



Garanti

BRSA Bank-Only Earnings Presentation
September 30, 2010

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3Q 2010 Macro Highlights

The path out of global recession remains unclear

- **Still fragile** economic revival and **stagnating** global growth
- **Divergent** policies:
 - second round of **quantitative easing** signal from the **Fed**,
 - the **BoJ** cutting interest rates to **zero**,
 - the **ECB** sticking to a more **hawkish** policy stance for now
- New round of **currency wars** as countries fight each other over export growth
- **Prolonged** period of **sub-trend growth** and **low interest rates** awaiting the developed economies

Policy interest rates likely to remain low for an extended period

- Turkey 2Q10 robust **GDP growth: 10.3%**, slightly behind 11.7% of 1Q10-- the only country within the G-20 with growth rates as high as China
- Overall **inflation** remained high at **9.24%** but core inflation falling since April -- consistent with the medium-term targets
- **TL appreciated by 7.8% against USD** during 3Q due to rise in EUR/USD parity back to 1.35
- To **accelerate the FX reserve accumulation**, the CBRT increased the max. daily amount to be purchased in auctions
- After the **referendum** results, the likelihood of AKP-led single party government had increased

3Q 2010 Highlights

Balance sheet strength: distinguishing feature of Garanti...

- **Lending growth highlighted the quarter**
 - Q-o-Q growth in **key profitable products** -- **mortgages (+5%), GPLs (+10%)**
 - **FX Lending growth resurged (+15% q-o-q)** driven by **corporate & commercial** loans
- **FRN heavy securities book** maintained even with additions to short-term fixed rate securities
- **Asset quality continued to improve** -- organic and across the board (NPL: 3.2%)
- **Funding position further strengthened** -- above sector **deposit growth & well-managed** costs
- **Solid demand deposit base** preserved -- Customer demand dep. growth ytd: 17% vs. Sector's 5%
- **Highly liquid** (liquidity ratio: 36%) & **well-capitalized** (CAR: 19.8%) with **low leverage** (6x)

...leads to consistent delivery of strong results

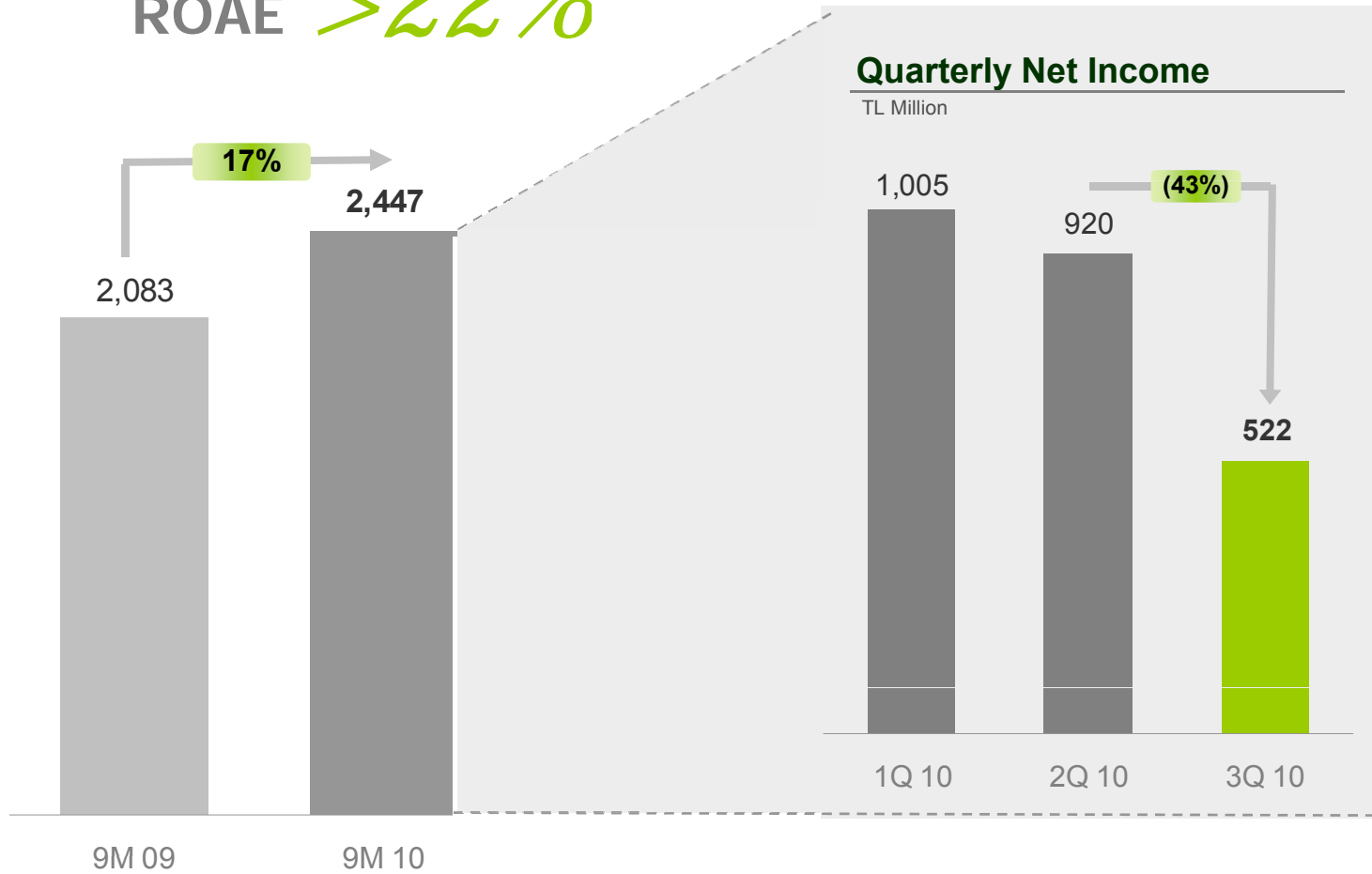
- **ROAE > 22%** for the last **20 consecutive quarters**
- Double digit annual earnings growth pace "**temporarily**" slowed down, (Y-o-y: 17%), mainly due to;
 - quarterly income volatility of CPI linkers -- to be reversed in 4Q
 - increased provisions -- to be normalized
 - normalizing recoveries -- still strong
- Margin **expectedly** contracted in 3Q (Cumulative NIM: 4.5%) -- to **recover** in 4Q
- **Robust net fees & commissions base** fed by sustainable, highly diversified & growing sources
- **Planned and monitored cost growth** (26 new branch openings in 3Q, 46 ytd)
- **Managed efficiency** – Cost/Income: 41%

Double digit annual earnings growth pace “temporarily” slowed down in 3Q 10 mainly due to...

Net Income

TL Million

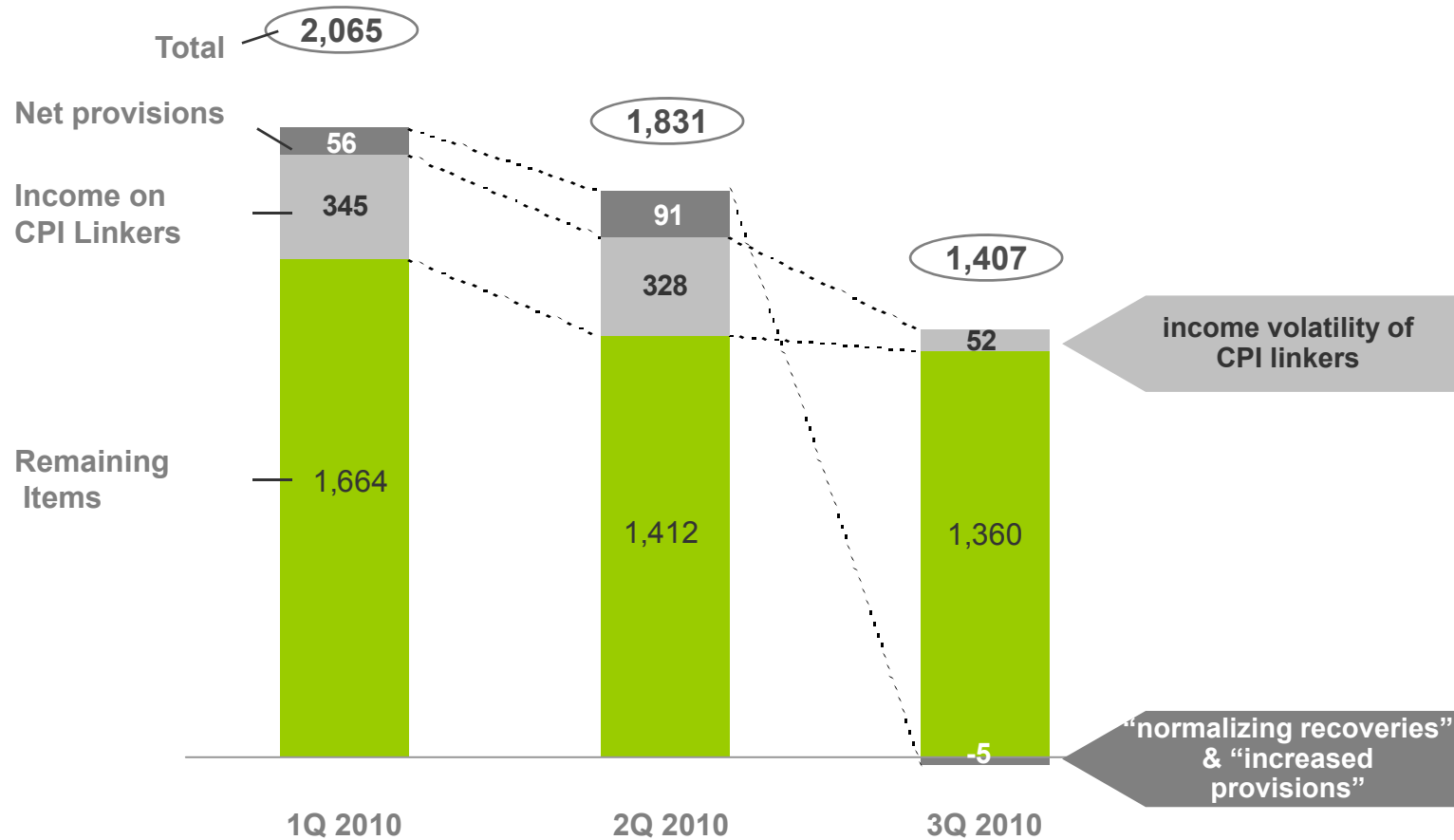
ROAE >22%



...quarterly income volatility of CPI linkers, increased provisions and normalizing recoveries

Evolution of Total Revenues

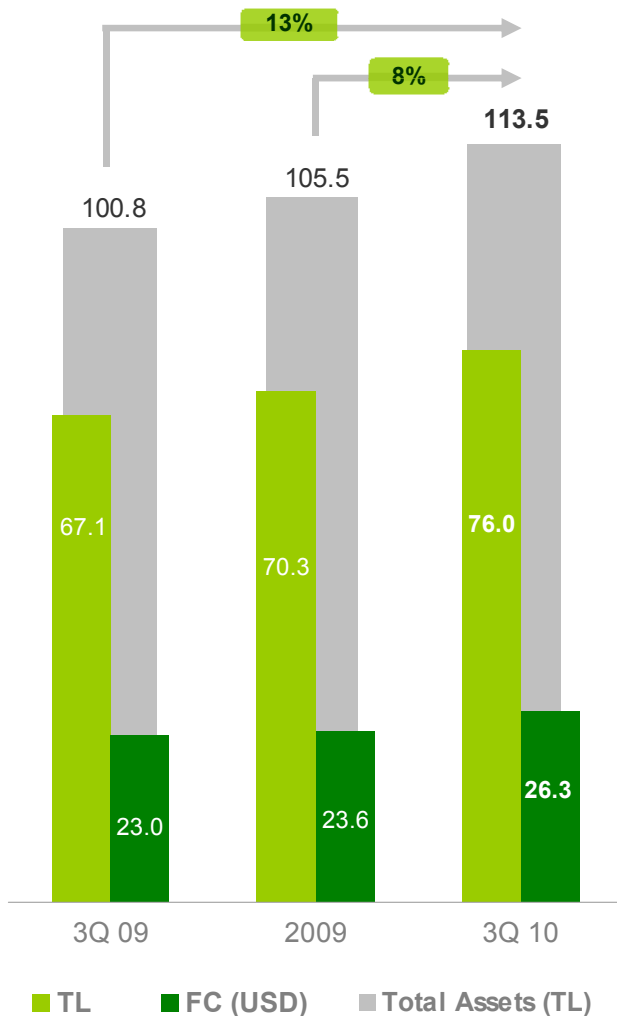
post provisions & provision reversals; in TL Million



Loan driven asset growth highlighted the quarter

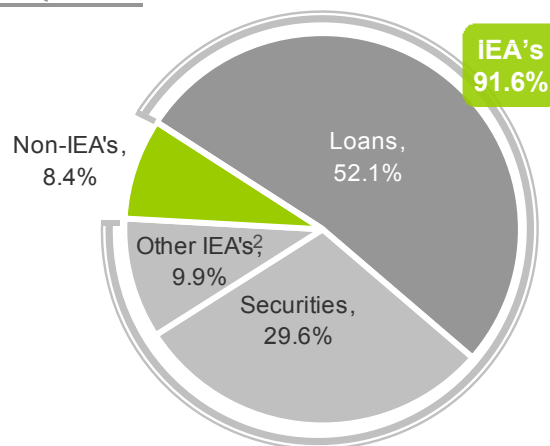
Total Assets

TL / USD Billion

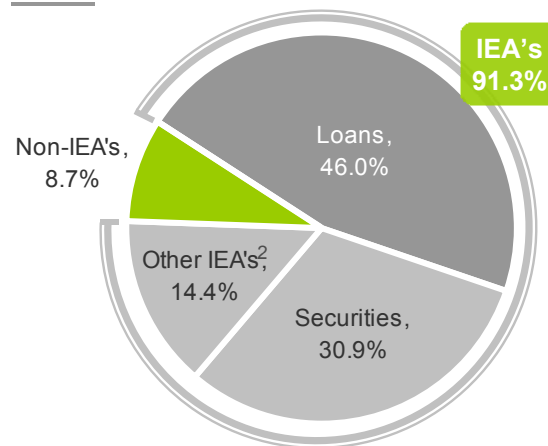


Composition of Assets¹

3Q 2010



2009



Growth:

Ytd

Loans⁴: 21%

Securities: 2%

Loans/Assets

52%

up from

46% at YE 09

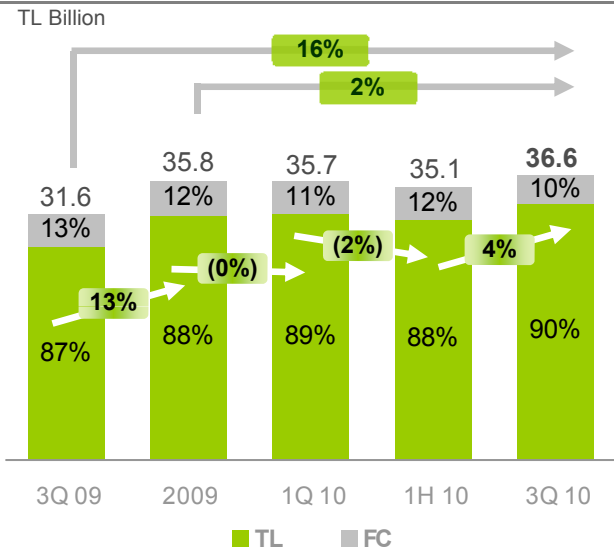
Liquidity Ratio³

36%

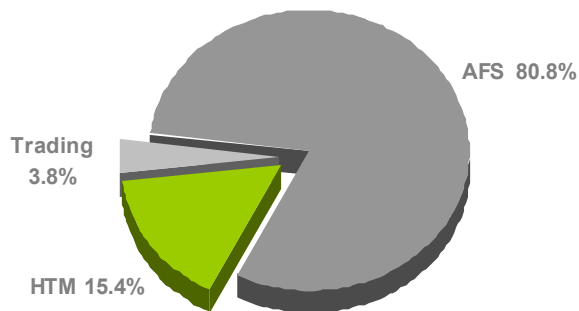
¹ Accrued interest on B/S items are shown in non-IEAs
² Other IEA's include factoring and leasing receivables
³ (Cash and banks + trading securities + AFS)/Total Assets
⁴ Performing cash loans

FRN heavy securities book maintained even with additions to short-term fixed rate securities

Total Securities

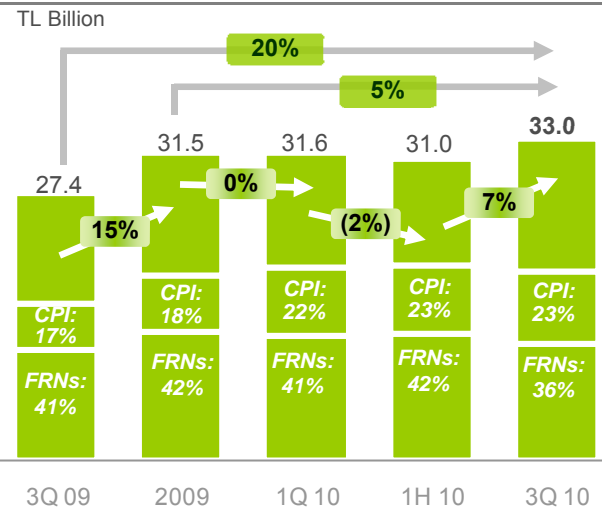


Total Securities Composition

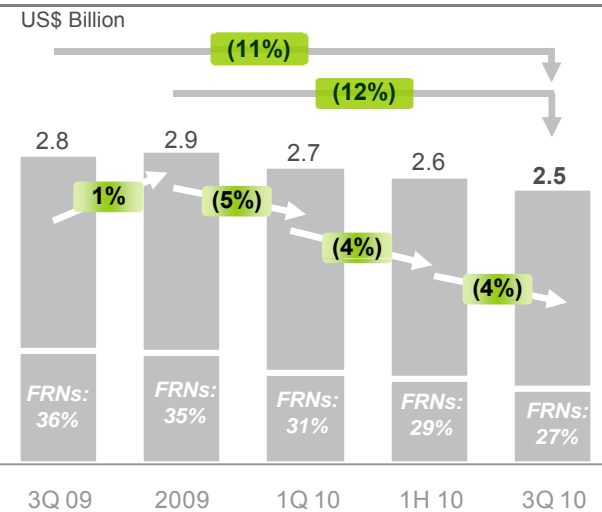


Unrealized gain ~ TL 1.7 bn¹

TL Securities



FC Securities



Securities² mix
in assets

< 30%

FRN mix

56%

in total

AFS mix

81%

in total

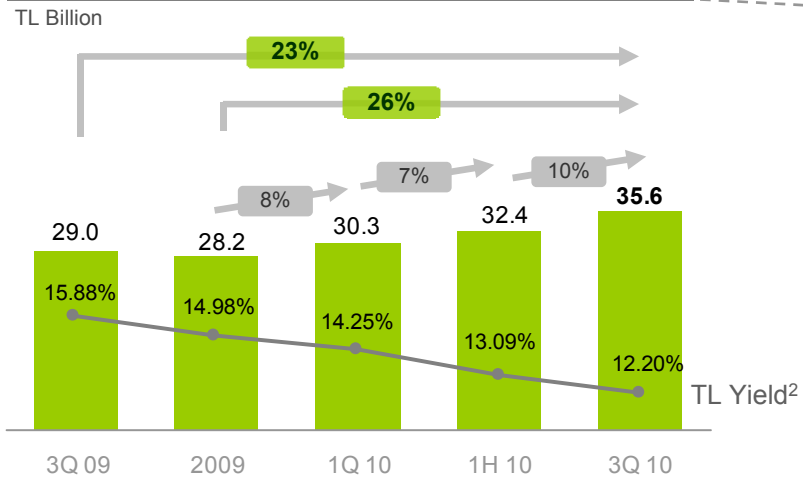
¹ Based on bank-only MIS data

² Excluding accruals

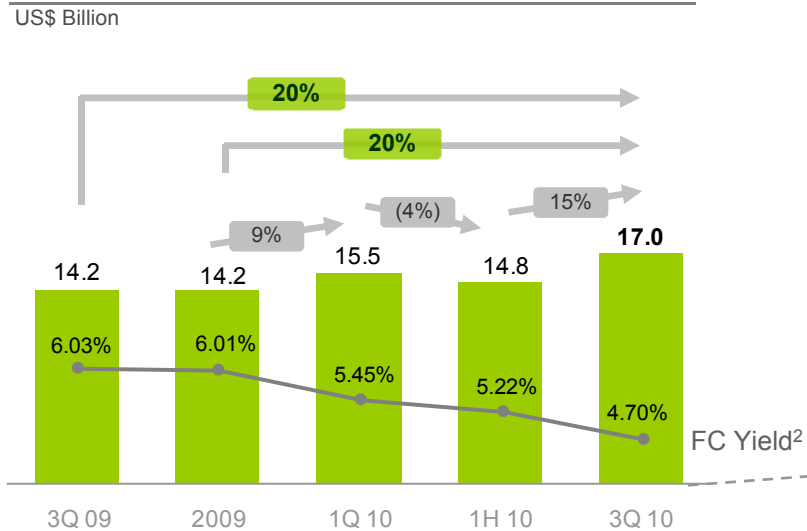
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data

Robust lending growth in 3Q 10 more than offset the contraction in loan yields...

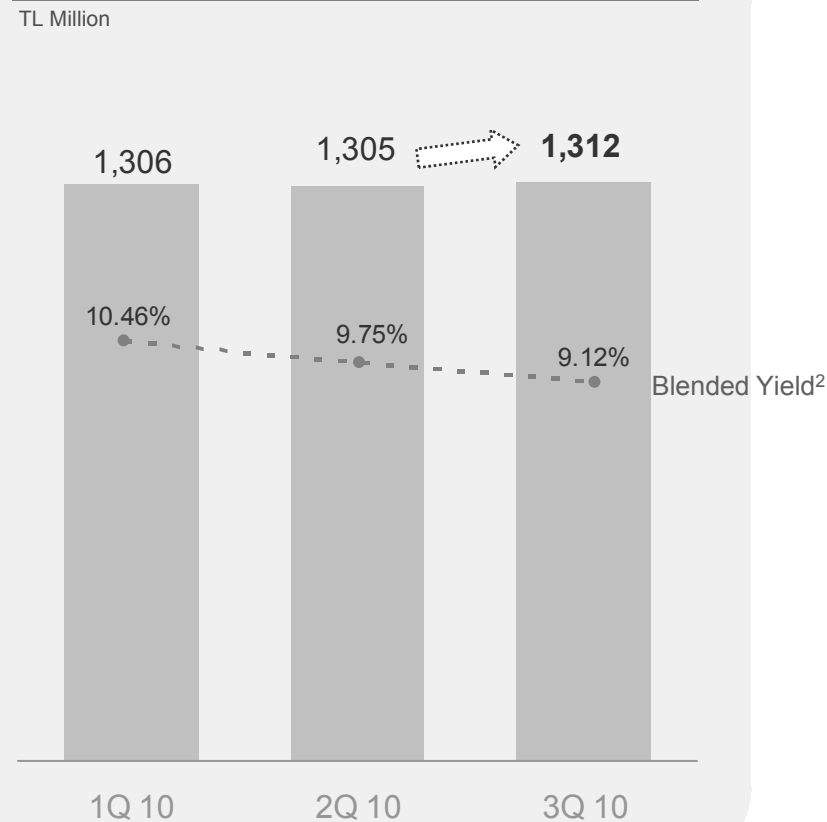
TL Loans¹



FC Loans¹



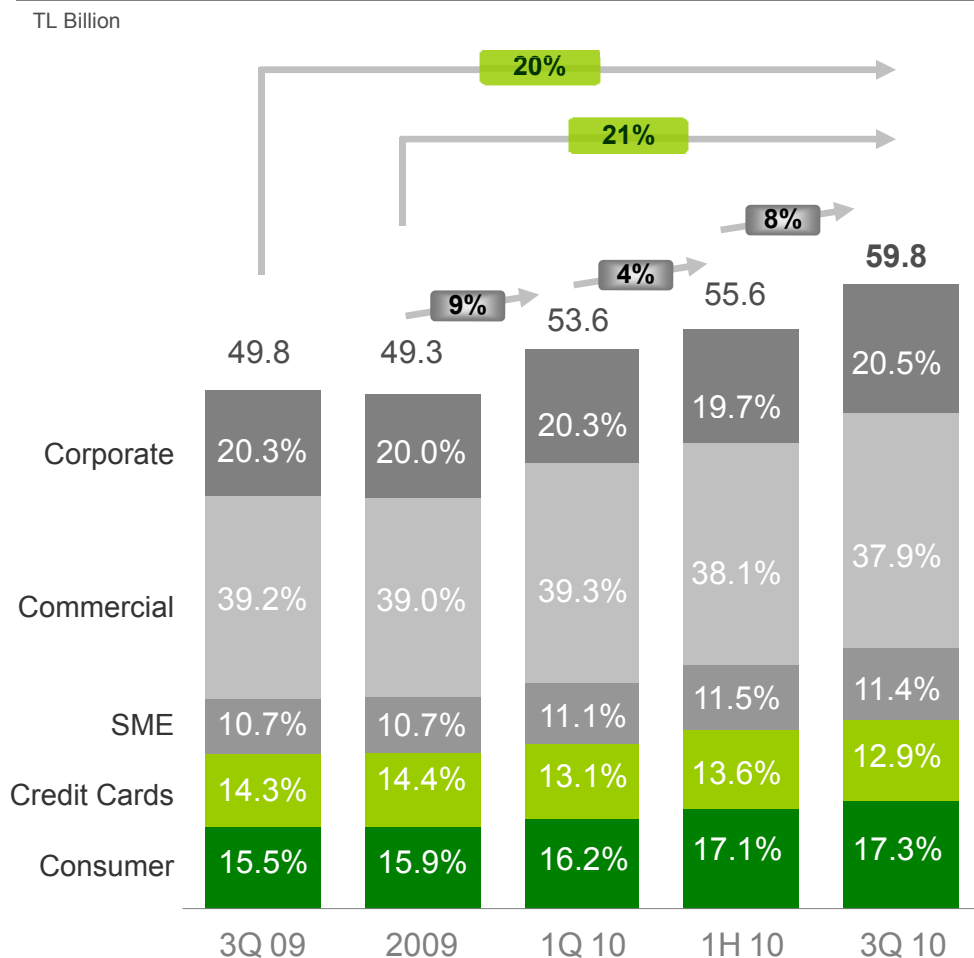
Interest Income on loans (quarterly)



¹ Performing cash loans
² Based on bank-only financials, calculated on a quarterly basis

...and is reflected in healthy market share gains across the board

Total Loan¹ Growth & Loans by LOB²



Market Shares

	3Q 10	QTD	YTD
Total Loans	13.9%	+29 bps	+13 bps
TL Loans	11.4%	+31 bps	+48 bps
FC Loans	21.2%	+116 bps	-12 bps

3Q 10:

“Lending growth across the board”:

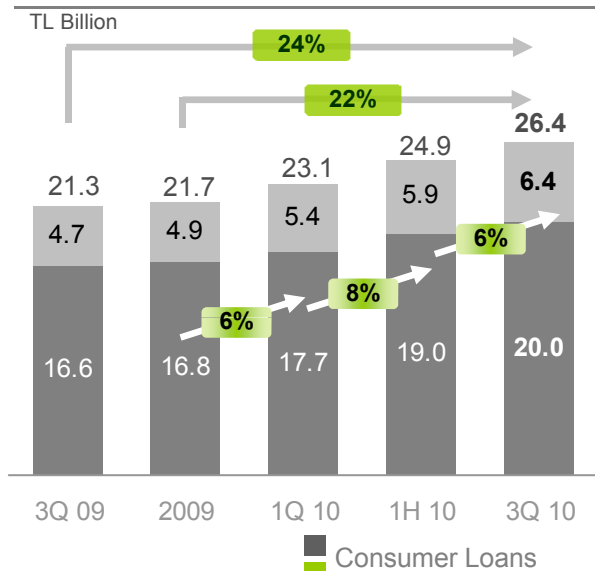
TL boosted by retail and SME &

FX by corporate and commercial lending

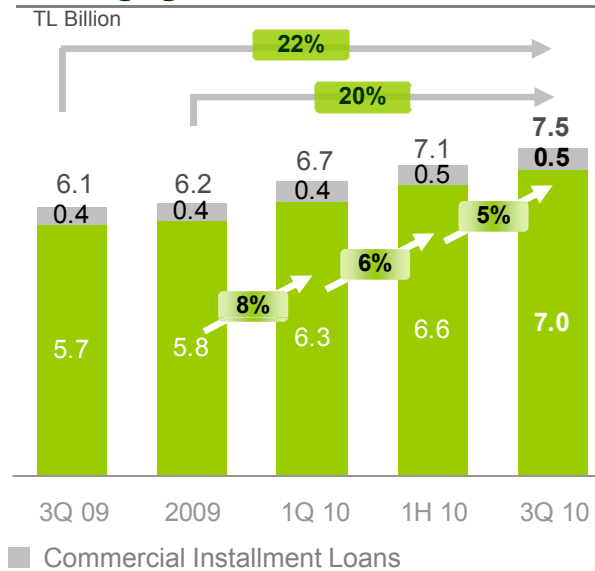
¹ Performing cash loans
² Based on bank-only MIS data
 Source: Sector figures are based on BRSA weekly data, commercial banks only

Solid growth in key profitable products, “mortgages and GPLs”, continued

Retail Loans¹



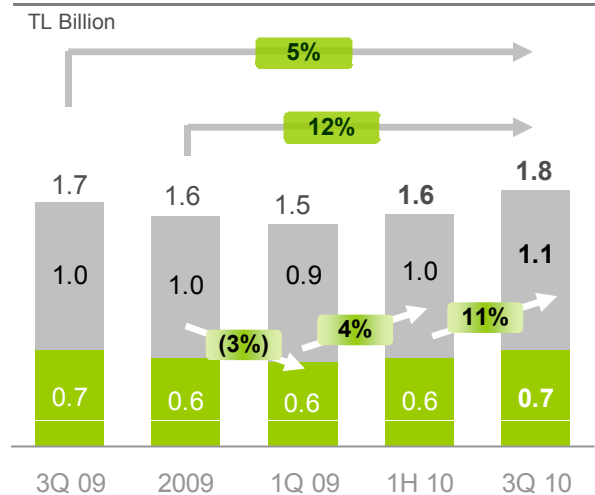
Mortgage Loan Growth



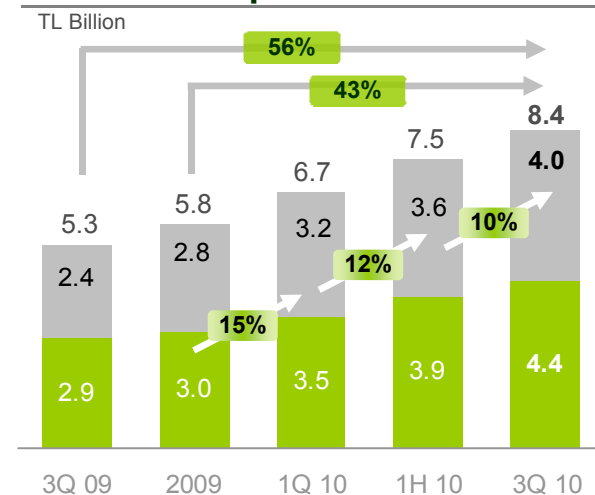
Significant market share gains in GPLs:

Ytd
+153 bps

Auto Loan Growth



General Purpose Loan Growth



Market Shares^{2,3}

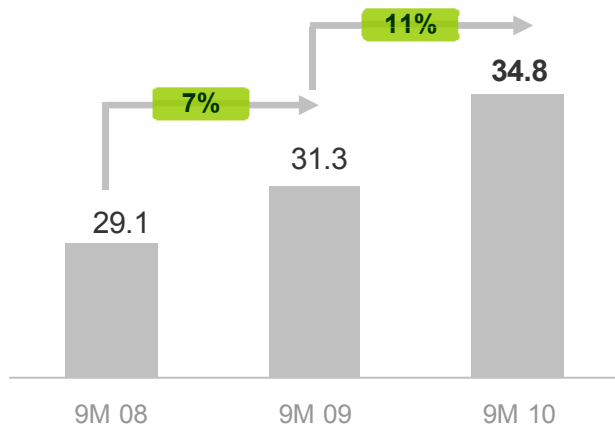
	Sep 10	Ytd	Qtd	Rank ⁴
Mortgage	13.7%	-15 bps	- 5 bps	#1
Auto	15.4%	+43 bps	+47 bps	#2
General Purpose	11.2%	+153 bps	+51 bps	#2
Retail ¹	13.3%	+10 bps	- 5 bps	#2

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 2Q10 among private banks

Leadership position in credit cards sustained with maintained focus on high asset quality and profitability

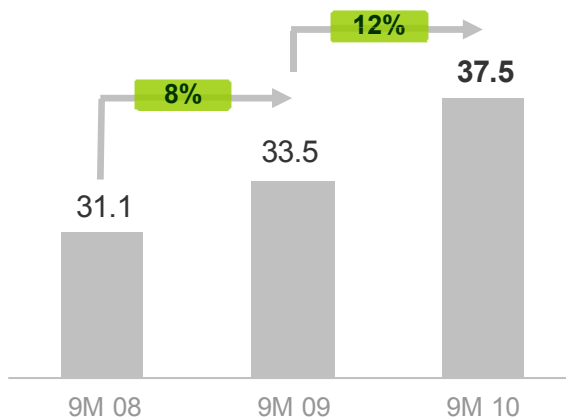
Issuing Volume

TL Billion



Acquiring Volume

TL Billion



#1
in Credit Card
Business

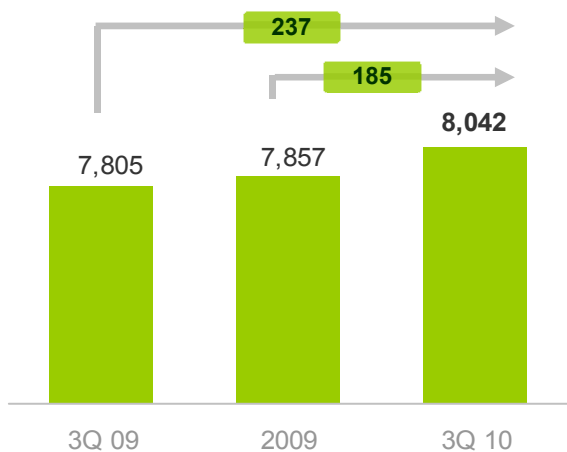
Per Card
Spending
TL, Sep 10²



■ Garanti
■ Sector

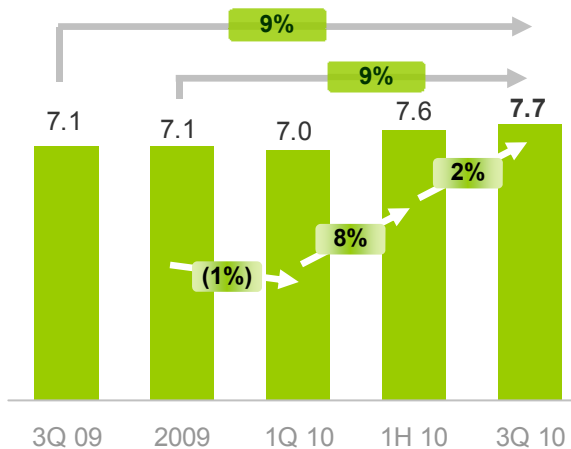
No. of Credit Cards

In Thousand



Credit Card Balances

TL Billion



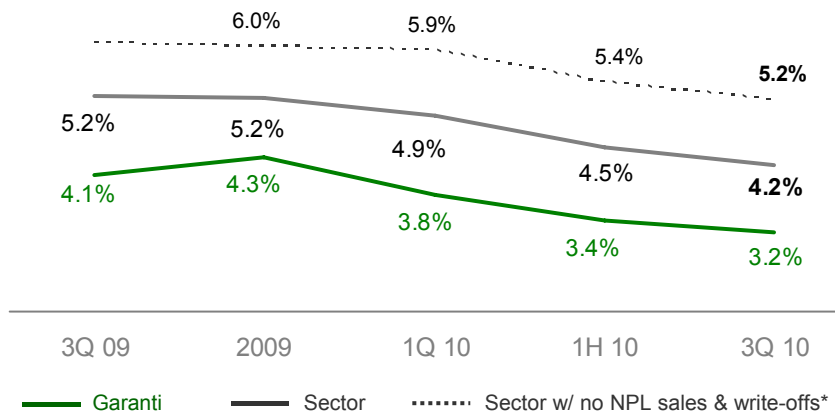
Market Shares

	YTD Δ	Sep 10	Rank
Acquiring	-45 bps	21.6%	#1
Issuing	-53 bps	20.3%	#1
# of Credit Cards	-30 bps	17.4%	#1
POS ¹	+83 bps	21.3%	#1
ATM	-53 bps	11.1%	#2

¹ Including shared POS
² Annualized

Temporary increase in NPLs in 3Q, paused the declining trend of NPL inflows...

NPL Ratio¹



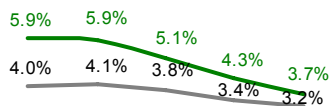
* 2009 and 9M10 sector NPL sales & write-offs total: TL 0.8 bn and TL 1.5 bn, respectively

NPL Categorisation¹

Retail Banking

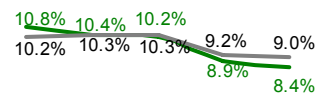
(Consumer & SME Personal)

21% of Garanti's Total Loans



Credit Cards

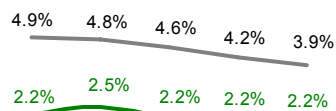
13% of Garanti's Total Loans



Business Banking

(Including SME Business)

67% of Garanti's Total Loans

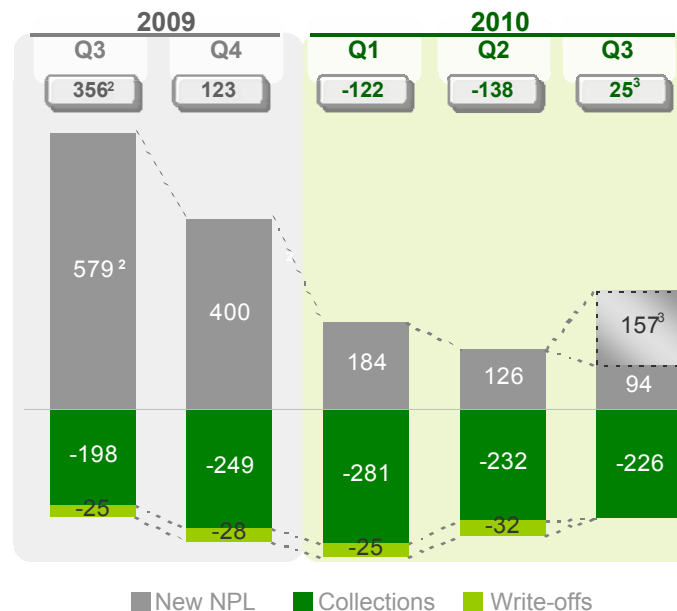


Garanti

Sector

Net NPLs (quarterly)

TL Million



*Collections focus remains top priority
as the **positive trend** continues
with insignificant write-offs*

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
³ Including NPL inflows in 3Q 2010, amounting to TL 157 mn, which are related to a few commercial files with highly strong collateralization
 Source: BRSA, TBA & CBT

... and strengthened provisions in a prudent manner

Quarterly Loan-Loss Provisions

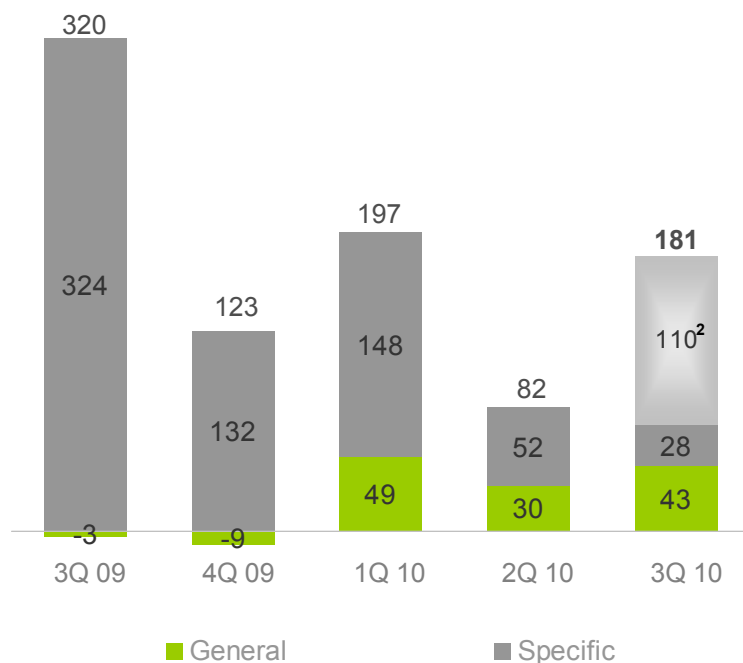
TL Million

Coverage Ratio

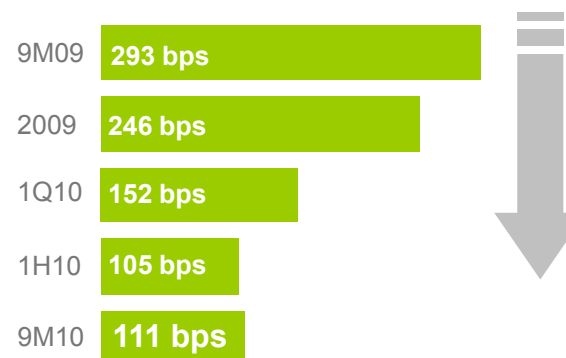
	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
Sector ¹	82%	85%	85%	86%	86%
Garanti	82%	81%	82%	82%	81%

Coverage ratio remains strong at

81%



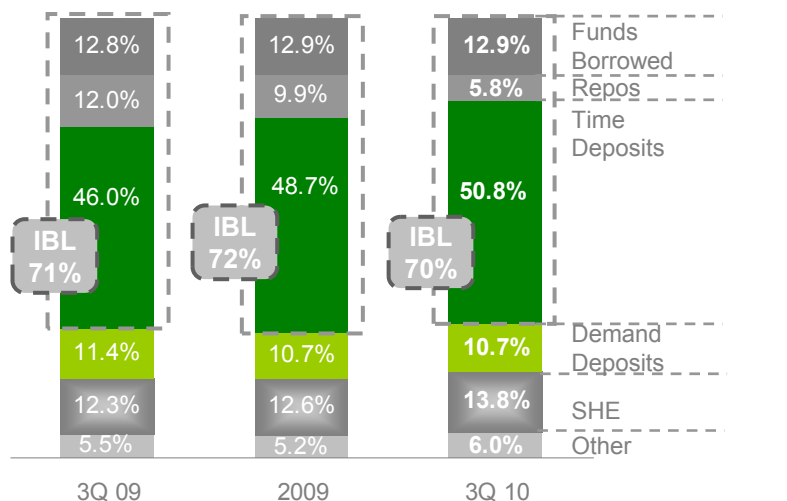
Cost of Risk



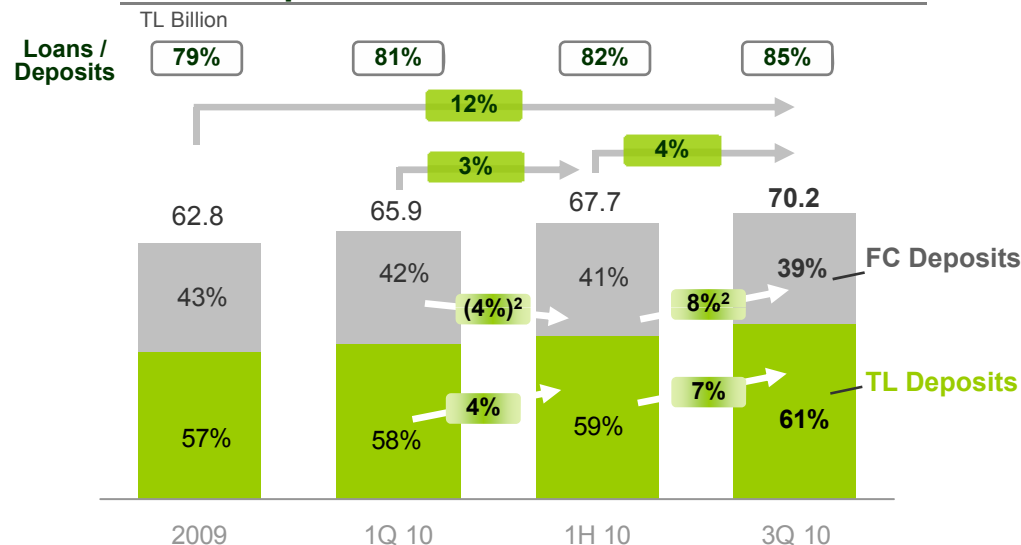
¹ Sector figures are per BRSA weekly data, commercial banks only
² TL110 mn of provisions resulting from NPL inflows in 3Q 10, which are related to a few commercial files with highly strong collateralization

Funding position further strengthened -- above sector deposit growth and well-managed costs

Composition of Liabilities

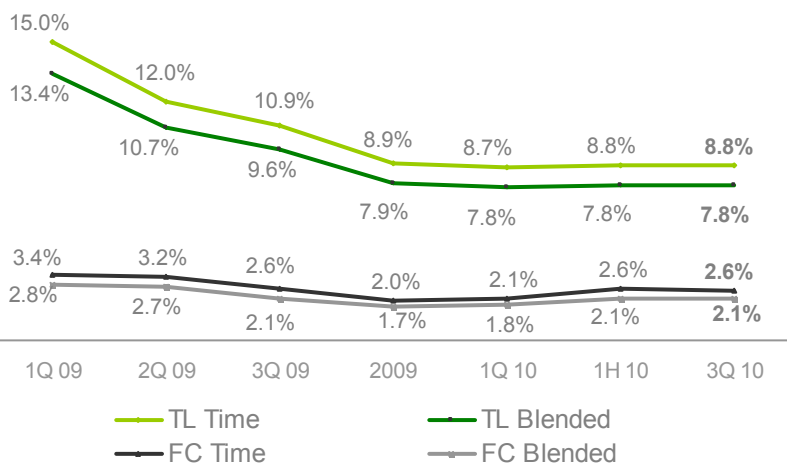


Total Deposits



Cost of Deposits¹

Quarterly Averages



Ytd growth:

TL deposits **18%** vs. sector's **16%**

FC deposits² **8%** vs. sector's **6%**

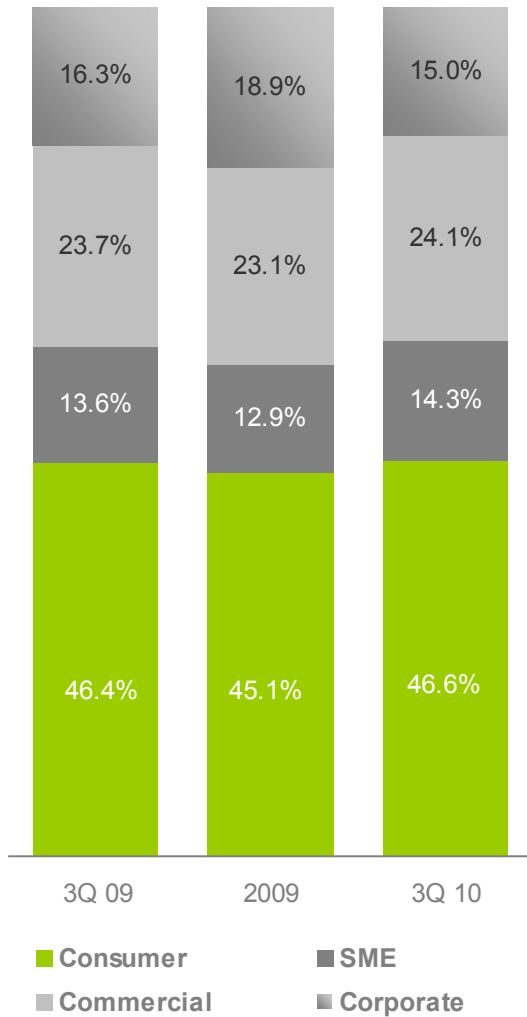
Deposits market share :
12.4%

¹ Based on bank-only MIS data
² Growth in USD terms
 Note: Sector figures are per BRSA weekly data, commercial banks only

Solid demand deposit base preserved with continued success in attracting demand deposits

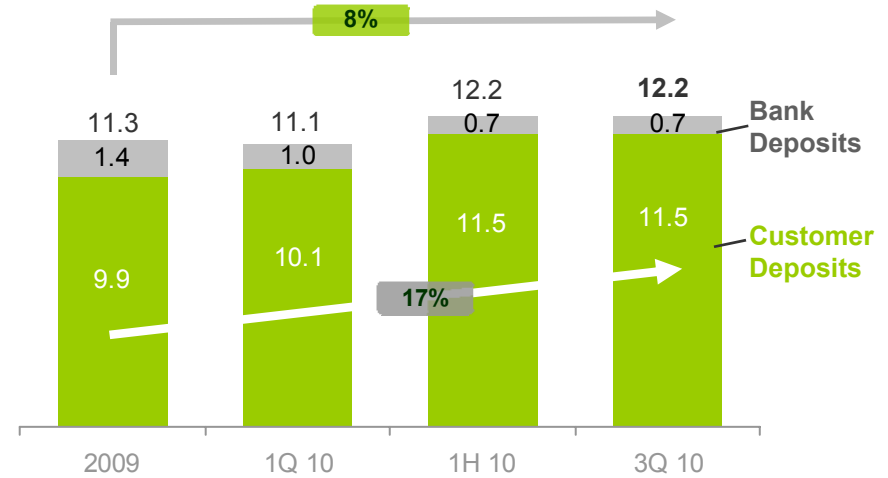
Deposits by LOB¹

(Excluding bank deposits)



Demand Deposits

TL Billion



Customer Demand Deposits

YTD Growth

> 3X sector's

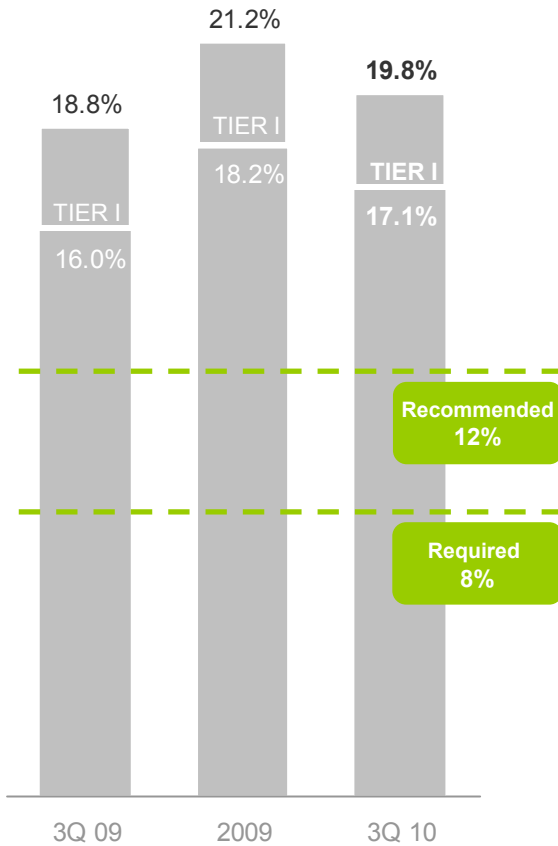
Demand Deposit Market Share

14.3%

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

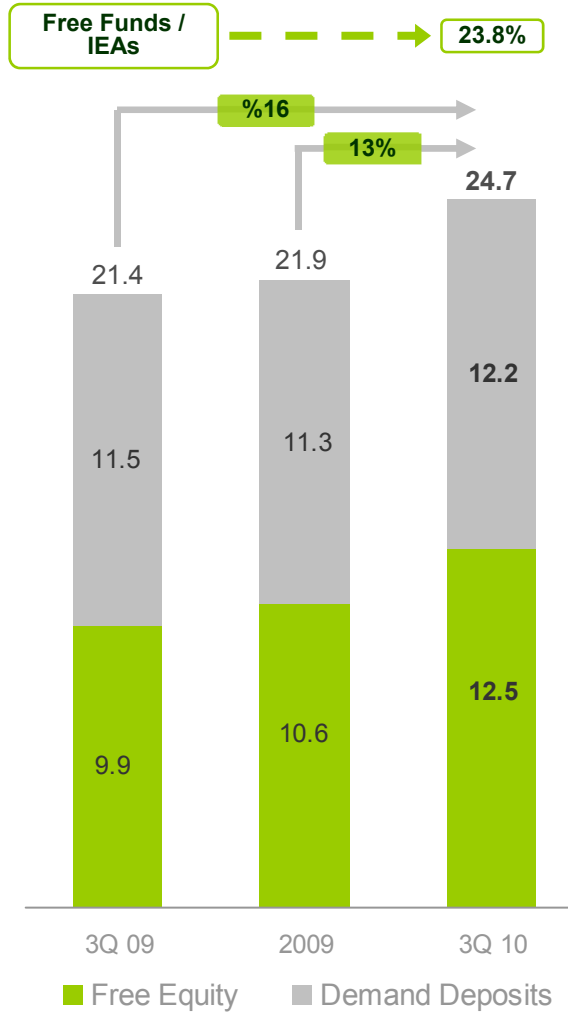
Capital ratios remained strong with low leverage -- well-positioned for growth

CAR



Free Funds

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



Free Equity
YTD growth



18%

Leverage Ratio



down from

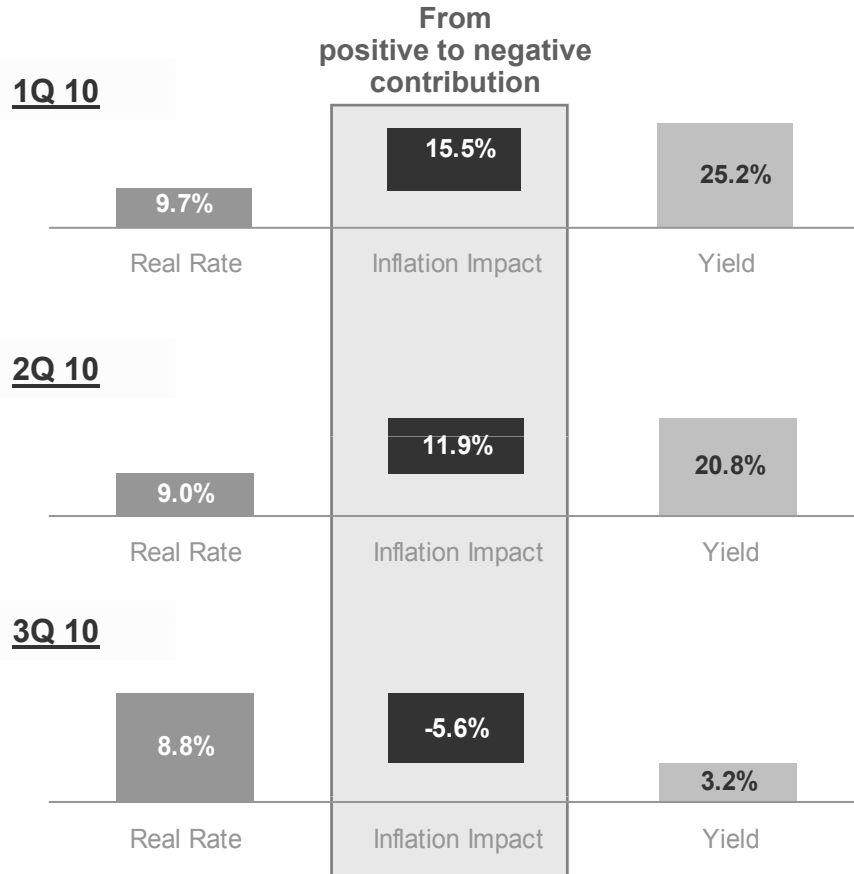
7x in YE 09 &

8x in YE 08

Negative inflation readings caused a “temporary drop” in securities yield -- significantly lower contribution by CPI linkers...

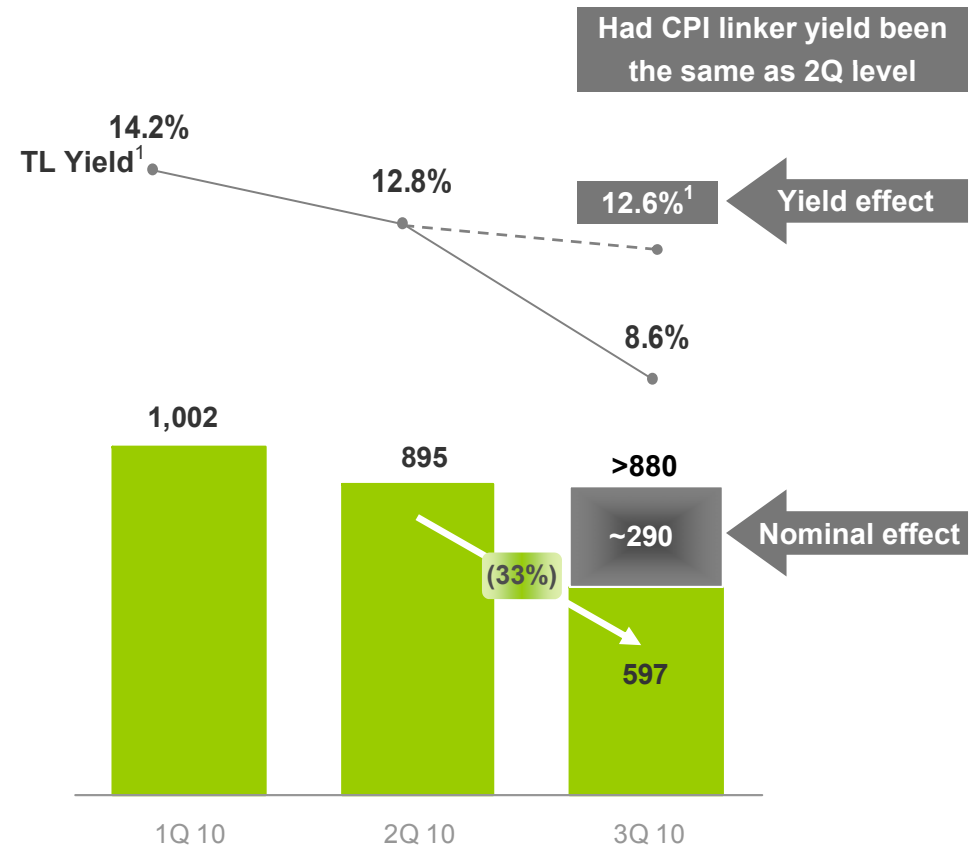
Drivers of the Yields on CPI Linkers¹

% average per annum



Interest Income & Yields on TL Securities

TL Million

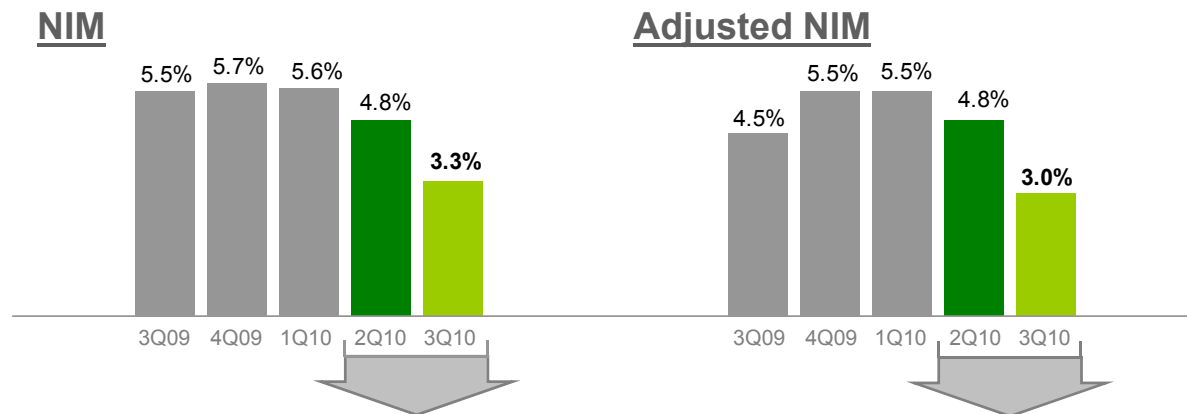


Inflation figures subject to 4Q 10 valuation indicate “substantial recovery in CPI linker yields”

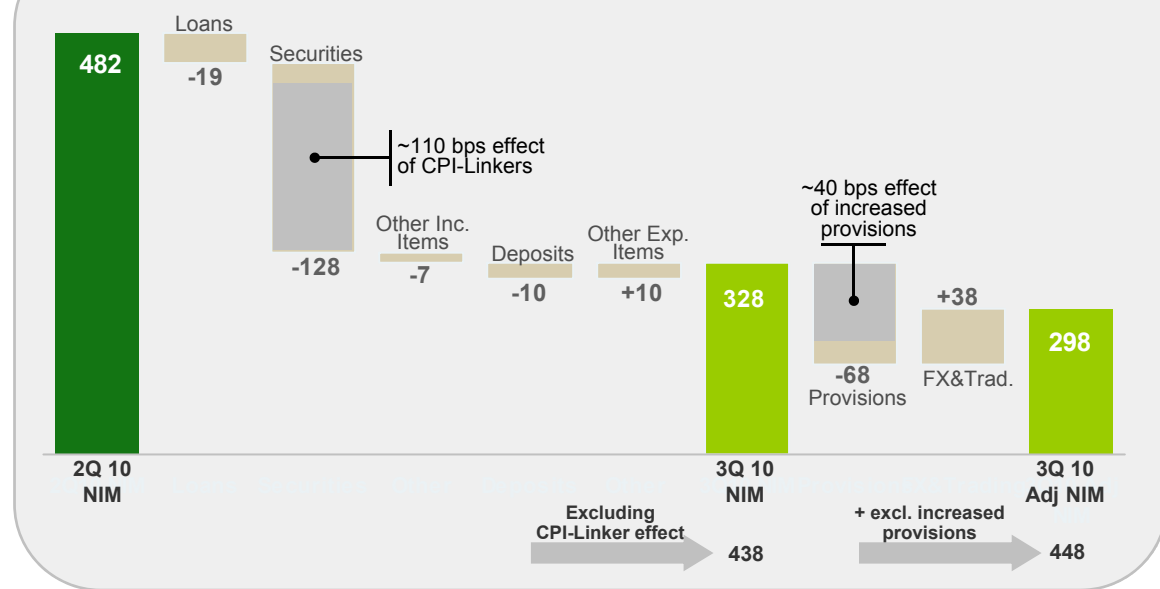
¹ Based on bank-only MIS data

...resulting in margin contraction q-o-q

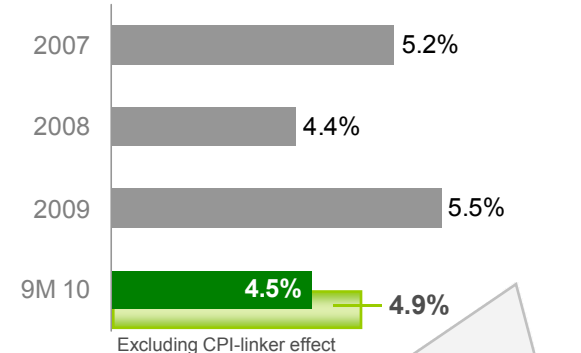
Quarterly NIM (Net Interest Income / Average IEAs)



Q-o-Q Evolution of Margin Components (change bps)



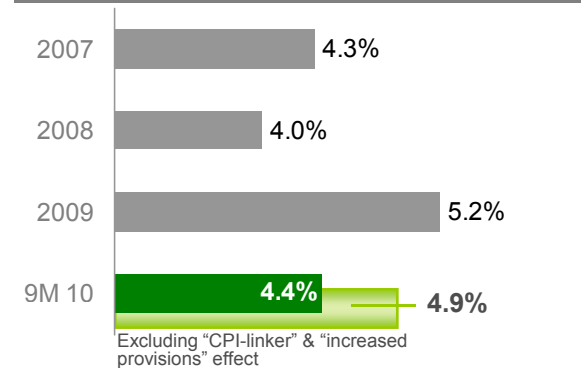
Cumulative NIM



Sep 10 over Dec 09:

- Declining funding costs' impact on margin +130 bps
- Drop in asset yields' impact on margin -230 bps

Cumulative Adjusted NIM

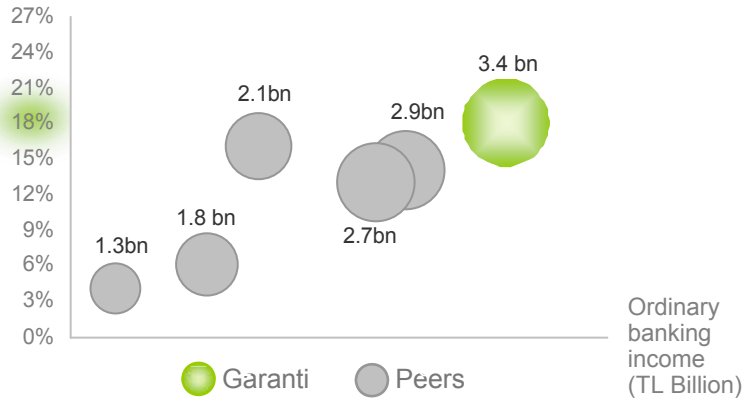


Sustainable income generation capacity reinforced with robust y-o-y growth performance of the highly diversified fee base...

Ordinary Banking Income¹ Generation

As of 1H 2010 for fair comparison

Net fees and comm. market share %



Strong presence in brokerage

Market share **>7%**

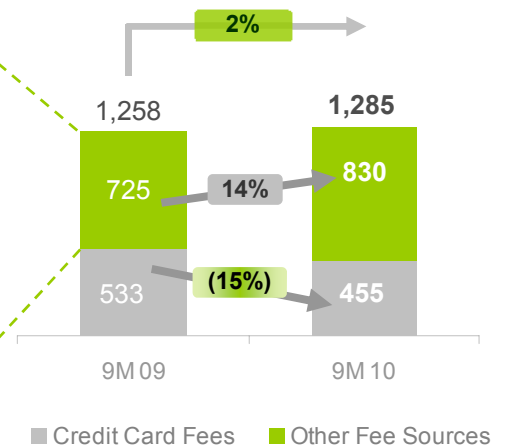
#1 in bancassurance

Significant market share gains in asset management

~16%

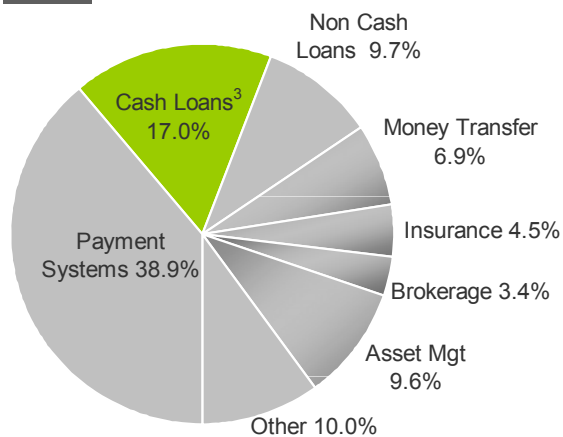
Net Fees & Commissions²

TL Million

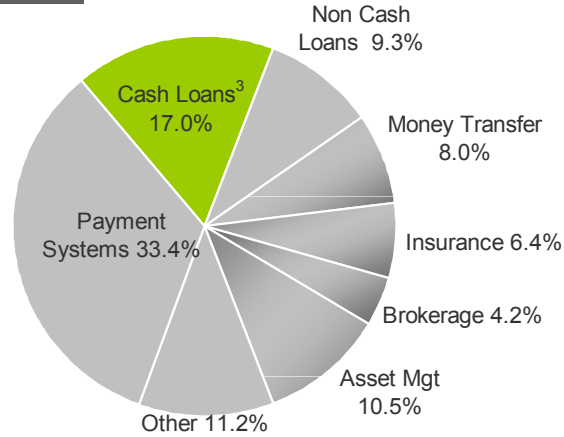


Net Fees & Commission Breakdown^{3,4}

9M 09



9M 10



“further diversified fee sources”

Y-o-y growth in:

Insurance **43%**

Brokerage **24%**

Money transfer **15%**

Asset Management **9%**

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 80mn for 9M10 and TL 100mn for 9M 09
³ Include consumer loans fees as well as other cash loan fees now classified as interest on loans in income statement amounting TL 80mn for 9M10 and TL 100mn for 9M 09
⁴ Bank-only MIS data

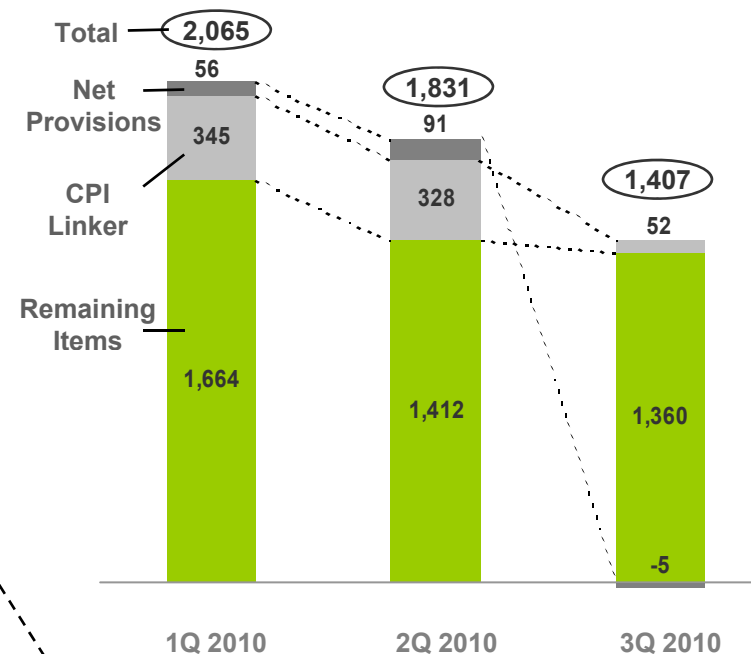
...and all resulted in:

(TL Million)	1Q 10	2Q 10	3Q 10	3Q vs. 2Q
Interest Income	2,486	2,386	2,084	(302)
-Loans	1,306	1,305	1,312	7
-Securities	1,064	956	659	(296)
<i>CPI Linkers</i>	345	328	52	(276)
Interest Expense	1,104	1,162	1,215	53
NET INTEREST INCOME	1,382	1,224	869	(355)
Net Fees & Comm.	442	420	423	4
Net Trading & FX Gains	173	74	102	28
Other Income	12	22	18	(4)
TOTAL REVENUES -excluding provision reversals	2,009	1,740	1,412	(328)
Net Provisions for Loans	56	91	(5)	(96)
-Specific Loan Loss Provisions	148	52	138	86
-Provision reversals	204	143	133	(10)
TOTAL REVENUES -post provisions & provision reversals	2,065	1,831	1,407	(424)
Operating Expense	742	675	695	20
Other provisions	52	28	51	23
PROFIT BEFORE TAX	1,271	1,128	661	(467)
Taxes	266	208	139	(68)
NET INCOME	1,005	920	522	(398)

(TL million)	Q1	Q2	Q3	3Q vs. 2Q
CPI	345	328	52	(276)
Net Provisions	56	91	(5)	(96)
Total	401	419	47	(372)

Evolution of Total Revenues

(post provisions & provision reversals; in TL Million)



Appendix

Balance Sheet - Summary

<i>(TL Million)</i>		2009	Sep 2010	YTD Change
Assets	Cash & Banks ¹	14,460	9,742	(33%)
	Reserve Requirements	1,741	2,253	29%
	Securities	35,783	36,639	2%
	Performing Loans	49,308	59,833	21%
	Fixed Assets & Subsidiaries	2,196	2,613	19%
	Other	1,974	2,422	23%
	TOTAL ASSETS	105,462	113,502	8%
	Liabilities & SHE	Deposits	62,808	70,179
Repos		10,535	6,607	(37%)
Borrowings		13,882	14,825	7%
Other		4,921	6,288	28%
SHE		13,316	15,603	17%
TOTAL LIABILITIES & SHE		105,462	113,502	8%

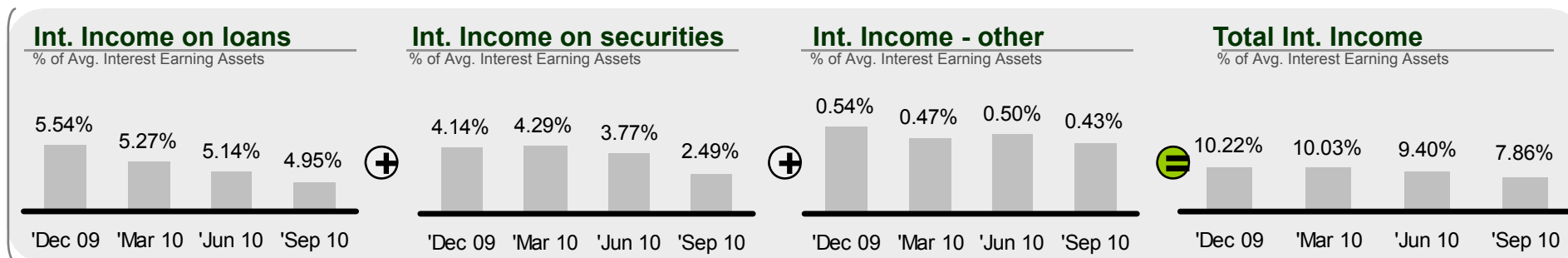
Quarterly Analysis of Ordinary Banking Income

<i>(TL Thousand)</i>	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	3Q 10	3Q 10 vs. 2Q 10	3Q 10 vs. 3Q 09	9M 10 vs. 9M 09
Interest Income	2,638,534	2,505,454	2,530,670	2,486,098	2,386,251	2,084,005	(12.7%)	(16.8%)	(12.1%)
-Loans	1,530,435	1,434,051	1,371,797	1,306,232	1,304,589	1,311,540	0.5%	(8.5%)	(15.3%)
-Securities	980,674	952,332	1,025,557	1,063,582	955,702	659,219	(31.0%)	(30.8%)	(7.4%)
-Other	127,425	119,071	133,316	116,284	125,960	113,246	(10.1%)	(4.9%)	(8.0%)
Interest Expense	(1,355,325)	(1,227,094)	(1,118,510)	(1,104,229)	(1,162,205)	(1,215,374)	4.6%	(1.0%)	(17.9%)
-Deposits	(1,006,396)	(892,974)	(800,057)	(818,452)	(888,147)	(954,883)	7.5%	(6.9%)	(15.1%)
-Funds Borrowed	(168,565)	(166,773)	(167,358)	(161,113)	(176,128)	(189,850)	7.8%	13.8%	5.2%
-Interbank & Other	(180,364)	(167,347)	(151,095)	(124,664)	(97,930)	(70,641)	(27.9%)	(57.8%)	(51.6%)
Net Interest Income	1,283,209	1,278,360	1,412,160	1,381,869	1,224,046	868,631	(29.0%)	(32.1%)	(5.3%)
Prov. for loans & securities	(293,627)	(320,276)	(123,956)	(197,097)	(81,111)	(181,615)	123.9%	(43.3%)	(58.2%)
Net FX Gain/(Loss) + Net trading Income/(Loss)	337,728	83,771	74,534	172,636	73,808	101,990	38.2%	21.7%	(56.8%)
Adj. Net Interest Income	1,327,310	1,041,855	1,362,738	1,357,408	1,216,743	789,006	(35.2%)	(24.3%)	(0.3%)
Net Fees and Comm.	419,826	420,473	384,290	442,156	419,651	423,328	0.9%	0.7%	2.1%
Ordinary Banking Income	1,747,136	1,462,328	1,747,028	1,799,564	1,636,394	1,212,334	(25.9%)	(17.1%)	0.4%

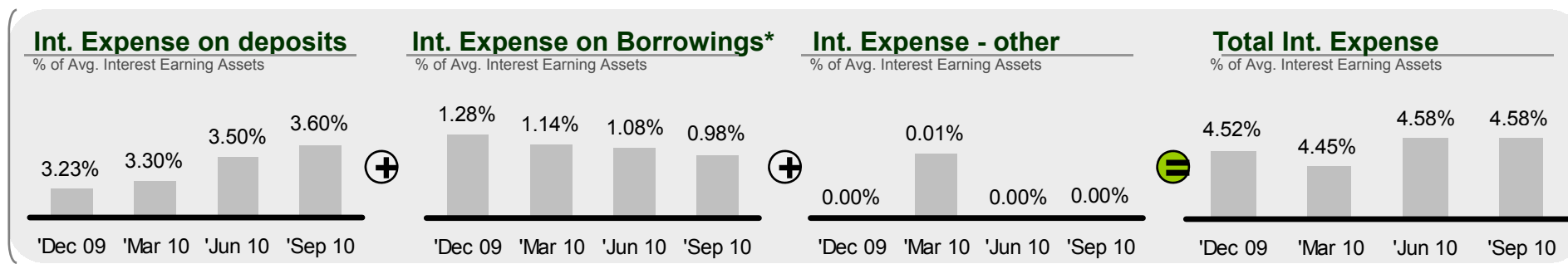
Key financial ratios

	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
<u>Profitability ratios</u>					
ROAE	26%	26%	29%	27%	22%
ROAA	2.9%	3.1%	3.9%	3.7%	3.0%
Cost/Income	38.2%	38.1%	36.8%	37.1%	40.8%
NIM (Quarterly)	5.5%	5.7%	5.6%	4.8%	3.3%
Adjusted NIM (Quarterly)	4.5%	5.5%	5.5%	4.8%	3.0%
<u>Liquidity ratios</u>					
Liquidity ratio	38%	41%	38%	36%	36%
Loans/Deposits	85.6%	78.5%	81.3%	82.3%	85.3%
<u>Asset quality ratios</u>					
NPL Ratio	4.1%	4.3%	3.8%	3.4%	3.2%
Coverage	82%	81%	82%	82%	81%
Cost of Risk (bps)	293	246	152	105	111
<u>Solvency ratios</u>					
CAR	18.8%	21.2%	20.6%	20.1%	19.8%
Tier I Ratio	16.0%	18.2%	17.7%	17.6%	17.1%
Leverage	7x	7x	6x	6x	6x

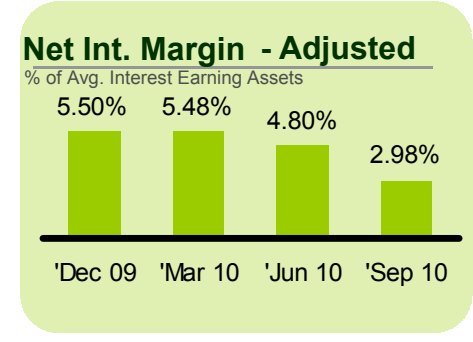
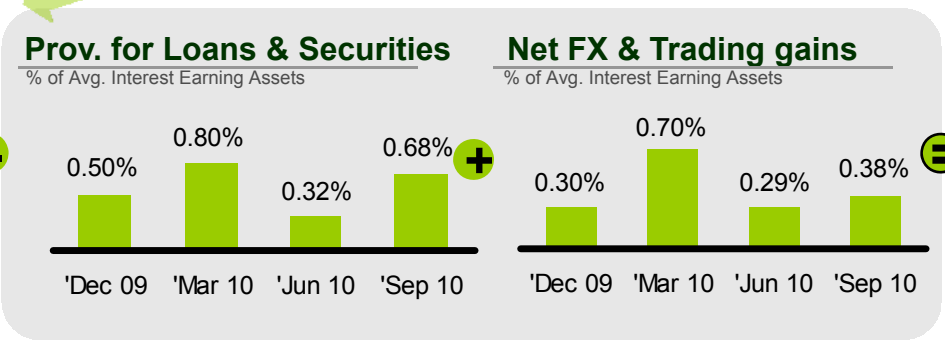
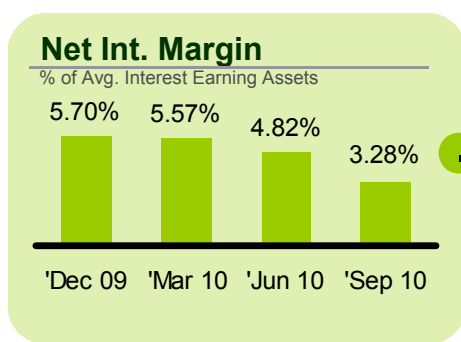
Margin contracted in 3Q 10 mainly due to temporary lower contribution from CPI-linkers q-o-q



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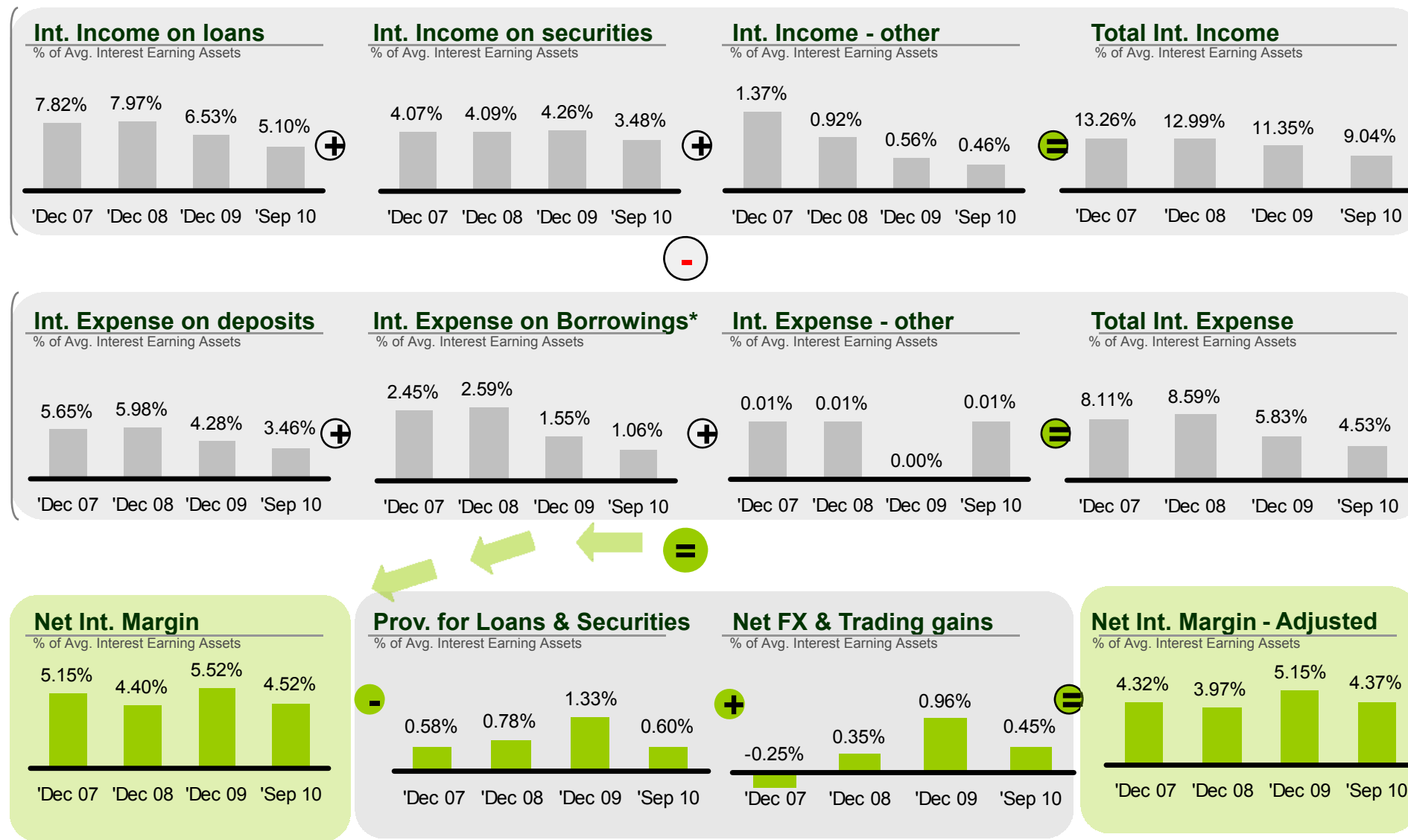


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Note: Quarterly NIM analysis
 Source: BRSA bank-only financials
 Adjustments to NIM: Net Interest Income/ Average IEA adjusted by FX gain/loss, provision for loans and securities, and net trading income/loss
 * Funds borrowed and repos

Cumulative Margin Analysis

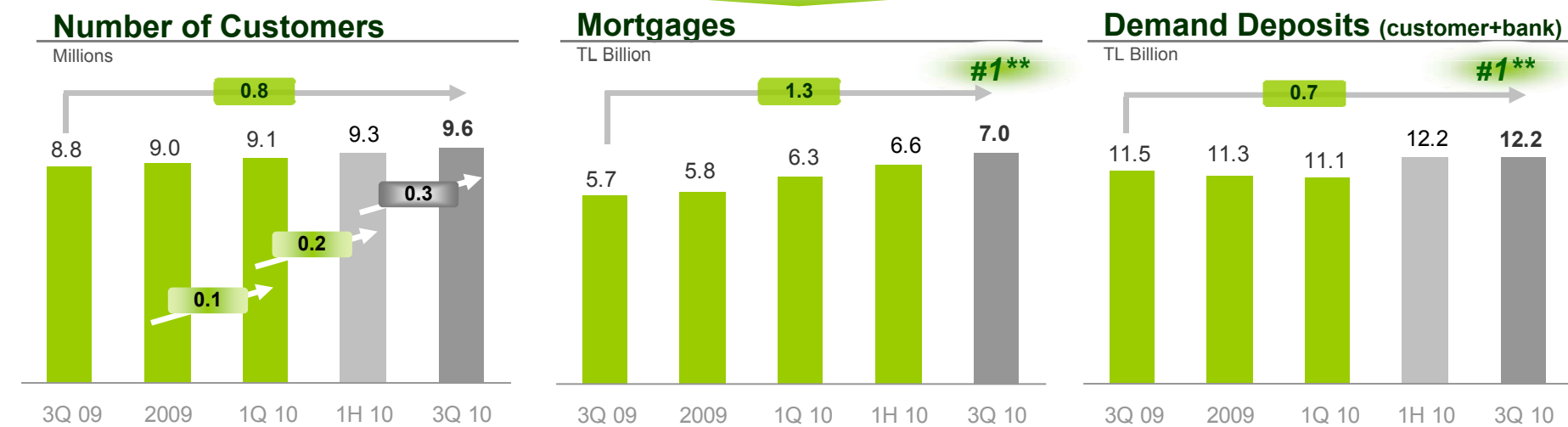
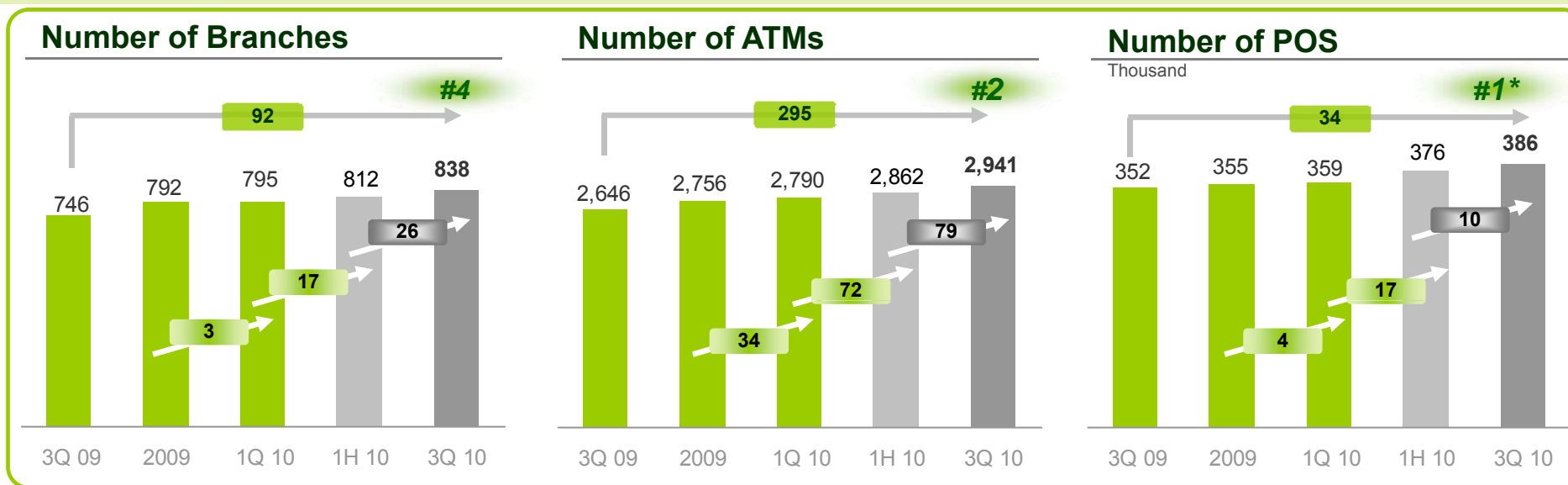


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Note: Cumulative NIM analysis
 Source: BRSA bank-only financials
 Adjustments to NIM: Net Interest Income/ Average IEA adjusted by FX gain/loss, provision for loans and securities, and net trading income/loss
 * Funds borrowed and repos

Further strengthening of retail network

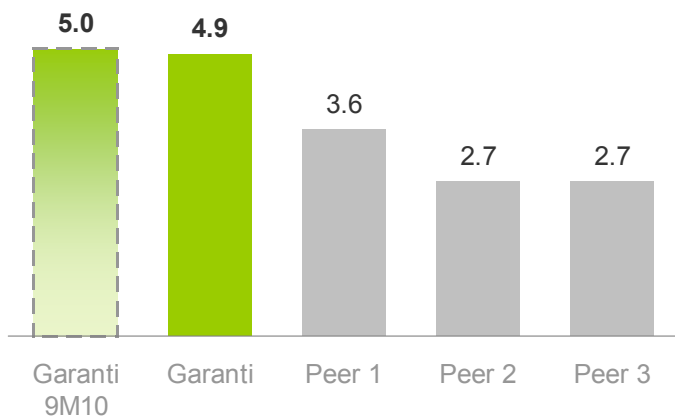


*Including shared POS
 **Mortgage and demand deposit ranks are as of 1H 10
 Note: Ranks are among private banks

...while preserving the highest efficiencies

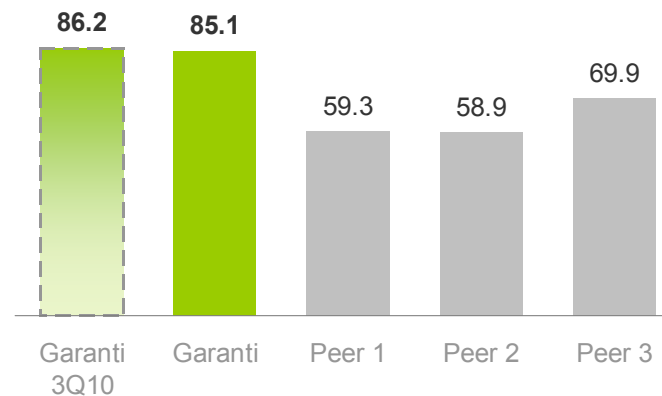
Ordinary Banking Income per Branch

1H 2010, TL million



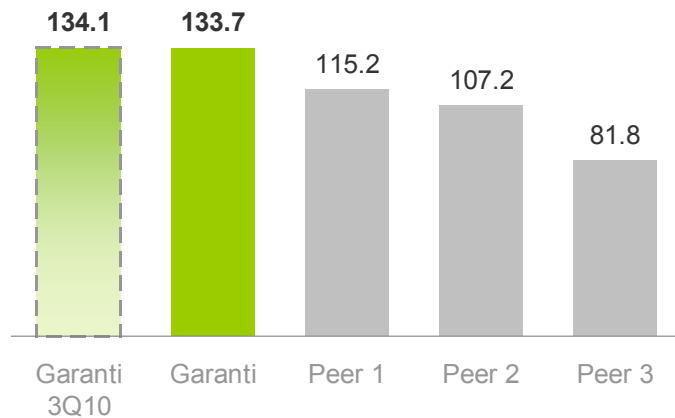
Loans per Branch¹

1H 2010, TL million



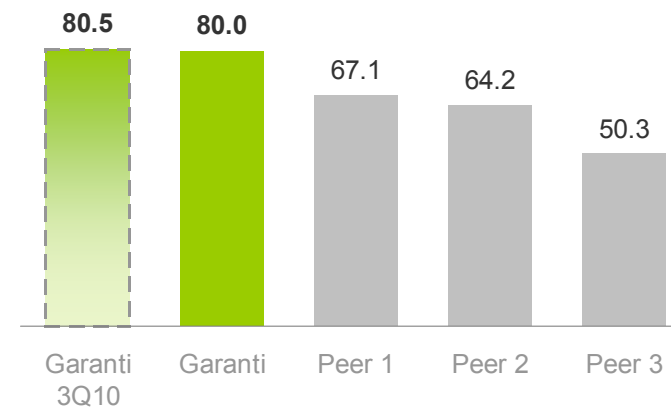
Assets per Branch

1H 2010, TL million



Customer Deposits per Branch

1H 2010, TL million



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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