



# CORPORATE PRESENTATION

JANUARY 2021

# AGENDA

● TURKISH ECONOMY & BANKING SECTOR

● NEW FACTS POST COVID-19

● GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

● CORPORATE GOVERNANCE & RISK MANAGEMENT

# AGENDA

**TURKISH ECONOMY & BANKING SECTOR**

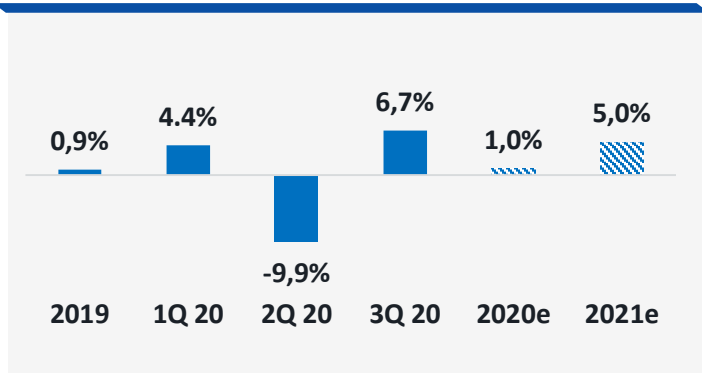
NEW FACTS POST COVID-19

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

# TURKISH ECONOMY (I / III)

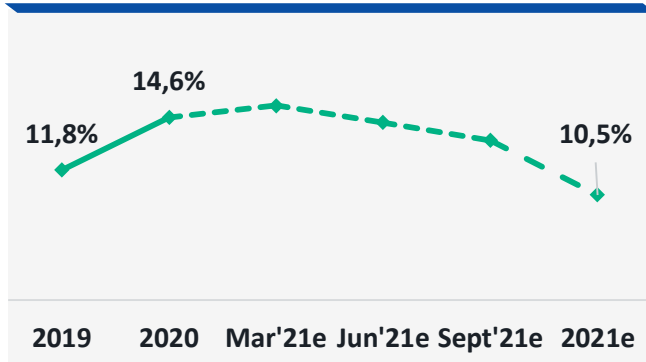
## GDP GROWTH



- ▶ 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

# TURKISH ECONOMY (II / III)

## INFLATION (period-end, yoy)



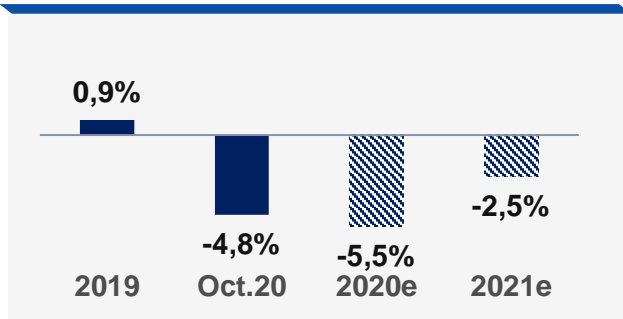
## CBRT COST OF FUNDING (1-week policy rate)



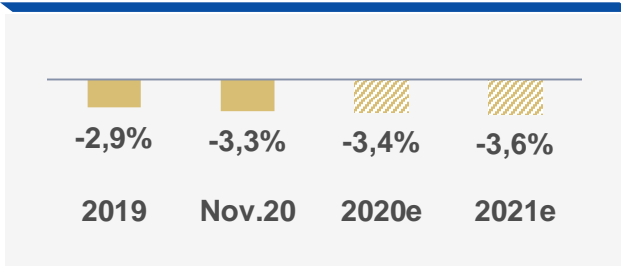
- ▶ **Tight monetary stance** is expected to be maintained to reinforce stabilization in financial assets, given **inflationary pressures in the first half.**

# TURKISH ECONOMY (III / III)

## CAB / GDP

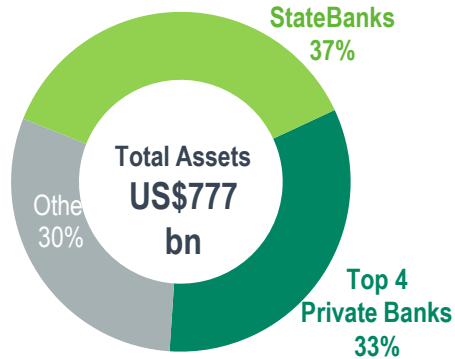


## BUDGET BALANCE / GDP



- ▶ Fiscal and employment support post Covid-19, weighed on the budget balance, yet **Budget Deficit / GDP still remains below EM average.**
- ▶ Turkey is one of the few countries that its, **government debt to GDP ratio is below Maastricht criteria (60%)** which is currently only 39%.
- ▶ 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**

# TURKISH BANKING SECTOR (I / IV)



	# of Banks	Share in Assets	Share in Loans	Share in Deposits
<b>Top 4 Private Commercial Banks</b>	<b>4</b>	<b>33%</b>	<b>32%</b>	<b>34%</b>
<b>State Banks</b>	<b>3</b>	<b>37%</b>	<b>39%</b>	<b>41%</b>
Other Private Commercial Banks	23	16%	14%	16%
Development & Inv. Banks	14	6%	7%	-
Participation Banks	6	7%	6%	9%
<b>Total:</b>	<b>48</b>			

## TOP 10 BANKS<sup>1</sup>

Dominated by top 4 Private Banks & 3 State Banks

	Assets Market Share	Foreign Ownership	Actual Free Float
Ziraat Bankası	15.4%	-	-
HALKBANK	11.1%	-	48.3%
VakıfBank	10.6%	-	32.0%
TÜRKİYE İŞ BANKASI	9.9%	-	25.2%
Garanti BBVA	8.0%	BBVA (49.85%)	50.1%
YapıKredi	7.8%	UniCredit Group (20.0%)	30.0%
AKBANK	7.6%	-	49.9%
QNB FINANSBANK	3.8%	Qatar National Bank (99.88%)	0.12%
DenizBank	3.3%	Emirates NBD Bank PJSC (99.85%)	0.04%
TEB	2.2%	BNP Paribas (72.2%)	-

Note: Sector figures are based on bank-only BRSA monthly data as of September 2020.

<sup>1</sup> Top 10 banks make up ~80% of sector's total asset

# TURKISH BANKING SECTOR (II / IV)

## COMFORTABLE LIQUIDITY

- ▶ Customer Deposits fund **60%** of assets
- ▶ Sufficient buffers against potential external liquidity shock

Banks' **US\$87bn**  
ST external dues<sup>1</sup>: **Quick FC Liquidity<sup>2</sup>**  
**US\$63bn** ————— **sufficient to cover**  
(43% of total external debt) **any liquidity shock**



## STRONG SOLVENCY

- ▶ Basel III CAR **19.0%**
- ▶ CET-I capital: **76%** of total capital
- ▶ RWA/Assets **66%**



## SOLID ASSET QUALITY

- ▶ NPL Ratio **4.3%**
- ▶ Stage-3 Coverage Ratio: **75%**



**ROAE: 11.2%**  
**LEVERAGE: 9.4x**  
**ROAA: 1.1%**

Note: Sector figures are based on BRSA monthly data as of November 2020, for commercial banks only

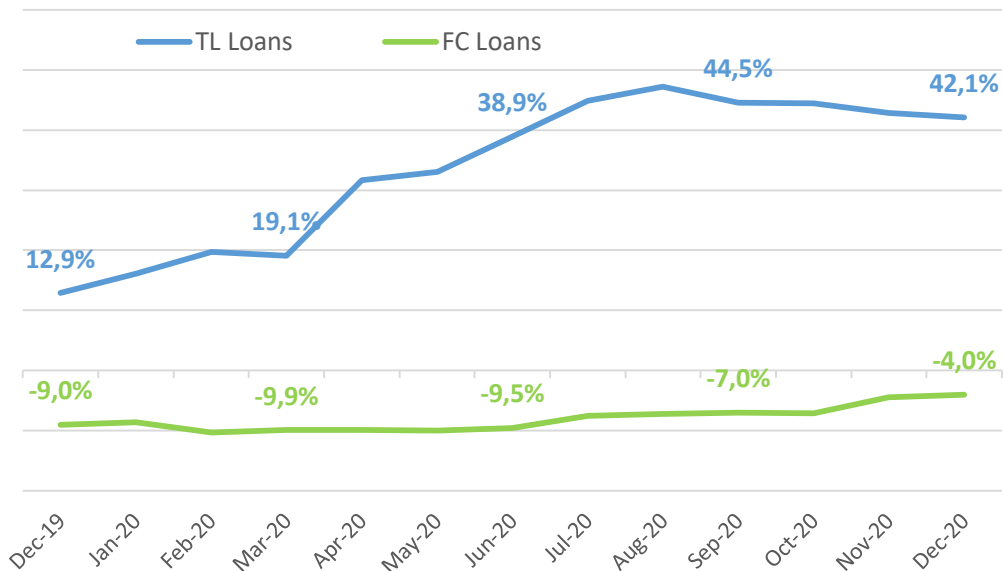
1 Source: CBRT, as of October 2020. Excludes non-residents' FC deposits

2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

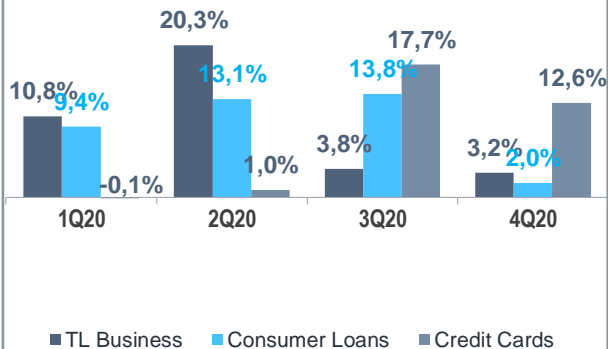


# TURKISH BANKING SECTOR (III / IV)

## BANKING SECTOR Y-o-Y LENDING GROWTH



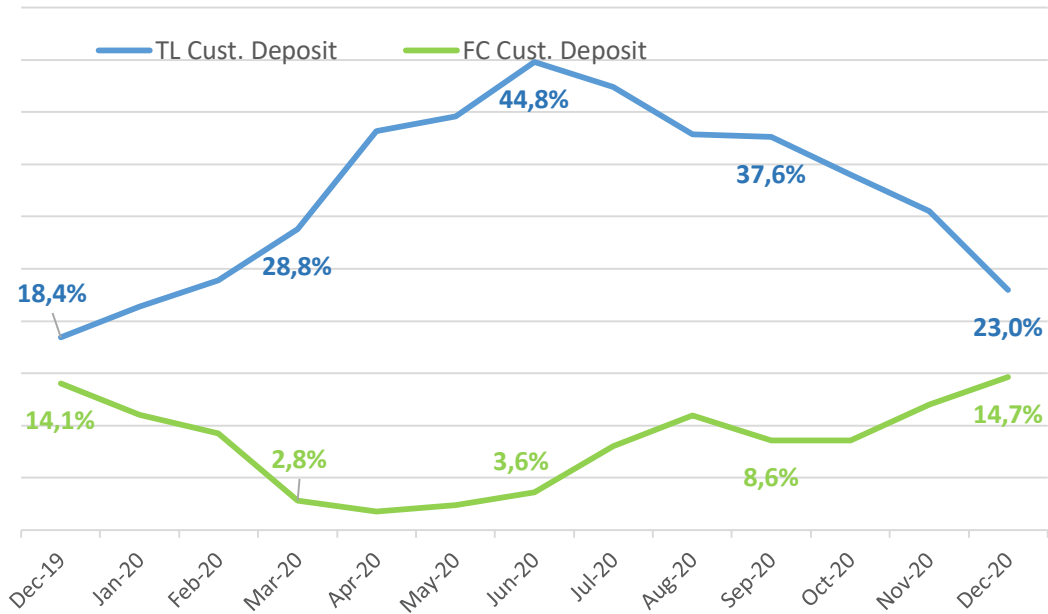
## TL LENDING GROWTH



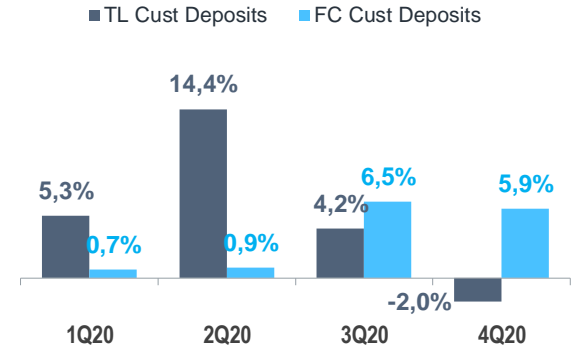
Sector data is based on BRSA weekly data, for commercial banks only

# TURKISH BANKING SECTOR (IV/ V)

## BANKING SECTOR Y-o-Y CUSTOMER DEPOSIT GROWTH

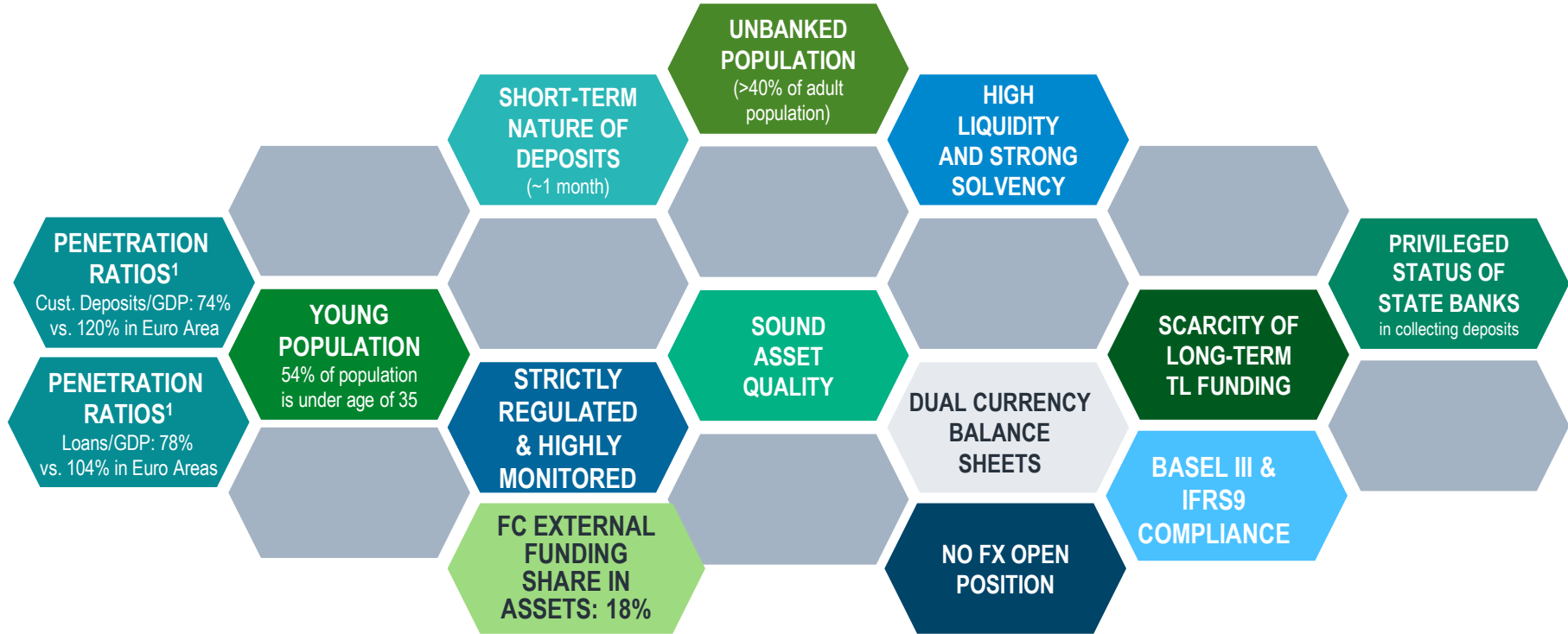


## CUSTOMER DEPOSIT GROWTH



Sector data is based on BRSA weekly data, for commercial banks only

# CHALLENGES & OPPORTUNITIES OF TURKISH BANKING SECTOR



<sup>1</sup> Source: Eurostat (Euro Area for 19 countries), ECB, BRSA monthly data and Turkstat dated June 2020

# AGENDA

TURKISH ECONOMY & BANKING SECTOR

**NEW FACTS POST COVID-19**

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

# OUR RESPONSE TO COVID-19 PANDEMIC

1

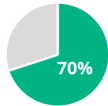
## Ensuring well-being of our employees

### Transition to Remote Working

Headquarter\*



Branch & District\*



\*As of mid-January, represents share of employees in the location

- ▶ Transition to remote working in 2 weeks
- ▶ Employees fully equipped with corporate devices when necessary
- ▶ Covid-19 Inventory is built to daily track health conditions of our employees and their families

2

## Standing by our customers

### Direction to Digital Channels



- Increase in **Digital-ATM transaction limits**
- Better customer experience with the **New Mobile Banking** functions
- Uninterrupted service through digital channels despite **record high digital login**



### Deferred Loans



- **TL 38.5 bn** deferred loan
- **13%** of performing loan book

### Support Packages



- **TL 7.5 bn** CGF Cheque & OPEX
- **18%** market share

3

## Supporting the protection of the public health



**TL 10 mn**

Technical and protective equipment to State University Hospitals



**TL 30 mn**

500 respiratory devices to 53 hospitals in total

# ADVANCED TECHNOLOGICAL INFRASTRUCTURE & BUSINESS-IT ALIGNMENT ONCE AGAIN PAID OFF – *Business continuity and uninterrupted customer service*

**Solid growth in digital customer base**

- ▶ Highest MoM increase achieved in March 2020

**Robust infrastructure**

- ▶ No system interruption despite **record high number of unique customer logins** per day (3.2mn)
- ▶ Nearly 15k Garanti employees fully equipped to function from their homes to continuously serve and meet customers' need
- ▶ More than 1,000 call center agents became home agents within only 10 days
- ▶ Home agents could comfortably meet customer calls despite the volume that more than doubled (record high daily volumes)

**Rich functionality**

- ▶ **~500 functions** available in mobile banking app

**Fast response to market needs**

- ▶ Loan postponement feature developed for digital channels
- ▶ **Lead the sector in terms of swift and timely move to remote work setup**

**9.3mn**

ACTIVE DIGITAL CUSTOMERS\*

**8.7mn**

ACTIVE MOBILE CUSTOMERS\*

\* As of September-end

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TURKISH ECONOMY & BANKING SECTOR

NEW FACTS POST COVID-19

**GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS**

CORPORATE GOVERNANCE & RISK MANAGEMENT

## OUR PURPOSE

TO BRING THE AGE OF OPPORTUNITY TO EVERYONE

## OUR VALUES



**CUSTOMER COMES  
FIRST**



**WE THINK BIG**



**WE ARE ONE  
TEAM**

## OUR STRATEGIC PRIORITIES



**WHAT WE STAND  
FOR?**

- Financial Health
- Sustainability



**DRIVERS OF  
SUPERIOR  
PERFORMANCE**

- Reaching More Customers
- Operational Excellence

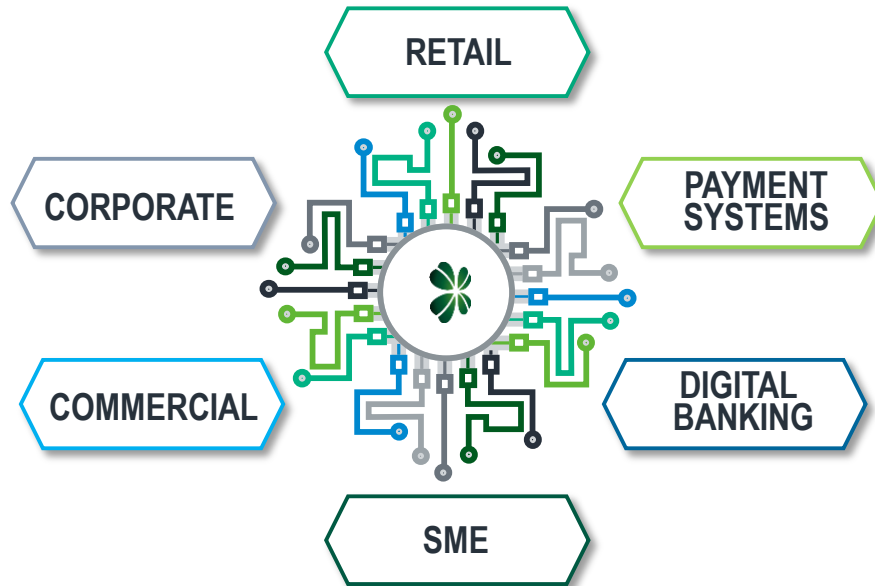


**ACCELERATORS  
TO DELIVER OUR  
STRATEGY**

- Best & Most Engaged Team
- Data & Technology



# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS



 **Garanti BBVA**  
International

Asset Contribution: 5.6%

 **Garanti BBVA**  
Romania

Asset Contribution: 4.2%

 **Garanti BBVA**  
Leasing

Asset Contribution: 1.1%

 **Garanti BBVA**  
Pension

Asset Contribution: 0.5%

 **Garanti BBVA**  
Factoring

Asset Contribution: 0.5%

 **Garanti BBVA**  
Securities

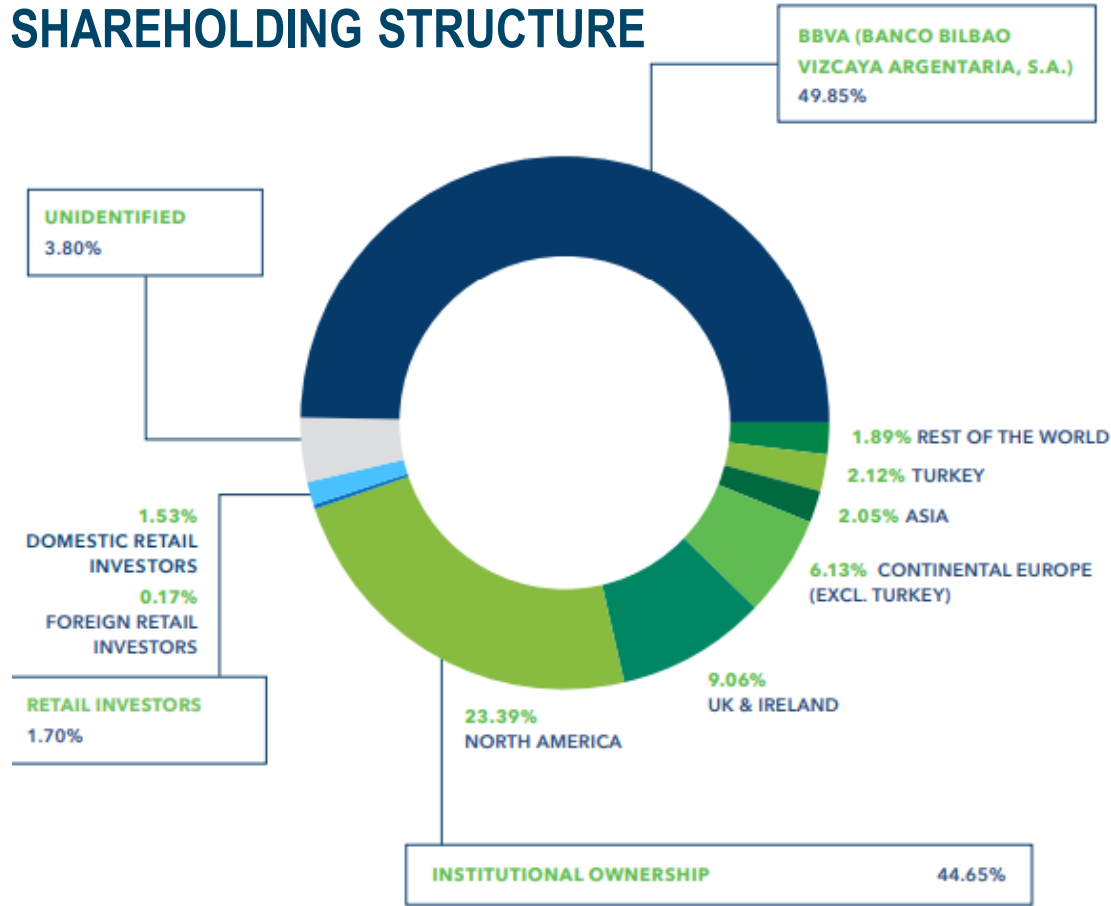
Asset Contribution: 0.3%

 **Garanti BBVA**  
Asset Management

Asset Contribution: 0.04%

Note: Asset contributions are calculated based on BRSA Consolidated Financials as of September 30, 2020.

# SHAREHOLDING STRUCTURE



Shareholders from  
**37 countries**

Note: 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 Agency Registry Agency data.

# GARANTI BBVA AT A GLANCE

**\$69 bn**

**TOTAL ASSETS**

2<sup>nd</sup> largest private bank per consolidated asset size

**\$6.0bn**

**MARKET CAPITALIZATION\***

Largest floating Mcap (~\$3bn) among banks in BIST

**9%**

**WEIGHT IN BIST**

Most invested stock by foreigners

**9.3 mn**

**ACTIVE DIGITAL CUSTOMERS**

78% of active customers are using Digital Banking channels

**100%**

**GEOGRAPHICAL COVERAGE**

18.5mn customers, 904 branches\*\*

**13.3%**

**ROAE**

Highest return on capital

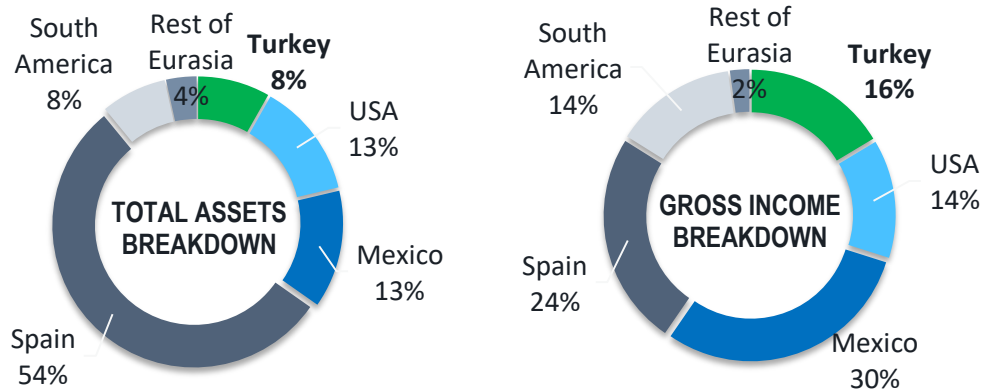
Note: Financial figures are per BRSA Consolidated data as of September 30, 2020

\* As of January 14, 2021

\*\* As of September-end

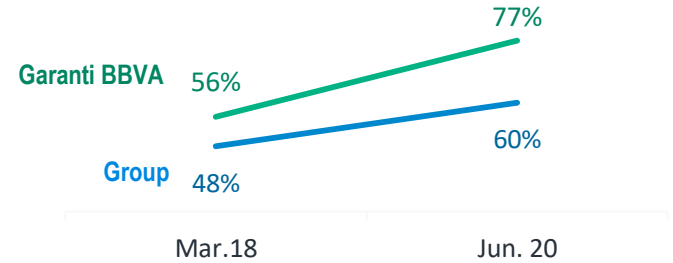
# GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

While Garanti BBVA has 8% contribution to the Group's total asset, its share in the gross income is 16%.



In Digital Banking, GARANTI BBVA ranks at the top within the group

## DIGITAL CUSTOMER PENETRATION



# PERFORMANCE INDICATORS (I/IV)



## CUSTOMER EXPERIENCE

NET PROMOTER SCORE  
**2nd HIGHEST**  
among peer group

GROW CUSTOMER BASE EFFECTIVELY  
**~ 18 MILLION**  
customers chose  
Garanti BBVA

NUMBER OF ATMs  
**5,213**

NUMBER OF BRANCHES  
**904**  
100% Geographical  
Coverage



## HUMAN CAPITAL

EMPLOYEE ENGAGEMENT SCORE  
**70 (in 2019)**  
Employee Engagement Score  
outperforms sector

AVERAGE HOURS OF TRAINING PER EMPLOYEE/YR  
**43 HOURS**  
In 2019

NUMBER OF EMPLOYEES  
**18.6 Thousand**  
As of September-end

WOMEN EMPLOYEES IN DECISION MAKING POSITIONS  
**40%**  
in senior/middle  
level management  
As of September-end



## DIGITAL TRANSFORMATION

**1/5**  
of all digital transactions  
in Turkey go through  
Garanti BBVA

SHARE OF END-TO-END DIGITAL SALES  
**54%** in September 2020

NON-CASH FINANCIAL TRANSACTIONS THROUGH DIGITAL CHANNELS  
**98%**

NUMBER OF DIGITAL CUSTOMERS  
**~ 9.3 MILLION**  
Increased by 16% YoY



## RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

AMOUNT OF IMPACT INVESTMENTS  
**TL 38.4 BILLION**  
in 2019

SUSTAINABILITY INDICES IN WHICH Garanti BBVA IS INCLUDED  
**9**

INVESTMENT IN COMMUNITY PROGRAMS  
**TL 22.3 MILLION**  
as of 2019 end

% OF LOANS WITH ESG PROVISIONS IN LOAN AGREEMENTS  
**100%**



## FINANCIAL PERFORMANCE

ROAA  
**1.6%**

ROAE  
**13.3%**

NPL  
**5.9%**

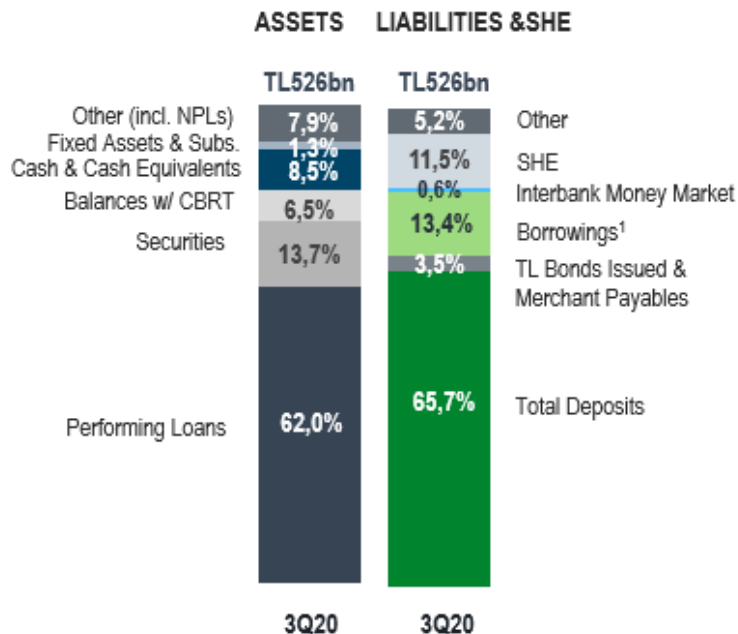
CAR  
**16.9%**

CET-1  
**14.3%**

COST / INCOME  
**35%**

Note: Please refer to disclaimer page for more information on Net Promoter Score.

# PERFORMANCE INDICATORS (II/IV) – 9M20 FINANCIAL PERFORMANCE



## FUNDAMENTAL P&L ITEMS (TL Million)

	9M20
Net Interest Income incl. swap cost	16,173
Net Fees & Commissions	4,866
Operating Expenses	8,519
- HR Costs	3,267
- Other Operating Expenses	5,251
Net Expected Credit Loss (excl. Currency impact <sup>2</sup> )	5,017
Net Trading & FX gains/losses (excl. Swap costs and currency hedge <sup>2</sup> )	2,025
<b>NET INCOME</b>	<b>5,240</b>

## SELECTED FINANCIAL RATIOS

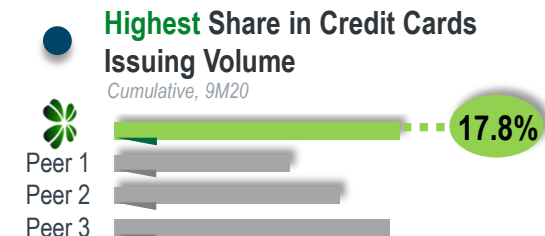
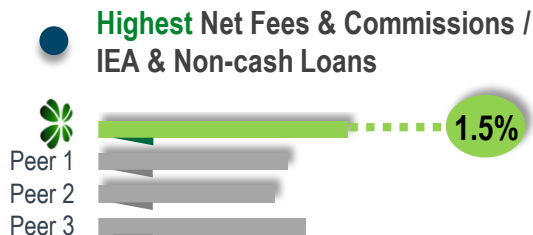
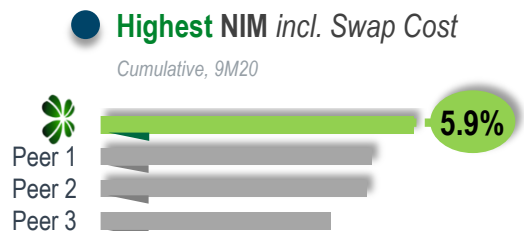
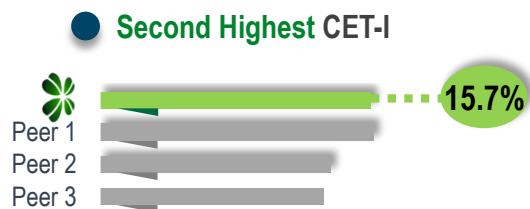
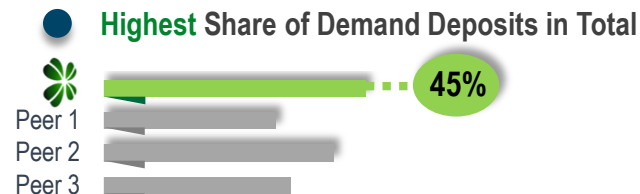
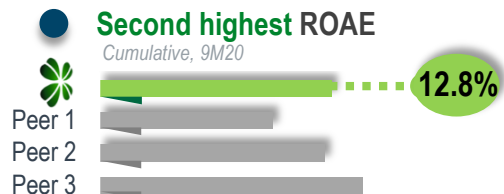
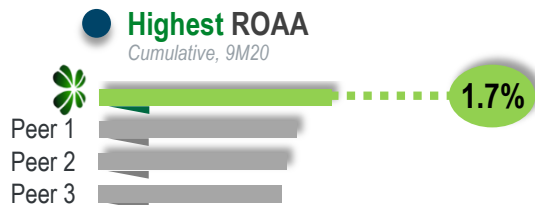
	3Q20
Return on Average Equity (Cumulative)	13.3%
Return on Average Assets (Cumulative)	1.6%
Net interest Margin (inc. Swap cost, Cumulative)	5.5%
Non-Performing Loans Ratio	5.9%
Capital Adequacy Ratio	16.9%
Net Cost of Risk (excl. Currency impact <sup>2</sup> , Cumulative)	2.1%
FEE / OPEX (Cumulative)	57.1%

Note: Figures are per September 2020 BRSA Consolidated financials

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

2 Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line)

# PERFORMANCE INDICATORS (IV/IV)– POSITION IN THE SECTOR



Note: Figures are per September 2020 BRSA Bank-only financials for fair comparison

## 2021 GUIDANCE - 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%



# AGENDA

TURKISH ECONOMY & BANKING SECTOR

NEW FACTS POST COVID-19

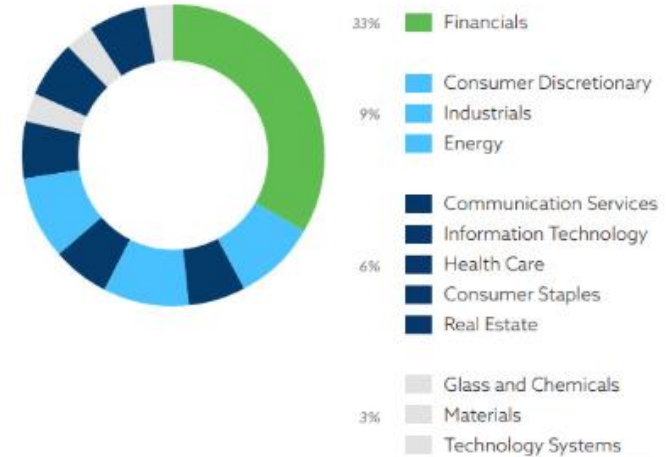
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

**CORPORATE GOVERNANCE & RISK MANAGEMENT**

# BOARD OF DIRECTORS

	Name and Surname		Appointment Date	Education	Experience in Banking and Business Administration
	Süleyman Sözen	Non-executive	29.05.1997	Undergraduate	36 years
	Recep Baştuğ	Executive	06.09.2019	Undergraduate	30 years
	Dr. Muammer Cüneyt Sezgin	Non-executive	30.06.2004	PhD	30 years
	Jaime Saenz de Tejada Pulido	Non-executive	02.10.2014	Undergraduate	25 years
	Rafael Salinas Martinez de Lecea	Non-executive	08.05.2017	Masters	28 years
	Javier Bernal Dionis	Non-executive	27.07.2015	Masters	28 years
	Belkis Sema Yurdum*	Non-executive / Independent	30.04.2013	Undergraduate	40 years
	Sait Ergun Özen	Non-executive	14.05.2003	Undergraduate	31 years
	Avni Aydın Düren*	Executive / Independent	17.06.2020	Masters	29 years
	Jorge Saenz Azcunaga Carranza*	Non-executive / Independent	24.03.2016	Undergraduate	26 years
	M. Canan Özsoy	Non-executive / Independent	04.04.2019	Masters	31 years

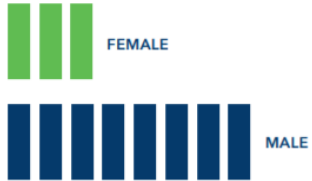
## EXPERIENCE COMPOSITION



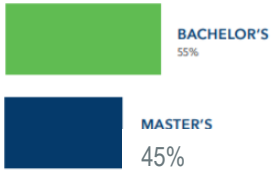
\*Since their appointment as an Audit Committee member of Garanti BBBVA, they are deemed as an Independent Board Member in accordance with the relevant regulations of the Capital Markets Board of Turkey.

# SENIOR MANAGEMENT

## GENDER



## EDUCATION



## AVERAGE EXPERIENCE



Recep Baştuğ

CEO

Strategic Planning  
& Responsible Business



Aydın Güler  
CFO



Aydın Düren  
Legal Services and Collection



Murat Atay  
Chief Credit Risk Officer



İlker Kuruöz  
Engineering and Data



Didem Dinçer Başer  
Human Resources and Support Services



Mahmut Akten  
Retail Banking



Işıl Akdemir Evlioğlu  
Digital Banking, Customer Solutions and Experience



Cemal Onaran\*  
SME Banking



Selahattin Güldü\*  
Commercial Banking



Ebru Dildar Edin  
Corporate and Investment Banking

\* As per public disclosure dated 18 January 2021, Selahattin Güldü, the Executive Vice President in charge of Commercial Banking, will be appointed as the CEO of our subsidiary Garanti Finansal Kiralama A.Ş. (Garanti BBVA Leasing). Cemal Onaran, the Executive Vice President currently in charge of SME Banking, shall assume these responsibilities and shall become the Executive Vice President in charge of Commercial Banking. Cemal Onaran will be replaced by Sibel Kaya who is currently the Director of Talent and Culture Department. Such changes will be effective following the completion of necessary legal procedures and obtaining of legal approvals.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE RATING



Rating increase was driven by;

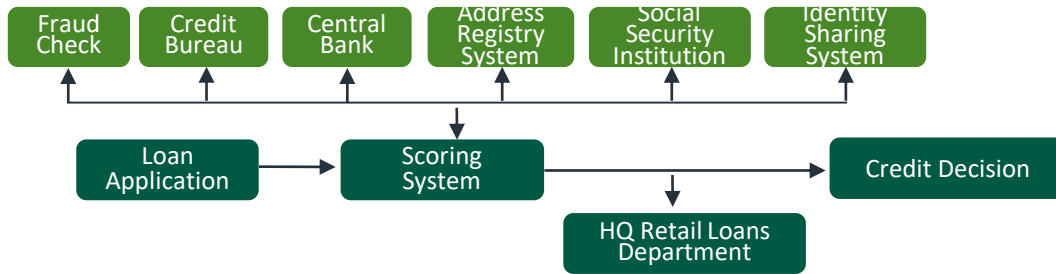
- ▶ **Public Disclosure and Transparency** – Renewed Investor Relations website with **enhanced user experience, easy navigation and informative landing pages and new ESG datasheet** increased score to 9.76 from 9.67
- ▶ **Board of Directors** - Implementation of «**Agile Methodology**» in Audit. The number of findings brought to the agenda of the Bank's Audit Committee increased and the unit workforce was used more efficiently.



Visit [Garanti BBVA IR website](#) for the compliance report and more information

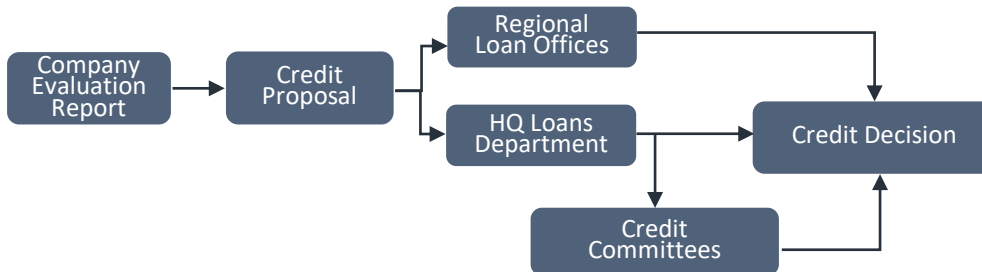
# ADVANCED RISK MANAGEMENT SYSTEMS

## RETAIL BANKING: CENTRALIZED PROCESS



- **Loan to Value:**  
Consumer Mortgages Max: 90%\*;  
Auto Loans Max: 70% up to TL120K;  
and 50% for the portion above;

## WHOLESALE BANKING: DECENTRALIZED PROCESS



- 25 regional loan offices
- Weekly Credit Committee meetings
- All credit lines automatically expire one year after approval
- Decentralized credit decision via Regional Loan Offices for fast approval process & local management of smaller exposures
- Multi layered committee structure at the HQ to approve & manage larger exposures

\* Increased from 80% to 90% as of March 18, 2020; in-line with the measures to mitigate the economic impact of global covid-19 pandemic

# RESPONSIBLE & SUSTAINABLE DEVELOPMENT ACTIONS

Best Bank for Sustainable Finance in CEE



- TL38.4bn Impact Investment (YE 2019)
- 42 Sustainable products/credit lines
- World's 1<sup>st</sup> ESG-linked Syndicated Loan
- World's 1<sup>st</sup> Gender Loan
- 2 Green Bond issuances
- EM's 1<sup>st</sup> Social Bond issuance: Gender Bond
- Turkey's 1<sup>st</sup>, World's 5<sup>th</sup> Green Loan
- Turkey's 1<sup>st</sup> Green Project Finance Loan
- Bookrunner for the world's 1<sup>st</sup> Green Bond in TRY
- 27.5% market share in wind power projects



- 100% of new PF commitments in Greenfield Energy Production Portfolio are **Renewables since 2014**
- Direct contribution to **16 SDGs**
- **TL 22.3mn** investment in community programs



- 44 Engagement Platforms
- Included in 9 Sustainability Indices
- Founding member of UN Principles for Responsible Banking and local Sustainable Finance Declaration



# APPENDIX – UN SUSTAINABLE DEVELOPMENT GOALS



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Note Net Promoter Score research is conducted by independent research agency Ipsos for Garanti BBVA. According to the research results, Garanti BBVA has the second highest Net Promoter Score among retail customers representing its own profile, compared to its competition, which includes İşbank, Akbank, Yapı Kredi Bank, QNB Finansbank and Denizbank. Research was conducted between January 2019 and December 2019. 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.

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