







# 2018 EARNINGS PRESENTATION

Based on IFRS Consolidated Financials



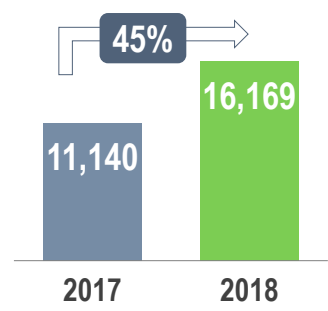
# PROVEN STRONG ROAE GENERATION CAPABILITY

## 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)



**TL**  
2,250mn

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

**15%**

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

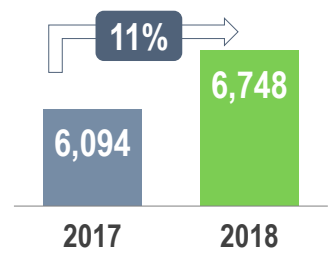
**1.7%**

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

**16.5%**

**CAR<sup>1</sup>**  
CET-1 share:86%  
When adjusted with free provisions: **~16.9%**

### NET INCOME (TL million)

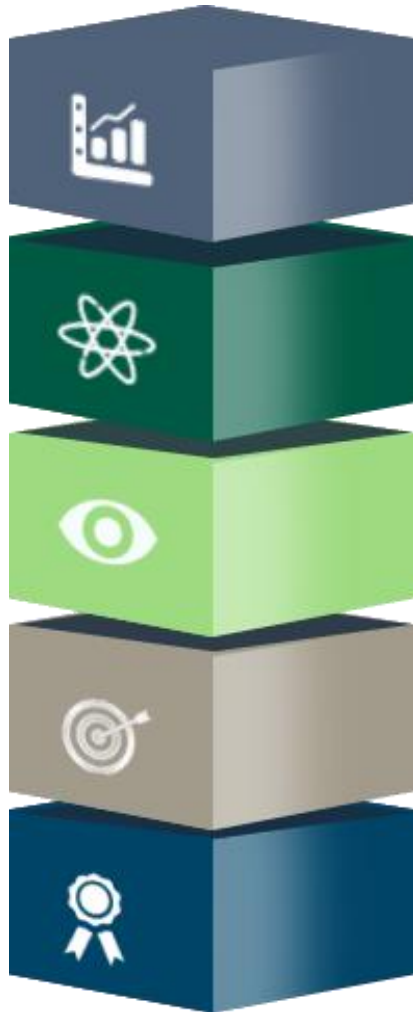


Note: In the calculation of average assets and average equity, opening balance sheet as of 1 January 2018 has been used instead of YE 2017. Pre-provision income is defined as;

Net income – (Provisions for loans and other credit risks, net)-(Impairment losses, net)- (Taxation charge)

<sup>1</sup> Based on BRSA Consolidated financials.

# 2018 PERFORMANCE



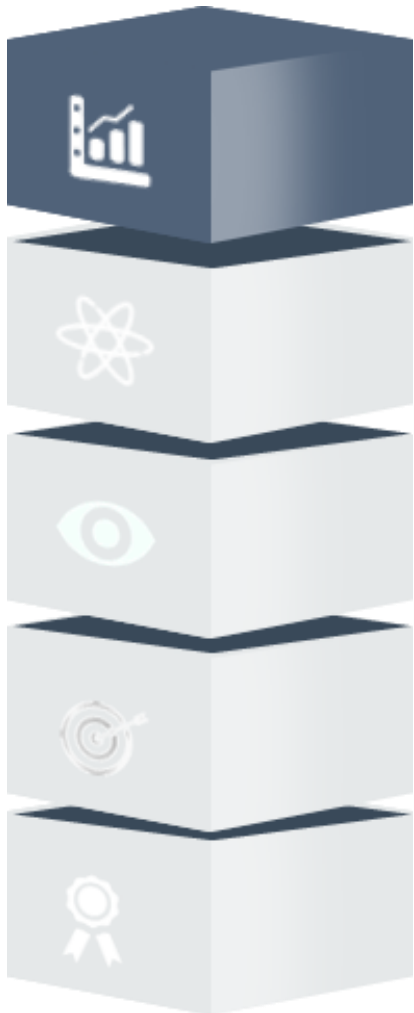
●-----● MUTED LOAN GROWTH

●-----● COMFORTABLE LIQUIDITY

●-----● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

●-----● SUSTAINED CORE BANKING REVENUES

●-----● STRONG SOLVENCY VIA CAPITAL GENERATION



●-----● **MUTED LOAN GROWTH**

●-----● COMFORTABLE LIQUIDITY

●-----● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

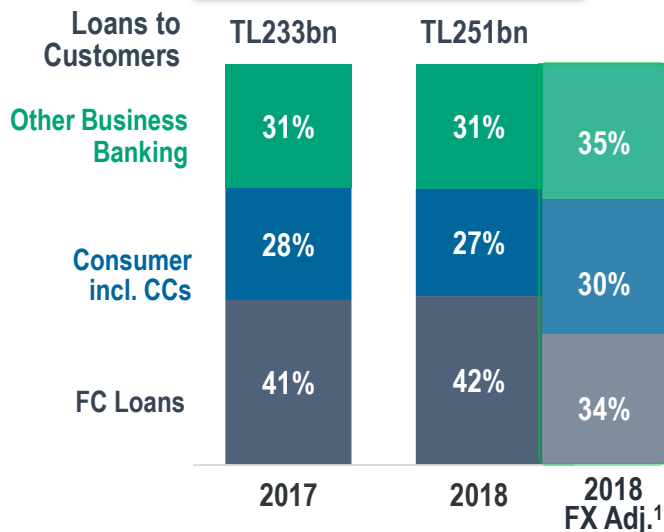
●-----● SUSTAINED CORE BANKING REVENUES

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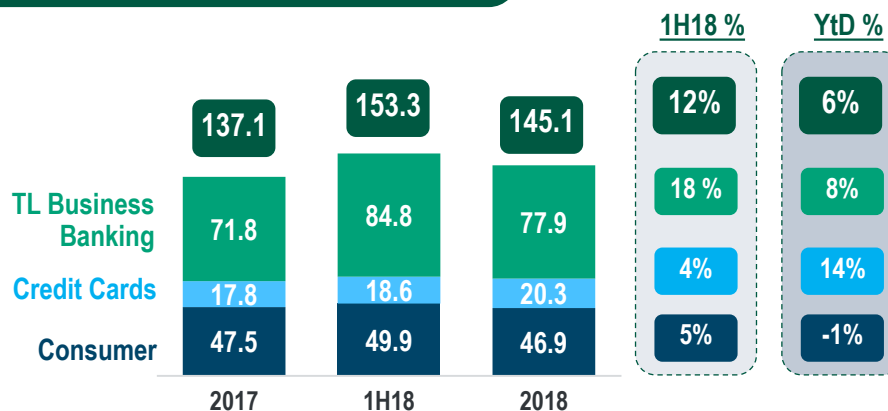
# MUTED LOAN GROWTH

## -- *Balanced lending mix*

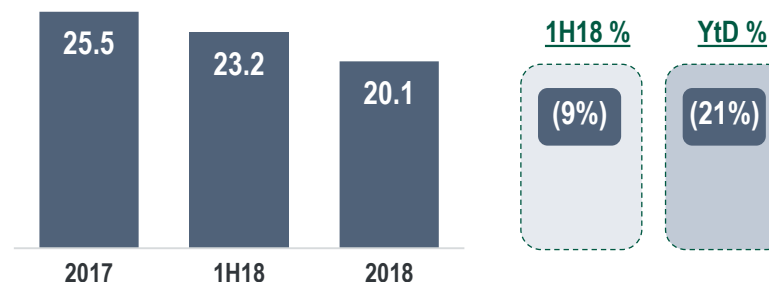
### LOAN PORTFOLIO (63% of Total Assets)



### TL LOANS TO CUSTOMERS (TL billion)



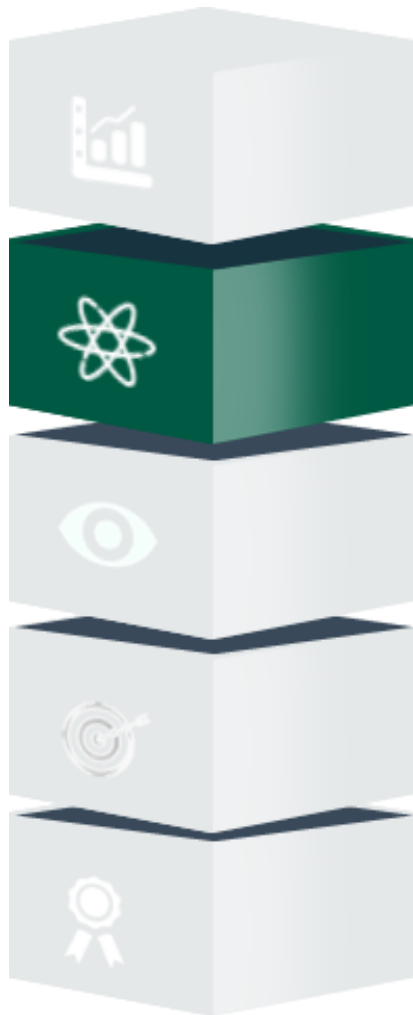
### FC LOANS TO CUSTOMERS (US\$ billion)



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

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

Note: Business banking loans represent total loans excluding credit cards and consumer loans  
1 Adjusted for ~40% TL depreciation between 31.12.2017 vs. 31.12.2018



MUTED LOAN GROWTH

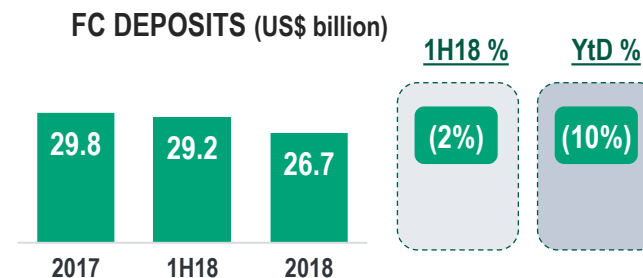
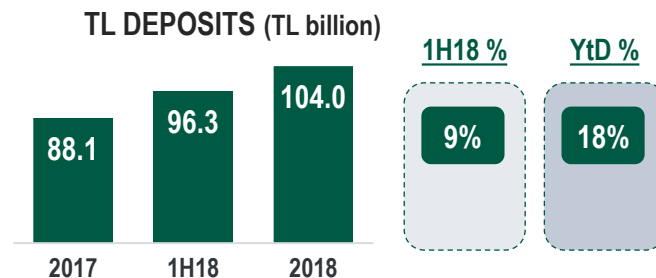
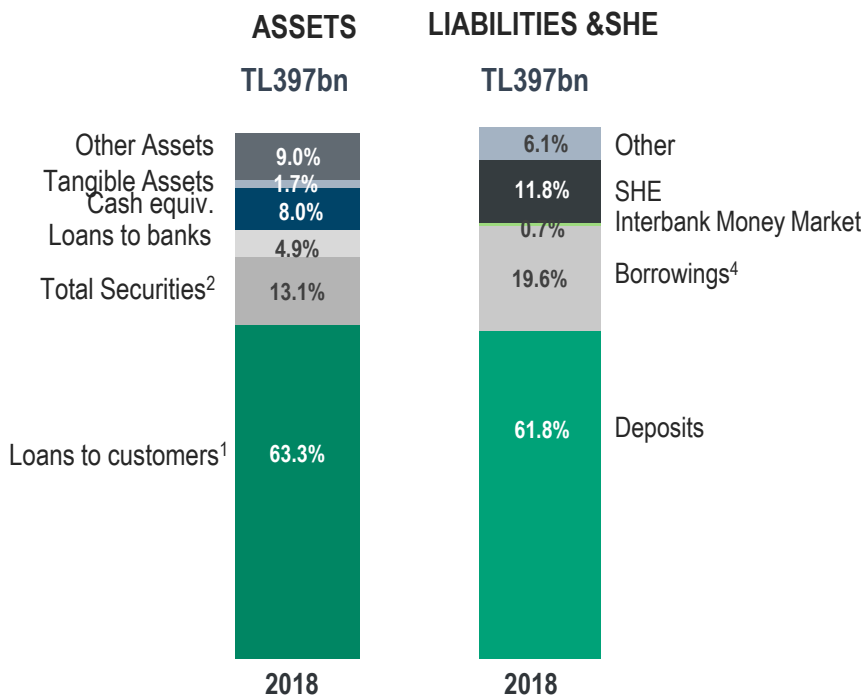
COMFORTABLE LIQUIDITY

PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

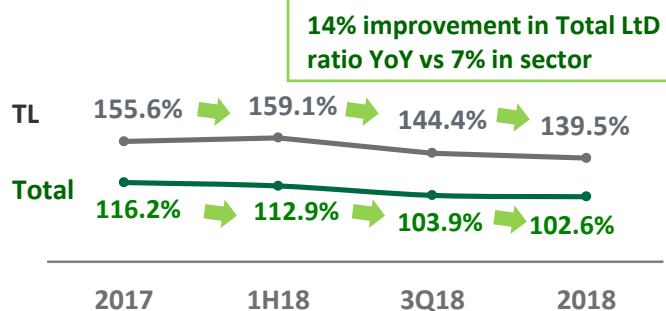
SUSTAINED CORE BANKING REVENUES

STRONG SOLVENCY VIA CAPITAL GENERATION

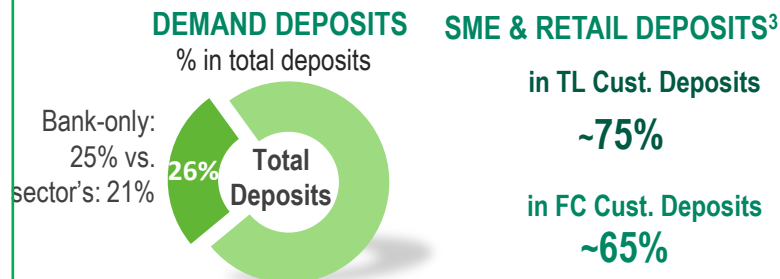
# DEPOSITS REMAIN THE MAJOR FUNDING SOURCE



## LOAN TO DEPOSIT RATIOS



## LOW COST & STICKY DEPOSIT BASE



<sup>1</sup> Includes factoring and leasing receivables.

<sup>2</sup> Excludes Telcom file related loan that measured at fair value through P&L

<sup>3</sup> Based on MIS data

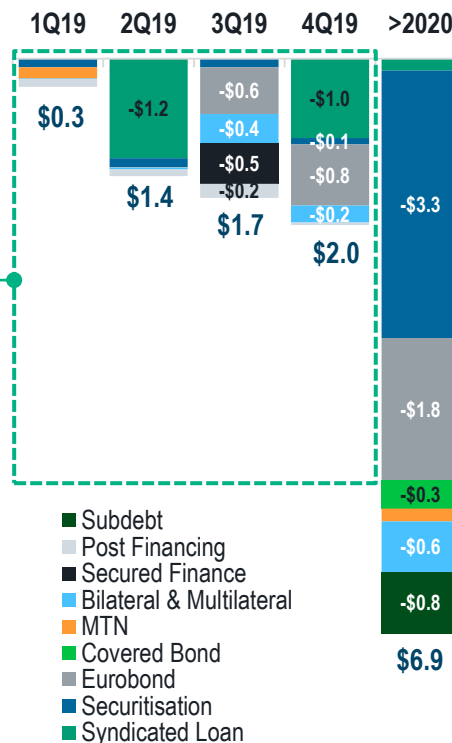
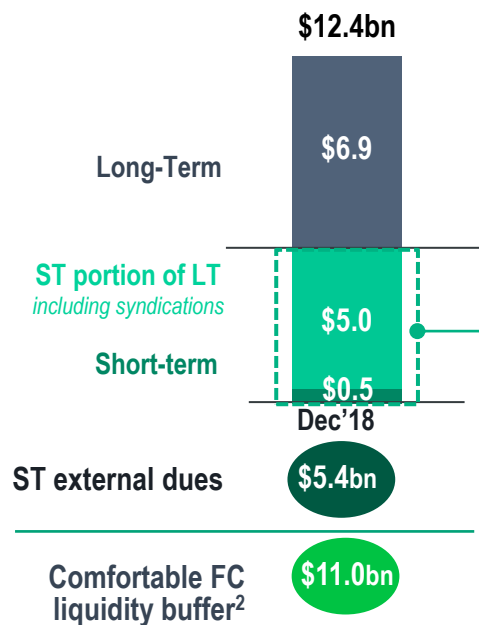
<sup>4</sup> Borrowings include Loans and advances from banks & other institutions, Debt Securities Issued, Subordinated liabilities & Financial liabilities at fair value through profit or loss

Note: Sector data is based on BRSA weekly data, for commercial banks only

# COMFORTABLE LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

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

## MATURITY PROFILE OF BANK-ONLY EXTERNAL DEBT



- ▶ Proactively increased the maturity of 4Q18 redemptions
- ▶ Lower dependency on external borrowing due to shrinking FC loan portfolio since 2013:
  - ▶ CAGR: FC loans -6% vs. FC borrowings -5%

<sup>1</sup> Bank-only external debt. 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





MUTED LOAN GROWTH

COMFORTABLE LIQUIDITY

**PROACTIVELY SHAPED & WELL PROVISIONED ASSETS**

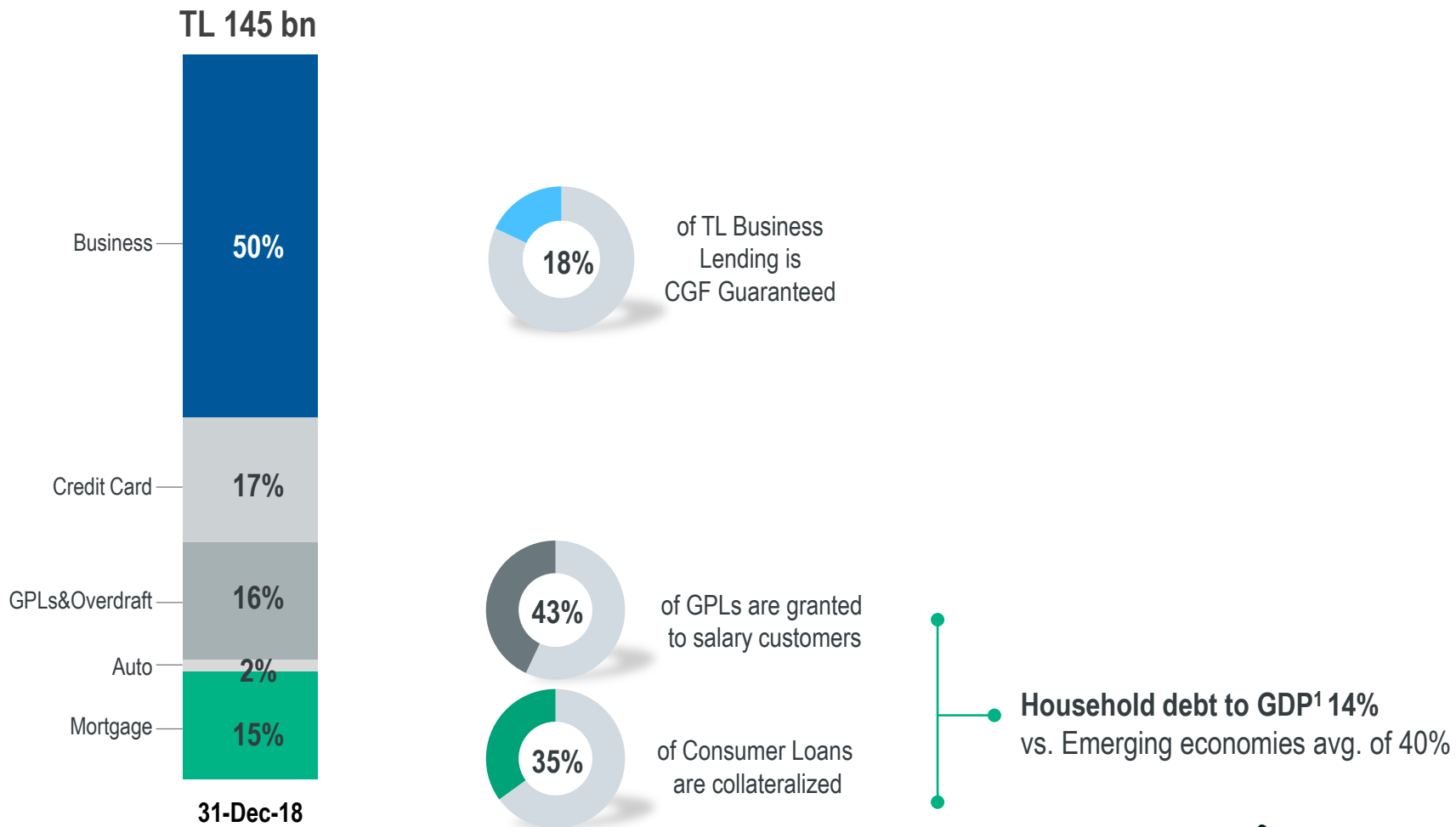
SUSTAINED CORE BANKING REVENUES

STRONG SOLVENCY VIA CAPITAL GENERATION

# BREAKDOWN OF TL LOAN PORTFOLIO

## TL LOANS

(per BRSA bank-only financials)



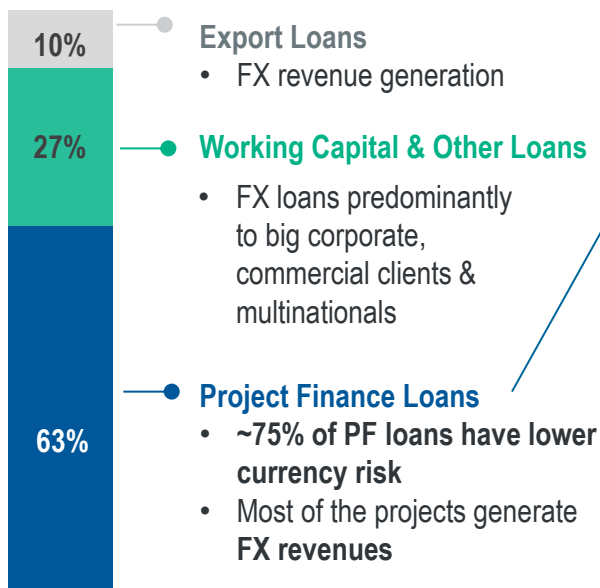
<sup>1</sup> Based on 2018 expected GDP. Emerging economies average is based on 2017 GDP.  
Source: BIS

# STRUCTURE OF FC LOAN PORTFOLIO

## FC LOANS<sup>1</sup>

(per BRSA bank-only financials)

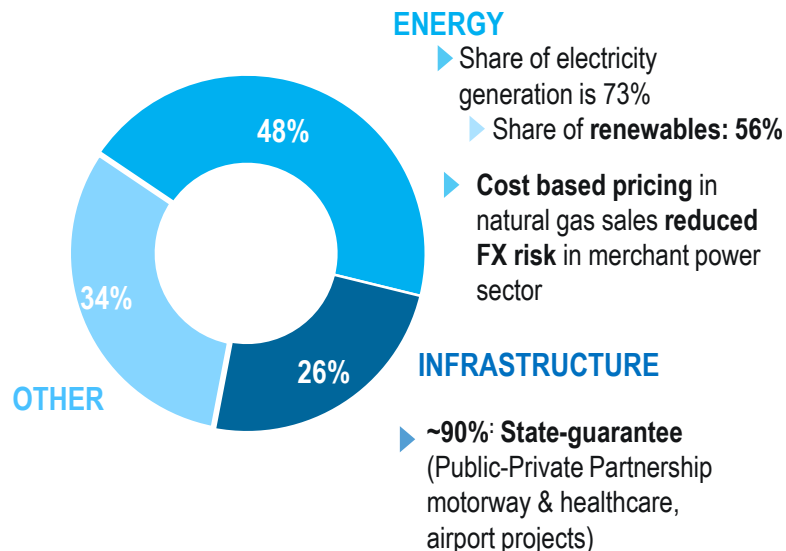
US\$ 14.1 bn



12/31/2018

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

### BREAKDOWN OF PF LOANS



### Regulation to preserve customers against currency shocks and risks

- FX lending to **consumers already prohibited**
- As of May 18; **companies with outstanding FC loan balance < \$15 Mn will be restricted<sup>2</sup>**



<sup>1</sup> Excludes «Loans Measured at Fair Value through P&L (FVTPL)

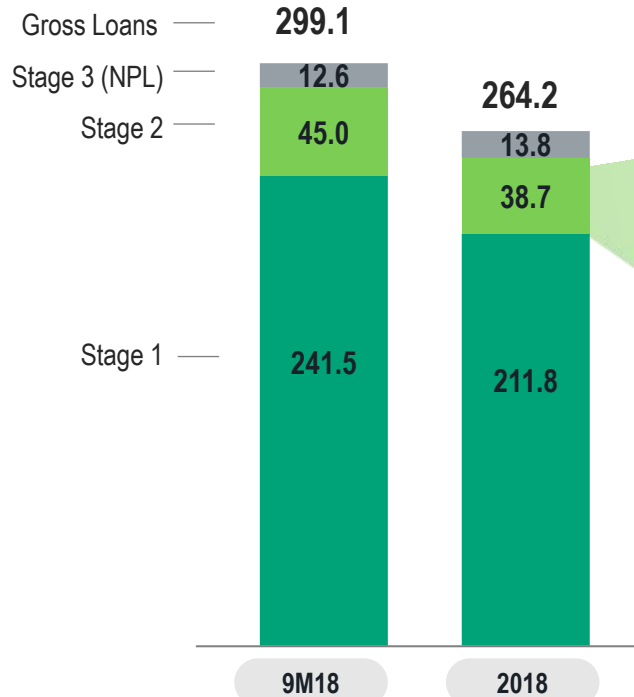
<sup>2</sup> According to Decree 32, companies' outstanding FX loan balance will be limited to last 3 years' total FX income (considered in new disbursements).

FX indexed lending facility revoked

# PRUDENT APPROACH CONTINUED ON STAGING

## LOAN PORTFOLIO BREAKDOWN

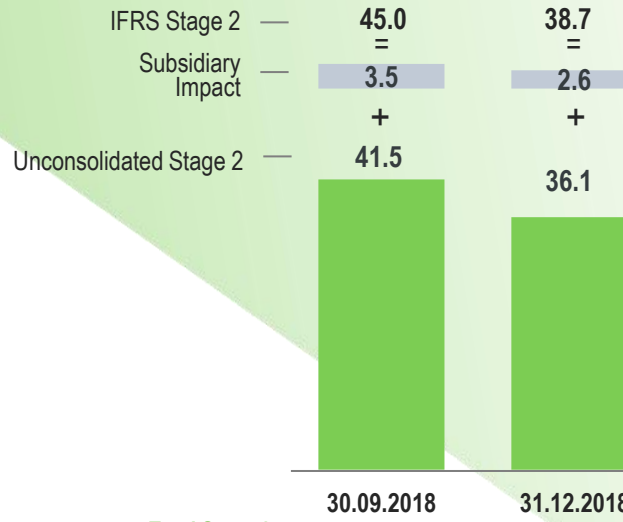
(Billion TL)



USDTRY: 5.9819      5.2699

### Stage 2 Breakdown

(Billion TL)



Total Stage 2 Coverage

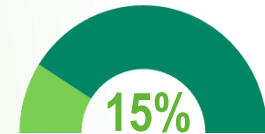
11.3%

10.4%

Total Stage 2 Coverage (excluding Telecom file)

7.9%

### 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 Watch List classification.

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

# PRUDENT APPROACH CONTINUED ON STAGING

## UNCONSOLIDATED STAGE 2 BREAKDOWN

(Billion TL)

Total Stage 2 36.1

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

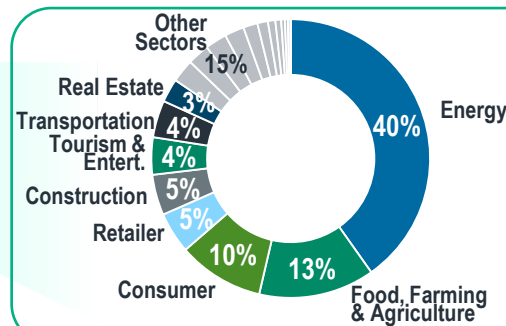
40%

Watchlist,  
Restructured &  
Past Due  
(Qualitative)

2018

Sector Breakdown  
of Stage 2  
excluding SICR

▶ 81% of SICR is not delinquent at all and the rest are less than 30-days past due



- ▶ 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	Currency Breakdown	
		TL	FC
Total Stage 2	10.7%		
SICR (Quantitative)	4%	88%	12%
Watchlist, Restructured & Past Due (Qualitative)	15%	43%	57%

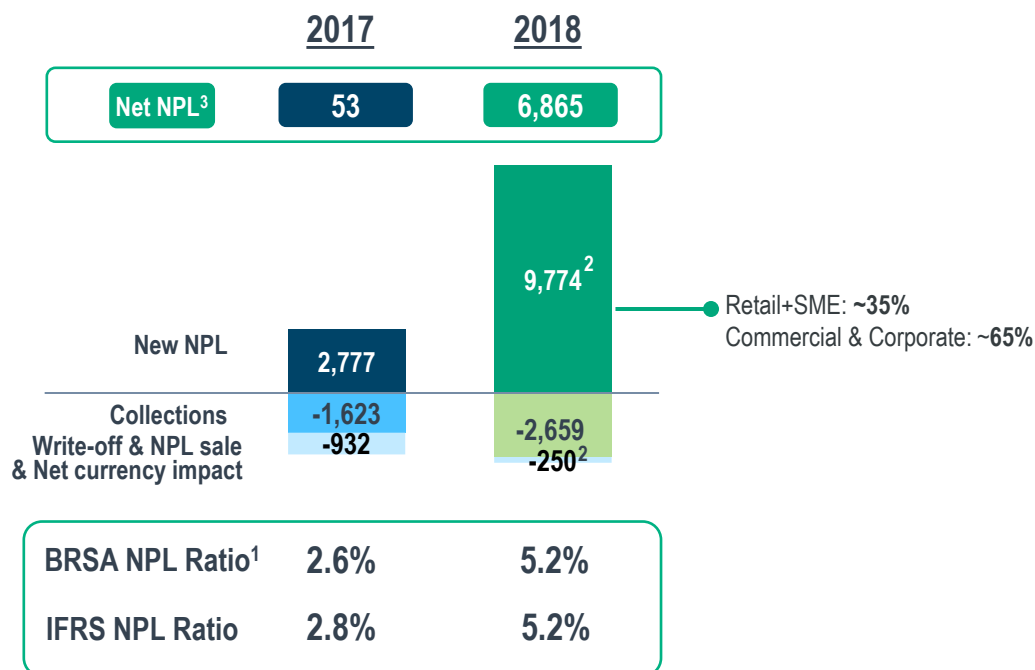
(BRSA unconsolidated figures)

1 SICR: Significant Increase in Credit Risk

# SLOWDOWN IN ECONOMIC ACTIVITY REFLECTED IN ASSET QUALITY TRENDS

## NPL EVOLUTION

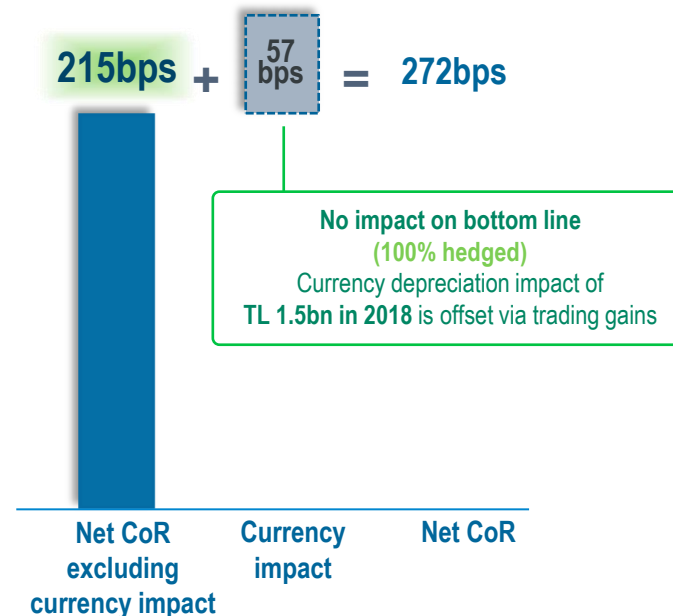
(per BRSA consolidated financials, TL million)



- ▶ **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 CUMULATIVE CoR<sup>1</sup>

(per BRSA consolidated financials)

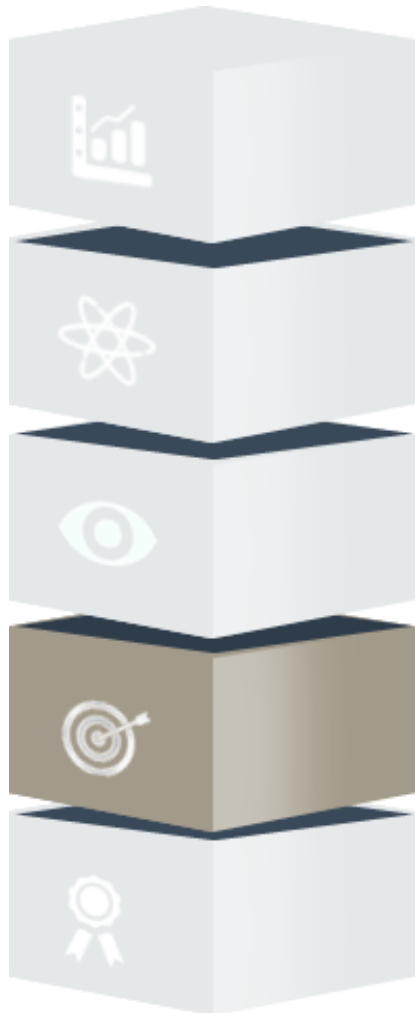


- ▶ **Coverage of certain portfolios increased** to be well-guarded in 2019

<sup>1</sup> Loans exclude «Loans Measured at Fair Value through P&L (FVTPL)»

<sup>2</sup> 33% of Telcom file, corresponding to USD 385mn, has been written off in 4Q. This amount inflated both new NPL and write off balances in reported BRSA financial statements dated 31 Dec 2018

<sup>3</sup> 2018 NPL figures include leasing and factoring receivables



●-----● MUTED LOAN GROWTH

●-----● COMFORTABLE LIQUIDITY

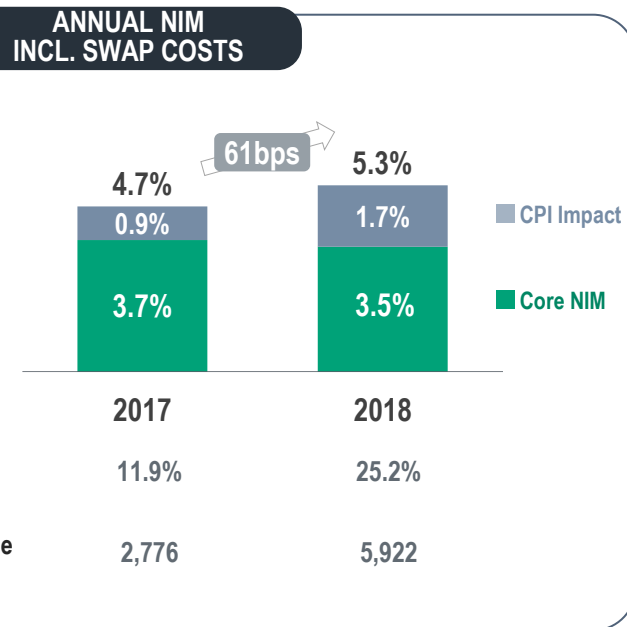
●-----● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

●-----● SUSTAINED CORE BANKING REVENUES

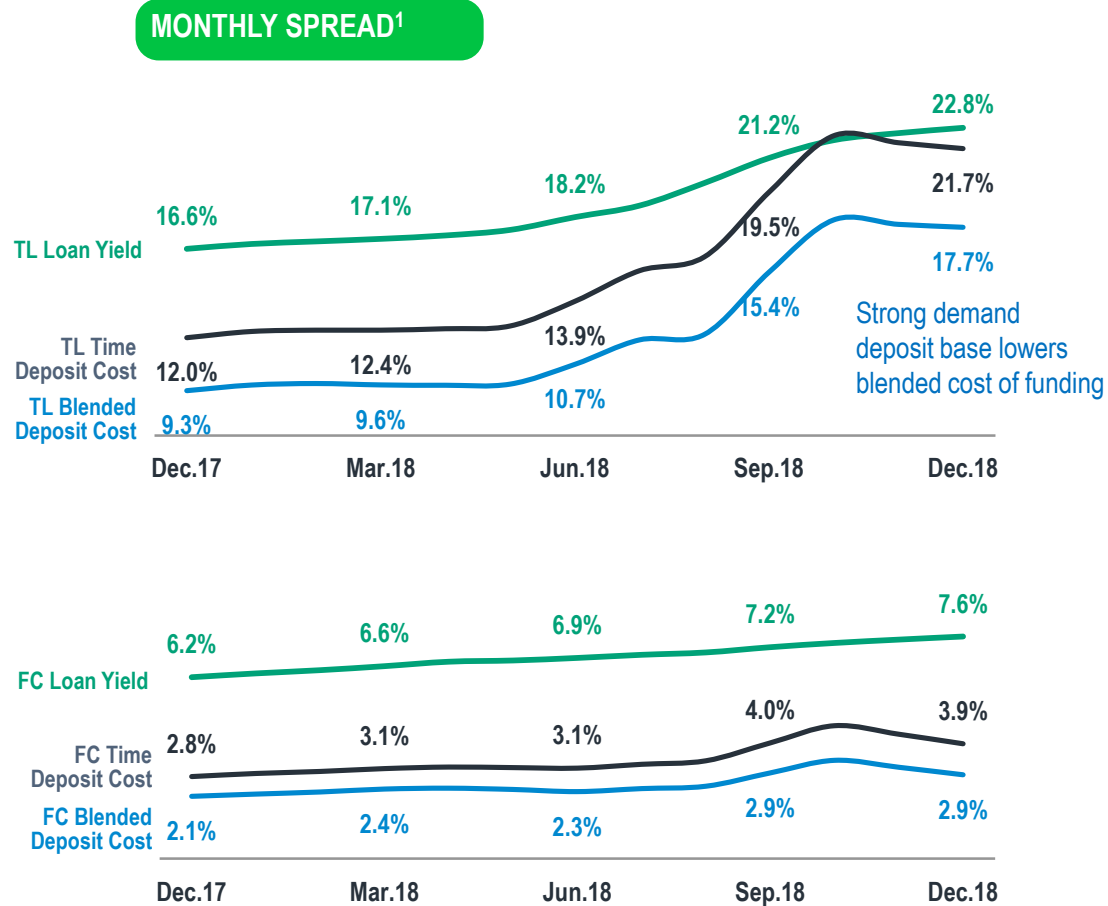
●-----● STRONG SOLVENCY VIA CAPITAL GENERATION

# SUSTAINED CORE BANKING REVENUES

## *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
- ▶ **Spreads to widen throughout 2019,** mainly due to ease in cost of funding



Note: NIM calculation is based on BRSA Consolidated Financials.  
1 Spread calculation is per bank-only MIS data, using daily averages.

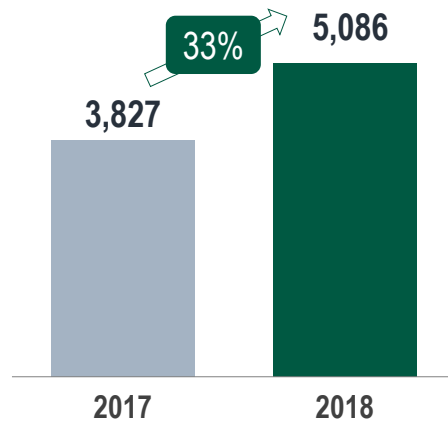


# SUSTAINED CORE BANKING REVENUES

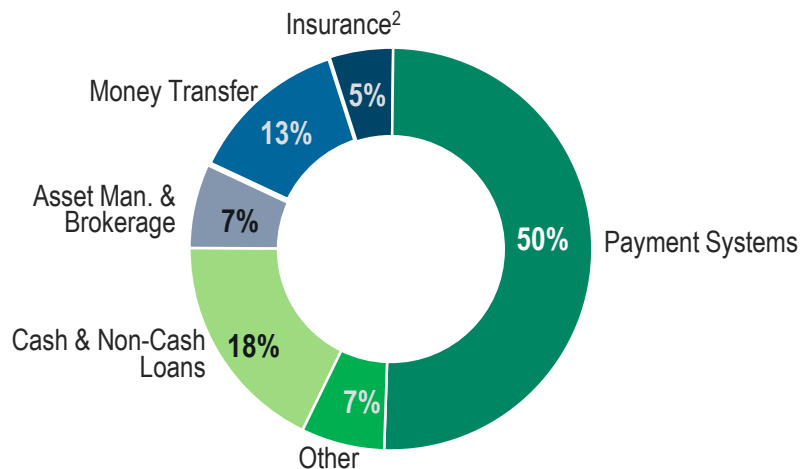
## Well-diversified fee base

### NET FEES & COMMISSIONS

(TL million)



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



<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.  
 Based on BRSA consolidated financials

#### ► 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**

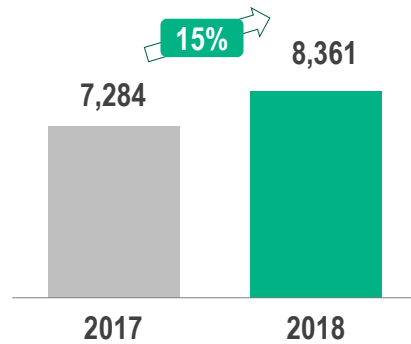
#### ► Digital Channels

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)**

# SUSTAINED CORE BANKING REVENUES

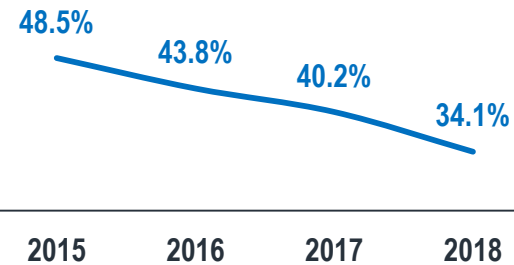
## *Disciplined cost management*

### 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>



14% improvement in C/I since 2015

<sup>1</sup> Impact is calculated per bank-only figures

<sup>2</sup> Income defined as NII + Net F&C + Trading gains/losses + Other income.



●-----● MUTED LOAN GROWTH

●-----● COMFORTABLE LIQUIDITY

●-----● PROACTIVELY SHAPED & WELL PROVISIONED ASSETS

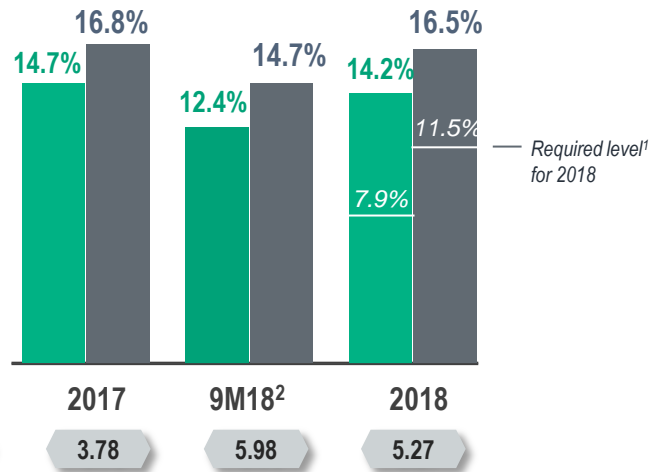
●-----● SUSTAINED CORE BANKING REVENUES

●-----● **STRONG SOLVENCY VIA CAPITAL GENERATION**

# STRONG SOLVENCY VIA CAPITAL GENERATION

## SOLVENCY RATIOS

■ CET-1 ■ CAR



TL 2.25bn Free Provisions

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

USDTRY

2017

9M18<sup>2</sup>

2018

3.78

5.98

5.27

### Impacts on CAR – 2018 vs. 2017



Note: Figures are per BRSA Consolidated financials.

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

## 2018 STATUS WRAP-UP

*ROAE target met when adjusted for the free provisions set aside during the year*

	2018 Guidance	2018 Realization	vs. Guidance
TL Loans to Customers	<14%	6%	Lower
FC Loans to Customers (in US\$)	Shrinkage	-21%	In-line
NPL Ratio	4-4.5%	5.2%	Higher
Net Cost of Risk <sup>1</sup> (excl. currency impact) <sup>2</sup>	~150 bps	215 bps	Higher
NIM including swap cost	Flat (including CPI impact)	+61 bps (including CPI impact)	Beat
Fee Growth (yoy)	> 20%	33%	Beat
Opex Growth (yoy)	~10% (~ avg. CPI)	15 % (< avg. CPI)	Beat
ROAE	> 17% (no free provision assumed)	15% (When adjusted w/ free provision set aside during the year: 17%)	In-line

**Better than expected Net F&C, NIM and OPEX offset significantly higher provisions**

Note: BRSA Consolidated financials are used in calculation of CoR and NIM.

1 Excludes factoring and leasing receivables

2 Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

INVESTOR RELATIONS | 2018 IFRS EARNINGS PRESENTATION

# APPENDIX

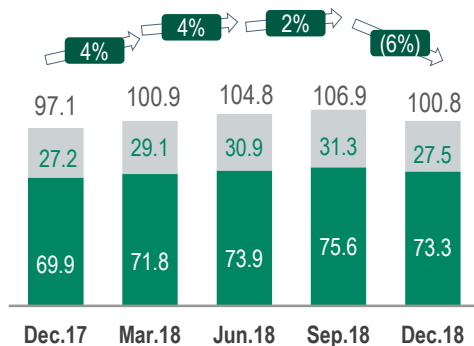
Pg. 23	Retail Loans
Pg. 24	Securities portfolio
Pg. 25	Summary Balance Sheet
Pg. 26	Summary P&L

# APPENDIX: RETAIL LOANS

## RETAIL LOANS

(TL billion)

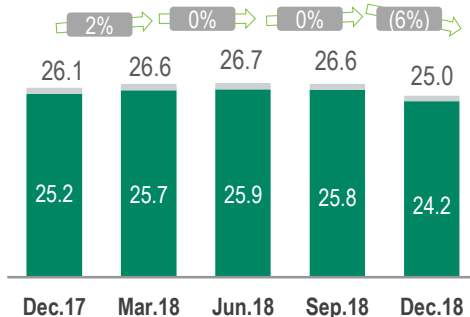
+4%  
YoY



## MORTGAGE LOANS

(TL billion)

(4%)  
YoY



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

	Dec'18	QoQ	Rank
Consumer Loans	22.4%	+5bps	#1
Cons. Mortgage	25.3%	-36bps	#1
Cons. Auto	48.3%	+96bps	#1
Consumer GPLs	18.8%	+23bps	#1

\* Among private banks, rankings as of Sep 18

### Pioneer in cards business

# of CC  
customers

14.4%<sup>2</sup>

Issuing  
Volume

19.0%<sup>2</sup>

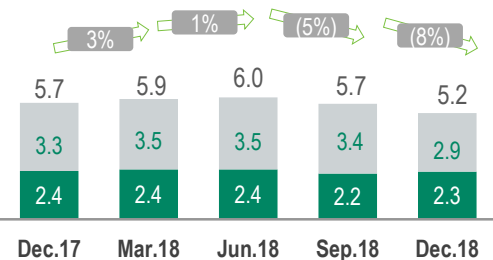
Acquiring  
Volume

19.0%<sup>2</sup>

## AUTO LOANS

(TL billion)

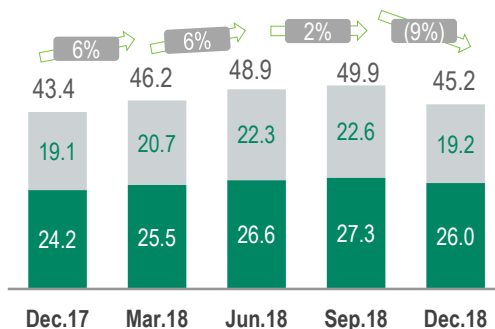
(9%)  
YoY



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

(TL billion)

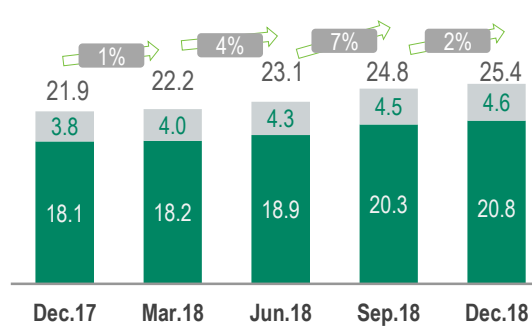
4%  
YoY



## CREDIT CARD BALANCES

(TL billion)

+16%  
YoY



■ Consumer Loans ■ Commercial Instalment Loans

Note: Figures are per BRSA Consolidated financials.

1 Including other loans and overdrafts

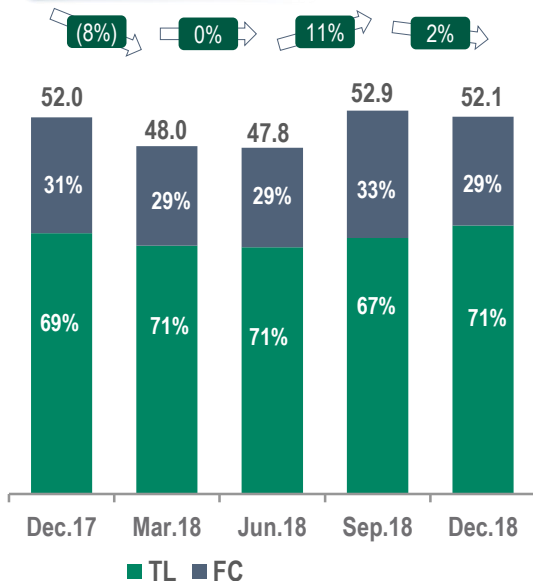
2 Cumulative figures as of December 2018, as per Interbank Card Center data.

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

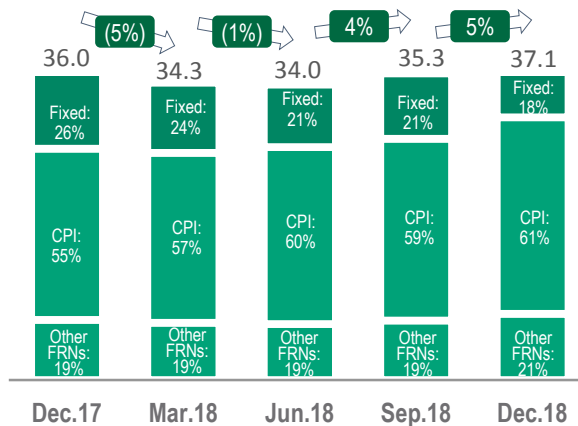


■ TL ■ FC

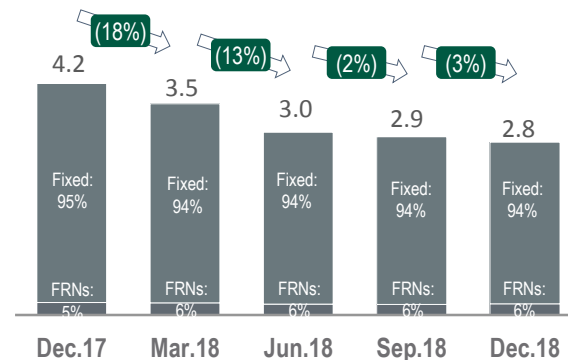
Maintained  
FRN heavy portfolio<sup>1</sup>



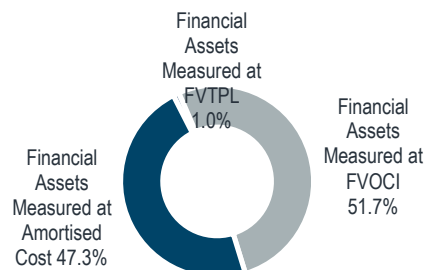
## TL Securities (TL billion)



## FC Securities (US\$ billion)



## Securities Composition



**Unrealized MtM loss<sup>2</sup> (pre-tax)**  
~TL 1,323mn loss as of December'18

<sup>1</sup> Fixed - Floating breakdown of securities are based on bank-only MIS data

<sup>2</sup> Based on BRSA consolidated financials.



## APPENDIX: SUMMARY BALANCE SHEET

TL Million

ASSETS	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Cash&Cash equivalents <sup>1</sup>	25,374	29,232	69,023	51,322
Securities <sup>2</sup>	47,997	47,786	52,908	52,059
Loans to Customers	243,620	259,265	285,176	251,144
Tangible Assets	6,263	6,413	6,601	6,595
Other	34,939	41,206	40,929	35,451
<b>TOTAL ASSETS</b>	<b>358,192</b>	<b>383,901</b>	<b>454,637</b>	<b>396,571</b>

LIABILITIES & SHE	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Deposits from Customers	207,885	222,830	267,067	238,730
Deposits from Banks	3,909	6,832	7,528	6,162
Repo Obligations	7,515	7,181	4,375	2,635
Borrowings <sup>3</sup>	75,704	80,254	98,968	77,921
Other	20,471	22,400	30,139	24,228
SHE	42,710	44,405	46,560	46,895
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>358,192</b>	<b>383,901</b>	<b>454,637</b>	<b>396,571</b>

1 Includes Loans to banks

2 Excludes Telcom file related loan that is measured at Fair Value through P&L (FVTPL)

3 Includes Loans and advances from banks& other institutions, Debt Securities Issued, Subordinated liabilities & Financial liabilities at fair value through profit or loss

## APPENDIX: SUMMARY P&L

<i>TL Million</i>	3M18	6M18	9M18	2018
(+) Net Interest Income	3,510	7,350	12,067	17,898
(+) <i> NII excluding CPI linkers' income</i>	2,961	6,216	9,581	11,977
(+) <i> Income on CPI linkers</i>	548	1,134	2,486	5,922
(+) Net Fees & Comm.	1,228	2,411	3,735	5,086
(-) Provisions for loans and other credit risks, net	-803	-1,478	-2,943	-5,792
(-) OPEX	-1,977	-3,996	-6,022	-8,361
<b>= OPERATING INCOME</b>	<b>1,958</b>	<b>4,287</b>	<b>6,837</b>	<b>8,830</b>
(+) Net Trading & FX gains/losses	269	177	464	347
(+) Other income	371	629	899	1,198
(+) <i> Gains from asset sale</i>	126	126	126	126
(+) <i> Net Insurance Business Income</i>	136	266	378	515
(+) <i> Other</i>	109	237	395	557
(-) Taxation and other provisions	-574	-1,130	-2,548	-3,628
(-) <i> Free Provision</i>	0	0	-700	-1,090
(-) <i> Other Provision &amp; Taxation</i>	-574	-1,130	-1,848	-2,538
<b>= NET INCOME</b>	<b>2,024</b>	<b>3,962</b>	<b>5,652</b>	<b>6,748</b>

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