

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

OPERATIONAL EXCELLENCE

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Experience



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TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Operational Excellence - I

 6,298  32 min  14  assets

Related Material Topics	Value Drivers	Indicators	2019	2020 Actual	2020 Projection	Actual vs. Projection
<p>#1 CAPITAL ADEQUACY AND FINANCIAL PERFORMANCE</p> <p>#2 CORPORATE GOVERNANCE AND EFFECTIVE MANAGEMENT OF ALL RISKS</p> <p>#4 EASY, FAST SOLUTIONS AND DIY OPTIONS</p>	<p>FOCUS ON SUSTAINABLE GROWTH AND USE OF CAPITAL EFFECTIVELY SO AS TO MAXIMIZE THE VALUE TO BE CREATED</p> <p>CONSTANTLY IMPROVE AND ENABLE BUSINESS MODELS AND PROCESSES WITH AN OPERATIONAL EFFICIENCY POINT OF VIEW</p> <p>ACTIVELY MANAGE FINANCIAL AND NON-FINANCIAL RISKS</p>	ASSET GROWTH (%)	7%	26%	-	-
		TL LOAN GROWTH (%)	7%	33%	~25%	Beat
		FC LOAN GROWTH (%)	(6%)	(1%)	Contraction	In-line
		NPL RATIO (%)	6.8%	4.5% (5.7% when adjusted with TL 4.7 billion written-down)	~6.5%	Beat
		NET COST OF RISK (BPS)	272	231	<300 bps	Beat
		NIM INCL. SWAP COSTS EXCL. CPI (%)	4,3% (+78 bps YoY)	14 bps expansion (21 bps expansion incl. CPI)	50 bps expansion	Miss (due to higher-than-projected rise in funding costs and denominator effect)
		FEE GROWTH (%)	23%	+5%	High single-digit contraction	Beat
		OPEX GROWTH (%)	18%	15% (Bottom line impact: <9%. Due to hedging mechanisms and preset provisions)	<10%	In-line
		COST / INCOME ¹ (%)	39%	36.5%	-	-
		LEVERAGE	6.9x	7.7x	-	-
		ROAE (%)	12.4%	11.0% (adjusted with free provisions: 14.4%)	10-13%	Beat (Adjusted with unbudgeted free provisions)
		CAPITAL ADEQUACY RATIO (%)	17.8%	16.9% (Excl. BRSA temporary measures)	-	-
CET-1 RATIO (%)	15.4%	14.3% (Excl. BRSA temporary measures)	-	-		

¹ Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provision reversals + Income from subsidiaries

Contributed
Sustainable
Development Goals



FINANCIAL PERFORMANCE

For Garanti BBVA, financial performance is at the core of value creation process and is both the cause and effect in delivering sustainable growth. The Bank has a direct and indirect impact on the economy, by making its products available to customers, investing in its facilities and constantly improving its business model and processes with an operational and environmental efficiency point of view.

Aiming to use capital effectively to maximize the value created, Garanti BBVA focuses on disciplined and sustainable growth on the basis of a true banking principle with strict adherence to solid asset quality and prudent stance. Combining this approach to unconditional customer satisfaction with its robust capitalization and a focus on efficiency, Garanti BBVA sustains its contribution to the economy through effective balance sheet management.

In 2020, Garanti BBVA increased its consolidated total assets by 26% on an annual basis, bringing it to TL 541 billion, attained 29% growth in total performing loans and increased the percentage of interest-earning assets to total assets from 82% to 84%. Standing by its customers at all times, Garanti BBVA brought the share of loans within total assets from 60% to 62%. Today, Garanti BBVA pioneers the sector across various segments from retail banking to payment systems, mortgages to auto loans, SMEs to project finance, transaction banking to digital banking.

Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management in 2020 that was characterized by high volatility induced by the pandemic. Diversified and dynamic funding base of the Bank continued to be largely composed of customer-driven deposits. Growth rate in customer deposits base was 30%, parallel to the expansion in lending, which helped Garanti BBVA keep its loan to deposit ratio (LDR) at 94% on a consolidated basis. Garanti BBVA's strength in consumer deposits is the outcome of its innovative business model, which places customers' needs and satisfaction at the core of its business.

Lending rates relatively decreased as a result of the financial support packages made available to the sector because of the pandemic. The plunged currency followed by expansionary policies, in conjunction with stronger domestic demand triggered inflation. The CBRT began implementing tight monetary policy due to inflationist pressures, resulting in higher funding costs in the second half of the year. In spite of the growing pressure of funding costs and declined lending rates, Garanti BBVA succeeded in expanding its Net Interest Margin (NIM) as compared to year-end 2019 thanks to its diversified funding structure, increased share of demand deposits in total deposits, and income on CPI-linkers. Garanti BBVA was able to increase its NIM including swap costs by 21 basis points on a year-over-year basis, and with 5.4%, continued to have the highest NIM level among its peers.

Garanti BBVA follows a prudent and risk-return focused lending strategy. The Bank displays a proactive and consistent approach to risk assessment that ensures preservation of its solid asset quality. In the reporting period, provisions remained high for maintaining the prudent stance due to negative effects stemming from the pandemic, decelerated economic activity and increased unemployment. Net cost of risk, excluding currency impact, was 2.3% in 2020. Since the Bank maintains on-balance sheet FX long positions against currency impact on provisions, increased provisions resulting from devaluated currency does not have an effect upon bottom line profit. Payment deferral was introduced in an effort to support the sector players against the pandemic-related challenges in 2020, and the time allowed for loans to remain unpaid before they are classified as NPL was doubled to 180 days from 90 days. Therefore, net new Non-Performing Loans (NPL) remained on the negative side. Due to this arrangement, the NPL ratio went down from 6.8% in 2019 to 4.5% in 2020 with the effect of the strong growth in lending and loans written down.

Garanti BBVA's diversified and actively managed funding base, its capital adequacy ratio of 16.9% excluding BRSA's temporary measures, its growing deposits with approximately 19 million customers' trust, and continuous access to foreign funding sources bolster the Bank's business model and long-term sustainable growth.

Its business model, along with its well-diversified fee sources and its further digitalized processes, support the Bank's ability to generate sustainable income. All of them combined secure the highest net interest margin, and the highest net fees and commissions base among its peers. Furthermore, Garanti BBVA maintains its focus on efficiency and effectively manages its operating costs to foster sustainable value creation.

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

2020 was characterized as a year when the Covid-19 pandemic dominated global economy and markets, central banks quickly loosened their monetary policies, monetization increased, and countries implemented comprehensive fiscal incentives in their fiscal policies. On another note, significant shrinkage in domestic - and international trading volume were the main risks facing the economies.

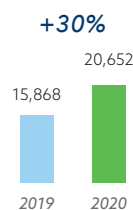
Although Turkish assets experienced a market environment of flexible monetary policy and loose liquidity conditions for a substantial part of the year in an effort to restrain the effects of the pandemic, tightening monetary policy regained importance with the deteriorated inflation outlook in the last quarter of the year, and interest rates took an upturn. In this context, credit expansion calmed down in keeping with the normalization steps taken in relation to the economy in the last quarter.

Garanti BBVA continued to extend loans to its customers, while paying attention to maintaining its asset quality at times when TL interest rates and the country risk premium were high, and strove to help mitigate the economic toll the pandemic took on its customers. At the same time, the Bank was able to remain quite healthy in terms of liquidity during 2020.

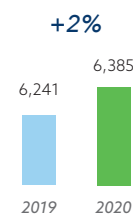
1. SOLID AND SUSTAINABLE PRE-PROVISION PROFIT GENERATION CAPABILITY

In a year of high volatility, Garanti BBVA was able to elevate its pre-provision income by 30% year-over-year, and set aside TL 2 billion 150 million in free provisions during the year based on its cautious risk policy, bringing total free provisions to TL 4 billion 650 million; the Bank booked TL 6 billion 385 million in consolidated income. Garanti BBVA's dynamic balance sheet management was reflected on the robust and high quality earnings, delivering a Return on Average Equity (ROAE) of 11.0% and Return on Average Assets (ROAA) of 1.3%. Adjusted with free provisions, ROAE was 14.4% and ROAA was 1.8%.

PRE-PROVISION INCOME (TL million)



NET INCOME (TL million)

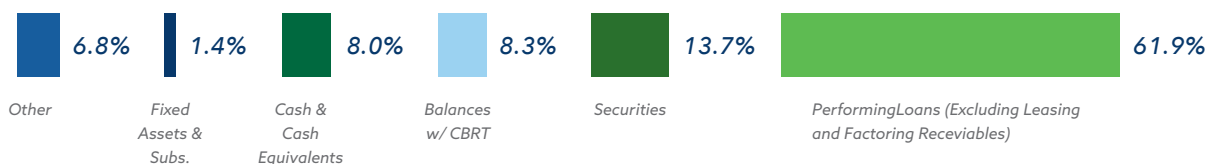


Note: Pre-provision income = Net income + expected credit loss + tax provisions - FC loan provision hedges - Provision cancellations under other operating income

2. CUSTOMER-DRIVEN AND HIGH-YIELDING ASSET MIX

In a year when the real sector's need for liquidity was high and credit expansion was extremely strong, Garanti BBVA increased its consolidated assets by 26% on an annual basis, bringing it to TL 541 billion, and increased the percentage of interest earning assets in total assets to 84% by attaining 29% growth in total performing loans. While the securities portfolio was strategically managed as a hedge against volatility, loans constituted 62% of assets.

ASSETS (TL 541 BILLION)



2.1 BALANCED LENDING MIX

Companies' increased need for liquidity in the first half of 2020 due to the pandemic brought along a strong expansion in business banking loans. On the other hand, in the second half of the year, consumer loan demand recovered owing to recuperated economic indicators.

Garanti BBVA preserved the balanced composition of its loan portfolio also in 2020. Total performing loans was made up of business banking loans by 33%, consumer loans by 29% and FC loans by 38%.

TL loans grew by 33%. While annual TL loan expansion occurred in all business lines, TL business banking loans were the driving force behind growth (40% annual growth). TL consumer loans showed a recovery in the second half of the year. (25% annual growth including individual credit cards).

Shrinkage in foreign currency loans continued due to declined credit demand because of the volatile currency. FC loans ended the year with 1% contraction.

2.1.1 LEADING POSITION IN RETAIL BANKING

With its effective delivery channels and successful relationships with its customers, Garanti BBVA's market share in retail lending among private banks is 21%. Preserving its leading position in retail products, Garanti BBVA continues to respond to its customers' needs with its 884 branches spread around all the cities in Turkey.

MARKET SHARES¹

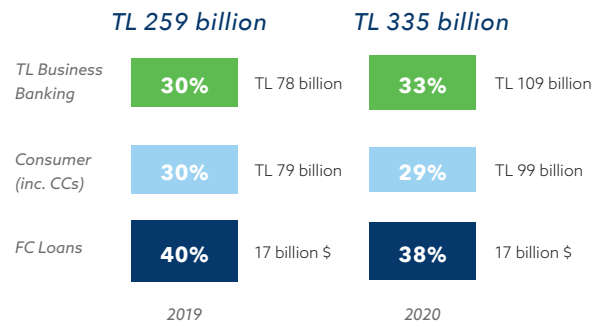
	DECEMBER'20	QOQ	RANK
Consumer Loans (Credit Card inc.)	11.7%	+12bps	#1*
Consumer Mortgage	8.5%	+5bps	#1*
Consumer Auto	26.5%	+20bps	#1*
Consumer GPLs	11.1%	+23bps	#2*
TL Business Banking	8.3%	+27bps	#2*

* Market shares and rankings are among private banks, as of September 2020.

¹ Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 31.12.2020

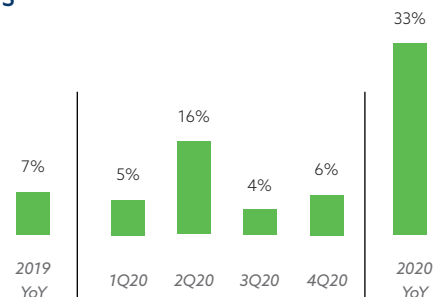
LOAN PORTFOLIO

(62% of Total Assets)

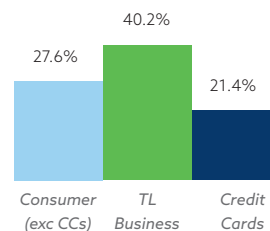


TL LOANS

(Growth, %)

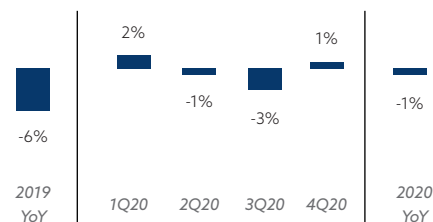


TL LOAN EXPANSION BY PRODUCT

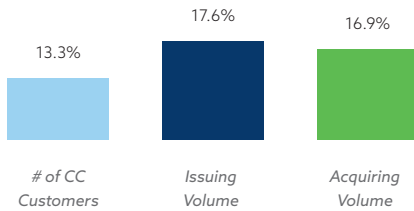


FC LOANS

(Growth, %)



PIONEER IN CARDS BUSINESS¹



¹ Cumulative figures as of December 2020, as per Interbank Card Center data.

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 31 December 2020. Market shares among private commercials banks.

2.1.2 PIONEERING PAYMENTS SYSTEMS

Garanti BBVA commands a pioneering position in payment systems and credit cards with Garanti Payment Systems, which was founded 21 years ago. With 684,896 POS devices and a market share of 17.6% in issuing volume and 16.9% in acquiring volume, it is one of the leading players in the market.

2.1.3 FOREIGN CURRENCY LENDING

Investment appetite remained weak due to ongoing domestic and global uncertainties. The decreasing demand combined with Garanti BBVA's risk/reward priorities and rational pricing focus reflected on the Bank's large base of Foreign Currency (FC) loan book, and FC loans portfolio shrank 1% in USD terms.

Garanti BBVA continued to support Turkey's sustainable growth with its pioneering role in the project, acquisition and structured finance. Despite challenging market conditions, Garanti BBVA's new loan commitments in 2020 reached approximately USD 1.3 billion. The portfolio was worth USD 10.4 billion as at year-end 2020 including the new loans extended and the repayments made during the reporting period.

In 2020, financing needs in the energy sector decreased due to hardships stemming from the pandemic and the loss of momentum in energy investments. As in earlier years, new financing activities concentrated mostly in renewable energy projects. Taking place in the financing of renewables only since

2015, Garanti BBVA continued to support renewable energy investments that are vital for Turkey's sustainable growth in spite of the difficulties presented by the year. In addition to this support, the Bank participated in Turkey's biggest-ticket sustainability-linked loan package for Enerjisa with EUR 140 million and was involved in this facility as a Sustainability Agent. Within the frame of our sustainable goals, we are proud of another major step with respect to our principles for green power generation and supporting gender equality in business.

In the Public Private Partnership (PPP) and infrastructure sector, Aydın-Denizli Motorway and Nakkaş-Başakşehir Motorway tenders took place in the reporting period. In addition, the tenders were carried out also for the High Speed Train Projects, the financing of which is anticipated to be closed in 2021 and which will be constructed with the EPC-F method. We are expecting 2021 to be a more active year in the field of infrastructure financing. Mega projects such as motorways and high-speed railways will presumably take to the fore in terms of financing need. In 2021, our Bank will continue to support PPP and infrastructure projects, as it has done in previous years.

For the Credit Sales and Syndication team that buys and sells loans for concentration risk and balance sheet management purposes, 2020 has been relatively quiet as compared to previous years. The number and volume of transactions in the sector were quite low than before.

In terms of M&A, the course of the pandemic in 2020 affected transaction closures in Turkey, as it did for the rest of the world. Stagnant at the start of the year, the M&A market gained momentum after June. As market dynamics picked up, the Project Finance and Corporate Finance teams organized under Garanti BBVA Investment Banking and Finance team kept playing an active role in acquisition transactions drawing on the synergy they create. Despite the negative effects of the pandemic, the Corporate Finance team advised and successfully finalized 5 M&A transactions during the reporting period, exhibiting a leading stance. Project Finance and Corporate Finance teams successfully coordinated and completed the sales of

Zorlu Rüzgar with a total installed capacity of 80 MW to Akfen Yenilenebilir, and of Bereketli WPP having an installed capacity of 32 MW to İş Portföy Yönetimi A.Ş. Altyapı Girişim Sermayesi Yatırım Fonu, which take place among the largest acquisition deals of 2020 in the renewables sector. In 2021, we are anticipating sustained improvement in the interest towards the Turkish market and assets, and hence, continued betterment of financing demand. We are also expecting public offerings and M&A deals to be more active as compared to the previous year. As Garanti BBVA, we will keep supporting the sector with financing and advisory services.

3. PRUDENT APPROACH AND SOLID ASSET QUALITY

Garanti BBVA constantly displays a proactive and prudent approach to risk assessment. Accordingly, the performing loans book is monitored in two categories: Stage 1 and Stage 2. Stage 2 loans are subjected to quantitative (Significant Increase in Credit Risk) or qualitative (Watchlist, Overdue, Restructured) assessment using IFRS 9 models. In 2020, there was TL 14.3 billion rise in the Significant Rise in Credit Risk book after the annual IFRS-9 calibration, which drove the share of Stage 2 loans in total lending upward. However, it is worthwhile to state that 90% of the Significant Rise in Credit Risk (Qualitative) book are loans that are not overdue. The share of Stage 2 loans of Garanti BBVA in total loans went up from 14% in 2019 to 17% in 2020.

48% of Stage 2 loans consist of loans classified as quantitative, whereas 52% consist of those classified as qualitative. Total provision ratio of Stage 2 loans is 14.4%.

New additions to Stage 3 loans were negative due to deferred collection of payments and doubling of the time for putting a loan under follow-up from 90 days to 180 days introduced by the regulatory authorities. NPL ratio was decreased from 6.8%

in 2019 to 4.5% in 2020 due to the solid expansion in lending, negative net new additions to NPL book, and written-down loans. In 2020, cumulative net Cost of Risk (CoR) and NPL ratio were lower than our year-end projections.

NPL EVOLUTION¹

(TL million)

Net New NPL (Exc. currency impact, active sales and write-downs)	1Q20	2Q20	3Q20	4Q20
	(427)	(102)	(183)	(161)

NPL

4.5%

GUIDANCE
MET

CoR

231BPS

GUIDANCE
MET

(Exc. currency impact)

4. DEPOSIT DRIVEN & HEAVY WITH LOW COST & STICKY DEPOSITS FUNDING BASE

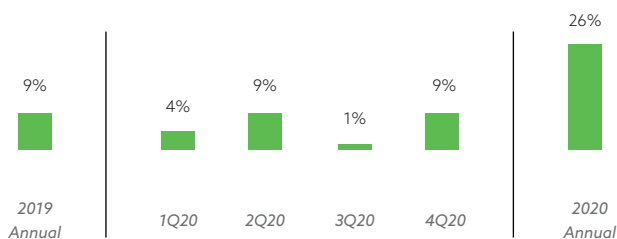
Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management in 2020, a year that was characterized by high volatility induced by the pandemic. Diversified and dynamic funding base of the Bank continued to be largely composed of customer-driven deposits. Growth rate in the customer deposits base was 30%, parallel to the expansion in lending, which helped Garanti BBVA keep its loan to deposit ratio (LDR) at 94% on a consolidated basis.

Garanti BBVA's strength in consumer deposits is the outcome of its innovative business model, which places customers' needs and satisfaction at the core of its business. The Bank kept focusing on sticky and low-cost mass deposits during 2020. As at year-end 2020, SME and consumer deposits, which can be considered as sticky and low-cost, had 73% share in TL customer deposits and 77% in FC customer deposits.

Garanti BBVA has a solid demand deposit base that supports funding cost optimization. The Bank also further strengthened its demand deposit base by 76% on an annual basis and succeeded in increasing the share of demand deposits in total deposits by 12 points, compared to the sector's average of 9 points, to 44%, outperforming the sector's average of 31%.

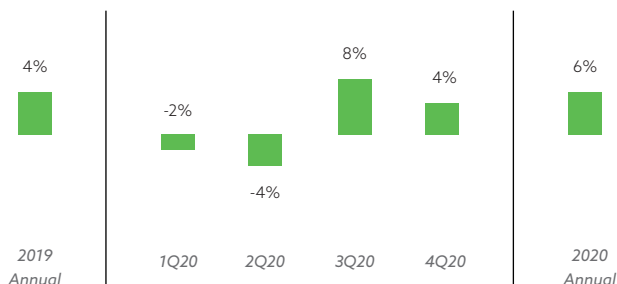
TL DEPOSITS

(40% of Total Deposits)



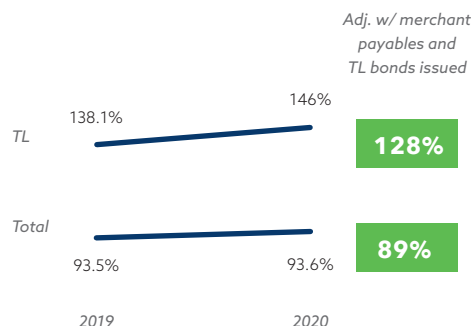
FC DEPOSITS

(60% of Total Deposits) (in US\$ terms)



DEMAND DEPOSITS / TOTAL DEPOSITS 29%

LOAN¹ TO DEPOSIT RATIOS (%)



4.1 SOLID LIQUIDITY BASE AND MANAGEABLE EXTERNAL DEBT STOCK

Due to shrinking FC loan portfolio since 2013, Garanti BBVA has significantly less need for external borrowing. While the Bank's total external debts decreased from USD 12.4 billion to USD 8.0 billion in 2020, Garanti BBVA was able to keep its FC liquidity buffer at USD 12.5 billion.

On the basis of maturity profile of the external debt that amounts to USD 8.0 billion, the long-term portion of this debt is worth USD 5.5 billion, whereas short-term debt and the short-term portion of the long-term debt amounts to USD 2.5 billion. For this short-term debt, Garanti BBVA has a highly solid liquidity buffer of USD 12.5 billion.

Thanks to its leading position in the sector, its reputation in international markets and solid correspondent relationships, Garanti BBVA continued to diversify its funding structure by accessing international funds at the most favorable costs and terms. The Bank secured funds worth approximately USD 1.4 billion in 2020.

During 2020, the Bank kept the markets under close watch and managed its funding base with dynamics keeping an eye on the

LOAN TO DEPOSIT RATIO

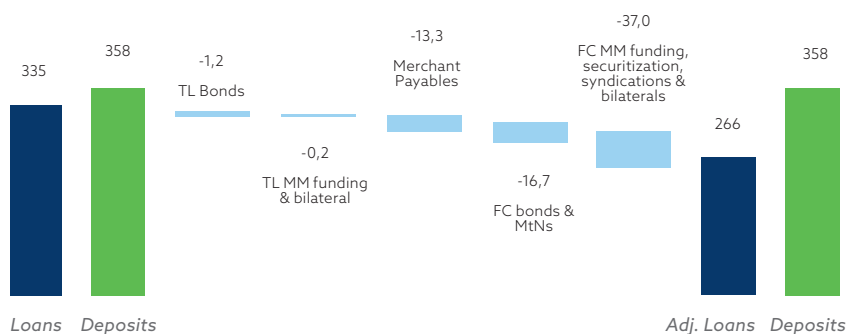
(TL billion)

Total Loans / Deposits: **94%**

FC Loans / FC Deposits: **59%**

TL Loans / TL Deposits: **146%**

Adjusted Loans / Deposits: **74%**



needs of the real sector in the light of its solid balance sheet and high FC liquidity. Accordingly, in May, the Bank secured two facilities, USD 50 million from the International Finance Corporation (IFC) and USD 54.7 million from the European Bank for Reconstruction and Development (EBRD) to support the cash flows of its SME customers impacted by the pandemic that continued to affect the whole world and Turkey.

The bank increased its product diversity with the Risk Sharing Agreement signed with the EBRD. In December, and carried out the first-ever transaction based on risk sharing with an international agency.

Actively continuing to borrow from credit markets, the Bank renewed two syndication loans with high rollover ratios in 2020, involving over 30 banks from more than 18 countries in each facility, thus strengthening its trust-based relations with correspondent banks, and carefully managed the external funds

on its balance sheet. This serves as a testament to Garanti BBVA's power to be selective in tapping external funds thanks to its high FC liquidity, its intrinsic financial strength and solid banking relationships.

The syndicated loan Garanti BBVA signed in the first half of 2020 was the first syndication loan obtained by any bank in the world tied to a bank's sustainability criteria. Securing low-cost long-term external funds for renewable energy and energy efficiency projects, the Bank kept supporting sustainable energy.

Syndications

\$ 598 mn equivalent (2Q20)

\$ 660.5 mn equivalent (4Q20)

EBRD and IFC Covid Support Loans

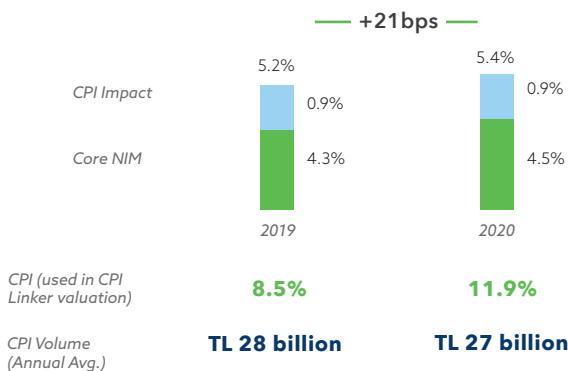
A total of \$104,7 mn 1-yr maturity (with the option for extension) loan (2Q20)

5. DYNAMIC BALANCE SHEET MANAGEMENT IN DEFENSE OF NET INTEREST MARGIN

Despite the pressure of declined interest rates, Garanti BBVA was able to increase its Net Interest Margin (NIM) compared to year-end 2019 on the back of its effective management of deposit costs, diversified funding structure and the increase in the share of demand deposits in total deposits during the year. With 5.4%, the Bank maintained the highest NIM among peers, increasing total net interest margin including swap costs by 21 basis points year-over-year.

QUARTERLY NIM

(Including Swap Funding Costs)

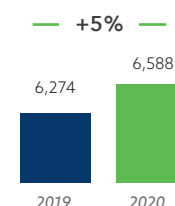


6. DIVERSIFIED FEES AND COMMISSIONS

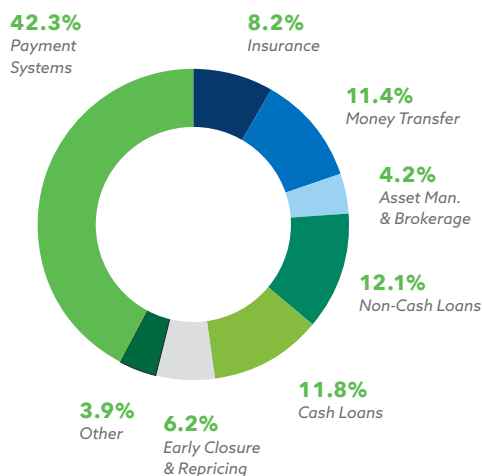
Regulatory framework governing commissions and economic activity decline in connection with the pandemic resulted in relatively weaker growth of commission income. In 2020, net fees and commissions grew by 5% on a year-over-year basis. Enjoying the highest fee base among its competition, Garanti BBVA carried on with its sustainable income generation on the back of its diversified fee base.

NET FEES AND COMMISSIONS

(TL million)



NET FEES AND COMMISSIONS BREAKDOWN¹



¹ Breakdown is based on bank-only MIS data. Some cash loan related fees, which were previously classified under "other" are moved to cash loan fees as of 31 December 2020. On a comparable basis, share of cash loan fees in 2019 is 6.6%, other fees is 3.9% and early closure and repricing commissions is 2.7%.

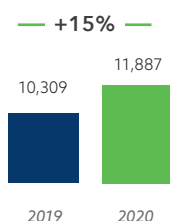
7. DISCIPLINED COST MANAGEMENT AND FOCUS ON OPERATIONAL EXCELLENCE

Garanti BBVA's operating expenses went up by 15% in 2020. Higher than expected currency depreciation of TL, which was not foreseen in 2020 operating guidance plan, had a negative impact of approximately 4% on operating expenses. However, it did not have an effect on bottom line profit as it was hedged by long FC positions maintained against the currency impact. Moreover, the fines levied during the reporting period also had an impact of approximately 2 points on operating expenses; but provisions were already set aside for these expenses. When these impacts are excluded, the expansion of operating expenses was 9%, in line with the guidance in 2020.

In 2020, the Bank's cost/income ratio was registered as 36.5%.

OPERATING EXPENSES

(TL 11.9 million)



COST/INCOME² 36.5%

Note: Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provision reversals + Income from subsidiaries

TURKEY'S FIRST BANK TO CENTRALIZE ITS OPERATIONS: GARANTI BBVA'S OPERATIONS CENTER ABACUS

Turkey's first bank to centralize its operations, Garanti BBVA alleviates the operational load on its branches and head office units, and enhances employee productivity through active use of technology. The Bank ensures superior quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS. Abacus's loss resulting from operational errors was USD 76,796 within a total turnover of

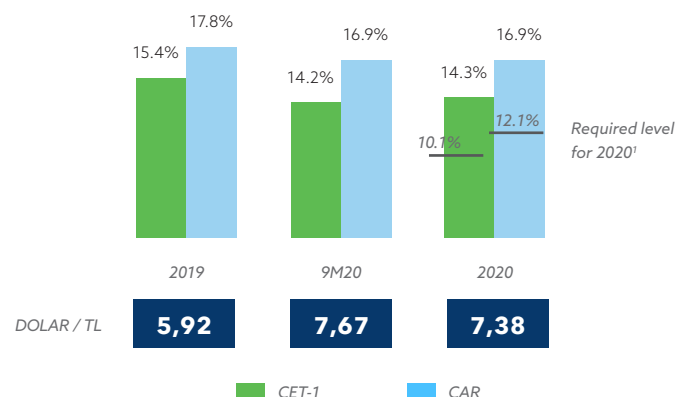
USD 366 billion. Garanti BBVA channels 85% of all operational transactions of branches to ABACUS made up of a dynamic team of 1,477 experts.

8. ROBUST CAPITAL BASE

Due to currency depreciation of TL in 2020, Capital Adequacy Ratio (CAR) went down to 16.9% from 17.8% in 2019 due. This ratio does not include the temporary measures introduced by the BRSA during the course of the year in connection with the pandemic. The level of CAR was well above the Basel III required ratio of 12.1% set for 2020.

SOLVENCY RATIOS

(Without BRSA forbearance)



FREE PROVISIONS TL 4.65 BILLION

EXCESS CAPITAL TL 21 BILLION

Taking into account minimum required level of 12.1% for 2020.

¹ Required CAR = 8.0% + SIFI Buffer for Group 2 (1.5%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.130%)

Required Consolidated Tier-1 = 6.0% + Buffers; Required Consolidated CET-1 = 4.5% + Buffers

Note: With BRSA's forbearance: CAR 17.4%, CET-1 Percentage: 14.8%

9. GARANTI BBVA'S TAX CONTRIBUTION

Having embraced transparency, prudence and honesty principles in tax matters, Garanti BBVA reports on the total tax contribution, both on its own and on behalf of third parties.



Please read more on tax strategy & reporting on Garanti BBVA Investor Relations website, Tax Strategy and Reporting Heading under the Corporate Governance tab.

GROUP PERFORMANCE IN 2020

Despite the global and local economic deterioration resulting from COVID-19 pandemic since December 2019, the Group achieved improvement in financial and non-financial performance indicators. While strong asset quality was preserved thanks to prudent risk management approach across the Group, pre-provision consolidated net income was maintained at a high level.

Subsidiaries played a key role, as they did in previous years, in delivering the strong financial results at the end of 2020. The contribution of subsidiaries to the Group was not only limited to the net income figure but also to other financial performance metrics, enabled by the synergy captured with the parent Bank in all fields of activity as well as in management.

In 2020, major contributors to consolidated performance were brokerage & securities activities, which are also supported by the Group's banking investments abroad, and insurance & pension business.

In terms of brokerage & securities activities, year-end 2020 results were positive:

→ In Domestic Sales, as a result of digitalized onboarding and changed customer behaviors following the pandemic, equity market trading volume tripled as compared to the previous year, which resulted in faster new customer acquisition. This enlarged the commission income on Equity and Derivatives Markets transactions by 161% over the previous year. In addition, commission income on overseas trading, which made its debut in 2018, was 12.5 times above the 2019 figure.

→ Approximately 90% annual growth in treasury revenues was driven by positions maintained by the Bank aligned with the market conditions, higher revenues generated on equity lending as compared to 2019, and closer cooperation with investment branches.

→ In Corporate Finance, revenues increased by approximately 70% as compared with the previous year, enabled by the contribution of advisory services rendered.

→ While the high performance of business units enabled 143% growth of total revenues in 2020, income from new products totaling TL 137 million signified an increase of more than three times as compared with 2019.

→ Having the highest share in total earnings with 7.7% among Garanti BBVA's subsidiaries, it booked a net profit of TL 493 million.

2020 has been a successful year for insurance and pension business, as demonstrated by the results presented below:

→ Market leader** with 1.9 million participants in total covering both Voluntary PPS* and PPS Auto-Enrolment.

→ It was the choice of 28% of more than 632** thousand new participants in the system in Auto Enrolment and ranked first as the company acquiring the highest number of new participants. In terms of funds, it has earned 98** bps market share.

→ Succeeded in winning the highest additional market share in PPS Auto-Enrolment in terms of the number of employers, number of participants, total funds and total contributions categories.

(*) Private Pension System

(**) Based on data published by the Pension Monitoring Center on 31 December 2020

- Had a highly successful year with a cost/income ratio of 26%.
- Celebrating its third year, the Fund Coach reached 111,765 users with a very successful return performance.
- Captured the second highest share in total profit among Garanti BBVA's subsidiaries with 7.3%, and ranked second*** within privately-owned private pension companies with a net profit figure of TL 463 million.

Regarding the Group's banking activities abroad:

- Despite weakened payment ability of debtors due to the pandemic in 2020, the Group's subsidiary operating in Romania ensured minimal impact on net profit through prudent lending including those benefiting from the changes in maturity dates of loans relying on the provisions of the legal moratorium declared (GEO 37/2020), effective measures on cost management, and initiatives seeking to absorb the pandemic impact upon the loan book.
- The Bank operating in the Netherlands decreased its COR from 32 bps in 2019 to 28 bps in 2020 through its selective approach and accurate credit risk management, while NPL ratio went down from 2.78% in 2019 to 1.02% in 2020. Finally, Tier I capital was realized at 23.84% in 2020 despite repayment of the Tier II instrument in the amount of EUR 50 million, and the Bank's robust capitalization was preserved.

Regarding the Group's leasing activities:

- Ranked second in the sector when compared to its main competition in terms of return on assets and equity, and total profitability (as at September 2020). Having had a successful year, the company extended support to sustainable world with 16% market share in investments in renewable energy sources. In its 30th year, the company continues to service its customers and guide the sector making use of its 13 branches across Turkey, call center, website, mobile site and social network channels.

All in all, the subsidiaries' performance continued to support the Group's strong financial results in 2020.

(***) Based on data published by the Insurance Association of Turkey on 30 September 2020

2021 OUTLOOK

2021 OPERATING GUIDANCE PLAN

TL Loans (YoY)	14-16%
FC Loans (YoY, in USD)	Shrinkage
Net Cost of Risk (excl. currency impact)	~200 bps
NPL Ratio*	<6%
NIM Inc. Swap Cost	~100 bps shrinkage
Fee Growth (YoY)	14-16%
OPEX Growth (YoY)	~CPI
ROAE	14-16%

* Includes planned written-down non-performing loans

In 2021, central banks and countries' fiscal policies are anticipated to keep introducing measures to counter the impact of the virus during the period until potential widespread vaccination is achieved. Upon vaccination of a substantial portion of the society, it is expected that commercial activity will pick up within economies, recovery will take place on the part of growth and employment, and deteriorated current account balance will improve with recuperation in revenue items such as tourism. Within this framework, ensuring preservation of asset quality on one hand and supporting the country's healthy and quick post-pandemic recovery on the other, becomes a priority.

With decrease in risk premium, stability in financial assets and anticipated normalization led by the developments in vaccination, GDP growth is projected to reach 5% after the very low base of 2020. Taking into consideration the inflationist pressures in the first half of the year, tight monetary stance is anticipated to be persevered in order to bolster the stability in financial assets. Having started 2021 at 14.6%, the inflation outlook is forecasted to begin improving toward the second half of the year and to end 2021 with 10.5%. In parallel with improved inflation outlook, the CBRT is expected to reduce the funding cost gradually by 300 basis points starting from October.

After its strong growth in 2020, the expansion in TL loans is projected to normalize around 14-16% in 2021. While growth is anticipated to be across the board in TL loans, TL business banking loans will likely lead the growth. On the retail banking front, Garanti BBVA will keep focusing on customer satisfaction and loyalty by deepening customer relationships while expanding the customer base. The Bank will continue to develop new instruments, channels and processes in keeping with this goal, carry on with big data oriented marketing activities based on an analytical approach while maintaining its profitability targets, and deliver tailored and fitting solutions for its customers' needs on site.

The contraction trend in FC loans that has been ongoing since 2013 is anticipated to persist also in 2021. FC loan volume is expected to shrink in USD terms. Limited demand is the primary cause underlying the said shrinkage.

Garanti BBVA intends to sustain its deposit-driven funding strategy in 2021. The share of deposits in total assets is anticipated to be in the order of 65% with the Bank's low-cost and sticky deposit base focus. The Bank will continue to opportunistically tap new external funding opportunities throughout 2021, taking into consideration FC liquidity needs and market conditions.

The temporary measures introduced during the pandemic kept new NPL inflow low in 2020. For this reason, new additions to NPL as a result of the pandemic will be felt more strongly in 2021. However, the NPL ratio is anticipated to be registered around 6.5% in 2021, in view of the loans planned to be written down. On the part of provisions, since provisions in connection with the pandemic were visionarily set aside in 2020, net COR excluding currency impact is projected to be below 200 basis points.

In 2021, cumulative NIM including swap costs is anticipated to shrink and go down by approximately 100 basis points from its historic high with the effect of the existing high interest rates. TL spread is expected to hit its lowest in the first quarter of 2021, before picking up during the course of the year in connection with increasing returns on loan rates. While maintaining its focus on sticky and low-cost mass deposits with respect to deposit growth, the Bank will also preserve its solid base of demand deposits. Cross currency swaps will continue to be opportunistically utilized for margin optimization.

After the relatively low 5% growth recorded in 2020, net fees and commissions income will probably recapture double-digit growth in 2021. Net fees and commission are anticipated to be registered around 14-16% in 2021. The growth in payment systems commissions that make up nearly 42% of net fees and commissions is predicted to gain pace with the contribution of the high interest rate environment. With activity stirred in other commission areas, Garanti BBVA is expected to preserve the highest base in net fees and commissions.

Garanti BBVA's disciplined approach to operating expenses is anticipated to be sustained in 2021. The increase in operating expenses is estimated to be close to inflation in 2021, while cost/income ratio is forecasted to remain below 40%.

In 2021, active assets and liabilities management that will result in high return on capital will be sustained along with the risk/return focus. In the light of its 2020 projections, Garanti BBVA aims to achieve an ROAE of 14-16%.

EXPECTATIONS REGARDING THE GROUP IN 2021

Garanti BBVA operates as an integrated financial services group through its leading financial subsidiaries offering services in life insurance and pension, leasing, factoring, brokerage and asset management in Turkey, along with its international subsidiaries operating in the Netherlands and Romania.

Garanti BBVA aims to make sure that the synergy captured with its subsidiaries will be powerfully sustained in 2021.

In 2021, the Group aims for continued efforts for preserving and improving asset quality in geographies where its international subsidiaries pursue their banking operations. Targets include sustaining productivity increase while maintaining asset quality, further improving the strong balance sheet structure, and boosting the profit generation capability and sustaining it by venturing into new lines of business.

With respect to its operations in Turkey; the Group targets to receive significant contribution from the insurance business to consolidated profit. Life insurance segment is anticipated to sustain solid premium production, total funds in Voluntary PPS is expected to gain momentum, and increased market share is projected in the Auto Enrolment System along with solidified position in the sector. The target is to be the company with the highest number of participants in PPS Auto-Enrollment. Garanti BBVA Pension and Life is gearing up for the Complementary Pension System that is on the agenda, drawing on its robust infrastructure developed for PPS Auto Enrolment. In the securities business, increased income is anticipated to be derived on new products, in addition to the high income generated on equity and derivatives market products through opportunistic moves, while advisory and public offering transactions are planned to

be undertaken in the corporate finance business, and to lend significant contribution to consolidated profit by increasing the revenues to be generated on treasury transactions along with increased equity. Garanti BBVA Leasing, on the other hand, targets to grow its market share in the financing of machinery and renewable energy investments in 2021.

In 2021, the Group aims to sustain its sustainability-focused growth strategy that maintains asset quality, increases productivity and generates capital. The Group intends to preserve its cumulative net interest margin through an active assets and liabilities management.

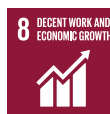
The Group will carry on with active productivity management and will focus on molding its business model with an eye on potential growth areas. As before, the Group will persist with its initiatives to create long-term value in 2021; moreover, it will continue to keep operating expenses under control. Standing out with its robust capitalization, the Group will retain this quality as it moves forward. In the light of all of these, the Group will continue to generate sustainable profit on the back of its differentiated business model.

Operational Excellence - II

 3,928  20 min  8  customer

Related Material Topics	Value Drivers	Indicators	2019	2020
<p>#1 SOLVENCY AND FINANCIAL PERFORMANCE</p> <p>#2 CORPORATE GOVERNANCE AND STRONG MANAGEMENT OF ALL RISKS</p> <p>#4 EASY, FAST & DIY</p>	EFFECTIVELY MANAGE FINANCIAL AND NON-FINANCIAL RISKS	Number of Projects Subjected to Environmental and Social Impact Assessment System (cumulative)	73	81
		Site visits to customers regarding environmental and social issues	37	0*
		Customers and financial institutions informed about environmental and social issues	16	7
		SDGs contributed via Environmental and Social Risk Management of loans	11	13
	INCREASE END-TO-END DIGITAL SOLUTIONS; CONTINUE TO ENHANCE EXPERIENCE WITH OUR INVESTMENTS IN DIGITAL PLATFORMS	Digital transactions in non-cash financial transactions (Retail)	96.0%	97.4%
		Digital sales (share in total sales based on product relative value) (Retail)	52%	57%
	CONSTANTLY IMPROVE OUR BUSINESS MODEL WITH TRANSACTION CONVENIENCE, ENRICHED REMOTE SERVICES AND SIMILAR FACTORS	Number of Customer Contacts (million)	70.9	72.1
		Service Level	73.7%	76.8%
		Call Response Rate	98.3%	96.8%
		Branch Calls Resolution Rate	52.3%	65.9%
Customer Contact Center Financial Product Range (Qty)		27	30	
Customer Contact Center High Value-Added Financial Product Sales (millions of units)		3.3	2.6	

Contributed
Sustainable
Development Goals



* Site visits were conducted through online monitoring studies due to pandemic.

Garanti BBVA focuses on making banking services available to its customers at any time through any channel they choose, and on delivering them a seamless and uninterrupted experience on each channel. Blending technology and humanistic elements, the Bank aims to make life easier for its customers, pursue their financial health, help them make the right financial decisions, support them grow their businesses sustainably, and bring its financial services to everyone. Putting digitalization at the heart of its business model, Garanti BBVA targets to lead the transformation of the sector, to command state-of-the-art IT infrastructure, and to be efficient and productive in all of its service channels. To this end, the Bank continues to revamp and simplify its business processes, enhance customer experience and automatize its processes, while securing operational efficiency in keeping with its principle of continuous improvement. Integrating the opportunities presented by advancing technology and data sources in its business model, Garanti BBVA interprets big data groups and adopts a more analytical approach to customer management. The Bank also uses these outputs in its organizational model, thus achieving more analytical business results. Adopting lean method approaches to execute its projects in order to quickly cater to evolving customer expectations and to accommodate advancing technology in its business model, combining the means technological infrastructure has to offer with its vast experience, and aiming to address everybody, Garanti BBVA now defines productivity as the main pillar of its business model. For this purpose, the Bank integrates all the possibilities handed by technological advancements and by the digital world into the ecosystem it has created, and addresses innovative solutions using agile methods, ultimately pioneering the industry in transformation projects. The Bank supports fulfillment of customer demands in the fastest manner possible through consolidated teams that can take action, drawing on its business model driven by an inspiring and innovative mindset committed to exceed expectations. Thanks to its effective risk management enabled by world-class integrated management

of financial and non-financial risks and its organizational agility in capturing new opportunities, Garanti BBVA creates sustainable value for all of its stakeholders.

CONSTANTLY IMPROVED CUSTOMER EXPERIENCE THROUGH END-TO-END DIGITAL SOLUTIONS

Garanti BBVA tries to be involved in each technological movement and to adapt its services or create new ones according to technological trends. Facilitating easy performance of banking transactions any time, anywhere, Garanti BBVA brings together diverse services catering to the needs of retail and corporate users in its mobile application. The Bank puts great emphasis on providing integrated access to the Bank's full set of transactions and products primarily through all channels, but primarily through digital channels, and delivering a customer experience appropriate to each channel. It targets to enable self-service by customers on digital channels for all of the transactions carried out at Garanti BBVA branches.

WHAT WE DID IN 2020

During the course of the pandemic that holds the world and our country in a firm grip, the Bank focuses on offering banking services uninterruptedly while observing the health of its employees, customers and the society. The effect of digital banking channels, which have long been the target of investments so that customers can securely realize their banking transactions without leaving their homes, has become even more palpable in this period. Enabling customers to digitally perform almost all transactions without going to a branch, Garanti BBVA carries on with its novelties in order to steer its customers to digital channels at a greater extent. Customers who do not have a credit or debit card can easily get a password by means of a video call, without going to a branch, from the Get Password/I Forgot My Password step on the main page of Garanti BBVA Mobile.

Users having a phone with NFC (Near Field Communication) capability do not even need to make a video call; they can easily get a password by scanning the new ID card from the "Get Password with New ID Data" on Garanti BBVA Mobile. Users whose phones do not support NFC can scan their new ID cards with their phone camera, have a brief video call with the customer agent for authentication purposes, and easily create the Password to login to digital channels. After creating a password without calling the call center or going to a branch, users can easily access all products and services offered on Garanti BBVA Mobile.

Evolving customer behaviors compel brands to employ AI-based writing or voice assistants. Users wish to reach brands as easily as they reach their friends, find a solution for their problems quickly, and even chat with brands. Garanti BBVA, using these methods, lets customers find the solutions to their questions and receive detailed information about their products and services.

Aiming to fulfill customer needs in the fastest and most efficient manner, Garanti BBVA successfully implements this strategy also in its digital channels. Hosting more than 99% of all of its banking products on its digital channels, Garanti BBVA carries on with research and development without letup to guarantee an end-to-end smooth digital sales experience. Based on a holistic experience approach, products and transactions on different channels are offered to users so as to provide a similar customer experience. Users can view customized campaigns on all digital channels; they can initiate a transaction on one channel and resume it on another.

Aware of the fact that user needs are not shaped only when on banking platforms, Garanti BBVA reaches its customers also via different platforms through collaborations. The Bank keeps expanding its sphere of influence by providing solutions such as Shopping Loan to its users on non-Bank platforms. Targeting

continued improvement of its analytical capabilities and real-time offer structures, thus increasing its solution delivery efficiency, Garanti BBVA aims to increase its sales volume through non-banking platforms.

Garanti BBVA intends to go beyond presenting products fulfilling customer needs through digital channels, and aims to help users understand their needs, and offer them solutions instantly upon the emergence of the need. To this end, the Bank relies on big data and advanced analytics in its product and service offers to understand customer wishes and needs and to deliver the products they want at the right time, through the right channel. Real Time Offer Management Structure is used to present the offers consolidated by analytical tools to the customer at the most opportune time. This lets the Bank present cash banking solutions to users before the risk arises, such as when there is the risk of incoming payment being delayed until after the money transfer takes place. When a user's need for a specific product is noticed, proactive preparations are made, and personalized products are offered that can be purchased with minimum effort. The Bank keeps developing new projects every day to offer the right product solutions to users at the right time on digital channels, and formulates offers putting the user at the center. As a result of these efforts, income-based share of digital sales to total sales increased by 495 bps over the previous year and reached 57%. This growth was driven by digital share increases of 800 bps, 750 bps and 450 bps in loan, insurance and credit card products, respectively. At Garanti BBVA, the sales experience on digital channels is not restricted to the time of sales only; processes are designed to optimally fulfill all needs of product owners during the course of their product ownership. Thus, user needs were responded to with new products on digital channels during the pandemic, and existing product owners performed their transactions easily through digital channels.

The share of digital sales in total sales based on product relative value increased 57% in 2020.

Featured in Garanti BBVA Mobile for a long time, virtual assistant UGI had long been enabling users to perform voice transactions. The interface of UGI was upgraded, expanding its accuracy rate and introducing transacting capability by exchanging written messages. This way, when using the mobile app, customers can talk or write to the virtual assistant when they have a problem and easily find the necessary answer without leaving the platform. With the guidance of Garanti BBVA Mobile smart assistant UGI, users can get support from the mobile app for numerous banking topics and perform their transactions thanks to live support assistant service in case of need.

Garanti BBVA took important steps to let corporate customers reach commercially critical products for them through digital channels without a branch visit during the pandemic. This year, meeting their urgent cash needs has probably been a higher priority for businesses than ever before. As discounting unexpired cheques was a key financing instrument in this regard, it has been a priority to make it easier and faster with the support of digital channels during the pandemic. Garanti BBVA made a rapid development for direct referral of cheque discounting demands from digital channels to Garanti BBVA Factoring; accordingly, cheques received by the Bank with a discount request are selected digitally and discounted instantly. Thus the Bank's customers were given a helping hand in these dire times against cash shortage. 2020 has also seen exchange rates fluctuate ferociously. Garanti BBVA made the forward product available also online, which is an important instrument for protecting customers against such fluctuations and was solely available from branches before. Hence, the product has become easier and faster to reach.

In 2020, Garanti BBVA made changes and improvements also to the SME service models for better servicing customers. To this end, the Bank makes use of all the technological means available and renders CRM more efficient and customized. While field staff make sure that all customers receive the service they need by presenting "smart visit model" for customer visits, efforts are spent to increase the effectiveness of these visits through custom-tailored product and service offers. Having made a transition to central customer service model, Garanti BBVA targets to centralize, and thus reduce, the operational workload on branches, to allow CRMs in branches to dedicate their energy to relationship management, sales and financial advisory, and free up the necessary time to increase the customer touch without branch dependency. This will increase operational efficiency and improve resource utilization by way of correct prioritization and product referral.

Garanti BBVA expanded its two-time international award-winning "Central Customer Services Representative" project launched in 2018 to deliver a better banking experience across all branches carrying SME portfolios. Under this service model, operational transactions of SME customers at branches are being handled by a central, specialized team. While this enhances operational transaction quality, operational workload on SME CRMs in branches is alleviated, customers can reach them at every call and get support from specialist customer representatives.

Thanks to the C-CSR (Central Customer Services Representative) Project launched to allocate branch portfolios to customer and sales-oriented processes instead of operational transactions, all operational transactions performed by branches apart from pricing and active sales items are being handled by a special team formed within the Abacus organization. The service model is erected on linking each customer representative with the related branch and customers.

The Project helps SME CRMs free up time to allocate to customer analysis and marketing activities and to deepen in customer relationship management.

444 0 333 GARANTI BBVA CUSTOMER CONTACT CENTER

With a track record of 22 years in the sector, Garanti BBVA Customer Contact Center continues to offer fast and innovative services targeted at first call resolution drawing on its qualified team of 1,055 solid technology, customer-centric service approach, and financial product portfolio composed in line with the Bank's strategies.

WHAT WE DID IN 2020

During the course of the pandemic that deeply impacted its customers, employees and working conditions, the Customer Contact Center implemented work-from-home order for its entire team from March 30th. With the number of customer contacts that increased to 72.1 million, the Customer Contact Center got 13.54% share of all the incoming calls in the financial sector.

Processing 72.1 customer contacts in 2020, Garanti BBVA Customer Contact Center ended the year as the sector leader with a Call Response Rate of 96.8% and a Service Level of 76.8%.

Timely, effectively and accurately analyzing customer needs thanks to the steps taken with a dedication to customer satisfaction, Garanti BBVA Customer Contact Center leads the sector and closes also 2020 as the sector's leader with a Call Response Rate of 96.8% and a Service Level of 76.8% in

the pandemic period while offering its customers fast easily accessible and seamless services have become, and continue to be, more important than ever. Additionally, it has redesigned its communication channels, while further diversifying services offered in accordance with the changing customer needs and demands.

The Center successfully met customer demands at a faster pace without referring them to a branch by adding the "Get Password" feature, which used to be solely available from branches, to its set of services offered via "Video Call" introduced in 2018 in a bid to make customers' lives easier. With the goal of further diversifying the services available on this channel, the Customer Contact Center remains one of the key actors of the digital transformation process.

The Customer Contact Center, having digitally acquired 15.5 thousand new customers via "Video Call", is intending to take this life-facilitating service one step further in 2021 and present its customers with an end-to-end digital experience.

Continuing to produce customer-centric solutions with the technological innovations introduced, Garanti BBVA Customer Contact Center added written communication channel to its audio and video communication channels with the "Live Support Service" and expanded its user-friendly services, which signifies yet another important step in providing practical and quickly accessible service options to customers.

Garanti BBVA Customer Contact Center expanded its customer base via "Branch Calls" unit that covers the busiest Garanti BBVA branches and centrally responds to branch switchboard calls, by adding all retail branches to its coverage in 2020. With its 7.2 million customer contacts, Branch Calls provided one call solution to more customers from the channel they connected with an Average Response Time of 13 seconds and a Resolution Rate up to 66%. While strengthening customer experience,

the Customer Contact Center also handled the delivery of numerous value-added products and services, and significantly reduced workload on branches.

Offering 30 different financial products on its portfolio via specialized customer representatives to its customers thanks to the Smart Sales and Dynamic Offer Management infrastructure that correctly understands customer demands and needs, the Customer Contact Center sold 2.6 million financial products and broke new record with the net financial income figure generated.

Getting significant share out of the Bank's total lending with the marketing and sales of general purpose, mortgage and auto loans through the dedicated hotlines at 444 0 335, 444 EVIM and 444 OTOM, the Customer Contact Center remained the sector's leader in loan telesales also in 2020.

Besides meeting customer credit card application demands instantly without a need of branch visit, the Customer Contact Center solely managed the retention efforts for all Garanti BBVA credit cards, by retaining more than 1.2 million cards. Additionally receiving "New Member Merchant" applications through this channel, it broadened the range of the customer group serviced.

A BUSINESS MODEL CONSTANTLY IMPROVED THROUGH PROCESS AUTOMATION AND REMOTE SERVICES

Adopting a "process"-oriented approach to all of the products and services offered, Garanti BBVA keeps working with the principle of offering efficient, fast and simple experience to customers.

Under its service model launched in 2017, designed in view of the banking of the future under the motto "Revolutionized

Branches" and capturing the benefits of the digital world, the Bank maintained its focus on maximum service delivery in 2020.

WHAT WE DID IN 2020

Sector-leading digital platforms and service models built thereupon backed Garanti BBVA during the pandemic, as always. Thanks to the "branch-free service model", further development of which the Bank has long been supporting with numerous digitalization initiatives, employees were able to offer products/services remotely using their tablets from the first day of the pandemic, and to digitally hold their phone calls also with their tablets as part of seamless service. Service delivery to customers continues with the "teleworking" service model initiated at all service locations besides branches upon the outbreak of the pandemic.

To support the new working model, Garanti BBVA took action very quickly for the Head Office, Technology, Customer Contact Center and Operations Management teams along with all field teams servicing customers, provided the necessary technology and the equipment, thus equipping them with mobile working capabilities which resulted in uninterrupted business continuity. With the investments in infrastructure, the Bank ensured delivery of uninterrupted and rapid service from the homes of thousands of employees.

In these extraordinary times the world is going through, the Bank made developments in digital processes in order to fulfill the increased demand on digital and Customer Contact Center channels that attract heavier service demand from the customers. When necessary, the Bank reassigned employees normally working in different roles to these channels.

Customer-centric service model initiatives continued in the reporting period. In this framework, actions were taken to centralize operational transactions performed by branches in an effort to provide more focused and faster service to customers.

Aware of the important role operational maturity and excellence play in Garanti BBVA's position in the sector, Organization and Process Development team kept working on internal processes carried out by Head Office and operation teams in addition to customer experience enhancing designs. During the reporting period, dedicated teams structured according to agile working principles analyzed the existing processes and service catalogues of Head Office teams and identified improvement opportunities on the axes of efficiency, experience and quality.

In 2020, Organization and Process Development team also maintained a focus on its "sustainability" mission. Based on the principles of location-independent service and "paperless service" aimed at preserving natural resources, the team added new processes to the existing digital document approval structure, reviewed contract and document formats, which will continue to be used in hard copy, and developed new and simpler designs that will consume less paper.

EFFECTIVE RISK MANAGEMENT THROUGH ENVIRONMENTAL AND SOCIAL IMPACT ANALYSIS

Garanti BBVA developed and introduced Environmental and Social Loan Policies (ESLP) in 2011 to minimize the indirect impact of the Bank's lending activities. Accordingly, the Bank implements an Environmental and Social Impact Assessment Process (ESIAP) within the frame of international best practices to drive improvement across its loan portfolios. This process is totally compliant with international norms and best practices. In addition, the Bank developed the Environmental and Social Impact Assessment Model (ESIAM) to classify projects according to their characteristic, scale, vulnerability, place and E&S impact and to systematically evaluate them with respect to risk. In this scope, Garanti BBVA ensures that the projects financed by the Bank satisfy the social and environmental standards required by legislation and the Bank's policies; that the project owners undertake an impact assessment, and take prescribed measures, if necessary and establish effective control mechanisms.

Garanti BBVA minimized the indirect impact of its lending activities thanks to action plans it developed and 81 projects that were subjected to Environmental and Social Impact Assessment Process.

In 2020, 5 projects with a total loan amount of USD 307 million were subjected to the ESIAM process. Thanks to the action plans based on these assessments, E&S impacts were minimized. The number of projects that were subjected to ESIAP to date totaled 81.

OUTLOOK

Garanti BBVA projects that consumption behaviors of first-time digital customers which have become habitual during the pandemic will persist. The Bank predicts that users' digital banking demands will further increase hereinafter. Digital and especially mobile will become the mainstream channel, and all investments and developments will continue to be concentrated on mobile. Initiatives and developments based on end-to-end digitalization perspective will go on.

To increase the digital touch in the lives of corporate customers in 2021, Garanti BBVA is working to welcome corporate customers with a rich content and equip digital channels with new products and functions that will allow end-to-end self-performance of all the banking transactions they need without a branch visit. The Bank believes that 2021 will be an extremely important year in terms of expanding corporate digital sales opportunities.

It is a key priority for Garanti BBVA to make the customers feel that it is always by their side and cares about their needs. To

this end, the Bank is striving to take banking services beyond a model that responds to customer demands and turn them into personalized financial solutions.

A key learning from the pandemic is the importance of delivering the special banking services that corporate customers are used to receiving for many years through their assigned CRM, without a branch visit. For this reason, Garanti BBVA is working on a service model for remote delivery of all banking transactions without leading to any interruption in any service. The Bank eliminates the borders for micro and small businesses, and initiates remote presentation of the banking service they need. Garanti BBVA's vision for the C-CSR project is to build on C-CSR employee profile, revise the authorization and responsibility frameworks in line with the needs, and guarantee continued support in the most efficient manner.

By increasing the diversity of services offered within its alternative communication channels such as audio, written and video through innovative solutions, Garanti BBVA Contact Center aims to make customers' financial lives easier and to preserve its leading position in the sector with its customer-centric approach in 2021. Other targets include expanding the scope of retail services offered by the Customer Contact Center and the Smart Sales Management project, and increasing customer needs along with product diversity and efficiency that meet to those needs. Furthermore, acquiring more customers through digital channels via End-to-End Onboarding experience expanding and optimizing Live Support Services will be on the agenda in the period ahead.

Garanti BBVA targets automation of effort-intensive services in business processes through identified improvement areas, robotic process automation in operational services, chatbot applications, and increasing and upgrading working models that rely on effective data use. In 2021, the Bank will carry on with its efforts and initiatives in these identified improvement areas, utilize the means offered by the age in its institutional processes, prepare them for the future ways of working from

today, and keep working to enforce continuous improvement culture extensively across the organization.

In 2021, the Bank will introduce sustainability-focused organization and process development designs, and will thus keep offering a leaner experience with higher digitalization to its customers on physical channels, while adding another link to Garanti BBVA's sustainability initiatives.