



## IFRS 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.

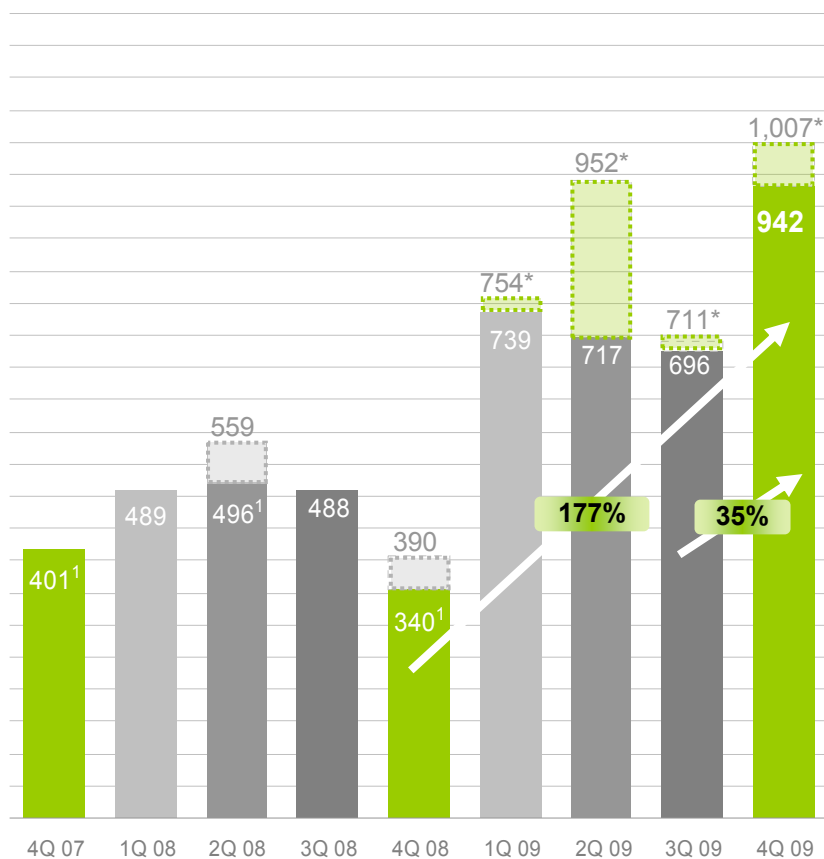
## 4Q 2009 Highlights

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

- **Record earnings** performance:
  - **Y-o-y** earnings growth **71%** ; **Q-o-q** earnings growth **35%**
  - **ROAE: 26%** (incl. TL 330mn free provisions booked in 2009)
- **Actively managed, well-diversified & more liquid asset mix**
  - Liquidity ratio 41%, boosted by significant growth in AFS securities (Securities/Assets: 33%)
- 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<sup>1</sup>: 4.4% vs. Sector NPL<sup>1</sup> : 5.2% (including NPL sales and write-offs in sector)
  - **High coverage level (77%)** maintained while cost of risk eased to 240 bps in line with **lower NPL flows & increased collection** performance
- **Focus** remains on **deposit growth** (y-o-y: 11%; q-o-q: 7%)
- **High solvency** (CAR<sup>2</sup>: 19.2%) 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)

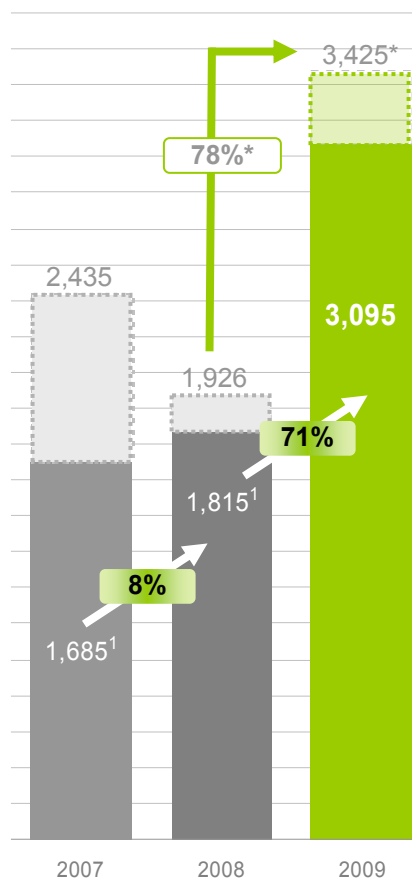
# Record earnings performance -- result of liquid, low-risk, & well-capitalized B/S

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



□ Non-recurring items

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



□ General reserves

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



71%

ROAE  
> 26%

ROAE – Excl.m-t-m gains  
on equity & general  
reserves: ~32%

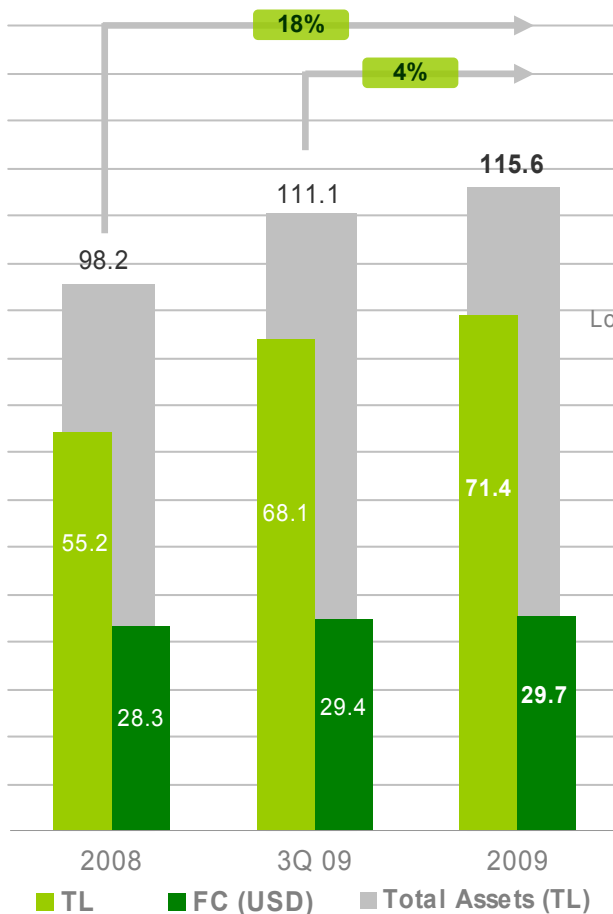
<sup>1</sup> Please refer to Slide 18 for breakdown of non-recurring items

\* 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...

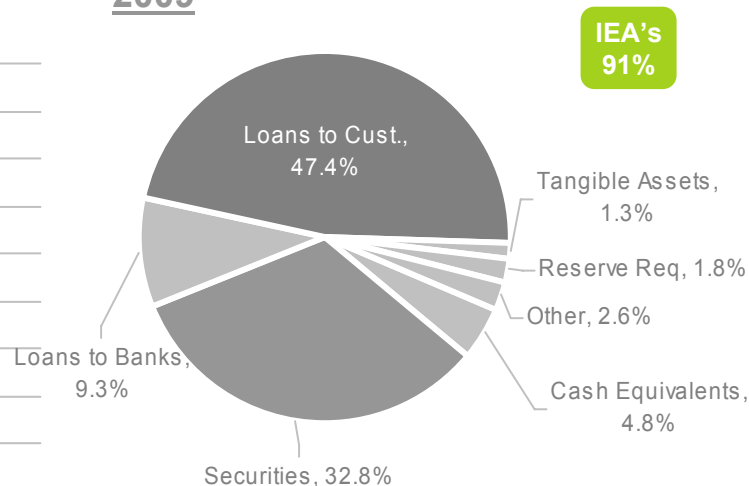
## Total Assets

TL / USD Billion

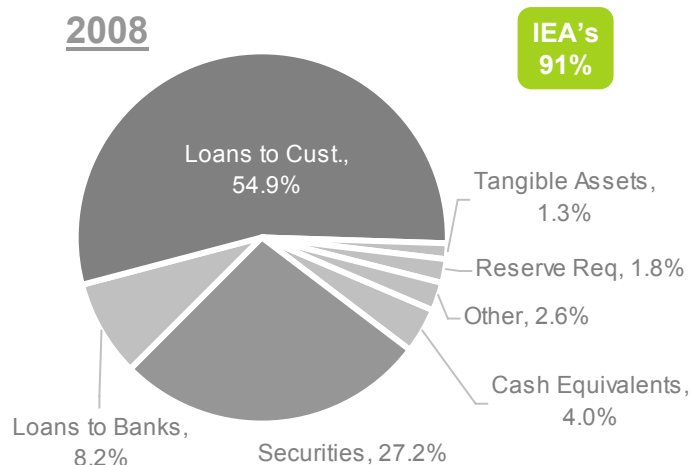


## Composition of Assets

2009



2008



**2009 Growth in:**

*TL Assets*

**29%**

*FC Assets (\$)*

**5%**

**Liquidity Ratio<sup>3</sup>**



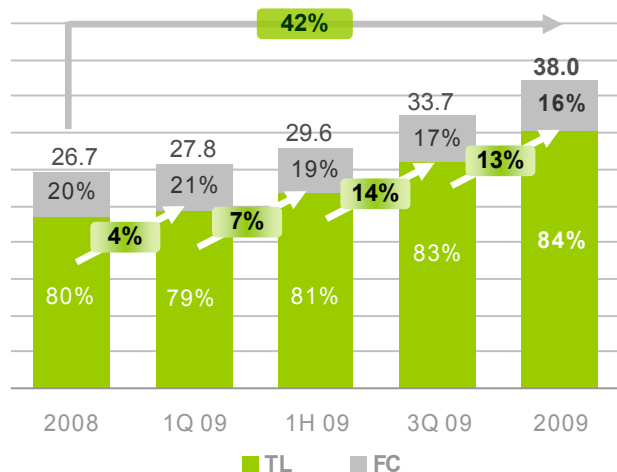
**41%**

up from 31% at YE 08

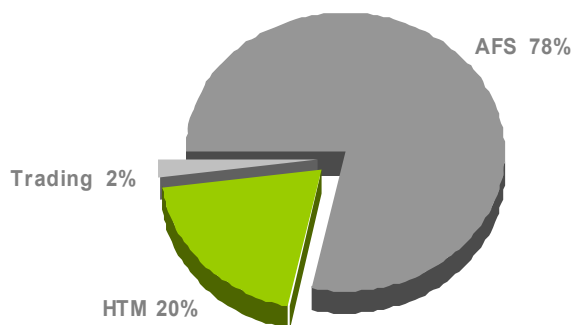
...reinforced with timely additions to AFS book -- positive effect on margins

## Total Securities

TL Billion



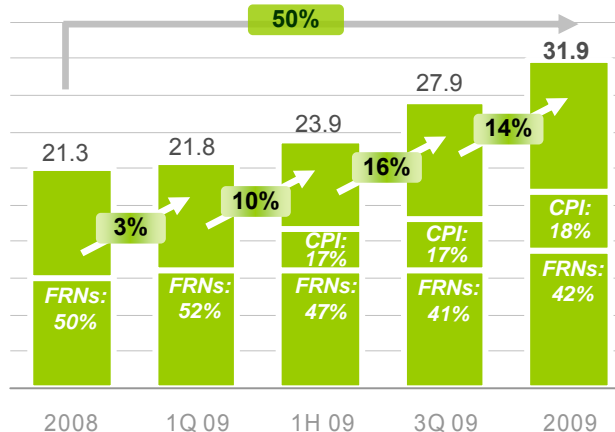
## Total Securities Composition



Unrealized gain ~TL 1.7 bn\*

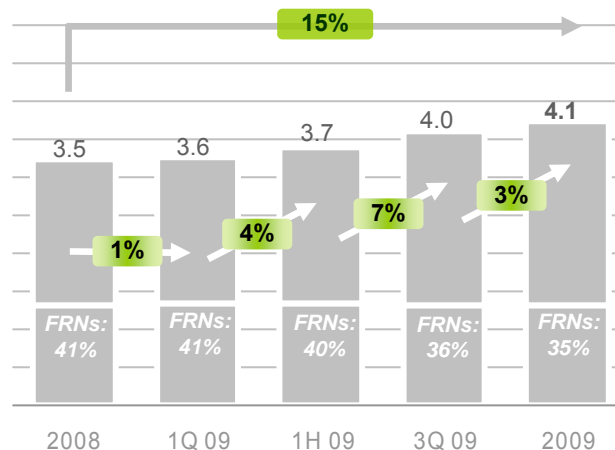
## TL Securities

TL Billion



## FC Securities

US\$ Billion



*Securities mix  
in assets*

**33%**

*AFS mix in total*

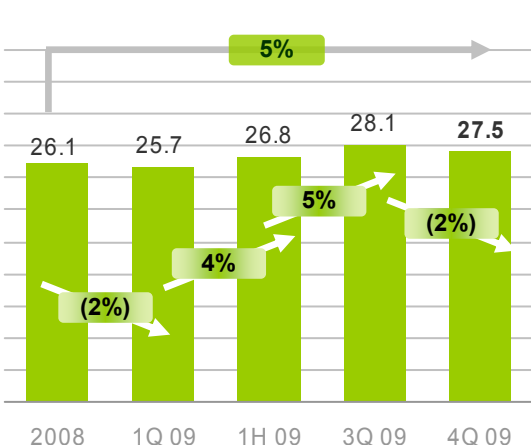
**78%**

*from 69%  
at YE 08*

# Timely and selective growth in lending to preserve profitability

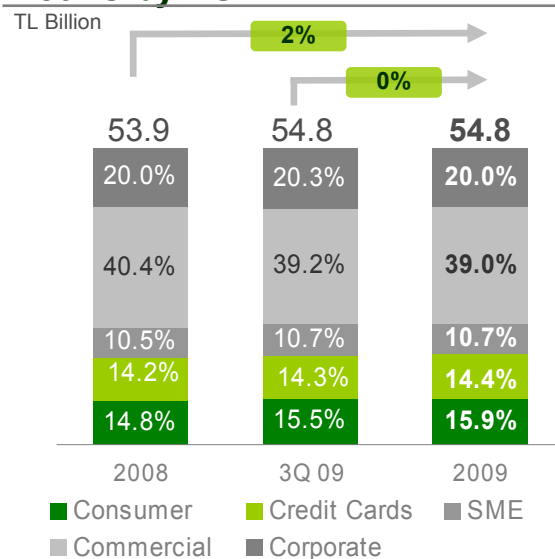
## TL Loans<sup>1</sup>

TL Billion



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

TL Billion



4Q 09

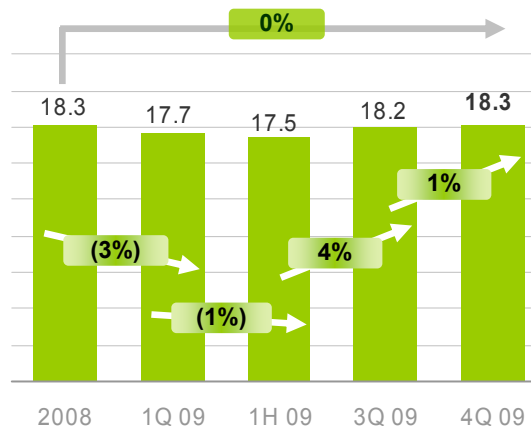
*loan growth areas*

*in TL : retail*

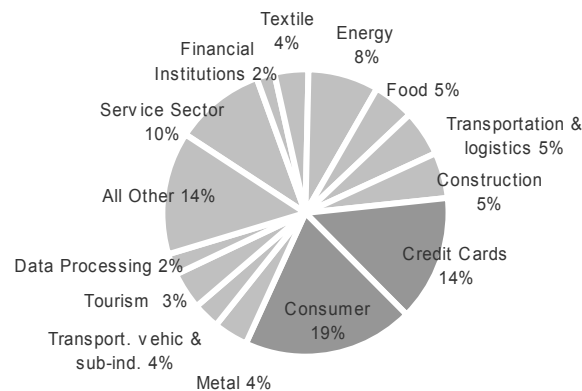
*in FC: corporate*

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

US\$ Billion



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

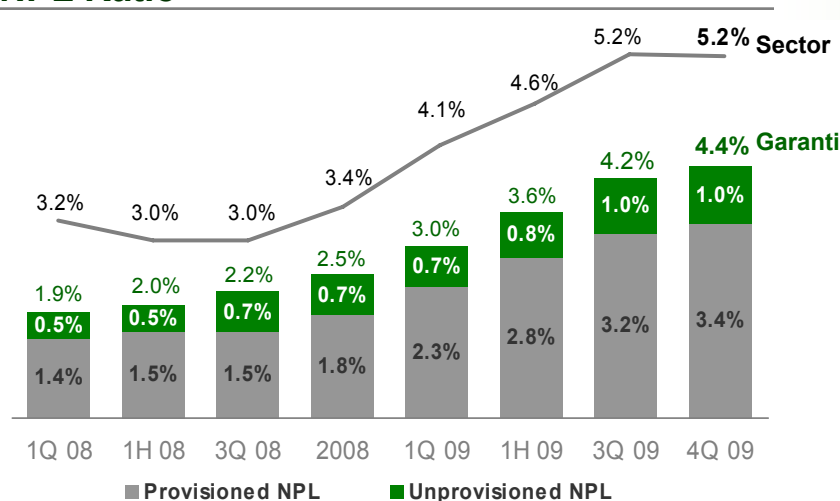


## Market Shares

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

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

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



✓ *Lowest NPL formation and highest collection performance in 4Q 09*

✓ *Limited write-offs*

✓ *Garanti NPL: 4.4% vs. Sector NPL: 5.2% (including NPL sales and write-offs in sector)*

Note:

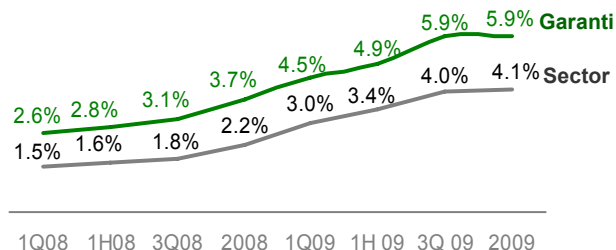
4Q 09 sector NPL includes ~220mn NPL sales

2008 sector NPL includes a total of 1.4 bn NPL sales & write-offs

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

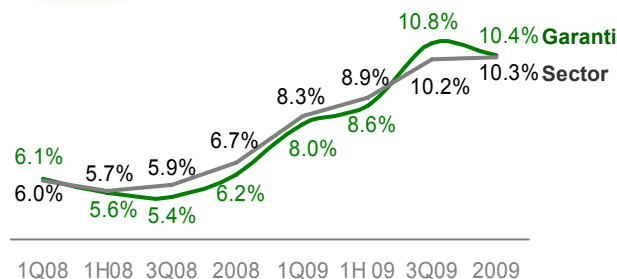
### Retail Banking (Consumer & SME Personal)

20% of Garanti's Total Loans



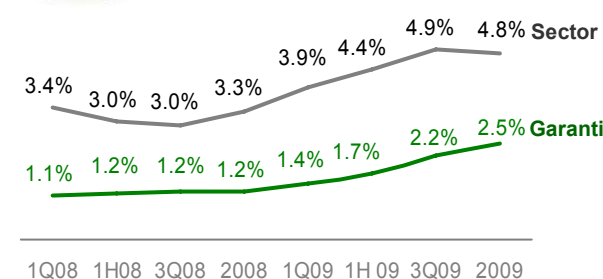
### Credit Cards

14% of Garanti's Total Loans



### Business Banking (Including SME)

66% of Garanti's Total Loans

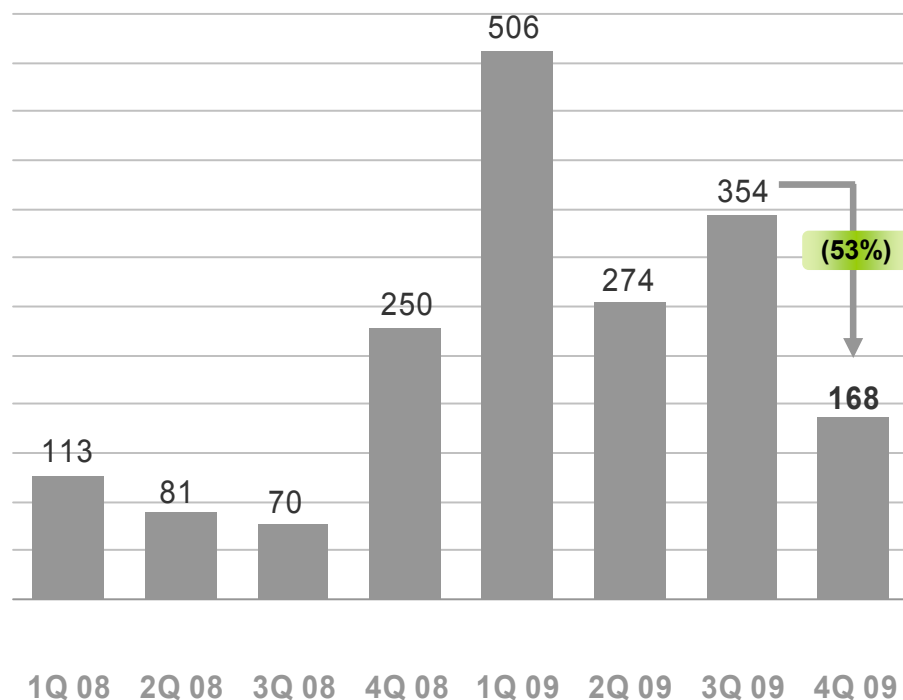


# Cost of risk easing parallel to improving macro

## 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             |        |        |        |        |        |
| IFRS                | 72%    | 78%    | 78%    | 76%    | 77%    |
| BRSA Consolidated   | 64%    | 77%    | 82%    | 82%    | 81%    |



## Coverage Ratio



77%

*Conservative approach  
in coverage remains*

## Cost of risk

372 bps in 1Q 09,

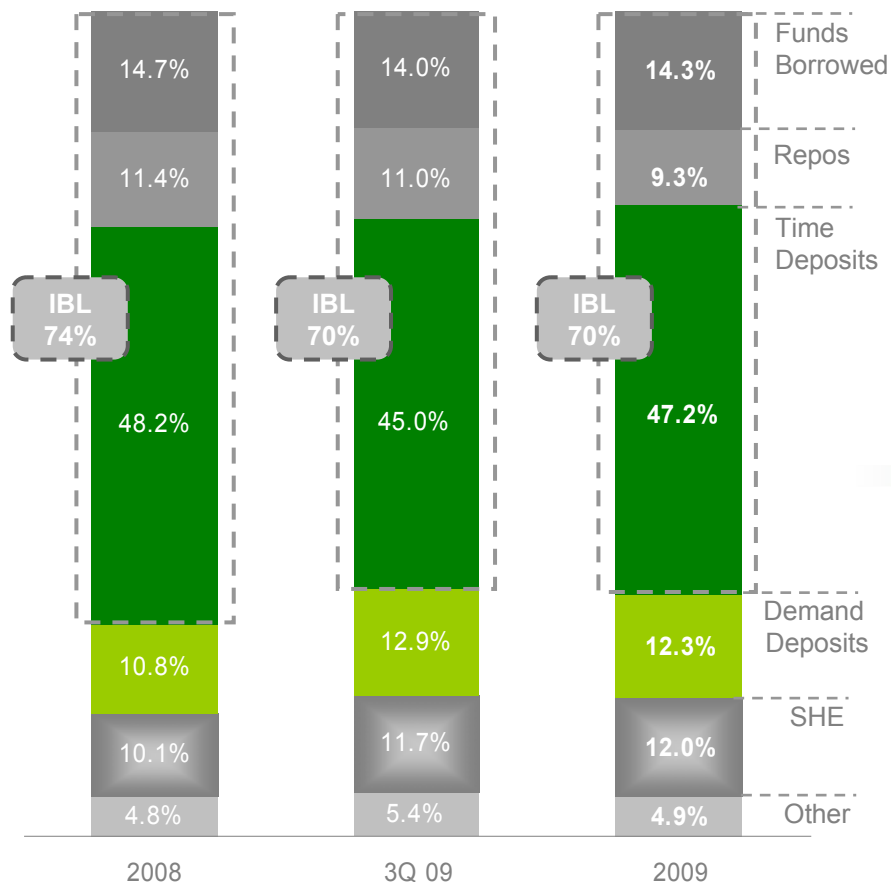
290 bps in 1H 09,

278 bps in 3Q 09,

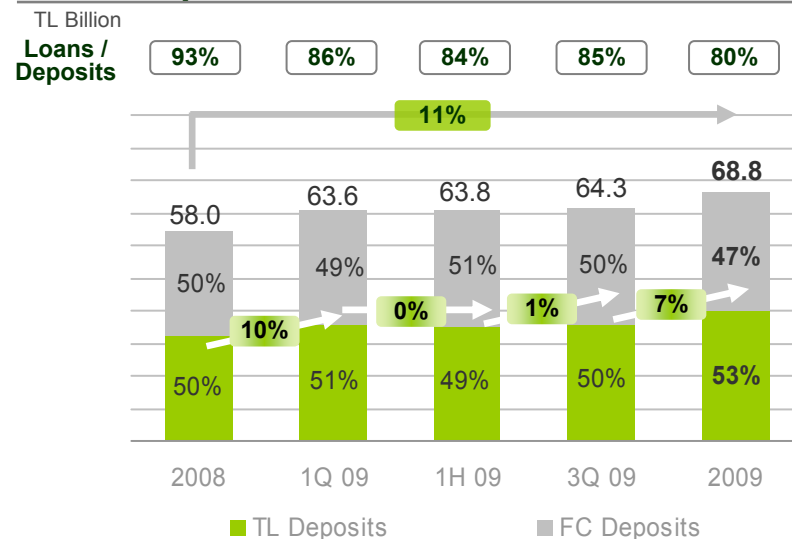
~240 bps as of Dec 09

# Focus remains on deposit growth with...

## Composition of Liabilities



## Total Deposits



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

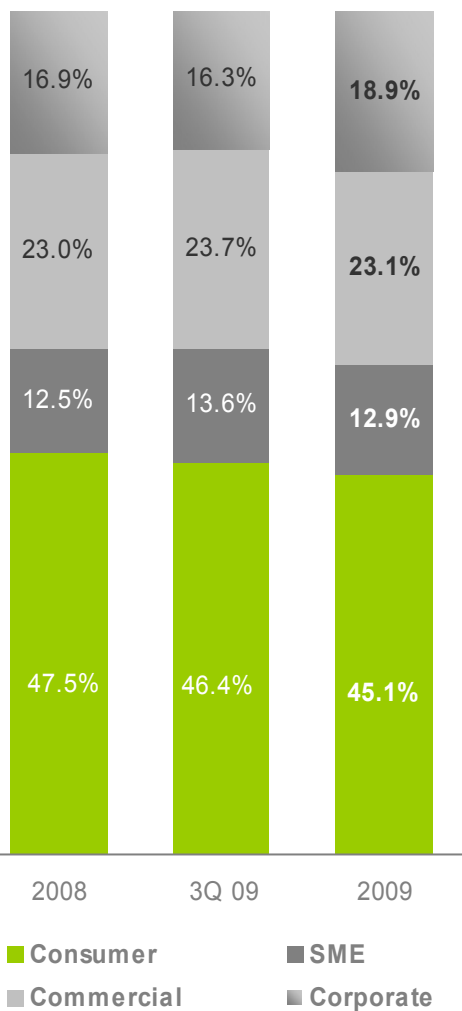
*TL deposit growth **25%**  
vs. sector's 15%*

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

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

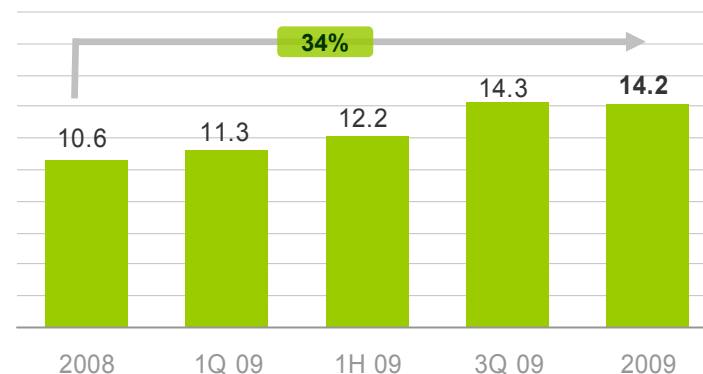
## Deposits by LOB<sup>1</sup>

(Excluding bank deposits)



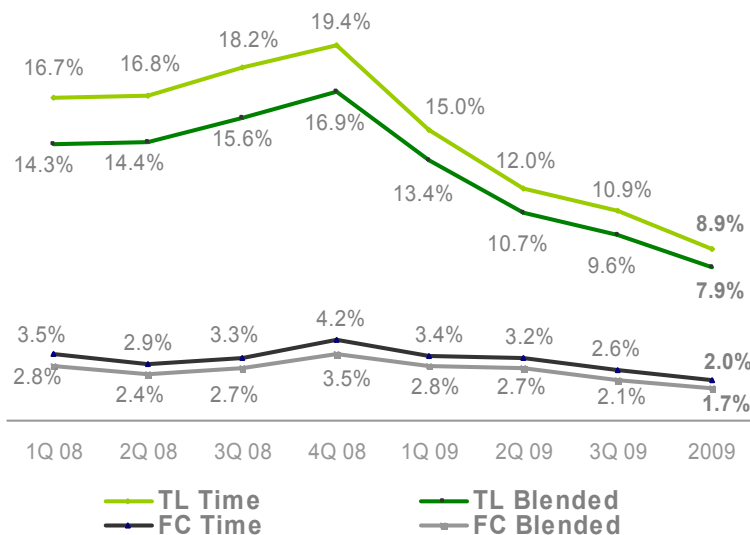
## Demand Deposits

TL Billion



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

Quarterly Averages



## Demand Deposits

2009 Growth

**34%** vs.  
Sector's **28%**

## 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. Bank-only data used for market share calculation

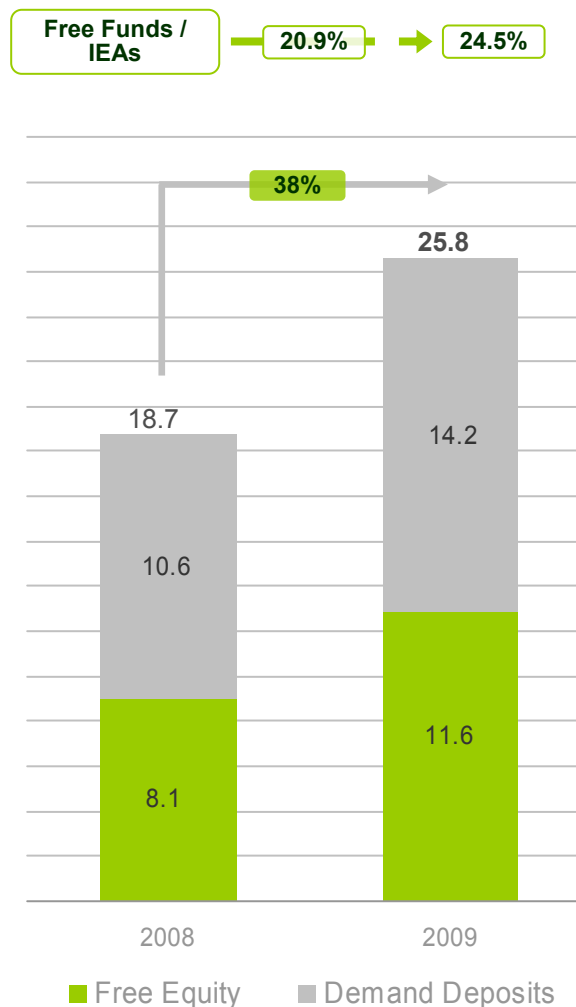
# Strong solvency and low leverage

## CAR<sup>1</sup>



## Free Funds

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



## Free Equity

2009 growth



43%

## Leverage Ratio



7x

down from 9x in 1Q 09  
and at YE 08

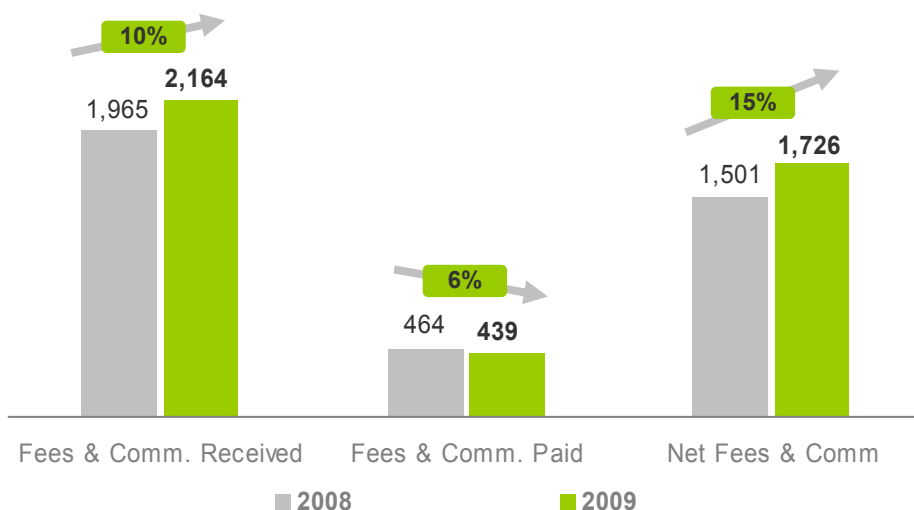
# Growth and diversification of sustainable income sources further reinforce the high capacity to generate ordinary banking income

| (TL Million)  | 12 Mo 08 | 12 Mo 09 | Change |
|---|----------|----------|--------|
| Net Interest Inc.Adj.by net FX gains & Trading loss | 3,763    | 6,327    | 68%    |
| Fees and Commissions, net                           | 1,501    | 1,726    | 15%    |
| Provision on Loans and Securities                   | (518)    | (1,302)  | 151%   |
| Ordinary Banking Income                             | 4,746    | 6,751    | 42%    |

*Garanti recorded  
the highest<sup>1</sup>  
'ordinary banking  
income volume'  
among peers*

## Fees and Commissions

TL Millions



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

**#1** in  
bancassurance

Brokerage  
market share  
increased  
to **7%**

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

| (TL Million)  | 12 Mo '08    | 12 Mo '09    | Growth     |
|---|--------------|--------------|------------|
| Net Interest Inc.Adj.by net FX gains & Trading loss | 3,763        | 6,327        | 68%        |
| Net Fees & Comm. Income                             | 1,501        | 1,726        | 15%        |
| Provision on Loans and Securities                   | (518)        | (1,302)      | 151%       |
| <b>Ordinary Banking Income</b>                      | <b>4,746</b> | <b>6,751</b> | <b>42%</b> |
| Other Non-Interest Income <sup>1</sup>              | 242          | 381          | 57%        |
| <b>Total Operating Income<sup>1</sup></b>           | <b>4,988</b> | <b>7,132</b> | <b>43%</b> |
| Operating Expenses                                  | (2,685)      | (2,858)      | 6%         |
| <b>Operating Income<sup>1</sup></b>                 | <b>2,303</b> | <b>4,274</b> | <b>86%</b> |
| Other Provisions <sup>2</sup>                       | (35)         | (344)        | 885%       |
| Taxation Charge <sup>1</sup>                        | (453)        | (835)        | 84%        |
| <b>Normalized Net Income<sup>1,2</sup></b>          | <b>1,815</b> | <b>3,095</b> | <b>71%</b> |
| <b>Non-recurring Items</b>                          | 111          | -            | n.m        |
| <b>Net Income</b>                                   | <b>1,926</b> | <b>3,095</b> | <b>61%</b> |
| <i>Equityholders of the Bank</i>                    | 1,914        | 3,081        | 61%        |
| <i>Minority Interest</i>                            | 12           | 14           | 18%        |

71%



**Net Income<sup>1</sup> Growth**  
Y-o-Y

*Cost / Income*

41%

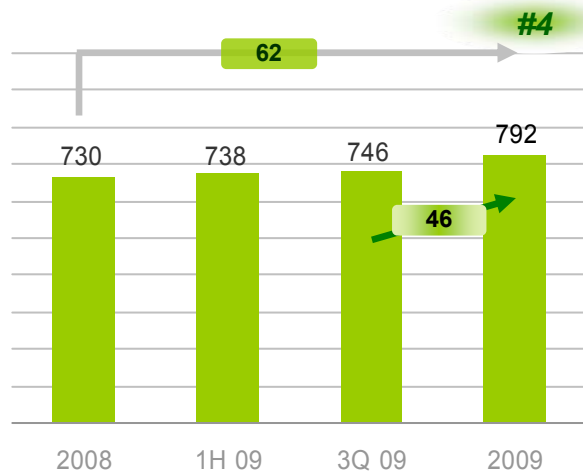
# Appendix

# Balance Sheet - Summary

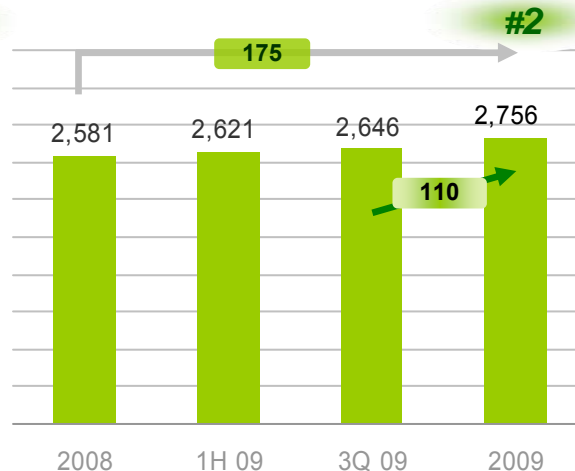
| (YTL Million)                |                                    | December 2008 | December 2009 | % Change |
|------------------------------|------------------------------------|---------------|---------------|----------|
| <b>Assets</b>                | <b>Cash &amp; Banks</b>            | 11,977        | 16,346        | 36%      |
|                              | <b>Securities</b>                  | 26,676        | 37,960        | 42%      |
|                              | <b>Loans to Customers</b>          | 53,870        | 54,765        | 2%       |
|                              | <b>Tangible Assets</b>             | 1,239         | 1,449         | 17%      |
|                              | <b>Other</b>                       | 4,426         | 5,088         | 15%      |
|                              | <b>Total Assets</b>                | 98,188        | 115,608       | 18%      |
| <b>Liabilities &amp; SHE</b> | <b>Deposits from Customers</b>     | 55,838        | 66,043        | 18%      |
|                              | <b>Deposits from Banks</b>         | 2,119         | 2,738         | 29%      |
|                              | <b>Repo Obligations</b>            | 11,153        | 10,765        | (3%)     |
|                              | <b>Funds Borrowed</b>              | 14,391        | 16,569        | 15%      |
|                              | <b>Other</b>                       | 4,783         | 5,657         | 18%      |
|                              | <b>SHE</b>                         | 9,904         | 13,836        | 40%      |
|                              | <b>Total Liabilities &amp; SHE</b> | 98,188        | 115,608       | 18%      |

# Further strengthening of retail network

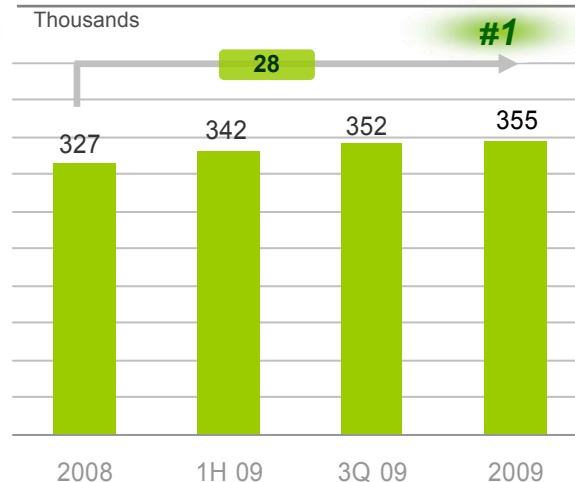
## Number of Branches



## Number of ATMs



## Number of POS



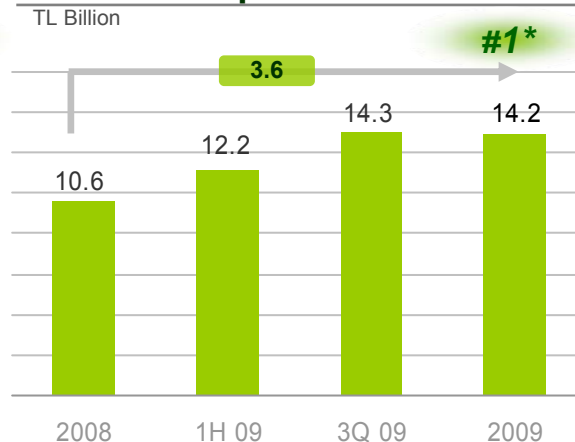
## Number of Customers



## Mortgages<sup>1</sup>



## Demand Deposits



# 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.
- 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:

### **4Q 08:**

The net income resulting from the non-recurring items amounts to **TL +49 mn**, breakdown of which is;

- i) Other expense-impairment charge: Provision reversal amounting to **TL +62 mn** related to defined benefit obligation liability.
- ii) Taxation expense: Deferred tax expense amounting to **TL -12 mn** related to provision reversal of defined benefit obligation liability

### **2Q 08:**

The net income resulting from the non-recurring items amounts to **TL +62 mn**, breakdown of which is;

- i) Other income: Proceeds from NPL sales **TL +29 mn**
- ii) Taxation expense: Tax credit of **TL +33 mn** related to defined benefit obligation liability



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