



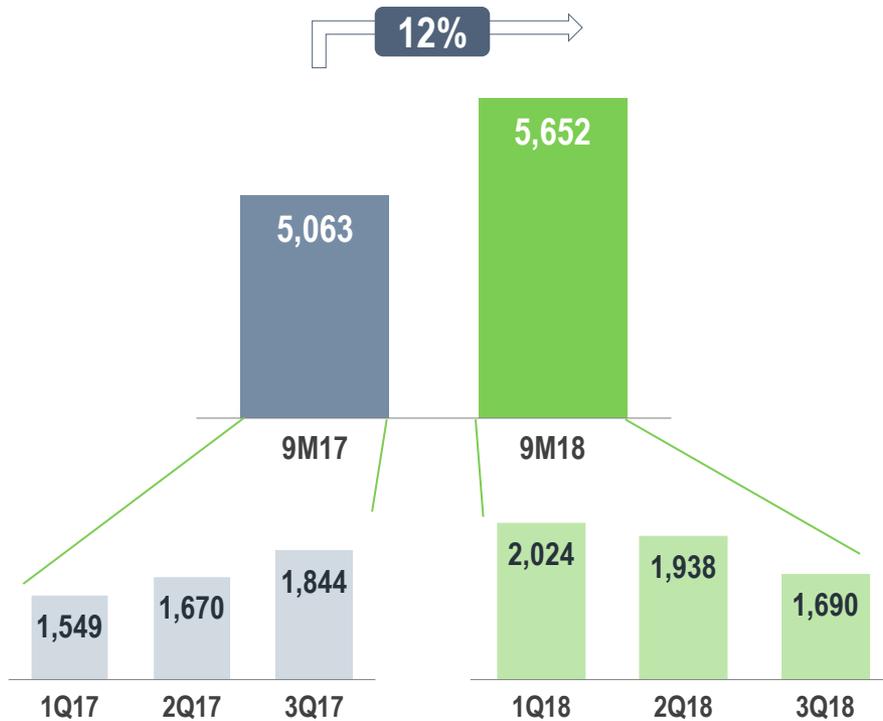
# 9M18 EARNINGS PRESENTATION

Based on IFRS Consolidated Financials



# SUSTAINED STRONG EARNINGS PERFORMANCE...

## NET INCOME (TL million)



**2.0%** **ROAA**  
vs. 1.8% in 2017

**17.6%** **ROAE**  
vs. 15.6% in 2017

**16.9%<sup>1</sup>** **CAR**  
excluding BRSA's temporary  
measures 14.7% vs. 16.8% in 2017

**148%<sup>1</sup>** **Total Liquidity Coverage Ratio**  
vs. min. 90% required level for 2018

**TL 1,860mn** **Free Provisions**  
Prudently set aside  
additional TL 700mn  
free provisions in 3Q18

Note: In the calculation of average assets and average equity, opening balance sheet as of 1 January 2018 has been used instead of YE 2017.

<sup>1</sup> Based on BRSA Consolidated financials. LCR figure represents September average.

# ...IN A RAPIDLY CHANGING OPERATING ENVIRONMENT

## GDP GROWTH



### ► 2H18 -- Decelerating economic activity

- **Worsening** high frequency indicators,
- High statistical **base impact** of last year
- Expected **negative effects** of recent financial shocks

## INFLATION (Year-end)



## CBRT FUNDING COST (Period-end)



### ► 2H18 -- Tight policies to curb worsening inflation

- **Rising funding costs** for the banking sector **pressure core spread**, yet **CPI linkers** continue to **serve as a hedge**

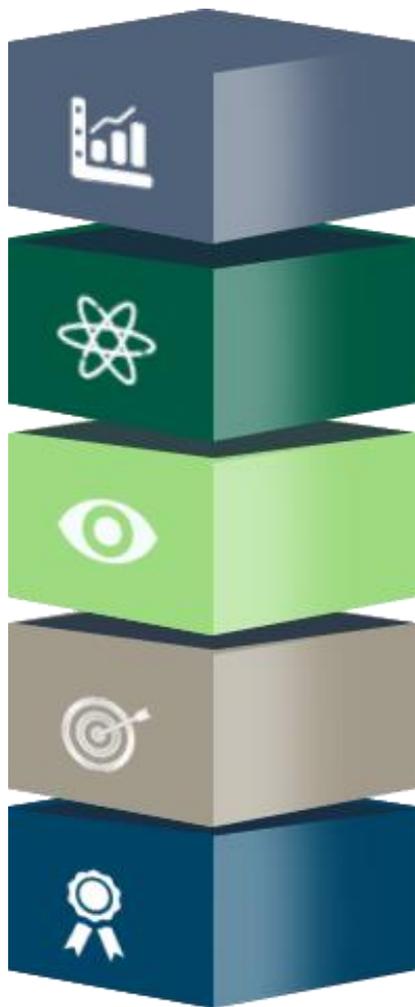
## USD/TL (Bid rate, period-end)



### ► Comprehensive and consistent policy mix to curb currency volatility:

- **Strengthened policy mix** by New Economic Plan (NEP) -- **Prudent stance** of the fiscal policy should **complement the already tight monetary policy** conditions to **re-balance the economy**

# 3Q18 PERFORMANCE



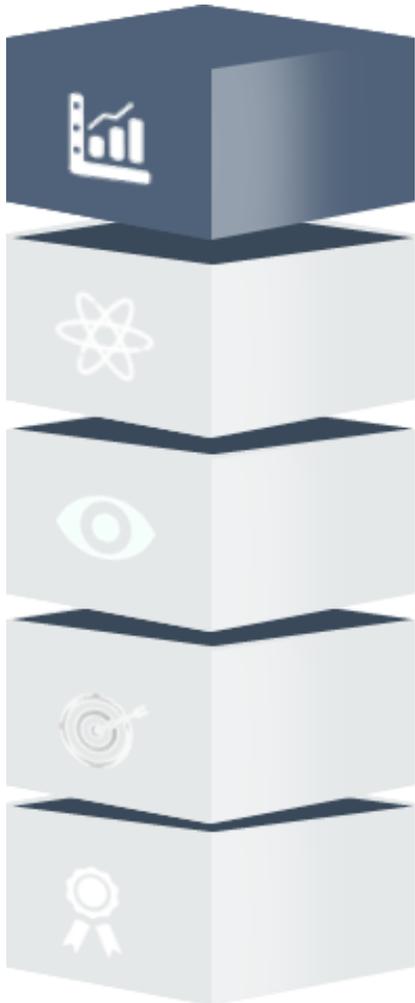
● ..... ● MUTED LOAN GROWTH

● ..... ● SUFFICIENT LIQUIDITY

● ..... ● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

● ..... ● SUSTAINED CORE BANKING REVENUES

● ..... ● STRONG SOLVENCY VIA CAPITAL GENERATION



●-----● **MUTED LOAN GROWTH**

●-----● SUFFICIENT LIQUIDITY

●-----● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

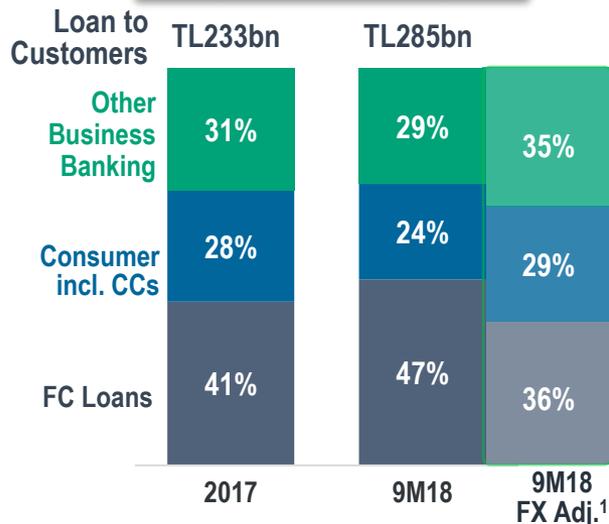
●-----● SUSTAINED CORE BANKING REVENUES

●-----● STRONG SOLVENCY VIA CAPITAL GENERATION

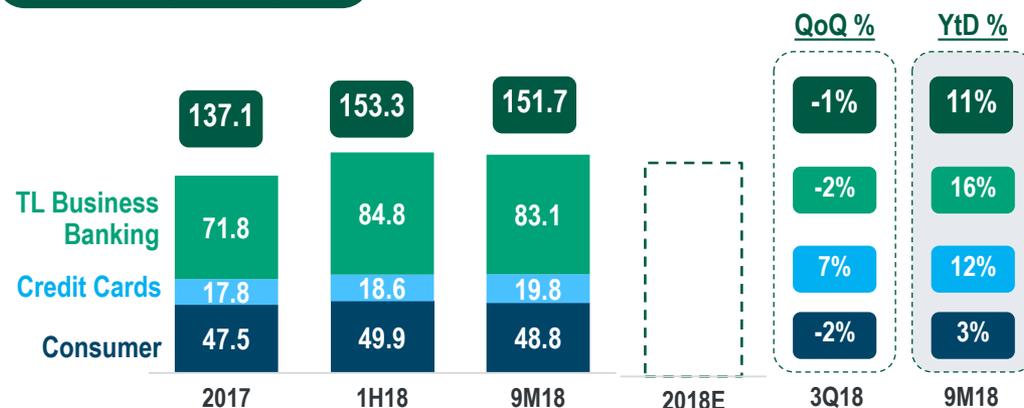
# MUTED LOAN GROWTH

## -- *Balanced lending mix*

### LOAN PORTFOLIO (63% of Total Assets)



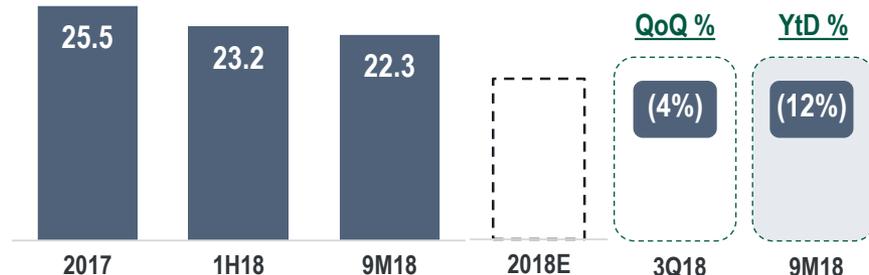
### TL LOANS (TLbillion)



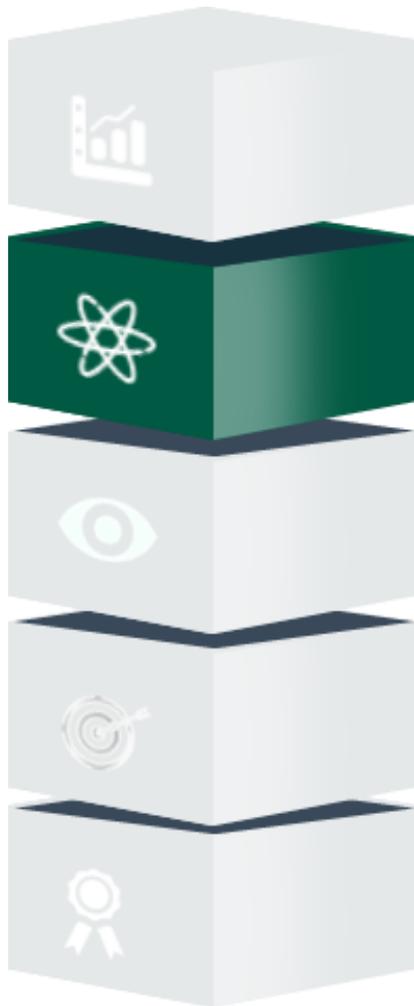
► **Growth in TL loans cut pace** both in retail & business banking, due to the deceleration in economic activity & high interest rate environment

► **FC loans continue to diminish**, yet the **share of FC loans** in total loans was **inflated** due to **depreciation in TL**

### FC LOANS (US\$ billion)



Note: Business banking loans represent total loans excluding credit cards and consumer loans  
<sup>1</sup> Adjusted for ~58% TL depreciation between 31.12.2017 vs. 30.09.2018  
 (Currency fixed at 3.78, USD / TL rate went up to 5.98)



MUTED LOAN GROWTH

**SUFFICIENT LIQUIDITY**

PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

SUSTAINED CORE BANKING REVENUES

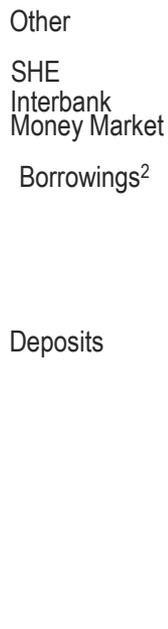
STRONG SOLVENCY VIA CAPITAL GENERATION

# WELL-DIVERSIFIED & STICKY FUNDING BASE

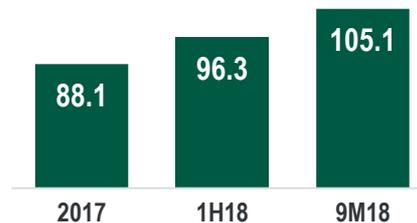
## ASSETS



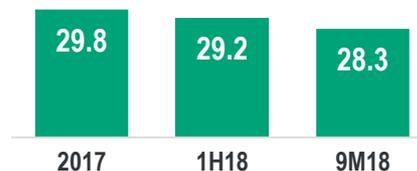
## LIABILITIES & SHE



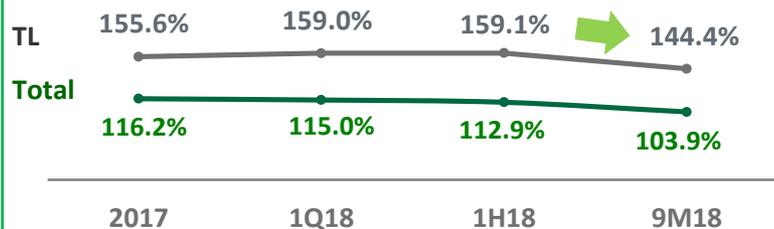
## TL DEPOSITS



## FC DEPOSITS (US\$ billion)



## LOAN TO DEPOSIT RATIOS



## LOW COST & STICKY DEPOSIT BASE

**DEMAND DEPOSITS**  
% in total deposits



**SME & RETAIL DEPOSITS<sup>3</sup>**

in TL Cust. Deposits

**~75%**

in FC Cust. Deposits

**~60%**

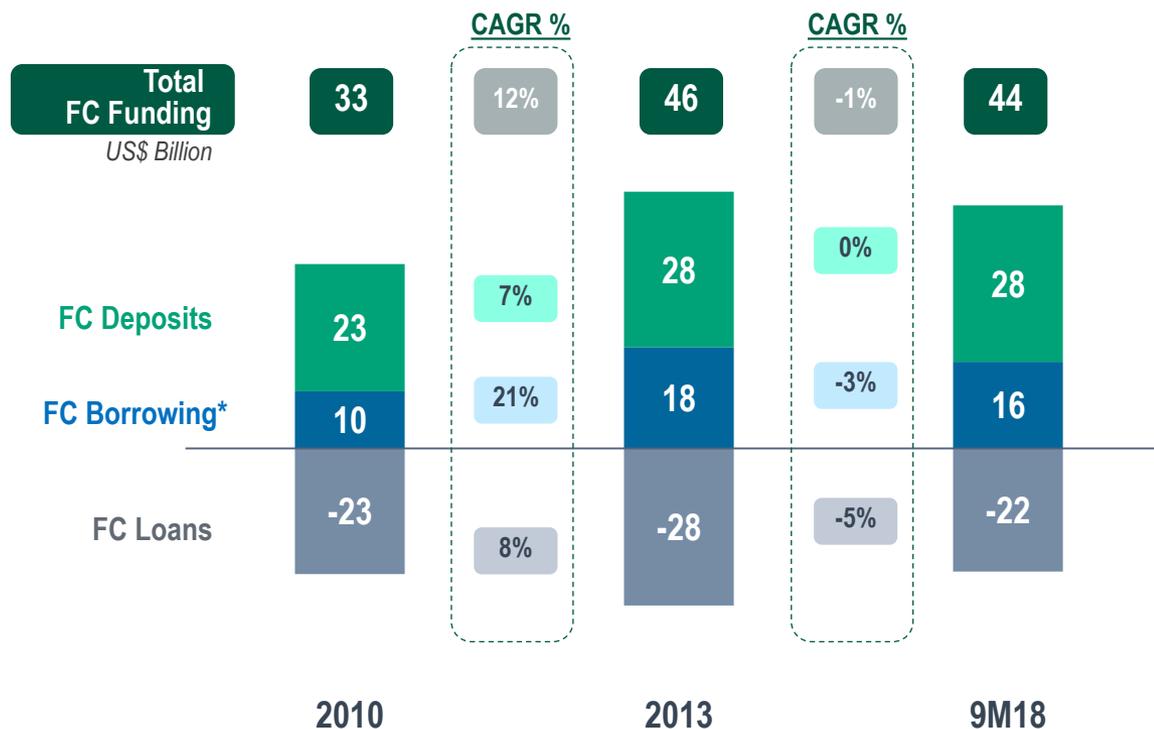
Bank-only BRSA: 25% vs. sector's 21%

<sup>1</sup> Including factoring and leasing receivables

<sup>2</sup> Includes Loans and advances from banks & other institutions, Debt Securities Issued, Subordinated liabilities & Financial liabilities at fair value through profit or loss

<sup>3</sup> Based on Bank-only MIS data

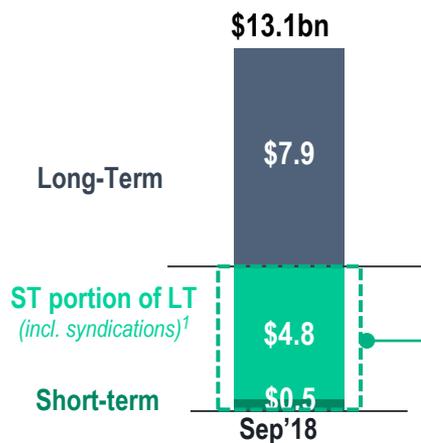
# LOWER DEPENDENCY ON FC FUNDING AS FC LOANS CONTINUE TO DIMINISH



\* Includes Loans and advances from banks & other institutions, bonds payable, money market placements Subordinated liabilities & Financial liabilities at fair value through profit or loss

# SUFFICIENT LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

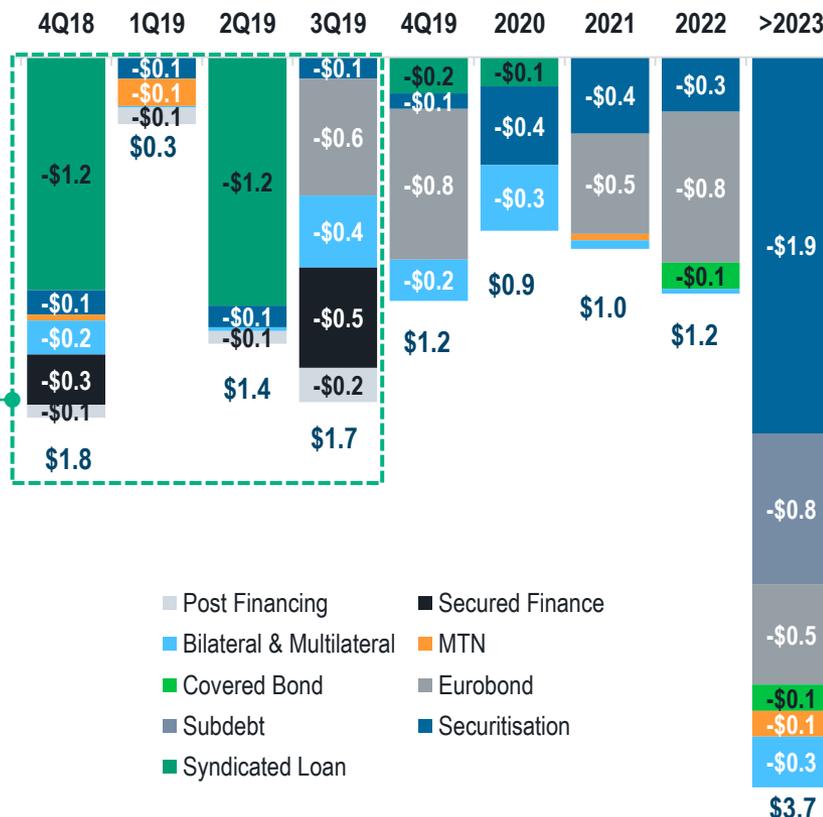
## GARANTI'S EXTERNAL DEBT\*



ST external dues **\$5.3bn**

Sufficient FC liquidity buffer<sup>2</sup> **\$10bn**

## MATURITY PROFILE OF EXTERNAL DEBT



\* Bank-only external debt. Includes TL covered bonds and excludes on balance sheet IRS transactions

1 Syndications with 367 days maturity

2 FC Liquidity Buffer: Readily available liquidity buffer without CB reserves, any unsecured issuances, asset reductions, deposit accumulations, asset sales



MUTED LOAN GROWTH

SUFFICIENT LIQUIDITY

**PROACTIVELY SHAPED & WELL PROVISIONED ASSETS**

SUSTAINED CORE BANKING REVENUES

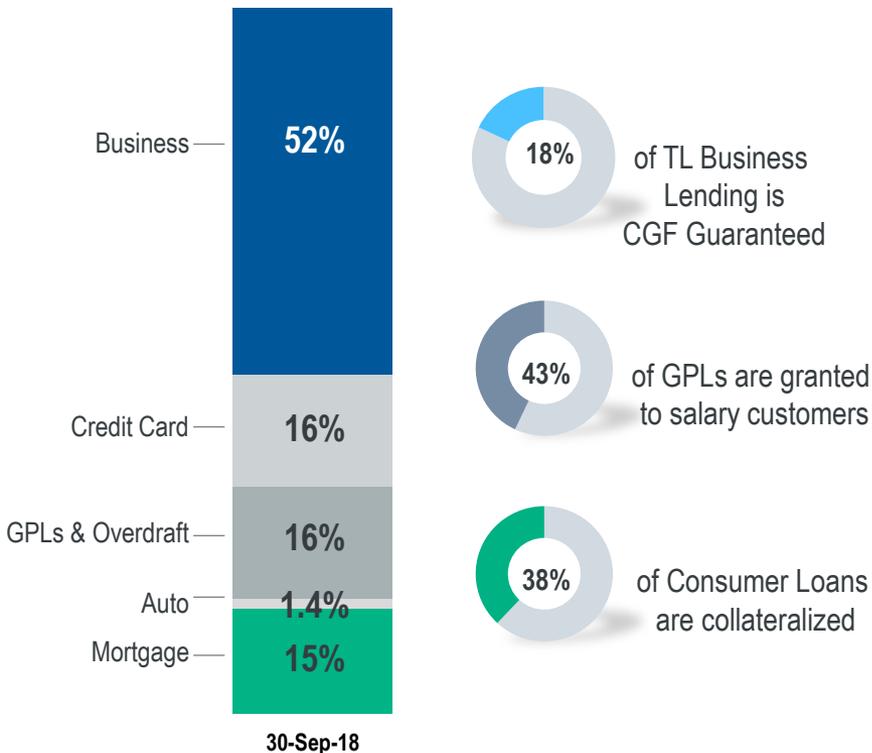
STRONG SOLVENCY VIA CAPITAL GENERATION

# STRUCTURE OF TL LOAN PORTFOLIO

## TL LOANS BREAKDOWN

(per BRSA bank-only financials)

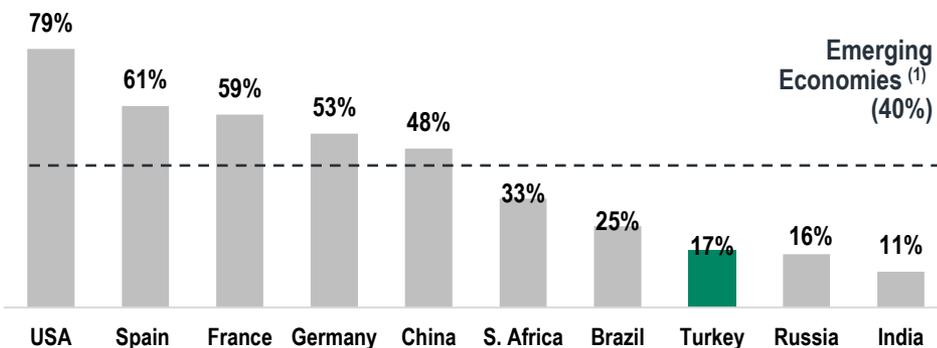
TL 154 bn



« >90% of TL loans are fixed rate. »

## Household Debt to GDP (Dec. 17)

► Household Indebtness in Turkey lower than Emerging Economies

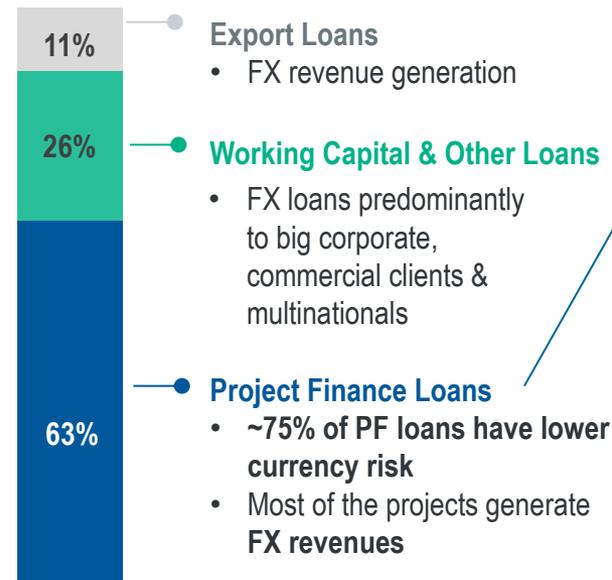


<sup>1</sup> Aggregates based on conversion to US dollars at market exchange rates  
Source: BIS

# STRUCTURE OF FC LOAN PORTFOLIO

## FC LOANS BREAKDOWN (per BRSA bank-only financials)

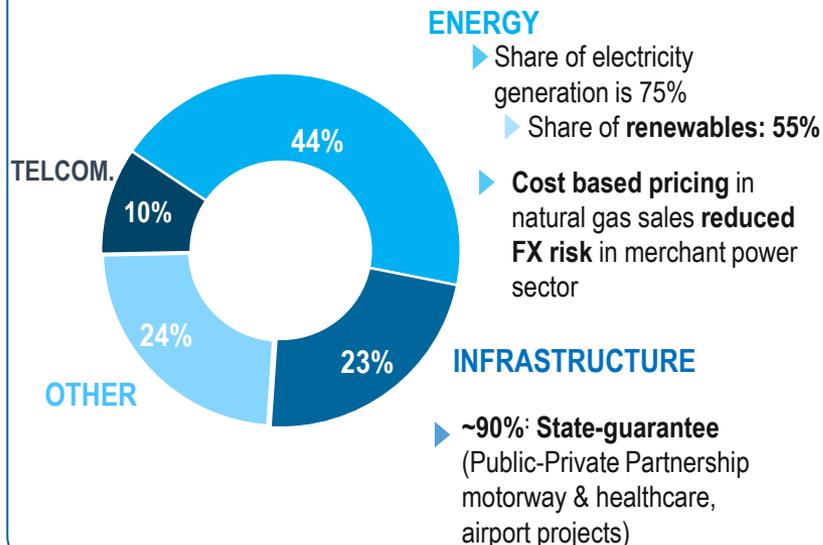
US\$ 16.2 bn



30.Sep.18

« FX sensitivity analysis are regularly conducted as part of the proactive staging and provisioning practices »

## BREAKDOWN OF PF LOANS



## Regulation to preserve customers against currency shocks and risks

- FX lending to consumers already prohibited
- As of May 18; companies with outstanding FC loan balance < \$15 Mn will be restricted\*

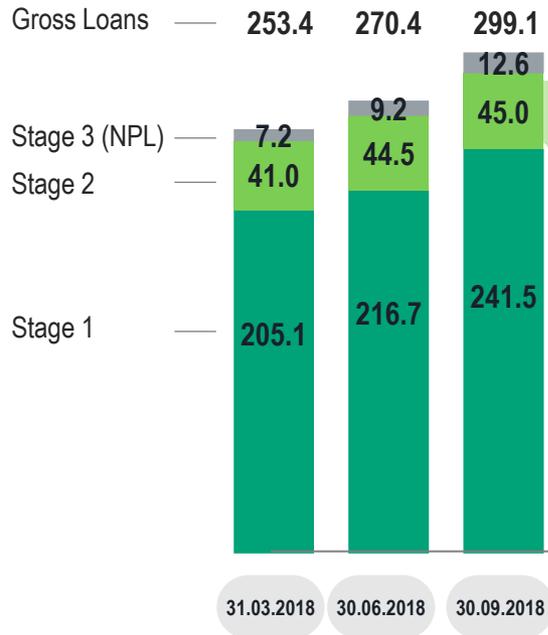


\* Companies' outstanding FX loan balance will be limited to last 3 years' total FX income (considered in new disbursements). FX indexed lending facility revoked

# PRUDENTLY DEFINED IFRS 9 CRITERIA REFLECTED ON STAGING

## LOAN PORTFOLIO BREAKDOWN

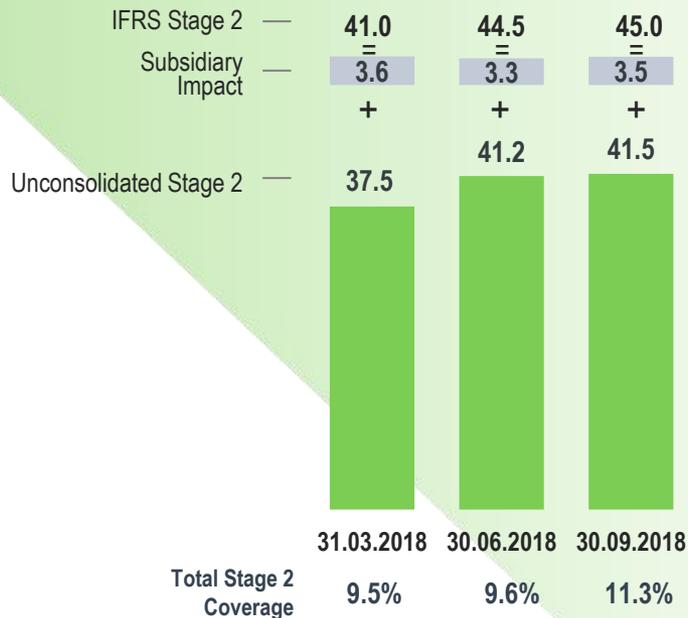
(Billion TL)



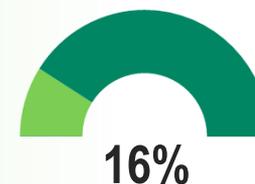
USDTRY: 3.9450 4.5637 5.9819

### Stage 2 Breakdown

(Billion TL)



Share of Stage 2 in Performing Loans



Not comparable among banks mainly due to:

Differentiation in quantitative assessment criteria (SICR<sup>1</sup> definition)

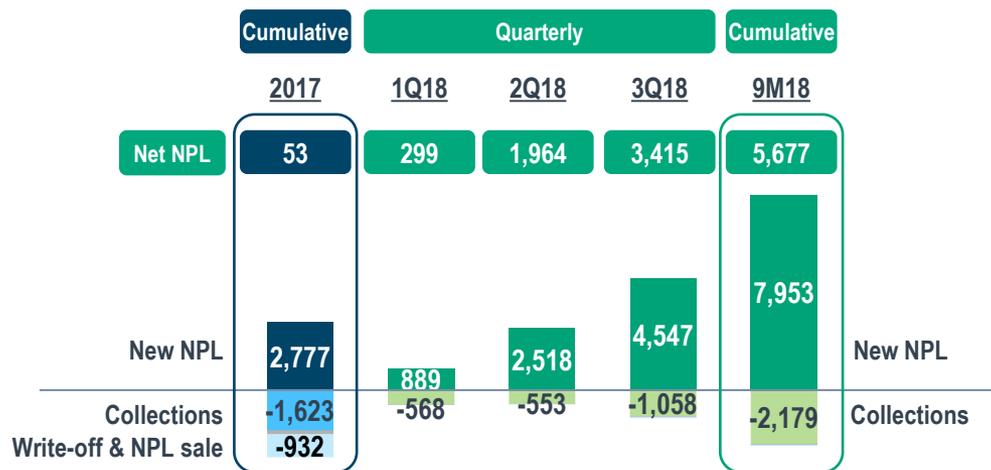
Approach difference for qualitative assessment as was the case in the past for watch list classification.

1 SICR: Significant Increase in Credit Risk per our threshold for Probability of Default (PD) changes

# ASSET QUALITY WILL BE ADVERSELY IMPACTED BY SIGNIFICANT CHANGE IN MACRO CONDITIONS -- *Managing the impact is the top priority*

## NET NPL FLOW

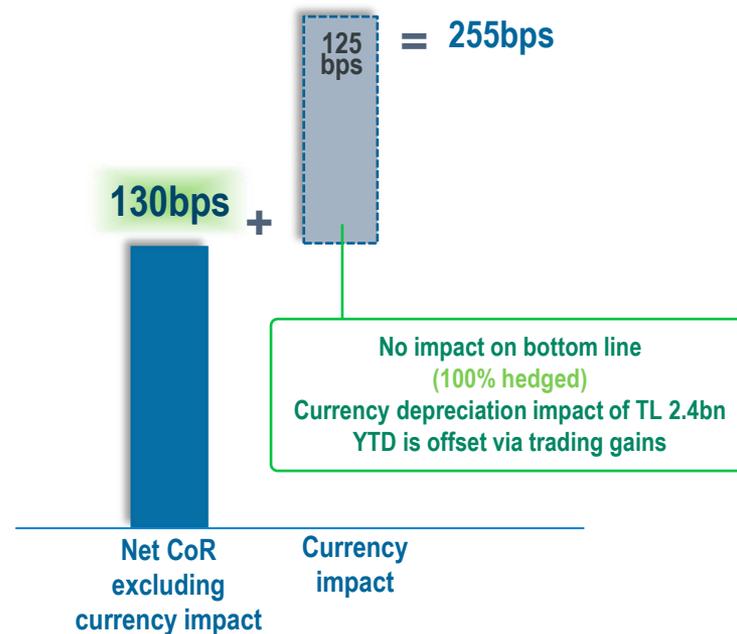
(per BRSA Consolidated financials, TL million)

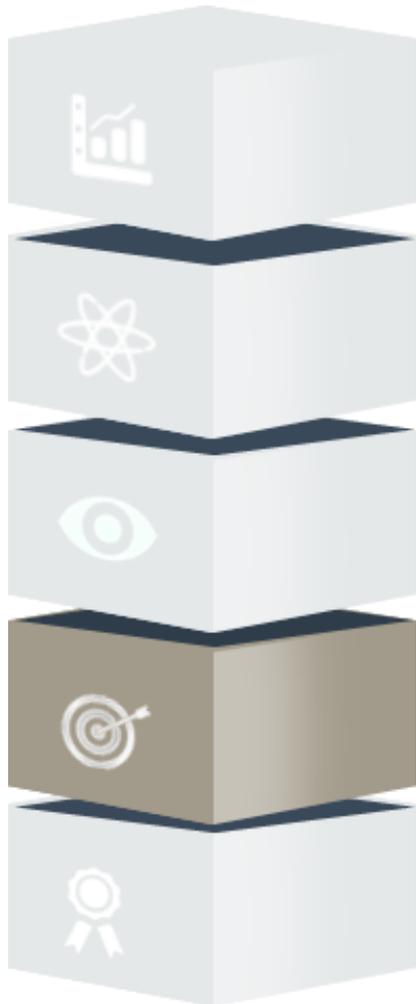


BRSA Consolidated NPL Ratio	2.6%	2.8%	3.4%	4.2%
BRSA Bank-only NPL Ratio	2.5%	2.5%	3.1%	3.9%
IFRS NPL Ratio	2.8%	2.8%	3.4%	4.2%

## NET CUMULATIVE CoR

(per BRSA Consolidated Financials)





●-----● MUTED LOAN GROWTH

●-----● SUFFICIENT LIQUIDITY

●-----● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

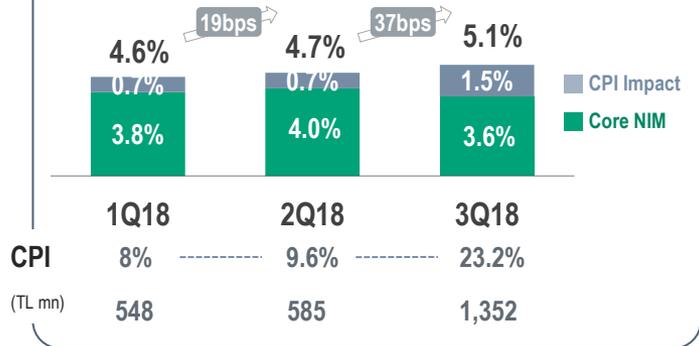
●-----● SUSTAINED CORE BANKING REVENUES

●-----● STRONG SOLVENCY VIA CAPITAL GENERATION

# SUSTAINED CORE BANKING REVENUES

## Dynamic B/S management in defense of NIM

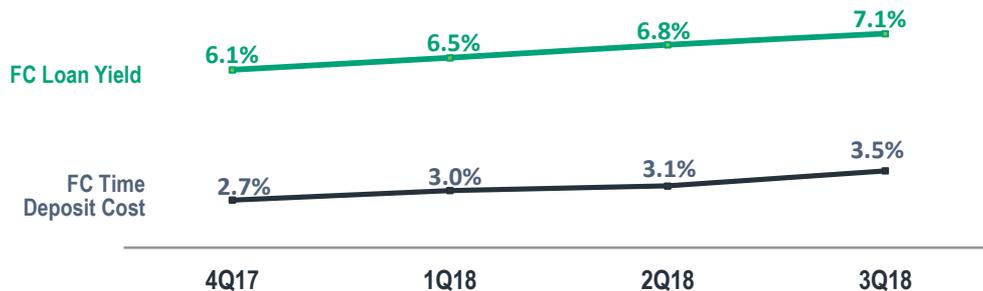
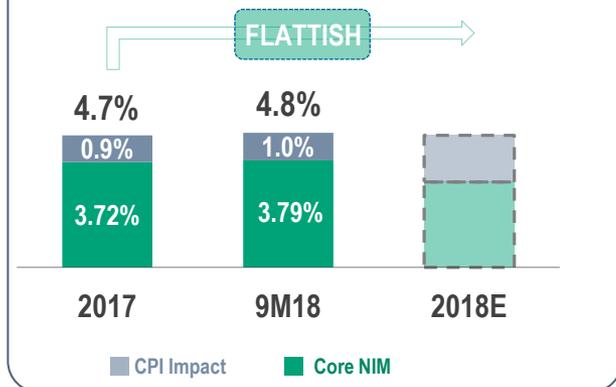
### QUARTERLY NIM INCL. SWAP COSTS



### QUARTERLY SPREAD



### ANNUAL NIM INCL. SWAP COSTS



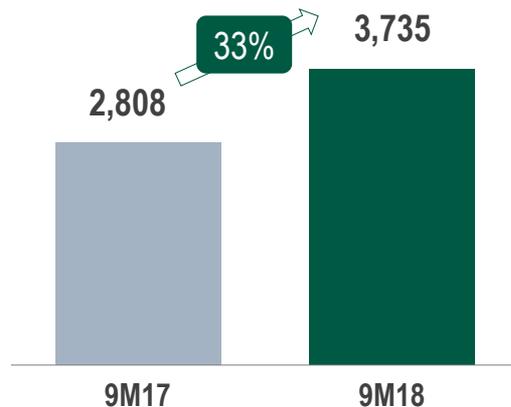
Note: NIM calculation is based on BRSA Consolidated Financials. Spread calculation is per bank-only MIS data, using daily averages

# SUSTAINED CORE BANKING REVENUES

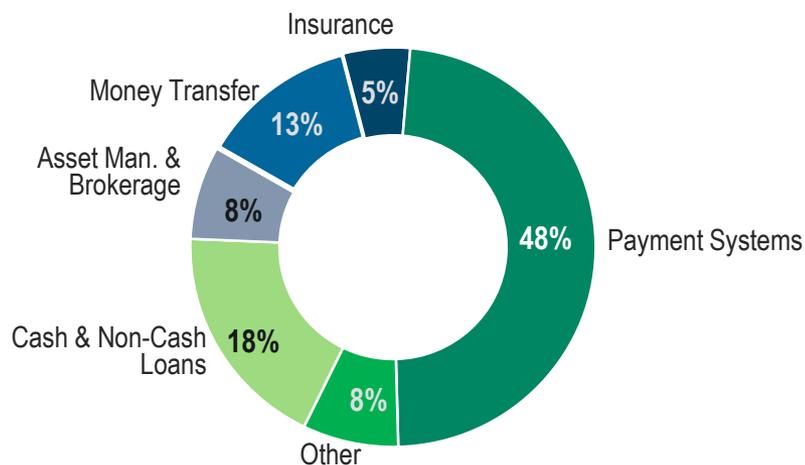
## Well-diversified fee base

### NET FEES & COMMISSIONS

(TL million)



### NET FEES & COMMISSIONS BREAKDOWN<sup>1</sup>



<sup>1</sup> Insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials. Based on BRSA consolidated financials.

#### ► Payment systems

Leading position in **issuing & acquiring** businesses  
 Strong **merchant network** & actively managed relations  
 Increasing contribution from clearing & merchant commissions

#### ► Money transfer

**Leader** in interbank money transfer: **14%** market share  
**Leader** in swift transactions: **17%** market share

#### ► Insurance

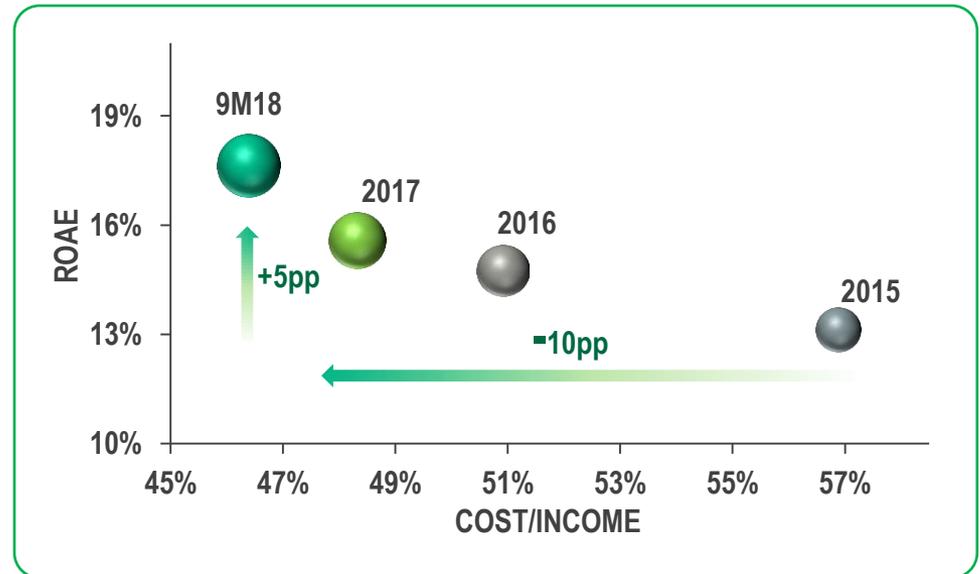
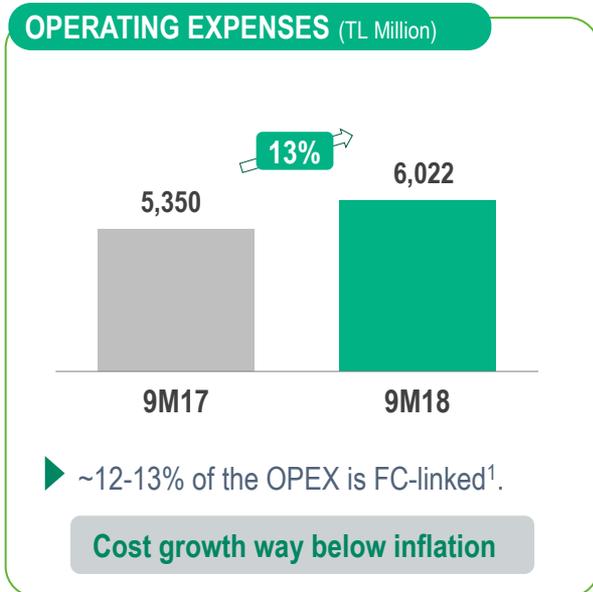
Leader in **number of pension participants**  
 Focus on **digital-only products**

#### ► Digital Channels

Digital channels' share in non-credit linked fees: **46%**  
 Share of digital sales in total sales: **43%**  
 Leading position: **7mn digital customer (32% YoY increase)**

# SUSTAINED CORE BANKING REVENUES

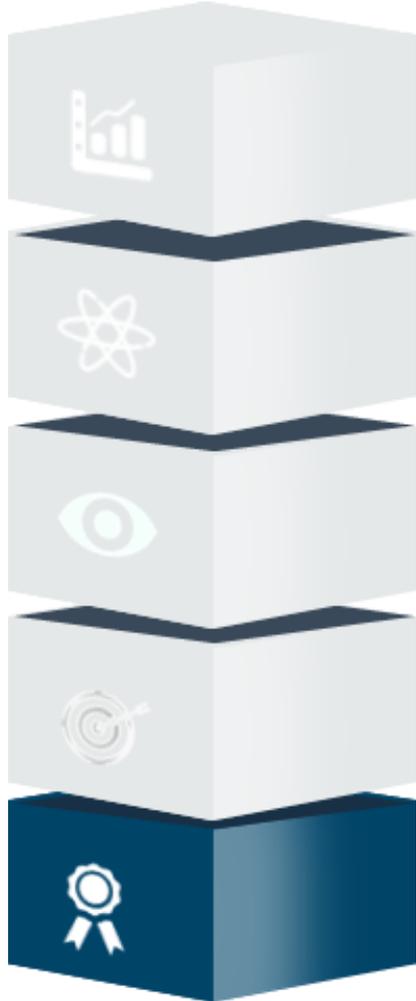
## Disciplined cost management



	COST/INCOME	OPEX/ AVG. ASSETS	FEE / OPEX
	<b>46.4%</b>	<b>2.3%</b>	<b>51%</b>
BRSA Bank-only	40.1%	2.0%	67%
BRSA Consolidated	43.1%	2.1%	60%

Note: In the Cost/Income calculation, Income defined as NII + Net F&C + Trading gains/losses  
 – Net Provisions + Other income + Income from subsidiaries.

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



●-----● MUTED LOAN GROWTH

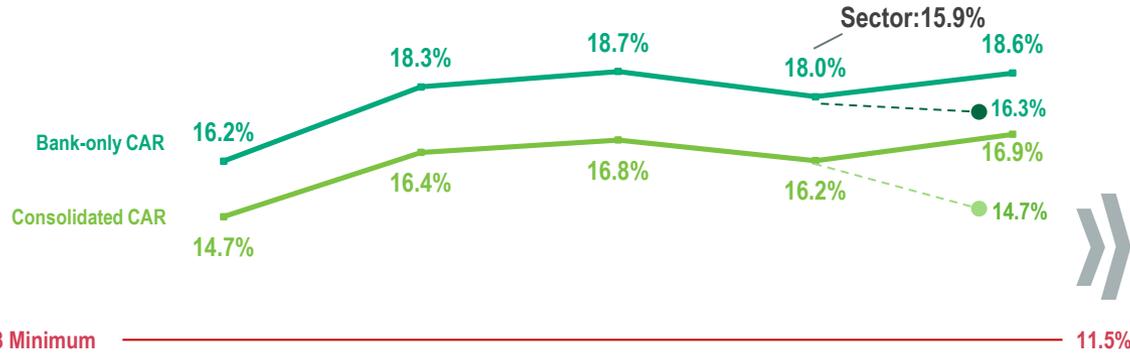
●-----● SUFFICIENT LIQUIDITY

●-----● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

●-----● SUSTAINED CORE BANKING REVENUES

●-----● **STRONG SOLVENCY VIA CAPITAL GENERATION**

# STRONG SOLVENCY VIA CAPITAL GENERATION



## Temporary measures

- FX Rate Fixing on RWA calculation
- Suspension of MtM losses on CAR calculation

Total Impact: **237bps (Bank-only)**  
**225bps (Consolidated)**

2018 Minimum Required Level<sup>1</sup>



	Dec 16	June 17	Dec 17	June 18	Sep 18
CET-1/Total Capital	93%	87%	88%	86%	85%
USDTRY	3.51	3.51	3.77	4.56	5.98

10% TL depreciation against USD  
52bps negative impact on CAR,  
assuming no temporary measure

**TL1.9bn** Free Provision

Bank-only:  
**TL14bn** Excess Capital

taking into account 11.5% req. level & excluding positive impact of temporary measures

Consolidated:  
**TL>10bn**

Note: Figures are per BRSA Consolidated financials.

<sup>1</sup> Required CAR for 2018 = [8.0% + SIFI Buffer for Group 3 (1.5%) + Capital Conservation Buffer (1.875%) + Counter Cyclical Buffer (0.09%)]

Note: Per BRSA measures, as of August 14th 2018, FX credit risk exposures will be converted with maximum of following two; (i) June 30, 2018 FX rate and (ii) 252 day average of CBRT FX bid rates. Also, as from August 14th 2018, MtM losses will not be included in CET1 capital

## GOING FORWARD

### *Deteriorating Macro Environment Posing Downside on Growth & Provisioning*

TL Loans	<14%	↓
FC Loans (in US\$)	Shrinkage	↔
NPL Ratio	4-4.5% (No NPL sale assumed)	↓
Net Cost of Risk	~150 bps (excl. currency impact) <sup>1</sup>	↓
NIM including swap cost	Flat (including CPI impact)	↑
Fee Growth (yoy)	> 20%	↑
Opex Growth (yoy)	~10%	↔
ROAE	> 17%	↓
ROAA	> 2.2%	↓

Note: Based on BRSA financials.

<sup>1</sup> Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

## APPENDIX

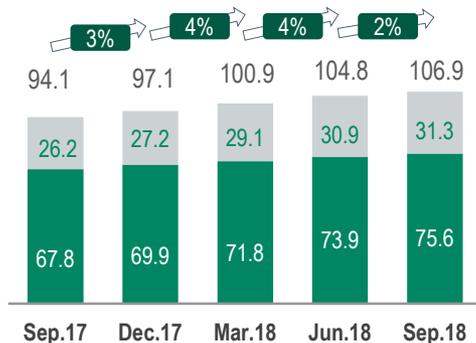
Pg. 24	Retail Loans
Pg. 25	Securities portfolio
Pg. 26	Summary Balance Sheet
Pg. 27	Summary P&L

# APPENDIX: RETAIL LOANS

## RETAIL LOANS

(TL billion)

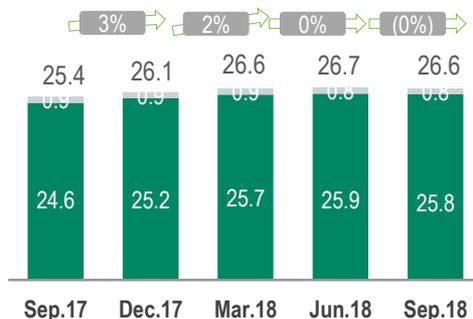
+14%  
YoY



## MORTGAGE LOANS

(TL billion)

5%  
YoY



## Market Shares\*

	Sep'18	QoQ	Rank
Consumer Loans	22.4%	+14bps	#1
Cons. Mortgage	25.7%	+11bps	#1
Cons. Auto	47.4%	+8bps	#1
Consumer GPLs	18.6%	+20bps	#1

\* Among private banks, rankings as of June 18

### Pioneer in cards business

# of CC  
customers

14.6%<sup>2</sup>

Issuing  
Volume

19.1%<sup>2</sup>

Acquiring  
Volume

19.1%<sup>2</sup>

## AUTO LOANS

(TL billion)

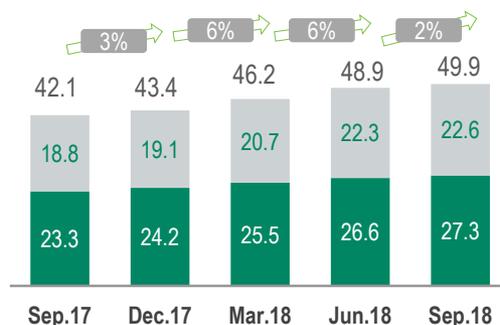
+6%  
YoY



## GENERAL PURPOSE LOANS<sup>1</sup>

(TL billion)

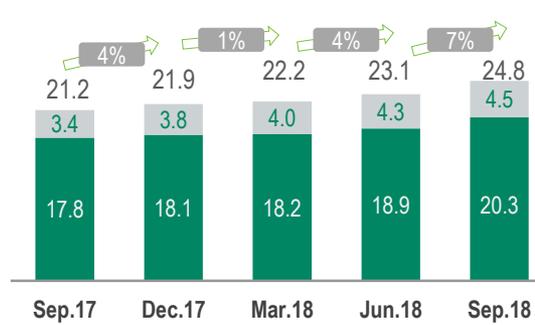
+18%  
YoY



## CREDIT CARD BALANCES

(TL billion)

+17%  
YoY



■ Consumer Loans ■ Commercial Instalment Loans

Note: Based on BRSA Consolidated Financials.

1 Including other loans and overdrafts

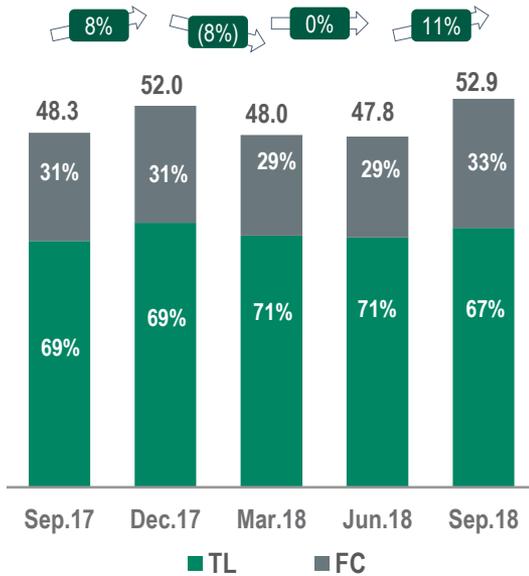
2 Cumulative figures as of September 2018, as per Interbank Card Center data.

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 28.09.2018

# APPENDIX: SECURITIES PORTFOLIO

## Total Securities (TL billion)

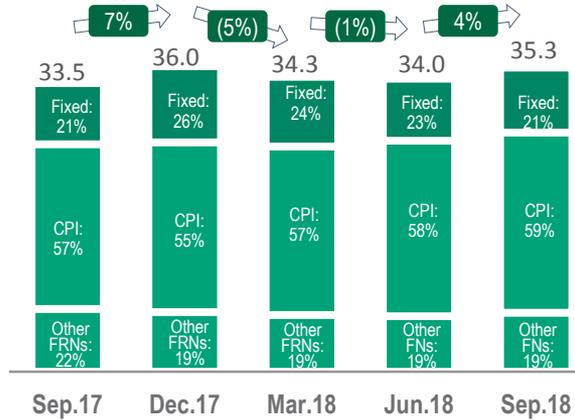
12% of Total Assets



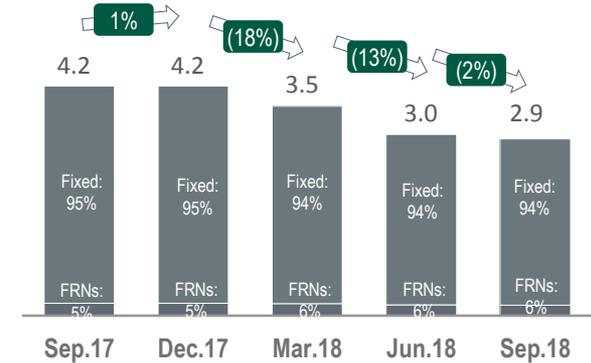
Maintained  
FRN heavy portfolio



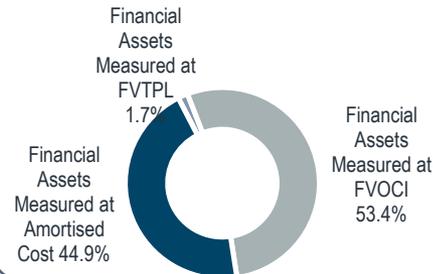
## TL Securities (TL billion)



## FC Securities (US\$ billion)



## Securities Composition



Unrealized MtM loss<sup>1</sup> (pre-tax)  
~TL 1,326mn loss as of Sep'18

Note: Fixed - Floating breakdown of securities are based on bank-only MIS data  
1 Based on BRSA consolidated financials.

# APPENDIX: SUMMARY BALANCE SHEET

TL Million

ASSETS	31.03.2018	30.06.2018	30.09.2018
Cash and Cash Equivalents <sup>1</sup>	25,374	29,232	69,023
Securities	47,997	47,786	52,908
Loans to Customers	243,620	259,265	285,176
Tangible Assets	6,263	6,413	6,601
Other	34,939	41,206	40,929
<b>TOTAL ASSETS</b>	<b>358,192</b>	<b>383,901</b>	<b>454,637</b>
LIABILITIES & SHE	31.03.2018	30.06.2018	30.09.2018
Deposits from Customers	207,885	222,830	267,067
Deposits from Banks	3,909	6,832	7,528
Repo Obligations	7,515	7,181	4,375
Borrowings <sup>2</sup>	75,704	80,254	98,968
Other	20,471	22,400	30,139
SHE	42,710	44,405	46,560
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>358,192</b>	<b>383,901</b>	<b>454,637</b>

1 Includes Loans to banks

2 Includes Loans and advances from banks& other institutions, Debt Securities Issued, Subordinated liabilities & Financial liabilities at fair value through profit or loss

## APPENDIX: SUMMARY P&L

<i>TL Million</i>	3M18	6M18	9M18
(+) Net Interest Income	3,510	7,350	12,067
<i>(+) NII excluding CPI linkers' income</i>	2,961	6,216	9,581
<i>(+) Income on CPI linkers</i>	548	1,134	2,486
(+) Net Fees & Comm.	1,228	2,411	3,735
(-) Provisions for loans and other credit risks, net	-803	-1,478	-2,943
(-) OPEX	-1,977	-3,996	-6,022
<b>= OPERATING INCOME</b>	<b>1,958</b>	<b>4,287</b>	<b>6,837</b>
(+) Net Trading & FX gains/losses	269	177	464
(+) Other income	371	629	899
<i>(+) Gains from asset sale</i>	126	126	126
<i>(+) Net Insurance Business Income</i>	136	266	378
<i>(+) Other</i>	109	237	395
(-) Taxation and other provisions	-574	-1,130	-2,548
<i>(-) Free Provision</i>	0	0	-700
<i>(-) Other Provision &amp; Taxation</i>	-574	-1,130	-1,848
<b>= NET INCOME</b>	<b>2,024</b>	<b>3,962</b>	<b>5,652</b>

# DISCLAIMER STATEMENT

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