



GARANTI BANK
INVESTOR RELATIONS

STOCKWATCH 4Q 2018



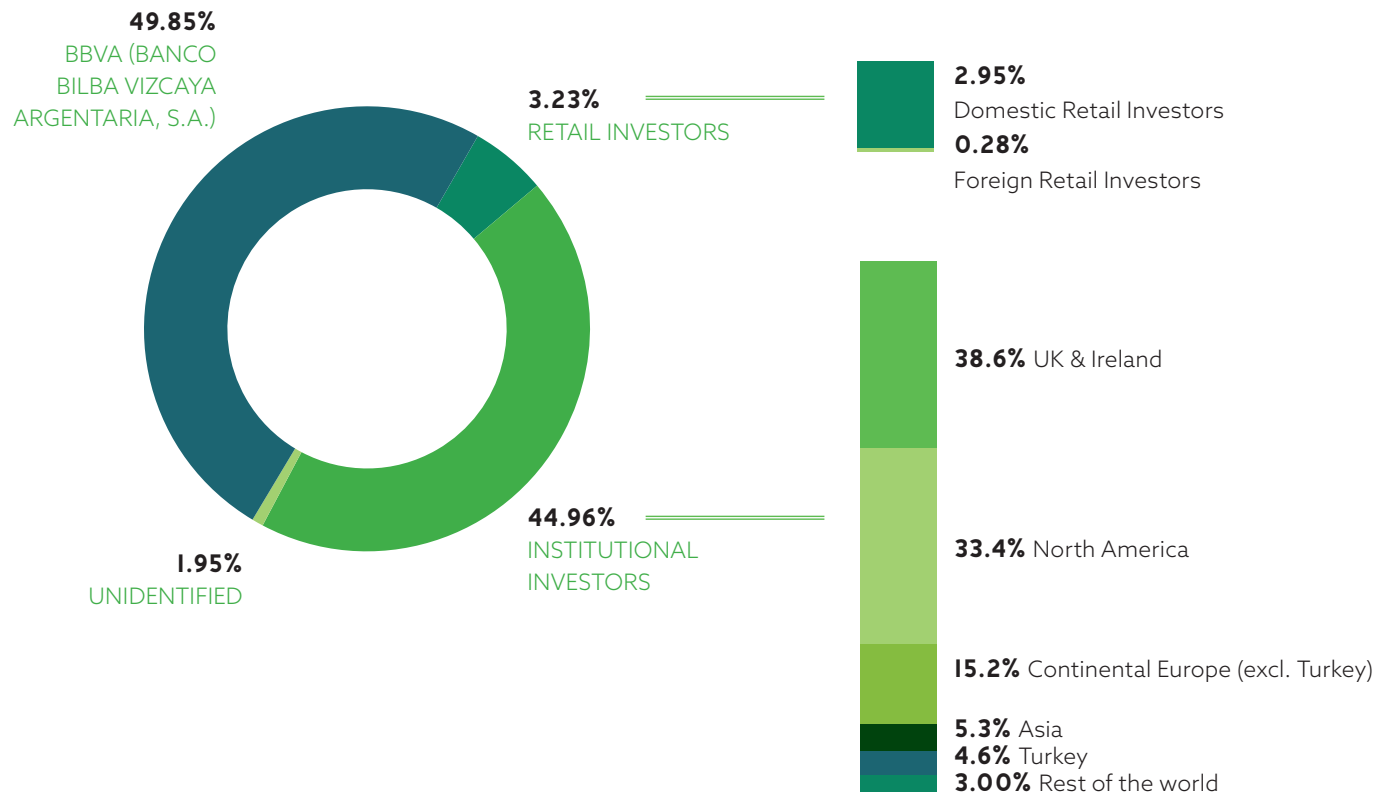
GARANTI SHARE

Established in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets of TL 399.2 billion (USD 75.7 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 50.07% in Borsa Istanbul as of December 31, 2018.

SHAREHOLDERS FROM 37 COUNTRIES



Note: Institutional investors and retail investors' composition data was based on IPREO Shareholder ID Analysis dated December 2018.

GARANTI SHARE

1990

Listed on
BORSA ISTANBUL (BIST) Turkey
since 1990

1993

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

2012

Trades on
OTCQX INTERNATIONAL PREMIER
since 2012

OTCQX TICKER
TKGBY

RANKING ON OTCQX IN 2018
#30 per Market Capitalization
#61 per US\$ Turnover
#42 per Volume



**MOST VALUABLE BANK IN TURKEY
AND MOST LIQUID STOCK IN BIST**

\$ 6.3 BN
MCAP

8%
WEIGHT IN BIST

**LARGEST FLOATING
MCAP AMONG
BANKING STOCKS**

Actual free float:
50.07%

**MOST INVESTED
BANKING STOCK BY
FOREIGNERS**

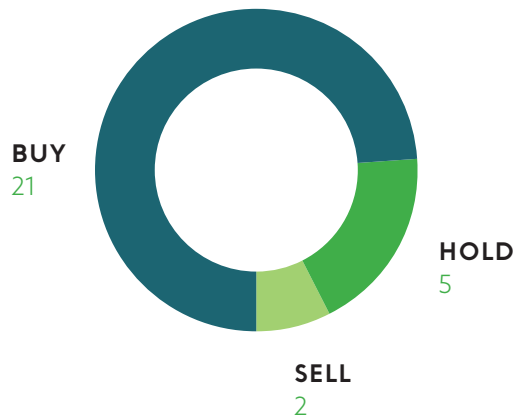
Foreign Ownership
in free float: 88%

\$165 MN
DAILY TURNOVER

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 December 2018, 21 analysts had "BUY", 5 analysts had "HOLD" and 2 analysts has "SELL" recommendation on Garanti stock.



SELECTED ANALYST COMMENTS

CITI

We see Garanti as the industry benchmark on revenue and cost efficiency and, along with its high free funds base, it commands one of the highest ROAs in the system.

JPM

BBVA, as a core shareholder with a ~50% stake, offers stability for Garanti's long-term goal to maintain one of the leading positions in the Turkish banking sector.

AUTONOMOUS

Garanti's solid operating profitability creates ample room to absorb unexpected provision charges.

HSBC

Garanti's stronger balance sheet should enable it to absorb rising NPLs with less pressure on ROE than peers.

SOCIETE GENERALE

Garanti remains the benchmark bank in Turkey, and we expect it to manage the downturn effectively and without external assistance. Strong capital and prudent provisioning should set Garanti in good stead to grow EPS once a recovery takes hold.

BOFA ML

Garanti remains our only Buy-rated bank owing to its leading positions in capital, coverage and profitability.

PERFORMANCE INDICATORS



CUSTOMER EXPERIENCE

NET PROMOTER SCORE

HIGHEST

among peer group

GROW CUSTOMER BASE
EFFECTIVELY

~ 16.4 MILLION

customers chose
Garanti

NUMBER OF ATMs

5,258

NUMBER OF BRANCHES

936

100% Geographical
Coverage



HUMAN CAPITAL

EMPLOYEE
ENGAGEMENT SCORE

67

Employee Engagement Score
outperforms sector

AVERAGE HOURS OF
TRAINING PER EMPLOYEE

47 HOURS

NUMBER OF EMPLOYEES

18.3 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

~ 7.3 MILLION

Increased by 22% 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 **1.7%**

ROAE **15.0%**

NPL **5.2%**

CAR **16.5%**

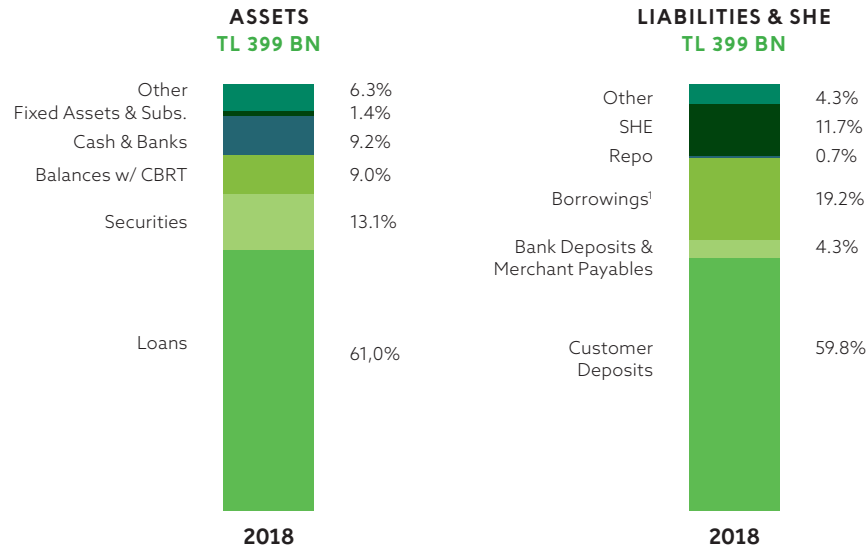
CET-1 **14.2%**

COST / INCOME

36%

FACTSHEET

COMPOSITION OF ASSETS AND LIABILITIES



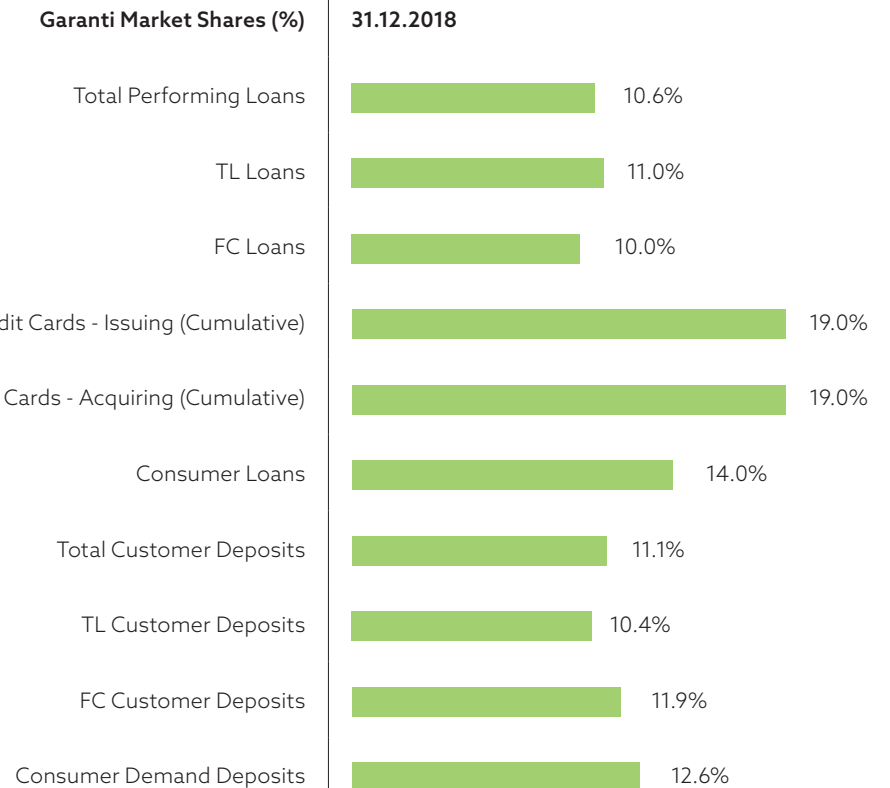
SUMMARY P&L

TL MILLION	2018	
(+)	NII including Swap costs	17,934
(+)	Net Fees & Comm.	5,103
(-)	Net Expected Loss	-7,031
(-)	OPEX	-8,769
=	CORE OPERATING INCOME	7,237
(+)	Net Trading & FX gains/losses	1,797
(+)	Other income	1,298
	(+) Gains on asset sale	126
	(+) Garanti Pension - Insurance Premiums	719
	(+) Other	453
(-)	Taxation and other provisions	-3,626
	(-) Free Provision	-1,090
	(-) Taxation & Other Provision	-2,536
=	NET INCOME	6,707

¹ Includes Leasing and Factoring receivables

² Includes funds borrowed, sub-debt & securities issued

MARKET POSITION



MACRO NOTES

REBALANCING IN THE ECONOMY CRYSTALLIZED IN 3Q18.

Turkish Economy grew by 1.6% in annual terms in 3Q18. Seasonally and calendar adjusted quarterly growth rate turned to be negative with -1.1%, which signals that the adjustment in the economy becomes faster. Domestic demand gives the lowest contribution to growth since 2009 with only 0.4pp contribution to growth and if stocks are also included, its contribution becomes sizably negative with 5.2pp. Private consumption grew only 1.1% in annual terms; while investment expenditures contracted by 3.8%, mainly on machinery and equipment. All in all, the adjustment in domestic demand was compensated by a sharp reversal of external demand (6.7 pp contribution), due to sizable contraction in imports and relatively stronger performance of exports.

ADJUSTMENT IN ECONOMIC ACTIVITY GAINS MOMENTUM IN 4Q18.

Industrial production (IP) contracted by 6.1% during October-November period after its 1.6% growth in 3Q18. The continuation of the sharp worsening especially in the intermediate goods seems to weigh on production in the coming months. Besides, the worsening performance

of the exporting sectors could be a risk factor, given the continuation of the sizable fall in intermediate goods imports. On the other hand, the recent supportive policies and some stabilization in loans contraction could provide some buffer against further deterioration. Our monthly GDP indicator nowcasts a contraction of 1.3% yoy growth in December (with 47% info) which is still consistent with our 3% 2018 GDP growth estimate but with some downside risks. We maintain our 2019 GDP growth forecast at 1%.

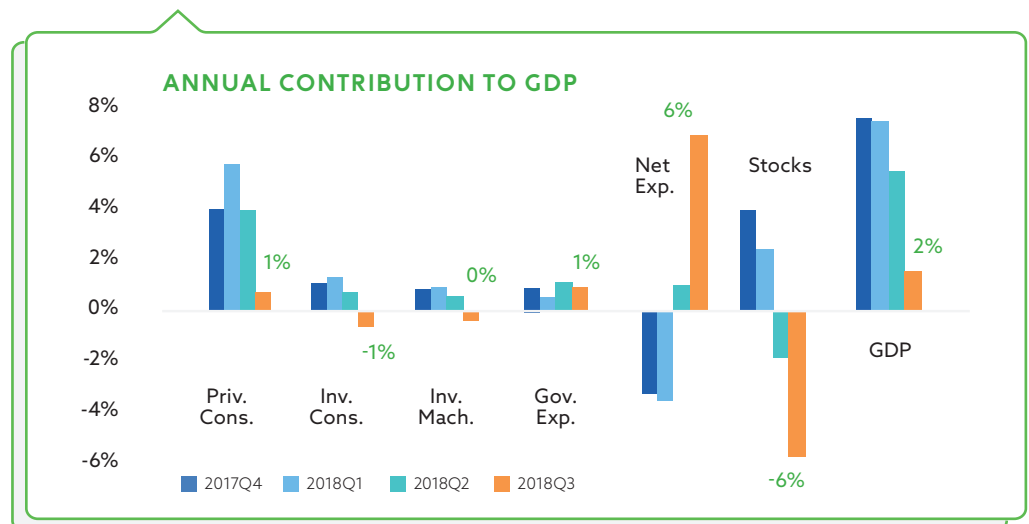
CURRENT ACCOUNT DEFICIT (CAD) CONTINUED TO SHRINK IN 4Q18.

Current account balance (CAB) gave its fourth consecutive month's surplus in November, bringing the 12-month deficit to 33.9 bn USD (4.3% of GDP) down from 45.9bn USD (5.5% of GDP) in 3Q18. The cool-down in the economy, still supportive tourism revenues and recent ease in oil prices are the main reasons on the continuation of the shrinkage in the deficit. On the financing side, the main items in yearly terms were CBRT reserves and net error and omissions, while there was an outflow in portfolio flows and net other investment. We expect the 12-month deficit to close the year at near 28.3bn USD (3.6% of GDP) and continue to decline further to USD 16.4bn (2.2% of GDP) by end 2019.

BUDGET FIGURES CLOSED 2018 IN LINE WITH THE GOVERNMENT'S TARGETS.

Budget expenditures remained strong mainly due to high personnel 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 in 4Q18. Hence, Central Government budget gave a deficit of TL 72.6bn (1.9% of GDP) by end 2018, while primary balance gave a surplus of TL 1.3bn

(0% of GDP). Looking ahead, the extension of tax incentives, expected poor performance of tax revenues on the cool-down in the economy and initially unbudgeted compensation for the employees could weigh on the budget performance. On the other hand, the extension of zoning reform till July 2019 and higher than expected profit transfer from the Central Bank (CBRT) could provide some buffer against further deterioration. All in all, we expect budget deficit at 2.2% of GDP by end 2019, slightly higher than New Economic Program (NEP) forecast of 1.8%.



MACRO NOTES

TURKEY'S EXTERNAL DEBT STOCK TO GDP INCREASED IN 3Q18.

Turkey's external debt stock to GDP ratio increased to 53.8% in 3Q18 compared to 51.9% of 2Q18 and 53.4% of 4Q17 due to the higher decline in nominal GDP despite the deleveraging in both short and long term debt. Also, EU-defined public debt to GDP ratio rose to 32.6% in 3Q18, up from 29.2% of 2Q18 and 28.3% of the end of 2017.

INFLATION SLOWED-DOWN FASTER THAN EXPECTED IN 4Q18.

Annual consumer inflation closed the year at 20.3%, down from 24.5% in September 2018. Also, annual core inflation retreated to 19.5% from 24.05% on the back of cyclical factors such as currency appreciation, maintenance of tax reductions and price discount campaigns, and weak demand. Looking ahead, higher-than-expected minimum wage hike could bring an additional 1pp upward risk on our baseline scenario, though the price reductions in utility prices could eliminate that impact. We estimate that the headline inflation could stay above 20% in the first half of the year, before decelerating much faster afterwards on base effects and lagged effects of the poor demand. We maintain our year-end inflation estimate at 16% for 2019.

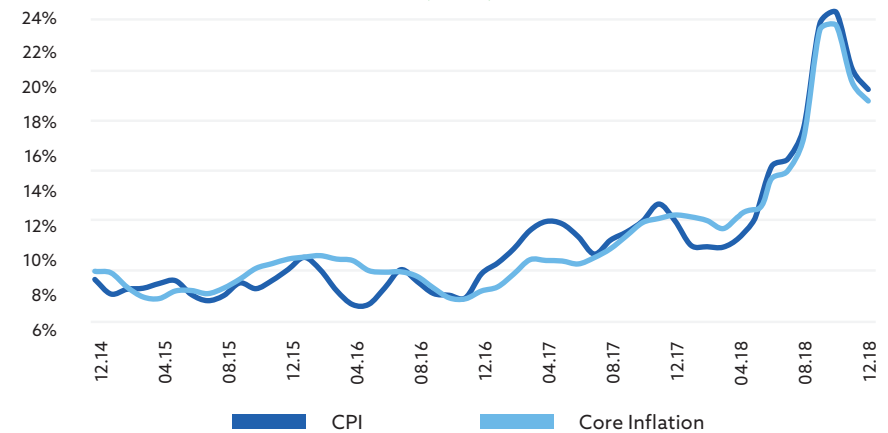
CENTRAL BANK (CBRT) MAINTAINS ITS TIGHT STANCE.

The CBRT maintains its strong stance by keeping its policy rate (24%) unchanged as the inflation outlook is still not promising. High volatility in the markets, uncertainties over the pricing behavior and cost push factors, likely upside risks on food inflation and tobacco prices will probably keep inflation increasing in 1Q (but to a lower extent, by around 1-2pp). We think that the CBRT should wait for June when the negative output gap and diminishing exchange rate pass-thru might result in a deeper decline in the headline inflation, to start a gradual easing cycle as inflation expectations are still above the CBRT's interim targets.

TURKISH FINANCIAL ASSETS STABILIZED IN 4Q18.

Followed by the extreme volatility on both local and external factors mainly till September, Turkish financial assets started to show some stabilization on the back of the right steps in both monetary and fiscal policies and relatively calmer global market conditions. After depreciating near 32% in 3Q18, TL appreciated 13% against the currency basket in 4Q18. 10-year TL benchmark bond yield which was at 17.9% at the end of 3Q18 decreased to 16.4% by end December.

CORE INFLATION AND CPI (YOY)



STOCK MARKET DEVELOPMENTS

4Q18 MARKET RECAP

In the fourth quarter of the year, concerns over global trade and slowdown in economic growth weighed heavily on the markets. Global equities suffered steep declines, posting their worst quarterly returns since 2008.

US equities recorded their largest quarterly loss since 2011 due to fears over economic momentum and slower earnings growth. Stock prices fell as 10 year benchmark rate reached to 3.25%, its highest level since 2011. Plunging oil prices caused the energy sector to be the worst performer. As expected, the Fed raised interest rates by 25 bps to the highest level in decade. On the other hand, economic data released during the quarter indicated a robust growth and unemployment continued to decrease ending the quarter at 48 years low of 3.7%.

European stocks tumble amid global selling and political uncertainty. Slower Chinese growth and Brexit continue to weigh on European markets. Budget negotiations between Italy and EU and protests in France further deteriorated the sentiment. December economic data showed slowdown in business activity at the weakest level in four years. As expected, ECB left the policy rates unchanged and reduced its 2019 growth forecast.

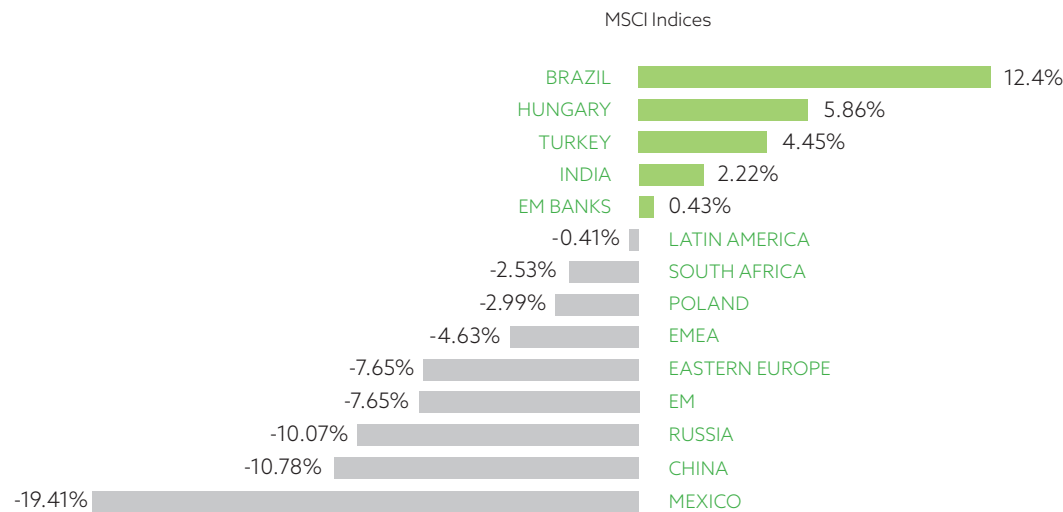
It was a poor quarter for equities and Emerging Markets were no exception. Persisted U.S. - China dispute, rising interest rates and global growth concerns drove investors to safe havens. Although Emerging Market index lost value, it has outperformed the MSCI World. Asia was the worst-performing region mainly due to the fact that global economic slowdown expectation formed potential negative implications for the export-dependent economies.

On domestic front, Turkey declined amid 15-year high inflation of 25.24% in October and slowdown in manufacturing. On currency side, Turkish Lira gained ground against U.S. dollar by 13% in the quarter on the back of improved relations in the U.S. While industrial production and unemployment continue to deteriorate, consolidated budget remains under control in line with the government's target of 1.9%. Although, the economic data released implies

lower than expected growth in the quarter, Central Bank maintained its tight monetary policy stance and left one-week repo rate unchanged at 24.0%.

STOCK MARKET PERFORMANCE IN SELECTED COUNTRIES (IN US\$)

As of Dec-end, quarterly changes



LOCAL & GLOBAL INDICATORS

(As of Dec-end)

	Close	QoQ
US 10Y	2.68	-12.3%
USD Index	96.2	1.1%
EUR/USD	1.15	-1.2%
USD/TRY	5.29	-12.7%
EUR/TRY	6.07	-13.7%
NYMEX	45.4	-38.0%
Brent	53.8	-35.0%
Gold	1282.5	7.7%
Benchmark	19.73	-23.6%
TR 5Y CDS	362	-4.1%

DEVELOPMENTS IN TURKISH BANKING SECTOR

Turkish Banks continued to successfully roll-over their syndications in 4Q18. Total foreign funding equivalent to US\$ 5.1 billion was secured in the quarter.

Akbank announced a rights issue to raise TL3bn on December 5th, 2018. The Bank shared its plans to increase its paid-in capital from TRY4bn to TRY5.2bn where new shares was sold for TRY2.5/share bringing the total capital injection to TRY3bn. The Bank's parent, Sabanci Holding (40.8% stake), fully subscribed and guaranteed to buy unused rights.

CBRT ACTIONS DURING THE QUARTER

- In the fourth quarter, the CBRT continued to maintain its tight stance on monetary policy. The policy interest has been kept at 24% in the two Monetary Policy Committee meetings held this quarter.
- On October 31st, CBRT announced that Turkish Lira currency swap market had been opened at the Central Bank and the transactions would be conducted via quotation method with banks authorized in the Foreign Exchange and Banknotes Market within their pre-determined limits.
- CBRT kept "interest rate cap" and "overdue interest rate" on credit card transactions for 1Q19 unchanged. Accordingly, maximum contractual interest rate stands at 2.25%

for TL and 1.80% for FX. Monthly maximum overdue interest rate stands at 2.75% for TL and 2.30% for FX.

RATING ACTIONS DURING THE QUARTER

On October 1st, following the sovereign rating downgrade in September 2018, Fitch has downgraded 20 Turkish Banks and their subsidiaries' long-term FC credit ratings and viability ratings. Outlook maintained at Negative.

REGULATORY DEVELOPMENTS DURING THE QUARTER

- The Financial Restructuring Framework Agreement (Framework Agreement) was approved by BRSA on 19 September 2018. The Framework Agreement was signed by 28 banks as of December 24, 2018. According to the agreement, if creditors covering two thirds of a syndicated loan, agree to sign a contract with the debtor within the scope of Framework Agreement, then all of the creditors are obliged to restructure the entire loan if needed.
- The BRSA rules of (i) converting FX credit risk exposures with maximum of June 30, 2018 FX rate or 252 day average of CBRT FX bid rates and (ii) MtM losses not being included in CET1 capital when calculating the capital adequacy rates, has been abolished as of

December 27, 2018.

- On November 27, BRSA published an amendment to the regulation on bank cards and credit cards; the installment upper limit for expenditures of airways, travelling agencies and accommodation has been increased to 9 months from 6 months. The maturity of the loans granted for mobile phone purchases is capped with six months. However, maturity for mobile phones up to 3.500 Turkish Liras will be applied as 12 months until 31 January 2019.

NPL SALES DURING THE QUARTER

- Garanti sold its TL 337 million NPL portfolio receivables for TL 17,5 million.
- Akbank sold its TL 446 million NPL portfolio receivables for TL 19,4 million.
- Halkbank sold its TL 76 million NPL portfolio receivables for TL 4,5 million.

OTHER DEVELOPMENTS

192,500,000,000 Class A shares in Türk Telekom owned by Ojer Telekomünikasyon A.Ş. (OTAŞ), representing 55% of Türk Telekom's issued share capital, which were pledged as security for the existing loan facilities of OTAŞ, have been officially taken over by an SPV (special purpose vehicle) owned by the senior secured creditors to OTAŞ.

SELECTED SECTOR FIGURES (TL MILLION)

	29/12/2017	28/12/2018	YoY Δ
Total Deposits	1,694,584	2,021,093	19.3%
Bank Deposits	83,692	112,581	34.5%
Customer Deposits	1,610,892	1,908,512	18.5%
TL Deposits	896,621	991,391	10.6%
FC Deposits (US\$ mn)	189,399	174,941	-7.6%
Customer Demand Deposits	330,678	393,718	19.1%
Total Loans	1,880,026	2,103,595	11.9%
TL Loans	1,296,286	1,323,347	2.1%
FC Loans (US\$ mn)	154,766	148,887	-3.8%
Consumer Loans (excl. Credit Cards)	380,423	383,480	0.8%
Housing	178,486	175,994	-1.4%
Auto	6,243	5,546	-11.2%
General Purpose Loans*	195,694	201,940	3.2%
Credit Cards	112,658	131,590	16.8%
TL Business Banking Loans	803,205	808,277	0.6%
Loans / Deposits	110.9%	104.1%	
Gross NPL	59,438	86,831	46.1%
NPL ratio	3.1%	4.0%	
NPL coverage	79.8%	69.1%	
Gross NPL in retail loans (excl. Credit Cards)	25,292	34,211	35.3%
NPL ratio in retail loans	3.4%	4.5%	
Gross NPL in credit cards	7,299	7,443	2.0%
NPL ratio in credit cards	6.1%	5.4%	
F/X Position, net (US\$ mn)	575	2,764	
on B/S	-46,618	-33,360	
off B/S	47,193	36,124	

Source: BRSA weekly sector data, commercial banks only
* Including other and overdraft loans

DEVELOPMENTS AT GARANTI



AWARDS & RECOGNITIONS

Named as "TURKEY'S BEST DIGITAL BANK" by **World Finance Magazine**.

Received "OPERATIONAL EXCELLENCE AWARD" from **Wells Fargo** for achieving high quality straight through processing (STP) volumes for USD payments.

Garanti Asset Management awarded as the "BEST INVESTMENT BANK OF TURKEY" by **International Finance**.

Our mobile wallet BonusFlaş selected as the "BEST WALLET" IN TURKEY IN "CUSTOMER FOCUS" category on **PSM Awards**.

BonusFlaş, was named the **MARKET LEADER** with its **highest NPS score** for two consecutive years.

Garanti Mobile selected as "TURKEY'S BEST MOBILE APPLICATION" by **World Finance Magazine**.

Garanti Mobile received "SILVER PRICE" in Turkey and the "GOLD PRICE" in the EMEA region (Europe, the Middle East and Africa) in the mobile application category at **Smarties Awards**.

Garanti was granted awards at **Davey Awards** in three important categories. "GOLD PRIZE" for Garanti Mobile assistant "Ugi" in messaging and bots category for digital advertisement and marketing. "SILVER PRIZE" for garanti.com.tr in websites category. "SILVER PRIZE" with Garanti Mobile in mobile properties and user experience category.

Received 1 SPECIAL PRIZE, 1 GRAND PRIZE, 1 CRYSTAL, 1 SILVER AND 1 BRONZE APPLE, a total of 5 awards this year at the 30th annual "Kristal Elma (Crystal Apple) Awards", one of the most prestigious competitions in the world of advertising.



GARANTI AND THE COMMUNITY

Organized "TURKEY'S WOMAN ENTREPRENEUR COMPETITION" for the 12th time, jointly with the **Ekonomist** magazine, and with the support of the **Women Entrepreneurs Association of Turkey (KAGIDER)**, to encourage woman entrepreneurs and tell their stories to everyone in Turkey.

Hosted "BBVA MOMENTUM" program for the second time in Turkey to support social entrepreneurs. In this year, the program is supporting **10 social entrepreneurs** help grow their social businesses in areas such as; finance, communications, technology and decision making.

DEVELOPMENTS AT GARANTI



DID YOU KNOW?

Secured funding with maturities of (i) 367 days, (ii) 2 years and 1 day and iii) 7 years. **The total amount of funding that has been obtained from international markets in 4Q18 totaled US\$1.3 billion.**

JCR **upgraded Garanti's corporate governance rating score to 9.60 from 9.51.** Increase in the score was due to improvements in the Public Disclosure and Transparency Stakeholders and Board of Directors.

Enriched the point of sale product range and launched **ONE STOP SHOP INSURANCE AND LOANS** for motorcycles.

Integrated to the Interbank Gold Transfer System, which is operated by Takasbank, enabling gold transfer among clients electronically via Banks' accounts.

Garanti Mobile users can now access relevant content through the **GARANTI STORIES** section on the application's landing screen. Garanti Stories offers digital product and service promotions, campaigns, tutoring and information specific to customers' needs, with content that helps users in their everyday lives.

Further improved & facelifted foreign currency buy/sell section on Garanti Mobile. New features added to the overall experience include; **29 New Currency Pairs, 25 seconds Currency rate Freeze option, Date & FX Rate Alarms.**

MODULAR STRUCTURE HEALTH INSURANCE service added to Garanti Mobile which allows customers to add or remove any coverages or services.

Garanti Supplier Financing System re-designed in line with needs and demands of corporate customers. With the added functions, it is aimed to contact more customers and provide solutions to enable them to use their working capital even more effectively.

Launched its' first airline agnostic traveling credit card, **SHOP&FLY.**

Launched **DRAGON BONUS BUSINESS CREDIT CARD** in cooperation with UnionPay, one of the largest bankcard networks of the world. The card aims to facilitate businessman doing business in China and enable them to use credit cards for all kinds of their expenditures in the country.

DIGITAL BANKING

The number of active digital banking customers reached **7.3 million.** Additionally, active mobile banking customers reached **6.5 million.**

Despite the recession in the automotive sector, **increased market share among the banks & financed 14,000 vehicle purchases.**

GARANTI ASSET MANAGEMENT

increased its volume in pension funds to **TL 13.5 billion with a market share of 14.5%** and its volume of mutual funds is **TL 4 billion with a market share of 8.8%.**

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.