Operating
Plan Guidance

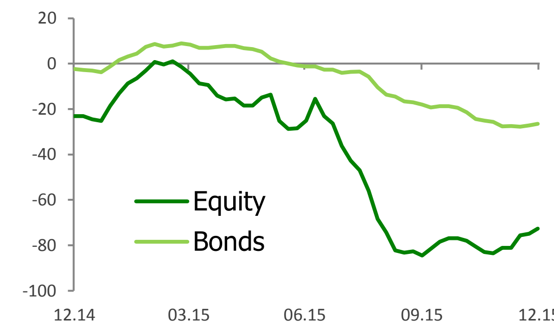
Garanti

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

EM Fund Flows (12M Cumulative, USDbn)



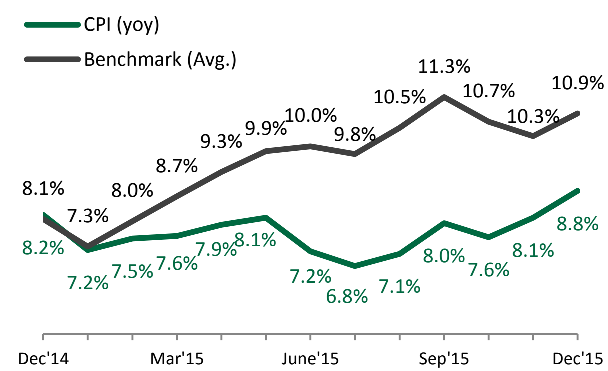
Political & geopolitical concerns dominated domestic agenda

- **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$

TL depreciated against US$ 24% in 2015 on average*

- **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.



US$/TL*

4Q14	1Q15	2Q15	3Q15	4Q15
2.27	2.47	2.67	2.85	2.91

* CBRT ask rate

2016 Outlook

Macro Economic Parameters

	2014	2015	2016B*
Real GDP Growth	2.9%	2.8% (Est.)	3.3%
Inflation (December, YoY)	8.2%	8.8%	8.0%
Inflation (Oct-Oct)	9.0%	7.6%	8.4%
CBRT Average Funding Cost	9.0%	8.4%	9.5%
Interest Rate (Benchmark)[1]	9.2%	9.8%	11.0%
Budget Balance/GDP	-1.3%	-1.2% (Est.)	-1.7%
US$/TL (December-end)	2.33	2.91	3.01

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

Sound Asset Quality

Proactive and prudent approach in risk assessment to further solidify asset quality

Sustained **strong collections**

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**

Comfortable liquidity & Sound Solvency

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

HR cost growth pace back to its normal level

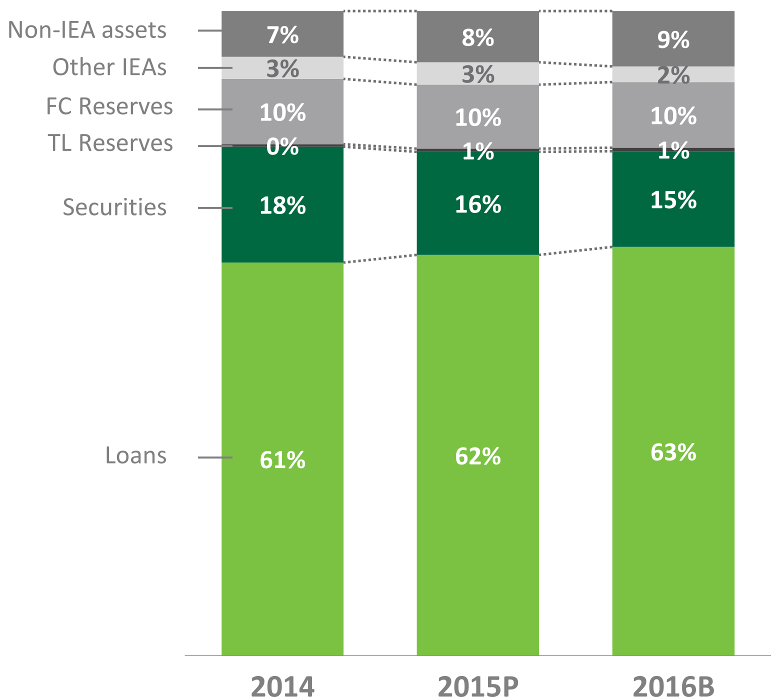
Non-HR costs continue to be pressured by fee rebates, currency depreciation & depreciation expenses of digital channel investments & renovations

Controlled OPEX Growth

Capital Generative & profitable growth strategy

Asset growth to remain lending driven

Composition of Assets (based on December Averages)

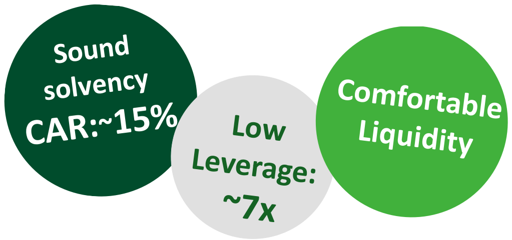


	2014	2015P	2016B
IEA/Assets	82%	82%	81%

Growth gaining momentum on a currency adj. basis

	2014	2015P	2015P Currency adjusted[1]	2016B	2016B Currency adjusted[1]
Assets	~12%	~17%	5%	>9%	9%
Loans	~14%	~20%	8%	~12%	11%
Securities	~11%	~4%	(2%)	~2%	0%
US$/TL (Dec Avg)	2.27	2.95		3.02	

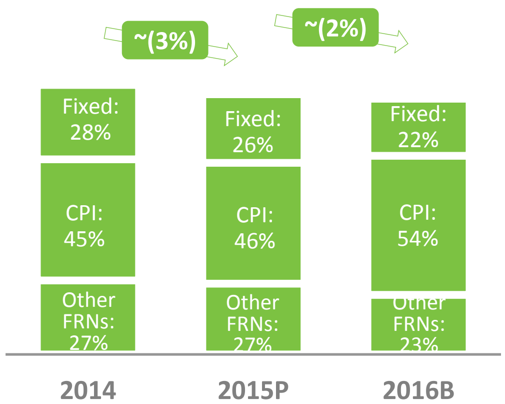
Profitable growth supported by;



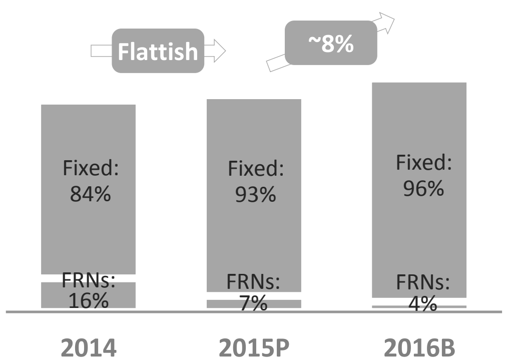
1 Currency adj. growth is calculated with 2014 Dec Avg USD/TL exchange rate of 2.2682.

Strengthen hedge position against inflationary pressures

TL Securities (70% of total)

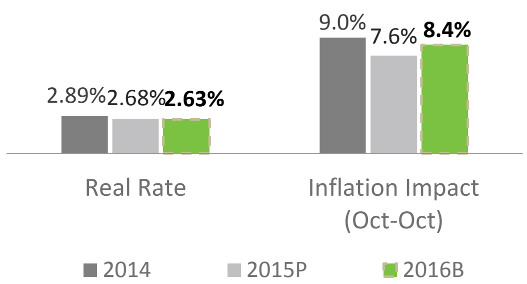


FC Securities[1] (30% of total)

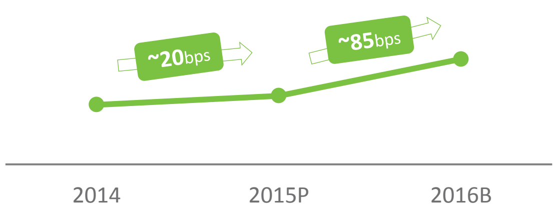


Yields on Securities

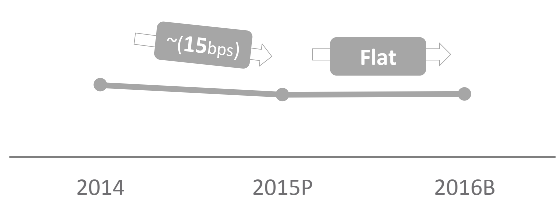
Drivers of the Yields on CPI Linkers



TL Securities exc. CPI linkers



FC Securities



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

Weight of TL FRN securities increased further

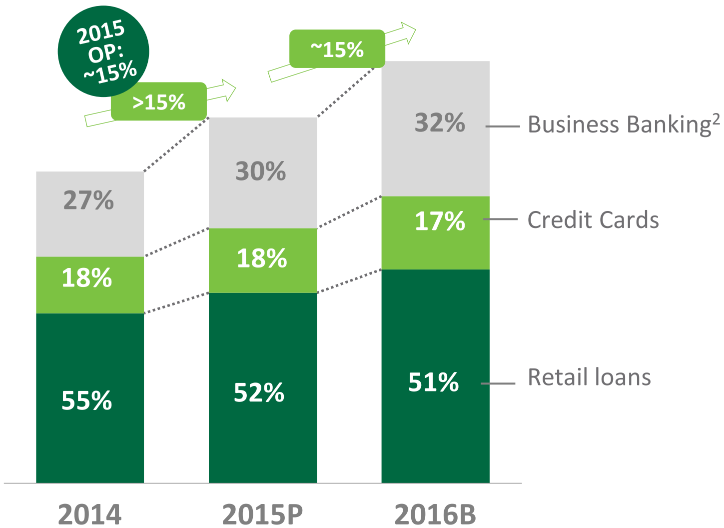
Mostly in favor of CPI Linkers

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

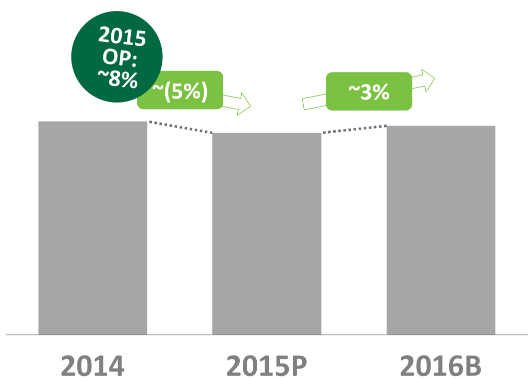
1 In US$ terms

Profitable lending growth focus remains

TL Loans[1]



FC loans (in USD)



TL loan growth:
~15% YoY

>20% in 2016B vs. ~30% in 2015P

- **Business banking loans²** 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

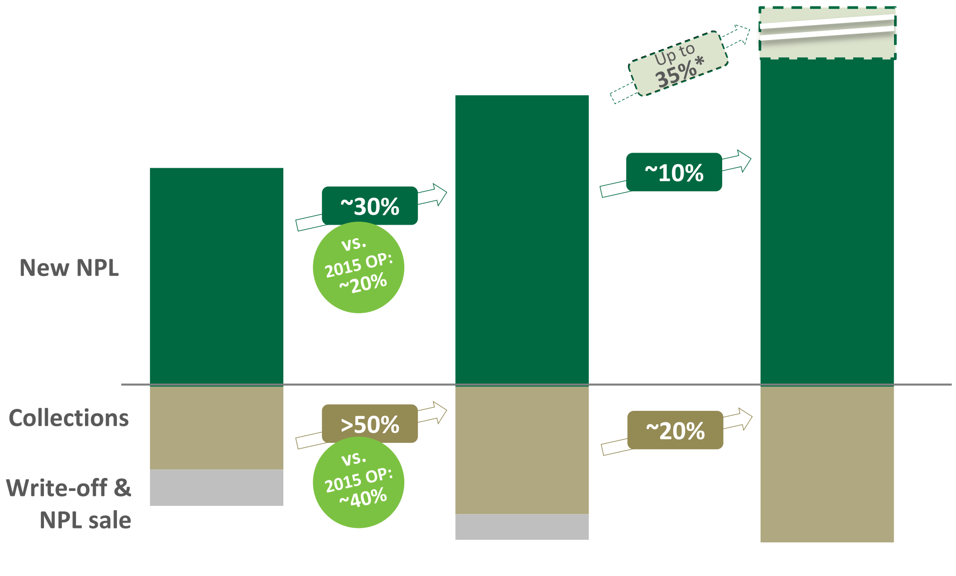
FC loan growth:
~3% YoY

- 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

NPL Evolution

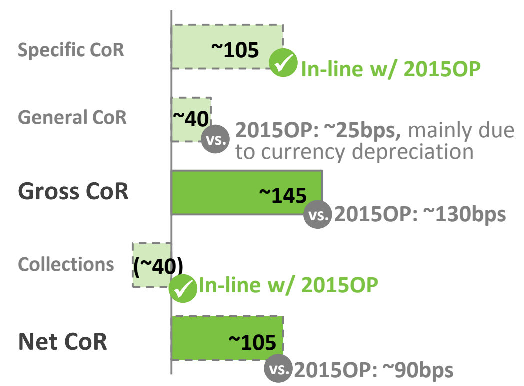


	2014	2015P	2016B
Coverage Ratio	81%	81%	81%
NPL Ratio	2.4%	2.7%	3.1%*

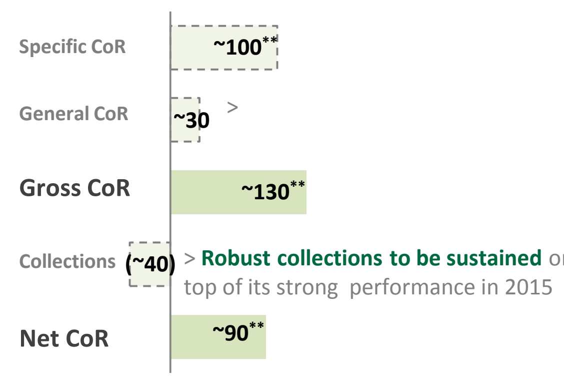
More prudent risk assessment in line with BBVA risk approach resulted in NPL and specific CoR to reach OP 2015 guided level in 4Q15

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

Cost of Risk(bps) - 2015P



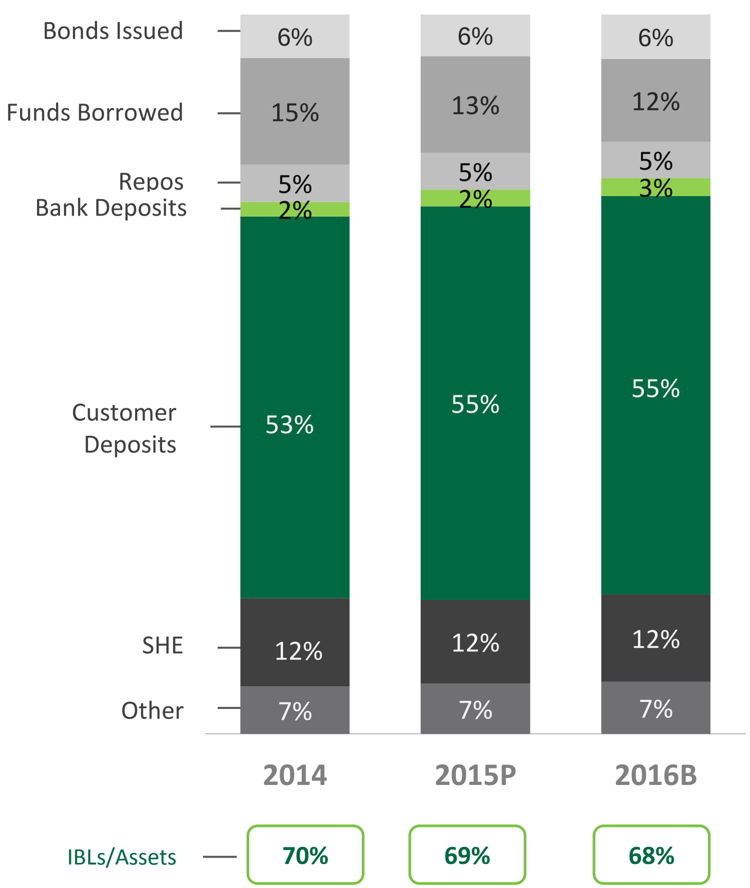
Cost of Risk(bps) - 2016B



** **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**.

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

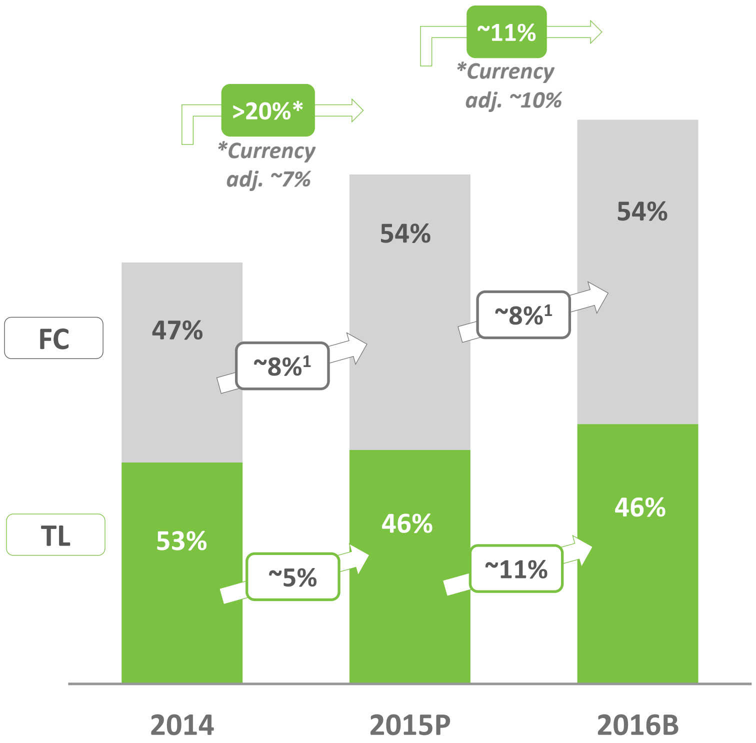
> Loans / Customer Deposits ratio to remain **flattish vs. 2015**

> 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%

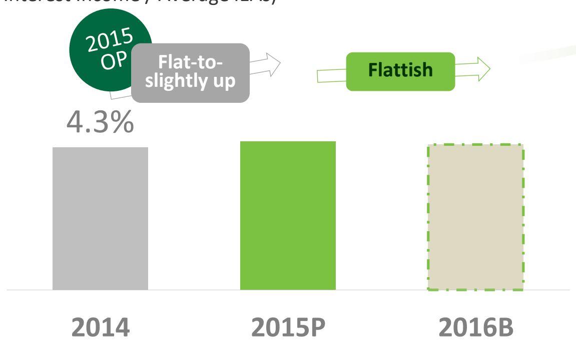
1 In US$ terms
*Currency adj. growth is calculated with 2014 Dec Avg USD/TL exchange rate of 2.2682

Dynamic asset-liability management in defence of NIM

Annual NIM

Reported NIM

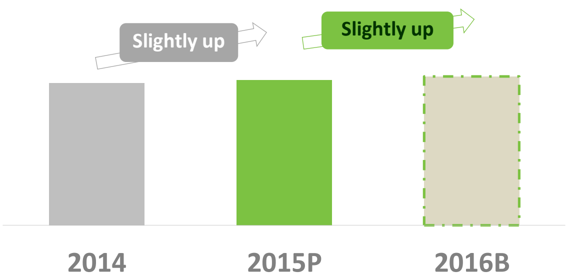
(Net Interest Income / Average IEAs)



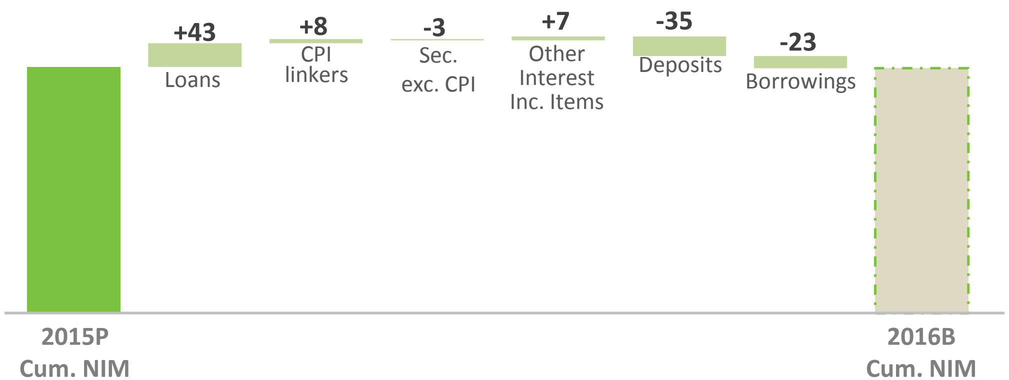
Strategically managed funding mix help further **strenghten the margin outlook**

Swap Cost Adjusted NIM

NII Adj. with swap costs / Average IEAs



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



Sustain increase in loan yields

- Effect of **upward loan repricing** becoming **even more visible in 2016**
- Sustained focus on **profitable growth**

~60bps rise in lending yields YoY

Deposit costs remain under pressure

- **Actively managed funding** mix to **manage costs** in higher interest rate environment

~80bps increase in cost of customer deposits YoY

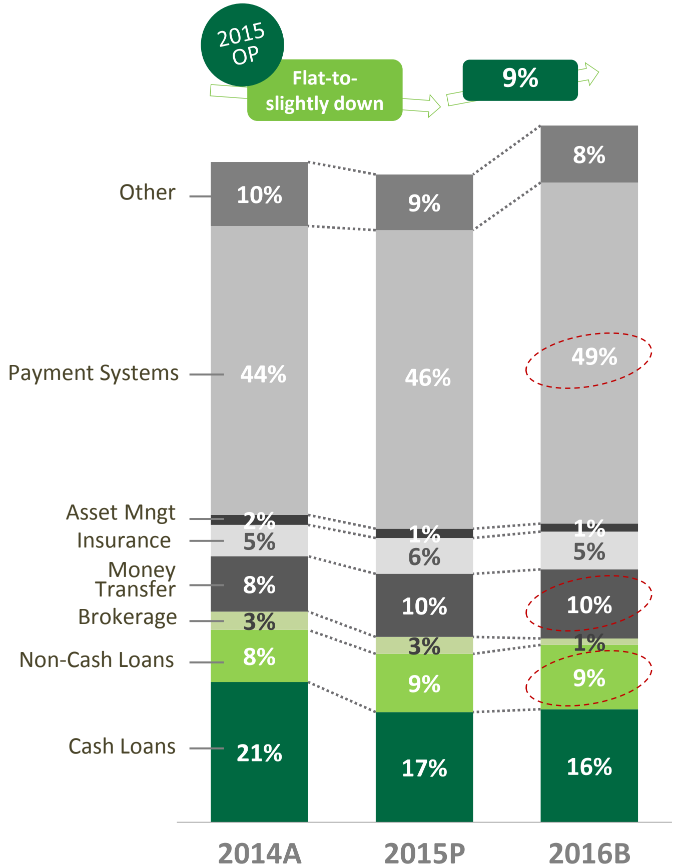
CPI linkers continue to serve as hedge

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 excld. 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

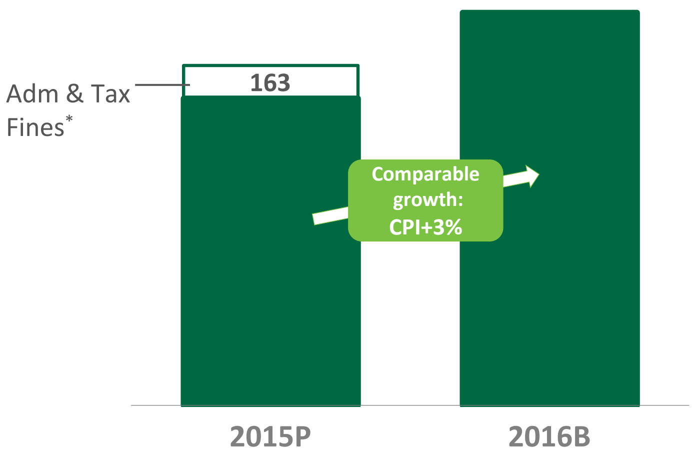
OPEX growth to near normalized levels

Operating Expenses

	2015P	2016B
Growth	>20%	~CPI

2015 OP: 13%

Higher than expected
- Fee rebates
- Fines
- Currency depreciation



Non-HR costs continue to be pressured by;

# of branches **flattish** YoY

- **Fee rebates** – **lower flows YoY**; yet, **cumulative amount** in 2016 assumed to **remain high**
- **Expenses rltd. to digital channel investments & renovations**, *especially those incurred towards YE15*, 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

CPI+2% YoY

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

OPEX/ Avg.Assets **2.4%**
vs. 2.5% in 2015

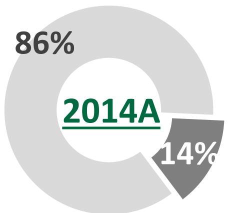
Cost/Income ratio to improve by >3.5pp

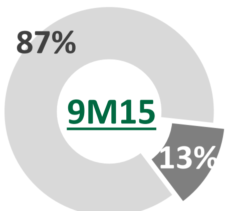
*Administrative fine: TL83mn; Founder Share tax penalty: TL80.5mn

Subsidiaries' contribution expected to restore to 15% levels, after a brief supression in 2015 due to increased prudence in the foreign subsidiaries

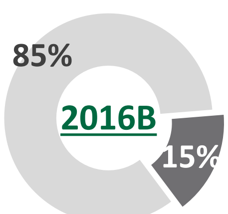
Consolidated Net Income

■ Subsidiaries' contribution[1]





Subsidiaries' contribution suppressed since 2Q15, due to **increased prudence** by the **foreign subsidiaries**



2016 Projections

	Asset Contribution	NI Contribution
Garanti Pension Company	>3%	~5%
Garanti Leasing	~2%	~4%
GarantiBank International N.V.	~5%	~3%
GarantiBank Romania[2]	>3%	~2%
Garanti Factoring	~1%	~1%

Garanti Pension Company

- **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**

Garanti Leasing

- **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

GarantiBank International N.V.

- **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

GarantiBank Romania[2]

- **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

Garanti Factoring

- 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;

	2015	2016
Economic Growth & Monetary Policy	• **GDP** growth **~3%** -- driven mainly by **domestic demand**; while, **negative** contribution from **foreign demand** • **Cautious/tight MP stance** by CBRT	• **GDP growth: >3%** – ongoing contribution from **domestic demand** & **normalization in exports** . • Preserved **tight MP stance --** alignment of the policy rate with CBRT avg. funding rate. Avg. funding rate is expected to **rise by ~110bps YoY**
Regulation	• **Full year implementation** of BRSA fee regulation • Higher than anticipated fee rebates • Increase in RRR, remuneration for FC and rise in remuneration for TL	• BRSA regulations within the scope of **Basel III alignment** (effect. a/o Mar16) • Fee rebates to continue • **Potential ease in macroprudential measures** pose upside risk to the budget
Volumes	• **Moderate growth in TL loans** (~15%); while **FC loans remained muted**, due to prevailing uncertainties & volatility • **Deposit growth** (~20%) **surpassed lending growth**, helped by **currency depreciation,** as, unlike loans, deposit growth was balanced in terms of TL & FC	• **Sustain moderate TL loan growth**(~15%). **FC loan growth slightly picking up pace** (low-single digit), parallel to the expected recovery in economic activity. • **Deposit growth** catching up to **lending growth**.
Asset Quality	• **NPL ratio: 2.7%,** in line with OP guidance. • **Strong collections** helped **sooth** pressure from new **NPL inflows** • **Higher-than-expected general prov.** due to **currency depreciation**	• **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.
Margin	• **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 & supported NIM**	• **Flattish NIM** YoY – (i) **Funding costs** to further increase and remain at **elevated levels**. (ii) **Ongoing increase in loan yields** & **support from CPI linkers** help **negate funding cost pressure**
Net F&C & OPEX	• **Net Fees and Comm. shrank slightly** YoY, **as expected**, due to first year implementation of **fee regulation** • **OPEX grew above expectations** (>20%) – (i) higher than expected fee rebates, (ii) admin. & tax fines (iii) currency depreciation	• **Fee growth advancing to its normalized level** • **OPEX growth to relatively ease;** (i) fee rebates (lower YoY, yet still high); (ii) depreciation expenses due to investments & renovations in 2015 having full year effect in 2016 (iii) ongoing TL depreciation
Financial Affiliates	• **Subsidiaries' contribution suppressed in 2015** due to **increased prudence by the foreign subsidiaries**	• **Subsidiaries' contribution to restore** ~15%

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