FINANCIAL PERFORMANCE

5,539 26.1 min 12 loans

For Garanti BBVA, financial performance is at the core of value creation process and it is the cause and the effect in delivering sustainable growth. As it makes its products available to customers, invests in its facilities and constantly improves its business model and processes with an operational and environmental efficiency point of view, Garanti BBVA has a direct and indirect impact on the economy.

Aiming to use capital effectively to maximize the value created, Garanti BBVA focuses on disciplined and sustainable growth on the basis of a true banking principle with strict adherence to solid asset quality. Combining its approach to unconditional customer satisfaction with its robust capitalization and a focus on efficiency, Garanti BBVA sustains its contribution to the economy through effective balance sheet management.

During 2019, Garanti BBVA increased its consolidated total assets by 7% on an annual basis, bringing it to TL 429 billion, and succeeded in maintaining the percentage of interest-earning assets to total assets at a high 82%. Standing by its customers at all times, Garanti BBVA continued to keep the share of loans within total assets at 60%. Today, Garanti BBVA pioneers the sector across various segments from retail banking to payment systems, mortgages to auto loans, SMEs to project finance, transaction banking to digital banking.

Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management in the reporting period. Dynamically managed funding base of the Bank continued to be largely composed of deposits. 14% growth rate in customer deposits base was above the expansion in lending, which helped Garanti BBVA improve its loan to deposit ratio (LDR) by 6 points on a consolidated basis. Garanti BBVA's strength in consumer deposits is the outcome of its innovative business model, which places customers' needs and satisfaction at the core of its business.

Garanti BBVA successfully expanded its spreads owing to disciplined loan pricings and the high share of demand deposits in total deposits. Despite the declined income on CPI-linkers in connection with the falling inflation, Garanti BBVA was able to improve its Core Net Interest Margin (NIM) by 78 bps with the help of its successful management of spreads. Hence, the Bank was able to maintain its NIM including swap costs almost flat on a year-over-year basis. Garanti BBVA, with 5.2%, continued to have the highest NIM level among its peers.

Garanti BBVA follows a prudent and risk-return focused lending strategy. The Bank displays a proactive and consistent approach to risk assessment, which ensures preservation of its solid asset quality.

The economic volatility in the first half of 2019 and the contracted GDP resulted in increased Non-Performing Loan (NPL) ratio. The NPL ratio rose from 5.2% in 2018 to 6.8% in 2019. Net new NPLs mostly consisted of high-amount corporate and commercial loans, which accounted for 2/3 of all new NPL inflows. On the other hand, consumer and SME loans sourced a smaller portion of net new NPLs, accounting for 1/3 of total new NPL inflows.

Garanti BBVA's diversified and actively managed funding base, its capital adequacy ratio of 17.8%, its growing deposits with approximately 18 million customers' trust, and continuous access to foreign funding sources bolster the Bank's business model and long-term sustainable growth.

Its business model, along with its well-diversified fee sources and its further digitalized processes, support the Bank's ability to generate sustainable income. All of them combined secure the highest net interest margin, and the highest net fees and commissions base among its peers. Furthermore, Garanti BBVA maintains its focus on efficiency and effectively manages its operating costs to foster sustainable value creation.

By focusing on financial performance, Garanti BBVA is actively contributing to Sustainable Development Goal 8: Decent Work and Economic Growth.

VALUE DRIVER	INDICATOR	PERFORMANCE 2019	2019 PROJECTION	ACTUAL VS PROJECTION	2018
FOCUS ON SUSTAINABLE GROWTH ON THE BASIS OF TRUE BANKING PRINCIPLE	Asset Growth (%)	7%	~%5	Beat	12%
	TL Loan Growth (%)	7%	~%5	Beat	2%
	FC Loan Growth (%)	(%6)	(~%10)	In-line	(%18)
	NPL Ratio (%)	6.8%	<%7	In-line	5.2%
	Capital Adequacy Ratio (%)	17.8%	-	-	16.5%
	CET-1 Ratio (%)	15.4%	-	-	14.2%
	Leverage	6.9x	-	-	7.5x
USE CAPITAL EFFECTIVELY SO AS TO MAXIMIZE THE VALUE TO BE CREATED	ROAE	12.4%	%10-13	In-line	15%
	NIM incl. Swap Cost (%)	%4.3 (+78bps YoY)	Flattish (excluding CPI impact)	Beat	3.5%
	Net Cost of Risk (bps)	272	<300	In-line	258
	Fee Growth (%)	23%	%10-13	Beat	32%
COST AND REVENUE SYNERGIES DRIVEN OPERATIONAL EFFICIENCY	OPEX Growth (%)	18%	<CPI*	In-line	15%
	Cost / Income[1] (%)	39%	-	-	36%

** Initial average CPI expectation was 19%*

1 Income defined as NII + Net F&C +Trading gains/losses excluding FX provision hedges + Other income excluding provision reversals + Income from subsidiaries

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

In 2019, while money supply in global markets and especially in developed economies increased, central banks returned to monetary policies that support growth. On the other hand, trade relations between countries and geopolitical developments all over the world was the main risks facing the economies. For Turkish assets, a substantial part of the year saw a high-inflation environment, before a significant decline was secured in the interest rates after the third quarter with the help of the normalization in the Turkish economy along with global developments. While the volatility in the Turkish currency declined to its lowest level in recent years, rapid gains were observed on the bonds and equity front.

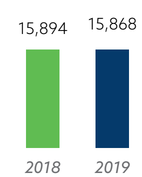
As a result of improving economic outlook and declining inflation, the CBRT policy rate that had started the year at 24.00% declined to 12.00% in the last quarter of the year. Credit expansion recovered visibly with the support of lower interest rates.

Garanti BBVA continued to provide loans to its customers, while being careful to maintain its asset quality in the first half of the year, when TL interest rates and the country risk premium were high.. Lower interest rates that came later in the year pulled the funding costs down substantially, and contributed positively to the Bank's NIM. In the meantime, a quite healthy liquidity was maintained. In this context, long-term external funding transactions were reduced to low volumes with the effect of the prolonged high country risk premium, thus resulting in a significant decrease in the Bank's short-term external liabilities, in particular. No major changes occurred in the Bank's FC liquidity during this time interval.

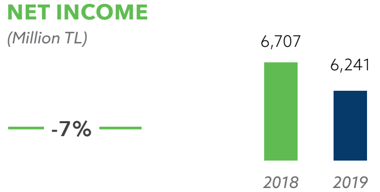
1. SUSTAINABLE PROFIT GENERATION CAPABILITY

In a year of high volatility, Garanti BBVA was able to keep its pre-provision income flattish thanks to its innovative business model focused on operational efficiency, optimal capital utilization and sustainable growth, backed by effective risk management. With TL 15.9 billion, Garanti BBVA remained the bank with the highest pre-provision income. Owing to the prudent risk policy, consolidated net profit went down by 7% year-over-year to TL 6 billion 241 million. The Bank set aside TL 250 million in free provisions during the year, bringing total free provisions to TL 2 billion 500 million. Garanti BBVA's dynamic balance sheet management was reflected on the robust and high quality earnings, delivering a Return on Average Equity (ROAE) of 12.4% and Return on Average Assets (ROAA) of 1.5%.

PRE-PROVISION NET INCOME
(Million TL)



NET INCOME
(Million TL)

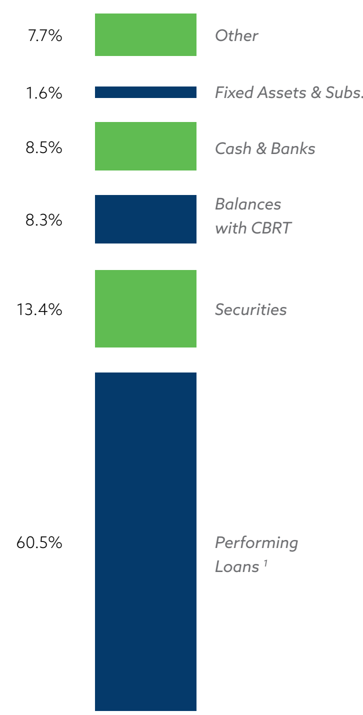


Note: Pre-provision income= Net income + expected credit loss + tax provisions – FC loan provision hedges

2. CUSTOMER-DRIVEN AND HIGH-YIELDING ASSET MIX

In a year of credit growth lagged behind the sector's normal level, Garanti BBVA increased its consolidated total assets by 7% on an annual basis, bringing it to TL 429 billion, and succeeded in maintaining a high percentage of interest earnings assets in total assets. While the securities portfolio was strategically managed as a hedge against volatility, loans represented 60% of assets.

ASSETS
TL 429 BILLION



1 Loans exclude Loans Valued at Fair Value through P&L (FVTPL), leasing and factoring receivables.

2.1 BALANCED LENDING MIX

In the first half of 2019, high inflation and in turn, high funding costs caused a significant deceleration of economic activity. In the second half of the year, on the other hand, credit demand recovered owing to recovered economic indicators.

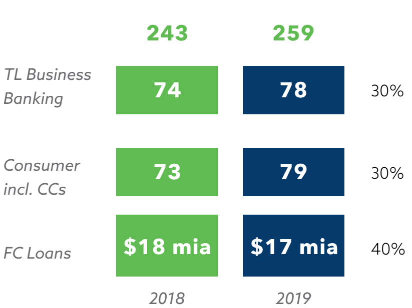
Garanti BBVA preserved the balanced composition of its loan portfolio also in 2019. Total performing loans was made up of business banking loans by 30%, consumer loans by 30% and FC loans by 40%.

While TL loans remained flat in the first 9 months of the year, economic activity picked up in the last quarter with the effect of decreased interest rates, and TL loans expanded 6% in the last quarter, completed the whole year with 7% growth. Annual TL loan expansion displayed a balanced distribution among all products. Consumer loans grew by 8%, TL business banking loans by 6% and credit cards by 8%.

Shrinkage in foreign currency loans continued due to redemptions and declined credit demand in view of the substantially completed large-scale government projects (highways, airports, etc.). As at the end of the year, FC loans shrink by 6% in dollar terms.

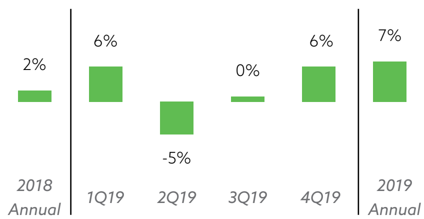
LOAN PORTFOLIO

(60% of total assets) (TL billion)



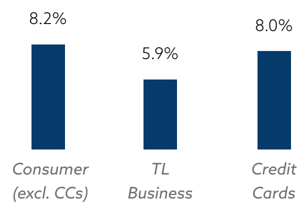
TL PERFORMING LOANS

(Growth, %)



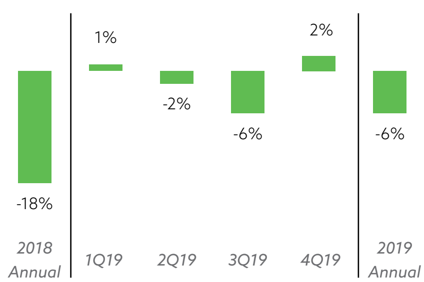
TL LOAN EXPANSION BY PRODUCT

(%, Annual)



FC PERFORMING LOANS

(Growth, %)



2.1.1 LEADING POSITION IN RETAIL BANKING

With its effective delivery channels and successful relationship banking, Garanti BBVA's market share in retail lending among private banks further increased in 2019. Preserving its leading position in retail products, Garanti BBVA continues to respond to its customers' needs with its 904 branches spread around all the cities in Turkey.

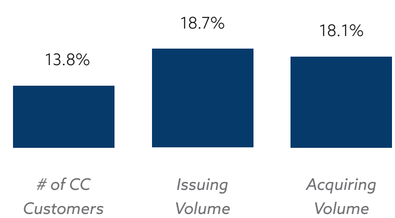
MARKET SHARES[1]

	DEC' 19	QOQ	RANK
Consumer Loans	13.1%	Flattish	#1*
Consumer Mortgage	10.6%	-39bp	#1*
Consumer Auto	37.0%	+30bp	#1*
Consumer GPLs	11.8%	+58bp	#1*
TL Business Banking	8.4%	+6bp	#3*

** Market shares and rankings are among private banks, as of September 2019.*

1 Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 27.12.2019

PIONEER IN CARDS BUSINESS[1]



1 Cumulative figures as of December 2019, as per Interbank Card Center data.

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 27 December 2019. Market shares among private commercials banks.

2.1.2 PIONEERING PAYMENT SYSTEMS

Garanti BBVA commands a pioneering position in payment systems and credit cards with Garanti Payment Systems, which was founded 20 years ago. With 651,860 POS devices and a market share of 18.7% in issuing volume and 18.1% in acquiring volume, it is one of the leading players in the market.

2.1.3 FOREIGN CURRENCY LENDING

Investment appetite remained weak due to ongoing domestic and global uncertainties. The decreasing demand combined with Garanti BBVA's risk/reward priorities and rational pricing focus reflected on the Bank's large base of Foreign Currency (FC) loan book. The large base of FC loan book and redemptions resulted in 6% shrinkage in USD terms in Garanti BBVA's FC loans portfolio.

Garanti BBVA continued to support Turkey's sustainable growth with its pioneering and leading role in the project and acquisition finance sector. Despite challenging market conditions, Garanti BBVA's commitments in 2019 reached approximately USD 1.2 billion. The portfolio was worth USD 10.5 billion as at year-end 2019.

In 2019, new investments in the energy sector were limited; refinancing and restructuring activities were at the forefront in this area in line with expectations. Yet, Garanti BBVA continued to support renewable energy investments that are vital for Turkey's sustainable growth by increasing its product diversity. In addition to its commitments for the financing of renewable energy projects, Garanti BBVA has introduced the "Gender Loan", a first in Turkey and in the world. Accordingly, annual Gender Loan assessment will evaluate the performance of the project during the term of the loan according to various criteria including equality in new recruitment, equal pay, post-partum return-to-work programs, and improvements noted will result in lower loan commissions.

2019 has been a quieter year with respect to infrastructure and PPP (Public Private Partnership) projects. The most noteworthy infrastructure project in the reporting period was the North Marmara Motorway project with a total financing of USD 4.5 billion. Garanti BBVA acted as the intercreditor agent in this deal in which 10 domestic and international commercial banks and 2 participation banks participated. The project covers 270 kilometers and 6 sections in total on the European and Asian sides. In 2020, our Bank will continue to support infrastructure and PPP projects, as it has done in previous years.

For the Credit Sales and Syndication team that buys and sells loans for concentration risk and balance sheet management purposes, 2019 has been relatively quiet as compared with previous years. In the most important sales deal of the year that took place in the infrastructure sector, 3 domestic banks sold a loan of USD 200 million in total, for which Garanti BBVA fulfilled the coordination between the parties acting as the intercreditor agent.

In terms of M&A, 2019 has seen transaction volumes slump all over the world. This decline in global markets bore a negative impact also upon Turkey. With the added effects of domestic dynamics, total transaction volume in 2019 in Turkey went down to its lowest of the decade. Among the noteworthy deals of the year were the acquisition of 51% of shares in the Third Bridge and North Marmara Motorway by China Merchants Group at the end of the year, and the acquisition of Zorlu's 80 MW WEPP portfolio by Akfen Renewable Energy, financed by Garanti BBVA Invest and Garanti BBVA. Despite decelerated market dynamics, Garanti BBVA kept taking on an active role in acquisition deals. In 2020, the financial conditions in existing global markets are projected to keep supporting developing markets. While international investors are anticipated to display a selective attitude in 2020, an overall improvement is observed in the interest in the Turkish market and assets. The stability in financial markets will be the main driver behind M&A activities in 2020.

3. PRUDENT APPROACH AND SOLID ASSET QUALITY

Garanti BBVA constantly displays a proactive and prudent approach to risk assessment. Accordingly, the performing loans book is monitored in two categories: Stage 1 and Stage 2. Stage 2 loans are subjected to quantitative (Significant Increase in Credit Risk) or qualitative (Watchlist, Overdue, Restructured) assessment using TFRS 9 models. Stage 2 loans of Garanti BBVA constituted 14% of its total lending as at year-end 2019.

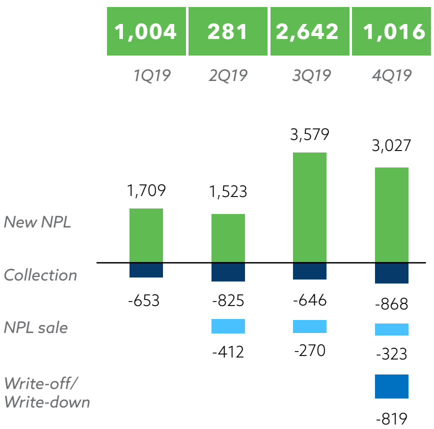
36% of Stage 2 loans consist of loans classified as quantitative whereas 64% consist of those classified as qualitative. While total provision ratio of Stage 2 loans is 10.5%, that of the qualitative portion is 3% and of the quantitative portion is 15%.

After the highest level in new additions to Stage 3 loans was observed in the 3rd quarter, some decline began to show in the last quarter. In 2019, cumulative net Cost of Risk (CoR) and NPL ratio were in line with our year-end projections.

NPL EVOLUTION

(TL million)

Net New NPL *(excl. currency impact)*



NPL
6.8% GUIDANCE MET

Net CoR *(exc. currency impact)*
249 bp GUIDANCE MET

Net CoR *(incl. currency impact)*
272 bp GUIDANCE MET

4. DEPOSIT DRIVEN & HEAVY WITH LOW COST & STICKY DEPOSITS FUNDING BASE

Garanti BBVA preserved its liquid balance sheet composition in 2019 with the help of its prosperous dual currency balance sheet management. Dynamically managed funding base of the Bank continued to be largely composed of deposits.

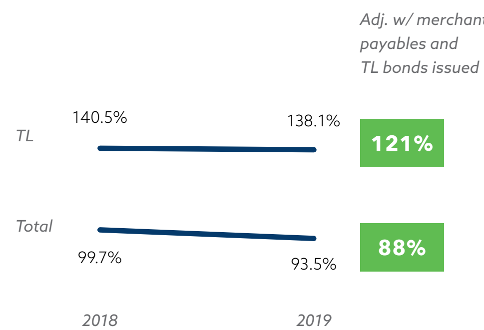
Garanti BBVA's strong muscle in consumer deposits is the outcome of its customer-centric and innovative business model, which places customers' needs and satisfaction at the core of its business. The Bank kept focusing on sticky and low-cost mass deposits during 2019. As at year-end 2019, SME and consumer deposits, which can be considered as sticky and low-cost, had 79% share in TL customer deposits and 74% in FC customer deposits. 14% growth rate in customer deposits base was above the loan growth, which helped Garanti BBVA to improve its loan to deposit ratio by 6 points.

Garanti BBVA has a solid demand deposit base that supports funding cost optimization. The Bank also further strengthened its demand deposit base by 40% annual basis and succeeded in increasing the share of demand deposits in total deposits to 32%, outperforming the sector's average of 24%.

DEMAND DEPOSITS / TOTAL DEPOSITS

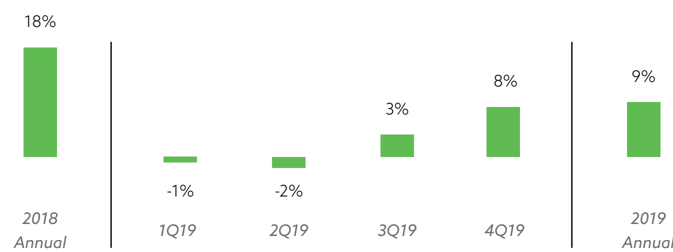
32%

LOAN TO DEPOSIT RATIOS



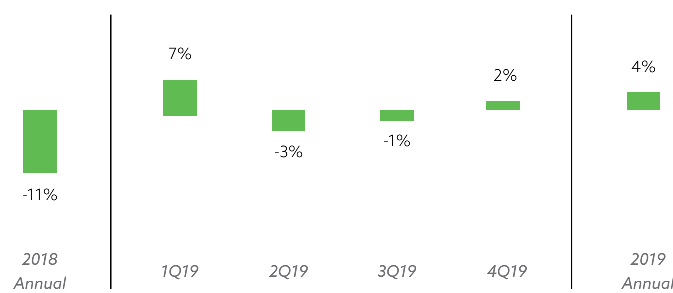
TL DEPOSITS

(TL billion)



FC DEPOSITS

(USD billion) (59% of total deposits)



Garanti BBVA registered an LDR of 93%, which further decreases to 71% if we add local currency bond issuances, other local currency MM funding, merchant payables, foreign currency bond issuances and other foreign currency MM funding (Securitizations, syndications, bilaterals).

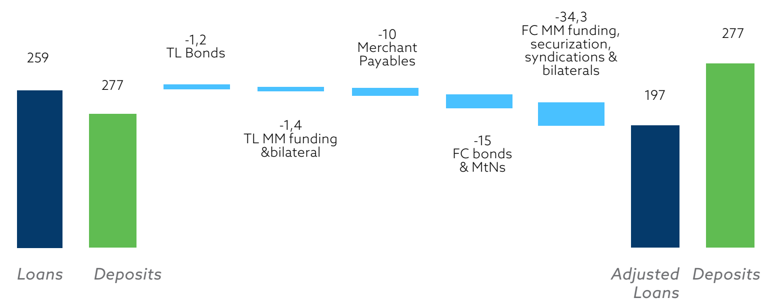
Loans funded via long-term on B/S alternative funding sources ease LDR.

Total Loans / Deposits: **93%**
TL Loans / TL Deposits: **138%**
FC Loans1 / FC Deposits: **63%**

LOAN TO DEPOSIT RATIO

(milyar TL)

Adjusted LDR: **71%**



4.1 SOLID LIQUIDITY BASE AND MANAGEABLE EXTERNAL DEBT STOCK

Garanti BBVA has significantly less need for external borrowing due to shrinking FC loan portfolio since 2013. While the Bank's total external debts decreased from USD 12.4 billion to USD 9.0 billion, Garanti BBVA was able to keep its FC liquidity buffer at USD 10.8 billion.

On the basis of maturity profile of the external debt that amounts to USD 9.0 billion, the long-term portion of this debt is worth USD 6.4 billion, whereas short-term debt and the short-term portion of the long-term debt amounts to USD 2.6 billion. For this short-term debt, Garanti BBVA has a highly comfortable liquidity buffer of USD 10.8 billion.

Thanks to its solid correspondent relationships, Garanti BBVA continued to diversify its funding structure by accessing international funds at the most favorable costs and terms. The Bank secured funds worth approximately USD 1.6 billion in 2019.

Within the scope of the overseas borrowing program, the Bank obtained DPR (Diversified Payment Rights) in the amount of USD 150 million with a maturity of 5 years in March, and exhibited its success in international markets once again. In December, the Bank secured a 3-year financing of USD 300 million from the Exim Bank of China. Additionally, a 6-year loan in the total amount of USD 133 million was received within the scope of funds supplied by IFC (International Finance Corporation), and by OeEB (Oesterreichische Entwickleungsbank AG – Development Bank of Austria) and GGF (Green for Growth Fund) in December, which was intermediated by IFC. Under this facility, the IFC made available funding worth USD 91 million to be used for supporting the SMEs located in 22 cities where majority of the population offered temporary protection in Turkey lives, whereas OeEB (Development Bank of Austria) extended USD 20 million for supporting women entrepreneurs and GGF (Green for Growth Fund) furnished USD 22 million for supporting energy efficiency and renewable energy projects.

Garanti BBVA turned towards sustainable deals, which are increasingly attracting interest also in the global market, and issued a 5-year Green Bond of USD 50 million under the GMTN program.

Actively carrying on with borrowing in credit markets, the Bank renewed two syndication loans with high rollover ratios in 2019, involving over 30 banks from more than 15 countries in each facility, thus preserving its balanced relations with correspondent banks, and carefully managed the external funds on its balance sheet. This serves as a testament to Garanti BBVA's power to be selective in tapping external funds thanks to its high liquidity, its intrinsic financial strength and solid banking relationships.

100% syndication rollover	\$ 775,625 mn equivalent (2Q19) \$ 800,180 mn equivalent (4Q19)
DPR Securitization	\$ 150 mn 5-yrs maturity (1Q19)
Green Bonds	\$ 50 mn 5-yrs maturity (4Q19)
Bilaterals	\$132,75 mn 6-yrs maturity (4Q19)

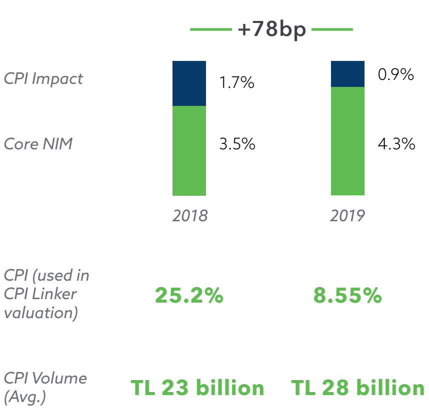
5. DYNAMIC BALANCE SHEET MANAGEMENT IN DEFENSE OF NET INTEREST MARGIN

In 2019 during which economic rebalancing process was ongoing, Garanti BBVA successfully preserved its ability to generate sustainable income on the back of dynamic assets and liabilities management. The Bank maintained the highest Net Interest Margin (NIM) among peers, despite the decreased income on CPI-linkers which took a downturn in connection with declined inflation.

Garanti BBVA successfully expanded its spreads owing to disciplined loan pricings and the high share of demand deposits in total deposits. Thanks to its successful spread management, the Bank was able to enlarge its core NIM by 78 bps.

CUMULATIVE NIM

(Incl. Swap Costs)

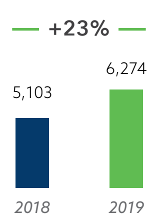


6. DIVERSIFIED FEES AND COMMISSIONS

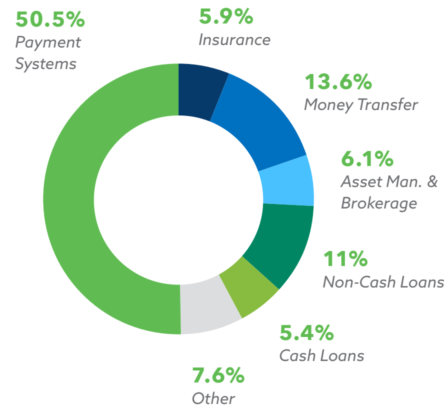
In 2019 that saw reduced contribution of commission income originating from loans, Garanti BBVA succeeded in recording an annual growth rate of 23% in net fees and commissions, well above the expectations. Enjoying the highest fee base among its competition, Garanti BBVA carried on with its sustainable income generation on the back of its diversified fee base. Payment Systems make up 49% of Net Fees and Commissions. The Bank's leading position in issuing and acquiring businesses, strong merchant network, and increasing contribution from clearing and merchant commissions support the fee base. In addition, with increased digital penetration, commissions from digital channels got 45% share within non-credit linked fees.

NET FEES AND COMMISSIONS

(TL million)



NET FEES AND COMMISSIONS BREAKDOWN[1]



1 Breakdown is based on unconsolidated MIS. The breakdown shows private pension and life insurance commissions under «Insurance» commissions. However, this item is recognized under «other operating income» in consolidated financials.

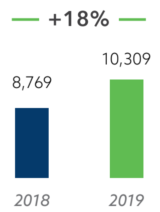
7. DISCIPLINED COST MANAGEMENT AND FOCUS ON OPERATIONAL EXCELLENCE

Garanti BBVA's operating expenses went up by 18% in 2019. The elimination of 5% incentive on private banks' pension funds and the increase in SDIF premium rates, which were not foreseen in 2019 operating guidance plan, had a negative impact of approximately 3% on operating expenses. When these impacts are excluded, the expansion of operating expenses was parallel to the annual mean inflation (15.4%) and in line with the guidance in 2019.

In the reporting period, the Bank's cost/income ratio was registered as 39%, which is well below the Bloomberg Emerging Europe Regional Banks 3Q19 average of 49%.

OPERATING EXPENSES

(TL million)



COST/INCOME[2]

39.4%

Bloomberg Emerging Europe Regional Banks 3Q19 Average:

49.5%

2 : Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provision reversals + Income from subsidiaries

TURKEY'S FIRST BANK TO CENTRALIZE ITS OPERATIONS: GARANTI BBVA'S OPERATIONS CENTER ABACUS

Turkey's first bank to centralize its operations, Garanti BBVA alleviates the operational load on its branches and enhances employee productivity through active use of technology. The Bank ensures superior quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS. The Bank's loss resulting from operational errors was a mere USD 28,706 within a total turnover of USD 448 billion. Garanti BBVA channels 90% of all operational transactions of branches to ABACUS made up of a dynamic team of 1,354 experts.

8. ROBUST CAPITAL BASE

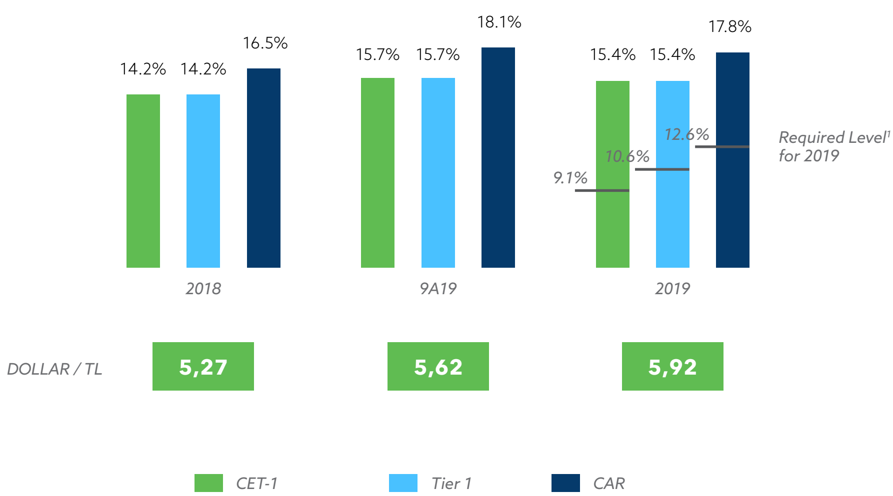
In 2019, Garanti BBVA improved its Capital Adequacy Ratio (CAR) by 129 bps, thanks to basically 186 bps contribution from net profit, coupled with declined FC loans and the transition of asset allocation to low-risk weighted assets. At 17.8%, CAR was well above the Basel III required ratio of 12.6% set for 2019.

9. GARANTI BBVA'S TAX CONTRIBUTION

Having embraced transparency, prudency and honesty principles in tax matters, Garanti BBVA reports on the total tax contribution, both on its own and on behalf of third parties.

Please read more on tax strategy & reporting on Garanti BBVA Investor Relations website, Tax Strategy and Reporting Heading under the Corporate Governance tab.

SOLVENCY RATIOS



1 Required CAR = 8.0% + SIFI Buffer for Group 3 (2%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.05%)

Required Consolidated Tier-I =6.0% + Buffers; Required Consolidated CET-1= 4.5%+Buffers

Note: Our group for the SIFI Buffer will be Group 2 in 2020 (1.5%)

GROUP PERFORMANCE IN 2019

In 2019, the Group achieved improvement in financial and non-financial performance indicators despite the low economic growth at the start of the year. While strong asset quality was preserved thanks to prudent risk management approach across the Group, pre-provision consolidated net income was maintained at a high level.

Subsidiaries played a key role, as they did in previous years, in delivering the strong financial results at the end of 2019. The contribution of subsidiaries to the Group was not only limited to the net income figure but also to other financial performance metrics, enabled by the synergy captured with the parent Bank in all fields of activity as well as in management.

In 2019, major contributors to consolidated performance were insurance & pension business, and brokerage & securities activities, which are also supported by the Group's banking investments abroad.

On the side of insurance and pension business, 2019 was a successful year:

→ Market leader* with 1.1 million participants in total covering both Voluntary PPS and PPS Auto-Enrolment.
→ Through "Online Private Pension", all sales processes were made available online, a first in the sector. Digital experience was further strengthened in 2019, enabling transition from Garanti BBVA Mobile to Garanti BBVA Pension Mobile with a single click.
→ Captured the highest share in total profit among Garanti BBVA's subsidiaries with 7.3%, and was the leader** within privately-owned private pension companies with a net profit figure of TL 454 million.
→ Launched Smart Fund, Turkey's first absolute return fund, thus upgrading customer satisfaction with high returns.

In terms of brokerage & securities activities, year-end 2019 results were positive:

→ In line with the increased transactions volume in equity and derivatives markets, Garanti BBVA Securities increased the share of its income derived on these products by 13%.
→ Treasury revenues more than doubled on an annual basis, contributed significantly by derivatives transactions in the first half of the year and lending transactions in the second half.
→ In Corporate Finance, revenues almost doubled as compared with the previous year, enabled particularly by the contribution of advisory services rendered.
→ 46% rise in total revenues in 2019 was also supported by higher income from new products offered to customers the previous year. The share of revenues derived on new products went up from 3% in 2018 to 7% in 2019.
→ Effective cost management helped maintain 2019 expenses flat with 2018.

Regarding the Group's banking activities abroad;

→ Despite taxes levied on total assets in 2019, the Group's subsidiary operating in Romania ensured minimal impact on net profit through effective measures on cost management, coupled with savings.
→ The Bank operating in the Netherlands secured 36 bps decrease in NPL ratio through prudent balance sheet and risk management strategies, despite shrank credit volume.

The company engaged in the leasing business performed parallel to its targets, and increased its return on assets and return on equity, which secured 11.6% rise in net profit.

All in all, the subsidiaries' performance continued to support the Group's strong financial results in 2019.

** Based on the Pension Monitoring Center data published as of 31 December 2019.*

*** Based on the Insurance Association of Turkey data published as of 30 September 2019.*

2020 OUTLOOK

2020 OUTLOOK	2020 OPERATING PLAN GUIDANCE
Asset Growth	~10%
TL Loans (YoY)	15-18%
FC Loans (YoY, in USD)	Contracted
Total Loans to Deposits	Flattish (<100%)
Net Cost of Risk (excl. currency impact)	~200 bps
NPL Ratio	~6.5%
NIM Inc. Swap Cost Excl. CPI	70-80bps expansion
Fee Growth (YoY)	High single-digit growth
OPEX Growth (YoY)	10-13%
ROAE	15-18%

While central banks of developed economies are anticipated to adhere to loose monetary policies and growth-oriented strategies in 2020, geopolitical risks will come to the forefront especially in the Middle East, as well as in many other parts of the world. Trade deals and Brexit will be at the fore, and the US elections in November, being one of the top highlights, will make an impact on financial markets and economies. With respect to Turkey, it is strongly believed that interests will take a downturn in connection with the decreasing process of inflation. In this context, recovery on the part of growth and employment relative to 2019, and some deterioration in current accounts balance are cited among anticipations. In this framework, extending support to the country's credit expansion while ensuring protection of asset quality will be of critical importance.

In 2020, economic recuperation is expected to gain speed and GDP to grow in the order of 4%. After starting 2020 at 12%, inflation outlook is predicted to begin improving toward the second half of the year and end 2020 at 8.5%. In parallel with improved inflation outlook, the CBRT funding cost is anticipated to decline gradually by 300 bps.

In 2020, asset growth is anticipated to be around 10% and to remain loan-driven. TL loan growth is expected to realize at 15-18% level, in-line with the rebalancing of the economy. While growth is expected be accros the board in TL loans, TL investment loans will likely lead the growth On the retail banking front, Garanti BBVA will keep focusing on customer satisfaction and loyalty by deepening customer relationships while expanding the customer base. The Bank will continue to develop new instruments, channels and processes in keeping with this goal, carry on with big data oriented marketing activities based on an analytical approach, and deliver tailored and fitting solutions for its customers' needs on site.

The contraction trend in FC loans that has been ongoing since 2013 is anticipated to persist also in 2020. FC loan volume is expected to shrink in USD terms. The primary causes underlying the shrinkage are limited demand and high flow of redemptions. Redemptions are anticipated to be covered partially with the expected rise in export loans. In the energy sector, renewable energy projects will be prominent as they were in 2019 and "Renewable Energy Resources Area" (YEKA) projects will be at the forefront in our pipeline in 2020.

Garanti BBVA intends to sustain its deposit-driven funding strategy in 2020. The target is to keep the loan-to-deposit ratio below 100% in the coming year. In parallel with the shrinkage in FC loans, the need for FC funding is anticipated to decline as well. The Bank will continue to opportunistically tap new external funding opportunities throughout 2020, taking into consideration FC liquidity needs and market conditions.

The projected acceleration in economic activity is anticipated to trigger declined new NPL inflow and improved recovery in credit collections. In that case, the NPL ratio is predicted to be around 6.5% and net total CoR excluding currency impact to be around 200 basis points. On the part of credit collections, recovery in the retail segment is anticipated to be faster, whereas the acceleration in the collection performance of commercial loans is expected to occur by year end-2020. Therefore, normalization in net CoR will likely come in 2021.

In 2020, cumulative net interest margin including swap costs excluding CPI linkers' income is expected to expand by 70-80 bps versus year-end 2019 on the back of dynamic assets and liabilities management. Strong credit growth and the ongoing decrease in funding costs will likely support the expansion in NIM. Due to the inflation outlook that is anticipated to improve, CPI-linkers' income will possibly be lower than they were in 2019. While maintaining its focus on sticky and low-cost mass deposits with respect to deposit growth, the Bank will also preserve its solid base of demand deposits. Cross currency swaps will continue to be opportunistically utilized for margin optimization.

After the 23% growth recorded in 2019, net fees and commissions income will probably attain a single-digit growth in 2020. The growth in payment systems commissions that make up nearly 50% of net fees and commissions is anticipated to lose pace due to the upper limit imposed on member merchant commissions that came into force in November 2019. However, this impact is anticipated to be offset with the growth in other commission areas and Garanti BBVA is expected to preserve the base innet fees and commissions.

Garanti BBVA's disciplined approach to operating expenses is anticipated to be sustained in 2020. The increase in operating expenses is estimated to be in the range of 10-13% in 2020. Increased insurance premium ratio in the SDIF insurance limit and planned technology investments are anticipated to drive the increase in operating expenses.

In 2020, active assets and liabilities management that will result in high return on capital will be sustained along with the risk/return focus. In the light of its 2020 projections, Garanti BBVA aims to achieve an ROAE of 15-18%.

EXPECTATIONS REGARDING THE GROUP IN 2020

Garanti BBVA operates as an integrated financial services group through its leading financial subsidiaries offering services in life insurance and pension, leasing, factoring, brokerage and asset management in Turkey, along with its international subsidiaries operating in the Netherlands and Romania.

Garanti BBVA aims to make sure that the synergy captured with its subsidiaries will be powerfully sustained in 2020, and the subsidiaries are expected to increase their shares within the Group's net income.

In 2020, the Group plans to keep working towards preserving and improving its asset quality in geographies where its international subsidiaries pursue their banking operations. Targets include sustaining productivity increase while maintaining asset quality, further improving the strong balance sheet structure, and boosting the profit generation capability and sustaining it.

With respect to its operations in Turkey; the Group targets to receive significant contribution from the insurance business to consolidated profit. Life insurance segment is anticipated to sustain solid premium production, and increased market share is projected in the Auto Enrolment System. Garanti BBVA Pension and Life is gearing up for the Complementary Pension System that is on the 2020 agenda drawing on its robust infrastructure developed in Auto Enrolment for PPS. In the securities business, significant contribution is expected to be lent to consolidated profit by increasing the number of customers using new products, in addition to the high income generated on equity and TurkDex market products through opportunistic moves.

In 2020, the Group aims to sustain its sustainability-focused growth strategy that maintains asset quality, increases productivity and generates capital. The Group intends to preserve its cumulative net interest margin through an active assets and liabilities management.

The Group will carry on with active productivity management and will focus on molding its business model with an eye on potential growth areas. As before, the Group will persist with its initiatives to create long-term value in 2020, as it did in previous years; yet, it will continue to keep operating expenses under control. Standing out with its robust capitalization, the Group will retain this quality as it moves forward. In the light of all of these, the Group will continue to generate sustainable profit on the back of its differentiated business model.