

Investor Relations
October 2016

TURKISH BANKING SECTOR AND GARANTI BANK

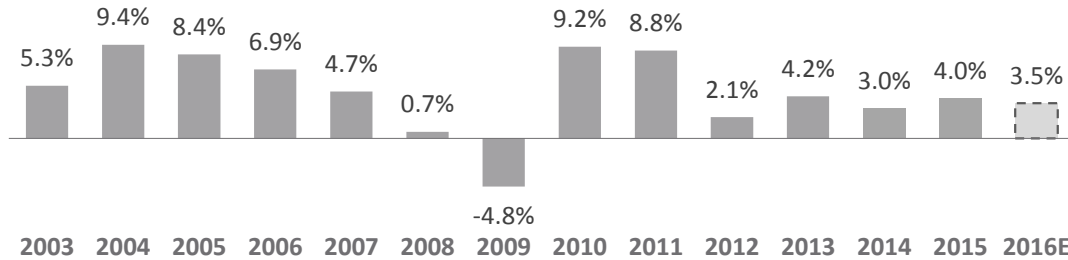
Agenda

- 1 Turkish Economy: A large & dynamic economy with a young & growing population
- 2 Turkish Banking Sector: An attractive investment opportunity
- 3 Garanti's Position in the Turkish Banking Sector and its Differentiated Business Model
- 4 Garanti's Key Financial Indicators

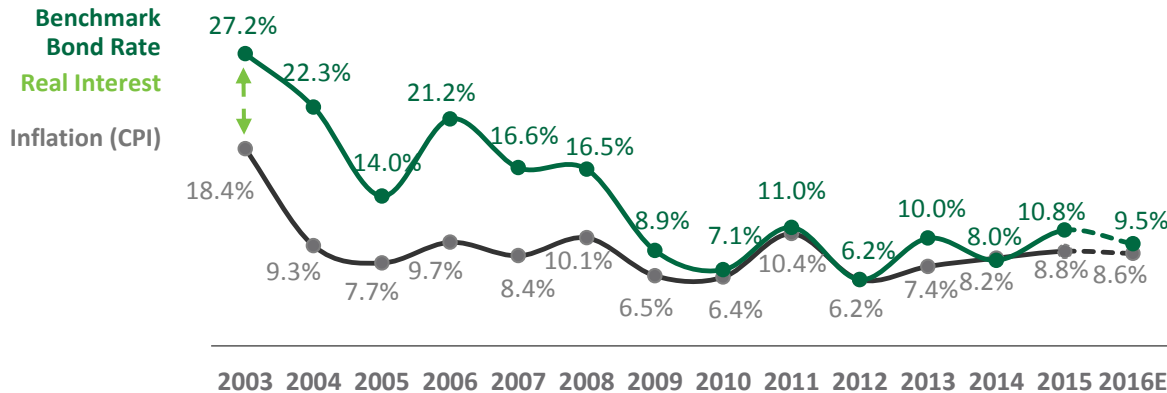
Turkish Economy (I/II)

Moderate GDP growth

Real GDP Growth (%)



Slowdown in inflation



18th largest economy in the world*

Avg. GDP growth* >4% over 2005-2015

VS. LATAM*: 3.4%
EU*: 1.2%
EM Europe*: 3.5%

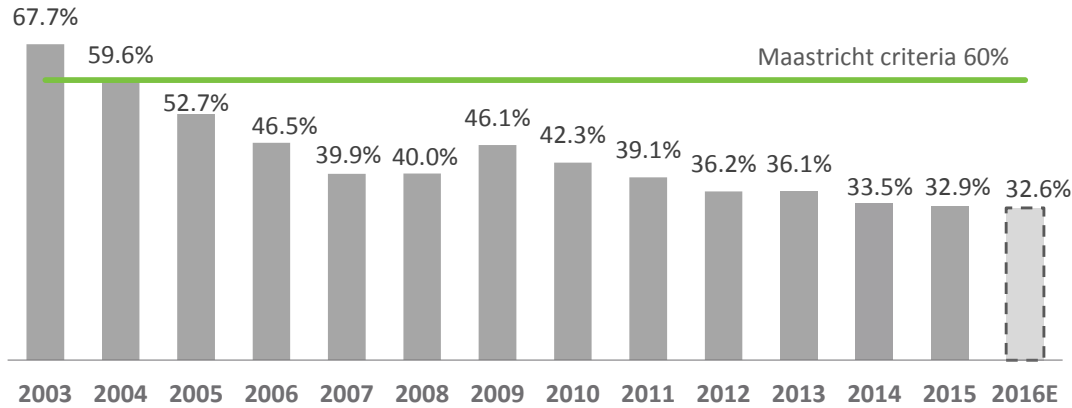
Successful switch from hyperinflation

> Multiple policy tools aimed at **financial stability** (i.e interest rate corridor, reserve requirements, macro-prudential measures, etc.)

Turkish Economy (II/II)

Government Indebtedness

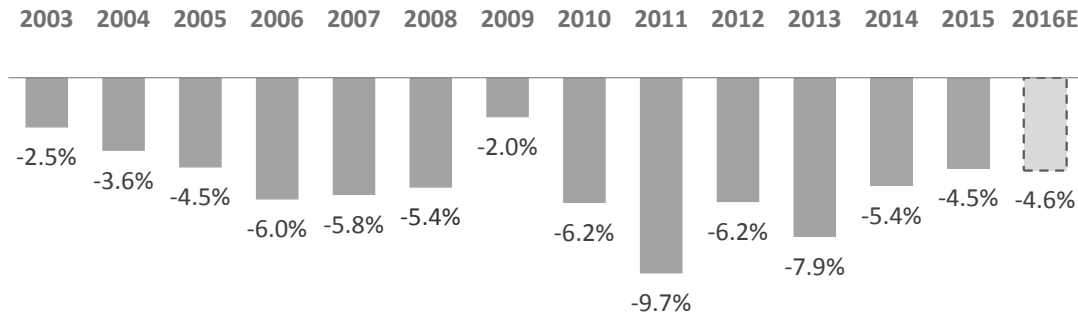
EU Defined Government Debt Stock



Government indebtedness far below Maastricht Criteria

Current Account Deficit

Current Account Balance/GDP



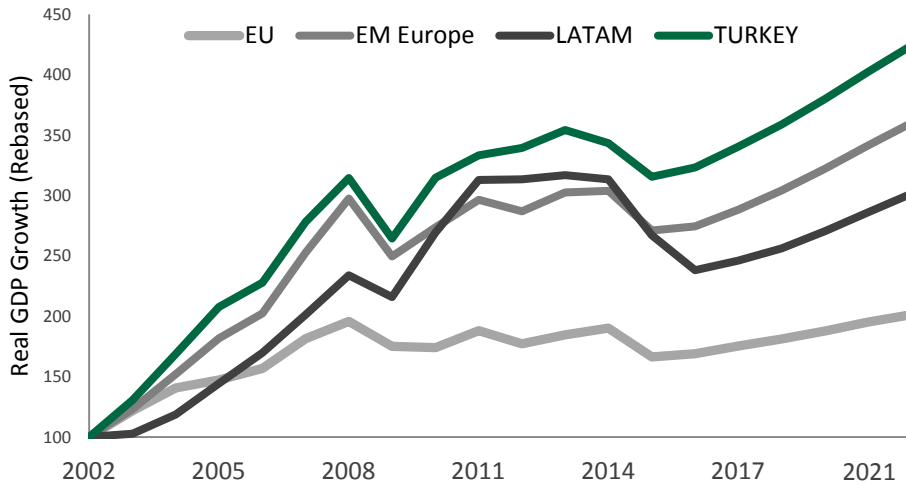
Improving Current Account Deficit

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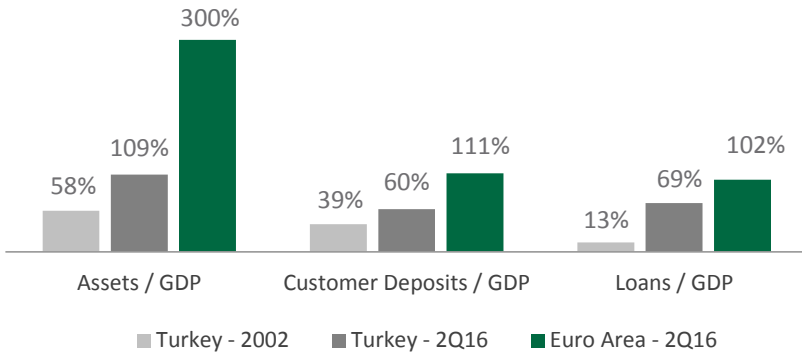
1 Underpenetrated market with strong growth potential

High and sustainable Real GDP growth¹



2nd largest banking system² in Emerging Europe after Russia with an asset size of US\$861bn³
2002-1H16 CAGR: 15%

Penetration Ratios⁴



Significant long-term growth potential backed by **attractive demographics & underpenetrated market**

- **56%** of the 79mn population < age of 35⁵
- **Loans/GDP: 69%** vs. 102% in EU in 2Q16

¹ Source: IMF, World Economic Outlook Database, April 2016. Country groups are per IMF database. ² Source: EBF Facts&Figures 2015, ranking per total assets.

³ BRSA monthly data as of June 2016

⁴ Source: ECB, TurkStat, BRSA for commercial banks

⁵ Source: TurkStat – 31 December 2015 Address Based Population Registration System (ABPRS)

2 Highly liquid

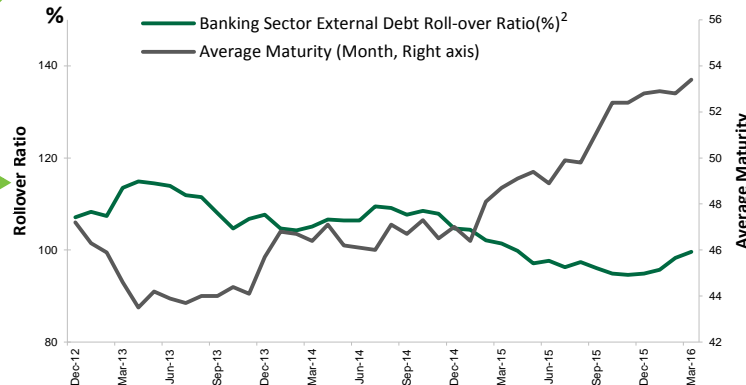
Deposit-heavy funding structure

- Deposits fund **55%** of assets¹
- Comfortable level of Loans/Deposits at **114%**¹

Comfortable liquidity levels

- Banks are required to meet regulatory Liquidity Coverage Ratio limits.
- LCR shows the capability of banks to cover net cash outflows with the high-quality asset stocks in their balance sheets in a significant stress scenario lasting 30 calendar days
 - *Total LCR: Legal limit 70%*
 - *FC LCR: Legal limit 50%*

Continuous access to international funding sources



With CBRT's measures, Avg. maturity of banks' international funds has been rising

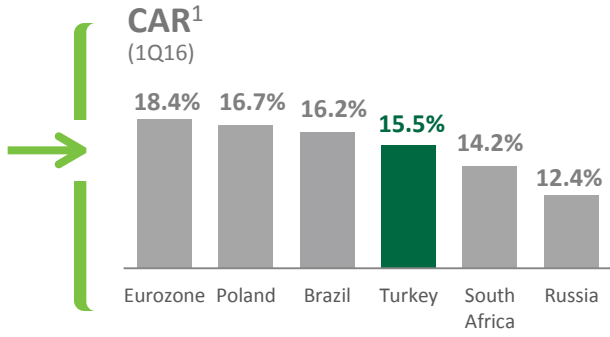
Leverage remains low: ~8x

1 BRSA monthly data for commercial banks, as of June 2016

2 Source: CBRT Financial Stability Report, May 2016.

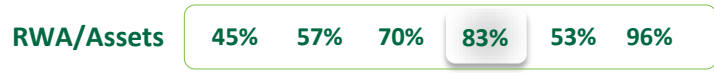
3 Well-capitalized and underleveraged

High solvency

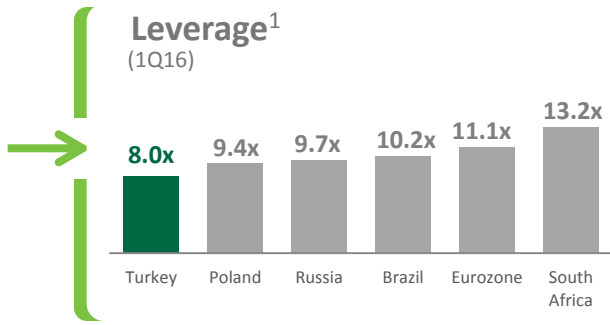


Turkish Banking Sector ²

Basel III CAR : 15.9% (as of 1H16)
 CET-I capital : 86% of total capital



Low leverage



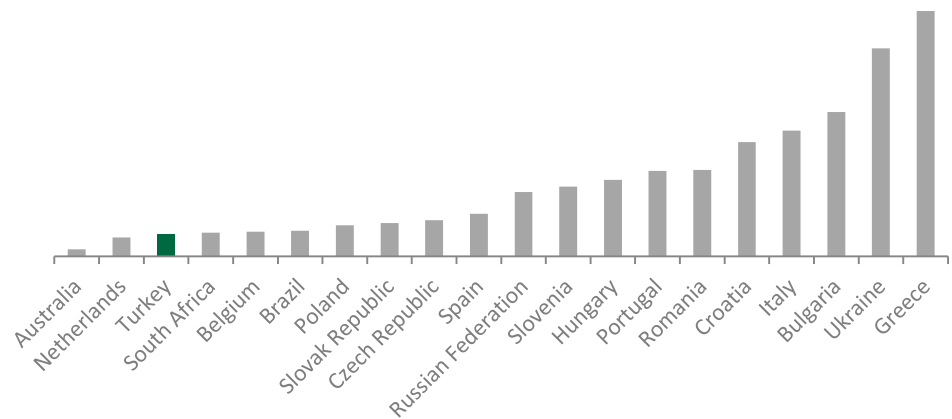
ROAEs² : 14% (as of 1H16)
 with low leverage

1 Source: Latest data from the IMF-FSI database. Most figures are based on 1Q16 figures

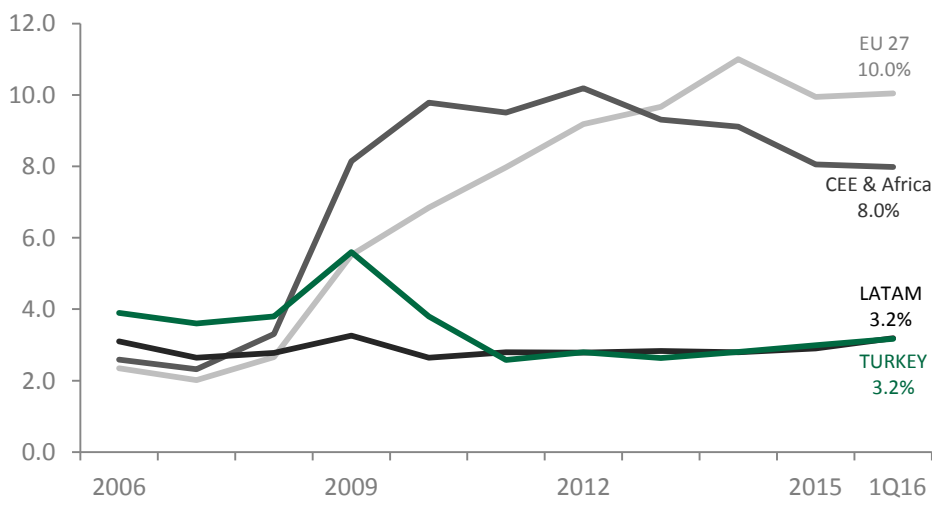
2 BRSA monthly data as of June 2016

4 Standing out in its asset quality

Non-performing loans/Total gross loans¹



NPL ratio¹



Sustained sound asset quality

- **No exposure** to any toxic assets or problematic sovereign assets
- NPL Ratio²: **~3%** in Turkey
- High cash coverage @ **76%**²
- **Established & prudent** underwriting procedures

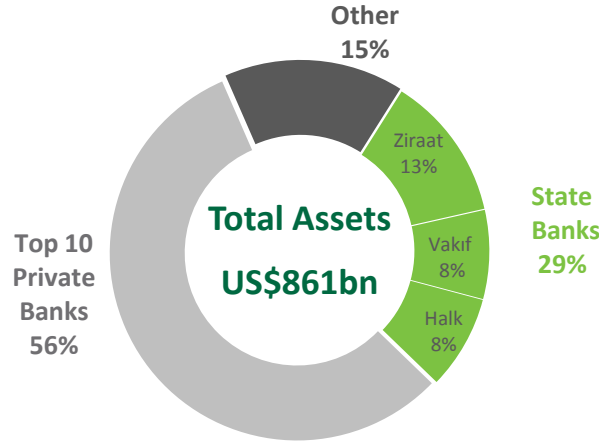
¹ Source: Latest data from the IMF-FSI database, most of which are based on 1Q16 figures
² BRSA weekly data as of July 01, 2016, commercial banks and development & investment banks

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Garanti's position in the Turkish Banking Sector

Concentration and Major Players



	<u># of Banks</u>	<u>Share in Assets</u>	<u>Share in Loans</u>	<u>Share in Deposits</u>
Private Commercial Banks	29	61%	61%	63%
State Banks	3	29%	29%	32%
Development & Inv. Banks	13	5%	5%	-
Participation Banks	6	5%	5%	5%
Total: 51				

Top 10 Private Commercial Banks by Asset Size (\$bn)

Share in Assets*

Foreign Shareholder

% Ownership

Isbank	102	11.6%	-	-
Garanti	91	10.6%	BBVA	39.9%
Akbank	87	10.0%	-	-
Yapi Kredi	77	9.0%	UniCredit Group	40.9%
FinansBank	32	3.7%	Qatar National Bank S.A.Q.	99.8%
DenizBank	31	3.6%	Sberbank	99.85%
TEB	27	3.1%	BNP Paribas	72.5%
ING	17	1.9%	ING Bank	100.0%
Odeabank	11	1.3%	Bank Audi Group	100.0%
HSBC	10	1.1%	HSBC	100.0%

*Market shares are among commercial banks only as of June 2016. Sector figures based on bank-only BRSA monthly data
 Note: Exchange rate used for currency conversion is based on banks' June 30, 2016 dated financials

Garanti: Pre-eminent banking franchise

Total Assets
US\$ 100.1 bn



2nd largest private bank; by asset size
Robust balance sheet; highly liquid, well-capitalized & low risk

6M16 Net Income
US\$ 907 mn



#1 in ordinary banking income
proven track record of generating sustainable banking income

ROAE & CAR
16.0%* & 14.5%



Strong capitalization, low leverage

NPL ratio
3.1%



Sound asset quality – consistently well below the sector average

Branch network
980**
of customers
>14.3mn**



Focused on relationship banking with broad geographical coverage and wide multi-channel distribution network

Customer centric approach, sophisticated segmentation & advanced IT

Market capitalization
~US\$ 12bn**



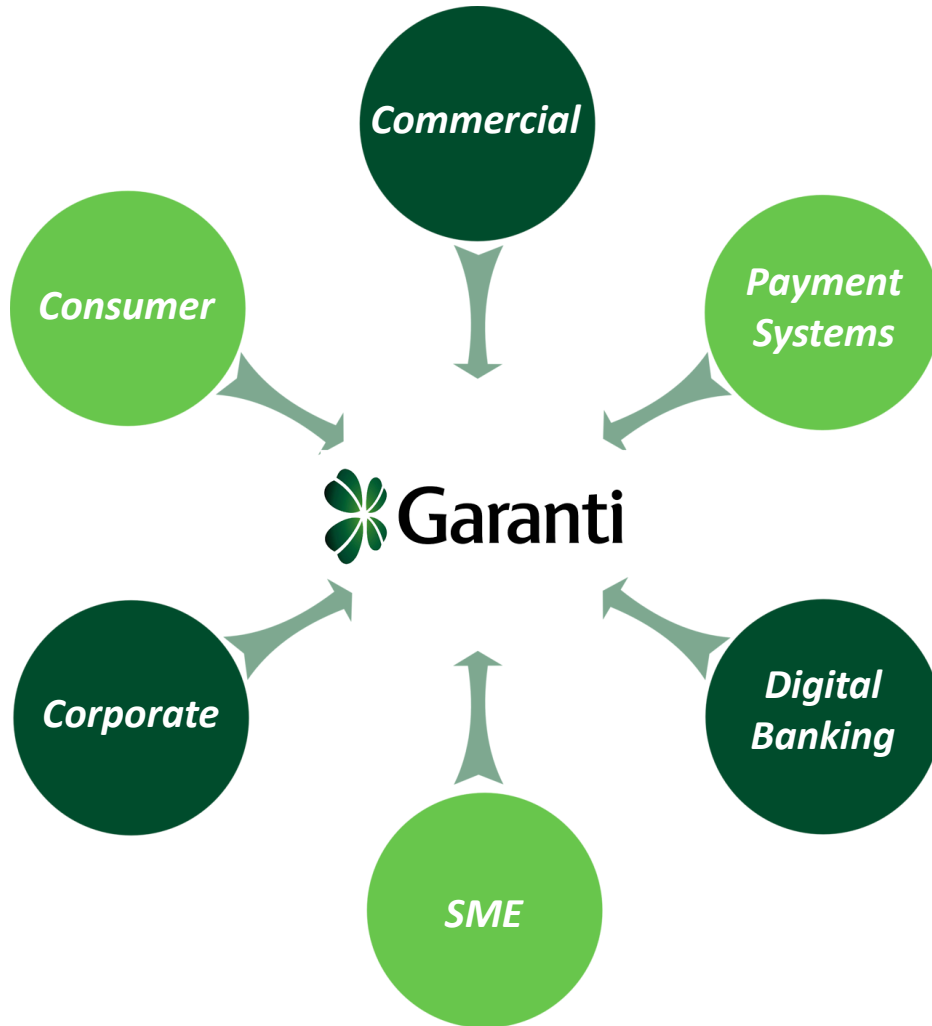
The most valuable company and the most traded stock of BIST
The share of foreign investors including DR holders in actual free float is 89%**



* Excludes non-recurring items when annualizing Net Income for the second half of the year

**As of September 22, 2016.

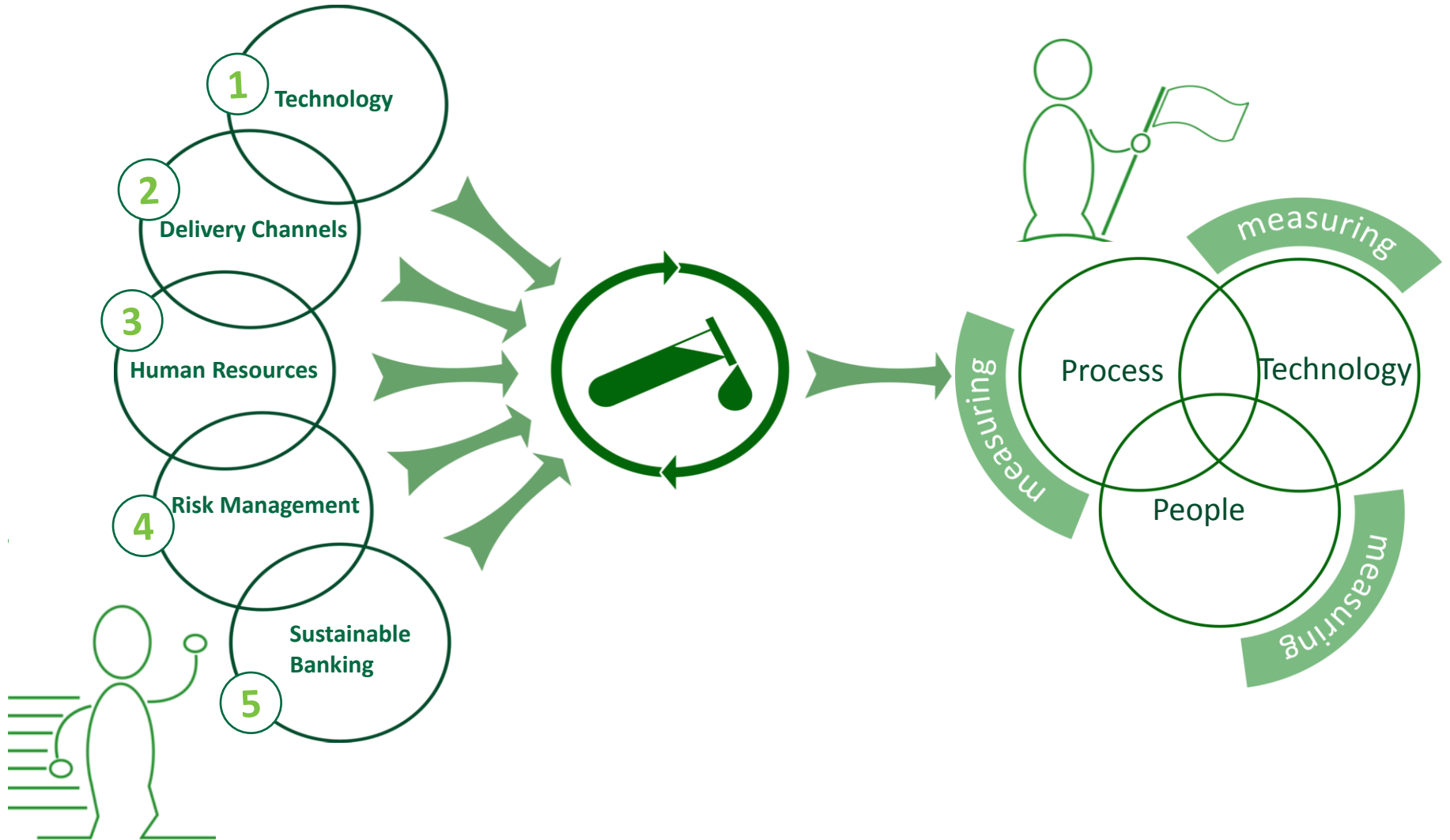
Note: All financial figures are per BRSA Consolidated data. Ordinary banking income defined as NII + Net F&C – Provisions for Loans & Securities + Net Trading Gain/loss.

Single point of contact for all financial needs



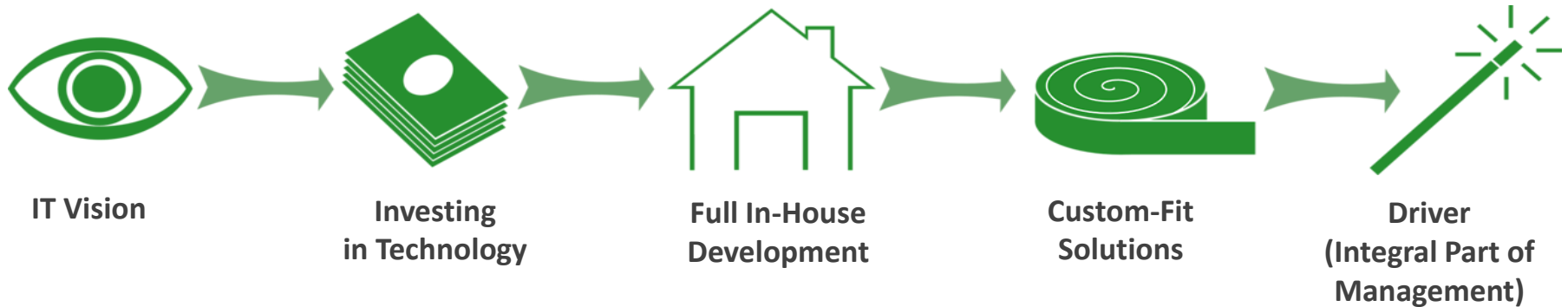
-  **GarantiBank**
International N.V. Asset Contribution: 5.7%
-  **GarantiBank**
Romania Asset Contribution: 2.4%
-  **GarantiBank**
Moscow Asset Contribution: 0.1%
-  **Garanti Pension Company**
Asset Contribution: 0.6%
-  **Garanti Factoring**
Asset Contribution: 1.0%
-  **Garanti Leasing**
Asset Contribution: 1.8%
-  **Garanti Asset Management**
Asset Contribution: 0.0%
-  **Garanti Securities**
Asset Contribution: 0.1%

Visionary investments shaped today's innovative business model



1 Visionary investments in technology since 1990's...

Integral part in decision making supporting process efficiencies and continuously driving the Bank forward



Innovative products and services

Advanced CRM applications and **segmentation**

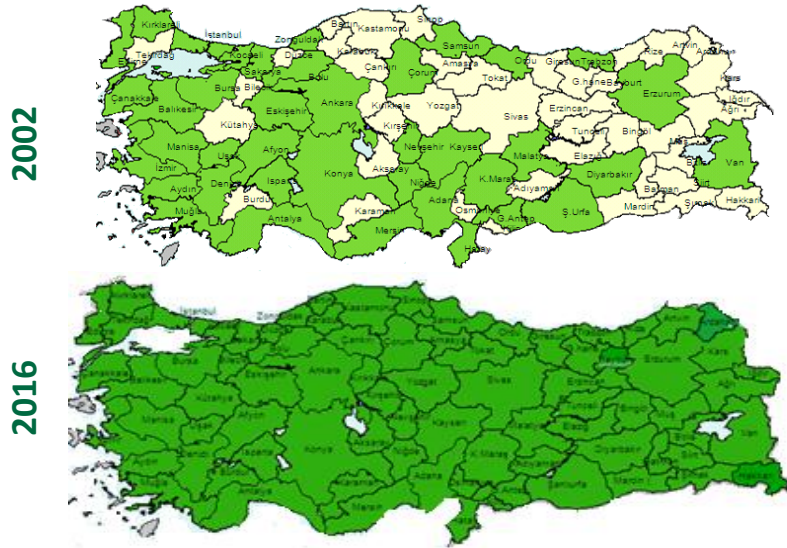
Paperless banking environment

A single source of data & common understanding

Top down **fast decision making** and strong communication

2a Investments in delivery channels

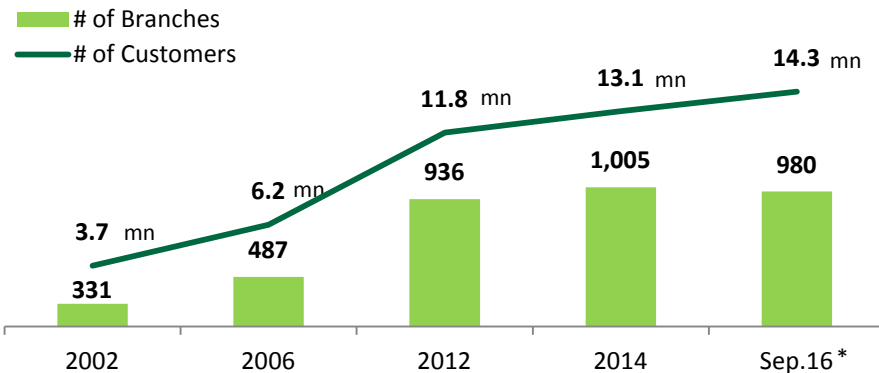
Branch network: Welcoming >150k customers per day



100% Geographical Coverage
as of August'16 vs. **49%** in 2002

58%
of branch openings
since 2005
outside of Istanbul, Ankara and Izmir

Number of Branches & Customers



of customers
4x

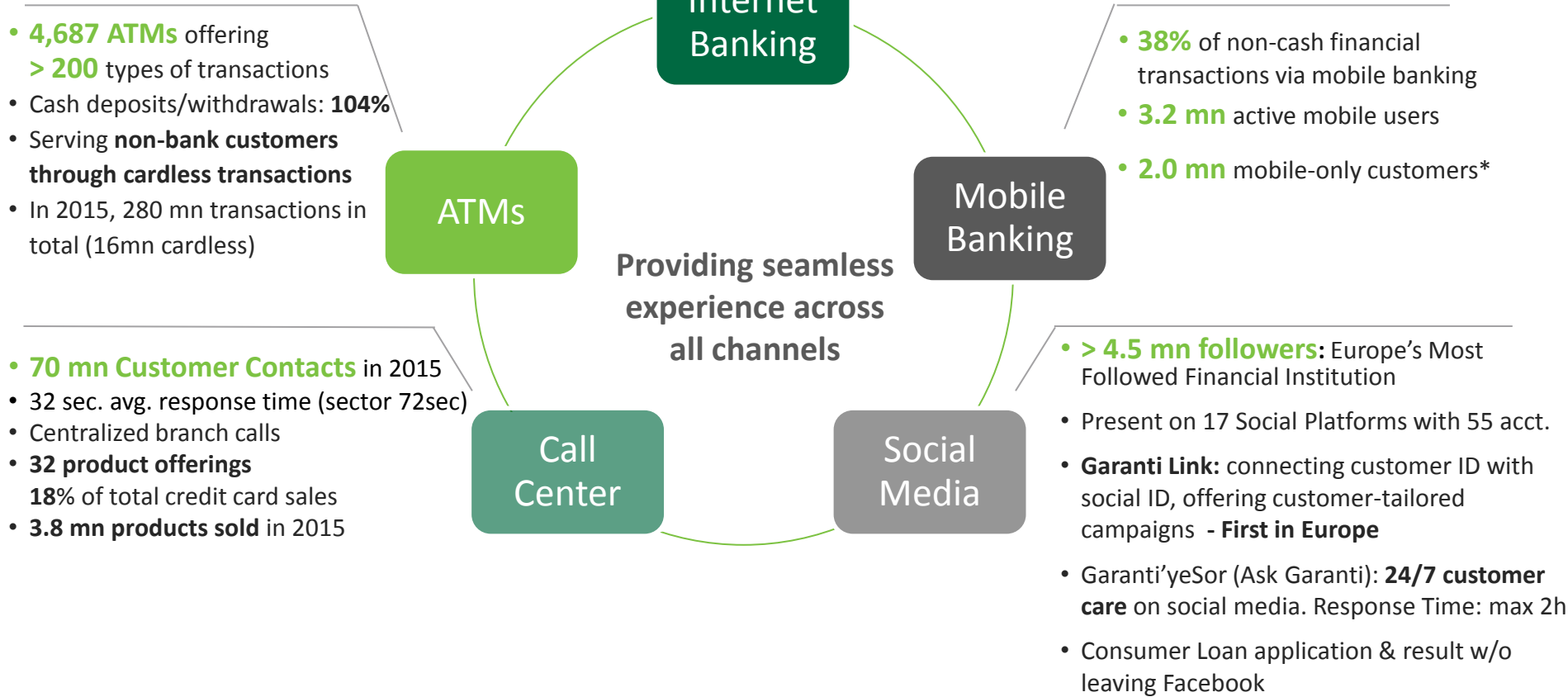
of branches
3x

* As of September 22, 2016. 23 investment centers operating under Garanti Bank were transferred to Garanti Securities at the end of October 2015.

2b Investments in digital channels

Omni-channel convenience

>500 types of transactions
44% of non-cash financial transactions carried via internet banking



Note: active customers defined as minimum one log-in in the last three months

* Have only used mobile banking in the last month

2c Investments in digital channels

Leading position & effective utilization

Managing the largest customer base in Turkey

4.5 million
active digital customers  24% YoY

3.2 million
active mobile customers  53% YoY

Integrated
to customers'
lives

1.5million
logins/day

25% market share

in retail internet & mobile banking
financial transactions volume

Utilizing digital channels effectively

92%

of all non-cash financial transactions
go through digital channels:

44% Online	38% Mobile	10% ATM	0.2% Call Center
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with increasing weight in **mobile**

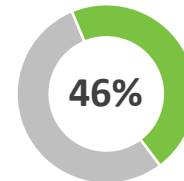
Mobile transactions:

70mn in 2015

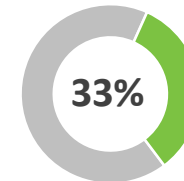
~51mn in 6M16 alone

> **Online Banking** financial transactions market shares:

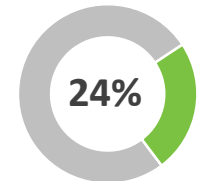
Tax Payments



Bill Payments

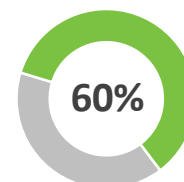


Credit Card
Transactions

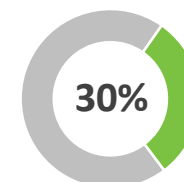


> **Mobile Banking** financial transactions market shares:

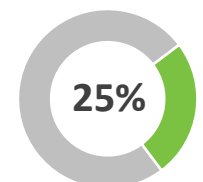
Tax Payments



Credit Card
Transactions



Investments*



* Investments include saving deposits, FX, equity and options transactions

2d Investments in digital channels

Innovative products and services

Empowering Customers

Money withdrawal with QR



Withdraw money from ATMs without even having to login

>US\$11 mn volume/month

MIA – Mobile Interactive Assistant



Virtual voice assistant enables performing banking transactions by voice

>1.6 mn interaction/month

E- Government Log-in Integration

through turkiye.gov.tr 35 K+/month

through Internet Banking 65 K + unique visitors/month

Loan Application with Video Call



A first in Turkey - meet face-to-face with loan consultants via Garanti Mobile.

loan disbursement reached \$3.8 million in 3.5 months

Mobile Appointment



New appointment system routes customers to ATMs & digital channels

- decrease branch density
- gives appointments/suggests alternative branches
- get digital ticket for the appointment via Mobile Banking

Messaging Services Integration

Instant access to:

ATM/Branch locations & market information via BiP, Whatsapp and Telegram.



Money transfer available through messaging service BiP.

Product specifically designed for digital banking:

Auto Insurance



Since launch in March

30% of total auto insurance sales through digital

2e Investments in digital channels

Feeding the sustainable and profitable growth model

Increasing customer satisfaction & loyalty

Branches with >65% digital penetration have **40% higher** operational **service quality & efficiency**

Higher cross-sell

Product penetration of digital customers is **60% higher** than average customers

Sustained Growth

Branches increased focus on:

- Building **relationships**
- Providing **advisory**
- Generating **sales**
- Acquiring **new customers**

Value Creation through Digitalization

Growing fee base

Service fees driven by Online & Mobile Banking make up **39%** of Bank's total service fees

Higher Profitability

Profitability per digital customer **>30% higher** than traditional branch customers

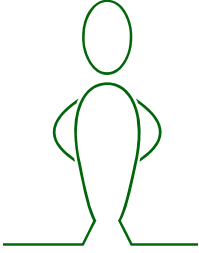
Lower transaction costs

Transaction costs at Online banking is **27x** and Mobile banking is **43x lower** than branch banking

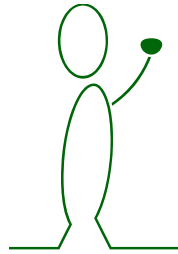
#1 in per branch efficiencies among peers

3 Investments in human capital

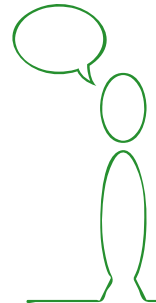
High quality employee base & proven management team



- > Training hours per employee: **44 hours per annum**
 - > 8,102 Classroom training sessions
 - > 131,000 hours of technology-based training
- > The first Gold IIP certificate in Turkey in 2012



- > **Garanti Leadership Academy**
 - > 85% of our Bank's directors graduated from these programs
 - > Ambassadors of our common culture of management
 - > Best Talent Management in Turkey

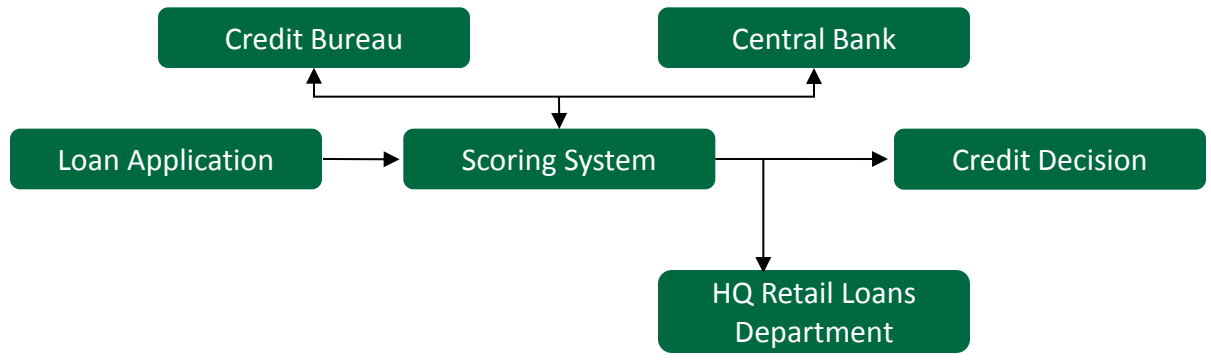


- > **Suggestion and Idea Platforms**
 - > Önersen (Yousuggest)
 - > Atölye (Workshop)

4 Investments in Risk Management Systems

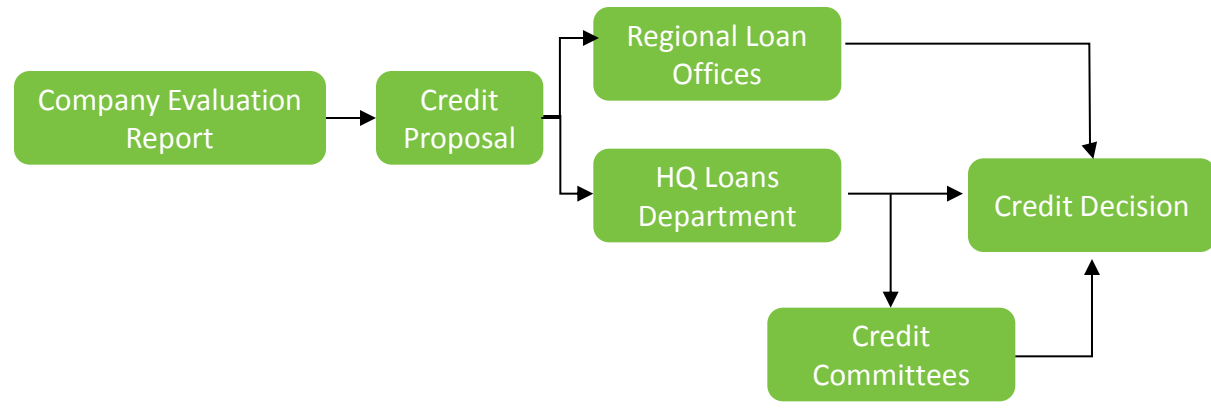
Solid asset quality

Retail Banking: Centralized Process



- **Loan to Value:**
 - Consumer Mortgages Max:80%;
 - Auto Loans Max: 70% up to TL50K; and 50% for the portion above;
- Central Processing System started 15 years ago, based on Experian software

Business Banking: Decentralized Process



- 25 regional loan offices*
- Weekly Credit Committee meetings
- All credit lines automatically expire one year after approval
- Decentralized credit decision via Regional Loan Offices for fast approval process & local management of smaller exposures
- Multi layered committee structure at the HQ to approve & manage larger exposures

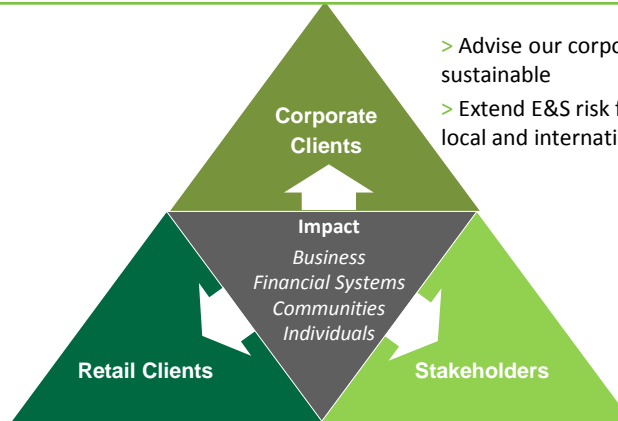
* including one regional office in Cyprus

5 Investments in Sustainability

Our strategic priorities and key achievements

MEMBER OF
Dow Jones Sustainability Indices
 In Collaboration with RobecoSAM

- > Strengthen the financial capacity of Turkish women by providing them financial education and access to our products and services
- > Support financial planning and health of our retail clients
- > Develop innovative sustainable financial products linked to material issues for society and Garanti



- > Advise our corporate clients to help them make their businesses more sustainable
- > Extend E&S risk framework and management systems across the bank, local and international subsidiaries

- > Develop and implement a financial education program
- > Engage with stakeholders and build partnership
- > Support philanthropic programs with a focus on material issues for society

HR: Enhance employees' knowledge and life style
Environmental Footprint: Enhance operational efficiency
Governance: Enhance integration of sustainability within the Bank

Sustainable Finance

- ~34% share in Turkey's installed operational wind power capacity
- Started supporting **CDP Water** to raise awareness on water crisis among private sector
- Published **Climate Change Action Plan** in 2015
- Total amount of loans disbursed to **women entrepreneurs** to date: TL 2.8 billion
- **Women Entrepreneurs Executive School:** 300 certificates in 5 provinces in 2015

Environmental Impact of Operations

- 1,013 service points covering 100% of employees certified to ISO 14001
- Obtained limited assurance for its water consumption, energy consumption, renewable energy portfolio and ESIAP for the first time for **GRI G4 Comprehensive Sustainability Reporting**, in addition to Scope 1 and Scope 2 GHG emissions.
- The **only Turkish company** to be listed in CDP Climate Change A List and included in CDP Global Climate Leaders Report
- Received CDP 2015 **Climate Performance Leader Award** and CDP 2015 Turkey **Climate Disclosure Leader Award**

Communities and Stakeholders

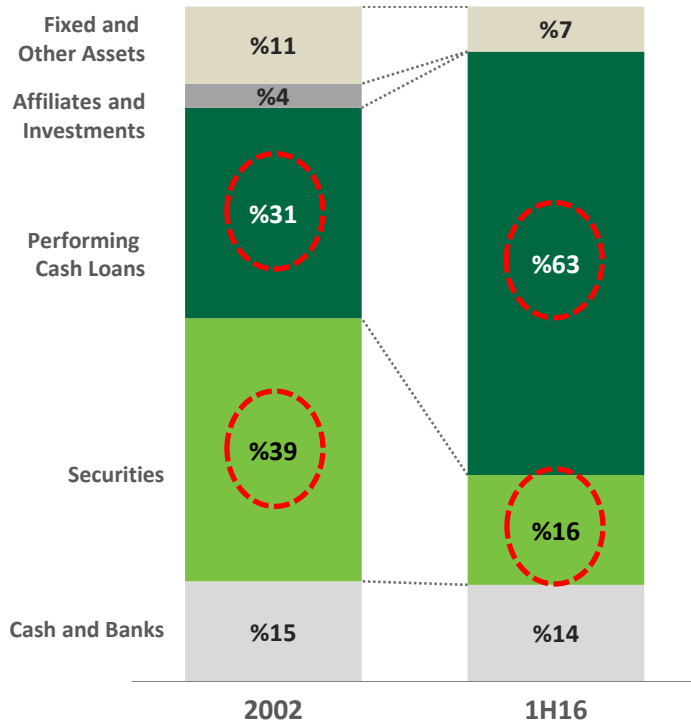
- The **only Turkish company** to qualify for Dow Jones Sustainability Index.
- **First Turkish Bank** to sign Caring for Climate Initiative (C4C) and UNGC's Leadership Criteria on Carbon Pricing
- **First Turkish bank** to become a member of "WeConnect International", a global initiative, which is aimed at including women entrepreneurs in the supply chain.
- Successfully qualified for the second year in a row for the **Borsa Istanbul (BIST) Sustainability Index**.
- Member of **UN Global Compact, UNEP FI** and **Business Council for Sustainable Development in Turkey**

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Increasingly customer-driven asset composition

Asset Composition



TL (% in total)	33%	56%
FC (% in total)	67%	44%

Shift from securities & non-IEAs to **high margin loan products** while strategically managing the securities portfolio **as a hedge against volatility**

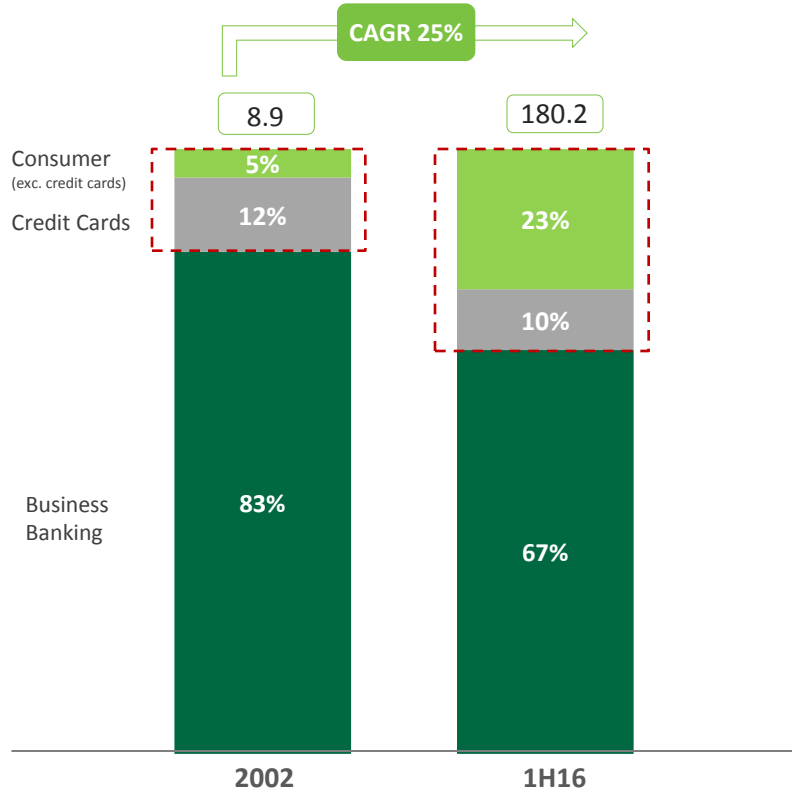
Customer driven assets / Assets

63%

up from **31%** at YE 2002

Lending strategy: Selective & profitability focused

Performing Cash Loan Breakdown (TL billion)



TL (% in total)	21%	62%
FC (% in total)	79%	38%

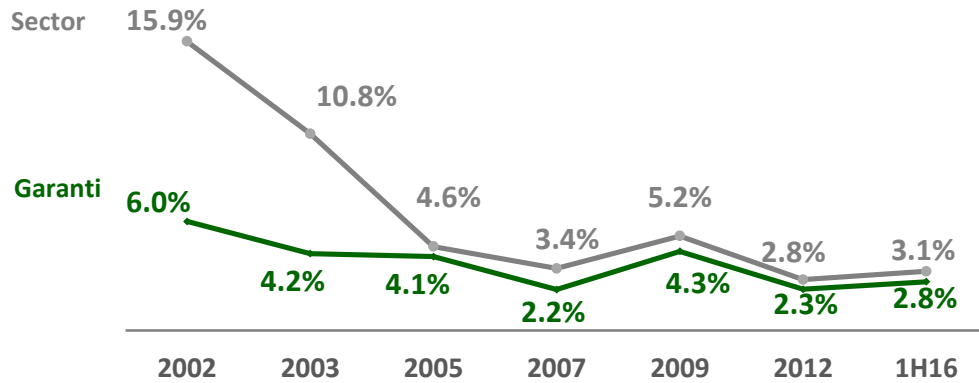
Increasing weight of «**retail lending**» to **33%** in 1H16 from 17% in 2002YE

Preserved focus on business banking loans with «**SME loans¹**» constitute ~**34%** of business banking loans

1 Based on BRSA definition

Risk-return balance as top priority

NPL Ratio¹



Coverage Ratio

Garanti	32%	48%	67%	64%	81%	81%	79%
Sector ²	64%	89%	90%	88%	85%	75%	76%

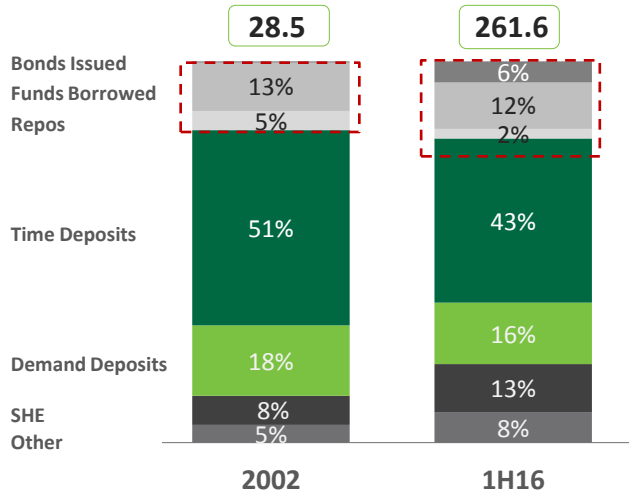
Risk-return balance as top priority

- > Long established & proven risk management
- > Selective growth focus
- > Prudent provisioning & strong collections performance

¹ Garanti figures are based on bank-only financials for fair comparison with sector . Consolidated NPL ratio as of 31 December, 2015 was 3.2% vs. 5.4% in 2002
² Sector figures are per BRSA weekly data, commercial banks only ² Sector figures are TBA and BRSA weekly data

Strong Liquidity: Well diversified and actively managed funding mix

Composition of Liabilities and Equity



✓ **Deposit heavy** - Focus on sustainable and lower cost mass deposits

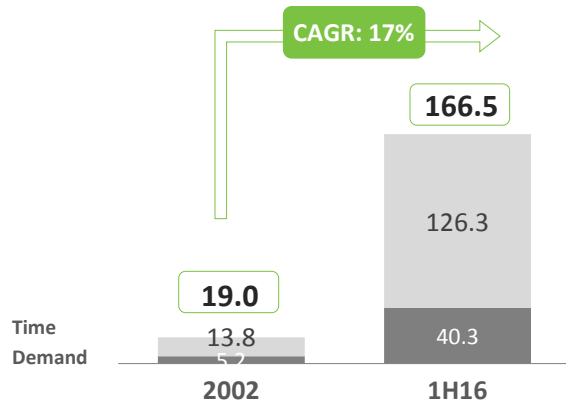
✓ **High weight of demand deposits**

Consolidated : 25%; bank-only: 22% vs. Sector's 19%¹

✓ **Utilization of alternative funding sources**

- + Issuances under GMTN program
- + Bond Issuances
- + Syndications & Securitizations

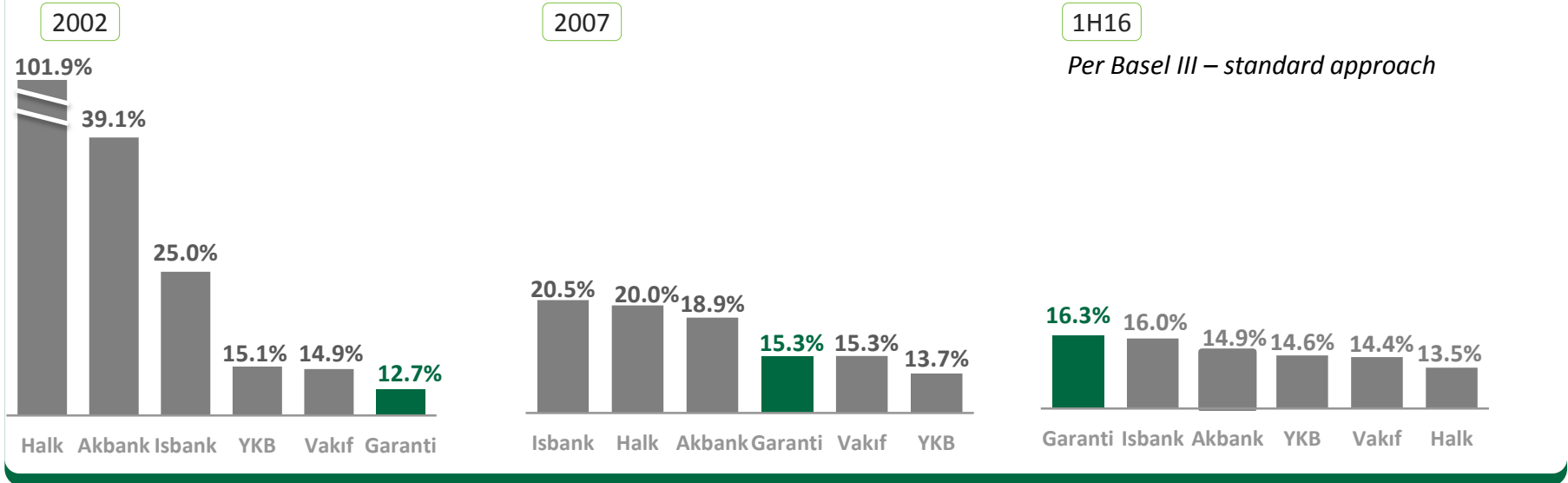
Customer Deposits (TL billion)



¹ Sector figures are based on bank-only BRSA weekly data as of July 01, 2016 , commercial banks only

Reinforce sound solvency

Capital Adequacy Ratio



Capital Generative Growth Strategy

- ➔ Bank-only Common Equity Tier-I ratio: 15.2%;
- ➔ Bank-only Leverage: ~7x

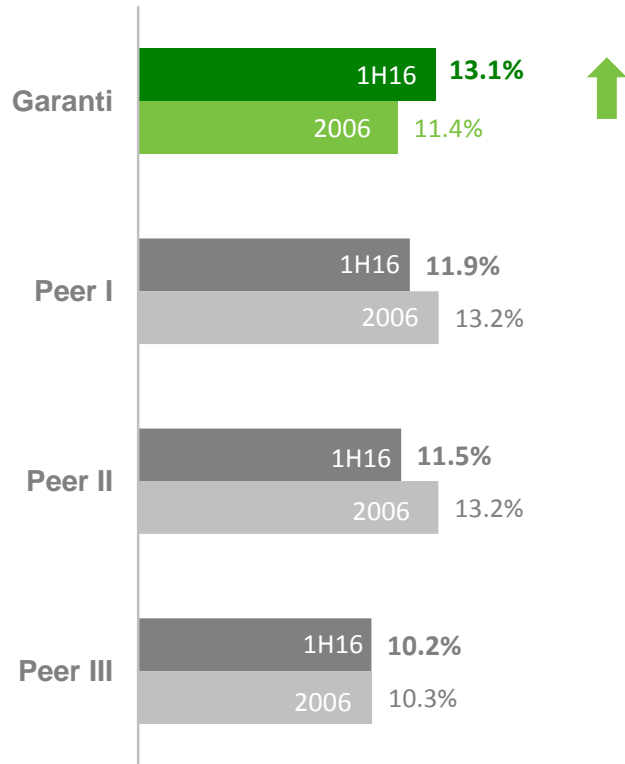
Highest CET-I ratio among peers

Note: Figures are based on BRSA bank-only financials for fair comparison

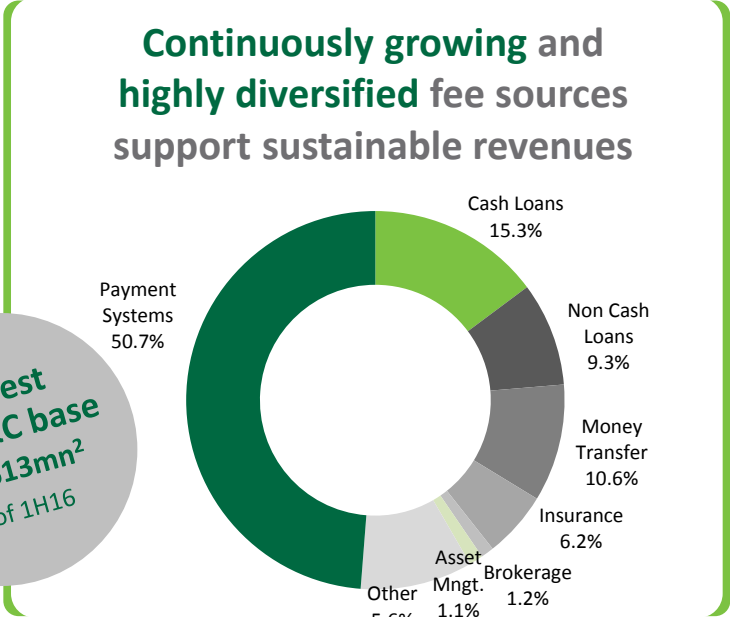
Highest sustainable income generation capacity

Ordinary Banking Income¹

% Market share



#1 in Ordinary Banking Income
Highest market share gains
among private peers



Highest Net F&C base
TL1,613mn²
as of 1H16

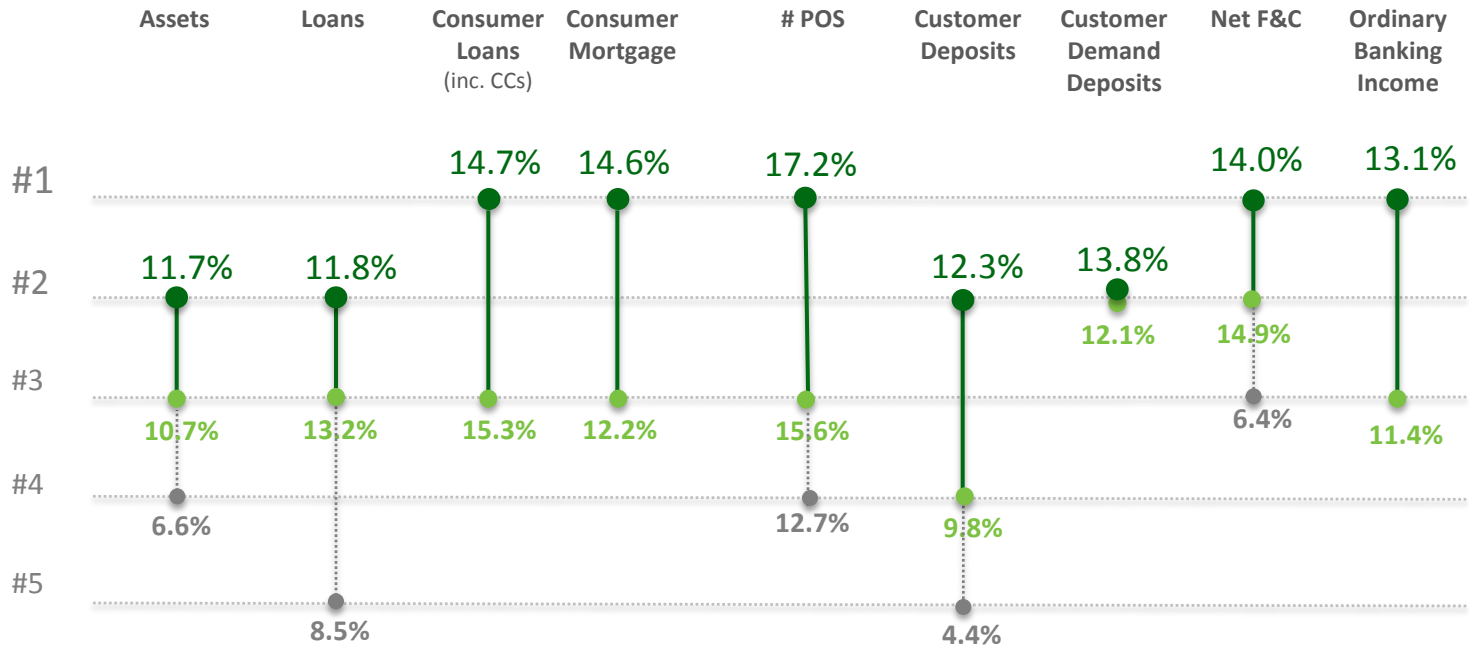
1 BRSA bank-only financials for fair comparison. Sector figure is based on BRSA monthly data. Ordinary Banking Income defined as; net interest income adjusted with provisions for loans and securities, net FX and trading gains + net fees and commissions 2 Based on BRSA consolidated financials. Breakdown is per bank-only MIS data.

Achieved pioneer position

Impressive track record & attractive platform for future growth

Market Share and Rankings¹ (2000- 1H16)

- 1H16
- 2006
- 2000



Healthy market share gains
in key profitable products

Robust Profitability

Expanding & broad customer base

¹ Rankings among private banks as of June 2016

Thank you

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