



**1Q17**

**Earnings**

**Presentation**

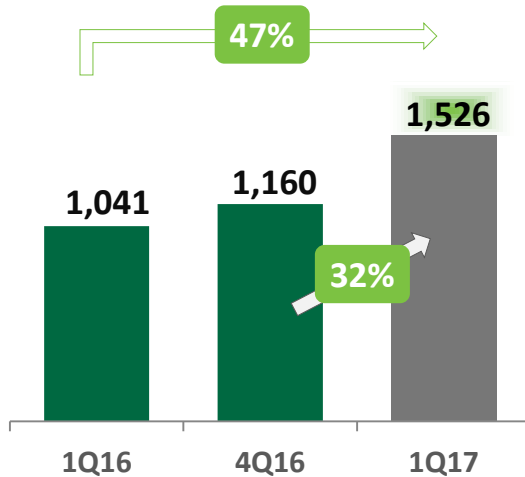
BRSA Unconsolidated Financials

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

**19.0%**

vs. 15.3% in 2016

## ROAA

**2.3%**

vs. 1.9% in 2016

## Leverage


**7.3x**

## CAR

**15.9%**

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

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

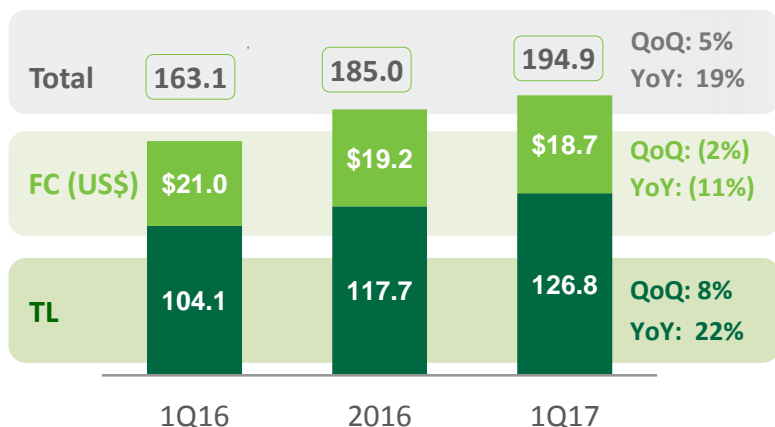


TL Million	1Q16	1Q17	ΔYoY	4Q16	1Q17	ΔQoQ
(+) NII excl. income on CPI linkers & incl. Swap costs	1,814	2,461	36%	2,491	2,461	-1%
<i>(+) NII excluding income on CPI linkers</i>	2,080	2,765	33%	2,644	2,765	5%
<i>(-) Swap Cost</i>	-266	-304	14%	-153	-304	98%
(+) Net Fees & Comm.	781	875	12%	812	875	8%
(-) Specific + General provisions net of collections	-428	-254	-41%	-424	-254	-40%
<i>(-) Specific Provisions<sup>1</sup></i>	-548	-417	-24%	-525	-417	-21%
<i>(-) General Provisions</i>	-64	-115	82%	-30	-115	278%
<i>(+) Collections</i>	183	278	52%	131	278	112%
(-) OPEX	-1,483	-1,643	11%	-1,774	-1,643	-7%
<b>= CORE OPERATING INCOME</b>	<b>684</b>	<b>1,438</b>	<b>110%</b>	<b>1,105</b>	<b>1,438</b>	<b>30%</b>

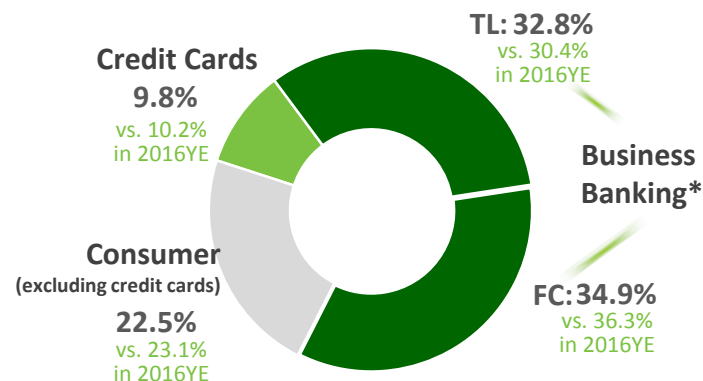
<sup>1</sup> Net effect of collateral re-assessment in 1Q16 is shown under specific provisions (TL53mn) for fair comparison

# ROBUST GROWTH IN LENDING WHILE PRESERVING RATIONAL PRICING STANCE

**Total Loans<sup>1</sup>** (TL, US\$ billion)  
65% 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%	2.6%	● Preserved disciplined pricing stance in consumer loans
+Consumer Mortgage	5.4%	2.8%	
+Consumer GPL	3.4%	2.9%	
Credit Card Receivables	1.4%	1.5%	● Reinforced market position especially by growth in Corporate CCs
TL Business Banking	10.3%	13.7%	● Supported with Credit Guarantee Fund ○ Loans provided via CGF in 1Q17: TL6bn; avg. duration 1.5-2 yrs
FC Business Banking	-0.7%	-2.3%	

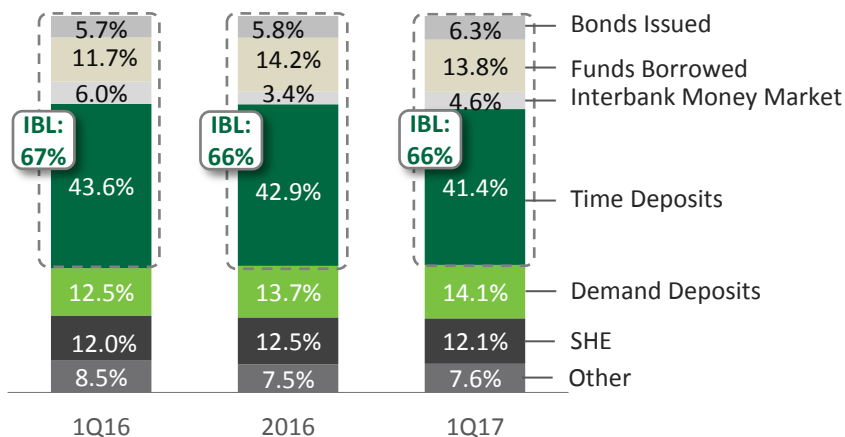
<sup>1</sup> Performing cash loans

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

# COMFORTABLE LIQUIDITY

## Reinforced with opportunistically utilized funding sources

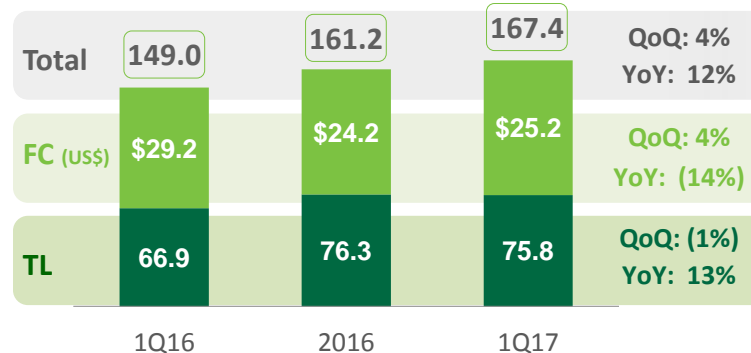
### Composition of Liabilities



- **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): 108%**

### 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 **25%**  
vs. sector's 21%<sup>2</sup>

**Historically Highest**

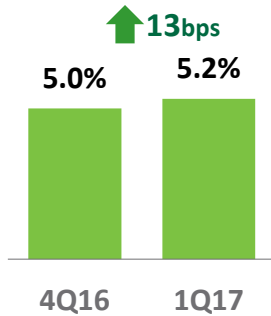
1 Based on bank-only MIS data.

2 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

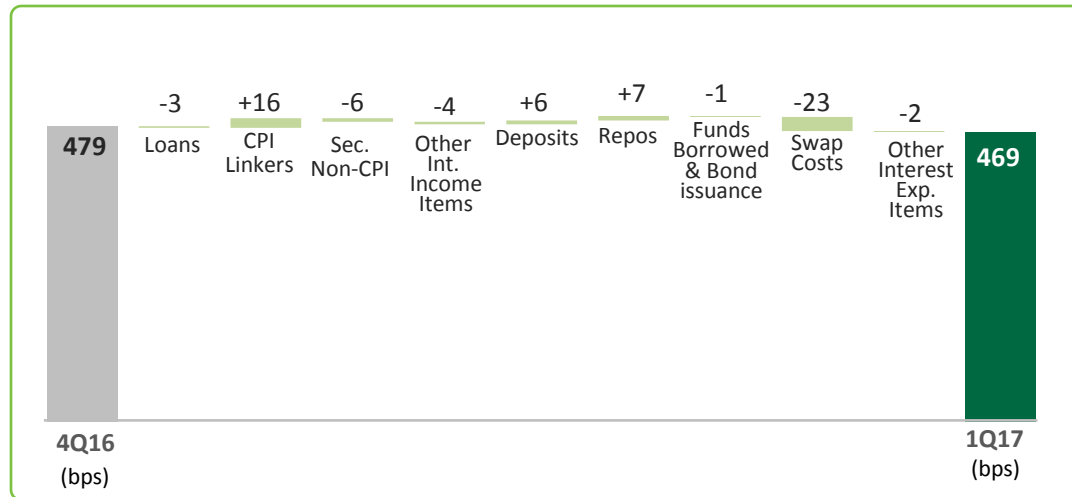
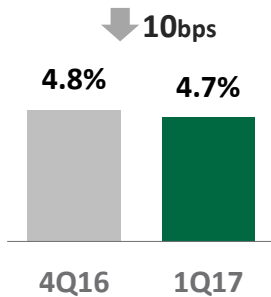
- Quarterly CPI linker income: TL424mn in 1Q17, assuming 7% inflation expectation vs. TL329mn in 4Q16
- 1% higher CPI reading impact on NIM: +8bps

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

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

## Quarterly NIM

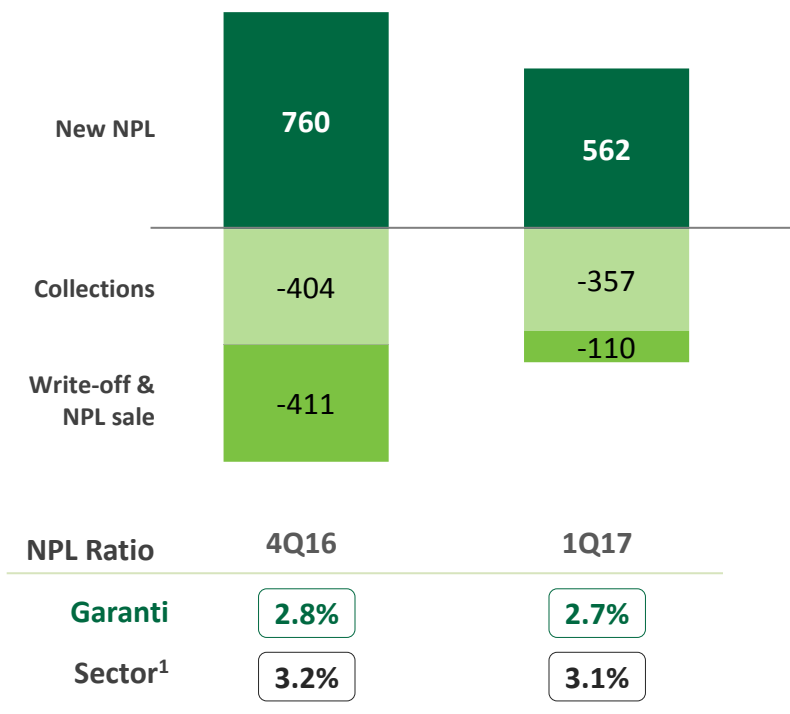
Including swap costs



# 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 **42% QoQ**

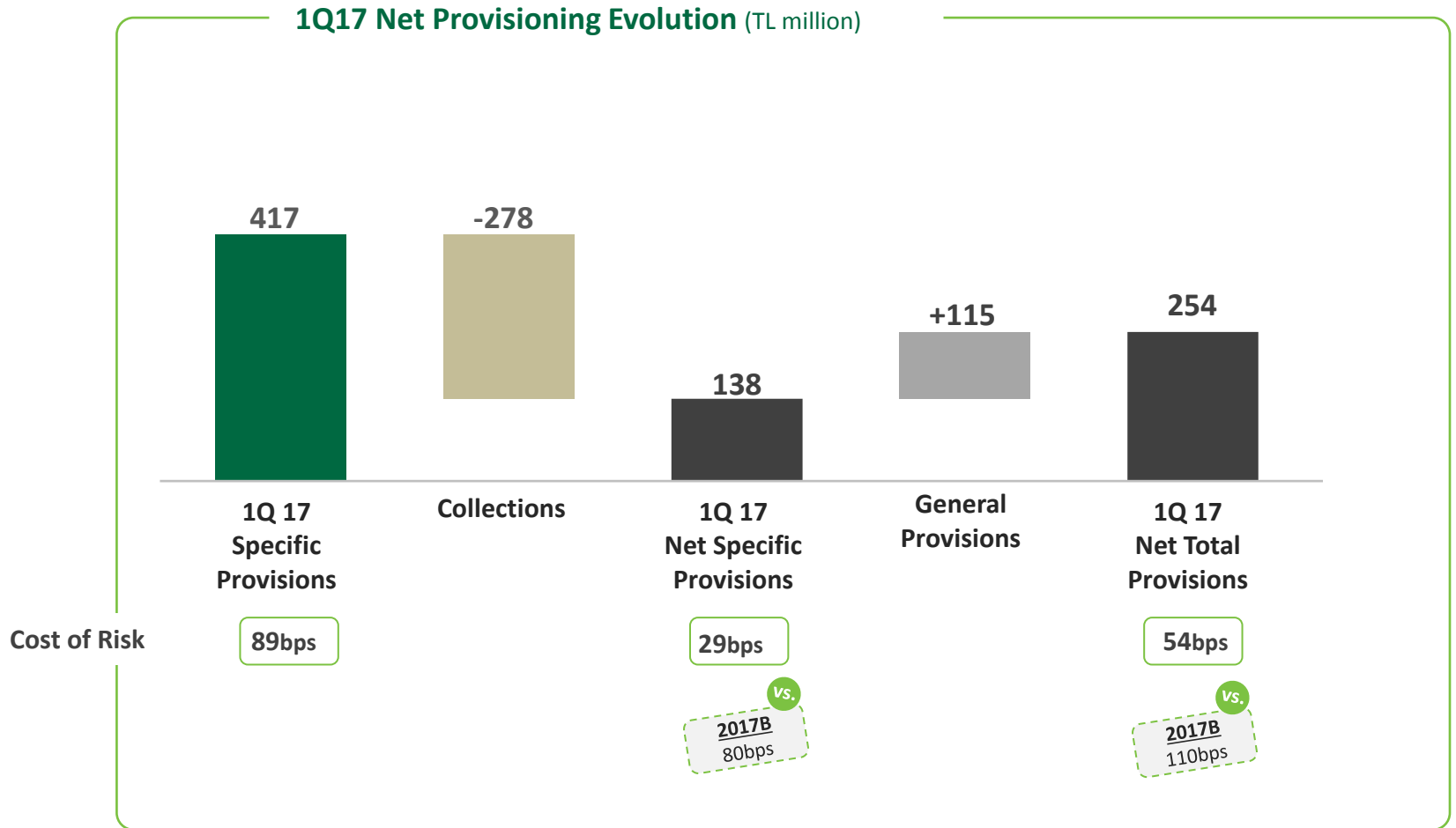
**Total Coverage**  
**141%**

Specific + General Provisions

**Share of Group II Loans**  
**5.4%**

Per differentiated and prudent approach

# COMFORTABLE PROVISIONING

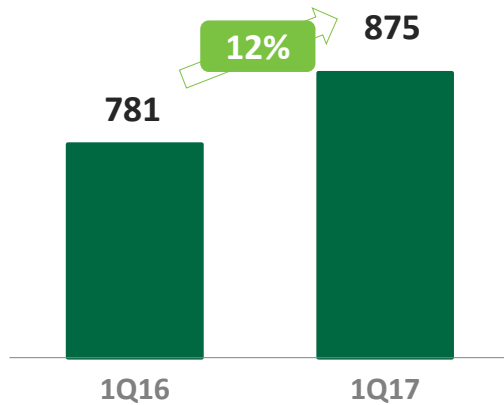




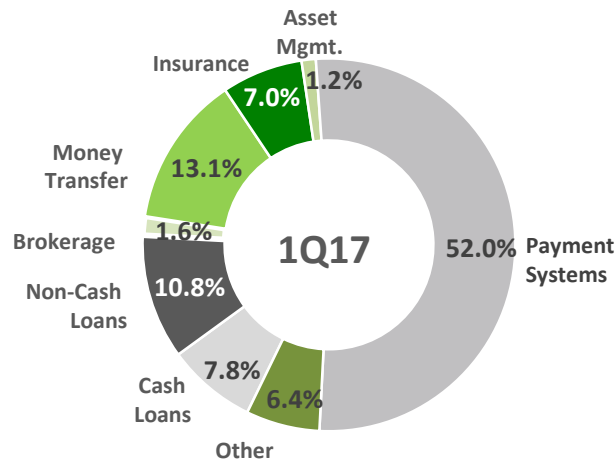
# FEE GROWTH MOMENTUM MIRRORS SUSTAINABLE BUSINESS MODEL

## 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>

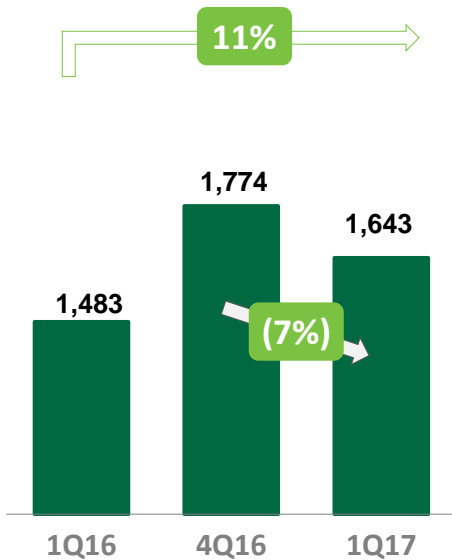
1 Based on MIS data

2 As of Dec 2016

3 Based on MIS data as of February 2017, on a cumulative basis

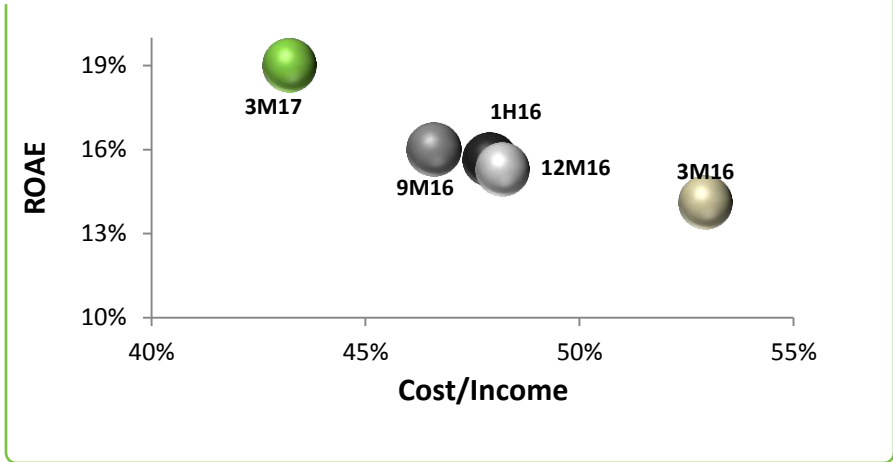
# DISCIPLINED COST MANAGEMENT & INCREASING EFFICIENCIES

## 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 :

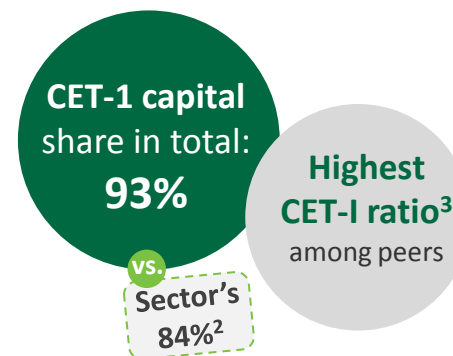
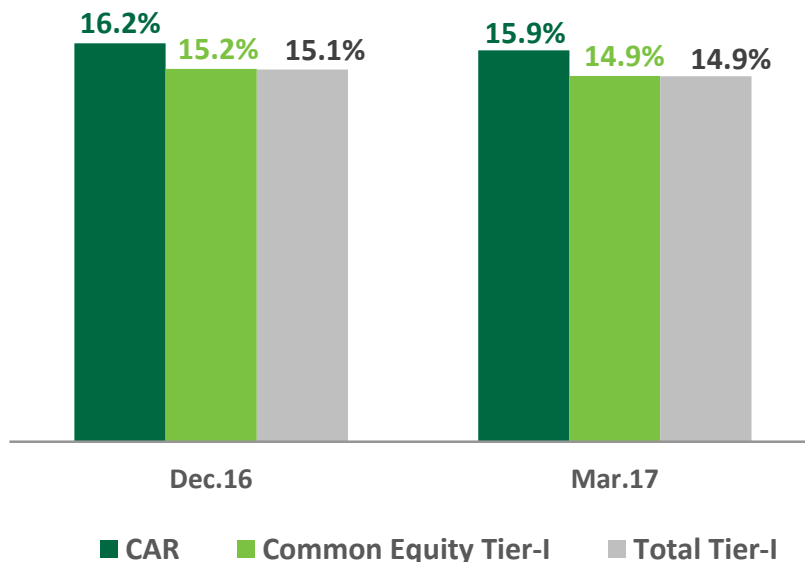
- Highest per branch efficiencies
- Managing the **largest digital customer base** in Turkey: **5.1 million**; 20% up YoY
- **Profitability** of a **digital customer** is **twice** that of a non-digital customer

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

# FURTHER STRENGTHENED SOLVENCY

## Capital Adequacy Ratios

Dividend Payment: **- 52 bps** QtD  
 Regulation Impact<sup>1</sup>: **+15 bps** QtD  
 Currency Impact: **- 23 bps** QtD  
 MtM Difference: **+18 bps** QtD



1 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%. 2 BRSA monthly data as of Feb17 commercial banks only 3 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

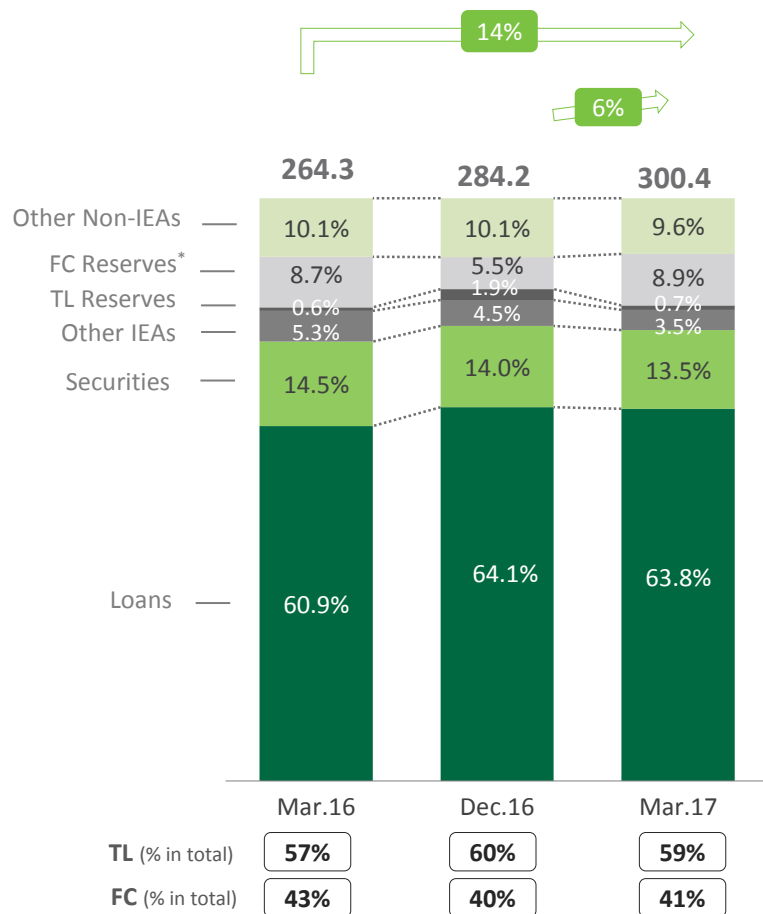
<i>(TL million)</i>	<b>Mar-16</b>	<b>Jun-16</b>	<b>Sep-16</b>	<b>Dec-16</b>	<b>Mar-17</b>	<b>YoY Change</b>
Cash & Banks <sup>1</sup>	20,397	17,282	15,794	15,589	17,862	-12%
Reserve Requirements	21,178	18,888	24,879	20,866	23,704	12%
Securities	41,831	41,413	41,228	43,668	45,205	8%
Performing Loans	163,131	167,318	171,080	185,043	194,851	19%
Fixed Assets, Affiliates & Associates	8,398	8,547	9,147	9,509	9,878	18%
Other	9,393	8,080	7,510	9,480	8,920	-5%
<b>TOTAL ASSETS</b>	<b>264,330</b>	<b>261,529</b>	<b>269,638</b>	<b>284,155</b>	<b>300,420</b>	<b>14%</b>
Deposits	149,021	154,718	150,937	161,232	167,444	12%
Repos & Interbank	15,756	6,457	17,355	9,769	13,960	-11%
Bonds Issued	15,010	14,520	14,127	16,437	18,859	26%
Funds Borrowed <sup>2</sup>	31,026	31,818	33,040	40,286	41,585	34%
Other	21,877	20,956	19,712	20,892	22,204	1%
SHE	31,640	33,060	34,466	35,539	36,369	15%
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>264,330</b>	<b>261,529</b>	<b>269,638</b>	<b>284,155</b>	<b>300,420</b>	<b>14%</b>

1 Includes banks, interbank and excludes reserve requirements

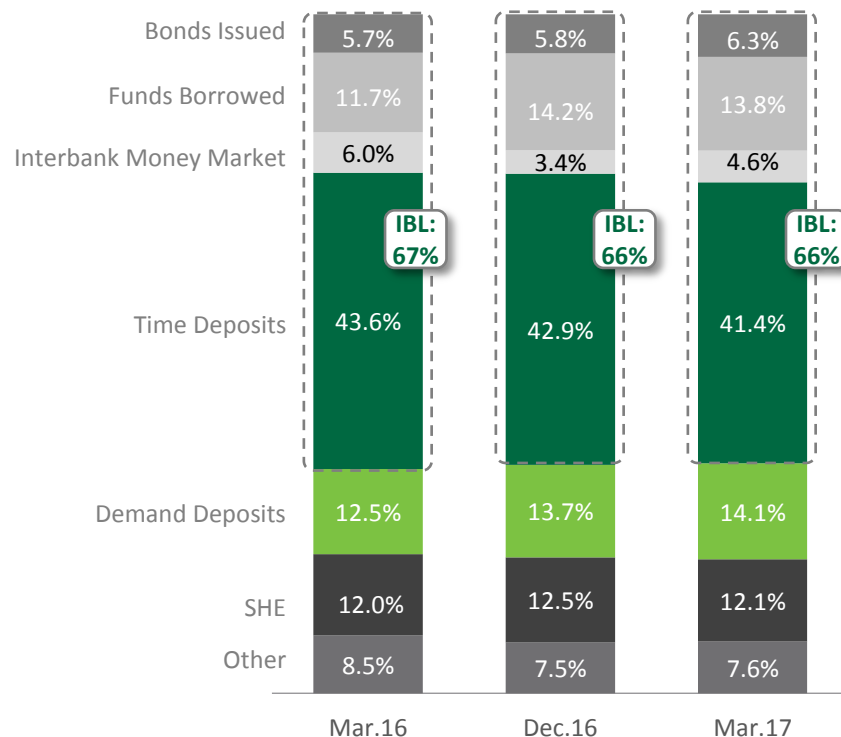
2 Includes funds borrowed and sub-debt

# COMPOSITION OF ASSETS & LIABILITIES

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



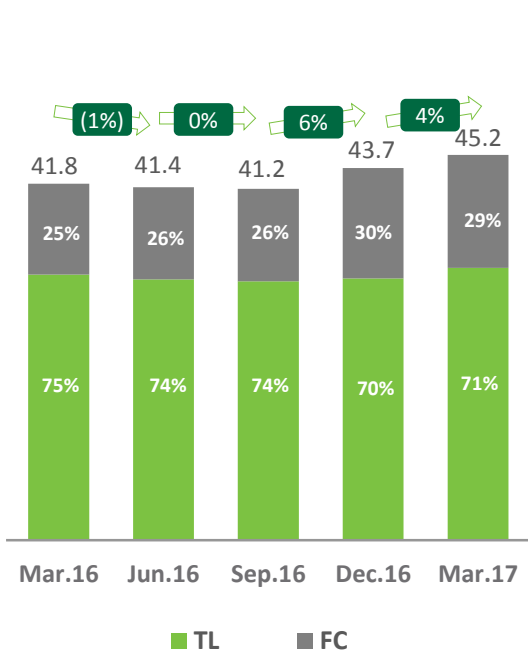
## Composition of Liabilities (%)



<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

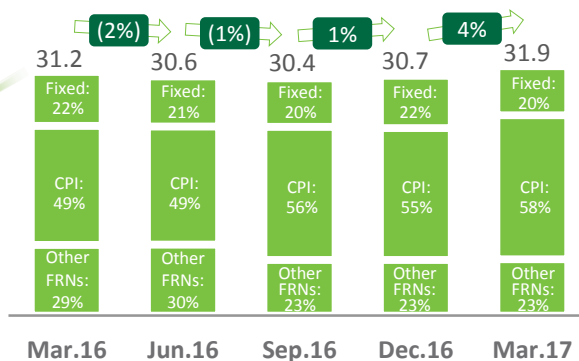
# SECURITIES PORTFOLIO REMAINS AS HEDGE AGAINST VOLATILITY

**Total Securities** (TL billion)

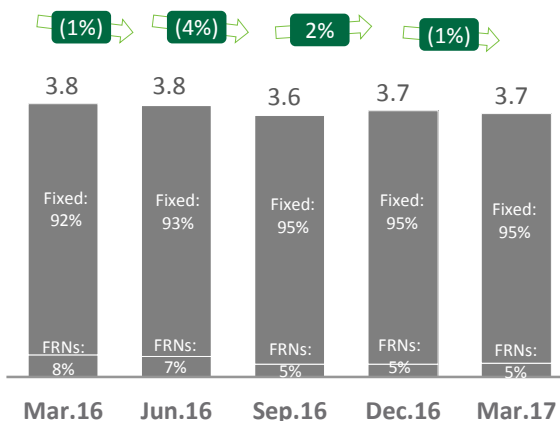


**Securities<sup>1</sup>/Assets:**  
**13.5%**  
hovering at its  
lowest level

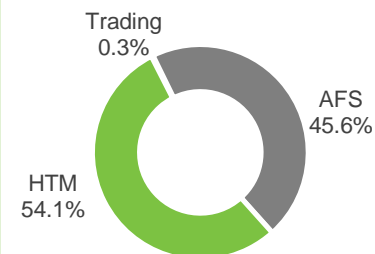
**TL Securities** (TL billion)



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



**Securities Composition**



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

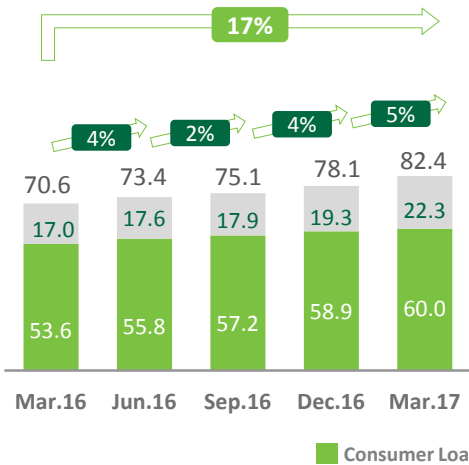
~TL 147mn loss as of Mar'17 vs.  
~TL 653mn loss as of Dec'16  
~TL 249mn loss as of Sep'16  
~TL 175mn loss as of Jun'16,  
~TL355mn loss as of Mar'16

<sup>1</sup> Excluding accruals

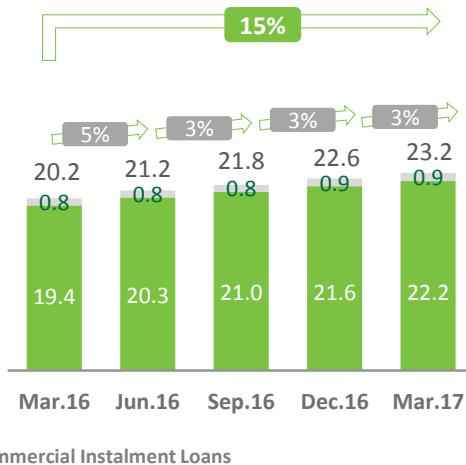
Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data.

# 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>

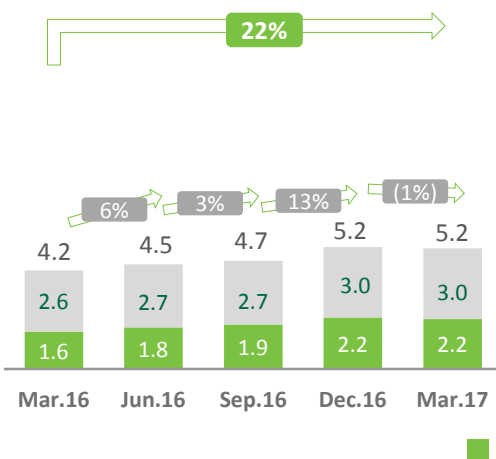
Issuing Volume

20.4%<sup>2</sup>

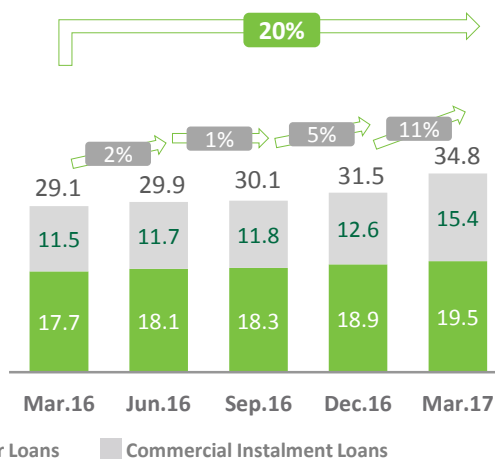
Acquiring Volume

20.8%<sup>2</sup>

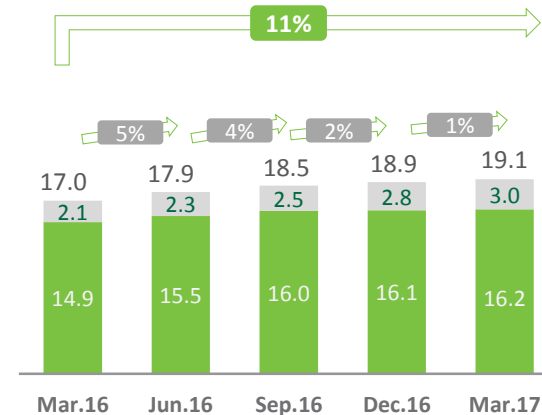
## Auto Loans (TL billion)



## 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>	<b>1Q16</b>	<b>2Q16</b>	<b>3Q16</b>	<b>4Q16</b>	<b>1Q17</b>
<b>Net Income</b>	<b>1,041</b>	<b>1,540</b>	<b>1,331</b>	<b>1,160</b>	<b>1,526</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>Garanti Bank Moscow sale loss</i>	0	0	0	48	0
<i>Visa sale gain</i>	0	-238	0	0	0
<i>Income from NPL sale</i>	-24	-16	-8	-14	-7
<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>1,119</b>	<b>1,272</b>	<b>1,472</b>	<b>1,405</b>	<b>1,738</b>

# SUMMARY P&L

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(+) NII excld. inc. on CPI linkers & inc. Swap costs	1,814	2,461	36%	2,491	2,461	-1%
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(+) Income on CPI linkers	410	424	3%	329	424	29%
(+) Net Trading & FX gains/losses	19	2	-88%	25	2	-91%
(+) Income on subsidiaries	142	201	42%	58	201	244%
(+) Other income	64	94	46%	80	94	18%
(+) NPL sale income	30	9	-70%	17	9	-47%
(+) 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	34	85	150%	63	85	36%
(+) Visa sale	0	0	n.m	0	0	n.m
(-) Taxation and other provisions	-278	-634	128%	-437	-634	45%
(-) Free Provision	0	-200	n.m	0	-200	n.m
(-) Provision for tax fines	0	0	n.m	-85	0	n.m
(-) Other Provision	-37	-23	-38%	-18	-23	24%
(-) Taxation	-241	-412	71%	-333	-412	23%
<b>= NET INCOME</b>	<b>1,041</b>	<b>1,526</b>	<b>47%</b>	<b>1,160</b>	<b>1,526</b>	<b>32%</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>	14.1%	15.7%	16.0%	15.3%	19.0%
ROAA (Cumulative) <sup>1</sup>	1.7%	1.9%	2.0%	1.9%	2.3%
Cost/Income	52.9%	47.9%	46.6%	48.2%	43.2%
Quarterly NIM incl. Swap costs	4.1%	4.3%	4.9%	4.8%	4.7%
Cumulative NIM incl. Swap costs	4.1%	4.2%	4.5%	4.5%	4.7%
<b>Liquidity ratios</b>					
Loans/Deposits	109.5%	108.1%	113.3%	114.8%	116.4%
Loans/Deposits adj. with on-balance sheet alternative funding sources	75.1%	74.5%	77.7%	77.2%	78.6%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	132.7%	129.0%	132.4%	132.4%	143.0%
<b>Asset quality ratios</b>					
NPL Ratio	2.7%	2.8%	3.0%	2.8%	2.7%
Total Coverage Ratio (General+Specific)	149.3%	143.9%	139.1%	141.1%	141.5%
<b>Solvency ratios</b>					
CAR	15.1%	16.3%	16.4%	16.2%	15.9%
Common Equity Tier I Ratio	14.3%	15.2%	15.4%	15.2%	14.9%
Leverage	7.4x	6.9x	6.8x	7.0x	7.3x

<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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## Investor Relations

Levent Nispetiye Mah. Aytar Cad. No:2

Beşiktaş 34340 İstanbul – Turkey

Email: [investorrelations@garanti.com.tr](mailto:investorrelations@garanti.com.tr)

Tel: +90 (212) 318 2352

Fax: +90 (212) 216 5902

Internet: [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)

