

# Garanti

BRSA Bank-Only Earnings Presentation  
**December 31, 2010**

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## 4Q 2010 Macro Highlights

Renewed progress in global economic growth...

- Global economy picked up pace in the last three months of 2010.
- Due to:
  - **growth-oriented economic policy** in both the US and the Euro area,
  - and partly the **strength in the Far East** and other **Emerging Market economies**.
- But still at modest levels and will be challenged by the announced **budget consolidation measures** in most European countries and the surge in **commodity prices**.
- Global imbalances and risks remain -- **widening sovereign debt** and inflation.
- Global **inflation** already rebounded from recession-induced lows.

Focus on financial stability... CBRT cut rates and hiked RRR...

- **Higher than expected 4Q industrial production data** suggests 2010 GDP growth to be around **8.5%**.
- Annual **inflation** fell to **6.4%** -- within the CBRT's target.
- **TL depreciated** by 6% against USD and 4% against Euro during 4Q.
- After a 50 bps cut in Dec'10, the CBRT again **cut the policy interest rates** by 25 bps to **6.25%** in Jan'11 and continued to **increase the TL required reserve ratios** at different maturities.
- Concerns around **current account deficit** and unorthodox policy measures by the CBRT to challenge market players in 2011...

## 2010 Highlights

Balance sheet strength: distinguishing feature of Garanti...

- **Solid lending growth highlighted the year:**
  - Key profitable products -- **mortgages** (+34% y-o-y) & **GPLs** (+55% y-o-y)
  - **FX corporate & commercial** loans: (+28% y-o-y)
- **Improved asset quality** across the board backed by **strong collections performance**
  - NPL ratio: 2.9% at YE 10 vs. 4.3% at YE 09
  - Normalizing cost of risk --100 bps at YE 10 vs. 246 bps at YE 09
- **Securities/Assets** down to **28%** – limited additions in 4Q
- **Actively-managed and diversified** funding base
  - Effective deposit growth strategy to capture wider customer base
  - Business model generates sustainably high demand deposit levels
- **Well-capitalized** for growth: CAR:**20%**, Leverage: **6x**

...leads to consistent delivery of strong results

- **Record earnings: TL 3,145 mn** -- growth: 6% y-o-y; 34% q-o-q
- 21 consecutive quarters of ROAE > 20%: **2010 ROAE: 21%**
- **Proactively and timely managed asset/liability mix**
  - CPI linkers yield: ~18% in 2010, supporting NIM
  - Average annual NIM drop 100 bps
- **Net fees and commissions:** Well-diversified supporting the **#1 market share**
- Uninterrupted investment in distribution network: **>70** branch additions in 2010, **#1 in branch expansion\***
- Committed to **strict cost management and process improvement**
  - Increased efficiencies to kick-in in 2011

# 21 consecutive quarters of above 20% ROAE

## Net Income

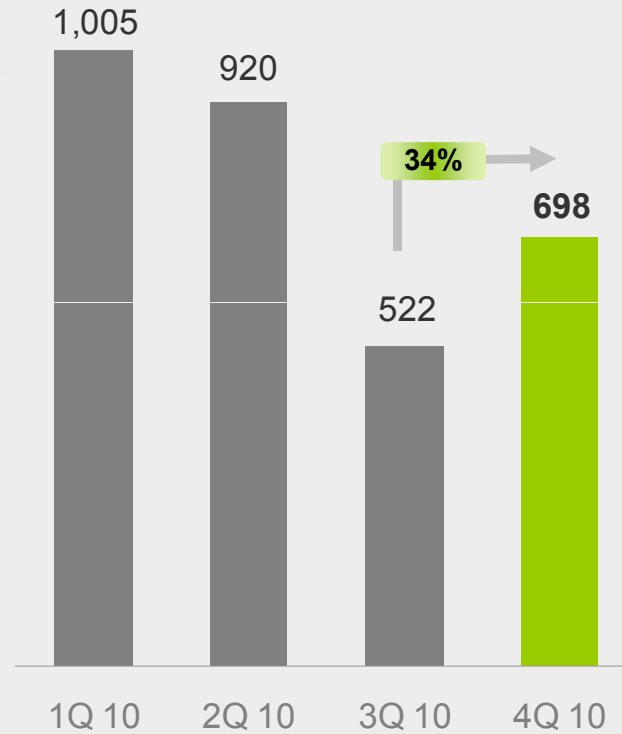
TL Million

2010 ROAE: **21%**



## Quarterly Net Income

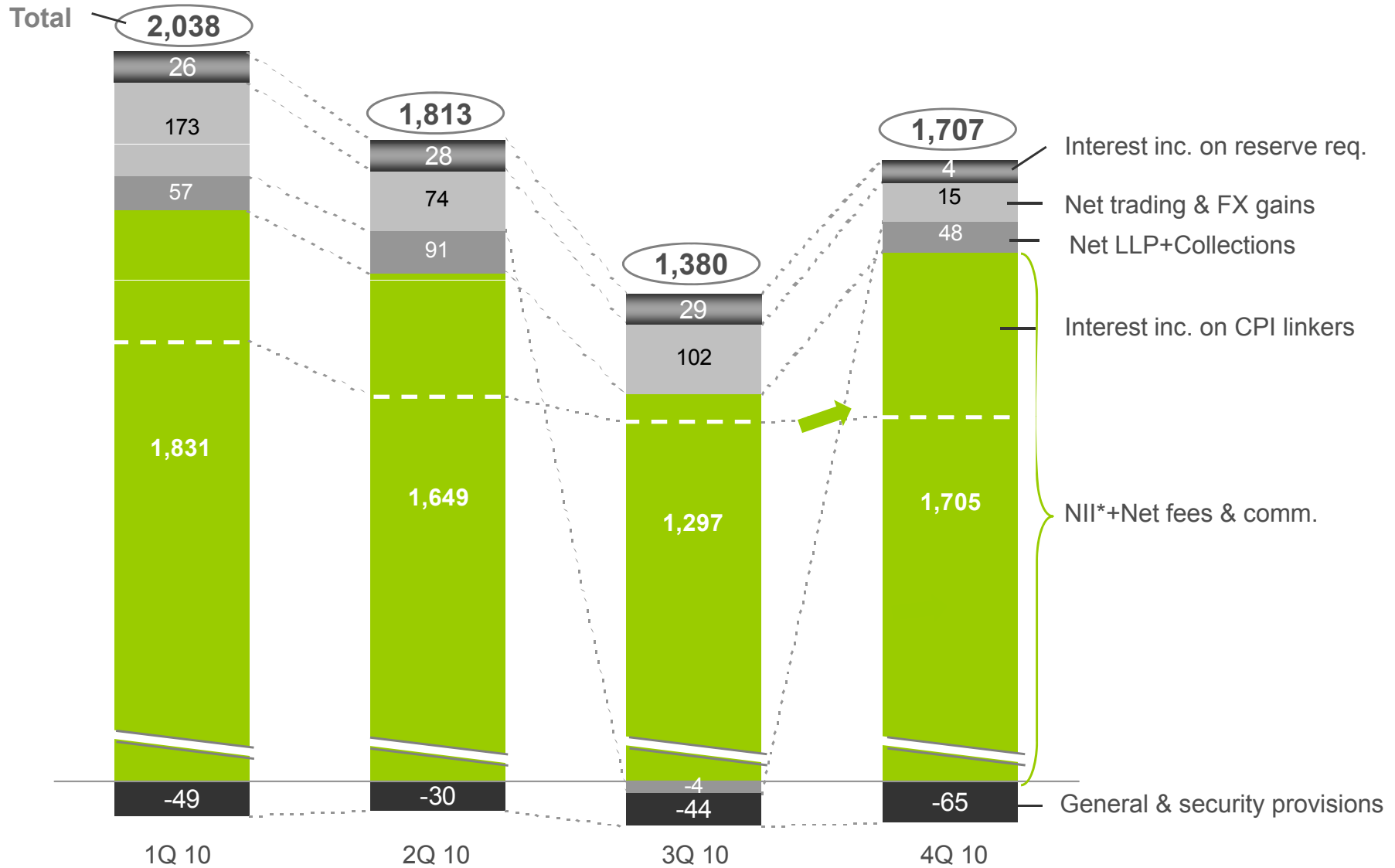
TL Million



# Strong level of banking revenues on the rise

## Evolution of Ordinary Banking Income<sup>1</sup>

TL Million

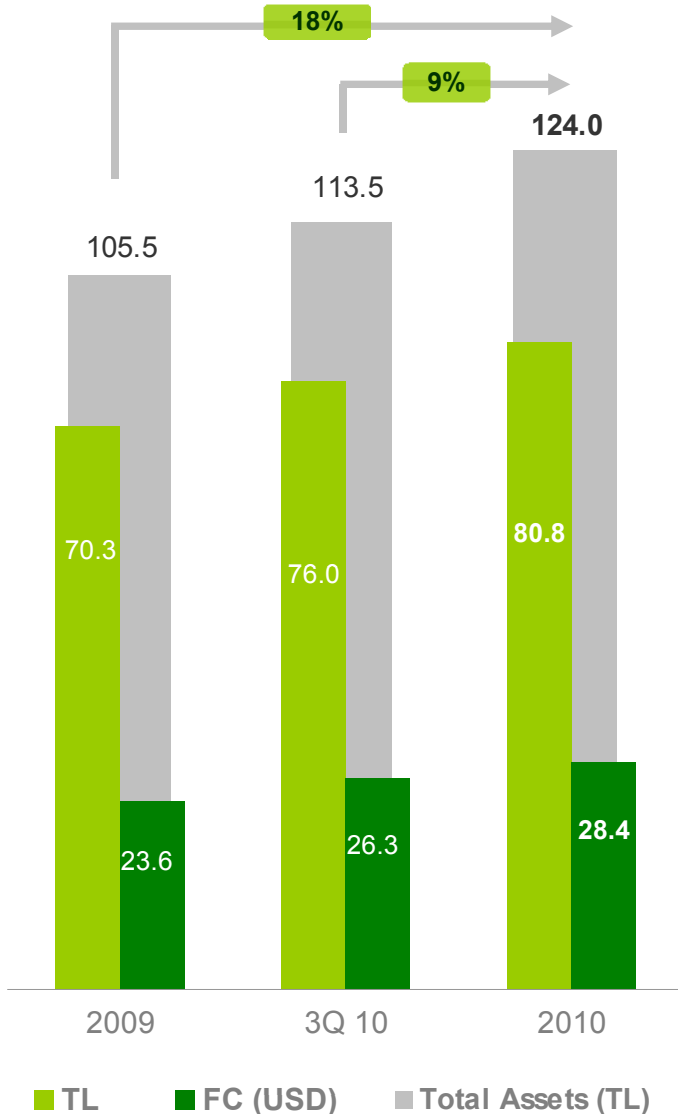


<sup>1</sup> Ordinary banking Income including collections  
 \* NII excluding interest on reserve requirements

# Loans continued to be the driver of the asset growth

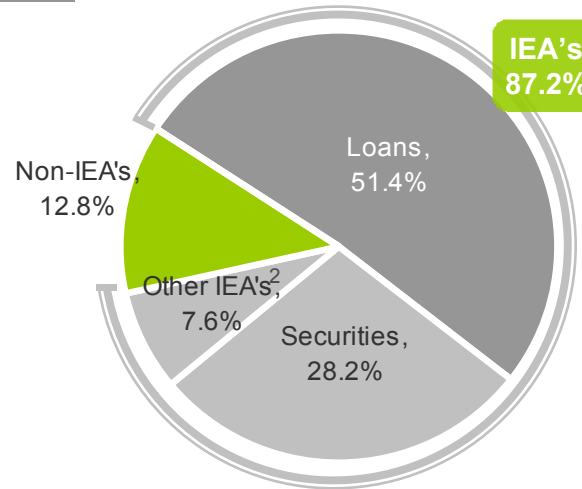
## Total Assets

TL / USD Billion

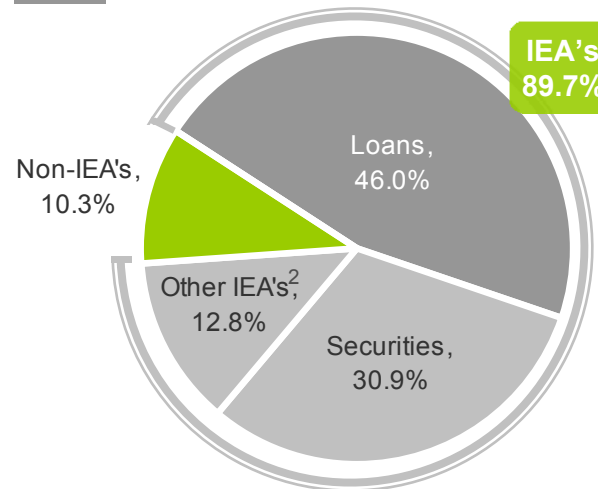


## Composition of Assets<sup>1</sup>

2010



2009



## Growth:

Ytd

*Loans*<sup>4</sup>: **31%**

*Securities*: **8%**

## Loans/Assets

**51%**

up from

**46%** at YE 09

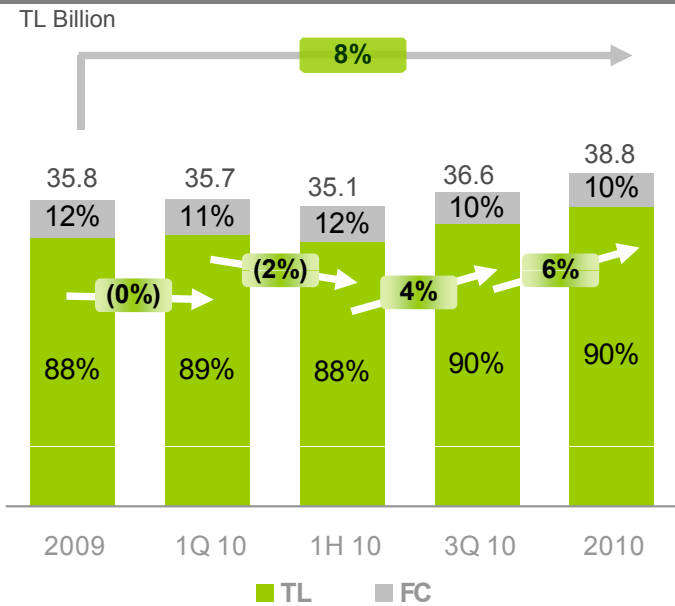
## Liquidity Ratio<sup>3</sup>

**35%**

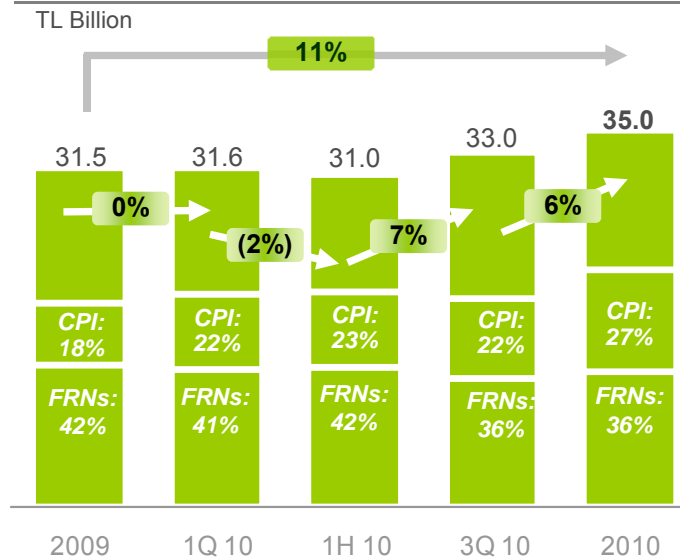
<sup>1</sup> Accrued interest on B/S items are shown in non-IEAs  
<sup>2</sup> Other IEA's include factoring and leasing receivables  
<sup>3</sup> (Cash and banks + trading securities + AFS)/Total Assets  
<sup>4</sup> Performing cash loans

# Limited increase in securities portfolio continued in 4Q mainly with lucrative FRNs

## Total Securities



## TL Securities



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

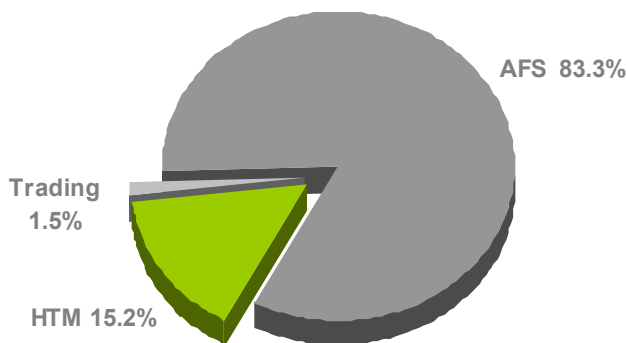
**28%**

*FRN mix*

**60%**

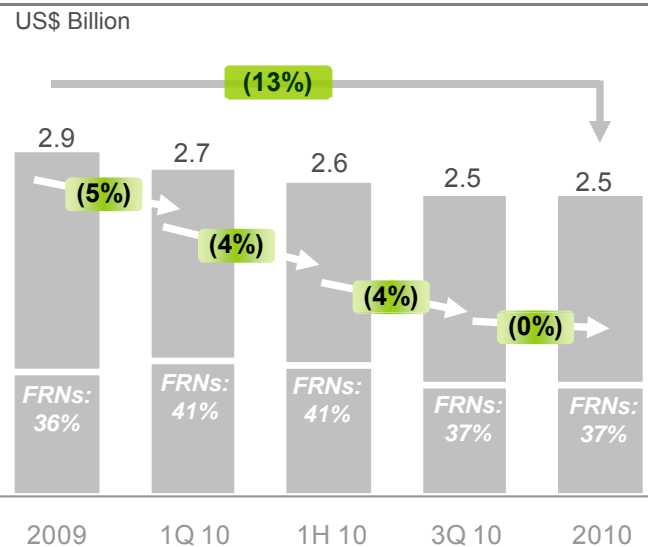
*in total*

## Total Securities Composition



*“Unrealized gain  
as of Dec 31, 2010: TL 2 bn<sup>1</sup>”*

## FC Securities



*AFS mix*

**83%**

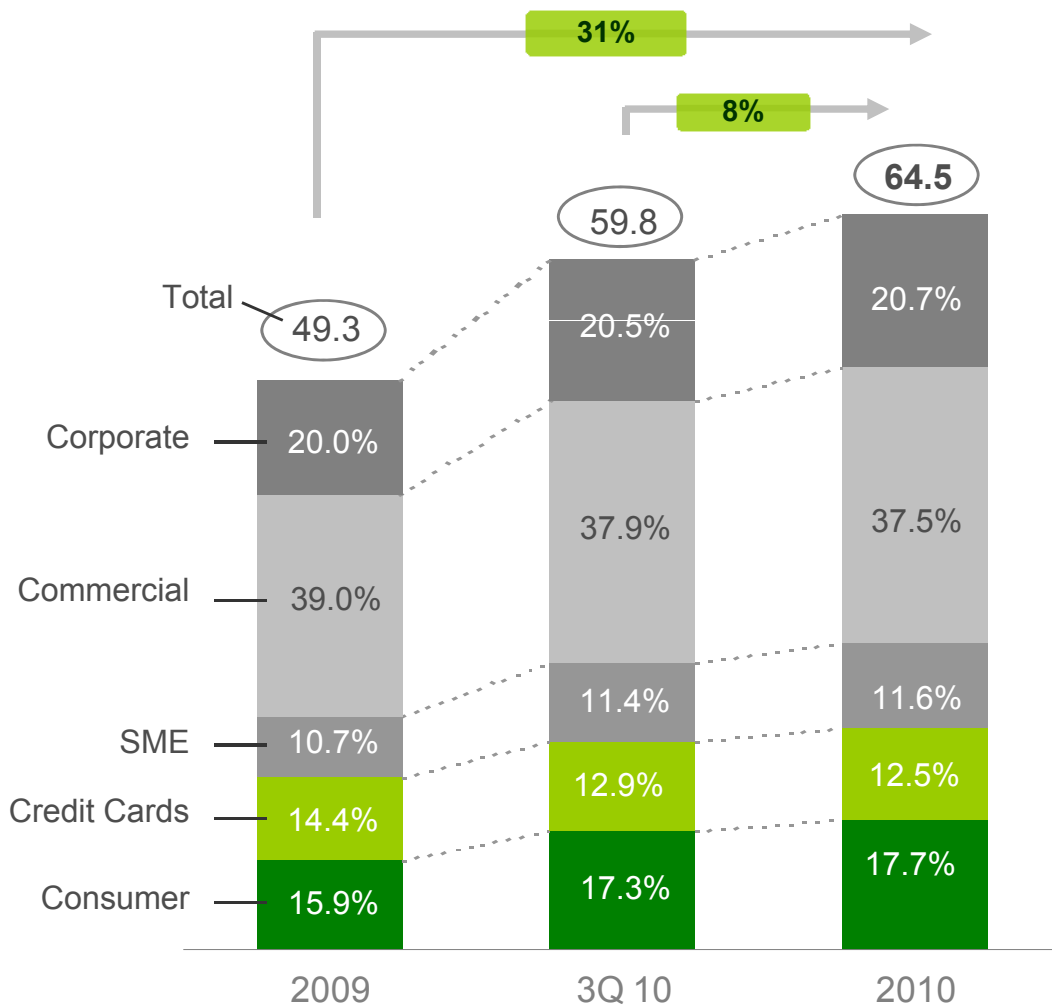
*in total*

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

# Robust lending growth remained intact...

## Total Loan<sup>1</sup> Growth & Loans by LOB<sup>2</sup>

TL Billion



4Q 2010:

*“Lending growth across the board”:*

*TL boosted by*

*consumer and SME*

&

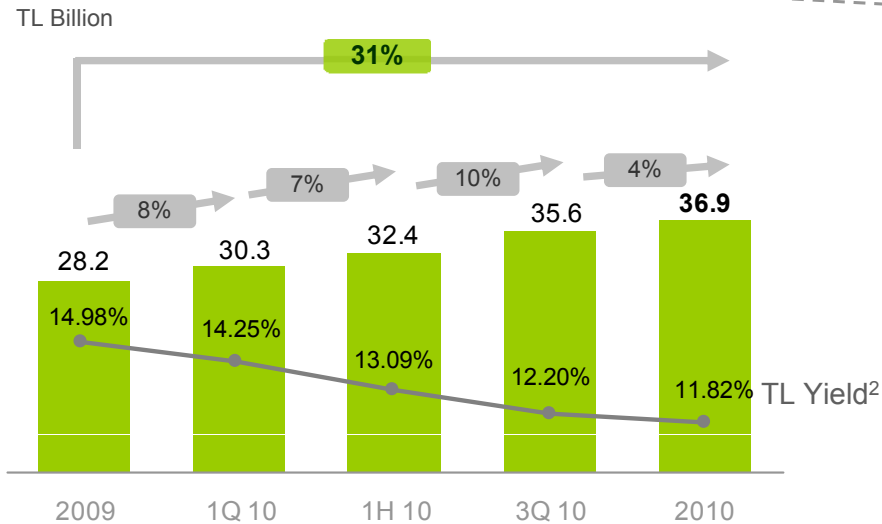
*FX by corporate and*

*commercial lending*

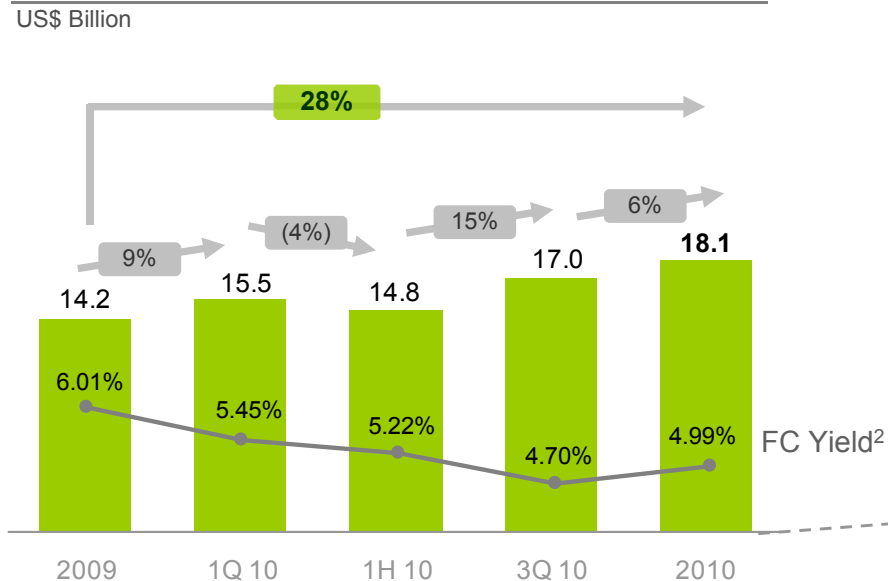


# ...and supported interest income despite declining TL loan yields

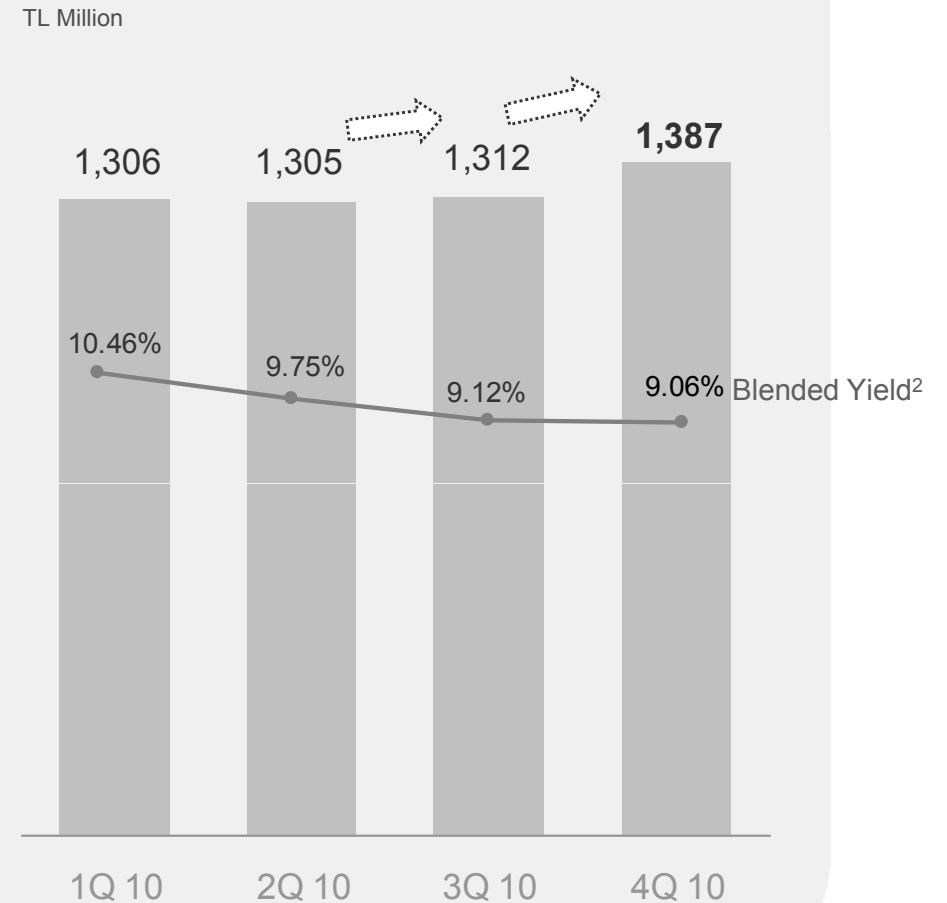
## TL Loans<sup>1</sup>



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

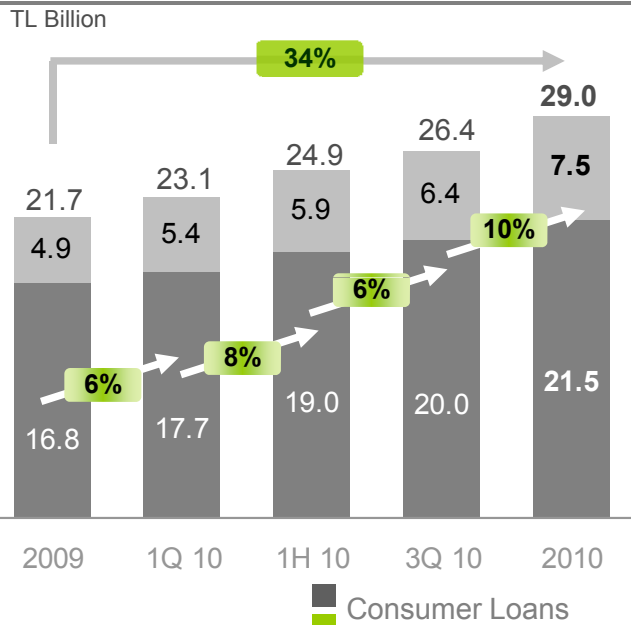


## Interest Income on loans (quarterly)

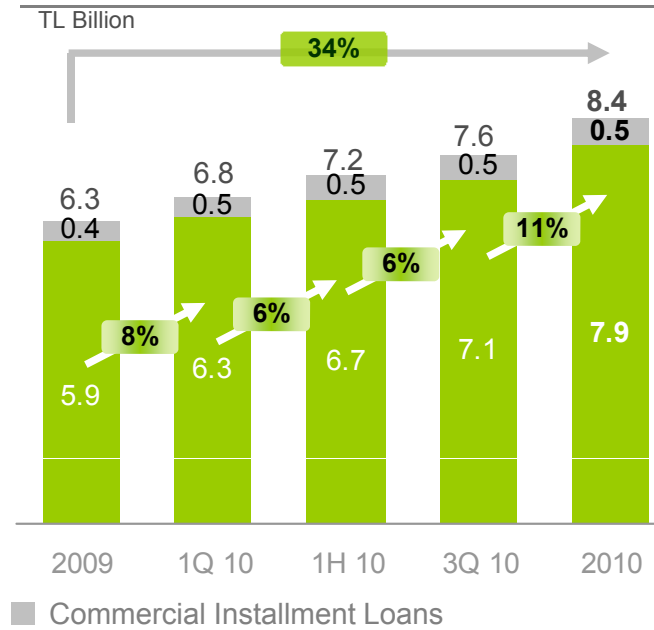


# Selective retail lending growth backed by strong franchise power

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



## Mortgage Loan Growth

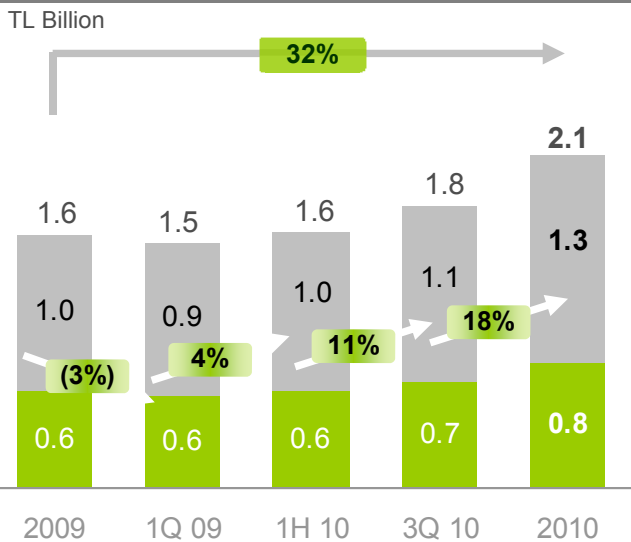


Significant market share gains in GPLs:

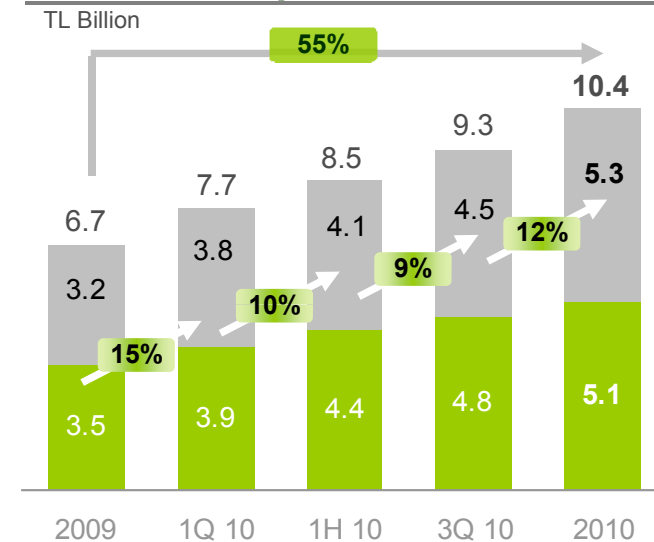
Ytd

*+84 bps*

## Auto Loan Growth



## General Purpose<sup>5</sup> Loan Growth



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

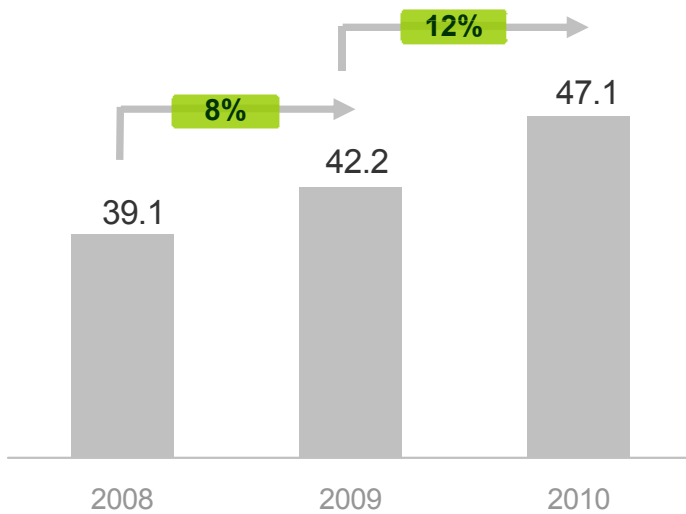
	Dec 10	Ytd	Qtd	Rank <sup>4</sup>
Mortgage	13.9%	+4 bps	+20 bps	#1
Auto	15.1%	+21 bps	-22 bps	#3
General Purpose <sup>5</sup>	10.2%	+84 bps	0 bps	#2
Retail <sup>1</sup>	13.1%	-8 bps	-20 bps	#2

<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> Sector figures are based on bank-only BRSA weekly data, commercial banks only  
<sup>4</sup> As of 3Q10 among private banks  
<sup>5</sup> Including other loans and overdrafts

# Solid market presence in cards business sustained focusing on high asset quality and profitability

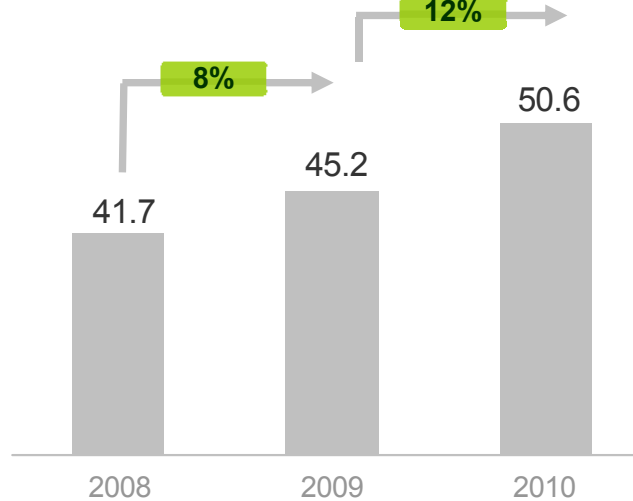
## Issuing Volume

TL Billion

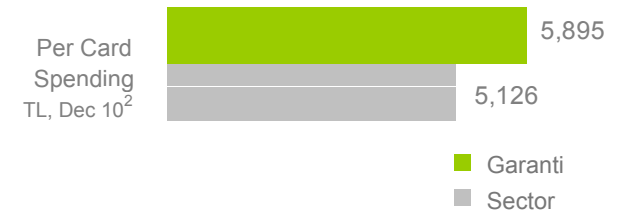


## Acquiring Volume

TL Billion

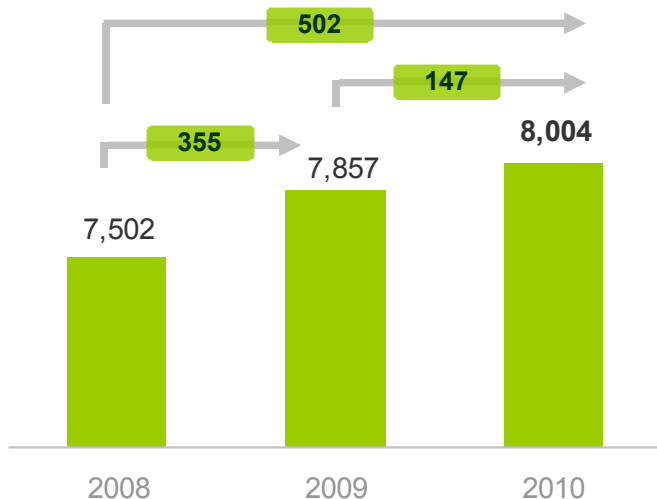


**#1**  
in Credit Card Business



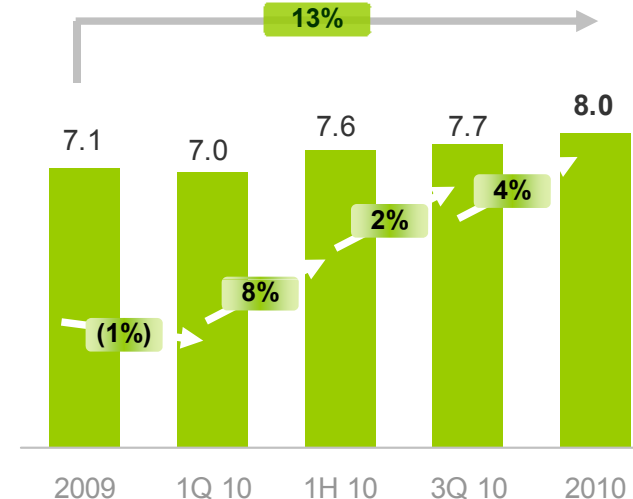
## No. of Credit Cards

In Thousand



## Credit Card Balances

TL Billion

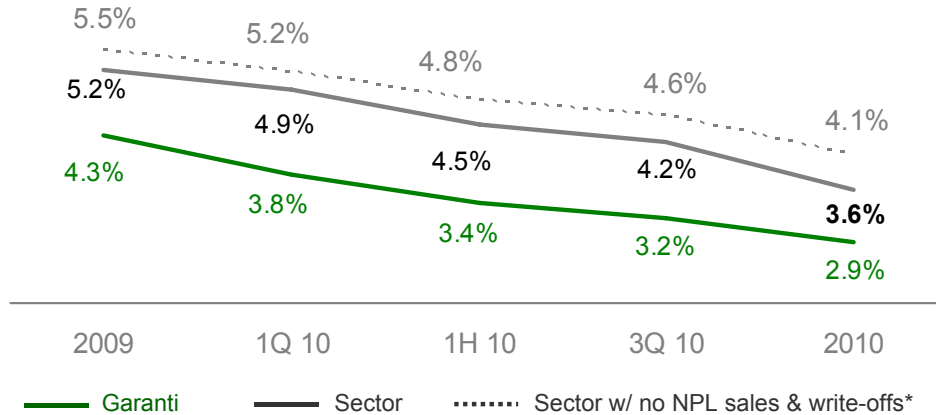


## Market Shares

	YTD Δ	Dec 10	Rank
Acquiring	-67 bps	21.4%	#2 <sup>3</sup>
Issuing	-71 bps	20.1%	#1
# of Credit Cards	-65 bps	17.1%	#1
POS <sup>1</sup>	+178 bps	22.2%	#1
ATM	-72 bps	10.9%	#3

# Strong collections performance marked the year

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



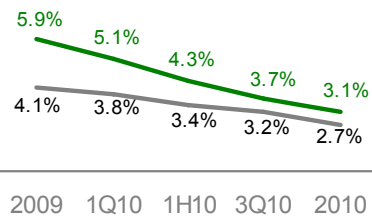
\* 2009 and 2010 sector NPL sales & write-offs total: TL 1.0 bn and ~TL 2.6 bn, respectively

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

### Retail Banking

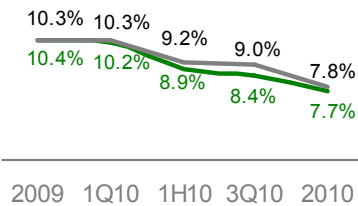
(Consumer & SME Personal)

21% of Garanti's Total Loans



### Credit Cards

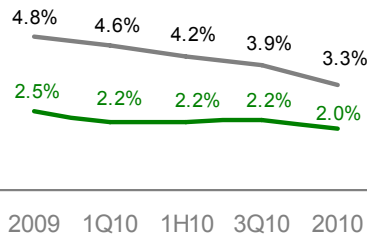
12% of Garanti's Total Loans



### Business Banking

(Including SME Business)

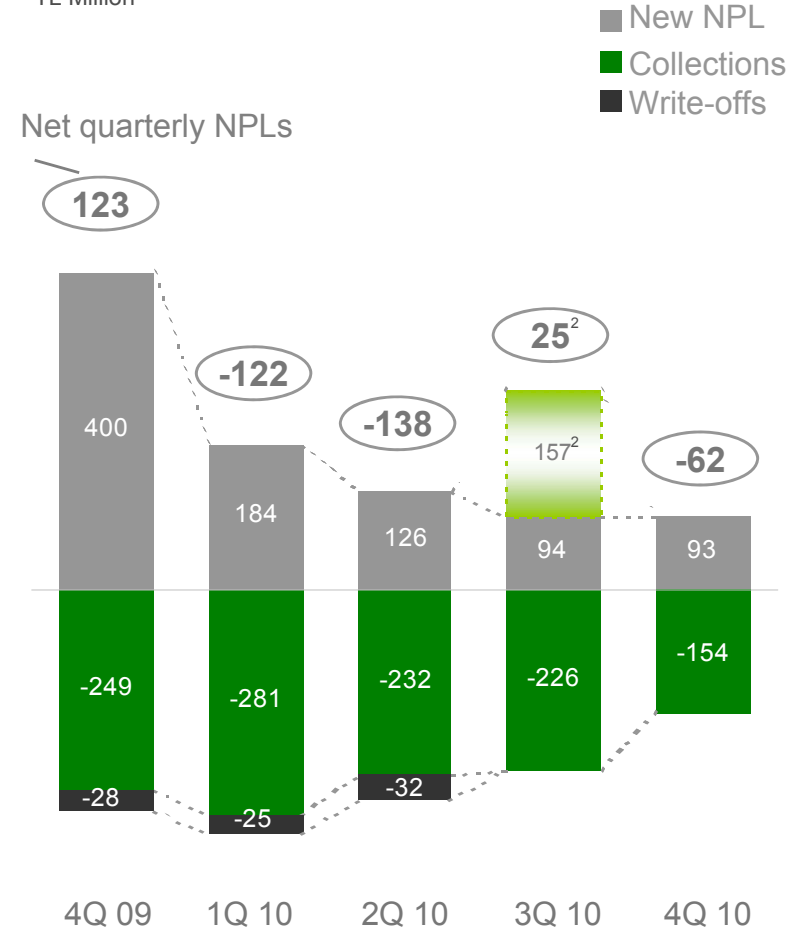
67% of Garanti's Total Loans



— Garanti — Sector

## Net NPLs (quarterly)

TL Million



<sup>1</sup> Sector figures are per BRSA bank-only data. NPL categorisation is based on bank-only data  
<sup>2</sup> 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

# Cost of risk heading towards normalized levels

## Quarterly Loan-Loss Provisions

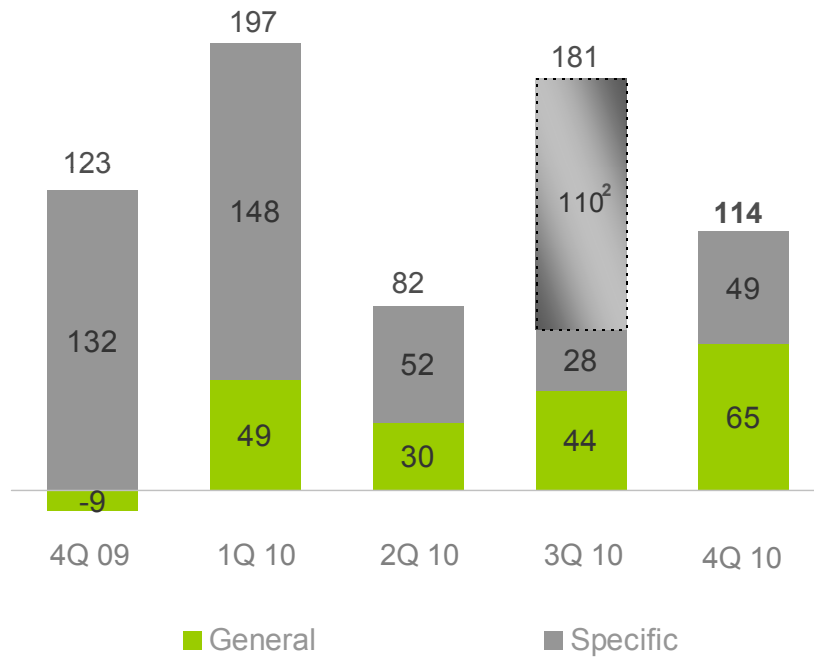
TL Million

### Coverage Ratio

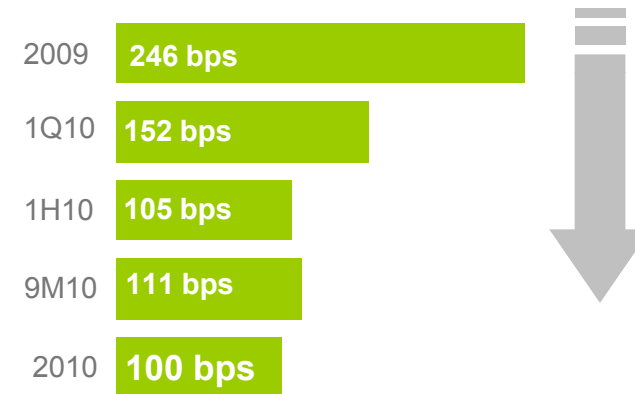
	<u>Dec 09</u>	<u>Mar 10</u>	<u>Jun 10</u>	<u>Sep 10</u>	<u>Dec 10</u>
Sector <sup>1</sup>	85%	85%	86%	86%	85%
<b>Garanti</b>	81%	82%	82%	81%	82%

*Coverage ratio remains strong at*

**82%**



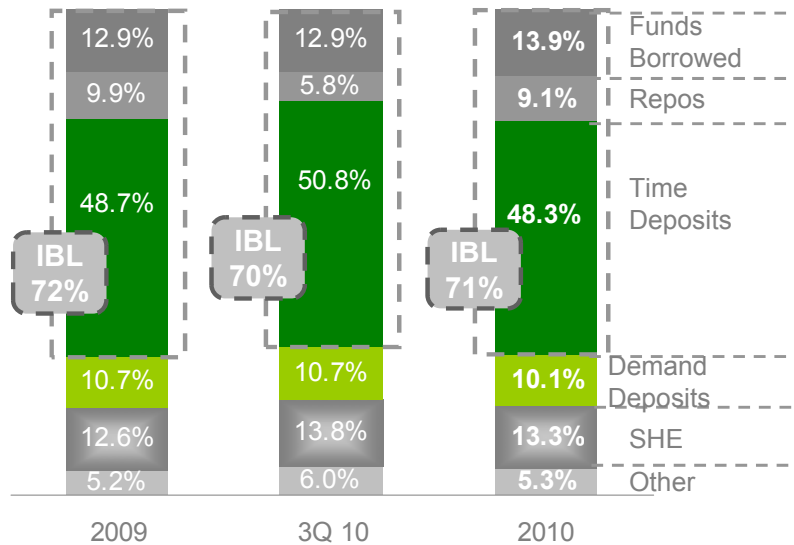
## Cost of Risk



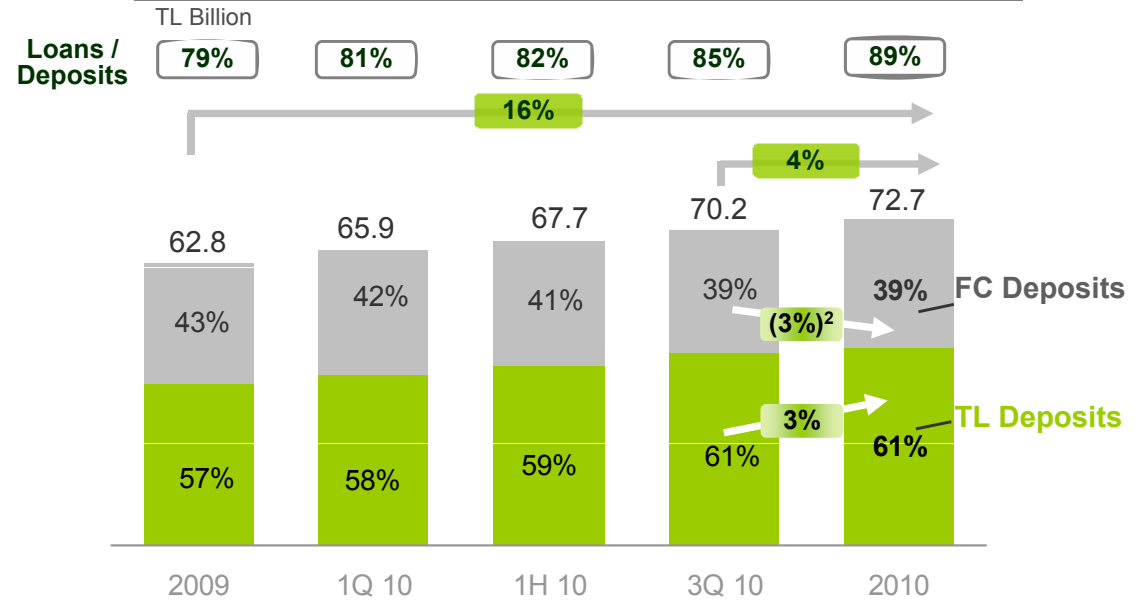
<sup>1</sup> Sector figures are per BRSA weekly data, commercial banks only  
<sup>2</sup> TL110 mn of provisions resulting from NPL inflows in 3Q 10, which are related to a few commercial files with highly strong collateralization

# Actively managed and diversified funding base

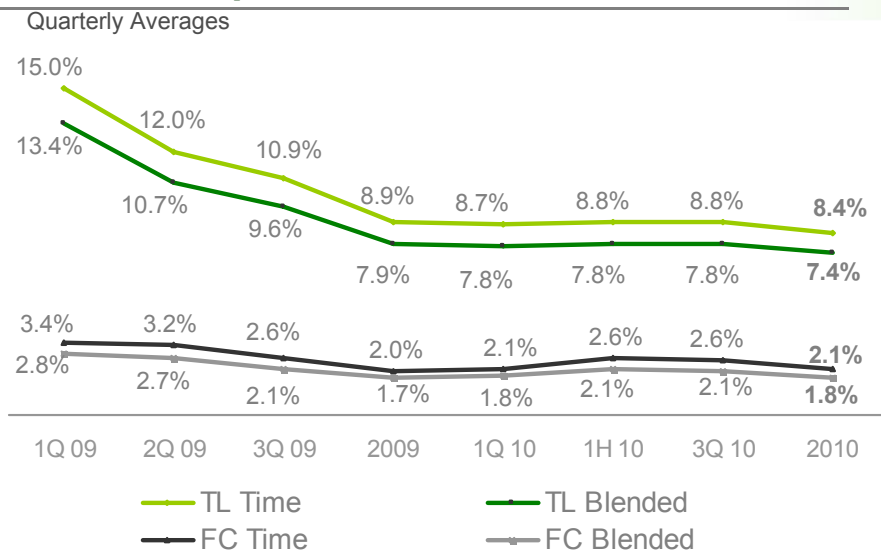
## Composition of Liabilities



## Total Deposits



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



Ytd growth:

TL deposits **22%** vs. sector's **28%**

FC deposits<sup>2</sup> **5%** vs. sector's **4%**

Deposits market share :

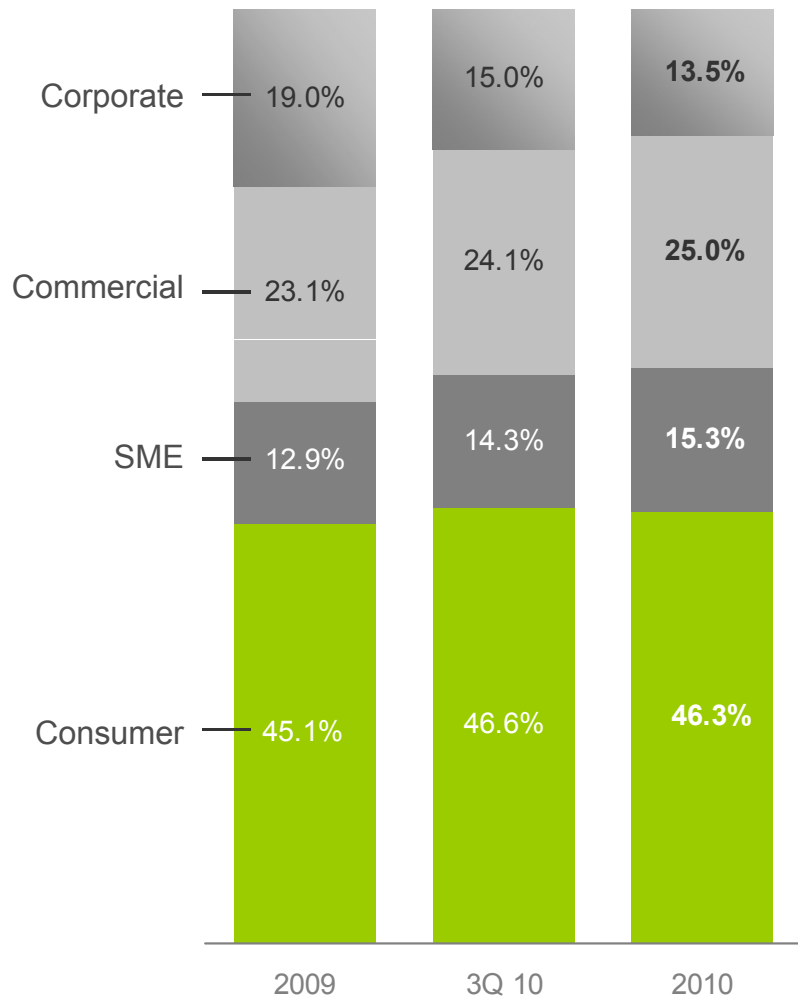
**11.9%**

<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

# Deposit growth strategy -- capturing wider customer base while sustaining strong demand deposit levels

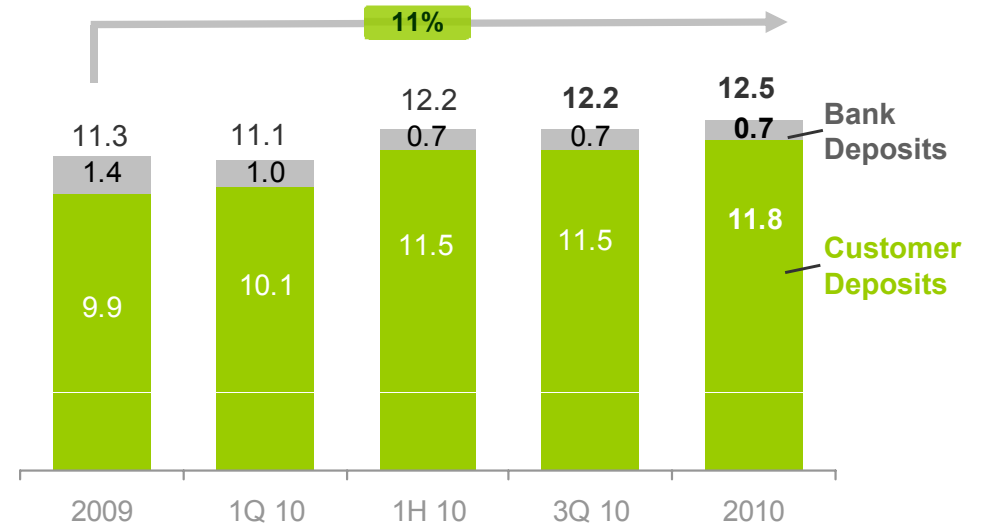
## Deposits by LOB<sup>1</sup>

(Excluding bank deposits)



## Demand Deposits

TL Billion



## Customer Demand Deposits

YTD Growth

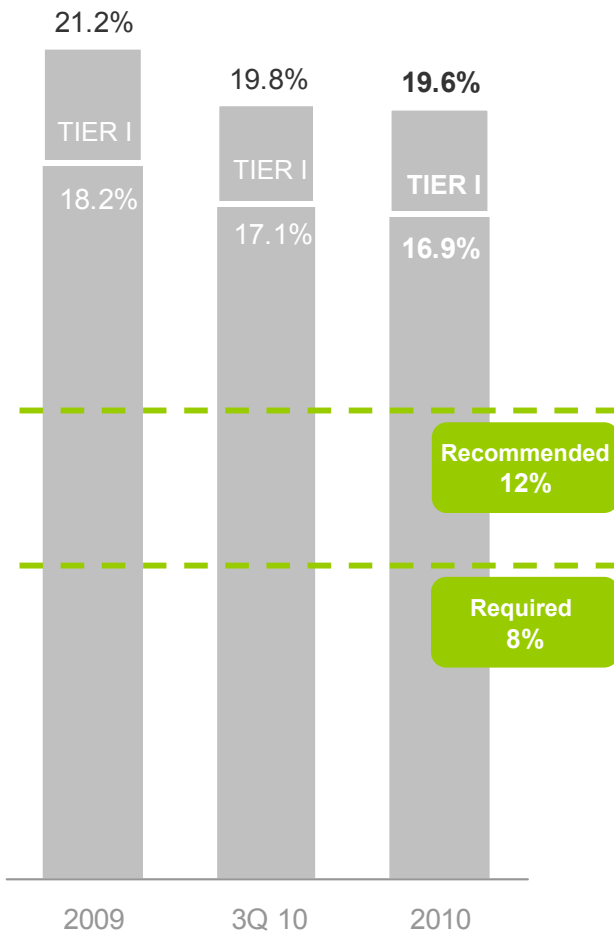
**19%**

## Demand Deposits / Total Deposits:

**17%**

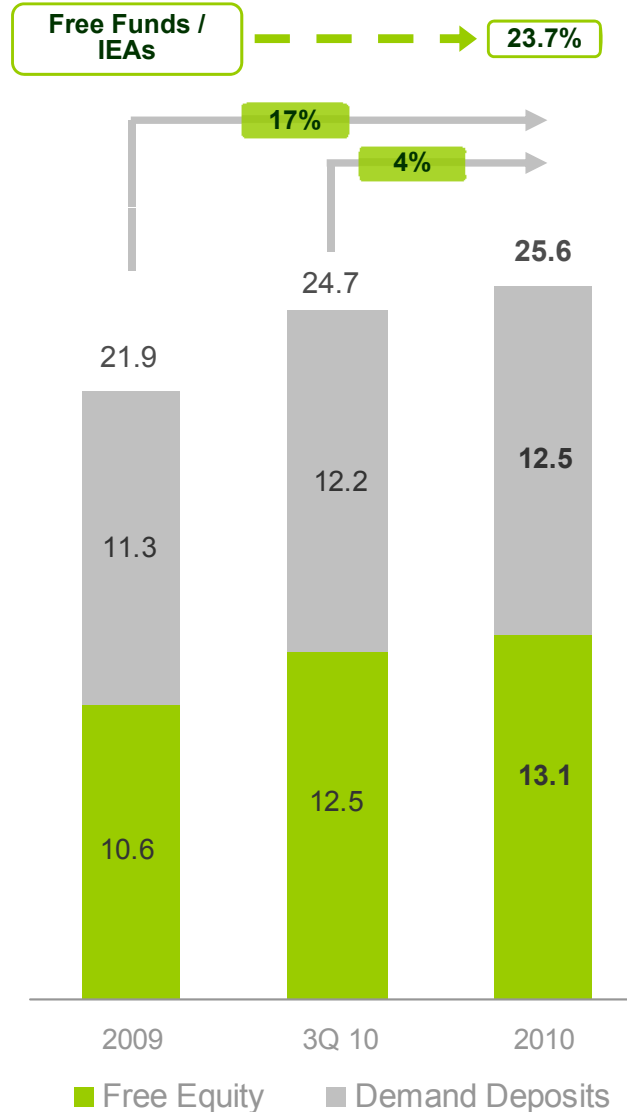
# Capital ratios remained strong with low leverage -- well-positioned for growth

## CAR



## Free Funds

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



**Free Equity**  
YTD growth



**24%**

**Leverage Ratio**

**6x**

down from

**7x** in YE 09 &

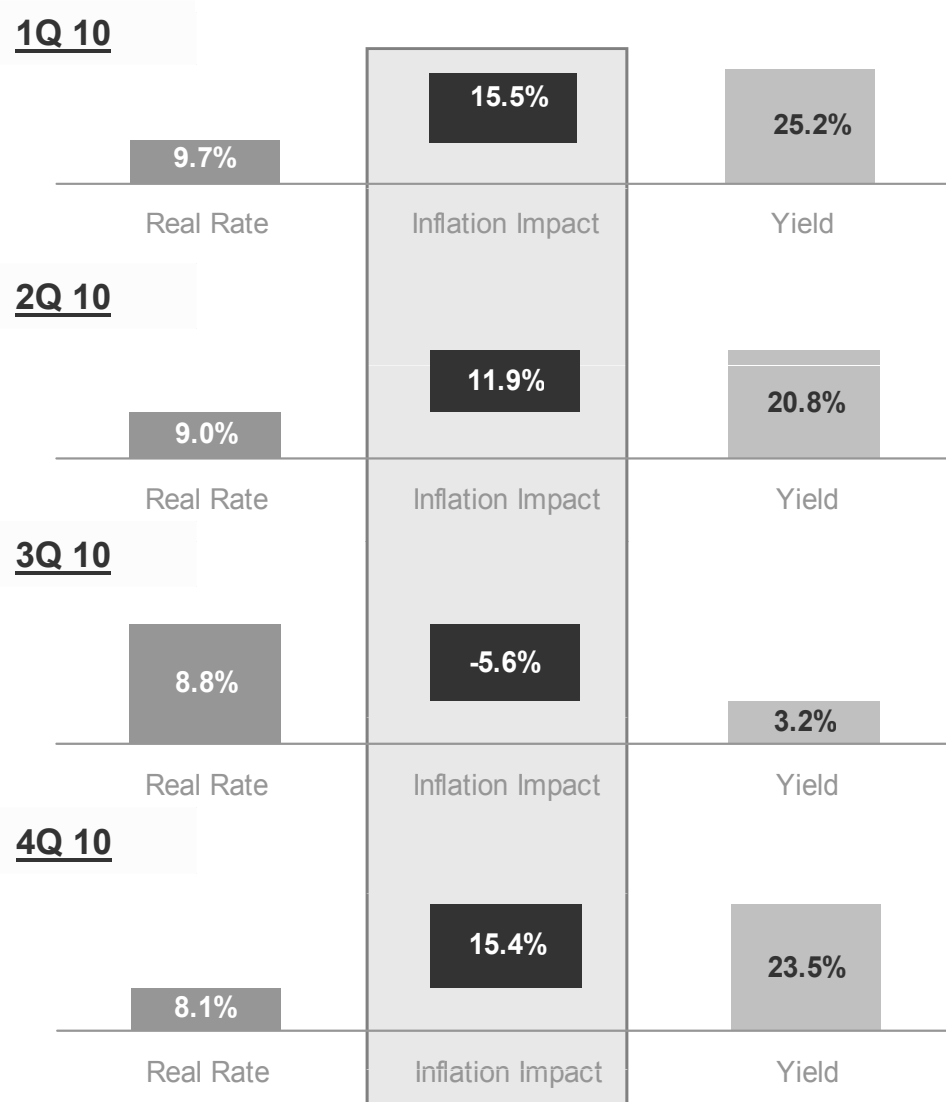
**8x** in YE 08



# Long-term strategy of investing in CPI linkers yielded ~18% on an annual basis and...

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

% average per annum



## Interest Income & Yields on TL Securities

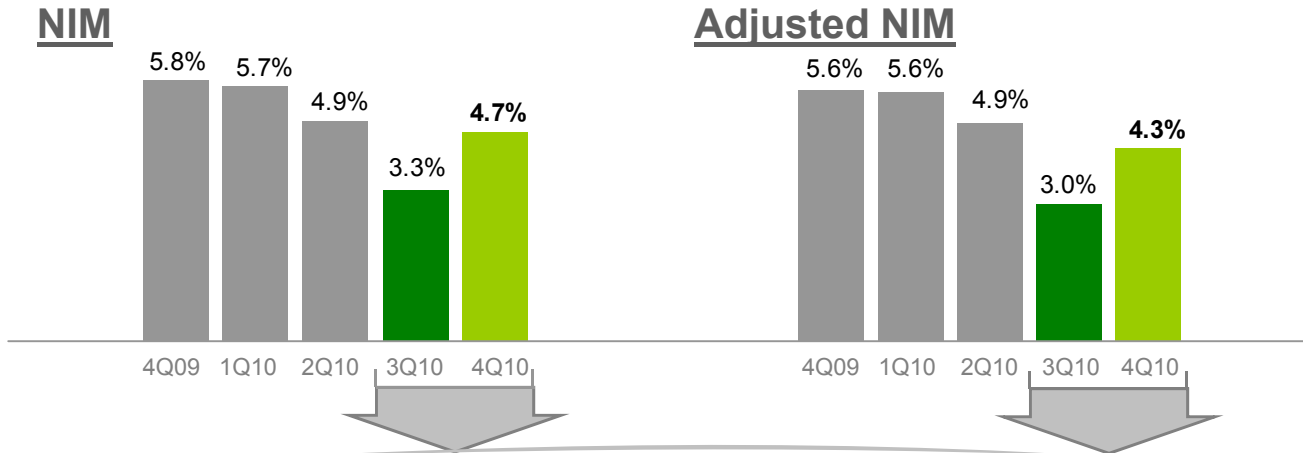
TL Million



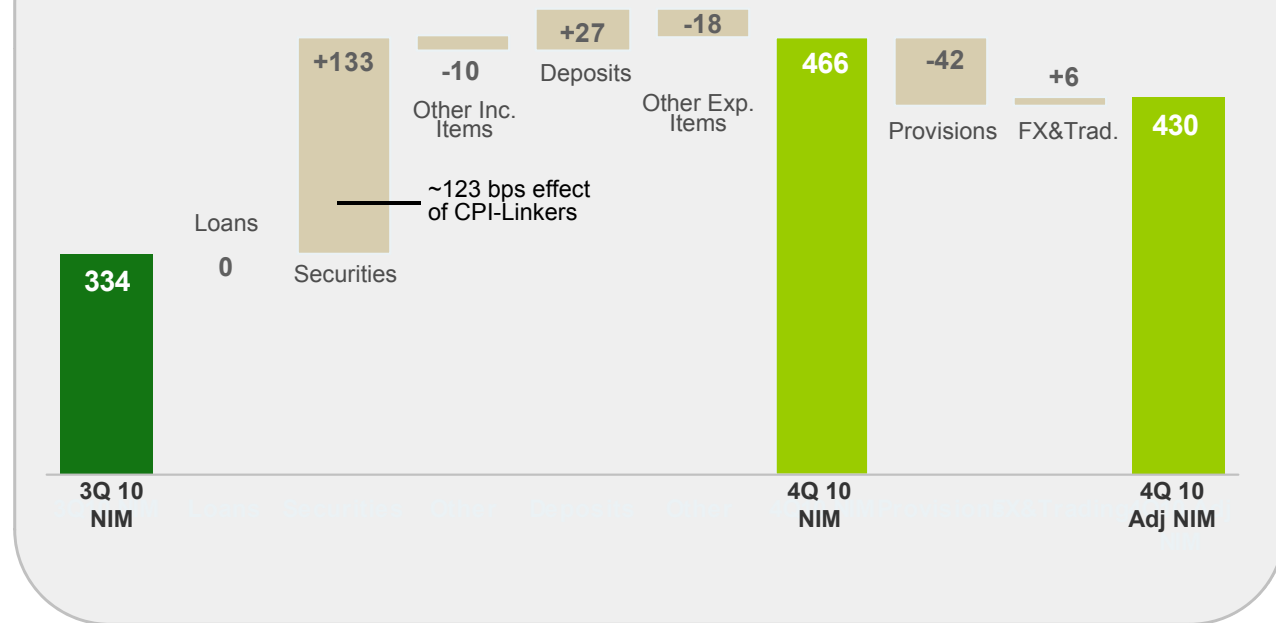
<sup>1</sup> Based on bank-only MIS data

# ...supported margin in 2010

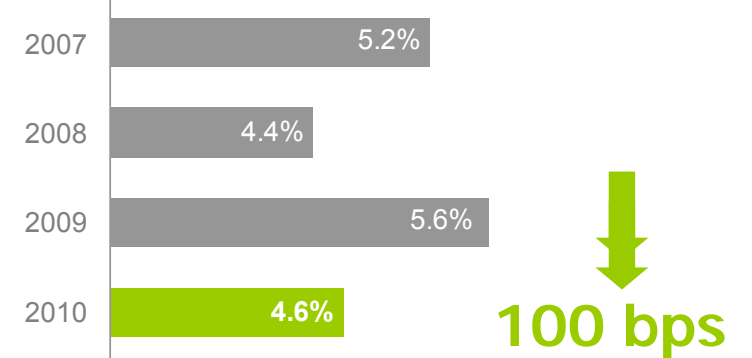
## Quarterly NIM (Net Interest Income / Average IEAs)



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



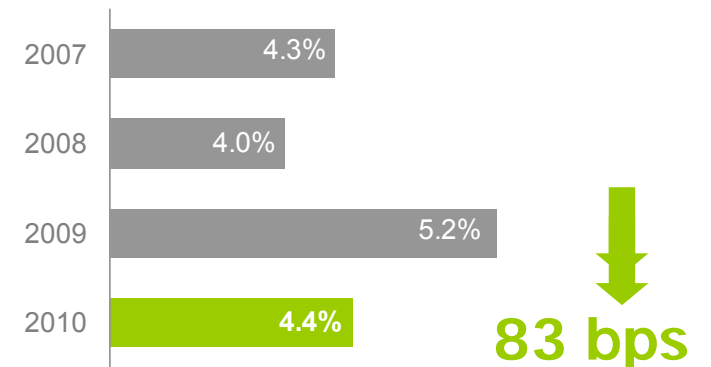
## Cumulative NIM



### Dec 10 over Dec 09:

- Declining funding costs' impact on margin +133 bps
- Drop in asset yields' impact on margin -233 bps

## Cumulative Adjusted NIM



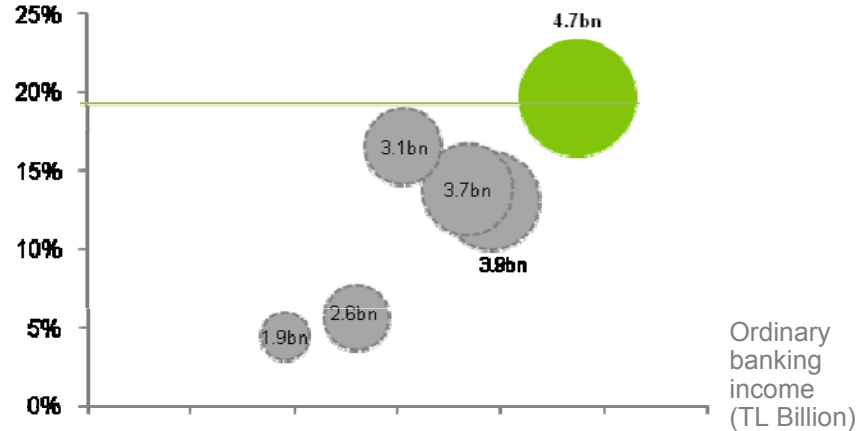
# Healthy Fees & Commissions income due to strong customer penetration and cross-sell

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

As of 9M 2010 for fair comparison

Net fees and comm. market share %

● Garanti  
● Peers



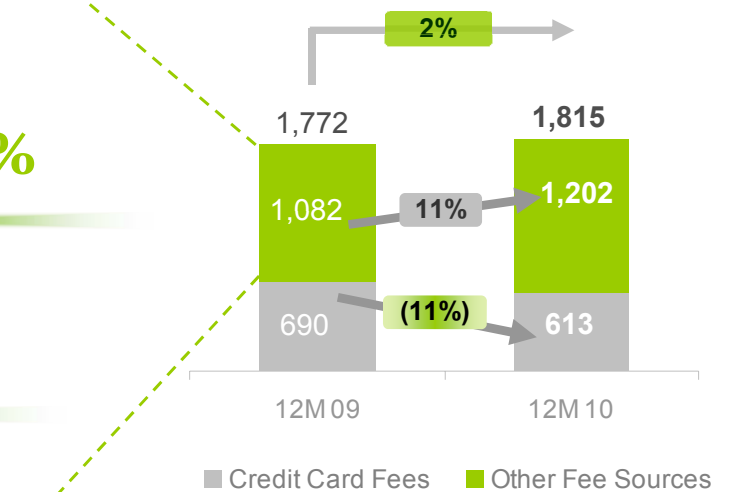
Strong presence in brokerage

Market share **>7%**

**#1** in bancassurance

## Net Fees & Commissions<sup>2</sup>

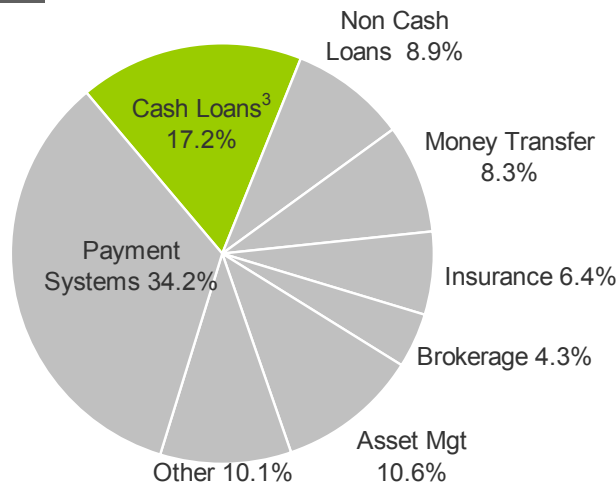
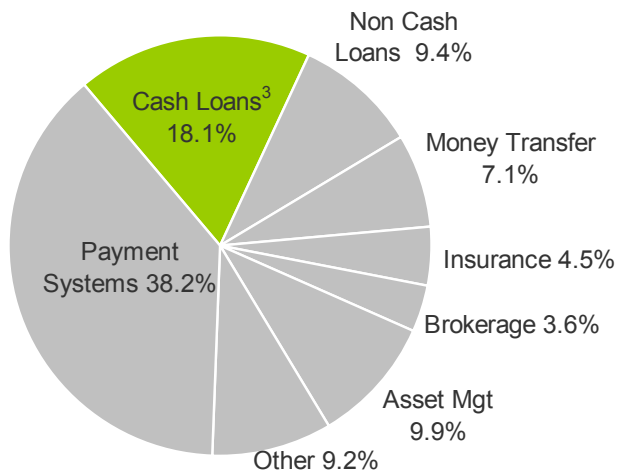
TL Million



## Net Fees & Commission Breakdown<sup>3,4</sup>

2009

2010



“further diversified fee sources”

Y-o-y growth in:

Insurance **41%**

Brokerage **21%**

Money transfer **15%**

<sup>1</sup> Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions  
<sup>2</sup> As per new BRSA classification in P/L, excludes net fees and commissions received from cash loans amounting TL 115mn for 12M10 and TL 144mn for 12M 09  
<sup>3</sup> Include consumer loans fees as well as other cash loan fees now classified as interest on loans in income statement amounting TL 115mn for 12M10 and TL 144mn for 12M 09  
<sup>4</sup> Bank-only MIS data

... and all resulted in record profit of TL 3.1bn for the year

(TL Million)	2009	2010
Interest Income	10,441	9,500
-Loans	6,004	5,309
-Reserve Requirements	148	87
-Securities	3,918	3,742
<i>CPI Linkers</i>	522	1,173
Interest Expense	5,361	4,745
<b>NET INTEREST INCOME</b>	<b>5,080</b>	<b>4,755</b>
Net Fees & Comm.	1,772	1,816
Net Trading & FX Gains	881	364
Net Provisions for Loans	-1,135	191
- <i>Specific Loan Loss Provisions</i>	1,212	387
- <i>Provision reversals</i>	77	578
General & Security Provisions	-12	(188)
<b>ORDINARY BANKING INCOME -including collections</b>	<b>6,586</b>	<b>6,937</b>
Other Income	281	66
Operating Expense	2,699	3,041
Other provisions	388	10
<b>PROFIT BEFORE TAX</b>	<b>3,779</b>	<b>3,952</b>
Taxes	816	807
<b>NET INCOME</b>	<b>2,962</b>	<b>3,145</b>

*OPEX / Avg.  
Assets:*  
**2.7%**

*Fee coverage  
of Opex:*  
**60%**

*Cost /  
Income:*  
**43.4%**

# Appendix

## Balance Sheet - Summary

<i>(TL Million)</i>		<b>2009</b>	<b>2010</b>	<b>YTD Change</b>
<b>Assets</b>	<b>Cash &amp; Banks<sup>1</sup></b>	11,108	10,338	(7%)
	<b>Reserve Requirements</b>	5,092	5,493	8%
	<b>Securities</b>	35,783	38,818	8%
	<b>Performing Loans</b>	49,308	64,476	31%
	<b>Fixed Assets &amp; Subsidiaries</b>	2,196	2,916	33%
	<b>Other</b>	1,975	1,922	(3%)
	<b>TOTAL ASSETS</b>	<b>105,462</b>	<b>123,963</b>	<b>18%</b>
	<b>Liabilities &amp; SHE</b>	<b>Deposits</b>	62,808	72,658
<b>Repos</b>		10,535	11,254	7%
<b>Borrowings</b>		13,882	17,518	26%
<b>Other</b>		4,921	6,058	23%
<b>SHE</b>		13,316	16,475	24%
<b>TOTAL LIABILITIES &amp; SHE</b>		<b>105,462</b>	<b>123,963</b>	<b>18%</b>

# Quarterly Income Statement

<i>(TL Million)</i>	1Q 10	2Q 10	3Q 10	4Q 10
Interest Income	2,486	2,386	2,084	2,544
-Loans	1,306	1,305	1,312	1,387
-Reserve Requirements	26	28	29	4
-Securities	1,064	956	659	1,064
<i>CPI Linkers</i>	348	328	52	445
Interest Expense	1,104	1,162	1,215	1,263
<b>NET INTEREST INCOME</b>	<b>1,382</b>	<b>1,224</b>	<b>869</b>	<b>1,280</b>
Net Fees & Comm.	476	453	458	430
Net Trading & FX Gains	173	74	102	15
Net Provisions for Loans	57	91	-4	48
- <i>Specific Loan Loss Provisions</i>	148	52	138	49
- <i>Provision reversals</i>	205	143	133	97
General & Security Provisions	-49	-30	-44	-65
<b>ORDINARY BANKING INCOME -including collections</b>	<b>2,038</b>	<b>1,813</b>	<b>1,380</b>	<b>1,707</b>
Other Income	12	22	17	14
Operating Expense	775	708	729	828
Other provisions	3	-2	7	1
<b>PROFIT BEFORE TAX</b>	<b>1,271</b>	<b>1,128</b>	<b>661</b>	<b>892</b>
Taxes	266	208	139	194
<b>NET INCOME</b>	<b>1,005</b>	<b>920</b>	<b>522</b>	<b>698</b>

## Key financial ratios

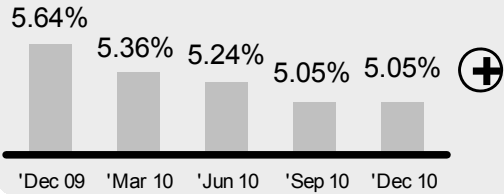
	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
<b><u>Profitability ratios</u></b>					
ROAE	26%	29%	27%	22%	21%
ROAA	3.1%	3.9%	3.7%	3.0%	2.8%
Cost/Income	39.3%	37.8%	38.2%	41.9%	43.4%
NIM (Cumulative)	5.6%	5.7%	5.3%	4.6%	4.6%
Adjusted NIM (Cumulative)	5.2%	5.6%	5.2%	4.5%	4.4%
<b><u>Liquidity ratios</u></b>					
Liquidity ratio	37%	37%	36%	35%	35%
Loans/Deposits	78.5%	81.3%	82.3%	85.3%	88.7%
<b><u>Asset quality ratios</u></b>					
NPL Ratio	4.3%	3.8%	3.4%	3.2%	2.9%
Coverage	81%	82%	82%	81%	82%
Cost of Risk (bps)	246	152	105	111	100
<b><u>Solvency ratios</u></b>					
CAR	21.2%	20.6%	20.1%	19.8%	19.6%
Tier I Ratio	18.2%	17.7%	17.5%	17.1%	16.9%
Leverage	7x	6x	6x	6x	6x



# Quarterly Margin Analysis

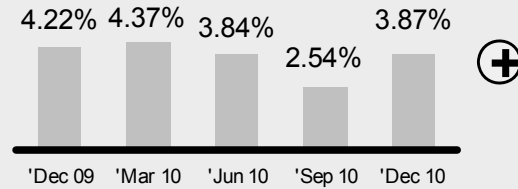
## Int. Income on loans

% of Avg. Interest Earning Assets



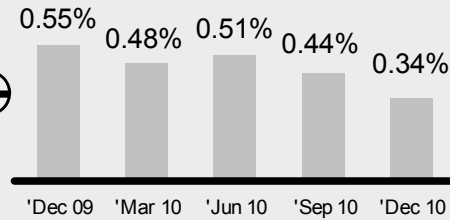
## Int. Income on securities

% of Avg. Interest Earning Assets



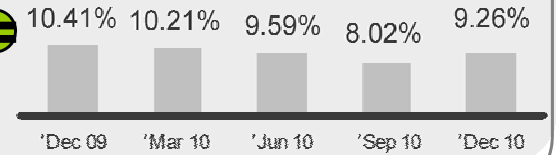
## Int. Income - other

% of Avg. Interest Earning Assets



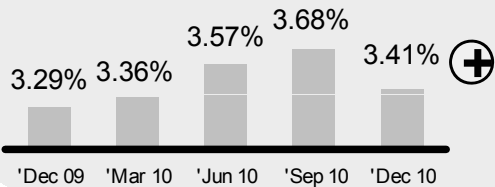
## Total Int. Income

% of Avg. Interest Earning Assets



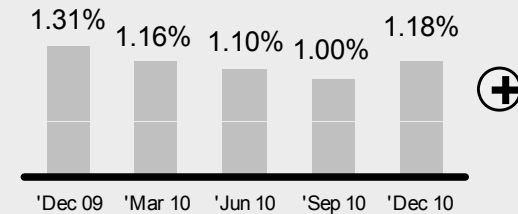
## Int. Expense on deposits

% of Avg. Interest Earning Assets



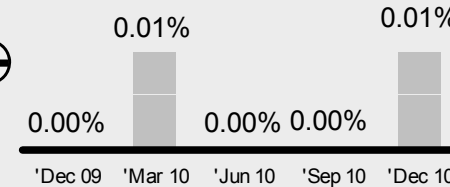
## Int. Expense on Borrowings\*

% of Avg. Interest Earning Assets



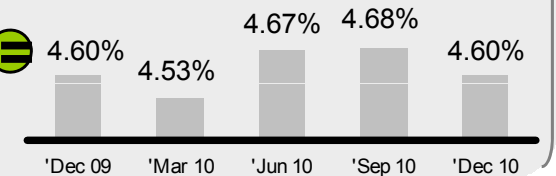
## Int. Expense - other

% of Avg. Interest Earning Assets



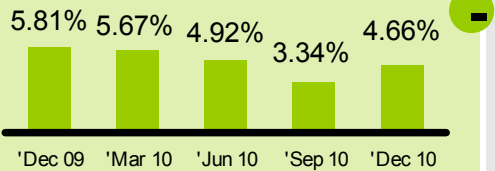
## Total Int. Expense

% of Avg. Interest Earning Assets



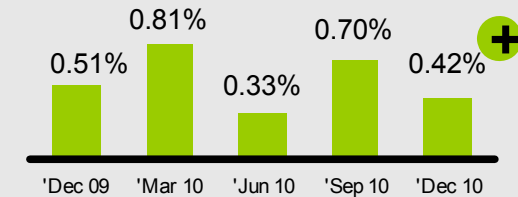
## Net Int. Margin

% of Avg. Interest Earning Assets



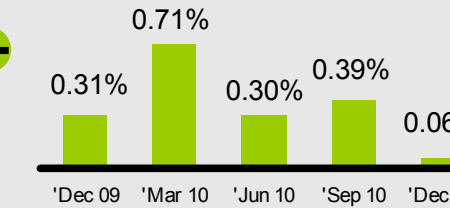
## Prov. for Loans & Securities

% of Avg. Interest Earning Assets



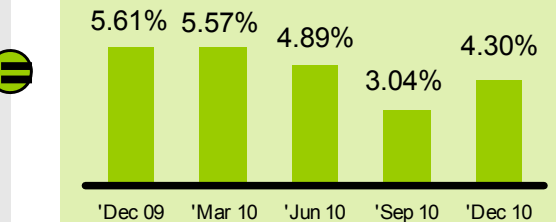
## Net FX & Trading gains

% of Avg. Interest Earning Assets



## Net Int. Margin - Adjusted

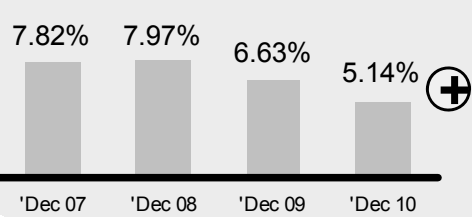
% of Avg. Interest Earning Assets



# Cumulative Margin Analysis

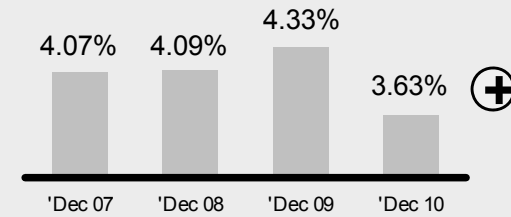
## Int. Income on loans

% of Avg. Interest Earning Assets



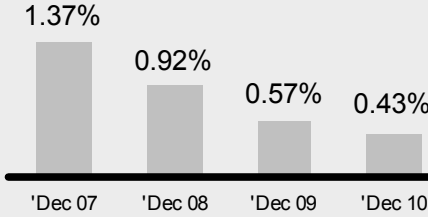
## Int. Income on securities

% of Avg. Interest Earning Assets



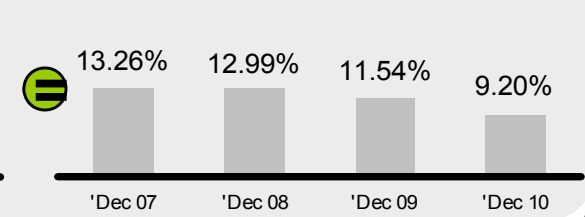
## Int. Income - other

% of Avg. Interest Earning Assets



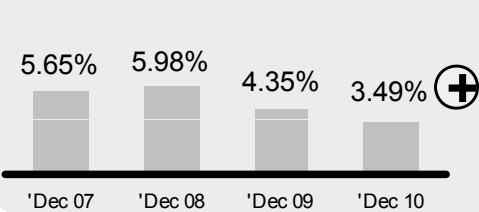
## Total Int. Income

% of Avg. Interest Earning Assets



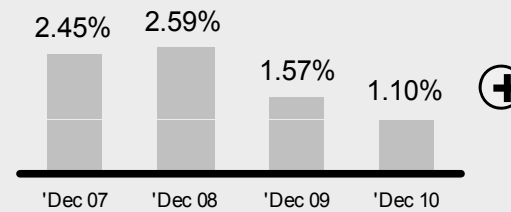
## Int. Expense on deposits

% of Avg. Interest Earning Assets



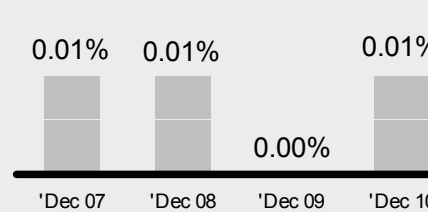
## Int. Expense on Borrowings\*

% of Avg. Interest Earning Assets



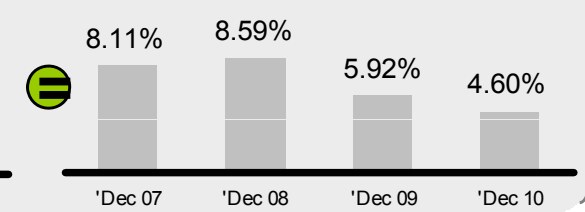
## Int. Expense - other

% of Avg. Interest Earning Assets



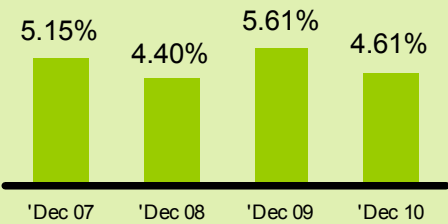
## Total Int. Expense

% of Avg. Interest Earning Assets



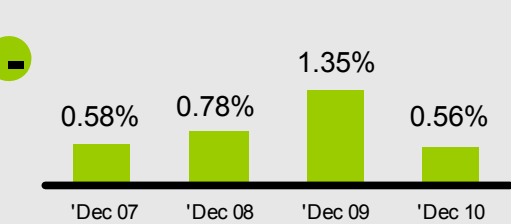
## Net Int. Margin

% of Avg. Interest Earning Assets



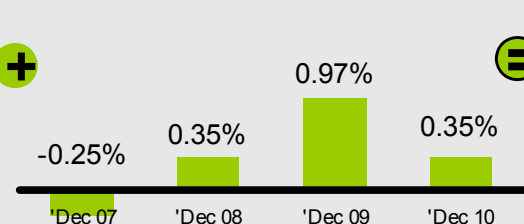
## Prov. for Loans & Securities

% of Avg. Interest Earning Assets



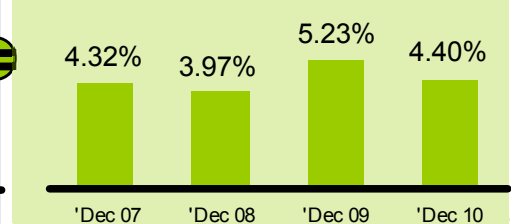
## Net FX & Trading gains

% of Avg. Interest Earning Assets



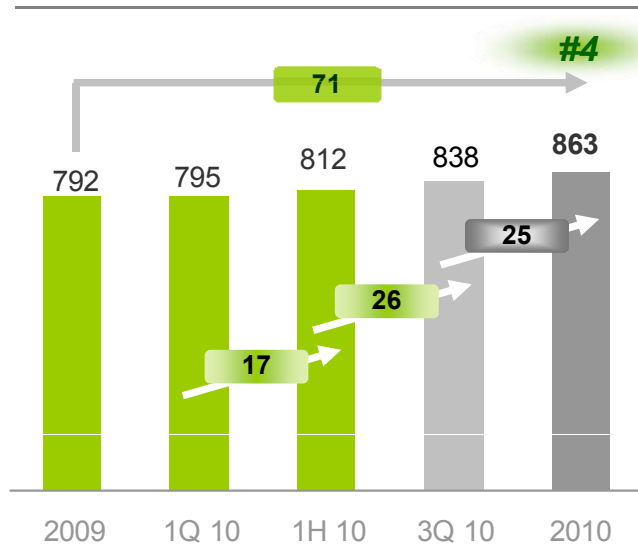
## Net Int. Margin - Adjusted

% of Avg. Interest Earning Assets

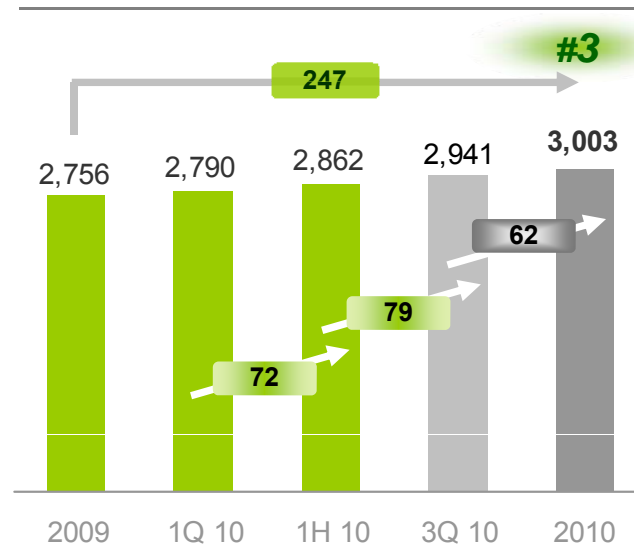


# Further strengthening of retail network

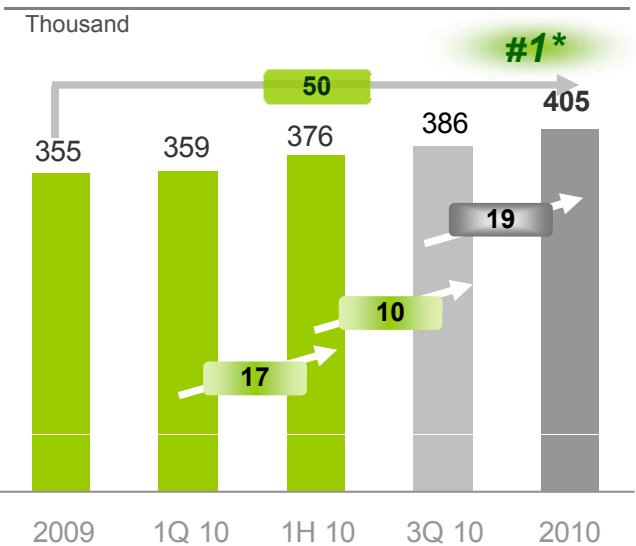
### Number of Branches



### Number of ATMs



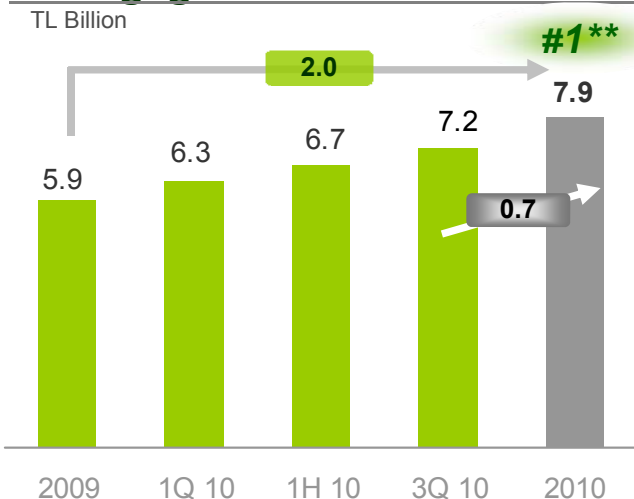
### Number of POS



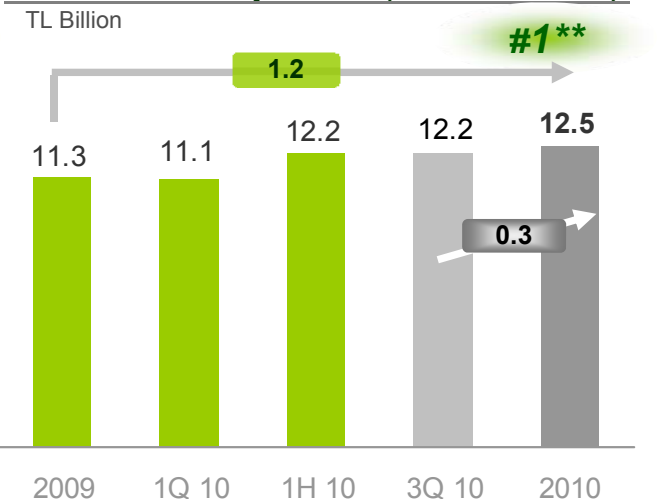
### Number of Customers



### Mortgages



### Demand Deposits (customer+bank)

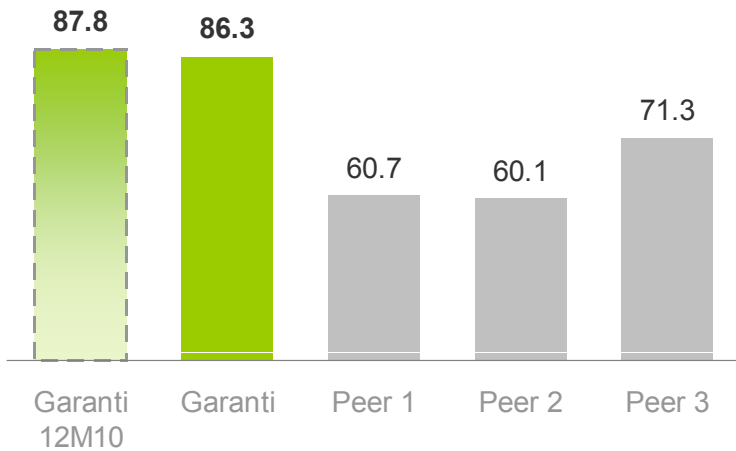


\*Including shared POS  
 \*\*Mortgage and demand deposit ranks are as of 3Q 10  
 Note: Ranks are among private banks

# ...while preserving the highest efficiencies

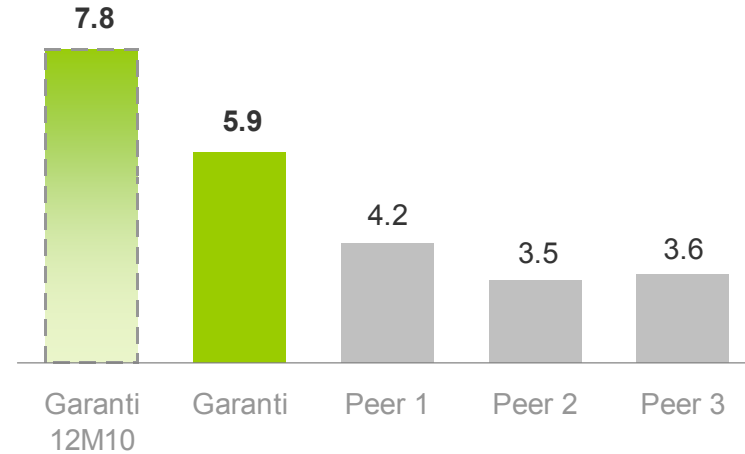
## Ordinary Banking Income per Branch

9M 2010, TL million



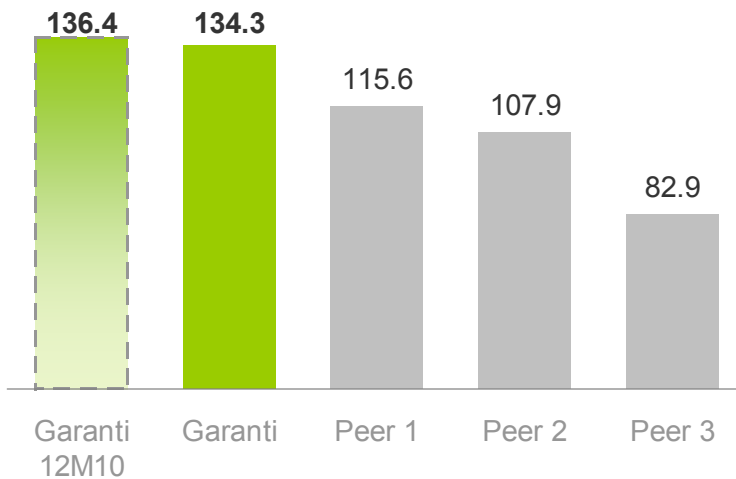
## Loans per Branch<sup>1</sup>

3Q 2010, TL million



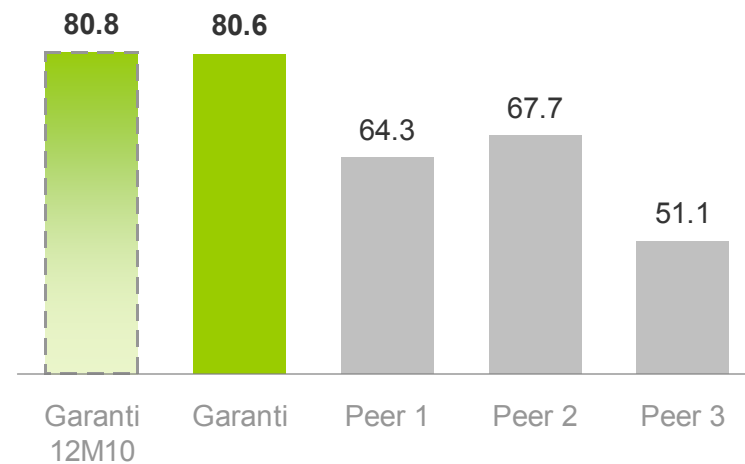
## Assets per Branch

3Q 2010, TL million



## Customer Deposits per Branch

3Q 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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