



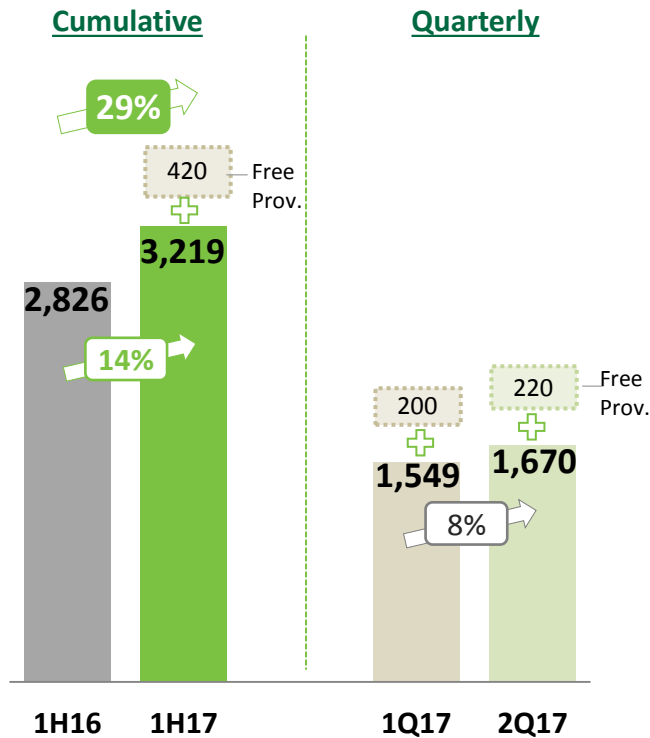
1H17

Earnings Presentation

IFRS Financials
30 June 2017

ANOTHER SET OF EXCELLENT RESULTS...

Net Income (TL million)

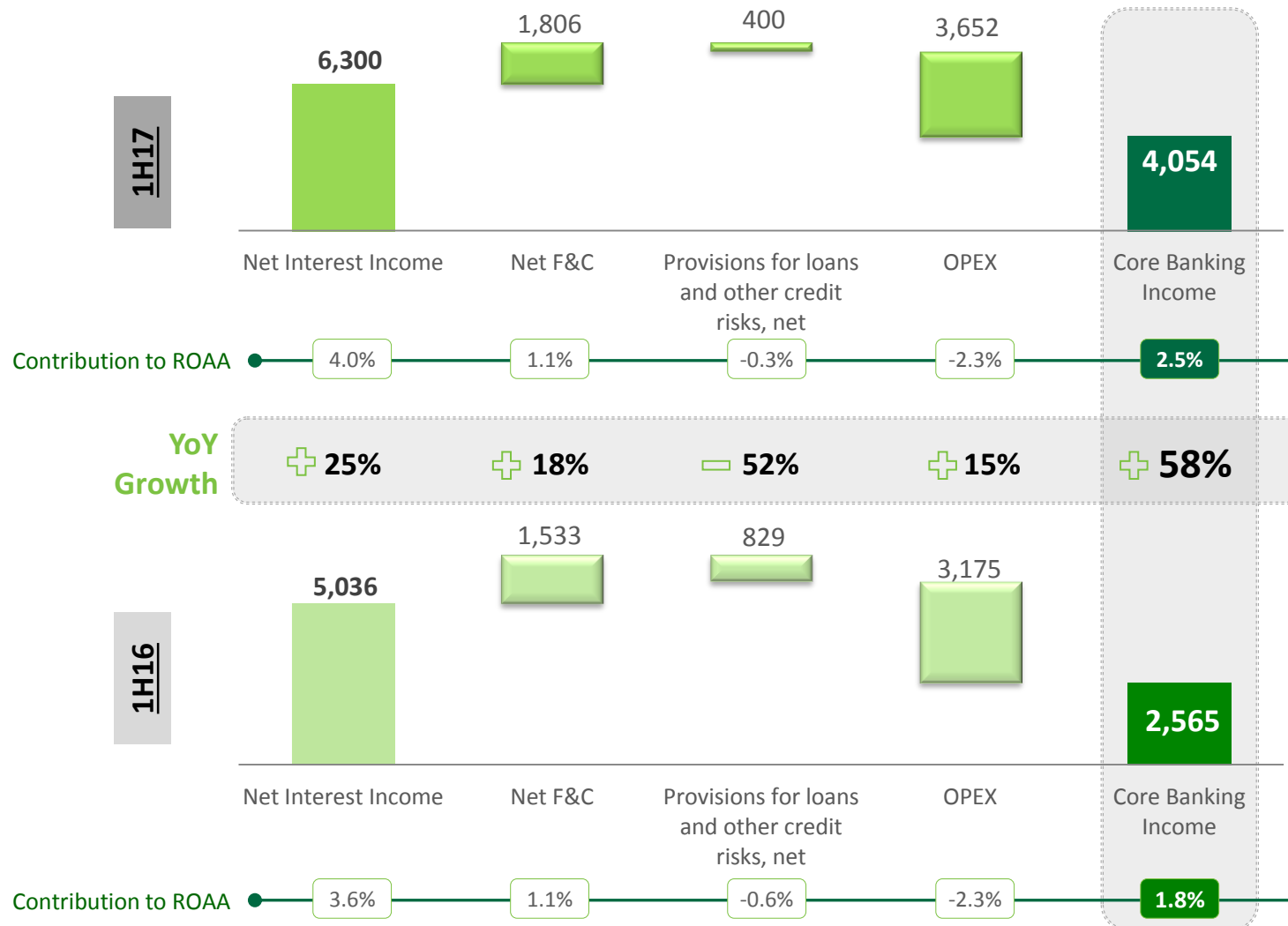


Total Free Provisions reached:
TL 720mn

Inflation expectation revised to **9%** from 7% in May

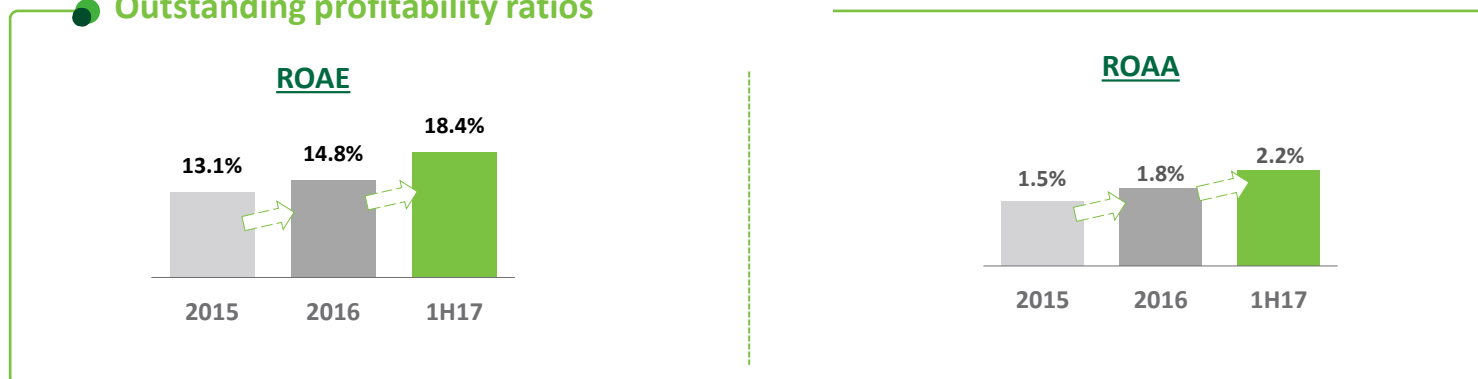
- Impact of **1% higher CPI** on net income: **+TL150mn/year**

...WITH INCREASING CONTRIBUTION FROM CORE BANKING INCOME

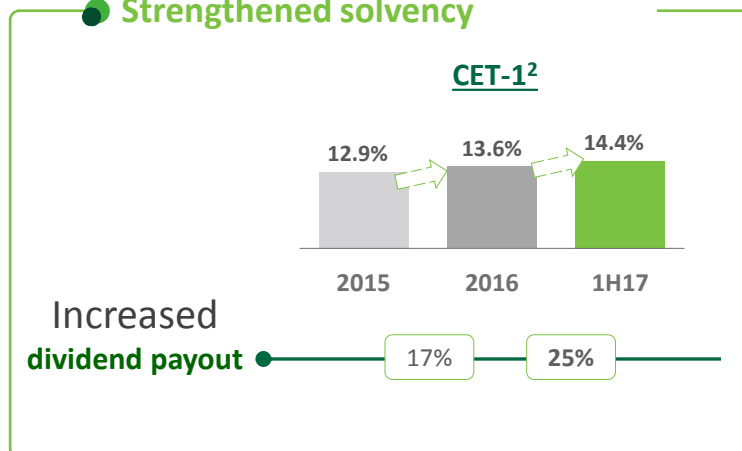


HIGH QUALITY EARNINGS ASSURE SUSTAINABLE PERFORMANCE

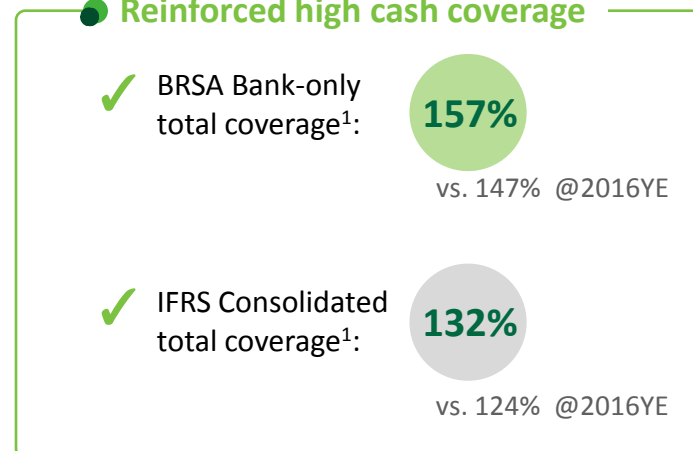
● Outstanding profitability ratios*



● Strengthened solvency



● Reinforced high cash coverage



1 Total coverage ratio defined as (Specific+General+Free prov.)/ NPL.

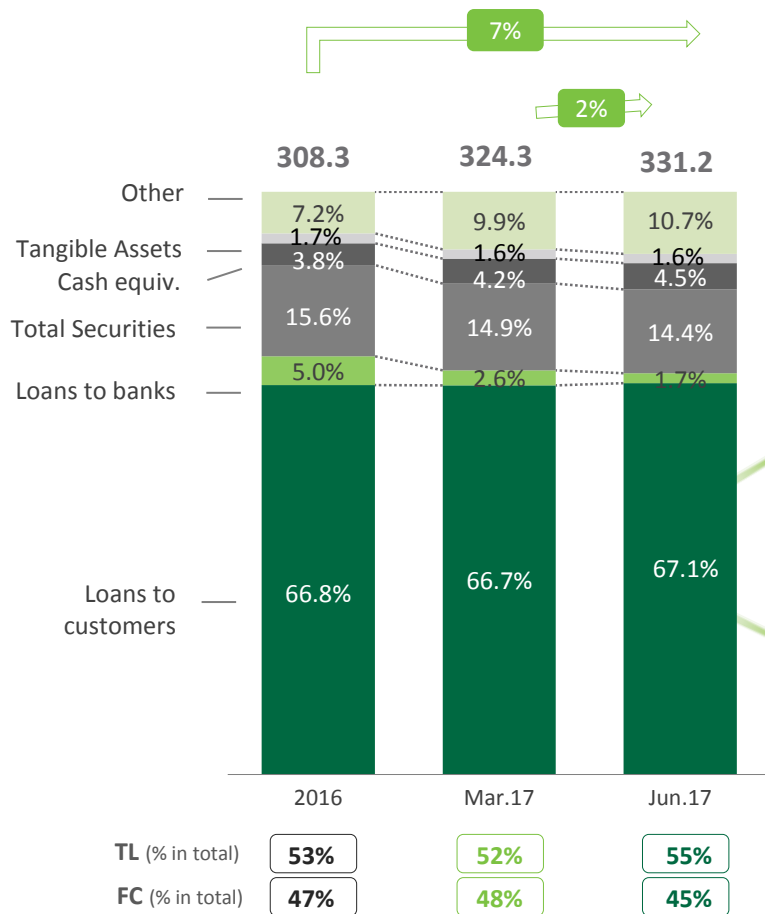
In the IFRS financials NPLs include factoring and leasing receivables

2 Based on BRSA Consolidated financials * Excludes non-recurring items when annualizing

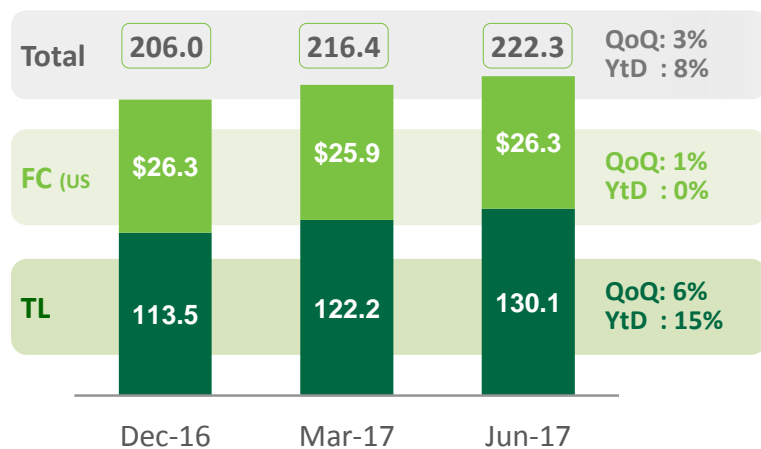
Net Income for the remaining quarters of the year in calculating Return On Average Equity (ROAE) and Return On Average Assets (ROAA) for 1H17.

CUSTOMER-DRIVEN ASSET MIX

Composition of Assets



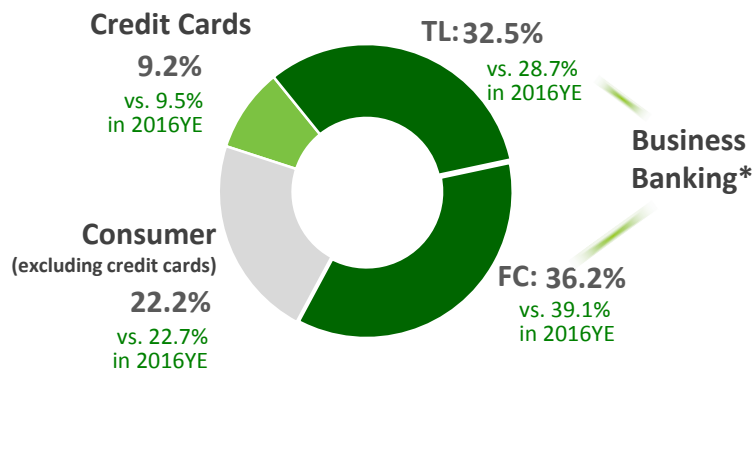
Loans to Customers¹ (TL, US\$ billion)



¹ Including factoring and leasing receivables

LENDING GROWTH CONTINUED TO BE TL-DRIVEN WITH PRESERVED RATIONAL PRICING STANCE

Loans to Customers Breakdown¹



- Consumer Loans (excl. CCs)
- +Consumer Mortgage
- +Consumer GPL
- Credit Card Receivables
- TL Business Banking
- FC Business Banking

	2Q Growth		YtD Growth	
	Garanti ²	Sector	Garanti ²	Sector
Consumer Loans (excl. CCs)	2.8%	4.4%	5.4%	8.8%
+Consumer Mortgage	1.6%	4.6%	4.4%	10.3%
+Consumer GPL	4.4%	4.4%	7.4%	8.0%
Credit Card Receivables	3.2%	2.1%	4.7%	3.5%
TL Business Banking	8.9%	9.8%	23.7%	21.0%
FC Business Banking	0.7%	2.3%	-1.6%	1.5%

Credit Guarantee Fund (CGF) supported TL loan growth in 1H17

The first bank to actively utilize this program with its agile sales team and quick system integration

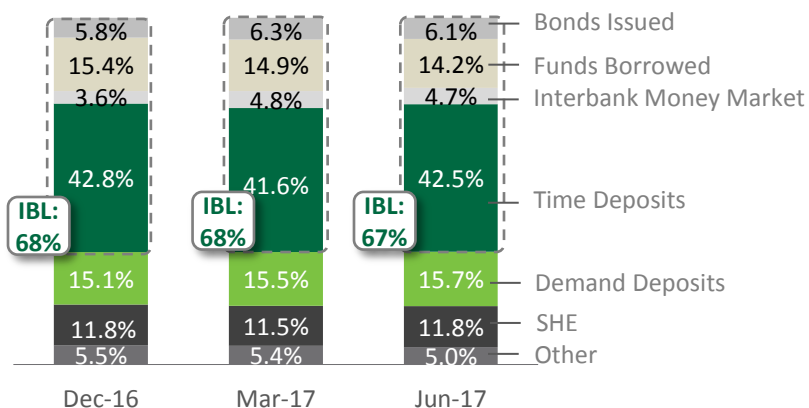
Total loan origination via CGF **reached TL 15 billion** as of June-end (vs. total limit allocation of TL 16.5 billion)

¹ Based on BRSA consolidated data, excluding leasing and factoring receivables
² BRSA unconsolidated financials are shown in the table for fair comparison with the sector.
 * Business banking loans represent total loans excluding credit cards and consumer loans
 Note: Sector figures based on BRSA weekly bank-only data for commercial banks only, as of 30.06.2017.

COMFORTABLE LIQUIDITY

Well-diversified funding mix

Composition of Liabilities



Opportunistic utilization of alternative funding

Basel III compliant Tier II

- \$ 750mn
- 10 years maturity
- Record subscription >\$4bn
- 6.125%, lowest ever cost in Turkish market**

Covered Bond

- \$ 150mn equivalent TL 540mn
- "Green Mortgage"**

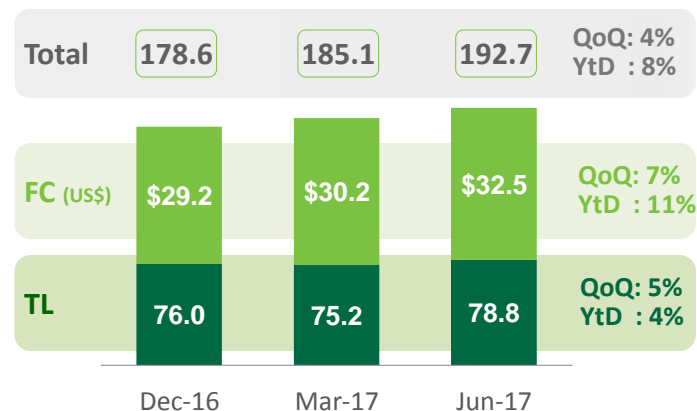
100% rolled-over syndication

- \$ 468mn @ Libor+1.45%
- € 805.5mn @ Euribor+1.35%

Swap for margin optimization

- Net swap funding volume, on average: TL23bn in 2Q17 @10.4% vs. TL13bn in 1Q17 @9.5%

Total Deposits (TL, US\$ billion)



Growth in low cost & sticky mass deposits

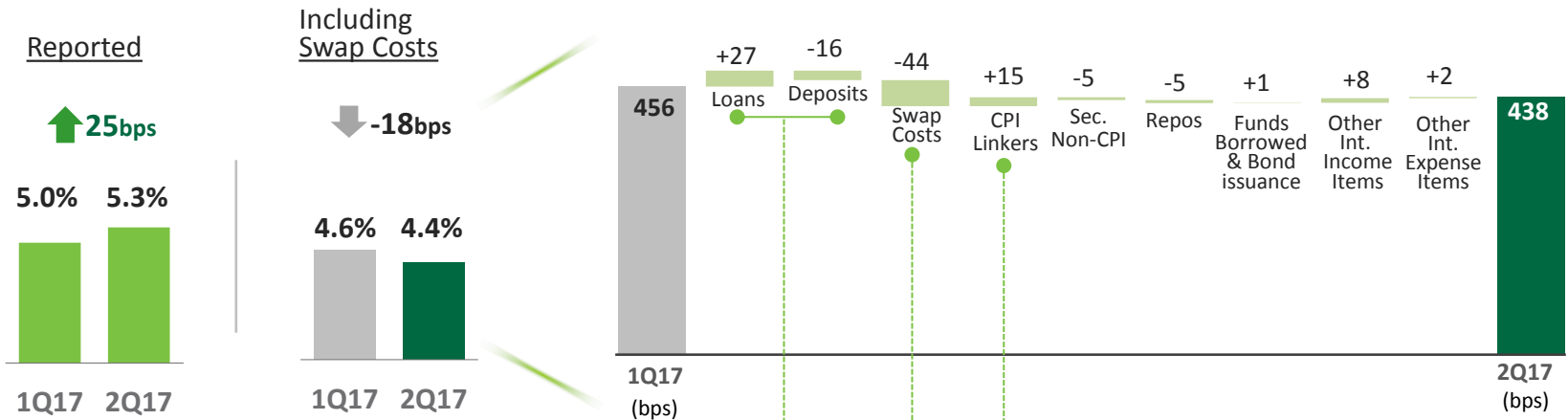
High share of **SME & Retail deposits'** in TL Deposits **~80%¹**

Demand Deposits' share in Total Deposits **27%**

¹ Based on bank-only MIS data.

WELL-DEFENDED NIM IN AN INCREASED RATE ENVIRONMENT

Quarterly NIM



Flattish Total LtD spreads:

Strategically shaped deposit mix

Timely loan repricing

Higher swap utilization for margin optimization

Swap loss: TL 629mn in 2Q

TL 304mn in 1Q

CPI assumption in linkers' evaluation revised from 7% to 9% in May

Gross impact in 2017¹: TL 375mn

Impact on NIM: +13bps

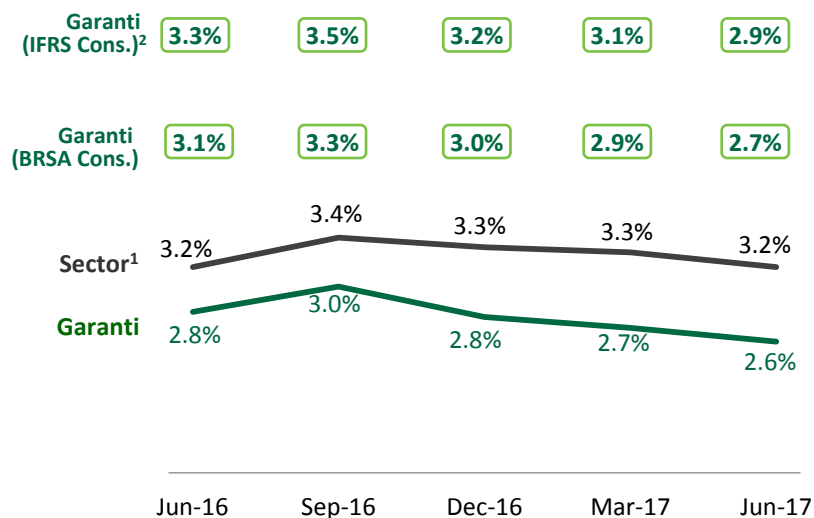
Impact on 2Q NII: TL 95mn

Note: Figures are based on BRSA Consolidated Financials

1 Gross impact of TL 375 million is to be reflected in equal instalments for the remaining 8 months of the year starting in May.

DECELERATING NET NEW NPL INFLOWS; YET, FURTHER STRENGTHENED COVERAGE RATIO

NPL ratio



Total Coverage

Specific + General Provisions		including Free Provisions	
IFRS Cons. ²	BRSA Bank-only	IFRS Cons.	BRSA Bank-only
121%	143%	132%	157%
vs. 2016	vs. 2016	vs. 2016	vs. 2016
119%	141%	124%	147%

1 NPL % for Garanti based on BRSA bank-only data for fair comparison with sector.

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

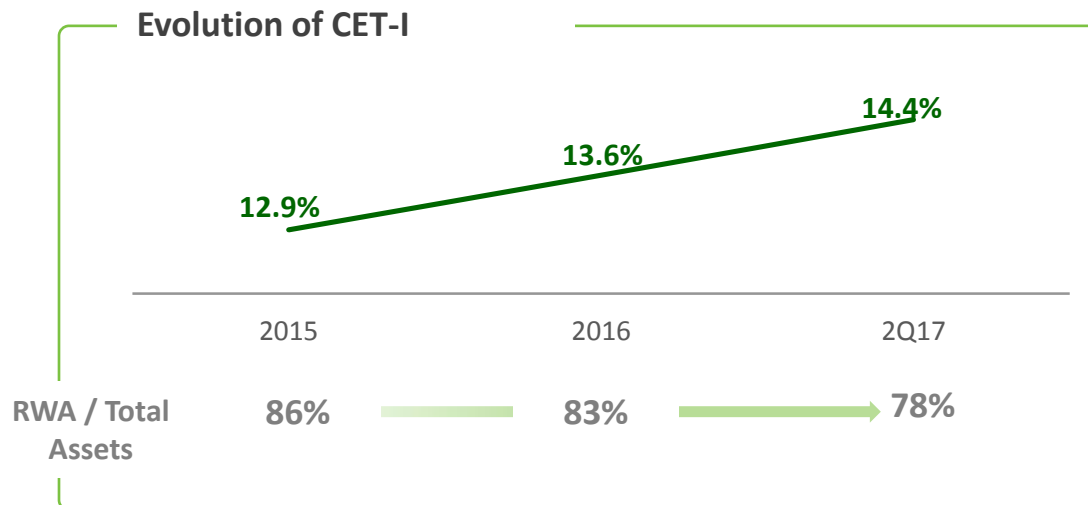
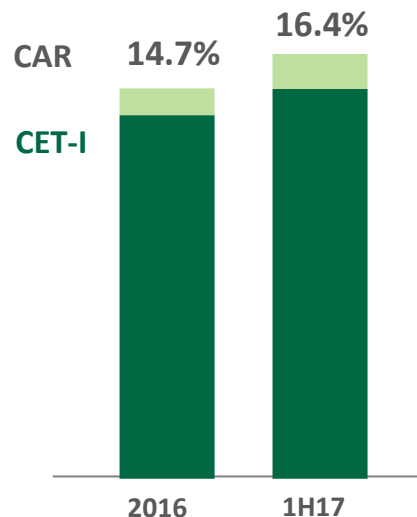
2 Non-performing loans include factoring and leasing receivables

Note: In 2Q17 TL 250 million NPL portfolio receivables sold for TL 18 million, in 1Q17 TL 196 million

NPL portfolio receivables sold for TL 26 million, in 4Q16 TL 524 million NPL portfolio receivables sold for TL 18 million.

SUSTAINED IMPROVEMENT IN SOLVENCY RATIOS

Capital Adequacy Ratios



Dividend Payment: **-48 bps** YtD
 Regulation Impact¹: **+21bps** YtD
 Tier II issuance: **+102 bps** YtD
 MtM Difference: **+19 bps** YtD

**CET-1 capital
 share in total:
 87%**

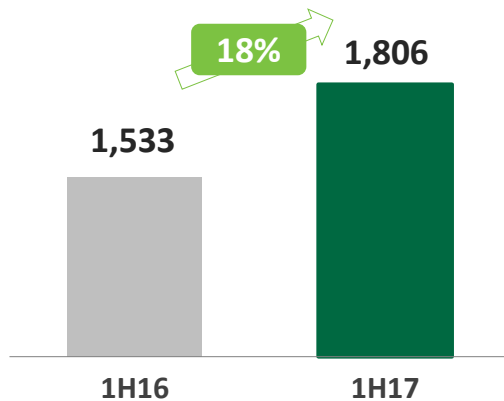
Note: Figures are based on BRSA Consolidated Financials

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%.

FEE GROWTH MOMENTUM MIRRORS SUSTAINABLE BUSINESS MODEL

Net Fees & Commissions

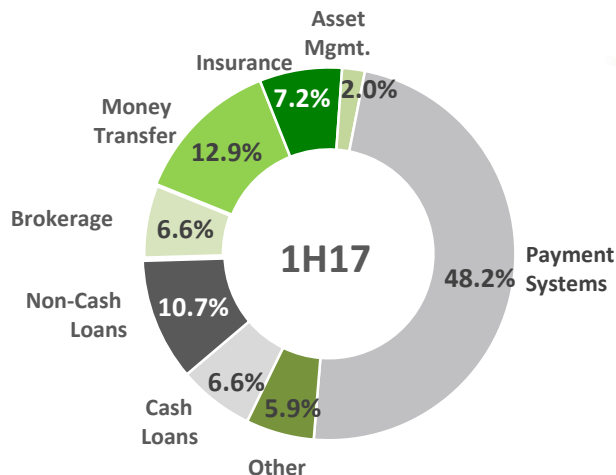
(TL million)



Customers' preferred bank

- Leader bank in Issuing & Acquiring: >20% market share
- Turkey's largest card platform: Bonus Card
- Leader in interbank money transfer : 14% market share
- Leader in SWIFT transactions: 18% market share
- Highest digital customer base with 5.2million

Net Fees & Commissions Breakdown²



- + Insurance: 20% YoY
- + Money Transfers: 29% YoY
- + Non-Cash: 24% YoY
- + Digital channels' share in non-credit linked fees: 38%¹

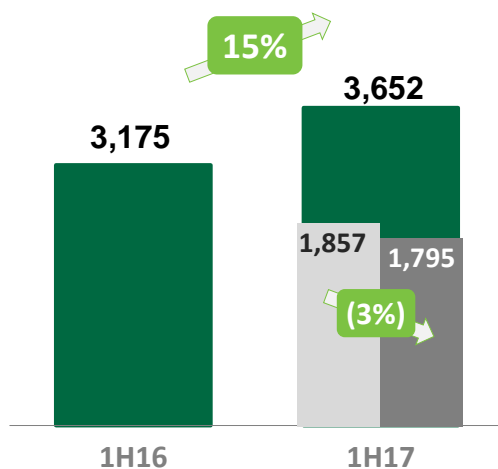
¹ Based on MIS data

² Based on BRSA consolidated financials. In the breakdown, insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in BRSA consolidated financials

DISCIPLINED COST MANAGEMENT & INCREASING EFFICIENCIES

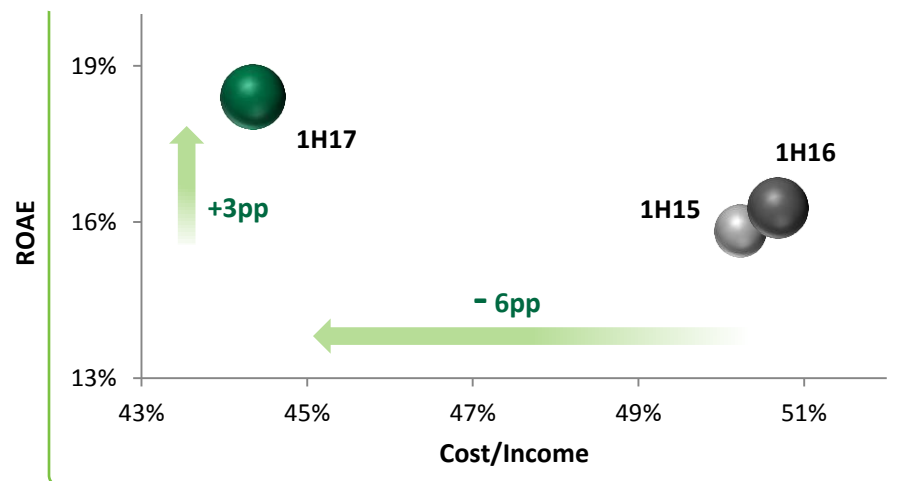
Operating Expenses

(TL million)



YoY growth above full-year guidance, **as expected**, due to seasonality of HR costs in 1H17.

> Increased efficiencies:



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

APPENDIX

Pg. 14	Summary Balance Sheet
Pg. 15	Securities Portfolio
Pg. 16	Retail Loans
Pg. 17	Comfortable Liquidity
Pg. 18	Non-recurring Items & Normalized Net Income
Pg. 19	Summary P&L

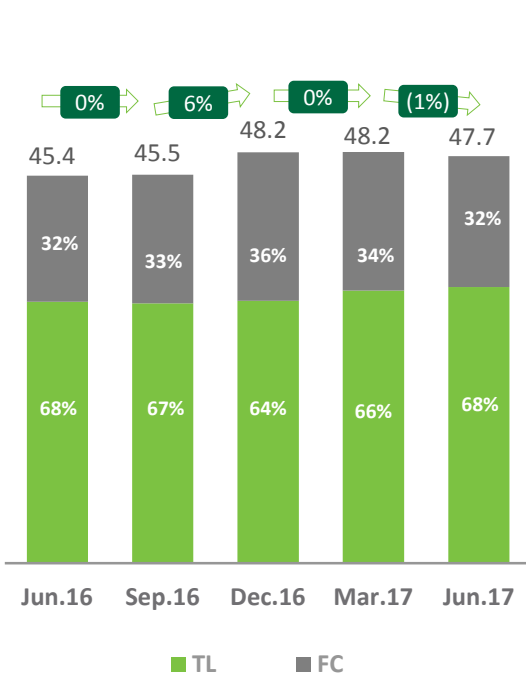
SUMMARY BALANCE SHEET

<i>(TL million)</i>	Jun.16	Sep.16	Dec.16	Mar.17	Jun.17	YtD Change
Cash & Banks	23,894	29,910	26,882	27,522	25,871	-4%
Securities	45,444	45,575	48,179	48,236	47,727	-1%
Loans to Customers	186,224	190,272	205,989	216,385	222,323	8%
Tangible Assets	4,469	4,641	5,211	5,229	5,443	4%
Other	22,975	20,646	22,057	26,923	29,795	35%
TOTAL ASSETS	283,006	291,043	308,319	324,294	331,159	7%
Deposits from Customers	166,504	164,322	174,156	180,040	186,970	7%
Deposits from Banks	4,092	2,811	4,488	5,076	5,765	28%
Repo Obligations	7,566	18,678	11,230	15,724	15,681	40%
Bonds Payable	15,997	15,129	17,846	20,445	20,145	13%
Funds Borrowed ¹	38,232	39,334	47,328	48,247	46,867	-1%
Other	16,288	15,031	16,833	17,488	16,705	-1%
SHE	34,326	35,738	36,438	37,274	39,026	7%
TOTAL LIABILITIES & SHE	283,006	291,043	308,319	324,294	331,159	7%

1 Includes funds borrowed and sub-debt

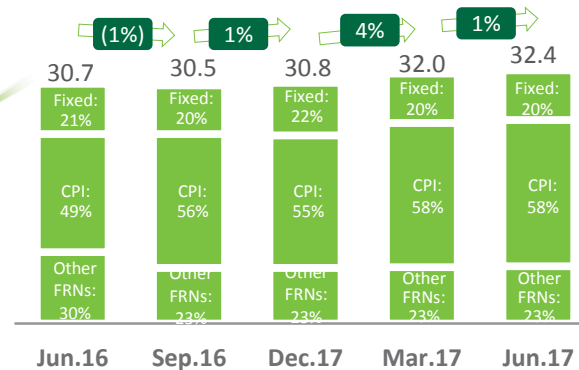
SECURITIES PORTFOLIO REMAINS AS HEDGE AGAINST VOLATILITY

Total Securities (TL billion)

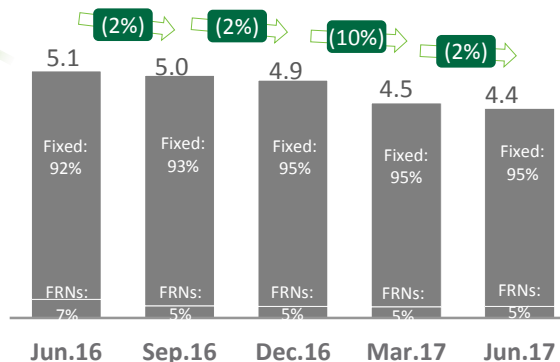


Securities/Assets:
14%
hovering at its
lowest level

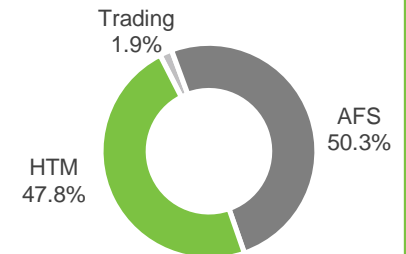
TL Securities (TL billion)



FC Securities (US\$ billion)



Securities Composition



Unrealized MtM loss¹ (pre-tax)

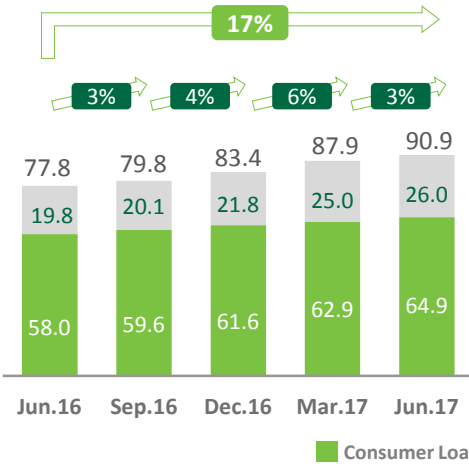
- ~TL 83mn loss as of Jun'17 vs.
- ~TL 154mn loss as of Mar'17
- ~TL 699mn loss as of Dec'16
- ~TL 182mn loss as of Sep'16
- ~TL 166mn loss as of Jun'16,

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

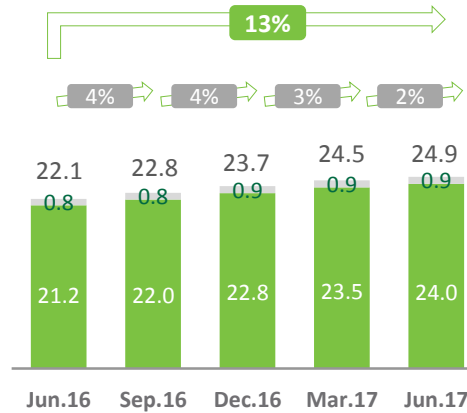
1 Based on BRSA Consolidated financials

PRESERVED LEADING POSITION ACROSS ALL RETAIL PRODUCTS

Retail Loans (TL billion)



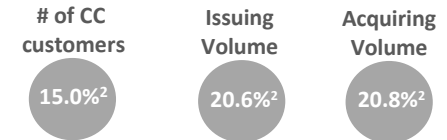
Mortgage Loans (TL billion)



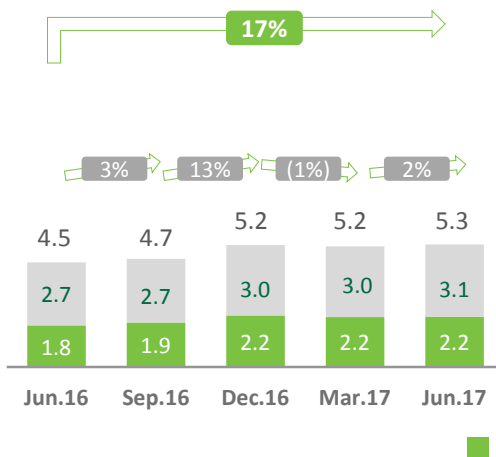
Market Shares

	June'17	QoQ	Rank
Consumer Loans	14.2%	-17bps	#1
Cons. Mortgage	13.4%	-40bps	#1
Cons. Auto	37.3%	+26bps	#1
Consumer GPLs	11.5%	-1bps	#2
Comm. Inst. GPLs	5.3%	-158bps	#2

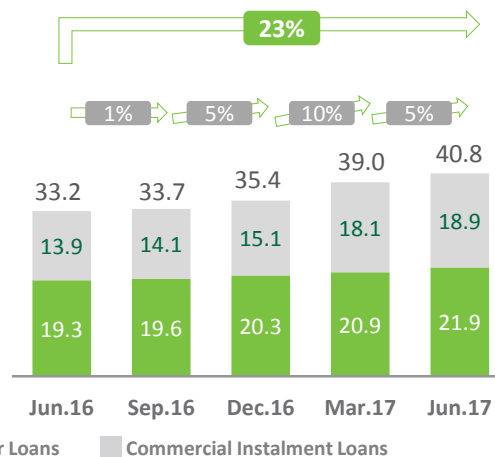
Preserved #1 position in cards business



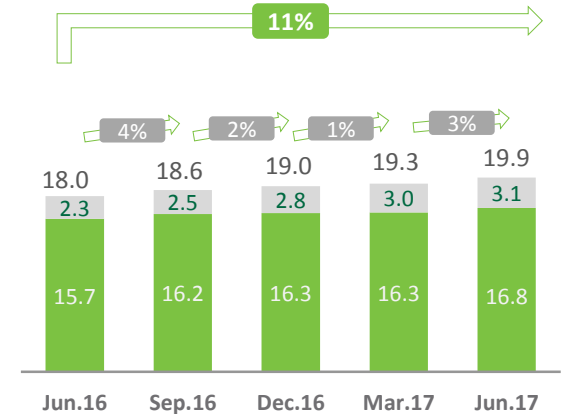
Auto Loans (TL billion)



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 June 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 30.06.2017, commercial banks only

(ii) Rankings are as of March 2017, among private banks, unless otherwise stated

COMFORTABLE LIQUIDITY

Successful dual currency balance sheet management

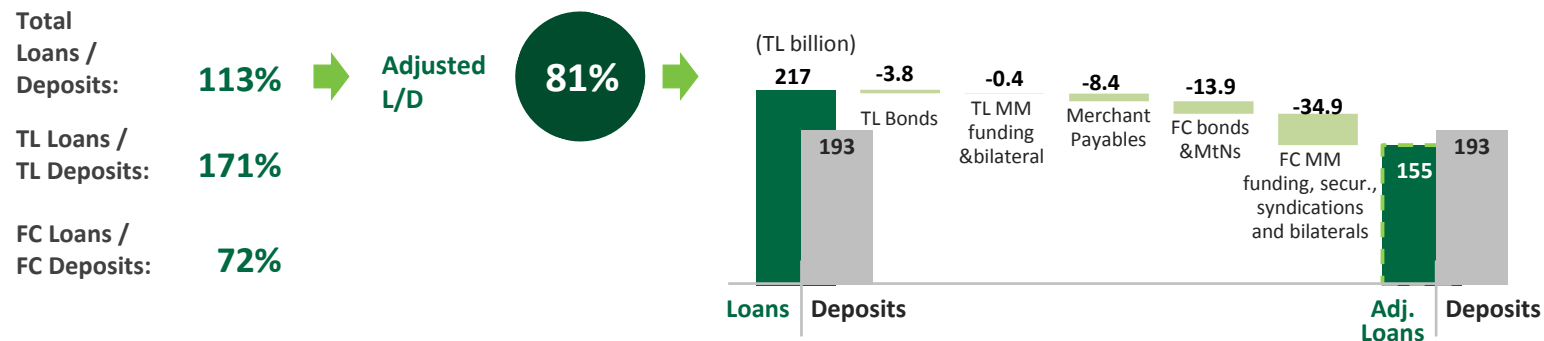
Liquidity Coverage Ratios (LCR) are well above minimum required levels

	LCR (BRSA Cons.)	Expected Regulation Impact	Expected LCR
Total LCR	140%	12%	151%
<i>Minimum Req. for 2017</i>	<i>80%</i>		
FC LCR	154%	22%	176%
<i>Minimum Req. for 2017</i>	<i>60%</i>		



Per BRSA's draft regulation dated 24 July: Weight of «FC restricted time deposits» kept at CBRT as reserve requirement will increase to **100%** from 50% in High Quality Liquid Assets calculation.

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



NON-RECURRING ITEMS & NORMALIZED NET INCOME

<i>TL Million</i>	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Net Income	1,076	1,750	1,337	888	1549	1,670
<i>Extra provisions related to collateral re-assessment</i>	42	0	20	102	0	0
<i>Provisions imposed by NBR to Romanian banking sector</i>	0	96	0	0	0	0
<i>Garanti Bank Moscow sale loss</i>	0	0	0	41	0	0
<i>Visa sale gain</i>	0	-251	0	0	0	0
<i>Gains from asset sale</i>	0	-14	0	0	0	0
<i>Provision reversal from Miles&Smiles</i>	0	-51	0	0	0	0
<i>Income from NPL sale</i>	-26	-17	-8	-15	-21	-15
<i>Provision for tax fines</i>	0	0	0	85	0	0
<i>Free provision</i>	0	0	100	0	200	220
<i>Fee rebates</i>	60	52	30	24	19	15
Normalized Net Income	1,153	1,565	1,479	1,126	1,747	1,890

SUMMARY P&L

TL Million	1H16	1H17	Δ YoY	1Q17	2Q17	Δ QoQ
(+) Net Interest Income	5,036	6,300	25%	3,164	3,136	-1%
(-) NII excld. inc. on CPI linkers	4,214	5,326	26%	2,739	2,586	-6%
(-) Income on CPI linkers	823	974	18%	424	550	30%
(+) Net Fees & Comm.	1,533	1,806	18%	904	902	0%
(-) Fee Rebates	-71	-19	-73%	-10	-9	-11%
(+) Comparable Net F&C	1,604	1,826	14%	914	912	0%
(-) Provisions for loans and other credit risks, net	-829	-400	-52%	-297	-103	-65%
(-) OPEX	-3,175	-3,652	15%	-1,857	-1,795	-3%
(-) Fee Rebates	-41	-15	-64%	-9	-6	-38%
(+) Comparable OPEX	-3,134	-3,638	16%	-1,848	-1,790	-3%
= CORE OPERATING INCOME	2,565	4,054	58%	1,913	2,140	12%
(+) Net Trading & FX gains/losses	203	-22	n.m.	6	-28	n.m.
(+) Other income	739	545	-26%	269	277	3%
(+) NPL sale income	53	44	-16%	26	18	-29%
(+) Visa sale	279	0	n.m.	0	0	n.m.
(+) Other	408	501	23%	243	258	6%
(-) Taxation and other provisions	-681	-1,358	99%	-639	-719	13%
(-) Free Provision	0	-420	n.m.	-200	-220	10%
(-) Other Taxation & Provision	-681	-938	38%	-439	-499	14%
= NET INCOME	2,826	3,219	14%	1,549	1,670	8%

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Investor Relations

Levent Nispetiye Mah. Aytar Cad. No:2

Beşiktaş 34340 İstanbul – Turkey

Email: investorrelations@garanti.com.tr

Tel: +90 (212) 318 2352

Fax: +90 (212) 216 5902

Internet: www.garantiinvestorrelations.com

