

TO: Investment Community

FROM : Garanti Bank / Investor Relations

SUBJECT: Announcement regarding forward looking statements on the expectations for the year 2019

DATE: January 09, 2019

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2019. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website at www.garantiinvestorrelations.com in Operating Plan Guidance Presentations section

In contradiction between the Turkish and English versions of this public disclosure, the Turkish version shall prevail.

We declare that our above statements are in conformity with the principles included in the Board's Communiqué, Serial II Nr.15.1, that it exactly reflects the information we received; that the information complies with our records, books and documents; that we did our best to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

Yours sincerely,

Garanti Bank

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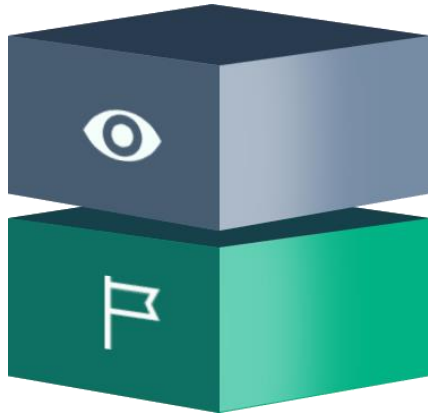
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2019 OPERATING PLAN GUIDANCE

January 9th, 2019





2018 STATUS WRAP-UP

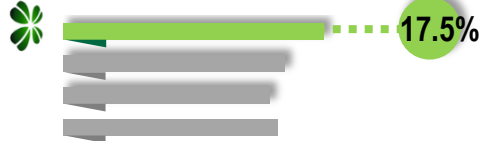
2019 OPERATING PLAN

LEADING MARKET POSITION

Highest ROAA Cumulative, 9M18



Highest ROAE Cumulative, 9M18



Lowest Cost/Income Cumulative, 9M18



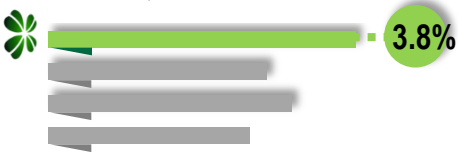
Highest CET-I Cumulative, 9M18 Excludes BRSA's temporary measure*



Highest Dividend Distribution



Highest NIM incl. Swap Cost Excl. CPI Linkers Cumulative, 9M18

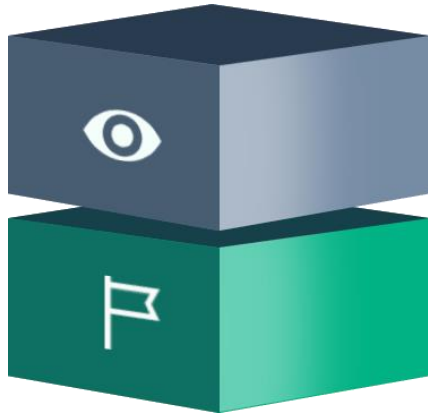


Highest Net Fees & Commissions / IEA & Non-cash Loans Cumulative, 9M18



2018 STATUS WRAP-UP

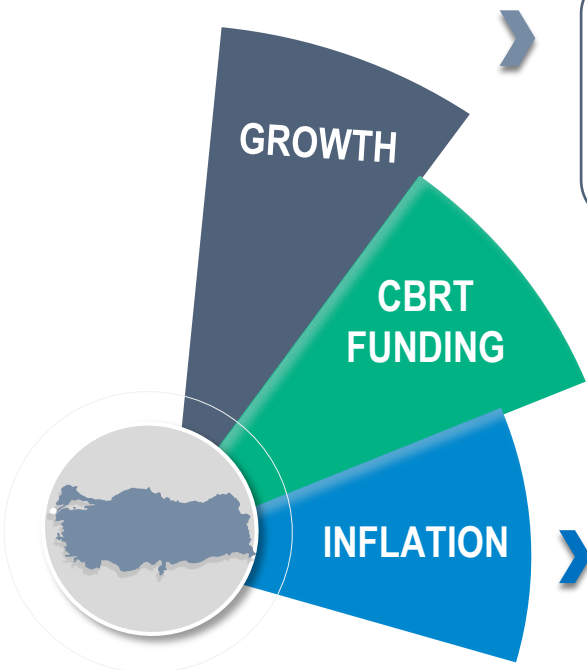
	2018 Guidance	2018 Expected	vs. Guidance
TL Loans	<14%	Low-single digit	Lower
FC Loans (in US\$)	Shrinkage	Shrinkage	In-line
NPL Ratio	4-4.5%	~5%	Higher
Net Cost of Risk (excl. currency impact) ¹	~150 bps	~250 bps	Higher
NIM including swap cost	Flat (including CPI impact)	Expansion (including CPI impact)	Beat
Fee Growth (yoy)	> 20%	~30%	Beat
Opex Growth (yoy)	~10% (~ avg. CPI)	< avg. CPI	Beat
ROAE	> 17% (no free provision assumed)	~17% (adjusted w/ free provision set aside during the year)	In-line



2018 STATUS WRAP-UP

2019 OPERATING PLAN

TURKISH ECONOMY – A CHALLENGING YEAR AHEAD, EXPECTED PICK-UP IN 2020

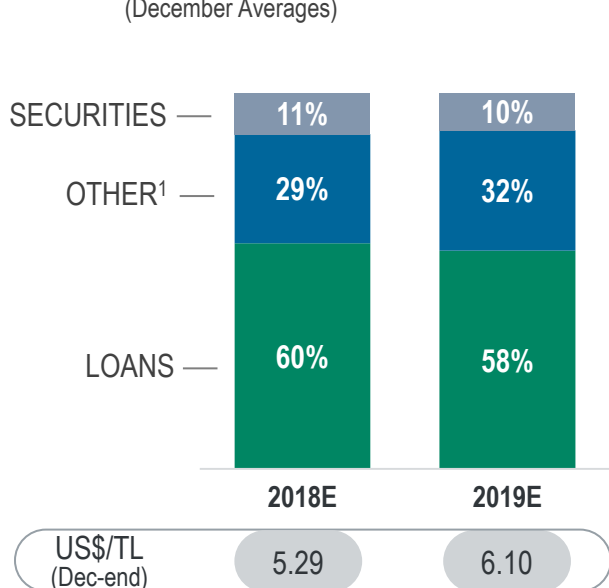


Note: CBRT funding cost and inflation represent year-end figures

LOAN DRIVEN ASSET MIX

COMPOSITION OF ASSETS

(December Averages)



2019E

ASSET GROWTH

+ ~5%

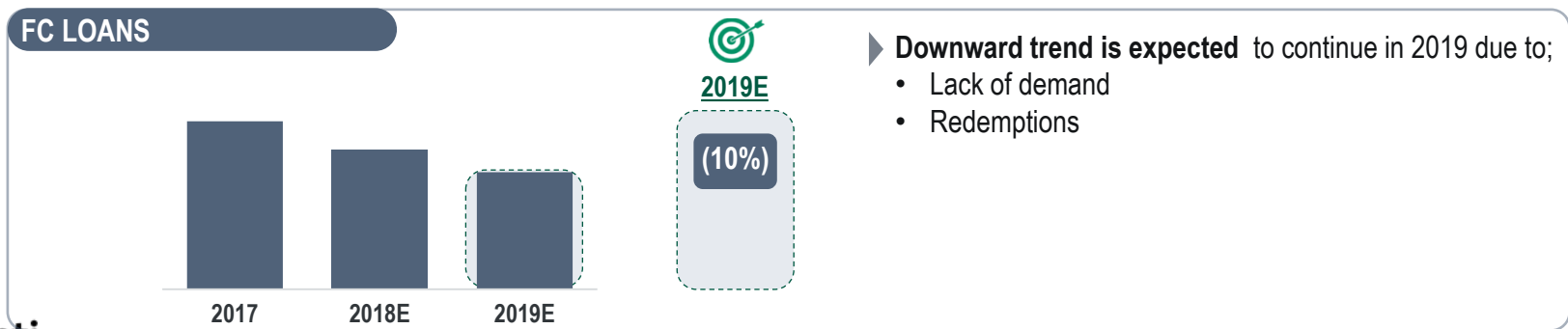
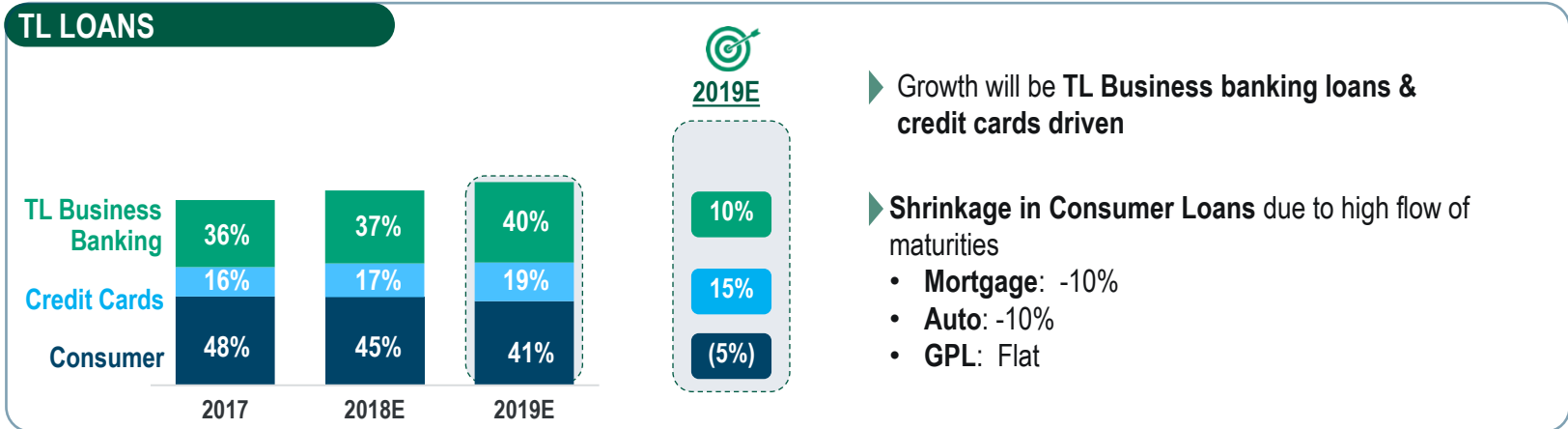
TL LOAN GROWTH

+ ~5%

FC LOAN GROWTH (in US\$)

- 10%

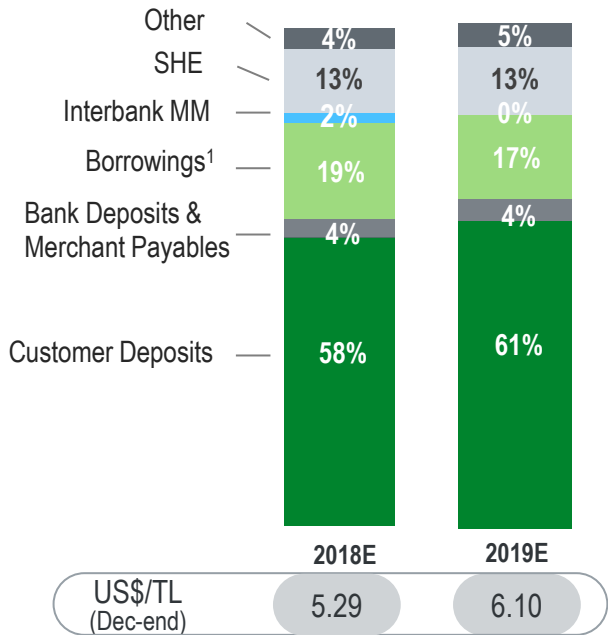
MUTED LOAN GROWTH IN 2019



DEPOSIT HEAVY FUNDING MIX

COMPOSITION OF LIABILITIES & SHE

(December Averages)



► Increasing weight of deposits in funding

Further improvement in Loan to Deposit, LtD: ~100% in 2019

► Lower dependency on FC funding as FC loans continue to diminish

► Decreasing FC loans market share:

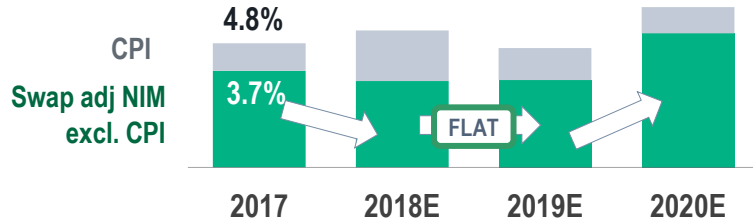
20% in 2010, 17% in 2013 and 10% expected by 2018E

► Eurobond redemptions in 2019: €500mn in Jul, US\$750mn in Oct

► Syndication rollovers assumed <100% due to high cost and comfortable liquidity

SPREAD EXPANSION AHEAD DUE TO EXPECTED EASE IN FUNDING COSTS

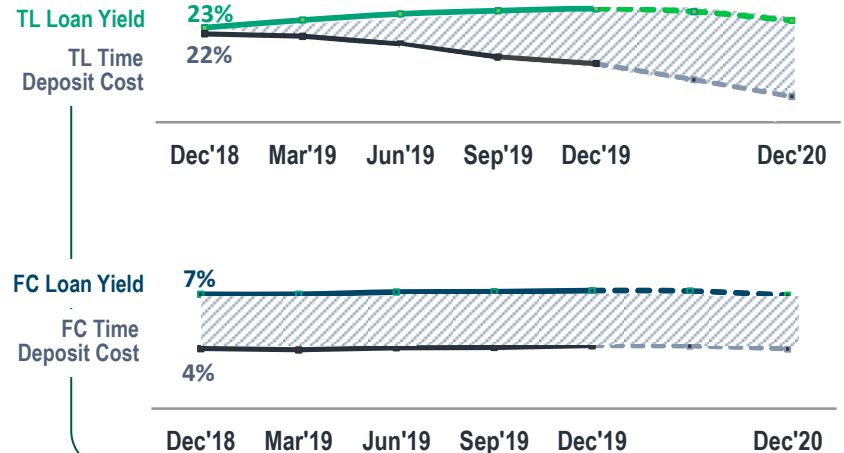
NIM INCLUDING SWAP COST



- Continuous **core spread expansion** throughout 2019 & 2020
- **Lower contribution** from **CPI linkers** vs. 2018
 - Every 1% change in CPI reading has ~9bps impact on NIM
- **Low-cost deposit** focus remains
- Strong **demand deposits** base: ~1/4 of total deposits
- Opportunistic **swap utilization** for margin optimization

SPREAD EVOLUTION

Represents monthly averages, per MIS data



PRUDENT PROVISIONING SERVES AS A GOOD CUSHION IN A DECELERATING ECONOMY


2019E

NPL RATIO

<7%

- New NPL inflows will be lower upon most of big ticket items being accounted in 2018.
- However, higher NPL inflows expected from the Retail portfolio in 2019.


2019E

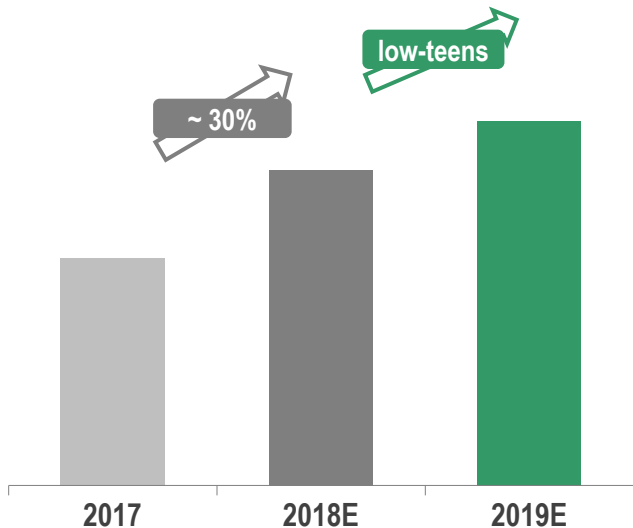
TOTAL NET COR (bps)

<300

- Flow related provisioning to increase in 2019, as the impact of deteriorating macro parameters was largely accounted in last year

DOUBLE DIGIT GROWTH MOMENTUM WILL BE PRESERVED IN NET F&C

NET FEES & COMMISSIONS



GROWTH



2019E

Share in Fee Base



PAYMENT SYSTEMS
(*>55% of the base*)

mid-teens



MONEY TRANSFER
(*14% of the base*)

mid-teens

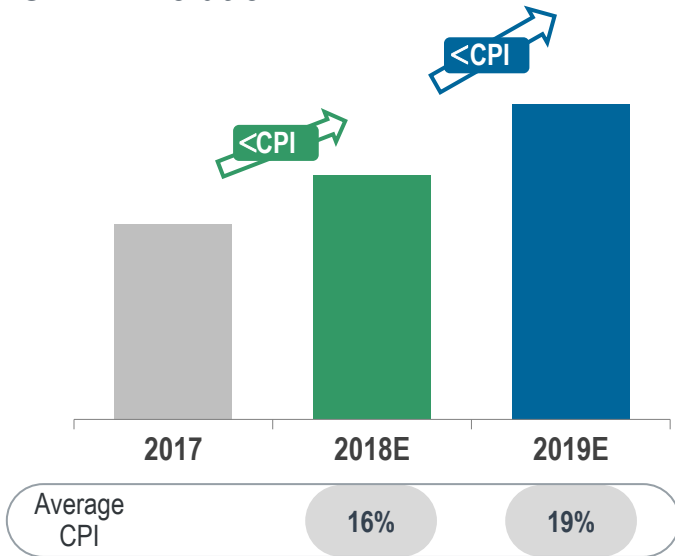


**CASH & NON-CASH
LOANS**
(*14% of the base*)

*flat-to-
slightly down*

DISCIPLINED OPEX GROWTH DESPITE HIGH INFLATIONARY ENVIRONMENT

OPEX Evolution



2019 OPEX includes:

- Amortization costs of Pendik IT Campus & New Branch Project
- Above inflation increase in HR costs

IN SUMMARY

	2019 Expectations
TL Loans (YoY)	~5%
FC Loans (in US\$, yoy)	(10%)
NPL Ratio	<7%
Net Cost of Risk	<300 bps
NIM Incl. Swap Cost Excl. CPI	Flat
Fee Growth (YoY)	Low-teens
OPEX Growth (YoY)	< CPI
ROAE	Low-teens

**Mid-term ROAE
target remains in high-teens**



THANK YOU



DISCLAIMER STATEMENT

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