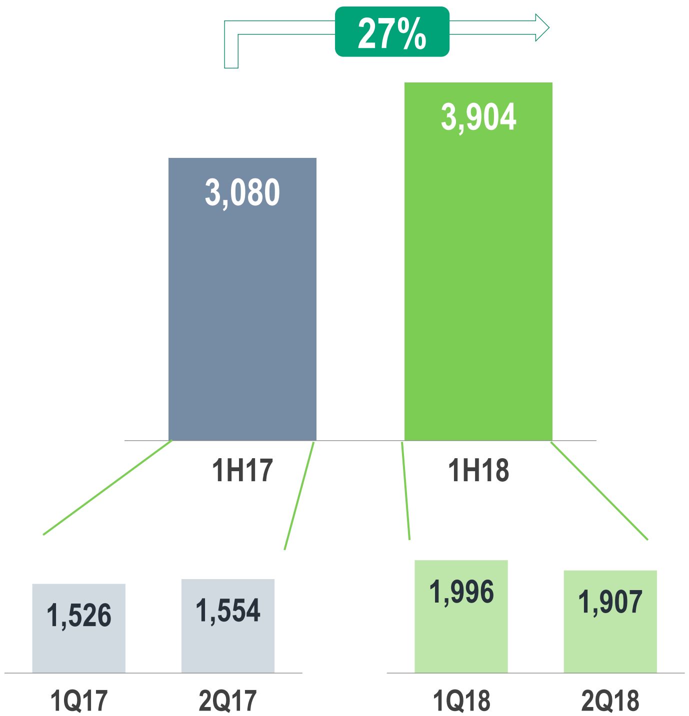
Garanti
BBVA Group

1H18 EARNINGS PRESENTATION

Based on BRSA Unconsolidated Financials
July 26th, 2018

SUSTAINED STRONG EARNINGS PERFORMANCE

NET INCOME
(TL million)



2.3% ROAA
vs. 2.1% in 2017

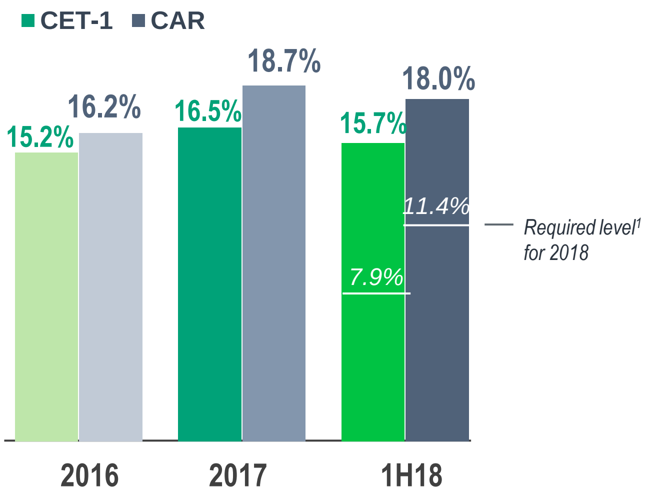
18.1% ROAE
vs. 16.6% in 2017

6.9x Leverage
vs. 6.9x 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



RWA / Assets	82%	76%	80%

LIQUIDITY RATIOS[2]

well above minimum required levels

Total LCR	**143.7%**
Minimum Req. for 2018	*90%*
FC LCR	**144.8%**
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 (0.02%)
2 Representing the last week's average
* Due to annual re-calculation of operational risk, which is calculated under Basic Indicator Approach

WHAT LIES BENEATH THE PERFORMANCE

		Contribution to ROAA	Contribution to ROAE
1	OUTSTANDING NIM MANAGEMENT	+ 4.1%	+ 31.6%
2	STRONG FEE GENERATION	+ 1.4%	+ 10.8%
3	CONTAINED OPEX GROWTH	- -2.1%	- -16.5%
4	PRUDENT PROVISIONING	- -1.3%	- -9.7%
5	ROBUST SUBSIDIARY CONTRIBUTION	+ 0.3%	+ 2.2%
	OTHERS*	- -0.1%	- -0.3%

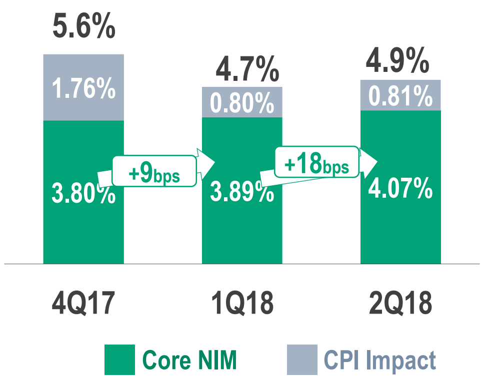
ROAA 2.3%

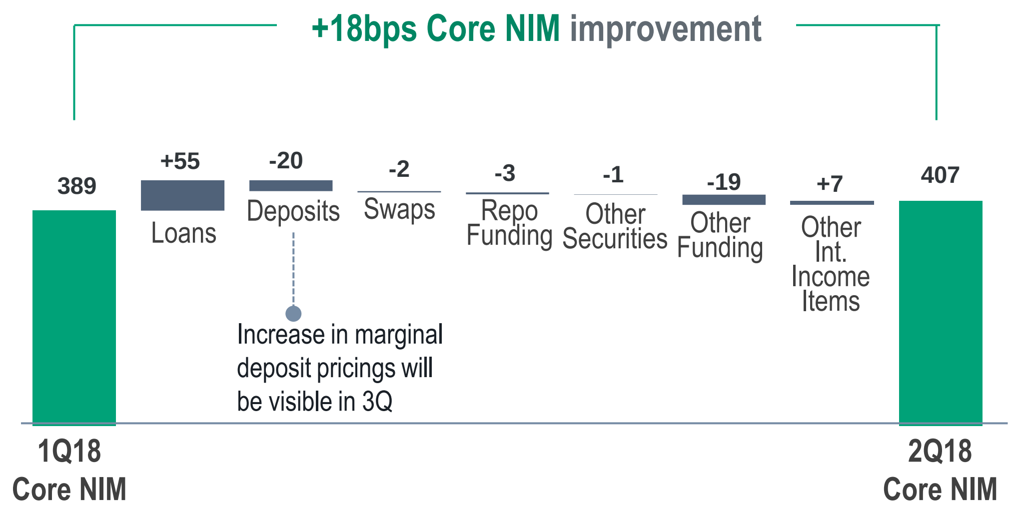
ROAE 18.1%

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

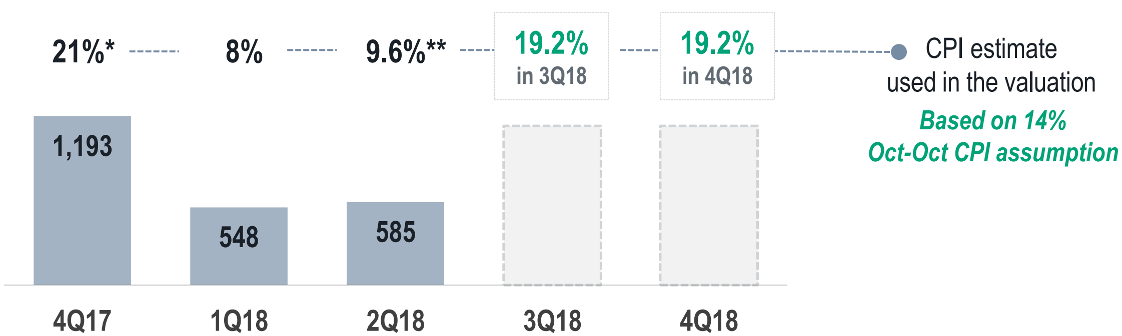
CORE NIM EXPANSION

QUARTERLY NIM INCLUDING SWAP COSTS





QUARTERLY CPI LINKERS' INCOME
(TL million)

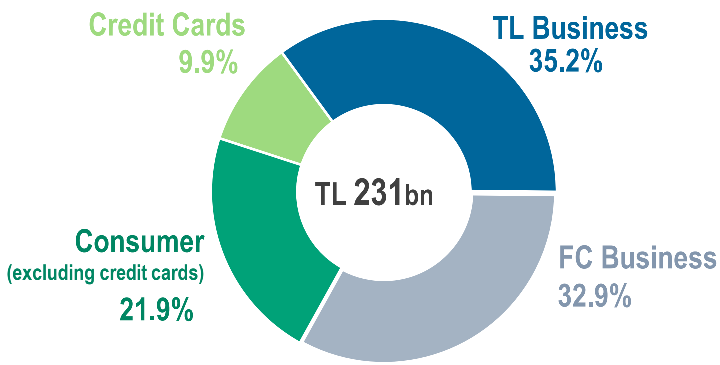


Impact of 1% higher CPI:
+TL180mn/yr to Net Income
~8bps impact on NIM

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

PERFORMING LOANS BREAKDOWN

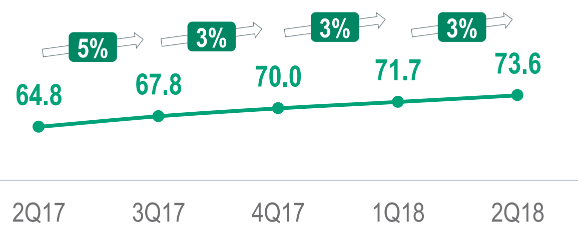


TL LOAN GROWTH — 5% QoQ — 9% YtD

FC LOAN GROWTH (in US$) — -6% QoQ — -6% YtD

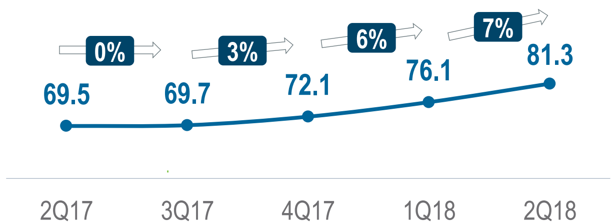
HEALTHY MARKET SHARE GAINS

Consumer Loans including Credit Cards (TL billion)



- Consumer GPLs and Credit Cards were the front-runners (GPL: +4% QoQ; +9% YtD; Credit Cards: +4% QoQ; +5% 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%

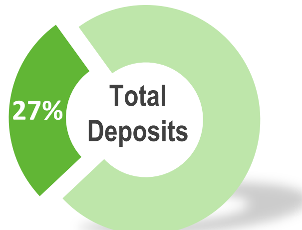
Note: Business banking loans represent total loans excluding credit cards and consumer loans
* In 2017, Sector utilized TL200bn out of TL250bn CGF guarantee limit. In February, remaining TL50bn guarantee limit has been introduced. 1/3 of the sector's limit to be used for the export-based sectors, 1/3 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

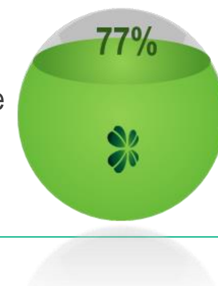
DEPOSITS

	QoQ	YtD
TL DEPOSITS GROWTH	6% QoQ	10% YtD
FC DEPOSITS GROWTH (in US$)	-5% QoQ	-3% YtD

DEMAND DEPOSITS vs. sector's 22%[2]



SME & RETAIL DEPOSITS'[1] share in TL Deposits



SWAPS

SUCCESSFUL DUAL CURRENCY BALANCE SHEET MANAGEMENT

	2Q18	1Q18
NET SWAP FUNDING[1]	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 320bps improvement in LDR

112%

LDR (1H18)

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

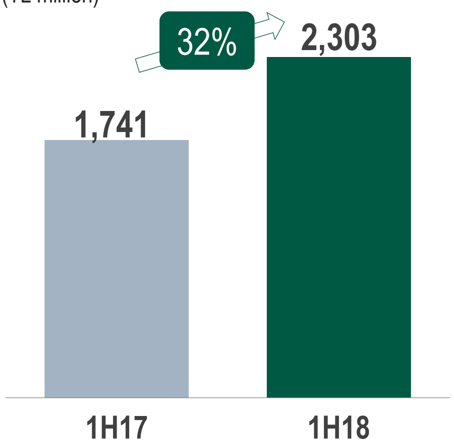
77%

Adj. LDR* (1H18)

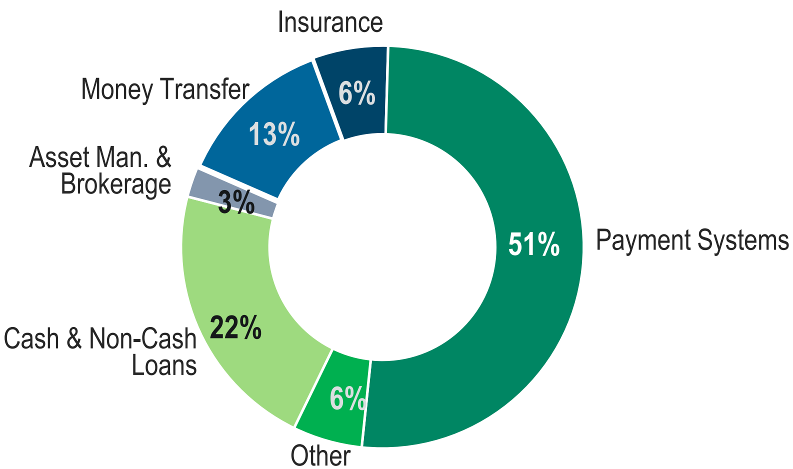
1 Based on bank-only MIS data
2 Based on BRSA weekly data as of 29 June 2018, commercial banks only.
*Please see Appendix page 22 for details

STELLAR FEE GROWTH BACKED BY DIVERSIFIED FEE SOURCES

NET FEES & COMMISSIONS
(TL million)



NET FEES & COMMISSIONS BREAKDOWN[1]



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**

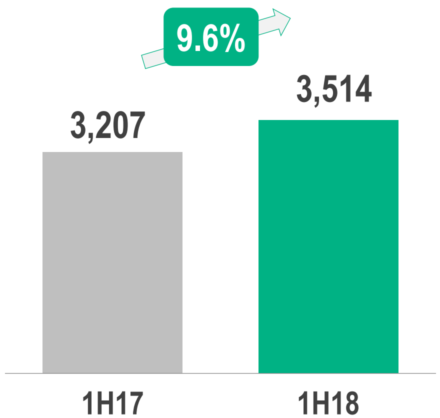
Economic activity & growth supported
brokerage, cash & non-cash loan fees

1 Net Fees&Comm. breakdown is based on MIS data.

COMMITTED TO IMPROVE EFFICIENCY & OPERATIONAL EXCELLENCE

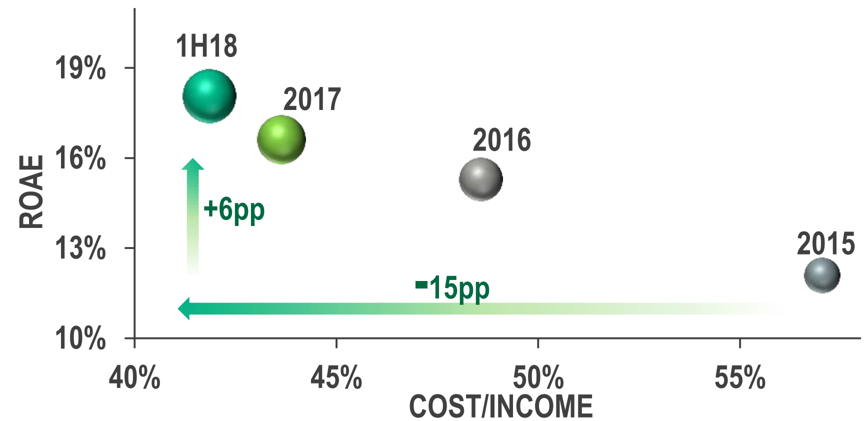
OPERATING EXPENSES
(TL Million)

Cost growth 5pp below inflation



13% of the OPEX base is FC-linked. However, bottom-line impact **minimized through hedging activities**

INCREASING EFFICIENCY



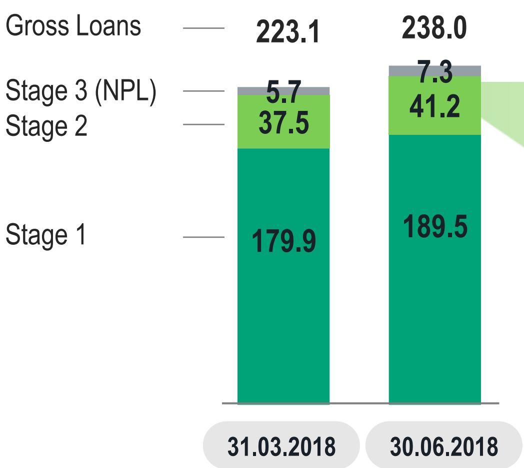
COST/INCOME	OPEX/ AVG. ASSETS	FEE / OPEX
41.8%	2.1%	66%

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

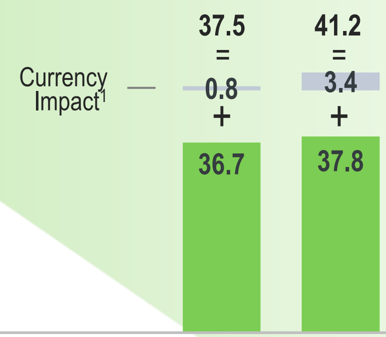
(Billion TL)



USDTRY: 3.9450 4.5637

Stage 2 Breakdown

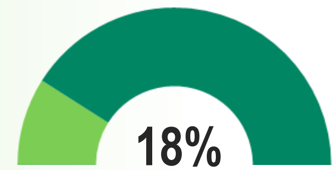
(Billion TL)



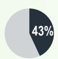
Currency Breakdown

		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%

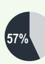
Share of Stage 2 in Performing Loans



Not comparable among banks mainly due to:



Differentiation in quantitative assesment criteria (SICR definition)



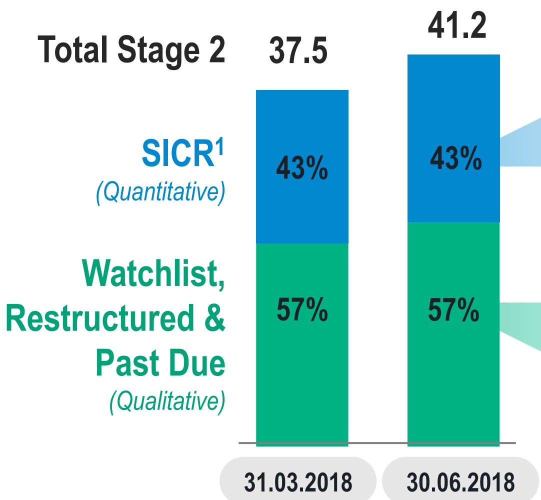
Approach difference for qualitative assessment as was the case in the past for Group 2 classification.

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

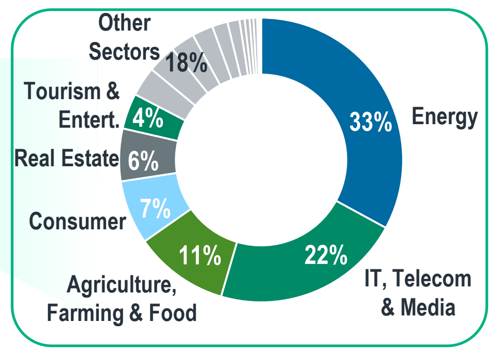
STAGE 2 BREAKDOWN

(Billion TL)



- High share of SICR[1] 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



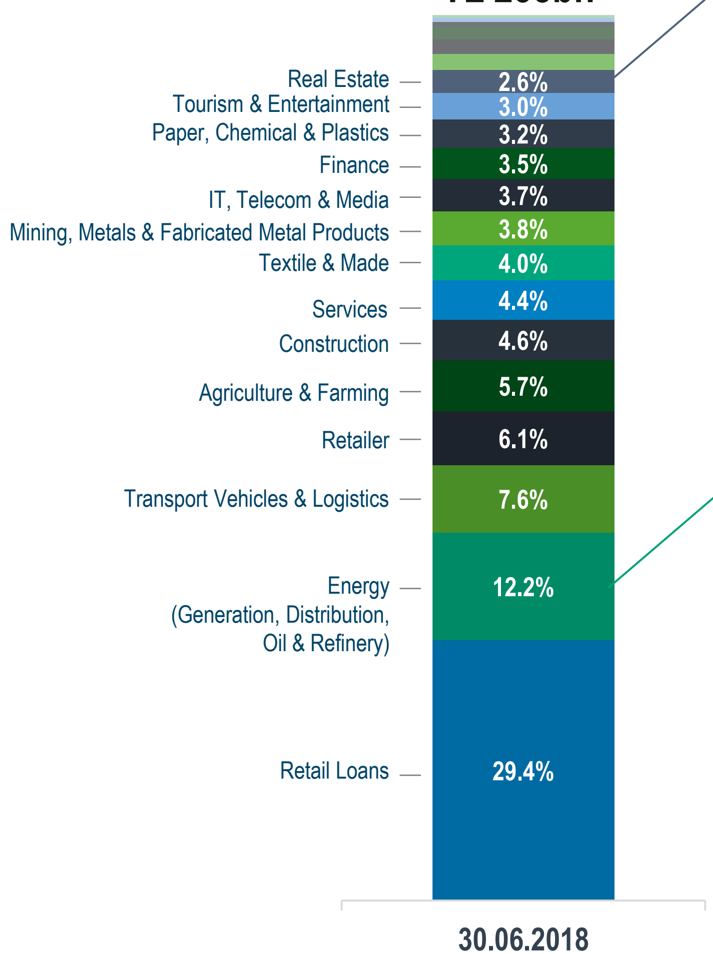
- Restructured/refinanced loans are followed under Stage 2 **for minimum 2 years or for life-time.**
- Files are moved to **Watchlist proactively** as a result of advanced risk assessments, as was our common practice in the past**.**

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

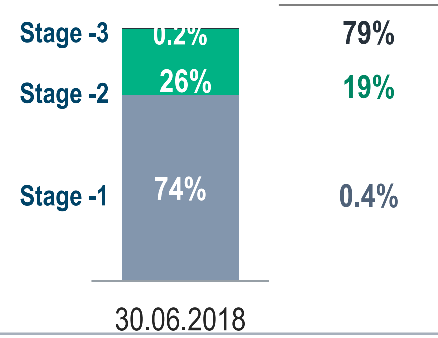
1 SICR: Significant Increase in Credit Risk

WELL-DIVERSIFIED PORTFOLIO WITH STRONG COVERAGE

SECTOR BREAKDOWN OF GROSS LOANS[1]

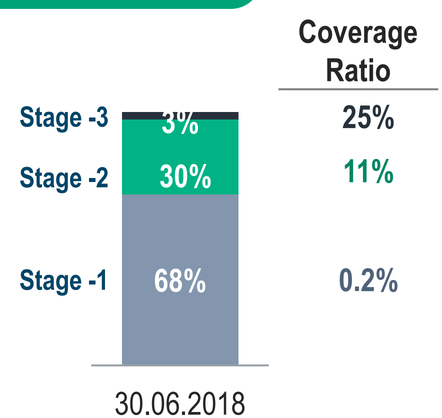


Real Estate



- Selective approach to the real-estate
- Low concentration in the Residential real-estate

Energy Loans



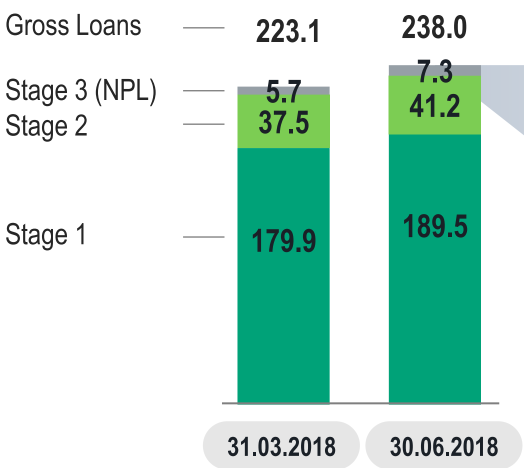
- **Share of renewables: ~50%**
- We have already seen the worst -- **energy sector was pressured** due to supply surplus and plunging oil prices.
- **Recovery will start** due to expected increase in oil prices and slowdown in the supply growth

1 Based on Bank-only MIS data

NORMALIZATION IN NPL INFLOWS

LOAN PORTFOLIO BREAKDOWN

(Billion TL)



USDTRY:	**3.9450**	**4.5637**

Coverage		
Stage 3:	70.0%	64.3%
Stage 2:	9.7%	9.9%
Stage 1:	0.5%	0.5%

NPL Ratio

3.0% **9bps** Currency impact

vs.

2.54% in 1Q

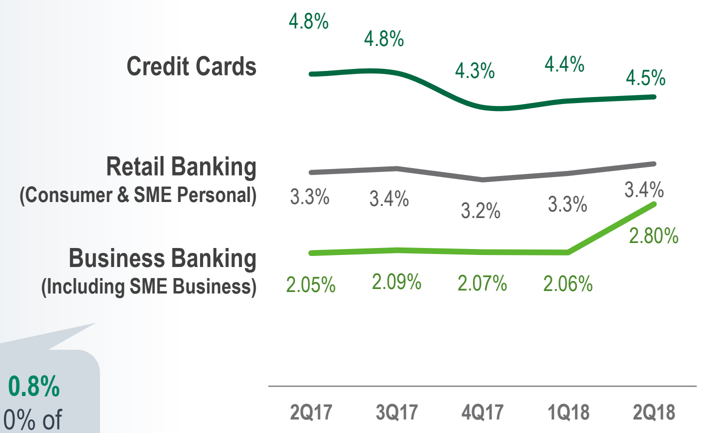
2.53% in 2017YE

CGF NPL Ratio: 0.8%

(CGF loans are 10% of Business Banking loans)

NPL Breakdown

No NPL sale in 1H18



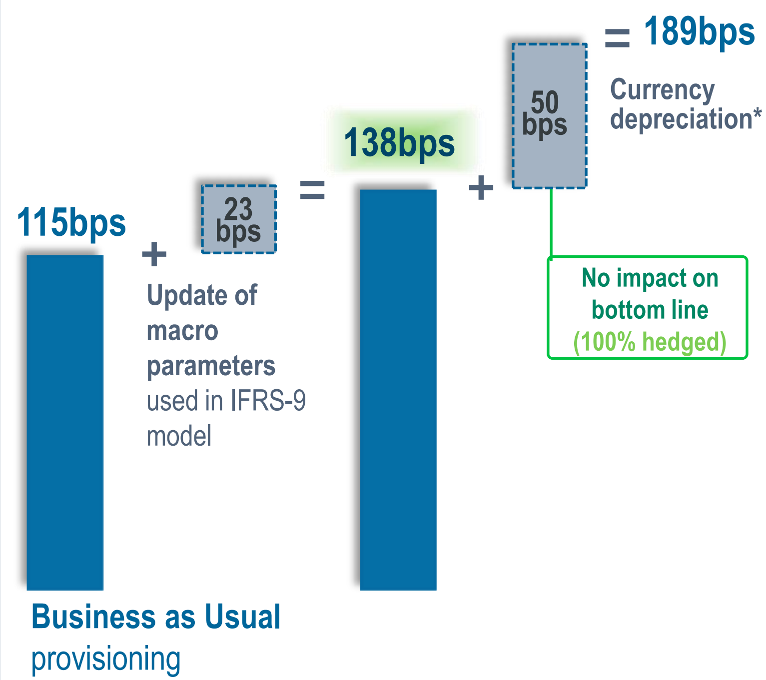
NET CoR FARING AS EXPECTED EXCLUDING PRESSURE FROM MACRO PARAMETER REVISION & CURRENCY DEPRECIATION

Cumulative Net Expected Credit Loss

(Million TL, 1H18)

(-) Expected Credit Losses	**3,275**
Stage 1	612
Stage 2	1,563
Stage 3	1,100
(+) Provision Reversals under other income	**1,210**
Stage 1 & 2	870
Stage 3	340
(=) Net Expected Credit Losses	**2,066**
(a) Annualized Net Expected Credit Losses	**4,166**
(b) Average Total Loans	**220,948**
Total Net CoR (a/b)	**189 bps**

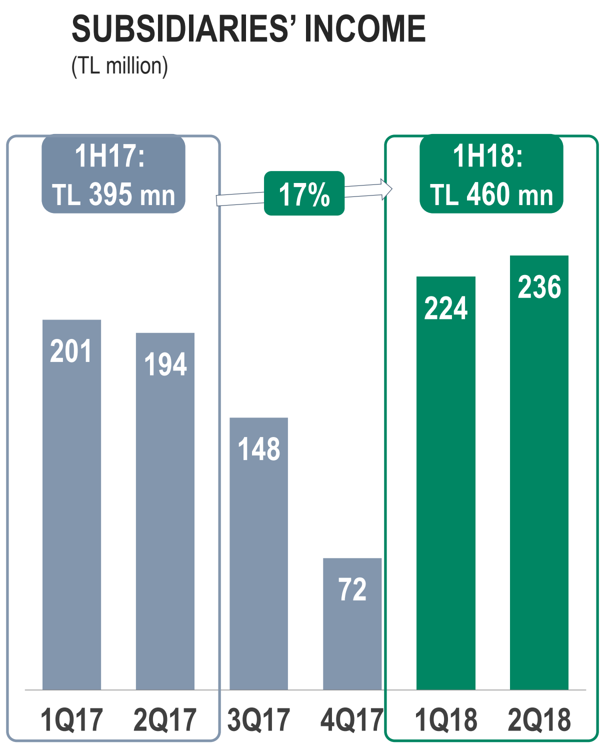
Cumulative NET CoR



*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

ROBUST CONTRIBUTION FROM SUBSIDIARIES



Subsidiaries' contribution
was strong in 1H18 backed by;

- **Better than expected business volumes** across the board
- **Loan recoveries & trading gains** at foreign banking subsidiaries

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	-6% ytd	Shrinkage
NPL Ratio	~3.0% (>TL1bn NPL sale assumed)	3.05%	4.0-4.5% (No NPL sale assumed)
Net Cost of Risk	~100 bps (Under macro assumptions used in initial model)	138 bps (excl. currency impact)[1]	~150 bps (excl. currency impact)[1]
NIM including swap cost	Flat (excl. CPI impact)[2]	+23 bps ytd (excl. CPI impact)	Flat (including CPI impact)
Fee Growth (yoy)	Low-teens	+32%	> 20%
Opex Growth (yoy)	<= CPI	9.6%	~10%
ROAE	> 16.5%	18.1%	> 17%
ROAA	> 2.2%	2.3%	> 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%
Note: 2018 OP Guidance is based on BRSA Bank-only financials

APPENDIX

Pg. 18	Summary P&L
Pg. 19	Key Financial Ratios
Pg. 20	Composition of Assets & Liabilities
Pg. 21	Long-term Wholesale Funding
Pg. 22	Adjusted L/D and Liquidity Coverage Ratios
Pg. 23	Securities portfolio
Pg. 24	Retail Loans
Pg. 25	Quarterly Net Cost of Risk

APPENDIX: SUMMARY P&L

	TL Million	1H 18	2Q18	1Q18
(+)	Net Interest Income including Swap costs	6,731	3,512	3,220
	(+) NII excluding CPI linkers' income	*6,773*	*3,533*	*3,239*
	(+) Income on CPI linkers	*1,134*	*585*	*548*
	(-) Swap Cost	*-1,175*	*-607*	*-568*
(+)	Net Fees & Comm.	*2,303*	*1,134*	*1,169*
(-)	Net Expected Credit Loss	*-2,066*	*-1,309*	*-757*
	(-) Expected Credit Loss	*-3,275*	*-1,658*	*-1,617*
	(+) Provision Reversal under other Income	*1,210*	*350*	*860*
(-)	OPEX	*-3,514*	*-1,778*	*-1,736*
	(-) HR	*-1,449*	*-771*	*-678*
	(-) Non-HR	*-2,065*	*-1,007*	*-1,058*
=	**CORE OPERATING INCOME**	**3,455**	**1,559**	**1,896**
(+)	Net Trading & FX gains/losses	759	533	226
(+)	Income on subsidiaries	460	236	224
(+)	Other income	221	57	164
	(+) Gains from asset sale	126	0	126
	(+) Other	95	57	38
(-)	Taxation and other provisions	-991	-477	-514
	(-) Other Provision	*-27*	*-9*	*-18*
	(-) Taxation	*-964*	*-468*	*-496*
=	**NET INCOME**	**3,904**	**1,907**	**1,996**

APPENDIX: KEY FINANCIAL RATIOS

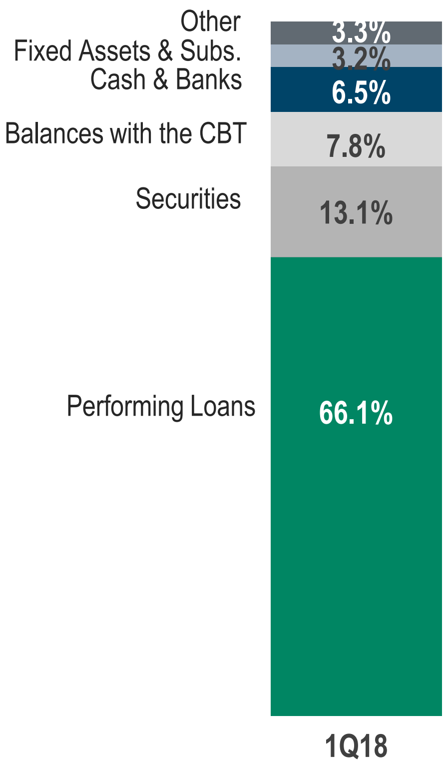
	June-18
Profitability ratios	
ROAE (Cumulative)[1]	18.1%
ROAA (Cumulative)[1]	2.3%
Cost/Income	41.8%
Quarterly NIM incl. Swap costs	4.9%
Liquidity ratios	
Loans / Deposits	112%
TL Loans / TL Deposits	158%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	77%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	136%
FC Loans / FC Deposits	70%
Asset quality ratios	
NPL Ratio	3.05%
Coverage Ratio	
+Stage 1	0.5%
+Stage 2	9.9%
+Stage 3	64.3%
Net Cost of Risk (bps, Cumulative)	189
Solvency ratios	
CAR	18.0%
Common Equity Tier I Ratio	15.7%
Leverage	6.9x

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).

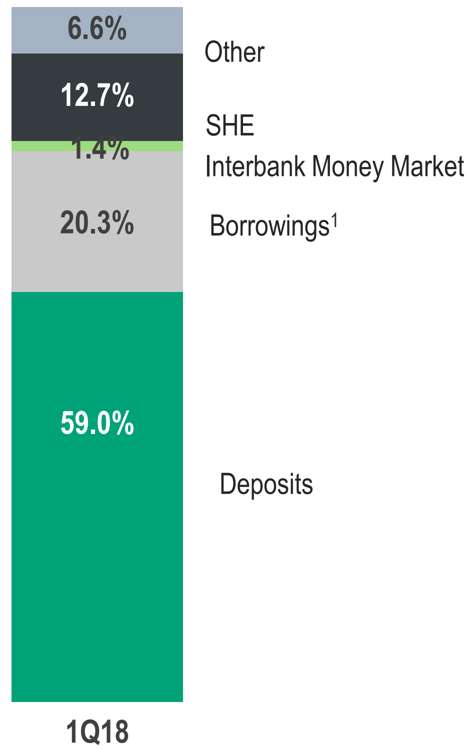
Note: In the calculation of average assets, average IEAs and average equity, 01.01.2018 restated balance sheet has been used instead of 2017YE

APPENDIX: COMPOSITION OF ASSETS & LIABILITIES

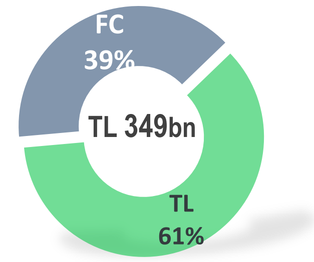
ASSETS



LIABILITIES &SHE

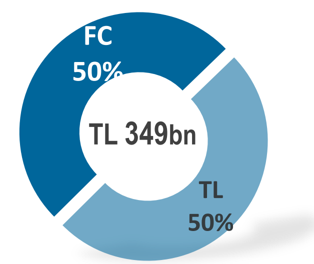


TL/FC MIX IN ASSETS



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

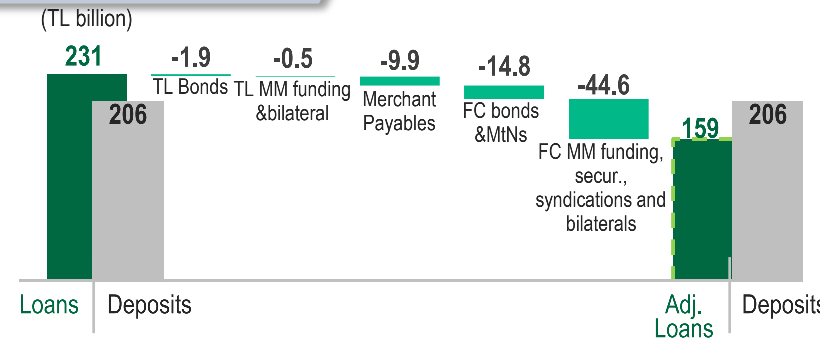
Basel III compliant Tier II	▪ $ 750mn, 10NC5 Record subscription >$4bn 6.125%, largest deal size and lowest coupon for Turkish Tier 2 Basel III compliant bond (2Q17)
Senior Unsecured	▪ $ 500mn, 6-yrs maturity @5.875% (1Q17)
Covered Bond	▪ TL 1,681 mn in 2017, 5-yrs avg. maturity
100% syndication roll-over	▪ $ 1.3bn equivalent: 100% rollover (4Q17) ▪ $1.35bn equivalent: 100% rollover (2Q18) • $ 457mn @ Libor+1.30% (367 days) • € 670.5mn @ Euribor+1.20% (367 days) • $ 145mn @ Libor+2.10% (2 years 1 day)
DPR Securitization	▪ $ 725mn in 2017, 5-yrs maturity
Bilateral	▪ $ 475mn in 2017, 3-yrs avg. maturity
GMTN Program	▪ $ 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 pioneers 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:	**112%**
TL Loans / TL Deposits:	**158%**
FC Loans / FC Deposits:	**70%**

Adjusted LDR 77%



Liquidity Coverage Ratios[1] (LCR) are
well above minimum required levels

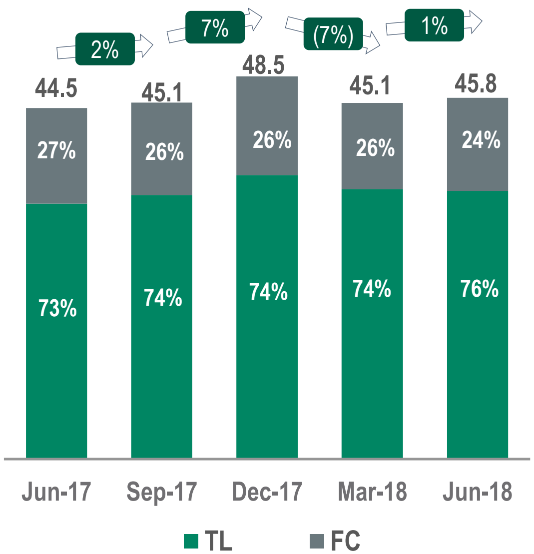
Total LCR	**143.7%**
Minimum Req. for 2018	*90%*
FC LCR	**144.8%**
Minimum Req. for 2018	*70%*

1 Representing the last week's average

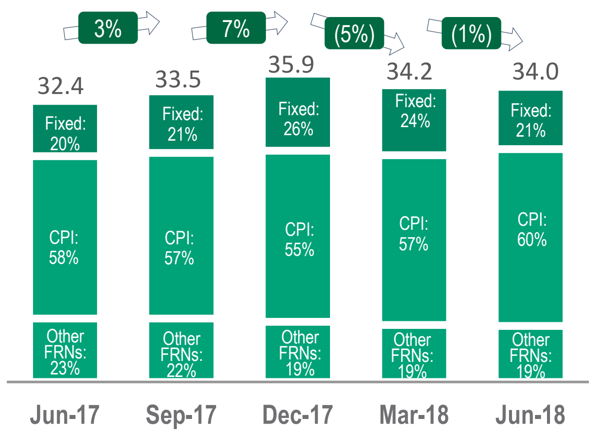
APPENDIX: SECURITIES PORTFOLIO

Total Securities (TL billion)

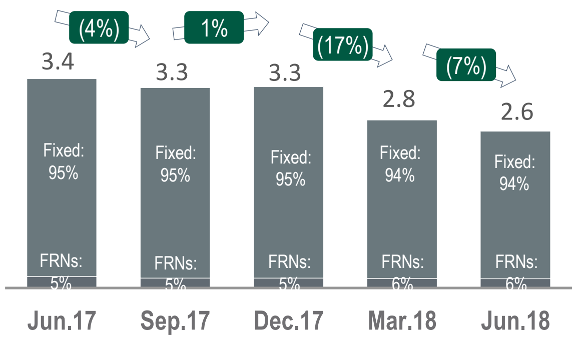
13% of Total Assets



TL Securities (TL billion)



FC Securities (US$ billion)

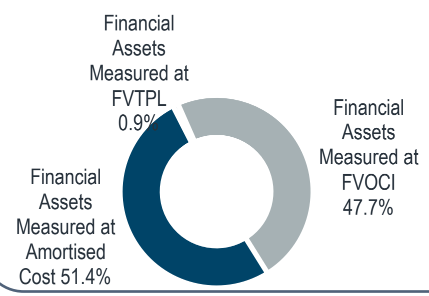


Maintained
FRN heavy portfolio

FRN weight in total: 60%

TL FRN: 79%

Securities Composition



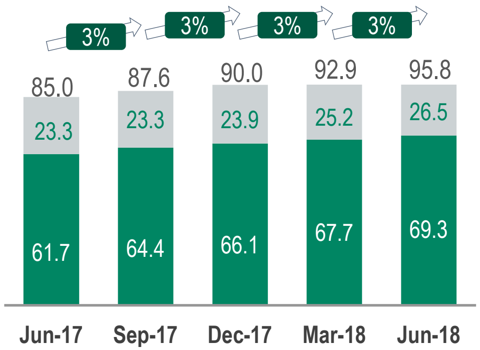
Unrealized MtM loss (pre-tax)
~TL 714mn loss as of June'18

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

APPENDIX: RETAIL LOANS

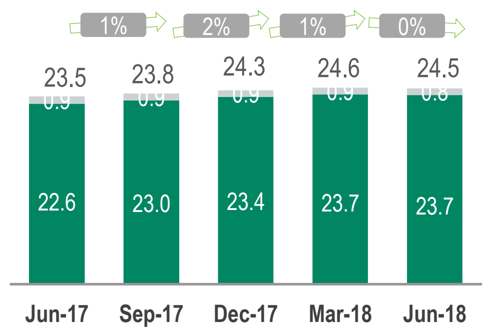
RETAIL LOANS
(TL billion)

+13% YoY



MORTGAGE LOANS
(TL billion)

+4% 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

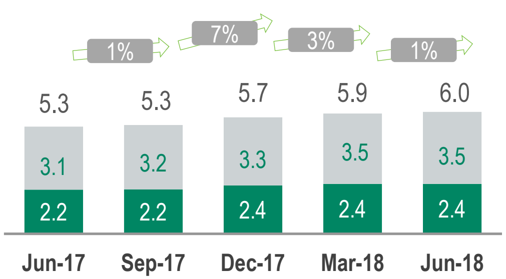
** Among private banks, rankings as of March 18*

Pioneer in cards business

# of CC customers	Issuing Volume	Acquiring Volume
14.7%[2]	19.2%[2]	19.1%[2]

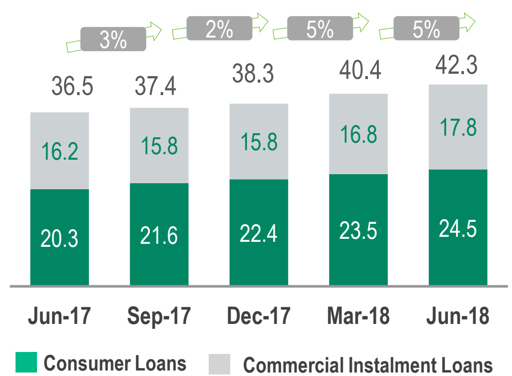
AUTO LOANS
(TL billion)

+14% YoY



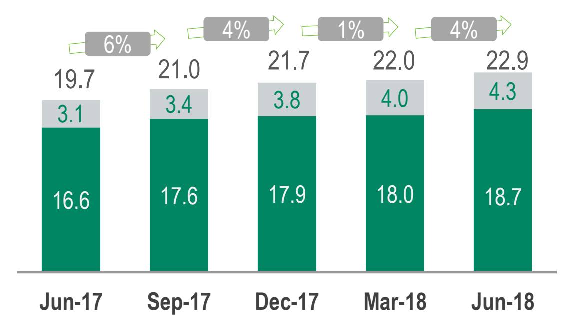
GENERAL PURPOSE LOANS[1]
(TL billion)

+16% YoY



CREDIT CARD BALANCES
(TL billion)

+16% YoY



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

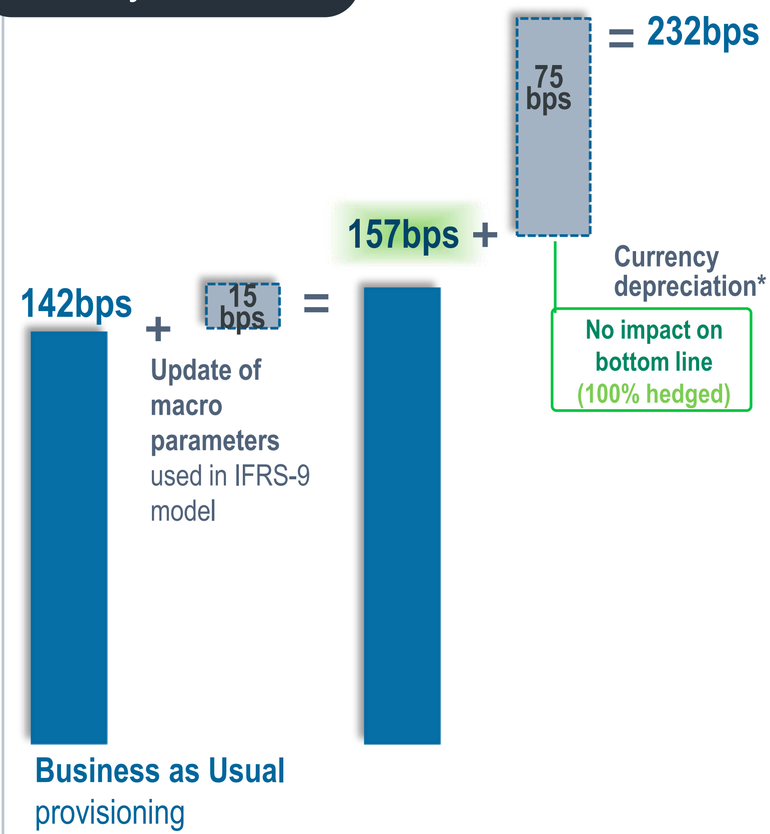
APPENDIX: QUARTERLY NET CoR

Quarterly Net Expected Credit Loss

(Million TL, 2Q18)

(-) Expected Credit Losses	**1,658**
Stage 1	232
Stage 2	814
Stage 3	612
(+) Provision Reversals under other income	**350**
Stage 1 & 2	210
Stage 3	140
(=) Net Expected Credit Losses	**1,309**
(a) Annualized Net Expected Credit Losses	**5,249**
(b) Average Total Loans	**226,238**
Total Net CoR (a/b)	**232 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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Investor Relations
Levent Nispetiye Mah. Aytar Cad. No:2
Beşiktaş 34340 Istanbul – Turkey
Email: investorrelations@garanti.com.tr
Tel: +90 (212) 318 2352
Fax: +90 (212) 216 5902
Internet: www.garantiinvestorrelations.com

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