

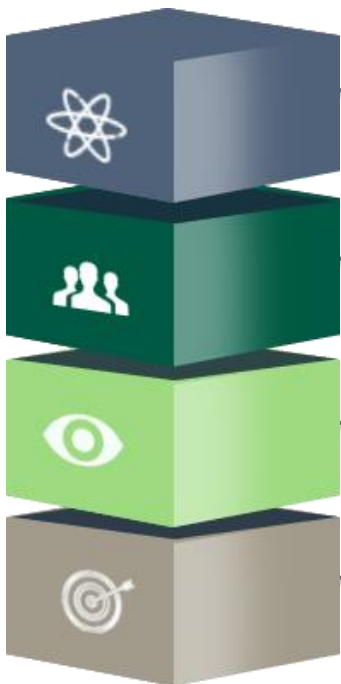


# CORPORATE PRESENTATION

INVESTOR RELATIONS  
May 2019



# AGENDA



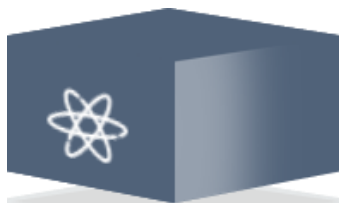
ENVIRONMENT WE OPERATE IN

ABOUT GARANTI

OUR VALUE CREATION

MARKET POSITION & 2019 PROJECTIONS

# AGENDA



ENVIRONMENT WE OPERATE IN



ABOUT GARANTI



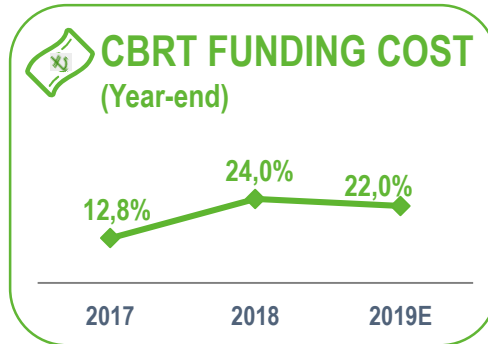
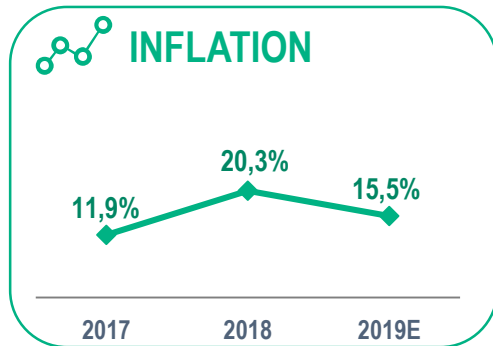
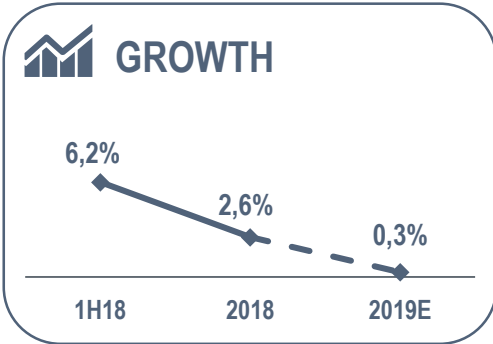
OUR VALUE CREATION



MARKET POSITION & 2019 PROJECTIONS

# TURKISH ECONOMY (I / II)

- ▶ 17<sup>th</sup> largest economy in the world<sup>1</sup>
- ▶ 5-yrs avg. GDP growth: 6% vs. EM Europe: 4%<sup>1</sup>
- ▶ **2019 – Further deceleration in economic activity**
  - **Negative effects** of recent financial shocks
  - **Rebound expected in the second half**
  - **Exports and tourism** will be the key contributor



- ▶ Improvement in inflation will be **more visible in the second half**
- ▶ CBRT is expected to **remain tight until permanent recovery in inflation** outlook

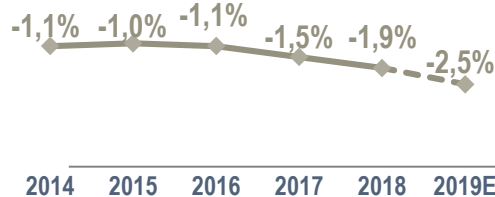
E: Garanti Estimates as of May 2019

<sup>1</sup> IMF's World Economic Outlook Report dated December 2018. Ranking as of YE 2018

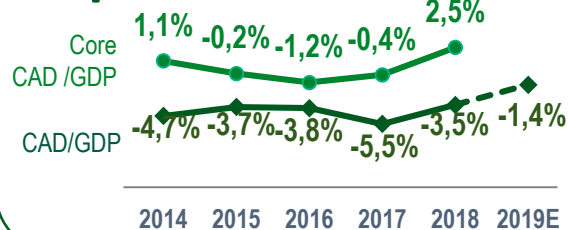
# TURKISH ECONOMY (II / II)



## BUDGET DEFICIT / GDP



## CAD / GDP



### ► Fiscal Discipline

EU Defined Government Debt Stock: 30.4% as of 4Q18  
vs. Maastricht criteria: 60%

### ► Resilient central government debt composition

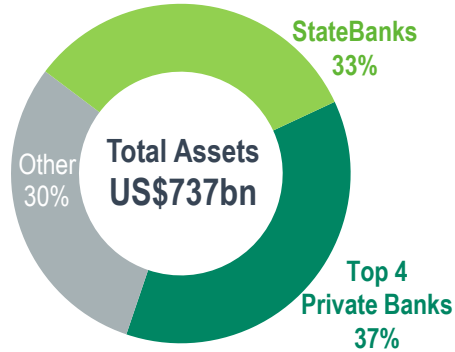
- TL: 51.0%, FC: 49.0% (as of March 2019 vs. TL: 42%, FC: 58% in 2002)
- 76.2% fixed, 23.8% floating rate (as of March 2019 vs. 45% fixed, 55% floating in 2002)

### ► The continuation of the adjustment in economic activity in terms of weaker domestic demand will contribute to further decline in current account deficit in 2019

### ► Core current account balance (excluding energy and gold):

US\$27.9 bn (12-month sum, as of February 2019)

# TURKISH BANKING SECTOR (I / II)



	# of Banks	Share in Assets	Share in Loans	Share in Deposits
<b>Top 4 Private Commercial Banks</b>	<b>4</b>	<b>37%</b>	<b>36%</b>	<b>39%</b>
<b>State Banks</b>	<b>3</b>	<b>33%</b>	<b>36%</b>	<b>36%</b>
Other Private Commercial Banks	25	18%	16%	18%
Development & Inv. Banks	13	7%	8%	-
Participation Banks	5	6%	5%	7%
<b>Total: 50</b>				

## TOP 10 BANKS

Dominated by top 4 Private Banks & 3 State Banks

	Share in Assets	Foreign Shareholder	Actual Free Float
Ziraat Bankası	14.0%	-	-
TÜRKİYE İŞ BANKASI	10.3%	-	30.6%
HALKBANK	9.8%	-	48.6%
Garanti BBVA Group	9.3%	BBVA (49.85%)	50.1%
YapıKredi	8.9%	UniCredit Group (40.95%)	18.1%
VakıfBank	8.8%	-	25.2%
AKBANK	8.6%	-	49.4%
QNB FINANSEBANK	4.1%	QNB S.A.Q. (99.88%)	0.12%
DenizBank	3.5%	Sberbank (99.85%)	0.08%
TEB	2.5%	BNP Paribas (72.5%)	-

Note: Sector figures are based on bank-only BRSA monthly data as of March 2019.  
Top 10 banks make up ~80% of sector's total asset

# TURKISH BANKING SECTOR (II / II)

## COMFORTABLE LIQUIDITY

- ▶ Deposits fund **57%** of assets
- ▶ Sufficient buffers against potential external liquidity shock

Banks' ST external dues<sup>1</sup>: **US\$74bn** (42% of total external debt)

**US\$102bn Quick FC Liquidity<sup>2</sup> sufficient to cover any liquidity shock**



## STRONG SOLVENCY

- ▶ Basel III CAR **16.0%**
- ▶ CET-I capital: **79%** of total capital
- ▶ RWA/Assets **80%**



## SOLID ASSET QUALITY

- ▶ NPL Ratio **4.5%**
- ▶ Stage-3 Coverage Ratio: **~69%**



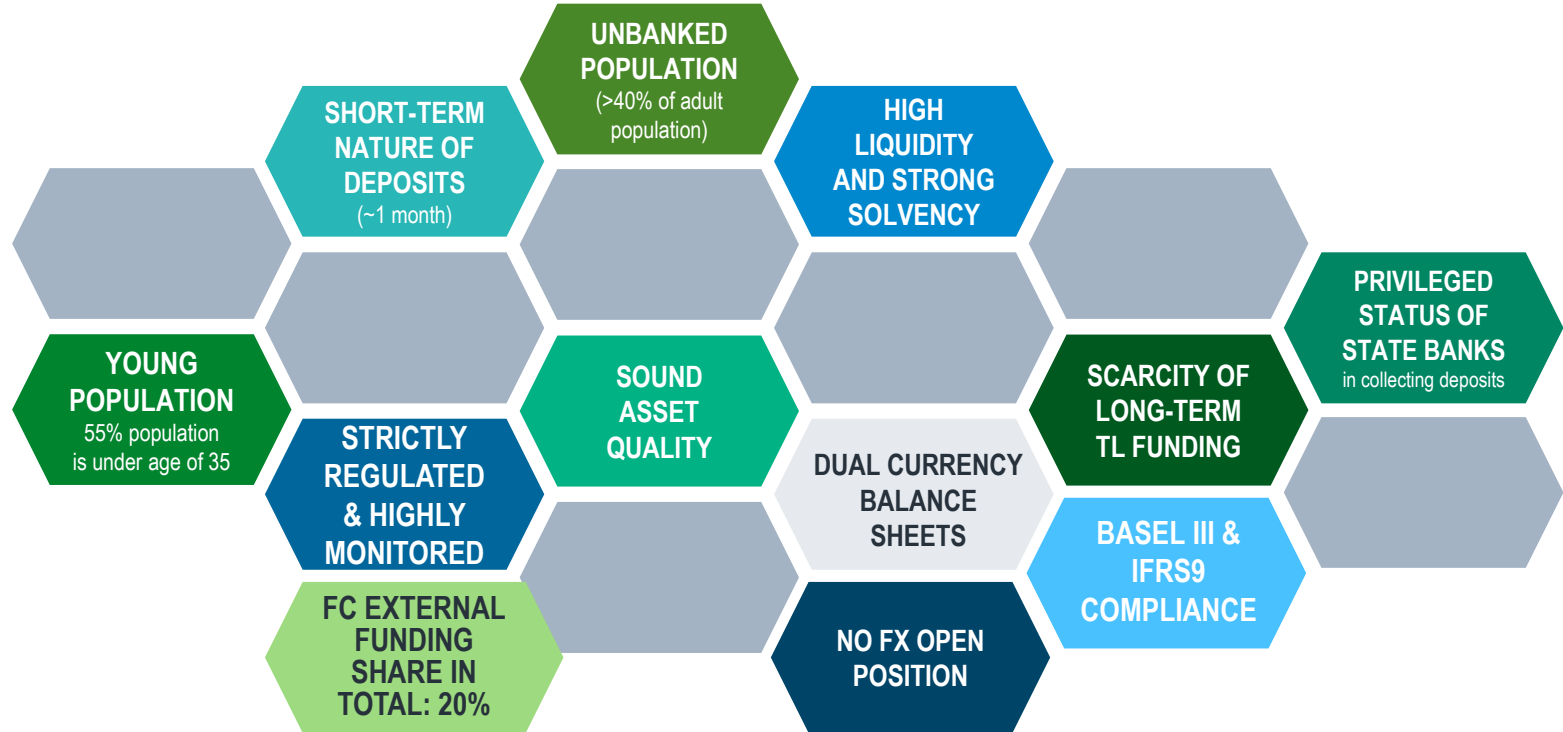
ROAE: 11.4%  
LEVERAGE: 8.7x  
ROAA: 1.2%

Note: Sector figures are based on BRSA monthly data as of March 2019, for commercial banks only

1 Source: CBRT, as of March 2019. Excludes non-residents' FC deposits

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

# CHALLENGES & OPPORTUNITIES OF TURKISH BANKING SECTOR





# AGENDA



ENVIRONMENT WE OPERATE IN

**ABOUT GARANTI**

OUR VALUE CREATION

MARKET POSITION & 2018 PROJECTIONS

## GARANTI AT A GLANCE

**\$75 BN** TOTAL ASSETS

**2<sup>nd</sup> LARGEST PRIVATE BANK WITH 9% MARKET SHARE**

**49.85%** OWNED BY BBVA

**50.07% ACTUAL FREE FLOAT**

**7.5 MN** # DIGITAL CUSTOMERS

**67% DIGITAL PENETRATION<sup>2</sup>**

**100%** GEOGRAPHICAL COVERAGE

**~1MN NEW CUSTOMERS/YR via 932 BRANCHES**

**16%** ROAE<sup>1</sup>

**HIGHEST RETURN ON CAPITAL**

Note: Financial figures are per BRSA Consolidated data as of March 2019

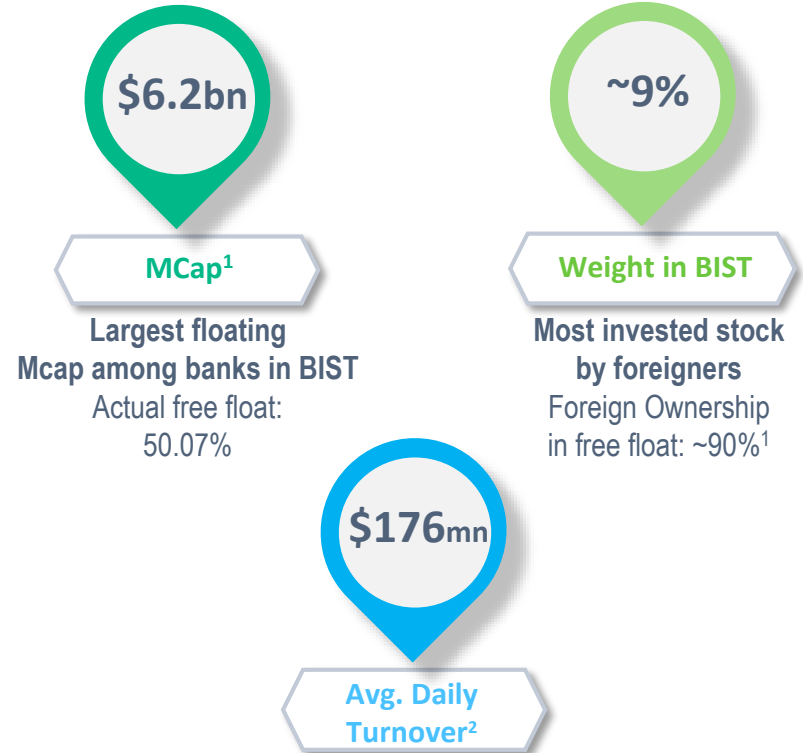
1 Non-recurring items are excluded when annualizing Net Income for the remaining quarters

2 Among active customers, as of March 2019.

Active digital customers are defined as at least 1 login within 3 months

# GARANTI SHARE

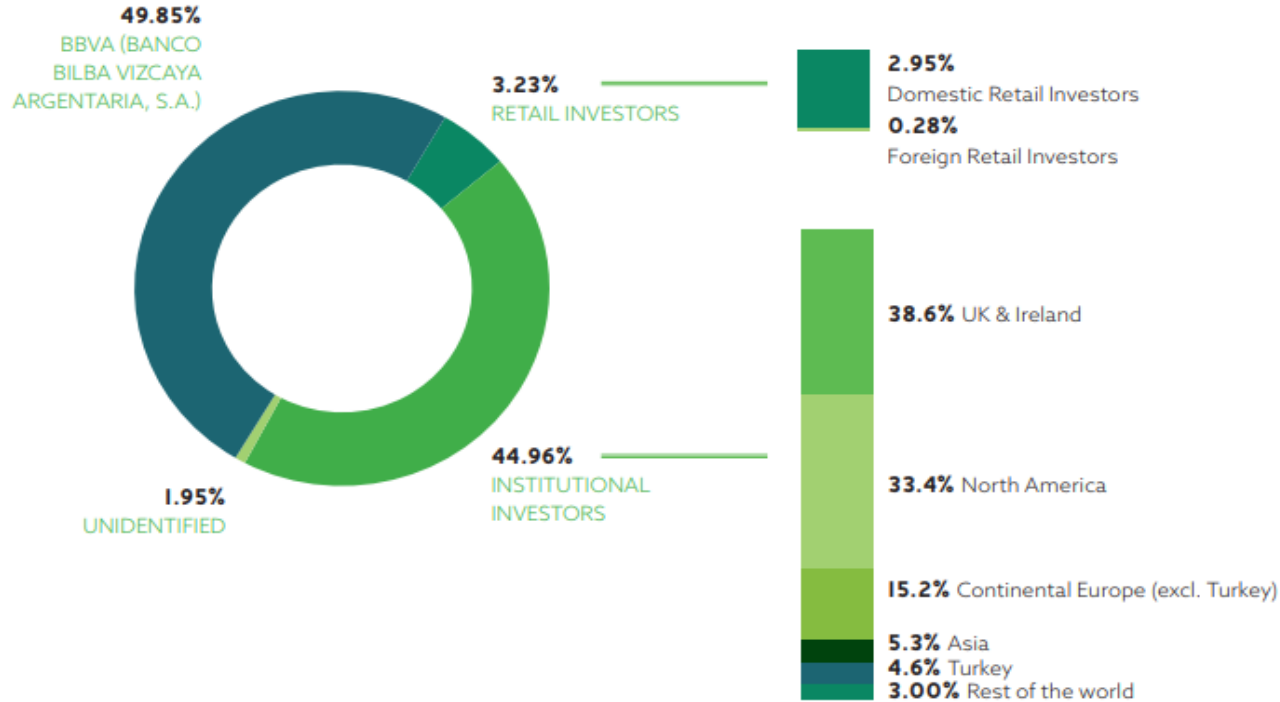
- ▶ Listed on **Borsa Istanbul** (BIST) Turkey since 1990
- ▶ Depositary Receipts (DR) listed on **London Stock Exchange** and on **OTC** since 1993
- ▶ Trades on **OTCQX International Premier** since 2012 (OTCQX Ticker: TKGBY)



<sup>1</sup> Figures are as of 29 April 2019. USD/TL CBRT ask rate is used in the calculations

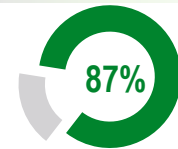
<sup>2</sup> Average of daily turnover during 1Q 2019.

# SHAREHOLDING STRUCTURE



Shareholders from **37 countries**

Foreign investors in free float














vs. peer avg. of 65%<sup>1</sup>

Note: Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated December 2018; the actual free float ratio and the share of local individual shareholders are all based on Central Agency Registry Agency data.

<sup>1</sup> As of April-end 2019.

# 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
	Ali Fuat Erbil	Executive	02.09.2015	PhD	26 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	30.04.2013	Undergraduate	38 years
	Sait Ergun Özen	Non-executive	14.05.2003	Undergraduate	31 years
	Ricardo Gomez Barredo*	Non-executive / Independent	08.05.2017	Masters	26 years
	Jorge Saenz Azcunaga Carranza*	Non-executive / Independent	24.03.2016	Undergraduate	24 years
	M. Canan Özsoy	Non-executive / Independent	04.04.2019	Masters	31 years

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

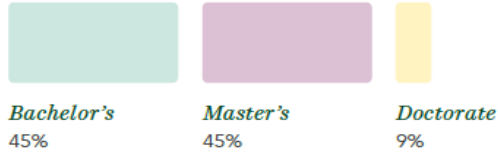
# OUR TEAM

## GENDER

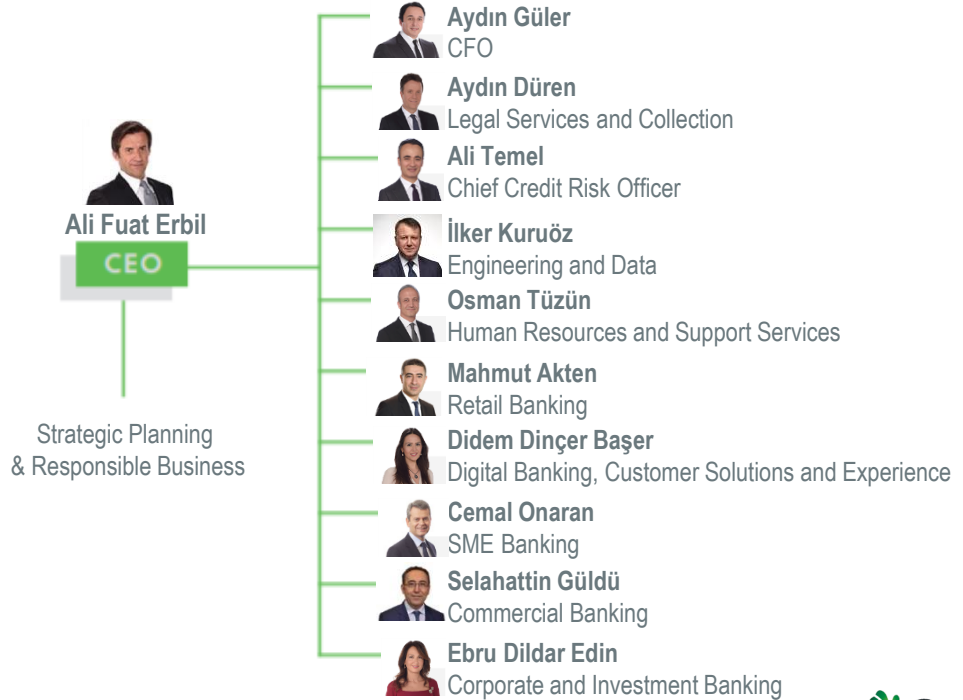


FEMALE MALE

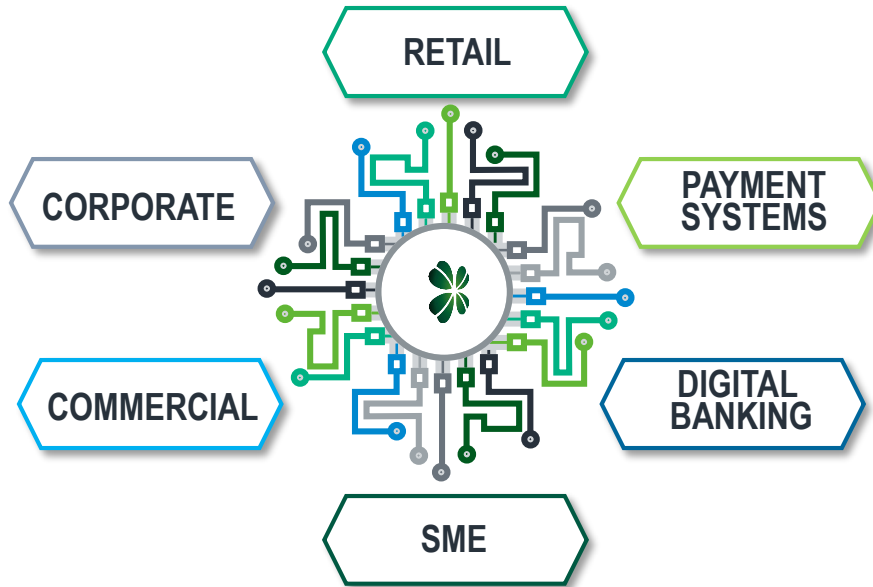
## EDUCATION



## AVERAGE EXPERIENCE




# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS



 **GarantiBank NV**  
BBVA Group Asset Contribution: 6.02%

 **GarantiBank**  
Romania BBVA Group Asset Contribution: 3.70%

 **Garanti Pension**  
BBVA Grubu Asset Contribution: 0.39%

 **Garanti Leasing**  
BBVA Grubu Asset Contribution: 1.42%

 **Garanti Factoring**  
BBVA Grubu Asset Contribution: 0.51%

 **Garanti Securities**  
BBVA Grubu Asset Contribution: 0.11%

 **Garanti Asset Management**  
BBVA Grubu Asset Contribution: 0.03%

 **Garanti BBVA**

Note: Asset contributions are calculated based on BRSA Consolidated Financials as of March 31, 2019

INVESTOR RELATIONS | CORPORATE PRESENTATION

# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS

## RETAIL BANKING

Building long-lived relationships with our customers

15.9 MN

Retail customers<sup>1</sup>

518K

People became homeowners with Garanti

1.6 MN

Customers saved with Garanti



14% CONSUMER LOAN MARKET SHARE

(#1 in consumer loans among private peers)



12% MORTGAGE MARKET SHARE

(Mortgages / GDP: ~6%

-- High growth potential)

(NPL ratio: 0.8%)

(#1 in mortgage loans among private peers)



11% CUSTOMER DEPOSIT MARKET SHARE

(Demand deposits share

in customer deposits: 26% vs. sector's 23%)

Note: Market shares are calculated based on BRSA Unconsolidated Financials as of March-end, 2019.

<sup>1</sup> Based on Garanti Bank's definition.





# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS

## SME BANKING

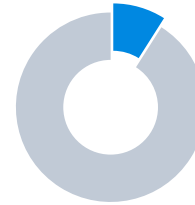
We offer information and advisory services to support their development



**10% TL BUSINESS  
BANKING LOANS  
MARKET SHARE**

## COMMERCIAL & CORPORATE BANKING

We position ourselves as the primary business partner of our customers



**10% FC LOANS  
MARKET SHARE**

## PAYMENT SYSTEMS

Strong presence in the credit card business. License **Turkey's lovemark Bonus card to 10 other banks**



**19% ACQUIRING &  
ISSUING MARKET SHARE**

Note: Market shares are calculated based on BRSA Unconsolidated Financials as of March 31, 2019

# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS

## DIGITAL BANKING

We encourage our customers' **digital migration**.

We have been investing in digital for >20 years to offer our customers **seamless omni-channel experience**.

### Mobile

Best in class in Europe<sup>1</sup>  
63% of non-cash financial transactions

### Internet

>500 types of transactions  
23% of non-cash financial transactions

### ATM

Cash deposits/withdrawals: **102%**  
Serving non-bank customers through cardless transactions

### Social Media

One of the most followed financial institutions in Turkey and in Europe, with **over 5 mn** followers

### Call Center

**73.4mn** customer contacts in 2018  
Avg. response time 32sec

<sup>1</sup> In customer user experience per Forrester's Global Mobile Banking Functionality Benchmark Study, 2018

# AGENDA



ENVIRONMENT WE OPERATE IN

ABOUT GARANTI

**OUR VALUE CREATION**

MARKET POSITION & 2018 PROJECTIONS

## OUR PURPOSE

TO BRING THE AGE OF OPPORTUNITY TO EVERYONE

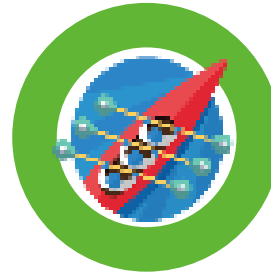
## OUR VALUES



CUSTOMER COMES  
FIRST



WE THINK BIG



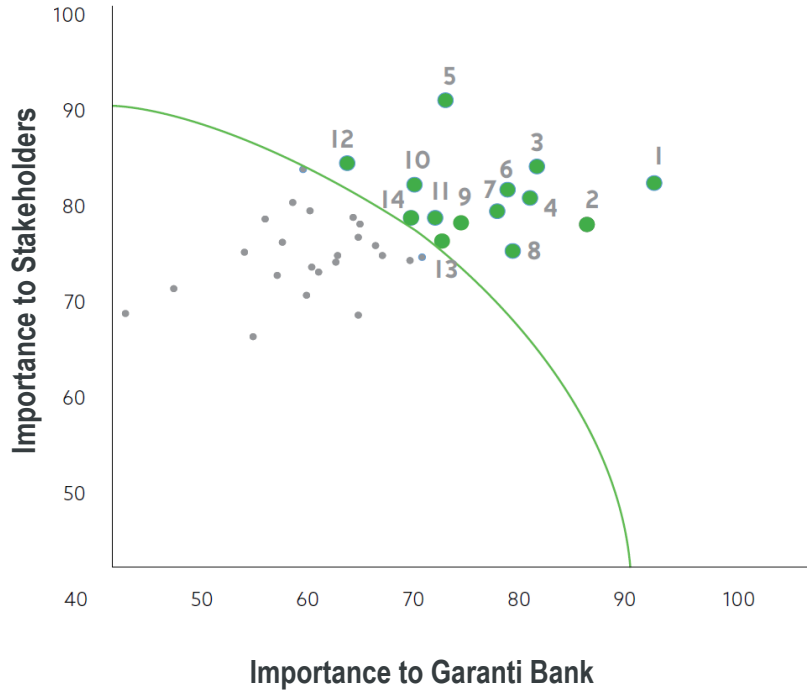
WE ARE ONE TEAM

MEGA TRENDS

RISKS AND OPPORTUNITIES



# MATERIAL ISSUES



CLUSTER	# of ISSUE	MATERIAL ISSUE
Customer Experience	1	Customer centricity and increasing customer satisfaction
	8	Financial health and supporting customers in making conscious financial decisions
Financial Performance	4	Financial performance (including solvency) & direct and indirect impact on economy
	5	Transparent disclosure of information for stakeholders
Corporate Governance and Risk Management	12	Good corporate governance
	3	Risk and crisis management (including integrated management of financial and non-financial risks)
	14	Compliance
	6	Customer privacy and information security
Digital Transformation	2	Digital transformation and technological advancement
	10	Investing in human capital
Responsible and Sustainable Development	7	Management of ESG risks
	11	Climate change and energy
	9	Pioneering the development of sustainable banking
	13	Stakeholder dialogue

# OUR STRATEGIC PRIORITIES



## EMPLOYEE HAPPINESS

- Invest in our employees focusing on their development, happiness and wellbeing.
- Focus on forming teams possessing team spirit, acting with shared wisdom, thinking big, socially responsible and result-oriented.



## EFFICIENCY

- Cost and revenue synergies



## DIGITALIZATION

- Provide unique experience, transaction convenience and innovative solutions to our customers
- Pioneering innovative solution suggestions
- Expand digital customer base
- Increase digital sales



## CUSTOMER EXPERIENCE

- Enable a seamless and excellent customer experience among all channels
- Design our processes from our customers' perspective
- Act in a transparent, clear and responsible manner towards our customers



## OPTIMAL CAPITAL UTILIZATION

- Use capital effectively
- Focus on disciplined & sustainable growth
- Strict adherence to solid asset quality



## RESPONSIBLE & SUSTAINABLE DEVELOPMENT

- Act with the principles of trust, integrity, accountability and transparency
- Conducting effective risk management through world-class integrated management of financial and non-financial risks
- Continue to be the pioneer bank for the positive change through our strategic partnerships



## UNDERSTANDING CUSTOMER

- 942k customer feedbacks received in 2018
- 38 products or services changed & developed via customer feedbacks



## DESIGN PHILOSOPHY

- New service model in branches to capture the benefits of emerging digital world
- The efforts in 2018 concentrated on critical journeys most frequently experienced by customers, such as credit cards, loans, onboarding, and complaints.



## EMPATHETIC CULTURE

- AI program «Empathy Assistant» to help branch employees while resolving customer issues - *the platform supported the resolution of more than 5,000 issues per month*
- 5,210 Disabled friendly ATM



## MEASUREMENT SYSTEMS

- Conducts after-service surveys for all customer-facing employees
- Net Promoter Score highest among peer group
- The number of complaints by the Bank's 1.000 active customers went down by 16% yoy



## CUSTOMER EXPERIENCE

### Key Value Drivers

- Exceeding their expectations and enhancing their satisfaction
- Supporting financial literacy, health and inclusion with offered solutions
- Advise solutions to grow their businesses in sustainable manner

### Linked Sustainable Development Goals





## WHAT WE HAVE TRANSFORMED?



We developed a new lobby service model & redesigned our branch layout



We digitized our processes



We redefined roles & empowered employees

## WHAT WE HAVE ACHIEVED?

Increase in Sales & Efficiency

Digital, Fast and Lean Processes



Happier Customers

More Competent Employees

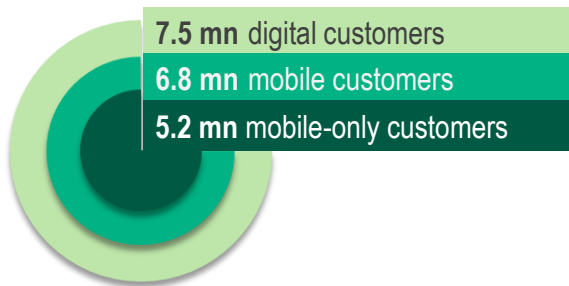


## CUSTOMER EXPERIENCE

### NEW SERVICE MODEL

- The pilot program, which started in May 2017, was gradually expanded until the end of 2018 and the transformation of all branches was carried out.
- With this new model, Garanti launches digitalization in its branches.

## LEADING POSITION IN DIGITAL BANKING



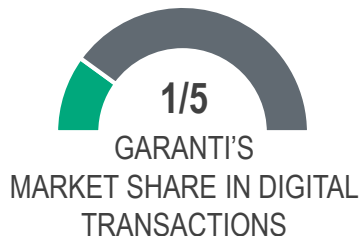
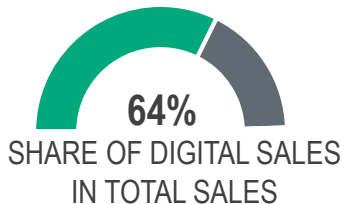
- ▶ Active digital customers **18% YoY**
- ▶ Active mobile customers **25% YoY**

**FORRESTER**  
2<sup>nd</sup> Best Online Bank in Europe  
1<sup>st</sup> in Europe in customer user experience  
in Mobile Banking

MediaCat  
**Lovemarks**  
2017  
Most loved mobile  
bank in Turkey

**ACCENTURE  
TURKEY  
DIGITIZATION  
INDEX**  
#1 with 93 score

## EFFECTIVE DIGITAL CHANNEL UTILIZATION



## DIGITAL TRANSFORMATION

### Key Value Drivers

- Unrivalled customer experience
- Expand digital customer base
- Increase digital sales
- Ensure information security and uninterrupted service

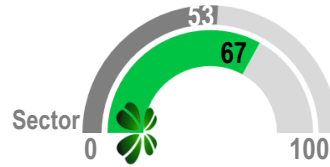
### Linked Sustainable Development Goals



**Garanti BBVA**

INVESTOR RELATIONS | CORPORATE PRESENTATION

EMPLOYEE  
ENGAGEMENT SCORE  
OUTPERFORMS SECTOR



TRAINING  
PER EMPLOYEE



47 hours

Share of digital training: 34%  
vs. 27% in 2017

EMPLOYEE  
WELL-BEING  
PROGRAMS



11 Programs

FIRST AND ONLY  
COMPANY  
FROM TURKEY



## INVESTING IN HUMAN CAPITAL

### Key Value Drivers

- Focus on employee development, satisfaction and wellbeing
- Acting with shared wisdom
- Fair and transparent management policy

### Linked Sustainable Development Goals



Note: Employee Engagement Score is per latest AON Hewitt Employee Engagement Study

- TL35.2bn Impact Investment (to date)
- 33 Sustainable products/credit lines
- 28% Market Share in wind power projects



44 Engagement Platforms

- Included in 7 Sustainability indices



- 100% of new PF commitments in Greenfield Energy Production Portfolio are Renewables
- TL 20.2mn investment in community programs



## RESPONSIBLE & SUSTAINABLE DEVELOPMENT

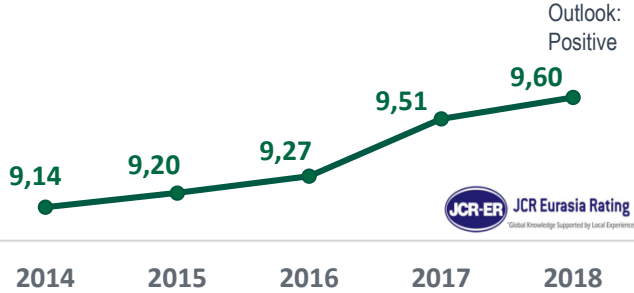
### Key Value Drivers

- Drive positive change through strategic partnerships
- Impact investment principles
- Focus on community investment programs

### Linked Sustainable Development Goals



## CORPORATE GOVERNANCE RATING



Rating increase was driven by;

- ▶ The adoption of a Risk Based Audit Model,
- ▶ Successful implementation of new branch model,
- ▶ Publication of the first integrated annual report.

## RISK MANAGEMENT PROCESS

### Linking material themes & strategic objectives

*To identify risks & opportunities*

### Determination of manageable risks

*Based on the predicted capability of safe handling of risks to achieve goals & strategic objectives*

### Monitoring risk appetite framework regularly

*On metrics related to capital, liquidity and profitability and risk based limits*

### Risk Measurement

*By using methods compliant with international standards, and in accordance with the applicable legislation. Advanced risk management tools are utilized*



# CORPORATE GOVERNANCE AND RISK MANAGEMENT

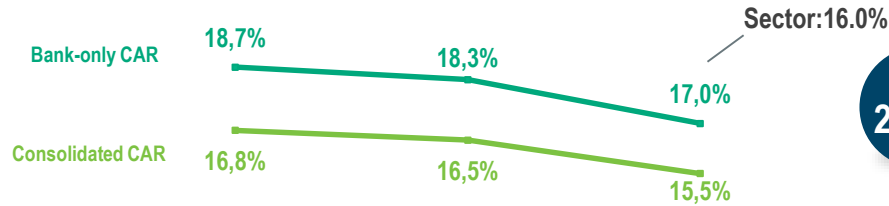
## Key Value Drivers

- Transparent disclosure of information
- Integrated Risk & Crisis Management
- Compliance

## Linked Sustainable Development Goals



## STRONG SOLVENCY VIA CAPITAL GENERATION



**TL**  
**2.35bn** Free Provision

**TL**  
**13bn** Excess Capital  
*taking into account minimum required level of 12% for 2019*

2019 Minimum Required Level

	Dec 17	Dec 18	Mar 19
CET-1/Total Capital	88%	86%	86%
USDTRY	3.77	5.27	5.62



## FINANCIAL PERFORMANCE (I / III)

### Key Value Drivers

- Use capital effectively
- Cost and revenue synergies
- Disciplined and sustainable growth

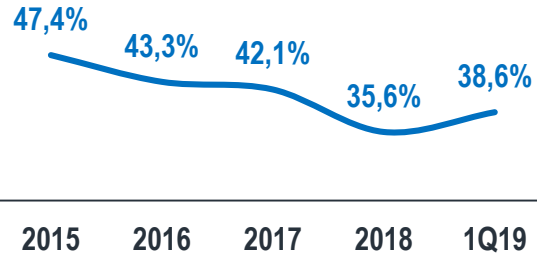
### Linked Sustainable Development Goals



<sup>1</sup> Required CAR for 2019 = [8.0% + SIFI Buffer for Group 2 (1.5%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.09%)]

## INCREASING EFFICIENCY

### COST/INCOME<sup>1</sup>



9% improvement in C/I since 2015

OPEX/ AVG. ASSETS

2.4%

FEE / OPEX

62%



## FINANCIAL PERFORMANCE (II / III)

### Key Value Drivers

- Use capital effectively
- Cost and revenue synergies
- Disciplined and sustainable growth

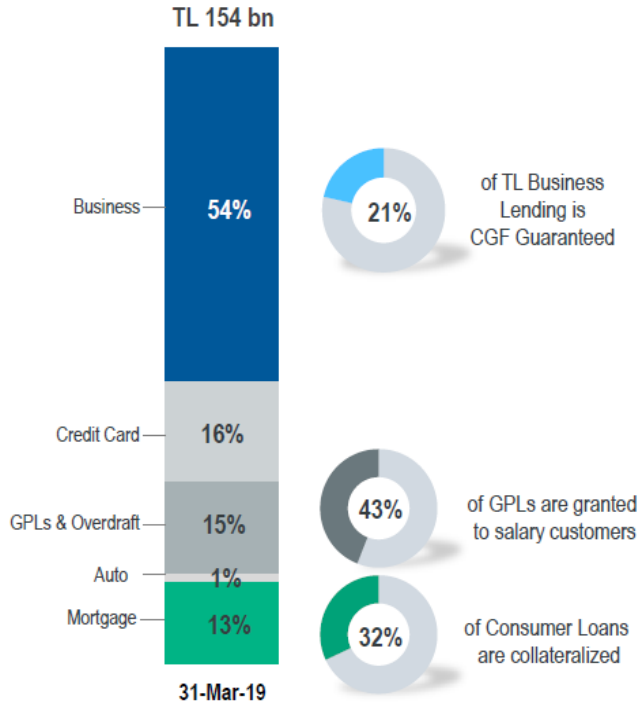
### Linked Sustainable Development Goals



Note: Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges  
+ Other income excluding provisions reversals + Income from subsidiaries.

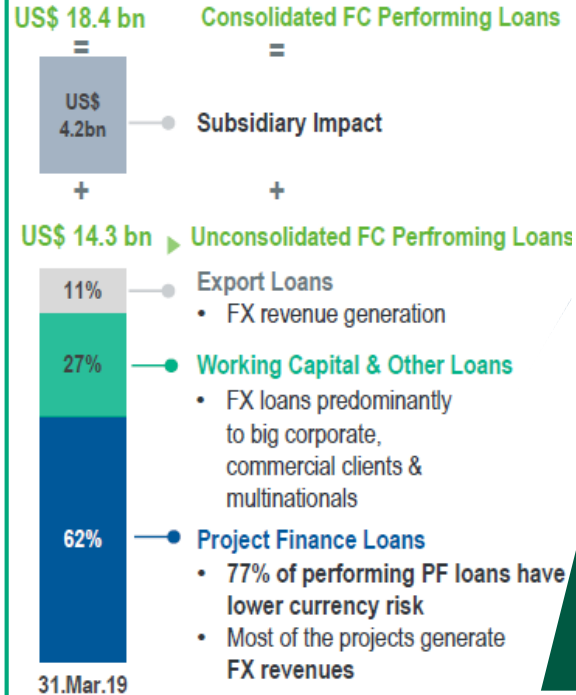
## TL LOANS BREAKDOWN

60% of Total Loans



## FC LOANS BREAKDOWN

40% of Total Loans



# FINANCIAL PERFORMANCE (III / III)

## Key Value Drivers

- Use capital effectively
- Cost and revenue synergies
- Disciplined and sustainable growth

## Linked Sustainable Development Goals





# AGENDA



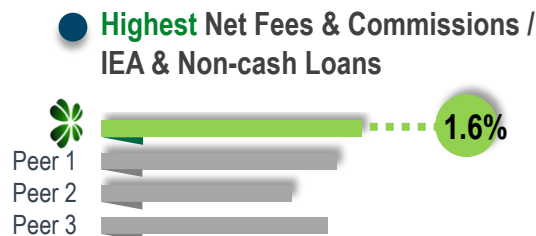
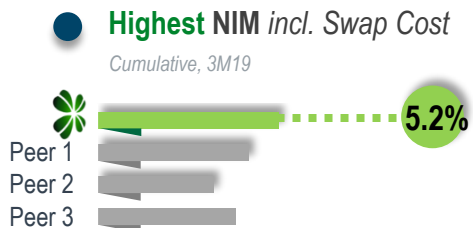
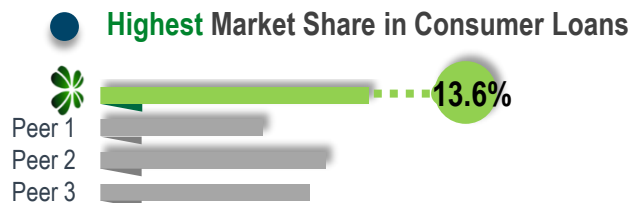
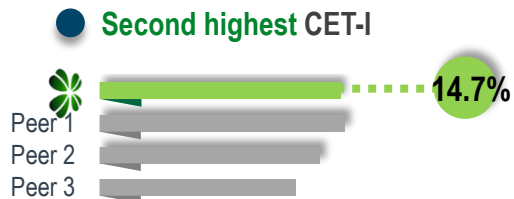
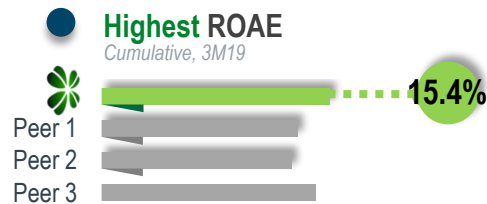
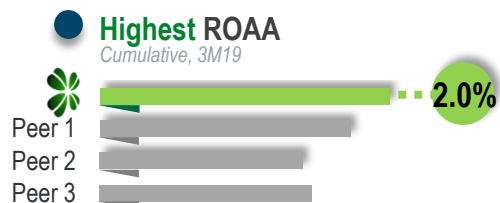
ENVIRONMENT WE OPERATE IN

ABOUT GARANTI

OUR VALUE CREATION

**MARKET POSITION & 2019 PROJECTIONS**

# ACHIEVED PIONEER POSITION



Note: In the calculation of Return On Average Equity (ROAE) & Return On Average Assets (ROAA), non-recurring items are excluded when annualizing Net Income for the remaining quarters

## 2019 PROJECTIONS

TL Loans (YoY)	~5%
FC Loans (in US\$, yoy)	(10%)
NPL ratio	<7%
Net Cost of Risk	<300 bps
NIM Incl. Swap Cost Excl. CPI	Flat
Fee Growth (YoY)	Low-teens
OPEX Growth (YoY)	< CPI
<b>ROAE</b>	<b>Low-teens</b>

**Mid-term ROAE  
target remains in high-teens**



**Garanti works to create  
sustainable value for all  
its stakeholders**



# APPENDIX – SUSTAINABLE DEVELOPMENT GOALS



# DISCLAIMER STATEMENT

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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 peer group. Peer group consists of Garanti Bank, İş Bank, Akbank, Yapı Kredi Bank, QNB Finansbank and Denizbank. Research was conducted between October '17 and January '18. Main bank customers, who have communicated with the banks over the last 3 months, surveyed face to face in the representative cities of Turkey by quota sampling. Score is calculated as a weighted average of retail segments' scores.

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