

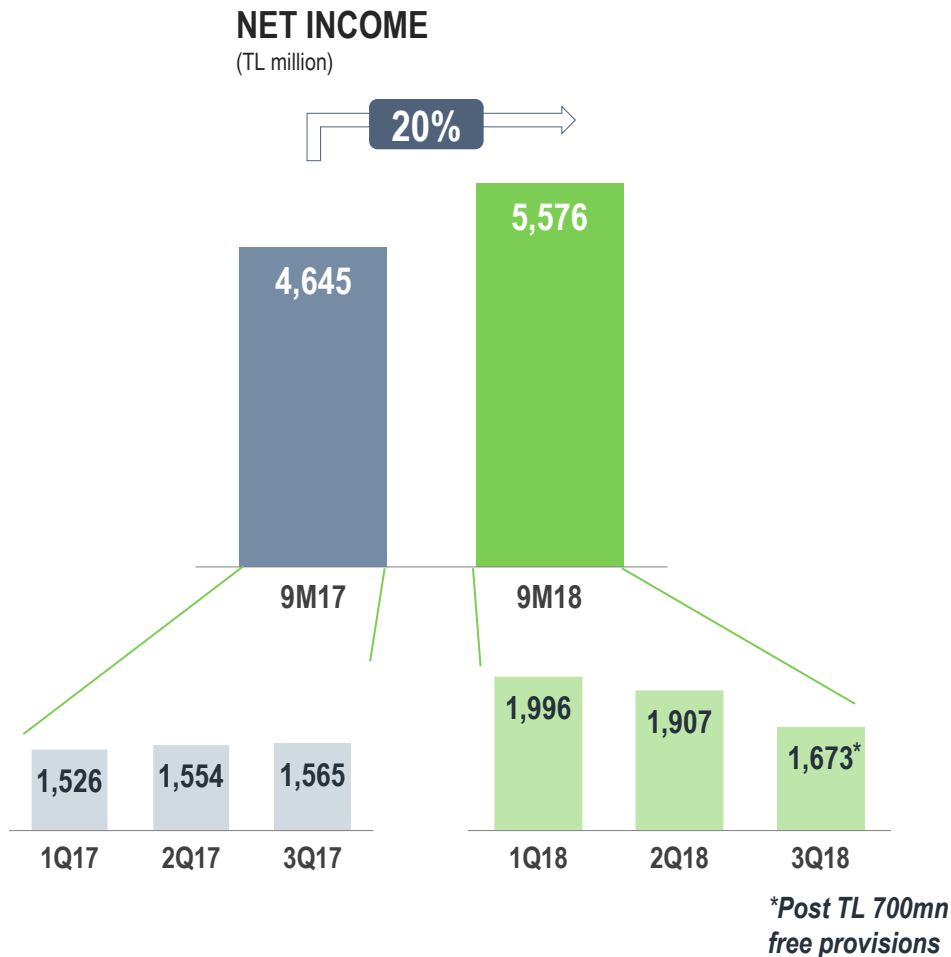


# 9M18 EARNINGS PRESENTATION

Based on BRSA Unconsolidated Financials  
October 25<sup>th</sup>, 2018



# SUSTAINED STRONG EARNINGS PERFORMANCE...



**2.2%** **ROAA**  
vs. 2.1% in 2017

**17.5%** **ROAE**  
vs. 16.6% in 2017

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

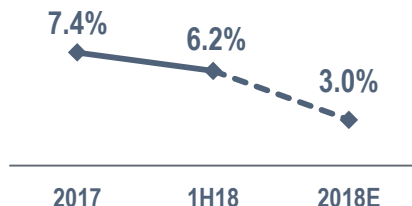
**18.6%** **CAR**  
excluding BRSA's temporary measures **16.3%** vs. 18.7% in 2017

**141%<sup>1</sup>** **Total Liquidity Coverage Ratio**  
vs. min. 90% required level for 2018

Note: In the calculation of average assets and average equity, 01.01.2018 restated balance sheet has been used instead of YE 2017  
1 Represents the average of September's last week

# ...IN A RAPIDLY CHANGING OPERATING ENVIRONMENT

## GDP GROWTH



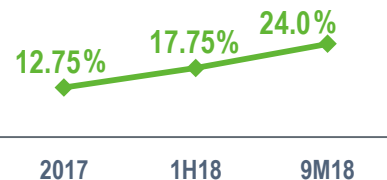
### ► 2H18 -- Decelerating economic activity

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

## INFLATION (Year-end)



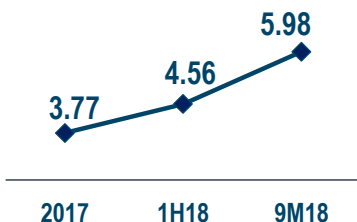
## CBRT FUNDING COST (Period-end)



### ► 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**

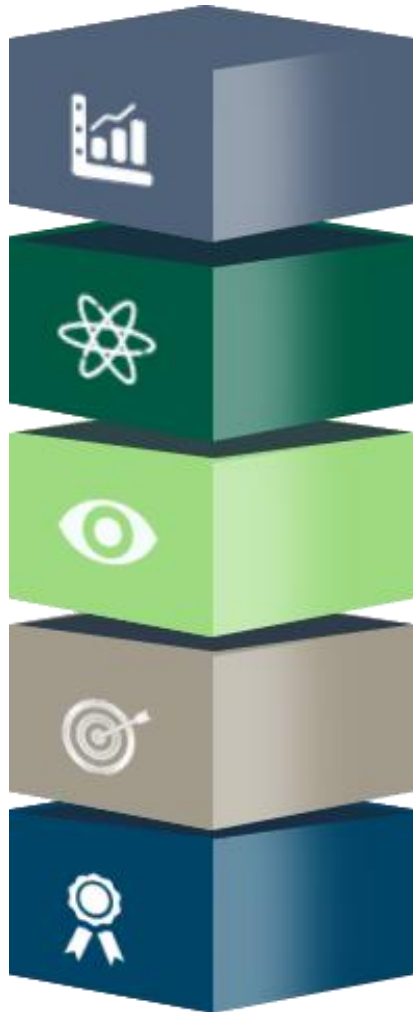
## USD/TL (Bid rate, period-end)



### ► 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



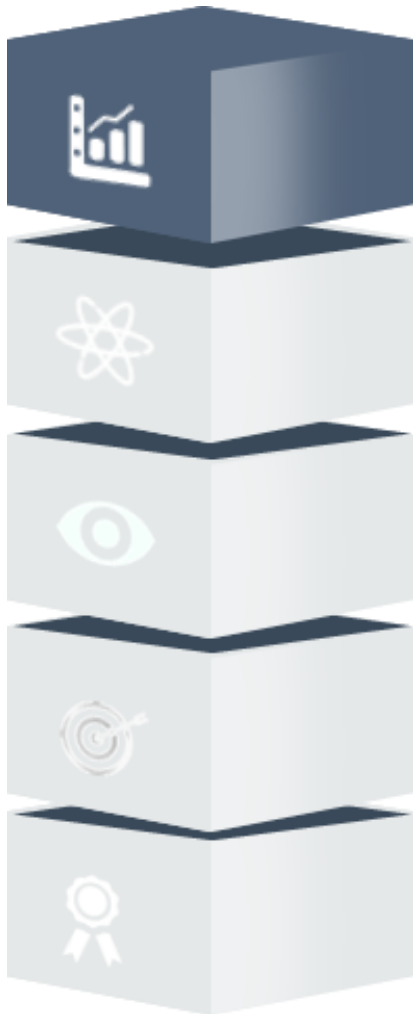
● ..... ● MUTED LOAN GROWTH

● ..... ● 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

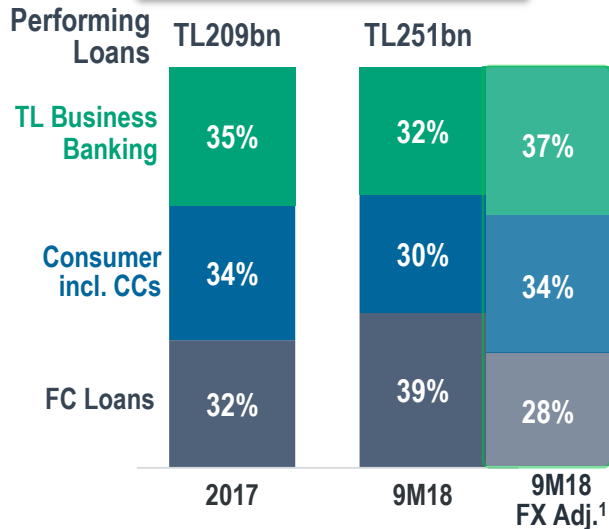
●-----● SUSTAINED CORE BANKING REVENUES

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

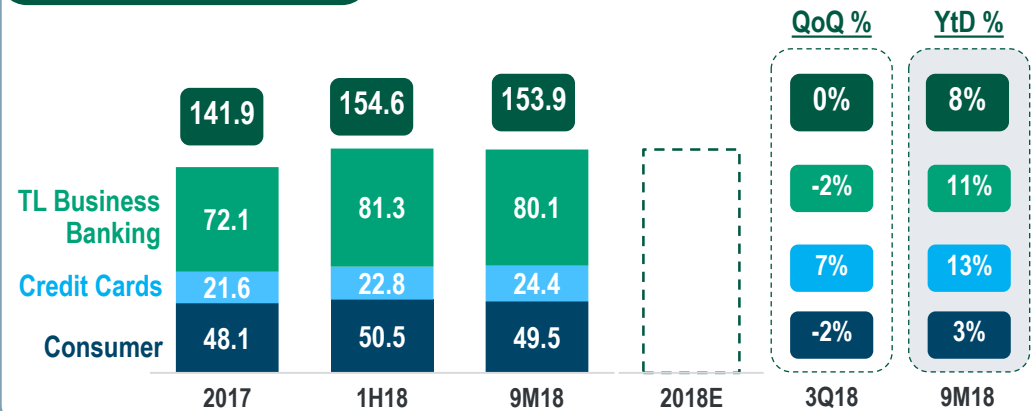
# MUTED LOAN GROWTH

## -- *Balanced lending mix*

### LOAN PORTFOLIO (61% of Total Assets)



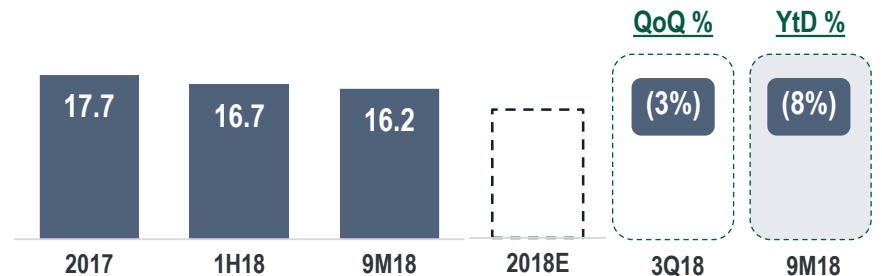
### TL LOANS (TL billion)



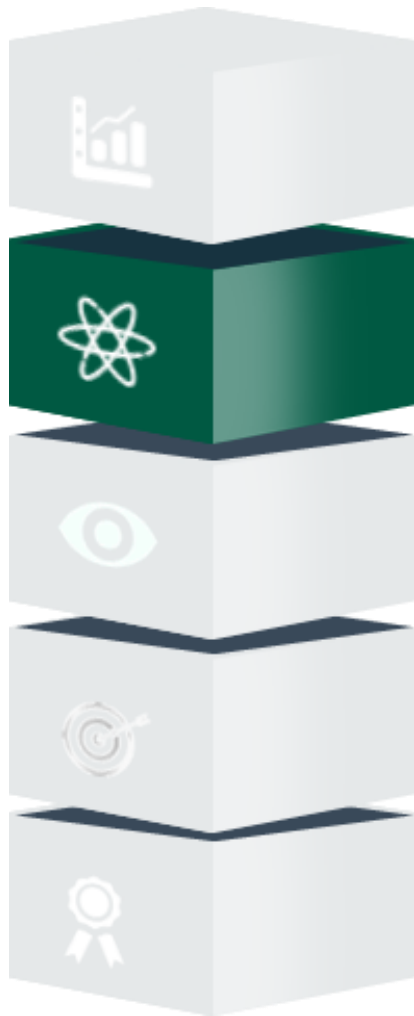
► **Growth in TL loans cut pace** both in retail & business banking, due to the deceleration in economic activity & high interest rate environment

► **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  
 1 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

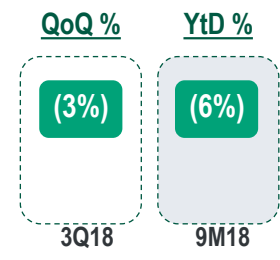
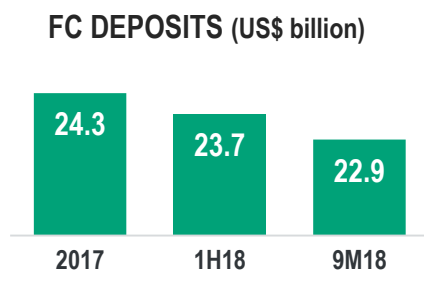
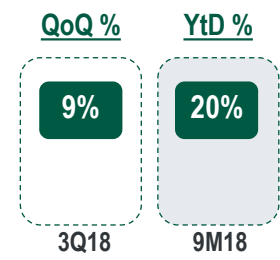
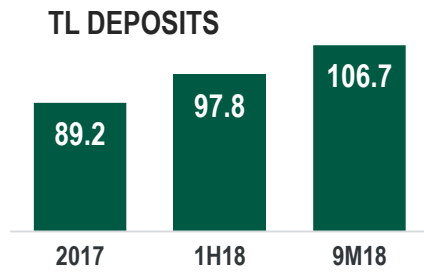
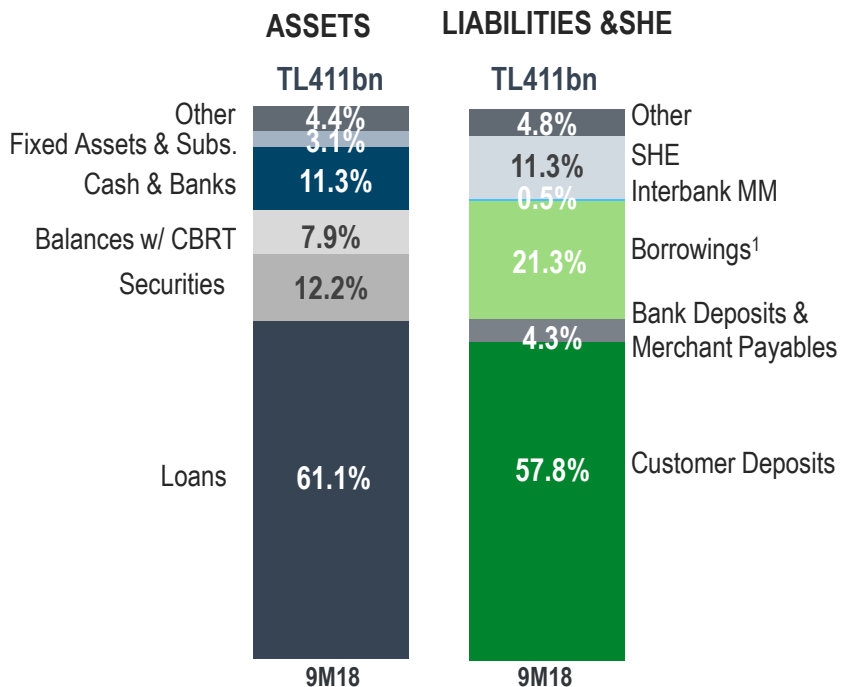
SUFFICIENT LIQUIDITY

PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

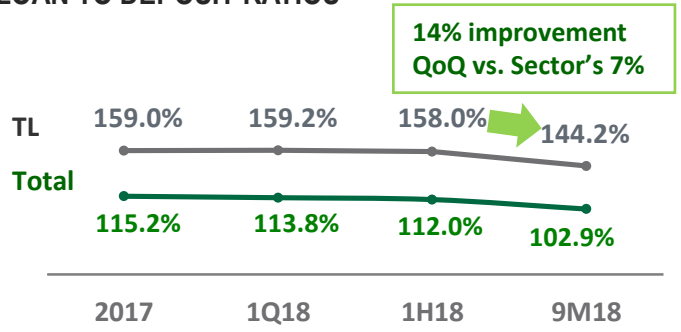
SUSTAINED CORE BANKING REVENUES

STRONG SOLVENCY VIA CAPITAL GENERATION

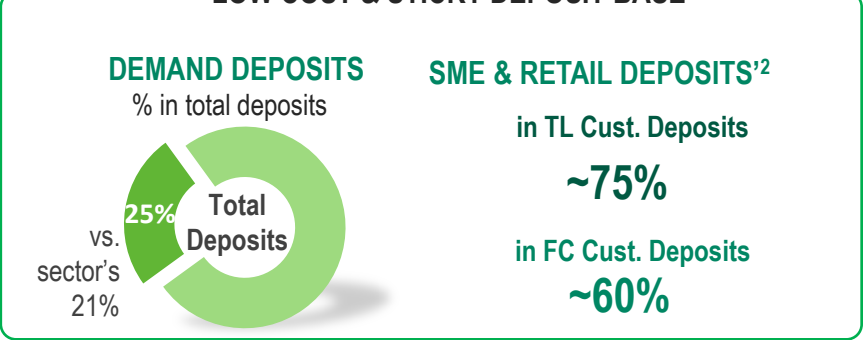
# WELL-DIVERSIFIED & STICKY FUNDING BASE



## LOAN TO DEPOSIT RATIOS



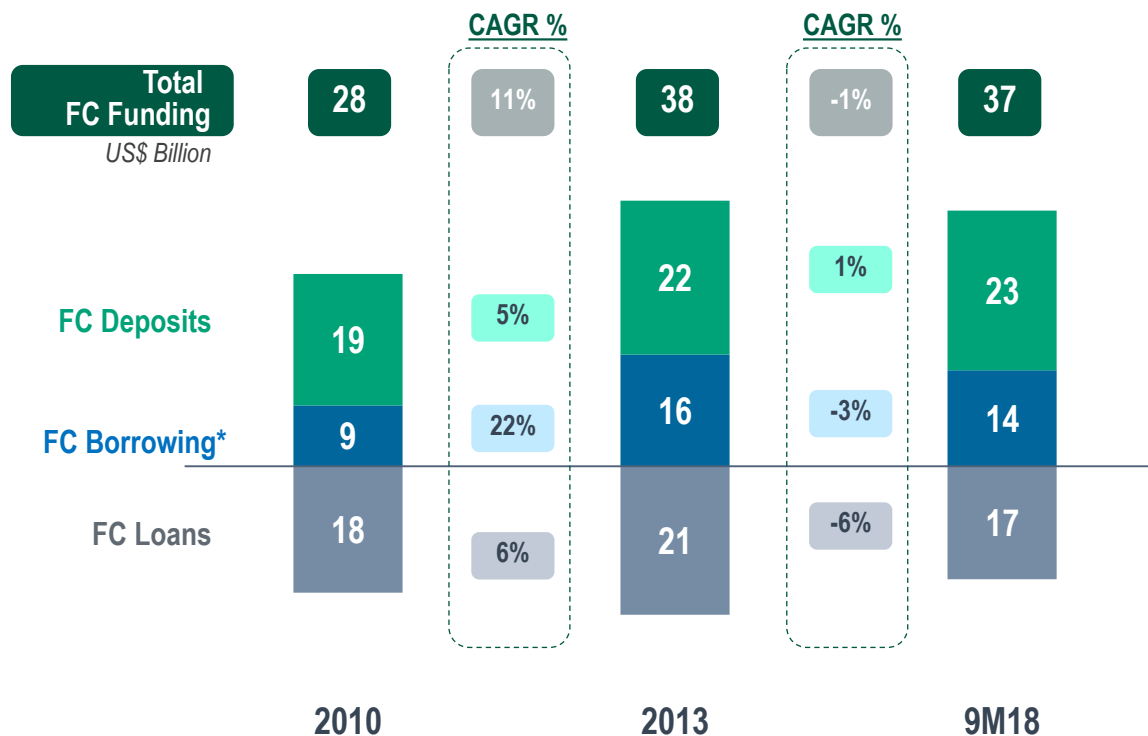
## LOW COST & STICKY DEPOSIT BASE



1 Includes funds borrowed, sub-debt & securities issued  
2 Based on bank-only MIS data



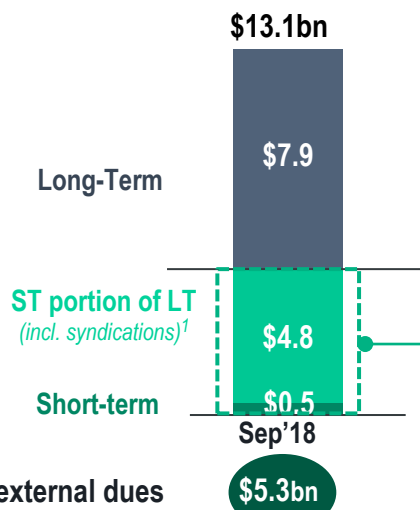
# LOWER DEPENDENCY ON FC FUNDING AS FC LOANS CONTINUE TO DIMINISH



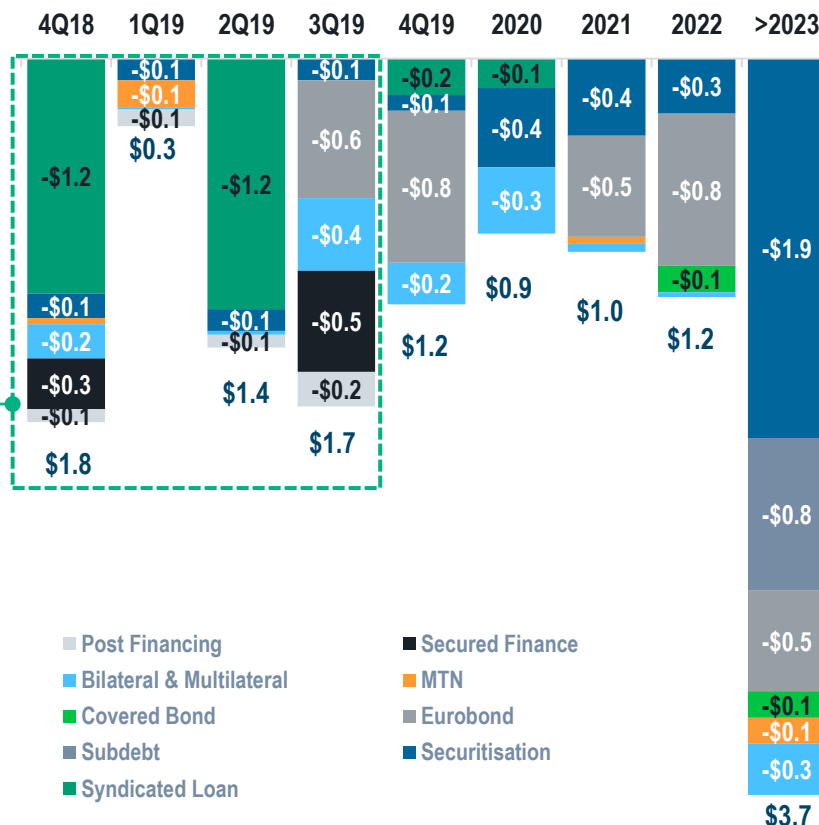
\* FC borrowings include FC bonds issued, FC money market borrowings, syndications, securitizations, sub-debt, other funds borrowed

# SUFFICIENT LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

## GARANTI'S EXTERNAL DEBT\*



## MATURITY PROFILE OF 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**

●-----● SUSTAINED CORE BANKING REVENUES

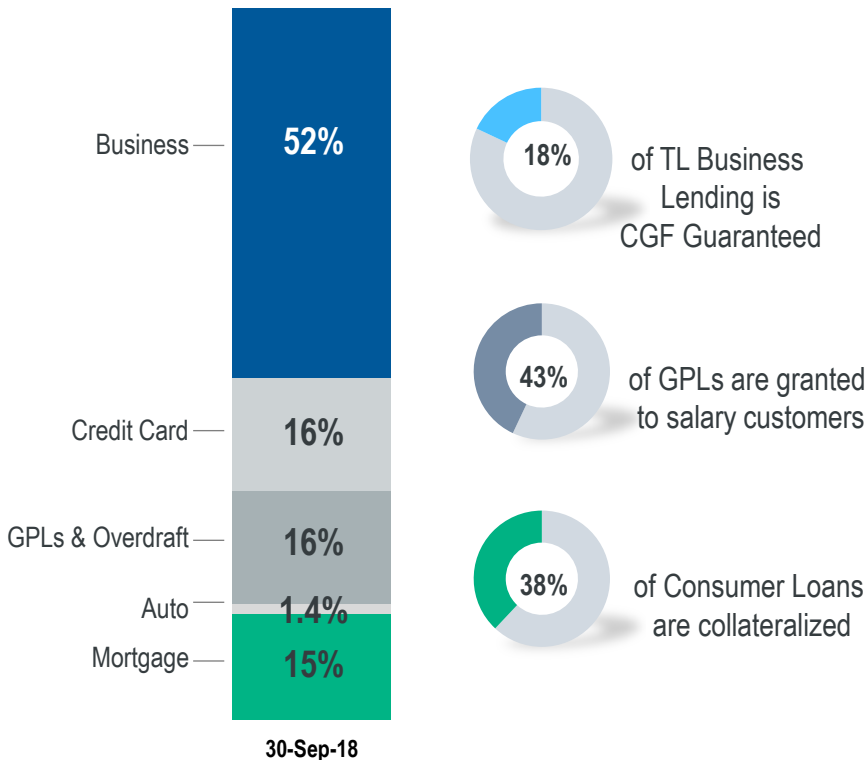
●-----● STRONG SOLVENCY VIA CAPITAL GENERATION

# STRUCTURE OF TL LOAN PORTFOLIO

## TL LOANS BREAKDOWN

61% of Total Loans

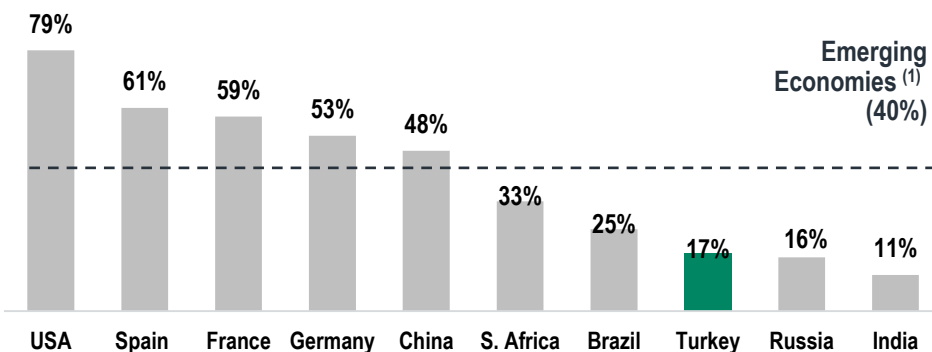
TL 154 bn



« >90% of TL loans are fixed rate. »

## Household Debt to GDP (Dec. 17)

► Household Indebtness in Turkey lower than Emerging Economies



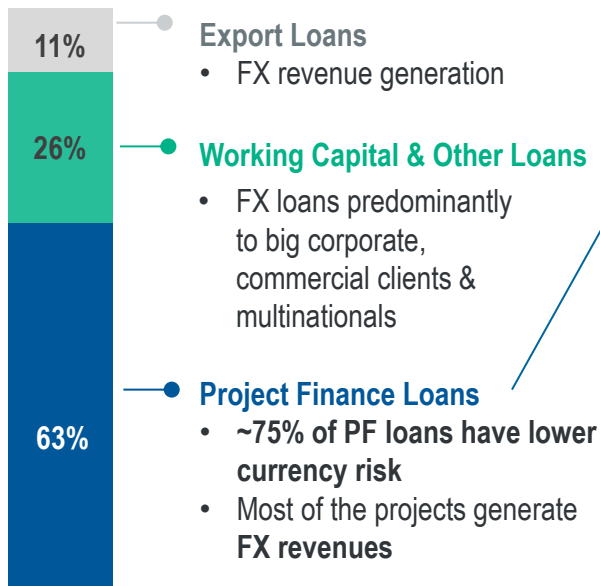
1 Aggregates based on conversion to US dollars at market exchange rates  
Source: BIS

# STRUCTURE OF FC LOAN PORTFOLIO

## FC LOANS BREAKDOWN

39% of Total Loans

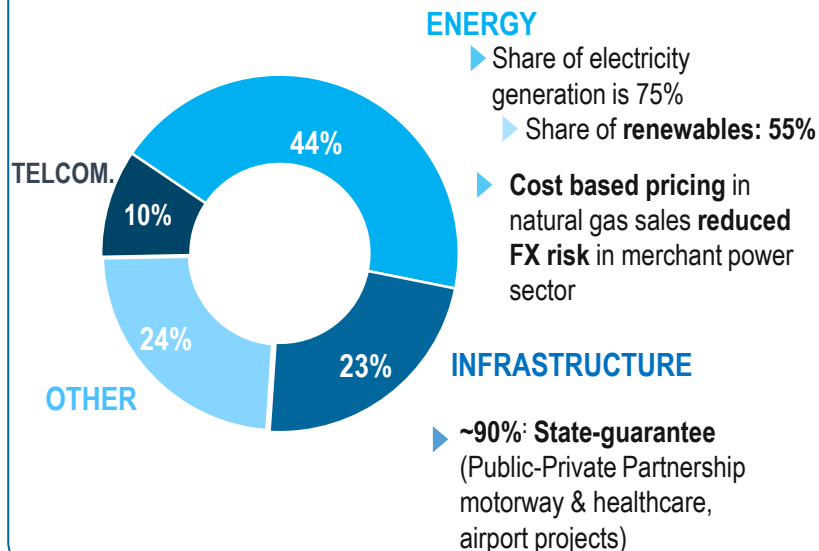
US\$ 16.2 bn



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\*

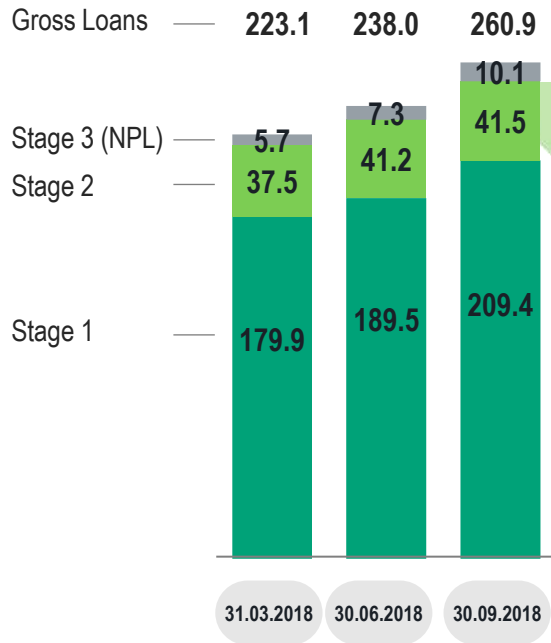


\* Companies' outstanding FX loan balance will be limited to last 3 years' total FX income (considered in new disbursements). FX indexed lending facility revoked

# PRUDENTLY DEFINED IFRS 9 CRITERIA REFLECTED ON STAGING

## LOAN PORTFOLIO BREAKDOWN

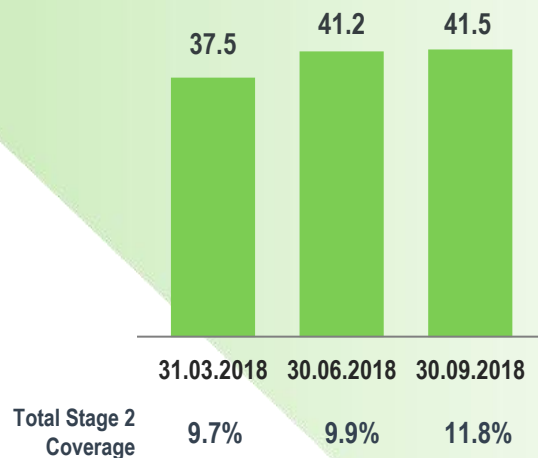
(Billion TL)



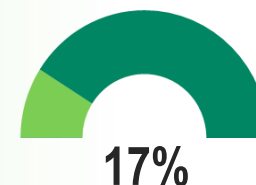
USDTRY: 3.9450 4.5637 5.9819

### 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)

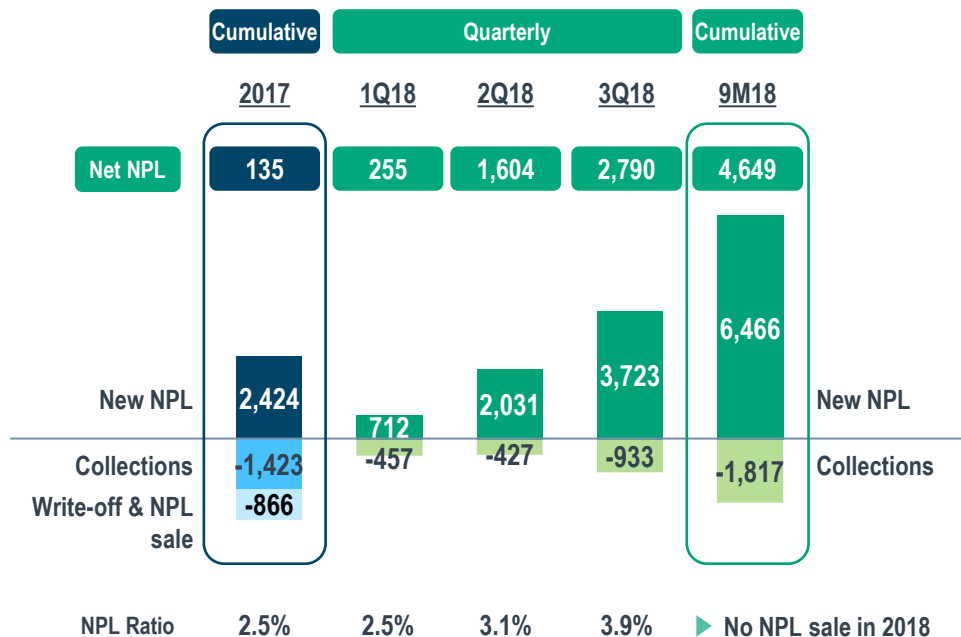
Approach difference for qualitative assessment as was the case in the past for Group 2 classification.

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

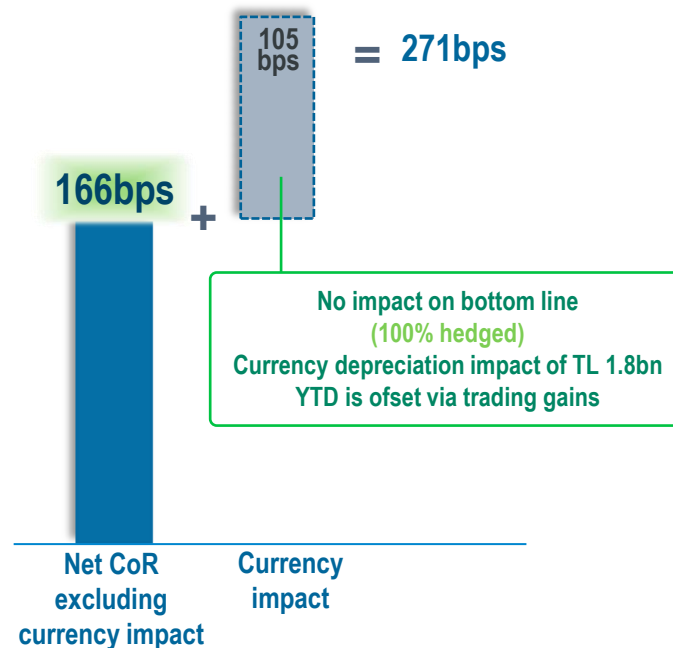
# ASSET QUALITY WILL BE ADVERSELY IMPACTED BY SIGNIFICANT CHANGE IN MACRO CONDITIONS -- *Managing the impact is the top priority*

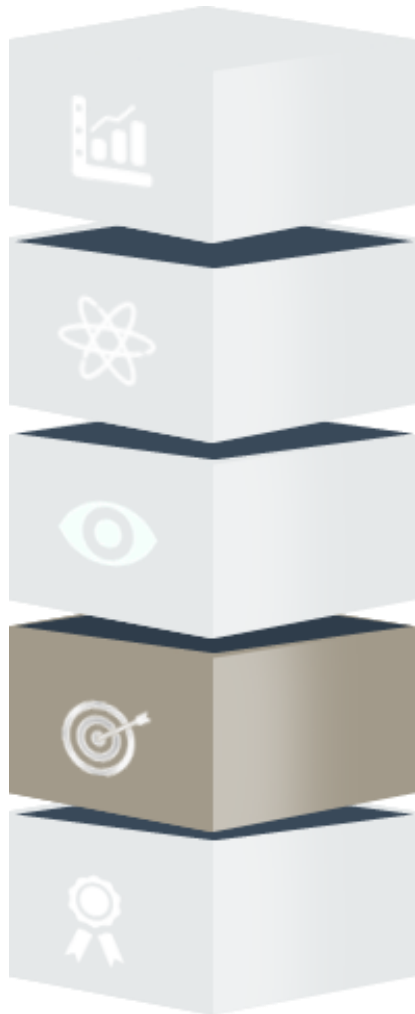
## NPL EVOLUTION

(TL million)



## NET CUMULATIVE CoR





●-----● MUTED LOAN GROWTH

●-----● SUFFICIENT LIQUIDITY

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

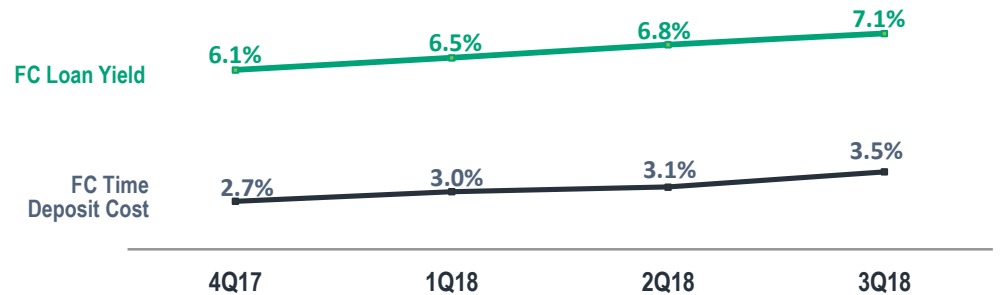
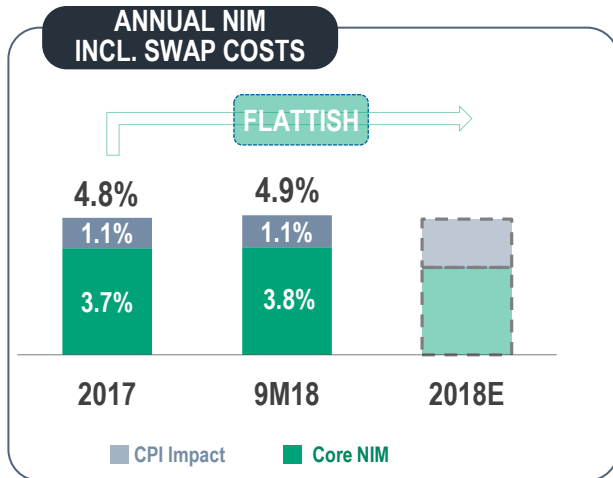
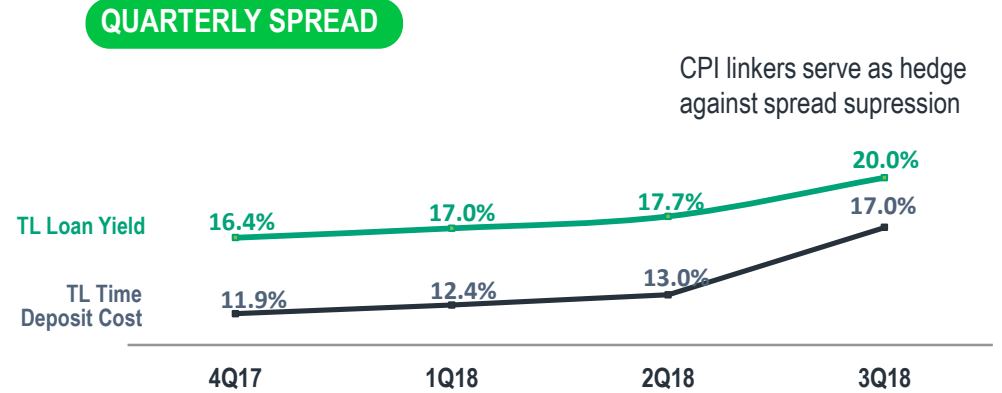
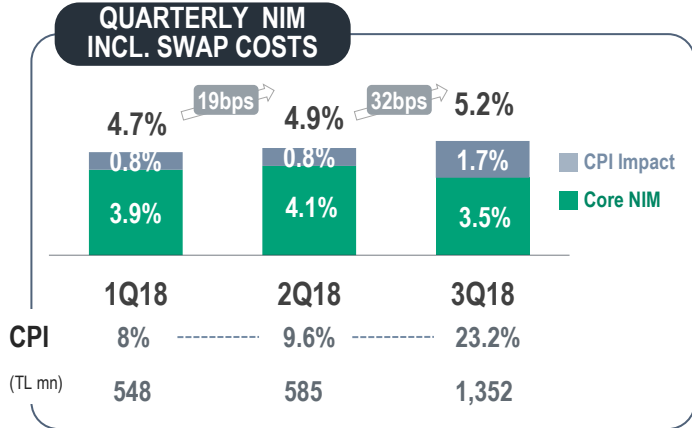
●-----● SUSTAINED CORE BANKING REVENUES

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



# SUSTAINED CORE BANKING REVENUES

## Dynamic B/S management in defense of NIM

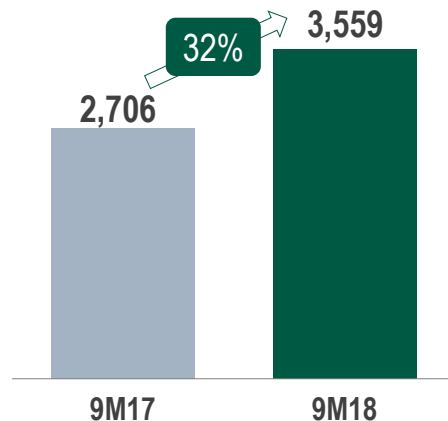


# SUSTAINED CORE BANKING REVENUES

## Well-diversified fee base

### NET FEES & COMMISSIONS

(TL million)



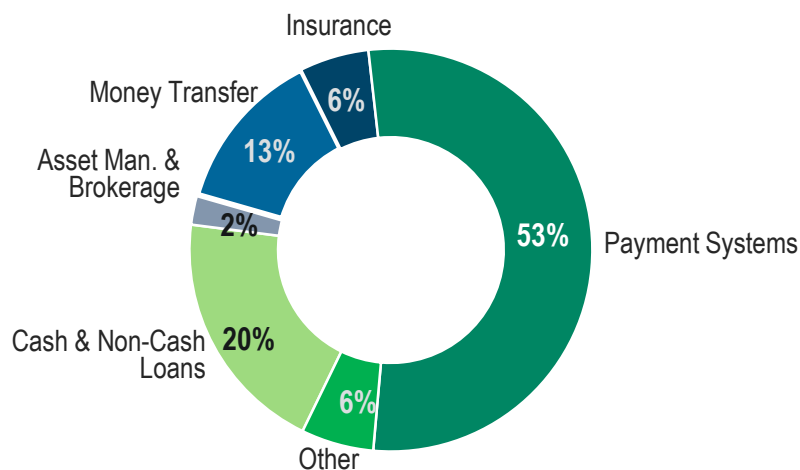
### ► Payment systems

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

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



### ► Insurance

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

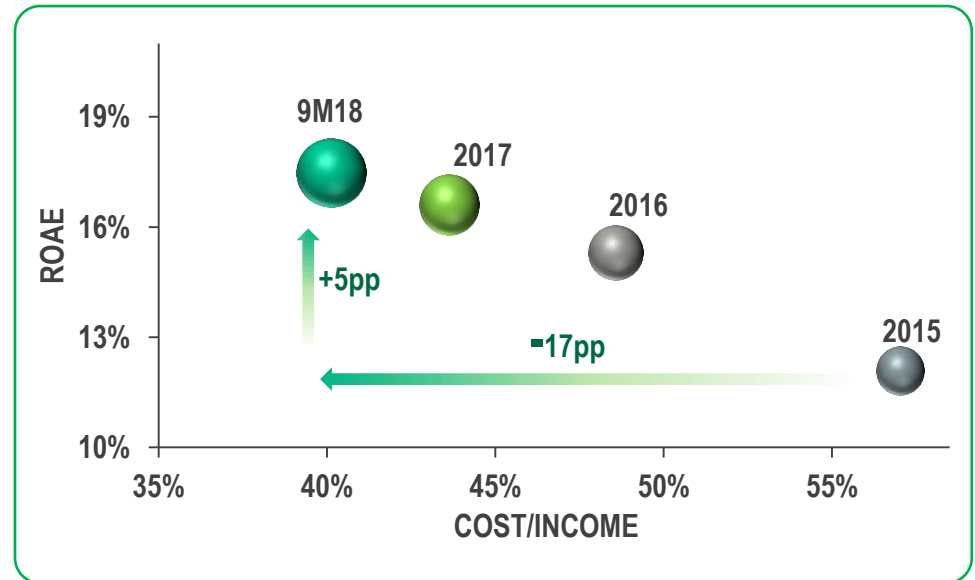
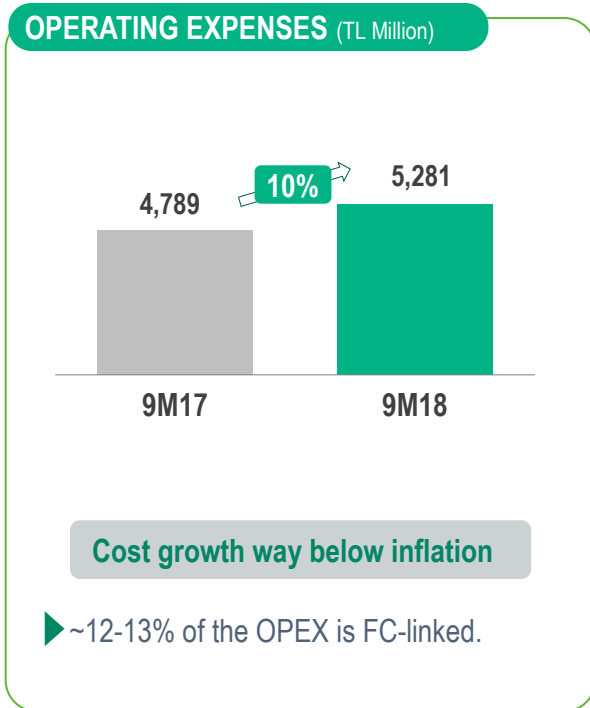
### ► Digital Channels

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)**

<sup>1</sup> Net Fees&Comm. breakdown is based on MIS data.

# SUSTAINED CORE BANKING REVENUES

## Disciplined cost management



**COST/INCOME**

40.1%

**OPEX/ AVG. ASSETS**

2.0%

**FEE / OPEX**

67%

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



●-----● MUTED LOAN GROWTH

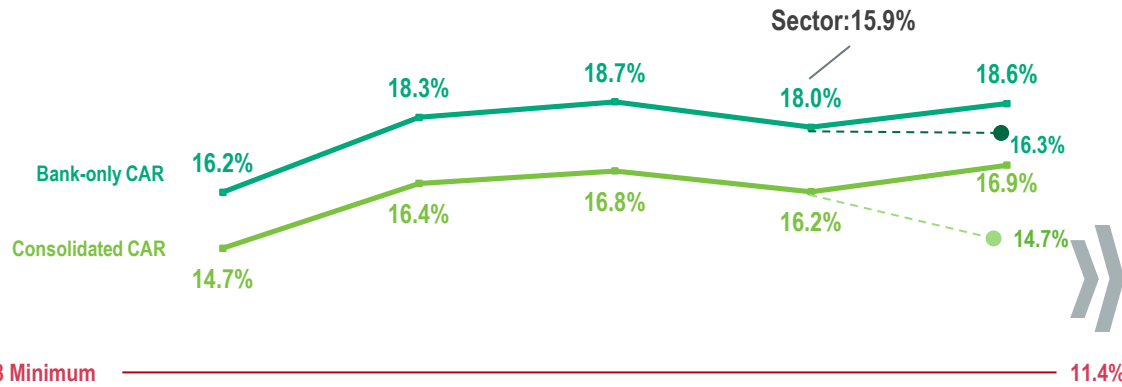
●-----● SUFFICIENT LIQUIDITY

●-----● 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

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

10% TL depreciation against USD  
~55bps negative impact on CAR,  
assuming no temporary measure

**TL1.9bn** Free Provision

Bank-only:  
**TL14bn** Excess Capital

taking into account 11.4% req. level & excluding positive impact of temporary measures

Consolidated:  
**TL >8bn**

1 Required CAR for 2018 = [8.0% + SIFI Buffer for Group 3 (1.5%) + Capital Conservation Buffer (1.875%) + Counter Cyclical Buffer (0.02%)]

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%	↓

<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	Adjusted L/D and Liquidity Coverage Ratios
Pg. 25	Retail Loans
Pg. 26	Securities portfolio
Pg. 27	Summary Balance Sheet
Pg. 28	Summary P&L
Pg. 29	Key Financial Ratios
Pg. 30	Quarterly and Cumulative Net Cost of Risk

# APPENDIX: ADJUSTED LDR AND LIQUIDITY COVERAGE RATIOS

Loans funded via long-term on B/S alternative funding sources **ease LDR**

Total Loans / Deposits:

103%

Adjusted LDR

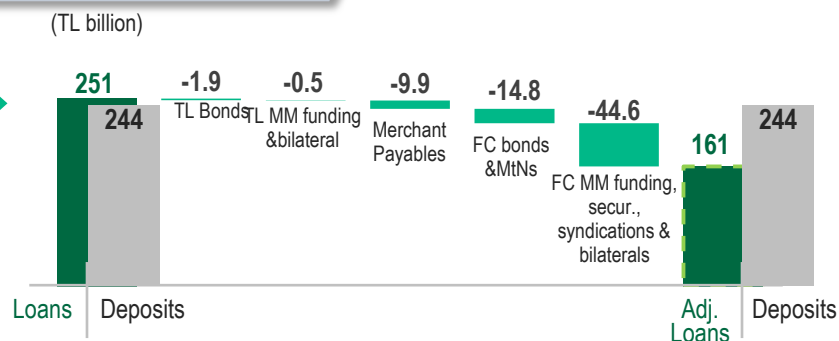
66%

TL Loans / TL Deposits:

144%

FC Loans / FC Deposits:

71%



Liquidity Coverage Ratios<sup>1</sup> (LCR) are **well above minimum required levels**

**Total LCR**

141%

Minimum Req. for 2018

90%

**FC LCR**

152%

Minimum Req. for 2018

70%

<sup>1</sup> Represents the average of September's last week

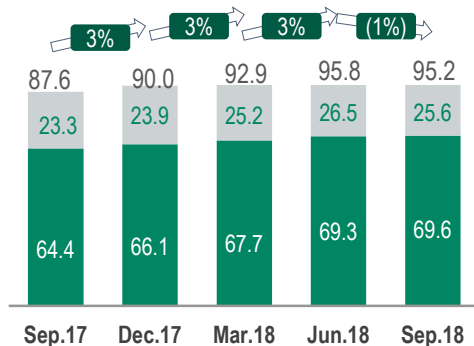


# APPENDIX: RETAIL LOANS

## RETAIL LOANS

(TL billion)

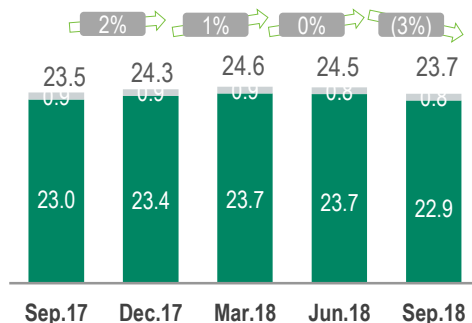
+9%  
YoY



## MORTGAGE LOANS

(TL billion)

(1%)  
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>

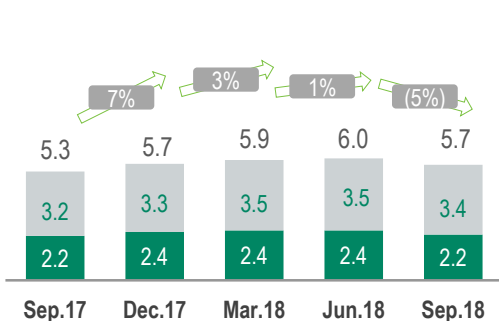
Acquiring  
Volume

19.1%<sup>2</sup>

## AUTO LOANS

(TL billion)

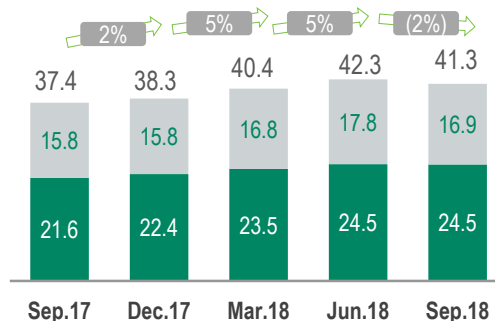
+6%  
YoY



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

(TL billion)

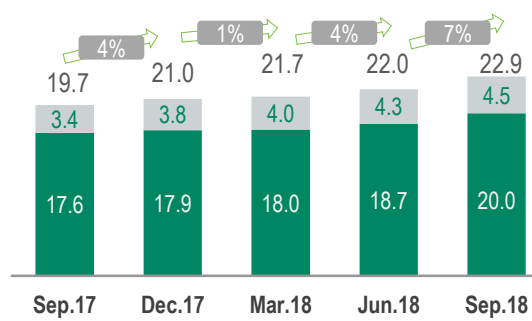
+10%  
YoY



## CREDIT CARD BALANCES

(TL billion)

+17%  
YoY



■ Consumer Loans ■ Commercial Instalment Loans

<sup>1</sup> Including other loans and overdrafts

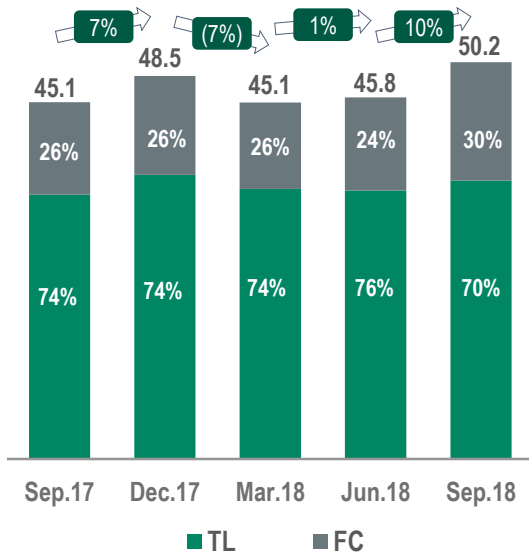
<sup>2</sup> Cumulative figures as of September 2018, as per Interbank Card Center data.

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

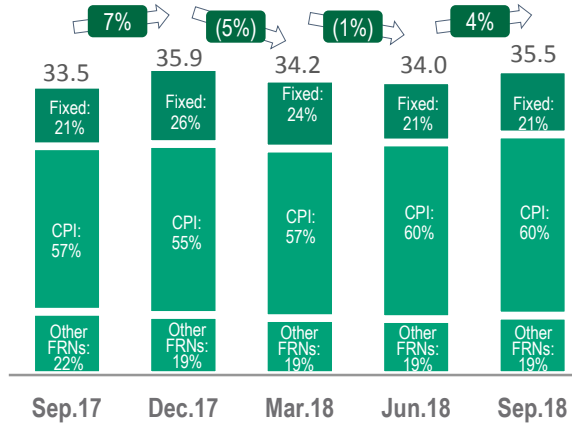
# APPENDIX: SECURITIES PORTFOLIO

## Total Securities (TL billion)

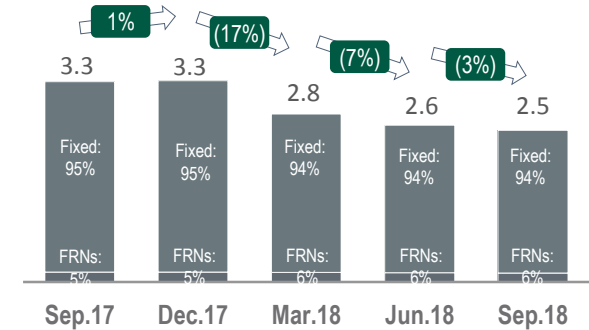
12% of Total Assets



## TL Securities (TL billion)



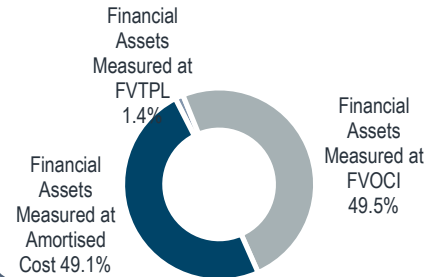
## FC Securities (US\$ billion)



Maintained  
FRN heavy portfolio



## Securities Composition



**Unrealized MtM loss (pre-tax)**  
~TL 1,318mn loss as of September'18

## APPENDIX: SUMMARY BALANCE SHEET

TL Million

ASSETS	31.03.2018	30.06.2018	30.09.2018
Cash&Banks	15,284	22,753	46,496
Balances at CBRT	30,972	27,389	32,436
Securities	45,091	45,759	50,192
Performing Loans	217,418	230,762	250,889
Fixed Assets & Subsidiaries	11,415	11,021	12,655
Other	7,073	11,461	18,109
<b>TOTAL ASSETS</b>	<b>327,254</b>	<b>349,144</b>	<b>410,777</b>

LIABILITIES & SHE	31.03.2018	30.06.2018	30.09.2018
Total Deposits	191,083	206,059	243,865
+Demand Deposits	46,636	55,623	62,087
+Time Deposits	144,448	150,436	181,777
Interbank Money Market	5,499	4,982	2,113
Bonds Issued	20,743	20,791	23,271
Funds Borrowed	45,478	49,926	64,078
Other liabilities	22,066	23,140	30,977
Shareholders' Equity	42,385	44,246	46,473
<b>TOTAL LIABILITIES &amp; SHE.BSchart.solo.BRSA</b>	<b>327,254</b>	<b>349,144</b>	<b>410,777</b>

## APPENDIX: SUMMARY P&L

TL Million	9M 18	3Q18	2Q18	1Q18
(+) Net Interest Income including Swap costs	10,915	4,184	3,512	3,220
(+) <i> NII excluding CPI linkers' income</i>	10,267	3,495	3,533	3,239
(+) <i> Income on CPI linkers</i>	2,486	1,352	585	548
(-) <i> Swap Cost</i>	-1,838	-663	-607	-568
(+) Net Fees & Comm.	3,559	1,256	1,134	1,169
(-) Net Expected Loss	-4,746	-2,680	-1,309	-757
(-) <i> Expected Loss</i>	-6,256	-2,981	-1,658	-1,617
<i>info: Currency Impact</i>	-1,834	-1,255	-420	-139
(+) <i> Provision Reversal under other Income</i>	1,510	301	350	860
(-) OPEX	-5,281	-1,767	-1,778	-1,736
(-) <i> HR</i>	-2,157	-708	-771	-678
(-) <i> Non-HR</i>	-3,123	-1,059	-1,007	-1,058
<b>= CORE OPERATING INCOME</b>	<b>4,448</b>	<b>993</b>	<b>1,559</b>	<b>1,896</b>
(+) Net Trading & FX gains/losses	2,455	1,696	533	226
<i>info: Gain on Currency Hedge</i>	+1,834	+1,255	+420	+139
(+) Income on subsidiaries	711	250	236	224
(+) Other income	291	70	57	164
(+) <i> Gains from asset sale</i>	126	0	0	126
(+) <i> Other</i>	165	70	57	38
(-) Taxation and other provisions	-2,328	-1,336	-477	-514
(-) <i> Free Provision</i>	-700	-700	0	0
(-) <i> Other Provision</i>	-69	-42	-9	-18
(-) <i> Taxation</i>	-1,559	-594	-468	-496
<b>= NET INCOME</b>	<b>5,576</b>	<b>1,673</b>	<b>1,907</b>	<b>1,996</b>

# APPENDIX: KEY FINANCIAL RATIOS

	Mar-18	Jun-18	Sep-18
<b>Profitability ratios</b>			
ROAE (Cumulative) <sup>1</sup>	18.3%	18.1%	17.5%
ROAA (Cumulative) <sup>1</sup>	2.4%	2.3%	2.2%
Cost/Income	40.9%	41.8%	40.1%
Quarterly NIM incl. Swap costs	4.7%	4.9%	5.2%
<b>Liquidity ratios</b>			
Loans / Deposits	114%	112%	103%
TL Loans / TL Deposits	159%	158%	144%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	79%	77%	66%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	135%	136%	126%
FC Loans / FC Deposits	71%	70%	71%
<b>Asset quality ratios</b>			
NPL Ratio	2.5%	3.1%	3.9%
Coverage Ratio			
+ Stage1	0.5%	0.5%	0.6%
+ Stage2	9.7%	9.9%	11.8%
+ Stage3	70.0%	64.3%	60.0%
Cumulative Net Cost of Risk (excluding currency impact, bps)	115	133	166
<b>Solvency ratios</b>			
CAR	18.0%	18.0%	18.6%
Common Equity Tier I Ratio	15.8%	15.7%	16.0%
Leverage	6.7x	6.9x	7.8x

<sup>1</sup> Excludes non-recurring items when annualizing Net Income for the remaining quarters of the year in calculating Return On Average Equity (ROAE) and Return On Average Assets (ROAA).

Note: In the calculation of average assets, average IEAs and average equity, 01.01.2018 restated balance sheet has been used instead of 2017YE

# APPENDIX: QUARTERLY & CUMULATIVE NET CoR

## Quarterly Net Expected Credit Loss

(Million TL, 3Q18)

<b>(-) Expected Credit Losses</b>	<b>2,981</b>
Stage 1	415
Stage 2	1,113
Stage 3	1,453
<b>(+) Provision Reversals under other income</b>	<b>301</b>
Stage 1 & 2	41
Stage 3	260
<b>(=) Net Expected Credit Losses</b>	<b>2,680</b>
<b>(a) Annualized Net Expected Credit Losses</b>	<b>10,632</b>
<b>(b) Average Gross Loans</b>	<b>249,488</b>
<b>Quarterly Total Net CoR (a/b)</b>	<b>426 bps</b>
<b>info: Currency Impact*</b>	<b>1,255</b>
<b>Total Net CoR excl. currency impact</b>	<b>227 bps</b>

## Cumulative Net Expected Credit Loss

(Million TL, 9M18)

<b>(-) Expected Credit Losses</b>	<b>6,256</b>
Stage 1	1,027
Stage 2	2,676
Stage 3	2,553
<b>(+) Provision Reversals under other income</b>	<b>1,510</b>
Stage 1 & 2	911
Stage 3	600
<b>(=) Net Expected Credit Losses</b>	<b>4,746</b>
<b>(a) Annualized Net Expected Credit Losses</b>	<b>6,345</b>
<b>(b) Average Gross Loans</b>	<b>234,024</b>
<b>Cumulative Total Net CoR (a/b)</b>	<b>271 bps</b>
<b>info: Currency Impact *</b>	<b>1,834</b>
<b>Total Net CoR excl. currency impact</b>	<b>166 bps</b>

\*Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

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