



# 1Q19 EARNINGS PRESENTATION

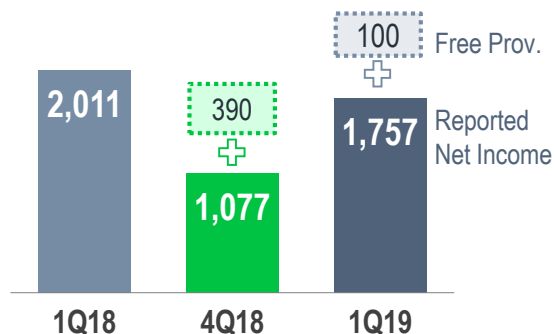
Based on BRSA Consolidated Financials  
April 29<sup>th</sup>, 2019



# SUSTAINED STRONG EARNINGS PERFORMANCE

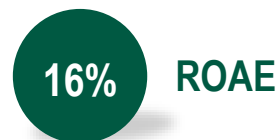
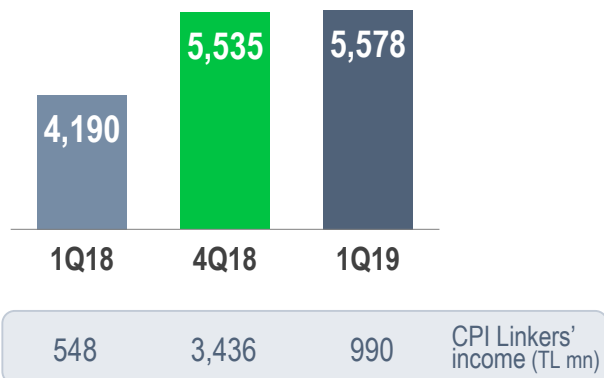
## NET INCOME

(TL million)



## PRE-PROVISION INCOME<sup>1</sup>

(TL million)



### Quarterly surge in net income mainly backed by:

- ▶ Improving LtD spread
- ▶ Increasing fee base
- ▶ Derivative & FX gains
- ▶ Lower net provisions
- ▶ Higher contribution from subsidiaries

<sup>1</sup> Pre-provision income defined as «Net Income+Expected losses +Provision for taxes-FC loans' provisions hedging impact

Note: In the calculation of Return On Average Equity (ROAE) & Return On Average Assets (ROAA), non-recurring items are excluded when annualizing Net Income for the remaining quarters

# 1Q19 HIGHLIGHTS

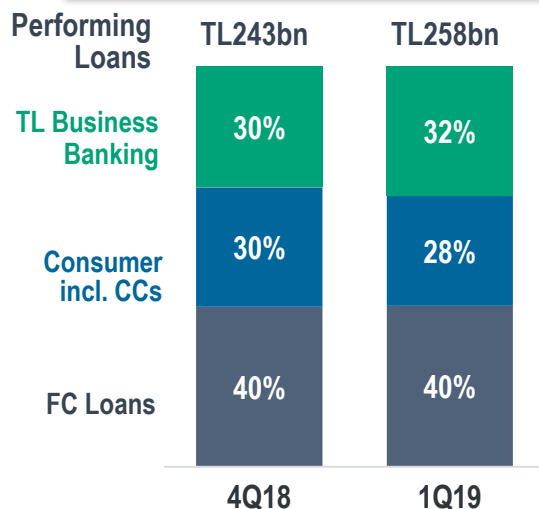
Strong start to the year in...



creates a cushion to comfortably meet our full year guidance.

# TL BUSINESS BANKING DRIVEN LOAN GROWTH

## PERFORMING LOAN PORTFOLIO (61% of Total Assets)

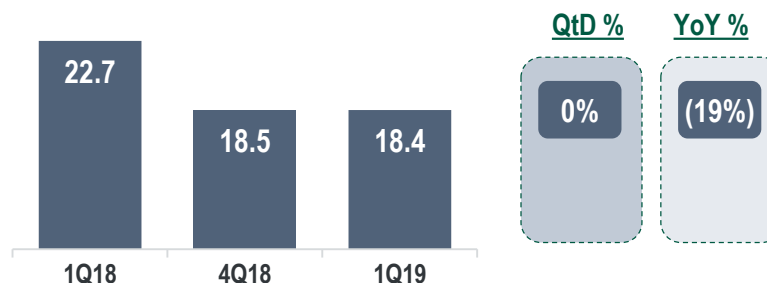


- ▶ New originations in **Consumer Loans** were not sufficient to compensate the maturing book
- ▶ Better than expected TL Business Banking loan growth driven by **CGF loans and ST business loans**

## TL PERFORMING LOANS (TL billion)

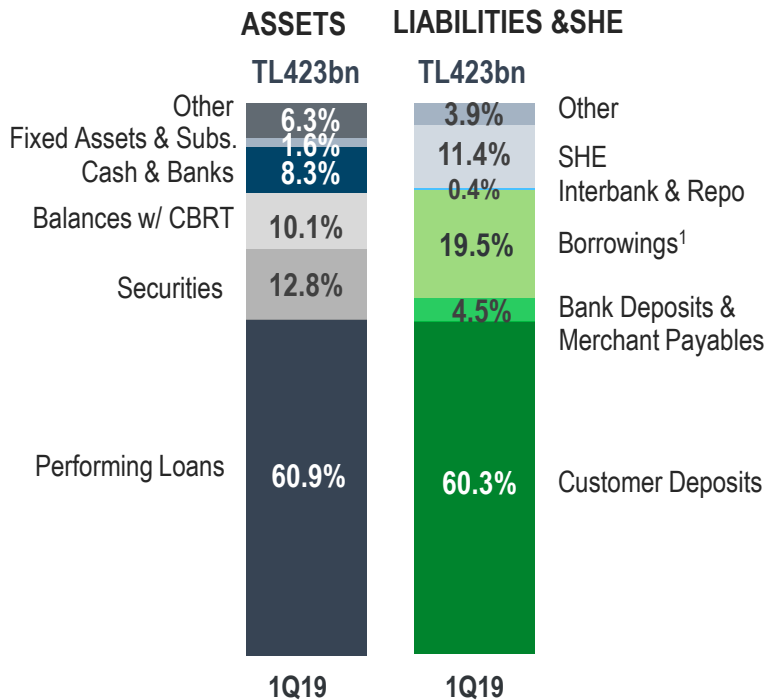


## FC PERFORMING LOANS (US\$ billion)

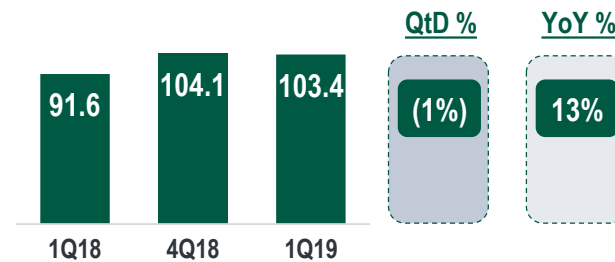


Note: Business banking loans represent total loans excluding credit cards and consumer loans  
Performing loans = Loans-non performing loans.

# ASSETS ARE PREDOMINANTLY FUNDED WITH DEPOSITS

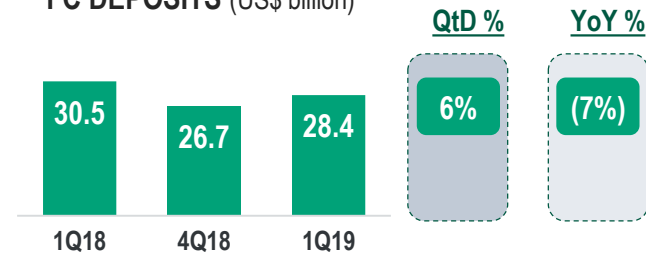


TL DEPOSITS (TL billion)



SME &  
RETAIL DEPOSITS<sup>2</sup>  
in TL Cust. Deposits  
**~77%**

FC DEPOSITS (US\$ billion)



SME &  
RETAIL DEPOSITS<sup>2</sup>  
in FC Cust. Deposits  
**~71%**

## HIGH SHARE OF FREE FUNDS

DEMAND DEPOSITS /  
TOTAL DEPOSITS

**29%**

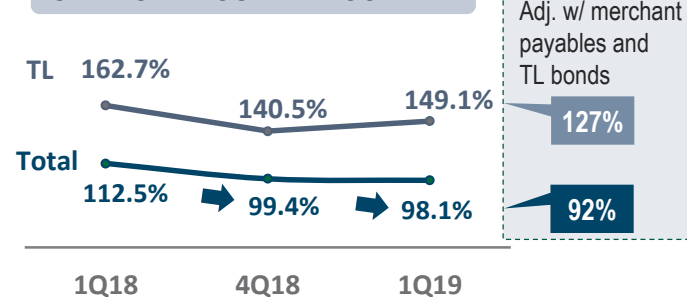
Bank-only: 28%  
vs. sector's 21%

FREE FUNDS<sup>3</sup> / IEA

**19.5%**

Bank-only: 17%  
vs. peer average of 11%

## LOAN TO DEPOSIT RATIOS



TL  
BONDS  
Registered  
solid growth  
in the quarter  
**+62%QoQ**

<sup>1</sup> Includes funds borrowed, sub-debt & securities issued

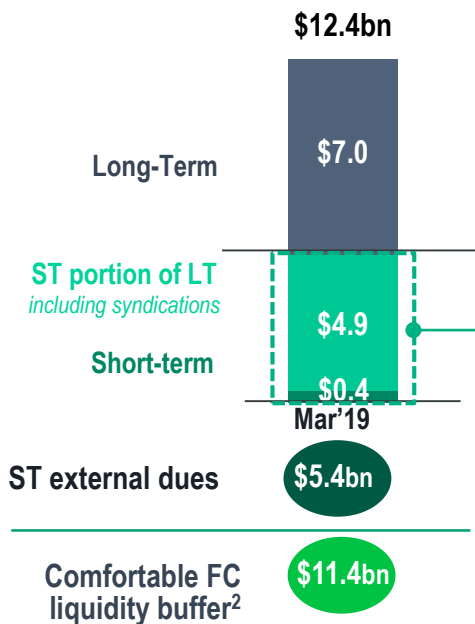
<sup>2</sup> Based on bank-only MIS data

<sup>3</sup> Free funds=SHE-Net NPL-Subsidiaries-Fixed Assets-Reserve Requirements+Demand Deposits

Note: Sector data is based on BRSA weekly data, for commercial banks only. Peer average represents five peers' average as of 2018YE

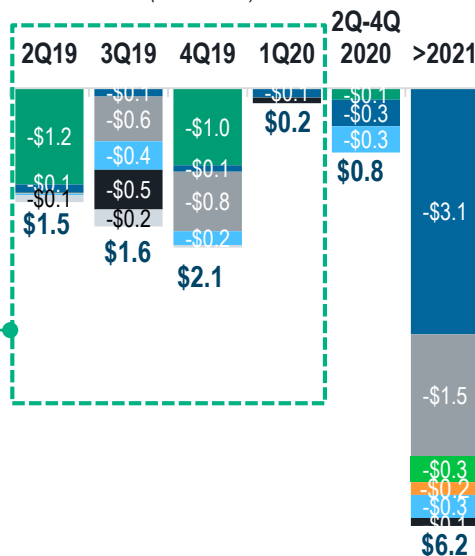
# COMFORTABLE LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

## GARANTI'S EXTERNAL DEBT<sup>1</sup>



## MATURITY PROFILE OF EXTERNAL DEBT

(US\$ billion)



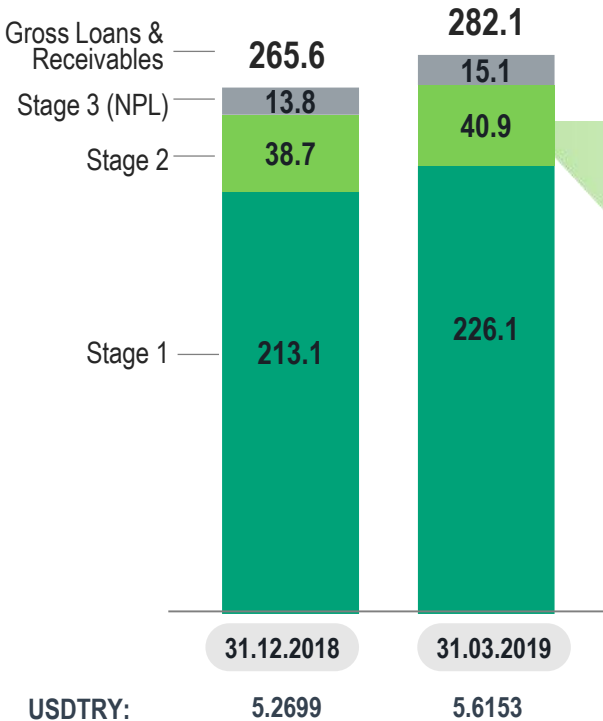
▶ **Lower dependency on external borrowing**  
 due to shrinking FC loan portfolio since 2013:  
 ▶ CAGR: FC loans: -6% vs.  
 FC borrowings: -5%

<sup>1</sup> Includes TL covered bonds and excludes on balance sheet IRS transactions  
<sup>2</sup> FC Liquidity Buffer includes FC reserves under ROM, swaps, money market placements, CBRT eligible unencumbered securities

# PRUDENT APPROACH ON STAGING

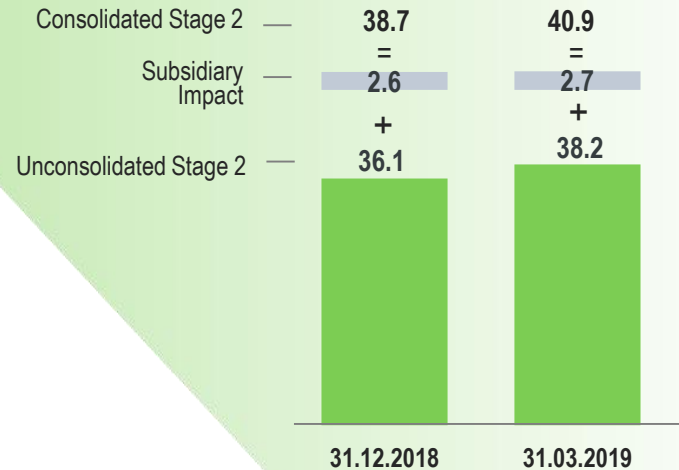
## LOANS & RECEIVABLES

(Billion TL)



### Stage 2 Breakdown

(Billion TL)



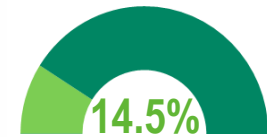
Total Stage 2 Coverage

31.12.2018      31.03.2019

10.4%      11.2%

Further increase in Stage 2 coverage

Share of Stage 2 in Total Loans



Not comparable among banks mainly due to:

- Differentiation in quantitative assessment criteria (SICR<sup>1</sup> 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 threshold for Probability of Default (PD) changes. Figures include leasing and factoring receivables.

# PRUDENT APPROACH ON STAGING

## STAGE 2 BREAKDOWN

(Billion TL)

Unconsolidated  
Total Stage 2

38.2

SICR<sup>1</sup>  
(Quantitative)

35%

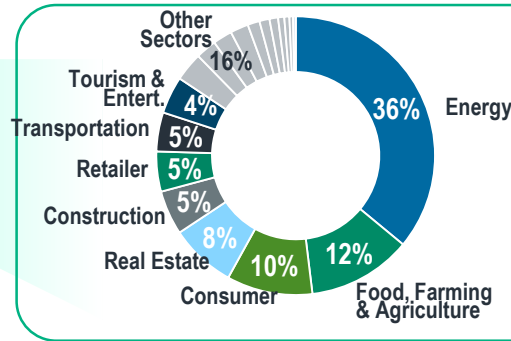
Watchlist,  
Restructured &  
Past Due  
(Qualitative)

65%

Sector Breakdown  
of Stage 2  
excluding SICR

▶ 80% of SICR is not delinquent at all and the rest are less than 30-days past due

31.03.2019



▶ Restructured/refinanced loans are followed under Stage 2 for minimum 2 years or for life-time.

▶ Files are moved to **Watchlist proactively** as a result of advanced risk assessments, as was our common practice in the past.

Coverage

Currency Breakdown

Unconsolidated  
Stage 2

11.5%

TL

FC

SICR

(Quantitative)

3.9%

90%

10%

Watchlist,  
Restructured &  
Past Due

(Qualitative)

15.5%

44%

56%

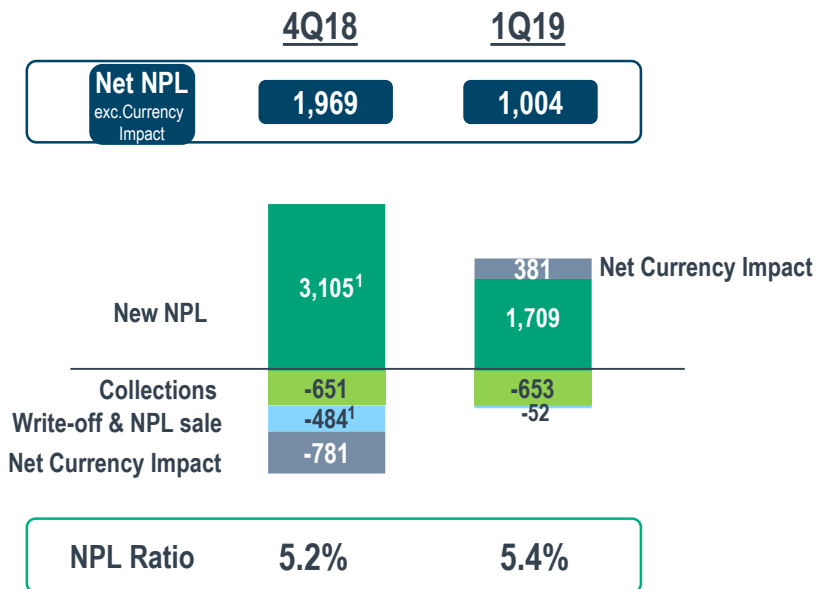
<sup>1</sup> SICR: Significant Increase in Credit Risk



# LOWER QUARTERLY NET NEW NPL INFLOWS, AS EXPECTED

## NPL EVOLUTION

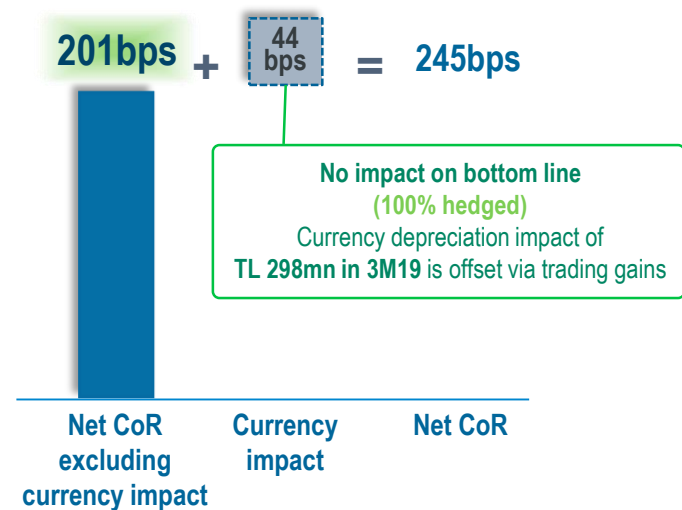
(TL million)



► New NPL inflows **decreased 46% QoQ.**

► **Retail inflows** constitute 2/3 of the new inflows

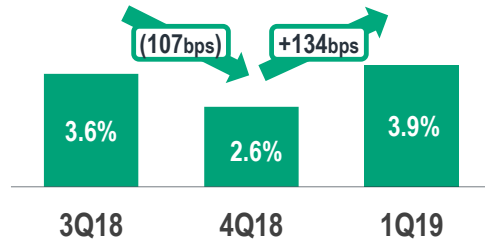
## NET CUMULATIVE CoR



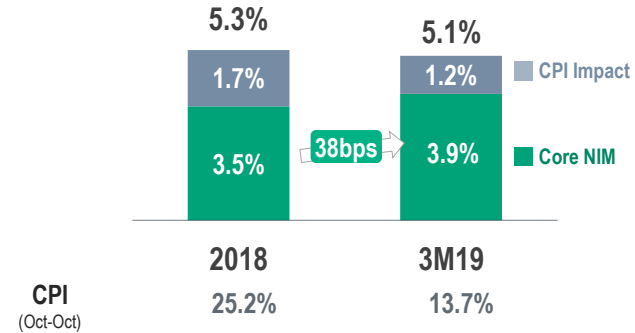
<sup>1</sup> 33% of Telecom file, corresponding to USD 385mn, has been written off in 4Q. This amount inflated both new NPL and write off balances in reported financial statements dated 31 Dec 2018

# STRONG RECOVERY IN CORE NIM

## QUARTERLY CORE NIM<sup>2</sup>



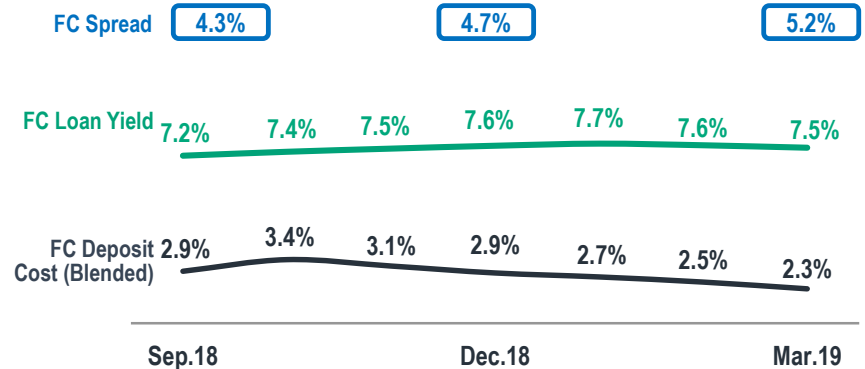
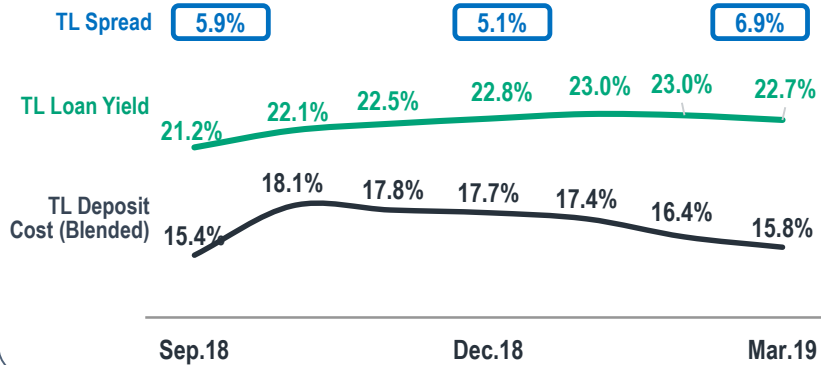
## CUMULATIVE NIM INCL. SWAP COSTS



- ▶ **Better than expected core NIM evolution**  
Spread expansion came in earlier than expected due to sharp decrease in funding costs.

- ▶ **Significantly lower CPI contribution vs. 2018**
- ▶ 1% lower CPI reading impact on NIM: 8-9bps

## MONTHLY SPREAD<sup>1</sup>

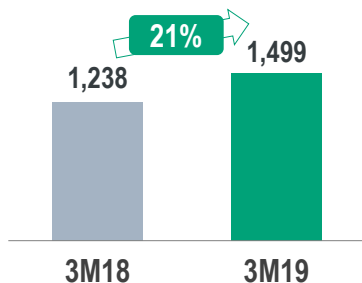


<sup>1</sup> Based on MIS data.  
<sup>2</sup> Core NIM = NIM including Swap costs and excluding CPI linker gains

# SUSTAINED CORE BANKING REVENUES

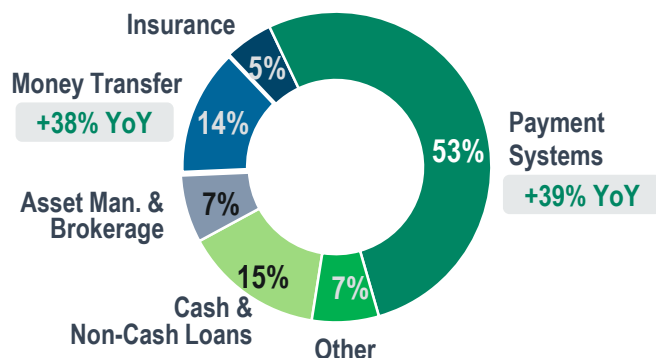
## NET FEES & COMMISSIONS (TL Million)

Well-diversified fee base



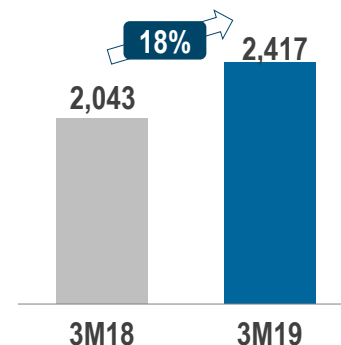
- ▶ Digital channels' share in non-credit linked fees: **46%**
- ▶ Share of digital sales in total sales: **64%**
- ▶ Leading position: **7.5mn digital customer**

### NET F&C BREAKDOWN<sup>1</sup>



## OPERATING EXPENSES (TL Million)

Disciplined cost management



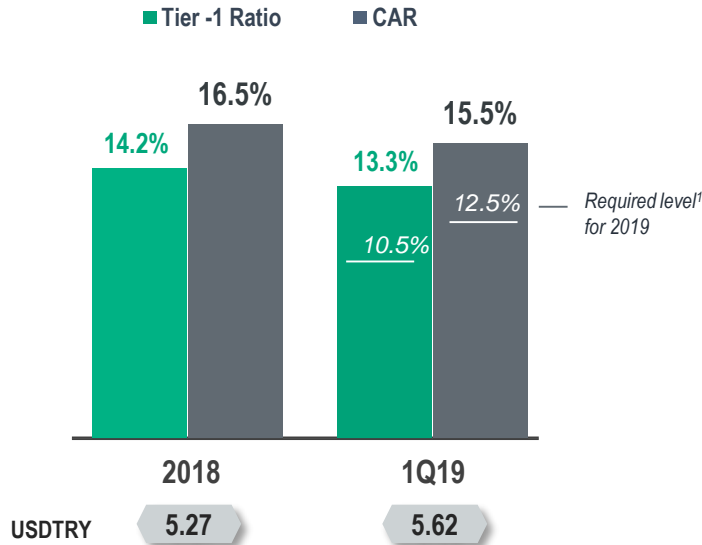
- ▶ **COST/INCOME<sup>2</sup>** 39%
- ▶ **FEE/OPEX** 62%

<sup>1</sup> Net Fees & Commissions. breakdown is based on MIS data. Insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials.

<sup>2</sup> Income defined as NII inc. Swaps + Net F&C + Dividend Income + Subsidiary Income + Net Trading Income (excludes swaps & currency hedge) + Other income (net of prov. Reversals)

# STRONG SOLVENCY PRESERVED

## SOLVENCY RATIOS



### Impacts on CAR – 3M19 vs. 2018



<sup>1</sup> Required CAR = 8.0% + SIFI Buffer for Group 3 (2%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.02%)

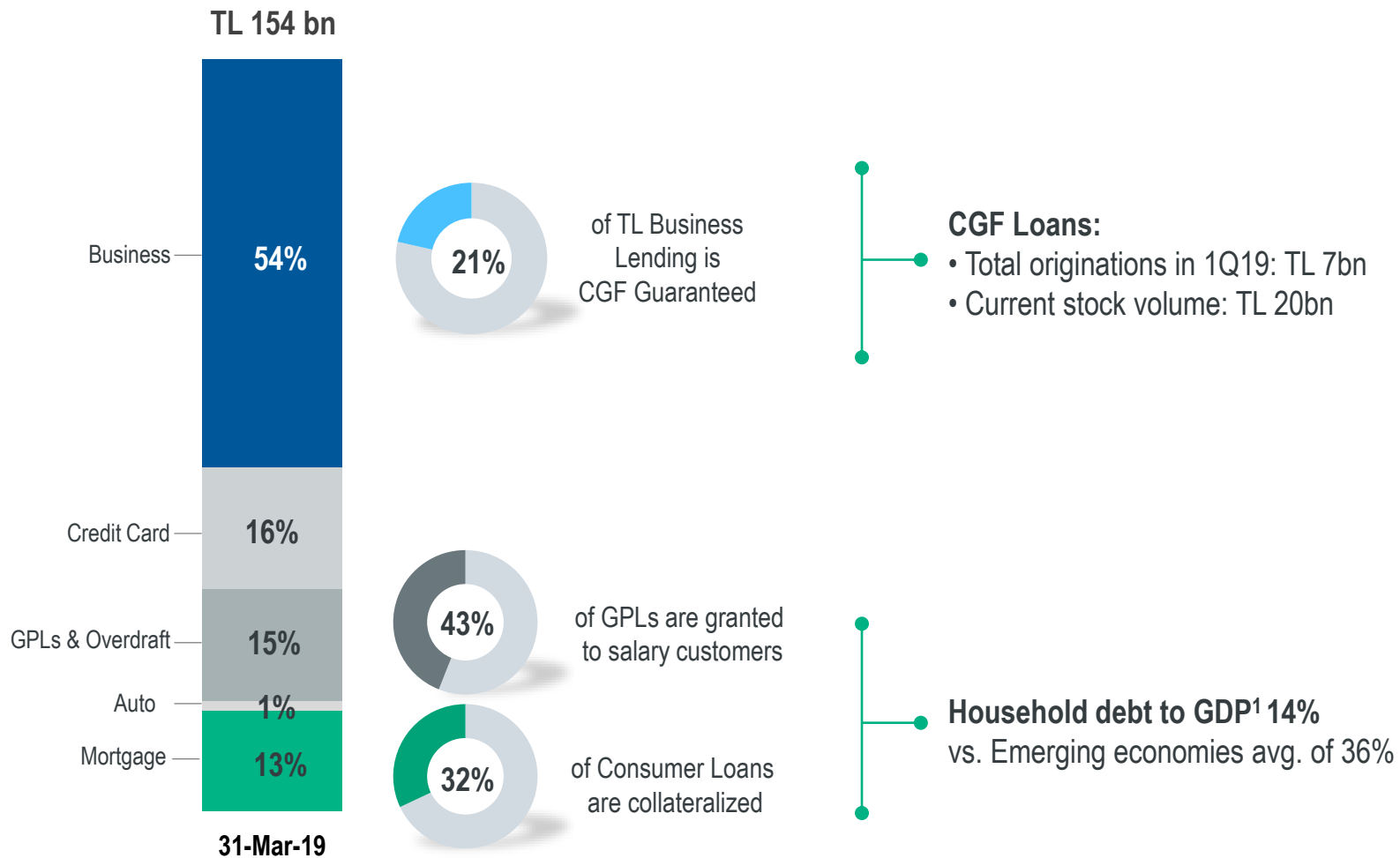
## APPENDIX

Pg. 14	Structure of TL Loan Portfolio
Pg. 15	Structure of FC Loan Portfolio
Pg. 16	Adjusted L/D and Liquidity Coverage Ratios
Pg. 17	Consumer Loans
Pg. 18	Securities portfolio
Pg. 19	Summary Balance Sheet
Pg. 20	Summary P&L
Pg. 21	Key Financial Ratios
Pg. 22	Cumulative Net Cost of Risk

# APPENDIX: STRUCTURE OF TL LOAN PORTFOLIO

## TL PERFORMING LOANS

– 60% OF TOTAL PERFORMING LOANS

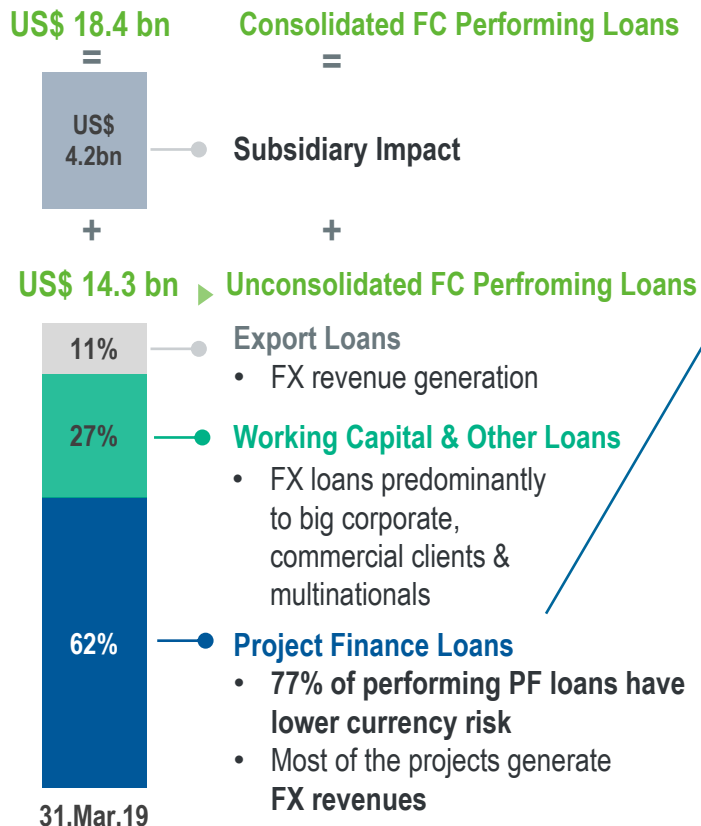


<sup>1</sup> Based on 1Q 2019 expected GDP.  
Emerging economies average is based on 2018 GDP. Source: BIS

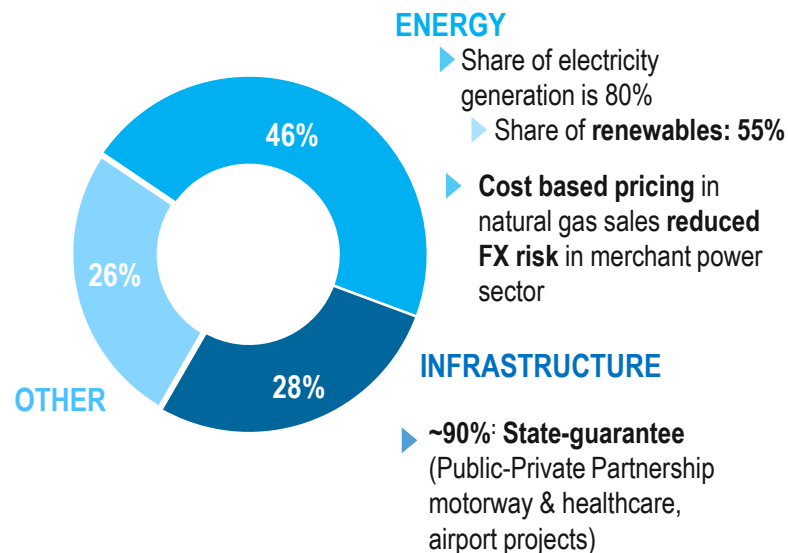
# APPENDIX: STRUCTURE OF FC LOAN PORTFOLIO

## FC PERFORMING LOANS

– 40% OF TOTAL PERFORMING LOANS



### BREAKDOWN OF UNCONSOLIDATED PF LOANS



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

# APPENDIX: ADJUSTED LDR AND LIQUIDITY COVERAGE RATIOS

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

Total  
Loans /  
Deposits:

98%



Adjusted  
LDR

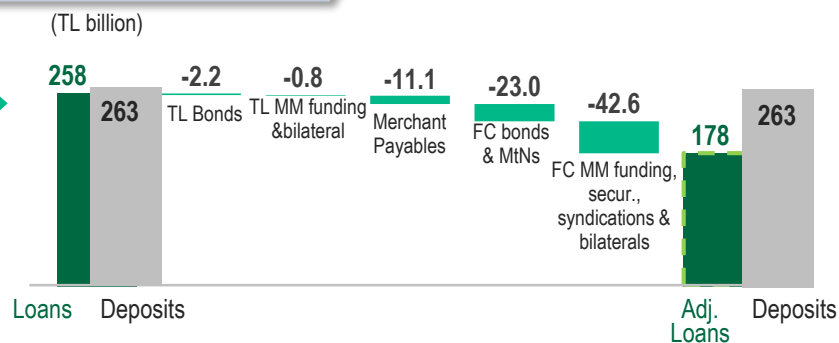


TL Loans /  
TL Deposits:

149%

FC Loans /  
FC Deposits:

65%



Liquidity Coverage Ratios<sup>1</sup> (LCR) are  
**well above minimum required levels**

<b>Total LCR</b>	<b>256.4%</b>
<i>Minimum Req. for 2019</i>	<i>100%</i>

<b>FC LCR</b>	<b>278.2%</b>
<i>Minimum Req. for 2019</i>	<i>80%</i>

<sup>1</sup> Represents the average of March 2019.



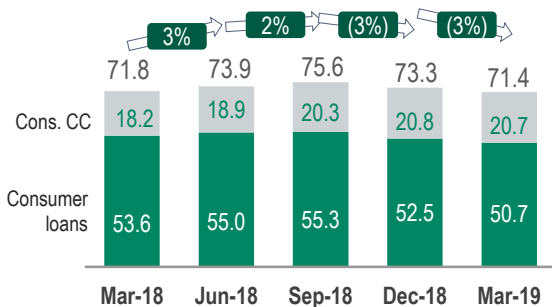
# APPENDIX: CONSUMER LOANS

## CONSUMER LOANS

(incl. cons. CCs)

(TL billion)

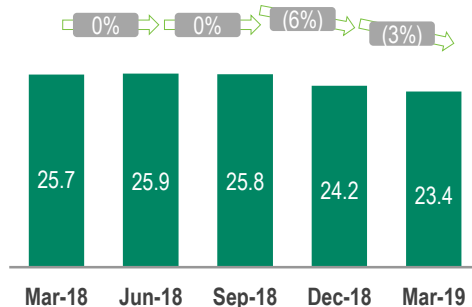
(1%)  
YoY



## MORTGAGE LOANS

(TL billion)

(9%)  
YoY



## Market Shares<sup>3</sup>

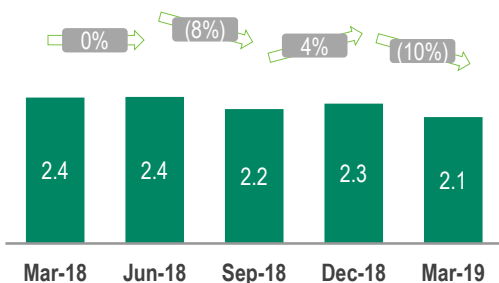
	Mar'19	QoQ	Rank
Consumer Loans	17.1%	+5bps	#1*
Cons. Mortgage	12.1%	-36bps	#1*
Cons. Auto	40.6%	-96bps	#1*
Consumer GPLs	10.9%	+23bps	#1*
# of CC customers <sup>2</sup>	14.2%	-15bps	#1
Issuing Volume <sup>2</sup>	18.9%	-12bps	#1
Acquiring Volume <sup>2</sup>	18.6%	-34bps	#2

\* Market shares and rankings are among private banks  
Rankings are as of Dec 18

## AUTO LOANS

(TL billion)

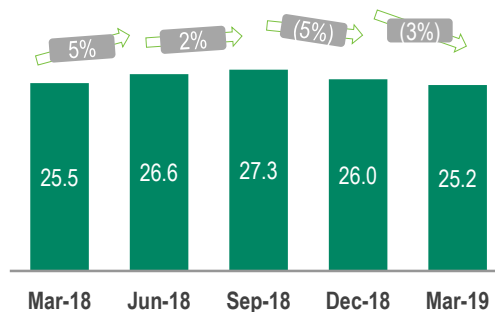
(14%)  
YoY



## GENERAL PURPOSE LOANS<sup>1</sup>

(TL billion)

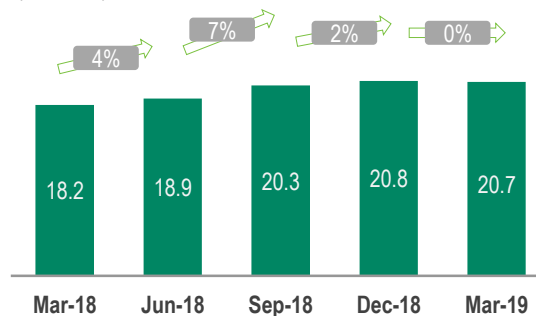
(1%)  
YoY



## CONSUMER CREDIT CARD BALANCES

(TL billion)

+14%  
YoY



1 Including other loans and overdrafts

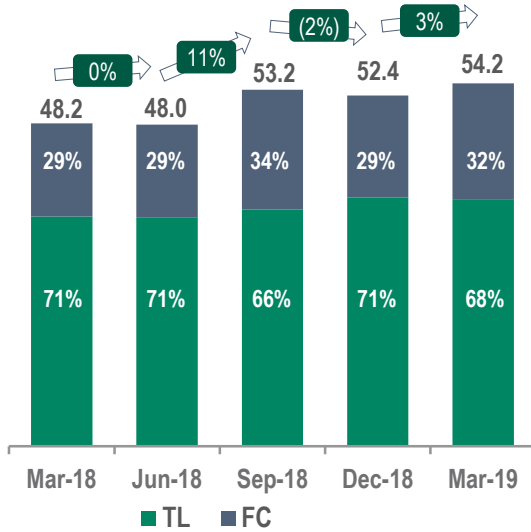
2 Cumulative figures and rankings as of March 2019, as per Interbank Card Center data.

3 Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 28.12.2018, for commercial banks

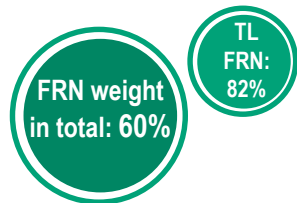
# APPENDIX: SECURITIES PORTFOLIO

## Total Securities (TL billion)

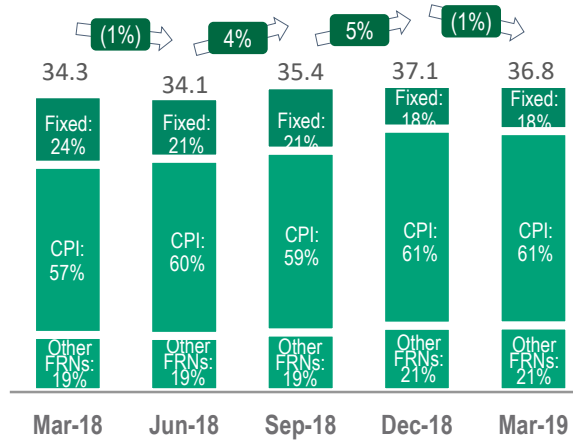
13% of Total Assets



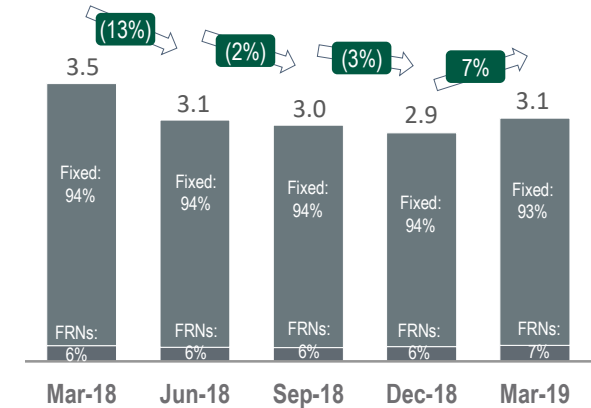
Maintained  
FRN heavy portfolio



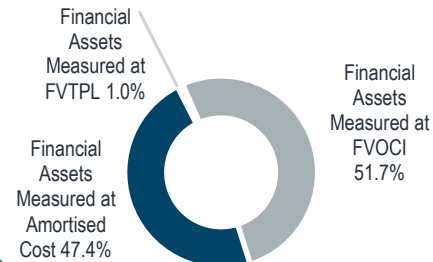
## TL Securities (TL billion)



## FC Securities (US\$ billion)



## Securities Composition



Unrealized MtM loss (pre-tax)  
~TL 1,940mn loss as of March'19

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

## APPENDIX: SUMMARY BALANCE SHEET

TL Million

ASSETS	30.09.2018	31.12.2018	31.03.2019
Cash&Banks	59.035	36.471	35.282
Balances at CBRT	32.436	35.803	42.783
Securities	53.239	52.377	54.175
Performing Loans	278.189	243.461	257.728
Fixed Assets & Subsidiaries	5.431	5.602	6.642
Other	27.999	25.440	26.711
<b>TOTAL ASSETS</b>	<b>456.328</b>	<b>399.154</b>	<b>423.322</b>

LIABILITIES & SHE	30.09.2018	31.12.2018	31.03.2019
Total Deposits	274.721	245.016	262.791
+Demand Deposits	75.091	64.177	76.057
+Time Deposits	199.630	180.839	186.734
Interbank Money Market	4.375	2.635	1.617
Bonds Issued	31.087	26.911	29.716
Funds Borrowed	66.113	49.629	52.937
Other liabilities	33.378	28.075	27.835
Shareholders' Equity	46.654	46.887	48.427
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>456.328</b>	<b>399.154</b>	<b>423.322</b>

## APPENDIX: SUMMARY P&L

TL Million	1Q18	4Q18	1Q19
(+) Net Interest Income including Swap costs	3,543	5,798	4,281
(+) <i>NII excluding CPI linkers' income</i>	3,563	3,467	3,920
(+) <i>Income on CPI linkers</i>	548	3,436	990
(-) <i>Swap Cost</i>	-568	-1,105	-629
(+) Net Fees & Comm.	1,238	1,350	1,499
(-) Net Expected Loss	-811	-2,093	-1,655
(-) <i>Expected Loss</i>	-1,783	-2,491	-3,387
<i>info: Currency Impact</i>	188	-948	298
(+) <i>Provision Reversal under other Income</i>	972	399	1,732
(-) OPEX	-2,043	-2,532	-2,417
(-) <i>HR</i>	-814	-1,052	-1,025
(-) <i>Non-HR</i>	-1,228	-1,480	-1,392
<b>= CORE OPERATING INCOME</b>	<b>1,928</b>	<b>2,524</b>	<b>1,708</b>
(+) Net Trading & FX gains/losses (excl. Swap costs)	285	-802	486
<i>info: Gain on Currency Hedge</i>	188	-948	298
(+) Other income (excl. Prov. reversals)	381	374	295
(-) Taxation and other provisions	-583	-1,019	-732
(-) <i>Free Provision</i>	0	-390	-100
(-) <i>Taxation &amp; Other Provision</i>	-583	-629	-632
<b>= NET INCOME</b>	<b>2,011</b>	<b>1,077</b>	<b>1,757</b>

# APPENDIX: KEY FINANCIAL RATIOS

	Mar-18	Dec-18	Mar-19
<b>Profitability ratios</b>			
ROAE (Cumulative) <sup>1</sup>	18.3%	15.0%	15.6%
ROAA (Cumulative) <sup>1</sup>	2.2%	1.7%	1.8%
Cost/Income	38.8%	35.6%	38.6%
Quarterly NIM incl. Swap costs	4.6%	6.3%	5.1%
Quarterly NIM incl. Swap costs excl. CPI linkers	3.8%	2.6%	3.9%
Cumulative NIM incl. Swap costs	4.6%	5.3%	5.1%
Cumulative NIM incl. Swap costs excl. CPI linkers	3.8%	3.5%	3.9%
<b>Liquidity ratios</b>			
Loans / Deposits	112.5%	99.4%	98.1%
TL Loans / TL Deposits	162.7%	140.5%	149.1%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	81%	68%	68%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	148.7%	122.8%	127.3%
FC Loans / FC Deposits	74.3%	69.0%	65.0%
<b>Asset quality ratios</b>			
NPL Ratio	2.8%	5.2%	5.4%
Coverage Ratio			
+ Stage1	0.5%	0.4%	0.5%
+ Stage2	9.5%	10.4%	11.2%
+ Stage3	67.9%	59.1%	59.0%
Cumulative Net Cost of Risk (excluding currency impact, bps)	99	204	201
<b>Solvency ratios</b>			
CAR	16.2%	16.5%	15.5%
Common Equity Tier I Ratio	14.1%	14.2%	13.3%
Leverage	7.4x	7.5x	7.7x

<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 Mar-18 and Mar-19  
 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: CUMULATIVE NET CoR

<u>Cumulative Net Expected Credit Loss</u>	<u>2018</u>	<u>3M19</u>
<b>(-) Expected Credit Losses</b>	<b>9.258</b>	<b>3.387</b>
Stage 1	1.063	719
Stage 2	3.182	1.615
Stage 3	5.013	1.053
<b>(+) Provision Reversals under other income</b>	<b>2.227</b>	<b>1.732</b>
Stage 1	998	599
Stage 2	587	774
Stage 3	642	358
<b>(=) (a) Net Expected Credit Losses</b>	<b>7.031</b>	<b>1.655</b>
<b>(b) Average Gross Loans</b>	<b>258.209</b>	<b>265.040</b>
<b>(a/b) Cumulative Total Net CoR (bps)</b>	<b>258</b>	<b>245</b>
<b>info: Currency Impact<sup>1</sup></b>	<b>54</b>	<b>44</b>
<b>Total Net CoR excl. currency impact (bps)</b>	<b>204</b>	<b>201</b>

<sup>1</sup> 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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