



**Garanti BBVA**

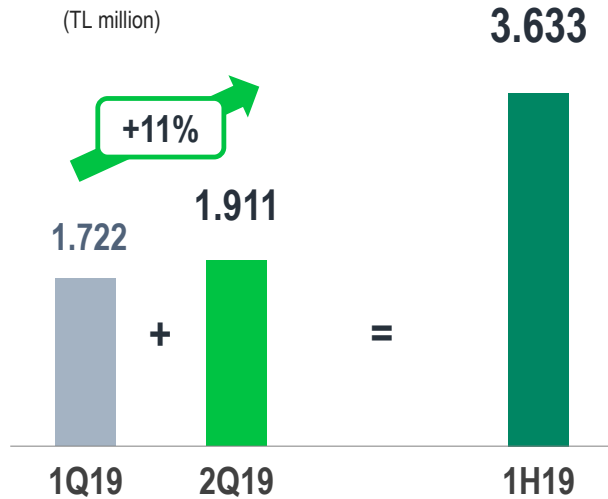
# 1H19 EARNINGS PRESENTATION

Based on BRSA Unconsolidated Financials  
July 30<sup>th</sup>, 2019

# STELLAR EARNINGS: RESULT OF CUSTOMER DRIVEN BUSINESS MODEL

## NET INCOME

(TL million)



ROAE

15%

ROAA

2.0%

CAR

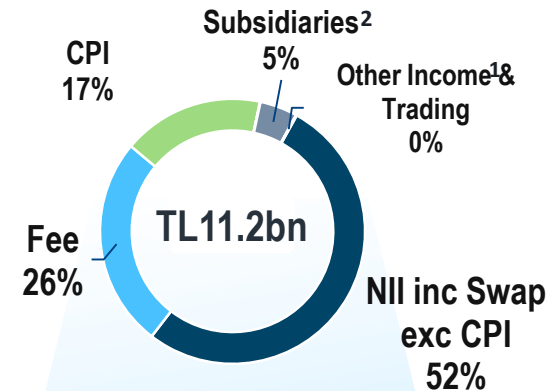
18%

*with sustained*

**TL 2.35bn free provisions**

*in the balance sheet*

## BREAKDOWN OF 1H19 REVENUES



## HIGH QUALITY OF REVENUES

78%

Share of  
«Core NIM + Fee» in  
Total Revenue

1 Other income excludes «provision reversals» and one-off gains whereas trading income excludes «gains related to currency hedge». Please refer to page 21.

2 Represents the TAS 27 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

# 1H19 HIGHLIGHTS

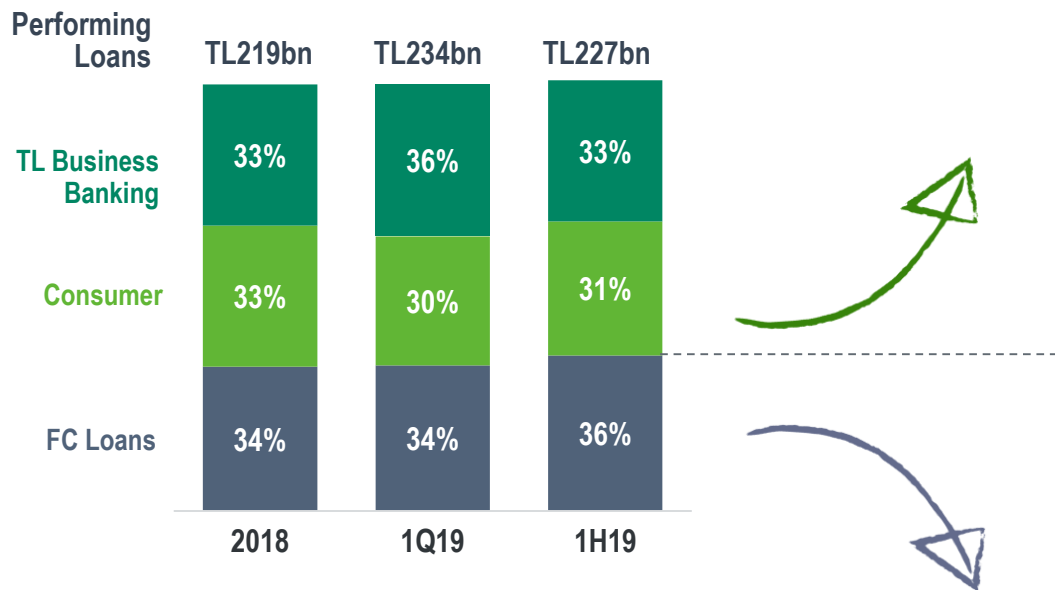
Better than expected trend in...



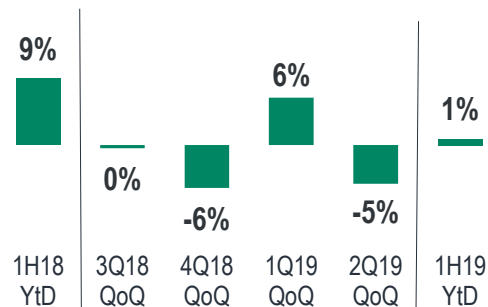
creates cushion to comfortably meet our full year guidance.

# MUTED LOAN GROWTH IN THE FIRST HALF

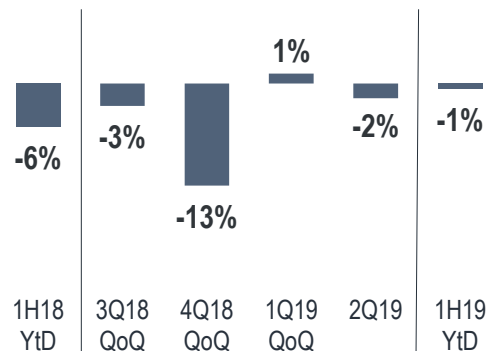
## PERFORMING LOAN PORTFOLIO (59% of Total Assets)



## TL PERFORMING LOANS (Growth, %)



## FC PERFORMING LOANS (Growth in US\$ terms, %)

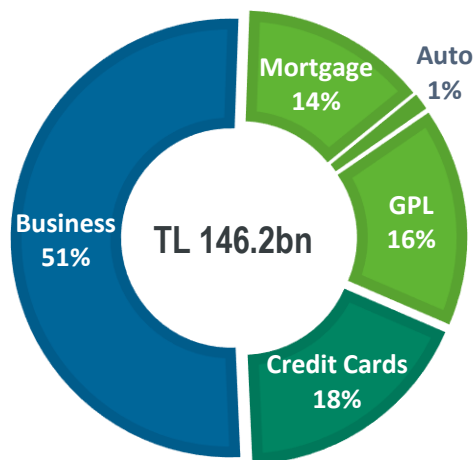


Note: Business banking loans represent total loans excluding credit cards and consumer loans  
 Performing loans = Loans - Non performing loans.  
 Please refer to appendix page 21 for TL and FC breakdown of NPLs

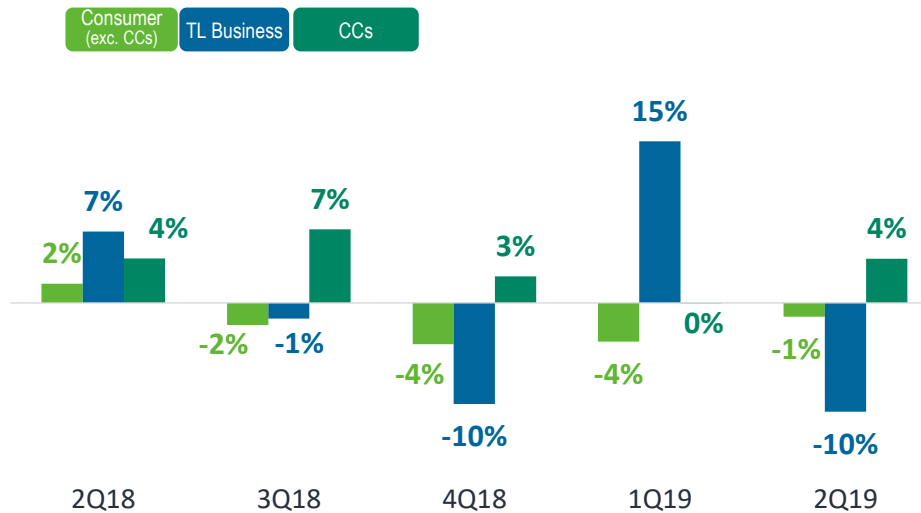
# NEW ORIGINATIONS FELL SHORT OF REDEMPTIONS IN TL BUSINESS & CONSUMER LOANS

## TL PERFORMING LOANS

– 65% OF TOTAL PERFORMING LOANS



## QUARTERLY GROWTH



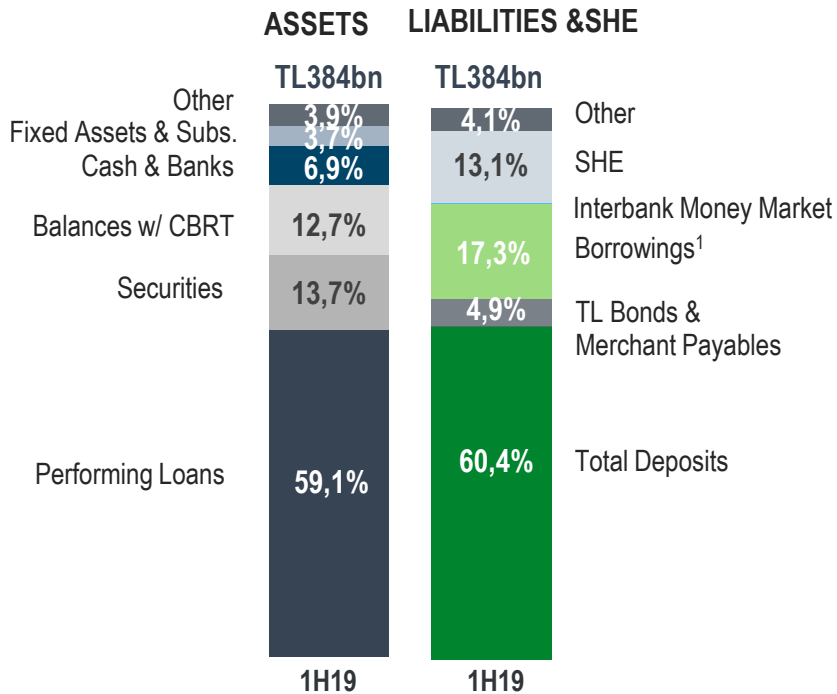
▶ 22% of TL Business Lending is within the **CGF scheme**

▶ 46% of GPLs are **granted to salary customers**

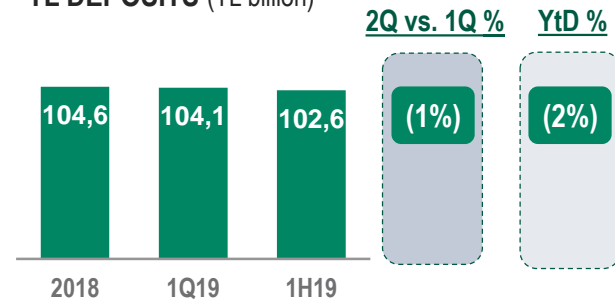
▶ TL Business Banking loans declined in 2Q due to **maturing ST corporate loans** and the **absence of new CGF loans**

▶ Consumer loans have declined for four consecutive quarters

# ACTIVELY MANAGED LIQUIDITY -- STICKY & LOW COST DEPOSITS



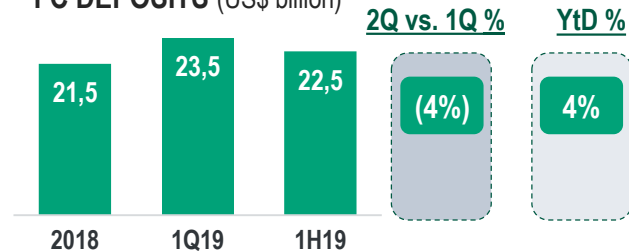
## TL DEPOSITS (TL billion)



SME & RETAIL DEPOSITS<sup>2</sup> in TL Cust. Deposits

~78%

## FC DEPOSITS (US\$ billion)



SME & RETAIL DEPOSITS<sup>2</sup> in FC Cust. Deposits

~73%

## HIGH SHARE OF FREE FUNDS

DEMAND DEPOSITS / TOTAL DEPOSITS

28%

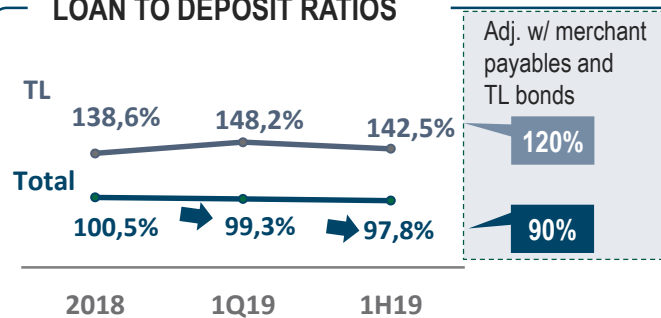
vs. sector's 23%

FREE FUNDS / IEA

15%

vs. peer average of 12%

## LOAN TO DEPOSIT RATIOS



TL BONDS  
Registered solid growth in the first half

+121%YtD

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

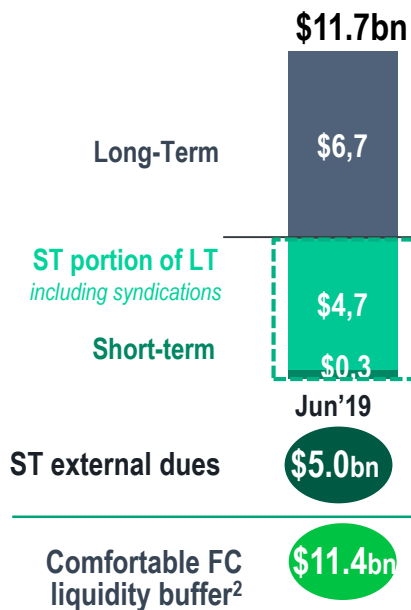
<sup>2</sup> Based on bank-only MIS data

Note: Sector data is based on BRSA weekly data, for commercial banks only. Peer average represents five peers' average as of 1Q19

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

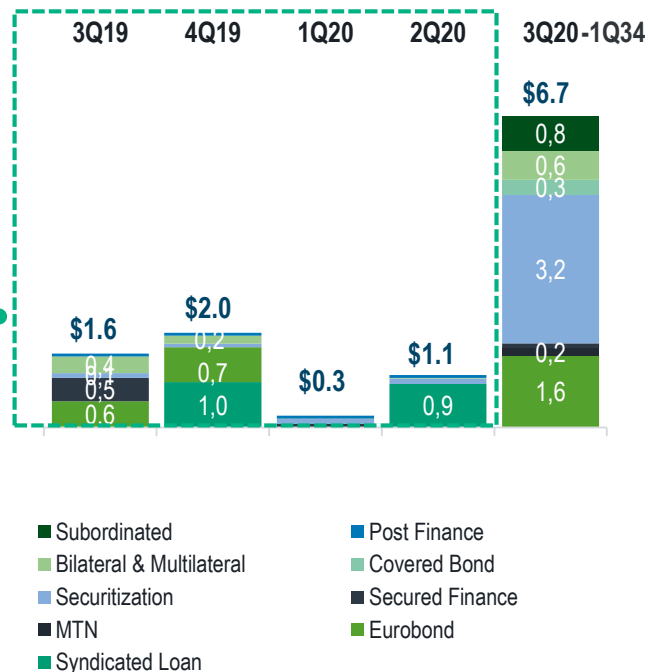
# COMFORTABLE LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

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



## MATURITY PROFILE OF EXTERNAL DEBT

(US\$ billion)

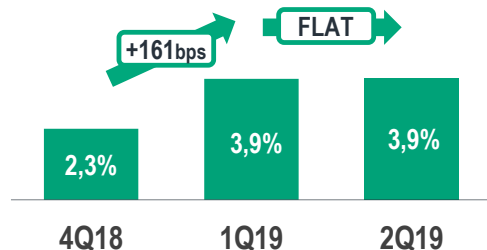


► Lower dependency on external borrowing due to shrinking FC loan portfolio since 2013:  
 ► CAGR: FC loans: -7% vs. FC borrowings: -6%

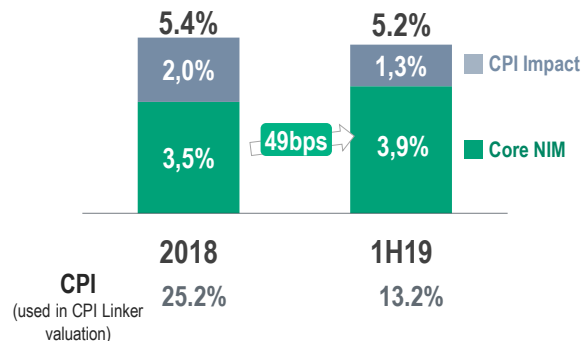
<sup>1</sup> Includes TL covered bonds and excludes on balance sheet IRS transactions  
<sup>2</sup> FC Liquidity Buffer includes FC reserves under ROM, swaps, money market placements, CBRT eligible unencumbered securities

# PROVEN ROBUST NIM UNDERPINNED BY DISCIPLINED PRICING & DIVERSIFIED FUNDING MIX

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



## CUMULATIVE NIM INCL. SWAP COSTS

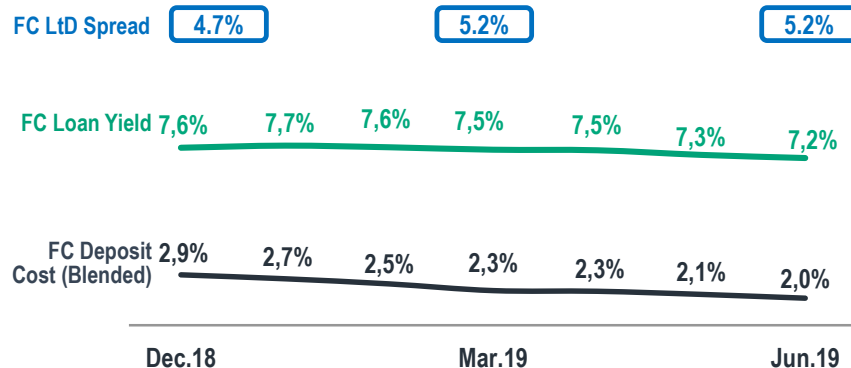
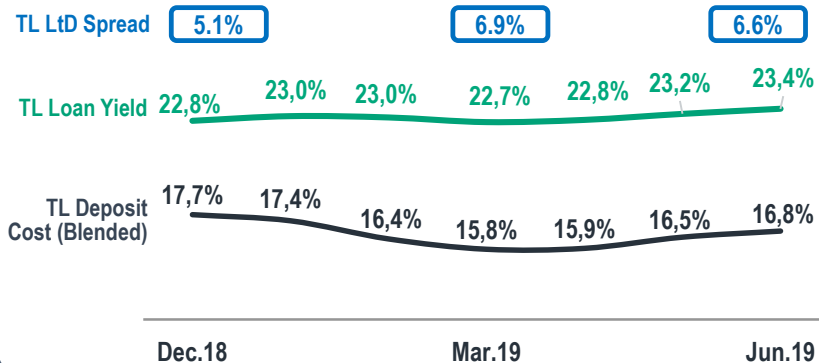


► New TL deposit pricings were under pressure, yet average deposit costs maintained flattish QoQ

► QoQ decrease in FC deposit costs are supportive

► Significantly lower CPI contribution vs. 2018

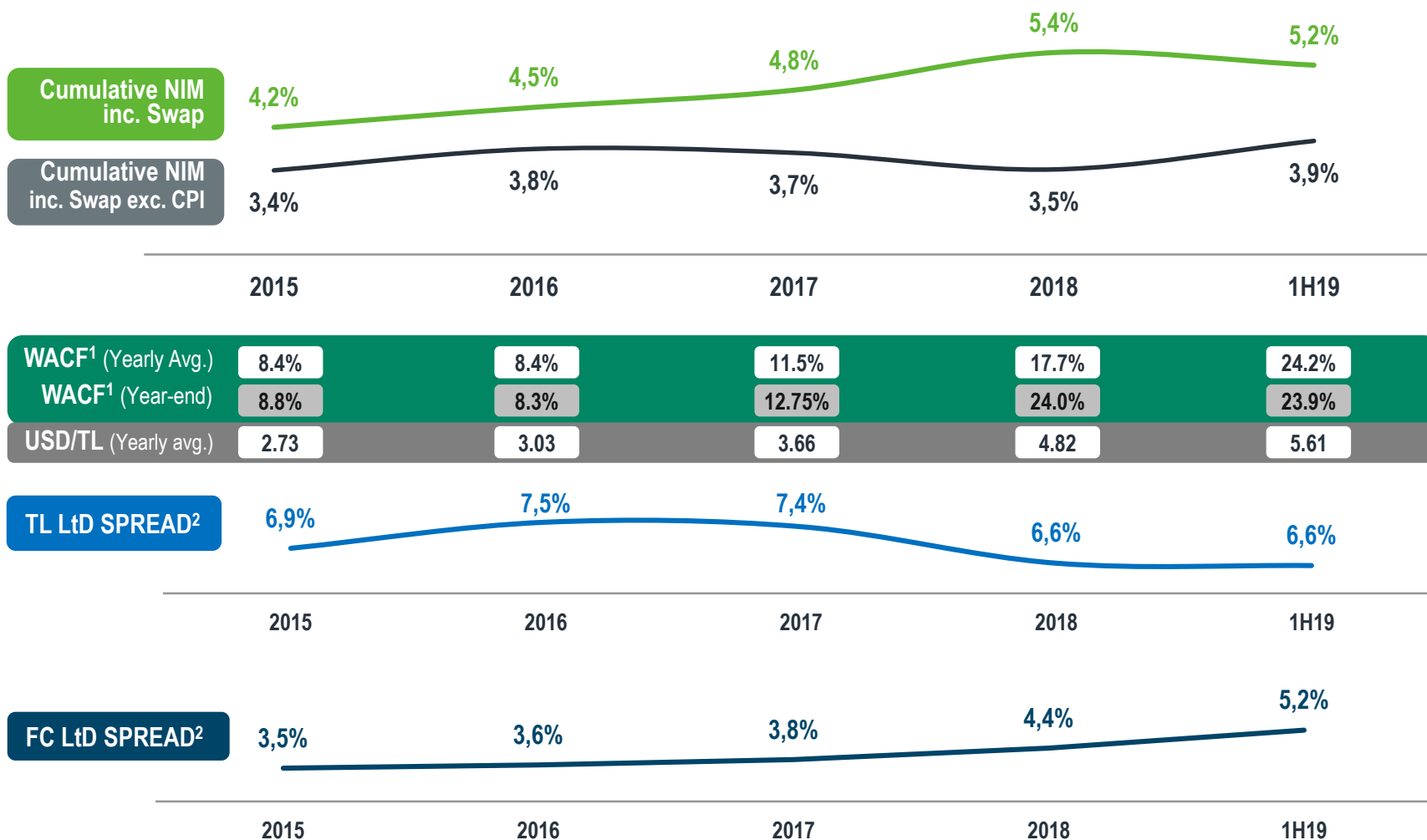
## MONTHLY LtD SPREAD<sup>1</sup>



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



# PROVEN RESILIENCE OF MARGIN IN VOLATILE MARKET CONDITIONS

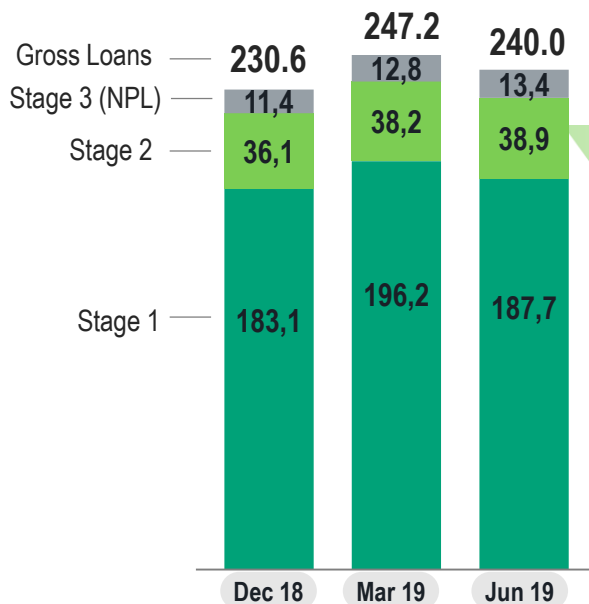


1 CBRT Weighted Average Cost of Funding  
2 Based on MIS data

# PRUDENT APPROACH ON STAGING & COVERAGE LEVELS

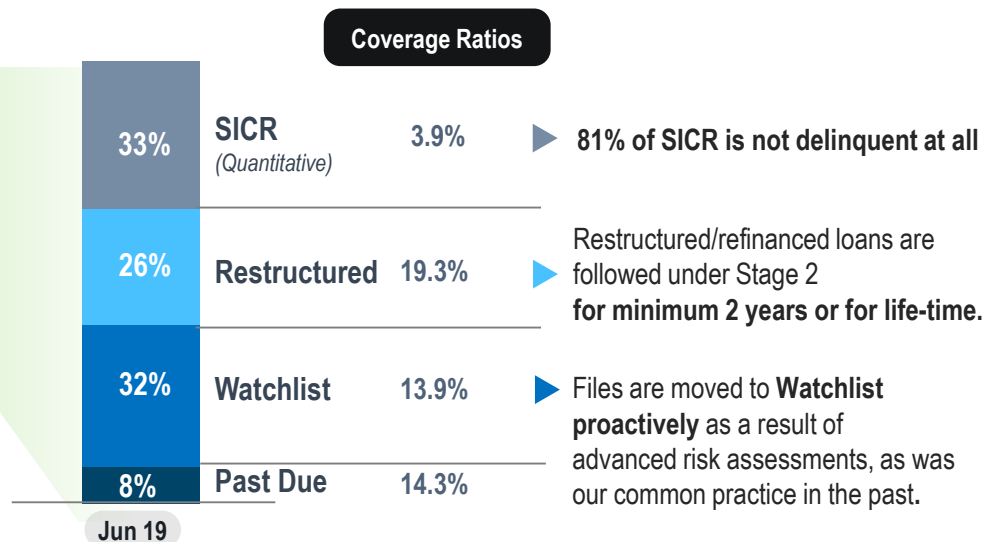
## LOAN PORTFOLIO BREAKDOWN

(Billion TL)



## STAGE-2 BREAKDOWN

– 16% OF GROSS LOANS



USDTRY: 5.2699 5.6153 5.7500

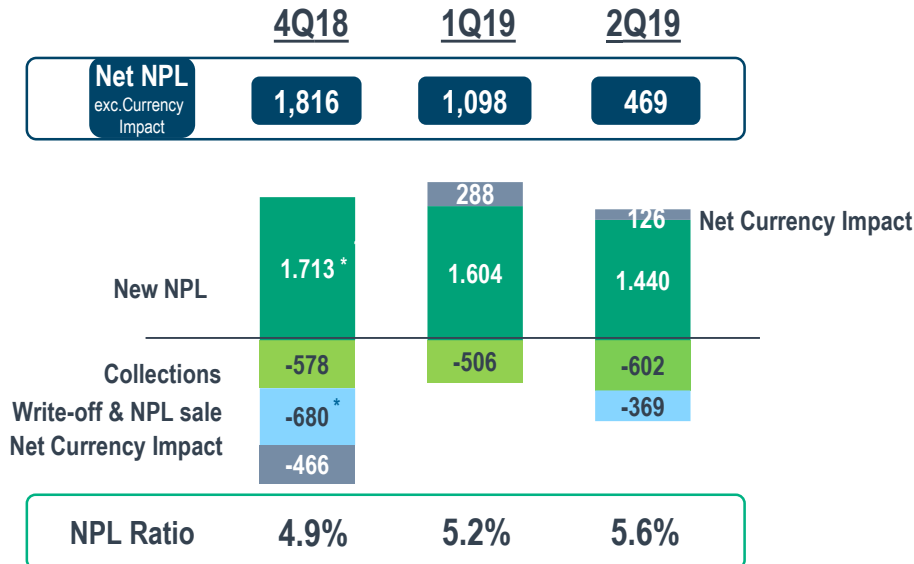
### Coverage Ratios

	Dec 18	Mar 19	Jun 19
Total	4.9%	5.2%	5.6%
Stage 1	0.4%	0.5%	0.5%
Stage 2	10.7%	11.5%	12.0%
Stage 3	59.4%	59.2%	58.2%

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

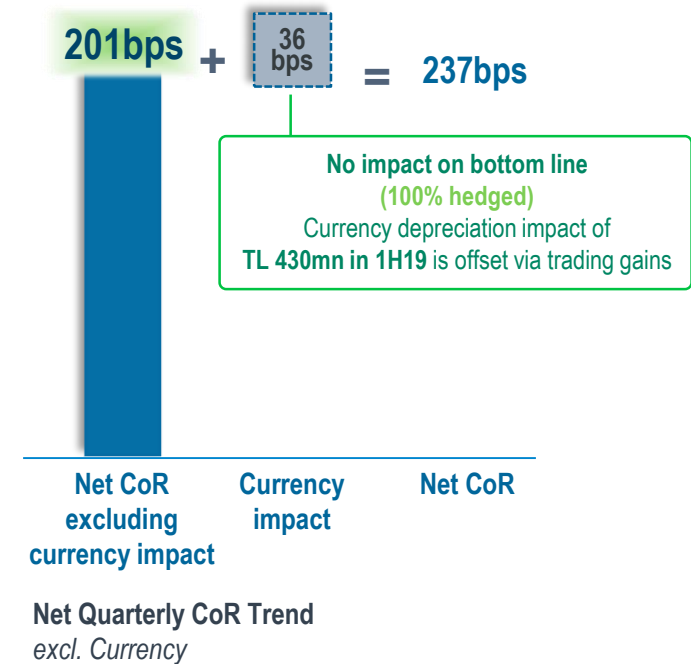
# NEW NPL INFLOWS FARING BETTER THAN EXPECTED, YET FULL YEAR GUIDANCE MAINTAINED

## NPL EVOLUTION (TL million)



- ▶ Net New NPL inflows continued to decline in 2Q
- ▶ YTD retail inflows constitute 2/3 of the new inflows

## NET CUMULATIVE CoR

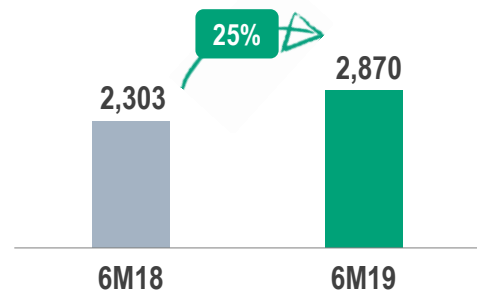


\* 33% of Telcom file, corresponding to USD 385mn, has been written off in 4Q. This amount inflated both new NPL and write off balances in reported financial statements dated 31 Dec 2018

# SUSTAINED CORE BANKING REVENUES

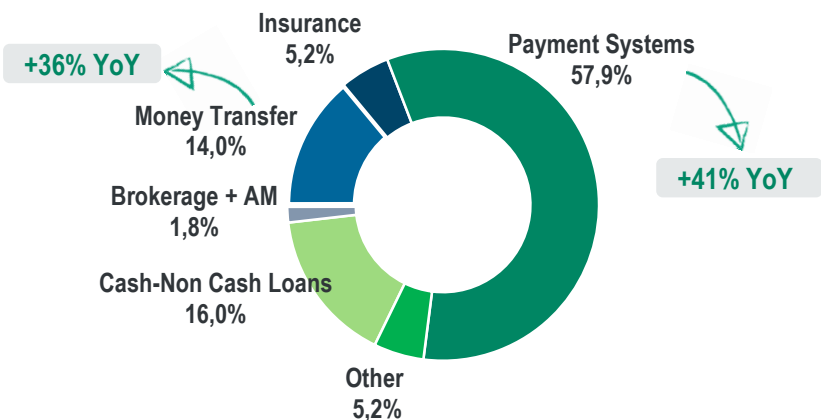
## NET FEES & COMMISSIONS (TL Million)

Well-diversified fee base



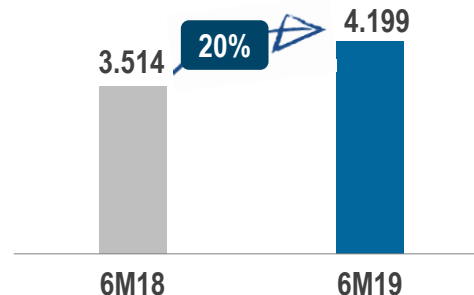
- ▶ Digital channels' share in non-credit linked fees: 51%
- ▶ Share of digital sales in total sales: 64%
- ▶ 7.7mn digital customer  
70% digital penetration<sup>1</sup>

## NET F&C BREAKDOWN<sup>2</sup>



## OPERATING EXPENSES (TL Million)

Disciplined cost management



- ▶ COST/INCOME<sup>3</sup> 37%
- ▶ FEE/OPEX 68%

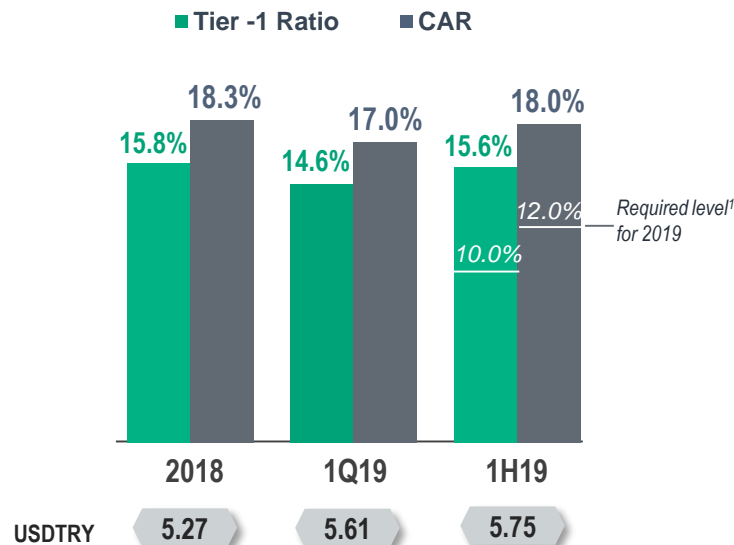
<sup>1</sup> Among active customers

<sup>2</sup> Net Fees&Comm. breakdown is based on MIS data.

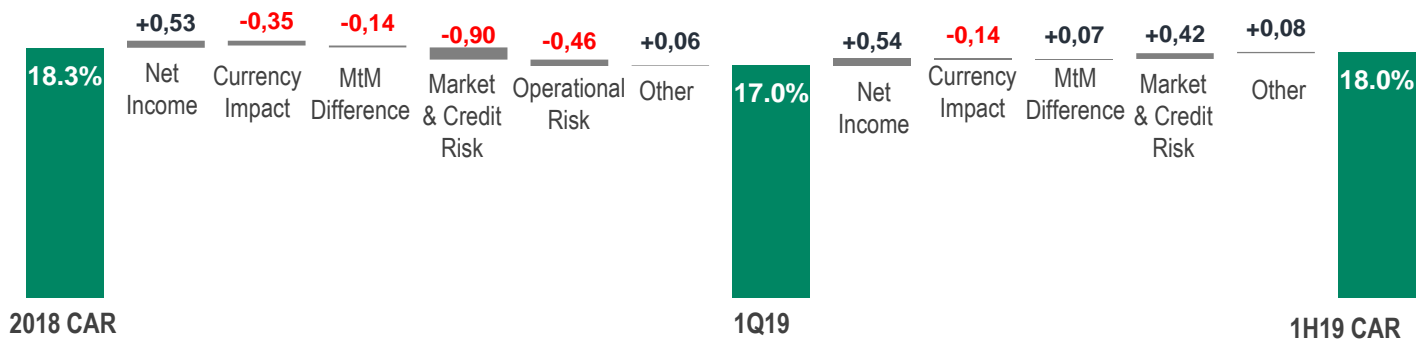
<sup>3</sup> Income defined as NII inc. Swaps + Net F&C + Dividend Income + Subsidiary Income + Net Trading Income (excludes swaps & currency hedge) + Other income (net of prov. Reversals)

# INTERNAL CAPITAL GENERATION CAPABILITY ASSURES STRONG SOLVENCY

## SOLVENCY RATIOS



### Impacts on CAR



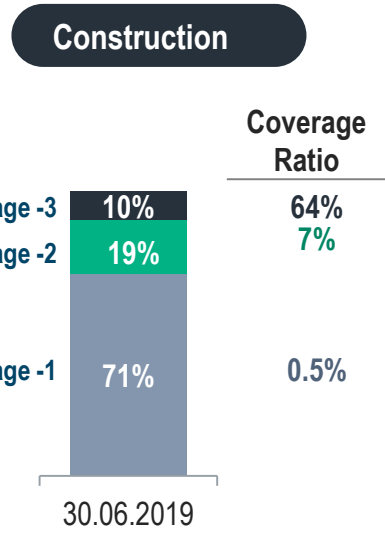
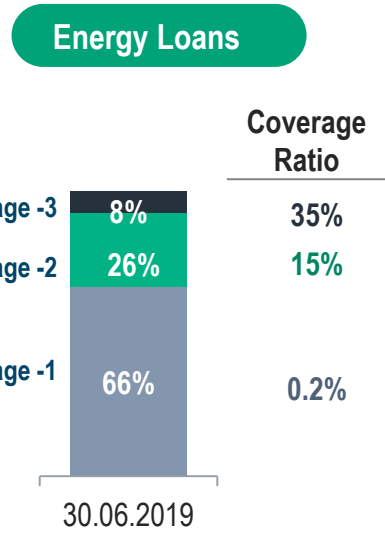
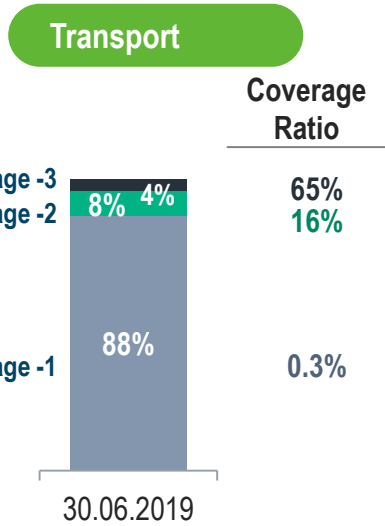
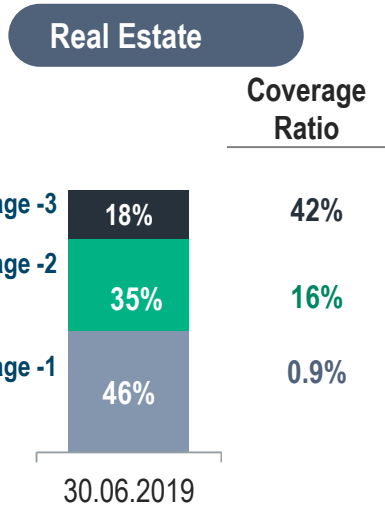
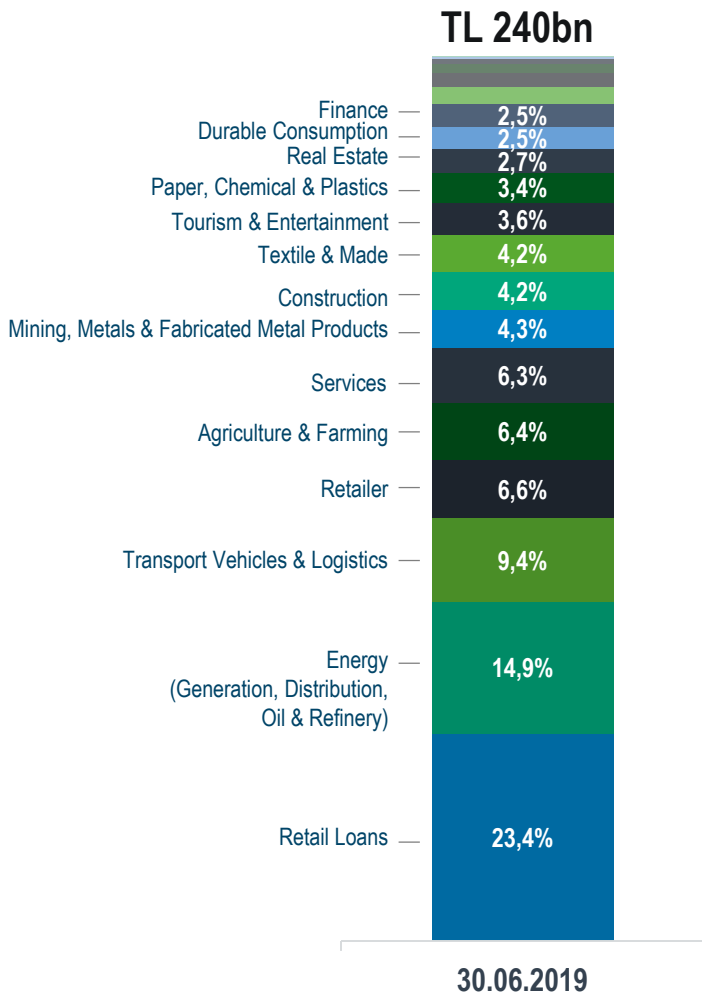
<sup>1</sup> Required CAR = 8.0% + SIFI Buffer for Group 2 (1.5%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.03%)

## APPENDIX

Pg. 15	Sector Breakdown of Gross Loans
Pg. 16	Structure of FC Loan Portfolio
Pg. 17	Adjusted L/D and Liquidity Coverage Ratios
Pg. 18	Consumer Loans
Pg. 19	Securities portfolio
Pg. 20	Summary Balance Sheet
Pg. 21	Summary P&L
Pg. 22	Key Financial Ratios
Pg. 23	Quarterly & Cumulative Net Cost of Risk

# WELL-DIVERSIFIED PORTFOLIO WITH STRONG COVERAGE

## SECTOR BREAKDOWN OF GROSS LOANS<sup>1</sup>



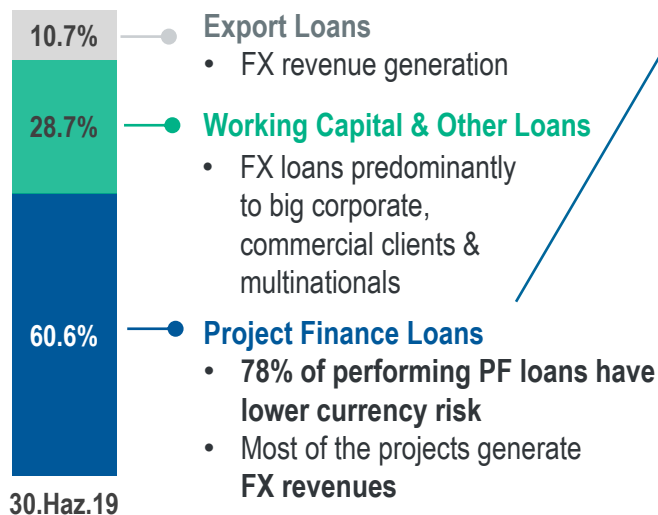
<sup>1</sup> Based on Bank-only MIS data

# APPENDIX: STRUCTURE OF FC LOAN PORTFOLIO

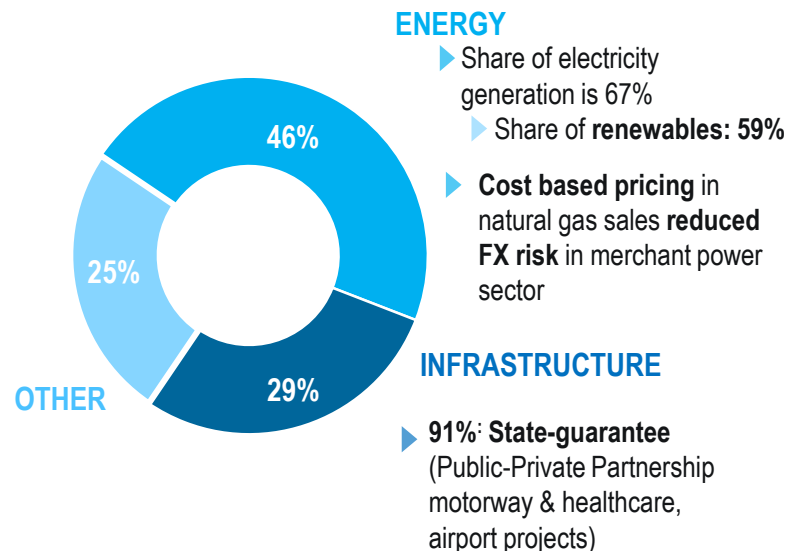
## FC PERFORMING LOANS

– 36% OF TOTAL PERFORMING LOANS

**US\$ 14.0 bn** ▶ **Unconsolidated FC 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

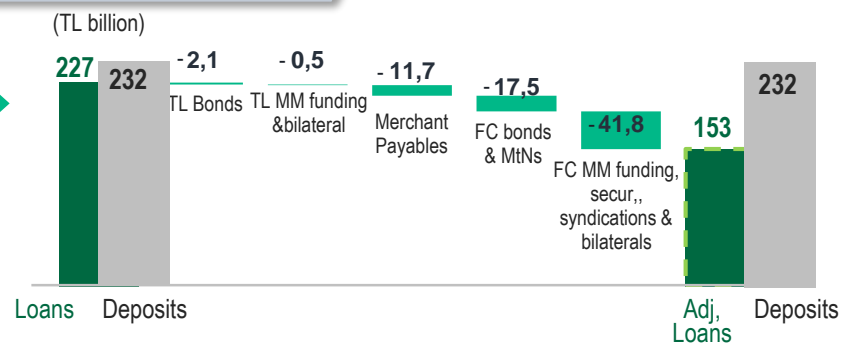


TL Loans /  
TL Deposits:

142%

FC Loans /  
FC Deposits:

62%



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

**Total LCR**

213.2%

Minimum Req, for 2019

100%

**FC LCR**

312.9%

Minimum Req, for 2019

80%

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

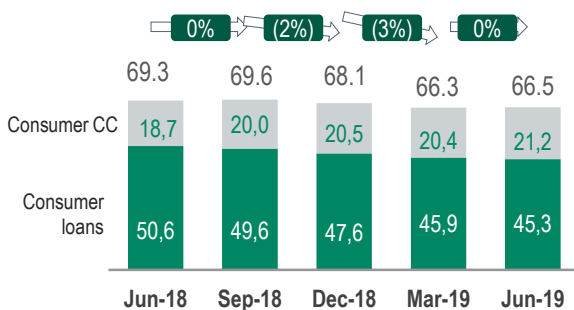
# APPENDIX: CONSUMER LOANS

## CONSUMER LOANS

(incl. cons, CCs)

(TL billion)

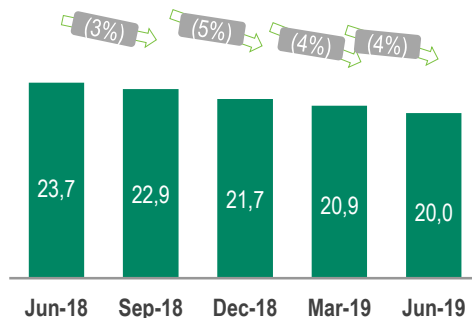
(4%)  
YoY



## CONS, MORTGAGE LOANS

(TL billion)

(16%)  
YoY



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

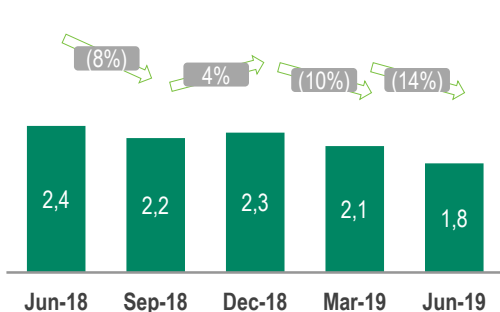
	June'19	QoQ	Rank
Consumer Loans inc Consumer CCs	13.5%	-8bps	#1*
Cons. Mortgage	11.8%	-30bps	#1*
Cons. Auto	38.4%	-223bps	#1*
Consumer GPLs	11.1%	+15bps	#1*
# of CC customers <sup>2</sup>	14.1%	-14bps	#1
Issuing Volume <sup>2</sup>	18.9%	-3bps	#1
Acquiring Volume <sup>2</sup>	18.5%	-11bps	#2

\* Rankings are among private banks  
Rankings are as of Mar 19

## CONSUMER AUTO LOANS

(TL billion)

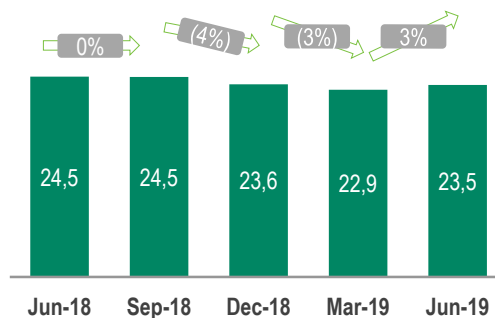
(26%)  
YoY



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

(TL billion)

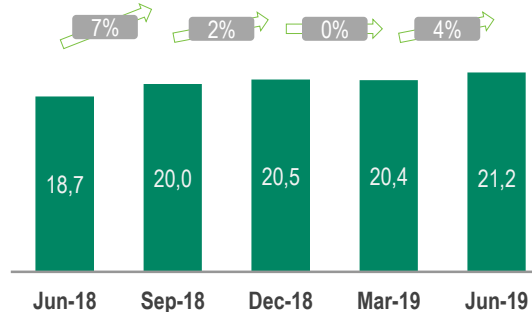
(4%)  
YoY



## CONSUMER CREDIT CARD BALANCES

(TL billion)

+14%  
YoY



1 Including other loans and overdrafts

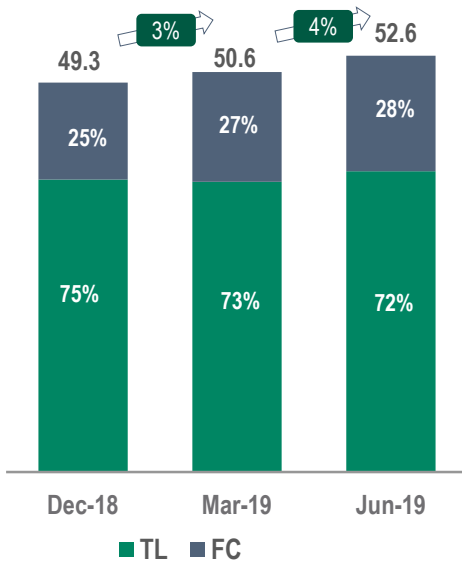
2 Cumulative figures and rankings as of June 2019, as per Interbank Card Center data,

3 Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 28.06.2019, for commercial banks

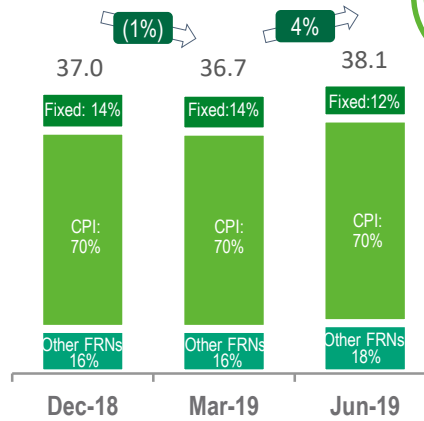
# APPENDIX: SECURITIES PORTFOLIO

## Total Securities (TL billion)

14% of Total Assets

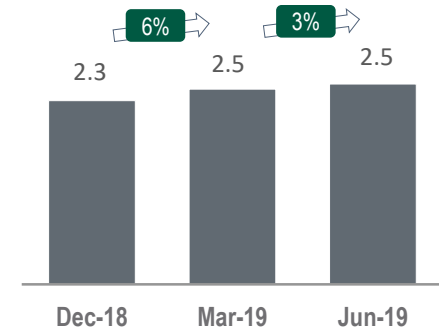


## TL Securities (TL billion)

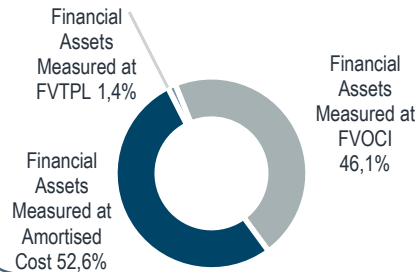


CPI Linkers: TL 27bn

## FC Securities (US\$ billion)



## Securities Composition



Unrealized MtM loss (pre-tax)  
~TL 1,672mn loss as of June'19

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

## APPENDIX: SUMMARY BALANCE SHEET

TL Billion

ASSETS	31.12.2018	31.03.2019	30.06.2019
Cash&Banks	27.0	26.6	26.4
Balances at CBRT	35.8	42.8	48.9
Securities	49.3	50.6	52.7
Gross Loans	230.6	247.2	240.0
<b>+TL Loans</b>	<b>152.3</b>	<b>162.5</b>	<b>154.8</b>
TL NPL	7.3	8.2	8.6
<i>info: TL Performing Loans</i>	145.0	154.3	146.2
<b>+FC Loans (in US\$ terms)</b>	<b>14.9</b>	<b>15.1</b>	<b>14.8</b>
FC NPL (in US\$ terms)	0.8	0.8	0.8
<i>info: FC Performing Loans (in US\$ terms)</i>	14.1	14.3	14.0
<i>info: Performing Loans (TL+FC)</i>	<b>219.2</b>	<b>234.4</b>	<b>226.6</b>
Fixed Assets & Subsidiaries	12.2	13.5	14.1
Other	4.6	3.7	1.6
<b>TOTAL ASSETS</b>	<b>359.5</b>	<b>384.4</b>	<b>383.7</b>

LIABILITIES & SHE	31.12.2018	31.03.2019	30.06.2019
Total Deposits	218.1	236.2	231.8
<b>+Demand Deposits</b>	<b>54.2</b>	<b>65.5</b>	<b>65.7</b>
<b>+Time Deposits</b>	<b>163.8</b>	<b>170.6</b>	<b>166.1</b>
Interbank Money Market	0.0	0.4	0.5
Bonds Issued	20.0	22.6	24.6
Funds Borrowed	48.2	51.2	48.9
Other liabilities	26.5	25.8	27.5
Shareholders' Equity	46.7	48.2	50.3
<b>TOTAL LIABILITIES &amp; SHE</b>	<b>359.5</b>	<b>384.4</b>	<b>383.7</b>

# APPENDIX: SUMMARY P&L

TL Million	QUARTERLY P&L			CUMULATIVE P&L		
	1Q19	2Q19	QoQ	1H18	1H19	YoY
(+) Net Interest Income including Swap costs	3,867	3,920	1%	6,731	7,787	16%
(+) <i>NII excluding CPI linkers' income</i>	3,506	3,706	6%	6,773	7,212	6%
(+) <i>Income on CPI linkers</i>	990	937	-5%	1,134	1,927	70%
(-) <i>Swap Cost</i>	-629	-723	15%	-1,175	-1,352	15%
(+) Net Fees & Comm.	1,431	1,439	1%	2,303	2,870	25%
(-) Net Expected Loss	-1,635	-1,182	-28%	-2,066	-2,817	36%
(-) <i>Expected Loss</i>	-3,207	-1,916	-40%	-3,275	-5,123	56%
<i>info: Currency Impact</i>	-284	-145	-49%	-579	-430	-26%
(+) <i>Provision Reversal under other Income</i>	1,571	734	-53%	1,210	2,305	91%
(-) OPEX	-2,069	-2,130	3%	-3,514	-4,199	20%
(-) <i>HR</i>	-865	-900	4%	-1,449	-1,765	22%
(-) <i>Non-HR</i>	-1,204	-1,230	2%	-2,065	-2,434	18%
<b>= CORE OPERATING INCOME</b>	<b>1,593</b>	<b>2,047</b>	<b>29%</b>	<b>3,455</b>	<b>3,640</b>	<b>5%</b>
(+) Net Trading & FX gains/losses (excl. Swap costs)	459	-208	-145%	759	252	-67%
<i>info: Gain on Currency Hedge</i>	284	145	-49%	579	430	-26%
(+) Income on subsidiaries	250	261	4%	457	511	12%
(+) Other income (excl. Prov. reversals)	69	208	201%	224	277	24%
<i>info: Administrative fine reversal</i>	0	83	<i>n.m</i>	0	83	<i>n.m</i>
<i>info: Gain from asset sale</i>	0	20	<i>n.m</i>	126	20	<i>n.m</i>
(-) Taxation and other provisions	-649	-398	-39%	-991	-1,047	6%
(-) <i>Free Provision</i>	-100	0	<i>n.m</i>	0	-100	<i>n.m</i>
(-) <i>Taxation &amp; Other Provision</i>	-549	-398	-28%	-991	-947	-4%
<b>= NET INCOME</b>	<b>1,722</b>	<b>1,911</b>	<b>11%</b>	<b>3,904</b>	<b>3,633</b>	<b>-7%</b>

# APPENDIX: KEY FINANCIAL RATIOS

	Dec-18	Mar-19	Jun-19
<b>Profitability ratios</b>			
ROAE (Cumulative) <sup>1</sup>	15.0%	15.4%	15.2%
ROAA (Cumulative) <sup>1</sup>	1.9%	2.0%	2.0%
Cost/Income	32.6%	35.7%	37.3%
Quarterly NIM incl. Swap costs	6.6%	5.2%	5.2%
Quarterly NIM incl. Swap costs excl. CPI linkers	2.3%	3.9%	3.9%
Cumulative NIM incl. Swap costs	5.4%	5.2%	5.2%
Cumulative NIM incl. Swap costs excl. CPI linkers	3.5%	3.9%	3.9%
<b>Liquidity ratios</b>			
Loans / Deposits	100.5%	99.3%	97.8%
TL Loans / TL Deposits	138.6%	148.2%	142.5%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	68%	68%	66%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	122.1%	127.8%	120.4%
FC Loans / FC Deposits	65.4%	60.6%	62.3%
<b>Asset quality ratios</b>			
NPL Ratio	4.9%	5.2%	5.6%
Coverage Ratio			
+ Stage1	0.4%	0.5%	0.5%
+ Stage2	10.7%	11.5%	12.0%
+ Stage3	59.4%	59.2%	58.2%
Cumulative Net Cost of Risk (excluding currency impact, bps)	235	229	201
<b>Solvency ratios</b>			
CAR	18.3%	17.0%	18.0%
Common Equity Tier I Ratio	15.8%	14.7%	15.6%
Leverage	6.7x	7.0x	6.6x

<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-19 and June-19

# APPENDIX: QUARTERLY & CUMULATIVE NET CoR

(Million TL)

Quarterly Net Expected Credit Loss	1Q19	2Q19
<b>(-) Expected Credit Losses</b>	<b>3,207</b>	<b>1,916</b>
Stage 1	651	157
Stage 2	1,576	883
Stage 3	979	876
<b>(+) Provision Reversals under other income</b>	<b>1,571</b>	<b>734</b>
Stage 1	514	186
Stage 2	752	306
Stage 3	305	242
<b>(=) (a) Net Expected Credit Losses</b>	<b>1,635</b>	<b>1,182</b>
<b>(b) Average Gross Loans</b>	<b>238,896</b>	<b>243,590</b>
<b>(a/b) Quarterly Total Net CoR (bps)</b>	<b>278</b>	<b>195</b>
<b>info: Currency Impact<sup>1</sup></b>	<b>48</b>	<b>24</b>
<b>Total Net CoR excl. currency impact (bps)</b>	<b>229</b>	<b>171</b>

(Million TL)

Cumulative Net Expected Credit Loss	3M19	6M19
<b>(-) Expected Credit Losses</b>	<b>3,207</b>	<b>5,123</b>
Stage 1	651	808
Stage 2	1,576	2,459
Stage 3	979	1,855
<b>(+) Provision Reversals under other income</b>	<b>1,571</b>	<b>2,305</b>
Stage 1	514	700
Stage 2	752	1,058
Stage 3	305	547
<b>(=) (a) Net Expected Credit Losses</b>	<b>1,635</b>	<b>2,817</b>
<b>(b) Average Gross Loans</b>	<b>238,896</b>	<b>239,264</b>
<b>(a/b) Cumulative Total Net CoR (bps)</b>	<b>278</b>	<b>237</b>
<b>info: Currency Impact<sup>1</sup></b>	<b>48</b>	<b>36</b>
<b>Total Net CoR excl. currency impact (bps)</b>	<b>229</b>	<b>201</b>

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