

Earnings Presentation

March 31, 2014

IFRS Financials



1Q 14 -- Continued tough economic times

Net Capital Flows to Turkey

January – May 2013

- Significant net capital inflows
 - High global risk appetite
 - Expected rating upgrade

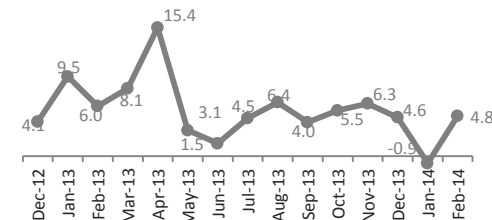
June - December 2013

- Sharp contraction in net capital flows*
 - FED's tapering
 - Gezi Protests
 - Political distress

January-March 2014

- Capital flows affected by volatile market conditions & political uncertainty

Monthly Net Capital Flows (US\$ Bn)



Interest & Exchange Rate Dynamics

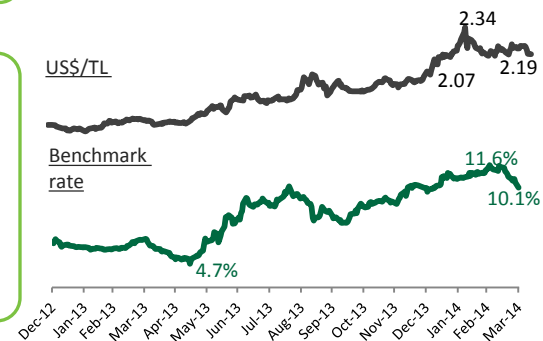
- Benchmark bond rate as low as 4.7%
- TL appreciation

- Benchmark bond rate reached a max. of 10.3%
- 11% depreciation of TL** compared to January-May 2013

- Interest rate hike by CBRT
- Avg. cost of funding up to 9.2% from 6.5% in 4Q13
- Further TL depreciation -- US\$/TL touched 2.4 & eased back to 2.2 in March

US\$/TL

Benchmark rate



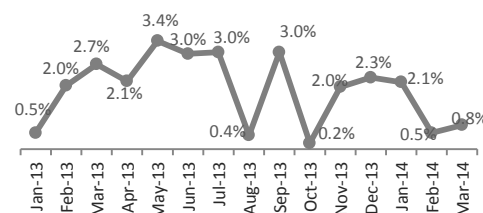
Banking Sector Dynamics

- Expansion in sector NIM (average 5.1%)
- High loan growth

- Suppression in sector NIM
- Loan growth lost pace
- Further regulatory actions by BRSA

- Effects of the regulatory actions reflected as a slowdown in lending growth – sector loan growth was in favor of business banking loans

Sector – Monthly TL Loan growth¹



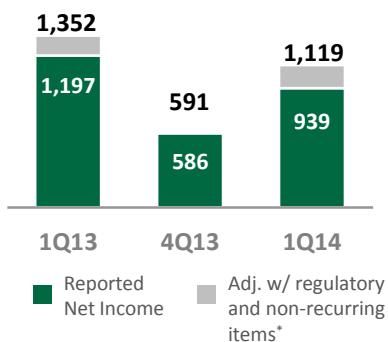
* Based on CBRT data

** Based on US\$/TL averages for the respective periods

1 March data is based on BRSA weekly data, as of March 28, 2014

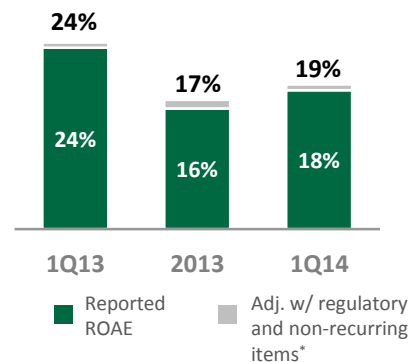
Sustained strong performance under any market condition

Net Income (TL million)



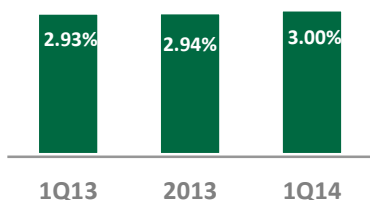
- > Well-defended margin
- > Highest sustainable income generation capability
- > Preserved focus on efficiency

ROAE (cumulative)



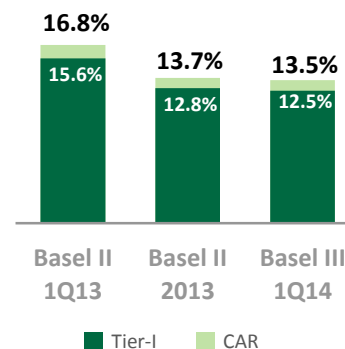
- > Business model ensures high levels of ROAE despite the low leverage

NPL Ratio



- > Selective growth focus & disciplined credit approval process
- > NPL ratio -- Consistently below sector

CAR¹ & Tier-I¹ Ratio

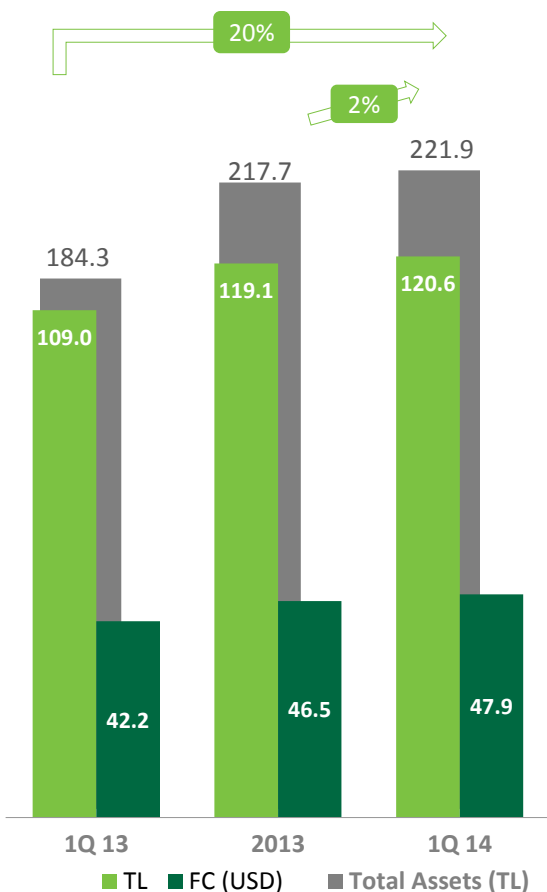


- > CAR ratio well above required and recommended levels -- even with the standard approach on risk weightings that result in RWA/Assets of 85%

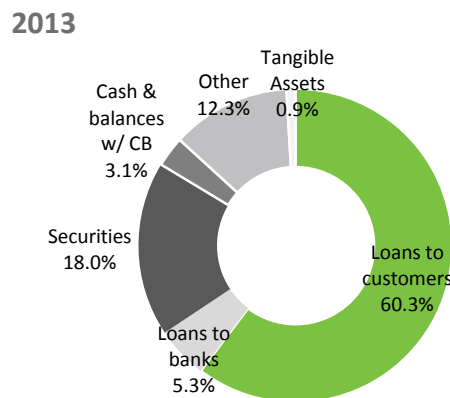
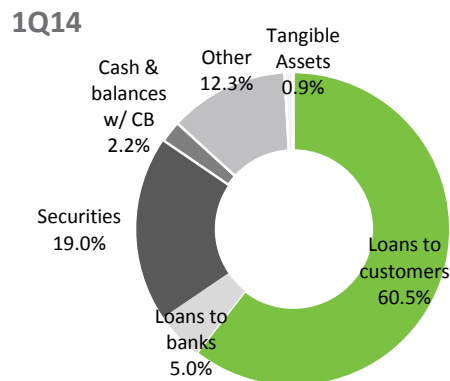
*Business as Usual = Excluding non-recurring items and the regulatory effects . Please see page 17 for details
 1 Based on BRSAs Consolidated financials

Strategically managed asset/liability mix -- increasingly customer driven

Total Assets (TL/USD billion)



Composition of Assets



Loans¹/Assets
61%
vs. 60% @ YE 13

Growth

	Loans ¹	Securities ²
1Q14	+2%	+8%
vs.		
4Q13	+6%	+2%

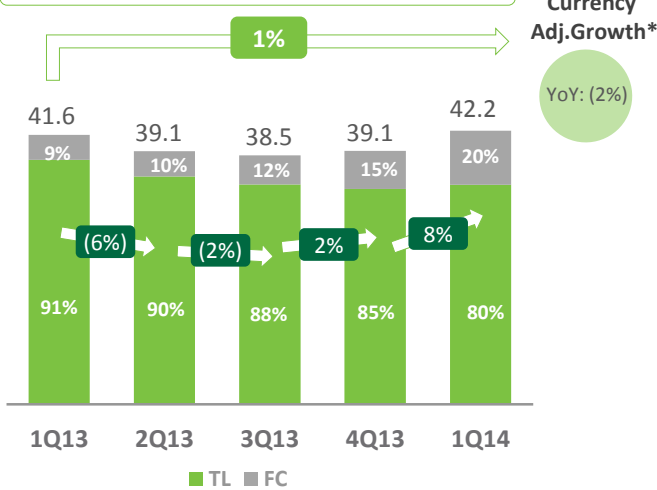
- Moderated lending growth
- Security additions to the portfolio, at attractive spreads, more than offset the redemptions in 1Q14

¹ Loans to customers

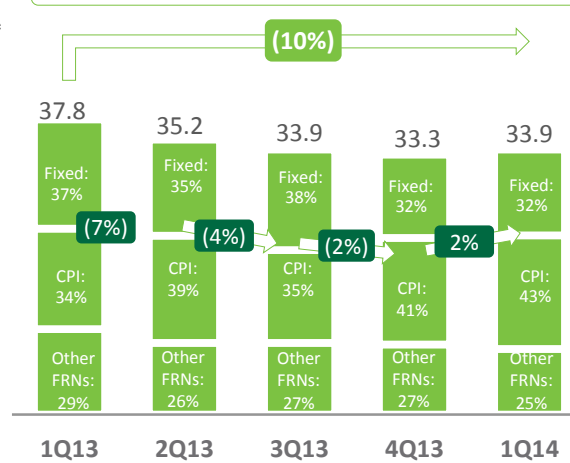
² Securities = Financial assets at fair value through profit or loss+ Investment securities

Opportunistic build-up of FC book together with continued investments in CPI linkers, a hedge against volatility

Total Securities (TL billion)



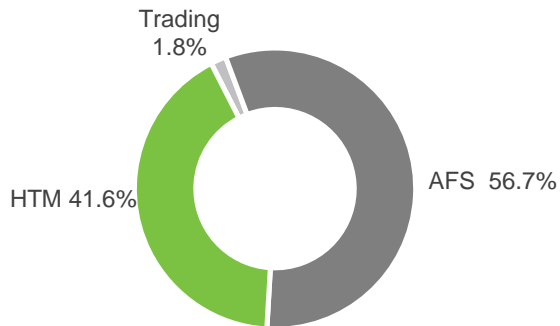
TL Securities (TL billion)



Securities/Assets: 19%
vs. YE13 from 18.0%

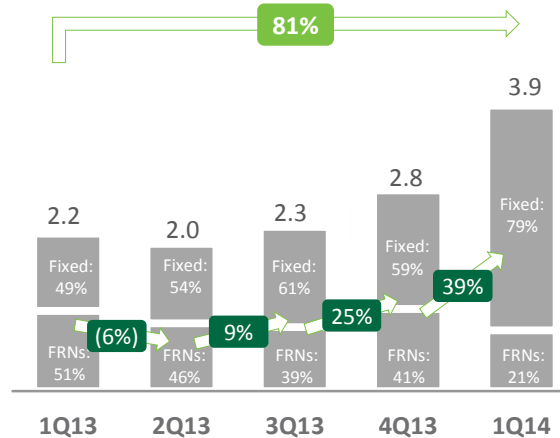
FRN weight¹ in TL remained high at 68%

Total Securities Composition



Unrealized loss (pre-tax) as of March-end ~TL 680mn

FC Securities (USD billion)



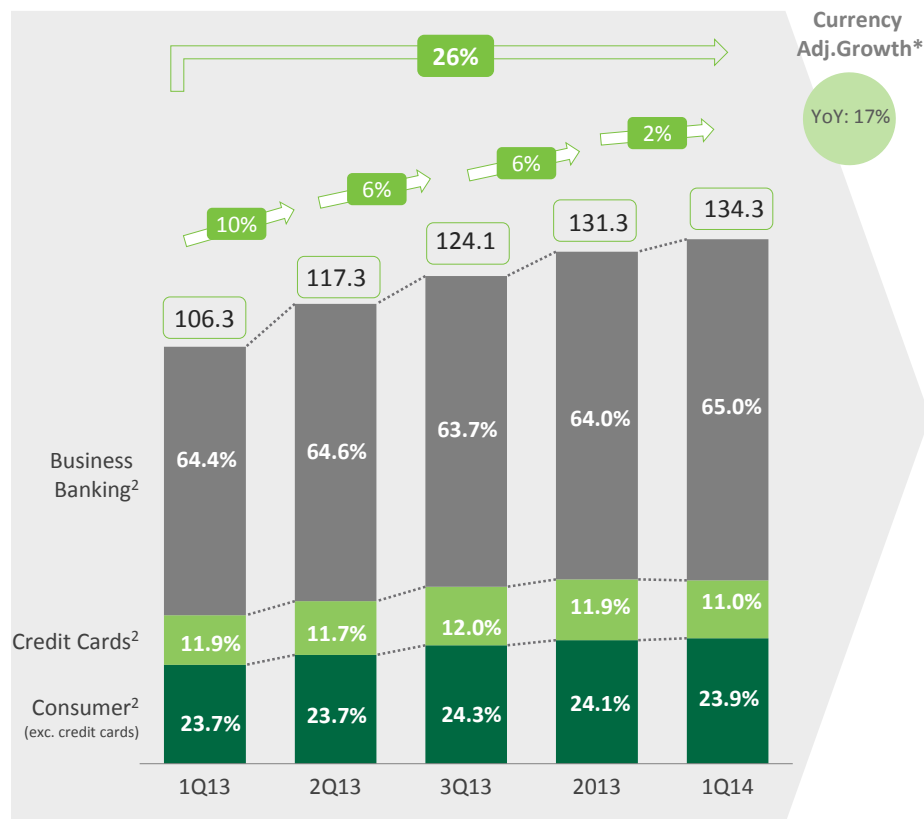
Additions to portfolio

- >\$1bn FC TR sovereign Eurobonds to HTM portfolio
- CPI linkers at 3.5% real rates replace redemptions from TL portfolio

¹ Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data. *YoY currency adj. growth is calculated with 1Q13 USD/TL exchange rate of 1.785.

Lending growth slowed down, in-line with sector

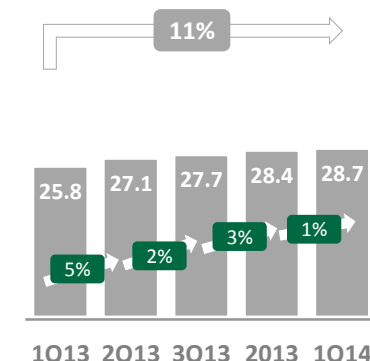
Total Loans¹ Breakdown (TL billion)



TL Loans¹



FC Loans¹ (in US\$)



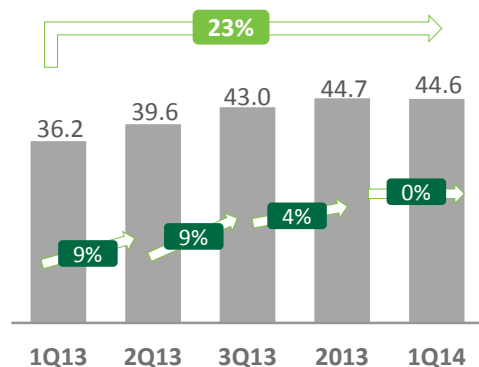
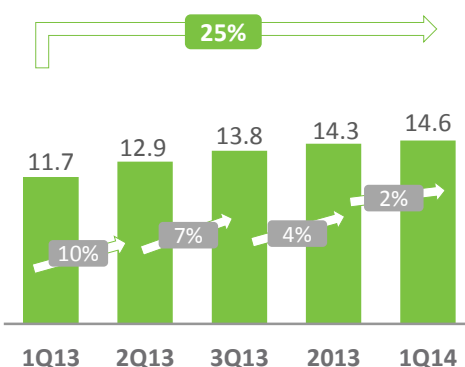
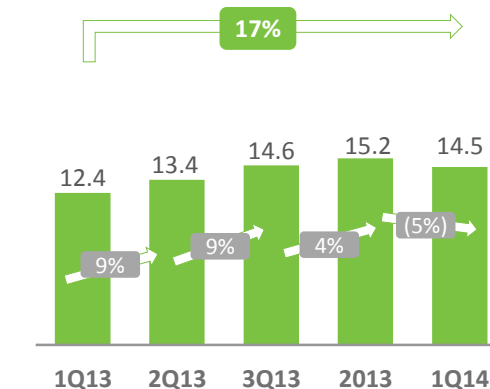
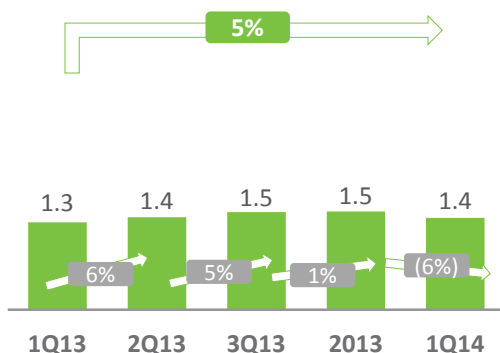
- > TL business banking loans* -- main growth driver in 1Q14
- > Consumer lending growth defined by lucrative retail products

- > Large investment projects expected to kick-in in the coming quarters

TL (% in total)	57%	56%	55%	54%	55%
FC (% in total)	43%	44%	45%	46%	45%
US\$/TL	1.785	1.905	1.995	2.120	2.115

¹ Loans to Customers
² Loans breakdown is based on BRSA consolidated data, loans do not include leasing and factoring receivables
 *YoY adj. growth is calculated with 1Q13 USD/TL exchange rate of 1.785.

Moderated growth in consumer lending, as expected; yet, selective & profitability focused

Consumer Loans¹ (TL billion)

Mortgage (TL billion)

Credit Card Balances (TL billion)

Auto Loans (TL billion)

General Purpose Loans² (TL billion)

Market Shares³

	QoQ	Mar'14	Rank ⁴
Consumer Loans ¹	↓	13.5%	#1
Mortgage	↔	13.5%	#1
Auto	↔	18.7%	#1
General Purpose	↑	11.1%	#3
Acquiring Volume (Cum.)	↓	19.6%	#1
# of Credit Card Customers	↑	14.0%	#1

Note: Based on BRSA Consolidated financials

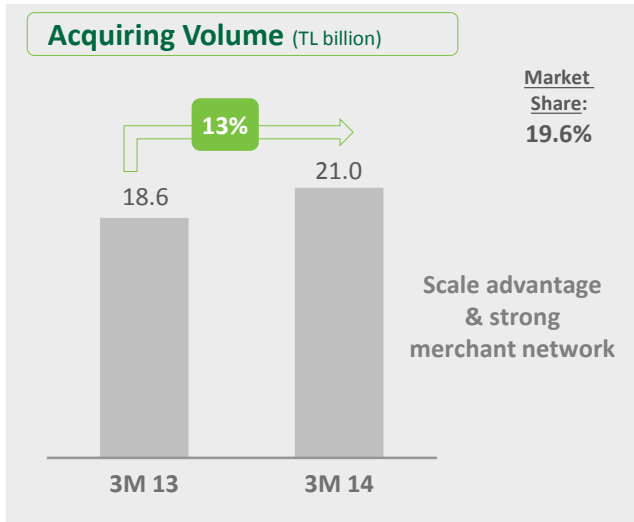
¹ Including consumer credit cards, other and overdraft loans

² Including other consumer loans and overdrafts

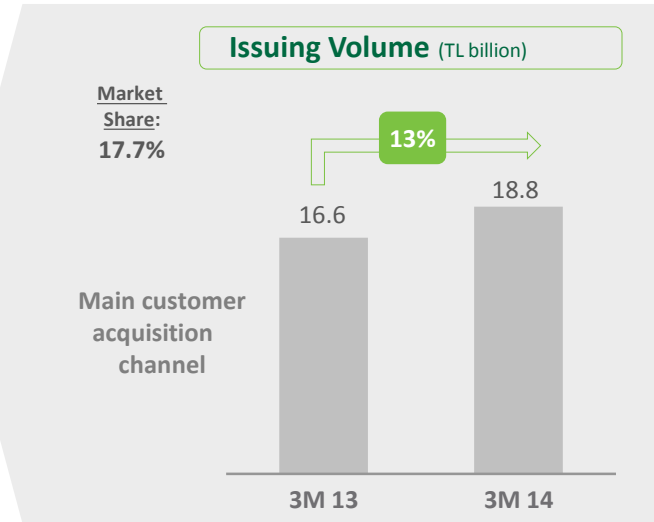
³ Sector figures are based on bank-only BRSA weekly data, commercial banks only

⁴ As of 2013, among private banks. «Acquiring Volume» and «# of Credit Card Customers» market shares are as of 1Q14

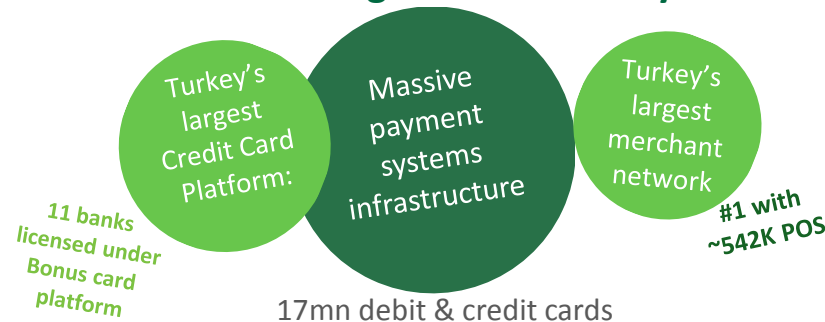
Strength in payment systems underpinned by the differentiated business model



Well-balanced business model results in strong market positions both in acquiring & issuing volumes



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

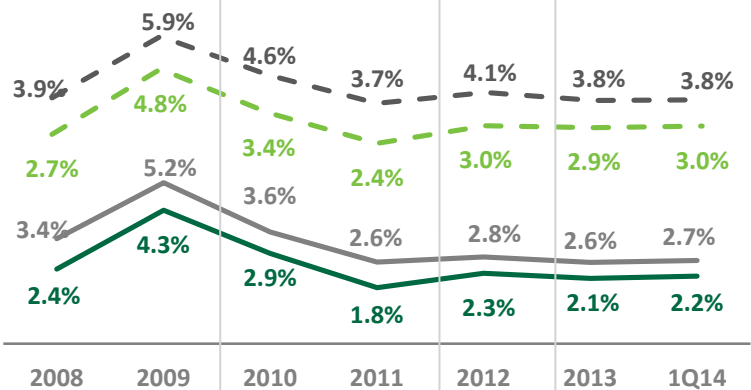


Note: All figures are per bank-only data

Sustained low-risk profile...

NPL Ratio¹

	Global Crisis & Hard Landing		Recovery		Soft Landing	Macro-prudential Measures
GDP Growth	0.7%	-4.8%	9.2%	8.8%	2.1%	4.0%
Unemployment Rate ²	13.1%	12.7%	10.7%	9.2%	9.5%	9.4%

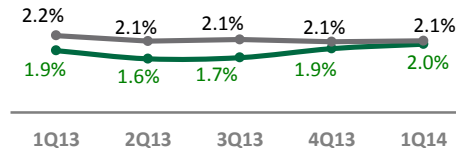


Garanti (IFRS)	2.5%	4.4%	3.5%	2.3%	2.8%	2.9%	3.0%
Garanti (Consolidated)	2.4%	4.1%	3.1%	2.1%	2.6%	2.7%	2.8%

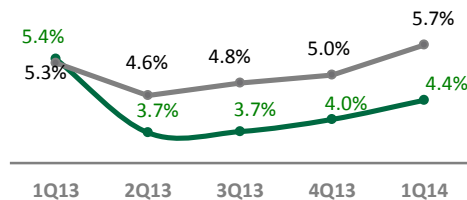
— Garanti — Sector
 Garanti excld. NPL sales & write-offs* Sector w/ no NPL sales & write-offs*

NPL Categorisation¹

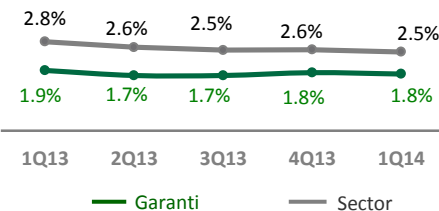
Consumer Banking (Consumer & SME Personal) 25% of total loans



Credit Cards 12% of total loans



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



Below sector NPL ratio across all products

Solid collections performance

covering >50% of new NPL originations

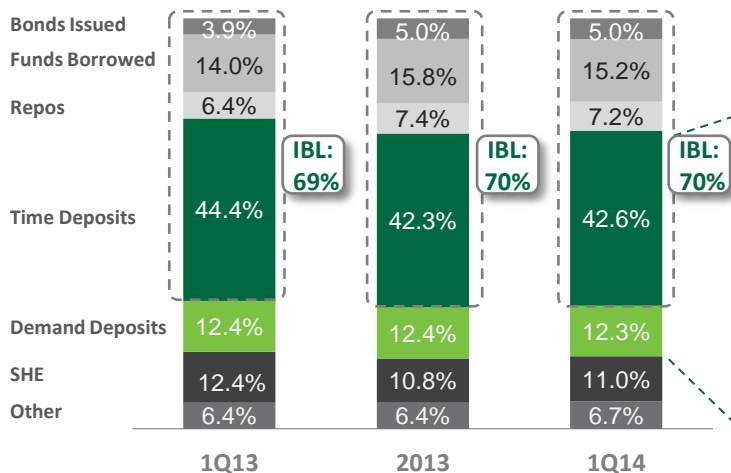
1 NPL ratio and NPL categorisation for Garanti and sector figures are per BRSA bank-only data for fair comparison (as of 28 March 2014)

2 Seasonally adjusted

* Adjusted with write-offs in 2008, 2009, 2010, 2011, 2012, 2013, 1Q14 Source: BRSA, TBA & CBT

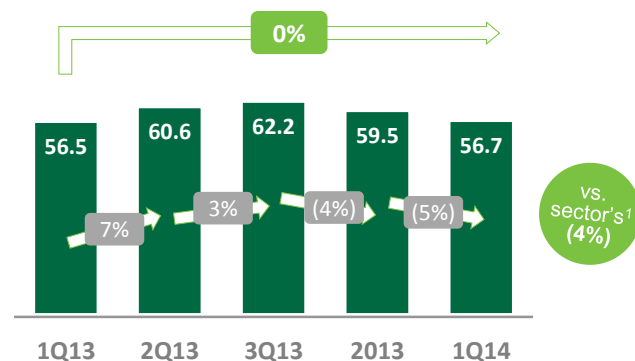
Solid funding mix –well diversified & actively managed

Composition of Liabilities

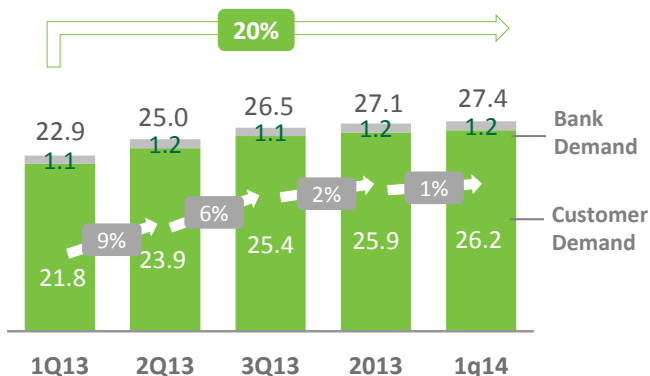


> Refrained from costly TL deposits;
 > Attracted FC deposits at relatively low rates; in line with the dollarization in the sector

TL Deposits (TL billion)



Demand Deposits (TL billion)

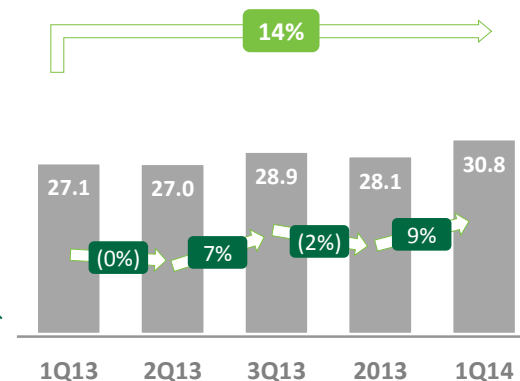


~23% of total deposits

Per bank-only figures ~21%

vs. sector's¹ :18%

FC Deposits (USD billion)

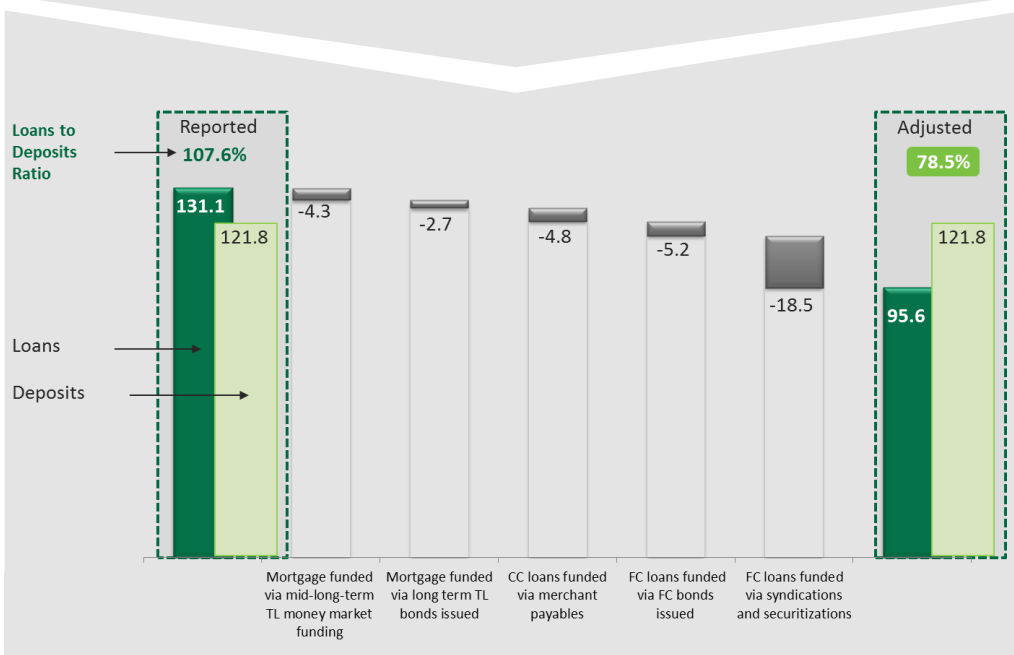


1 Based on bank-only BRSA weekly data, commercial banks only

Increasing contribution from other funding sources at attractive rates

Adjusted LtD ratio¹ (TL Billion,%)

Loans funded via on B/S alternative funding sources



Comfortable level of LtD ratio: 79%

exclud.

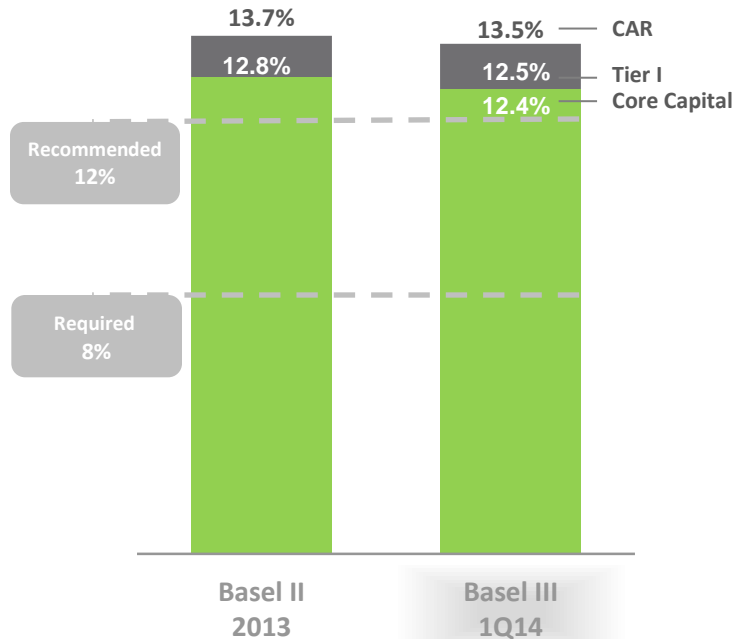
long term loans funded via other on B/S funding sources

- + TL bond**
Nominal TL 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 1.1bn outstanding with an avg. maturity of 2.2 yrs*
Sector leader in GMTN issuances with 40% market share*
- + Securitization**
USD 1.1bn with a maturity of 21 years
175 million USD and 135 million EUR DPR issuance with a maturity of 5 years
- + Eurobond issuances**
TL 750mn Eurobond issuance in 1Q13 with coupon rate of 7.375%, yielding 7.5%

¹ Based on BRSA Consolidated Financials. Loans excluding leasing and factoring receivables
*As of 24 April 2014, calculation based on total program issuance amount.
Note: Breakdown of Diversified Funding Sources represent data on a bank-only basis

Sound solvency reinforced with healthy and profitable growth

CAR & Tier I ratio¹



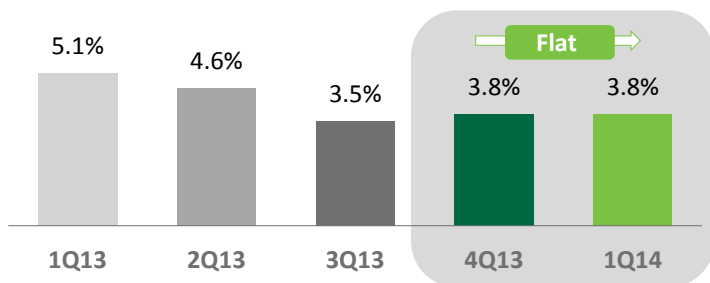
High internal capital generation supporting long-term sustainable growth

Leverage	Basel II 2013	Basel III 1Q14
	8.6x	8.4x

¹ Based on BRSA consolidated financials

Well-defended margin

Quarterly NIM (Net Interest Income / Average IEAs)

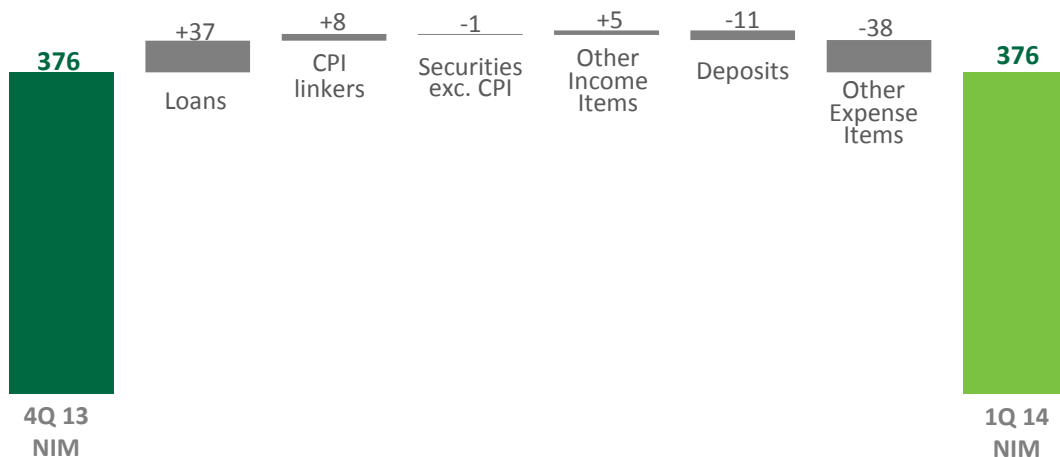


> LtD spreads on new originations are significantly higher supporting NIM

> Increasing securities' yield

- Higher contribution from income on CPI linkers
- Additions to FC securities portfolio at attractive rates

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



Adjusted NIM up by +115bps

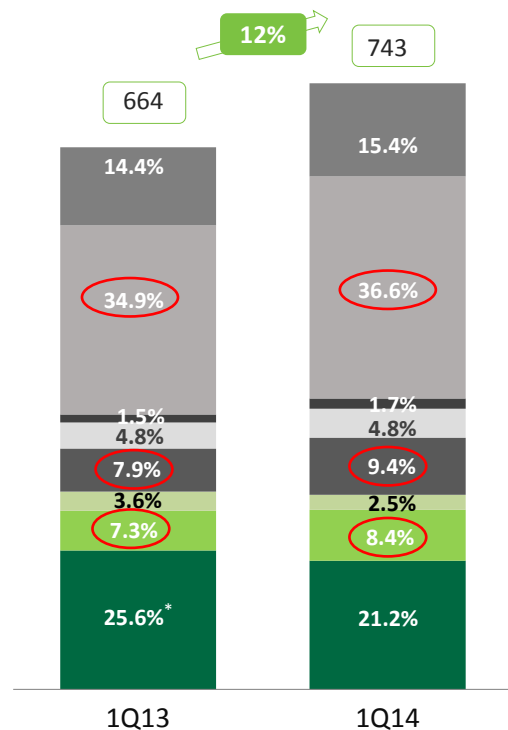
> Relatively lower provisioning

- Absence of big ticket commercial files
- Higher growth in the loan categories requiring lower general provisioning

> Increasing contribution from trading income

Double digit growth momentum in net fees & commissions , even off of the high base in 1Q13

Net Fees & Commissions Breakdown¹



- Cash Loans
- Non-Cash Loans
- Brokerage
- Money Transfer
- Insurance
- AM
- Payment Systems
- Other

#1 Ordinary Banking Income²

> Growing contribution from the diversified fee sources:

- Payment systems -- driven by higher merchant commissions
- Non-cash loan fees
- Money transfer fees -- introduced fees on new channels, reaping the benefits of leadership in digital banking
- Insurance -- pension participants market share:18% -- #1 in bancassurance

#1

> Decreasing weight of cash loan fees due to:

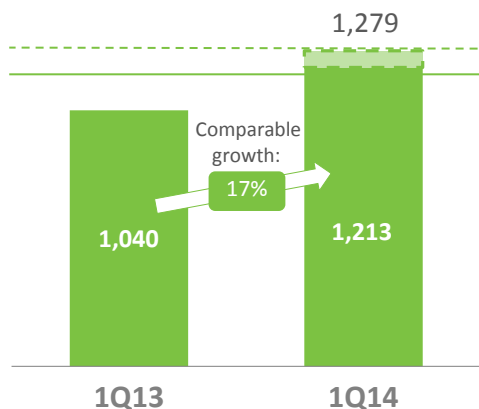
- Lack of refinancing fees
- Lower loan originations

> Seasonally strong net F&C in 1Q14 vs. 4Q13, due to the timing of account maintenance fees

¹ Net Fees and Commissions breakdown is based on Bank-only MIS data
² Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions; for 2013
 *Accounting of consumer loan fees were revisited in the beginning of 2013 upon the opinion of «Public Oversight» --Accounting & Auditing Standards Authority

Low base in 1Q 13 weighed on Y-o-Y OPEX growth; yet, full year growth will converge to initially guided level by the year-end

Operating Expenses (TL million)



Total	TL67mn
+SDIF payment related to investment fund accounts	TL35mn
+Increasing SDIF coverage from 50K to 100K	TL14mn
+GOSAS organizational change and floor on expertise fees	TL18mn

+48 net branch additions YoY

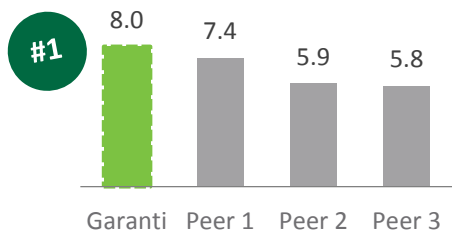
995 branches in total

100% Geographical coverage

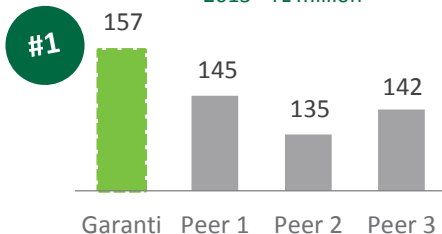
Successive and targeted investments in digital platforms

...preserving the highest efficiency ratios*

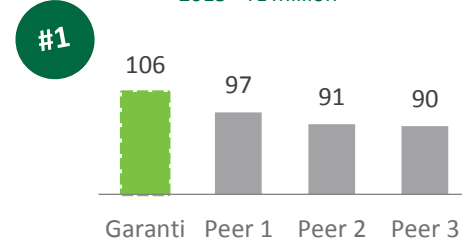
Ordinary Banking Income per Avg. Branch
2013 - TL million



Loans¹ per Avg. Branch
2013 - TL million



Customer Deposits per Avg. Branch
2013 - TL million

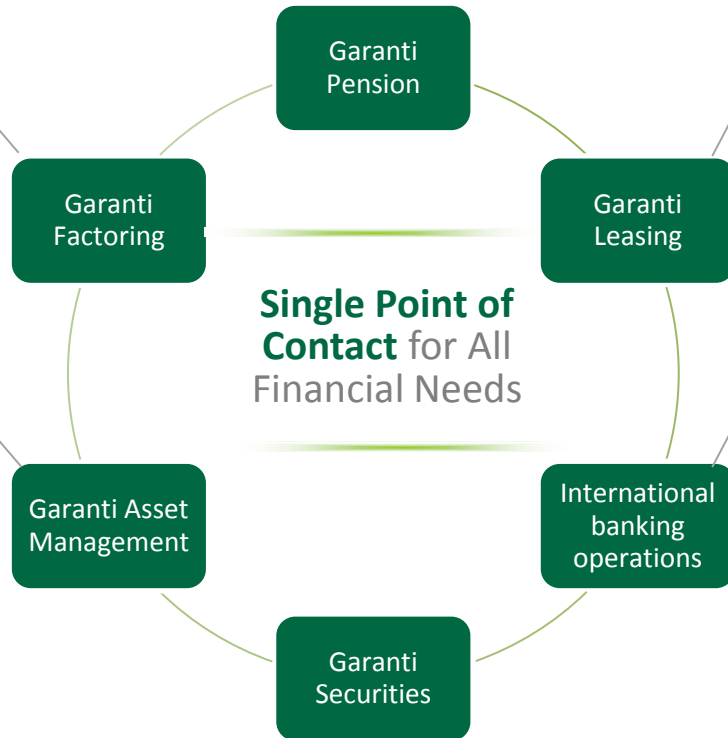


*Efficiency figures are per bank-only financials for fair comparison
1 Total Loans=Cash+non-cash loans

Increasing contribution from subsidiaries

- **Most preferred** pension company --18% of all pension participants in Turkey choose Garanti.
- **Most profitable*** company in the sector
- **Effective use of alternative distribution channels** in pension & life insurance sales

- **Leading position in factoring**



- Coverage of a **broad customer base**-- corporates , commercial customers & SMEs
- **Leader*** in number of leasing contracts

- **Turkey's first asset management company with >TL 9billion AUM**

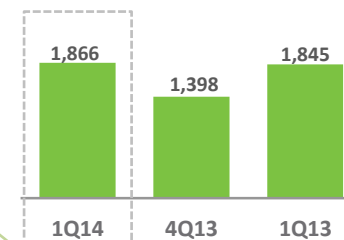
- **International banking operations** in the **Netherlands, Russia & Romania** since 1990s
 - Capturing new business opportunities
 - Effective management of market risks

- **Strong presence in capital markets** with ~6.5% brokerage market share

Successful results reflect the solid business model

(TL Million)	1Q 14	4Q 13	ΔQoQ	1Q 13	ΔYoY
(+) NII- excl. cap effect and income on CPI linkers	1,344	1,338	0%	1,467	-8%
(+) Net fees and comm.	743	643	15%	664	12%
(-) Net Loan loss provisions	-221	-584	-62%	-286	-23%
(+) Income on CPI linkers	462	428	8%	517	-11%
(+) Trading & FX gains	169	21	718%	239	-29%
(+) Other income -before one-offs	160	158	2%	133	20%
(-) OPEX – on a comparable basis	-1,213	-1,275	-5%	-1,040	17%
(-) Other provisions & Taxation -before one-offs	-325	-138	136%	-342	-5%
= NORMALIZED NET INCOME	1,119	591	89%	1,352	-17%
(+) Regulatory & Non-recurring items	-180	-6	n.m.	-155	n.m.
(-) Overdraft and comm. cards cap effect	-52	-43	n.m.	0	n.m.
(-) Free Provision	-100	0	n.m.	0	n.m.
(+) Free Provision reversal	0	55	n.m.	55	n.m.
(-) Saving Deposits Insurance Fund Expense	-14	-11	n.m.	0	n.m.
(-) GOSAS Organizational change	-11	-10	n.m.	0	n.m.
(-)Floor on expertise fees	-3	-5	n.m.	0	n.m.
(-) SDIF premium related other prov.	0	-16	n.m.	0	n.m.
(-) SDIF payment related to investment fund accounts	-35	0	n.m.	0	n.m.
(+) Provision - SDIF payment related provision reversal	35	0	n.m.	0	n.m.
(+) Other provision reversal	0	24	n.m.	0	n.m.
(-) Provision for competition board fine	0	0	n.m.	-160	n.m.
(-) Provision for various tax penalties	0	0	n.m.	-50	n.m.
= NET INCOME	939	586	60%	1,197	-22%

STRONG CORE BANKING REVENUES...



Fees/OPEX*

61%

OPEX* / Avg. Assets

2.2%

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