



**1Q17**

**Earnings**

**Presentation**

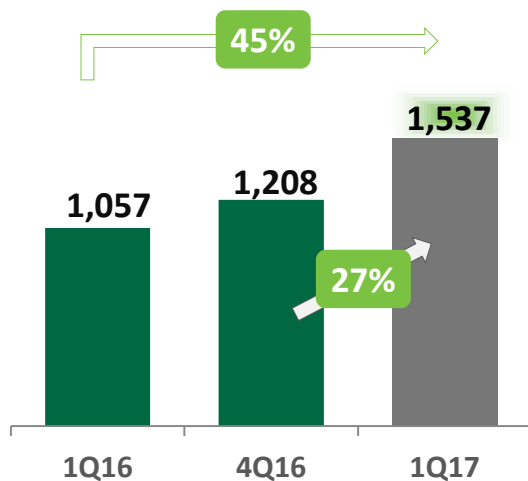
BRSA Consolidated Financials

31 March 2017

# A SOLID START TO 2017...

## Net Income

(TL million)



Total Free Provisions reached TL500mn

Additional TL 200mn free provisions in 1Q17 prudently set aside

7% inflation rate used in CPI linkers' valuation

Impact of 1% higher CPI: +TL150mn/yr

## ROAE

**18.9%**

vs. 15.4%  
in 2016

## ROAA

**2.1%**

vs. 1.8%  
in 2016

## Leverage


**8.0x**

## CAR

**14.4%**

Post dividend distribution of TL 1.25 bn (25% payout)

## ...ONCE AGAIN, MARKED BY CORE BANKING PERFORMANCE

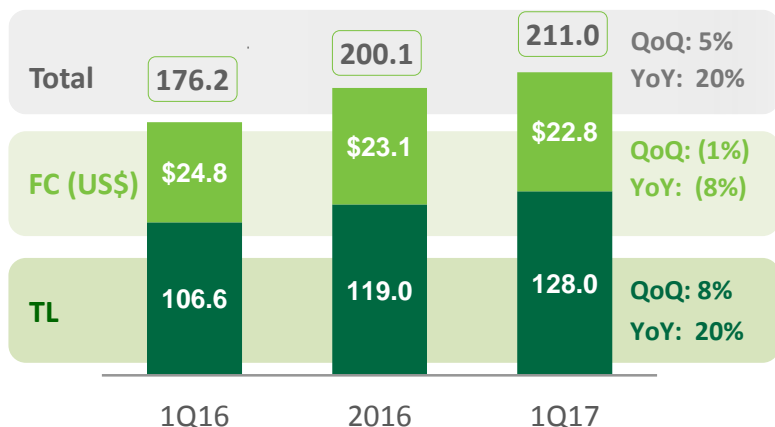


TL Million	1Q16	1Q17	ΔYoY	4Q16	1Q17	ΔQoQ
(+) NII excl. income on CPI linkers & incl. Swap costs	2,090	2,743	31%	2,784	2,743	-1%
<i>(+) NII excluding income on CPI linkers</i>	2,356	3,047	29%	2,938	3,047	4%
<i>(-) Swap Cost</i>	-266	-304	14%	-153	-304	98%
(+) Net Fees & Comm.	822	921	12%	836	921	10%
(-) Specific + General provisions net of collections	-469	-300	-36%	-528	-300	-43%
<i>(-) Specific Provisions<sup>1</sup></i>	-578	-452	-22%	-615	-452	-27%
<i>(-) General Provisions</i>	-74	-127	71%	-44	-127	187%
<i>(+) Collections</i>	183	278	52%	131	278	112%
(-) OPEX	-1,689	-1,913	13%	-2,030	-1,913	-6%
<b>= CORE OPERATING INCOME</b>	<b>754</b>	<b>1,451</b>	<b>92%</b>	<b>1,063</b>	<b>1,451</b>	<b>37%</b>

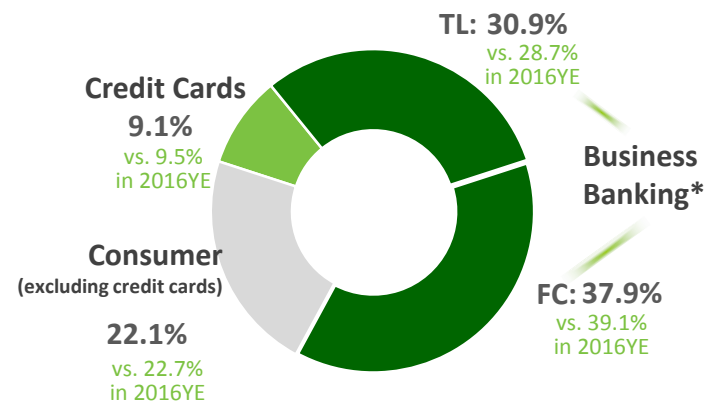
<sup>1</sup> Net effect of collateral re-assessment in 1Q16 is shown under specific provisions (TL53mn) for fair comparison

# ROBUST GROWTH IN LENDING WHILE PRESERVING RATIONAL PRICING STANCE

**Total Loans<sup>1</sup>** (TL, US\$ billion)  
64% of Total Assets



## Total Loans<sup>1</sup> Breakdown



## Across the board growth in TL Loans as the main driver in 1Q17

1Q17 Quarterly Growth	Sector	Garanti	
Consumer Loans (excl. CCs)	4.2%	2.8%	● Preserved disciplined pricing stance in consumer loans
+Consumer Mortgage	5.4%	3.1%	
+Consumer GPL	3.4%	3.0%	
Credit Card Receivables	1.4%	1.5%	● Reinforced market position especially by growth in Corporate CCs
TL Business Banking	10.3%	13.3%	● Supported with Credit Guarantee Fund ○ Loans provided via CGF in 1Q17: TL6bn; avg. duration 1.5-2 yrs
FC Business Banking	-0.7%	-1.3%	

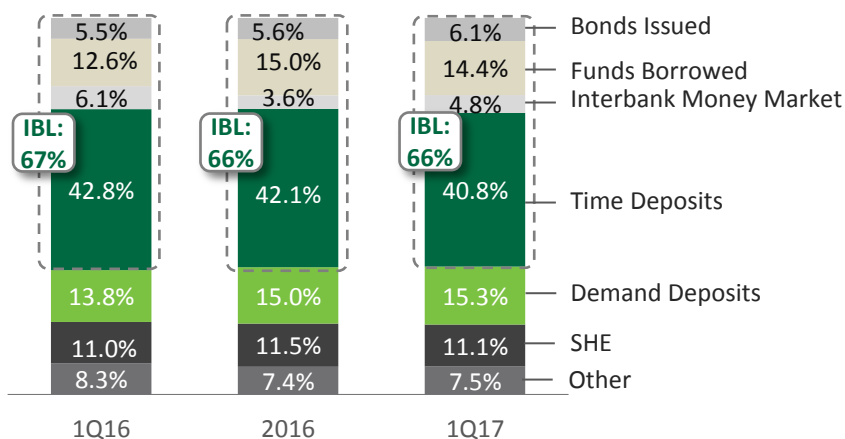
<sup>1</sup> Performing cash loans

\* Business banking loans represent total loans excluding credit cards and consumer loans

# COMFORTABLE LIQUIDITY

## Reinforced with opportunistically utilized funding sources

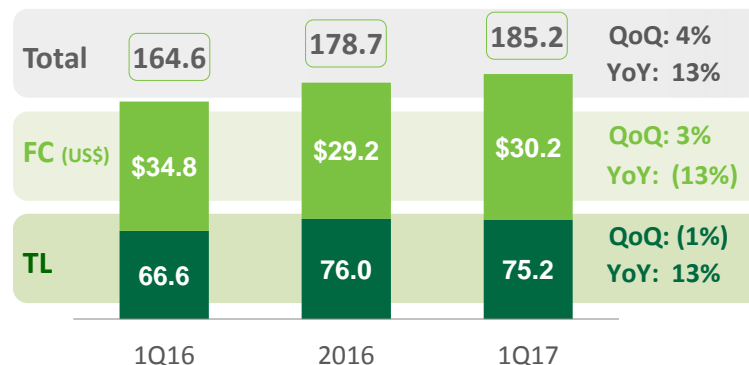
### Composition of Liabilities



- **Opportunistic utilization of alternative funding**
  - **Eurobond issuance:** \$500mn with 6-yrs maturity @5.875%
  - **DPR securitization:** EUR153mn with 5-yrs maturity
  - **EIB funding:** EUR75mn with 6-yrs maturity
  - **Increased swap utilization** due to strengthened FC liquidity & dollarization trend in the quarter
    - > **Net swap funding volume: TL13bn** in 1Q17 on avg. vs. TL8bn in 4Q16
- **Liquidity Coverage Ratio: 119%** vs. required level of 80%
- **Total Loans/(Deposits inc. TL bonds + Merchant Payables): 110%**

### Total Deposits

(TL, US\$ billion)



#### ● Deposit growth focus on sticky & low-cost deposit

High level of SME & Retail deposits' share in TL Deposits  
**maintained @ 80%<sup>1</sup>**

#### ● Maintained high share of demand deposits

Demand Deposits' share in Total Deposits further increased to **27%**  
Bank-only: 25% vs. sector's 21%<sup>2</sup>

**Historically Highest**

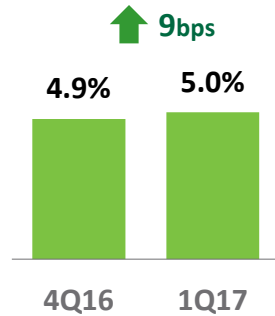
<sup>1</sup> Based on bank-only MIS data.

<sup>2</sup> Sector data is based on BRSA weekly data as of March 31, 2017, commercial banks only.

# WELL-DEFENDED NIM

## Quarterly NIM

Reported



### ● Flattish Total LtD spreads:

- Deposit costs were on the rise, yet; proactive upward loan pricings started to be visible on loan yields from February onwards

### ● Increasing income on CPI linkers QoQ, due to the low base of 4Q16

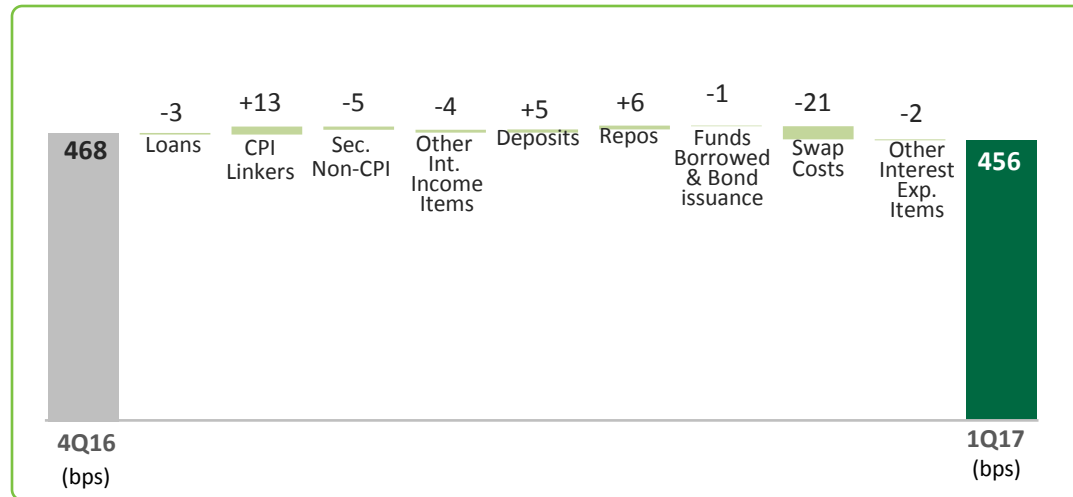
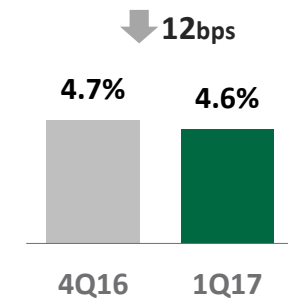
- Quarterly CPI linker income: TL424mn in 1Q17, assuming 7% inflation expectation vs. TL329mn in 4Q16
- 1% higher CPI reading impact on NIM: +7bps

### ● Higher swap costs due to higher utilization and higher rates

- Swap Losses: TL304mn in 1Q17 vs. TL153mn in 4Q16

## Quarterly NIM

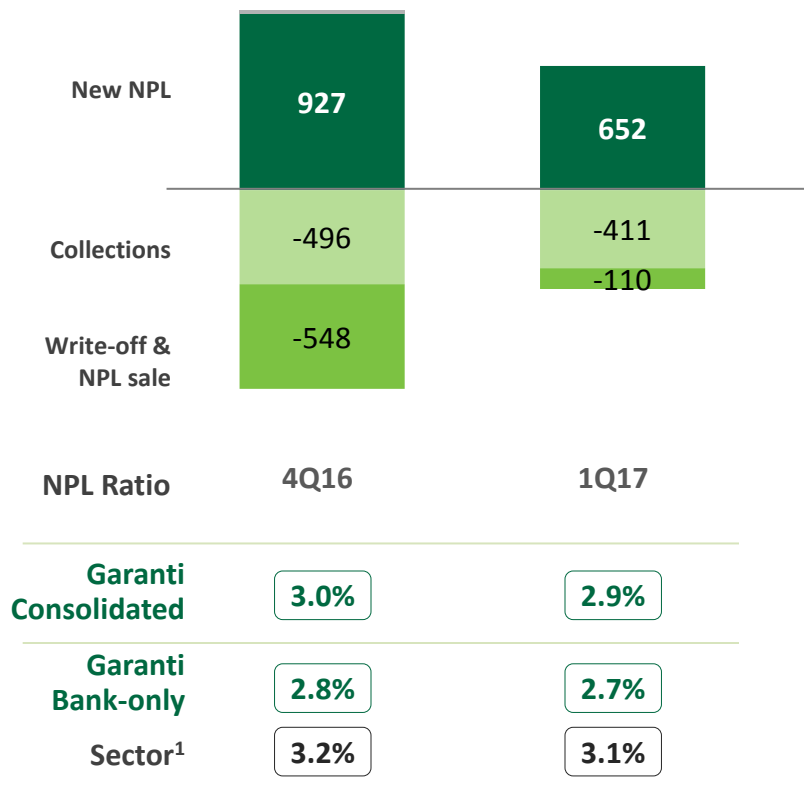
Including swap costs



# PROACTIVE & CONSISTENT APPROACH IN RISK MANAGEMENT ASSURES SOUND ASSET QUALITY

## NPL Evolution

(TL million)



- **Below-budget NPL inflows** both in consumer & commercial loans
- **Strong collection performance**

**New NPL inflows net of collections**

decreased by **44% QoQ**

**Total Coverage**  
**131%**

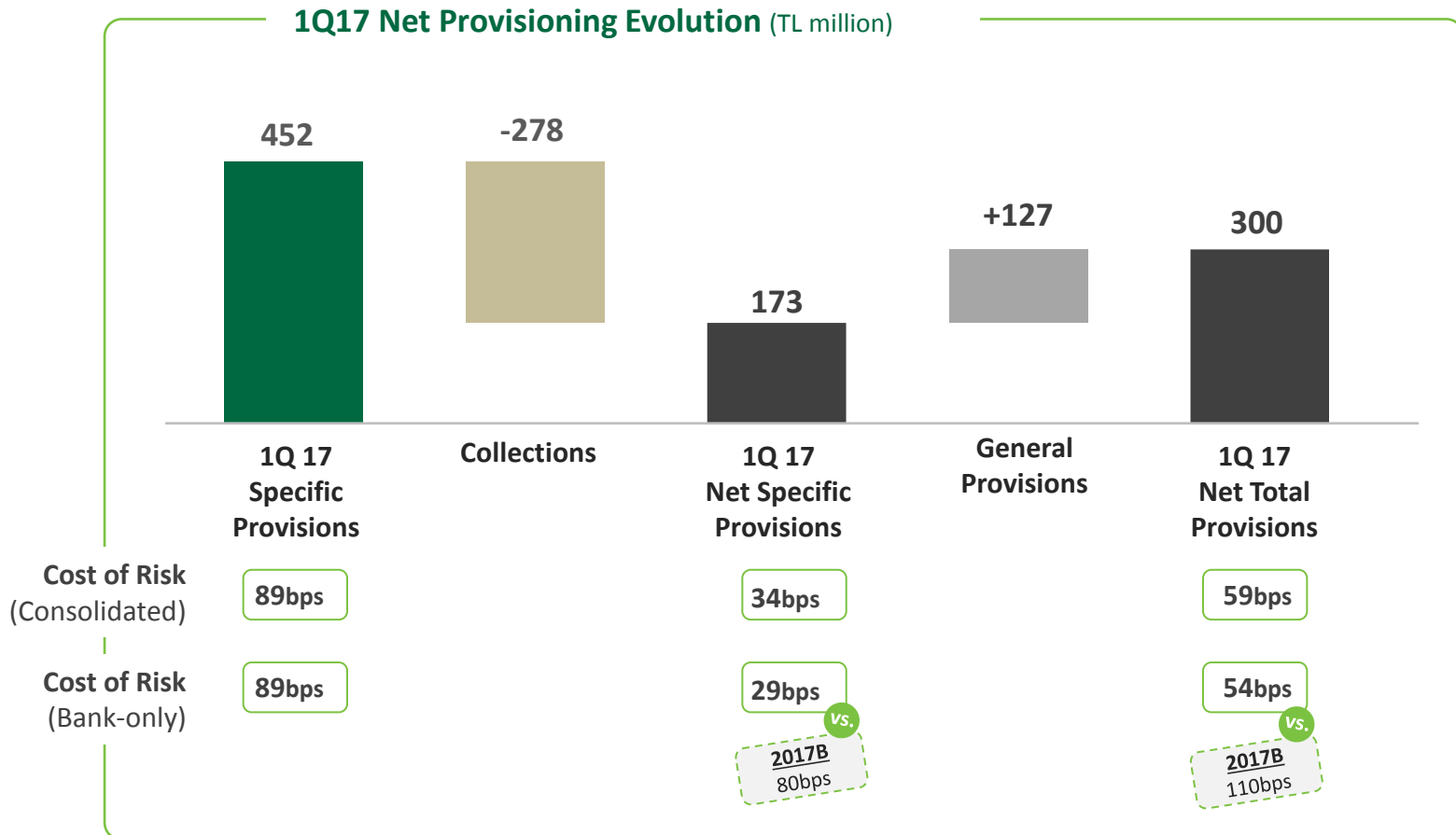
Specific + General Provisions

**Share of Group II Loans**  
**5.2%**

Per differentiated and prudent approach

<sup>1</sup> Sector figures are per BRSA bank-only weekly data

# COMFORTABLE PROVISIONING

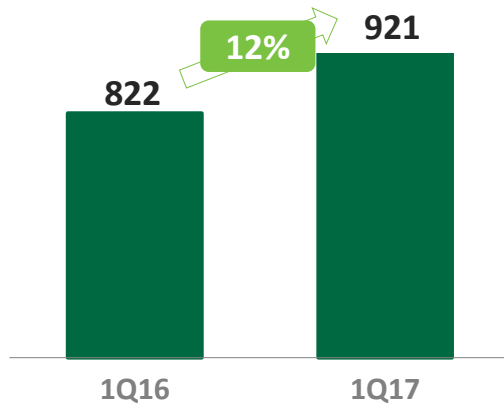




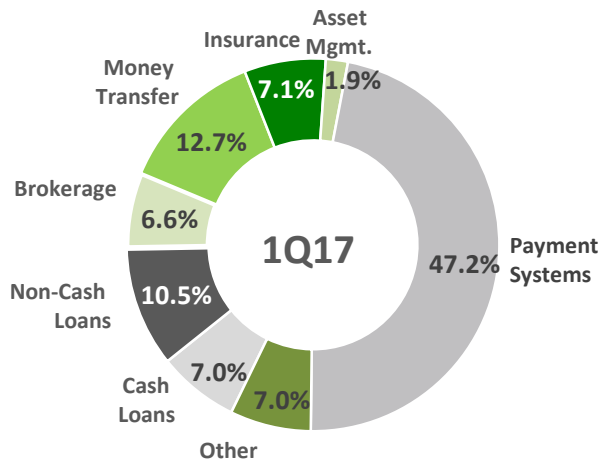
# FEE GROWTH MOMENTUM MIRRORS SUSTAINABLE BUSINESS MODEL

## Net Fees & Commissions

(TL million)



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



### + Insurance: 27% YoY

- **Leader** in number of pension participants
- Focus on **digital-only products**:  
i.e. *Auto Insurance product, specifically designed for digital*
  - Share of non-credit linked Auto Insurance sale via digital reached ~50% at March-end & is on an increasing trend

### + Payment systems: 9% YoY

- **Leader in number of POS machines**: 18% market share
- **Leading bank in Issuing & Acquiring**: >20% market share
- Turkey's **largest card platform**: Bonus Card

### + Money Transfer: 34% YoY

- Digital channels share in number of money transfer transactions: **~80%**
- **Leader in interbank money transfer** : 14% market share
- **Leader in SWIFT transactions**: 18%<sup>2</sup> market share

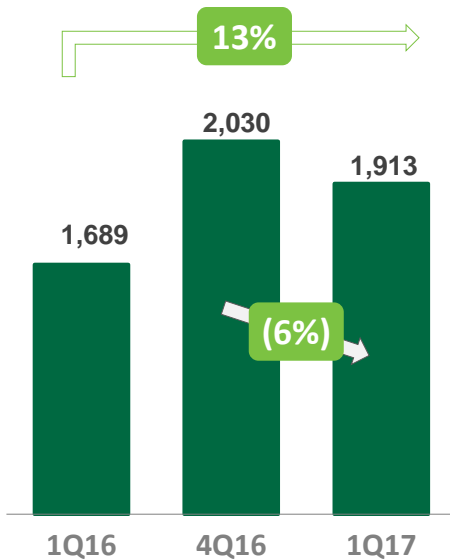
### + Non-Cash: 25% YoY

### + Effective utilization of digital channels

- **Share of Digital in Total Sales**: **30%** vs. 25% in 2016
- Digital channels' share in non-credit linked fees: **37%**<sup>3</sup>

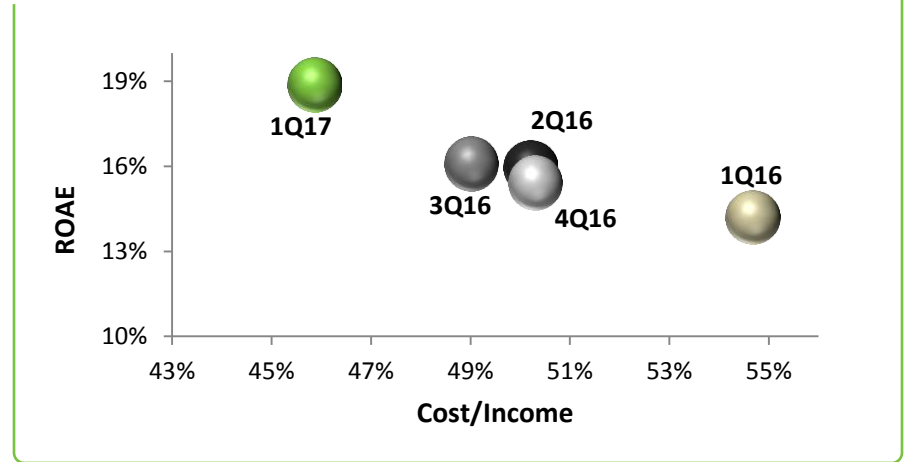
# DISCIPLINED COST MANAGEMENT & INCREASING EFFICIENCIES

## Operating Expenses (TL million)



YoY growth above full-year guidance of 6%, **as expected**, due to low base of 1Q16.

## > Increasing efficiencies:



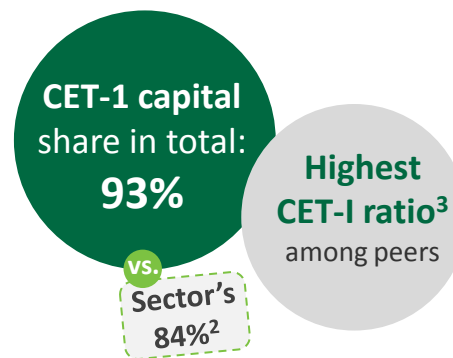
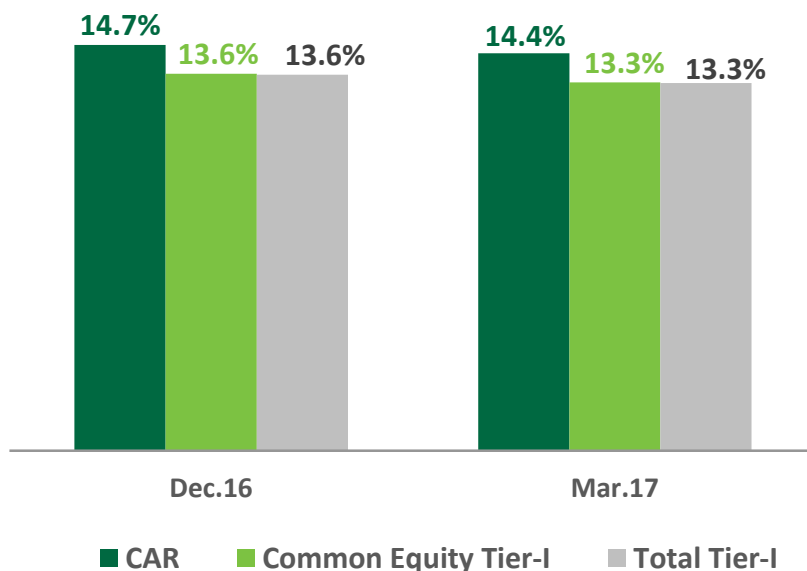
## > Value creation through digital :

- Highest per branch efficiencies
- Managing the **largest digital customer base** in Turkey: **5.1 million**; 20% up YoY
- **Profitability** of a **digital customer** is **twice** that of a non-digital customer

# FURTHER STRENGTHENED SOLVENCY

## Capital Adequacy Ratios

Dividend Payment: **- 48 bps** QtD  
 Regulation Impact<sup>1</sup>: **+21 bps** QtD  
 Currency Impact: **- 22 bps** QtD  
 MtM Difference: **+17 bps** QtD



<sup>1</sup> Increasing risk weightings on FC denominated sovereign eurobonds and Turkish banks' FC receivables from 50% to 100% following rating downgrade by Fitch and decreasing RW on FC reserves from 50% to 0%. <sup>2</sup> BRSA monthly data as of Feb17 commercial banks only <sup>3</sup> Among peers as of Dec'16.

## APPENDIX

Pg. 13	Summary Balance Sheet
Pg. 14	Composition of Assets and Liabilities
Pg. 15	Securities Portfolio
Pg. 16	Retail Loans
Pg. 17	Non-recurring Items & Normalized Net Income
Pg. 18	Summary P&L
Pg. 19	Key Financial Ratios

# SUMMARY BALANCE SHEET

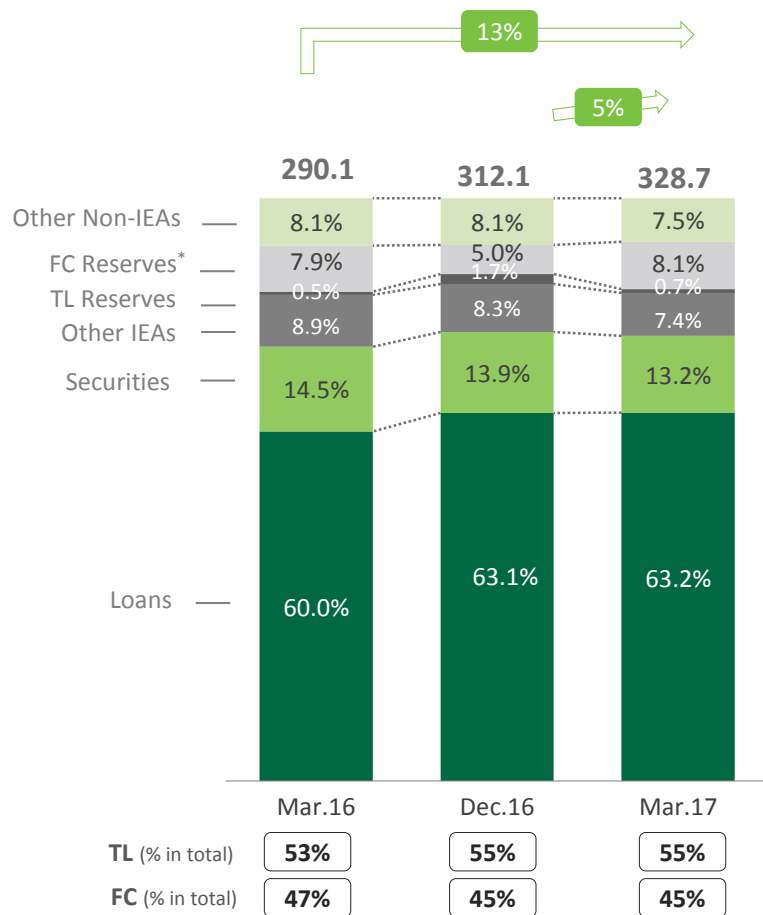
<i>(TL million)</i>	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	YoY Change
Cash & Banks <sup>1</sup>	24,826	22,324	20,639	20,340	23,480	-5%
Reserve Requirements	21,178	18,888	24,879	20,866	23,704	12%
Securities	45,781	44,767	44,710	47,285	47,921	5%
Performing Loans	176,229	180,233	184,633	200,076	210,968	20%
Fixed Assets, Affiliates & Associates	4,162	4,190	4,494	4,705	4,712	13%
Other	17,877	16,846	15,776	18,850	17,907	0%
<b>TOTAL ASSETS</b>	<b>290,054</b>	<b>287,248</b>	<b>295,130</b>	<b>312,122</b>	<b>328,692</b>	<b>13%</b>
Deposits	164,567	170,623	167,160	178,690	185,194	13%
Repos & Interbank	17,741	7,566	18,678	11,230	15,724	-11%
Bonds Issued	16,282	15,897	15,027	17,746	20,346	25%
Funds Borrowed <sup>2</sup>	36,656	37,696	38,702	46,582	47,421	29%
Other	22,932	22,165	20,838	22,079	23,375	2%
SHE	31,876	33,301	34,725	35,796	36,632	15%
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>290,054</b>	<b>287,248</b>	<b>295,130</b>	<b>312,122</b>	<b>328,692</b>	<b>13%</b>

1 Includes banks, interbank and excludes reserve requirements

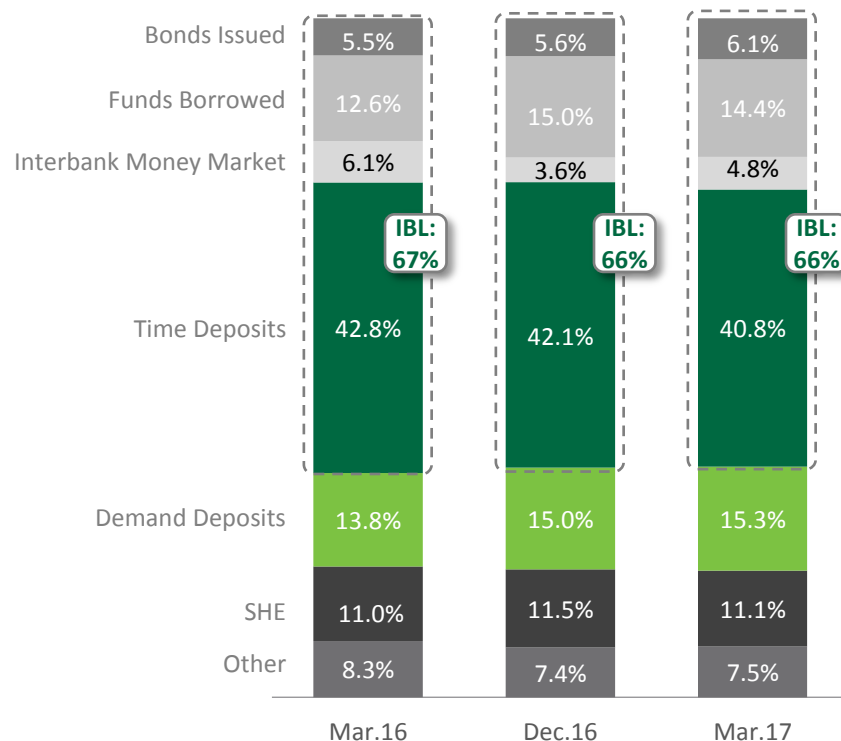
2 Includes funds borrowed and sub-debt

# COMPOSITION OF ASSETS & LIABILITIES

## Composition of Assets<sup>1</sup> (% , TL billion)



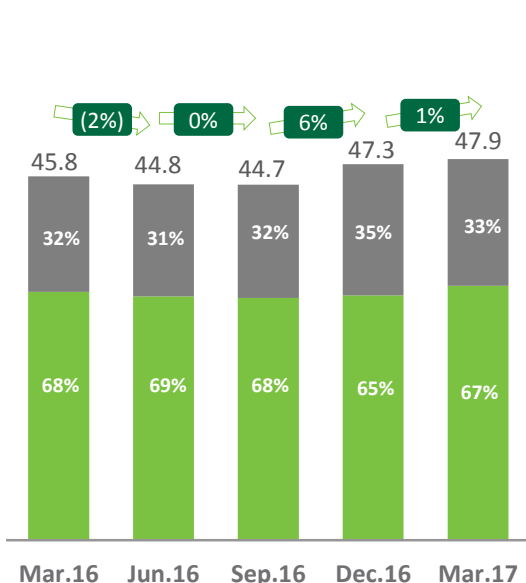
## Composition of Liabilities (%)



<sup>1</sup> Accrued interest on B/S items are shown in non-IEAs  
 \* CBRT started remunerating TL reserves in 1Q15 & FC reserves in 2Q15. However, the rate introduced on FC reserves is quite symbolic, generating non-material income as opposed to its large share in the asset mix. Therefore, FC reserves considered as non-IEAs also for 1Q17&2016

# SECURITIES PORTFOLIO REMAINS AS HEDGE AGAINST VOLATILITY

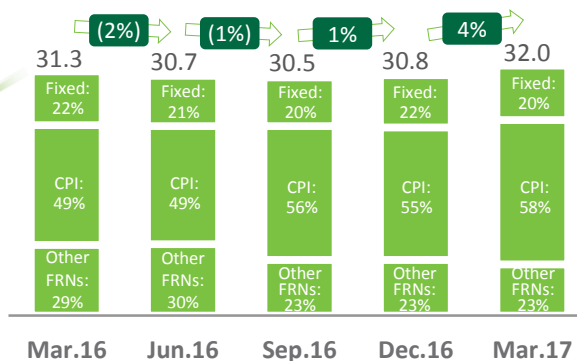
**Total Securities** (TL billion)



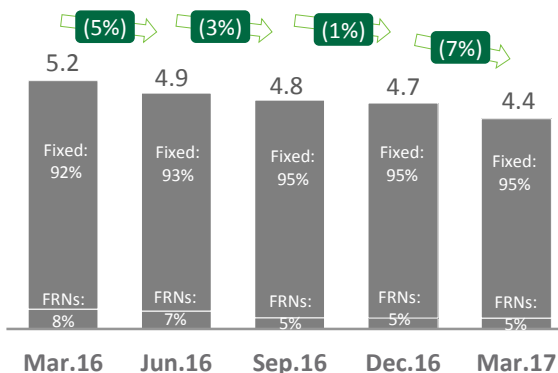
■ TL ■ FC

**Securities<sup>1</sup>/Assets:**  
**13.2%**  
hovering at its  
lowest level

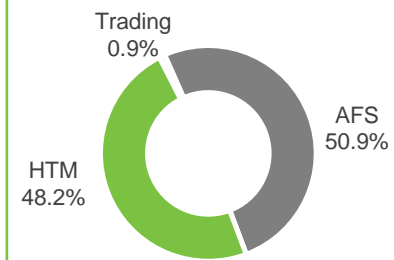
**TL Securities** (TL billion)



**FC Securities** (US\$ billion)



**Securities Composition**



**Unrealized MtM loss (pre-tax)**

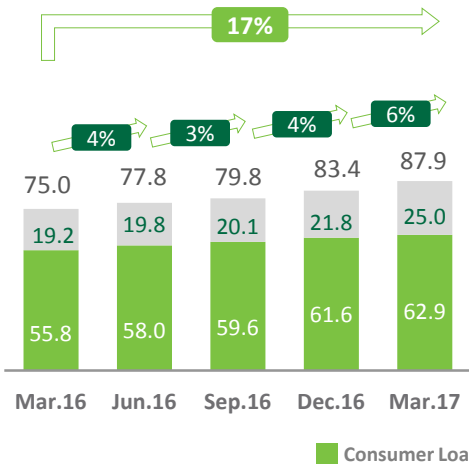
~TL154mn loss as of Mar'17vs.  
~TL699mn loss as of Dec'16;  
~TL182mn loss as of Sep'16;  
~TL166mn loss as of Jun'16;  
~TL367mn loss as of Mar'16;

<sup>1</sup> Excluding accruals

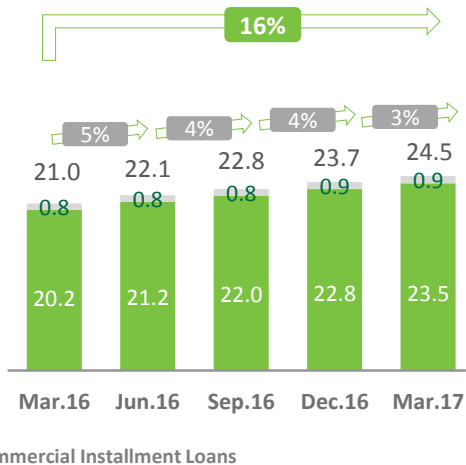
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data.

# HEALTHY MARKET SHARE GAINS ACROSS ALL RETAIL PRODUCTS

## Retail Loans (TL billion)



## Mortgage Loans (TL billion)



## Market Shares

	Mar'17	QoQ	Rank
Consumer Loans	14.4%	-20bps	#1
Cons. Mortgage	13.8%	-35bps	#1
Cons. Auto	37.0%	+24bps	#1
Consumer GPLs	11.5%	-5bps	#2
Comm. Inst. GPLs	6.9%	+9bps	#2

### Preserved leading position in cards business

# of CC customers

15.0%<sup>2</sup>

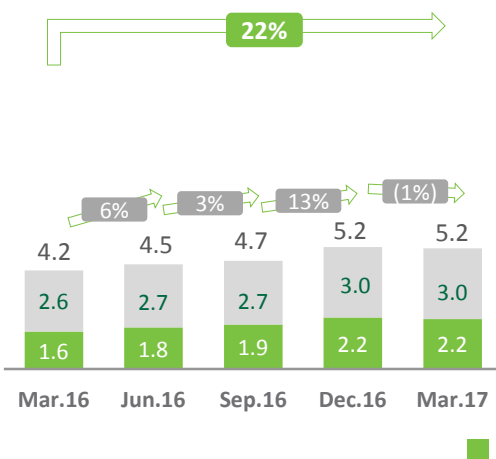
Issuing Volume

20.4%<sup>2</sup>

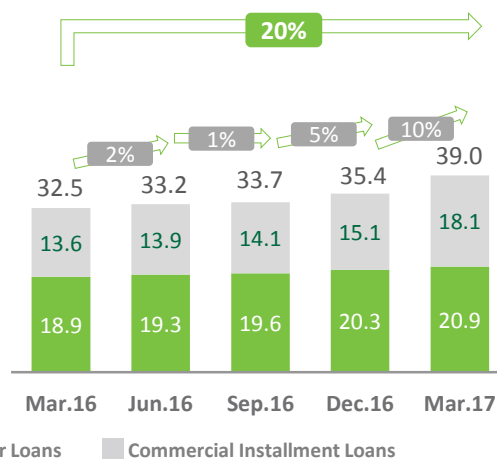
Acquiring Volume

20.8%<sup>2</sup>

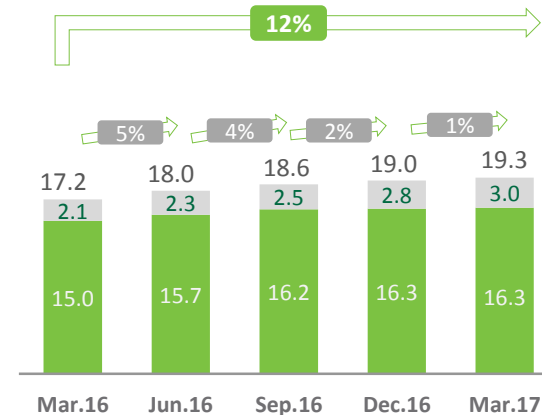
## Auto Loans (TL billion)



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



## Credit Card Balances (TL billion)



<sup>1</sup> Including other loans and overdrafts  
<sup>2</sup> As of March 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 31.03.2017, commercial banks only  
 (ii) Rankings are as of December 2016, among private banks, unless otherwise stated



## NON-RECURRING ITEMS & NORMALIZED NET INCOME

<i>TL Million</i>	1Q16	2Q16	3Q16	4Q16	1Q17
<b>Net Income</b>	<b>1,057</b>	<b>1,548</b>	<b>1,335</b>	<b>1,208</b>	<b>1,537</b>
<i>Provision reversal due to collateral re-assessment</i>	-80	0	0	0	0
<i>Extra provisions related to collateral re-assessment</i>	122	0	20	102	0
<i>Provisions imposed by NBR to Romanian banking sector</i>	0	96	0	0	0
<i>Garanti Bank Moscow sale loss</i>	0	0	0	41	0
<i>Visa sale gain</i>	0	-251	0	0	0
<i>Income from NPL sale</i>	-26	-17	-8	-15	-21
<i>Gains from asset sale</i>	0	-14	0	0	0
<i>Provision reversal from Miles&amp;Smiles</i>	0	-51	0	0	0
<i>Free provision</i>	0	0	100	0	200
<i>Provision for tax fines</i>	0	0	0	85	0
<i>Fee rebates</i>	60	52	30	24	19
<b>Normalized Net Income</b>	<b>1,134</b>	<b>1,362</b>	<b>1,476</b>	<b>1,445</b>	<b>1,735</b>

# SUMMARY P&L

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(+) NII excld. inc. on CPI linkers & inc. Swap costs	2,090	2,743	31%	2,784	2,743	-1%
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(+) Income on CPI linkers	410	424	3%	329	424	29%
(+) Net Trading & FX gains/losses	15	37	152%	70	37	-47%
(+) Dividend Income	0	0	11%	0	0	n.m
(+) Other income	222	347	56%	280	347	24%
(+) NPL sale income	32	26	-19%	18	26	42%
(+) Provision reversal from Miles&Miles	0	0	n.m	0	0	n.m
(+) Gains from asset sale	0	0	n.m	0	0	n.m
(+) Provision reversal of tax penalty paid	0	0	n.m	0	0	n.m
(+) Other	190	321	69%	262	321	22%
(+) Visa sale	0	0	n.m	0	0	n.m
(-) Taxation and other provisions	-343	-723	110%	-535	-723	35%
(-) Free Provision	0	-200	n.m	0	-200	n.m
(-) Provision for tax fines	0	0	n.m	-85	0	n.m
(-) Other Provision	-63	-64	2%	-96	-64	-33%
(-) Taxation	-281	-459	64%	-354	-459	30%
<b>= NET INCOME</b>	<b>1,057</b>	<b>1,537</b>	<b>45%</b>	<b>1,208</b>	<b>1,537</b>	<b>27%</b>

<sup>1</sup> Net effect of collateral re-assessment in 1Q16 is shown under specific provisions (TL53mn) for fair comparison

# KEY FINANCIAL RATIOS

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
<b>Profitability ratios</b>					
ROAE (Cumulative) <sup>1</sup>	14.2%	16.0%	16.1%	15.4%	18.9%
ROAA (Cumulative) <sup>1</sup>	1.6%	1.8%	1.8%	1.8%	2.1%
Cost/Income	54.7%	50.2%	49.0%	50.3%	45.9%
Quarterly NIM incl. Swap costs	4.1%	4.3%	4.8%	4.7%	4.6%
Cumulative NIM incl. Swap costs	4.1%	4.2%	4.4%	4.4%	4.6%
<b>Liquidity ratios</b>					
Loans/Deposits	107.1%	105.6%	110.5%	112.0%	113.9%
Loans/Deposits adj. with on-balance sheet alternative funding sources	74.0%	73.3%	76.3%	75.9%	79.2%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	134.6%	131.1%	134.4%	132.6%	143.3%
<b>Asset quality ratios</b>					
NPL Ratio	3.1%	3.1%	3.3%	3.0%	2.9%
Total Coverage Ratio (General+Specific)	130.4%	131.4%	127.6%	130.7%	130.9%
<b>Solvency ratios</b>					
CAR	13.6%	14.5%	15.0%	14.7%	14.4%
Common Equity Tier I Ratio	13.0%	13.9%	13.9%	13.6%	13.3%
Leverage	8.1x	7.6x	7.5x	7.7x	8.0x

<sup>1</sup> 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) for 1Q16, 1H16, 9M16 and 1Q17.

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