

Foreword

'THE MEANING WE ATTACH TO WORDS...'

Finance and banking are associated first and foremost with numbers, figures and ratios. Performance and goals are expressed in numbers; so are current position and status. Yes, the finance sector likes numbers, because things that are quantifiable have priority and talking about measurement means talking about numbers since those that are not measured cannot be improved.

As Garanti BBVA, we have transformed figures into data, and data into different dimensions through analyses. Making use of qualitative and quantitative research, we have given direction to individuals' and organizations' decision-making processes and strategies with our expertise and holistic perspective. We have digitalized our business to make our customers' lives easier, and we have developed mobile applications for them to quickly implement the right financial decisions. In brief, we have measured, listened, understood, interpreted, developed, implemented and delivered throughout our existence. Our starting point was to create value for all our stakeholders. With the set of values and principles that define us, as Garanti BBVA, we have promised to use our products and services for the purpose of bringing the age of opportunity to everyone. Most importantly, as much as our good command of data, what set us apart was the meanings we attached to our activities, commitments, and words while interpreting and improving outputs.

In Garanti BBVA Integrated Annual Report 2020, we wanted to share what words meant to us in 2020, a year that was marked by our tireless work to create responsible and sustainable value in uncertain and dire times, especially through the pandemic days. We combined numbers with words. These are the words that empower our story and make us who we are: **TRUST, PIONEER, SUSTAINABILITY, RESPONSIBILITY, AGILITY, SUCCESS, DIGITALIZATION, EXPERIENCE, EMPATHY AND TRANSPARENCY.**

We know that words become meaningful because of the people who utter them. We exist with our employees who utter these words with conviction, and with our customers, business partners and all our stakeholders who find these words worthy of us. And in reality, we sign our name under each one of them and add meaning to our commitment in the story we author with these words. We believe that our success and its continuity are underpinned by **TRUST**. We prove our **PIONEER** position with the firsts we have accomplished

in the banking sector to date. With our **SUSTAINABILITY** initiatives, we truly live up to this concept; we shape sustainability with our commitment to create a robust and successful business model for the future by sharing long-lasting values with our stakeholders. We feel responsible, primarily, for the world we live in, for our environment, our employees, our customers, and most of all, for our own operations. We act with this sense of **RESPONSIBILITY** at all times. According to us, **AGILITY**, taking action swiftly, being dynamic and effective in the digitalizing order that races against time, leading innovation while empowering our employees, flexibility and creativity are all absolute essentials for our business. It takes an agile organization to quickly and efficiently respond to opportunities and threats. At Garanti BBVA, its people are the enablers behind the word **SUCCESS**. At the heart of all our achievements, of all the commitments we delivered, and of our sustainable value creation lies the invaluable human capital of Garanti BBVA that works as one team, rendering us successful and bringing us the numerous awards we have been crowned with to date. With our investments in **DIGITALIZATION** and with the projects we have launched that served as a model for the sector and even for the business world, we have proven that we are not influenced by digital transformation, but that we live by digitalization and empower our stakeholders by becoming digitalized. **EXPERIENCE** is the phenomenon that leaves its mark on our lives and underpins the existence of the words we have listed above. Our longstanding experience not only makes us the best and defines our mastery in our business, but it also determines the impact of our human-centric activities as we design the journeys of our employees and customers. For Garanti BBVA, empathy is the most successful way of connecting with its stakeholders. **EMPATHY** is vital within our cordial, real and long-lived relationships, our values, communication and culture. And we believe that all of these are possible only through clearness and **TRANSPARENCY**. Accountability and responsibility are enabled by a transparent governance model and lay the foundation for trust.

In our report, a group of 50 individuals ranging from our Board members to senior management, executives from subsidiaries to directors of business lines, regional office and branch managers shared what all these words mean to Garanti BBVA, the meaning we attach to these words, and the value we create by honoring our commitment. Having ended 2020 successfully, Garanti BBVA will continue in the years ahead to constantly improve its business model, to understand and quickly address and satisfy evolving customer needs and expectations, to empower its employees, to provide for the benefit of society, and to work for creating value for all of its stakeholders and for bringing the age of opportunity to everyone.

About the Report

We are pleased to present the fourth integrated annual report, which makes a holistic assessment of the financial and non-financial performance of T. Garanti Bankası A.Ş. ('Garanti BBVA'), as well as conveying its forward looking strategy.

Garanti BBVA aims to communicate its thinking and its approach to long-term sustainable value creation to all its stakeholders in a clear and comprehensive way following the principles of Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC).

While providing an overview of the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "Integrated Annual Review 2020", Garanti BBVA provides a thorough account of its annual activities, detailed financial and non-financial performance including value drivers and indicators, and its approach to corporate governance and risk management in the document titled "Integrated Annual Report 2020".

The content of the Report is determined in line with the material issues, which are identified as an intersection of issues raised by our stakeholders and topics that are significant to Garanti BBVA. The information presented in this Report covers the 12-month period ending 31 December 2020, and unless otherwise specified, includes information on Garanti BBVA's operations in Turkey as well as the international subsidiaries in the Netherlands and Romania, foreign branches in Cyprus and in Malta, and one international representative office each in Dusseldorf and Shanghai. Where relevant, the information is supported by historical data.

The connection between the material issues, business strategy and performance in 2020 is clearly established, as suggested in the Integrated Reporting Framework published by the IIRC. Garanti BBVA is a member of IIRC's Global <IR> Network and <IR> Banking Network, and is a founding member of Integrated Reporting Turkey Network (Entegre Raporlama Türkiye Ağı "ERTA").

This report has been prepared in accordance with the GRI Standards: Core option. The Report covers seven main chapters called "Introduction", "About Garanti BBVA", "Our Value Creation", "Our 2020 Material Issue: COVID-19", "2020 Performance in Strategic Priorities and Outlook", "Corporate Governance" and "Financial Reports and Appendices". It also includes the GRI Financial Services Sector disclosures, United Nations Global Compact ('UNGC') and Women's Empowerment Principles ('WEPs') Progress Report, and a summary table of climate related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations. This year, the Report includes the Impact Report prepared in accordance with the Principles for Responsible Banking developed by the United Nations Environment Program Finance Initiative ('UNEP FI'), of which Garanti BBVA is a signatory. Garanti BBVA's Integrated Annual Report 2020, which has been audited by KPMG and published with the decision of the Board of Directors, will be presented at the Ordinary General Shareholders' Meeting of Garanti BBVA. KPMG provided reasonable assurance on the financial information, and limited assurance on selective non-financial information defined in detail in the auditor's report.

INTRODUCTION

Integrated Annual Report 2020 opens with the Independent Auditor's Opinion and Assurance Reports and the statements of responsibility by the Audit Committee Members (Independent Board of Directors Members), the CEO, and the Executive Vice President responsible for Financial Reporting on the financial statements and the annual report. The first chapter provides a foreword on the reflection of Garanti BBVA's value creation story on this year's annual report, keynote messages by Charles Tilley (CEO of IIRC), Garanti BBVA Chairman, and Garanti BBVA CEO.

ABOUT GARANTİ BBVA

The second chapter covers the operating environment, the positioning of Garanti BBVA, its governance structure and risk management perspective.

OUR VALUE CREATION

The third chapter covers the material issues which specifically impact Garanti BBVA and its stakeholders and stakeholder engagement, mega trends, Garanti BBVA's response to relevant risks and opportunities, the interaction of our business model with the 6 Capitals as defined in the IIRC Framework, and our ability to create shared value in the long term.

OUR 2020 MATERIAL ISSUE: COVID-19

This year, COVID-19, the material issue of Garanti BBVA, was addressed under a dedicated heading as a summary of the efforts and initiatives aimed at creating responsible and sustainable value for all stakeholders in uncertain and dire times. The chapter describes how Garanti BBVA fulfilled the needs of its employees, customers and the society in an uninterrupted and quick fashion, while protecting its stakeholders' health, which the Bank regarded as its topmost priority, drawing on its organizational agility.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

"2020 Performance in Strategic Priorities & Outlook", which is explained in the fifth chapter, covers our activities regarding 13 different Material Issues, as explained in "Our Material Issues", in relation to our six Strategic Priorities. Each of these sections elaborates on both past performance and also gives an account of future strategies. Furthermore, Garanti BBVA's contribution to the Sustainable Development Goals ('SDGs'), the global plan of action to end poverty, reduce inequalities and protect the environment are linked to each section.

CORPORATE GOVERNANCE

The sixth chapter, 'Corporate Governance', discusses the management of risks related to Garanti BBVA's operations and the corporate governance structure. The chapter covers Internal Systems Governance, Audit Committee's and Risk Committee's assessments, Important Developments regarding 2020 Operations, and Ratings. In keeping with Garanti BBVA's commitment to corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of the Corporate Governance Principles Compliance Report. In addition, relevant headings include the explanations within the scope

of Sustainability Principles Compliance Framework addressed within the context of the "Communiqué (II-17.1.a) Amending the Corporate Governance Communiqué (II.17.1)", which incorporates the necessary additions made to Articles 1 and 8 of the Corporate Governance Communiqué on 02 October 2020. At the end of the chapter, Profit Distribution is presented for the approval of shareholders.

FINANCIAL REPORTS AND APPENDICES

The final chapter sets out the audited annual consolidated and unconsolidated financial statements for Garanti BBVA. The Bank prepares its consolidated and unconsolidated financial statements in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette dated 1 November 2006 issue: 26333, other regulations governing accounting and records of banks published by the Banking Regulation and Supervision Board, circulars and statements by the Banking Regulation and Supervision Agency (BRSA), and for matters not regulated by the aforementioned, in accordance with the "BRSA Accounting and Financial Reporting Legislation", which incorporates the provisions of the Turkish Financial Reporting Standards (TFRS) enforced by the Public Oversight Accounting and Auditing Standards Authority (in Turkish: KGK). The unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities at fair value through profit or loss, financial assets valued at fair value through other comprehensive income, real estates, and investments in associates and affiliates valued at equity basis of accounting. Consolidated financial statements, on the other hand, are prepared in accordance with the historical cost basis except for financial assets and liabilities at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and real estates. The accounting policies and the valuation principles applied in the preparation of the consolidated and unconsolidated financial statements are explained in relevant footnotes.



Please share your feedback and comments on the report by e-mailing to integratedreport@garantibbva.com.tr.

INTRODUCTION



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TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION



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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

TO THE SHAREHOLDERS OF TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

QUALIFIED OPINION

We have audited the annual report of Türkiye Garanti Bankası Anonim Şirketi (the "Bank") for the period between 1 January 2020 and 31 December 2020, since we have audited the complete set consolidated and unconsolidated financial statements for this period. In our opinion, except for the effects of the matter described in the Basis For Qualified Opinion section of our report, the consolidated and unconsolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated and unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

BASIS FOR QUALIFIED OPINION

As described in the Basis For Qualified Opinion section of Independent Auditor's Report on the complete set of audited consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2020 and 31 December 2020 dated 28 January 2021; the complete set of consolidated and unconsolidated financial statements of the Bank as at 31 December 2020 include a general reserve of total of TL 4,650,000 thousands, of which TL 2,150,000 thousands was recognized as expense in the current period and TL 2,500,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

We conducted our audit in accordance with "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by Banking Regulation and Supervision Agency ("BRSA Auditing Regulation") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

AUDITOR'S OPINION ON COMPLETE SET OF CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

We have expressed a qualified opinion on the complete set of consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2020 and 31 December 2020 on 28 January 2021.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles



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and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

- a) The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated and unconsolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated and unconsolidated financial statements. The annual report shall also clearly indicates the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- c) The annual report also includes the matters below:
 - Significant events occurred in the Company after the reporting period,
 - The Bank's research and development activities.
 - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT

Our objective is to express an opinion on whether the consolidated and unconsolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the audited consolidated and unconsolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated and unconsolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the consolidated and unconsolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Murat Alsan, SMMM, Partner

4 March 2021

İstanbul, Turkey



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INDEPENDENT LIMITED ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF T. GARANTI BANKASI A.Ş.

We were engaged by T. Garanti Bankası A.Ş. (hereinafter "Bank" or "Garanti BBVA") to provide limited assurance on the "Selected Information" contained in Appendix A.1 of the Integrated Annual Report of Garanti BBVA (hereinafter "the Report") for the year ended 31 December 2020.

The scope of our assurance is limited to the Selected Information listed below:

- Total Yearly GHG Emissions in tCO₂e reported under scope 1 and 2 of the GHG Protocol (Revised Edition)
- GHG Emissions Intensity in the reporting period
- Annual percentage change in GHG Emissions Intensity
- Total Yearly GHG emissions from business air travel – Scope 3 & Air Travel in Kilometres
- Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti BBVA (HPP, WPP, SPP)
- Total Yearly Energy Consumption by Source
- Total Yearly Water Consumption by Source
- Total Yearly Waste Generated (Recycled Hazardous and Recycled Non-hazardous)
- Environmental & Social Impact Assessment Process related to projects financed by Garanti BBVA:
 - Number of assessed projects in 2020
 - Number of rejected projects in 2020
 - Risk rating of the assessed projects in 2020
 - Number of project site visits conducted during 2020
- Renewable energy portfolio:
 - Amount of investments in renewable energy projects by type as of the reporting period end
 - Installed capacity of renewable energy projects by type as of the reporting period end
 - Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end
- Materiality Analysis
- Sustainability Governance
- Total monetary amount of community investments in the reporting period
- Cardless Transactions from Garanti BBVA ATMs:
 - Total number of cardless transactions from Garanti BBVA ATMs in the reporting period
 - Total volume of cardless transactions from Garanti BBVA ATMs in the reporting period
- Women employee ratio:
 - Senior+Middle Management
 - Total women employee
- Number of maternity leaves
- Number of paternity leaves
- Ratio of women employees returned to work after maternity leave
- Number of employees registered to Gender Equality trainings in 2020
- Number of employees attended the Female Leadership trainings in 2020



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- Absentee Rate
- Number of Clients (Total, Digital Banking and Mobile Banking) as of the reporting period end

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the preparation and presentation of the Report for the Selected Information in accordance with the Garanti BBVA's internally developed criteria as described in Appendix A.1 of the Report, and the information and assertions contained within it; for determining the Garanti BBVA's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that Garanti BBVA complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units

OUR RESPONSIBILITIES

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

The firm International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PROCEDURES PERFORMED

A limited assurance engagement on a Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries of management to gain an understanding of Garanti BBVA's processes for determining the material issues for Garanti BBVA's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability



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strategy and policies for material issues, and the implementation of these across the business.

- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information.
- Comparing the information presented in the Selected Information to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Selected Information.
- Reading the information presented in the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Garanti BBVA.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.

INHERENT LIMITATIONS

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions. Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information as defined in Appendix A.1 of the Report of Garanti BBVA for the year ended 31 December 2020 is not presented, in all material respects, in accordance with the Garanti BBVA's internally developed reporting criteria as explained in Appendix A.1 of the Report. In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for Garanti BBVA in connect with reporting to Garanti BBVA and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Garanti BBVA, for any purpose or in any other context. Any party other than Garanti BBVA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Garanti BBVA for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Şirin Soysal, Partner
İstanbul, 4 March 2021

STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s the year-end Annual Report for the period 01.01.2020 - 31.12.2020, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, has been reviewed by us;

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report does not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report honestly reflects the progress and the performance of the business and the financial position of the Bank together with the significant risks and the uncertainties faced.

Sincerely,

RECEP BAŞTUĞ
GENERAL
MANAGER

AYDIN GÜLER
EXECUTIVE VICE
PRESIDENT

**JORGE SAENZ-
AZCUNAGA CARRANZA**
AUDIT COMMITTEE
MEMBER

**AVNİ AYDIN
DÜREN**
AUDIT COMMITTEE
MEMBER

**BELKIS SEMA
YURDUM**
AUDIT COMMITTEE
MEMBER

STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report for the period 01.01.2020 - 31.12.2020, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, have been reviewed by us;

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report do not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report honestly reflect the truth relating to the Bank's assets, liabilities, financial position, profits and losses.

Sincerely,

RECEP BAŞTUĞ
GENERAL
MANAGER


AYDIN GÜLER
EXECUTIVE VICE
PRESIDENT

**JORGE SAENZ-
AZCUNAGA CARRANZA**
AUDIT COMMITTEE
MEMBER

**AVNİ AYDIN
DÜREN**
AUDIT COMMITTEE
MEMBER

**BELKIS SEMA
YURDUM**
AUDIT COMMITTEE
MEMBER

Message from Charles Tilley

 167  1 min  1  reporting

In the wake of the COVID-19 pandemic, rising socio-economic inequality and climate change, integrated reporting is assisting organizations across the world to communicate more effectively with investors and key stakeholders.

Positive steps are being made to unify the corporate reporting system and bring greater clarity to organizations to make reporting even more effective. The IIRC is collaborating with fellow standard setters and framework providers, and the recent announcement of the intent to merge with the Sustainability Accounting Standards Board (SASB) further signifies this convergence in the corporate reporting landscape. We are also witnessing a renewed interest in effective reporting from investors and an understanding of the impact resources and relationships from across the six capitals can have on value creation.

We welcome Garanti BBVA's fourth integrated annual report, which signals the organization's commitment to better corporate reporting. By placing equal value on financial performance, material issues and business strategy, organizations are making progress towards long-term sustainable development and responsible capitalism.



CHARLES TILLEY

CEO, INTERNATIONAL INTEGRATED REPORTING COUNCIL

Letter from the Chairman

 609  4 min  2  year



Dear Stakeholders,

2020 has been a year that started off with positive expectations regarding the national economy and especially the banking sector, however, with the impact of ongoing pandemic, it turned out to be one we have never experienced before in both social and economic terms. Global markets witnessed the greatest recession since the end of WWII. The effects of this turbulent year were exacerbated even more not just because of the pandemic, but also with the US presidential elections and the ongoing implications of trade wars. Although there were positive developments regarding the much-anticipated vaccine against the coronavirus in the last quarter of the year, the debates about the topic still continue.

In this process, as Garanti BBVA, we have prioritized the health and safety of our society, employees and customers over everything else. The remote working model that we quickly introduced in response to the conditions imposed by the pandemic, the financial support we have provided to our customers, and the financial success we achieved in this challenging environment, once again validated Garanti BBVA as the technology-focused, reliable and solid bank that it is. Notwithstanding the negative impact of the pandemic, lead indicators suggest that Turkey will record an above 1% growth in 2020. Even though this figure is well below Turkey's potential growth, we have been one of the few countries in the world to register a positive growth. The dynamic and young population's resilience against shocks keeps the Turkish economy alive under any circumstance.

Domestic demand driven growth resulted in higher-than-expected rise in interest rates. While reformulated economic policies in the last quarter proved to be effective, they were accompanied by market-friendly normalization steps.

The solid balance sheet and capital structure of the Turkish banking sector enabled our banks to fulfill the liquidity need of all stakeholders in the economy, primarily of the real sector in a short period of time and thus played a major part in the much faster recovery of our national economy as compared to other countries. In this period dominated by uncertainty, as Garanti BBVA, we have successfully fulfilled our responsibility as the bank providing the biggest support to the economy among private banks. Thanks to our sustainable growth strategy and business model, we preserved our leading position in the sector in terms of capital, asset quality and profitability.

A major implication of the pandemic has been the transformation of the customer behaviour alongside the increased awareness of digital banking. During this period, given the inevitable surge in digital banking, we have reaped the benefits of our 25 years long investments in digital channels.

Sustainability has gone beyond being a choice and become a necessity. The COVID-19 crisis is regarded as the first "sustainability" crisis of the 21st century and a wake-up call for decision makers to prioritize concrete steps regarding climate change. As Garanti BBVA, we have carried on with our environmental, social and governance investments. Our contribution to sustainable development has reached TL 51 billion as of end of 2020. We are not just managing our Bank's environmental impact; we are contributing to a sustainable world by offering sustainable and green products to our customers.

As we leave behind a year filled with uncertainties, we expect 2021 to be a recovery year for our country and the World. With the sustainable development principle, one of our fundamental strategies, as Garanti BBVA, we will continue to respond to evolving needs in the fastest and most effective manner, while preserving our strong capital on the back of our customer and employee satisfaction focused business model.

I thank all my colleagues, our valuable customers, shareholders and all other partners...



SÜLEYMAN SÖZEN
CHAIRMAN

Letter from the CEO

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Dear Stakeholders,

2020 has been an unprecedented year, one that embodied several different periods with various dynamics and challenges. As Garanti BBVA, we have ended the year successfully in regards to both our financial and strategic performance targets.

With respect to the national economy and the banking sector, we started the year with very strong growth and positive expectations. However, the COVID-19 outbreak that originated in China in December, quickly spread across the world and took our country in its grip by mid-March. With this, we have embarked upon a period of social and economic uncertainty, which was totally different from what we had anticipated at the start of the year.

In an effort to mitigate the impact of the pandemic on the economic actors, public authorities pursued monetary easing policies and fiscal incentives that can rarely be seen in history. Announcement of support packages for the real sector and implementation of accommodating monetary policies constituted the initial responses to prevent the spreading of the economic shock. The banking system, on the other hand, dispersed the new CGF loan packages that were made available and further low-cost liquidity into the system playing a key role in the process with support that corresponded to 10% of the GDP. As a result, the sector registered a TL loan growth of above 40% during the reporting period.

In this period, as Garanti BBVA, our primary focus was the health of our employees and customers. With the help of our technological strength, we were the first bank to adapt to

remote working model, manage our operations without any difficulties, and provide uninterrupted, quality service to our customers. Hence, we ended the year with a TL loan growth of above 33%. TL commercial lending growth, in particular, reached 40% proving once again our Bank's ability to book healthy growth together with the real sector under extraordinary circumstances.

In addition, we have accommodated our financially-distressed customers' loan deferral and restructuring demands without a question. We have ended up postponing the installments of a total outstanding of more than TL 40 billion to support over 1.1 million customer accounts during the course of the year.

The policies introduced and incentives provided, coupled with the support of the banking sector, made it possible for the real sector and individuals to overcome this period with the least damage. With the support of the healthcare sector, Turkey attained 6.7% growth in the third quarter, and has become one of the countries that best managed the pandemic and one of the quickest to step into the normalization process. Lead indicators point that Turkey will end 2020 with a growth rate of above 1% and will thus be one of the few countries registering positive growth.

Loose monetary policy, rapid increase in domestic demand and currency depreciation in the 3rd quarter put pressure on inflation. As a result of these developments, the CBRT began tightening its monetary stance as of the end of July. The new economic administration team that took over office in early November switched to "single rate" policy and reaffirmed a strong commitment to tight policy for an extended period of time in the fight against inflation. Thus, the policy rate that stood at 8.25% in the 2nd quarter gradually went up to 17% at the end of the year. Market-friendly steps such as the annulment of asset ratio and withdrawal of the previous regulatory framework such as the CBRT's 'good bank' criteria that led to an increase in lending activity, coupled with the positive developments in monetary policy implementations, brought along higher external fund inflow, and secured growing confidence in our country.

Thanks to our prudent policies, at the time of record credit expansion, we successfully preserved our robust capitalization at 17%, much higher than the required ratio of 12%. Moreover, despite the rough circumstances, we were not faced with any serious risks on the part of non-performing loans. As Garanti BBVA, we have bolstered our provisions to take countermeasures proactively to the extent possible, based on a cautious approach. We have one of the highest coverage ratios in the sector. In addition to that, we have paid utmost attention to currency risk management. Our balance sheet hedge mechanisms helped to minimize risk. We are not anticipating any difference in the picture in the future. Our prudent approach will remain and we will continue to grow while keeping an eye on asset quality and cost of risk, and to create value for all our stakeholders on the back of our healthy capital structure.

Funding management has gained more importance amid the high-interest environment. While the TL deposits expanded parallel to the TL loan growth in the first half of the year, we have witnessed a powerful dollarization trend in the second half. The share of FC deposits in total deposits went up to as high as 55%. The source of funding to our loan expansion continued to be strong TL deposit growth. Our demand deposit base, in particular, got very strong in this period, and its share in total deposits went up by 12 percentage points to 44%. This attests to the trust our customers hold in us.

On the part of external funding, we have linked our renewed syndication loan to sustainability criteria, a first in the world. Thus, we have taken our environmental commitments one step further despite the uncertainties stemming from the pandemic. On the part of customers, on the other hand, we have introduced a number of novelties in lending structures. We are encouraging our customers to switch to more sustainable and greener formats in the ways they do business, and we are actively using numerous financing mechanisms such as the Green Loan, Gender Loan, and Sustainability-Linked Loan structures. Our contribution to sustainable development has exceeded TL 51 billion as of end of 2020. We will continue to lead the transformation of the business world in order to facilitate

Turkey's transition to a low-carbon economy and achievement of the targets within the scope of Sustainable Development Goals.

For many sectors, "digitalization" has been the greatest gain bestowed by the pandemic. We have seen once more how vital the long years of investments in digitalization have been. We are leaving behind a year that we saw rapid growth in digital banking awareness, in the number of digital customers and transactions. Today, we have 9.6 million customers using our digital channels. Being the bank with the highest amount of investments in digitalization for the past 25 years, we could sustain providing service to our customers through all our channels also during this period. Building on the opportunities regulatory changes may present, we will continue to pioneer the sector in digital transformation with the support of right strategies and right tools.

FOR 2021 AND THEREAFTER...

We are going through a period of increased costs and declined loan demand. In the period ahead, in line with our inflation projection, we are anticipating that the CBRT will maintain its current policy rate for most of 2021. Hence, assuming a balanced outlook in exchange rate after April, we are expecting the annual inflation to decline due to positive base effect and recovered projections, and finish 2021 close to 11%. We project 5% growth in 2021, in the absence of no further negative shocks, with the help of positive base, declined risk premium and expected capital inflows.

Amid this economic recovery environment, our Bank will pursue its growth policy in line with its targets of sustainable growth of the national economy and its expansion upon a healthy and solid base. We are maintaining our goal to outperform the average loan expansion of private banks. While we are targeting growth across the board, we are expecting higher demand from business banking. Specifically, we will keep offering financing in line with the needs and demands of the SMEs, and continue to stand by the side of our artisans that make up the backbone of our economy.

In the period ahead, we will be managing the process and collections in relation to both the deferred and non-performing loans in a manner preserving our customers' financial health and our sector's asset quality. We will continue to analyze and closely monitor the portfolio to be able to continue provide the right support to our customers at the right time and focus on maintaining its quality.

Furthermore, our strategic projects and activities will continue at the same speed. We will keep working to fulfill customer needs and demands in the best possible way with the goal of being their trusted financial partner. Carrying on with our investments in our business model and digital infrastructure, we will continue to broaden the service and product range offered on our digital and mobile channels.

As Garanti BBVA, we think that it is critical to act for the future of the environment and the planet we live on, and to integrate them in our business plans. We are striving to reflect this consciousness in our actions. Based on our identity as the pioneering bank in sustainability, we will continue to raise increased awareness of this issue, and to positively influence all our customers, employees and stakeholders also in 2021.

I trust us as an organization that creates differentiation with our sustainable financial success, our leadership in technology and innovation, our highly-skilled employees, and our agile and transparent corporate culture. I can claim that we have ended a very tough year successfully owing to the hard work and hands on monitoring of all my colleagues. I would like to thank my colleagues, and also all our stakeholders for their support and trust in us.

RECEP BAŞTUĞ
PRESIDENT, CEO