

With now half the year and elections behind us, it is great to be with you again at another superb results call.

Let me start, as usual, with the macro backdrop we are operating in;

The main highlights are that; the new government economic policies will be key for the upcoming scenarios. It seems a gradual normalization, that will be supportive for growth, is a more likely scenario at least till the local elections in 7-8 months.

However, the scenario of gradual normalization in economic policies is expected to keep inflation under pressure. In today's inflation report announced by the Central Bank Governor, 2023 year end estimate is 58%

\*The existing strong growth momentum – we witnessed an above 4% first half growth, \*gradual normalization in economic policies and \*the resilient global growth outlook combined will be supportive of the economic growth in the short term. Accordingly, we expect GDP growth to be 4.5% this year.

This growth supportive environment along with the recent tax hikes, high wage adjustments, sharp currency depreciation, demand-pull factors eventually worsen inflation expectations. We now forecast year-end consumer inflation to be 60% with risks tilted to the upside.

Regarding Current Account deficit, even though 5 months to date deficit amounted to 38bn dollars, we expect the year end figure to be around 40bn dollars with the supportive factors like tourism revenues and growth composition shift in favor of net exports. This alludes to a level just under 4% of GDP. The good outlook in here is that; the expected change in the growth composition and easing energy prices are expected to shift the deficit to a surplus in 2024.

First half financial results were attained on the back of ongoing adaptation to the highly challenging regulatory environment which presented itself with significant pressure on funding costs.

Our swift margin defence manifested itself with selective short term TL lending growth vs the thin and even negative spreads seen in the quarter. Thankfully, we could offset this inevitable margin drop with our strength in fee generating businesses and solid subsidiaries; and muted NPL inflows.

Undoubtedly, our sustained top-notch core banking revenue generation capacity remained to be our key differentiation.

Even though there was an out-of-proportion increase in funding costs, in efforts to meet regulatory thresholds, we could still grow our Core banking revenues by 12% in the quarter and by 52% yoy.

Net income booked in the 2<sup>nd</sup> qtr was 18.4bn liras. This figure includes 2bn liras of free provision reversal – as management, upon the post-election normalization in the macro environment, decided to reverse a portion of the free provisions built to date. So by end of 1<sup>st</sup> half 2023, we are left with 6 bn liras of free provisions on B/S.

Net income, even when adjusted for the provision reversal, suggests a positive earnings growth performance. As main contributors to this, we can count;

- the 16% quarterly increase in fee income,
- the threefold increase in net fx buy and sell activity gains and
- well defended margins reflecting on core NII performance

6 months Cumulative Result of 33.8 bn liras of net income suggests outperformance not only to our operating plan expectations, but also to our peers, especially the performance in the fundamental /core banking areas.

RoE booked in the first half was 38.3% and RoA was 4.2%.

Main component leading to these solid results on slide 6, remains to be customer driven asset growth.

Our assets reached 1.9trillion liras at end of 1<sup>st</sup> half. Dominating portion of assets, despite getting diluted, because of the significant currency devaluation near 40% YTD, remains to be loans share with 52%.

In the 2<sup>nd</sup> quarter, we booked an accelerated loan growth – naturally it had to be regulation compliant and selective; and registered a 15% TL loan growth that helped to ease the pressure on net interest income.

YTD – 6 months to date- TL lending growth registered was 27% and there was also 2% growth in dollar terms in FC lending.

Securities' share in assets were 14%; and unlike 1<sup>st</sup> qtr, in the 2<sup>nd</sup> qtr, there were no new regulatory required security additions. There were some CPI and fixed rate security redemptions hitting the qtr portion of which were replaced with FRN securities.

Cash and cash equivalents' as well as other assets' high portion in assets relate largely to currency. A significant 34% devaluation we've seen in the qtr, caused

visible increase in the accruals of foreign currency protected deposits' currency difference, and that is booked under other assets, ballooning the portion to 9.5% of assets.

Now, where the TL loan growth was driven from can be seen on next page.

Our performing loans reached almost 600billion TL by end of first half

Compliant with the regulatory framework, growth drivers were SME loans and credit cards in the quarter. Accordingly, we booked market share gains in TL loans, TL business loans and particularly in SME loans

Our leading position in consumer loans as well as in credit card issuing & acquiring volumes among private banks remain.

On the Funding side, Deposits, dominate the funding sources, funding alone 3 quarters of the assets. All the funding sources are closely and actively managed in defence of our margins.

Despite the motivation we had to attract and grow FC protected TL time deposits, demand deposits' share, in funding more than 30% of the assets, remained intact. This suggests not only our customers' trust and clear preference, but also contributes positively to free funds in avg IEAs – a ratio that is well above the avg in the industry -- and actually sets the main pillar in our financial differentiation feeding margin performance. What it means is that; with customers' funds that are kept as demand deposits and our free equity, we fund a significant 45% of our IEAs.

Borrowing's share in funding assets, on the other hand, stood at 6.6% - Total external debt is now \$4.2bn – and you can see the foreign debt components in the pie chart on the bottom right hand side -- that is predominantly securitisations and syndications.

Of the total FC debt of \$4.2bn, \$ 1.4 bn is due within a year. We have a FC liquidity buffer of \$4.8bn. – that is far more than the short term need

In line with the continuing liraization efforts, the accelerated growth in TL deposits or largely FX-protected TL time deposits remained and we ended up with a twofold growth in TL time deposits since the beginning of the year.

Even though, this much higher growth in TL time deposits, diluted our TL demand deposits share in total to 18%. We have the highest TL demand deposit base among private peers with a balance of 137bn TL

\*The regulatory price caps on lending, as well as the lira deposit targets immensely pressuring funding costs, caused an inevitable drop in margins. Nevertheless, our legacy of Superior core margin generation capability remained intact even after adjusting with the option premium costs offered to FX protected deposit holders.

Quarterly core Margin drop was 205bps, taking into account the option premium costs offered to FX protected deposit holders – booked under the trading line. Cumulative core margin as of end of 1<sup>st</sup> half ended to be 2% when we include this added cost to liraize the deposits – suggesting a cumulative margin drop of 328bps so far.

The outlook in here looks promising though. It seems we may have left the worst behind in terms of downward margin trend.

We had already started seeing the trend reversal on the outstanding TL loan yields end, as of June end. Also this week's Regulation adjustment will help carry the loan yields to more sensible levels and allow originations with reasonable spreads.

Now moving to the subject of asset quality.... on slide 11;

Of the gross loans total of 1trillion liras. 13% is stage 2. Even though there seems to be a quarterly increase in stage 2, when adjusted with currency, it has actually dropped - as the recoveries from stage 2 with very thin risk were higher than stage 2 inflows. Notice the strong 20% - stage 2 coverage. Especially notice the coverage of FC loans' under stage 2 that is quite high and is on avg 34% vs. 9% for the TL loans coverage that include the very low risks under SICR portion. In short, we sustain our highly prudent provisioning.

As for the NPLs on next page....

NPL inflows in the quarter remained limited with the supportive growth environment and strong collections

Combined with the growth booked, NPL ratio further improved to 2.1% while our total provisions, including the write down portion, reached a record level of above 62 billion liras. Representing a total cash coverage of almost 6%. Recall that we have the highest provision level in the sector.

We can see on the next slide how this translates into risk costs or provisions,

Where net COR as of 1<sup>st</sup> half ended to be 65bps. Of which 42bps was due to the impact of the earthquakes

Isolating the earthquake related portion, in the quarterly net provisions chart on the bottom left hand side, you can actually see a further build up of provisioning parallel to the growth we have booked.

Despite this highly prudent provisioning, overall, our net CoR is faring better our guidance that was expected to be around 100bps.

Moving on to the performance in net fees & commissions,

We could sustain our 1<sup>st</sup> qtr performance in doubling last year's NF&C. Our half year commission income exceeded 14billion liras

A strong 16% quarterly growth on top of last quarter's high base reflects a clear differentiated capability; strength in relationship banking and digital empowerment

Main contributors to the growth were again; \* Money Transfer fees – our #1 rank in here is a clear representation that Garanti BBVA is customers' choice as their main bank.

Besides the money transfer fees, payments systems as well as cash and noncash fees' contribution to NF&C growth remained very strong.

In here, recall that we have expected and guided for a growth that is around the average inflation. So far the performance suggests there can be an upside to our guidance.

As for the operating expenses performance, on slide 15

Quarterly opex growth was flattish when the portion that was impacted by the currency is taken into account. YoY OPEX growth was 122%, of which near 9% was due to the currency depreciation that is fully hedged.

Slightly higher than the guided growth in opex can be explained with the, so far low base affect, as the multiple salary adjustments we had done last year, occurred post 1<sup>st</sup> qtr. So expect convergence to guided level of 100% opex growth by year end.

Cost income ratio as of 1<sup>st</sup> half was 36% and fees coverage of opex was 58%

Capital remained strong.

Income generated in the 2<sup>nd</sup> Quarter could largely compensate the negative impact arising from the significant currency devaluation as well as amortized portion of the subdebt.

CAR at end of 1<sup>st</sup> half remained at a strong 15.8% and CET 1 at 13.7%

We have 49bn TL of excess capital on a consolidated basis and without any forbearance impact. And as a secondary buffer, we still have 6 billion liras of free provisions on Balance Sheet.

If we were to include free provisions as part of capital, that would take our capital adequacy ratio to 16.3%. On top of this, if we were to include also the BRSA forbearance impact, it would add another 210bps. Technically carrying our consolidated CAR to 18.4%.

The FC sensitivity on our CAR is that for every 10% depreciation, it is 39bps negative.

This wraps up our financials' presentation

Now moving on to our value creation on the non-financial side , very briefly:

We are happy to be the first bank from Turkiye to announce, interim decarbonisation targets for 2030, to achieve 2050 Net Zero.

We are one of the pioneers in open banking. And now, we basically serve as a hub for other banks' accounts.

Our 13.8 million mobile only customers clearly support that we are customers' choice as their main bank

Diving a bit more on our non-financial value creation;

And starting with employee satisfaction, our most recent poll results: 4.3 points out of 5 indicating strong employee loyalty. We are one team, striving to be always better. This is also evident in our inclusion in the Bloomberg Gender Equality Index for 7 consecutive years.

Our main goal is: Creating sustainable value beyond serving our high base of 14.1 million digital active customers. Of which 13.8 million are on mobile bank as well. Digital channels' share in total sales reached 89% and almost 1 out 5 mobile transactions in the sector is through GarantiBBVA.

In-line with responsible banking model, for us sustainability has moved beyond just financing. We have so far mobilized 86bn TL in sustainable businesses since 2018.

We also focus on managing the direct impact we have through our community investment programs. And as of 2022, our such contribution has reached 72 million TL.

Along with these, we also care about what we shouldn't finance. We have been carbon neutral since 2020.

,Now this concludes our presentation and we leave the floor to you for questions.

Thank you for listening.