



CORPORATE PRESENTATION

JANUARY 2020

AGENDA

● TURKISH ECONOMY & BANKING SECTOR

● GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

● CORPORATE GOVERNANCE & RISK MANAGEMENT

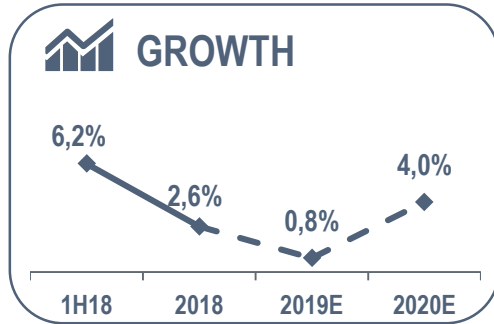
AGENDA

TURKISH ECONOMY & BANKING SECTOR

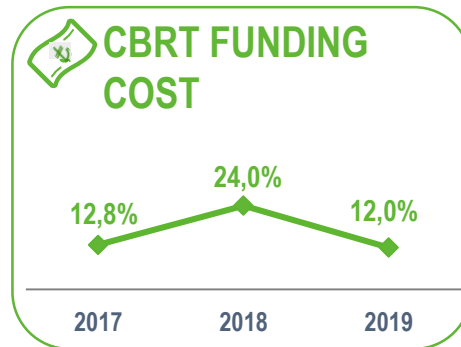
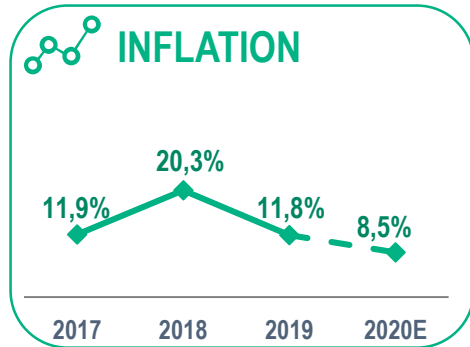
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

TURKISH ECONOMY (I / II)



- ▶ 19th largest economy in the world¹
- ▶ 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** and **expected easing in external financial conditions**.

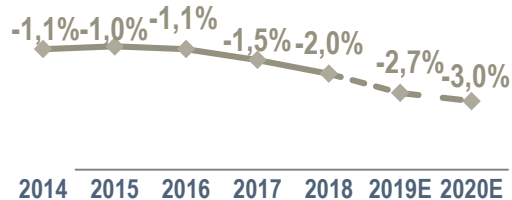
E: Garanti Estimates as of January 2020

¹ IMF's World Economic Outlook Report dated October 2019. Ranking as of YE 2018

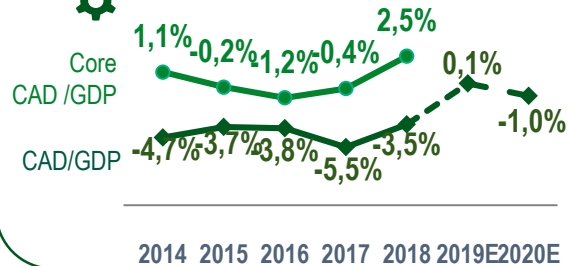
TURKISH ECONOMY (II / II)



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

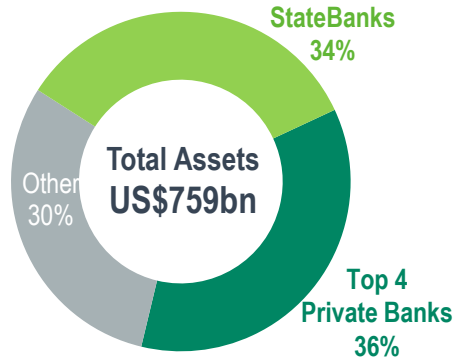
- TL: 50.7%, FC: 49.3% (as of November 2019 vs. TL: 42%, FC: 58% in 2002)
- 75.0% fixed, 25.0% floating rate (as of November 2019 vs. 45% fixed, 55% floating in 2002)

► 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
Top 4 Private Commercial Banks	4	36%	34%	37%
State Banks	3	34%	37%	37%
Other Private Commercial Banks	25	17%	16%	18%
Development & Inv. Banks	13	7%	8%	-
Participation Banks	6	6%	5%	8%
Total: 51				

TOP 10 BANKS¹

Dominated by top 4 Private Banks & 3 State Banks

	Assets Market Share	Foreign Ownership	Actual Free Float
Ziraat Bankası	14.5%	-	-
HALKBANK	10.4%	-	48.4%
TÜRKİYE BANKASI	10.2%	-	31.4%
Garanti BBVA	8.8%	BBVA (49.85%)	50.1%
VakıfBank	9.1%	-	25.1%
YapıKredi	8.7%	UniCredit Group (31.9%)	18.0%
AKBANK	8.2%	-	49.6%
QNB FINANSBANK	4.1%	Qatar National Bank (99.88%)	0.12%
DenizBank	3.5%	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 September 2019.
Top 10 banks make up ~80% of sector's total asset

TURKISH BANKING SECTOR (II / IV)

COMFORTABLE LIQUIDITY

- ▶ Customer Deposits fund **59%** of assets
- ▶ Sufficient buffers against potential external liquidity shock

Banks' **US\$87bn**
ST external dues¹: **Quick FC Liquidity²**
US\$62bn ————— **sufficient to cover**
(38% of total external debt) **any liquidity shock**



STRONG SOLVENCY

- ▶ Basel III CAR **18.4%**
- ▶ CET-I capital: **77%** of total capital
- ▶ RWA/Assets **78%**



SOLID ASSET QUALITY

- ▶ NPL Ratio **5.5%**
- ▶ Stage-3 Coverage Ratio: **66%**



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

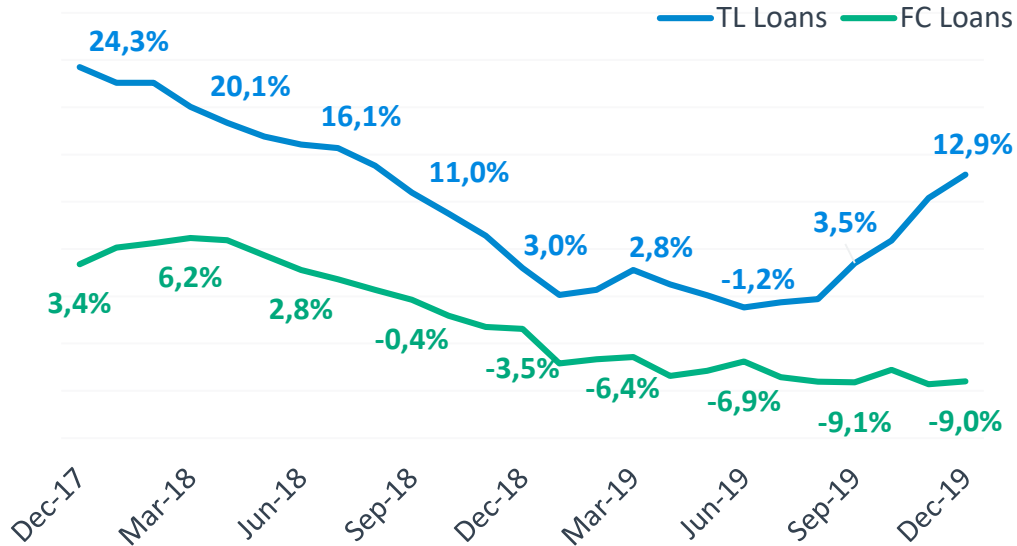
Note: Sector figures are based on BRSA monthly data as of October 2019, for commercial banks only

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

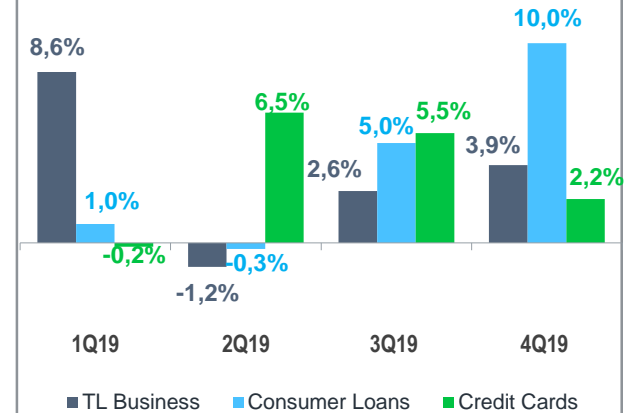
2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

TURKISH BANKING SECTOR (III / IV)

BANKING SECTOR Y-o-Y LENDING GROWTH



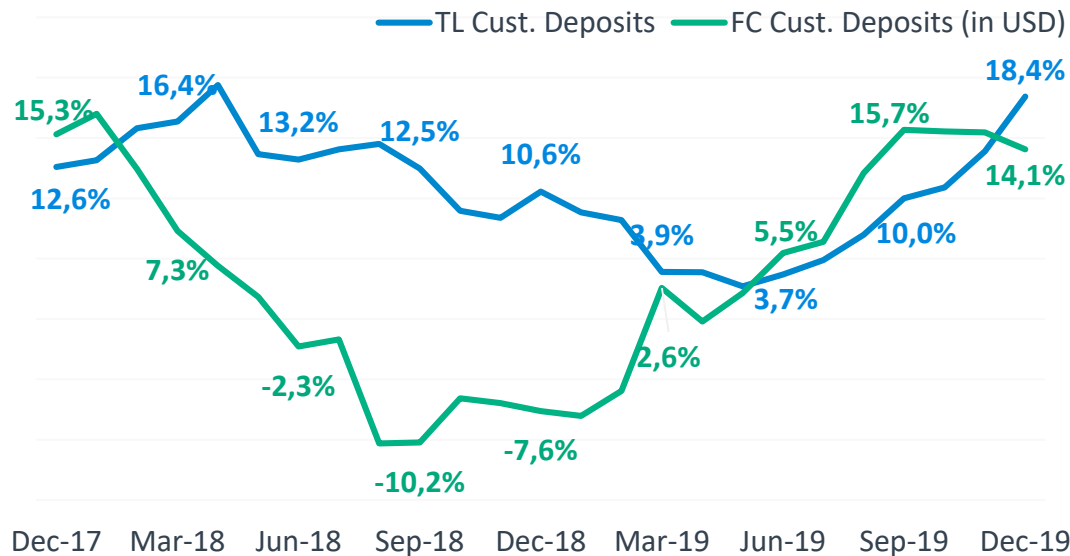
TL LENDING GROWTH



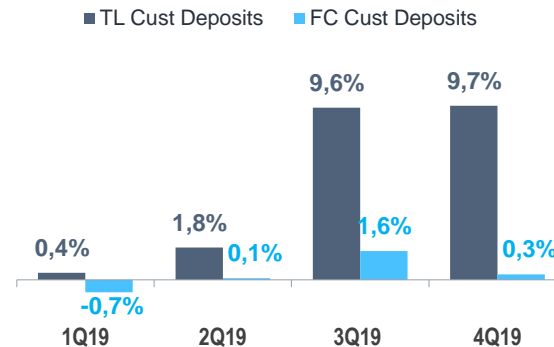
Sector data is based on BRSA weekly data, for commercial banks only

TURKISH BANKING SECTOR (IV/ V)

BANKING SECTOR Y-o-Y CUSTOMER DEPOSIT GROWTH

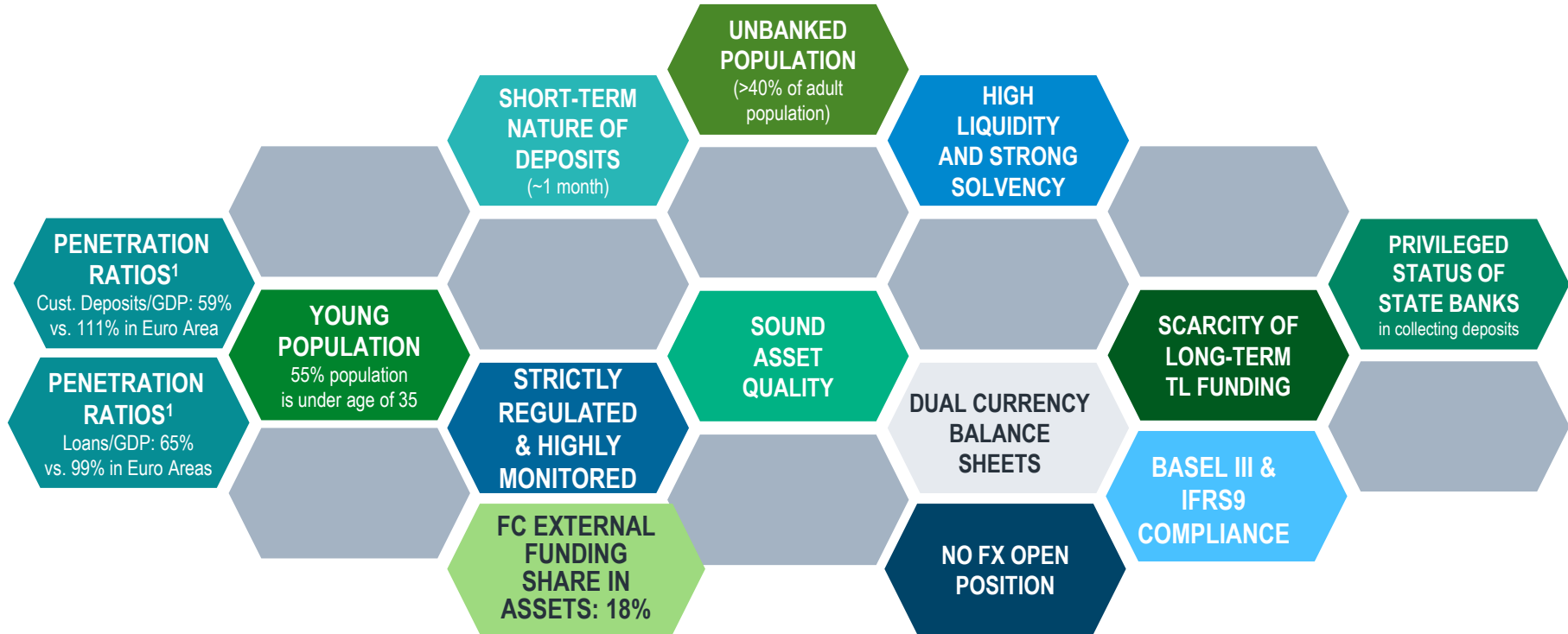


CUSTOMER DEPOSIT GROWTH



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

CHALLENGES & OPPORTUNITIES OF TURKISH BANKING SECTOR



¹ 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

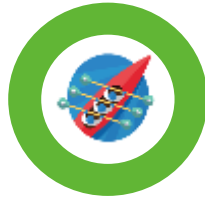
OUR VALUES



CUSTOMER COMES
FIRST



WE THINK BIG



WE ARE ONE
TEAM

OUR STRATEGIC PRIORITIES



EMPLOYEE
HAPPINESS



EFFICIENCY



DIGITALIZATION



CUSTOMER
EXPERIENCE

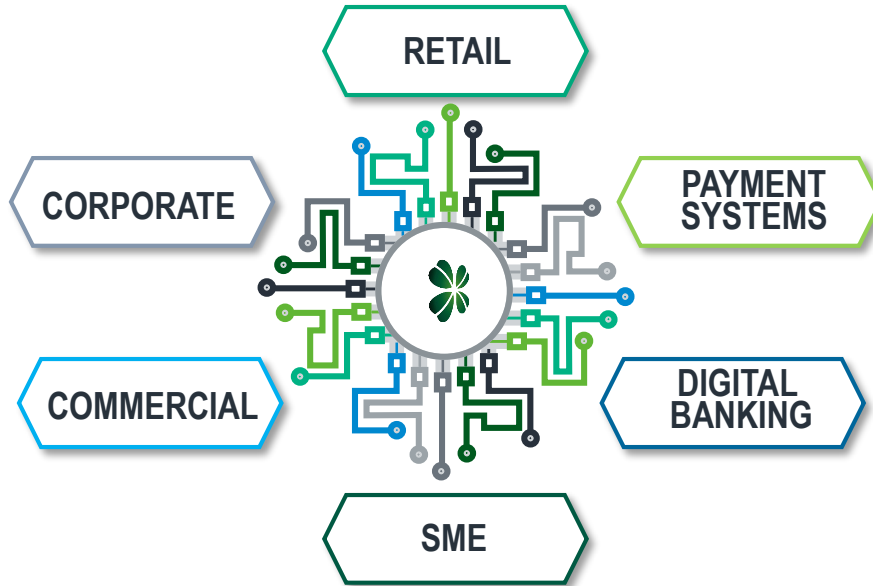


OPTIMAL CAPITAL
UTILIZATION



RESPONSIBLE
& SUSTAINABLE
DEVELOPMENT

A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS



 **Garanti BBVA** International Asset Contribution: 5.8%

 **Garanti BBVA** Romania Asset Contribution: 3.8%

 **Garanti BBVA** Leasing Asset Contribution: 1.3%

 **Garanti BBVA** Pension Asset Contribution: 0.5%

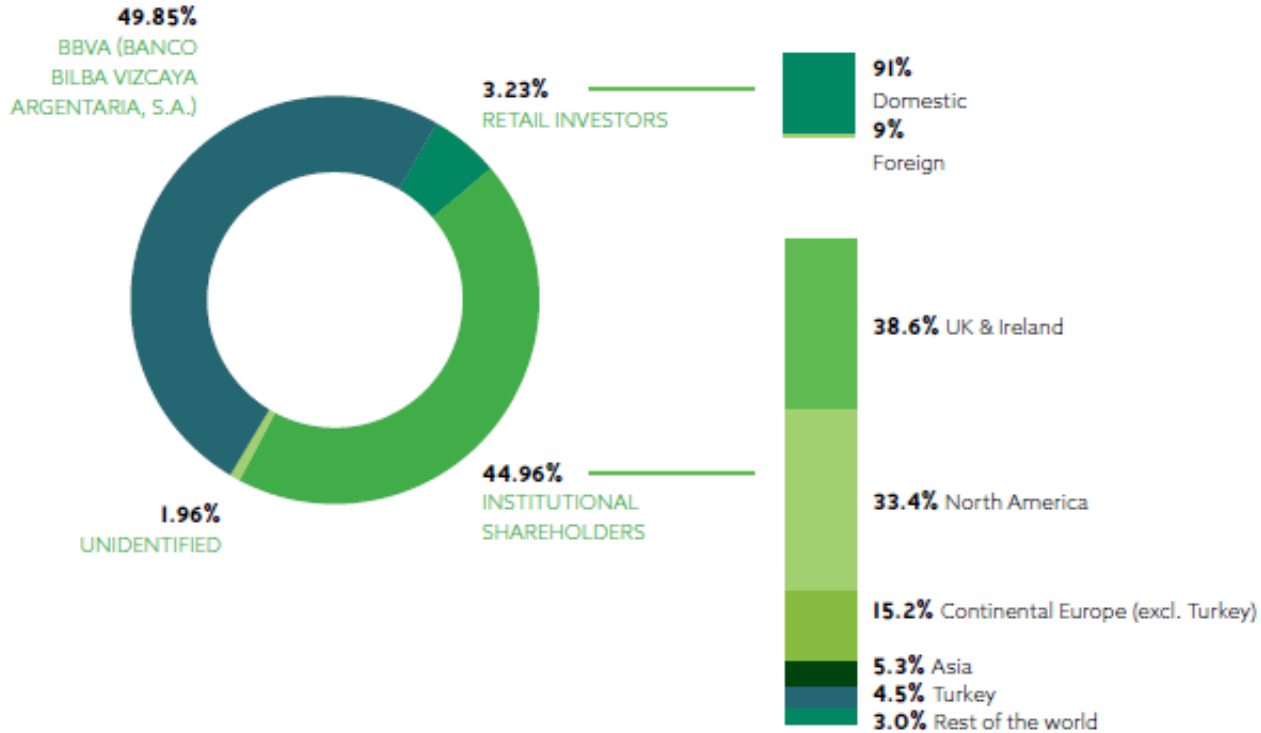
 **Garanti BBVA** Factoring Asset Contribution: 0.45%

 **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 September 30, 2019

SHAREHOLDING STRUCTURE



Shareholders from **37 countries**

Foreign investors in free float



vs. peer avg. of 66%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 January 2nd 2020.

GARANTI BBVA AT A GLANCE

\$73 bn

TOTAL ASSETS

2nd largest private bank per consolidated asset size

\$8.5bn

MARKET CAPITALIZATION*

Largest floating Mcap (~\$4bn) among banks in BIST

9%

WEIGHT IN BIST

Most invested stock by foreigners

8 mn

DIGITAL CUSTOMERS

47% of all sales are end-to-end digital

100%

GEOGRAPHICAL COVERAGE

17.3mn customers, 920 branches

13.5%

ROAE¹

Highest return on capital

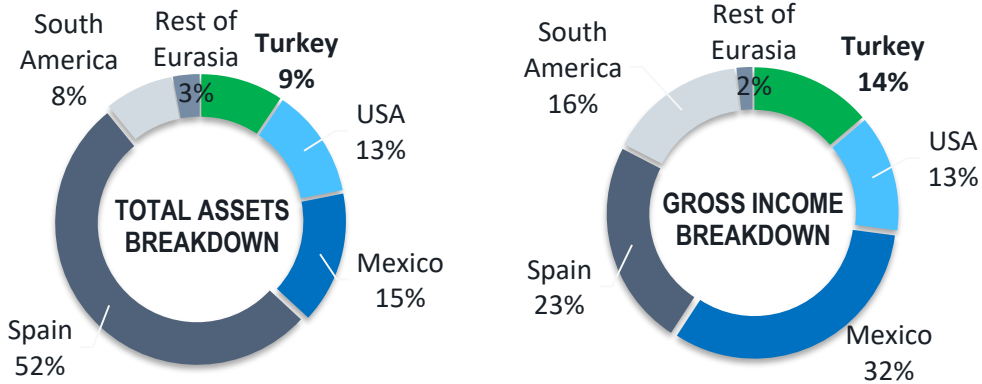
Note: Financial figures are per BRSA Consolidated data as of September 2019

* As of January 9, 2020

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

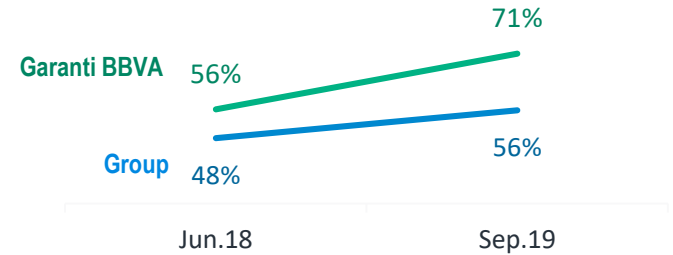
GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

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

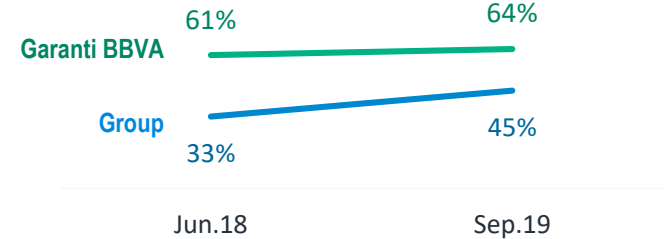


In Digital Banking, GARANTI BBVA ranks at the top within the group

DIGITAL CUSTOMER PENETRATION



DIGITAL SALES



PERFORMANCE INDICATORS (I/IV)



CUSTOMER EXPERIENCE

NET PROMOTER SCORE

HIGHEST

among peer group

GROW CUSTOMER BASE EFFECTIVELY

~ 17.3 MILLION

customers chose
Garanti BBVA

NUMBER OF ATMs

5.230

NUMBER OF BRANCHES

920

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

18.6 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

47%

NON-CASH FINANCIAL
TRANSACTIONS THROUGH
DIGITAL CHANNELS

96%

NUMBER OF
DIGITAL CUSTOMERS

~ 8.0 MILLION

Increased by 15% YoY



RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

AMOUNT OF
IMPACT INVESTMENTS

TL 35.2 BILLION

to date

SUSTAINABILITY INDICES
IN WHICH GARANTI BBVA
IS INCLUDED

8

INVESTMENT IN
COMMUNITY PROGRAMS

TL 20.2 MILLION

as of 2018 end

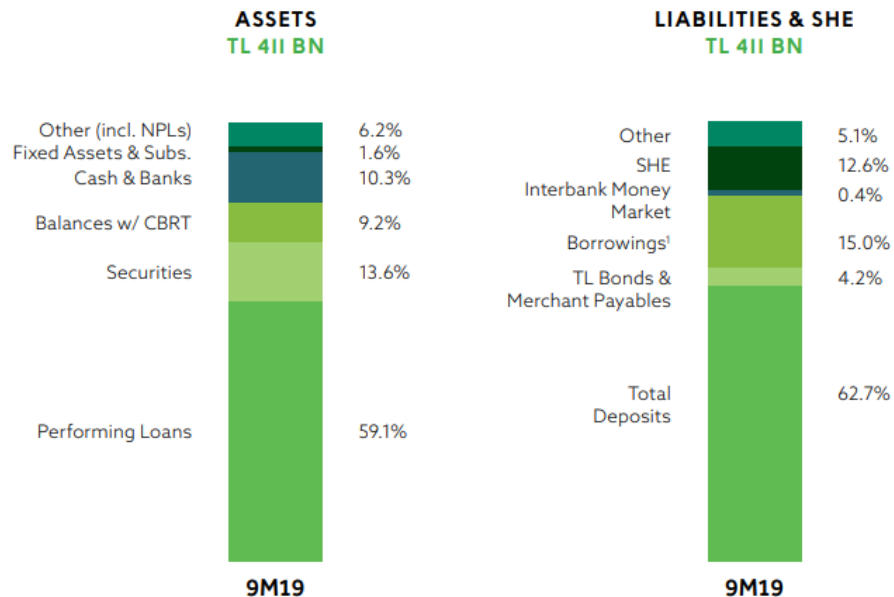
% OF LOANS WITH
ESG PROVISIONS
IN LOAN AGREEMENTS

100%

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

PERFORMANCE INDICATORS (II/IV) – 9M19 FINANCIAL PERFORMANCE

COMPOSITION OF ASSETS



FUNDAMENTAL P&L ITEMS

	9M2019
Net Interest Income	15.090
Operating Expenses	7.397
- HR Cost	3.138
- Other Operating Expenses	4.259
Net Expected Loss (excl. Currency impact) ²	4.622
Net Fees&Commissions	4.637
NET INCOME	4.998

SELECTED FINANCIAL RATIOS

	9M2019
Return on Average Equity	13.5%
Return on Average Assets	1.6%
Net Interest Margin (inc.Swap cost)	5.0%
Non-Performing Loans Ratio	6.7%
Capital Adequacy Ratio	18.1%
Net Cost of Risk	2.4%
Fee/OPEX	62.7%

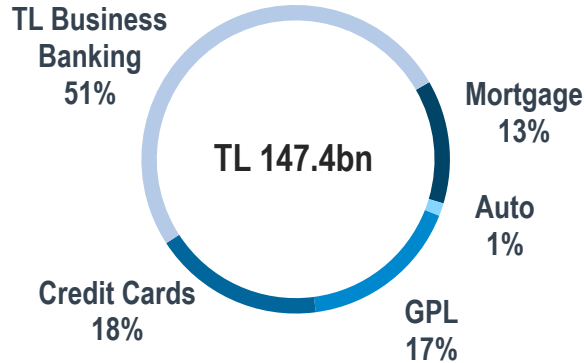
Note: Figures are per September 2019 BRSA Consolidated financials

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)

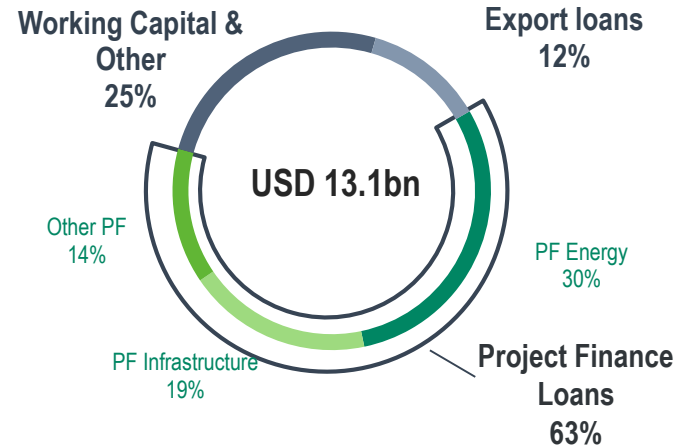
PERFORMANCE INDICATORS (III/IV) – LOAN PORTFOLIO BREAKDOWN

TL PERFORMING LOANS



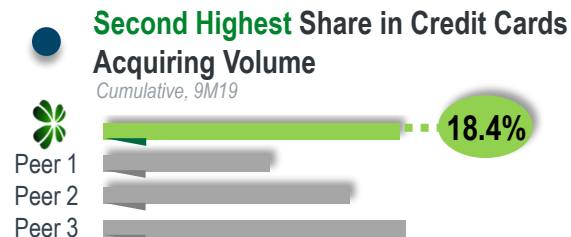
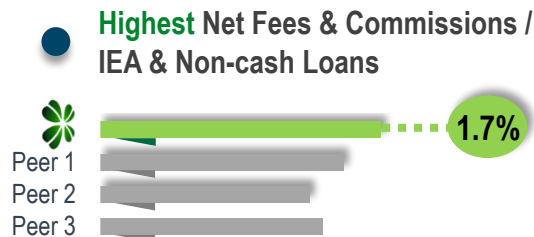
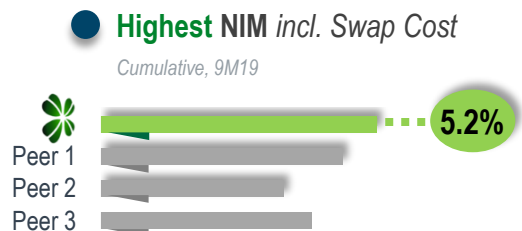
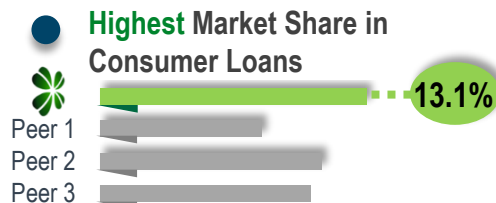
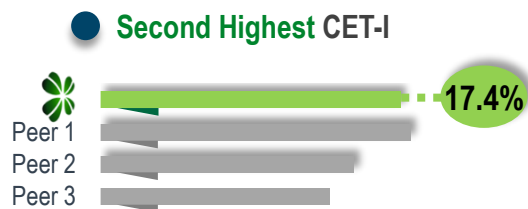
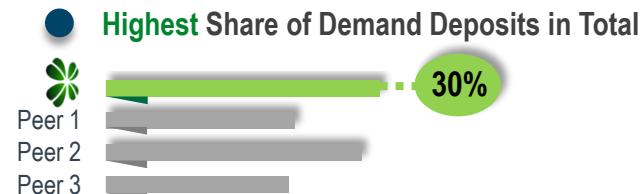
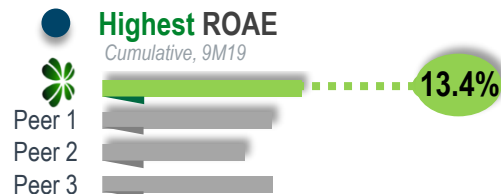
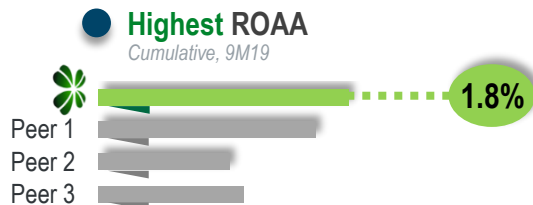
- ▶ 48% of GPLs are granted to salary customers

FC PERFORMING LOANS



- ▶ 80% 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: 59%**

PERFORMANCE INDICATORS (IV/IV) – POSITION IN THE SECTOR



Note: Figures are per September 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

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

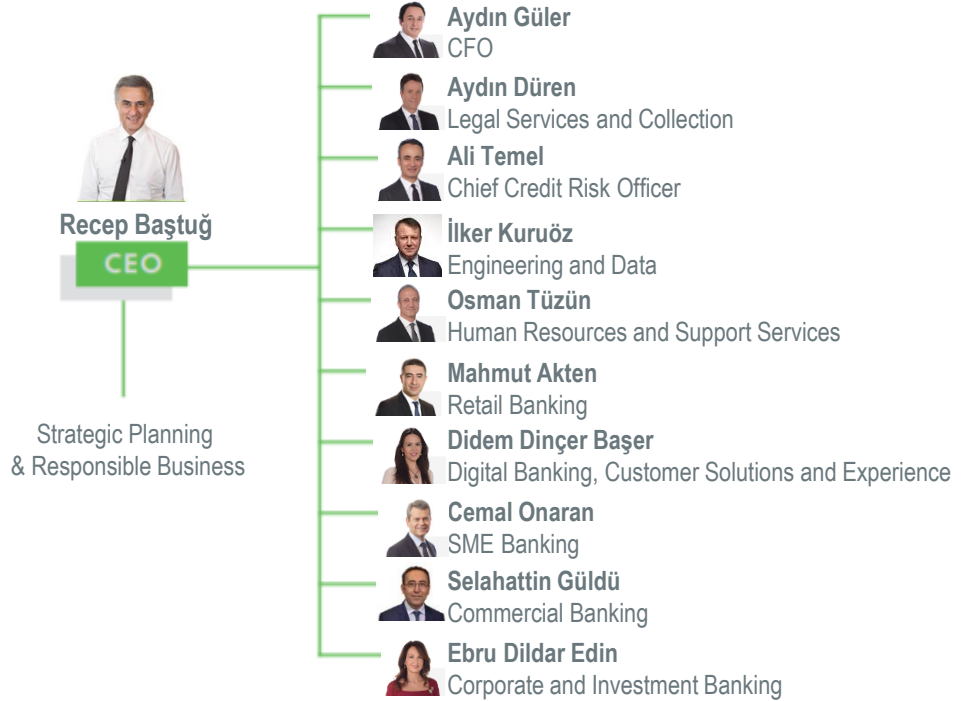
EDUCATION



Bachelor's
55%

Master's
45%

AVERAGE EXPERIENCE



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE RATING



Rating increase was driven by;

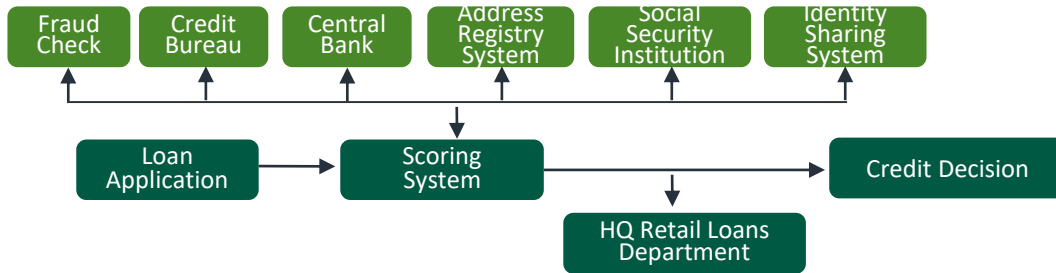
- ▶ Technology based and user-friendly applications of Investor Relations that facilitates the use of shareholders rights and increase transparency,
- ▶ Innovative practices by the human resources department and positive discrimination of female staff regarding promotions,



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

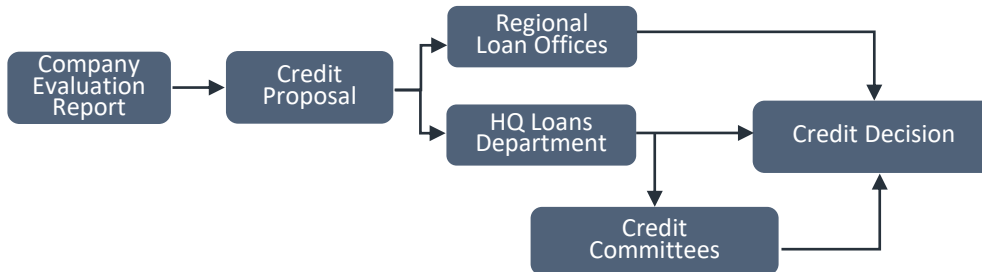
ADVANCED RISK MANAGEMENT SYSTEMS

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

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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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