



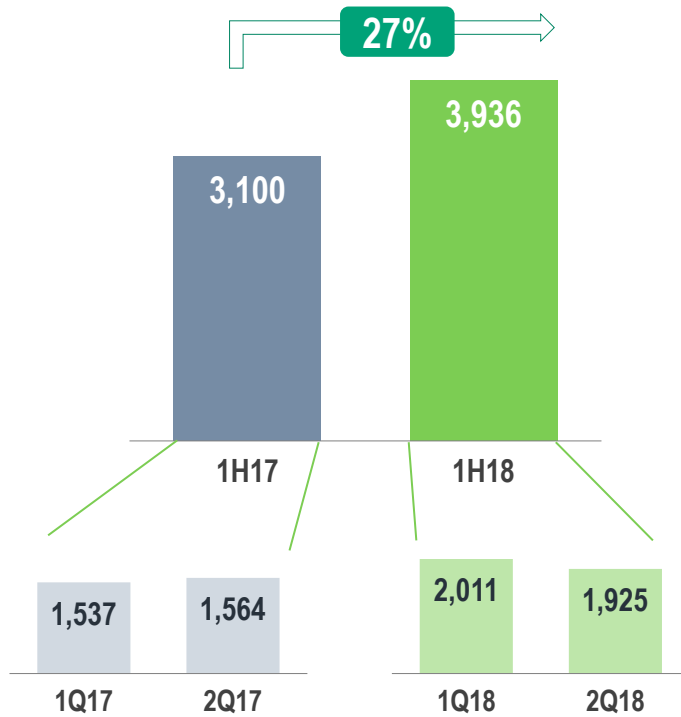
1H18 EARNINGS PRESENTATION

Based on BRSA Consolidated Financials
July 26th, 2018



SUSTAINED STRONG EARNINGS PERFORMANCE

NET INCOME (TL million)



2.1% ROAA
vs. 1.9% in 2017

18.1% ROAE
vs. 16.6% in 2017

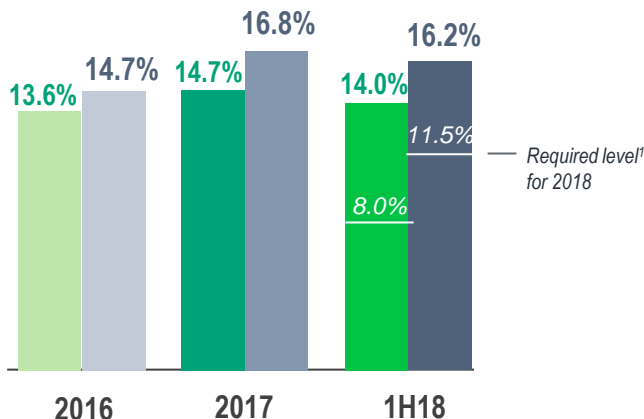
7.7x Leverage
vs. 7.6x in 2017

Note: In the calculation of average assets and average equity, 01.01.2018 restated balance sheet has been used instead of YE 2017

STRONG SOLVENCY & COMFORTABLE LIQUIDITY

SOLVENCY RATIOS

■ CET-1 ■ CAR



RWA / Assets

83%

78%

81%

LIQUIDITY RATIOS²

well above minimum required levels

Total LCR 149.6%

Minimum Req. for 2018 90%

FC LCR 161.7%

Minimum Req. for 2018 70%

Impacts on CAR – 1H18 vs. 2017

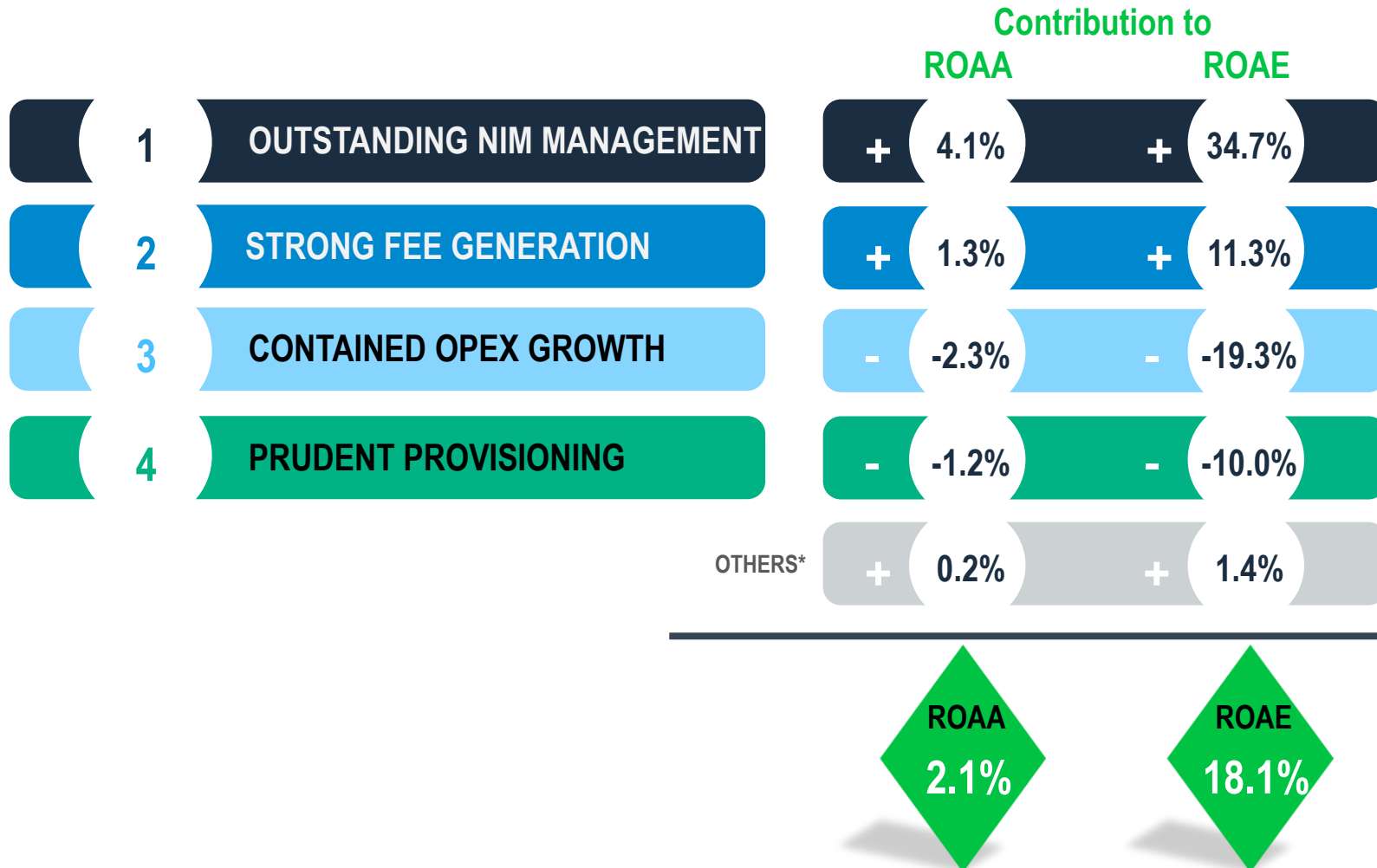


¹ Required CAR = 8.0% + SIFI Buffer for Group 3 (1.5%) + Capital Conservation Buffer (1.875%) + Counter Cyclical Buffer (0.09%)

² Representing June 2018 monthly average

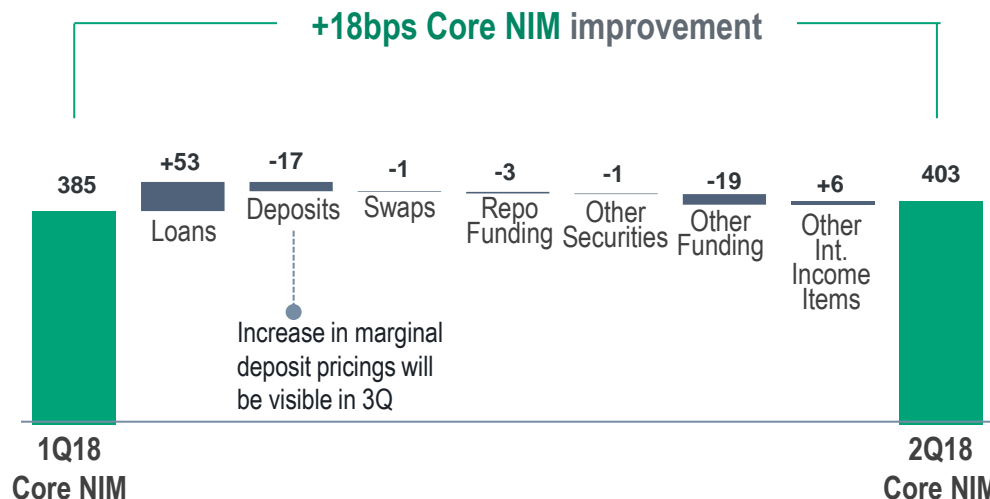
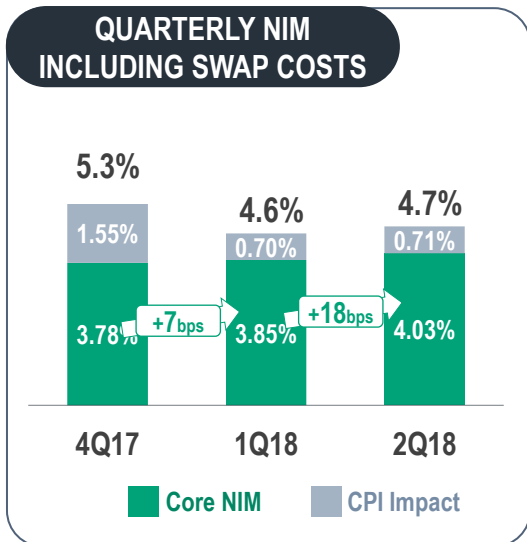
* Due to annual re-calculation of operational risk, which is calculated under Basic Indicator Approach

WHAT LIES BENEATH THE PERFORMANCE



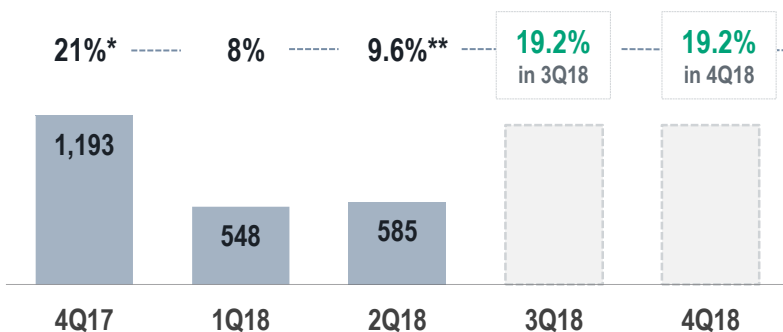
*Net trading & FX gains, other income, other provisions and taxation are included in «Others» line

CORE NIM EXPANSION



QUARTERLY CPI LINKERS' INCOME

(TL million)



● CPI estimate used in the valuation
Based on 14% Oct-Oct CPI assumption

Impact of 1% higher CPI:
+TL180mn/yr to Net Income
~8bps impact on NIM

Note: In the calculation of average IEAs,

01.01.2018 restated balance sheet has been used instead of 2017YE.

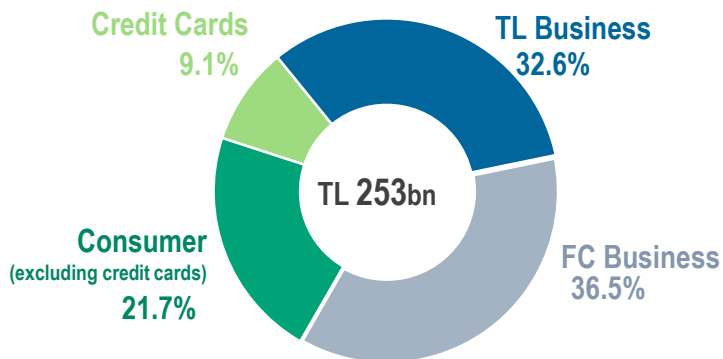
* Adjustment in annual CPI reading in the last quarter of 2017 from 9% to 11.9%

implies 20% rate for 4Q-only. ** During 2018, CPI expectation used in the valuation revised up to 9% in May and to 10% in June.

HEALTHY GROWTH SUSTAINED WITH A BALANCED LOAN MIX

LOAN BREAKDOWN

(Excluding Leasing and Factoring receivables)



TL LOAN GROWTH

↑ 5% QoQ

↑ 9% YtD

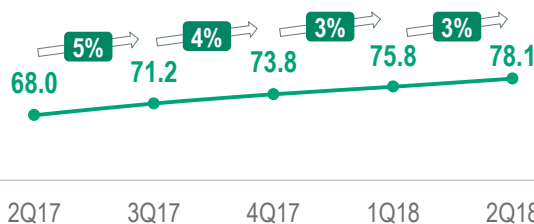
FC LOAN GROWTH (in US\$)

↓ -6% QoQ

↓ -5% YtD

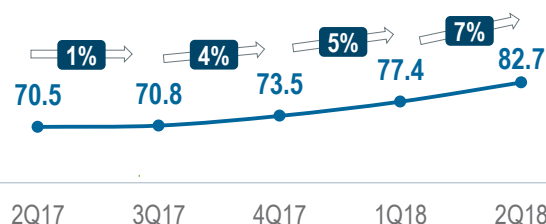
HEALTHY MARKET SHARE GAINS

▶ Consumer Loans including Credit Cards (TL billion)



- Consumer GPLs and Credit Cards were the front-runners (GPL: +5% QoQ; +10% YtD; Credit Cards: +4% QoQ; +6% YtD)
- Consumer Mortgage growth was muted in 2Q
- Rational pricing stance preserved

▶ TL Business Banking Loans (TL billion)



- Supported with Business banking & CGF loans
- Garanti's limit out of TL85bn CGF limit*: TL6.2bn as of 1H18
- CGF contribution to YtD TL Business banking loan growth: 4%

Note: Business banking loans represent total loans excluding credit cards and consumer loans

* In 2017, Sector utilized TL200bn out of TL250bn CGF guarantee limit. In February, remaining TL50bn guarantee limit has been introduced. 1/3 of the sector's limit will be used for the export-based sectors, 1/3 for investment loans including women entrepreneurs, agriculture and 1/3 for working capital needs. Additionally, in 2Q18, TL35bn of rollover limit has been extended to the sector, mostly utilized for working capital needs.

WELL-DIVERSIFIED MIX BACKED BY LOW COST & STICKY DEPOSITS

DEPOSITS

TL DEPOSITS GROWTH

↑ 5% QoQ

↑ 9% YtD

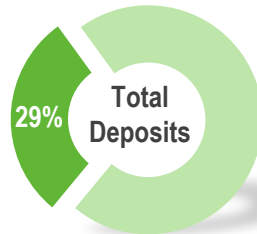
FC DEPOSITS GROWTH (in US\$)

↓ -4% QoQ

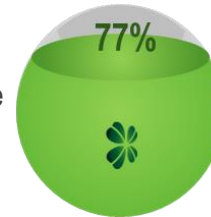
↓ -2% YtD

DEMAND DEPOSITS

Bank-only: 27% vs. sector's 22%²



SME & RETAIL DEPOSITS¹ share in TL Deposits



SWAPS

SUCCESSFUL DUAL CURRENCY BALANCE SHEET MANAGEMENT

NET SWAP FUNDING¹

TL 22bn
2Q18 avg. @11.9%

TL 23bn
1Q18 avg. @11.1%

BORROWINGS

- Total issuance in 2017 \$5.9bn of which \$2.2bn fresh
- In 1Q18, **\$125mn fresh MTN issuance** with 1-yr maturity
- In May'18, **100% syndication roll-over** (US\$457mn @Libor+1.30%; €670.5mn @Euribor+1.20%, US\$145mn @Libor+2.10%)
- In June'18, **first ever gender bond issuance** with US\$75mn w/6-yrs maturity

YTD 323bps improvement in LDR

110%

LDR (1H18)

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

78%

Adj. LDR* (1H18)

¹ Based on bank-only MIS data

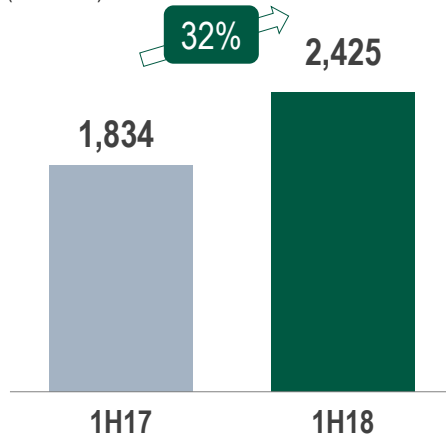
² Based on BRSA weekly data as of 29 June 2018, commercial banks only.

*Please see Appendix page 21 for details

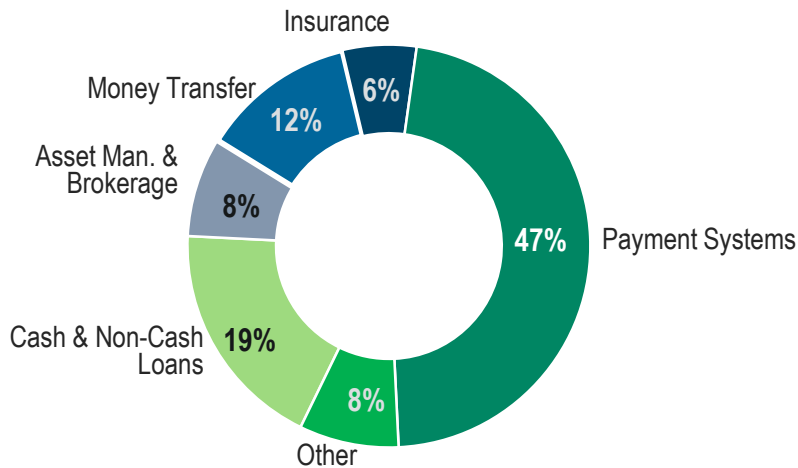
STELLAR FEE GROWTH BACKED BY DIVERSIFIED FEE SOURCES

NET FEES & COMMISSIONS

(TL million)



NET FEES & COMMISSIONS BREAKDOWN¹



¹ Insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials

► Payment systems

Leading position in **issuing & acquiring** businesses
Strong **merchant network** & actively managed relations

► 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**

► Digital Channels

Digital channels' share in non-credit linked fees: **44%**
Share of digital sales in total sales: **43%**
Leading position: **6.6mn digital customer**

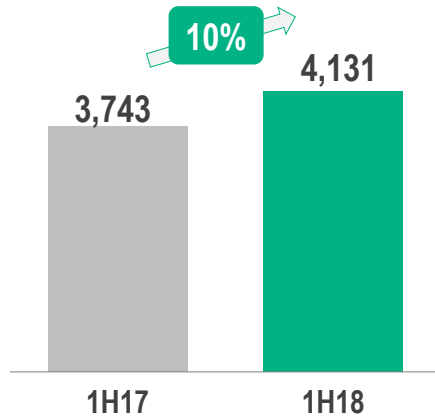
► Economic activity & growth supported brokerage, cash & non-cash loan fees

COMMITTED TO IMPROVE EFFICIENCY & OPERATIONAL EXCELLENCE

OPERATING EXPENSES

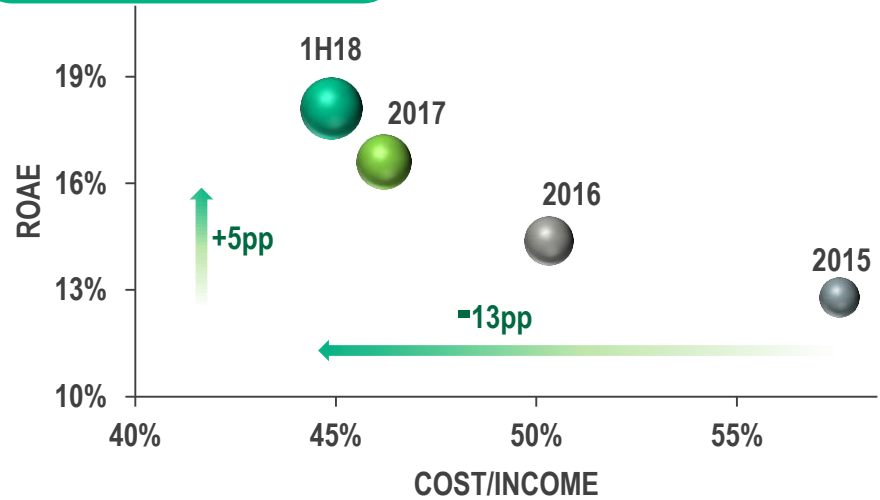
(TL Million)

Cost growth 5pp below inflation



15% of the OPEX base is FC-linked. However, bottom-line impact minimized through hedging activities

INCREASING EFFICIENCY



	COST/INCOME	OPEX/ AVG. ASSETS	FEE / OPEX
Consolidated	44.9%	2.3%	59%
Bank-only	41.8%	2.1%	66%

Note: In the Cost/Income calculation, Income defined as NII + Net F&C + Trading gains/losses

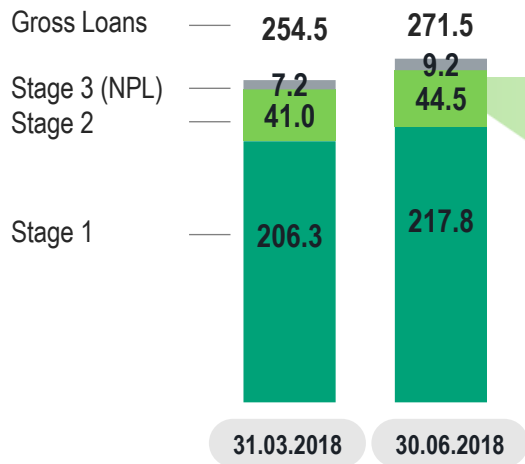
- Provision for loans - Free Provisions set aside during the year + Other income

+ Income from subsidiaries.

PRUDENTLY DEFINED IFRS 9 CRITERIA REFLECTED ON STAGING

LOAN PORTFOLIO BREAKDOWN

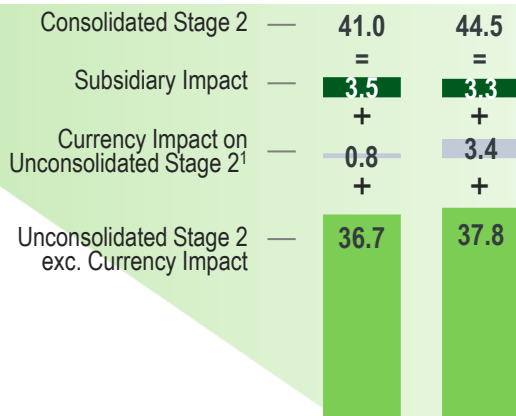
(Billion TL)



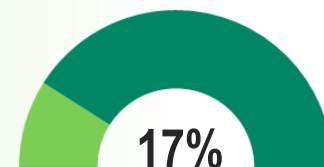
USDTRY: 3.9450 4.5637

Stage 2 Breakdown

(Billion TL)



Share of Stage 2 in Performing Loans



Not comparable among banks mainly due to:

43% Differentiation in quantitative assessment criteria (SICR definition)

57% Approach difference for qualitative assessment as was the case in the past for Group 2 classification.

Currency Breakdown of Unconsolidated Stage 2		31.03.2018	30.06.2018
SICR ² (Quantitative)	TL	87%	89%
	FX	13%	11%
Watchlist, Restructured & Past Due (Qualitative)	TL	30%	28%
	FX	70%	72%

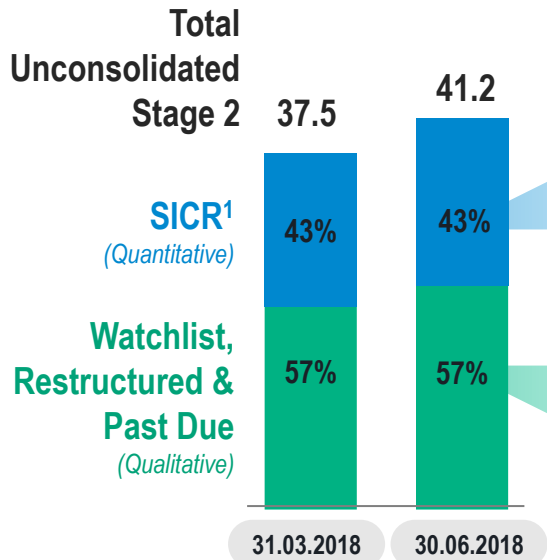
1 2017YE USDTRY currency of 3.77 is used in currency impact calculations.

2 SICR: Significant Increase in Credit Risk

PRUDENTLY DEFINED IFRS 9 CRITERIA REFLECTED ON STAGING

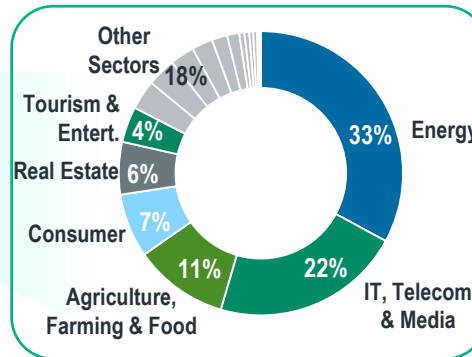
UNCONSOLIDATED STAGE 2 BREAKDOWN

(Billion TL)



- ▶ High share of SICR¹ is the outcome of prudently defined IFRS 9 model parameters.
- ▶ 85% of SICR is not delinquent at all and the rest are less than 30-days past due

Sector Breakdown of Stage 2 excluding SICR



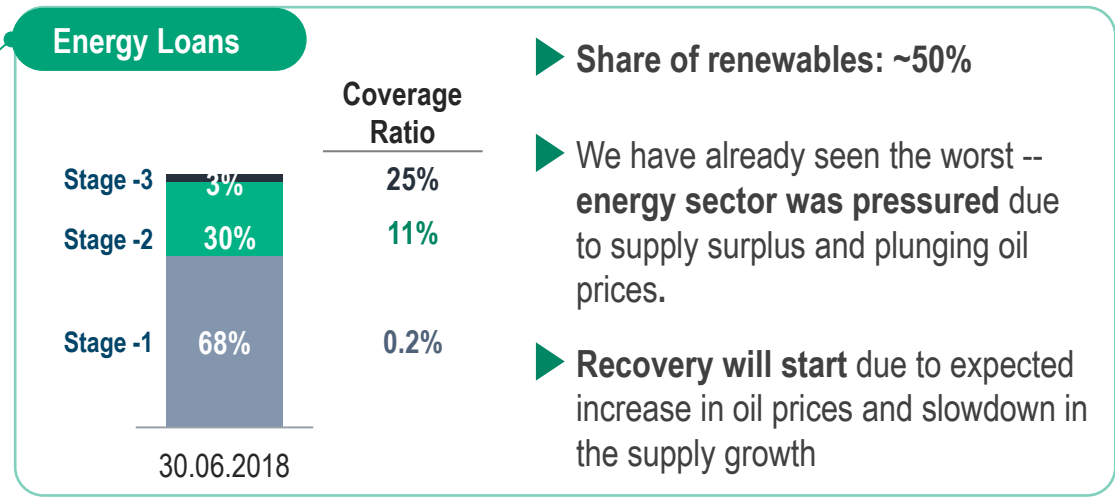
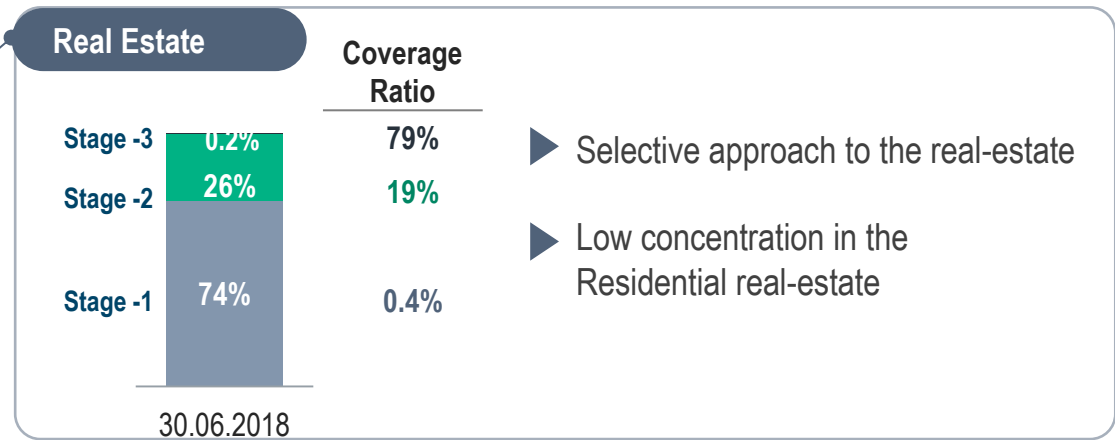
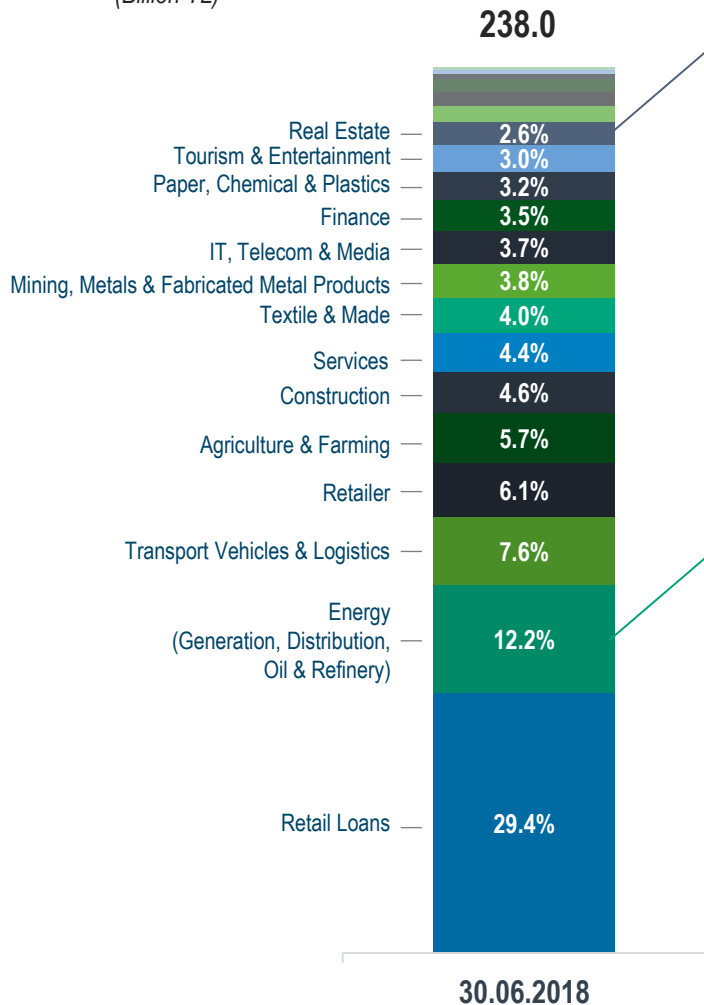
- ▶ Restructured/refinanced loans are followed under Stage 2 for minimum 2 years or for life-time.
- ▶ Files are moved to **Watchlist proactively** as a result of advanced risk assessments, as was our common practice in the past.

Unconsolidated Stage 2 Coverage	30.06.2018	
	Total Stage 2	9.9%
SICR (Quantitative)	3%	
Watchlist, Restructured & Past Due (Qualitative)	16%	

1 SICR: Significant Increase in Credit Risk

WELL-DIVERSIFIED PORTFOLIO WITH STRONG COVERAGE

SECTOR BREAKDOWN OF UNCONSOLIDATED GROSS LOANS¹ (Billion TL)

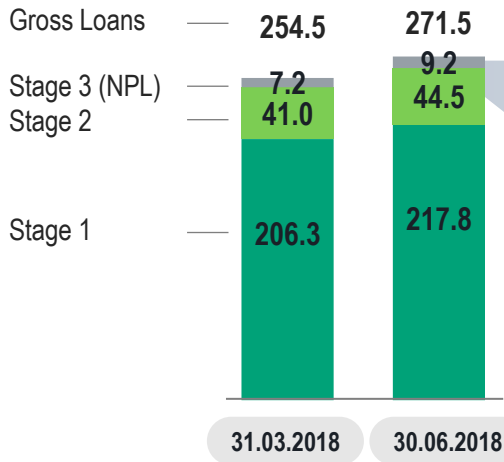


¹ Based on Bank-only MIS data

NORMALIZATION IN NPL INFLOWS

LOAN PORTFOLIO BREAKDOWN

(Billion TL)



USDTRY: 3.9450 4.5637

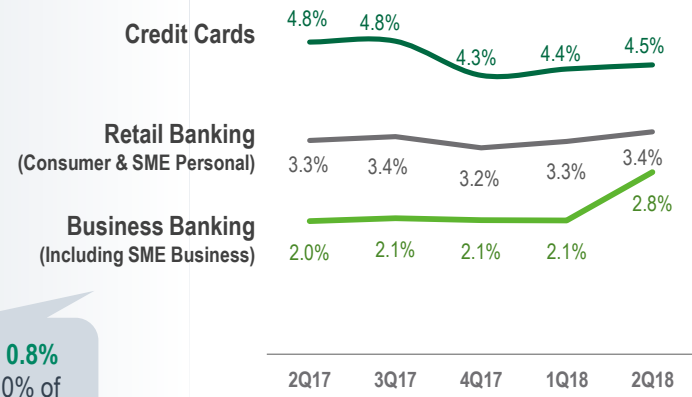
Coverage	Stage 3:	67.9%	63.1%
	Stage 2:	9.5%	9.6%
	Stage 1:	0.5%	0.5%

NPL Ratio
3.4% ^{16bps} Currency impact
 vs.
 2.8% in 1Q
 2.6% in 2017YE

CGF NPL Ratio: 0.8%
 (CGF loans are 10% of Business Banking loans)

NPL Breakdown¹

Bank-Only NPL ratio: 3.0%
 No NPL Sale in 1H18



¹ BRSA bank-only data

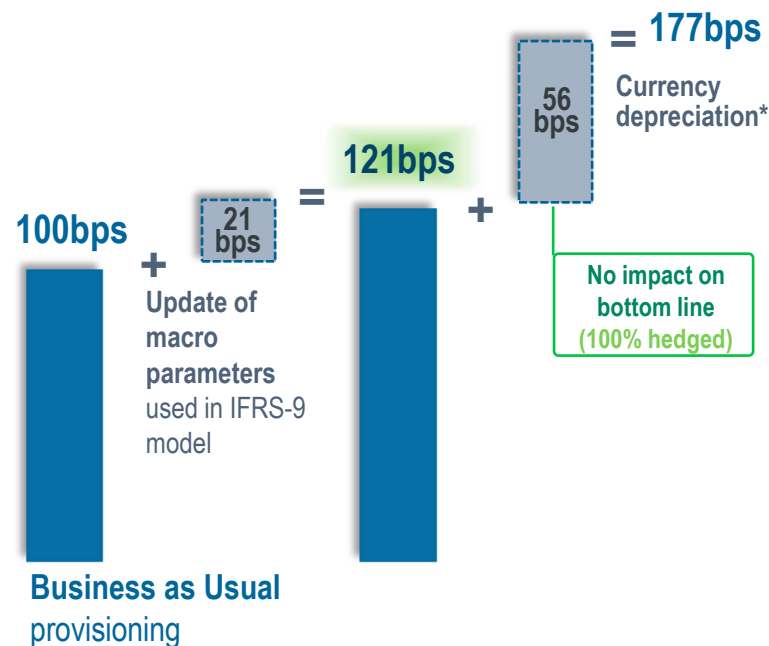
NET CoR FARING AS EXPECTED EXCLUDING PRESSURE FROM MACRO PARAMETER REVISION & CURRENCY DEPRECIATION

Cumulative Net Expected Credit Loss

(Million TL, 1H18)

(-) Expected Credit Losses	3,560
Stage 1	696
Stage 2	1,561
Stage 3	1,303
(+) Provision Reversals under other income	1,426
Stage 1 & 2	1,020
Stage 3	406
(=) Net Expected Credit Losses	2,135
(a) Annualized Net Expected Credit Losses	4,305
(b) Average Total Loans	242,636
Total Net CoR (a/b)	177 bps

Cumulative NET CoR



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

Note: In the calculation of average total loans, 01.01.2018 restated balance sheet has been used instead of YE 2017

UPWARD REVISION IN ROAE REFLECTS HIGH RESILIENCE OF THE BUSINESS MODEL, DESPITE A SIGNIFICANT CHANGE IN MACRO SCENARIO

	OP GUIDANCE	1H18 REALIZATION*	REVISED 2018YE EXPECTATIONS	
TL Loans	~14 - 15%	9% ytd	<14%	↔
FC Loans (in US\$)	Flat	-5% ytd	Shrinkage	↓
NPL Ratio	~3.0% (>TL1bn NPL sale assumed)	3.4%	4.0-4.5% (No NPL sale assumed)	↓
Net Cost of Risk	~100 bps (Under macro assumptions used in initial model)	121 bps (excl. currency impact) ¹	~150 bps (excl. currency impact) ¹	↓
NIM including swap cost	Flat (excl. CPI impact) ²	+19 bps ytd (excl. CPI impact)	Flat (including CPI impact)	↑
Fee Growth (yoy)	Low-teens	+32%	> 20%	↑
Opex Growth (yoy)	<= CPI	10%	~10%	↑
ROAE	> 16.5%	18.1%	> 17%	↑
ROAA	> 2.2%	2.1%	> 2.2%	↔

Better than expected trend in Net F&C, NIM and OPEX will more than offset the expected normalization in NPL inflows and worse than assumed macro parameter changes in IFRS9 model.

¹ Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

² Initial Oct-Oct CPI reading expectation for 2018 was lower vs. 2017 CPI reading of 11.9% INVESTOR RELATIONS | 1H18 BRSA CONSOLIDATED EARNINGS PRESENTATION

APPENDIX

Pg. 17	Summary P&L
Pg. 18	Key Financial Ratios
Pg. 19	Composition of Assets & Liabilities
Pg. 20	Long-term Wholesale Funding
Pg. 21	Adjusted L/D and Liquidity Coverage Ratios
Pg. 22	Securities portfolio
Pg. 23	Retail Loans
Pg. 24	Quarterly Net Cost of Risk

APPENDIX: SUMMARY P&L

TL Million	1H 18	2Q18	1Q18
(+) Net Interest Income including Swap costs	7,425	3,882	3,543
(+) <i>NII excluding CPI linkers' income</i>	7,466	3,904	3,563
(+) <i>Income on CPI linkers</i>	1,134	585	548
(-) <i>Swap Cost</i>	-1,175	-607	-568
(+) Net Fees & Comm.	2,425	1,187	1,238
(-) Net Expected Credit Loss	-2,135	-1,324	-811
(-) <i>Expected Credit Loss</i>	-3,560	-1,777	-1,783
(+) <i>Provision Reversal under other Income</i>	1,426	454	972
(-) OPEX	-4,131	-2,088	-2,043
(-) <i>HR</i>	-1,718	-904	-814
(-) <i>Non-HR</i>	-2,413	-1,184	-1,228
= CORE OPERATING INCOME	3,585	1,657	1,928
(+) Net Trading & FX gains/losses	843	557	285
(+) Income on subsidiaries	5	4	1
(+) Other income	640	260	380
(+) <i>Gains from asset sale</i>	126	0	126
(+) <i>Insurance Premium</i>	393	196	197
(+) <i>Other</i>	121	64	57
(-) Taxation and other provisions	-1,137	-554	-583
(-) <i>Other Provision</i>	-36	-16	-20
(-) <i>Taxation</i>	-1,102	-538	-563
= NET INCOME	3,936	1,925	2,011

APPENDIX: KEY FINANCIAL RATIOS

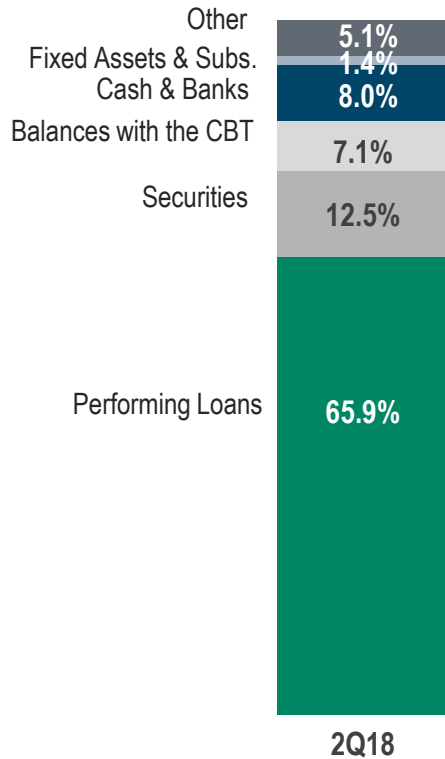
	June-18
Profitability ratios	
ROAE (Cumulative) ¹	18.1%
ROAA (Cumulative) ¹	2.1%
Cost/Income	44.9%
Quarterly NIM incl. Swap costs	4.7%
Liquidity ratios	
Loans / Deposits	110%
TL Loans / TL Deposits	162%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	78%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	138%
FC Loans / FC Deposits	73%
Asset quality ratios	
NPL Ratio	3.4%
Coverage Ratio	
+Stage 1	0.5%
+Stage 2	9.5%
+Stage 3	67.9%
Net Cost of Risk (bps, Cumulative)	177
Solvency ratios	
CAR	16.2%
Common Equity Tier I Ratio	14.0%
Leverage	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).

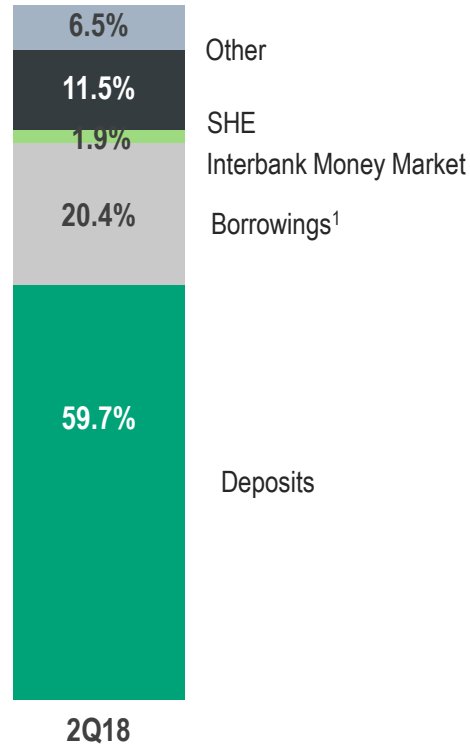
Note: In the calculation of average assets, average IEAs and average equity, 01.01.2018 restated balance sheet has been used instead of 2017YE

APPENDIX: COMPOSITION OF ASSETS & LIABILITIES

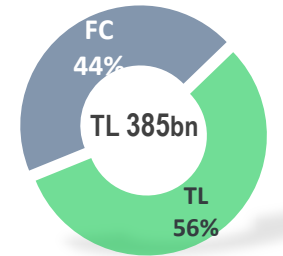
ASSETS



LIABILITIES & SHE

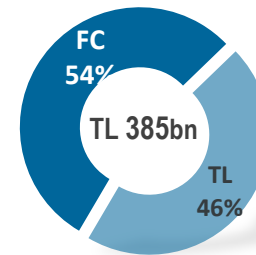


TL/FC MIX IN ASSETS



USD/TRY 4.564

TL/FC MIX IN LIABILITIES & SHE

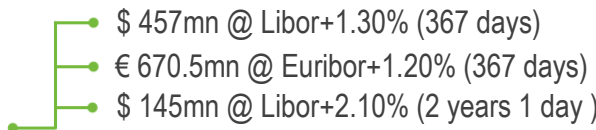


USD/TRY 4.564

¹ Includes funds borrowed, sub-debt & securities issued

APPENDIX: LONG-TERM WHOLESALE FUNDING

**Total issuance in 2017 \$5.9 bn; of which, \$2.2 bn fresh (new liquidity raised).
In 1H18, \$200mn fresh MTN issuance**

Basel III compliant Tier II	<ul style="list-style-type: none">\$ 750mn, 10NC5 Record subscription >\$4bn 6.125%, largest deal size and lowest coupon for Turkish Tier 2 Basel III compliant bond (2Q17)
Senior Unsecured	<ul style="list-style-type: none">\$ 500mn, 6-yrs maturity @5.875% (1Q17)
Covered Bond	<ul style="list-style-type: none">TL 1,681 mn in 2017, 5-yrs avg. maturity
100% syndication roll-over	<ul style="list-style-type: none">\$ 1.3bn equivalent: 100% rollover (4Q17)\$ 1.35bn equivalent: 100% rollover (2Q18) 
DPR Securitization	<ul style="list-style-type: none">\$ 725mn in 2017, 5-yrs maturity
Bilateral	<ul style="list-style-type: none">\$ 475mn in 2017, 3-yrs avg. maturity
GMTN Program	<ul style="list-style-type: none">\$ 48mn in 2017, 1-yr maturity\$ 125mn in 1Q18, 1-yr maturity\$ 75mn in 2Q18 6-yr maturity (Gender Bond - The first private sector gender bond in emerging markets and one of the firsts of its kind in the World)

APPENDIX: ADJUSTED LDR AND LIQUIDITY COVERAGE RATIOS

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

Total
Loans /
Deposits:

110%



Adjusted
LDR

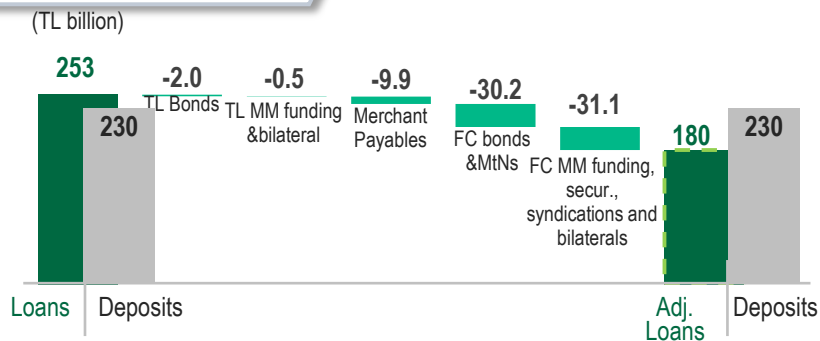


TL Loans /
TL Deposits:

162%

FC Loans /
FC Deposits:

73%



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

Total LCR

149.6%

Minimum Req. for 2018

90%

FC LCR

161.7%

Minimum Req. for 2018

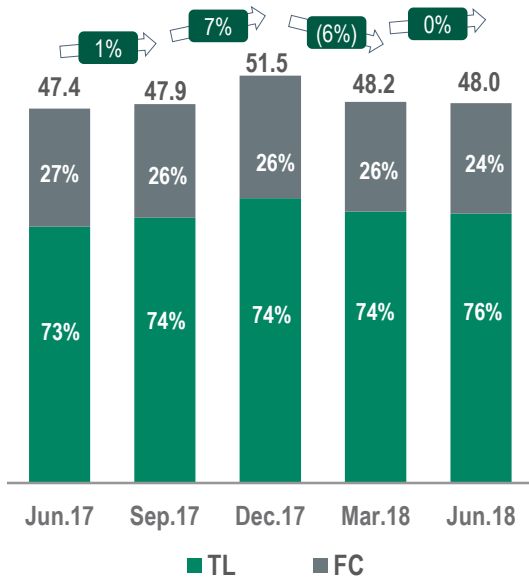
70%

¹ Representing June 2018 monthly averages

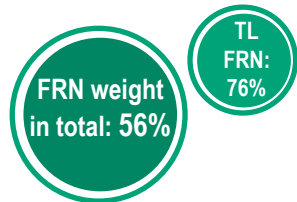
APPENDIX: SECURITIES PORTFOLIO

Total Securities (TL billion)

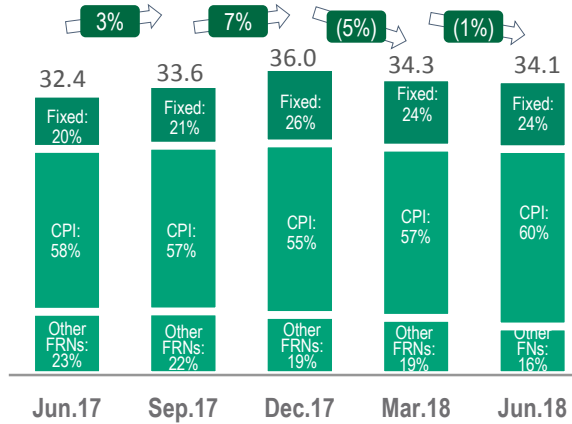
13% of Total Assets



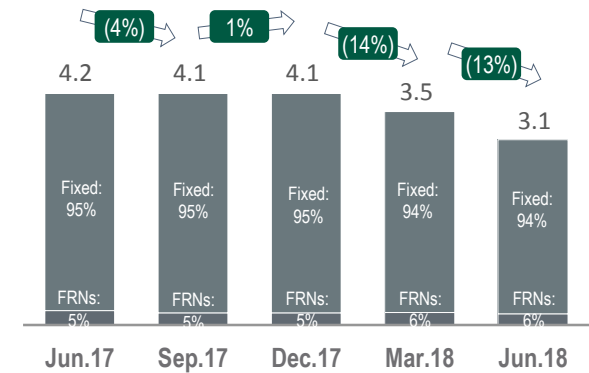
Maintained
FRN heavy portfolio



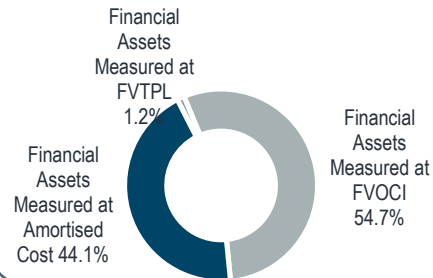
TL Securities (TL billion)



FC Securities (US\$ billion)



Securities Composition



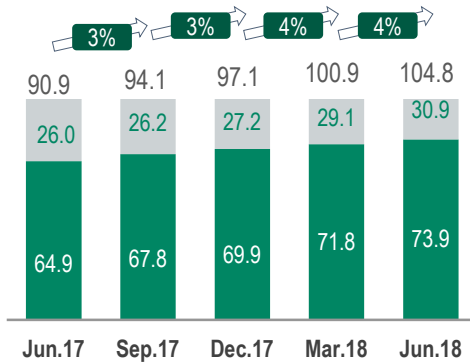
Unrealized Mtm loss (pre-tax)
~TL 731mn loss as of Jun'18

APPENDIX: RETAIL LOANS

RETAIL LOANS

(TL billion)

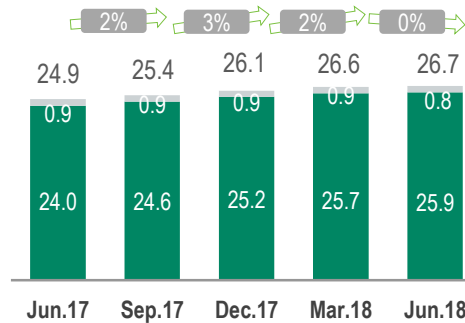
+15%
YoY



MORTGAGE LOANS

(TL billion)

+7%
YoY



Market Shares*

	Jun'18	QoQ	Rank
Consumer Loans	22.4%	-1bps	#1
Cons. Mortgage	25.6%	+62bps	#1
Cons. Auto	47.3%	+83bps	#1
Consumer GPLs	18.4%	-39bps	#2

* Among private banks, rankings as of March 18

Pioneer in cards business

of CC
customers

14.7%²

Issuing
Volume

19.2%²

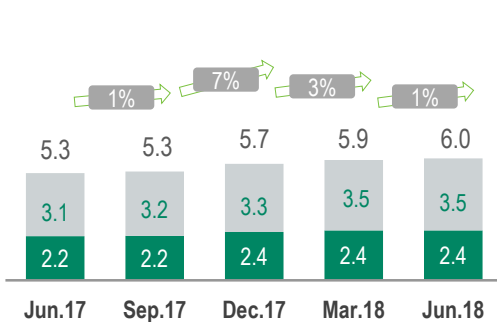
Acquiring
Volume

19.1%²

AUTO LOANS

(TL billion)

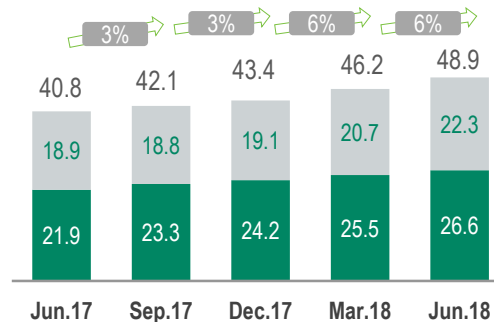
+14%
YoY



GENERAL PURPOSE LOANS¹

(TL billion)

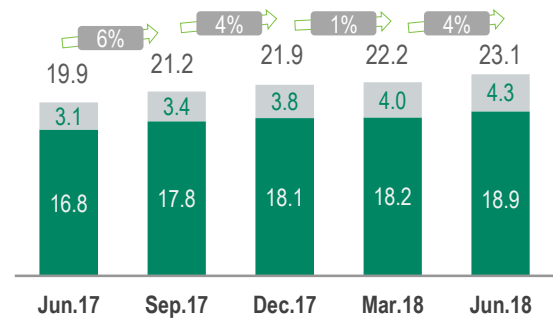
+20%
YoY



CREDIT CARD BALANCES

(TL billion)

+16%
YoY



■ Consumer Loans ■ Commercial Instalment Loans

1 Including other loans and overdrafts

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

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 29.06.2018

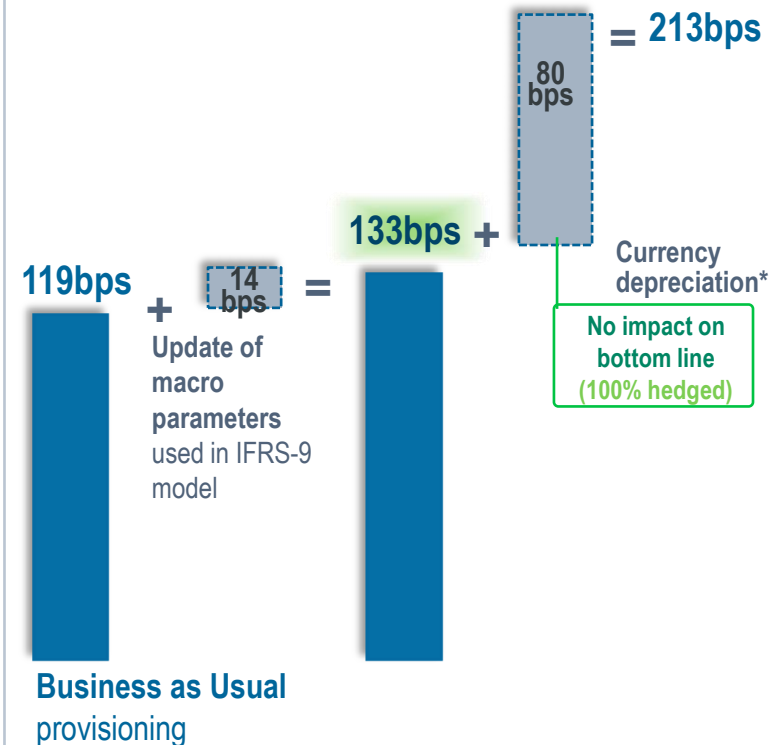
APPENDIX: QUARTERLY NET CoR

Quarterly Net Expected Credit Loss

(Million TL, 2Q18)

(-) Expected Credit Losses	1,778
Stage 1	258
Stage 2	468
Stage 3	752
(+) Provision Reversals under other income	454
Stage 1 & 2	277
Stage 3	177
(=) Net Expected Credit Losses	1,324
(a) Annualized Net Expected Credit Losses	5,309
(b) Average Total Loans	248,773
Total Net CoR (a/b)	213 bps

Quarterly NET CoR



*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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