

OUR VALUE CREATION

MUSTAFA SAĞLIK
Director - Medium
and Large Enterprises
Banking



TOLGA EREN
Regional Office Manager -
Ankara 1



EMRE HATEM
Director - Investment
Banking and Finance



CEMAL ONARAN
Executive Vice President -
SME Banking



MAHMUT AKTEN
Executive Vice President -
Retail Banking



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TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Our Material Topics

 1,267  7 min  3  financial

GRI 102-46, 102-47, 102-49

As always, our aim with this integrated report is to provide a coherent story of our activities. The basis of this story is the materiality analysis which enables us to identify the most relevant and important topics for Garanti BBVA and its stakeholders, the material topics. Material topics are mainly determined based on dialogue with all internal and external stakeholders and are then plotted in the materiality matrix. The topics defined within the materiality matrix form the basis of this report, as described in the 'About This Report' section.

We performed our first materiality analysis in 2013. As we want to make sure that we are always in line with the needs of our stakeholders and that the identified material issues are still the most important, we perform an update of our materiality analysis approximately once in every two years. The revision in the first quarter of 2017 formed the basis for our 2017 and 2018 reports, whereas the revision in 2019 made the basis of our 2019 report. The last revision was finalized in 2020. As we brought our new analysis to completion, we once again listened to our internal and external stakeholders, and reviewed the connection between our corporate strategy and global trends which impact the banking sector.

In 2019, with the aim of 'bringing the age of opportunity to everyone', Garanti BBVA reviewed and revised its strategic priorities in alignment with the BBVA Group and in the light of the main trends reshaping the world and the financial services sector. With the new strategic priorities set, revisions were made to the materiality analysis to ensure that the stakeholders as well as Garanti BBVA maintain an optimum focus. These revisions paved the way for a review of material topics based on data gathered from a variety of sources both globally and locally

while also providing a database that is auditable and objective, which, together, put the analysis on a more solid basis as compared with the previous years and in greater alignment with the current trends.

In our 2020 analysis where we, as Garanti BBVA, gathered the existing and potential expectations, risks and opportunities from the perspective of all internal and external stakeholders and group strategy, we studied the sectoral reports, global reports, and advice by international professional organizations such as the United Nations Environment Programme Finance Initiative (UNEP FI) and Global Reporting Initiative (GRI), and took into consideration the Group-wide evaluation of a total of 59 international reports that shed light on current trends. On another front, we identified the material topics taking into account the outputs from the analyses finalized at the BBVA Group for global scale investors and NGOs. Then, we conducted a comprehensive stakeholder analysis by reaching all key stakeholder groups via questionnaires, meetings and phone calls to gather their opinions. We tackled the governing and optional regulatory framework, conducted analyses on all printed and printed media platforms, and reviewed the relevant publications by similar establishments. In addition, we analyzed our mainstream and sustainability-sensitive investors, national and international NGOs with which we belong on a global scale, and we studied the current trends in the external trend analysis.

We finalized our 2020 materiality analysis considering the alignment of all topics also with our integrated business strategy. According to the analysis, the following issues were assigned greater priority as compared to the others within the 13 material topics: Solvency and Financial Performance, Climate

GRI 102-46, 102-47, 102-49

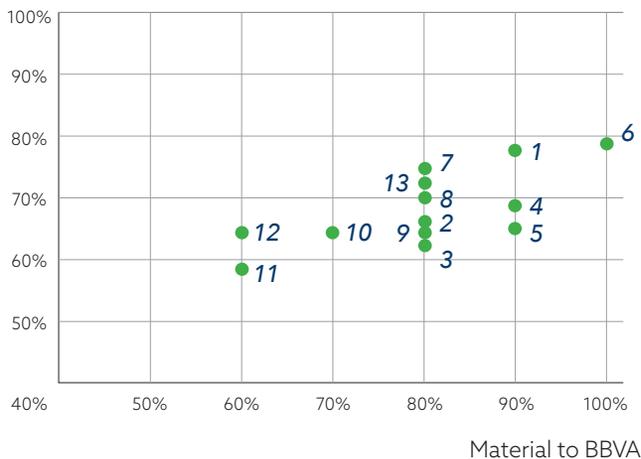
Change, Responsible Use of Data, Cybersecurity and COVID-19. All our material topics including the highlighted ones above were clustered under six main headings in our report: (1) Financial Health, (2) Sustainability, (3) Reaching More Customers, (4) Operational Excellence, (5) The Best and Most Engaged Team, and (6) Data and Technology. In addition to these six main headings, Corporate Governance and Strong Management of All Risks, and COVID-19 that plagued the entire 2020 are addressed in detail in individual sections in an integrated manner with all performance sections.

We have established that all our key stakeholders, internal and external alike, regarded Climate Change as the most material topic in 2020. We know for a fact that solid and sustainable solvency and financial performance were assigned higher ranks in previous years. This year, it was evident that both our internal and external stakeholders take greater heed of the fact that we are running out of time for attaining the UN Sustainable

Development Goals (SDGs) and for taking the actions that will minimize Climate Change Impact, and all our stakeholders treat every step we will be taking together to this end as the most material topic. Differing from previous years, in 2020, the COVID-19 pandemic that infiltrated our lives was among the material topics that gained the foreground among others as the pandemic that broke out in the first quarter of the year occupied the top ranks in the agenda of all our stakeholders. As was the case in earlier years, our analysis in 2020 once again revealed that the solid and sustainable solvency and financial performance topic must be addressed in conjunction with the businesses' approach to managing climate change and the fight against the pandemic and with the steps they take based on this approach. Notwithstanding, we see that digital risks, which incorporate aspects such as the importance of data privacy and handling cyber risks, took place among priority expectations also in the 2020 analysis.

MATERIAL TOPICS FOR GARANTI BBVA AND ITS STAKEHOLDERS

Material to Stakeholders



NO	MATERIAL TOPIC
1	Solvency and Financial Performance
2	Corporate Governance and Strong Management of All Risks
3	Business Ethics, Culture and Customer Protection
4	Easy, Fast & DIY
5	Financial Health and Advice
6	Climate Change: Opportunities & Risks
7	Responsible Use of Data (data privacy, responsible AI)
8	Cybersecurity (cyber-attacks, data theft, fraud...)
9	Employee Engagement and Talent Management
10	Diversity and Work-Life Balance
11	Human Rights
12	Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education)
13	COVID-19

GRI 102-46,102-47

SUSTAINABLE DEVELOPMENT GOALS AND GARANTI BBVA

On 1 January 2016, the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development officially came into force. SDGs, adopted by the United Nations, guide the business world in terms of contributing to social development.

To ensure an inclusive, strong and stable economy for all individuals and to achieve social welfare in the world, the financial services sector should also adopt the SDGs in various ways, including, for example, by reshaping market opportunities in line with society's needs. All the sector-leading actions we undertake to address the material topics contribute to the SDGs and are detailed in the Performance Section of this report.

		Description of Material Topic	SDGs We Contribute
Strategic Priorities	FINANCIAL HEALTH	3 Business Ethics, Culture and Customer Protection	
		5 Financial Health and Advice	
	SUSTAINABILITY	2 Corporate Governance and Strong Management of All Risks	
		5 Financial Health and Advice	
		6 Climate Change: Opportunities & Risks	
		12 Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education)	
	REACHING MORE CUSTOMERS	3 Business Ethics, Culture and Customer Protection	
		4 Easy, Fast and DIY	
	OPERATIONAL EXCELLENCE	1 Solvency and Financial Performance	
		2 Corporate Governance and Strong Management of All Risks	
4 Easy, Fast and DIY			
DATA AND TECHNOLOGY	3 Business Ethics, Culture and Customer Protection		
	4 Easy, Fast and DIY		
	5 Financial Health and Advice		
	7 Responsible Use of Data (data privacy, responsible AI)		
THE BEST AND MOST ENGAGED TEAM	8 Cybersecurity (cyber-attacks, data theft, fraud)		
	9 Employee Engagement and Talent Management		
	10 Diversity and Work-Life Balance		
CORPORATE GOVERNANCE AND RISK MANAGEMENT	11 Human Rights		
	2 Corporate Governance and Strong Management of All Risks		
COVID-19	3 Business Ethics, Culture and Customer Protection		
	13 COVID-19		

Stakeholder Engagement

 3,557  18 min  5  customer

GRI 102-40, 102-42, 102-43, 102-46

Given the great importance we attach to them, regular communication with our stakeholders and hearing their opinions give us the opportunity to be a more inclusive bank in every aspect. Continuous feedback from our stakeholders allows us not only to understand stakeholder expectations and meet their needs more precisely, but also presents us with a great opportunity to determine risks and opportunities, and set our priorities and strategy more comprehensively.

In 2020, as Garanti BBVA, we maintained the dialogue with all our internal and external key stakeholders through various channels all year round. Based on the feedback from these dialogues and the outputs from the task group at BBVA Group in which Responsible Business Unit participated, we identified our material topics. In view of these topics, we updated our materiality analysis and revealed how they are prioritized by our internal and external stakeholders and which topics need to be given the forefront depending on the materiality of the determined issues. Firstly, we grouped our stakeholders according to three criteria as directly impacting Garanti BBVA, indirectly impacting Garanti BBVA, and bringing in new opportunities, insights and approaches.

Based on this analysis, Garanti BBVA's key stakeholder groups are determined as customers, employees, shareholders and investors, NGOs, international organizations and associations, government agencies & regulatory bodies, and international financial institutions. In addition to these stakeholder groups, case studies from the banking sector, current international trends, printed media sources and social media feedbacks made a part of our materiality analysis together with the stakeholder groups in order to capture the viewpoint of the society and the sector regarding these issues. Then, we evaluated

our stakeholders according to the criteria of dependency, influence, proximity, representation, policy, strategic intent and responsibility, and calculated the weighted score for each stakeholder group.

We reached most of the prioritized stakeholders via surveys. Participated by 500 customers and 697 employees, the survey was conducted by an independent company and the related teams within the Bank. In addition, all regulatory content currently in force was reviewed and 22,694 social network posts were looked into as part of the studies. 20 sources prepared by NGOs and 59 sector-specific reports were screened.

We asked our stakeholders to prioritize the 13 material topics identified in terms of the ones they deem important and wish to highlight, and share their perception of important trends, their opinions and expectations about Garanti BBVA's practices.

We finalized our 2020 materiality analysis, ensuring the alignment of all topics also with our integrated business strategy. According to the analysis, the following prevailed over the others within the 13 material topics: Solvency and Financial Performance, Climate Change, Responsible Use of Data, Cybersecurity and COVID-19. All our material topics including the highlighted ones above were clustered under six main headings in our report: (1) Financial Health, (2) Sustainability, (3) Reaching More Customers, (4) Operational Excellence, (5) The Best and Most Engaged Team, and (6) Data and Technology. In addition to these six main headings, Corporate Governance and Strong Management of All Risks, and COVID-19 that plagued 2020 entirely are addressed in detail in individual sections in an integrated manner with all performance sections.

GRI 102-43,102-44



CUSTOMERS

Issue	Material Topic Relevancy	What Do We Do About It?
<ul style="list-style-type: none"> → Post-pandemic increased need for borrowing, debt deferral/restructuring, free-of-charge transacting in connection with growing need for financial support → Increasing expectations for faster service, less waiting time and better experience especially in branches → The need for precautions to prevent COVID-19 infection at touchpoints of customers with our Bank → The need for customers to stand in line outside the branches and to shorten waiting times in order to comply with the social distancing and maximum number of people allowed in enclosed spaces rules → The need for sustaining communication uninterruptedly through different channels following reduced vis-a-vis contact → Decreased number of customers receiving service from branches and the increased need for non-branch channel use such as digital banking and ATMs → Increasing need for being informed about the regulatory changes surrounding FX loans and foreign trade 	<ul style="list-style-type: none"> → Responsible Use of Data (data privacy, responsible AI) → Easy, Fast & DIY → Solvency and Financial Performance → Business Ethics, Culture and Customer Protection → Human Rights → Easy, Fast & DIY 	<ul style="list-style-type: none"> → Questionnaires were administered with the customers to understand their expectations and needs reshaped by the pandemic. In the questionnaire, 1 out of every 3 customers said they are in need of financial support. To satisfy customers' financial needs, Garanti BBVA extended various supports. → Under the Central Customer Services Representative (C-CSR) Project, operational transactions were performed by a central team, thus alleviating the operational workload on SME portfolios in branches. Thus, portfolios were supported to allocate more time to customer relationship management. At present, 209 C-CSRs are offering service to 757 branches in total, including all branches having an SME portfolio. → With the outbreak of the pandemic, the need for taking the necessary hygiene and prevention measures at the customers' touchpoints with the Bank came to the fore. Numerous measures were adopted at the branches and ATMs from the start of the pandemic in order to prevent transmission of the virus. During the process, customers receiving service from our branches conveyed their contentment both with the service we have rendered and the measures we have adopted. 97% of branch customers commented that the measures taken are adequate. In this framework, all Garanti BBVA locations implemented increased cautionary practices including face mask/disinfectant usage, body temperature measurement, and social distancing. → As customers began to stand in line outside the branches waiting for their turns, some of them conveyed their discomfort with the practice. In questionnaires administered for branches, customers commented that they do not want to wait outside/want to wait for shorter periods of time. This was more strongly expressed particularly in hot weather. Hence, Gmatik algorithm was reformatted on first come, first served basis and priority was given to customers over 60. → The number of customers coming to the branches decreased due to the pandemic. Therefore, face-to-face communication between employees and customers was restricted. Uninterrupted communication and service expectation of customers, on the other hand, remained unchanged. In order to deliver uninterrupted communication, branch employees and central teams called our customers and kept fulfilling their needs. → Customer representatives continued to offer teleservice from their homes. Our agents called our customers, inquired after their health and needs, and produced the solutions that best fit their new needs. They brought offers such as credit/debt deferral and the like for our customers who were financially affected by the pandemic. → Our employees more intensely encouraged customers to use digital channels in order to protect community health and prevent the spread of the illness. → Actions were taken for execution of transactions by customers from ATMs in addition to digital channels, instead of branches. Accordingly, cash withdrawal limits were increased and customers were provided the opportunity to withdraw money from other banks' ATM networks free-of-charge. → Services offered to SME customers through mobile and Internet channels were redesigned to let them easily track critical products and accounts, as well as their cash flows and account statements. → In 2020, chatbot and KoBilge applications went live to let our SME portfolios reach information and service our customers more quickly with the right information. With nearly 100 questions in KoBilge content, users were able to easily and instantly reach the answers they are searching. Our constantly evolving KoBilge application keeps supporting our portfolios for a better customer experience.

GRI 102-43,102-44

EMPLOYEES

Issue	Material Topic Relevancy	What Do We Do About It?
<ul style="list-style-type: none"> → Increasing employees' focus on, and satisfaction with, the Bank's practices; ensuring employee representation in HR processes and decision mechanisms existing within the employee journey. 	<ul style="list-style-type: none"> → Solvency and Financial Performance → Responsible Use of Data (data privacy, responsible AI) → Easy, Fast & DIY → Corporate Governance and Strong Management of All Risks → Business Ethics, Culture and Customer Protection 	<ul style="list-style-type: none"> → Garanti BBVA makes available structured training for idea conception to its employees, while offering them the necessary infrastructure and technical capabilities for developing feasible ideas and for thinking big and taking innovative steps. → In 2020, a wide variety of topics were addressed on idea and opinion development platforms, Önersen, GONG, Atölye and Ask/Share. → Since 2007, more than 25,000 ideas and suggestions were conveyed through the Önersen platform. 18 ideas were suggested via GONG for 4 different projects. The highlights included the mobile application that will be launched for the use of employees in 2021 and increasing the effectiveness of digital learning programs particularly after COVID-19. → During the idea workshop intended to build on corporate values in the last quarter of 2020, more than 2,500 employees developed ideas that will more efficiently capture the values and strategic priorities, employing the design thinking technique. As a result of the workshops, over 250 ideas were conveyed for consideration by the BBVA Group. → Agile project methodologies launched in Head Office units in 2019 and expanded across different units in 2020 contributed to business development by employees based on shared wisdom in improvement areas, and to presentation of their projects to the committees. → The annual BBVA Group Employee Engagement Survey and Employee Satisfaction Survey were conducted also in 2020. Additionally, a questionnaire was administered to understand the effects of the remote and alternating working model upon employees enforced due to COVID-19, and several practices were put into implementation in line with employees' feedbacks.

SHAREHOLDERS AND INVESTORS

Issue	Material Topic Relevancy	What Do We Do About It?
<ul style="list-style-type: none"> → Communication of macroeconomic indicators with increased volatility during the pandemic. → Expecting greater transparency on the following issues: <ul style="list-style-type: none"> - Actions taken by the Bank during the pandemic and their operational and financial impact - Extent of asset quality deterioration due to rapidly changing market conditions and specific sectors - New regulatory framework affecting the banking sector and their implications - Currency Volatility - Interest Rates - Repayment deferrals and repayment performance of these loans → Expectation for comparable and easily accessible data in the areas of Environmental, Social and Governance. 	<ul style="list-style-type: none"> → Solvency and Financial Performance → Corporate Governance and Strong Management of All Risks → Climate Change: Opportunities & Risks → Cybersecurity (cyber-attacks, data theft, fraud...)/ Responsible Use of Data (data privacy, responsible AI) → Business Ethics, Culture and Customer Protection → Financial Health and Advice 	<ul style="list-style-type: none"> → In Macro Talks video series featuring our Chief Economist and Principal Economist broadcast on Garanti BBVA TV, comments on current macroeconomic developments were shared with the investors. → The situation we are in and the precautions taken during the pandemic were communicated in detail and transparently in financial result presentations. → Transparency in financial result presentations was increased: detailed sectoral breakdown of the loan book, and the implications of regulatory changes during the pandemic were communicated. → Detailed explanation about the differentiated and prudent staging as well as the coverage details were communicated. → Additional TL2.15bn free provisions were set aside in 2020 on the back of sustainable revenue generation capacity. Total free provisions in the balance sheet reached TL 4.65 billion . → In 2020 characterized by rapidly changing market dynamics triggered by the pandemic, the IR team kept coming together with investors via video conferences and conference calls. → High share of CPI-linkers in TL securities serves as a hedge against volatility in interest rates & inflation. → Information was provided about the high margin and profitability that the Bank successfully preserved over the years despite volatile macro indicators. → Information was shared regarding the Bank's action plans against actual and potential regulatory implications. → To bolster effective communication with shareholders and investors, the IR website was revamped to offer a better user experience and an Environmental, Social and Governance Information Document was added to the website. → Garanti BBVA has been responding to CDP Climate Change since 2009 and CDP Water since 2015. The Bank makes all of its reports public on its website. In addition to the CDP programs, the Bank is also among the first supporters of the TCFD Recommendations. In this year's Integrated Annual Report, as it does every year, the Bank disclosed the ratio of its loans extended to companies with carbon-related risks and total financing mobilized to low-carbon investments in Project Finance. → In this year's Integrated Annual Report, Garanti BBVA, for the first time, shared its Impact Report with the stakeholders in line with the UNEP FI Principles for Responsible Banking launched in 2019 which Garanti BBVA was among the 30 banks invited around the world for the development of Principles as only company from Turkey.

GRI 102-43,102-44

FINANCIAL INSTITUTIONS

Issue	Material Topic Relevancy	What Do We Do About It?
<ul style="list-style-type: none"> → Credit ratings of debt instruments were lowered by some rating agencies during the year 	<ul style="list-style-type: none"> → Solid and Sustainable Financial Performance → Human Rights → Business Ethics and Customer Protection → Environmental Impact and Climate Change → Diversity and Work-Life Balance → Corporate Governance 	<ul style="list-style-type: none"> → Negotiations and amendments to relevant clauses in existing and new agreements have been made throughout the year. → The Global Compact Turkey Sustainable Finance WG co-headed by the Bank expanded the scope of the Sustainable Finance Declaration to include a decrease in investment amount limit and some provisions to ensure better control of banks on the impact of projects financed by them, and provide guidance for the management of environmental and social risks. → A series of stakeholder feedback meetings were organized with other banks and international financial institutions for the final version of the UNEP FI Principles for Responsible Banking. The Principles were launched on 22 September 2019 during the UN General Assembly meeting in New York City. Garanti BBVA was among the banks pledging to implement the UN Principles for Responsible Banking, together with six other banks from Turkey. → UNEP FI Impact Analysis WG organized a series of feedback meetings to work on the portfolio impact analysis methodology in the finance sector.

NON-GOVERNMENTAL ORGANIZATIONS AND ASSOCIATIONS

Issue	Material Topic Relevancy	What Do We Do About It?
<ul style="list-style-type: none"> → Sharing our know-how and in-depth experience in ESG Management and Sustainable Finance → Aligning our portfolios with low carbon pathways 	<ul style="list-style-type: none"> → Diversity and Work-Life Balance → Corporate Governance and Strong Management of All Risks → Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education) → Solvency and Financial Performance → Human Rights → Business Ethics, Culture and Customer Protection 	<ul style="list-style-type: none"> → Garanti BBVA transformed its Sustainability Website launched in May 2018 into a living platform within the frame of stakeholders' best practices, global trends and developments and continued to post relevant materials actively in the reporting period. → Garanti BBVA kept integrating the UNEP FI Principles for Responsible Banking, of which it has become a signatory in 2019, in its internal way of doing business. Defining the new role of the banking in the 21st century society and economy in compliance with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement, the Principles aim to maximize the impact of the banking sector on achieving a sustainable, equal and prosperous future. → Since 2014, 100% of the total amount of financing to greenfield electricity generation investments in project finance activities has been allocated to renewable investments. → Owing to the importance it attaches to gender equality and diversity and to the steps it has taken in this area, Garanti BBVA qualified to be included once again in 2020 in the Bloomberg Gender Equality Index from Turkey. In the reporting period, the Bank continued to convey its initiatives and experiences in this area to all of its stakeholders via associations it chairs or belongs to.

GRI 102-43,102-44

GOVERNMENT AGENCIES AND REGULATORY AUTHORITIES

Issue	Material Topic Relevancy	What Do We Do About It?
<ul style="list-style-type: none"> → TBB (The Banks Association of Turkey) Role of the Financial Sector in Sustainable Growth Working Group → PMR (Partnership for Market Readiness PMR Turkey Initiative) → CMB Sustainability Principles Compliance Report → Borsa İstanbul Sustainability Guide for Companies: Surviving in the Future → CBRT Instant and Continuous Transfer of Funds (FAST) Project and BKM (Interbank Card Center) Easy Address Project Work → Remote onboarding arrangements enabling becoming a Bank customer through digital channels eliminating the need to face-to-face authentication, using wet signatures and hard-copy agreements. → Open banking arrangements giving authorized third party service providers access to data in the financial system via standard APIs in accordance with predetermined regulations. 	<ul style="list-style-type: none"> → Climate Change: Opportunities & Risks → Easy, Fast & DIY → Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education) 	<ul style="list-style-type: none"> → Garanti BBVA Sustainable Finance Team submitted its opinions regarding the National Energy Efficiency Action Plan 2017-2023 and the planned climate finance reporting to the BRSA. → Garanti BBVA Sustainable Finance Team participated in the 2. Implementation Phase information meetings held by the PMR Initiative, and presented opinions about the improvement of regulatory and institutional infrastructure of the Emissions Trading Scheme (ETS) pilot. → The Bank incorporated the Sustainability Principles Compliance Report published by the CMB within its 2020 Integrated Annual Report. Additionally, the business world was informed about the topic via the NGOs that the Bank belongs to. Executive Vice President (EVP) Ebru Dildar Edin delivered the inaugural speech at the related event organized by the ERTA (Integrated Reporting Turkey Network). → EVP Ebru Dildar Edin kept raising awareness of this field by referring to the guide prepared by the Istanbul Stock Exchange in reports in which she has taken part. → The money transfer system named FAST (Instant and Continuous Transfer of Funds) will allow the Bank's customers to instantly transfer money within a certain limit 24/7 via the CBRT. → Under "Easy Address", customers can match their IBAN with their mobile phone number, e-mail address, ID, tax or passport number via Garanti BBVA Mobile or Corporate BBVA Mobile branch to facilitate incoming money transfer. Similarly, senders can now make a money transfer by entering, for example, the mobile phone number instead of IBAN. → In a presentation to the BRSA, Garanti BBVA shared its research and activities related to practices in other countries, advancements in technology, risks considered in process design and risk mitigation methods. → The Bank took on an active role in The Banks Association of Turkey's (TBB) working group in setting the implementation principles for execution of the remote onboarding process, maintaining the best possible balance between the security level and customer experience. → The Bank participated in training activities organized by the TBB and undertook joint assessments and research with the other sector players and the regulatory body. → The Bank presented its opinions regarding open banking arrangements in working groups with the CBRT. → Garanti BBVA assumed an active role in determining the principles for the execution of open banking in the most beneficial and secure manner.

TOP MANAGEMENT

Issue	Material Topic Relevancy	What Do We Do About It?
<ul style="list-style-type: none"> → Improving risk management → Constant improvement of customer experience and continued improvement efforts following the new service model → Provide the employees with flexible, safe and healthy working environment → Sustain projects at the same speed and effective use of resource → Active monitoring of the pandemic by top management 	<ul style="list-style-type: none"> → Solvency and Financial Performance → Employee Engagement and Talent Management → Corporate Governance and Strong Management of All Risks → Business Ethics and Customer Protection → Easy, Fast & DIY 	<ul style="list-style-type: none"> → Due to the pandemic, the Bank's focus on the part of risk management diverted to other issues such as the Bank's credit deferrals, restructuring and the increase in provision amounts (as a result of prudent approach including regulatory changes). On the finance part, required asset ratio, compliance with other limits, credit deposit growth balance, liquidity management, interest rate and margin management have become the critical topics. In this scope, comprehensive reports were generated by related teams for monitoring with BBVA and for Top Management's monitoring. → With the outbreak of the pandemic, momentum was given to steps taken to minimize operational workload on branches, digitization of processes and constantly enhancing service quality offered to customers. → On the HR front, the main agenda topics included employee health, disinfection, COVID-19 follow-up, remote working-office balance and return-to-work plans. Through active collaboration with the technology front, remote working was enabled for employees within the scope of employee satisfaction. → Speed of change in technological transformation is captured with agile approaches by quarterly dynamic management of investment budgets in compliance with the new strategy. In quarterly PSM (Project Setting Meetings), main priorities are reviewed and adapted according to new developments. Based on decisions taken in the meetings, and using effective prioritization processes, resource allocation is prioritized for projects that are utmost compliant with the Bank's strategy and that will make the biggest impact. → At the initial phase of COVID-19, top management got together in daily meetings for several months. Agenda topics included COVID-19 precautions and employees' situation, as well as close monitoring of critical metrics and financial position. These meetings now continue at weekly intervals.

Risks and Opportunities

 7,974  40 min  14  garanti

Mega Trends	Risk Drivers	Strategic Priority Relevancy
BUSINESS (1)	<ul style="list-style-type: none"> → Customer Empowerment → Remote Working → Competition for Talent → Transparency → Efficiency → Rapid Alignment → Gender Equality → Next-Gen Workforce → Social Media → Resilience → Agility → Occupational Health and Safety 	<p><i>Operational Excellence</i> <i>The Best and Most Engaged Team</i> <i>Data and Technology</i></p>
ECONOMY (2)	<ul style="list-style-type: none"> → Sustainable Finance → Green Recovery → Inclusive Capitalism → Sharing Economy → Financial Health and Inclusion → Circular Economy → Reduced Globalization 	<p><i>Sustainability</i> <i>Financial Health</i> <i>Reaching More Customers</i></p>
SOCIETY (3)	<ul style="list-style-type: none"> → 21st Century Skills Gap → Sustainable Development → Growing Inequalities → Forced Migration → Food Security → Entrepreneurship → Pandemic → Rise of the Individual → Megacities → Prosumerism 	<p><i>Sustainability</i> <i>Financial Health</i> <i>Reaching More Customers</i></p>
ENVIRONMENT (4)	<ul style="list-style-type: none"> → Climate Crisis → Extreme Weather Events & Natural Disasters → Resource Scarcity → Environmental Awareness → Biodiversity → Plastic Pollution → Water Scarcity 	<p><i>Sustainability</i></p>
TECHNOLOGY (5)	<ul style="list-style-type: none"> → Automation → Big Data, IoT & AI → Cloud → Cybersecurity → Blockchain and Cryptocurrencies → Data Privacy and Responsible Use of Data → Digitalization → Increased Connectedness and Decreasing Privacy 	<p><i>Data and Technology</i> <i>Operational Excellence</i></p>

2020 has turned out to be a severe test for the whole world. The COVID-19 pandemic is putting us through the biggest crisis after WW2. Perhaps the one and only positive outcome of the pandemic was our realization, yet again, that it is impossible to achieve sustainable development and growth with the existing order. We have seen once again how comprehensively companies must address risk and opportunity management.

In this chapter, Garanti BBVA deals with 10 topics of risks and opportunities that it believes are relevant for the banking sector, shaped by this year's mega trends and how they impact Garanti BBVA and its stakeholders.

Below mentioned risks and opportunities are addressed through a variety of hard and soft controls such as Garanti BBVA's risk management approach and through initiatives carried out under the framework of material topics as explained in the Strategic Priorities, 2020 Performance and Outlook, Risk Management and Corporate Governance sections.



Challenges and opportunities with regards to the Turkish Economy and Turkish Banking Sector are further addressed in The Environment We Operate In section.

BUSINESS

Due to the COVID-19 pandemic, 2020 has been the stage to worldwide developments and events unexperienced ever before. Experts refer to the pandemic, which broke out by mid-2020 and was still ongoing at the end of the year, as the greatest recession since World War 2. Having taken the whole world in its grip from the second month of the year, the pandemic deeply impacted businesses, societies and lifestyle, and continues to do so. Having already deflected due to the effects of the Coronavirus, the agenda of the markets was highly affected by the US presidential election in November and the ongoing implications of trade wars. Despite the positive developments regarding the much-anticipated vaccine against Coronavirus, the debates surrounding it also remain. In conjunction with the other factors, the vagueness around the vaccine prevents

weakening of the volatility and uncertainty dominating the global markets since the onset of the year. The effect of the pandemic upon the banking sector can be classified under three headings: Operational effects, effects on credit risk, and changes in customer habits.

Thanks to its strong technological infrastructure, Garanti BBVA adapted quickly to the pandemic and continued its operations under its priority of health and safety.



During the course of the pandemic, Garanti BBVA was able to make the transition in its operations frictionlessly thanks to its robust technology. In a bid to ensure the safety of its employees in this period, the Bank provided the equipment necessary for working from home, and more than 1,000 call center agents began offering service from their homes within just 10 days. At present, 92% of the Head Office employees, 60% of branches and the entire body of call center employees are working from home. Thanks to its solid technological infrastructure, the Bank adapted to this period rapidly and carried on with its transactions without an interruption.

Net cost of risk was another area of the banking sector affected by the pandemic. We are going through times when businesses are financially challenged with the effect of the economic slowdown resulting from the pandemic. The continued uncertainty of the process of the pandemic renders the risks herein permanent. A series of measures were introduced in monetary, banking sector and fiscal areas to stand by businesses and minimize the effects stemming from the pandemic in this period. Loan packages were announced and Credit Guarantee Fund limits were increased in the banking sector area to extend financial

support to businesses. After March, Garanti BBVA offered the possibility to defer credit principal amount, interest, installment payments and credit card debts, depending on the needs of our customers, without imposing any additional conditions or stricter repayment terms. "Postpone Payment" function was activated so that customers could postpone their credit card payments for 3 months, without the minimum payment requirement. Minimum payment required on personal credit cards was reduced to 20%. In this period, the provision rates for loans of sector players that were gradually more affected by the pandemic was increased with a prudent approach. In the period ahead, the repayment performance of loans deferred in the corporate and commercial segments will be important for net cost of risk. However, balance sheet composition was strengthened with the increased provisional rates in this period, and betterment is anticipated in the net cost of risk over the years with the expected improvement in economic growth in 2021.

Customer habits was another area affected by the pandemic. The most fundamental change for the banking sector was the rise in the usage rates of active distribution channels and the number of digital customers. The pandemic has been instrumental in more active use of these channels by the customers as well. March 2020 saw the highest increase in the number of digital customers. The ratio of transactions realized at branches went down from 5-6% to 2-3%. In this period, transactions aimed at market needs were also routed to digital channels. Today, mobile banking facilitates the performance of approximately 500 transactions. Despite the increased share of digital channels, branches are not far behind them in terms of the number of transactions performed. In the period ahead, we might see in-branch services being restructured and digital channels beginning to furnish advisory services designed to improve customers' financial health, rather than operational services.

According to the JPMorgan report released on July 1st, investors call the COVID-19 crisis as the 21st century's first "sustainability" crisis and a wake-up call for decision makers to prioritize

concrete steps regarding climate change. This is a period when not just the "E" of Environmental, Social and Governance (ESG) topics, but also social issues such as employee health and safety and income inequality are on the table again. Given the decisions companies made to protect their employees' health and supports extended for the sake of community health, a wider group of investors will likely look at companies through this lens. Hence, organizations' environment and climate-related actions and the steps they take in the social area can be better priced by the market.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT (2) (3) (4)

2020 had started off with continued full support to Sustainable Development Goals (SDGs) from countries and companies. COVID-19 pandemic, however, abruptly changed the entire agenda in an instant. One of the greatest fears in the first several months when the pandemic was very effective and complete shutdowns were ordered across the world was a cessation, if not a regression, of SDGs. But the dreaded has not happened. Many governments and private companies declared that the post-pandemic new order must be established with a focus on sustainability. Therefore, 2020 can be regarded as a milestone in many aspects. We have witnessed that the funds taking ESG criteria into account were less affected by the pandemic. This year, the sustainable debt market reached the USD 1.9 trillion mark, for the first time in its history. A tremendous momentum was captured in social funds, which used to be issued in a much limited number and volume as compared to green bonds in the previous years.

These positive developments once again highlighted the commitment to achieve SDGs. In the 2020 SDG Global Index, Turkey ranks 70th with a score of 70.3 within 166 countries.¹ Being a financial institution, Garanti BBVA is aware of the important role it has in achieving these goals. With this awareness, the Bank continues to play an active role in Turkey's sustainable

¹ https://s3.amazonaws.com/sustainabledevelopment.report/2020/2020_sustainable_development_report.pdf

development journey in accordance with the UN Environment Program – Finance Initiative (UNEP FI) Principles for Responsible Banking, in the formation of which it was involved and of which it is a signatory.

As set out in the Sustainability Policy adopted in 2014, Garanti BBVA 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 is also 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. The Bank positions itself as an advisor in sustainable business for all of its stakeholders. In 2020, Garanti BBVA offered 43 different types of loans and products to contribute to sustainable development.

In addition to the Sustainability-Linked Syndicated Loan introduced as a first, Garanti BBVA signed two new loan agreements participated by IFC and EBRD and obtained funds totaling USD 700 million.

Garanti BBVA signed the Gender Loan structure, the world's first and introduced by the Bank in 2019, with 4 more companies engaged in the leisure industry, which are affiliated to a corporate company operating in our country. The gender loan worth TL 151.2 million in total incorporated the United Nations Development Program (UNDP) Gender Equality Seal for Public

and Private Enterprises criteria, in addition to the criteria set by Garanti BBVA.

Another major deal was Turkey's largest Sustainability-Linked Loan in which Garanti BBVA participated as a Sustainability Agent, signed with an energy company in September 2020. In this facility worth EUR 650 million, the loan interest was tied to predetermined environmental and social criteria.

Another groundbreaking major deal introduced in the world by Garanti BBVA was the Sustainability-Linked Syndicated Loan. Having renewed the syndicated loan it received from international markets under its wholesale funding program, Garanti BBVA signed two new loan agreements participated by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) and obtained funds totaling approximately USD 700 million from overseas markets. This syndication signed by Garanti BBVA is the first green syndication loan obtained by any bank in the world tied to sustainability criteria. According to the terms of the loan, an international independent consultancy firm will periodically evaluate Garanti BBVA's performance against the agreed criteria. Interest rate will be reduced to the extent Garanti BBVA improves its performance and fulfills the criteria it has committed to. Signed in May 2020, the deal was received with great interest despite all the uncertainties of the pandemic, and once again demonstrated the trust held by the international market in Garanti BBVA.

The Bank is working to instigate its customers to employ sustainable finance mechanisms in their borrowings and to adopt sustainable business models. In July 2020, the Bank acted as a Bookrunner for a client's green bond issuance worth TL 100.5 million. This was also the first green bond issue in Turkish Lira. Acting like an advisor in the process, Garanti BBVA supported its client at every stage from the preparation of the framework document for the bond to the meetings with the rating agency, and shared its knowledge and experience in this

field. Following the issuance, the Bank made use of its digital and mobile channels to inform its corporate, retail and private banking customers and investors about the opportunities arising from investments that contribute to sustainable development.



Our Material Topics section explains how Garanti BBVA addresses Sustainable Development Goals through the actions undertaken under each material topic, and reference is made to the relevant sections of this Report.

CLIMATE CHANGE ADAPTATION (3) (4)

As projected in the World Economic Forum Global Risk Report 2020, environmental risks due to climate change continue to dominate the top ten major risks list in both impact and likelihood. While the world struggled with the COVID-19 pandemic on one hand, it also had to deal with never ending extreme weather events on the other. Natural disasters that claimed lives and destroyed property globally dominated the news throughout the year. Many people died in devastating floods, typhoons, heatwaves, wildfires and similar disasters. The number of weather and climate disaster events with losses exceeding USD 1 billion each reached a record level.²

Besides all the downsides it embodies, the pandemic offers an important opportunity in terms of the combat against climate change. The whole world agrees that the post-pandemic new order to be established must have sustainability in its focus. With the Green Recovery concept that entered our lives this year, it is anticipated that environment-friendly solutions will be preferred, especially in the economy.

We see that awareness of this issue is increasing by the year. According to a research conducted in 2020, one out of every two people in Turkey considers the climate crisis a bigger crisis than the virus, and seven out of every 10 people say that they

are concerned about climate change. A substantial segment of the society wants investments to be made into agriculture and renewable energy for post-pandemic economic recovery.³

In order to achieve the 1.5 degrees goal stipulated in the Paris Agreement, we must reduce global greenhouse gas emissions by 7.6% every year.⁴ Even in 2020 when we had several months that a substantial portion of life came to a standstill because of the pandemic, we will only achieve a reduction by 7%.⁵ This is the highest decrease recorded recently, but it is still not enough to reach the targets.

Garanti BBVA is the only bank in Turkey to qualify for the global A List of 2020 CDP Climate Change Program.



Countries recognizing the urgency of the situation started announcing zero-carbon targets. We began to see private companies follow suit of this initiative coming from major countries including the European Union, Canada, China and Japan. Our majority shareholder BBVA also became a carbon-neutral bank in 2020. Keeping pace with the Group, Garanti BBVA also offset its carbon emissions arising from its direct impact in 2020.

2020 proved to be a historic year also with respect to the combat against climate change. The highlights of the reporting year that saw a number of important developments take place despite the pandemic were, surely, EU Taxonomy and the European Green Deal.

² <https://www.ncdc.noaa.gov/billions/>

³ <https://ekoIQ.com/2020/11/26/turkiyede-toplumun-yarisi-iklim-krizini-virusten-daha-buyuk-bir-tehdit-olarak-goruyor/>

⁴ <https://unfccc.int/news/cut-global-emissions-by-76-percent-every-year-for-next-decade-to-meet-15degc-paris-target-un-report>

⁵ [https://www.carbonbrief.org/global-carbon-project-coronavirus-causes-record-fall-in-fossil-fuel-emissions-in-2020#:~:text=Global%20carbon%20dioxide%20\(CO2\)%20emissions,effects%20of%20Covid%20lockdowns](https://www.carbonbrief.org/global-carbon-project-coronavirus-causes-record-fall-in-fossil-fuel-emissions-in-2020#:~:text=Global%20carbon%20dioxide%20(CO2)%20emissions,effects%20of%20Covid%20lockdowns)

Enforced in response to the longstanding debates about the definition of a green investment, the EU Taxonomy is in the nature of a dictionary describing which environmental investments in nearly 70 different sectors can be included within sustainable investments. At the same time, the Taxonomy introduces the reporting obligation for financial institutions and large companies in the EU about their activities in this field.

The European Green Deal, on the other hand, discloses the action plans the EU set for achieving its zero-carbon target by 2050. With this Deal, EU intends to upgrade not only the companies within its territory, but also those in other countries with which it has trade relations, to its own environmental standards through mechanisms such as the carbon border adjustment. If and when this mechanism that is still internationally debated is introduced, it will clearly have serious economic implications for Turkey that ships nearly 50% of its exports to EU.

On the other hand, divestment from fossil fuels was again a growing trend in all sectors, especially the financial sector. As declared in its Climate Change Action Plan in 2015, Garanti BBVA continued to prioritize renewable energy investments in 2020. As a pioneer in financing renewable energy projects and being the market leader for wind projects financing in Turkey, Garanti BBVA exceeded its goal of prioritizing renewables in project finance as 100% of the total resources allocated to greenfield energy investments was allocated to renewable investments in 2020. Since 2014, 100% of greenfield energy generation projects in the Bank's project finance portfolio have been renewable energy investments.

To date, financing provided to renewable energy projects reached above USD 5.3 billion. Garanti BBVA's share in Turkey's Garanti operates on installed wind power stood at 24.7%. On the portfolio decarbonization side, the Bank no longer provides project financing to greenfield coal power plants since 2014, and 100% of total amount of financing extended to greenfield electricity generation investments have been allocated to renewable energy investments.

Moving forward, Turkey's climate-smart investment potential is estimated to be USD 270 billion between 2016 and 2030. This also clearly shows the future investment need and the critical role of financial institutions. Just like the rest of the world, Turkey is both physically and economically prone to climate change risks and must take immediate action for adaptation and mitigation. Garanti BBVA contributes to Turkey's battle against climate change by prioritizing renewable investments, applying detailed environmental & social due diligence, promoting energy efficient buildings and electric & hybrid cars, as well as increasing awareness among its stakeholders. Garanti BBVA's environmental and social impact assessment process is fully compliant with international standards and best practices. In 2020, 5 projects with a total loan amount of USD 307 million were subjected to ESIAM process. 1 project was rejected within the frame of this model. Through action plans based on these due diligences, E&S impacts were minimized.

Taking place among high-risk regions in terms of water stress, Turkey will experience severe precipitation and floods in addition to increasing droughts and extreme heatwaves. Turkey is among the countries that will be extremely water-stressed by 2040. If projections come true, with the expected population growth to 100 million people, Turkey will be among the water poor countries by 2030. As explained in the 2019 CDP Water Security Report, all of the projects financed in 2019 were projects prone to water-related risks. ESIAM was applied to all of these projects in order to manage E&S risks including those that are water-related.

A holistic approach is being implemented to raise awareness and encourage each segment of the society to take action. Green Mortgage product was launched to promote efficient and environmentally-friendly buildings in the retail banking segment; Garanti BBVA's total financing provided in this scope to date amounted to TL 520 million.

Garanti BBVA also took an important step in 2020 to manage its direct impacts on climate change and switched to renewable energy consumption at all of its branches and locations having

compatible infrastructure. 73 million kWh of electricity need of 809 branches and 46 buildings were totally provided from renewable energy, thus avoiding nearly 34.790 tonnes of CO₂-equivalent emissions were avoided which corresponds to the carbon sink capacity of roughly 2.2 million trees. Early this year, the Bank announced its absolute carbon emissions reduction target based on Science-Based Targets methodology in line with Paris Agreement's 1.5 degree goal. Accordingly, Garanti BBVA pledges to reduce its Scope 1 and Scope 2 emissions by 29% by 2025 and 71% by 2035. In 2020, the Bank became carbon-neutral for its emissions arising from its own operations, and has realized its 2035 goal 15 years earlier.

In line with its innovative and pioneering activities, Garanti BBVA qualified for the 2020 Global A List in Climate Change Program of the CDP, which is the most respected environmental reporting initiative in the world. Including just two companies from Turkey, the A List features Garanti BBVA as the only bank.

In the period ahead, Garanti BBVA will continue to support its stakeholders in the transition to low-carbon economy and opportunities along the way. As the Bank continues to encourage its customers to become aware of their own individual impact and to play a key role as an advisor for its customers, it will facilitate and accelerate their efforts in sustainable trends such as circular economy, sustainable investment funds and sustainable innovation.



More examples can be found in the Sustainability section.

TRANSITION RISKS (1)

As governments and the business world started to take concrete actions for climate change, these steps also brought along some regulatory updates. In this context, the "European Green Deal" incorporating the Carbon Border Adjustment as one of the mechanisms to curb carbon emissions has been

a hot topic of 2020. The aim of carbon border adjustment mechanism (CBAM) is to prevent carbon leakage, where climate policies are not strict enough to reach the 1.5 degree goal. In addition to preventing such emissions' relocation (or 'carbon leakage'), a carbon border adjustment also exerts pressure to strengthen climate policy efforts. Considering that nearly 50% of Turkey's export volume goes to the EU coupled with the close commercial relations with the EU, Turkey will be significantly affected. Hence, a working group for compliance with the European Green Deal was set up under the Ministry of Trade, which released an action plan in November 2020. The action plan serves as a guide providing the roadmap to be followed by companies in Turkey to align themselves with this transformation. The CBAM will have a significant impact on carbon intense sectors such as iron and steel.

The New Climate Regime through the Lens of Economic Indicators report, to which Garanti BBVA contributed support and content, analyzed the possible impact of the CBAM upon industries exporting from Turkey to the EU for 24 manufacturing industries representing the entire economy. To do that, two scenarios were studied, in one of which carbon was priced at 30 EUR/tonne and at 50 EUR/tonne in the other. The adjustment produced a total impact of EUR 1.1 billion in the first scenario, whereas the figure rose to EUR 1.8 billion in the second. In addition, the GDP that can be attained in 2030 under the Baseline Scenario was calculated as TL 5,358 trillion at 2018 prices; it was also calculated that the GDP in 2030 would be lower by 2.7% in the scenario pricing CBAM at 30 EUR/tonne and by 3.6% in the scenario pricing CBAM at 50 EUR/tonne. Taking Turkey's current export distribution and its sectoral carbon efficiency into account, (with a carbon price of € 30/ton and €5 ton respectively) the potential export revenue losses were calculated as follows: cement industry (13.2-22%), iron and steel (1.7-2.8%), chemical industry (1.1-1.9%) and automotive industry (0.7-1.2%). When we solely take the steel industry into account, in the first 10 months of 2020, main metal industry had 3% share in total loans among the banks operating in Turkey

6 <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620928/bp-time-to-care-inequality-200120-en.pdf?sequence=36>

with a total amount of TL 127 billion. This serves as a clear indicator that such an adjustment mechanism would indirectly affect banks as well.

Work for alignment with the Law on the Protection of Personal Data (in Turkish: KVKK) enacted in 2016 continued heavily also in the reporting period. Every new process, product and activity designed at the Bank underwent an assessment in terms of personal data actions. At Garanti BBVA, investments in this area continued for addressing personal data activities in a more holistic manner and for increasing the depth of the KVKK action plan. In this context, one tool each was purchased for personal data discovery and personal data governance. The personal data discovery tool is intended to identify personal data used in all of the Bank's operations completely. This will allow more detailed and accurate review of such headings as the cost-benefit analysis of the KVKK compliance program and prioritization of actions. With its installation phase finalized, the tool is on the verge of launch. The personal data governance tool will allow systemic monitoring of the inventory housing the processes that dwell on personal data, which processes are required to be developed by Law, and risk impact analysis of these processes can be performed more efficiently. The installation of the tool is in progress. New areas of responsibility will be created across the Bank for active utilization of these two tools in the period ahead.

GROWING INEQUALITIES (1) (3)

We are in the midst of a global transformation, the painful construction of a globalized market economy. The income distribution system of the 20th century has broken down, and will not come back. During this construction phase the widening gap between the rich and the poor damages the economies and tears the societies apart. The rich gets much richer and the poor gets much poorer. The world's richest 1% have more than twice as much wealth as 6.9 billion people. On the other hand, almost half of humanity is living on less than USD 5.50 a day.⁶ Growing inequalities brings despair among young population as well.

⁷ http://www3.weforum.org/docs/WEF_GRR18_Report.pdf

At Garanti BBVA, the overall ratio of women employees is 58% for the whole Bank and 40% for medium level and senior managers. With its pioneering practices in this field, Garanti BBVA has been the only company from Turkey to qualify to be included in the Bloomberg Gender Equality Index for five consecutive years.



On another note, climate change started to have a deep impact on forced displacement. It is estimated that 200 million people will be forced to relocate due to climate change by 2050, where Turkey is considered to be among the countries that will attract immigrants and consequently will be significantly affected due to limited resources. Climate change was not the only factor in the increasing inequality trend. Turkey is one of the countries hosting the most refugees. Considering the predicted migrations due to climate change in addition to the current situation, the issue will become even more urgent and challenging.

Growing inequality is resulting in devastating economic and social impacts. The fight against inequalities related to wealth gap, gender, race, ethnicity and social class will be of paramount importance in the coming years.

All these developments brought up a new concept called inclusive growth. Inclusive growth serves equality and diversity, also cares for the ecology of our planet while driving returns to shareholders. Recently, companies have started to embrace

more environment- and society-friendly practices that create long term value. Similarly, Garanti BBVA has been offering various positive impact-focused products and services. The Bank is dedicated to tackle this problem by improving financial health of its customers and offering innovative solutions for financial inclusion. With 43 different products and solutions, the Bank helped 92% of its customers to make better informed financial decisions in 2020. To date, the Bank has contributed TL 51 billion to sustainable development that creates shared value.

In 2020, we have deeply felt the effects of gender inequality, particularly in business. We have witnessed worldwide that women were affected 1.8 times more than men by this pandemic.. It gets even more perceptible with the fact that household chores including feeding, cleaning and care is done more by women. According to the UN, the unpaid work done by women is three times the volume of unpaid work done by men. The post-COVID-19 period reveals the necessity for organizations to change their perspectives and approaches in relation to various matters including talent retention, work-life balance of employees and employee satisfaction.

To counter this risk, Garanti BBVA kept offering sustainable support to its employees also during this period through such initiatives as the maternity project, domestic violence platform and women leadership mentoring program.

At Garanti BBVA, the overall ratio of women employees is 58% for the whole Bank and 40% for medium level and senior managers. With its pioneering practices in this field, Garanti BBVA has been the only company from Turkey to qualify to be included in the Bloomberg Gender Equality Index for four consecutive years. The Bank creates initiatives on female leadership and talent, equal pay and gender pay parity, inclusive culture, and sexual harassment policies.



More examples can be found in The Best and Most Engaged Team and Financial Health sections.

SUPPORTING ENTREPRENEURSHIP (1) (3)

Youth unemployment is set to remain an important global challenge - particularly as demographic shifts in developing countries gather pace - and will continue to amplify numerous domestic and global risks, including social exclusion, mass migration and generational clashes over fiscal and labor market policies.⁷ The purpose of Garanti BBVA is "Bringing the age of opportunity to everyone" and the Bank is strongly urging its customers and society to tackle this challenge.

**This year,
Garanti BBVA
Partners hosted 5
startups and the total
amount of investments
granted to startups
included in the Program
exceeded TL 22 million.**



In order to realize its purpose, Garanti BBVA carries out many initiatives that support entrepreneurship. In 2015, the Bank has launched Garanti BBVA Partners Entrepreneurship Acceleration Program to help flourish the entrepreneurial ecosystem in Turkey. Garanti BBVA Partners helps startups grow with specific support, develops strategies together with the entrepreneurs, assisting them in the preparation of a comprehensive business plan to put their projects into action, and contributes to their sustainable growth. During this process, these initiatives are provided with working space, mentorship, cooperation and references, marketing activities, consultancy services, training and seminars, technical and infrastructure support and access to finance for these projects. Garanti BBVA helps flourish the entrepreneurship ecosystem in Turkey and aims to support and accelerate early startups and initiatives with the potential to attract investment and grow. Through Garanti BBVA Partners Acceleration Program, the Bank supports early startups of any

scale and sector, the SMEs and growing ventures. Under the holistic support mechanism covering provision of office space, mentoring, networking, marketing and training support, the Bank offers versatile and differentiated services at every stage of the entrepreneurial cycle. This year, Garanti BBVA Partners hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

Another important segment that we focus on is women entrepreneurs. Women's share in the workforce is only 34% in Turkey, whereas the OECD average is 64%. If Turkey can reach the OECD average by 2025, the GDP will increase by USD 250 billion.

Realizing the support that women need in this area, Garanti BBVA launched its Women Entrepreneurship Program in 2006. The Bank's efforts in empowering women entrepreneurs are categorized under 4 topics: "providing finance", "encouraging", "training" and "accessing new markets". To date, financing provided to women entrepreneurs amounted to TL 8.7 billion. In 2019, Garanti BBVA started the on-lending of a social bond for USD 75 million with a maturity of 6 years in collaboration with the World Bank-member IFC (International Finance Corporation) to be allocated for the financing of women entrepreneurs. In 2020, the Bank continued to make funds available to women entrepreneurs from this facility, which is the first social bond issued by a private bank in an emerging country.

Aimed at encouraging women entrepreneurs, Turkey's Women Entrepreneur Competition received 39,000 applications in its 13th year. 3,000 women completed the Women Entrepreneurs Executive School, which is offered in partnership with Boğaziçi University Lifelong Learning Center. Women Entrepreneurs Executive School initiative was awarded Gold Sardis in the Gender Equality category at the Sardis Awards for its contribution.

On the other hand, digital transformation enables customer empowerment in a variety of ways. As customers now expect to be better understood by companies, they also proactively offer their insights and creative ideas to companies for better product development. They expect companies to support their ideas or

ventures, sometimes even develop partnerships to grow their businesses. As a financial institution, Garanti BBVA closely monitors the developments in the FinTech sector. FinTech companies introduce disruptive changes to the business models of conventional financial institutions by creating differences in technological developments they present on the financial vertical they are focused on. These innovations are underpinned by better customer insight, cost reduction and incorporating customer preferences and needs within business models. As a pioneer in digital banking, Garanti BBVA has been interacting and building partnerships with such companies for a while. Furthermore, as part of the BBVA Group, the Bank is a member of BBVA's Open Innovation Team, a dedicated team that looks into various opportunities through FinTech companies. This team also organizes the biggest FinTech Competition in the world. Garanti BBVA has been organizing the Turkish chapter of this competition which provides FinTech startups offering direct or indirect solutions to the finance world with the opportunity to compete at the international level. This competition provides a great opportunity for these startups to advertise themselves globally.



Further details can be found in the Operational Excellence and Sustainability sections.

DIGITAL TRANSFORMATION (1) (5)

2020 generated a tremendous momentum in digitalization with the added effect of the pandemic. As companies shifted their working environments to the digital, they did the same for the services rendered to the customers to the extent possible. Leading the digitalization path for over two decades, Garanti BBVA has been one of the companies that realized this transition period in the fastest and most effective way.

End-to-end digital finalization of the Garanti BBVA Mobile Onboarding process launched in 2019 with its final step designed to be completed at the branches will be enabled upon completion of the regulatory framework in 2021. This way, the growing non-Bank customers population on online platforms

will also be able to reach Garanti BBVA banking products any time they need them, from wherever they may be. Upon integration of the application processes for products such as credit, credit card, shopping loan, overdraft account etc. in the onboarding process, the process from the moment the customer need arises until the product is reached will become digital end-to-end. Furthermore, with the inclusion of salary customers in the "mobile onboarding process", Garanti BBVA will be presenting individuals with the chance to complete the onboarding process any time, anywhere. This new step will mitigate the workload on branches resulting from the onboarding process and will also open channels for new customer acquisition. Garanti BBVA Mobile onboarding, being an easy and quick experience, will set the Bank apart from its competition upon expansion with business partnerships.

Garanti BBVA's contribution to sustainability will go on also on digital channels. The GoGreen Project will create a mutual contract between the Bank and the customers, whereby customers will be incited to increase their contribution to sustainability. This project is intended to serve to increased support to social responsibility and to consolidate the bonds between customers who are sensitive about the topic and the Bank.

2020 was another important year for the Bank's AI and big data practices. Throughout the year, various teams developed groundbreaking applications in light of better data management and AI. The most important reflection of the Bank's AI applications is UGI, Turkey's first voice process assistant launched in 2016. UGI underwent major upgrade with respect to its interface and infrastructure. The renewed smart assistant UGI 2.0 now features written message exchanging capability. Hence, when users are in an environment where they want to avoid communicating orally, they can exchange messages with UGI 2.0 and receive support for their banking transactions. Its revamped infrastructure and the wide set of transactions allows UGI 2.0 to understand users better and to provide guidance and support with a greater variety of transactions. Having rapidly kept abreast with the changing current topics and extended support to users during the pandemic thanks

to its revamped infrastructure, UGI 2.0 is now much more flexible and compatible with the fast pace of the current events and technological trends. UGI has been used more than 53 million times by 4.6 million customers since 2016. With its use increasing by the year thanks to its revamped visage and natural language understanding capabilities, UGI 2.0 has more than 400 thousand unique users per month. The WhatsApp chatbot of Garanti BBVA was also reinforced with the same infrastructure and a joint assistant intelligence was created at all touchpoints with the customers.

While robust technology and data infrastructures that had been devised turned out to be a significant benefit during the pandemic, a sweeping digital transformation has been experienced and the sharp changes in people's behaviors led to uncertainties about the future. In order to develop solutions rapidly for the emerging demands in this period, Garanti BBVA took advantage of the power drawn from agile development of analytical models and launched new ones very quickly, continuing to create value for its customers. The power of Artificial Intelligence was used in processing customer suggestions and demands with text mining and referring them to the right solution centers in order to better respond to the fast-changing customer demands during the pandemic. This allowed the Bank to address customer demands within the same day.



Further details can be found in the Data and Technology section.

FINANCIAL HEALTH AND INCLUSION (1) (3) (5)

Operational Excellence is one of Garanti BBVA's strategic priorities. Through its financial health priority based on "Transparent, Clear and Responsible" principles, the Bank provides accurate, clear and timely information and protects its customers' earnings in short, medium and long term. With this focus, Garanti BBVA aims to be the most responsible bank and help its customers make conscious decisions as well as deepening and strengthening its relationships with customers.

In order to protect their financial health, the Bank utilizes the insights gained from behavioral economics analysis. The Bank supports its customers to be aware of their financial wellbeing, control their financial situations, have a balanced budget, make conscious decisions for their expenses based on their needs, make savings and investments for their dreams and future. Through these efforts, the Bank maintains strong ties and long term relationships with customers.

The Financial Health program launched on Garanti BBVA Mobil application presents completely personalized insights to help the customers better monitor their finances, be prepared against unexpected situations, and build on their financial planning skills by acquiring saving-up capability, as well as planning today. With these suggestions, the Bank aims to act as a long-term financial coach. As the first step in doing that, customer's finances are accurately pictured, spending habits are analyzed in an effort to raise awareness of his/her budget. Customers are guided to take action through customized suggestions. Suggestion mechanisms are developed where necessary to improve customers' financial health; once they are achieved, new suggestions and plans are created, so that they can sustain their motivation. In this context, more than 70 financial insights were developed. Customers were presented with insights and action plans raising awareness, getting them ready in advance for major expenses, and steering them to save up easily and perform controlled spending. Presented to Android users in 2020, these suggestions were viewed 8 million times by 1.6 million customers per month. Developments will continue in 2021 to take the financial health initiatives to a better level.

Financial health of corporate customers affects the health of the country's economy collectively. Potential improvements that can be attained in customers' finances through suggestions to be made are considered as important opportunities that might contribute added value to customers and the economy as a whole. Therefore, it is being planned to perform a professional analysis of customers' finances using financial data to be uploaded from digital channels and to make personalized risk assessments for each one. It is intended to offer financial advice

to provide the customers with correct guidance for a healthier balance sheet composition, higher profitability and sustainable growth, and borrowing accurately. Along this line, insights and action plans contributing to financial health will be shared with the customers through digital channels.

With the open banking services, with their developments scheduled for next year, customers will, upon request, be able to access their financial data at other licensed institutions, and thus have the convenience to view and manage their accounts with different institutions. With the structure that will cover capabilities such as payment order initiation and money transfer, customers will be able to reach the external financial ecosystem again via Garanti BBVA channels. Hence, the integrated experience offered within Garanti BBVA channels to date can be taken one step further.

Guiding customers to use QR on the Bank's ATMs doubled efficiency: Ratio of customers who use QR vs. card to withdraw money is around 30%.



Garanti BBVA is trying to meet all financial needs of its customers with the "beyond banking" point of view. For instance, the Bank has been enabling users to directly load money to their public transportation cards through the mobile app. Public Transportation top-ups are being widely used in 16 cities for almost 3 years. Included in coverage in 2019, İstanbul Card had a huge impact on the transaction volume. Users can also see insights about how using public transportation will help their financial health. Furthermore, this feature also encourages users to use public transportation, which also contributes to our battle against climate change.

With the open-market concept, Garanti BBVA aims to make financial solutions accessible to all customers wherever they may be. Until very recently, Customer Contact Center and ATMs used to be the only alternatives to the branches. Then, services on digital channels rapidly expanded and adopted a multi-channel strategy. Soon after, Garanti BBVA transformed its strategy into an omni-channel one where the Bank began offering seamless experience across all channels. The Bank has made improvements to enable even non-Garanti customers to reach the Bank's products and services from all channels. For example, the cardless transaction option offered through our ATMs lets everyone, even non-Garanti BBVA customers, transfer, deposit or withdraw money; they can even pay their bills with this function. Guiding customers to use QR on the Bank's ATMs doubled efficiency: Ratio of customers who use QR vs. card to withdraw money is around 30%. In 2020, 59 million cardless transactions occurred in TL, and 353 thousand cardless transactions occurred in foreign currency. QR has a huge impact on the Bank's migration efforts from branches to ATMs. Thus, in the beginning of 2020, the Bank expanded the scope of QR code transactions by adding card and loan debt payment. Branch employees also encourage customers to do more transactions through ATMs. Moving forward, the Bank has already commenced its e-commerce initiatives to reach the customers and non-Garanti BBVA customers via non-Garanti BBVA channels.

THE FUTURE OF WORK (1) (3) (5)

Pandemic-related issues dominated the agenda of the work life in 2020. During this period, we have seen the vitality of robust technology and data infrastructures. As a sweeping digital transformation took place, the sharp changes in people's behaviors led to uncertainties about the future. The pandemic also presented the opportunity for the emergence of different working methods amid "the new normal". New approaches such as work-from-home and hybrid models will be around more frequently in the period ahead.

The effects of some pre-pandemic trends perpetuated also in 2020. Be it the millennials or the disruptive technological advancements, this is only a telling sign of a much more serious paradigm shift in the workplace and in the way we do business.

On another note, this transformation also bears some other risks for companies. For instance, it is hard to reach and attract top talent in the market. The most significant reason is competition, which is not only among the banks within the banking sector, but also among other various sectors. Competition among new trending areas related to data, artificial intelligence, digital marketing, robotics, etc. diminished the attractiveness of the banking sector. New generation talents tend to have short tenure, which leads to low engagement scores. Every company must find new ways to strengthen employee engagement. Along with digital transformations, businesses' needs and the required skills for the roles are rapidly changing. Talent needs are becoming sophisticated and it is more difficult to attract and select the right talent to the right role.

Garanti BBVA defines agile thinking as a "journey" for delivering faster and higher quality service to customers and for constantly increasing the value created for all stakeholders, rather than a target to be achieved.

Creating and fostering a more diverse workplace for our employees is part of the Diversity and Inclusion strategy of Garanti BBVA. In keeping with the Bank's "the best and most engaged team" strategic priority, the Bank embraces a fair and transparent HR management policy based on performance, focused on equal opportunities, diversity, and internal promotion, which invests in the human capital while observing

their work-life balance and putting their development, satisfaction and well-being at the center. The Bank follows up data analysis concerning different aspects like gender, age, education, etc. and take measures for these groups.

In order to attract, maintain and cultivate talent in a company, it is essential to have modern diversity and inclusion policies capable of integrating people from different professional and personal backgrounds and allowing them to grow professionally. In order to survive in this environment dominated by constant and rapid change, organizations must evolve into structures that can adapt to change. With this vision, a value-focused organizational and cultural transformation journey was initiated in all of the Group geographies, completely changing the conventional way of doing business, with a continuous adaptation capability.

Agile transformation journey at Garanti BBVA was launched by mid 2018. As agility continues to be rolled out across the Bank, scaling initiatives will be ongoing in 2021. Within the transformation journey, the status and evolution of the organization will be monitored transparently, and focus will be maintained on continuous development while productivity and agility skills will be increased.

Garanti BBVA defines agile thinking as a "journey" for delivering faster and higher quality service to customers and for constantly increasing the value created for all stakeholders, rather than a target to be achieved.



More examples can be found in The Best and Most Engaged Team section.

21ST CENTURY SKILLS GAP (3)

Quality education, which makes the foundation of equal opportunities, is still one of the greatest challenges worldwide, and remains important within the scope of UN Sustainable Development Goals. According to the World Development

Report, the quality and quantity of education vary widely within and across countries. Accessing the education that will pave the way for the skills and competencies required by the 21st century has become a luxury in many countries attainable only by a specific socioeconomic status class.

On the other hand, the continuously advancing technology constantly modifies job contents, ways of working and the competencies required of the workforce. As of 2020, global workforce is made up of by millennials by 35%, Gen Z by 24%; by 2025, it is forecasted that 75% of the global workforce will be composed of employees under 35. In this context, skill and competency development of new generations becomes critical in order to adapt to the change mentioned before. Companies establish close collaborations with public institutions, educational institutions, NGOs and individuals as they must plan and take action now according to the future economic benefits and potential effects of social changes that will result from technological developments. While companies' support to close the skills gap means bringing the age of opportunity, it also contributes to the sustainable future of the world.

Based on its commitment to create shared value, Garanti BBVA has been conducting community investment programs in the field of quality education for many years. The Bank's initiatives in this context are Teachers Academy Foundation (ÖRAV) founded by Garanti BBVA in 2008, 5 Pebbles: Social and Financial Leadership Program, and Teachers Without Distance web seminar series, which are carried out in cooperation with ÖRAV. To date, ÖRAV reached nearly 199,069 teachers from all over Turkey. While the 5 Pebbles Program reached 20,000 students and 1,248 teachers, the web seminar series Teachers Overcoming Distances launched in 2020 reached 14,939 teachers in 4 months.



More examples can be found in the Sustainability section.

Our Values

 1,306  7 min  2  employees

At the heart of Garanti BBVA's employee-centric approach lies its Values spelled out with the involvement of its employees in 2017.

The values that have been identified through workshops and focus groups with the employees in a bid to redefine them reflect not only the attitudes and the vision of Garanti BBVA employees, but also their working models.

CUSTOMER COMES FIRST

Underlining the customer-centric approach of Garanti BBVA, this value identifies empathizing with the customer as the top priority of employees, describes the necessity to disclose all kinds of information when responding to customer needs within the frame of responsible business principles, and calls for a result-oriented approach.

WE THINK BIG

Innovation is embedded in the corporate culture of Garanti BBVA that heeds employee opinions. Employees in each position inspire their colleagues and their circles with the job they do. When serving their customers, Garanti BBVA employees go beyond meeting their needs and offer solutions that amaze the clients.

WE ARE ONE TEAM

Fostering Garanti BBVA's work culture, this value encompasses employee collaboration, the importance of commitment to work, and the sense of responsibility that needs to exist in order to achieve the "common purpose".

Entailing three actions that support each value around the three core values, this activity is reviewed annually by Garanti

BBVA Group employees. On this occasion celebrated as the Values Day on the same date in all countries to re-familiarize with, assimilate and live the values, employees redefine organizational strengths, improvement areas of leadership, and the future of teamwork, in addition to taking part in entertaining activities.

Grounding its corporate culture on its Values, Garanti BBVA continues to work towards raising increased awareness by frequently incorporating these values in employee communications. On the other hand, the Values take place in the basis of all employee-centric practices.

While the Values make up the foundation of employee attitudes and actions towards customers, they also serve as the guarantee of Garanti BBVA's reputation. In this context, the Bank keeps displaying a holistic approach to corporate reputation management and takes the necessary actions through related planning in this direction, while creating a culture that is designed, assimilated and recognized by the employees themselves. For instance, the notion "This is our bank" is reflected in the maximum performance attained by all employees as they do their jobs devotedly and enforce this value in their attitudes towards all stakeholders that they touch; all employees know what that maxim means.

Employee career and development model measures the extent to which these values are enforced by the employees through performance assessments; specific educational and development tools are made available as part of the development plan resulting from these measurements, which also aim to ensure continued development throughout the year.

In addition, adherence to values are evaluated in a dedicated category in the reward program.

The formation of the culture around the values are addressed from a number of different angles and all employees are supported in this regard. Created by the Corporate Reputation and Community Programs team and the Training Department, and assigned as a compulsory training program to all Bank employees, "Corporate Reputation Awareness Video Series" dwells on the importance of the Values as a component of corporate reputation. The Series also underlines how the Values function within the framework of the responsibilities of employees who are reputational ambassadors and how they serve to managing reputational risks. This awareness training is set apart as it features employees themselves as speakers, sharing their everyday stories. It offers examples of the distinction of Garanti BBVA and how it contributes value to its stakeholders' lives.

Stakeholder interaction and the involvement of beneficiaries in decision-making processes is another key constituent of value creation. In terms of talent and culture management, it is reflected not only in HR processes but also in platforms enabling all employees to share their opinions and suggestions; it makes the foundation of the strategy within the scope of the values.

Set up under the Talent and Culture team in a bid to sustain a culture within which Values are molded by employee opinions and enforced, the Culture team is in charge of initiatives designed to improve and better employee life at Garanti BBVA, such as employee happiness and assimilation of the leadership model, as well as the Values project.

The highlight of the team's activities within the scope of 2021 strategy will be a cultural climate project that will be developed through talks with the employees.

Customer Comes First

*We are empathetic
We are integrity
We meet their needs*

We Think Big

*We are ambitious
We break the mold
We amaze our customers*

We Are One Team

*We are committed
We collaborate
This is our Bank*

Our Purpose

To bring the age of
opportunity to everyone

Our Competitive Advantages

TALENT AND CULTURE MANAGEMENT

- Practices focusing on employee happiness and work-life balance
- Awarded talent programs
- Platforms for employees to share their suggestions and innovative ideas
- Development model aligned with changing dynamics, where employees take responsibility for their own development in line with their career goals and shape their developments
- In accordance to the strategic priority of "The best and most engaged team", continuous investment mindset with a focus on their development, happiness and well-being in order to ensure work-life balance
- A fair and transparent management policy based on performance, focused on equal opportunities, diversity and internal promotion
- Management approach that supports diversity - the only company from Turkey to be included in the Bloomberg Gender Equality Index for four consecutive years
- 31 hours/employee training on average per annum
- High conversion rate from physical to virtual training: 33,000 participants in 3,200 digital live training programs

STATE-OF-THE-ART TECHNOLOGY AND DATA SCIENCE

- Business-integrated and agile project management
- In-house developed, custom-fit IT solutions and applications
- Uninterrupted transaction capability and infrastructure security
- Data-driven and agile decision-making processes
- Managing data as a corporate asset with governance models
- Creating intelligence for smart decision making at every level of business by advanced data analytics
- Continuous investment in people and technology to improve big data engineering and analytics

SEAMLESS CUSTOMER EXPERIENCE MANAGEMENT

- Lean and clear processes/customer journeys designed through customers' eyes
- Products and services blending customer needs and tendencies with emerging trends
- Smart business processes offering fast and flexible solutions
- Multi-channel customer relationship management tools delivering solutions to customers at the time and place of their choice
- Suggestion systems that help the customers make the best financial decisions
- Employee approach that places customers at the center of its activities and prioritizes customers at all times

STRONG BRAND AND CORPORATE REPUTATION

- Holistic reputation management approach and strong reputation index
- Garanti BBVA is described by consumers as "A pioneer in technology, offering innovative solutions to its customers' needs, approaching its customers in a close, convenient and clear manner"
- Holistic communication and community investment programs focused on social impact contributing to corporate reputation and brand equity
- The only company from Turkey listed for the sixth consecutive time after qualifying also in the reporting period in the Dow Jones Sustainability™ Emerging Markets Index, one of the most eminent platforms evaluating global sustainability performances of institutional companies

SEAMLESS EXPERIENCE ACROSS ALL CHANNELS

- Service model at branches capturing the benefits of digital world for better customer experience
- Presence in 81 cities with widespread branch network
- Leading position in mobile & internet banking; exceeding 9.6 million digital active customer base
- BonusFlaş: Campaigns, card activities and new generation payment technologies in a single platform
- Rapid and secure e-commerce payment without sharing card information in more than 2,100 entities via GarantiPay
- >5,300 ATMs, also serving non-bank customers through cardless transactions
- Leading financial Customer Contact Center with more than 72 million customer contacts per year

Our Strategic Priorities

GRI 102-46

What We Stand For

FINANCIAL HEALTH

- Financial advisory to our customers to help them make the right/healthy financial decisions
- Offer our customers solutions and suggestions that cater to their needs so as to help them attain their goals
- Deliver an excellent customer experience by placing the customers at the center of all our activities
- Build long-lasting relationships with customers and be their trusted partner

SUSTAINABILITY

- Positively influence customers, decision-makers and the sector being the leading bank in sustainability; continue to support raising increased awareness of this matter
- Increase the diversity and use of our sustainable products offered to customers
- Observe climate change-related risks and opportunities; integrate them into our business processes and risk policies
- Focus on community investment programs which deliver impactful outcomes on material topics and observe impact investment principles

Drivers of Superior Performance

REACHING MORE CUSTOMERS

- Expand our customer base and deepen our customers' relations with our Bank
- Be wherever our customers are; make effective use of new channels including digital customer acquisition and partnerships
- Grow in areas of focus while monitoring risk and cost

OPERATIONAL EXCELLENCE

- Constantly build on our business model in various ways including process automation, transaction convenience and enriched remote services, etc.
- Increase end-to-end digital solutions, continue to improve experience through investments in our digital platforms
- Use capital effectively and maximize our value creation while focusing on sustainable growth
- Constantly improve our business model and processes with operational efficiency point of view while pursuing cost and revenue synergies
- Effectively manage financial and non-financial risks

Accelerators to Deliver on Our Strategy

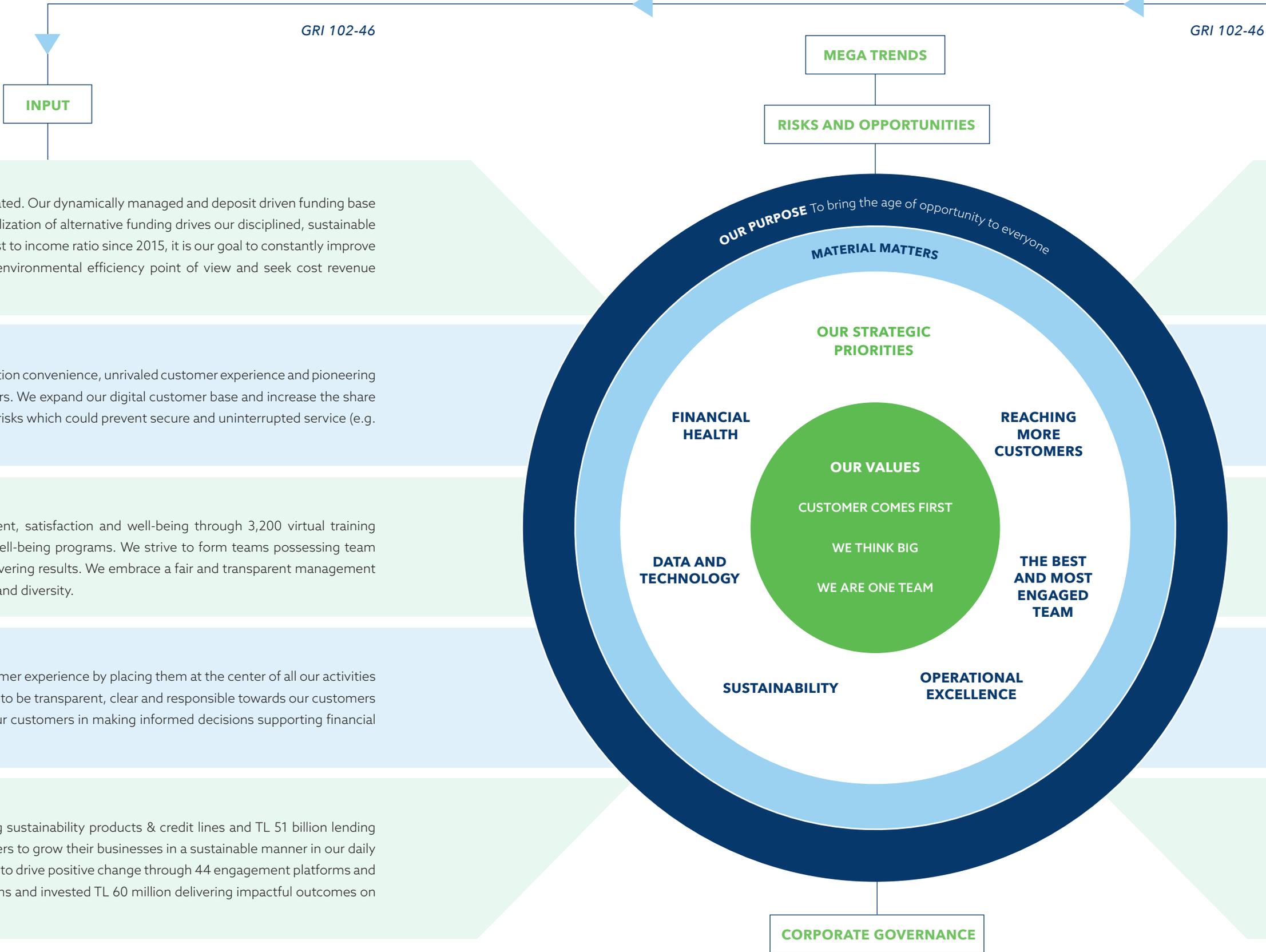
DATA AND TECHNOLOGY

- Increase the agility and strength of our technological infrastructure and platforms
- Speed up our solution processes through artificial intelligence, machine learning and big data interpretation, which is important in the day-to-day operations of the Bank
- Effectively use data analytics in various areas such as offering the right product to our customers, pricing, risk management, etc.

THE BEST AND MOST ENGAGED TEAM

- Invest in our human capital with a focus on their development, happiness and well-being in order to ensure work-life balance
- Form teams nurturing our values, possessing team spirit, acting with shared wisdom, thinking big, are socially responsible and result-oriented
- Adopt a fair and transparent management policy based on performance, focused on equal opportunities, diversity and internal promotion

Our Value Creation



FINANCIAL CAPITAL

We use capital effectively so as to maximize the value to be created. Our dynamically managed and deposit driven funding base together with well diversified funding mix and opportunistic utilization of alternative funding drives our disciplined, sustainable and capital generative growth. With a 13 points reduction of cost to income ratio since 2015, it is our goal to constantly improve our business model and processes with an operational and environmental efficiency point of view and seek cost revenue synergies.

DIGITAL & INTELLECTUAL CAPITAL

We constantly invest in digital platforms so as to provide transaction convenience, unrivaled customer experience and pioneering solution suggestions to our 9.6 million digital banking customers. We expand our digital customer base and increase the share of digital channels in our sales. We take precautions against all risks which could prevent secure and uninterrupted service (e.g. cyber threats) ensuring information security.

HUMAN CAPITAL

We invest in our employees by focusing on their development, satisfaction and well-being through 3,200 virtual training programs, an average of 31 hours of training per FTE and 7 well-being programs. We strive to form teams possessing team spirit, acting with shared wisdom, social responsibility and delivering results. We embrace a fair and transparent management policy based on performance, focused on equal opportunities and diversity.

RELATIONSHIP CAPITAL

We strive to offer our 18.8 million customers an excellent customer experience by placing them at the center of all our activities and by designing our processes from their perspective. We aim to be transparent, clear and responsible towards our customers and establish long-lived relationships built on trust. We help our customers in making informed decisions supporting financial literacy, health and inclusion through solutions we offer.

NATURAL & SOCIAL CAPITAL

We transform savings into sustainable investments by offering sustainability products & credit lines and TL 51 billion lending based on impact investment principles. We advise our customers to grow their businesses in a sustainable manner in our daily communication and initiatives tailored to their needs. We strive to drive positive change through 44 engagement platforms and 27 memberships. We focus on community investment programs and invested TL 60 million delivering impactful outcomes on material issues.

GRI 102-46

GRI 102-46

VALUE CREATED

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

FINANCIAL CAPITAL

We contributed TL 416 billion (USD 56 billion) to the economy, through cash and non-cash lending and our operations produced a Return on Average Equity of 11% and a Return on Average Assets of 1.3% with a Capital Adequacy Ratio of 16.9% and CET-I of 14.3%. Garanti BBVA's market capitalization reached TL 43.6 billion (USD 5.9 billion) at the end of 2020. We contribute to the economy and the society by paying dividends to our shareholders, salaries to our employees, invoices to our suppliers and tax revenues to governments. We make a significant contribution to public finances not only through our own tax payments, but also, through third party tax collection due to our economic activity. The total tax contribution of Garanti BBVA to public finances is disclosed voluntarily on [Garanti BBVA Investor Relations website](#).



DIGITAL & INTELLECTUAL CAPITAL

As a result of our investments in digital channels and technology, we provided uninterrupted and swift access to support the increased channel use especially during the pandemic period, protected the health and safety of our customers and employees, and achieved the highest increase in our digital customer base. The share of digital sales in total sales increased to 57%. As a pioneer in digitalization, we empower our customers with state-of-the-art digital solutions and set an example for our peers in keeping up with the latest technological advancements.



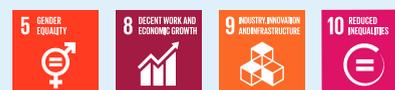
HUMAN CAPITAL

We created employment for 18,656 people and our efforts in promoting equal opportunities and enabling professional development contribute to our high employee engagement score and low turnover. With a women ratio of 40% in management levels and a variety of initiatives promoting women's advancement in their career, Garanti BBVA is the only company in Turkey having qualified for the Bloomberg Gender Equality Index four years in a row since 2017.



RELATIONSHIP CAPITAL

Our relationship with our customers is built on trust by exceeding their expectations and enhancing their satisfaction. Having the highest Net Promoter Score in SME banking and the second highest in retail banking is a result of our customer experience focus that is at the core of our business model. Our efforts in supporting financial literacy, health and inclusion resulted in touching the lives of 898,212 customers that started using savings products.



NATURAL & SOCIAL CAPITAL

Our impact investment principles and participation in financing renewable energy projects led to avoided GHG emissions of 7.2 million tonnes of CO₂e based on total operational installed capacity, while the Scope 3 footprint of our energy production portfolio is 0 in new PF commitments. Our engagement activities led to 11 policies/position papers that are issued to contribute SDGs and we invested TL 60 million in community investment programs addressing 4 different challenges. As a result of these efforts, Garanti BBVA has qualified in 10 leading sustainability indices.



Summary of the Board of Directors' Annual Report

 873  5 min  2  loans

2020 has been a year never experienced before, both socially and economically, that global economy and markets were dominated by COVID-19. Governments announced a series of support packages in an effort to mitigate the negative impacts upon economic actors. According to IMF's calculation, the financial support provided to GDP throughout 2020 was 24% in developed countries and 6% in emerging and middle-income economies. Similarly, Turkey strove to alleviate the negative impact resulting from the pandemic through an array of policies that included, the CGF packages, along with deferred collection of loans, part-time work support, deferred collection of taxes, debt restructuring and quantitative easing. Although the influence of the pandemic upon growth was felt in the 2nd quarter, loosened lockdown measures and lagging effects of supportive policies led to a quick recovery momentum from June onwards. The momentum in the economy, although somewhat softened, still remains strong, despite the pandemic-related restrictions imposed by end-November and the recent financial tightening. In this context, 2020 growth is estimated to be above 1%, which positively decouples Turkey from other emerging countries.

In the midst of this backdrop, Garanti BBVA, while preserving its asset quality on one hand, continued to extend loans to its customers under any circumstances, in an effort to help mitigate the economic impact of the pandemic on them. The Bank posted a consolidated profit of TL 6 billion 385 million in 2020. In this highly volatile year, given the prudent risk approach of Garanti BBVA, the bank set aside free provisions of TL 2 billion 150 million, and increased its total free provision reserve to TL 4 billion 650 million. Free provision adjusted return on equity was registered as 14.4% and return on assets was 1.8%.

Garanti BBVA recorded a growth of 29% in total loans in a period of high liquidity demand by the real sector. While the growth was led by TL business banking loans that registered an annual increase of 40%, consumer loans picked up in the second half of the year along with normalization. FC loans continued to shrink with the effect of declined loan demand due to volatile exchange rates. FC loans ended the year with 1% contraction.

Customer-driven deposit base continued to make up the largest portion of Garanti BBVA's diversified and dynamic funding structure. The rate of increase in customer deposit base was close to loan growth, realized at 30%. Hence, the Bank was able to preserve its LDR at 94% on a consolidated basis.

In terms of liquidity, the Bank maintained its healthy stance throughout 2020. Garanti BBVA has significantly less need for external borrowing due to shrinking FC loan portfolio since 2013. While the Bank's total external debts decreased from USD 12.4 billion to USD 8.0 billion in 2020, increased its FC liquidity buffer to USD 12.5 billion.

Despite the pressure of declined loan rates, Garanti BBVA was able to increase its Net Interest Margin (NIM) as compared to year-end 2019 on the back of its effective management of deposit costs, its diversified funding structure and the increased share of demand deposits in total deposits during the year. Today, with 5.4%, the Bank has the highest NIM (including swap costs) among its peers.

Garanti BBVA kept continually exhibiting a proactive and prudent approach to risk management. Including free provisions, it remained one of the banks setting aside the highest amount

of provisions for its loans.. Net NPL formation was negative because of deferred loans and change in NPL recognition term from 90 to 180 days, which were introduced by the regulatory authorities due to the pandemic. NPL ratio decreased to 4.5% in 2020 from 6.8% in 2019 with o the strong growth in lending, negative net additions and written-down loans. Despite the additional provisions set aside during the course of the year because of the pandemic, Net cost of risk (CoR) realized below guidance at 231bps.

The fee regulation and declined economic activity due to the pandemic resulted in relatively weaker growth in commissions. Net fees and commissions grew by 5% year-over-year in 2020. Operating expenses, on the other hand, increased by 15% in the reporting period, due to currency impact and the effect of unbudgeted fines. Excluding these impacts, OPEX growth would have been 9% in 2020, in line with the operating guidance plan.

Recognizing that the impact it creates is not restricted to banking, Garanti BBVA works with a focus on responsible and sustainable development to continuously create value for its stakeholders. Total financing extended to fields supporting sustainable development to date exceeded TL 45 billion. Since 2015, the Bank has been providing financing exclusively to renewable energy projects, mostly to wind power plants within the scope of project finance. Within this framework, Garanti BBVA will keep consolidating its pioneering position in the sector by continued extension of Renewable Energy Finance, Green Bonds, Social Bonds, Green Loans and credit products designed to ensure equality of women and men in business life. The solid balance sheet composition and the capital adequacy ratio at 16.9% that is well above the required level shelter the Bank amid the recent volatile market conditions. Its strong revenue generation capability and robust provision buffers ensures Garanti BBVA's leading position in the sector.

2020 Key Performance Indicators

 472  3 min  2  garanti

Focused on creating sustainable value for all its stakeholders, Garanti BBVA places its customers at the core of its operations with the aim of providing unrivaled customer experience. Garanti BBVA's customer-focused innovative business model enables Garanti BBVA to generate sustainable income and command a leading position in Turkish banking sector.

Blending technology and humanistic elements, Garanti BBVA 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.

Garanti BBVA employees are one of its most important assets and one of the main pillars of its strategy. Garanti BBVA aims to provide a fair working environment that encourages full utilization of employees' skills, offering a wide range of opportunities and ensuring recognition and awarding of their accomplishments.

Moreover, Garanti BBVA creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti BBVA and its stakeholders.

With its solid capital structure and focus on efficiency, Garanti BBVA preserves its sound financial structure through effective balance sheet management and sustains its contribution to the economy.

FINANCIAL HEALTH

**LEADING NET
PROMOTER SCORE**
HIGHEST IN SME
2ND HIGHEST IN RETAIL

Among peer group

**DISABLED
FRIENDLY ATMS**
5,276

99% of all ATMs

**CUSTOMERS THAT
STARTED USING
SAVING PRODUCTS**
898,212

**CUSTOMERS INFORMED
ABOUT THEIR
FINANCIAL POSITIONS**
92%

SUSTAINABILITY

**CONTRIBUTION
TO SUSTAINABLE
DEVELOPMENT**
TL 51 BILLION

(to date)

**SUSTAINABILITY
INDICES IN WHICH
GARANTI BBVA IS
INCLUDED**
10

**INVESTMENT
IN COMMUNITY
PROGRAMS**
TL 60 MILLION

**% OF LOANS WITH
ESG PROVISIONS IN
LOAN AGREEMENTS**
100%

THE BEST AND MOST ENGAGED TEAM

EMPLOYEE
ENGAGEMENT SCORE
71

WOMEN EMPLOYEES
IN DECISION MAKING
POSITIONS
40%

HIGH PERFORMER
TURNOVER
1.6%

33,000 participants in
3,200 virtual training
programs

OPERATIONAL EXCELLENCE

RETURN ON AVERAGE
ASSETS
1.3%

COST / INCOME
36.5%

RETURN ON AVERAGE
EQUITY
11.0%

SHARE OF DIGITAL
SALES IN TOTAL SALES
BASED ON PRODUCT
RELATIVE VALUE
57%

NON-PERFORMING
LOANS RATIO
4.5%

DIGITAL
TRANSACTIONS IN
NON-CASH FINANCIAL
TRANSACTIONS
97.4%

CAPITAL ADEQUACY
RATIO
16.9%

CUSTOMER CONTACT
CENTER
Leader in the sector with
96.8% Call Response
Rate and **76.8%** Service
Level

COMMON EQUITY
TIER 1 RATIO
14.3%

DATA AND TECHNOLOGY

PROGRAMS FOR
RAISING AWARENESS
OF CUSTOMER PRIVACY
AND INFORMATION
SECURITY
12

VALUE-ADDED
PROJECTS USING BIG
DATA AND MACHINE
LEARNING
41

EMPLOYEES
PARTICIPATING IN
CYBERSECURITY
TRAINING
99%

NUMBER OF QUERIES
ANSWERED BY
CHATBOT BILGE
(THE WISE)
321 THOUSAND

NUMBER OF ROBOTIC
PROCESS AUTOMATION
IN PRODUCTION
44

REACHING MORE CUSTOMERS

GROWING CUSTOMER
BASE EFFECTIVELY
18.8 MILLION
Customers chose Garanti
BBVA, Active digital
customers increased to
9.6 MILLION

Yearly transactions
performed through
internet and mobile
banking channels
580 MILLION

AMOUNT OF CARDLESS
TRANSACTIONS VIA
GARANTI BBVA ATMS
EXCEEDED
TL 50 BILLION

SHARE OF ACTIVE
CUSTOMERS
USING DIGITAL
BANKING
79.2%