

# CORPORATE PRESENTATION

October 2021

# AGENDA

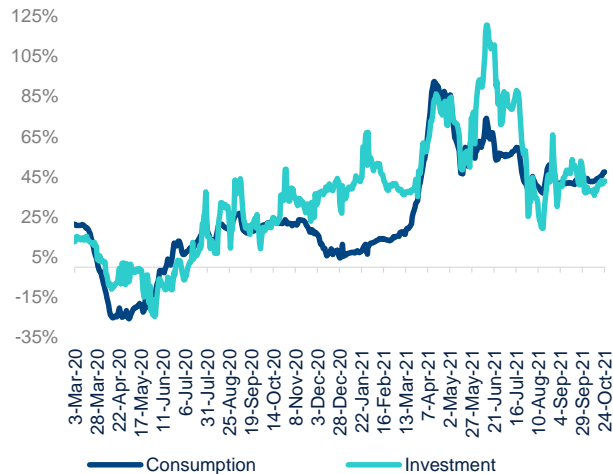
- 01 TURKISH ECONOMY & BANKING SECTOR
- 02 GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS
- 03 CORPORATE GOVERNANCE & RISK MANAGEMENT

01

# TURKISH ECONOMY & BANKING SECTOR

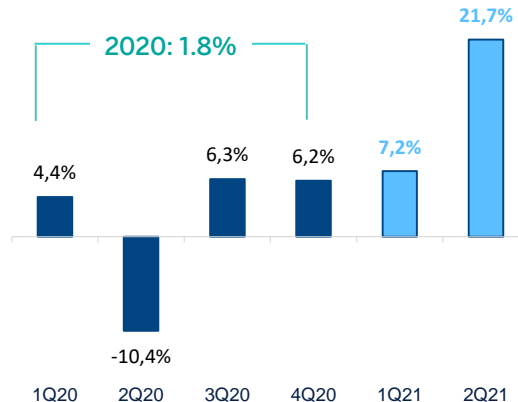
# TURKISH ECONOMY (I / II)

## BBVA CONSUMPTION & INVESTMENT BIG DATA INDICES (28-day cum. YoY nominal)



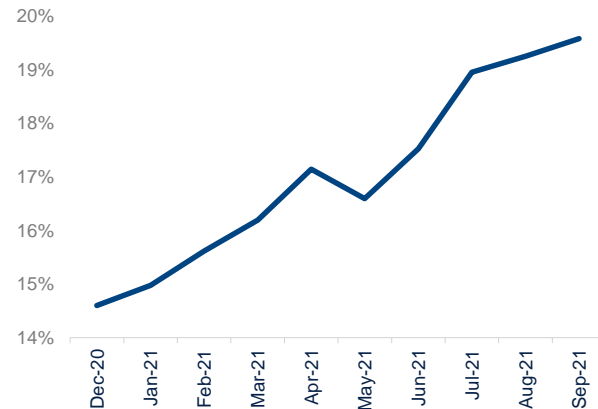
■ Our big data proxies suggest that domestic demand keeps growing on consumption, whereas investment stays relatively weaker

## GDP GROWTH (YoY)



■ The Turkish Economy grew by 14.3% in the first half of the year. Economic activity in 3Q was still stronger than expected

## CONSUMER INFLATION (ANNUAL)



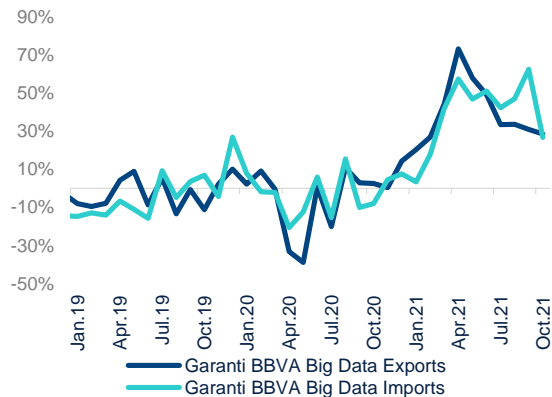
■ Inflationary pressures remain high on food inflation, cost push factors, worsening inflation expectations and still growing domestic demand

For more information about Turkish Economy, please visit "About Turkish Economy" section on our Garanti BBVA IR website!

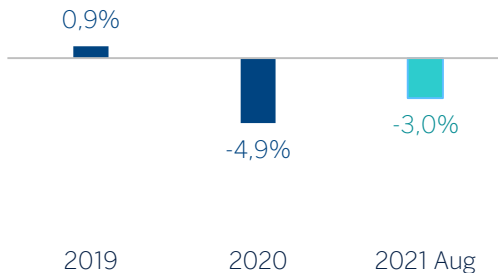


# TURKISH ECONOMY (II / II)

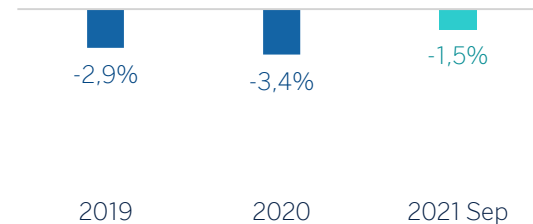
## BBVA EXPORTS & IMPORTS BIG DATA INDICES (YoY nominal)



## CURRENT ACCOUNT BALANCE / GDP



## CG BUDGET DEFICIT / GDP



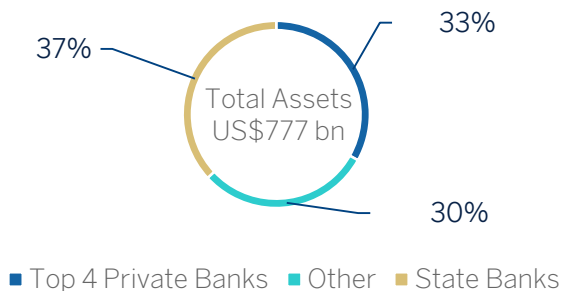
- Exports remain supportive led by recovering external demand, though imports still surprise on the upside

- Current account deficit further shrinks to 3% of GDP in August
- Pressures on the CAD have increased due to higher energy bill and potential dollarization.

- Budget deficit to GDP realized at 1.5% in September, still boosted by strong tax revenues and relatively controlled expenditures.

# TURKISH BANKING SECTOR (I/IV)

## TOTAL ASSETS BREAKDOWN



	# of Banks	Share in Assets	Share in Loans	Share in Deposits
Top 4 Private Commercial Banks	4	33%	33%	34%
State Banks	3	37%	39%	41%
Other Private Commercial Banks	25	16%	14%	16%
Development & Inv. Banks	14	7%	8%	-
Participation Banks	6	7%	6%	9%

**Total: 52**

Note: Sector figures are based on bank-only BRSA monthly data as of June 2021.

1 Top 10 banks make up ~80% of sector's total asset

Dominated by top 4 Private Banks & 3 State Banks

TOP 10 BANKS	Assets Market Share	Foreign Ownership	Actual Free Float
Ziraat Bankası	15.4%	-	-
VakıfBank	10.8%	-	16.1%
HALKBANK	10.6%	-	24.7%
TÜRKİYE İŞ BANKASI	9.8%	-	34.8%
Garanti BBVA	8.2%	BBVA (49.85%)	50.1%
YapıKredi	7.7%	UniCredit Group (20%)	30.0%
AKBANK	7.4%	-	50.7%
QNB FINANSBANK	3.8%	Qatar National Bank (99.88%)	0.12%
DenizBank	3.4%	Emirates NBD Bank PJSC (100%)	-
TEB	2.1%	BNP Paribas (72.2%)	-

# TURKISH BANKING SECTOR (II / IV)

## COMFORTABLE LIQUIDITY

- Customer Deposits fund 60% of assets

- Sufficient buffers against potential external liquidity shock

**Banks' ST external dues<sup>1</sup>:**  
**US\$65bn**  
 (40% of total external debt)

**US\$105bn Quick FC Liquidity<sup>2</sup>**  
 sufficient to cover any liquidity shock



## STRONG SOLVENCY

- Basel III CAR **16.9%**

- CET-I capital: **77%** of total capital

- RWA/Assets **72%**



## SOLID ASSET QUALITY

- NPL Ratio **3.9%**

- Stage-3 Coverage Ratio: **78%**



**ROAE: 11.1%**  
**LEVERAGE: 9.5x**  
**ROAA: 1.1%**

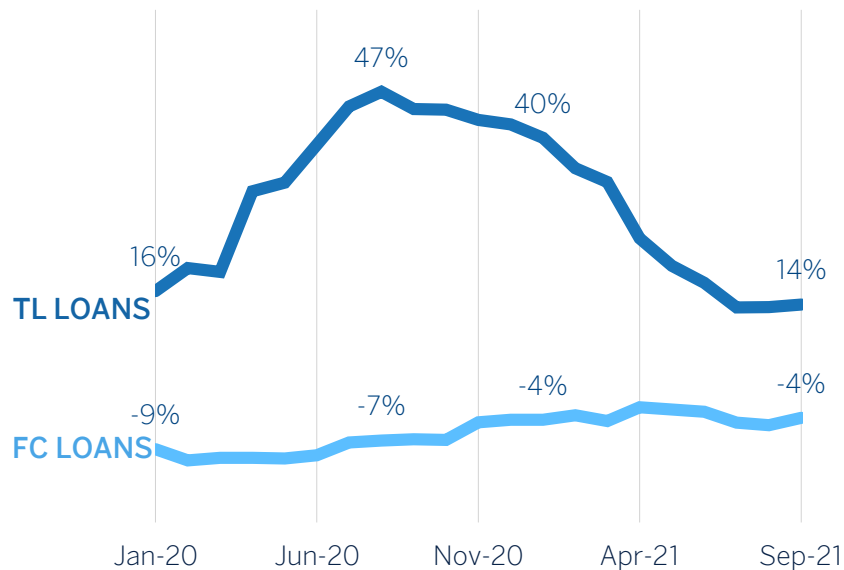
Note: Commercial banks' figures are based on BRSA monthly data as of August 2021.

1 Source: CBRT, as of August 2021. Excludes non-residents' FC deposits

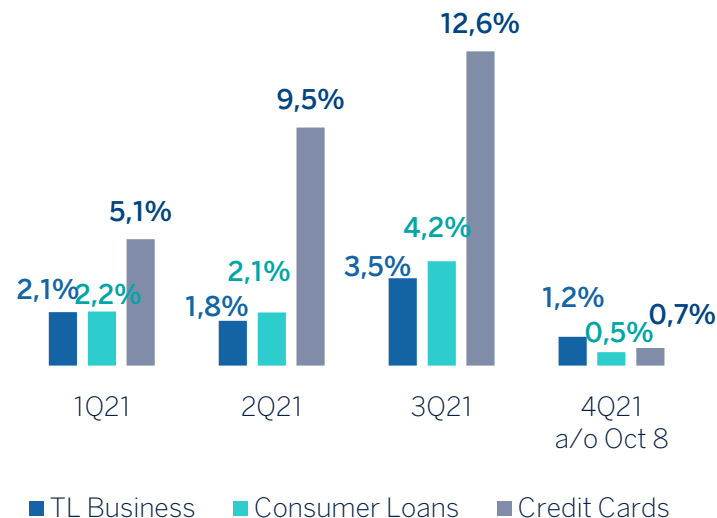
2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

# TURKISH BANKING SECTOR (III / IV)

## BANKING SECTOR Y-O-Y LENDING GROWTH



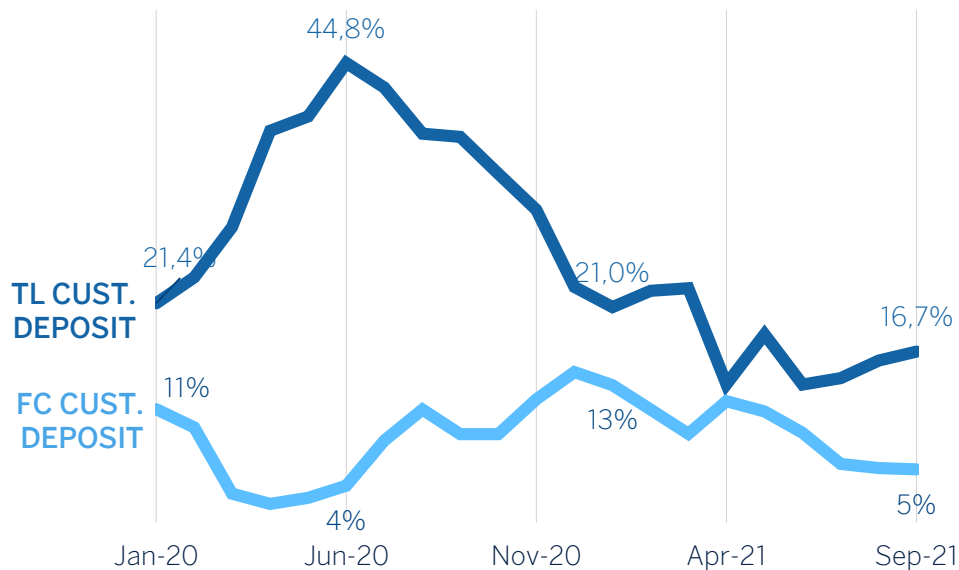
## TL LENDING GROWTH



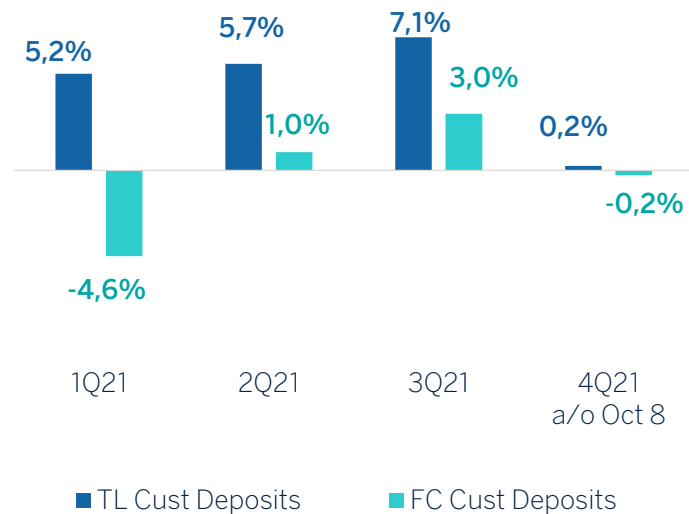


# TURKISH BANKING SECTOR (IV/ IV)








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



## CUSTOMER DEPOSIT GROWTH



# FACTS ABOUT THE TURKISH BANKING SECTOR

STRICTLY REGULATED & HIGHLY MONITORED		BASEL III & IFRS9 compliance
SOUND ASSET QUALITY		
HIGH LIQUIDITY AND STRONG SOLVENCY		
NO FX OPEN POSITION		Net FX Position / SHE = 8%*
YOUNG AND UNBANKED POPULATION		53% of population is under age of 35 High unbanked population
LOW PENETRATION RATIOS <sup>1</sup>		Cust. Deposits/GDP: 59% vs. 124% in Euro Area Loans/GDP: 57% vs. 104% in Euro Area
SCARCITY OF LONG-TERM TL FUNDING		Thin market of domestic capital markets External funding share in total liabilities: 15%*
SHORT TERM NATURE OF DEPOSITS		Average maturity 1 month

<sup>1</sup> Source: Eurostat (Euro Area for 19 countries), ECB, BRSA Monthly Data and Turkstat dated June 2021

\* As of August 2021

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# GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

## 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

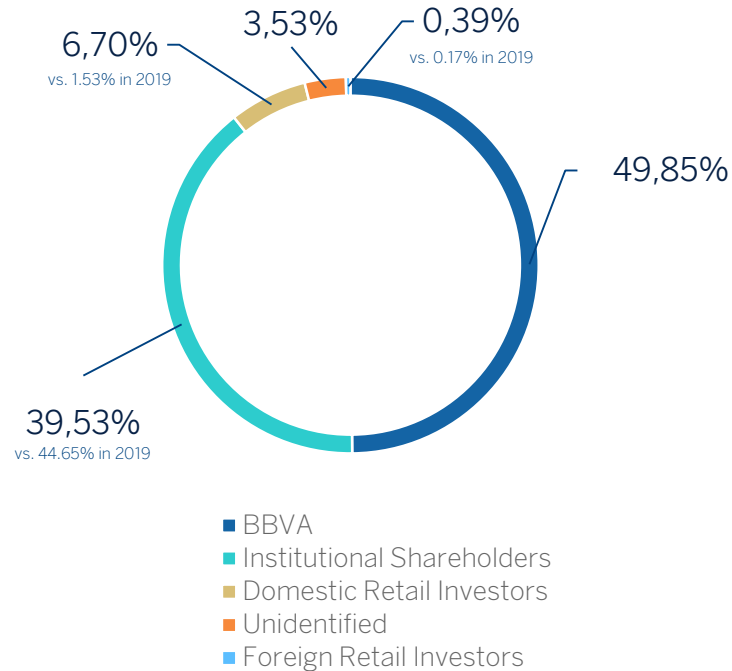


Best & Most Engaged Team

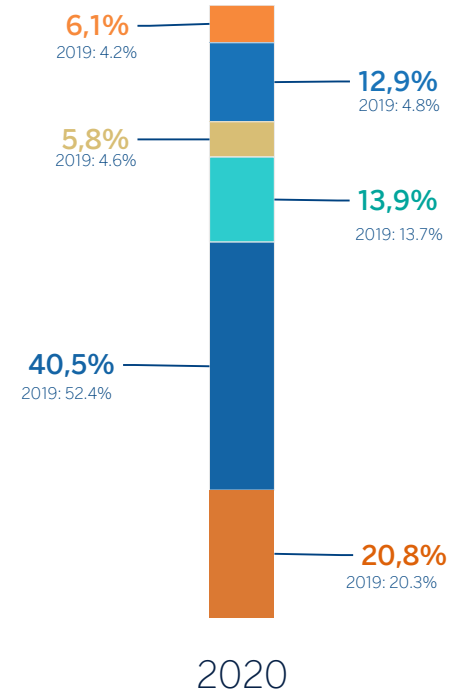


Data & Technology

# SHAREHOLDING STRUCTURE



- UK & Ireland
- North America
- Continental Europe (Excluding Turkey)
- Asia
- Turkey
- Rest of the world



# GARANTI BBVA AT A GLANCE

1

Total Assets  
\$71 bn

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

2

Market Capitalization  
\$4.1 bn\*

- Largest floating Mcap (~\$2.0 bn) among banks in BIST
- \$170 mn average daily turnover in BIST (*as of Sep 2021 end*)
- Most invested stock by foreigners

3

Total Customers  
20 mn

- 1 mn customer acquisition every year

4

100% Geographical Coverage

- 875 branches

5

ROAE  
19%

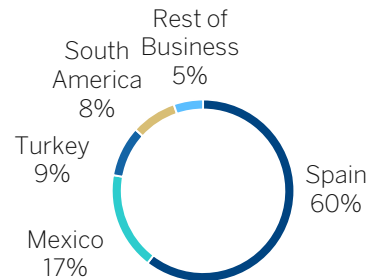
- Highest return on capital among peers

Note: Financial figures are per BRSA Consolidated data as of September 30, 2021

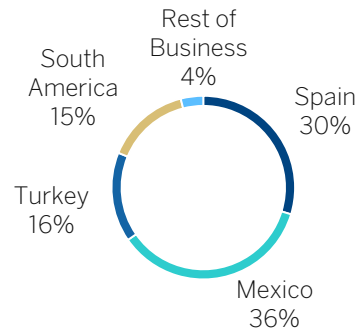
\*As of Oct. 15, 2021

# GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

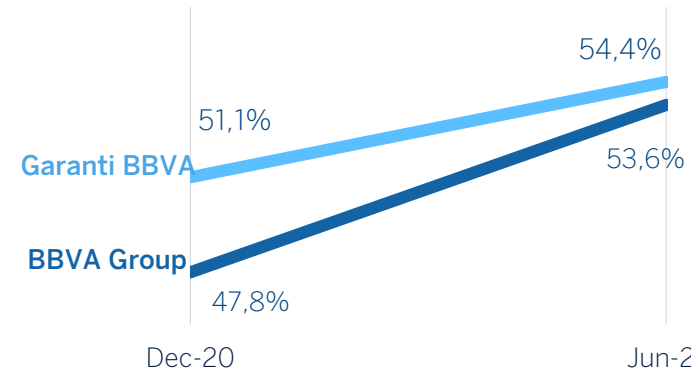
## TOTAL ASSETS BREAKDOWN



## GROSS INCOME BREAKDOWN



## DIGITAL SALES PRV SHARE % OF TOTAL SALES



(1) Product Relative Value as a proxy of lifetime economic representation of units sold.

While Garanti BBVA has 9% contribution to the Group's total asset, its share in the gross income is 16%.

In Digital Banking, GARANTI BBVA ranks high within the group

# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS

## SME

9% TL Business Banking loan market share  
22% share of SME loans in TL loans  
(Based on BRSA's definition)

## RETAIL

19.2 million retail customers  
(Based on Garanti BBVA's definition)

Acquisition of 1 million new customers (in 9M21)

# 1 in consumer loans among private peers with 13.1% market share

10.3% customer deposit market share

Demand deposits share in customer deposits:  
44% vs. sector 32%



## PAYMENT SYSTEMS

17% Leading position in Issuing and Acquiring market share

7.7 million credit card customers  
Leader

686 thousand POS

## CORPORATE & COMMERCIAL

9.4% FC Loans market share  
28 commercial branches  
4 corporate branches

## INTEGRATED SUBSIDIARIES



Asset Contribution: 5.91%



Asset Contribution: 4.02%



Asset Contribution: 1.12%



Asset Contribution: 0.41%



Asset Contribution: 0.60%



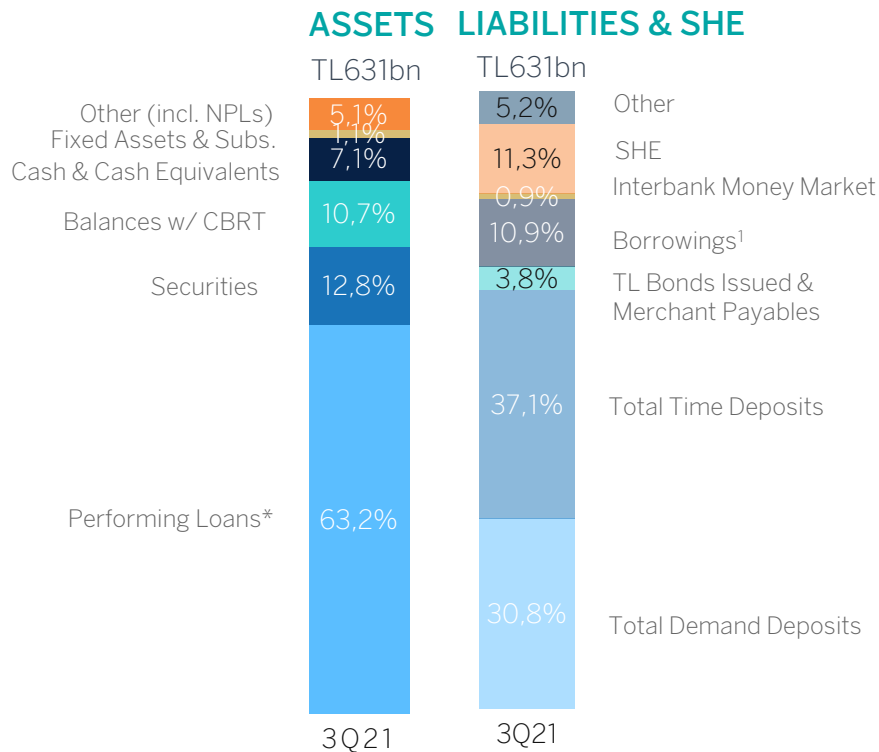
Asset Contribution: 0.28%



Asset Contribution: 0.04%



# PERFORMANCE INDICATORS (I/II) – 9M21 FINANCIAL PERFORMANCE



\* Excluding leasing and factoring receivables

Note: Figures are per September 2021 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)

FUNDAMENTAL P&L ITEMS (TL mn)	9M21
Net Interest Income	23,863
Operating Expenses	10,123
- HR Costs	3,975
- Other Operating Expenses	6,148
Net Exp. Loan Loss Prov. (excl.Currency impact) <sup>2</sup>	1,712
Net Fees & Commissions	6,490
<b>NET INCOME</b>	<b>9,072</b>
SELECTED FINANCIAL RATIOS	9M21
Return on Average Equity	19.2%
Return on Average Assets	2.2%
Net Interest Margin (inc. Swap cost)	4.2%
Non Performing Loans Ratio	3.8%
Capital Adequacy Ratio	15.7%
Net Cost of Risk	0.6%
<b>FEE / OPEX</b>	<b>64%</b>

When adj.  
Free provision

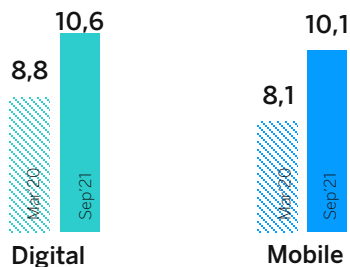
**21.8%**

**2.5%**

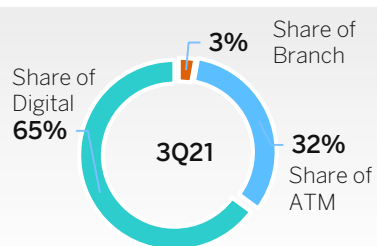
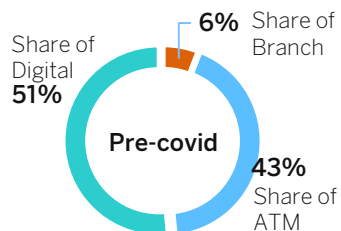
# EMPOWER AND SERVE TO IMPROVE THE FINANCIAL HEALTH OF OUR CUSTOMERS

## NUMBER OF ACTIVE CUSTOMERS <sup>1</sup> (mn)

**+2.0 mn new customers**  
both in digital and mobile



## CUSTOMER TRANSACTIONS <sup>2</sup>



**Exceeded 10 mn mobile customers!**

**+60%**

Increase in the number of monthly logins since the beginning of 2020

**19%**

Market share in mobile financial transactions

**>80%**

Share of digital in total sales (per unit)

**2.2x**

More penetrable than non-digital

<sup>1</sup> Active: login in last 3 months

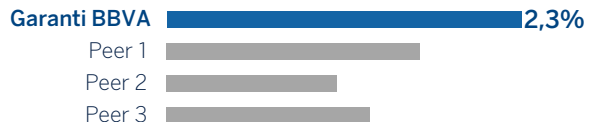
<sup>2</sup> Based on Top Transactions (i.e. Bill payment, Money transfer and FX transactions) that make up 90% of total transactions

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

## HIGHEST ROAA

(adjusted with free provisions)

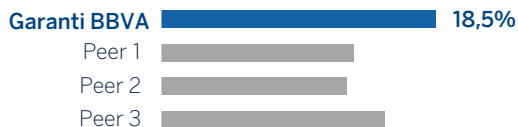
Cumulative, 6M21



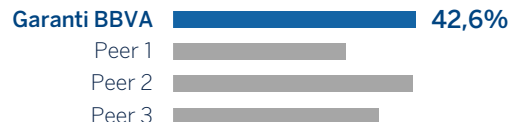
## HIGHEST ROAE

(adjusted with free provisions)

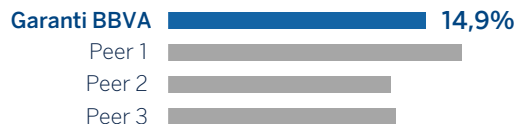
Cumulative, 6M21



## HIGHEST SHARE OF DEMAND DEPOSITS IN TOTAL



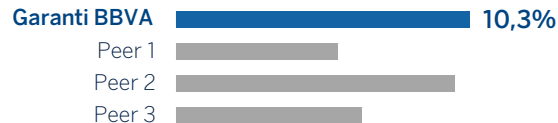
## SECOND HIGHEST CET-I



## HIGHEST MARKET SHARE IN CONSUMER LOANS

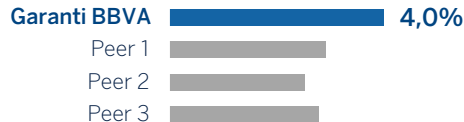


## HIGHEST MARKET SHARE IN TL PERFORMING LOANS

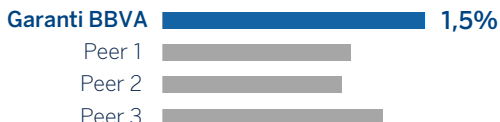


## HIGHEST NIM incl. Swap cost

Cumulative, 6M21

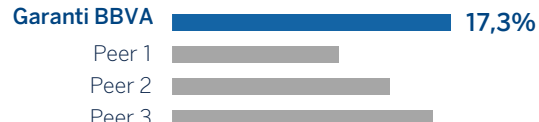


## HIGHEST NET F&C /IEA & NON-CASH LOANS



## HIGHEST SHARE IN CREDIT CARD ISSUING VOLUME

Cumulative, 6M21



Note: Figures are per June 2021 BRSA Bank-only financials for fair comparison

# THE NEW ECONOMIC ENVIRONMENT TRIGGERED US TO REVISE 2021 FULL YEAR OPERATING PLAN GUIDANCE

	Initial Guidance (Jan'21)	Revised Guidance (Sep'21)
TL Loans (YoY)	Mid-teens	> 20%
FC Loans (in US\$, YoY)	Shrinkage	Shrinkage
NPL Ratio*	< 6%	< 4.5%
Net Cost of Risk**	< 200 bps	< 150 bps
NIM Incl. Swap Cost	~100 bps contraction	~100 bps contraction
Fee Growth (YoY)	Mid-teens	~30%
OPEX Growth (YoY)	~ CPI	~ CPI
ROAE	Mid-teens	Mid-to-High teens

- Strong growth in 9M21
- Better than expected trend in NPL inflows and collections performance positively impacted asset quality metrics.
- Prudent provisioning in previous years also created room for better than anticipated improvement.
- Higher growth, more broader penetration and expanding customer base support fees.
- Operating expenses under control.
- Upward ROE revision due to better Net CoR assumption and fee growth.

\*2021 NPL ratio includes planned write-downs

\*\* Net CoR excludes currency impact, as it is 100% hedged bottom line

03

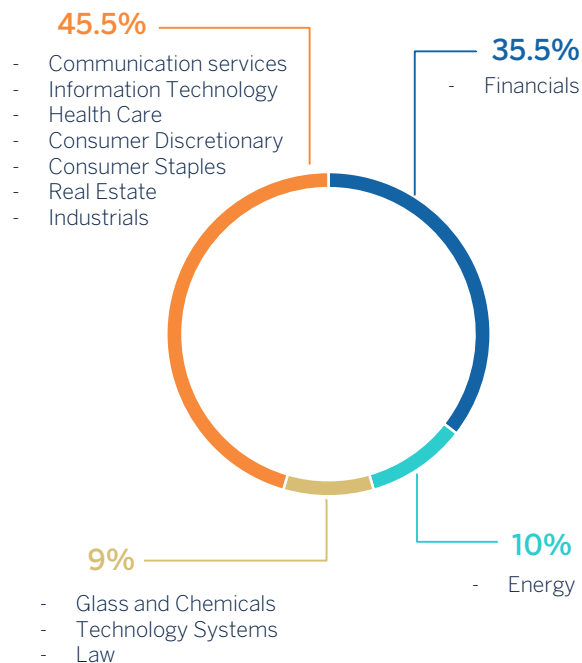
# CORPORATE GOVERNANCE & RISK MANAGEMENT

# BOARD OF DIRECTORS

Name and Surname		Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Non-executive	29.05.1997	Undergraduate	41 years
Jorge Saenz Azcunaga Carranza	Non-executive / Independent	24.03.2016	Undergraduate	29 years
Recep Baştuğ	Executive	06.09.2019	Undergraduate	32 years
Sait Ergun Özen	Non-executive	14.05.2003	Undergraduate	35 years
Dr. Muammer Cüneyt Sezgin	Non-executive	30.06.2004	PhD	34 years
Jaime Saenz de Tajada Pulido	Non-executive	02.10.2014	Undergraduate	30 years
Pablo Alfonso Pastor Muñoz	Non-executive	31.03.2021	Masters	32 years
Rafael Salinas Martinez de Lecca	Non-executive	08.05.2017	Masters	31 years
Belkis Sema Yudum	Non-executive /Independent	30.04.2013	Undergraduate	41 years
Avni Aydın Düren	Non-executive /Independent	17.06.2020	Masters	30 years
M. Canan Özsoy	Non-executive /Independent	04.04.2019	Masters	33 years

## EXPERIENCE COMPOSITION

Chart is prepared in accordance with Global Industry Classification Standard (GCIS). The Global Industry Classification Standard (GCIS) is an industry taxonomy developed by MSCI and Standar & Poor's (S&P) for use by the global financial community



# SENIOR MANAGEMENT

## GENDER



## AVERAGE EXPERIENCE



## EDUCATION



## CHIEF EXECUTIVE OFFICE

Recep Baştuğ

Strategic Planning  
& Responsible Business



## Finance and Treasury

Aydın Güler



## Legal Services

Aydın Düren



## Chief Credit Risk Officer

Murat Atay



## Engineering and Data

İlker Kuruöz



## Human Resources and Support Services

Didem Dinçer Başer



## Retail Banking

Mahmut Akten



## Client Solutions

Işıl Akdemir Evliyaoğlu



## Commercial Banking

Cemal Onaran



## SME Banking

Sibel Kaya

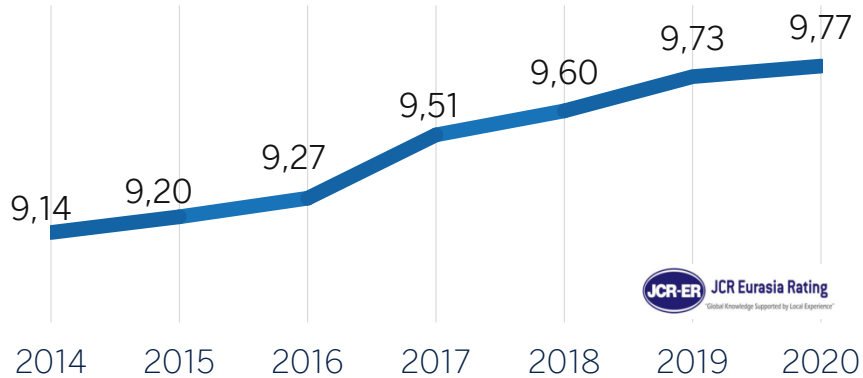


## Corporate, Investment Banking and Global Markets

Ebru Dindar Edin

# 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.

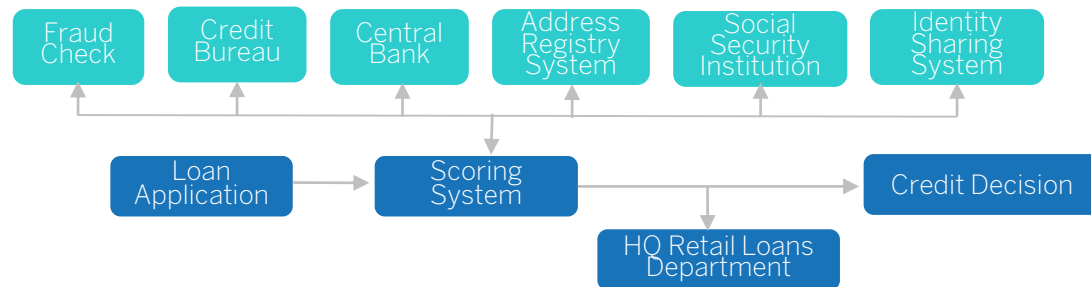


Visit [Garanti BBVA IR website](#) for the compliance report and more information



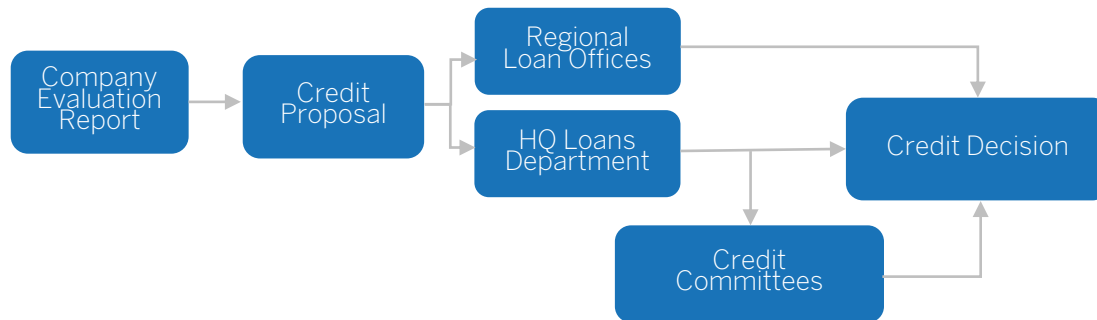
# ADVANCED RISK MANAGEMENT SYSTEMS

## 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

# ESG APPROACH AND IMPLEMENTATIONS



Environment

Social

Governance

- Garanti BBVA actively takes part in, or holds seats as chair or member on the boards of directors of, **27** initiatives in total, including a number of intermediary platforms such as the United Nations Environment Program Finance Initiative (UNEP FI), Principles for Responsible Banking, Global Compact Turkey, and the Turkish Business Council for Sustainable Development (BCSD Turkey).
- Included in **11** Sustainability Indices
- **TL51bn** Impact Investment (YE 2020)
- Direct contribution to **16** Sustainable Development Goals (SDGs)

Garanti BBVA defines Sustainability as a commitment to create long-term value, while embracing more environmentally and socially friendly practices

# Sustainability is at the core of our strategy

BBVA 2025 PLEDGE 200BN €

**'CARBON NEUTRAL BANK'**  
*as of 2020*

*First and only Turkish signatory*  
**UN NET ZERO BANKING  
ASSOCIATION (NZBA)**



# TRANSITION TO LOW CARBON ECONOMY

## Climate Change Action Plan



Prioritizing renewable energy projects and ve putting a shadow price on carbon  
*Market Leader with 24.7% market share in RES financing*



Reducing deforestation



Creating Green Office Standards



Managing water-related risks

Member of  
**Dow Jones Sustainability Indices**  
 Powered by the S&P Global CSA

Only company from Turkey to be in place for 6 consecutive years



Only bank in Turkey



Environmental and Social Loan Policies in-line with Equator Principles



Environmental and Social Impact Assessment Model



Sectoral Principles



Only company from Turkey to be in place for five consecutive years



One of the two banks from Turkey listed in 2021

## Sustainable Finance



Innovative financing mechanisms such as; Green Loan, Sustainability-linked Loan etc.



Decarbonization of the Portfolio



Creating awareness and increasing capacity



Brain storming about the sectoral needs

For more information please see ESG Analyst Data & Presentation on the IR website



# ESG RATINGS

## CDP CLIMATE CHANGE

- Garanti BBVA is the only bank in Turkey to qualify for the global A List of 2020 CDP Climate Change Program

## DOW JONES SUSTAINABILITY INDEX

- ESG Score: 77
- Garanti BBVA is listed for 6 consecutive years as the only bank from Turkey

## MSCI

- ESG Rating: BBB (Average)

## SUSTAINALYTICS

- ESG Rating: 24.9 (Medium Risk)

# APPENDIX – UN SUSTAINABLE DEVELOPMENT GOALS



# DISCLAIMER STATEMENT

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