



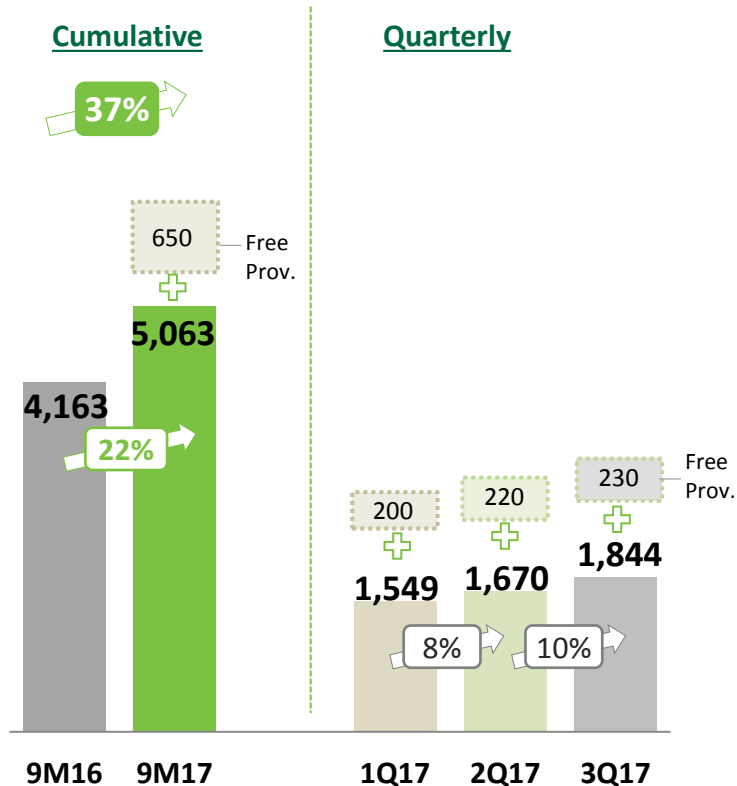
**9M17**

# **Earnings Presentation**

IFRS Financials  
30 September 2017

# ROBUST & HIGH QUALITY EARNINGS PERFORMANCE...

## Net Income (TL million)



ROAE  
**18.3%**  
14.8% @2016YE

ROAA  
**2.2%**  
1.8% @2016YE

Total Free Provisions reached:  
**TL 950mn**

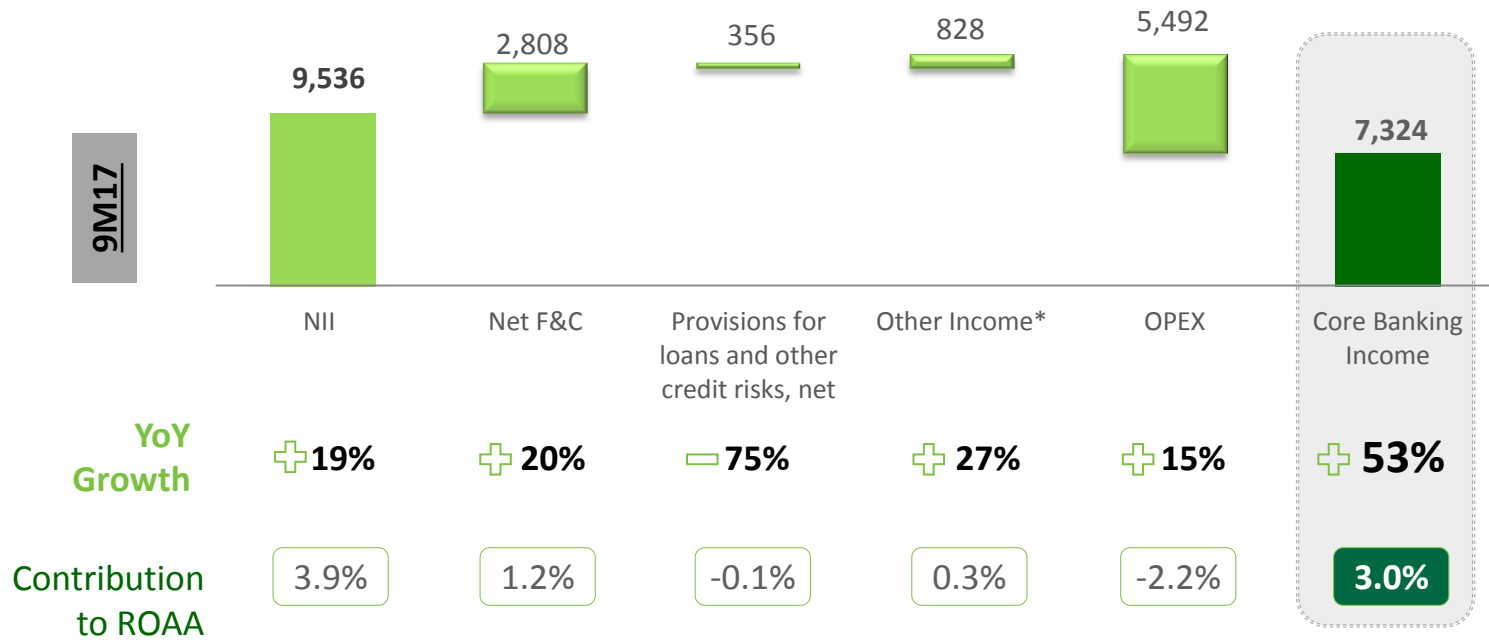
CET-1<sup>1</sup>  
**15.0%**  
13.6% @2016YE

Leverage  
**7.2x**  
7.5x @2016YE

Note: In the calculation of Return On Average Equity (ROAE) & Return On Average Assets (ROAA) for 9M17, non-recurring items are excluded when annualizing Net Income for the last quarter of the year.

1 CET-1 is based on BRSA Consolidated financials

# ...BACKED BY INCREASING CORE BANKING INCOME CONTRIBUTION



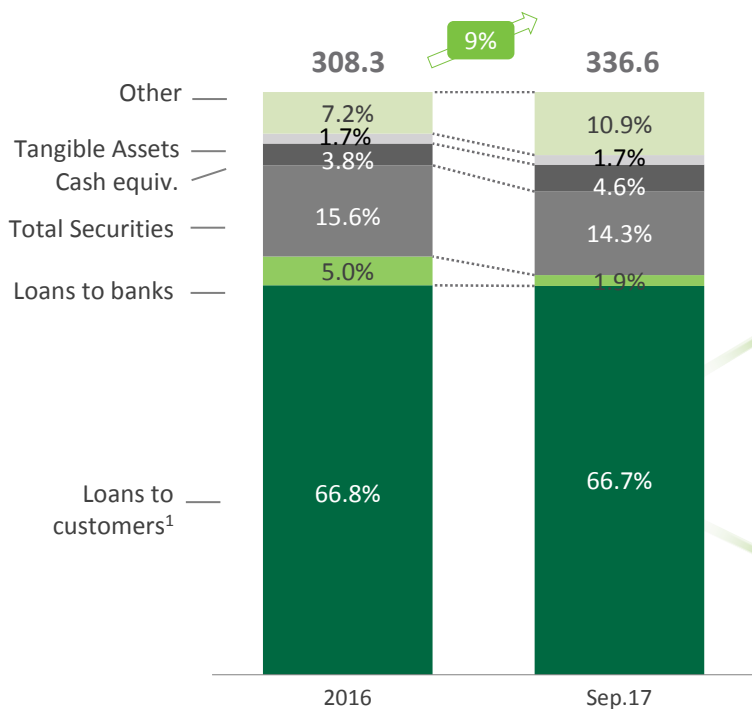
Core Banking Income contribution to ROAA is the **highest** among peers (as of 9M17)<sup>1</sup>

Entity	Contribution to ROAA
<b>Garanti</b>	<b>2.8%</b>
Peer I	2.4%
Peer II	1.8%
Peer III	1.5%

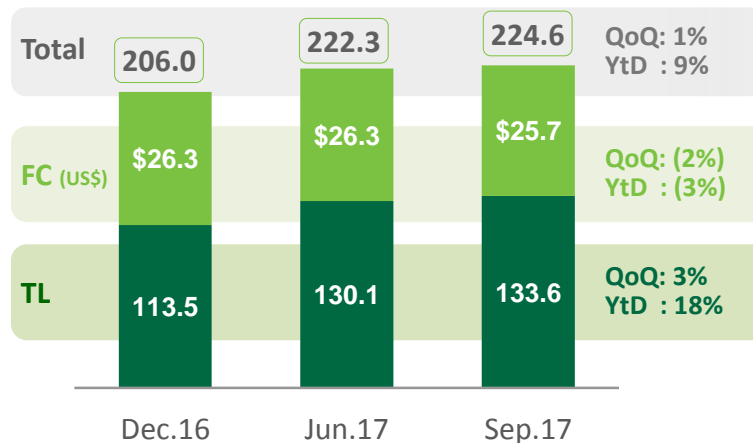
<sup>1</sup> Based on BRSA Consolidated financials for fair comparison with the peers  
 \* Includes non-banking subsidiaries' impact

# CUSTOMER-DRIVEN & INCREASINGLY HIGHER YIELDING ASSET MIX

## Composition of Assets



## Loans to Customers<sup>1</sup> (TL, US\$ billion)



TL (% in total)

53%

56%

FC (% in total)

47%

44%

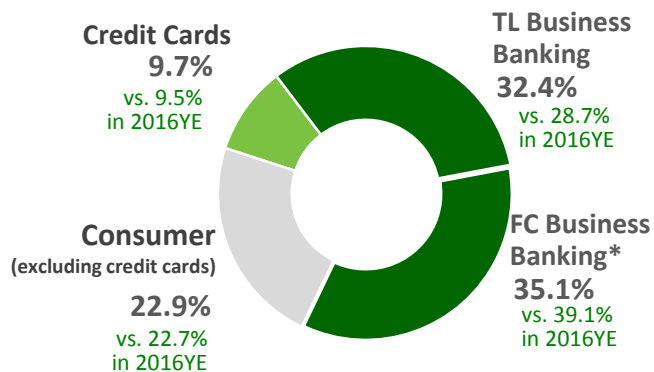
USD/TRY

3.513

3.544

# UNINTERRUPTED GROWTH DRIVEN BY TL LOANS

## Loans to Customers Breakdown<sup>1</sup>



**Best in class delivery channels & relationship banking**  
 Healthy market share gains in consumer lending among private banks while preserving rational pricing stance.

- Consumer Loans (excl. CCs)
  - +Consumer Mortgage
  - +Consumer GPL
- Credit Card Receivables
- TL Business Banking
- FC Business Banking (in US\$)

	3Q Growth	Private Banks	YtD Growth
	Garanti <sup>1</sup>		Garanti <sup>1</sup>
Consumer Loans (excl. CCs)	4.1%	3.4%	10.4%
+Consumer Mortgage	2.3%	0.5%	7.6%
+Consumer GPL	6.5%	6.1%	14.8%
Credit Card Receivables	6.3%	5.1%	11.4%
TL Business Banking	0.5%	1.5%	23.3%
FC Business Banking (in US\$)	-3.1%	0.7%	-2.7%

● Growth in TL business banking loans continued; yet new originations just suffice in compensating for the maturing book

● Significant slowdown in CGF loans, following the strong growth in 1H17:

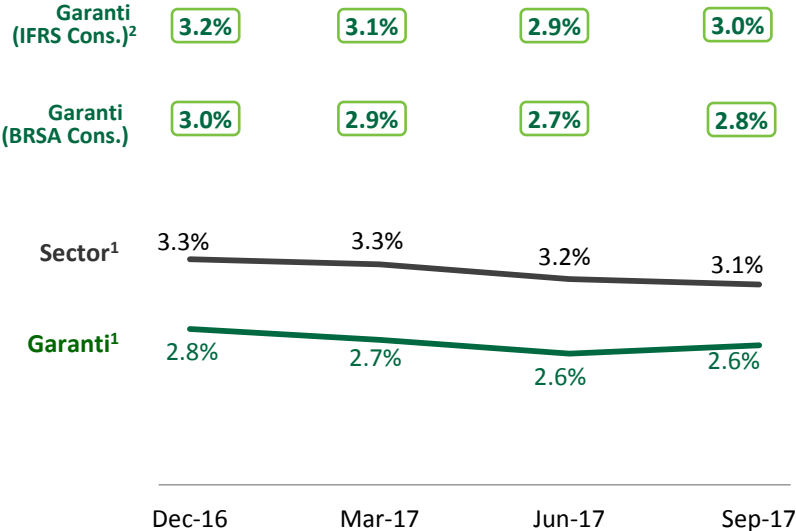
(TL bn)	2Q17	3Q17
<b>Total CGF Guarantee Limit</b>	<b>16.5</b>	<b>16.8</b>
Total Limit Utilization	15.3	16.0
<b>Total Loans Originated</b>	<b>15.9</b>	<b>16.9</b>
<b>Current Stock Volume</b>	<b>14.8</b>	<b>14.7</b>

*Loan amortization*

\* Business banking loans represent total loans excluding credit cards and consumer loans  
 1 Based on BRSR Consolidated data, excluding leasing and factoring receivables  
 Note: Sector figures based on BRSR weekly bank-only data as of 29.09.2017.

# NET NEW NPL INFLOWS CONTINUED TO FARE LOWER THAN ANTICIPATED; YET, COVERAGE RATIO IS FURTHER STRENGTHENED

## NPL ratio



**Total Coverage Ratio**  
*(including Free Provisions)*

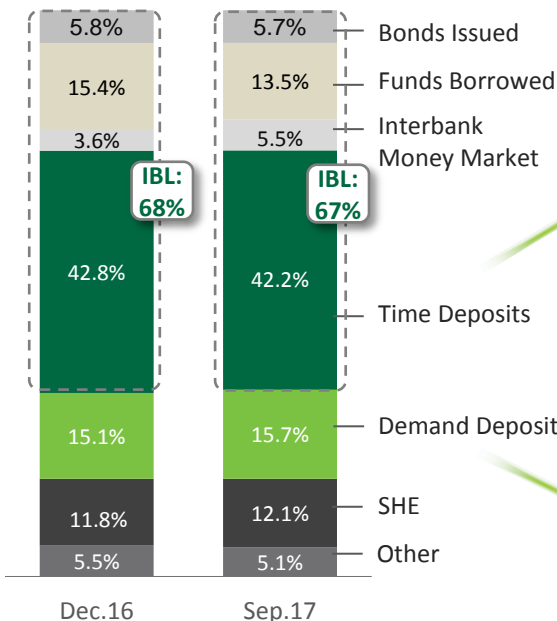
IFRS Cons.	BRSA Bank-only
<b>131%</b>	<b>160%</b>
vs. 2016	vs. 2016
124%	147%

1 NPL ratio for Garanti based on BRSA bank-only data for fair comparison with sector. Sector figures are per BRSA bank-only weekly data, commercial banks only  
2 Non-performing loans include factoring and leasing receivables

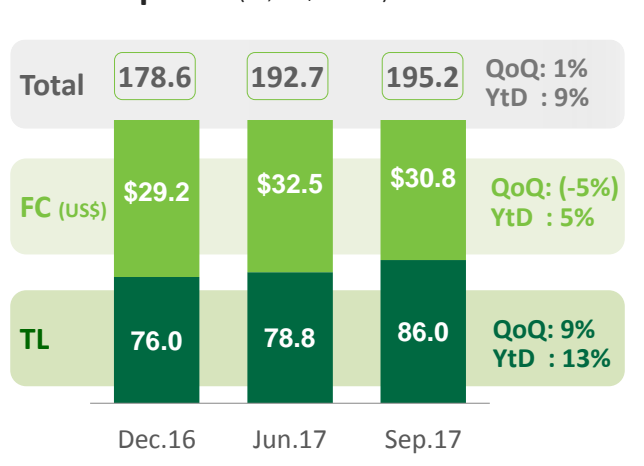
# COMFORTABLE LIQUIDITY

## Well-diversified funding mix

### Composition of Liabilities



### Total Deposits (TL, US\$ billion)



Demand Deposits' share in Total Deposits

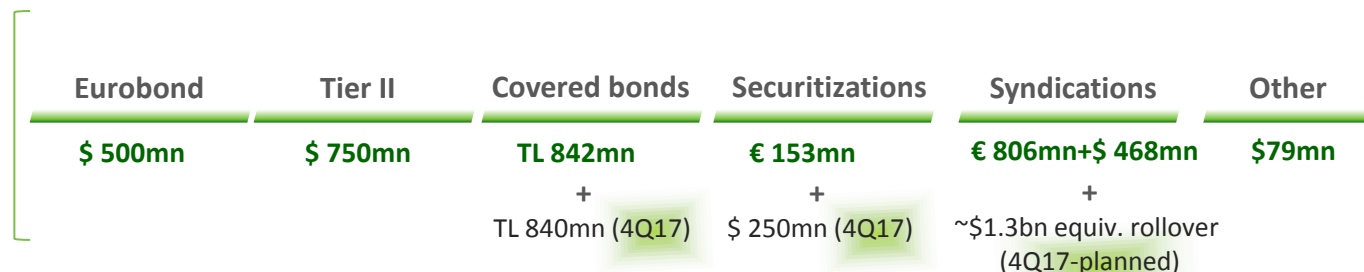
**>27%**

BRSA Bank-only: >25% vs. sector's 21%<sup>1</sup>

Total LCR<sup>2</sup>: 145%

Required level: 80%

### 2017 Borrowings



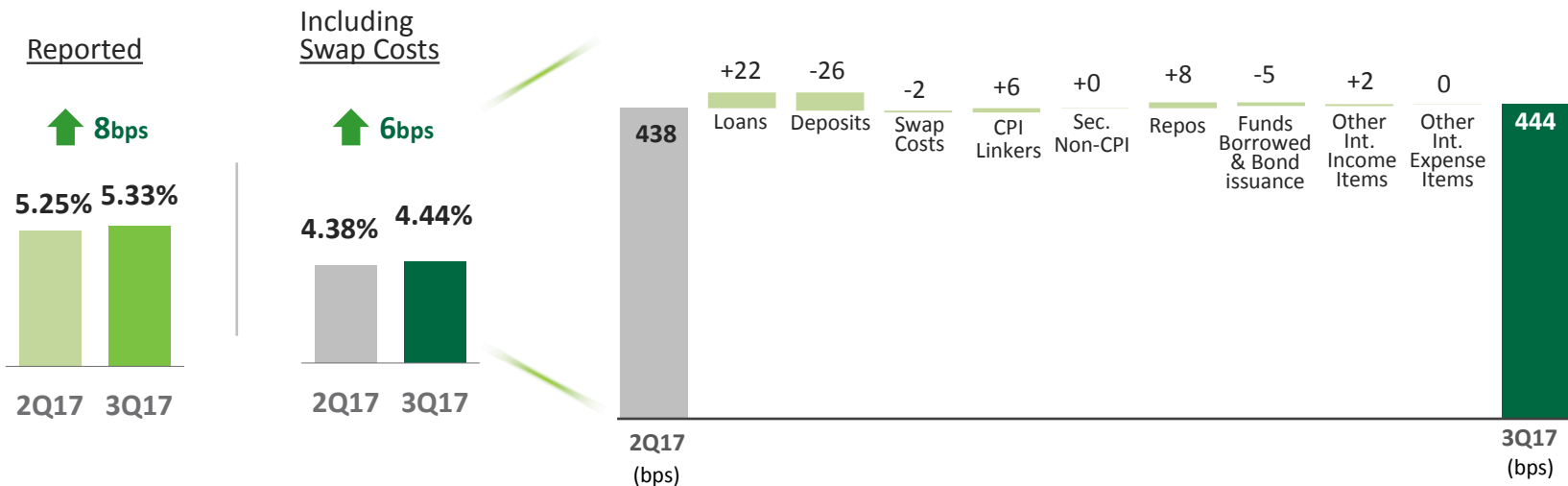
### Swap utilization

Average net swap funding vol.:  
 TL26bn in 3Q17 @10.5%  
 TL23bn in 2Q17 @10.4%  
 TL13bn in 1Q17 @9.5%.

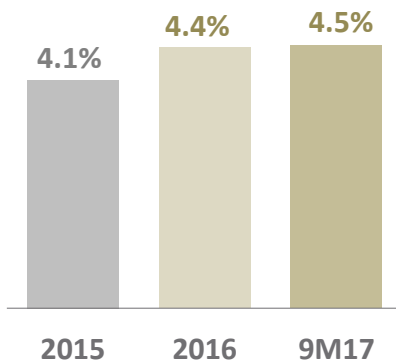
\*Please see Appendix page 18. Adjusted with on-balance sheet alternative funding sources  
 1 Based on BRSA weekly data as of 29 September 2017, commercial banks only  
 2 Based on BRSA Consolidated financials

# WELL-DEFENDED NIM IN AN INCREASED RATE ENVIRONMENT

## Quarterly NIM



## Cumulative NIM inc. swap costs



### + Focus on defending spreads

- increased loan pricings becoming more visible on loan yields
- pressure remains on funding costs
- high share of demand deposits in total

### + CPI linkers serve as hedge against inflationary pressure

- 1% increase in CPI implies ~7bps higher NIM

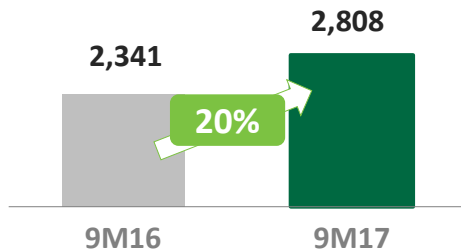
### + «Flattish» NIM\* guidance maintained, with a potential upside from higher than anticipated CPI readings



# WELL DIVERSIFIED FEE SOURCES & FURTHER DIGITALIZED PROCESSES FOSTER FEE PERFORMANCE

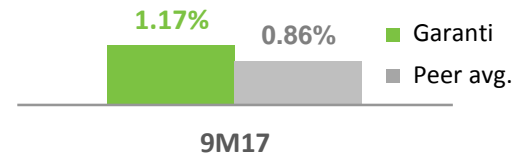
## Net Fees & Commissions

(TL million)

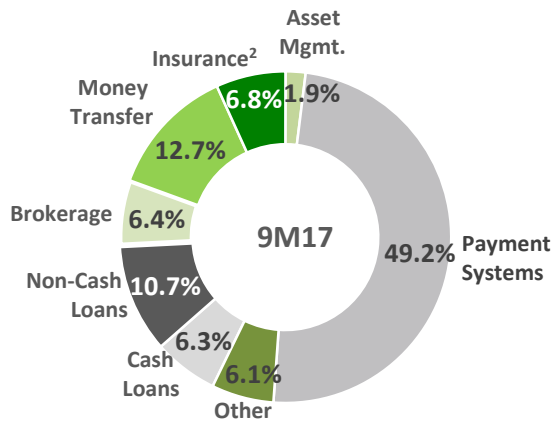


### Highest fee generation capability

- Highest Fee base
- Net F&C / (Avg. IEAs incl. Non-cash loans) well-above peer average<sup>3</sup>



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



- + Payment Systems: 13% YoY
- + Money Transfers: 31% YoY
- + Non-Cash: 25% YoY
- + Insurance: 22% YoY
- + Brokerage: 43% YoY

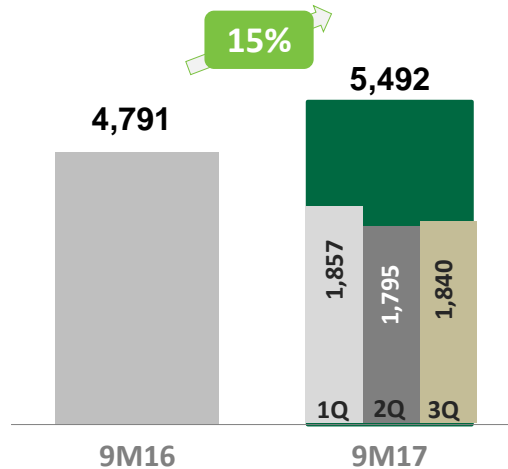
### Customers' preferred bank

- Leader bank in Issuing & Acquiring: >20% market share
- Leader in interbank money transfer : 14% market share
- Leader in SWIFT transactions: 18% market share
- Managing the largest digital customer base with 5.6 million
  - Share of GPL sales via digital channels reached 70%<sup>4</sup>
  - Digital channels' share in non-credit linked fees: 40%<sup>4</sup>

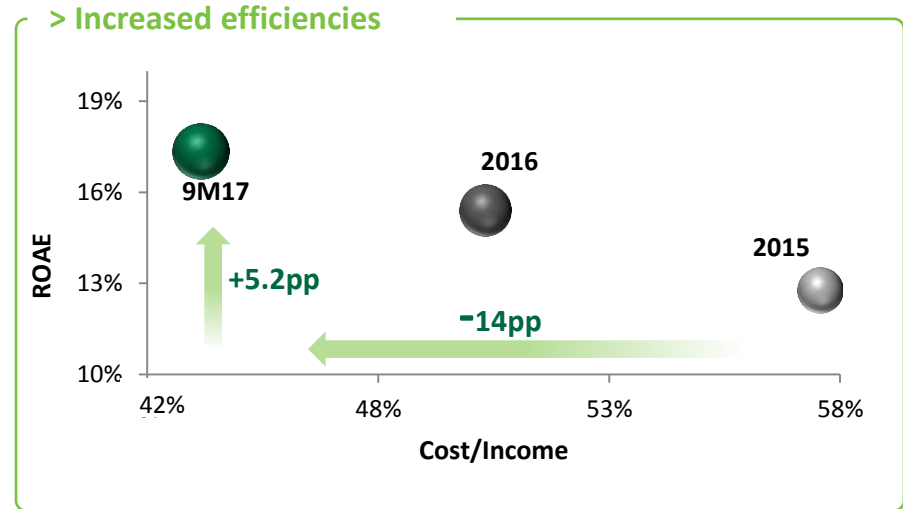
Note: YoY growth of diversified fee sources is based on bank-only MIS data  
 1 Based on BRSA cons. financials. 2 Insurance fee incld Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials  
 3 Based on BRSA bank-only financials. Peers defined as Akbank, Isbank, YKB, Halk & Vakif  
 4 Based on bank-only MIS data

# COMMITTED TO IMPROVE EFFICIENCY & OPERATIONAL EXCELLENCE

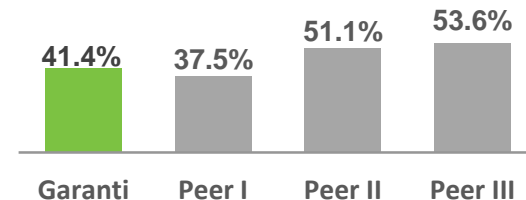
## Operating Expenses (TL million)



YoY OPEX growth is **converging to below CPI** by year-end



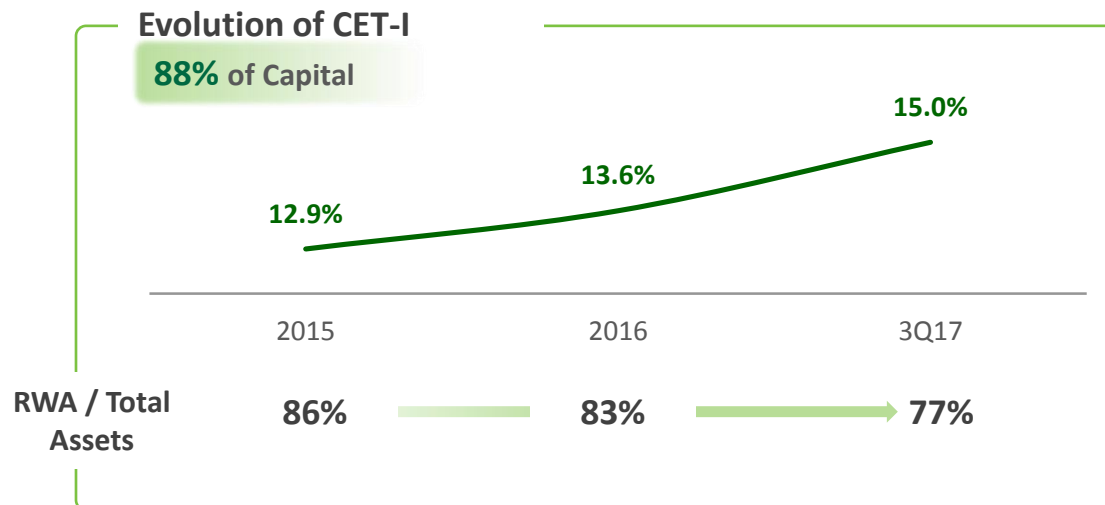
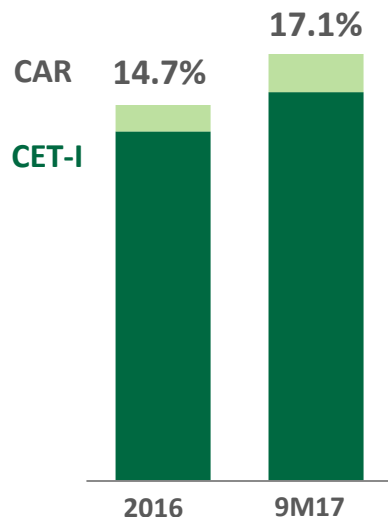
## C/I Ratio vs. private peers<sup>1</sup> (9M 17)



Note: In the Cost/Income calculation, Income defined as NII + Net F&C + Trading gains/losses - Provision for loans + Other income + Income from subsidiaries.  
1 BRSA Bank-only figures used in peer comparisons for fair comparison

# SUSTAINED IMPROVEMENT IN SOLVENCY RATIOS

## Capital Adequacy Ratios



- Dividend Payment: **-48 bps** YtD
- Regulation Impact<sup>1</sup>: **+24 bps** YtD
- Tier II issuance: **+103 bps** YtD
- MtM Difference: **+14 bps** YtD
- Currency Impact: **-4 bps** YtD

Note: Figures are based on BRSA Consolidated Financials  
 1 (a) decreasing RW on FC reserves from 50% to 0%, (b) increasing risk weightings on FC denominated sovereign Eurobonds & Turkish banks' FC receivables from 50% to 100% following rating downgrade by Fitch & decreasing RW on FC reserves from 50% to 0% (c) removal of article that required banks to deduct value of real estates and commodities they attain due to their receivables and hold more than three years from regulatory capital.

## APPENDIX

Pg. 13	Summary Balance Sheet
Pg. 14	Securities Portfolio
Pg. 15	Retail Loans
Pg. 16-17	Comfortable Liquidity
Pg. 18	Non-recurring Items & Normalized Net Income
Pg. 19	Summary P&L

# SUMMARY BALANCE SHEET

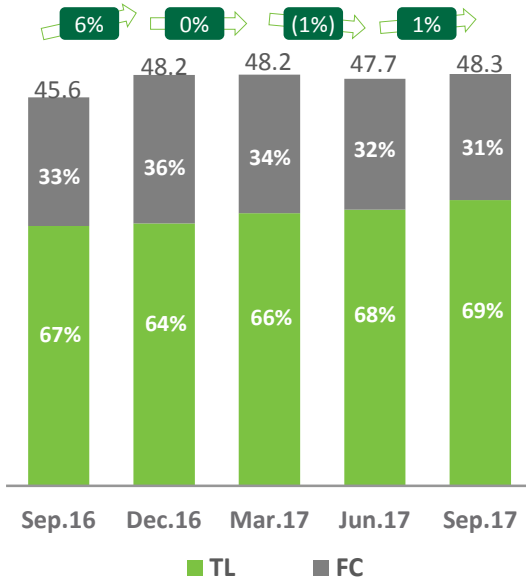
<i>(TL million)</i>	Sep.16	Dec.16	Mar.17	Jun.17	Sep.17	YtD Change
Cash & Banks	29,910	26,882	27,522	25,871	26,952	0%
Securities	45,575	48,179	48,236	47,727	48,303	0%
Loans to Customers	190,272	205,989	216,385	222,323	224,596	9%
Tangible Assets	4,641	5,211	5,229	5,443	5,574	7%
Other	20,646	22,057	26,923	29,795	31,193	41%
<b>TOTAL ASSETS</b>	<b>291,043</b>	<b>308,319</b>	<b>324,294</b>	<b>331,159</b>	<b>336,617</b>	<b>9%</b>
Deposits from Customers	164,322	174,156	180,040	186,970	190,961	10%
Deposits from Banks	2,811	4,488	5,076	5,765	4,194	-7%
Repo Obligations	18,678	11,230	15,724	15,681	18,506	65%
Bonds Payable	15,129	17,846	20,445	20,145	19,348	8%
Funds Borrowed <sup>1</sup>	39,334	47,328	48,247	46,867	45,474	-4%
Other	15,031	16,833	17,488	16,705	17,317	3%
SHE	35,738	36,438	37,274	39,026	40,817	12%
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>291,043</b>	<b>308,319</b>	<b>324,294</b>	<b>331,159</b>	<b>336,617</b>	<b>9%</b>

1 Includes funds borrowed and sub-debt

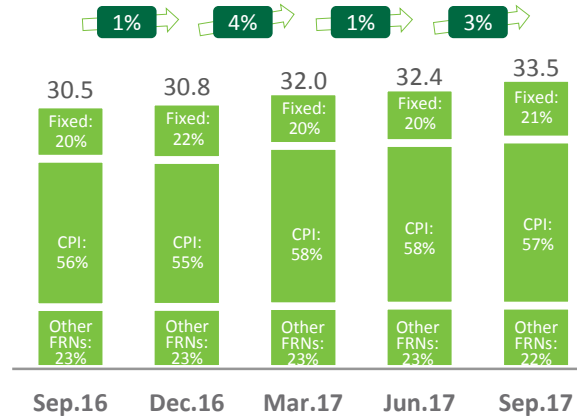
# SECURITIES PORTFOLIO REMAINS AS HEDGE AGAINST VOLATILITY

## Total Securities (TL billion)

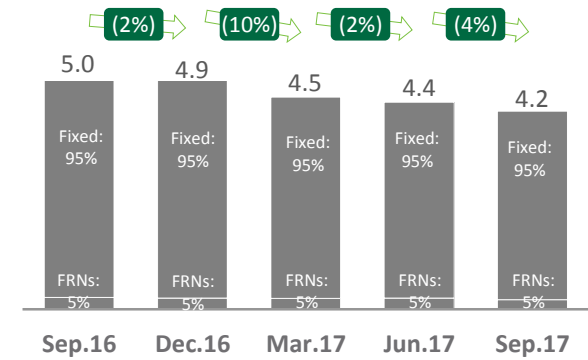
14.3% of Total Assets



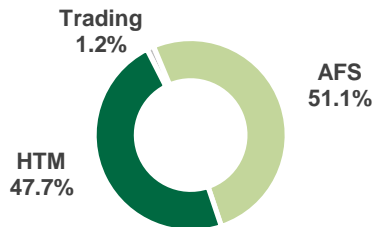
## TL Securities (TL billion)



## FC Securities (US\$ billion)



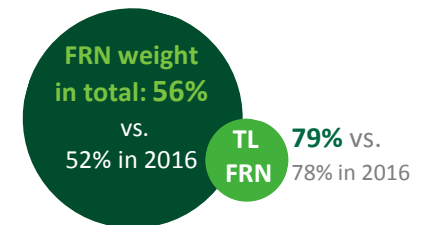
## Securities Composition



### Unrealized MtM loss<sup>1</sup> (pre-tax)

~TL 266mn loss as of Sep'17 vs.  
 ~TL 83mn loss as of Jun'17  
 ~TL 154mn loss as of Mar'17  
 ~TL 699mn loss as of Dec'16  
 ~TL 182mn loss as of Sep'16

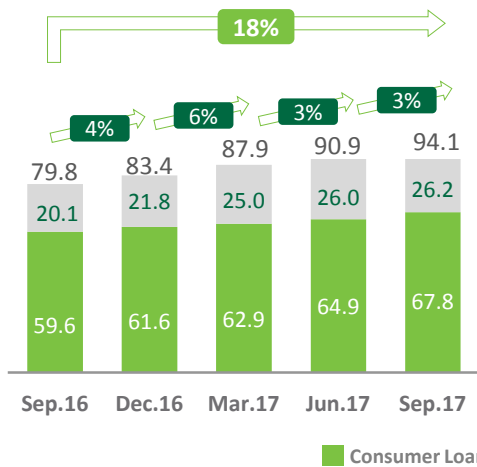
## Maintained FRN heavy portfolio



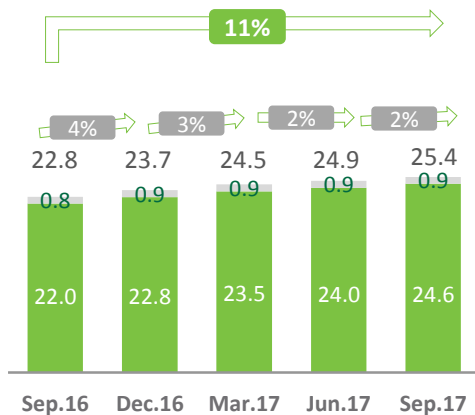
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data.  
 1 Based on BRSA Consolidated financials

# PRESERVED LEADING POSITION ACROSS ALL RETAIL PRODUCTS

## Retail Loans (TL billion)



## Mortgage Loans (TL billion)



## Market Shares\*

	Sep'17	QoQ	Rank
Consumer Loans	22.0%	+10bps	#1
Cons. Mortgage	24.3%	+29bps	#1
Cons. Auto	44.7%	+77bps	#1
Consumer GPLs	18.4%	+4bps	#2

\* Among private banks, rankings as of September 17

### Preserved #1 position in cards business

# of CC customers

15.1%<sup>2</sup>

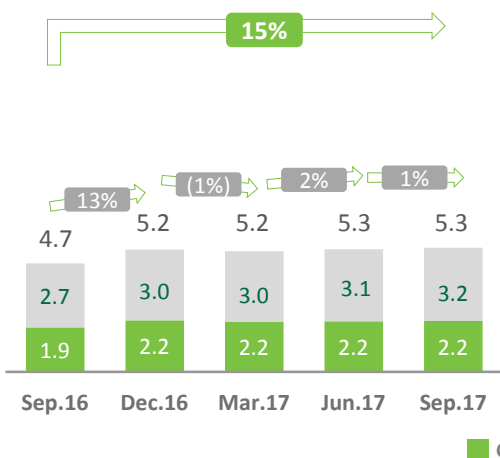
Issuing Volume

20.6%<sup>2</sup>

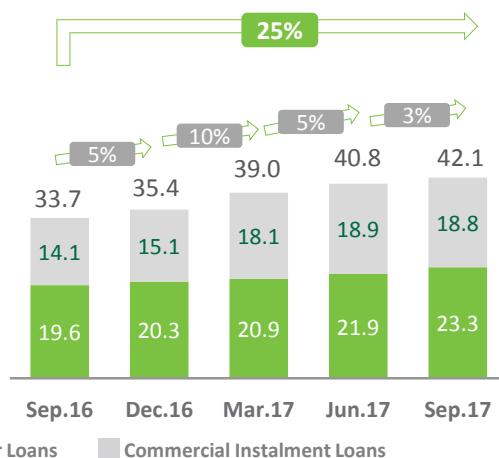
Acquiring Volume

20.8%<sup>2</sup>

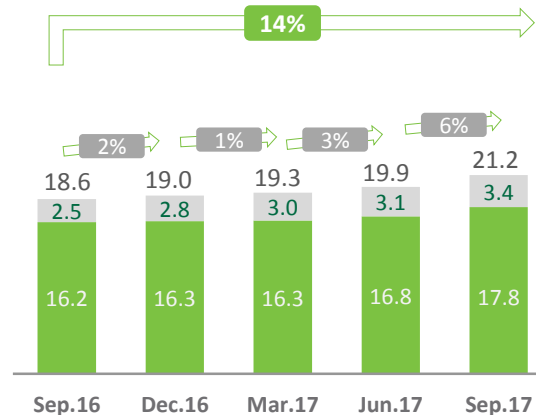
## Auto Loans (TL billion)



## General Purpose Loans<sup>1</sup> (TL billion)



## Credit Card Balances (TL billion)



Note: Figures are based on BRSA Consolidated Financials  
<sup>1</sup> Including other loans and overdrafts  
<sup>2</sup> As of September 2017, 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 29.09.2017

# COMFORTABLE LIQUIDITY

## Opportunistic utilization of alternative funding

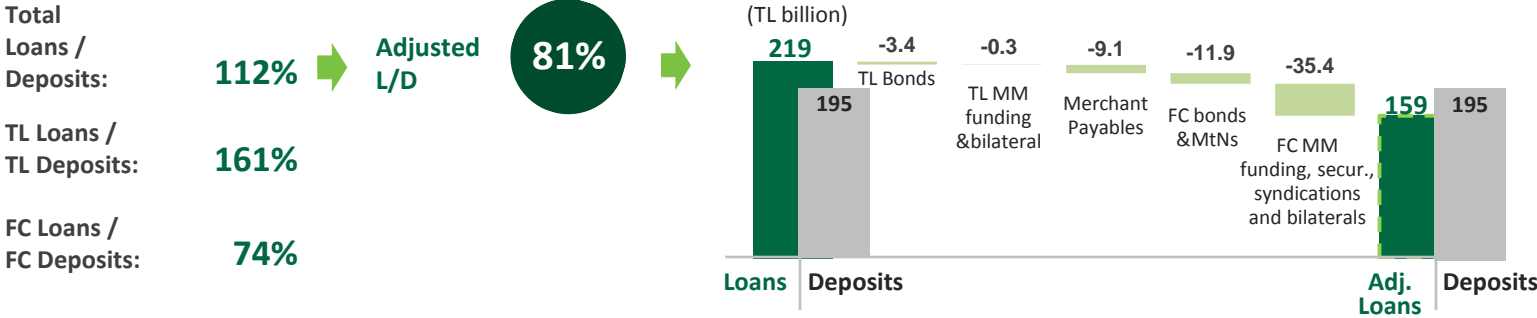
<b>Basel III compliant Tier II</b>	<ul style="list-style-type: none"><li>▪ \$ 750mn, 10NC5 Record subscription &gt;\$4bn 6.125%, largest deal size and lowest coupon for Turkish Tier 2 Basel III compliant bond (2Q17)</li></ul>
<b>Eurobond</b>	<ul style="list-style-type: none"><li>▪ \$ 500mn 6-yrs maturity @5.875% (1Q17)</li></ul>
<b>Covered Bond</b>	<p><b>“Green Mortgage”</b></p> <ul style="list-style-type: none"><li>▪ \$ 150mn equivalent TL 529mn (2Q17)</li><li>▪ € 75mn equivalent TL 313mn (3Q17)</li><li>▪ € 200mn equivalent TL 840mn (4Q17)</li></ul>
<b>100% syndication roll-over</b>	<ul style="list-style-type: none"><li>▪ \$ 468mn @Libor+1.45% (2Q17)</li><li>▪ € 805.5mn @Euribor+1.35% (2Q17)</li><li>▪ \$ 1.3bn equivalent rollover (4Q17 - planned)</li></ul>
<b>DPR Securitization</b>	<ul style="list-style-type: none"><li>▪ € 153mn 5-yrs maturity (1Q17)</li><li>▪ \$ 250mn 5-yrs maturity (4Q17)</li></ul>
<b>EIB Funding</b>	<ul style="list-style-type: none"><li>▪ \$ 79mn 6-yrs maturity (1Q17)</li></ul>
<b>Swap for margin optimization</b>	<ul style="list-style-type: none"><li>▪ Average net swap funding volume:<ul style="list-style-type: none"><li>○ TL26bn in 3Q17 @ 10.5%</li><li>○ TL23bn in 2Q17 @10.4%</li><li>○ TL13bn in 1Q17 @9.5%</li></ul></li></ul>



# COMFORTABLE LIQUIDITY

## Successful dual currency balance sheet management

### Loans funded via long-term on B/S alternative funding sources ease LtD



### Liquidity Coverage Ratios (LCR) are well above minimum required levels

<b>Total LCR</b>	<b>144.6%</b>
<i>Minimum Req. for 2017</i>	80%
<b>FC LCR</b>	<b>142.1%</b>
<i>Minimum Req. for 2017</i>	60%

## NON-RECURRING ITEMS & NORMALIZED NET INCOME

<i>TL Million</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
<b>Net Income</b>	<b>1,076</b>	<b>1,750</b>	<b>1,337</b>	<b>888</b>	<b>1549</b>	<b>1,670</b>	<b>1,844</b>
<i>Extra provisions related to collateral re-assessment</i>	42	0	20	102	0	0	0
<i>Provisions imposed by NBR to Romanian banking sector</i>	0	96	0	0	0	0	0
<i>Garanti Bank Moscow sale loss</i>	0	0	0	41	0	0	0
<i>Visa sale gain</i>	0	-251	0	0	0	0	0
<i>Gains from asset sale</i>	0	-14	0	0	0	0	0
<i>Provision reversal from Miles&amp;Smiles</i>	0	-51	0	0	0	0	0
<i>Income from NPL sale</i>	-26	-17	-8	-15	-21	-15	0
<i>Provision for fines</i>	0	0	0	85	0	0	137
<i>Free provision</i>	0	0	100	0	200	220	230
<i>Fee rebates</i>	60	52	30	24	19	15	14
<b>Normalized Net Income</b>	<b>1,153</b>	<b>1,565</b>	<b>1,479</b>	<b>1,126</b>	<b>1,747</b>	<b>1,890</b>	<b>2,225</b>

# SUMMARY P&L

TL Million	9M16	9M17	Δ YoY	2Q17	3Q17	Δ QoQ
(+) Net Interest Income	8,003	9,536	19%	3,136	3,236	3%
(-) NII excld. inc. on CPI linkers	6,733	7,954	18%	2,586	2,628	2%
(-) Income on CPI linkers	1,269	1,582	25%	550	608	11%
(+) Net Fees & Comm.	2,341	2,808	20%	902	1,002	11%
(-) Fee Rebates	-96	-26	-73%	-9	-7	-28%
(+) Comparable Net F&C	2,437	2,834	16%	912	1,008	11%
(-) Provisions for loans and other credit risks, net	-1,430	-356	-75%	-103	44	-142%
(+) Other income	653	828	27%	277	283	2%
(+) NPL sale income	63	44	-29%	18	0	-100%
(+) Other	590	784	33%	258	283	10%
(-) OPEX	-4,791	-5,492	15%	-1,795	-1,840	2%
(-) Fee Rebates	-46	-22	-53%	-6	-7	27%
(+) Comparable OPEX	4,745	5,470	15%	-1,790	-1,833	2%
<b>= CORE OPERATING INCOME</b>	<b>4,775</b>	<b>7,324</b>	<b>53%</b>	<b>2,417</b>	<b>2,725</b>	<b>13%</b>
(+) Net Trading & FX gains/losses	284	42	-85%	-28	64	n.m.
(+) Visa sale	279	0	n.m.	0	0	n.m.
(-) Taxation and other provisions	-1,175	-2,303	96%	-719	-945	31%
(-) Free Provision	-100	-650	n.m.	-220	-230	5%
(-) Provision for fines	0	-137	n.m.	0	-137	n.m.
(-) Other Taxation & Provision	-1,075	-1,515	41%	-499	-577	16%
<b>= NET INCOME</b>	<b>4,163</b>	<b>5,063</b>	<b>22%</b>	<b>1,670</b>	<b>1,844</b>	<b>10%</b>

# DISCLAIMER STATEMENT

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