



CORPORATE PRESENTATION

NOVEMBER 2019

AGENDA

- **TURKISH ECONOMY & BANKING SECTOR**
- **GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS**
- **CORPORATE GOVERNANCE & RISK MANAGEMENT**
- **OUR TRANSFORMATION JOURNEY**

AGENDA

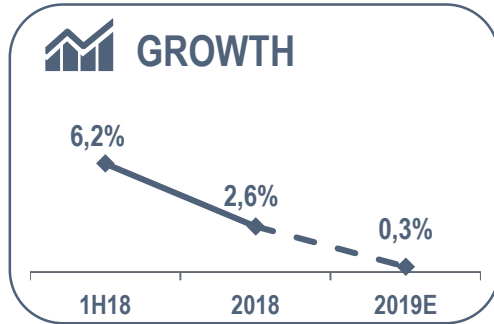
TURKISH ECONOMY & BANKING SECTOR

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

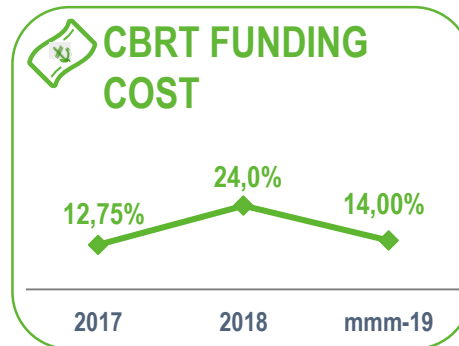
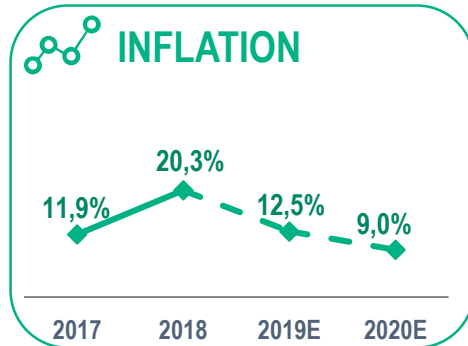
CORPORATE GOVERNANCE & RISK MANAGEMENT

OUR TRANSFORMATION JOURNEY

TURKISH ECONOMY (I / II)



- ▶ 19th largest economy in the world¹
- ▶ 2019 – Further deceleration in economic activity
 - Negative effects of recent financial shocks
 - Rebound expected in the second half
 - Net exports will be the key contributor



- ▶ The CBRT has started the easing cycle with the support of **faster than expected recovery in inflation** and **expected easing in external financial conditions**.

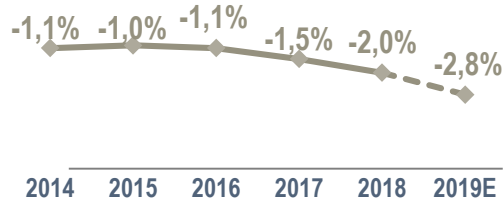
E: Garanti Estimates as of November 2019

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

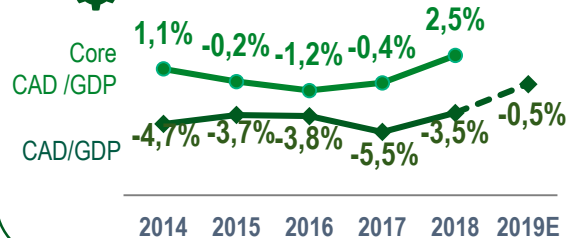
TURKISH ECONOMY (II / II)



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

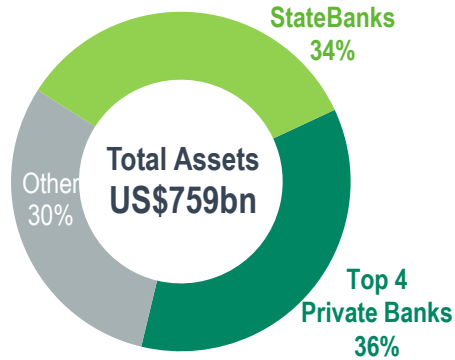
- TL: 51.0%, FC: 49.0% (as of September 2019 vs. TL: 42%, FC: 58% in 2002)
- 75.0% fixed, 25.0% floating rate (as of September 2019 vs. 45% fixed, 55% floating in 2002)

► 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\$46.8 bn (12-month sum, as of August 2019)

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	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

	<u>Assets Market Share</u>	<u>Foreign Ownership</u>	<u>Actual Free Float</u>
Ziraat Bankası	14.4%*	-	-
TÜRKİYE İŞ BANKASI	10.2%	-	31.2%
HALKBANK	10.1%*	-	48.4%
Garanti BBVA	8.8%	BBVA (49.85%)	50.1%
YapıKredi	8.7%	UniCredit Group (40.95%)	18.0%
VakıfBank	9.0%*	-	25.1%
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

* Figures are as of June 2019

TURKISH BANKING SECTOR (II / IV)

COMFORTABLE LIQUIDITY

- ▶ Customer Deposits fund **58%** of assets
- ▶ Sufficient buffers against potential external liquidity shock

Banks' **US\$84bn**
ST external dues¹: **Quick FC Liquidity²**
US\$65bn ————— **sufficient to cover**
(39% of total external debt) **any liquidity shock**



STRONG SOLVENCY

- ▶ Basel III CAR **18.0%**
- ▶ CET-I capital: **77%** of total capital
- ▶ RWA/Assets **78%**



SOLID ASSET QUALITY

- ▶ NPL Ratio **5.3%**
- ▶ Stage-3 Coverage Ratio: **66%**



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

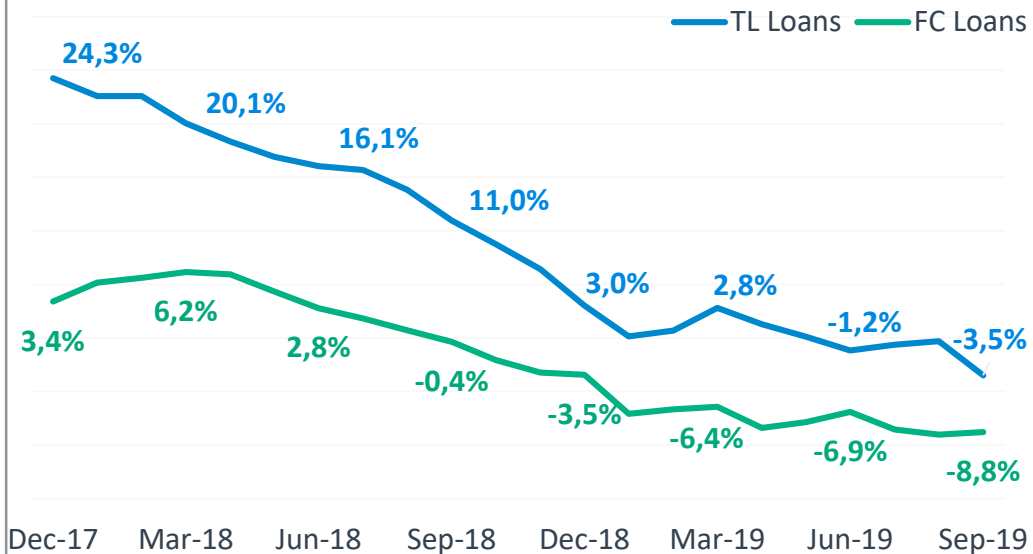
Note: Sector figures are based on BRSA monthly data as of September 2019, for commercial banks only

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

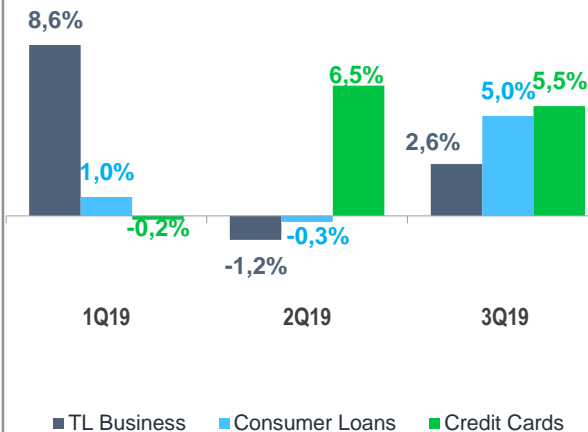
2 Quick Liquidity Buffers FC reserves Under ROM, swaps, money market placements, CBRT eligible unencumbered securities

TURKISH BANKING SECTOR (III / IV)

BANKING SECTOR Y-o-Y LENDING GROWTH



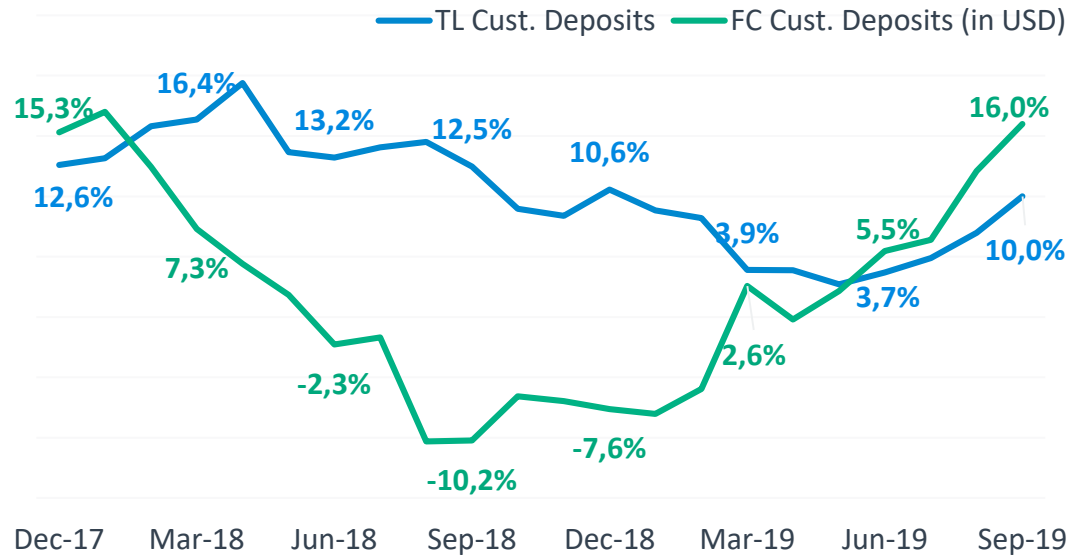
TL LENDING GROWTH



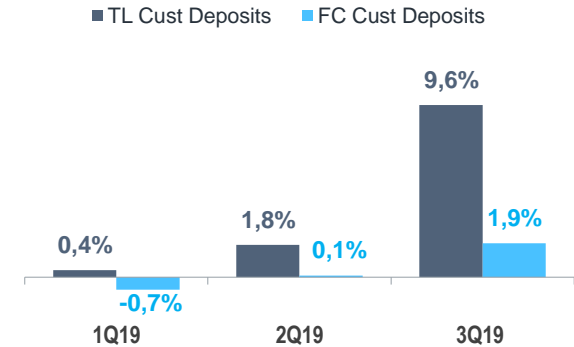
Sector data is based on BRSA weekly data, for commercial banks only

TURKISH BANKING SECTOR (IV/ V)

BANKING SECTOR Y-o-Y CUSTOMER DEPOSIT GROWTH



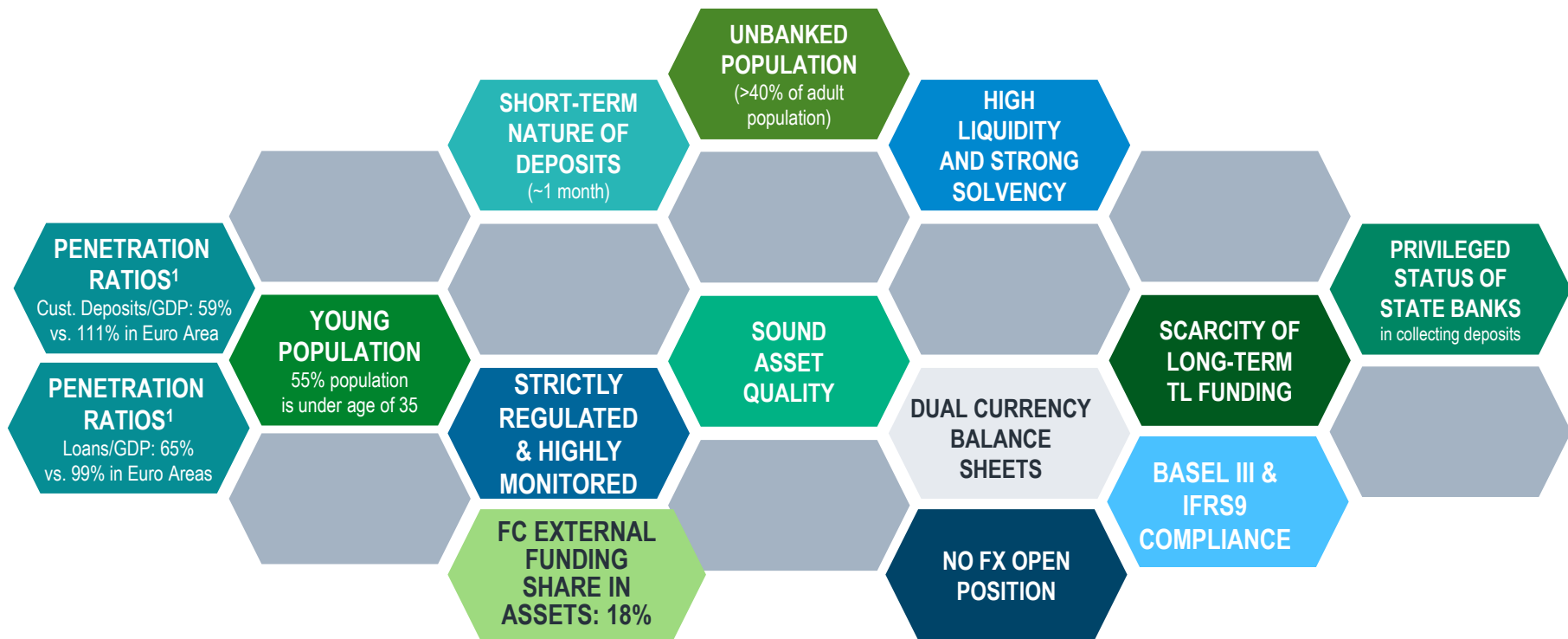
CUSTOMER DEPOSIT GROWTH



TL LDR	145%	143%	135%
TOTAL LDR	108%	106%	102%

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 TRANSFORMATION JOURNEY

OUR PURPOSE

TO BRING THE AGE OF OPPORTUNITY TO EVERYONE

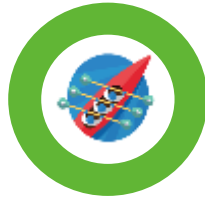
OUR VALUES



CUSTOMER COMES
FIRST



WE THINK BIG



WE ARE ONE
TEAM

OUR STRATEGIC PRIORITIES



EMPLOYEE
HAPPINESS



EFFICIENCY



DIGITALIZATION



CUSTOMER
EXPERIENCE

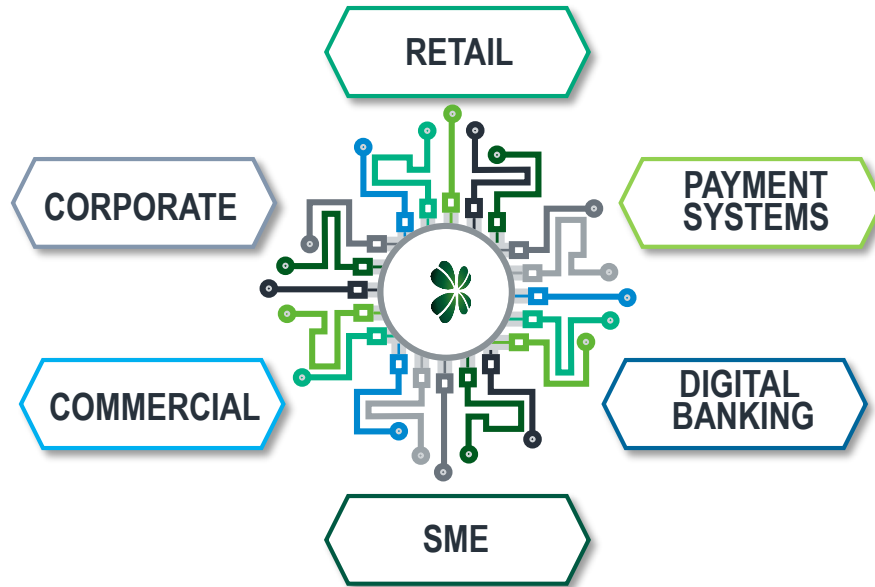


OPTIMAL CAPITAL
UTILIZATION



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%

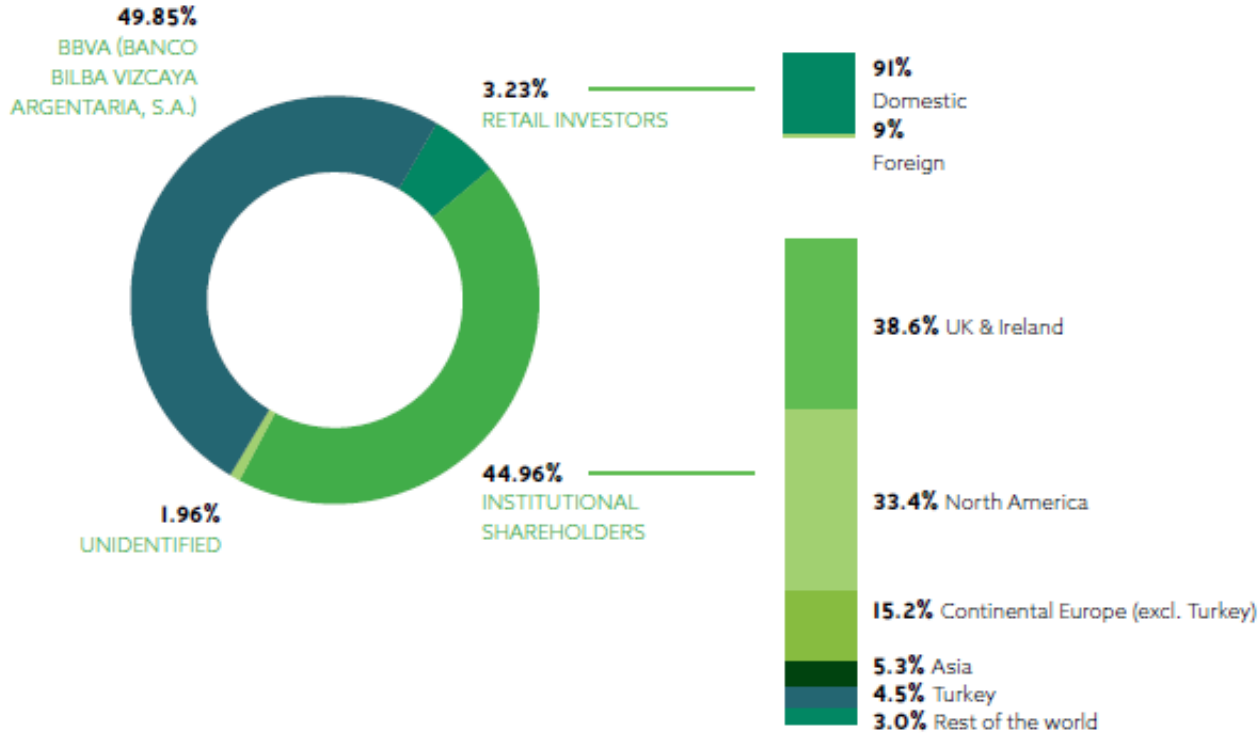
 **Garanti BBVA** Factoring Asset Contribution: 0.45%

 **Garanti BBVA** Securities Asset Contribution: 0.2%

 **Garanti BBVA** Asset Management Asset Contribution: 0.03%

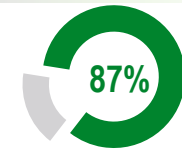
Note: Asset contributions are calculated based on BRSA Consolidated Financials as of September 30, 2019

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 November 1st 2019.

GARANTI BBVA AT A GLANCE

\$73 bn

TOTAL ASSETS

2nd largest private bank per consolidated asset size

\$7.1bn

MARKET CAPITALIZATION*

Largest floating Mcap (~\$3.6bn) 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

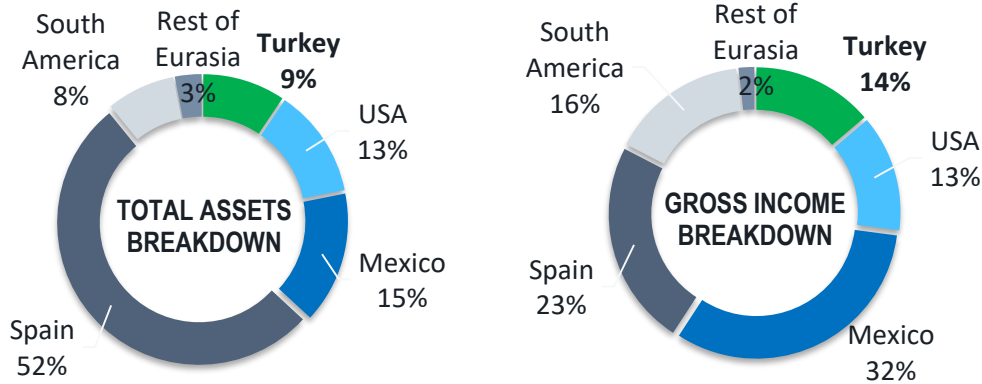
Note: Financial figures are per BRSA Consolidated data as of September 2019

* As of November 07, 2019

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

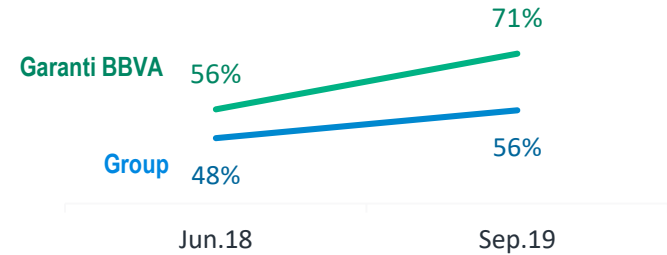
GARANTI BBVA'S CONTRIBUTION TO THE BBVA GROUP

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

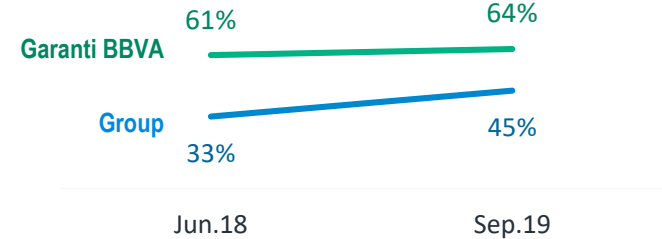


In Digital Banking, GARANTI BBVA ranks at the top within the group

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

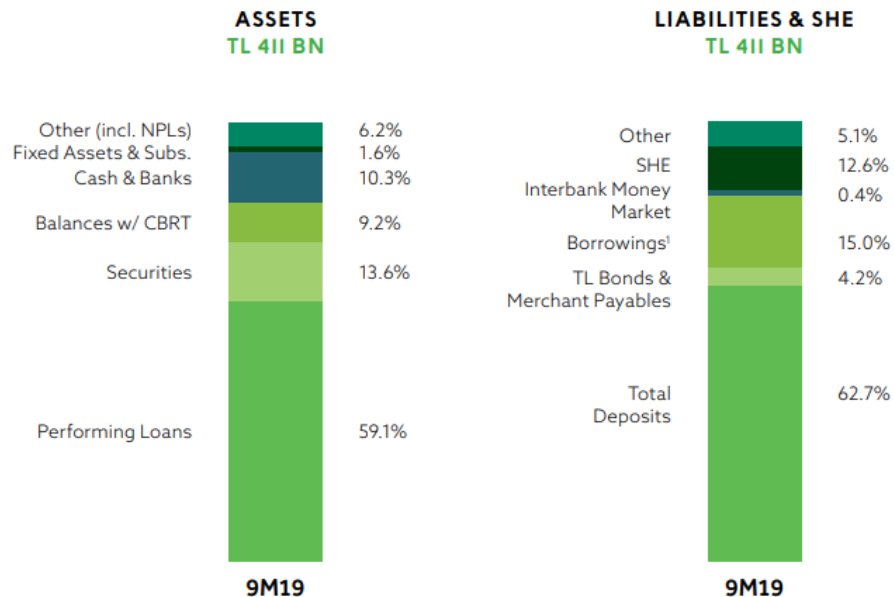
% OF LOANS WITH
ESG PROVISIONS
IN LOAN AGREEMENTS

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%

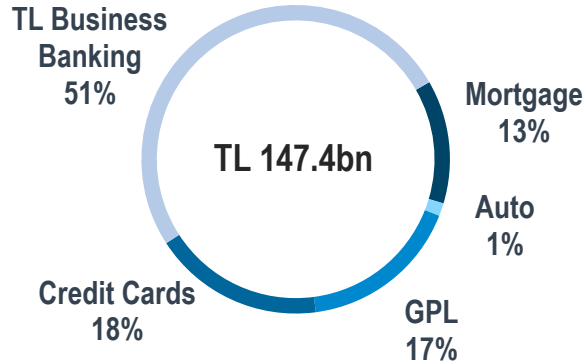
Note: Figures are per September 2019 BRSA Consolidated financials

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)

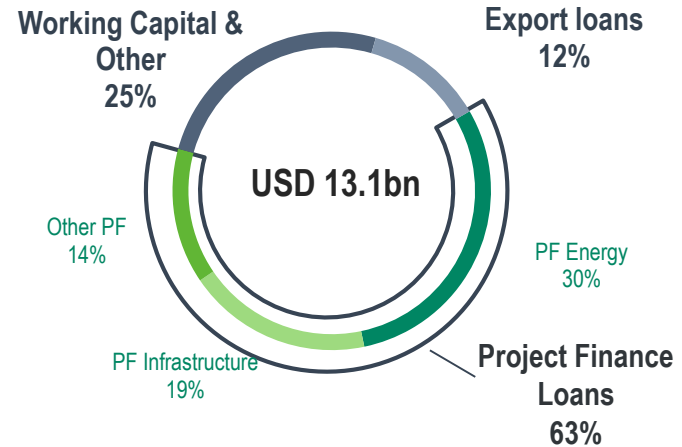
PERFORMANCE INDICATORS (III/IV) – LOAN PORTFOLIO BREAKDOWN

TL PERFORMING LOANS



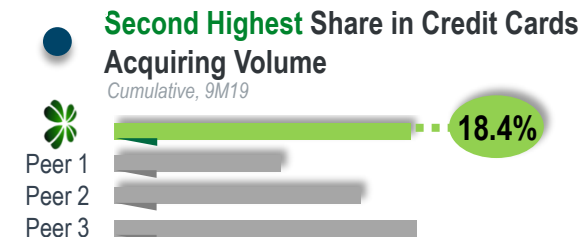
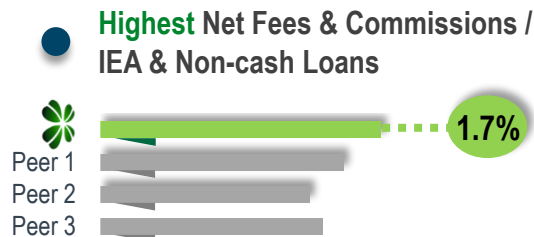
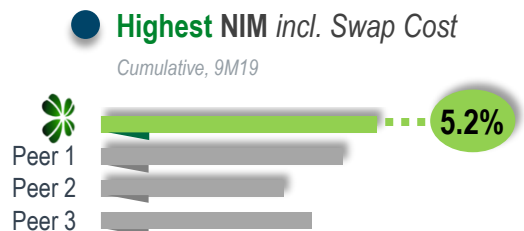
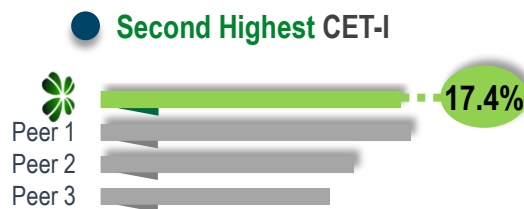
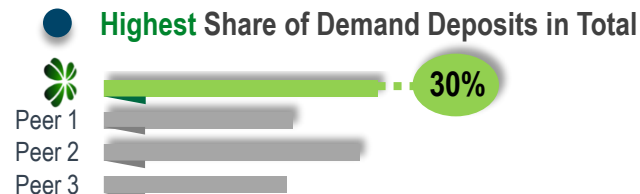
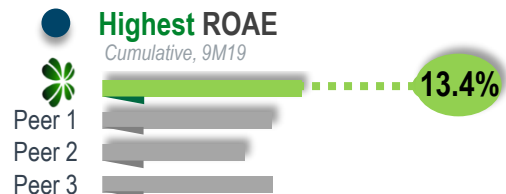
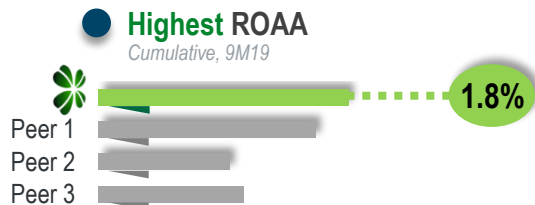
- ▶ 48% of GPLs are granted to salary customers

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

2019 PROJECTIONS

TL Loans (YoY)	~5%
FC Loans (in US\$, yoy)	(10%)
NPL ratio	<7%
Net Cost of Risk	<300 bps
NIM Incl. Swap Cost Excl. CPI	Flat
Fee Growth (YoY)	Low-teens
OPEX Growth (YoY)	< CPI (Yearly Average)
ROAE	Low-teens

**Mid-term ROAE
target remains in high-teens**

AGENDA

TURKISH ECONOMY & BANKING SECTOR

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

OUR TRANSFORMATION JOURNEY

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	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%

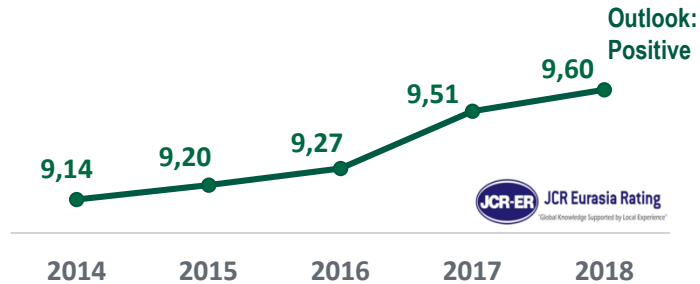
Master's
45%

AVERAGE EXPERIENCE



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE RATING



Rating increase was driven by;

- ▶ The adoption of a Risk Based Audit Model,
- ▶ Successful implementation of new branch model,
- ▶ Publication of the first integrated annual report.

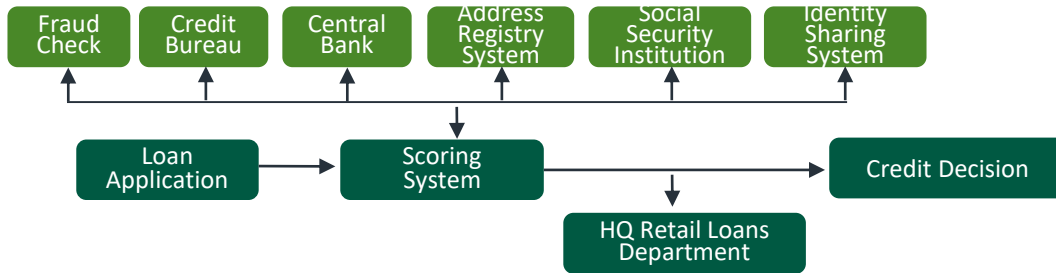
In 2018, Garanti BBVA **achieved compliance with all of the mandatory principles** of the Corporate Governance Communiqué No. II-17.1.



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

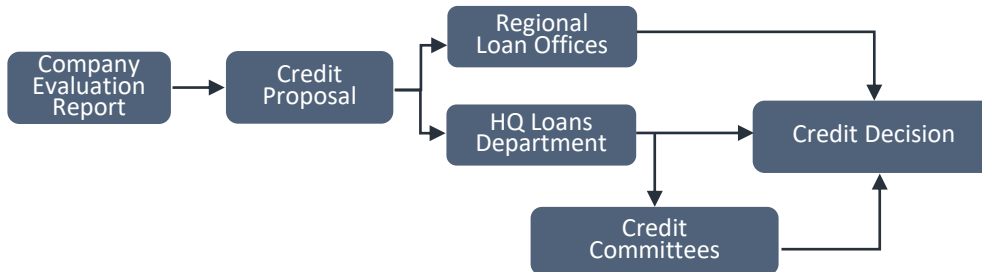
ADVANCED RISK MANAGEMENT SYSTEMS

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

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



AGENDA

TURKISH ECONOMY & BANKING SECTOR

GARANTI BBVA CORPORATE PROFILE & FINANCIAL HIGHLIGHTS

CORPORATE GOVERNANCE & RISK MANAGEMENT

OUR TRANSFORMATION JOURNEY

OUR NEW SERVICE MODEL IS A KEY MILESTONE IN OUR TRANSFORMATION JOURNEY

What we transformed?

 WE DEVELOPED A NEW LOBBY SERVICE MODEL & REDESIGNED OUR BRANCH LAYOUT

 WE RE-DESIGNED AND DIGITIZED OUR PROCESSES & ENHANCED CUSTOMER JOURNEY

 REDEFINED ROLES & EMPOWERED EMPLOYEES



OUR NEW SERVICE MODEL IS A KEY MILESTONE IN OUR TRANSFORMATION JOURNEY

What we achieved?

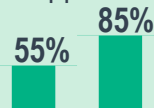
Financial analysis reporting process decreased to **2.5 min** from 25 min

Increased Efficiency

Digital, Fast and Lean Processes



Digital loan approval in **7 mins**



«**Positive feedbacks from our customers**»

Avg. waiting time: **~13 mins**

Max. waiting time: **↓ by 20%**



Happier Customers

More Competent Employees

Sales capacity increase: **+35%** ↑

**OUR
TRANSFORMATION
JOURNEY CONTINUES...**



**....TO BRING
THE AGE OF OPPORTUNITY
TO EVERYONE**

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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