



# CORPORATE PRESENTATION

FEBRUARY 2020

# AGENDA

● TURKISH ECONOMY & BANKING SECTOR

● GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

● CORPORATE GOVERNANCE & RISK MANAGEMENT

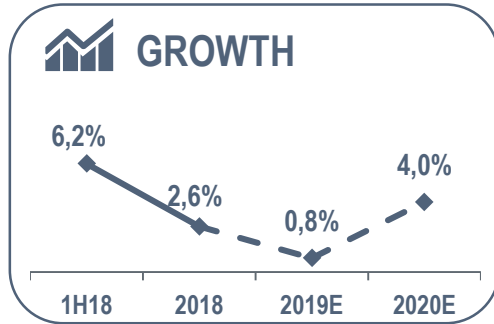
# AGENDA

**TURKISH ECONOMY & BANKING SECTOR**

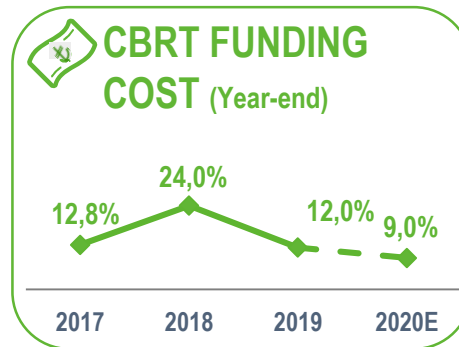
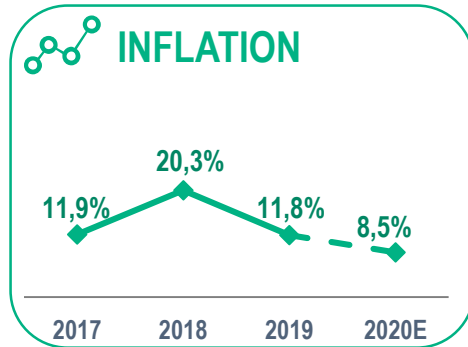
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

# TURKISH ECONOMY (I / II)



- ▶ 19<sup>th</sup> largest economy in the world<sup>1</sup>
- ▶ 2020 - The economy is **rebalancing** rapidly after recent turmoil  
A **V-shaped economic recovery** is expected



- ▶ The **CBRT has started the easing cycle** with the support of **faster than expected recovery in inflation**
- ▶ Global Central banks' dovish stance is also supporting factor

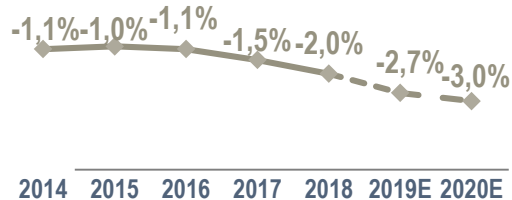
E: Garanti Estimates as of January 2020

<sup>1</sup> IMF's World Economic Outlook Report dated October 2019.

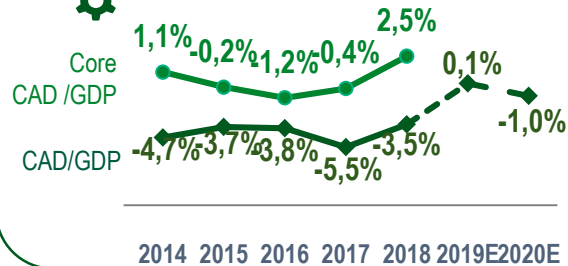
# TURKISH ECONOMY (II / II)



## 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

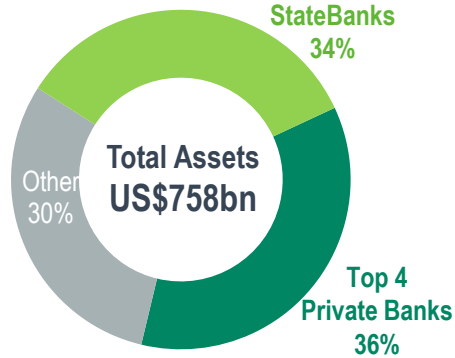
- TL: 50.7%, FC: 49.3% (as of November 2019 vs. TL: 42%, FC: 58% in 2002)
- 75.0% fixed, 25.0% floating rate (as of November 2019 vs. 45% fixed, 55% floating in 2002)

► 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\$46.5 bn (12-month sum, as of October 2019)

# 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>36%</b>	<b>34%</b>	<b>37%</b>
<b>State Banks</b>	<b>3</b>	<b>34%</b>	<b>37%</b>	<b>37%</b>
Other Private Commercial Banks	25	17%	16%	18%
Development & Inv. Banks	13	7%	8%	-
Participation Banks	6	6%	5%	8%
<b>Total:</b>	<b>51</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	14.5%	-	-
TÜRKİYE İŞ BANKASI	10.4%	-	32.05%
HALKBANK	10.2%	-	48.3%
VakıfBank	9.3%	-	25.2%
Garanti BBVA	8.7%	BBVA (49.85%)	50.1%
YapıKredi	8.6%	UniCredit Group (20.0%)	30.0%
AKBANK	8.0%	-	49.9%
QNB FINANSBANK	4.0%	Qatar National Bank (99.88%)	0.12%
DenizBank	3.5% <sup>2</sup>	Emirates NBD Bank PJSC (99.85%)	0.04%
TEB	2.4%	BNP Paribas (72.2%)	-

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

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

<sup>2</sup> Asset size market share of Denizbank is as of September 2019, as they have not published their financials yet.

# 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\$62bn** ————— **sufficient to cover**  
(38% of total external debt) **any liquidity shock**



## STRONG SOLVENCY

- ▶ Basel III CAR **18.0%**
- ▶ CET-I capital: **77%** of total capital
- ▶ RWA/Assets **79%**



## SOLID ASSET QUALITY

- ▶ NPL Ratio **5.7%**
- ▶ Stage-3 Coverage Ratio: **65%**



**ROAE: 11%**  
**LEVERAGE: 8.2x**  
**ROAA: 1.1%**

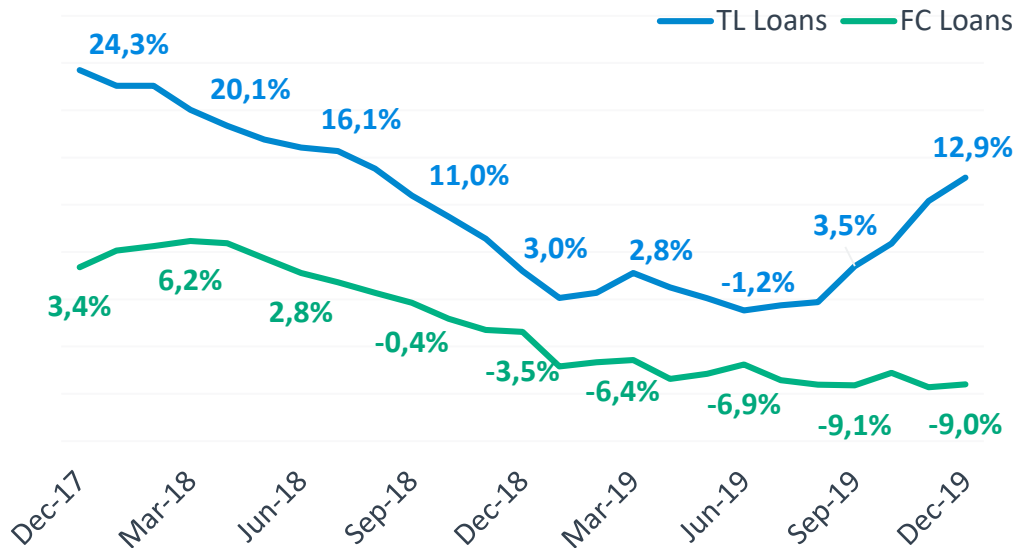
Note: Sector figures are based on BRSA monthly data as of December 2019, for commercial banks only

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

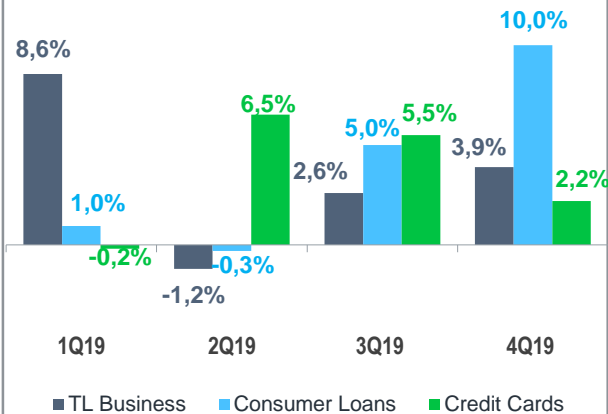
2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

# TURKISH BANKING SECTOR (III / IV)

## BANKING SECTOR Y-o-Y LENDING GROWTH



## TL LENDING GROWTH

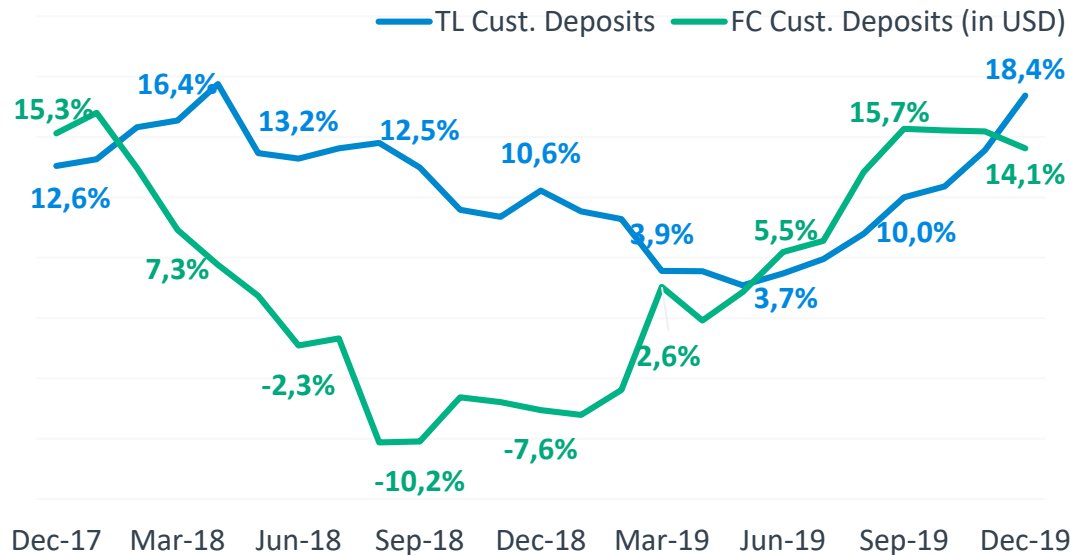


Sector data is based on BRSA weekly data, for commercial banks only

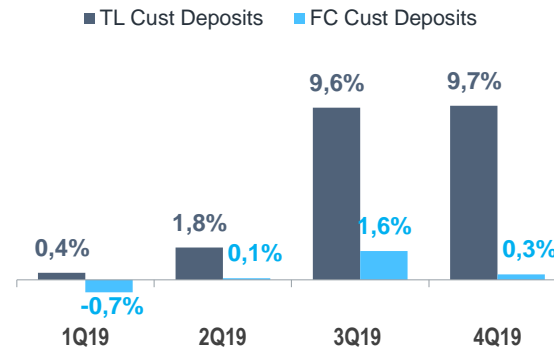


# TURKISH BANKING SECTOR (IV/ V)

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

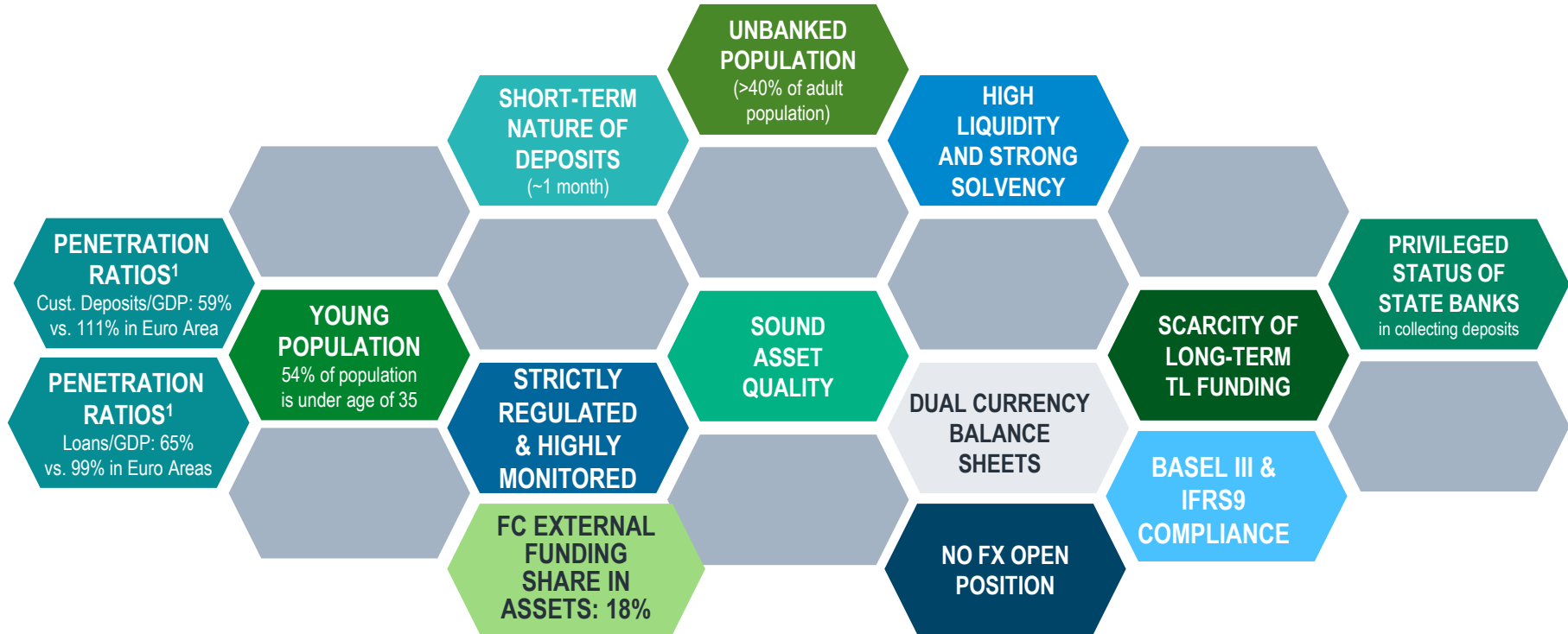


## CUSTOMER DEPOSIT GROWTH



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

# AGENDA

TURKISH ECONOMY & BANKING SECTOR

**GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS**

CORPORATE GOVERNANCE & RISK MANAGEMENT

## OUR PURPOSE

TO BRING THE AGE OF OPPORTUNITY TO EVERYONE

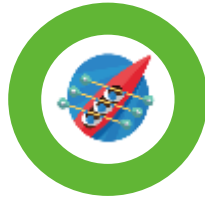
## OUR VALUES



CUSTOMER COMES  
FIRST



WE THINK BIG



WE ARE ONE  
TEAM

## OUR STRATEGIC PRIORITIES



EMPLOYEE  
HAPPINESS



EFFICIENCY



DIGITALIZATION



CUSTOMER  
EXPERIENCE

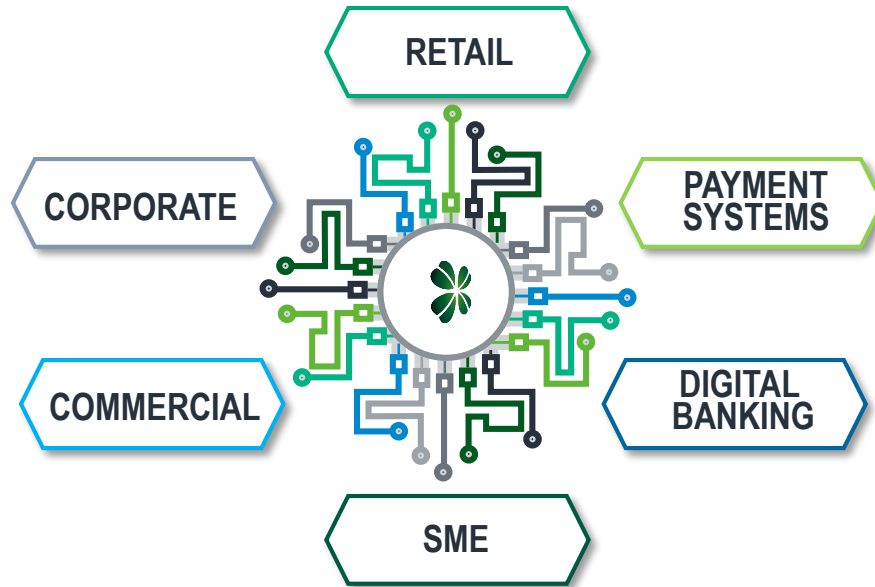









OPTIMAL CAPITAL  
UTILIZATION



RESPONSIBLE  
& SUSTAINABLE  
DEVELOPMENT

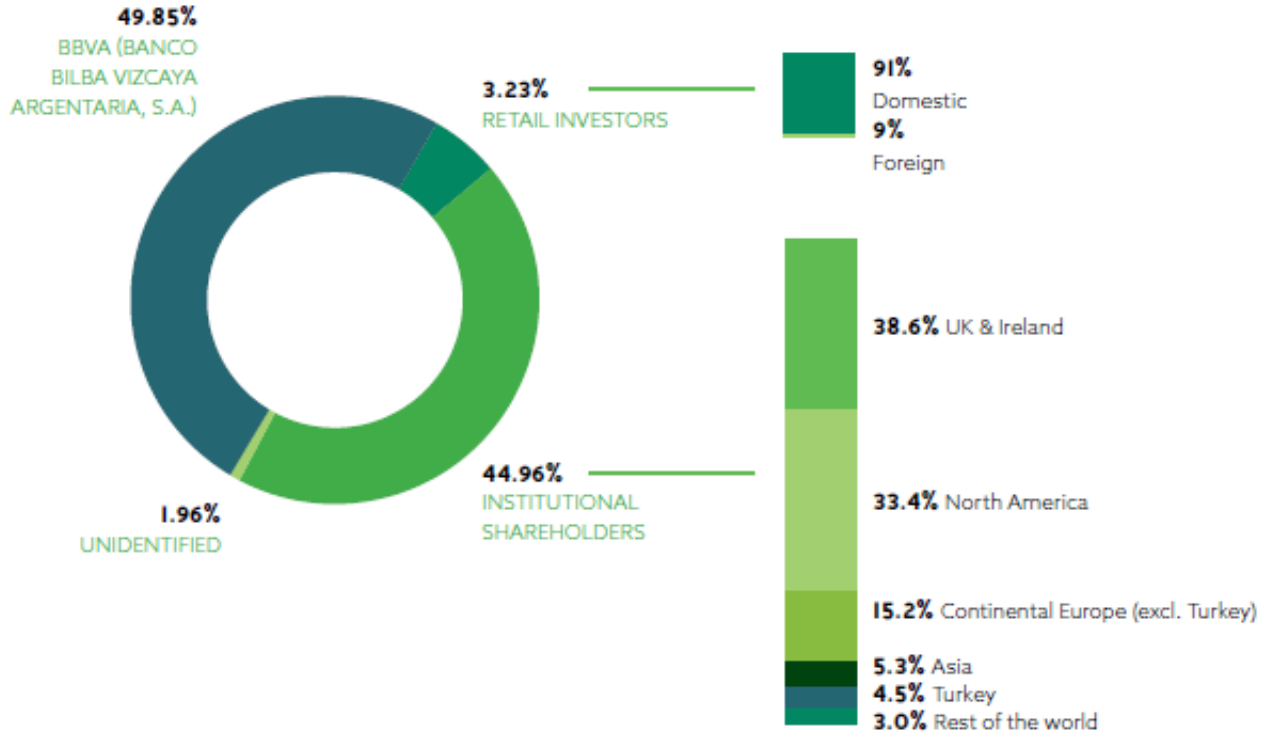
# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS



-  **Garanti BBVA** International Asset Contribution: 5.6%
-  **Garanti BBVA** Romania Asset Contribution: 3.9%
-  **Garanti BBVA** Leasing Asset Contribution: 1.2%
-  **Garanti BBVA** Pension Asset Contribution: 0.5%
-  **Garanti BBVA** Factoring Asset Contribution: 0.5%
-  **Garanti BBVA** Securities Asset Contribution: 0.2%
-  **Garanti BBVA** Asset Management Asset Contribution: 0.03%

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

# SHAREHOLDING STRUCTURE



Shareholders from **37 countries**

Foreign investors in free float



vs. peer avg. of 66%<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 30 January 2020.

# GARANTI BBVA AT A GLANCE

**\$72.4 bn** TOTAL ASSETS

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

**\$8.5bn** MARKET CAPITALIZATION\*

Largest floating Mcap (~\$4.2bn) among banks in BIST

**9%** WEIGHT IN BIST

Most invested stock by foreigners

**8.4 mn** DIGITAL CUSTOMERS

46% of all sales are end-to-end digital

**100%** GEOGRAPHICAL COVERAGE

17.8mn customers, 914 branches

**12.4%** ROAE

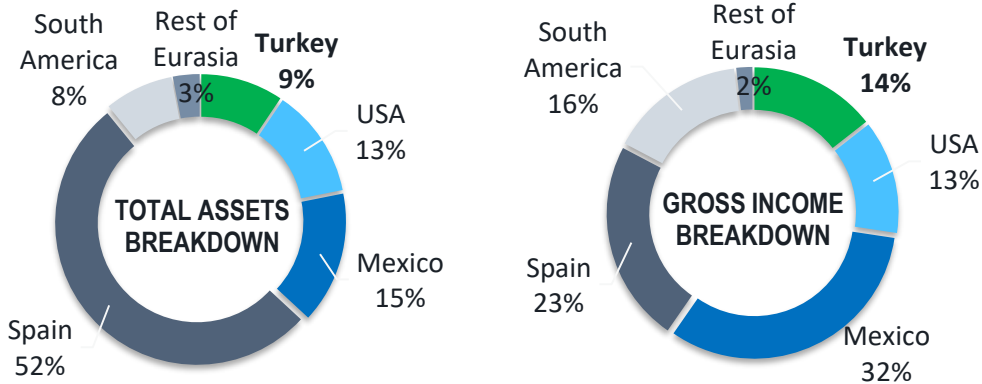
Highest return on capital

Note: Financial figures are per BRSA Consolidated data as of December 31, 2019

\* As of January 30, 2020

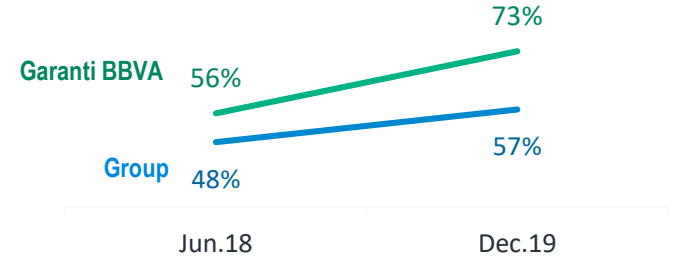
# GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

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

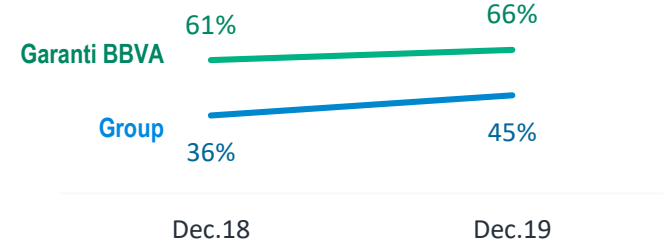


In Digital Banking, GARANTI BBVA ranks at the top within the group

## DIGITAL CUSTOMER PENETRATION



## DIGITAL SALES





# PERFORMANCE INDICATORS (I/IV)



## CUSTOMER EXPERIENCE

NET PROMOTER SCORE  
**HIGHEST**  
among peer group

GROW CUSTOMER BASE  
EFFECTIVELY  
**~ 17.6 MILLION**  
customers chose  
Garanti BBVA

NUMBER OF ATMs  
**5,260**

NUMBER OF BRANCHES  
**914**  
100% Geographical  
Coverage



## HUMAN CAPITAL

EMPLOYEE  
ENGAGEMENT SCORE  
**70**  
Employee Engagement Score  
outperforms sector

AVERAGE HOURS OF  
TRAINING PER EMPLOYEE/YR  
**45 HOURS**

NUMBER OF EMPLOYEES  
**18.8 Thousand**

WOMEN EMPLOYEES  
IN DECISION MAKING  
POSITIONS  
**40%**  
in senior/middle  
level management



## DIGITAL TRANSFORMATION

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

SHARE OF END-TO-END  
DIGITAL SALES  
**46%** in 2019

NON-CASH FINANCIAL  
TRANSACTIONS  
THROUGH  
DIGITAL CHANNELS  
**96%**

NUMBER OF  
DIGITAL CUSTOMERS  
**~ 8.4 MILLION**  
Increased by 15% YoY



## RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

AMOUNT OF  
IMPACT INVESTMENTS  
**TL 35.2 BILLION**  
in 2018

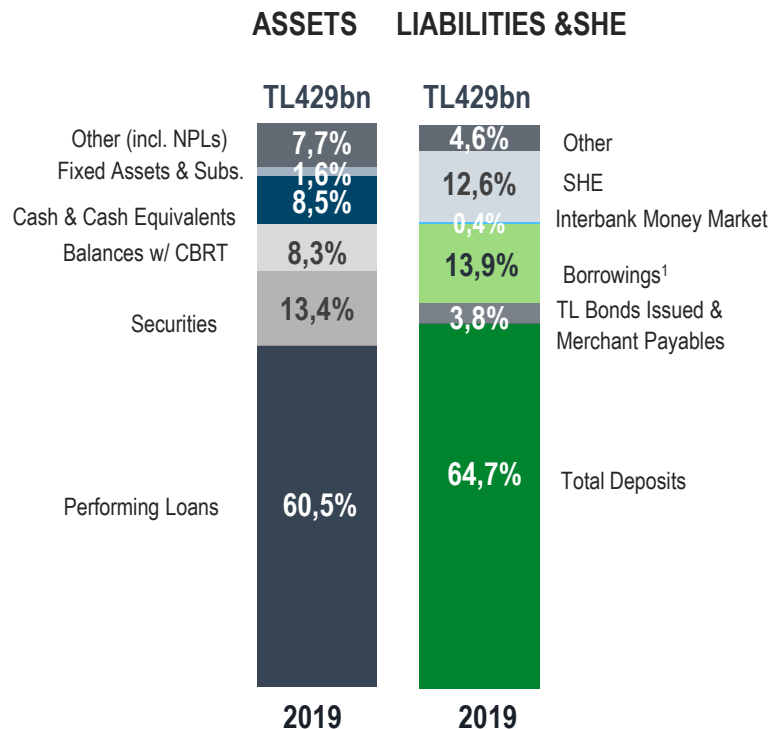
SUSTAINABILITY INDICES  
IN WHICH Garanti BBVA  
IS INCLUDED  
**8**

INVESTMENT IN  
COMMUNITY PROGRAMS  
**TL 20.2 MILLION**  
as of 2018 end

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

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

# PERFORMANCE INDICATORS (II/IV) – 2019 FINANCIAL PERFORMANCE



## FUNDAMENTAL P&L ITEMS (TL Million)

	2019
Net Interest Income incl. swap cost	17,776
Net Fees & Commissions	6,274
Operating Expenses	10,309
- HR Costs	4,188
- Other Operating Expenses	6,121
Net Expected Credit Loss (excl. Currency impact <sup>2</sup> )	6,840
Net Trading & FX gains/losses (excl. Swap costs and currency hedge <sup>2</sup> )	457
<b>NET INCOME</b>	<b>6.241</b>

## SELECTED FINANCIAL RATIOS

	2019
Return on Average Equity (Cumulative)	12.4%
Return on Average Assets (Cumulative)	1.5%
Net interest Margin (inc. Swap cost, Cumulative)	5.2%
Non-Performing Loans Ratio	6.8%
Capital Adequacy Ratio	17.8%
Net Cost of Risk (excl. Currency impact, Cumulative)	2.7%
FEE / OPEX (Cumulative)	60.9%

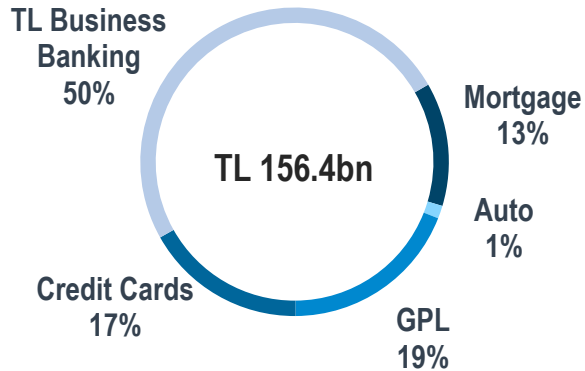
Note: Figures are per December 2019 BRSA Consolidated financials

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)

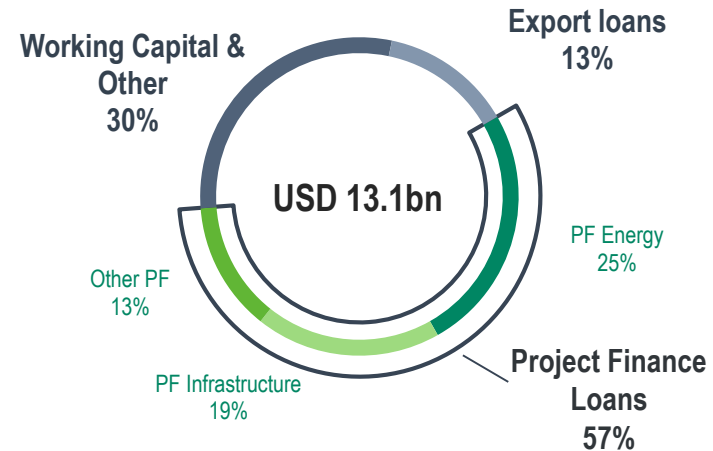
# PERFORMANCE INDICATORS (III/IV) – LOAN PORTFOLIO BREAKDOWN

## TL PERFORMING LOANS



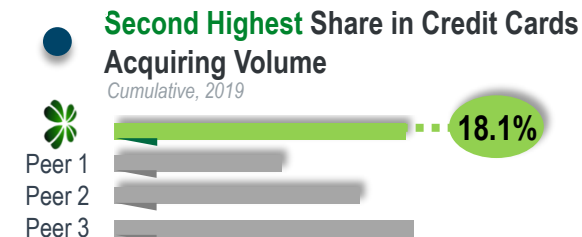
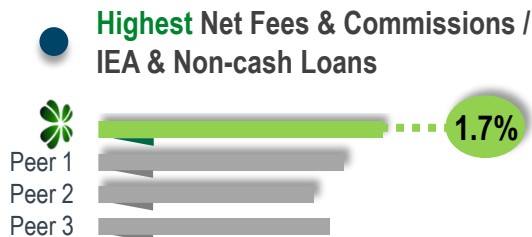
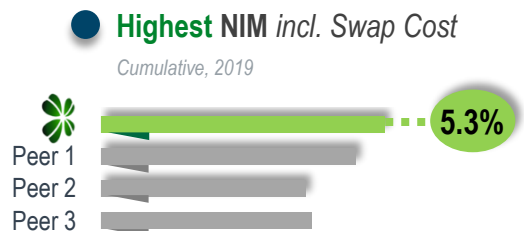
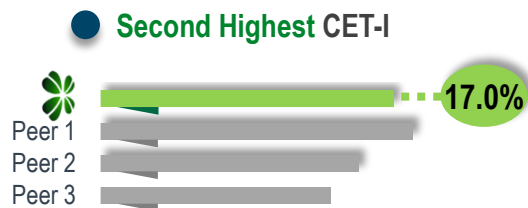
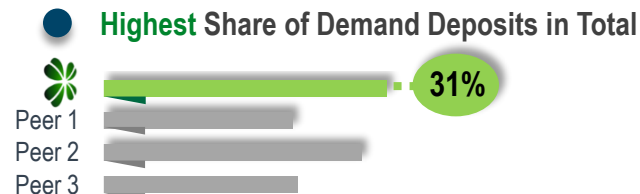
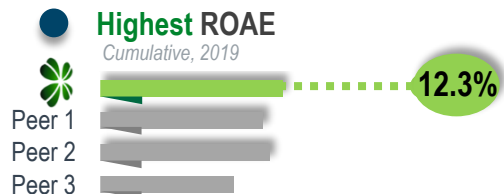
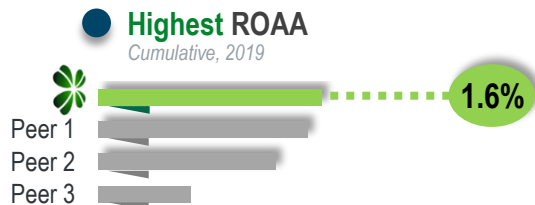
- ▶ 49% of GPLs are granted to salary customers

## FC PERFORMING LOANS



- ▶ 81% of PF loans have lower currency risk
- ▶ 92% 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 generation loans: 62%**

# PERFORMANCE INDICATORS– POSITION IN THE SECTOR



Note: Figures are per December 2019 BRSA Bank-only financials

## 2020 PROJECTIONS

TL Loans (YoY)	High teens
FC Loans (in US\$, yoy)	Shrinkage
NPL ratio	~6.5%
Net Cost of Risk (excl.currency impact)	~200 bps
NIM Incl. Swap Cost Excl. CPI	70-80bps expansion
Fee Growth (YoY)	High single digit
OPEX Growth (YoY)	Low teens
ROAE	High teens

# AGENDA

TURKISH ECONOMY & BANKING SECTOR

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	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



*Bachelor's*  
55%

*Master's*  
45%

## AVERAGE EXPERIENCE



Recep Baştuğ  
CEO

Strategic Planning  
& Responsible Business



Aydın Güler  
CFO



Aydın Düren  
Legal Services and Collection



Ali Temel  
Chief Credit Risk Officer



İlker Kuruöz  
Engineering and Data



Osman Tüzün  
Human Resources and Support Services



Mahmut Akten  
Retail Banking



Didem Dinçer Başer  
Digital Banking, Customer Solutions and Experience



Cemal Onaran  
SME Banking



Selahattin Güldü  
Commercial Banking



Ebru Dildar Edin  
Corporate and Investment Banking



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE RATING



Rating increase was driven by;

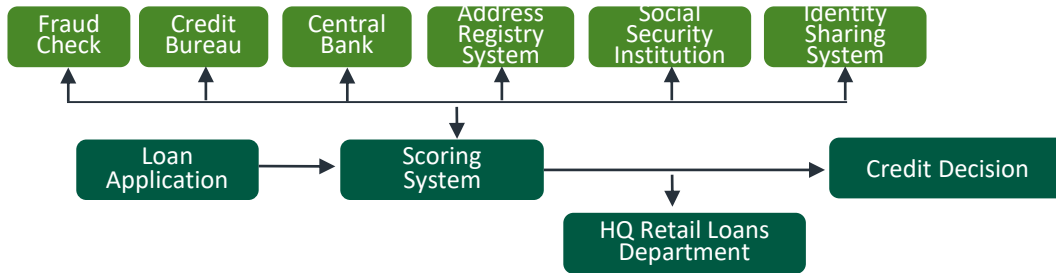
- ▶ Technology based and user-friendly applications of Investor Relations that facilitates the use of shareholders rights and increase transparency,
- ▶ Innovative practices by the human resources department and positive discrimination of female staff regarding promotions,



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

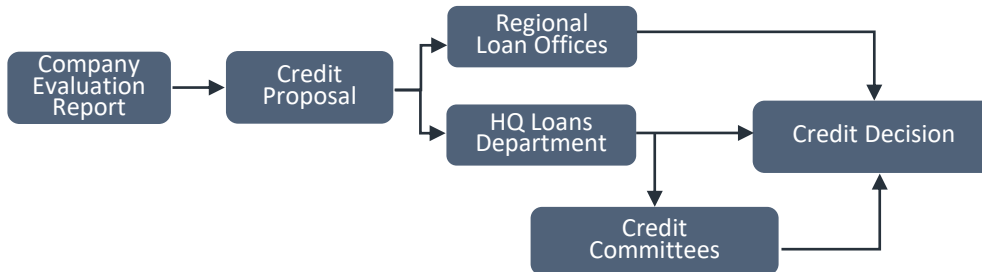
# ADVANCED RISK MANAGEMENT SYSTEMS

## RETAIL BANKING: CENTRALIZED PROCESS



- **Loan to Value:**  
Consumer Mortgages Max: 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

\* For houses with A rated energy performance LTV is 90% and for B rated houses 85%.

# RESPONSIBLE & SUSTAINABLE DEVELOPMENT ACTIONS



- 44 Engagement Platforms
- Included in **8 Sustainability indices**
- Founding member of **UN Principles for Responsible Banking and local Sustainable Finance Declaration**



- **TL35.2bn Impact Investment** (to date)
- **34 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 Corporate 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



# APPENDIX – UN 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.

**Garanti BBVA Investor Relations**  
[www.garantibbvainvestorrelations.com](http://www.garantibbvainvestorrelations.com)  
Levent Nispetiye Mah. Aytar Cad. No:2  
Beşiktaş 34340 İstanbul – Turkey

Email: [investorrelations@garantibbva.com.tr](mailto:investorrelations@garantibbva.com.tr)  
Tel: +90 (212) 318 2352  
Fax: +90 (212) 216 5902

