2019 MACROECONOMIC OVERVIEW AND 2020 OUTLOOK

A YEAR OF REBALANCING WITH DOWNSIDE RISKS

Global economic activity showed a synchronized slowdown in 2019. The main drivers behind this included higher tariffs, commercial and geopolitical uncertainties, and idiosyncratic factors that resulted in deteriorated macroeconomic outlook in some emerging countries. Additionally, low productivity and aging population in developing countries kept contributing to the deceleration. In 2020, growth will possibly lose some pace in developed countries, but will be supported in emerging countries led, in particular, by some countries that performed poorly and grew below their historic averages in 2019 due to country-specific shocks. We anticipate global growth to decline to 3.2% in 2019, which will rebalance and be realized as 3.2% in 2020.

Increased uncertainties resulting from the ongoing trade war between China and the US and geopolitical factors negatively impacted investor confidence, investments and global trade. The US economy registered moderate growth as the fiscal monetary policy came to an end and investments remained weak due to increased trade tensions. On the other hand, the deceleration in the Chinese economy gained speed due to the ongoing trade wars with the US and weakened external demand, in addition to the measures implemented against the growing debt burden. The Eurozone also suffered a negative impact because of the low external demand and political uncertainties (Italy and Brexit). While some of the emerging countries, in particular Argentina, Venezuela, Turkey, Iran and Libya performed poorly due to idiosyncratic factors, others (Mexico, India, Brazil, Russia and Saudi Arabia) also displayed weak performances as compared with the previous years with the effect of the decelerated global activity.

The stress in the financial markets exacerbated especially in connection with trade protectionism and geopolitical tensions. Yet, increased downside risks both on economic activity and inflation led to a more dovish stance with respect to monetary policies by the central banks of developed countries, especially the Federal Reserve (the Fed) and the European Central Bank (ECB). The expansionary effect of the quantitative easing in developed countries caused the central banks in emerging countries to modify their monetary policy stances so as to support the economy. The stress in financial markets was rebalanced thanks to accommodative monetary policy stances. In 2020, we are anticipating the central banks of developed countries to maintain their current stances. Accordingly, we are projecting that the first rate hike from the Fed will come in the first quarter of 2022 and from the ECB in the second half of 2022. Therefore, the financial markets might maintain their accommodative conditions, which might bear a positive effect on the capital flows into emerging markets.

In 2020, we are projecting global economic activity to be supported by the monetary policies that remain accommodative, expansionary fiscal policies in certain countries and the recovery in emerging countries that lived 2019 as a macroeconomic shock. Notwithstanding, we are anticipating moderate economic slowdown to persist in China, USA and Eurozone due to structural problems including the aging population and low productivity, and the normalizing effects of monetary policy.

Global economic outlook continues to have downside risks. More recently the impact of the outbreak spread from China on the global economy is still uncertain. It not only affects the economies through different channels but also limits the risk appetite in the financial markets. On the other hand, increased geopolitical risks, particularly between Iran and the US, the ongoing trade tension between the US and China, the uncertainties regarding the
Chinese economy, the contracted room for maneuvering in monetary policy against potential shocks, long-lived economic stagnation and the climate crisis might continue to put downward pressure on global economic activity.

GRADUAL RECOVERY IN THE TURKISH ECONOMY
The Turkish economy continued to recover gradually in 2019 following the financial shock of August 2018. Additional measures including new credit packages, restructuring and tax incentives, as well as improved confidence environment thanks to tight monetary stance, helped the economic activity recover. Following the contraction in the three previous quarters, economic growth registered positive growth on a quarterly basis in the first quarter of 2019, signaling an exit from recession. Despite the pressure put on financial assets by increased uncertainty due to global factors (trade wars, Brexit, slowdown in China, etc.) and some local factors (local elections, renewal of the mayoral election in Istanbul, and geopolitical risks), the Turkish economy expanded 1.0% and 0.4% in the second and third quarters of 2019, respectively, and thus continued with its gradual recovery.

The Central Bank of the Republic of Turkey (CBRT) cut its policy rate by 425 bps and initiated “front-loaded” easing cycle in its July meeting, enabled by the better-than-expected inflation outlook and the expansionary policies of developed central banks. The policy rate went down to 12% as a result of the respective rate cuts by 325, 250 and 200 bps in September, October and December. Also the CBRT launched a macroprudential policy tool to support economic activity by linking credit expansion and reserve requirements. In addition to ameliorated internal and external financial conditions, positive base effect accelerated the economic activity in the second half of 2019. We are estimating the growth rate of the Turkish economy to be 0.8% in 2019. With the support of the lagging effects of financial conditions, we are anticipating growth to pick up to 4% in 2020.

Inflation, on the other hand, declined much more rapidly than estimates, thanks to the tight monetary policy, continued normalization of food prices, low oil prices and weak demand (negative output gap). Therefore, annual inflation went down from ca. 20% at the onset of the year to 11.8% at year-end 2019 owing to the strong positive base effect and other factors mentioned before. In the absence of a major negative shock, inflation might step down to as low as 8.5% by end 2020. We consider that the CBRT will react according to inflation realizations and projections, and will carry on with measured rate cuts. Therefore, as per our anticipation for disinflation to continue and maintained dovish stance by the central banks of developing countries, we are expecting the CBRT to pull the policy rate down to 9% by year-end 2020.

External balance recuperated rapidly owing to shrunk domestic demand. The positive exports performance backed by the plunged imports coupled with external demand, low oil prices and strong tourism revenues helped the 12-month cumulative current account balance to produce a surplus of USD 1.7 billion corresponding to 0.2% of GDP at the end of 2019. For 2020, we are projecting the surplus to be reversed to a deficit parallel to the recovered economic activity and its ratio to GDP to be around 1%.

As pointed out by the targets covered in the New Economic Program (NEP), the fiscal policy will seemingly adopt a neutral stance with respect to supporting the activity. The Government targeted the ratio of budget deficit to national income to remain flat at 2.9% in 2020 and 2021 before declining to 2.6% in 2022. The budgetary balance further worsened as expenditures remained high and tax revenues dwindled because of weak economic activity in 2019. Yet, transfer of profit and reserve funds from the CBRT restricted the deterioration in the budget deficit. While the budget deficit amounted to TL 123.7 billion corresponding to 2.9% of the GDP at the end of 2019, primary surplus produced a deficit of TL 23.8 billion that corresponded to 0.6% of the GDP. In spite of the anticipated weak performance of non-tax revenues in 2020, we are projecting that as a result of the support to be extended by recovered economic activity to tax revenues and the discipline to be secured in public spending, deterioration of the budget deficit will remain limited, and that the ratio of budget deficit to national income might be registered as 3%.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH ECONOMY
Her dynamic demographic structure, i.e. that it continues to grow and has a young composition when compared to other countries, is one of Turkey’s key strengths. According to TurkStat’s base scenario projections, the population is expected to grow by 1% on average by 2030. As opposed to the negative growth in Europe and the CEE/ME region, the population in Turkey is anticipated to reach 93 million in 2030. In addition to that, median age is 32.3 according to 2019 data, which manifests a highly younger population versus other countries (40 years in developed countries).
Furthermore, with the weak labor force participation rate in women, overall labor participation rate still remains low. These indicate at a possible significant contribution to the Turkish economy in connection with a possible reform in the education system in alignment with the digital age.

Another key strength of the Turkish economy, which is contributed to also by her dynamic population, is made up of the opportunities in several sectors including transportation, energy and tourism stemming from her geopolitical position. Serving as a bridge between Asia and Europe, Turkey’s economy, with a GDP of USD 771 billion, was the 19th largest economy in the world in 2018. Turkey is an important hub in terms of transporting the oil and gas reserves particularly in the Middle East and environs to Europe. The TurkStream Project recently being co-executed with Russia is designed to supply energy to Europe, and mainly to Southern Europe, and shows Turkey’s potential in this respect. The Government’s plans announced in the areas of energy (Turkey Wealth Fund’s intention to take part in the capital asset investments in mining and energy production from national resources), tourism (Tourism Master Plan) and transportation (Logistics Master Plan) will add to the country’s capacity to benefit from the advantages conferred by her geopolitical position.

One of the main challenges Turkey faces is the high dependence of production on intermediate goods imports, which, being in the lower part of the global supply chain, results in both higher trade and current account deficit as the Turkish economy grows. Hence, it is vital for Turkey to attract capital inflows in order to finance the deficit. At present, the current account surplus resulting from cyclical factors might adopt a rapid worsening trend in conjunction with the projected recovery in 2020 in the absence of necessary measures. Nonetheless, the monetary policy is anticipated to remain accommodative for a prolonged period of time as inflation still fails to reach the desired levels in developed economies. The current situation and projections might secure continued capital inflow to developing economies by ensuring the cost of financing and liquidity in financial markets to remain accommodative. Hence arises the opportunity to resolve this area emerging in the short term with structural reforms in the medium term. Striving to take place in the high added-value part of the global value chain will be significant in terms of providing structural transformation in the current account balance. Other important considerations with respect to the solution of the problem include branding, apart from production, and brand management steps. For this purpose, the economy management has already begun implementing some structural reforms such as increasing savings tendencies and lowering intermediate goods imports by replacing them with domestic production. Furthermore, it is a known fact that the current deficit substantially stems from energy dependency. Therefore, pursuing new energy resources and alternative energy (nuclear power plant installation plan) resources will also be supportive in this sense.

Fiscal discipline has long been an important anchor for the Turkish economy when compared with other countries. Hence, the recent rapid expansion of the budget deficit raises concerns about this subject. On the other hand, the general government debt stock to GDP ratio has been meeting the EU Maastricht Criteria of 60% since 2004. For this reason, the implementation of the financial consolidation plan together with the economic recovery we foresee for 2020 might eliminate these concerns. The inflation that increased to double-digit numbers as a result of the recent shocks and increased volatility in inflation pose a challenge with respect to the economy, as they diminish predictability. Still, confidence in the economy will increase to the extent that the latest wins in inflation are maintained with a strong monetary policy and that inflation re-converges on targets.

The real sector’s open FX position that remains high as compared with emerging countries results in vulnerability to external shocks. Concentrating also on this issue, the economy management has initiated certain measures such as non-deliverable TL forward contracts and some limitations of foreign currency loans under a risk exposure of 15 million dollars. Further, the decreased external debt leverage ratio of the private sector in the economic rebalancing period after the exchange rate shock of 2018 also somewhat alleviated the problem. However, the current outlook might increase exchange rate volatility during a turbulence in global financial markets and continue to deepen the vulnerabilities against external shocks. Therefore, together with the program initiated to increase savings, both external financing needs and vulnerabilities in the economy could be diminished as the Government continues to implement the essential structural reforms.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH BANKING SECTOR
The Turkish banking sector is strictly
regulated and highly monitored by two powerful agencies; the Banking Regulation and Supervision Agency (BRSA) and the Central Bank of the Republic of Turkey (CBRT).

According to the BRSA sector data as of December 2019, there are 51 banks operating in Turkey (29 private commercial banks, 3 state-owned deposit banks, 13 development and investment banks, 6 participation banks). The top seven banks, three of which are state-controlled, are holding 70% of the banking sector’s total assets, loans and deposits in Turkey. The current fragmented structure presents future opportunities for mergers and acquisitions between the banks.

Turkey’s 54% of the population is younger than 35 years old and bankable population is only 60%. These are among the key indicators of the growth dynamic of the Turkish banking sector. The Turkish banking sector had a cumulative average growth rate of 11% in total assets since 2002. Sustainable credit growth is considered around 15%, given the population dynamics and the banking penetration levels. However, below-potential growth rates emerged as a result of the decelerated economic activity particularly in the first half of 2019. In 2020, credit demand is expected to pick up with the normalization in inflation and lower lending rates and credit growth is anticipated to reach the order of 15%. According to big data indicators, growth will gain speed first on the consumer side, which will likely be followed by the trade segment from the second half of the year.

Another driver behind the growth of the Turkish banking sector is the high liquidity and solid capital structure of the banks. The Turkish banking sector is in compliance with Basel III guidelines. Capital adequacy ratios strengthened as the volatile exchange rates in 2018 relatively stabilized in 2019. An in-depth analysis of the capital structure of Turkish banks exhibits that the banking sector’s capital is mainly made up of Common Equity Tier I capital (as high as 77%), namely paid-up capital, legal reserves, profit for the period and retained earnings. It is just the opposite, however, for European and US banks.

BRSA has been monitoring the liquidity position of the banks closely. Liquidity Coverage Ratio requires banks to carry high quality liquid asset reserve sufficient to cover their net cash outflows and the ratio is well above the required levels indicating at Turkish banks’ solid liquidity position. Customer deposits constituting 60% of the total assets serve as the main source of funding of the Turkish banking sector. However, average maturities of deposits are mostly 1 to 2 months due to the high inflation/high interest period in Turkey’s past. Given this short-term nature of deposits, maturity mismatch is unavoidable for the Turkish banking sector. As a result, faster deposits pricing occurs versus loan pricing. While this leads to the exposure of the Net Interest Margin (NIM) to short-term pressure when funding costs rise, it lends a positive support to the banks’ margins when costs decrease, as was the case in 2019. Against this volatility in interest rates, the Turkish banking sector invests in CPI-linkers in order to hedge their balance sheets. Despite the increased funding costs in 2018, the Turkish banking sector managed to increase NIM on the back of the returns on these securities. In 2019, however, returns on CPI-linkers dropped as compared to 2018 because of the downtrend in inflation. Yet, NIM was successfully kept flat without the support of the returns on CPI-linkers owing to the contribution lent by decreased funding costs. Also in 2020, higher growth and anticipated rate cuts will possibly support NIM.

The sector funds 18% of its assets from external financing resources. As Turkish banks do not fund their long-term loans such as project finance loans or mortgages with short-term deposits, they turn to long-term borrowings from international markets. While that indicates at the sector’s sensitivity to external developments, the Turkish banking sector’s dependence on external borrowing decreased from 2017 given the slumped demand for long-term FC loans and their redemption, and it will continue to do so. With the contraction of the economy in the first half, stagnated economic activity and ongoing rise in unemployment rate, asset quality continued to be a matter of importance for the sector in 2019. Having started the year with an NPL ratio of 4%, the sector ended the year with 5.3%. However, increased demand and the anticipated revival in economic activity, combined with the downturn in lending rates are expected to lead to improved asset quality in 2020.

In the period ahead, there are several critical factors with respect to rendering the funding and liquidity structure of the Turkish banking sector more resilient and ready for any potential development. Among these are the introduction of initiatives aimed at increasing household savings in the medium term, increasing the depth of capital markets in Turkey, extending the maturities of funding resources, and steps targeted at stabilizing the shift to foreign currency.

---

1 IMF, WEO Database
Source: BRSA monthly data of December 2019 were used for sector data. Population data are based on TurkStat’s Address-Based Population Registration System Results on 31 December 2019.
Established in 1946, Garanti BBVA is Turkey’s second largest private bank with consolidated assets of close to TL 429 billion (USD 72.4 billion) as of December 31, 2019. Garanti BBVA 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.

As of December 31, 2019, Garanti BBVA provides a wide range of financial services to its more than 17.6 million customers with 18,784 employees through an extensive distribution network of 904 domestic branches, 7 foreign branches in Cyprus and one in Malta, and 2 international representative offices in Düsseldorf and Shanghai. Garanti offers an omni-channel convenience with seamless experience across all channels with 5,260 ATMs, an award winning Customer Contact Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Moving forward to maintain sustainable growth by creating value for all its stakeholders, Garanti BBVA builds its strategy on the principles of always approaching its customers in a “transparent”, “clear” and “responsible” manner, improving customer experience continuously by offering products and services that are tailored to their needs. Its competent and dynamic human resources, uninterrupted investments in technology, innovative products and services offered with strict adherence to quality and customer satisfaction carry Garanti BBVA to a leading position in the Turkish banking sector.

Implementing an advanced corporate governance model that promotes the Bank’s core values, Garanti BBVA 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 BBVA has an actual free float of 50.07% in Borsa Istanbul as of December 31, 2019.

Garanti BBVA’s constantly improving business model is driven by its strategic priorities focused on responsible and sustainable development, customer experience, employee happiness, digitalization, optimal capital utilization and efficiency. Its custom-tailored solutions and wide product variety play a key role in reaching TL 322 billion (USD 54.4 billion) performing cash loans and non-cash loans. Garanti BBVA’s capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. Its effective risk management through world-class integrated management of financial and non-financial risks and organizational agility in capturing new opportunities result in sustainable value creation for all its stakeholders.

Moreover, Garanti BBVA creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti BBVA and its stakeholders.
Insider Holdings: The chairman, members of the Board of Directors, the CEO and the Executive Vice Presidents are allowed to own publicly-traded shares of Garanti BBVA in accordance with the limitations set out in Capital Markets Board regulations and the internal regulations of the Bank; their transactions in Garanti BBVA shares are publicly disclosed pursuant to Capital Markets Board regulations.

Note: There is no ultimate non-corporate controlling shareholder holding more than 5% share in the shareholding structure. Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated December 2019; the actual free float ratio and the share of local individual shareholders are all based on Central Registry Agency data.
GARANTI BBVA’S POSITION IN THE BUSINESS AREAS

RETAIL BANKING

INNOVATIVE BANKING EXPERIENCE THAT MAKES A DIFFERENCE

17.1 MILLION RETAIL CUSTOMERS
(based on Garanti BBVA’s definition)

Acquisition of 1.2 MILLION NEW CUSTOMERS compared to 2018

13.1% CONSUMER LOAN MARKET SHARE
(#1 in consumer loans among private peers)

10.6% MORTGAGE MARKET SHARE
(524 thousand people became homeowners with Garanti BBVA)

%10.5 CUSTOMER DEPOSIT MARKET SHARE
(Demand deposits share in customer deposits: 30% vs. sector: 24%)

SME BANKING

INFORMATION AND ADVISORY SERVICES SUPPORTING CUSTOMERS’ DEVELOPMENT

8.4% BUSINESS BANKING LOANS MARKET SHARE

25% SHARE OF SME LOANS IN TL LOANS
(based on BRSA definition)

COMMERCIAL & CORPORATE BANKING

PRIMARY BUSINESS PARTNER OF CUSTOMERS

9.6% FC LOANS MARKET SHARE

28 COMMERCIAL BRANCHES

4 CORPORATE BRANCHES

Note: Market shares are calculated based on BRSA Unconsolidated Financials as of December 31, 2019. BRSA weekly data of December 27, 2019 were used for sector data.

Garanti BBVA Integrated Annual Report 2019
Leader of transformation in the sector, the largest credit card platform with 15 million bonus card users

- **18.7%** issuing market share
  Leader

- **18.1%** acquiring market share

- **7 million** credit card customers
  Leader

- **652 thousand** POS

Focus on financial health, advisory and facilitating customers’ lives

- **8.4 million** digital banking customers
  73% of our active customers use digital banking

- **96%** digital transactions in non-cash financial transactions

- **93%** share of mobile customers in digital customers
  Garanti BBVA Mobile named 2nd Best in Europe for 2 consecutive years¹

  2nd Largest ATM network among private peers with 10% market share

- **1 million people** make cardless transactions via QR code at ATMs

GARANTI BBVA’S POSITION IN THE SECTOR

**ROAA**
Cumulative, 2019

- Garanti BBVA: 1.6%
- Peers: 1.6%

**ROAE**
Cumulative, 2019

- Garanti BBVA: 12.3%
- Peers: 12.3%

**CET-I**

- Garanti BBVA: 17.0%
- Peers: 17.0%

**NIM INCLUDING SWAP COST**
Cumulative, 2019

- Garanti BBVA: 5.3%
- Peers: 5.3%

Note: Figures are per December 2019 BRSA Bank-only financials for fair comparison.
NET FEES & COMMISSIONS / IEA & NON-CASH LOANS

HIGHEST

1.7%

Peers  Garanti BBVA

ASSET SIZE

SECOND HIGHEST

10%

Peers  Garanti BBVA

COST/INCOME¹ RATIO

SECOND LOWEST

36%

Peers  Garanti BBVA

MARKET SHARE IN CONSUMER LOANS

HIGHEST

13.1%

Peers  Garanti BBVA

¹ Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provisions reversals + Income from subsidiaries.
<table>
<thead>
<tr>
<th>ASSETS (TL billion)</th>
<th>PERFORMING CASH LOANS (TL billion)</th>
<th>CONSUMER LOANS*** (TL billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015: 279.6</td>
<td>2015: 170.4</td>
<td>2015: 54.6</td>
</tr>
<tr>
<td>2016: 312.1</td>
<td>2016: 200.1</td>
<td>2016: 61.6</td>
</tr>
<tr>
<td>2017: 356.3</td>
<td>2017: 228</td>
<td>2017: 69.9</td>
</tr>
<tr>
<td>2018: 399.2</td>
<td>2018: 243.5</td>
<td>2018: 73.3</td>
</tr>
<tr>
<td>2019: 428.6</td>
<td>2019: 259.2</td>
<td>2019: 78.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEPOSITS (TL billion)</th>
<th>SHAREHOLDERS EQUITY (TL billion)</th>
<th>NET INCOME (TL billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015: 156.1</td>
<td>2015: 31.2</td>
<td>2015: 3.6</td>
</tr>
<tr>
<td>2016: 178.7</td>
<td>2016: 35.8</td>
<td>2016: 5.1</td>
</tr>
<tr>
<td>2017: 200.8</td>
<td>2017: 41.6</td>
<td>2017: 6.4</td>
</tr>
<tr>
<td>2019: 277.3</td>
<td>2019: 54.1</td>
<td>2019: 6.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MARKET CAPITALIZATION (TL billion)</th>
<th>DIVIDEND PAYOUT RATIO (%)</th>
<th>EARNINGS PER SHARE (in TL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015: 30</td>
<td>2015: 16.64</td>
<td>2015: 0.85</td>
</tr>
<tr>
<td>2018: 33</td>
<td>2018: 34</td>
<td>2018: 1.58</td>
</tr>
<tr>
<td>2019: 46.8</td>
<td>2019: 47</td>
<td>2019: 1.47</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% OF RENEWABLES IN ENERGY PRODUCTION PORTFOLIO (in new PF greenfield commitments)</th>
<th>NUMBER OF PROJECTS SUBJECTED TO ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (Cumulative)****</th>
<th>TOTAL LOAN GRANTED TO WOMAN ENTREPRENEURS (Cumulative, TL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015: 100</td>
<td>2015: 34</td>
<td>2015: 2.8</td>
</tr>
<tr>
<td>2016: 100</td>
<td>2016: 47</td>
<td>2016: 3.2</td>
</tr>
<tr>
<td>2017: 100</td>
<td>2017: 56</td>
<td>2017: 4.1</td>
</tr>
<tr>
<td>2018: 100</td>
<td>2018: 69</td>
<td>2018: 5.5</td>
</tr>
<tr>
<td>2019: 100</td>
<td>2019: 73</td>
<td>2019: 7.0</td>
</tr>
</tbody>
</table>

*** Including consumer credit cards.
**** Numbers also include projects (i) that are not included in the scope of ESIAP but are assessed voluntarily, (ii) are in financial evaluation stage, and (iii) are assessed but not-funded projects.
Garanti BBVA initially offered its shares to public in 1990 on Borsa Istanbul and has become the first Turkish company to offer its shares on international markets in 1993.

Garanti BBVA’s Depository Receipts are listed on the OTC (Over-The-Counter) Markets in the USA. In 2012, Garanti BBVA participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, OTCQX International Premier, where companies traded must meet high financial standards and an effective disclosure process. Trading on this market with 56 leading companies of the world, Garanti BBVA has established itself among the top Depository Receipts traded on the OTCQX marketplace and ranked 30th per Market Capitalization, 20th per Dollar Volume and 41st per Volume in 2019.

Garanti BBVA has a market capitalization of TL 46.8 billion (USD 7.9 billion) as of the end of 2019, and with a free float ratio of 50.07% and TL 23.4 billion floating market capitalization, Garanti BBVA also has the highest free float in BIST 100. Garanti BBVA share (GARAN) is the most traded banking stock in Borsa Istanbul with an average daily turnover of TL 881 million (USD 156 million) and has 11% market share in BIST 100 turnover. GARAN was the most traded stock by foreign investors with a total foreign transactions turnover of USD 29 billion in 2019. Furthermore, GARAN has the highest weight in BIST 100 and in BIST 30 as of 2019 year-end.

89% of Garanti BBVA’s shares in the free float is owned by foreign investors that are spread to around 33 countries. The composition of the institutional shareholding structure of Garanti BBVA by geographical regions is 52.4% North America, 20.3% UK and Ireland, 13.7% Europe, 4.6% Asia, 4.8% Turkey and 4.2% the rest of the world. Communicating the value created in a pro-active, transparent and consistent way, during 2019, Garanti BBVA Investor Relations held 667 one-on-one meetings by participating in 35 investor conferences and roadshows held in 16 cities in Asia, USA and Europe. Garanti BBVA continued to organize live webcasts/teleconferences bringing its senior management together with the investment community in 2019, and made presentations on its financial results four times a year, as well as a video cast on its operating plan for the following year that described its forward looking projections. Investor Relations published the recordings of these presentations on its website. The full audio recordings of all of these events were posted on Garanti BBVA Investor Relations website, mobile and tablet applications. Furthermore, in 2019, Garanti BBVA IR App was launched for mobile
In addition to these, Garanti BBVA continued to qualify and remain a constituent of the FTSE4Good Emerging Markets Index, which is the independent organization jointly owned by the London Stock Exchange and the Financial Times and designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Moreover, through its various practices and initiatives for ensuring gender equality in human resources, among customers and the community, Garanti BBVA is the only company from Turkey to be included in the Bloomberg Gender Equality Index that covers 230 companies from 10 industries from 36 countries and regions across the world.

**EQUITY ANALYSTS’ RATINGS**

Garanti BBVA shares are widely covered by research analysts of leading domestic and international investment banks and brokerage houses. In 2019, 26 institutions have regularly issued equity research reports on Garanti BBVA. As of the end of 2019, 23 analysts had “BUY”, 3 analysts had “HOLD” recommendation on Garanti BBVA stock.

<table>
<thead>
<tr>
<th>BUY</th>
<th>HOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>3</td>
</tr>
</tbody>
</table>

**TL 46.8 BILLION**

MARKET CAPITALIZATION

**TL 23.4 BILLION**

HIGHEST FLOATING MARKET CAPITALIZATION IN BIST 100

**THE MOST TRADED STOCK BY FOREIGNERS**

**TL 881 MILLION**

AVERAGE DAILY TURNOVER

**USD 29 BILLION**

TOTAL FOREIGN TRANSACTIONS IN 2019

**BIST 30 & BIST 100**

HIGHEST WEIGHT

11%

**TURNOVER MARKET SHARE**

THE MOST TRADED BANKING STOCK OF BIST100

**TL 1.47**

EARNINGS PER SHARE

Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency serves as the guarantee of the Bank’s strong reputation and is Garanti BBVA’s main responsibility to all its stakeholders. The steps Garanti BBVA takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for BIST Sustainability Index and BIST Corporate Governance Index in 2014, Garanti BBVA still continues to be listed in these indices. In 2019, Garanti BBVA continued to be the only bank from Turkey listed in the Dow Jones SustainabilityTM Emerging Markets Index (DJSI), after being qualified in 2015. Companies included in the DJSI index are determined upon evaluation against a number of criteria including ethics, corporate governance, financing activities, environmental and social performance throughout the value chain, risk management, climate change mitigation, transparency, supply chain, human and employee rights. Garanti BBVA qualified for this index also in 2019, and thus, preserved its place in the index for the fifth consecutive year.
Garanti BBVA’s effective Board of Directors is at the heart of the Bank’s well-functioning governance structure and goes beyond fiduciary responsibilities. It acts as the ultimate internal monitor and contributes an outside view to corporate strategy, oversees performance against the strategy set out and helps Garanti BBVA thrive in the long run. To ensure effective risk management, the Board monitors compliance, internal control and risk management policies and systems that are aligned with the Bank’s strategy and risk appetite, as well as subsequently performing its oversight function.

**KEY CHARACTERISTICS OF THE BOARD OF DIRECTORS**

Garanti BBVA has a one-tier Board of Directors that is formed by 11 members with the composition of 2 female and 9 male board members as of 31 December 2019. In accordance with the principle of separation of powers and authority, the Chairman and the CEO have different roles at Garanti BBVA. This clear distinction establishes a balance between authorities and powers within the scope of the Bank’s corporate structure, drawing the lines of decision-making capacity of each position. The CEO is the only executive member of the Board of Directors.

The composition of the Board with 4 independent members supports the exercise of independent and objective judgment. Garanti BBVA’s Board of Directors brings together members with the right combination and diversity of skills, background, knowledge, expertise and experience. Three non-executive members of the Board have board memberships in Garanti subsidiaries, four non-executive members have board memberships in other companies and two non-executive members have board of trustees memberships in foundations.

**BOARD MEETINGS**

The Board of Directors operates on the principle that it must convene as and when necessitated by the Bank’s affairs and transactions, but at least once a month. Pursuant to the Articles of Association of the Bank, the Board of Directors meets with the attendance of seven members minimum and resolutions of the Board of Directors are taken by affirmative votes of at least seven members present in the meeting. In 2019, the Board of Directors passed 18 decisions by satisfying the required quorums for meeting and decision.

**CORPORATE GOVERNANCE**

The Corporate Governance Committee is responsible for monitoring the Bank’s compliance with corporate governance principles, undertaking improvement efforts, nominating the independent board members, and offering suggestions regarding the nominees to the Board of Directors. As an indication of its commitment to, and the emphasis it places on, corporate governance, Garanti BBVA has been receiving Corporate Governance Rating since 2014. Increasing its score every year ever since, Garanti BBVA continues to be included in Borsa Istanbul Corporate Governance Index with a score of 9.73 assigned to it in 2019.
ORGANIZATIONAL STRUCTURE