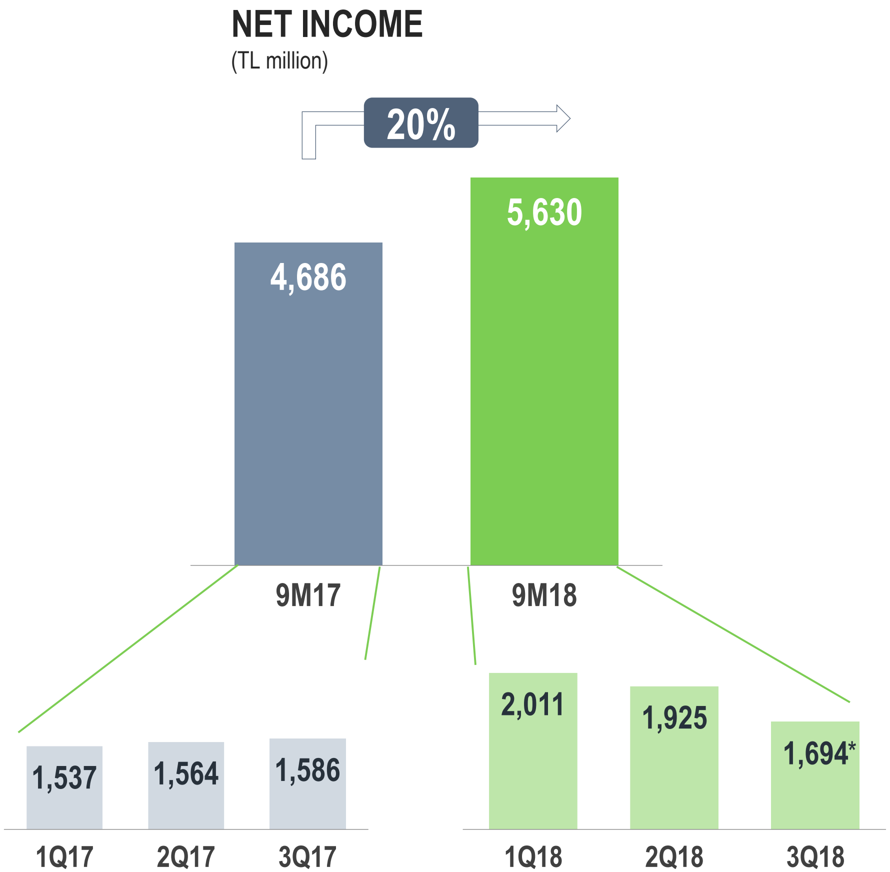
Garanti BBVA Group

9M18 EARNINGS PRESENTATION

Based on BRSA Consolidated Financials
October 25th, 2018

SUSTAINED STRONG EARNINGS PERFORMANCE…



**Post TL 700mn free provisions*

2.0% **ROAA**
vs. 1.9% in 2017

17.5% **ROAE**
vs. 16.6% in 2017

TL 1,860mn **Free Provisions**
Prudently set aside **additional** TL 700mn free provisions **in 3Q18**

16.9% **CAR**
excluding BRSA's temporary measures **14.7%** vs. 16.8% in 2017

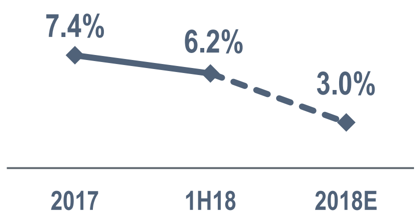
148%[1] **Total Liquidity Coverage Ratio**
vs. min. 90% required level for 2018

Note: In the calculation of average assets and average equity, 01.01.2018 restated balance sheet has been used instead of YE 2017

1 Representing September average

…IN A RAPIDLY CHANGING OPERATING ENVIRONMENT

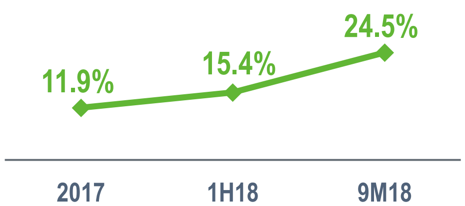
GDP GROWTH



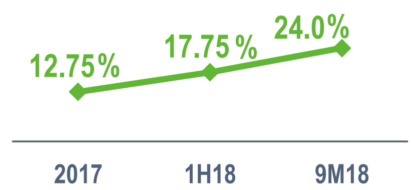
▶ 2H18 -- Decelerating economic activity

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

INFLATION
(Year-end)



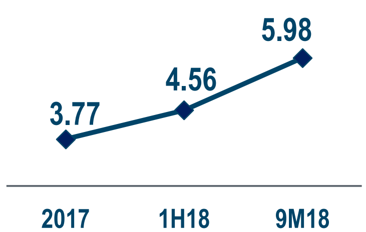
CBRT FUNDING COST
(Period-end)



▶ **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)

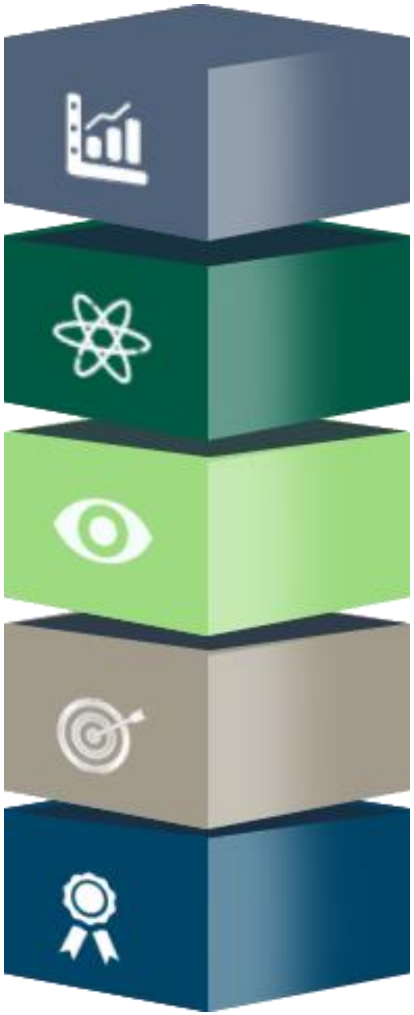


▶ **Comprehensive and consistent policy mix to curb currency volatility:**

- **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**

E: Garanti estimates as of October 2018

3Q18 PERFORMANCE



- MUTED LOAN GROWTH
- SUFFICIENT LIQUIDITY
- PROACTIVELY SHAPED & WELL PROVISIONED ASSETS
- SUSTAINED CORE BANKING REVENUES
- STRONG SOLVENCY VIA CAPITAL GENERATION

MUTED LOAN GROWTH

SUFFICIENT LIQUIDITY

PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

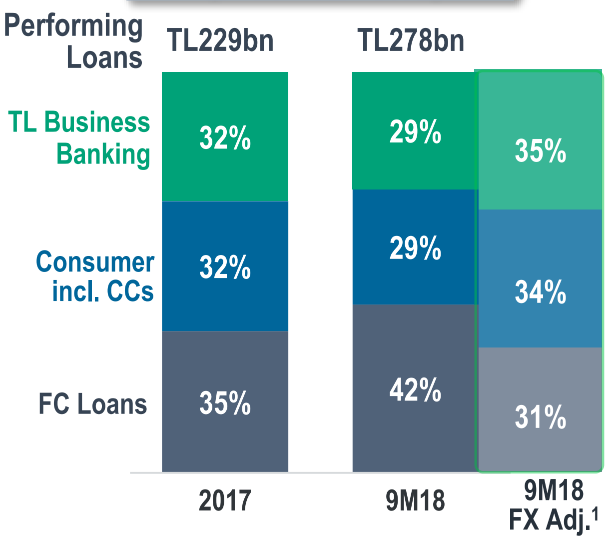
SUSTAINED CORE BANKING REVENUES

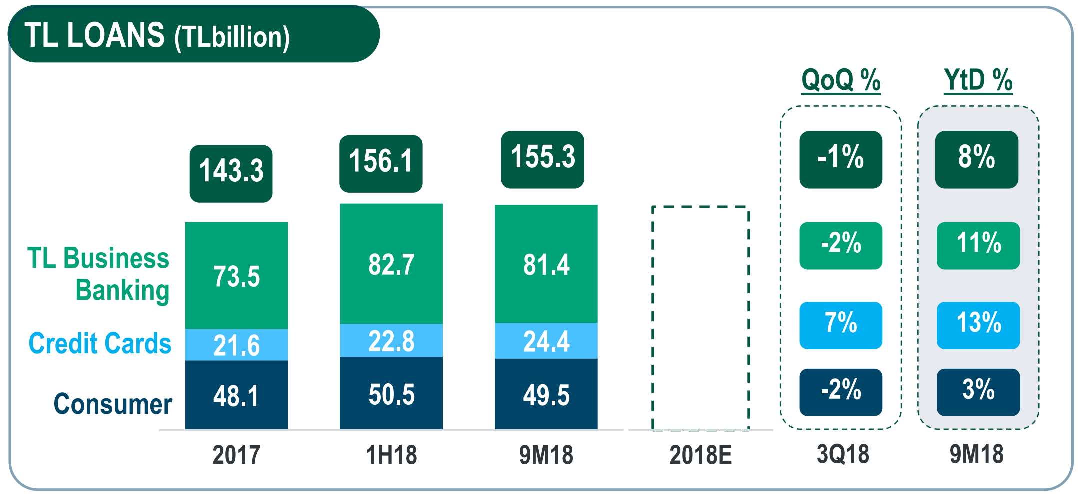
STRONG SOLVENCY VIA CAPITAL GENERATION

MUTED LOAN GROWTH

-- Balanced lending mix

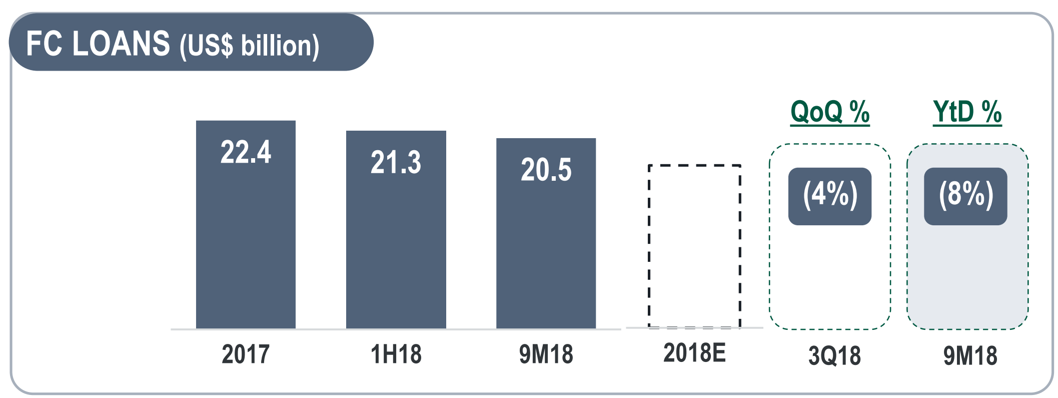
LOAN PORTFOLIO
(61% of Total Assets)



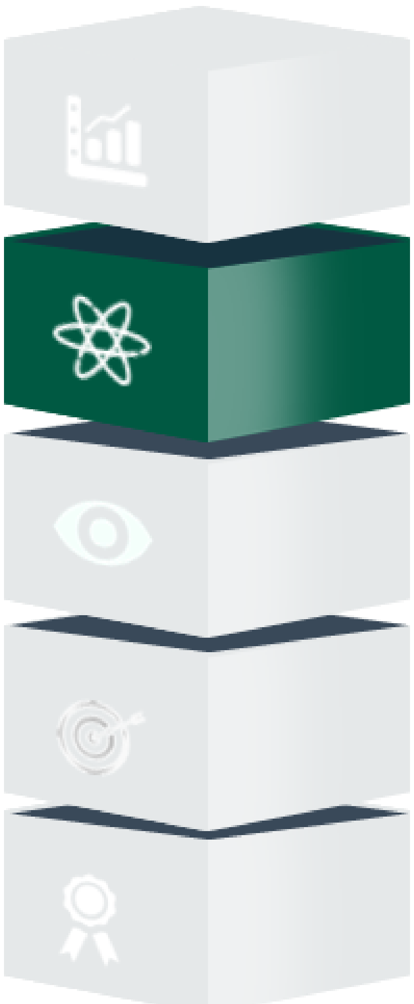


- **Growth in TL loans cut pace** both in retail & business banking, due to the deceleration in economic activity & high interest rate environment

- **FC loans continue to diminish**, yet the **share of FC loans** in total loans was **inflated** due to **depreciation in TL**



Note: Business banking loans represent total loans excluding credit cards and consumer loans
1 Adjusted for ~58% TL depreciation between 31.12.2017 vs. 30.09.2018
(Currency fixed at 3.78, USD / TL rate went up to 5.98)



MUTED LOAN GROWTH

SUFFICIENT LIQUIDITY

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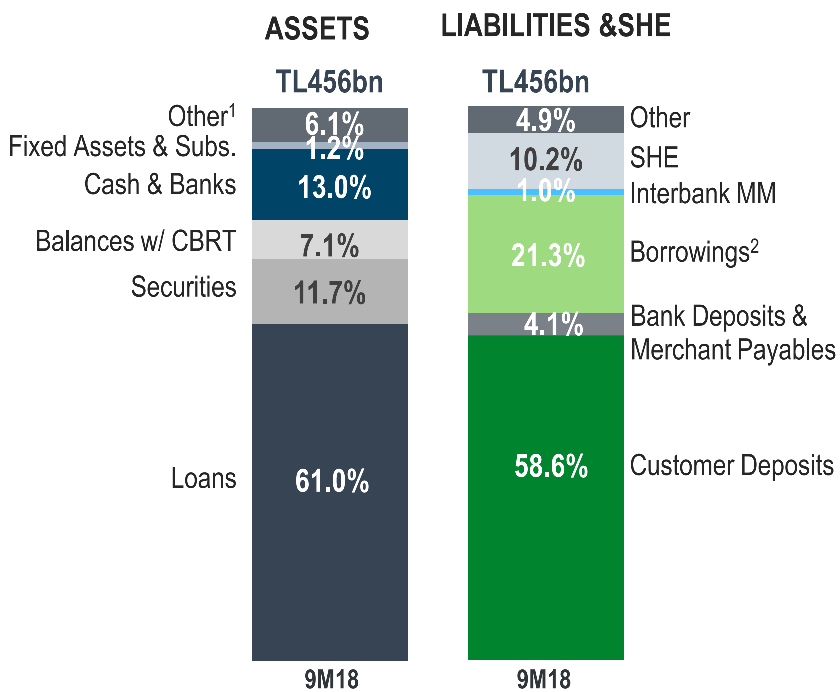
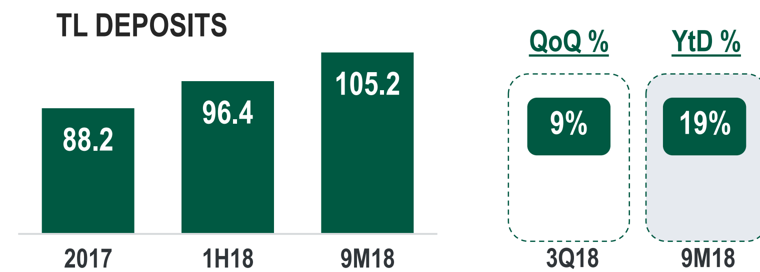
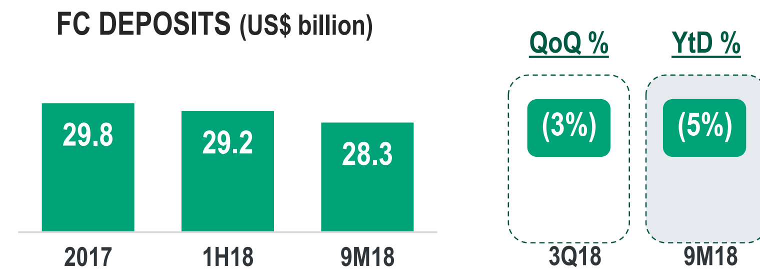
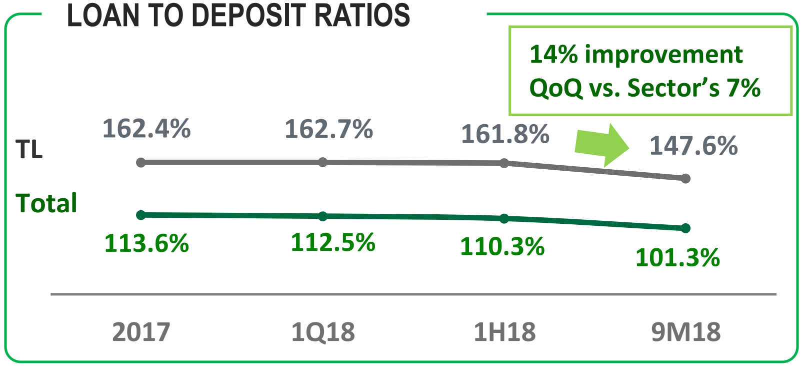
STRONG SOLVENCY VIA CAPITAL GENERATION

WELL-DIVERSIFIED & STICKY FUNDING BASE

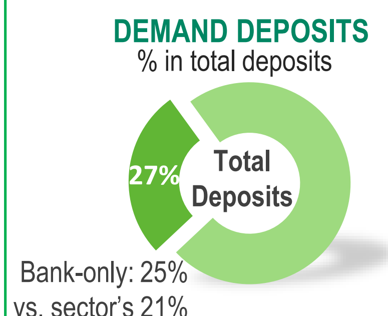








LOW COST & STICKY DEPOSIT BASE



SME & RETAIL DEPOSITS'[3]

in TL Cust. Deposits

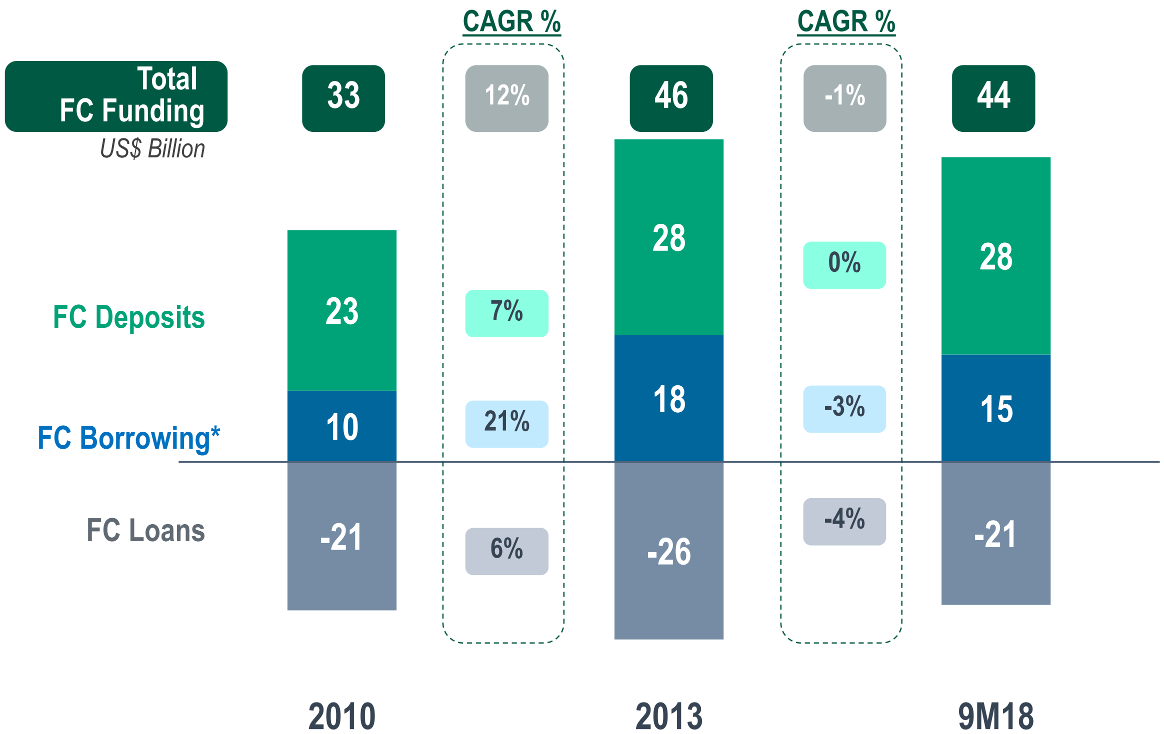
~75%

in FC Cust. Deposits

~60%

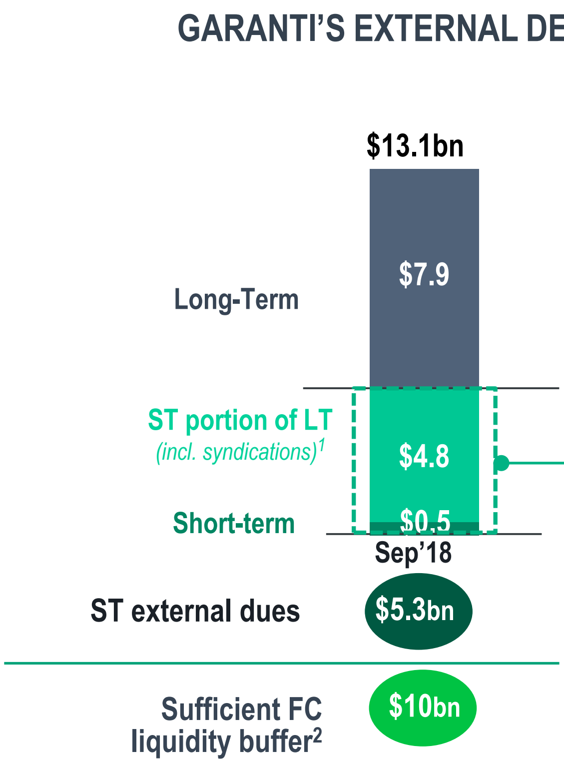
1 Including Leasing and Factoring receivables
2 Includes funds borrowed, sub-debt & securities issued
2 Based on bank-only MIS data

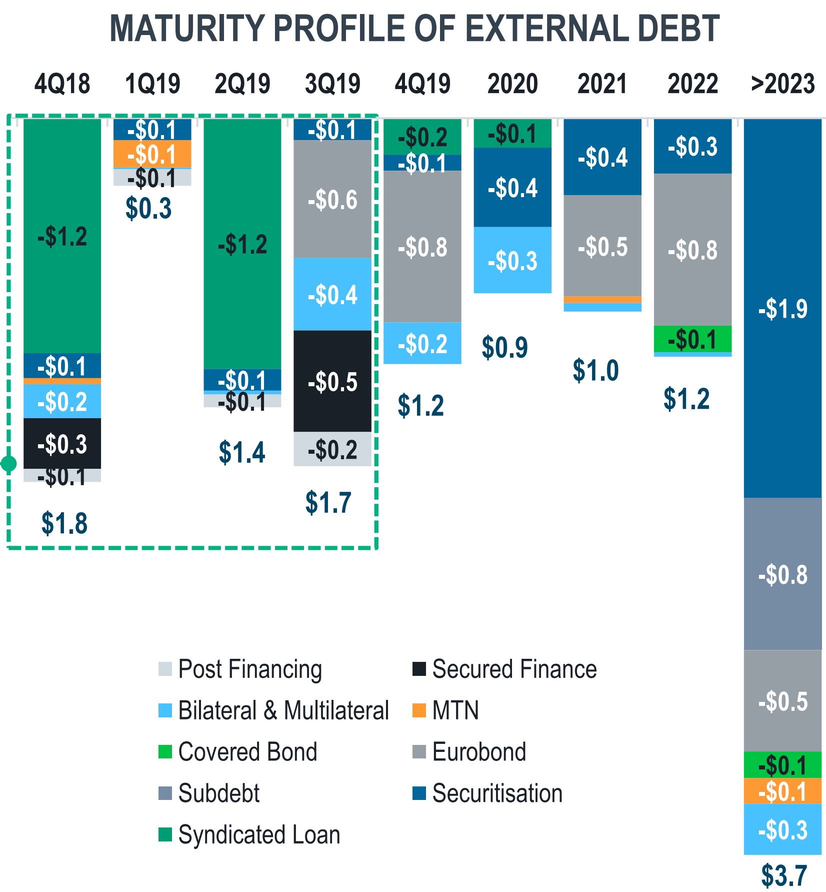
LOWER DEPENDENCY ON FC FUNDING AS FC LOANS CONTINUE TO DIMINISH



* FC borrowings include FC bonds issued, FC money market borrowings, syndications, securitizations, sub-debt, other funds borrowed

SUFFICIENT LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

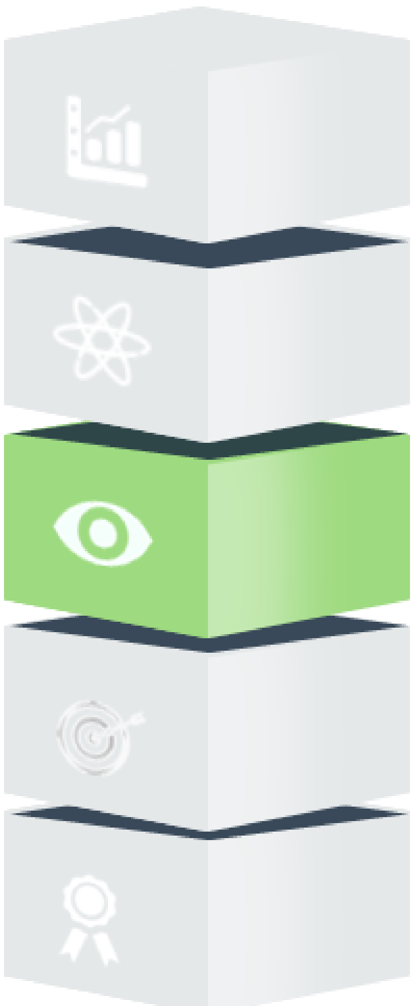




* Bank-only external debt. Includes TL covered bonds and excludes on balance sheet IRS transactions

1 Syndications with 367 days maturity

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



MUTED LOAN GROWTH

SUFFICIENT LIQUIDITY

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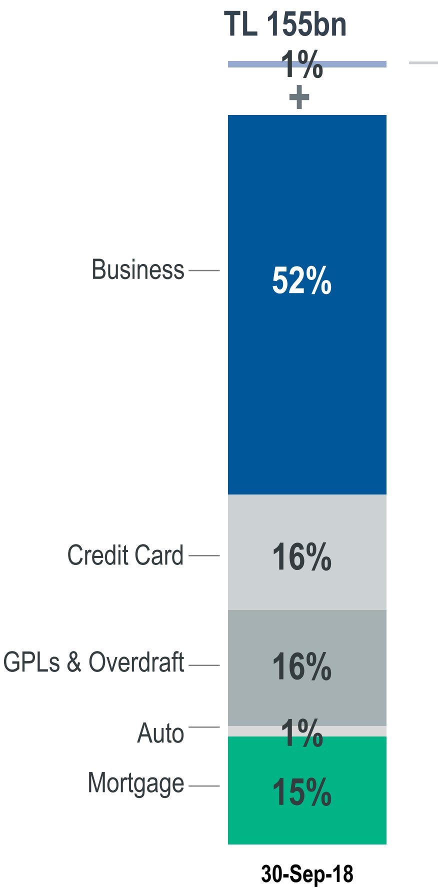
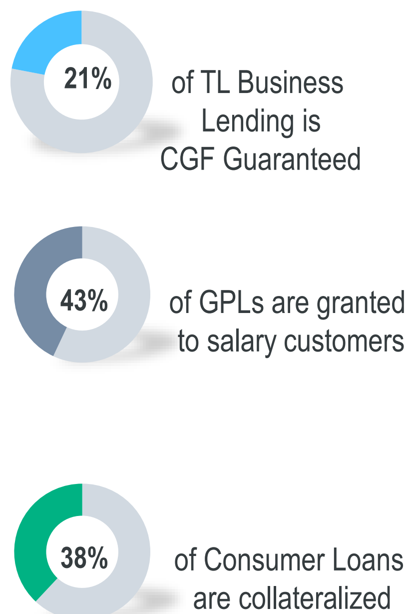
STRONG SOLVENCY VIA CAPITAL GENERATION

STRUCTURE OF TL LOAN PORTFOLIO

TL LOANS BREAKDOWN

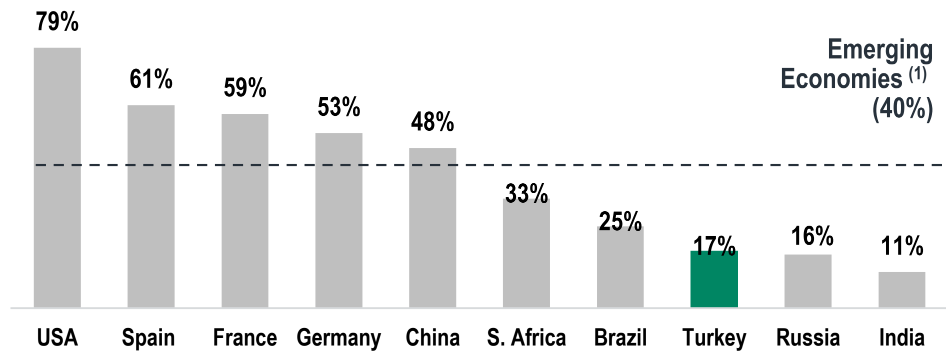
56% of Total Loans





Household Debt to GDP (Dec. 17)

Household Indebtness in Turkey **lower than Emerging Economies**



« **>90%** of TL loans are **fixed** rate. »

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

STRUCTURE OF FC LOAN PORTFOLIO

FC LOANS BREAKDOWN

44% of Total Loans

US$ 20.5 bn ▶ **Consolidated FC Loans**

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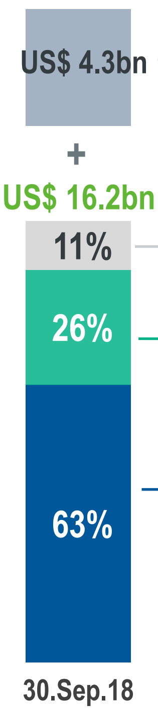


Subsidiary impact

\+ +

US$ 16.2bn ▶ **Unconsolidated FC Loans**

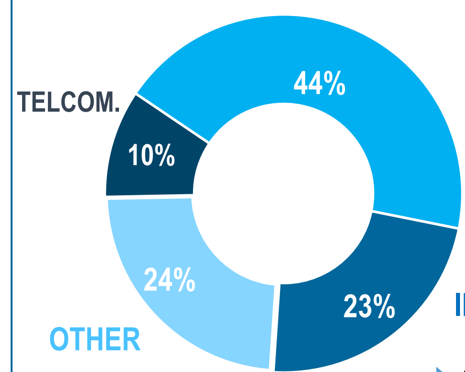
Export Loans
- FX revenue generation

Working Capital & Other Loans
- FX loans predominantly to big corporate & commercial, multinational clients

Project Finance Loans
- **~75% of PF loans have lower currency risk**
- Most of the projects generate **FX revenues**

« **FX sensitivity analysis** are regularly conducted as part of the **proactive staging and provisioning** practices »

BREAKDOWN OF PF LOANS



ENERGY
- Share of electricity generation is 75%
  - Share of **renewables: 55%**
- **Cost based pricing** in natural gas sales **reduced FX risk** in merchant power sector

INFRASTRUCTURE
- **~90%: State-guarantee** (Public-Private Partnership motorway & healthcare, airport projects)

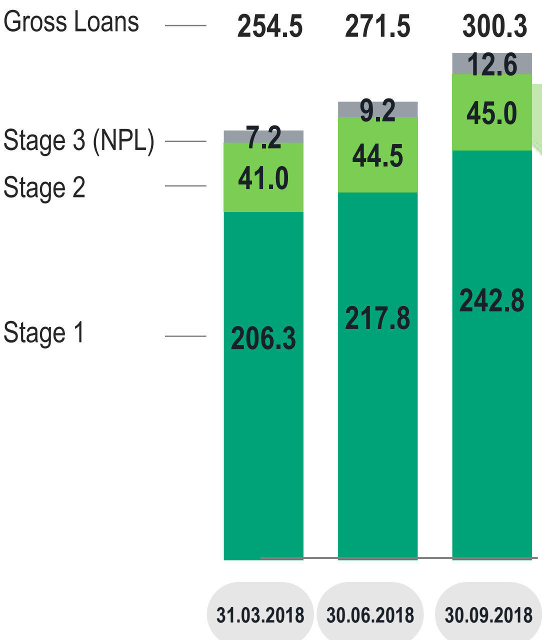
Regulation to preserve customers against currency shocks and risks
- FX lending to **consumers already prohibited**
- As of May 18; **companies with outstanding FC loan balance < $15 Mn will be restricted***

* 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

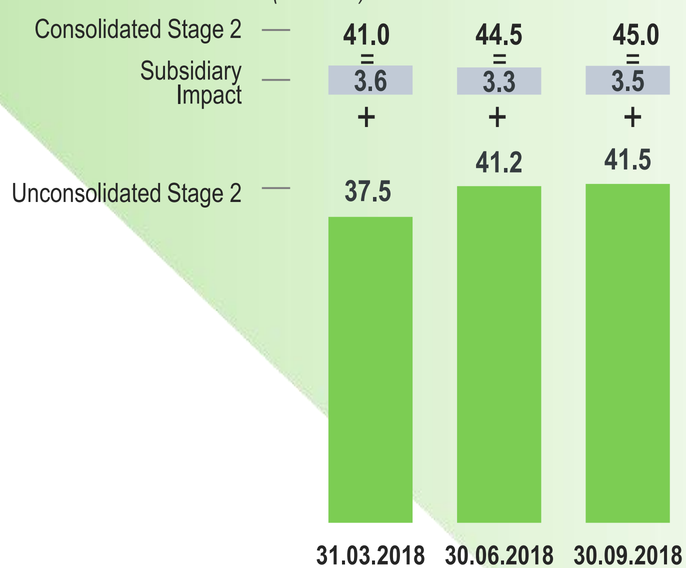
(Billion TL)



USDTRY: 3.9450 4.5637 5.9819

Stage 2 Breakdown

(Billion TL)



Total Stage 2 Coverage	9.5%	9.6%	11.3%

Share of Stage 2 in Performing Loans

16%

Not comparable among banks mainly due to:

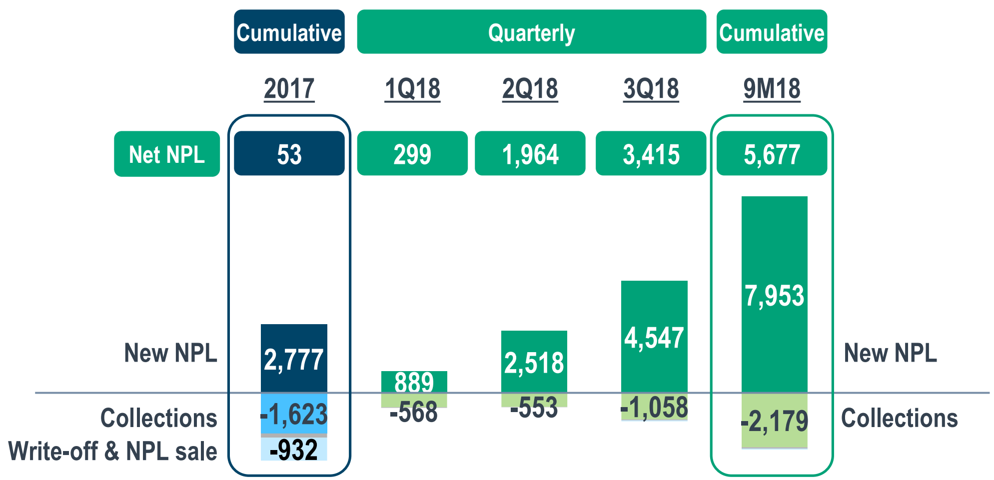
Differentiation in quantitative assessment criteria (SICR[1] definition)

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 treshold 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*

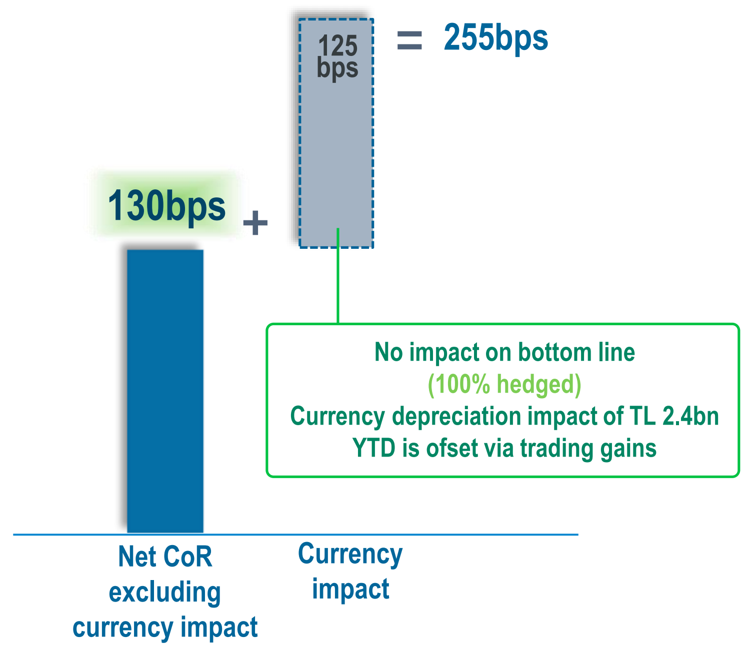
NPL EVOLUTION
(TL million)

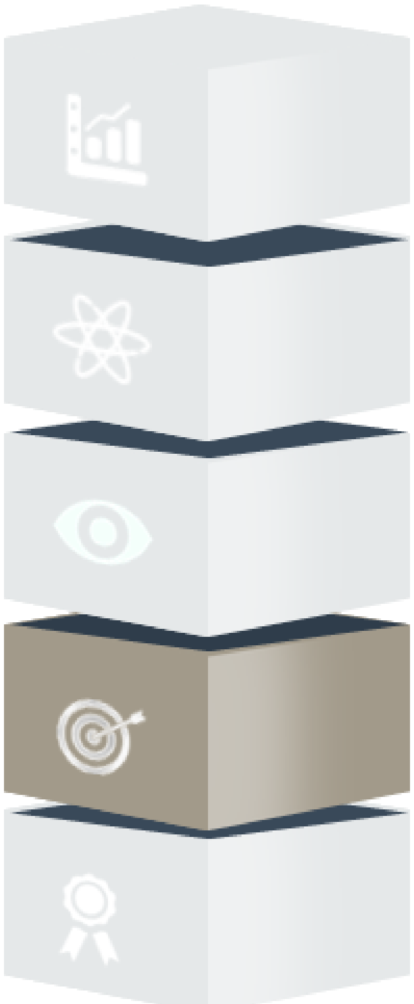


	2017	1Q18	2Q18	3Q18
Consolidated NPL Ratio	2.6%	2.8%	3.4%	4.2%
Bank-only NPL Ratio	2.5%	2.5%	3.1%	3.9%

- No NPL sale in 2018

NET CUMULATIVE CoR





- MUTED LOAN GROWTH
- SUFFICIENT LIQUIDITY
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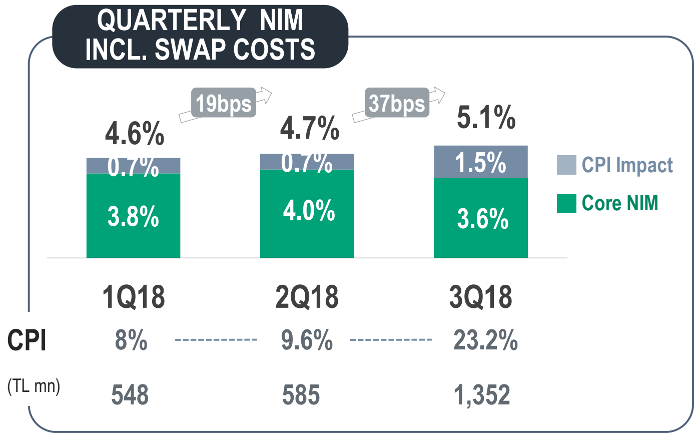
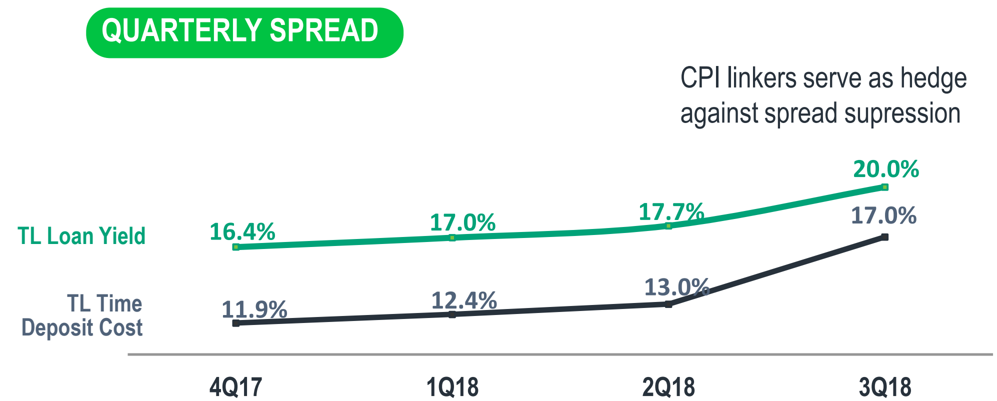
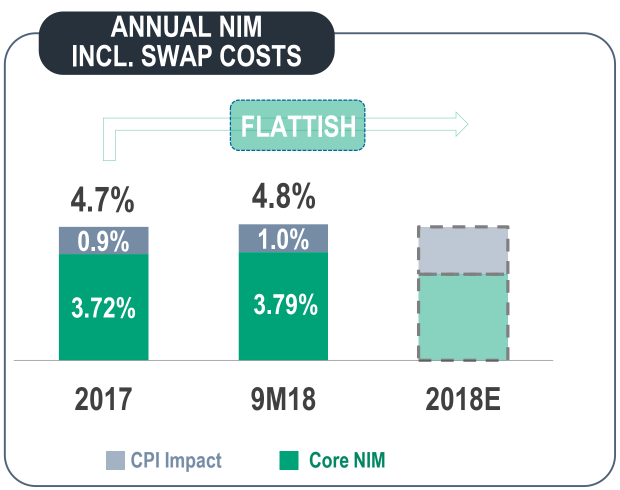
- **SUSTAINED CORE BANKING REVENUES**
- STRONG SOLVENCY VIA CAPITAL GENERATION

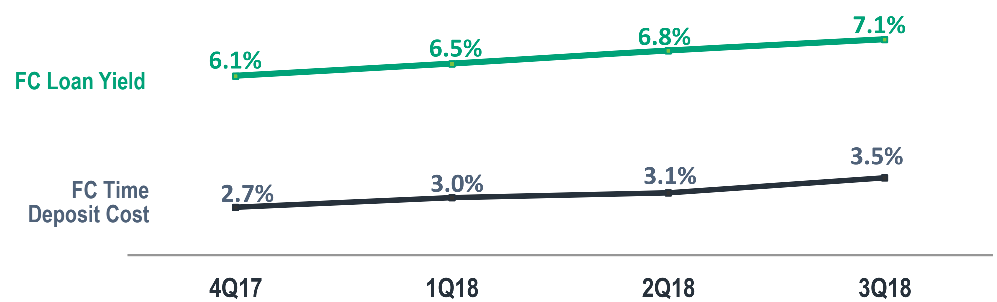
SUSTAINED CORE BANKING REVENUES

Dynamic B/S management in defense of NIM



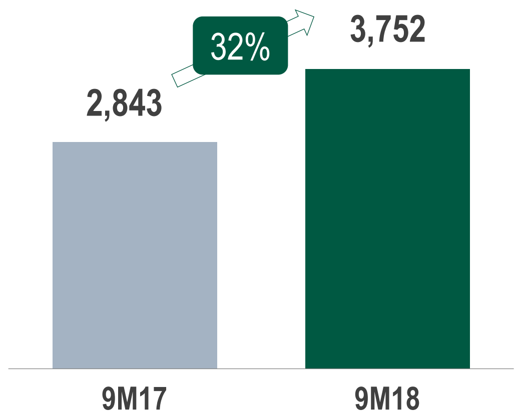




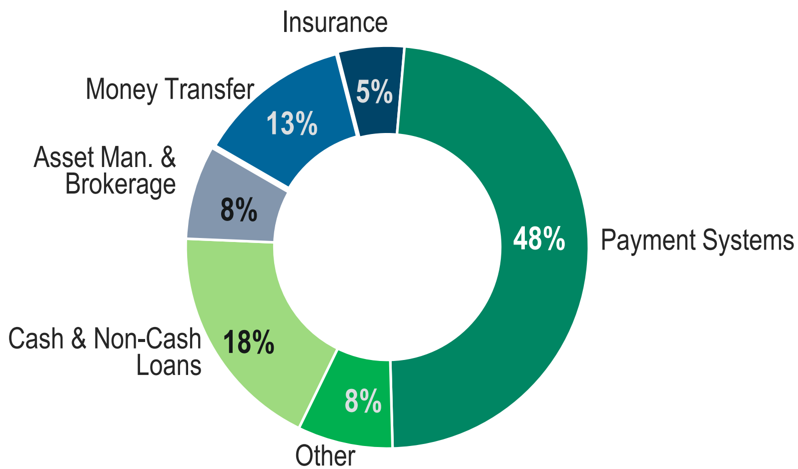


SUSTAINED CORE BANKING REVENUES
Well-diversified fee base

NET FEES & COMMISSIONS
(TL million)



NET FEES & COMMISSIONS BREAKDOWN[1]



Payment systems
Leading position in **issuing & acquiring** businesses
Strong **merchant network** & actively managed relations
Increasing contribution from clearing & merchant commissions

Money transfer
Leader in interbank money transfer: **14%** market share
Leader in swift transactions: **17%** market share

Insurance
Leader in **number of pension participants**
Focus on **digital-only products**

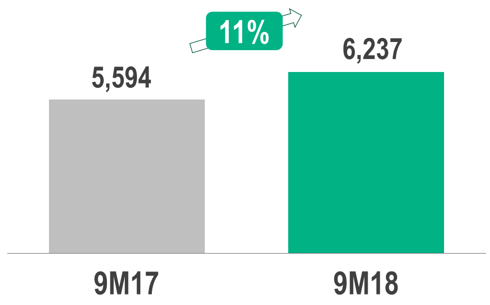
Digital Channels
Digital channels' share in non-credit linked fees: **46%**
Share of digital sales in total sales: **43%**
Leading position: **7mn digital customer (32% YoY increase)**

1 Insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials.

SUSTAINED CORE BANKING REVENUES

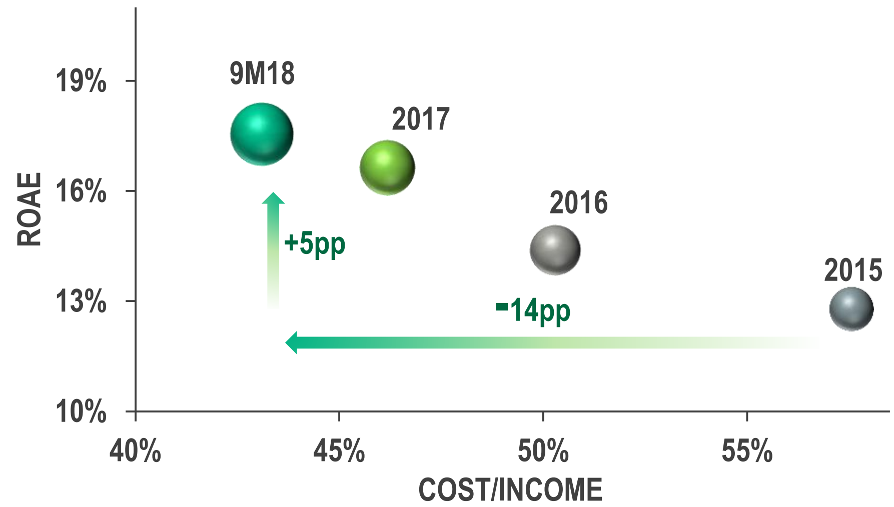
Disciplined cost management

OPERATING EXPENSES (TL Million)



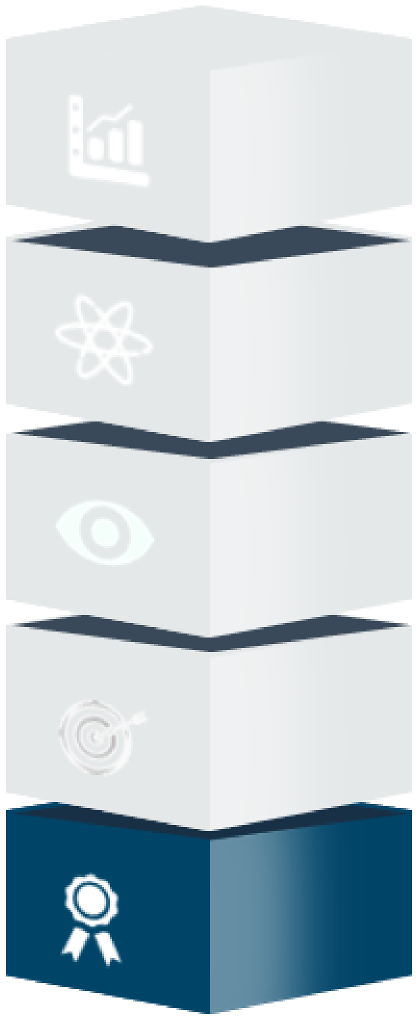
Cost growth way below inflation

- ~12-13% of the OPEX is FC-linked.



	COST/INCOME	OPEX/ AVG. ASSETS	FEE / OPEX
	43.1%	2.1%	60%
Bank-only	40.1%	2.0%	67%

Note: In the Cost/Income calculation, Income defined as NII + Net F&C +Trading gains/losses – Net Provisions + Other income + Income from subsidiaries.



MUTED LOAN GROWTH

SUFFICIENT LIQUIDITY

PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

SUSTAINED CORE BANKING REVENUES

STRONG SOLVENCY VIA CAPITAL GENERATION

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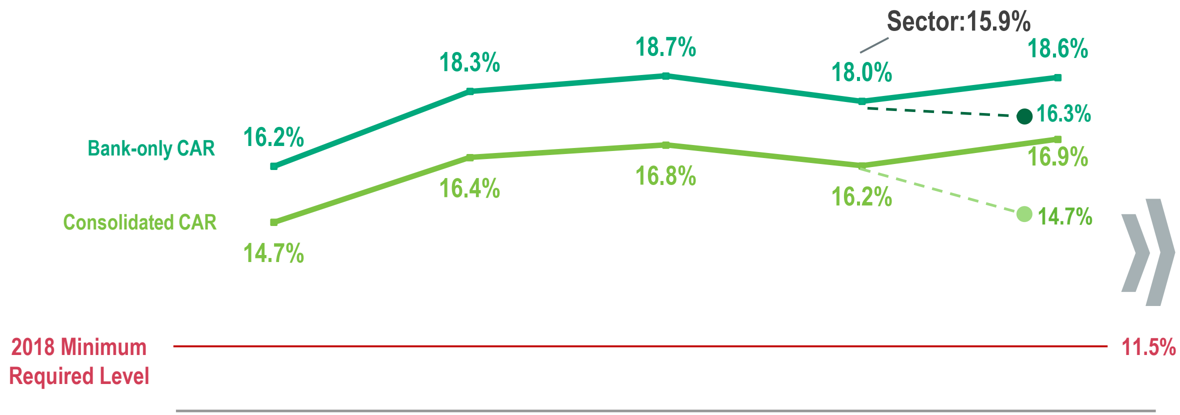


	Dec 16	June 17	Dec 17	June 18	Sep 18
CET-1/Total Capital	93%	87%	88%	86%	85%
USDTRY	3.51	3.51	3.77	4.56	5.98

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

Temporary measures

- FX Rate Fixing on RWA calculation
- Suspension of MtM losses on CAR calculation

Total Impact: 237bps (Bank-only)
225bps (Consolidated)

TL1.9bn Free Provision

Bank-only: TL14bn
Consolidated: TL>10bn

Excess Capital

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

GOING FORWARD

Deteriorating Macro Environment Posing Downside on Growth & Provisioning

TL Loans	**<14%**	↓
FC Loans (in US$)	**Shrinkage**	↔
NPL Ratio	**4-4.5%** (No NPL sale assumed)	↓
Net Cost of Risk	**~150 bps** (excl. currency impact)[1]	↓
NIM including swap cost	**Flat** (including CPI impact)	↑
Fee Growth (yoy)	**> 20%**	↑
Opex Growth (yoy)	**~10%**	↔
ROAE	**> 17%**	↓
ROAA	**> 2.2%**	↓

1 Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

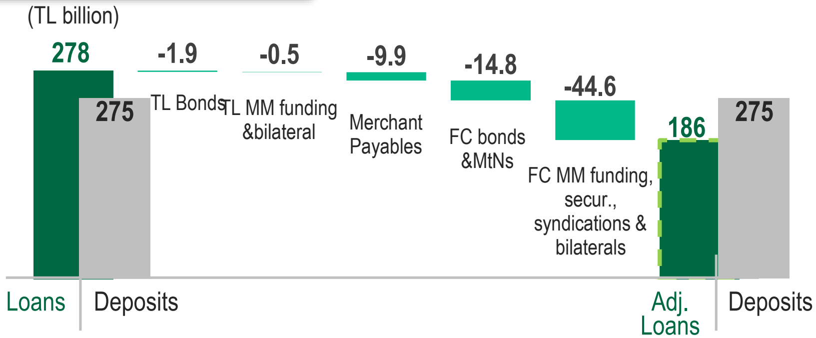
APPENDIX

APPENDIX: ADJUSTED LDR AND LIQUIDITY COVERAGE RATIOS

Loans funded via long-term on B/S alternative funding sources **ease LDR**

Total Loans / Deposits:	**101%**
TL Loans / TL Deposits:	**147%**
FC Loans / FC Deposits:	**72%**

Adjusted LDR **68%**



Liquidity Coverage Ratios[1] (LCR) are **well above minimum required levels**

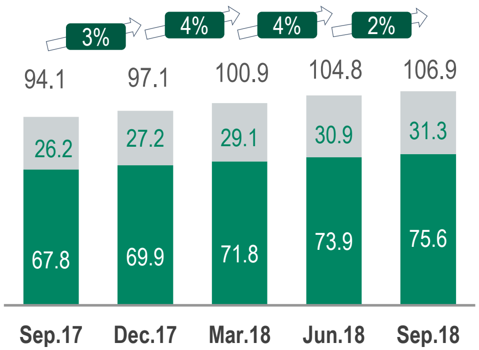
Total LCR	**148%**
Minimum Req. for 2018	*90%*
FC LCR	**182%**
Minimum Req. for 2018	*70%*

1 Representing September average

APPENDIX: RETAIL LOANS

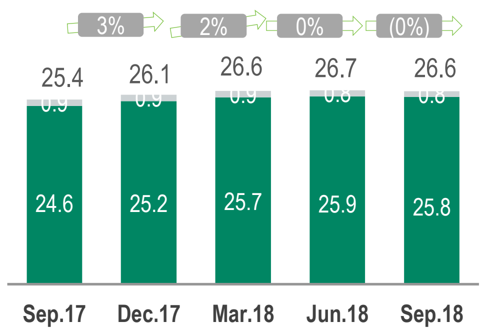
RETAIL LOANS
(TL billion)

+14% YoY



MORTGAGE LOANS
(TL billion)

5% YoY



Market Shares*

	Sep'18	QoQ	Rank
Consumer Loans	22.4%	+14bps	#1
Cons. Mortgage	25.7%	+11bps	#1
Cons. Auto	47.4%	+8bps	#1
Consumer GPLs	18.6%	+20bps	#1

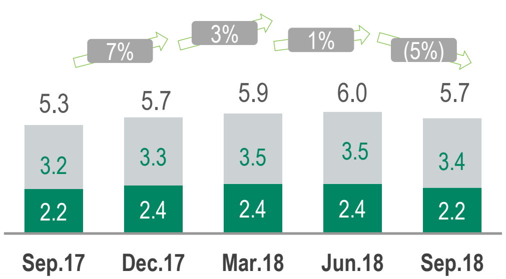
** Among private banks, rankings as of June 18*

Pioneer in cards business

# of CC customers	Issuing Volume	Acquiring Volume
14.6%[2]	19.1%[2]	19.1%[2]

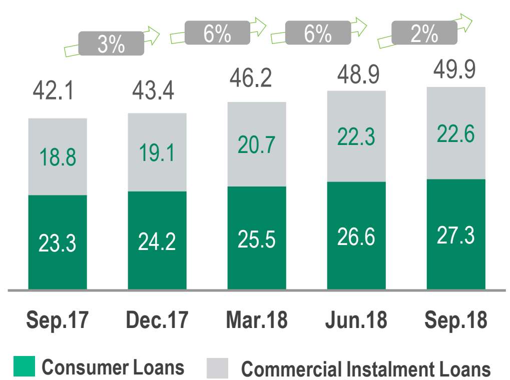
AUTO LOANS
(TL billion)

+6% YoY



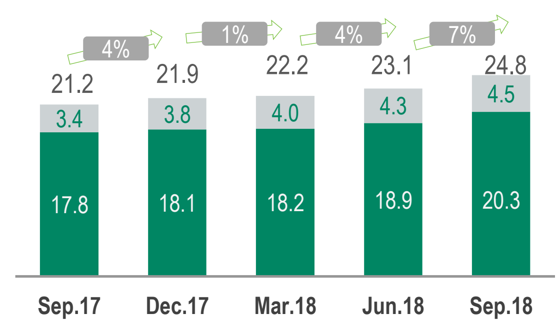
GENERAL PURPOSE LOANS[1]
(TL billion)

+18% YoY



CREDIT CARD BALANCES
(TL billion)

+17% YoY

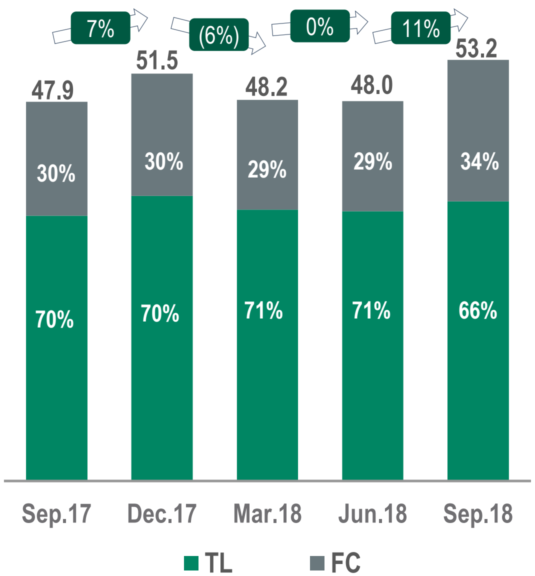


1 Including other loans and overdrafts
2 Cumulative figures as of September 2018, as per Interbank Card Center data.
Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 28.09.2018

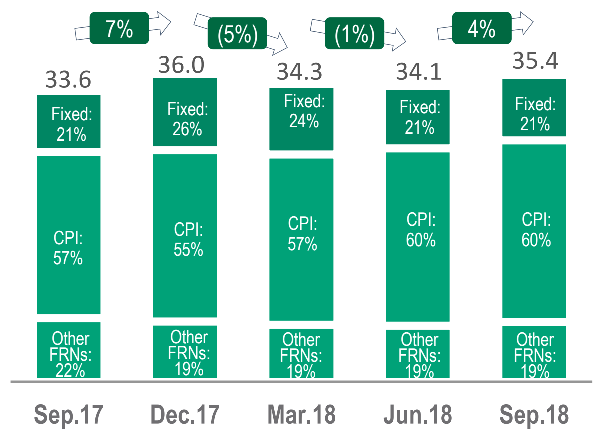
APPENDIX: SECURITIES PORTFOLIO

Total Securities (TL billion)

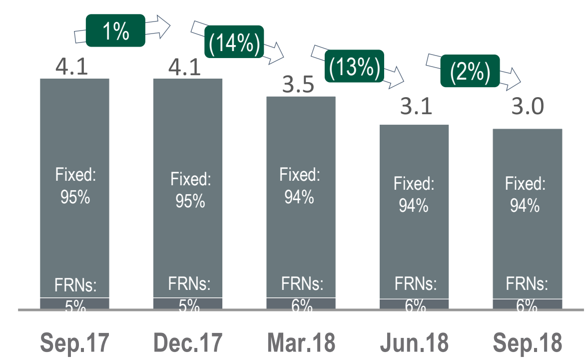
12% of Total Assets



TL Securities (TL billion)



FC Securities (US$ billion)



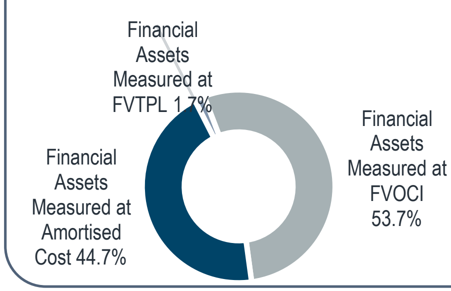
Maintained

FRN heavy portfolio

FRN weight in total: 57%

TL FRN: 79%

Securities Composition



Unrealized MtM loss (pre-tax)

~TL 1,326mn loss as of Sep'18

Note: Fixed - Floating breakdown of securities are based on bank-only MIS data

APPENDIX: SUMMARY BALANCE SHEET

TL Million

ASSETS	31.03.2018	30.06.2018	30.09.2018
Cash&Banks	20,891	30,878	59,191
Balances at CBRT	30,972	27,389	32,436
Securities	48,193	48,031	53,239
Performing Loans	238,368	253,497	278,189
Fixed Assets & Subsidiaries	5,197	5,272	5,431
Other	16,260	19,812	27,842
TOTAL ASSETS	359,882	384,878	456,328

LIABILITIES & SHE	31.03.2018	30.06.2018	30.09.2018
Total Deposits	211,895	229,764	274,721
+*Demand Deposits*	56,190	65,698	75,091
+*Time Deposits*	155,705	164,066	199,630
Interbank Money Market	7,515	7,181	4,375
Bonds Issued	36,434	37,149	43,479
Funds Borrowed	37,767	41,479	53,721
Other liabilities	23,559	24,900	33,378
Shareholders' Equity	42,711	44,405	46,654
TOTAL LIABILITIES & SHE	359,882	384,878	456,328

APPENDIX: SUMMARY P&L

	TL Million	9M 18	3Q18	2Q18	1Q18
(+)	Net Interest Income including Swap costs	12,136	4,711	3,882	3,543
	(+) NII excluding CPI linkers' income	*11,488*	*4,022*	*3,904*	*3,563*
	(+) Income on CPI linkers	*2,486*	*1,352*	*585*	*548*
	(-) Swap Cost	*-1,838*	*-663*	*-607*	*-568*
(+)	Net Fees & Comm.	*3,752*	*1,327*	*1,187*	*1,238*
(-)	Net Expected Loss	*-4,938*	*-2,803*	*-1,324*	*-811*
	(-) Expected Loss	*-6,766*	*-3,206*	*-1,777*	*-1,783*
	info: Currency Impact	*-2,417*	*-1,642*	*-588*	*-189*
	(+) Provision Reversal under other Income	*1,828*	*403*	*454*	*972*
(-)	OPEX	*-6,237*	*-2,106*	*-2,088*	*-2,043*
	(-) HR	*-2,593*	*-875*	*-904*	*-814*
	(-) Non-HR	*-3,644*	*-1,231*	*-1,184*	*-1,228*
=	**CORE OPERATING INCOME**	**4,713**	**1,128**	**1,657**	**1,928**
(+)	Net Trading & FX gains/losses	2,599	1,756	557	285
	info: Gain on Currency Hedge	*+2,417*	*+1,642*	*+588*	*+189*
(+)	Income on subsidiaries	6	1	4	1
(+)	Other income	919	278	260	380
	(+) Gains from asset sale	126	0	0	126
	(+) Garanti Pension - Insurance Premiums	556	163	196	197
	(+) Other	236	115	64	57
(-)	Taxation and other provisions	-2,607	-1,469	-554	-583
	(-) Free Provision	-700	-700	0	0
	(-) Other Provision	*-132*	*-96*	*-16*	*-20*
	(-) Taxation	*-1,775*	*-673*	*-538*	*-563*
=	**NET INCOME**	**5,630**	**1,694**	**1,925**	**2,011**

APPENDIX: KEY FINANCIAL RATIOS

	Mar-18	Jun-18	Sep-18
Profitability ratios			
ROAE (Cumulative)[1]	18.3%	18.1%	17.5%
ROAA (Cumulative)[1]	2.2%	2.1%	2.0%
Cost/Income	44.0%	44.9%	43.1%
Quarterly NIM incl. Swap costs	4.6%	4.7%	5.1%
Liquidity ratios			
Loans / Deposits	112%	110%	101%
TL Loans / TL Deposits	163%	162%	148%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	79%	77%	68%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	136%	138%	128%
FC Loans / FC Deposits	74%	73%	72%
Asset quality ratios			
NPL Ratio	2.8%	3.4%	4.2%
Coverage Ratio			
+ Stage1	0.5%	0.5%	0.6%
+ Stage2	9.5%	9.6%	11.3%
+ Stage3	68%	63.1%	59.1%
Cumulative Net Cost of Risk (excluding currency impact, bps)	105	111	130
Solvency ratios			
CAR	16.2%	16.2%	16.9%
Common Equity Tier I Ratio	14.1%	14.0%	14.5%
Leverage	7.4x	7.7x	8.8x

1 Excludes non-recurring items when annualizing Net Income for the remaining quarters of the year in calculating Return On Average Equity (ROAE) and Return On Average Assets (ROAA).
Note: In the calculation of average assets, average IEAs and average equity, 01.01.2018 restated balance sheet has been used instead of 2017YE

APPENDIX: QUARTERLY & CUMULATIVE NET CoR

Quarterly Net Expected Credit Loss

(Million TL, 3Q18)

(-) Expected Credit Losses	**3,206**
Stage 1	469
Stage 2	1,155
Stage 3	1,583
(+) Provision Reversals under other income	**403**
Stage 1 & 2	110
Stage 3	293
(=) Net Expected Credit Losses	**2,803**
(a) Annualized Net Expected Credit Losses	**11,122**
(b) Average Gross Loans	**276,701**
Quarterly Total Net CoR (a/b)	**402 bps**
info: Currency Impact*	**1,642**
Total Net CoR excl. currency impact	**167 bps**

Cumulative Net Expected Credit Loss

(Million TL, 9M18)

(-) Expected Credit Losses	**6,766**
Stage 1	1,164
Stage 2	2,717
Stage 3	2,886
(+) Provision Reversals under other income	**1,828**
Stage 1 & 2	1,130
Stage 3	698
(=) Net Expected Credit Losses	**4,938**
(a) Annualized Net Expected Credit Losses	**6,602**
(b) Average Gross Loans	**258,459**
Cumulative Total Net CoR (a/b)	**255 bps**
info: Currency Impact *	**2,417**
Total Net CoR excl. currency impact	**130 bps**

*Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

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