GARANTI BBVA 3Q24 FINANCIAL RESULTS WEBCAST

We are thrilled to be with you on another earnings call, presenting our outstanding performance.

Despite the continuing market complexities and even further regulatory pressures, we sustained improvement in our core banking revenues.

Before getting into the details, let's quickly go over the macro backdrop we are in;

Rebalancing in the Turkish economy continues with a mild slow-down so far. Restrictive monetary policy and expected fiscal consolidation 2025 onwards might keep GDP growth at closer to 3% in the short term.

We expect monthly inflation trend to decline to slightly below 2% by end 2024, resulting in an annualized level of nearly 25% in 2025 with risks tilted to the upside.

Depending on the improvement in inflation trend, we maintain our call of a modest first rate cut in Dec but define risks as staying high for longer. Uncertainties about the wage and tax adjustments at the start of the year will require the CBRT to remain cautious.

Driven by weak domestic demand and lower energy prices, current account outlook further improves to below 1% of GDP.

Medium Term Program shows efforts to keep budget deficit to GDP below 5% in 2024 and closer to 3% in 2025. Negative fiscal impulse will support the disinflation process and excluding earthquake spending budget deficit to GDP will remain below 3%, in line with the Maastricht Criteria.

Now time for the financial results;

In the third quarter of 2024 , as well, Garanti sustained its best in class performance with a 22.4bn liras of net income – bringing the 9 months net income to 67bn liras. This represents a clean 27% yoy earnings growth when adjusted with last year's provision reversal.

So even with the rules of the game changing midway through the quarter causing further pressure on funding costs, we sustained our outstanding performance and ended with a YTD ROAA of 3.5% and a ROAE of 33%.

This best in class performance is owed to our highest internal capital generation capability on the back of customer-driven asset mix, high asset quality, closely managed funding costs and operating expenses.

Sınıflandırma: **Açık**

We registered - an even higher performance - in growing our core banking revenues.

The quarterly growth of 12% in core banking revenues carried the cumulative yoy growth to 58%.

Biggest component this year, is Net fees & commissions, as expected, with an 18% qrtly and 2.5 fold cumulative annual growth.

Second biggest component remained to be growth in core NII, despite stabilizing loan yields in the quarter and further tightened macro prudential measures - such as much higher reserve requirements, the deposit conversion rules and min interest rate calculation changes in credit cards.

Still, when we look at our core banking revenues to assets ratio, we have been consistently improving it and its level compares quite favorably to that of the avg peer's. For instance, our core banking revenues to assets ratio of 6.7% was 2.9% on average at peers in the first half.

In other words, our core banking revenue generation capability remains to be 'the highest in sector' and our inherent strength.

This achievement requires high share of Customer driven asset mix and relatively lower share of securities.

Our performing loans in assets make up the majority with 56%. Securities share on the other hand is at its two year low with 14% share and it is the lowest among peers.

We booked another 8% TL lending growth in the quarter bringing the ytd TL loan growth to 38%. This growth is achieved while sticking to the imposed loan growth caps and booking higher growth in the preferred areas such as investment, export, credit cards and earthquake affected area loans.

In FC lending, we booked a strong 8% growth in the quarter, taking the ytd to a double digit growth – suggesting an upside in our FC loan growth projection.

On the securities front –we are typically opportunistic or grow for either hedging purpose or regulatory driven. In the quarter, we did replace our redeeming TL securities and added a bit more to our fixed rate portfolio. Combined with the securities purchased in the first half, ytd growth registered in TL securities reached 32%.

Drivers of our TL loan growth were mainly consumer loans such as mortgages and GPLs with preferably longer maturity and credit cards.

We gained market share in TL across the board, except for a slight mrk share loss in business loans; due to low demand and current ST preference of companies waiting for the rate cuts.

Our TL loan porfolio at end of 3rd qtr surpassesed 1 trillion liras mark on the back of a ytd growth of 49% in credit cards, 40% in consumer loans and 28% in business loans.

Our market share in consumer GPLs, among private banks, neared 20%, in mortgages it exceeded 26%, and in credit cards it is almost 23%. Also in business banking, we still have 20% market share.

In total, we have the largest TL loan book among private banks.

Moving on to the quality of the total loan book of 1.7trillion liras: 88% is in stage 1.

10.4% or 176bn TL is in stage 2. Isolating the currency impact – which has affected largely the restructured portion of Stage 2 - stage 2 increase was predominantly due to the increase in the SICR portion, namely those expected, small ticket size retail and credit card loans.

Since the coverage for the SICR is relatively low, it did not pressure the st. 2 provisions much while the recovery of a highly provisioned wholesale book in st 2 diluted the FC coverage portion of st 2. About one third of our stage 2 is FC loans related and their coverage even after this recovery remains at a strong 38% while the TL loan's coverage is at 8%.

for the NPL evolution…

The Net NPL inflows in the quarter suggest deterioration we all expected after last year's exceptional low base and robust retail growth.

New NPLs doubled qoq and 90% of them related to the retail book – half alone was from the credit cards portfolio. NPL Inflow from commercial side was almost nill.

The ratio post NPL sale and write downs went up to 2.1% from 1.9% in the first half. It was also supported by the still strong faring collection performance on the wholesale side.

We sold a total of 5.9bn liras of NPLs for 2.3bn liras as they were feasible with positive spread in NPL sale price and the legal process time cost, in this inflationary period.

Our total provisions on balance sheet, including the written down portion, went up by another 6 billion liras and reached 76.5billion liras. This is the highest provision level among the private banks and represents a 4.5% total cash coverage.

On the next slide, we'll see the translation of this into cost of risk

Even though net provisions, excluding currency and the earth quake related provisions of last year, spiked almost 5 fold year on year; and double qoq, collections from the wholesale book continued to support the ytd net COR.

Cumulative net COR went up to 90bps from 66bps in the 1st half. This increase is very much parallel to our anticipated deterioration in the year. For that we reason, stick to our whole year guidance of 125 bps of net COR by year end.

On the Funding side … Customer deposits dominate the funding of assets

The high share of demand deposits' funding assets, in spite of the high interest rate environment, remains to be the key financial differentiation supporting margin outperformance.

Borrowing's share in funding assets, remains low at under 6.5%. Total external debt as of the 9months was $4.6bn with some increase in the MTN program in the quarter. Of this 41% relates to securitisations, 27% to subdebt and 19% to syndications. $1.5bn of the external debt is due within a year and against that we have $5.1bn buffer in FC liquidity.

The quarterly drop in FC liquidity buffer is due to the significant increase in the total required reserve amount and decrease in bank depo placements.

Overall our leverage remained to be the lowest among peers at 8.5 times the equity.

Conversion to standard TL deposits continued in line with the regulation targets given. As of the 3rd qtr end, we grew another 6% in TL deposits bringing the ytd TL deposit growth to 29%. TL deposits now make up 56% of the total.

On the FC deposits side, eventhough there seems to be higher growth in dollar terms – 11% in the quarter vs 6% growth ytd – this growth though largely relates to gold deposits that went up in value and the parity move during the quarter rather than dolarization. Actually, half of the increase in FC deposits in our bank-only FC deposit growth relates to the appreciation in the gold value. ¼ of the impact comes from the change in the eur/dolar parity in the quarter. On a consolidated basis, the reason behind the increase that looks much bigger is because of the non retail FC deposit volume growth at our foreign subsidiaries.

Even though we manage, the most sizeable TL deposit portfolio in high interest rate environment, we continue to lead in customer demand deposits' share in total; that is 40% at Garanti vs. the average of private peers of 34%.

Also within the time deposits, even though the conversion to standard TL deposits has picked up significant pace, we still have the highest share of FC protected deposits in TL time deposits with relatively lower funding costs.

Clearly, these provide significant funding advantage and continue to support our superior margin performance.

Accordingly, our margins remained resilient despite the continuing tight stance in monetary policy and additional macroprudential measures.

Quarterly margin improvement of 50 bps largely stemmed from the CPI book and our CPI estimate increase to 45% from 40% that we have used in the 1st half.

On the other hand, the regulatory changes, introduced midway through the quarter, exerted additional pressure on our core Net Interest Margin and limited the expected quarterly expansion. In the quarter, our core margin went up by a mere 8bps to 2%.

Nominally speaking; our net interest income including swap costs in the quarter ended to 25 bn liras. Stripping out the CPI income of 13 bn liras in the quarter meant another 1.6 bn liras increase of core net interest income to 12.2bn liras. Even though the core NII growth is lower than our projections in the beginning of the year, the level of Core NII and the margin are by far the highest among peers. This strength proved to be our legacy!

Please note that if we had not had the rules of the game change midway through the year, our cumulative NIM would have been 60 bps higher and quarterly NIM expansion would have been 70bps rather than 51bps. And with that, we would have been perfectly on track to meet our flat margin guidance for the year - taking into account the further spread and thus margin improvement we expect in the last quarter.

As for net fees & commissions,

There is 18% qoq and 2.5 fold yoy growth driven largely by the payment systems business. Accordingly, of the 68 bn liras of net fees and commissions booked in the first 9 months, 2 thirds relate to the payments systems business - owing to our #1 rank in that business.

Also our number 1 rank in TL cash loans and noncash loans as well as money transfer fees, non-life and life insurance were all supportive in our Net Fees and commissions growth.

Key reasons behind our robust fee performance are; the strength in relationship banking and digital empowerment contributing to not only growth in our active customer base, but also penetrate further the existing customers.

Our digital active customers now reached 16.3 million and Digital sales in total is 89%

As for the operating expenses performance,

Quarterly growth was 18% and the annual growth pointed to 71% - post the currency adjustment.

Even though the salary adjustment hit the quarterly opex base, our efficiencies remained best-in-class.

Such that our Cost income ratio with 42% suggests the highest efficiency among peers in this period.

fees coverage of opex remained at a strong, 93%,

and opex in avg assets were 3.8%.

As per Capital..

Consolidated CAR - Without the BRSA's forbearance - went up to 15.8% and Core Equity Tier 1 to 13.4%. Net income generation in the quarter continued to support the solvency, and became more visible especially upon the normalization of risk weights assigned to consumer loans in the quarter, per the regulator. If further normalization of risk weights on commercial loans gets realized, it will take the CAR level 95bps higher than the current one.

The FC sensitivity on our CAR is a low 21.5bps negative for every 10% depreciation – owing to our $500mn tier 2 issuance in the 1st quarter this year.

In summary, we hold the Olympic gold medal in the financial pentathlon

In the 9 months into 2024,

We recorded the highest net income via sustained increase in core banking revenues. The yoy growth in the core banking revenues was 58% reaching 128 bn liras in the 9 months period.

On the fee side, our diversified fee generating businesses along with the extraordinarily high payment systems fees almost tripled yoy and brought the fees coverage of opex to 93%.

On the Asset quality front, we remain committed to robust provisioning. Total provisions on balance sheet reached 61 bn liras. Including the written down portion it is actually 77bn liras suggesting a total coverage of 4.5%. – a level that is highest among the peers. With the rise in CC and retail NPL inflows and normalizing collections from the wholesale business, our net COR is well on track to be within the guided level by year end.

On the Capital front, we remain solid. We had 81bn liras of excess capital as of the 9 months end when calculating without the BRSA's forbearance.

Our progress in business growth continues. Today every 1 out of 2 bank customers has an account with Garanti BBVA and our digital active customers with 16.3 mn is the highest in the sector

In conclusion, our agility and financial resilience once again validated our unmatched leadership.

Looking forward..

We maintain our full year profitability guidance. Even though there is now a visible downside risk to our NIM guidance due to the additional regulation changes in the 2nd half, we are well on track to compensate that downside with better growth in fees and commissions and trading income. Therefore, we stick to our mid 30s ROAE guidance for full year 2024.