



2017 EARNINGS PRESENTATION

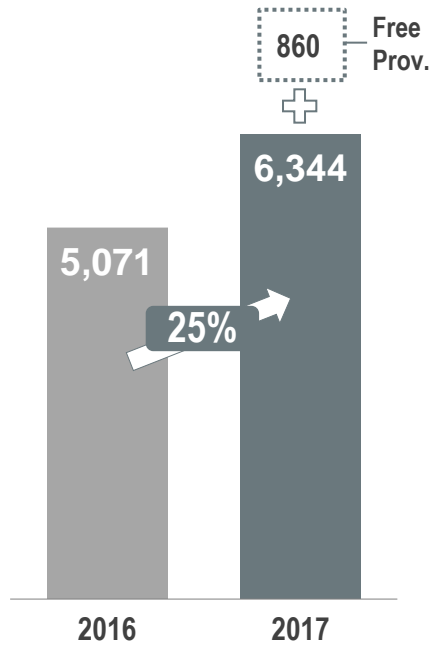
Based on BRSA Unconsolidated Financials
January 31st 2018



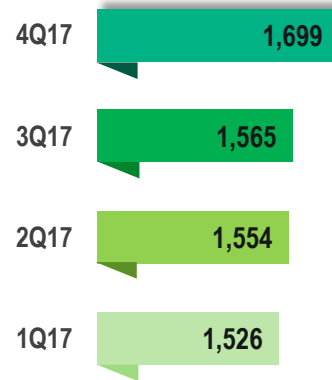
ROBUST & HIGH QUALITY EARNINGS PERFORMANCE...

NET INCOME

(TL million)



Quarterly Net Income (TL million)



16.6%

ROAE

vs. 15.3% in 2016

2.1%

ROAA

vs. 1.9% in 2016

18.7%

CAR

vs. 16.2% in 2016

6.9x

Leverage

vs. 7.0x in 2016

1,160mn

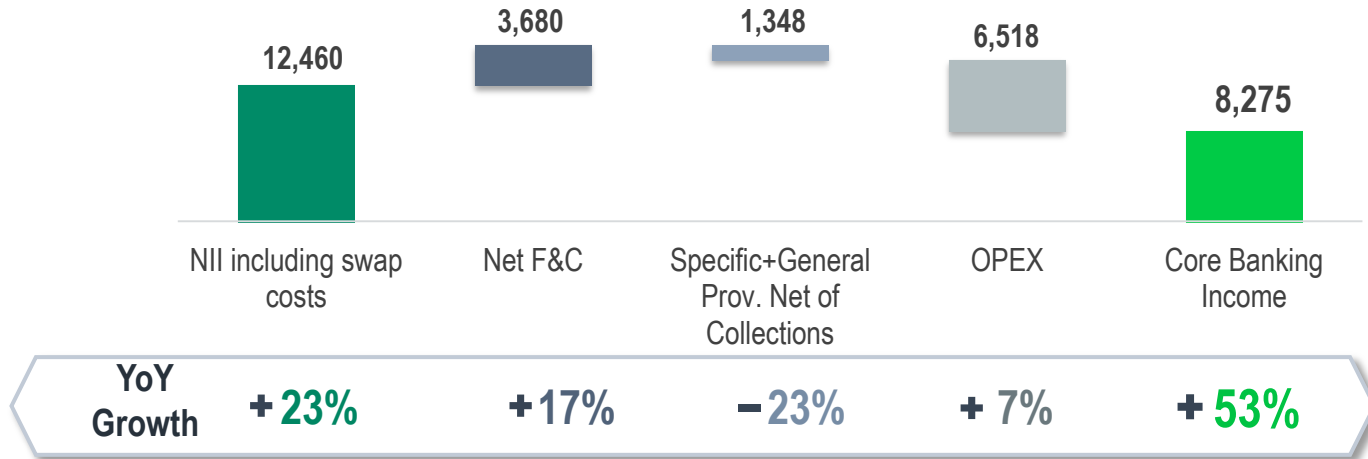
Total Free Provisions

in the B/S as of 2017YE

BACKED, ONCE AGAIN, BY CORE BANKING PERFORMANCE

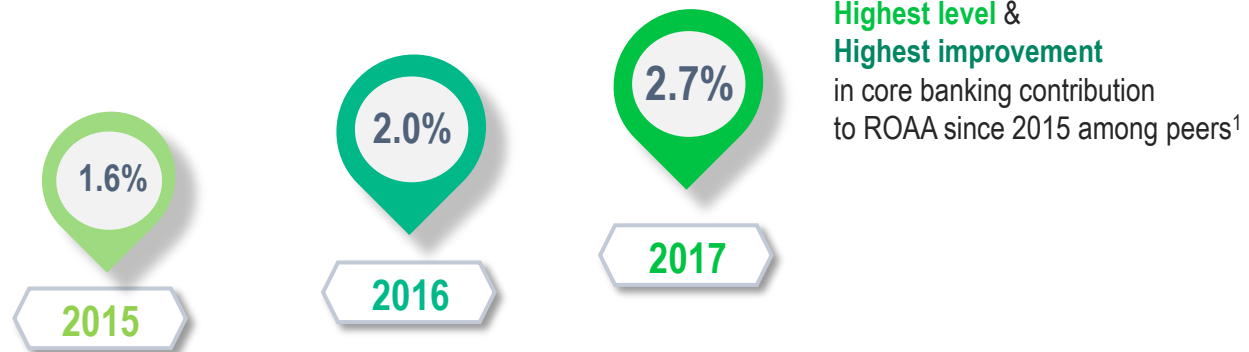
CORE BANKING INCOME COMPONENTS

(TL million, 2017)



CORE BANKING INCOME CONTRIBUTION TO ROAA

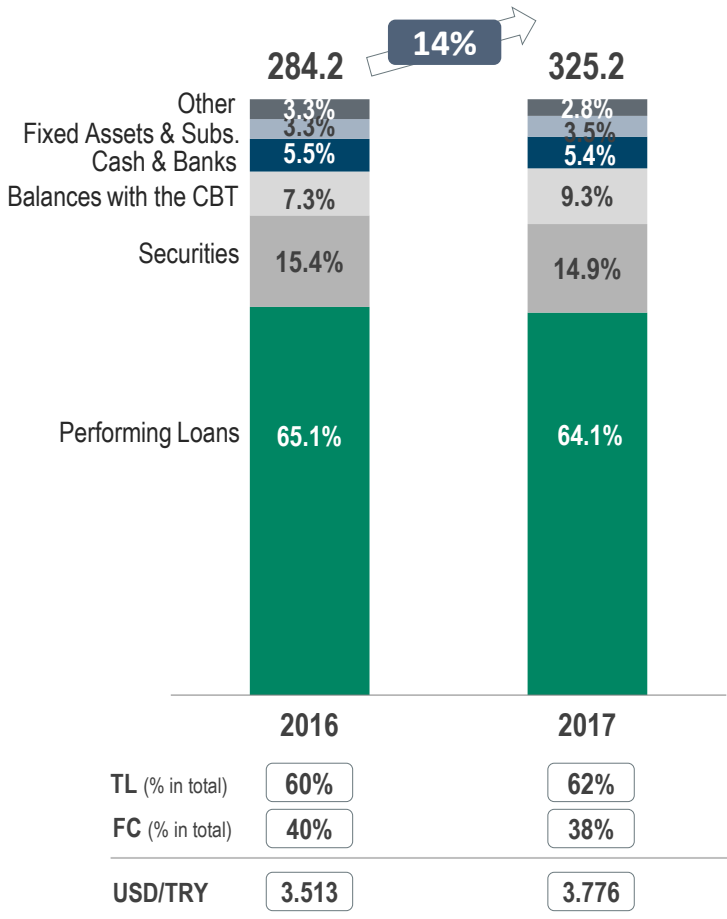
(Core banking income / Avg. Assets)



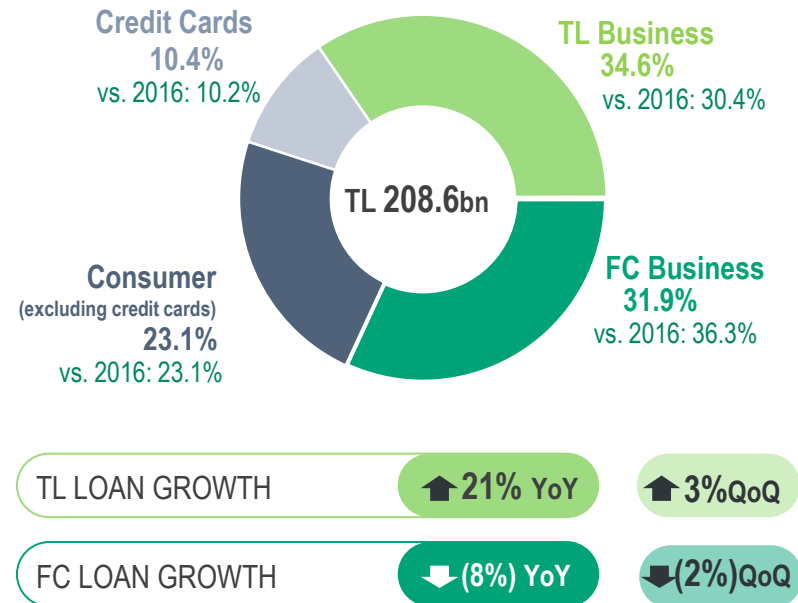
Note: 2016 «Specific+ General prov. Net of collections» figure includes TL 130mn free provision reversal assigned to shipping file
 1 Peers defined as Akbank, Isbank, YKB

CUSTOMER-DRIVEN & INCREASINGLY HIGHER YIELDING ASSET MIX

COMPOSITION OF ASSETS

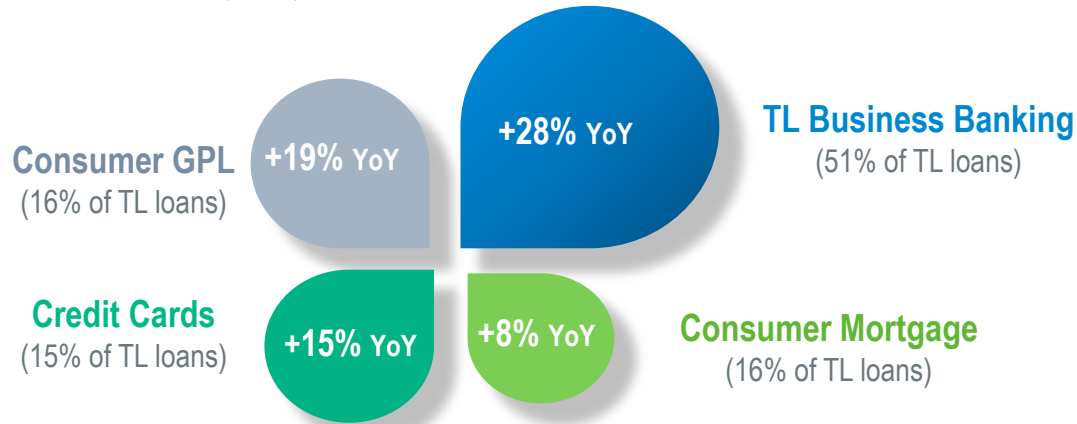


PERFORMING LOANS BREAKDOWN



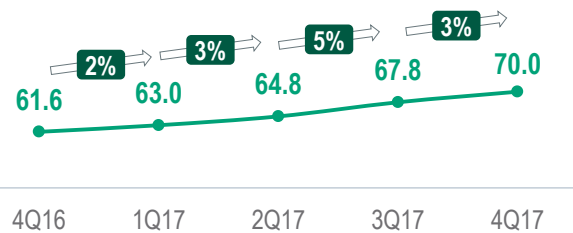
DISCIPLINED & ACROSS THE BOARD GROWTH IN TL LOANS

TL LOAN GROWTH BY PRODUCT (in 2017)



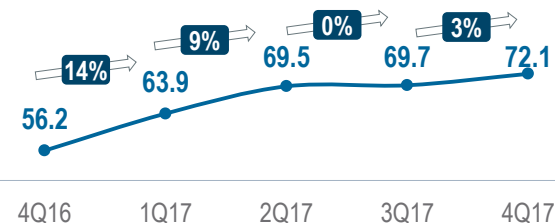
Consumer Loans inc. Credit Cards (TL billion)

- **Healthy market share gains** among private banks
- Rational pricing stance **preserved**



TL Business Banking Loans (TL billion)

- Significant slowdown in CGF loans** in 2H -- assigned limit predominantly consumed in 1H
- Total originations in 2017: TL 18.2bn
 - Current stock volume: TL 14.5bn

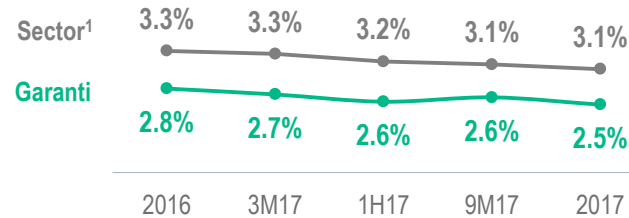


Note: Business banking loans represent total loans excluding credit cards and consumer loans
Sector figures based on BRSA weekly data as of December 29, 2017.

PROACTIVE & PRUDENT APPROACH IN RISK MANAGEMENT ASSURES SOUND ASSET QUALITY

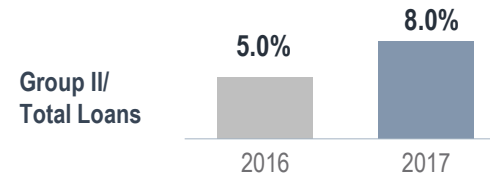
NPL %

► NPL ratio -- Consistently below-sector



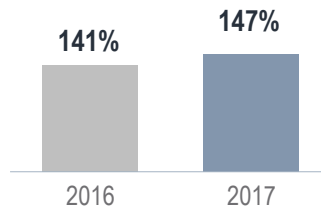
GROUP II LOANS

► Increased share of Group II Loans due to the big-ticket file in 4Q



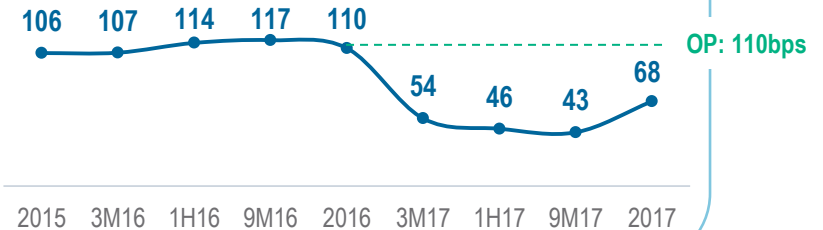
COVERAGE²

► Further strengthened coverage



NET CoR³ (bps)

► Cumulative Net CoR remains below guidance



¹ Sector figures are per BRSA bank-only weekly data, commercial banks only

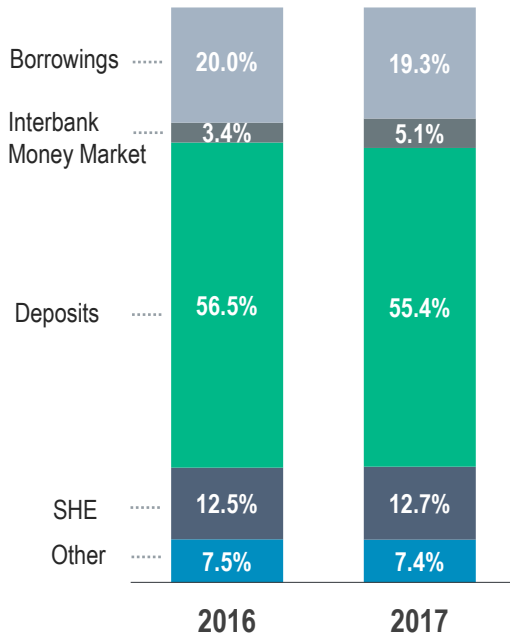
² Specific + General Provisions

³ Specific + General Provisions Net of Collections

OP: Operating Plan

FUNDING BASE: HEAVY WITH LOW COST & STICKY DEPOSITS

COMPOSITION OF LIABILITIES & SHE



DEPOSITS

TL DEPOSITS GROWTH

↑ 17% YoY

3% QoQ

FC DEPOSITS GROWTH

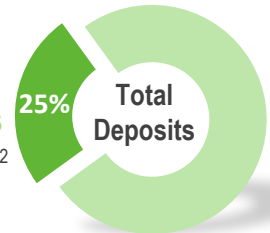
↑ 1% YoY

(4%) QoQ

SME & Retail deposits¹ share in TL Deposits



Demand Deposits vs. sector's 20%²



SWAPS

SUCCESSFUL DUAL CURRENCY BALANCE SHEET MANAGEMENT

NET SWAP FUNDING

TL 17bn
4Q avg. @10.7%

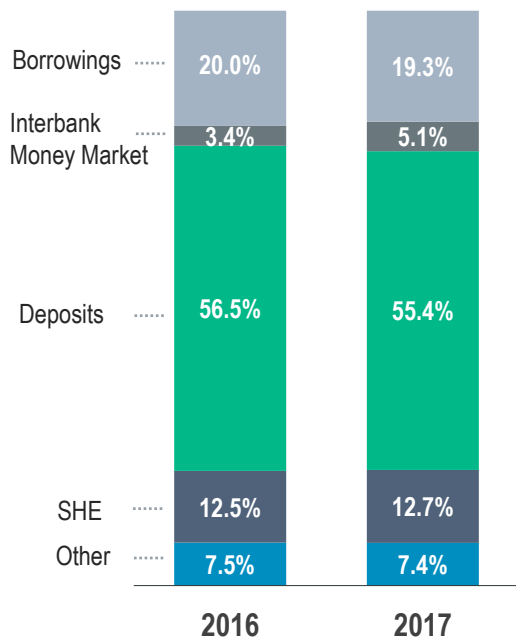
TL 26bn
3Q avg. @10.5%

1 Based on bank-only MIS data

2 Based on BRSA weekly data as of 29 December 2017, commercial banks only.

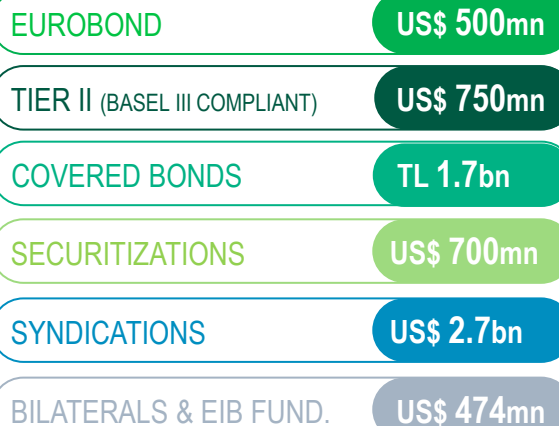
FUNDING BASE: OPPORTUNISTICALLY RAISED ALTERNATIVE FUNDING SOURCES CONTINUE TO SUPPORT

COMPOSITION OF LIABILITIES & SHE



BORROWINGS

Total Issuance in 2017 \$5.6 bn; of which, \$1.9 bn fresh



115%

LDR
(2017)

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

79%

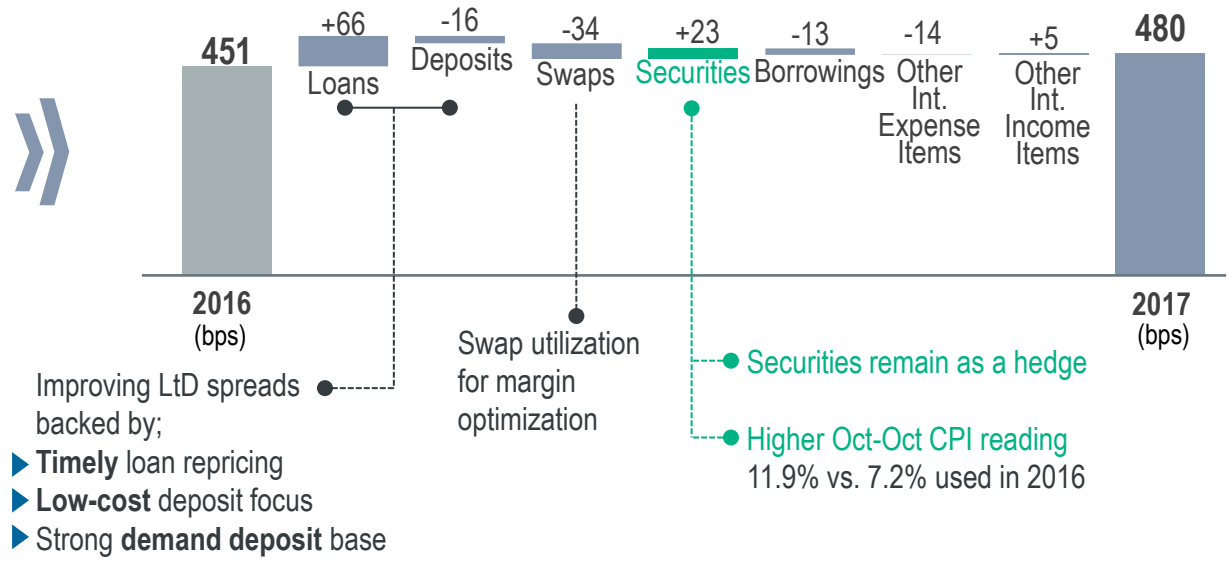
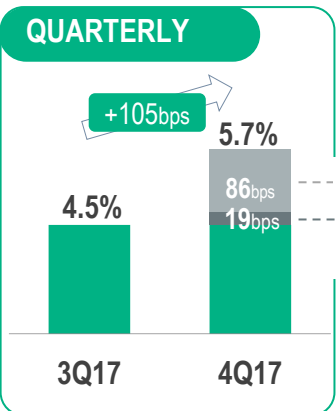
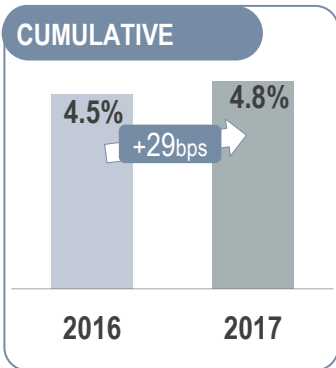
Adj. LDR*
(2017)

*Please see Appendix on page 21.

Adjusted with on-balance sheet alternative funding sources

ROBUST NIM PERFORMANCE UNDERPINNED BY DYNAMIC ASSET-LIABILITY MANAGEMENT

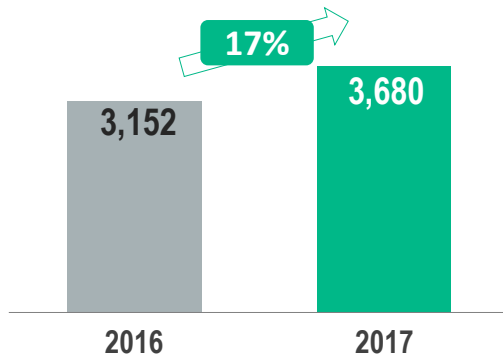
NIM INCL. SWAP COSTS



HIGHEST FEE GENERATION CAPABILITY BACKED BY DIVERSIFIED FEE SOURCES & FURTHER DIGITALIZED PROCESSES

NET FEES & COMMISSIONS

(TL million)

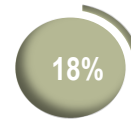


- ▶ Net F&C / (Avg. IEAs + Non-cash loans)²
1.2% vs. peer average of 0.9% as of 9M17
- ▶ Managing the largest digital customer base with 6 million
 - Digital channels' share in non-credit linked fees: 40%³
 - Digital sales make up 1/3 of total sales

SHARE
IN FEE BASE¹



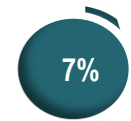
Payment systems: +13% yoy growth
Leading position in issuing & acquiring businesses



Cash (+) Non-cash loans: +15% yoy growth



Money transfer: +31% yoy growth
Leader in interbank money transfer market share: 14.1%
Leader in swift transactions: 17.4%



Insurance: +20% yoy growth
Improvement in new digital only products

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

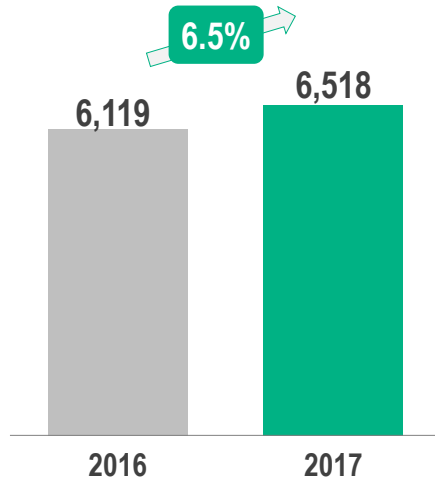
² Based on 9M17 BRSA bank-only financials. Peers defined as Akbank, Isbank, YKB, Halk & Vakif

³ Based on bank-only MIS data

COMMITTED TO IMPROVE EFFICIENCY & OPERATIONAL EXCELLENCE

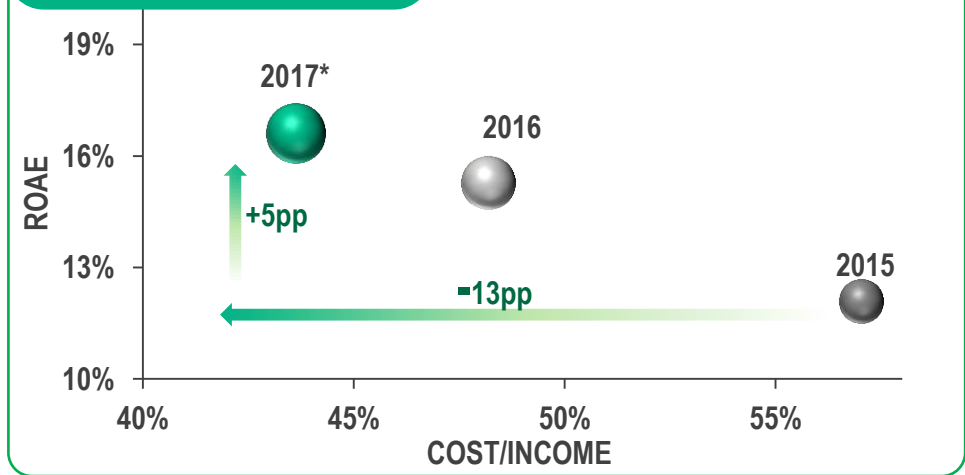
OPERATING EXPENSES

(TL Million)

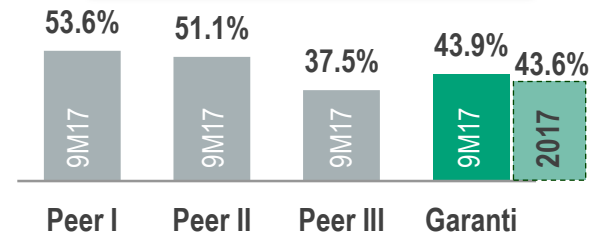


YoY OPEX growth is **far below CPI**

INCREASING EFFICIENCY



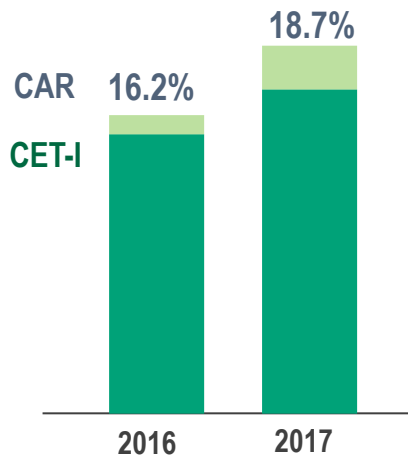
C/I Ratio vs. Private Peers



Note: In the Cost/Income calculation, Income defined as NII + Net F&C + Trading gains/losses - Provision for loans + Other income + Income from subsidiaries.

INVESTOR RELATIONS | 2017 BRSA BANK-ONLY EARNINGS PRESENTATION

CAPITAL GENERATIVE GROWTH STRATEGY UNDERScores STRONG SOLVENCY

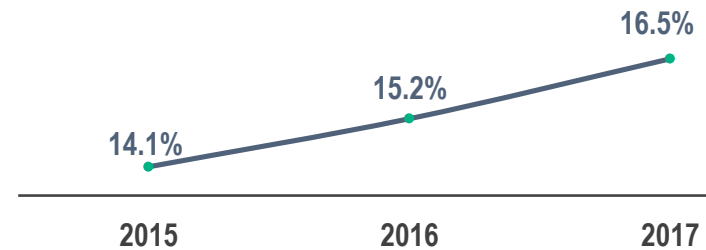


Impacts on CAR

- Dividend Payment: **- 52 bps** YoY
- Regulation Impact¹: **+ 18 bps** YoY
- Tier II issuance: **+ 112 bps** YoY
- MtM Difference: **+ 33 bps** YoY
- Currency Impact: **- 43 bps** YoY

Evolution of CET-I

88% of capital



RWA / Total Assets

87%

82%

76%

1 (a) 107bps negative impact due to Fitch rating downgrade (b) 122bps positive impact due to decreasing RW on FC reserves from 50% to 0%,(c) 3bps positive due to regulation change on capital deduction

ANOTHER YEAR OF CLEAR BEAT...

	2017 GUIDANCE	2017		DRIVERS
TL Loan growth	~15%	+21%	Beat	Business banking & consumer loans
FC Loan growth (in US\$)	Flat-to-Slightly-Up	-8%	Lower	Redemptions & lack of demand
Net Cost of Risk	~110 bps	68 bps	Beat	Lower than expected inflows & strong collections
NIM incl.swap costs	Flattish vs. 2016	+29 bps	Beat	Active spread management & higher than expected CPI
Fee Growth (YoY)	10%	17%	Beat	Well diversified fee sources & further digitalized processes
OPEX Growth (YoY)	6% Below inflation	6.5% Below Inflation	In-line	Committed to increase efficiency
ROAE	~15.5-16%	16.6%	Beat	Core banking revenues driving growth
ROAA	~2%	2.1%	Beat	

APPENDIX

Pg. 15	Summary Balance Sheet
Pg. 16	Securities Portfolio
Pg. 18	Retail Loans
Pg. 19	NPL Evolution
Pg. 19	Cost of Risk Evolution
Pg. 20	Foreign Funding
Pg. 21	Adjusted L/D and Liquidity Coverage Ratios
Pg. 22	Non-recurring Items & Normalized Net Income
Pg. 23	Summary P&L
Pg. 24	Key Financial Ratios

APPENDIX: SUMMARY BALANCE SHEET

(TL million)	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	YoY Change
Cash & Banks ¹	15,589	12,638	10,719	11,206	17,436	12%
Balances with the Central Bank of Turkey	20,867	28,928	33,781	34,467	30,295	45%
Securities	43,668	45,205	44,460	45,147	48,466	11%
Performing Loans	185,043	194,851	200,461	201,037	208,631	13%
Fixed Assets, Affiliates & Associates	9,509	9,878	10,248	10,587	11,320	19%
Other	9,480	8,920	9,014	8,598	9,084	-4%
TOTAL ASSETS	284,155	300,420	308,683	311,042	325,232	14%
Deposits	161,232	167,444	175,574	176,832	181,116	12%
Repos & Interbank	9,769	13,960	13,906	16,730	16,665	71%
Bonds Issued	16,437	18,859	18,839	18,068	19,291	17%
Funds Borrowed ²	40,286	41,585	40,347	38,691	43,654	8%
Other	20,892	22,204	22,008	21,171	23,175	11%
SHE	35,539	36,369	38,008	39,550	41,331	16%
TOTAL LIABILITIES & SHE	284,155	300,420	308,683	311,042	325,232	14%

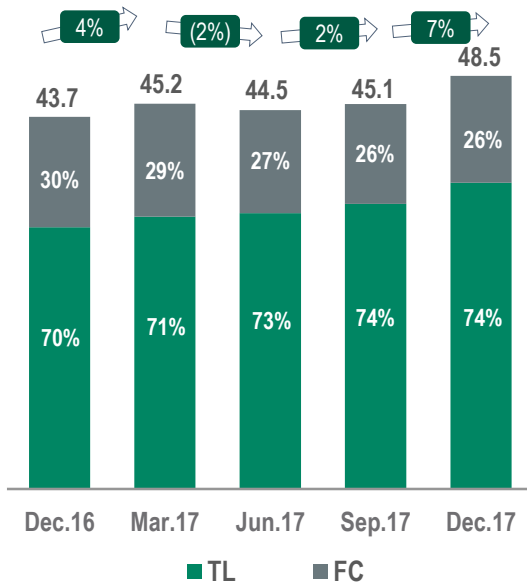
1 Includes banks, interbank and excludes balances with the CBT

2 Includes funds borrowed and sub-debt

APPENDIX: SECURITIES PORTFOLIO

Total Securities (TL billion)

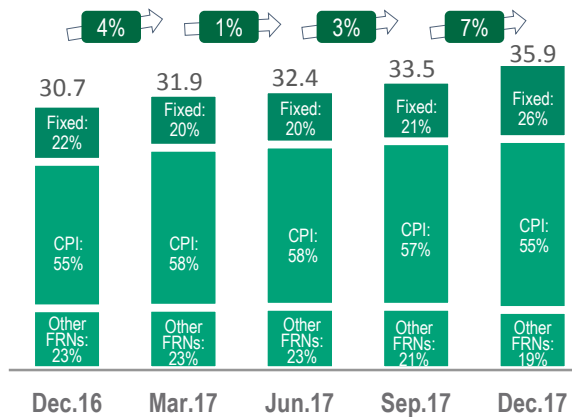
15% of Total Assets



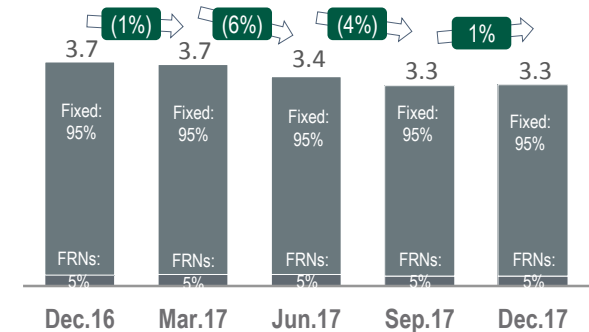
Maintained
FRN heavy portfolio



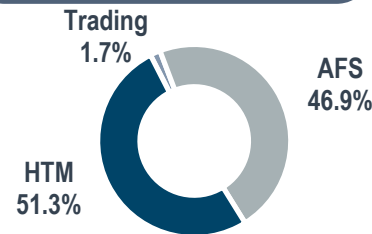
TL Securities (TL billion)



FC Securities (US\$ billion)



Securities Composition



Unrealized MtM loss (pre-tax)

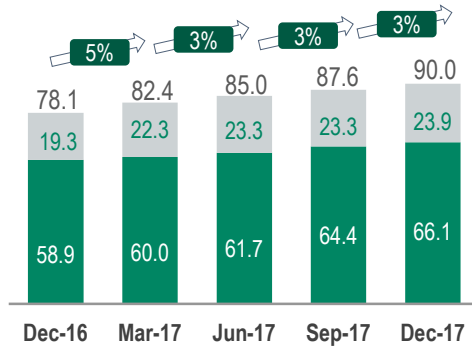
~TL 506mn loss as of Dec'17 vs.
 ~TL 309mn loss as of Sept'17
 ~TL 110mn loss as of Jun'17
 ~TL 147mn loss as of Mar'17
 ~TL 653mn loss as of Dec'16

APPENDIX: RETAIL LOANS

RETAIL LOANS

(TL billion)

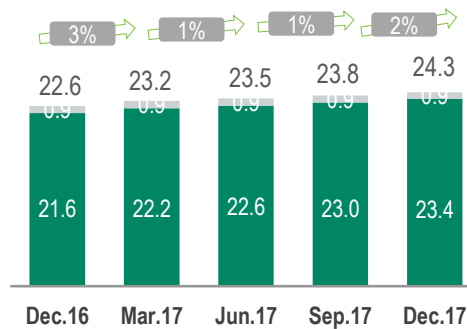
+15%
YoY



MORTGAGE LOANS

(TL billion)

+8%
YoY



Market Shares*

	Dec'17	YoY	Rank
Consumer Loans	22.0%	+39bps	#1
Cons. Mortgage	24.6%	+92bps	#1
Cons. Auto	44.8%	+207bps	#1
Consumer GPLs	18.2%	+6bps	#2

* Among private banks, rankings as of September17

Pioneer in cards business

of CC
customers

14.9%²

Issuing
Volume

19.3%²

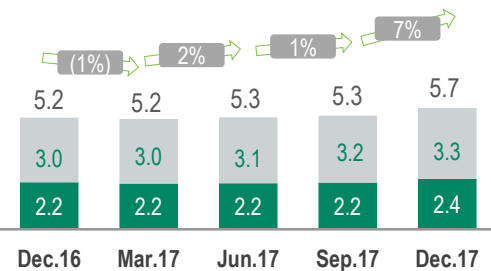
Acquiring
Volume

19.2%²

AUTO LOANS

(TL billion)

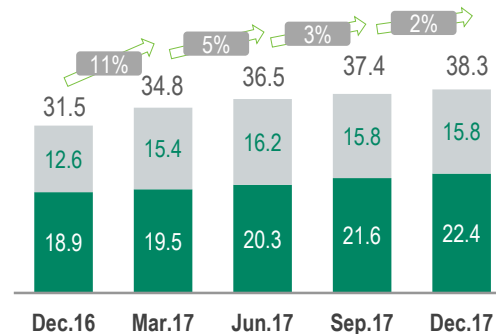
+9%
YoY



GENERAL PURPOSE LOANS¹

(TL billion)

+22%
YoY

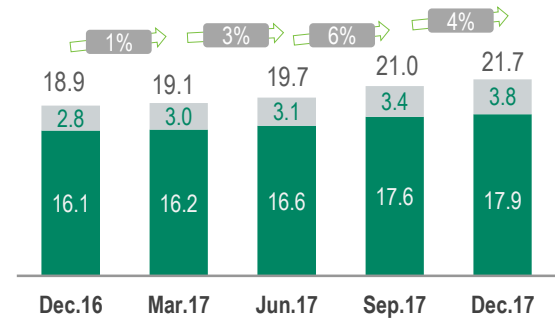


■ Consumer Loans ■ Commercial Instalment Loans

CREDIT CARD BALANCES

(TL billion)

+15%
YoY

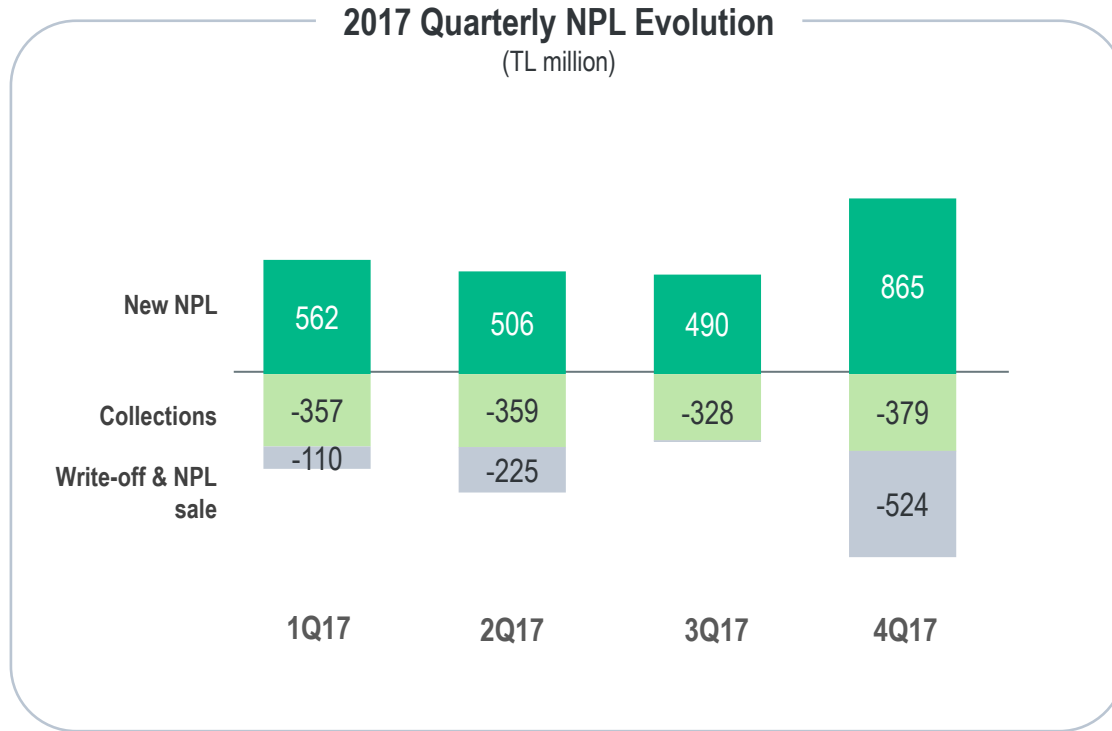


1 Including other loans and overdrafts

2 Monthly figures as of December 2017, 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 29.12.2017

APPENDIX: NPL EVOLUTION



Note: NPL Sales in 2017:

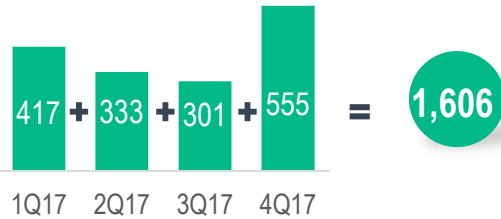
4Q17: TL 524mn sold for TL 31 million,
 2Q17: TL 225mn sold for TL 14 million,
 1Q17: TL 110mn NPL sold for TL 9 million.

APPENDIX: COST OF RISK EVOLUTION

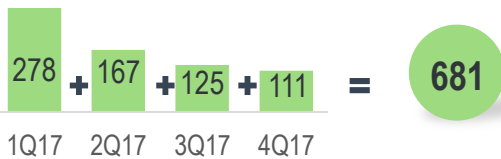
Provisions & Collections

(TL million)

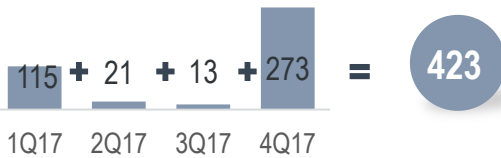
Specific Provisions



Collections in Other Income

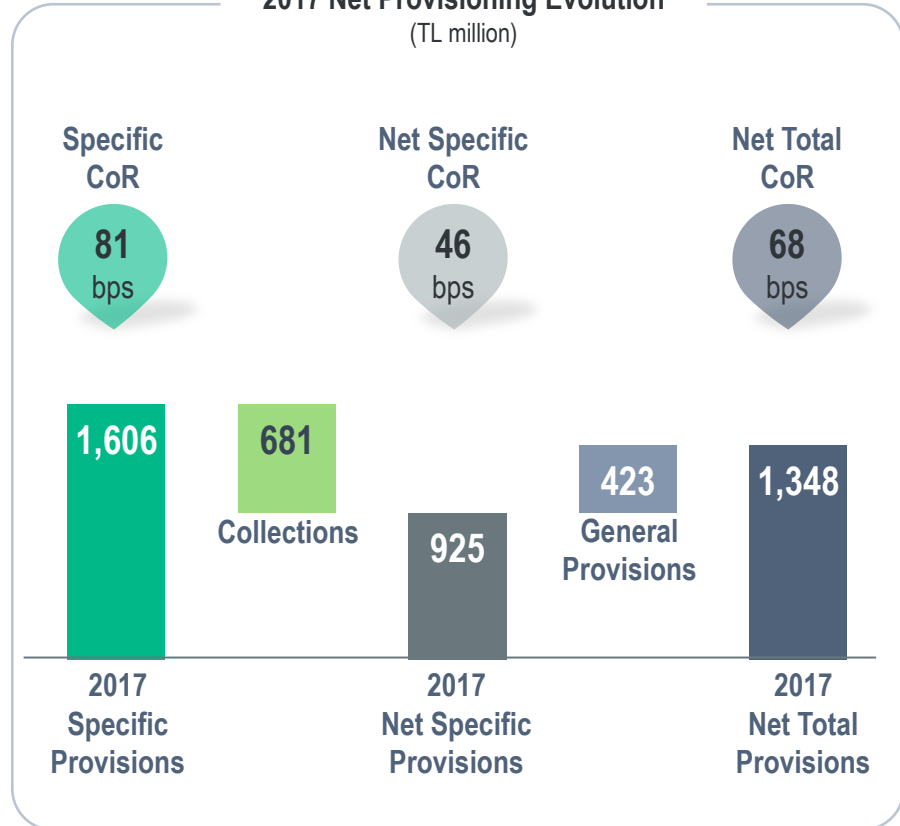


General Provisions



2017 Net Provisioning Evolution

(TL million)



APPENDIX: FOREIGN FUNDING

Total issuance in 2017 \$5.6 bn; of which, \$1.9 bn fresh (new liquidity raised).

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)

Eurobond

- \$ 500mn 6-yrs maturity @5.875% (1Q17)

Covered Bond

- **“Green Mortgage”**
- \$ 150mn equivalent TL 529mn (2Q17)
- € 75mn equivalent TL 313mn (3Q17)
- € 200mn equivalent TL 840mn (4Q17)

100% syndication roll-over

- \$ 468mn @Libor+1.45% (2Q17)
- € 805.5mn @ Euribor+1.35% (2Q17)
- \$ 1.3 bn equivalent: 100% rollover (4Q17)



DPR Securitization

- € 153mn 5-yrs maturity (1Q17)
- \$ 250mn 5-yrs maturity (4Q17)
- \$ 285mn 5-yrs maturity (4Q17)

EIB Funding & Bilateral

- \$ 79mn 6-yrs maturity (1Q17)
- \$145mn 2-yrs maturity (4Q17)
- \$250mn 3-yrs maturity (4Q17)

Swap for margin optimization

- Average net swap funding volume:
 - TL17bn in 4Q17 @ 10.7%
 - TL24bn in 2Q17 @ 10.4%
 - TL26bn in 3Q17 @ 10.5%
 - TL13bn in 1Q17 @ 9.5%

APPENDIX: ADJUSTED L/D AND LIQUIDITY COVERAGE RATIOS

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

Total
Loans /
Deposits:

115%

Adjusted
L/D

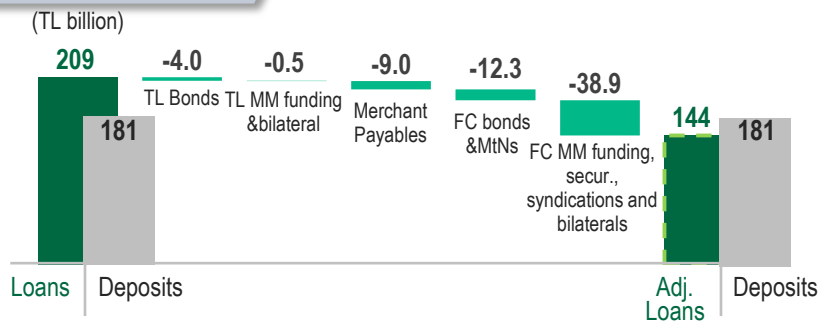


TL Loans /
TL Deposits:

159%

FC Loans /
FC Deposits:

73%



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

Total LCR	138.9%
<i>Minimum Req. for 2017</i>	80%
FC LCR	132.1%
<i>Minimum Req. for 2017</i>	60%

APPENDIX: NON-RECURRING ITEMS & NORMALIZED NET INCOME

<i>TL Million</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Net Income	1,041	1,540	1,331	1,160	1,526	1,554	1,565	1,699
Provision reversal due to collateral re-assessment	-80	0	0	0	0	0	0	0
Extra provisions related to collateral re-assessment	122	0	20	102	0	0	0	0
Garanti Bank Moscow sale loss	0	0	0	48	0	0	0	0
Visa sale gain	0	-238	0	0	0	0	0	0
Income from NPL sale	-24	-16	-8	-14	-7	-11	-2	-16
Gains from asset sale	0	-14	0	0	0	0	0	0
Provision reversal from Miles&Smiles	0	-51	0	0	0	0	0	0
Free provision	0	0	100	0	200	220	230	210
Provision for fines	0	0	0	85	0	0	137	0
Fee rebates	60	52	30	24	19	15	14	14
Normalized Net Income	1,119	1,272	1,472	1,405	1,738	1,778	1,945	1,907

APPENDIX: SUMMARY P&L

TL Million	12M 16	12M 17	Δ YoY	3Q 17	4Q 17	Δ QoQ
(+) Net Interest Income including Swap costs	10,126	12,460	23%	2,958	3,774	28%
(+) <i>NII excluding CPI linkers' income</i>	9,499	11,693	23%	3,009	2,996	0%
(+) <i>Income on CPI linkers</i>	1,598	2,776	74%	608	1,193	96%
(-) <i>Swap Cost</i>	-971	-2,008	107%	-660	-415	-37%
(+) Net Fees & Comm.	3,152	3,680	17%	965	974	1%
(-) Specific + General provisions net of collections*	-1,742	-1,348	-23%	-189	-718	280%
(-) <i>Specific Provisions</i>	-2,367	-1,606	-32%	-301	-555	85%
(-) <i>General Provisions</i>	-162	-423	162%	-13	-273	1928%
(+) <i>Collections</i>	656	681	4%	125	111	-12%
(+) <i>Free prov. Reversal assigned to shipping file</i>	130	0	n.m	0	0	n.m
(-) OPEX	-6,119	-6,518	7%	-1,582	-1,729	9%
= CORE OPERATING INCOME	5,417	8,275	53%	2,152	2,302	7%
(+) Net Trading & FX gains/losses	180	92	-49%	62	33	-48%
(+) Income on subsidiaries	398	608	53%	148	71	-52%
(+) Other income	320	308	-4%	51	109	115%
(+) <i>NPL sale income</i>	78	45	-42%	2	21	n.m
(+) <i>Provision reversal from Miles&Miles</i>	64	0	n.M	0	0	n.m
(+) <i>Gains from asset sale</i>	18	0	n.M	0	0	n.m
(+) <i>Other</i>	159	263	65%	49	89	82%
(+) Visa sale	265	0	n.m	0	0	n.m
(-) Taxation and other provisions	-1,509	-2,939	95%	-847	-816	-4%
(-) <i>Free Provision</i>	-100	-860	n.m	-230	-210	n.m
(-) <i>Provision for tax fines</i>	-85	-137	n.m	-137	0	n.m
(-) <i>Other Provision</i>	-101	-134	32%	-24	-80	234%
(-) <i>Taxation</i>	-1,223	-1,807	48%	-456	-526	15%
= NET INCOME	5,071	6,344	25%	1,565	1,699	9%

* Net effect of collateral re-assessment in 1Q16 is shown under specific provisions (TL53mn) for fair comparison

APPENDIX: KEY FINANCIAL RATIOS

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Profitability ratios					
ROAE (Cumulative) ¹	15.3%	19.0%	18.2%	17.4%	16.6%
ROAA (Cumulative) ¹	1.9%	2.3%	2.2%	2.2%	2.1%
Cost/Income*	48.2%	45.6%	44.9%	43.9%	43.6%
Quarterly NIM incl. Swap costs	4.8%	4.7%	4.5%	4.5%	5.6%
Cumulative NIM incl. Swap costs	4.5%	4.7%	4.6%	4.6%	4.8%
Liquidity ratios					
Loans / Deposits	115%	116%	114%	114%	115%
TL Loans / TL Deposits	154%	167%	169%	158%	159%
Adj. Loans/Deposits (Loans adj. with on-balance sheet alternative funding sources)	77.2%	78.6%	79.8%	80.3%	79.5%
TL Loans / (TL Deposits + TL Bonds + Merchant Payables)	132%	143%	144%	134%	135%
FC Loans / FC Deposits	79%	74%	69%	71%	73%
Asset quality ratios					
NPL Ratio	2.8%	2.7%	2.6%	2.6%	2.5%
Total Coverage Ratio (General+Specific)	141%	141%	143%	142%	147%
Solvency ratios					
CAR	16.2%	15.9%	18.3%	18.9%	18.7%
Common Equity Tier I Ratio	15.2%	14.9%	16.1%	16.7%	16.5%
Leverage	7.0x	7.3x	7.1x	6.9x	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) for 1Q17, 1H17 and 9M17.

*In the Cost/Income calculation, 1Q17, 1H17, 9M17 and 2017 Income adjusted with free provisions that set aside during the year

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