

# Earnings Presentation

**December 31, 2013**

**IFRS 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...

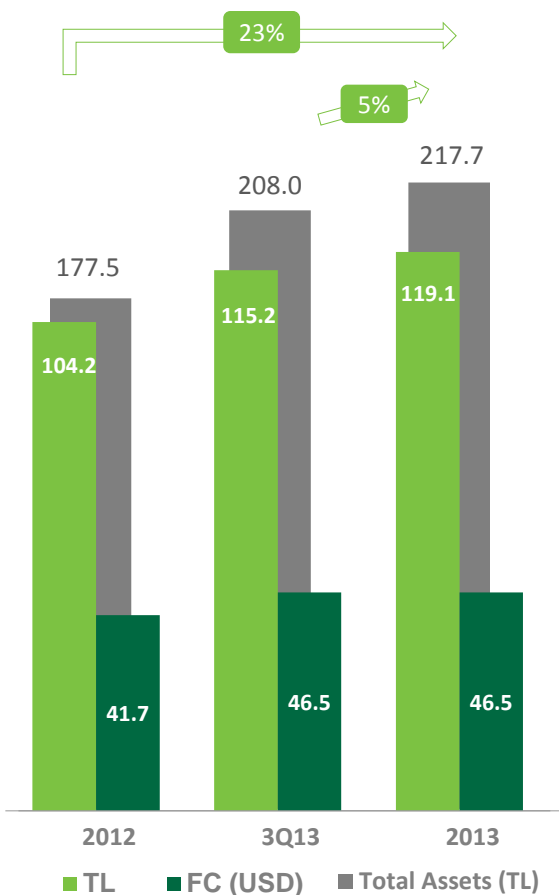
- ✓ Above budget lending growth with sound asset quality
- ✓ Sustained strong capitalization level
- ✓ Comfortable liquidity
- ✓ Increasing core banking revenues
  - Well-defended margins
  - Significant Net F&C growth
- ✓ Preserved highest branch efficiencies

\* Based on CBRT weekly data

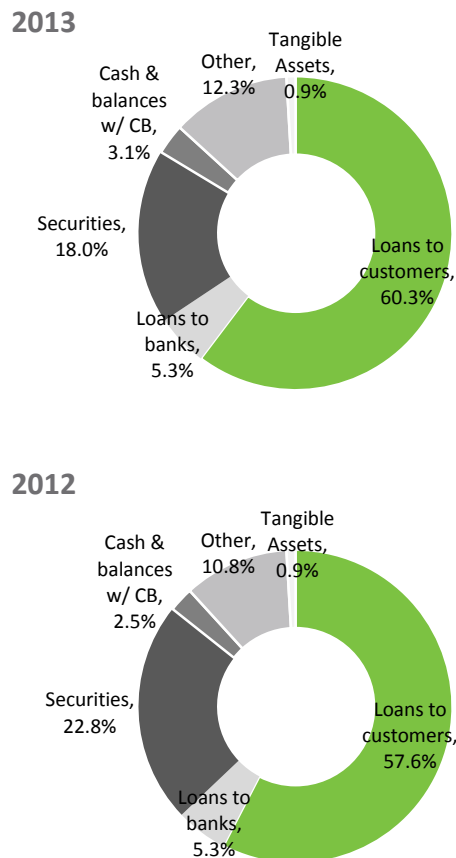
\*\* Based on Real Effective Exchange Rate

# Strategically managed asset/liability mix -- increasingly customer driven

Total Assets (TL/USD billion)



Composition of Assets<sup>1</sup>



Loans<sup>1</sup>/Assets  
**60%**  
vs. 58% @ YE 12

## Growth

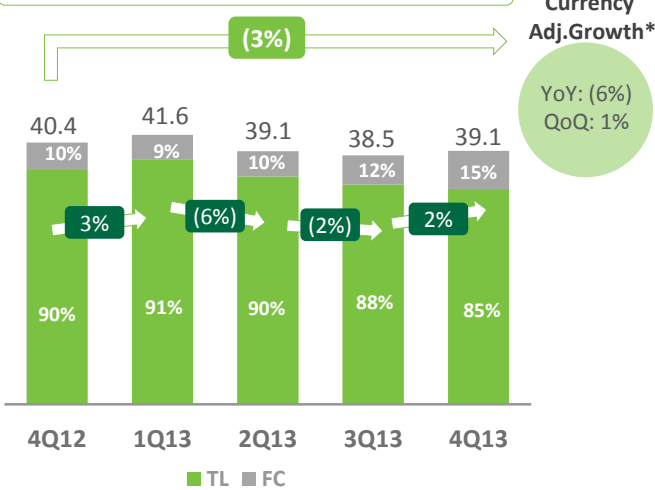
	Loans <sup>1</sup>	Securities <sup>2</sup>	
1Q13	+4%	+3%	Slight build-up of securities pre-redemptions in 3Q13
2Q13	+10%	-6%	Accelerated lending growth
3Q13	+6%	-2%	Security additions to the portfolio fell short of offsetting the disposals & redemptions
4Q13	+6%	+2%	Moderated lending growth, additions to securities book at attractive rates

<sup>1</sup> Loans to customers

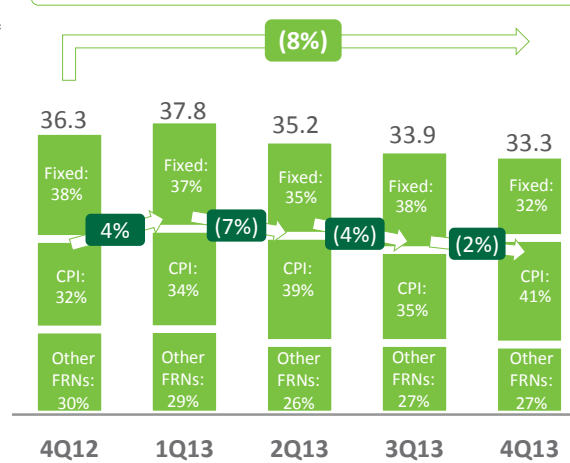
<sup>2</sup> Securities = Financial assets at fair value through profit or loss+ Investment securities

# FRN-heavy securities portfolio serves as hedge against volatility

Total Securities (TL billion)



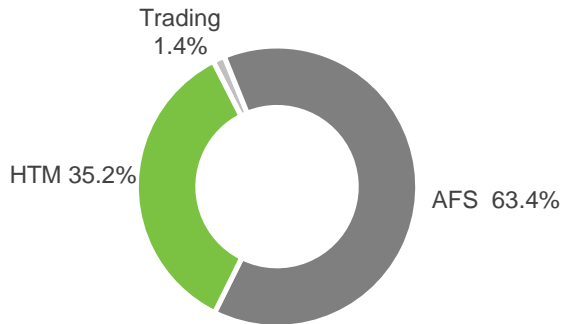
TL Securities (TL billion)



Securities/Assets:  
hovering around its  
lowest levels

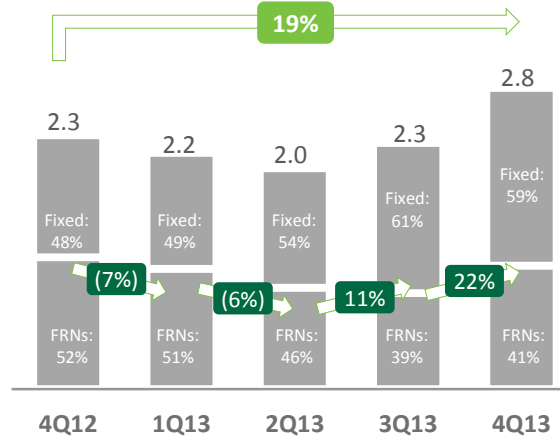
18%

Total Securities Composition



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

FC Securities (USD billion)



FRNs  
weight<sup>1</sup>  
in total  
66%

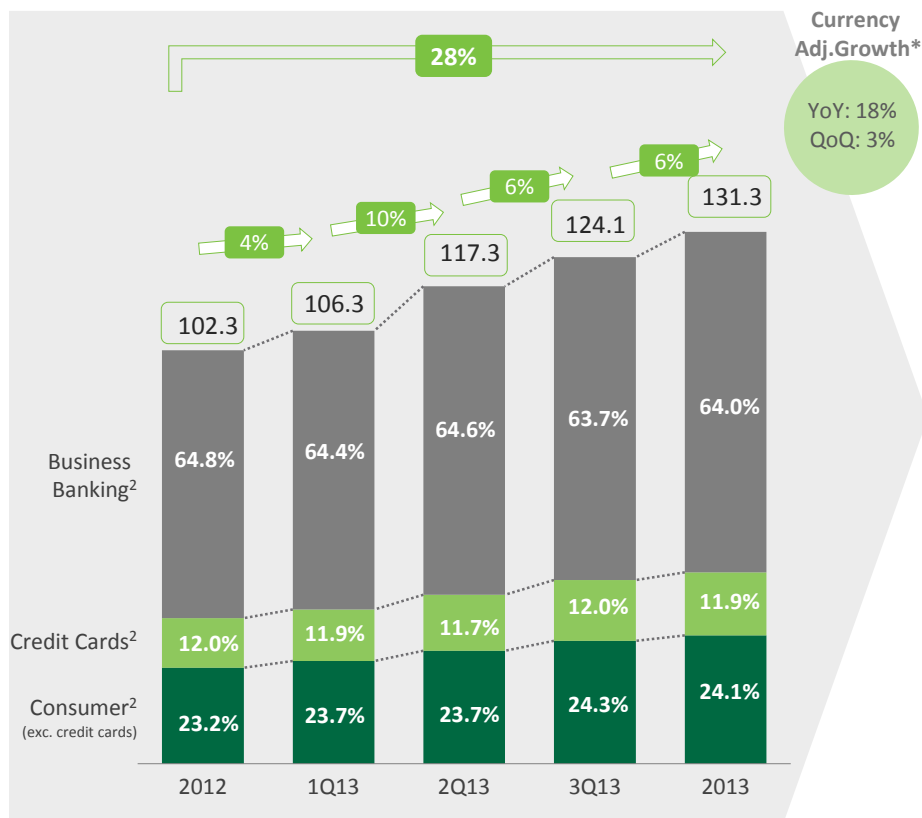
up from  
~60% in 3Q13

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

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

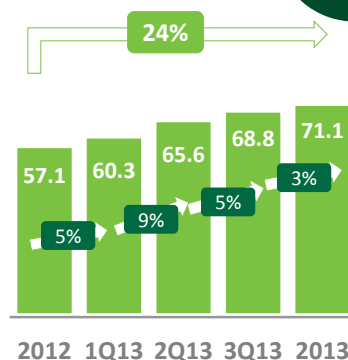
Total Loans<sup>1</sup> Breakdown (TL billion)



TL (% in total)	56%	57%	56%	55%	54%
FC (% in total)	44%	43%	44%	45%	46%
US\$/TL	1.760	1.785	1.905	1.995	2.120

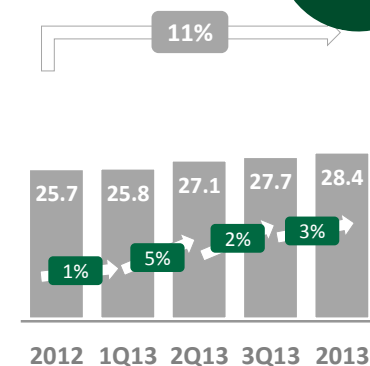
Lending growth cut pace in 4Q, in line with volatile market outlook & recently introduced regulations

TL Loans<sup>1</sup>



- > Lucrative consumer loans
- > TL business banking loans

FC Loans<sup>1</sup> (in US\$)



- > Project Finance loans in energy & utilities

<sup>1</sup> Loans to Customers, Loans

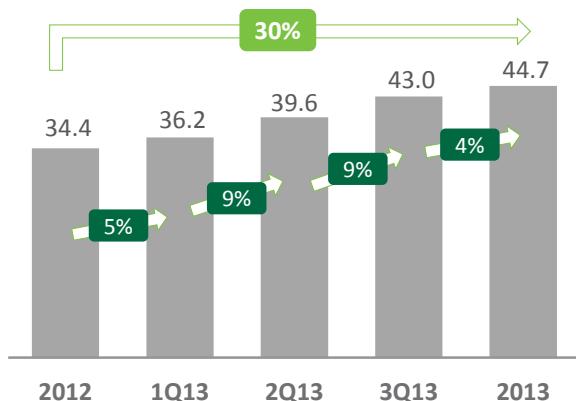
<sup>2</sup> Breakdown based on BRSA consolidated data, loans do not include leasing and factoring receivables

\*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.

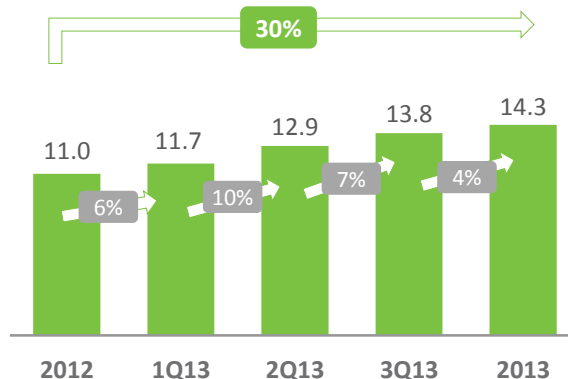
Note: Budget figures are based on bank-only financials

# Lucrative consumer loans lead the growth

### Consumer Loans<sup>1</sup> (TL billion)

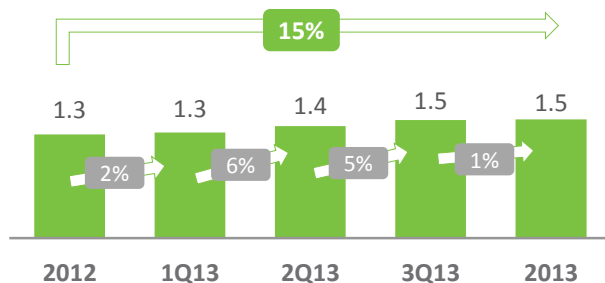


### Mortgage (TL billion)

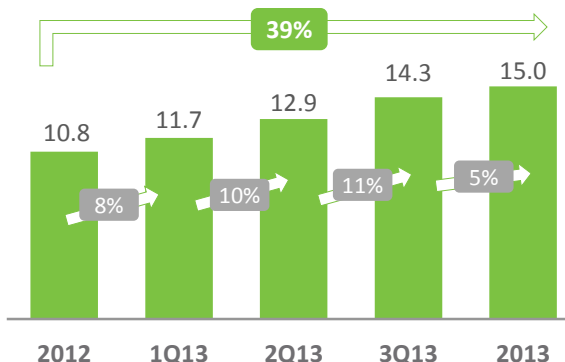


- Rational pricing stance support margins
- Generating increasing cross-sell & customer retention

### Auto Loans (TL billion)



### General Purpose Loans<sup>2</sup> (TL billion)



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

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

Note: Based on BRSA Consolidated financials

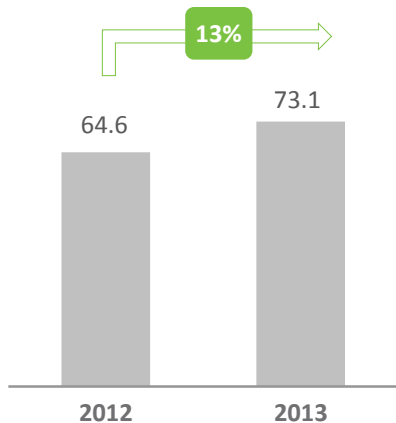
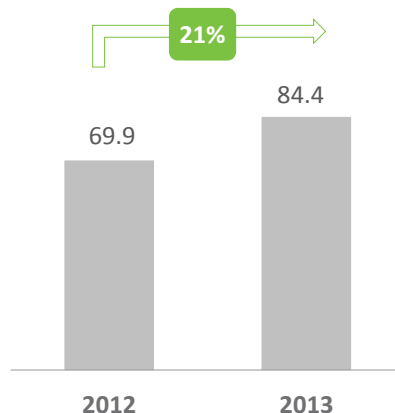
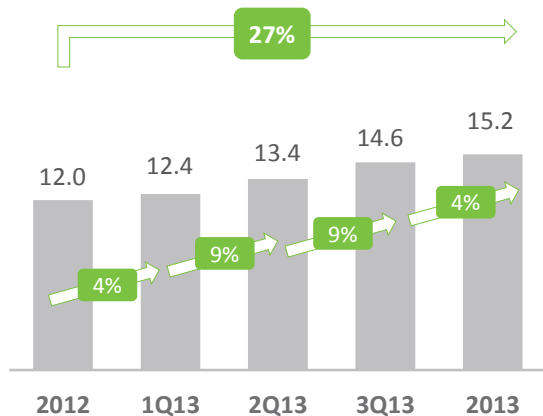
<sup>1</sup> Including consumer credit cards, other and overdraft loans

<sup>2</sup> Including other consumer loans and overdrafts

<sup>3</sup> Market shares are based on bank-only financials for fair comparison with the sector. Sector figures are based on bank-only BRSA weekly data, commercial banks only

<sup>4</sup> 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 <sup>1</sup>	-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

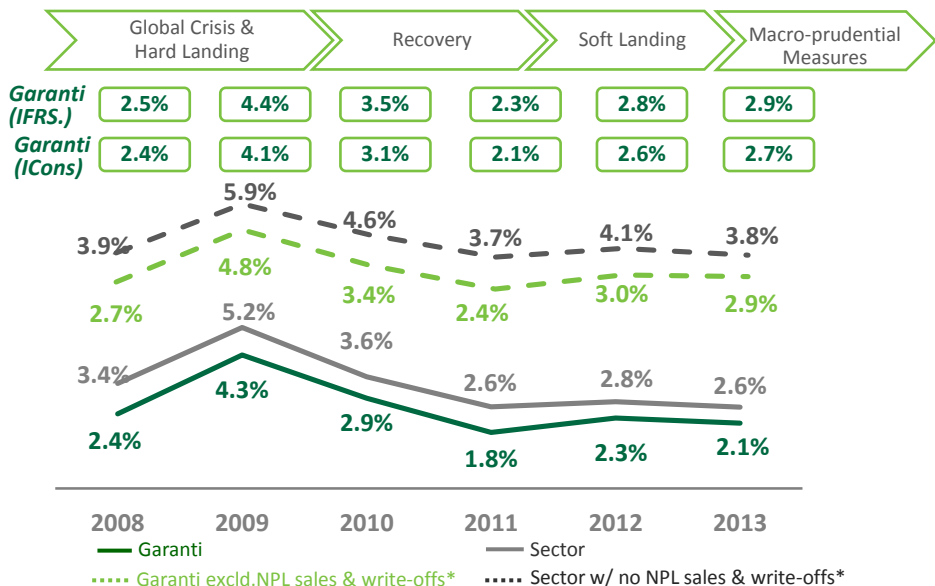
<sup>1</sup> Excluding shared POS

\*Among private banks

Note: All figures are per bank-only data except credit card balances. Credit card balances are based on BRSA consolidated financials

# Sustained low-risk profile...

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

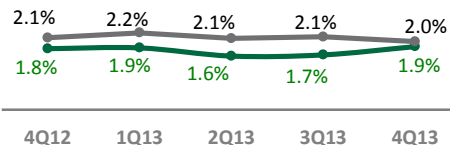


**Solid collection performance**

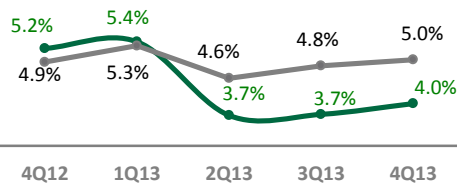
Below sector NPL ratio across all products

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

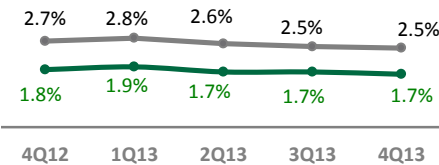
**Consumer Banking**  
(Consumer & SME Personal)  
24% of total loans



**Credit Cards**  
13% of total loans



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

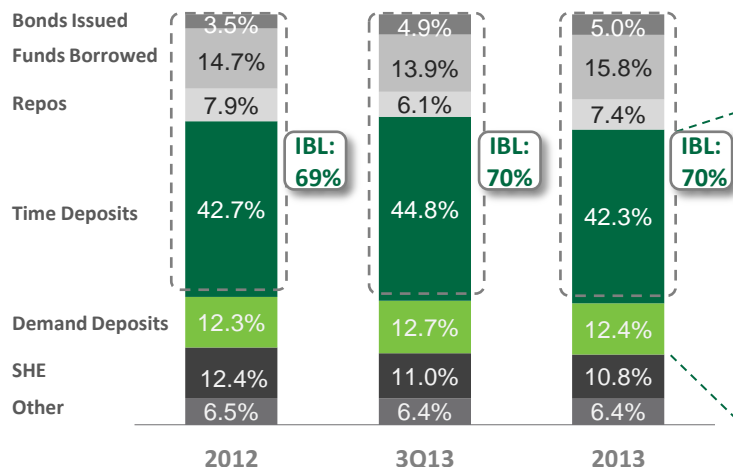


<sup>1</sup> NPL ratio and NPL categorisation for Garanti and sector figures are per BRSA bank-only data for fair comparison  
\* Adjusted with write-offs in 2008,2009,2010,2011,2012 & 9M13 Source: BRSA, TBA & CBT

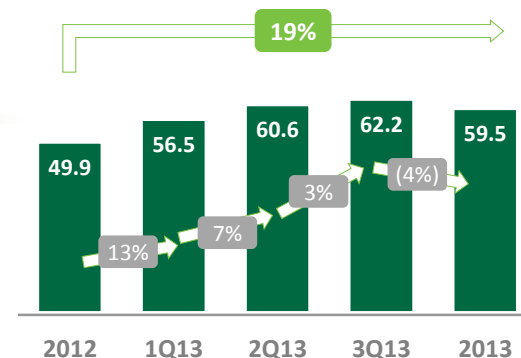


# Comfortable liquidity on the back of a solid deposit base...

## Composition of Liabilities

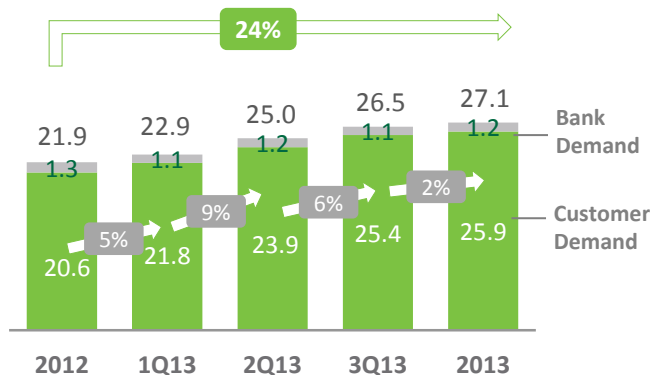


## TL Deposits (TL billion)



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

## Demand Deposits (TL billion)

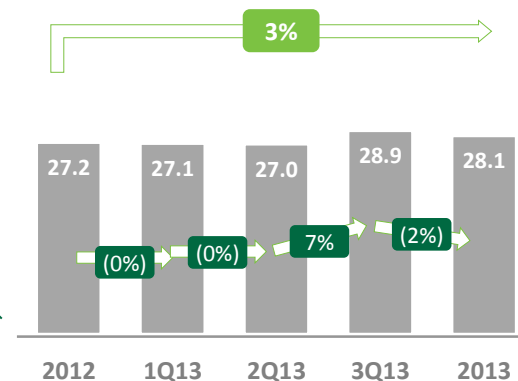


23% of total deposits

Per bank-only figures ~21%

vs. sector avg. 18%

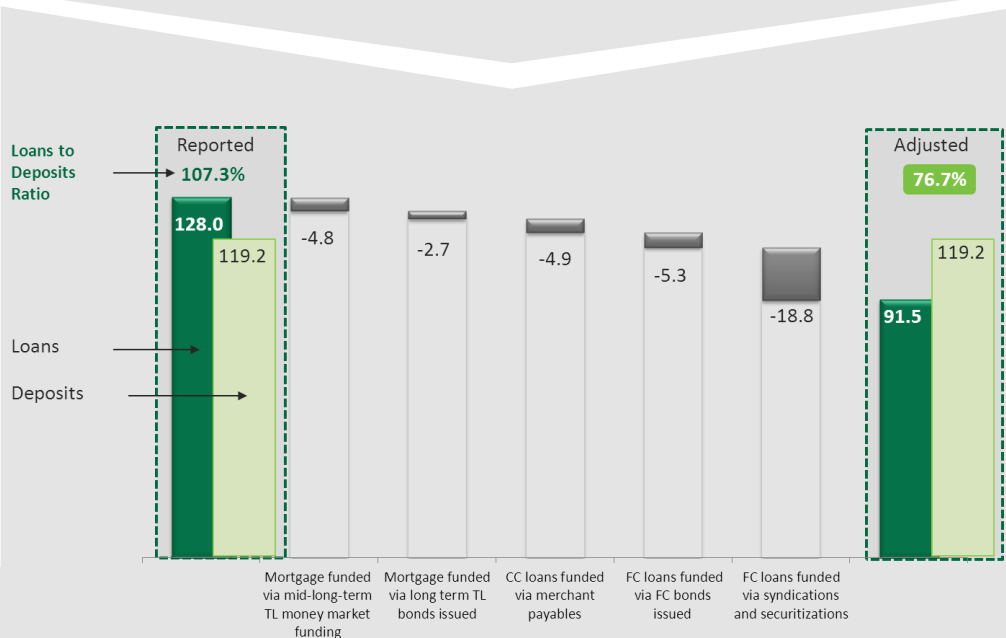
## FC Deposits (USD billion)



# ... and increasing contribution from other funding sources

Adjusted LtD ratio<sup>1</sup> (TL Billion)

## Loans funded via on B/S alternative funding sources



Comfortable level of LtD ratio:

77%

exclud.

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

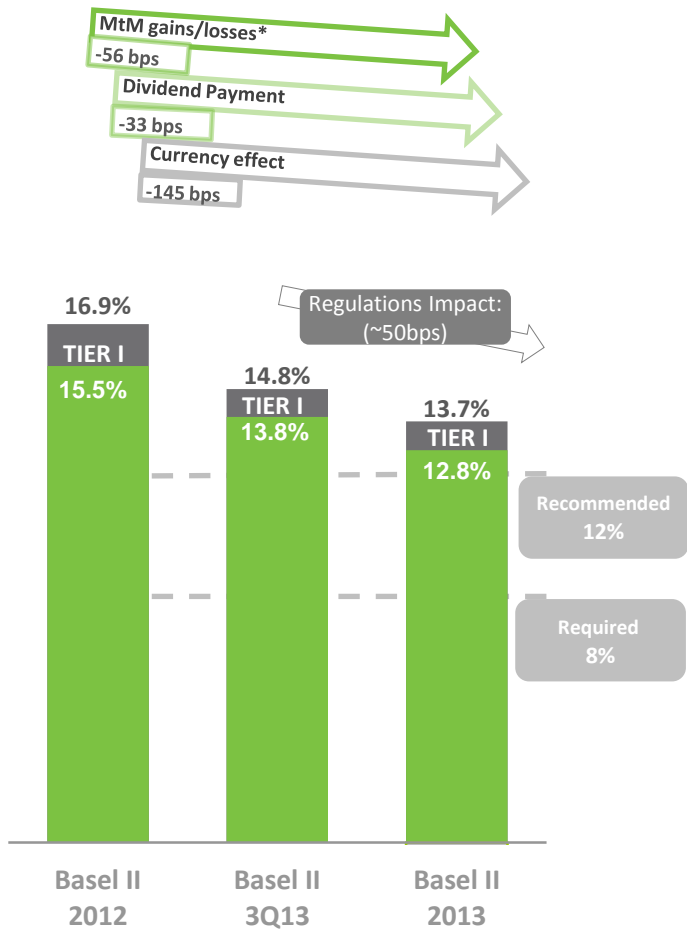
### Diversified funding sources:

- + 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%

<sup>1</sup> Based on BRSAs Consolidated Financials. Loans excluding leasing and factoring receivables  
Note: Breakdown of Diversified Funding Sources represent data on a bank-only basis

# Sound solvency reinforced with healthy and profitable growth

## CAR & Tier I ratio<sup>1</sup>



Strong capitalization

Basel II CAR:  
13.7%

+

Low leverage

Leverage:  
8.6x

+

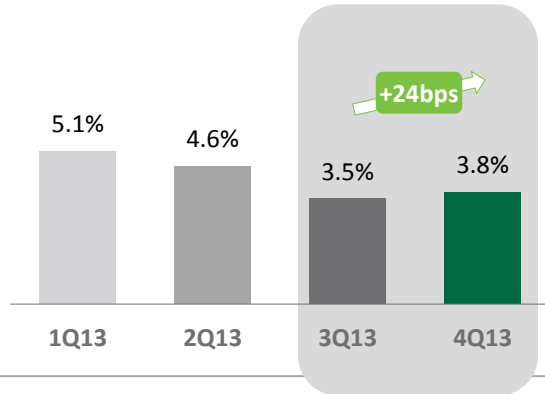
No negative impact  
expected under  
Basel III

High internal  
capital  
generation  
supporting  
long-term  
sustainable  
growth

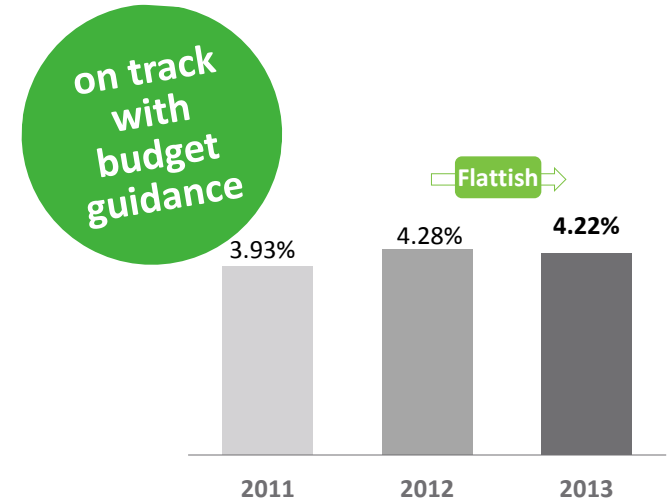
\* Including the effects of consolidation eliminations  
1 Based on BRSAs consolidated financials

# Result in quarterly margin expansion and flattish cumulative NIM

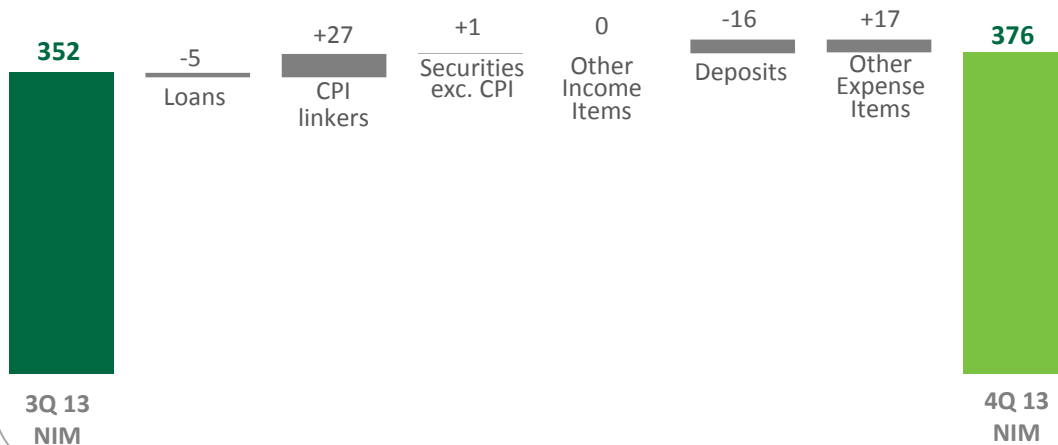
## Quarterly NIM (Net Interest Income / Average IEAs)



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

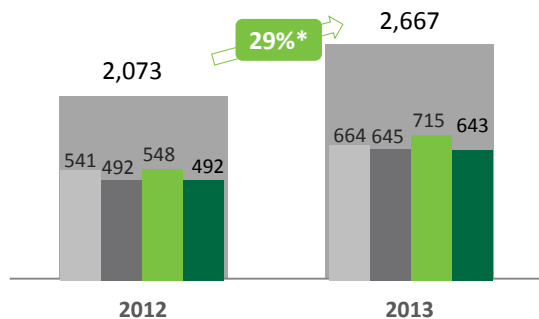


## Q-o-Q Evolution of Margin Components (in bps)



# Growing and further diversified fee sources...

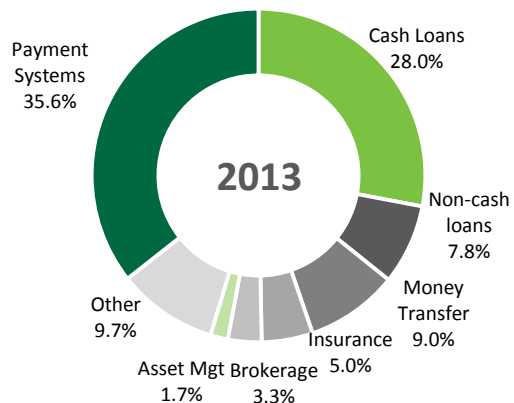
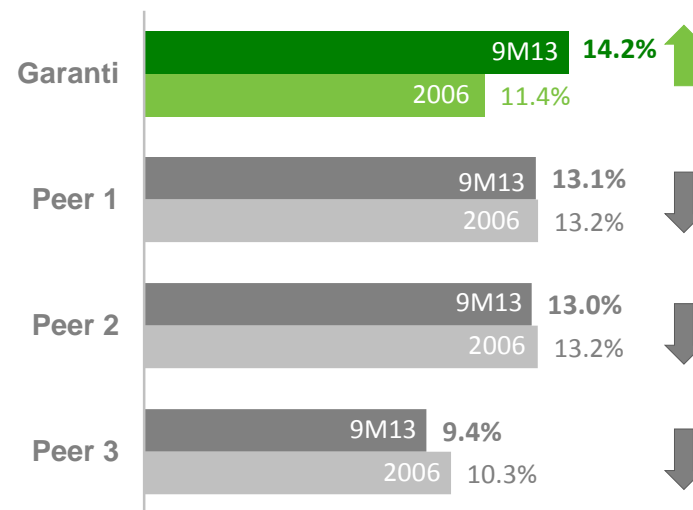
## Net Fees & Commissions<sup>1</sup> (TL million)



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

## Ordinary Banking Income<sup>3</sup>

% Market share

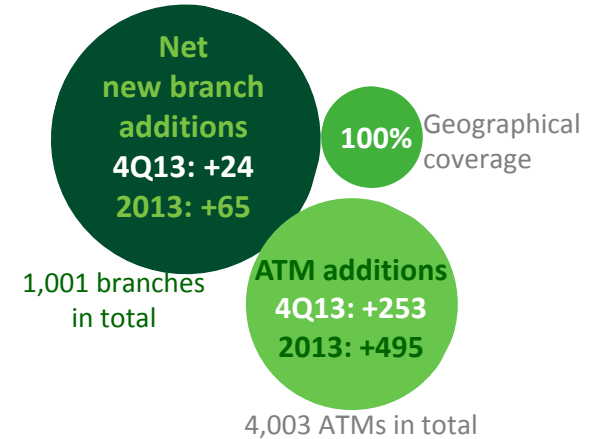
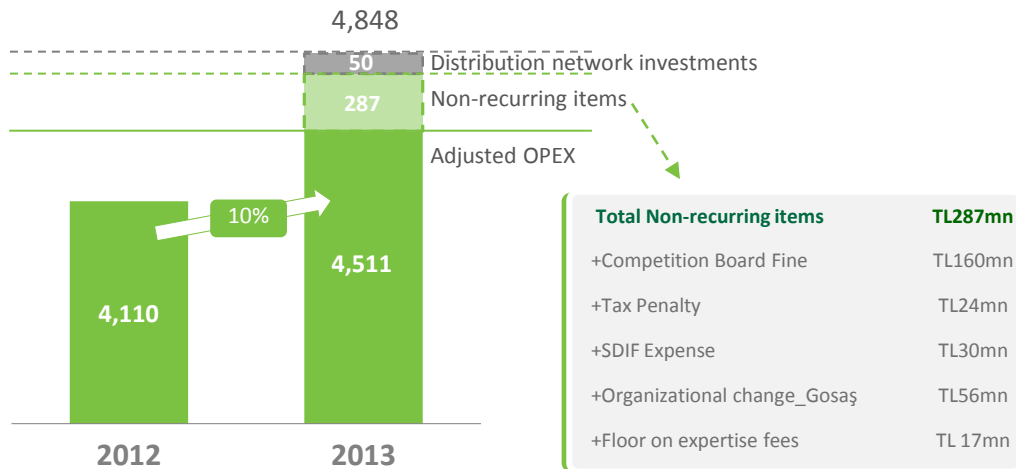


- + Highest fee base among peers<sup>2</sup>
- + Most preferred pension company
- + #1 in bancassurance
- + Leader in interbank money transfer
- + Strong presence in brokerage

<sup>1</sup> The pie chart representing net fees and commissions breakdown is based on bank-only MIS data  
<sup>2</sup> As of 9M13 <sup>3</sup> 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.

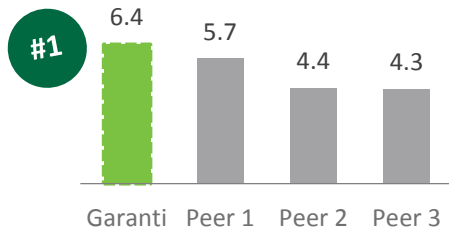
# ... and maintained cost control alongside uninterrupted investments to distribution network...

## Operating Expenses (TL million)

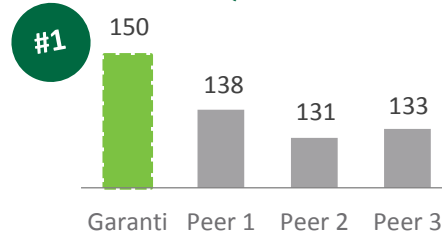


## ...preserving the highest efficiency ratios\*

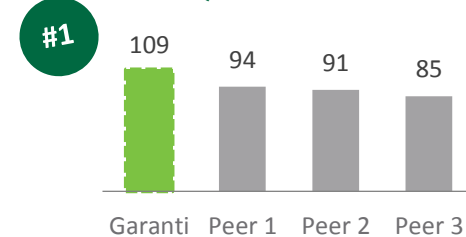
### Ordinary Banking Income per Avg. Branch 3Q13 - TL million



### Loans<sup>1</sup> per Avg. Branch 3Q13 - TL million



### Customer Deposits per Avg. Branch 3Q13 - TL million

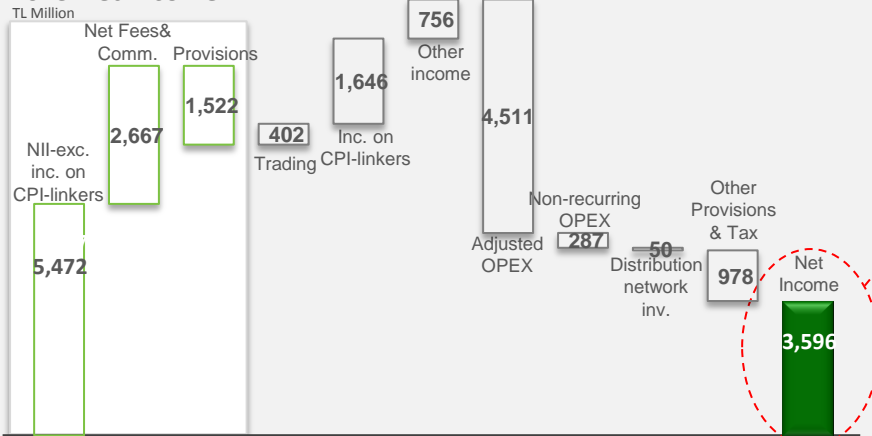


\*Efficiency figures are per bank-only financials for fair comparison  
1 Total Loans=Cash+non-cash loans

# ...feeding through to sustainable core banking income generation



## 2013 Net Income



**2013 Reported Net Income:**

3,596

Regulatory effects<sup>1</sup>:

118

Non-recurring Items<sup>1</sup>:

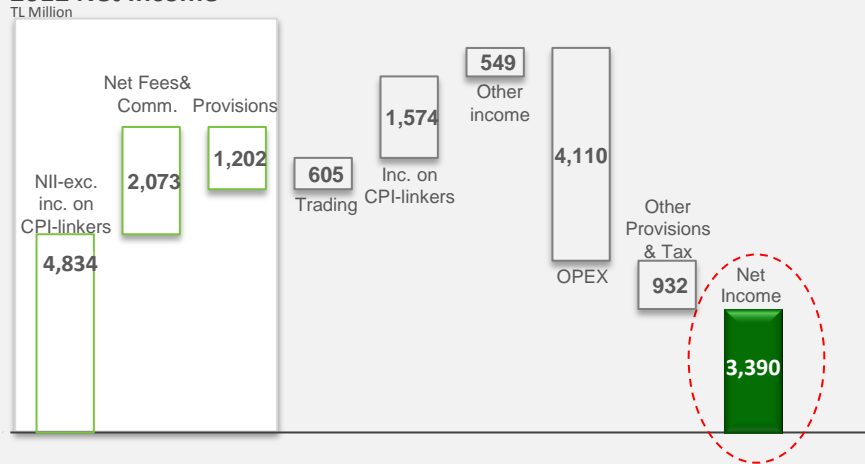
134



**2013 BaU\* Net Income:**

3,848

## 2012 Net Income



**BaU ROAE: 17%**

**BaU ROAA: 2.0%**

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

<sup>1</sup> For details please refer to Appendix page 17

## Appendix

Pg. 17 Details on regulatory actions and non-recurring items affecting 2013 P&L

Pg. 18 Summary Balance Sheet



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

		2013 P&L Impact (TL mn, Post-tax)
Sources of changes	Explanation	2013
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	115
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)
OPEX	Organizational change-Gosaş	(45)
OPEX	Floor on expertise fees	(14)
OPEX	Tax penalty payment	(24)
OPEX	Competition Board Fine Payment	(160)
<b>Total non-recurring items affecting Net Income</b>		<b>(134)</b>

Non-recurring items:  
**TL 134**



Total Regulatory Effect:  
**TL 118**



TL 252

		2013 P&L Impact (TL mn, Post-tax)
Sources of changes	Explanation	2013
Net Interest Income	CBRT introduced cap on interest rates charged on overdraft 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)
Opex	SDIF related additional expense	(30)
<b>Total regulatory items affecting Net Income</b>		<b>(118)</b>

## Balance Sheet - Summary

(TL million)	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	YTD Change	
<b>Assets</b>	Cash & Banks <sup>1</sup>	13,929	12,979	16,457	18,507	18,489	33%
	Securities	40,412	41,635	39,081	38,454	39,148	-3%
	Loans to Customers	102,260	106,273	117,268	124,085	131,315	28%
	Tangible Assets	1,643	1,678	1,712	1,734	2,019	23%
	Other	19,255	21,770	20,654	25,256	26,765	39%
	<b>TOTAL ASSETS</b>	<b>177,500</b>	<b>184,336</b>	<b>195,173</b>	<b>208,036</b>	<b>217,736</b>	<b>23%</b>
<b>Liabilities&amp;SHE</b>	Deposits from Customers	92,192	99,209	105,473	113,323	112,461	22%
	Deposits from Banks	5,584	5,604	6,523	6,427	6,733	21%
	Repo Obligations	14,107	11,836	12,421	12,743	16,008	13%
	Bonds Payable	6,126	7,231	9,111	10,266	10,835	77%
	Funds Borrowed <sup>2</sup>	26,028	25,868	27,186	28,961	34,337	32%
	Other	11,541	11,706	12,148	13,344	13,886	20%
	SHE	21,922	22,882	22,312	22,973	23,475	7%
	<b>TOTAL LIABILITIES &amp; SHE</b>	<b>177,500</b>	<b>184,336</b>	<b>195,173</b>	<b>208,036</b>	<b>217,736</b>	<b>23%</b>

<sup>1</sup> Includes banks, interbank, other financial institutions

<sup>2</sup> Includes funds borrowed and sub-debt

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