

# Earnings Presentation

**June 30, 2016**



**BRSA Consolidated Financials**

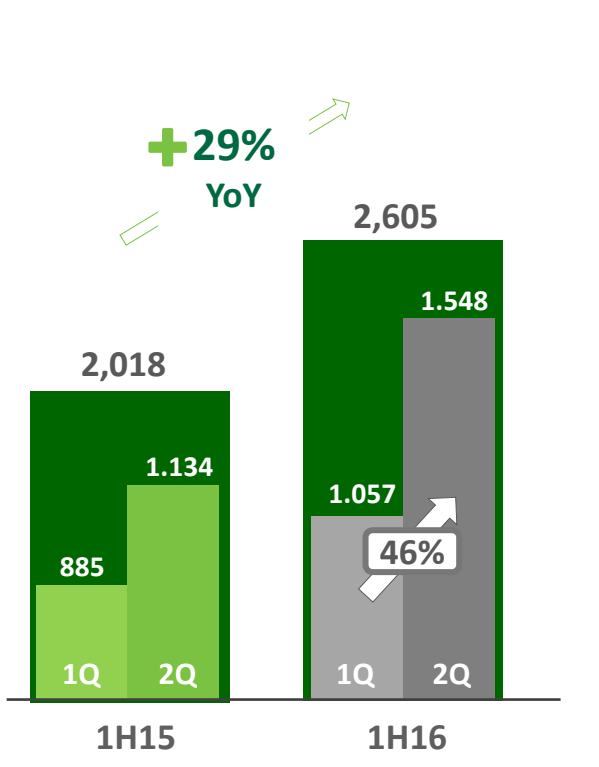
# ROBUST PROFITABILITY...

**Net Income:**  
**TL2,605mn**

**ROAE<sup>1</sup>:**  
**16.0%**

**ROAA<sup>1</sup>:**  
**1.8%**

## Net Income (TL million)



## CORE OPERATING INCOME DEFINED THE SOLID RESULTS

TL Million	1H 15	1H 16	ΔYoY	1Q16	2Q16	ΔQoQ
(+) NII excld. inc. on CPI linkers	4,089	4,993	22%	2,356	2,637	12%
(+) Net Fees & Comm.	1,467	1,613	10%	822	792	-4%
(-) Specific + General Provisions net of collections*	-760	-874	15%	-416	-459	10%
(-) Swap Cost	-374	-640	71%	-266	-374	41%
(-) OPEX	-3,131	-3,366	7%	-1,689	-1,677	-1%
<b>= CORE OPERATING INCOME</b>	<b>1,290</b>	<b>1,726</b>	<b>34%</b>	<b>807</b>	<b>919</b>	<b>14%</b>

\* Includes free provision reversal (TL130mn in 2Q16) assigned for the files guided in OP and excludes the effect of collateral re-assessment (TL53mn in 1Q16) and provisions imposed by NBR to Romanian banking sector (TL96mn). Please refer to pg. 21



**Only TL130mn free provision was reversed YtD** against the ~TL327mn provision required for the files guided in OP. TL200mn of free provision still remains.

# WHAT LIES BENEATH...

**Net Income:** TL2,605mn | **ROAE<sup>1</sup>:** 16.0% | **ROAA<sup>1</sup>:** 1.8%

## 1 Outstanding NIM performance, highest among peers

	Cum. NIM	Cum. NIM inc. Swap Costs	Quarterly NIM	Qtr. NIM inc. Swap Costs
	4.7%	4.2%	4.9%	4.3%
<b>YtD</b>	+21bps	+8bps	<b>QtD</b>	+22bps

## 2 Preserved sound asset quality

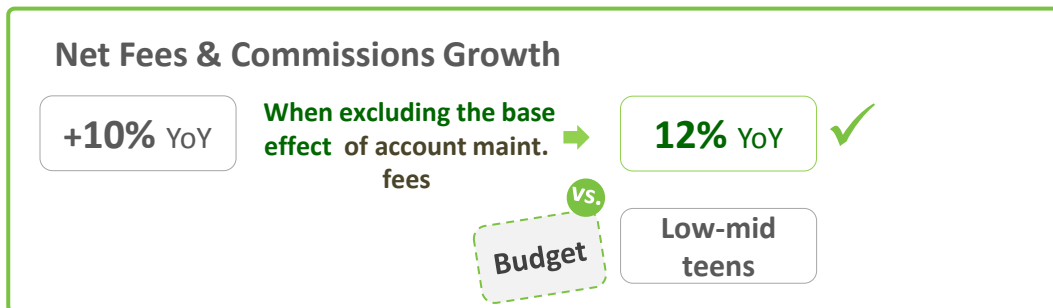
	NPL Ratio	Coverage	Total Cash Coverage	Cum. Net Total CoR
<b>Garanti (Cons.)</b>	3.1%	76.4%	135%	114bps
<b>Garanti (Bank-only)</b>	2.8%	79.3%	148%	108bps ✓
<b>Sector's</b>	3.1%	76%		
<b>Budget</b>				90-115bps

<sup>1</sup> Excludes non-recurring items (Income from NPL sale, Visa sale income, gains on asset sale, fee rebates, provision reversal from Miles&Smiles, provisions imposed by NBR to Romanian banking sector and effect of collateral re-assessment) when annualizing Net Income for the second half of the year

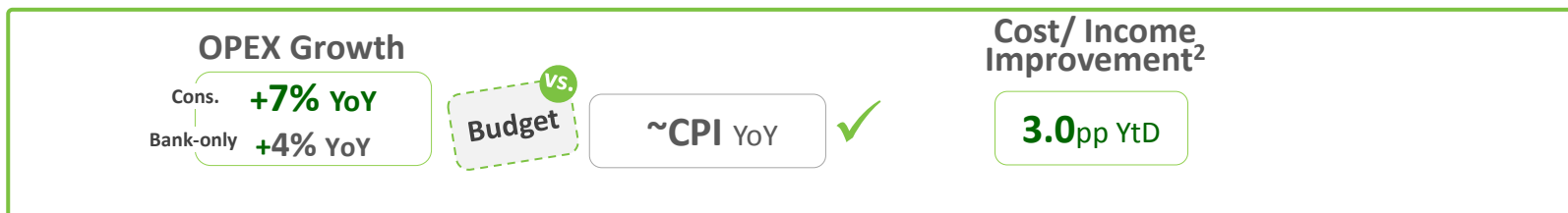
# WHAT LIES BENEATH...

Net Income: TL2,605mn | ROAE<sup>1</sup>: 16.0% | ROAA<sup>1</sup>: 1.8%

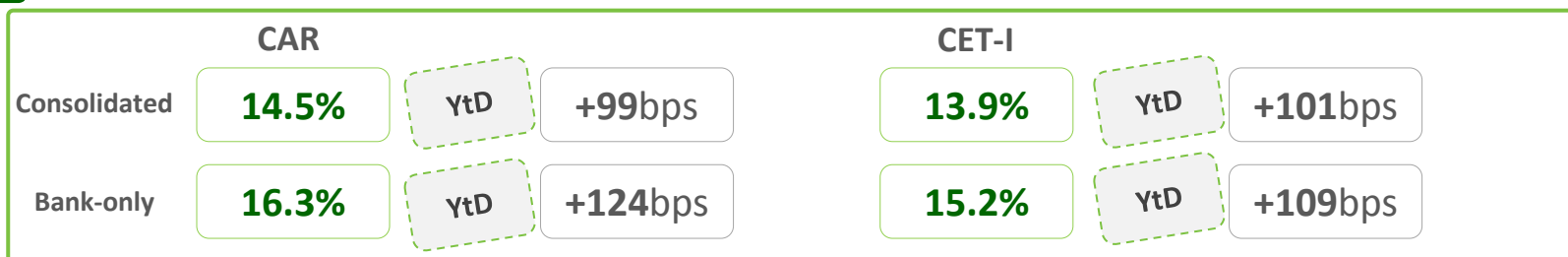
## 3 Outperformance in diversified fee areas -- highest market share in fees



## 4 Disciplined cost management & increased efficiencies



## 5 Further strengthened capital -- highest CET-I in the sector



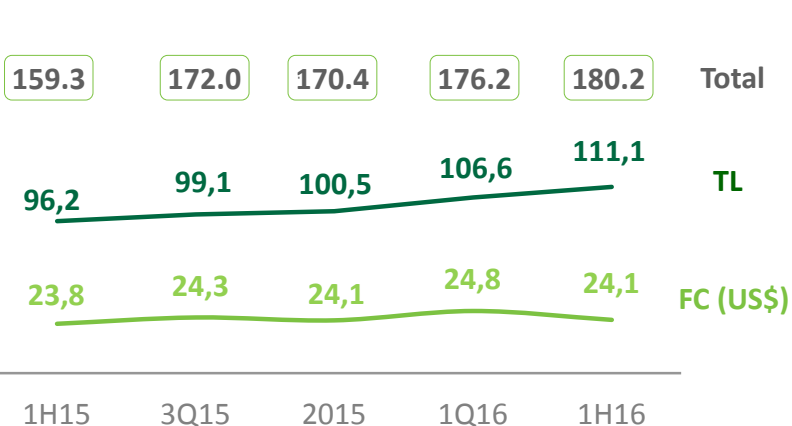
<sup>1</sup> Excludes non-recurring items (Income from NPL sale, Visa sale income, gains on asset sale, fee rebates, provision reversal from Miles&Smiles, provisions imposed by NBR to Romanian banking sector and effect of collateral re-assessment) when annualizing Net Income for the second half of the year  
<sup>2</sup> On a comparable basis. Income defined as NII+Net F&C - Provisions + Net Trading Gains/Losses + Other Income. Total income adjusted with NPL sale income, Visa sale income, provision reversal from Miles&Smiles, effect of collateral re-assetment and NBR related extra provisions at GBR. OPEX adjusted with fee rebates

# 1 Outstanding NIM performance, highest among peers

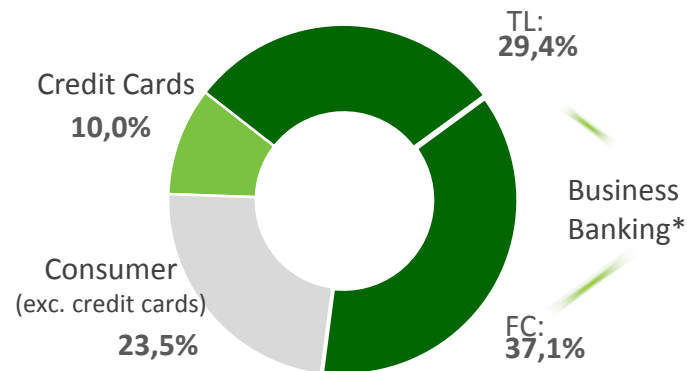
## a. Disciplined lending growth in lucrative areas

Total Loans<sup>1</sup> (TL, US\$ billion)

62% of Total Assets



Total Loans<sup>1</sup> Breakdown



Balanced and above-sector growth in TL loans

Healthy market share gains sustained across all retail products

> Solidified leadership in

**#1** Consumer Loans, Mortgages, Auto Loans  
Credit Cards Issuing & Acquiring Volumes

Growth

	1Q16	2Q16
TL Business banking	11%	4%
FC Business banking	3%	(3%)
Consumer loans (excl. CCs)	3%	4%
Credit Cards	1%	5%

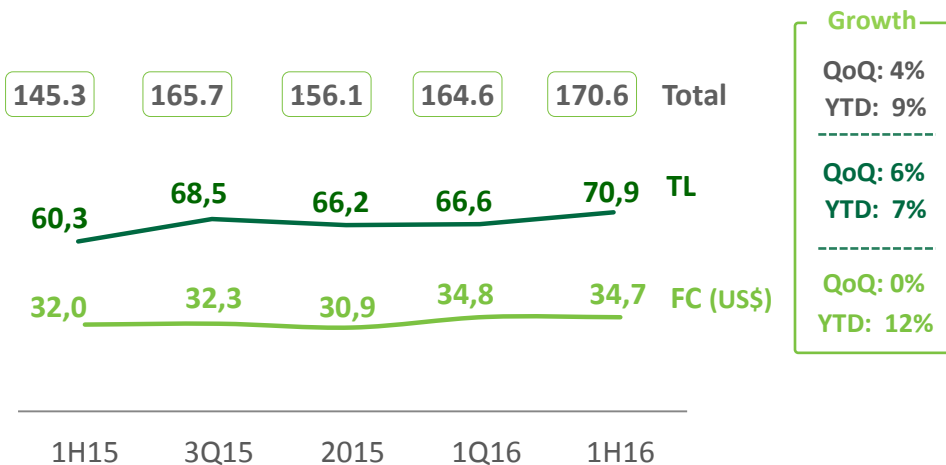
<sup>1</sup> Performing cash loans  
\* Business banking loans represent total loans excluding credit cards and consumer loans

# 1 Outstanding NIM performance, highest among peers

## b. Actively managed deposit mix supported with high share of demand deposits

Total Deposits (TL, US\$ billion)

59% of Total Assets



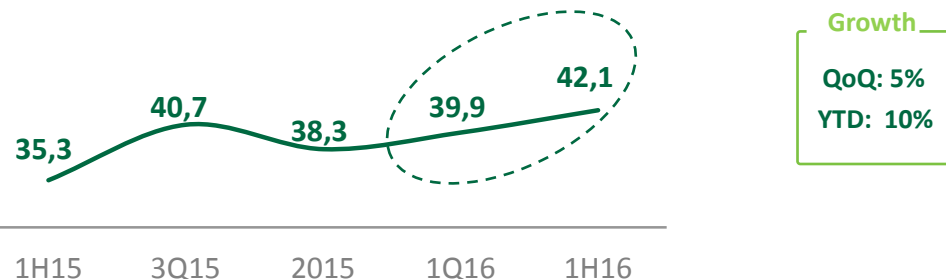
### Deposit heavy funding base

- > Share of **SME & Retail deposits in TL** deposits: **80%**<sup>1</sup>
- > **Total LtD ratio: 106%** vs. 109% in 2015YE
- > **Adj. LtD ratio**<sup>2</sup>: **73.3%**

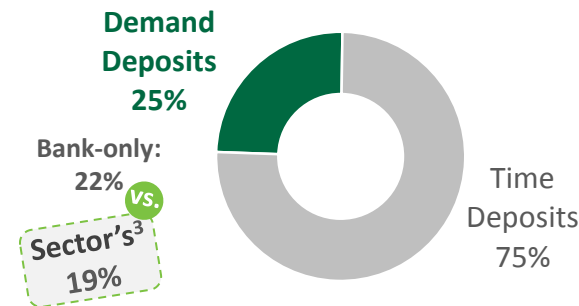
### Opportunistic utilization of swaps

- > Higher level of **swap utilization** in 2Q vs. 1Q due to **funding cost optimization**

Total Demand Deposits (TL billion)



### Expanding zero-cost demand deposit base



1 Based on bank-only MIS data

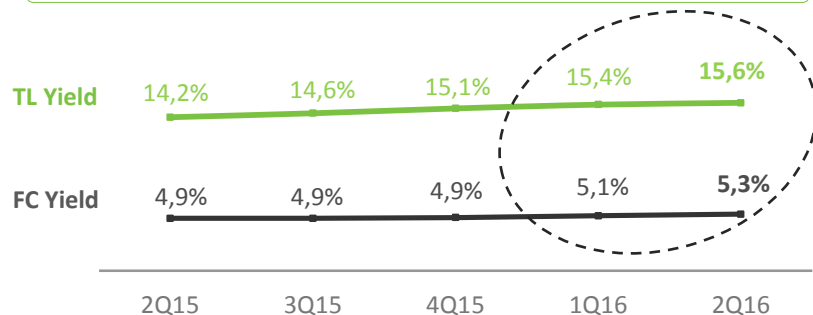
2 Please refer to slide 19

3 Based on bank-only BRSA weekly data as of July 1, 2016, commercial banks only

# 1 Outstanding NIM performance, highest among peers

## c. Expanding loan-to-deposit spread

Loan Yields<sup>1</sup> (Quarterly Averages)



Loan Yields

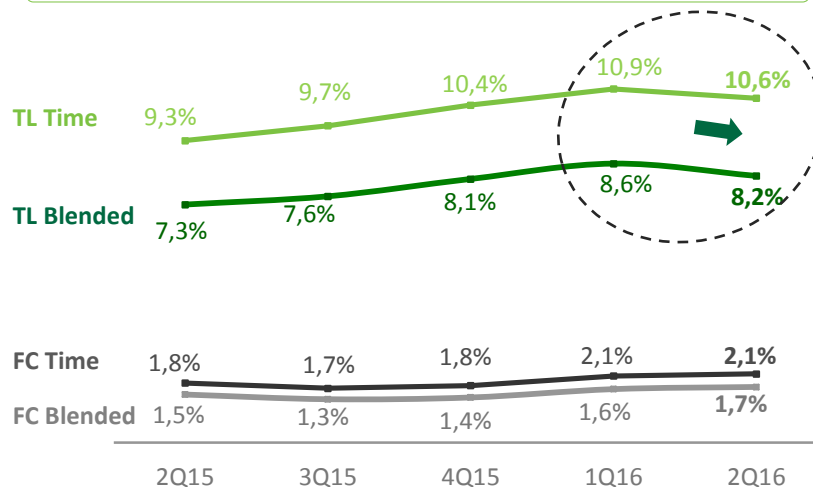
Timely loan extension at lucrative price levels continued to support total loan yields

+ 27bps in 2Q16

on top of

+ 24bps in 1Q 16

Deposit Costs<sup>1</sup> (Quarterly Averages)



Loan-to-Deposit Spread: +58bps QoQ

Deposit Costs

Strategically shaped deposit mix to actively manage costs...

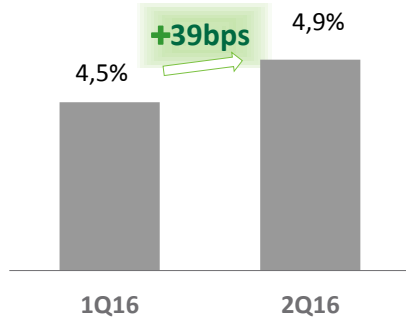
- 31bps in 2Q16

<sup>1</sup> Based on bank-only MIS data and calculated using daily averages

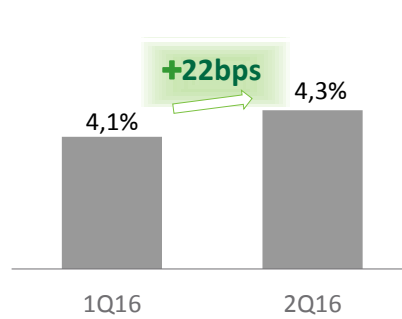
# 1 Outstanding NIM performance, highest among peers

## Quarterly NIM

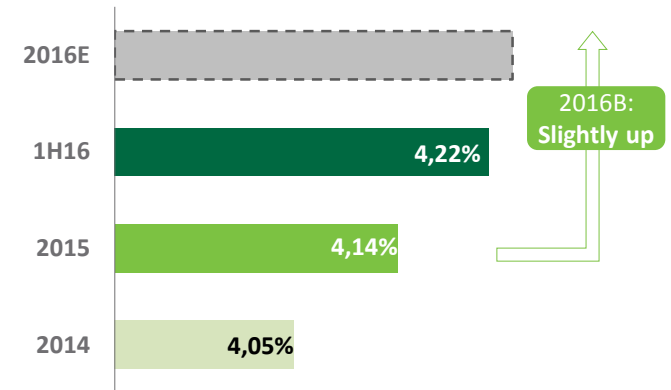
### Reported NIM



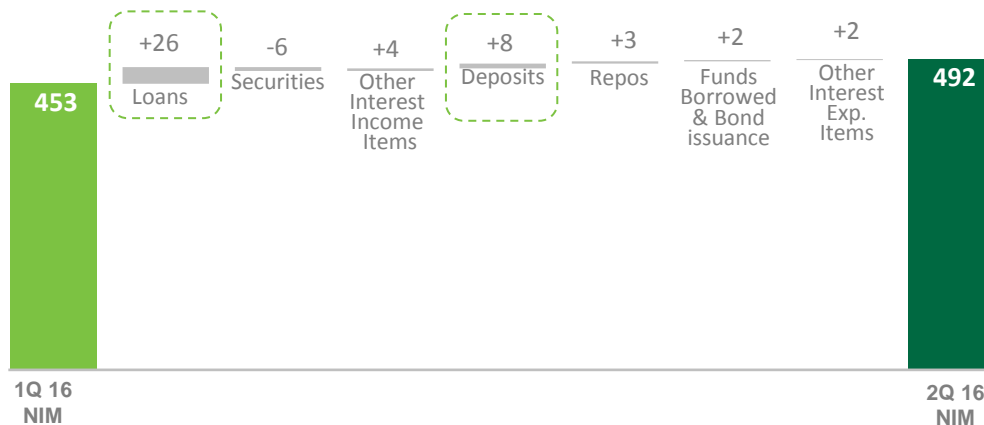
### NIM including Swap Costs



## Cumulative NIM including Swap Costs



## 2Q16 vs. 1Q16 Margin Evolution (in bps)

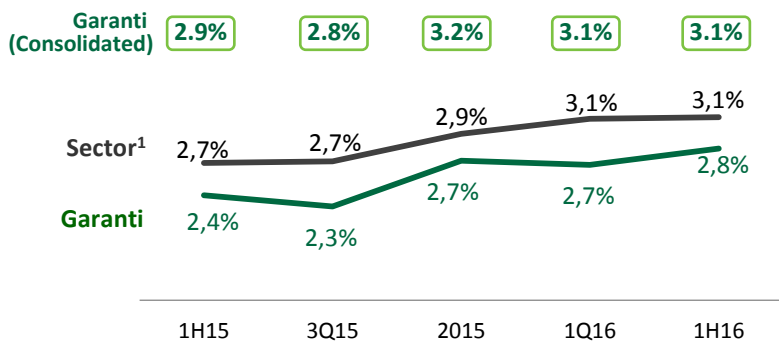




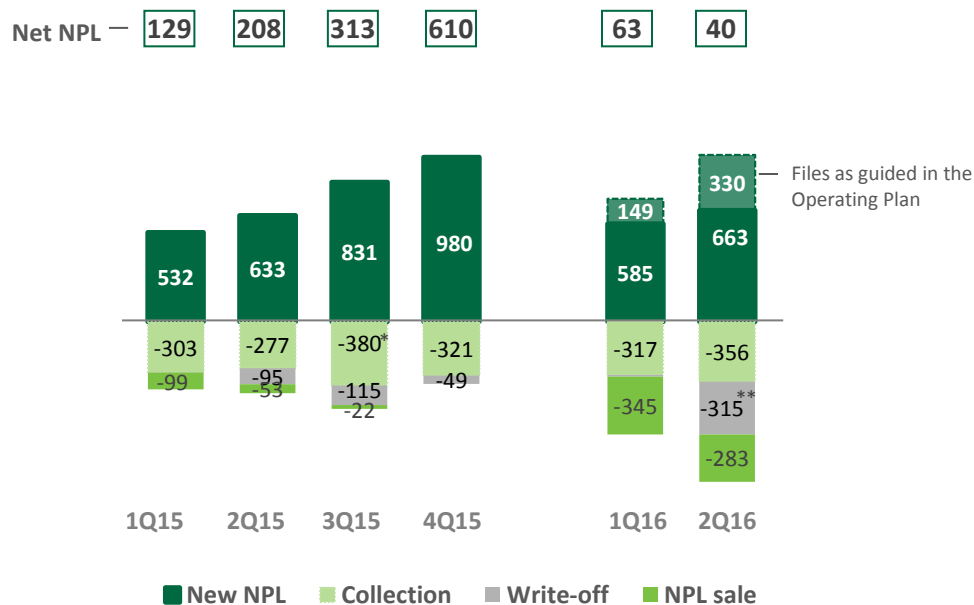
## 2 Preserved sound asset quality

### a.NPL ratio consistently below sector & inflows are as guided

NPL ratio



Net Quarterly NPLs (TL million)



Total Cash Coverage Ratio<sup>2</sup>: 135%

Specific Coverage Ratio: 76%

Bank-only: 79% vs. sector's 76%<sup>1</sup>

<sup>1</sup> Sector figures are per BRSA bank-only weekly data

<sup>2</sup> Total cash coverage includes specific, general and free provisions

\*In 3Q15 a big ticket commercial NPL amounting to TL176mn has been partially collected (Collection: TL76mn; Write-off: TL100mn)

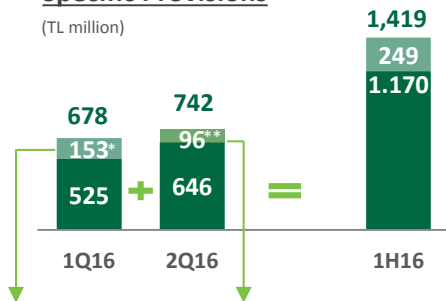
\*\*Write off figure includes the files that were written off as per request of regulatory bodies in GBR

## 2 Preserved sound asset quality

### b. Net Total CoR faring in-line with budget

#### Specific Provisions

(TL million)

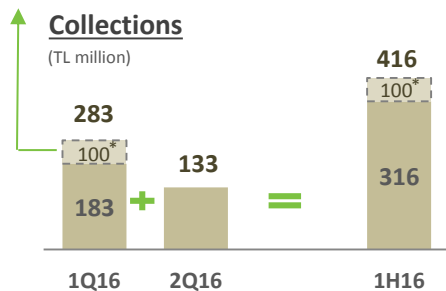


\* Effect of collateral re-assessment

\*\* Provisions imposed by NBR to Romanian banking sector

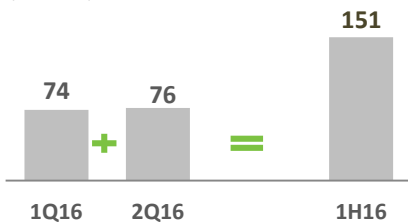
#### Collections

(TL million)

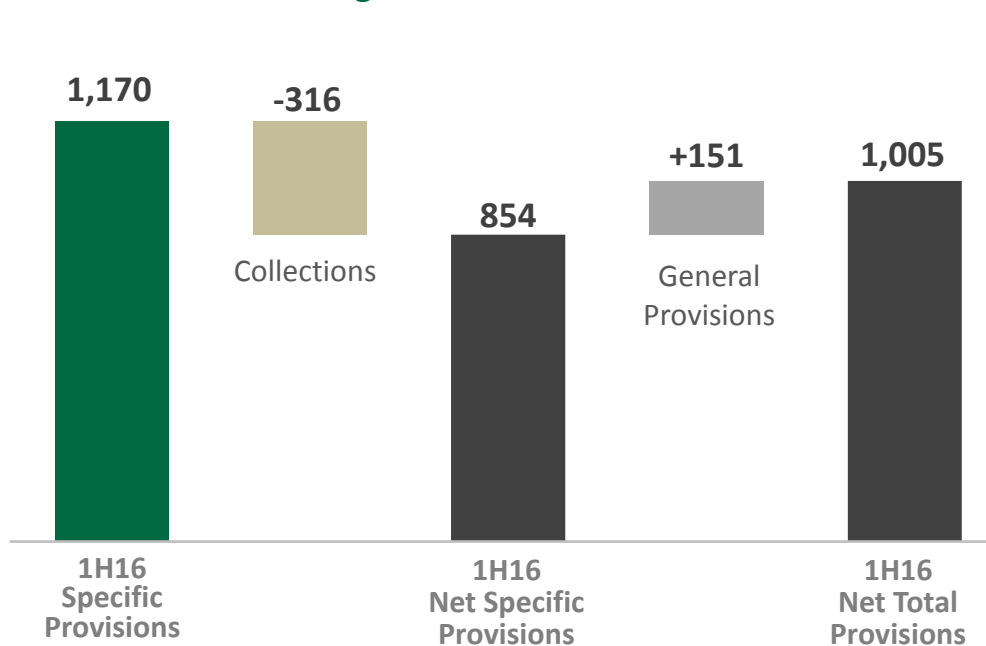


#### General Provision

(TL million)



#### 1H16 Net Provisioning Evolution (TL million)



Cost of Risk (Consolidated)

133bps

Cost of Risk (Bank-only)

131bps

vs. 2016B 100-125bps

97bps

92bps

vs. 2016B 60-85bps

114bps

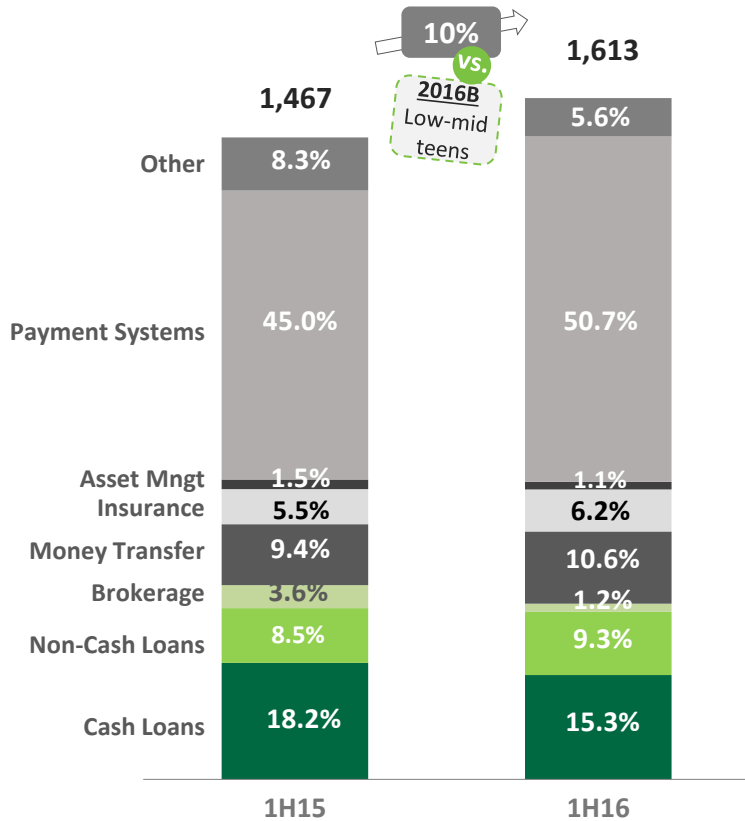
108bps

vs. 2016B 90-115bps

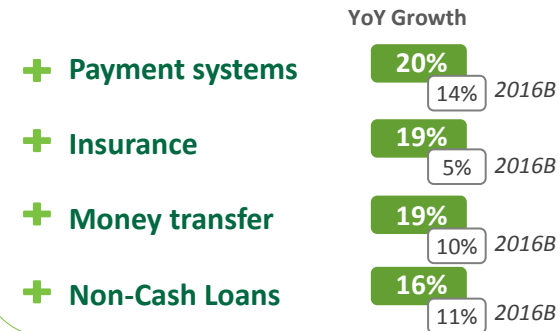
### 3 Outperformance in diversified fee areas

#### Highest market share in fees

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



Above budget performance in diversified fee areas



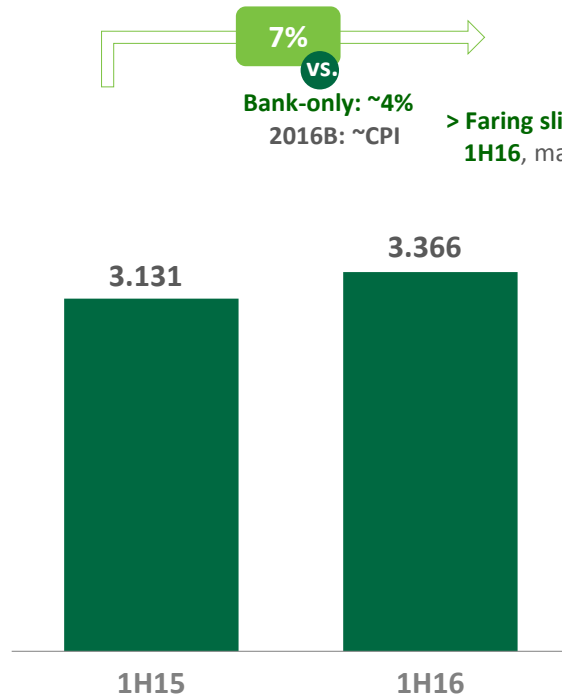
Higher than expected growth performance in fees veiled by the base effect

+2pp ○ Account maintenance fees, which typically hit 1Q & 3Q, are suspended in Feb 16. Court case still pending.

<sup>1</sup> Net Fees and Commissions breakdown is based on bank-only MIS data

# 4 Disciplined cost management and increased efficiencies

## Operating Expenses (TL million)



> **Faring slightly below budget in 1H16**, mainly due to **base effect**

### Base effects

- **High fee rebates**, especially in 1Q15:
  - ~%40 of the fee rebates in 2015 booked in 1Q15
  - Fee rebates in 1H16: TL112mn vs. TL184mn in 1H15
- TL81mn founder share tax penalty expense in 1Q15

OPEX/  
Avg. Assets:  
**2.4%**

Cost/Income<sup>1</sup>  
**50.5%**  
on a comparable basis

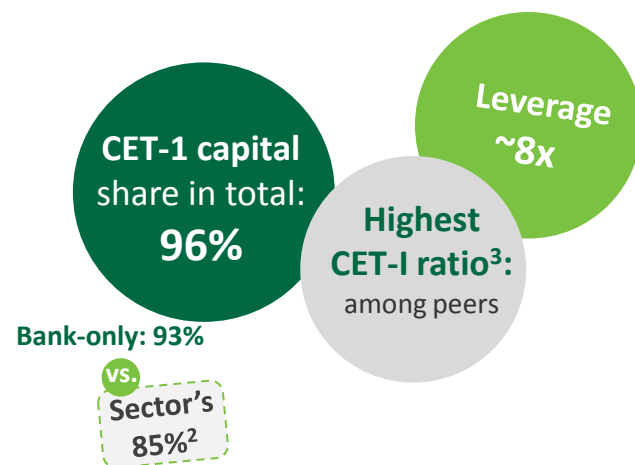
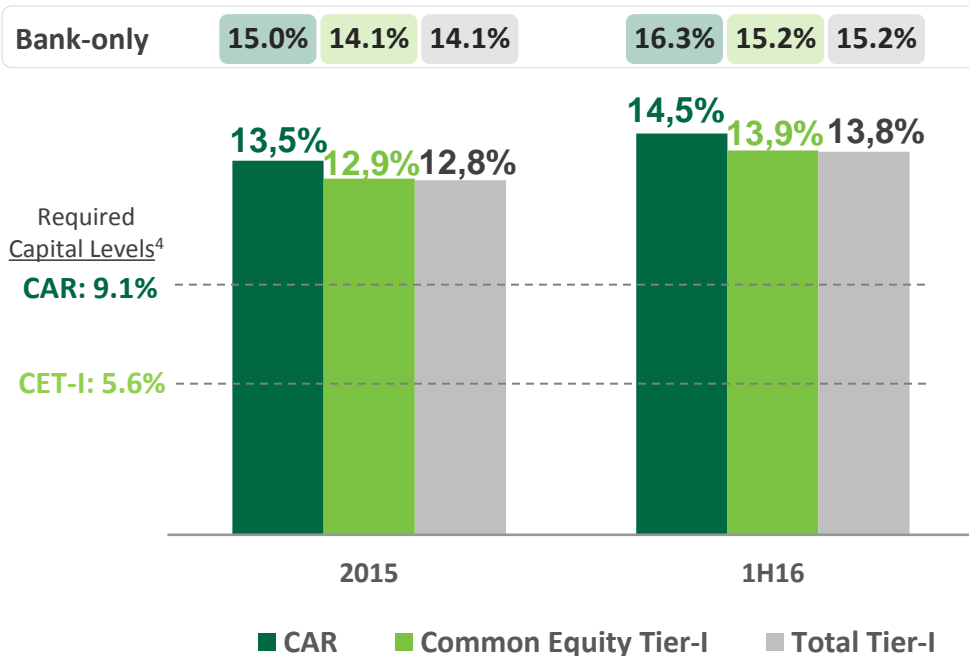
**3pp improvement YtD**

1 Income defined as NII+Net F&C - Provisions + Net Trading Gains/Losses + Other Income. Total income adjusted with NPL sale income, Visa sale income, provision reversal from Miles&Smiles, effect of collateral re-assetment and NBR related extra provisions at GBR. OPEX adjusted with fee rebates

## 5 Further strengthened capital – highest CET-I in the sector

### Capital Adequacy Ratios

Dividend Payment: **- 23 bps**  
 Regulation Impact<sup>1</sup>: **+ 39 bps**  
 Currency Impact: **+ 8 bps**  
 MtM Difference: **+ 8 bps**



<sup>1</sup> New capital regulations on free reserves, FC RR, unsecured loan and mortgage risk weightings, effective as of March 31, 2016. Impact calculated as of March 31, 2016.

<sup>2</sup> BRSA monthly data as of May 2016, for commercial banks only

<sup>3</sup> Among peers as of March 31, 2016

<sup>4</sup> Required CAR (9.13%) = 8.0% + SIFI Buffer for Group 3 (0.5%) + Capital Conservation Buffer (0.625%) + Counter Cyclical Buffer (0.005%)

Required CET-I (5.63%) = 4.5% + SIFI Buffer for Group 3 (0.5%) + Capital Conservation Buffer (0.625%) + Counter Cyclical Buffer (0.005%)

## Appendix

Pg. 15	Summary Balance Sheet
Pg. 16	Composition of Assets and Liabilities
Pg. 17	Securities portfolio
Pg. 18	Retail Loans
Pg. 19	Adjusted LtD ratio
Pg. 20	External Debt
Pg. 21	Summary P&L
Pg. 22	Key Financial Ratios

## Summary Balance Sheet

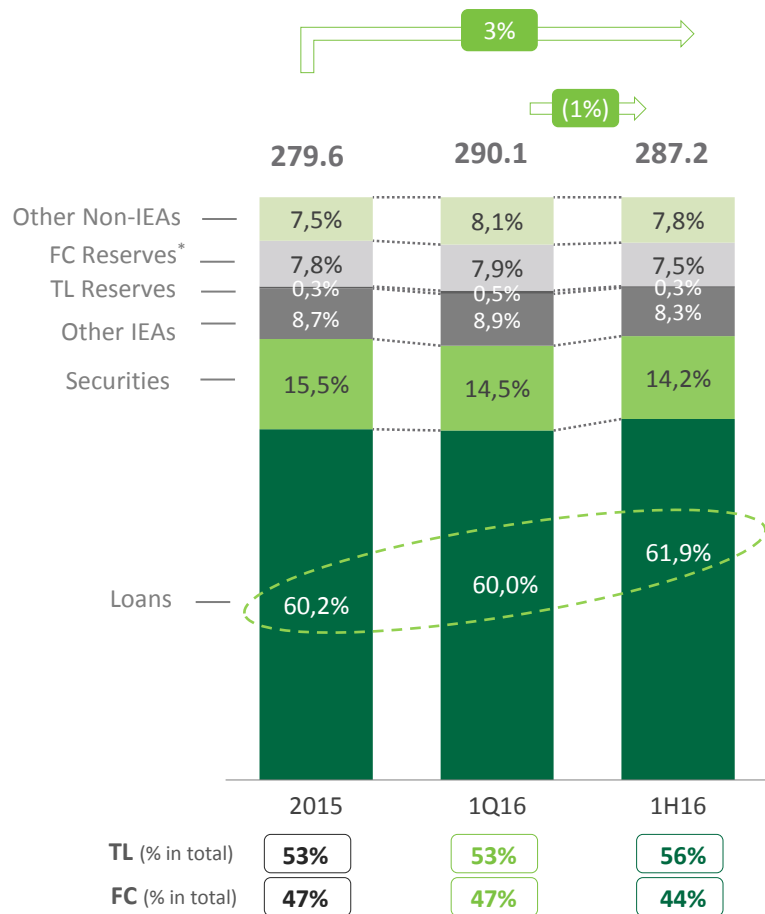
<i>(TL million)</i>	<b>Jun-15</b>	<b>Sep-15</b>	<b>Dec-15</b>	<b>Mar-16</b>	<b>Jun-16</b>	<b>YtD Change</b>
Cash & Banks <sup>1</sup>	17,249	27,334	20,387	24,826	22,324	9%
Reserve Requirements	20,073	21,967	21,286	21,178	18,887	-11%
Securities	44,287	44,861	46,495	45,781	44,767	-4%
Performing Loans	159,338	172,028	170,408	176,229	180,233	6%
Fixed Assets & Subsidiaries	2,228	2,269	4,126	4,162	4,190	2%
Other	15,310	17,900	16,945	17,877	16,846	-1%
<b>TOTAL ASSETS</b>	<b>258,485</b>	<b>286,359</b>	<b>279,647</b>	<b>290,054</b>	<b>287,248</b>	<b>3%</b>
Deposits	145,312	165,659	156,134	164,567	170,623	9%
Repos & Interbank	13,146	14,611	16,568	17,741	7,566	-54%
Bonds Issued	14,985	16,295	15,512	16,282	15,897	2%
Funds Borrowed <sup>2</sup>	38,467	40,005	39,520	36,656	37,696	-5%
Other	18,814	21,477	20,710	22,932	22,165	7%
SHE	27,761	28,313	31,204	31,876	33,301	7%
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>258,485</b>	<b>286,359</b>	<b>279,647</b>	<b>290,054</b>	<b>287,248</b>	<b>3%</b>

1 Includes banks, interbank, other financial institutions

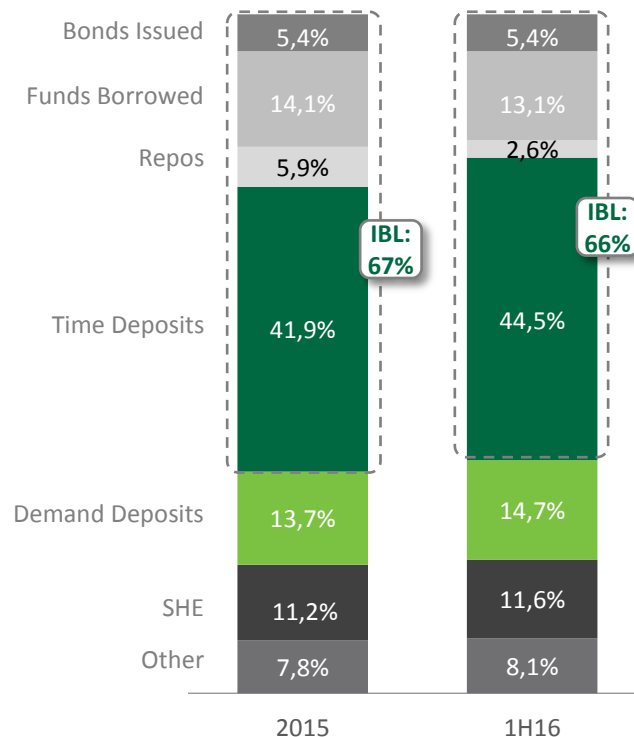
2 Includes funds borrowed and sub-debt

# Composition of Assets and Liabilities

### Composition of Assets<sup>1</sup> (% , TL billion)



### Composition of Liabilities



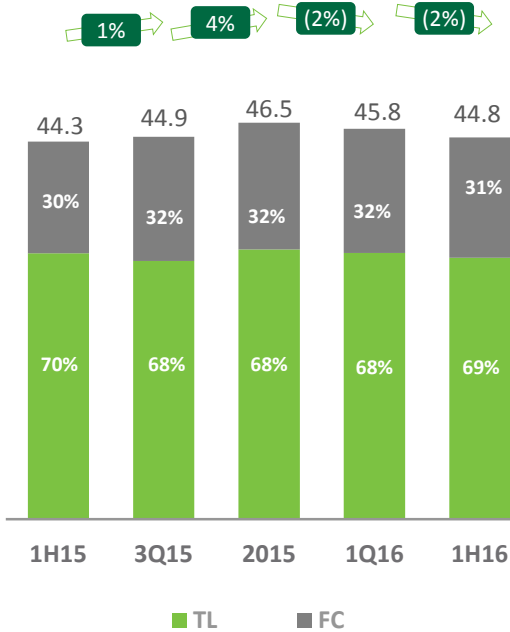
<sup>1</sup> Accrued interest on B/S items are shown in non-IEAs

\* CBRT started remunerating TL reserves in 1Q15 & FC reserves in 2Q15. However, the rate introduced on FC reserves is quite symbolic, generating non-material income as opposed to its large share in the asset mix. Therefore, FC reserves considered as non-IEAs also for 2015&1Y16

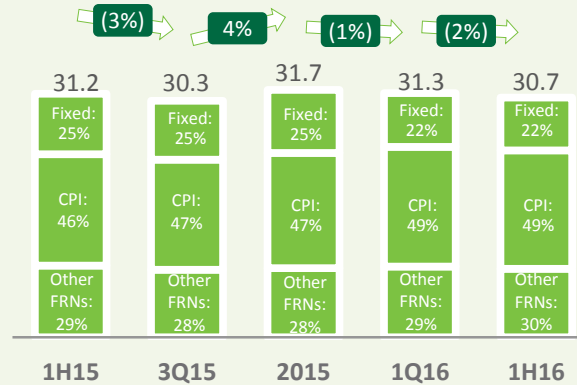


# Securities portfolio remains as hedge against volatility

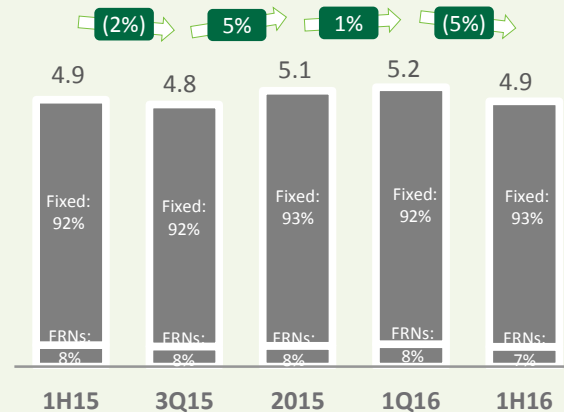
Total Securities (TL billion)



TL Securities (TL billion)

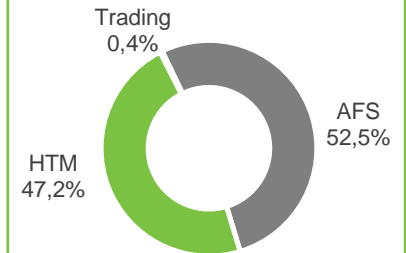


FC Securities (US\$ billion)



Securities<sup>1</sup>/Assets:  
**14%**  
hovering at its  
lowest level

Securities Composition

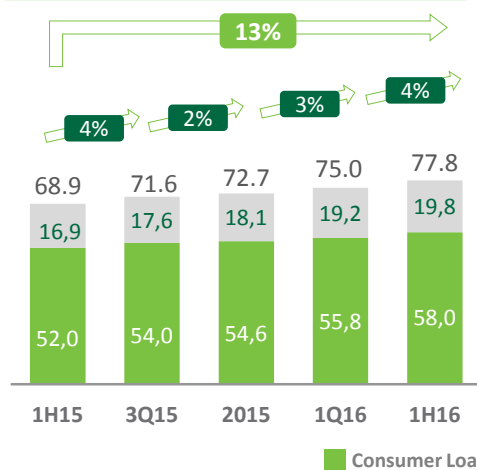
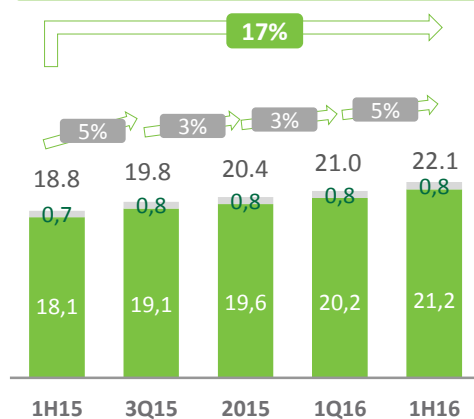


Unrealized MtM loss (pre-tax)

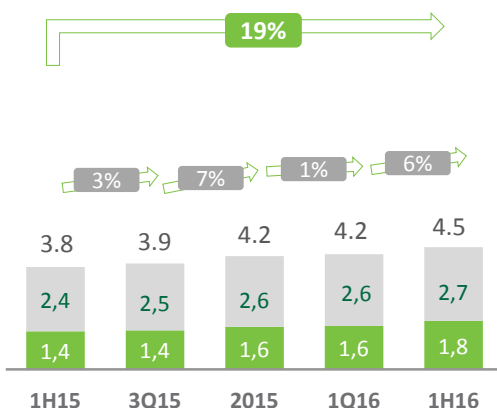
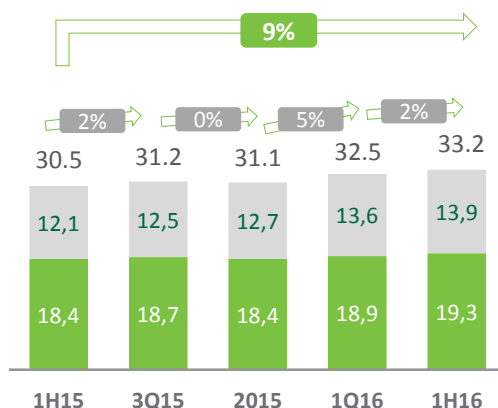
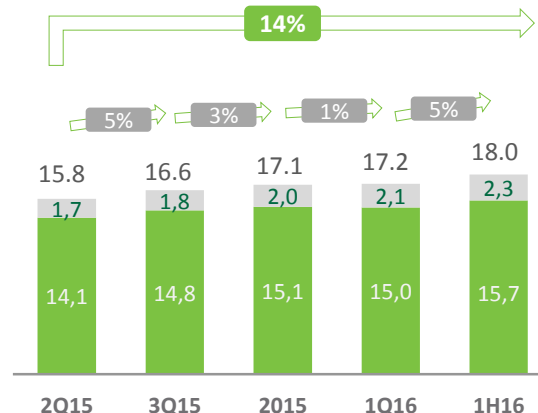
~TL 166mn as of June-end vs.  
~TL367mn loss in March-end ;  
~TL 645mn loss in YE15

<sup>1</sup> Excluding accruals  
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data.

# Healthy market share gains sustained across all retail products

**Retail Loans<sup>1</sup>** (TL billion)

**Mortgage Loans** (TL billion)

**Market Shares**

	Jun'16	QoQ	YtD	Rank
Consumer Loans	14.7%	+23bps	+41bps	#1
Cons. Mortgage	14.6%	+21bps	+33bps	#1
Cons. Auto	31.2%	+274bps	+413bps	#1
GPLs	9.1%	+5bps	+45bps	#2
Corporate CCs	13.5%	+33bps	+108bps	#2
# of CC customers	14.8% <sup>3</sup>	+20bps	+29bps	#1 <sup>3</sup>
Issuing Vol.	20.1% <sup>3</sup>	+13bps	+85bps	#1 <sup>3</sup>
Acquiring Vol.	20.9% <sup>3</sup>	+1bps	+33bps	#1 <sup>3</sup>

**Auto Loans** (TL billion)

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

**Credit Card Balances** (TL billion)


■ Consumer Loans ■ Commercial Instalment Loans

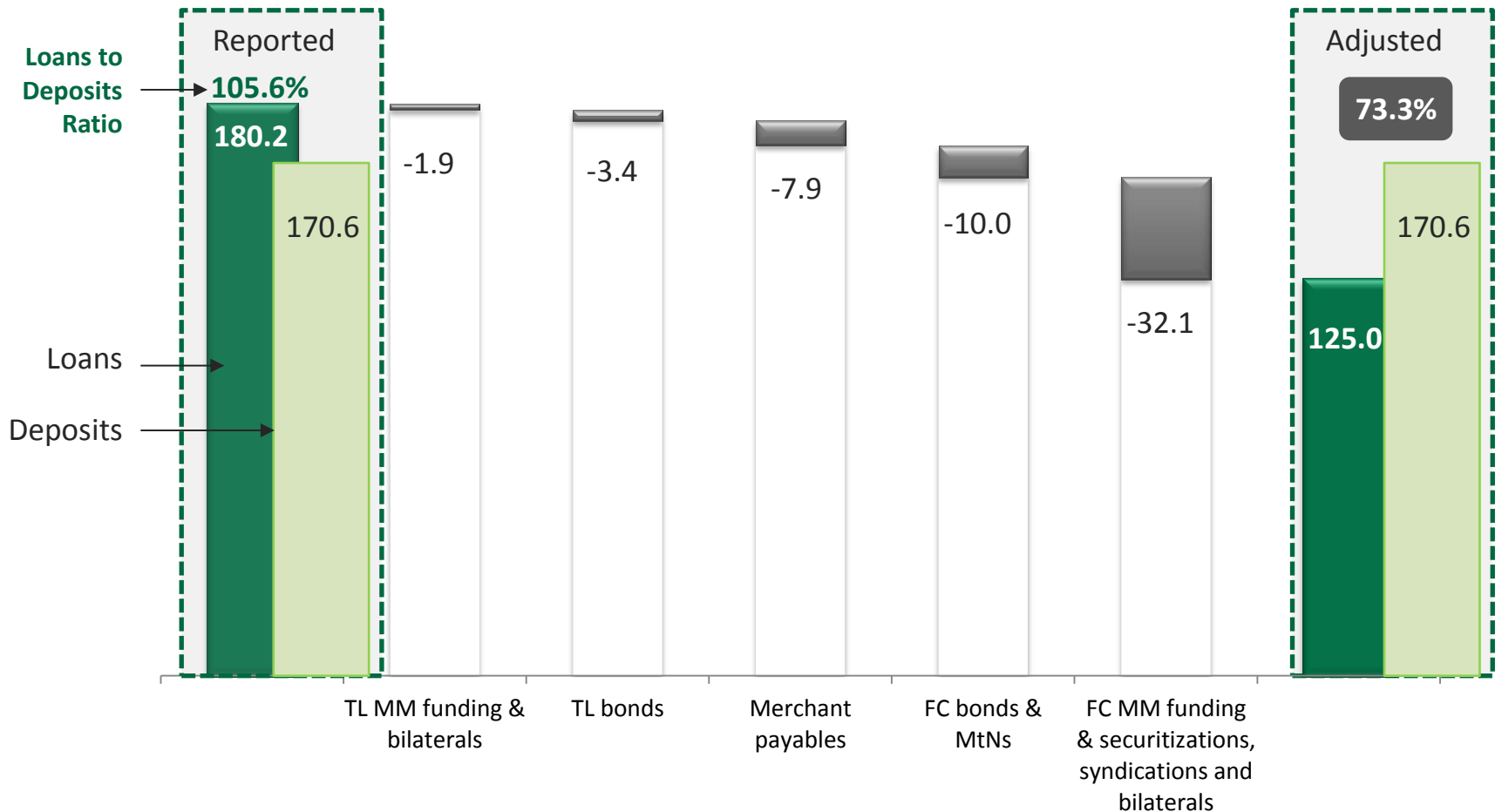
<sup>1</sup> Including consumer, commercial instalment, overdraft accounts, credit cards and other

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

<sup>3</sup> As of June 2016, as per Interbank Card Center data. Other rankings are as of March 2016, based on monthly BRSA data

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of July 01, 2016, commercial banks only (ii) Rankings are as of March 2016, among private banks. unless otherwise stated

## Adjusted LtD ratio - Loans funded via long-term on B/S alternative funding sources ease LtD ratio

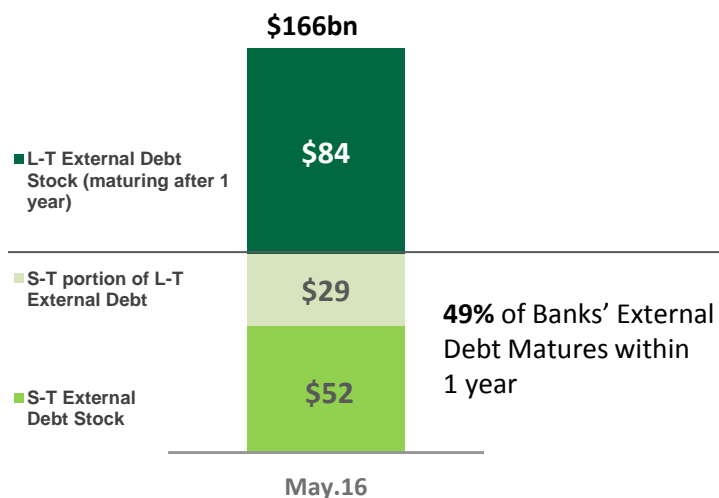


# External debt -- Private Banks have sufficient buffer even in a worst case

## Total External Debt

As of May 2016 (USD bln)	S-T External Debt Stock	S-T portion of L-T External Debt	Total Ext. Debt Maturing within 1 year	L-T External Debt Stock (maturing after 1 year)	TOTAL EXTERNAL DEBT
Real Sector	35.8	16.9	52.7	53.0	105.8
Private Banks	52.3	29.4	81.7	84.4	166.1
Financial Inst. Except Banks	2.3	6.8	9.1	12.5	21.6
Public Sector	17.7	6.7	24.4	95.1	119.4
<b>Total</b>	<b>108.1</b>	<b>59.8</b>	<b>167.9</b>	<b>244.9</b>	<b>412.9</b>

## Private Banks' Total External Debt\*



Note that, *syndicated loans make up ~22% of \$82bn external debt maturing within 1 year*

## Sector's ST Liabilities hedged via;

FC reserves under ROC	~40bn\$
MM Placements	~13bn\$
ST swaps	~22bn\$
Unencumbered FC sec.	~8bn\$

**TOTAL: ~83bn\$**

~10% of sector's assets

## Summary P&L

TL Million	1H 15	1H 16	Δ YoY	1Q 16	2Q 16	Δ QoQ
(+) NII excld. inc. on CPI linkers	4,089	4,993	22%	2,356	2,637	12%
(+) Net Fees & Comm.	1,467	1,613	10%	822	792	-4%
(-) Specific + General provisions net of collections*	-760	-874	15%	-416	-459	10%
(-) Specific Prov. excl. the effect of collateral re-assessment	-791	-1,170	48%	-525	-646	23%
(-) General Provisions	-304	-151	-50%	-74	-76	3%
(+) Collections excl. the effect of collateral re-assessment	336	317	-6%	183	133	-27%
(+) Free prov. reversal assigned for the files guided in OP	0	130	n.m	0	130	n.m
(-) Swap Cost	-374	-640	71%	-266	-374	41%
(-) OPEX	-3,131	-3,366	7%	-1,689	-1,677	-1%
<b>= CORE OPERATING INCOME</b>	<b>1,290</b>	<b>1,726</b>	<b>34%</b>	<b>807</b>	<b>919</b>	<b>14%</b>
(+) Income on CPI linkers	820	823	0%	410	413	1%
(+) Net Trading & FX gains/losses	137	97	-29%	15	83	461%
(+) Dividend Income	5	9	68%	0	9	8772%
(+) Other income	444	553	25%	222	331	49%
(+) NPL sale income	23	53	126%	32	21	-35%
(+) Provision reversal from Miles&Smiles	0	64	n.m	0	64	n.m
(+) Gain from asset sale	0	18	n.m	0	18	n.m
(+) Provision reversal of tax penalty paid	81	0	n.m	0	0	n.m
(+) Other	340	419	23%	190	229	20%
(+) Visa sale (gross)	0	279	n.m	0	279	n.m
(+) Provision reversal due to collateral re-assessment	0	100	n.m	100	0	n.m
(-) Extra provisions related to collateral re-assessment	0	-249	n.m	-153	-96	n.m
(-) Taxation and other provisions	-678	-733	8%	-343	-390	14%
<b>= NET INCOME</b>	<b>2,018</b>	<b>2,605</b>	<b>29%</b>	<b>1,057</b>	<b>1,548</b>	<b>46%</b>

\* Includes free provision reversal (TL130mn in 2Q16) assigned for the files guided in OP and excludes the effect of collateral re-assessment (TL53mn in 1Q16) and provisions imposed by NBR to Romanian banking sector (TL96mn).

## Key financial ratios

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
<b>Profitability ratios</b>					
ROAE <sup>1</sup> (Cumulative)	15.8%	13.4%	12.8%	14.2%	16.0%
ROAA <sup>1</sup> (Cumulative)	1.7%	1.4%	1.4%	1.6%	1.8%
Cost/Income	53.7%	57.3%	57.6%	54.7%	50.2%
Comparable Cost/Income <sup>2</sup>	49.6%	52.5%	53.5%	52.4%	50.5%
NIM (Quarterly)	5.0%	4.1%	4.8%	4.5%	4.9%
<b>Liquidity ratios</b>					
Loans/Deposits	109.7%	103.8%	109.1%	107.1%	105.6%
Loans/Deposits adj. with on-balance sheet alternative funding sources <sup>3</sup>	75.1%	71.6%	73.2%	74.0%	73.3%
<b>Asset quality ratios</b>					
NPL Ratio	2.9%	2.8%	3.2%	3.1%	3.1%
Coverage	75.9%	74.6%	76.1%	76.2%	76.4%
<b>Solvency ratios</b>					
CAR	13.0%	12.3%	13.5%	13.6%	14.5%
CET-1 Ratio	12.0%	11.6%	12.9%	13.0%	13.9%
Leverage	8.3x	9.1x	8.0x	8.1x	7.6x

1 Excludes non-recurring items (Income from NPL sale, Visa sale income, gains on asset sale, fee rebates, provision reversal from Miles&Smiles, provisions imposed by NBR to Romanian banking sector and effect of collateral re-assessment) when annualizing Net Income for the second half of the year. 2 Income defined as NII+Net F&C - Provisions + Net Trading Gains/Losses + Other Income. Total income adjusted with NPL sale income, Visa sale income, provision reversal from Miles&Smiles, effect of collateral re-assetment and NBR related extra provisions at GBR. OPEX adjusted with fee rebates 3 Please refer to slide 19 for details.

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