

# Earnings Presentation

**June 30, 2016**



**BRSA Bank-only Financials**

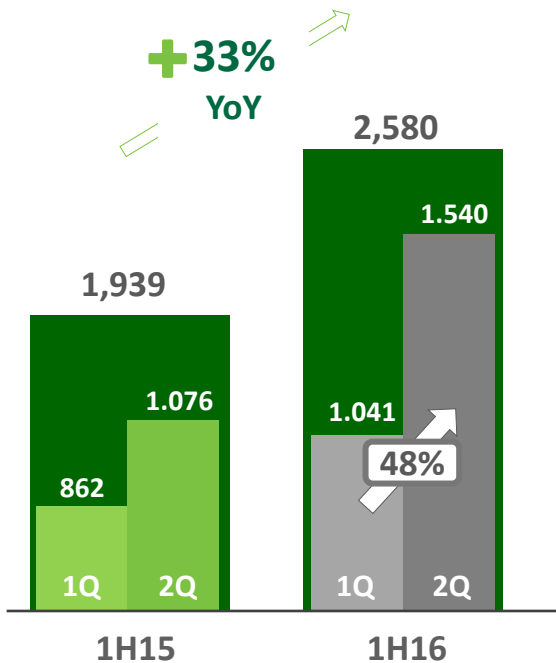
# ROBUST PROFITABILITY...

**Net Income:**  
**TL2,580mn**

**ROAE<sup>1</sup>:**  
**15.7%**

**ROAA<sup>1</sup>:**  
**1.9%**

## 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	3,621	4,419	22%	2,080	2,340	13%
(+) Net Fees & Comm.	1,455	1,544	6%	781	763	-2%
(-) Specific + General Provisions net of collections*	-611	-749	23%	-375	-374	0%
(-) Swap Cost	-374	-640	71%	-266	-374	41%
(-) OPEX	-2,803	-2,927	4%	-1,483	-1,444	-3%
<b>= CORE OPERATING INCOME</b>	<b>1,288</b>	<b>1,647</b>	<b>28%</b>	<b>737</b>	<b>911</b>	<b>24%</b>

\* Includes free provision reversal (TL130mn in 2Q16) assigned to files guided in OP and excludes the effect of collateral re-assessment (TL53mn in 1Q16). Please refer to slide 21 for details



**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...

<b>Net Income:</b> TL2,580mn	<b>ROAE<sup>1</sup>:</b> 15.7%	<b>ROAA<sup>1</sup>:</b> 1.9%
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## 1 Outstanding NIM performance, highest among peers

	Cum. NIM	Cum. NIM inc. Swap Costs	Quarterly NIM	Qtr. NIM inc. Swap Costs
	4.8%	4.2%	5.0%	4.3%
<b>YtD</b>	+23bps	+8bps	<b>QtD</b>	+22bps

## 2 Preserved sound asset quality

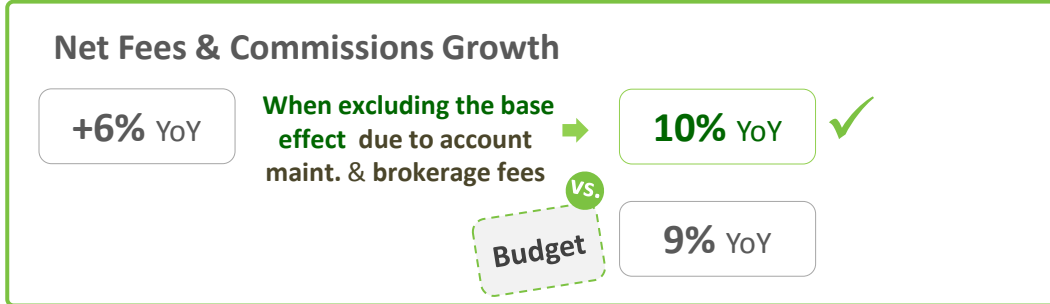
	NPL Ratio	Coverage	Total Cash Coverage	Cum. Net Total CoR
<b>Garanti</b>	2.8%	79.3%	148%	108bps ✓
<b>Sector's</b> vs.	3.1%	76%		<b>Budget</b> vs. 90-115bps

<sup>1</sup> Excludes non-recurring items (Income from NPL sale, Visa sale income, gains on asset sale, fee rebates, provision rev. from Miles&Smiles and effect of collateral re-assessment) when annualizing Net Income for the second half of the year

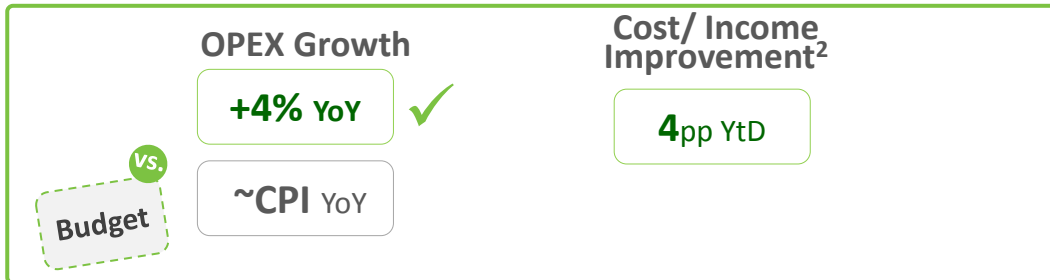
# WHAT LIES BENEATH...

Net Income: TL2,580mn | ROAE<sup>1</sup>: 15.7% | ROAA<sup>1</sup>: 1.9%

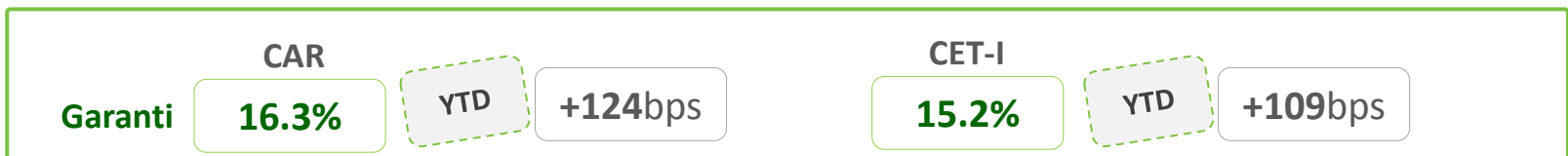
## 3 Outperformance in diversified fee areas -- highest market share in fees



## 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 rev. from Miles&Smiles and effect of collateral re-assessment) when annualizing Net Income for the second half of the year

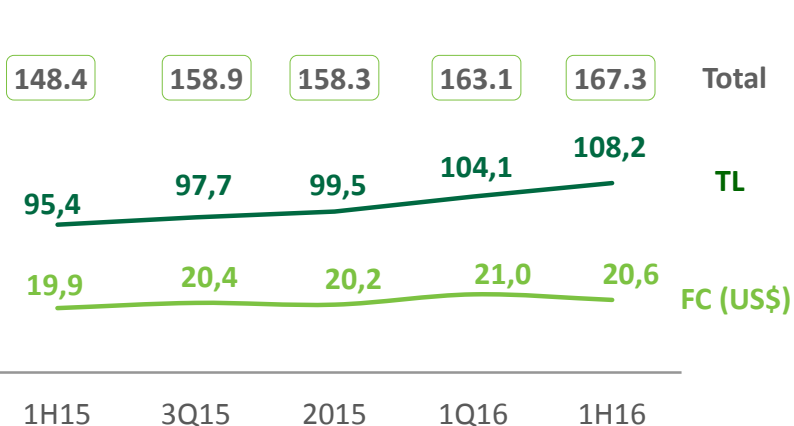
<sup>2</sup> On a comparable basis. Income defined as NII+Net F&C - Provisions + Net Trading Gains/Losses + Other Income+ Income on subsidiaries. Total income adjusted with NPL sale income, Visa sale income, provision reversal from Miles&Smiles, effect of collateral re-assessment. OPEX adjusted with fee rebates

# 1 Outstanding NIM performance, highest among peers

## a. Disciplined lending growth in lucrative areas

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

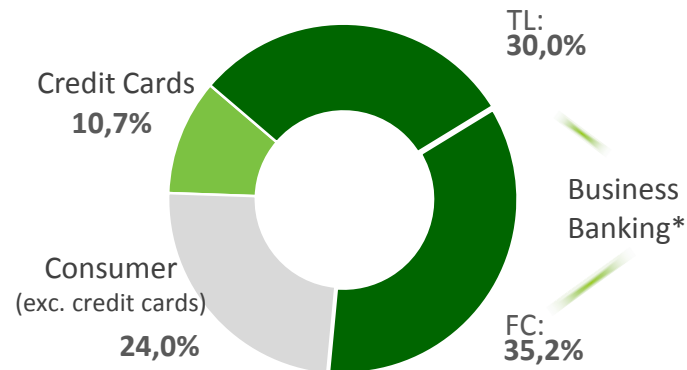
63% of Total Assets



**Growth**

QoQ: 3%  
YTD: 6%  
-----  
QoQ: 4%  
YTD: 9%  
-----  
QoQ: (2%)  
YTD: 2%

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	8%	4%
FC Business banking	4%	(2%)
Consumer loans (excl. CCs)	3%	4%
Credit Cards	1%	5%

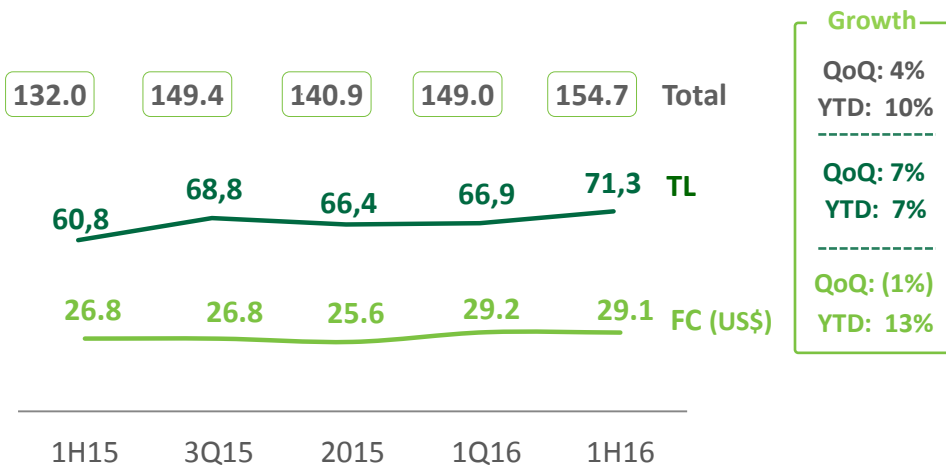
<sup>1</sup> Performing cash loans  
\* Business banking loans represent total loans excluding credit cards and consumer loans

# 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

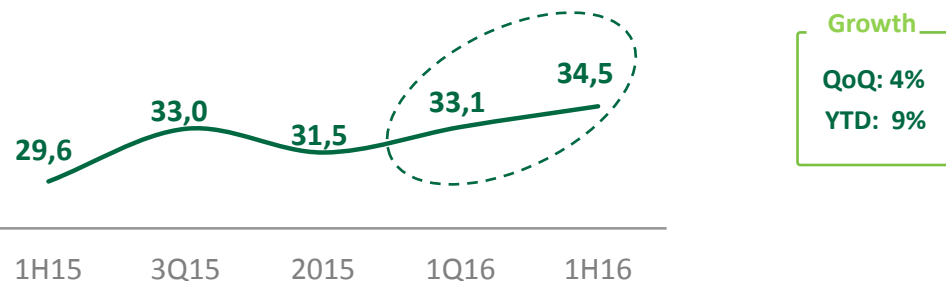


### ● Deposit heavy funding base

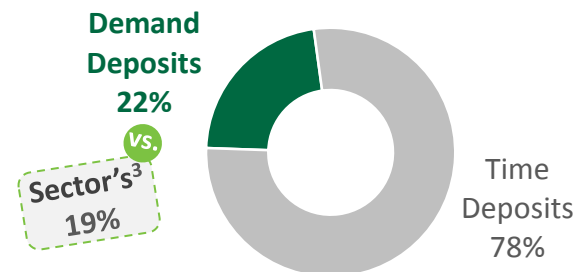
- > Share of **SME & Retail deposits in TL** deposits: **80%**<sup>1</sup>
- > **Total LtD ratio: 108%** vs. 112% in 2015YE
- > **Adj. LtD ratio**<sup>2</sup>: **74.5%**

### ● 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

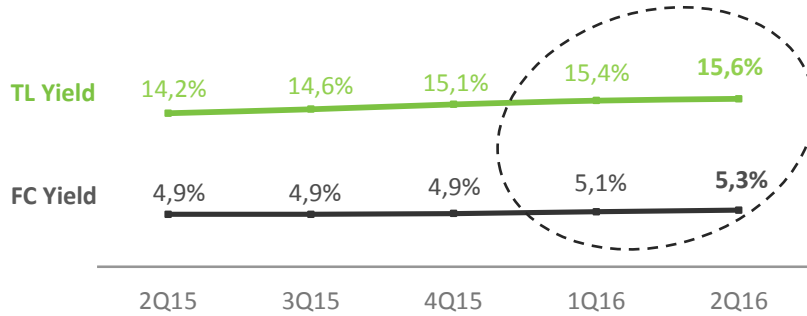
2 Please refer to slide 19

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)

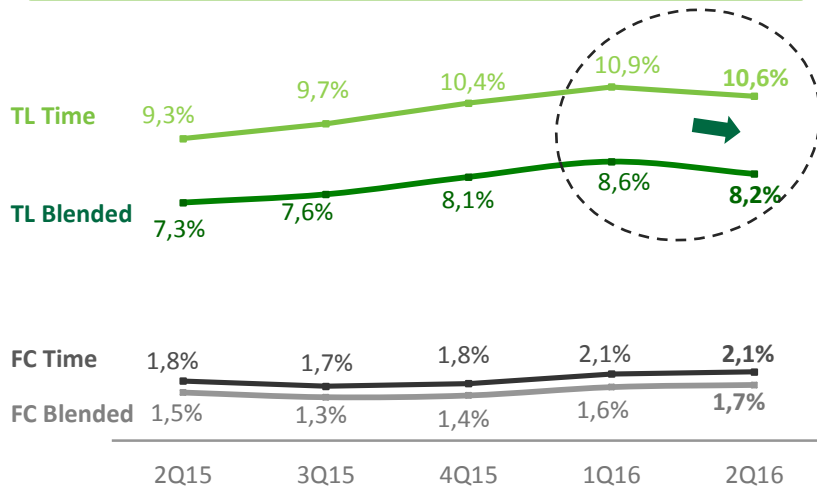


Loan Yields

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...

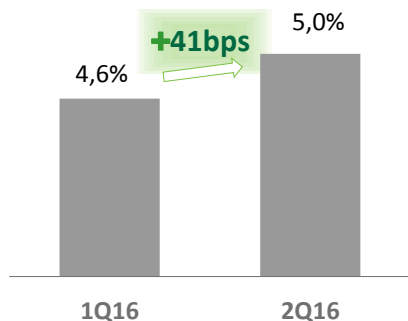
- 31bps in 2Q16

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

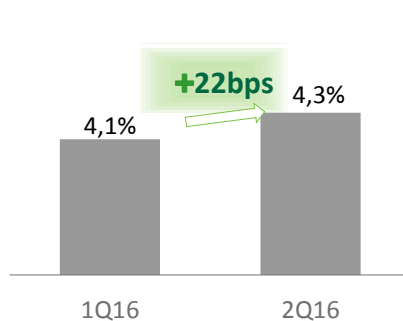
# 1 Outstanding NIM performance, highest among peers

## Quarterly NIM

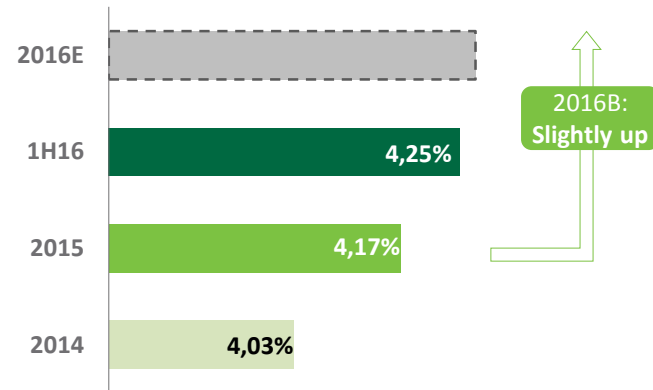
### Reported NIM



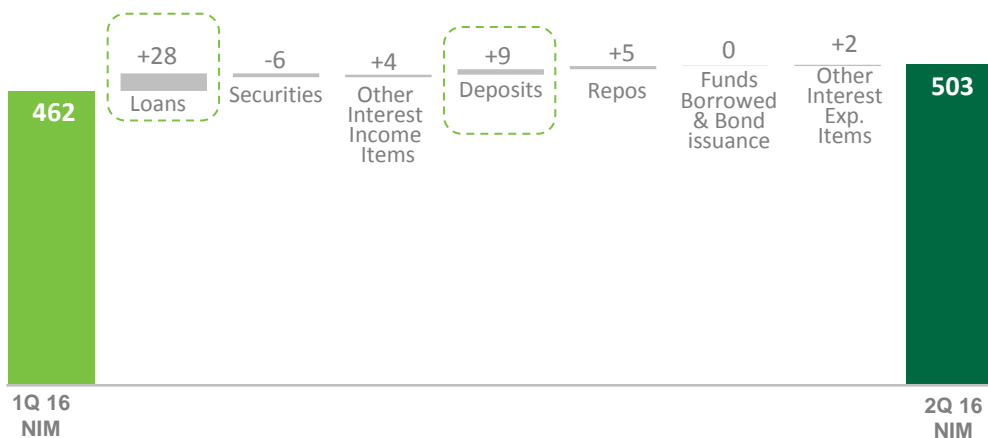
### NIM including Swap Costs



## Cumulative NIM including Swap Costs



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

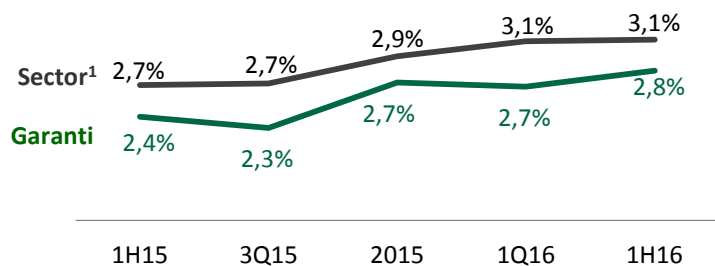




## 2 Preserved sound asset quality

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

#### NPL ratio

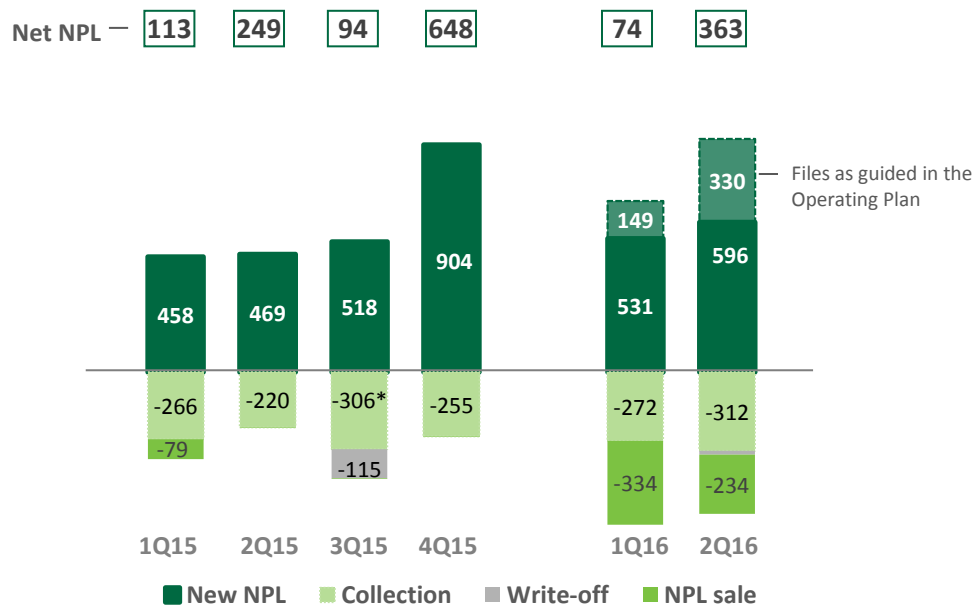


Total Cash Coverage Ratio<sup>2</sup>: 148%

Specific Coverage Ratio: 79%

vs. sector's<sup>1</sup>: 76%

#### Net Quarterly NPLs (TL million)



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

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

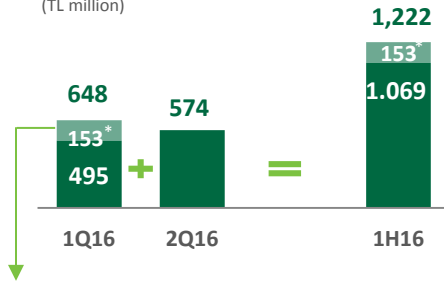
\*In 3Q15 a big ticket commercial NPL amounting to TL176mn has been partially collected (Collection: TL76mn; Write-off: TL100mn)

## 2 Preserved sound asset quality

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

#### Specific Provisions

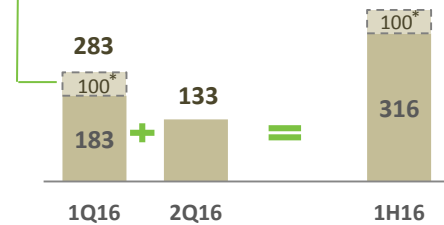
(TL million)



\* Effect of collateral re-assessment

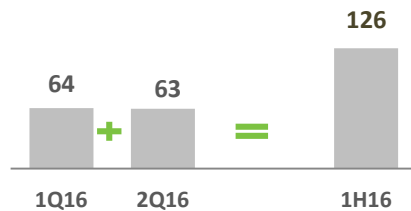
#### Collections

(TL million)

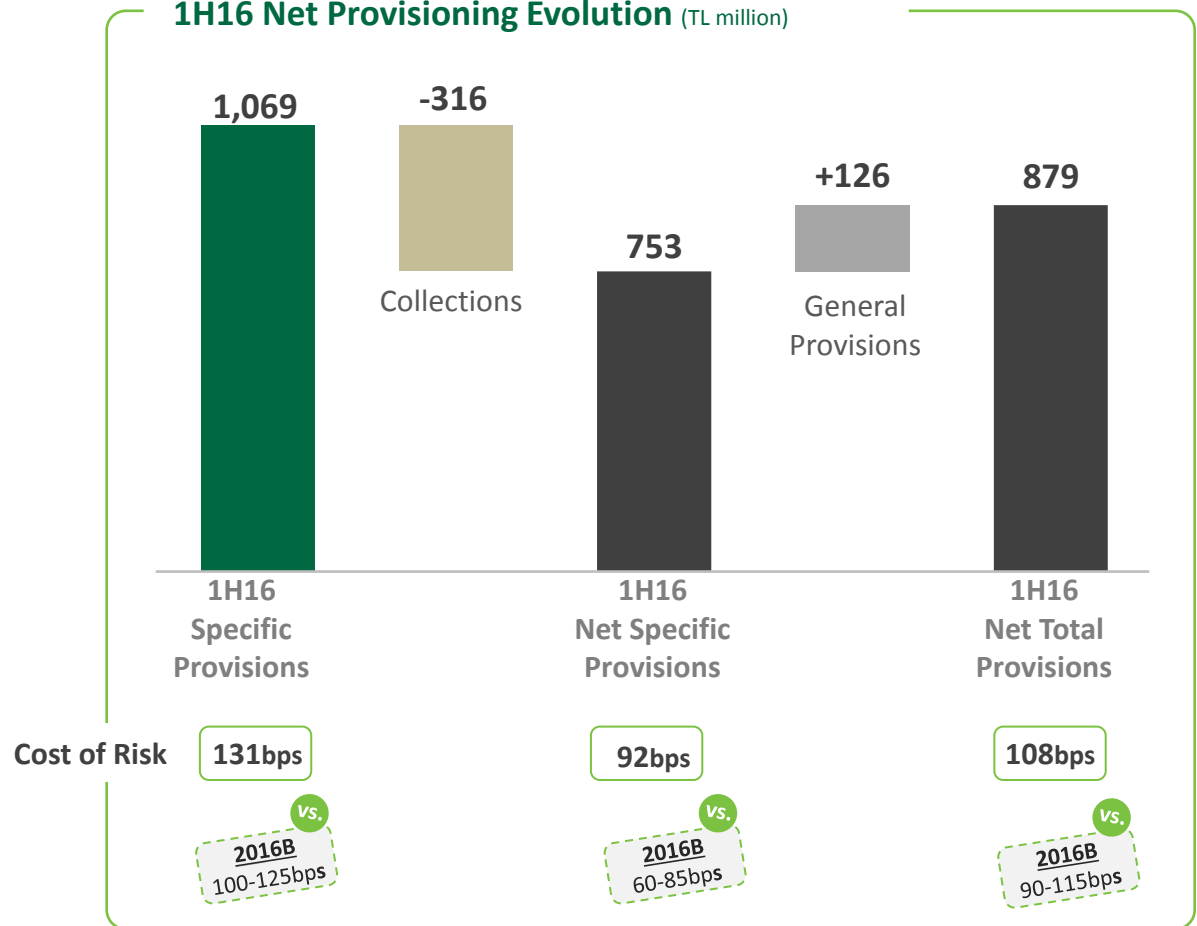


#### General Provision

(TL million)



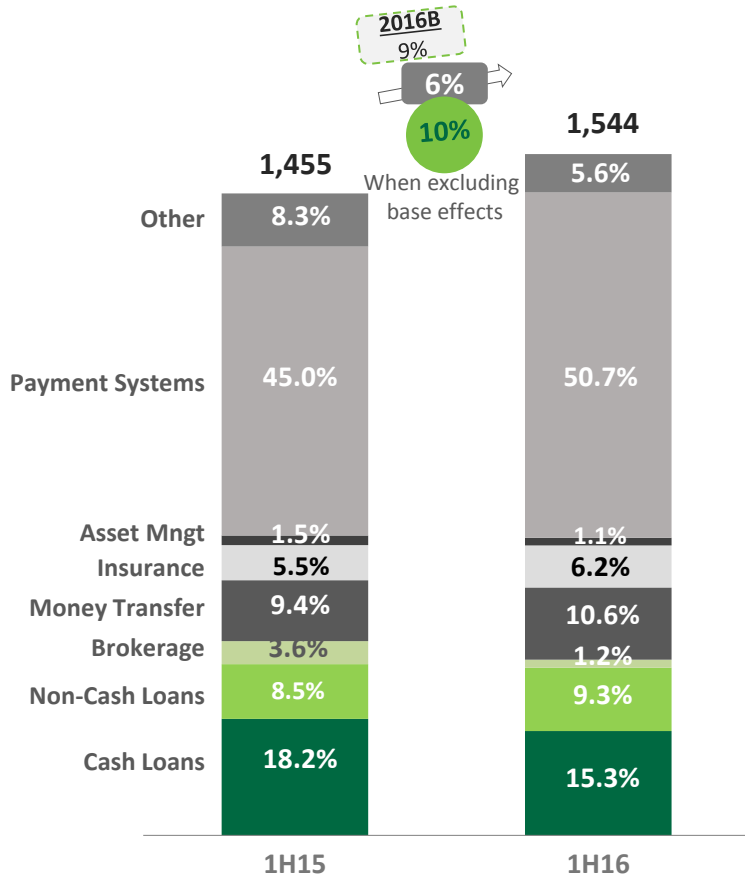
#### 1H16 Net Provisioning Evolution (TL million)



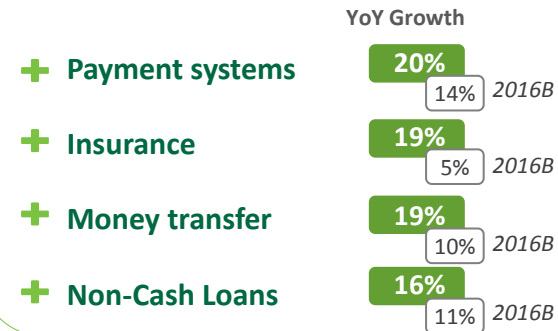
### 3 Outperformance in diversified fee areas

#### Highest market share in fees

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



#### Above budget performance in diversified fee areas



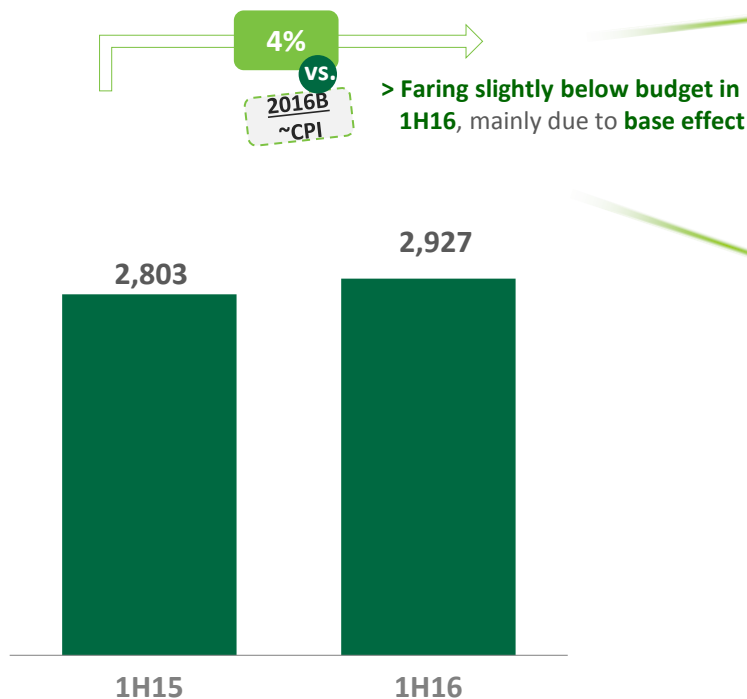
**Higher than expected growth performance in fees veiled by the base effects**

- +2pp **Account maintenance fees**, which typically hit 1Q & 3Q, are suspended in Feb 16. Court case still pending.
- +2pp **Brokerage Fees' distribution percentages changed from 75% to 20%**. The application started in October 2015, therefore 1H15 fee base was inflated vs. 1H16

<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)



### 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:  
**2.3%**

Cost/Income<sup>1</sup>  
**48.8%**  
on a comparable  
basis

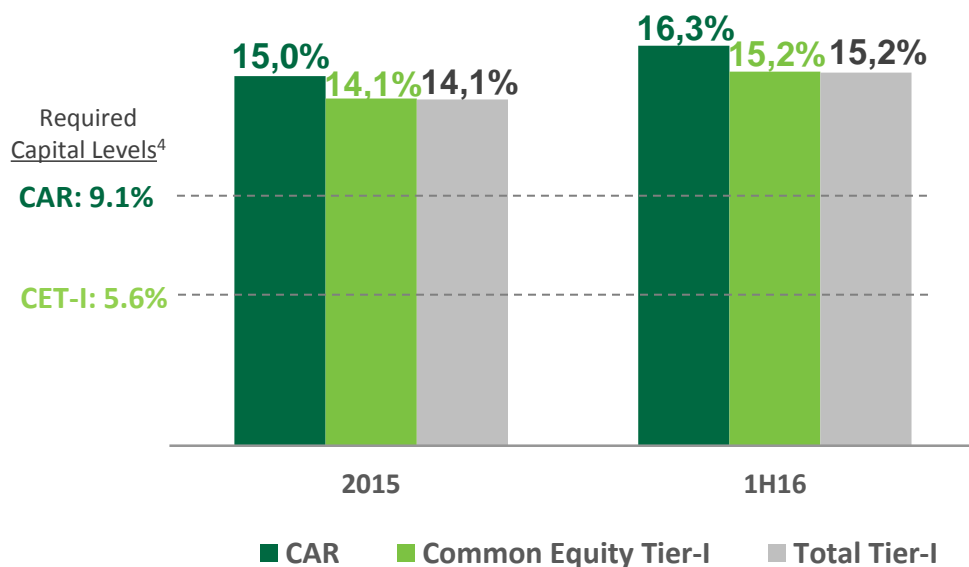
**4pp improvement YtD**

<sup>1</sup> Income defined as NII+Net F&C - Provisions + Net Trading Gains/Losses + Other Income+ Income on subsidiaries. Total income adjusted with NPL sale income, Visa sale income, provision reversal from Miles&Smiles, effect of collateral re-assetment. OPEX adjusted with fee rebates

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

### Capital Adequacy Ratios

Dividend Payment: **- 26 bps**  
 Regulation Impact<sup>1</sup>: **+ 44 bps**  
 Currency Impact: **+ 7 bps**  
 MtM Difference: **+ 8 bps**



**CET-1 capital share in total: 93%**

**Leverage ~7x**

**Highest CET-I ratio<sup>3</sup>: among peers**

**vs. Sector's 85%<sup>2</sup>**

<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

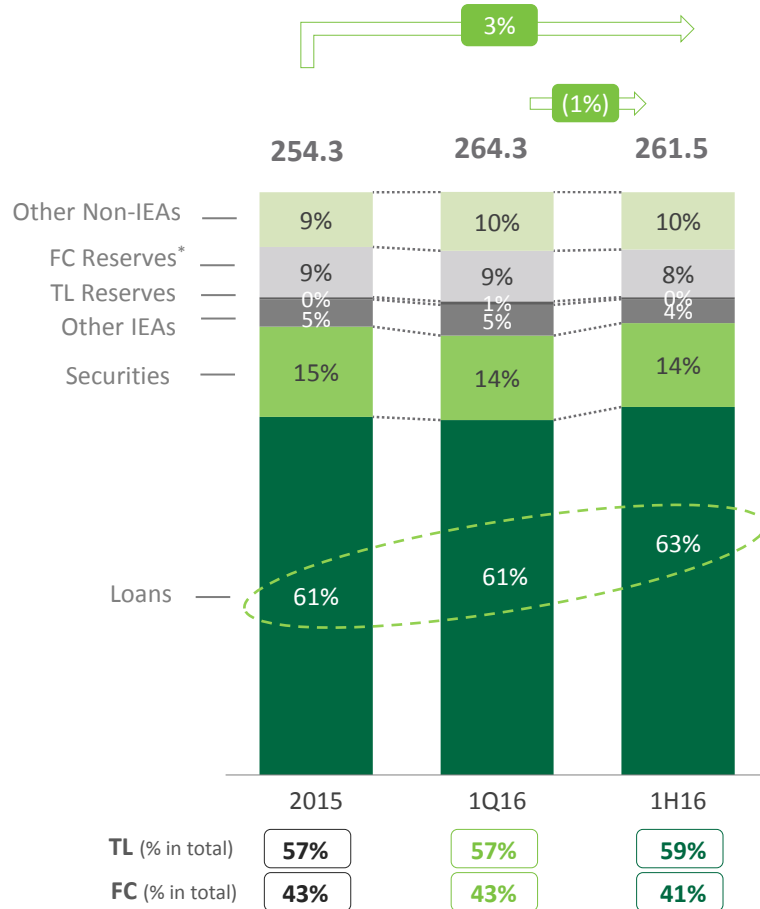
<i>(TL million)</i>	<b>Jun-15</b>	<b>Sep-15</b>	<b>Dec-15</b>	<b>Mar-16</b>	<b>Jun-16</b>	<b>YtD Change</b>
Cash & Banks <sup>1</sup>	13,762	23,526	15,774	20,397	17,282	26%
Reserve Requirements	20,073	21,967	21,286	21,178	18,888	-6%
Securities	40,799	41,147	42,641	41,831	41,413	2%
Performing Loans	148,385	158,861	158,304	163,131	167,318	13%
Fixed Assets, Affiliates & Associates	5,966	6,354	8,121	8,398	8,547	43%
Other	6,947	8,871	8,217	9,393	8,080	16%
<b>TOTAL ASSETS</b>	<b>235,932</b>	<b>260,725</b>	<b>254,343</b>	<b>264,330</b>	<b>261,529</b>	<b>11%</b>
Deposits	132,043	149,358	140,899	149,021	154,718	17%
Repos & Interbank	11,855	13,583	15,068	15,756	6,457	-46%
Bonds Issued	13,969	15,042	14,199	15,010	14,520	4%
Funds Borrowed <sup>2</sup>	32,561	34,126	33,598	31,026	31,818	-2%
Other	17,805	20,470	19,598	21,877	20,956	18%
SHE	27,700	28,146	30,981	31,640	33,060	19%
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>235,932</b>	<b>260,725</b>	<b>254,343</b>	<b>264,330</b>	<b>261,529</b>	<b>11%</b>

1 Includes banks, interbank, other financial institutions

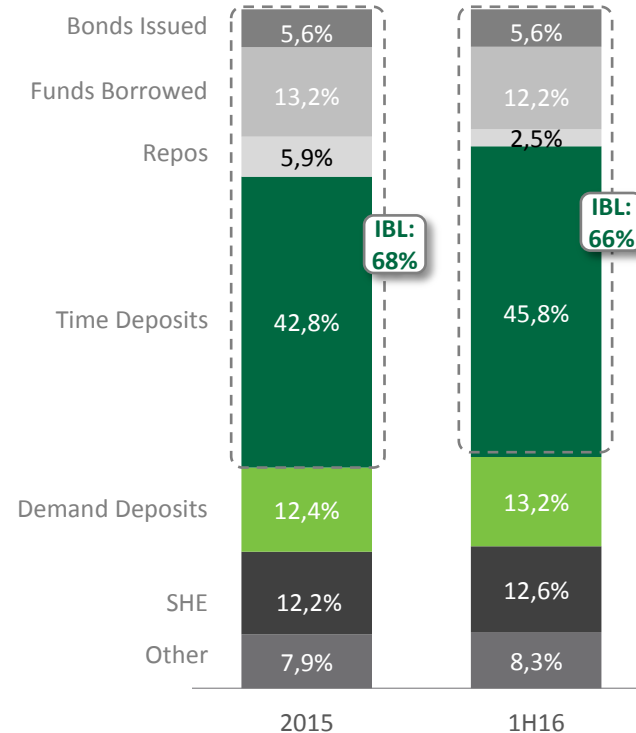
2 Includes funds borrowed and sub-debt

# Composition of Assets and Liabilities

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



### Composition of Liabilities



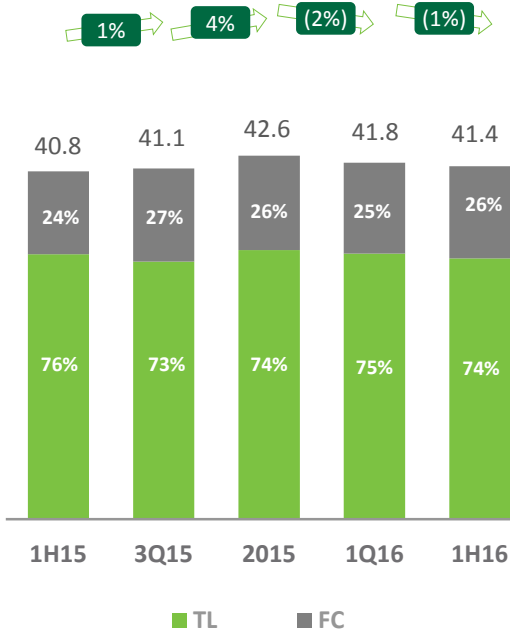
<sup>1</sup> Accrued interest on B/S items are shown in non-IEAs

\* 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

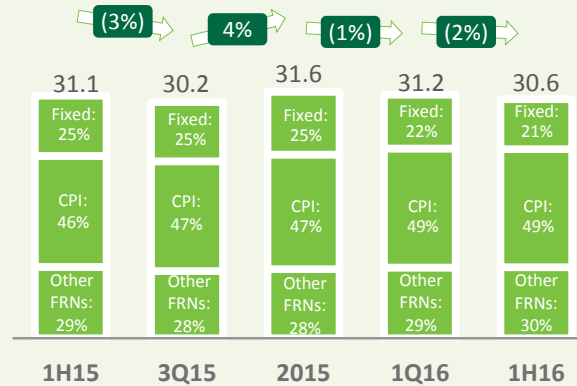


# Securities portfolio remains as hedge against volatility

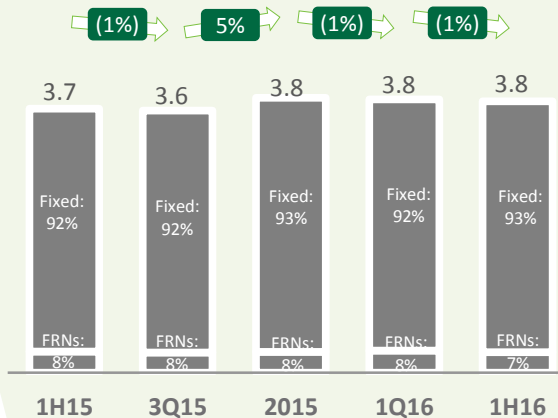
Total Securities (TL billion)



TL Securities (TL billion)

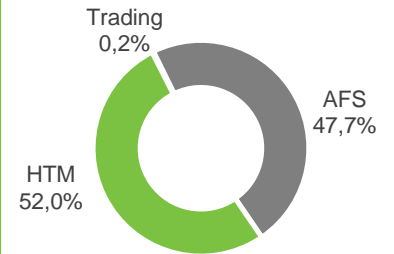


FC Securities (US\$ billion)



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

Securities Composition

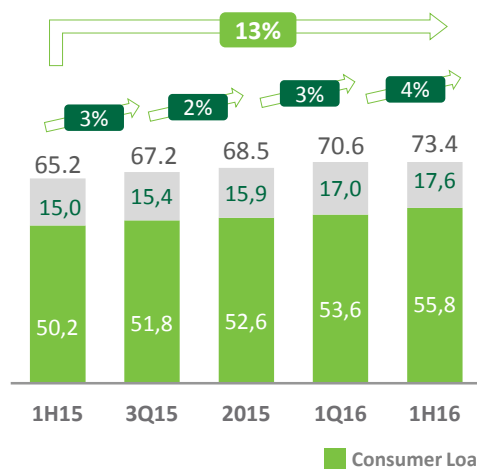
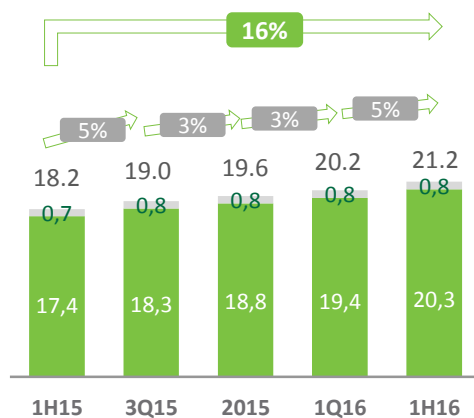


Unrealized MtM loss (pre-tax)

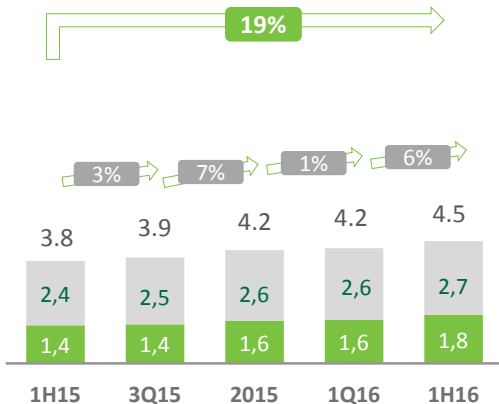
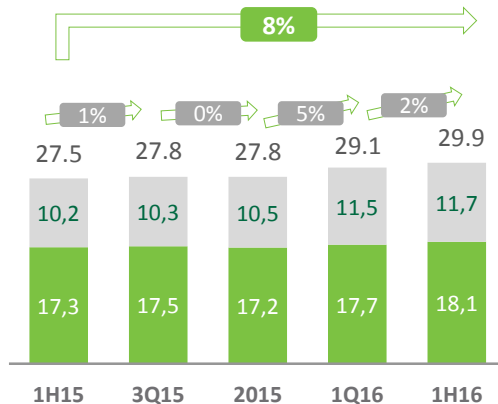
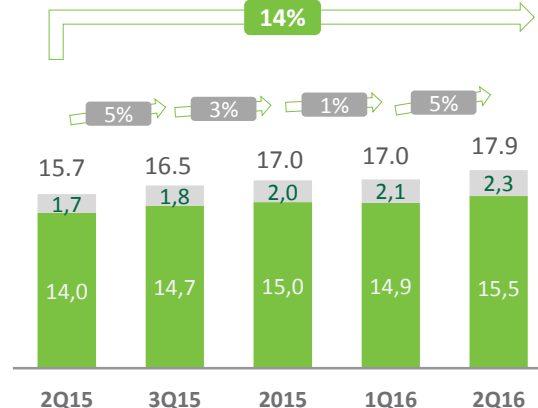
~TL 175mn as of June-end vs.  
~TL355mn loss in March-end ;  
~TL 545mn loss in YE15

<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)**


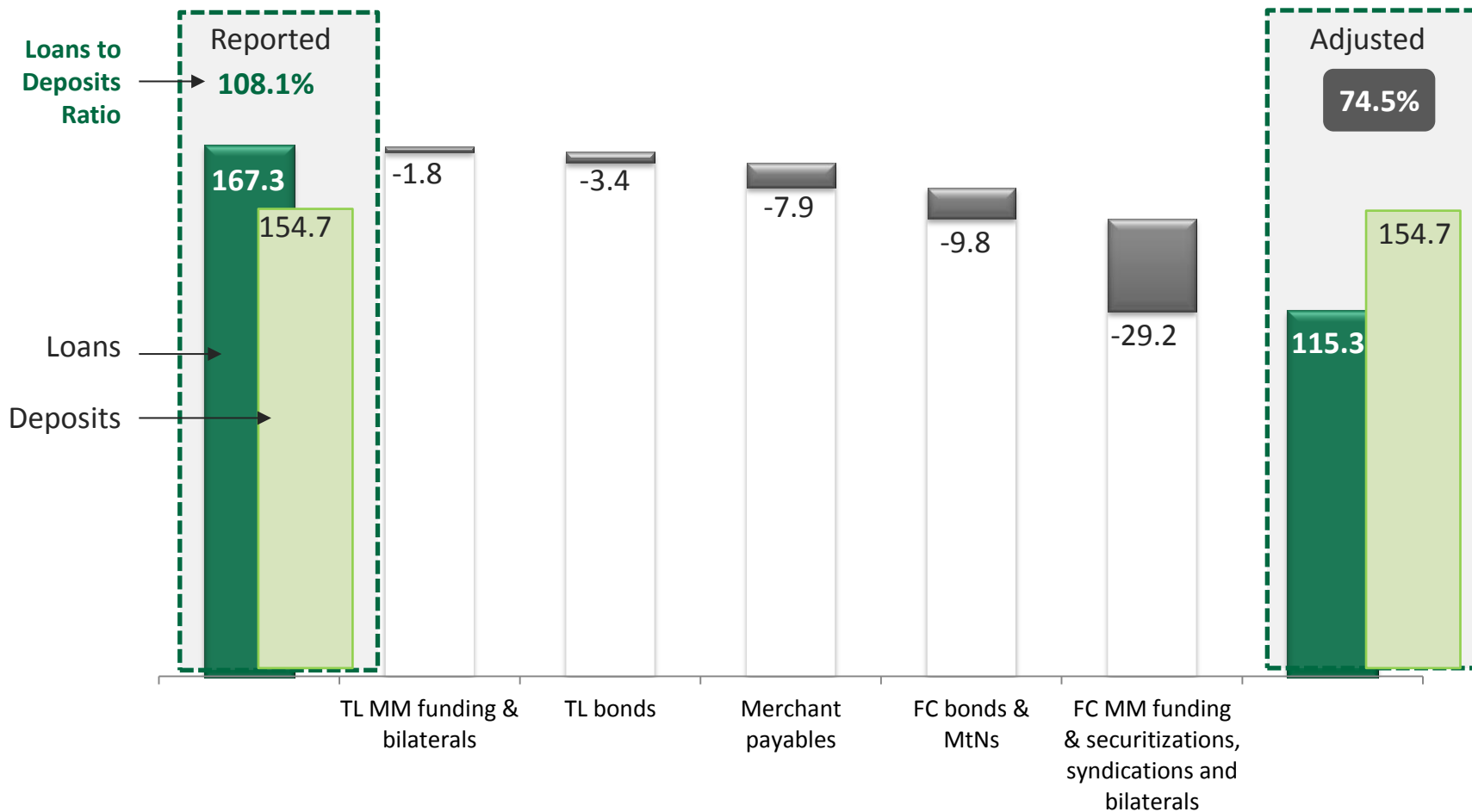
<sup>1</sup> Including consumer, commercial instalment, overdraft accounts, credit cards and other

<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

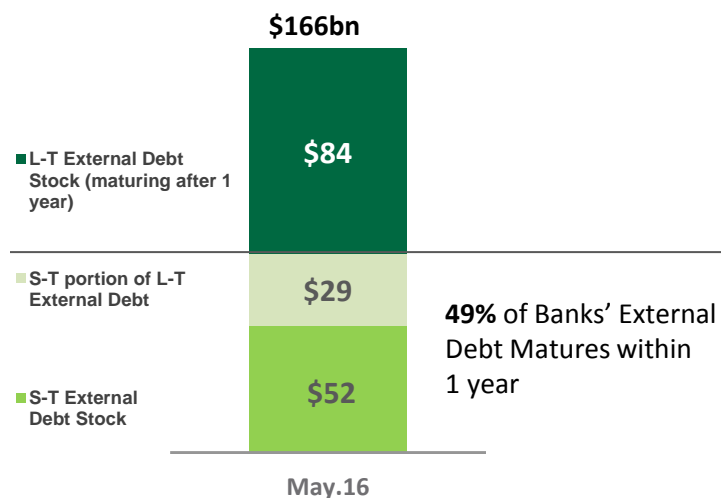


# External debt -- Private Banks have sufficient buffer in a worst case

## 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	3,621	4,419	22%	2,080	2,340	13%
(+) Net Fees & Comm.	1,455	1,544	6%	781	763	-2%
(-) Specific + General provisions net of collections*	-611	-749	23%	-375	-374	0%
(-) Specific Prov. excl. the effect of collateral re-assessment	-658	-1,069	62%	-495	-574	16%
(-) General Provisions	-289	-126	-56%	-64	-63	-1%
(+) 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	-2,803	-2,927	4%	-1,483	-1,444	-3%
<b>= CORE OPERATING INCOME</b>	<b>1,288</b>	<b>1,647</b>	<b>28%</b>	<b>737</b>	<b>911</b>	<b>24%</b>
(+) Income on CPI linkers	820	823	0%	410	413	1%
(+) Net Trading & FX gains/losses	23	85	272%	19	66	256%
(+) Income on subsidiaries	227	213	-6%	142	71	-50%
(+) Other income	161	203	26%	64	138	115%
(+) NPL sale income	15	51	250%	30	21	-32%
(+) 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	66	70	6%	34	36	5%
(+) Visa sale (gross)	0	265	n.m	0	265	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	-153	n.m	-153	0	n.m
(-) Taxation and other provisions	-581	-604	4%	-278	-326	17%
<b>= NET INCOME</b>	<b>1,939</b>	<b>2,580</b>	<b>33%</b>	<b>1,041</b>	<b>1,540</b>	<b>48%</b>

\* Includes free provision reversal (TL130mn in 2Q16) assigned to files guided in OP and excludes the effect of collateral re-assessment (TL53mn in 1Q16).

## Key financial ratios

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
<b>Profitability ratios</b>					
ROAE (Cumulative) <sup>1</sup>	15.3%	12.5%	12.1%	14.1%	15.7%
ROAA (Cumulative) <sup>1</sup>	1.8%	1.5%	1.4%	1.7%	1.9%
Cost/Income	52.7%	56.9%	57.0%	52.9%	47.9%
Comparable Cost/Income <sup>2</sup>	48.0%	51.6%	52.5%	50.4%	48.8%
NIM (Quarterly)	5.1%	4.2%	4.9%	4.6%	5.0%
<b>Liquidity ratios</b>					
Loans/Deposits	112.4%	106.4%	112.4%	109.5%	108.1%
Loans/Deposits adj. with on-balance sheet alternative funding sources <sup>3</sup>	76.8%	72.8%	75.0%	75.1%	74.5%
<b>Asset quality ratios</b>					
NPL Ratio	2.4%	2.3%	2.7%	2.7%	2.8%
Coverage	81.1%	80.9%	81.0%	80.8%	79.3%
<b>Solvency ratios</b>					
CAR	14.3%	13.8%	15.0%	15.1%	16.3%
Tier I Ratio	13.3%	12.9%	14.1%	14.3%	15.2%
Leverage	7.5x	8.3x	7.2x	7.4x	6.9x

<sup>1</sup> Excludes non-recurring items (Income from NPL sale, Visa sale income, gains on asset sale, fee rebates, provision rev. from Miles&Smiles and effect of collateral re-assessment) when annualizing Net Income for the second half of the year

<sup>2</sup> Income defined as NII+Net F&C - Provisions + Net Trading Gains/Losses + Other Income+ Income on subsidiaries. Total income adjusted with NPL sale income, Visa sale income, provision reversal from Miles&Smiles, effect of collateral re-assetment. OPEX adjusted with fee rebates

<sup>3</sup> Please refer to slide 19 for details

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