

Earnings Presentation

December 31, 2013

BRSA Unconsolidated Financials



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...

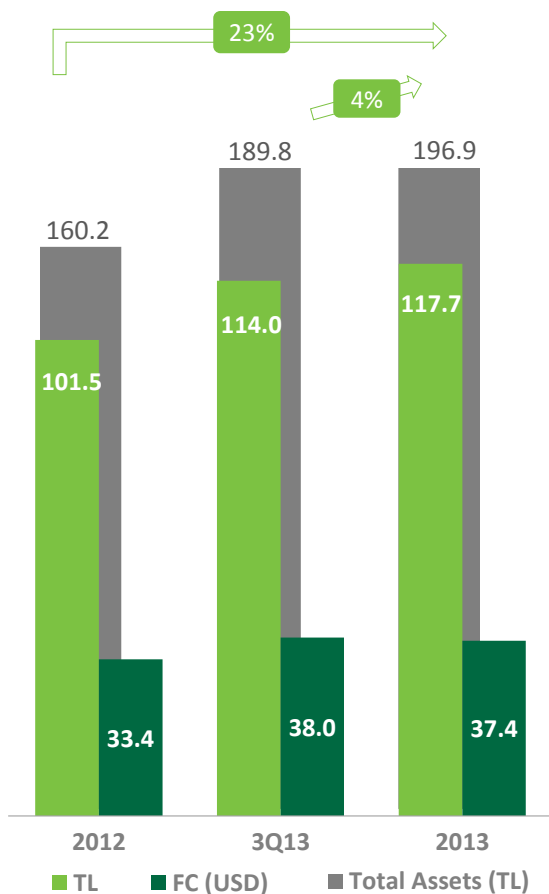
- ✓ Above budget lending growth with sound asset quality
- ✓ Sustained strong capitalization level
- ✓ Comfortable liquidity
- ✓ Increasing core banking revenues
 - Well-defended margins
 - Significant Net F&C growth
- ✓ Preserved highest branch efficiencies

* Based on CBRT weekly data

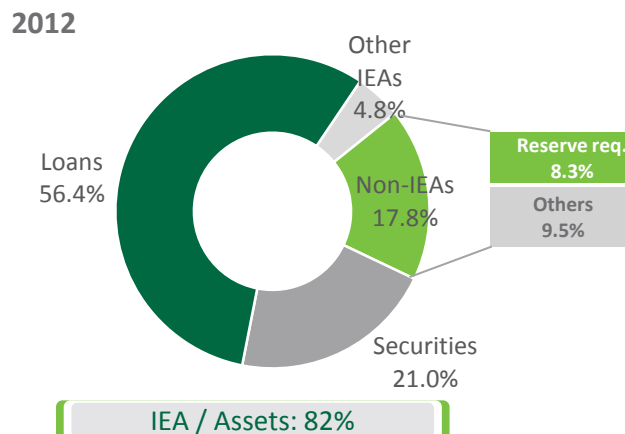
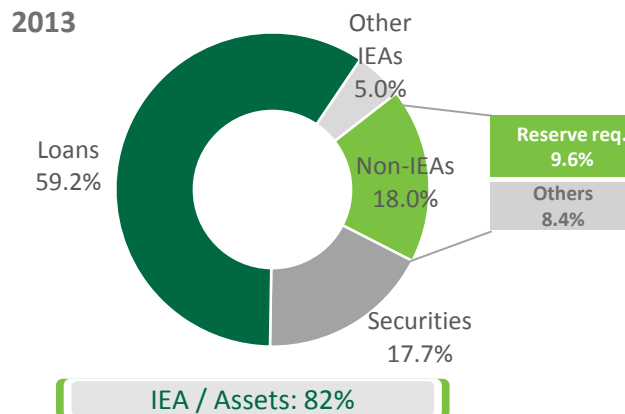
** Based on Real Effective Exchange Rate

Strategically managed asset/liability mix -- increasingly customer driven

Total Assets (TL/USD billion)

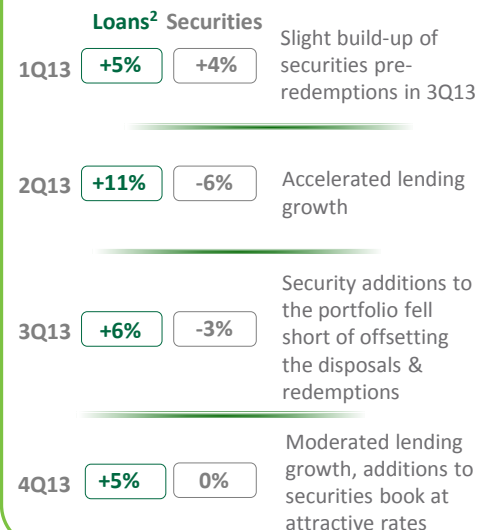


Composition of Assets¹



Loans^{1,2} / Assets: 59%
vs. 56% @ YE12

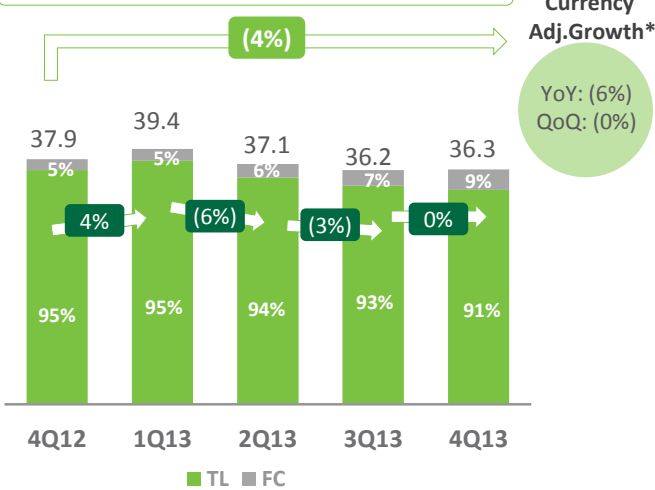
Growth



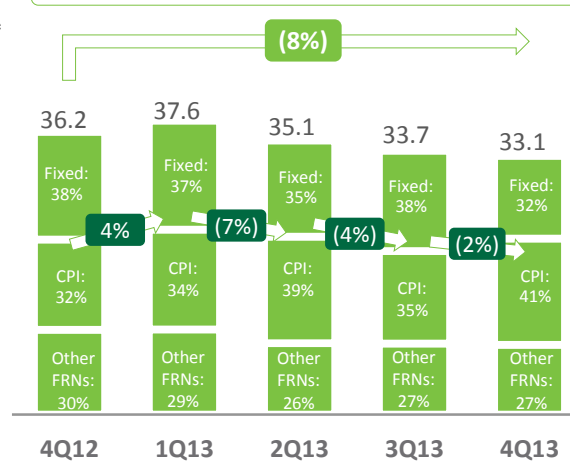
1 Accrued interest on B/S items are shown in non-IEAs
2 Performing cash loans

FRN-heavy securities portfolio serves as hedge against volatility

Total Securities (TL billion)



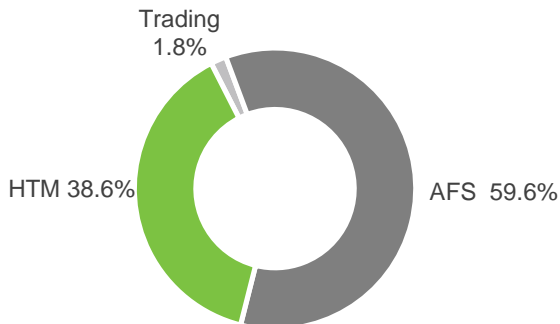
TL Securities (TL billion)



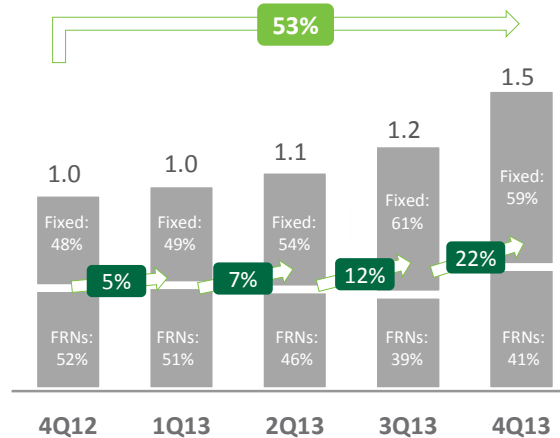
Securities¹/Assets:
hovering around its
lowest levels ...

18%

Total Securities Composition



FC Securities (USD billion)



FRNs
weight
in total

66%

up from
~60% in 3Q13

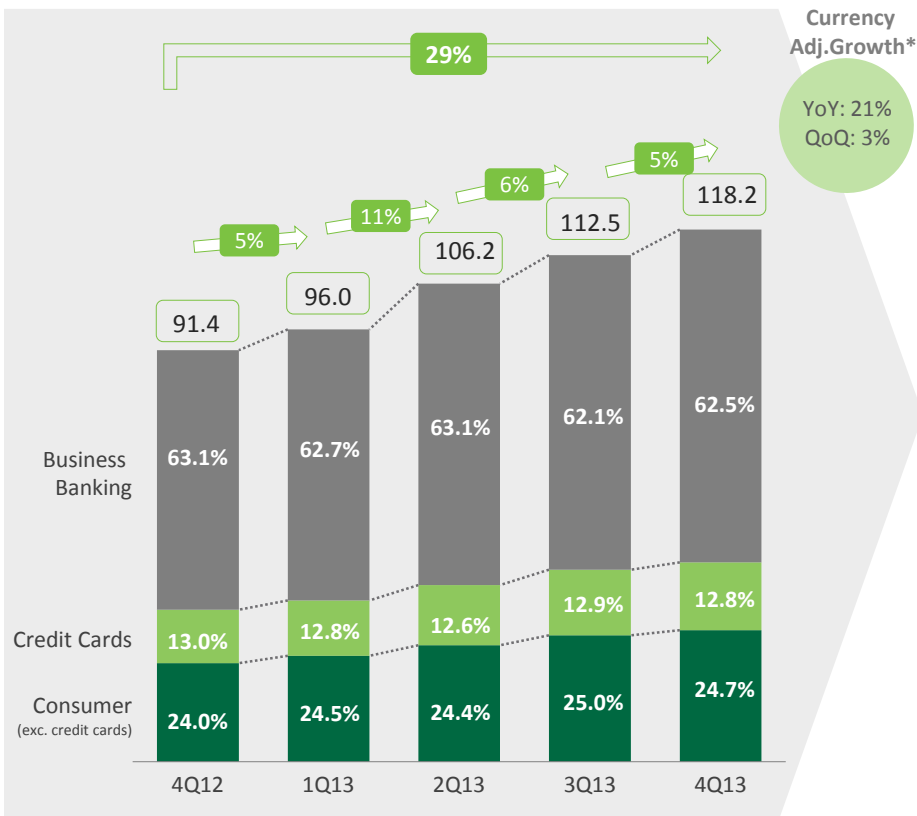
- > additions to CPI linkers portfolio
- > redemptions from fixed rate securities
- > additions to FC securities

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

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 Loans¹ 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

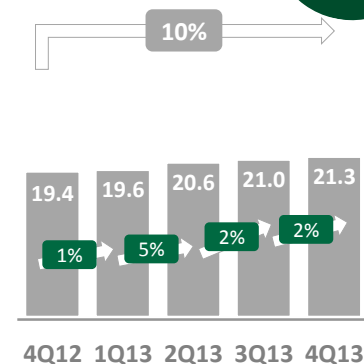
Lending growth **cut pace in 4Q**, in line with **volatile market outlook & recently introduced regulations**

TL Loans¹



- > Lucrative consumer loans
- > TL business banking loans

FC Loans¹ (in US\$)



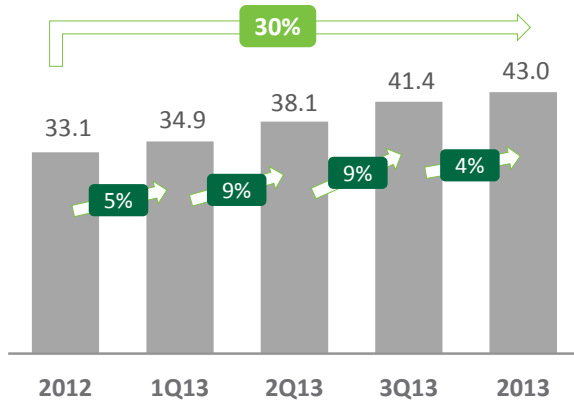
- > Project Finance loans in energy & utilities

¹ Performing cash loans

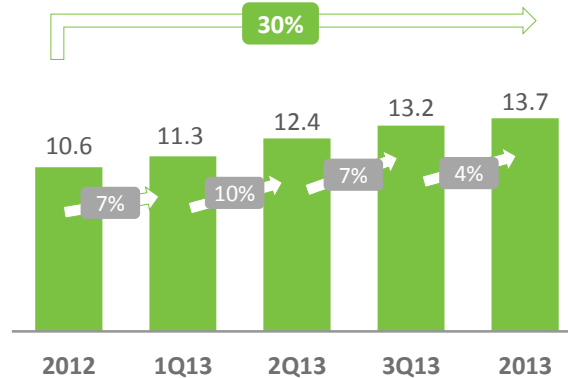
*YTD adj. growth is calculated with 2012 YE USD/TL exchange rate of 1.76. QoQ adj. growth is calculated with 3Q13 USD/TL exchange rate of 1.995.

Lucrative consumer loans lead the growth

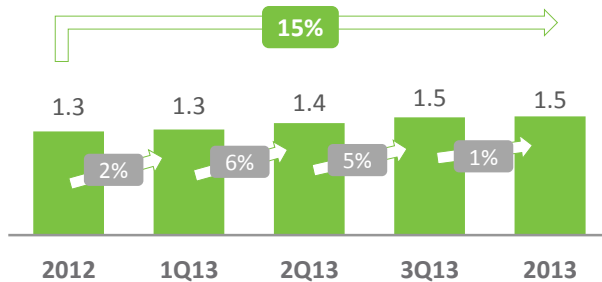
Consumer Loans¹ (TL billion)



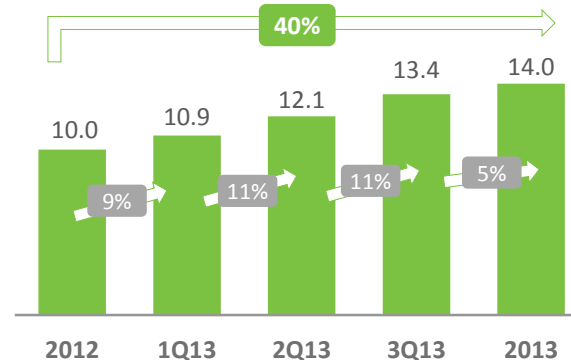
Mortgage (TL billion)



Auto Loans (TL billion)



General Purpose Loans² (TL billion)



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

Market Shares³

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

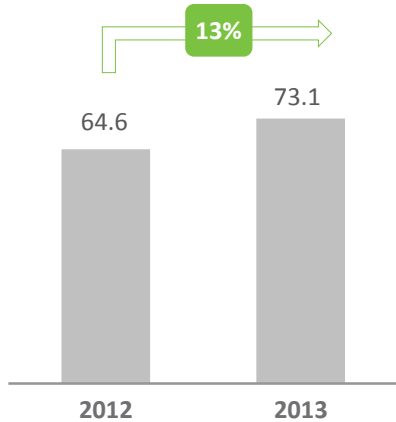
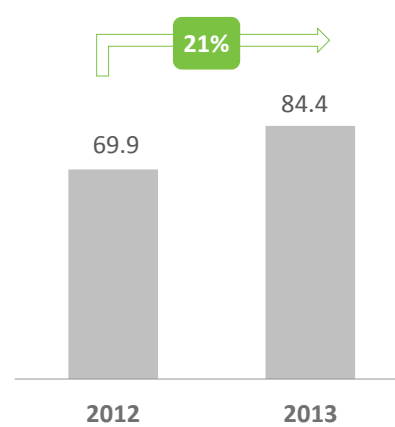
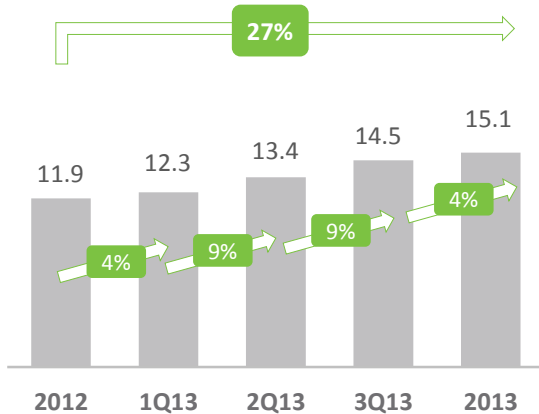
¹ Including consumer credit cards, other and overdraft loans

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

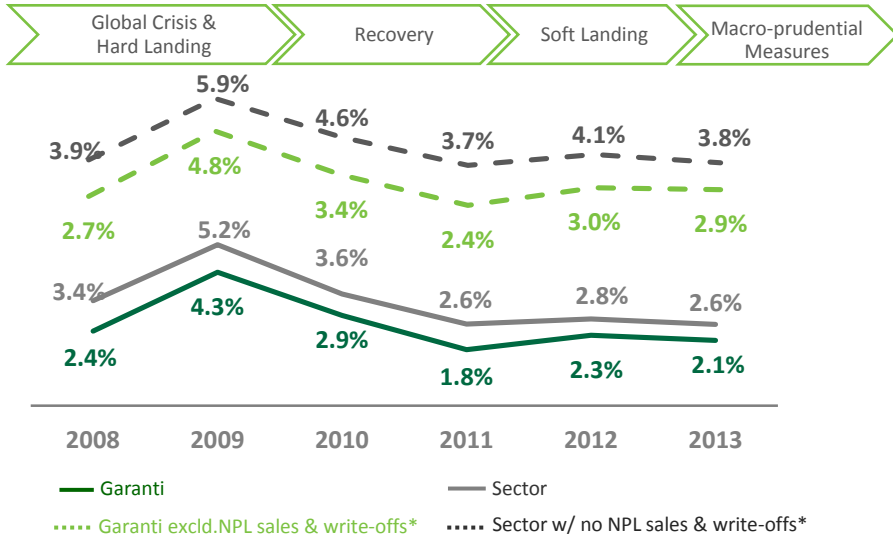
Turkey's largest Credit Card Platform:
Bonus Card

11 banks licensed under Bonus card platform

¹ Excluding shared POS
 *Among private banks

Sustained low-risk profile...

NPL Ratio¹

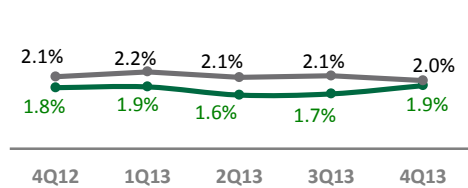


Solid collection performance
up by >65% YoY

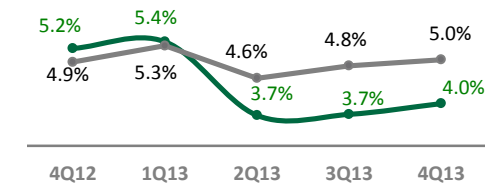
Below sector NPL ratio across all products

NPL Categorisation¹

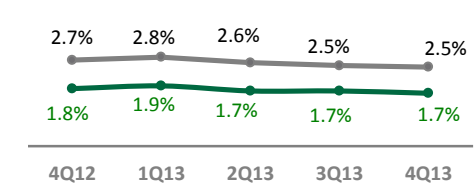
Consumer Banking
(Consumer & SME Personal)
24% of total loans



Credit Cards
13% of total loans



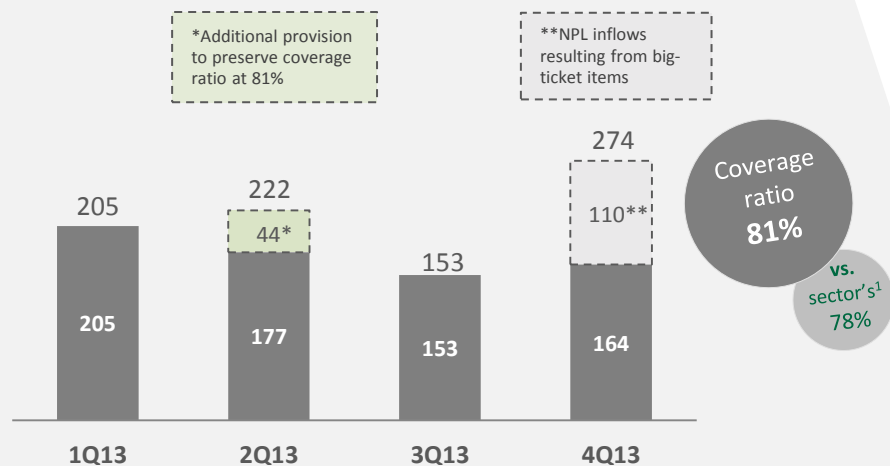
Business Banking
(Including SME Business)
63% of total loans



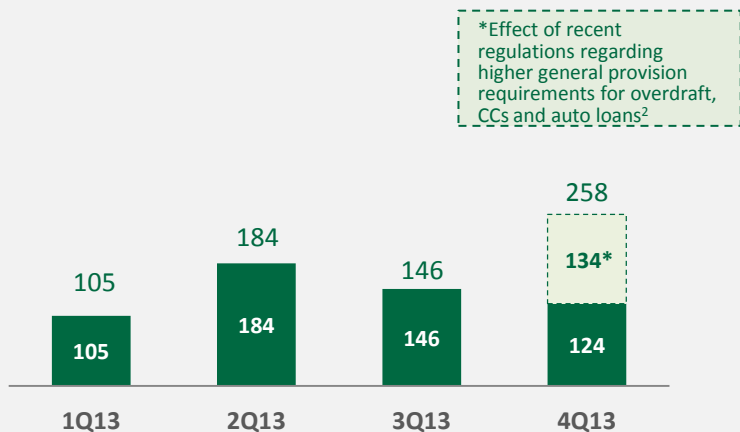
¹ NPL ratio and NPL categorisation for Garanti and sector figures are per BRSA bank-only data for fair comparison (as of 27 December 2013)
* Adjusted with write-offs in 2008, 2009, 2010, 2011, 2012, 2013 Source: BRSA, TBA & CBT

...and comfortable coverage and provisioning levels

Quarterly Specific Provisions (TL million)

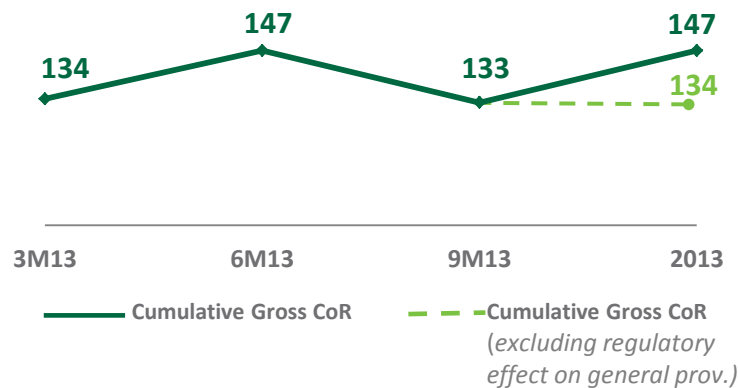


Quarterly General Provisions (TL million)



**Total Coverage³ :
172%**

Cumulative Gross Cost of Risk (bps)



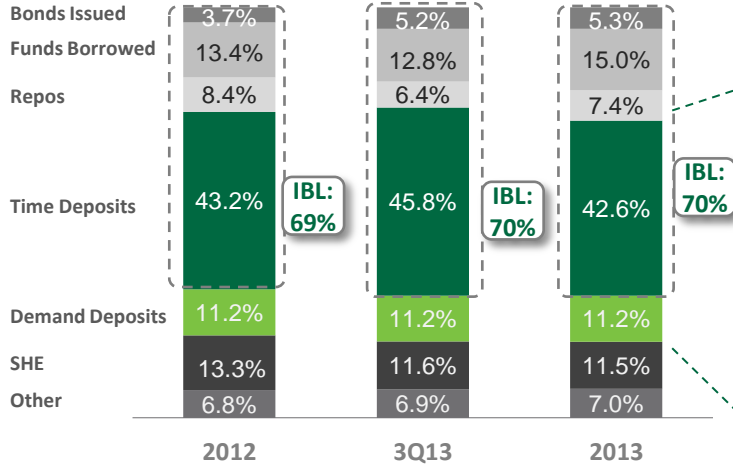
¹ Sector figures are per BRSA weekly data as of 27 December 2013, commercial banks only

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

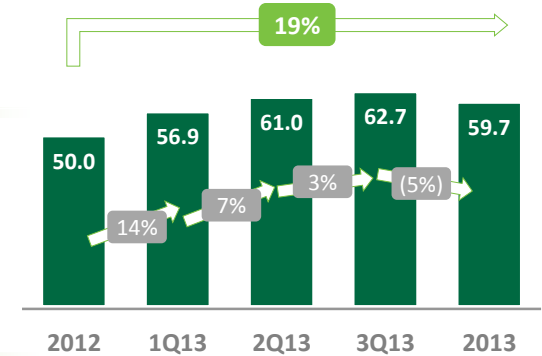
Comfortable liquidity on the back of a solid deposit base...

Composition of Liabilities

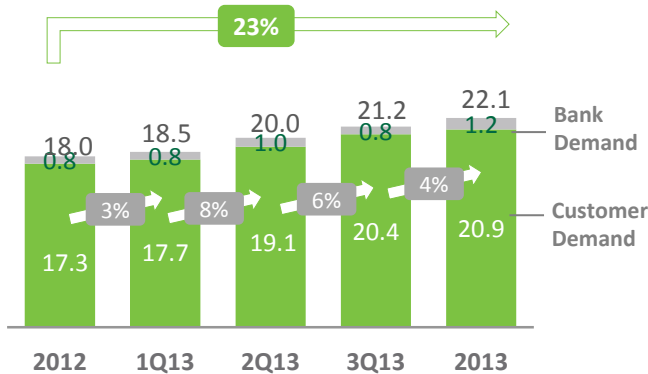


Intentional release of deposits in 4Q, due to elevated pricing levels

TL Deposits (TL billion)

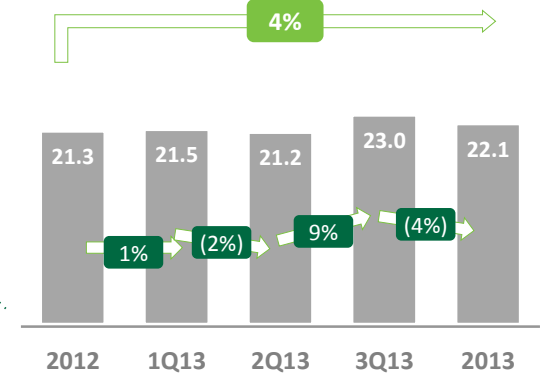


Demand Deposits (TL billion)



~21% of total deposits vs. sector avg. 18%

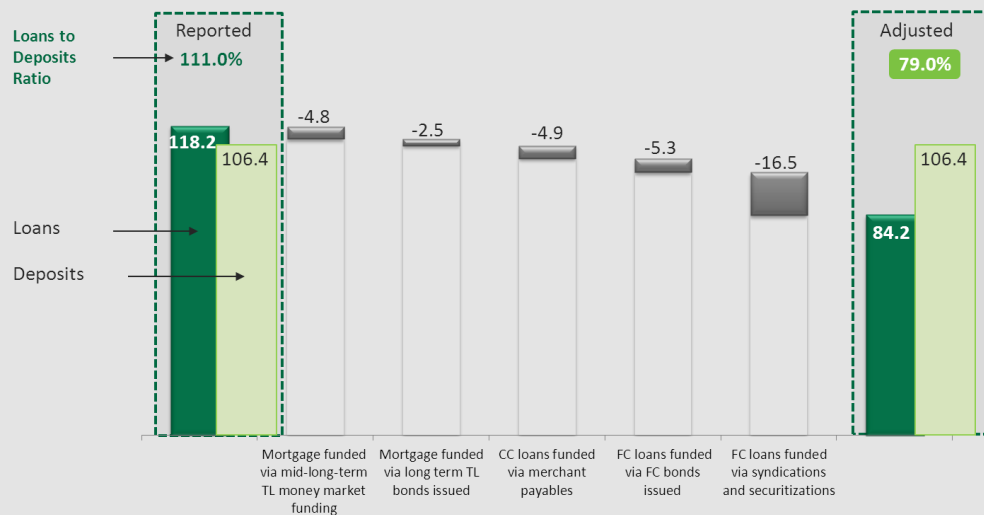
FC Deposits (USD billion)



... and increasing contribution from other funding sources

Adjusted LtD ratio (TL Billion)

Loans funded via on B/S alternative funding sources



Comfortable level of LtD ratio: 79%

exclud.

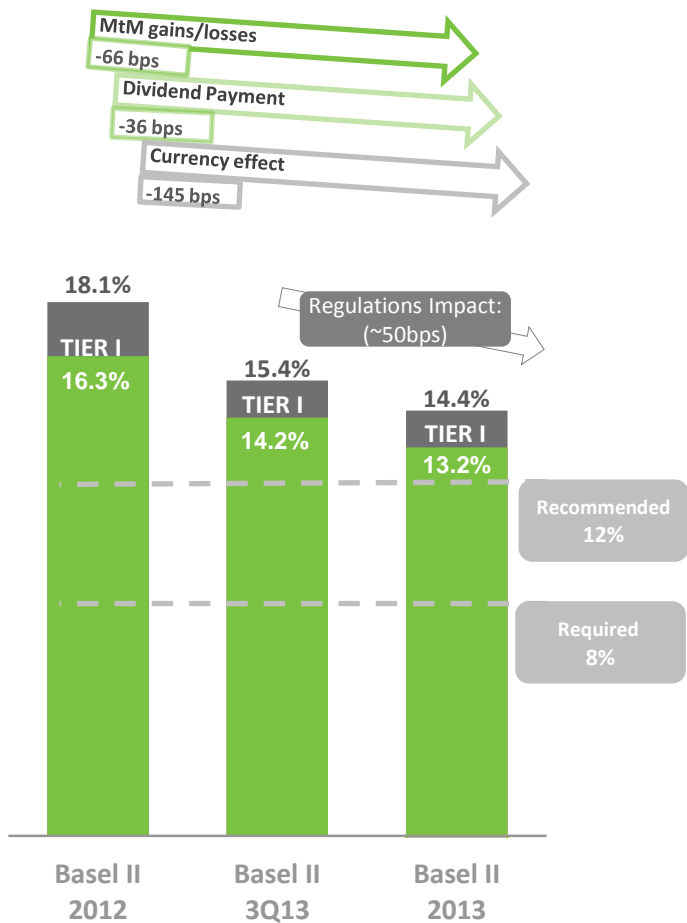
long term loans funded via other on B/S funding sources

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

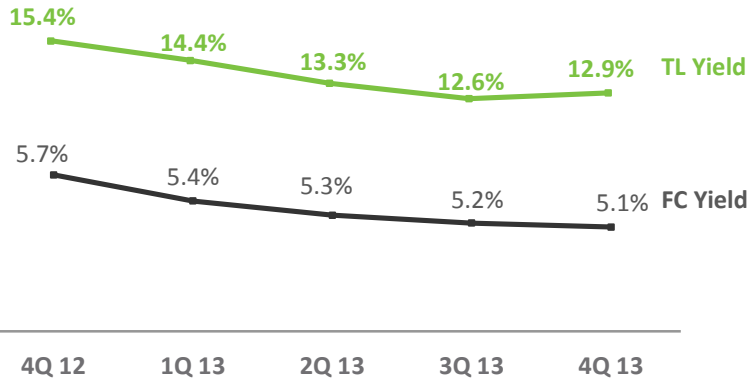
+

No negative impact
expected under
Basel III

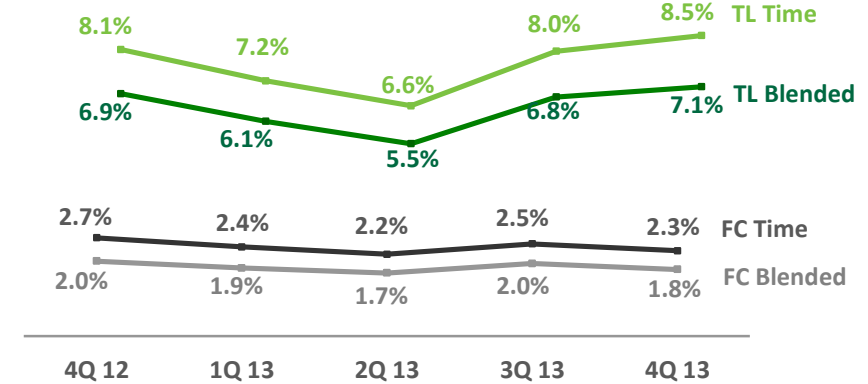
High internal
capital
generation
supporting
long-term
sustainable
growth

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

Loan Yields¹ (Quarterly Averages)



Deposit Costs¹ (Quarterly Averages)



Total Avg. Loan Yields
+13bps QoQ

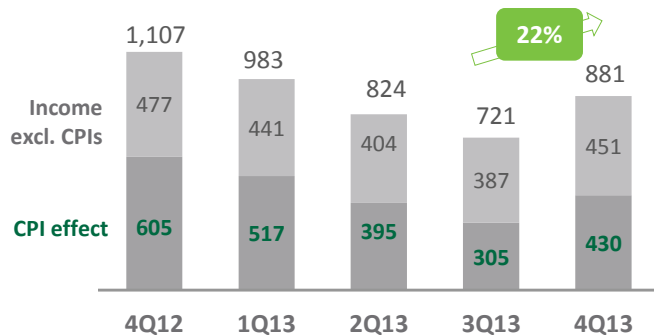
Avg. Time Deposit Costs
+6bps QoQ

Slight improvement in LtD
spread
+7bps QoQ

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

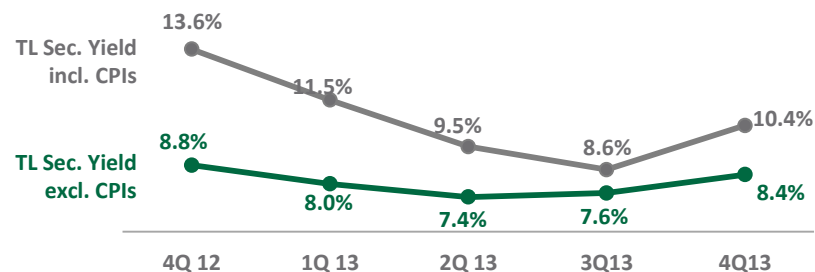
Security yields are on the rise

Interest Income on Total Securities (TL billion)

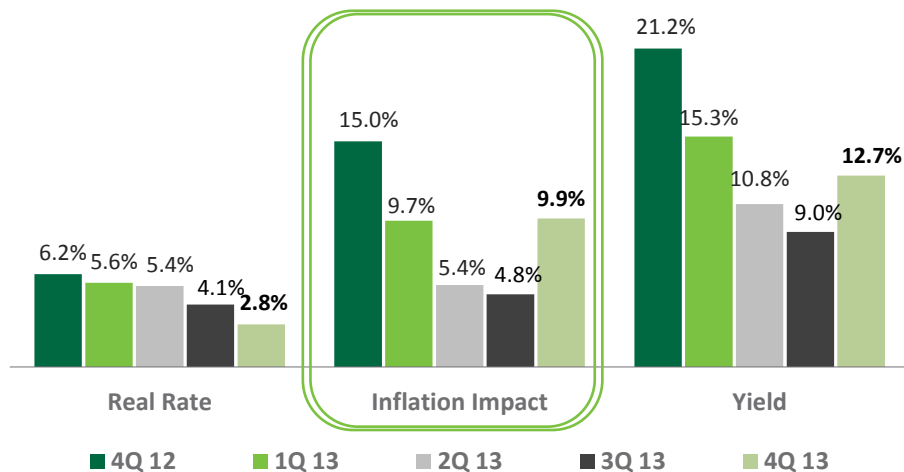


Yields on Securities

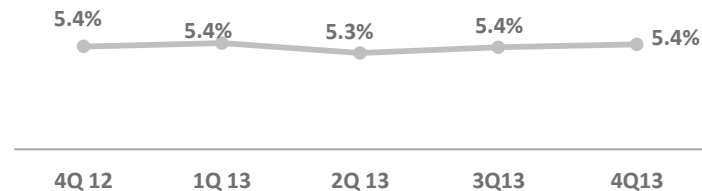
TL Securities*



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



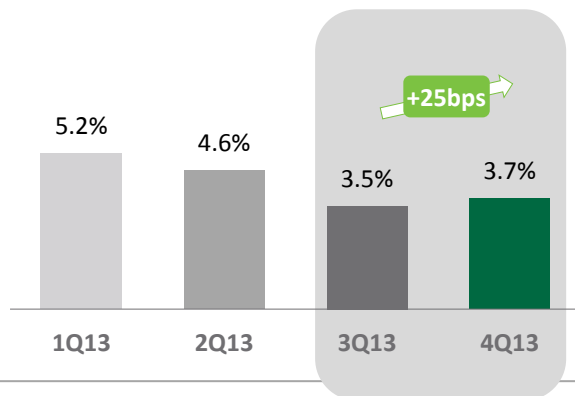
FC Securities*



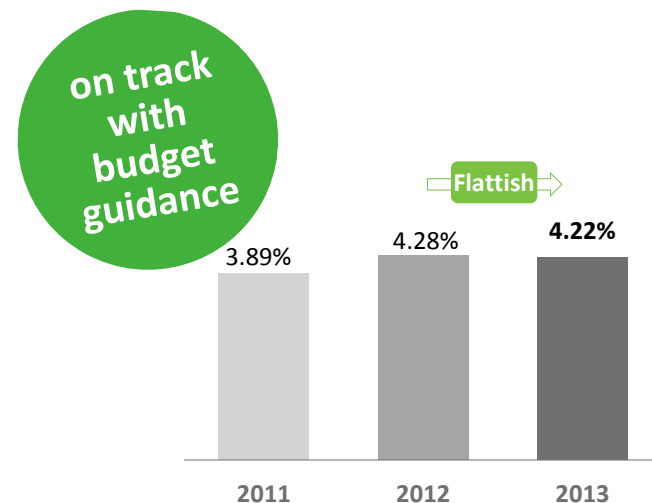
* Based on bank-only MIS data

Result in quarterly margin expansion and flattish cumulative NIM

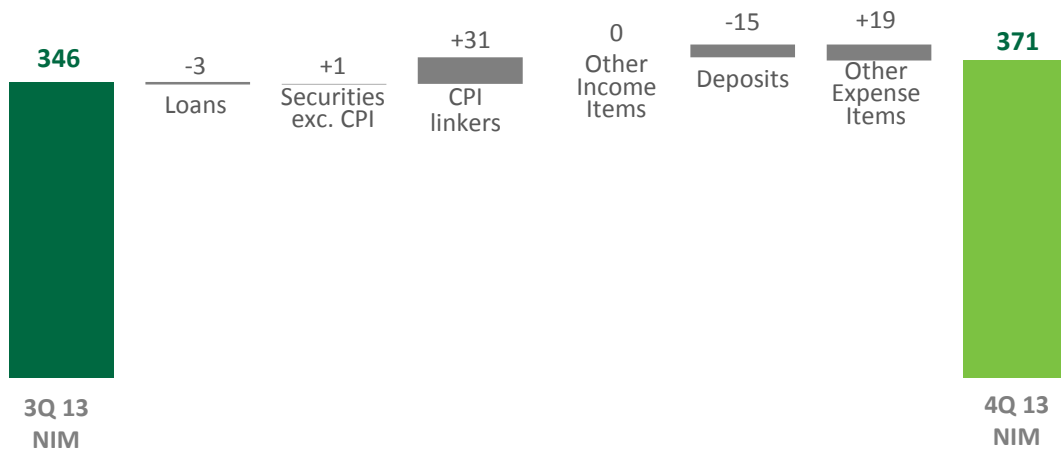
Quarterly NIM (Net Interest Income / Average IEAs)



Cumulative NIM (Net Interest Income / Average IEAs)

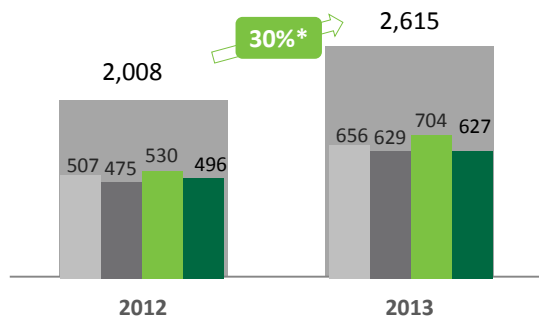


Q-o-Q Evolution of Margin Components (in bps)



Growing and further diversified fee sources...

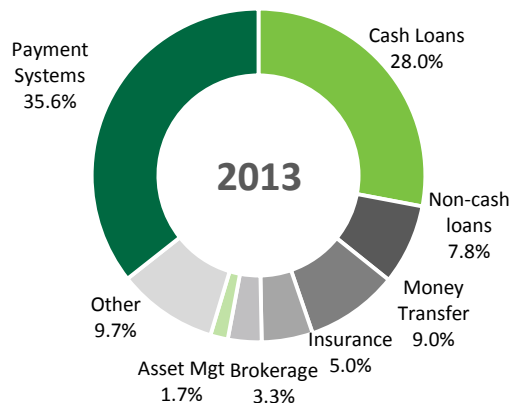
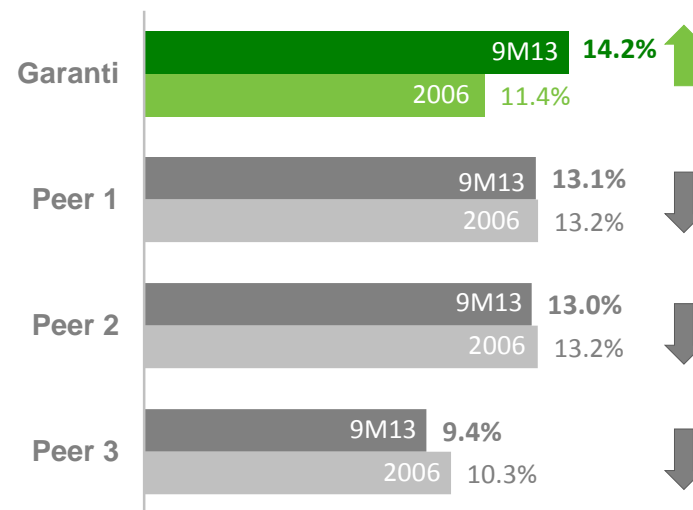
Net Fees & Commissions¹ (TL million)



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

Ordinary Banking Income³

% Market share



- + Highest fee base among peers²
- + Most preferred pension company
- + #1 in bancassurance
- + Leader in interbank money transfer
- + Strong presence in brokerage

¹ Net Fees and Commissions breakdown is based on Bank-only MIS data

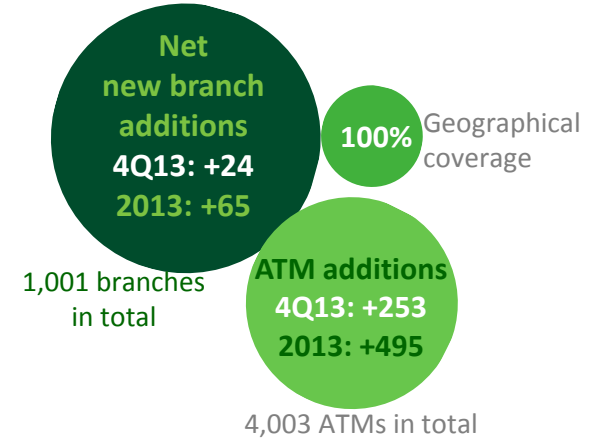
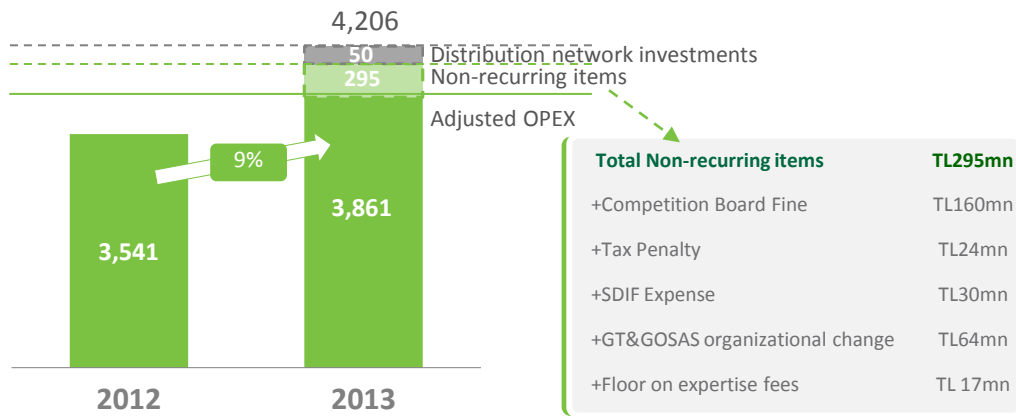
² As of 9M13

³ Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions; for 9M13

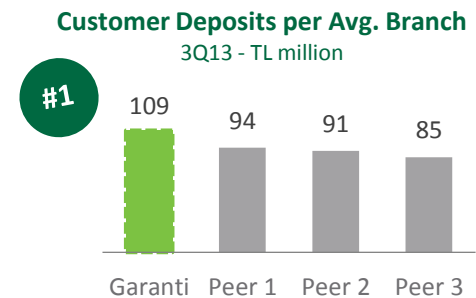
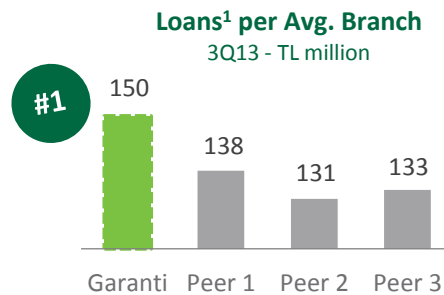
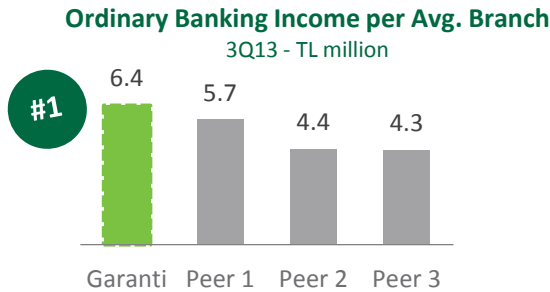
Source: BRSA bank-only financials for fair comparison. Sector figure is based on BRSA monthly data.

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

Operating Expenses (TL million)

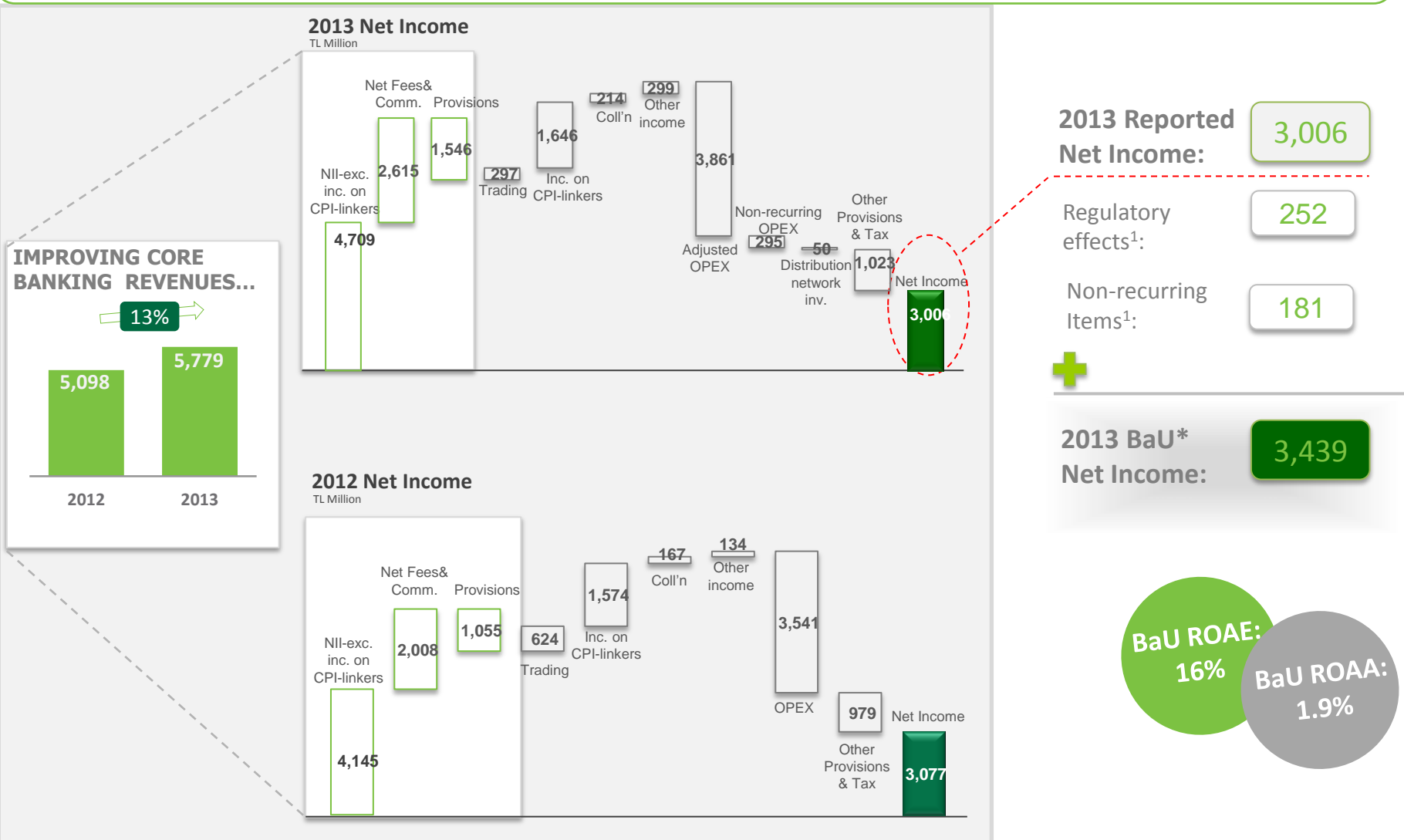


...preserving the highest efficiency ratios*



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

...feeding through to sustainable core banking income generation



*Business as Usual = Excluding non-recurring items and the regulatory effects in the P&L

1 For details please refer to Appendix page 21

Appendix

Pg. 20 Quarterly Net Income

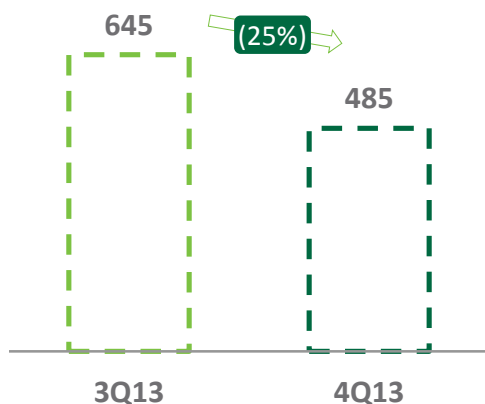
Pg. 21 Details on regulatory actions and non-recurring items affecting 2013 P&L

Pg. 22 Summary Balance Sheet

Pg. 23 Key Financial Ratios

Quarterly Net Income

Quarterly Net Income (TL million)



(TL Million)	3Q 13	4Q 13	ΔQoQ	
(+) NII- excl. cap effect and income on CPI linkers	1,082	1,127	4%	→ Slight uptick in loan-to-deposit spread, mainly due to increase in loan yields
(+) Net fees and comm.	704	627	-11%	→ Shrinkage mainly due to timing of account maintenance fees
(-) Specific & General Prov. - excluding regulatory effects on gen. prov.	-299	-398	33%	
(+) Income on CPI linkers	305	430	41%	→ Better inflation outlook and strategic additions to the portfolio to mitigate the negative effect of redemptions
(+) 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%	→ Front-loaded distribution network investments. In 4Q, 24 net new branch additions; 253 new ATMs
(-) 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.	→ 25% of the additional general provision requirement due to new regulation hit 4Q
(-) 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%	

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)

Non-recurring Items
TL 181



Total Regulatory Effect:
TL 252



TL 433

		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 100% by the end of 2015	(134)
Opex	SDIF related additional expense	(30)
Total regulatory items affecting Net Income		(252)

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)	46.8%	37.4%	40.8%	44.4%	48.4%
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

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