Established in 1946, Garanti Bank is Turkey’s second largest private bank with consolidated assets of TL 456.3 billion (USD 76.3 billion).

Garanti is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

Implementing an advanced corporate governance model that promotes the Bank’s core values, Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, Garanti has an actual free float of 50.04% in Borsa Istanbul as of September 30, 2018.

Note: Institutional investors and retail investors’ composition data was based on IPREO Shareholder ID Analysis dated September 2018.
GARANTI SHARE

1990
Listed on BORSA ISTANBUL (BIST) Turkey since 1990

1993
Depositary Receipts (DR) listed on LONDON STOCK EXCHANGE and on OTC since 1993

2012
Trades on OTCQX INTERNATIONAL PREMIER since 2012

MOST VALUABLE BANK IN TURKEY AND MOST LIQUID STOCK IN BIST

$5.4 BN MCAP

7% WEIGHT IN BIST

LARGEST FLOATING MCAP AMONG BANKING STOCKS
Actual free float: 50.04%

MOST INVESTED BANKING STOCK BY FOREIGNERS
Foreign Ownership in free float: 85%

$168 MN DAILY TURNOVER

OTCQX TICKER TKGBY

RANKING ON OTCQX IN 9M18
#38 per Market Capitalization
#42 per US$ Turnover
#13 per Volume

Note: Figures are as of September 28, 2018. USD/TL CBRT ask rate is used in the calculations.
GARANTI SHARE

ANALYST RECOMMENDATIONS

Garanti Bank shares are widely covered by research analysts of leading domestic and international investment banks and brokerage houses. As of June 2018, 20 analysts had “BUY”, 5 analysts had “HOLD” and 2 analysts had “SELL” recommendation on Garanti stock.

SELECTED ANALYST COMMENTS

CREDIT SUISSE

A stock-selective approach is essential and Garanti is one of our top preferences. The bank offers one of the highest sustainable ROE generation potentials among peers, despite operating with low leverage. The bank’s strong capital

HSBC

Garanti is seen as well positioned vs. its peers as its success in digital channels and its relatively large branch network and headcount to leave ample room for operating leverage.

JPM

Balanced and strong liquidity metrics.

SOCIETE GENERALE

• When the going gets tough, Garanti does just fine.
• A very good bank in a very tough market.
• Garanti remains the benchmark bank in Turkey, and we expect it to manage the downturn effectively and without external assistance.

TEB-BNP PARIBAS

Garanti has one of the highest share of CPI linkers in IEAs in our coverage, providing a hedge if CPI exceeds expectations.

WOOD&CO

Highest capital ratios among the Turkish banks. Valuation is also not demanding. Fee performance is outstanding for a bank that is known to be expensive.

• High-quality asset among Turkish banks.
• It is widely considered to be one of the best-managed banks in Turkey.
## PERFORMANCE INDICATORS

### CUSTOMER EXPERIENCE

- **Net Promoter Score**: HIGHEST among peer group.
- **Grow Customer Base Effectively**: ~16.0 MILLION customers chose Garanti.
- **Number of ATMs**: 5,118.
- **Number of Branches**: 933, 100% Geographical Coverage.

### HUMAN CAPITAL

- **Employee Engagement Score**: 62.
- **Average Hours of Training per Employee**: 34 HOURS.
- **Number of Employees**: 18.6 THOUSAND.
- **Women Employees in Decision Making Positions**: 40% in senior/middle level management.

### DIGITAL TRANSFORMATION

- 1/5 of all digital transactions in Turkey go through Garanti.
- **Share Digital Sales in Total Sales**: 43%.
- **Non-Cash Financial Transactions through Digital Channels**: 95%.
- **Number of Digital Customers**: ~7 MILLION.
  - Increased by 32% YoY.

### RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

- **Amount of Impact Investments**: TL 9.3 BILLION as of 2017.
- **Sustainability Indices in Which Garanti is Included**: 6.
- **Investment in Community Programs**: TL 20.3 MILLION as of 2017.
- **% of Loans with ESG Provisions in Loan Agreements**: 100%.

### FINANCIAL PERFORMANCE

- **ROAA**: 2.0%.
- **ROAE**: 17.5%.
- **NPL**: 4.2%.
- **CAR**: 16.9% excl. temporary measures, vs. min. requirement 14.7%.
- **CET-1**: 14.5% excl. temporary measures, vs. min. requirement 12.4%.
- **Cost / Income**: 43%.

###备注

- Please refer to disclaimer page for more information on Net Promoter Score Figures in Financial Performance are per BRSA Consolidated financials as of September 2018.
- Per BRSA measures, as of August 14th 2018, FX credit risk exposures will be converted with maximum of following two: (i) June 30, 2018 FX rate and (ii) 252 day average of CBRT FX bid rates. Also, as from August 14th 2018, MMT losses will not be included in CET1 capital.
FACTSHEET

COMPOSITION OF ASSETS AND LIABILITIES

ASSETS
TL 456 BN

- Fixed Assets & Subs.: 13.0%
- Cash & Banks: 6.1%
- Balances w/ CBRT: 7.1%
- Securities: 11.7%
- Performing Loans: 61%

LIABILITIES & SHE
TL 456 BN

- Other SHE: 4.9%
- Interbank MM: 10.2%
- Borrowings¹: 1.0%
- Bank Deposits & Merchant Payables: 21.3%
- Customer Deposits: 4.1%
- Other: 58.6%

SUMMARY P&L

TL MILLION 9M18

(+ NII including Swap costs 12,136
(+ Net Fees & Comm. 3,752
(+ Net Expected Loss -4,938
(- OPEX -6,237
= CORE OPERATING INCOME 4,713
(+ Net Trading & FX gains/losses 2,599
(+ Other income 924
(+ Gains on asset sale 126
(+ Garanti Pension - Insurance Premiums 556
(+ Other 242
(+ Taxation and other provisions -2,607
(+ Free Provision -700
(+ Other Provision -132
(+ Taxation -1,775
= NET INCOME 5,630

MARKET POSITION

Garanti Market Shares (%) 30.09.2018

- Total Performing Loans 11.0%
- TL Loans 11.2%
- FC Loans 10.6%
- Credit Cards - Issuing (Cumulative) 19.1%
- Credit Cards - Acquiring (Cumulative) 19.1%
- Consumer Loans 14.0%
- Total Customer Deposits 11.9%
- TL Customer Deposits 10.9%
- FC Customer Deposits 12.8%
- Consumer Demand Deposits 13.4%

¹ Includes Leasing and Factoring receivables
² Includes funds borrowed, sub-debt & securities issued
**MACRO NOTES**

**GROWTH PERFORMANCE IN 2Q18 SIGNALED THE ADJUSTMENT IS UNDERWAY.**

Turkish economy grew by 5.2% (YoY) in 2Q18, down from 7.4% (YoY) in 1Q18. The slow-down in the economy hints the expected rebalancing with a much lower domestic demand contribution supported by a positive contribution from net exports. Private consumption grew by 6.3% yoy in 2Q, led by services and durable goods consumption. Investment expenditures also decelerated by growing 3.9% yoy in 2Q on top of a broad-based worsening in subcomponents. On the other hand, Government consumption accelerated by growing 7.2% yoy in 2Q. In sum, domestic demand gave 4.2pp contribution to growth, including the negative contribution of stocks by 1.7pp; while external demand contribution turned into positive with 1pp after near 3.5pp negative contribution in the previous two quarters. On the supply side, services sector still remained robust with 4.3% growth, while the deceleration in industry and construction was noteworthy with 4.3% and 0.8% growth rates, respectively (down from 8.1% and 6.6%). Agricultural sector, on the other hand, contracted by 1.5%, a negative signal for 3Q when its share is the highest seasonally.

**3Q ACTIVITY DATA SHOWS THE ADJUSTMENT IS GETTING FASTER.**

Industrial Production (IP) grew by 1.7% yoy in calendar adjusted terms in August. Accordingly, in July-August period annual IP growth decelerated to 3.7% from 5.2% yoy in 2Q18. The slowdown was broad-based, but getting clearer in intermediate and durable consumer goods production. As financial conditions became tighter more obviously starting from April; the lagged effects will certainly weigh more from onwards. The decline in manufacturing PMI to 42 (the lowest level since 2009), worsening in capacity utilization and electricity production, the sizable deceleration in credit growth and ongoing strong fall in intermediate goods imports all signal a much more rapid slow-down. Thus, the cool-down in economic activity will become much clearer in the second half of this year as statistical base effects and tightening financial conditions will affect domestic demand negatively. We expect GDP growth to come down to 3.0% in 2018, with downside risks accumulating for 2019.

**CURRENT ACCOUNT DEFICIT (CAD) STARTED TO SHRINK IN 3Q.**

CAD is down to USD51.1bn (6.2% of GDP) in annual terms in August from 57.5bn in 2Q18 (6.5% of GDP) after the first surplus in August since 2015 and the largest monthly current account surplus on record. Also, core CAD, excluding net energy and gold imports, decreased to 0.2bn USD in the same period from 5.8bn USD, which implies a cool-down in economic activity through domestic demand. The main financing items in the July-August period were net error and omissions and CBRT reserves while there was an outflow in portfolio, deposits and credits. Specific to August, the CBRT decision to lower required reserve ratios and change the coefficients of ROM to provide FX liquidity for banks led its reserves to decline fast. Expected slow-down in the economy, continued normalization in gold imports and recovery in tourism revenues could help CAD decrease at the end of year to near USD 40bn levels (5% of GDP). The adjustment would be much more obvious next year and could bring the deficit down to USD 20bn (3% of GDP) by end 2019.

**NEW ECONOMIC PLAN (NEP) SUGGEST AN AGGRESSIVE FISCAL CONSOLIDATION PLAN IN THE SHORT TERM.**

Budget expenditures remained strong mainly due to high personal expenditures and goods and service purchases, while revenues continued to be supportive on one-off revenues such as zoning reform, tax amnesty and paid military service. As of September year-to-date revenues increased by 20% in annual terms and expenditures expanded by 24%. Hence, 12-month cumulative budget deficit reached TL 72.5bn and budget deficit to GDP ratio stood at 2.0% in 3Q18. Primary

![](ANNUAL CONTRIBUTION TO GDP.png)
MACRO NOTES

balance of -0.1% GDP remained at the same level with 2Q18. We expect budget deficit to deteriorate further and close the year at slightly above 2% of GDP. Turkey’s New Economic Program (NEP) suggests an aggressive fiscal consolidation plan in the short term. The Government relies more intensively on the expenditure side (1.3% of GDP savings) while envisages extra revenues equivalent to 0.4% of GDP in 2019. Though, as we assume lower growth rates in the medium term, we think that a higher deficit path compared to the Government estimates is more likely.

TURKEY’S GROSS EXTERNAL DEBT STOCK DECREASED IN 2Q.

Turkey’s external debt stock to GDP ratio decreased to 51.8% in 2Q18 compared to 52.9% of 1Q18 and 53.4% of 4Q17 thanks to the decline mostly in the long term debt (10bn USD decline in total). On the other hand, EU-defined public debt to GDP ratio rose to 29.2% in 2Q18, up from 28.4% of 1Q18 and 28.3% of the end of 2017.

CLIMBING COST-PUSH FACTORS AND ONGOING PASS-THRU LED INFLATION TO HIT WORRYING LEVELS IN 3Q.

Annual inflation climbed to 24.5% in September (the highest figure since June 2003), up from 15.4% in June on top of rapid exchange rate pass-thru after sharp currency depreciation, climbing cost-push factors and high food inflation despite favorable seasonality. Also, core inflation accelerated to 24.05% from 14.6% in June with broad-based worsening. Domestic producer prices (PPI) also surprised on the upside by hitting 46.2% in annual terms in the same period, which will keep cost push factors well alive over consumer prices in the short term. Risks are now clearly on the upside for inflation in the short term, given the lagged effects of exchange rate pass-thru, latest utility price hikes and climbing cost pressures. However, after the upside surprise on inflation data in September, Treasury and Finance Ministry announced a new set of measures to fight inflation. Depending on the success of the program, there could be downside risk on our year-end forecast. Assuming no additional negative currency shock, we estimate the year-end inflation to be near 24% in 2018.

CENTRAL BANK (CBRT) KEPT ITS STANCE TIGHTER AGAINST WORSENED INFLATION OUTLOOK IN 3Q.

The Central Bank (CBRT) surprised on the upside and hiked its policy interest rate (one-week repo) by 625bps to 24.0% in September meeting. The decisions from the CBRT do not only contribute to fight against inflation and inflation expectations but also supports financial stability by decreasing the pressures over the currency. Thus, the CBRT reinforced its stance on inflation worries in the short term and took a solid step to restore credibility against rapidly worsening inflation expectations. Though, given the upside surprise on inflation data in September, the potentially high deviation in future inflation expectations might need to be tackled by even tighter monetary policy.

TURKISH FINANCIAL ASSETS STARTED TO STABILIZE IN SEPTEMBER.

After the high volatility on the back of rising concerns over deepening macro imbalances, elevated uncertainty on corporate defaults, escalation in geopolitical risks and the overall worsening in global financial markets in the eve of tightening financial conditions and uncertainties from trade protectionism, Turkish financial assets started to stabilize on the back of the right steps in both monetary and fiscal policies. After depreciating 44% till the end of August compared to the end of 2Q, TL appreciated close to 9% against currency basket in September. 10-year benchmark bond yield which was at 19.25% at the end of 2Q18 climbed up to 21.8% by end August, but then eased to 17.9% by end September.

### CPI Core Inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>CPI</th>
<th>Core Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>09.14</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>01.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>05.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>09.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>01.16</td>
<td></td>
<td></td>
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<tr>
<td>05.16</td>
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<td></td>
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<tr>
<td>09.16</td>
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<td>01.17</td>
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<tr>
<td>01.18</td>
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<td></td>
</tr>
<tr>
<td>05.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>09.18</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CORE INFLATION AND CPI (Y0Y)**

![Graph showing core inflation and CPI from 2014 to 2018 with core inflation consistently above CPI](chart.png)
STOCK MARKET DEVELOPMENTS

3Q18 MARKET RECAP

In the third quarter of the year, global equities rose for the second straight quarter on the back of robust U.S. economic data. However, the two risks (trade-wars and Italy’s macro-political uncertainty) remain and the currency turmoil in emerging markets bear close watching.

US equities significantly outperformed other developed markets. Economic growth and earnings continued to remain robust overshadowing concerns around US-China trade war. The S&P recorded approximately 7% gain during the quarter and ranked by far the best performing index of the developed markets. Unemployment continued to decrease ending the quarter at a historically low 3.9%. Considering supporting U.S. economic data, the Fed raised its outlook for the U.S. economy and revised the fed funds rate upward by another 0.25%. Another rate increase is signaled for the December FOMC meeting.

Eurozone equity gains were modest. European equities ended the quarter in a positive territory, supported by resilient macroeconomic data. Banks were generally weaker amid concerns over exposure to emerging markets as well as worries over the Italian budget. Italy’s higher than expected budget proposal of 2.4% weighed on European equities.

Emerging markets equities closed flat in the third quarter due to risk-off investor sentiment. Continued U.S. dollar strength and the U.S.-China trade dispute coupled with fears of contagion stemming from weaker EM countries, namely Turkey and Argentina. EM currency turmoil which began in Turkey and Argentina led to a general financial market stress across a wider range of countries. On the other hand, Russia outperformed amid rising oil prices and increasing earnings expectations. Oil price continued to rise approaching a four-year high. Turkey was again the weakest-performing equity market in the region amid a sharp sell-off in the lira.

On domestic front, Turkish Lira plunged further as geopolitical tensions with the US worsen ongoing concerns over the wide current account deficit, high inflation and central bank independence. Currency depreciated against USD by 31% QoQ on top of 21% in the first half.

September inflation print came in substantially higher than expectations bringing YoY inflation to 24.5%. Despite the concerns, Central Bank hiked the one-week repo rate by 625bp to 24.0% significantly above consensus expectations. The Ministry of Economy introduced the New Economic Program (NEP) to rebalance the Turkish economy during 2019-2021 through fiscal discipline and transformation in manufacturing and exports with a value-added perspective.

STOCK MARKET PERFORMANCE IN SELECTED COUNTRIES (IN US$)

As of Sep-end, quarterly changes

<table>
<thead>
<tr>
<th>MSCI Indices</th>
<th>Close</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>POLAND</td>
<td>8.9%</td>
<td></td>
</tr>
<tr>
<td>MEXICO</td>
<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>BRAZIL</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>EASTERN EUROPE</td>
<td>4.9%</td>
<td></td>
</tr>
<tr>
<td>HUNGARY</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>LATIN AMERICA</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>RUSSIA</td>
<td>3.7%</td>
<td></td>
</tr>
<tr>
<td>EM BANKS</td>
<td>-0.4%</td>
<td></td>
</tr>
<tr>
<td>EM</td>
<td>-2.0%</td>
<td></td>
</tr>
<tr>
<td>INDIA</td>
<td>-2.7%</td>
<td></td>
</tr>
<tr>
<td>EMEA</td>
<td>-2.7%</td>
<td></td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>-5.2%</td>
<td></td>
</tr>
<tr>
<td>CHINA</td>
<td>-8.5%</td>
<td></td>
</tr>
<tr>
<td>TURKEY</td>
<td>-20.7%</td>
<td></td>
</tr>
</tbody>
</table>

LOCAL & GLOBAL INDICATORS

(As of Sep-end)

<table>
<thead>
<tr>
<th>Index</th>
<th>Close</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>US 10Y</td>
<td>3.06</td>
<td>7.0%</td>
</tr>
<tr>
<td>USD Index</td>
<td>95.1</td>
<td>0.7%</td>
</tr>
<tr>
<td>EUR/USD</td>
<td>1.16</td>
<td>-0.7%</td>
</tr>
<tr>
<td>USD/TRY</td>
<td>6.06</td>
<td>31.9%</td>
</tr>
<tr>
<td>EUR/TRY</td>
<td>7.03</td>
<td>31.0%</td>
</tr>
<tr>
<td>NYMEX</td>
<td>73.3</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Brent</td>
<td>82.7</td>
<td>4.1%</td>
</tr>
<tr>
<td>Gold</td>
<td>1190.9</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>25.82</td>
<td>34.1%</td>
</tr>
<tr>
<td>TR 5Y CDS</td>
<td>377</td>
<td>24%</td>
</tr>
</tbody>
</table>
DEVELOPMENTS IN TURKISH BANKING SECTOR

Turkish Banks continued to successfully rolled-over their syndications in 3Q18, US$ 1.7 billion equivalent* amount was secured as syndicated loans in the quarter. Syndication roll-overs of Eximbank, Isbank and TEB were also successfully completed in October.

Vakıf, Halk and Eximbank announced their TL sub-debt issuances in September:

• Vakıfbank issued a TL5bn fixed-rate Tier-I subordinated debt with an early redemption option after 5 years.

• Halkbank announced that the Bank issued a TL2.98bn fixed-rate subordinated debt with a 10-year maturity. Note that, this is third TL subdebt issuance of the bank. The first one was issued in 4Q17 (TL3bn) and the second one was issued in July 2018 (TL5bn).

• Eximbank announced that the bank has issued a TL3bn fixed-rate subordinated debt with a 10-year maturity and an early redemption option after 5 years.

Isbank and Halkbank decided to initiate a share buyback program for their maximum 130 million and 70 million shares, respectively. Accordingly, as of quarter-end, Isbank has bought back 79.6 million shares.

CBRT ACTIONS DURING THE QUARTER

• In the third quarter, CBRT further tightened the monetary policy by 625 bps in order to support price stability. Following the move, as of the end of September, policy rate, which is determined as one week repo rate reached 24%.

• On August 6th, CBRT reduced the upper limit for the FX maintenance facility from 45% to 40% within the ROM, providing approximately USD2.2bn liquidity in the system. Tranches have been determined as follows:

<table>
<thead>
<tr>
<th>New FX Facility Tranches (%)</th>
<th>Reserve Option Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20</td>
<td>1.0</td>
</tr>
<tr>
<td>20-25</td>
<td>1.4</td>
</tr>
<tr>
<td>25-30</td>
<td>1.7</td>
</tr>
<tr>
<td>30-35</td>
<td>2.1</td>
</tr>
<tr>
<td>35-40</td>
<td>2.5</td>
</tr>
</tbody>
</table>

• On August 13th, CBRT announced that banks will be able to borrow FX deposits in one-month maturity in addition to one-week maturity. In addition, banks’ FX deposit limits of around USD 50 billion may be increased and utilization conditions may be improved if deemed necessary.

• CBRT increased the “interest rate cap” and “overdue interest rate” on credit card transactions for 4Q18; TL rates came to 2.25% and 2.75% from 2.02% and 2.52% per month, respectively; and FX rates came to 1.80% and 2.30% from 1.62% and 2.12% per month, respectively.

• CBRT raised Turkish banks’ remuneration rate of the TL required reserves to 13% from 7%.

RATING ACTIONS DURING THE QUARTER

• Moody’s has revised down the credit ratings of 18 Turkish banks, following the Agency’s decision to place Turkey’s ratings from Ba2 to Ba3 on August 17, 2018.

• Fitch has revised the credit ratings of 20 Turkish banks, following the Agency’s decision to revise down Turkey’s ratings from “BB+” to “BB” on July 13, 2018.

• S&P has revised the credit ratings of 6 Turkish banks, following the Agency’s decision to revise down Turkey’s ratings from “B+” to “BB-” on August 17, 2018.

• JCR maintained Turkey’s credit ratings at investment grade, while revising down the rating outlook from “Stable” to “Negative” on August 14, 2018. Accordingly, the Agency has revised the credit rating outlook of 9 Turkish banks.

REGULATORY DEVELOPMENTS DURING THE QUARTER

• According to a decision published in the Official Gazette on 31 August 2018, tax on the TL deposit income has reduced while tax on the FX deposit income has increased for...
all maturity brackets. The regulation will be valid for the next three months.

• As of August 14th, BRSA temporarily allowed banks to convert FX credit risk exposures with maximum of following two; (i) June 30, 2018 FX rate and (ii) 252 day average of CBRT FX bid rates. Also, as from August 14th, MtM losses will not be included in CET1 capital.

• BRSA limited Turkish banks’ wrong way swaps, options, spot and forward transactions with foreign counterparties by not allowing a level exceeding 25% of the bank’s regulatory capital. While calculating the ratio of 25%, the 75% of the total transaction amount with a maturity from 90 to 360 days and 50% of the total transaction amount with a maturity of 360 days and more shall be considered.

• The Banks Association of Turkey (TBB) announced that Turkish companies with a total outstanding debt more than TL100mn will be eligible for restructuring. In order to benefit from the restructuring, no legal proceedings should have been started against them by creditors. 30% of the total number of the creditors and 75% of the total receivables is sufficient for the restructuring decision.

• Communique regarding conversion of FX based contracts to TL has gone into effect. The regulation cannot be applied to non-residents, the offices, representative offices and entities with 50% foreign ownership as well as entities located in free trade zones. Accordingly, companies cannot have FX contracts unless they (1) have agreements in relation to securities regulated by the Capital Markets Board (2) have agreements covering sale, purchase and leasing of movable properties, excluding cars and construction equipment (3) have independent constructor agreement regarding the construction, maintenance and repair of vessels (4) have agreements regarding the sale of software developed abroad as well as license and service agreements regarding hardware and software (5) have agreements executed by public institutions and agreements executed by the subsidiaries of the Turkish Armed Forces Foundation.

• According to a decision published in the Official Gazette on 4 September 2018, Turkish resident exporters are obliged to bring proceeds into Turkey and minimum 80% of the proceeds must be converted in TL at a Turkish bank. The regulation will be valid for the next six months.

• BRSA published a regulation on loan assessments. Lenders can extend maturities, refinace loans and extend new loans. Moreover, the minimum migration period of Stage 2 loans to Stage 1 is reduced from 1-year to 3-months.

• BRSA restricted consumer loan installment periods. Consumer loans are not permitted to exceed 36 months, whereas such limit is 48 months for auto loans and loans secured with autos and six months for loans granted for purchases of cell phones, tablets and computers.

NPL SALES DURING THE QUARTER

• YKB sold its TL 367 million NPL portfolio receivables for TL 19 million.

• Fibabank sold its TL 306 million NPL portfolio receivables.

Selected Sector Figures (TL Million)

<table>
<thead>
<tr>
<th></th>
<th>29/06/2018</th>
<th>28/09/2018</th>
<th>YtD</th>
<th>∆</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Deposits</td>
<td>1,896,590</td>
<td>2,123,882</td>
<td>25.3%</td>
<td></td>
</tr>
<tr>
<td>Bank Deposits</td>
<td>126,369</td>
<td>124,828</td>
<td>-2.9%</td>
<td></td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>1,740,221</td>
<td>1,999,054</td>
<td>24.1%</td>
<td></td>
</tr>
<tr>
<td>TL Deposits</td>
<td>942,241</td>
<td>973,383</td>
<td>8.6%</td>
<td></td>
</tr>
<tr>
<td>FC Deposits (US$ mn)</td>
<td>185,542</td>
<td>171,914</td>
<td>-7.9%</td>
<td></td>
</tr>
<tr>
<td>Customer Demand Deposits</td>
<td>336,412</td>
<td>381,294</td>
<td>13.5%</td>
<td></td>
</tr>
<tr>
<td>Total Loans</td>
<td>2,102,876</td>
<td>2,284,762</td>
<td>21.5%</td>
<td></td>
</tr>
<tr>
<td>TL Loans</td>
<td>1,391,508</td>
<td>1,372,400</td>
<td>-1.4%</td>
<td></td>
</tr>
<tr>
<td>FC Loans (US$ mn)</td>
<td>156,018</td>
<td>153,101</td>
<td>-1.9%</td>
<td></td>
</tr>
<tr>
<td>Consumer Loans (excl. Credit Cards)</td>
<td>401,944</td>
<td>398,317</td>
<td>0.9%</td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>186,768</td>
<td>183,707</td>
<td>1.7%</td>
<td></td>
</tr>
<tr>
<td>Auto</td>
<td>6,061</td>
<td>5,574</td>
<td>-7.7%</td>
<td></td>
</tr>
<tr>
<td>General Purpose Loans*</td>
<td>209,113</td>
<td>209,036</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td>Credit Cards</td>
<td>120,981</td>
<td>129,673</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td>TL Business Banking Loans</td>
<td>868,583</td>
<td>844,410</td>
<td>-3.1%</td>
<td></td>
</tr>
<tr>
<td>Loans / Deposits</td>
<td>110.9%</td>
<td>107.6%</td>
<td>-3.0%</td>
<td></td>
</tr>
<tr>
<td>Gross NPL</td>
<td>67,607</td>
<td>77,586</td>
<td>30.5%</td>
<td></td>
</tr>
<tr>
<td>NPL ratio</td>
<td>3.1%</td>
<td>3.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPL coverage</td>
<td>72.1%</td>
<td>69.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross NPL in retail loans (excl. Credit Cards)</td>
<td>27,354</td>
<td>30,791</td>
<td>21.7%</td>
<td></td>
</tr>
<tr>
<td>NPL ratio in retail loans</td>
<td>3.4%</td>
<td>3.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross NPL in credit cards</td>
<td>7,110</td>
<td>7,432</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>NPL ratio in credit cards</td>
<td>5.6%</td>
<td>5.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX Position, net (US$ mn)</td>
<td>253</td>
<td>1,269</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BRSA weekly sector data, commercial banks only

DEVELOPMENTS AT GARANTI

AWARDS & RECOGNITIONS

Awarded as “THE BEST RETAIL BANK OF TURKEY” by World Finance Magazine.

Received “THE BEST RETAIL BANK OF EUROPE” award from European CEO Magazine for its customer experience, digital transformation in its branches, innovative projects and solutions such as instant shopping credit for e-trade sector.

Recognized among “MOST HONORED” institutions as the only bank from Turkey in Institutional Investor Magazine’s survey of 2018 Emerging EMEA Executive Team Leaders. Among financials, our CEO ranked second in the category of “BEST CEO” as the only CEO from Turkey in the top 3 & Head of Investor Relations, ranked first as “BEST IR PROFESSIONAL” in the region.

Honored as “BEST BANK FOR SUSTAINABLE FINANCE IN CEE” in Euromoney Excellence Awards.

Received “OPERATIONAL EXCELLENCE” award from KBC Belgium for achieving high quality straight through processing (STP) volumes for Euro payments.

Commercial Cards VCF4 project awarded as “THE MOST INNOVATIVE VISA COMMERCIAL CARD PRODUCT” in Vizyonist 18 event that is organized by Visa. VCF4 system enables firms’ accounting teams to monitor workers’ spending via Visa corporate cards in detail.

Cash Management Sales & Marketing Team received “BRONZE STEVIE” in 2018 Global Best Customer Service Category.

Cash Management and Transaction Banking’s Business Development team recognized as “BUSINESS DEVELOPMENT DEPARTMENT/TEAM OF THE YEAR” by Best in Biz Awards.

Garanti Asset Management was named as “BEST INVESTMENT MANAGEMENT COMPANY” of Turkey by World Finance.


Garanti Mobile Banking App has been awarded with a “GOLD STEVIE” in the category of Best Banking Application in the Financial Services & Banking.

Garanti Bonus platform became “LOVEMARK” for 9th time in Turkey’s Most-Loved Brands (Lovemarks) Survey by Mediacat and Ipsos. Furthermore, Bonus was selected as “THE COOLEST BRAND OF THE YEAR” in credit card category in the COOL Brand Survey by Marketing Türkiye and Roamler Türkiye.

Contributed to “Sustainable Development Goals (SDG) Bonds and Corporate Finance - Road Map to Mainstream Investments Report” prepared by UN Global Compact Action Platform on Financial Innovation for the SDGs.

Digital Approval on corporate tablet is introduced to support the paperless workplace initiative. Accordingly, our customers can digitally approve their GPL & Overdraft Contracts, Savings Account Openings, Bundled Products Contracts for Retail and SME customers, Investment Trading Contracts, Pension Contracts and Insurance Policies.

Garanti Women’s Turkish Wheelchair Basketball Championship was organized with Garanti Bank’s sponsorship.

The concert program of the fall season within the scope of Garanti Jazz Green was announced.
DEVELOPMENTS AT GARANTI

**DID YOU KNOW?**

Became the **only company from Turkey** qualified to be included in the **DOW JONES SUSTAINABILITY EMERGING MARKETS INDEX** for four consecutive years.

Launched SMS Custom Tax Payment Service, which offers a faster and user friendly tax payment experience.

Executed **TURKEY’S FIRST GREEN CORPORATE LOAN AGREEMENT** for meeting the operational capital needs of the borrower. Companies using the Green Loan are expected to improve or at least retain their initial sustainability performance during the loan life.

Became **“THE GREEN FACILITY AGENT”** of Turkey’s first Green Project Finance Loan. Green facility agent tracks sustainability performance of company throughout the loan term.

Introduced **“REMOTE SALES”** facility in branches. Sales personnel are now able to start secured/verified phone calls with their customers leading to a truly lean product/service offering processes completed with digital signature in channels.

Redesigned Mobile and Online services for SME CUSTOMERS;

- Cash Flow can be tracked via Money-In and Money-Out tabs while a general summary can easily be viewed by Overview tab.
- Products and accounts such as POS, Check and Credit Card which are very critical for businesses can be viewed on dashboard and detailed information can be accessed easily.
- POS transactions can be displayed for the following 120 days and money to be deposited can be checked for a specific date.
- Customers can track their financial transactions with weekly calendar.

**GARANTI ASSET MANAGEMENT** launched its **first Foreign Currency priced & traded mutual funds** for investors who want to invest their savings in foreign currency assets. The portfolios can consist of Eurobonds, Gold & Term Deposit and Foreign Traded Funds investment products.

**DEVELOPMENTS AT GARANTI**

**DIGITAL BANKING**

The number of active digital banking customers reached **7 million**. Additionally, active mobile banking customers are over **6 million**.

**MILES&SMILES CREDIT CARD** agreement between Garanti Bank and Turkish Airlines has been extended until 2023.
CONTACT

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Note: Net Promoter Score research is conducted by independent research agency Ipsos for Garanti Bank. According to the research results, Garanti has the highest Net Promoter Score, among retail customers representing its own profile, compared to peer group. Peer group consists of Garanti Bank, İş Bank, Akbank, Yapı Kredi Bank, QNB Finansbank and Denizbank. Research was conducted between October ’17 and January ‘18. Main bank customers, who have communicated with the banks over the last 3 months, surveyed face to face in the representative cities of Turkey by quota sampling. Score is calculated as a weighted average of retail segments’ scores.