



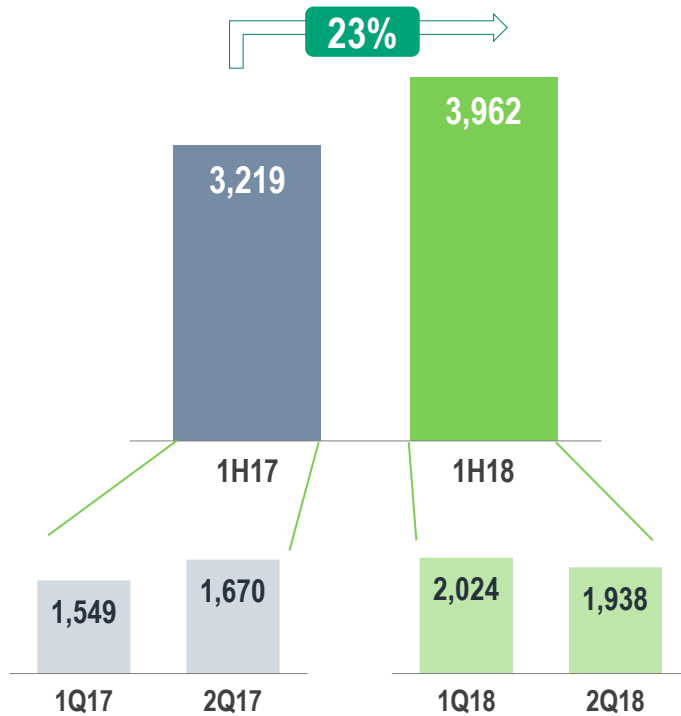
# 1H18 EARNINGS PRESENTATION

Based on IFRS Consolidated Financials



# SUSTAINED STRONG EARNINGS PERFORMANCE

## NET INCOME (TL million)



**2.2%** ROAA  
vs. 1.8% in 2017

**18.4%** ROAE  
vs. 15.6% in 2017

**7.6x** Leverage  
vs. 7.4x in 2017

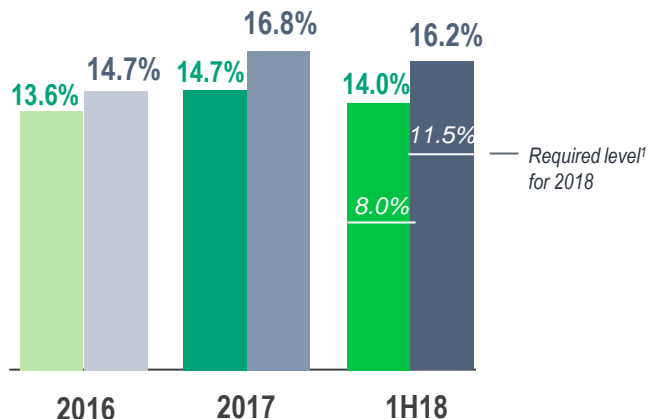
Note: In the calculation of average assets and equity, opening balance sheet as of 1 January 2018 has been used instead of 2017 YE.

INVESTOR RELATIONS | 1H18 IFRS EARNINGS PRESENTATION

# STRONG SOLVENCY & COMFORTABLE LIQUIDITY

## SOLVENCY RATIOS

■ CET-1 ■ CAR



RWA / Assets

83%

78%

81%

## LIQUIDITY RATIOS<sup>2</sup>

*well above minimum required levels*

**Total LCR** 149.6%

Minimum Req. for 2018 90%

**FC LCR** 161.7%

Minimum Req. for 2018 70%

### Impacts on CAR – 1H18 vs. 2017



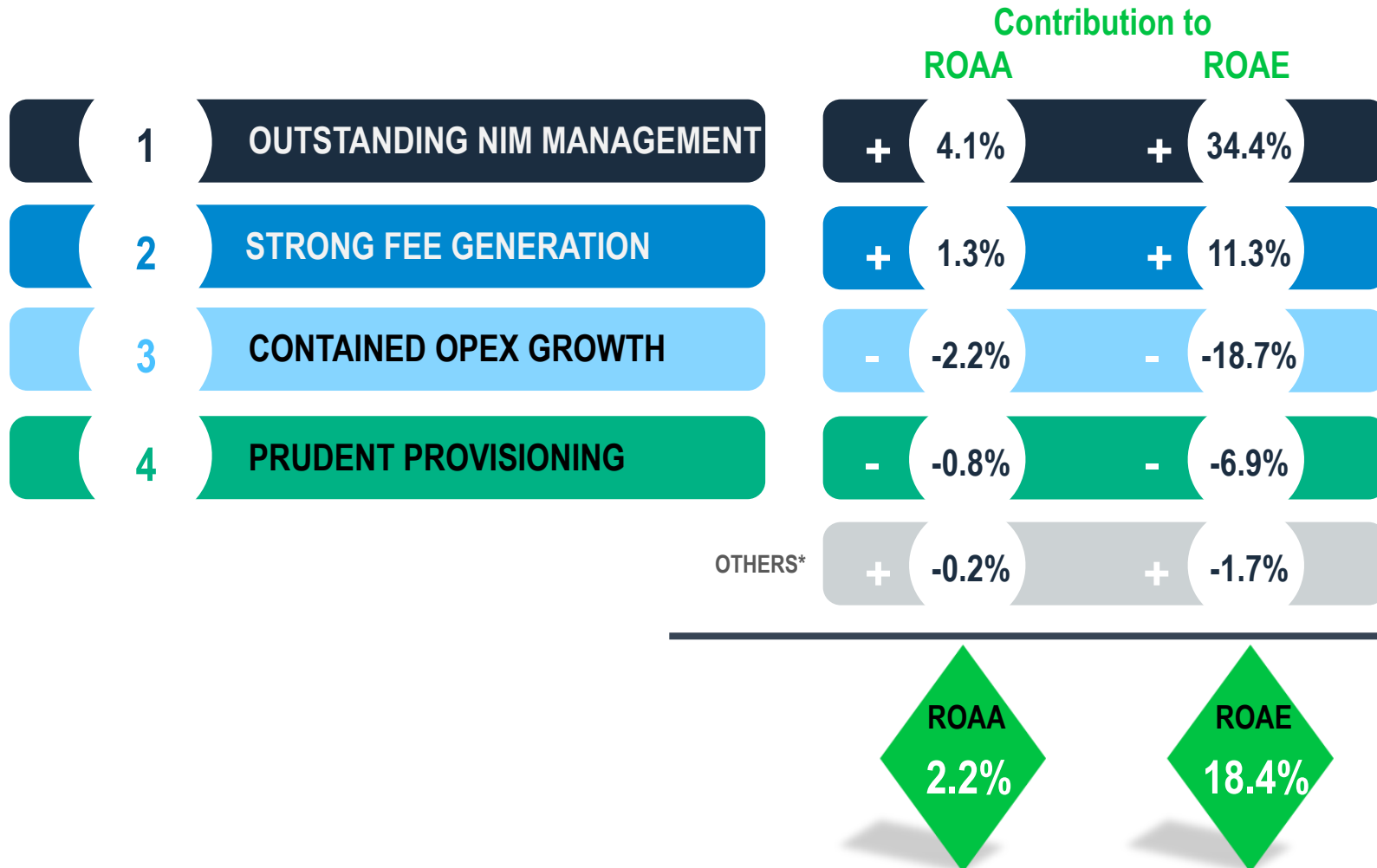
Note: Figures and ratios are per BRSA Consolidated financials

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

<sup>2</sup> Representing June 2018 monthly average

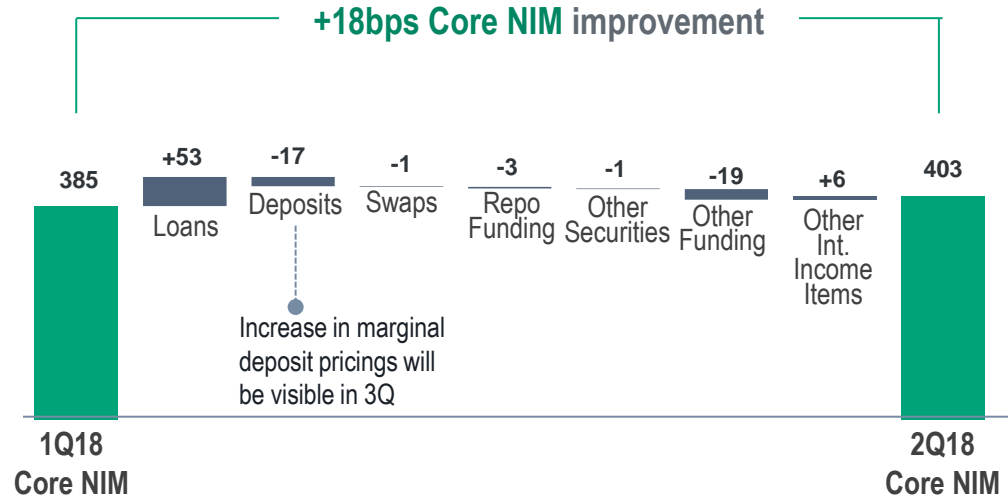
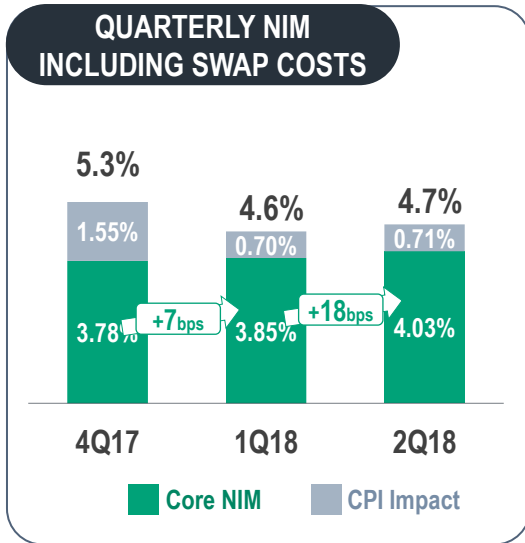
\* Due to annual re-calculation of operational risk, which is calculated under Basic Indicator Approach

# WHAT LIES BENEATH THE PERFORMANCE

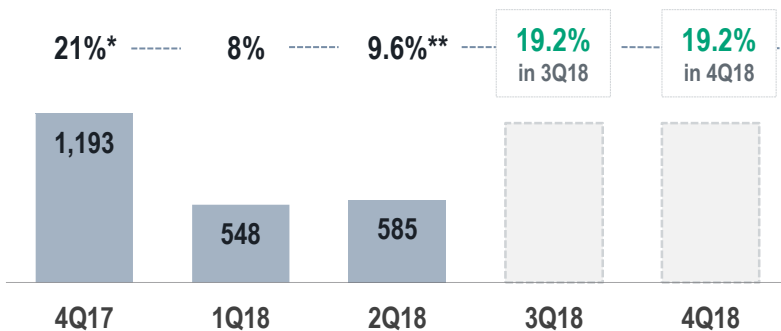


\*Net trading & FX gains, other income, other provisions and taxation are included in «Others» line  
 Note: In the calculation of average assets and equity, opening balance sheet as of 1 January 2018 has been used instead of 2017 YE.

# CORE NIM EXPANSION



**QUARTERLY CPI LINKERS' INCOME**  
(TL million)



● CPI estimate used in the valuation  
Based on 14% Oct-Oct CPI assumption

**Impact of 1% higher CPI:**  
**+TL180mn/yr to Net Income**  
**~8bps impact on NIM**

Note: Figures and Ratios are based on BRSA Consolidated Financials

In the calculation of average IEA, opening balance sheet as of 1 January 2018 has been used instead of 2017 IEA

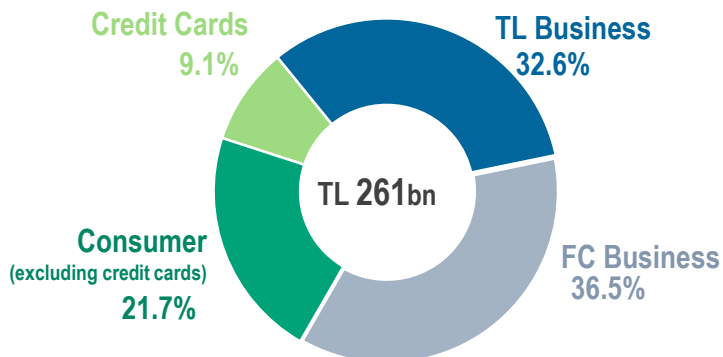
\* Adjustment in annual CPI reading in the last quarter of 2017 from 9% to 11.9%

implies 20% rate for 4Q-only. \*\* During 2018, CPI expectation used in the valuation revised up to 9% in May and to 10% in June.

# HEALTHY GROWTH SUSTAINED WITH A BALANCED LOAN MIX

## LOAN BREAKDOWN<sup>1</sup>

(Excluding Leasing and Factoring receivables)



TL LOAN GROWTH

↑ 5% QoQ

↑ 12% YtD

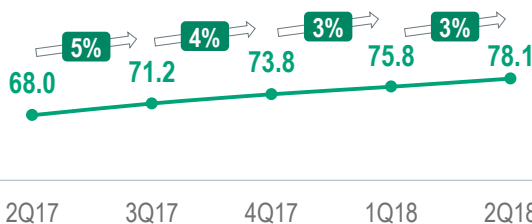
FC LOAN GROWTH (in US\$)

↓ -7% QoQ

↓ -9% YtD

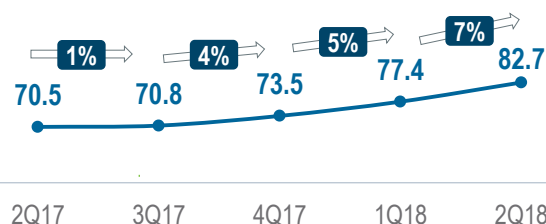
## HEALTHY MARKET SHARE GAINS

### ▶ Consumer Loans including Credit Cards<sup>1</sup> (TL billion)



- Consumer GPLs and Credit Cards were the front-runners (GPL: +5% QoQ; +10% YtD; Credit Cards: +4% QoQ; +6% YtD)
- Consumer Mortgage growth was muted in 2Q
- Rational pricing stance preserved

### ▶ TL Business Banking Loans<sup>1</sup> (TL billion)



- Supported with Business banking & CGF loans
- Garanti's limit out of TL85bn CGF limit\*: TL6.2bn as of 1H18
- CGF contribution to YtD TL Business banking loan growth: 4%

<sup>1</sup> Based on BRSA Consolidated Financials, excluding leasing and factoring receivables

Note: Business banking loans represent total loans excluding credit cards and consumer loans

\* In 2017, Sector utilized TL200bn out of TL250bn CGF guarantee limit. In February, remaining TL50bn guarantee limit has been introduced. 1/3 of the sector's limit will be used for the export-based sectors, 1/3 for investment loans including women entrepreneurs, agriculture and 1/3 for working capital needs. Additionally, in 2Q18, TL35bn of rollover limit has been extended to the sector, mostly utilized for working capital needs.

# WELL-DIVERSIFIED MIX BACKED BY LOW COST & STICKY DEPOSITS

## DEPOSITS

TL DEPOSITS GROWTH

↑ 5% QoQ

↑ 9% YtD

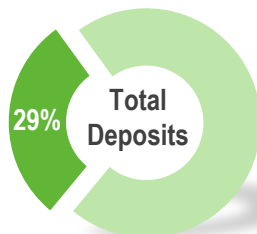
FC DEPOSITS GROWTH (in US\$)

↓ -4% QoQ

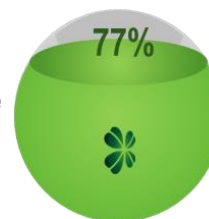
↓ -2% YtD

**DEMAND DEPOSITS**

Bank-only: 27% vs. sector's 22%<sup>2</sup>



**SME & RETAIL DEPOSITS**<sup>1</sup> share in TL Deposits



## SWAPS

SUCCESSFUL DUAL CURRENCY BALANCE SHEET MANAGEMENT

NET SWAP FUNDING<sup>1</sup>

**TL 22bn**  
2Q18 avg. @11.9%

**TL 23bn**  
1Q18 avg. @11.1%

## BORROWINGS

- Total issuance in 2017 \$5.9bn of which \$2.2bn fresh
- In 1Q18, **\$125mn fresh MTN issuance** with 1-yr maturity
- In May'18, **100% syndication roll-over** (US\$457mn @Libor+1.30%; €670.5mn @Euribor+1.20%, US\$145mn @Libor+2.10% )
- In June'18, **first ever gender bond issuance** with US\$75mn w/6-yrs maturity

1 Based on bank-only MIS data

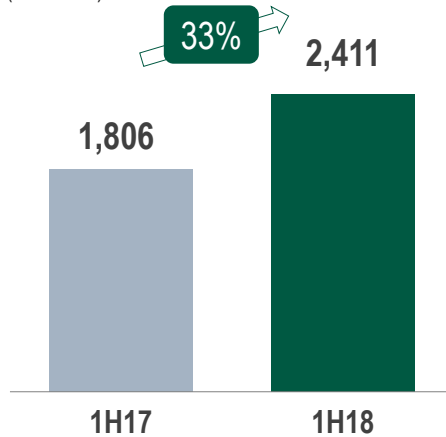
2 Based on BRSA weekly data as of 29 June 2018, commercial banks only.

3 Based on BRSA Consolidated Financials

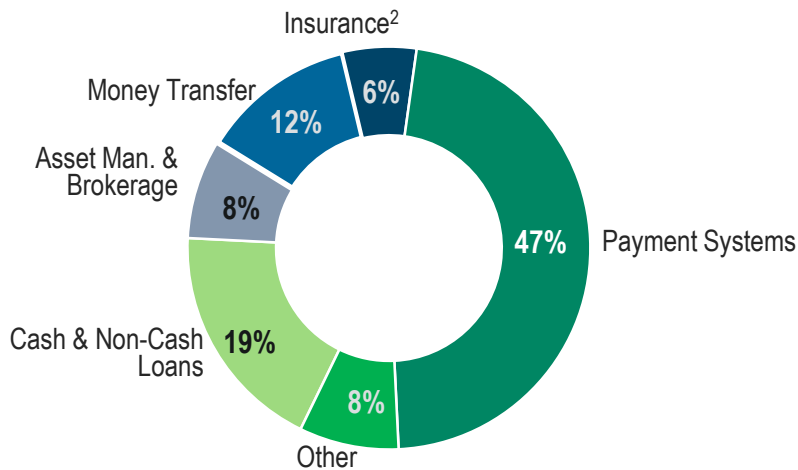
# STELLAR FEE GROWTH BACKED BY DIVERSIFIED FEE SOURCES

## NET FEES & COMMISSIONS

(TL million)



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



### ► Payment systems

Leading position in **issuing & acquiring** businesses  
Strong **merchant network** & actively managed relations

### ► Money transfer

Leader in interbank money transfer: **13%** 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: **44%**  
Share of digital sales in total sales: **43%**  
Leading position: **6.6mn digital customer**

► Economic activity & growth supported  
**brokerage, cash & non-cash loan fees**

<sup>1</sup> Based on BRSA Consolidated Financials

<sup>2</sup> Insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials

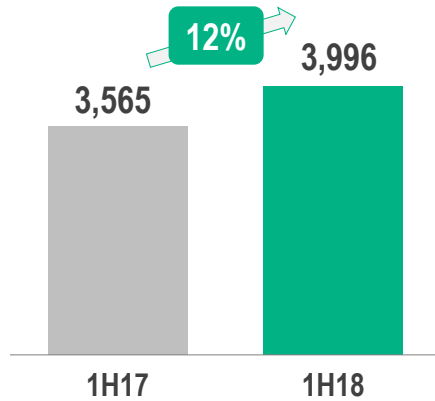


# COMMITTED TO IMPROVE EFFICIENCY & OPERATIONAL EXCELLENCE

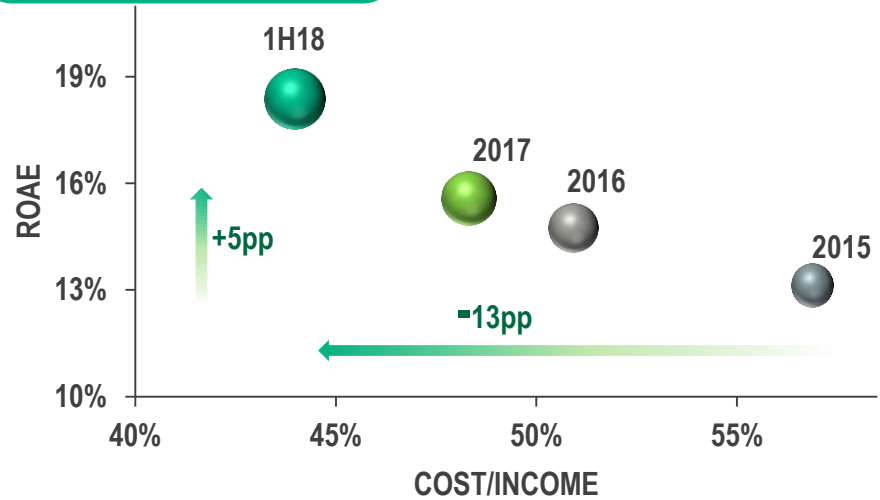
## OPERATING EXPENSES

(TL Million)

Cost growth 3pp below inflation



## INCREASING EFFICIENCY



COST/INCOME

44.0%

OPEX/ AVG. ASSETS

2.2%

FEE / OPEX

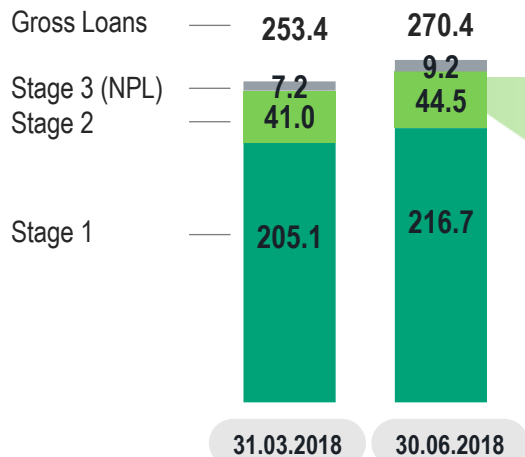
60.3%

Note: In the Cost/Income calculation, Income defined as NII + Net F&C + Trading gains/losses  
 – Provision for loans – Free Provisions set aside during the year+ Other income  
 + Income from subsidiaries.

# PRUDENTLY DEFINED IFRS 9 CRITERIA REFLECTED ON STAGING

## LOAN PORTFOLIO BREAKDOWN

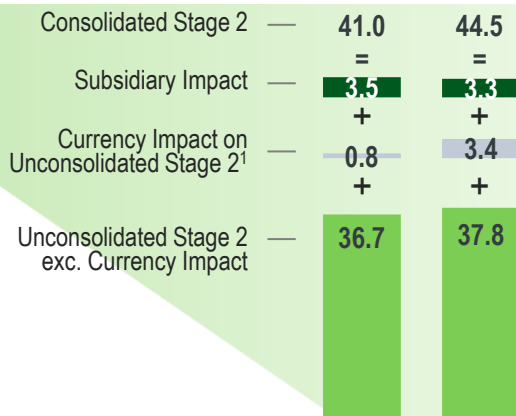
(Billion TL)



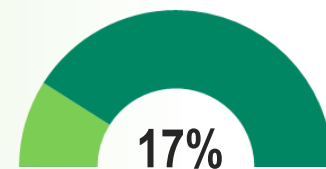
USDTRY: 3.9450 4.5637

## Stage 2 Breakdown

(Billion TL)



Share of Stage 2 in Performing Loans



Not comparable among banks mainly due to:

- 43% Differentiation in quantitative assessment criteria (SICR definition)
- 57% Approach difference for qualitative assessment as was the case in the past for Group 2 classification.

Currency Breakdown of Unconsolidated Stage 2

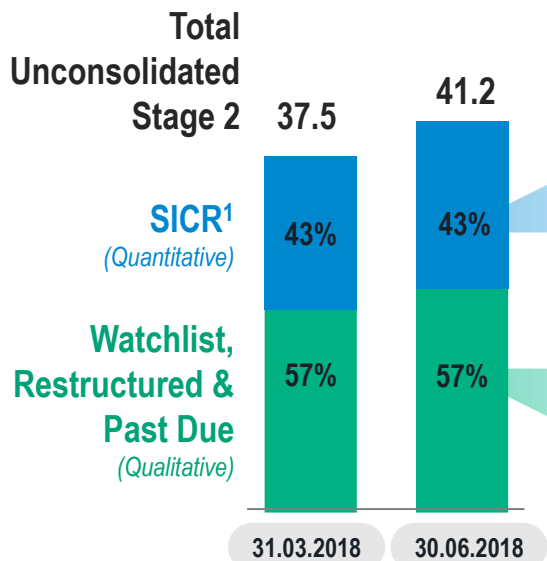
		31.03.2018	30.06.2018
SICR <sup>2</sup> (Quantitative)	TL	87%	89%
	FX	13%	11%
Watchlist, Restructured & Past Due (Qualitative)	TL	30%	28%
	FX	70%	72%

1 2017YE USDTRY currency of 3.77 is used in currency impact calculations.  
2 SICR: Significant Increase in Credit Risk

# PRUDENTLY DEFINED IFRS 9 CRITERIA REFLECTED ON STAGING

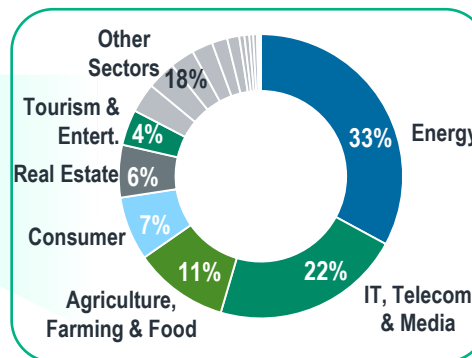
## UNCONSOLIDATED STAGE 2 BREAKDOWN

(Billion TL)



- ▶ High share of SICR<sup>1</sup> is the outcome of prudently defined IFRS 9 model parameters.
- ▶ 85% of SICR is not delinquent at all and the rest are less than 30-days past due

### Sector Breakdown of Stage 2 excluding SICR



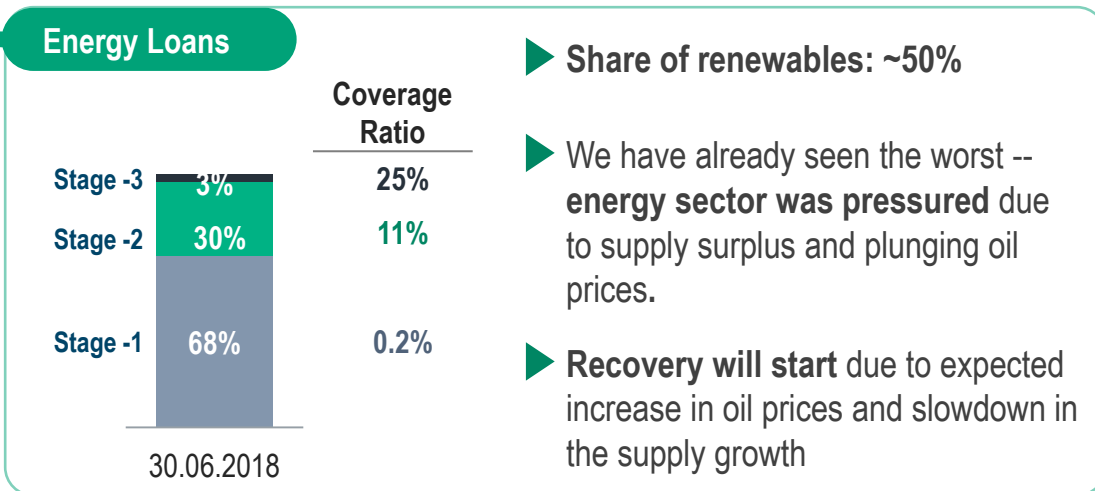
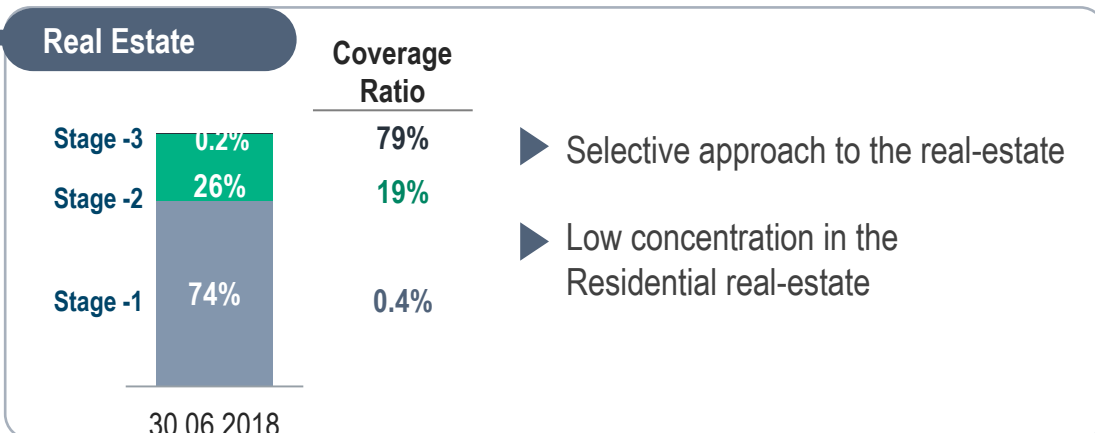
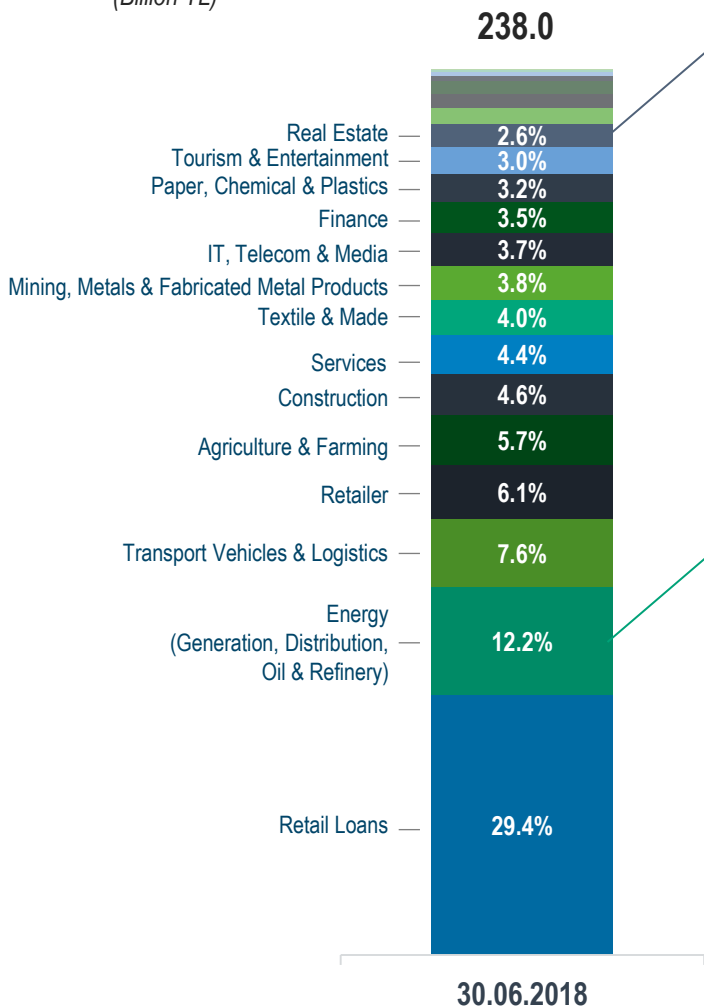
- ▶ Restructured/refinanced loans are followed under Stage 2 for minimum 2 years or for life-time.
- ▶ Files are moved to **Watchlist proactively** as a result of advanced risk assessments, as was our common practice in the past.

Unconsolidated Stage 2 Coverage	30.06.2018	
	Total Stage 2	9.9%
<b>SICR (Quantitative)</b>	<b>3%</b>	
<b>Watchlist, Restructured &amp; Past Due (Qualitative)</b>	<b>16%</b>	

<sup>1</sup> SICR: Significant Increase in Credit Risk

# WELL-DIVERSIFIED PORTFOLIO WITH STRONG COVERAGE

## SECTOR BREAKDOWN OF UNCONSOLIDATED GROSS LOANS<sup>1</sup> (Billion TL)

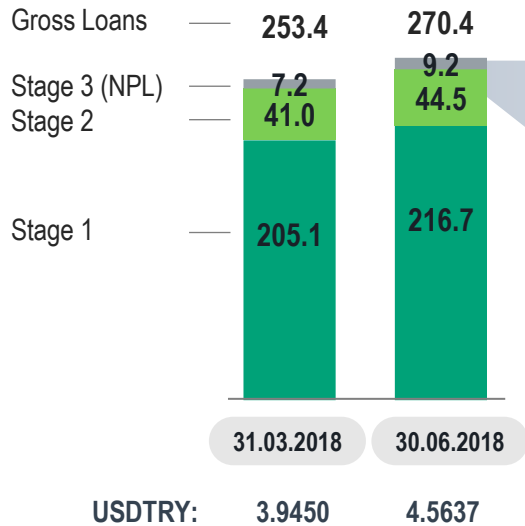


<sup>1</sup> Based on Bank-only MIS data

# NORMALIZATION IN NPL INFLOWS

## LOAN PORTFOLIO BREAKDOWN

(Billion TL)



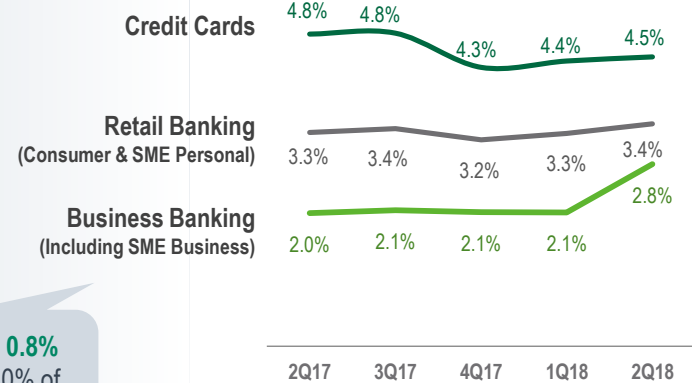
### NPL Ratio

3.4% <sup>16bps</sup> Currency impact  
 vs.  
 2.8% in 1Q  
 2.8% in 2017YE

**CGF NPL Ratio: 0.8%**  
 (CGF loans are 10% of Business Banking loans)

### NPL Breakdown<sup>1</sup>

Bank-Only NPL ratio: 3.0%  
 No NPL Sale in 1H18



<sup>1</sup> BRSA bank-only data

## APPENDIX

Pg. 15	Summary P&L
Pg. 16	Composition of Assets & Liabilities
Pg. 17	Long-term Wholesale Funding
Pg. 18	Securities portfolio
Pg. 19	Retail Loans

## APPENDIX: SUMMARY P&L

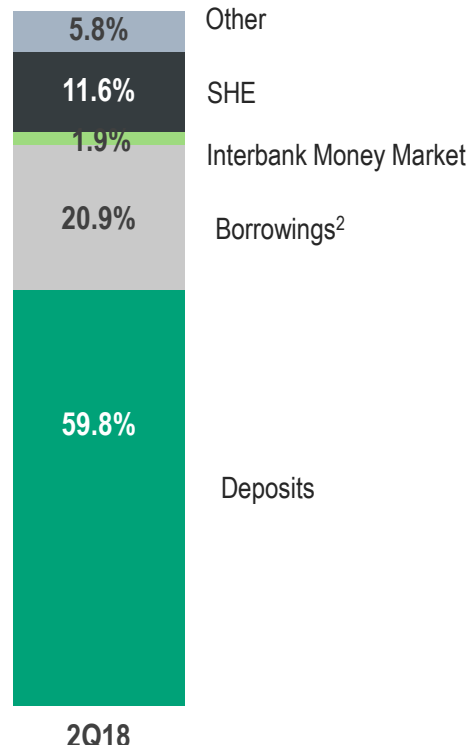
<i>TL Million</i>	<b>3M18</b>	<b>6M18</b>
(+) Net Interest Income	3,510	7,350
(+) <i>NII excluding CPI linkers' income</i>	2,961	6,216
(+) <i>Income on CPI linkers</i>	548	1,134
(+) Net Fees & Comm.	1,228	2,411
(-) Provisions for loans and other credit risks, net	-803	-1,478
(-) OPEX	-1,977	-3,996
<b>= OPERATING INCOME</b>	<b>1,958</b>	<b>4,287</b>
(+) Net Trading & FX gains/losses	269	177
(+) Other income	371	629
(+) <i>Gains from asset sale</i>	126	126
(+) <i>Net Insurance Business Income</i>	136	266
(+) <i>Other</i>	109	237
(-) Taxation and other provisions	-574	-1,130
<b>= NET INCOME</b>	<b>2,024</b>	<b>3,962</b>

# APPENDIX: COMPOSITION OF ASSETS & LIABILITIES

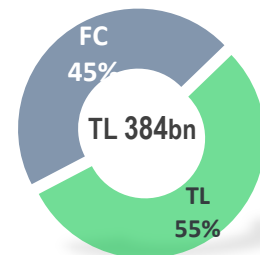
## ASSETS



## LIABILITIES & SHE

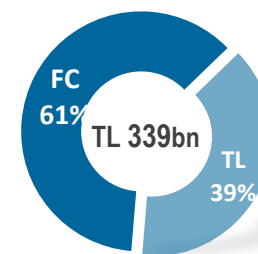


## TL/FC MIX IN ASSETS



USD/TRY 4.564

## TL/FC MIX IN LIABILITIES



USD/TRY 4.564

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

<sup>2</sup> Includes Loans and advances from banks, Bonds payable, Subordinated liabilities & Financial liabilities at fair value through profit or loss



## APPENDIX: LONG-TERM WHOLESALE FUNDING

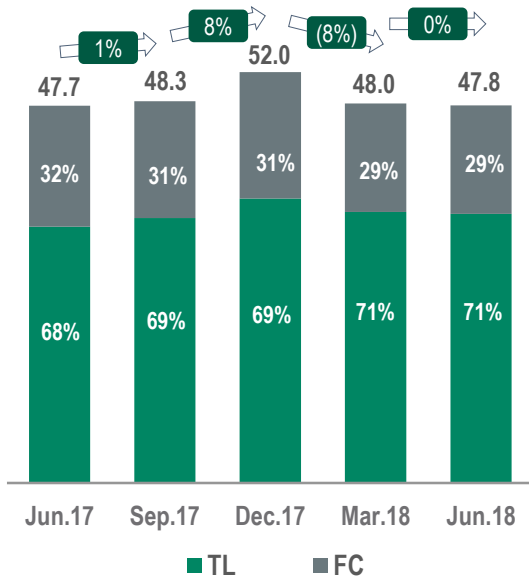
**Total issuance in 2017 \$5.9 bn; of which, \$2.2 bn fresh (new liquidity raised).  
In 1H18, \$200mn fresh MTN issuance**

<b>Basel III compliant Tier II</b>	<ul style="list-style-type: none"> <li>\$ 750mn, 10NC5</li> <li>Record subscription &gt;\$4bn</li> <li>6.125%, largest deal size and lowest coupon for Turkish Tier 2 Basel III compliant bond (2Q17)</li> </ul>
<b>Senior Unsecured</b>	<ul style="list-style-type: none"> <li>\$ 500mn, 6-yrs maturity @5.875% (1Q17)</li> </ul>
<b>Covered Bond</b>	<ul style="list-style-type: none"> <li>TL 1,681 mn in 2017, 5-yrs avg. maturity</li> </ul>
<b>100% syndication roll-over</b>	<ul style="list-style-type: none"> <li>\$ 1.3bn equivalent: 100% rollover (4Q17)</li> <li>\$ 1.35bn equivalent: 100% rollover (2Q18)</li> </ul> <div style="margin-left: 20px;"> <ul style="list-style-type: none"> <li>\$ 457mn @ Libor+1.30% (367 days)</li> <li>€ 670.5mn @ Euribor+1.20% (367 days)</li> <li>\$ 145mn @ Libor+2.10% (2 years 1 day )</li> </ul> </div>
<b>DPR Securitization</b>	<ul style="list-style-type: none"> <li>\$ 725mn in 2017, 5-yrs maturity</li> </ul>
<b>Bilateral</b>	<ul style="list-style-type: none"> <li>\$ 475mn in 2017, 3-yrs avg. maturity</li> </ul>
<b>GMTN Program</b>	<ul style="list-style-type: none"> <li>\$ 48mn in 2017, 1-yr maturity</li> <li>\$ 125mn in 1Q18, 1-yr maturity</li> <li>\$ 75mn in 2Q18 6-yr maturity (Gender Bond - The first private sector gender bond in emerging markets and one of the firsts of its kind in the World)</li> </ul>

# APPENDIX: SECURITIES PORTFOLIO

## Total Securities (TL billion)

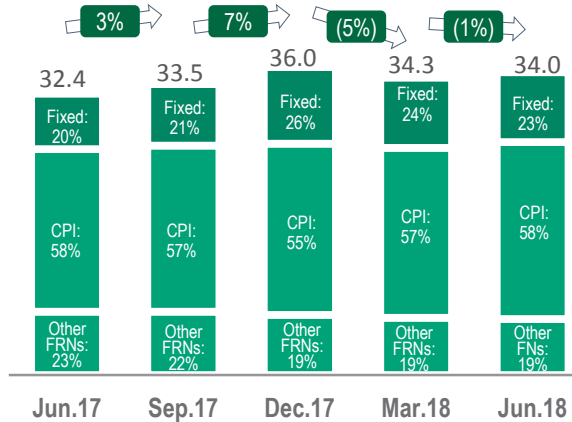
12% of Total Assets



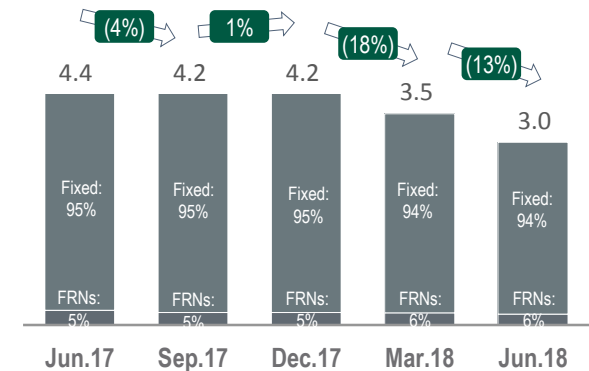
Maintained  
FRN heavy portfolio



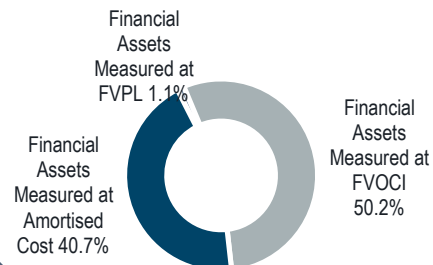
## TL Securities (TL billion)



## FC Securities (US\$ billion)



## Securities Composition



Unrealized MtM loss (pre-tax)<sup>1</sup>  
~TL 731mn loss as of Jun'18

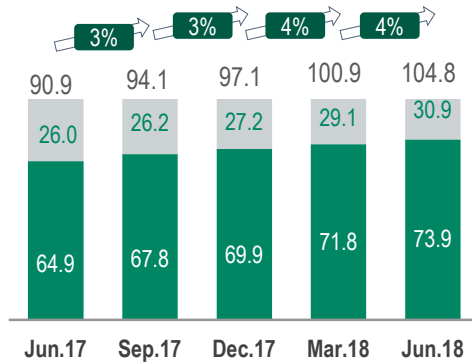
Note: Fixed - Floating breakdown of securities are based on bank-only MIS data  
1 Based on BRSA Consolidated Financials

# APPENDIX: RETAIL LOANS

## RETAIL LOANS

(TL billion)

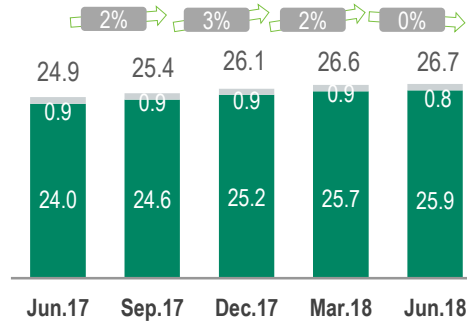
+15%  
YoY



## MORTGAGE LOANS

(TL billion)

+7%  
YoY



## Market Shares\*

	Jun'18	QoQ	Rank
Consumer Loans	22.4%	-1bps	#1
Cons. Mortgage	25.6%	+62bps	#1
Cons. Auto	47.3%	+83bps	#1
Consumer GPLs	18.4%	-39bps	#2

\* Among private banks, rankings as of March 18

### Pioneer in cards business

# of CC  
customers

14.7%<sup>2</sup>

Issuing  
Volume

19.2%<sup>2</sup>

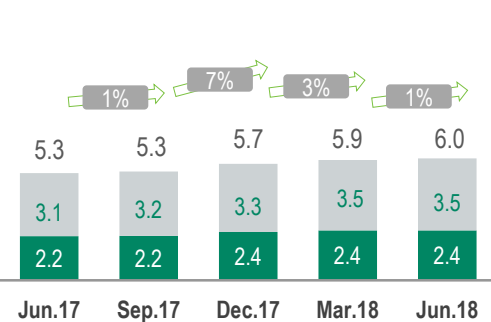
Acquiring  
Volume

19.1%<sup>2</sup>

## AUTO LOANS

(TL billion)

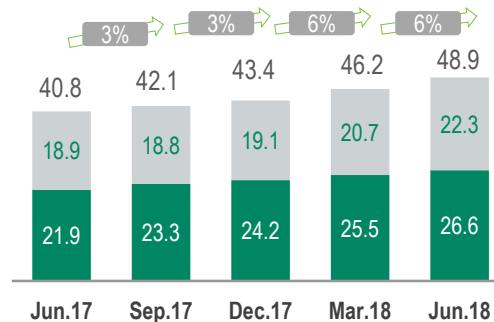
+14%  
YoY



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

(TL billion)

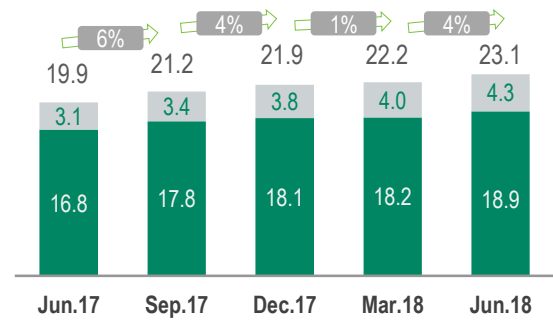
+20%  
YoY



## CREDIT CARD BALANCES

(TL billion)

+16%  
YoY



■ Consumer Loans ■ Commercial Instalment Loans

Note: Figures are based on BRSA Consolidated Financials

1 Including other loans and overdrafts

2 Cumulative figures as of June 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 29.06.2018

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