Garanti

BRSA Bank-Only Earnings Presentation

June 30, 2010

2Q 2010 Macro Highlights

An unbalanced global economy...

- Global policy makers consider when and how fast to exit from the strong monetary and fiscal stimulus.
- The weak recovery of private demand lead to talk of falling back into recession and deflation.
- EUR/USD parity fell from 1.35 to 1.20 levels during 2Q10.
- During 2Q10, volatility increased back to the levels of more than a year ago and marked the end of the calm markets.

Slower rate of recovery in economic activity...

- **Recovery in domestic economic activity eased** relative to 1Q10.

  Annual growth rate of overall industrial production fell, followed by the slowdown in imports with increasing uncertainty in foreign demand.

  The fall in annual CPI inflation began in May and annual inflation dropped to 8.4% at the end of 2Q10.
- **CBT** signaled that **rates** may remain **on hold until 2010 YE** as inflation dynamics improved and global growth momentum fades.
- **The liquidity** created by the ongoing accommodative monetary policy **remains...**

1H 2010 Highlights

Balance sheet strength: distinguishing feature of Garanti...

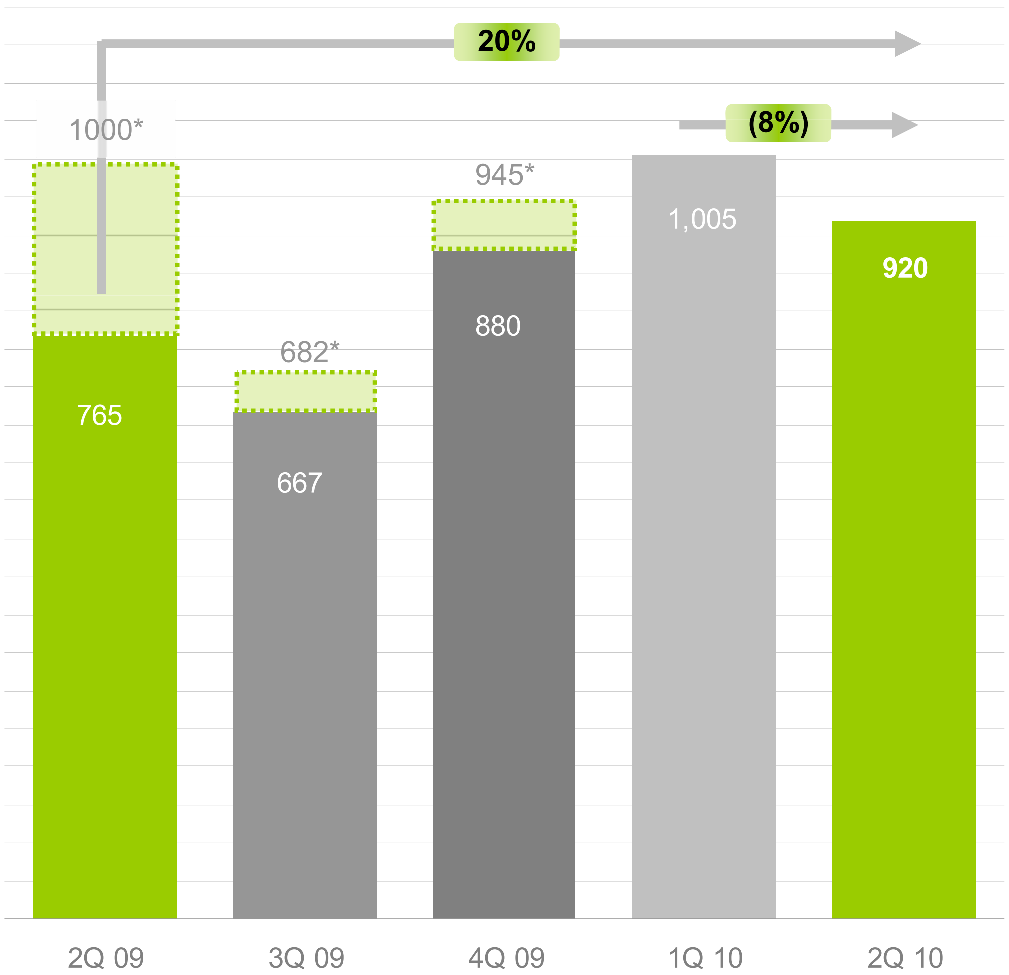
- **High yielding products continue to drive the lending growth in 2Q 10**
  Solid growth in key profitable products q-o-q: mortgages (+6%), GPLs (+12%) & Credit cards (+8%)
  Shrinkage in corporate & commercial lending -- staying out of pricing war
- **Ongoing improvement trend** (organic and across the board) **in asset quality** (NPL: 3.4%)
- **Significant redemptions of fixed rate securities** in 2Q10 largely replaced with FRNs **--** securities mix in assets 29%
- **Refrained from intensified competition** for deposits, yet continued **attracting significant demand deposits –** Customer demand deposit growth ytd: 16% vs. Sector's 0%
- **Highly liquid** asset mix – ratio: 36%
- **Well capitalized** (CAR: 20.1%) with low leverage (6x)

...leads to consistent delivery of high profitability

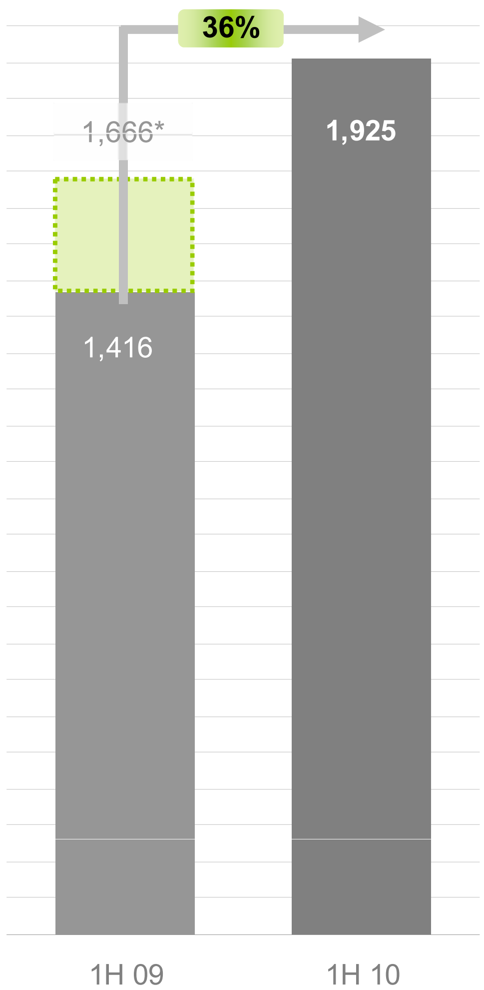
- **ROAE: 27%** -- For the last 19 consecutive quarters ROAE has been above 22%
- **Strong momentum of double digit annual earnings growth**-- **Y-o-y** earnings growth **36%**;
  - **Cost of risk eased to normalized levels** (105 bps), while maintaining high coverage (82%)
  - **Net F&C growth momentum excluding payment systems remains** (y-o-y: 19%)
  - **Margin suppression observed in 2Q 10** due to high yielding fix rate security redemptions
  - **Cost growth as expected** (17 new branch openings in 2Q 10) and **manageable**
  - **Efficient** – Cost/Income: 37%

Strong momentum of double digit annual earnings growth...

Quarterly Net Income



Net Income



Earnings
Y-o-Y

36%

ROAE
27%

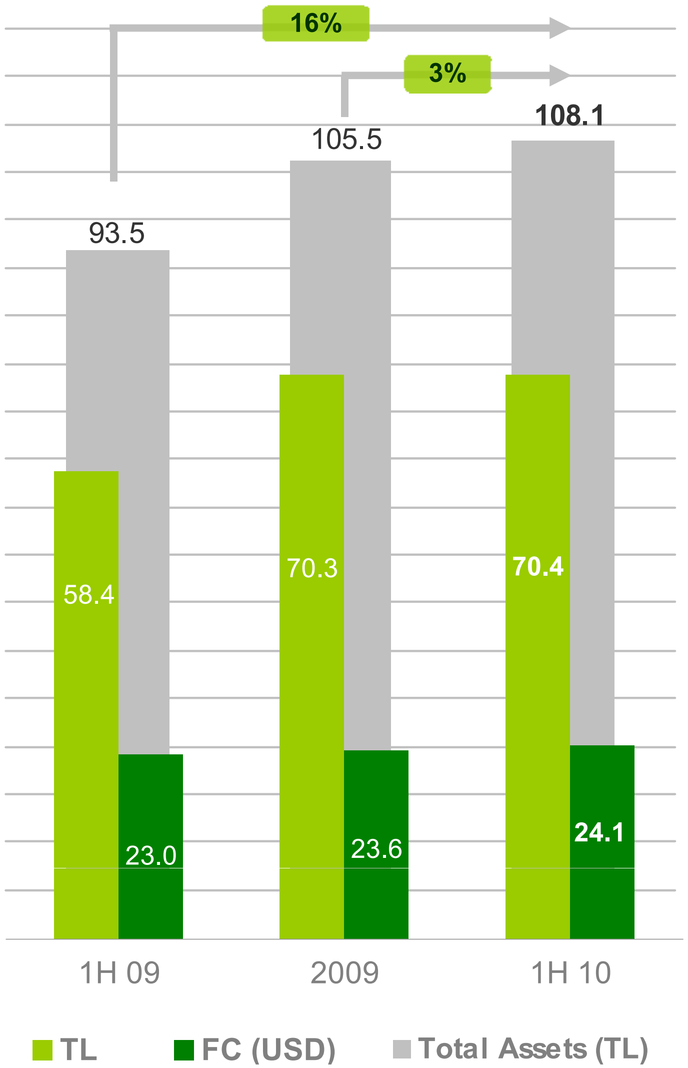
Non-recurring items
General reserves

* 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 2009

...via active management of asset mix and increasing weight of sustainable revenue streams

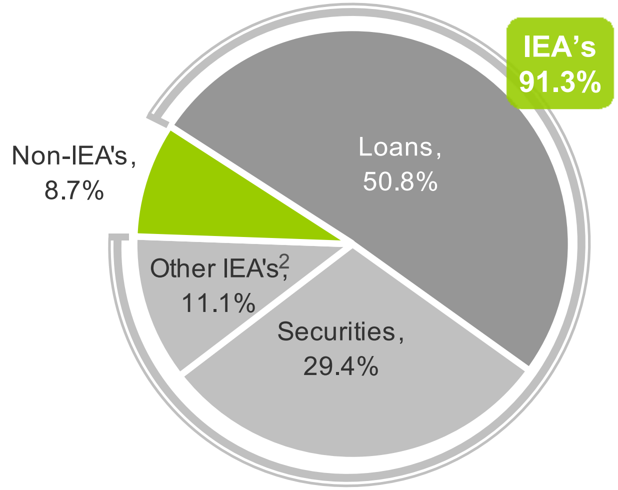
Total Assets

TL / USD Billion

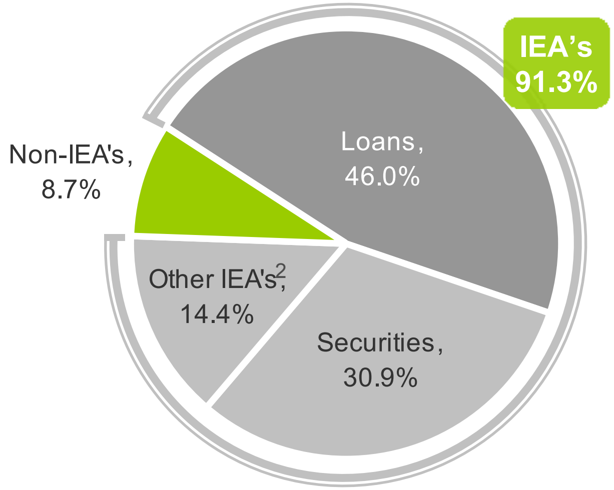


Composition of Assets[1]

1H 2010



2009



Growth:

Ytd

Loans[4]: **13%**

Securities: **-2%**

Liquidity Ratio[3]

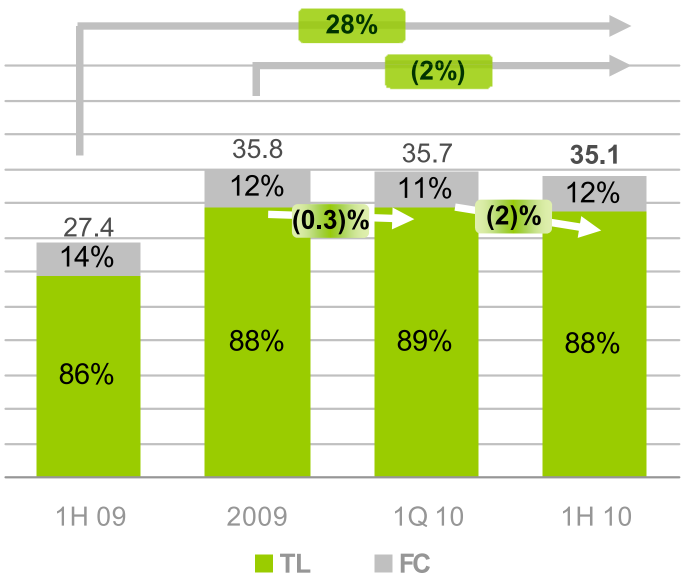
36%

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

Significant redemptions of high yielding fixed rate securities in 2Q10 were replaced with FRNs

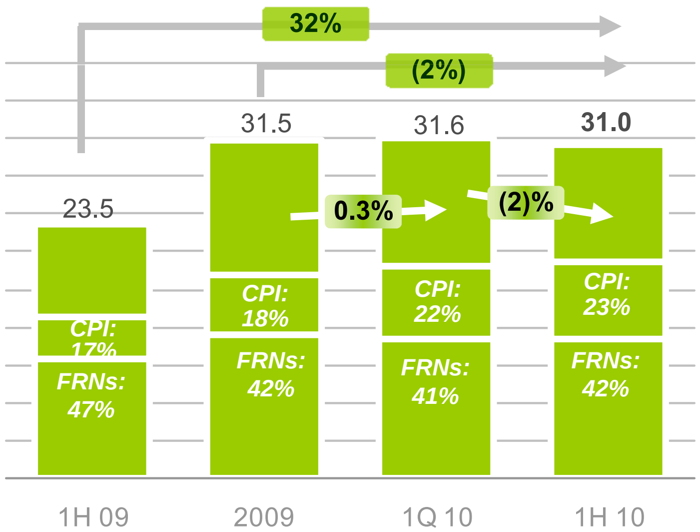
Total Securities

TL Billion



TL Securities

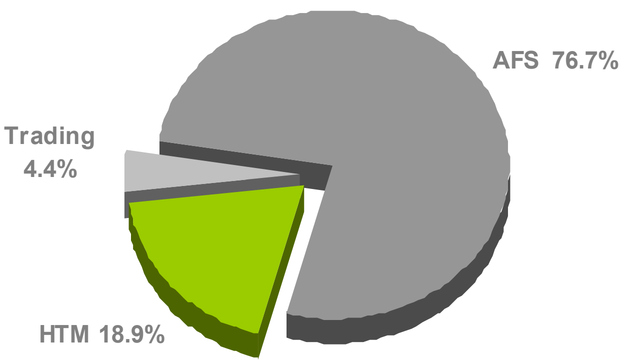
TL Billion



Securities mix in assets

29%

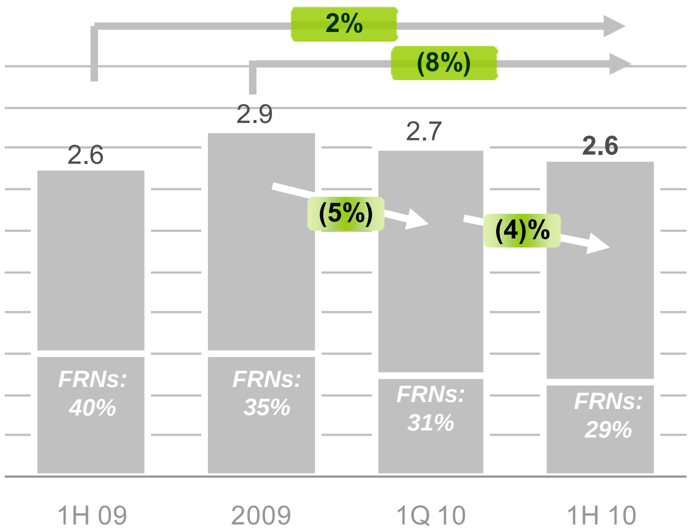
Total Securities Composition



Unrealized gain ~ TL 1.5 bn*

FC Securities

US$ Billion



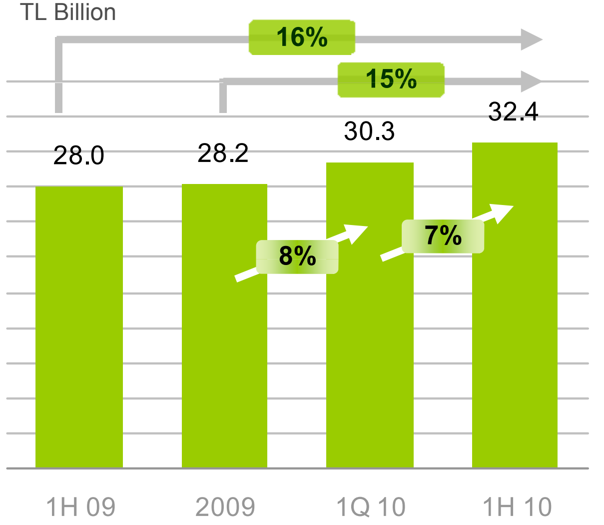
AFS mix in total

77%

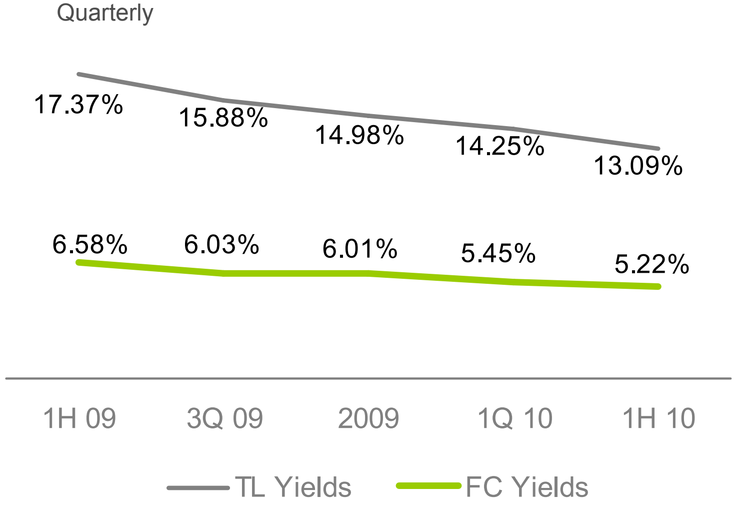
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data
*Gross amount of MtM gains of AFS book, the net amount affecting equity is included in "Securities Value Increase Fund" of TL 1,526 mn. Pls. refer to Liabilities and Shareholders' Equity section of the Financial Statements

TL loan growth momentum remains with an anticipated linear drop in loan yields

TL Loans[1]



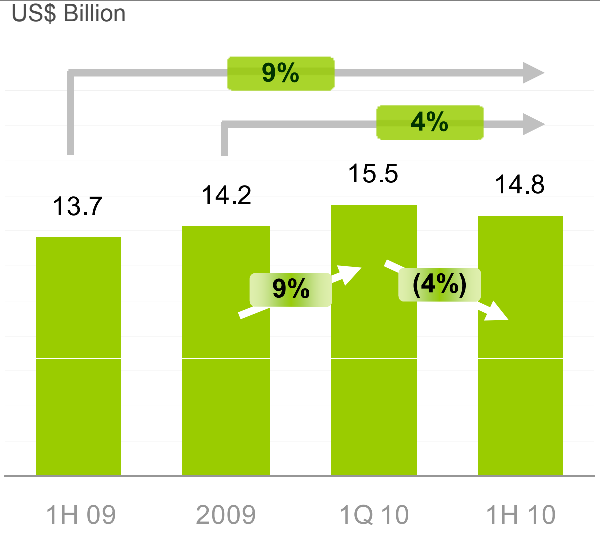
TL & FC Loan Yields[3]



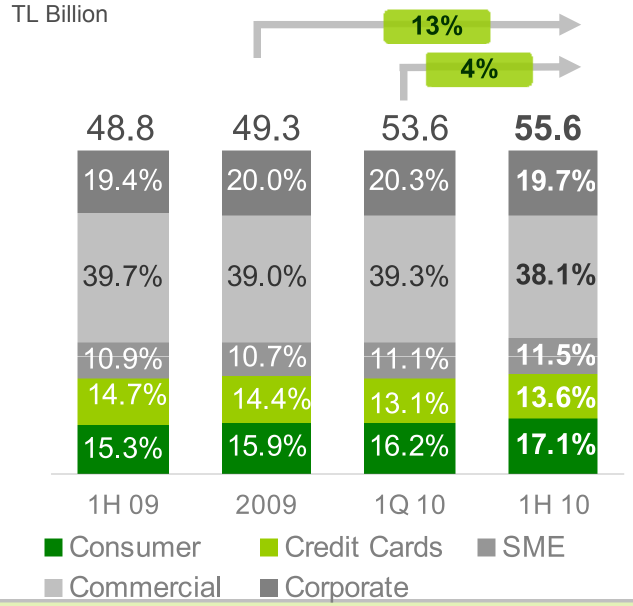
2Q 10: Lending growth driven by retail lending

Corporate & commercial book shrank as Garanti stayed out of the pricing war

FC Loans[1]



Loans by LOB[1, 2]



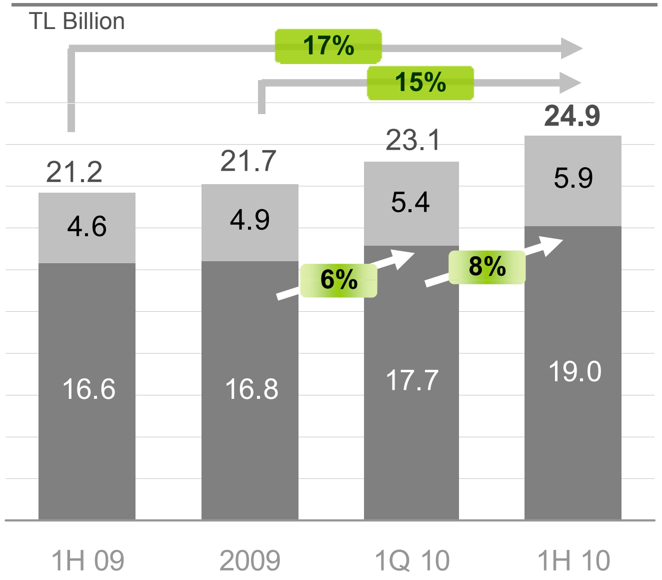
Market Shares

	1H 10	YTD	QTD
Total Loans	13.6%	-16bps	-61 bps
TL Loans	11.1%	+17 bps	-18 bps
FC Loans	20.0%	-128 bps	-200 bps

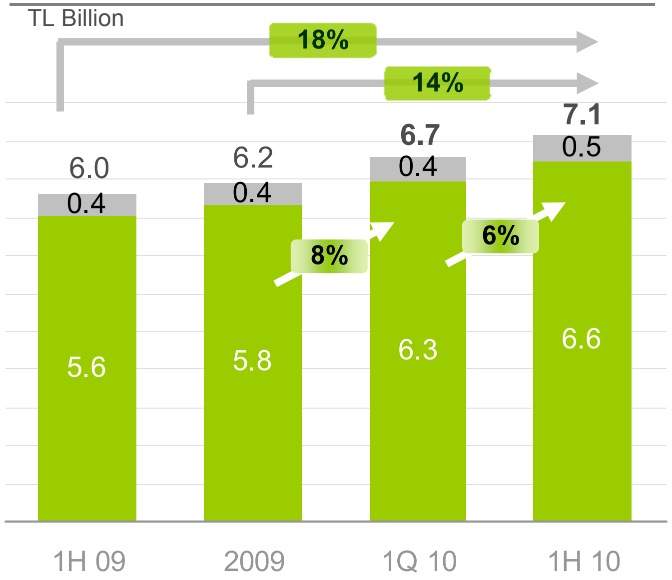
1 Performing cash loans
2 Based on bank-only MIS data
3 Based on bank-only financials
Source: Sector figures are based on BRSA weekly data, commercial banks only

High yielding products drive the lending growth

Retail Loans[1]



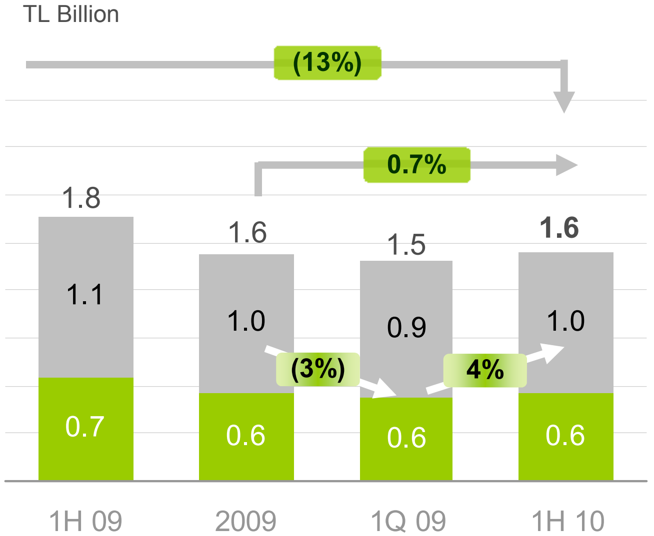
Mortgage Loan Growth



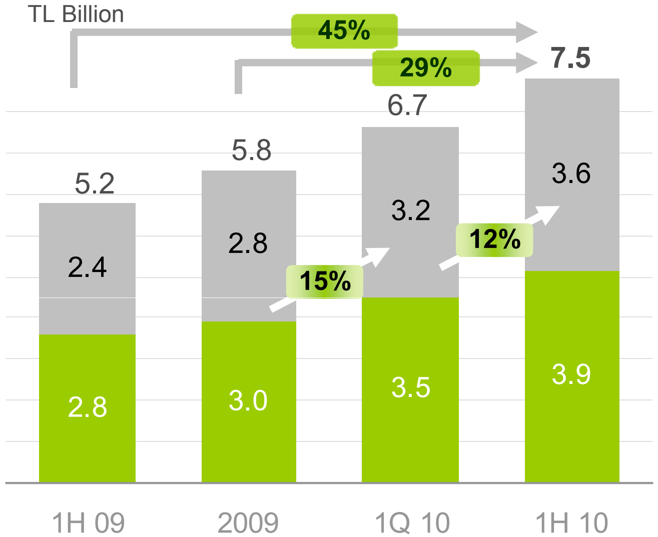
Consumer Loans
Commercial Installment Loans

GPL market share:
Ytd
+100 bps

Auto Loan Growth



General Purpose Loan Growth



Market Shares[2,3]

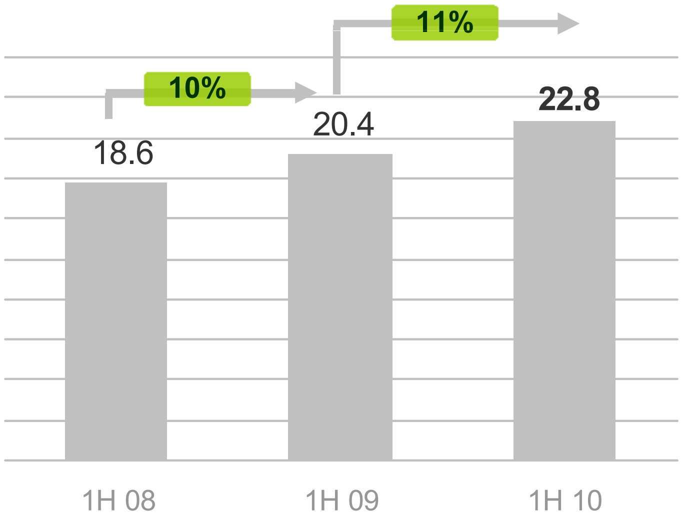
	Dec 09	Jun 10	Rank[4]
Mortgage	13.9%	13.8%	#1
Auto	14.9%	14.9%	#2
General Purpose	9.7%	10.7%	#2
Retail[1]	13.2%	13.4%	#2

1 Including consumer, commercial installment, overdraft accounts, credit cards and other
2 Including consumer and commercial installment loans
3 Sector figures are based on bank-only BRSA weekly data, commercial banks only
4 As of 1Q10 among private banks

Success in credit cards while maintaining high asset quality and profitability

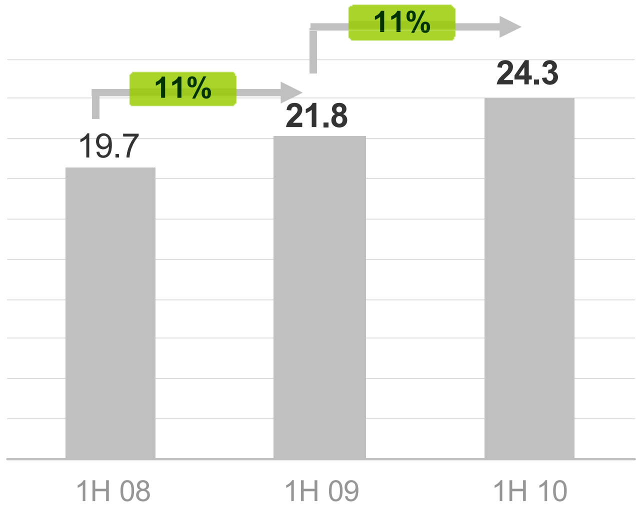
Issuing Volume

TL Billion



Acquiring Volume

TL Billion

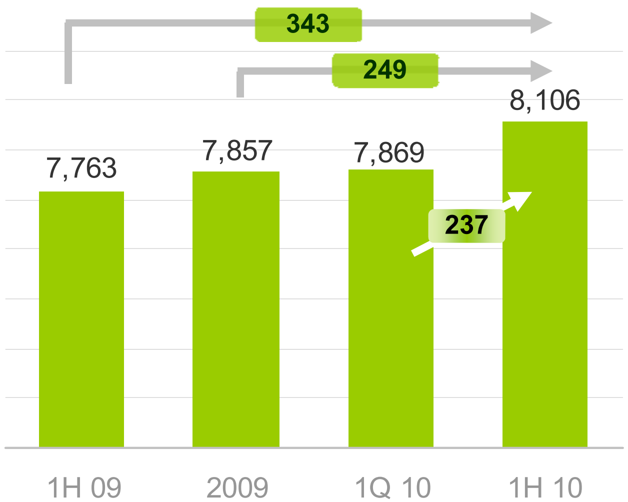


#1

in Credit Card Business

No. of Credit Cards

In Thousands



Credit Card Balances

TL Billion

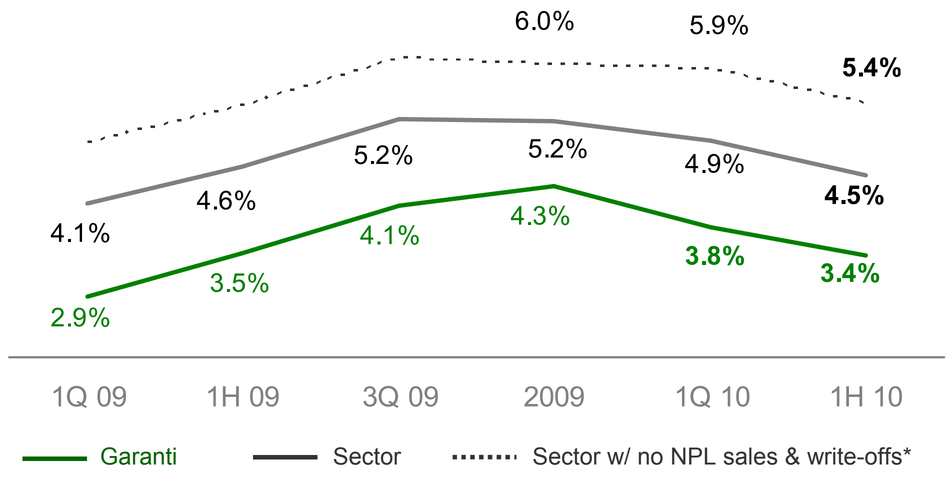
Market Shares

	YTD ∆	Jun 10	Rank
Acquiring	-33 bps	21.7%	#1
Issuing	-31 bps	20.5%	#1
# of Credit Cards	0 bps	17.7%	#1
POS[1]	+54 bps	21.0%	#1
ATM	-26 bps	11.3%	#2

1 Including shared POS
2 Annualized

Sustained trend of negative net new NPL inflows -- NPL ratio well below the sector average

NPL Ratio[1]



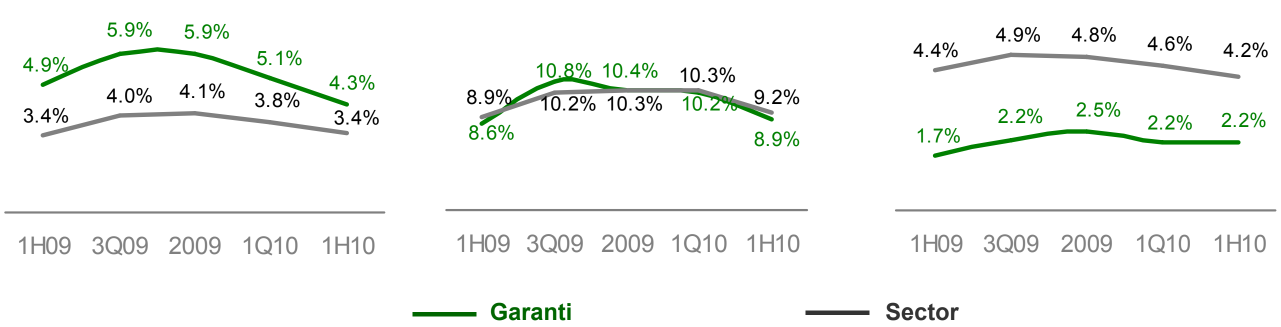
* 2008, 2009 & 1H 10 sector NPL sales & write-offs total: TL 2.3 bn, TL 0.8 bn and TL 1.4 bn, respectively

NPL Categorisation[1]

Retail Banking
(Consumer & SME Personal)
20% of Garanti's Total Loans

Credit Cards
14% of Garanti's Total Loans

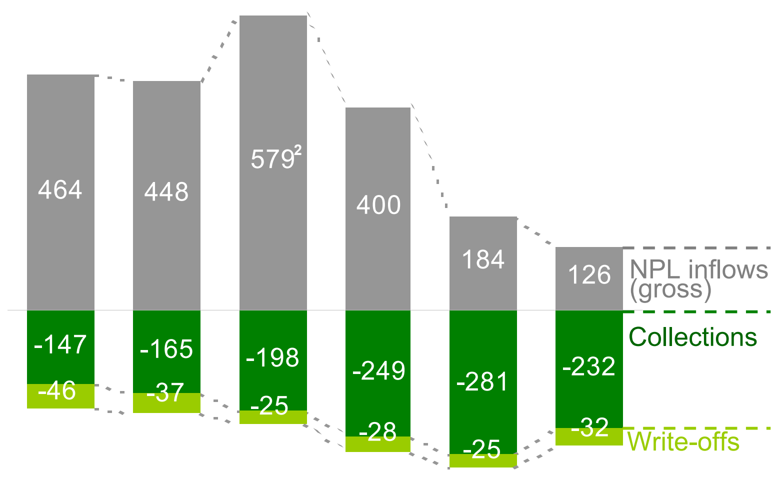
Business Banking
(Including SME Business)
66% of Garanti's Total Loans



Net NPLs (quarterly)

TL Million

Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
271	247	356[2]	123[2]	-122	-138



- *Strong deceleration in new NPL inflows: levels at less than half of last year's*
- *Collections focus remains top priority*

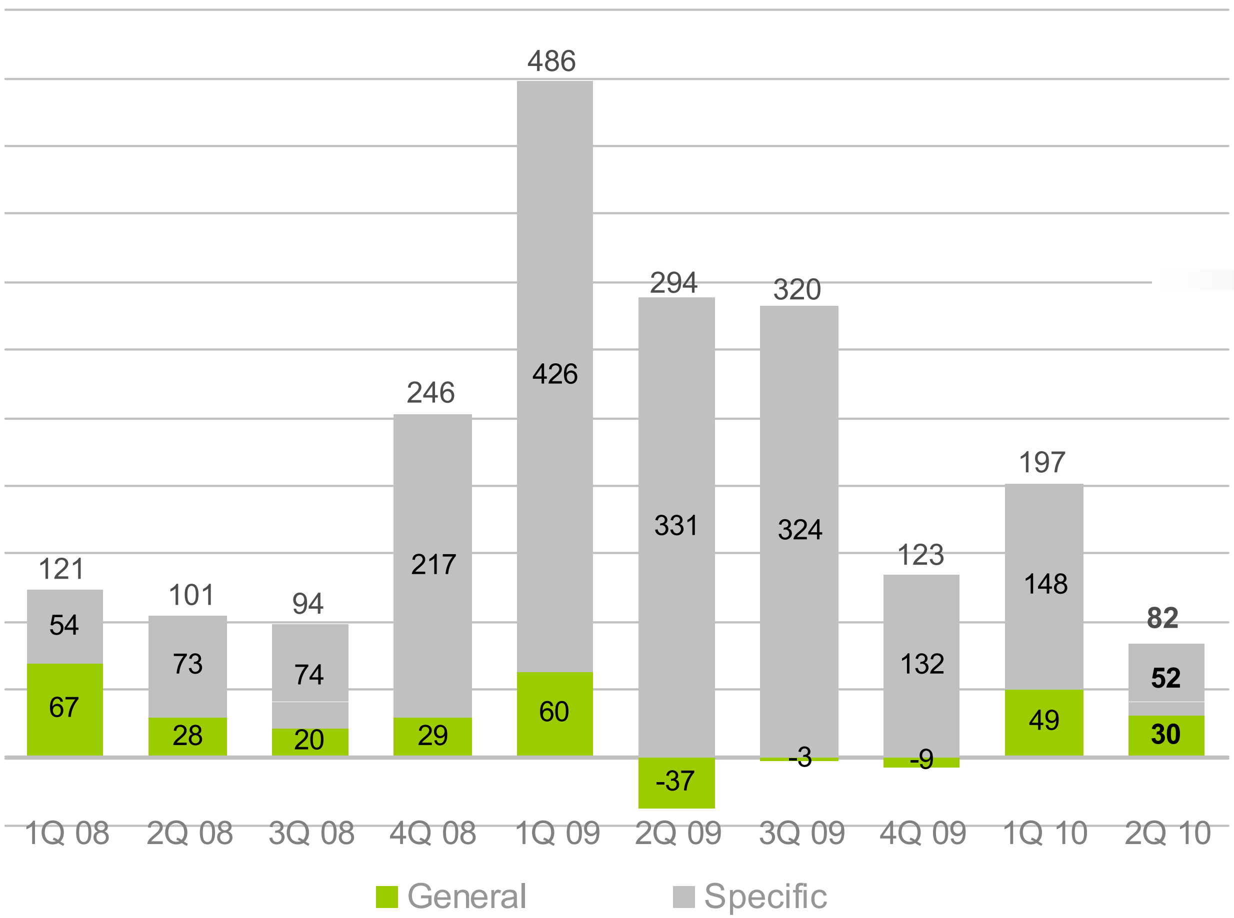
1 Sector figures are per BRSA bank-only data. NPL categorisation is based on bank-only data
2 Including a few files in commercial book to be fully recovered due to highly strong collateralization
Note: As of June 2010 pre-NPL restructurings totaled TL 1,136mn and NPL restructurings totaled TL 328mn. NPL restructurings had no effect on NPL ratio as they are not yet classified as performing
Source: BRSA, TBA & CBT

Significantly lower NPLs relieve provisions -- cost of risk at normalized levels

Quarterly Loan-Loss Provisions

TL Million

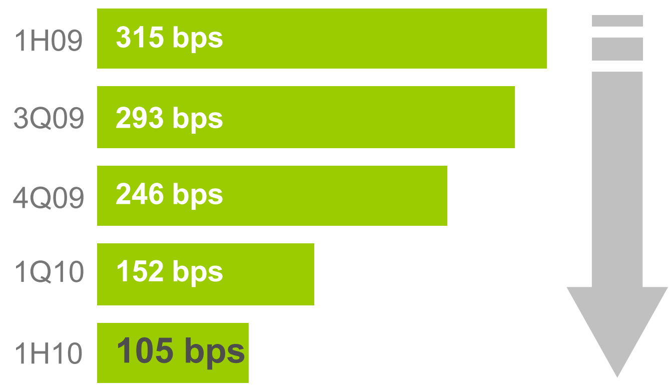
Coverage Ratio	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
Sector[1]	81%	81%	81%	82%	83%	85%	86%
Garanti	64%	76%	82%	82%	81%	82%	82%



Coverage ratio remains strong at

82%

Cost of Risk

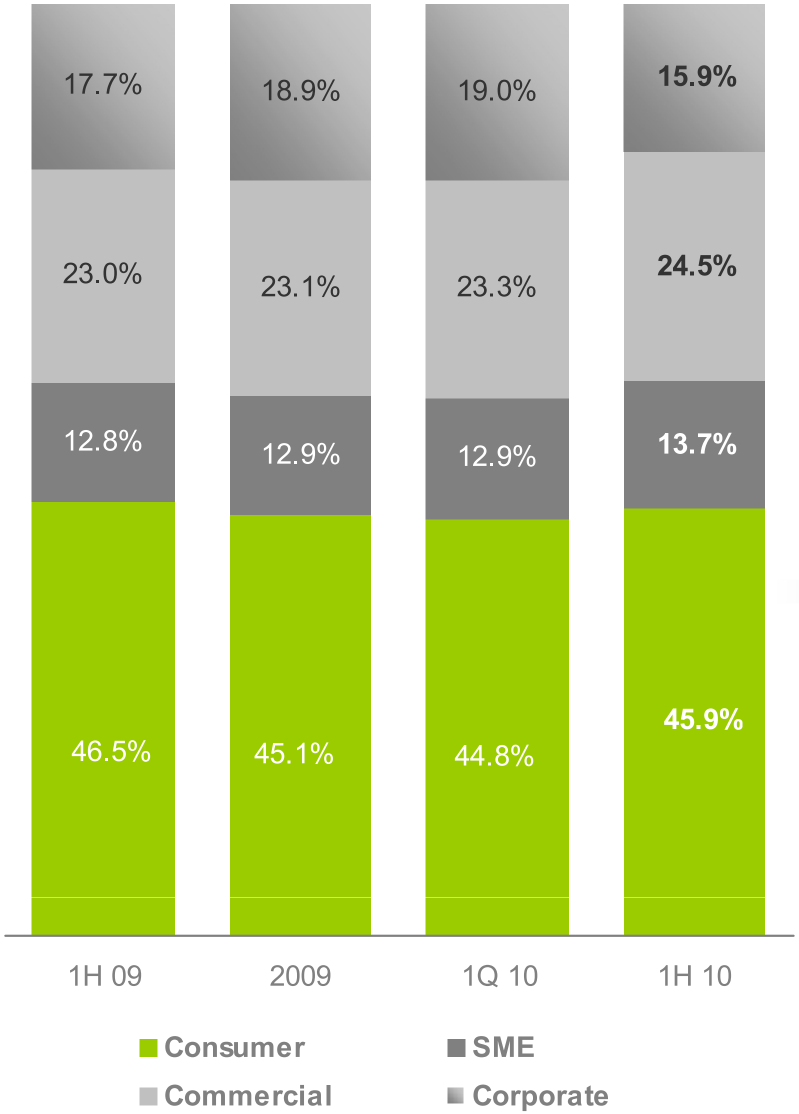


1 Sector figures are per BRSA weekly data, commercial banks only

Refrained from intensified competition for deposits...

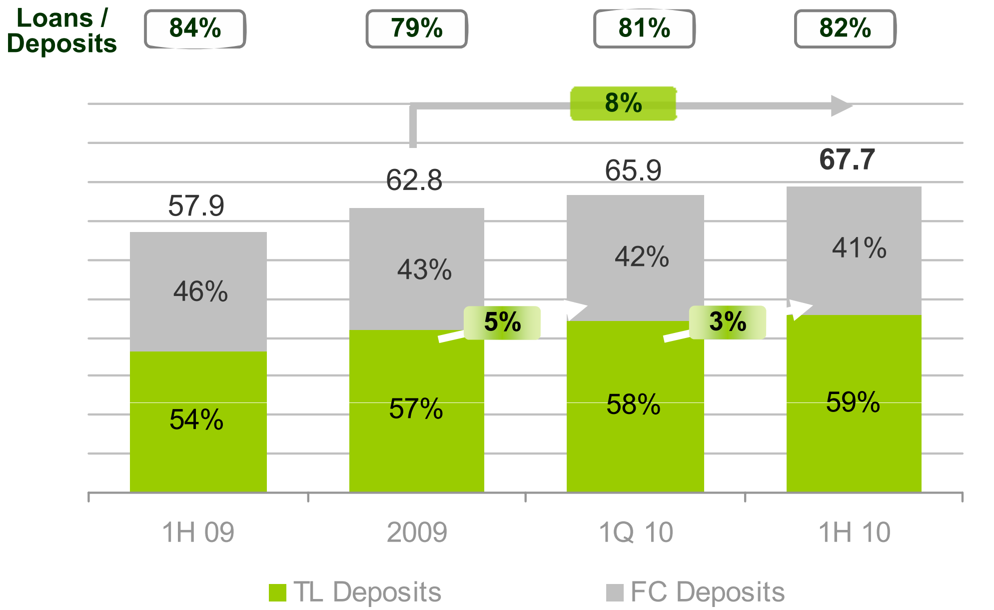
Deposits by LOB[1]

(Excluding bank deposits)



Total Deposits

TL Billion



Ytd:

TL deposit growth ***10%***

vs. sector's ***13%***

FC deposit growth ***0%***

vs. sector's shrinkage of ***(5%)***

Deposit market share maintained :

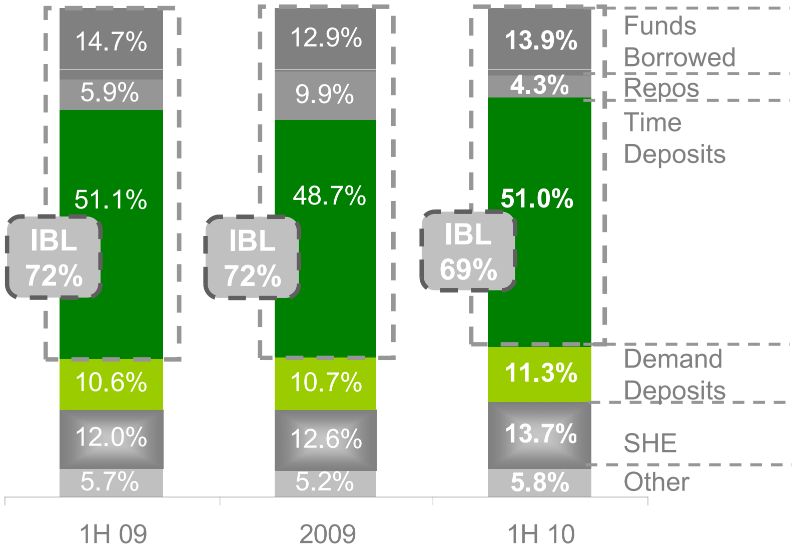
12.4%

1 Based on bank-only MIS data

Note:Sector figures are per BRSA weekly data, commercial banks only

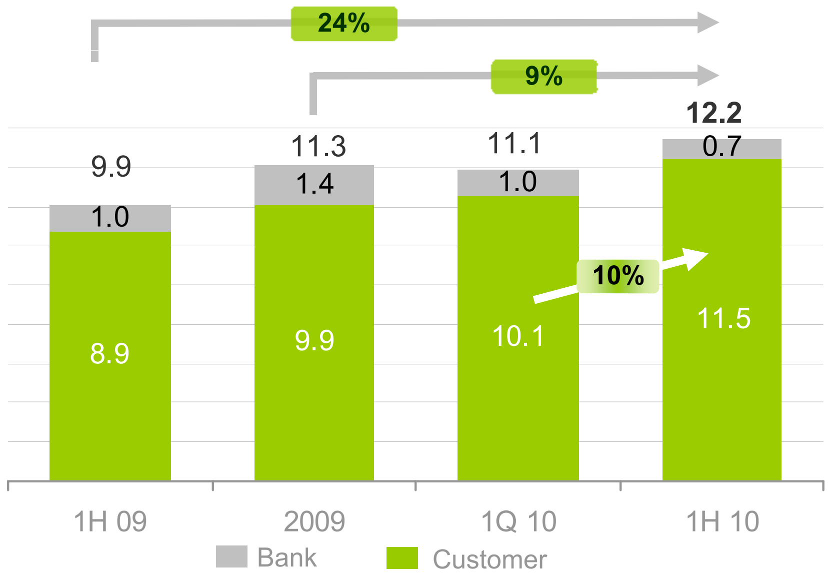
...yet continued attracting significant demand deposits

Composition of Liabilities



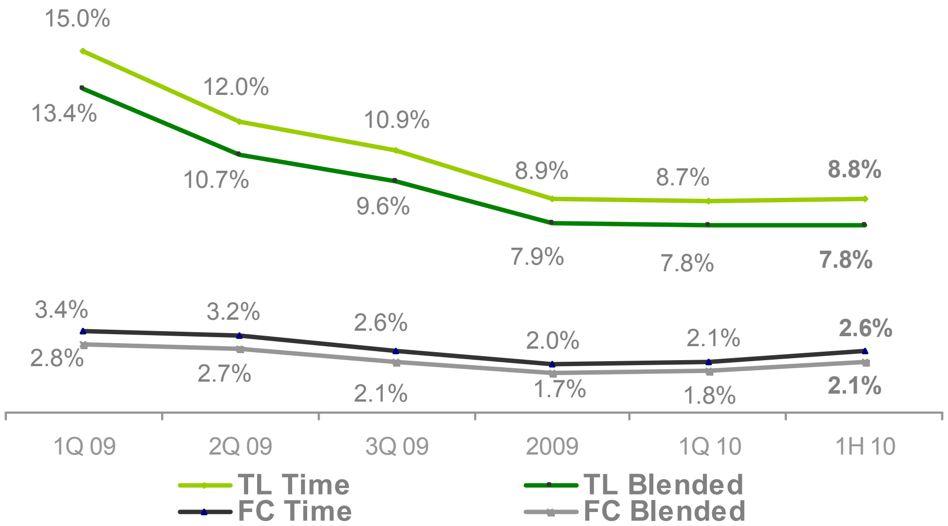
Demand Deposits

TL Billion



Cost of Deposits[1]

Quarterly Averages



Customer Demand Deposits

YTD Growth

16% vs. sector's *0%*

Demand Deposit Market Share

+100bps 15.4%

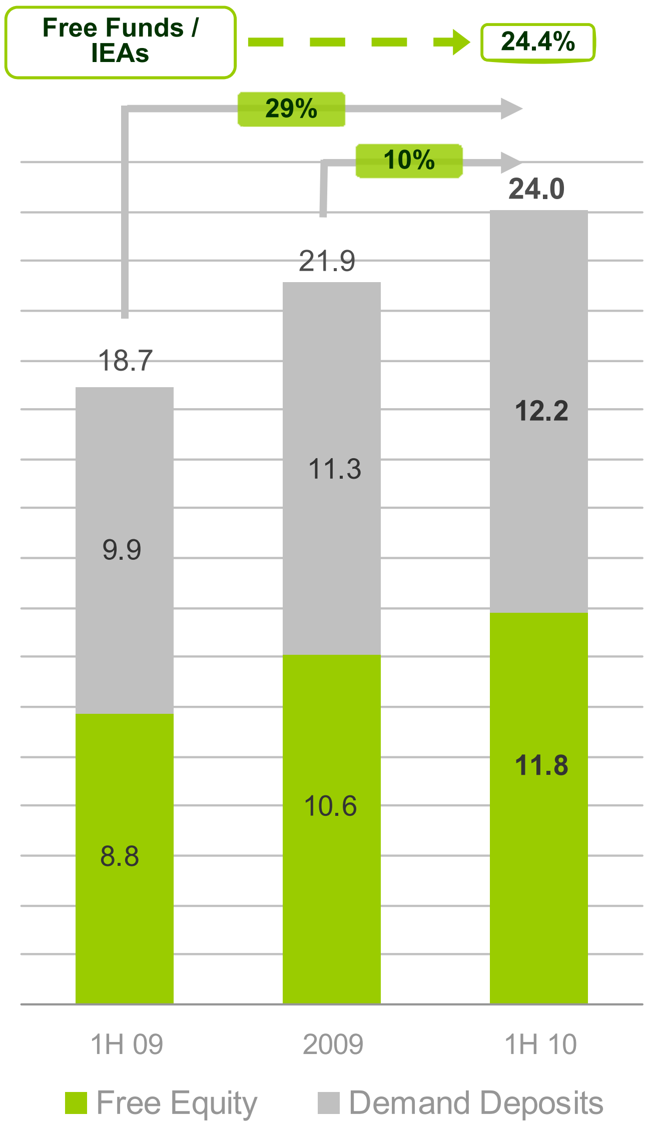
1 Based on bank-only MIS data
Note: Sector figures are per BRSA weekly data, commercial banks only

Strong solvency and low leverage largely due to retained profitability and free fund generation capacity

CAR

Free Funds

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



Free Equity
YTD growth

12%

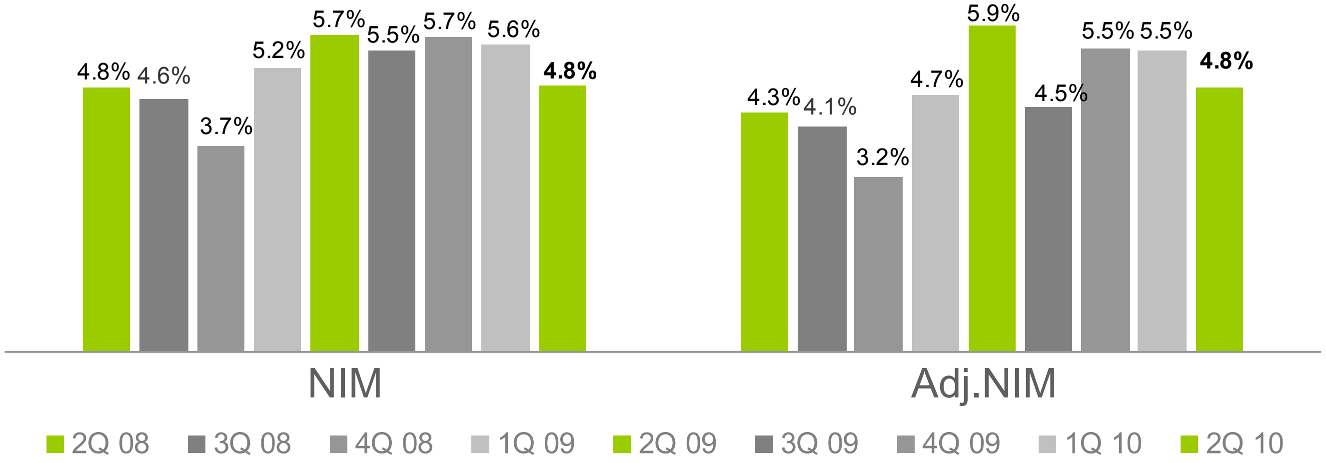
Leverage Ratio

6x

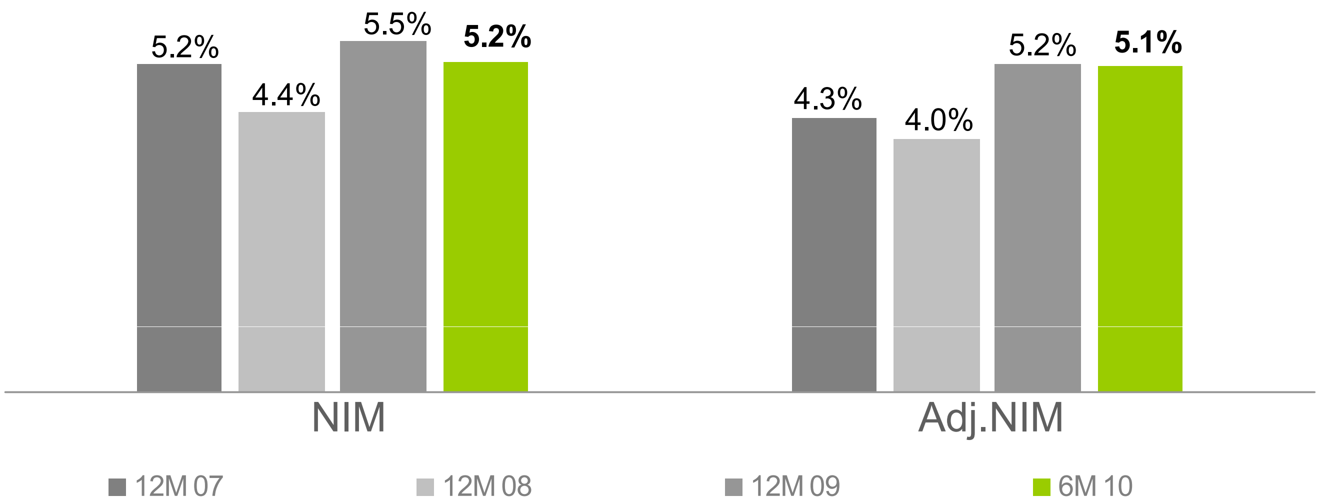
down from
7x in YE 09 &
8x in YE 08

Margin suppression observed in 2Q 10 due to high yielding fix rate security redemptions

Quarterly NIM (Net Interest Income / Average IEAs)



Cumulative NIM (Net Interest Income / Average IEAs)



2Q 10 over 1Q 10:

- *Increasing funding costs' impact on margin -13 bps*
- *Drop in asset yields' impact on margin -62 bps*
  - ✓*Loan yield drop: ~70 bps*
  - ✓*Securities yield drop: ~125 bps*

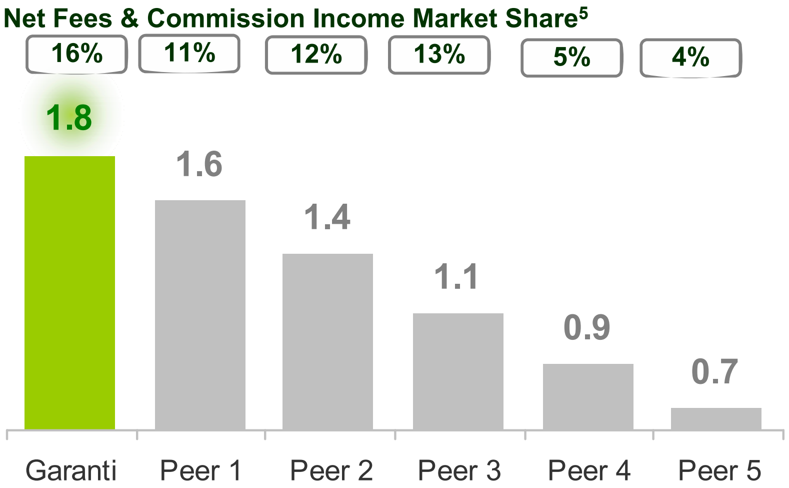
Cumulative margins holding up well…

Source:BRSA bank-only financials
Adjustments to NIM: Net Interest Income/ Average IEA adjusted by FX gain/loss, provision for loans and securities, and net trading income/loss

The highest ordinary banking income generation capacity backed by the largest and well-diversified fee base

Ordinary Banking Income[1] Generation

TL Billion, 1Q 10



Fee & commission income market share

16% -- highest in the sector

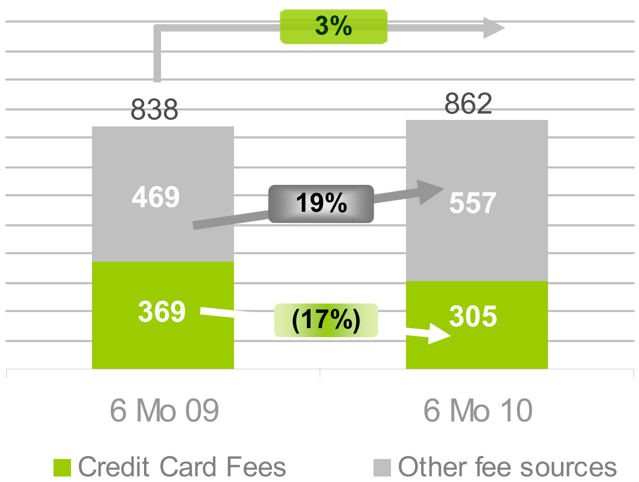
Further market share gains in brokerage:

Market share **>7%**

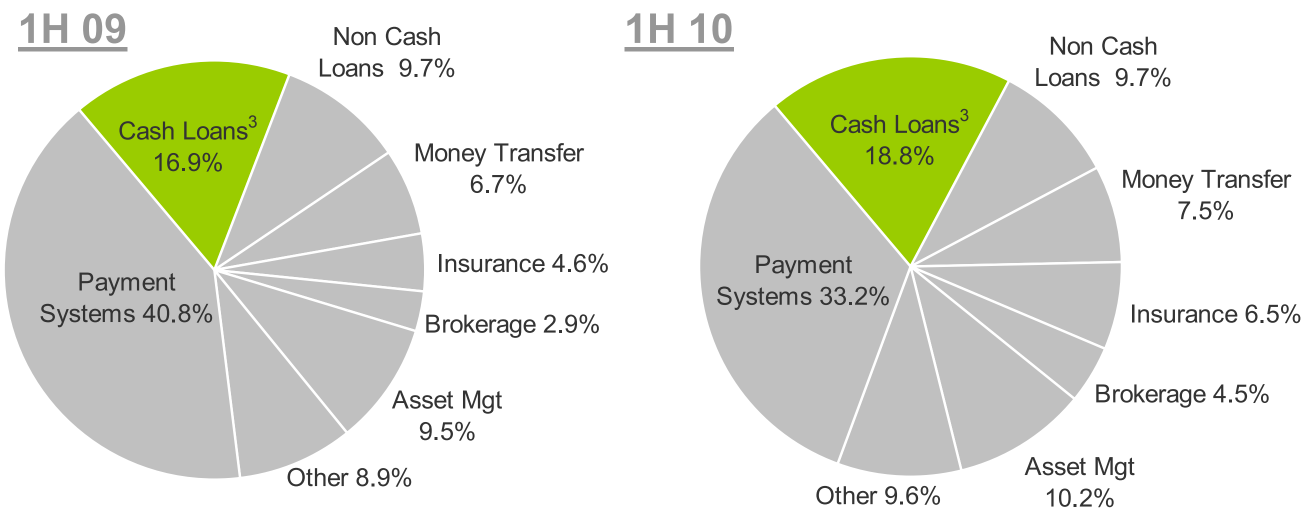
#1 in bancassurance

Net Fees & Commissions[2]

TL Million



Net Fees & Commissions Breakdown[3,4]



1 Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions
2 As per new BRSA classification in P/ L, excludes net fees and commissions received from cash loans amounting TL 58mn for 1H 10 and TL 62mn for 1H 09
3 Include consumer loans fees as well as other cash loan fees now classified as interest on loans in income statement amounting TL 58mn for 1H 10 and TL 62 mn for 1H 09
4 Bank-only MIS data
5 Sector figures are per BRSA monthly data, commercial banks only

Result: Sustained high profitability

(TL Million)	1Q '10	2Q '10	Growth
Ordinary Banking Income	1,800	1,636	(9%)
Other Income	216	165	(24%)
Total Revenue	**2,016**	**1,801**	**(11%)**
Operating Expense	**(742)**	**(675)**	**(9%)**
Personnel Total Compensation	*(363)*	*(305)*	*(16%)*
Rent Expense	*(36)*	*(39)*	*8%*
Communication Expense	*(37)*	*(36)*	*(3%)*
Other	*(306)*	*(295)*	*(3%)*
Operating Income	**1,274**	**1,126**	**(12%)**
Other Provisions	(3)	*2*	*n.m.*
Taxes	(266)	(208)	(22%)
Net Income	**1,005**	**920**	**(8%)**

Net Income Growth
Y-o-Y
36%

Cost / Income:
37.1%

Appendix

Balance Sheet - Summary

	(TL Million)	2009	1H 2010	YTD Change
Assets	Cash & Banks[1]	14,460	10,688	(26%)
	Reserve Requirements	1,741	2,114	21%
	Securities	35,783	35,114	(2%)
	Performing Loans	49,308	55,644	13%
	Fixed Assets & Subsidiaries	2,196	2,507	14%
	Other	1,974	2,069	5%
	Total Assets	105,462	108,136	3%
Liabilities & SHE	Deposits	62,808	67,650	8%
	Repos	10,535	4,681	(56%)
	Borrowings	13,882	15,199	9%
	Other	4,921	5,803	18%
	SHE	13,316	14,803	11%
	Total Liabilities & SHE	105,462	108,136	3%

1 Includes banks, interbank and other financial institutions

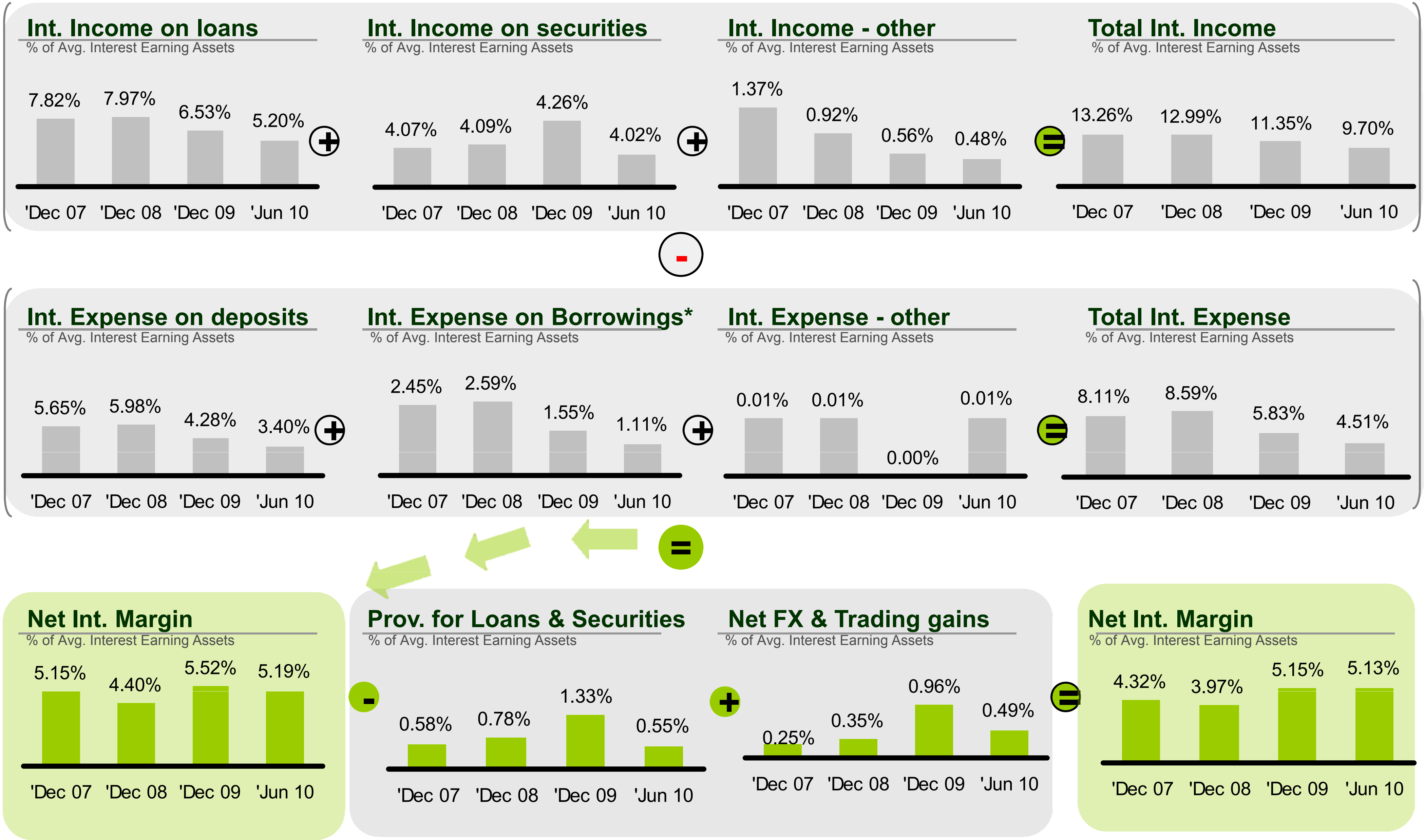
Quarterly Analysis of Ordinary Banking Income

(TL Thousand)	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	∆ Q-o-Q 1Q 10 - 2Q 10	∆ Y-o-Y 2Q 09 - 2Q 10	∆ Y-o-Y 6M'09 - 6M'10
Interest Income	**2,766,710**	**2,638,534**	**2,505,454**	**2,530,670**	**2,486,098**	2,386,251	**(4.0%)**	**(9.6%)**	**(9.9%)**
-Loans	1,667,557	1,530,435	1,434,051	1,371,797	1,306,232	1,304,589	(0.1%)	(14.8%)	(18.4%)
-Securities	959,374	980,674	952,332	1,025,557	1,063,582	955,702	(10.1%)	(2.5%)	4.1%
-Other	139,779	127,425	119,071	133,316	116,284	125,960	8.3%	(1.1%)	(9.3%)
Interest Expense	**(1,660,457)**	**(1,355,325)**	**(1,227,094)**	**(1,118,510)**	**(1,104,229)**	-1,162,205	**5.3%**	**(14.2%)**	**(24.8%)**
-Deposits	(1,236,950)	(1,006,396)	(892,974)	(800,057)	(818,452)	-888,147	8.5%	(11.7%)	(23.9%)
-Funds Borrowed	(165,803)	(168,565)	(166,773)	(167,358)	(161,113)	-176,128	9.3%	4.5%	0.9%
-Interbank & Other	(257,704)	(180,364)	(167,347)	(151,095)	(124,664)	-97,930	(21.4%)	(45.7%)	(49.2%)
Net Interest Income	**1,106,253**	**1,283,209**	**1,278,360**	**1,412,160**	**1,381,869**	**1,224,046**	**(11.4%)**	**(4.6%)**	**9.1%**
Prov. for loans & securities	(486,486)	(293,627)	(320,276)	(123,956)	(197,097)	(81,111)	(58.8%)	(72.4%)	(64.3%)
Net FX Gain/(Loss) + Net trading Income/(Loss)	384,665	337,728	83,771	74,534	172,636	73,808	(57.2%)	(78.1%)	(65.9%)
Adj. Net Interest Income	**1,004,432**	**1,327,310**	**1,041,855**	**1,362,738**	**1,357,408**	**1,216,743**	**(10.4%)**	**(8.3%)**	**10.4%**
Net Fees and Comm.	417,919	419,826	420,473	384,290	442,156	419,651	(5.1%)	(0.0%)	2.9%
Ordinary Banking Income	**1,422,351**	**1,747,136**	**1,462,328**	**1,747,028**	**1,799,564**	**1,636,394**	**(9.1%)**	**(6.3%)**	**8.4%**

Key financial ratios

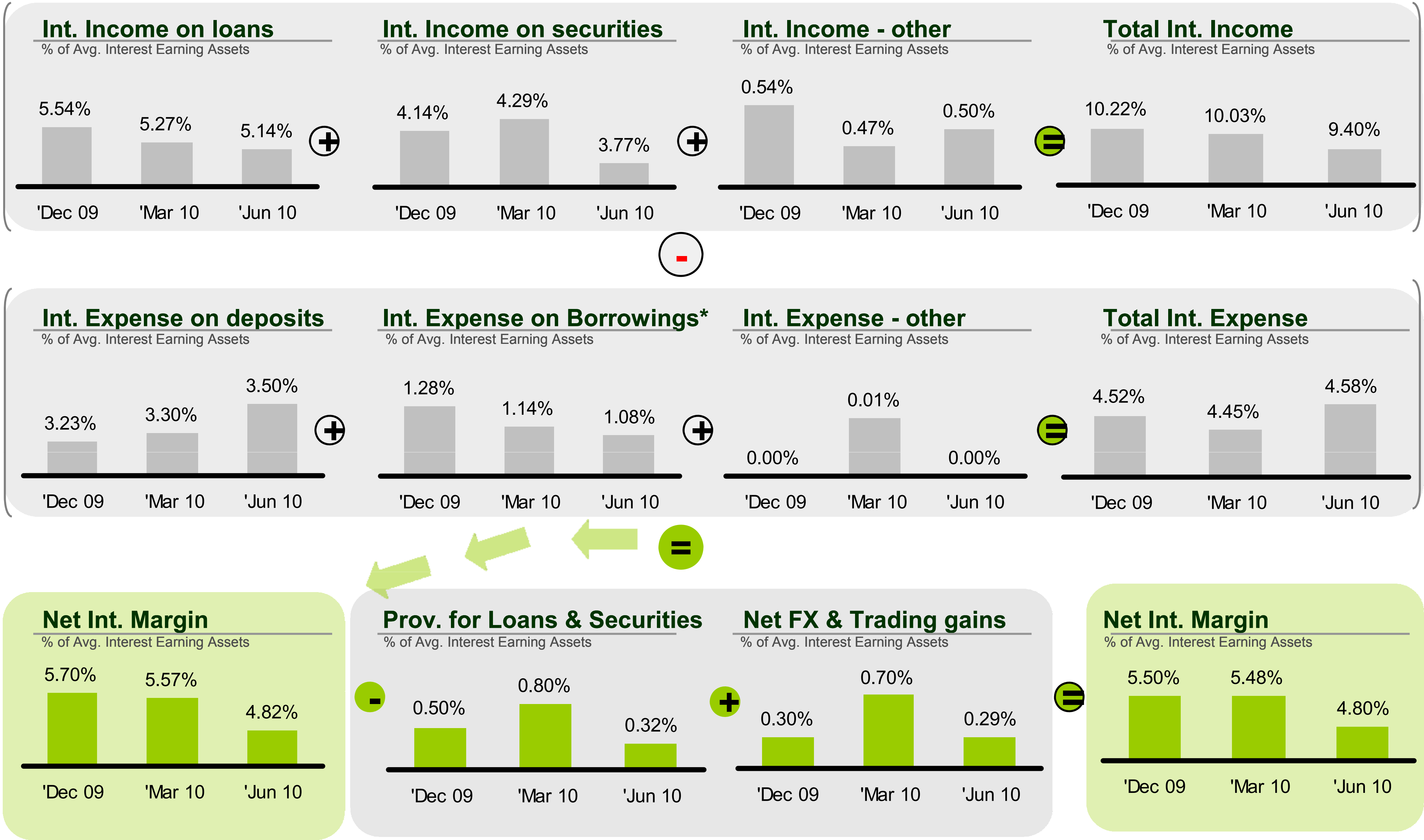
	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
Profitability ratios					
ROAE	28%	26%	26%	29%	27%
ROAA	3.1%	2.9%	3.1%	3.9%	3.7%
Cost/Income	36.5%	38.2%	38.1%	36.8%	37.1%
NIM (Quarterly)	5.7%	5.5%	5.7%	5.6%	4.8%
Adjusted NIM (Quarterly)	5.9%	4.5%	5.5%	5.5%	4.8%
Liquidity ratios					
Liquidity ratio	34%	38%	41%	38%	36%
Loans/Deposits	84.3%	85.6%	78.5%	81.3%	82.3%
Asset quality ratios					
NPL Ratio	3.5%	4.1%	4.3%	3.8%	3.4%
Coverage	82%	82%	81%	82%	82%
Cost of Risk (bps)	315	293	246	152	105
Solvency ratios					
CAR	17.7%	18.8%	21.2%	20.6%	20.1%
Tier I Ratio	15.3%	16.0%	18.2%	17.7%	17.6%
Leverage	7x	7x	7x	6x	6x

Cumulative margins holding up well



Note: Cumulative NIM analysis
Source:BRSA bank-only financials
Adjustments to NIM: Net Interest Income/ Average IEA adjusted by FX gain/loss, provision for loans and securities, and net trading income/loss
* Funds borrowed and repos

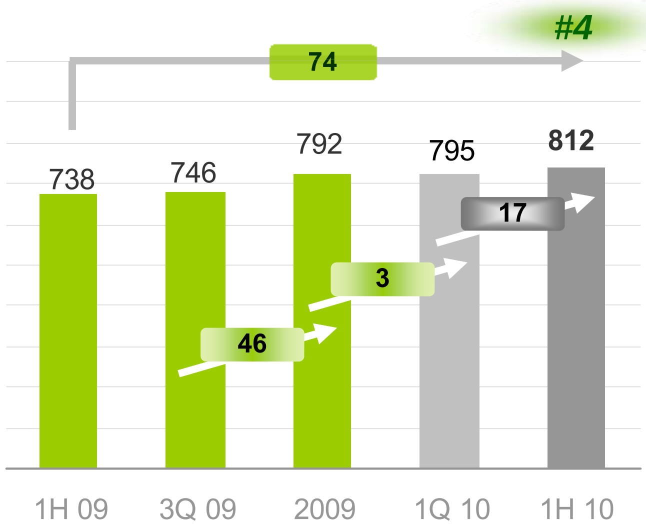
Margin suppression observed in 2Q 10 due to high yielding fix rate security redemptions



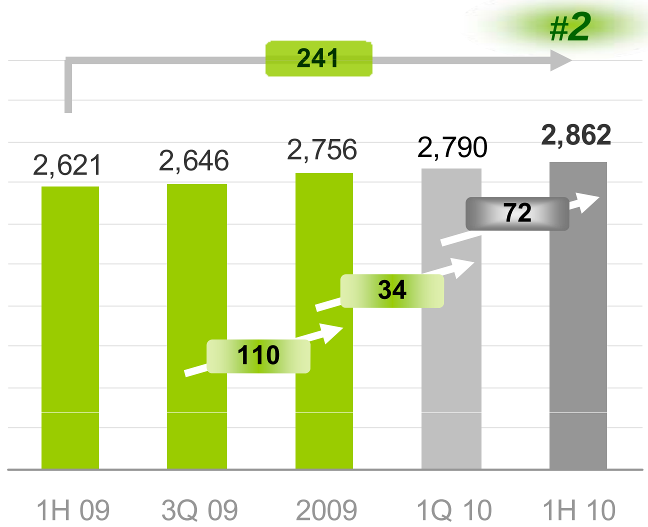
Note: Quarterly NIM analysis
Source:BRSA bank-only financials
Adjustments to NIM: Net Interest Income/ Average IEA adjusted by FX gain/loss, provision for loans and securities, and net trading income/loss
* Funds borrowed and repos

Further strengthening of retail network

Number of Branches

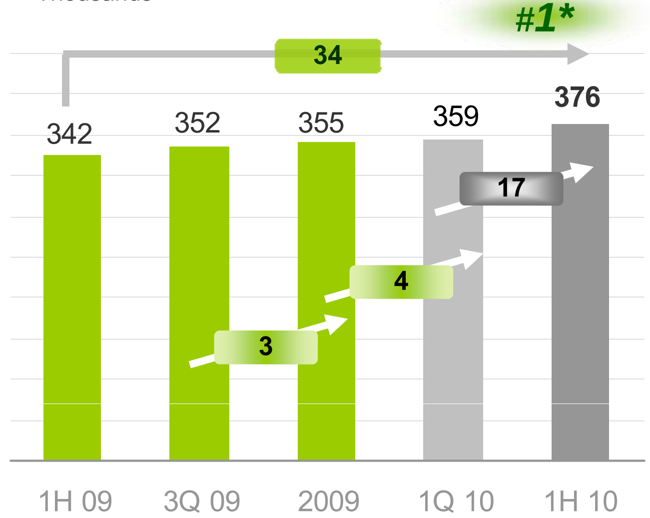


Number of ATMs



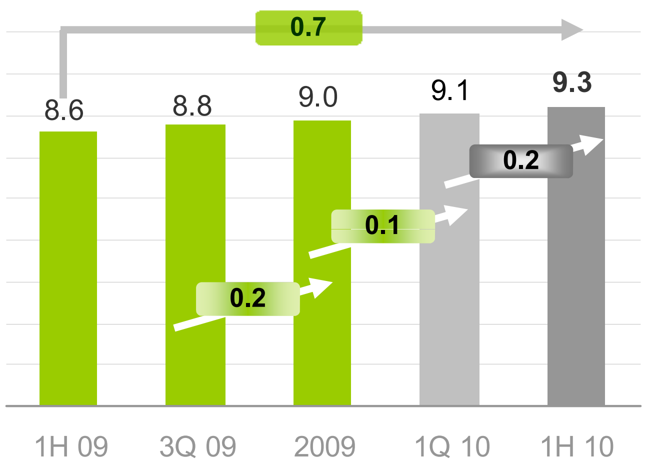
Number of POS

Thousands



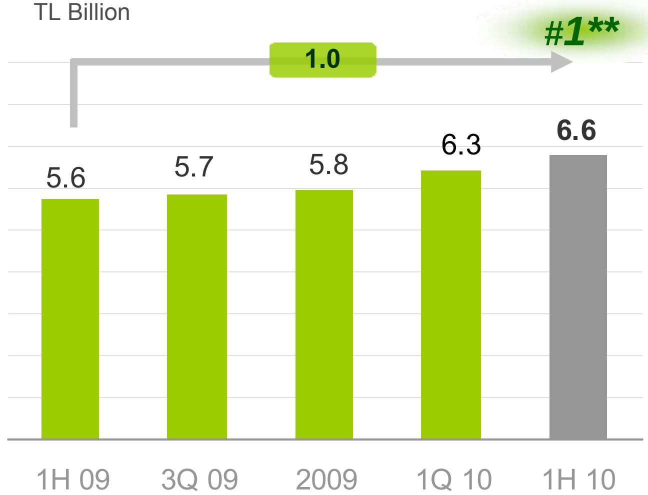
Number of Customers

Millions



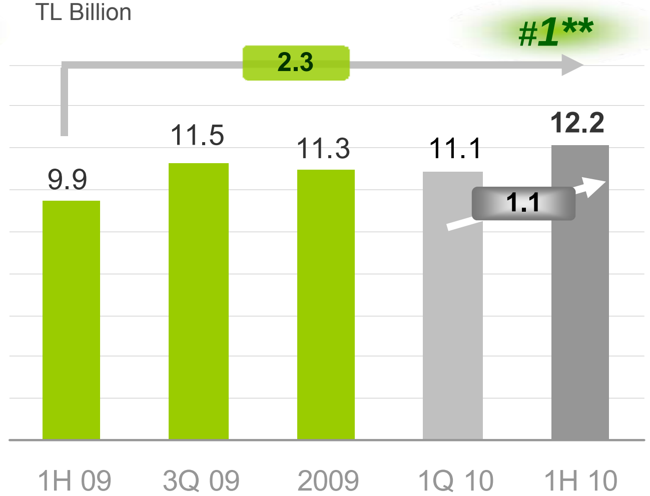
Mortgages

TL Billion



Demand Deposits (customer+bank)

TL Billion



*Including shared POS
**Mortgage and demand deposit ranks are as of 1Q 10
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 (4Q 09: TL 65 mn; 3Q 09: TL15 mn; 2Q 09: TL 235 mn; 1Q 09: TL 15 mn) include the effect of general reserve amounting to TL 330 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.

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