Garanti

BRSA Bank-Only Earnings Presentation

March 31, 2011

1Q 2011 Macro Highlights

Upswing in global economic growth, ongoing ample liquidity...

- Beginning of the year: global political unrest, natural disasters, shift in expectations towards tighter global monetary policy
- Strong rebound at the end of 1Q - impressive resilience of EM supported by:
  - the recovery of the global economy - ongoing liquidity provision by the Federal Reserve - solid earnings momentum - low cost of capital
- Still challenges will remain due to:
  - further possible EU sovereign debt worries – raising oil prices & global inflation - earlier than expected monetary tightening

Strong growth, rising C/A deficit, rebound in inflation -- necessity for policy mix...

- **2010 GDP** growth **8.9%,** 1Q11 leading indicators do not point to a slow down, 1Q11 est:9%
- Annual CPI **inflation** fell to **3.99%** in Mar., however increased to **4.26%** in Apr.-- CBRT revised 2011 est. from 5.9% to 6.9% due to higher commodity prices and tax adjustments on clothing.
- During 1Q, **TL depreciated** by 0.1% against USD and 6.5% against Euro.
- After the last 25 bps policy rate cut in Jan'11, CBRT continued to **increase reserve requirement ratios (RRR)** in TL - Weighted RRR increased by ~ 2% in Jan., 4% in Mar., continued at different maturities in Apr. -- in addition, **FC RRR increased** by ~1% in Apr.
- **Current account deficit** reached **USD 55bn** in Feb'11 on a 12-month rolling basis. Such strong growth levels necessitate policy mix to sustain price and financial stability...

1Q 2011 Highlights

Balance sheet strength: distinguishing feature of Garanti...

- **Robust loan demand shaped the asset mix -** Loans/Assets up to **56%** vs. **51%** at YE 10 :
    - Key profitable products -- **mortgages** (+6% y-t-d) & **GPLs** (+16% y-t-d)
    - **FX corporate & commercial** loans: (+6% y-t-d)
- **Securities/Assets** down to **25%** – Redemptions & profit realizations further created liquidity
- **Improving asset quality --** exceptionally strong collection performance & lower NPL formation
    - NPL ratio: **2.1**% at 1Q 11 vs. 2.9% at YE 10
    - Gross cost of risk **64 bps** vs. 100 bps at YE 10
- Further **diversified** and **solidified funding mix**
    - Effectively managed deposits & stronger demand deposit levels
    - Utilized alternative funding -- lengthened maturities, managed funding costs
- **Sound capitalization**: CAR: **18%,** Leverage: **7x**

...leads to consistent delivery of strong results

- **Solid earnings at 1Q**: **TL 855 mn** – Down by 15% y-o-y. However, when CPI yield calculation is based on annual estimate* and pre-free provision, earnings would be at TL1,035 mn -- flat vs. 1Q10
- 22 consecutive quarters of ROAE > 20%: **3M 2011 ROAE: 21%**
- **Sustained spread** of loans to deposits due to **proactively** & **timely management of B/S**
    - **Flat margins q-o-q,** excluding income volatility from CPI linkers
- **Net fees and commissions**: Well-diversified into high growth areas supporting the **#1 market share**
- Uninterrupted investment in distribution network: **>20** branch additions in 1Q 11, **#1 in branch expansion**** (>10% y-o-y growth)
- Increased efficiencies underpinned by **strict cost management and process improvement**
    - **Opex/ Avg assets: 2.3**% at 1Q 11 vs 2.9% at 1Q 10; **C/I: 36%**

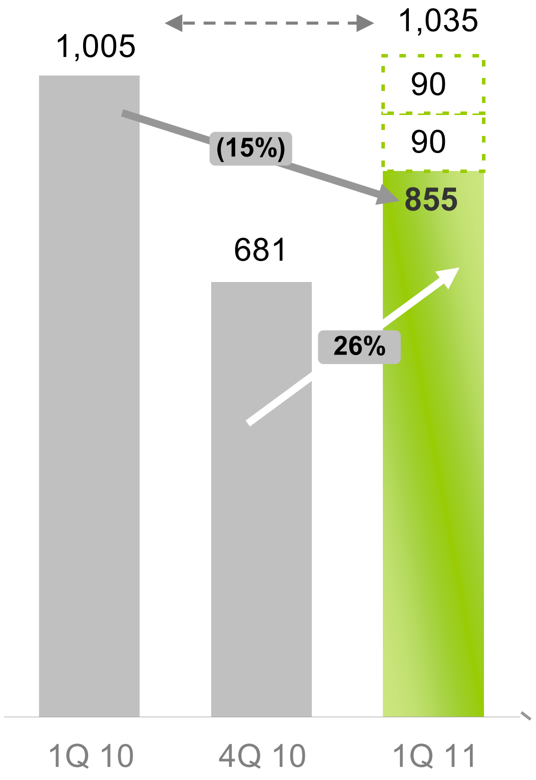
* Based on annual inflation estimate of 6%
** Among private banks

Solid generation of recurring results is maintained while keeping core banking revenues on the rise

1Q11 ROAE: 21%

Quarterly Net Income

TL Million



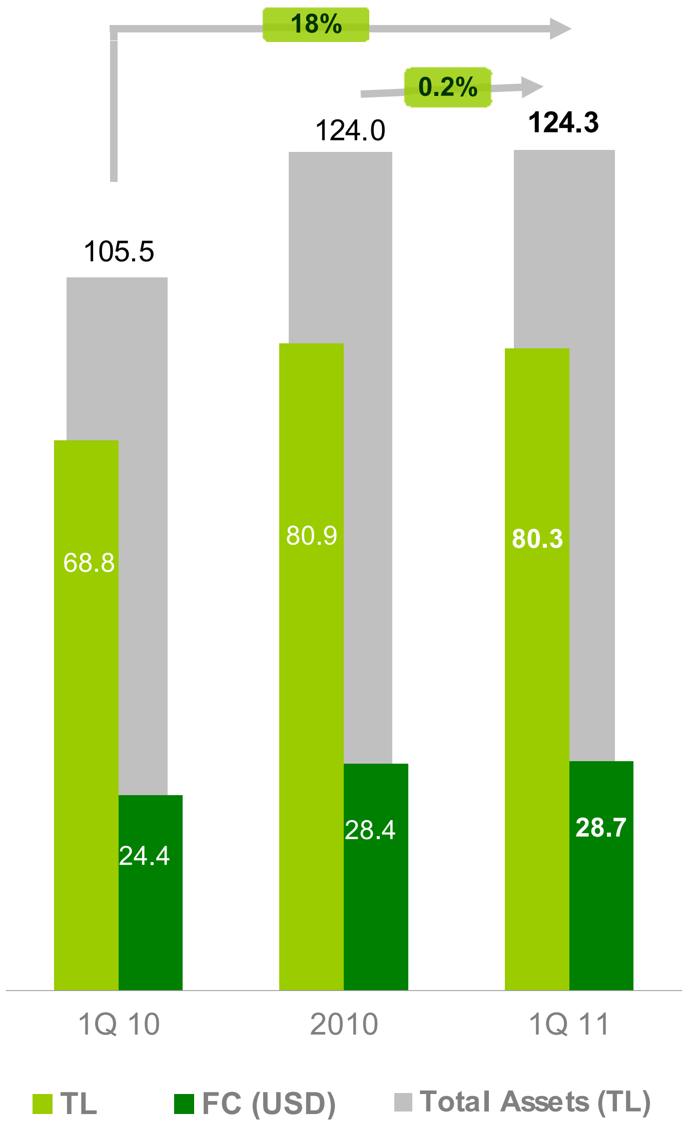
	(TL Million)	1Q 10	4Q 10	1Q 11	Comments
(+)	NII + Net Fees & Comm. excld. inc. on CPI linkers & reserve requirements	1,483	1,260	1,365	Sustained high levels of core banking revenues
(+)	Income on CPI linkers	348	445	163	Volatile CPI linker income due to valuation based on actual readings
(+)	Income on reserve req.	26	4	0	Elimination of income from reserve requirements
(+)	Trading & FX gains	173	15	264	Timely profit realizations
(+)	Collections net of specific & general provisions	8	(17)	96	Exceptionally strong collection performance in 1Q 11
(-)	Free Provisions*	0	0	(90)	Normalizing collections & reversals
(+)	Other income	12	14	18	
(-)	OPEX	(775)	(850)	(705)	Strict execution of efficiency improvement project
(-)	Taxation and other provisions	(269)	(191)	(299)	
(+)	Net gains on NPL sale	0	0	43	
=	**NET INCOME**	1,005	681	855	**STRONG PROFITABILITY**
(+)	*Free Provisions**	*0*	*0*	*90*	
(+)	*Incremental CPI linker yield when based on estimated inflation (post-tax) ***	*0*	*0*	*90*	
=	**ADJUSTED EARNINGS**	**1,005**	**681**	**1,035**	**FLAT**

* The amount of free provisions set in 1Q11 equal TL 100mn. TL 10mn of prior year's free provision is reversed in the same period. Thus, the net amount of free provisions equal TL 90mn.
** Based on annual inflation estimate of 6%

Robust loan demand shaped the asset mix – Loans/Assets up to 56%

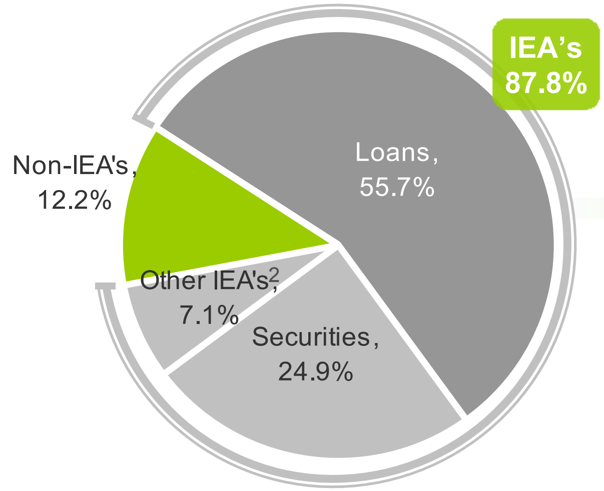
Total Assets

TL / USD Billion

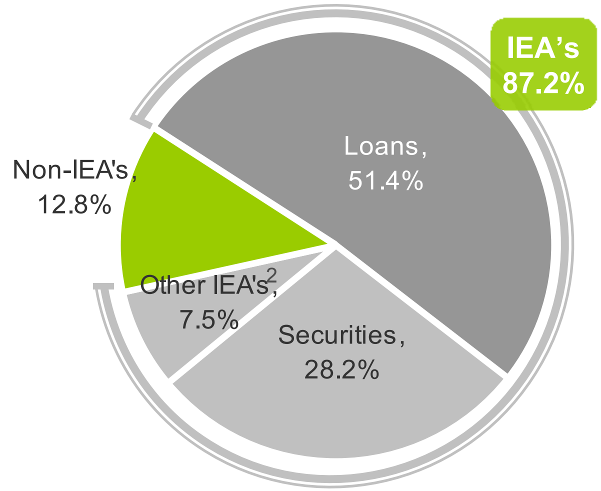


Composition of Assets[1]

1Q 11



2010



Growth:

1Q 11

Loans[4]: 9 %

Securities: -13 %

Loans / Assets

56%

up from

51 % at YE 10

46 % at YE 09

Liquidity Ratio[3]

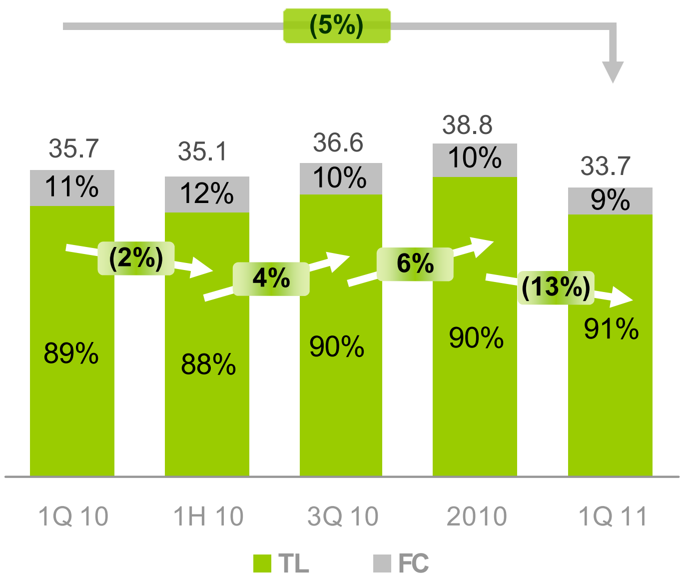
31%

vs. 35 % at YE 10

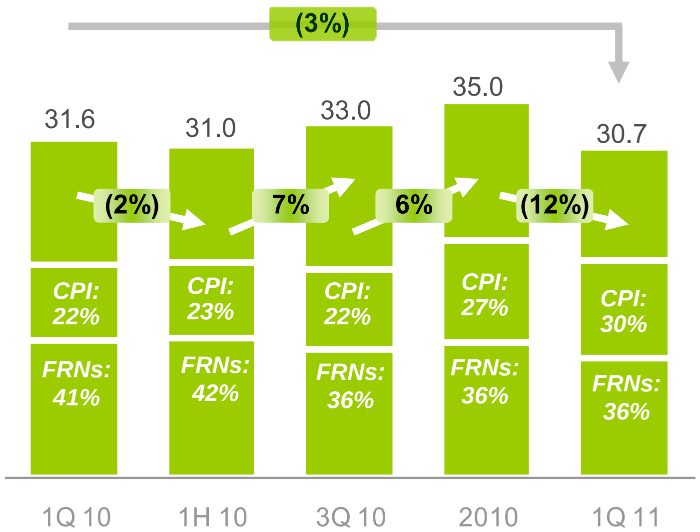
1 Accrued interest on B/S items are shown in non-IEAs
2 Other IEA's include factoring and leasing receivables
3 (Cash and banks + trading securities +AFS)/Total Assets
4 Performing cash loans

Significant redemptions & timely profit realizations from security portfolio further created liquidity

Total Securities



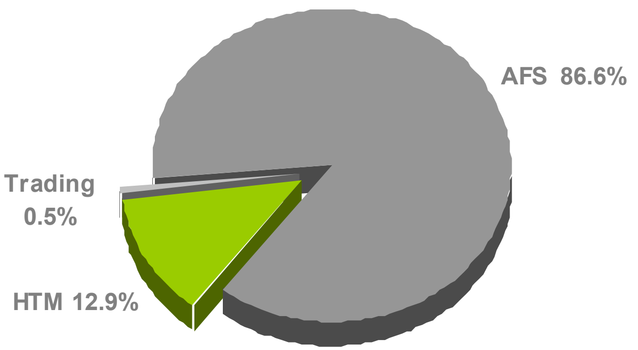
TL Securities



Securities[2] / Assets

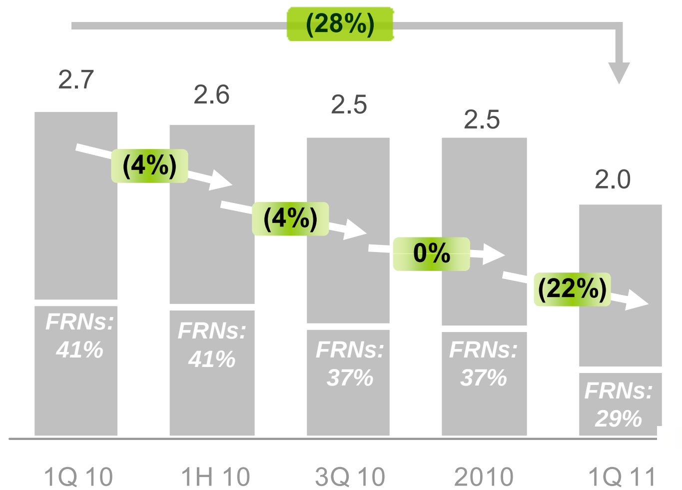
25%
down from
28 % at **YE 10**

Total Securities Composition



"Unrealized gain as of Mar 31, 2011: ***TL 1.3 bn[1]"***

FC Securities



FRN mix in total

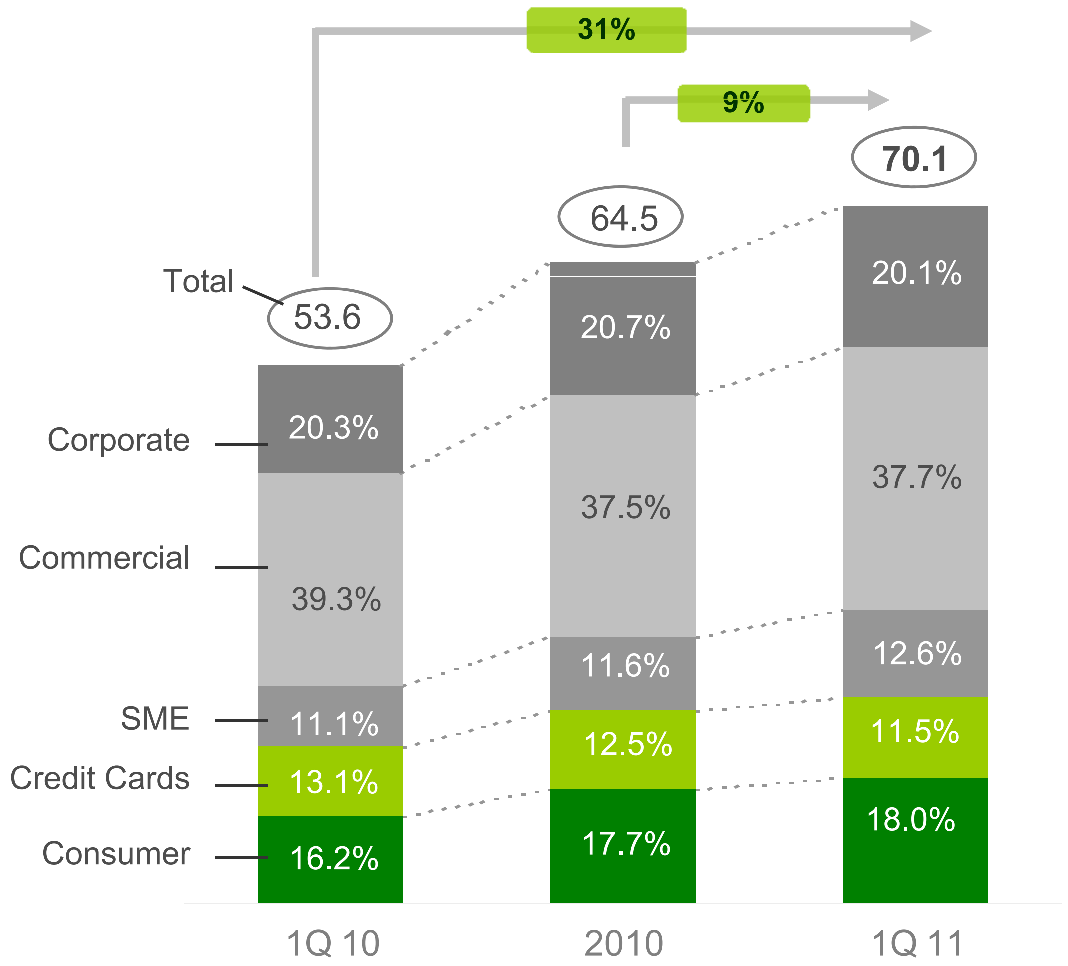
63%
from
60 % at **YE 10**

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

Strengthened market position in lending...

Total Loan[1] Growth & Loans by LOB[2]

TL Billion



1Q 2011:

"Lending growth across the board":

Strong franchise power
Successful relationship management

Total loans M/S: **13.8%**

TL boosted by consumer & SME

TL loans M/S: **11.2%**

FC by corporate & commercial

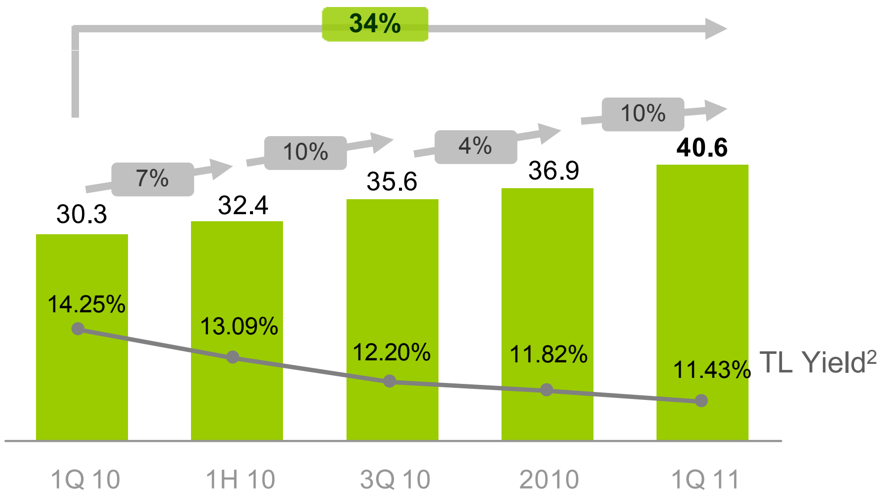
FC loans M/S: **20%**

1 Performing cash loans
2 Based on bank-only MIS data
Note: Market share (M/S) calculations are based on bank-only financials for fair comparison with sector

...while managing yields actively to support margins

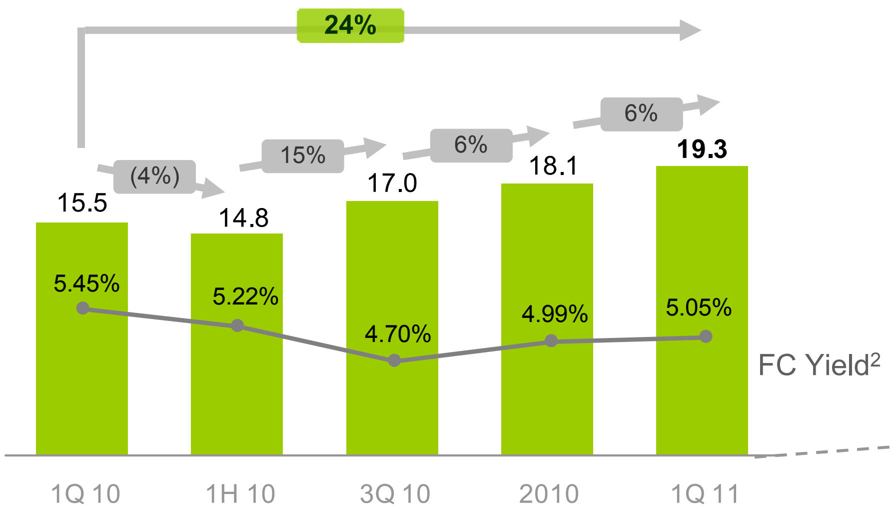
TL Loans[1]

TL Billion



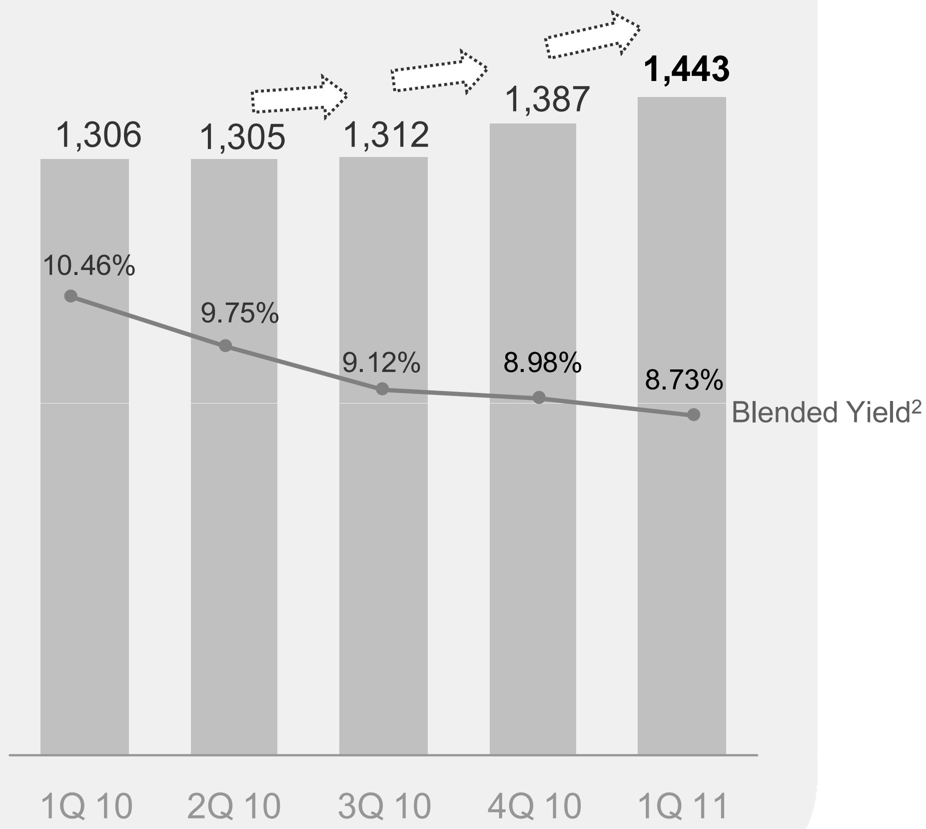
FC Loans[1]

US$ Billion



Interest Income on loans (quarterly)

TL Million

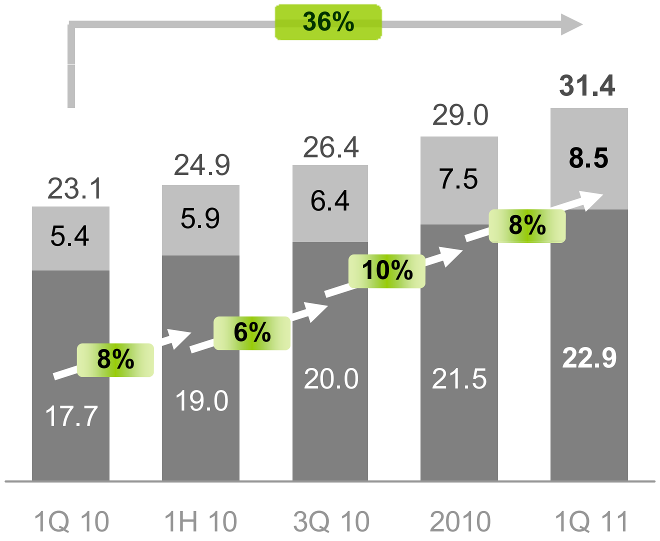


1 Performing cash loans
2 Based on bank-only financials, calculated on a quarterly basis

Capturing the growth in retail lending

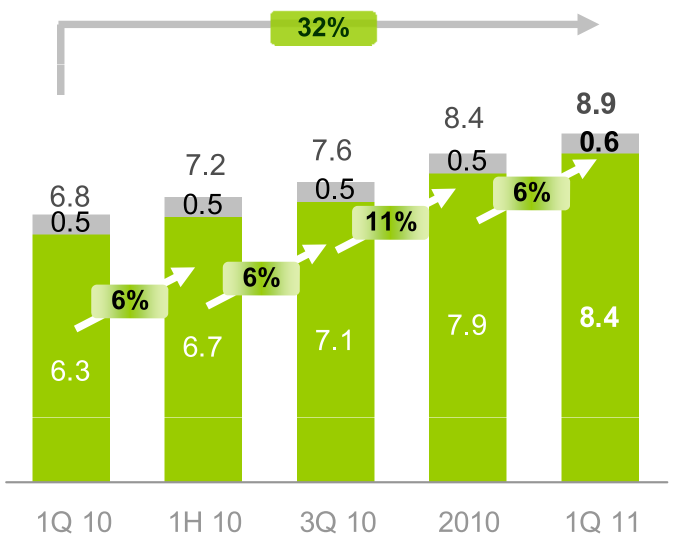
Retail Loans[1]

TL Billion



Mortgage Loan Growth

TL Billion



Consumer Loans

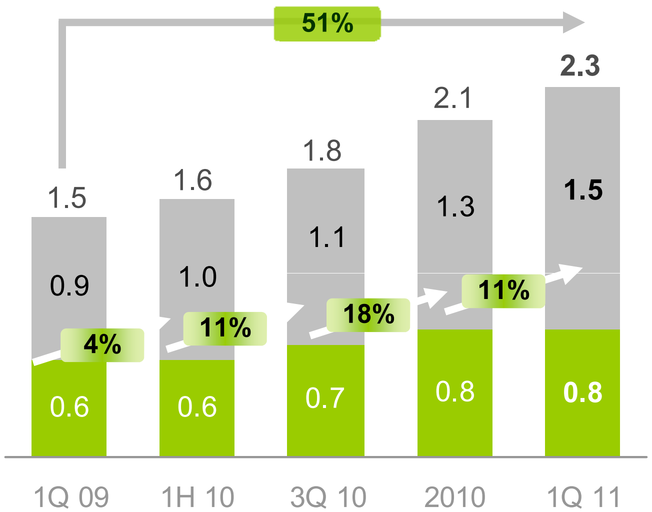
Commercial Installment Loans

Focus remained on key profitable products

Mortgages & GPLs

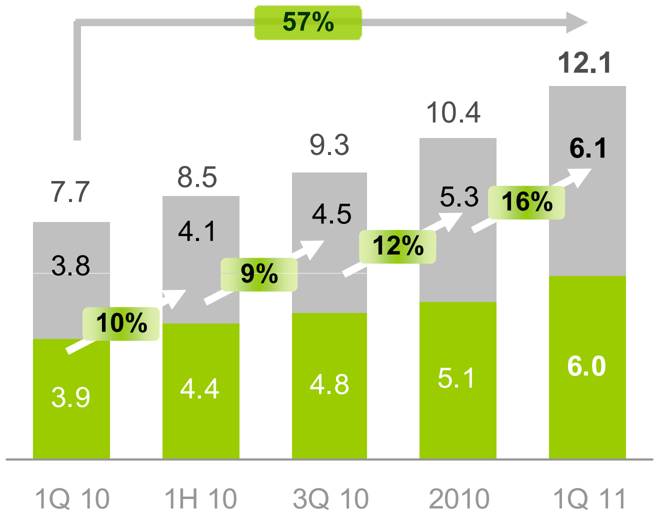
Auto Loan Growth

TL Billion



General Purpose[5] Loan Growth

TL Billion



Market Shares[2,3]

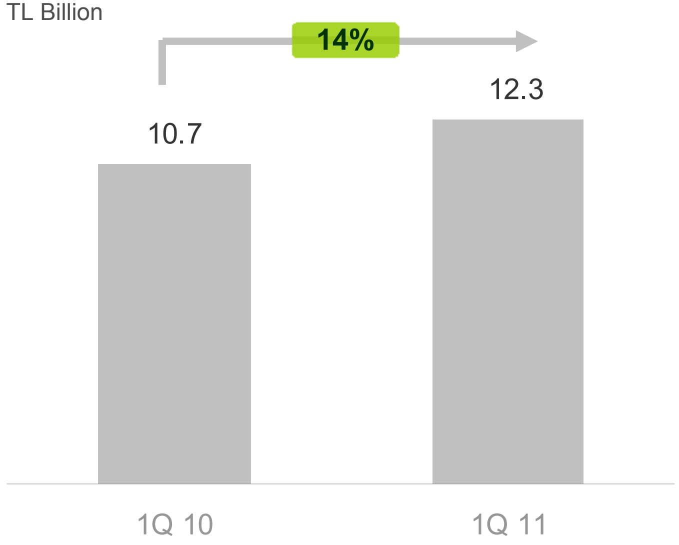
	Dec 10	Mar 11	Qtd	Rank[4]
Mortgage	13.9%	13.9%	-3 bps	#1
Auto	15.1%	15.5%	+41 bps	#3
General Purpose[5]	10.2%	10.8%	+57 bps	#2
Retail[1]	13.1%	13.3%	+19 bps	#2

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 4Q10 among private banks 5 Including other loans and overdrafts

Selective and limited growth in credit cards

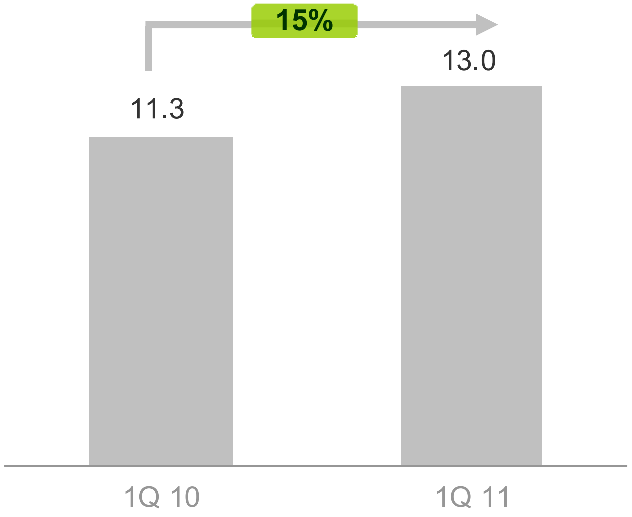
Issuing Volume

TL Billion



Acquiring Volume

TL Billion



#1 in Card Business

Per Credit Card Spending (TL, Mar 11[2])

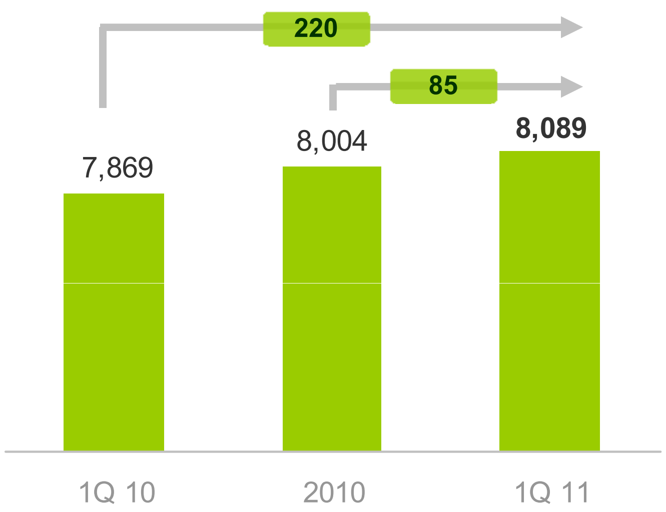
Per Debit Card Spending

>2 times the sector

... with the ultimate aim of creating cashless society

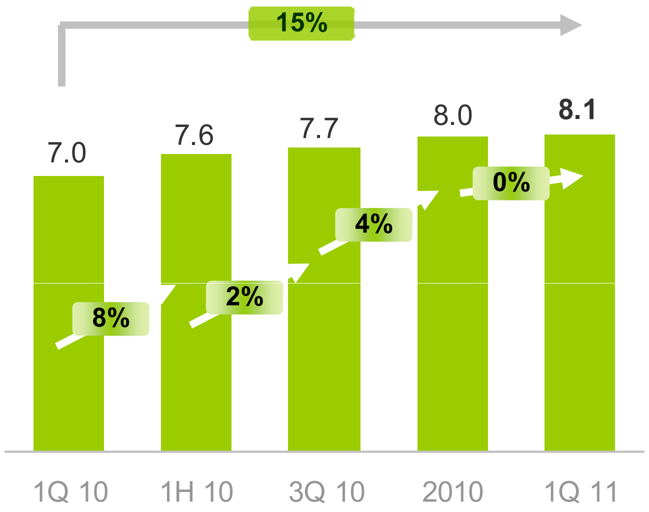
No. of Credit Cards

In Thousand



Credit Card Balances

TL Billion



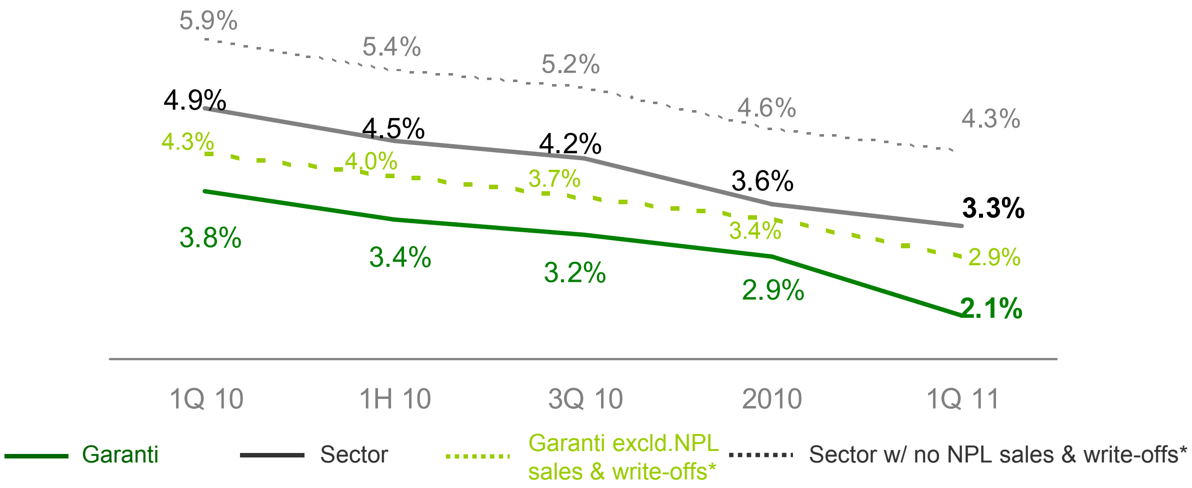
Market Shares

	YTD ∆	Mar 11	Rank
Acquiring	-85 bps	20.5%	#2
Issuing	-70 bps	19.4%	#1
# of Credit Cards	-13 bps	16.9%	#1
POS[1]	+65 bps	22.9%	#1
ATM	-10 bps	10.8%	#3

1 Including shared POS
2 Annualized

Asset quality continued to improve – strong collections and lower new NPLs--significantly better vs. sector…

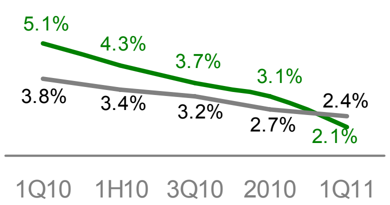
NPL Ratio[1]



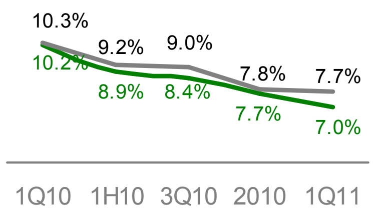
** Adjusted with write-offs in 2008, 2009,2010 and 1Q 11. 2010 and 1Q11 sector NPL sales & write-offs total: TL ~2.6 bn and ~TL 0.4 bn, respectively Garanti sold NPLs in 1Q 11 amounting to TL 484mn, of which TL 200mn relates to the NPL portfolio with 100% coverage and the rest being from previously written-off NPLs. Gross income booked amounts TL 54mn.*

NPL Categorisation[1]

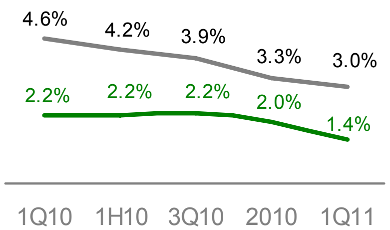
Retail Banking
(Consumer & SME Personal)
21% of Garanti's Total Loans



Credit Cards
12% of Garanti's Total Loans



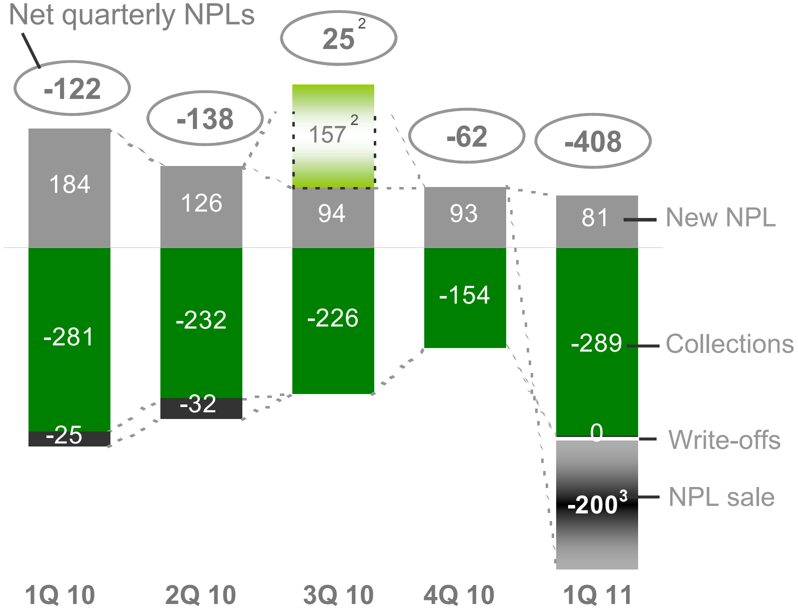
Business Banking
(Including SME Business)
67% of Garanti's Total Loans



Garanti — Sector

Net NPLs (quarterly)

TL Million



New NPL formation QoQ **down by 12%**

Strong collections in 1Q includes recoveries of large commercial files booked in 3Q10

1 Sector figures are per BRSA bank-only data. NPL categorisation is based on bank-only data
2 Including NPL inflows in 3Q 2010, amounting to TL157 mn, which are related to a few commercial files with highly strong collateralization
3 Garanti NPL sale equals TL484 mn, of which TL200 mn relates to NPL portfolio with 100% coverage and the remaining TL284 mn being from the previously written-off NPLs.
Source: BRSA, TBA & CBT

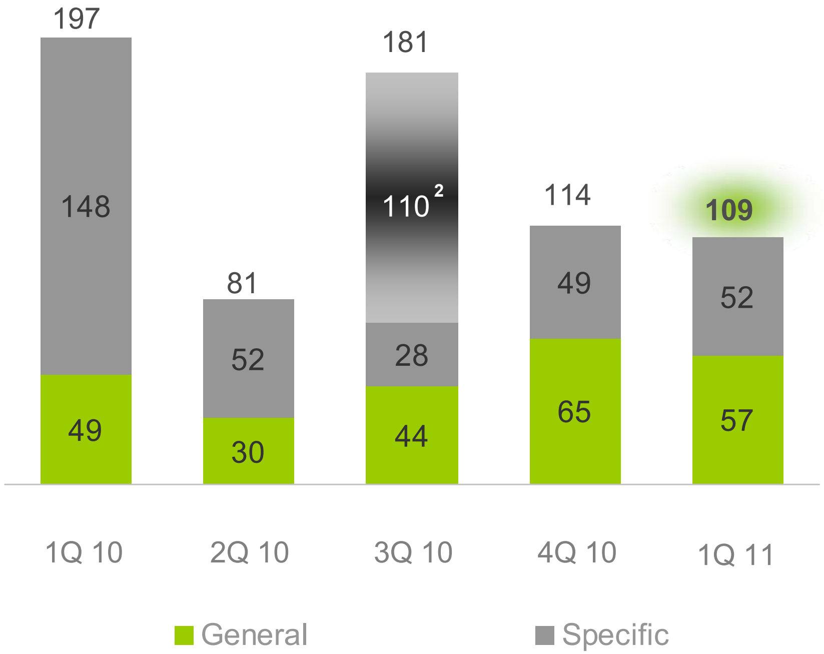
...paving the way for provision relief

Quarterly Loan-Loss Provisions

TL Million

Coverage Ratio

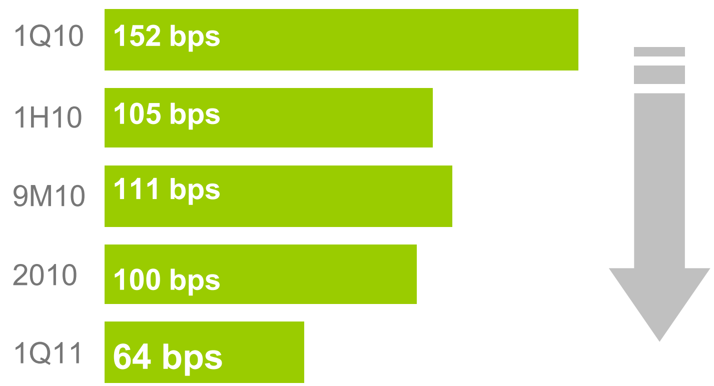
	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11
Sector[1]	85%	86%	86%	86%	86%
Garanti	82%	82%	81%	82%	82%



Coverage ratio remains strong

82%

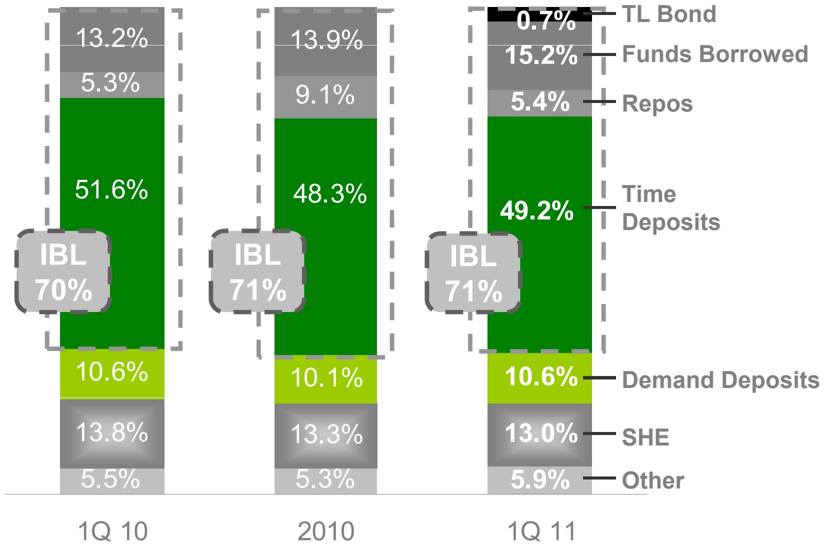
Cost of Risk



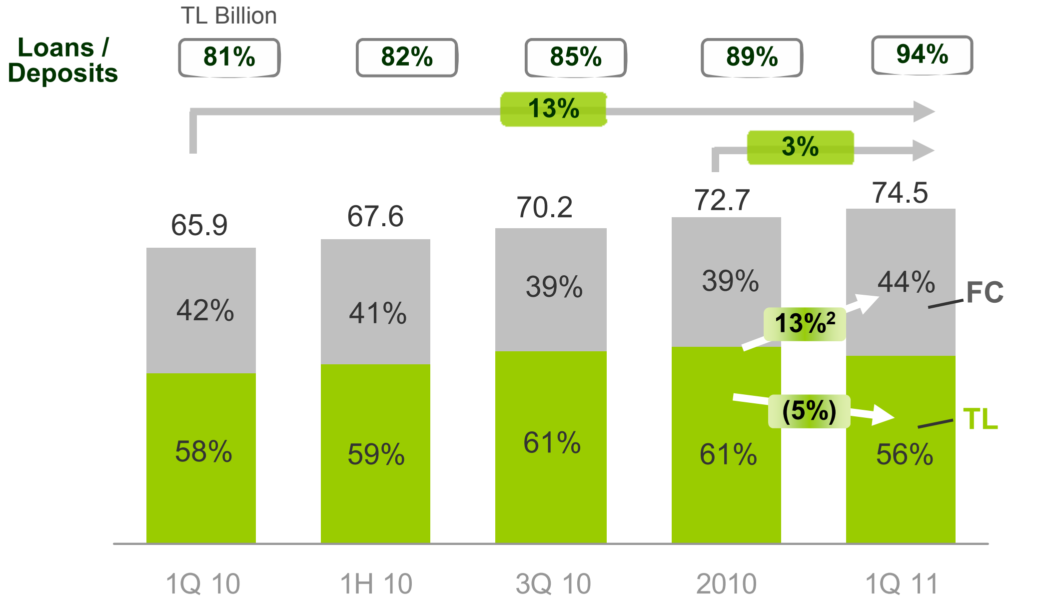
1 Sector figures are per BRSA weekly data, commercial banks only
2 TL110 mn of provisions resulting from NPL inflows in 3Q 10, which are related to a few commercial files with highly strong collateralization

Diversified funding sources to actively manage costs in limiting margin pressure and lengthen maturities

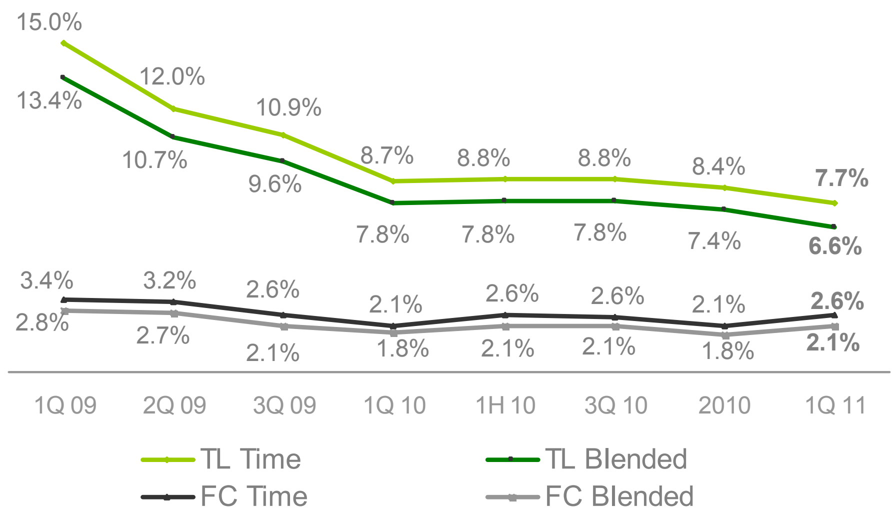
Composition of Liabilities



Total Deposits



Cost of Deposits[1]



TL cost of deposits lowered by ***~70 bps***

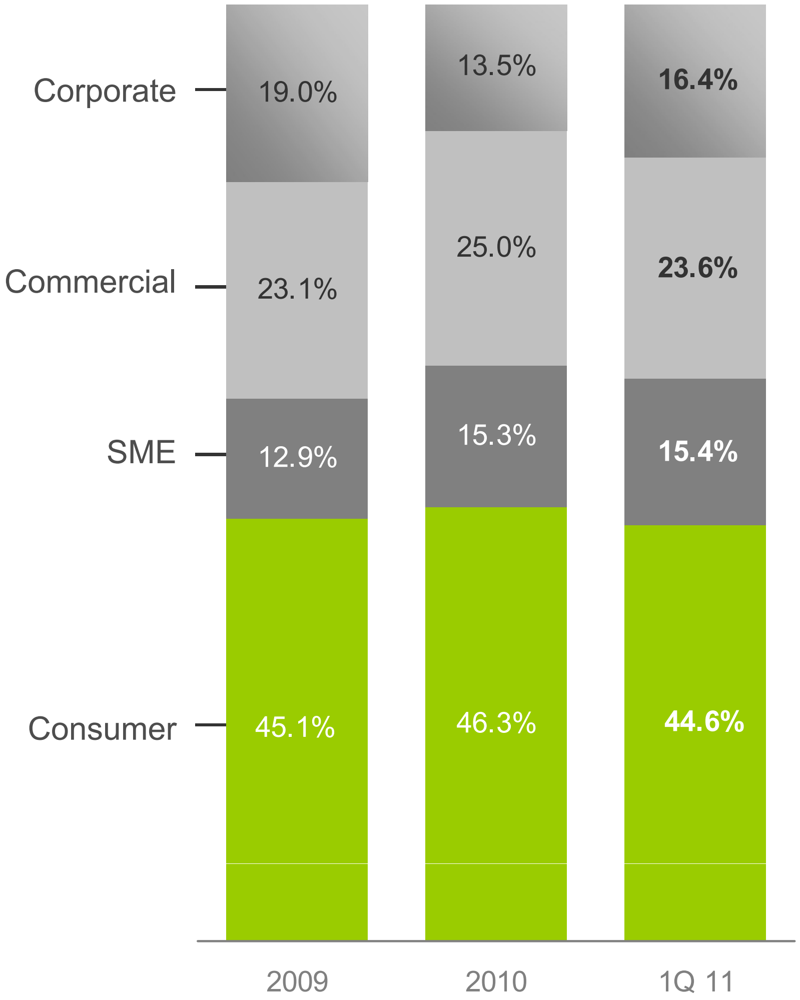
Secured ***TL 1 bn. bond*** *with* ***1yr.*** *maturity,* ***at a cost of 7.68%***

1 Based on bank-only MIS data
2 Growth in USD terms

In deposit growth, focus remains on demand deposits

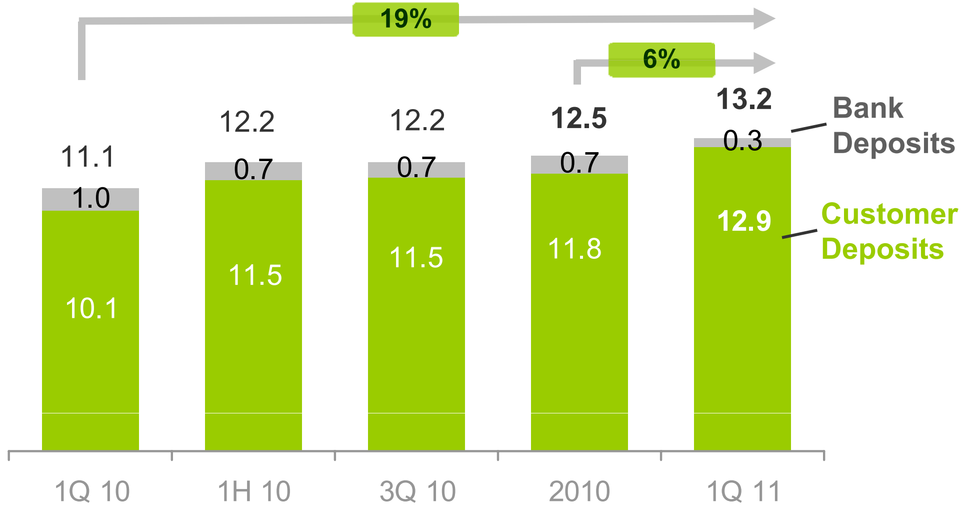
Deposits by LOB[1]

(Excluding bank deposits)



Demand Deposits

TL Billion



Customer Demand Deposits

YTD Growth **10%**

Demand Deposits / Total Deposits: 18%

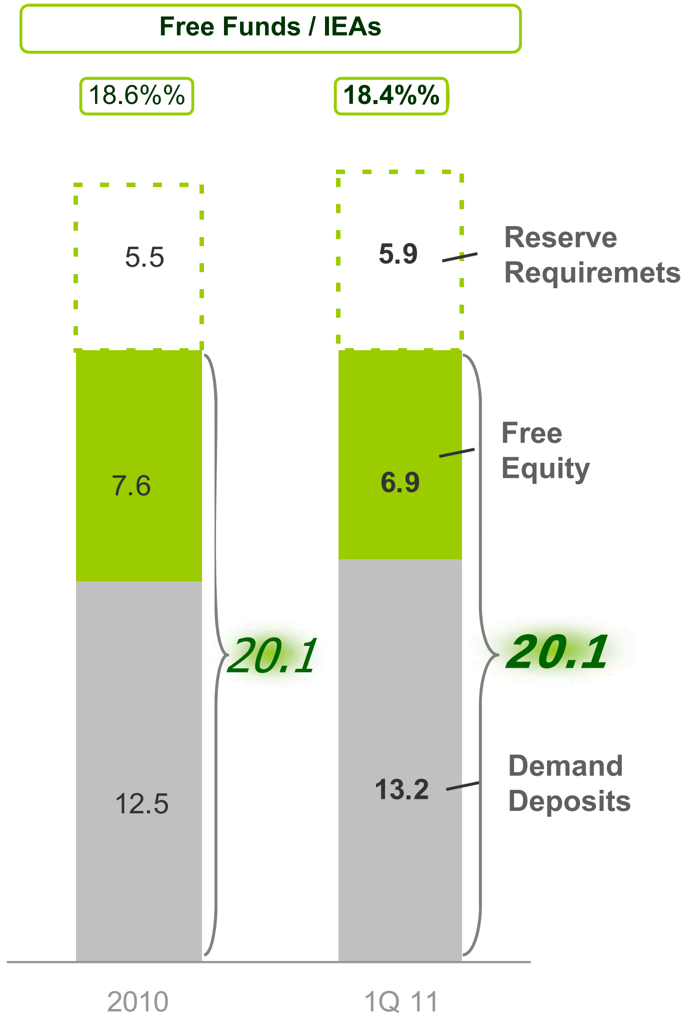
1 Based on bank-only MIS data

Strong capital base and sizeable free funds

CAR

Free Funds

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



Free funds
TL 20.1 bn

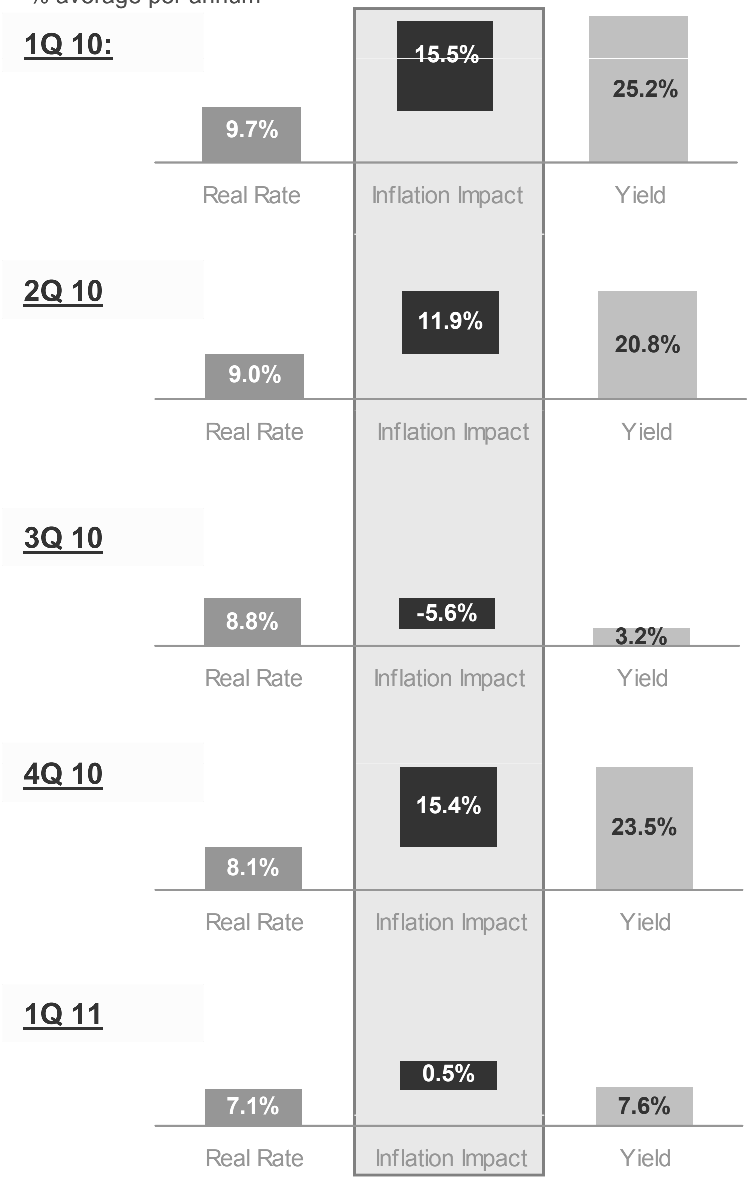
Leverage Ratio
7x

Note: Free Equity = SHE - (Net NPL+ Investment in Associates and Subsidiaries + Tangible and Intangible Assets+ AHR+ Reserve Requirements)
Free Funds: Free Equity + Demand Deposits

Relatively lower inflation readings in 1Q caused a "temporary drop" in securities yield -- significantly lower contribution by CPI linkers

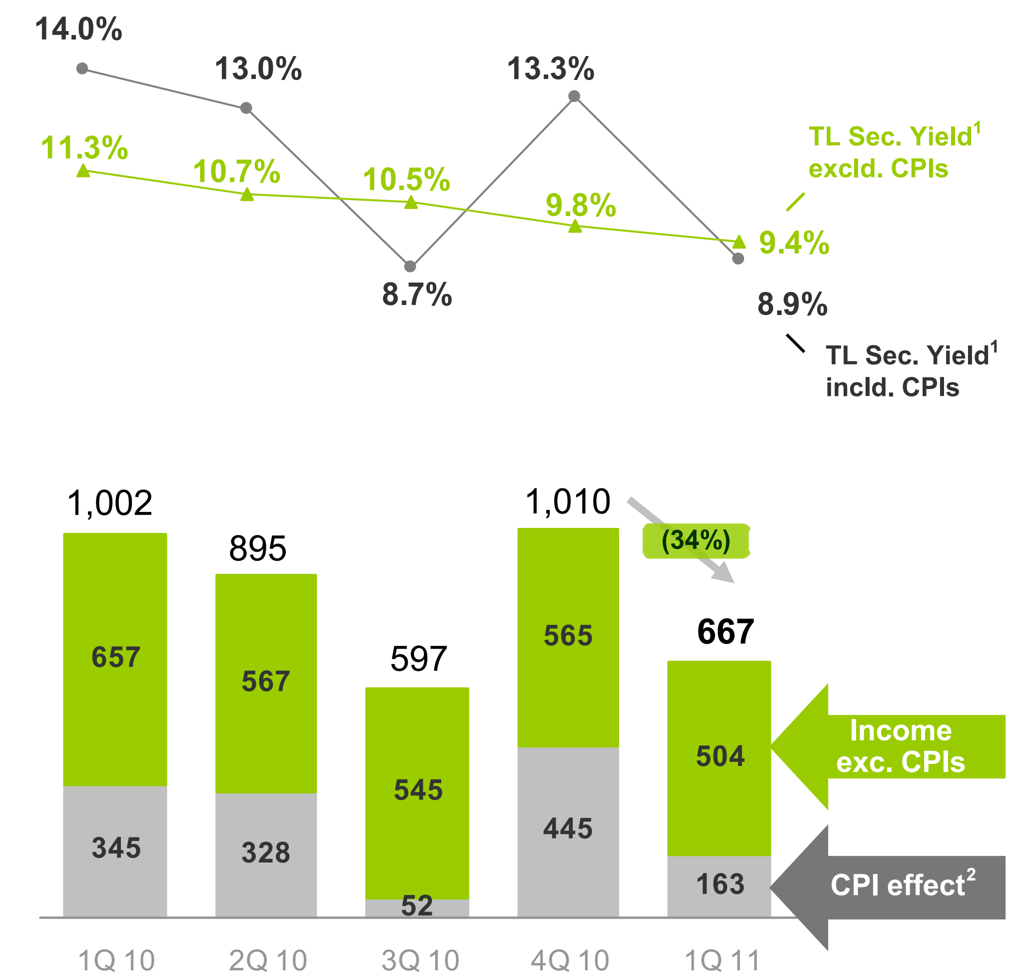
Drivers of the Yields on CPI Linkers[1]

% average per annum



Interest Income & Yields on TL Securities

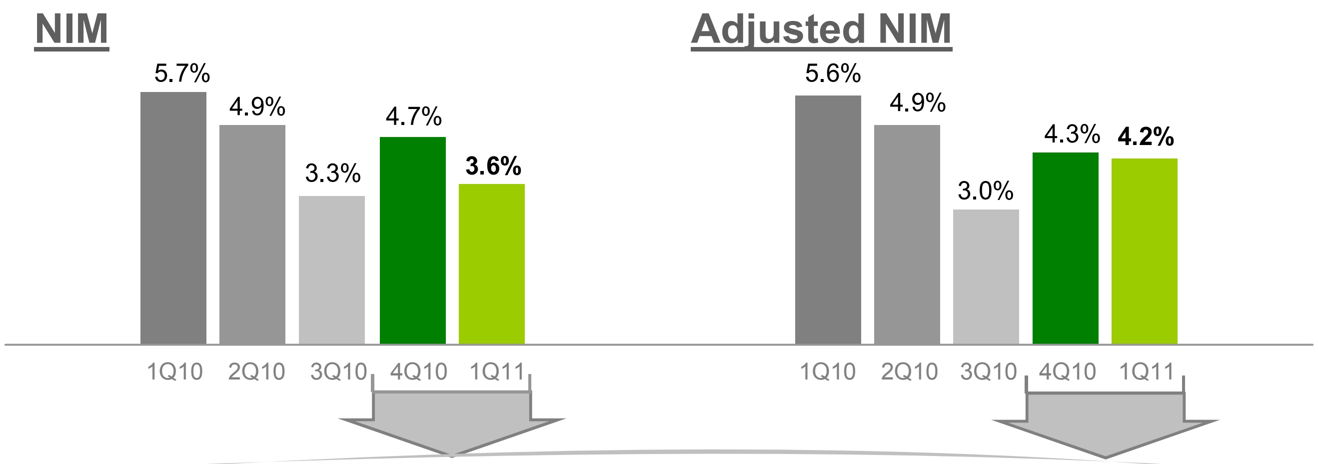
TL Million

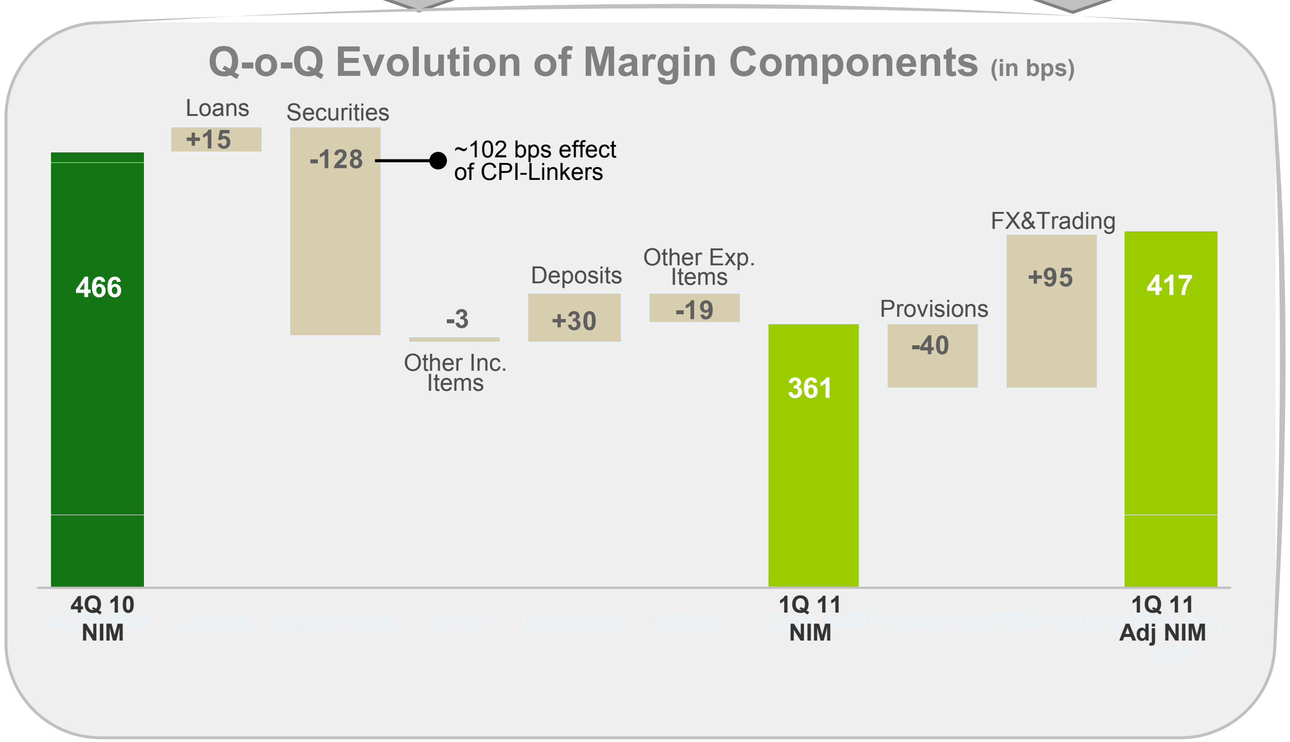


1 Based on bank-only MIS data
2 Per valuation method based on actual monthly inflation readings

Margins held up well q-o-q, excluding income volatility from CPI Linkers

Quarterly NIM (Net Interest Income / Average IEAs)





1Q 11 over 4Q 10:

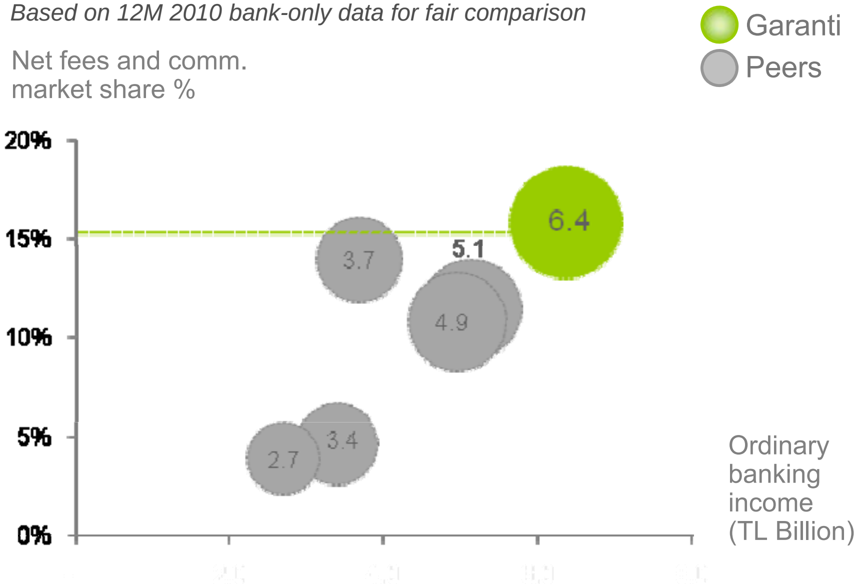
- ***Drop in asset yields'*** *impact on margin* ***-116 bps (-14 bps when income volatility of CPI linkers is excluded)***
- ***Decline in funding costs'*** *impact on margin* **+11 bps**
- ***NIM*** *down by* ***105 bps*** *q-o-q* ***(however flat when volatility from CPI linkers excluded)***
- ***Adjusted NIM flat*** *due to* ***robust trading gains***

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

Well-diversified fee sources bolstered sustainable customer driven income

Ordinary Banking Income[1] Generation

Based on 12M 2010 bank-only data for fair comparison



Strong presence in brokerage

Market share **>6%**

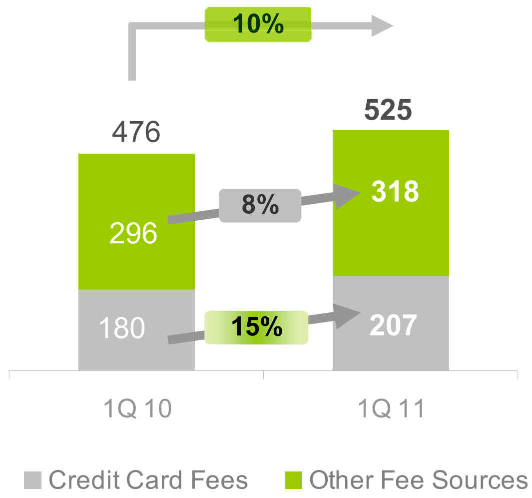
#1 in bancassurance

Highest payment systems commissions per volume

1.6% *vs. Peer avg.* ***1.2%***[5]

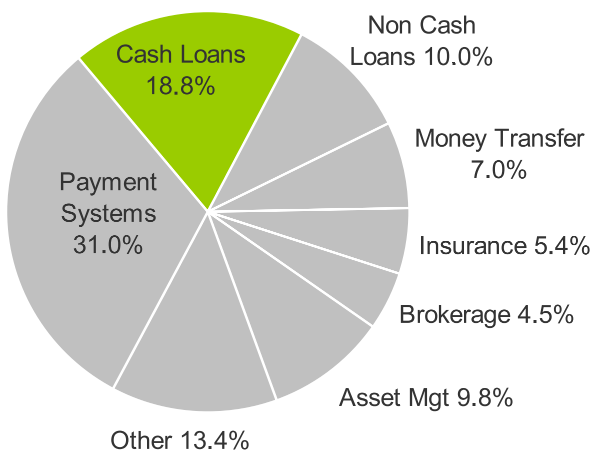
Net Fees & Commissions[2]

TL Million

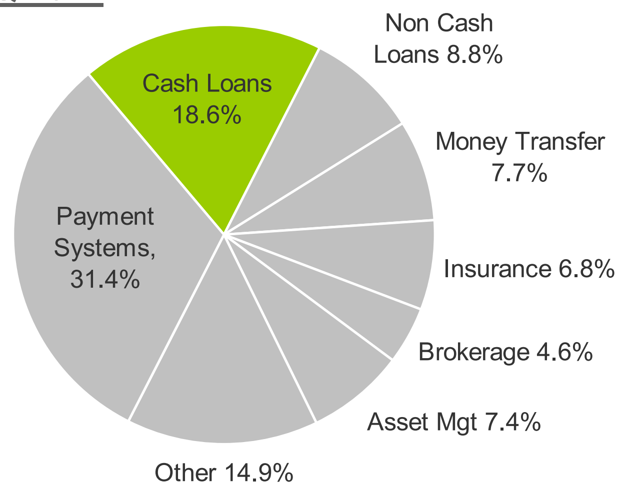


Net Fees & Commission Breakdown[3,4]

1Q 2010



1Q 2011



Growth Areas (%)	Y-o-y	Q-o-q
Cash loan[3]	13%	31%
Brokerage	17%	21%
Money transfer	26%	7%
Insurance	44%	28%

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 56mn for 3M 11 and TL 29mn for 3M 10
3 Include consumer loan fees as well as other cash loan fees now classified as interest on loans in income statement amounting TL 56mn for 3M 11 and TL 29mn for 3M 10
4 Bank-only MIS data 5 Peer average as of YE 2010

Sustained solid profitability

(TL Million)	1Q 10	4Q 10	1Q 11
Interest Income	2,486	2,544	2,249
-Loans	1,306	1,387	1,443 ✓
-Reserve Requirements	26	4	0
-Securities	1,064	1,064	720
CPI Linkers	348	445	163
Interest Expense	(1,104)	(1,263)	(1,247) ✓
NET INTEREST INCOME	1,382	1,280	1,002
Net Fees & Comm.	476	430	525 ✓
Net Trading & FX Gains	173	15	264
Net Provisions for Loans	57	48	153
-Specific Loan Loss Provisions	(148)	(49)	(52)
-Provision reversals (Collections)	205	97	205
General & Security Provisions	(49)	(65)	(58)
ORDINARY BANKING INCOME -including collections	2,038	1,707	1,887
Other Income	12	14	72
Operating Expense	(775)	(850)	(705) ✓
Other provisions	(3)	(1)	(139)
PROFIT BEFORE TAX	1,271	871	1,115
Taxes	(266)	(190)	(260)
NET INCOME	1,005	681	855 ✓

OPEX/Avg. Assets:
2.3%
down from
2.9% at **1Q 10**

Fees/Opex:
75%
up from
61% at **1Q 10**

Cost/Income:
36%
down from
44% at **YE 10** &
38% at **1Q 10**

Appendix

Balance Sheet - Summary

	(TL Million)	2010	1Q 11	YTD Change
Assets	Cash & Banks[1]	10,338	9,599	(7%)
	Reserve Requirements	5,493	5,905	8%
	Securities	38,818	33,729	(13%)
	Performing Loans	64,476	70,096	9%
	Fixed Assets & Subsidiaries	2,916	2,988	2%
	Other	1,933	1,948	1%
	TOTAL ASSETS	**123,974**	**124,265**	**0%**
Liabilities & SHE	Deposits	72,658	74,534	3%
	Repos & Interbank	11,254	6,762	(40%)
	Borrowings[2]	17,518	19,950	14%
	Other	6,112	6,869	12%
	SHE	16,432	16,150	(2%)
	TOTAL LIABILITIES & SHE	**123,974**	**124,265**	**0%**

1 Includes banks, interbank and other financial institutions
2 Includes funds borrowed, issued bonds and sub-debt

Quarterly Income Statement

(TL Million)	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11
Interest Income	2,486	2,386	2,084	2,544	2,249
-Loans	1,306	1,305	1,312	1,387	1,443
-Reserve Requirements	26	28	29	4	0
-Securities	1,064	956	659	1,064	720
CPI Linkers	348	328	52	445	163
Interest Expense	(1,104)	(1,162)	(1,215)	(1,263)	(1,247)
NET INTEREST INCOME	1,382	1,224	869	1,280	1,002
Net Fees & Comm.	476	453	458	430	525
Net Trading & FX Gains	173	74	102	15	264
Net Provisions for Loans	57	91	(4)	48	153
-Specific Loan Loss Provisions	(148)	(52)	(138)	(49)	(52)
-Provision reversals (Collections)	205	143	133	97	205
General & Security Provisions	(49)	(30)	(44)	(65)	(58)
ORDINARY BANKING INCOME -including collections	2,038	1,813	1,380	1,707	1,887
Other Income	12	22	17	14	72*
Operating Expense	(775)	(708)	(729)	(850)	(705)
Other provisions	(3)	(2)	(7)	(1)	(139)**
PROFIT BEFORE TAX	1,271	1,128	661	871	1,115
Taxes	(266)	(208)	(139)	(190)	(260)
NET INCOME	1,005	920	522	681	855

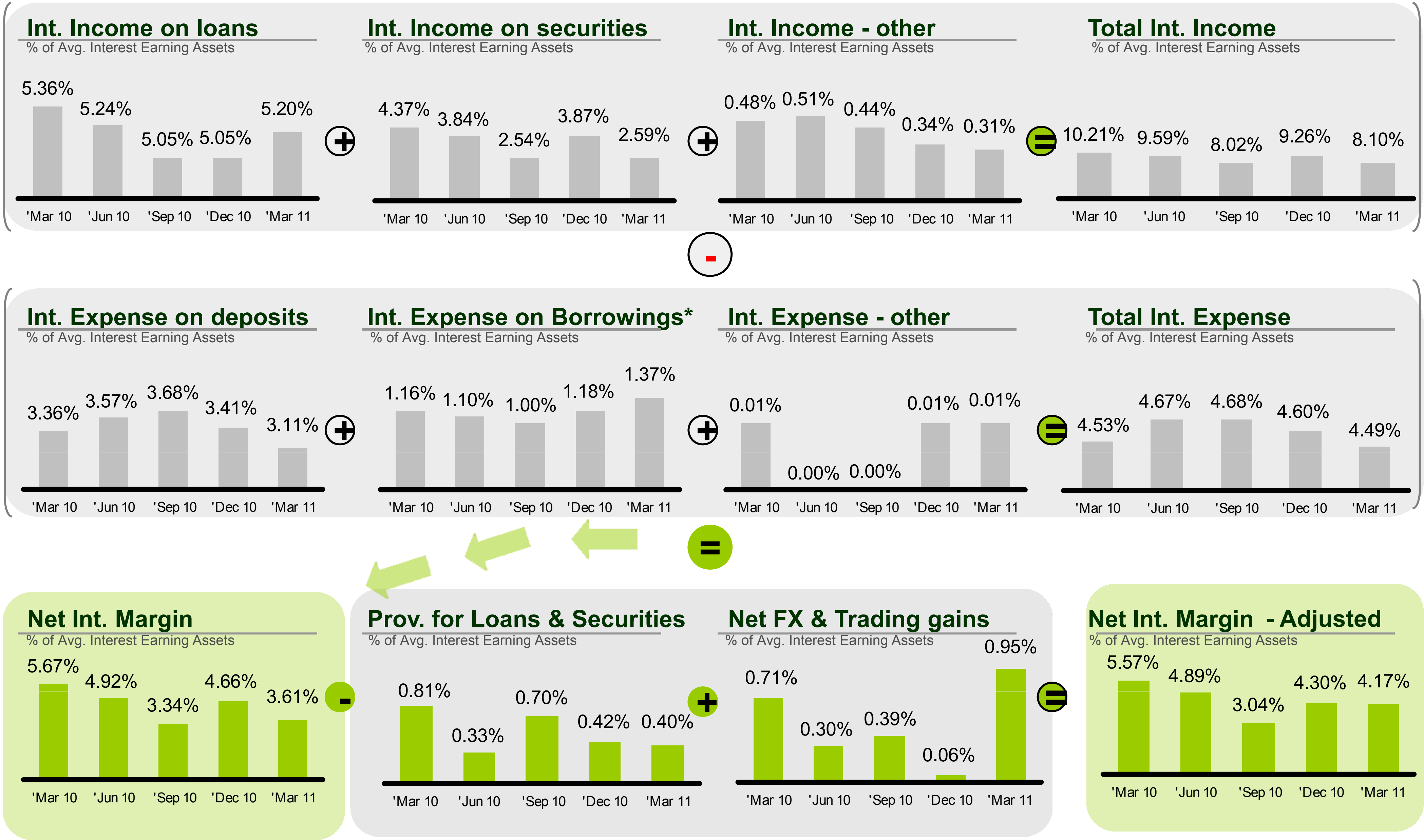
* Including gains on NPL sale of TL 53.9 mn

**The amount of free provisions set in 1Q11 equal TL 100mn. TL 10mn of prior year's free provision is reversed in the same period. Thus, the net amount of free provisions equal TL 90mn.

Key financial ratios

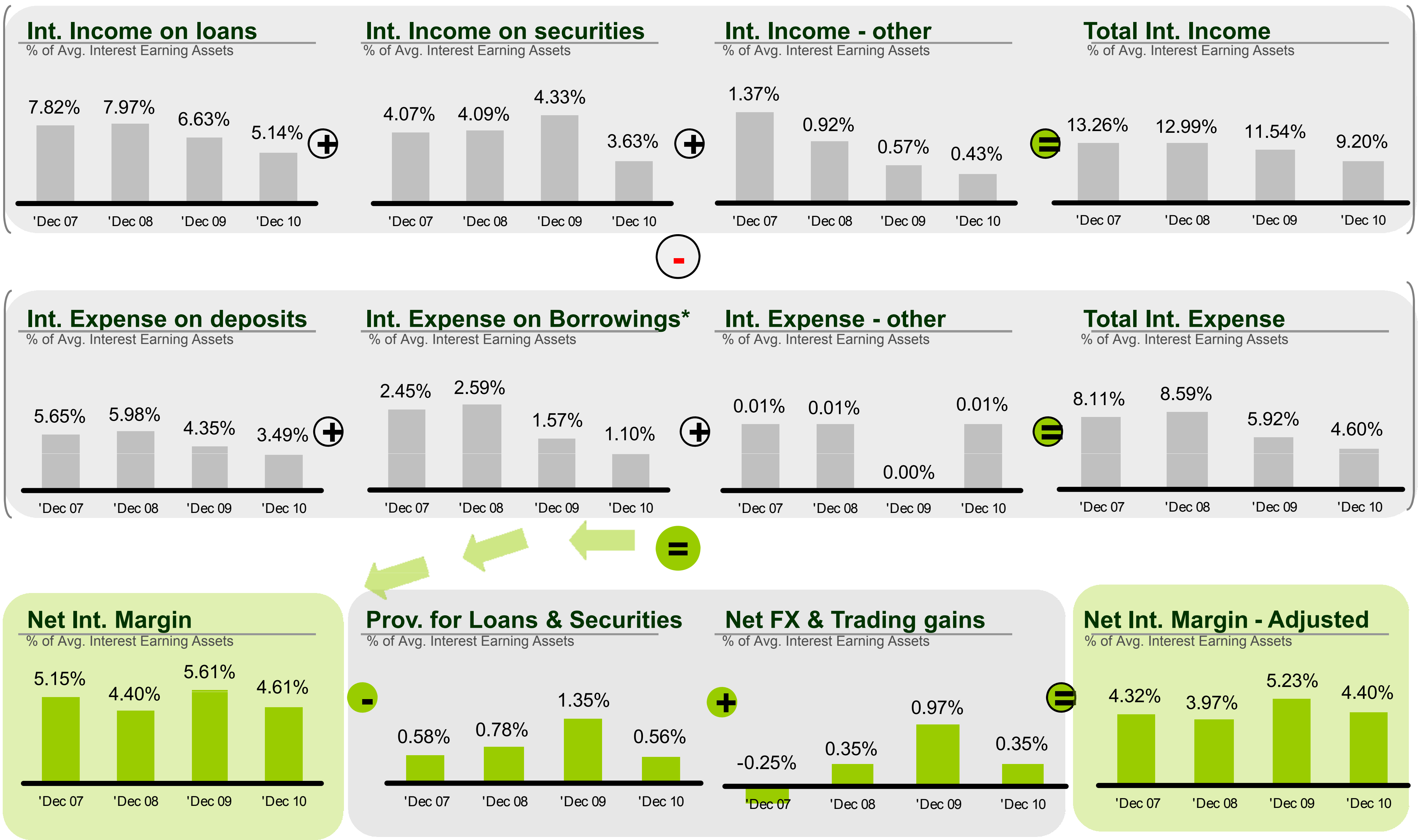
	Mar 10	Jun 10	Sep 10	Dec 10	Mar 11
Profitability ratios					
ROAE	29%	27%	22%	21%	21%
ROAA	3.9%	3.6%	3.0%	2.8%	2.8%
Cost/Income	37.8%	38.2%	41.9%	43.9%	36.0%
NIM (Cumulative)	5.7%	5.3%	4.6%	4.6%	3.6%
Adjusted NIM (Cumulative)	5.6%	5.2%	4.5%	4.4%	4.2%
Liquidity ratios					
Liquidity ratio	37%	36%	35%	35%	31%
Loans/Deposits	81.3%	82.3%	85.3%	88.7%	94.0%
Asset quality ratios					
NPL Ratio	3.8%	3.4%	3.2%	2.9%	2.1%
Coverage	82%	82%	81%	82%	82%
Cost of Risk (bps)	152	105	111	100	64
Solvency ratios					
CAR	20.6%	20.1%	19.8%	19.6%	18.2%
Tier I Ratio	17.7%	17.5%	17.1%	16.9%	15.9%
Leverage	6x	6x	6x	7x	7x

Quarterly Margin Analysis



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

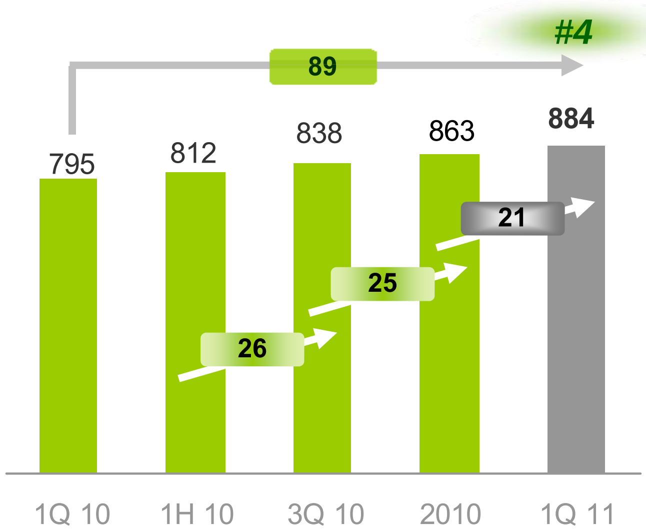
Cumulative Margin Analysis



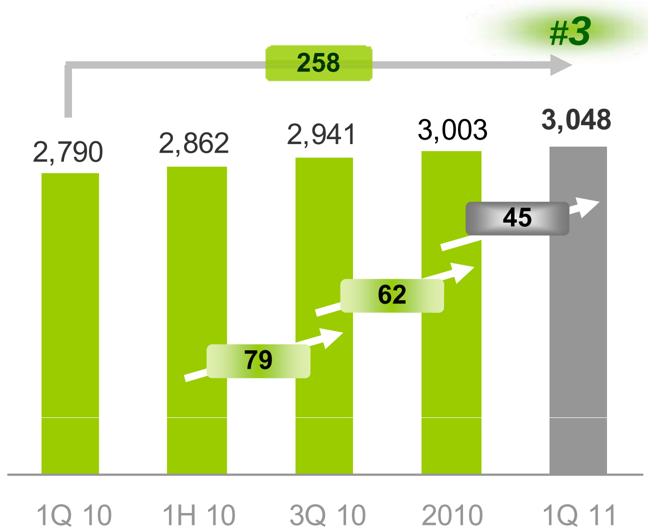
Note: Cumulative NIM analysis
Source:BRSA bank-only financials
Adjustments to NIM: Net Interest Income/ Average IEA adjusted by FX gain/loss, provision for loans and securities, and net trading income/loss
* Funds borrowed and repos

Further strengthening of retail network

Number of Branches

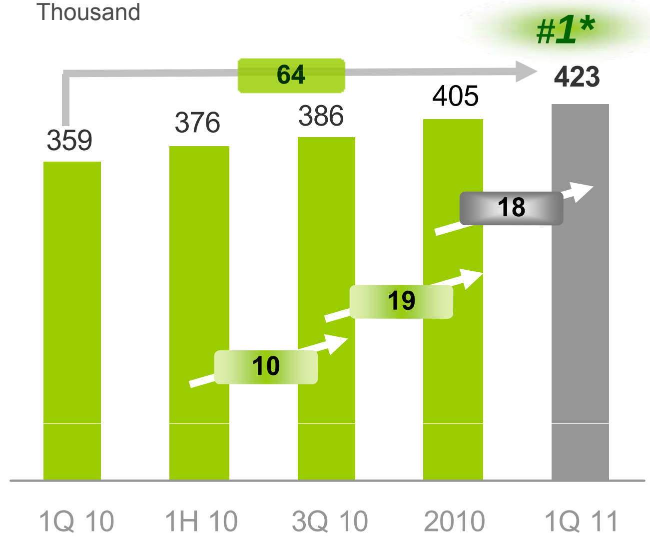


Number of ATMs



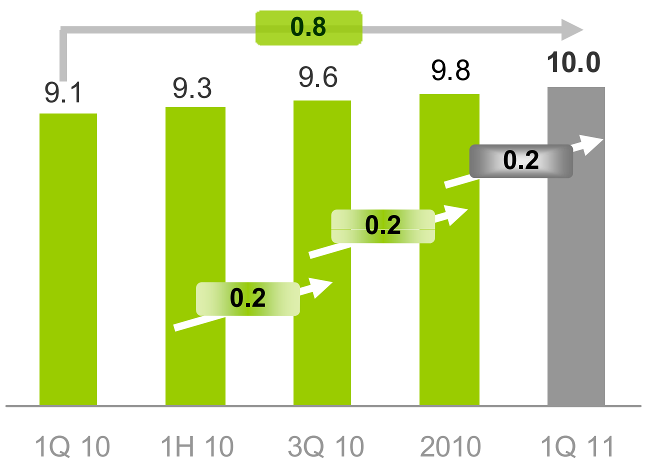
Number of POS

Thousand



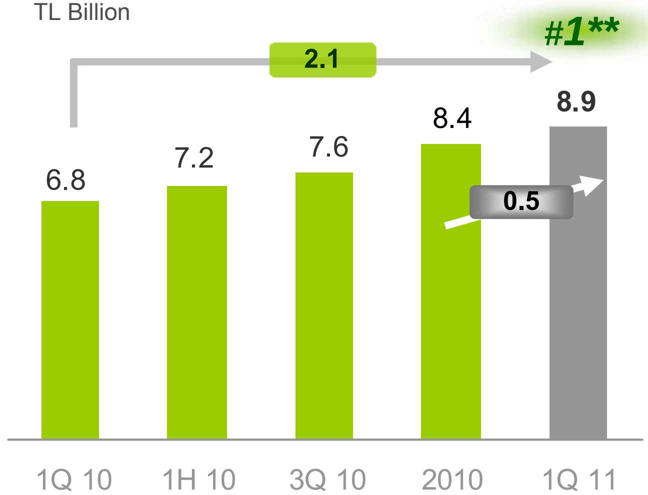
Number of Customers

Millions



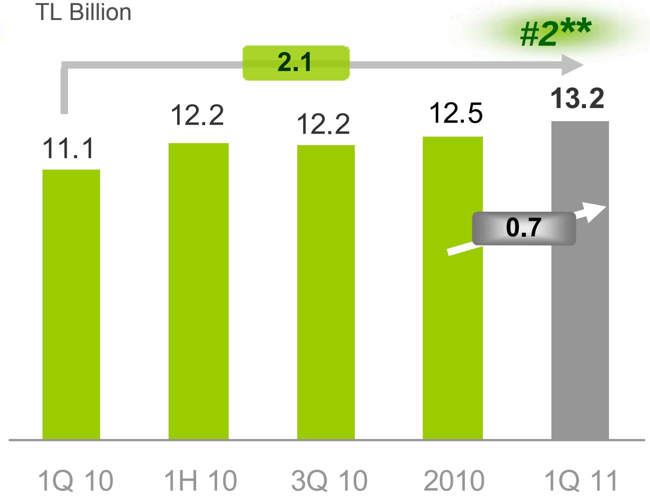
Mortgages

TL Billion



Demand Deposits (customer+bank)

TL Billion

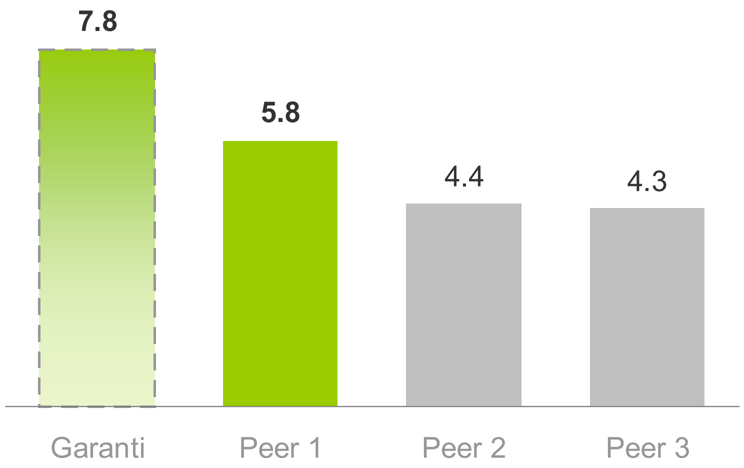


*Including shared POS
**Mortgage and demand deposit ranks are as of 4Q 10
Note: Ranks are among private banks

...while preserving the highest efficiencies

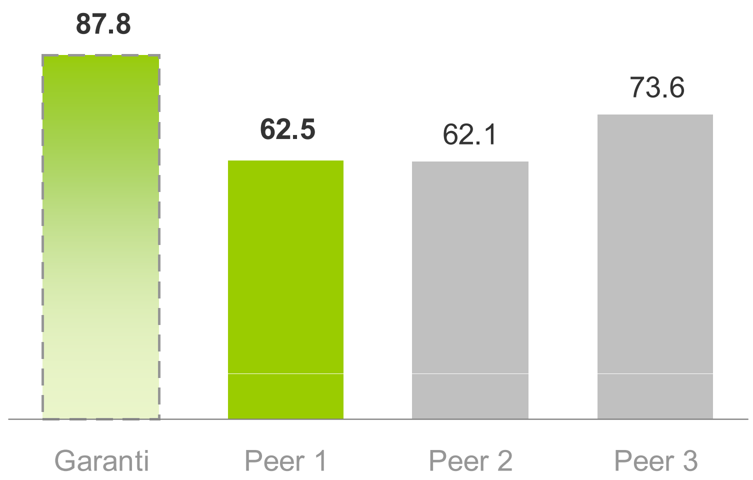
Ordinary Banking Income per Branch

12M 2010, TL million



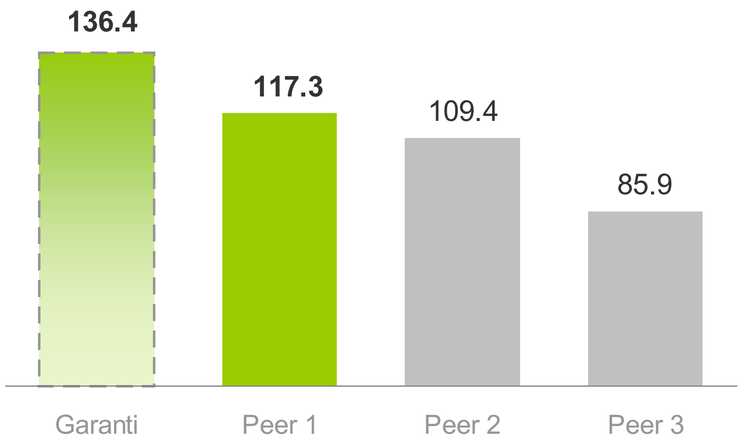
Loans per Branch[1]

2010, TL million



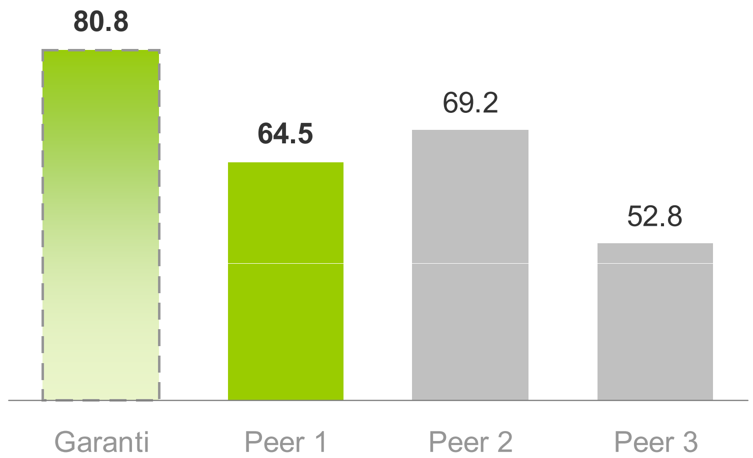
Assets per Branch

2010, TL million



Customer Deposits per Branch

2010, TL million



1 Total loans = Cash+Non-cash loans
Note: Figures are bank-only for fair comparison

Non-recurring items

1Q 2011:

I. As of the balance sheet date, financial statements include a general reserve amounting to TL 420 mn, TL 90 mn of which was charged to the income statement as expense in the current period, provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

II. As part of the parent Bank's non-performing loan portfolio amounting to TL 483.9 mn was sold to a local asset management company at a sale price of TL 53.9 mn. The sale price is fully recognized as income under other operating income as such receivables were fully provided against in the accompanying consolidated financial statements before the sale.

Investor Relations
Levent Nispetiye Mah. Aytar Cad. No:2
Beşiktaş 34340 Istanbul – Turkey
Email: investorrelations@garanti.com.tr
Tel: +90 (212) 318 2352
Fax: +90 (212) 216 5902
Internet: **www.garantibank.com**