



**2017**

# **Operating Plan Guidance**

## 2016 GUIDANCE VS. CURRENT TREND

	2016 Guidance	9M16 Realization	Current Trend vs. Guidance
Total Loan Growth	~12%	8% YtD	Beat
+ TL Loan	~15%	11% YtD	Beat
+ FC Loan (in US\$)	~3%	0% YtD	Lower
NPL Ratio	3.1-3.4%	3.0%	Beat
Cum. Net Cost of Risk	90-115bps	116bps	In-line
Cum. NIM including swap costs	Slightly up vs. 2015	+29bps YtD	Beat
Fee Growth (YoY)	10%	10%	In-line
OPEX Growth (YoY)	~CPI	Low single digit	Beat
Cost/Income	>3.5pp improvement	6pp improvement YtD	Beat
ROAE	~14-15%	16%	Beat
ROAA	~1.7-1.8%	2%	Beat

## 2017 STRATEGIC HIGHLIGHTS



- **Loan-driven** asset growth
- Increasing share of **FRN securities** continue to serve as hedge
- **Sticky & low-cost mass deposit** growth focus
- **Sound solvency** supporting sustainable growth



- **Proactive & consistent** approach in risk management



- **Well-defended NIM**
  - Preserved spread
  - Double digit lending growth
- **Double-digit growth momentum** in Fees

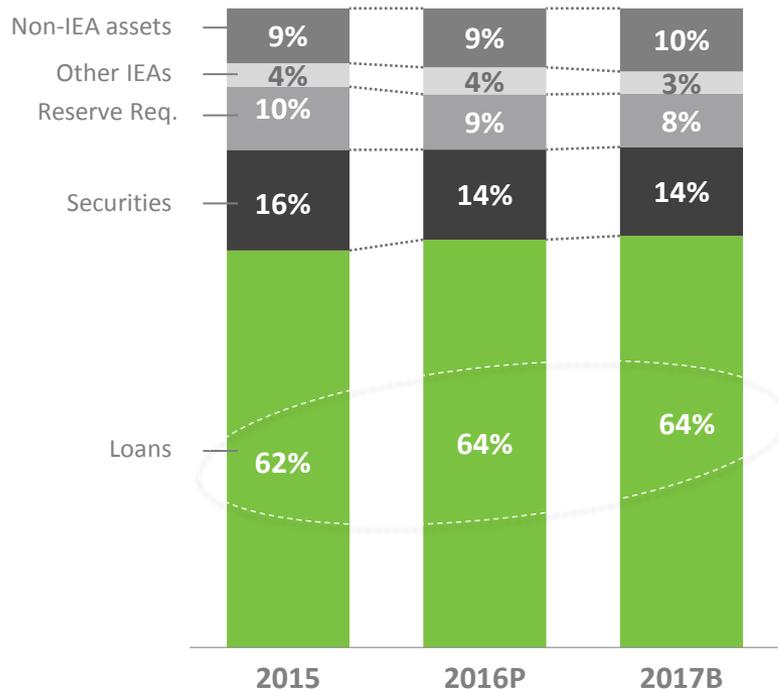


- **Further improvement in Cost/Income ratio**

# ASSET GROWTH TO REMAIN LENDING DRIVEN

## Composition of Assets

(December Averages)

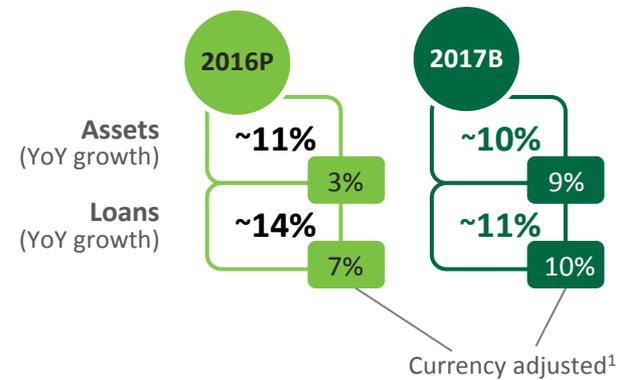


IEA/Assets

82%

84%

84%



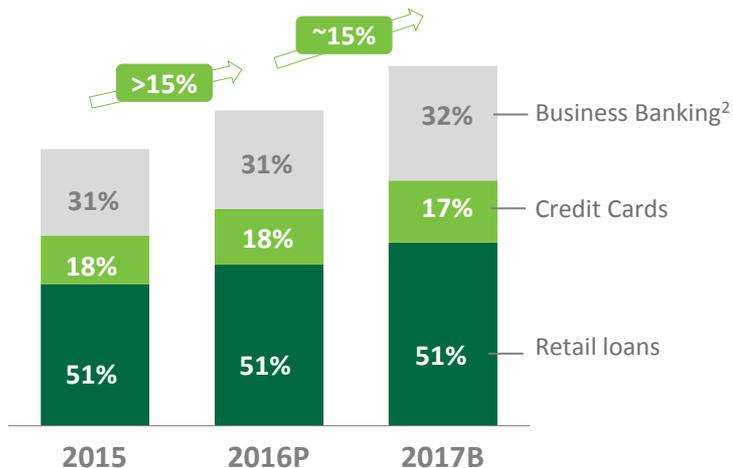
Currency adjusted<sup>1</sup>



<sup>1</sup> Currency adj. growth is calculated with 2015 Dec Avg USD/TL exchange rate of 2.8966.

# BALANCED & SELECTIVE LENDING GROWTH

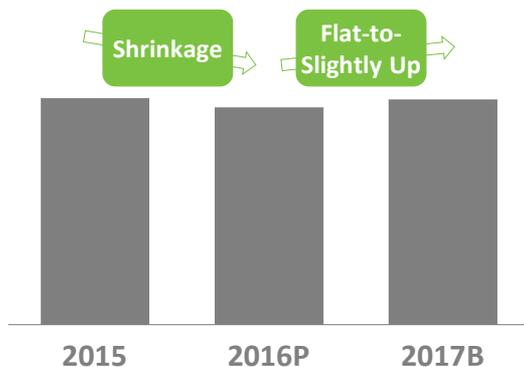
## TL Loans<sup>1</sup>



### TL loan growth

- **TL Business banking loans<sup>2</sup> to lead growth**
  - Focus on relationship management & improve customer experience
- **Credit cards: ~10%**
- **Retail loans**
  - **Mortgages: ~12%**
  - **Auto: ~11%**
  - **GPLs: ~15%**

## FC loans<sup>1</sup> (in USD)



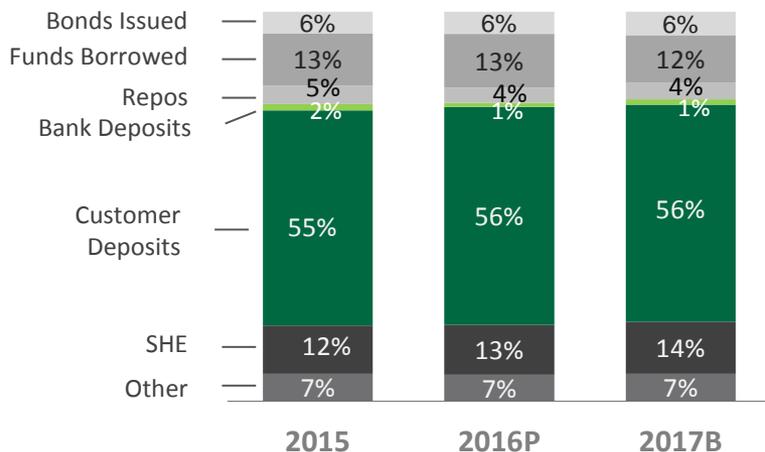
### FC loan growth

- **FC loan growth flat to slightly up**
  - **Public-private partnership projects (PPPs)**, especially in renewable energy & construction sectors in the pipeline

# ACTIVELY SHAPED FUNDING MIX TO MANAGE COSTS & DURATION MISMATCH

## Composition of Liabilities & SHE

(December Averages)

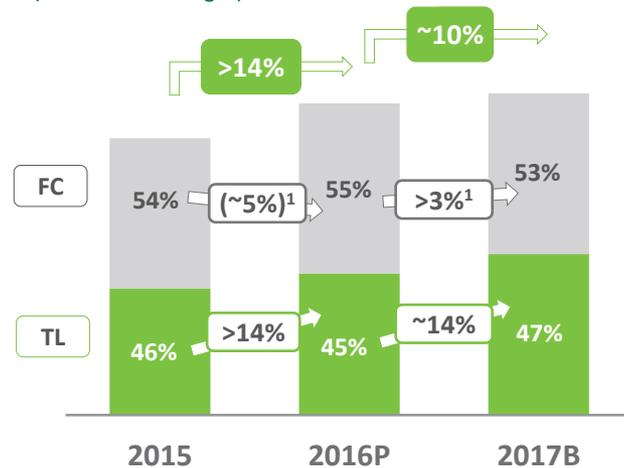


- Wholesale funding to be **opportunistically utilized** per market conditions & reinforcing funding profile in FC

- + Syndication roll-overs: ~US\$ 2.5bn
- + DPR Securitizations: ~US\$ 500mn

## Customer Deposits

(December Averages)



- Deposit growth to be backed by:

- Sticky & low-cost mass deposits:

**Share of Consumer + SME Deposits:**  
**83%** in TL deposits

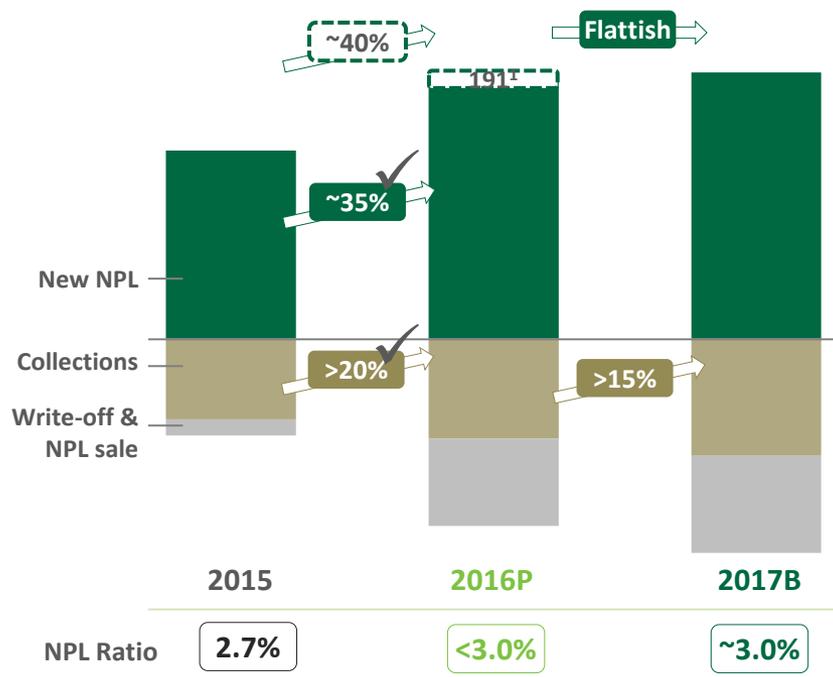
- Sustained high-level of demand deposits

**Customer Demand Deposit**  
**/ Customer Deposits:**  
**>22%**

# PROACTIVE & CONSISTENT APPROACH IN RISK ASSESSMENT

## NPL inflows to remain flattish, following the high base of 2016

### NPL Evolution



**Total Coverage Ratio**  
(Specific prov. + General prov.)  
improving to  
**142%**

**TL 300mn Free Provisions**  
remain as buffer  
against  
volatility

### Cost of Risk (bps)

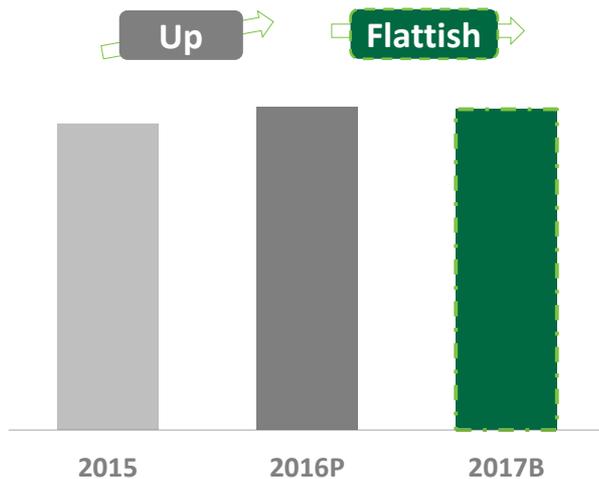
	2015	2016P	2017B	
Net Specific CoR	71	~100	~80	Improvement from last year's elevated level
General CoR	38	~10	~30	Increasing general prov. from its exceptionally low base
<b>Net Total CoR</b>	<b>109</b>	<b>~110</b>	<b>~110</b>	

Sound asset quality

1 Excluding unexpected inflows stemming from several files outside of budget, NPL inflows remained within guidance in 2016

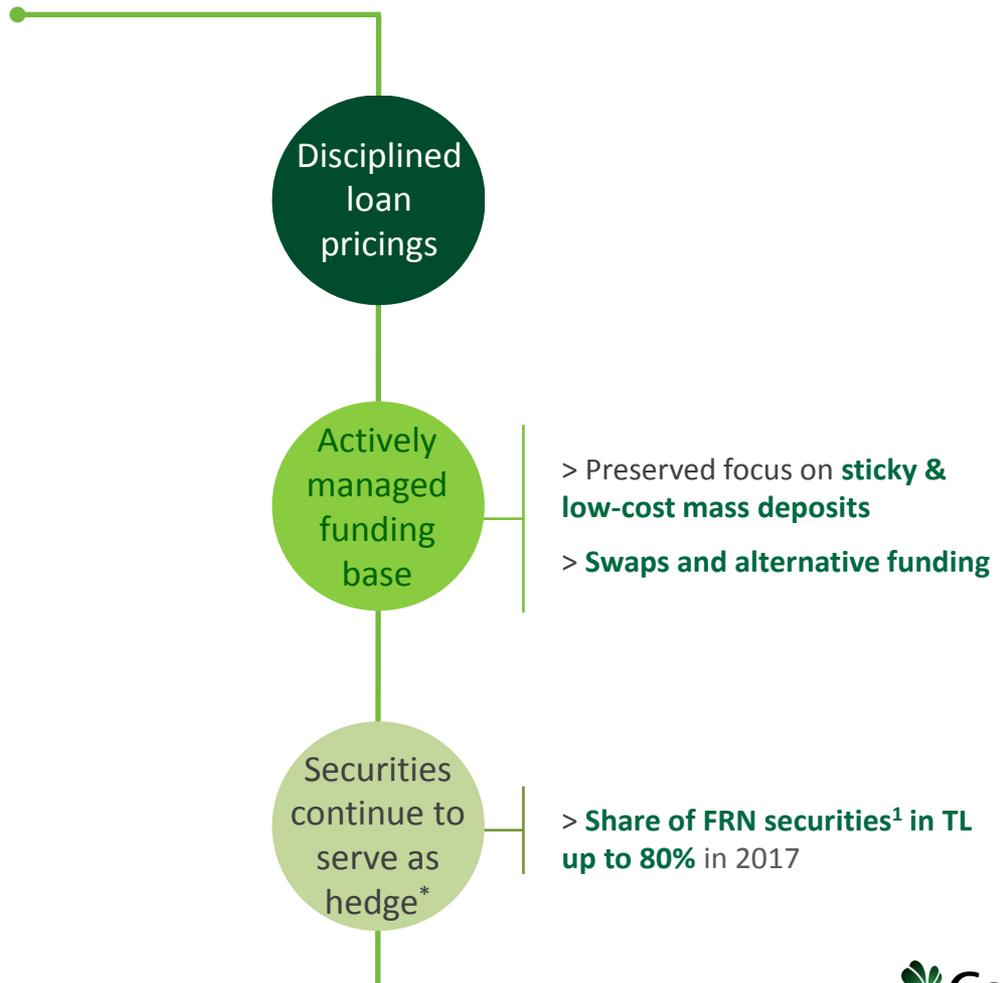
# DYNAMIC ASSET-LIABILITY MANAGEMENT IN DEFENCE OF NIM

Annual NIM including Swap Costs



In 9M16,  
Annual NIM incl. Swap Costs  
**+29bps YtD**

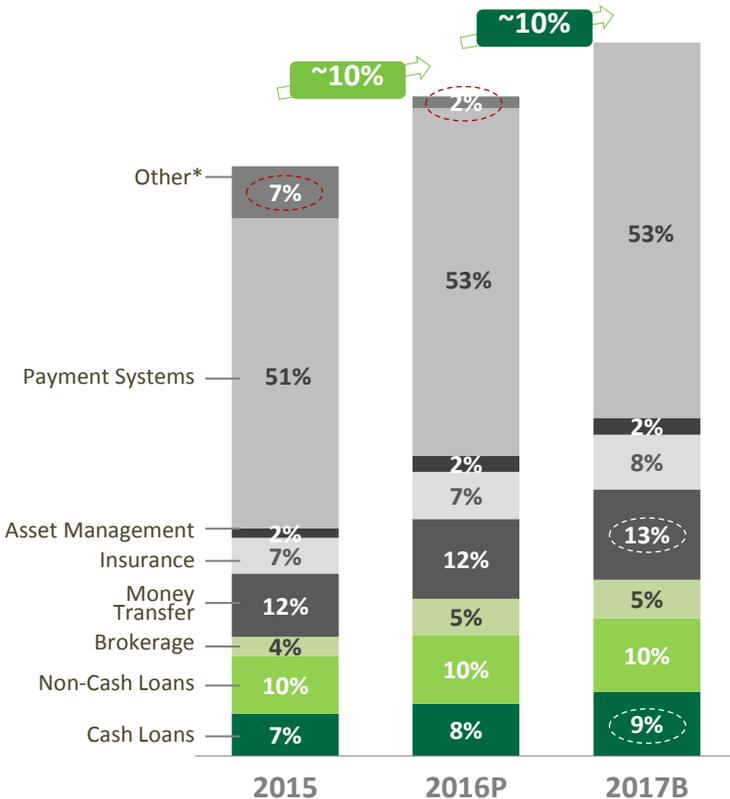
Highest NIM level among peers



\*Inflation expectation used in CPI linkers' valuation is 7.0%  
1 Additions to FRN securities are mainly CPI Linkers.

# SUSTAINED FEE GROWTH MOMENTUM ON TOP OF THE HIGHEST BASE

## Net Fees & Commissions<sup>1</sup>



### Double digit growth momentum

- Payment Systems fees **~12%** YoY
- Cash loan fees **~15%** YoY
- Insurance fees **~15%** YoY
  - Improvement in new insurance product sales via **digital channels**
- Money transfer fees **~14%** YoY

Share of digital sales in total sales: **30%** vs. 25% in 2016P



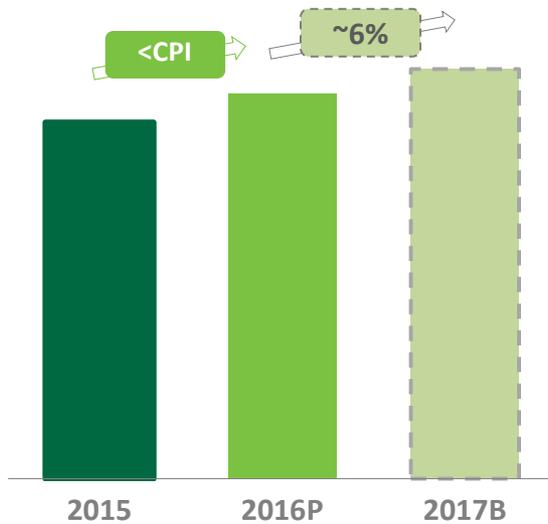
\*2016 fee growth in-line with guidance despite the absence of account maintenance fees



<sup>1</sup> Breakdown excludes net cash loan fees classified as NII

# REINFORCED FOCUS ON COST DISCIPLINE

## Operating Expenses



**Cost/Income ratio**  
to further improve by ~1.5pp in 2017  
on top of significant improvement in 2016

**OPEX/Avg. Assets**  
to further improve by ~10bps

## IN SUMMARY...

	<b>2017 Guidance</b>
<b>Total Loan Growth</b>	~11%
<b>+ TL Loan</b>	~15%
<b>+ FC Loan (in US\$)</b>	Flat-to-Slightly Up
<b>NPL Ratio</b>	~3.0%
<b>Cum. Net Specific Cost of Risk</b>	~80bps
<b>Cum. Net Cost of Risk</b>	~110bps
<b>Cum. NIM including swap costs</b>	Flattish vs. 2016
<b>Fee Growth (YoY)</b>	10%
<b>OPEX Growth (YoY)</b>	6%
<b>Cost/Income</b>	>1.5pp improvement
<b>Leverage</b>	~7x
<b>ROAE</b>	15.5-16%
<b>ROAA</b>	~2%



# THANK YOU

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