Operating Plan Guidance
2015 – Political & geopolitical concerns exacerbated in another year of high global volatility & uncertainties

- High volatility in global markets
  - Despite the increased optimism in the beginning of the year, due to declining commodity prices, more stimulus by ECB and FED’s “patient” stance regarding normalization of its MP, markets remained volatile in 2015 due to;
    - Uncertainties about (i) the timing of FED rate hike & (ii) more easing by ECB & BOJ
    - The Greek government-debt crisis
    - Fears of slowing growth in China in the second half of the year
  - Decreasing investor risk appetite weighed on EM capital flows and cumulative capital outflows from EMs reached $100 billion in 2015

- Political & geopolitical concerns dominated domestic agenda
  - Local market concerns...
    - dual elections,
    - fears of rising terrorism
    - geopolitical tension
    - ...coupled with global EM currency weakness led continuing TL depreciation to new record low levels against US$
  - Despite low commodity prices, inflation exceeded target levels due to higher than expected food inflation an currency pass through.
  - GDP growth (9M15: 3.4%) beat expectations backed by acceleration in domestic demand and public spending.
## 2016 Outlook

### Macro Economic Parameters

<table>
<thead>
<tr>
<th>Parameter</th>
<th>2014</th>
<th>2015</th>
<th>2016B*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth</td>
<td>2.9%</td>
<td>2.8%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Inflation (December, YoY)</td>
<td>8.2%</td>
<td>8.8%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Inflation (Oct-Oct)</td>
<td>9.0%</td>
<td>7.6%</td>
<td>8.4%</td>
</tr>
<tr>
<td>CBRT Average Funding Cost</td>
<td>9.0%</td>
<td>8.4%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Interest Rate (Benchmark)</td>
<td>9.2%</td>
<td>9.8%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Budget Balance/GDP</td>
<td>-1.3%</td>
<td>-1.2%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>US$/TL (December-end)</td>
<td>2.33</td>
<td>2.91</td>
<td>3.01</td>
</tr>
</tbody>
</table>

- **Clear upside risk** for 2015 GDP growth estimate. Likely upside risk for 2016 due to wage increases that may lead to sustained strong domestic demand.
- **No clear improvement in inflation** due to stickiness and worsening inflation expectations. Upside risk to inflation due to wage increases.
- **Tighter monetary policy**
  - 110bps rise in yearly average funding cost
  - Simplification of monetary policy -- aligning policy rate with effective cost of funding
- **Moderated TL depreciation against US$**
  ~11% on average

* B: 2016 Macro assumptions underlying OP figures
1 Represents yearly averages
Garanti 2016 Highlights

**Profitable & Selective Lending Growth**
- Actively shaped securities book to strengthen the hedge against volatility

**Increasingly Customer-Driven Asset Mix**
- Proactive and prudent approach in risk assessment to further solidify asset quality
- Sustained strong collections

**Sound Asset Quality**

**Comfortable Liquidity & Sound Solvency**
- Sticky & low-cost mass deposit growth focus
- High level of CAR & Tier-I on the back of capital generative growth strategy
- New issuances to further diversify the funding base

**Well-Defended Margin**
- Ongoing increase in loan yields and support from CPI linkers to compensate increasing funding costs

**Resumed Fee Growth Momentum**
- Double digit growth in diversified fee areas

**Controlled OPEX Growth**
- HR cost growth pace back to its normal level
- Non-HR costs continue to be pressured by fee rebates, currency depreciation & depreciation expenses of digital channel investments & renovations

**Capital Generative & Profitable Growth Strategy**
- High level of CAR & Tier-I on the back of capital generative growth strategy
- Well-defended margin
- Ongoing increase in loan yields and support from CPI linkers to compensate increasing funding costs
- Double digit growth in diversified fee areas
Asset growth to remain lending driven

**Composition of Assets** (based on December Averages)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-IEA assets</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Other IEAs</td>
<td>3%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>FC Reserves</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>TL Reserves</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Securities</td>
<td>18%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Loans</td>
<td>61%</td>
<td>62%</td>
<td>63%</td>
</tr>
</tbody>
</table>

**Growth gaining momentum** on a currency adj. basis

- **Assets**: 2014 ~12%, 2015P ~17%, 2016B >9%
- **Loans**: 2014 ~14%, 2015P ~20%, 2016B ~12%
- **Securities**: 2014 ~11%, 2015P ~4%, 2016B ~2%

**Currency adjusted**

US$/TL (Dec Avg): 2014 2.27, 2015P 2.95, 2016B 3.02

**Profitable growth supported by**;

- **Sound solvency** CAR: ~15%
- **Low Leverage**: ~7x
- **Comfortable Liquidity**

1 Currency adj. growth is calculated with 2014 Dec Avg USD/TL exchange rate of 2.2682.
Strengthen hedge position against inflationary pressures

TL Securities (70% of total)

<table>
<thead>
<tr>
<th>Year</th>
<th>TL Securities</th>
<th>CPI (%)</th>
<th>Other FRNs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>~3%</td>
<td>45%</td>
<td>27%</td>
</tr>
<tr>
<td>2015P</td>
<td>~2%</td>
<td>46%</td>
<td>27%</td>
</tr>
<tr>
<td>2016B</td>
<td></td>
<td>54%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Yields on Securities

Drivers of the Yields on CPI Linkers

<table>
<thead>
<tr>
<th>Year</th>
<th>Real Rate</th>
<th>Inflation Impact (Oct-Oct)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.89%</td>
<td>9.0%</td>
</tr>
<tr>
<td>2015P</td>
<td>2.68%</td>
<td>7.6%</td>
</tr>
<tr>
<td>2016B</td>
<td>2.63%</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

FC Securities (30% of total)

<table>
<thead>
<tr>
<th>Year</th>
<th>FC Securities</th>
<th>FRNs (%)</th>
<th>Fixed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Flattish</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>2015P</td>
<td>~8%</td>
<td></td>
<td>93%</td>
</tr>
<tr>
<td>2016B</td>
<td></td>
<td></td>
<td>96%</td>
</tr>
</tbody>
</table>

Redemptions from fixed rate securities replaced with CPI linkers & FRNs in 2016

Share of CPI linkers in total up to 54% in 2016 from 46% in 2015

1 In US$ terms
Profitable lending growth focus remains

**TL Loans**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Banking</td>
<td>27%</td>
<td>30%</td>
<td>32%</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>18%</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Retail loans</td>
<td>55%</td>
<td>52%</td>
<td>51%</td>
</tr>
</tbody>
</table>

**FC loans (in USD)**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**TL loan growth:**

~15% YoY

- Business banking loans continue to drive the growth
  - Profitable growth while preserving strong asset quality
  - Further improve customer experience

- Margin-focused & selective retail lending growth
  - Mortgages: ~14% in 2016B vs. >20% in 2015P
  - Auto: ~6% in 2016B vs. >11% in 2015P
  - GPLs: ~12% in 2016B vs. >6% in 2015P
  - Credit Cards: ~14% in 2016B vs. ~14% in 2015P

**FC loan growth:**

~3% YoY

After a stagnant year due to volatility & uncertainties, FC loan growth expected to pick up pace, in line with sector

- Working capital & Investment loans to be the main drivers

---

1 Breakdown in terms of loan categories based on December averages
2 Business Banking loans include TL working capital loans, interbank indexed loans, spot loans, commercial overdraft loans and other
Proactive and prudent approach in risk assessment to further solidify asset quality

More prudent risk assessment in line with BBVA risk approach resulted in NPL and specific CoR to reach OP 2015 guided level in 4Q15

*30bps upside risk on NPL ratio related to more prudent approach considering the changes in global conditions.

**25bps upside risk on CoR in light of the changes in global conditions. Effect of which will be covered with existing free provisions. No incremental bottom-line impact.

<table>
<thead>
<tr>
<th>NPL Evolution</th>
<th>2014</th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage Ratio</td>
<td>81%</td>
<td>81%</td>
<td>81%</td>
</tr>
<tr>
<td>NPL Ratio</td>
<td>2.4%</td>
<td>2.7%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Collection: ~30% vs. 2015 OP: ~20%

Write-off & NPL sale: > 50% vs. 2015 OP: ~40%

Cost of Risk (bps)

- Specific CoR
  - 2015P: ~105
  - In-line w/ 2015OP

- General CoR
  - 2015: ~40
  - 2015OP: ~130bps

- Gross CoR
  - 2015: ~145
  - 2015OP: ~90bps

- Collections
  - 2015P: (~40)
  - In-line w/ 2015OP

Cost of Risk (bps) - 2016B

- Specific CoR
  - ~105

- General CoR
  - ~30

- Gross CoR
  - ~130

- Collections
  - (~40) Robust collections to be sustained on top of its strong performance in 2015

- Net CoR
  - ~90**

Due to prevailing global uncertainties, NPL provisions may increase. Free provision reversal to absorb the burden. No bottom-line impact.
Comfortable Liquidity -- Increasing contribution from deposits supported with longer term alternative funding resources

Liabilities & SHE

Diversified portfolio to manage funding costs & duration mismatch:

- TL bonds roll-over: ~TL 2.7bn
- New TL bond issuance: ~TL 1.1bn
- Syndication roll-overs: ~US$ 2.5bn*
- Securitizations: ~US$ 250mn
- Covered bond issuance: ~EUR 500mn

Comfortable Liquidity

> Loans/Customer Deposits ratio to remain flatish vs. 2015

> Liquidity Coverage Ratio: Well-above required levels

*May 2016: US$ 1.2bn; November 2016: US$ 1.3bn, 100% roll-over expected
Customer-driven and expanding deposit base

Customer Deposits

Focus on;

- **Sticky & low-cost mass deposits...**
  - Share of Consumer + SME Deposits:
    - 68% in total deposits & 83% in TL deposits

- ... and demand deposits
  - Sustain high level of Customer Demand Deposit/
    - Customer Deposits: 22%

---

1 In US$ terms
*Currency adj. growth is calculated with 2014 Dec Avg USD/TL exchange rate of 2.2682
**Dynamic asset-liability management in defence of NIM**

### Annual NIM

**Reported NIM**
(Net Interest Income / Average IEAs)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015 OP</strong></td>
<td>Flat-to-slightly up</td>
<td>Flattish</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>2016B</strong></td>
<td>Slightly up</td>
<td>Flat-to-slightly up</td>
<td>Slightly up</td>
</tr>
</tbody>
</table>

**Swap Cost Adjusted NIM**
NII Adj. with swap costs / Average IEAs

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016B</strong></td>
<td>Slightly up</td>
<td>Flattish</td>
<td>Flat-to-slightly up</td>
</tr>
</tbody>
</table>

**Strategically managed funding mix** help further strengthen the margin outlook

### 2015P vs. 2016B Annual NIM Evolution (in bps)

<table>
<thead>
<tr>
<th></th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans</strong></td>
<td>+43</td>
<td></td>
</tr>
<tr>
<td><strong>CPI linkers</strong></td>
<td>+8</td>
<td></td>
</tr>
<tr>
<td><strong>Sec. exc. CPI</strong></td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td><strong>Other Interest Inc. Items</strong></td>
<td>+7</td>
<td></td>
</tr>
<tr>
<td><strong>Deposits</strong></td>
<td>-35</td>
<td></td>
</tr>
<tr>
<td><strong>Borrowings</strong></td>
<td>-23</td>
<td></td>
</tr>
</tbody>
</table>

- **Effect of upward loan repricing** becoming even more visible in 2016
- **Sustained focus on profitable growth** rise in lending yields YoY
- **Deposit costs remain under pressure** increase in cost of customer deposits YoY
- **Actively managed funding mix to manage costs** in higher interest rate environment
- **CPI linkers continue to serve as hedge**
- **Ongoing support from CPI linkers on NIM**
  - Higher inflation readings (up by 80bps YoY)
  - Lower avg. real rate (2015:~2.7%, 2016:~2.6%)
  - Larger CPI linker portfolio (~+TL2bn YoY)
Resume fee growth momentum

Net Fees & Commissions

Double digit growth momentum to be maintained in diversified fee areas
- Payment system fees ~14% YoY
- Non-cash loan fees ~11% YoY
- Money transfer fees ~10% YoY

New regulation on entrance, administrative and fund management fees in pension business to weigh on insurance fee growth (~5% YoY)
- Double digit growth pace excluir. regulatory impact

Brokerage & Asset Mngt Fees’ distribution percentages changed from 75% to 20%
- Effect will be eliminated in the consolidated financials

Double digit fee growth on a consolidated basis
OPEX growth to near normalized levels

### Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>2015P</th>
<th>2016B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth</strong></td>
<td>&gt;20%</td>
<td>~CPI</td>
</tr>
</tbody>
</table>

Higher than expected
- Fee rebates
- Fines
- Currency depreciation

#### 2015 OP: 13%

<table>
<thead>
<tr>
<th></th>
<th>Adm &amp; Tax Fines*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015P</td>
<td>163</td>
</tr>
<tr>
<td>2016B</td>
<td></td>
</tr>
</tbody>
</table>

#### Comparable growth: CPI+3%

### Non-HR costs continue to be pressured by:

- **Fee rebates** – lower flows YoY; yet, cumulative amount in 2016 assumed to remain high
- **Expenses rlt. to digital channel investments & renovations**, especially those incurred towards YE 15, to have full year effect in 2016
- **TL depreciation against US$** – ~11% on average, on top of 24% in 2015

### HR cost growth pace back to its normal level, after a year of targeted investments aiming at employee retention & satisfaction

- Wage raises above CPI on average
- # Employee to remain at 2015 YE levels

### OPEX/Avg. Assets

- 2.4% vs. 2.5% in 2015

### Cost/Income ratio to improve by >3.5pp

*Administrative fine: TL83mn; Founder Share tax penalty: TL80.5mn*
Subsidiaries’ contribution expected to restore to 15% levels, after a brief suppression in 2015 due to increased prudence in the foreign subsidiaries

**Consolidated Net Income**

- **Subsidiaries’ contribution**: 86% in 2014A, 87% in 9M15, 85% in 2016B

**2016 Projections**

- **Garanti Pension Company**
  - Asset Contribution: >3%
  - NI Contribution: ~5%

- **Garanti Leasing**
  - Asset Contribution: ~2%
  - NI Contribution: ~4%

- **Garanti Bank International N.V.**
  - Asset Contribution: ~3%
  - NI Contribution: ~5%

- **GarantiBank Romania**
  - Asset Contribution: >3%
  - NI Contribution: ~2%

- **Garanti Factoring**
  - Asset Contribution: ~1%
  - NI Contribution: ~1%

**Key Points**

- **Most profitable** company of the sector for 6 consecutive years*
- **#2** in number of participants with 16.6% market share*
- **#3** by pension fund size (TL 6.6bn)**
- The first & only company in the pension sector and the 4th company in Turkey, awarded with “Gold” status by IIP

- **Outperformance in leasing volume & # of contracts** backed by advanced operational infrastructure
- **Focused** on machinery leasing with high second-hand value equipment
- Close monitoring & effective management of potentially impaired receivables

- **Diversification of country risk** with a specific focus on EEA countries
- **NI to be supported** by improving asset quality & focus on cost effective structure
- Further diversification of funding sources via wholesale funding
- **Sustain profitability** while preserving asset quality, comfortable liquidity & strong solvency levels
- Creating synergies through alignment of business practices with Garanti & BBVA standards

- **Increase market share in retail deposits & commercial lending**
- **Full scale banking** activities supporting sustainable growth in loans & deposits
- **Network expansion** to continue in 2016 with 5 new branch openings

- Generate **positive contribution** via process & IT improvements completed in 2015
- **Sustain focus on high margin businesses** with above sector growth
- **Healthy funding structure** to support growth

---

*1 Including consolidation eliminations, yet excluding equity accounting eliminations
2 Consolidated
* As of September 30, 2015 **Latest publicly available figures as of December 04, 2015
In summary:

<table>
<thead>
<tr>
<th>Economic Growth &amp; Monetary Policy</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>• GDP growth ~3% -- driven mainly by domestic demand; while, negative contribution from foreign demand</td>
<td>• GDP growth: &gt;3% -- ongoing contribution from domestic demand &amp; normalization in exports.</td>
<td></td>
</tr>
<tr>
<td>• Cautious/tight MP stance by CBRT</td>
<td>• Preserved tight MP stance -- alignment of the policy rate with CBRT avg. funding rate. Avg. funding rate is expected to rise by ~110bps YoY</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulation</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Full year implementation of BRSA fee regulation</td>
<td>• BRSA regulations within the scope of Basel III alignment (effect. a/o Mar16)</td>
<td></td>
</tr>
<tr>
<td>• Higher than anticipated fee rebates</td>
<td>• Fee rebates to continue</td>
<td></td>
</tr>
<tr>
<td>• Increase in RRR, remuneration for FC and rise in remuneration for TL</td>
<td>• Potential ease in macroprudential measures pose upside risk to the budget</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Volumes</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Moderate growth in TL loans (~15%); while FC loans remained muted, due to prevailing uncertainties &amp; volatility</td>
<td>• Sustain moderate TL loan growth (~15%). FC loan growth slightly picking up pace (low-single digit), parallel to the expected recovery in economic activity.</td>
<td></td>
</tr>
<tr>
<td>• Deposit growth (~20%) surpassed lending growth, helped by currency depreciation, as, unlike loans, deposit growth was balanced in terms of TL &amp; FC</td>
<td>• Deposit growth catching up to lending growth.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Quality</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>• NPL ratio: 2.7%, in line with OP guidance.</td>
<td>• NPL Ratio: ~3.1%, with 30bps upside risk related to the changes in global conditions. Robust collections sustained. Normalizing CoR mainly due to improvement in General CoR.</td>
<td></td>
</tr>
<tr>
<td>• Strong collections helped soothe pressure from new NPL inflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Higher-than-expected general prov. due to currency depreciation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Margin</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Slight margin expansion – (i) Timely upward loan repricings lifted lending yields. Higher loan yields covered funding cost pressure. (ii) CPIs linkers continued to serve as hedge against inflation &amp; supported NIM</td>
<td>• Flattish NIM YoY – (i) Funding costs to further increase and remain at elevated levels. (ii) Ongoing increase in loan yields &amp; support from CPI linkers help negate funding cost pressure</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net F&amp;C &amp; OPEX</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Net Fees and Comm. shrank slightly YoY, as expected, due to first year implementation of fee regulation</td>
<td>• Fee growth advancing to its normalized level</td>
<td></td>
</tr>
<tr>
<td>• OPEX grew above expectations (&gt;20%) – (i) higher than expected fee rebates, (ii) admin. &amp; tax fines (iii) currency depreciation</td>
<td>• OPEX growth to relatively ease; (i) fee rebates (lower YoY, yet still high); (ii) depreciation expenses due to investments &amp; renovations in 2015 having full year effect in 2016 (iii) ongoing TL depreciation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Subsidiaries’ contribution suppressed in 2015 due to increased prudence by the foreign subsidiaries</td>
<td>• Subsidiaries’ contribution to restore ~15%</td>
<td></td>
</tr>
</tbody>
</table>
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