

1Q17

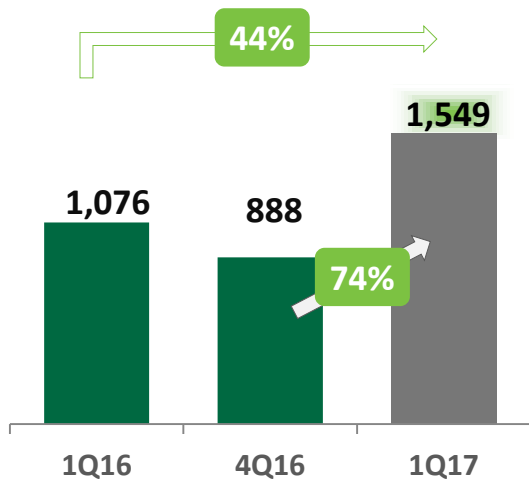
Earnings
Presentation

IFRS Financials
31 March 2017

A SOLID START TO 2017...

Net Income

(TL million)



Total Free Provisions reached TL500mn

Additional TL 200mn free provisions in 1Q17 prudently set aside

7% inflation rate used in CPI linkers' valuation

Impact of 1% higher CPI: +TL150mn/yr

ROAE

18.7%

vs. 14.8% in 2016

ROAA

2.2%

vs. 1.8% in 2016

Leverage

7.7x

CAR

14.4%¹

Post dividend distribution of TL 1.25 bn (25% payout)

¹ Based on BRSA Consolidated financials.
Note: Leverage defined as Liabilities/SHE

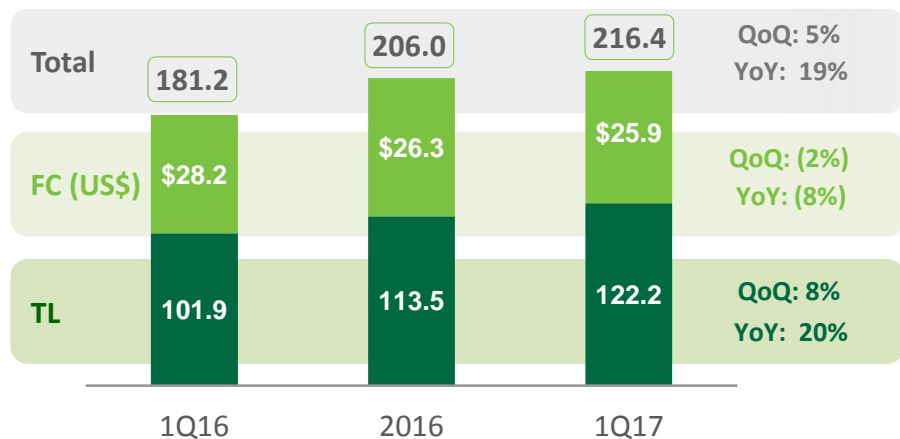
...ONCE AGAIN, MARKED BY CORE BANKING PERFORMANCE



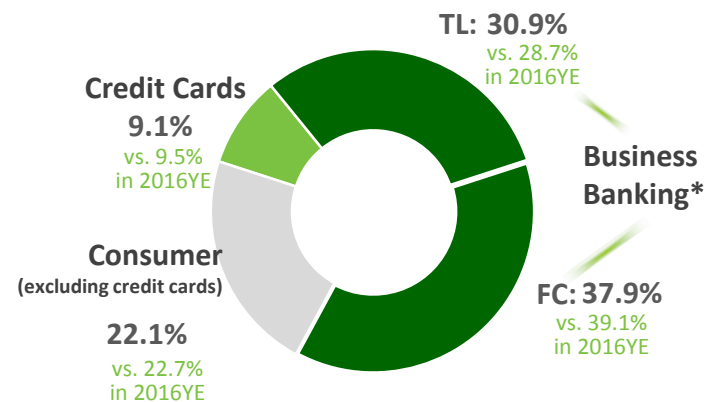
<i>TL Million</i>	1Q16	1Q17	ΔYoY	4Q16	1Q17	ΔQoQ
NII excld. inc. on CPI linkers	2,024	2,739	35%	2,748	2,739	0%
Net fees and comm.	774	904	17%	822	904	10%
Provisions for loans and other credit risks, net	-483	-297	-39%	-1,015	-297	-71%
OPEX	-1,623	-1,857	14%	-2,018	-1,857	-8%
CORE OPERATING INCOME	692	1,489	115%	537	1,489	177%

ROBUST GROWTH IN LENDING WHILE PRESERVING RATIONAL PRICING STANCE

Loans to Customers (TL, US\$ billion) 67% of Total Assets



Loans to Customers Breakdown¹



Across the board growth in TL Loans as the main driver in 1Q17

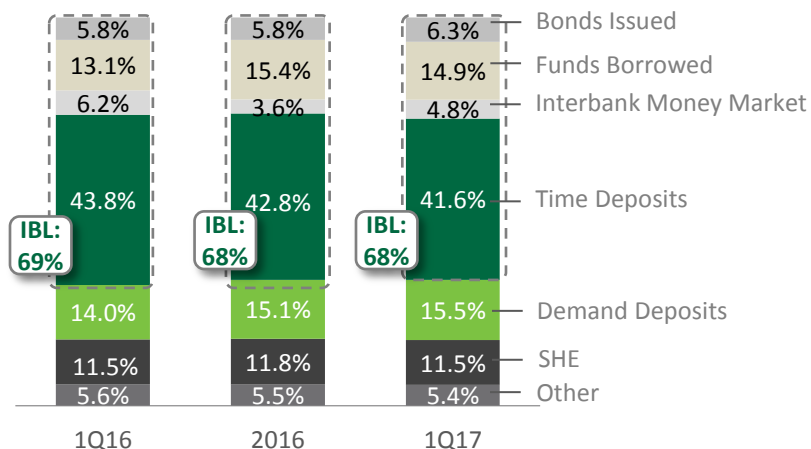
1Q17 Quarterly Growth	Sector	Garanti ¹	
Consumer Loans (excl. CCs)	4.2%	2.8%	● Preserved disciplined pricing stance in consumer loans
+Consumer Mortgage	5.4%	3.1%	
+Consumer GPL	3.4%	3.0%	
Credit Card Receivables	1.4%	1.5%	● Reinforced market position especially by growth in Corporate CCs
TL Business Banking	10.3%	13.3%	● Supported with Credit Guarantee Fund ○ Loans provided via CGF in 1Q17: TL6bn; avg. duration 1.5-2 yrs
FC Business Banking	-0.7%	-1.3%	

¹ Based on BRSA consolidated data, excluding leasing and factoring receivables
* Business banking loans represent total loans excluding credit cards and consumer loans

COMFORTABLE LIQUIDITY

Reinforced with opportunistically utilized funding sources

Composition of Liabilities



Opportunistic utilization of alternative funding

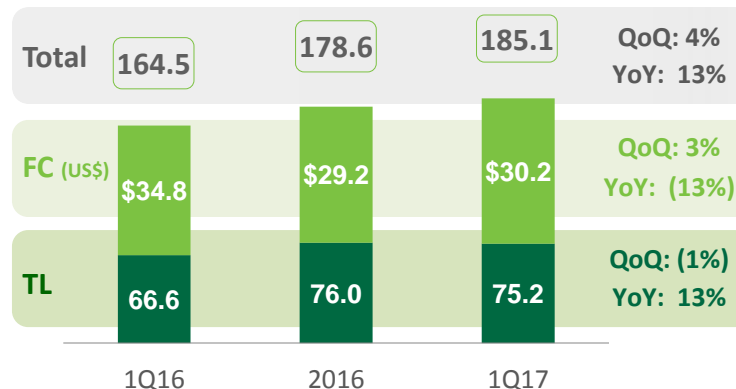
- **Eurobond issuance:** \$500mn with 6-yrs maturity @5.875%
- **DPR securitization:** EUR153mn with 5-yrs maturity
- **EIB funding:** EUR75mn with 6-yrs maturity
- **Increased swap utilization** due to strengthened FC liquidity & dollarization trend in the quarter
 - > **Net swap funding volume: TL13bn** in 1Q17 on avg. vs. TL8bn in 4Q16

Liquidity Coverage Ratio³: 119% vs. required level of 80%

Total Loans/(Deposits inc. TL bonds + Merchant Payables): 110%³

Total Deposits

(TL, US\$ billion)



Deposit growth focus on sticky & low-cost deposit

High level of SME & Retail deposits' share in TL Deposits
maintained @ 80%¹

Maintained high share of demand deposits

Demand Deposits' share in Total Deposits further increased to **27%**
Bank-only: 25% vs. sector's 21%²

Historically Highest

¹ Based on bank-only MIS data.

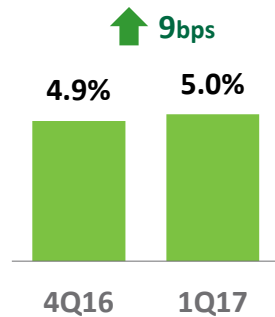
² Sector data is based on BRSA weekly data as of March 31, 2017, commercial banks only.

³ BRSA consolidated data.

WELL-DEFENDED NIM

Quarterly NIM

Reported



● Flattish Total LtD spreads:

- Deposit costs were on the rise, yet; **proactive upward loan pricings** started to be visible on loan yields from February onwards

● Increasing income on CPI linkers QoQ, due to the low base of 4Q16

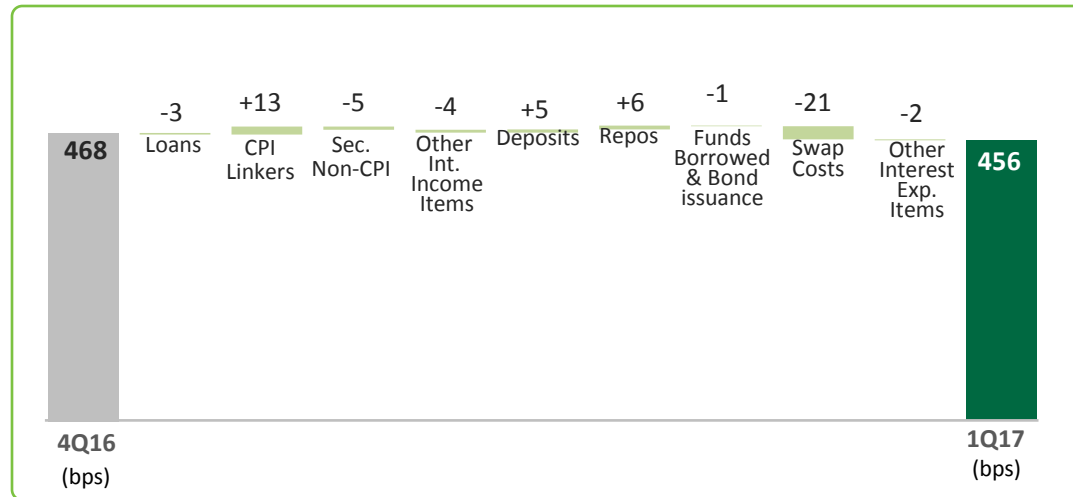
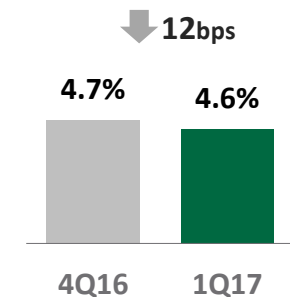
- Quarterly CPI linker income: TL424mn in 1Q17, assuming 7% inflation expectation vs. TL329mn in 4Q16
- 1% higher CPI reading impact on NIM: +7bps

● Higher swap costs due to higher utilization and higher rates

- Swap Losses: TL304mn in 1Q17 vs. TL153mn in 4Q16

Quarterly NIM

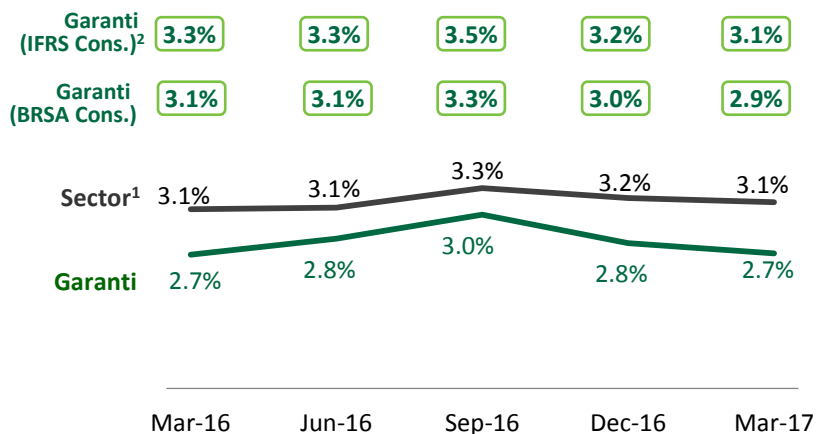
Including swap costs



Note: Figures are based on BRSA Consolidated financials

PROACTIVE & CONSISTENT APPROACH IN RISK MANAGEMENT ASSURES SOUND ASSET QUALITY

NPL ratio

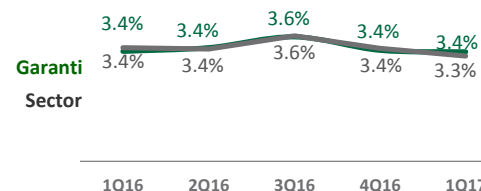


Total Coverage Ratio²
120%

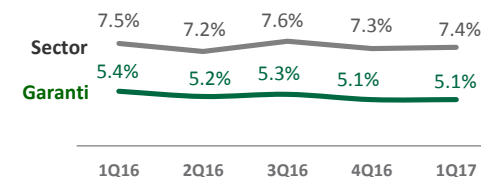
TL 500mn
Free Provisions
buffer against
volatility

NPL Breakdown¹

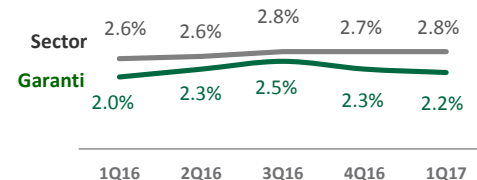
Retail Banking (Consumer & SME Personal)



Credit Cards



Business Banking (Including SME Business)



¹ NPL ratio for Garanti based on BRSAs bank-only data for fair comparison with sector.

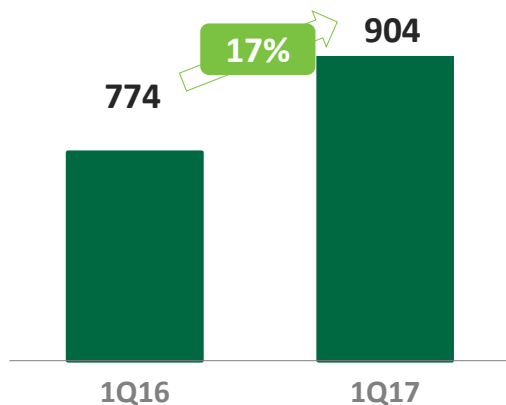
Sector figures are per BRSAs bank-only weekly data

² Non-performing loans include factoring and leasing receivables

FEE GROWTH MOMENTUM MIRRORS SUSTAINABLE BUSINESS MODEL

Net Fees & Commissions

(TL million)



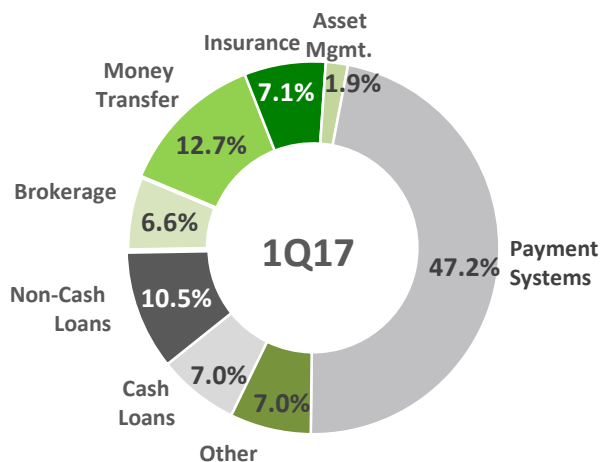
+ Insurance: 27% YoY⁴

- **Leader** in number of pension participants
- Focus on **digital-only products**:
i.e. *Auto Insurance product, specifically designed for digital*
 - *Share of non-credit linked Auto Insurance sale via digital reached ~50% at March-end & is on an increasing trend*

+ Payment systems: 9% YoY⁴

- **Leader in number of POS machines**: 17% market share
- **Leading bank in Issuing & Acquiring**: >20% market share
- Turkey's **largest card platform**: Bonus Card

Net Fees & Commissions Breakdown¹



+ Money Transfer: 34% YoY⁴

- Digital channels share in number of money transfer transactions: **~80%**
- **Leader in interbank money transfer** : 14% market share
- **Leader in SWIFT transactions**: 18%² market share

+ Non-Cash: 25% YoY⁴

+ Effective utilization of digital channels

- **Share of Digital in Total Sales**: **30%** vs. 25% in 2016
- Digital channels' share in non-credit linked fees: **37%**³

¹ Breakdown based on BRSA consolidated data. In the breakdown, insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in BRSA consolidated financials

² As of Dec 2016

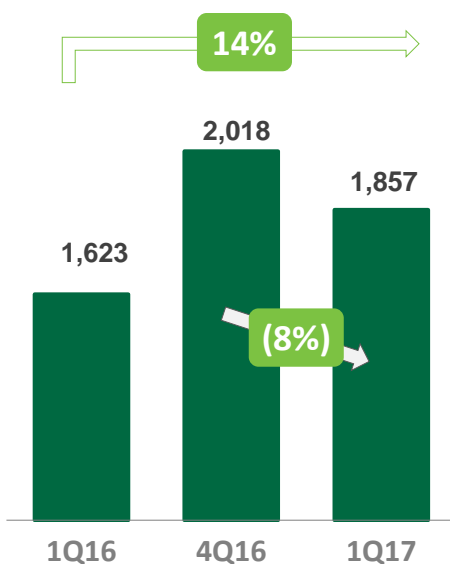
³ Based on MIS data as of February 2017, on a cumulative basis

⁴ Based on MIS data

DISCIPLINED COST MANAGEMENT & INCREASING EFFICIENCIES

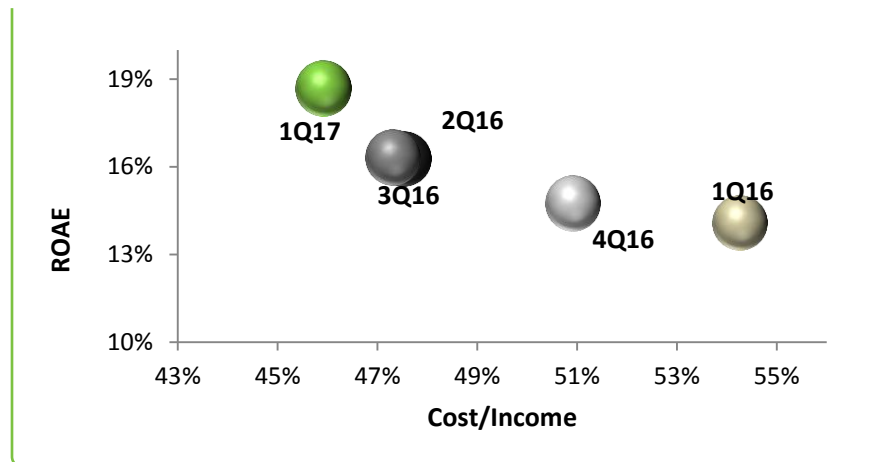
Operating Expenses

(TL million)



YoY growth above full-year guidance of 6%, **as expected**, due to low base of 1Q16.

> Increasing efficiencies:



> Value creation through digital:

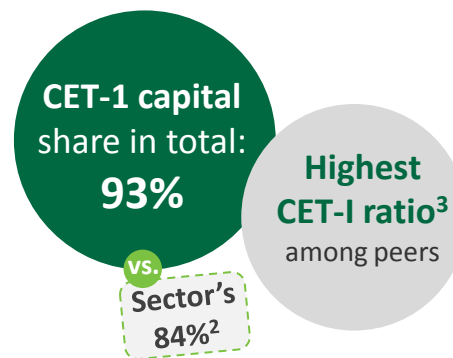
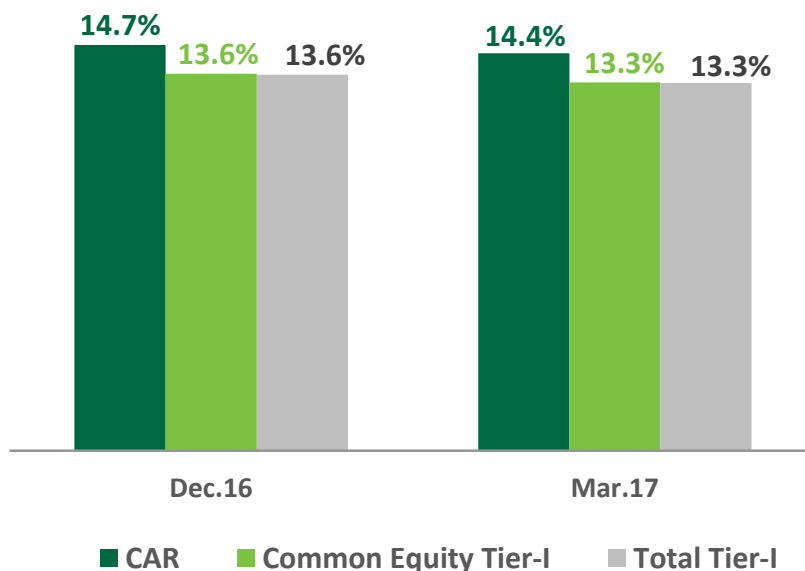
- Highest per branch efficiencies
- Managing the **largest digital customer base** in Turkey: **5.1 million**; 20% up YoY
- **Profitability** of a **digital customer** is **twice** that of a non-digital customer

FURTHER STRENGTHENED SOLVENCY

Capital Adequacy Ratios

(Based on BRSA consolidated financials)

Dividend Payment: **- 48 bps** QtD
 Regulation Impact¹: **+21 bps** QtD
 Currency Impact: **- 22 bps** QtD
 MtM Difference: **+17 bps** QtD



1 Increasing risk weightings on FC denominated sovereign Eurobonds and Turkish banks' FC receivables from 50% to 100% following rating downgrade by Fitch and decreasing RW on FC reserves from 50% to 0%. 2 BRSA monthly data as of Feb17 commercial banks only 3 Among peers as of Dec'16

APPENDIX

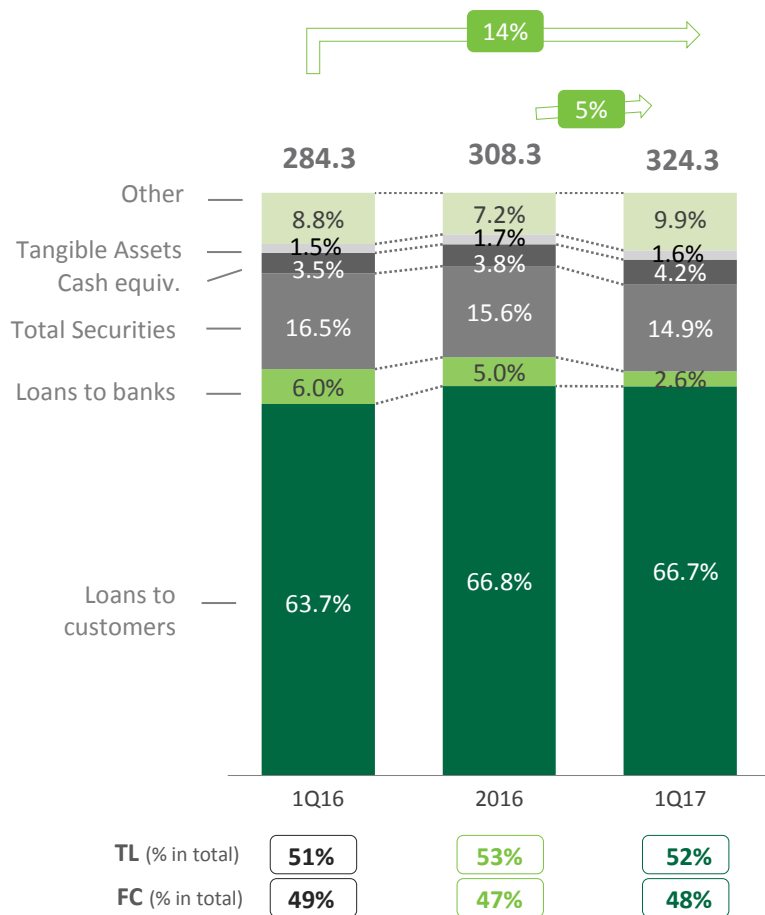
Pg. 12	Summary Balance Sheet
Pg. 13	Composition of Assets and Liabilities
Pg. 14	Securities Portfolio
Pg. 15	Retail Loans
Pg. 15	Non-recurring Items & Normalized Net Income
Pg. 17	Summary P&L

SUMMARY BALANCE SHEET

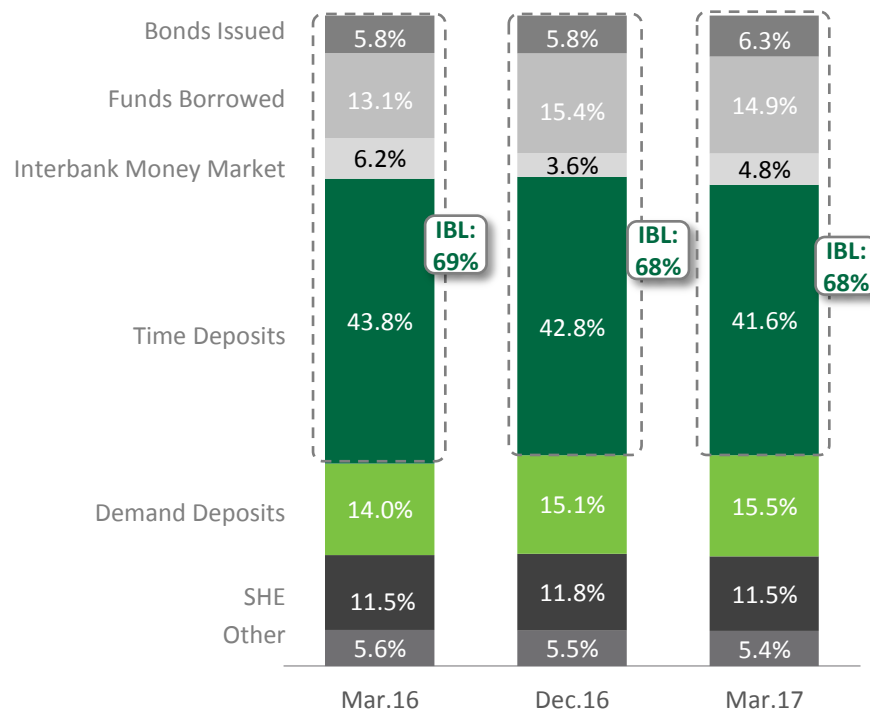
<i>(TL million)</i>	Mar.16	Jun.16	Sep.16	Dec.16	Mar.17	YoY Change
Cash & Banks	26,885	23,894	29,910	26,882	27,522	2%
Securities	46,829	45,444	45,575	48,179	48,236	3%
Loans to Customers	181,198	186,224	190,272	205,989	216,385	19%
Tangible Assets	4,397	4,469	4,641	5,211	5,229	19%
Other	25,036	22,975	20,646	22,057	26,923	8%
TOTAL ASSETS	284,344	283,006	291,043	308,319	324,294	14%
Deposits from Customers	157,831	166,504	164,322	174,156	180,040	14%
Deposits from Banks	6,711	4,092	2,811	4,488	5,076	-24%
Repo Obligations	17,741	7,566	18,678	11,230	15,724	-11%
Bonds Payable	16,383	15,997	15,129	17,846	20,445	25%
Funds Borrowed	37,164	38,232	39,334	47,328	48,247	30%
Other	15,820	16,288	15,031	16,833	17,488	11%
SHE	32,694	34,326	35,738	36,438	37,274	14%
TOTAL LIABILITIES & SHE	284,344	283,006	291,043	308,319	324,294	14%

COMPOSITION OF ASSETS & LIABILITIES

Composition of Assets (% TL billion)

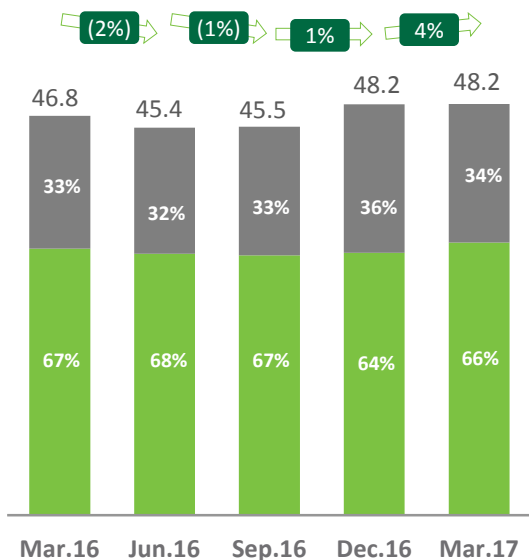


Composition of Liabilities (%)



SECURITIES PORTFOLIO REMAINS AS HEDGE AGAINST VOLATILITY

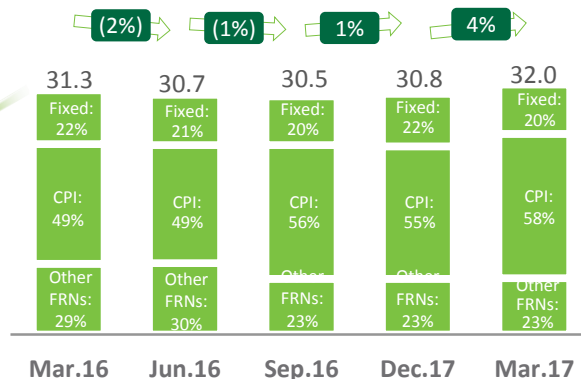
Total Securities (TL billion)



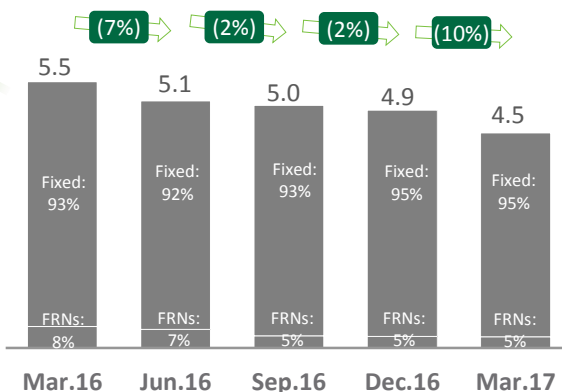
■ TL ■ FC

Securities/Assets:
15%
hovering at its
lowest level

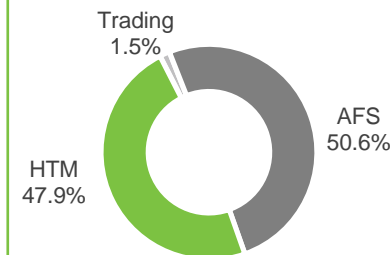
TL Securities (TL billion)



FC Securities (US\$ billion)



Securities Composition



Unrealized MtM loss (pre-tax)¹

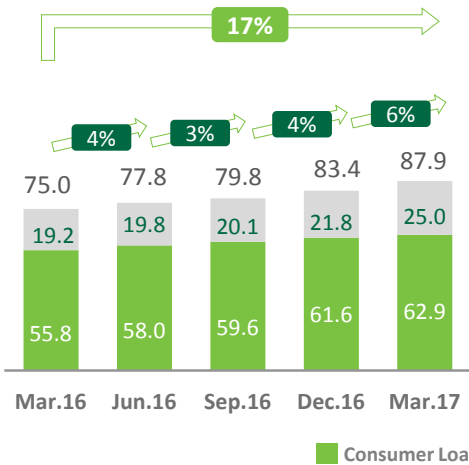
~TL154mn loss as of Mar'17vs.
~TL699mn loss as of Dec'16;
~TL182mn loss as of Sep'16;
~TL166mn loss as of Jun'16;
~TL367mn loss as of Mar'16;

Note: Fixed / Floating breakdown of securities portfolio is based on bank-only MIS data.

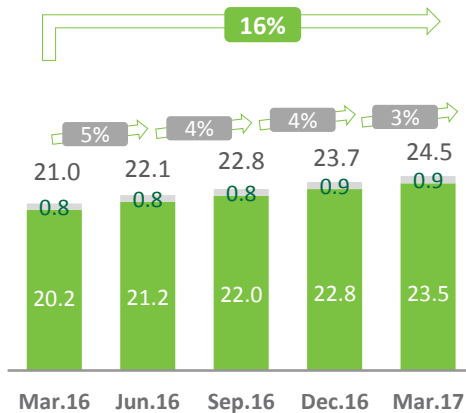
¹ Based on BRSA Consolidated financials

HEALTHY MARKET SHARE GAINS ACROSS ALL RETAIL PRODUCTS

Retail Loans (TL billion)



Mortgage Loans (TL billion)



Market Shares

	Mar'17	QoQ	Rank
Consumer Loans	14.4%	-20bps	#1
Cons. Mortgage	13.8%	-35bps	#1
Cons. Auto	37.0%	+24bps	#1
Consumer GPLs	11.5%	-5bps	#2
Comm. Inst. GPLs	6.9%	+9bps	#2

Preserved leading position in cards business

of CC customers

15.0%²

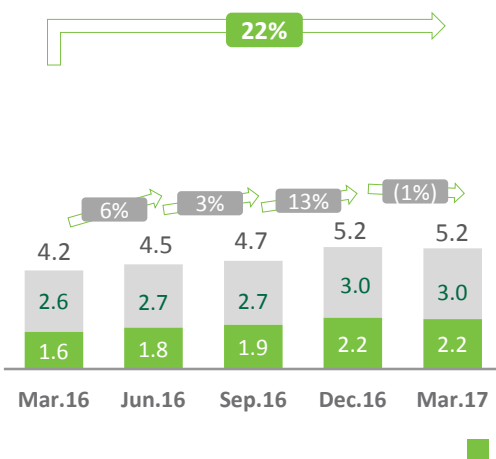
Issuing Volume

20.4%²

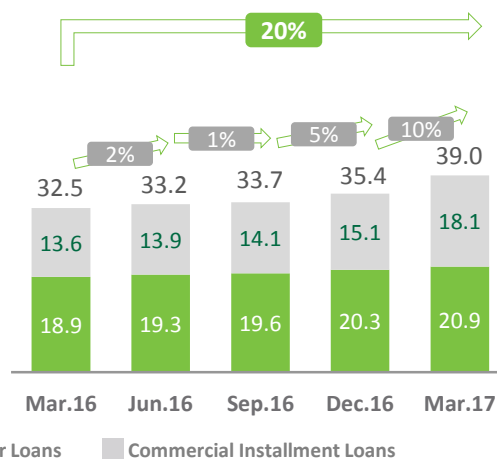
Acquiring Volume

20.8%²

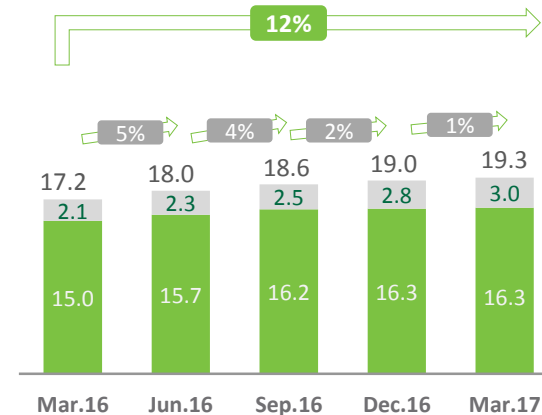
Auto Loans (TL billion)



General Purpose Loans¹ (TL billion)



Credit Card Balances (TL billion)



Note: Figures are based on BRSA Consolidated Financials

¹ Including other loans and overdrafts

² As of March 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 31.03.2017, commercial banks only

(ii) Rankings are as of December 2016, among private banks, unless otherwise stated

NON-RECURRING ITEMS & NORMALIZED NET INCOME

<i>TL Million</i>	1Q16	2Q16	3Q16	4Q16	1Q17
Net Income	1,076	1,750	1,337	888	1,549
<i>Extra provisions related to collateral re-assessment</i>	-42	0	-20	-102	0
<i>Provisions imposed by NBR to Romanian banking sector</i>	0	-96	0	0	0
<i>Garanti Bank Moscow sale loss</i>	0	0	0	-41	0
<i>Visa sale gain</i>	0	251	0	0	0
<i>Gains from asset sale</i>	0	14	0	0	0
<i>Provision reversal from Miles&Smiles</i>	0	51	0	0	0
<i>Income from NPL sale</i>	26	17	8	15	21
<i>Provision for tax fines</i>	0	0	0	-85	0
<i>Free provision</i>	0	0	-100	0	-200
<i>Fee rebates</i>	-60	-52	-30	-24	-19
Normalized Net Income	1,153	1,565	1,479	1,126	1,747

SUMMARY P&L

<i>TL Million</i>	1Q16	1Q17	Δ YoY	4Q16	1Q17	Δ QoQ
(+) NII excld. inc. on CPI linkers	2,024	2,739	35%	2,748	2,739	0%
(+) Net Fees & Comm.	774	904	17%	822	904	10%
(-) Fee Rebates	-43	-10	-76%	-14	-10	-27%
(+) Comparable Net F&C	817	914	12%	836	914	9%
(-) Provisions for loans and other credit risks, net	-483	-297	-39%	-1,015	-297	-71%
(-) OPEX	-1,623	-1,857	14%	-2,018	-1,857	-8%
(-) Fee Rebates	-17	-9	-48%	-10	-9	-13%
(+) Comparable OPEX	-1,606	-1,848	15%	-1,972	-1,848	-6%
= CORE OPERATING INCOME	692	1,489	115%	537	1,489	177%
(+) Income on CPI linkers	410	424	3%	329	424	29%
(+) Net Trading & FX gains/losses	61	6	-90%	87	6	-93%
(+) Other income	205	269	31%	274	269	-2%
(+) NPL sale income	32	26	-19%	18	26	42%
(+) Other	173	243	40%	256	243	-5%
(-) Taxation and other provisions	-293	-639	118%	-339	-639	88%
(-) Free Provision	0	-200	n.m.	0	-200	n.m.
(-) Provision for tax fines	0	0	n.m.	-85	0	n.m.
(-) Other Taxation & Provision	-293	-439	50%	-254	-439	73%
= NET INCOME	1,076	1,549	44%	888	1,549	74%

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