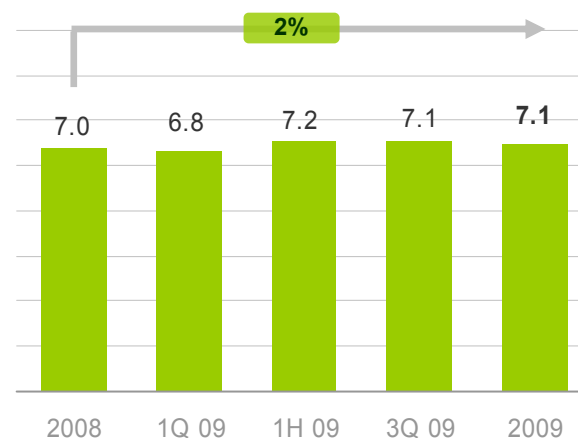
## No. of Credit Cards

In Thousands



## Credit Card Balances

TL Billion

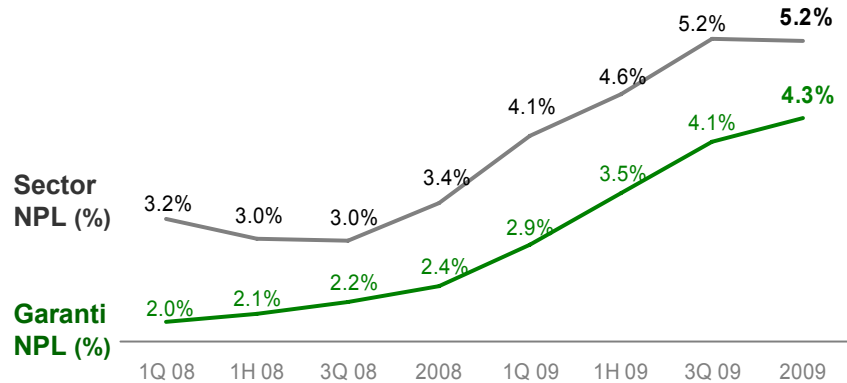


## Market Shares

	YTD Δ	Dec 09	Rank
Acquiring	-26 bps	22.1%	#1
Issuing	-31 bps	20.8%	#2
# of Credit Cards	+41 bps	17.7%	#1
POS <sup>1</sup>	+41 bps	20.4%	#1
ATM	-17 bps	11.6%	#2

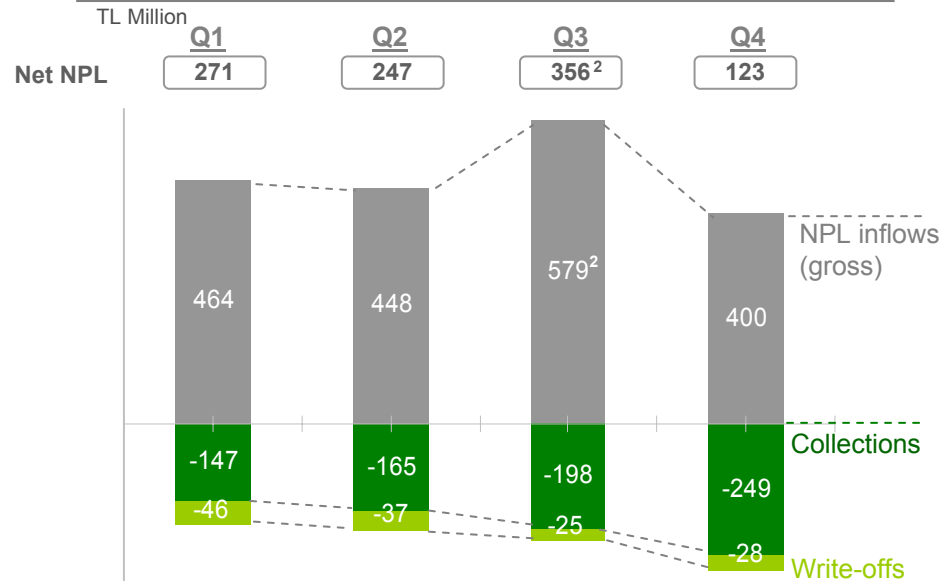
# Lowest NPL formation and highest collection performance in 4Q 09

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



**Note:**  
 4Q 09 sector NPL includes ~220mn NPL sales  
 2008 sector NPL includes a total of 1.4 bn NPL sales & write-offs

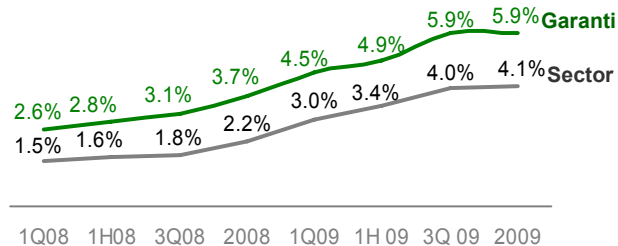
## Net NPLs on a quarterly basis



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

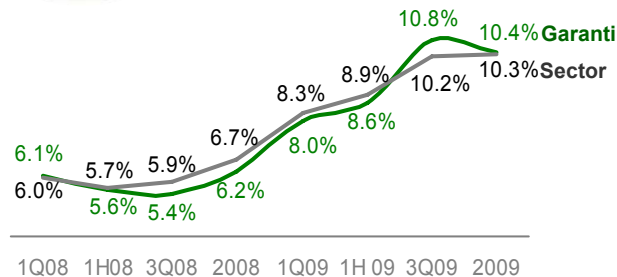
### Retail Banking (Consumer & SME Personal)

20% of Garanti's Total Loans



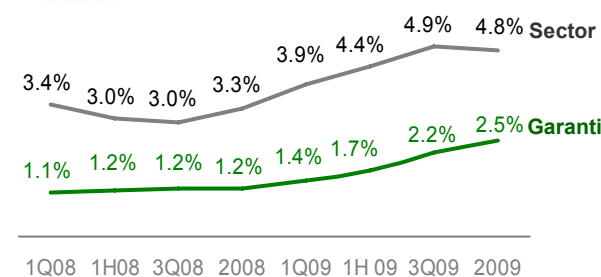
### Credit Cards

14% of Garanti's Total Loans



### Business Banking (Including SME)

66% of Garanti's Total Loans



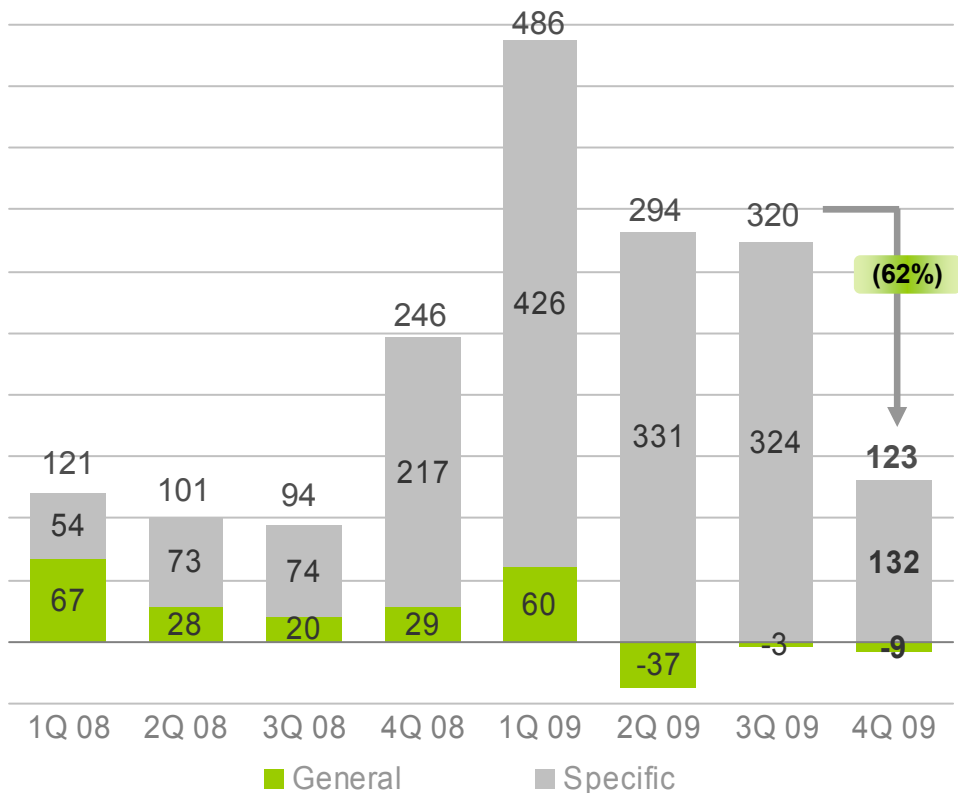
<sup>1</sup> Sector figures are per BRSA bank-only data  
<sup>2</sup> Including a few files in commercial book to be fully recovered due to highly strong collateralization  
 Note: As of Dec 2009 pre-NPL restructurings totaled TL 180mn and NPL restructurings totaled TL 512mn. NPL restructurings had no effect on NPL ratio as they are not yet classified as performing  
 Source: BRSA, TBA & CBT

# Cost of risk easing parallel to improving macro

## Quarterly Loan-Loss Provisions

TL Million

Coverage Ratio	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09
Sector <sup>1</sup>	81%	81%	81%	82%	83%
Garanti	64%	76%	82%	82%	81%



## Coverage Ratio



81%

*Conservative approach in coverage remains*

## Cost of risk

387 bps in 1Q 09,

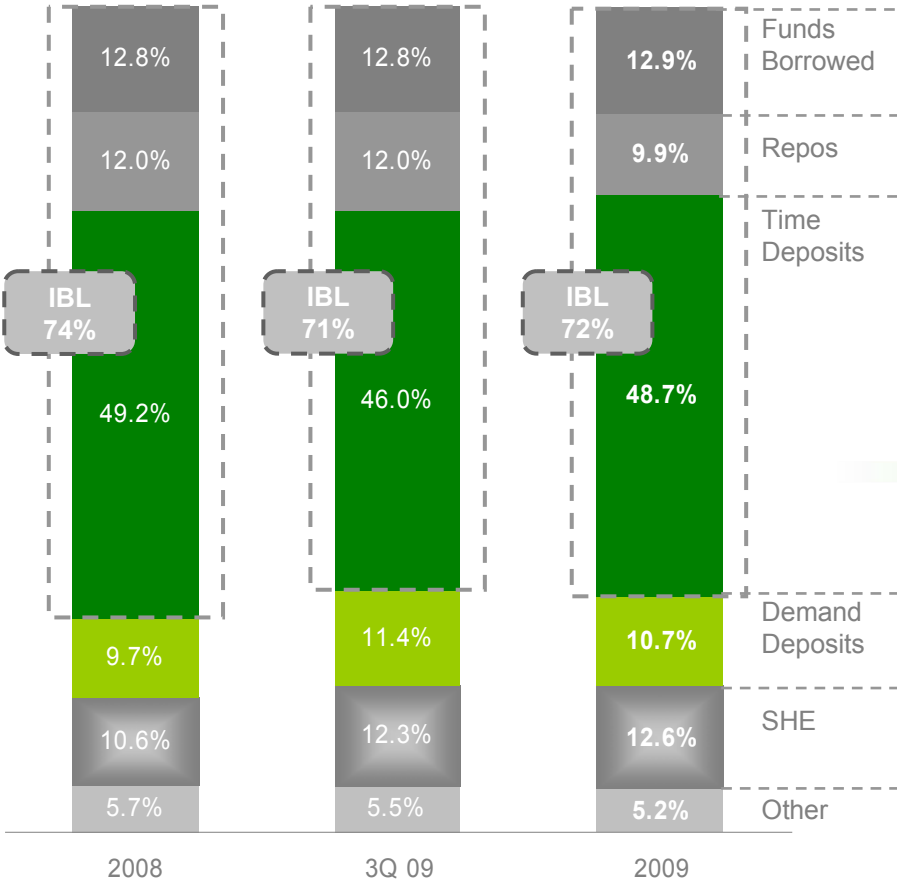
315 bps in 1H 09,

293 bps in 3Q 09,

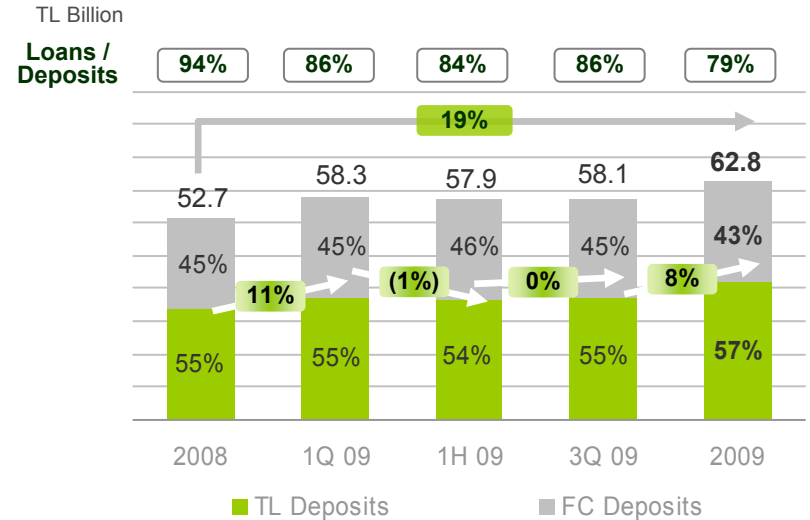
**246 bps** as of Dec 09

# Focus remains on deposit growth with...

## Composition of Liabilities



## Total Deposits



Deposit market share  
up by 60 bps to **12.4%**

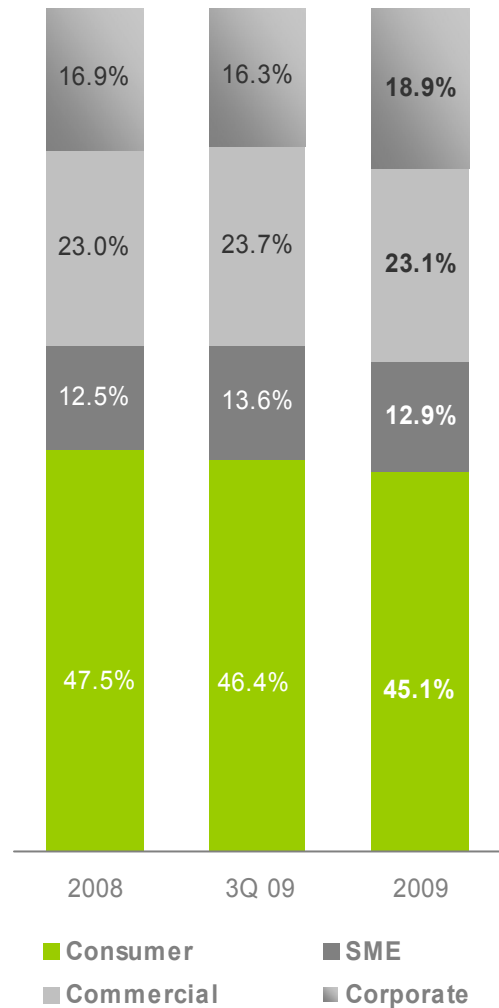
TL deposit growth **24%**  
vs. sector's 15%

FC deposit growth **15%**  
vs. sector's 10%

...emphasis on relationship banking – increased portion of corporate deposits & maintained solid demand deposit base

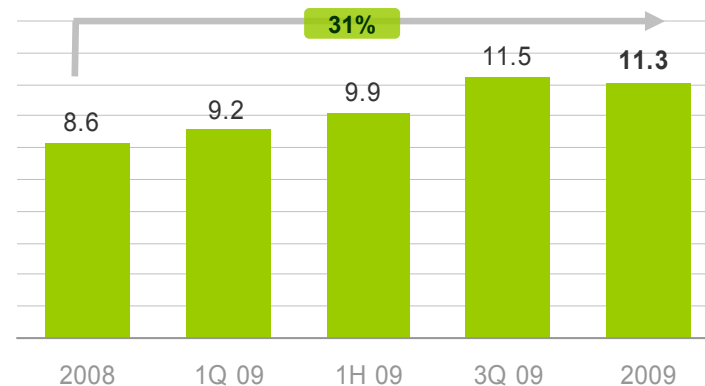
### Deposits by LOB<sup>1</sup>

(Excluding bank deposits)



### Demand Deposits

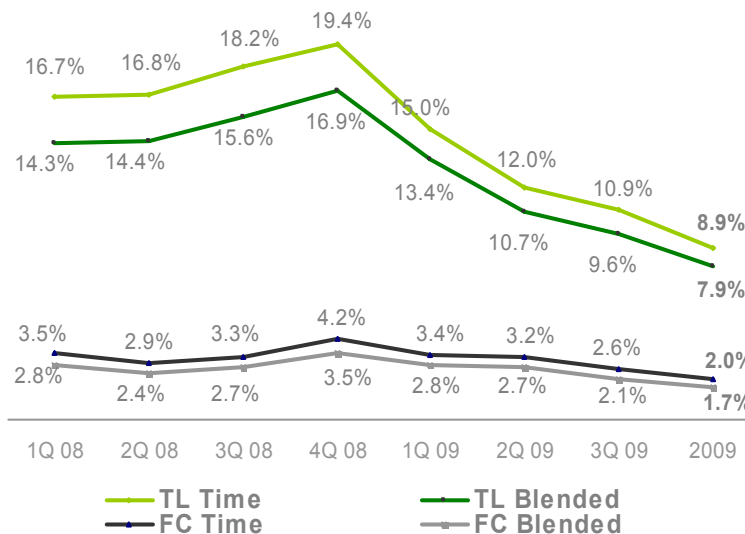
TL Billion



**Demand Deposits**  
2009 Growth  
**31%** vs.  
Sector's **28%**

### 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

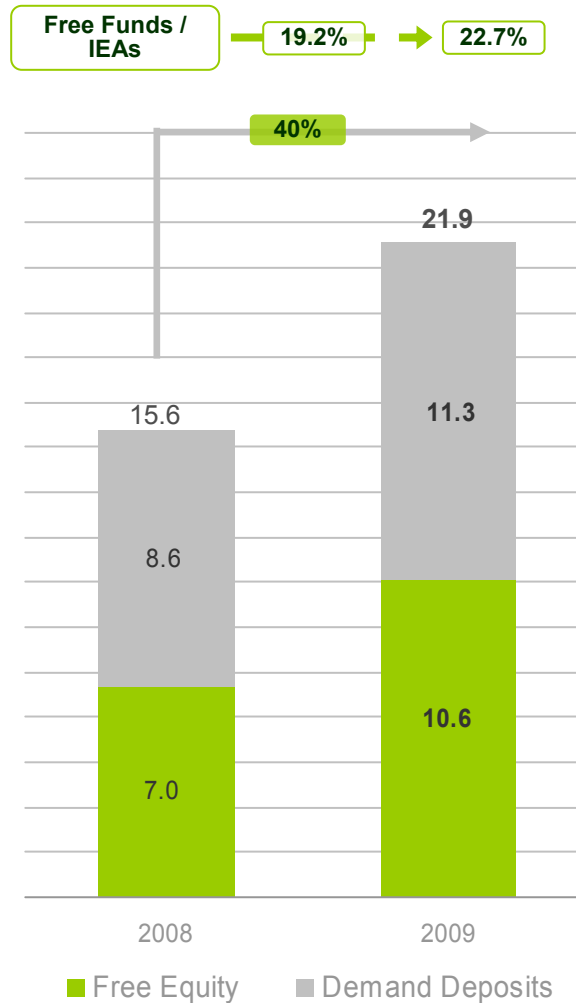
# Strong solvency and low leverage

## CAR



## Free Funds

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



Free Equity  
2009 growth



52%

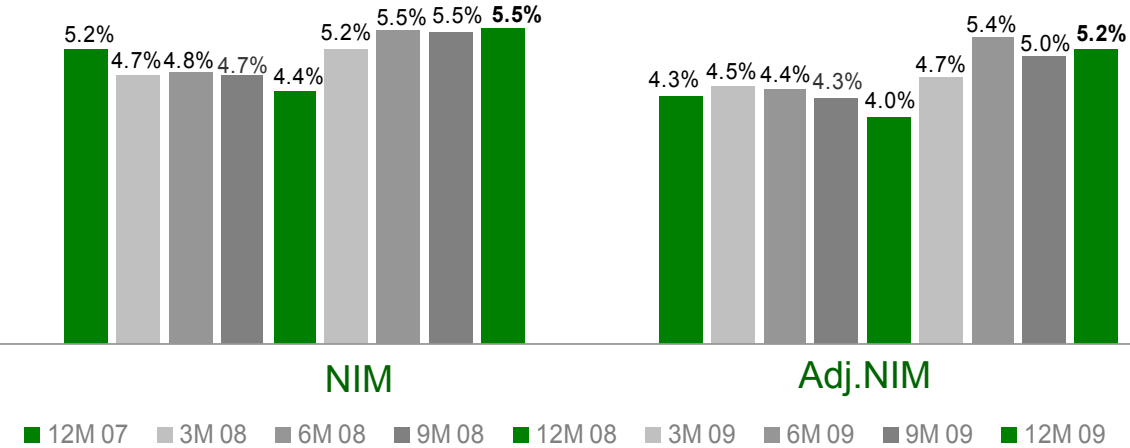
Leverage Ratio



down from 8x in 1Q 09  
and at YE 08

Proactively managed B/S – limited drop in asset yields combined with declining funding costs result in expanding margins q-o-q

**Cumulative NIM (Net Interest Income / Average IEAs)**

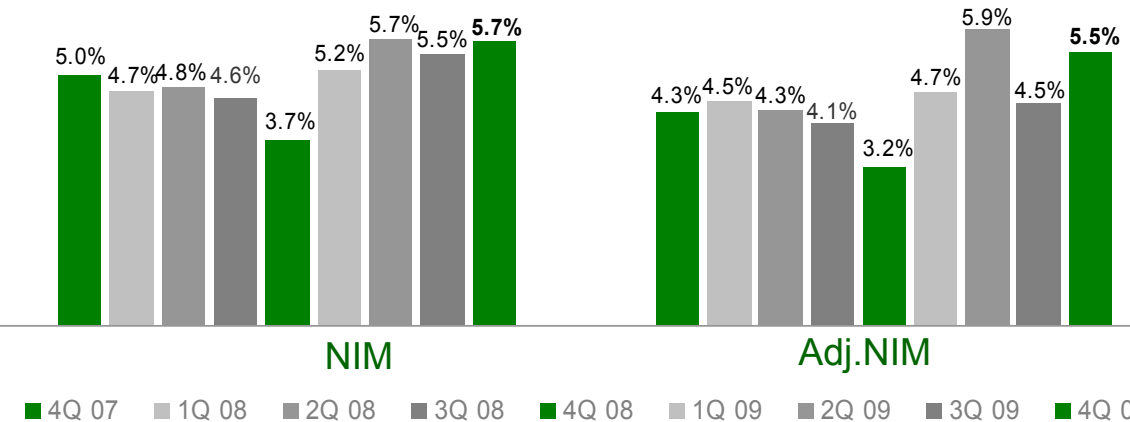


**Dec 09 over Sep 09:**

- Declining funding costs' impact on margin +48 bps
- Drop in asset yields' impact on margin -41 bps

Decreased levels of “provisioning” positively affecting adjusted NIM

**Quarterly NIM (Net Interest Income / Average IEAs)**



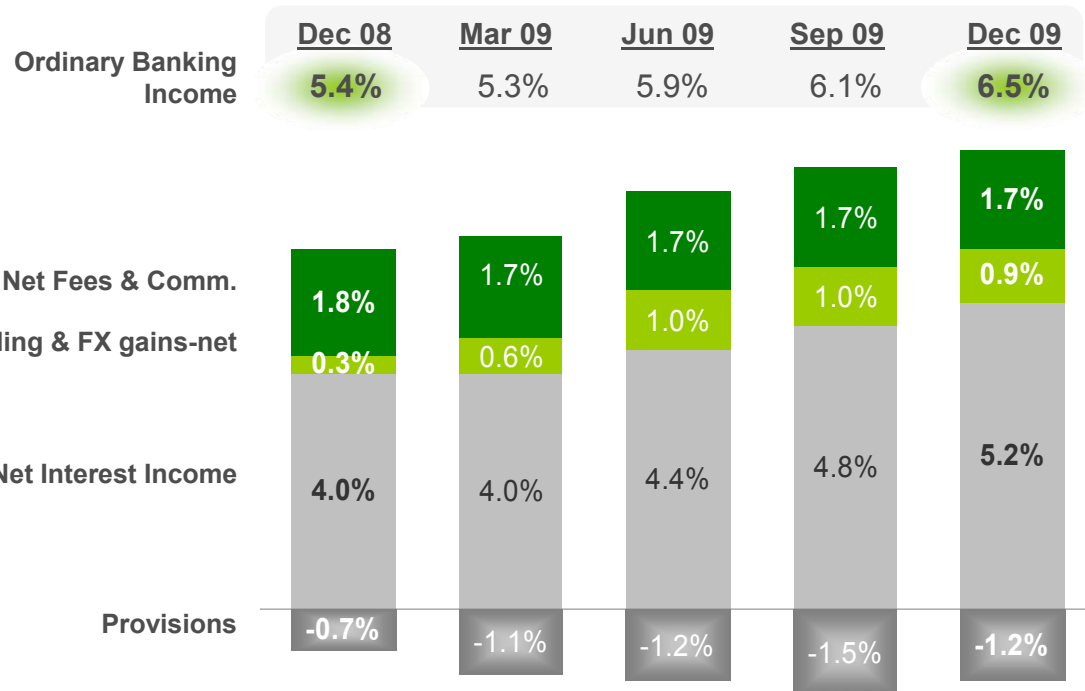
**4Q 09 over 3Q 09:**

- Declining funding costs' impact on margin +70 bps
- Drop in asset yields' impact on margin -50 bps

# Regardless of the economic cycles, sustainable revenue components prevail

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

% of Average Interest Earning Assets



Ordinary Banking Income<sup>1</sup>  
2009 over 2008

  
48%

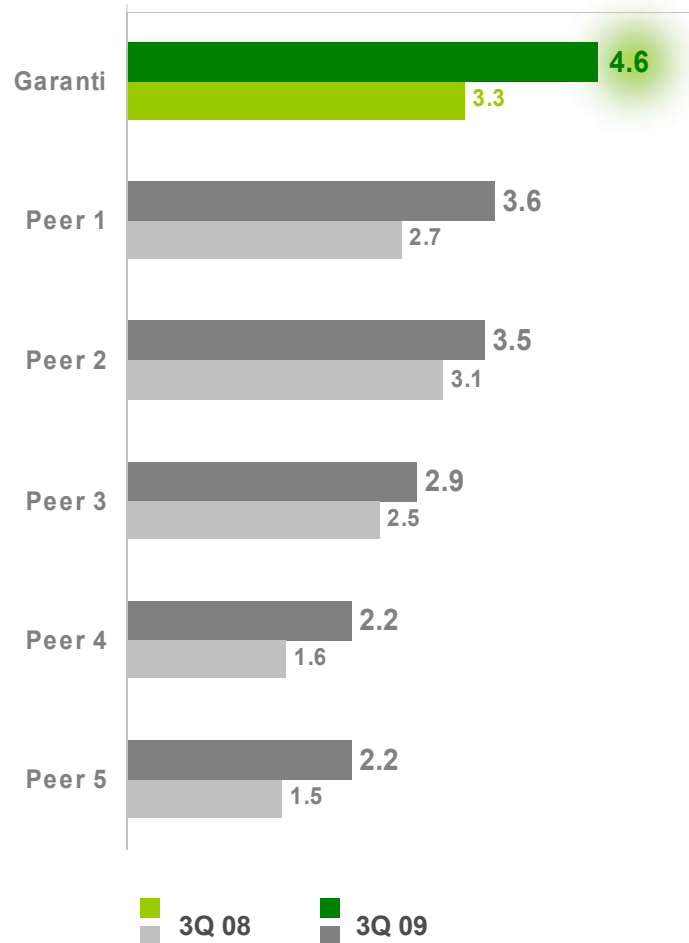
	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09
Loan growth (yoy)	34%	18%	10%	8%	0%
ROAE	21%	27%	28%	26%	26%
Cost/Income	53.5%	37.3%	36.5%	38.2%	38.1%



# Growth and diversification of sustainable income sources further reinforce the high capacity to generate ordinary banking income

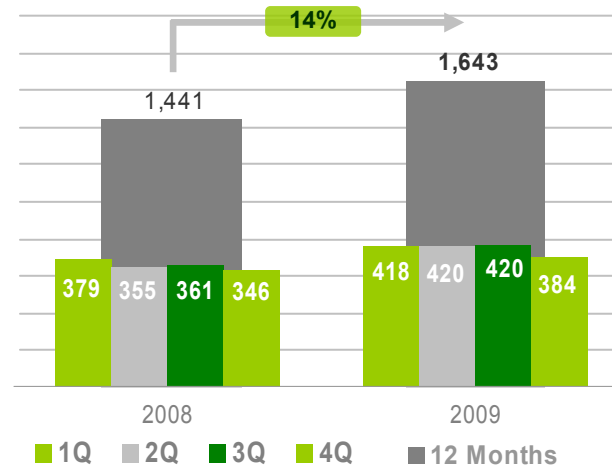
## Ordinary Banking Income<sup>1</sup> Generation

TL Billion



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

TL Million



In 2009, captured **1 out of 4** entrants to the pension system

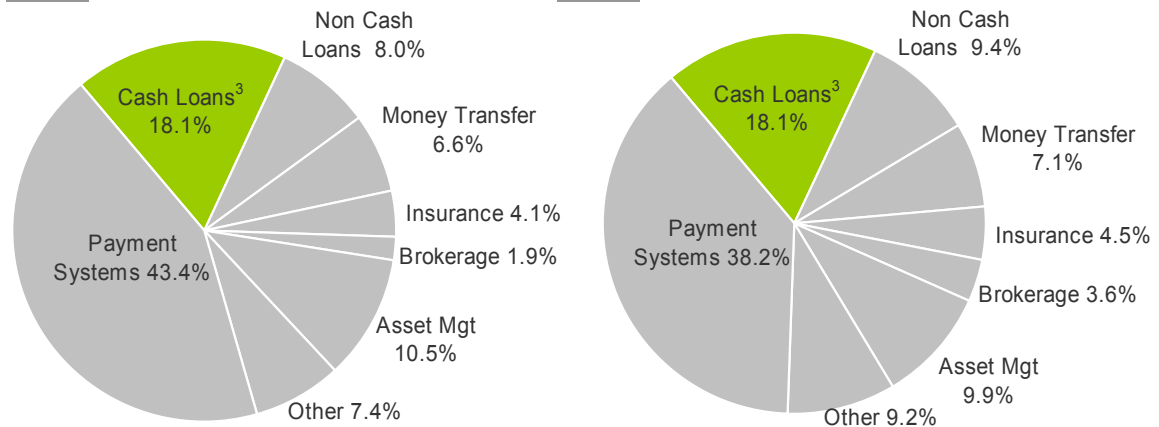
**#1** in bancassurance

Brokerage market share increased to **7%**

## Net Fees & Commissions Breakdown<sup>2,4</sup>

2008

2009



<sup>1</sup> Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions  
<sup>2</sup> As per new BRSA classification in P/L, excludes net fees and commissions received from cash loans amounting TL 144mn for 2009 and TL 109 mn for 2008  
<sup>3</sup> Include consumer loans fees as well as other cash loan fees now classified as interest on loans in income statement amounting TL 144mn for 2009 and TL 109 mn for 2008  
<sup>4</sup> Bank-only MIS data

## Once again, solid results underpinned by the strong business model

<i>(TL Million)</i>	<b>2008</b>	<b>2009</b>	<b>Growth</b>
<b>Ordinary Banking Income</b>	4,307	6,379	48%
<b>Other Income*</b>	215	358	67%
<b>Total Revenue*</b>	<b>4,522</b>	<b>6,737</b>	<b>49%</b>
<b>Operating Expense*</b>	<b>(2,420)</b>	<b>(2,570)</b>	<b>6%</b>
<i>Personnel Expense</i>	(943)	(994)	5%
<i>Bonus Provision</i>	(99)	(72)	(27%)
<i>Rent Expense</i>	(109)	(132)	21%
<i>Communication Expense</i>	(136)	(133)	(2%)
<i>Other</i>	(1,133)	(1,239)	9%
<b>Operating Income*</b>	<b>2,102</b>	<b>4,167</b>	<b>98%</b>
<b>Other Provisions</b>	(4)	(389)	n.m.
<i>General Reserves<sup>1</sup></i>	-	(330)	n.m.
<i>Other</i>	(4)	(59)	n.m.
<b>Taxes*</b>	(432)	(816)	89%
<b>Normalized Net Income</b>	<b>1,666</b>	<b>2,962<sup>1</sup></b>	<b>78%</b>
Non-recurring Items	84	-	n.m.
<b>Net Income</b>	<b>1,750</b>	<b>2,962</b>	<b>69%</b>

78%



2009 Net Income Growth\*

*Cost / Income*

38.1%

# Appendix

# Balance Sheet - Summary

<i>(TL Million)</i>	<b>Dec. 2008</b>	<b>Dec. 2009</b>	<b>YTD Change</b>	
<b>Assets</b>	<b>Cash &amp; Banks<sup>1</sup></b>	<b>8,560</b>	<b>13,459</b>	<b>57%</b>
	<b>Reserve Requirements</b>	<b>1,773</b>	<b>1,741</b>	<b>(2%)</b>
	<b>Securities</b>	<b>24,993</b>	<b>35,783</b>	<b>43%</b>
	<b>Performing Loans</b>	<b>49,457</b>	<b>49,308</b>	<b>0%</b>
	<b>Fixed Assets &amp; Subsidiaries</b>	<b>1,940</b>	<b>2,196</b>	<b>13%</b>
	<b>Other</b>	<b>2,218</b>	<b>2,975</b>	<b>34%</b>
	<b>Total Assets</b>	<b>88,941</b>	<b>105,462</b>	<b>19%</b>
	<b>Liabilities &amp; SHE</b>	<b>Deposits</b>	<b>52,715</b>	<b>62,808</b>
<b>Repos</b>		<b>10,703</b>	<b>10,535</b>	<b>(2%)</b>
<b>Borrowings</b>		<b>11,625</b>	<b>13,882</b>	<b>19%</b>
<b>Other</b>		<b>4,429</b>	<b>4,921</b>	<b>11%</b>
<b>SHE</b>		<b>9,469</b>	<b>13,316</b>	<b>41%</b>
<b>Total Liabilities &amp; SHE</b>		<b>88,941</b>	<b>105,462</b>	<b>19%</b>

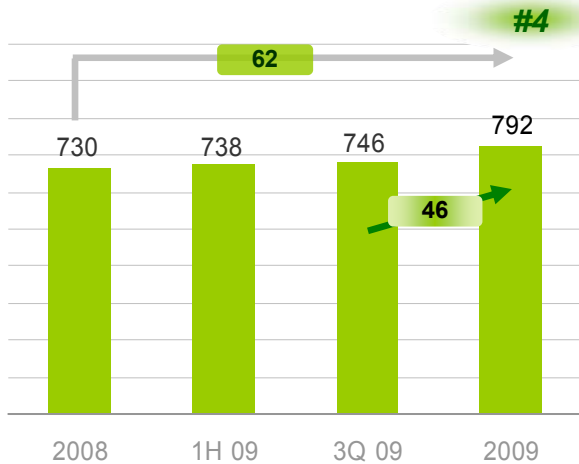
<sup>1</sup> Includes banks and other financial institutions

# Quarterly Analysis of Ordinary Banking Income

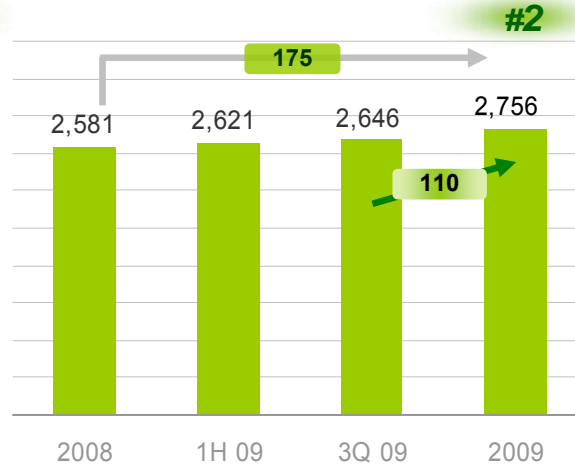
<i>(TL Thousand)</i>	4Q 08	1Q 09	2Q 09	3Q 09	4Q 09	Δ Q-o-Q 3Q 09 - 4Q 09	Δ Q-o-Q 4Q 08 - 4Q 09	Δ Y-o-Y Dec 08- Dec 09
<b>Interest Income</b>	<b>2,802,565</b>	<b>2,766,710</b>	<b>2,638,534</b>	<b>2,505,454</b>	<b>2,530,670</b>	<b>1.0%</b>	<b>(9.7%)</b>	<b>11.3%</b>
-Loans	1,690,636	1,667,557	1,530,435	1,434,051	1,371,797	(4.3%)	(18.9%)	4.3%
-Securities	940,732	959,374	980,674	952,332	1,025,557	7.7%	9.0%	32.6%
-Other	171,197	139,779	127,425	119,071	133,316	12.0%	(22.1%)	(21.9%)
<b>Interest Expense</b>	<b>(2,055,802)</b>	<b>(1,660,457)</b>	<b>(1,355,325)</b>	<b>(1,227,094)</b>	<b>(1,118,510)</b>	<b>(8.8%)</b>	<b>(45.6%)</b>	<b>(13.5%)</b>
-Deposits	(1,408,748)	(1,236,950)	(1,006,396)	(892,974)	(800,057)	(10.4%)	(43.2%)	(8.8%)
-Funds Borrowed	(208,840)	(165,803)	(168,565)	(166,773)	(167,358)	0.4%	(19.9%)	(6.3%)
-Interbank & Other	(438,214)	(257,704)	(180,364)	(167,347)	(151,095)	(9.7%)	(65.5%)	(35.3%)
<b>Net Interest Income</b>	<b>746,763</b>	<b>1,106,253</b>	<b>1,283,209</b>	<b>1,278,360</b>	<b>1,412,160</b>	<b>10.5%</b>	<b>89.1%</b>	<b>59.9%</b>
<b>Prov. for loans &amp; securities</b>	<b>(246,472)</b>	<b>(486,486)</b>	<b>(293,627)</b>	<b>(320,276)</b>	<b>(123,956)</b>	<b>(61.3%)</b>	<b>(49.7%)</b>	<b>117.5%</b>
<b>Net FX Gain/(Loss) + Net trading Income/(Loss)</b>	<b>136,336</b>	<b>384,665</b>	<b>337,728</b>	<b>83,771</b>	<b>74,534</b>	<b>(11.0%)</b>	<b>(45.3%)</b>	<b>250.5%</b>
<b>Adj. Net Interest Income</b>	<b>636,627</b>	<b>1,004,432</b>	<b>1,327,310</b>	<b>1,041,855</b>	<b>1,362,738</b>	<b>30.8%</b>	<b>114.1%</b>	<b>65.2%</b>
<b>Net Fees and Comm.</b>	<b>345,910</b>	<b>417,919</b>	<b>419,826</b>	<b>420,473</b>	<b>384,290</b>	<b>(8.6%)</b>	<b>11.1%</b>	<b>14.0%</b>
<b>Ordinary Banking Income</b>	<b>982,537</b>	<b>1,422,351</b>	<b>1,747,136</b>	<b>1,462,328</b>	<b>1,747,028</b>	<b>19.5%</b>	<b>77.8%</b>	<b>48.1%</b>

# Further strengthening of retail network

## Number of Branches

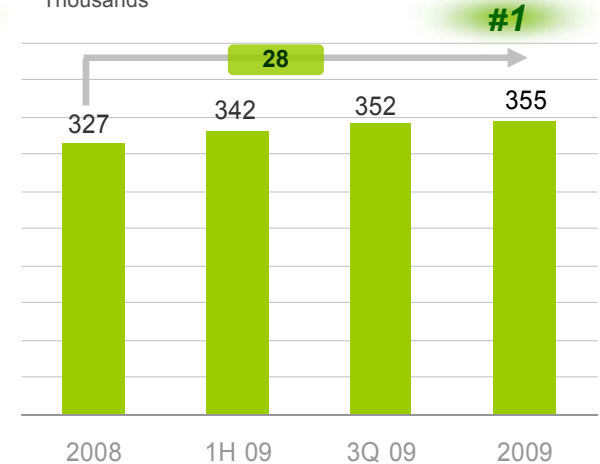


## Number of ATMs



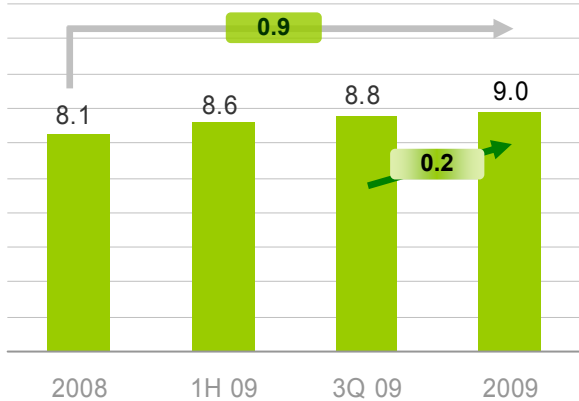
## Number of POS

Thousands



## Number of Customers

Millions



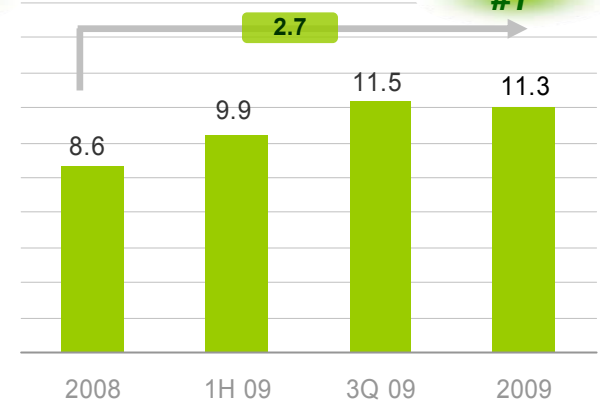
## Mortgages

TL Billion



## Demand Deposits

TL Billion



\*Mortgage and demand deposit ranks are as of 3Q 09  
Note: Ranks are among private banks

## Non-recurring items

### 2009:

- i) 4Q 09 other income includes the effect of the provision reversal related to Defined Benefit Obligation Liability amounting to TL 103 mn. Please refer to footnote "5.2.7.4.2 Other provisions" in the report for more detail.
- ii) Other provisions in 2009 include the effect of general reserve amounting to TL 330 mn (4Q 09: TL 65 mn; 3Q 09: TL15 mn; 2Q 09: TL 235 mn; 1Q 09: TL 15 mn) provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions.

### 2008:

The net effect of 4Q 08 non-recurring items amounts to TL +50 mn., breakdown of which is;

- i) Other income: TL +62 mn of reversal from Defined Benefit Obligation
- ii) Taxation expense: Deferred tax expense of TL -12 mn related to TL +62 mn of reversal from Defined Benefit Obligation

The net effect of 2Q 09 non-recurring items amounts to TL +34 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 TL+29 mn  
 Reversal of free provisions set in 1Q 08 of TL -131 mn –reducing other income
- ii) Other expense: Defined Benefit Obligation: TL -165 mn
- iii) Other provisions: Reversal of free provisions set in 1Q 08 of TL +131 mn –reducing other provisions
- ii) Taxation expense: Tax credit resulting from the deferred tax asset calculated on defined benefit obligation liability TL +33 mn

The net effect of 1Q 09 non-recurring items to bottom line is 0, 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
- ii) Other provisions: Free provisioning of TL +131 mn



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