



# 2018 PERFORMANCE EVALUATION AND PROJECTIONS

ORDINARY GENERAL MEETING OF SHAREHOLDERS  
4 April 2019



## ACHIEVED PIONEER POSITION (I/II)



### Customer Experience

#### NET PROMOTER SCORE

Highest  
among peer group

#### GROW CUSTOMER BASE EFFECTIVELY

>16 Million  
customers chose Garanti

#### DISABLED FRIENDLY ATMs

5,210  
99% of all ATMs



### Human Capital

#### EMPLOYEE ENGAGEMENT SCORE

67  
maintained its highest score  
in banking sector

#### AVERAGE HOURS OF TRAINING PER EMPLOYEE

47 hours

#### HIGH PERFORMER TURNOVER

2.74%

#### WOMEN EMPLOYEES IN DECISION MAKING POSITION

40%



### Digital Transformation

#### DIGITAL TRANSACTIONS

1/5  
of all digital transactions in  
Turkey go through Garanti

#### DIGITAL SALES

Increased share of digital sales  
to total sales from 33% to  
44%

#### NON-CASH FINANCIAL TRANSACTIONS THROUGH DIGITAL CHANNELS

95.5%



### Responsible and Sustainable Development

#### AMOUNT OF IMPACT INVESTMENTS

TL 35.2 billion  
(cumulative)

#### SUSTAINABILITY INDICES IN WHICH GARANTI IS INCLUDED

7

#### INVESTMENT IN COMMUNITY PROGRAMS

TL 20.2 million

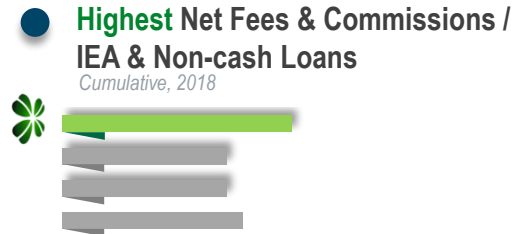
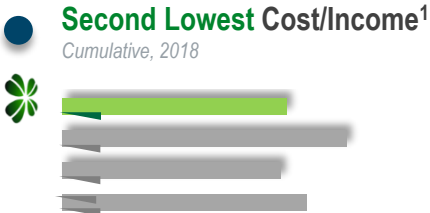
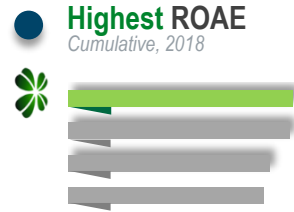
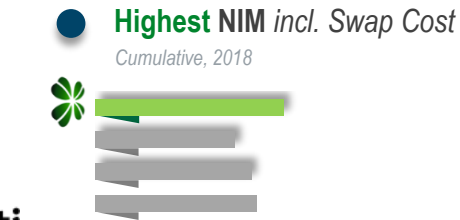
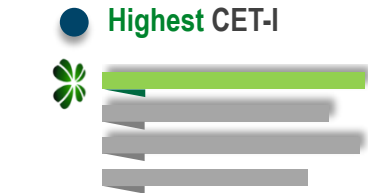
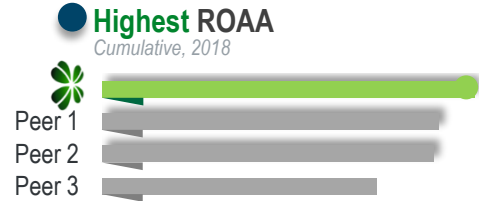
#### % OF LOANS WITH ESG PROVISIONS IN LOAN AGREEMENTS

%100

# ACHIEVED PIONEER POSITION (II/II)



## Financial Performance



Note: For fair comparison with the peers, latest available bank-only financials (31.12.2018) were used. Rankings are among private peers.  
 1 Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges  
 + Other income excluding provisions reversals + Income from subsidiaries.

# PROVEN STRONG ROAE GENERATION CAPABILITY

## In a challenging environment...



TL depreciated sharply



CBRT funding cost increased to 24.0% from 12.75%



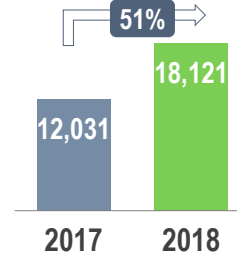
Inflation reached 25% in October and ended the year with 20%



Economic activity significantly decelerated

## ...strong capital & profitability maintained

### PRE-PROVISION INCOME (TL million)



15%

### ROAE

When adjusted with free provisions set aside in 2018: 17%

1.7%

### ROAA

When adjusted with free provisions set aside in 2018: 2.0%

16.5%

### CAR

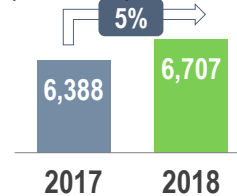
CET-1 share: 86%  
When adjusted with free provisions: ~16.9%

TL  
2,250mn

### Free Provisions

Prudently set aside **additional** TL 1,090mn free provisions in 2018

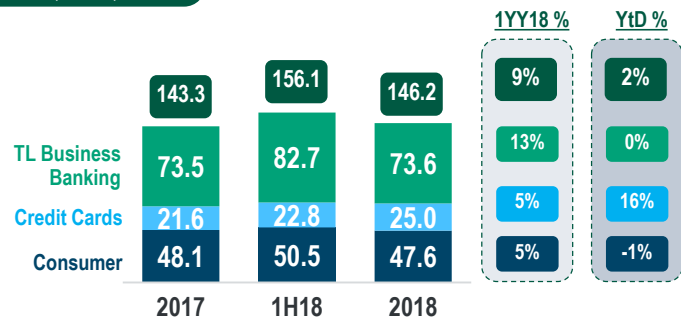
### NET INCOME (TL million)



## BALANCED LENDING MIX

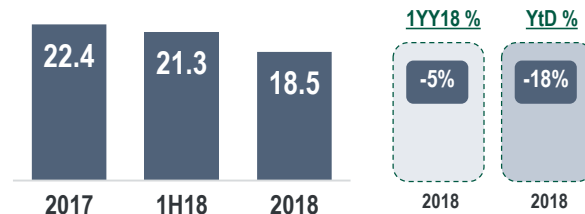
-- ~1/3 Consumer, ~1/3 TL Business, ~1/3 FC Loans

### TL LOANS (TL bn)



► New originations in **TL Consumer & Business Banking Loans** were not sufficient to compensate the maturing book in the second half of 2018.

### FC LOANS <sup>1</sup>(US\$ bn)

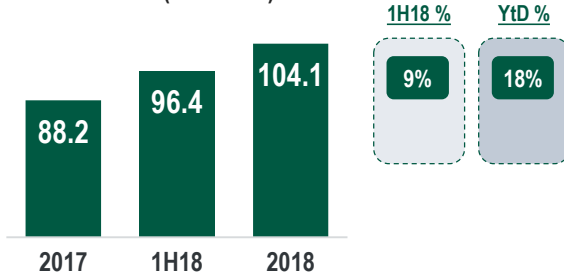


► **Shrinkage in FC loans** due to redemptions in the absence of large scale government projects (i.e. PPPs, highways, airports, etc.).

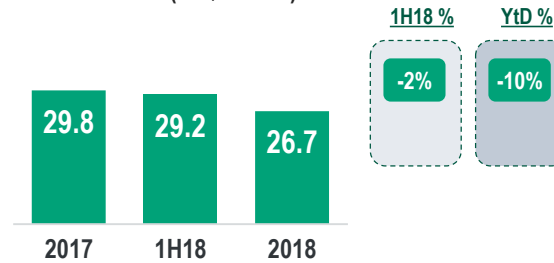
# DEPOSITS REMAIN THE MAJOR FUNDING SOURCE

--61% of Total Liabilities

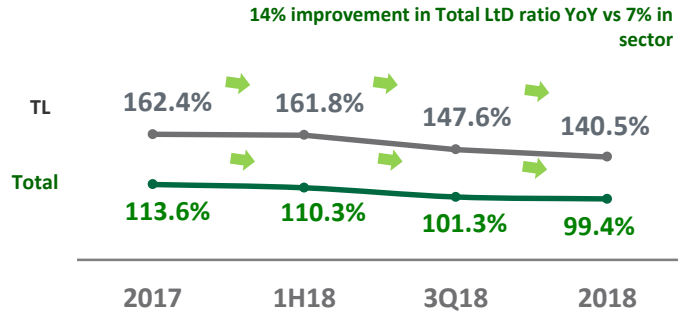
TL DEPOSITS (TL billion)



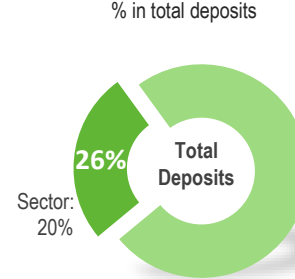
FC DEPOSITS (US\$ billion)



## LOAN<sup>1</sup> TO DEPOSIT RATIOS

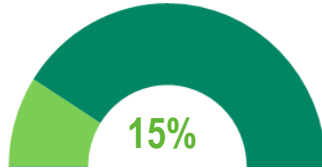


## DEMAND DEPOSITS



## PRUDENT APPROACH ON STAGING

### Share of Stage 2 in Total Loans



Not comparable among banks mainly due to:

- **Differentiation in quantitative assessment criteria** (SICR<sup>2</sup> definition)
- **Approach difference for qualitative assessment** as was the case in the past for Group 2 classification.

### NPL Ratio

5.2%

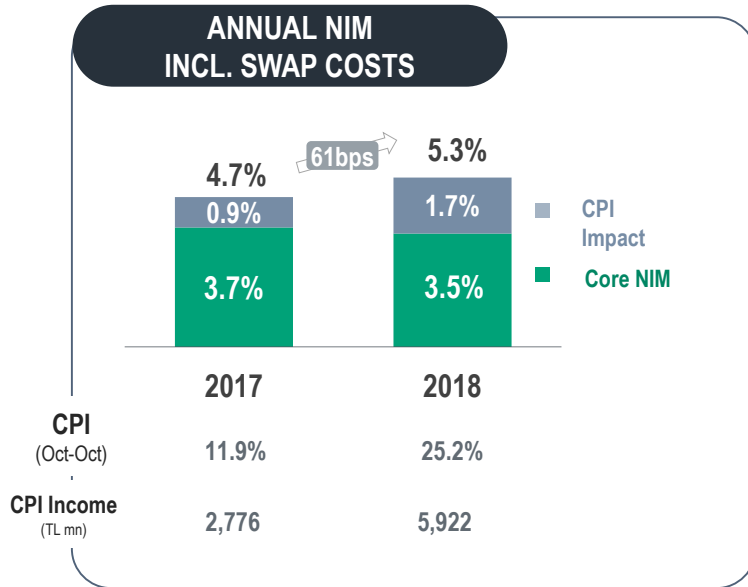
- ▶ **Retail NPL inflows expected to be more visible** in 2019, due to anticipated increase in unemployment
- ▶ **Corporate/Commercial NPL inflows** are projected to continue in 2019, yet, at a lesser extent

### Net Total Cost of Risk (excluding currency impact)<sup>1</sup>

~215

- ▶ **Coverage of certain portfolios increased** to be well-guarded in 2019

# DYNAMIC B/S MANAGEMENT IN DEFENSE OF NIM



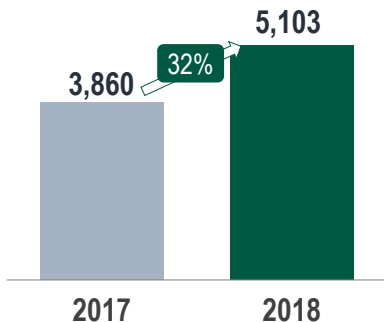
- ▶ **Worst in TL spreads seen in October.** CPI linkers served its hedge purpose against spread suppression in 4Q



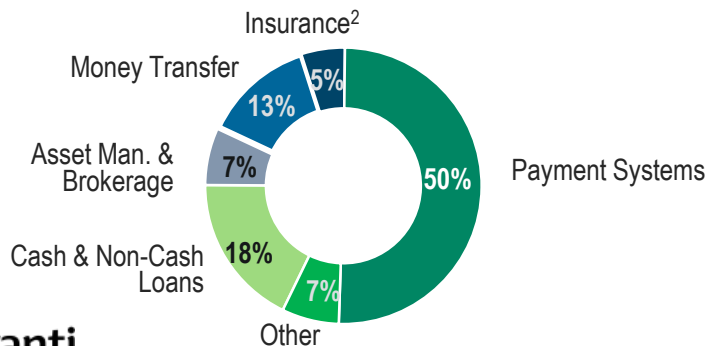
# WELL-DIVERSIFIED FEE BASE

## NET FEES & COMMISSIONS

(TL million)



## NET FEES & COMMISSIONS BREAKDOWN<sup>1</sup>



### ▶ 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: **13%** market share  
**Leader** in swift transactions: **17%** market share

### ▶ Insurance

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

### ▶ Digital Channels

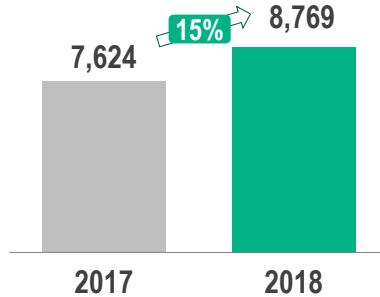
Digital channels' share in non-credit linked fees: **46%**  
 Share of digital sales in total sales: **43%**  
 Leading position: **7.3mn digital customer (22% YoY increase)**

<sup>1</sup> Net Fees & Commissions, breakdown is based on MIS data.

<sup>2</sup> Insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials.

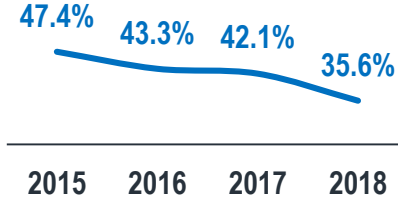
# DISCIPLINED COST MANAGEMENT

## OPERATING EXPENSES (TL Million)



- ▶ **Cost growth**  
Below 2018 avg. inflation of 16%
- ▶ **Amortization costs of Pendik IT Campus & New Branch Service Model has ~1% impact on 2018 OPEX<sup>1</sup>**

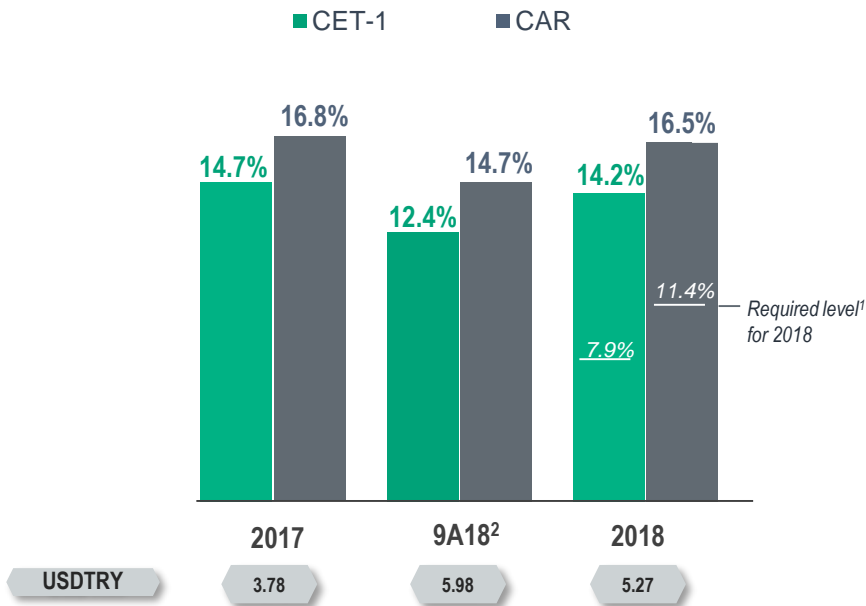
## COST/INCOME<sup>2</sup>



12% improvement in C/I since 2015

# STRONG SOLVENCY VIA CAPITAL GENERATION

## SOLVENCY RATIOS



TL 2,250bn Free Provisions

TL 13bn Excess Capital  
taking into account minimum required level of 12.5% for 2019

1 Required CAR = 8.0% + SIFI Buffer for Group 3 (1.5%) + Capital Conservation Buffer (1.875%) + Counter Cyclical Buffer (0.09%)

2 Without BRSA forbearances. Note that BRSA forbearances on the calculation of FX credit risk exposure and suspension of MtM losses in CET1 capital was abolished on 27 December 2018



THANK YOU



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