



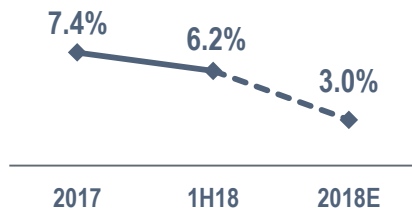
FINANCIAL INSTITUTIONS DAY

Ali Fuat Erbil, CEO
Dubai, 06 November 2018



TURKISH ECONOMY

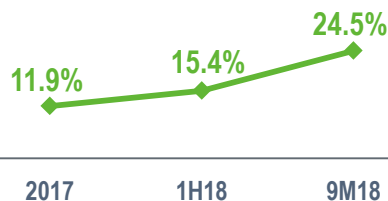
GDP GROWTH



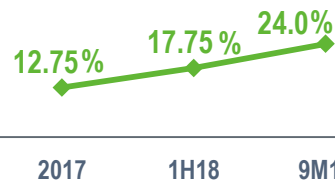
► 2H18 -- Decelerating economic activity

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

INFLATION (Year-end)



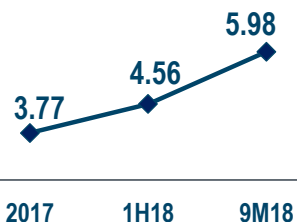
CBRT FUNDING COST (Period-end)



► 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**

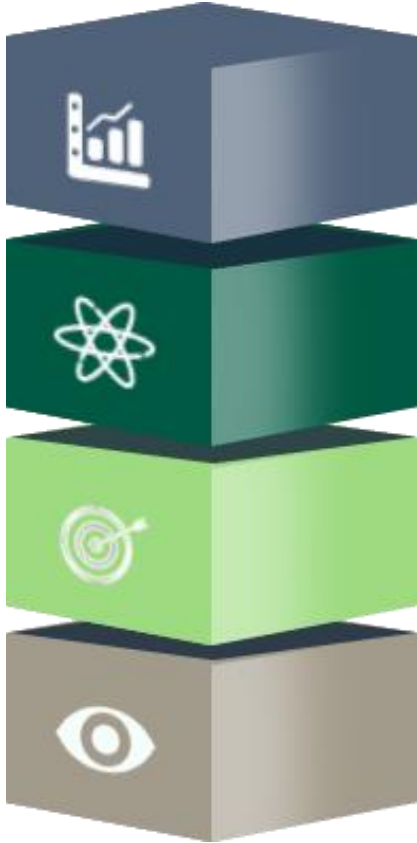
USD/TL (Bid rate, period-end)



► 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**

AGENDA

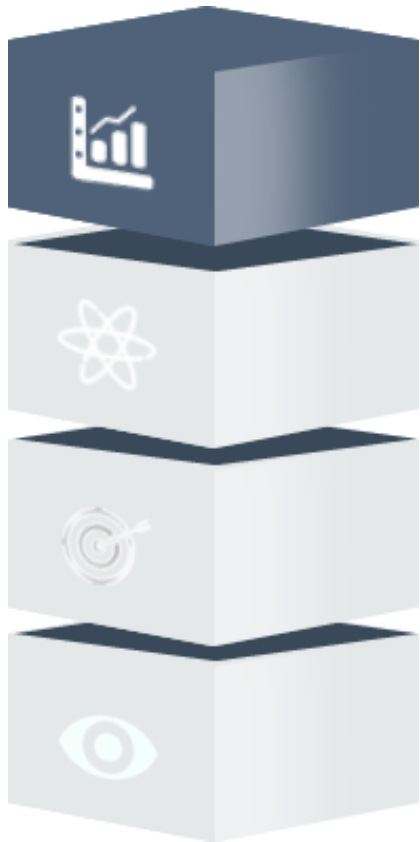


●-----● BUSINESS ENVIRONMENT & GROWTH

●-----● LIQUIDITY

●-----● SOLVENCY

●-----● ASSET QUALITY



● ● **BUSINESS ENVIRONMENT & GROWTH**

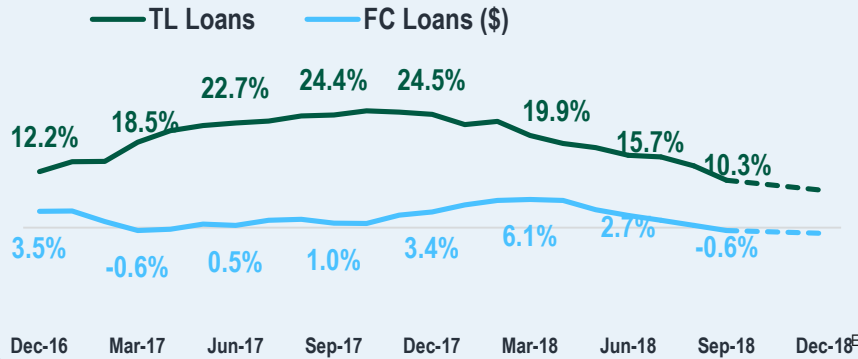
● ● LIQUIDITY

● ● SOLVENCY

● ● ASSET QUALITY

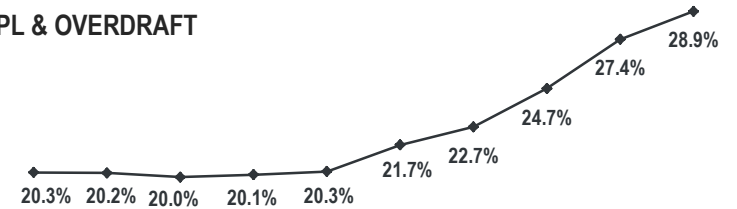
LOAN GROWTH & PRICING OF NEW DISBURSEMENTS

BANKING SECTOR Y-O-Y LENDING GROWTH



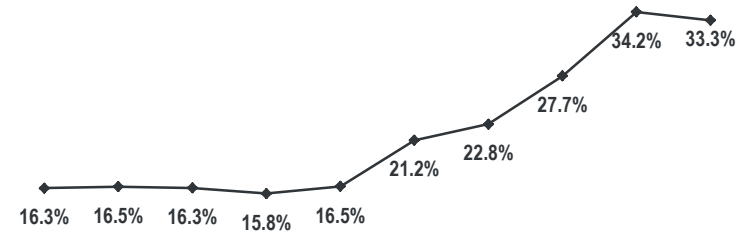
SECTOR'S AVERAGE NEW DISBURSEMENT YIELD

GPL & OVERDRAFT



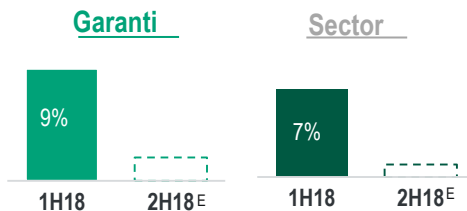
Jan.18 Feb.18 Mar.18 Apr.18 May.18 Jun.18 Jul.18 Aug.18 Sep.18 Oct.18

TL COMMERCIAL LOANS



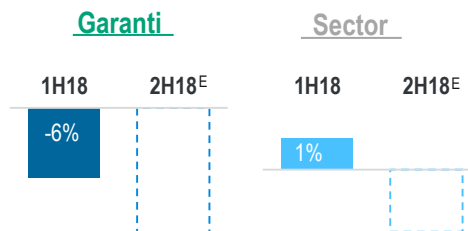
Jan.18 Feb.18 Mar.18 Apr.18 May.18 Jun.18 Jul.18 Aug.18 Sep.18 Oct.18

TL LOAN GROWTH



FC LOAN GROWTH

(IN USD TERMS)



E: Expectation.

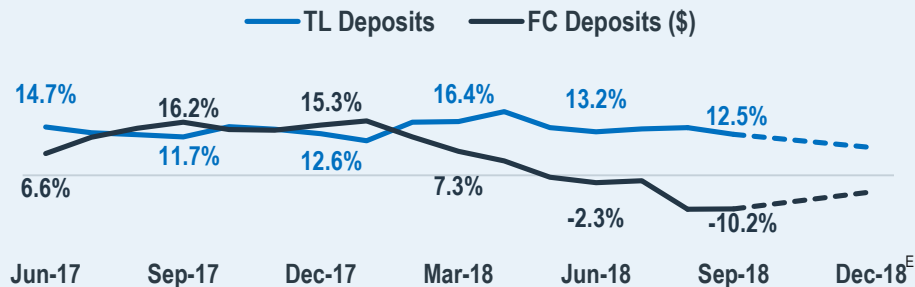
1H18: Growth between Dec'17 and Jun'18

2H18: Growth between Jun'18 and Dec'18

Note: In the presentation, sector represents commercial banks' data only

DEPOSIT GROWTH & COST OF NEW DEPOSITS

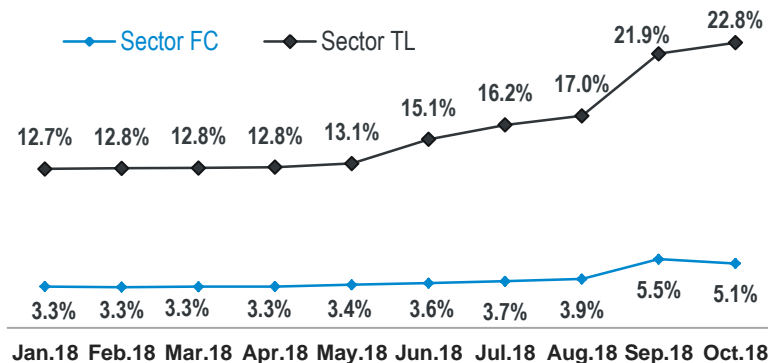
BANKING SECTOR Y-O-Y CUSTOMER DEPOSIT GROWTH



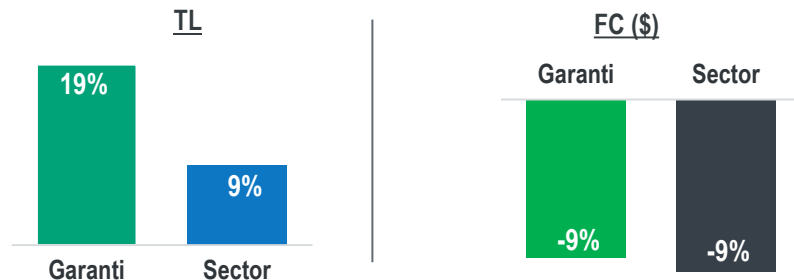
USD/TRY



SECTOR'S AVERAGE NEW TIME DEPOSIT COSTS



9M18 CUSTOMER DEPOSIT GROWTH



REVISION ON WITHHOLDING TAX



FC Deposits

- **Less than 6 months** maturity: from 18% to **20%**
- **6 months to 1 year** maturity: from 15% to **16%**

TL Deposits

- **Less than 6 months** maturity: from 15% to **5%**
- **6 months to 1 year** maturity: from 12% to **3%**
- **More than 1 year** maturity: from 10% to **0%**

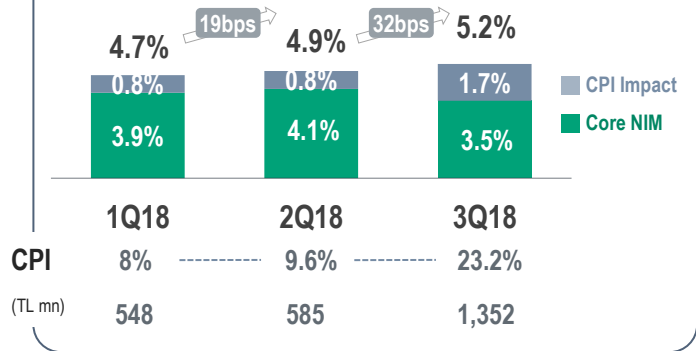
E: Expectation.

9M18: Growth between Dec'17 and Sep'18

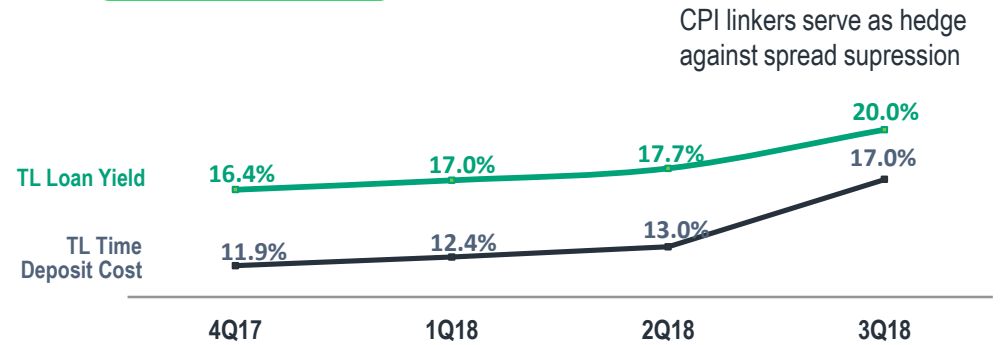
Note: In the presentation, sector represents commercial banks' data only

GARANTI -- DYNAMIC B/S MANAGEMENT IN DEFENCE OF NIM

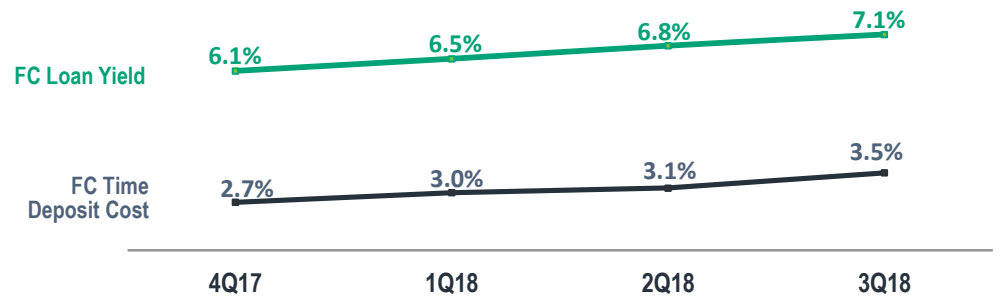
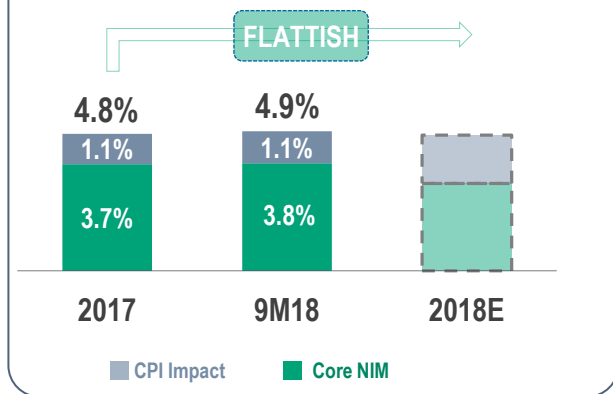
QUARTERLY NIM INCL. SWAP COSTS

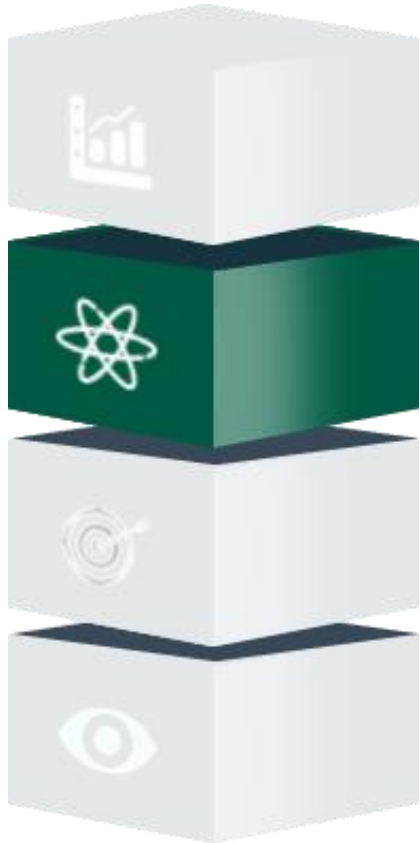


QUARTERLY SPREAD



ANNUAL NIM INCL. SWAP COSTS





●-----● BUSINESS ENVIRONMENT & GROWTH

●-----● LIQUIDITY

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●-----● ASSET QUALITY

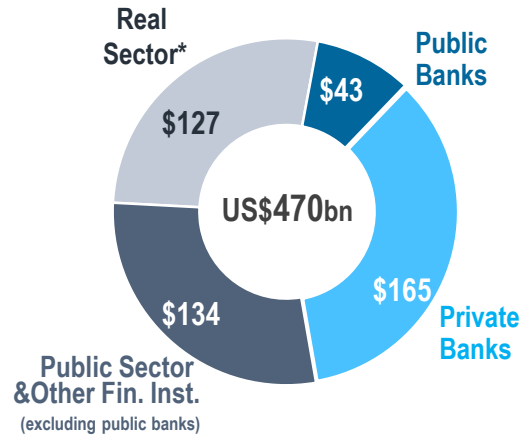
MANAGEABLE TOTAL DEBT STOCK

DEBT/GDP (Aug'18)

Public Debt exc. Public Banks	32%
Non-Financial Corporates ¹	61%
Financial Sector inc. Public Banks ²	35%
Households	15%
Total	142%

1 Excluding trade credits in corporate external debt, which represent 5.5% of GDP as of Aug.18
2 Banking sector debt is calculated by subtracting equities and deposits from total liabilities

EXTERNAL DEBT STOCK (Aug'18)

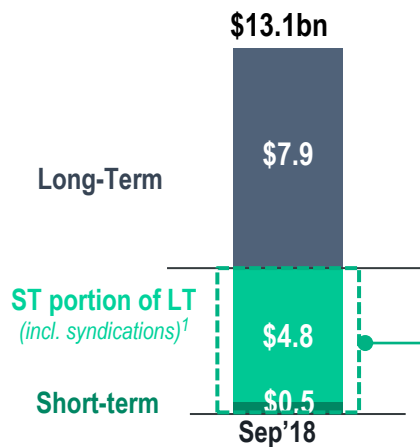


Source: CBRT, BRSA.

*Loans borrowed from foreign branches and affiliates of resident banks are included in the external liabilities of the private banks

SUFFICIENT LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

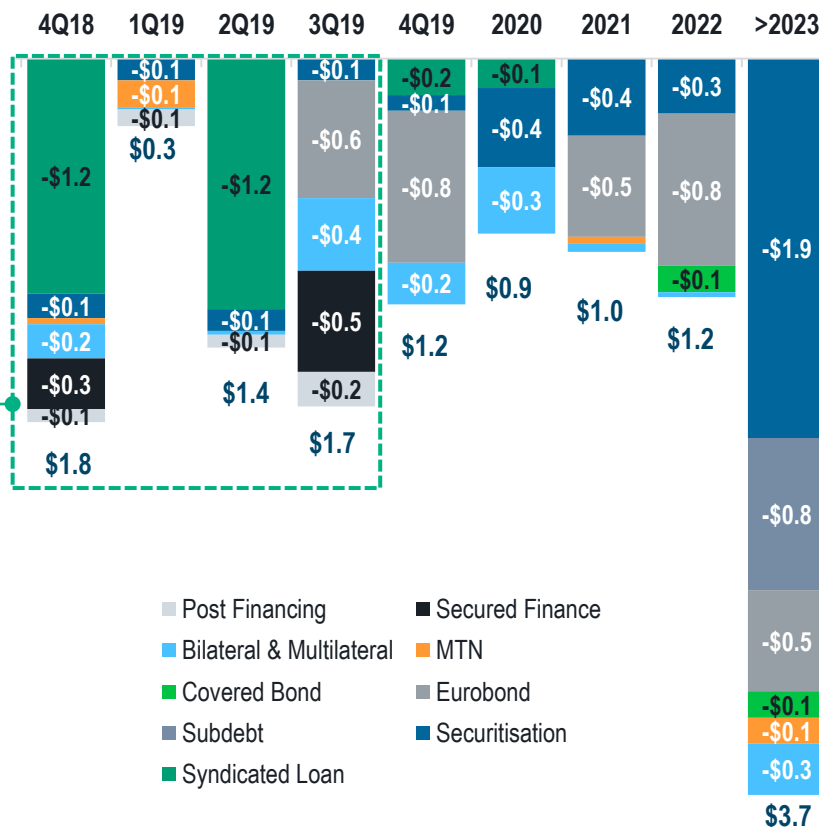
GARANTI'S EXTERNAL DEBT*



ST external dues **\$5.3bn**

Sufficient FC liquidity buffer² **\$10bn**

MATURITY PROFILE OF EXTERNAL DEBT



- Post Financing
- Bilateral & Multilateral
- Covered Bond
- Subdebt
- Secured Finance
- MTN
- Eurobond
- Securitisation

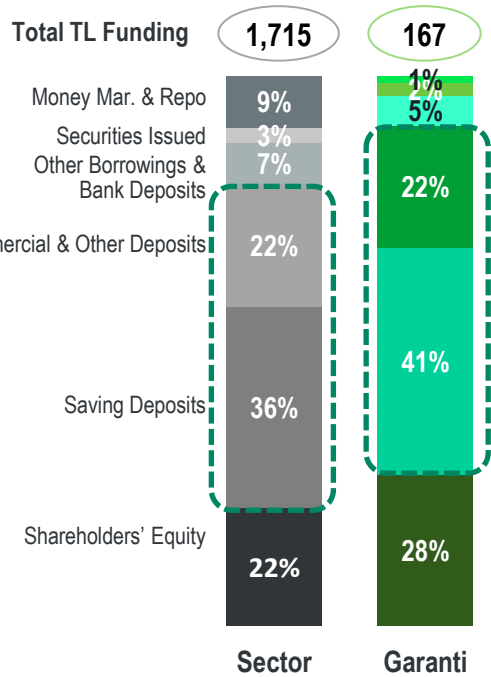
* Bank-only external debt. Includes TL covered bonds and excludes on balance sheet IRS transactions

1 Syndications with 367 days maturity

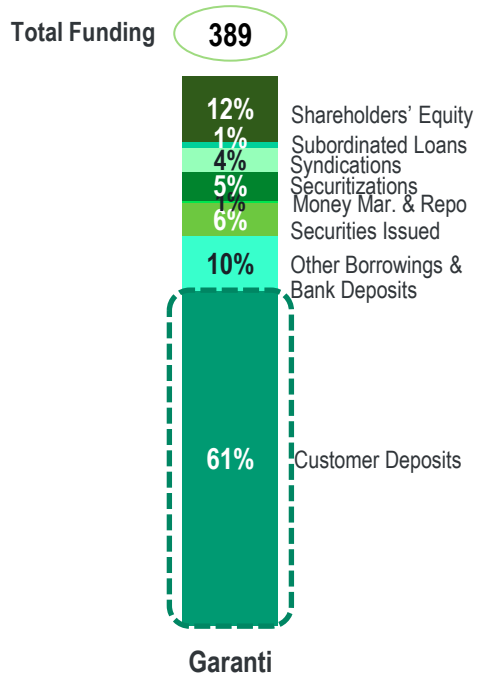
2 FC Liquidity Buffer: Readily available liquidity buffer without CB reserves, any unsecured issuances, asset reductions, deposit accumulations, asset sales

COMPOSITION OF FUNDING

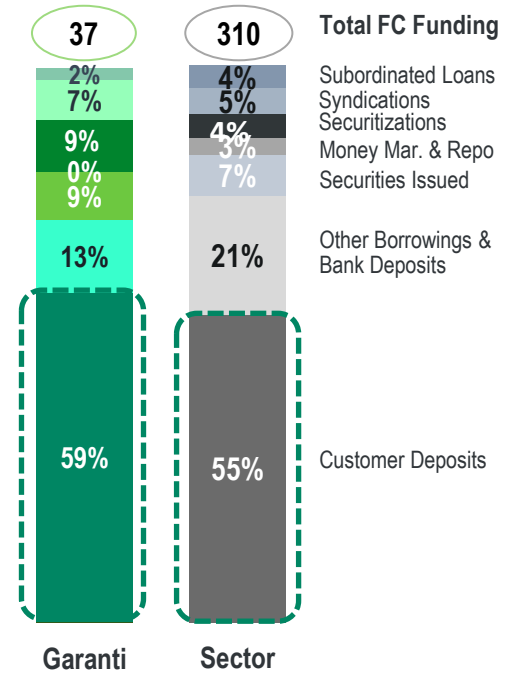
BREAKDOWN OF TL FUNDING
(TL Bn, Sep.18)



BREAKDOWN OF TOTAL FUNDING
(TL Bn, Sep.18)

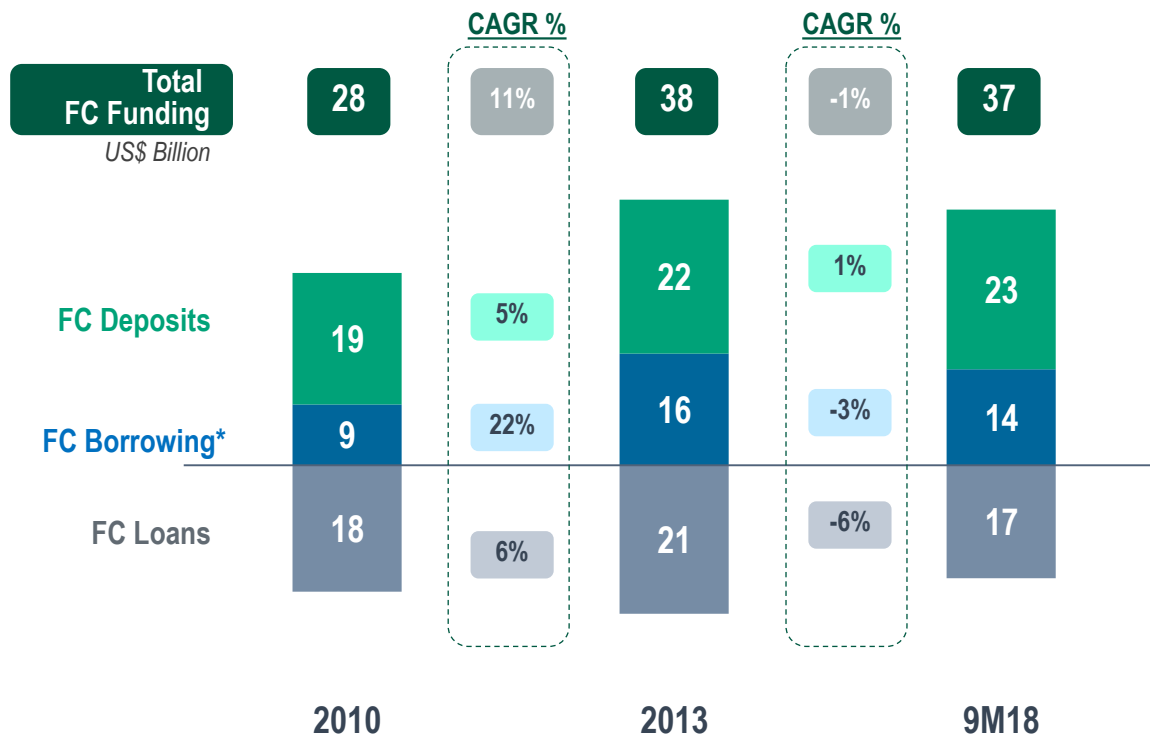


BREAKDOWN OF FC FUNDING
(\$ Bn, Sep.18)

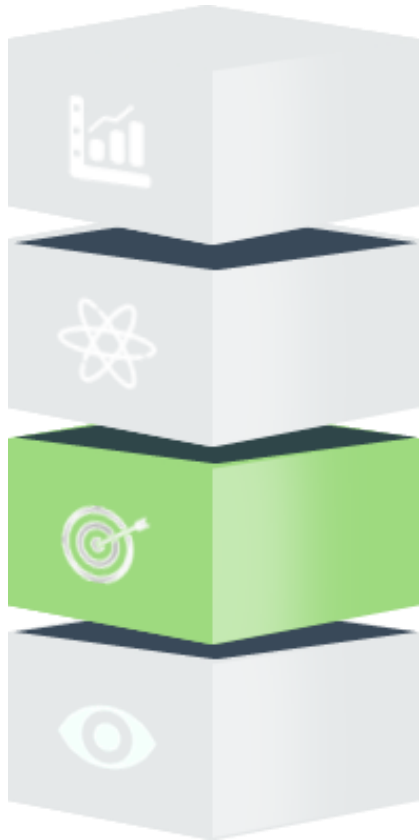


Note: US\$/TL exchange rate used in Garanti's financials: 5.98

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
 Note: Figures are based on BRSA bank-only financials



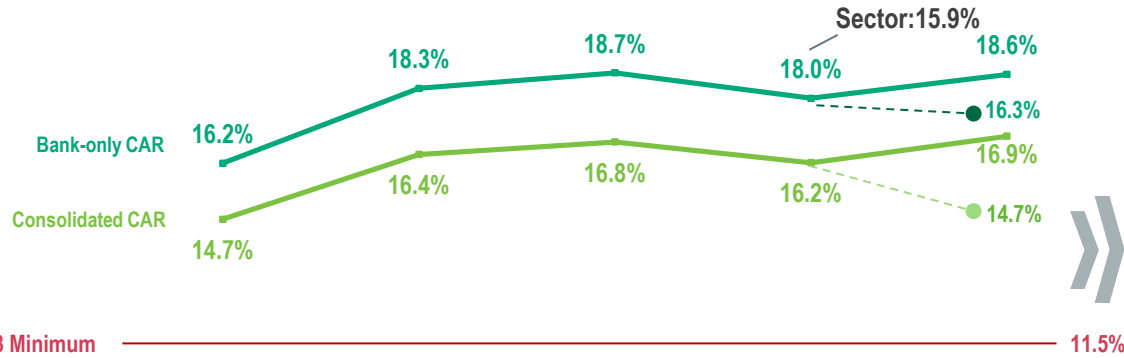
●-----● BUSINESS ENVIRONMENT & GROWTH

●-----● LIQUIDITY

●-----● SOLVENCY

●-----● ASSET QUALITY

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%	87%	88%	86%	85%
USDTRY	3.51	3.51	3.77	4.56	5.98

10% TL depreciation against USD
52bps negative impact on CAR,
assuming no temporary measure

TL1.9bn Free Provision

Bank-only: **TL14bn** Excess Capital

Consolidated: **TL>10bn** taking into account 11.5% req. level & excluding positive impact of temporary measures

1 Required CAR for 2018 = [8.0% + SIFI Buffer for Group 3 (1.5%) + Capital Conservation Buffer (1.875%) + Counter Cyclical Buffer (0.09%)]

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



●-----● BUSINESS ENVIRONMENT & GROWTH

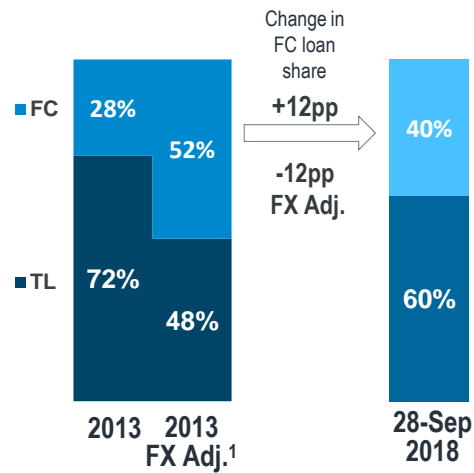
●-----● LIQUIDITY

●-----● SOLVENCY

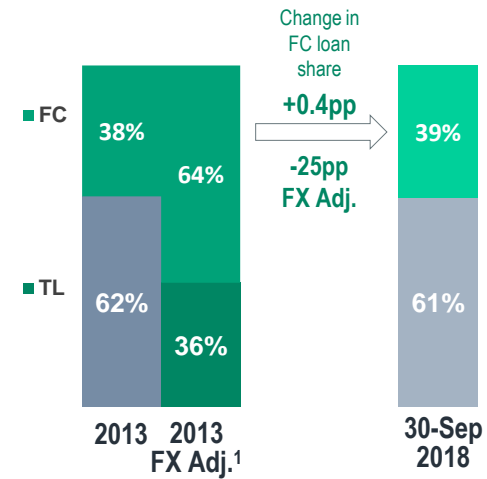
●-----● ASSET QUALITY

FC SHARE IN TOTAL LENDING HAS BEEN DIMINISHING

SECTOR'S LENDING COMPOSITION



GARANTI'S LENDING COMPOSITION



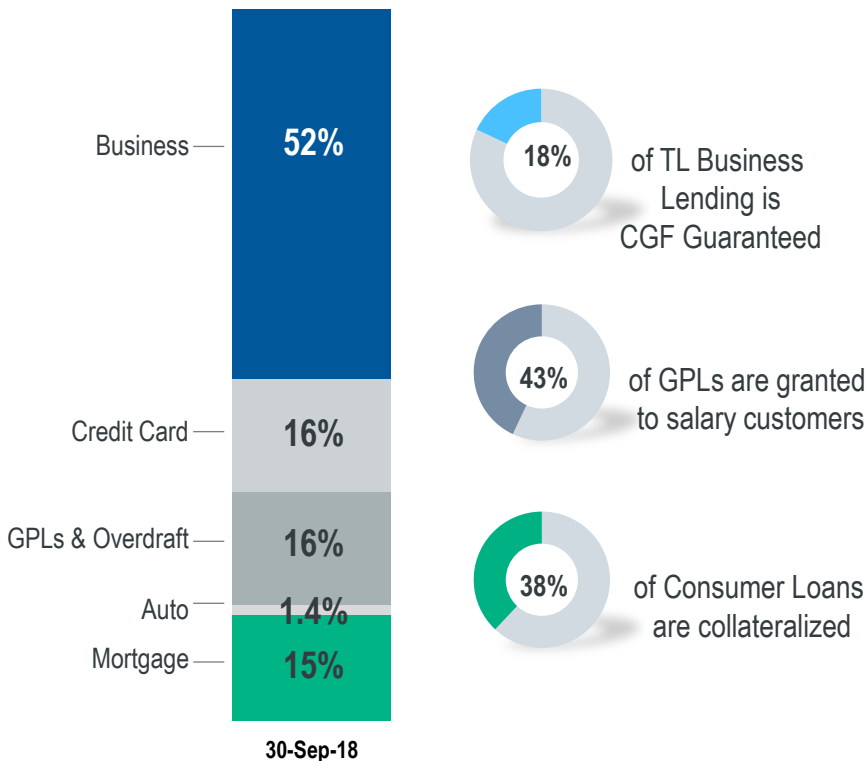
¹ Adjusted for ~182% TL depreciation between 31.12.2013 vs. 30.09.2018
 (Currency fixed at 5.98, USD / TL rate up to 5.98 in Sep'18 from 2.12 in 2012)

STRUCTURE OF TL LOAN PORTFOLIO

TL LOANS BREAKDOWN

61% of Performing Loans

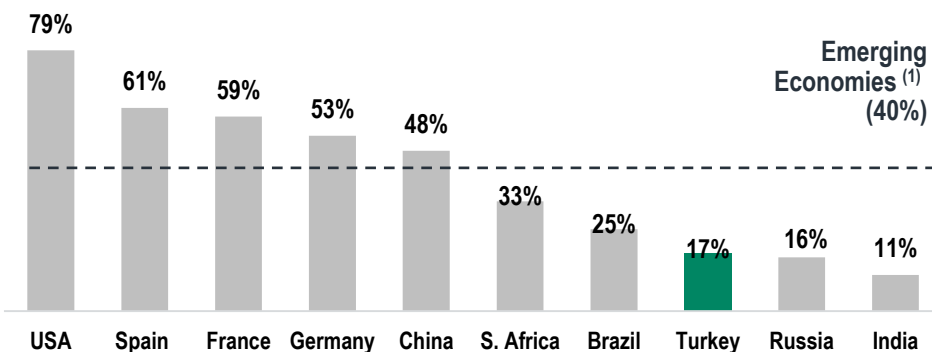
TL 154 bn



« >90% of TL loans are fixed rate. »

Household Debt to GDP (Dec. 17)

► Household Indebtness in Turkey lower than Emerging Economies



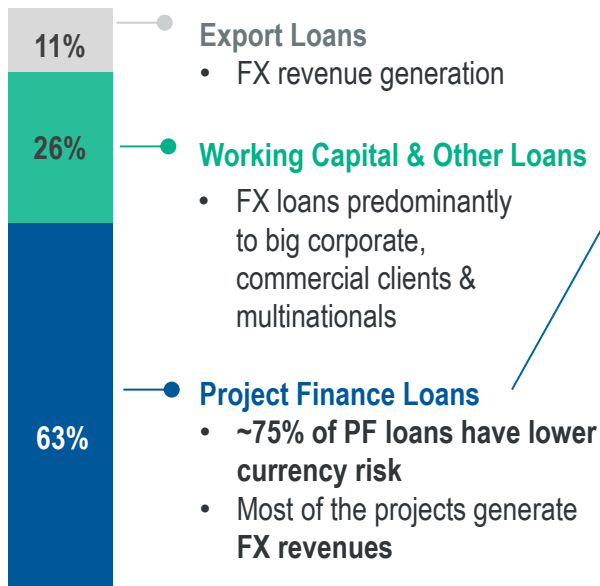
¹ Aggregates based on conversion to US dollars at market exchange rates
Source: BIS

STRUCTURE OF FC LOAN PORTFOLIO

FC LOANS BREAKDOWN

39% of Performing Loans

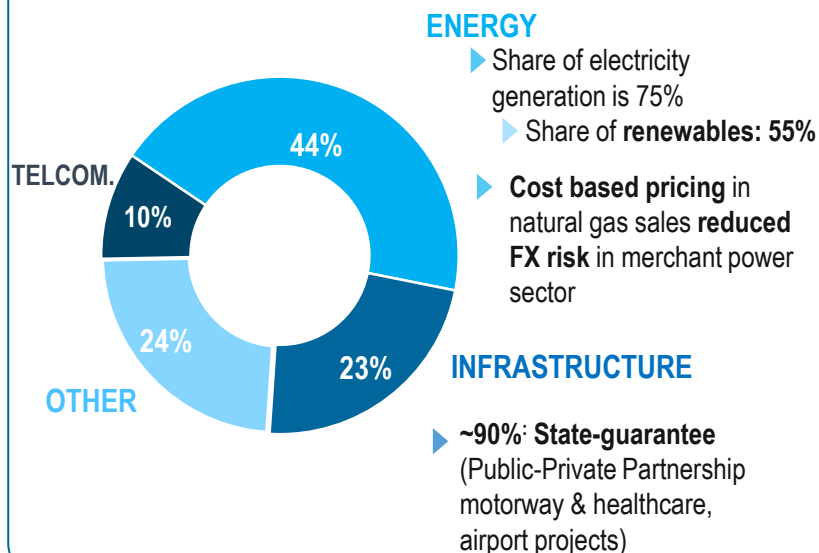
US\$ 16.2 bn



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*

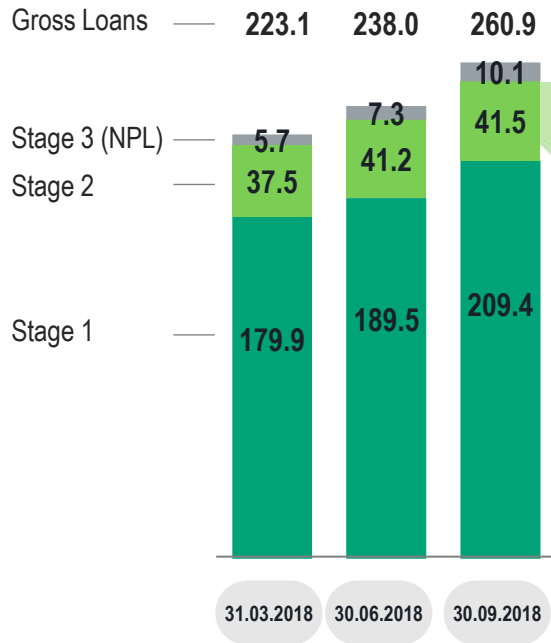


* Companies' outstanding FX loan balance will be limited to last 3 years' total FX income (considered in new disbursements). FX indexed lending facility revoked

PRUDENTLY DEFINED IFRS 9 CRITERIA REFLECTED ON STAGING

LOAN PORTFOLIO BREAKDOWN

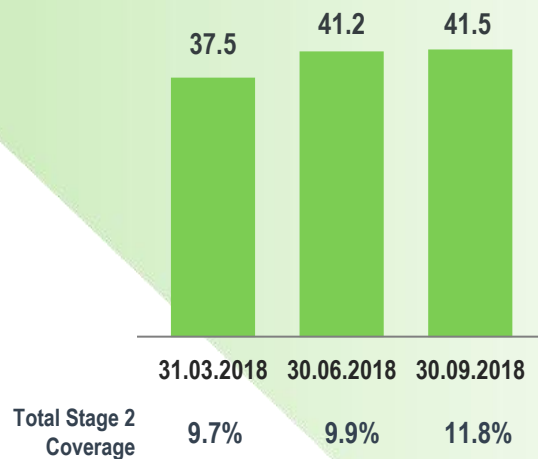
(Billion TL)



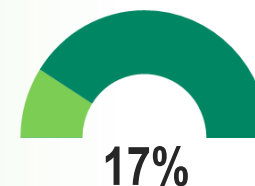
USDTRY: 3.9450 4.5637 5.9819

Stage 2 Breakdown

(Billion TL)



Share of Stage 2 in Performing Loans



Not comparable among banks mainly due to:

Differentiation in quantitative assessment criteria (SICR¹ definition)

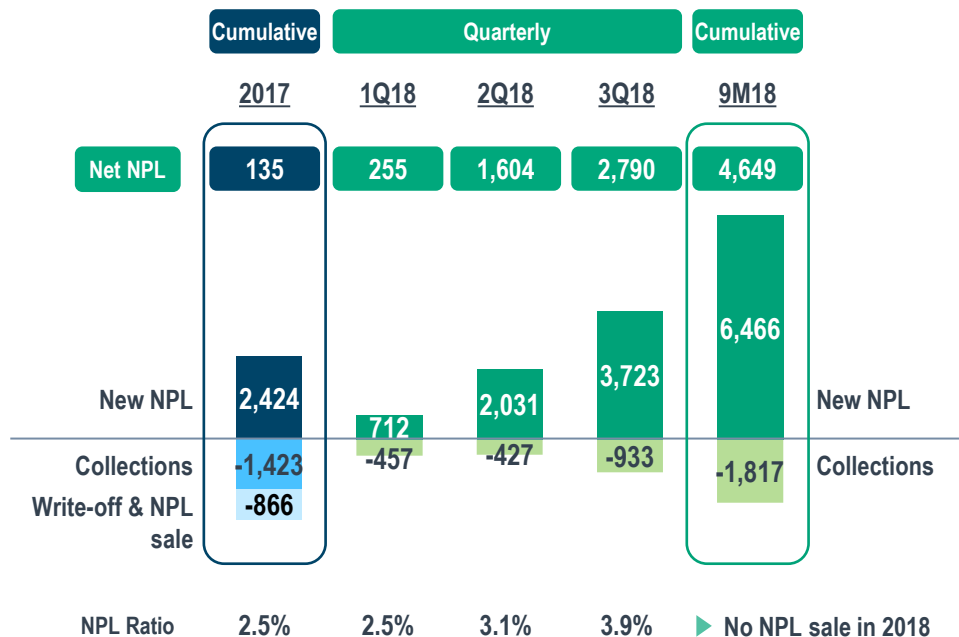
Approach difference for qualitative assessment as was the case in the past for Group 2 classification.

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

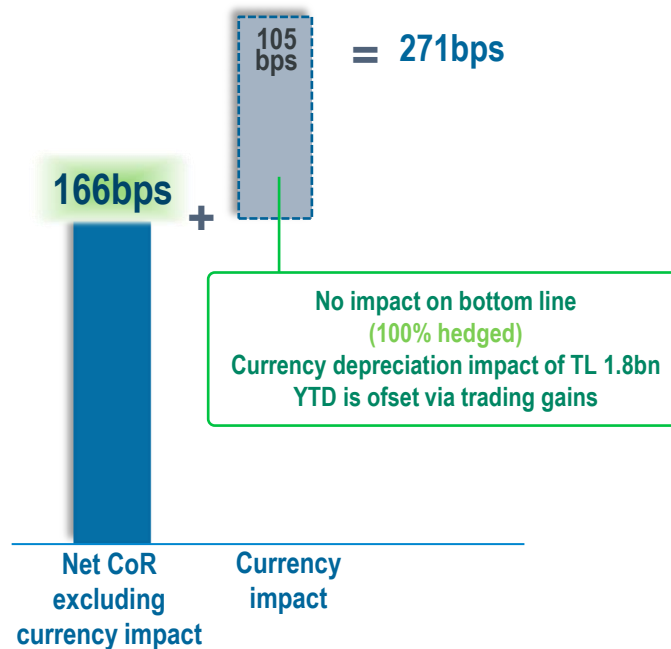
ASSET QUALITY WILL BE ADVERSELY IMPACTED BY SIGNIFICANT CHANGE IN MACRO CONDITIONS -- *Managing the impact is the top priority*

NPL EVOLUTION

(TL million)

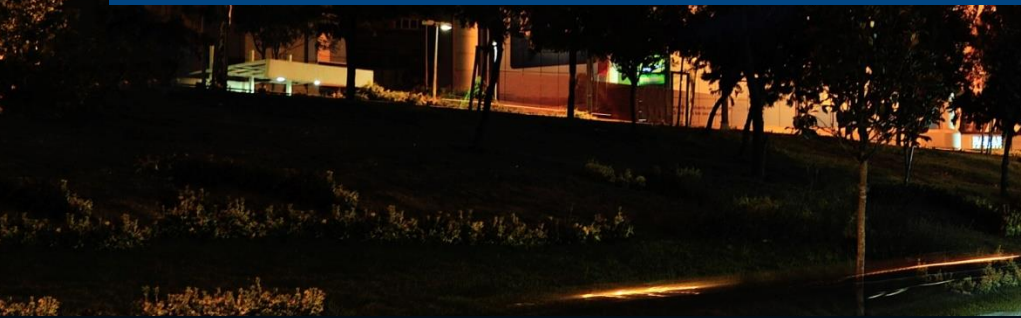


NET CUMULATIVE CoR





Garanti works to create sustainable value for all its stakeholders



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