



CORPORATE PRESENTATION

AUGUST 2019

AGENDA

●
● TURKISH ECONOMY & BANKING SECTOR

● GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

● CORPORATE GOVERNANCE & RISK MANAGEMENT

● OUR TRANSFORMATION JOURNEY

AGENDA



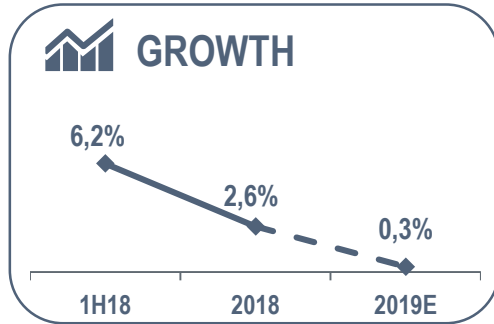
TURKISH ECONOMY & BANKING SECTOR

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

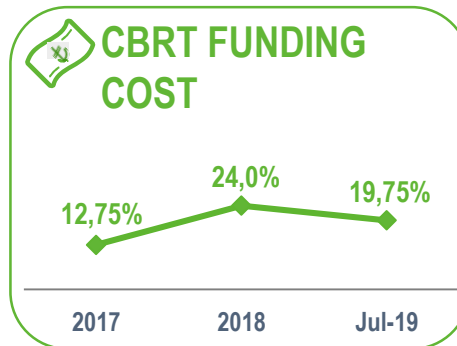
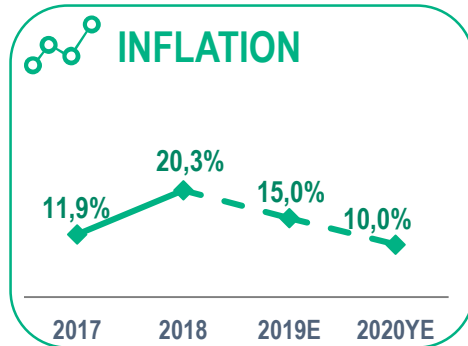
CORPORATE GOVERNANCE & RISK MANAGEMENT

OUR TRANSFORMATION JOURNEY

TURKISH ECONOMY (I / II)



- ▶ 17th largest economy in the world¹
- ▶ 5-yrs avg. GDP growth: 6% vs. EM Europe: 4%¹
- ▶ **2019 – Further deceleration in economic activity**
 - **Negative effects** of recent financial shocks
 - **Rebound expected in the second half**
 - **Net exports** will be the key contributor



- ▶ Improvement in inflation is expected to be **more visible in the second half**
- ▶ The **CBRT has started the easing cycle** with the support of **faster than expected recovery in inflation** and **expected easing in external financial conditions**.

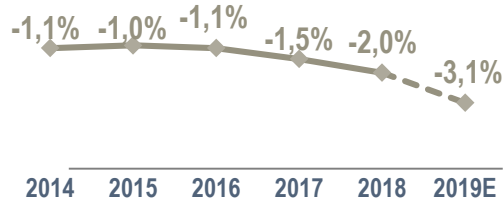
E: Garanti Estimates as of July 2019

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

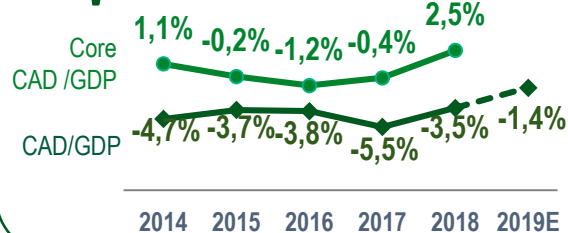
TURKISH ECONOMY (II / II)



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

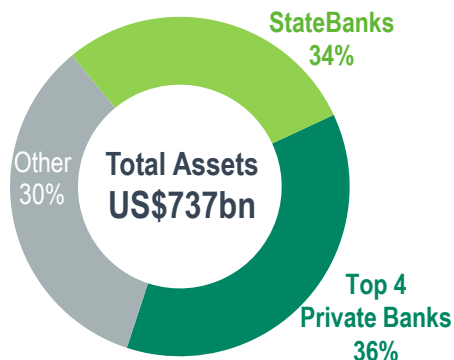
- TL: 50.0%, FC: 50.0% (as of May 2019 vs. TL: 42%, FC: 58% in 2002)
- 76.1% fixed, 23.9% floating rate (as of June 2019 vs. 45% fixed, 55% floating in 2002)

► The continuation of the adjustment in economic activity with weaker domestic demand has contributed to a further decline in current account deficit in 2019

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

US\$40.5 bn (12-month sum, as of May 2019)

TURKISH BANKING SECTOR (I / IV)



	<u># of Banks</u>	<u>Share in Assets</u>	<u>Share in Loans</u>	<u>Share in Deposits</u>
Top 4 Private Commercial Banks	4	36%	36%	38%
State Banks	3	34%	36%	36%
Other Private Commercial Banks	25	18%	15%	18%
Development & Inv. Banks	13	7%	8%	-
Participation Banks	6	6%	5%	7%
Total: 51				

TOP 10 BANKS

Dominated by top 4 Private Banks & 3 State Banks

	<u>Asset Size (Consolidated)</u>	<u>Foreign Shareholder</u>	<u>Actual Free Float</u>
Ziraat Bankası	TL 646.0bn	-	-
TÜRKİYE İŞ BANKASI	TL 524.5bn	-	31.05%
HALKBANK	TL 440.3bn	-	48.4%
Garanti BBVA	TL 422.3bn	BBVA (49.85%)	50.1%
YapıKredi	TL 409.0bn	UniCredit Group (40.95%)	18.1%
VakıfBank	TL 376.1bn ¹	-	25.2%
AKBANK	TL 375.8bn	-	49.6%
DenizBank	TL 210.0bn	Emirates NBD Bank PJSC (99.85%)	0.15%
QNB FINANSBANK	TL 177.6bn	Qatar National Bank (99.88%)	0.12%
TEB	TL 103.2bn	BNP Paribas (72.5%)	-

Note: Sector figures are based on bank-only BRSA monthly data as of June 2019.

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

1 As of March 2019, as VakıfBank has not announced their June 2019 Consolidated Financials.

TURKISH BANKING SECTOR (II / IV)

COMFORTABLE LIQUIDITY

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

Banks' ST external dues¹: US\$70bn (40% of total external debt) **US\$95bn Quick FC Liquidity² sufficient to cover any liquidity shock** (May 2019)



STRONG SOLVENCY

- ▶ Basel III CAR **17.3%**
- ▶ CET-I capital: **76%** of total capital
- ▶ RWA/Assets **79%**



SOLID ASSET QUALITY

- ▶ NPL Ratio **4.7%**
- ▶ Stage-3 Coverage Ratio: **68%**



ROAE: 11%
LEVERAGE: 8.5x
ROAA: 1.2%

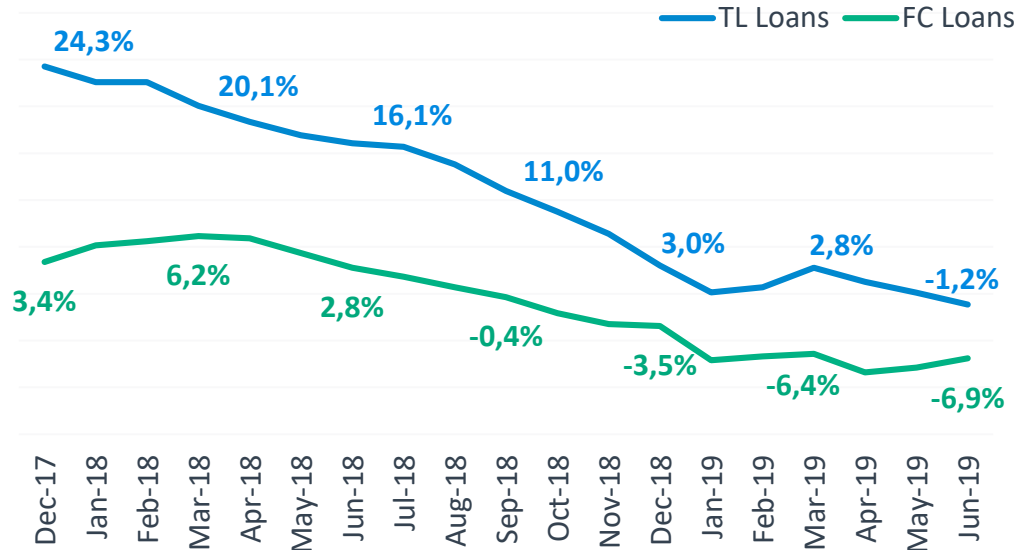
Note: Sector figures are based on BRSA monthly data as of June 2019, for commercial banks only

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

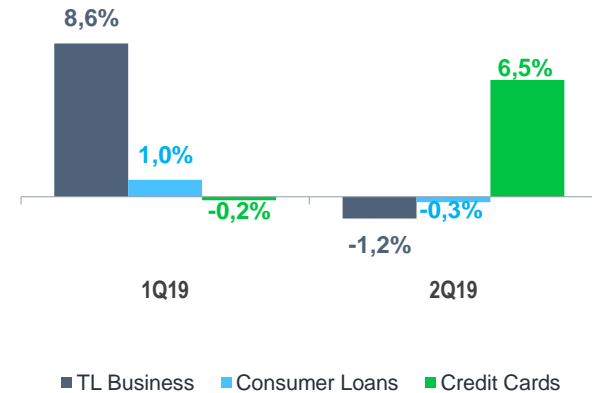
2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

TURKISH BANKING SECTOR (III / IV)

BANKING SECTOR Y-o-Y LENDING GROWTH



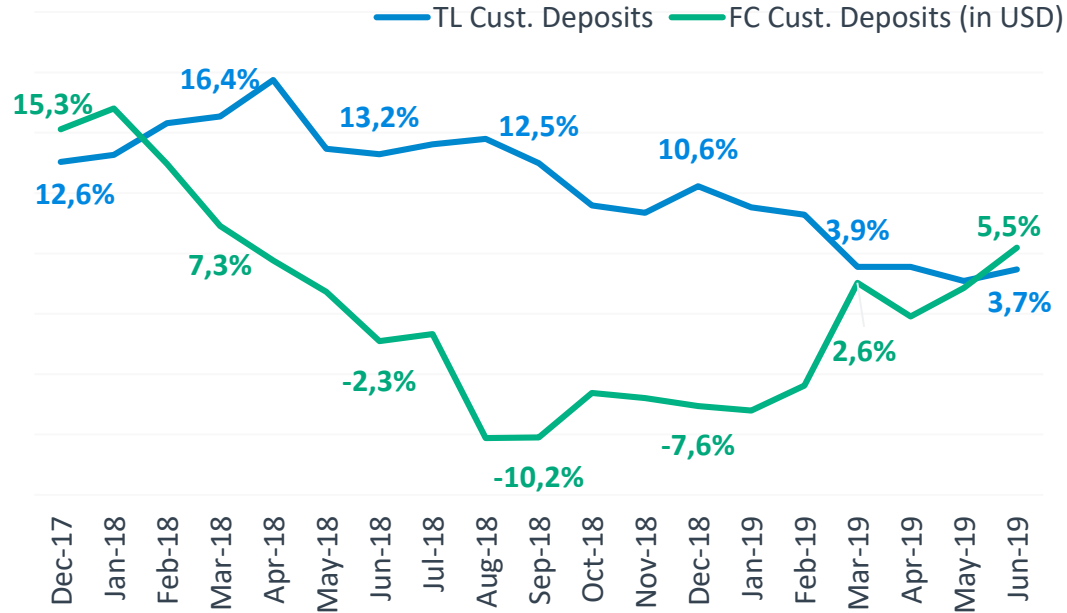
1H19 TL LENDING GROWTH



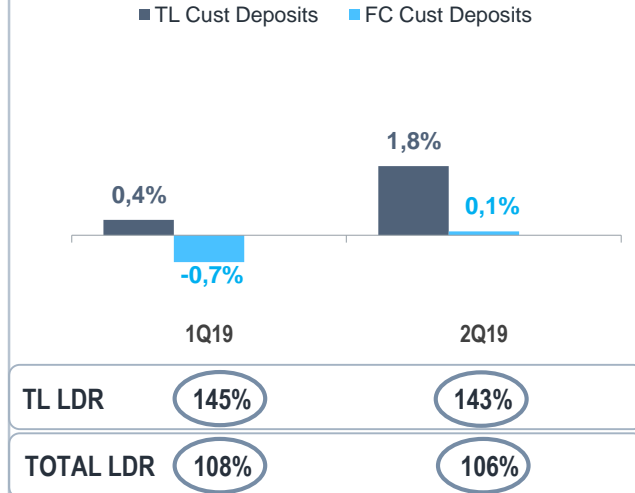
Sector data is based on BRSA weekly data, for commercial banks only

TURKISH BANKING SECTOR (IV/ V)

BANKING SECTOR Y-o-Y CUSTOMER DEPOSIT GROWTH

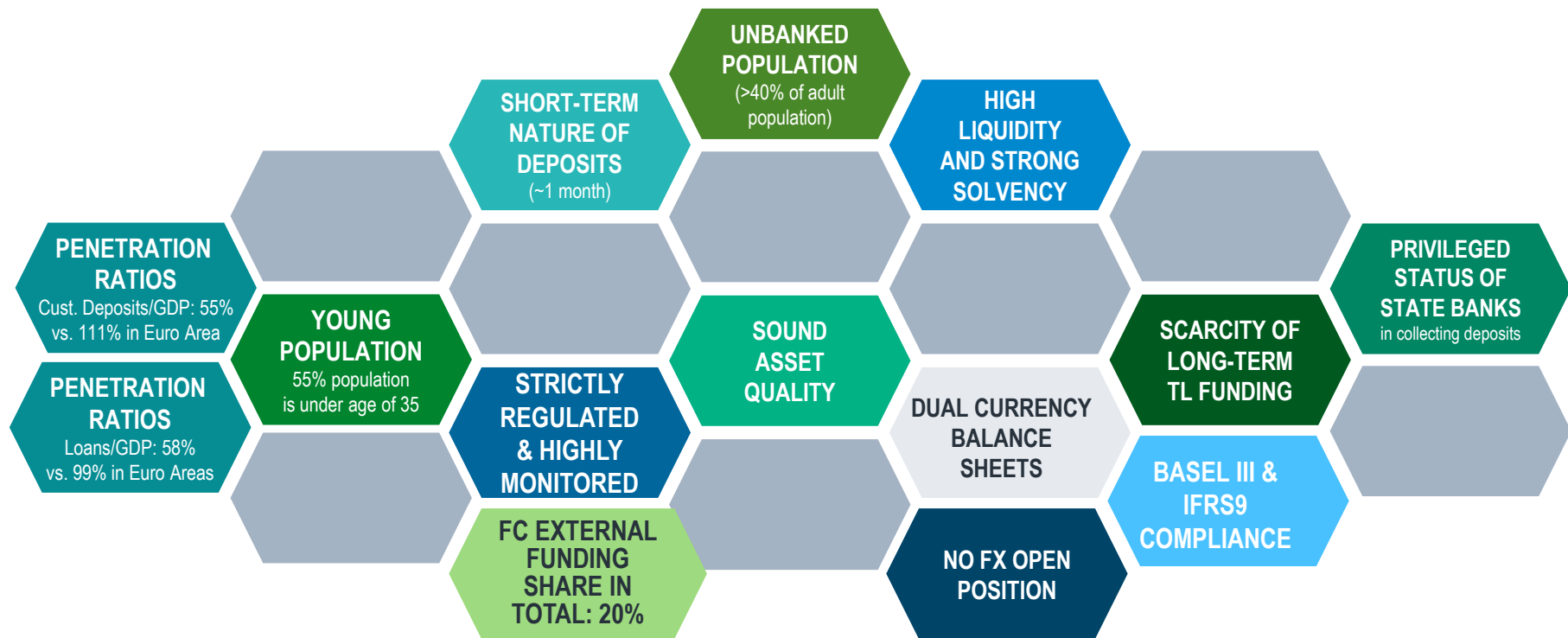


1H19 CUSTOMER DEPOSIT GROWTH



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

CHALLENGES & OPPORTUNITIES OF TURKISH BANKING SECTOR



Source: Eurostat (Euro Area for 19 countries), ECB, BRSA monthly data and Turkstat

AGENDA

TURKISH ECONOMY & BANKING SECTOR

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

OUR TRANSFORMATION JOURNEY

OUR PURPOSE

TO BRING THE AGE OF OPPORTUNITY TO EVERYONE

OUR VALUES



CUSTOMER COMES
FIRST



WE THINK BIG



WE ARE ONE
TEAM

OUR STRATEGIC PRIOTITIES



EMPLOYEE
HAPPINESS



EFFICIENCY



DIGITALIZATION



CUSTOMER
EXPERIENCE

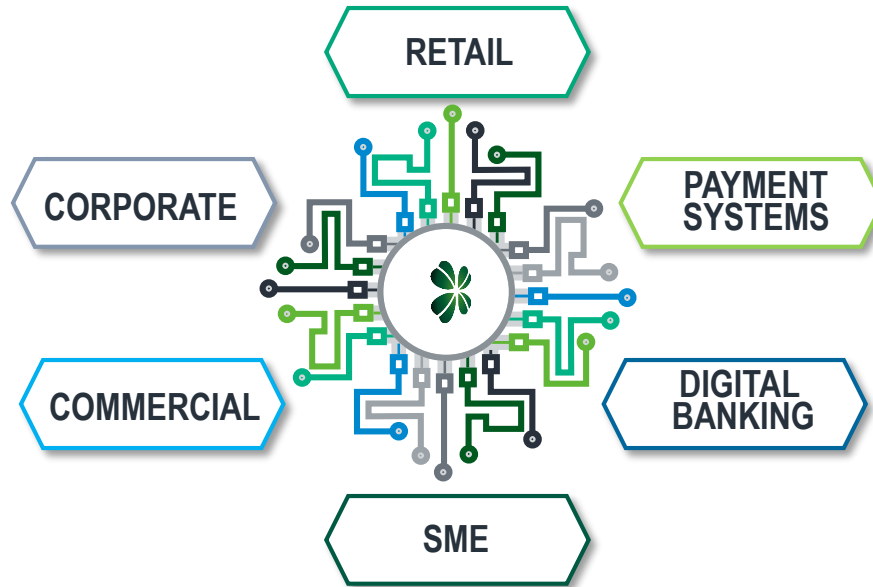


OPTIMAL CAPITAL
UTILIZATION



RESPONSIBLE
& SUSTAINABLE
DEVELOPMENT

A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS



 **Garanti BBVA** International Asset Contribution: 5.91%

 **Garanti BBVA** Romania Asset Contribution: 3.88%

 **Garanti BBVA** Pension Asset Contribution: 0.44%

 **Garanti BBVA** Leasing Asset Contribution: 1.29%

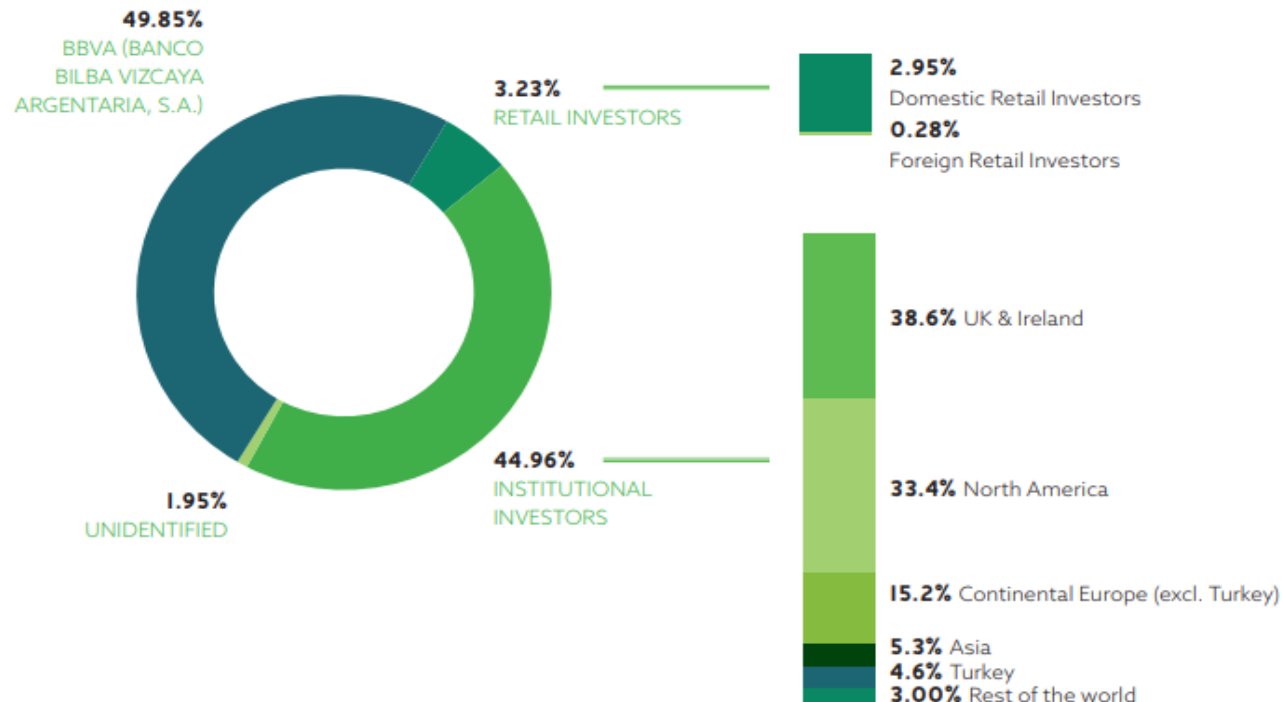
 **Garanti BBVA** Factoring Asset Contribution: 0.41%

 **Garanti BBVA** Securities Asset Contribution: 0.13%

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

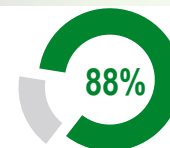
Note: Asset contributions are calculated based on BRSA Consolidated Financials as of June 30, 2019

SHAREHOLDING STRUCTURE



Shareholders from
37 countries

Foreign investors
in free float

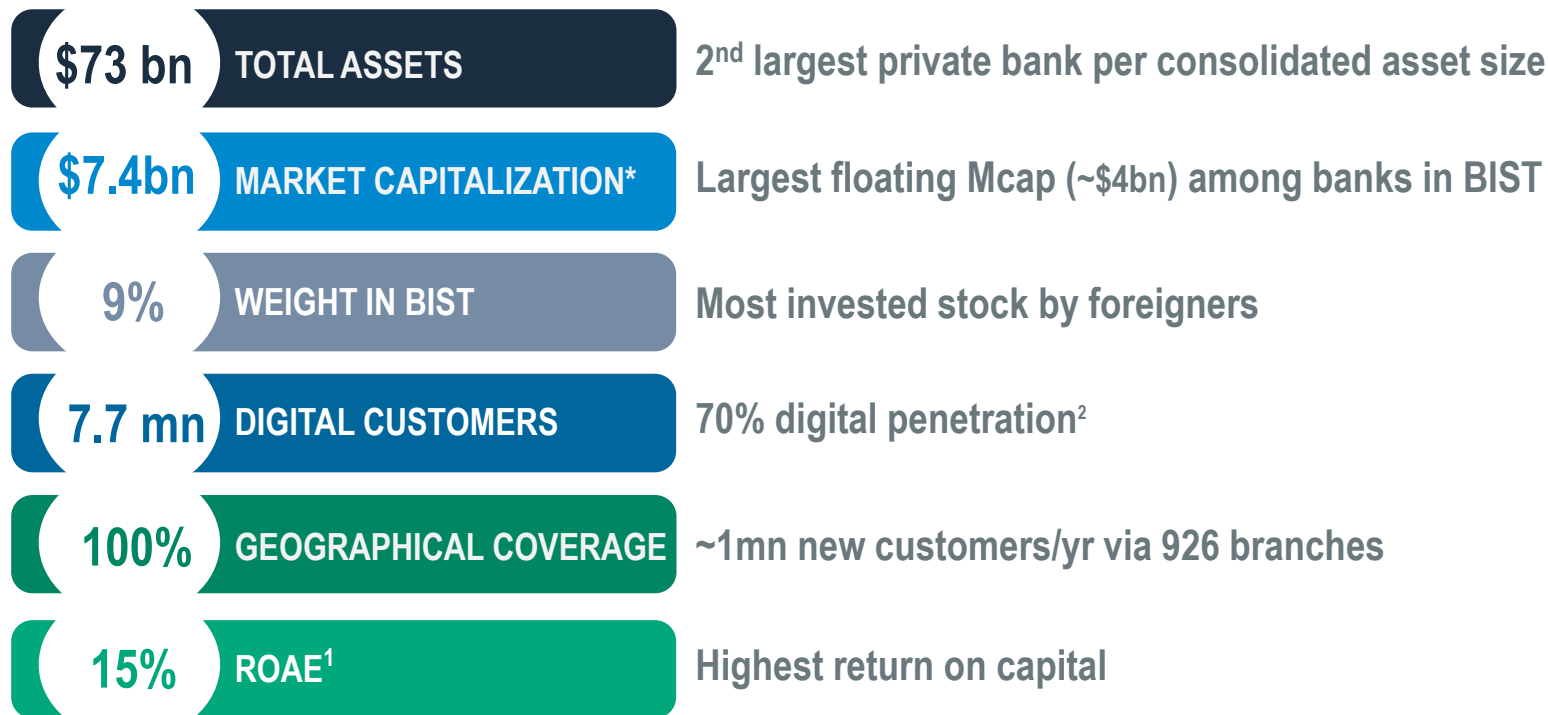


vs. peer avg. of 64%¹

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.

¹ As of June-end 2019.

GARANTI BBVA AT A GLANCE



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

* As of August 06, 2019

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

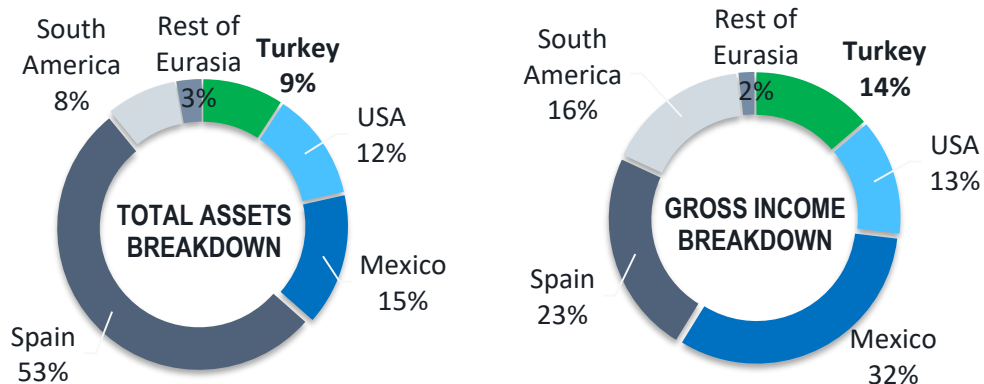
2 Among active customers, as of June 2019. Active digital customers are defined as at least 1 login within 3 months

PERFORMANCE INDICATORS



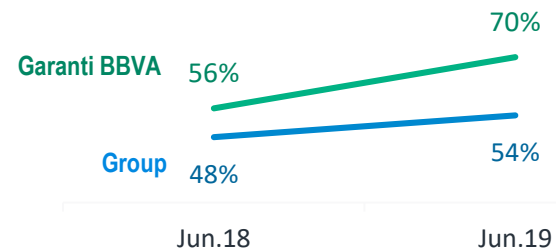
GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

While Garanti BBVA has 9% contribution to the Group's total asset, its share in the gross income is 14%.

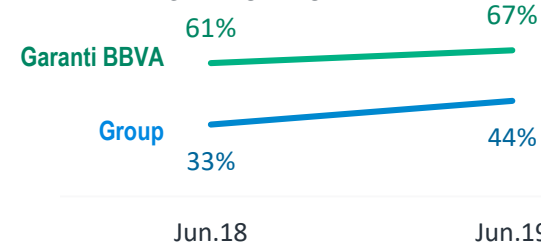


In Digital Banking, GARANTI BBVA ranks at the top within the group

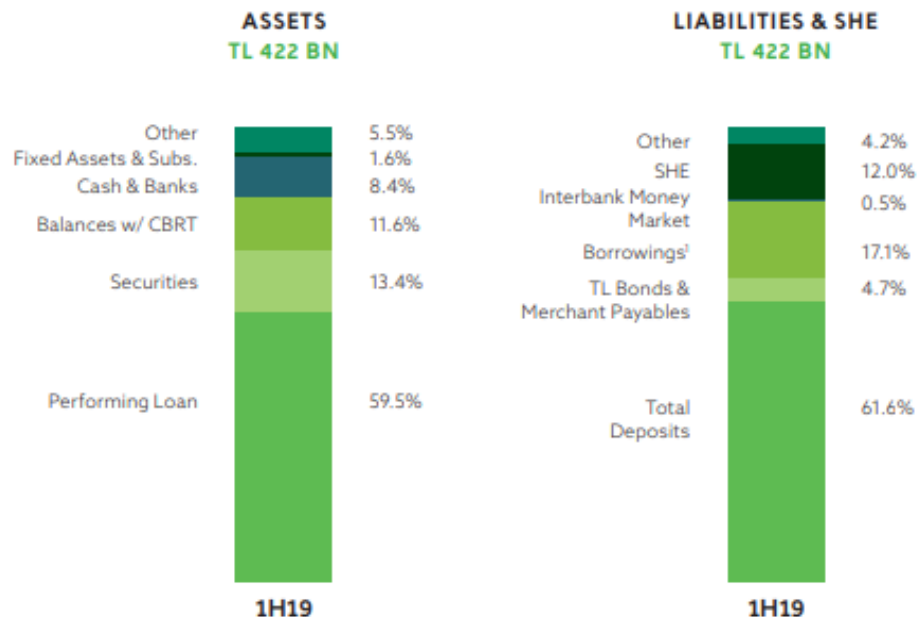
DIGITAL CUSTOMER PENETRATION



DIGITAL SALES



STRONG 2Q 2019 RESULTS



SELECTED P&L ITEMS

	1H2019
Net Interest Income	9,898
Operating Expenses	4,889
- HR Cost	2,095
- Other Operating Expenses	2,795
Net Fees&Commissions	2,975
NET INCOME	3,669

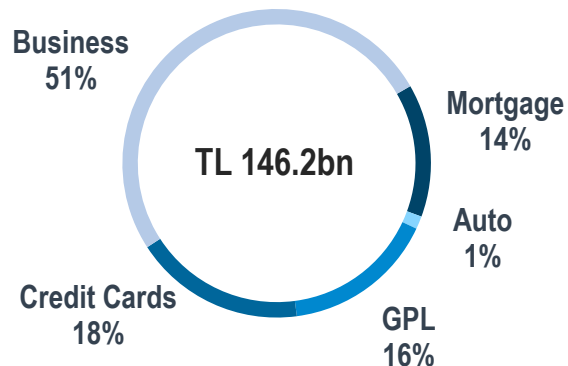
SELECTED FINANCIAL RATIOS

	1H2019
Return on Average Equity	15.3%
Return on Average Assets	1.8%
Net Interest Margin (inc.Swap cost)	5.0%
Non-Performing Loans Ratio	5.7%
Capital Adequacy Ratio	16.4%
Net Cost of Risk	2.1%
Fee/OPEX	60.8%

Note: Figures are per June 2019 BRSA Consolidated financials

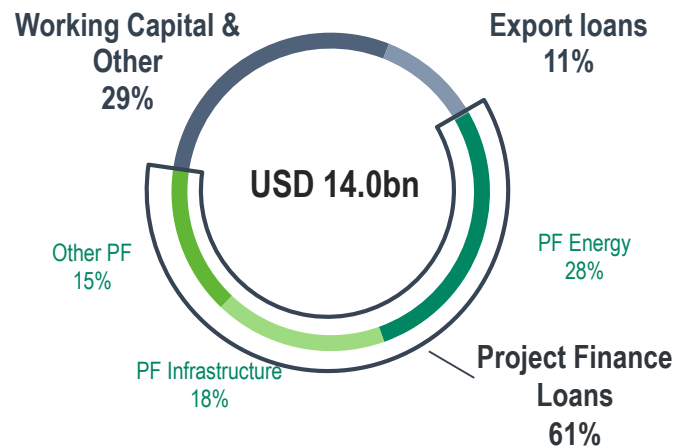
LOAN PORTFOLIO BREAKDOWN

TL PERFORMING LOANS



- ▶ 22% of TL Business Lending is within the CGF scheme
- ▶ 46% of GPLs are granted to salary customers
- ▶ Household debt to GDP is 14% vs. emerging economies avg. of 40%¹

FC PERFORMING LOANS

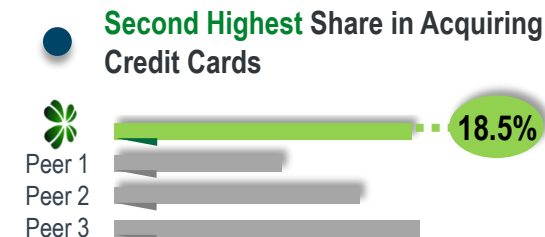
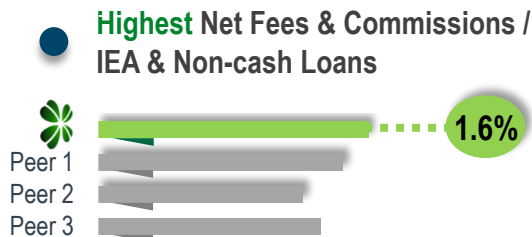
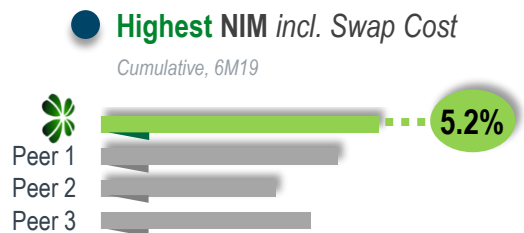
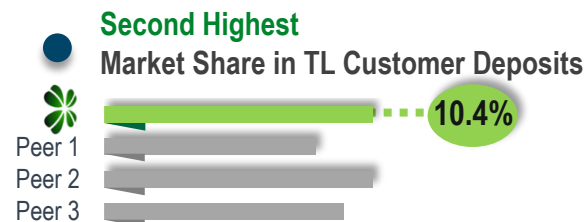
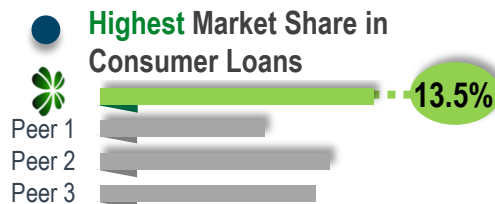
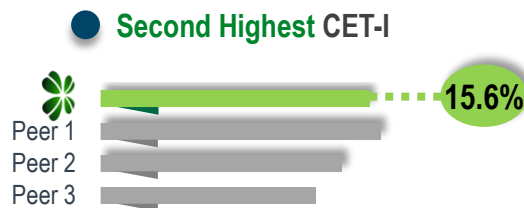
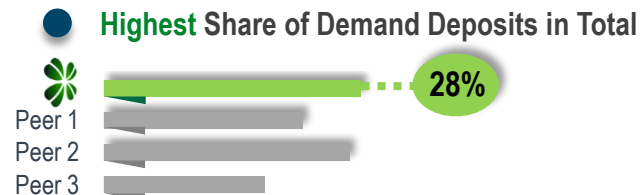
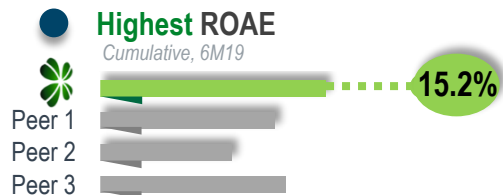
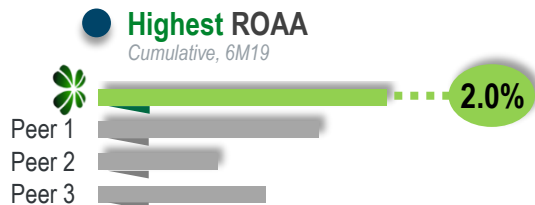


- ▶ 78% of PF loans have lower currency risk
- ▶ 91% of infrastructure loans are State-guaranteed
- ▶ FX sensitivity analysis are regularly conducted as part of the proactive staging and provisioning practices
- ▶ Share of renewables in energy loans: 40%

Note: Figures are per June 2019 BRSA Bank-only financials for fair comparison.

¹ Source: BIS, as of 2018 YE

PIONEER POSITION



Note: Figures are per June 2019 BRSA Bank-only financials for fair comparison. 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
ROAE	Low-teens

Mid-term ROAE
target remains in high-teens

AGENDA

TURKISH ECONOMY & BANKING SECTOR

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

OUR TRANSFORMATION JOURNEY

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 BBVA, they are deemed as an Independent Board Member in accordance with the relevant regulations of the Capital Markets Board of Turkey.

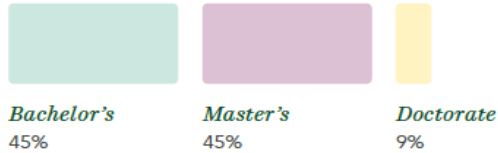
SENIOR MANAGEMENT

GENDER

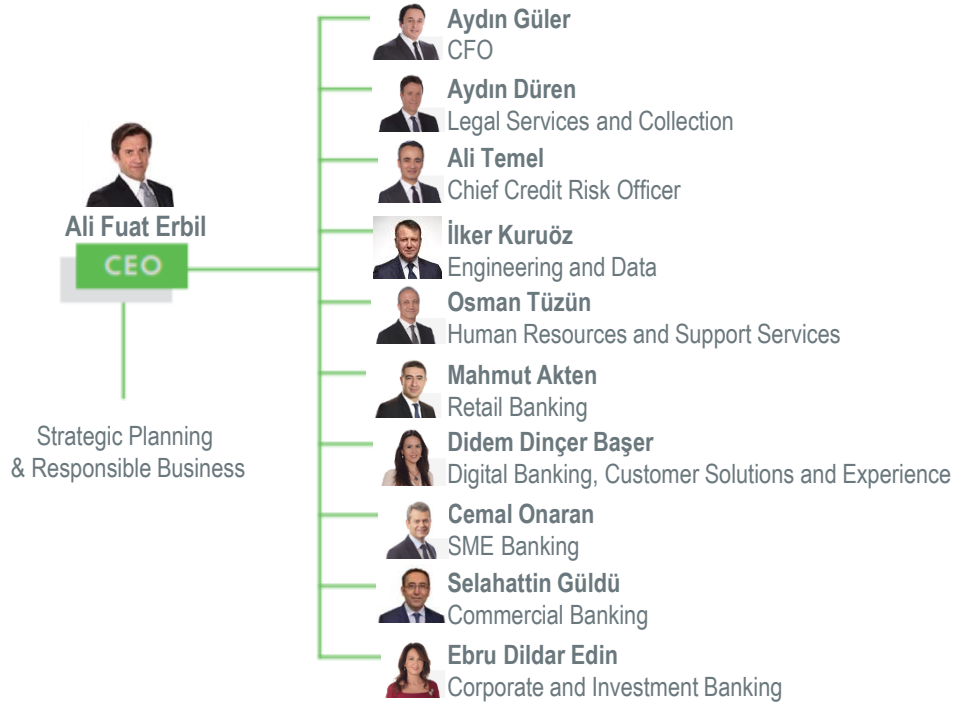


FEMALE MALE

EDUCATION



AVERAGE EXPERIENCE



CORPORATE GOVERNANCE

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.

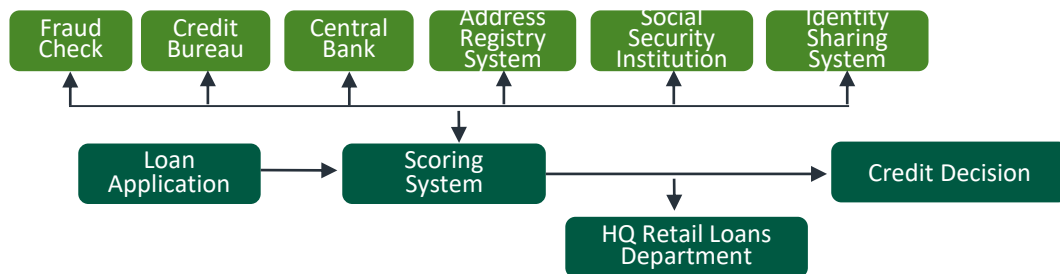
In 2018, Garanti BBVA **achieved compliance with all of the mandatory principles** of the Corporate Governance Communiqué No. II-17.1.



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

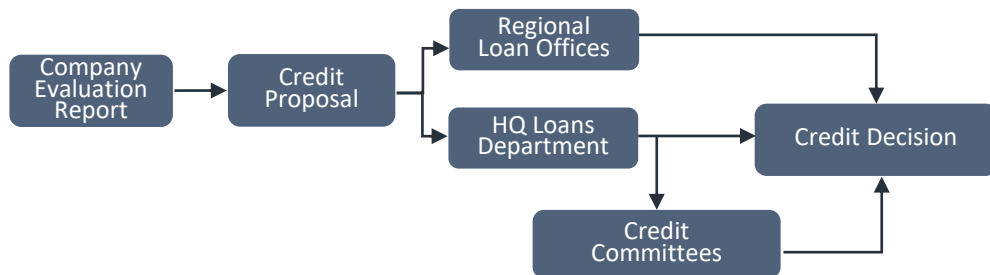
ADVANCED RISK MANAGEMENT SYSTEMS

RETAIL BANKING: CENTRALIZED PROCESS



- **Loan to Value:**
Consumer Mortgages Max: 80%;
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

RESPONSIBLE & SUSTAINABLE DEVELOPMENT ACTIONS



- 44 Engagement Platforms
- Included in 7 Sustainability indices
- Founding member of UN Principles for Responsible Banking and local Sustainable Finance Declaration



- **TL35.2bn Impact Investment** (to date)
- **32 Sustainable** products/credit lines
- 28% Market Share in wind power projects
- Green Bond (Mortgage program)
- EM's first Social Bond issuance
- Turkey's 1st, World's 5th Green Corp. Loan
- Turkey's first Green Project Finance Loan
- SDG Bond Programme launched in 2018



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



LINKED
SUSTAINABLE
DEVELOPMENT
GOALS



AGENDA

TURKISH ECONOMY & BANKING SECTOR

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

OUR TRANSFORMATION JOURNEY

OUR NEW SERVICE MODEL IS A KEY MILESTONE IN OUR TRANSFORMATION JOURNEY

What we transformed?



WE DEVELOPED A NEW LOBBY SERVICE MODEL & REDESIGNED OUR BRANCH LAYOUT



WE RE-DESIGNED AND DIGITIZED OUR PROCESSES & ENHANCED CUSTOMER JOURNEY



REDEFINED ROLES & EMPOWERED EMPLOYEES



OUR NEW SERVICE MODEL IS A KEY MILESTONE IN OUR TRANSFORMATION JOURNEY

What we achieved?

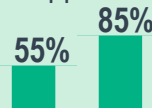
Financial analysis reporting process decreased to **2.5 min** from 25 min ↓

Increased Efficiency

Digital, Fast and Lean Processes



Digital loan approval in **7 mins**



«**Positive feedbacks from our customers**»
Avg. waiting time: ~**10 mins**
Max. waiting time: ~**22 mins**



Happier Customers

More Competent Employees

Sales capacity increase: **+35%** ↑

OUR
TRANSFORMATION
JOURNEY CONTINUES...



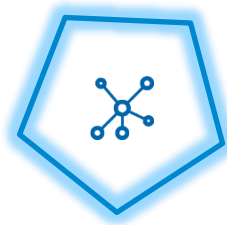
....TO BRING
THE AGE OF OPPORTUNITY
TO EVERYONE

BUILDING BLOCKS OF OUR TRANSFORMATION

DO IT
YOURSELF
"DIY"



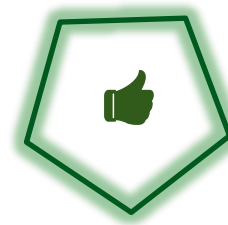
OPEN MARKET



PHYSICAL & HUMAN
TOUCH-POINTS



ADVICE

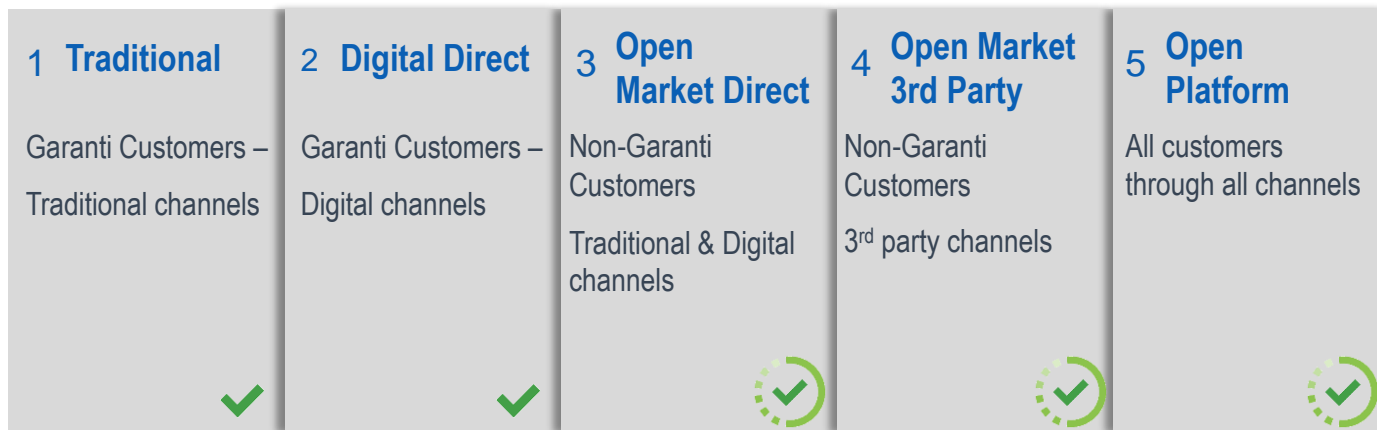


EFFICIENT
BUSINESS
MODEL





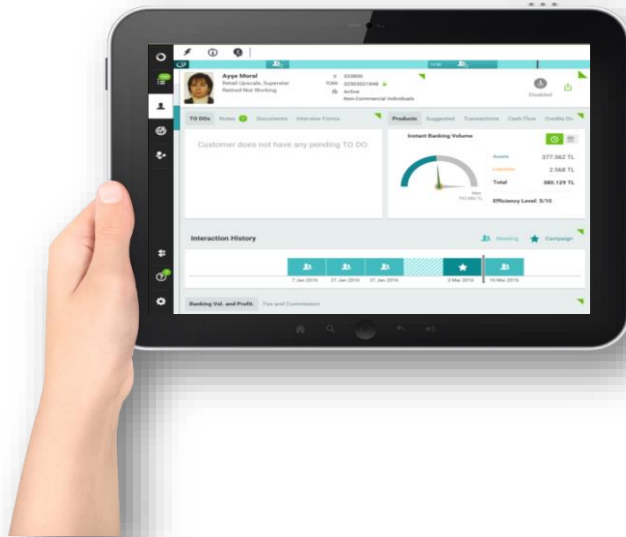
PROVIDE FINANCIAL SOLUTIONS TO EVERYONE, EVERYWHERE





BRING TOGETHER THE BEST OF TECHNOLOGY AND HUMAN ADVICE

STEP: Digital Workplace for Colleagues



New, digital-enabled branch service model





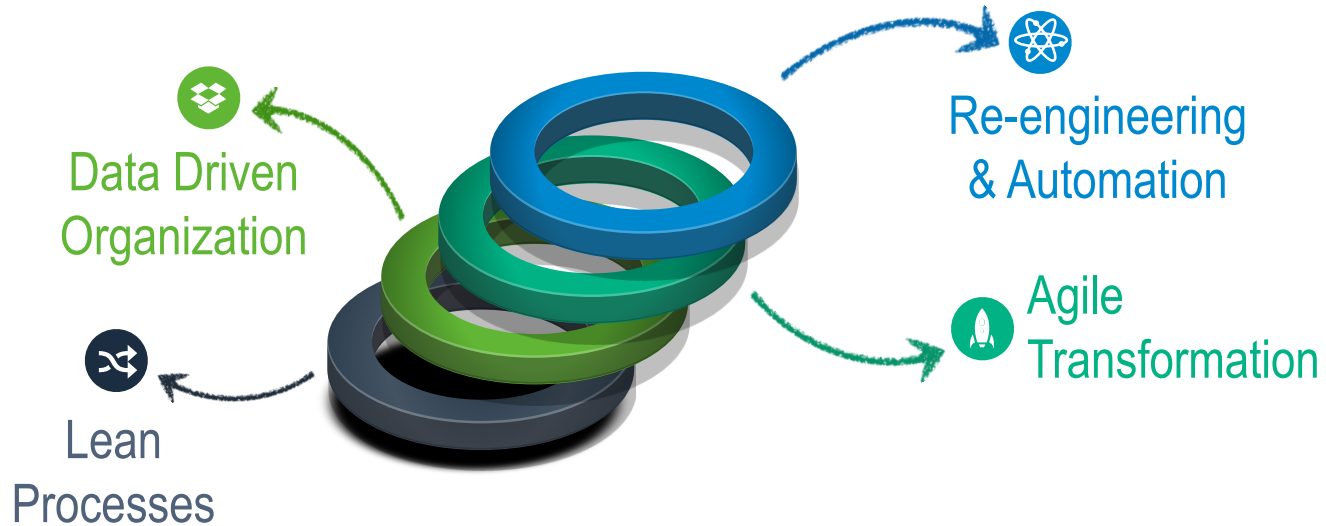
HELP OUR CUSTOMERS THROUGH DATA-DRIVEN ADVICE

Deepening of
customer relations

Data analytics &
customized solutions

Financial health oriented
solutions & advices

DYNAMIC, ADAPTIVE AND EFFICIENT BUSINESS MODEL



APPENDIX – SUSTAINABLE DEVELOPMENT GOALS



DISCLAIMER STATEMENT

Türkiye Garanti Bankası A.Ş. (the “TGB”) has prepared this presentation document (the “Document”) thereto for the sole purposes of providing information which include forward looking projections and statements relating to the TGB (the “Information”). No representation or warranty is made by TGB for the accuracy or completeness of the Information contained herein. The Information is subject to change without any notice. Neither the Document nor the Information can construe any investment advise, or an offer to buy or sell TGB shares. This Document and/or the Information cannot be copied, disclosed or distributed to any person other than the person to whom the Document and/or Information delivered or sent by TGB or who required a copy of the same from the TGB. TGB expressly disclaims any and all liability for any statements including any forward looking projections and statements, expressed, implied, contained herein, or for any omissions from Information or any other written or oral communication transmitted or made available.

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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