Garanti
BBVA Group

GARANTI BANK
INVESTOR RELATIONS

STOCKWATCH 1Q 2019

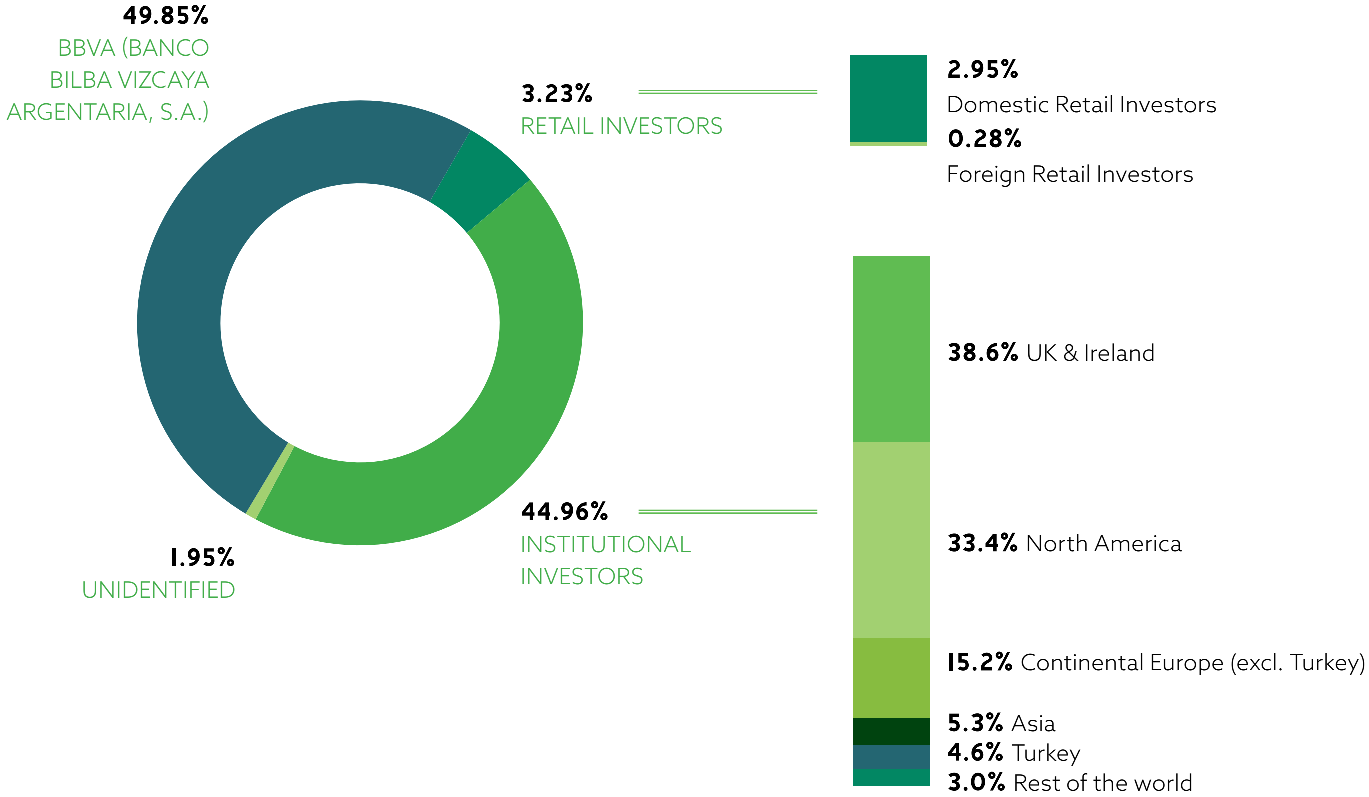
GARANTI SHARE

Established in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets of TL 423.3 billion (USD 75.4 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 March 31, 2019.

SHAREHOLDERS FROM 37 COUNTRIES



Source: IPREO Shareholder Analysis, as of December, 2018.

GARANTI SHARE

1990 Listed on BORSA ISTANBUL (BIST) Turkey since 1990

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

2012 Trades on OTCQX INTERNATIONAL PREMIER since 2012

OTCQX TICKER
TKGBY

RANKING ON OTCQX IN 2018
#34 per Market Capitalization
#64 per US$ Turnover
#55 per Volume

MOST VALUABLE BANK IN TURKEY AND MOST LIQUID STOCK IN BIST

$ 6.2 BN
MCAP

9%
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: 90%

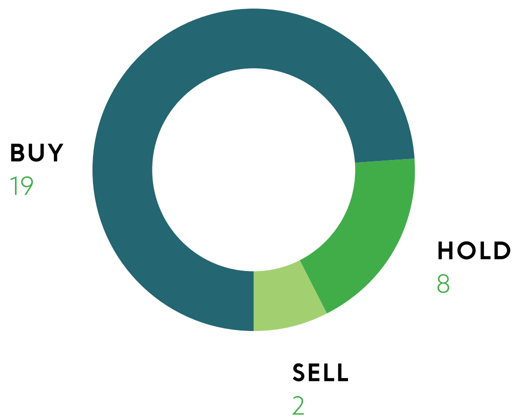
$176 MN
DAILY TURNOVER

Note: Figures are as of March 29, 2019. USD/TL CBRT ask rate is used in the calculations.

GARANTI SHARE

ANALYST RECOMMENDATIONS

Garanti Bank shares are widely covered by research analysts of leading domestic and international investment banks and brokerage houses. As of March 2019, 19 analysts had "BUY", 8 analysts had "HOLD" and 2 analysts has "SELL" recommendation on Garanti stock.



SELECTED ANALYST COMMENTS

HSBC

We believe Garanti's proactive funding management practices and potential to extract efficiency gains from its strong digital banking platform may create upside challenges to our earnings forecasts and valuation.

JPM

Garanti management acknowledges it will be a difficult year, but the bank is well prepared to weather the challenges, assuming the macro environment develops in line with expectations.

CREDIT SUISSE

The bank's strong capital and profitability are likely to provide flexibility while its peers try to economize on capital.

CITI

We appreciate Garanti's low balance sheet leverage and strong capital position, its higher than peer margin, and its solid track record of managing credit risk. We expect the bank to weather the current period of volatility better than many of its peers.

MORGAN STANLEY

We think Garanti is one of the best-positioned banks for a strong RoE rebound.

PERFORMANCE INDICATORS

CUSTOMER EXPERIENCE

NET PROMOTER SCORE

HIGHEST

among peer group

GROW CUSTOMER BASE EFFECTIVELY

~ 16.7 MILLION

customers chose Garanti

NUMBER OF ATMs

5,197

NUMBER OF BRANCHES

932

100% Geographical Coverage

HUMAN CAPITAL

EMPLOYEE ENGAGEMENT SCORE

67

Employee Engagement Score outperforms sector

AVERAGE HOURS OF TRAINING PER EMPLOYEE

45 HOURS

NUMBER OF EMPLOYEES

18.3 THOUSAND

WOMEN EMPLOYEES N 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

64%

NON-CASH FINANCIAL TRANSACTIONS THROUGH DIGITAL CHANNELS

96%

NUMBER OF DIGITAL CUSTOMERS

~ 7.5 MILLION

Increased by 18% YoY

RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

AMOUNT OF IMPACT INVESTMENTS

TL 35.2 BILLION

to date

SUSTAINABILITY INDICES IN WHICH GARANTI IS INCLUDED

7

INVESTMENT IN COMMUNITY PROGRAMS

TL 20.2 MILLION

as of 2018

% OF LOANS WITH ESG PROVISIONS IN LOAN AGREEMENTS

100%

FINANCIAL PERFORMANCE

ROAA **1.8%**

ROAE **15.6%**

NPL **5.4%**

CAR **15.5%**

CET-1 **13.3%**

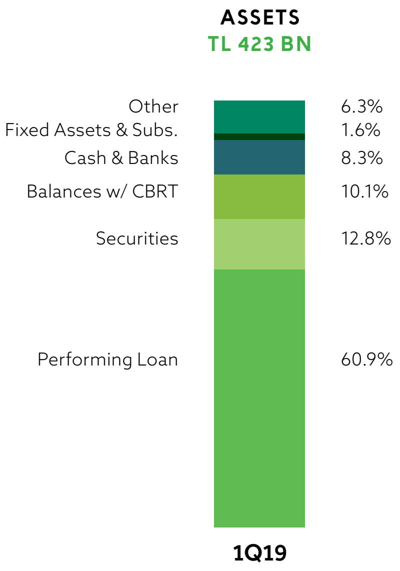
COST / INCOME

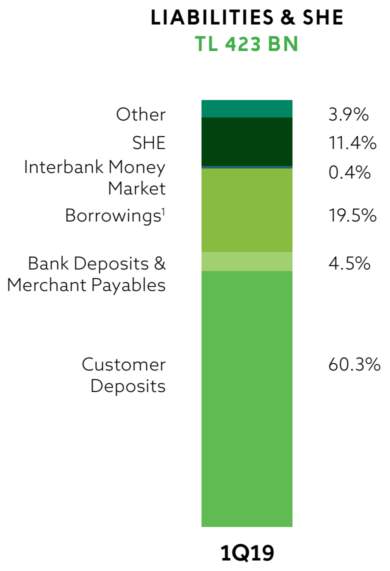
39%

Note: Please refer to disclaimer page for more information on Net Promoter Score.
Figures in Financial Performance are per BRSA Consolidated financials as of March 2019 .

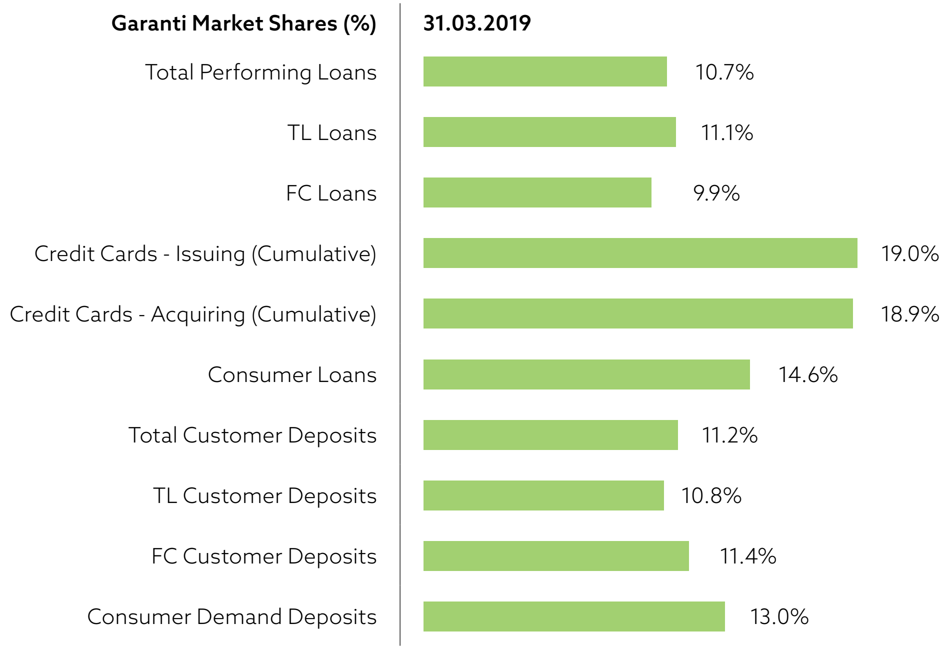
FACTSHEET

COMPOSITION OF ASSETS AND LIABILITIES





MARKET POSITION



SELECTED P&L ITEMS

	3M19
Net Interest Income	4,910
Operating Expenses	2,417
- HR Cost	1,025
- Other Operating Expenses	1,392
Net Fees&Commissions	1,499
NET INCOME	**1,757**

SELECTED FINANCIAL RATIOS

	3M19
Performing Loans/Assets	60.9%
Deposits/Assets	62.1%
Return on Average Equity	15.6%
Return on Average Assets	1.8%
Net Interest Margin (inc.Swap cost)	5.1%
Non-Performing Loans Ratio	5.4%
Capital Adequacy Ratio	15.5%

1 Includes funds borrowed, sub-debt & securities issued.

MACRO NOTES

REBALANCING IN THE ECONOMY CRYSTALLIZED IN 4Q18.

Turkish Economy contracted by 3.0% in annual terms in 4Q18. The economy technically entered into a recession as the quarterly contraction in seasonally and calendar adjusted terms became deeper with -2.4% after the decline of 1.6% in 3Q18. The shrinkage in domestic demand reached the highest level since 2009 global financial crisis, while the contribution of net exports remained the main buffer with its peak in the series going back to 1998. All in all, the economy grew by 2.6% in 2018, down from 7.4% in 2017.

SOME STABILIZATION IN IP REALIZED IN 1Q19.

Industrial Production (IP) contracted by 5.1% yoy in calendar adjusted terms in February. Seasonal and calendar adjusted IP rose by 1.3% mom for the second month in a row, signaling a recovery of 0.7% in the first 2 months of the year compared to the last quarter of 2018. Both the slow-down in the contraction of IP trend and other preliminary indicators such as our Big Data Retail Sales Indicator, confidence indices, real imports and credit growth all show the recession would be short-lived. Our monthly GDP indicator also confirms this trend and nowcasts a contraction of 1.2% yoy in March (with 47% info), with some bottoming-out signals in economic activity. Though, the implications of the recent increased volatility in the financial markets and the likely extension of the tight monetary policy for a longer period of time could reduce the magnitude of the expected recovery in the coming quarters. Risks are now weighing on the downside for our 1% GDP growth estimate for 2019.

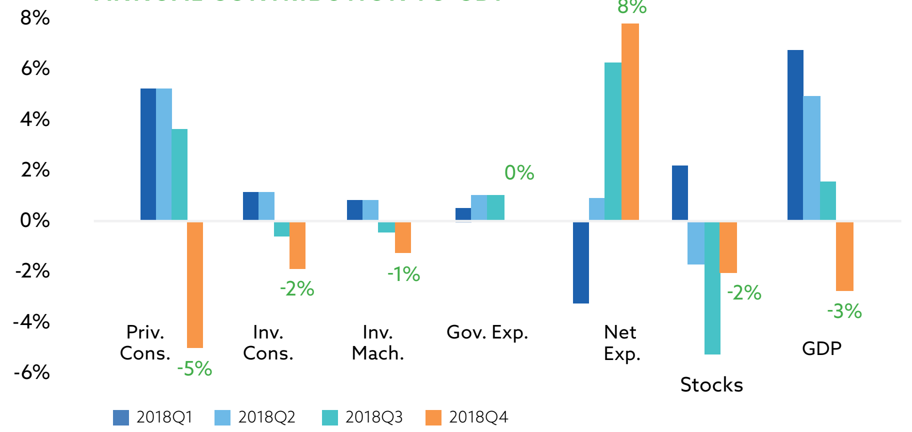
CURRENT ACCOUNT DEFICIT (CAD) MAINTAINED THE CORRECTION IN 1Q19.

Current account deficit materialized as 27.2bn USD (3.5% of GDP) in 2018. In the first two months of 1Q19, current account deficit was 1.3bn USD. Hence, 12 month cumulative sum of current account deficit retreated further to 17bn USD (2.3% of GDP) in February 2019, the lowest level in the last 9 years on the back of the contraction in domestic demand and still promising exports growth. Additionally, core current account balance (excluding energy and gold) gave a surplus of 27.9bn USD (3.7% of GDP), the highest level seen in the historical data. On the financing side, despite the improvement in portfolio inflows due to the easing in external financial conditions, main items in yearly terms remained to be net error and omissions and CBRT reserves. We expect the 12-month deficit to close the year at near 1.5% of GDP.

BUDGET DEFICIT EXPANDED IN 1Q19.

Budget revenues increased by 30%, supported mostly by the non-tax revenues which grew by 196% (tax revenues rose by 6%), while budget expenditures increased by 35% due to high current transfers, personnel expenses and investment expenditures in 1Q19. Thus, 12 month budget deficit reached 88.4bn TL (2.3% of GDP) meanwhile primary deficit was 3.3bn TL (0.1% of GDP). Looking ahead, the extension of tax incentives and expected poor performance of tax revenues on the poor economic activity could weigh on the budget performance. On the other hand, the extension of zoning reform till July 2019 and the likely introduction of extended paid military service together with the measures taken by government to save could provide some buffer against further deterioration. All in all, we expect budget deficit about 2.5% of GDP by end 2019, higher than New Economic Program (NEP) forecast of 1.8%.

ANNUAL CONTRIBUTION TO GDP



MACRO NOTES

INFLATION SLOWED-DOWN IN 1Q19.

Annual consumer inflation was 19.7% in March 2019, down from 20.3% in December 2018. Also, annual core inflation retreated to 17.5% from 19.5% on diminishing exchange rate pass through on lower demand. Looking ahead, still alive cost push factors, lack of improvement in core inflation trend (still hovers near 14%) and recent volatility in exchange rate pose some upside risks on inflation while likely lower than expected demand on the back of tighter both internal and external financial conditions and extended tax incentives could provide some buffers. We expect that the consumer inflation could end the year at around 15.5%.

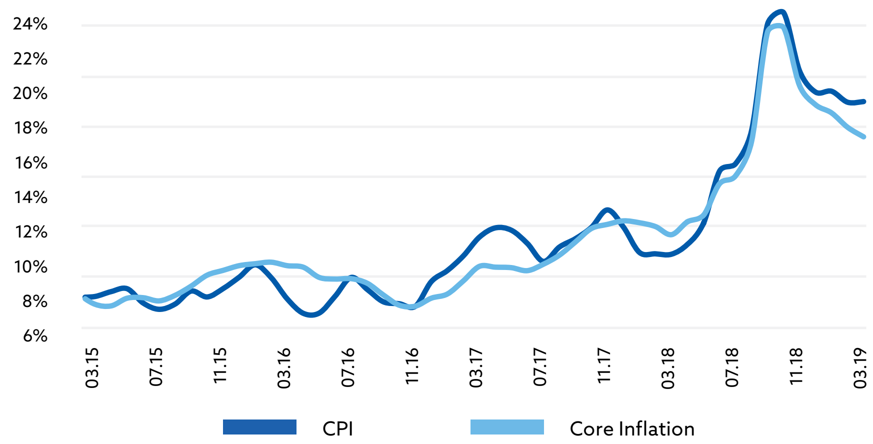
CENTRAL BANK (CBRT) REMAINS PRUDENT.

The CBRT maintains its tight stance by keeping its policy rate (24%) unchanged on the back of likely upside risks on inflation, still alive cost push factors, lack of improvement in core inflation trend and recent volatility in exchange rate. We expect the CBRT continue with the tight stance for a longer period of time due to the recent upside risks on inflation as it could postpone the easing cycle to 4Q19 when the recovery in inflation will be more obvious.

TURKISH FINANCIAL ASSETS UNDERPERFORMED IN 1Q19.

Turkish financial assets showed some stabilization on the back of the right steps in both monetary and fiscal policies and relatively calmer global market conditions in the last quarter of 2018. However, due to some uncertainties on the back of local and global factors, the assets underperformed in 1Q19 compared to 4Q18. After appreciating near 20% in 4Q18, TL depreciated by 4.3% against the currency basket in 1Q19. 10-year TL benchmark bond yield which was at 16.4% at the end of 4Q18 increased to 17.9% by end March.

CORE INFLATION AND CPI (YOY)



STOCK MARKET DEVELOPMENTS

1Q19 MARKET RECAP

In the first quarter of the year, equity markets rebounded from a weak end to 2018 posting their best quarterly returns since 2009 amid improved relations between U.S. and China and dovish policy actions from major central banks.

US equities rallied mainly on the back of FED's dovish policy and guidance, constructive negotiations between the US and China and relatively stronger fourth-quarter earnings and as well as corporate buybacks. U.S. companies purchased significant amount of their shares representing largest source of demand for US stocks during the quarter. The FED lowered its US growth and inflation projections and stated that it would adjust its planned interest rate hikes to support deteriorating economic momentum. As the quarter ended, market expects no rate hikes this year and only one in 2020. On the other hand, U.S. economic data released during the quarter was mixed. While non-farm payroll declined sharply on February, unemployment rate remained low at 3.8% and wage growth was significant with 3.4% YoY increase.

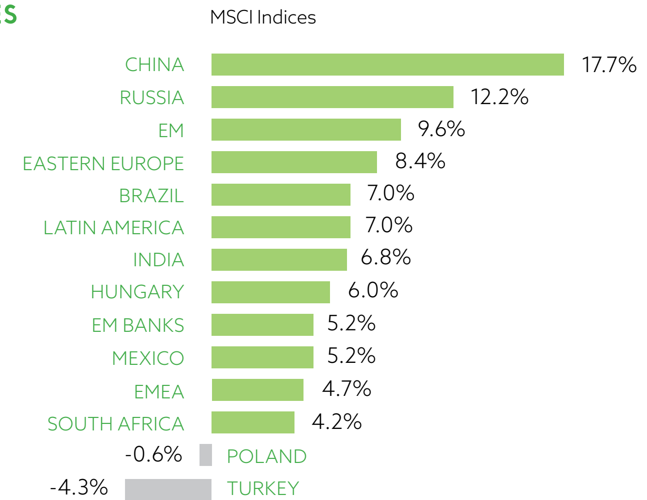
On Europe front, Eurozone economy growth was almost flat in the last quarter of 2018 as Germany recorded no growth and Italy slipped into recession. Accordingly, European Central Bank (ECB) followed the same path as FED, stepped away from tighter monetary policy and stated that rates would remain at current level until the end of the year. ECB revised its forecast downwards from 1.7% to 1.1% and introduced stimulus measures to revive the economy amid political turmoil and ongoing trade tensions. Banks drew support in funding to increase lending, yet low interest rates continued to pressure their net earnings. However, PMI remaining below 50 in February, indicates contraction.

FED's hold decision on rate hikes and ECB turning less hawkish increased investor appetite for riskier assets. Accordingly, emerging market equities posted strong returns in 1Q led by China. US's decision on suspending tariff hikes and continued government support to domestic economy also supported the sentiment in China. Especially China A shares were exceptionally strong, as MSCI announced that their weight will be quadrupled, which will eventually drive additional inflows. Elsewhere, Russia and Columbia benefited from rise in oil prices resulting from OPEC's output cuts and lifted US sanctions on Russian companies.

On domestic front, Turkish stocks were down by nearly 3% in the quarter despite the rally in January mainly due to sharp sell-off in March when lira depreciated dramatically against US dollar. Turkey's 2018 GDP growth came in lower than expected at 2.6% vs. 7.4% in 2017. In fact, Turkish economy entered a recession for the first time in a decade as the shrinkage continued in two consecutive quarters. None the less, Central Bank maintained its tight monetary policy stance and left one-week repo rate unchanged at 24.0%. On politics front, local elections were the main item on the quarterly agenda, resulted in the ruling party losing key cities' municipalities to opposition party.

STOCK MARKET PERFORMANCE IN SELECTED COUNTRIES (IN US$)

As of March-end, quarterly changes



LOCAL & GLOBAL INDICATORS

(As of March-end)

	Close	QoQ
US 10Y	2.41	-27.9
USD Index	97.3	1.2%
EUR/USD	1.12	-2.2%
USD/TRY	5.57	5.3%
EUR/TRY	6.26	3.2%
NYMEX	60.1	32.4%
Brent	68.4	27.1%
Gold	1292.4	0.8%
Benchmark	21.19	146 bps
TR 5Y CDS	443	21.7%

DEVELOPMENTS IN TURKISH BANKING SECTOR

Turkish Banks continued to successfully roll-over their syndications in 1Q19. Total foreign funding equivalent to USD 5.9 billion was secured in the quarter.

Akbank announced that the procedures regarding the use of pre-emptive rights to purchase new shares with regard to the total capital increase of TL 3 billion were completed as of the 17th of January.

CBRT ACTIONS DURING THE QUARTER

- CBRT has continued to maintain its tight stance on monetary policy in the first quarter of 2019 as well and decided on not touching its policy rate which stood at 24.00%.
- CBRT has provided liquidity to banks via a 100 bps cut in TL reserve requirements and 50 bps cut for all other liabilities subject to reserve requirements.
- CBRT has raised banks' limits on swap transactions with the CBRT to 40% from 10%, in which banks provide FX and receive TL.

REGULATORY DEVELOPMENTS DURING THE QUARTER

- On January 18, CBRT announced that deposits/participation funds of official institutions will not be subject to reserve requirements.
- Per announcement on March 8, cap on the maximum interest rate for deposits that public institutions can obtain from state banks has been revised down by 5% for each maturity. (i.e. revised cap for overnight deposits is 55% of monthly average CBRT cost; 60% for deposits up to 7 days)
- A total of TL 3.2 billion worth of agricultural subsidies has been provided in February and March.
- Ziraatbank has offered consumer loans to people who are struggling to pay back their credit card. Ziraatbank announced that under the campaign the bank has been offering consumer loans at 1.10% per month for up to 24 months and 1.20% per month for up to 60 months to all citizens with credit card debt. Later, Halkbank also offered a similar restructuring program.
- CMB announced that they have brought a requirement for 50% of money market funds' assets under management to be placed as deposits. Meanwhile, a maximum 40% of funds will be able to be placed in repo instruments.
- Tax cuts in autos, white goods and furniture has been extended for another 3 months until June 30, 2019.
- The withholding tax on FX deposits have been increased to 20% from 18% for 6 months maturity, 20% from 15% for up to 1 year and 18% from 13% for higher than 1 year maturity.
- Two new lending packages under CGF scheme with a total amount of TL45bn has been introduced.
- BRSA has lifted the 9-month instalment limitation on corporate credit cards.
- BRSA extended the maturities on retail loans. The existing 36-month maturity limit on general purpose cash consumer loans was extended to 60 months. Additionally, for the purchases of autos with a value below TL 120k, maturity limit was also extended to 60 months from 48-months.

NPL SALES DURING THE QUARTER

- Yapi Kredi Bank sold its TL 396 million NPL portfolio receivables for TL 24 million.

SELECTED SECTOR FIGURES (TL MILLION)

	30/03/2018	29/03/2019	YoY Δ
Total Deposits	**1,766,282**	**2,179,014**	**23.4%**
Bank Deposits	92,207	129,304	40.2%
Customer Deposits	1,674,075	2,049,710	22.4%
TL Deposits	923,545	959,502	3.9%
FC Deposits (US$ mn)	190,678	195,574	2.6%
Customer Demand Deposits	336,412	451,188	34.1%
Total Loans	**1,963,831**	**2,194,312**	**11.7%**
TL Loans	1,358,113	1,383,533	1.9%
FC Loans (US$ mn)	157,773	143,872	-8.8%
Consumer Loans (excl. Credit Cards)	389,834	387,136	-0.7%
Housing	180,207	172,066	-4.5%
Auto	6,177	5,187	-16.0%
General Purpose Loans*	203,450	209,883	3.2%
Credit Cards	115,262	131,340	13.9%
TL Business Banking Loans	853,017	865,057	1.4%
Loans / Deposits	111.2%	100.7%	
Gross NPL	**60,934**	**98,396**	**61.5%**
NPL ratio	3.0%	4.3%	
NPL coverage	74.6%	69.0%	
Gross NPL in consumer loans (excl. Credit Cards)	10,830	12,170	12.4%
NPL ratio in consumer loans	2.7%	3.0%	
Gross NPL in credit cards	7,199	8,179	13.6%
NPL ratio in credit cards	5.9%	5.9%	
F/X Position, net (US$ mn)	**2,753**	**-728**	
on B/S	-33,369	-49,330	
off B/S	36,124	48,601	

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

DEVELOPMENTS AT GARANTI

AWARDS & RECOGNITIONS

Garanti Bank Investor Relations has been honoured with the "LARGEST GEOGRAPHICAL COVERAGE" award at the **TUYID Investor Relations Summit.**

Garanti, once again, has been the only company to be listed in the **"Bloomberg Gender Equality Index"** from Turkey thanks to its successful practices on gender equality, particularly in human resources as well as all its value chain including contributions to its customers and society.

Received a bronze medal for "BEST SALES SOLUTIONS" with our Digital Auto Loan at the **2019 Stevie Awards.**

Garanti Bank Private Banking has been selected as "THE BEST PRIVATE BANKING IN TURKEY" by **Euromoney Private Banking and Wealth Management Surveys.**

Named as the "BEST TRADE FINANCE BANK IN TURKEY" by **Global Finance magazine** for the 9th year in a row.

Received the "OPERATIONAL EXCELLENCE" award from **JP Morgan** for achieving high quality straight through processing (STP) volumes for USD payments.

Our "Motorcycle Loan" won the "BEST NEW PRODUCT / SERVICE" award at the internationally prestigious **Best Business Awards.**

GARANTI AND THE COMMUNITY

Garanti has published its SECOND INTEGRATED REPORT, which makes a holistic assessment of the financial and non-financial performance of the bank, as well as conveying its forward looking strategy.

The content of the Report is identified in line with the material issues, which are determined as an intersection of issues raised by our stakeholders and topics that are significant to Garanti. The connection between the material issues, business strategy and performance in 2018 is clearly established, as suggested in the Integrated Reporting framework published by the International Integrated Reporting Council ('IIRC').

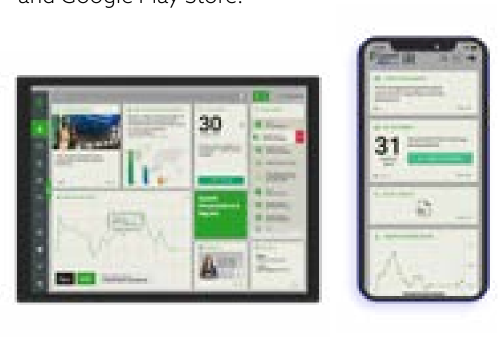
GARANTI JAZZ GREEN SPRING PROGRAM is running at full steam. Once again, concerts across Istanbul, including Nardis Jazz Club, Salon İKSV and Babylon stages, will unite music fans and jazz gems.

Garanti, the supporter of Turkish basketball, renewed sponsorship contract with the TURKISH BASKETBALL FEDERATION and will continue to support Turkish basketball for another three years as the Main Sponsor of National Teams.

DEVELOPMENTS AT GARANTI

DID YOU KNOW?

GARANTI IR APP has been redesigned with investors' feedbacks. This responsive and user friendly app provides instant mobile access to important financial and business information on Garanti. The app is available on Apple Store and Google Play Store.



In addition to Garanti Mobile and Garanti Internet, our customers are now able to **complete loan applications from Garanti Call Center.**

Launched A NEW VIDEO CALL FEATURE for remote General Purpose Loan applications in order to further decrease branch dependency.

First bank in Turkey to make "SWIFT TRACKING REPORT" FEATURE available via our online banking. We now allow our users to track the entire process, from order placement through to transaction completion. Transaction details - such as the status of the currency transfer, the intermediary bank, time elapsed, and can all be easily viewed from now on.

Within the digitalization journey of COMPLAINT MANAGEMENT, our customer experience team launched a new option for **customers to submit their complaints by leaving a Voicemail to the Call Center.**

The "DIGITAL AUTO LOAN" which provides a smart tool for the calculation of different payment plans has been launched. Whether you are a Garanti customer or not, anyone can make an auto loan application easily and get the pre-evaluations result immediately via garanti.com.tr without the necessity of contacting a branch or call center.

GARANTI ASSET MANAGEMENT increased its volume in pension funds to TL 16,6 billion with a market share of 17.2% and its volume of mutual funds is TL 4,8 billion with a market share of 7.5% as of 31.03.2019.

LEADING POSITION IN DIGITAL BANKING

7.5 million digital customers
6.8 million mobile customers
5.2 million mobile-only customers

ACTIVE DIGITAL CUSTOMERS

18% YoY

ACTIVE MOBILE CUSTOMERS

25% YoY

CONTACT

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DISCLAIMER STATEMENT

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 the peer group, which consists of Garanti Bank, İşbank, Akbank, Yapı Kredi Bank, QNB Finansbank and Denizbank. Research was conducted between May 2018 and December 2018. Main bank customers, who have communicated with the banks over the last 3 months, were surveyed face to face in the cities of İstanbul, Ankara, İzmir, Kocaeli, Bursa, Antalya and Adana by quota sampling. Score is calculated as a weighted average of retail segments' scores.