



# Garanti

IFRS 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...

...leads to consistent delivery of strong results

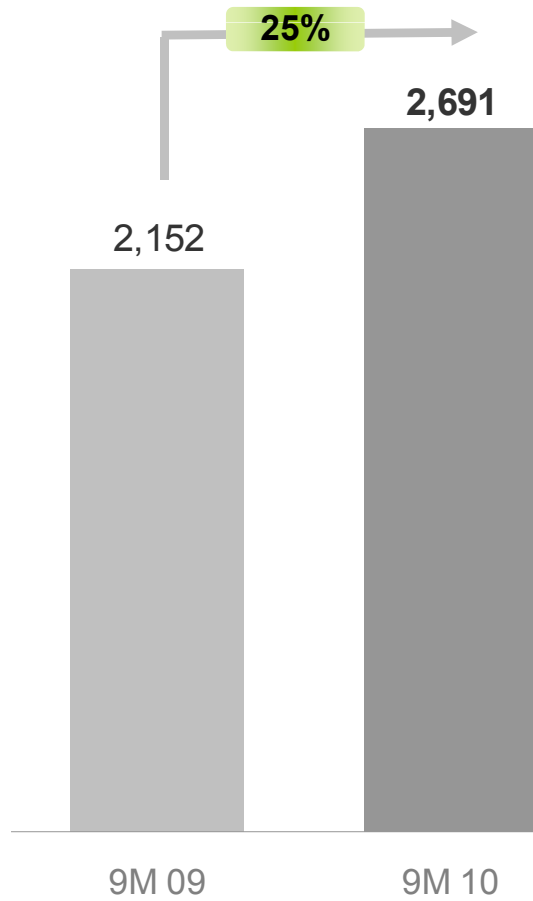
- **Lending growth highlighted the quarter**
    - Q-o-Q growth in **key profitable products** -- mortgages (+4%), **GPLs** (+10%)
    - **FX Lending growth resurged** (+13% q-o-q) driven by **corporate & commercial** loans
  - **FRN heavy securities book** maintained even with additions to short-term fixed rate securities
  - **Asset quality continued to improve** -- organic and across the board (NPL: 3.6%)
  - **Funding position further strengthened** -- above sector **deposit growth & well-managed** costs
  - **Solid demand deposit base** preserved -- Customer demand dep. growth ytd: 10% vs. Sector's 5%
  - **Highly liquid** (liquidity ratio: 36%) & **well-capitalized** (CAR<sup>1</sup>: 18.3%) with **low leverage** (7x)
- 
- **ROAE: 24%** -- ROAE > 22% for the last **20 consecutive quarters**
  - Double digit annual earnings growth pace "**temporarily**" slowed down, (Y-o-y: 25%), 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: 42%

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

**Net Income**

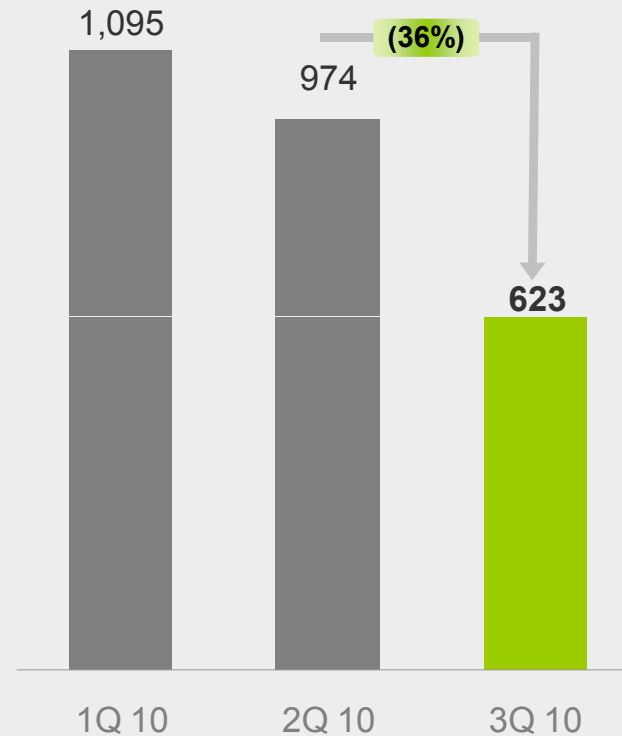
TL Million

ROAE **24%**



**Quarterly Net Income**

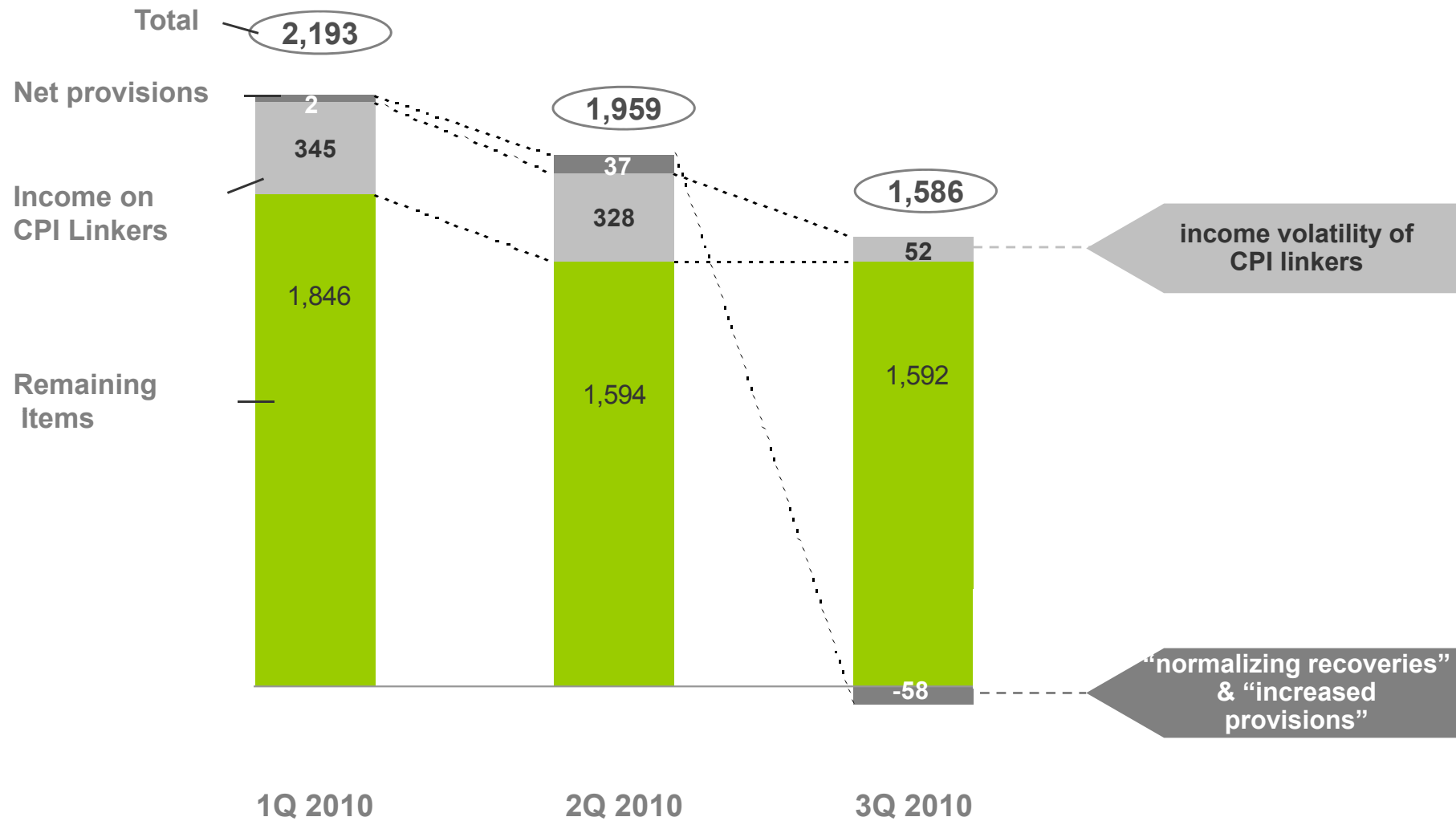
TL Million



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

## Evolution of Total Revenues

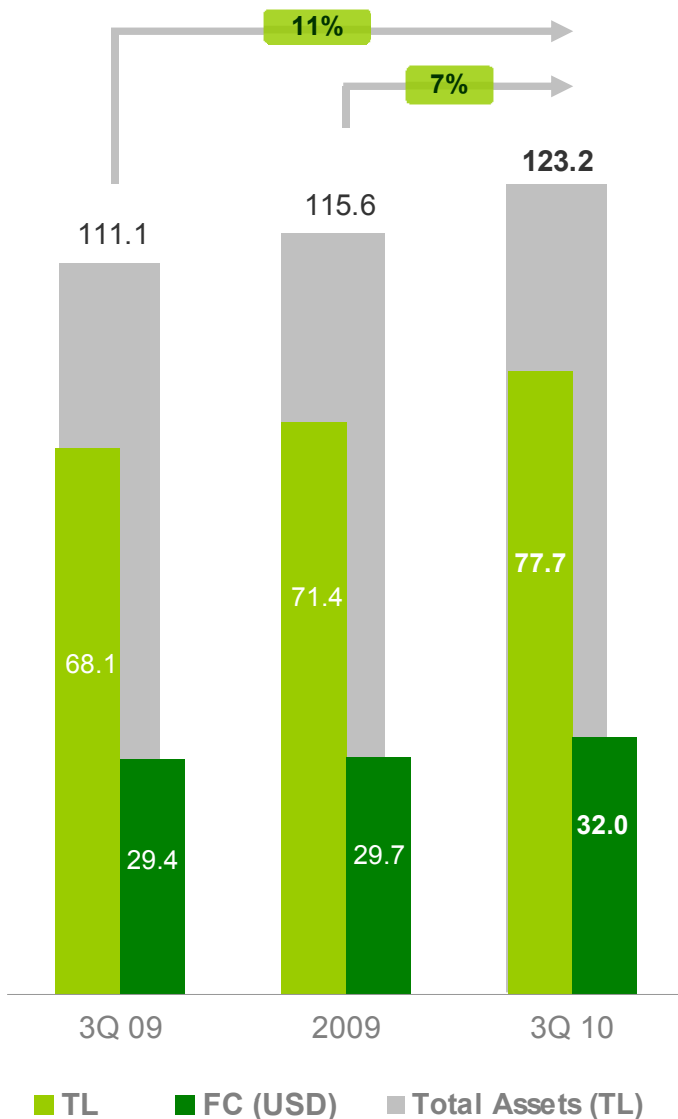
post provisions & provision reversals; in TL Million



# Loan driven asset growth highlighted the quarter

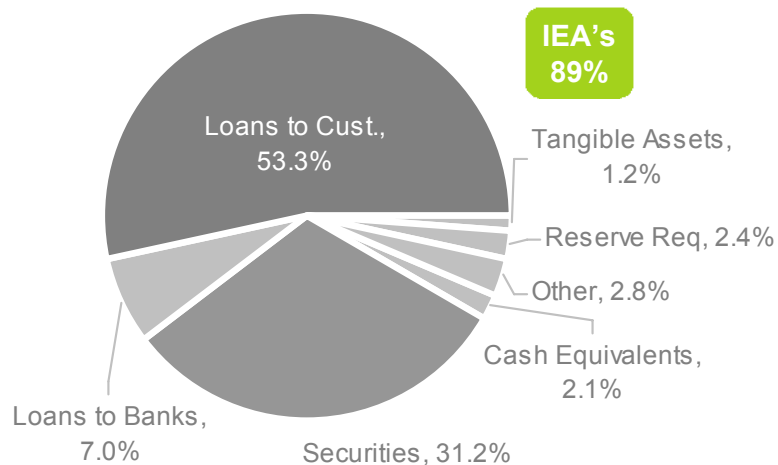
## Total Assets

TL / USD Billion

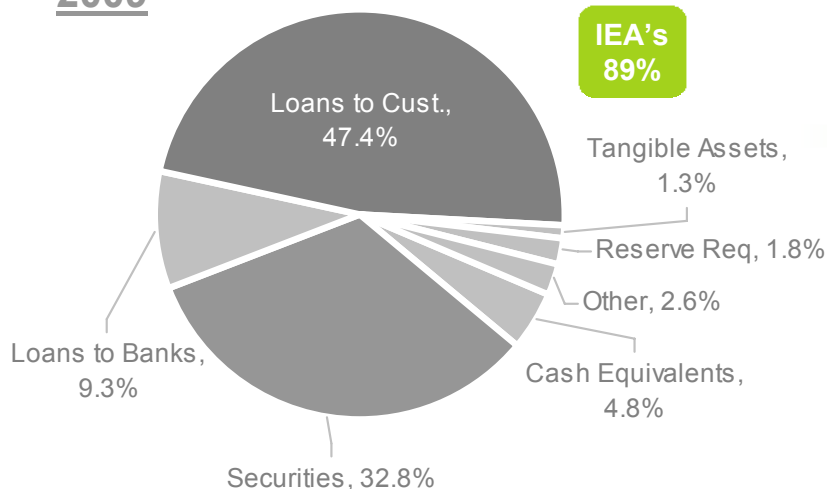


## Composition of Assets

### 3Q 2010



### 2009



## Growth:

Ytd

**Loans: 20%**

**Securities: 1%**

## Loans/Assets

**53%**

up from

**47% at YE 09**

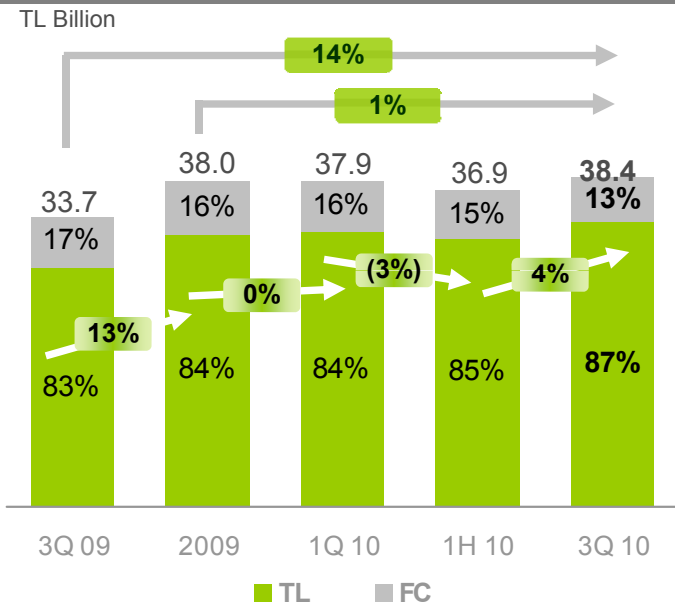
## Liquidity Ratio<sup>1</sup>

**36%**

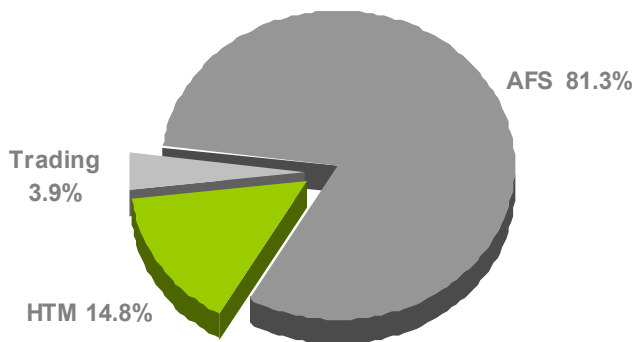
<sup>1</sup> (Cash and banks + trading securities + AFS) / Total Assets

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

## Total Securities

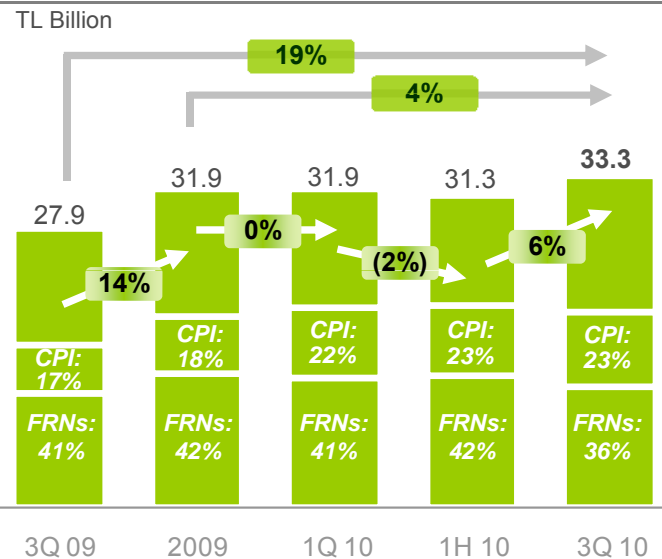


## Total Securities Composition

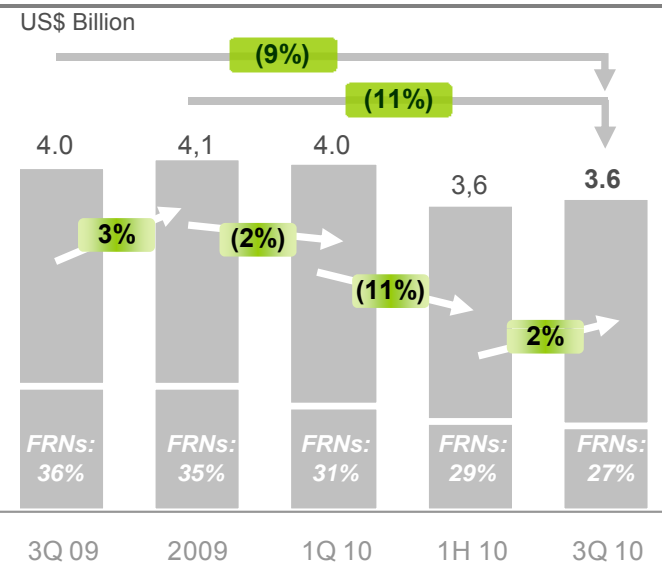


Unrealized gain ~ TL 1.7 bn<sup>1</sup>

## TL Securities



## FC Securities



*Securities<sup>2</sup> mix  
in assets*  
**29%**

*FRN mix*  
**56%**

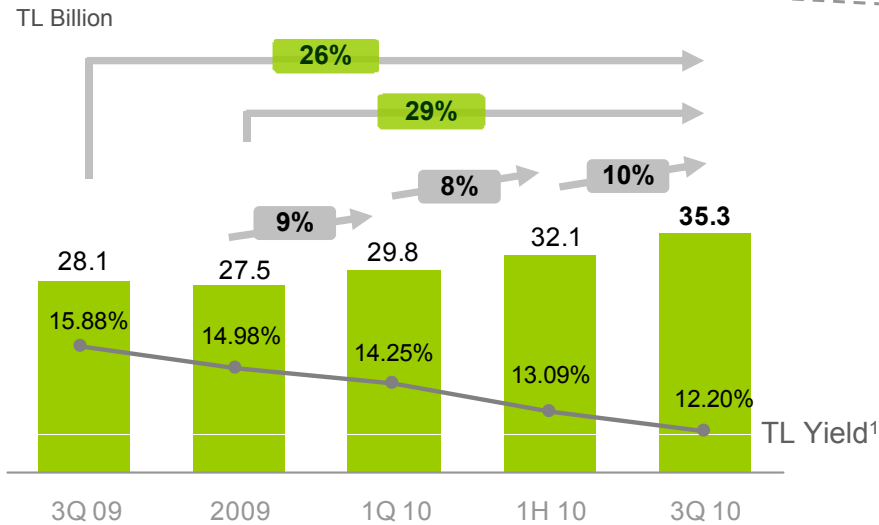
*in total*

*AFS mix*  
**81%**  
*in total*

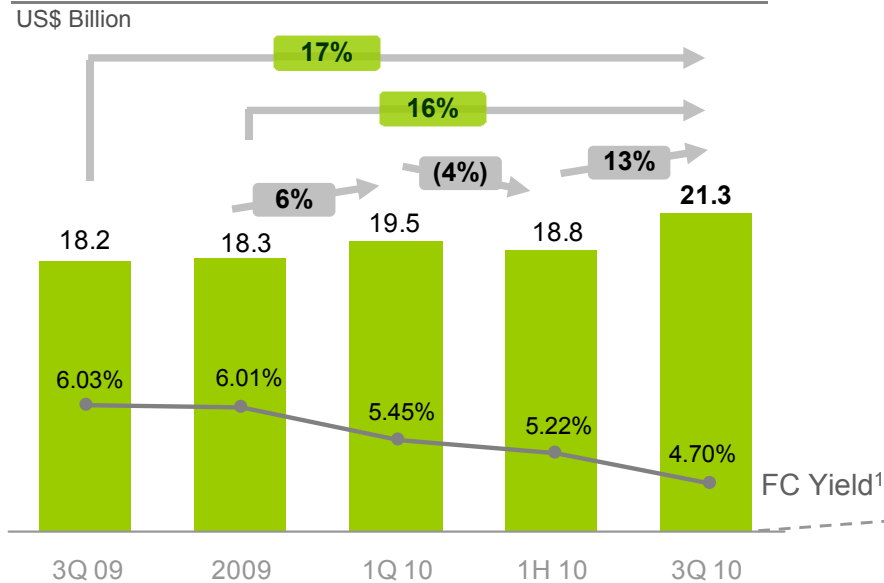
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data  
<sup>1</sup> Based on bank-only MIS data  
<sup>2</sup> Excluding accruals

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

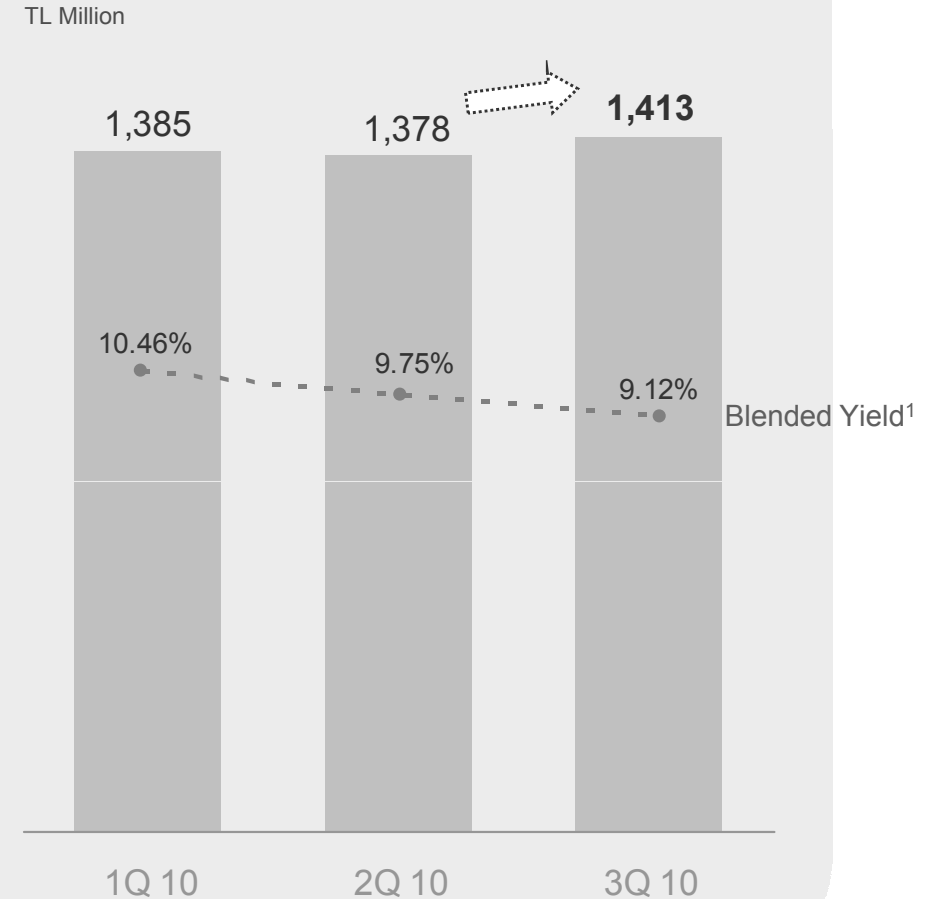
## TL Loans<sup>1</sup>



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



## Interest Income on loans (quarterly)



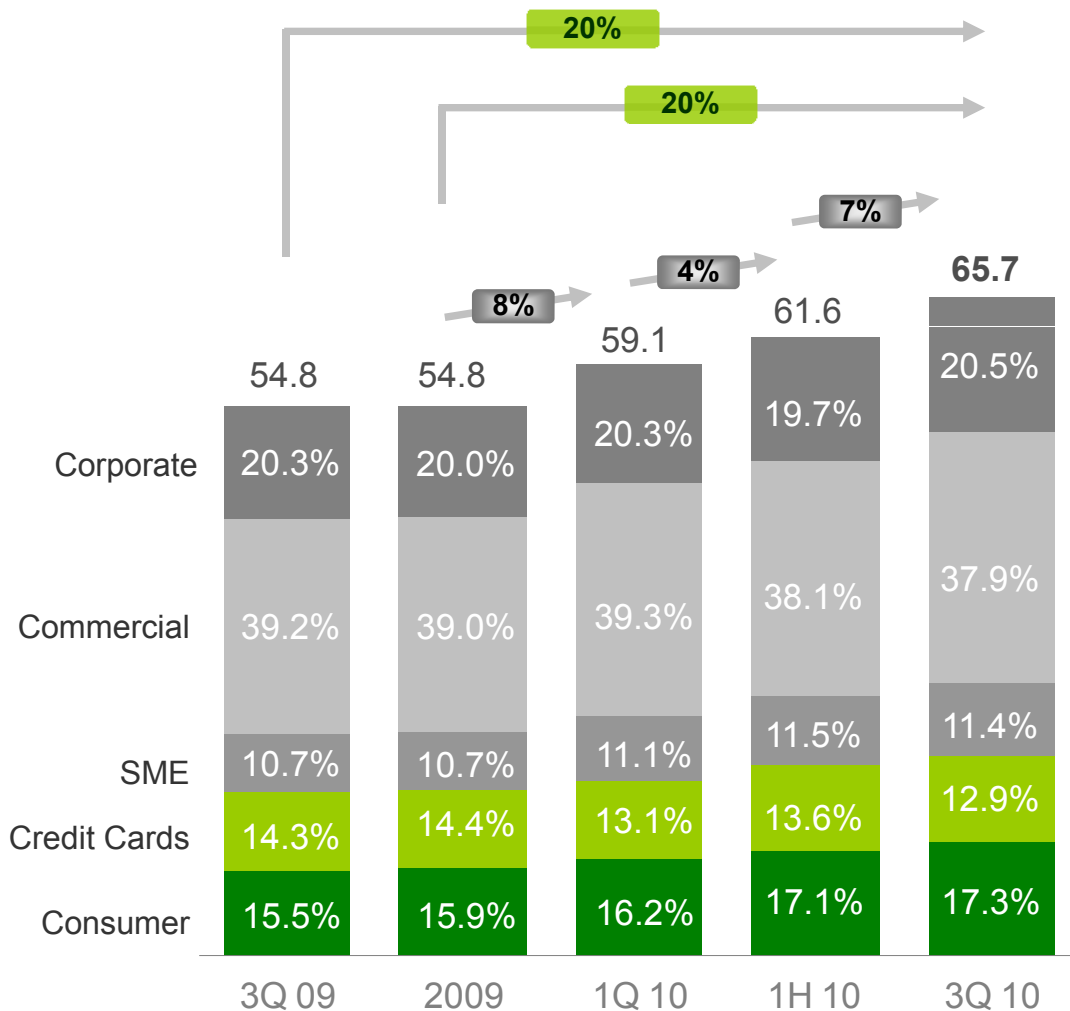
<sup>1</sup> Based on bank-only financials, calculated on a quarterly basis



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

## Total Loans Growth & Loans by LOB<sup>1</sup>

TL Billion



## 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:

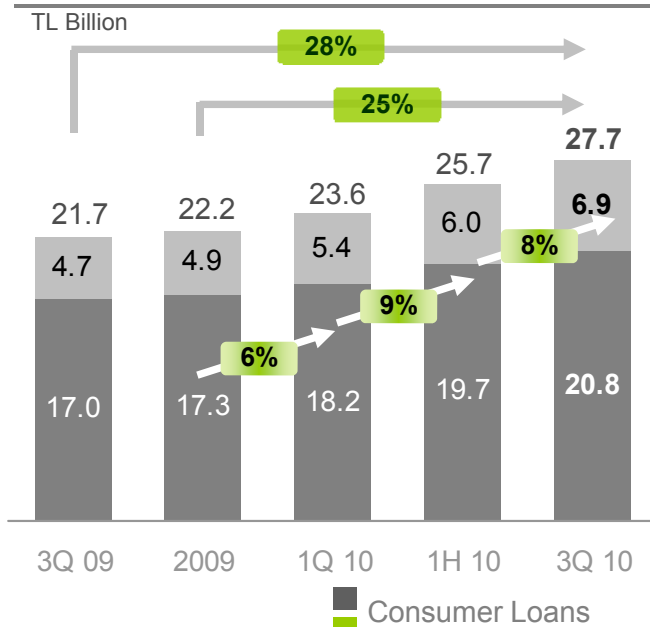
*“Lending growth across the board”:*

*TL boosted by retail and SME &*

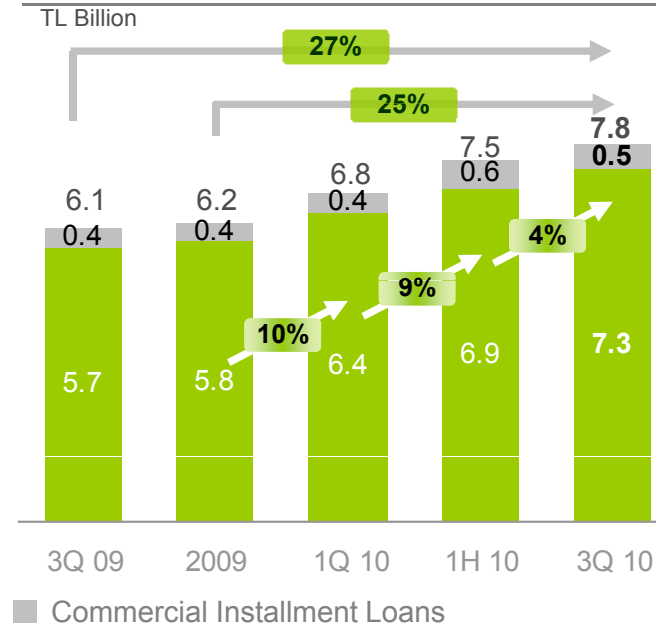
*FX by corporate and commercial lending*

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

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



## Mortgage Loan Growth

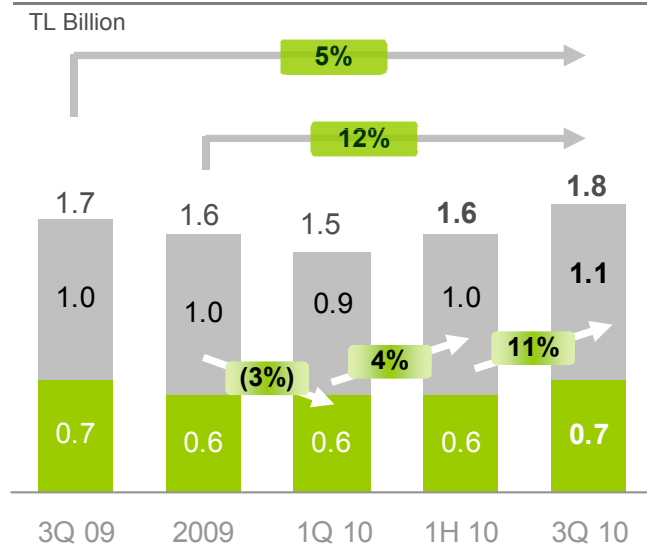


Significant market share gains in GPLs:

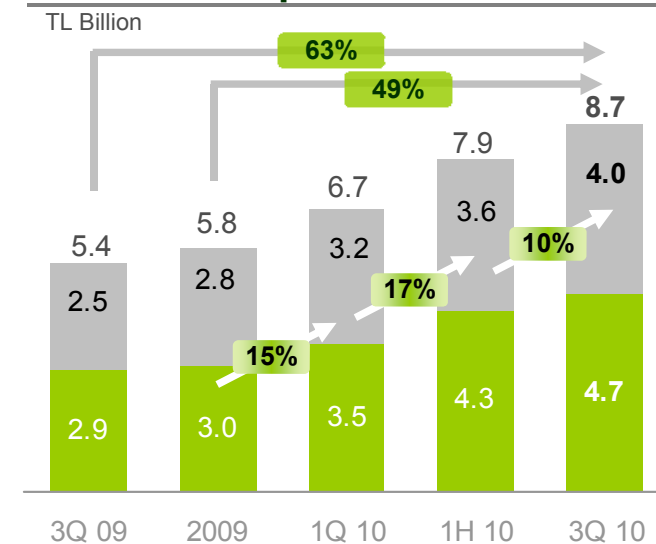
Ytd

*+153 bps*

## Auto Loan Growth



## General Purpose Loan Growth



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

	Sep 10	Ytd	Qtd	Rank <sup>3</sup>
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 <sup>1</sup>	13.3%	+10 bps	- 5 bps	#2

Note: Garanti figures are based on BRSA consolidated financials; Sector figures are based on bank-only BRSA weekly data, commercial banks only

<sup>1</sup> Including consumer, commercial installment, overdraft accounts, credit cards and other

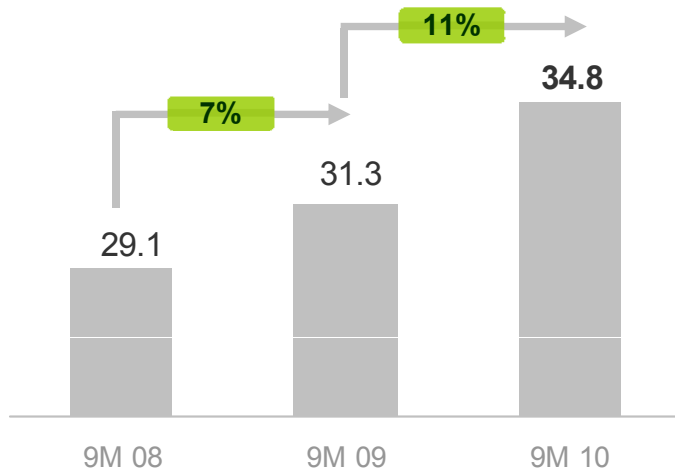
<sup>2</sup> Including consumer and commercial installment loans

<sup>3</sup> As of 2Q10 among private banks

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

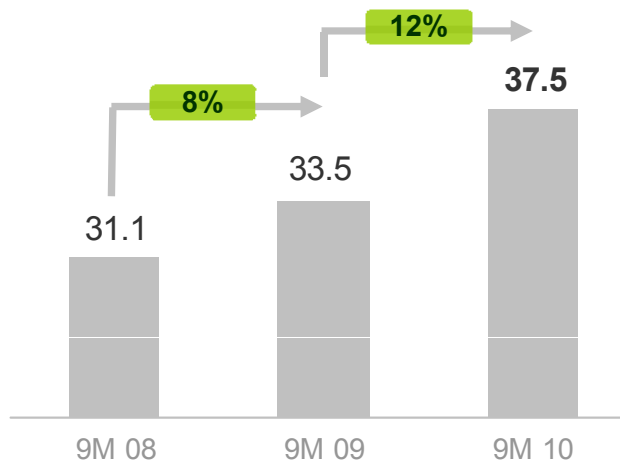
## Issuing Volume

TL Billion



## Acquiring Volume

TL Billion

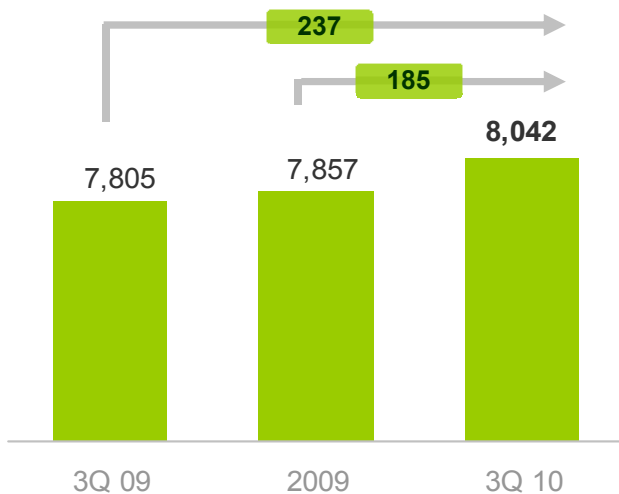


**#1**  
in Credit Card Business



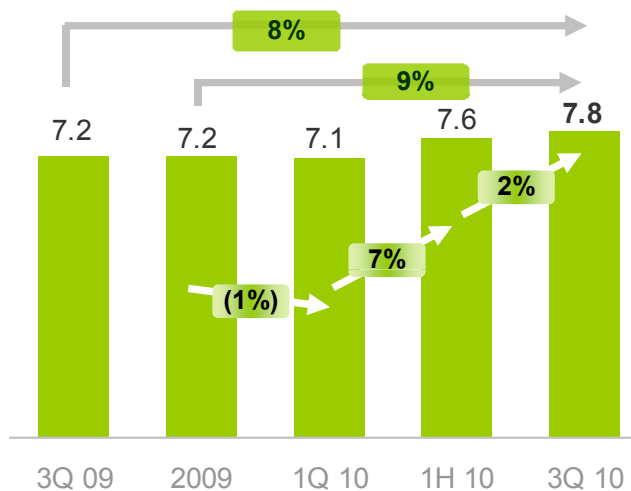
## No. of Credit Cards

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 <sup>1</sup>	+83 bps	21.3%	#1
ATM	-53 bps	11.1%	#2

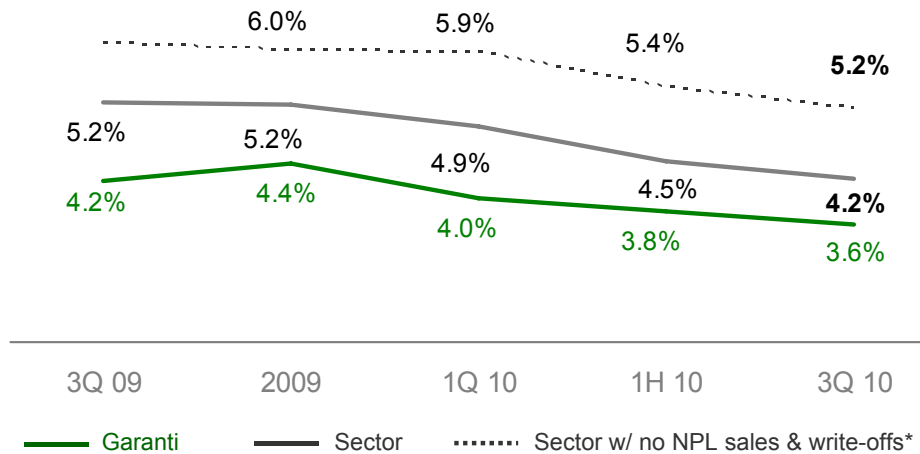
<sup>1</sup> Including shared POS

<sup>2</sup> Annualized

Note: All figures are based on bank-only data excluding credit card balances. Credit card balances are based on BRSA consolidated data

# Asset quality continued to improve -- organic and across the board

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



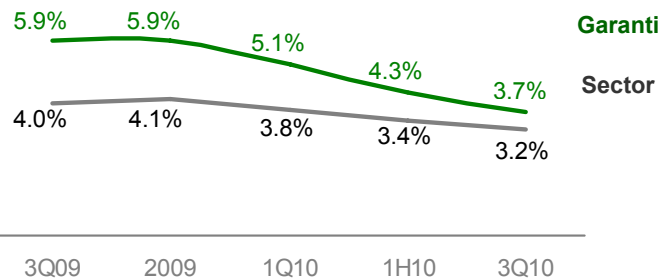
\* 2009 and 9M10 sector NPL sales & write-offs total: TL 0.8 bn and TL 1.5 bn, respectively

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

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

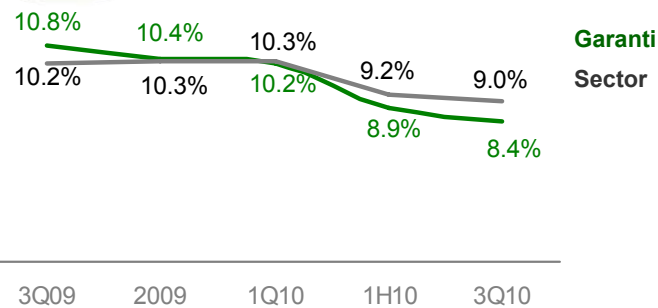
### Retail Banking (Consumer & SME Personal)

21% of Garanti's Total Loans



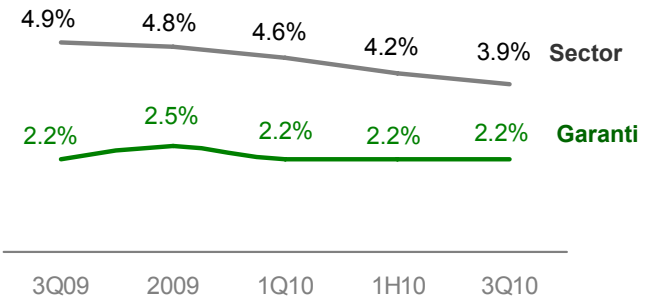
### Credit Cards

13% of Garanti's Total Loans



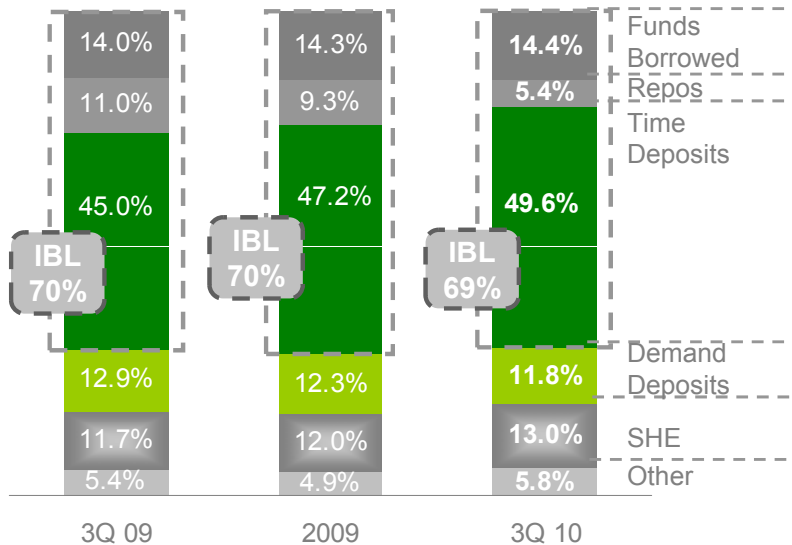
### Business Banking (Including SME)

67% of Garanti's Total Loans

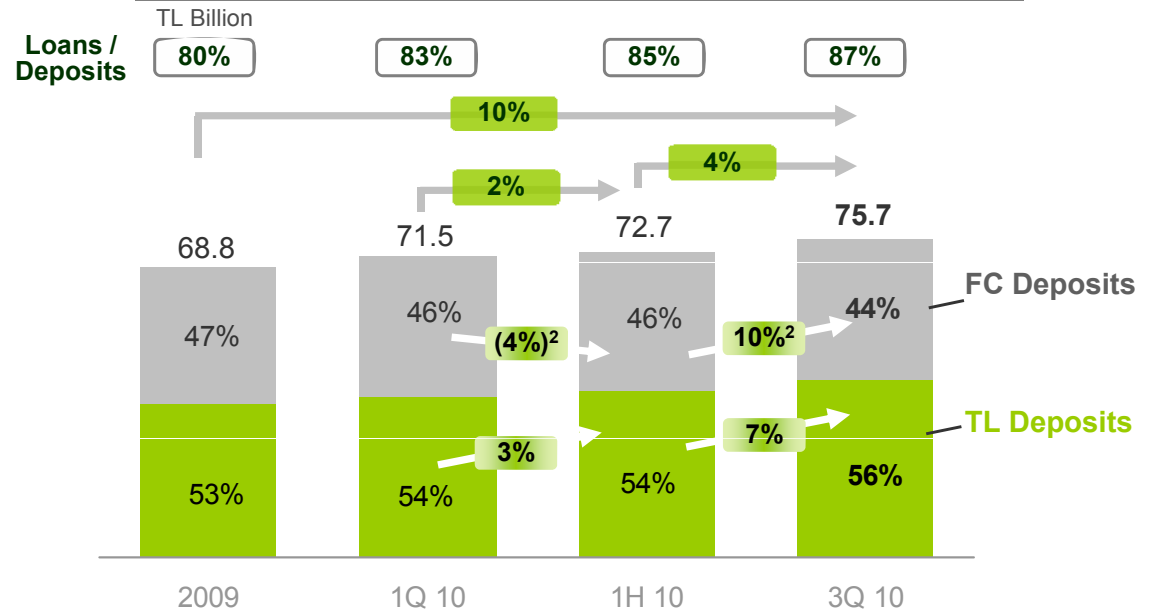


# Funding position further strengthened -- above sector deposit growth and well-managed costs

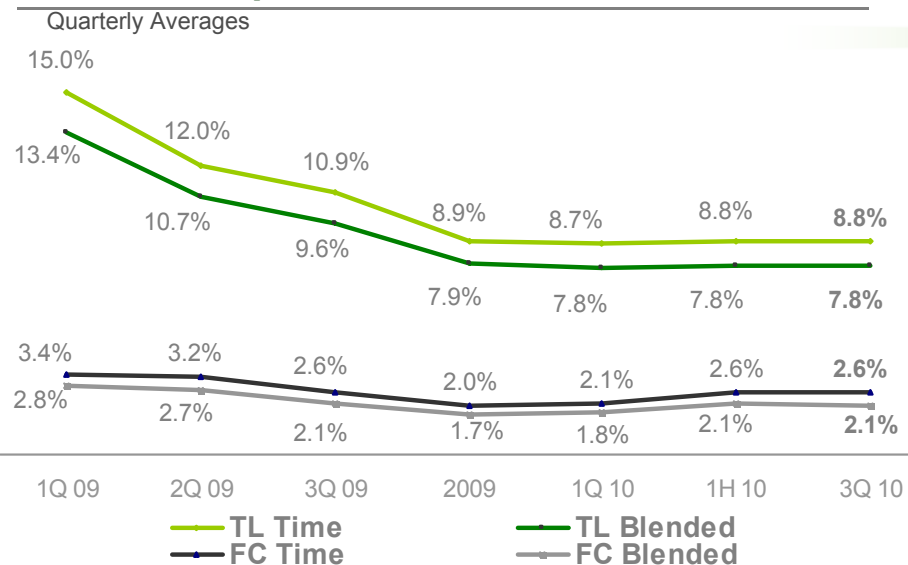
## Composition of Liabilities



## Total Deposits



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



Ytd growth:

TL deposits **17%** vs. sector's **16%**

FC deposits<sup>2</sup> **7%** vs. sector's **6%**

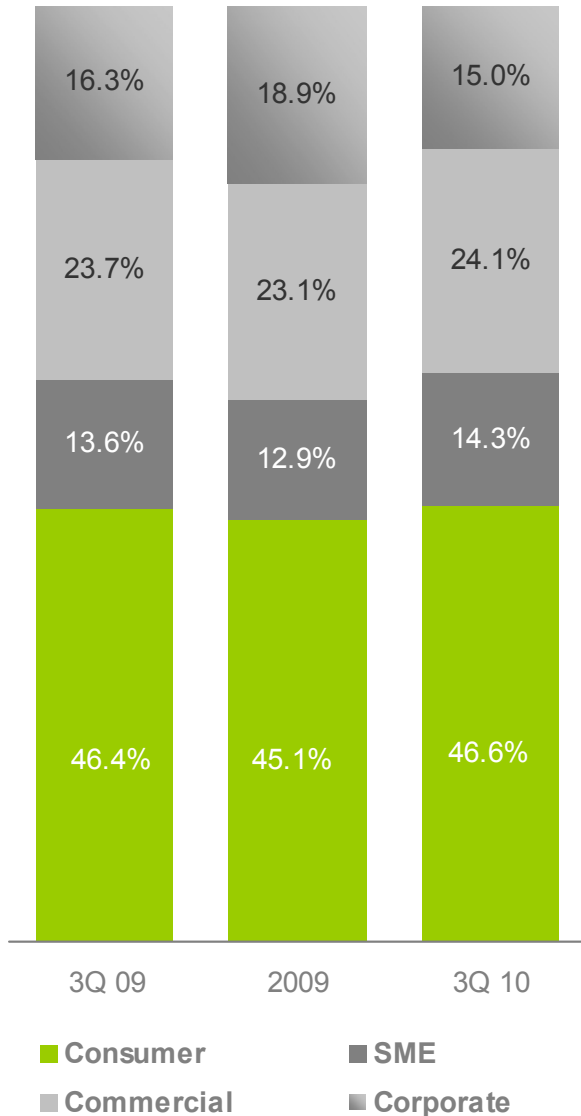
Deposits market share :  
**12.4%**

<sup>1</sup> Based on bank-only MIS data  
<sup>2</sup> 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

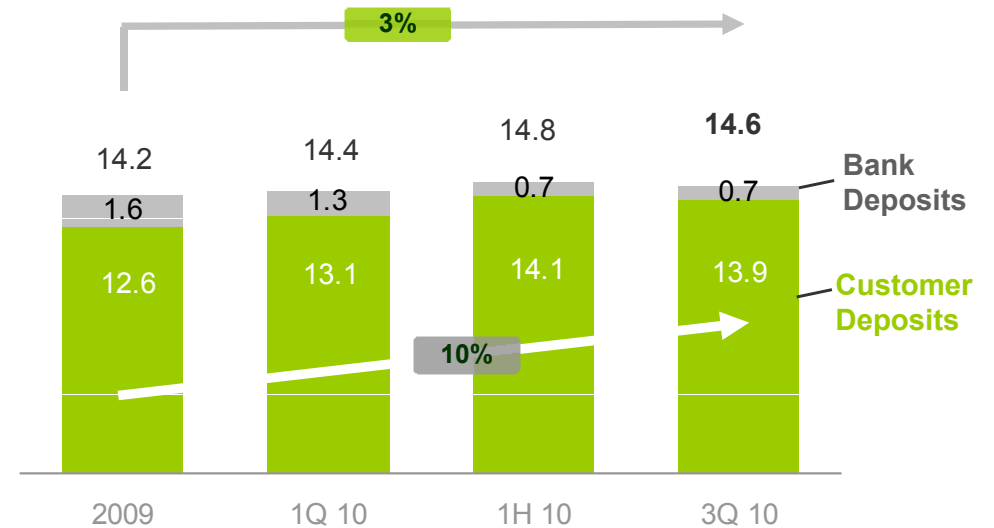
## Deposits by LOB<sup>1</sup>

(Excluding bank deposits)



## Demand Deposits

TL Billion



## Customer Demand Deposits<sup>2</sup>

YTD Growth

**> 3X** sector's

## Demand Deposit Market Share

**14.3%**

<sup>1</sup> Based on bank-only MIS data  
<sup>2</sup> Based on bank-only financials for fair comparison  
 Note: Sector figures are per BRSA weekly data, commercial banks only

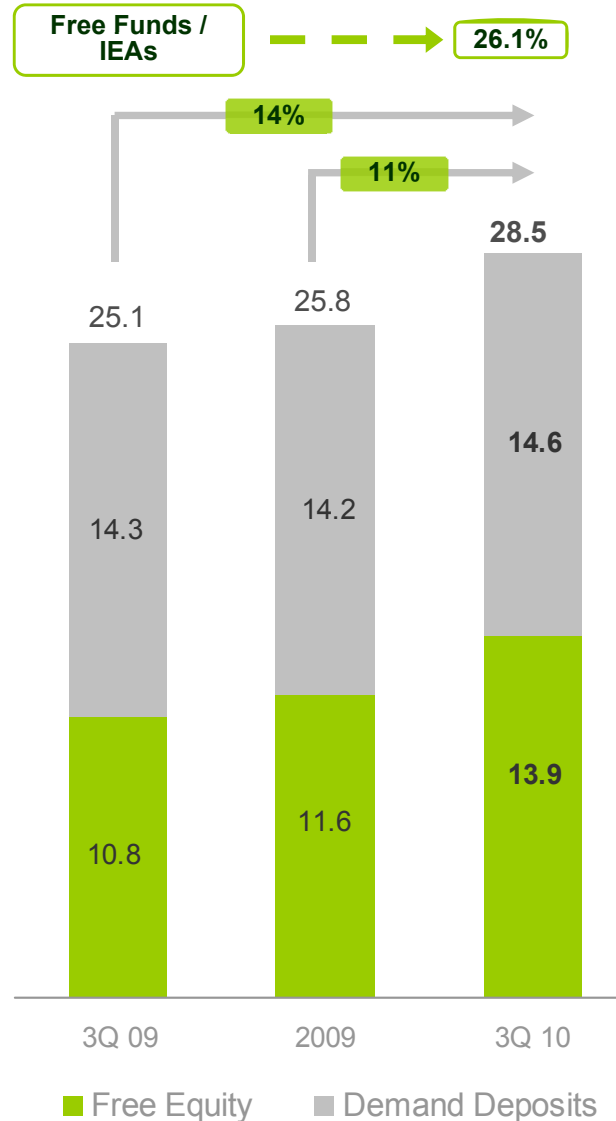
# Capital ratios remained strong with low leverage -- well-positioned for growth

## CAR<sup>1</sup>



## Free Funds

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



Free Equity  
YTD growth

20%

Leverage Ratio

7x

down from

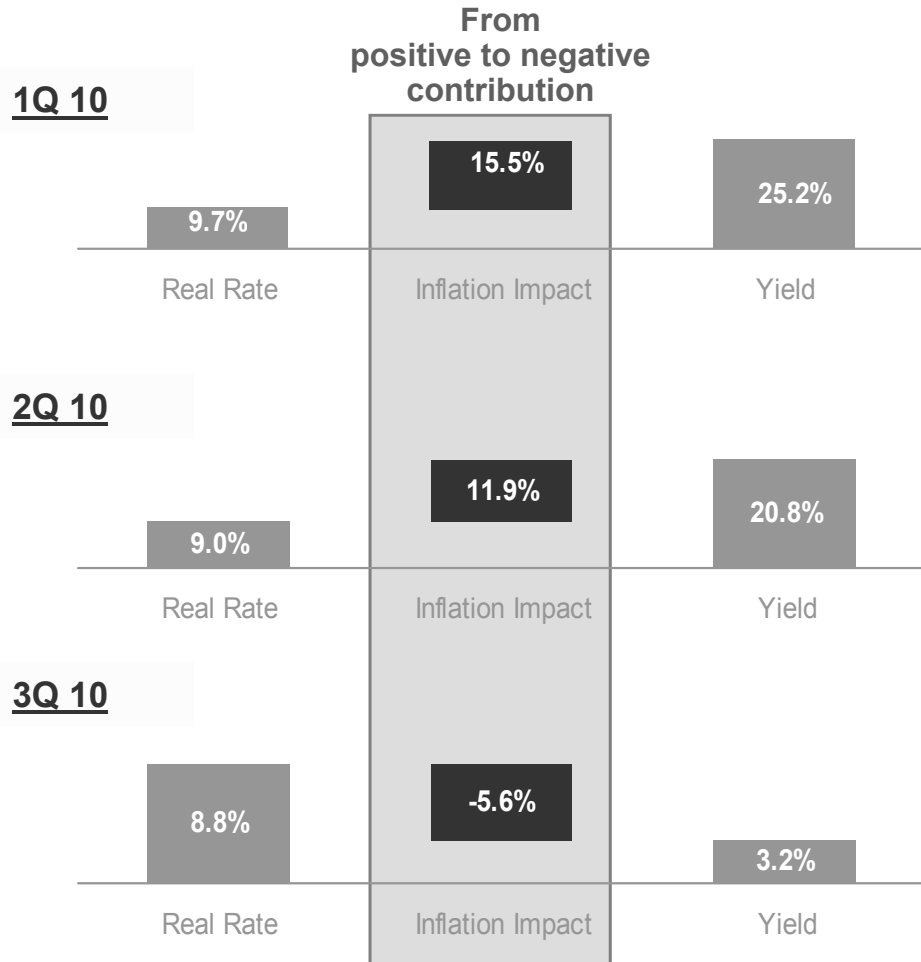
8x at Sep 09 &

9x at Sep 08

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

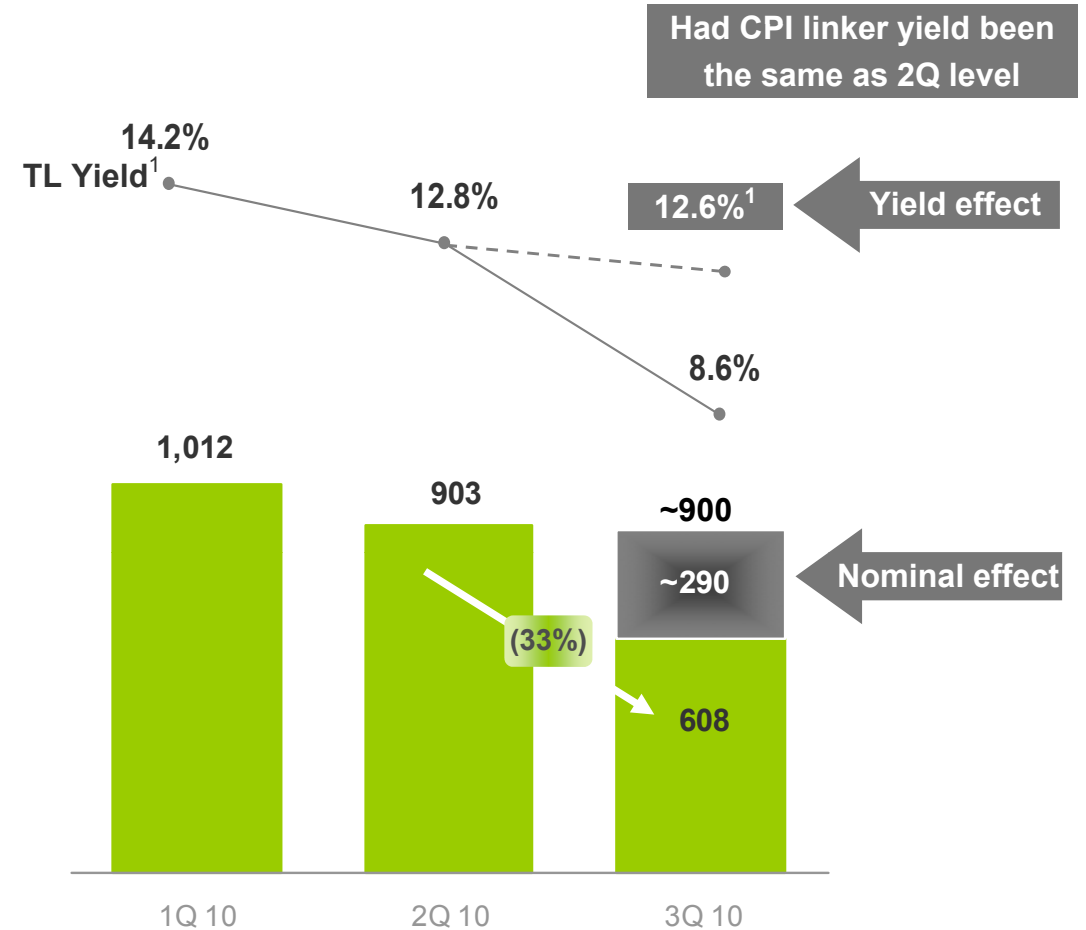
Drivers of the Yields on CPI Linkers<sup>1</sup>

% average per annum



Interest Income & Yields on TL Securities<sup>2</sup>

TL Million

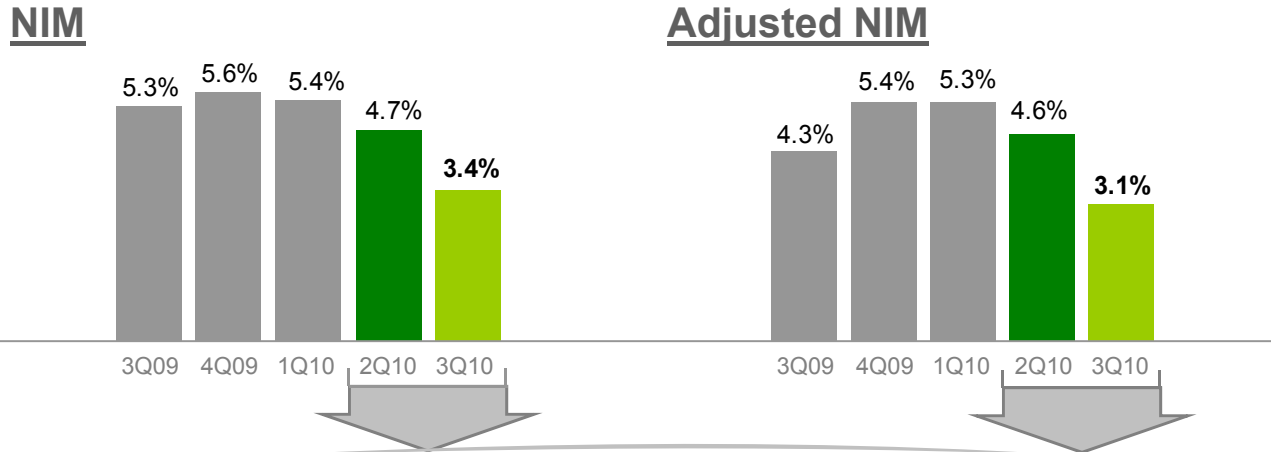


*Inflation figures subject to 4Q 10 valuation indicate “substantial recovery in CPI linker yields”*

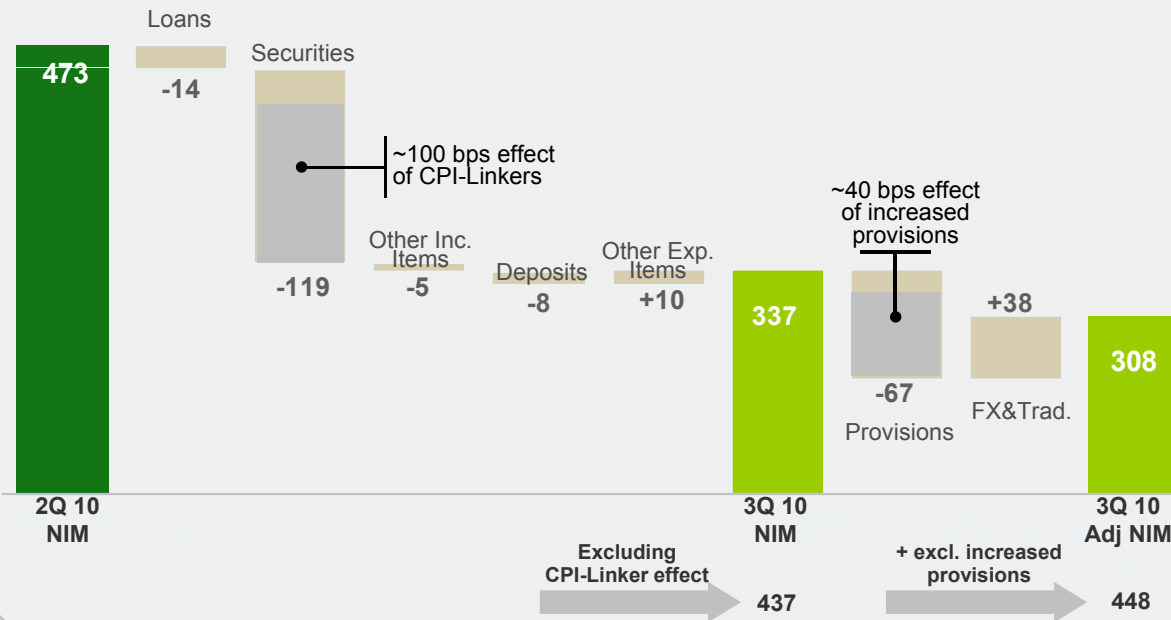


# ...resulting in margin contraction q-o-q

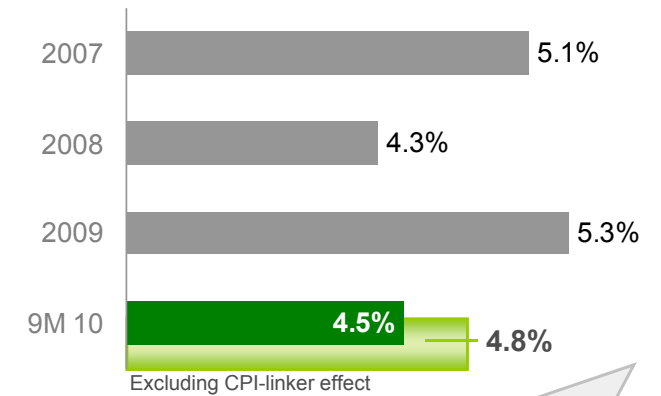
## Quarterly NIM (Net Interest Income / Average IEAs)



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



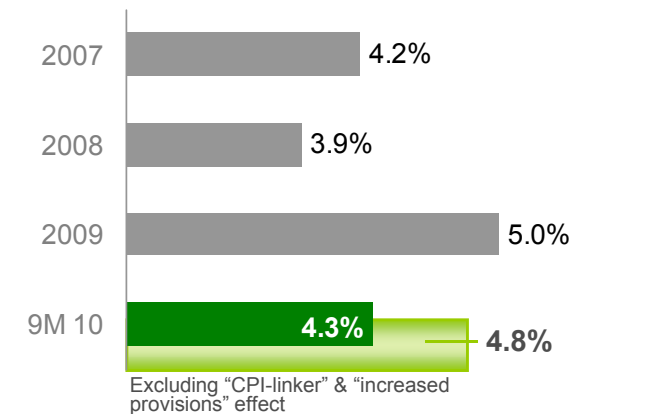
## Cumulative NIM



### Sep 10 over Dec 09:

- Declining funding costs' impact on margin +131 bps
- Drop in asset yields' impact on margin -218 bps

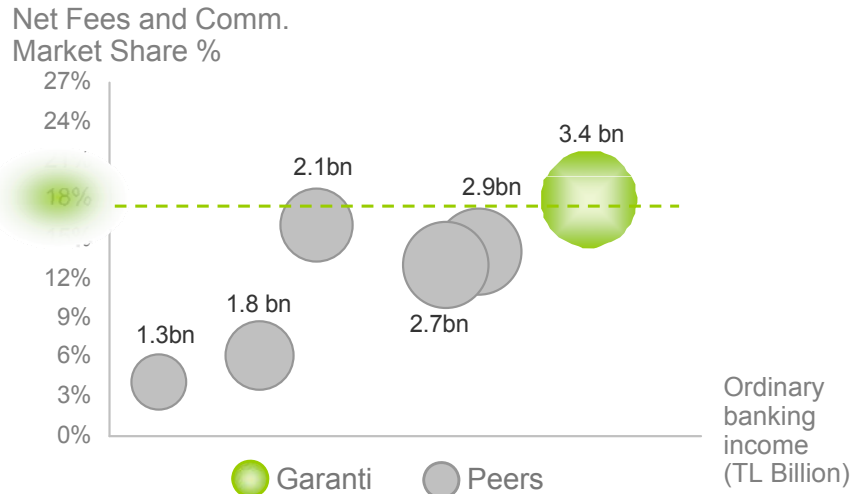
## Cumulative Adjusted NIM



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

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

As of 1H 2010 for fair comparison



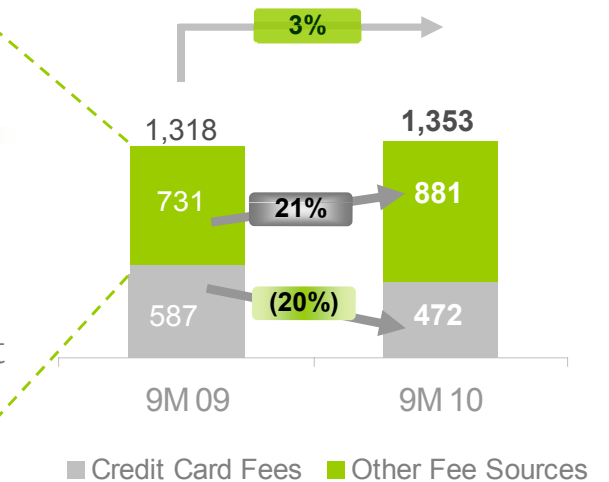
Strong presence in brokerage  
Market share **>7%**

**#1** in bancassurance

Significant market share gains in asset management  
**~16%**

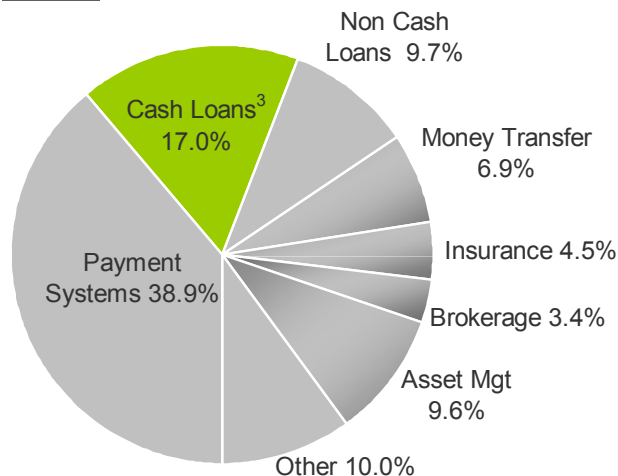
## Net Fees & Commissions

TL Million

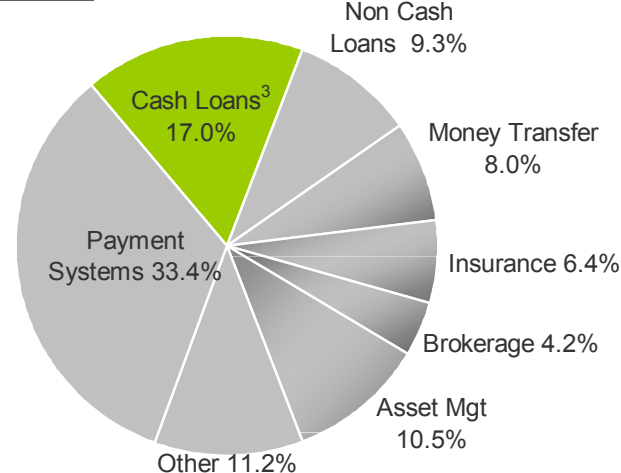


## Net Fees & Commission Breakdown<sup>2</sup>

**9M 09**



**9M 10**



“further diversified fee sources”

Y-o-y growth in:

Insurance **43%**

Brokerage **24%**

Money transfer **15%**

Asset Management **9%**

<sup>1</sup> Based on bank-only data for fair comparison and defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions  
<sup>2</sup> Bank-only MIS data, including consumer loans fees as well as other cash loan fees now classified as interest on loans in income statement

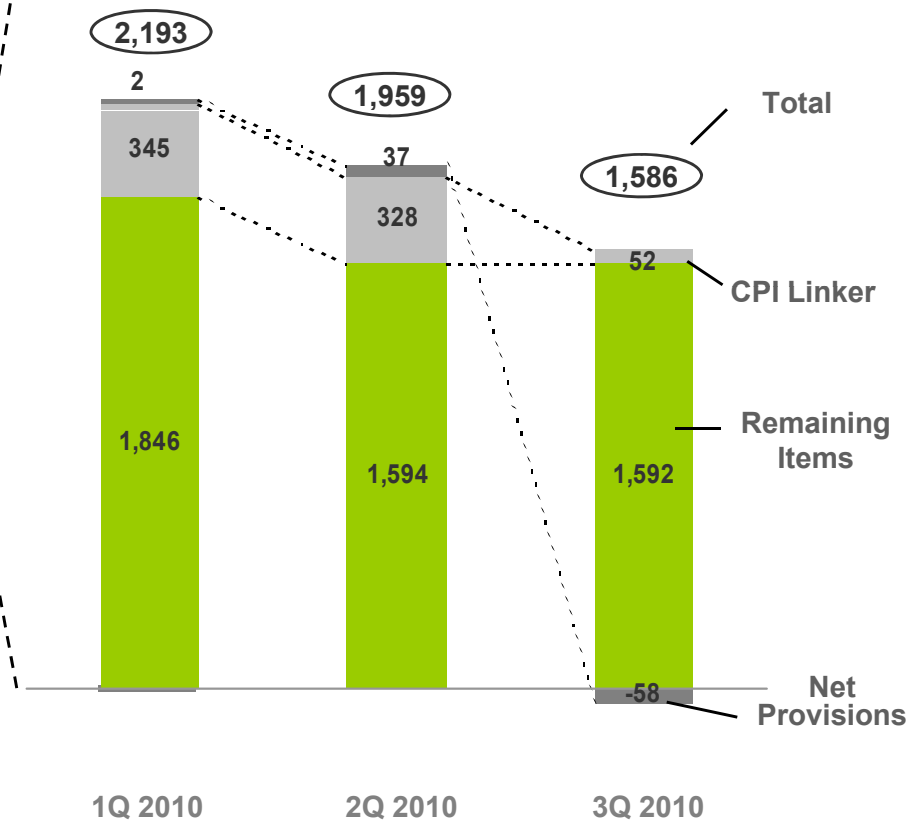
# ...and all resulted in:

(TL Million)	1Q 10	2Q 10	3Q 10	3Q vs. 2Q
Interest Income	2,656	2,542	2,280	(262)
-Loans	1,385	1,378	1,413	35
-Securities	1,094	985	690	(295)
<i>CPI Linkers</i>	345	328	52	(276)
Interest Expense	(1,174)	(1,219)	(1,282)	(63)
<b>NET INTEREST INCOME</b>	<b>1,482</b>	<b>1,323</b>	<b>998</b>	<b>(325)</b>
Net Fees & Comm.	463	437	453	16
Net Trading & FX Gains	178	84	111	27
Other Income	69	78	82	4
<b>TOTAL REVENUES -excluding provision reversals</b>	<b>2,192</b>	<b>1,922</b>	<b>1,644</b>	<b>(278)</b>
Net Provisions for Loans	2	37	(58)	(95)
<b>TOTAL REVENUES -post provisions &amp; provision reversals</b>	<b>2,194</b>	<b>1,959</b>	<b>1,586</b>	<b>(373)</b>
Operating Expense	(815)	(752)	(799)	(47)
Other provisions	(3)	(4)	(4)	-
<b>PROFIT BEFORE TAX</b>	<b>1,376</b>	<b>1,203</b>	<b>783</b>	<b>(420)</b>
Taxes	(281)	(229)	(160)	69
<b>NET INCOME</b>	<b>1,095</b>	<b>974</b>	<b>623</b>	<b>(351)</b>
Equityholders of the Bank	1,091	969	615	(354)
Minority Interest	3	5	8	3

(TL million)	Q1	Q2	Q3	3Q vs. 2Q
CPI	345	328	52	(276)
Net Provisions	2	37	(58)	(95)
<b>Total</b>	<b>347</b>	<b>365</b>	<b>(6)</b>	<b>(371)</b>

## Evolution of Total Revenues

(post provisions & provision reversals; in TL Million)



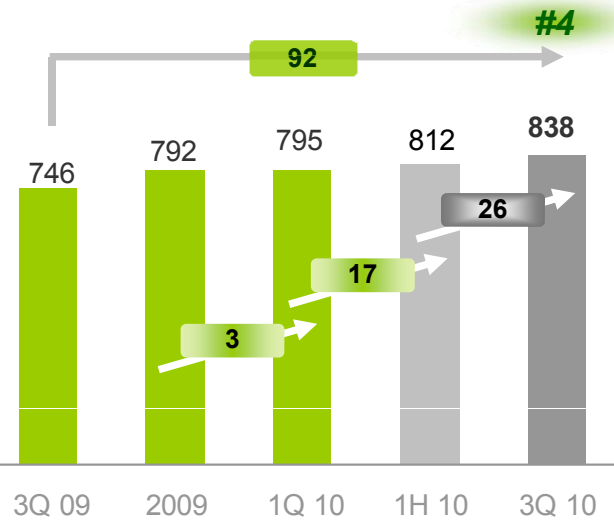
# Appendix

## Balance Sheet - Summary

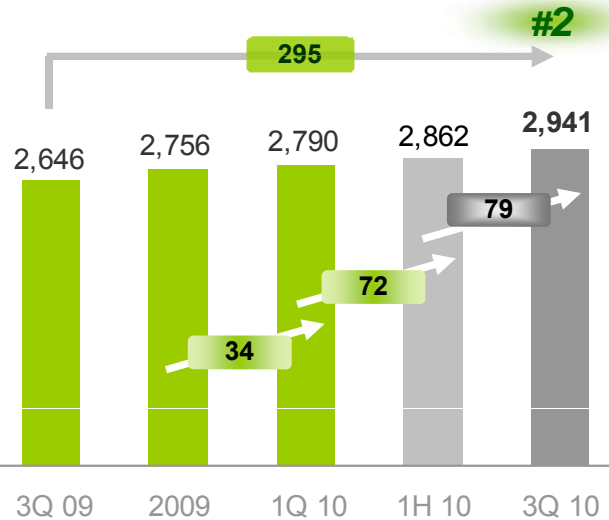
<i>(TL Million)</i>		<b>December 2009</b>	<b>Sep 2010</b>	<b>% Change</b>
<b>Assets</b>	<b>Cash &amp; Banks</b>	16,346	11,169	(32%)
	<b>Securities</b>	37,960	38,441	1%
	<b>Loans to Customers</b>	54,765	65,669	20%
	<b>Tangible Assets</b>	1,449	1,479	2%
	<b>Other</b>	5,088	6,490	28%
	<b>Total Assets</b>	115,608	123,248	7%
<b>Liabilities &amp; SHE</b>	<b>Deposits from Customers</b>	66,043	73,513	11%
	<b>Deposits from Banks</b>	2,738	2,165	(21%)
	<b>Repo Obligations</b>	10,765	6,682	(38%)
	<b>Funds Borrowed</b>	16,569	17,752	7%
	<b>Other</b>	5,657	7,061	25%
	<b>SHE</b>	13,836	16,074	16%
	<b>Total Liabilities &amp; SHE</b>	115,608	123,248	7%

# Further strengthening of retail network...

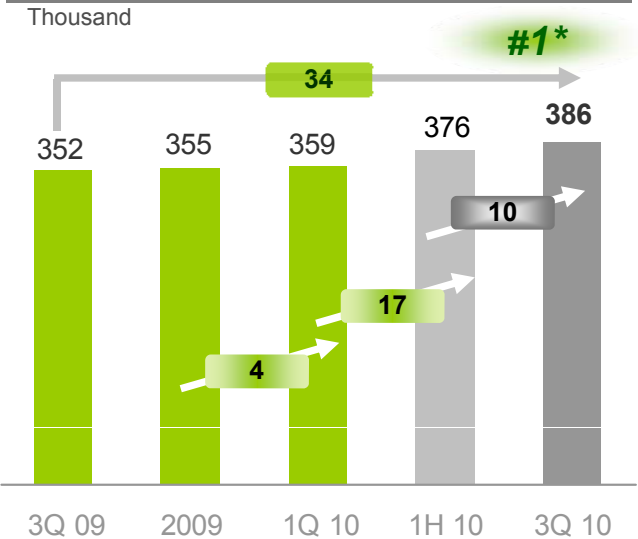
### Number of Branches



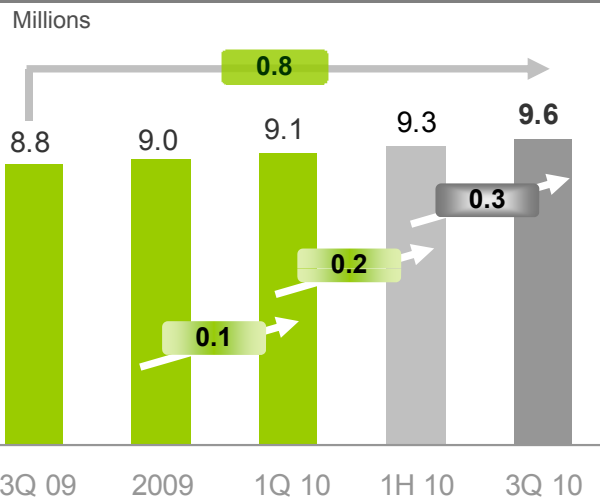
### Number of ATMs



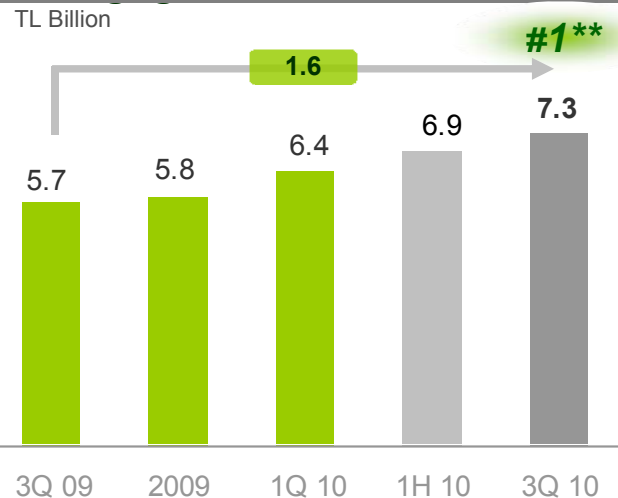
### Number of POS



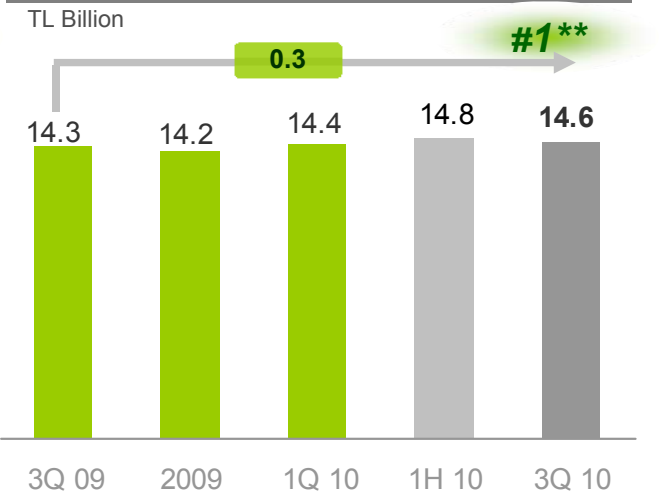
### Number of Customers



### Mortgages<sup>1</sup>



### Demand Deposits (customer+bank)

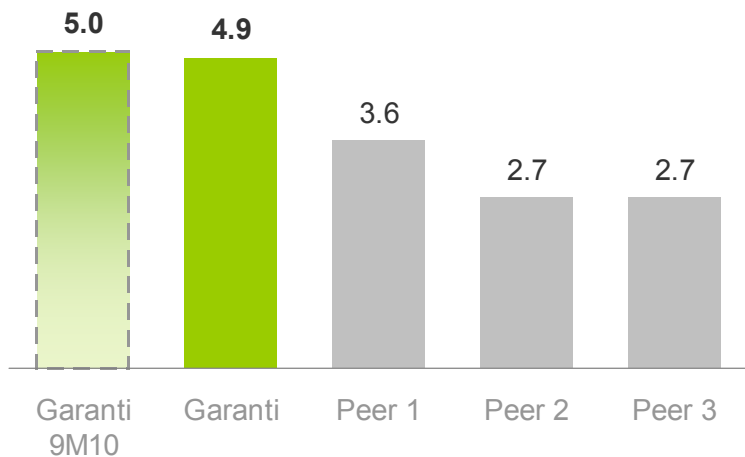


<sup>1</sup> Per BRSA consolidated financials  
 \*Including shared POS  
 \*\*Mortgage and demand deposit ranks are as of 1H 10  
 Note: Ranks are among private banks; all figures are based on bank-only financials except for mortgages and demand deposits

# ...while preserving the highest efficiencies

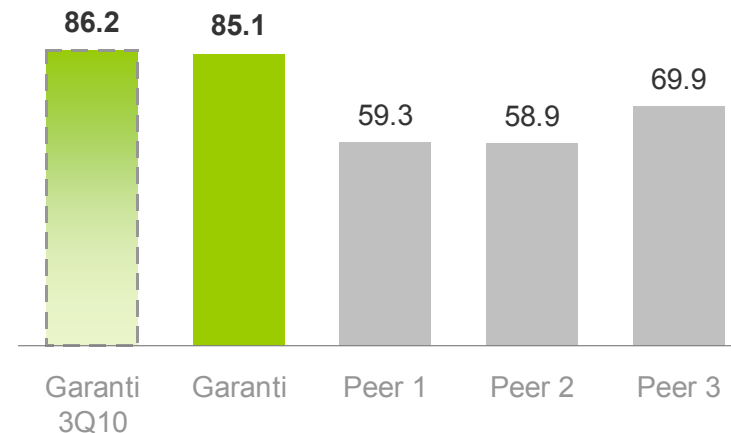
## Ordinary Banking Income per Branch

1H 2010, TL million



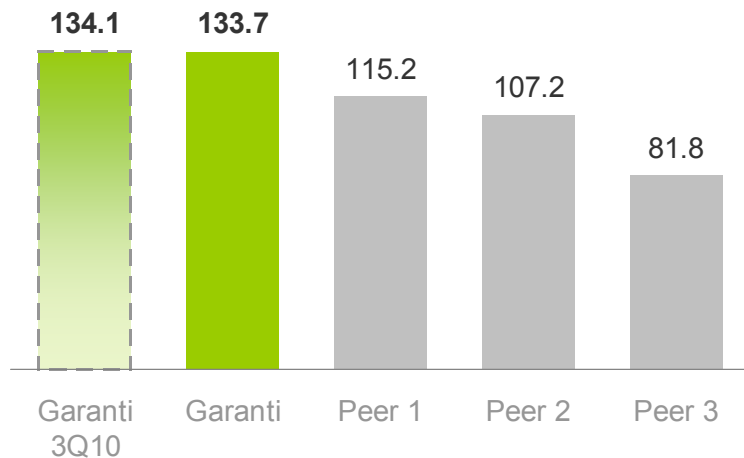
## Loans per Branch<sup>1</sup>

1H 2010, TL million



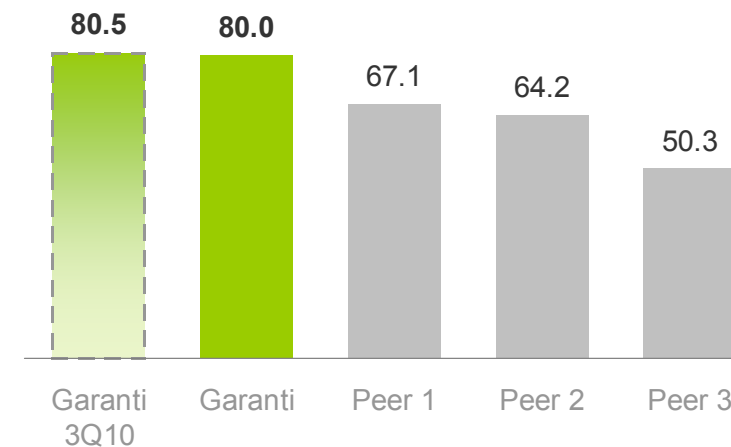
## Assets per Branch

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.
- 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.





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