



2021 OPERATING PLAN GUIDANCE

January 7th, 2021

AGENDA



#1 TURKEY
MACRO
REVIEW

A green circular icon with a white paperclip graphic on the left side. The text "#1 TURKEY MACRO REVIEW" is centered in white. Below the circle is a horizontal green bar.



#2 2020
STATUS
UPDATE

An orange circular icon with a white paperclip graphic on the left side. The text "#2 2020 STATUS UPDATE" is centered in white.



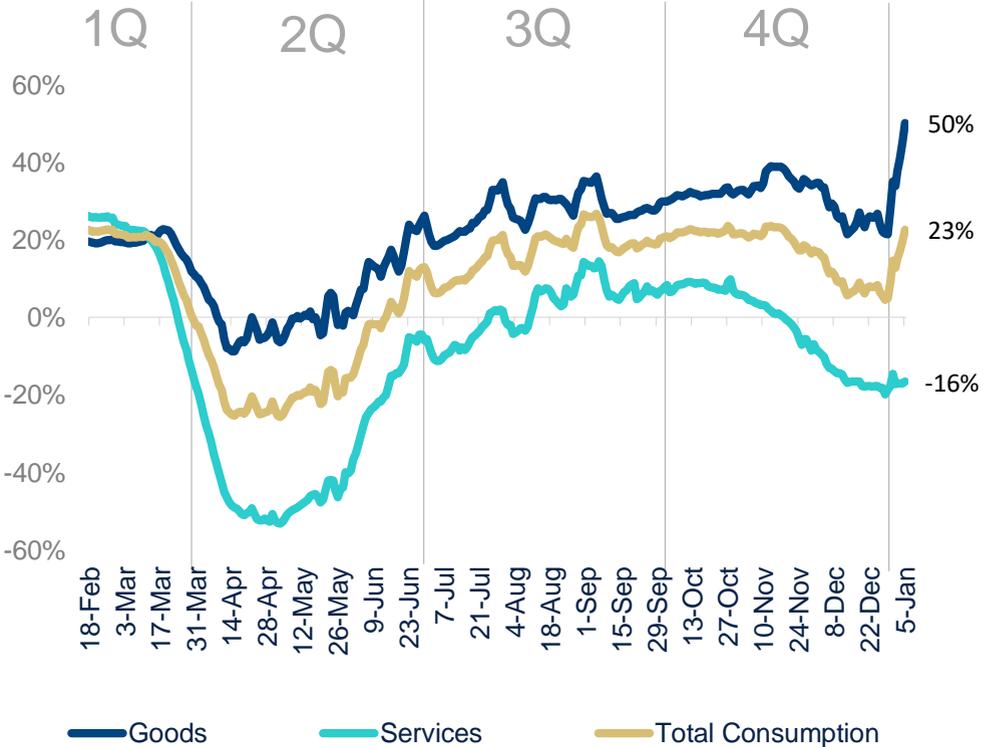
#3 2021
OPERATING
PLAN

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BIG DATA INDICATORS SUGGEST VERY LIMITED LOSS OF MOMENTUM SO FAR, GOODS CONSUMPTION AND MACHINERY INVESTMENT STILL REMAIN ROBUST

BIG DATA TRACKERS - CONSUMPTION

(28-day cum. YoY nominal)



Source: Garanti BBVA Research

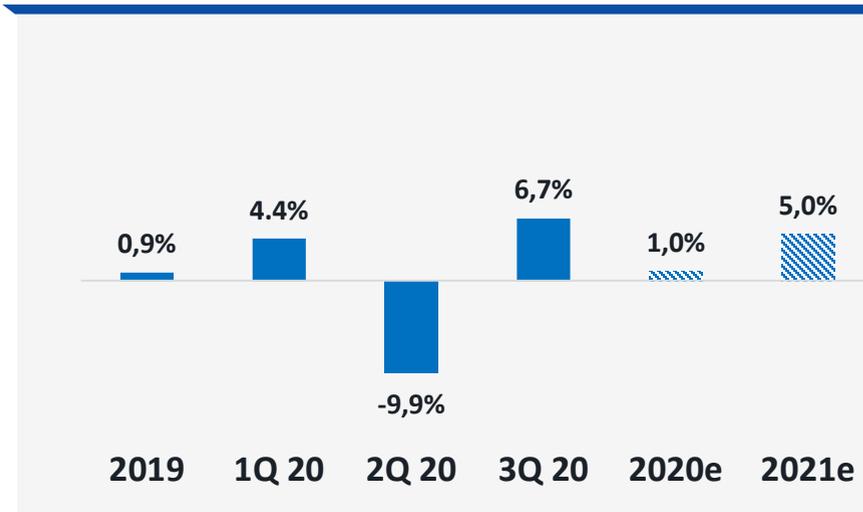
BIG DATA TRACKERS - INVESTMENT

(28-day cum. YoY nominal)



MACROECONOMIC FORECASTS (I/II)

GDP GROWTH



INFLATION (period-end, yoy)



CBRT COST OF FUNDING (1-week policy rate)

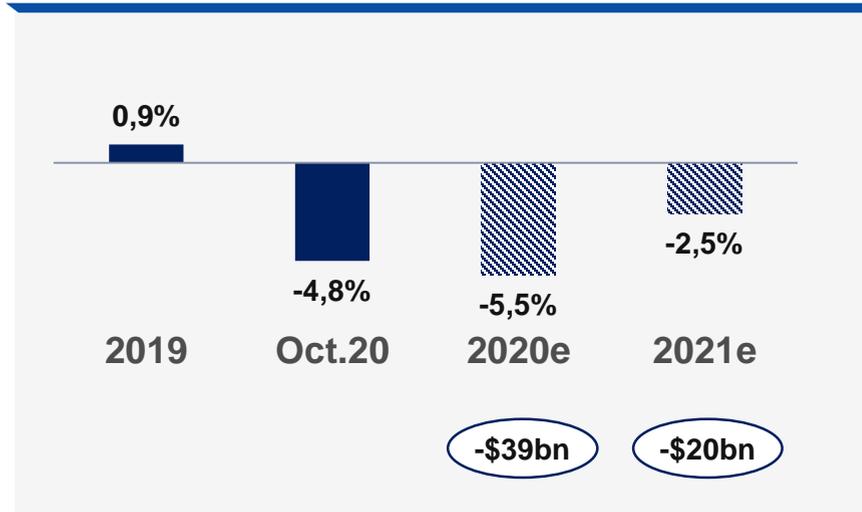


► GDP growth to reach 5% on top of the very low base of 2020, **decline in risk premium, stabilization in financial assets**, and expected **normalization led by the vaccine developments**

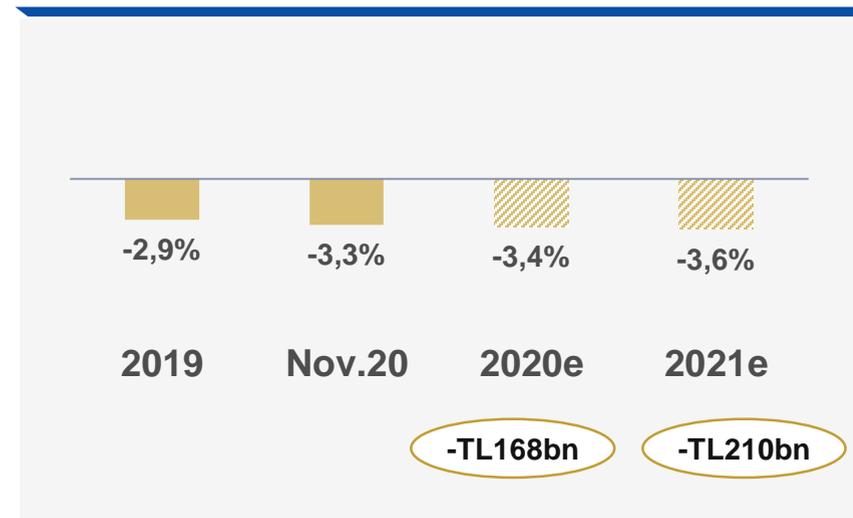
► **Tight monetary stance** is expected to be maintained to reinforce stabilization in financial assets, given **inflationary pressures in the first half**.

MACROECONOMIC FORECASTS (II/II)

CAB / GDP



BUDGET BALANCE / GDP



- ▶ Current Account Balance reverted fast; first due to extraordinary factors linked to the Covid-19 (poor exports, tourism revenues), and secondly strong domestic demand and high gold imports. **Normalization led by vaccines and expected moderation in import demand on tighter financial conditions** will start to correct the deficit

- ▶ Fiscal space could be used to some extent in a target-based approach however **Budget Deficit to GDP is expected to remain under control**

AGENDA



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#2 2020
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2020 STATUS UPDATE

	2020 Revised Guidance	2020 Expected
TL Loans	~25%	>25%
FC Loans (in US\$)	Shrinkage	Shrinkage
NPL Ratio	~6.5%	< 6.5%
Net Cost of Risk (excl. Currency impact)	<300bps	<300bps
NIM incl. Swap excluding CPI	~50bps expansion	~35bps expansion (~50bps incl. CPI)
Fee Growth (yoy)	High single digit shrinkage	Low-single digit shrinkage
Opex Growth (yoy)	<10%	>10%
ROAE	Low-teens	Low-teens*

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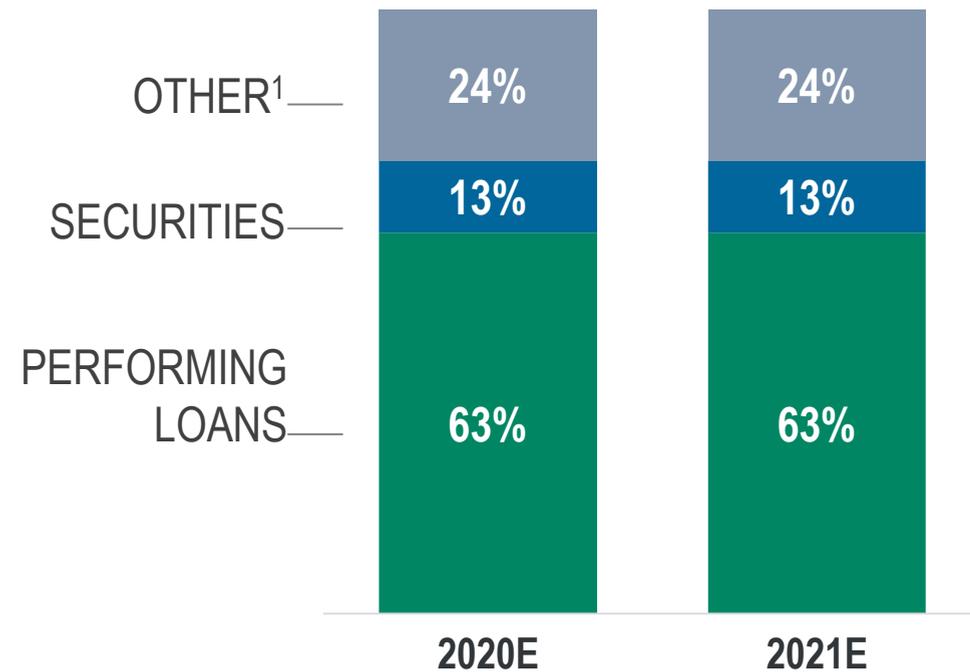
MODERATED LENDING GROWTH AFTER A YEAR OF HIGH GROWTH



2021E

COMPOSITION OF ASSETS

(December Averages)



TL PERFORMING LOAN GROWTH

Mid-teens

- ▶ Across the board TL loan growth at a more normalized level.
- ▶ TL Business Banking loans continue to be the front runner, yet at a slower pace vs 2020

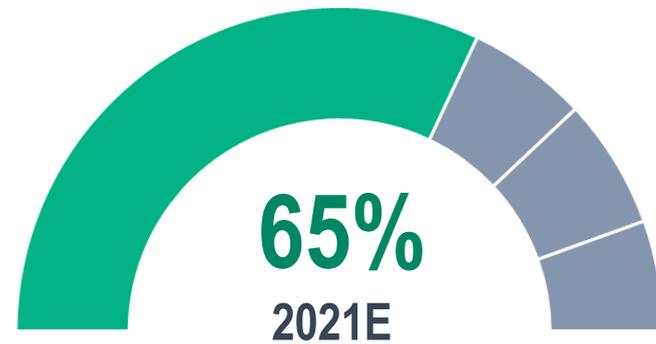
FC PERF. LOAN GROWTH (in US\$)

Shrinkage

- ▶ Shrinkage in FC loans is expected to continue in a similar trend.

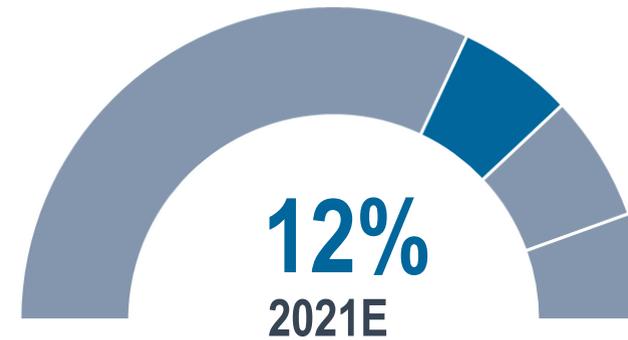
ACTIVELY MANAGED FUNDING MIX AND COMFORTABLE LIQUIDITY

Customer Deposits' Share in Total Liabilities & SHE

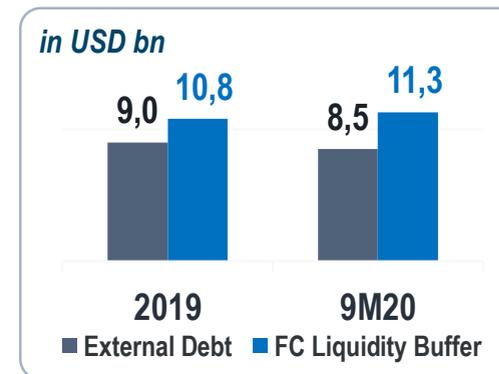


- ▶ Maintained focus on demand deposits as well as sticky & low cost deposits

Borrowings¹ Share in Total Liabilities & SHE



- ▶ Total US\$2.5 bn redemption in 2021
- ▶ Opportunistic utilization of alternative sources
- ▶ 40% of our foreign borrowing in 2020 has been ESG linked.
- ▶ Strong FC liquidity buffer remains vs. reduced external debt



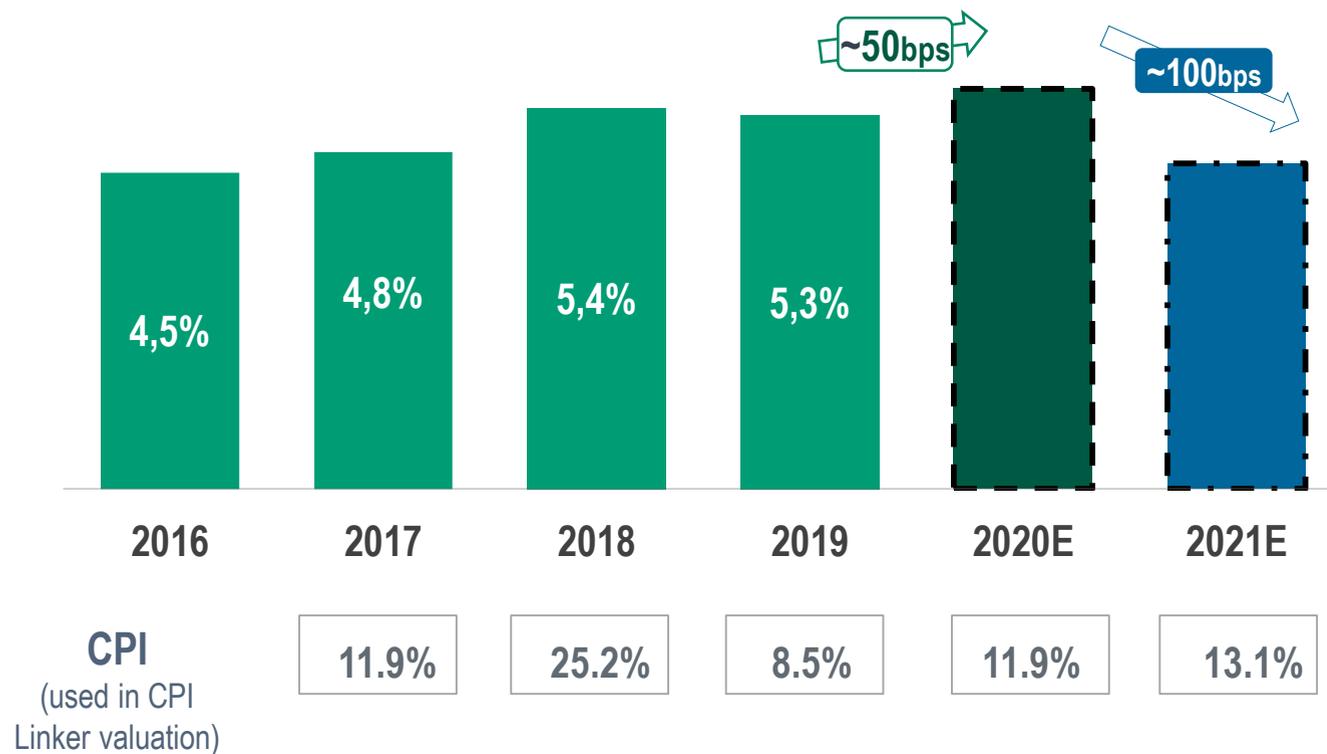
SHE Share in Total Liabilities & SHE



- ▶ Robust capital base

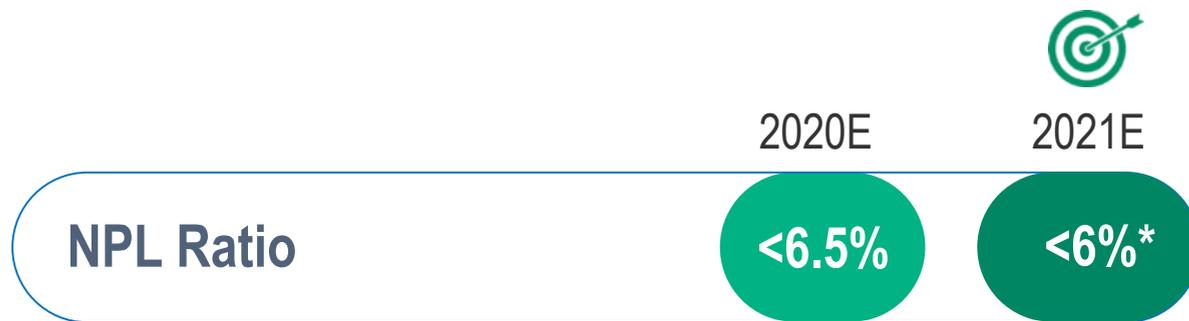
EXPECTED MARGIN CONTRACTION FROM ALL TIME HIGH LEVELS DUE TO THE PREVAILING HIGHER INTEREST RATES

CUMULATIVE NIM INC. SWAP COST

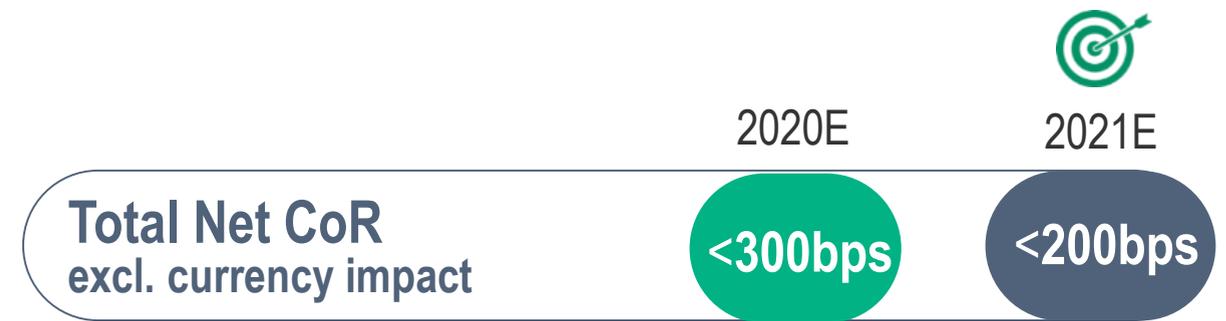


- ▶ TL LtD spread is expected to see its lowest level in 1Q21, then will improve with increasing loan yields and rate cut expectations towards the end of the year.
- ▶ High share of demand deposits continue to support the margin
- ▶ Lending growth in 1H20 was predominantly short-term

PANDEMIC RELATED NPL MOVEMENT LIKELY TO BE SEEN IN 2021, YET CoR EXPECTED TO IMPROVE FROM LAST YEAR'S ELEVATED LEVEL



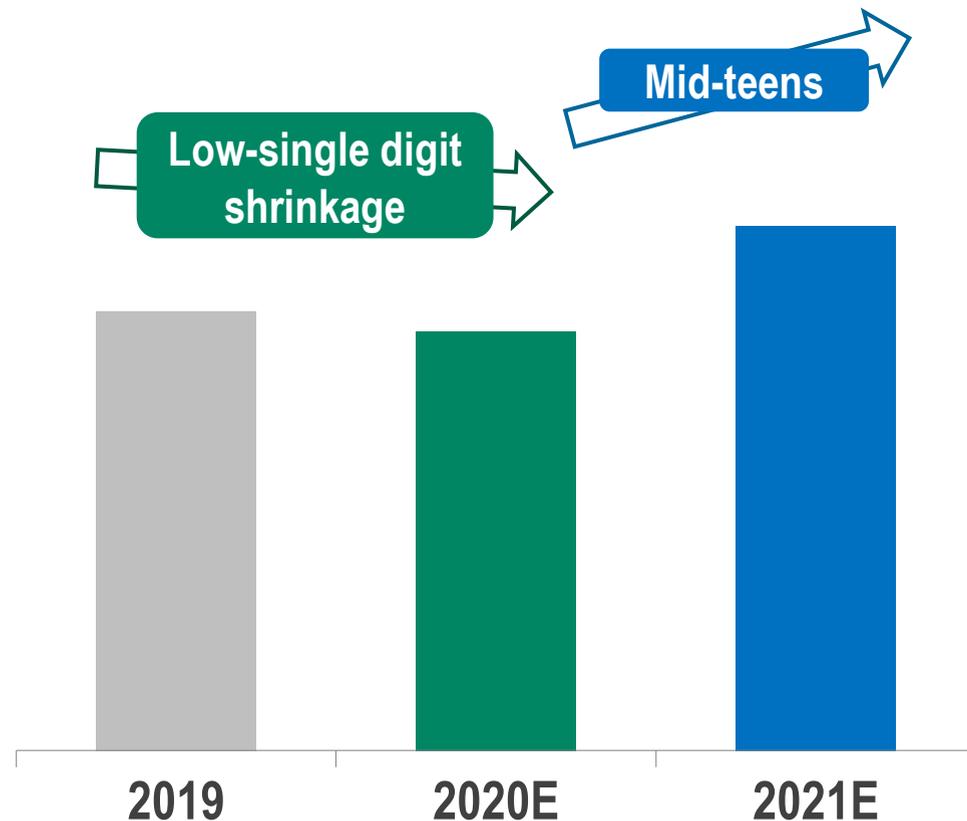
► 2020 NPL inflows were extraordinarily low due to forbearance measures taken during the pandemic.



► Anticipated Covid related provisions were booked ahead of time in 2020.

DOUBLE DIGIT FEE GROWTH MOMENTUM TO RESUME

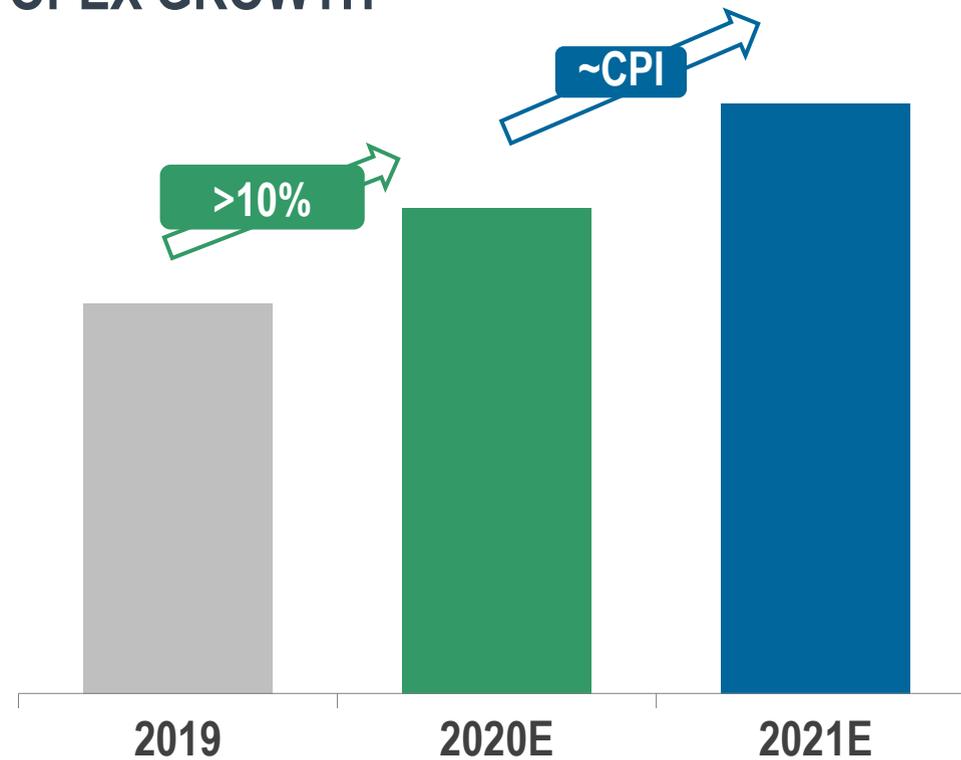
NET FEES & COMMISSIONS



- ▶ **Payment System fees** will be aligned to the higher interest rate environment.
- ▶ More **effective and broader penetration** of limited fee sources, post the fee regulation.
- ▶ **Expanding customer base** with **higher lending activity** will be positively supporting the fee base.
- ▶ **Increasing digital banking activity** (top banking transactions volumes increased by 50% compared to 1Q20) reinforces fee generation capability as well.
- ▶ **Higher contribution from subsidiaries** i.e; Insurance, Brokerage, Asset Management.

COSTS REMAIN UNDER CONTROL. CURRENCY PASS THROUGH IMPACT BRINGS OPEX GROWTH TO AROUND INFLATION

OPEX GROWTH



- ▶ Currency impact on OPEX has **no bottom line impact** due to hedging.
- ▶ Cost/Income remains below 40%.

IMPROVING PROFITABILITY RATIOS ON THE WAY TO NORMALIZATION

2021 Garanti BBVA Operating Plan

TL Loans (YoY)	Mid-teens
FC Loans (in US\$, yoy)	Shrinkage
NPL ratio*	< 6%
Net Cost of Risk**	< 200bps
NIM Incl. Swap Cost	100bps contraction
Fee Growth (YoY)	Mid-teens
OPEX Growth (YoY)	~CPI
ROAE	Mid-teens

2021 Macro Assumptions

GDP Growth (YoY)	5%
Inflation (year-end)	10.5%
CBRT funding cost (year-end)	14%
CBRT funding cost (average)	16.5%
CAD/GDP	-2.5%
Budget Deficit/GDP	-3.6%

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