



CORPORATE PRESENTATION

JULY 2020

AGENDA

TURKISH ECONOMY & BANKING SECTOR

NEW FACTS POST COVID-19

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

AGENDA

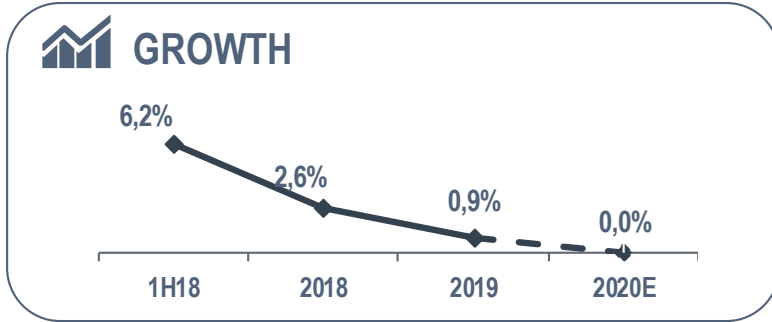
TURKISH ECONOMY & BANKING SECTOR

NEW FACTS POST COVID-19

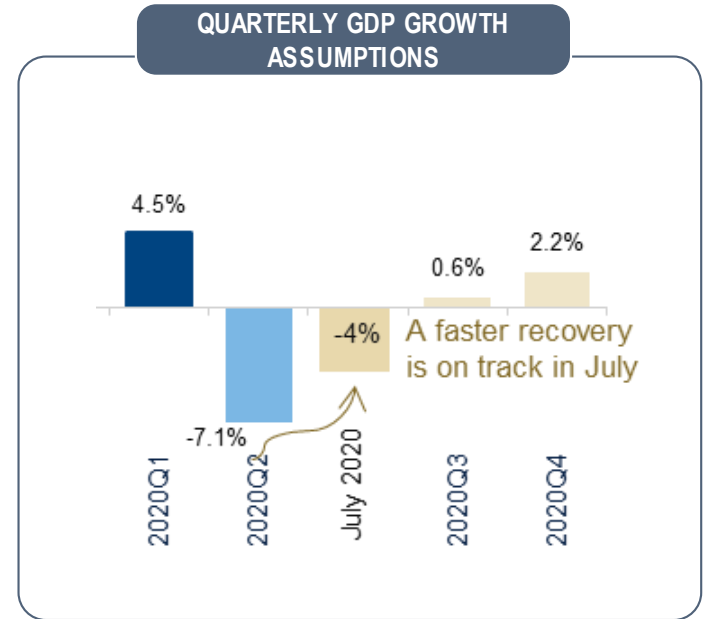
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

TURKISH ECONOMY (I / IV)



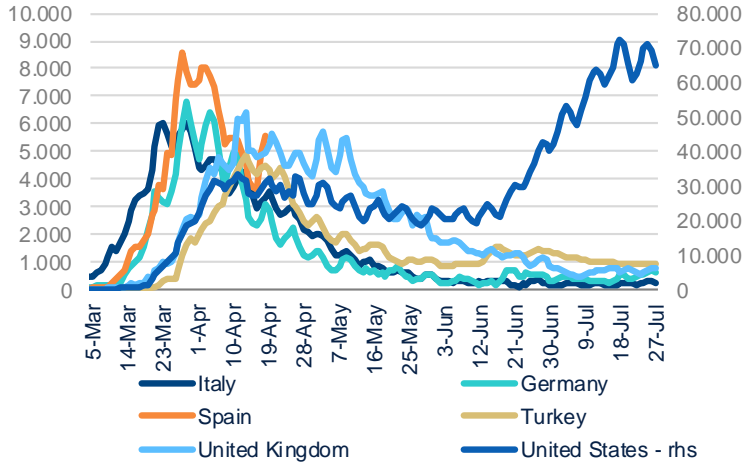
- ▶ **Incipient signs of recovery** in June both in Turkey and the World but **uncertainties remain high**
- ▶ The strong GDP growth in **1Q proves to be an important buffer** to absorb the shock. The recovery could accelerate further in 2H, bringing the 2020 GDP growth to 0% after the big hit in 2Q.



TURKISH ECONOMY (II/ IV)

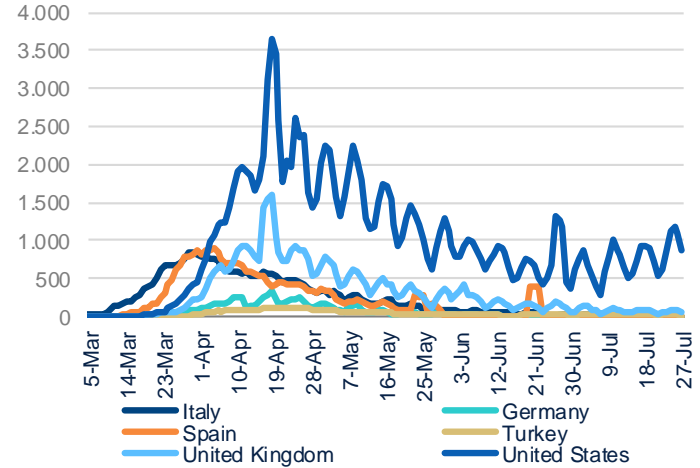
Turkey successfully managed the pandemic on the back of well-established health care system and young population

NEW INFECTED PEOPLE: EUROPE & US
(3-DAY MOVING AVERAGE)



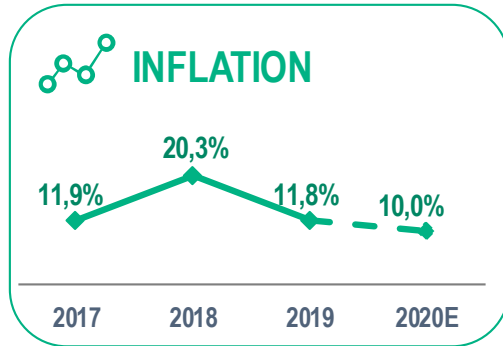
► Infection curves are flattening

NEW DEATHS: EUROPE & US
(3-DAY MOVING AVERAGE)

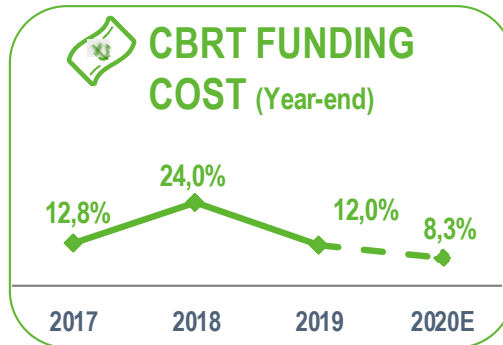


► Death toll has always been lower in Turkey on the back of large & well-established healthcare system & young population

TURKISH ECONOMY (III / IV)



- ▶ Inflation is expected to decline in 3Q on the back of base effect
- ▶ At the end of the year, **Inflation could remain near 10%**, led by both **supply side effects** and **demand pull factors**

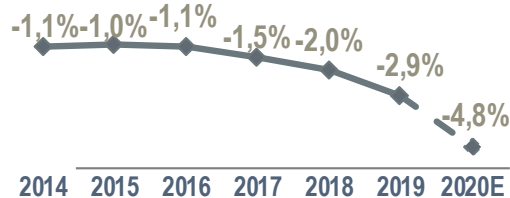


- ▶ Monetary Policy supported by the **global loose policies**, **negative output gap** and **lower energy prices**.

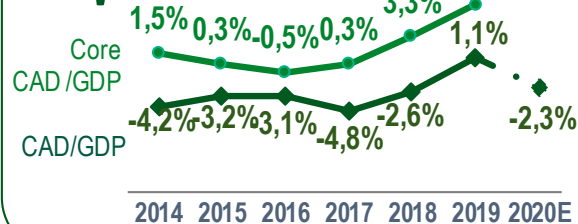
TURKISH ECONOMY (IV / IV)



BUDGET DEFICIT / GDP

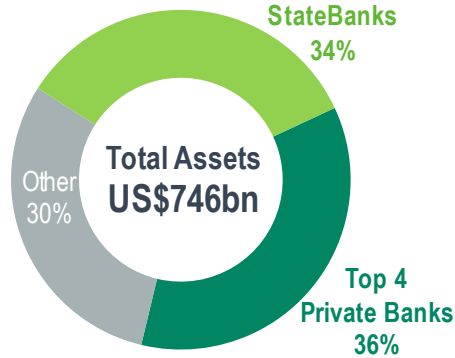


CAD / GDP



- ▶ Fiscal and employment support post Covid-19, weighed on the budget balance, yet **Budget Deficit / GDP still remains below EM average.**
- ▶ **EU Defined Government Debt Stock: 32.1% as of 3Q19** vs. Maastricht criteria: 60%
- ▶ **Resilient central government debt composition**
 - TL: 49%, FC: 51% (as of May 2020 vs. TL: 42%, FC: 58% in 2002)
 - 70% fixed, 30% floating rate (as of May 2020 vs. 45% fixed, 55% floating in 2002)
- ▶ **Current Account Balance** has started to revert due to the mobility restrictions on exports & tourism. Lower activity & energy prices will balance partially.
- ▶ **Core current account balance (excluding energy and gold):** US\$32.6 bn (12-month sum, as of May 2020)

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%	34%	37%
State Banks	3	34%	37%	37%
Other Private Commercial Banks	23	17%	16%	18%
Development & Inv. Banks	14	7%	8%	-
Participation Banks	6	7%	6%	9%
Total:	48			

TOP 10 BANKS¹

Dominated by top 4 Private Banks & 3 State Banks

	<u>Assets Market Share</u>	<u>Foreign Ownership</u>	<u>Actual Free Float</u>
Ziraat Bankası	13.8%	-	-
HALKBANK	10.6%	-	48.3%
TÜRKİYE İŞ BANKASI	10.5%	-	32.0%
VakıfBank	9.5%	-	25.2%
Garanti BBVA	8.6%	BBVA (49.85%)	50.1%
YapıKredi	8.5%	UniCredit Group (20.0%)	30.0%
AKBANK	8.1%	-	49.9%
DenizBank	4.2%	Emirates NBD Bank PJSC (99.85%)	0.04%
QNB FINANSBANK	3.4%	Qatar National Bank (99.88%)	0.12%
TEB	2.5%	BNP Paribas (72.2%)	-

Note: Sector figures are based on bank-only BRSA monthly data as of March 2020.

¹ 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' ST external dues¹: US\$58bn (38% of total external debt) **US\$81bn Quick FC Liquidity² sufficient to cover any liquidity shock**



STRONG SOLVENCY

- ▶ Basel III CAR **19.0%**
- ▶ CET-I capital: **78%** of total capital
- ▶ RWA/Assets **71%**



SOLID ASSET QUALITY

- ▶ NPL Ratio **4.9%**
- ▶ Stage-3 Coverage Ratio: **71%**



ROAE: 12.7%
LEVERAGE: 8.7x
ROAA: 1.3%

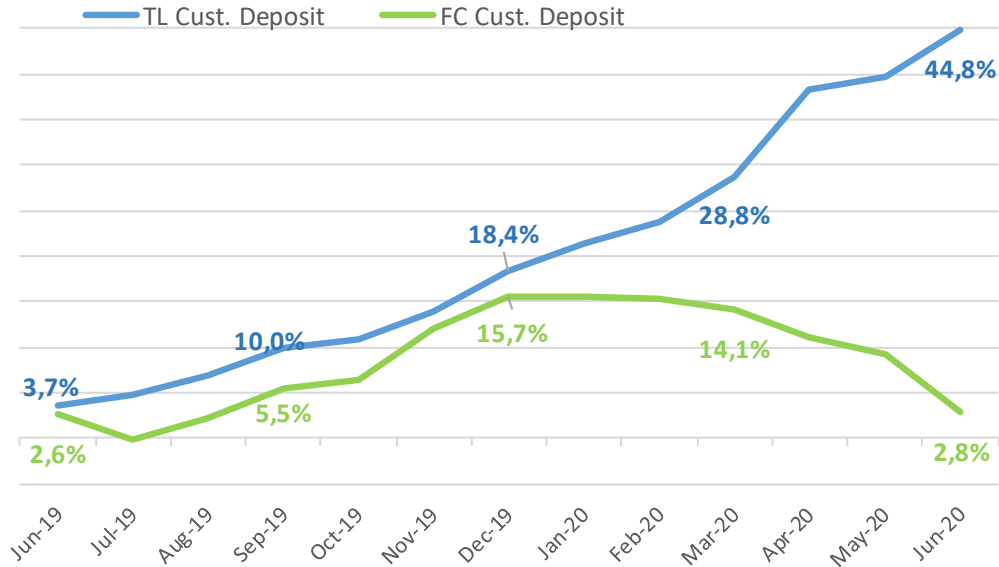
Note: Sector figures are based on BRSA monthly data as of May 2020, for commercial banks only

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

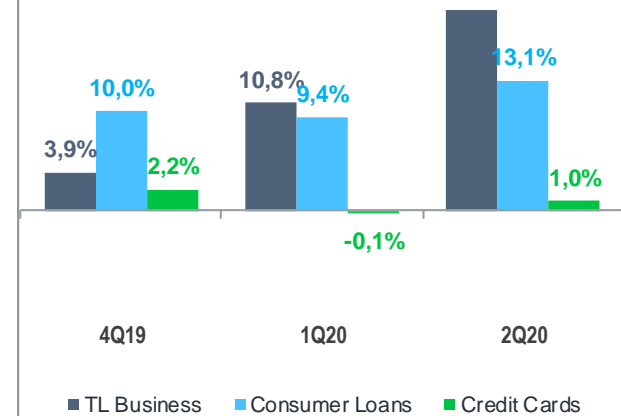
2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

TURKISH BANKING SECTOR (III / IV)

BANKING SECTOR Y-o-Y LENDING GROWTH



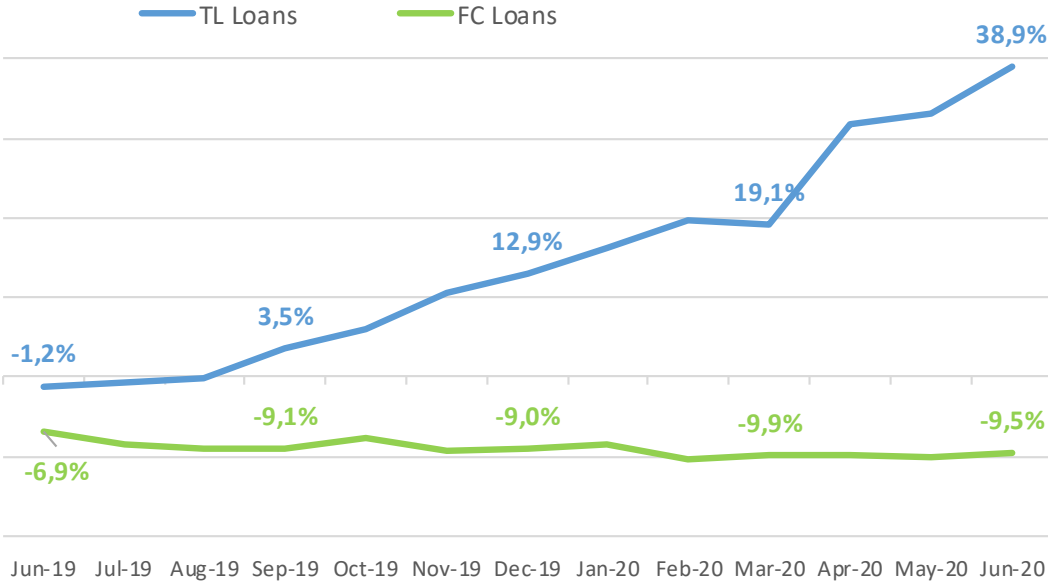
TL LENDING GROWTH



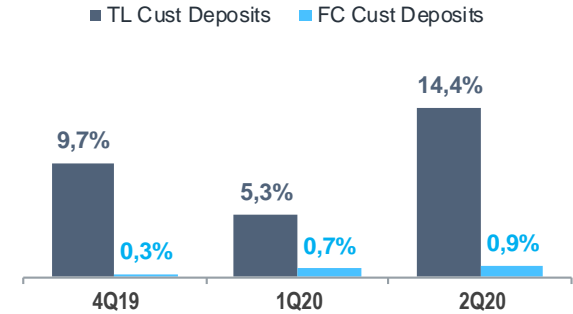
Sector data is based on BRSA weekly data, for commercial banks only

TURKISH BANKING SECTOR (IV/ V)

BANKING SECTOR Y-o-Y CUSTOMER DEPOSIT GROWTH

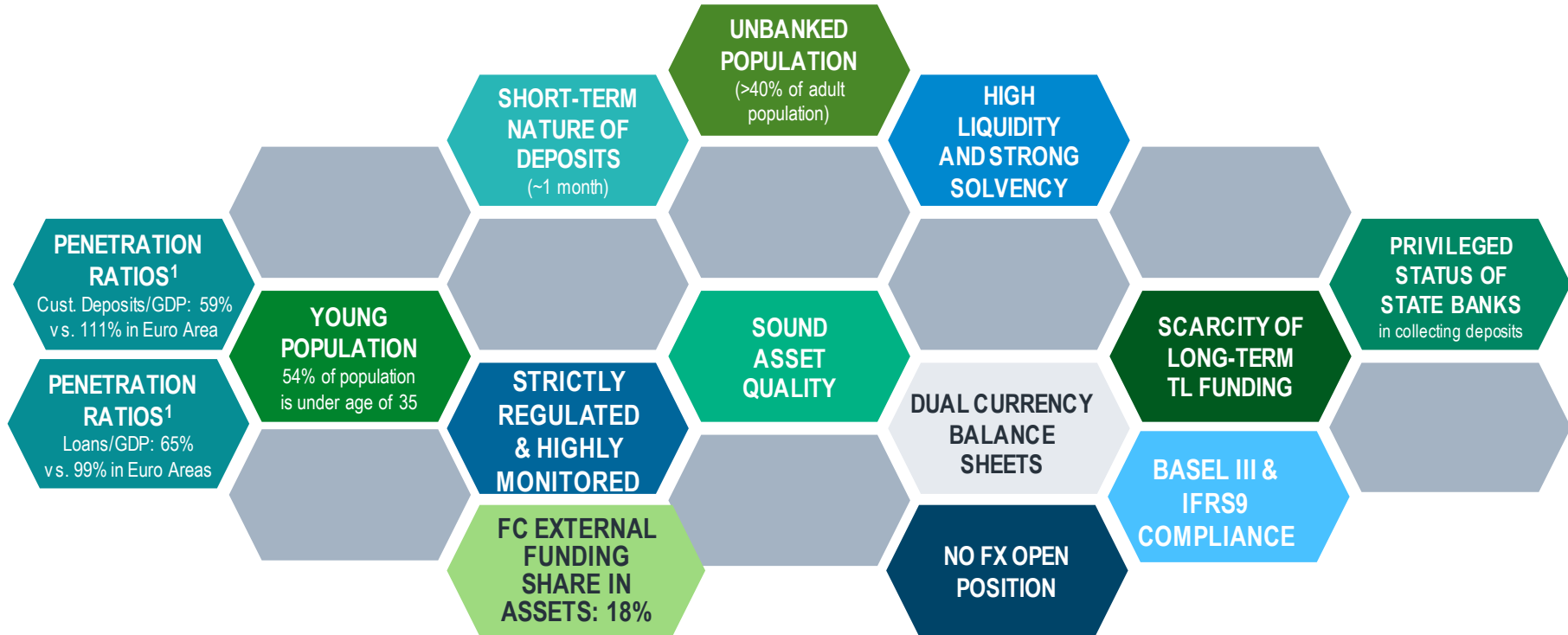


CUSTOMER DEPOSIT GROWTH



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

CHALLENGES & OPPORTUNITIES OF TURKISH BANKING SECTOR



¹ Source: Eurostat (Euro Area for 19 countries), ECB, BRSA monthly data and Turkstat

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**
 - 82% of employees at HQ as of July 24
 - 16% of branch employees as of July 24
- ✓ 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

8.9mn

ACTIVE DIGITAL CUSTOMERS

8.4mn

ACTIVE MOBILE CUSTOMERS

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

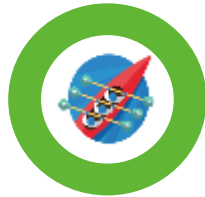
OUR VALUES



CUSTOMER COMES
FIRST



WE THINK BIG



WE ARE ONE
TEAM

OUR STRATEGIC PRIORITIES



WHAT WE STAND
FOR?

- Financial Health
- Sustainability



DRIVERS OF
SUPERIOR
PERFORMANCE

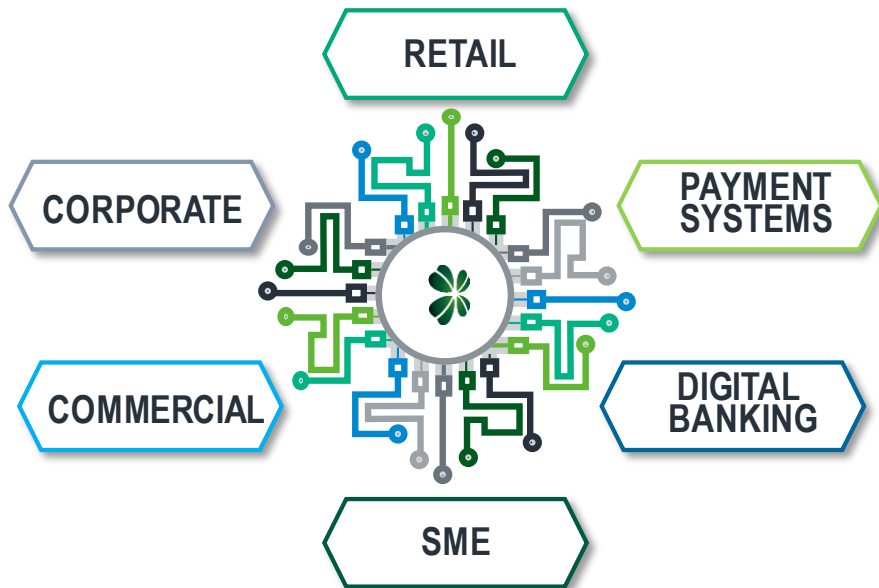
- Reaching More Customers
- Operational Excellence










ACCELERATORS
TO DELIVER OUR
STRATEGY

- Best & Most Engaged Team
- Data & Technology

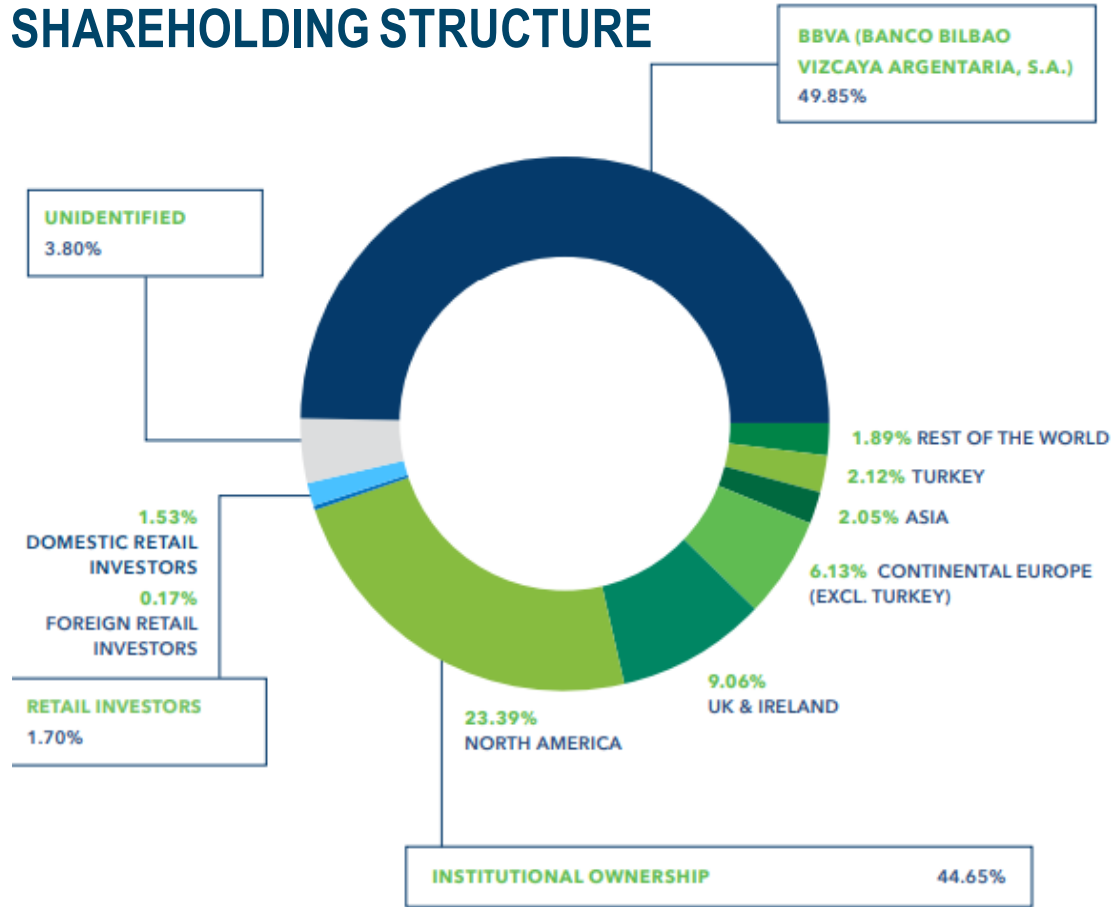
A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS



-  Garanti BBVA International Asset Contribution: 5.2%
-  Garanti BBVA Romania Asset Contribution: 3.8%
-  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: 0.2%
-  Garanti BBVA Asset Management Asset Contribution: 0.04%

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

\$71.3 bn TOTAL ASSETS

2nd largest private bank per consolidated asset size

\$4.9bn MARKET CAPITALIZATION*

Largest floating Mcap (~\$2.4bn) among banks in BIST

9% WEIGHT IN BIST

Most invested stock by foreigners

8.9 mn ACTIVE DIGITAL CUSTOMERS

77% of active customers are using Digital Banking channels

100% GEOGRAPHICAL COVERAGE

18mn customers, 911 branches

13.1% ROAE

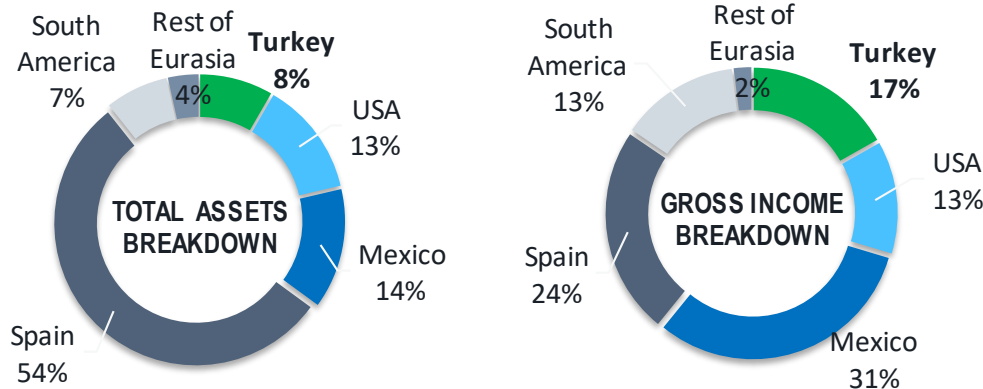
Highest return on capital

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

* As of July 23, 2020

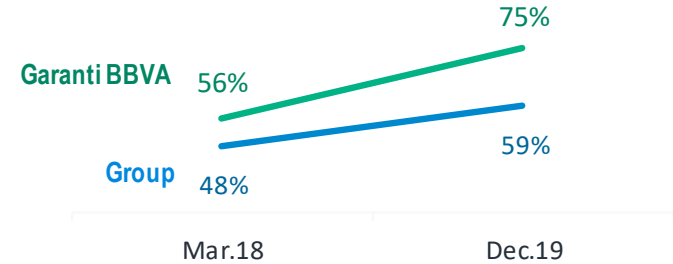
GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

While Garanti BBVA has 8% contribution to the Group's total asset, its share in the gross income is 17%.

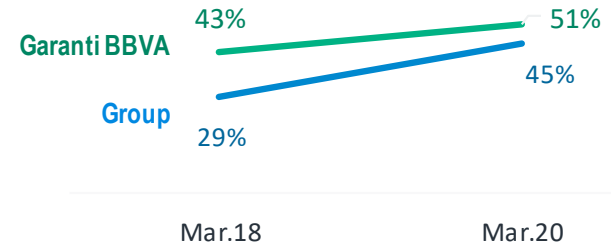


In Digital Banking, GARANTI BBVA ranks at the top within the group

DIGITAL CUSTOMER PENETRATION



DIGITAL SALES



PERFORMANCE INDICATORS (I/IV)



CUSTOMER
EXPERIENCE



HUMAN
CAPITAL



DIGITAL
TRANSFORMATION



RESPONSIBLE AND
SUSTAINABLE
DEVELOPMENT



FINANCIAL
PERFORMANCE

NET PROMOTER SCORE
2nd HIGHEST
among peer group

GROW CUSTOMER BASE
EFFECTIVELY
~ 18 MILLION
customers chose
Garanti BBVA

NUMBER OF ATMs
5,219

NUMBER OF BRANCHES
911
100% Geographical
Coverage

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
18.8 Thousand
As of June-end

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

**İK dan güncelleme
bekliyorum**

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

SHARE OF END-TO-END
DIGITAL SALES
52% in June 2020

NON-CASH FINANCIAL
TRANSACTIONS
THROUGH
DIGITAL CHANNELS
98%

NUMBER OF
DIGITAL CUSTOMERS
~ 8.9 MILLION
Increased by 16% YoY

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%

ROAA
1.6%

ROAE
13.1%

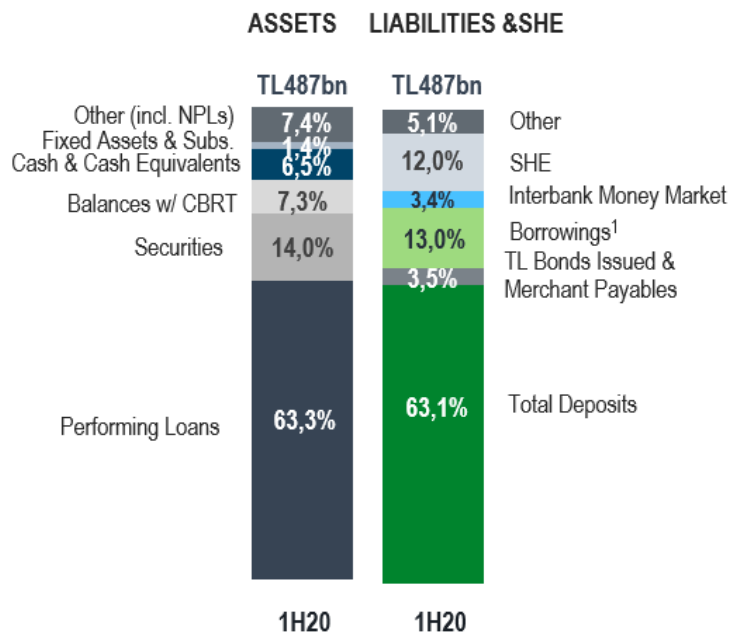
NPL
5.9%

CAR
17.4%

CET-1
14.8%

COST / INCOME
36%

PERFORMANCE INDICATORS (II/IV) – 1H20 FINANCIAL PERFORMANCE



FUNDAMENTAL P&L ITEMS (TL Million)

	1H20
Net Interest Income incl. swap cost	10,516
Net Fees & Commissions	3,187
Operating Expenses	5,636
- HR Costs	2,174
- Other Operating Expenses	3,462
Net Expected Credit Loss (excl. Currency impact ²)	3,759
Net Trading & FX gains/losses (excl. Swap costs and currency hedge ²)	1,039
NET INCOME	3,331

SELECTED FINANCIAL RATIOS

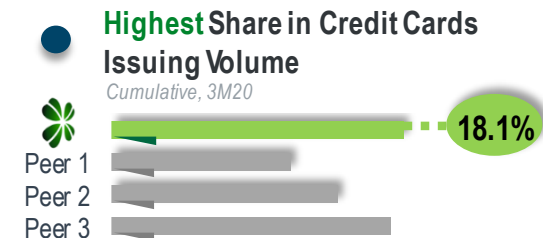
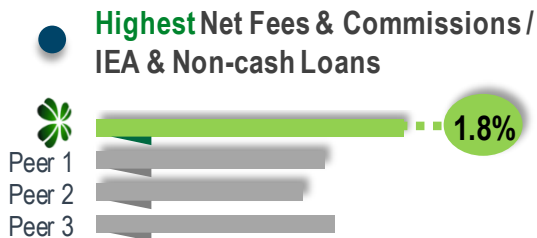
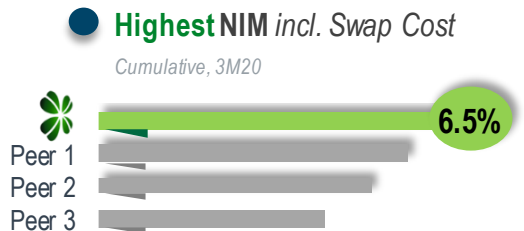
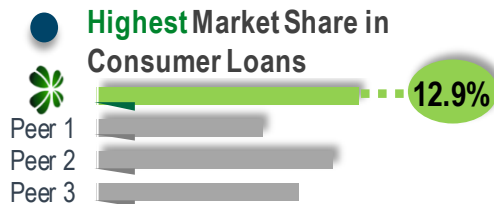
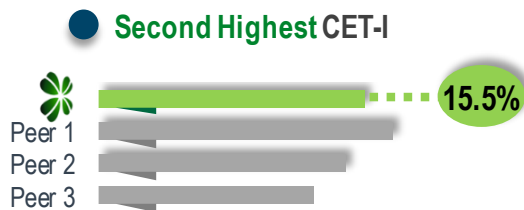
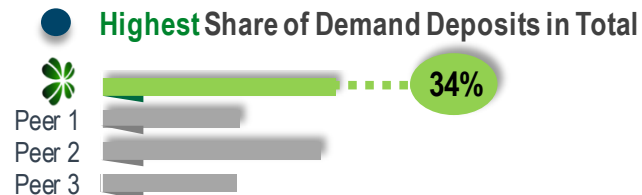
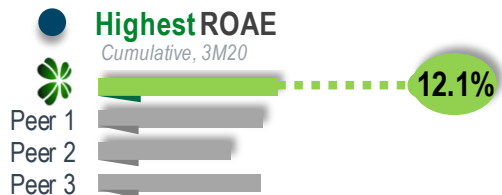
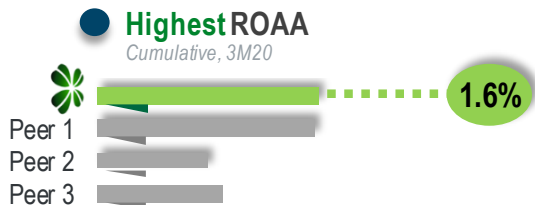
	1H20
Return on Average Equity (Cumulative)	13.1%
Return on Average Assets (Cumulative)	1.6%
Net interest Margin (inc. Swap cost, Cumulative)	5.7%
Non-Performing Loans Ratio	5.9%
Capital Adequacy Ratio	17.4%
Net Cost of Risk (excl. Currency impact ² , Cumulative)	2.4%
FEE / OPEX (Cumulative)	56.6%

Note: Figures are per June 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 Mart 2020 BRSA Bank-only financials for fair comparison

POST COVID-19 ENVIRONMENT NECESSITATED REVISION ON OUR INITIAL GUIDANCE

	Initial Guidance (Jan'20)	Revised Guidance (Jul'20)	
TL Loans (YoY)	High-teens	~25%	▶ Loan utilizations under CGF package and STTL commercial loans supported the lending activity in 1H. Consumer loans will gain pace in the 2H.
FC Loans (in US\$, yoy)	Shrinkage	Shrinkage	
NIM Incl. Swap Cost Excl. CPI	70-80bps expansion	~50bps expansion	▶ Downward repricing created a downside risk on our initial guidance, yet higher than expected decline in deposit cost will continue to support margin
Fee Growth (YoY)	High-single digit	High single digit shrinkage	▶ Impact of fee regulation and lower economic activity due to COVID-19 pandemic
OPEX Growth (YoY)	Low-teens	<10%	▶ Operating expenses under control. Tightened cost management post COVID-19 will support the expense base
NPL ratio	~ 6.5%	~6.5%	▶ Asset quality deterioration is inevitable. Necessary coverage and provisioning requirements due to the pandemic will lead to higher CoR,
Net Cost of Risk (excl.currency impact)	~ 200bps	<300bps	
ROAE	High-teens	Low-teens	

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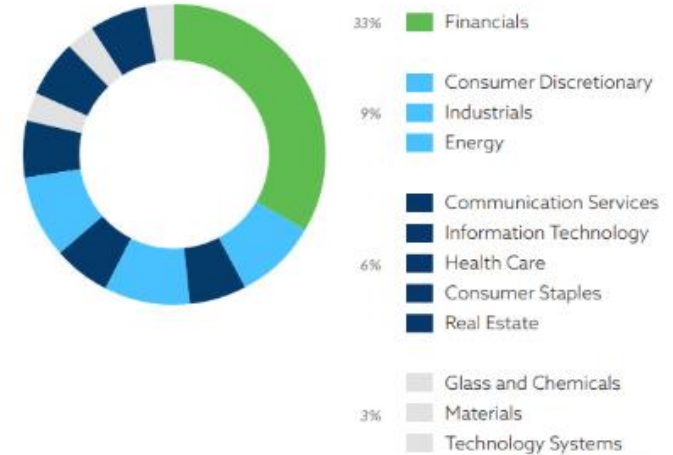
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

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 Martínez 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

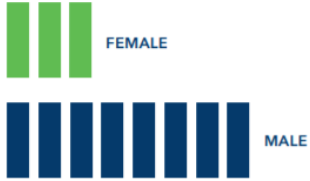
EXPERIENCE COMPOSITION



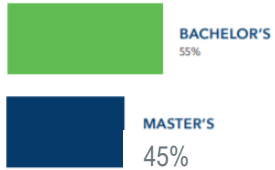
*Since their appointment as an Audit Committee member of Garanti BBVA, they are deemed as an Independent Board Member in accordance with the relevant regulations of the Capital Markets Board of Turkey.

SENIOR MANAGEMENT

GENDER



EDUCATION



AVERAGE EXPERIENCE



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE RATING

Outlook:
Positive



Rating increase was driven by;

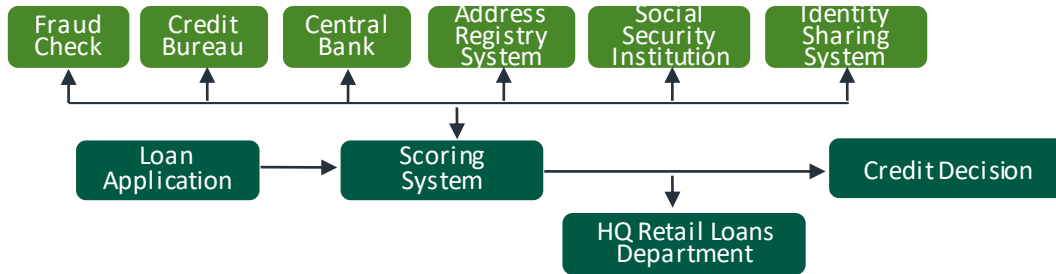
- ▶ Technologybased and user-friendly applications of Investor Relations that facilitates the use of shareholders rights and increase transparency,
- ▶ Innovative practices by the human resources department and positive discrimination of female staff regarding promotions,



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

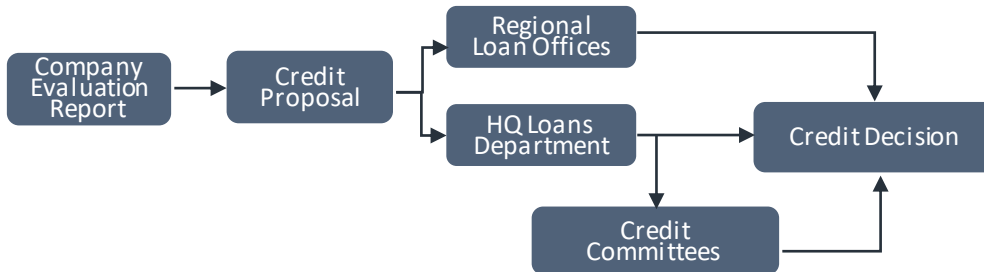
ADVANCED RISK MANAGEMENT SYSTEMS

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



- 44 Engagement Platforms
- Included in **9 Sustainability indices**
- Founding member of **UN Principles for Responsible Banking** and **local Sustainable Finance Declaration**



- **TL38.4bn Impact Investment** (to date)
- **42 Sustainable** products/credit lines
- 27.5% 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 22.3mn** 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 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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