

CORPORATE GOVERNANCE



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TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Internal Systems Governance

 2,968  15 min  6  risk



The Risk Committee is composed of the members of the Board of Directors, and is responsible for overseeing risk management policies and practices, their alignment with strategic goals, capital adequacy and planning, and liquidity adequacy, as well as the management's ability to assess and/or manage various risks inherent in the operations.

Risk Management is composed of Internal Capital and Operational Risk Department and Market and Structural Risk Department under the execution and management of the Head of Risk Management, and Validation, Credit Risk Control and Risk Management Control functions.

THE RESPONSIBILITIES OF THE HEAD OF RISK MANAGEMENT ARE OUTLINED BELOW:

→ Ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, and make sure that an integrated

risk management system is implemented which measures all of the Bank's risks collectively, which guarantees that limits determined in connection with the risk appetite approved by the Board of Directors are not breached, which is in compliance with applicable legislation, the Bank's strategies and policies, and which pursues risk-return relationship and entails control and validation activities,

→ Define, measure, monitor and report risks, and ensure that all control activities are conducted thoroughly and timely; monitor and supervise results.

THE RESPONSIBILITIES OF INTERNAL CAPITAL AND OPERATIONAL RISK DIRECTOR ARE OUTLINED BELOW:

→ Propose operational risk, operational risk admission and risk appetite principles which are then set down by the Board of Directors,

→ Ensure that all operational risks are covered by the first and second lines of defense,

- Conduct measuring, monitoring and analysis activities for risk appetite, operational risk, operational risk admission and capital adequacy; report their results regularly to relevant units, committees and senior management,
- Coordinate the ICAAP (Banks' Internal Systems and Internal Capital Adequacy Assessment Process) workflow,
- Oversee affiliates' adherence to Corporate Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

THE RESPONSIBILITIES OF MARKET AND STRUCTURAL RISK DIRECTOR ARE OUTLINED BELOW:

- Propose market, counterparty credit, liquidity, structural interest rate and exchange rate risk principles which are then set down by the Board of Directors; review and update the same,
- Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,
- Perform market, counterparty credit, structural interest rate, exchange rate and liquidity risk-based activities within the scope of ICAAP, stress testing and risk appetite framework, and risk assessment for new business and products/services; monitor and report risk based concentrations,
- Monitor affiliates' adherence to Enterprise Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

THE INTERNAL AUDIT DEPARTMENT

The Internal Audit Department adopts a risk oriented approach and performs a comprehensive risk assessment that covers the Bank and all its subsidiaries and prepares an annual audit plan in line with the Bank's goals and strategic priorities and taking into consideration the expectations of all stakeholders including especially the Board of Directors. The "continuous risk assessment" approach ensures seamless monitoring of the changes in risks and allows dynamic planning.

Keeping a close eye on the new approaches and current trends in the banking industry and internal audit field, the Internal

Audit Department expanded the Agile Methodology that it adopted starting from 2019 to all of its audits in 2020. The Agile Methodology implemented serves to attain higher productivity from the workforce, produce high added-value results, and improve communication with the auditees.

The checklists of the audits performed in accordance with the agile methodology are designed with a value-focus and constant value creation is put in the focal point by making sure that the audit subjects that create the maximum value are addressed in the initial stages of the audits. Each audit in the audit plan is handled as an individual project; audits are divided into two-week sprints and the results from each sprint are shared following the sprints with the auditees, without waiting for the end of the audit, thereby securing fast actions for remediating the findings. In addition, implementation planning for actions is made with the auditees at the management level at the end of each sprint.

Continuous risk assessment, the flexibility afforded by the agile methodology, strong communication with the auditees and value-focus allow the Internal Audit Department to quickly adapt to the new normal resulting from COVID-19. Since day one of the COVID-19 precautions, consultancy is offered for managing the risks stemming from the pandemic, and risk assessments are updated so as to enable changes in the audit plans specifically for the emerging new risks. In addition, the Agile Methodology guarantees no setbacks in the achievement of performance targets by units even during periods of remote working-.

Dedicated systems are used to oversee the processes of audit planning, field work execution, preparation of an audit report regarding identified deficiencies and monitoring and reporting of the findings. While Microsoft Office applications are used in the planning, field and reporting processes of audit activities that are conducted based on risk types, data inquiry and processing software such as Oracle Business Developer and SQL Developer are employed for areas requiring data analysis.

Data scientists are employed with the aim of adopting a data driven approach to audit processes to minimize the increased technological and cybersecurity risks in line with the Bank's digital transformation target. These advanced data inquiry and big data analysis capabilities enable audits that rely on machine learning technology. At least one data specialist is assigned to each audit and data scientists perform studies aiming to enhance the quality of operational efficiency and audit results through specific projects concentrated on machine learning. Hence, an audit methodology that relies on the examination of the data universe instead of examination based on sampling is adopted in audit processes with the target of minimizing audit risks and increasing confidence interval.

The Internal Audit Department performs risk-based process audits in 11 main risk areas of the Bank by covering head office units, domestic branches, foreign branches and subsidiaries.

Within the scope of **BUSINESS MODEL RISK**, focus is placed on business model viability, business model sustainability, pricing and other aspects of strategy.

Within the scope of **CORPORATE GOVERNANCE AND RISK MANAGEMENT RISK**, audits are conducted in relation to risk management and risk control framework, as well as audits of organizational framework such as corporate policies, procedures, duties and responsibilities.

Within the scope of **CAPITAL RISK**, audits are performed in relation to evaluation of the control environment within the scope of regulatory and internal capital computations and capital adequacy assessment, compliance with the legislation, policies and procedures, and accuracy of calculations.

Within the scope of **CREDIT RISK** audits, credit risk, thresholds and limit structure, loan portfolios and credit processes that have been established are audited.

Within the scope of **MARKET RISK**, assessments are made to determine the risk of loss that the Bank's on and off-balance

sheet positions may be exposed to within the frame of exchange rate, commodity and interest rate risks resulting from the movements in market prices.

Within the scope of **STRUCTURAL RISK**, audits are conducted in relation to assets and liabilities management model and validation, structural risk stress test, liquidity risk stress test, financial institutions borrowing instruments and treasury reporting processes.

Within the scope of **OPERATIONAL RISK**, audits are conducted in relation to operational processes with a particular focus on processes, products and services that are either revised by the Bank or are offered as new services, as well as to digital channels enterprise and data governance.

Within the scope of **LEGAL RISK**, audits are conducted regarding regulations governing financial reporting, litigation, compliance with binding instructions, and the risks with a potential negative impact on financial statements.

Within the scope of **COMPLIANCE RISK**, focus is placed on audits regarding reputational risk management, as well as potential risks that may arise from non-compliance with ethical standards and legal regulations such as prevention of money laundering and countering financing of terrorism, customer and investor protection and personal data protection.

Within the scope of **TECHNOLOGY RISK** audits, the adequacy and effectiveness of the internal control environment established by the Bank for risks stemming from its use of technology are assessed. Accordingly, audits are conducted with a focus on cybersecurity, information security, IT operations, and business continuity.

Within the scope of **EXTENDED ENTERPRISE RISK** audits, audits are conducted on various processes such as service or product and construction management, as well as audits of support services providers, the scope of which has been set by the BRSA (Banking Regulation and Supervision Agency).

Within the scope of the inspections and investigations among the activities of the Internal Audit Department, fraudulent counterfeiting activities are prevented or detected, upon which necessary managerial actions are taken promptly. Remote and on-site studies are carried out to determine internal fraud incidents.

The audit activities on the basis of risk types mentioned above are mainly performed by auditors specialized in the related risk area. Parallel to the development and talent management strategies of the Internal Audit Department, risk-based specialization approach to audit combined with the constant encouragement of academic education and professional certification processes aimed at building on the theoretical and professional knowledge and skills of auditors result in increased technical depth of the audits performed.

All findings resulting from the audits conducted by the Internal Audit Department are continually followed up. Regular information flow to management aimed at speeding up continuous finding monitoring and remedy processes and ensuring timely actions are intended to remedy all findings in a timely manner.

All activities of the Internal Audit Department are continuously monitored via internal and external quality assessments.

THE INTERNAL CONTROL UNIT

The Internal Control Unit is responsible for the establishment and coordination of a sound internal control environment within Garanti BBVA. The Unit ensures that banking activities are carried out in accordance with the management strategies and policies in a regular, efficient and effective manner within the existing regulatory framework and guidelines.

Within the applied internal control model that is structured according to three lines of defense principles, controls are identified by the first line of defense teams in the business units by taking the relevant risks into consideration. There is a process

in place whereby the results of control activities are reported from business units to the relevant second line of defense functions. In this model, the Internal Control Unit ensures the proper execution of control activities performed within the Bank by implementing a common methodology. On-site and remote control activities are carried out regarding the branches (including foreign branches) and Regional Offices. Regarding the Head Office departments, the related control activities which are regularly conducted within the business/support units are monitored closely and challenged and verified in order to ensure their timely, thorough and accurate performance.

The IT Internal Systems Control team, set up within the Internal Control Unit, oversees the secure performance of IT functions in accordance with the guidelines set by the Bank. The team defines internal control steps for IT processes, and subjects them to control activities in accordance with predefined control items, methodology and tools. In addition, they carry out process reviews to determine technology risks and closely monitor studies to eliminate identified deficiencies.

The Internal Control Unit is also responsible for supervising that the internal control environments of the Bank's financial subsidiaries are adequately outfitted in terms of structure and functionality.

Findings and recommendations resulting from control activities are reported to relevant managerial levels and agreed actions are followed up.

Moreover, the Internal Control Unit offers training programs for increasing risk/control awareness of the Bank's employees and provides them with the necessary guidance.

THE COMPLIANCE DEPARTMENT

Working with the purposes of managing the potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to help improve the compliance culture

constantly and establish a world-class compliance culture across the Bank. The Compliance Department carries out the following tasks.

The Compliance Officer Team performs the following duties as also stipulated by the regulations governing prevention of money laundering and countering the financing of terrorism:

- Carry out all necessary efforts to achieve Garanti BBVA's compliance with the regulations issued to prevent money laundering and countering the financing of terrorism and provide necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK),
- Ensure that the Compliance Program is carried out; develop policies and procedures within this scope; execute risk management, monitoring and control activities; follow up the results of internal audit and training activities,
- Lay down the efforts related to the training program about prevention of money laundering and countering the financing of terrorism for the approval of the Board of Directors, and ensure that the approved training program is carried out effectively,
- Look into and evaluate information on potentially suspicious transactions that it receives or becomes aware of sua sponte; report any transaction that it deems to be suspicious to the Financial Crimes Investigation Board,
- Manage relations with relevant governmental or private agencies.

In terms of compliance activities regarding customer products and services, assessments are made on the compliance of products and processes to applicable regulations. Activities are carried out in relation to compliance controls in accordance with the requirements of Article 18 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks. The control mechanisms in place are monitored and coordinated with respect to compliance of the Bank's current and planned activities, new transactions and products with the laws, internal policies and guidelines, and banking practices. The processes are monitored for any necessary revisions according to regulatory changes, related employees are notified on such

changes, and opinions are formed prior to introduction of new products and transactions.

As part of corporate compliance activities, the Compliance Department is responsible for promoting awareness of "Garanti BBVA Code of Conduct" approved by the Board of Directors in 2015, "Anti-Corruption Policy" approved in 2018 and "Competition Policy" approved in 2019, encouraging adherence to the documents, ensuring development and dissemination of the procedures to be formed in the context of the documents, and helping resolve any doubts that may arise during the interpretation of the documents. These documents are available on the Intranet accessible to all employees and training sessions are organized during the course of the year.

In addition, Garanti BBVA Code of Conduct, Anti-Corruption Policy Statement and Garanti BBVA Competition Policy are made public on the Investor Relations website. Detail information can be reached from the related links.

The Compliance Department manages the Whistleblowing Channel, which is established to report any noncompliance to Garanti BBVA Code of Conduct and forms an essential part of the compliance system. The channel is also a resource to assist the employees in reporting transgressions that they observe or which are reported to them by their team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to, the reporting of suspicious illegal conduct or professionally unethical conduct. In case of an actual or suspected breach of Garanti BBVA Code of Conduct, the incident is reported immediately via the Garanti BBVA Whistleblowing Channel, by e-mail at etikbildirim@garantibbva.com.tr or by telephone at +90 216 662 5156. The Compliance Department, responsible for managing the Whistleblowing Channel, processes all reports received carefully and promptly, ensuring they are investigated and resolved in accordance with the Whistleblowing Channel management procedures. The identity of the person who reported is kept confidential. The information is made known only to those departments whose cooperation is necessary for the investigation process.

The result of the investigation is communicated to the departments that need to take appropriate measures to correct the transgression, as well as to the person being reported and the reporter, as appropriate. Nobody, who reports any facts or activities through the Whistleblowing Channel in good faith, will be the target of reprisal nor will he/she suffer any other adverse consequence as a result. Garanti BBVA Code of Conduct also covers incidents of conflict of interest and aspects that would prevent employees' professional behaviors from being affected thereby.

Securities compliance activities encompass examination of suspicious transactions within the scope of the Capital Markets Board (CMB) Communiqué on Obligation of Notification Regarding Insider Trading and Manipulation Crimes. Procedures are being established regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers in connection with the performance of their jobs, professions and tasks. In addition, relevant legislation and internal guidelines are also monitored.

With respect to subsidiaries' coordination activities, the Compliance Department monitors the compliance activities at the Bank's subsidiaries and overseas branches. In this respect, there are individuals assigned at subsidiaries and overseas branches who are responsible for the compliance function; in line with the related legislation, an employee is assigned at each of the consolidated subsidiaries and overseas branches for monitoring compliance with local regulations. Meetings are held regularly with the said employees who submit periodic reports to the Compliance Department.

Within the scope of Compliance Models and Assurance, compliance models and methodology are designed and implemented; risk assessment are carried out for all compliance specialization areas and risk monitoring methodology are created, implemented and measured. Furthermore, control activities of processes for managing compliance risk are carried out as part of the assurance activity.

In performing all of its duties and responsibilities outlined above, the Compliance Department continues to work in coordination primarily with the Internal Audit Department, Internal Control Unit, Training Department, Customer Security and Transaction Risk Management Department and Legal Department, as well as other relevant units and people.

Audit Committee's Assessment

 1,728  9 min  3  risk

Of the Operations of Internal Control, Internal Audit and Risk Management Systems

The Audit Committee has convened eight times during 2020.

Within the scope of its activities throughout the year, the Audit Committee monitored the effectiveness and adequacy of internal systems, the operation of accounting and reporting systems in line with the applicable regulations, the integrity of the resulting information, and the internal audit plans.

The Committee continued to verify whether the internal audit system encompassed the Bank's current and planned operations and resulting risks.

Furthermore, the Committee also continued to fulfill its functions of overseeing the activities of the external audit company, appraisal firms and support service providers that are designated by the Board of Directors, as well as evaluating the relevant external audit results. The Audit Committee informed the Board of Directors on the activities of the Committee, its assessments about the external audit firms, appraisal firms and support services providers, and other matters.

The Internal Audit Department conducted risk-based process audits on the basis of 11 different risk types covering the Bank's head office units, domestic branches, overseas branches and subsidiaries. The Committee performed monitoring activities for quickly remedying the findings resulting from the audits and thus, mitigated the Bank's risk exposure.

The Agile Methodology began to be employed in audits conducted by the Internal Audit Department with the target of more efficient use of the workforce and generation of high added-value results. Following the introduction of this method,

the further increased effectiveness of the audit proved to be a major factor in the upgraded Corporate Governance rating of the Bank.

In order to mitigate the growing technological and cybersecurity risks and by focusing on audit processes with a data-based approach in line with the Bank's digital transformation target, the Internal Audit Department used techniques based on data modeling algorithms, image processing and machine learning in its activities.

Follow-up of suggestions resulting from the audit engagements by the Bank's senior management, the Audit Committee and the Board of Directors ensured that corrective actions were taken according to the timeline by the auditees.

Within the scope of the inspections and investigations among the activities of the Internal Audit Department, fraud and counterfeiting activities were prevented or detected, and it has been ensured that necessary managerial actions were taken promptly. Remote and on-site studies were carried out to determine internal fraud incidents. A new project was introduced within the scope of remote (centralized) studies carried out to identify transactions with the highest risk through various predetermined risk factors and early warning signals by making use of "big data" capabilities and to ensure examination on a daily basis. These methods minimized the losses resulting from internal fraud.

The Internal Control Unit continued to challenge all control activities that are performed by business and support units. In this regard, the Unit conducted second level control activities

at branches and head office departments. During on-site branch visits, the Internal Control Unit carried out examinations regarding operational risks. As part of its responsibilities, the Unit also oversaw that the internal control environments of the Bank's financial subsidiaries are adequately outfitted in terms of structure and functionality.

Reporting flows have been implemented and periodic follow-up continued for remedying the findings determined during the controls.

The Compliance Department continued to manage the Bank's potential compliance risks and kept working to identify and prevent these risks before implementation. The Department kept overseeing and coordinating the compliance of the Bank's ongoing and future activities, new transactions and products with the Banking Law, applicable legislation, internal policies and guidelines, and banking practices. With the aim of reinforcing the Bank's consolidated compliance policy, the Department supervised the compliance activities of overseas branches and consolidated subsidiaries, taking steps towards promoting compliance awareness and culture.

As part of corporate compliance activities, Garanti BBVA Conflicts of Interest Policy was created and introduced in line with the BBVA Group Conflicts of Interest Policy. Bank-wide training activities were carried out in relation to Anti-Corruption and Code of Conduct. Notifications received by Garanti BBVA Whistleblowing Channel were evaluated, upon which results were presented to the Integrity Committee. Within the scope of securities compliance function related to investment transactions, examinations were carried out within the frame of the CMB's Communiqué on Obligation of Notification Regarding Insider Trading or Manipulation Crimes regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers. As part of Customer Compliance activities, changes in the regulatory framework were watched closely during the course of the year, ensuring the alignment of the Bank's processes therewith. In

addition, new business, products and processes were evaluated prior to implementation.

As part of anti-money laundering (AML) and countering financing of terrorism strategy (CFT) strategy, studies were carried out in order to achieve alignment with national and international regulations. Through the existing monitoring programs and other initiatives by the Compliance Officer Team, risk management, monitoring and control activities were carried out efficiently. Classroom training sessions, regional office visits and web-based AML and CFT training programs offered throughout the Bank served to secure higher awareness and consciousness of the matter among the employees.

As part of Risk Management activities, Capital and Operational Risk Department monitored the regulatory framework regarding risk management and provided the necessary internal information flow. In accordance with the regulations published by the BRSA, ICAAP (Banks' Internal Systems and Internal Capital Adequacy Assessment Process) activities, which are conducted parallel to the budget process that covers the parent bank and affiliates, were carried out so as to entail stress tests, as well. Risk appetite core metrics for solvency and profitability and operational risk limits and their thresholds were reviewed with respect to the risk appetite and submitted for approval of the Board of Directors. Necessary coordination continued for risk appetite reporting, which is done monthly to the Risk Committee of the Board, weekly to the Risk Management Committee, quarterly to the Board of Directors and on meeting dates to the Audit Committee; in this scope, core metrics and risk limits mentioned above were monitored and reported. Additionally, monitoring, analysis and internal reporting were carried out with respect to the evaluation of the capital adequacy ratio. As part of operational risk management activities, the operational risk losses at the Bank and affiliates were monitored and reported. Within the frame of operational risk appetite, synthetic indicators were established and followed up to track the changes in types of operational risks and to measure the management effectiveness of these risks. Operational Risk and Control Self-Assessment activities were

carried out; scenario and stress test analyses for operational risk were conducted within the scope of ICAAP and stress test reporting. Meetings and trainings were held and information was provided to the Bank's staff to enhance awareness of the Bank's employees regarding operational risk management. The Operational Risk Admission function that also covers the outsourcing management function coordinated the process incorporating the definition of risk exposure resulting from new initiatives (business/product/service, process/technology transformations, and outsourcing including support/appraisal services), establishment of an effective control environment necessary to mitigate those risks, and taking risk mitigation measures in accordance with internal guidelines and in a manner to incorporate the activities of Operational Risk Admission and Product Governance Committee activities.

Market and Structural Risk Department reviewed thresholds within the framework of risk appetite, in order to monitor and manage market, counterparty credit, structural interest rate, exchange rate and liquidity risks, and submitted these thresholds for the approval of the Board of Directors. Internal metrics and early warning indicators, as well as regulatory limits for risk-based limits were regularly monitored and reported to all related parties and committees. Stress tests were employed to evaluate potential and worst-case risks that may arise from economic circumstances. Limits and alert levels instituted to determine risk exposure were monitored at the Bank and affiliates, and necessary actions were taken in accordance with the applicable procedures. New regulatory framework introduced and decisions adopted within the frame of financial stability policies were watched closely. Their impact on the Bank's liquidity, structural interest rate, exchange rate, market and counterparty credit risks were analyzed thoroughly and were reflected on internal core metric measurements. Within the frame of ICAAP and stress test report, stress tests and scenario analyses were performed along with internal calculations on the basis of risk types. Intraday liquidity risk was monitored regularly using the metrics defined. Infrastructural work was carried out to increase operational efficiency. Risk management activities at subsidiaries were followed up closely.

The implications of the new regulatory framework introduced during the pandemic and of markets' performance upon the Bank's risk profile, particularly upon its liquidity, market and structural interest rate risks were analyzed in detail, the intensity of monitoring activities was increased to ensure a closer watch through Early Warning Indicators that began to be followed-up on a daily basis, daily tracking reports and detailed analyses, which resulted in proactive and effective risk management.

The Validation Function performed qualitative and quantitative validations regarding internal models. Validations performed for those models and parameters that are taken into account in ICAAP calculations were presented to the Audit Committee. The Credit Risk Control Function set limits for loan growth in view of risk-return balance and updated them as necessary with respect to COVID-19. Internal capital requirement was calculated and the internal capital threshold values set at the onset of the year were monitored. The infrastructure needed for systemic computation of risk-based profitability metrics was established, and regular reporting was carried out. Internal credit risk and credit concentration risk calculations, stress tests and scenario analyses were carried out within the framework of ICAAP and stress test report. COVID-19 scenarios were supplemented to stress tests, and regular reporting commenced. Additional studies were performed to determine how internal capital would be affected under COVID-19 circumstances, and the same were reflected in the budget. The conformity of the risk models employed at the Bank with the internal rating-based (IRB) approach was monitored and the use of the models within the Bank were assessed. The effects of the risk parameters that will be produced with the new models upon internal capital were analyzed. Regular reporting on credit risk was made to the senior management. Risk Management Control function verified that risk management activities were handled by risk units in accordance with the Bank's policy and procedures.

Risk Committee's Assessment

 629  4 min  1  risk

Of Risk Management Policies, Their Implementation and Management of Various Risks That the Bank May Be Exposed to

2020 has been a challenging year globally in which the COVID-19 epidemic has entered into lives with effects that will leave its mark, to a degree that could hardly be predicted by any stress test, where all participants of the society had to adopt new ways of living and working. Under these challenging circumstances, where economic activity weakened, all the players in the economy took responsibility in supporting the society financially and regulation amendments took place within the scope of the measures taken considering the effects of the epidemic. While the Bank continued to stand by and support its customers in this process, it also continued to pay utmost attention to preserve its prudent, transparent and forward looking approach in the risk management activities. In addition, the necessary measures and actions have been taken within the scope of the current Occupational Health and Safety and Business Continuity practices across the Bank, and new risks arising from this situation have been managed in the most effective way. The effects of the epidemic on the markets and on Bank's risk profile, especially on its liquidity, solvency, asset quality and profitability, were analyzed in detail, the frequency of monitoring activities has been increased and integrated into risk management. The Bank closely monitored its risk metrics within the risk appetite framework and via stress tests. With COVID-19, coverage ratios have been further strengthened in all stages, thanks to prudent provisioning policies, and despite the increase in Cost of Risk, Bank maintained its profitability while continuing to allocate free provisions for possible risks. Bank-only non-performing loans ratio which was 6.9% in YE19, improved as a result of the impact of epidemic related regulation amendments and utilization of write-off processes and realized as 4.6% in YE20. In the period ahead, with the policies and tools that enable decision-making, the Bank targets to manage nonperforming loans portfolio by focusing on efficient recovery strategies. With respect to liquidity, since the beginning of the epidemic, evolution of the risks have been more

closely monitored and effectively managed via daily monitoring reports and Early Warning Indicators where monitoring frequency has been increased to daily. Within 2020, Bank's risk management activities were carried out with the target of maintaining a moderate risk profile, a robust financial position and a sound risk adjusted profitability throughout-the-cycle, as the optimal way to face adverse situations without jeopardizing the strategies. Within the framework of the risk appetite and risk based polices approved by the Risk Committee and the Board of Directors, in 2020, the Risk Management further improved its measurement, reporting and management tools, where risks were measured via advanced methods, reported to relevant committees and senior management in order to determine strategies and take decisions, considering compliance with local and international standards and practices. With the coordination of the Risk Management, Risk Committee and the Board of Directors approved reports including the results of Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), which were integrated with risk appetite, stress tests and budget processes. Throughout the year, Risk Management continued to work on projects in order to further promote the effectiveness of risk management activities via automated and advanced processes and to enhance data quality. Based on their scope, the affiliates were reviewed by the Risk Committee in order to ensure a risk culture throughout the organization that guarantees the coherence of the risk management at all levels of the organization. Consequently, the Risk Committee held 11 meetings in 2020 in order to assist the Board of Directors in overseeing the Bank's enterprise risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities, as well as capital adequacy, planning and liquidity adequacy.

Important Developments Regarding 2020 Operations

 10,307  52 min  16  banks

INFORMATION ON SHARE BUYBACKS BY THE BANK

The Bank did not buy back any of its own shares in 2020.

INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING THE FISCAL YEAR

Under the applicable legislation, routine audits are conducted by supervisory authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board of Turkey (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey (CBRT). Detailed information about the administrative fines imposed against the Bank in 2020 by supervisory authorities as a result of auditing is provided in the following sections.

INFORMATION ON LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND THEIR POTENTIAL RESULTS

1 - CARBON EMISSION TRADE VAT EVASION INVESTIGATION IN FRANCE:

An investigation was initiated also against the Bank in connection with an investigation on VAT evasion in relation to carbon emission trade in France on the grounds that accounts had been set up with, and transactions were performed through, the Bank for two persons implicated in the investigation. The reason our Bank was included in the investigation is not directly related to the subject matter of the investigation, but to banking transactions performed by persons implicated in the investigation and by three Turkish legal entity customers

that carried out money transfers with various foreign firms with which the former were linked. During the investigation process, while no action was deemed necessary for the three Turkish customers with respect to the investigation, our Bank was included in the investigation based on the opinion that our Bank had not achieved adequate compliance with the legislation with respect to account opening and transacting by two foreign customers. The trial was completed on 16 June 2017. The Court acquitted our Bank for the actions it had taken in 2008 and early 2009 at the time these individuals who had engaged in tax evasion had started opening accounts and making use of banking services in Turkey; however, the Court adjudged a judicial fine of EUR 8 million for account closure procedures of mid-2009, with total disregard of local legislation and regulations. In addition, the French Treasury asked for collection of the tax loss from all of the defendants of this litigation for the tax losses suffered because of tax evasion. Accordingly, the Bank will be subject to payment of damages up to EUR 25.09 million. Finding the ruling to be faulty and irrelevant, our Bank has taken all necessary action for appeal on 22 September 2017, and the Bank's Management has taken all necessary steps that it was legally obliged to take in the said event. On the other hand, Grande Tribunal of Paris reviewed and dismissed our appellate plea in September 2019. Our Bank believes that this judgment is unfair and exercised its right to appeal before the High Court in France in September 2019. The appellate review by the High Court is in progress. Since the French Treasury demanded payment of EUR 25.09 million in damages while appellate review was in progress and since an appellate plea suspends the payment of administrative fines only, damages in the amount of EUR 25.09 million has been covered and paid from the reserves previously set aside. The Bank continues to maintain a provision

of EUR 8 million for the administrative fine, which will be used to cover a potential payment.

2 - THE COMPETITION BOARD DECISION DATED 08.03.2013 AND NO. 13-13/198-100:

As the result of the investigation conducted to determine whether 12 financial institutions including Garanti Bank and its subsidiaries Garanti Payment Systems and Garanti Mortgage (Garanti Economic Group) violated Article 4 of the Law on the Protection of Competition no. 4054 through engaging in a deal and/or concerted act for jointly setting interest rates, fees and commissions for deposit, loan and credit card services; with its decision dated 08 March 2013, no. 13-13/198-100, the Competition Board resolved to levy an administrative fine of TL 213,384,545.76 on the grounds that Garanti Economic Group violated Article 4 of the Law on the Protection of Competition. Believing this decision to be contrary to law and was based on inadequate examination, our Bank filed a suit for the annulment of the decision. Before filing suit, the administrative fine has been paid benefiting from ¼ early payment discount. Ankara 2nd Administrative Court disregarded our defense in its entirety and dismissed the case. This time we lodged an appeal with the higher court against this unfair and unlawful ruling. The 13th Chamber of the Council of State adjudged dismissal of our appeal and approved the ruling of the lower court. For this unfair and unlawful adjudgment, our Bank applied for revision of decision. In this case, the 13th Chamber of the Council of State reversed the judgment of the lower court on the grounds that it was not established with adequate standard of proof (beyond reasonable doubt) that all of the banks investigated by the Competition Board were aware of a single framework agreement in relation to deposit, loan, credit card or public deposit services or that joint groups were aware of the said framework agreement or common plan, just like we defended, and hence the judgment was based on inadequate examination. Following reversal, the lower court decided to sustain the original ruling. An appeal was lodged against the unfair and unlawful decision to sustain the original ruling, and the adjudgment of the Plenary Session of Administrative Law Divisions of the Council of State is being awaited.

3 - MINISTRY OF TRADE ADMINISTRATIVE FINE:

With its decision dated 05 August 2015 numbered 1864, the Governorship of İstanbul resolved to levy a fine of TL 110,110,000 (one hundred and ten million one hundred and ten thousand) on account of the unlawful practices established in the audit conducted as per the provisions of the Law on Consumer Protection no. 6502 and of the annulled Law no. 4077, with reference to the Ministry of Customs and Trade Board of Inspectors examination report dated 17 June 2015 and numbered 321-C/01, pursuant to Articles 77 and 78 of the same Law. Our Bank lodged an appeal for annulment of the said decision. As a result of the trial, the decision dated 05 August 2015 numbered 1864 was overruled by İstanbul Regional Administrative Court 8th Administrative Chamber's decision. The overrule became final with the approval decision of the 15th Chamber of the Council of State. Following the final adjudgment, the Bank was refunded the administrative fine that had been paid. Upon conclusion of the litigation in favor of our Bank, the Ministry of Trade decided to re-initiate an investigation within the scope of the annulment grounds of the courts. Following the investigation carried out by the Ministry's inspectors, a report dated 18 December 2020 numbered 337-C/02 was issued and submitted to the Governorship of İstanbul. With its decision dated 30 December 2020 numbered 9302, the Governorship of İstanbul once again decided to levy an administrative fine of TL 110,110,000. We will be exercising our statutory rights in relation to the said decision and necessary actions have been taken therefor.

INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND ITS MANAGING MEMBERS DUE TO ANY PRACTICE CONTRARY TO THE LAWS AND REGULATIONS

During 2020, administrative fines levied by regulatory and supervisory authorities on our Bank amounted to TL 263,010,946.57. Of this amount, the portion of TL 77,776,052.07 discounted to TL 58,340,811.13, taking advantage of the cash payment discount was paid and entered into accounts as expense in 2020. The portion of TL 185,234,894.50 (includes

Ministry of Trade Administrative Fine of TL 110,110,000) discounted to TL 138,926,170.87 to be paid for cash payment, on the other hand, was also entered into accounts as expense in 2020 but will be paid in 2021.

INFORMATION ON REGULATORY CHANGES IN 2020 THAT MAY HAVE A MATERIAL IMPACT ON THE OPERATIONS OF THE BANK

The Monetary Policy Committee (MPC), gradually decreased the policy rate to 8.25% in May 2020 from 12% in the beginning of the year. Then the MPC decided to increase the policy rate in September through gradual hikes and ended the year at 17%.

Under the Reserve Option Mechanism, on 19 January 2020, it was decided to decrease the upper limit of the facility of holding standard gold from 30% to 20% of Turkish lira reserve requirements and to increase the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents from 10% to 15%.

As announced on 18 July 2020 within the frame of the normalization process, FC required reserves was increased by 300 bps for all banks across all liability types and maturity brackets. On 20 August 2020, however, it was decided to increase FC required reserve ratios by 700 bps for precious metal deposit accounts and by 200 bps for all other FC liabilities across all maturity brackets for banks satisfying real loan growth requirements.

In addition to that, within the scope of Turkish lira liquidity management in the recent period, it was decided to increase TL required reserve ratios by 200 bps for all deposit/participation fund liabilities of up to 6-months maturity, and for other liabilities of up to 1-year maturity, and by 150 bps for other liabilities of up to 3-years maturity for banks satisfying real loan growth requirements.

With the revocation of the application of required reserve and interest/remuneration rates varying according to real

loan growth, it was decided to shift to a more plain reserve requirement system on 27 November 2020. Accordingly, Turkish lira and FC required reserve ratios were set as follows: 6% for TL demand deposits and time deposits with maturities of 1 month up to 3 months; 4% for TL time deposits with up to 6-months maturity; 19% for FC demand, 1-month and up to 3-months maturity time deposits; and 13% for time deposits with maturities of 1 year and longer. It was decided to apply 12 percent interest rate paid on required reserves in Turkish lira across the entire sector, and to decrease the commission rate applied to required reserves held for deposit/participation fund liabilities in USD terms from 1.25 percent to 0 percent.

The CBRT decided to charge an annual commission of 0.025% (25 per thousand) on required reserves that must be maintained for deposit/participation fund (excluding deposits/participation funds obtained from banks abroad) liabilities maintained in USD. The said implementation is applicable from the liability period dated 27 December 2019, the maintenance of which will begin on 10 January 2020.

On 9 February 2020, the BRSA decided that the sum of banks' currency swaps, forwards, options and other similar derivative transactions (total amount of wrong-way derivatives transactions), involving TL purchase at maturity, with non-residents, excluding their non-resident financial subsidiaries and affiliates which are subject to consolidation and will be limited to 10% of the bank's most recently calculated regulatory capital. The said ratio was 25% since August 2018.

On 12 April 2020, it was decided to decrease the limit as 10% of regulatory capital to 1%.

With the decision of 25 September 2020, the sum of banks' currency swaps, forwards, options and other similar derivative transactions where banks buy TL at the maturity date (total amount of wrong-way derivatives transactions) to the bank's most recently calculated regulatory capital, which was previously set as 1%, was reset as 10%.

Similarly, it was decided that the ratio of the amount of derivative transactions involving TL sale at maturity to the most recently calculated equity should not exceed: (i) 1% for transactions due in 7 days, (ii) 2% for transactions due in 30 days, and (iii) 10% for transactions due in one year. The said ratio was set as 10% on 18 December 2019.

The decision of 25 September 2020 revised the ratios as 2% instead of 1% for transactions due in 7 days; 5% instead of 2% for transactions due in 30 days; and 20% instead of 10% for transactions due in 1 year. The decision of 11 October 2020 revised the ratios as 5% instead of 2% for transactions due in 7 days; 10% instead of 5% for transactions due in 30 days; and 30% instead of 20% for transactions due in 1 year.

On 10 February 2020, the BRSA made amendments to the Regulation on the Procedures and Principles Regarding the Fees to be Charged on Financial Consumers, and imposed a limitation on all kinds of fees, commissions and charges to be collected on products and services offered to retail banking customers, apart from interest or profit share, in order to ensure uniformity between banks.

On 7 March 2020, the CBRT made an amendment to the reserve requirement regulation that linked reserve requirement ratios and remuneration rates to loan growth rates. Accordingly, banks were able to benefit from reserve requirement incentives under the following conditions:

- For banks with a real annual loan growth rate above 15%: If their adjusted real loan growth rate, which is calculated by deducting the entire real changes in loans with a longer-than-two-year maturity extended to selected sectors and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, is below 15%,
- For banks with a real annual loan growth rate below 15%: If their adjusted real loan growth rate, which is calculated by deducting 75% of the real change in retail loans excluding housing loans with a five-year and longer maturity and the entire

TL loans extended -starting from 9 March 2020 to facilitate early repayment or early restructuring of FX cash loans from the numerator of the growth rate formula, is above 5%.

On 20 June 2020, the CBRT decided to temporarily suspend (until the year end) the enforcement of the rule of having adjusted real loan growth rate below 15% for the banks with a real annual loan growth rate above 15% in order to be able to benefit from reserve requirement incentives.

On 27 November 2020, it was decided to abandon the reserve requirement practice that links the reserve requirement ratios and interest/remuneration rates to real loan growth rates, and to apply the same reserve requirement ratios and remuneration rates to all banks.

On 17 March 2020, in order to contain the possible adverse effects of the uncertainty stemming from the Covid-19 pandemic on the Turkish economy, it was decided banks would be provided with as much liquidity as they need through overnight and intraday standing facilities by the CBRT; to offer to banks targeted additional liquidity facilities to secure uninterrupted credit flow to the real sector, and support the cash flow of exporter companies through measures regarding rediscount credits .

On 23 March 2020, the BRSA announced that the exchange rate of 31 December 2019 could be used in the calculation of value at credit risk when calculating banks' capital adequacy, and that impairments in the fixed interest rate securities at fair value through other comprehensive income portfolio on 23 March 2020 may not be reflected in the calculation of regulatory capital that will be calculated and used for CAR.

On 8 December 2020, the BRSA decided that simple arithmetic mean of CBRT buying rates for the last 252 business days preceding the calculation date could be used in the calculation of the value at credit risk when calculating monetary assets and the amounts of those items other than FC items measured in historic cost terms from out of non-monetary assets adjusted

according to Turkish Accounting Standards and related special provision amounts.

In capital adequacy calculations, the applicability period of the measures mentioned above was extended until 30 June 2021.

The BRSA decided that, from 1 May 2020, the monthly average of the Assets Ratio, the formula for which is given below, at the end of any given month must not be below 100% for deposit banks and below 80% for participation banks.

$$\text{ASSETS RATIO} = \frac{\text{LOANS} + (\text{SECURITIES} \times 0.75) + (\text{CBRT SWAP} \times 0.5)}{\text{TL DEPOSIT} + (\text{FC DEPOSITS} \times 1.25)} \text{ (AR)}$$

The Board later revised the definitions of denominator and nominator of the ratio, consideration rates of ratio components and lower limits for banks, and later in its meeting of 24 November 2020, revoked the Assets Ratio practice effective from 31 December 2020.

On 5 May 2020, the BRSA decided to limit the sum of banks' TL placements, TL deposit, TL repo and TL loans with non-resident financial institutions including their partnerships in the nature of credit agency and financial institution abroad subject to consolidation and their overseas branches to 0.5% of their most recently calculated regulatory capital.

The decision of 30 November 2020 revised the said ratio as 2.5% instead of 0.5%.

It was decided that in daily gold purchases equal to or exceeding 100 grams by real and legal persons, a value date of one business day would be applied to the transfer of the purchased gold to the buyer's account, and/or to making it available, effective from 22 May 2020.

As published in the Official Gazette dated 30 September 2020, 1 percent exchange tax applied to FC and gold purchases was decreased to 2 per thousand. Banking and insurance transactions tax (BITT) ratio applied to exchange transactions was increased from 0.2% to 1% in May. Withholding tax levied

on deposit accounts was revised as 5, 3 and zero percent until the end of the year, depending on maturity. The decision will be applicable to demand and specific current accounts limited to 3 months from the date of its publication, and to interests and profit shares payable to time deposits opened or renewed within the 3 months from the said date.

THE REGULATION AMENDING THE REGULATION ON COMMERCIAL COMMUNICATION AND COMMERCIAL ELECTRONIC MESSAGES

The Regulation published in the Official Gazette dated 4 January 2020 imposed the obligation to register with the Commercial Electronic Messages Management System (in Turkish: İYS), a centralized system for managing opt-in and opt-out requests and complaints related to commercial electronic messages, for real and legal persons wanting to send commercial electronic messages. The Regulation prohibits sending commercial electronic messages to recipients whose opt-in consents do not exist on the system. The Regulation also stipulates that an entity be authorized by the Ministry of Trade to perform the tasks and procedures regarding İYS, and in this context, to prepare the technical infrastructure for recording opt-in and opt-out information on the İYS, obtaining consent through İYS, exercise of the right to opt-out, receiving and reporting complaints regarding commercial electronic messages, fast and effective management of complaint handling, and for letting intermediary service providers use the system, and for opening the system to the Ministry's access.

BANKING REGULATION AND SUPERVISION AGENCY DECISION DATED 09 JANUARY 2020 AND NUMBERED 8791

Pursuant to Article 26(7) of the Regulation on Bank Cards and Credit Cards; it was resolved to decrease the credit cards installment periods set by the Board Decision dated 11 January 2019 numbered 8198 from 6 months to 3 months for expenditures on air travel, travel agencies, and accommodation associated with foreign countries.

REGULATION AMENDING THE REGULATION ON LOAN TRANSACTIONS OF BANKS

The Regulation that came into force upon its publication in the Official Gazette dated 14 January 2020 set out the maximum maturities for various loans as follows: consumer loans – sixty months; loans extended for vehicle purchase with the final invoice value of TL one hundred twenty thousand and less – sixty months; loans extended for vehicle purchase with the final invoice value of above TL one hundred twenty thousand and vehicle equity loans – forty-eight months; loans extended for computer purchase – twelve months; loans extended for tablet purchase – six months; loans extended for purchase of mobile phones priced up to TL three thousand five hundred – twelve months; loans extended for purchase of mobile phones priced above TL three thousand five hundred – three months. In addition, the Regulation authorizes the Banking Regulation and Supervision Agency to modify the maturity limitations specified in the Regulation and to impose additional limitations.

Based on this authority, the Board, by its decision dated 17 December 2020 and numbered 9322, decided to decrease the maturity on (i) loans extended for purchase of a vehicle with a final invoice value of above TL three hundred thousand from forty-eight months to thirty-six months; (ii) loans extended for purchase of a vehicle with a final invoice value of above TL seven hundred fifty thousand from forty-eight months to twenty-four months; (iii) vehicle equity loans from forty-eight months to thirty-six months.

BRSA DECISIONS CONCERNING BANKS' CURRENCY SWAPS, FORWARDS, OPTIONS AND OTHER DERIVATIVES TRANSACTIONS INVOLVING TL AND FC WHERE BUYS TL AT MATURITY

With its decision dated 08 February 2020 numbered 8860, the BRSA decided that the sum of banks' currency swaps, forwards, options and other similar derivatives transactions involving TL and FC with non-residents where banks receive TL at the maturity date, have been limited not to exceed 10% of the bank's most recently calculated regulatory capital.

THE LAW AMENDING THE BANKING LAW NO. 7222 AND SOME OTHER LAWS

The key revisions in the Law published in the Official Gazette dated 25 February 2020 are as follows:

→ Article 66/A supplemented to Article 66 of the Banking Law stipulates that banks designated to be systemically important by the Board are required to draw up an action plan within the frame of the principles and procedures to be set by the Board and to submit such plan to the Board, in order to determine in advance the measures to be taken on account of non-compliance with the protective provisions under BRSA regulations or for circumstances that might lead to deterioration of their financial structures, and to notify the BRSA in the event of such a situation.

→ The phrase "personal data of real persons and data pertaining to legal entities which result after the customer relationship is established with the banks specifically for banking activities become customer secrets" inserted to Article 73/4 of the Banking Law; as such, it is envisaged that both the confidentiality obligations in the Banking Law and the Personal Data Protection Law would be applicable to information specific to banking activities such as deposit information, loans, credit score, account movements etc. pertaining to real persons created after a customer relationship is established with the banks. Without prejudice to the governing provisions of other laws, it is stipulated that information in the nature of customer secrets cannot be disclosed or communicated to third parties in and out of Turkey without the person's request or instruction, even if the customer's explicit consent shall have been obtained, pursuant to the Personal Data Protection Law, save for exemptions from the confidentiality obligation specified in this article. On the other hand, the Board has been authorized to restrict the transfer of all sorts of data in the nature of customer secrets or bank secrets to foreign countries. It is stipulated that information in the nature of customer secrets or bank secrets can be disclosed exclusively for the specified purposes and then, only to the extent required by these purposes in line with the principle of proportionality, including the disclosures to be made in exemptions from confidentiality obligation mentioned in the article.

→ Article 76/A titled Manipulation and Misleading Transactions in Financial Markets has been supplemented to Article 76 of the Banking Law. This article sets out that transactions and acts aimed at price formation through transactions mentioned as banking activities in Article 4 of the Law, including artificial supply, demand or exchange rate in financial markets, dissemination of inaccurate or misleading information through various tools including the internet environment, guiding the account holders in an inaccurate and misleading way, or similar transactions and practices aimed at achieving these purposes will be considered as manipulation and misleading transactions in financial markets.

→ Upon the revision made to Article 144 of the Banking Law, the authority to determine maximum interest rates to be applied to banks' loans and deposits, the loss or profit participation rates in participation accounts and the nature and maximum amounts or rates of fees, charges, commissions and other interests that will be charged on transactions including special current accounts, and to release such amounts and rates in whole or in part was delegated to the Central Bank of the Republic of Turkey.

→ With the revision made to Article 27 of the Capital Market Law, the "Debt Instrument Holders' Commission", which did not exist in the Law previously, was established.

→ With the revision made to Article 31/B of the Capital Market Law, "Collateral Manager" structure, which did not previously exist in either the Capital Market Law or in the Turkish law, has been established. Accordingly, the security agent structure that exists in common law countries was clearly defined for the first time in the Turkish law (although the grounds for the Law incorporates a reference to the 'Trust' entity that has a broad application in comparative law) subject to the terms and conditions summarized below and restricted to capital market instruments. Restricted to the capital market instruments to be specified by CMB, the same may be collateralized via a collateral manager using either "transfer of ownership" or "creation of limited real rights" in order to ensure fulfillment of the obligations arising from these instruments.

→ The revision made to Article 61/B of the Capital Market Law introduced the "project based securities" (PBS) concept that did not exist in our laws before. In the structure established accordingly, it is envisaged to transfer the revenues within the scope of fiduciary ownership principles, derived on project

finance to the project finance fund defined as unincorporated property. In this framework, it is intended to source the repayments to investors providing the funds for project finance by purchasing PBSs from project revenues transferred to the project finance fund.

→ By another revision to the Capital Market Law, the lower limits of imprisonment for market manipulation and insider trading crimes have been increased.

BRSA DECISION DATED 21 FEBRUARY 2020 AND NUMBERED 8876

An obligation was imposed on companies with a turnover of TL 500 million and above to obtain a rating from an authorized rating agency until 30 June 2021 in order to obtain a credit.

COMMUNiqué (NO. 2020/3) ON THE DEPOSIT AND LOAN RATES, THE PROFIT AND LOSS PARTICIPATION RATES FOR PARTICIPATION ACCOUNTS

The Communiqué (No. 2020/3) on the Deposit and Loan Rates and the Profit and Loss Participation Rates for Participation Accounts, effective from 01 March 2020, has been published in the Official Gazette 10 February 2020. The Communiqué repealed the Communiqué (No. 2006/1) on the Deposit and Loan Rates, the Profit and Loss Participation Rates for Participation Accounts, and Other Non-Interest Benefits to be Received via Credit Transactions published in the Official Gazette 09 December 2006. The new Communiqué enforced sets out that annual demand deposit rate may not exceed 0.25%; while the variable interest rate was permissible for TL deposits with longer than 6-month terms in the repealed Communiqué, the new Communiqué sets out that variable interest rate can be applied to deposits with a maturity of 3 months and longer. Furthermore, it has been set forth that maximum contractual and overdue interest rates applied to overdraft accounts may not exceed the maximum rates set by the CBRT pursuant to Article 26 of the Law on Bank Cards and Credit Cards no. 5464. Accordingly, maximum contractual and maximum overdue interest rates to be applied in credit card transactions will also be applicable for overdraft accounts.

REGULATION ON BANK CARDS AND CREDIT CARDS

The amendment made to the Regulation on Bank Cards and Credit Cards on 28 March 2020 authorized the Banking Regulation and Supervision Agency (BRSA) to determine the minimum amount due in credit cards between twenty percent to forty percent of the debt for the period and to change the limit allocation limits specified in the regulation. With its decision dated 30 March 2020, the BRSA decided to determine the minimum amount due in credit cards as twenty percent of the debt for the period. In addition, another revision was made to the said Regulation on 25 September 2020, which excluded entities engaged in clearing and settlement from the Regulation; in line with the amendment made on 26 June 2020 to the Law on Bank Cards and Credit Cards no. 5464, a supplementary provision was added setting out that the relationships between card issuers and card holders can be established from a distance or can be regulated through contracts, whether or not distance contracts, determined by the BRSA to replace the written form, that can be executed through information or electronic communication devices by means of methods enabling verification of the customer's identity.

The amendment made to the Regulation on 25 September 2020 stipulated that in the case of guaranteed with cash, cash-like assets and accounts and precious metals, card issuers may determine credit card limits without the obligation to require declaration and verification of income, provided that the said limit does not exceed the amount of guarantee and a pledge contract is made. It is also stipulated that, subject to the conditions mentioned in the preceding sentence, limit allocation limits specified in the Regulation will not be applicable.

The alteration made on 25 September 2020 introduced a first-ever regulation regarding payment institutions; accordingly, in the event that the member merchant with which the entity enters into a member merchant agreement is a payment or electronic money institution governed by the Law no. 6493 and in the event that, subject to Law no. 6493, this institution lets sub-merchants use the POS devices obtained from the entity that entered into a member merchant agreement ; an

obligation has been incorporated which requires the notification of the sub-merchants allowed to use the POS device, its trade name, tax ID or TR citizenship ID number to the entity entering into member merchant agreement; and the use of a reference number that will serve to individually identify the related sub-merchant in all transactions within this scope so that the transactions performed by sub-merchants can be tracked on the basis of each transaction by the entity entering into the member merchant agreement supplying the POS device.

Within the same scope, it is stipulated that entities entering into member merchant agreements may not enter into a member merchant agreement with entities failing to fulfill this obligation, and may not supply POS devices to such entities. It is also stipulated that entities entering into member merchant agreements may not use these information they acquire for marketing and similar purposes.

MAXIMUM INTEREST RATES APPLICABLE ON CREDIT CARD TRANSACTIONS

→ With the press release dated 28 March 2020, numbered 2020-20, the CBRT determined that, effective from 1 April 2020, the monthly maximum contractual interest rate for credit card transactions would be 1.25% for the Turkish lira and 1.00% for FC transactions, whereas the monthly maximum overdue interest rate would be 1.55% for the Turkish lira and 1.30 % for FC transactions. It was also announced that maximum interest rates for credit cards would no more be announced for three-month periods, but would remain in effect until superseded.

→ The Communiqué (No. 2020/16) regarding Maximum Interest Rates for Credit Card Transactions was published in the Official Gazette dated 31 October 2020. The Communiqué set the methods for determining and announcing maximum contractual and overdue interest rates for credit card transactions in Turkish lira and foreign currency. Accordingly, (i) monthly maximum contractual interest rates in TL credit card transactions will be determined by adding 55 bps to the monthly reference rate calculated and announced within the principles and procedures set out in the Communiqué (No. 2020/4) on Principles and Procedures regarding the Fees that Banks can Charge Their

Commercial Customers published in the Official Gazette dated 10 February 2020; (ii) monthly maximum contractual interest rate to FC credit card transactions will be determined by rounding up to two digits after the point of 80 percent of the monthly maximum contractual interest rate to be applied in TL credit card transactions; (iii) monthly maximum overdue interest rate in TL credit card transactions will be determined by adding 30 bps to the monthly maximum contractual interest rate applied in TL credit card transactions; and (iv) monthly maximum overdue interest rate to FC credit card transactions will be determined by adding 30 bps to the monthly maximum contractual interest rate to be applied in FC credit card transactions.

The rates calculated according to the said method will be published on the CBRT official website on the fifth business day before the end of each month, and will be effective from the first day of the following month. The rates published on the CBRT website upon the publication of the Communiqué are as follows:

EFFECTIVE DATE	REFERENCE RATE (%)	MAXIMUM CONTRACTUAL INTEREST RATES ON CREDIT CARDS (%)		MAXIMUM OVERDUE INTEREST RATES ON CREDIT CARDS (%)	
		TURKISH LIRA	FOREIGN CURRENCY	TURKISH LIRA	FOREIGN CURRENCY
1 January 2021	1.24	1.79	1.43	2.09	1.73
1 December 2020	1.04	1.59	1.27	1.89	1.57
1 November 2020	0.91	1.46	1.17	1.76	1.47

SUSPENSION PERIODS ON COURT PROCEEDINGS STIPULATED BY THE PRESIDENTIAL DECREE NO. 2279 REGARDING THE SUSPENSION OF ENFORCEMENT AND BANKRUPTCY PROCEEDINGS AND BY PROVISIONAL ARTICLE 1 OF THE LAW NO. 7226 AMENDING CERTAIN LAWS

The Presidential Decree No. 2279 Regarding the Suspension of Enforcement and Bankruptcy Proceedings was published in the

Official Gazette dated 22 March 2020. Accordingly, within the frame of the measures implemented to prevent the spread of the Covid-19 infectious disease in our country, it was decided to suspend all countrywide enforcement and bankruptcy proceedings in progress, save for those in relation to alimony receivables, from 22 March 2020 until 30 April 2020; it was decided not to execute party and proceeding procedures, not to accept new enforcement and bankruptcy proceedings demands, and not to enforce and execute precautionary attachment decisions. In addition, due to the emergence of the Covid-19 infectious disease in our country, the suspension periods on court proceedings were set out in the Provisional Article 1 of the Law no. 7226 Amending Certain Laws published in the Official Gazette 26 March 2020 dated 31080, reiterated 1, and it was decided to suspend certain terms such as those for filing a lawsuit, initiation of enforcement proceedings, complaints, objections, periods of limitations and lapse of time until 30 April 2020 (included). Later, Decree (No. 2480) Regarding the Extension of the Suspension Periods to Prevent any Loss of Rights in Legal Proceedings was published in the Official Gazette numbered 31114 dated 30 April 2020, whereby it was decided to extend the said suspension periods from 01 May 2020 (included) until 15 June 2020 (included) save for the terms for the mandatory administrative applications stipulated under the Public Procurement Law no. 4734.

ARTICLE 48 OF THE LAW NO. 7226 AMENDING CERTAIN LAWS PUBLISHED IN THE OFFICIAL GAZETTE DATED 26 MARCH 2020 AND PROVISIONAL ARTICLE 2

Supplemented to the Law on Exclusion of the Records Regarding Bad Cheques, Protested Bills and Loans and Credit Card Debts No. 5834 and dated 22 January 2009 stipulate that the records regarding bad cheques, protested bills, credit cards and other credit debts of real and legal persons having default in the payments regarding the capital, interest and/or its ancillaries of cash or non-cash loan whose payment dates in terms of the capital or installment were before 24 March 2020 as well as of individuals and credit customers kept with the Risk Center of the Banks Association of Turkey (BAT) will not be taken into

consideration by credit institutions and financial institutions in financial transactions engaged with those persons on condition that the delayed part of the payments is paid or restructured in full until 31 December 2020.

BRSA DECISION DATED 17 DECEMBER 2020 AND NUMBERED 9322

Pursuant to Article 26(7) of the Regulation on Bank Cards and Credit Cards, it has been decided to decrease the installment periods for credit cards determined by the Board Decision No. 8198 dated 11 January 2019; (i) from eight months to six months for expenditures related to jewelry that is printed and not in bullion, (ii) from six months to four months for purchases of electronic appliances, excluding television purchases up to three thousand five hundred Turkish Liras, (iii) from eighteen months to twelve months for purchases of furniture and electrical appliances.

DECISION NO. 3321 REGARDING THE WITHHOLDING RATES SPECIFIED IN PROVISIONAL ARTICLE 7 OF THE INCOME TAX LAW NO. 193

Pursuant to Decree No. 3321 Regarding the Withholding Rates Specified in Provisional Article 67 of the Income Tax Law No. 193 published in the Official Gazette dated 23 December 2020, it was decided that the withholding rates specified below will be applied to income and returns derived on bills and bonds issued by banks which are acquired between 23 December 2020 (included) and 31 March 2021 (included) and to income and returns derived on lease certificates issued by asset lease companies, where the fund users are banks.

Currently, for taxes calculated at a ratio of 10% and 15%,

Calculations for Interest (Coupons) and Redemption

1. 5% on income derived on those with a maturity of up to 6 months (included)
2. 3% on income derived on those with a maturity of up to 1 year (included)

3. 0% on income derived on those with a maturity of longer than 1 year

Calculations for Income on Trading

1. %5 on income derived on the disposal of those held for less than 6 months (included)
2. 3% on income derived on the disposal of those held for less than 1 year (included)
3. 0% on income derived on the disposal of those held for longer than 1 year.

In addition, pursuant to the said Presidential Decree No. 3321, it was decided to apply a withholding rate of 0% also to income and returns derived on mutual funds (excluding variable, mixed, Eurobond, external borrowing, foreign, hedge funds and mutual funds incorporating the word FC in their names) acquired between 23 December 2020 and 31 March 2021.

DECREE NO. 2406 REGARDING WITHHOLDING RATES ON CERTAIN INCOME AND REVENUES SPECIFIED IN PROVISIONAL ARTICLE 67 OF THE INCOME TAX LAW

The withholding rate applied as 0 percent on the income derived on security mutual funds (including stock exchange mutual funds, housing finance funds and asset finance funds) set up according to the Capital Market Law and on portfolio management of securities investment trust was increased to 15% for Free (FC) Funds by the Presidential Decree no. 2604 published in the Official Gazette dated 3 June 2020. The withholding tax is abolished with effect from 1 January 2021 with Decree No. 3321.

DECREE NO. 2569 REGARDING WITHHOLDING RATES ON CERTAIN INCOME AND REVENUES SPECIFIED IN PROVISIONAL ARTICLE 67 OF THE INCOME TAX LAW

The Presidential Decree No. 2569 published in the Official Gazette dated 24 May 2020 determined the withholding rate at 15% for income derived on financing bonds approved by the CMB according to the Capital Market Law no. 6362 and on lease

certificates with a term of less than one year issued by asset lease companies and revenues arising from their disposal.

DECREE NO. 3031 DECREASING THE BITT RATE TO BE CALCULATED BASED ON SALES PRICE IN EXCHANGE TRANSACTIONS

The Presidential Decree No. 3031 published in the Official Gazette dated 30 September 2020 reduced the rate of BITT (exchange sales tax) calculated based on the sales price in exchange transactions from 1 percent (Decree No. 2568 dated 24 May 2020) to 2 per thousand. The Decree took effect on 30 September 2020.

DECREE NO. 3032 EXTENDING THE DURATION OF THE LOW WITHHOLDING RATE APPLIED TO DEPOSIT INTERESTS AND PROFIT SHARES PAID BY PARTICIPATION BANKS

The Presidential Decree No. 3032 published in the Official Gazette dated 30 September 2020 temporarily reduced the withholding rates applied to interests earned on Turkish lira deposit accounts and profit shares paid by participation banks for participation accounts. The Presidential Decree No. 3321 published in the Official Gazette dated 23 December 2020 extended the application period of these lower rates until 31 March 2021. Accordingly, 5%, 3% and 0% withholding will be applied depending on their maturities to TL deposit interests and profit shares paid by participation banks for TL participation accounts.

LAW NO. 7256 MAKING AMENDMENTS TO THE TAX LEGISLATION HAS BEEN PUBLISHED

The application period of the Provisional Article 67 of the Income Tax Law regulating withholding application to income derived on marketable securities was extended until 31 December 2025.

REGULATION ON BANK'S INFORMATION SYSTEMS AND ELECTRONIC BANKING SERVICES DATED 15 MARCH 2020 ("THE REGULATION")

The Regulation enforced to supersede the arrangements currently contained in the legislations and introduces new organizational requirements and control mechanisms in relation to the establishment of information systems at banks, risk management and information security. Introducing also the Open Banking definition as an electronic delivery channel whereby customers, or parties acting on their behalf, through certain mechanisms, remotely access the financial services offered by banks and perform their banking transactions or give order to banks for such performance, the Regulation's certain provisions entered into force on 1 July 2020, whereas others have become effective as of 1 January 2021.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION NO. 8949 DATED 17 MARCH 2020 ("THE DECISION")

Pursuant to applicable legislations, banks, including their overseas branches, are obliged to monitor their loans by classifying them in accordance with specific principles. With the Decision, it was decided to extend the 90-day-period stipulated for overdue loans to be classified as non-performing loans to 180 days for Group 1- Standard Loans and Group 2-Closely Monitored Loans, applicable until 31 December 2020. Furthermore, according to the Decision, banks would continue to set aside the provisions for the loans that continue to be classified under Group 2 despite being overdue for 90 days pursuant to their own risk models which are used in the calculation of expected loan loss within the scope of TFRS 9. The BRSA later extended the aforementioned deadline until 30 June 2021.

BANKING REGULATION AND SUPERVISION AGENCY'S ASSET RATIO DECISIONS DATED 18 APRIL 2020 NO. 9000 AND DATED 24 NOVEMBER 2020 NO. 9271 AND THE TIME IN BETWEEN

In order to mitigate the negative impacts incurred by the Covid-19 pandemic upon the economy, market, production and employment and as to enable banks to utilize the funds at their disposal in the most efficient way possible, the asset ratio calculation formula was first revised in April. Following this decision, calculation methods were revised further by various BRSA decisions, all of which were decided to be revoked effective from 31 December 2020 with the BRSA decision in November.

AMENDMENTS TO THE RESERVE REQUIREMENT REGULATION MADE BY THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

→ With the Communiqué No. 2020/2 published in the Official Gazette issue 31012 dated 18 January 2020, within the scope of the Reserve Options Mechanism (ROM), it was decided to decrease the upper limit of the facility of holding standard gold from 30% to 20% of Turkish lira reserve requirements and to increase the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents from 10% to 15%, effective from 10 January 2020.

→ With the Communiqué no. 2020/6 published in the Official Gazette issue 31061 dated 7 March 2020, effective from 6 March 2020, banks with an annual real loan growth rate above 15% were allowed to benefit from the required reserve incentives if their adjusted real loan growth rate, which is calculated by deducting the entire real changes in loans with a longer-than-two-year maturity extended to selected sectors and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, was below 15%. Banks with an annual real loan growth rate below 15% were allowed to benefit from the required reserve incentives if their adjusted real loan growth rate, which is calculated by deducting 75% of the real change in retail loans excluding housing loans with a five-year and longer maturity and the entire TL loans extended starting from 9 March

2020 to facilitate early repayment or early restructuring of FC cash loans from the numerator of the growth rate formula, was above 5%.

→ With the Communiqué no. 2020/9 published in the Official Gazette issue 31072 dated 18 March 2020, effective from 6 March 2020, FC required reserve ratios were reduced by 500 bps across all liability types and maturity brackets for banks that satisfy the real loan growth requirements within the scope of the required reserve practice.

→ With the Communiqué no. 2020/13 published in the Official Gazette issue 31161 dated 20 June 2020, effective from 12 June 2020, it was decided to temporarily suspend until the end of the year the prerequisite of below 15 percent adjusted real loan growth rate that must be satisfied by banks with an annual real loan growth rate above 15% to be able to benefit from the required reserve incentives.

→ With the Communiqué no. 2020/14 published in the Official Gazette issue 31189 dated 18 July 2020, effective from 10 July 2020, FC required reserve ratios were increased by 300 bps across all liability types and maturity brackets for all banks.

→ The revision contained in the Communiqué no. 2020/15 published in the Official Gazette issue 31220 dated 21 August 2020, which came into force as of its publication date, increased the FC required reserve ratios for banks satisfying real loan growth requirements by 700 bps for precious metal deposit accounts across all maturity brackets, and by 200 bps for all other FC liabilities. In addition to that, in keeping with the steps recently taken in relation to Turkish lira liquidity management, it was decided to increase TL required reserve ratios of banks satisfying real loan growth requirements by 200 bps for all deposit/participation fund liabilities with a maturity of up to 6 months and for all other liabilities with a maturity of up to 1 year, and by 150 bps for all their other liabilities with a maturity of up to 3 years.

→ According to the revision that came into force on 11 December 2020 with the Communiqué no. 2020/17 published in the Official Gazette issue 31317 dated 27 November 2020, the practice of required reserve and interest/remuneration rates varying according to real loan growth was revoked; required reserve and interest/remuneration rates would be uniform across the entire sector. Accordingly, of the Turkish lira and FC

required reserve ratios, the interest/remuneration rate paid to TL required reserves will be applied as 12 percent for the entire sector, and the commission rate, previously applied as 1.25 percent for required reserves created for deposit/participation fund liabilities in terms of USD, was set as 0 percent.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 20 MAY 2020 AND NUMBERED 9031

In order to ensure that the clearing operations of Turkish Lira bonds and Turkish Lira lease certificates not to be adversely affected and that securities denominated in Turkish Lira are traded efficiently and effectively, with its decision dated 20 May 2020 numbered 9031, the Banking Regulation and Supervision Agency decided that foreign central custody institutions to be exempt from which will be determined by itself among those defined in the capital market legislations from limitation on that matter and in this regard, Euroclear Bank and Clearstream Banking are also determined as exempt from this limitation.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 28 JULY 2020 AND NUMBERED 9109

Based on the Banking Regulation and Supervision Agency's (BRSA) decision dated 28 July 2020 numbered 9109, Turkish Lira transactions with non-residents were restricted.

Accordingly, (a) it was clarified that the exemption brought by the BRSA decision numbered 9031 dated 20.05.2020 for Foreign Central Clearing Institutions (FCCI) to be determined by the BRSA is limited only with the clearing activities of securities denominated in Turkish Liras carried out at home or abroad; and in addition to the said exemption, exemption will be granted as per the restrictions on access to Turkish Liras to swap transactions where buys TL at maturity (where in the first leg of the swap transaction, FCCI receives TL in exchange for foreign currency) carried out with the domestic bank reported as the account operator in the over-the-counter or in BIST FX swap market and FCCIs' short term funding operations to be

made to the TL accounts owned by foreign residents, subject to a commitment by the FCCI that it is limited to the clearing activities of securities denominated in Turkish Liras issued by domestic and foreign residents; (b) International Development Banks' (IDB) following financing transactions via TL accounts to be opened in domestic banks will be exempted from restrictions on access to Turkish liras: currency swaps with BIST FX Swap Market where IDB buys TL at forward (where IDB buys TL and sell FX in the first leg of the swap), repo and reverse repo transactions within BIST Repo Market; and TL deposits at domestic banks, provided that IDBs give a written declaration and commitment to the domestic banks in which they have opened accounts that they will keep TL liquidity (funds) provided from the domestic market and will use this TL liquidity to extend loans to domestic resident companies, buy TL securities and deposit excess TL liquidity to domestic banks, and provided further that their written application to Banking Regulation and Supervision Agency to benefit from above mentioned exemption is accepted.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 04 SEPTEMBER 2020 AND NUMBERED 9131

With its decision dated 04 September 2020 and numbered 9131, the BRSA decided to decrease the overall maturity limit in relation to consumer loans from sixty months to thirty-six months, which were stipulated in the Regulation on Loan Transactions by Banks and the Regulation on the Establishment and Operating Principles of Leasing, Factoring and Finance Companies.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 08 DECEMBER 2020 AND NUMBERED 9311

With its decision dated 08 December 2020 and numbered 9311, the BRSA decided to terminate the practice of applying value date of one business day for the transfer to account and the availability for disposal/physical delivery, as per the daily foreign currency purchases amounting to USD 100,000 or more

(including effective) by real persons, which was introduced by the BRSA decision dated 20 May 2019 numbered 8374, and the practice of applying value date of one business day for the transfer to account and/or the availability for disposal of, daily gold purchases of equal to or exceeding 100 grams by real and legal entities enforced by the BRSA decision dated 21 May 2020 no. 9033.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 08 DECEMBER 2020 NUMBERED 9312

Due to the ongoing potential effects of the pandemic, with its decision dated 08 December 2020 numbered 9312, the Banking Regulation and Supervision Agency (BRSA) decided to extend the time granted through various Board decisions and instructions until 30 June 2021 in relation various topics including the following: in the calculation of the value at credit risk, permitted use of the simple arithmetic mean of the CBRT FC buying rates on the last 252 business days preceding the calculation date when calculating the amounts of monetary assets and non-monetary assets, excluding those items that are measured through historic cost, adjusted according the Turkish Accounting Standards and the amount of related special provisions; use of bank-owned securities in the amount of shareholders' equity in capital adequacy; delays that will be taken into account in the calculation of provisions for the bank's receivables; in case of deferment of card debts, not demanding the payment of minimum due amount and granting a grace period; assessment regarding the suspension of cash credit function of credit cards; non-enforcement of the obligation to dispose of commodities and real estates within 3 years from the date of acquisition; within the scope of the exercise of the right to buy back, limitation of the loans whose collateral is obtained by the bank in return for loan debt or paid in kind; and classification of restructured NPLs.

Furthermore, it was decided to discontinue the implementation of the BRSA decisions and instructions on 31 December 2020, which relate to the satisfaction of the liquidity coverage ratio, granting additional 60 days for various notice and reporting

times, follow-up and completion of the documents that need to be obtained from borrowers in the case of loans for TL 100 million and above; granting exemption on the standard ratio of interest rate risk, and valuation of financial collaterals.

LEGISLATION CONCERNING THE FEES BANKS CAN CHARGE COMMERCIAL CUSTOMERS

The Communiqué no. 2020/4 regarding the Principles and Procedures for Fees that Banks Can Charge Commercial Customers published in the Official Gazette numbered 31035 and dated 10 February 2020 determines the fees that banks charge for the products and services offered to commercial customers, and sets forth the maximum amounts or rates a per certain fees. While the authority to determine the rates and amounts in relation to certain fees which banks can charge for the products and services that can be rendered under four categories, namely "Commercial Loans", "Foreign Trade", "Cash Management" and "Payment Systems", was delegated to the Central Bank of the Republic of Turkey (CBRT), it has been stipulated that other fees for which imposed with any limitations can be solely set by the banks. Furthermore, fees that can be charged for products and services which are not in the scope of the categories addressed in the Communiqué with respect to their nature can be determined solely by banks. In the contracts to be executed by and between the banks and their commercial customers, banks are obliged to prepare a detailed information form stating the fees that may be collected for the products and services they will provide under the contract, and to deliver such form in writing to the customer or via the registered data keeper. According to the Communiqué, in order to increase the fees set forth in the contract or the information form attached to it, banks are obliged to notify their customers in writing or via permanent data keeper at least two business days in advance. Furthermore, banks were subjected to the obligation to publish the maximum tariff or fees collected from commercial customers and other current information on their websites, together with the dates of any changes to such information, and to keep the said data up-to-date. The Communiqué also imposed the obligation to apply to the CBRT through the Banks Association of Turkey in order to determine a

new fee, which may be placed under a category identified in the Communiqué but is not listed among the fees in the appendix to the Communiqué.

In order to elaborate on the details of the enforcement of the Communiqué provisions, the CBRT issued an Instruction for the Implementation of Fees that Banks can Charge Commercial Customers ("the Instruction"). The instruction identified the exceptions remaining outside the scope of the Communiqué in detail, while implementation principles regarding fees were set out in detail. The informing obligation imposed on banks by the Communiqué applies to all fees to be charged by banks to commercial customers falling under the scope of the Communiqué, without being restricted to the categories set forth in the Communiqué. In this framework, information on other fees that banks can charge for the products and services provided to commercial customers in categories other than the ones specified in the Communiqué must be announced on banks' websites, with the right of exemption demand being reserved, and similarly, the information on these fees need to be delivered to the commercial customer with an information sheet. Within the frame of the contracts they will execute with commercial customers, banks can apply to the CBRT either directly or through the Banks Association of Turkey for collecting fees in return for specific products or services which are deemed to be in the same categories appended to the Communiqué, but which are not in the same nature with the listed fees. From out of the fees that can be collected for specific products and services falling within the scope of the categories appended to the Communiqué and for products and services outside the scope of the said categories, those that are of a nature not permitting announcement and are determined on a case-by-case basis as per the customer or the transaction can be exempted from the obligation to be announced on the website and to be notified to the CBRT, provided that the CBRT deems it appropriate.

Through regulatory framework, an upper limit was enforced in relation to member merchant fees, and it has been stipulated that in the event of transfer of transactions not divided into

installments to the member merchant's account the next day, the same may not exceed the monthly reference rate incremented with 0.45 points; and that in case of non-payment of the fee by the member merchant, the transaction amount will be made available for disposal by the member merchant after 40 days at the latest.

In the event that the transaction amount is made available for disposal of the member merchant upon request earlier than the date co-determined by the parties, maximum deblocking fee that can be charged to the member merchant may not exceed the rate calculated by remaining days of the contractual block divided by the maximum number of block days multiplied by maximum member merchant fee.

The Communiqué (No. 2020/19) Amending the Communiqué (No. 2020/4) regarding the Principles and Procedures for Fees that Banks Can Charge Commercial Customers has been published in the Official Gazette numbered 31351 and dated 31 December 2020, which introduced the FAST transaction, defined as payment transactions performed using the Instant and Continuous Transfer of Funds System (FAST) owned by the CBRT and accordingly, set out the fees for FAST transactions.

LEGISLATION REGARDING THE FEES BANKS CAN CHARGE ON FINANCIAL CONSUMERS

Article 4/3 of the Consumer Protection Law no. 6502 ("the Law") delegates the power to set the types of all kinds of fees, commissions and charges apart from interest rate to be charged to consumers for products and services provided to consumers by banks, financial institutions granting consumer loans and card issuers, and to determine the procedures and principles in relation thereto to the Banking Regulation and Supervision Agency ("BRSA").

While restrictions on fees were being addressed according to the stipulations in the regulation published by the BRSA since 2014, Law No. 7222 Amending the Banking Law and Certain Laws that came into force upon its publication in the Official

Gazette numbered 31050 and dated 25 February 2020, the BRSA's authority in this respect was transferred to the Central Bank of the Republic of Turkey (CBRT). Thus, the CBRT released the Communiqué No. 2020/7 regarding the Principles and Procedures for the Fees Charged on Financial Consumers ("the Communiqué"), which was published in the Official Gazette dated 07 March 2020. Furthermore, the Prospectus Regarding the Products and Services for which Fees can be Charged Under the Communiqué (No. 2020/7) Regarding the Principles and Procedures for Fees Charged on Financial Consumers, which was updated by the Communiqué, was posted and announced on the Banks Association of Turkey's website.

In general, the said Communiqué set some limitations on the basis of the amounts and rates of fees that banks can collect from financial consumers. In order for the banks to offer a product or service not specified in the contract in exchange for a fee, the approval of the financial consumer must have been obtained in accordance with the nature of the area in which the transaction occurred. The annual rate of increase of the maximum limits governed by the Communiqué was set as the annual rate of increase of the consumer price index (CPI) pertaining to the previous year-end, announced by the Turkish Statistical Institute (TURKSTAT). In order to increase the fees they charge, banks are obliged to notify the financial consumer of such demand in writing or via permanent data keeper or recorded phone. In addition, it has become compulsory to have the financial consumer write down the phrase "I have been hand delivered one counterpart of the contract" on hard-copy contracts; however, visually-impaired customers are exempted from this obligation in order to ease banking transactions for visually-impaired customers.

In the list attached to the Communiqué, products and services which can be offered by banks to financial consumers and for which fees can be charged are classified as "Personal Loans", "Deposits/Participation Funds", "Money and Precious Metal Transfers", "Credit Cards", and "Other"; while principles and limits are set forth on all kinds of fees, commissions and

expenses that can be charged in relation to such categories. In order to determine a new product or service group which is not included in the scope of the Communiqué or formulate a new fee, banks are obliged to get the CBRT's approval. To provide an instant transaction that is not continuous or a product or service unspecified in the contract, the approval of the financial consumer must be obtained in accordance with the nature of the area where the transaction is executed. It is obliged for banks to prepare an informative sheet, which is an integral part of the contract, and which includes the fee tariff for the product/service subject to the contract to be executed by and between banks and the financial consumer, and other matters on which minimum information must be provided about each product or service under the agreement as per the provisions of the Communiqué. The Communiqué also sets forth the banks' obligation to publish and keep up-to-date the maximum tariff on the fees they collect from financial consumers and other current information on their websites, along with the dates of changes to such information.

The Communiqué (No: 2020/18) Amending the Communiqué (No. 2020/7) Regarding the Principles and Procedures for Fees to be Charged on Financial Consumers was published in the Official Gazette numbered 31351 and dated 31 December 2020, which introduced the FAST transaction, defined as payment transactions performed using the Instant and Continuous Transfer of Funds System (FAST) owned by the CBRT and accordingly, set out the fees for FAST transactions.

Corporate Governance Principles Compliance Report

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STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "the Bank" or "Garanti BBVA") complies with the corporate governance principles set out by the banking legislation, capital market legislation, as well as the Turkish Commercial Code and other applicable legislation, and pays the utmost attention to implement these principles. Garanti BBVA accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders can access comprehensive information, get information about the latest developments and activities from the regularly updated Garanti BBVA Investor Relations website, and can address their questions to the Investor Relations Department and to the Subsidiaries and Shareholders Service.

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 this report. In addition, disclosures within the scope of Sustainability Principles Compliance Framework as per the Communiqué (no: II.17.1a) amending the Corporate Governance Communiqué (no. II.17.1)" whereby necessary additions were made on 02 October 2020 to Articles 1 and 8 of the Corporate Governance Communiqué are provided under the related headings.

The Corporate Governance Committee was established in February 2013, pursuant to the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation

and Supervision Agency ("BRSA") and the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the CMB, which was effective at the time. The Committee is responsible for overseeing compliance with corporate governance principles and for ensuring that relevant improvement efforts are carried out at the Bank. In 2020, the Committee held 2 meetings with full participation of its members. The Board of Directors deemed that the activities performed by the Corporate Governance Committee in 2020 were efficient, appropriate, adequate and compliant with the relevant legislation. The activities of the Corporate Governance Committee are presented in detail in the Committees section.

On the other hand, Garanti BBVA, during 2020, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué No. II-17.1.

Garanti BBVA received its first Corporate Governance Rating in 2014. With its Corporate Governance Principles compliance rating upgraded from 9.14 in 2014 to 9.77 in 2020, the Bank continues to be included in the Borsa İstanbul Corporate Governance Index as the score is above the threshold score of 7. The outlook for the Bank's rating was assigned as Stable.

I. GENERAL PRINCIPLES:

STRATEGY, POLICY AND TARGETS

SUSTAINABILITY AND ENVIRONMENT POLICIES

Garanti BBVA set up the Sustainability Committee headed by a Board member in 2010. The Committee verifies that all

decisions made and all projects executed within the frame of the sustainability structure are in conformity with the Bank's other policies and applicable guidelines, and oversees the effectiveness of sustainability-related initiatives. In 2020, the Sustainability Committee merged with the Responsible Business Committee headed by a Board member, which was established in 2017 to integrate "responsible banking" within the banking services and the Bank's strategic priorities, and to systematically ensure that the Bank puts stakeholders at the center of its decision-making. It was resolved that sustainability matters would be addressed and discussed by this resulting committee.



Detailed information about the duties and members of the Committees can be found in the Committees and Policies Section of this report.

Garanti BBVA announced its Sustainability Policy in 2014. As set out in this Policy, the Bank aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives. Furthermore, the Bank believes that an effective organizational structure and solid corporate governance system is essential to capture continuous development and successfully achieve sustainability targets, and is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices & products, and remain a sustainability leader in Turkey. Garanti BBVA also positions itself as an advisor for all of its stakeholders for sustainable business. The Sustainability Principles announced along this line highlight the actions Garanti BBVA will be taking to achieve these targets.

The Bank also disclosed its [Environmental Policy](#) under which the Bank intends to continuously and significantly increase the

value that it creates for all of its stakeholders in environmental matters.

ENVIRONMENTAL AND SOCIAL LOAN POLICIES

Garanti BBVA developed and enforced [Environmental and Social Loan Policies \(ESLP\)](#) in 2011, in order to manage the environmental and social risks associated with the projects that it finances and to minimize the indirect impacts within this framework. Garanti BBVA believes that informing its stakeholders, particularly its customers and employees, about its ESLP is an important opportunity to raise public awareness with respect to sustainable development.

STATEMENTS

In October 2015, Garanti BBVA released its [Climate Change Action Plan](#) that focused on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. The Bank considers climate change as a strategic matter that must be embedded within all business processes and decision-making mechanisms. The Bank additionally manages climate change risks associated with its indirect impact such as office buildings and the supply chain. The principles set out in the Climate Change Action Plan makes up the building blocks of how the Bank integrates climate change in the way it does business.

TARGETS

Each year, Garanti BBVA presents its non-financial performance indicators, targets and related risks and opportunities considered under the relevant performance sections and appendices of the Integrated Annual Report. Additionally, the initiatives the Bank supports and is a signatory of are posted on the [website](#). Accordingly, supported initiatives and those that the Bank is a signatory of and detailed information about the principles are presented in "B. Environmental Principles" and "C. Social Principles" sections of the Statement of Compliance with Corporate Governance Principles.

EXECUTION\OVERSIGHT



In Committees and Policies Section of the report, Garanti BBVA covers the committees, which are responsible for the execution and oversight of its Environmental, Social and Governance policies and processes and which are headed by a Board member, together with their purposes and meeting frequencies.

Every year, the Bank presents its non-financial performance indicators and targets with respect to ESG issues and their comparison by years in the related performance sections and appendices of its Integrated Annual Report. Non-financial performance indicators are also posted in a consolidated manner on the Bank's [Investor Relations website](#). Third party Independent Assurance Report on these indicators is also presented within the Integrated Annual Report every year.



The Bank talks about all of its innovative products and services presented in keeping with responsible banking and financial health and inclusion concepts and by taking into account the United Nation Sustainable Development Goals, together with how its business processes are shaped according to these concepts in Sections Sustainability and Our Material Topics of the report.

REPORTING

Paying the utmost attention to openness, transparency and reporting, Garanti BBVA simultaneously makes the public information available on the [Investor Relations website](#) as well as [Sustainability website](#) both in Turkish and English. The Bank also complies with the corporate governance principles set by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other applicable legislation. It pays maximum attention to implement these principles. Periodically updating its reports and website, the Bank makes them available to all of its stakeholders. The Bank released a Sustainability Report from 2011 through 2016, and has been publishing an Integrated Annual Report every year since 2017.



Garanti BBVA has been responding to CDP Climate Change since 2010 and CDP Water since 2015. The Bank makes all of its reports public on its website. The Bank's reports can be accessed from this link.

In the appendices to its Integrated Annual Report, the Bank also discloses its progress with respect to the principles of certain initiatives which it supports or is a signatory of.

With the goal of bringing the age of opportunity to everyone, the Bank, last year, reviewed and redefined its strategic priorities in line with the BBVA Group and in the light of the main trends that have made an impact in the world and the finance sector. Along this line, the Bank renewed its Materiality Analysis formulated with the opinions of all of its internal and external key stakeholders. The Bank sets its goals with a focus on its strategic priorities and the topics prioritized in the materiality analysis. The Bank discusses its materiality analysis and material topics in the Our Material Topics section of the report, and its activities during the reporting period and its projections for the year ahead in the other related performance sections every year.

Year after year, Garanti BBVA maintains its dialogue with all of its internal and external key stakeholders via various channels. In this context, the Bank groups its stakeholders according to three criteria as directly impacting the Bank, indirectly impacting the Bank, and bringing in new opportunities, insights and approaches. The Bank's dialogue with the main stakeholder groups identified is carried on with a focus on Material Topics.



Detailed information about the subject can be found in the Stakeholder Engagement section of the report.



The connection of the efforts the Bank undertakes to address material topics with the United Nations Sustainable Development Goals is dealt with in the Our Material Topics Section, while related explanations are presented in the Sustainability Section of the report.

The Bank discloses the lawsuits filed against it, which may affect the financial status and operations of the Bank and their potential results in the section that discusses the important developments in its operations in the reporting period within the Integrated Annual Report every year.



At the same time, they are referenced in the Report Appendix as set out by the GRI disclosures.

VERIFICATION

Every year, Garanti BBVA obtains reasonable assurance for the financial data covered in its Integrated Annual Report, and limited assurance from third parties for selected non-financial data as defined in detail in the auditor's report. The Bank shares the independent assurance reports within its Integrated Annual Report.

II. ENVIRONMENTAL PRINCIPLES

Garanti BBVA believes that sustainability topics must be integrated in decision-making and business processes for long-term value creation. As stated in the "General Principles Section", the Sustainability Committee headed by a Board member was set up in 2010 for this purpose. Upon the establishment of this committee, the Bank's sustainability-related matters began to be addressed as a separate heading also by the senior management. In 2020, the Sustainability Committee was merged with the Responsible Business Committee, which is also headed by a Board member. Sustainability matters began to be discussed by this committee starting from 2020.

[The Climate Change Action Plan](#) announced by the Bank in 2015 clearly reveals the Bank's strategy for combating the climate crisis.

The Bank pays attention to taking action quickly for aligning itself with environmental laws and other regulatory framework impacting it directly and/or indirectly. For example, the Regulation on the Monitoring of Greenhouse Gas Emissions published by the T.R. Ministry of Environment and Urbanization in the Official Gazette dated 17 May 2014 did not directly impact the Bank, but gave rise to a situation that required the

Bank to take action indirectly. Garanti BBVA was not affected negatively by the situation since it was already encompassing future carbon taxes within its financial models and was making projections that would ensure power plant projects to keep fulfilling their financial obligations. Similar examples can be found on pages 23 & 24 of the [Garanti BBVA 2020 CDP Climate Change Report](#). In its Integrated Annual Report, the Bank discloses the environmental reporting boundary, reporting period, reporting date, data collection process and restrictions regarding reporting conditions.

In 2012, Garanti BBVA established the Environmental Management System (EMS) which is endorsed with ISO 14001 certification, in order to systematically manage its direct and indirect environmental impact. Currently, the Bank possesses ISO 14001 Certification for all of its service locations in Turkey. Related information can be found on the [website](#), under the Environmental Management System section. Thanks to its efforts in this vein, the Bank's carbon intensity reduced by 92% since 2012.



Detailed information can be found on Environmental Performance Indicators Section of the Annex of the 2020 Integrated Annual Report and Garanti BBVA Environmental and Social Risk Management webpage.

The Bank discloses its GHG emissions (Scope-1, Scope-2 and Scope-3) resulting from its operations in the reporting period, its energy consumption, water and wastewater management, waste management in comparison with other years in the Appendices to its Integrated Annual Report every year. Additionally, the same information can be found in the [2020 CDP Climate Report](#), pages 91-106, and [CDP Water Report](#), pages 7-11.

The Bank clearly explains the methodology it employs to collect and calculate the disclosed data every year in the Reporting Guidelines for Non-Financial Disclosures. The explanations can be found in 2020 Integrated Annual Report, Annex A.1 and [Garanti BBVA 2020 CDP Climate Report](#), pages 89-91.

The Bank sees its proactive management of environmental and social risks not only as critical to successful risk management, but also as one of its most essential duties to its stakeholders. Through its effective approach placed at the center of all its operations, Garanti BBVA monitors its consumption of natural resources, takes steps to decrease the same, and collaborates with suppliers. Furthermore, in order to scale up its efforts, Garanti BBVA implements an Environmental and Social Impact Assessment Process (ESIAP) that also incorporates an Environmental and Social Impact Assessment Model (ESIAM) within the scope of Environmental and Social Loan Policies in its loan book.



Every year, the Bank lists the projects that it assesses by subjecting them to this model in the Appendix to the Integrated Annual Report.

Garanti BBVA monitors the changes in its business strategy resulting from climate change, associated risks and opportunities every year regularly and develops its strategy planning accordingly. Along this line, the Bank determines its products and services, supply chain management, R&D investments, operations, financial parameters and corporate policies according to the course of environmental and social crises. All of the Bank's activities in this scope and the incentives offered internally and to its customers for the management of environmental matters can be found in the Integrated Annual Report, Sustainability Section, and [2020 CDP Climate Change Report](#), pages 60-69.

Garanti BBVA regularly shares the developments related to sustainability and sustainable finance, particularly the fight against climate change and other environmental issues with its external and internal stakeholders, pays attention to their ideas and feedbacks. Value drivers are shaped around proximity, dependency, influence, representation, responsibility, policy and strategic intent.



Details about the stakeholder group and actions taken for value creation can be found in the Integrated Annual Report, Stakeholder Engagement and Our Value Creation Sections.

Garanti BBVA emphasizes the importance of cooperation and empathy among all stakeholders from governments to individuals in reaching the 2030 targets of Sustainable Development Goals (SDGs). In this framework, the Bank contributes to a number of national and international initiatives, sits as a member or chairman of their boards of directors.



The initiatives the Bank supports or is a signatory of are disclosed on the website.

In a bid to combat climate crisis, Garanti BBVA acts in collaboration with national and international initiatives and takes care to take concrete steps to reduce the greenhouse gas emissions that it causes directly. Along this line, the Bank takes various actions, including Science Based Targets commitments and electricity generation from 100% renewable energy sources in branches and buildings that are technically fit. Within the frame of the Science Based Target aligned with the goal of limiting global temperature increase to 1.5°C maximum as stipulated by the Paris Climate Agreement, the Bank set itself the target of reducing its carbon emissions by 29% by 2025 and by 71% by 2035, and thus has become the first company to announce such a target in Turkey.

Garanti BBVA supports the financing of the transition to a low-carbon economy. Accordingly, the Bank's entire greenfield energy generation projects in the project finance portfolio consist of renewable investments since 2014. The Bank discloses its share in the installed wind power in operation in Turkey, the amount of cumulative financing provided to renewable energy projects, and avoided GHG emissions (million tons CO₂e) thanks to renewable energy projects portfolio in its Integrated Annual Report every year.



Further details are available in the Sustainability Section of the Report.

During the reporting period, the Bank included the details of the initiated or purchased project-based carbon credits in its reporting system. In addition, the Bank explains in detail how the internal price set for the carbon is used. Garanti BBVA disclosed its practices in this respect in the [CDP Climate Change Report](#),

pages 30, 66, 122 and 125, and its declaration in the [Climate Change Action Plan](#) posted on its website.

The holistic policy embraced by the Bank in its combat against climate change and transition to low-carbon economy process qualified Garanti BBVA for the CDP Climate Change Global A List once again in 2020 as the only bank to do so from Turkey.



Supported initiatives Platforms that the Bank makes compulsory and voluntary reporting in relation to ESG matters can be found on Garanti BBVA Sustainability website, under the library-resources tab.

INTERNATIONAL STANDARDS AND INITIATIVES

Garanti BBVA emphasizes the importance of empathy and cooperation among all stakeholders from governments to individuals in reaching the 2030 targets of Sustainable Development Goals (SDGs). In this framework, the Bank actively contributes to, chairs or is a board member of 27 different initiatives. The initiatives the Bank supports or is a signatory of are disclosed on the [website](#).

In 2020, Garanti BBVA contributed TL 1.5 million in total for information sharing and raising increased awareness of sustainable development among various stakeholder groups such as public programs, policymakers, private sector, academy and NGOs. 78.65% of this amount was spent on lobbying for combating climate change, 15.04% on lobbying for sustainable finance, and 6.31% on other lobbying activities.

Garanti BBVA presents its non-financial performance indicators, targets and services in an integrated fashion with financial matters in its Integrated Annual Report every year. The Bank is also among the first supporters of the TCFD (Task Force on Climate-Related Financial Disclosures) Recommendations, and was part of the core team of the UN Principles for Responsible Banking developed by the UNEP-FI (United Nations Environment Programme - Finance Initiative). It was also one of the founding signatories of these Principles. In the appendices to its Integrated Annual Report, the Bank also discloses its progress with respect to the principles of certain initiatives which it supports or is a signatory of, such as UN Global Compact, WEPS, etc.

As mentioned before, the Bank has been responding to CDP Climate Change since 2010 and CDP Water since 2015, which are also made available on its website.



All of the Bank's reports in this context can be accessed via this link.

The steps Garanti BBVA takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for BIST Sustainability Index and BIST Corporate Governance Index in 2014, Garanti BBVA still continues to be listed in these indices. In 2020, Garanti BBVA continued to be the only bank from Turkey listed in the Dow Jones Sustainability Emerging Markets Index (DJSI), after being qualified in 2015.



The indices that the Bank is included in can be found on the website.

When setting its corporate management strategy, Garanti BBVA takes into consideration the sustainability issues, environmental impact of its operations, and associated principles. Sustainability issue takes place also within Garanti BBVA's strategic priorities.



Details on the subject can be found in the Strategic Priorities section in the Integrated Annual Report.

III. SOCIAL PRINCIPLES

DECLARATION OF HUMAN RIGHTS

Within the frame of a responsible and sustainable banking approach, Garanti BBVA aims to create a contemporary working environment fully respectful of human rights and to disseminate this notion across all its stakeholders.

The Bank is focused on fulfilling the requirements of, and achieving compliance with, the regulatory framework governing work life in our country, along with international covenants to which Turkey is a party, specifically:

- ➔ The UN Universal Declaration of Human Rights, and
- ➔ The basic tenets of the International Labor Organization, a

specialized United Nations agency working to promote human rights, social justice and labor rights.

In 2012, Garanti BBVA voluntarily signed the United Nations Global Compact, an international initiative for businesses that are committed to aligning their operations and strategies with ten principles addressing sustainability in all its aspects including human rights, and pledged to abide by these principles. As a signatory to the United Nations Environment Program Finance Initiative's (UNEP FI) Statement of Commitment by Financial Institutions on Sustainable Development, Garanti BBVA has also committed to going beyond achieving compliance with the existing regulatory framework, and to integrating environmental and social factors in all its business processes.

In accordance with Garanti BBVA's Code of Conduct, employees at any level are obliged to conduct their relationships with each other in a way that will not injure the work climate and will not be perceived as harassment, discrimination or mistreatment in or out of the work place.

Garanti BBVA Managers are obliged to take the necessary measures to prevent mistreatment, discrimination or harassment of any type in the work place and to report suspected cases to the Human Resources Department. Employees are urged to report their grievances in this respect to their line managers or directly to the Human Resources Department.

Such complaints are not used against the complainant and are addressed and resolved with due importance. Necessary administrative sanctions are implemented at the Bank against perpetrators of any kind of mistreatment, discrimination or harassment or actions to cover up such behavior. In keeping with the equal opportunity principle, Garanti BBVA does not discriminate against its employees. The fundamental criterion for choosing, promoting, or reassigning a person for a position is suitability. Garanti BBVA possesses the Equal Opportunity Model certificate, which is a voluntary initiative.

Garanti BBVA respects the constitutional right regarding unionization and collective agreements. All employees are free with respect to union membership and act of their own free

will. Garanti BBVA takes utmost care to provide a physically and mentally healthy working environment for its employees. The Bank takes the necessary precautions prescribed in applicable legislation on Occupational Health and Safety (OH&S) and provides training to its employees. In addition to the measures taken and trainings provided to the employees, Garanti BBVA launched the Work Life Integration (İYİ) program in 2012 for enhancing employee satisfaction.

According to Garanti BBVA's Environmental and Social Loan Policies, operations which are prohibited or restricted by national legislation and/or international covenants to which Turkey is a party, as well as the operations or projects of individuals and companies found to employ child labor or violate human rights will not be financed, without carrying out any environmental and social impact assessment and regardless of amount. Garanti BBVA subjects new projects with an investment value of more than USD 10 million to its Environmental and Social Impact Assessment System and requests stakeholder involvement meetings to be held effectively if it deems necessary. Should Garanti BBVA identify any social risks, including those associated with human rights, in the course of its assessment, the Bank demands its customer to take necessary measures, and monitors their implementation throughout the duration of the loan.

Garanti BBVA's product and service agreements with third parties are managed in accordance with the relevant laws and the Bank's policies and procedures. Garanti BBVA requires compliance with the Turkish legislation, particularly the Turkish Labor Code where necessary, and reserves the right to terminate agreements in the event of non-compliance with regulations providing for worker protection.

Within the frame of its Code of Conduct, Garanti BBVA adopts as a basic principle that its employees shall not discriminate on the grounds of language, ethnicity, gender, political affiliation, philosophical belief, religion, sect, or any other similar basis in their working relationships and expects them to respect human rights.

Garanti BBVA is against forced and compulsory labor and expects the same approach from its customers as set forth

EMPLOYEES

Issues

Measures

- Child labor
- Violation of human rights
- Violation of Code of Conduct
- Occupational Health and Safety
- Health risks
- Economic and social losses due to expropriation

- Retail, SME, Commercial and Corporate Customers
 - (1) Additional clauses to Banking Service Agreements
- Risk-based Assessment for Corporate and Commercial Customers:
 - (2) Environmental and Social Impact Assessment Model for loans with a minimum investment amount of USD 10 million
 - (3) Action Plans
 - (4) Monitoring Plans

- Soft Controls:
 - (5) Environmental and social impact assessment trainings

HUMAN RIGHTS

Issues

Measures

- Diversity
- Discrimination
- Violation of Code of Conduct
- Occupational Health and Safety

- Hard Controls:
 - (6) Garanti BBVA Code of Conduct
 - (7) Whistleblowing Channel
 - (8) HR Internal Control Mechanism
 - (9) Integrity Committee
 - (10) Audit Committee

- Soft Controls:
 - (11) Gender Equality Working Group
 - (12) Gender equality trainings
 - (13) Communication strategy
 - (14) Employee Support Line

SUPPLY CHAIN

Issues

Measures

- Child labor
- Violation of Code of Conduct
- Occupational Health and Safety

- Hard Controls:
 - (15) Garanti BBVA Code of Conduct for Suppliers
 - (16) Garanti BBVA Code of Conduct
 - (17) Garanti BBVA Support Services Risk Assessment Program
 - (18) Audit Committee
 - (19) Additional clauses to service agreements

- Soft Controls:
 - (20) Communication of Code of Conduct

Measures numbered (1) and (2) include all the criteria indicated in Garanti BBVA's E&S Loan Policies in addition to human rights issues. The measures mentioned are applied to all commercial loans.

Measures numbered (3), (4), (5), and (6) include all the relevant E&S criteria as required in our E&S Impact Assessment Model.

 **Garanti BBVA Declaration of Human Rights can be found on our Investor Relations website, from the Policies tab under Environment, Social and Governance heading.**

in various declarations and policies concerning human rights that it published. The Bank organizes remote trainings for its employees on its Code of Conduct covering its principles in relation to human rights, Environmental and Social Loan Policies, and other policies and procedures of a similar nature. The responsibility for the implementation of these policies rests with all employees of the Bank, and effective control and supervision of their implementation are carried out by related departments. Garanti BBVA supports the activities of national and international initiatives on sustainability, to which it belongs, in order to spread these principles.

The Responsible Business Committee is responsible for approving, amending, improving and enforcing this declaration. The Bank conducts a sophisticated human rights due diligence process for its value chain. Our Human Rights Risk Assessment framework is presented below.

HUMAN RIGHTS RISK ASSESSMENT HUMAN RESOURCES POLICY

The pillar of Garanti BBVA's human resources policy is investing in human capital. Recognizing that human capital is the driving force behind all progress, providing a working environment that is conducive to demonstration of employees' skills, offering opportunities, recognizing and rewarding their accomplishments make up the building blocks of the entire system. The Human Resources Policy covering the declaration of human rights, equal opportunity and recruitment criteria is posted on the Investor Relations website, under the Policies tab under Environment, Social and Governance heading.

Development is one of the key tools at Garanti BBVA, and career, education and performance activities that will contribute to employees' professional and personal development consist of world-class fair and transparent practices that are equipped to respond to employee needs and are backed by open communication.

The mission of the Human Resources Department is defined as undertaking a strategic role by implementing efficient HR policies to assist the organization in achieving its business objectives. Accordingly, the HR Department operates in

accordance with Garanti BBVA's ethical values and with the "equality principle" (the Bank and our employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like, sexual orientation, family responsibilities, disabilities, age, medical conditions, and union membership, etc. The Bank and our employees respect human rights.)

Prevention of harassment and discrimination is an important component of Garanti BBVA's HR policy, and all related measures are shared within the Anti-Discrimination and Harassment Guidelines, which can be found in the intranet, accessible by all employees. The said guidelines has been developed based on the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence, the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and UN Global Compact, as well as the Turkish Constitution, Turkish Criminal Code, Labor Code, Occupational Health and Safety Law, Turkish Code of Obligations, and Garanti BBVA Code of Conduct.

The compensation system of Garanti BBVA is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's compensation policy established within this framework has been approved by the Board of Directors and has been presented for the information of shareholders at the Ordinary General Shareholders' Meeting held in 2013 pursuant to the CMB Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles, which was in force in 2013.

The Company has embraced an employment policy providing for equal opportunities and a succession plan for all key managerial positions. The CEO, who is an Executive Board Member, regularly oversees the succession plan for key managerial positions on an annual basis.

There is an employee stock ownership program for "identified employees", which is described within the Compensation Policy.

As at year-end 2020, there are 27 identified employees serving at the Bank. In variable payments made to identified employees, payment is made in cash and by non-cash means (linked to share certificates) in line with the principles in the "Guidelines on Good Compensation Practices in Banks". In payment practices that rely on non-cash means within the scope of 2020 variable payments of identified employees, Banco Bilbao Vizcaya Argentaria S.A. share will be taken as basis. The Compensation Policy is posted on the Investor Relations website, under the Policies tab under the Environment, Social and Governance heading.

The performance evaluation system at Garanti BBVA measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti BBVA monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, employee engagement survey, and the voice of employee platform GONG.

Garanti BBVA conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration, and training & development opportunities. In 2020, Employee Engagement score was 71%.

People Assessment process collects employee's opinions about themselves, colleagues, line managers and team members and aims to spread the culture of receiving and giving feedback.

All relevant procedures, announcements and notices are posted on the internal portal intended to keep the employees informed.

The portal lets instant access to posted information from different locations in the most effective manner. Additionally, senior managers address the employees in live streams, establishing a transparent communication, with the aim of enriching employee experience.

Based on the vision that employees are the best ambassadors, employees are kept informed on a regular basis and implementations that will drive a change of habits are introduced within the frame of the Bank's sustainability initiatives. In this context, employees' setting role models are deemed valuable also for the society and shared on Garanti BBVA's external communication channels as well. In tandem, training programs describing sustainability initiatives in detail were prepared and put into implementation.

The Bank has in place various practices and policies to ensure gender equality and equal representation within the organization. The Bank monitors the ratio of woman versus man employees at different levels of the organization, prepares job announcements in a non-discriminatory way, and implements training and awareness programs, women leadership trainings and mentoring program. The Bank is also a founding member of the 30% Club Turkey for greater representation of women in executive management, launched in March 2017. With the various gender equality initiatives and practices it realizes for human resources, customers and the society, Garanti BBVA is the only Turkish company included for four years in the Bloomberg Gender Equality Index covering 230 companies from 10 industries from 36 countries and regions around the world. The Bank does not have a written policy for increasing the ratio of woman members on the Board of Directors; however, the Bank's efforts and initiatives continue within the frame of its Diversity and Inclusion approach.

Garanti BBVA, which accelerated its work in this field by establishing a special team under Human Resources in 2013 for Occupational Health and Safety (OHS) practices, coordinates the health and safety requirements of all locations with this organization, which was positioned as OHS Management in 2015. Considering the national legislation as the minimum level and taking international standards and good practice examples

as reference, Garanti BBVA continues its activities with a staff of 44 Occupational Safety Specialists, Workplace Physicians and Workplace Nurse, who work nationwide.

This year, Garanti BBVA continues its practices crowned with the International Occupational Safety Award by the British Safety Council, one of the most respected health and safety authorities in the world, with the vision that it accepts the national legislation as minimum and focuses on best practices in the world. In 2020, the sensitive and successful emergency management practices it carries out in both pandemic and earthquake issues bring employee health and welfare to the next level. In accordance with Occupational Health and Safety (OHS) regulations, with the OHS team positioned within the body of Talent and Culture, processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-miss incidents, occupational accidents and corrective and preventive actions are carried out effectively. will continue to coordinate.

Garanti BBVA has been using OHS software in all its locations since 2013, digitizing all OHS processes by breaking new ground among financial service institutions of similar size. Garanti BBVA provides the necessary coordination and follow-up through this software in all processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-misses, occupational accidents, corrective actions, emergency plans and drills.

There was no final court decision rendered against the Company on account of liability for work place accidents in 2020.



Detailed information about Garanti BBVA's HR practices can be found in the Integrated Annual Report, page 182.

PERSONAL DATA PROTECTION AND PROCESSING POLICY

GarantiBBVA respects and cares for the privacy and confidentiality rights of its clients, employees, suppliers, providers and all other related people. [The Personal Data Protection and Processing Policy](#) developed to address this matter can be found on Garanti

BBVA Investor Relations website, under the Policies tab under Environment, Social and Governance heading.

EMPLOYEE COMPENSATION POLICY

Garanti BBVA has embraced an employee compensation policy that is aligned with the provisions of the Labor Law no. 4857 that is in force. Accordingly;

Employees or their inheritors, as the case may be, receive severance pay under the provisions of Article 14 of the Labor Law no. 1475 now annulled pursuant to Provisional Article 6 of the Labor Law no. 4857.

Employees, whose indefinite-term employment contracts are terminated by our Bank without complying with the legal period of notice, receive severance pay under Article 17 of the Labor Law no. 4857.

ETHICAL AND SOCIAL RESPONSIBILITY

Prepared in line with the emphasis Garanti BBVA places on corporate governance principles and ethical values and in view of the requirements of today's working life, "Garanti BBVA Code of Conduct" was approved by the Board of Directors and put into force in 2015. "Garanti BBVA Code of Conduct" is made public on the Investor Relations website.

Garanti BBVA Code of Conduct document defines employees' responsibilities to customers, colleagues, business and the society, and describes the principles to be implemented in this context. Conduct towards customers concentrates on the principles of transparency, non-discrimination and accountability. Conduct among colleagues addresses team values, respectful working environment, objectivity and occupational health. Conduct towards business basically deals with preventing conflicts of interest, confidentiality, data security, media relations, retention of records and investment transactions. Conduct in society is addressed under the headings of anti-money laundering and anti-corruption, respecting human rights and the environment, investment in society, sponsorships within the context of social responsibility initiatives, and political neutrality. In order to set out and build on the principles addressed by

the main headings of the Code of Conduct, the Compliance Department and other related units in the Bank prepared sub-procedures, which are accessible by all our employees. In order to ensure that the Code of Conduct and its implementation principles are embraced by all our employees and awareness of the topic is maintained and enhanced across Garanti BBVA Group, classroom and e-learning programs are assigned to all employees; additional announcements and reminders are also issued about important considerations. Furthermore, an Integrity Committee has been set up, whose mandate is to contribute to preserve the corporate integrity of Garanti BBVA and which is formed of Senior Management, Head of Internal Audit, Compliance Department and Internal Control Center Director. The main functions of this Committee are as follows:

- Encourage and monitor efforts for creating a shared culture of integrity within Garanti BBVA Group;
- Ensure that the Code of Conduct is implemented homogenously across Garanti BBVA; in this context, formulate and disseminate descriptive notes when needed;
- Implement exclusion criteria with regard to compliance with certain provisions of the Code of Conduct; notify matters deemed to be in contradiction to the Bank's disciplinary rules to the Disciplinary Committee, and obtain information about the ongoing examination procedures and actions taken for the issue;
- Report immediately any incidents and circumstances that may pose a material risk against Garanti BBVA to related authorities;
- Encourage adoption of necessary measures for handling suggestions regarding compliance with the Code of Conduct and implementation of the document, and behaviors creating doubts with respect to ethics; ensure effective operation of the Whistleblowing Channel set up for reporting of any noncompliance with the Code of Conduct and take necessary actions regarding updates where appropriate.

Being one of the processes to ensure efficient implementation of the principles, procedures and standards covered in our Code of Conduct, the Whistleblowing Channel (email: EtikBildirim@Garantibbva.com.tr, Tel: 0216 662 5156) has been set up and makes an important part of the compliance system at Garanti

BBVA. The Whistleblowing Channel can be accessed by all employees, customers and suppliers of the Bank. The channel is a resource to assist reporting of transgressions which are observed or reported by team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to, the reporting of suspicious illegal conduct or professionally unethical conduct and also deals with advisory questions regarding the implementation of policies and procedures concerned with the Code of Conduct. Nobody, who reports through the Whistleblowing Channel in good faith, will be the target of reprisal nor will he/she suffer any other adverse consequence as a result.

Garanti BBVA's Anti-Corruption Policy sets out the actions that need to be taken for Bank-wide prevention and determination of cases posing corruption risk, and to encourage reporting thereof. In this context, basic principles that must be abided by Garanti BBVA and its employees to prevent corruption risks that may arise in relation to our business activities are addressed under the headings of giving or accepting gifts or personal benefits, organizing promotional events, relationships with suppliers and business partners, facilitation payments, recruitment, transaction records and expenses. In addition, awareness activities are being organized within the scope of the "anti-corruption program" conducted at the Bank and its subsidiaries in order to prevent corruption. Classroom and e-learning trainings covering these subjects are assigned to all personnel.

Garanti BBVA firmly believes that the total quality concept can be realized only through strict adherence to an HR policy, code of conduct and ethical values that are erected upon integrity, honesty and respect. In addition to the Garanti BBVA Code of Conduct document, Ethical Sales Principles, Social Media Policy, Anti-Fraud Policy and Compliance Policy documents are posted on the Intranet that is accessible by all employees.

The Anti-Fraud Policy is published with the aim of promoting honest and reliable working environment conditions against any act of misconduct across the Bank, raising awareness of potential fraudulent acts, and communicating the actions that can be taken for early detection.

Current announcements have been published in relation to Garanti BBVA Code of Conduct and Ethical Sales Principles documents. Ethical Sales Principles document emphasizes the “reputation” concept as the Bank’s greatest asset, and details the expected code of ethical conduct for employees during sales activities. Social Media Policy sets forth the rules as to how the Bank’s employees will represent Garanti BBVA on social media.

Garanti BBVA’s policies relating to the core components of the compliance system are documented in the “Compliance Department Policy”. The Compliance Department Policy emphasizes the compliance risk and reputation risk concepts, and underlines that employees are expected to comply with the laws, the Bank’s Code of Conduct and corporate standards in their behaviors. The Policy defines the concept of integrity and lists the basic tasks and responsibilities within the compliance system.

In this context, it is emphasized that compliance is not the responsibility of senior executives or certain business units only, but of each employee.

Garanti BBVA attaches particular importance to ethical and integrity principles, and aims to maintain constant awareness of the issue through trainings for all employees.

Sense of corporate responsibility is an integral part of the corporate culture of Garanti BBVA. Garanti BBVA molds its community investments, as well as its banking activities, around social, economic and environmental factors, which are components of sustainability. Besides sharing its knowledge in various fields with the society and future generations, the Bank continues to add value to cultural and social life through its innovative institutions and with its support to Turkey’s deep-seated establishments. Garanti BBVA aims to regularly measure the benefits it contributes to the society and its impact upon it through social impact analysis to be conducted by an independent research company, the findings from which will then be used for improvement efforts. Garanti BBVA focuses on contributing to the society in cultural and educational arenas. Keeping a close eye on the needs of our country and

society when setting its future strategy, Garanti BBVA aims at introducing or supporting value adding and sustainable projects. When devising its future strategies, Garanti BBVA targets to move forward within the frame of the needs of the society and its stakeholders, which the Bank identifies with the help of a Materiality Analysis conducted by an independent research company.



Details about the Community Investment Programs can be found in the Integrated Annual Report, Sustainability section.



Details about Financial Health and Inclusion can be found in the Integrated Annual Report, Sustainability section.



Details about Partnering with Financial Institutions can be found in the Integrated Annual Report, Sustainability and Stakeholders Engagement sections.

STAKEHOLDERS, INTERNATIONAL STANDARDS AND INITIATIVES **STAKEHOLDER COMMUNICATION**

Because of the great importance attached to them, regular communication with its stakeholders and hearing their opinions give Garanti BBVA the opportunity to be a more inclusive bank in every aspect. Continuous feedback from stakeholders allows the Bank not only to understand stakeholder expectations and meet their needs more sensitively, but also presents the Bank with a great opportunity to identify risks and opportunities, and set priorities and strategy more comprehensively. Year after year, Garanti BBVA maintains its dialogue with all its internal and external key stakeholders via various channels.

With the goal of bringing the age of opportunity to everyone, Garanti BBVA, in 2019, reviewed and redefined its strategic priorities in line with the BBVA Group and in the light of the main trends that have made an impact in the world and the finance sector. Along this line, the Bank renewed its Materiality Analysis formulated with the opinions of all of its internal and external key stakeholders in 2020. Details about the topic can be found in

the Our Material Topics and Stakeholder Engagement sections of the Report.

GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meeting is held in accordance with the resolution adopted by the Board of Directors. For reaching the highest number of shareholders possible, the General Meeting announcement including the meeting date, venue, agenda and similar information is duly announced at least three weeks prior to the meeting date as per the provisions stipulated in the Communiqué via the Turkish Trade Registry Gazette, Public Disclosure Platform (www.kap.gov.tr), e-Governance Corporate Governance and Investor Relations (www.mkk.com.tr), e-Company Companies Information Portal (www.mkk.com.tr), e-General Meeting Electronic General Meeting System (www.mkk.com.tr), the Bank's websites and two national newspapers. The Bank invites all stakeholders to the General Shareholders' Meeting, who will be voiceless during such meetings. Before the meeting, balance sheets, income statements and annual reports are made available for review by shareholders within the timeframe determined in the applicable legislation on the Garanti BBVA Investor Relations website, at the Head Office and at all branches. In General Shareholders' Meeting, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code. Proposals are submitted for approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meeting are posted on the Public Disclosure Platform (KAP), e-Company Companies Information Portal, e-General Meeting Electronic General Meeting System, and Garanti BBVA Investor Relations website on the same day, and is published in the Trade Registry Gazette following its registration.

Resolutions adopted in the General Shareholders' Meeting are carried out in accordance with the legal procedures within

due time. Pursuant to the provisions of the Regulation on Electronic General Meeting at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to, and voting at, the General Shareholders' Meeting by electronic means is permissible. In addition, holders of depositary receipts have the right to vote and can do so at the General Shareholders' Meeting. The minutes and the list of attendants of the General Shareholders' Meeting are available to shareholders on Garanti BBVA Investor Relations websites. These documents can also be obtained from the Subsidiaries and Shareholders Service.

Garanti BBVA held its Ordinary General Shareholders' Meeting for the period 01 January 2019-31 December 2019 on 17 July 2020 and the meeting quorum realized at 74.76%. Media representatives did not attend the General Shareholders' Meeting. At the meeting, one shareholder lodged a statement of opposition, and expressed demands; in response, necessary information has been given within the frame of the CMB regulations and the principles and procedures set out in the Turkish Commercial Code.

There were no transactions in the reporting period for which the decision was left to the General Assembly of Shareholders by reason of dissenting votes cast by independent board members.

INFORMATION ON DONATIONS AND GRANTS IN 2020

The total amount of donations and grants made by the Bank in the reporting period is TL 64,289,408. Based on its commitment to add value to the society, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations that work in the fields of education, culture, art, environment and sports. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities.

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the reporting period is provided to the shareholders under a dedicated agenda item during the General Shareholders' Meeting.

Amounts and beneficiaries of the donations made in 2020 are as follows:

<i>Beneficiaries</i>	<i>Total</i>
Ministry of Health	29,708,391
Teachers Academy Foundation (ÖĞRETMEN AKADEMİSİ VAKFI)	9,596,320
VARIOUS FOUNDATIONS, SOCIETIES, INDIVIDUALS AND INSTITUTIONS	7,489,703
UNIVERSITIES AND EDUCATIONAL INSTITUTIONS	6,484,995
Ministry of Education	3,610,000
CERRAHPAŞA TIP FAKÜLTESİ VAKFI (Cerrahpaşa Medical Faculty Foundation)	2,500,000
İSTANBUL TIP FAKÜLTESİ VAKFI (Istanbul Medical Faculty Foundation)	2,500,000
İSTANBUL KÜLTÜR VE SANAT VAKFI (Istanbul foundation for culture and arts)	2,400,000
TOTAL	64,289,408

VOTING RIGHTS

Shareholders' voting rights and exercise of these rights are set out in Article 38 of Garanti BBVA Articles of Association. There are no privileged voting rights at the General Shareholders' Meetings of Garanti BBVA. The Bank is not in a cross-shareholding relationship with any company, therefore no such votes were cast at the latest General Shareholders' Meeting.

DIVIDEND RIGHT

The Bank's Dividend Distribution Policy is as follows:

"The details of our Bank's dividend distribution policy are specified in articles 45, 46, and 47 of the Articles of Association. In this context, by taking into account our Bank's growth in accordance with its goals within the sector and its financial needs, the General Assembly is authorized to distribute dividend in cash or capitalize the dividends and distribute the bonus shares which are to be issued by the Bank, or implement both methods together, and execute the dividend distribution within the time period specified in the relevant legislation. Following the affirmative opinion of the Banking Regulation and Supervision Agency, the Bank's dividend distribution policy is in the manner to distribute up to % 30 of the distributable profit in cash or bonus shares, provided that there is no unfavorable situation in the local and/or global economic conditions and the standard rates, which are specified by the protective measures in the Banking Law no.5411 and its sub-regulations, are at the targeted level. Following the set aside of the legal reserves and the funds which have to be saved by

the Bank, the remaining net profit amount which has not been distributed to the shareholders should be transferred to the Extraordinary Reserve Account. Dividend distribution shall start within 3 months after the date of distribution decision at the latest, that it is started at the end of the accounting period in which decision of the distribution is given by general assembly meeting. There is no dividend advance payment in the Bank. In accordance with Article 46 of the Articles of the Association, the dividend distribution proposals shall be submitted for approval of the General Assembly following a decision by the Board of Directors in this regard, by taking into account the Bank's operational performance, financial needs, growth target and the legal regulations applicable to the Bank. The dividend distribution resolution becomes effective when adopted in the General Assembly Meeting and resolutions shall be published via Public Disclosure Platform on the same day the resolution becomes effective."

At the General Shareholders' Meeting held on 17 July 2020, it was resolved not to distribute the Bank's after-tax net distributable profit for the period for 2019 and to transfer the same to the Extraordinary Reserve Account after the relevant provisions are set aside considering the Bank's growth targets, its long-term strategy, along with the domestic and international economic developments, in accordance with the Banking Law, Capital Market Law and related legislation, as well as Article 45 of the Bank's Articles of Association and the Dividend Distribution Policy.

IV. BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

Süleyman Sözen is the Chairman of the Board of Directors. The Chairman has no executive functions and the executive member of the Board is Chief Executive Officer Recep Baştuğ, who is a natural member of the Board.

CMB requirements regarding Corporate Governance Principles stipulate that minimum three independent members must serve on the boards of directors of banks. Since the Board members assigned as members of the Audit Committee are deemed as independent Board members according to CMB regulations,

Jorge Saenz-Azcunaga Carranza, who currently serves as the Head of the Audit Committee, and Sema Yurdum and Avni Aydın Düren, who currently serve as the Audit Committee members, are independent Board members.

On the other hand, at the Ordinary General Shareholders' Meeting held in 2019, it was resolved to increase the number of the board members from nine to ten excluding the CEO pursuant to Article 18 of the Articles of Association; to elect Sema Yurdum to the newly established membership to fill the remaining term of office of other Board Members, who was elected as an independent board member to serve for the remaining term of office specified under the independence criteria within the scope of clause 4.3.6. of the Corporate Governance Principles stipulating "Not to have served as a member on the company's board of directors for more than six years in the past ten years" and whose term of office as an independent board member expired. It was further resolved to elect Mevhibe Canan Özsoy as an independent board member to fill the remaining term of office of other Board Members, for whom the Capital Markets Board of Turkey did not express an adverse opinion regarding her independent board membership candidature in accordance with the Corporate Governance Principles of the CMB. On the other hand, Sema Yurdum is deemed an independent member since her duty as a member of the Bank's Audit Committee continues.

The Corporate Governance Committee report dated 22 January 2019 stating that Mevhibe Canan Özsoy satisfies the independence criteria has been submitted to the Board of Directors and the Board of Directors resolved to notify her independent board membership candidature to CMB.

Quoted below is the declaration of independence by Mevhibe Canan Özsoy, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2019:

TO TÜRKİYE GARANTİ BANKASI A.Ş. CORPORATE GOVERNANCE COMMITTEE,

I hereby declare that I stand for serving as an "independent member" on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board of

Turkey. In this context, I hereby declare as follows:

- a) I have not held a seat on the Bank's Board of Directors for more than six years in the past ten years,
- b) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity in which these shareholders have management control,
- c) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years,
- d) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,
- e) I am not a full-time employee of public institutions and establishments as at the date of nomination,
- f) I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,
- g) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank's shareholders, and making decisions freely taking into consideration the rights of stakeholders,
- h) I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake,
- i) I am not serving as an independent board member in any company, which is controlled by the Bank or by shareholders

having management control over the Bank,

j) I will be serving on the Bank's Board of Directors as a real person and in this context, I have not been registered and promulgated in the name of any corporate entity elected as a board member."

On the other hand, no circumstances arose in 2020 fiscal year, which prejudiced the independence of independent Board members. The Board of Directors of Garanti BBVA is formed of 11 members, and the Board of Directors with its resolution dated 17 June 2020, accepted the resignation of Board Member Ricardo Gomez Barredo, and to appoint Avni Aydın Düren as real person Board member to fill the remaining term of office of the board membership position vacated as a result of the resignation of Board Member Ricardo Gomez Barredo and to submit for approval of his Board membership to the following General Assembly meeting. The said appointment was approved at the General Assembly Meeting held on 17 July 2020.

In addition, as a result of the resignation of Ali Fuat Erbil from his office as CEO as of 1 September 2019, Recep Baştuğ was appointed as CEO of the Bank on the date of 6 September 2019, after necessary notifications were made and the required legal approvals were obtained. Since the CEO is a natural member of the Board of Directors pursuant to the Banking Law No. 5411 which the Bank is subject to, the shareholders have been informed on this matter at the General Assembly Meeting held on 17 July 2020.

Pursuant to Article 396 of the Turkish Commercial Code, the General Assembly authorized the members of the Board of Directors of Garanti BBVA to execute a transaction of a commercial business nature that falls under the Bank's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs, during the reporting period.



Résumés, terms of office and positions of the Board members can be found on page 42 of the Integrated Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

WORKING PRINCIPLES AND PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank, as the highest body of representation, direction, management and oversight of the Bank, operates in order to fulfill the roles and responsibilities appointed to it by the Articles of Association and related legislation. In 2020, the Board of Directors resolved 26 decisions by satisfying the required quorums for meeting and decision.



Garanti BBVA's Internal Directive on the Working Principles and Procedures of the Board of Directors can be found at www.garantibbvainvestorrelations.com, under Corporate Governance > Policies section.

RELATED PARTY TRANSACTIONS

As of 31 December 2020, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is 0.2% of the Group's total operating income. In addition, the shares representing the share capital in its related parties owned by the Group and cash and non-cash loans and other receivables provided to related parties by the Group add up to around 2.5% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the sum of cash portions of such risks accounts for 0.2% of total consolidated assets in the financial statements drawn up in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA as of the same date.

REMUNERATION

As published on the Bank's website, a Compensation Policy has been formulated for the Bank's employees in accordance with the banking and capital market legislation, and it has been approved by the Board of Directors. Pursuant to the Bank's Compensation Policy, the policy encourages fair, transparent, measurable and sustainable success among employees and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the Talent and Culture Unit authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Shareholders' Meeting. As of 31 December 2020, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 76 million 902 thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

Members of the Bank's Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting. In addition to the attendance fee paid to the Board members, it has been decided at the Ordinary General Shareholders' Meeting held in 2020 that payments to be made to those Board members who assume a specific position in the Bank and to independent Board members be determined by the Remuneration Committee that has been authorized by the Board of Directors pursuant to Corporate Governance Principles. It has also been resolved to set a maximum limit of TL 20,000,000 net for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2021.

Furthermore, other financial rights to be provided to the Senior Management consisting of the members of the Board of Directors, the CEO and Executive Vice Presidents are determined by the Remuneration Committee that is established in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. Under the provisions of the said Regulation, the Remuneration Committee has determined the manner of payments to Senior Management and the criteria for performance-based payments, by taking into account the European Union regulations and practices. Accordingly, Senior

Executives receive performance-based payments in addition to their monthly salaries, which payments are determined by the Remuneration Committee based on objective criteria including the economic profitability and key performance indicators of the Bank, as well as subjective criteria based on the respective personal performance. The Remuneration Committee ensures that such payments do not negatively affect the Bank's capital adequacy ratio and continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

At the Ordinary General Shareholders' Meeting held in 2020, the following information has been provided to the shareholders regarding the compensation principles applicable to senior management.

"Our Bank has established and announced a compensation policy for all employees pursuant to applicable legislation. A fair, performance and success-based remuneration policy has been created. Our Bank's Compensation Policy has been implemented as approved and it is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the Remuneration Committee continued to implement the policies it has set in relation to remuneration and bonuses to be paid to the members of the Board of Directors who assume administrative roles and to senior executives, which do not rely solely on profit. The Committee reviewed the same at certain intervals. The policy, which has been developed in line with the local legislation and international practices, continued to be implemented. The portion of 8.29% of the total personnel expenses figure for the benefits provided in 2020 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments. Subject to the restrictions imposed by the banking legislation, the Bank may extend loans to Board members and executives. On the other hand, the loans to be disbursed by Garanti BBVA to the members of the Board of Directors and managers are restricted to specific framework by Article 50 of the Banking Law. The Bank does not disburse loans to the members of the Board of Directors and managers outside of the above mentioned framework."

CORPORATE GOVERNANCE COMPLIANCE REPORT

COMPLIANCE STATUS						
	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors on the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of minority rights.			X			Contrary to what is suggested in the principle numbered 1.5.2, there is no provision in the Bank's Articles of Association to extend the use of minority rights to those who own less than one twentieth of the outstanding shares. Shareholders constituting at least one twentieth of the capital are entitled to request the Board of Directors to summon the general assembly for a meeting, by specifying the grounds therefore along with the agenda, which should both be put in writing, or if the general assembly is already scheduled to meet, then to request the addition of matters they wish to be decided to the agenda, under Article 411 of the Turkish Commercial Code No. 6102. As and when such a request is received, the Bank takes the utmost care for facilitating the exercise of minority rights. In-line with our Bank's proactive, transparent and consistent communication strategy, utmost care is given to ensure that information is delivered with equal opportunities for everyone at all times. Bilingual Investor Relations (IR) web site, mobile applications developed in Turkish and English offer constant and worldwide access to the relevant information by focusing on the needs of the whole investors. Garanti BBVA Investor Relations websites contains stock data, corporate information, periodically published financial statements and annual reports, information about corporate governance, sustainability and projects that add value to the society. This website also gives access to Material Event Disclosures pertaining to developments regarding Garanti BBVA, which are disclosed to the public via the Public Disclosure Platform. This website also responds to all sorts of user needs with the Investor Kit that contains basic, practical information and the Download Center function that covers all documents.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Assembly is posted on the company website.	X					
1.6.2 - The dividend policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report fully and accurately reflects the activities of the company.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals) regulate the participation of employees in management.			X			Contrary to what is suggested in the principle numbered 3.2.1, there are no written internal regulations in the the participation of employees in Management. However, employees are provided with the opportunity to comment on all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions. Senior and middle-level managers participate in decision-making mechanisms via 20 committees. In addition to that, different ERGs (Employee Resource Groups) will be formed in order to maintain different projects and initiatives serving special needs of different groups. The project will take place in 2021.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them, and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1- The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations Department and the corporate governance committee work effectively. The Board works closely with them when communicating and settling disputes with shareholders.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
4.2.8 - The company has subscribed to a Directors and Officers Liability insurance covering more than 25% of the capital.		X				The Bank's paid-in capital is TL 4.2 billion; and it has subscribed to a Directors and Officers Liability cover with a limit of EUR 100 million for the individual liabilities of executives and Board members arising from their improper conduct.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The Board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			We are not currently in full compliance with the recommendation however the Bank intends to increase the participation of women directors in the Board and gradually increase their percentage in the coming years. The current board holds an extensive experience in banking which is extremely important for the Bank especially in these globally volatile markets. However, in parallel to BBVA's policies on this issue the Bank intends to favor female candidates to be nominated in the future if there is a replacement of a board member or re- selection of the full board.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.			X			Due to the COVID-19 outbreak, meetings with physical attendance were kept at minimum.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions, if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Board members' external commitments are presented for the information of shareholders at the General Meeting. The Bank's Board members comply with the banking legislation regarding the external entities they can serve. There is no internal written regulation specifying any limitations in this respect.

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			When the number of members of the Board of Directors and the number of members of the committees are taken into consideration, a member of the Board of Directors may take part in more than one committee. On the other hand, the only committee established according to the Corporate Governance Principles is the Corporate Governance Committee (with the functions of the Nominating Committee). There are three members of the Board of Directors in the Corporate Governance Committee. Other board committees (Risk, Credit, Audit and Remuneration) were established in accordance with the Banking Law No. 5411.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.	X					
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a Board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.					X	
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Meeting of Shareholders. As of 31 December 2020, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 76 million 902 thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS	REMARKS / RELATED LINKS
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	In 2020, Garanti BBVA Investor Relations team participated in 33 investor conferences and roadshows. The team held meetings with 561 international investment funds.
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION	
The number of special audit request(s)	None. The appointment of a special auditor has not been set forth as an individual right in the Articles of Association of the Bank. However, pursuant to Article 438 of the Turkish Commercial Code No. 6102, shareholders have the right to request a special audit from the General Assembly of Shareholders, whether included in the agenda or not, in order to clarify certain aspects within the frame of exercising shareholders' rights, provided that shareholders making such request have previously exercised the right to obtain or review information as stipulated in the Turkish Commercial Code. So far, Garanti BBVA has not received any request for the appointment of a special auditor. If such a request is received, then the Bank will take maximum care for facilitating the exercise of such special audit right.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None
1.3. GENERAL ASSEMBLY	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1 (ad)	https://www.kap.org.tr/en/Bildirim/860336
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Available. The link to the related website: Turkish: https://www.garantibbvainvestorrelations.com/tr/kurumsal-yonetim/olagan-genel-kurul-toplantilari/Olagan-Genel-Kurul-Toplantilari/452/0/0 English: https://www.garantibbvainvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	None
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	None
The name of the section on the corporate website that demonstrates the donation policy of the company	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Donation-and-Contribution-Policy/99/410/0
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/265119
The number of the provision(s) of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	While the Articles of Association does not contain any provisions to that effect, the Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meetings. Hence, such invitation is explicitly stated in the invitation to the General Shareholders Meeting.

Identified stakeholder groups that participated in the General Meeting of Shareholders, if any	General Meeting minutes are available to shareholders in media and locations stipulated by applicable legislation. The members of the media did not attend the General Meeting convened in 2020. The Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meetings.
1.4. VOTING RIGHTS	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	There are no voting privileges
The percentage of ownership of the largest shareholder	49.85%
1.5. MINORITY RIGHTS	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of association	No
If yes, specify the relevant provision of the articles of association	None
1.6. DIVIDEND RIGHT	
The name of the section on the corporate website that describes the dividend distribution policy	https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Dividend-Distribution-Policy/96/407/0
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	The Board of Directors' proposal for the distribution of the Bank's 2019 Balance Sheet Profit was laid down for approval at the General Meeting of Shareholders held on 17 July 2020 and approved with majority of votes. It is resolved that, in accordance with the Banking Law, Capital Markets Law and related regulations, Article 45 of the Bank's Articles of Association and Profit Distribution Policy, considering the Bank's growth target, its long term strategy, along with domestic and international economic developments, the proposal of the Board of Directors regarding the transfer of the distributable net profit realized in the 2019 accounting period to the Extraordinary Reserves Account after the relevant provisions are set aside and without being distributed to the shareholders, be approved. The information provided to our Shareholders regarding the subject is stated in article 7 of the document whose link follows: https://www.garantibbvainvestorrelations.com/en/images/pdf/2020_07_17_General_Assembly_Meeting_Minutes.pdf
PDP link to the related general meeting minutes in case the board of directors proposed to the General Assembly not to distribute dividends	https://www.kap.org.tr/en/Bildirim/860320
General Meeting Date	17.07.2020
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate in the General Shareholders' Meeting	74,76905
Percentage of shares directly present at the GSM	0.001%
Percentage of shares represented by proxy	99.999%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the number of votes for or against	Garanti BBVA Investor Relations Website Main Page > Environment, Social and Governance > Annual General Meeting https://www.garantibbvainvestorrelations.com/en/environment-social-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Garanti BBVA Investor Relations Website Main Page > Environment, Social and Governance > Annual General Meeting https://www.garantibbvainvestorrelations.com/en/environment-social-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The number of the relevant item or paragraph of the General Shareholders' Meeting minutes in relation to related party transactions	https://www.garantibbvainvestorrelations.com/en/environment-social-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The number of declarations by insiders received by the board of directors	832
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/en/Bildirim/860336

2. DISCLOSURE AND TRANSPARENCY	
2.1. CORPORATE WEBSITE	REMARKS / RELATED LINKS
Specify the names of the sections of the website providing the information requested by the Principle 2.1.1.	<p>Trade registry information: Garanti BBVA Investor Relations website Home > Contact > Garanti BBVA</p> <p>Latest shareholding and management structure: Garanti BBVA Investor Relations website Home > About Garanti BBVA > Shareholding Structure</p> <p>Detailed information on preference shares: There are no preference shares.</p> <p>The latest version of the Articles of Association: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Articles of Association</p> <p>Disclosures: Garanti BBVA Investor Relations website Home > News > Disclosures</p> <p>Financial Reports and Annual Reports: Garanti BBVA Investor Relations website Home > Library</p> <p>Prospectuses and other public disclosure documents: Garanti BBVA Investor Relations website Home > News > Disclosures</p> <p>General meeting documents: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Annual General Meetings</p> <p>Dividend distribution policy: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Dividend Distribution Policy</p> <p>Disclosure policy: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Disclosure Policy</p> <p>Ethical rules created by the company: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Garanti BBVA Code of Ethics</p> <p>Frequently asked questions: Garanti BBVA Investor Relations website Home > FAQ</p>
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares	https://www.garantibbvainvestorrelations.com/en/about-garanti/detail/Shareholding-Structure/7/16/0
List of languages for which the website is available	<p>Garanti BBVA has two different websites prepared in Turkish and English languages. These can be accessed as follows:</p> <p>The website in Turkish www.garantibbva.com.tr</p> <p>The website in English www.garantibbva.com</p> <p>Garanti BBVA Investor Relations website provides detailed information, both in Turkish and English, about data that are required to be covered in websites as per the Corporate Governance Principles and all other information about Garanti BBVA and share in line with stakeholders' needs.</p> <p>Investor Relations website in Turkish: www.garantibbvayatirimciiliskileri.com</p> <p>Investor Relations website in English: www.garantibbvainvestorrelations.com</p>
2.2. ANNUAL REPORT	
THE PAGE NUMBERS AND/OR NAMES OF THE SECTIONS IN THE ANNUAL REPORT THAT DEMONSTRATE THE INFORMATION REQUESTED BY PRINCIPLE 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the external of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	<p>Section: Board of Directors, Page: 42</p> <p>Declaration of Independence, Page: 235</p>
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Section: Committees, Page: 48

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Section: Governance, Page: 40
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in legislation which may significantly affect the activities of the corporation	Section: Important developments regarding 2020 operations, Page: 204
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Section: Important developments regarding 2020 operations, Page: 204
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Section: Service Providers, Page: 583
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Consolidated Financial Statements As of and For the Year Ended 31 December 2019, Section: 5.1.10.2, Page: 403
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Included in multiple sections: Best & Most Engaged Team (Page 182), Sustainability (Page 116), Financial Health (Page 102), Reaching More Clients (Page 134)

3. STAKEHOLDERS

3.1. CORPORATION'S POLICY ON STAKEHOLDERS

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	115
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Garanti BBVA Compliance Department (related committee: Ethics and Integrity Committee)
The contact detail of the company alert mechanism	"Garanti BBVA Whistleblowing Channel" etikbildirim@garantibbva.com.tr 0 216 662 5156

3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	While there are no written internal regulations, employees are provided with the opportunity to comment on all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions.
Corporate bodies where employees are actually represented	From amongst employees, upper and middle level managers take part in decision-making mechanisms via 20 committees. Please see the Committees section in the Annual Report for further details. In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative opinions, suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas.

3.3. HUMAN RESOURCES POLICY

The role of the Board on developing and ensuring that the company has a succession plan for the key management positions	There is a succession plan for key management positions, which is regularly followed up by the executive Board member and Executive Vice President on an annual basis.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy	Declaration of human rights and human resources policy are posted on the Investor Relations website. Related links are as follows: https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Declaration-of-Human-Rights/584/1866/0 https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Human-Resources-Policy/97/408/0

<p>Whether the company provides an employee stock ownership program</p>	<p>There is a plan for "identified personnel", which is described in the Compensation Policy. As of 2020 year-end, there are 18,656 identified employees serving at the Bank. In the variable payments made to identified employees, payment is made in cash and by non-cash means (linked to share certificates) in line with the "Guidelines on Good Compensation Practices in Banks". In payment practices that rely on non-cash means within the scope of 2020 variable payments of identified employees, Banco Bilbao Vizcaya Argentaria S.A. share will be taken as basis. Link for the Compensation Policy: https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Employee-Compensation-Policy/355/1264/0</p>
<p>The name of the section on the corporate website that demonstrates the human resources policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy</p>	<p>The Human Resources Policy and Code of Conduct are posted on the Investor Relations website. Related links are as follows: https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Human-Resources-Policy/97/408/0 https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Code-of-Conduct/94/405/0</p>
<p>The number of definitive convictions the company is subject to in relation to health and safety measures</p>	<p>Garanti BBVA, which accelerated its work in this field by establishing a special team under Human Resources in 2013 for Occupational Health and Safety (OHS) practices, coordinates the health and safety requirements of all locations with this organization, which was positioned as OHS Management in 2015. Considering the national legislation as the minimum level and taking international standards and good practice examples as reference, Garanti BBVA continues its activities with a staff of 44 Occupational Safety Specialists, Workplace Physicians and Workplace Nurse, who work nationwide. This year, Garanti BBVA continues its practices crowned with the International Occupational Safety Award by the British Safety Council, one of the most respected health and safety authorities in the world, with the vision that it accepts the national legislation as minimum and focuses on best practices in the world. In 2020, the sensitive and successful emergency management practices it carries out in both pandemic and earthquake issues bring employee health and welfare to the next level. In accordance with Occupational Health and Safety (OHS) regulations, with the OHS team positioned within the body of Talent and Culture, processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-miss incidents, occupational accidents and corrective and preventive actions are carried out effectively. will continue to coordinate. Garanti BBVA has been using OHS software in all its locations since 2013, digitizing all OHS processes by breaking new ground among financial service institutions of similar size. Garanti BBVA provides the necessary coordination and follow-up through this software in all processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-misses, occupational accidents, corrective actions, emergency plans and drills. There is no final court decision rendered against the company in relation to health and safety measures in 2020.</p>
<p>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</p>	
<p>The name of the section on the corporate website that demonstrates the code of ethics</p>	<p>Garanti BBVA Investors Relations website Home > Environment, Social and Governance > Policies > Garanti BBVA Code of Conduct</p>
<p>The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide information about any measures taken on environmental, social and corporate governance issues.</p>	<p>Garanti BBVA publishes integrated annual reports; hence, the Bank does not release a separate sustainability or corporate social responsibility report. The Bank discloses its entire value creation, both financial and non-financial, within the frame of materiality analysis, its strategic priorities, and its performance in these aspects. Addressed in a comprehensive scope extending from customer experience to employee satisfaction, from digital transformation to responsible and sustainable development, these topics, along with the information on risk management and corporate governance can be found in the integrated annual report. Garanti BBVA Investor Relations website Home > Library > Integrated Annual Reports</p>
<p>Any measures combating any kind of corruption including embezzlement and bribery</p>	<p>Garanti BBVA's Anti-Corruption Policy sets out the actions that need to be taken to prevent and determine across the Bank cases posing corruption risk, and to encourage reporting thereof. Furthermore, In order to prevent corruption, our Bank and its subsidiaries are engaged in an "anti-corruption awareness program ". In-class and e-learning trainings covering these subjects are assigned to all personnel.</p>

4. BOARD OF DIRECTORS - I	
4.2. ACTIVITY OF THE BOARD OF DIRECTORS	REMARKS / RELATED LINKS
Date of the last board evaluation conducted	In its meeting on 2 March 2020, the Corporate Governance Committee that also functions as the Nomination Committee in line with the applicable legislation evaluated the composition and activities of the Board of Directors to be adequate and compliant with the legislation. The Board of Directors has been informed on the issue during the Board of Directors meeting held on 5 March 2020.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Based on the Bank's Board of Directors decision dated 29 March 2018, it has been decided to reassign Muammer Cüneyt Sezgin as the Board director in charge of the duties and responsibilities within the scope of internal systems, save for "Risk Management" duties that have been delegated to the Risk Committee as per the applicable legislation, which will be based on the Audit Committee's opinions, suggestions, assessments and the like.
Number of reports presented by internal auditors to the audit committee or any other relevant committee of the board	9 in 2020
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Section: Internal Systems Governance, Page: 194
Name of the Chairman	Süleyman Sözen
Name of the CEO	Recep Bastug
If the CEO and Chair functions are combined, provide the link to the relevant PDP announcement providing the rationale for such combined roles	The roles of the Chairman and CEO are undertaken by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the Board of Directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	PDP disclosure is not available. The Bank's capital is TL 4.2 billion, and a Directors and Officers Liability cover for EUR 100,000 has been obtained for the individual liabilities of Executives and Board directors associated with improper performance of their duties.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	The Bank has different practices and policies to ensure gender equality and equal representation within the institution. It implements practices such as monitoring the ratio of men and women at different levels, preparing job postings without discrimination, training and awareness programs, women's leadership training and mentoring programs. The Bank has different practices and policies to ensure gender equality and equal representation within the institution such as tracking female-male ratio in various levels, as well as applications for open positions. Additionally, since March 2017 the Bank is a founding member of Thirty Percent Club, an organization with the aim of achieving higher rate of women participation in senior management. Garanti BBVA is the only company from Turkey selected to the Bloomberg Gender-Equality Index, which includes 230 companies from 10 sectors, across 36 countries and regions. Garanti, which has several practices and initiatives on women's social and empowerment, has been selected to the index. Although the Bank does not have a written policy to increase the ratio of Board Members, its work continues within the scope of the Diversity and Inclusion approach.
The number and ratio of female directors within the Board of Directors	There are 2 women members representing 18% of the full number of members.

NAME/SURNAME OF BOARD MEMBER	WHETHER EXECUTIVE DIRECTOR OR NOT	WHETHER INDEPENDENT DIRECTOR OR NOT	THE FIRST ELECTION DATE TO BOARD	LINK TO PDP NOTIFICATION THAT INCLUDES THE INDEPENDENCY DECLARATION	WHETHER THE INDEPENDENT DIRECTOR CONSIDERED BY THE NOMINATION COMMITTEE	WHETHER SHE/HE IS THE DIRECTOR WHO CEASED TO SATISFY THE INDEPENDENCE OR NOT	WHETHER THE DIRECTOR HAS AT LEAST 5 YEARS' EXPERIENCE ON AUDIT, ACCOUNTING AND/OR FINANCE OR NOT
Süleyman Sözen	No	No	29.05.1997	-			Yes
Jorge Sáenz-Azcúnaga Carranza	No	Yes	24.03.2016	-	No	No	Yes
Ergun Özen	No	No	14.05.2003	-			Yes
Dr. M. Cüneyt Sezgin	No	No	30.06.2004	-			Yes
Sema Yurdum	No	Yes	30.04.2013	-	No	No	Yes
Jaime Saenz De Tejada Pulido	No	No	2.10.2014	-			Yes
Javier Bernal Dionis	No	No	27.07.2015	-			Yes
Recep Baştuğ	Yes	No	6.09.2019	-			Yes
Rafael Salinas Martinez de Lecea	No	No	8.05.2017	-			Yes
Aydın Düren*	No	Yes	17.06.2020	-	No	No	Yes
Mevhibe Canan Özsoy	No	Yes	4.04.2019	https://www.kap.org.tr/en/cgif/4028e4a140f2ed720140f37cb2a601b7	Yes	No	Yes

* At the Board of Directors Meeting dated June 17, 2020, it was decided to appoint Avni Aydın Düren as a Board Member to complete the balance period for the vacant Board Membership due to the resignation of Ricardo Gomez Barredo

4. BOARD OF DIRECTORS - II	
4.4. MEETING PROCEDURES OF THE BOARD OF DIRECTOR	REMARKS / RELATED LINKS
Number of physical board meetings in the reporting period (meetings in person)	The Board held 11 physical meetings in 2020.
Director average attendance rate at board meetings	69,4%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	4-5 days on average.
The name of the section on the corporate website that provides information about the board charter	Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Policies > Working Principles And Procedures Of The Bod
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	The limits set by the banking legislation are complied with.
4.5. BOARD COMMITTEES	
Page numbers or section names of the annual report where information about the board committees are presented	Section: Committees, Page: 48-49
Link(s) to the PDP announcement(s) with the board committee charters	While a PDP disclosure link is unavailable for the announcement pertaining to operating principles, the responsibilities of the committees are described on https://www.garantibbvainvestorrelations.com/en/ address, under Environment, Social and Governance section.

NAMES OF THE BOARD COMMITTEES	NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN	NAME-SURNAME OF COMMITTEE MEMBERS	WHETHER COMMITTEE CHAIR OR NOT	WHETHER BOARD MEMBER OR NOT
Corporate Governance Committee (including the functions of Nomination Committee)		Javier Bernal Dionis, Jorge Saenz Azcunaga Carranza, Sema Yurdum, Handan Saygin	Jorge Saenz Azcunaga Carranza	Except for Handan Saygin, all members are members of the Board of Directors.

4. BOARD OF DIRECTORS - III**4.5. BOARD COMMITTEES - II****REMARKS / RELATED LINKS**

Specify where the activities of the Audit Committee are presented in your annual report or website (Page number or section name in the annual report/website)

Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Audit Committee

Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)

Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Corporate Governance Committee

Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)

Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Corporate Governance Committee

Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)

Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Risk Committee

Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)

<https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Remuneration-Committee/83/396/0>

4.6. FINANCIAL RIGHTS

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)

Section: Operational Excellence, Page: 146

Specify the section of the website where remuneration policy for executive and non-executive directors are presented

Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Policies > Employee Compensation Policy

Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)

Section: Corporate Governance Compliance Report > Remuneration, Page: 236, 237

NAMES OF THE BOARD COMMITTEES**NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN****THE PERCENTAGE OF NON-EXECUTIVE DIRECTORS****THE PERCENTAGE OF INDEPENDENT DIRECTORS IN THE COMMITTEE****THE NUMBER OF COMMITTEE MEETINGS HELD IN PERSON****THE NUMBER OF REPORTS ON ITS ACTIVITIES SUBMITTED TO THE BOARD**

Corporate Governance Committee (including the functions of Nomination Committee)

75%

50%

2, virtual

2

Garanti BBVA's Ratings

CORPORATE GOVERNANCE RATING

JCR EURASIA RATINGS (OUTLOOK: STABLE)

Overall Compliance Score: 9.77

Garanti BBVA is included in the Borsa Istanbul (BIST) Corporate Governance Index by achieving an overall corporate governance score of 9.77 assigned by JCR Eurasia Ratings for its superior compliance with Capital Markets Board Corporate Governance Principles.

SECTIONS	WEIGHT	SCORE
Shareholders	25%	9.67
Disclosure and Transparency	25%	9.76
Stakeholders	15%	9.86
Board of Directors	35%	9.81

CREDIT RATINGS

Garanti BBVA is rated by Fitch Ratings, Moody's and JCR Eurasia. The Long Term LC and FC ratings of Garanti BBVA assigned by JCR Eurasia Ratings represent investment grade.

FITCH RATINGS (SEPTEMBER, 2020)

(Outlook: Negative)

Long Term FC **B+**
Long Term LC **BB-**

MOODY'S (DECEMBER, 2020)

(Outlook: Negative)

Long Term FC Deposits **B2**
Long Term LC Deposits **B2**

JCR EURASIA RATINGS (AUGUST, 2020)

(Outlook: Negative)

Long Term International FC **BBB-**
Long Term International LC **BBB**



For detailed information on Garanti BBVA's ratings, their definitions, rating and outlook actions, please refer to Ratings Section of Garanti BBVA Investor Relations website.

Profit Distribution

We propose our esteemed shareholders the profit of TL 6,238,002,719.48, which is generated in the 7th fiscal year of the Bank, to be distributed as detailed in the table below in accordance with the "Article 45 - Distribution of the Profit" of the Articles of Association of the Bank and the Head Office to be authorized to conduct the operations regarding the issue.

Sincerely,
Board of Directors

2020 DISTRIBUTION OF THE PROFIT TABLE

(Turkish Liras)

NET PROFIT	6,238,002,719.48
A - 5% for the 1 st Legal Reserve Fund (TCC 519/1)	0.00
B - FIRST DIVIDEND CORRESPONDING TO THE 5% OF THE PAID UP CAPITAL	210,000,000.00
C - 5% Extraordinary Reserve Fund	301,400,135.97
D - SECOND DIVIDEND TO ORDINARY SHAREHOLDERS	413,800,000.00
2 nd Legal Reserve Fund (TCC 519/2)	413,800,000.00
The other funds have to be kept in the Bank (CIT 5/1/e)	35,204,890.73
D - Extraordinary Reserve Fund	5,236,217,692.78

INFORMATION ON DIVIDEND PAYOUT RATIO

GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE (NOMINAL VALUE: 1TL)	
	CASH (TL)	BONUS SHARE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	623,800,000.00	-	0.14852	14.85238
NET	-	530,230,000.00	-	0.012625	12.62452