



2020 OPERATING PLAN GUIDANCE

January 8th, 2020

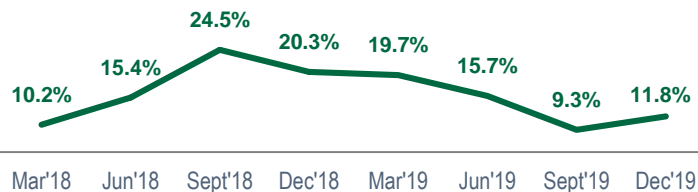
AGENDA



TURKISH ECONOMY IS REBALANCING RAPIDLY AFTER RECENT TURMOIL...

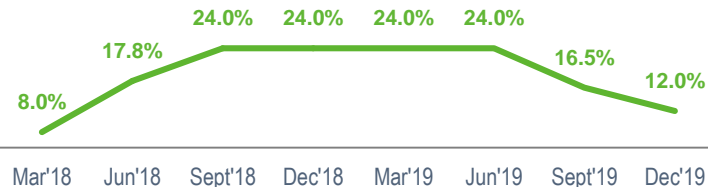
Rapid disinflation...

(Annual CPI growth)



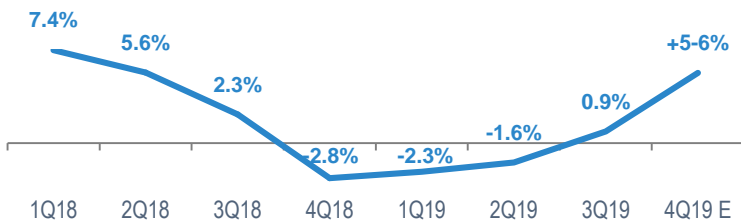
Decreasing Interest Rates

(CBRT policy rate, end of period)



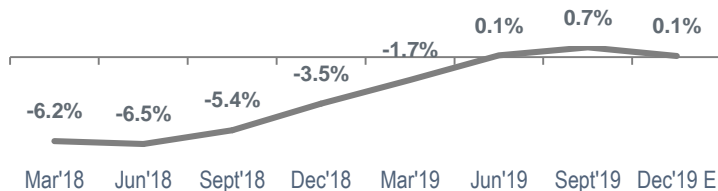
A "V" shape economic recovery

(Quarterly GDP growth)



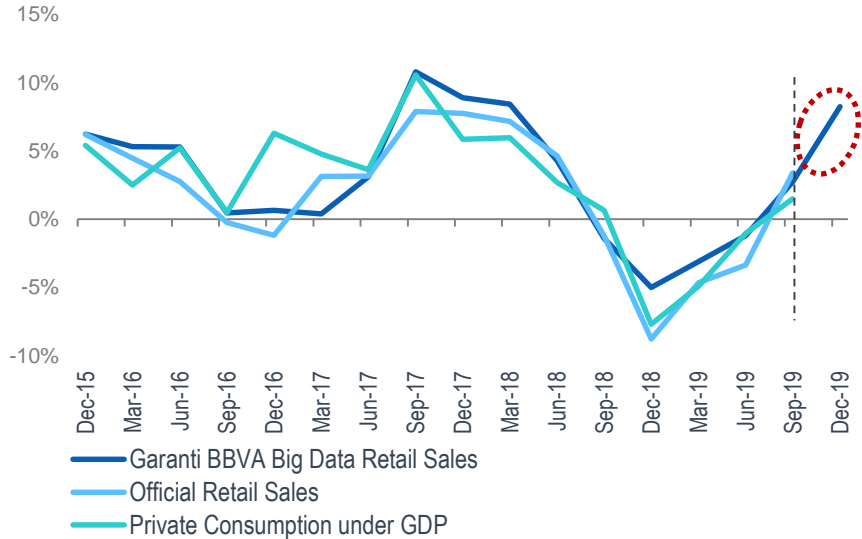
Sharp correction of CAD

(12 month trailing)



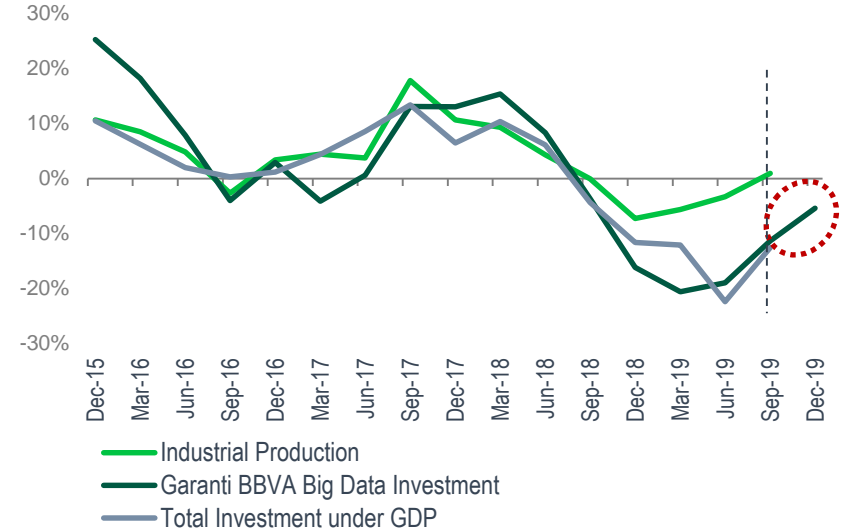
BIG DATA INDICATORS SUGGEST THAT ECONOMIC RECOVERY IS GAINING MOMENTUM... RETAIL BEING THE FRONT-RUNNER

BIG DATA TRACKERS - RETAIL
(%YOY, 3M MOVING AVG.)



Source: TURKSTAT, BBVA Research Turkey

BIG DATA TRACKERS - INVESTMENT
(%YOY, 3M MOVING AVG.)



Source: CBRT, TURKSTAT, BBVA Research Turkey

MACRO FORECASTS

	2018	2019	2020E
GDP (%)	2.6	0.8*	4.0
Inflation rate (% eop)	20.3	11.8	8.5
CBRT funding rate (% eop, yoy)	24.0	12.0	9.0
Current Account Balance (% GDP)	-3.5	+0.1*	-1.0
Budget Balance (% GDP)	-2.0	-2.7*	-3.0
Unemployment (% , average)	11.0	13.7*	12

*Garanti BBVA
Expectations

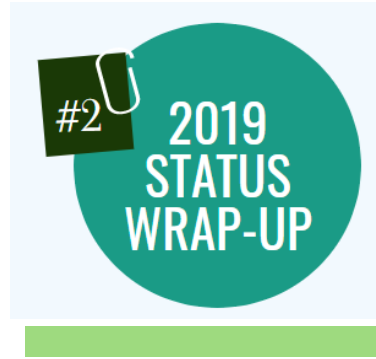
Supporting Factors

- ▶ Dovish stance of Global Central Banks.
- ▶ Lower political uncertainty
-- long-lasting election period ended
- ▶ Pick-up in activity to reflect on labor market

Risk Factors

- ▶ Slowdown in global growth -- *Trade wars, Brexit*
- ▶ Geopolitical risks

AGENDA



CONSISTENTLY DELIVERING & EXCEEDING OPERATING PLAN GUIDANCE REGARDLESS OF VOLATILE MACRO CONDITIONS

	2015	2016	2017	2018
Cumulative NIM inc. Swap (%)	Beat	Beat	Beat	Beat
Cost of Risk	In-line	Missed	Beat	Missed
Fee Growth (YoY)	Beat	In-line	Beat	Beat
OPEX Growth (%)	Missed	Beat	In-line	In-line

↓

ROAE GUIDANCE BEAT GUIDANCE BEAT GUIDANCE BEAT GUIDANCE MET

2019 STATUS WRAP-UP

	2019 Guidance	2019 Expected	vs. Guidance
TL Loans	~5%	High-single digit	Beat
FC Loans (in US\$)	(10%)	High single digit shrinkage	In-line
NPL Ratio	<7%	<7%	In-line
Net Cost of Risk	<300bps	<300bps	In-line
NIM incl. SWAP cost excl. CPI	Flat	Expansion	Beat
Fee Growth (yoy)	Low teens	High teens	Beat
Opex Growth (yoy)	<avg. CPI*	~avg. CPI	In-line
ROAE	Low teens	Low teens	In-line

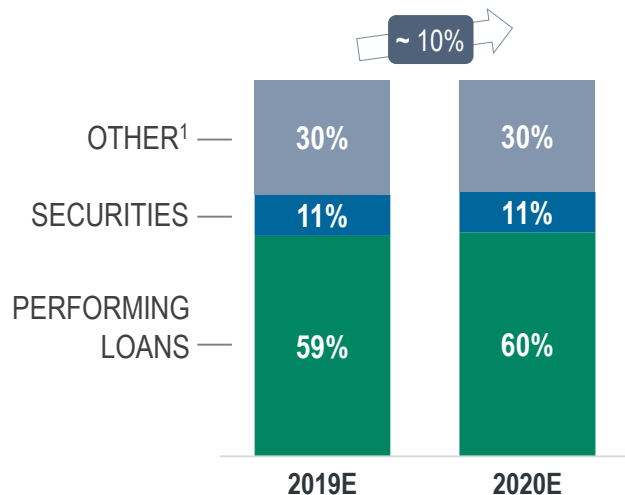
AGENDA



LOAN DRIVEN ASSET GROWTH

COMPOSITION OF ASSETS

(December Averages)



2020E

TL PERFORMING LOAN GROWTH

High-teens

- ▶ **Across the board** growth in TL loans
- ▶ **TL Business Banking** loans will be the **front runner** with the anticipated contribution of **investment loans**
- ▶ Pent-up demand in **Consumer Loans** expected to continue with an **increasing momentum**

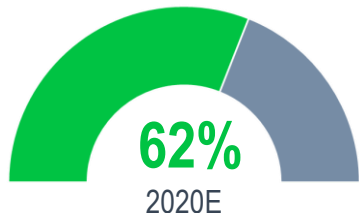
FC PERF. LOAN GROWTH (in US\$)

Shrinkage

- ▶ Expected **pick-up in export loans** partially off-sets redemptions

ACTIVELY MANAGED FUNDING MIX AND COMFORTABLE LIQUIDITY

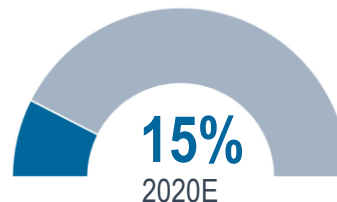
Customer Deposits
share in Total Liabilities & SHE



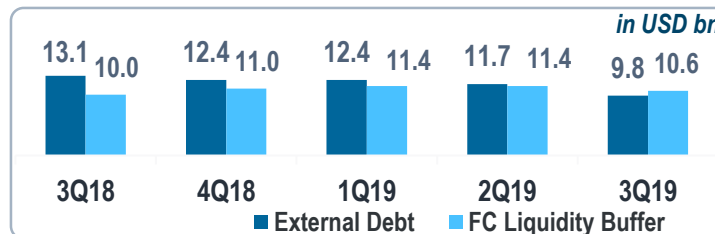
Maintained focus on sticky & low cost deposits

- ▶ High share of demand deposits in total: 30%
- ▶ LtD ratio to remain flattish vs. 2019: <100%

Borrowings¹
share in Total Liabilities & SHE

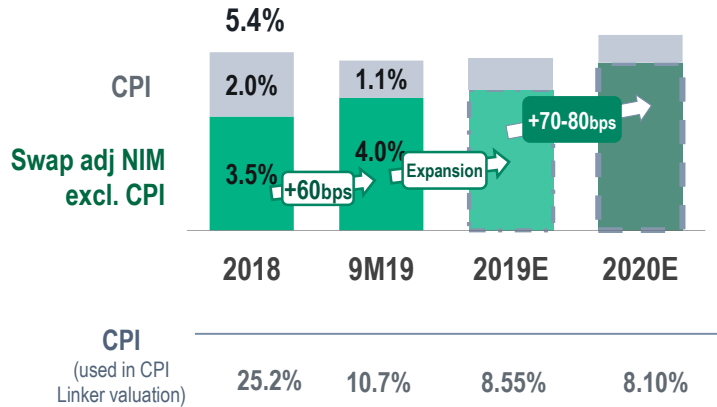


- ▶ Total US\$2.6bn redemption in 2020
- ▶ Opportunistic utilization of alternative sources
- ▶ Lower dependency on external borrowing



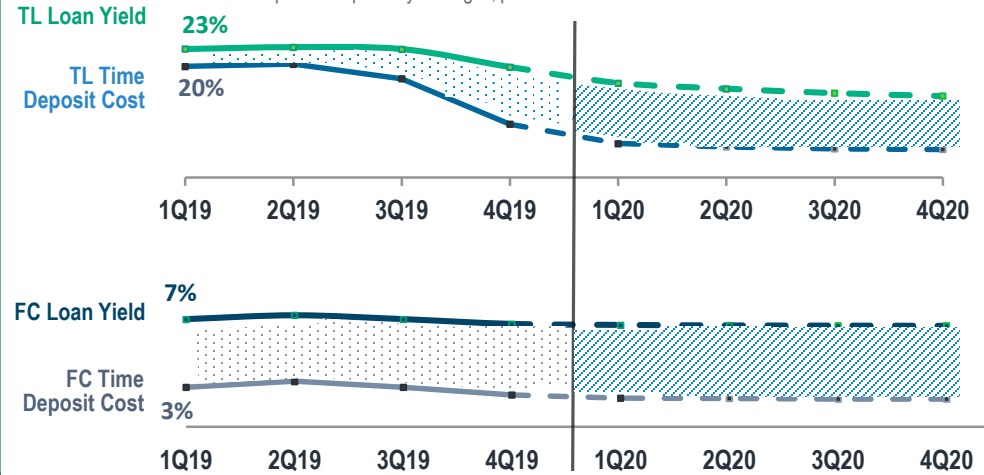
STRONG MARGIN EXPANSION UNDERPINNED BY CONTINUOUS DECLINE IN FUNDING COST AND HIGHER LOAN GROWTH

NIM INCLUDING SWAP COST



SPREAD EVOLUTION

Represents quarterly averages, per MIS data

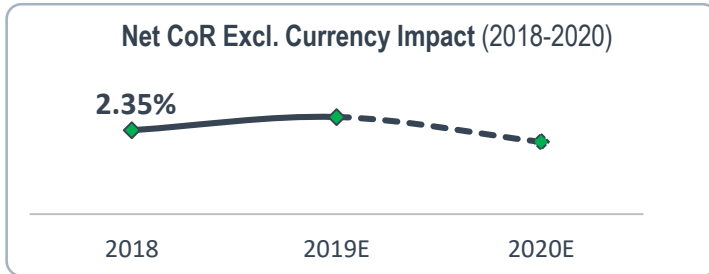


LOWER NPL INFLOWS, HIGHER COLLECTIONS, YET NORMALIZATION EXPECTED IN 2021

TOTAL NET COR excl. Currency impact  2020E
~ 200bps

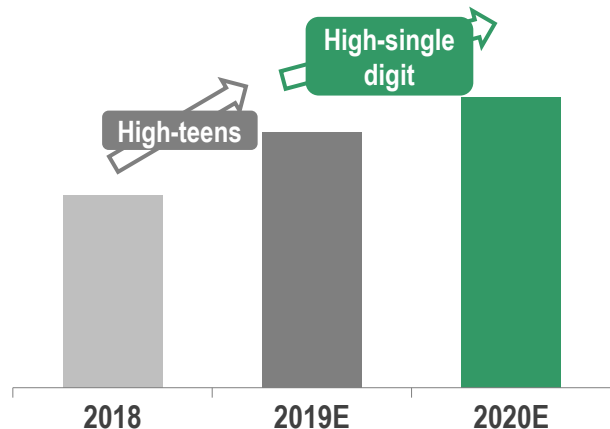
NPL RATIO  2019E  2020E
<7% ~6.5%

- Improvement from last year's elevated level.



MODERATION IN PAYMENT SYSTEMS GROWTH COMPENSATED BY OTHER FEE AREAS

NET FEES & COMMISSIONS



Moderation in fee growth due to;

- High base effect of 2019E
- Moderate growth in payment systems due to the cap on merchant fees

Share in Fee Base



PAYMENT SYSTEMS
(~50% of the base)



MONEY TRANSFER
(~15% of the base)



**CASH & NON-CASH
LOANS**
(~20% of the base)

GROWTH



2020E

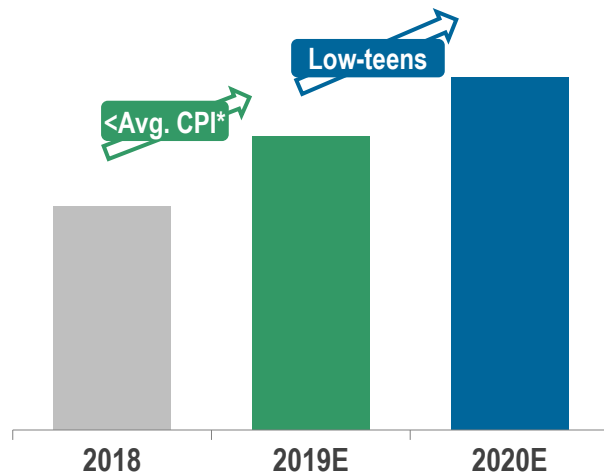
flattish

high-teens

high-teens

DISCIPLINED OPEX GROWTH DESPITE HIGH INFLATION PASS-THROUGH IMPACT

OPEX GROWTH



- Regulation on SDIF¹: Increase in insurance limit and increase in insurance premium rate
- Increasing share of IT investments to enhance IT platforms & infrastructure

AS A RESULT ...STRONG RECOVERY IN PROFITABILITY RATIOS

	2020 Expectations
TL Loans (YoY)	High-teens
FC Loans (in US\$, yoy)	Shrinkage
NPL ratio	~ 6.5%
Net Cost of Risk (excl.currency impact)	~ 200bps
NIM Incl. Swap Cost Excl. CPI	70-80bps expansion
Fee Growth (YoY)	High-single digit
OPEX Growth (YoY)	Low-teens
ROAE	High-teens

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