



# Garanti

**IFRS Earnings Presentation**

March 31, 2010

## 1Q 2010: Growth resumes on the back of restocking and fiscal stimulus...

### Optimism on global growth indicators accompanied by rising sovereign risk profiles...

- Limiting the recovery in advanced economies.
- The risk of contagion effect regarding fiscal problems in advanced economies to spread out to emerging markets.

### The resilience of the Turkish economy confirmed by the credit rating agencies...

- Reduced the government's need for external policy anchors in the form of an IMF program, especially as the 2011 elections draw closer and fiscal performance improves.
- Improved consumer sentiment and better than expected macro indicators on industrial production and consumption expenditures signaling double digit 1Q10 GDP growth
- Annual CPI inflation rose from 6.5% at the end of 4Q09 to 9.6% at the end of 1Q10 due to base affect and high food prices.

### Policy rate unchanged -- problems across the global economic concerns not resolved completely...

- The Central Bank of Turkey (CBT) kept policy rates unchanged at 6.50%.
- The CBT announced its plan of gradual reversal of the liquidity measures introduced during the global crisis.
- Parameters of the Fiscal Rule announced.

## 1Q 2010 Highlights -- Solid start to 2010

Balance sheet strength: distinguishing feature of Garanti...

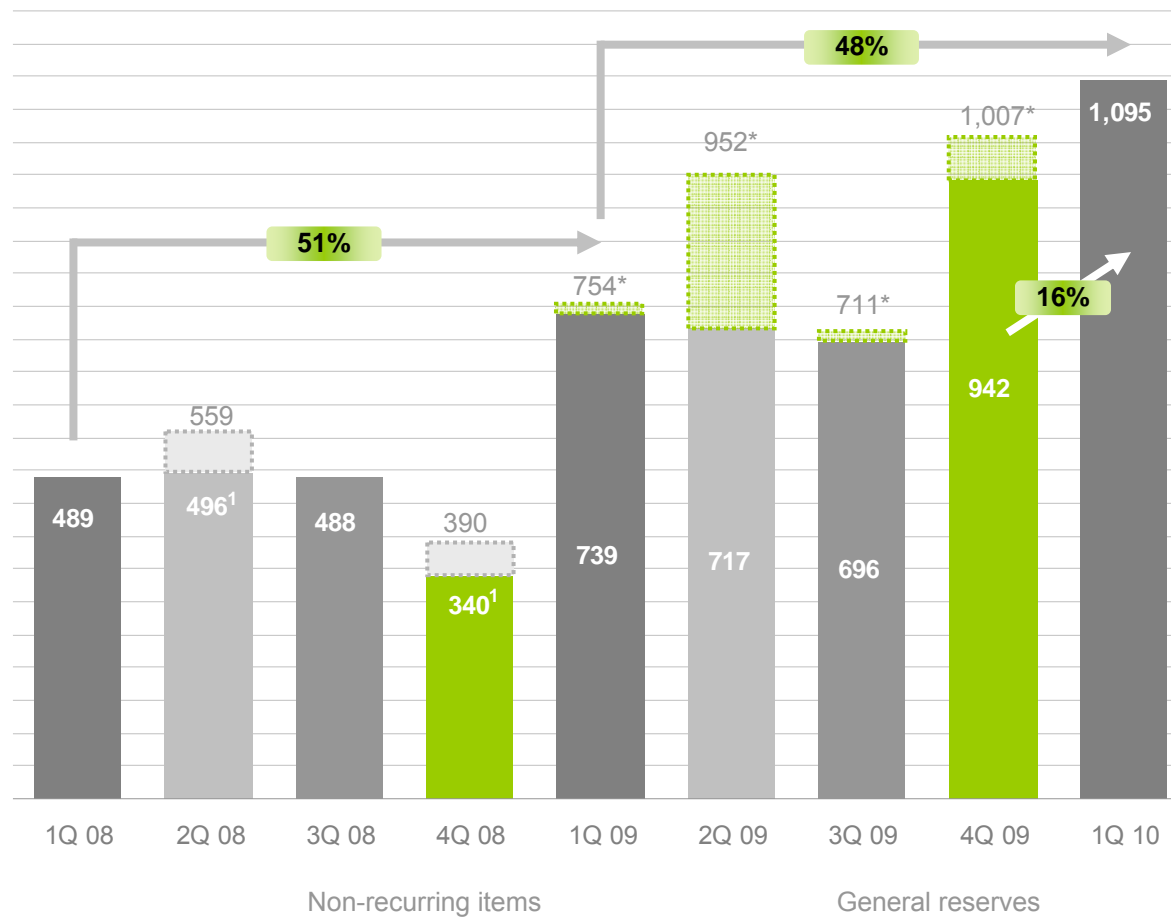
- **Robust loan growth defined the quarter (q-o-q: 8%)**
  - Double digit growth in key profitable products: mortgages<sup>1</sup> (+10%) and GPLs<sup>1</sup> (+15%)
  - Market share gains across the board in retail, commercial & corporate banking
- **Improving asset quality (NPL: 4.0%)** – organically at a pace well above sector's
- **Securities mix in assets remained at 33%**. Due to dynamic management, 1Q 10 redemptions were replaced with further CPI linkers and FRNs
- **The above sector growth momentum in deposits** remain (q-o-q: +4%) with clear differentiation in attracting customer demand deposits (q-o-q: +4% vs sector -2% )
- **Highly liquid** asset mix – ratio: 37%
- **Well capitalized** (CAR<sup>2</sup>: 18.9%) with low leverage (7x)

...leads to consistent delivery of high profitability

- **ROAE: 31%** -- For the last 18 consecutive quarters ROAE has been above 22%
- **Record 1Q 10 earnings of TL 1.1bn** -- **Y-o-y** earnings growth **48%** vs. Sector's 24%<sup>4</sup>;
  - **Margins hold up well (5.4%)<sup>2</sup>** -- Despite the ongoing repricing pressure on margins, securities yield<sup>3</sup> drop limited to 5 bps q-o-q due to the weight of high yielding CPI linkers
  - **Net F&C growth momentum remains (y-o-y: 9%)** with increasing contribution from non-payment systems related businesses and further diversification
  - Due to significant improvement in NPLs and collections performance, **cost of risk eased to 146 bps<sup>5</sup>**, nearing normalized levels, while maintaining high coverage (79%)
  - **Tight cost management** at an annually 10% and quarterly 7% larger branch network
  - **Efficient** – Cost/Income: 37%

# Record profit once again -- 16% growth over the latest record in 4Q 09

## Quarterly Net Income



## Earnings Y-o-Y



**48%**  
VS.  
Sector<sup>2</sup> 24%

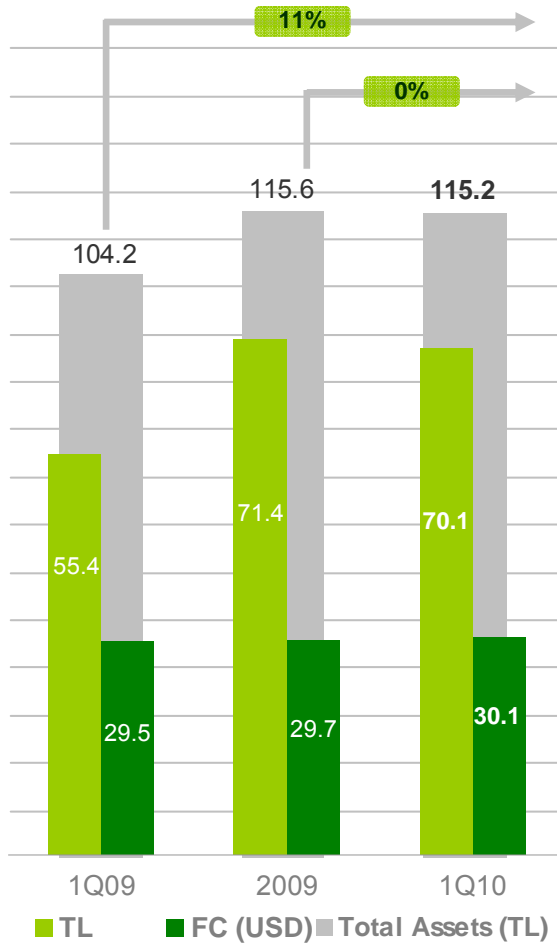
**ROAE**  
**31%**

<sup>1</sup> Please refer to Slide 20 for breakdown of non-recurring items  
<sup>2</sup> Sector growth rate calculated based on BRSA weekly data, commercial banks only;  
 \*2009 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

# Reshuffled assets into a higher yielding mix while maintaining high liquidity

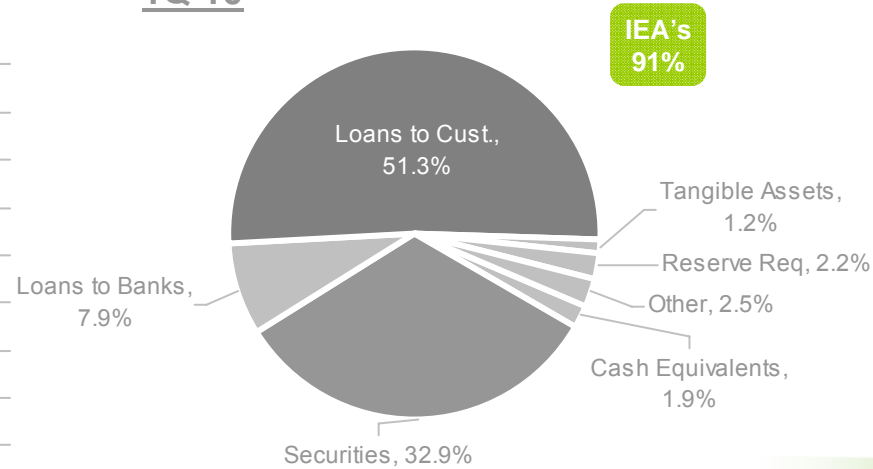
## Total Assets

TL / USD Billion

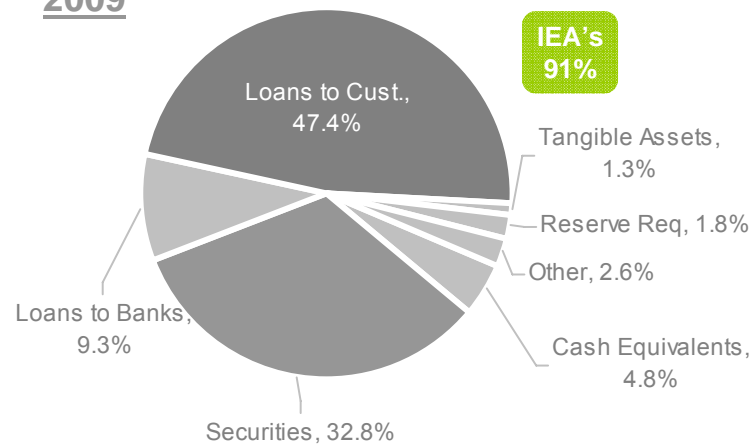


## Composition of Assets

1Q 10



2009



## Asset growth:

Ytd

**TL: (1.7%)**

**FC (\$): 1.2%**

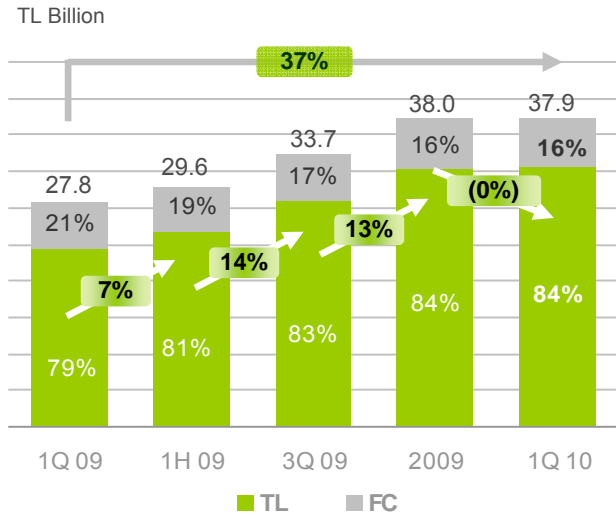
## Liquidity Ratio<sup>3</sup>

**37%**

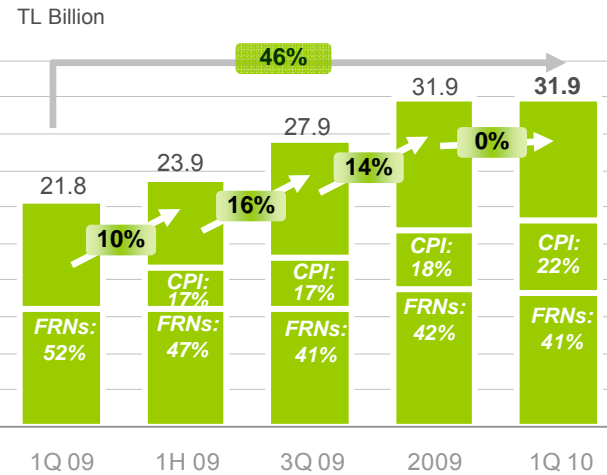
<sup>1</sup> (Cash and Balances with Central Bank + Loans and advances to banks + Financial assets held for trading + Available for sale securities) / Total Assets

# 1Q 10 securities redemptions were replaced with further CPI linkers and FRNs

## Total Securities

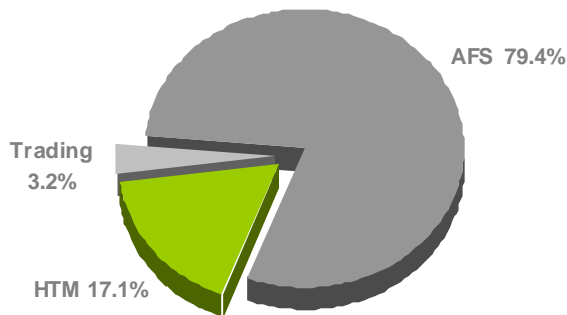


## TL Securities

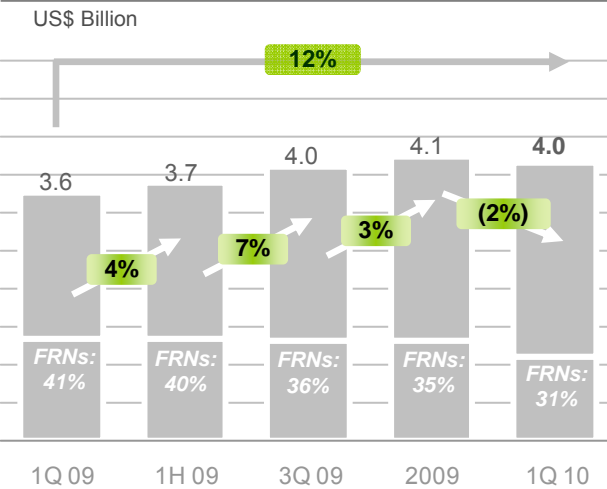


*Securities mix  
in assets  
33%*

## Total Securities Composition



## FC Securities



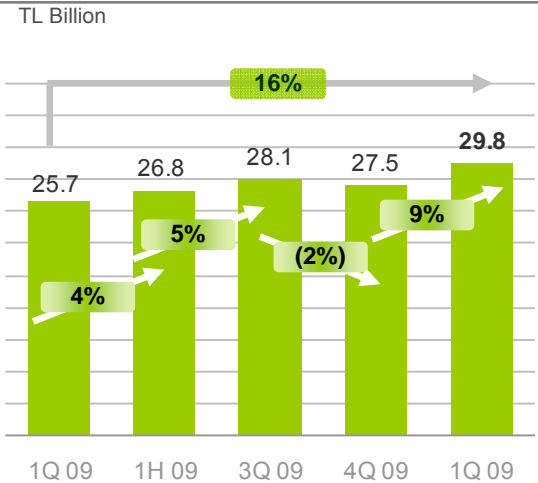
*AFS mix in total  
79%*

Unrealized gain >TL 1.9 bn\*

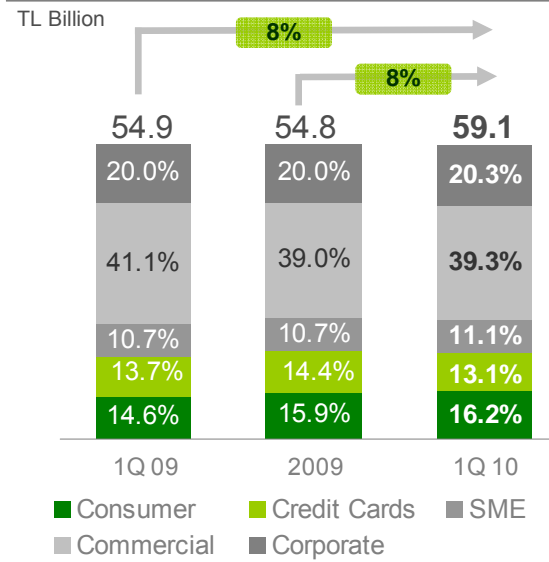
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data  
 \* Gross amount of MiM gains of AFS book, the net amount affecting equity is included in "Securities Value Increase Fund" of TL 1,598 mn. Pls. refer to Liabilities and Shareholders' Equity section of the Financial Statements

# Robust loan growth defined the quarter

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



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



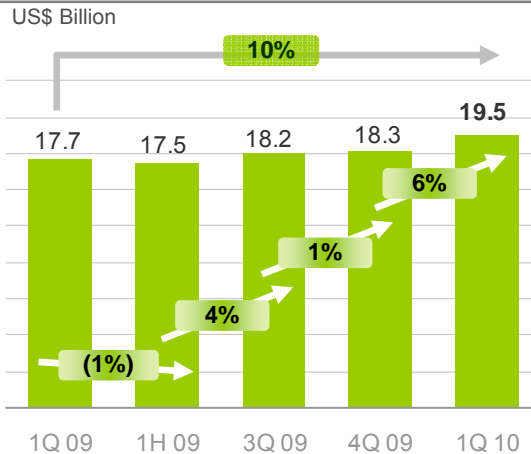
1Q 10:

*“Lending growth across the board”:*

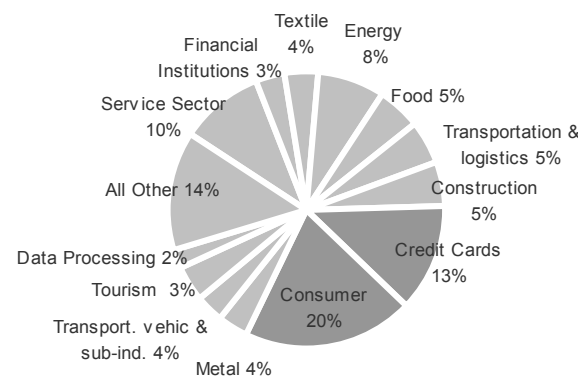
*TL boosted by **retail**, &*

*FX by **corporate** and **commercial** lending*

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



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

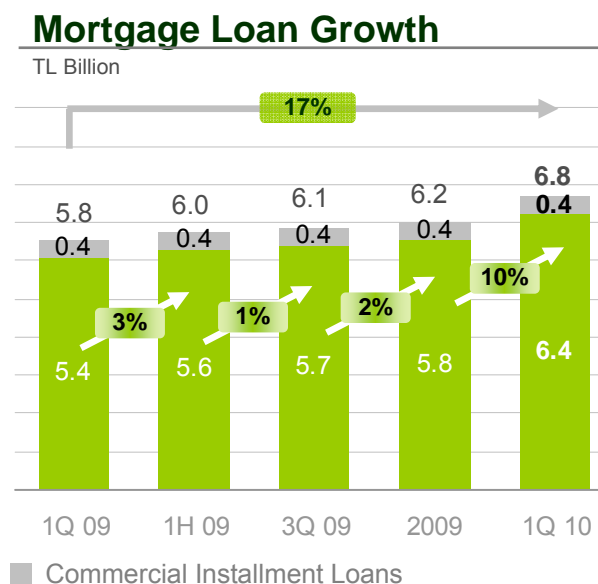
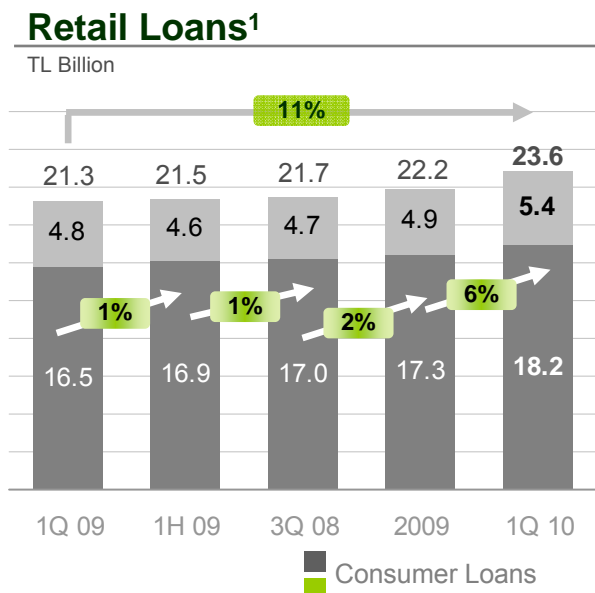


## Market Shares

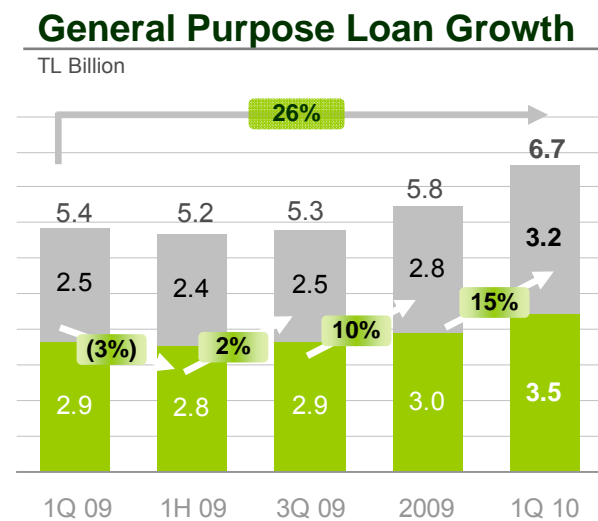
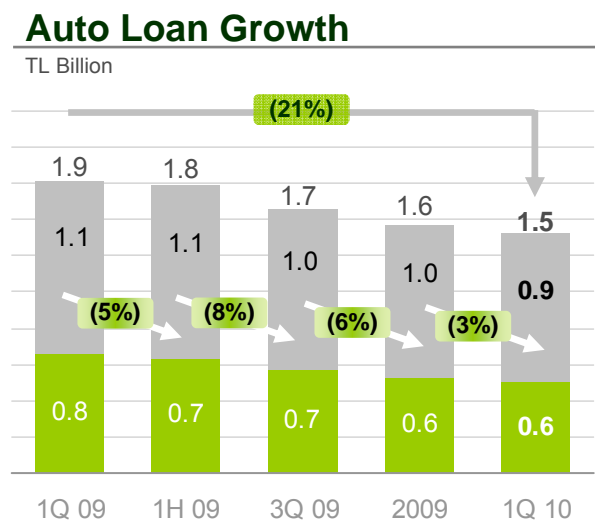
	Dec 09	Mar 10	
<b>Total Loans</b>	<b>13.8%</b>	<b>14.3%</b>	↑
<b>TL Loans</b>	<b>10.9%</b>	<b>11.3%</b>	↑
<b>FC Loans</b>	<b>21.3%</b>	<b>22.0%</b>	↑

<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

# Double digit growth in key profitable products: Mortgages & GPLs



*Market share gains across the board*



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

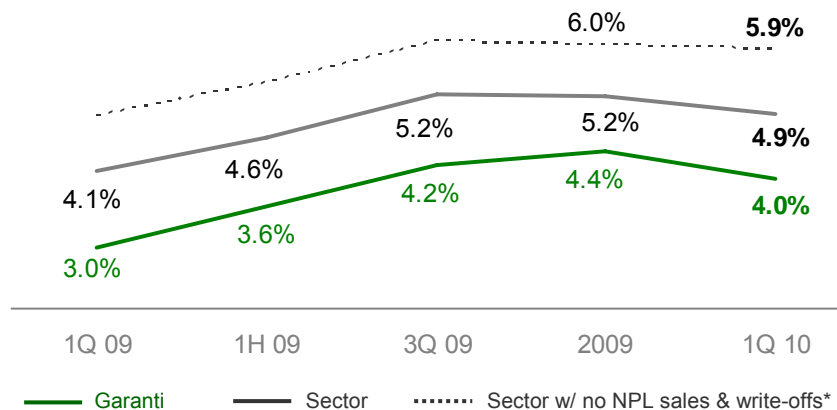
	Dec 09	Mar 10	Rank <sup>4</sup>
Mortgage	13.8%	↑ 14.1%	#1
Auto	14.9%	↑ 15.0%	#2
General Purpose	9.7%	↑ 10.6%	#2
Retail <sup>1</sup>	13.2%	↑ 13.5%	#2

Note: Based on BRSA consolidated financials  
 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 2009 year-end among private banks



# Improving asset quality -- organically at a pace well above sector's

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



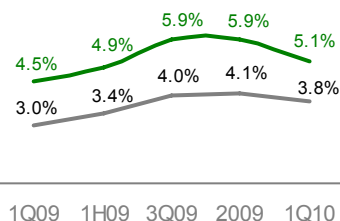
\* 2008, 2009 & 1Q 10 sector NPL sales & write-offs total: TL 2.3 bn, TL 0.8 bn and TL 1.1 bn, respectively

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

### Retail Banking

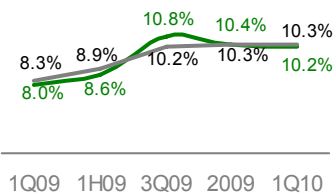
(Consumer & SME Personal)

20% of Garanti's Total Loans



### Credit Cards

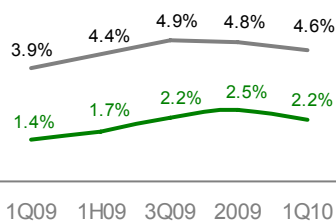
13% of Garanti's Total Loans



### Business Banking

(Including SME Business)

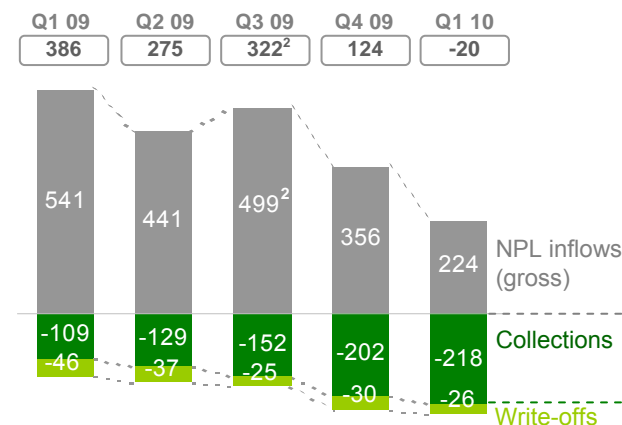
67% of Garanti's Total Loans



— Garanti — Sector

## Net NPLs (quarterly)

TL Million



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

<sup>1</sup> Sector figures are per BRSA bank-only data. NPL categorisation is based on 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 Mar 2010 pre-NPL restructurings totaled TL 292mn and NPL restructurings totaled TL 419mn. NPL restructurings had no effect on NPL ratio as they are not yet classified as performing  
 Source: BRSA, TBA & CBT

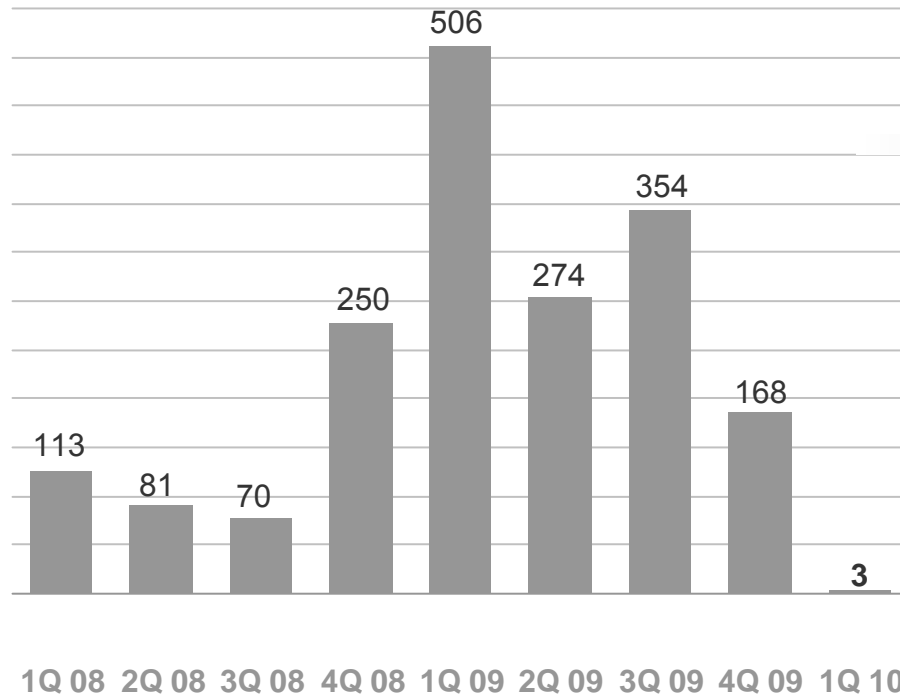
Significantly lower NPLs relieve provisions -- cost of risk eased by ~100 bps

Quarterly Loan-Loss Provisions

TL Million

Coverage Ratio

	Mar 09	Jun 09	Sep 09	Dec 09	Mar 10
Sector <sup>1</sup>	81%	81%	82%	83%	85%
Garanti					
IFRS	78%	78%	76%	77%	79%
BRSA Consolidated	77%	82%	82%	81%	82%



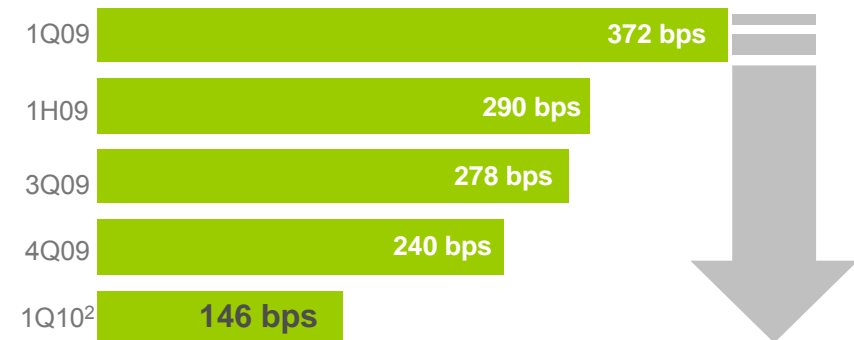
Conservative approach

in coverage remains

Coverage Ratio

79%

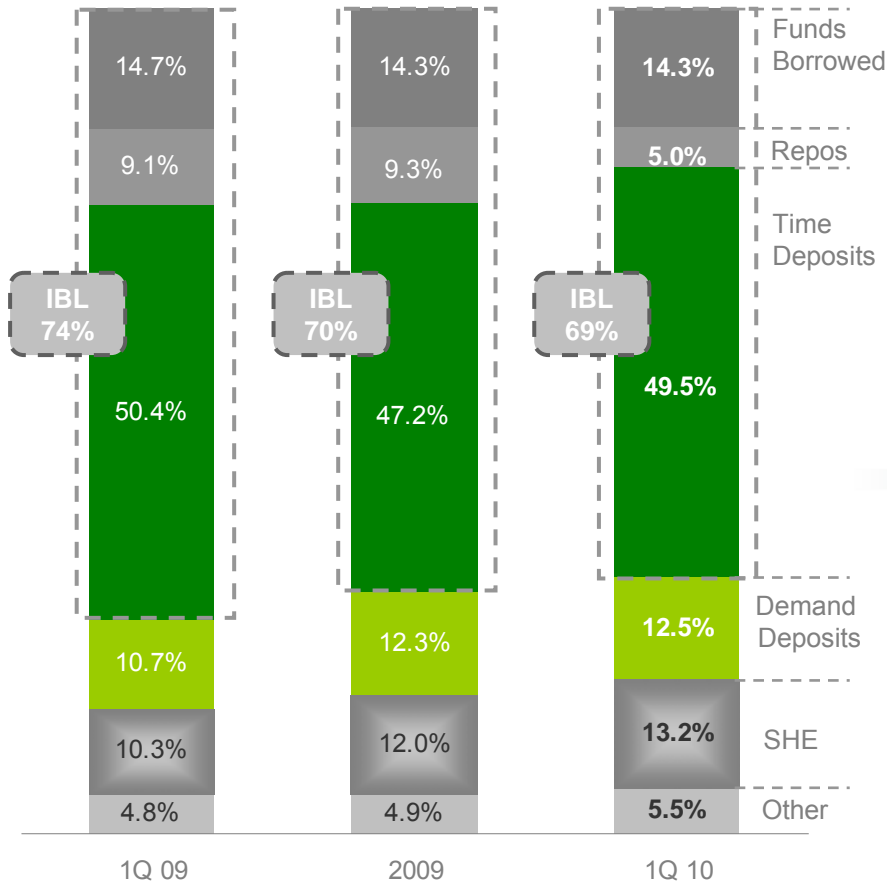
Cost of Risk



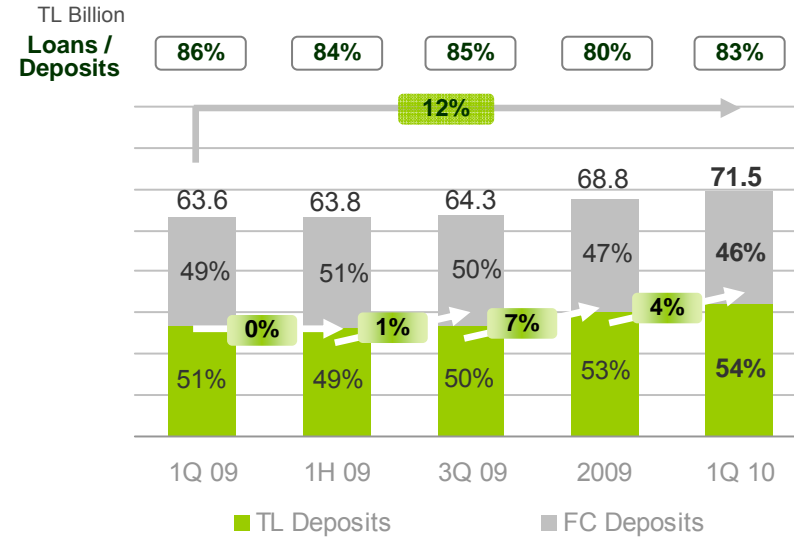
<sup>1</sup> Sector figures are per BRSA weekly data, commercial banks only  
<sup>2</sup> 1Q 10 cost of risk calculation excludes prior year's collections netted from provision expense

# The above-sector growth momentum in deposits remain...

## Composition of Liabilities



## Total Deposits



## Deposit market share

**12.6%**

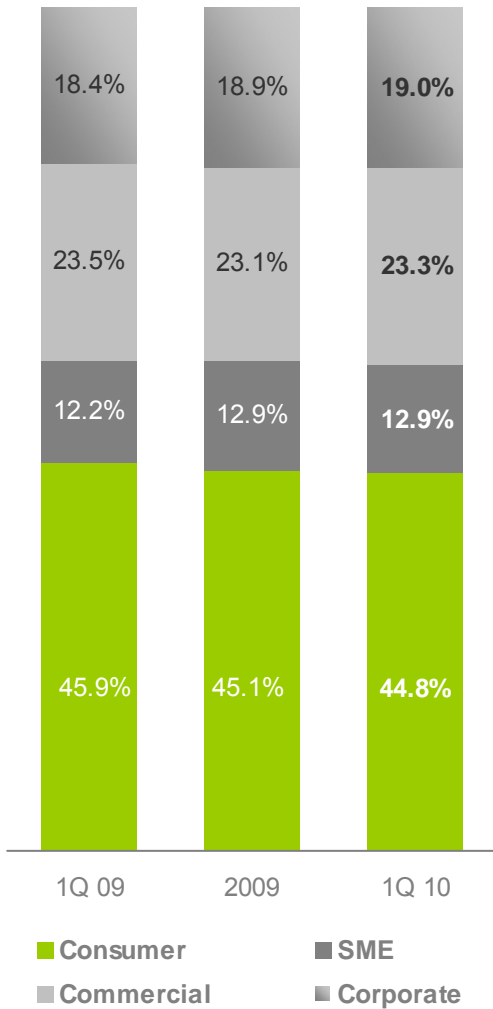
TL deposit growth **6%**  
vs. sector's 5%

FC deposit growth **1%**  
vs. sector's shrinkage of (3%)

...with clear differentiation in attracting demand deposits

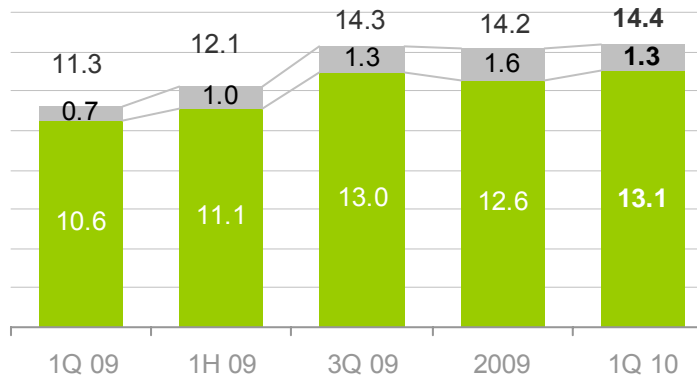
**Deposits by LOB<sup>1</sup>**

(Excluding bank deposits)



**Demand Deposits**

TL Billion



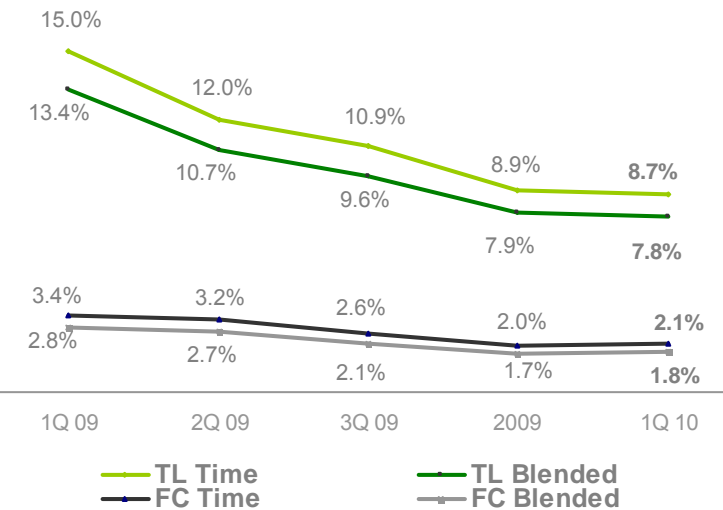
**Customer Demand Deposits**

YTD Growth

**4%** vs. sector's<sup>2</sup> **(2%)**

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

Quarterly Averages



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

**14.4%**

<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

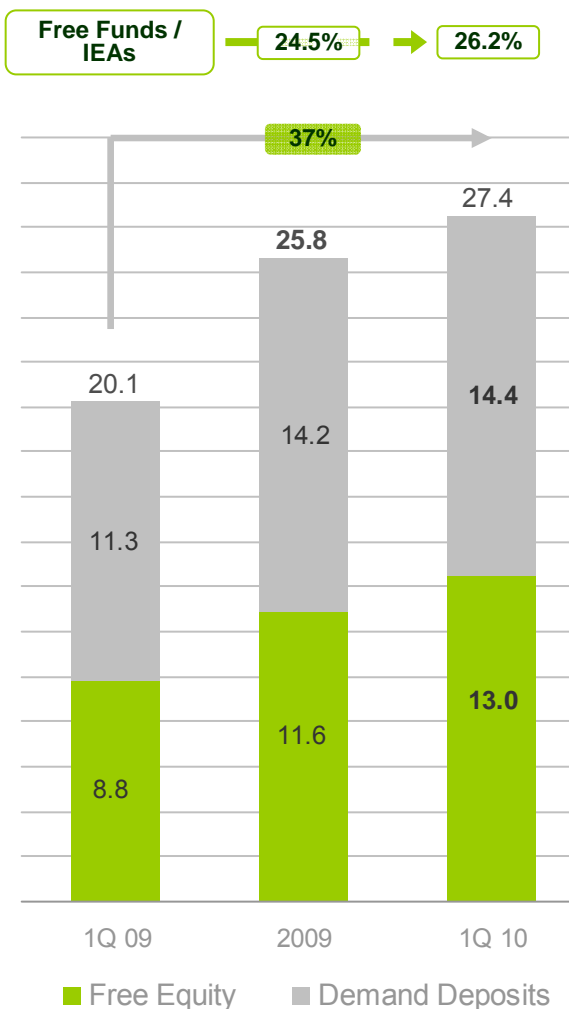
**Strong solvency and low leverage largely due to retained profitability and free fund generation capacity**

**CAR<sup>1</sup>**



**Free Funds**

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



**Free Equity**  
YTD growth

**12%**

**Leverage Ratio**

**7x**

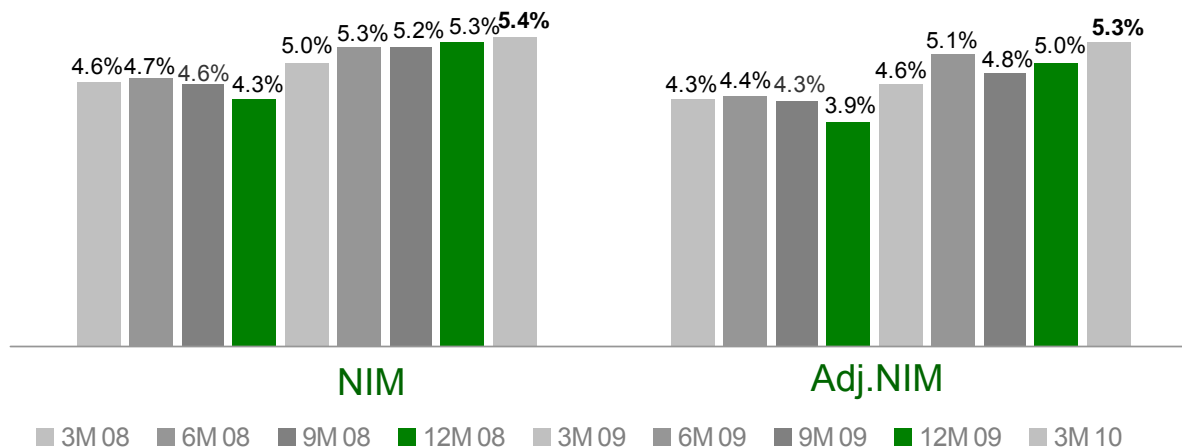
down from

**8x** in 1H 09 and

**9x** in 1Q 09 & at YE 09

Despite the ongoing repricing of IEAs, margins held up strong due to contribution from loan volume growth and high yielding CPI linkers

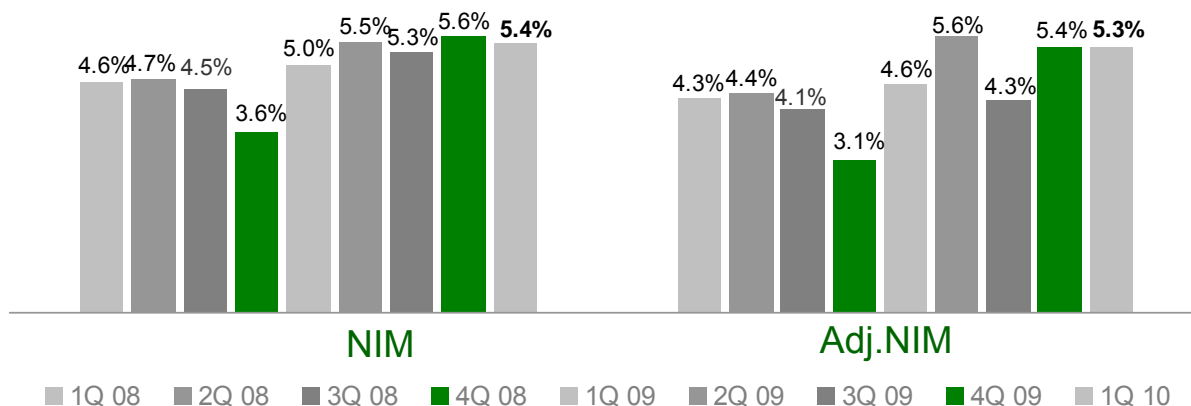
**Cumulative NIM (Net Interest Income / Average IEAs)**



**3-mo 10 over 2009:**

- Declining funding costs' impact on margin +130 bps
- Drop in asset yields' impact on margin -120 bps

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



**1Q 10 over 4Q 09:**

- Declining funding costs' impact on margin +10 bps
- Drop in asset yields' impact on margin -26 bps
  - ✓ Loan yield drop\*: ~150 bps
  - ✓ Securities yield drop\*: ~5bps

Source: BRSB consolidated financials  
 Adjustments to NIM: Net Interest Income/ Average IEA adjusted by FX gain/loss, provision for loans and securities, and net trading income/loss  
 \* Yield calculation per MIS average daily volumes

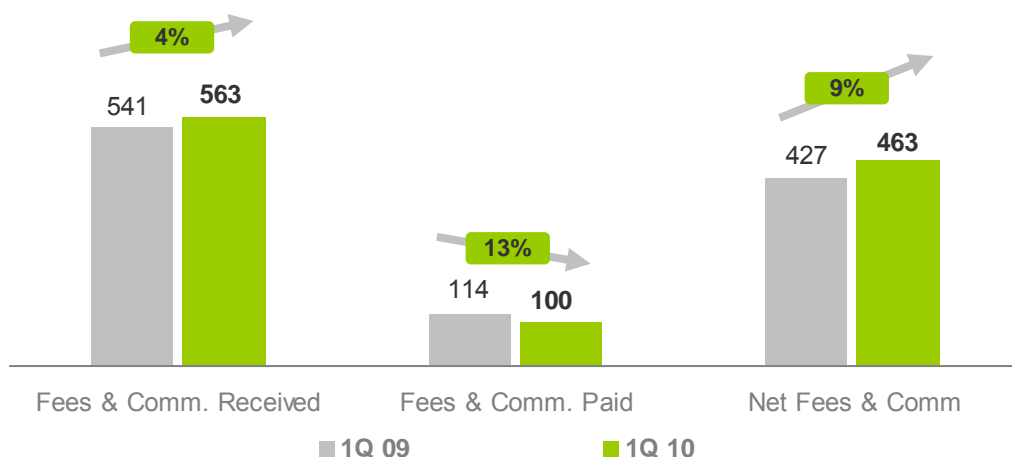
Growth and diversification of sustainable income sources further reinforce the high capacity to generate ordinary banking income

(TL Million)	3 Mo 09	3Mo 10	Change
Net Interest Inc.Adj.by net FX gains & Trading loss	1,583	1,660	5%
Fees and Commissions, net	427	463	9%
Provision on Loans and Securities	(506)	(3)	(99%)
<b>Ordinary Banking Income</b>	<b>1,504</b>	<b>2,120</b>	<b>41%</b>

*Garanti recorded the highest 'ordinary banking income volume' among peers*

**Fees and Commissions**

TL Millions



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

**#1** in bancassurance

Further market share gains in brokerage:  
Market share **>7%**

## Result: Record profit once again

<i>(TL Million)</i>	4Q 09	1Q 10	Growth 4Q 09-1Q 10
Net Interest Inc.Adj.by net FX gains & Trading loss	1,652	1,660	0%
Net Fees & Comm. Income	356	463	30%
Provision on Loans and Securities	-151	-3	(98%)
<b>Ordinary Banking Income</b>	<b>1,857</b>	<b>2,120</b>	<b>14%</b>
Other Non-Interest Income	163	74	(55%)
<b>Total Operating Income</b>	<b>2,020</b>	<b>2,194</b>	<b>9%</b>
Operating Expenses	-780	-818	5%
<b>Operating Income</b>	<b>1,240</b>	<b>1,376</b>	<b>11%</b>
Other Provisions <sup>1</sup>	-77	0	(100%)
Taxation Charge	-221	-281	27%
<b>Net Income<sup>1</sup></b>	<b>942</b>	<b>1,095</b>	<b>16%</b>
<i>Equityholders of the Bank</i>	<i>939</i>	<i>1,091</i>	<i>16%</i>
<i>Minority Interest</i>	<i>3</i>	<i>3</i>	<i>13%</i>

Net Income  
Growth

Y-o-Y

**48%**

Q-o-Q

**16%**

*Cost /  
Income:*  
**37%**

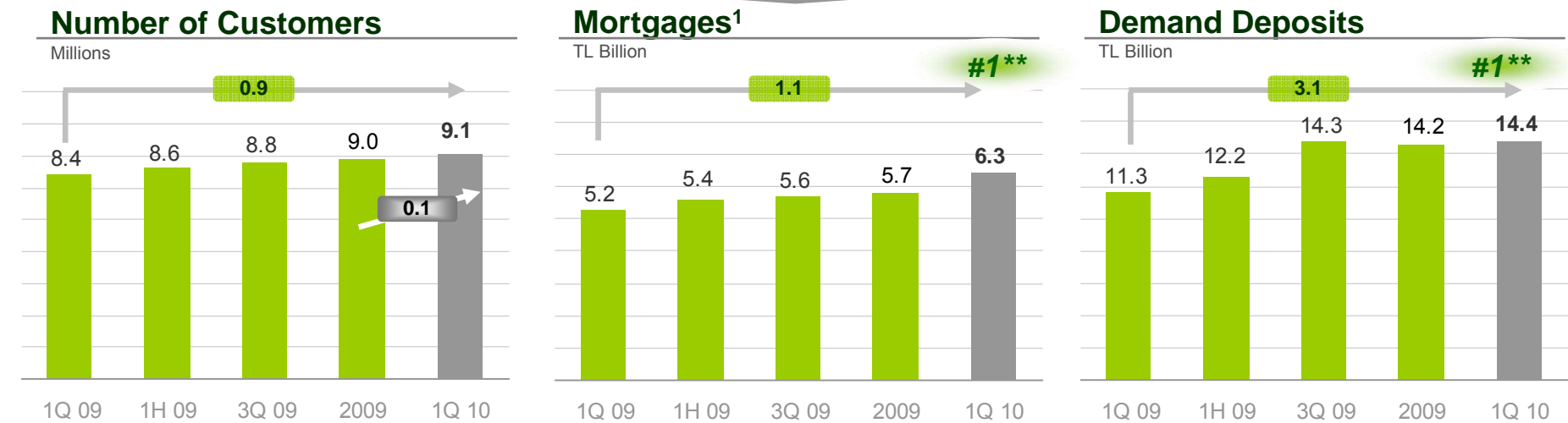
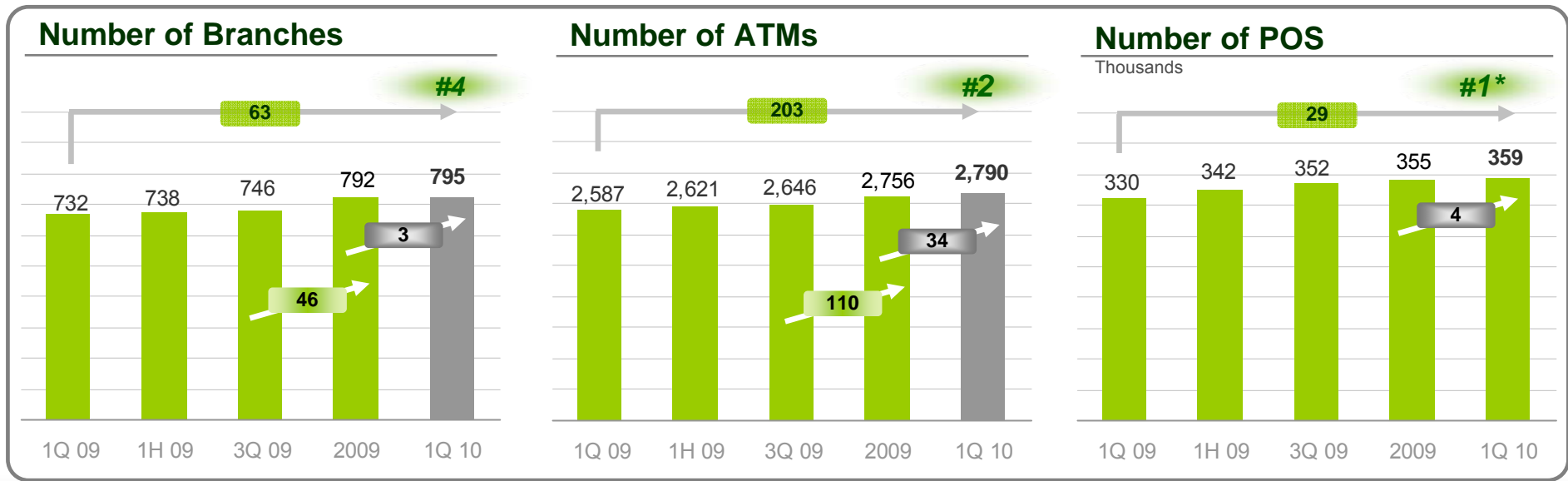


# Appendix

## Balance Sheet - Summary

<i>(TL Million)</i>		<b>December 2009</b>	<b>March 2010</b>	<b>% Change</b>
<b>Assets</b>	<b>Cash &amp; Banks</b>	16,346	11,322	(31%)
	<b>Securities</b>	37,960	37,925	0%
	<b>Loans to Customers</b>	54,765	59,095	8%
	<b>Tangible Assets</b>	1,449	1,429	(1%)
	<b>Other</b>	5,088	5,444	7%
	<b>Total Assets</b>	115,608	115,215	0%
<b>Liabilities &amp; SHE</b>	<b>Deposits from Customers</b>	66,043	69,168	5%
	<b>Deposits from Banks</b>	2,738	2,293	(16%)
	<b>Repo Obligations</b>	10,765	5,814	(46%)
	<b>Funds Borrowed</b>	16,569	16,499	0%
	<b>Other</b>	5,657	6,286	11%
	<b>SHE</b>	13,836	15,155	10%
	<b>Total Liabilities &amp; SHE</b>	115,608	115,215	0%

# Further strengthening of retail network



<sup>1</sup> Excluding accruals on mortgage loans  
<sup>\*</sup>Including shared POS  
<sup>\*\*</sup>Mortgage and demand deposit ranks are as of 2009YE 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.
- 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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