# Garanti BBVA 3Q26 Financial Results Webcast Transcript

Good afternoon, everyone, and welcome to our third-quarter earnings webcast.

Since we released our financial results on October 28, I'm sure most of you have already had the opportunity to go through the numbers.

With that in mind, I'll keep the presentation brief, focusing on the key highlights of our performance and our updated full-year outlook, leaving more time for your questions.

So, let's start with the macro highlights:

• We maintain our year-end GDP growth forecast at 3.0% with downside risk due to high energy prices and weaker-than-expected economic activity.

• In terms of inflation, we maintain our year-end inflation forecast at 30% y/y, with energy prices remaining the main upside risk.

• With inflation likely to stay sticky around 30% until late in the first quarter of 2027 and upside risks persisting, we see limited room for monetary easing in the near term.

The current account balance has been more resilient than expected. We estimate that the deficit may widen by only USD 10–15bn in 4Q26. This reflects weaker-than-expected domestic demand, resilient tourism revenues, export substitution and the increasing share of renewables in electricity production.

Fiscal discipline continues to support macroeconomic stabilization. Improved income tax collection and disciplined spending have supported the budget balance.

Now moving into our financials, I'll start with the headline figures.

In the first nine months of the year, we generated 98 billion TL in net income, up by 16% year-on-year, while recording a 28% return on equity. A strong recovery in net interest income, together with sustained fee momentum, more than offset higher provisioning costs.



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• Our sector-leading core banking revenues provide a solid foundation for sustainable earnings growth.

• The key driver in 3Q was the strong recovery in net interest income, which increased by 23% quarter-on-quarter, supported by improving funding conditions and our disciplined loan pricing.

• Fee income also maintained its solid momentum, growing by 5% sequentially and 36% year-on-year.

• Trading income represents 3% of our gross income and is inherently more sensitive to market volatility.

• Our earnings profile continues to be primarily driven by NII and fee income.

A key driver of this performance remains our lending-driven asset mix. Our total assets reached 5.6 trillion TL and loans' contribution increased to 56%.

In TL securities, we continued to selectively increase our floating rate notes.

Moving into slide 9 for further insights on the TL loan portfolio.

We maintained our growth pace in TL loans and continued to gain market share across all major lending segments. Business banking loans were the front-runner in 3Q, while we strengthened our position in consumer loans and credit cards.

As our loan mix continues to evolve towards consumer lending and credit cards, we continue to proactively identify and classify these exposures.

Share of Stage-2 increased to 14% from 12% - here I would like to highlight that 90% of the increase was coming from SICR, and the SICR portfolio reflects our prudent approach, as 85% of this portfolio is non-delinquent.

The higher share of early-stage SICR exposures also lowered our Stage-2 coverage ratio.

In terms of restructured loans, they declined in the second and third quarters following the migration of previously restructured loans into Stage 3, with the end of the related regulation.

The trend observed in Stage-2 was also evident in NPL inflows, with around 70% of new NPL inflows coming from consumer loans and credit cards.

In addition, the end of the restructuring regulation resulted in a temporary increase in NPL inflows in 2Q and 3Q.

In terms of cost of risk, our CoR increased QoQ, reflecting increased NPL inflows in consumer loans and credit cards, and lower-than-expected provision reversals.

The higher-for-longer interest rate environment is prolonging the normalization of our portfolio's asset quality. As a result, we expect cost of risk to finish slightly above our initial guidance.

On the funding side, our long-standing customer relationships continue to support our broad deposit base. Total customer deposits reached 3.6 trillion TL, constituting 65% of total assets.

Quarterly decline in TL time deposits reflects a normalization following the strong growth recorded in 2Q26. Underlying TL deposit growth remained strong on an average balance basis.

FC deposit growth was driven by tactical funding cost and liquidity optimization. This reflects our dynamic approach to balance sheet and funding cost management, as we continuously optimize our funding mix depending on market conditions, as was evident in our NIM progress.

With TL deposit costs currently on a declining path, FC deposits have already returned to more normalized levels.

Moving on to external funding, we also further diversified our funding base through a subordinated debt issuance and DPR financing transaction completed in October.

Our total external debt currently stands at around $10 billion, of which $4.3 billion is short term. Against this, we maintain a comfortable foreign-currency liquidity buffer of $8.6 billion.

NIM recovered strongly in 3Q, supported by widening core spreads.

We benefited from lower deposit costs as we swiftly passed through the CBRT's late-August easing to deposit pricing, alongside proactive funding mix optimization.

At the same time, loan yields continued to improve, benefiting from the repricing of our loan portfolio ahead of the normalization in CBRT funding conditions.

On the CPI linker side, we revised our inflation assumption from 27% to 29%, resulting in a 10-bps impact on NIM.

Overall, our cumulative NIM reached 6.0%, putting us in a strong position to deliver our initial full-year guidance.

Our fee performance continued to stand out.

Our fee base was up by 36% YoY and 5% QoQ.

Although payment system fees continued to be a key driver, contributions from money transfer fees, insurance fees, as well as asset management fees, further gained momentum.

In the first nine months, our OPEX growth is faring better than initially expected, particularly on the non-HR side, reflecting our continued focus on cost discipline.

We continued to have the lowest Cost/Income ratio.

As always, we remained focused on capital-generative growth, which is clearly reflected in our sector-leading capital ratios.

Supported by strong earnings generation, we slightly increased our CET1 to 12% and Capital adequacy ratio to 16.1%.

The FC sensitivity on our CAR remains limited.

We have a strong TL169bn excess capital, providing ample capacity to absorb market volatility while supporting future growth.

With that, let me walk you through our 2026 operating plan guidance and our current outlook.

Despite the revisions in the macro assumptions, we will manage to deliver what we promised in the revenue items.

Lending growth is progressing in line with our guidance.

In net Cost of risk, the higher-for-longer interest rate environment is prolonging the normalization of our portfolio's asset quality. As a result, we expect cost of risk to finish slightly above our initial guidance.

Our margin outlook has improved since the second quarter. We are now well positioned to deliver our initial NIM guidance, with potential upside depending on interest rate developments.

Our fee growth is performing in line with expectations.

Our OPEX is also performing better than initially expected, particularly on the non-HR side. We therefore expect OPEX growth to remain below our initially guided range.

All in, stronger margins, sustained fee momentum and cost efficiency continue to help offset asset quality headwinds.

However, with inflation now expected at 30%, compared to our initial assumption of 25%, we no longer expect to meet our real ROE target. That said, we remain well positioned to deliver our nominal ROE guidance, including the expected contribution from the Romania divestment.

This suggests that current ROE levels are expected to be sustained – which represents by far the best level among Tier-1 banks.

This concludes my presentation. We can now take your questions.