



# Garanti

IFRS 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** (+31% y-o-y) & **GPLs** (+78% y-o-y)
  - **FX corporate & commercial** loans: (+24% y-o-y)
- **Improved asset quality** across the board backed by **strong collections performance**
  - NPL ratio: 3.5% at YE 10 vs. 4.4% at YE 09
  - Normalizing cost of risk --106 bps at YE 10 vs. 253 bps at YE 09
- **Securities/Assets** down to **30%** – 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:**18%**, Leverage: **7x**

...leads to consistent delivery of strong results

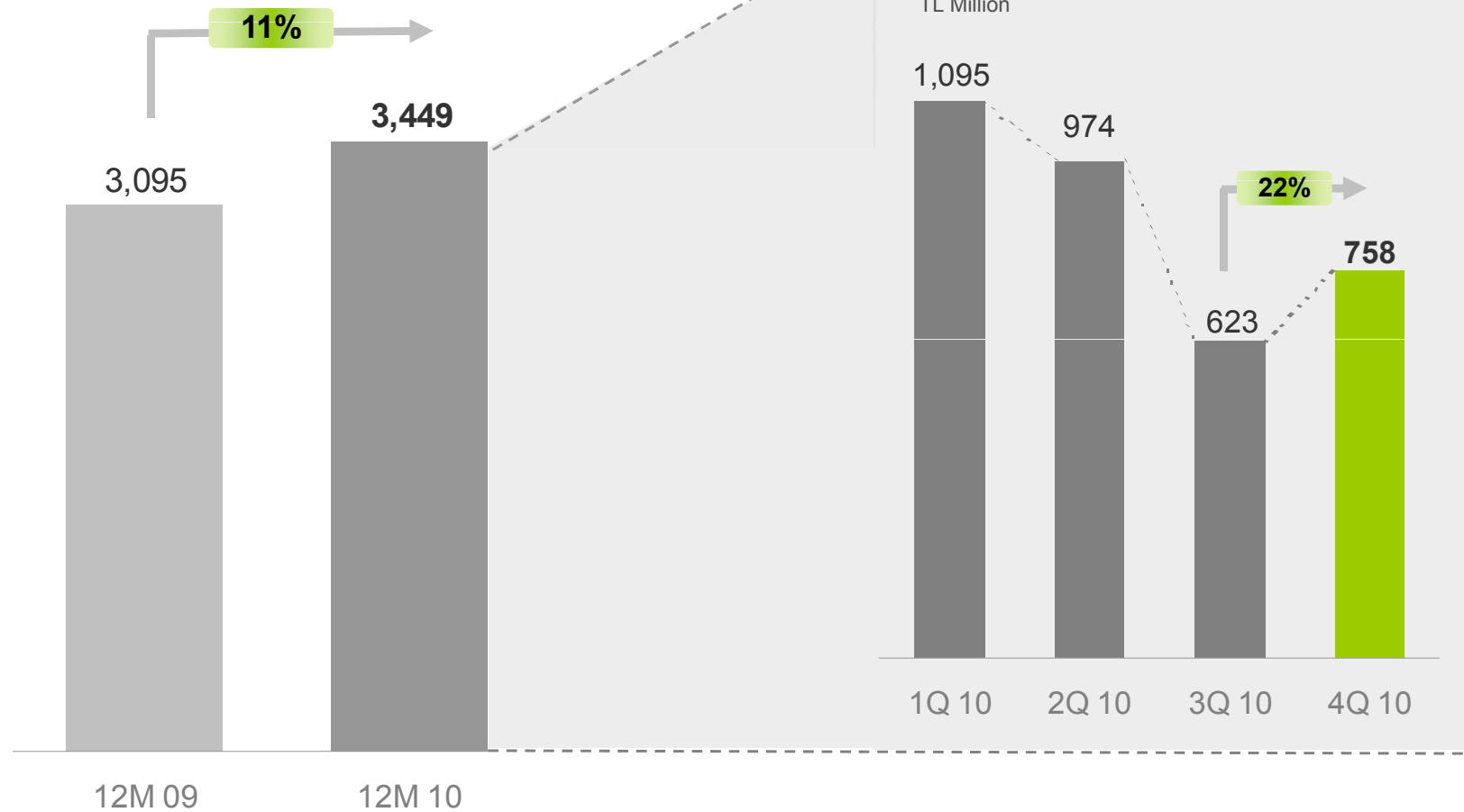
- **Record earnings: TL 3,449 mn** -- growth: 11% y-o-y; 22% q-o-q
- 21 consecutive quarters of ROAE > 20%: **2010 ROAE: 22%**
- **Proactively and timely managed asset/liability mix**
  - CPI linkers yield: ~18% in 2010, supporting NIM
  - Average annual NIM drop 84bps
- **Net fees and commissions:** 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

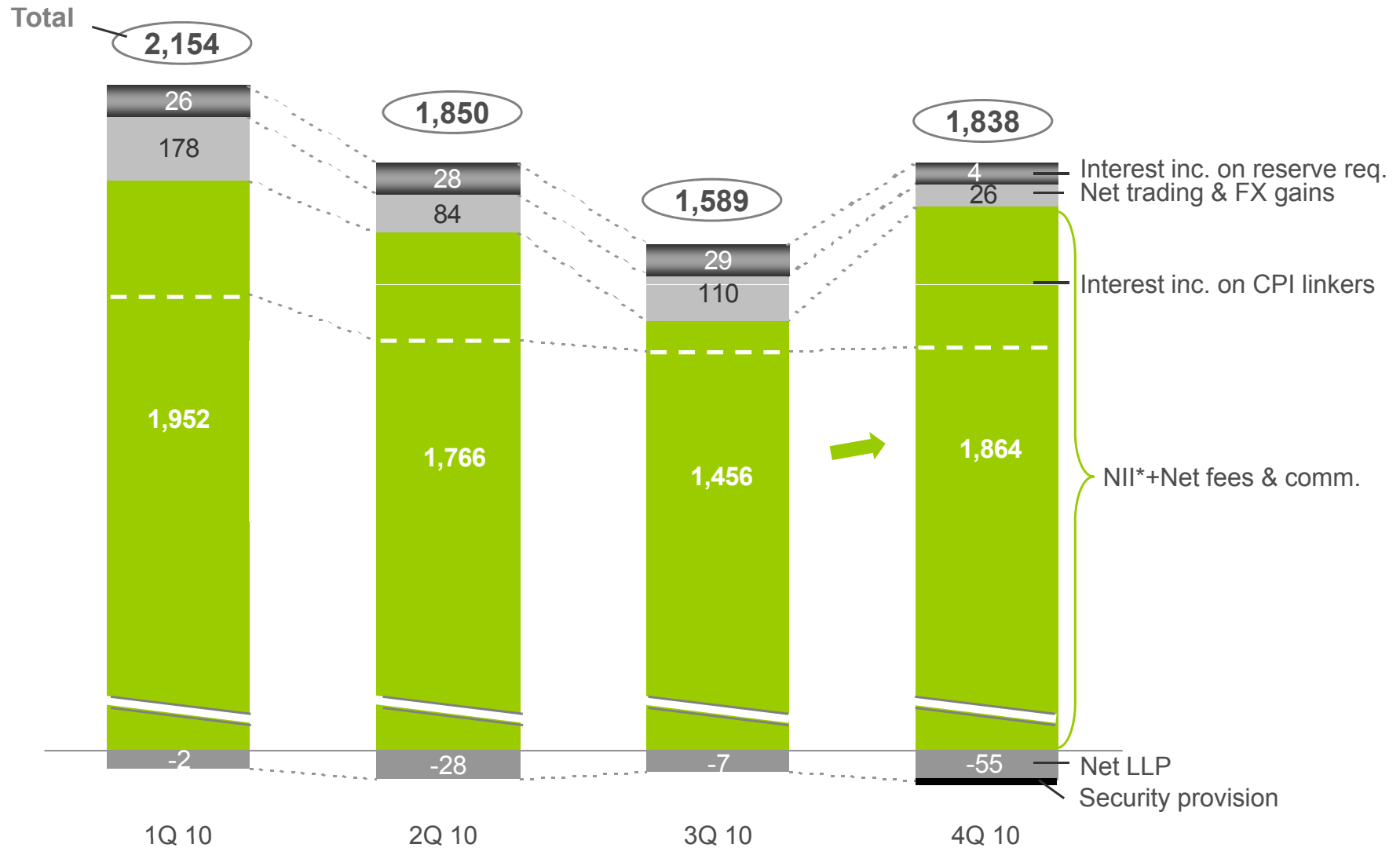
2010 ROAE: **22%**



# Strong level of banking revenues on the rise

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

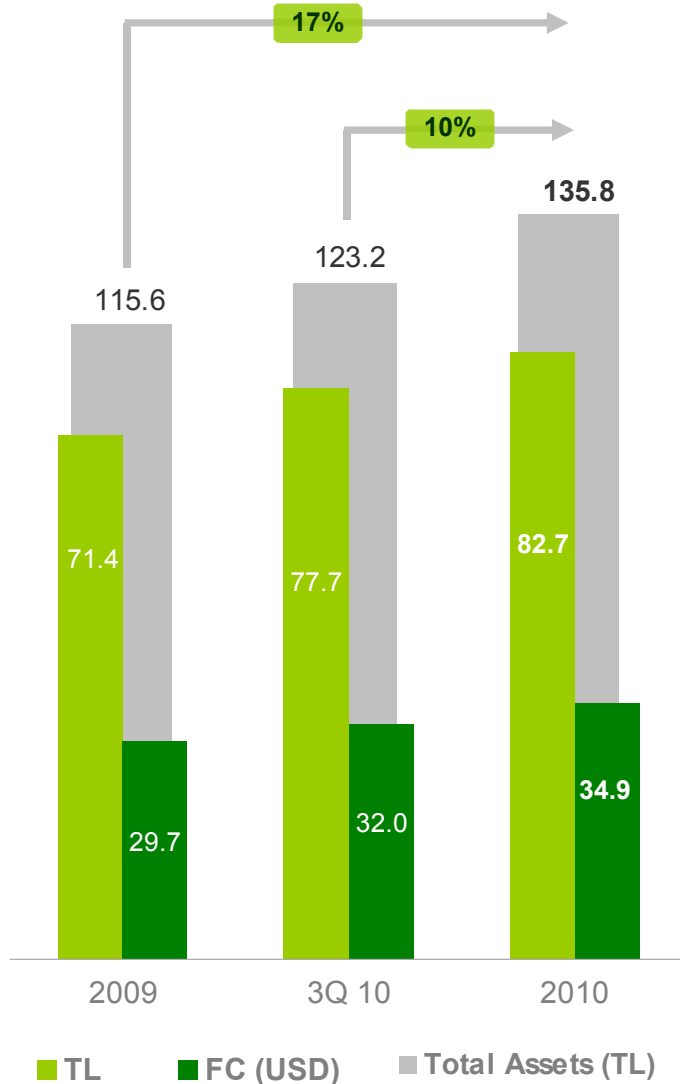
TL Million



# Loans continued to be the driver of the asset growth

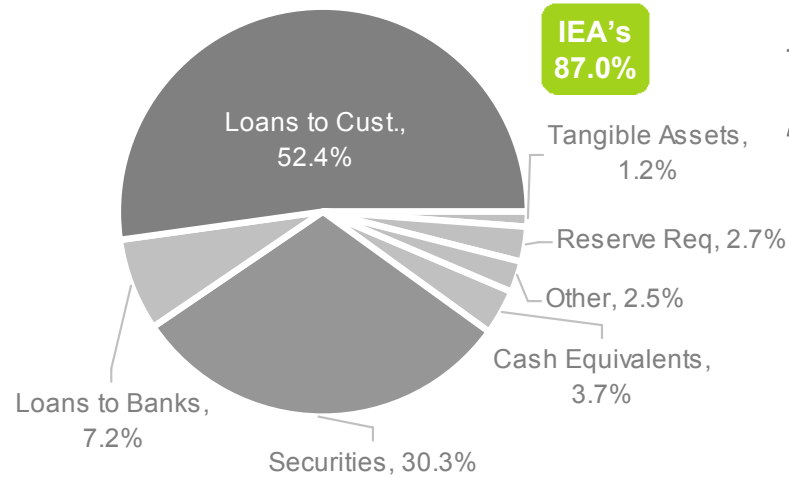
## Total Assets

TL / USD Billion

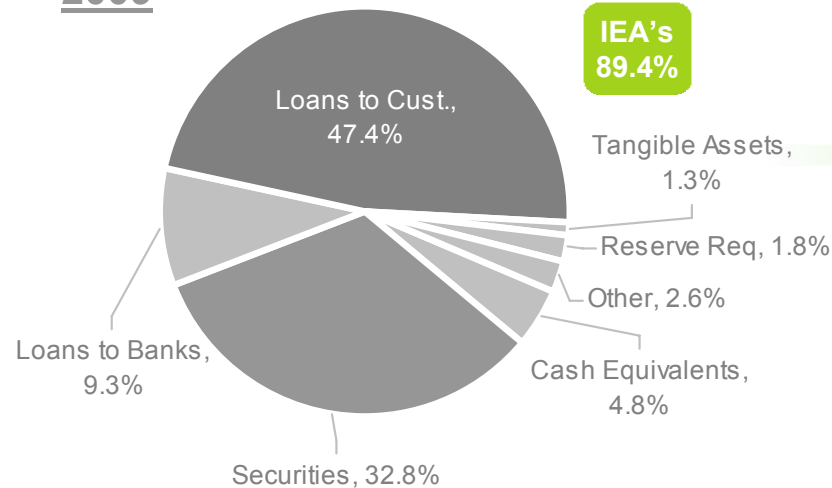


## Composition of Assets

2010



2009



## Growth:

Ytd

*Loans:* **30%**

*Securities:* **8%**

## Loans/Assets

**52%**

up from

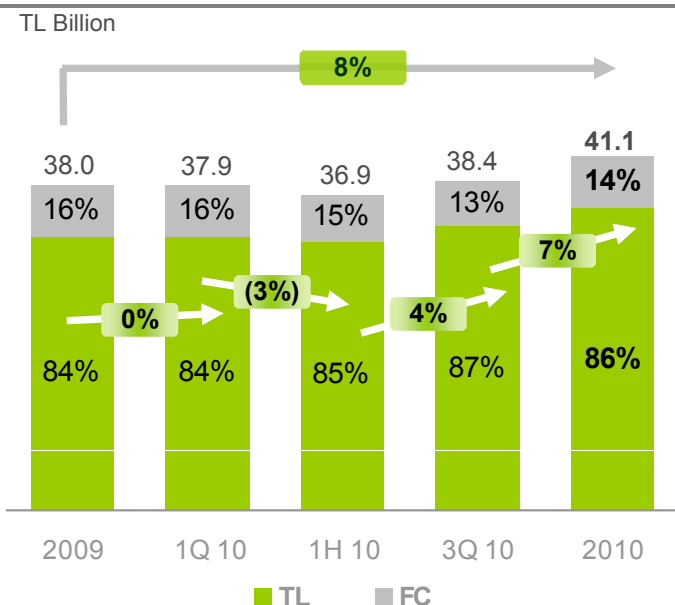
**47%** at YE 09

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

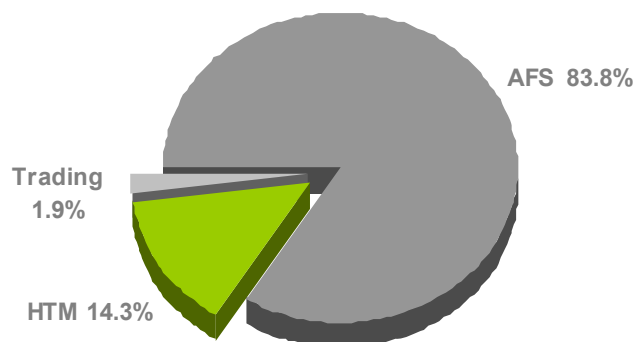
**37%**

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

## Total Securities

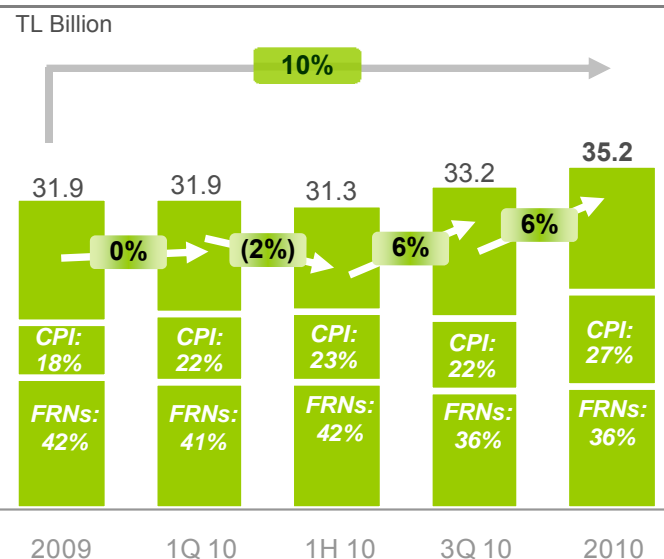


## Total Securities Composition

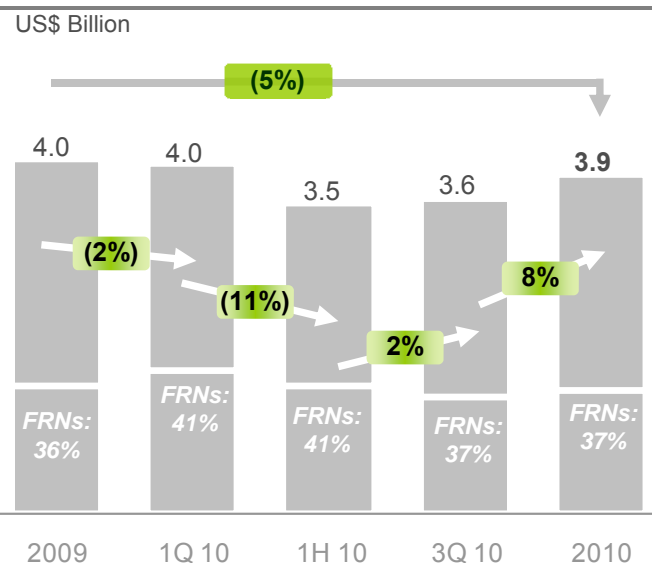


*“Unrealized gains  
as of Dec 31, 2010: **TL 2 bn<sup>1</sup>**”*

## TL Securities



## FC Securities



*Securities mix  
in assets*

**30%**

*FRN mix*

**59%**

*in total*

*AFS mix*

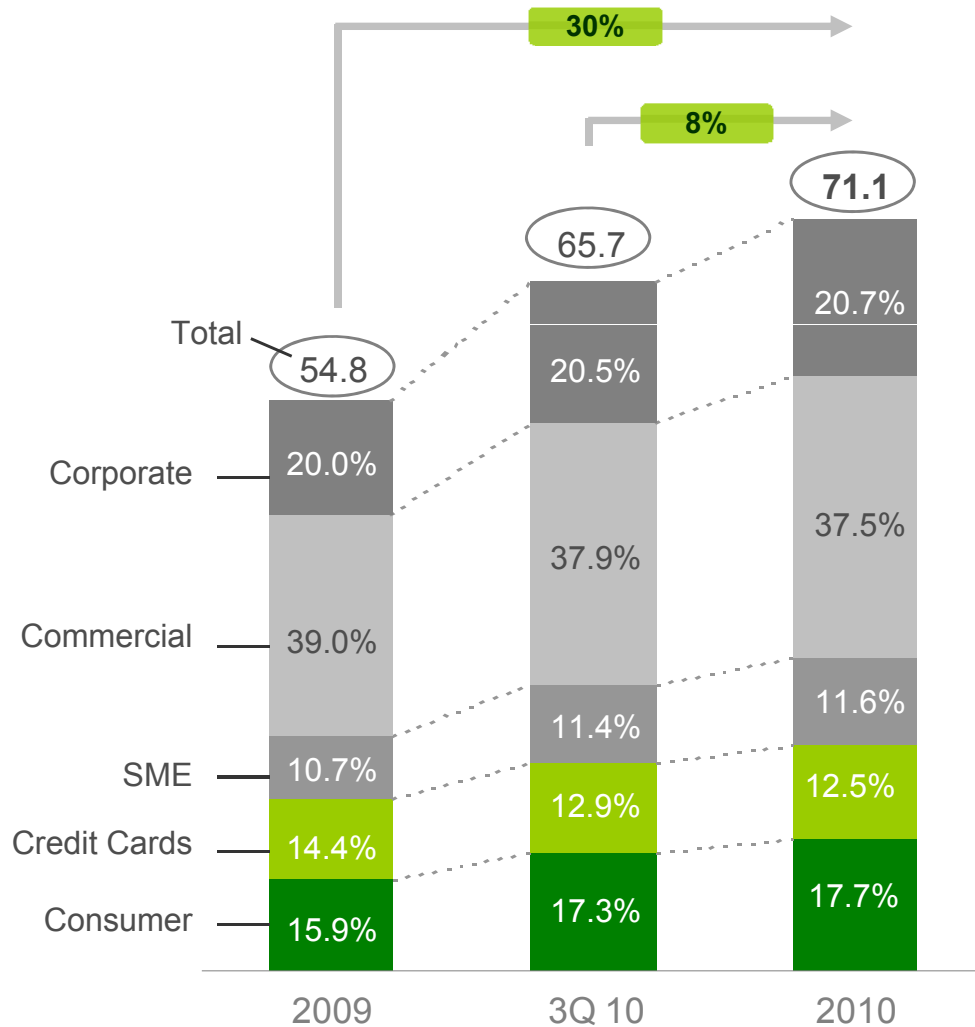
**84%**

*in total*

# Robust lending growth remained intact...

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

TL Billion



*4Q 2010:*

*“Lending growth across the board”:*

*TL boosted by*

*consumer and SME*

*&*

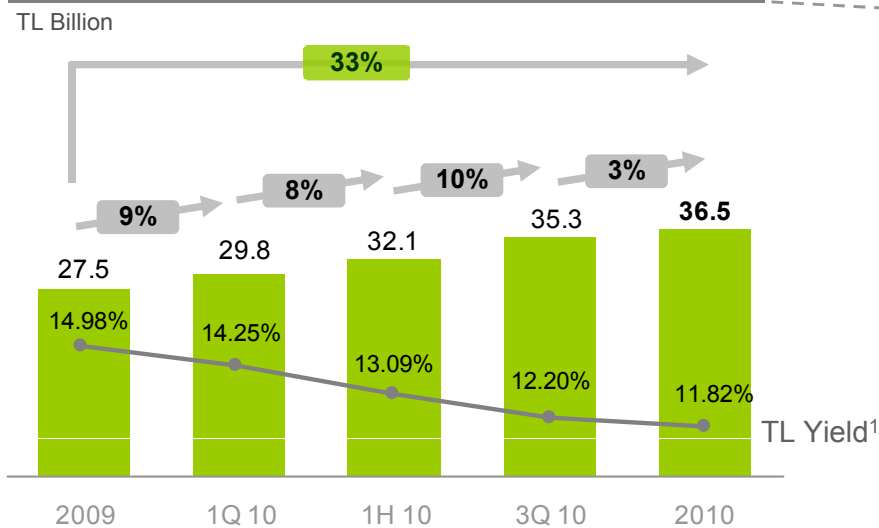
*FX by corporate and*

*commercial lending*

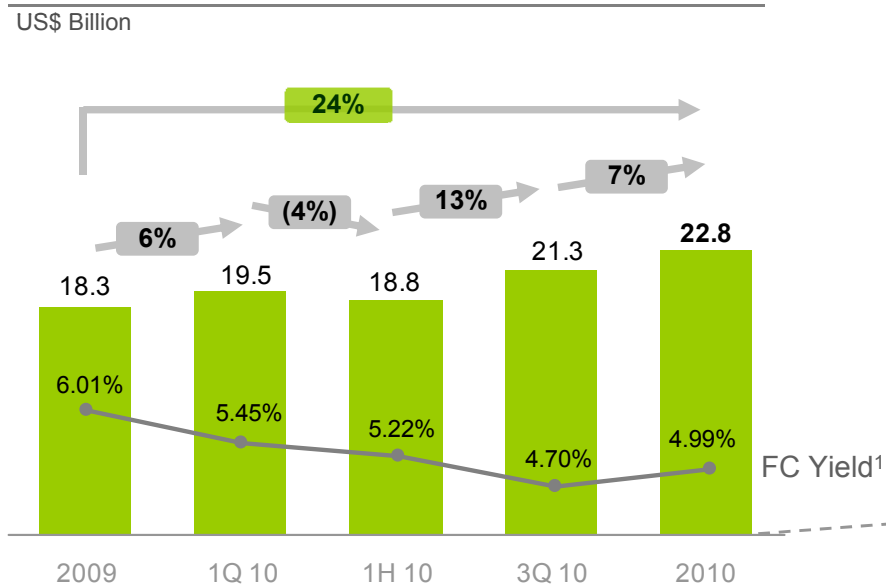


# ...and supported interest income despite declining TL loan yields

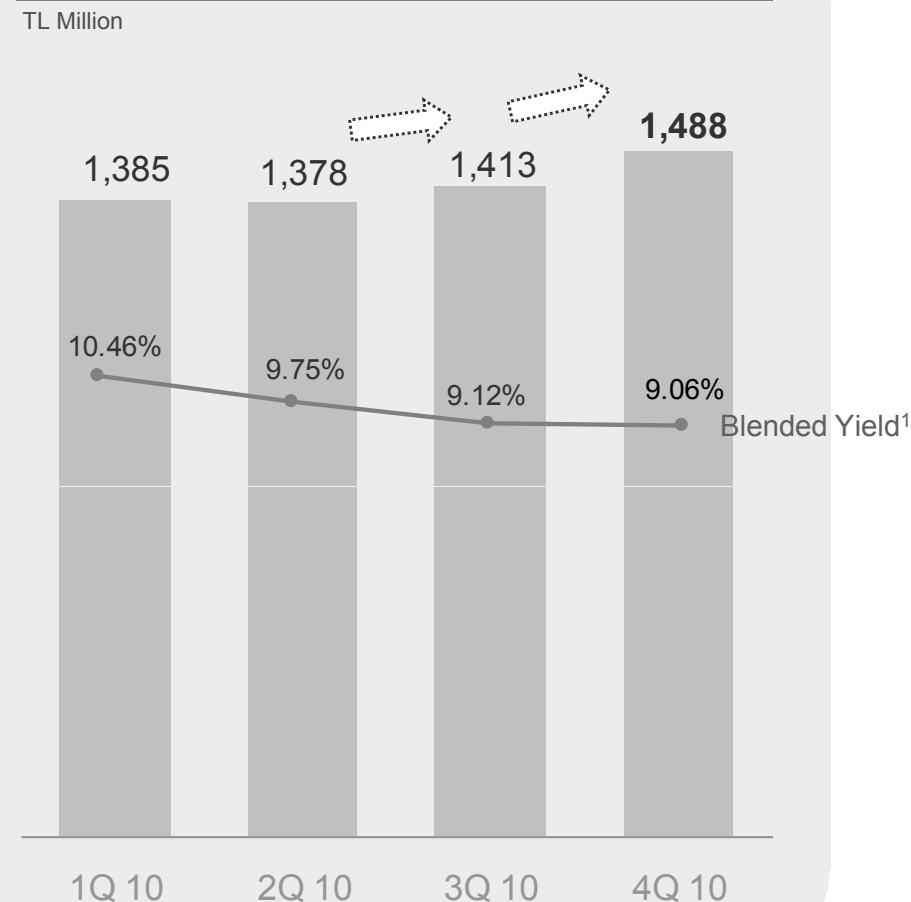
## TL Loans



## FC Loans



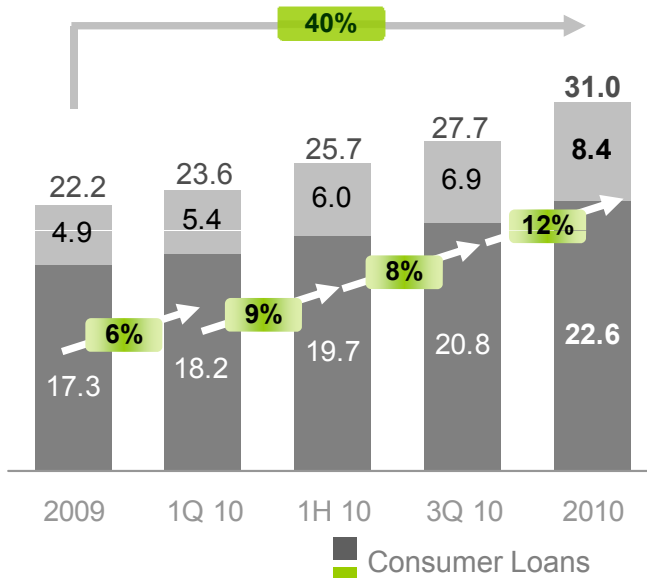
## Interest Income on loans (quarterly)



# Selective retail lending growth backed by strong franchise power

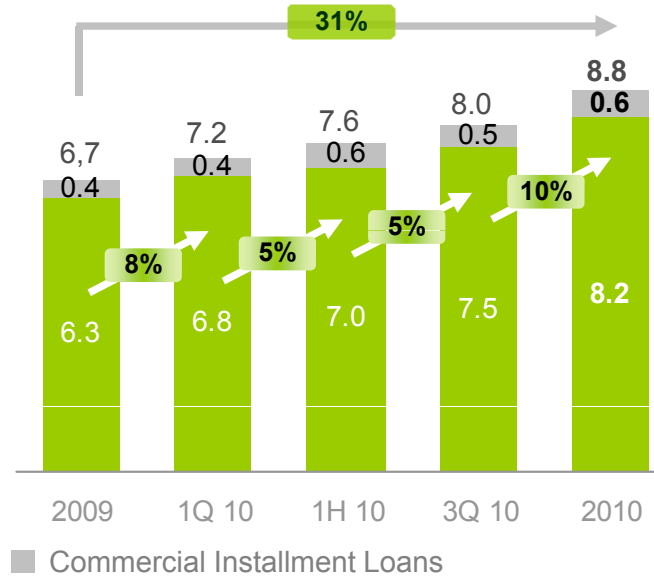
## Retail Loans<sup>1</sup>

TL Billion



## Mortgage Loan Growth

TL Billion



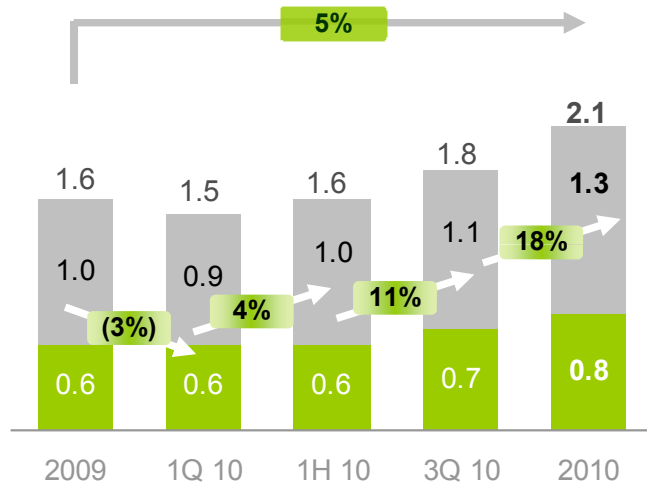
Significant market share gains in GPLs:

Ytd

**+84 bps**

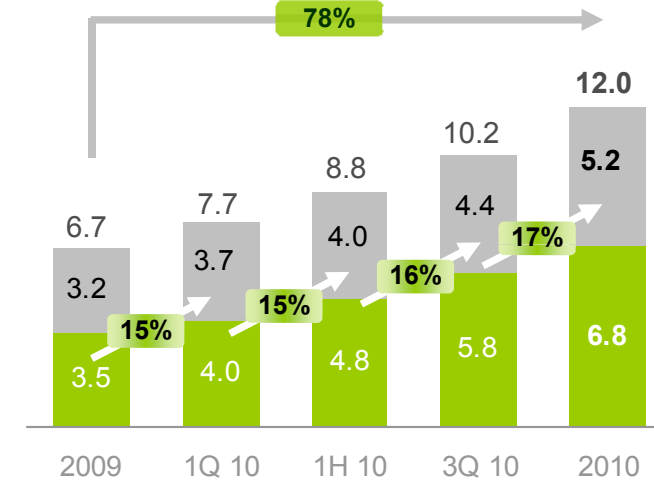
## Auto Loan Growth

TL Billion



## General Purpose Loan<sup>4</sup> Growth

TL Billion



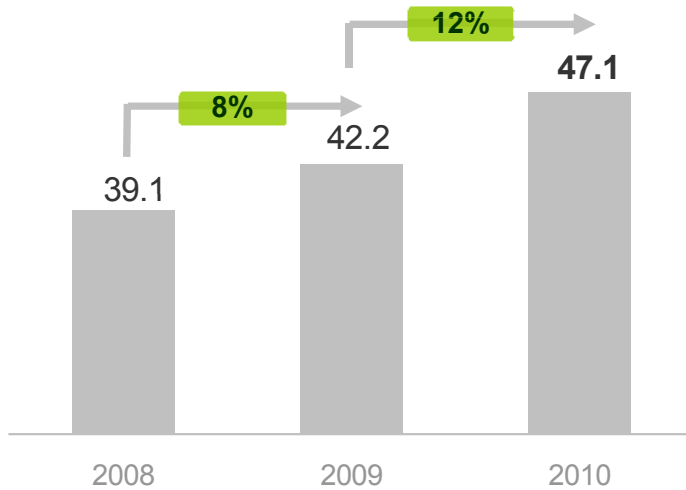
## Market Shares<sup>2,3</sup>

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

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

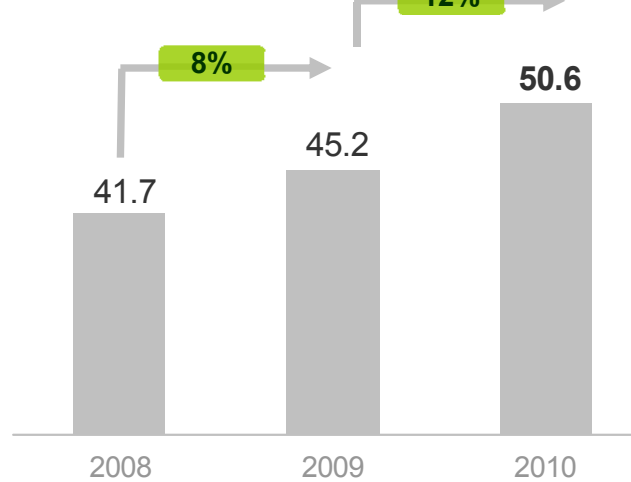
## Issuing Volume

TL Billion



## Acquiring Volume

TL Billion

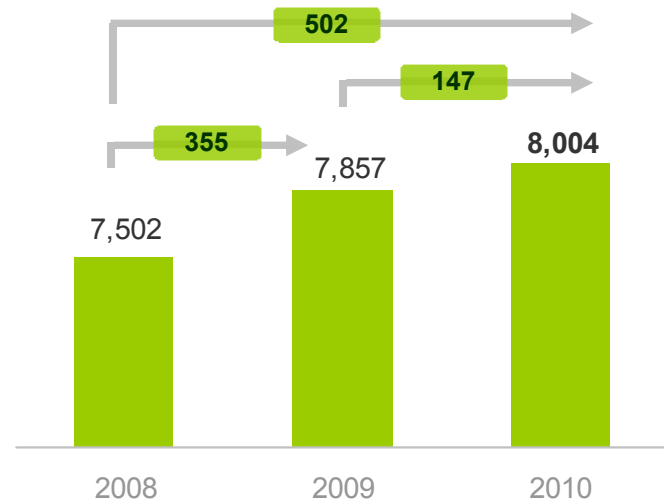


**#1**  
*in Credit Card Business*



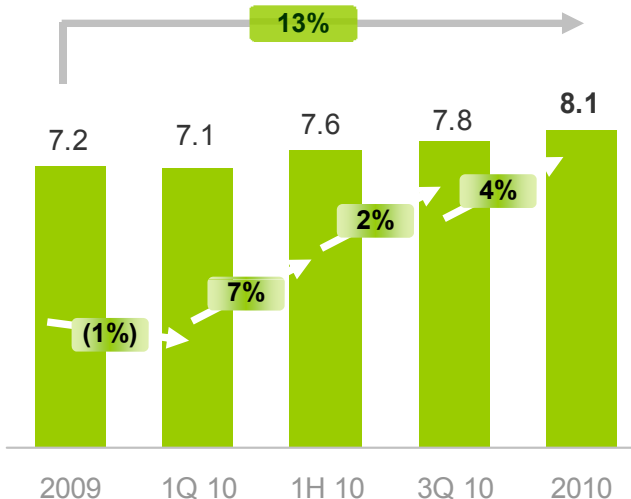
## No. of Credit Cards

In Thousand



## Credit Card Balances

TL Billion

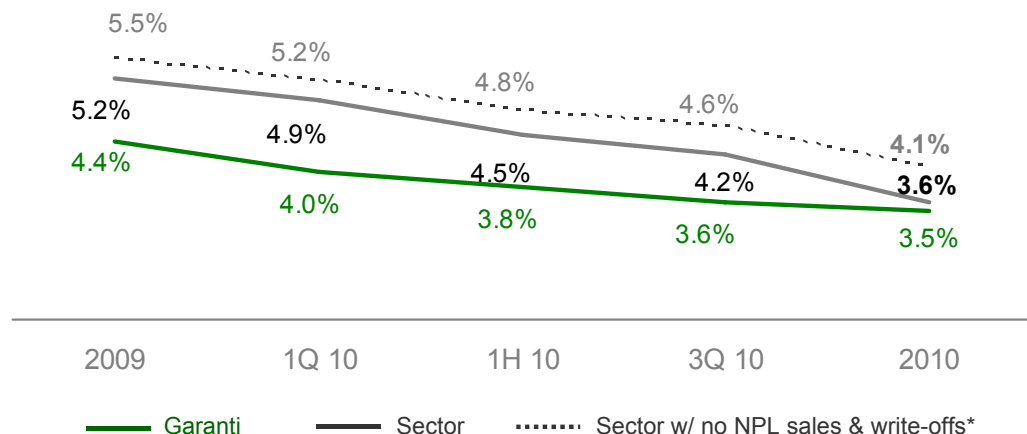


## Market Shares

	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>1,2</sup>



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

## Asset quality

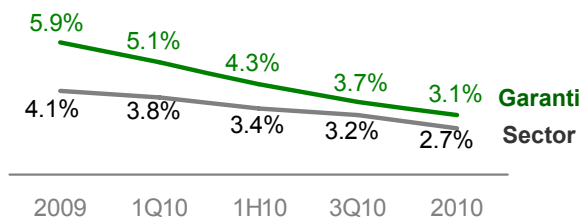
*continued to improve --*

*“organic and across the board”*

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

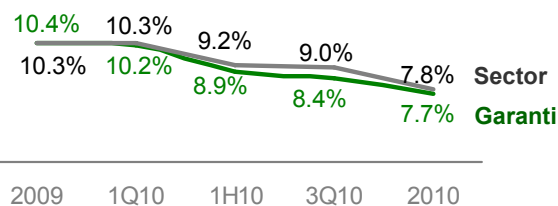
### Retail Banking (Consumer & SME Personal)

21% of Garanti's Total Loans



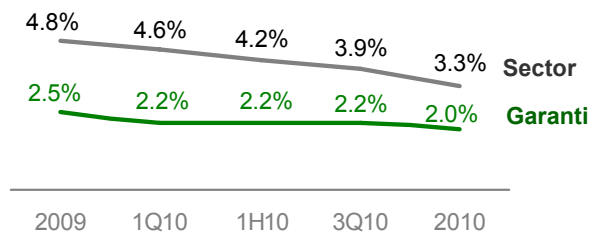
### Credit Cards

12% of Garanti's Total Loans



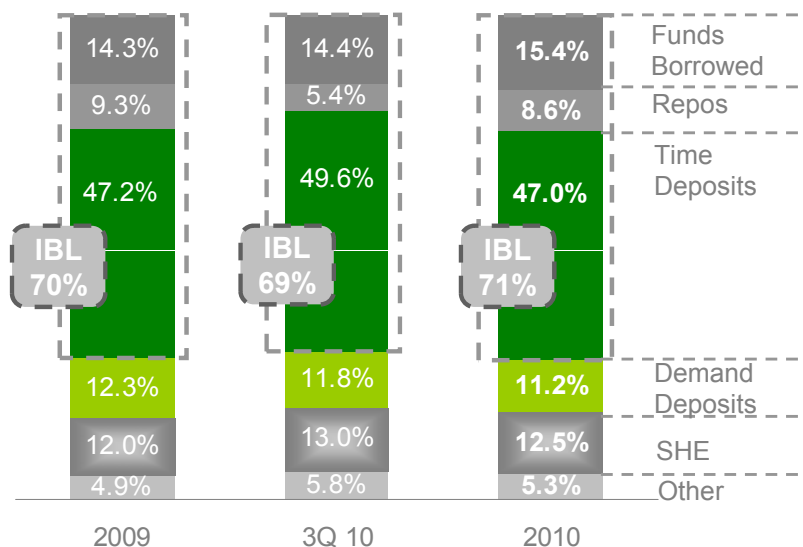
### Business Banking (Including SME Business)

67% of Garanti's Total Loans

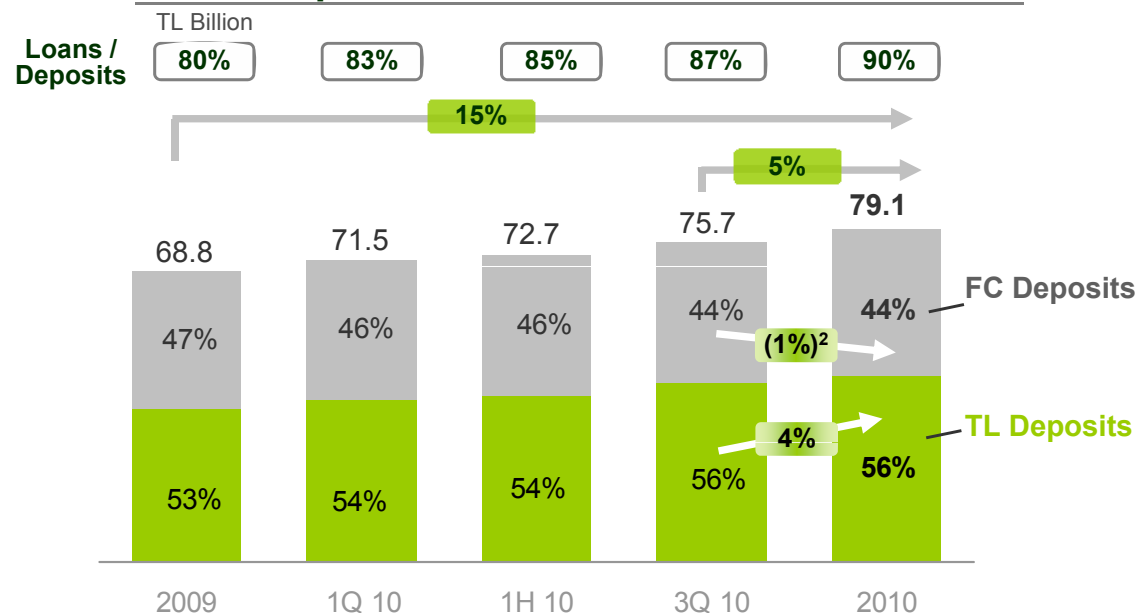


# Actively managed and diversified funding base

## Composition of Liabilities

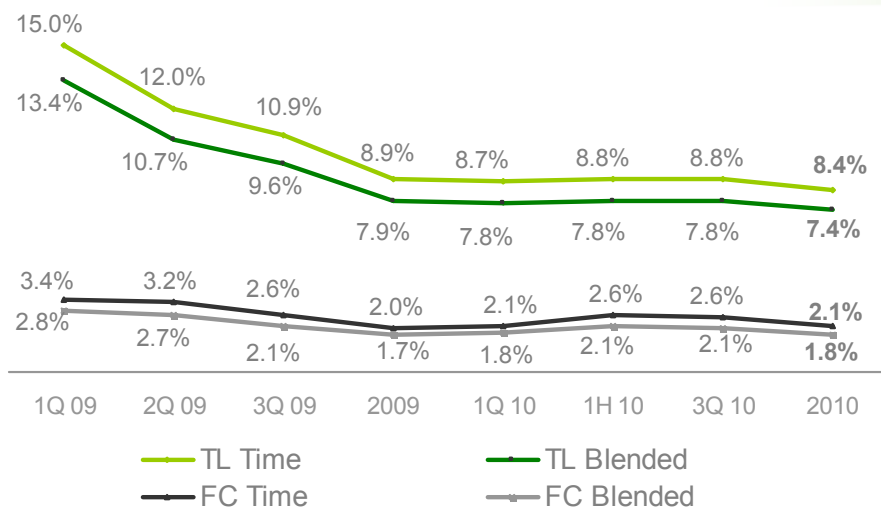


## Total Deposits



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

Quarterly Averages



*Ytd growth:*

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

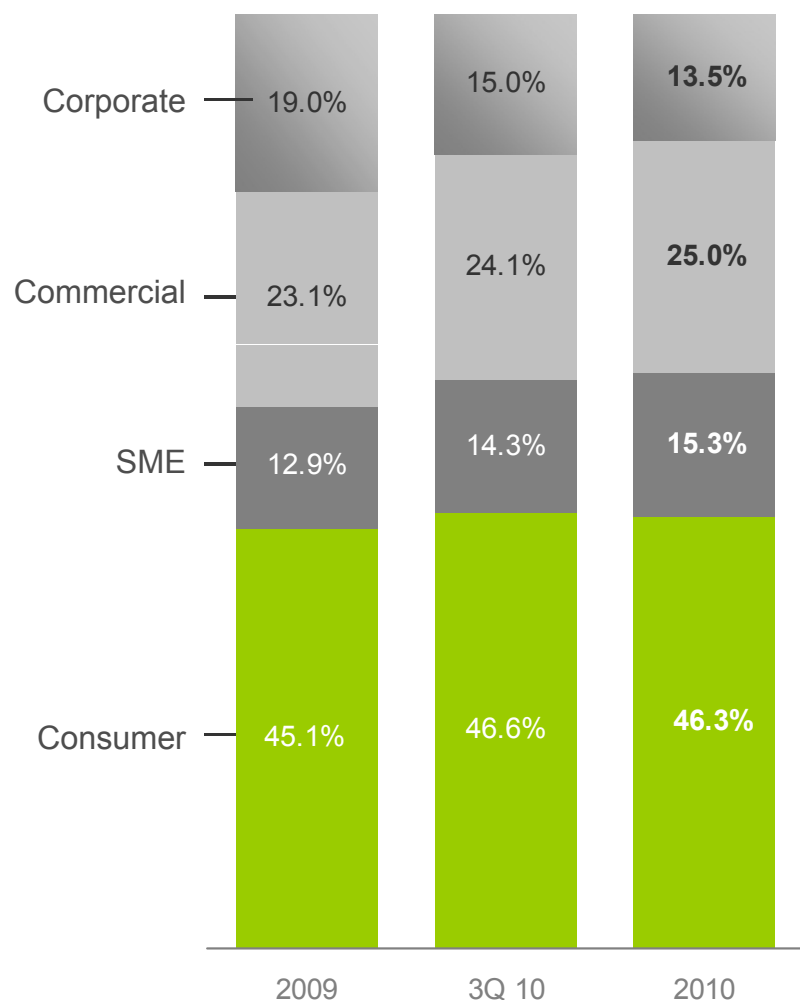
*FC deposits<sup>2</sup> **6%** vs. sector's **4%***

*Deposits market share :*  
**11.9%**

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

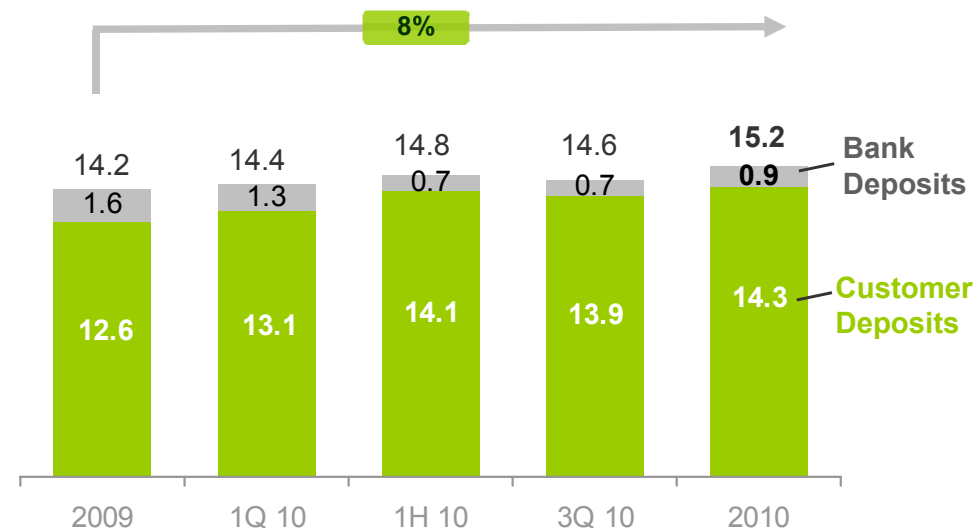
## Deposits by LOB<sup>1</sup>

(Excluding bank deposits)



## Demand Deposits

TL Billion



## Customer Demand Deposits

YTD Growth

**14%**

## Demand Deposits / Total Deposits:

**19%**

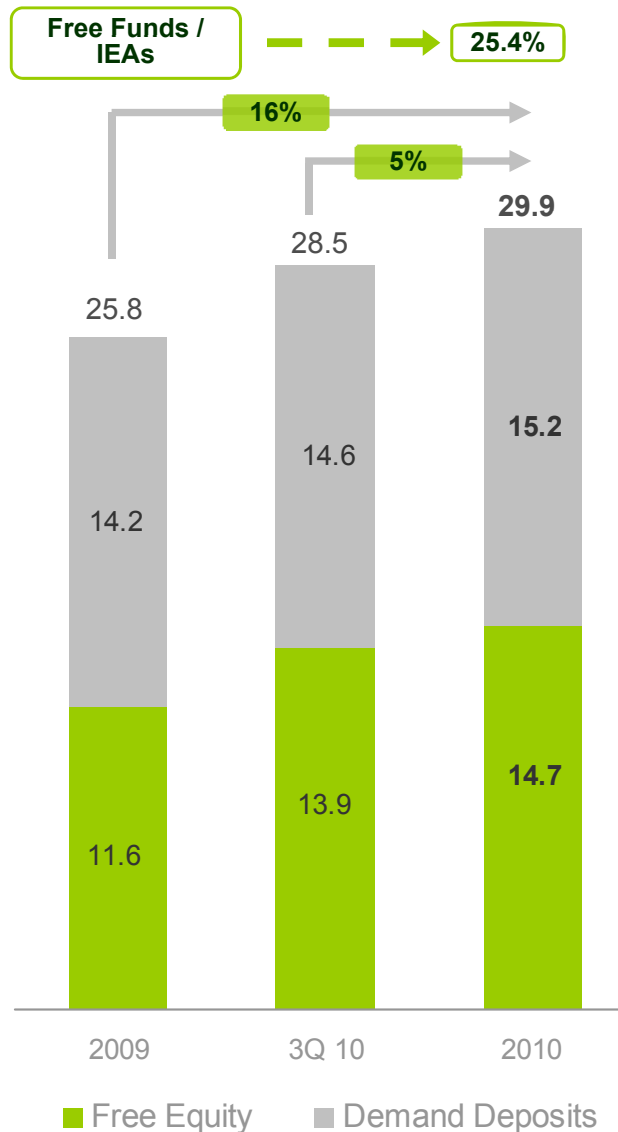
# Capital ratios remained strong with low leverage -- well-positioned for growth

## CAR<sup>1</sup>



## Free Funds

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

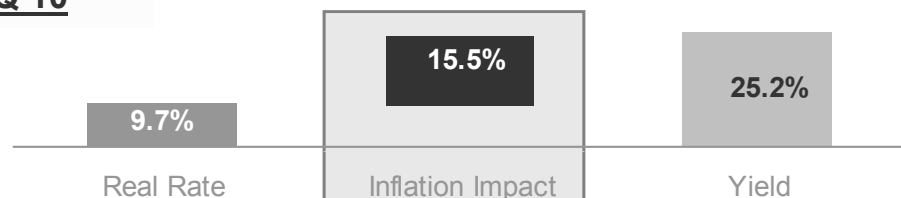


# Long-term strategy of investing in CPI linkers yielded ~18% on an annual basis and...

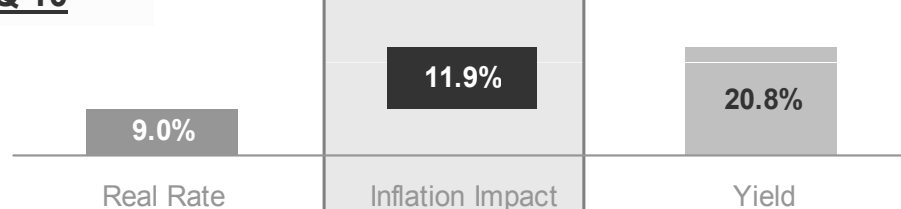
## Drivers of the Yields on CPI Linkers<sup>1</sup>

% average per annum

**1Q 10**



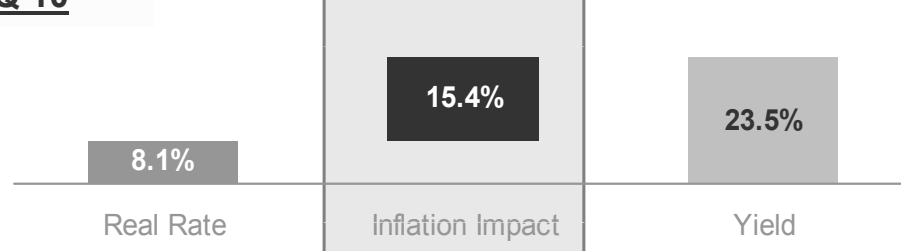
**2Q 10**



**3Q 10**

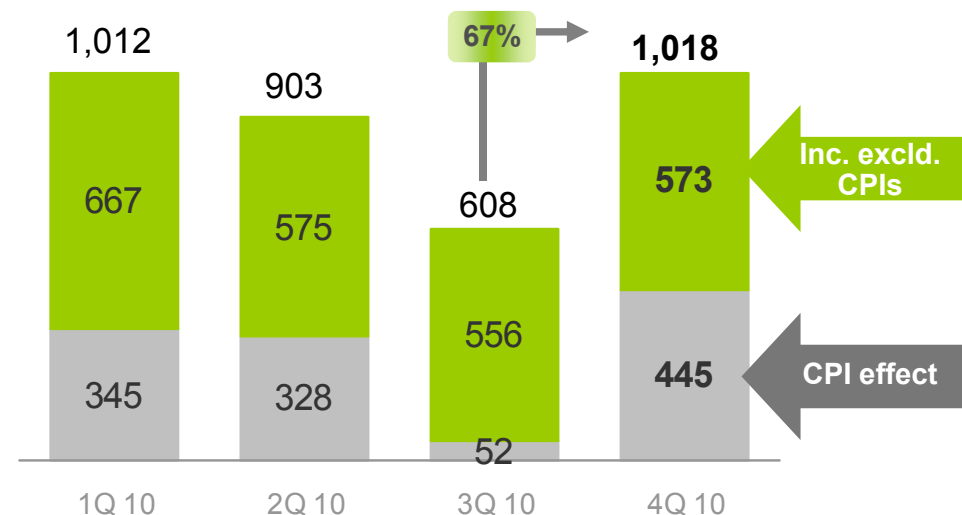
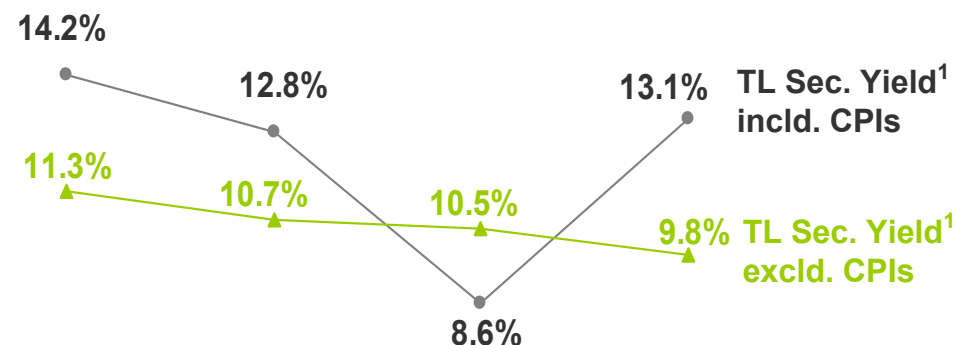


**4Q 10**



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

TL Million

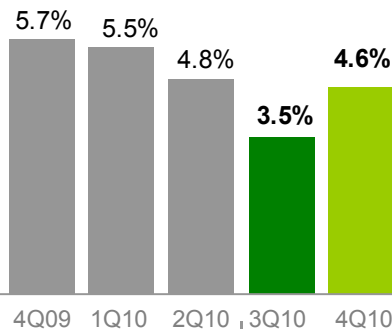




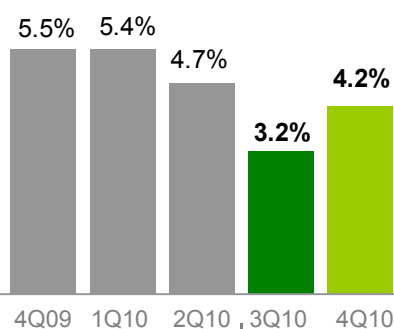
# ...supported margin in 2010

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

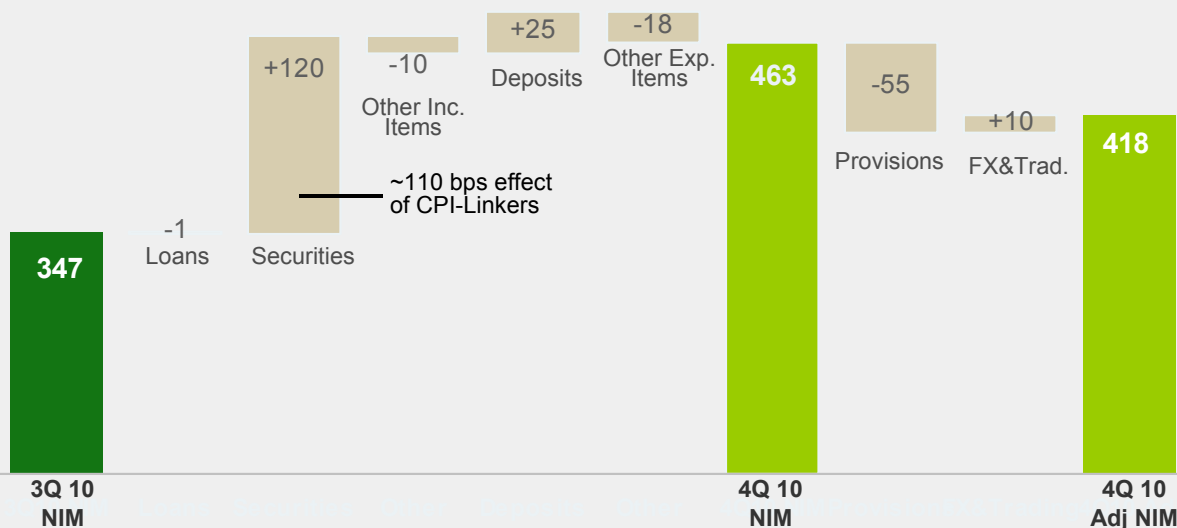
### NIM



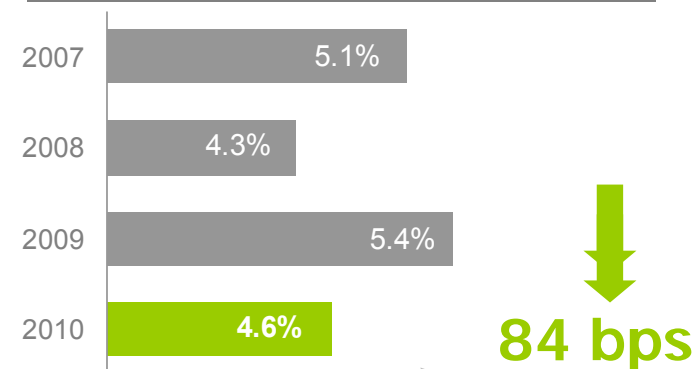
### Adjusted NIM



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



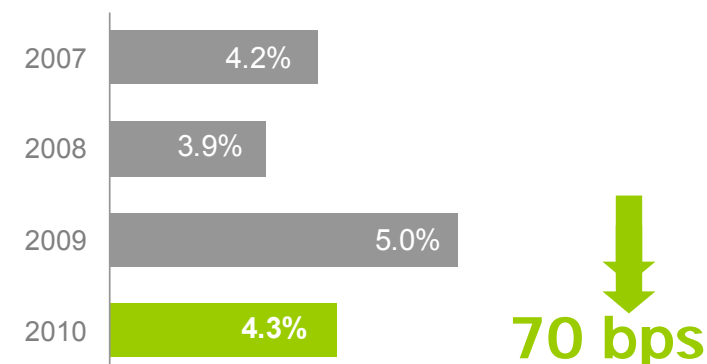
## Cumulative NIM



### Dec 10 over Dec 09:

- Declining funding costs' impact on margin +131 bps
- Drop in asset yields' impact on margin -215 bps

## Cumulative Adjusted NIM



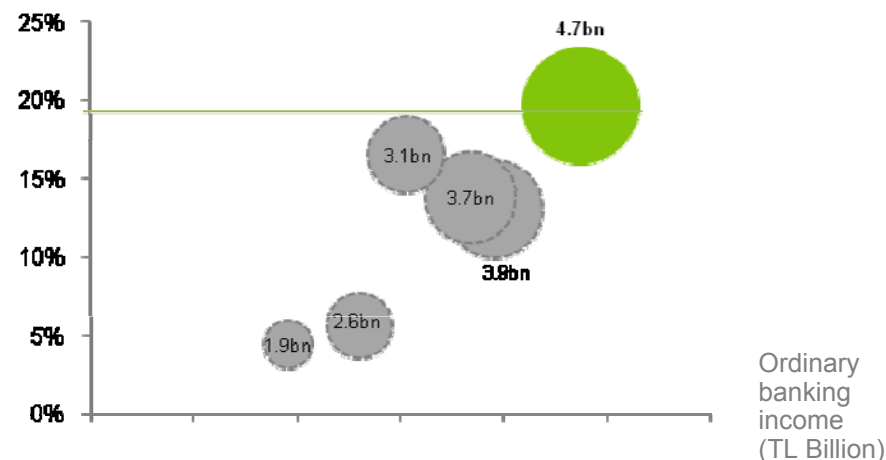
# Healthy Fees & Commissions income due to strong customer penetration and cross-sell

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

As of 9M 2010 for fair comparison

Net Fees and Comm.  
Market Share %

● Garanti  
● Peers



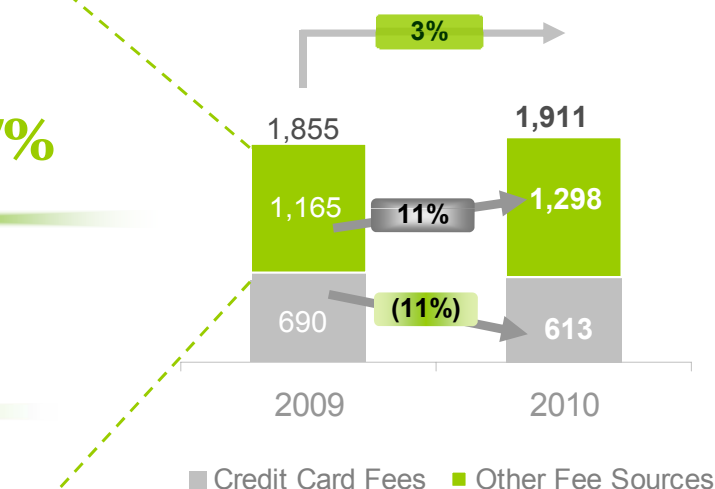
Strong presence in  
brokerage

Market share **>7%**

**#1** in  
bancassurance

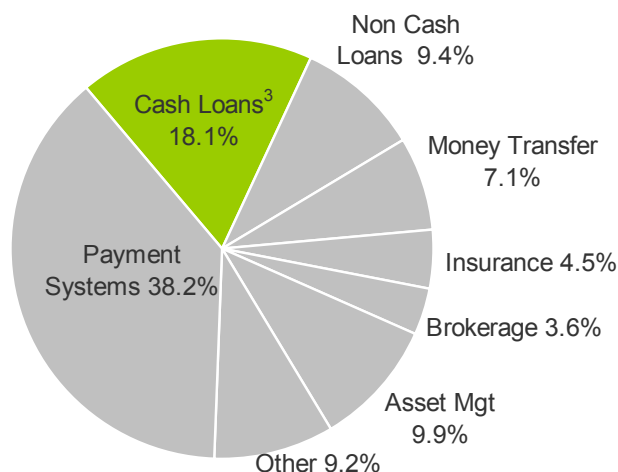
## Net Fees & Commissions<sup>2</sup>

TL Million

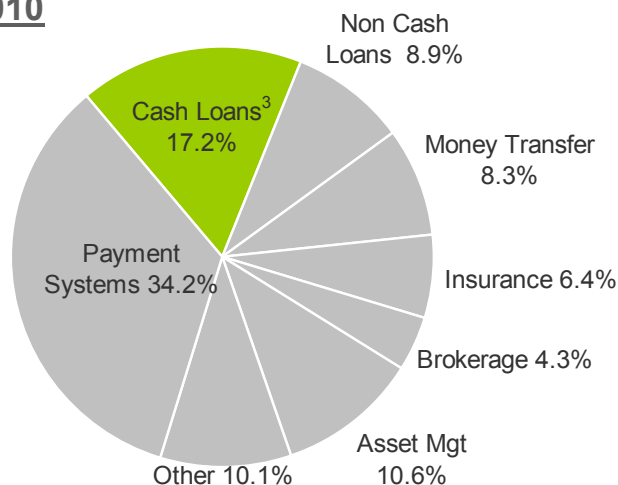


## Net Fees & Commission Breakdown<sup>2</sup>

**2009**



**2010**



“further diversified  
fee sources”

Y-o-y growth in:

Insurance **41%**

Brokerage **21%**

Money transfer **15%**

... and all resulted in record profit of >TL 3.4bn for the year

(TL Million)	2009	2010
Interest Income	11,175	10,227
-Loans	6,322	5,664
-Reserve Requirements	148	87
-Securities	4,070	3,863
CPI Linkers	522	1,173
Interest Expense	5,742	5,013
<b>NET INTEREST INCOME</b>	<b>5,433</b>	<b>5,214</b>
Net Fees & Comm.	1,855	1,911
Net Trading & FX Gains	894	399
Net Provisions for Loans	-1,297	-92
Security Provisions	-1	-1
<b>ORDINARY BANKING INCOME -including collections</b>	<b>6,884</b>	<b>7,431</b>
Other Income	381	327
Operating Expense	2,989	3,430
Other provisions	345	9
<b>PROFIT BEFORE TAX</b>	<b>3,930</b>	<b>4,319</b>
Taxes	835	870
<b>NET INCOME</b>	<b>3,095</b>	<b>3,449</b>
Equityholders of the Bank	3,081	3,428
Minority Interest	14	21

*OPEX /  
Avg. Assets:*  
**2.8%**

*Fee coverage  
of Opex:*  
**56%**

*Cost /  
Income:*  
**44.4%**

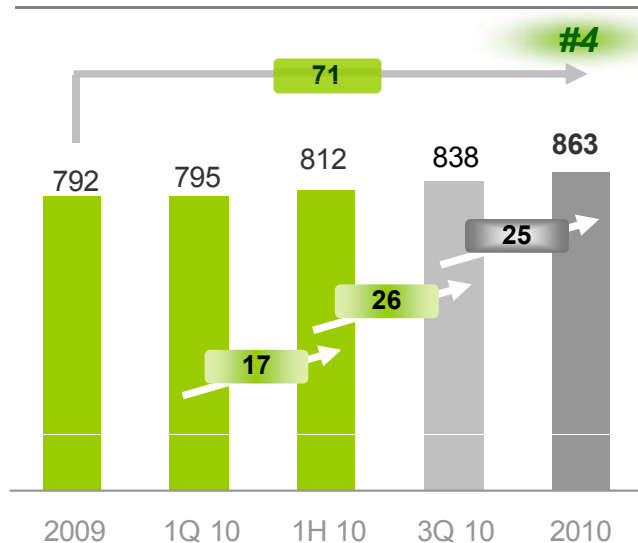
# Appendix

# Balance Sheet - Summary

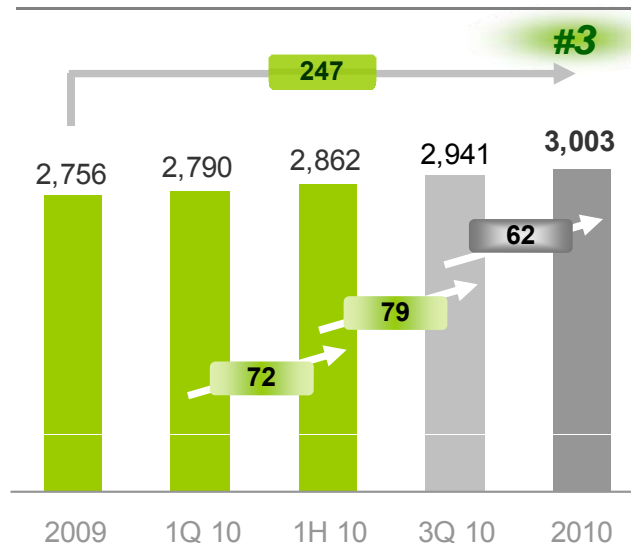
(TL Million)		December 2009	December 2010	% Change
<b>Assets</b>	<b>Cash &amp; Banks</b>	16,346	14,883	(9%)
	<b>Securities</b>	37,960	41,137	8%
	<b>Loans to Customers</b>	54,765	71,092	30%
	<b>Tangible Assets</b>	1,449	1,585	9%
	<b>Other</b>	5,088	7,095	39%
	<b>Total Assets</b>	115,608	135,792	17%
<b>Liabilities &amp; SHE</b>	<b>Deposits from Customers</b>	66,043	76,296	16%
	<b>Deposits from Banks</b>	2,738	2,808	3%
	<b>Repo Obligations</b>	10,765	11,735	9%
	<b>Funds Borrowed</b>	16,569	20,942	26%
	<b>Other</b>	5,657	7,095	25%
	<b>SHE</b>	13,836	16,916	22%
	<b>Total Liabilities &amp; SHE</b>	115,608	135,792	17%

# Further strengthening of retail network

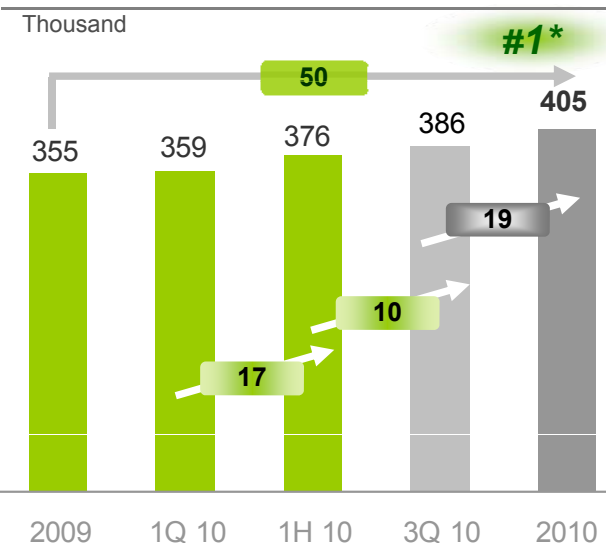
## Number of Branches



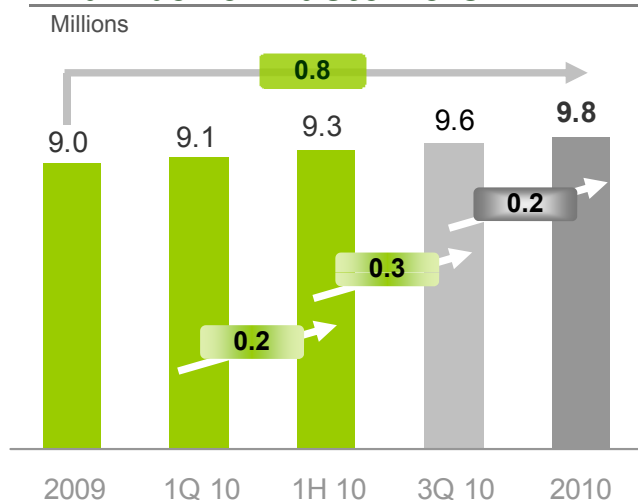
## Number of ATMs



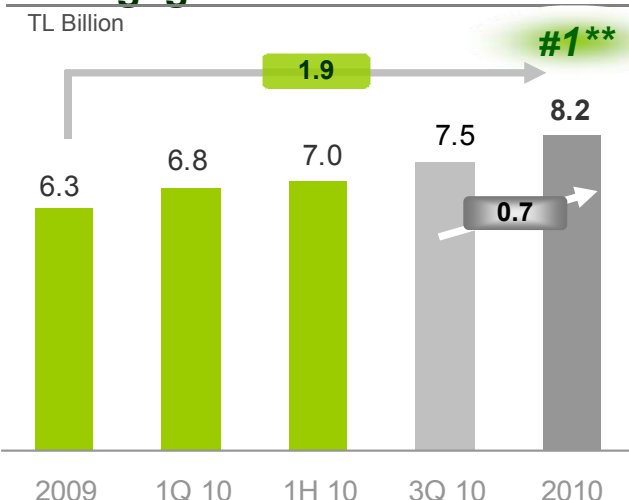
## Number of POS



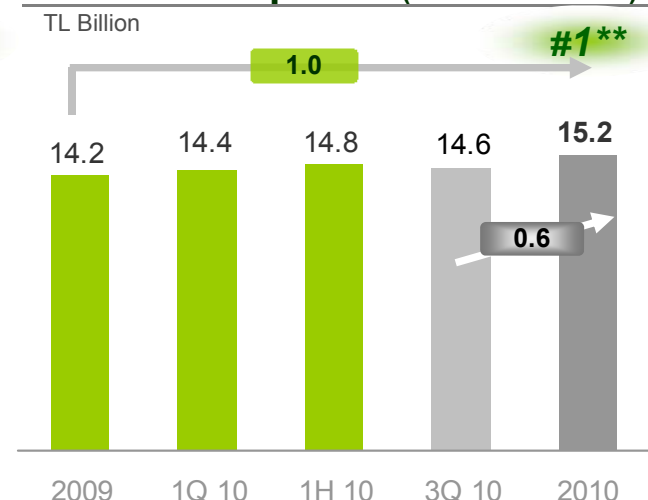
## Number of Customers



## Mortgages<sup>1</sup>



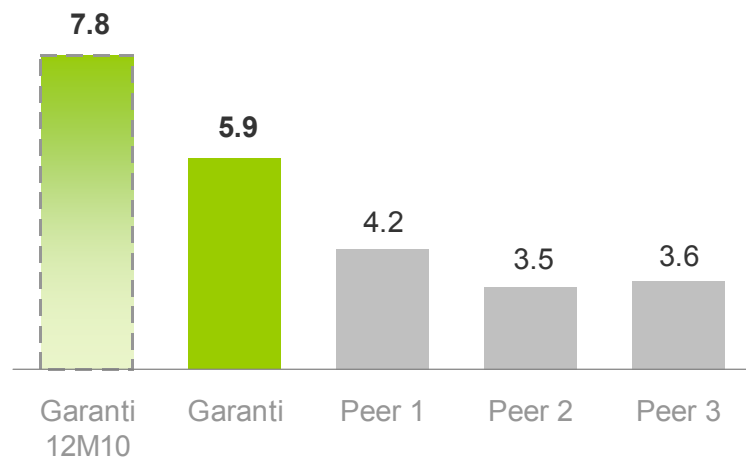
## Demand Deposits (customer+bank)



## ...while preserving the highest efficiencies

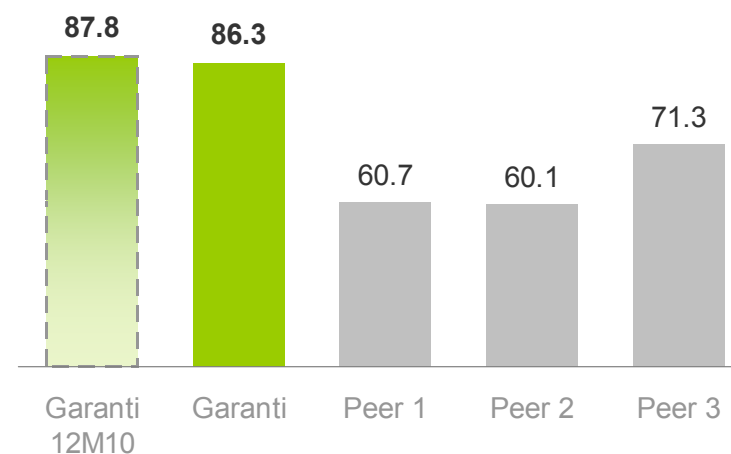
### Ordinary Banking Income per Branch

9M 2010, TL million



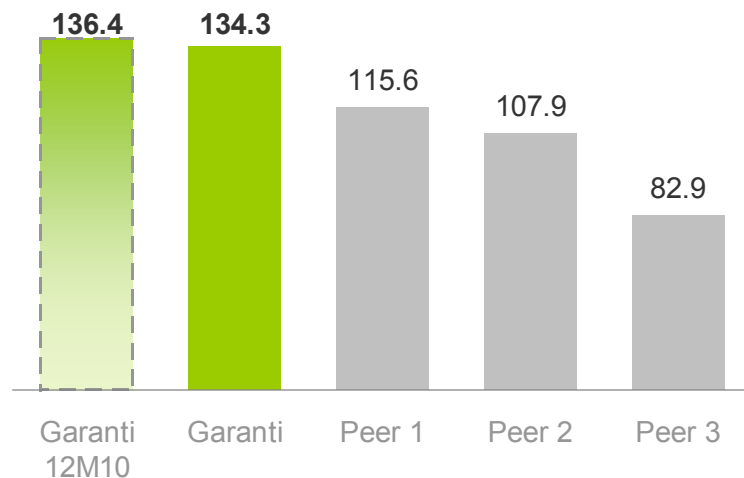
### Loans per Branch<sup>1</sup>

3Q 2010, TL million



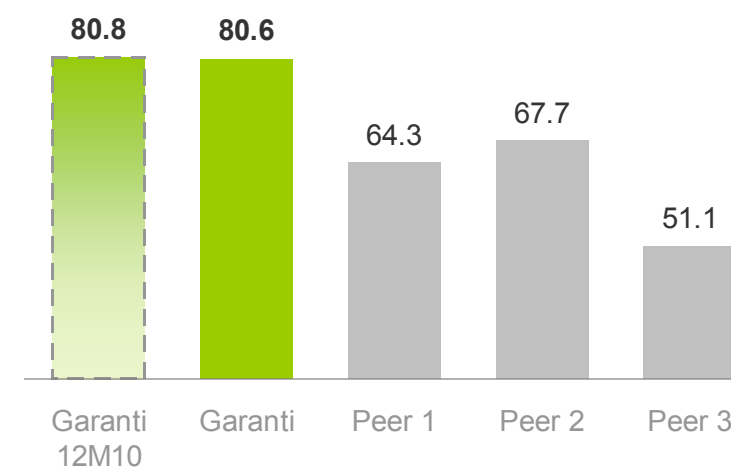
### Assets per Branch

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.
- 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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