



# CORPORATE PRESENTATION

OCTOBER 2020

# AGENDA

● TURKISH ECONOMY & BANKING SECTOR

● NEW FACTS POST COVID-19

● GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

● CORPORATE GOVERNANCE & RISK MANAGEMENT

# AGENDA

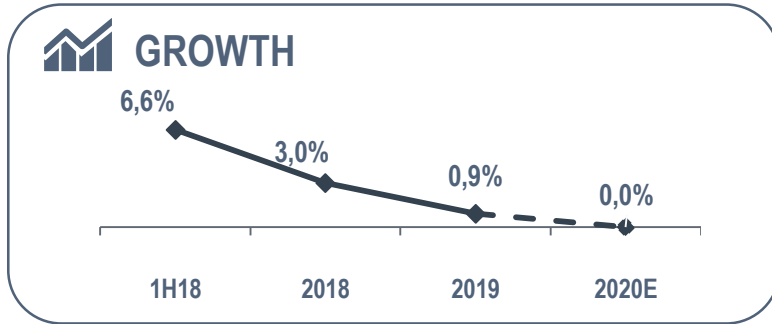
**TURKISH ECONOMY & BANKING SECTOR**

NEW FACTS POST COVID-19

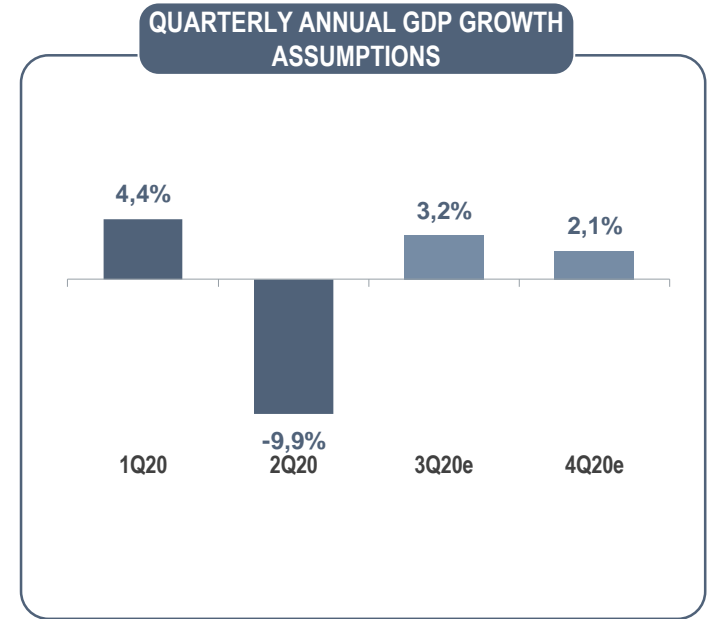
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

# TURKISH ECONOMY (I / V)



- ▶ **Incipient signs of recovery** since June both in Turkey and the World but **uncertainties remain high**
- ▶ The strong GDP growth in **1Q** proves to be an **important buffer** to absorb the Covid shock. After the big hit in 2Q, the recovery has been quite strong in 3Q, likely resulting in a GDP growth rate of near 0% in 2020.

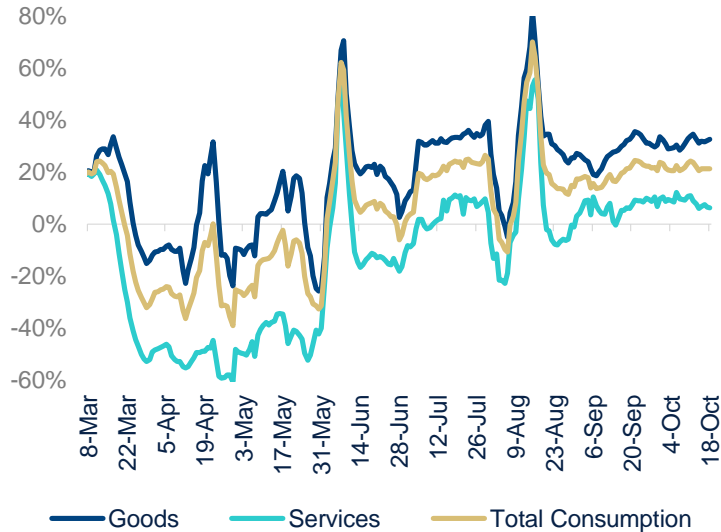


# TURKISH ECONOMY (III/ V)

OUR DAILY BIG DATA INDICATORS STILL SUGGEST SOLID CONSUMPTION AND ONLY A SLIGHT MODERATION IN INVESTMENT AT THE START OF 4Q

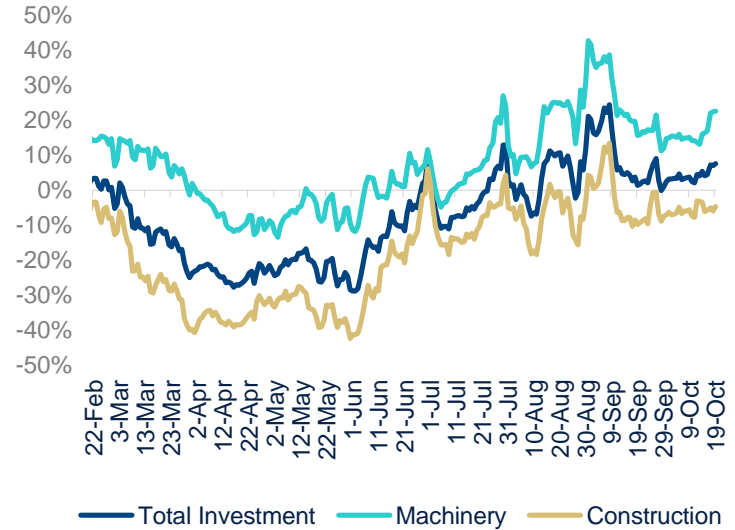
### GARANTI BBVA BIG DATA CONSUMPTION INDEX

(Cumulative 7 days, YoY Nominal)



### GARANTI BBVA BIG DATA INVESTMENT INDEX

(Cumulative 28 Days, YoY Nominal)

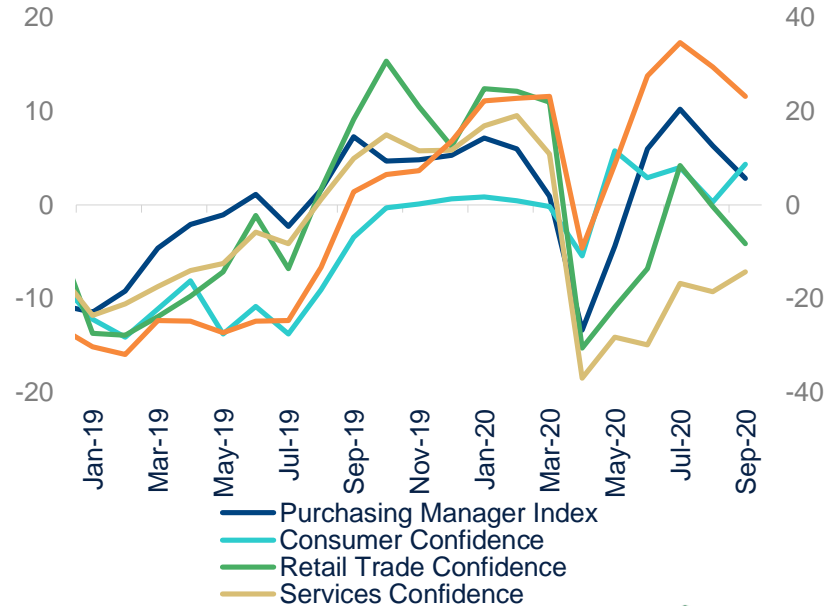
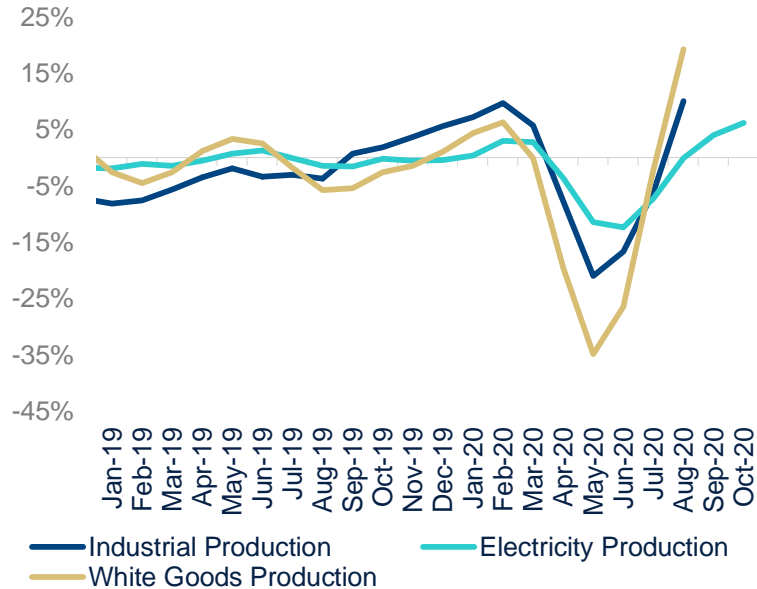


# TURKISH ECONOMY (III/IV)

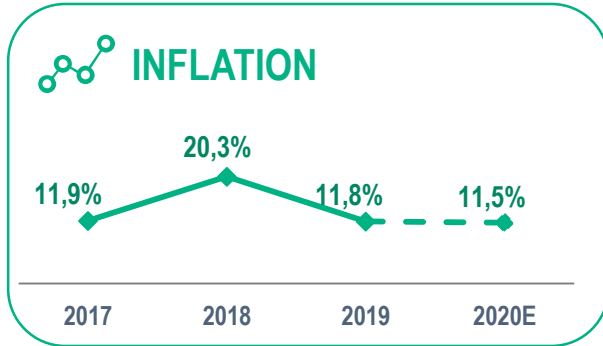
SOFT DATA INDICATORS STARTED TO SHOW EARLY SIGNS OF DECELERATION BUT HARD DATA STILL REMAIN SUPPORTIVE CONFIRMING OUR BIG DATA

## TURKEY: HIGH FREQUENCY HARD DATA INDICATORS

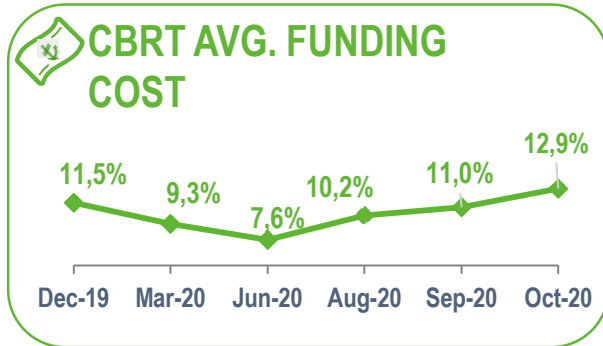
(3-Month YoY, including the fist 2 weeks of October)



# TURKISH ECONOMY (IV / V)



- ▶ At the end of the year, **inflation could remain near 11,5%**, led by both **supply side effects** and **demand pull factors**

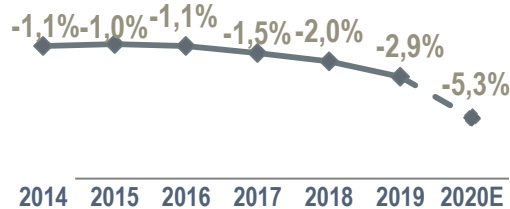


- ▶ **Tight Monetary Policy** implementation starting from August due to **inflationary pressures** coming from strong economic recovery and currency depreciation.

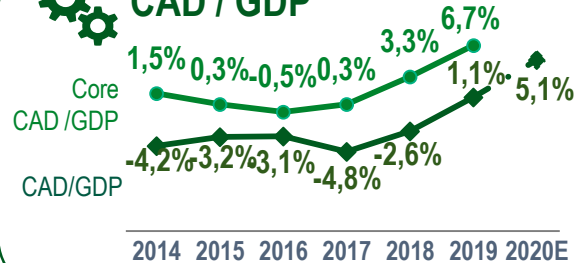
# TURKISH ECONOMY (V / V)



## BUDGET DEFICIT / GDP



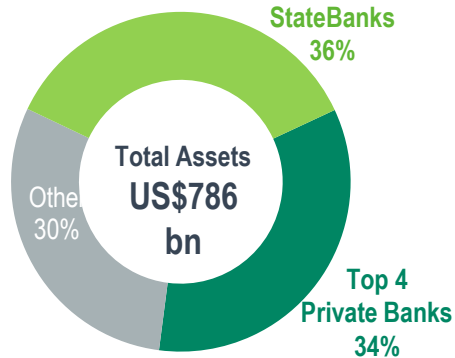
## CAD / GDP



- ▶ 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%.
- ▶ Resilient central government debt composition
  - TL: 44%, FC: 56% (as of September 2020 vs. TL: 42%, FC: 58% in 2002)
  - 70% fixed, 30% floating rate (as of September 2020 vs. 45% fixed, 55% floating in 2002)
- ▶ **Current Account Balance reverted fast** on poor exports, weak tourism revenues, and particularly strong gold imports. Normalization from now onwards will moderate the deficit
- ▶ **Core current account balance (excluding energy and gold):**  
US\$21.2 bn (12-month sum, as of August 2020)



# 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>34%</b>	<b>33%</b>	<b>34%</b>
<b>State Banks</b>	<b>3</b>	<b>36%</b>	<b>40%</b>	<b>41%</b>
Other Private Commercial Banks	23	16%	14%	16%
Development & Inv. Banks	14	7%	8%	-
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	14.9%	-	-
HALKBANK	11.1%	-	48.3%
TÜRKİYE İŞ BANKASI	10.2%	-	32.0%
VakıfBank	10.1%	-	25.2%
Garanti BBVA	8.4%	BBVA (49.85%)	50.1%
YapıKredi	7.8%	UniCredit Group (20.0%)	30.0%
AKBANK	7.7%	-	49.9%
QNB FINANSBANK	3.8%	Qatar National Bank (99.88%)	0.12%
DenizBank	3.1%	Emirates NBD Bank PJSC (99.85%)	0.04%
TEB	2.3%	BNP Paribas (72.2%)	-

Note: Sector figures are based on bank-only BRSA monthly data as of June 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\$88bn**  
ST external dues<sup>1</sup>: **Quick FC Liquidity<sup>2</sup>**  
**US\$64bn** ————— **sufficient to cover**  
(43% of total external debt) **any liquidity shock**



## STRONG SOLVENCY

- ▶ Basel III CAR **18.9%**
- ▶ CET-I capital: **77%** of total capital
- ▶ RWA/Assets **67%**



## SOLID ASSET QUALITY

- ▶ NPL Ratio **4.5%**
- ▶ Stage-3 Coverage Ratio: **73%**



**ROAE: 11.8%**  
**LEVERAGE: 9.3x**  
**ROAA: 1.2%**

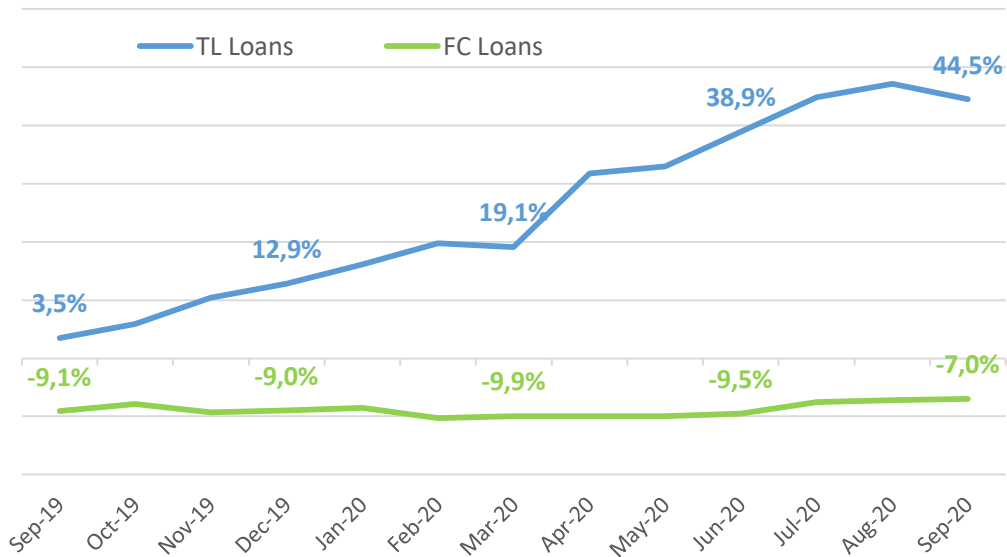
Note: Sector figures are based on BRSA monthly data as of August 2020, for commercial banks only

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

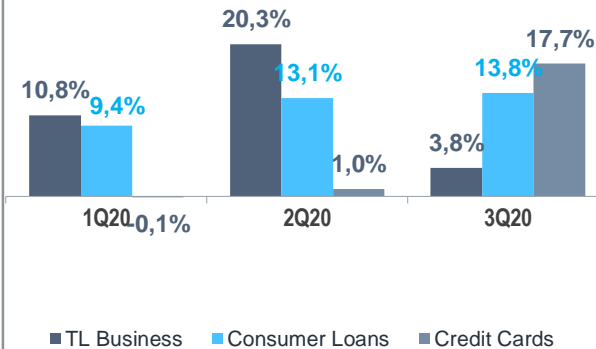
2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

# TURKISH BANKING SECTOR (III / IV)

## BANKING SECTOR Y-o-Y LENDING GROWTH



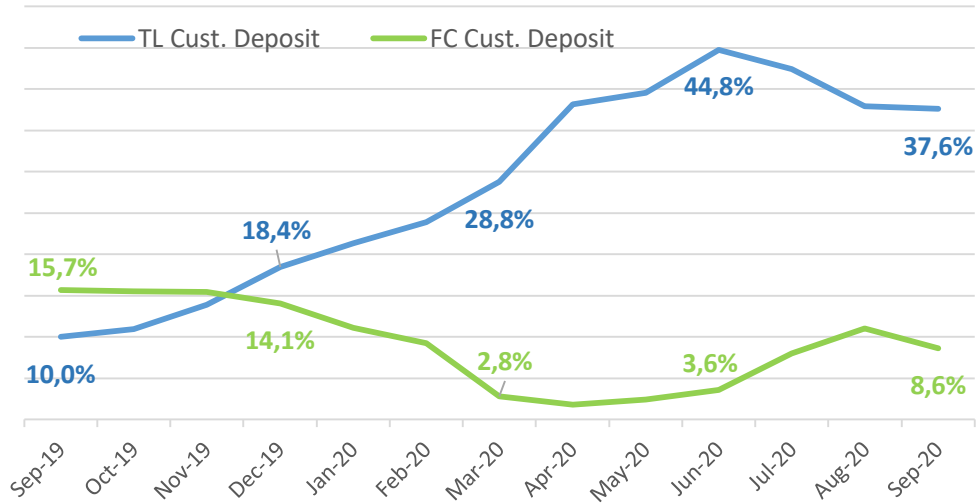
## TL LENDING GROWTH



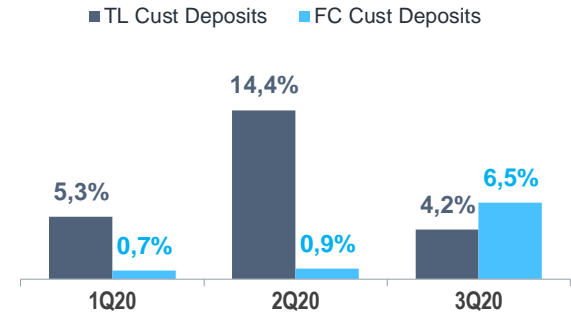
Sector data is based on BRSA weekly data, for commercial banks only

# TURKISH BANKING SECTOR (IV/ V)

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

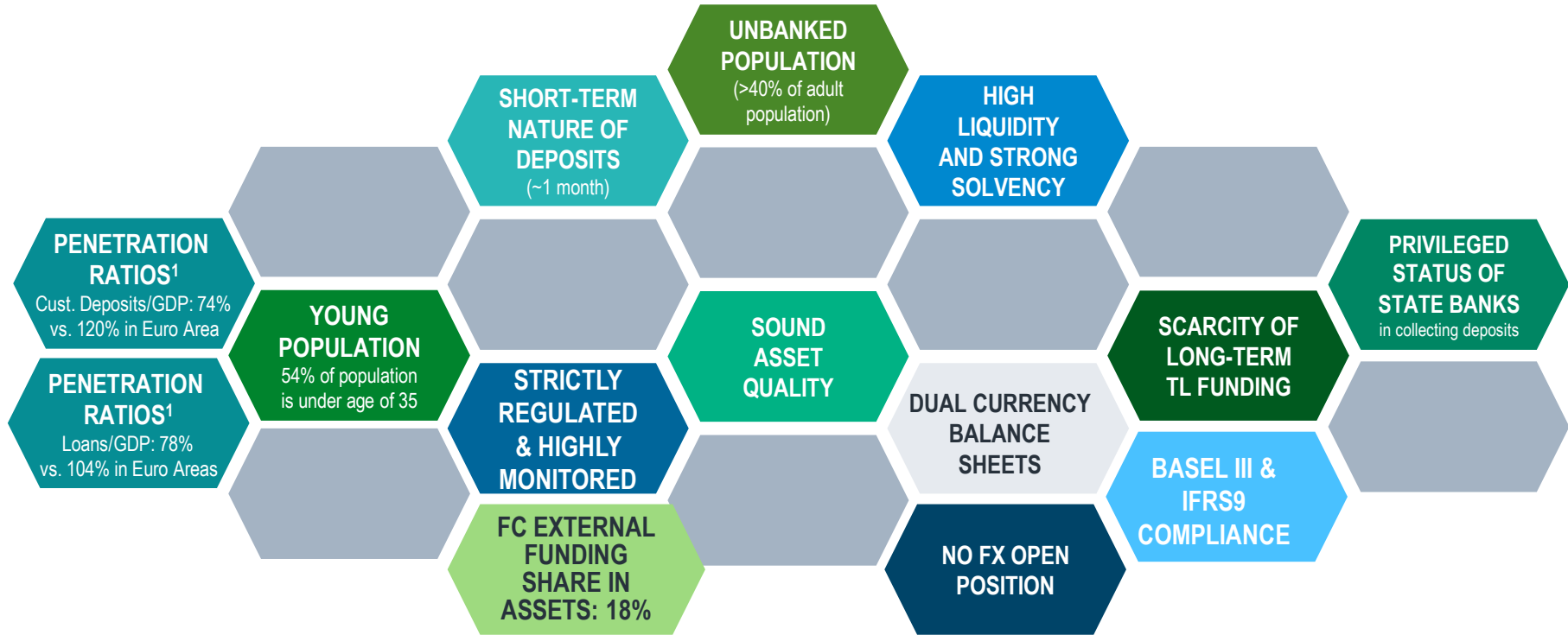


## CUSTOMER DEPOSIT GROWTH



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

Prioritizing health and safety of our employees, customers and stakeholders

## FOR OUR EMPLOYEES

- ✓ **Travel ban and cancellation of face-to-face meetings, trainings, customer visits** as of the beginning of March
- ✓ **Transition to remote working since March 17**
  - 84% of employees at HQ as of September 29
  - 32% of branch employees as of September 29
- ✓ Covid-19 Inventory is built to **daily track health conditions** of our employees and their families
- ✓ **Strengthened remote working infrastructure for all roles**
  - Employees fully equipped with corporate devices when necessary
- ✓ **Enhanced security & safety measures** (i.e. Reduced branch service hours & branch density, Thermal testing, providing hand sanitizer, masks etc.)
- ✓ **Incentivizing employees** who have to work due to cash transactions of customers and ensuring security

## FOR OUR CUSTOMERS AND COMMUNITIES

- ✓ **Financial support to society**
  - **10 million TL donation** to support public hospitals and **30 million TL worth of ventilators** donated to the MoH.
- ✓ **Full financial support to our customers**
  - **Loan restructuring & 3 months postponement** of principal and interest payments upon request
  - **“Skip Statement” was enabled** for customers to postpone their 3 monthly statements w/o min. payment obligation
  - **Retail credit cards min. payment requirement reduced** to %20
  - **CGF loan package utilization** (1-year maturity loan at 9.5% interest rate with 3 months grace period)
  - **Extension of commercial loans’ principal payments** up to 6 months
  - **Additional limit offerings to our SME customers**
  - **Fee exceptions for money transactions** in digital channels
- ✓ **Promoting digital channel usage**
  - **Increasing daily cash withdrawal limits** at ATMs.
  - **Postponing installments and extending maturities** available on digital channels
  - **Pension payroll transfer enabled through digital channels**, incentivized w/additional Bonus

# 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



# AGENDA

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**

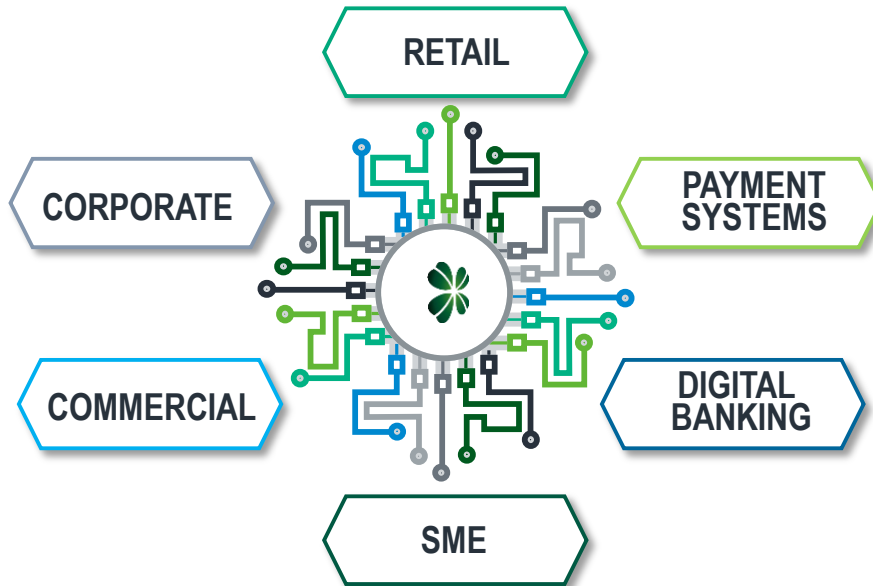
- Reaching More Customers
- Operational Excellence



**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

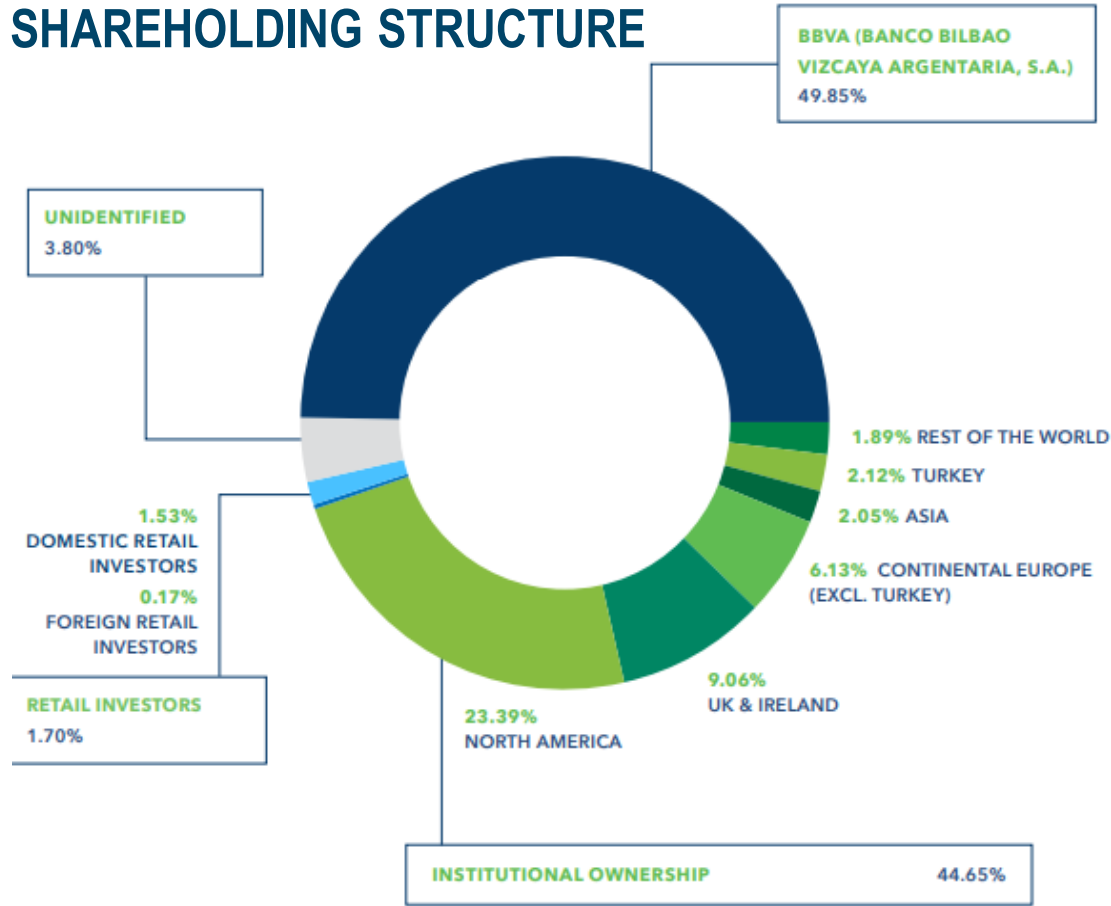
Asset Contribution: 0.3%

 **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

**\$68.6 bn** TOTAL ASSETS

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

**\$3.7bn** MARKET CAPITALIZATION\*

Largest floating Mcap (~\$2bn) 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

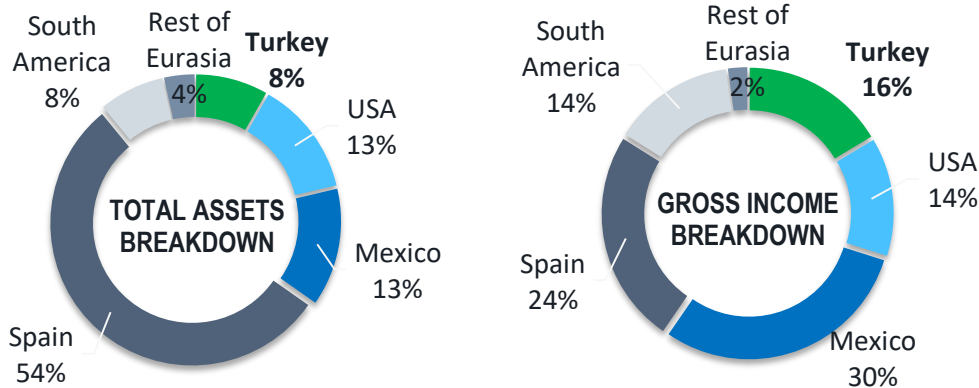
Note: Financial figures are per BRSA Consolidated data as of September 30, 2020

\* As of October 23, 2020

\*\* As of September-end

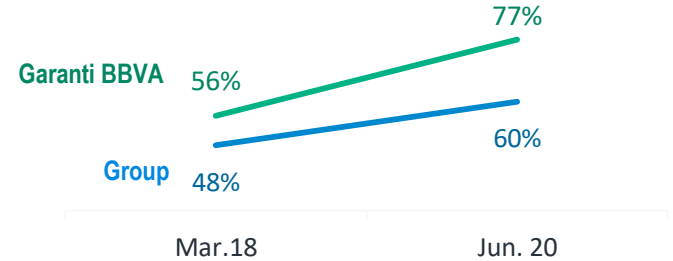
# GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

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%**

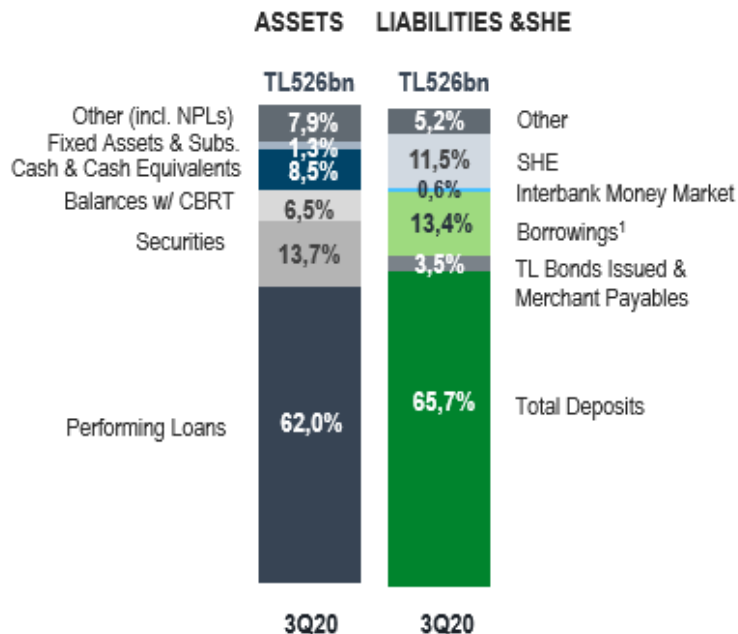
CAR  
**16.9%**

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%

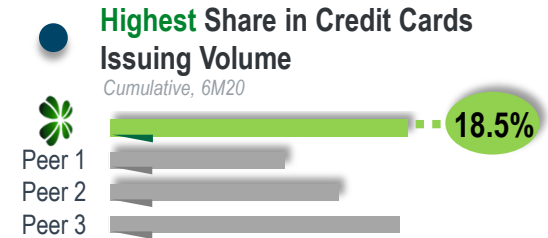
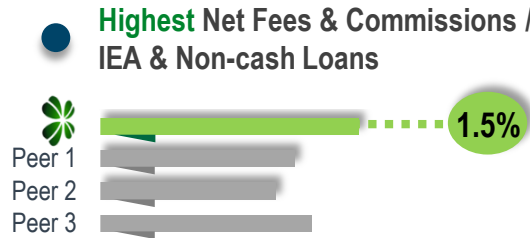
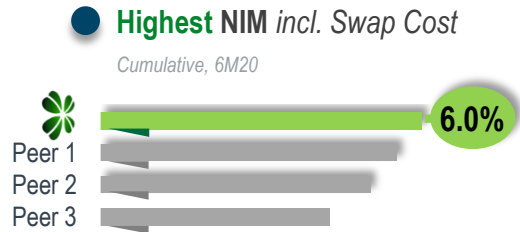
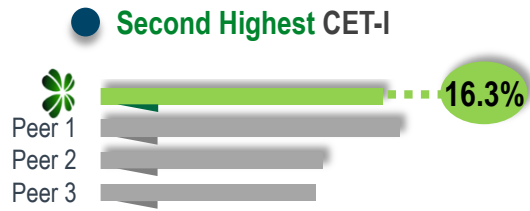
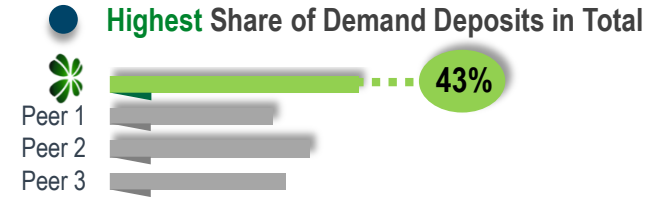
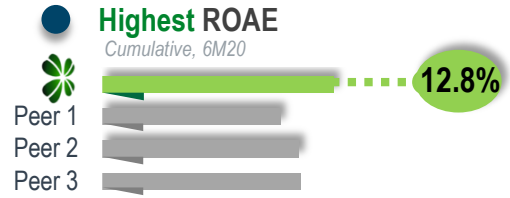
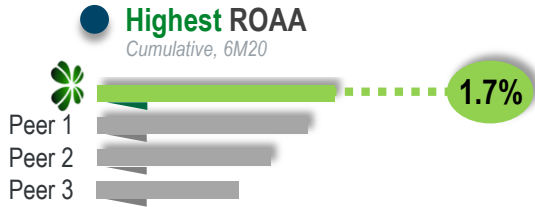
Note: Figures are per September 2020 BRSA Consolidated financials

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 June 2020 BRSA Bank-only financials for fair comparison

## 2020 GUIDANCE Faring broadly in-line with the revised guidance

### Revised Guidance (Jul'20)

TL Loans (YoY)	~25%
FC Loans (in US\$, yoy)	Shrinkage
NIM Incl. Swap Cost Excl. CPI	~50bps expansion
Fee Growth (YoY)	High single digit shrinkage
OPEX Growth (YoY)	<10%
NPL ratio	~6.5%
Net Cost of Risk (excl.currency impact)	<300bps
<b>ROAE</b>	<b>Low-teens</b>

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TURKISH ECONOMY & BANKING SECTOR

NEW FACTS POST COVID-19

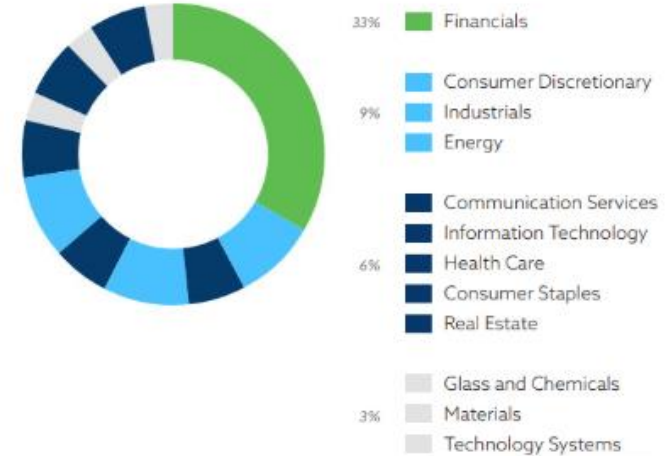
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

**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

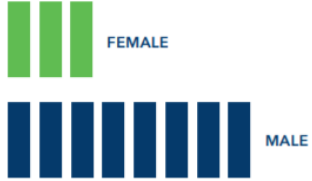
## EXPERIENCE COMPOSITION



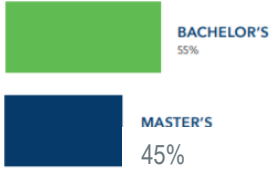
\*Since their appointment as an Audit Committee member of Garanti BBBVA, they are deemed as an Independent Board Member in accordance with the relevant regulations of the Capital Markets Board of Turkey.

# SENIOR MANAGEMENT

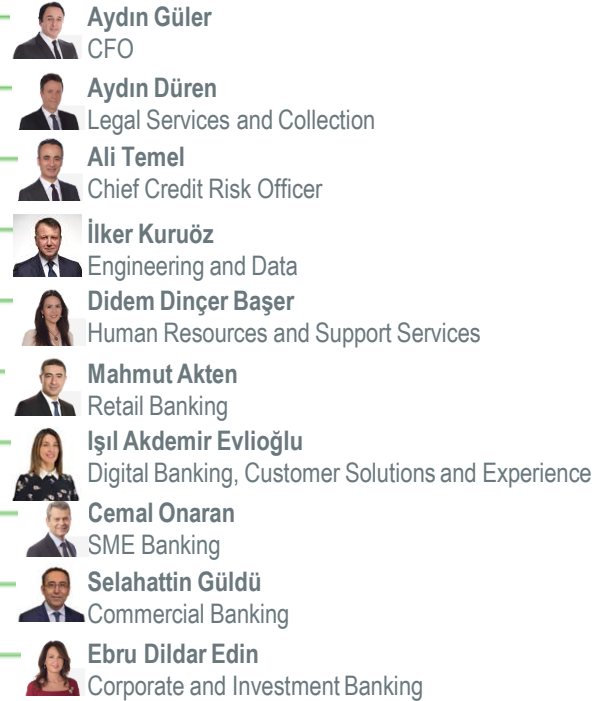
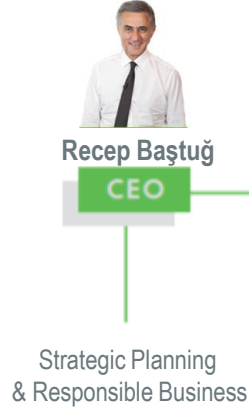
## GENDER



## EDUCATION



## AVERAGE EXPERIENCE



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE RATING



Rating increase was driven by;

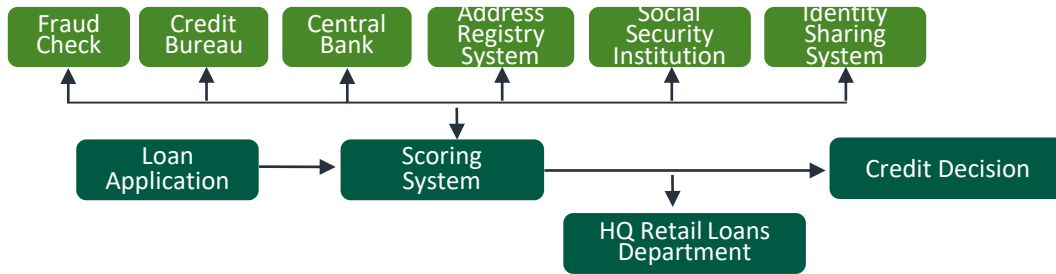
- ▶ Technology based and user-friendly applications of Investor Relations that facilitates the use of shareholders rights and increase transparency,
- ▶ Innovative practices by the human resources department and positive discrimination of female staff regarding promotions,



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

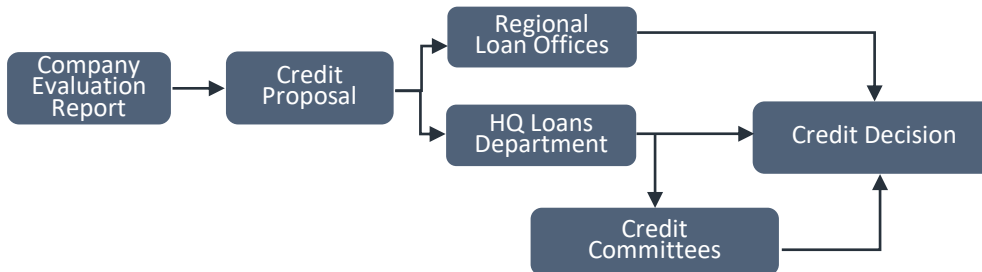
# ADVANCED RISK MANAGEMENT SYSTEMS

## 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



# DISCLAIMER STATEMENT

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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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