Earnings Presentation

December 31, 2013

BRSA Unconsolidated Financials

Garanti

Outstanding performance in a challenging year

2013.. A Year of Two Different Periods

	January – May 2013	June 2013 Onwards
Net Capital Flows to Turkey	• Significant net capital inflows* ○ High global risk appetite ○ Expected rating upgrade	• Sharp contraction in net capital flows* ○ FED's tapering ○ Gezi Protests in May ○ Political distress
Interest & Exchange Rate Dynamics	• Benchmark bond rate as low as 4.7% • TL appreciation	• Benchmark bond rate reached a maximum of 10.2% • 8% depreciation of TL** compared to January-May 2013
Banking Sector Dynamics	• Expansion in banking sector NIM (average 5.1%) • High loan growth	• Supression in banking sector NIM • Loan growth lost pace • Further regulatory actions by BRSA

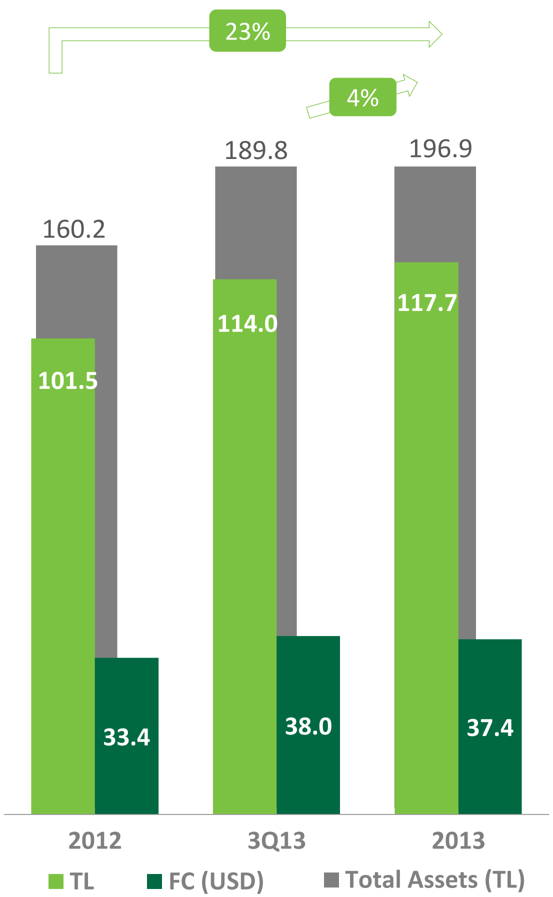
Garanti..
..stands out with its...

- ✓ Above budget lending growth with sound asset quality
- ✓ Sustained strong capitalization level
- ✓ Comfortable liquidity
- ✓ Increasing core banking revenues
  - Well-defended margins
  - Significant Net F&C growth
- ✓ Preserved highest branch efficiencies

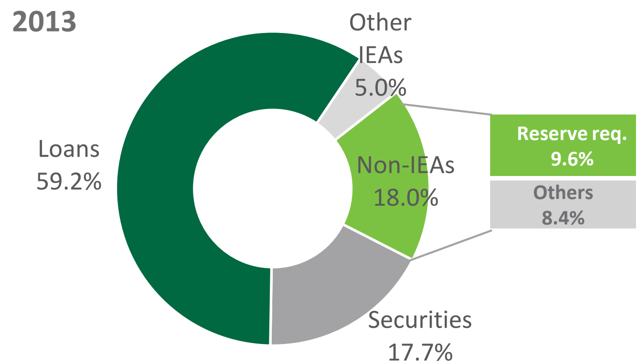
* Based on CBRT weekly data
** Based on Real Effective Exchange Rate

Strategically managed asset/liability mix -- increasingly customer driven

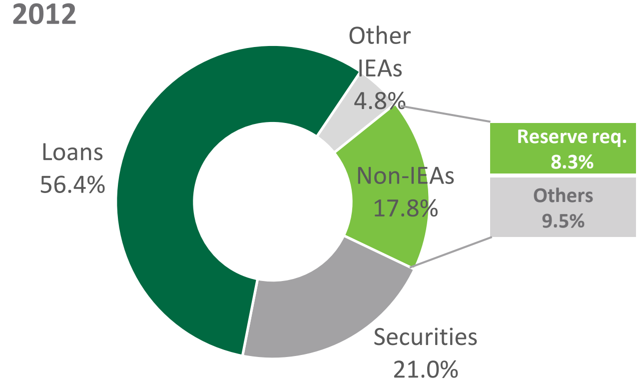
Total Assets (TL/USD billion)



Composition of Assets[1]



IEA / Assets: 82%



IEA / Assets: 82%

Loans[1,2]/Assets: 59%
vs. 56% @ YE12

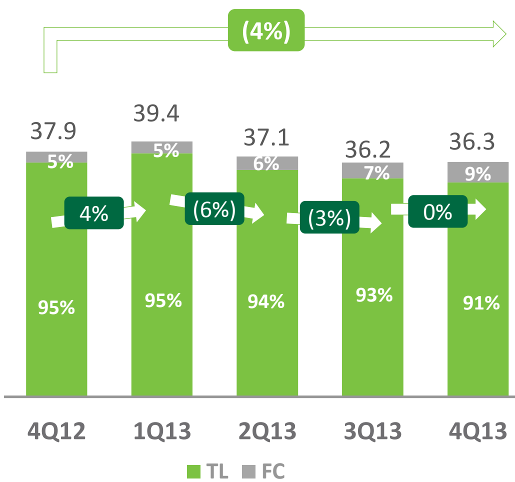
Growth

	Loans[2]	Securities	
1Q13	+5%	+4%	Slight build-up of securities pre-redemptions in 3Q13
2Q13	+11%	-6%	Accelerated lending growth
3Q13	+6%	-3%	Security additions to the portfolio fell short of offsetting the disposals & redemptions
4Q13	+5%	0%	Moderated lending growth, additions to securities book at attractive rates

1 Accrued interest on B/S items are shown in non-IEAs
2 Performing cash loans

FRN-heavy securities portfolio serves as hedge against volatility

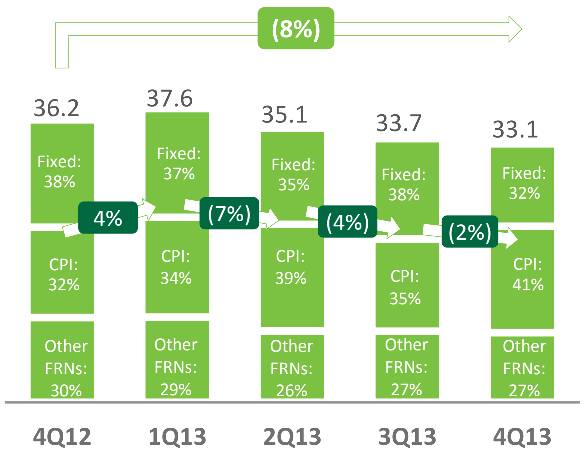
Total Securities (TL billion)



Currency Adj.Growth*

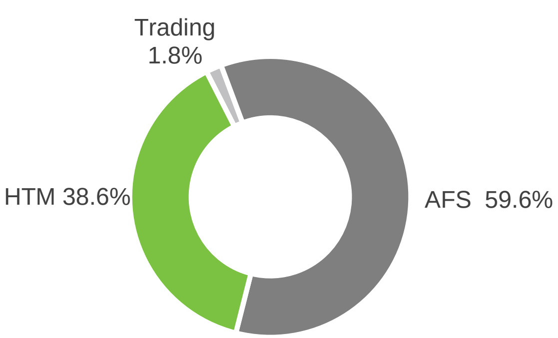
YoY: (6%)
QoQ: (0%)

TL Securities (TL billion)



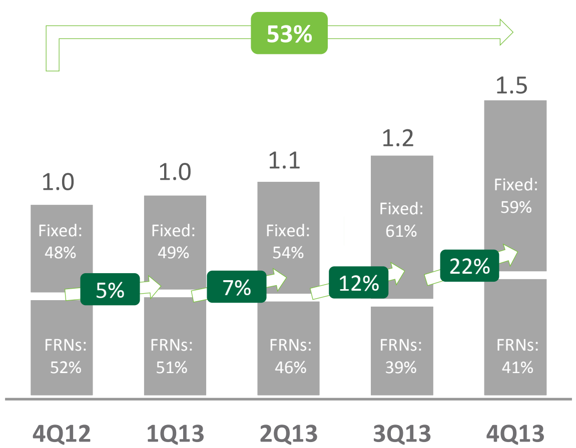
Securities[1]/Assets:
hovering around its lowest levels …
18%

Total Securities Composition



Unrealized loss (pre-tax)
as of December-end ~TL 580mn

FC Securities (USD billion)



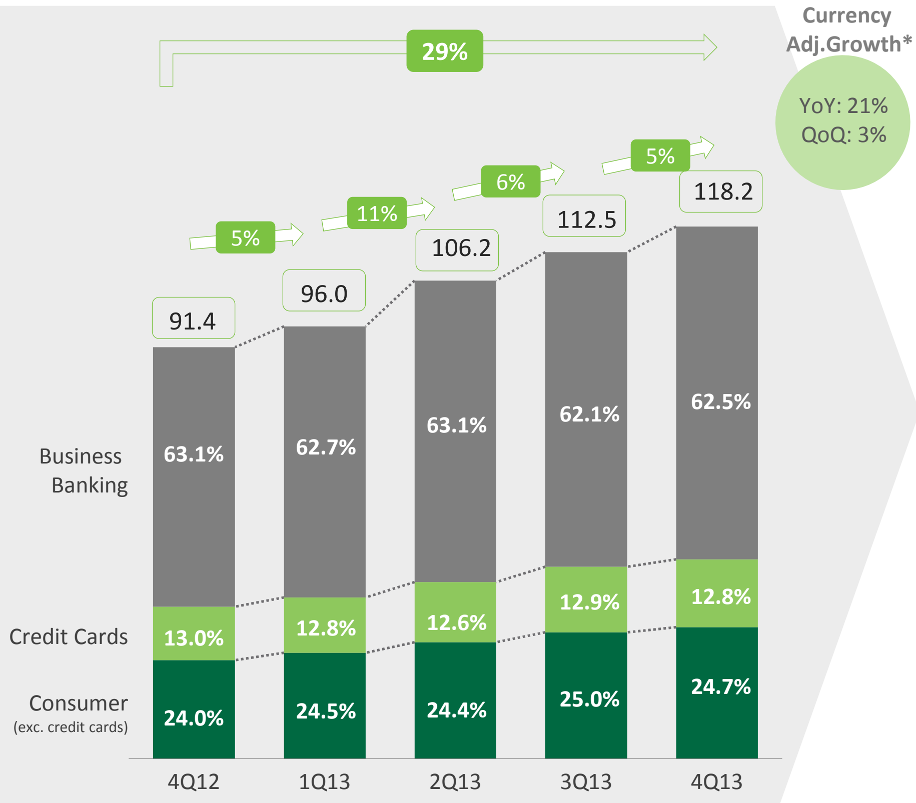
FRNs weight in total 66% up from **~60% in 3Q13**

> additions to CPI linkers portfolio
> redemptions from fixed rate securities
> additions to FC securities

1 Excluding accruals Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data.
*YoY currency adj. growth is calculated with 2012 YE USD/TL exchange rate of 1.76. QoQ adj. growth is calculated with 3Q13 USD/TL exchange rate of 1.995.

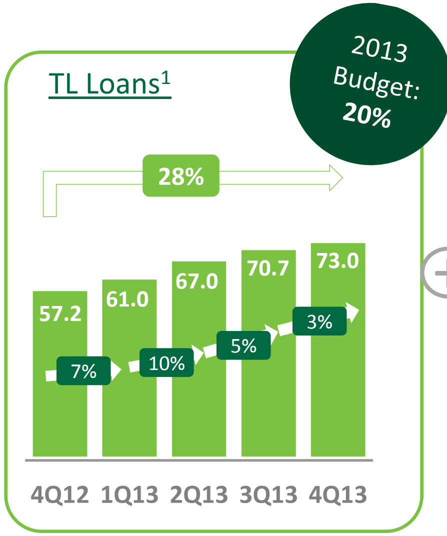
Above budget customer-driven growth

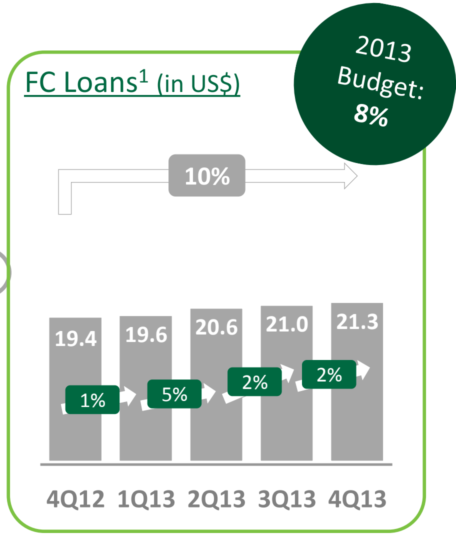
Total Loans[1] Breakdown (TL billion)



TL (% in total)	63%	64%	63%	63%	62%
FC (% in total)	37%	36%	37%	37%	38%
US$/TL	1.760	1.785	1.905	1.995	2.120

Lending growth **cut pace in 4Q**, in line with **volatile market outlook** & recently introduced **regulations**





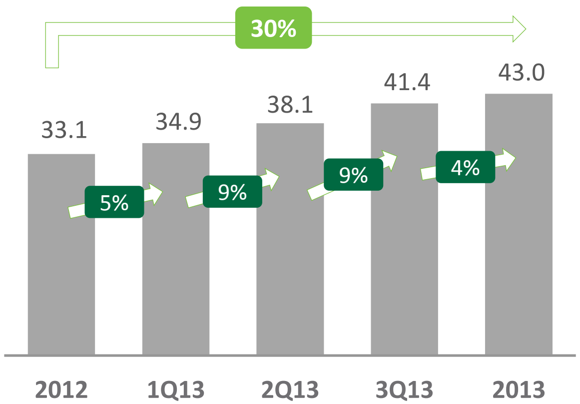
- Lucrative consumer loans
- TL business banking loans

- Project Finance loans in energy & utilities

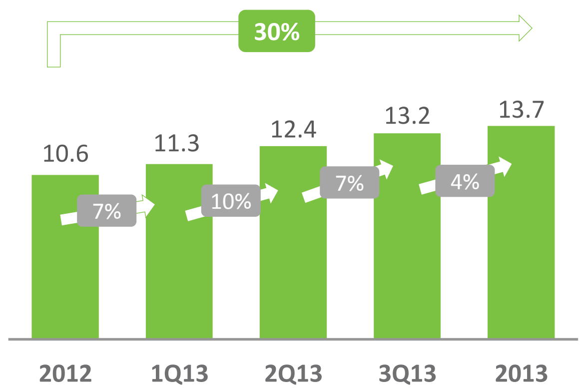
1 Performing cash loans
*YtD adj. growth is calculated with 2012 YE USD/TL exchange rate of 1.76. QoQ adj. growth is calculated with 3Q13 USD/TL exchange rate of 1.995.

Lucrative consumer loans lead the growth

Consumer Loans[1] (TL billion)

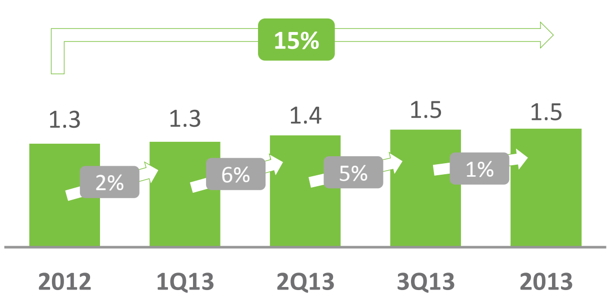


Mortgage (TL billion)

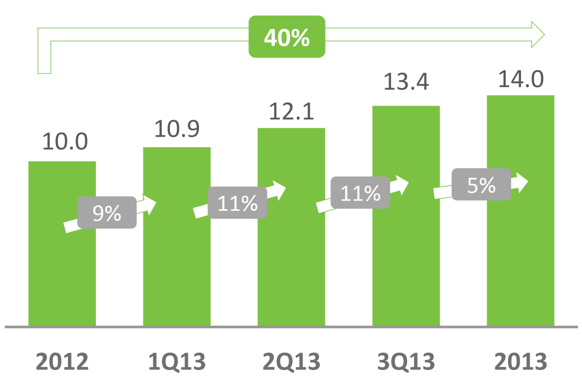


- **Rational pricing** stance support margins
- Generating increasing **cross-sell** & **customer retention**

Auto Loans (TL billion)



General Purpose Loans[2] (TL billion)



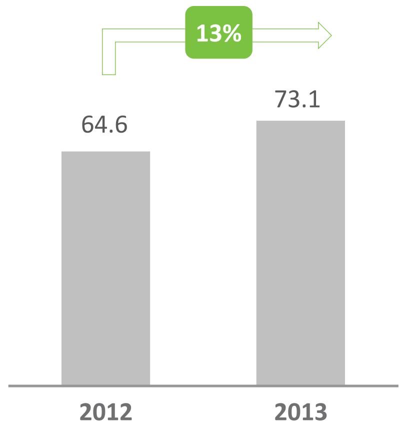
Market Shares[3]

	YoY	Dec'13	Rank[4]
Mortgage	↑	13.5%	#1
Auto	↑	18.6%	#1
General Purpose	↑	11.0%	#2
Consumer Loans[1]	↑	13.6%	#1

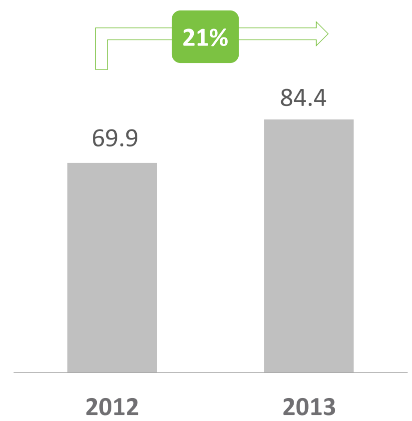
1 Including consumer credit cards, other and overdraft loans
2 Including other consumer loans and overdrafts
3 Sector figures are based on bank-only BRSA weekly data, commercial banks only
4 As of 9M13, among private banks

Strength in cards business sustained

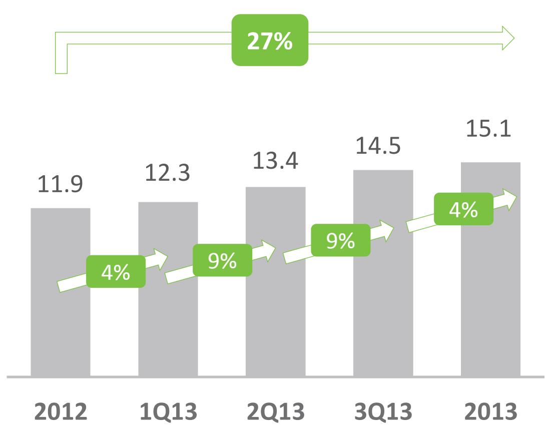
Issuing Volume (TL billion)



Acquiring Volume (TL billion)



Credit Card Balances (TL billion)



Market Shares

	YoY Δ	Dec'13	Rank
Acquiring (Cumulative)	+58bps ↑	19.7%	#1
Issuing (Cumulative)	-65bps ↓	17.2%	#2
POS[1]	-68bps ↓	17.1%	#1
ATM	-13bps ↓	9.5%	#3*

Garanti debit card spending >2x of the sector

Strong player in the market with the ultimate aim of creating cashless society

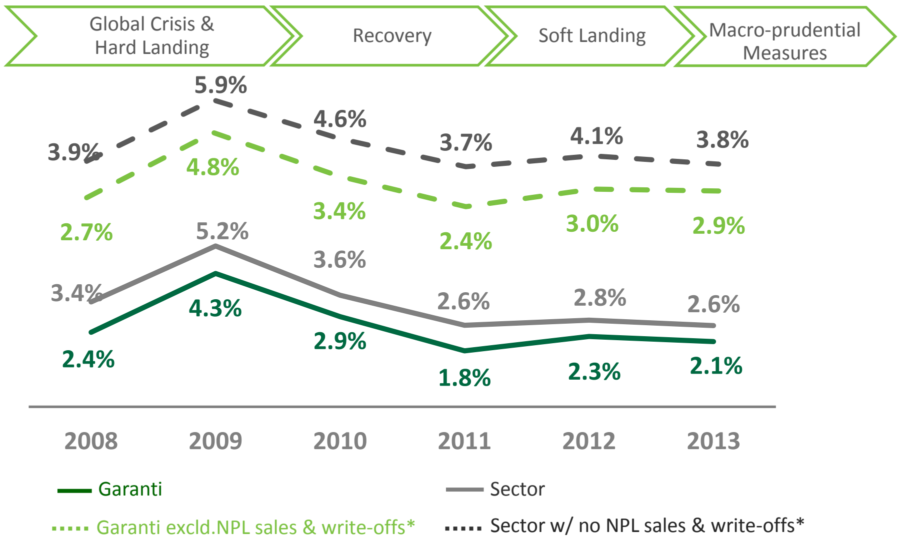
Turkey's largest Credit Card Platform: **Bonus Card**

11 banks licensed under Bonus card platform

1 Excluding shared POS
*Among private banks

Sustained low-risk profile…

NPL Ratio[1]



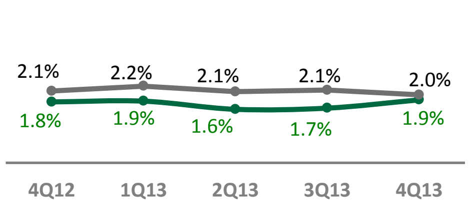
Solid collection performance

up by >65% YoY

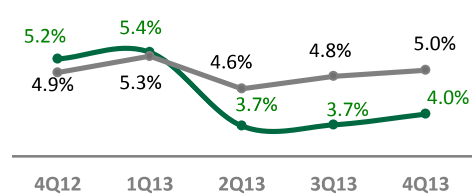
Below sector NPL ratio across all products

NPL Categorisation[1]

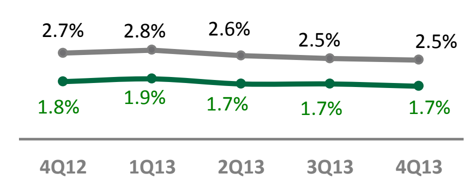
Consumer Banking
(Consumer & SME Personal)
24% of total loans



Credit Cards
13% of total loans



Business Banking
(Including SME Business)
63% of total loans

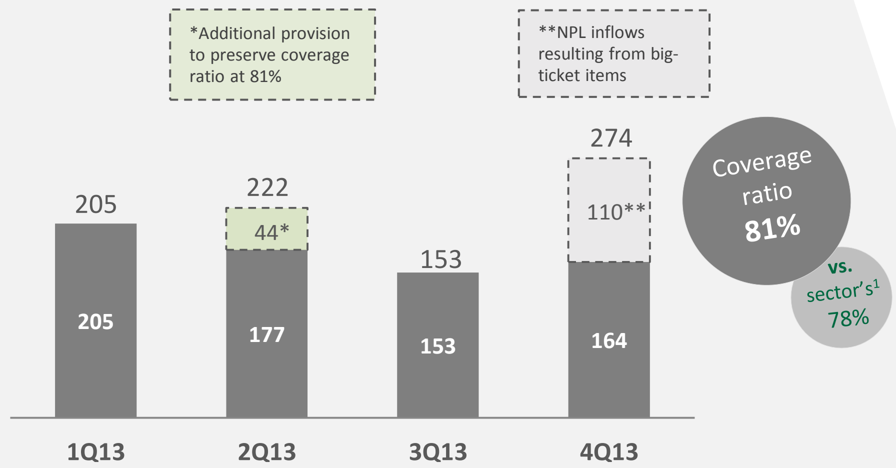


Garanti Sector

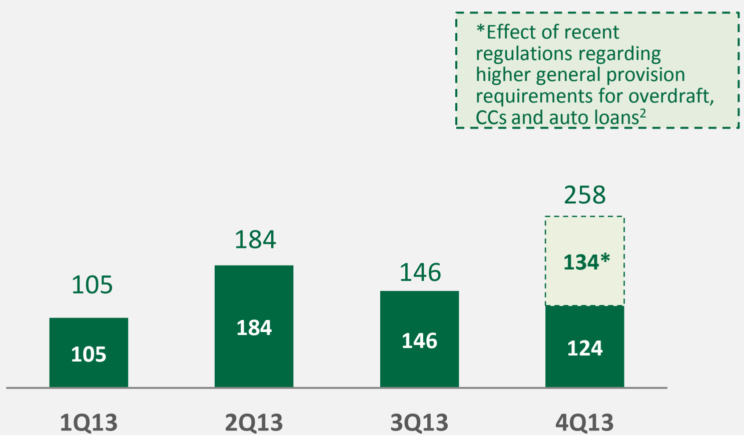
1 NPL ratio and NPL categorisation for Garanti and sector figures are per BRSA bank-only data for fair comparison (as of 27 December 2013)
* Adjusted with write-offs in 2008, 2009, 2010, 2011, 2012, 2013 Source: BRSA, TBA & CBT

…and comfortable coverage and provisioning levels

Quarterly Specific Provisions (TL million)



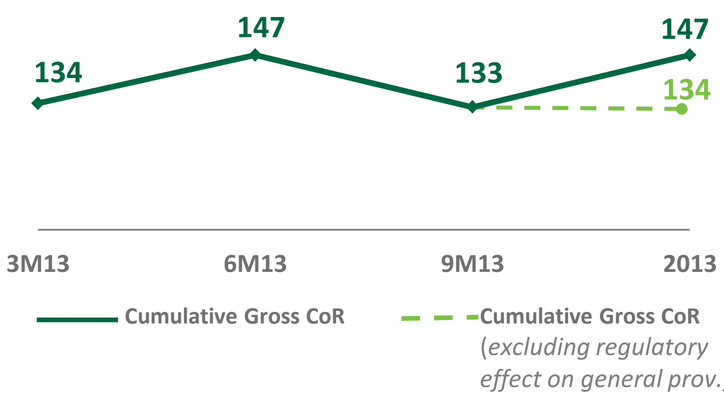
Quarterly General Provisions (TL million)



Total Coverage[3] :

172%

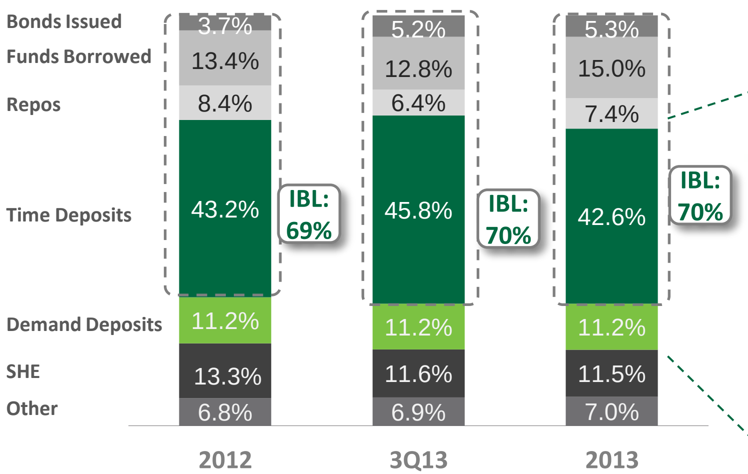
Cumulative Gross Cost of Risk (bps)



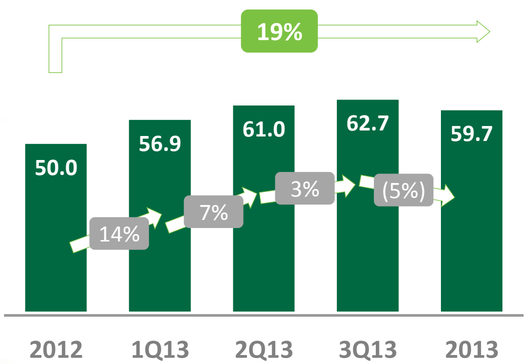
1 Sector figures are per BRSA weekly data as of 27 December 2013, commercial banks only
2 Additional general provisioning requirements for credit cards, overdraft and auto loans, which have been included in the «consumer loan definition» in line with the newly introduced regulation by the BRSA, effective as of October 8 2013 . Accordingly, banks have to set aside at least 25% of the necessary provisioning by the end of FY13, at least 50% by the end of FY14 and 100% by the end of FY15.
3 Including cumulative specific allowance, general provisions and free reserves

Comfortable liquidity on the back of a solid deposit base…

Composition of Liabilities

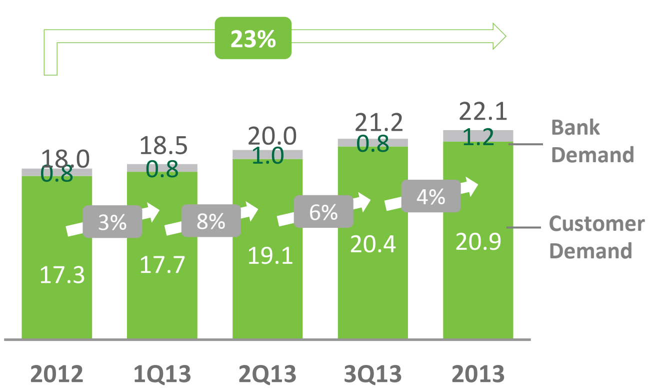


TL Deposits (TL billion)



Intentional release of deposits in 4Q, due to elevated pricing levels

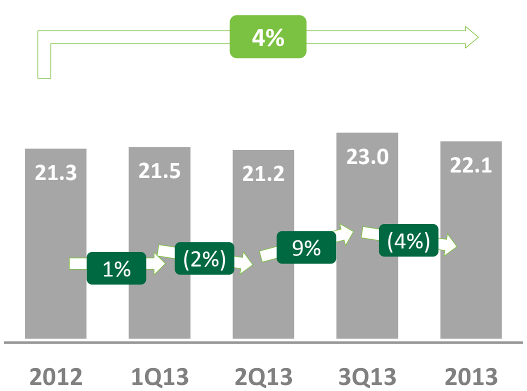
Demand Deposits (TL billion)



~21% of total deposits

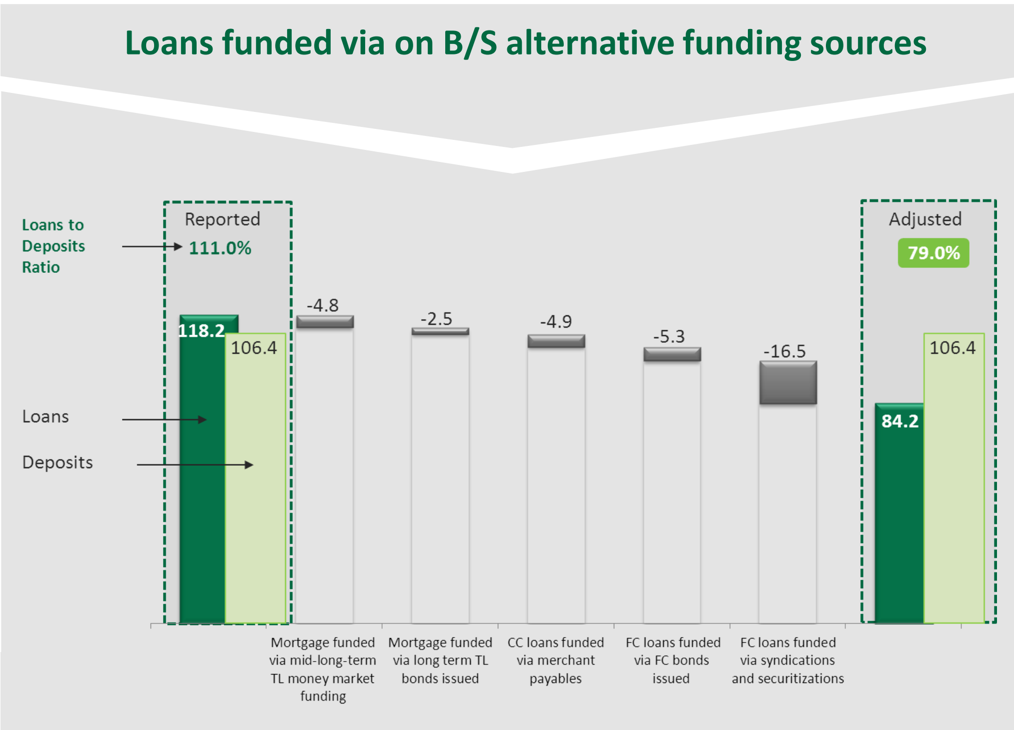
vs. sector avg. 18%

FC Deposits (USD billion)



… and increasing contribution from other funding sources

Adjusted LtD ratio (TL Billion)



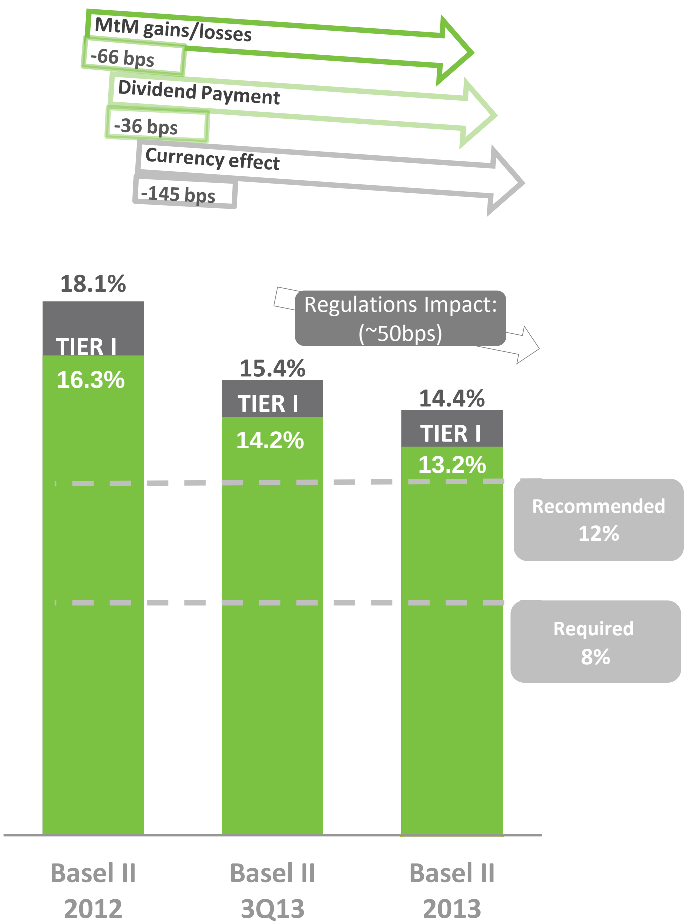
Comfortable level of LtD ratio: 79% exclud. **long term loans funded via other on B/S funding sources**

Diversified funding sources:

- **TL bond**
  Nominal TL 3.4bn bonds outstanding
- **Syndications w/110% roll-over ratio**
  Nov’13: USD 1.2bn with a maturity of 1-yr at L+0.75%
  May’13: EUR 1.1bn with a maturity of 1-yr at Euribor+1%
- **Issuances under GMTN program**
  ~USD 1.4bn with an avg. maturity of 1.4 years
  Sector leader in GMTN issuances with 47% market share
- **Securitization**
  USD 1.1bn with a maturity of 21 years
- **Eurobond issuances**
  TL 750mn Eurobond issuance in 1Q13 with coupon rate of 7.375%, yielding 7.5%

Sound solvency reinforced with healthy and profitable growth

CAR & Tier I ratio



Strong capitalization

Basel II CAR: 14.4%

+

Low leverage

Leverage: 7.7x

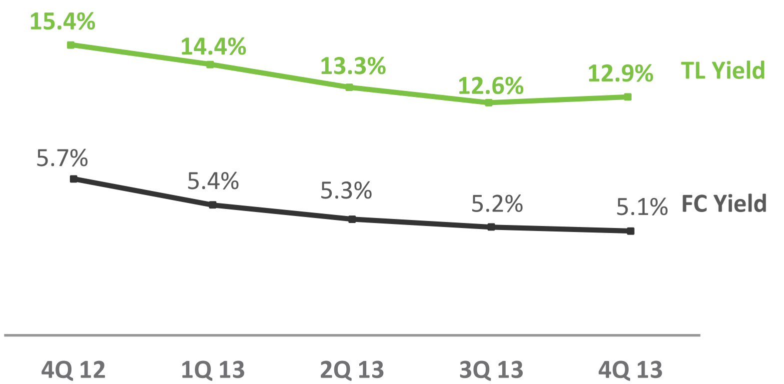
+

No negative impact expected under Basel III

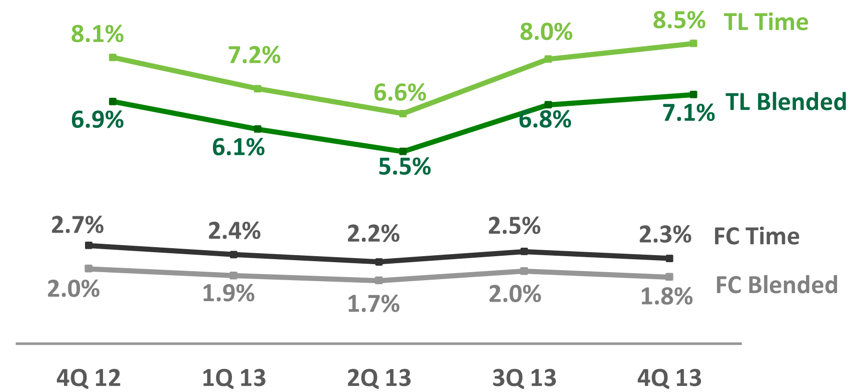
High internal capital generation supporting long-term sustainable growth

Slight improvement in loan-to-deposit spread, as upward loan repricing became more apparent

Loan Yields[1] (Quarterly Averages)



Deposit Costs[1] (Quarterly Averages)



Total Avg. Loan Yields
+13bps QoQ

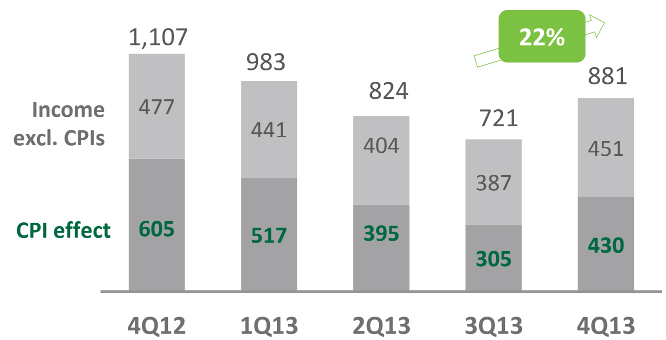
Avg. Time Deposit Costs
+6bps QoQ

Slight improvement in LtD spread
+7bps QoQ

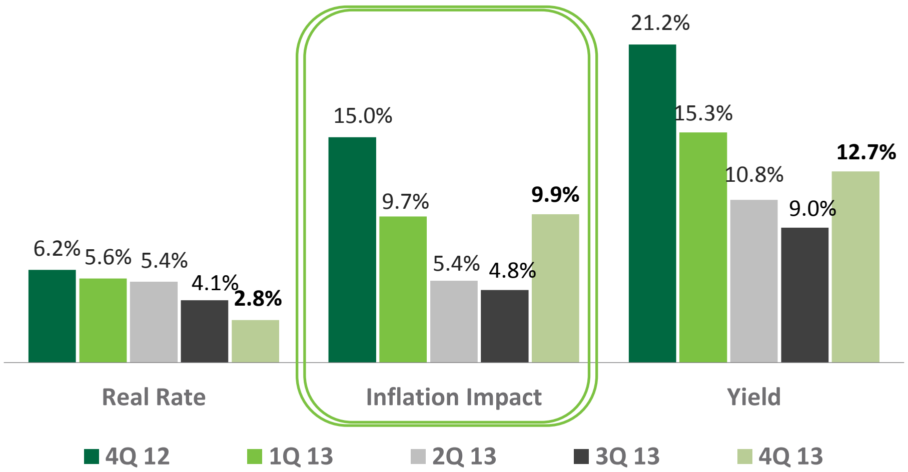
1 Based on bank-only MIS data and calculated using daily averages

Security yields are on the rise

Interest Income on Total Securities (TL billion)

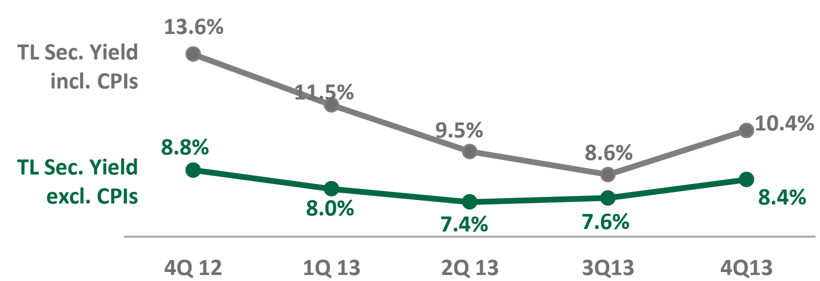


Drivers of the Yields* on CPI Linkers (% average per annum)

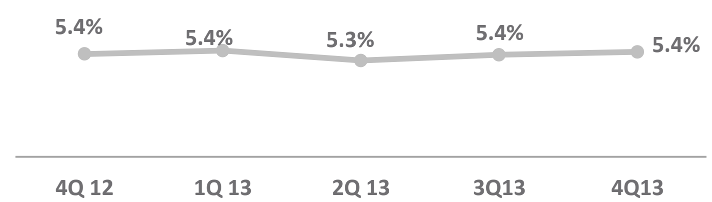


Yields on Securities

TL Securities*



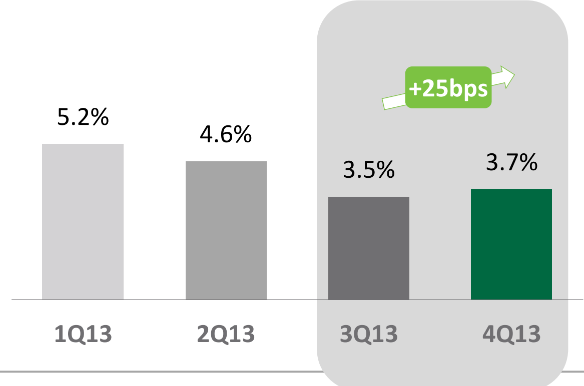
FC Securities*



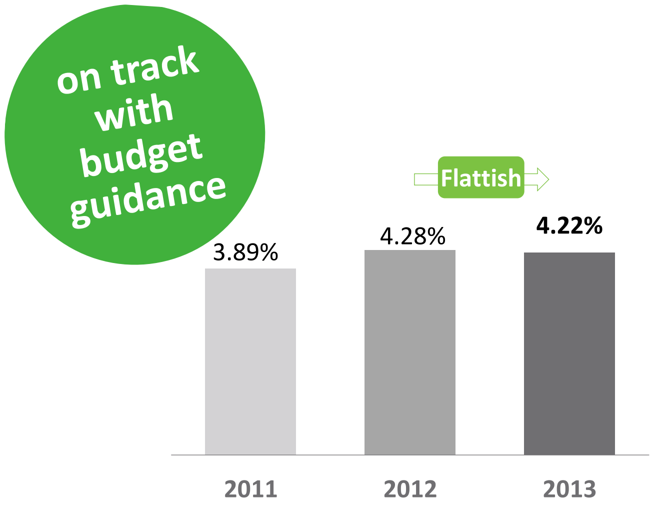
* Based on bank-only MIS data

Result in quarterly margin expansion and flattish cumulative NIM

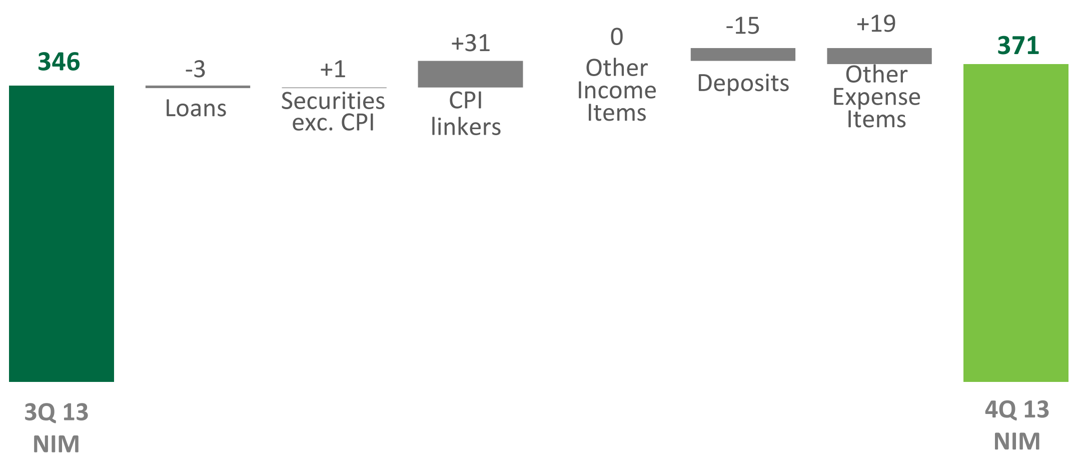
Quarterly NIM (Net Interest Income / Average IEAs)



Cumulative NIM (Net Interest Income / Average IEAs)

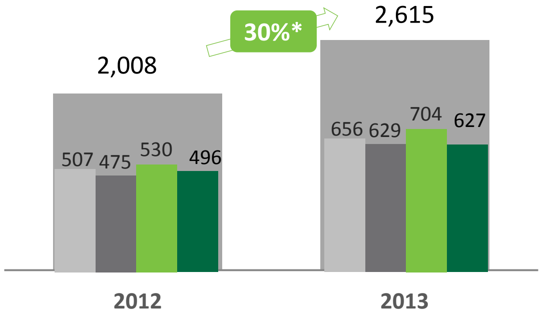


Q-o-Q Evolution of Margin Components (in bps)

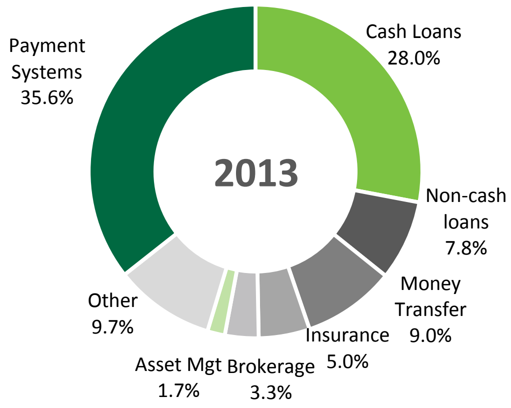


Growing and further diversified fee sources…

Net Fees & Commissions[1] (TL million)



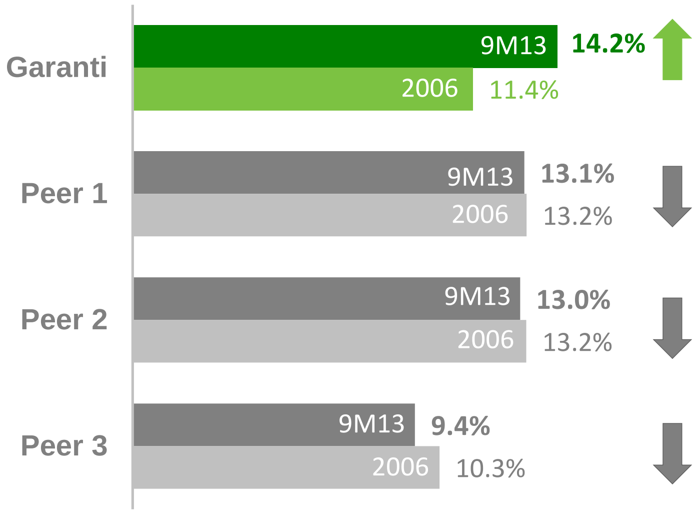
*Accounting of consumer loan fees were revisited in the beginning of 2013 upon the opinion of «Public Oversight» --Accounting & Auditing Standards Authority



- **Highest** fee base among peers[2]
- **Most preferred** pension company
- **#1** in bancassurrance
- **Leader** in interbank money transfer
- **Strong presence** in brokerage

Ordinary Banking Income[3]

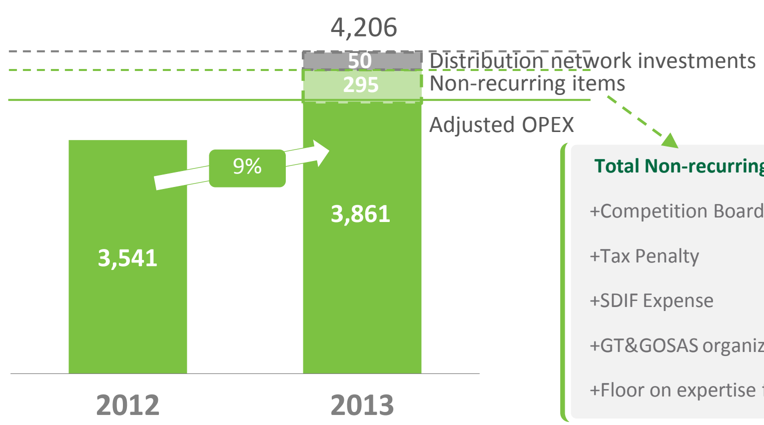
% Market share



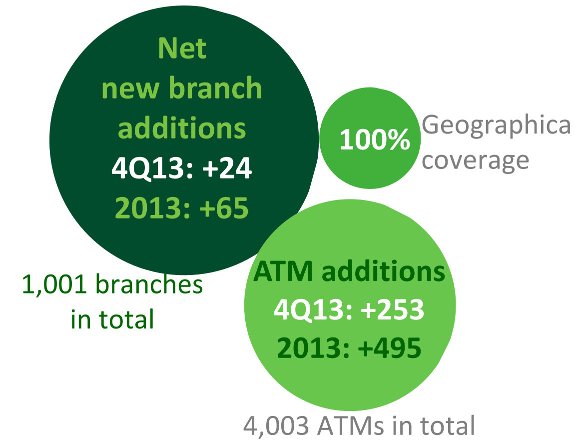
1 Net Fees and Commissions breakdown is based on Bank-only MIS data
2 As of 9M13 3 Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions; for 9M13
Source: BRSA bank-only financials for fair comparison. Sector figure is based on BRSA monthly data.

… and maintained cost control alongside uninterrupted investments to distribution network…

Operating Expenses (TL million)



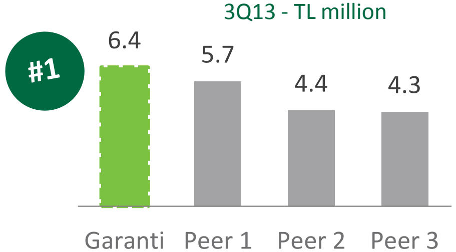
Total Non-recurring items	TL295mn
+Competition Board Fine	TL160mn
+Tax Penalty	TL24mn
+SDIF Expense	TL30mn
+GT&GOSAS organizational change	TL64mn
+Floor on expertise fees	TL 17mn



...preserving the highest efficiency ratios*

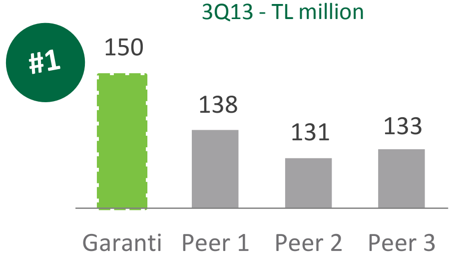
Ordinary Banking Income per Avg. Branch

3Q13 - TL million



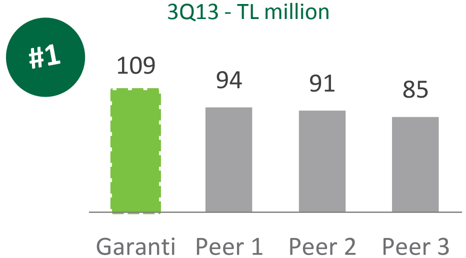
Loans[1] per Avg. Branch

3Q13 - TL million



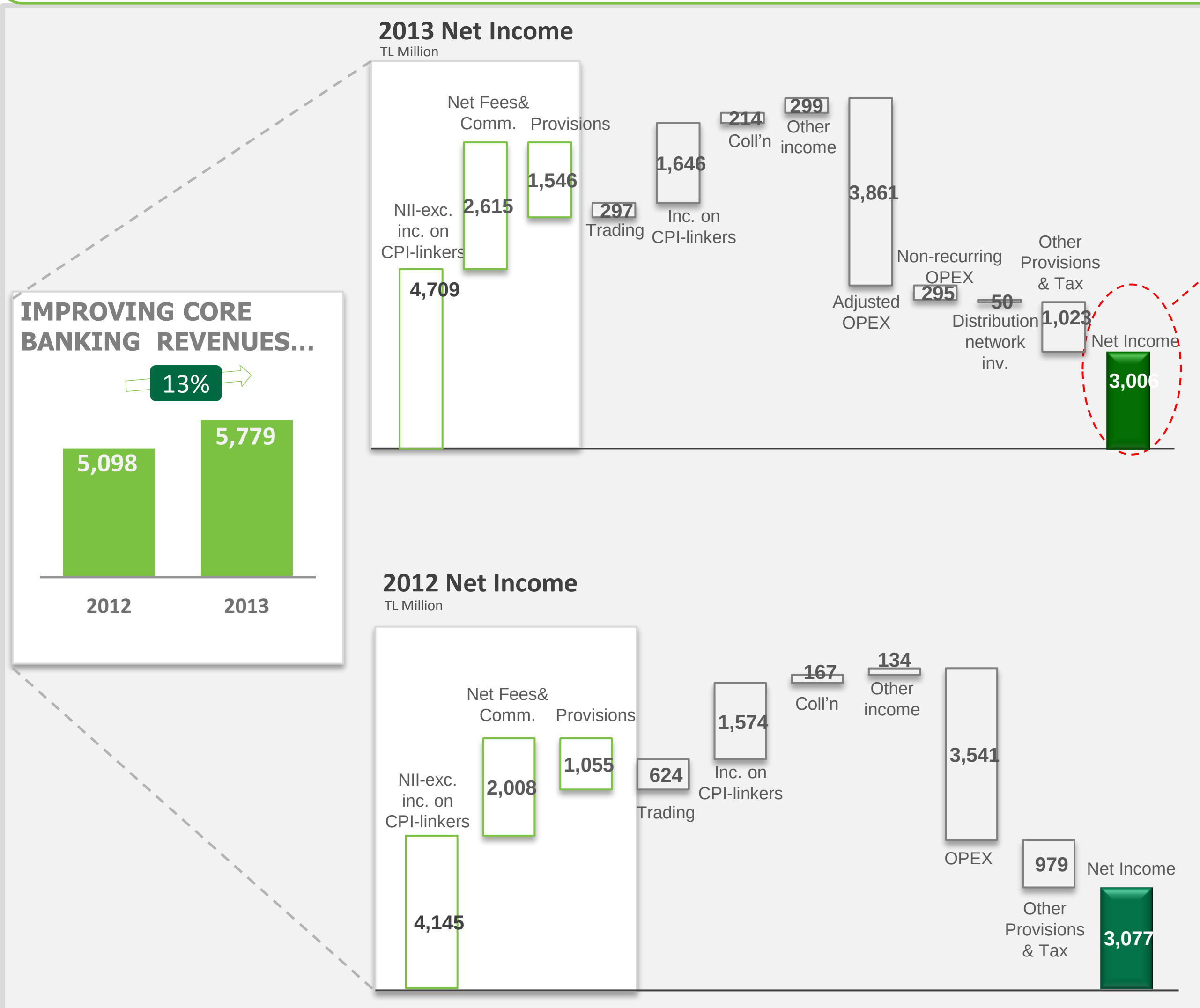
Customer Deposits per Avg. Branch

3Q13 - TL million



*Figures are per bank-only financials for fair comparison
1 Total Loans=Cash+non-cash loans

...feeding through to sustainable core banking income generation



2013 Reported Net Income: 3,006

Regulatory effects[1]: 252

Non-recurring Items[1]: 181

2013 BaU* Net Income: 3,439

BaU ROAE: 16%

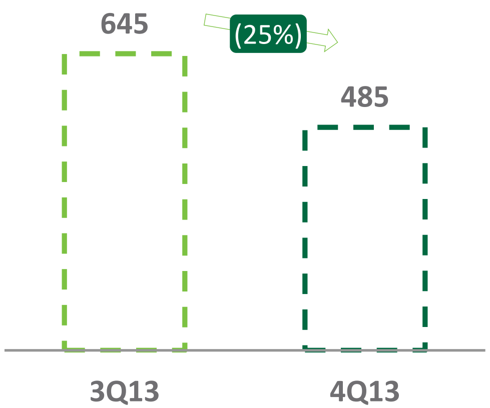
BaU ROAA: 1.9%

*Business as Usual = Excluding non-recurring items and the regulatory effects in the P&L
1 For datails please refer to Appendix page 21

Appendix

Quarterly Net Income

Quarterly Net Income (TL million)



(TL Million)		3Q 13	4Q 13	∆QoQ
(+)	NII- excl . cap effect and income on CPI linkers	1,082	1,127	4%
(+)	Net fees and comm.	704	627	-11%
(-)	Specific & General Prov. - excluding regulatory effects on gen. prov.	-299	-398	33%
(+)	Income on CPI linkers	305	430	41%
(+)	Collections	32	47	49%
(+)	Trading & FX gains	16	40	144%
(+)	Dividend income	46	0	n.m
(+)	Other income -before one-offs	26	28	9%
(-)	OPEX -excluding non-recurring items	-995	-1,084	9%
(-)	Other provisions & Taxation -before one-offs	-205	-186	-9%
(+)	Regulatory & Non-recurring items	-67	-147	n.m.
	(-) Overdraft and comm. cards cap effect	*-33*	*-43*	*n.m.*
	(-) Higher general prov. req. for cons. loans	*0*	*-134*	*n.m.*
	(-) Saving Deposits Insurance Fund Expense	*-12*	*-11*	*n.m.*
	(-) GT&GOSAS Organizational change	*-17*	*-17*	*n.m.*
	(-) Floor on Expertise fees	*-5*	*-5*	*n.m*
	(-) Competition Board fine expense[1]	*-160*	*0*	*n.m.*
	(+) Reversal of prov. for Competition Board fine[1]	*160*	*0*	*n.m.*
	(+) Free Provision reversal	*0*	*55*	*n.m.*
	(-) SDIF premium related other prov.	*0*	*-16*	*n.m.*
	(-) Other provision reversal	*0*	*24*	*n.m.*
=	**NET INCOME**	**645**	**485**	**-25%**

- NII: Slight uptick in loan-to-deposit spread, mainly due to increase in loan yields
- Net fees and comm.: Shrinkage mainly due to timing of account maintenance fees
- Income on CPI linkers: Better inflation outlook and strategic additions to the portfolio to mitigate the negative effect of redemptions
- OPEX: Front-loaded distribution network investments. In 4Q, 24 net new branch additions; 253 new ATMs
- Higher general prov. req. for cons. loans: 25% of the additional general provision requirement due to new regulation hit 4Q

1 The administrative fine by Competition Board, for which the Bank set aside provisions of TL 160mn in 2Q, has been paid in 3Q. As a result the related provision is reversed and the amount paid has been recorded as operating expense

Non-recurring items & regulatory actions affecting 2013 P&L

		2013 P&L Impact (TL mn, Post-tax)
Sources of changes	**Explanation**	**2013**
Specific provisions	Additional provisions for alignment of coverage ratio to pre-NPL	**(35)**
Other income	NPL sale amounting to TL314mn -- TL310mn from current NPL portfolio & remaining TL4mn from previously written-off NPLs	**35**
Other income	Free provision reversal	**110**
OPEX	GT&GOSAS organizational change	**(51)**
OPEX	Floor on expertise fees	**(14)**
OPEX	Tax penalty payment	**(24)**
OPEX	Competition Board Fine Payment	**(160)**
Other Provision	Other provision set aside for the SDIF premium debt related to the investment fund accounts	**(16)**
Other Provision	Provision set aside for various tax penalties	**(26)**
Total non-recurring items affecting Net Income		**(181)**

		2013 P&L Impact (TL mn, Post-tax)
Sources of changes	**Explanation**	**2013**
Net Interest Income	accounts and commercial credit cards. In this regard, contractual and overdue interest rates on the overdraft accounts and commercial credit cards will be subject to the upper limits of contractual and overdue monthly interest rates on consumer credit card transactions.	**(88)**
General Provisions	General provisioning ratios for overdraft loans, credit cards and auto loans were increased by 300bps to 4% for Group I and by 600bps to 8% for Group II. Banks have to set aside at least 25% of additional provisioning requirement by the end of 2013; at least 50% by the end of 2014 and 1005 by the end of 2015	**(134)**
Opex	SDIF related additional expense	**(30)**
Total regulatory items affecting Net Income		**(252)**

Non-recurring Items
TL 181

+

Total Regulatory Effect:
TL 252

=

TL 433

Balance Sheet - Summary

	(TL million)	Dec-12	Mar-13	Jan-13	Sep-13	Dec-13	YoY Change
Assets	Cash &Banks[1]	10,494	9,851	11,078	14,446	13,559	29%
	Reserve Requirements	13,365	15,159	14,937	17,964	18,911	41%
	Securities	37,872	39,435	37,124	36,163	36,269	-4%
	Performing Loans	91,422	96,034	106,193	112,520	118,189	29%
	Fixed Assets & Subsidiaries	3,950	3,937	4,153	4,334	4,785	21%
	Other	3,090	2,663	3,685	4,393	5,183	68%
	TOTAL ASSETS	**160,192**	**167,080**	**177,170**	**189,821**	**196,896**	**23%**
Liabilities&SHE	Deposits	87,482	95,211	101,318	108,571	106,474	22%
	Repos & Interbank	13,500	11,394	11,957	12,140	14,584	8%
	Bonds Issued	5,862	7,085	8,807	9,947	10,380	77%
	Funds Borrowed[2]	21,795	21,953	23,130	24,493	29,626	36%
	Other	10,260	9,302	10,443	12,581	13,247	29%
	SHE	21,293	22,134	21,515	22,089	22,585	6%
	TOTAL LIABILITIES & SHE	**160,192**	**167,080**	**177,170**	**189,821**	**196,896**	**23%**

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

Key financial ratios

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Profitability ratios					
ROAE	15.9%	21.0%	18.4%	15.9%	13.7%
ROAA	2.0%	2.8%	2.4%	2.0%	1.7%
Cost/Income (adjusted for non-recurring items)	46.3%	37.4%	40.3%	43.7%	46.7%
NIM (Quarterly)	5.5%	5.2%	4.6%	3.5%	3.7%
Adjusted NIM (Quarterly)	4.2%	4.7%	3.8%	2.7%	2.5%
Liquidity ratios					
Loans/Deposits adj. with merchant payables[1]	100.0%	96.8%	100.4%	99.2%	106.1%
Asset quality ratios					
NPL Ratio	2.3%	2.3%	1.9%	2.0%	2.1%
Coverage	80.9%	81.1%	81.0%	81.1%	81.0%
Gross Cost of Risk (Cumulative-bps)	121	132	146	133	147
Solvency ratios					
CAR	18.1%	18.0%	16.1%	15.4%	14.4%
Tier I Ratio	16.3%	16.3%	14.8%	14.2%	13.2%
Leverage	6.5x	6.5x	7.2x	7.6x	7.7x

1 Payables from credit card transactions. Please refer to footnote 5.2.4.3 miscellaneous payables as per BRSA Unconsolidated financial report

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.garantiinvestorrelations.com

Follow @Garanti_IR

/garantibankasi