



# CORPORATE PRESENTATION

MAY 2020

# AGENDA

● TURKISH ECONOMY & BANKING SECTOR

● NEW FACTS POST COVID-19

● GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

● CORPORATE GOVERNANCE & RISK MANAGEMENT

# AGENDA

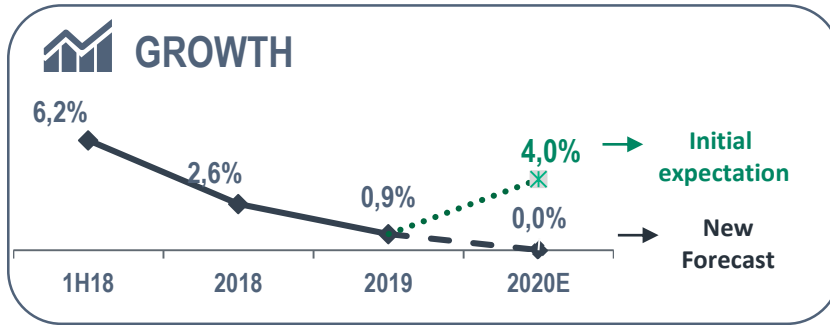
**TURKISH ECONOMY & BANKING SECTOR**

NEW FACTS POST COVID-19

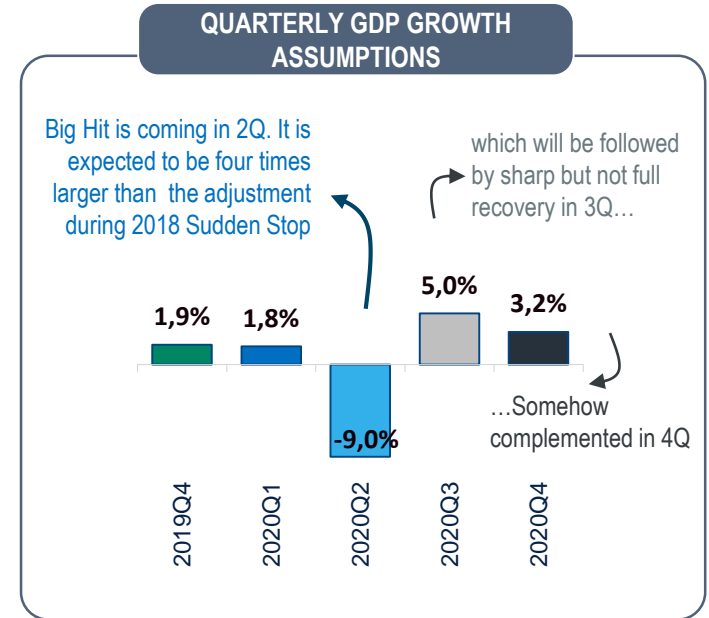
GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

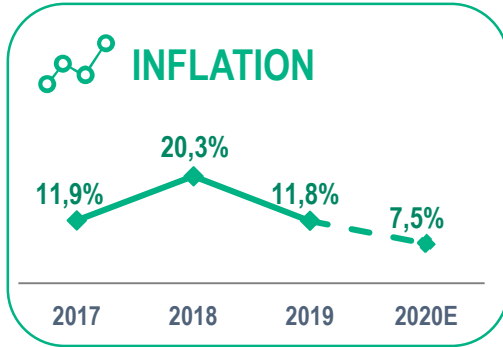
# TURKISH ECONOMY (I / III)



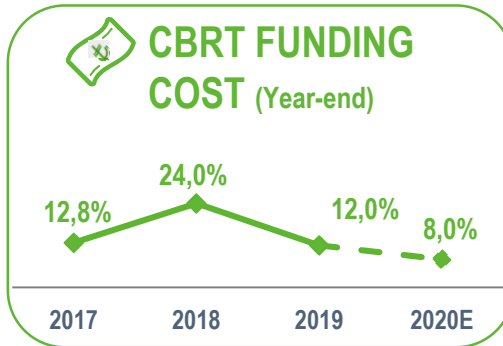
- ▶ **Covid-19** hit the World economy through **supply, demand and financial channels**
- ▶ The **starting point is high** (1Q annual GDP growth exp: 6%) **however, we expect a big hit in 2Q20** due to global pandemic and recovery thereafter.
- ▶ Thus, we **reduce our forecast to 0% GDP growth in 2020** from 4%.



# TURKISH ECONOMY (II / III)



► **Inflation** is expected to **return to one-digit** earlier than expected, supported by the **sharp adjustment of oil prices**

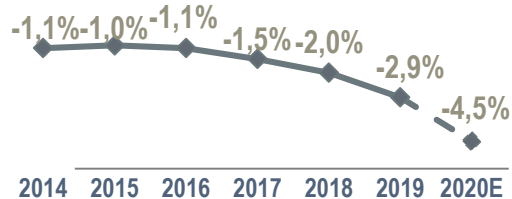


► **CBRT** has been lowering interest rate with the support of **global central banks' dovish stance**

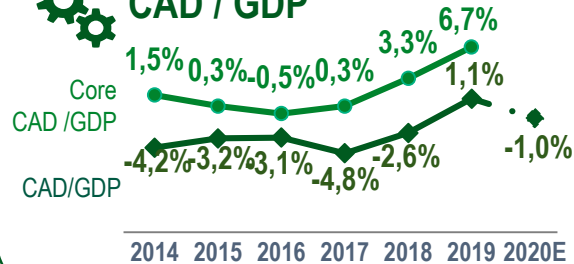
# TURKISH ECONOMY (III / III)



## BUDGET DEFICIT / GDP

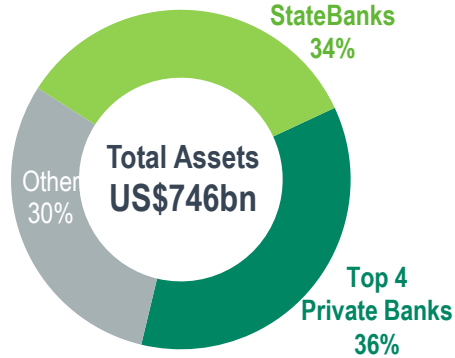


## CAD / GDP



- ▶ Recent stimulus package will weigh on the budget deficit
- ▶ EU Defined Government Debt Stock: 32.1% as of 3Q19 vs. Maastricht criteria: 60%
- ▶ Resilient central government debt composition
  - TL: 48.1%, FC: 51.9% (as of February 2020 vs. TL: 42%, FC: 58% in 2002)
  - 73.0% fixed, 27.0% floating rate (as of February 2020 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\$50.4 bn (12-month sum, as of January 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>
<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	23	17%	16%	18%
Development & Inv. Banks	14	7%	8%	-
Participation Banks	6	7%	6%	9%
<b>Total: 48</b>				

## TOP 10 BANKS<sup>1</sup>

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.

<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\$89bn**  
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 **17.4%**
- ▶ CET-I capital: **77%** of total capital
- ▶ RWA/Assets **78%**



## SOLID ASSET QUALITY

- ▶ NPL Ratio **5.3%**
- ▶ Stage-3 Coverage Ratio: **69%**



**ROAE: 12%**  
**LEVERAGE: 8.8x**  
**ROAA: 1.3%**

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

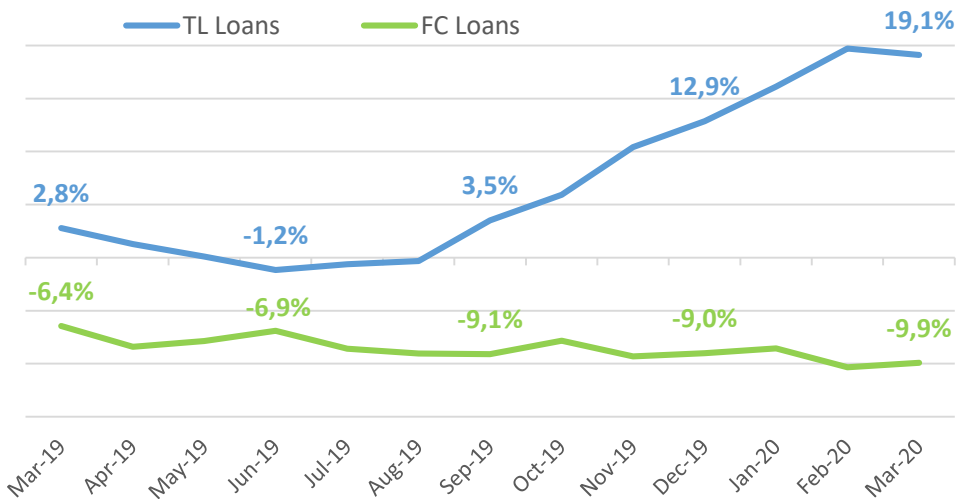
1 Source: CBRT, as of January 2020. Excludes non-residents' FC deposits

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

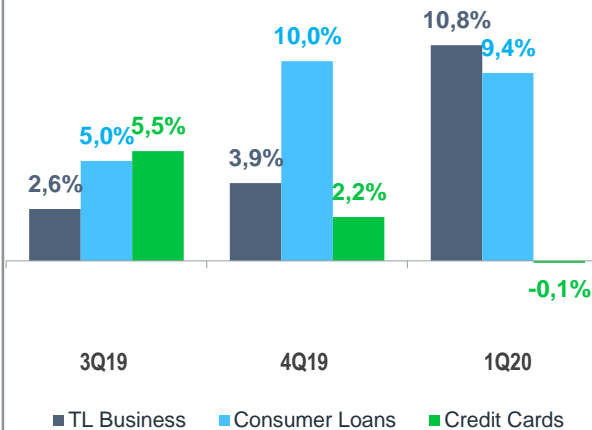


# TURKISH BANKING SECTOR (III / IV)

## BANKING SECTOR Y-o-Y LENDING GROWTH



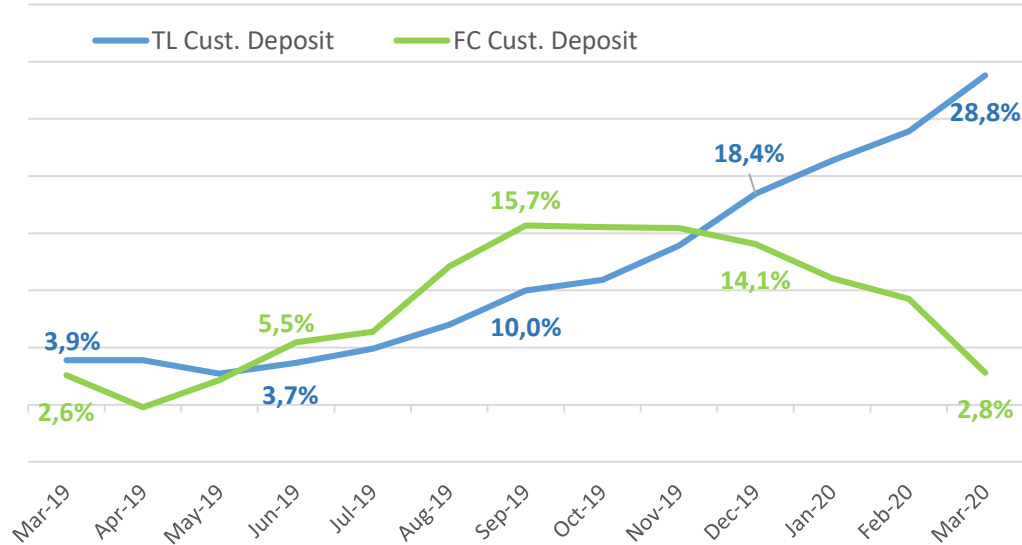
## TL LENDING GROWTH



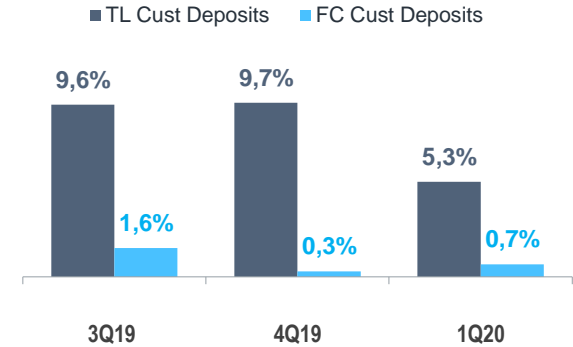
Sector data is based on BRSA weekly data, for commercial banks only

# TURKISH BANKING SECTOR (IV/ V)

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

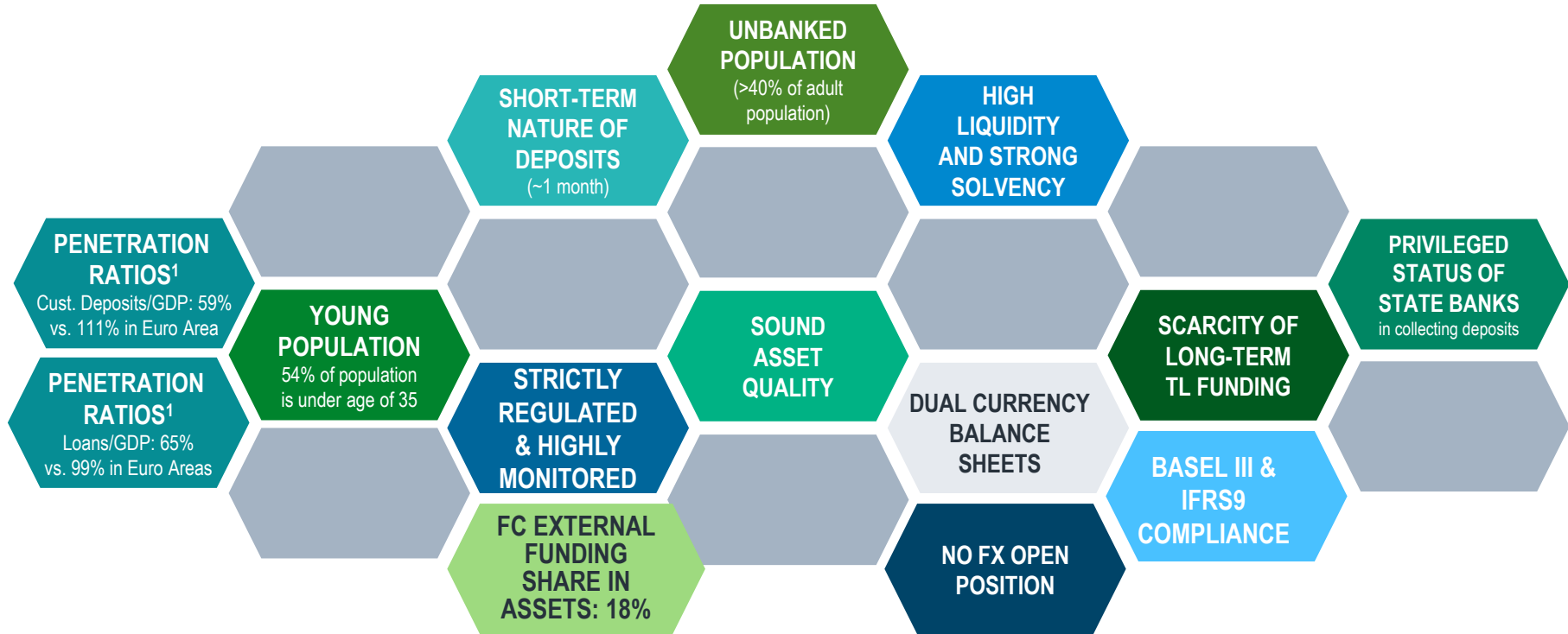


## CUSTOMER DEPOSIT GROWTH



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

# 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**
  - 92% of employees at HQ
  - 61% of branch employees
  - 100% of call center operators
- ✓ 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**

8.7mn

ACTIVE DIGITAL CUSTOMERS

8.1mn

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

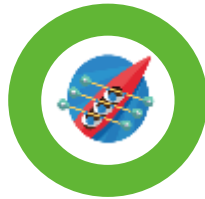
## OUR VALUES



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

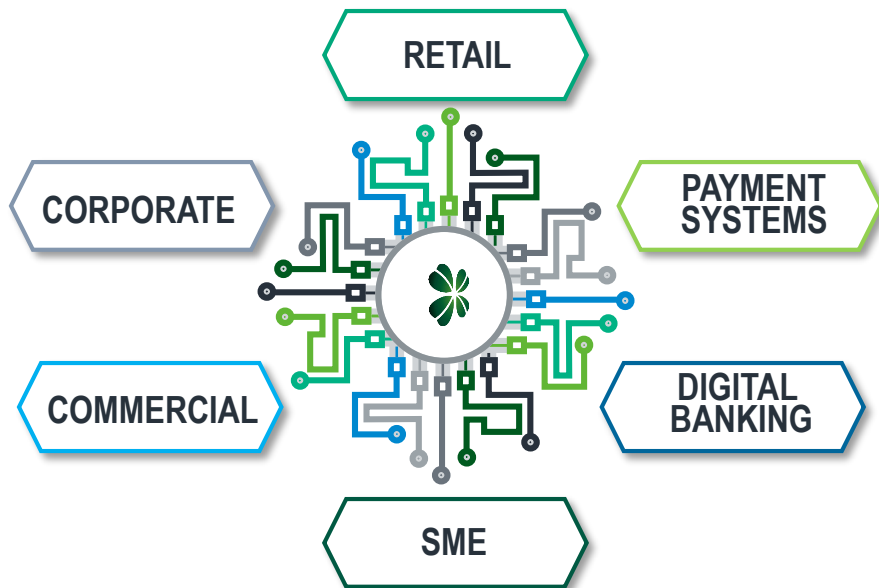









ACCELERATORS  
TO DELIVER OUR  
STRATEGY

- Best & Most Engaged Team
- Data & Technology



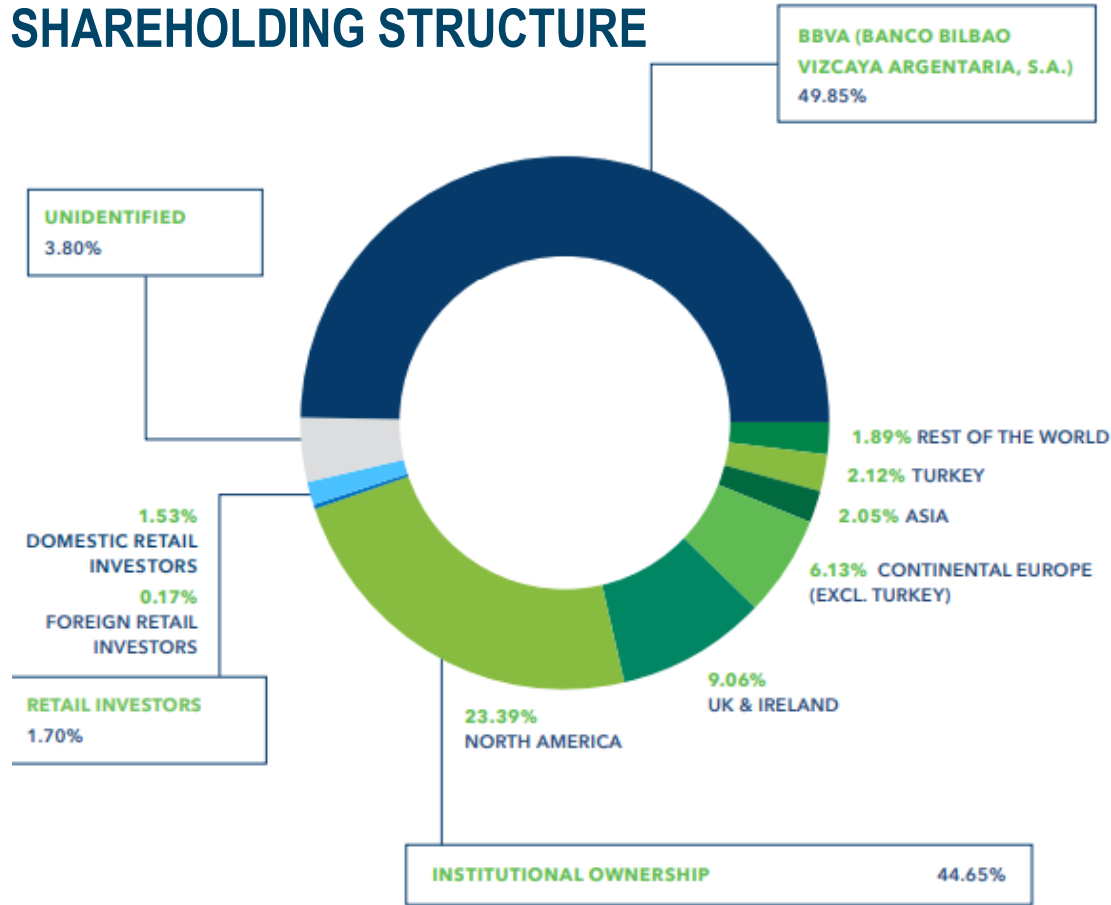
# A UNIVERSAL BANK WITH STRONG PRESENCE IN ALL BUSINESS AREAS



	Asset Contribution: 5.5%
	Asset Contribution: 3.9%
	Asset Contribution: 1.1%
	Asset Contribution: 0.5%
	Asset Contribution: 0.5%
	Asset Contribution: 0.3%
	Asset Contribution: 0.03%

Note: Asset contributions are calculated based on BRSA Consolidated Financials as of March 31, 2020.

# SHAREHOLDING STRUCTURE



Shareholders from  
**37 countries**

Foreign investors  
in free float



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.

1 As of 15 March 2020.

# GARANTI BBVA AT A GLANCE

**\$69.5 bn** TOTAL ASSETS

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

**\$5.0bn** MARKET CAPITALIZATION\*

Largest floating Mcap (~\$2.5bn) among banks in BIST

**9%** WEIGHT IN BIST

Most invested stock by foreigners

**8.7 mn** ACTIVE DIGITAL CUSTOMERS

75% of active customers are using Digital Banking channels

**100%** GEOGRAPHICAL COVERAGE

18mn customers, 914 branches

**12.4%** ROAE

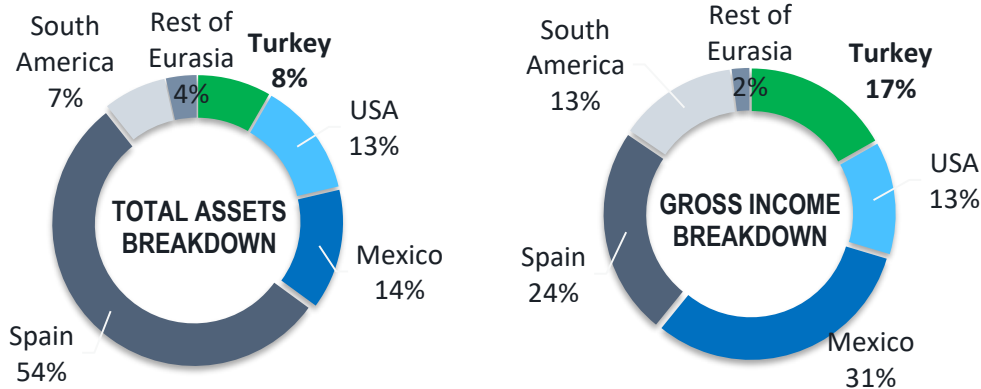
Highest return on capital

Note: Financial figures are per BRSA Consolidated data as of March 31, 2020

\* As of April 29, 2020

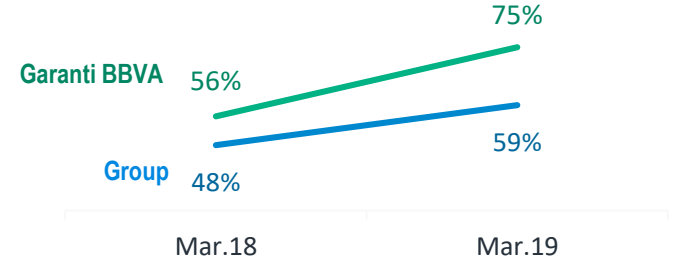
# GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

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

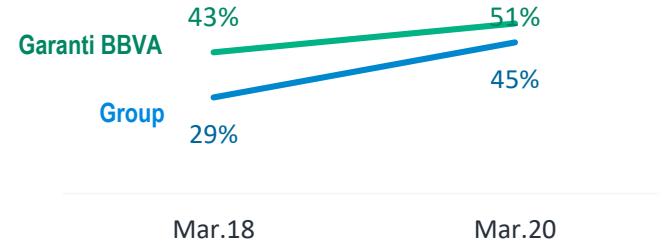


In Digital Banking, GARANTI BBVA ranks at the top within the group

## DIGITAL CUSTOMER PENETRATION



## DIGITAL SALES



# PERFORMANCE INDICATORS (I/IV)



## CUSTOMER EXPERIENCE

NET PROMOTER SCORE  
**2<sup>nd</sup> HIGHEST**  
among peer group

GROW CUSTOMER BASE EFFECTIVELY  
**~ 18 MILLION**  
customers chose  
Garanti BBVA

NUMBER OF ATMS  
**5,204**

NUMBER OF BRANCHES  
**914**  
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  
**18.8 Thousand**  
as of March-end

WOMEN EMPLOYEES IN DECISION MAKING POSITIONS  
**40%**  
in senior/middle  
level management  
as of March-end



## DIGITAL TRANSFORMATION

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

SHARE OF END-TO-END DIGITAL SALES  
**47%** as of March-end

NON-CASH FINANCIAL TRANSACTIONS THROUGH DIGITAL CHANNELS  
**97%**

NUMBER OF DIGITAL CUSTOMERS  
**~ 8.7 MILLION**  
Increased by 17% YoY



## RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

AMOUNT OF IMPACT INVESTMENTS  
**TL 38.4 BILLION**  
as of 2019

SUSTAINABILITY INDICES IN WHICH Garanti BBVA IS INCLUDED  
**9**

INVESTMENT IN COMMUNITY PROGRAMS  
**TL 22.3 MILLION**  
in 2019

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



## FINANCIAL PERFORMANCE

ROAA  
**1.5%**

ROAE  
**12.4%**

NPL  
**6.5%**

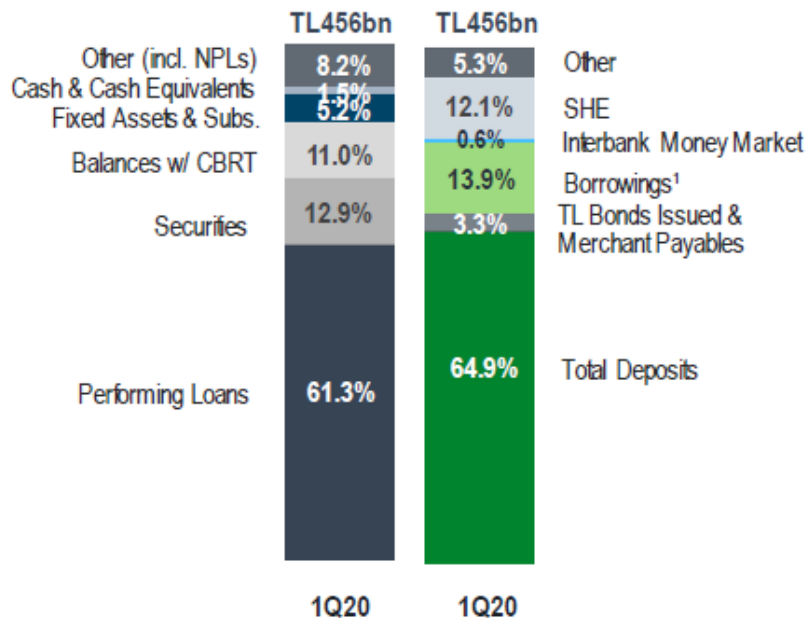
CAR  
**16.6%**

CET-1  
**14.0%**

COST / INCOME  
**36%**

# PERFORMANCE INDICATORS (II/IV) – 1Q20 FINANCIAL PERFORMANCE

## COMPOSITION OF ASSETS AND LIABILITIES



## FUNDAMENTAL P&L ITEMS (TL mn)

	3M20
Net Interest Income	5,855
Operating Expenses	2,928
- HR Costs	1,061
- Other Operating Expenses	1,867
Net Expected Credit Loss (excl. Currency impact) <sup>2</sup>	2,339
Net Fees & Commissions	1,778
<b>NET INCOME</b>	<b>1,680</b>

## SELECTED FINANCIAL RATIOS

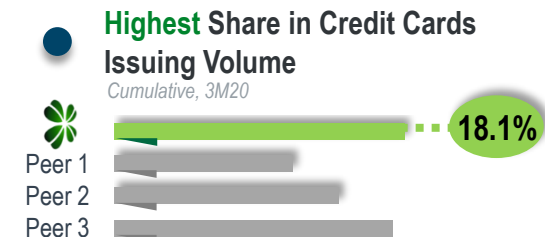
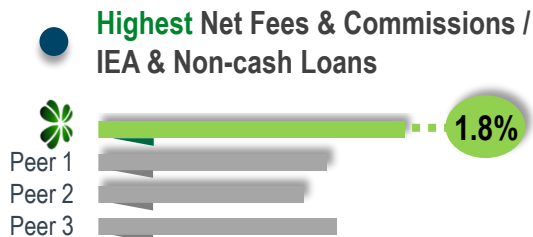
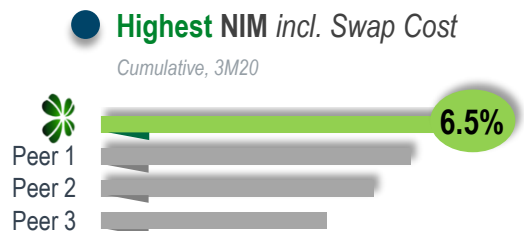
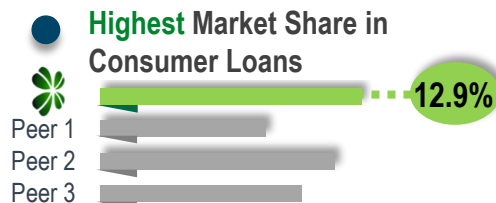
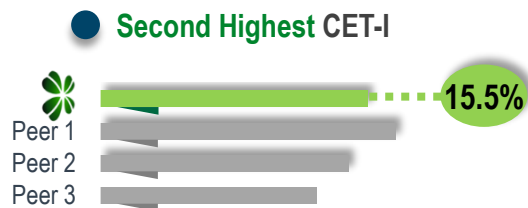
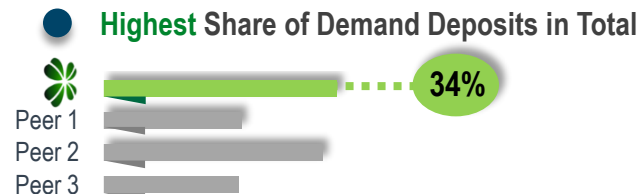
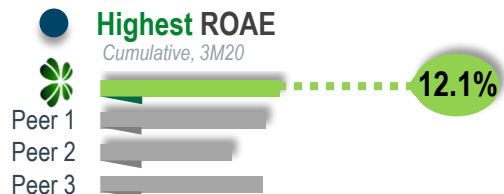
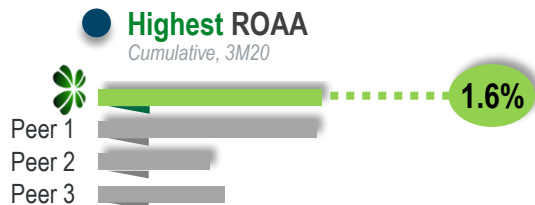
	3M20
Return on Average Equity	12.4%
Return on Average Assets	1.5%
Net interest Margin (inc. Swap cost)	5.9%
Non Performing Loans Ratio	6.5%
Capital Adequacy Ratio	16.6%
Net Cost of Risk (excl. currency impact)	3.2%
<b>FEE / OPEX</b>	<b>60.7%</b>

Note: Figures are per March 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

# POST COVID ENVIRONMENT CREATE DOWNSIDE RISKS ON ROE, YET THE IMPACT DEPENDS ON THE DURATION OF THE PANDEMIC

## 2020 Operating Plan Projections announced on 08 Jan'20

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

## Current Expectations / Trends

- Expected investment loans likely to be postponed. Loan utilizations under CGF package will support the lending activity
- Asset quality deterioration is inevitable. Necessary coverage and provisioning requirements may end up to be higher than our guidance due to the pandemic
- Declining spreads, downward repricing and low economic activity due to covid-19 pandemic create a downside risk on our full year guidance
- Fee regulation impact and lower economic activity due to covid-19 pandemic pose a clear downside risk on our full-year growth guidance
- Operating expenses under control. Tightened cost management post covid-19 will support the expense base

**ROAE** High-teens

Downside risk on guidance, yet the impact depends on the duration of the pandemic



# AGENDA








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	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

## EXPERIENCE COMPOSITION

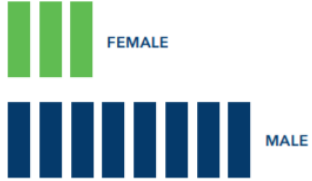
Chart is prepared in accordance with the Global Industry Classification Standard (GICS). The Global Industry Classification Standard (GICS) is an industry taxonomy developed by MSCI and Standard & Poor's (S&P) for use by the global financial community.



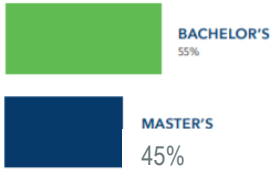
\*Since their appointment as an Audit Committee member of Garanti BBBVA, they are deemed as an Independent Board Member in accordance with the relevant regulations of the Capital Markets Board of Turkey.

# SENIOR MANAGEMENT

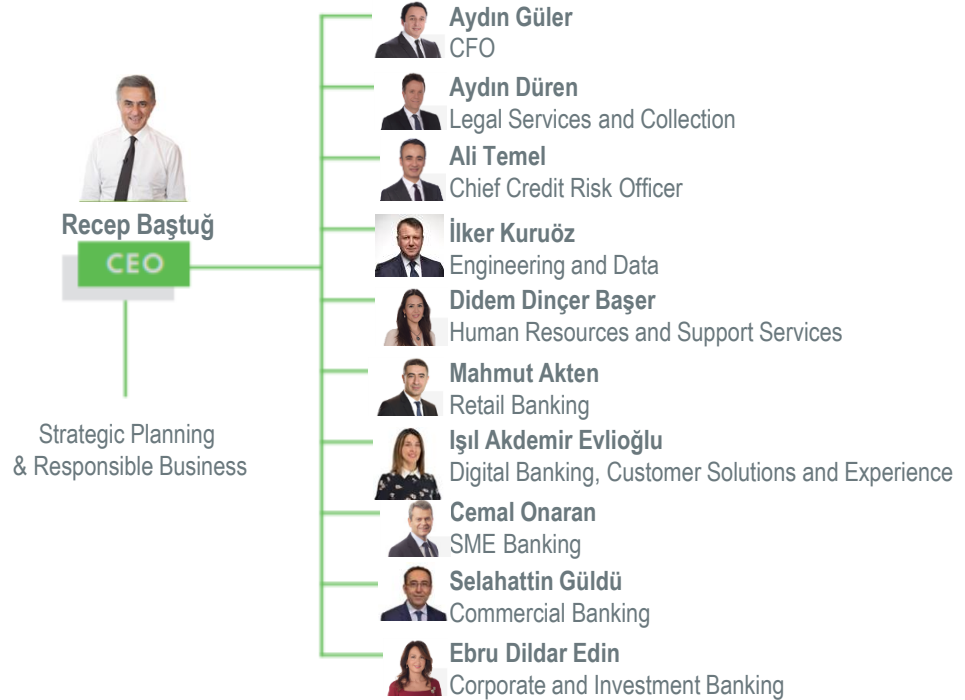
## GENDER



## EDUCATION



## AVERAGE EXPERIENCE



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE RATING



Rating increase was driven by;

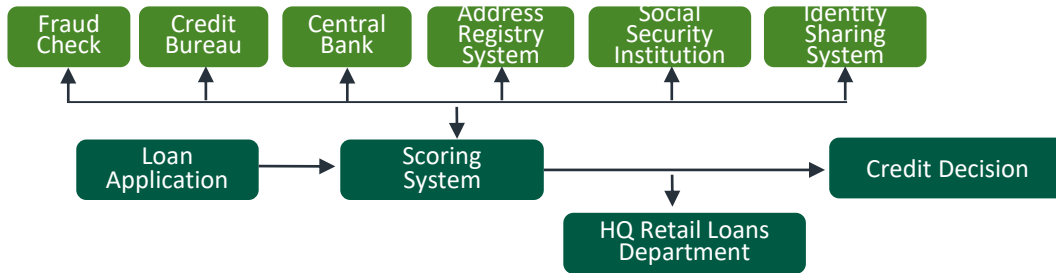
- ▶ Technology based and user-friendly applications of Investor Relations that facilitates the use of shareholders rights and increase transparency,
- ▶ Innovative practices by the human resources department and positive discrimination of female staff regarding promotions,



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

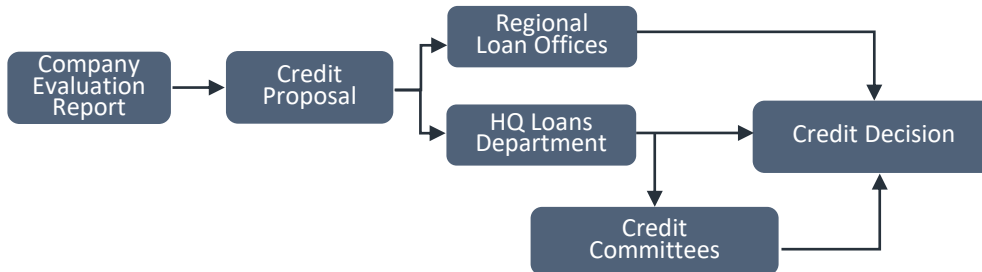
# ADVANCED RISK MANAGEMENT SYSTEMS

## 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



- 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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