

ABOUT THE REPORT

We are pleased to present our second Integrated 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 aligns its thinking and its approach to long-term value creation to the principles of Integrated Reporting and aims to communicate its total value creation story in a clear and comprehensive way to all its stakeholders.

While proving an overview to the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "2019 Integrated Annual Review", 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 "2019 Integrated Annual Report".

The content of the Report is identified in line with the material issues, which are determined 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 2019, 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 two international representative offices in Dusseldorf and Shanghai. Where relevant, the information is supported by historical data.

The connection between the material issues, business strategy and performance in 2019 is clearly established, as suggested in the Integrated Reporting framework published by the International Integrated Reporting Council ('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 six main chapters called "Introduction", "About Garanti BBVA", "Our Value Creation", "2019 Performance & Outlook", "Corporate Governance & Risk Management" and "Financial Reports". 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. Sustainability Accounting Standards Board ('SASB') Provisional Standard for Commercial Banks has also been used. Garanti BBVA's 2019 Integrated Annual Report 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

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 Mervyn E. King (Chair Emeritus of IIRC), by our Chairman, and by our CEO.

ABOUT GARANTI 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.

2019 PERFORMANCE AND OUTLOOK

Our "2019 Performance & 2019 Outlook", which is explained in the fourth chapter, comprises of five main sections representing the umbrella themes for 12 different material issues as explained in "Our Material Matters". Each section describes the value creation story and the outlook in connection to Garanti BBVA's Strategic Priorities. Each of the five sections elaborates on both past performance and gives an account of future strategies. Furthermore, Garanti BBVA's contribution to the Sustainable Development Goals ('SDGs'), the 15 year global plan of action to end poverty, reduce inequalities and protect the environment are linked to each section.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The fifth chapter, 'Corporate Governance & Risk Management', provides a detailed discussion of the management of strategic risks related to Garanti BBVA's operations and the full governance structure.

FINANCIAL REPORTS

The final chapter sets out the audited annual unconsolidated and consolidated financial statements for Garanti BBVA, including the statement of responsibility by the Audit Committee Member (Independent Member of the Board), the CEO, the CFO and the Financial Reporting and Accounting Director on the financial statements and the annual report. The Bank prepares its unconsolidated and consolidated financial statements in accordance with accordance with the "Banking Regulation and Supervision Board ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars

and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated and consolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in associates and affiliates valued at equity basis of accounting or that are quoted on the stock exchanges which are presented on a fair value basis.

The Bank and its consolidated financial subsidiaries have started to apply TFRS 16 Leases standard ("TFRS 16") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying consolidated financial statements starting from 1 January 2019.

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in Notes 3.2 to 3.29.



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



Please scan the QR to access [Garanti BBVA Integrated Annual Report 2019 website](#).

FOREWORD

“THE NEXT DECADE”

In the past decade, technology reshaped our lives at a pace unseen and unmatched ever before. Computers, mobile phones, smart home systems, and automobiles transformed enormously. But the transformation was not restricted to devices; digitalization made an imprint in every aspect of life. Nothing is immune to this change; not our everyday life, not our habits or the way we think and do business.

In the next decade, change will continue at a high speed and momentum. Artificial intelligence, augmented reality and virtual reality will all expand very quickly and become inconspicuous routines. Electric vehicles will be more prominent in traffic. As smart phones have already turned into payment instruments, the inspiration payment systems take from technology and imagination might soon turn the days we carry cash or credit cards into a fading memory.

Customer needs and expectations are also rapidly changing and mutating in parallel with the advancements in technology. While customers prefer simpler and more practical channels they can reach from anywhere to access products and services instead of conventional methods, they want to experience time-saving, short and smooth journeys, smart solutions that make their lives easier and personal touches they find entertaining.

Big data applications, on the other hand, take analyses to a whole new level, and lead to recode decision-making processes and strategies with its holistic perspective. Data analysis enables better insight into choices, and allows satisfaction of needs in a more personalized and mass-oriented manner. Operational excellence and efficiency, automation and robotics began infiltrating all parts of life. Having entered our lives as a learning and information platform, the Internet is rapidly turning into an experience platform. Therefore, it becomes critical to understand technology-backed new experiences and turn them into business models.

As this transition phase continues, planet earth is screaming “climate emergency” to all the individuals and to all the entities on it. In 2019 Global Risks Report by the World Economic Forum, environmental risks due to climate change take the first spot within the top ten major risks in terms of both impact and likelihood.

Garanti BBVA contributes to Turkey’s battle against climate change by prioritizing renewable investments, applying detailed environmental & social due diligence, promoting energy efficient buildings and electric & hybrid cars, as well as increasing awareness among its stakeholders.

Having formulated its business model around the goal of “bringing the age of opportunity to everyone”, Garanti BBVA

has a long-term and solid strategy that combines human touch and technology, the key determinants of our age.

Garanti BBVA aims to make its customers’ lives easier, help them make the right financial decisions, and advise them to grow their businesses sustainably, while delivering its financial services to everyone at the same time.

The founding executive editor of the Wired Magazine, Kevin Kelly says that the greatest products of the next 25 years have not been invented yet, and the biggest innovations are yet to arrive, just like we had no idea about the Internet 25 years ago, the most important invention of our age... Kelly says we should know that we are not racing against the machines or technology, but with them; in order to steer them, we need to embrace them and understand how they think.

While Garanti BBVA’s 2019 Integrated Annual Report presents a glance at how Garanti BBVA sees and prepares for the next decade, it gives an account of how the Bank molds its business model in the light of mega trends, how it manages risks and captures opportunities, how it executes transformation and how all of these contribute to its stakeholders’ journeys.

MESSAGE FROM MERVYN KING

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Garanti BBVA has made an holistic assessment of financial and the so-called non-financial aspects of its business model and strategy.

Its business model is one of creating value in a sustainable manner and it has communicated its value creation strategy in a clear, concise and understandable manner so that uninformed stakeholders can make informed decisions about the Company.

It has set out details of its activities in this value creation process, its value drivers and the importance of its stakeholders.

The Company has done an excellent job in relying on historical data when reporting on its operations in Turkey as well as its international subsidiaries in the Netherlands and Romania, foreign branches in Cyprus and Malta and two international representative offices in Dusseldorf and Shanghai.

Garanti BBVA is a member of the IIRC's Global <IR> Network and <IR> Banking Network and is a founding member of the Integrated Reporting Turkey Network (ERTA).

The Company has a financial report, according to international financial reporting standards and an integrated annual report, according to GRI Standards. It has also got a summary table of climate related disclosure in accordance with the Task Force on Climate Related Financial Disclosures. Notwithstanding, using the GRI Standards in the integrated annual report, it has used the Sustainability Accounting Standards Board's provisional standard for commercial banks as well.

What is encouraging is that the Company's external auditors have provided reasonable assurance on the financial information and a limited assurance on selective non-financial information which are set out in detail in the auditors' report.

Garanti BBVA is to be congratulated on its report which deals not only with how it is achieving its business model but also outlook as contemplated in the IIRC's Framework.



PROF. MERVYN KING
CHAIR EMERITUS OF THE IIRC

27 February 2020