



1Q19 EARNINGS PRESENTATION

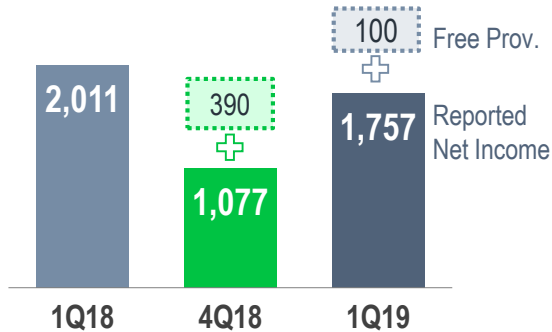
Based on BRSA Consolidated Financials
April 29th, 2019



SUSTAINED STRONG EARNINGS PERFORMANCE

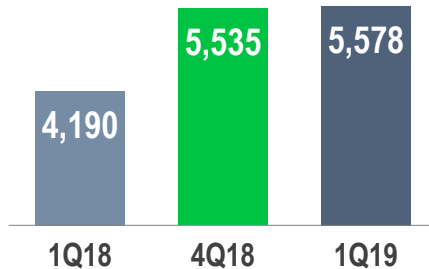
NET INCOME

(TL million)



PRE-PROVISION INCOME¹

(TL million)



548

3,436

990

CPI Linkers' income (TL mn)

16% ROAE

1.8% ROAA

TL 2.35bn Total Free Provisions in the balance sheet

15.5%

CAR

CET-1 share: 85%
When adjusted with free provisions in the balance sheet: **16.2%**

Quarterly surge in net income mainly backed by:

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

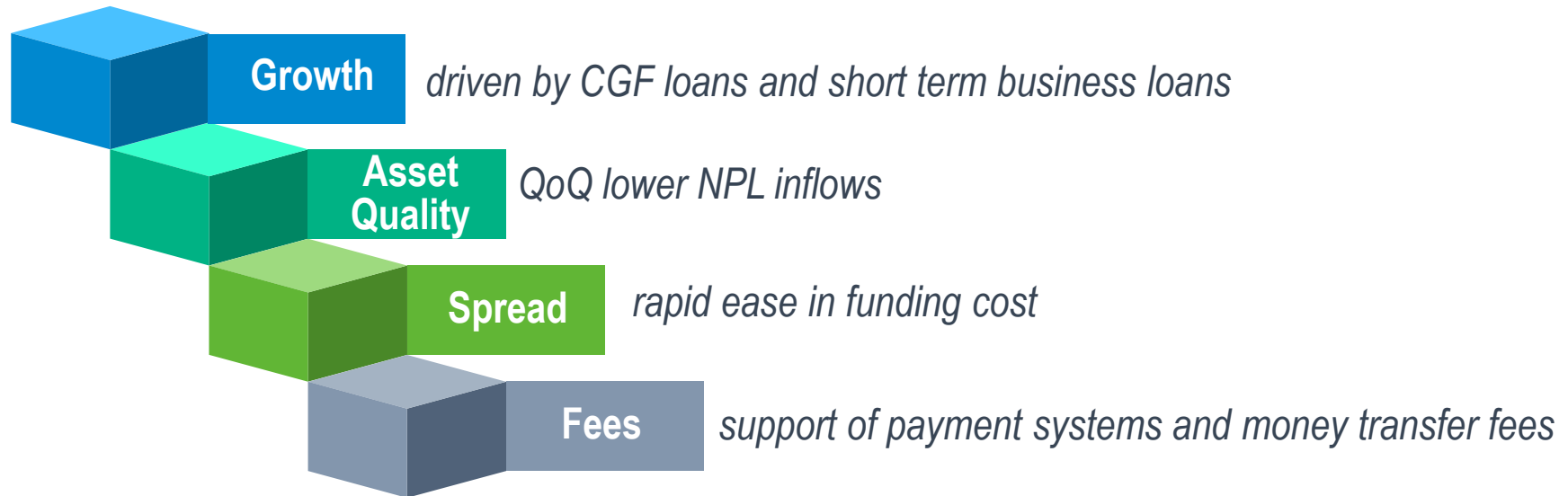
¹ Pre-provision income defined as «Net Income+Expected losses

+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

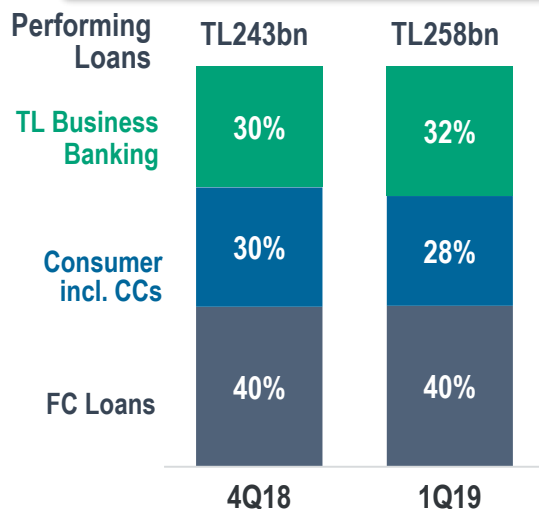
Strong start to the year in...



creates a cushion to comfortably meet our full year guidance.

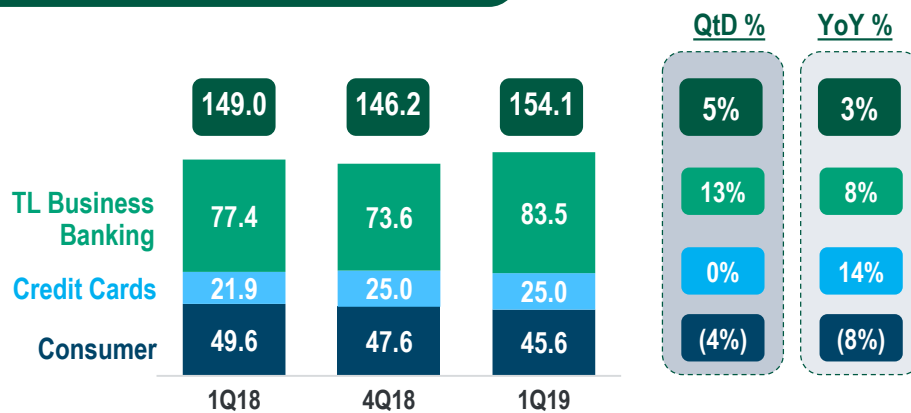
TL BUSINESS BANKING DRIVEN LOAN GROWTH

PERFORMING LOAN PORTFOLIO (61% of Total Assets)

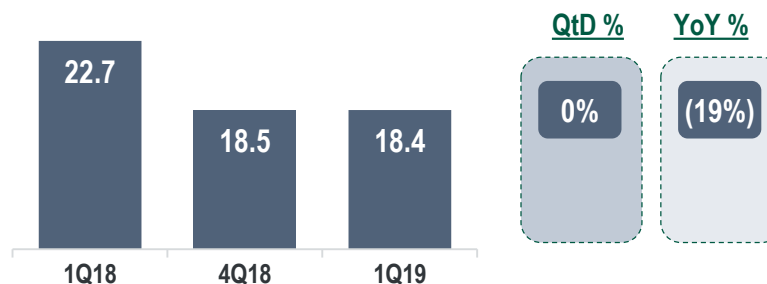


- ▶ New originations in **Consumer Loans** were not sufficient to compensate the maturing book
- ▶ Better than expected TL Business Banking loan growth driven by **CGF loans** and **ST business loans**

TL PERFORMING LOANS (TL billion)

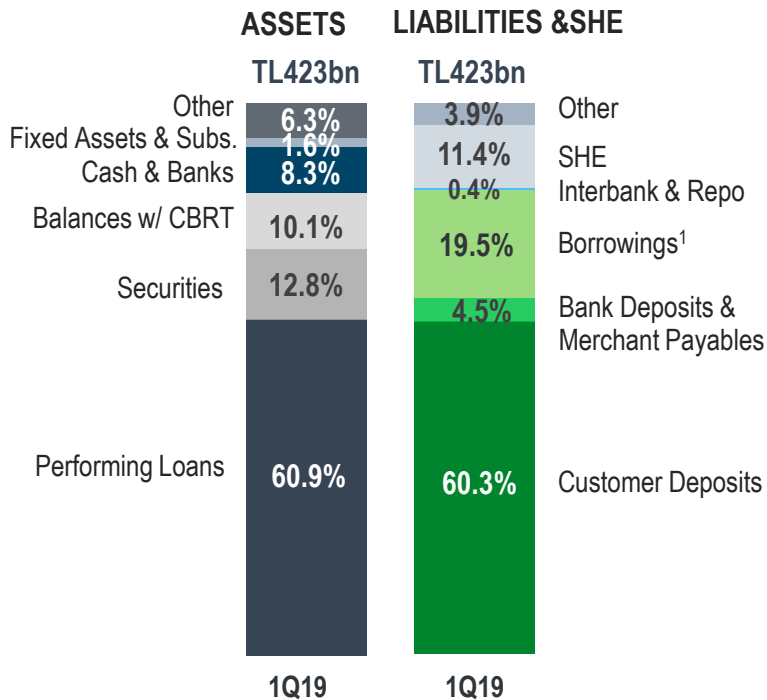


FC PERFORMING LOANS (US\$ billion)

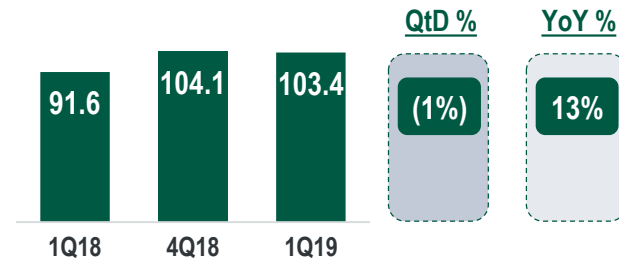


Note: Business banking loans represent total loans excluding credit cards and consumer loans
Performing loans = Loans-non performing loans.

ASSETS ARE PREDOMINANTLY FUNDED WITH DEPOSITS

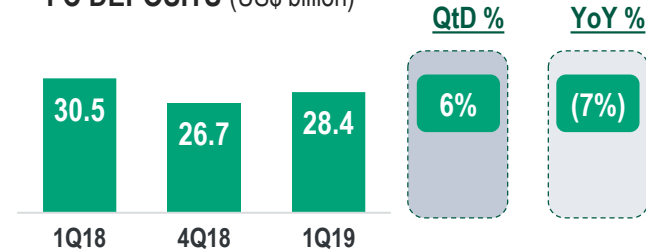


TL DEPOSITS (TL billion)



SME & RETAIL DEPOSITS² in TL Cust. Deposits
~77%

FC DEPOSITS (US\$ billion)



SME & RETAIL DEPOSITS² in FC Cust. Deposits
~71%

HIGH SHARE OF FREE FUNDS

DEMAND DEPOSITS / TOTAL DEPOSITS

29%

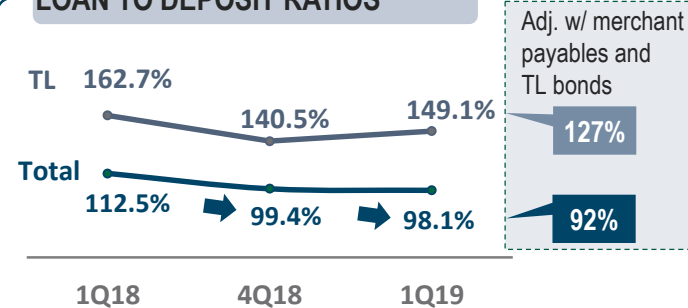
Bank-only: 28%
vs. sector's 21%

FREE FUNDS³ / 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

¹ Includes funds borrowed, sub-debt & securities issued

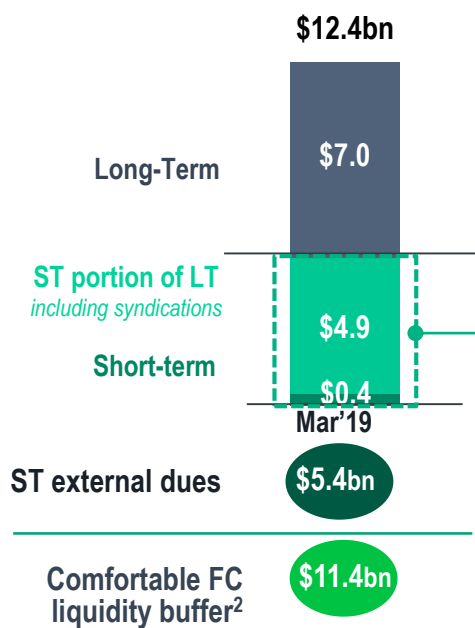
² Based on bank-only MIS data

³ 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

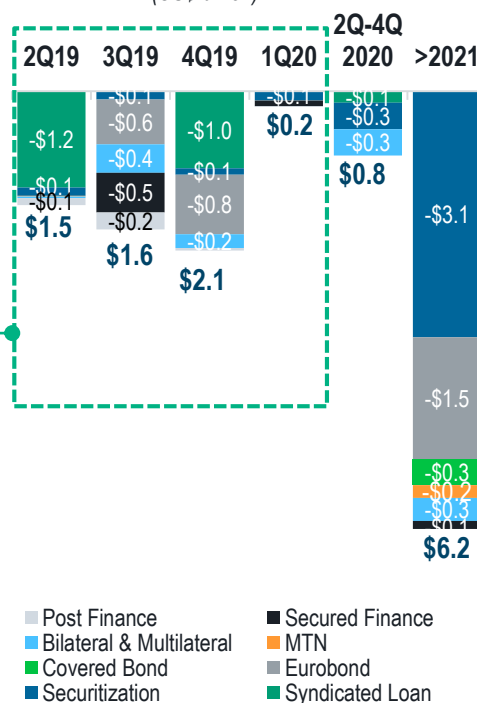
COMFORTABLE LIQUIDITY & MANAGEABLE EXTERNAL DEBT STOCK

GARANTI'S EXTERNAL DEBT¹



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%

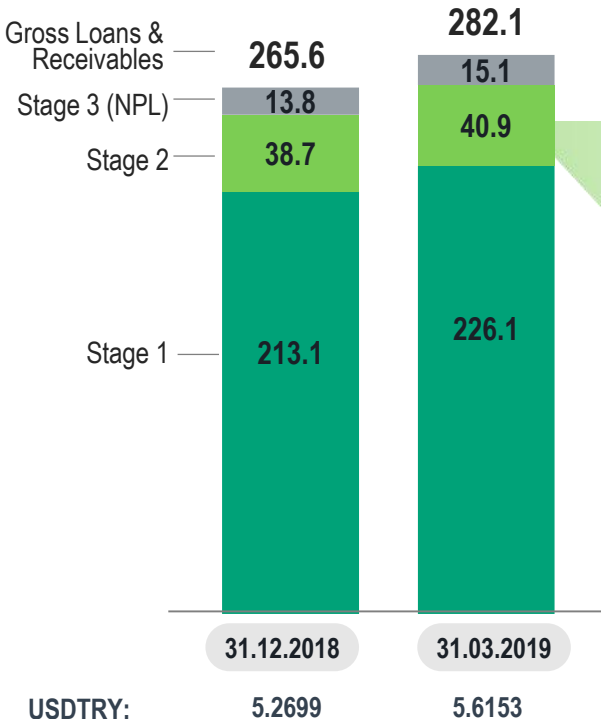
¹ Includes TL covered bonds and excludes on balance sheet IRS transactions

² FC Liquidity Buffer includes FC reserves under ROM, swaps, money market placements, CBRT eligible unencumbered securities

PRUDENT APPROACH ON STAGING

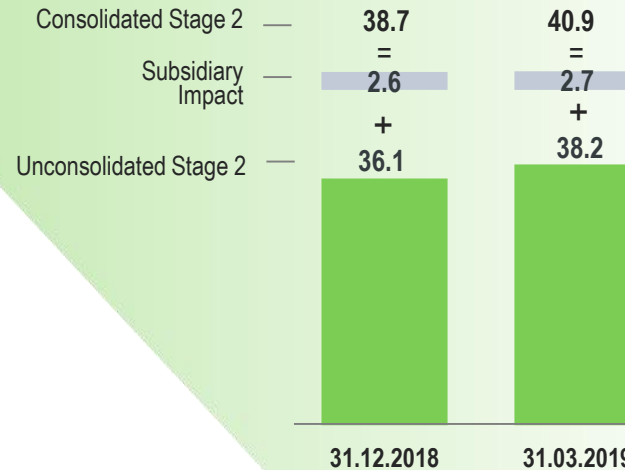
LOANS & RECEIVABLES

(Billion TL)



Stage 2 Breakdown

(Billion TL)



Total Stage 2 Coverage

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 (SICR¹ 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

SICR¹
(Quantitative)

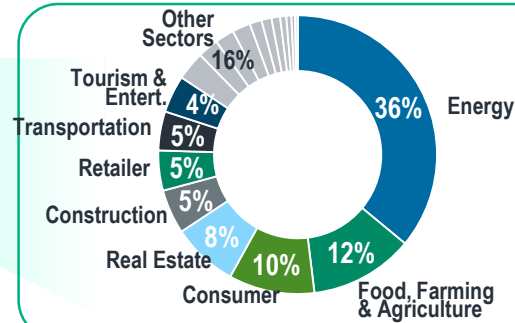
35%

**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



► 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%

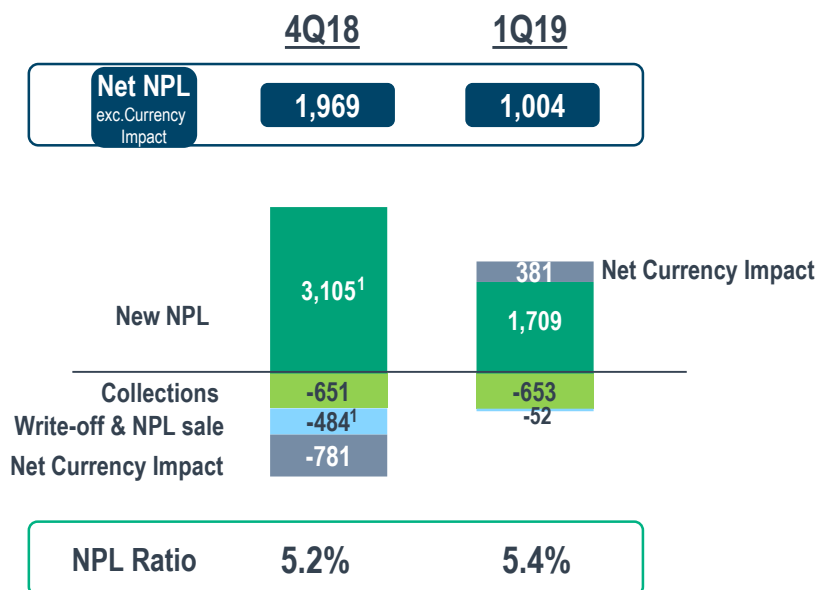
31.03.2019

¹ SICR: Significant Increase in Credit Risk

LOWER QUARTERLY NET NEW NPL INFLOWS, AS EXPECTED

NPL EVOLUTION

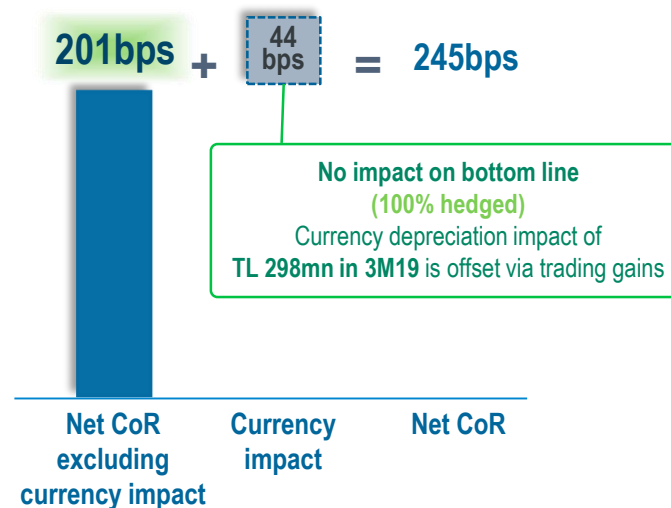
(TL million)



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

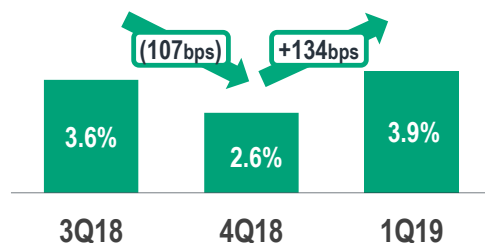
► **Retail inflows** constitute **2/3 of the new inflows**

NET CUMULATIVE CoR



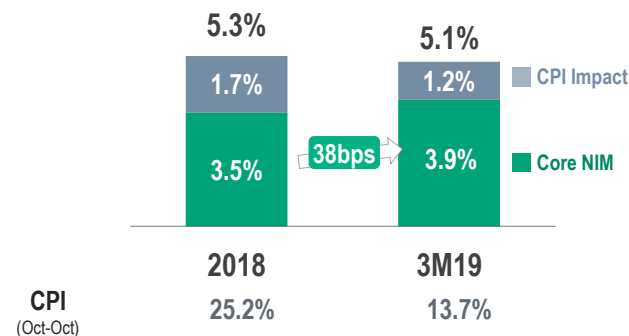
STRONG RECOVERY IN CORE NIM

QUARTERLY CORE NIM²



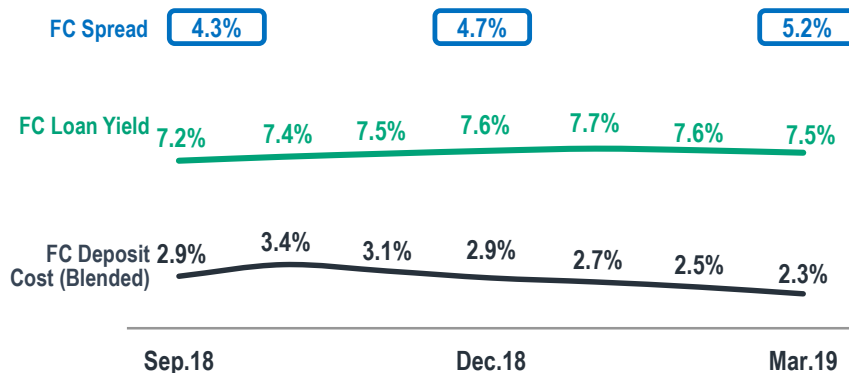
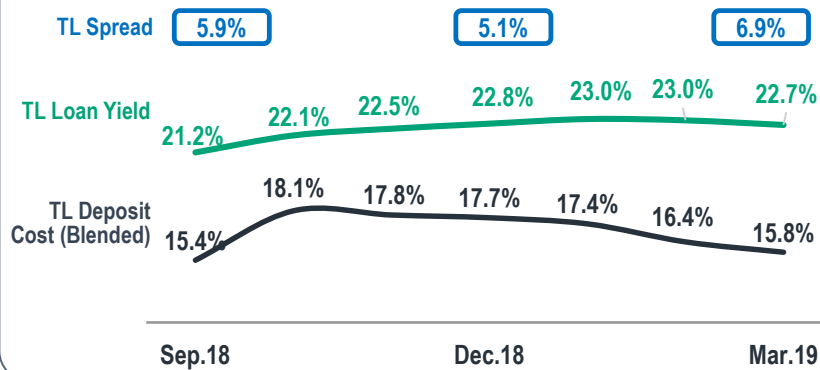
- **Better than expected core NIM evolution**
Spread expansion came in earlier than expected due to sharp decrease in funding costs.

CUMULATIVE NIM INCL. SWAP COSTS



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

MONTHLY SPREAD¹

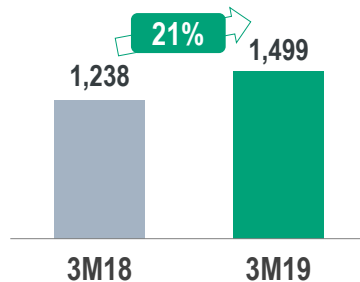


¹ Based on MIS data.
² Core NIM = NIM including Swap costs and excluding CPI linker gains

SUSTAINED CORE BANKING REVENUES

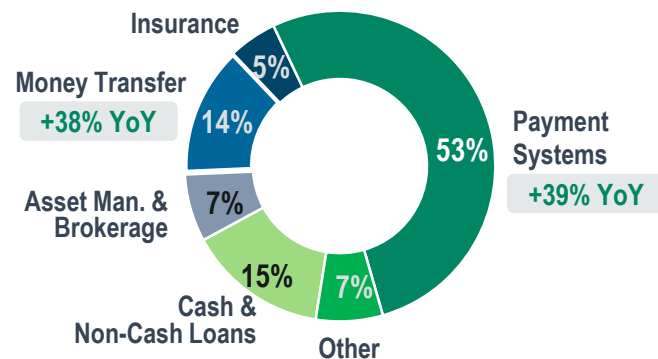
NET FEES & COMMISSIONS (TL Million)

Well-diversified fee base



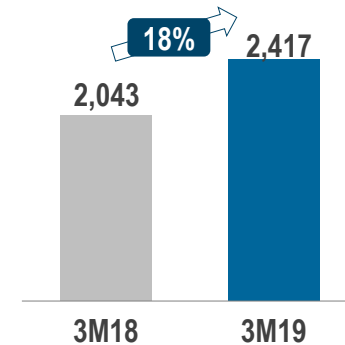
- ▶ Digital channels' share in non-credit linked fees: **46%**
- ▶ Share of digital sales in total sales: **64%**
- ▶ Leading position: **7.5mn digital customer**

NET F&C BREAKDOWN¹



OPERATING EXPENSES (TL Million)

Disciplined cost management



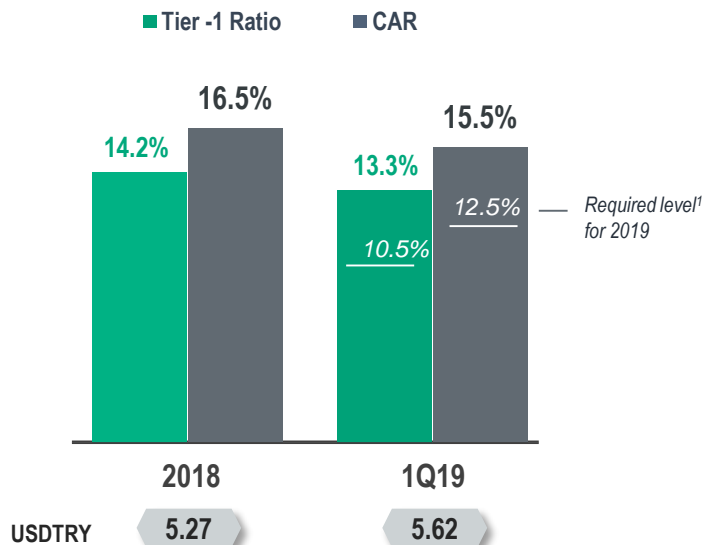
- ▶ **COST/INCOME²** 39%
- ▶ **FEE/OPEX** 62%

¹ 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.

² 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



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

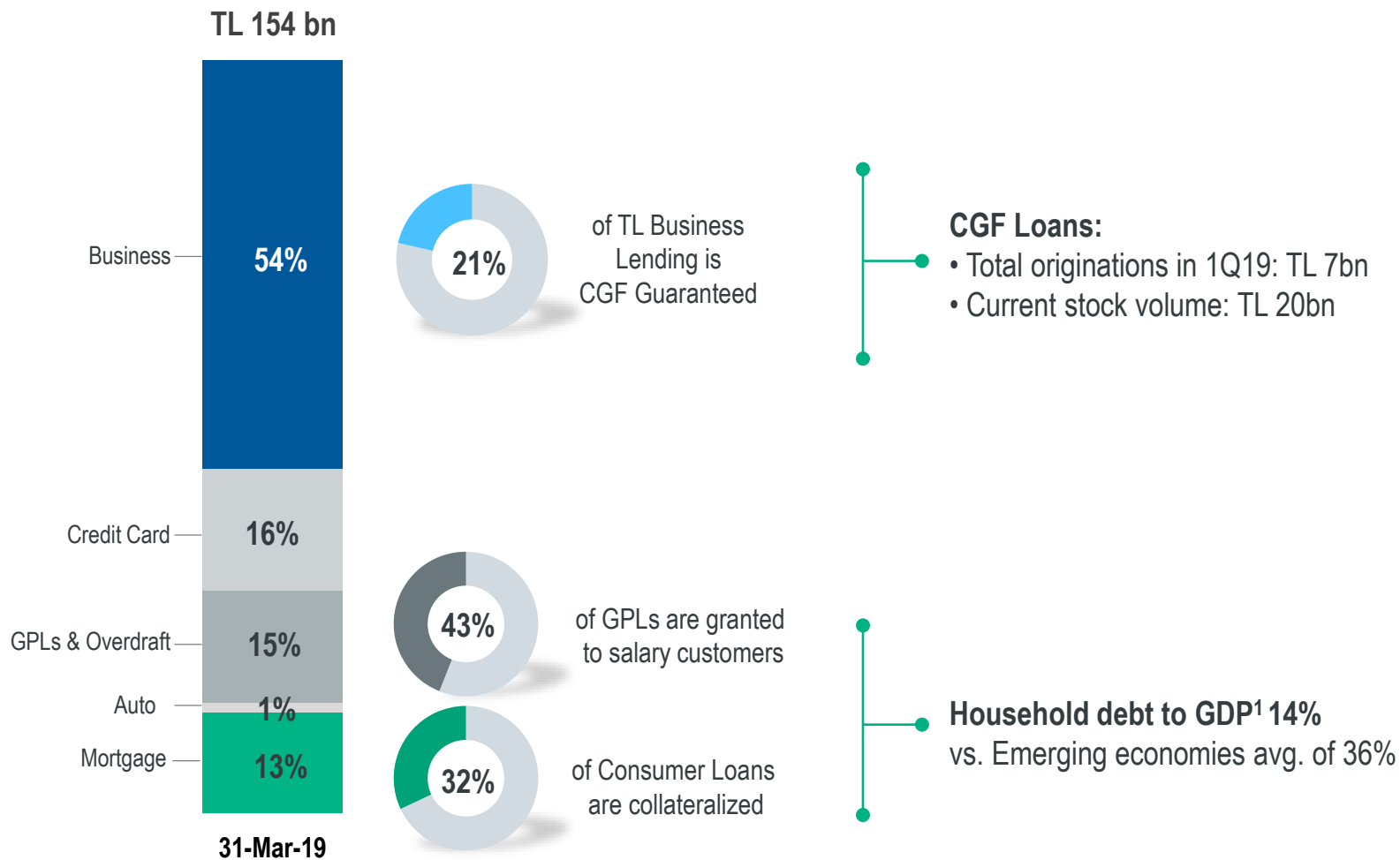
APPENDIX

Pg. 14	Structure of TL Loan Portfolio
Pg. 15	Structure of FC Loan Portfolio
Pg. 16	Adjusted L/D and Liquidity Coverage Ratios
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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

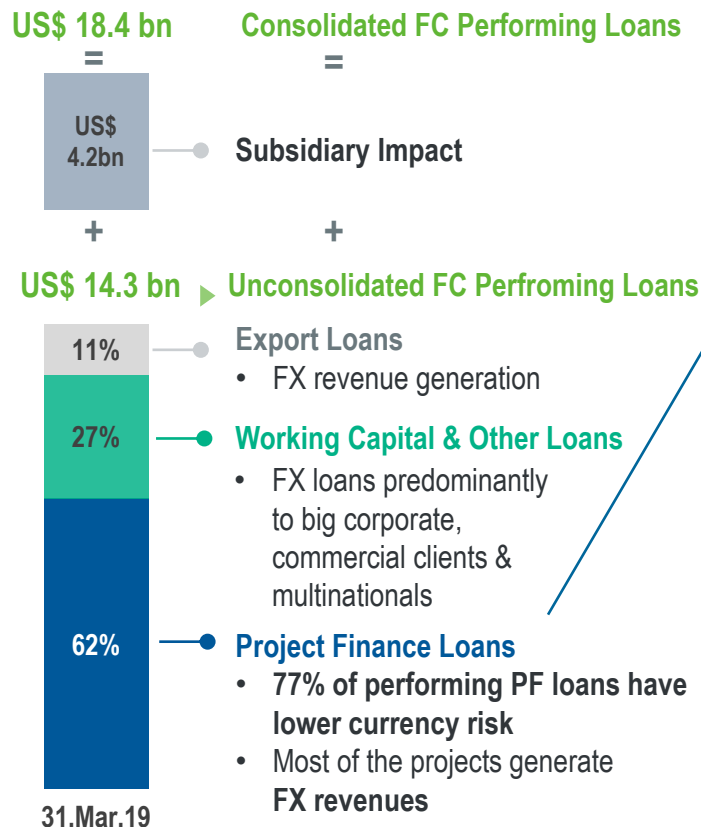


1 Based on 1Q 2019 expected GDP.
Emerging economies average is based on 2018 GDP. Source: BIS

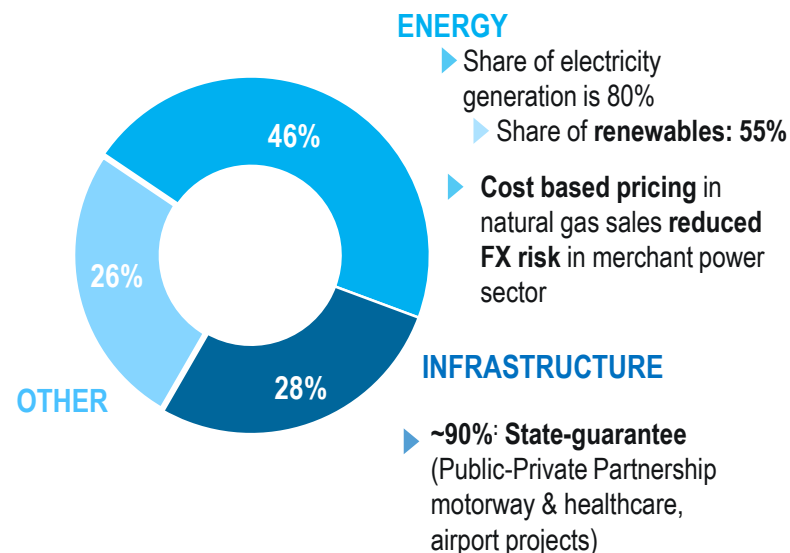
APPENDIX: STRUCTURE OF FC LOAN PORTFOLIO

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

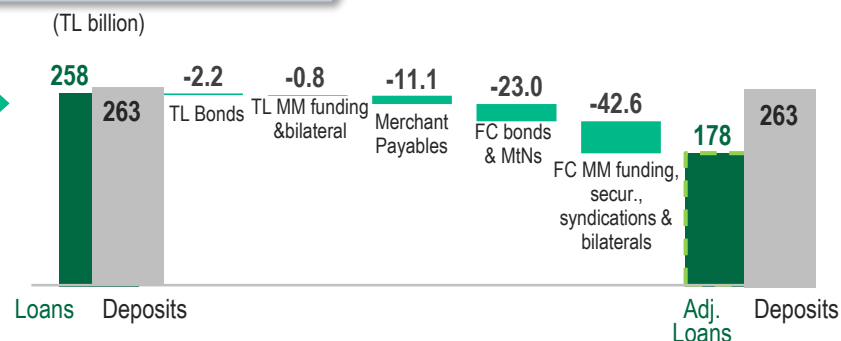


TL Loans /
TL Deposits:

149%

FC Loans /
FC Deposits:

65%



Liquidity Coverage Ratios¹ (LCR) are
well above minimum required levels

Total LCR

256.4%

Minimum Req. for 2019

100%

FC LCR

278.2%

Minimum Req. for 2019

80%

¹ Represents the average of March 2019.

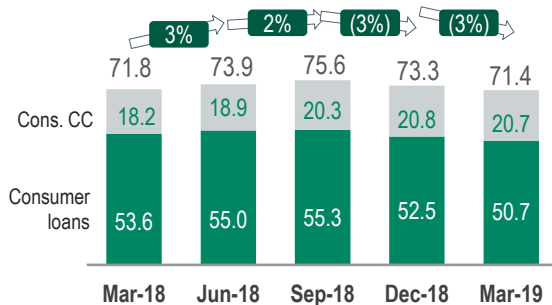
APPENDIX: CONSUMER LOANS

CONSUMER LOANS

(incl. cons. CCs)

(TL billion)

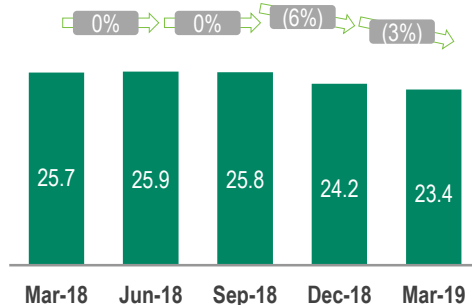
(1%)
YoY



MORTGAGE LOANS

(TL billion)

(9%)
YoY



Market Shares³

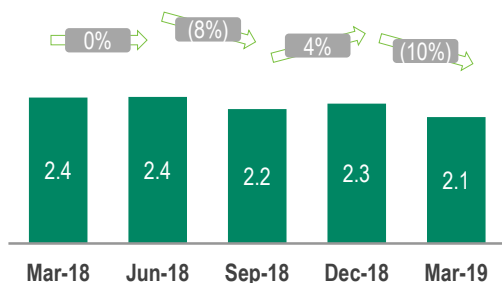
	Mar'19	QoQ	Rank
Consumer Loans	17.1%	+5bps	#1*
Cons. Mortgage	12.1%	-36bps	#1*
Cons. Auto	40.6%	+96bps	#1*
Consumer GPLs	10.9%	+23bps	#1*
# of CC customers ²	14.2%	-15bps	#1
Issuing Volume ²	18.9%	-12bps	#1
Acquiring Volume ²	18.6%	-34bps	#2

* Among private banks, as of Dec 18

AUTO LOANS

(TL billion)

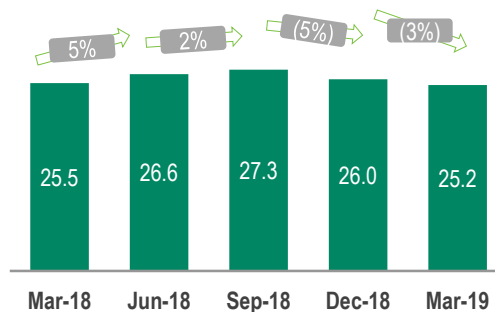
(14%)
YoY



GENERAL PURPOSE LOANS¹

(TL billion)

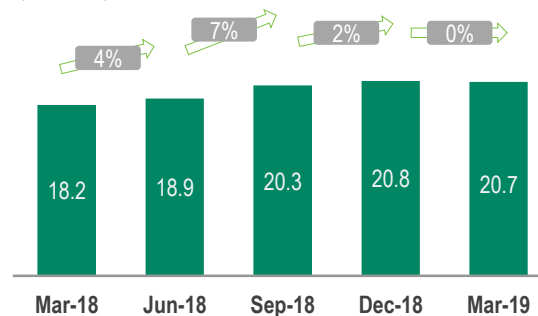
(1%)
YoY



CONSUMER CREDIT CARD BALANCES

(TL billion)

+14%
YoY



1 Including other loans and overdrafts

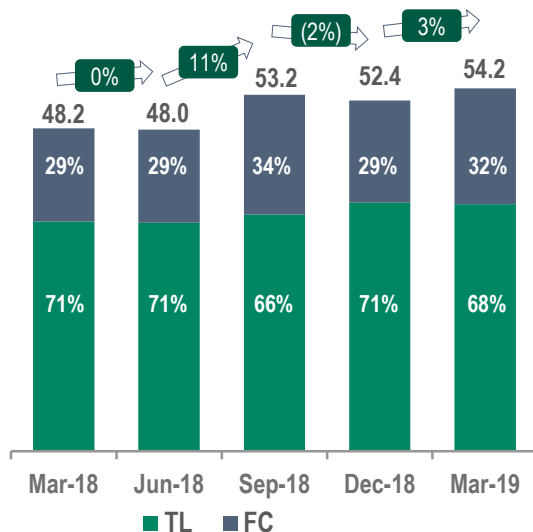
2 Cumulative figures and rankings as of March 2019, as per Interbank Card Center data.

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)

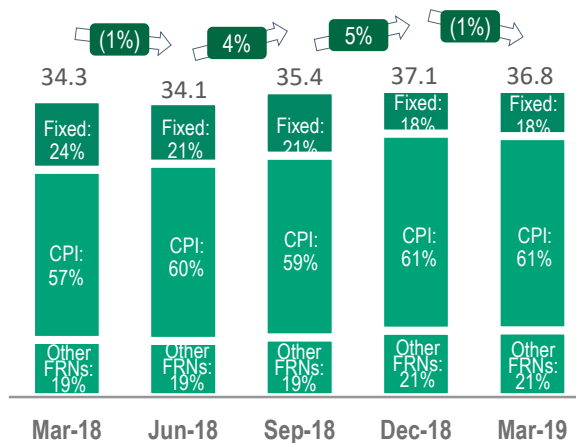
13% of Total Assets



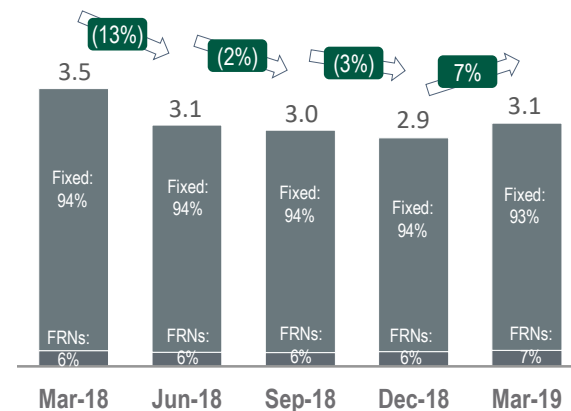
Maintained
FRN heavy portfolio



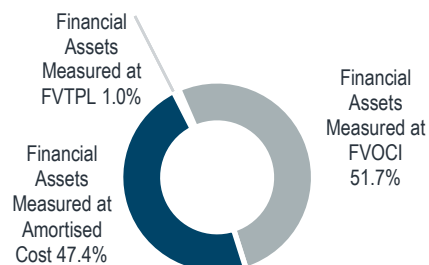
TL Securities (TL billion)



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
TOTAL ASSETS	456.328	399.154	423.322

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
TOTAL LIABILITIES & SHE	456.328	399.154	423.322

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
= CORE OPERATING INCOME	1,928	2,524	1,708
(+) 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 & Other Provision</i>	-583	-629	-632
= NET INCOME	2,011	1,077	1,757

APPENDIX: KEY FINANCIAL RATIOS

	Mar-18	Dec-18	Mar-19
Profitability ratios			
ROAE (Cumulative) ¹	18.3%	15.0%	15.6%
ROAA (Cumulative) ¹	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%
Liquidity ratios			
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%
Asset quality ratios			
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
Solvency ratios			
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

¹ 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
(-) Expected Credit Losses	9.258	3.387
Stage 1	1.063	719
Stage 2	3.182	1.615
Stage 3	5.013	1.053
(+) Provision Reversals under other income	2.227	1.732
Stage 1	998	599
Stage 2	587	774
Stage 3	642	358
(=) (a) Net Expected Credit Losses	7.031	1.655
(b) Average Gross Loans	258.209	265.040
(a/b) Cumulative Total Net CoR (bps)	258	245
info: Currency Impact¹	54	44
Total Net CoR excl. currency impact (bps)	204	201

¹ 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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