Earnings Presentation

June 30, 2014

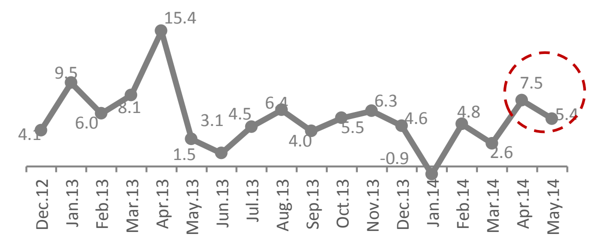
IFRS Financials

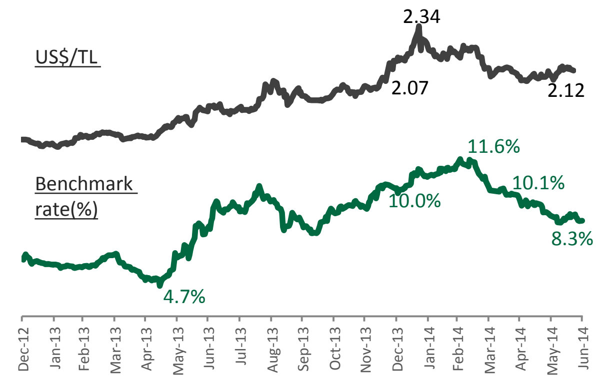
Garanti

2Q 14 – Easing macro conditions backed by improving global & domestic outlook

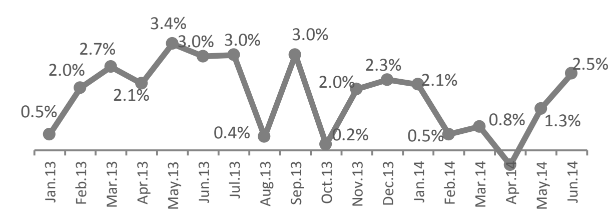
	January – March 2014	March - June 2014
Global & Domestic Outlook	• Capital flows affected by volatile market conditions & political uncertainty	• Increasing global risk appetite on the back of FED's & ECB's dovish stance • Easing political tension post local elections • Rising geopolitical risks in June triggered sell-offs
Economic Indicators	• 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	• 125bps rate cut by CBRT -- reduced risk premium indicators & uncertainties and improved global liquidity conditions • Rebalancing growth (4.3% in 1Q14) -- stronger net external demand vs. a softer domestic demand • Improving CAD -- increasing net exports & decelerating domestic demand backed by macro prudential measures
Banking Sector Dynamics	• Effects of the regulatory actions reflected as a slowdown in lending growth – sector loan growth was in favour of business banking loans	• More positive NIM outlook with higher than expected decline in funding costs • Maintained healthy growth composition -- slight pick-up in consumer loans, yet business banking loans continue to drive the growth

Monthly Net Capital Flows* (US$ Bn)





Sector – Monthly TL Loan growth[1]

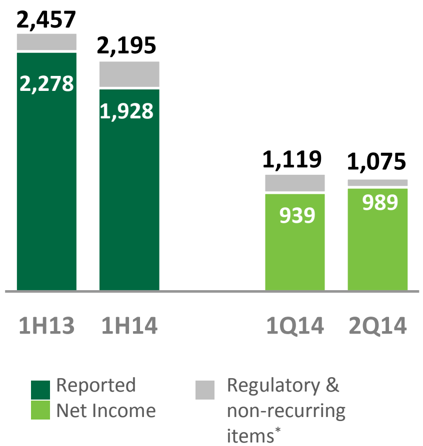


* Based on CBRT data
1 March data is based on BRSA weekly data, as of March 28, 2014

Sustained strong performance, in line with capital generative growth strategy …

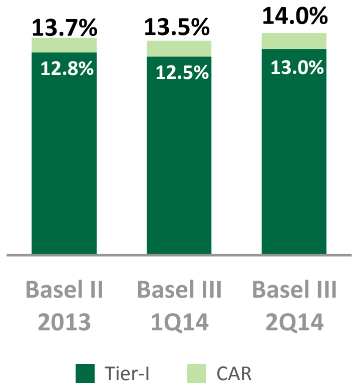
Strong profitability…

Net Income (TL million)

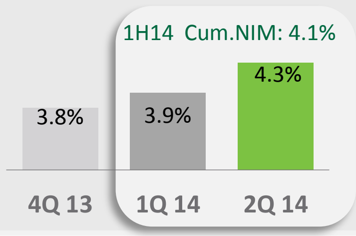


…bolstering solvency

CAR[1]&Tier-I[1] ratio

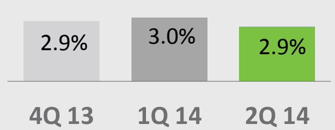


Well-managed NIM[1]:
Timely upward loan repricings & easing funding costs offer upside to initial budget guidance



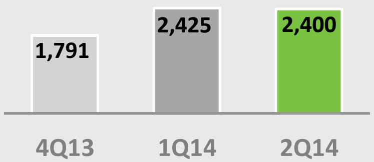
Risk-return balance priority:
*Comfortable provisioning & coverage level with upside** to budget guidance*

Strong Asset Quality
NPL Ratio



Further diversified fee sources *reinforcing the highest ordinary banking income generation capacity*

Ordinary Banking Income (TL Million)[2]

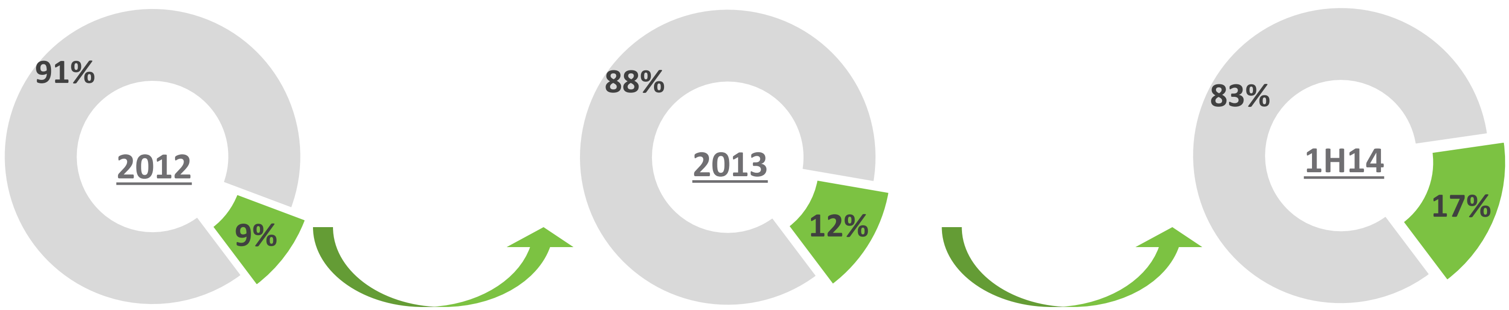


1 Based on BRSA Consolidated financials   2 Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions
*Please see page 16 for details of non-recurring items and the regulatory effects   **Bank-only coverage ratio preserved at 81% vs guided level of 76%

…increasingly supported with subsidiaries

Consolidated Net Income

- Bank-Only Net Income
- Subsidiaries' contribution



Main contributors to subsidiaries income

GarantiBank International N.V.
Net Income Contribution 5.0%
vs. 4.0% in 2013
vs. 3.0% in 2012

Garanti Pension Company
Net Income Contribution 4.7%
vs. 3.8% in 2013
vs. 4.0% in 2012

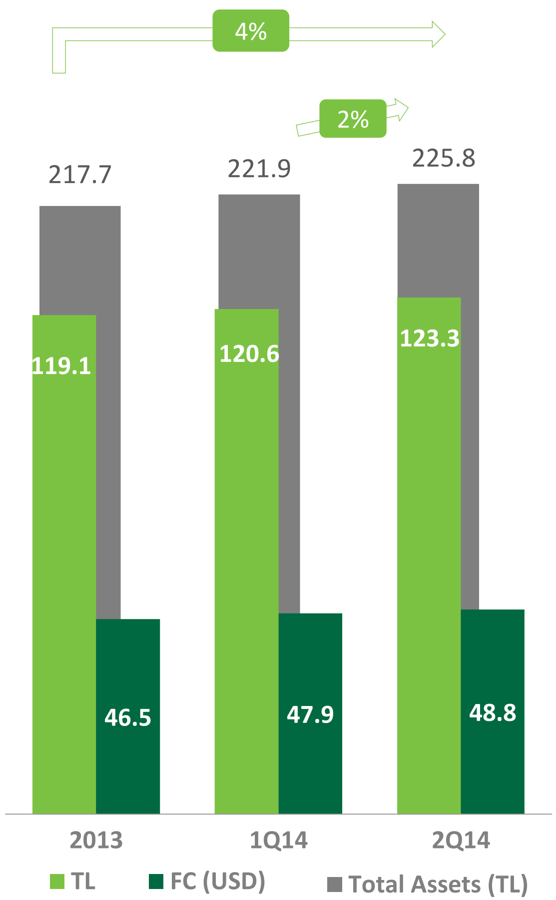
GarantiBank Romania
Net Income Contribution 2.5%
vs. 1.7% in 2013
vs. -1.2% in 2012

Garanti Leasing
Net Income Contribution 3.7%
vs. 1.5% in 2013
vs. 1.8% in 2012

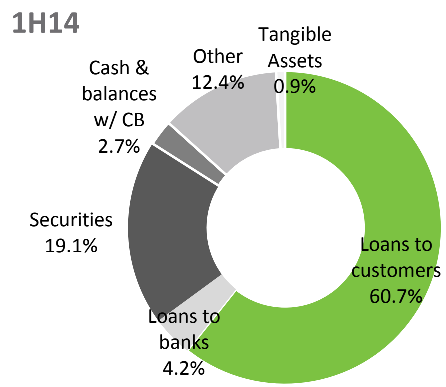
Note: Garanti Bank Romania and Garanti Leasing figures are based on consolidated financials

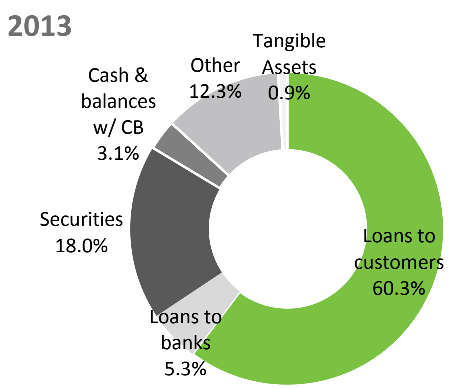
Closely governed asset liability structure

Total Assets (TL/USD billion)



Composition of Assets





Customer driven asset mix

Loans[1]/Assets:

61%

vs. 60% @ YE 13

Growth

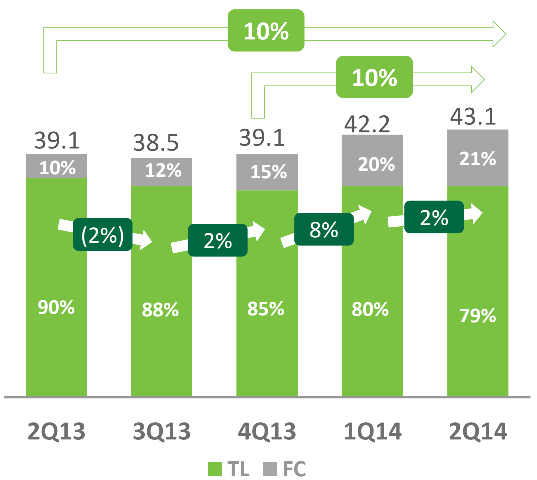
	Loans[1]	Securities[2]
2Q14	+2%	+2%
1Q14	+2%	+8%
4Q13	+6%	+2%

- Healthy growth in lending:
  - TL business banking loans continue to support
  - Consumer lending picked-up pace following a slow 1Q
- Security redemptions replaced with additions to CPI linkers & other FRNs

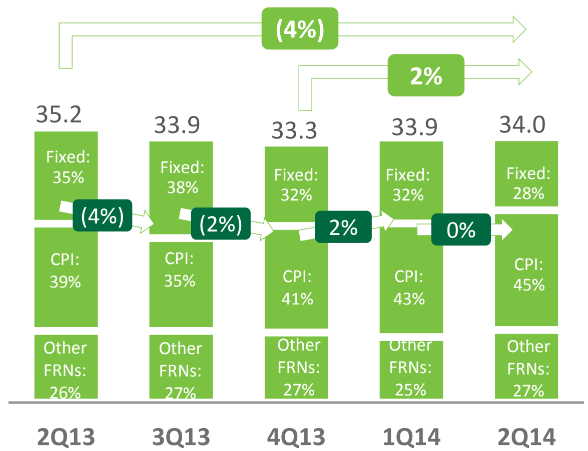
1 Loans to customers
2 Securities = Financial assets at fair value through profit or loss + Investment securities

Strategically shaped securities portfolio serving as hedge

Total Securities (TL billion)



TL Securities (TL billion)

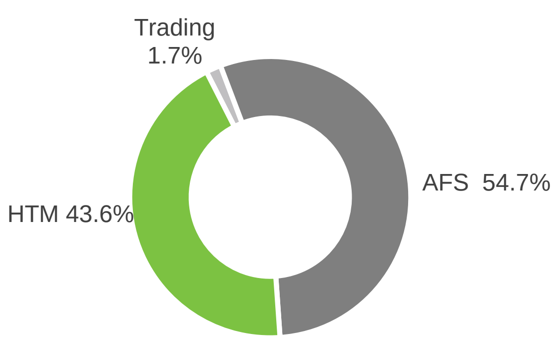


Securities/Assets:
19%
vs. YE13 from 18.0%

FRN weight[1] in TL increased to **72%** from 68% in 1Q14

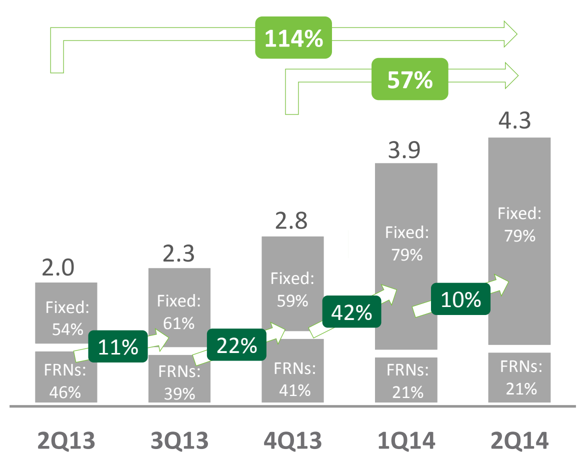
Redemptions replaced with additions to **CPI linkers** & **other FRNs**

Total Securities Composition



Unrealized gain (pre-tax) as of June-end ~TL 6mn

FC Securities (USD billion)

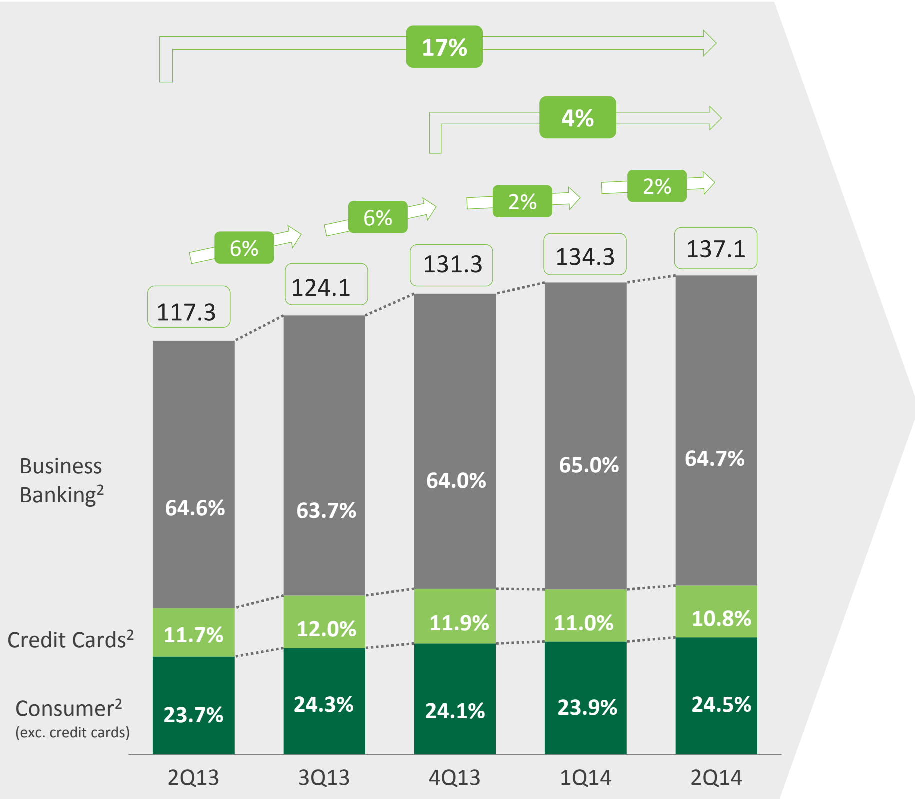


FC securities portfolio supported with long-term TR sovereign risk Eurobonds at attractive spreads in 1Q

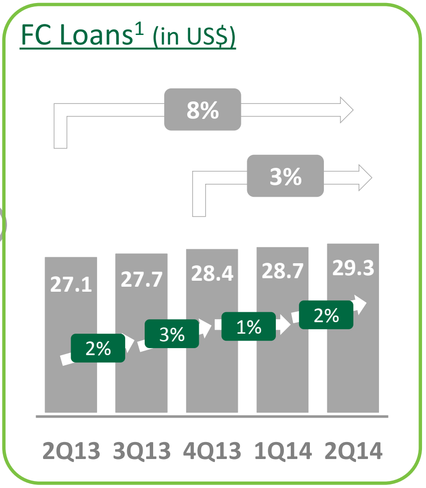
1 Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data.

Lending growth pace at moderate levels -- in-line with expectations

Total Loans[1] Breakdown (TL billion)



	2Q13	3Q13	4Q13	1Q14	2Q14
TL (% in total)	56%	55%	54%	55%	55%
FC (% in total)	44%	45%	46%	45%	45%
US$/TL	1.905	1.995	2.12	2.115	2.097



> TL business banking loans* continued to contribute

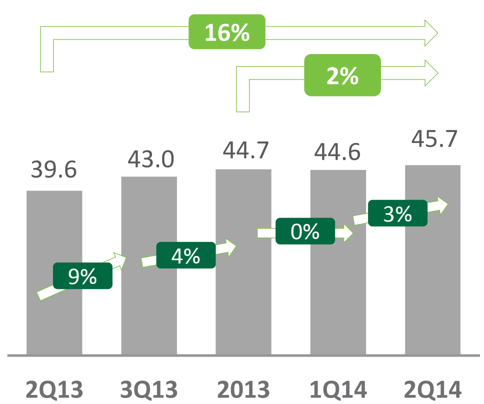
> Consumer lending growth picked-up pace in 2Q, in key profitable products

> Projects in the pipeline to kick-in in 2H, amid a more favorable macro and political outlook

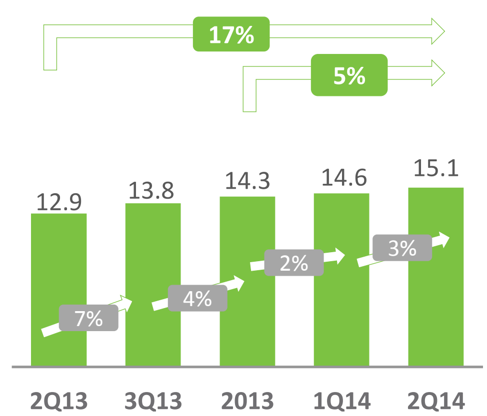
1 Loans to Customers
2 Loans breakdown is based on BRSA consolidated data, loans do not include leasing and factoring receivables
* TL business banking loans represent TL loans excluding credit cards and consumer loans

Healthy market share gains in key profitable products – mortgages & GPLs

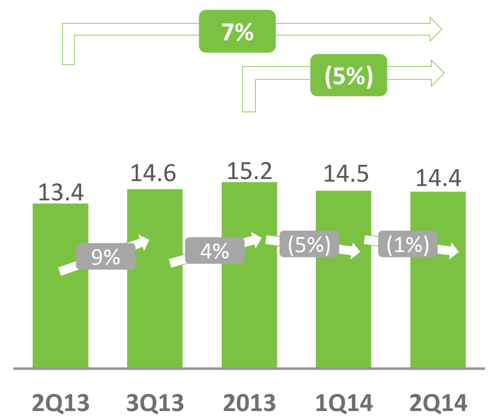
Consumer Loans[1] (TL billion)



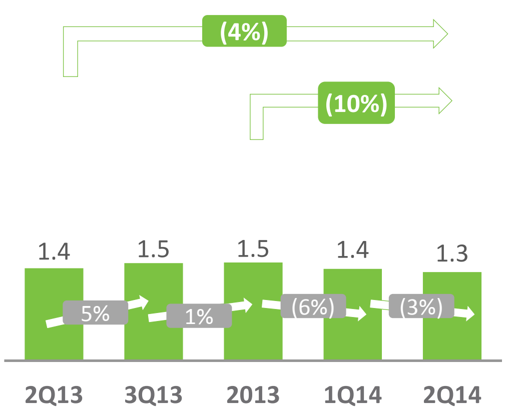
Mortgage (TL billion)



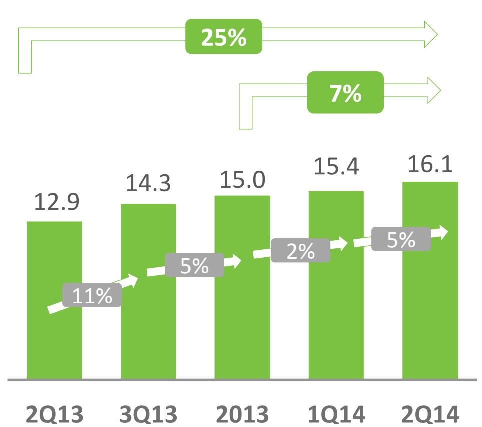
Credit Card Balances (TL billion)



Auto Loans (TL billion)



General Purpose Loans[2] (TL billion)



Market Shares[3]

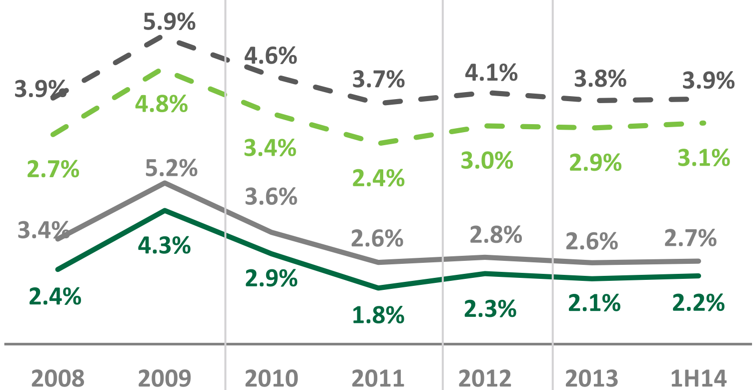
	QoQ	Jun'14	Rank[4]
Consumer Loans[1]	↑	13.6%	#1
Mortgage	↑	13.7%	#1
Auto	↑	19.4%	#1
General Purpose	↑	11.1%	#3
Acquiring Volume (Cum.)	↑	19.6%	#2
# of Credit Card Customers	↑	14.1%	#1

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 1Q14, among private banks. «Acquiring Volume» and «# of Credit Card Customers» rankings are as of June 2014

Sustained low-risk profile…

NPL Ratio[1]

	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%



	2008	2009	2010	2011	2012	2013	1H14
Garanti (IFRS)	2.5%	4.4%	3.5%	2.3%	2.8%	2.9%	2.9%
Garanti (Consolidated)	2.4%	4.1%	3.1%	2.1%	2.6%	2.7%	2.7%

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

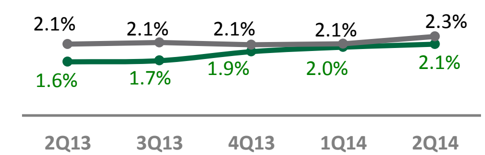
Sale of NPL portfolio in 2Q include **credit card receivables, GPLs & overdraft loans; amounting TL150mn with a proceed of TL25mn**
NPL sale impact on ratio: **-11bps**

Below sector NPL ratio across all products

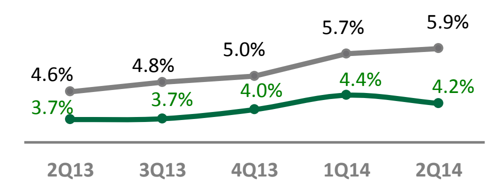
Solid collections performance
covering **>45%** of new NPL inflows

NPL Categorisation[1]

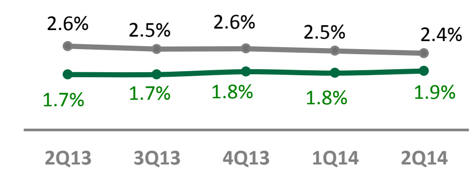
Consumer Banking
(Consumer & SME Personal)
25% of total loans



Credit Cards
12% of total loans



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

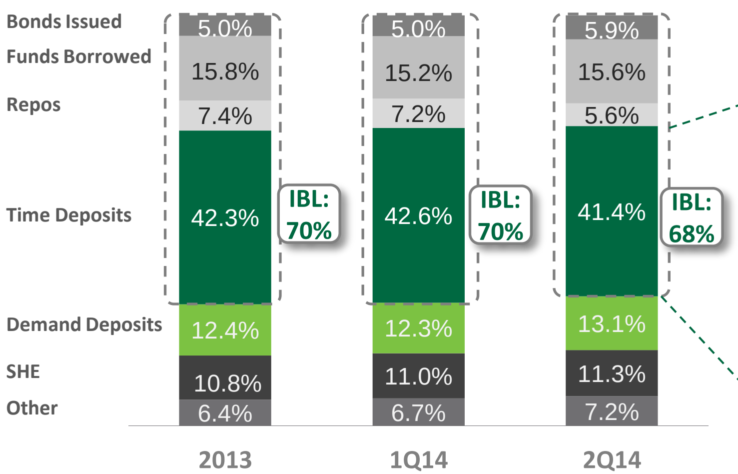


Garanti
Sector

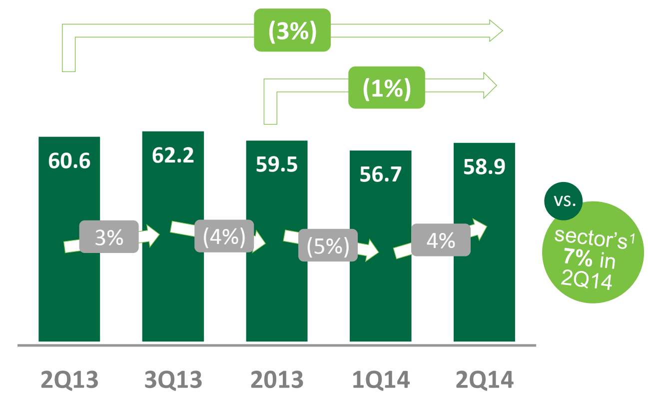
1 NPL ratio and NPL categorisation for Garanti and sector figures are per BRSA bank-only data for fair comparison (as of 27 June 2014)
2 Seasonally adjusted
* Adjusted with write-offs in 2008, 2009, 2010, 2011, 2012, 2013 ,1H14 Source: BRSA, TBA & CBT

Actively managed funding mix -- deposits backed by alternative funding sources to manage costs & duration gap

Composition of Liabilities

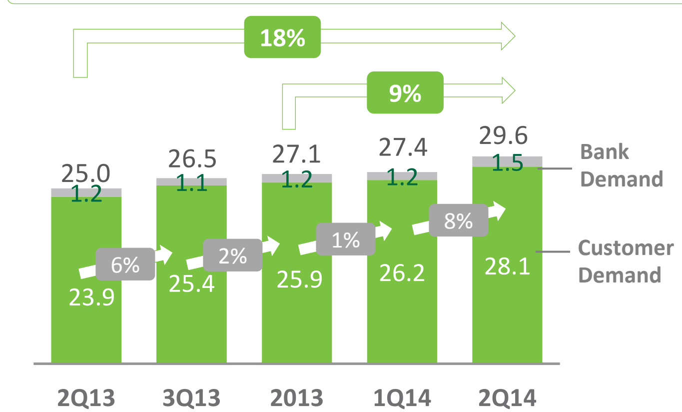


TL Deposits (TL billion)



> Refrained from costly TL deposits;
> Opportunistically utilized other funding sources

Demand Deposits (TL billion)

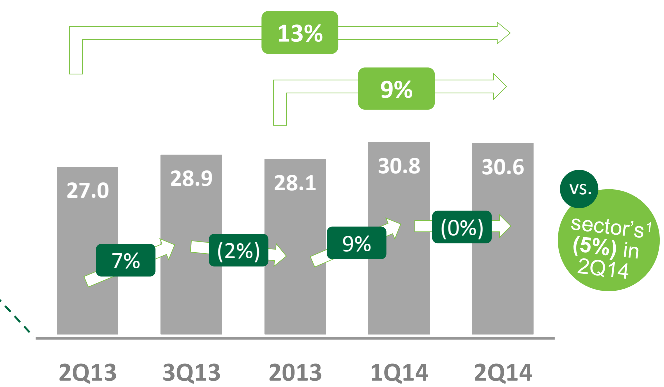


~24% of total deposits

Per bank-only figures ~22%

vs. sector's[1] :19%

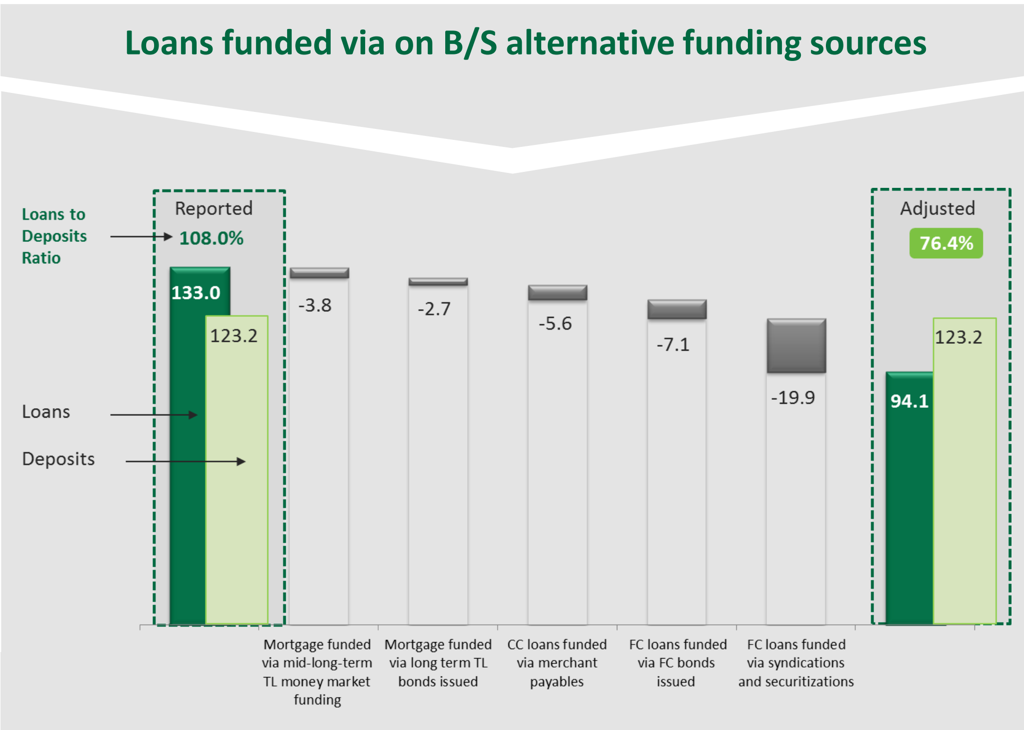
FC Deposits (USD billion)

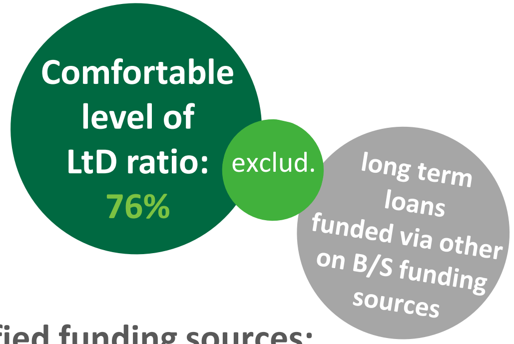


1 Based on bank-only BRSA weekly data, commercial banks only

Increasing contribution from other funding sources at attractive rates

Adjusted LtD ratio[1] (TL Billion)





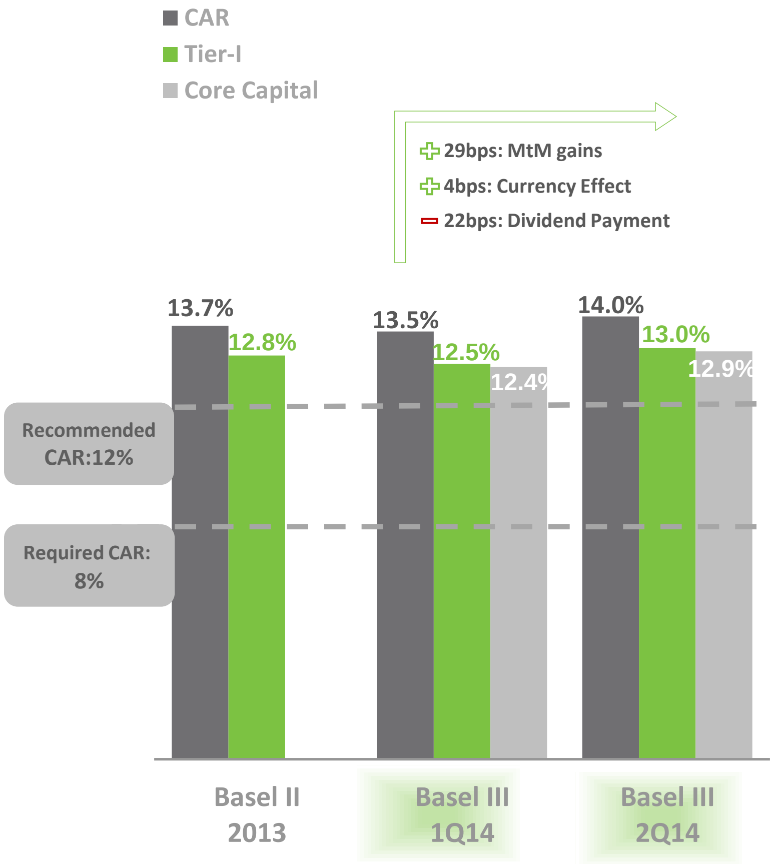
Diversified funding sources:

- **TL bond**
  Nominal TL 3.7 bn of bonds outstanding
- **Syndications w/100% roll-over ratio**
  Apr'14: EUR 1.1bn with a maturity of 1-yr at Euribor+0.90%
- **Issuances under GMTN program**
  ~USD 1.1bn outstanding with an avg. maturity of 2.1 yrs*
  Sector leader in GMTN issuances with 35% market share*
- **Securitizations**
  USD 1.1bn with a maturity of 21 years in 4Q13
  USD 550mn with a maturity of 20 years in 1Q14
  USD 500mn with a maturity of 5 years in 2Q14
- **Eurobond issuances**
  Apr'14: USD 750mn Eurobond issuance with coupon rate of 4.75%, yielding % 4.776

1 Based on BRSA Consolidated Financials. Loans excluding leasing and factoring receivables
*As of June 2014, calculation based on total program issuance amount.
Market share figure is based on total issuances
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[1]



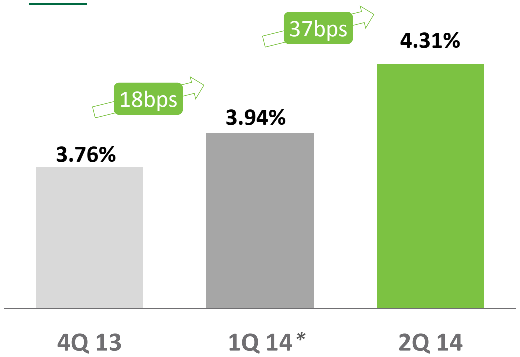
High internal capital generation supporting **long-term sustainable growth**

Leverage: 7.9x
vs.
8.1x in 1Q14
8.3x at YE13

1 Based on BRSA consolidated financials

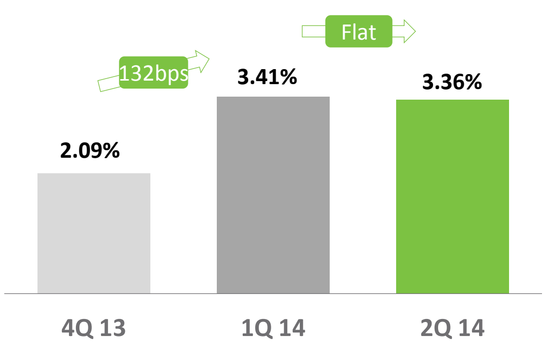
Two consecutive quarters of margin expansion in 2014, mainly driven by expanding core spreads

NIM

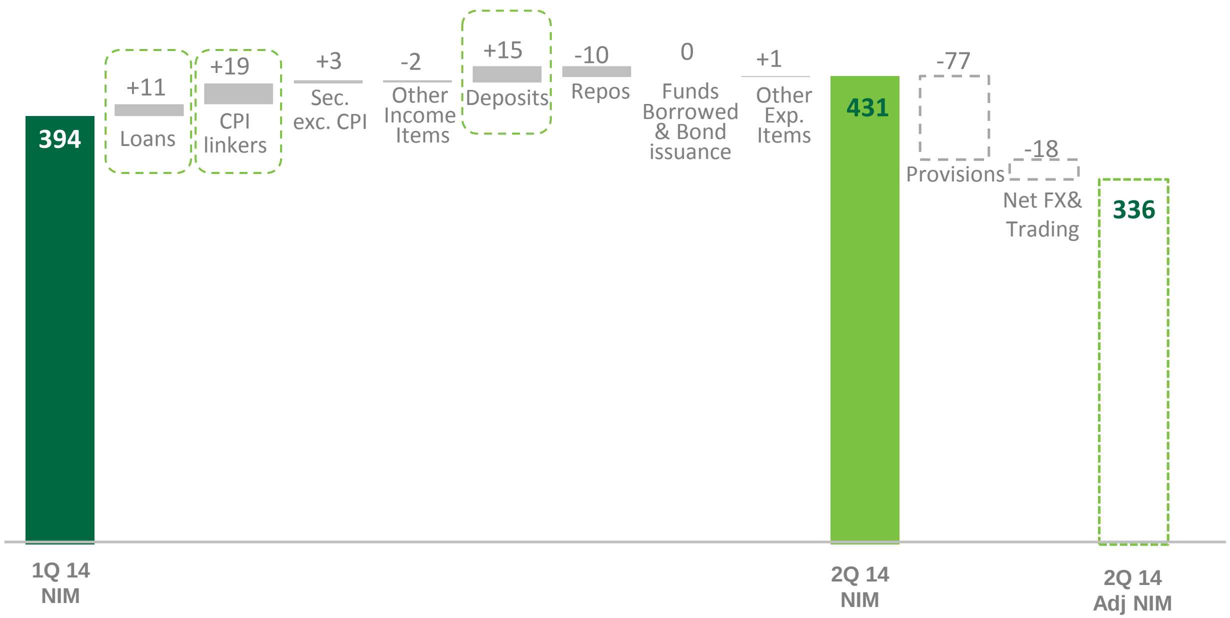


** 1Q 14 NIM of 3.76% revised to 3.94%; due to 1Q P/L revision to reflect the net impact of some hedging transaction under «Net trading line» Formerly, the bulk of the related losses were booked under NII while gains were recorded under Net Trading line.*

Adjusted NIM



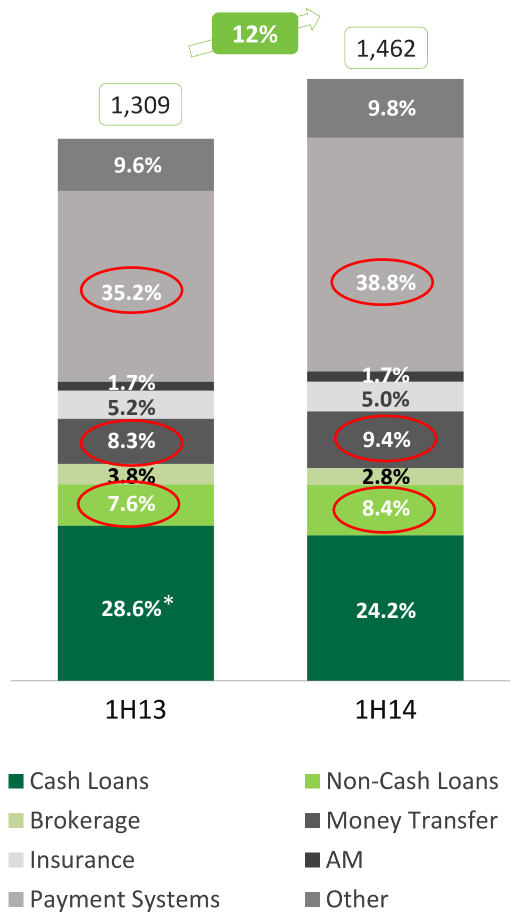
2Q14 vs. 1Q14 Margin Evolution(in bps)



Note: Figures are based on BRSA Consolidated financials

Double digit growth momentum in fees, even off the high base of 1H13

Net Fees & Commissions Breakdown[1]



#1 Ordinary Banking Income[2]

> **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
  -- #1 in bancassurance

> **Effective utilization of digital channels :**

- Digital channels increasingly contribute to Net F&C base

15%[1] as of May'14 vs. 12% as of May'13

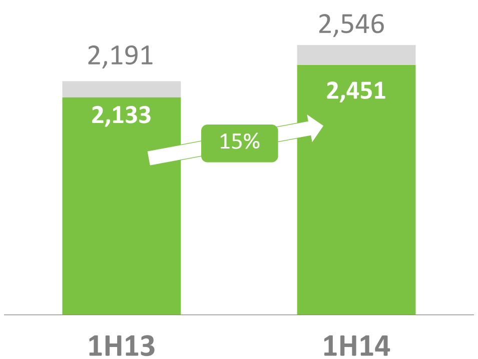
> Strong quarterly fee performance despite seasonality of account maintenance fees:

- Timing of project finance loans and their related fees supported the base in 2Q

1 Net Fees and Commissions breakdown and Fee income from digital channels are based on Bank-only MIS data
2 As of 1Q14. Defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions
*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 1H 13 weighed on Y-o-Y OPEX growth; yet, full year growth will converge to initially guided level by year-end

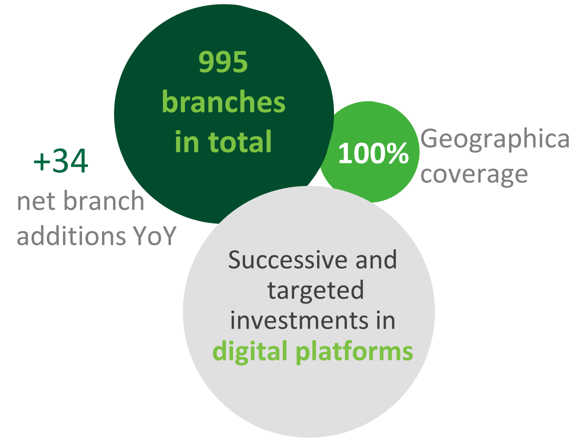
Operating Expenses (TL million)



> Fee/OPEX*: **58%**

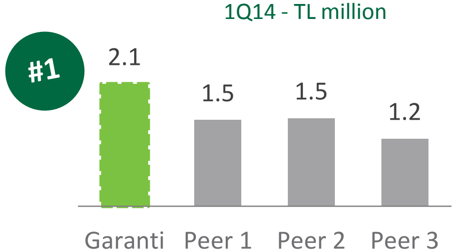
> Cost /Income: **47%***

> OPEX* / Avg. Assets: **2.2%**

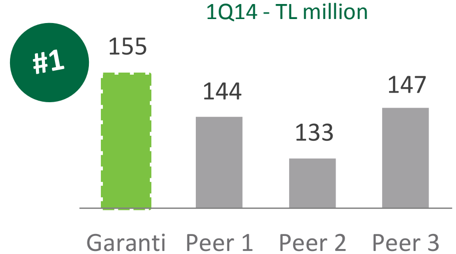


...preserving the highest efficiency ratios**

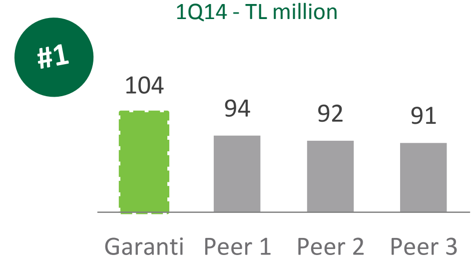
Ordinary Banking Income per Avg. Branch
1Q14 - TL million



Loans[1] per Avg. Branch
1Q14 - TL million



Customer Deposits per Avg. Branch
1Q14 - TL million

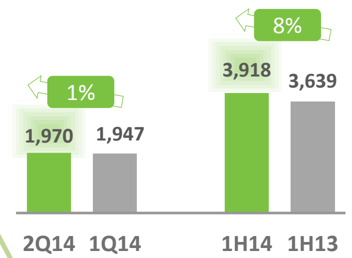


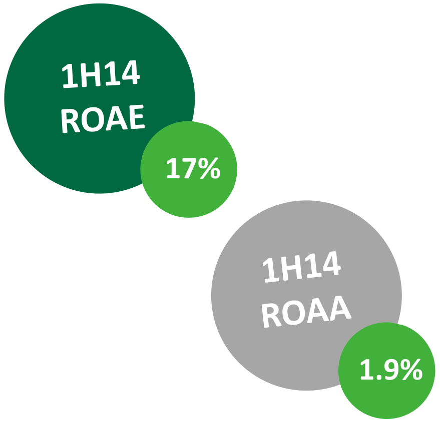
* OPEX and Income figures excluding non- recurring items
**Figures are per bank-only financials for fair comparison
1 Total Loans=Cash+non-cash loans

Successful results reflect the solid business model

(TL Million)	2Q 14	1Q 14	∆QoQ	1H 14	1H 13	∆YoY
(+) NII- excl . cap effect and income on CPI linkers	1,538	1,426	-7%	2,963	2,976	0%
(+) Net fees and comm.	719	743	3%	1,462	1,309	12%
(-) Net Loan loss provisions	-286	-221	-23%	-507	-646	-21%
(+) Income on CPI linkers	553	464	-16%	1,017	912	11%
(+) Trading & FX gains	-81	80	-198%	-2	373	-100%
(+) Other income -before one-offs	156	160	3%	316	283	12%
(-) OPEX – on a comparable basis	-1,239	-1,213	-2%	-2,451	-2,133	15%
(-) Other provisions & Taxation -before one-offs	-284	-319	12%	-603	-616	-2%
(+) Regulatory & Non-recurring items	-86	-180	n.m.	-266	-180	n.m.
(-) Overdraft and comm. cards cap effect	*-32*	*-52*	n.m.	*-85*	*-12*	n.m.
(-) Free Provision	*-50*	*-100*	n.m.	*-150*	*0*	n.m.
(+) Free Provision reversal	*0*	*0*	n.m.	*0*	*60*	n.m.
(+) Income from NPL sale	*20*	*0*	n.m.	*20*	*35*	n.m.
(-) Saving Deposits Insurance Fund Expense	*-8*	*-14*	n.m.	*-21*	*-7*	n.m.
(-) GOSAS Organizational change	*-15*	*-11*	n.m.	*-26*	*-17*	n.m.
(-)Floor on expertise fees	*-2*	*-3*	n.m.	*-5*	*-5*	n.m.
(-) Tax Penalty Payment	*0*	*0*	n.m.	*0*	*-24*	n.m.
(-) SDIF payment related to investment fund accounts	*0*	*-35*	n.m.	*-35*	*0*	n.m.
(+) Provision - SDIF payment related provision reversal	*0*	*35*	n.m.	*35*	*0*	n.m.
(-) Provision for competition board fine	*0*	*0*	n.m.	*0*	*-160*	n.m.
(-) Provision for various tax penalties	*0*	*0*	n.m.	*0*	*-50*	n.m.
= NET INCOME	**989**	**939**	**5%**	**1,928**	**2,278**	**-15%**

STRONG CORE BANKING REVENUES…





2014 Guidance -- Revisited

	2014 Operating Plan (OP)	2014 Mid-Year Outlook
Banking Sector Loan Growth	• Loan growth: ~15%	• Slightly under15% , and business banking driven
Banking Volumes	Loans: • TL lending growth 15% • FC lending growth 10% Customer Deposits: • Deposit growth in-line with lending growth Loans-to- Customer Deposits • Flattish vs. 2013 YE	• In-line with OP guidance
Asset Quality & CoR	• NPL ratio expected to slightly deteriorate. • Gross CoR ~110bps	• In-line with OP guidance
NIM	• Margin pressure: (-80bps YoY) o Mainly driven by higher avg. funding costs o CPI linker yields to decline ▪ Lower inflation readings (2013:7.7%, 2014:7.3%) ▪ Lower avg. real rate (2013:~5%, 2014:~3%) o Yields on Securities portfolio (YoY): - +45bps excluding CPI linkers, - -100bps including CPI linkers	• Margin pressure (-20bps YoY) o Upward repricing in loans compensating for higher funding costs ▪ Loan to Deposit spreads improving o YoY lower securities' contribution to NIM ▪ CPI linker yields to decline - Higher weight of CPI linkers within TL securities - YoY est.7.8% inflation reading in October ▪ Yields on Securities portfolio (YoY): - +85bps excluding CPI linkers - -60bps including CPI linkers
Net fees & Commissions OPEX	• Maintain double digit fee growth – low-teens • Strict cost discipline -- CPI+3%	• In-line with OP guidance
Financial Affiliates	• Subsidiary contribution expected to further increase (up to 13%-14% from 12% at 2013 YE)	• Slightly better than OP guidance

Appendix

Information about financial subsidiaries

	Sector Positioning	Asset Contribution	Net Income Contribution	ROAE (Cum.)	P/L Highlights
GarantiBank International N.V.	> Established in 1990 > Global Boutique bank: offers services in trade finance, private banking, structured finance, corporate and commercial banking. > Well-capitalized with 18.9% CAR (Local) > Sound asset quality with 3.2% NPL Ratio (local)	5.6%	5.0%	13.7%	> Strong core activity results
Garanti Pension Company	> Most Preferred pension company with 18% market share in number of participants > #3 in pension fund size (TL 4.8bn) > Most Profitable company** in the sector	2.8%	4.7%	23.9%	> Improving technical income from life & insurance business > Decrease in OPEX due to timing
GarantiBank Romania	> Full-fledged banking operations since May 2010 > 12th bank in Romania* > 98% geographic coverage w/ 78 branches & 290 ATMs > Well-capitalized with 14.1% CAR*** (Local) > NPL Ratio (local):16.9% vs. sector's 22.2% as of 30 April 2014 > NPL Ratio (local):12.5% as of 30 June 2014	2.5%	2.5%	15.2%	> Higher trading income > Lower OPEX partially offset the negative effect coming from additional provisions
Garanti Leasing	> #1 in number of contracts for the 9 consecutive year-ends > US$398mn Business Volume as of 1H14 (financial lease)	1.9%	3.7%	22.3%	> Improving margin performance more than offset additional provisioning coming from big-ticket items and positive effect from cash flow hedge
Garanti Factoring	> Second in the sector with TL3.3bn business volume (as of 31 March 2014) > Publicly traded with a free-float of 8.38% > 21 branches in 14 cities	1.0%	0.6%	19.3%	> Better margins due to actively managed funding costs > Lower OPEX
GarantiBank Moscow	> Established in 1996, active in corporate & commercial banking > Serves Russian firms from various sectors, major Turkish companies as well as Spanish companies active in the Russian market > Well-capitalized with 15.9% CAR (Local) > Sound asset quality with 2.7% NPL Ratio (coming from 2008 crisis)	0.5%	0.3%	6.6%	> Higher funding cost and decreasing volumes due to unfavourable macro conditions and Ukraine related geopolitical tension.
Garanti Securities	> Strong presence in capital markets with 7.9% brokerage market share	0.0%	0.2%	15.9%	> Growing commission income base backed by corporate finance revenues
Garanti Asset Management	> Turkey's first asset management company with TL 9.8bn AUM	0.0%	0.3%	46.9%	> Improvements in cost efficiency > Higher commission income resulting from pension business

* Based on Asset size, data is as of December 2013 ** As of 31.12.2013
*** As of 30.05.2014 Note: Garanti Romania and Garanti Leasing figures are consolidated excluding NPL Ratio figures

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