Welcome everyone!

Thank you all for attending our financial results call for the first quarter 2021.

We are very happy that despite all the odds happening in the world these days, we are still able to deliver stellar results and are here to proudly present them.

Before we start with our financial results performance, let's first briefly go over the new macro outlook that had to re evolve in the quarter with strong factors affecting expectations.

Starting the year, GDP growth momentum has actually fared higher than our anticipation. We nowcast a yearly growth rate of 5.5% in March for the 1st qtr GDP growth.

Our Big Data proxies and other high frequency indicators have started to jump, being backed by both the base effects and the reopening of the economy in March.

However, given the latest developments, we remain cautious and maintain our 2021 GDP growth forecast at 5% - while keeping an upside bias due to both continuing strong activity and the positively revised global growth forecasts.

Revisiting the CA expectations; we witness a continuing import demand and pick up in exports following the strengthening external demand, which could still initiate a correction in Current Account Deficit as of March. However, due to higher faring commodity prices and the relatively low contribution from tourism revenues, we now expect CA deficit to be 27bn$ at the end of the year (3.7% of GDP).

Continuing with the inflation outlook on next page, we revise our forecasts on the upside led by the higher oil price assumptions and our revised exchange rate forecasts. Inflation will likely remain close to 18% during 2Q, decline only gradually to around 17% in October and finally end the year at 15%, helped by the favorable base effects in the last two months of the year.

Based on this inflation outlook, expect the Central Bank to stay on hold till September and start an easing cycle only very gradually thereafter, ending the year with 16% policy rate. In other words, a total of 300bps rate cut is assumed by year end.

Regarding the budget balance, budget deficit to GDP ratio declined to 2.3% in the first quarter down from 3.4% at the end of 2020, with the support of strong tax revenues and controlled expenditures. Due to worsening Covid situation, we slightly revised our forecast up to 3.8% for budget deficit to GDP ratio for the end of the year. Even with this revision, Budget Deficit / GDP will continue to remain below EM average.

Now let's move on to our financial results;

We had just a remarkable start to the year 2021.

Our earnings of TL 2.5bn in the first quarter is our record high quarterly profit to-date, suggesting a hefty annual growth of 51% and a quarterly growth of 122%.

Underlying factors to this visible surge is not purely attributable to normalizing net cor post heavy provisioning last year, but also to our sustainable revenue generation capability that can be seen in our historic preprovision income records.

This outstanding result, especially in a quarter of inescapable margin pressure, is attributable to well defended margins with the support of healthy loan growth; active management of funding mix; and strength we get from more than 19mn customers that prefer to bank with us -- keep their sight

deposits and choose to do their banking transactions. With this customer driven strength in the end, we are also able to generate not only the best in sector margins but also the fee and commission revenues.

In this quarter, given the further volatility and continuing uncertainties, we chose to further boost our free provisions and NPL coverages. With an addition of 150 milion TL to our free provisions in the 1st qtr, our total free provisions on Balance sheet reached 4.8 bn TL

Even after such prudent provisioning and continuing low leverage, we were able to deliver an ROE of 16.7% --mid to high teens as guided - and an ROA of 1.9%.

If we hadn't set aside the free provisions, these ratios would have been 17.3% and 2%, respectively.

Let's now move on to the components of these results and start with the assets

YTD asset growth continued to be customer driven and in high yielding asset classes. Loans share in assets went up to 62.5% while securities' share neared 13%

In the 1st qtr, our TL lending growth was 6% alluding to a pace that is more than double that in the sector. This growth as well signals a level that we are well on track to meeting our TL Lending growth projection of mid teens for the year.

As for FC Lending, we had further 4% shrinkage in dollar terms in the quarter. – fully in line with our anticipation

On the securities front, we continued to strategically manage the portfolio: had some opportunistic purchases of TL securities and and a Eurobond sale

Now let's Look in more detail to our TL lending growth – How we can summarize for the quarter is that ; it has been timely and healthy; we were able to book growth accross the board with rational pricing and market share gains

Even though in net growth, consumer and credit cards registered relatively better 9 and 8% level growth. TL business loans were also in the posiitive territory despite the heavy flow of redemptions post a high growth year.

In the pie chart , on the left hand side, you can see a balanced TL loan mix among business and consumer.

- On consumer side, the high yielding GPLs were again the front runner with 10% growth in the quarter.
- In Auto and mortgage loans we preserved our leadership position among the private banks

The story is a reverse to that in the TL. We have a continually shrinking book. This strategy has been in place at Garanti since 2015. From a level that used to as high as $26 bn on a cons. And $22 bn on a bank only level.

Notice in the line chart - on the right hand side - that this is also true for the sector, as anticipated given the late currency moves. At Garanti the shrinkage has been even more and the market share loss since 2017 alone has reached 2%.

FC loans in total lending now make up 38%.

Evaluating the portfolio, in terms of currency sensitivity and how we manage the risk, we wanted to explain in detail what they are.

Of a consolidated total of $16.5bn FC loans; $4.6bn are those dispursed by our international subsidiaries to companies abroad with natural hedge.

The bank only total is $11.9bn – Of this, 13% is to exporters, 56% relates to project finance loans and the rest is mainly working capital loans to blue chip names and multinationals.

FX sensitivity analysis is periodically conducted on this portfolio – covering at min around 72% of the wholesale portfolio -- so that we can proactively do the necessary staging and provisioning.

So far, about 3% of the analysed portfolio is identified as risky and accordingly we have been following them under stage 2 with close to 35% coverage.

Provisioning for these firms alone has increased by 10% yoy.

Lets now jump to the funding side – on slide 8

Notice that, demand deposits, time deposits and deposit like TL bonds issued and merchant payables fund nearly 70% of the assets. This alone easily funds the loan book, suggesting a total Loan to deposit ratio under 100%.

Notice also the sustained high level of demand deposits funding assets.

As for the external liabilities, due to our shrinking FC loan portfolio --- as we have also been cutting down our external debt. -- borrowings share in assets is a limited 12.5%. As of the March end, our total external dues were 7.7 bn dollars of which 2.4bn dollars is due within a year and against that we have 11.9bn dollars of quick liquidity buffer. – in other terms nearly 5 fold the need

The YTD reduction in the FC liquidity buffer is Mainly due to our FC securities sale and redemptions

Other indicators confirming our high liquidity, are the Liquidity coverage ratios - that for both total and FC, our liquidity remains well above the required minimums.

Moving on to the deposits… - slide 9

In the quarter, we had some de- dolarization following a heavy dollarization year like last year.

Accordingly our FC deposits shrank by 6% in dollar terms vs a 1% growth in TL deposits. In the first quarter, to defend the margin pressure, we refrained from high deposit pricing and rather concentrated on growing our mass market deposits.

Our very visible strength in total demand deposits remain.. Even In a quarter of more attractive deposit rates, our demand deposits could still grow by 10%. Demand deposits share in total is an outstanding 44% compared to 31% average in the sector.

This is a clear reflection that Garanti is customers' preference as their main bank.
And as I tried to stress earlier, this is why we are able to deliver sustainably strong revenues.

This funding strength alone contributes positively to differentiate us in the sector with the highest margin performance
Speaking of margins on next page…

As expected and guided there was a 1pp drop in the quarterly margin to 3.9% from 4.9%.

About half of the drop is attributable to CPI impact as its contribution in the last quarter was over stated due to being YE adjustment period. Even though the CPI linker volume remained put, the CPI reading used in the first quarter was 8% lower than the year end adjustment level.

On the core margin side, suppression was inescapable, however we could limit the contraction via dynamic management of asset growth and funding mix.

Increasing loan yields will continue to support the margin and following a stabilization in funding costs and possible easing towards the end of the year, we will start seeing sequential expansion – mostly likely starting in the second half of the second quarter.

Even though the interest rates are at higher level than what we assumed in our operating plan, we don’t see a downside risk to our full year guidance of 100bps margin contraction incl. swap expenses.

Higher funding costs likely will be offset by higher CPI linker income and we will continue to limit the contraction via rationally prices and volumes

Moving on to the topic of asset quality on slide 11

Lets start with the loan portfolio breakdown in terms staging.

Notice Our gross loans, as it is seen on the left hand side bar chart; of our total that exceeded 380bn TL.. 4.4% is NPL, 17% is in stage 2 and the rest 79% is in stage 1

Looking at Stage 2 breakdown on the right hand side -- 38% is SICR – this is related to the quantitative model outcome with conservative threshold limits restricted per European Banking Association requirements. The second largest portion in stage 2 is the restructured portion as expected during the pandemic.

Notice that in the quarter, watchlist share in stage 2 has gone up to 25%. This explains roughly half the growth in stage 2 and it relates a to a few files that were subject to individual assessment. The rest of the increase - Roughly 45% of the increase in stage 2 is due to currency depreciation.

With the inclusion of a few individually assessed files average coverage ratio of the Stage 2 further increased to 15.8% from 14.7% in the last quarter.

By the end of this quarter, the 90-180 days files’ balance classified as Stage 2 was TL 2bn. The increase is mainly due to timing of the collection for one big file amounting to 500mn TL. That amount will be collected within the 2nd quarter and the balance will decrease accordingly back to roughly 1.5bn

Our 30-90 days files’ balance is 2bn TL. However, out of this amount we only follow 209 mn TL under Stage-1, since the rest of the amount, 1.8bn TL is already captured by our model in SICR bucket or individually assessed. This is an outcome of our prudent thresholds we use in our IFRS model.

Next page, is our usual page regarding deferred loan portfolio payment performance. Actually, in this quarter we saw that the demand for deferral portfolio evolved to a business as usual trend, meaning we do not see additional covid related restructuring need here anymore.

Going into details, the deferred loan portfolio was 42bn TL at the end of the quarter and 87% of this amount has already expired. Out of the 37bn TL that expired, 78% resumed their monthly payment without any delay and actually a quarter of these already paid their debt in full

13% asked for a 2nd deferral and 9% portion is solution in process.

We have now almost 1 year historic data to anticipate potential NPL inflows out of this portfolio and accordingly we expect around 2-2.5bn TL to fall into NPL at the end of the day, which is alluding to a similar NPL ratio to the rest of our loan book.

We apply the same prudent approach on classification and provisioning to this portfolio as well. 55% of the total balance has been classified as Stage 2 with 21% coverage and Stage 3 coverage of this deferred portfolio alone is as high as 59%.

- On next page, looking at the NPL evolution, notice that the Net new NPLs continue to be negative for 5 consecutive quarters.
- To remind you, last year this was mainly because of the liquidity provided to the system during the pandemic and the regulatory easing on NPL recognition days. These conditions still remain, however we should not undermine the continuing collections strength. In the first quarter, the collections booked neared 800 mn TL
- The slight increase in the nominal NPL in the quarter is all attributable to currency devaluation. NPL ratio ended to be 4.4% in at end of the quarter. And NPL coverage further increased to 65.6%.. This NPL coverage ratio is after the write down of the NPLs that are 100% provided. If we had not done a write down, our NPL coverage ratio would have exceed 73%!!

Looking on the CoR chart on the right hand side

- You can see normalizing net COR, especially after last year's heavy provisioning – and despite further provision build up in the quarter. Net COR as of the 1st qtr ended up to be 1.3pp

Moving on to the fees,

Despite the high base of last year –as the new regulatory framework on fees became effective after March 1st of last year – we could book an outstanding performance in the quarter and could resume our typical double-digit growth momentum in Fees & Commissions.

Accordingly, in the quarter, we grew our base – that is highest in the sector - by a solid 16% YoY and 20% QoQ.

In terms of the growth breakdown, the better performing areas has been mainly the cash loan fees and insurance, These are again the result of our expanding customer base with more effective penetration.

Payment systems performance here is eye-catching: This strength here does not only relate to the increasing interest rate environment which support Merchant fees and interchange fees – but also

The fact that we could again lead the transformation in the business during the pandemic.
The ability of customers to receive their credit cards without going to the branches, make remote and contactless payments naturally gained high importance. And as Garanti BBVA, as a pioneer in the business, we continued to offer innovative solutions to meet the needs of our customers.
In this context, with Bonus Digi that we launched in 2020, we enabled our customers to apply for a Bonus credit card from their homes, without going to the branch and make e-commerce or QR transactions on physical POS terminals via BonusFlaş.

Our customers enrolled to more than 10 million campaigns in the first quarter of the year – a figure that is 108% higher compared to the same period last year.

Let's now quickly look into operating expenses on next page.

Our OPEX growth was 12% on an annual basis, bearing an upside on the avg CPI guidance we have announced for the full year.

The currency depreciation impact constitutes 4% of the annual growth, which actually has no bottom-line impact since it is 100% hedged. Cost Income ratio ended up in the high 30s. 37.8% to be exact. Opex in assets was 2.4% and fees coverage of operating expenses was 63%.

On next page, you will see our capital ratios. Our capital buffers continue to remain strong even without the BRSA's forbearance measures.

- Our consolidated CAR and CET1 stands at 15.8% and 13.3%, respectively suggesting 18bn TL of excess capital – taking account the minimum required level of 12.1% for 2021.
- When calculated using the currency forbearance, our CAR and CET1 ratios would have been 16.6% and 13.9%.

This sums up our first quarter performance for year 2021.

We can now gladly take your questions.

Thank you for listening.