



# 1Q19 EARNINGS PRESENTATION

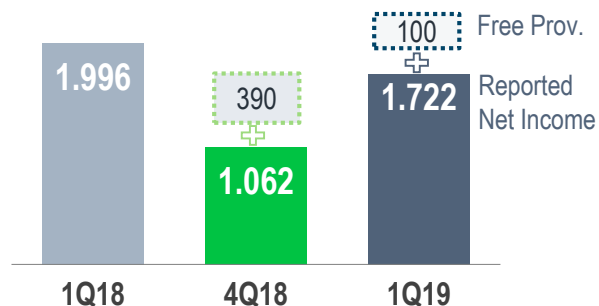
Based on BRSA Unconsolidated Financials  
April 29<sup>th</sup>, 2019



# SUSTAINED STRONG EARNINGS PERFORMANCE

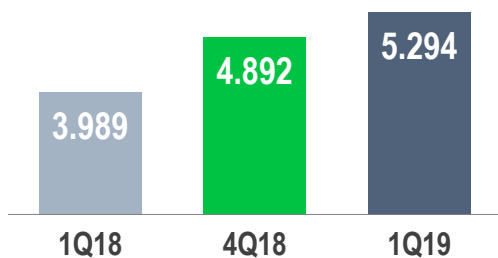
## NET INCOME

(TL million)



## PRE-PROVISION INCOME

(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

548

3,436

990

CPI Linkers' income (TL mn)

Pre-provision income defined as «Net Income+Expected losses +Provision for taxes-Provision reversals for loans-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

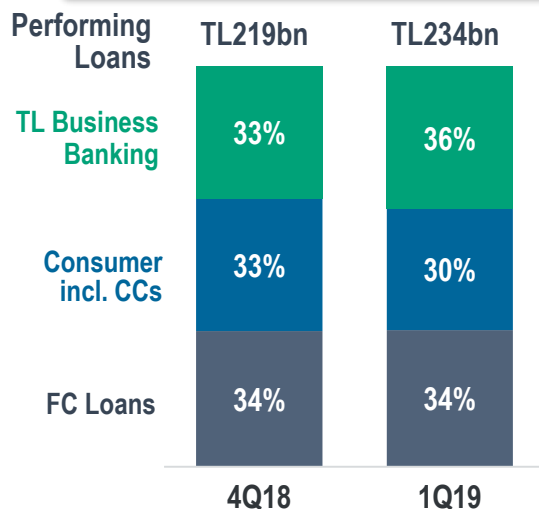
Strong start to the year in...



creates cushion to comfortably meet our full year guidance.

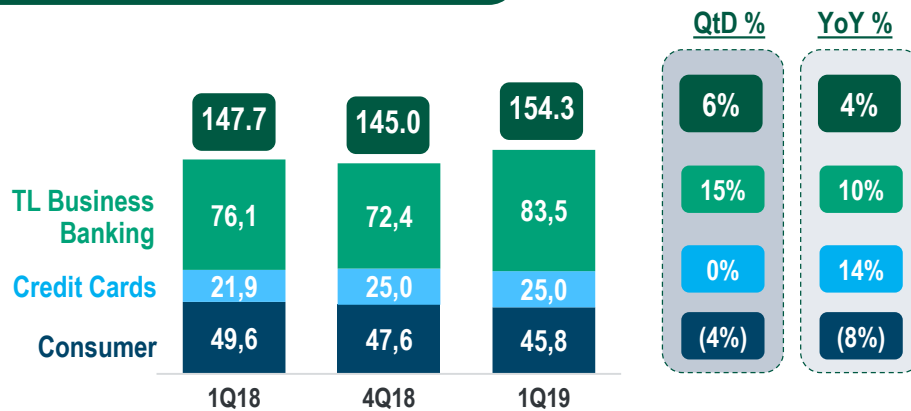
# TL BUSINESS BANKING DRIVEN LOAN GROWTH

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

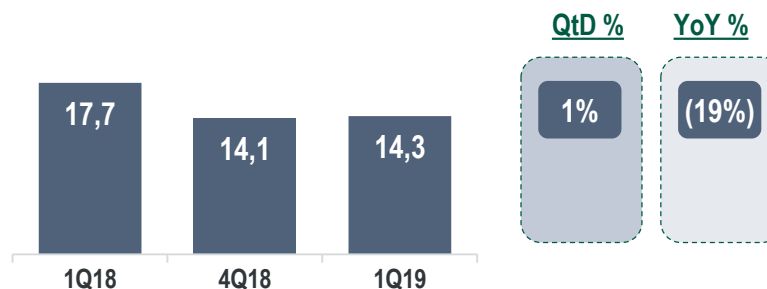


- ▶ New originations in **Consumer Loans** were not sufficient to compensate the maturing book
- ▶ Better than expected TL Business Banking loan growth driven by **CGF loans and ST business loans**

## TL PERFORMING LOANS (TL billion)

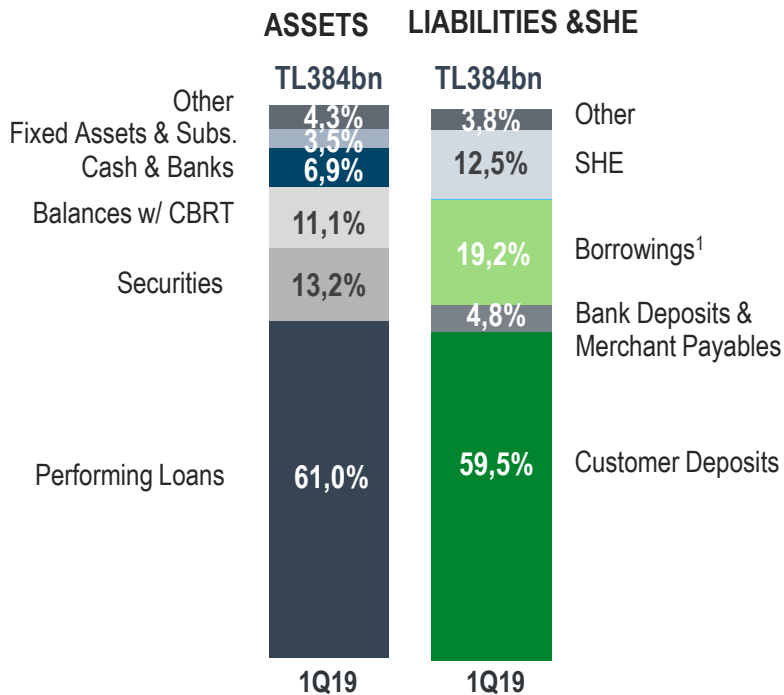


## FC PERFORMING LOANS (US\$ billion)

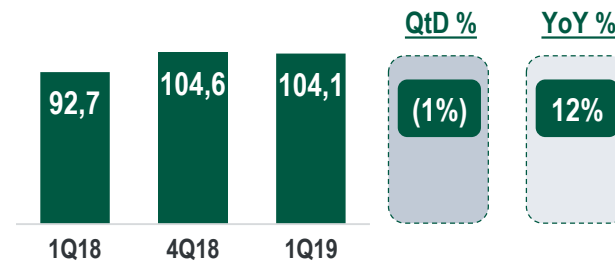


Note: Business banking loans represent total loans excluding credit cards and consumer loans  
Performing loans = Loans - Non performing loans.

# ASSETS ARE PREDOMINANTLY FUNDED WITH DEPOSITS



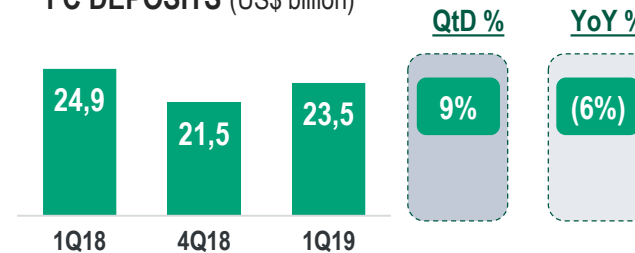
## TL DEPOSITS (TL billion)



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

28%

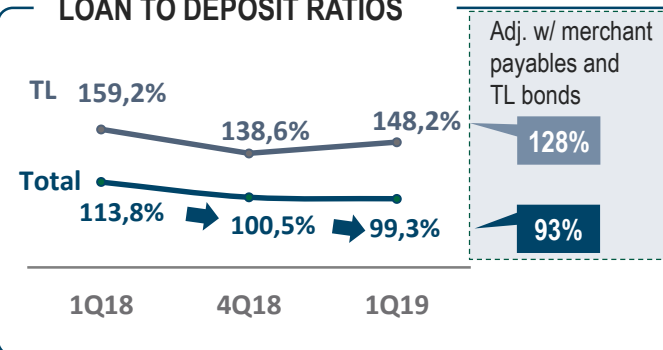
vs. sector's 21%

FREE FUNDS / IEA

17%

vs. peer average of 11%

## LOAN TO DEPOSIT RATIOS



TL BONDS  
Registered solid growth in the quarter

+73%QoQ

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

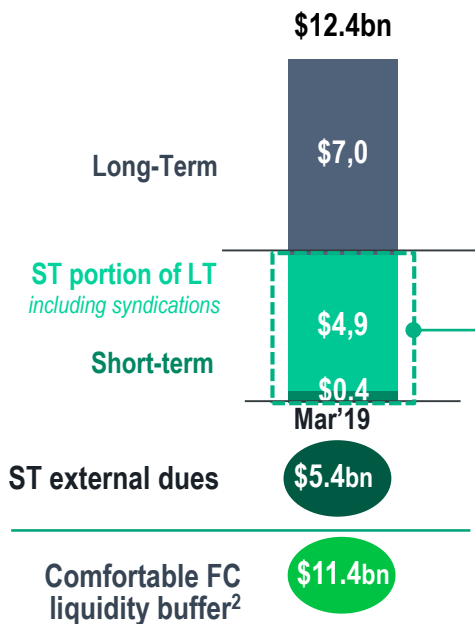
<sup>2</sup> Based on bank-only MIS data

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

Free funds=SHE-Net NPL-Subsidiaries-Fixed Assets-Reserve Requirements+Demand Deposits

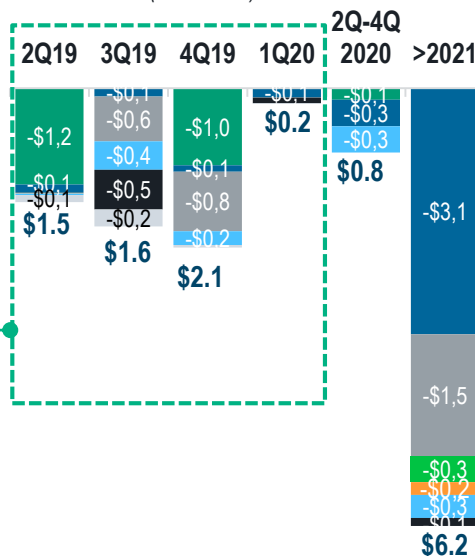
# COMFORTABLE LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

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



## MATURITY PROFILE OF EXTERNAL DEBT

(US\$ billion)



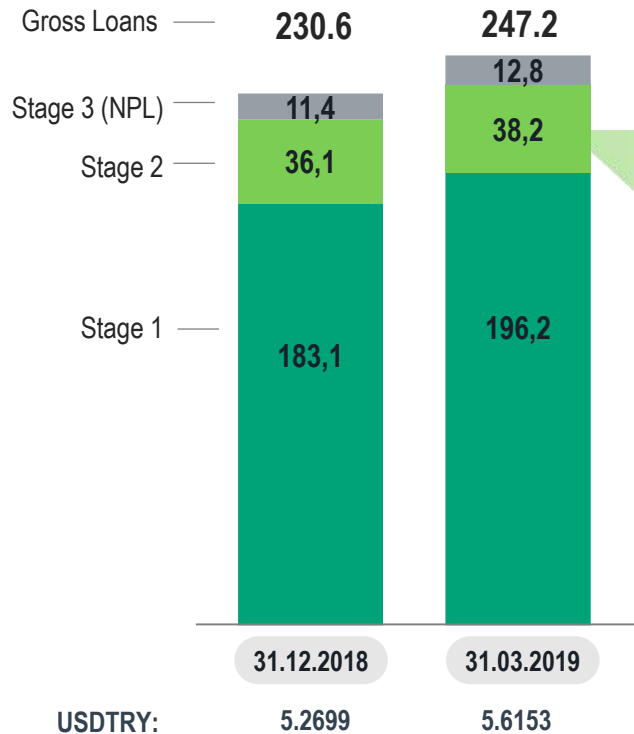
▶ **Lower dependency on external borrowing** due to shrinking FC loan portfolio since 2013:  
 ▶ CAGR: FC loans: -6% vs.  
 FC borrowings: -5%

<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

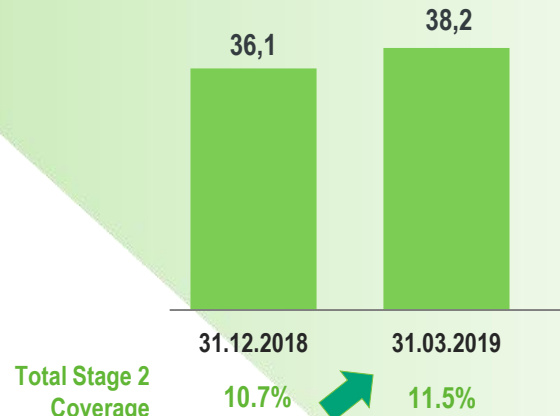
## LOAN PORTFOLIO BREAKDOWN

(Billion TL)



### Stage 2 Breakdown

(Billion TL)



### 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.

- Further increase in Stage 2 coverage

<sup>1</sup> SICR: Significant Increase in Credit Risk per our threshold for Probability of Default (PD) changes

# PRUDENT APPROACH ON STAGING

## STAGE 2 BREAKDOWN

(Billion TL)

Total Stage 2 38.2

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

35%

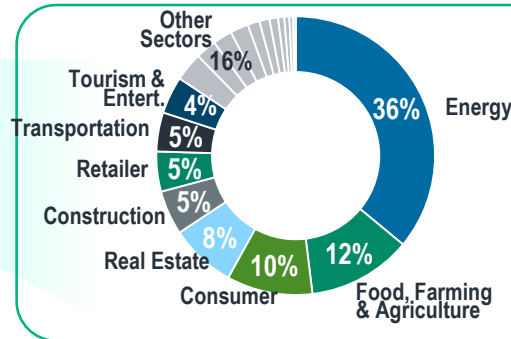
Watchlist,  
Restructured &  
Past Due  
(Qualitative)

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

	Coverage	TL	FC
Total Stage 2	11.5%		
SICR (Quantitative)	3.9%	90%	10%
Watchlist, Restructured & Past Due (Qualitative)	15.5%	44%	56%

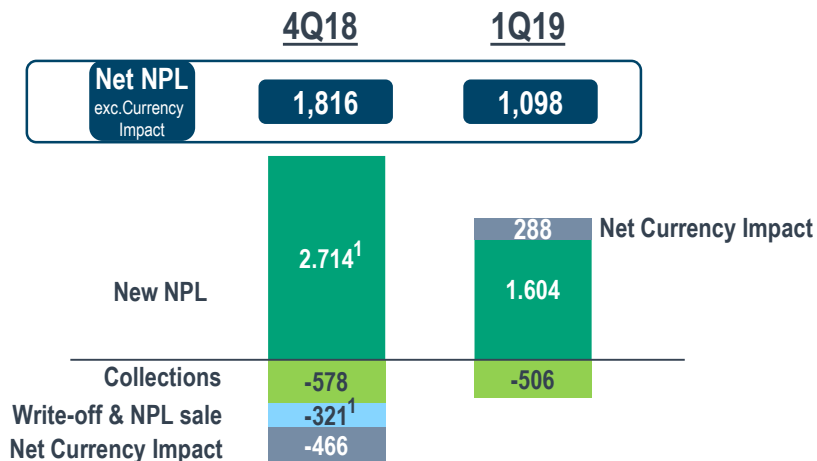
<sup>1</sup> SICR: Significant Increase in Credit Risk



# LOWER QUARTERLY NET NEW NPL INFLOWS, AS EXPECTED

## NPL EVOLUTION

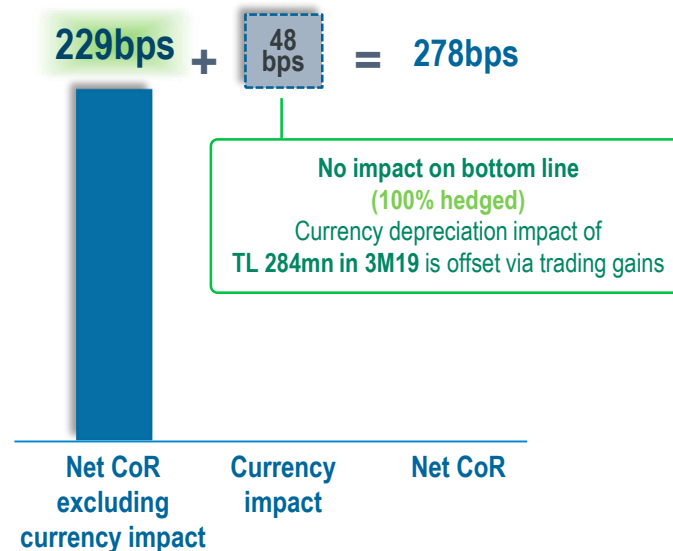
(TL million)



<b>NPL Ratio</b>	<b>4.9%</b>	<b>5.2%</b>
------------------	-------------	-------------

- ▶ New NPL inflows **decreased 41% QoQ.**
- ▶ **Retail inflows** constitute **2/3** of the new inflows

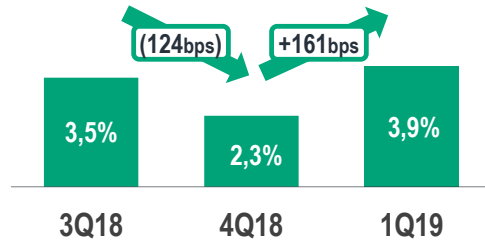
## NET CUMULATIVE CoR



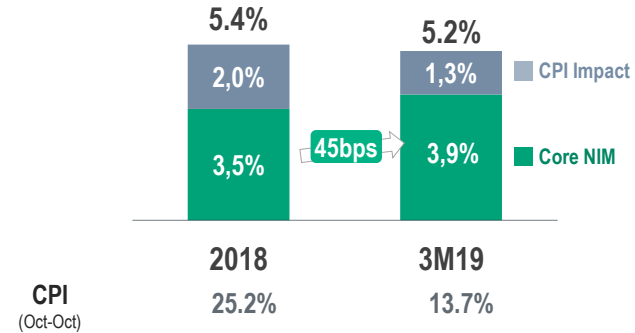
<sup>1</sup> 33% of Telecom file, corresponding to USD 385mn, has been written off in 4Q. This amount inflated both new NPL and write off balances in reported financial statements dated 31 Dec 2018

# STRONG RECOVERY IN CORE NIM

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



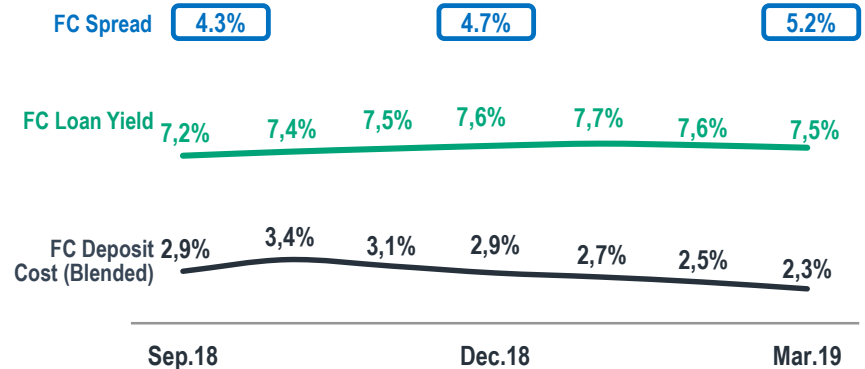
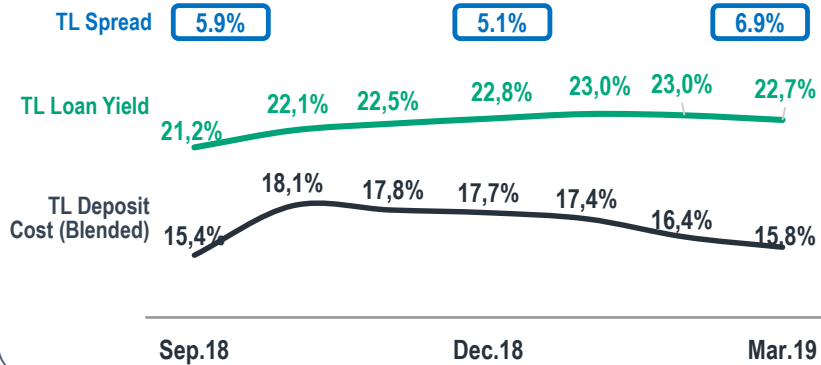
## CUMULATIVE NIM INCL. SWAP COSTS



- ▶ **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>

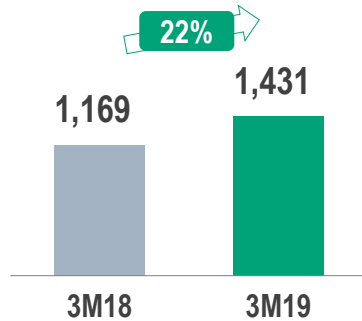


<sup>1</sup> Based on MIS data.  
<sup>2</sup> Core NIM = NIM including Swap costs and excluding CPI linker gains

# SUSTAINED CORE BANKING REVENUES

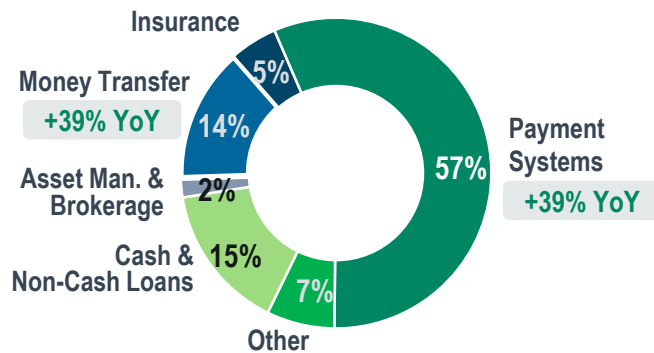
## NET FEES & COMMISSIONS (TL Million)

Well-diversified fee base



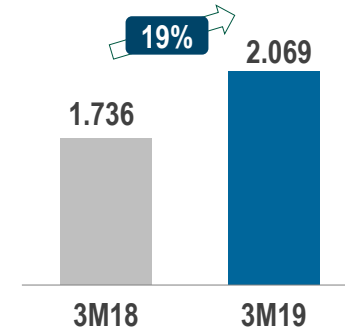
- ▶ Digital channels' share in non-credit linked fees: **46%**
- ▶ Share of digital sales in total sales: **64%**
- ▶ Leading position: **7.5mn digital customer**

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



## OPERATING EXPENSES (TL Million)

Disciplined cost management



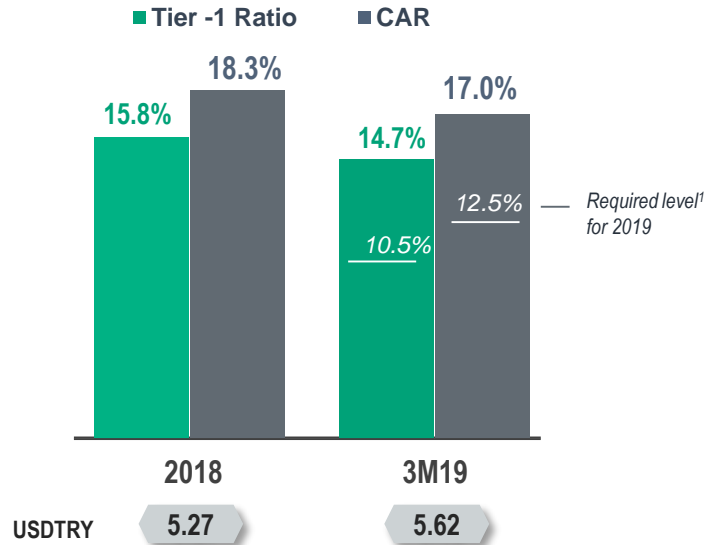
- ▶ **COST/INCOME<sup>2</sup> 35.7%**
- ▶ **FEE/OPEX 69%**

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

<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



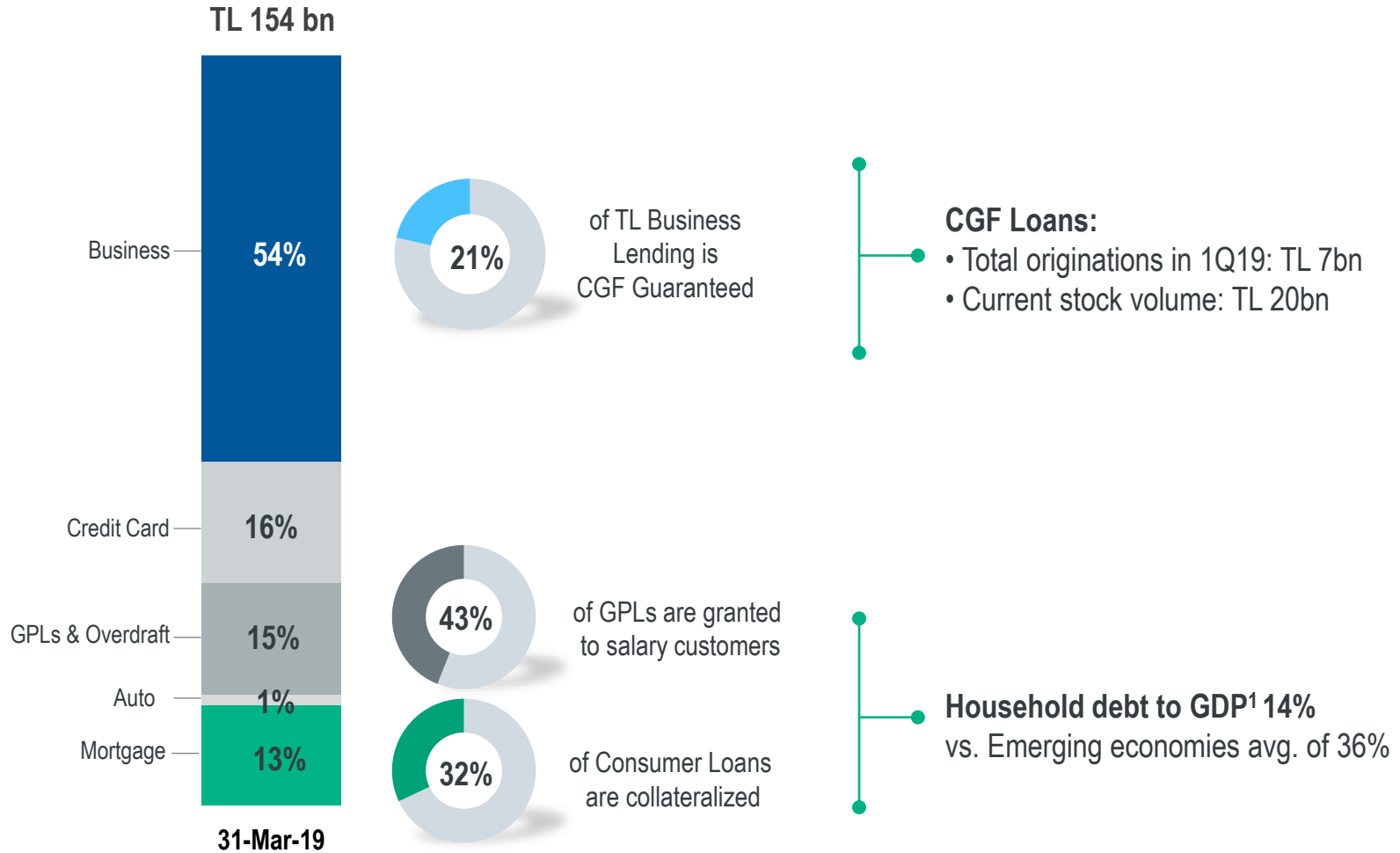
<sup>1</sup> Required CAR = 8.0% + SIFI Buffer for Group 3 (2%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.02%)

## 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 – 66% OF TOTAL PERFORMING LOANS



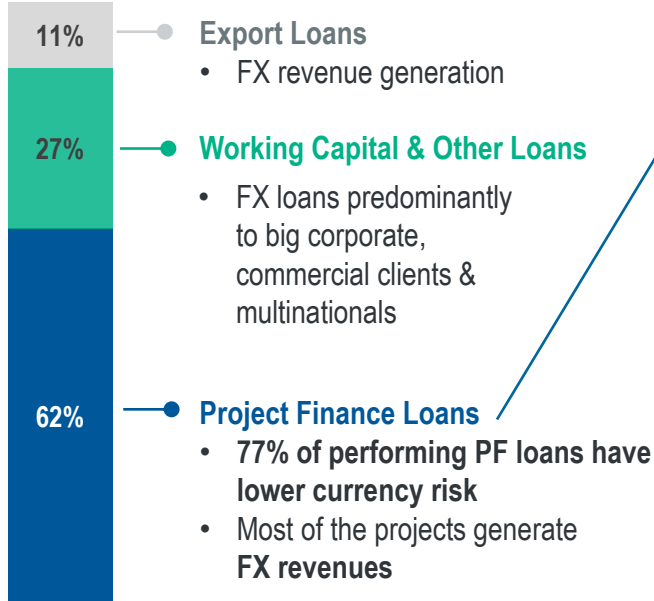
<sup>1</sup> Based on 1Q 2019 expected GDP.  
Emerging economies average is based on 2018 GDP. Source: BIS

# APPENDIX: STRUCTURE OF FC LOAN PORTFOLIO

## FC PERFORMING LOANS

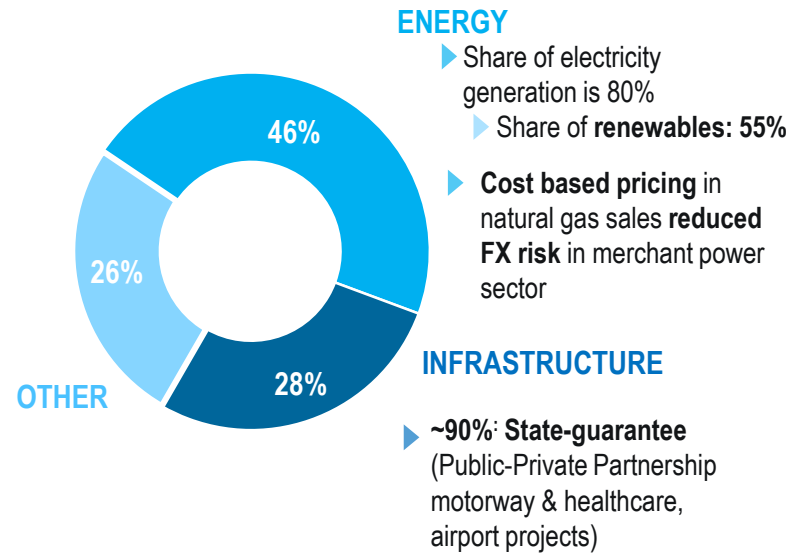
– 36% OF TOTAL PERFORMING LOANS

US\$ 14.3 bn



31.Mar.19

### BREAKDOWN OF 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:

99%



Adjusted  
LDR

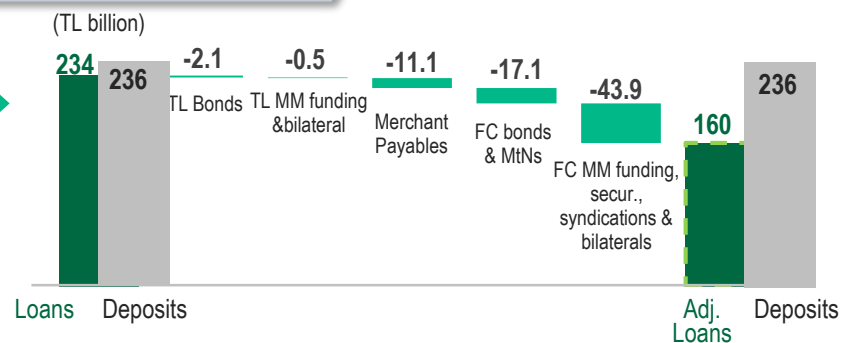


TL Loans /  
TL Deposits:

148%

FC Loans<sup>1</sup> /  
FC Deposits:

61%



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

<b>Total LCR</b>	<b>236.4%</b>
<i>Minimum Req. for 2019</i>	<i>100%</i>

<b>FC LCR</b>	<b>227.2%</b>
<i>Minimum Req. for 2019</i>	<i>80%</i>

<sup>1</sup> Represents the average of March's last week



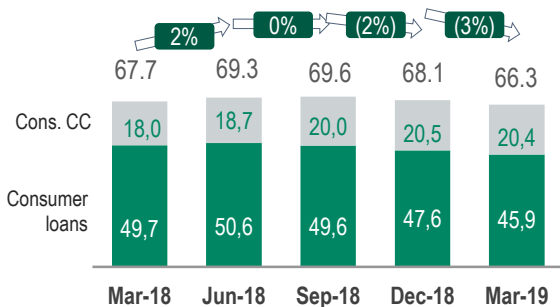
# APPENDIX: CONSUMER LOANS

## CONSUMER LOANS

(incl. cons. CCs)

(TL billion)

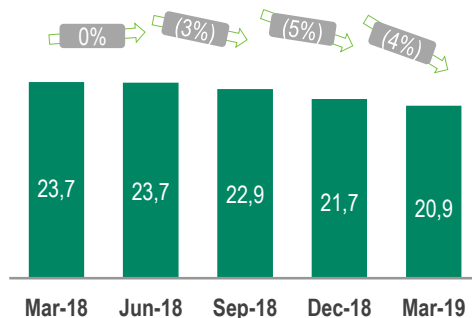
(2%)  
YoY



## CONS. MORTGAGE LOANS

(TL billion)

(12%)  
YoY



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

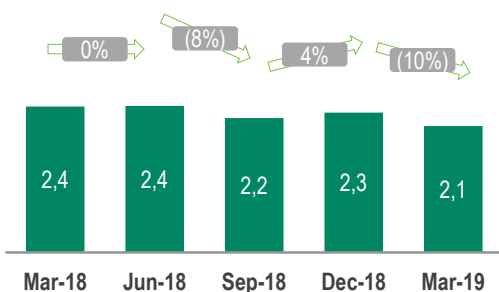
	Mar'19	QoQ	Rank
Consumer Loans	17.1%	+5bps	#1*
Cons. Mortgage	12.1%	-36bps	#1*
Cons. Auto	40.6%	+96bps	#1*
Consumer GPLs	10.9%	+23bps	#1*
# of CC customers <sup>2</sup>	14.2%	-15bps	#1
Issuing Volume <sup>2</sup>	18.9%	-12bps	#1
Acquiring Volume <sup>2</sup>	18.6%	-34bps	#2

\* Among private banks, as of Dec 18

## CONS. AUTO LOANS

(TL billion)

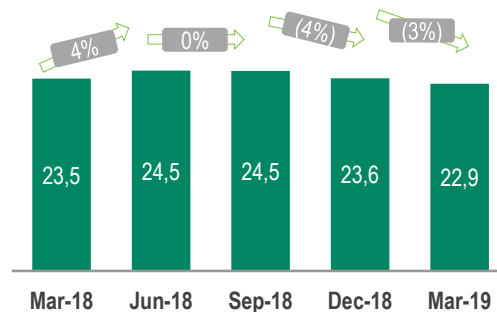
(14%)  
YoY



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

(TL billion)

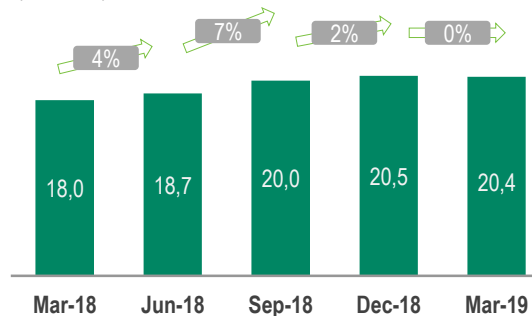
(3%)  
YoY



## CONS. CREDIT CARD BALANCES

(TL billion)

(+13%)  
YoY



1 Including other loans and overdrafts

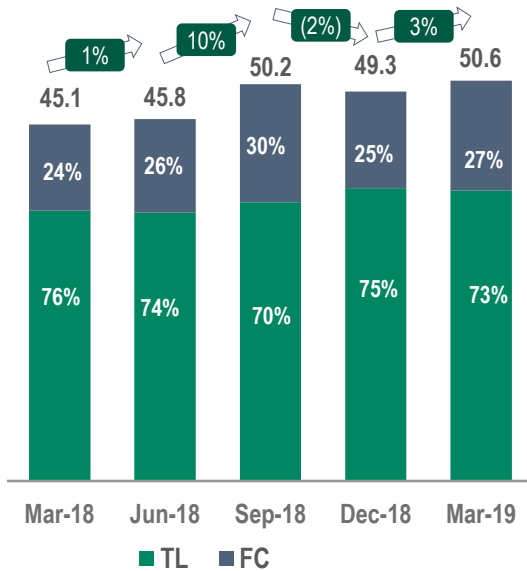
2 Cumulative figures and rankings as of March 2019, as per Interbank Card Center data.

3 Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 29.03.2019, for commercial banks

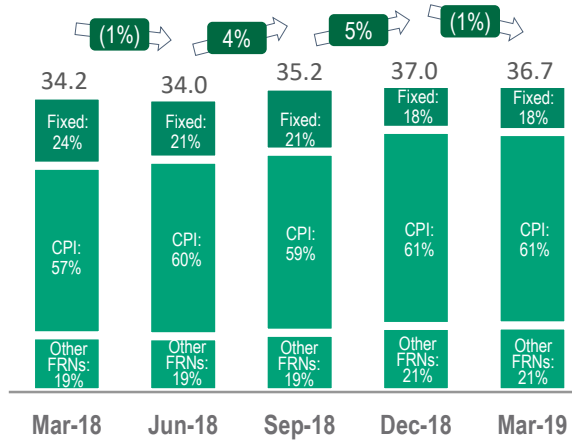
# APPENDIX: SECURITIES PORTFOLIO

## Total Securities (TL billion)

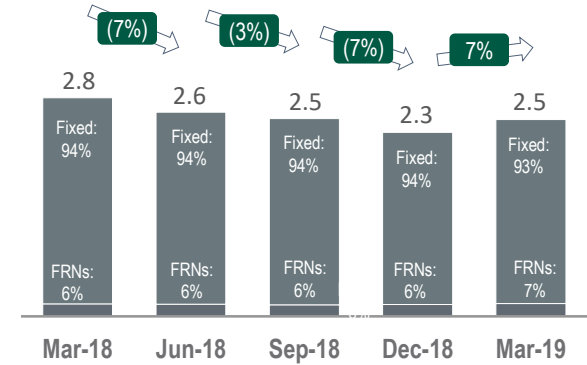
13% of Total Assets



## TL Securities (TL billion)



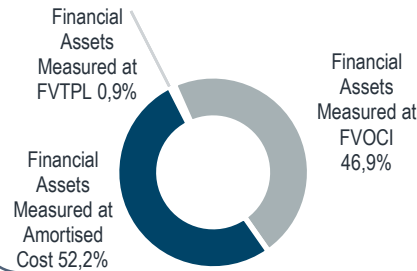
## FC Securities (US\$ billion)



Maintained  
FRN heavy portfolio



## Securities Composition



Unrealized MtM loss (pre-tax)  
~TL 1,931mn loss as of Mar'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	46.496	26.998	26.595
Balances at CBRT	32.436	35.803	42.783
Securities	50.192	49.264	50.620
Performing Loans	250.889	219.204	234.387
Fixed Assets & Subsidiaries	12.655	12.157	13.527
Other	18.109	16.051	16.472
<b>TOTAL ASSETS</b>	<b>410.777</b>	<b>359.477</b>	<b>384.384</b>

LIABILITIES & SHE	30.09.2018	31.12.2018	31.03.2019
Total Deposits	243.865	218.058	236.155
+Demand Deposits	62.087	54.228	65.517
+Time Deposits	181.777	163.830	170.638
Interbank Money Market	2.113	0.045	0.441
Bonds Issued	23.230	20.007	22.648
Funds Borrowed	64.120	48.204	51.168
Other liabilities	30.977	26.475	25.780
Shareholders' Equity	46.473	46.688	48.192
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>410.777</b>	<b>359.477</b>	<b>384.384</b>

## APPENDIX: SUMMARY P&L

TL Million	1Q18	4Q18	1Q19
(+) Net Interest Income including Swap costs	3,220	5,252	3,867
(+) <i>NII excluding CPI linkers' income</i>	3,239	2,921	3,506
(+) <i>Income on CPI linkers</i>	548	3,436	990
(-) <i>Swap Cost</i>	-568	-1,105	-629
(+) Net Fees & Comm.	1,169	1,311	1,431
(-) Net Expected Loss	-757	-1,858	-1,635
(-) <i>Expected Loss</i>	-1,617	-2,106	-3,207
<i>info: Currency Impact</i>	139	-724	284
(+) <i>Provision Reversal under other Income</i>	860	248	1,571
(-) OPEX	-1,736	-2,194	-2,069
(-) <i>HR</i>	-678	-859	-865
(-) <i>Non-HR</i>	-1,058	-1,335	-1,204
<b>= CORE OPERATING INCOME</b>	<b>1,896</b>	<b>2,511</b>	<b>1,593</b>
(+) Net Trading & FX gains/losses (excl. Swap costs)	226	-665	459
<i>info: Gain on Currency Hedge</i>	139	-724	284
(+) Income on subsidiaries	224	45	250
(+) Other income (excl. Prov. reversals)	164	172	69
(-) Taxation and other provisions	-514	-1,000	-649
(-) <i>Free Provision</i>	0	-390	-100
(-) <i>Taxation &amp; Other Provision</i>	-514	-610	-549
<b>= NET INCOME</b>	<b>1,996</b>	<b>1,062</b>	<b>1,722</b>

# APPENDIX: KEY FINANCIAL RATIOS

	Mar-18	Dec-18	Mar-19
<b>Profitability ratios</b>			
ROAE (Cumulative) <sup>1</sup>	18,3%	15,0%	15,4%
ROAA (Cumulative) <sup>1</sup>	2,4%	1,9%	2,0%
Cost/Income	35,7%	32,6%	35,7%
Quarterly NIM incl. Swap costs	4,7%	6,6%	5,2%
Quarterly NIM incl. Swap costs excl. CPI linkers	3,9%	2,3%	3,9%
Cumulative NIM incl. Swap costs	4,7%	5,4%	5,2%
Cumulative NIM incl. Swap costs excl. CPI linkers	3,9%	3,5%	3,9%
<b>Liquidity ratios</b>			
Loans / Deposits	113,8%	100,5%	99,3%
TL Loans / TL Deposits	159,2%	138,6%	148,2%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	79%	68%	68%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	135,1%	122,1%	127,8%
FC Loans / FC Deposits	70,9%	65,4%	60,6%
<b>Asset quality ratios</b>			
NPL Ratio	2,5%	4,9%	5,2%
Coverage Ratio			
+ Stage1	0,5%	0,4%	0,5%
+ Stage2	9,7%	10,7%	11,5%
+ Stage3	70,0%	59,4%	59,2%
Cumulative Net Cost of Risk (excluding currency impact, bps)	115	235	229
<b>Solvency ratios</b>			
CAR	18,0%	18,3%	17,0%
Common Equity Tier I Ratio	15,8%	15,8%	14,7%
Leverage	6,7x	6,7x	7,0x

<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 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

Cumulative Net Expected Credit Loss	2018	3M19
<b>(-) Expected Credit Losses</b>	<b>8.362</b>	<b>3.207</b>
Stage 1	831	651
Stage 2	3.095	1.576
Stage 3	4.436	979
<b>(+) Provision Reversals under other income</b>	<b>1.758</b>	<b>1.571</b>
Stage 1	765	514
Stage 2	452	752
Stage 3	542	305
<b>(=) (a) Net Expected Credit Losses</b>	<b>6.604</b>	<b>1.635</b>
<b>(b) Average Gross Loans</b>	<b>233.342</b>	<b>238.896</b>
<b>(a/b) Cumulative Total Net CoR (bps)</b>	<b>283</b>	<b>278</b>
<b>info: Currency Impact<sup>1</sup></b>	<b>48</b>	<b>48</b>
<b>Total Net CoR excl. currency impact (bps)</b>	<b>235</b>	<b>229</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).

# DISCLAIMER STATEMENT

Türkiye Garanti Bankası A.Ş. (the “TGB”) has prepared this presentation document (the “Document”) thereto for the sole purposes of providing information which include forward looking projections and statements relating to the TGB (the “Information”). No representation or warranty is made by TGB for the accuracy or completeness of the Information contained herein. The Information is subject to change without any notice. Neither the Document nor the Information can construe any investment advise, or an offer to buy or sell TGB shares. This Document and/or the Information cannot be copied, disclosed or distributed to any person other than the person to whom the Document and/or Information delivered or sent by TGB or who required a copy of the same from the TGB. TGB expressly disclaims any and all liability for any statements including any forward looking projections and statements, expressed, implied, contained herein, or for any omissions from Information or any other written or oral communication transmitted or made available.

## Investor Relations

Levent Nispetiye Mah. Aydar 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)

