### Garanti and the Community

Garanti is committed to supporting sustainable development and has been recognized for its efforts in this area. Garanti TechnoConsult, a joint venture of Garanti and TechnoAldea, was awarded the Digitalization Index 2020 by Accenture, highlighting Garanti's leadership in digital transformation.

### Macro Notes

- Turkey’s economic growth continues to be driven by strong domestic demand and exports. The inflation rate remains stable, and the Turkish lira has been relatively stable against the US dollar.
- Foreign direct investment inflows have increased, supporting growth in key sectors such as manufacturing and services.
- The government's fiscal policy remains prudent, with a focus on maintaining a balanced budget and reducing government debt.

### Real-Estate Sector Analysis in Turkey

- The real-estate sector remains robust, with strong demand for both residential and commercial properties.
- The REIDIN Turkey Composite Residential Property Price Index shows continued growth, reflecting the strong demand for properties in key locations.
- Developers are focusing on sustainable practices, with an emphasis on green buildings and energy-efficient technologies.

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In 2015, Garanti reached total asset size of US$ 96.2 billion and net profit of US$ 1.2 billion.

SELECTED FINANCIALS*

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<thead>
<tr>
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<th>Dec-14</th>
<th>Sep-15</th>
<th>Dec-15</th>
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<tbody>
<tr>
<td>Total Assets</td>
<td>US$ 96.2 Billion</td>
<td>US$ 53.7 Billion</td>
<td>US$ 58.6 Billion</td>
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<tr>
<td>Total Deposits</td>
<td>US$ 53.7 Billion</td>
<td>US$ 10.7 Billion</td>
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<tr>
<td>Ordinary Banking Income</td>
<td>US$ 3.4 Billion</td>
<td>US$ 1.2 Billion</td>
<td></td>
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<tr>
<td>Shareholders’ Equity</td>
<td>US$ 10.7 Billion</td>
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SELECTED FINANCIAL RATIOS*

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<tr>
<td>Return on Average Assets (ROAA)</td>
<td>1.4%</td>
<td>Return on Average Equity (ROAE)</td>
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<tr>
<td>Capital Adequacy Ratio (CAR)</td>
<td>13.5%</td>
<td>Non Performing Loans (NPL) Ratio</td>
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*Figures are based on BRSA consolidated financials as of December 31, 2015. Note: Exchange rate used for currency conversion is based on Garanti Bank’s December 31, 2015 dated financials.
DID YOU KNOW?

Garanti is the first Turkish Bank to develop and publish a Climate Change Action Plan, in which it commits to put a shadow price on carbon, reduce deforestation, implement green office standards, and mitigate water risks under climate change adaptation.

GarantiveSor (AskGaranti) which provides 7/24 customer service on social media, supports an average of 5,500 customers per month within 56 minutes on average.

Garanti is the leader bank in all social platforms with 4.5 million followers in total on Garanti accounts.

Garanti is the first financial institution that accepts auto loan applications on Facebook with Garanti Automik Facebook app.

AWARDS & RECOGNITIONS

Became the only Turkish company to be listed in CDP Climate Change A List and received "CDP 2015 Climate Performance Leadership" award, as well as the "CDP Turkey 2015 Climate Disclosure Leadership" award, which lists the most transparent respondents in the top 10% in terms of their GHG emission reporting.

Recognized as the most digital company of Turkey and the financial services sector with a digital score of 93% according to Accenture Digitalization Index.

Recognized as the “Best Retail Bank of Turkey in 2015” by World Finance, one of the world’s respected business and finance magazine.

Received Straight Through Processing (STP) quality award from JP Morgan, Commerz Bank and KBC Bank for achieving high straight through processing volumes for US$ and EUR payments.

Ankara Bilkent Integrated Healthcare Campus Project, the largest Healthcare PPP Project in Turkey with a total investment amount of EUR 1.2 billion, awarded the largest Healthcare PPP Project - Ankara Bilkent Integrated Healthcare Campus Project, for US$ and EUR payments.

Garanti is among the least exposed to the potentially volatile and high rate environment.

WHAT ANALYSTS SAY ABOUT GARANTI?

Citi
Capital leader - We expect Garanti to be a net beneficiary of new capital rules coming into effect at end March and appreciate Garanti’s strong relative capital position vis-à-vis the other banks in our coverage universe.

Credit Suisse
Garanti has relatively strong capital and profitability supported by the increasing contribution of its subsidiaries. These should provide flexibility to the bank in the long term.

Deutsche Bank
Garanti is among the least exposed to the potentially tighter monetary policy environment thanks to its more balanced funding mix, active LT cross-currency hedging, FRN heavy securities portfolio and high level of free funds to IEAs.

HSBC
The NIM sensitivity to rising interest rates and asset quality sensitivity to GDP slowdown are relatively low which is why we expect the earnings outlook to remain robust.

JP Morgan
Garanti has been historically delivering relatively high quality core revenue, with net interest income and net fees and commissions, key components, steadily growing since 2008 as proportion of total revenue (subject to trading/FX volatility) and now exceeding 90%. In a more stable interest rate environment, we would expect the market to potentially value this higher quality revenue composition at a higher P/E multiple. We have recently added Garanti to CEEMEA 2016 top picks on potential EPS recovery.

Merrill Lynch
Garanti is the largest bank in Turkey by market cap. Garanti’s above-sector NIM, strong asset quality track record and superior contribution from non-bank subsidiaries explains its best-in-class ROTE.

Oyak
Garanti is our top pick as we think it is one of the best positioned among peers to manage spreads in a volatile and high rate environment.

Societe General
What we see is that our preferred stock Garanti continues to stand out as offering the most value within the sector. For investors prepared to take the plunge, Garanti’s prudent mid-term planning, continuity of management and benchmark status probably offers the best risk/reward opportunity in our opinion.

Unlu
We believe that Garanti will continue to generate above-sector ROEs in the long term, justifying its current above-sector multiples. In a rising interest/inflation rate environment, the amount of demand deposits and floating rate securities will be the key to defend margins, in our view. Garanti is the leader in both metrics and will likely report the best NIM performance going forward.

YF Securities
We select Garanti as our top pick stock. We like Garanti’s relatively higher profitability, strong asset quality performance and better balance sheet positioning in an environment of rising interest rates.
- Supported UN SDSN 20 Conference and attended the panel named “Role of Finance Sector on Sustainable Development Goals” as speaker.

Garanti continues to support women’s empowerment:
- Turkey’s Woman Entrepreneur Competition was organized for the 9th time jointly by Garanti and the Ekonomist magazine, with the support of the Women Entrepreneurs Association of Turkey (KAGİDER), for the purpose of revealing the spirit of business and social entrepreneurship among women.
- Garanti Pension signed the United Nations Global Compact on “Women’s Empowerment Principles”.

Garanti is the solution partner of SMEs:
- Launched “Garanti TechnoConsult”, which is a free and informative service for SME’s having trouble with technological/technical problems. SME’s can use the service by filling the online form on garanti.com.tr. Once the form is filled, consultants call in the same day and help customers solve their problems with remote access method.
- Garanti Anatolian Meetings where SMEs get together with the representatives of local administrations from several provinces in Turkey since 2002 were held for the 100th time in a southern Anatolian city.

Garanti supports “Math and Science Learning with Fun” project with the cooperation of Educational Volunteers Foundation of Turkey (TEGV). Project will help the primary education students in math and science with a target to reach 100 thousand children in 3.5 years.

USA $1.3 billion equivalent syndicated loan comprising of two separate tranches in the amounts of EUR 939,500,000 and US$ 266,550,000 with a maturity of 367 days is rolled over. The all-in cost has been realized as Euribor +0.75% and Libor+0.75%, reflecting Garanti’s continued strong performance and solid banking relationships with commitments received from 39 banks from 16 countries.

Bilateral loan agreement with 2 years and one week maturity in the amount of US$ 190 million is signed with favorable financial terms.

Continued to finance large scale projects:
- Acted as Mandated Lead Arranger (MLA) and Security Agent in the development of Istanbul’s New Airport project and participated in the EUR 4.45 billion financing provided to IGA Airport Management company with a stake of EUR 300 million.
- Acted as mandated lead arranger in the US$ 815 million financing provided to Zorlu Doğal Electricity Production, a full subsidiary of Zorlu Energy with a stake of US$ 272 million. Zorlu Doğal is developing a 90 MW geothermal power plant on top of its existing 113 MW hydro and 95 MW geothermal power plant portfolio.
- Provided US$ 115 million financing to 6 wind power plant projects with a total installed capacity of 120 MW.

Bonus, Garanti Bank’s innovative credit card that always underlines firsts and Turkey’s lovetalk in credit cards, launched BonusFlash, a ground-breaking application in the credit card industry to make life easier for its customers. The application can be used on mobile phones with iOS or Android operating systems and allows much faster handling of various transactions such as campaign follow-up, card information queries, limit increase requests, debt payments and mobile payments through a single platform. An instantly big hit among the customers owing to its fast and practical features, BonusFlash set a remarkable record in its field with more than 300,000 downloads in the first two weeks following its launch and exceeded 1 million downloads in less than three months.

WhatsApp service of Garanti Bank enables customers to get market information and the location of the closest ATMs/branches via WhatsApp. Customers can reach market information by using the key words: “BIST 100, USD, Dolar, EUR, ALTIN, PIYASA” and learn the three closest ATMs/branches by sharing their location.

Organized a Hackathon competition that gives an opportunity to software developers, designers and entrepreneurs to turn their “Fintech” ideas into a product. Competitors were required to use payment system or banking products in their projects or to find solution for financial intuitions in 36 hours. Winning project team rewarded with a Silicon Valley visit in which incubation centers, startups, business angels, venture capital meeting and design workshops will be held.

Mobile Banking now utilizes 3D Touch feature on iPhone 6S and 6S Plus devices.

Customers can buy an iTunes Code from Mobile Banking for their own use or to send as a gift, and can make money transfer or EFT from their card via Mobile Banking.

“Money Withdrawal” step on Mobile Banking login page allows users to quickly withdraw money at ATM.

According to the new capital markets legislation announced by Capital Market Board in 2013, Bank’s investment services and brokerage activities are revised and the new capital market licenses have been obtained in January 2016. In this context, the new organizational structure and processes are redesigned and new compulsory applications are implemented for investment customers.

<table>
<thead>
<tr>
<th>Top 5 Categories in credit card spending</th>
<th>Dec.15</th>
<th>Dec.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket and shopping malls</td>
<td>19.6%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Gas stations</td>
<td>8.4%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Apparel and accessories</td>
<td>8.4%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Household gadgets, PCs, etc.</td>
<td>7.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Various food products</td>
<td>6.6%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency
Note: Official population is based on 2015 announced figure of 78.7 million.
Plastic cards defined as the sum of plastic credit cards and debit cards.
MACRO NOTES

3Q15 Growth was 4%. Annual GDP growth accelerated to 4.0% in 3Q pushing up the year-to-date growth to 3.4%. Higher than expected government expenditures and significant calendar effect in industrial production were main reasons for this unexpected recovery. Domestic demand -including stocks (1 pp)- contributed 3.9 pp, while external demand had a slight positive contribution (0.1 pp). Private consumption growth decelerated to 3.4% (5% in 1H) while private investment contracted by 0.7% (6.8% in 1H). Public expenditures continued to push up growth by 5.7% (3% growth in 1H15) mainly through consumption expenditures.

Robust Growth Performance in 4Q. Industrial production (IP) maintained a resilient economic performance in the first 2 months of 4Q (9% YoY), dodging the heightened global market volatility and a challenging geopolitical situation. Meanwhile, improving soft data indicates that confidence channel continues to support domestic demand. Available information up to now suggests that the economic growth ran at a higher rate than we initially forecasted, thus there is a significant upward bias to our 2.8% initial forecast.

Current Account Deficit (CAD) Improves Further. CAD was US$ 2.1 billion in November, which brought down the 12-month-sum CAD to US$ 34.7 billion. 12-month-cumulative net energy bill declined to US$ 35.7 billion in November, registering as the lowest level recorded since December 2010. Considering the financing side of the balance of payments, a significant portfolio outflow was recorded in the first 2 months of 4Q (by US$ 3 billion) while deposit inflow of US$ 2 billion was realized. Reserves have been declining for the last 4 months while net errors and omissions contribution to the financing was US$ 2 billion on the negative side. CAD/GDP ratio declined from 5.8% in 2014 to around 4.5% in 2015 according to the preliminary forecasts.

No Change in Interest Rates in 4Q. Contrary to hike expectations and CBTR’s previous statements regarding the simplification of monetary policy, Turkish Central Bank (CBRT) did not change interest rates in its December meeting.

Inflation at 8.2% in 4Q. Annual average inflation was 8.2% in 4Q, up from 7.9% in 3Q. Year-end inflation was 8.61%. Unfavorable base year effect, core items and unprocessed food inflation were the main drivers behind the surge in headline inflation. Ongoing but moderated exchange rate pass-through led annual core inflation to increase to 9.5% in December from 9.2% in November.

Real-Estate Sector Analysis in Turkey

REIDIN Turkey Composite Residential Property Price Index: The index reflects an increase of 2.21% M-o-M and 22.26% Y-o-Y in residential sales prices in December’ 15. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

REIDIN.com-GYODER New Home Price Index: The index shows an increase of 0.42% M-o-M and 9.38% Y-o-Y in December’ 15. Taking January 2010 as the base period, REIDIN.com-GYODER New Home Price Index is calculated on 70 housing projects and with a monthly average number of 22,500 properties presented by 27 developers.
Turkish Banks raised a total amount of US$ 4.7 billion* equivalent international funding in 4Q15. US$ 1.9 billion equivalent amount was secured as syndicated loans; US$ 556 million equivalent amount was received as securitization, US$ 936 million equivalent amount from multilateral development banks, US$ 250 million from Eurobond issuances and US$ 1.0 billion equivalent issuances** under Global Medium Term Notes (GMTN) Programs.

Regulatory developments during the quarter: BRSA has introduced some amendments on capital and capital adequacy calculation. Accordingly, effective as of March 31, 2016, risk weighting on FC reserves will be increased to 50% from 0% and free provisions will be excluded from Tier-1 capital calculation.

On December 24, 2015, BRSA announced that, effective as of January 01, 2016, countercyclical capital buffer for banks will be applied as 0% for 2016 (for banks’ positions in Turkey). Note that, required CAR ratio is the sum of minimum CAR ratio, countercyclical buffer, capital conservation buffer and systemic risk buffer. In November 2013, it was announced that capital conservation buffer will be 0.625% for 2016 and gradually increase to 2.5% by 2019. According to the draft regulation released in October 2015, systemic risk buffer is estimated to range between 0.25-0.5% in 2016, and is expected to go up to 2.0% by 2019.

BRSA made amendments in the provisioning regulation and eased the loan restructuring clauses for those that suffered from acts of terrorism or natural disasters. Accordingly, in case of restructuring of loans extended to individuals or corporates that suffered from acts of terrorism or natural disasters, BRSA leaves the additional general provisioning and minimum collection requirements to the discretion of banks for a six months period.

CBRT left the ‘interest rate cap’ and ‘overdue interest rate’ on credit card transactions unchanged for 1Q16; TL rates 2.02% and 2.52% per month, respectively; and FX rates 1.62% and 2.12% per month, respectively.

Rating actions during the quarter:
Moody’s left Turkey’s sovereign rating unchanged at investment grade with a negative outlook.

S&P affirmed Turkey’s rating at BB+ with a negative outlook, which is one notch below investment grade.

Other developments:
Finansbank announced that National Bank of Greece (NBG) has entered into a definitive agreement with Qatar National Bank (QNB) to sell its 99.81% stake in Finansbank for a total consideration of EUR 2,750 million.

Halkbank announced that the bank has decided to apply BRSA to cancel its participation bank establishment authorization, to be placed on the agenda in the future.

Isbank announced that the Head Office has been authorized to purchase the shares of the bank’s listed subsidiaries. Accordingly, purchases will not exceed 3% of their paid-in capital and the shares will be booked under “Financial Assets Held For Trading.”

YKB announced that the Bank mandated international banks for a potential subordinated notes (Basel III compliant) issuance.

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MARKET RECAP

Actions of the Central Banks, global growth concerns triggered by the slowdown in Chinese economy and volatile commodity prices marked the last quarter of 2015. In December, Fed raised its federal funds rate by 25 bps, bringing an end to the seven-year period of near-zero interest rates. Fed’s much-anticipated first rate hike was well received by the markets. On the other hand, ECB extended quantitative easing by six months until at least March 2017 at the current rate of EUR 60 billion a month, and broaden the assets purchased to include local and regional debt. Weak macroeconomic data in China continued to take a toll on global equities. Finally, falling oil prices hit commodity exporter EM economies, as oil prices ended the year below US$ 40, the lowest level since 2009.

Emerging Markets ended their worst year since 2011 and the MSCI EM Index slid by 17% in 2015. Quarterly returns were negative in Brazil and Russia; whereas, China managed to end up in the positive territory following over 20% decline in the third quarter. MSCI Russia decreased by 4.9%, mainly as a result of falling oil prices. MSCI Brazil also declined by 4.3%, after a significant decline of 34% in the third quarter. MSCI EM Index could not recover any of the losses of the third quarter and recorded a flat QoQ performance due to continuing global uncertainties and volatility in the currency and commodities markets.

MSCI Turkey slightly underperformed MSCI EM by 0.6% in 4Q. Although Turkey was expected to decouple from its peers when commodity prices declined, it was unable to take full advantage of the situation due to prevailing political and geopolitical uncertainties. Despite low commodity prices, inflation exceeded the CBRT’s year-end forecast mainly due to higher than expected food inflation and currency pass through. Nevertheless, current account deficit improved with a surplus in September. The government kept its 2015 growth expectation at 3% in its Medium Term Plan; yet, 3.4% GDP growth in the first 9-months suggests a clear upside risk. TRY became one of the best performers against US$ in terms of total returns in 4Q, while Russian Ruble and South African Rand were the worst performers among peers. CBRT kept the interest rate corridor as is and tightened via liquidity management. As a result of easing political uncertainties towards the end of the quarter, the average funding rate decreased by around 20 bps to 8.8% level vs. September-end. Although the benchmark interest rate significantly decreased by around 170 bps until the early elections in November vs. September-end, it re-bounced and closed the quarter at 10.89%.

Looking ahead, increasing concerns on the global growth due to slowdown in China will continue to weigh on global equities, especially the EM countries. Removal of economic sanctions on Iran is an important development to watch, as it might have an impact on commodity prices as well. Volatile commodity prices will continue to drive markets, and oil importer countries like Turkey are likely to benefit from the current declining trend. Having three elections in the past 1.5 years, Turkey is now ready to enact necessary structural reforms and implement policies for a sustainable economic growth to decouple from its EM peers.

For further information please contact Garanti Investor Relations.
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