

INTEGRATED ANNUAL REVIEW 2020



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to Words...'*

INTEGRATED ANNUAL REVIEW 2020

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Garanti BBVA provides an overview of the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "Integrated Annual Review 2020".

To access Integrated Annual Report 2020 that includes detailed financial and non-financial performance, approach to corporate governance and risk management, please visit www.garantibbvaannualreport.com



Foreword

'THE MEANING WE ATTACH TO WORDS...'

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

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

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

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

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

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

About the Report

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

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

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

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

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

GRI 102-45, 102-49

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

INTRODUCTION

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

ABOUT GARANTİ BBVA

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

OUR VALUE CREATION

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

OUR 2020 MATERIAL ISSUE: COVID-19

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

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

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

CORPORATE GOVERNANCE

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

GRI 102-45, 102-49

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

FINANCIAL REPORTS AND APPENDICES

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



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

INTRODUCTION

CANAN ÖZSOY
Independent
Board Member



RECEP BAŞTUĞ
President & CEO



SEMA YURDUM
Independent
Board Member



SÜLEYMAN SÖZEN
Chairman



M. CÜNEYT SEZGİN, PH.D.
Board Member



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TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9 Levent 34330 İstanbul
Tel +90 212 316 6000 Faks +90 212 316 6060
www.kpmg.com.tr

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH TO THE SHAREHOLDERS OF TURKIYE GARANTI BANKASI ANONİM ŞİRKETİ

QUALIFIED OPINION

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

BASIS FOR QUALIFIED OPINION

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

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

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

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

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

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



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

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Murat Alsan, SMMM, Partner
4 March 2021
İstanbul, Turkey



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Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9 Levent 34330 İstanbul
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INDEPENDENT LIMITED ASSURANCE REPORT

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

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

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

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

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

MANAGEMENT'S RESPONSIBILITIES

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

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

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

OUR RESPONSIBILITIES

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

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

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

PROCEDURES PERFORMED

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

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



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

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

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

INHERENT LIMITATIONS

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

CONCLUSION

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

RESTRICTION OF USE OF OUR REPORT

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Şirin Soysal, Partner
İstanbul, 4 March 2021

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

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

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report does not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,
- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report honestly reflects the progress and the performance of the business and the financial position of the Bank together with the significant risks and the uncertainties faced.

Sincerely,

RECEP BAŞTUĞ
GENERAL
MANAGER

AYDIN GÜLER
EXECUTIVE VICE
PRESIDENT

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

**AVNİ AYDIN
DÜREN**
AUDIT COMMITTEE
MEMBER

**BELKIS SEMA
YURDUM**
AUDIT COMMITTEE
MEMBER

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

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

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report do not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,
- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report honestly reflect the truth relating to the Bank's assets, liabilities, financial position, profits and losses.

Sincerely,

RECEP BAŞTUĞ
GENERAL
MANAGER

AYDIN GÜLER
EXECUTIVE VICE
PRESIDENT

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

**AVNİ AYDIN
DÜREN**
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Message from Charles Tilley

 167  1 min  1  reporting

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

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

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



CHARLES TILLEY

CEO, INTERNATIONAL INTEGRATED REPORTING COUNCIL

Letter from the Chairman

 609  4 min  2  year

Dear Stakeholders,

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

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



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

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

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

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

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

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



SÜLEYMAN SÖZEN
CHAIRMAN

Letter from the CEO

 1,603  9 min  3  growth

Dear Stakeholders,

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

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

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

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



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

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

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

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

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

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

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

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

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

FOR 2021 AND THEREAFTER...

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

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

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

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

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

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



RECEP BAŞTUĞ
PRESIDENT, CEO

ABOUT GARANTI BBVA

EBRU DİLDAR EDİN

Executive Vice President -
Corporate, Investment Banking
and Global Markets



UTKU ERGÜDER

CEO - Garanti
BBVA Securities



ÇAĞRI SÜZER

CEO - Garanti BBVA
Payment Systems



SİBEL KAYA

Director - Talent
and Culture



MURAT ATAY

CEO - Garanti BBVA Mortgage



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watch the video.

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TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

The Environment We Operate In

 3,510  18 min  6  economy

2020 MACROECONOMIC OVERVIEW AND 2021 OUTLOOK

BINDING UP THE WOUNDS INFLICTED BY THE PANDEMIC

The COVID-19 virus that grew into a worldwide pandemic bore an unprecedented negative impact upon global economy. All countries were forced to implement significant lockdown measures to try and stop the pandemic. These measures and the pandemic itself negatively affected all the economic actors, with the services sector being hit the most. In an effort to minimize the negative implications, governments introduced orthodox and unorthodox expansionary fiscal policies (direct cash transfers, credit support, deferred tax collections, etc.) and monetary policies (low interest rates, quantitative easing). According to calculations by the IMF, fiscal support extended throughout 2020 amounted to 24% of GDP in developed countries, whereas it was 6% in emerging market and middle-income economies.¹ Despite these accommodative policies, all economies suffered significant shrinkage in the second quarter of the year. Although asymmetrical across different countries, global economic activity recovered quickly as higher social distancing measures were eased and expansionary economic policies were implemented. In the last quarter of the year, however, the second wave of the pandemic gave rise to more-than-expected negative results particularly in Europe and the US, leading to new lockdown measures although more moderate than the ones in April. This poses a risk on economic activity in the short term. On the other hand, downside risks can be balanced owing to the fact that several high-efficacy vaccines

were obtained by the end of 2020 and vaccination commenced more rapidly than anticipated, particularly in developed countries. All in all, we are estimating 2.6% contraction of global economy in 2020. In 2021, we are projecting 5.3% rise with the anticipated momentum gain of economic activity as a result of the positive base effect and loosened lockdown measures as vaccination reaches broader populations. In a similar vein, the IMF and the World Bank² also project 5.5% and 4% growth for global economy in 2021, respectively.

Through extremely strict measures, the government in China, ground zero of the pandemic, took the illness under control in April, and reversed the shrinkage in the economy in the first quarter of the year to positive growth in the second quarter with the help of expansionary policies, and particularly of public investments. Notwithstanding, the Chinese economy grew 2.3%, well below its historic average, in 2020. In 2021, we are projecting the Chinese economy to grow by 7.5% with the positive base effects, the sustained accommodative monetary policy and a fiscal policy focused on productivity. On the other hand, the economic impact of the pandemic in Europe and the US has been much deeper. Despite strong fiscal and monetary policies (direct cash transfers, loan packages and quantitative easing, etc.), the US economy narrowed down by 9% on an annual basis in the second quarter of the year, while the Eurozone economies contracted by 11.4%. Although a fast recovery followed in the third quarter upon the easing of restrictions on socialization during the summer, the second wave of the pandemic resulted in a more moderate growth outlook in activity in the last quarter. Eurozone economies shrank by

7% in 2020, while the US economy contracted by 3.5%. We forecast that Eurozone might end 2021 with still a relatively weaker growth rate of 4.1%. Likewise, we are estimating the US economy to grow by 3.6% in 2021. Even though a high growth rate is anticipated in emerging countries in general in 2021 due to the positive base effects, secondary implications of the pandemic such as sustained high unemployment rates are expected to keep the negative output gap alive.

The stress in financial markets quickly increased because of the uncertainties that stemmed from the evolution of the illness into a worldwide pandemic. This situation decreased risk appetite, in turn, leading to sharp capital outflows from emerging countries. On the other hand, developed economies in particular and all countries in general implemented expansionary monetary and fiscal policies encompassing unorthodox policies in an effort to mitigate the deep economic impact of the pandemic. In addition to these policies, somewhat control secured over the pandemic toward the summer abated the stress upon financial markets, but the prudent stance was maintained. To counter the ongoing negative effects of the pandemic, the monetary policy in developed countries will likely remain accommodative for a long time to come, while the fiscal policy is expected to continue likewise in 2021. Faster-than-expected commencement of vaccination and the anticipated recovery in economic activity indicate at a possible -but probably asymmetrical- acceleration of capital inflow to developed countries in the period ahead.

With respect to risks, the effect of the pandemic upon the world economy remains uncertain. This outlook might be altered in connection with the vaccine supply and efficacy, and hence how soon lockdown measures can be lifted. Therefore, any negative development could trigger bankruptcies in numerous sectors with the service industry taking the lead among them, reduced employment and financial stress. In addition, uncertainties in relation to the worldwide expansionist effects of the pandemic, such as low demand, weak tourism and capital flows, might live on.

ANTICIPATED REBALANCING IN THE TURKISH ECONOMY

In Turkey, the government strove to mitigate the negative effect stemming from the pandemic by way of various tools including credit support, direct cash transfer to low-income households, deferred tax collections, debt restructuring and quantitative easing. Yet, due to the nature of the shock, the Turkish economy was significantly affected, and narrowed by 9.9% annually in the second quarter of the year. On the other hand, loosened lockdown practices and the lagging effects of supportive policies created a quick recovery momentum as of June, and the Turkish economy offset the negative course of the second quarter by registering an annual growth of 6.7% in the third quarter of the year. All in all, annual growth as of the end of the first three quarters was 0.5%. Lead indicators for the last quarter and big data activity indicators we have generated based on the Bank's micro data point that the momentum in the economy still remains strong, although somewhat softer, despite the restrictions imposed in connection with the pandemic as of end-November. In this context, annual growth for 2020 could be registered somewhere between 1.5-2%. Lately, the messages implied following the change in the country's economy administration and the measures adopted on the side of the monetary policy coupled with the banking sector led particularly by the Central Bank of the Republic of Turkey (CBRT) secured a decrease in the country risk premium, and therefore, long-term interest rates. From this angle, we are assuming that the downside risks that will result from tight financial conditions upon growth in the coming period might be compensated with the existing strong growth momentum, positive base effects, declined risk premium, and the anticipated continued recovery of the world economy that might lend support to capital flows to emerging markets. Therefore, in the absence of an extremely serious additional negative shock, we forecast 5% growth for 2021. We are anticipating growth to be recorded as 4.5% in 2022 and to converge on its potential of 4% in 2023 and thereafter.

In conjunction with the shock, the inflation outlook deteriorated due to the cost-side pressures resulting from the idle capacity

¹ IMF Fiscal Monitor, October 2020

² IMF January 2021 World Economic Outlook, World Bank January 2021 Global Economic Prospects

particularly in the services industry, risk-averse tendency stemming from global uncertainties, tumbling exchange rate as a result of the dollarization that increased with worsened expectations of economic actors, the rise in commodity prices, and the negative course in food prices. In November and December, the inflation hiked with the lagging effects in exchange rate pass-through and growing cost-side pressures, and ended 2020 at 14.6%. In 2021, we are anticipating that the inflation will rise until April due to the negative seasonal effects and cost-side pressures, converging on 15%, and then will end the year around 10.5% after declining in connection with the positive base effect and recovery in anticipations assuming a balanced outlook in exchange rate. Presuming that the CBRT will keep implementing the monetary policy so as to back the decline in inflation and that the loss of value in exchange rates will remain moderate, inflation might go down to the order of 9% in 2022.

The CBRT carried on with rate cuts for a while as global interest rates declined as part of the combat against the negative effects of the pandemic, and backed this policy with quantitative easing. In addition, the CBRT made use of required reserve policies based on real credit expansion as a macroprudential policy. In the second half of the year, the value loss in financial assets resulting from global uncertainties and increasing vulnerabilities (higher risk premium, toppled exchange rates, etc.) negatively affected financial stability as well as inflation outlook. To counter these negative effects, the CBRT increased average funding cost and initiated monetary tightening. The quick transformation on the part of monetary policy accompanying the recent change in economy administration turned the policy rate into the one and only instrument. In this vein, the policy rate was increased by 475 basis points in November and set as 15%, slightly above the funding cost that already neared 14.8%. In addition, certain expansionary macroprudential policies were eliminated. On the other hand, messages implying that the combat against inflation was given priority through coordinated operation of fiscal and monetary policies softened the negative effect on asset prices to some extent. The CBRT increased the policy rate by another 200 basis points in December in an effort to positively influence the

increased short-term risks on inflation and projections, bringing the policy rate up to 17%. Long-term interest rates fell down with the rebalancing in exchange rate and declined risk premiums. In the period ahead, we believe that the CBRT will preserve its current policy rate until the last quarter of 2021, being in line with our inflation projection. We are expecting the CBRT to implement cautious rate cuts along with the declined inflation in the last quarter of the year and the policy rate to end 2021 at 14%. In 2022, the policy rate might fall down to the order of 11% provided that the inflation drops to single-digit figures.

External balance, on the other hand, began to deteriorate rapidly due to the shrank external demand and weak tourism revenues resulting from the pandemic. The deterioration was further accelerated by imports that remained strong with the supported domestic demand and the rocketed gold imports in connection with the increased demand for gold. Hence, as current account balance produced a 0.9% surplus over GDP, it was reversed to 5.3% deficit in November. According to lead foreign trade data, we are anticipating that the degradation in current deficit will continue in December and we are forecasting the end-2020 ratio in the order of 5.5%. In the year ahead, the lockdown measures introduced against the second wave of the pandemic might give rise to negative effects with respect to tourism revenues and exports alike in the short-term. On the other hand, to the extent that vaccines increasing in efficacy are implemented rapidly, external demand might revive sooner than expected, and the anticipated cooling in domestic demand with tightened financing terms might pull down the import demand. Based on these assumptions, the ratio of current deficit to GDP might decline to 2.5% at year-end 2021.

The budgetary balance, on the other hand, suffered a rapid worsening in the summer months due to the expansionary monetary policies (increased expenditures, deferred tax collections and weak tax revenues stemming from decelerated activity) implemented against the pandemic. Later, expenditures were cut to some extent with the recovery in economic activity. As a consequence, the budget deficit was almost 3.5% of GDP

at the end of 2020 as economic activity turned out to be stronger than projections. In 2021, we are expecting a restricted fiscal consolidation, and tax revenues to be backed by recuperated activity. Therefore, we are forecasting that the deterioration of the budget deficit in 2021 will be limited and its ratio to GDP will be around 3.6%.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH ECONOMY

The country's geopolitical position and the dynamic population continues to act as the biggest strengths of the Turkish economy. The advantageous positioning of Turkey hands major opportunities in various sectors including transportation, energy and tourism. Turkey preserves its status as an important hub for the shipment of oil and gas particularly from the Middle East and surroundings to Europe; the projects carried out to date such as the TurkStream add to this muscle. The plans announced by the government particularly in the fields of energy (the plan for the involvement of the Turkey Wealth Fund in fixed capital investments in the fields of petrochemistry, mining, and energy generation from domestic resources), tourism (Tourism Master Plan) and transportation (Logistics Master Plan) will allow the country to capitalize better on the advantages emanating from her geopolitical position.

The fact that Turkey's demographic structure continues to grow and has a young composition, i.e. population ageing is slower than in other countries, presents a big window of opportunity for the period ahead. According to TurkStat's base projections, the population is expected to grow by 1% on average by 2030. As opposed to the negative growth in Europe and the CEEMEA region, the population in Turkey is anticipated to reach 93 million in 2030. In addition to that, median age is 32.3 according to 2019 data, which manifests a highly younger population versus other countries (40 years in developed countries). Furthermore, with the weak labor force participation rate in women, overall labor participation rate still remains low. On the other hand, some recent studies in certain developed countries indicate that the current risk of automation created by digitalization

and automation upon existing employment ranges between 54% to 64%. Therefore, these indicate at a possible significant contribution to the potential growth of the Turkish economy in connection with the population's being supported with a possible reform in the education system in alignment with the digital age.

The high dependence of production on intermediate goods imports in Turkey and her continued place in the lower part of the global supply chain result in higher trade and current account deficit. Consequently, while current account surplus was generated due to cyclical reasons in 2019 (ratio to GDP: 0.9%), this ratio degraded significantly due to weak goods exports, low tourism income and continued expansion in imports because of the domestic demand that remained strong, and turned into a current account deficit of 5.5%. For this reason, the situation got worse by the capital outflows during the reporting period in view of the risks in the world economy. Therefore, it is critical for Turkey to bolster capital inflows by way of accurate policies as and when the risk appetite will have normalized in 2021 and thereafter. The current situation and projections might secure continued capital inflow to developing economies by ensuring the cost of financing and liquidity in financial markets to remain accommodative. On another note, striving to take place in the high added-value part of the global value chain will be significant in terms of providing structural transformation in the current account balance. Other important considerations for the solution of the problem include branding, apart from production, and brand management steps. Finally, the economy administration has already begun implementing some structural reforms such as increasing savings tendencies and attempting to lower intermediate goods imports by replacing them with domestic production. Furthermore, it is a known fact that the current deficit substantially stems from energy dependency. Therefore, pursuing alternative domestic energy resources will also be supportive in this sense.

Fiscal discipline has long been an important anchor for the Turkish economy when compared with other countries. Hence,

the recently growing FX share within the composition of the public debt stock has been worrisome as much as the recent rapid expansion of the budget deficit. On the other hand, the general government debt stock to GDP ratio has been meeting the EU Maastricht Criteria of 60% since 2004. For this reason, providing financial consolidation in a manner to support the fight against inflation once the effects of the pandemic are cleared might eliminate these concerns. The inflation that increased to double-digit numbers as a result of the recent shocks and increased volatility in inflation pose a challenge with respect to the economy, as they diminish predictability and welfare level. In this respect, the change in the economy administration and the recent measures that followed might reverse this tendency.

The real sector's open FX position that remains high as compared with emerging countries results in vulnerability to external shocks. Continued decrease in the external debt of the private sector after the exchange rate shock of 2018 also somewhat alleviated the problem. However, the current outlook might increase exchange rate volatility during a turbulence in global financial markets and continue to deepen the vulnerabilities against external shocks. Therefore, together with the program initiated to increase savings, both external financing needs and vulnerabilities in the economy could be diminished as the government continues to implement the essential structural reforms.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH BANKING SECTOR

The Turkish banking sector is strictly regulated and highly monitored by two powerful agencies; the Banking Regulation and Supervision Agency (BRSA) and the Central Bank of the Republic of Turkey (CBRT).

According to the BRSA sector data as of December 2020, there are 52 banks operating in Turkey (29 private commercial banks, 3 state-owned deposit banks, 14 development and investment banks, 6 participation banks). The top seven banks, three of

which are state-controlled, are holding 71% of the banking sector's total assets, loans and deposits in Turkey. The current fragmented structure presents future opportunities for mergers and acquisitions between the banks.

The fact that 54% of Turkey's population is younger than 35 years old is one of the key indicators of the growth dynamic of the Turkish banking sector. The Turkish banking sector had a cumulative average growth rate of 21% in total assets since 2002. Sustainable credit growth is considered around 15%, given the population dynamics and the banking penetration levels. However, above-projected credit growth occurred as a result of the additional loan packages that were introduced due to the COVID-19 pandemic and the relatively low interest rate environment that dominated the most part of the year in 2020. In 2021, credit growth is expected to be normalized at 15%.

Another driver behind the growth of the Turkish banking sector is the high liquidity and solid capital structure of the banks. The Turkish banking sector is in compliance with Basel III guidelines. An in-depth analysis of the capital structure of Turkish banks exhibits that the banking sector's capital is mainly made up of Common Equity Tier I capital (as high as 77%), namely paid-up capital, legal reserves, profit for the period and retained earnings. It is just the opposite, however, for European and US banks.

BRSA has been monitoring the liquidity position of the banks closely. Liquidity Coverage Ratio requires banks to carry high quality liquid asset reserve sufficient to cover their net cash outflows and the ratio is well above the required levels indicating at Turkish banks' solid liquidity position. Customer deposits constituting 57% of the total assets serve as the main source of funding of the Turkish banking sector. However, average maturities of deposits are mostly 1 to 2 months due to the high inflation/high interest period in Turkey's past. Given this short-term nature of deposits, maturity mismatch is unavoidable for the Turkish banking sector. As a result, faster deposits pricing

occurs versus loan pricing. As observed from the second half of 2020, this situation could exert short-term pressures upon the Net Interest Margin (NIM) amid increased funding costs. Against this volatility in interest rates, the Turkish banking sector invests in CPI-linkers in order to hedge their balance sheets.

The uptrend in inflation in 2020, particularly in the last quarter of the year, drove the returns on CPI-linkers upwards as compared to 2019. This helped the returns on CPI-linkers to support NIM despite the rise in funding costs. Also in 2021, higher growth and anticipated rate cuts towards the end of the year will possibly support NIM.

The sector funds 16% of its assets from foreign currency external funding resources. As Turkish banks do not fund their long-term loans such as project finance loans or mortgages with short-term deposits, they turn to long-term borrowings from international markets. While that indicates at the sector's sensitivity to external developments, the Turkish banking sector's dependence on external borrowing decreased from 2017 given the slumped demand for long-term FC loans and their redemption, and it will continue to do so.

As a result of the economic activity that decreased because of the virus, asset quality continued to be a matter of importance for the sector in 2020. However, the vaccine and other developments are anticipated to lead to revival in economic activity and betterment in asset quality in 2021.

Source: BRSA monthly data of December 2020 were used for sector data. Population data are based on TurkStat's Address-Based Population Registration System Results on 31 December 2019.

Corporate Profile

574 3 min 1 garanti

Established in 1946, Garanti BBVA is Turkey's second largest private bank with consolidated assets of close to TL 541 billion (USD 73.3 billion) as of December 31, 2020.

Garanti BBVA is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

Its custom-tailored solutions and wide product variety play a key role in reaching TL 416 billion (USD 56.3 billion) performing cash loans and non-cash loans. Garanti BBVA's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. The Bank has a leading position in key banking service areas:

- With 18 million retail customers, Garanti BBVA has 11.7% market share in consumer loans. The Bank has a leading position in Mortgage, credit card business and auto loans.
- The Bank has 9.6% of FC loans market share.
- In TL business banking loans, with 8.3% market share, Garanti BBVA ranks #2 among private banks
- Subsidiaries contribution to assets is 12%.

Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti BBVA has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares are publicly traded in Turkey, and its depositary receipts in the UK and the USA. Garanti BBVA has an actual free float of 50.07% in Borsa Istanbul as of December 31, 2020.

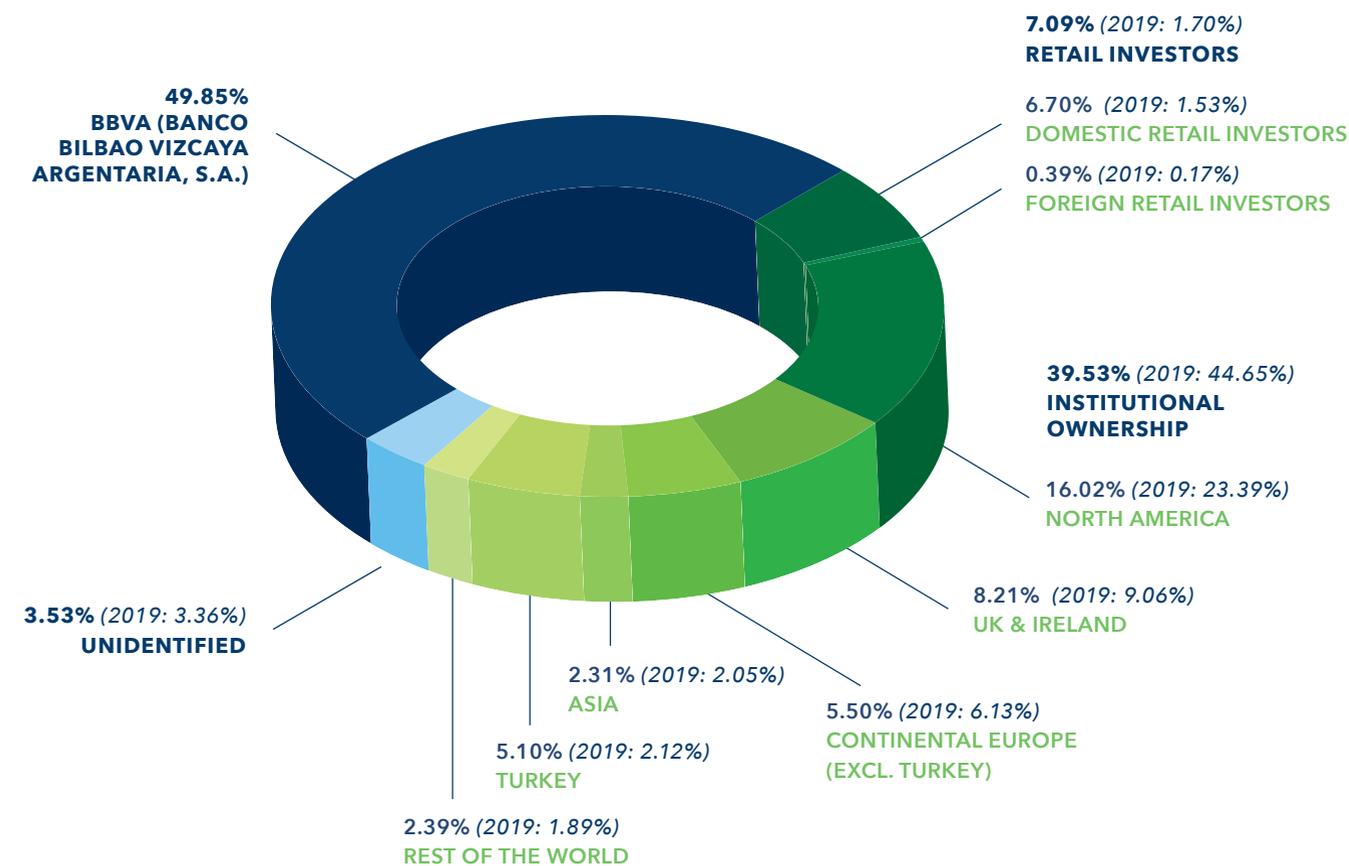
Garanti BBVA's purpose is to bring the age of opportunity to everyone, and with this purpose the Bank works to create value

for all of its stakeholders. In the light of strategic priorities; the Bank focuses on improving the customers' financial health by providing advice and actionable insights to them. The Bank puts emphasis on influencing decision-makers and other players in the sector regarding sustainability and making sustainability as mainstream. 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.

Garanti BBVA constantly improves its business model and processes with operational excellence priority and keeps a close eye on financial and non-financial risks. In order to accelerate and drive its value creation; the Bank continues to focus on reaching more customers by being wherever customers are. As of December 31, 2020, Garanti BBVA provides a wide range of financial services to its almost 19 million customers with 18,656 employees through an extensive distribution network of 884 domestic branches, 7 foreign branches in Cyprus and one in Malta, and 2 international representative offices in Düsseldorf and Shanghai. Garanti BBVA offers an omni-channel convenience with seamless experience across all channels with 5,309 ATMs, an award winning Customer Contact Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Data, technology and "best and engaged team" are the key accelerators of strategy. The Bank continuously invests in robust and reliable technology, leverages advanced data analytics and artificial intelligence. Recognizing that human capital is the driving force behind all progress, the Bank builds systems to recruit, train and develop young and innovative individuals on a continuous basis, to provide a working environment that encourages full utilization of employees' skills, offers a wide range of opportunities and ensures recognition and awarding of their accomplishments.

Garanti BBVA Shareholding Structure



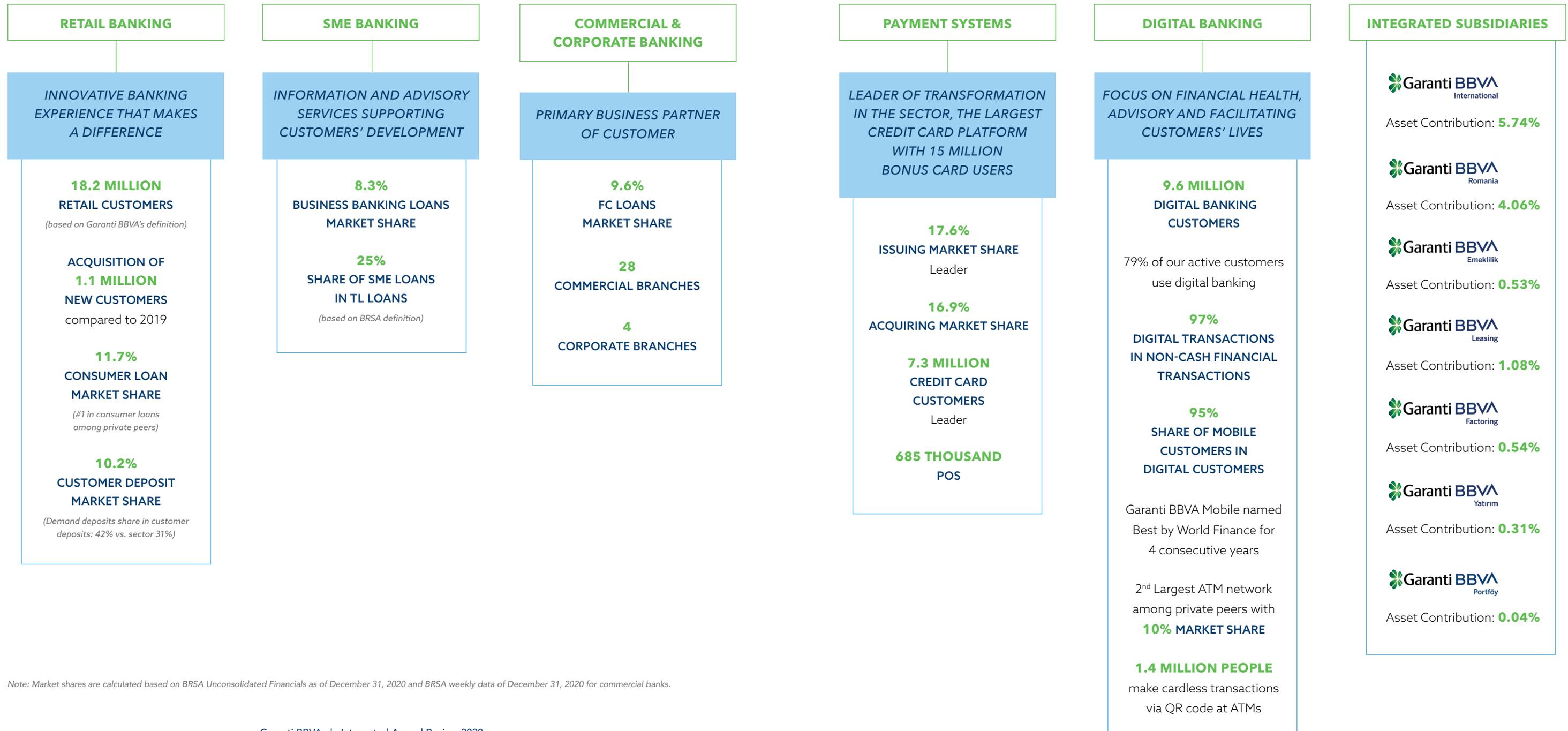
INSIDER HOLDINGS: The chairman, members of the Board of Directors, the CEO and the Executive Vice Presidents are allowed to own publicly-traded shares of Garanti BBVA in accordance with the limitations set out in Capital Markets Board regulations and the internal regulations of the Bank; their transactions in Garanti BBVA shares are publicly disclosed pursuant to Capital Markets Board regulations.

NOTE: There is no ultimate non-corporate controlling shareholder holding more than 5% share in the shareholding structure. Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated December 2020; the actual free float ratio and the share of local individual shareholders are all based on Central Registry Agency data.



Detailed information on the shareholding structure of Garanti BBVA is available in the section **Garanti BBVA Share**.

Garanti BBVA's Position in the Business Areas



Note: Market shares are calculated based on BRSA Unconsolidated Financials as of December 31, 2020 and BRSA weekly data of December 31, 2020 for commercial banks.

Garanti BBVA Integrated Financial Services Group

666 4 min 2 total

CONTRIBUTION OF OUR SUBSIDIARIES TO NET INCOME



A year-over-year growth of 23% is budgeted for the 2021 net income of our subsidiaries.¹

Garanti BBVA Romania



Garanti BBVA Romania (GBR) and its two subsidiaries, Motoractive (Leasing) and Ralfi (Consumer Finance), continue to offer services in all business lines to approximately 430 thousand customers in Romania with 1,117 active employees² and 121 branches in total.

In terms of asset size, GBR is the 10th biggest bank in Romania.³ Having 2.6% market share in total loans, the bank enjoys a pioneering position driven by the brand equity of Bonus as it controls 5.6% market share in the number of POS devices and 5.5% market share in credit cards.

The Best Consumer Digital Bank in Romania according to Global Finance

ASSET CONTRIBUTION: 4.1%

¹ Based on BRSA consolidated financial statements

² Refers to the number of actively working personnel as of the end of the year, excluding employees on unpaid time-off due to maternity leave etc.

³ The National Bank of Romania data as of 3Q20

Garanti BBVA International



Garanti BBVA International is a mid-sized European bank established in Amsterdam, the Netherlands in 1990.

Offering financial solutions in the areas of trade and commodity finance, corporate banking and global markets to its commercial and corporate customers, GBI furnishes retail banking services in the Netherlands and Germany.

CAPITAL ADEQUACY RATIO: 23.88%

ASSET CONTRIBUTION: 5.7%

Garanti BBVA Leasing



Established in 1990 to engage in leasing activities in Turkey and abroad, Garanti BBVA Leasing serves its clients in Turkey through its 13 branches, Garanti BBVA branch network, call center, its website, mobile site and social network channels. In addition to its contribution to the Bank's BRSA consolidated financials, the Company continues to create value through its 100% owned subsidiary Garanti BBVA Fleet, which ended the year 2020 generating TL 313.6 million in profits.

TOTAL ASSETS (UNCONSOLIDATED): TL 5.846 MILLION

TOTAL ASSETS (CONSOLIDATED): TL 8.613 MILLION

CAPITALIZATION NEW

BUSINESS VOLUME: TL 2.086 MILLION

ASSET CONTRIBUTION: 1.1%

Garanti BBVA Pension and Life



Established in 1992 as a life insurance company, the company expanded its scope with private pension operations in 2002.

The most preferred private pension company in terms of the total number of PPS participants⁴

The most profitable private pension company in terms of pension technical profitability⁵

TOTAL PPS FUNDS: TL 22.779 MILLION

TOTAL PPS PARTICIPANTS: 1.9 MILLION

ASSET CONTRIBUTION: 0.5%

Garanti BBVA Securities



Established in 1991, Garanti BBVA Securities is among Turkey's leading brokerage houses in brokerage and investment banking services in domestic and overseas capital markets, as well as in advisory services for investments, company mergers and acquisitions, public offerings, corporate bond issues and privatization.

Garanti BBVA Securities furnishes brokerage and investment banking service in domestic and overseas capital markets to investors with its extensive distribution network, superior technology, powerful brand image, experienced teams, innovative character and solid shareholding structure.

EQUITY MARKET SHARE: 5.7% (#4)

DERIVATIVES MARKET SHARE: 5.9% (#4)

NET PROFIT: TL 492.9 MILLION

MODEL PORTFOLIO OUTPERFORMED THE INDEX BY: 19%

ASSET CONTRIBUTION: 0.3%

Note: Unless otherwise specified, based on year-end financial data.

⁴ Sum of Voluntary PPS + Auto Enrollment PPS according to Pension Monitoring Center data as of 31 December 2020

⁵ According to Insurance Association of Turkey data as of 30 September 2020

Garanti BBVA Factoring



Established in 1990, the company offers service through 11 branches in cities across Turkey. It develops innovative products and services aligned with customer needs on the back of its constantly invested-in technology, customer-oriented approach to service, and expert team.

Garanti BBVA Factoring is included in Borsa İstanbul's Corporate Governance Index with a Corporate Governance Rating of 9.42/10.

TOTAL ASSETS: TL 2.9 BILLION

BUSINESS VOLUME: TL 13.5 BILLION

TOTAL NUMBER OF FACTORING TRANSACTIONS: 36,784

ASSET CONTRIBUTION: 0.5%

Garanti BBVA Asset Management



Established in 1997 as Turkey's first asset management company, Garanti BBVA Asset Management provides services in the management of Mutual Funds, Pension Funds, and Discretionary Portfolios with its consistent asset management performance, comprehensive research activities, robust risk management and pioneering products.

Garanti BBVA Asset Management ranks 5th in the sector with a total mutual funds size of TL 9.9 billion and 6.9% market share. In pension funds, it is the 5th company with the highest amount of funds under its management among portfolio management companies with TL 21.3 billion in total funds managed and 12.5% market share.

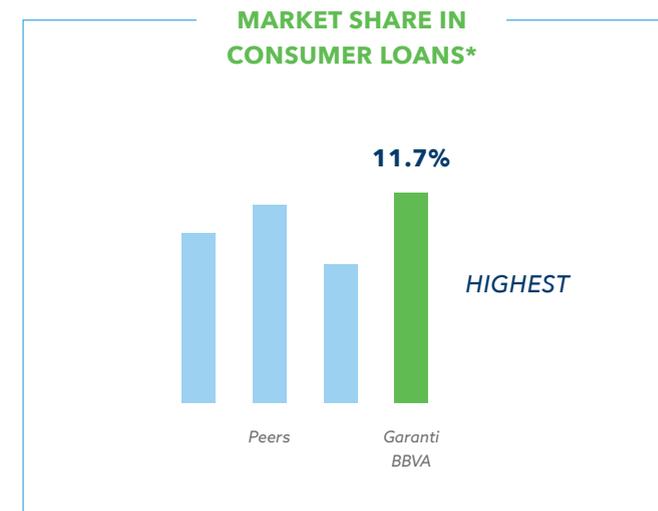
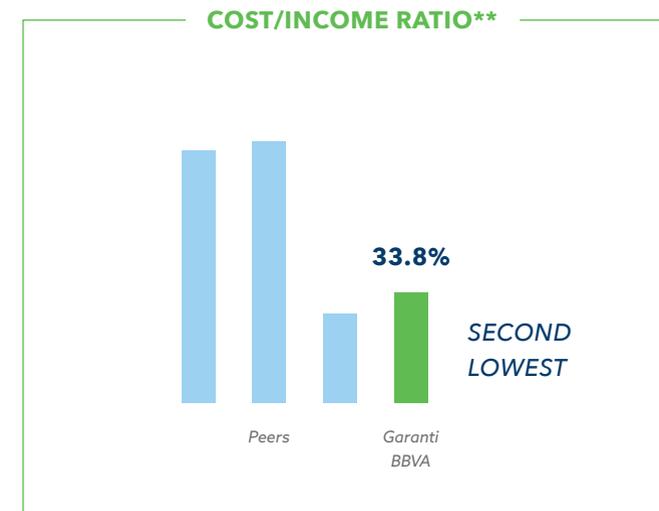
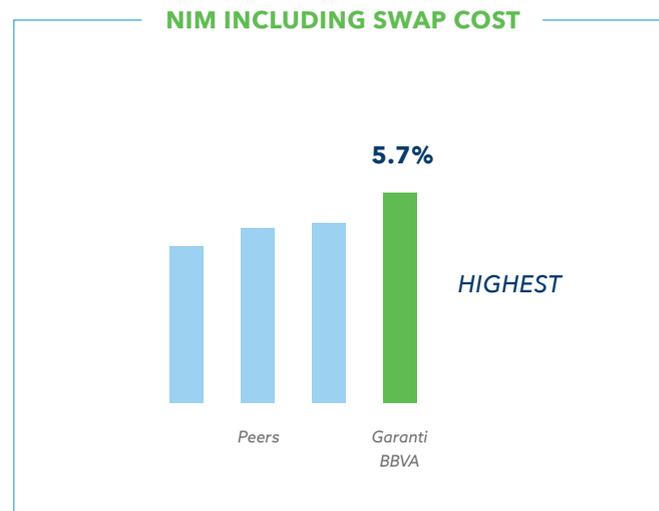
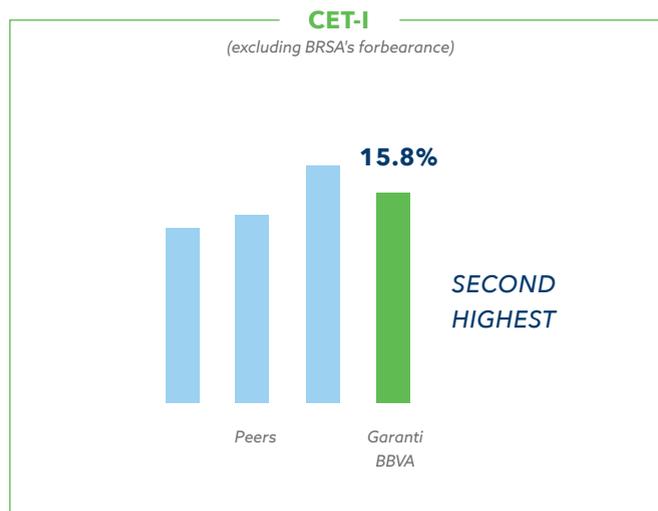
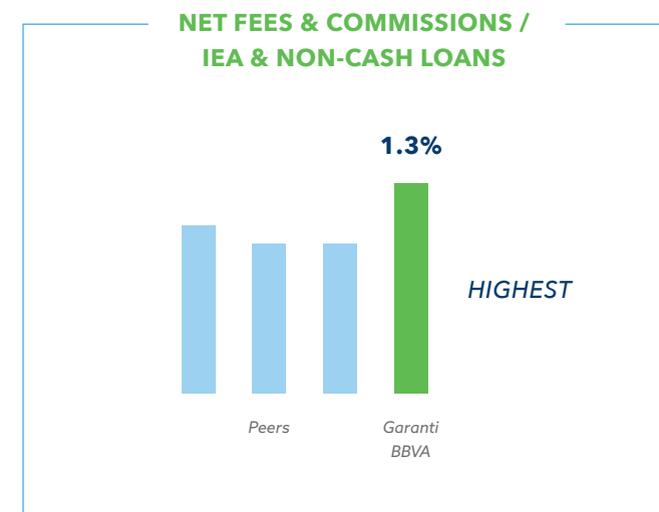
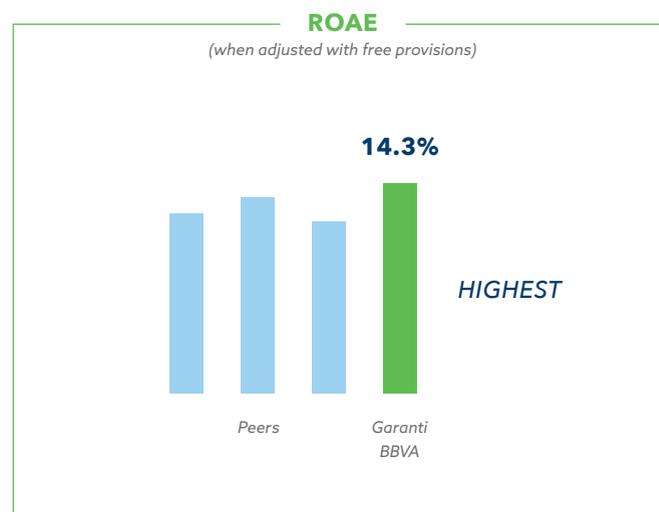
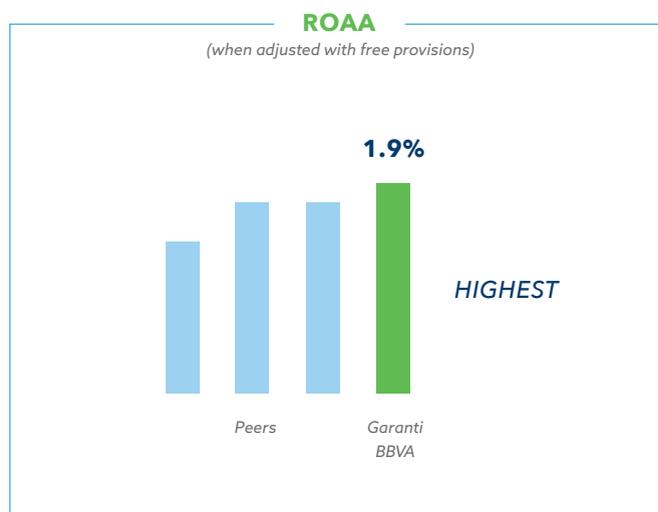
TOTAL ASSETS UNDER MANAGEMENT: TL 32.2 BILLION

TOTAL MUTUAL FUNDS: TL 9.9 BILLION

TOTAL PENSION FUNDS: TL 21.3 BILLION

ASSET CONTRIBUTION: 0.04%

Garanti BBVA's Position in the Sector



Note: Figures are per December 2020 BRSA Bank-only financials for fair comparison. Peer banks include Akbank, İşbank and YKB.

* Based on BRSA weekly data as of December 31, 2020, for commercial banks only.

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

Garanti BBVA in Numbers

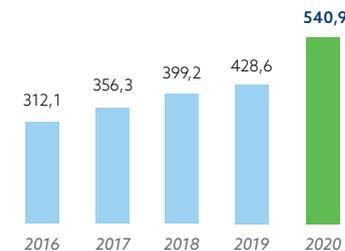


* Active customers on - min. 1 login per quarter.

** Includes shared and virtual POS.

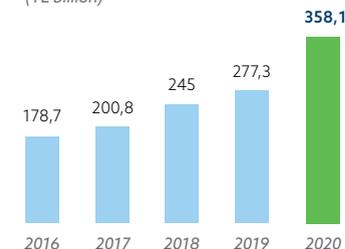
ASSETS

(TL billion)



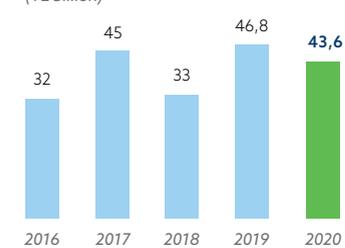
DEPOSITS

(TL billion)



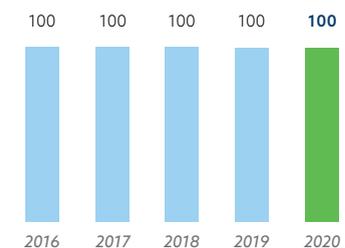
MARKET CAPITALIZATION

(TL billion)



% OF RENEWABLES IN ENERGY PRODUCTION PORTFOLIO

(in new PF greenfield commitments)



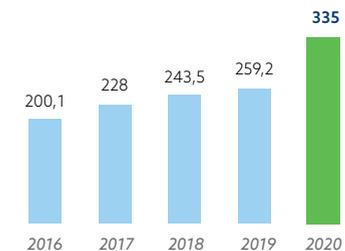
*** Including consumer credit cards.

**** Numbers also include projects (i) that are not included in the scope of ESIAP but are assessed voluntarily, (ii) are in financial evaluation stage, and (iii) are assessed but not-funded projects.

Note: Per December 2020 BRSA Consolidated Financials.

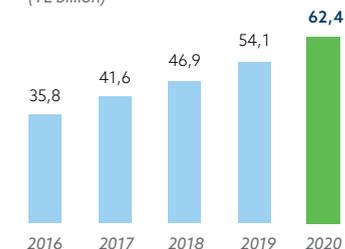
PERFORMING CASH LOANS

(TL billion)



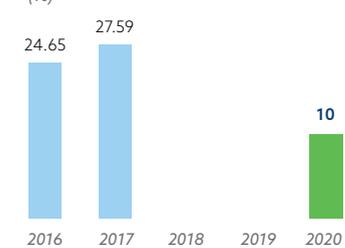
SHAREHOLDERS EQUITY

(TL billion)



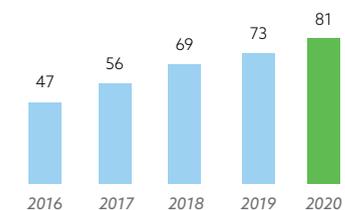
DIVIDEND PAYOUT RATIO

(%)



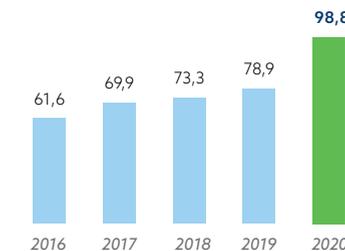
NUMBER OF PROJECTS SUBJECTED TO ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM

(Cumulative)****



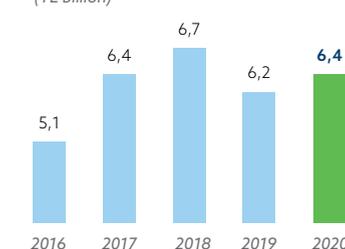
CONSUMER LOANS***

(TL billion)



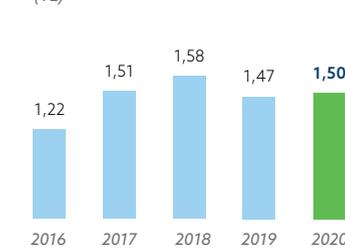
NET INCOME

(TL billion)



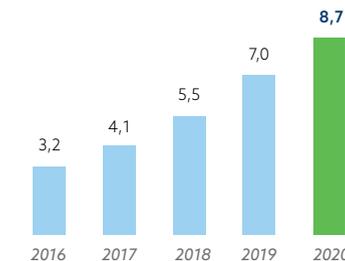
EARNINGS PER SHARE

(TL)



TOTAL LOANS GRANTED TO WOMAN ENTREPRENEURS

(Cumulative, TL billion)



Garanti BBVA Share

 889  5 min  2  garanti

GARAN TICKER AND CODES

**İSTANBUL -
BORSA İSTANBUL**

SYMBOL: GARAN

SEDOL: BO3MYP5

ISIN: TRAGARAN91N1

CUSIP: M4752S106



FTSE4Good



Depository Receipts Level-1

NEW YORK - OTCQX

INTERNATIONAL PREMIER

SYMBOL: TKGBY

ISIN: US9001486029

CUSIP: 900148602

Depository Receipts-144A

NEW YORK -

OTC MARKETS

SYMBOL: TKGZY

ISIN: US9001486029

CUSIP: 900148602



marketplace and ranked 36th per Market Capitalization, 37th per Dollar Volume and 6th per Volume in 2020.

Garanti BBVA has a market capitalization of TL 43.6 billion (USD 5.9 billion) as of 31 December 2020, and with a free float ratio of 50.07% and TL 21.8 billion floating market capitalization, Garanti BBVA also has the highest free float in BIST 100.

Garanti BBVA share (GARAN) is the most traded banking stock in Borsa İstanbul with an average daily turnover of TL 1,426 million (USD 195 million), and has 7.5% market share in BIST 100 turnover and 34% share in XBANK turnover. GARAN was the most traded stock by foreign investors with a total foreign transactions turnover of USD 29 billion in 2020. Furthermore, GARAN has the highest weight in BIST 100 and in BIST 30 as of 2020 year-end.

80%* of Garanti BBVA's shares in the free float is owned by foreign investors that are spread to 33 countries. The composition of the institutional shareholding structure of Garanti BBVA by geographical regions is 40.5% North America, 20.8% UK and Ireland, 13.9% Europe, 5.8% Asia, 12.9% Turkey and 6.1% the rest of the world. In 2020, the exacerbated risks due to the pandemic led to remarkable fund outflow from emerging markets in the first half of the year. Accordingly, there was a decrease particularly in the share of North America-based shareholders as compared to 2019, whereas the shares of domestic individual and institutional shareholders went up by 5% and 3%, respectively.

Communicating the value created in a proactive, transparent and consistent way, during 2020, Garanti BBVA Investor Relations held 561 meetings by participating in 33 investor conferences and roadshows. Garanti BBVA continued to organize live webcasts/teleconferences bringing its senior management together with

The Most Traded Stock by Foreign Investors / BIST 30 & BIST 100 Highest Weight

TL 43.6 BILLION

MARKET CAPITALIZATION

TL 1.426 MILLION

AVERAGE DAILY TURNOVER

TL 1.49

EARNINGS PER SHARE

TL 21.8 BILLION

**HIGHEST FLOATING MARKET
CAPITALIZATION IN BIST 100**

USD 29 BILLION

**TOTAL FOREIGN TRANSACTIONS
IN 2020**

**7.7% Turnover
Market Share**

**THE MOST TRADED BANKING
STOCK OF BIST100**

the investment community in 2020, and made presentations on its financial results four times a year, as well as a video cast on its operating plan for the following year that described its forward looking projections. Investor Relations published the recordings of these presentations on its website. The full audio recordings of all of these events were posted on Garanti BBVA Investor Relations website, mobile and tablet applications. Furthermore, in 2020, Garanti BBVA Investor Relations website was revamped, offering an improved user experience with the shortcuts and informative greeting pages.

Contents prepared both in Turkish and English for the convenience of the investment community enable investors from all around the world to have easy access to all the information they need.

Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency serves as the guarantee of the Bank's strong reputation and is Garanti BBVA's main responsibility to all its stakeholders. The steps Garanti BBVA takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for BIST Sustainability Index and BIST Corporate Governance Index in 2014, Garanti BBVA still continues to be listed in these indices. In 2020, Garanti BBVA continued to be the only bank from Turkey listed in the Dow Jones Sustainability Emerging Markets Index (DJSI), after being qualified in 2015. Companies included in the DJSI index are determined upon evaluation against a number of criteria including ethics, corporate governance, financing activities, environmental and social performance throughout the value chain, risk management, climate change mitigation,

transparency, supply chain, human and employee rights. Garanti BBVA qualified for this index also in 2020, and thus, preserved its place in the index for the sixth consecutive year.

In line with its innovative and pioneering activities, Garanti BBVA earned a spot in 2020 Global A List in the Climate Change Program of CDP, the world's most eminent environmental reporting initiative. Garanti BBVA is the only bank in the list that features just two companies from Turkey.

In addition to these, Garanti BBVA continued to qualify and remain a constituent of the FTSE4Good Emerging Markets Index, which is an independent organization jointly owned by the London Stock Exchange and the Financial Times and designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Moreover, through its various practices and initiatives for ensuring gender equality in human resources, among customers and the community, Garanti BBVA remains in the Bloomberg Gender Equality Index that covers 230 companies from 10 industries from 36 countries and regions across the world.

EQUITY ANALYSTS' RATINGS

Garanti BBVA shares are widely covered by research analysts of leading domestic and international investment banks and brokerage houses. In 2020, 24 institutions have regularly issued equity research reports on Garanti BBVA. As of the end of 2020, **20 ANALYSTS** had **"BUY"**, **3 ANALYSTS** had **"HOLD"** recommendation on Garanti BBVA stock.

* Central Registry Agency (CRA) foreign clearing custody data have been used.

Garanti BBVA initially offered its shares to public in 1990 on Borsa İstanbul and has become the first Turkish company to offer its shares on international markets in 1993.

Garanti BBVA's Depository Receipts are listed on the OTC (Over-The-Counter) Markets in the USA. In 2012, Garanti BBVA participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, OTCQX International Premier, where companies traded must meet high financial standards and an effective disclosure process. Trading on this market with 58 leading companies of the world, Garanti BBVA has established itself among the top Depository Receipts traded on the OTCQX

Our Governance

436 3 min 1 board

Garanti BBVA's effective Board of Directors is at the heart of the Bank's well-functioning governance structure and goes beyond fiduciary responsibilities. It acts as the ultimate internal monitor and contributes an outside view to corporate strategy, oversees performance against the strategy set out and helps Garanti BBVA thrive in the long run. To ensure effective risk management, the Board monitors compliance, internal control and risk management policies and systems that are aligned with the Bank's strategy and risk appetite, as well as subsequently performing its oversight function.

KEY CHARACTERISTICS OF THE BOARD OF DIRECTORS

Garanti BBVA has a one-tier Board of Directors that is formed by 11 members with the composition of 2 female and 9 male board members as of 31 December 2020. In accordance with the principle of separation of powers and authority, the Chairman and the CEO have different roles at Garanti BBVA. This clear distinction establishes a balance between authorities and powers within the scope of the Bank's corporate structure, drawing the lines of decision-making capacity of each position. The CEO is the only executive member of the Board of Directors.

The composition of the Board with 4 independent members supports the exercise of independent and objective judgment. Garanti BBVA's Board of Directors brings together members with the right combination and diversity of skills, background, knowledge, expertise and experience. Three non-executive members of the Board have board memberships in Garanti BBVA subsidiaries, four non-executive members have board memberships in other companies and three non-executive members have board of trustees memberships in foundations.

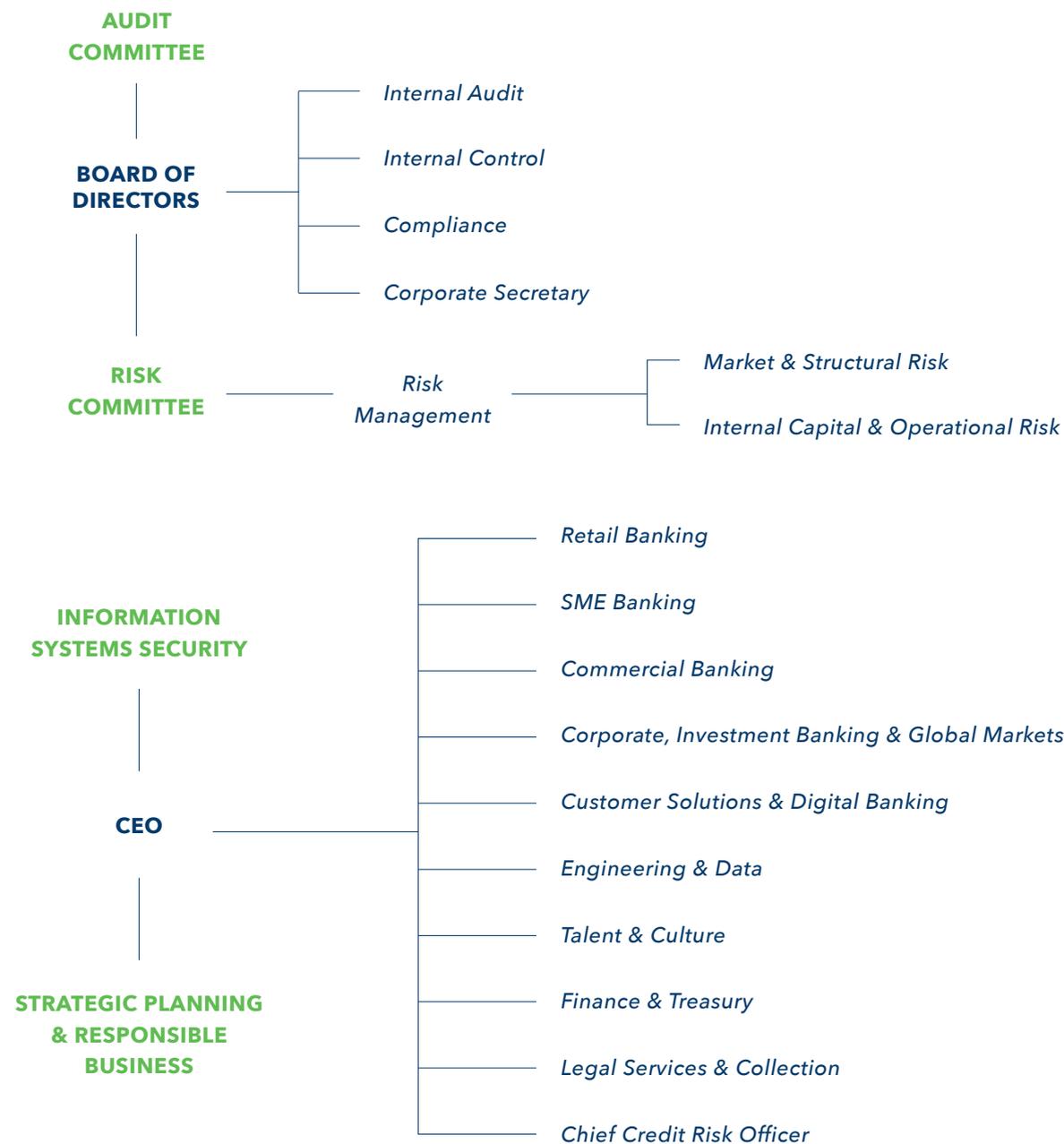
BOARD MEETINGS

The Board of Directors operates on the principle that it must convene as and when necessitated by the Bank's affairs and transactions, but at least once a month. Pursuant to the Articles of Association of the Bank, the Board of Directors meets with the attendance of seven members minimum and resolutions of the Board of Directors are taken by affirmative votes of at least seven members present in the meeting. In 2020, the Board of Directors passed 26 decisions by satisfying the required quorums for meeting and decision.

CORPORATE GOVERNANCE

The Corporate Governance Committee is responsible for monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts, nominating the independent board members, and offering suggestions regarding the nominees to the Board of Directors. As an indication of its commitment to, and the emphasis it places on, corporate governance, Garanti BBVA has been receiving Corporate Governance Rating since 2014. Increasing its score every year ever since, Garanti BBVA continues to be included in Borsa İstanbul Corporate Governance Index with a score of 9.77 assigned to it in 2020.

Organizational Structure

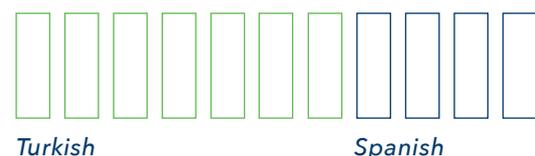


Board of Directors

AVERAGE TENURE

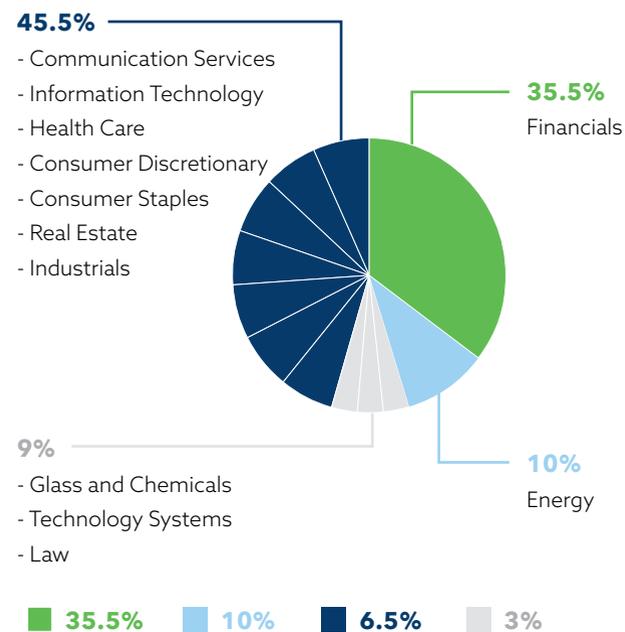


NATIONALITY

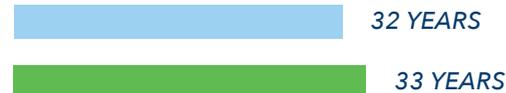


EXPERIENCE COMPOSITION

Chart is prepared in accordance with the Global Industry Classification Standard (GICS). The Global Industry Classification Standard (GICS) is an industry taxonomy developed by MSCI and Standard & Poor's (S&P) for use by the global financial community.



AVERAGE EXPERIENCE



EDUCATION



COMMITTEE MEMBERSHIP

- | | |
|----------------------------------|--|
| 1 Credit | 12 Operational Risk Admission and Product Governance |
| 2 Audit | 13 Corporate Assurance |
| 3 Corporate Governance | 14 Responsible Business |
| 4 Remuneration | 15 Data Governance and Protection Steering |
| 5 Risk | 16 Corporate Crisis and Business Continuity Management |
| 6 Risk Management | 17 IT Strategy |
| 7 Local ALCO | 18 Portfolio Strategy |
| 8 Cost Management and Efficiency | 19 Information Systems Steering |
| 9 Information Security | 20 Information Systems Continuity |
| 10 Employee | |
| 11 Integrity | |

The resumes of Garanti BBVA Board of Directors are available on the report website under Board of Directors section.



SÜLEYMAN SÖZEN
CHAIRMAN

Experience: 40 years
5



RECEP BAŞTUĞ
PRESIDENT & CEO

Experience: 31 years
1-7-8-9-10-11-13-14-16-17-18



ERGUN ÖZEN
BOARD MEMBER

Experience: 34 years
4-5



JORGE SÁENZ-AZCÚNAGA CARRANZA
VICE CHAIRMAN,
INDEPENDENT BOARD MEMBER

Experience: 26 years
1-2-3-4



M. CÜNEYT SEZGİN, PH.D.
BOARD MEMBER

Experience: 33 years
9-10-11-12-13-14-15-16-18-19



JAVIER BERNAL DIONIS
BOARD MEMBER

Experience: 31 years
1-3-5-8-10-18



RAFAEL SALINAS MARTINEZ DE LECEA
BOARD MEMBER

Experience: 30 years
1-5



JAIME SAENZ DE TEJADA PULIIDO
BOARD MEMBER

Experience: 29 years
1



MEVHIBE CANAN ÖZSOY
INDEPENDENT BOARD MEMBER

Experience: 32 years



SEMA YURDUM
INDEPENDENT BOARD MEMBER

Experience: 41 years
2-3



AYDIN DÜREN (*)
INDEPENDENT BOARD MEMBER

Experience: 29 years
2-8-19-20

(*) The Board of Directors with its resolution dated 17.06.2020 accepted the resignation of Mr. Ricardo Gomez Barredo from his position as the Board Member and resolved to appoint Mr. Avni Aydın Düren as the Board Member vacated as a result of such resignation.

Senior Management



**İŞİL AKDEMİR
EVLIOĞLU**
Executive Vice President
Customer Solutions
and Digital Banking



MAHMUT AKTEN
Executive Vice President
Retail Banking



ALİ TEMEL
Executive Vice President
Chief Credit Risk Officer



EBRU DİLDAR EDİN
Executive Vice President
Corporate, Investment Banking
and Global Markets



CEMAL ONARAN
Executive Vice
President
SME Banking



**SELAHATTİN
GÜLDÜ**
Executive Vice
President
Commercial
Banking



RECEP BAŞTUĞ
President & CEO



AYDIN GÜLER
Executive Vice President
Finance and Treasury



**DİDEM DİNÇER
BAŞER**
Executive Vice
President
Talent and Culture



İLKER KURUÖZ
Executive Vice President
Engineering and Data

TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Senior Management

GENDER



AVERAGE EXPERIENCE



EDUCATION



Bachelor's
60%

Master's
40%

COMMITTEE MEMBERSHIP

- 1 Credit
- 2 Audit
- 3 Corporate Governance
- 4 Remuneration
- 5 Risk
- 6 Risk Management
- 7 Local ALCO
- 8 Cost Management and Efficiency
- 9 Information Security
- 10 Employee
- 11 Integrity
- 12 Operational Risk Admission and Product Governance
- 13 Corporate Assurance
- 14 Responsible Business
- 15 Data Governance and Protection Steering
- 16 Corporate Crisis and Business Continuity Management
- 17 IT Strategy
- 18 Portfolio Strategy
- 19 Information Systems Steering
- 20 Information Systems Continuity



The resumes of Garanti BBVA Senior Management are available on the report website under Senior Management section.

(*) With the decision of our Bank's Board of Directors dated January 18, 2021, the resignation of Mr. Selahattin Güldü, EVP responsible of Commercial Banking, was accepted. Mr. Cemal Onaran, EVP responsible of SME Banking was appointed as EVP responsible of Commercial Banking. Currently serving as Director of Talent and Culture Front, Ms. Sibel Kaya was appointed as EVP responsible of SME Banking.

(**) With the decision of our Bank's Board of Directors dated 20 November 2020; The resignation of Mr. Ali Temel resignation was accepted and Mr. Murat Atay, who was the General Manager of Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş., was appointed as EVP, Chief Credit Risk Officer.



RECEP BAŞTUĞ
PRESIDENT & CEO

Experience: 31 years

1-7-8-9-10-11-13-14-16-17-18



MAHMUT AKTEN
EXECUTIVE VICE PRESIDENT
RETAIL BANKING

Experience: 22 years

7-8-9-10-13-14-16-17-18-19



DİDEM DİNÇER BAŞER
EXECUTIVE VICE PRESIDENT
TALENT AND CULTURE

Experience: 26 years

8-9-10-11-12-13-14-15-16-17-18-19-20



EBRU DİLDAR EDİN
EXECUTIVE VICE PRESIDENT
CORPORATE, INVESTMENT BANKING
AND GLOBAL MARKETS

Experience: 27 years

7-8-9-10-11-13-14-16-17-18-19



İŞİL AKDEMİR EVLİOĞLU
EXECUTIVE VICE PRESIDENT
CUSTOMER SOLUTIONS AND DIGITAL BANKING

Experience: 17 years

8-9-10-11-13-14-16-17-18-19-20



SELAHATTİN GÜLDÜ (*)
EXECUTIVE VICE PRESIDENT
COMMERCIAL BANKING

Experience: 30 years

7-8-9-19



AYDIN GÜLER
EXECUTIVE VICE PRESIDENT
FINANCE AND TREASURY

Experience: 30 years

7-8-9-11-19



İLKER KURUÖZ
EXECUTIVE VICE PRESIDENT
ENGINEERING AND DATA

Experience: 29 years

8-9-10-11-12-13-15-16-17-18-19-20



CEMAL ONARAN (*)
EXECUTIVE VICE PRESIDENT
SME BANKING

Experience: 30 years

7-8-9-10-13-14-16-17-18-19



ALİ TEMEL ()**
EXECUTIVE VICE PRESIDENT
CHIEF CREDIT RISK OFFICER

Experience: 30 years

6-7-8-9-10-12-13-14-16-17-18-19

Committees and Policies

439 3 min 2 committees

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via these committees. In 2020, the structures and efficiencies of the committees were reviewed in line with the agile transformation undertaken at the Bank and were redesigned to ensure their management within a framework that is more effective, supportive of decision-making processes and structurally strengthening. Along this line and purpose, the structures, numbers and members of the committees were revised.

The number of committees approved by the Board of Directors was increased from five to eight. These committees are Credit, Audit, Corporate Governance, Risk, Remuneration, Information Security, Information Technology (IT) Strategy, and Information Systems Steering Committees. In addition to these, there are Employee, Corporate Assurance, Portfolio Strategy, Local ALCO, Risk Management, Data Security and Protection, Cost Management and Efficiency, Corporate Crisis and Business Continuity Management, Responsible Business, Operational Risk Admission and Product Governance, Integrity, and Information Systems Continuity committees. While at least one member of each committee is a senior executive, the ratio of committees having a Board of Directors member to total committees went up to 90%.

Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency is Garanti BBVA's main responsibility to all its stakeholders, particularly its customers and employees, and serves as the guarantee of the Bank's strong reputation.

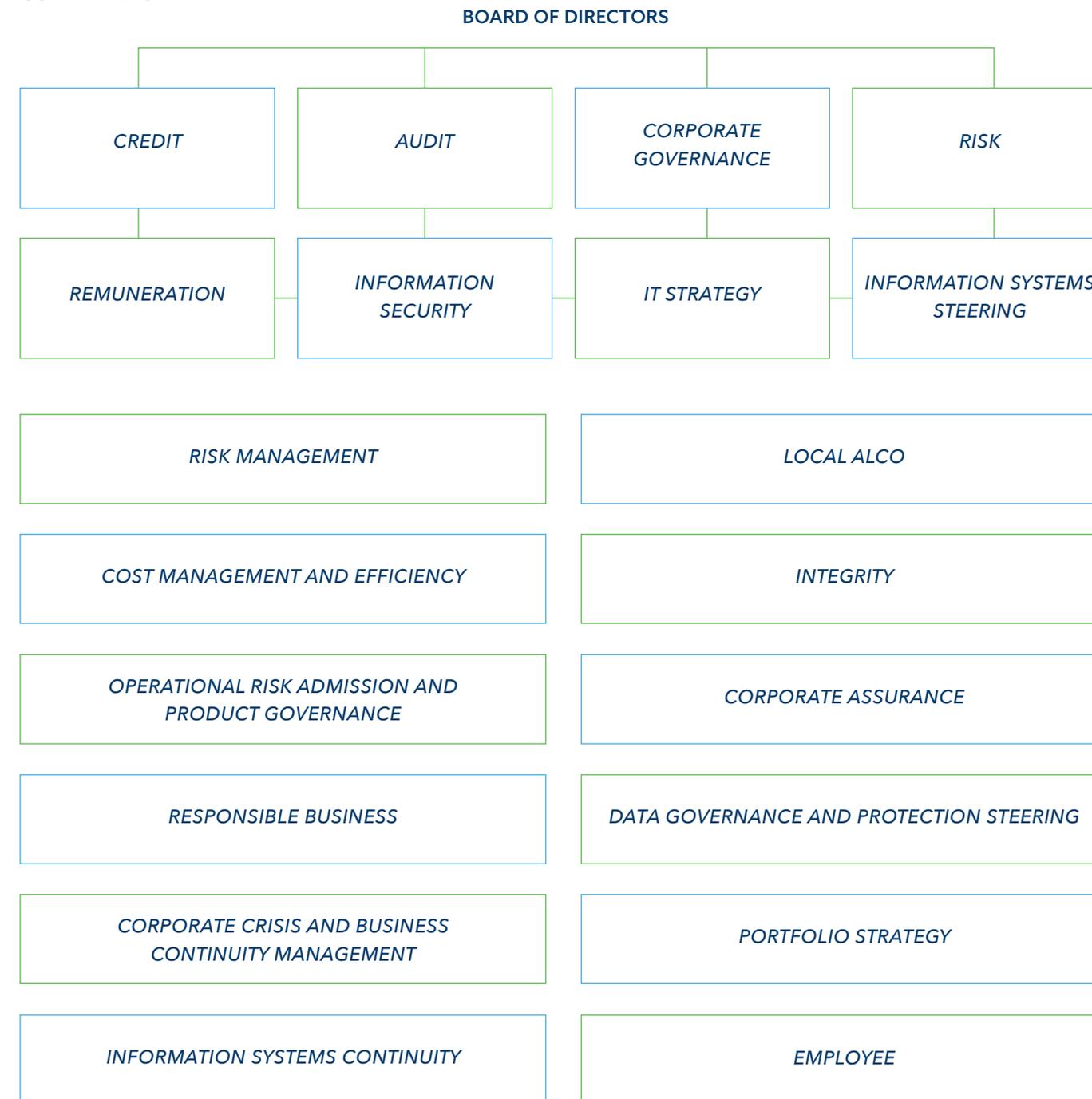
In line with its responsible and sustainable business concept, and the importance the Bank attaches to Corporate Governance Principles and ethical values, Garanti BBVA establishes a number of policies, codes and statements governing conduct and business relationships. Through these documents, there is an interaction structure established between the Board of Directors, senior management and committees and the Bank, which strengthens corporate culture and plays an important part in implementing the good governance practices.

POLICIES

Personal Data Protection and Processing	Garanti BBVA Code of Conduct
Declaration of Human Rights	Disclosure
Dividend Distribution	Human Resources
Anti-Money Laundering	Donation and Contribution
Compensation	Employee Compensation
Sustainability	Environmental
Environmental and Social Loan	Climate Change Position Statement & Action Plan
Garanti BBVA Code of Conduct for Suppliers	Working Principles and Procedures of the BoD
Anti-Corruption Policy Statement	Competition Policy Statement
Corporate Governance Committee Working Procedures and Principles	

Detailed information about each policy and committee can be found on the website by clicking on the relevant link.

COMMITTEES



Detailed information about committees and attendance to committees is available in www.garantibbvainvestorrelations.com, under the section Environmental, Social and Governance > Committees.

Risk Management

Garanti BBVA measures and monitors its risk exposure on consolidated and unconsolidated bases by using methods compliant with international standards, and in accordance with the applicable legislation. Advanced risk management tools are utilized in measuring operational risk, market risk, structural interest rate risk, exchange rate risk, liquidity risk, counterparty credit risk and credit risk.

The Bank's risk management strategy, policies and implementation procedures are reviewed within the framework of regulatory changes and the Bank's needs.

The risk management process is organized in such a way that the material issues and strategic goals are linked and are the basis for the risks and opportunities identified.

Through the risk appetite framework, the Bank determines the risks that it is prepared to take based on the predicted capability of safe handling of risks so as to achieve the goals and strategic objectives as defined by the Board of Directors. Risk-based limits are monitored regularly using risk appetite metrics pertaining to capital, liquidity and profitability, which have been established as per the risk appetite framework.

Risk Management handles the preparation of the ICAAP (Banks' Internal Systems and Internal Capital Adequacy Assessment Process) report by coordinating the related parties, which will be submitted to the BRSA. In addition, the stress test report is submitted to the BRSA, which addresses how the potential negative effects on macroeconomic data might alter the Bank's three-year budget plan and results within the framework of certain scenarios, as well as their impact upon key ratios including the capital adequacy ratio.

 1,675  9 min  4  risk

IDENTIFIED RISKS AND OUR RESPONSE

REPUTATIONAL RISK

Within the risks managed, the Bank defines the risks and risk factors in dimensions such as customer-centeredness, workplace, ethics and citizenship, finances and leadership, as well as a map in which it prioritizes the Reputational Risks it faces, together with a set of action plans to mitigate these risks. The risks are then governed through the relevant committees within the Bank's extensive committee structure. Reputational Risk is managed according to the relevant policy approved by the Board of Directors.

ENVIRONMENTAL AND SOCIAL RISK

Environmental and Social Risks associated with financing activities that could result in adverse impacts on the environment and society are governed through methods and procedures that transcend international practices and in a way that covers the entire credit portfolio.

OPERATIONAL RISK

Operational Risk covers processes, internal and external fraud, technology, human resources, business practices, disasters and suppliers, and is managed on the basis of the three lines of defense approach within the framework of risk management policies approved by the Board of Directors.

MARKET RISK

Market Risk is managed by measuring and limiting risk in accordance with international standards, allocating sufficient capital and minimizing risk through hedging transactions within the framework of the policy approved by the Board of Directors.

STRUCTURAL INTEREST RATE RISK

Within the scope of the policy approved by the Board of Directors, to determine and manage the Bank's exposure to Structural Interest Rate Risk arising from potential maturity mismatches in its balance sheet, duration gap, economic value of equity (EVE), economic capital (ECAP), credit spread risk sensitivity, net interest income (NII), earnings at risk (EaR) are monitored by measuring market price sensitivity of securities portfolios followed up in the banking book.

STRUCTURAL EXCHANGE RATE RISK

The potential impact of negative exchange rate fluctuations upon the capital adequacy ratio and FC risk-weighted assets are regularly followed up, monitored according to internal limits, and reported within the scope of Structural Exchange Rate Risk within the framework of the policy approved by the Board of Directors, in the case that the Bank performs material operations in currencies other than the local currency in its balance sheet or maintains positions for shareholders' equity hedging purposes.

LIQUIDITY RISK

Liquidity Risk is managed within the framework of liquidity and funding risk policies approved by the Board of Directors under the supervision of ALCO and the Weekly Review Committee in order to take appropriate and timely measures in case of liquidity squeeze arising from market conditions or the Bank's financial structure.

CREDIT RISK

Credit Risk management, which is a process for consistently evaluating and monitoring credit risk, is carried out within the framework of the policies approved by the Board of Directors, and covers all credit portfolios. In order to rate customers using objective criteria, outputs from scorecard models and internal risk rating models, which were developed using statistical methods on historical data, are incorporated into relevant lending policies and procedures. Risk-adjusted return systems

and limits are actively used as risk management tools. Stress tests and scenario analyses are employed to evaluate solvency. Measurement methods are developed for credit concentration risk and capital requirement is calculated.

COUNTERPARTY CREDIT RISK

Measurement, monitoring and limit creation activities for Counterparty Credit Risk are managed in accordance with the policy, which is approved by the Board of Directors and encompasses strategy, policy and procedures.

COUNTRY RISK

Under the Country Risk policy approved by the Bank's Board of Directors, methods compliant with international norms and local regulations are employed to evaluate and monitor developments in country risk on the basis of individual countries, and related reporting, control and audit systems are established as necessary.

CONCENTRATION RISK

The Bank defines and monitors Concentration Risks on the basis of different types of risks or individual risks, which might result in material losses that would endanger the ability to sustain fundamental activities or the financial structure or lead to a significant change in the risk profile, within the framework of the policy approved by the Board of Directors.

RISK MANAGEMENT IN AFFILIATES

The Bank determines the needs for risk management of affiliates and ensures that required studies and reports with the scale appropriate for the structure, complexity level, size and risks are effectively managed in coordination with risk management units/functions in affiliates.

 *Detailed information about the risks identified by Garanti BBVA is accessible on the website by clicking the relevant link.*

MONITORING OF IMPORTANT DEVELOPMENTS WITH RESPECT TO RISK MANAGEMENT

Upon the COVID-19 pandemic, a number of major regulatory changes were introduced including changes in Assets Ratio, required reserves, and additional restrictions in derivative limits in 2020. However, gradual normalization steps began to be taken in the last quarter.

In this framework, regulatory changes, macroeconomic environment, their impact with respect to the Bank's risk management and the Bank's compliance with regulatory indicators were monitored closely at the Risk Committee level and within the Bank's risk appetite. In the process, Risk Committee members were promptly informed of regulatory changes and their implications, in addition to regular committee reporting. No regulatory limits were breached in terms of risk management framework monitoring.

As part of risk management, lawsuits arising from operational risk incidents were followed up; allocated provisions were entered as loss into the operational risk loss database, root cause analyses were performed, and necessary actions were taken to avert recurrence.

Within the scope of measures adopted against COVID-19, financial support was made available to customers in the form of loan restructuring and deferral of principal amount and interest repayments, skip statement option up to 3 months for credit card payments, Credit Guarantee Fund loan package utilization, extension of commercial loan principal amount repayments up to 6 months, and additional credit lines offered to SME customers to support their cash flows.

Moreover, development of liquidity and structural risks were watched more closely through Early Warning Indicators that began to be monitored daily from the start of the pandemic, daily monitoring reports and detailed analyses conducted, thus, ensuring proactive and effective management of risks.

Strategic Priorities

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

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

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

Main Risk Areas

REPUTATIONAL RISK

ENVIRONMENTAL AND SOCIAL RISK

OPERATIONAL RISK MARKET RISK

STRUCTURAL INTEREST RATE RISK

STRUCTURAL EXCHANGE RATE RISK

LIQUIDITY RISK

CREDIT RISK

COUNTERPARTY CREDIT RISK

COUNTRY RISK

CONCENTRATION RISK

RISK MANAGEMENT IN AFFILIATES



Detailed information on Internal Systems Managers and Anti-Fraud, Information Security, Data and Business Analytics Managers can be found in the Corporate Governance section in the report web site.



Mega trends and Garanti BBVA's response to relevant risks and opportunities are explained in the section Risks and Opportunities.

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



Scan the QR code to
watch the video.

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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

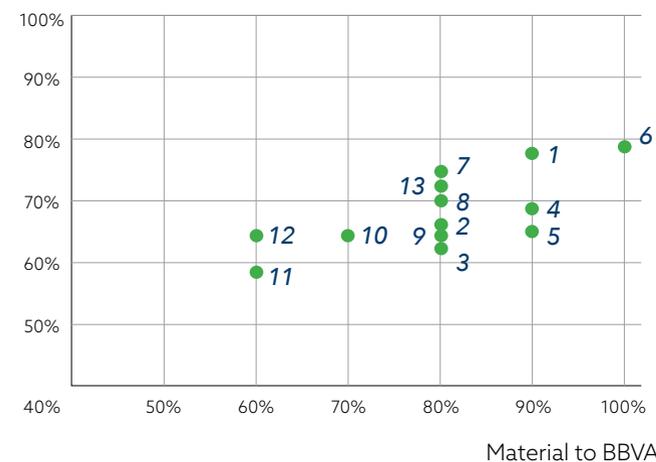
Change, Responsible Use of Data, Cybersecurity and COVID-19. All our material topics including the highlighted ones above were clustered under six main headings in our report: (1) Financial Health, (2) Sustainability, (3) Reaching More Customers, (4) Operational Excellence, (5) The Best and Most Engaged 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
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)	
	8 Cybersecurity (cyber-attacks, data theft, fraud)	
THE BEST AND MOST ENGAGED TEAM	9 Employee Engagement and Talent Management	
	10 Diversity and Work-Life Balance	
	11 Human Rights	
CORPORATE GOVERNANCE AND RISK MANAGEMENT	2 Corporate Governance and Strong Management of All Risks	
	3 Business Ethics, Culture and Customer Protection	
COVID-19	13 COVID-19	

Strategic Priorities

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 uninterrupted 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 customers coming to the 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.

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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.

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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

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

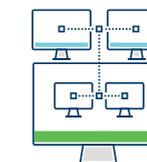
 **Challenges and opportunities with regards to the Turkish Economy and Turkish Banking Sector are further addressed in *The Environment We Operate In* section.**

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

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

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

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.

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

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

³ <https://ekoiaq.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%2D19%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%2D19%20lockdowns)

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

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.



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

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

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

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*

To bring the age of opportunity to everyone

Our Purpose

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

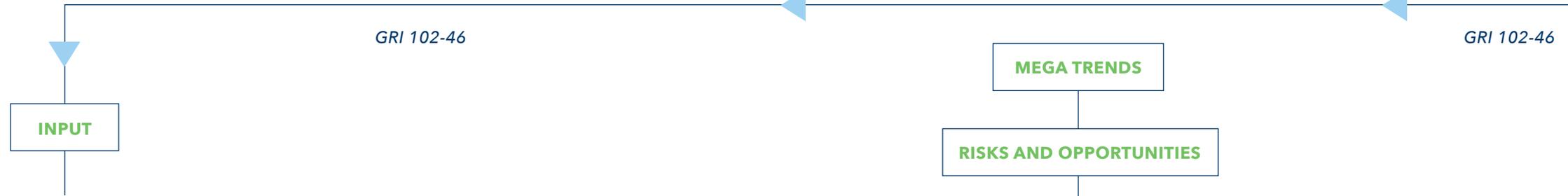
DATA AND TECHNOLOGY

- 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

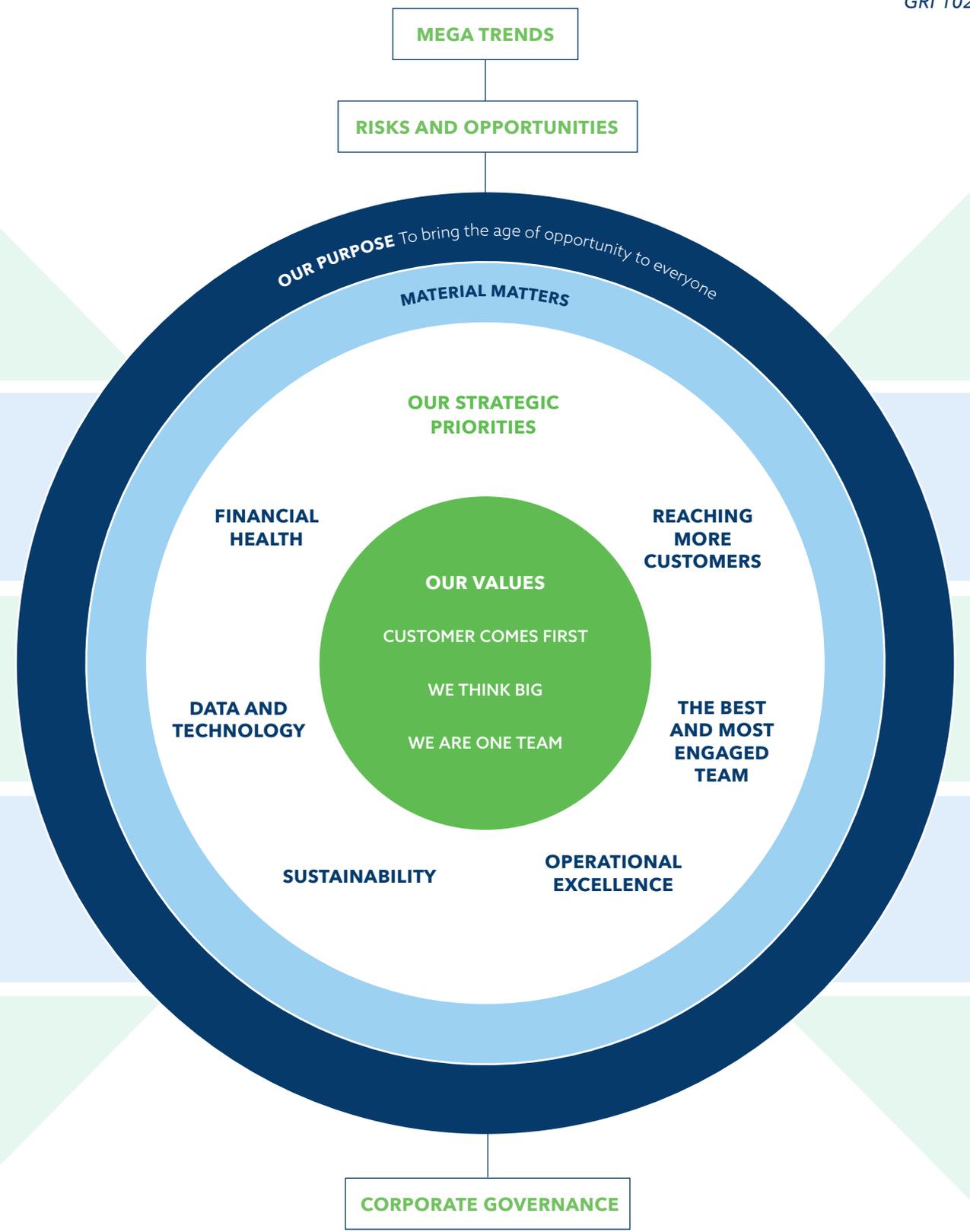
We invest in our employees by focusing on their development, satisfaction and well-being through 3,200 virtual training programs, an average of 31 hours of training per FTE and 7 well-being programs. We strive to form teams possessing team spirit, acting with shared wisdom, social responsibility and 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

VALUE CREATED

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.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS



GRI 102-46

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 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

HIGH PERFORMER TURNOVER 1.6%

WOMEN EMPLOYEES IN DECISION MAKING POSITIONS 40%

33,000 participants in **3,200** virtual training programs

OPERATIONAL EXCELLENCE

RETURN ON AVERAGE ASSETS 1.3%

RETURN ON AVERAGE EQUITY 11.0%

NON-PERFORMING LOANS RATIO 4.5%

CAPITAL ADEQUACY RATIO 16.9%

COMMON EQUITY TIER 1 RATIO 14.3%

COST / INCOME 36.5%

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

DIGITAL TRANSACTIONS IN NON-CASH FINANCIAL TRANSACTIONS 97.4%

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

DATA AND TECHNOLOGY

PROGRAMS FOR RAISING AWARENESS OF CUSTOMER PRIVACY AND INFORMATION SECURITY 12

EMPLOYEES PARTICIPATING IN CYBERSECURITY TRAINING 99%

NUMBER OF ROBOTIC PROCESS AUTOMATION IN PRODUCTION 44

VALUE-ADDED PROJECTS USING BIG DATA AND MACHINE LEARNING 41

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

REACHING MORE CUSTOMERS

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

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

Yearly transactions performed through internet and mobile banking channels **580 MILLION**

SHARE OF ACTIVE CUSTOMERS USING DIGITAL BANKING 79.2%

OUR 2020 MATERIAL ISSUE: COVID-19

Our 2020 Material Issue: COVID-19

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CREATING RESPONSIBLE AND SUSTAINABLE VALUE FOR ALL STAKEHOLDERS IN UNCERTAIN AND DIRE TIMES



Considering the health of its employees, customers and the society as its topmost priority during the pandemic, Garanti BBVA, as always, focused on taking responsible and sustainable actions through these times. The Bank maximized its precautions against the extremely rapidly spreading Coronavirus pandemic that took hold of Turkey along with the whole world. As the impact and status of the pandemic fluctuated, the Bank reviewed and reshaped its efforts and initiatives with measures classified as to be suspended, updated, strengthened and initiated. One of the strongest muscle of the Bank in this period has been its organizational agility, which provided the ability to rapidly shift its focus for redefining its priorities, fulfill the society's, customers' and employees' needs uninterrupted and rapidly while protecting their health, and consequently to deliver good experiences.

Looking Out for Our Employees' Health

Having spelled out its primary responsibility as delivering uninterrupted service to the society, stakeholders and customers being Turkey's leading financial institution, Garanti BBVA defined its employees' health as its topmost priority.

To this end, each step taken was built, first and foremost, on the basis protecting employee and customer health and managing this strategy in a balanced manner. The steps taken and precautions adopted are addressed under the headings monitoring the current situation and health processes, physical environment, hygiene and employee services, and finally, technology and data.

<p>MONITORING THE CURRENT SITUATION AND HEALTH PROCESSES</p> <p>Close follow-up of the current status of employees' health and management of health processes</p>	<p>PHYSICAL ENVIRONMENT</p> <p>Arrangement of physical working environments and facility services in accordance with the conditions dictated by the pandemic</p>
<p>HYGIENIC MEASURES AND EMPLOYEE SERVICES</p> <p>Providing the hygienic working environment needed by employees and adoption of all necessary hygienic precautions</p>	<p>TECHNOLOGY AND DATA</p> <p>Utilizing the means and possibilities offered by technology, integration of robust data infrastructures and data within decision-making processes</p>

In doing so, Garanti BBVA took utmost care to achieve complete alignment with the instructions and guidance of local and international health authorities.



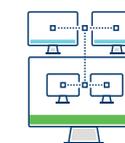
Transition to remote working infrastructure within 2 weeks in March

As one of the most vital steps of preventing the spread of the pandemic, all employees falling under the "vulnerable group" as defined by local health authorities are kept away from working environments. All events, trainings and foreign trips were canceled. A broader group of employees began working from home under the remote access model from March 17th onwards. Garanti BBVA was fast to adapt to this situation that obligated a shift in the working model of the financial services sector at a highly unforeseen time. At the same time, rotating working model of home-based working and in-office presence was introduced in regional offices and branches. Working hours were modified in line with the decisions made by the authorities. Flexibility was provided in the dress code to allow employees to work more comfortably and to facilitate their adherence to hygiene guidelines.

In order to guarantee no setbacks in their work and to sustain service availability, the Bank focused on constantly supporting and upgrading the technological infrastructure and capabilities made available to its employees.

Investments in robust technological infrastructure which was existing before the pandemic, provision of hardware aimed at mobilizing employees that was already initiated, digital business processes and agile working methods adopted allowed Garanti BBVA to quickly adapt to teleworking, and to work in the most productive manner during the pandemic.

Remote access model, Full provision of hardware with enterprise devices

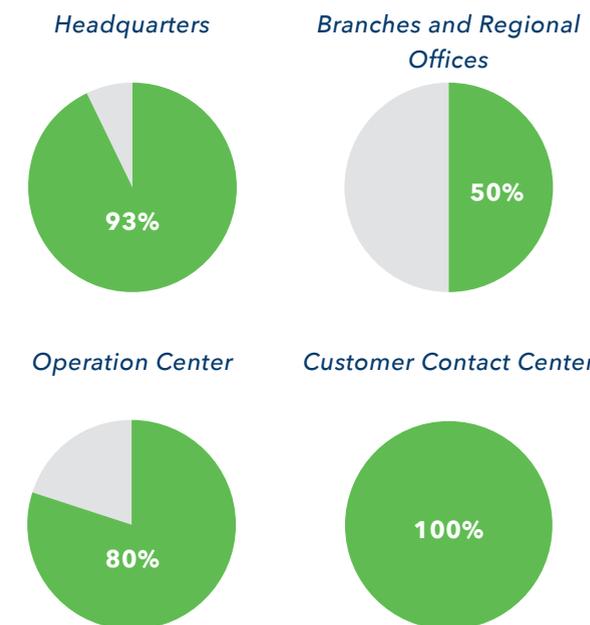


To secure business continuity and service excellence in certain work areas, role-specific hardware was set up in designated

teleworking locations. All employees were given remote access authorization to their work computers. Laptops were procured for 1,735 employees in total, whose roles are appropriate for teleworking to enable them to work from home.

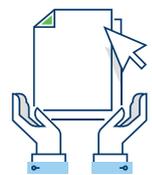
To guarantee business continuity, transactions especially carried out at branches and are fit for digitalization were centralized and necessary procedures were created. The Operation Center was particularly critical at this point. Garanti BBVA rendered 80% of the Operation Center capable of teleworking. In addition, teleworking was initiated also for Customer Contact Center and banking service. For delivering the best service quality in work areas that saw significant increase in customer demands during the pandemic, employees possessing the appropriate capabilities were rapidly identified, a quick transformation was secured in this context thanks to the flexible organizational structure of Garanti BBVA, and competencies of employees falling in this category were strengthened with necessary training programs. With an agile approach, finding solutions to suddenly arising customer needs was successfully managed with a much-faster-than-expected approach.

Transition to Remote Work



Plexiglass separators were installed in branches in order to protect the health of customers and branch employees contacting the customers. All branches and buildings were disinfected. Masks, disinfectants, gloves and similar protective products continue to be supplied on an ongoing basis to all the employees in work locations. Besides all these measures and efforts, work continues uninterrupted for rendering the working environments healthier.

Given the conditions that the employees are in, the performance system covering sales targets was reviewed and revised when necessary, in an effort to minimize lengthy contact that might increase the risk of infection.



Daily inventories to follow-up the the health of employees and their families

Through the inventory that was created to follow-up the health of employees and also their families, which can be easily reached through digital platforms, the Bank enabled all of its employees to report illness and suspected cases for themselves and their families on a daily basis. In line with the information gathered from the inventory, Occupational Health and Safety Team made the necessary medical assessments and followed up employees' isolation processes. Contact was established with all employees reporting a suspicious case within 24 hours. Employees who are confirmed or highly suspected COVID-19 cases were followed up closely through their recovery. Adherence to the Bank's corporate policies and practices not just by Garanti BBVA employees but also by 3rd party service providers was monitored closely.

Infrastructures capable of tracking the course and impact of the pandemic and of strengthening data-driven decision-making were developed; regular analysis of data using the pandemic-linked comprehensive, up-to-date database backed proactive action plans. In principle, the Bank closely followed the course

of the pandemic around the world, and its evolution across the country, along with certain high-risk hinterlands. Accordingly, proactive measures for the days ahead were adopted, rather than reactive ones for today. In addition, available data were monitored constantly; decisions were updated as and when necessary, and needs were fulfilled with an employee-centric flexible structure. Along this line, data from the COVID-19 Assessment survey that collected employee opinions measured the Bank 4% above the Turkey benchmark score in terms of the top management's suitable response to the crisis and attentiveness, closely dealing with the health of employees. In general, employees think that technological infrastructure and equipment needs were procured rapidly, adaptation to teleworking arrangements was quick during the pandemic, and with the intensive and inclusive occupational health and safety practices introduced, holistic practices were more successful and employee-centric as compared to those in other companies.

The course of the pandemic across the country was regularly monitored, as a result of which protective measures were developed tailored to high-risk or projected high-risk regions, and ratios of office- or home-based working were dynamically arranged. Social distancing and close contact tracking processes in buildings were backed by technological infrastructure and mobile applications, and steps were taken as necessary.



COVID-19 Hotline for employees

Believing in the high value of information provision and transparent communication in every step along the way, Garanti BBVA keeps its employees informed about the evolution of the situation through live streams. Bringing its employees together with occupational physicians and subject matter experts on respective fields, as well as the senior management, the Bank facilitates access of its employees to the most accurate and quality information needed. The COVID-19 Hotline was set up to give all employees fastest access possible to information from the most reliable sources. The information page created on the

intranet lets all employees instantly track the implementations and developments.

Psychological Support

Employee Support Hotline

Seminars

Monthly Bulletins

Putting emphasis and dwelling also on its employees' psychological well-being since 2010, Garanti BBVA incorporated additional psychological support service for the negative effects of the pandemic to its existing "Employee Support Hotline" service. In this context, employees who feel the need benefit from the online psychological support service on this line. Additionally, monthly interactive seminars were organized whereby expert psychologists gave information about the different aspects of the pandemic. Moreover, in September the Bank began publishing monthly bulletins covering suggestions to increase the wellbeing of employees.



Training Modules on Health and Safety in Home-Based Working

Numerous training programs were designed within the scope of COVID-19, protection measures, and alignment with new working arrangements. Two training modules were offered to employees, which were titled "Health and Safety in Home-Based Working" aimed at helping establish healthier and more secure settings at home, and "Return-to-Office Plan and the Measures Adopted", describing the precautions for when in-office presence is required. Other Occupational Health and

Safety Training Programs were designed and made available to employees in formats compatible with the conditions inflicted by the pandemic, and as online programs whenever possible.

While all efforts within this scope helped employees feel secure, they also constituted an element strengthening the employee-centric HR strategy of Garanti BBVA. They also served to complete fulfillment of the employees' responsibilities towards customers, stakeholders and the society.

Standing by Our Customers

The pandemic deeply impacted customers' lifestyles. Changes occurred in many aspects of life including social distancing, new health and hygiene routines, homes converted into offices, or going to work under abnormal conditions and embracing digital services. Garanti BBVA included its customers within its top priorities also in these challenging times as it always does, and worked to stand by its customers and to take the actions that will create value for them at all times.



Custom-tailored solutions to +65 customers

The Bank continued with its investments to solidify its technology with the aim of increasing the speed and success of its past and future steps. Thanks to its robust infrastructure, no system failures occurred despite the record number of daily active user logins; nearly 16 thousand employees that were referred to working from their homes within a very short period of time, including Customer Contact Center employees, were able to access all banking platforms through their company equipment, and instantly reach the necessary information and announcements. The Bank was able to respond to customer needs independently from location through the online banking platform installed to tablets. Despite the doubled number of incoming calls to the Customer Contact Center, customer demands were satisfied easily and rapidly.

Percentage of customers satisfied with branch services and precautions: **95%**
(April-September)

Communication satisfaction rate: **78%**
(April-May)



In this period, Garanti BBVA more tightly embraced its goal of being more than a bank for its customers and being positioned in their lives as a solution partner; the Bank relentlessly carried on with its surveys to hear its customers, and to gain insight into their changing behaviors and needs.

With the emergence of the pandemic, Garanti BBVA has seen that its relationship with its customers acquired a new dimension; the customers no longer regarded the Bank just as a financial advisor, but expected the Bank to adopt all hygienic measures being a healthcare expert at the same time. The Bank took actions to prevent density in branches; it did not apply any amount limitations for its +65 retail upscale customers' cash withdrawals via order Again for +65 customers, the Bank destroyed credit cards, which were to be received in branches, had them re-issued and delivered to their addresses. Some customers wishing to open a salary account were extended support by Head Office teams, without being referred to a branch. For protecting its employees' and customers' health, the Bank lifted the mandatory use of the G-Matik device used for arranging the lobby traffic in branches because of its touchscreen, and admitted a limited number of customers, one by one. Also, plexiglass separators were fitted on customer advisor desks. By means of the measures implemented, 95% of the customers visiting branches between April and September commented that they were very satisfied with branch services and precautions.

The Bank took care to maintain a clear and open communication with its customers regarding the decisions and implementations enforced in response to the pandemic; information was provided for 17 different situations by email, SMS, push notifications, social networks and the website. Precautions implemented in branches were announced with notices posted on branch entrances and monitors. Customers were kept constantly informed about new measures and practices. Hence, the Bank successfully maintained a high 78% satisfaction score with its COVID-19-related communication in April and May, when changes were the most intense.

Referral to Digital Channels

Uninterrupted service despite a record number of daily active user logins

Increase in digital and ATM money transfer limits

Fees and commission exemptions

Nearly 500 transaction sets on mobile banking app

Enhanced customer experience through new mobile banking functions

To guarantee service continuity, the Bank took important steps to enrich functionality on digital channels, and reached nearly 500 transaction sets on its mobile banking app, and informed its customers about how they can perform these transactions. To incite its customers to perform their transactions digitally, the Bank applied no fees for digital money transfers, organized new campaigns, updated existing ones, and increased money transfer limits on digital channels.

Robust Growth in Digital Customer Base

March 2020

2019

+1 MILLION

9.3 million active digital customers with the highest increase in digital customer base in March

To allow its customers to transact more conveniently using ATMs, daily cash withdrawal limits and automatic refund limits for cash that get stuck in ATMs was increased, while hourly transaction limits were doubled. In order to remove all the obstacles concerning digital transacting during the pandemic, "obtain and renew password for digital channels through video call" function was added to the mobile banking app within a short period of time. The Bank attained the highest-ever rise in digital customer base in March and reached 9.3 million active customers. At the same time, 69% of customers are stating that they are using digital channels at a higher extent and 54% are saying that they are going to the branches less frequently.

To protect customers' financial health in this period, the Bank offered the chance to defer and restructure the debts on its loan products. The Bank extended the deadlines for prizes earned in campaigns. Credit card payment limits were increased to facilitate spending for retail customers. Limit increase campaign was initiated to help commercial credit card holders to sustain their businesses and ease their product purchases. Credit card due deferral offer was launched for customers financially distressed because of the pandemic. The Bank also suspended the closure of credit cards to cash advance during the course of the pandemic, and allowed existing ones to be used for cash advance. Additional conveniences included 3 month postponement and a 6-installment repayment plan for easy repayment of total debt resulting at the end of this period. With this solution, the Bank stood by its customers in several respects including temporary payment difficulties of customers

during the pandemic, preserving their cash assets amid the uncertainty environment, postponing their card debts while continuing to use their cards, and preventing downgrading of their credit scores.

Deferrals & Restructuring

TL 40 billion loan deferral

1.1 million accounts

13.5% of the entire loanbook

Support Packages

TL 7.5 billion TL CGF Cheque & Expense Package Support

~12 thousand SME and Commercial Customers

18% market share

The Bank put its visionary investments and leadership in payment systems to use for sustainable economic development and contributing value to its customers during the pandemic. The Bank engaged in intense information campaign regarding contactless shopping solutions such as Payment with QR, Mobile Payment and GarantiPay. The Bank replaced POS devices used in member merchants with contactless terminals enabling payment without touching the POS device, and offered PIN pad devices with contactless capability. The Bank quickly adjusted itself to contactless transaction limits being increased to TL 250 by the Interbank Card Center (in Turkish: BKM). While the number of annual contactless transactions tripled, the Bank kept standing by its customers owing to its operational excellence prioritization. In a similar move, the Bank increased the number of QR-enabled devices to promote payment with QR. To facilitate customers' shopping without leaving their homes, the Bank established cooperation with a

number of e-commerce companies. Garanti BBVA invested in its remote payment infrastructure so that commercial activity of physical business places would not be hurt, and end users would be able to make their payments without leaving home, and thus launched Collection by Code. At its own discretion and also in accordance with the decisions of regulatory agencies, Garanti BBVA suspended interests and fees charged to a variety of transactions including cash-to-account money transfer, cash deposit from a different bank's ATM, postpone transaction, money withdrawal, as well as commissions charged to restructured loans. The Bank lengthened the time stipulated for classification of customer loans in non-performing loan category by two.



Pioneering solutions in payment systems during the pandemic

Keeping its customers among its priorities in this period, as it always does, Garanti BBVA continued to understand their changing needs and expectations and to offer the solutions aligned with their needs. With its initiatives, the Bank not only keeps pace with the evolution in customer behaviors, but also invites its customers to change and continues to evolve together with them.

Providing for the Benefit of Society

The COVID-19 pandemic, which deeply impacted our country along with the rest of the world and negatively affected every aspect of social life -particularly the economy besides community health-, has been a process that bared the importance of cooperating in the face of changing social needs, taking responsibility by institutions, and undertaking a pioneering role.

In the initial phase when the pandemic spread rapidly, Garanti BBVA has led the first step on behalf of the banking sector within the frame of the nationwide cooperation in response to the urgent needs arising in the healthcare sector and infrastructure. The Bank set aside a TL 10 million-fund for supplying the equipment urgently needed by state university hospitals where the combat against the pandemic was at its most intense in March. The fund was intended to urgently finance technical equipment that was critical for the treatment of the illness, and materials needed in great quantities particularly by doctors and healthcare workers such as masks, face shields, gloves, protective coveralls, scrub caps, watertight aprons and footwear. A critical support of this extent has, in a sense, pioneered the sector as well.

In keeping with the responsibility of being one of the largest banks in our country, Garanti BBVA fulfilled its share economically, while paying attention to the society's sensitivities, closely monitoring and extending support for arising or potential needs, and taking on a pioneering role during the pandemic. In this respect, the Bank took an important step for procurement of ventilators, which was the priority need of ICUs in our hospitals across the country, and fulfilled a vital need by undertaking the procurement of 500 locally-produced ventilators worth approximately TL 30 million under the slogan "Your Breath is Our Breath Turkey", within the frame of the assistance package organized in all BBVA Group countries.

Although a new phase started in the pandemic with the vaccine studies getting underway that gave rise to different expectations, its effects on community life persist. At this point, Garanti BBVA approaches the new needs arising from the process or imminent needs with the same sensitivity, and sustains its contribution to the society in these respects through sustainable projects and programs. One of the most important examples in this regard came to life in education, an area that was worst hit by the pandemic. The Teachers' Academy Foundation (ÖRAV) founded by Garanti BBVA kept

supporting the teachers uninterruptedly from the start of the remote education semester via eKampüs, its remote learning platform the infrastructure of which was constructed eleven years ago and updated last year. Having quickly adapted to the requirements of the digital age with eKampüs, ÖRAV kept a close eye on the emerging needs of teachers and students in this period. Based on these needs, Garanti BBVA, in cooperation with ÖRAV, authored a new educational project launched in September: Teachers Without Distances web seminars series... Web seminars conducted through ÖRAV'S remote learning platform eKampüs will continue to be held across 81 cities in Turkey throughout the year, and will contribute to equipping the teachers with the necessary skills and capabilities that will help them manage the remote education process in the most effective way and to make a difference.

TL 40 Million Donation

TL 10 MILLION

- *First donation among banks*
- *Technical and protective equipment for state university hospitals*

TL 30 MILLION

Donation of 500 locally-produced respirators to 53 hospitals

Garanti BBVA aims to keep contributing to our country with its long-term sustainable investments that will support sustainable development goals and respond to the needs in different areas that will move the society forward, as it does in the field of education.

While successfully reshaping its business model recognizing its role and responsibilities during uncertain and dire times, the Bank continues to understand evolving customer needs and

expectations, to cater to them rapidly, to help its employees develop so that they can adapt to new processes while protecting them, and to use its power for the benefit of society.



Detailed information about the actions taken by Garanti BBVA within the scope of COVID-19 is available in Risk Management, Stakeholder Engagement, Risks and Opportunities, 2020 Performance and Outlook in Strategic Priorities, and Corporate Governance sections of the report.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

FINANCIAL HEALTH

ELİF GÜVENEN
Director - Corporate
Brand Management
and Marketing
Communication



BURAK ALİ GÖÇER
CEO - Garanti BBVA Pension



HÜLYA TÜRKMEN
Director - Customer
Experience and
Satisfaction



**ZEYNEP ÖZER
YILDIRIM**
Istanbul, Kozyatağı
Commercial Branch
Manager



MAHMUT KAYA
CEO - Garanti BBVA
Asset Management



Scan the QR code to
watch the video.

TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Financial Health

7,307 37 min 12 customer

Related Material Topics	Value Drivers	Indicators	2019	2020
<p>#3 BUSINESS ETHICS, CULTURE AND CUSTOMER PROTECTION</p> <p>#11 FINANCIAL HEALTH AND ADVICE</p>	OFFER OUR CUSTOMERS SOLUTIONS AND SUGGESTIONS THAT CATER TO THEIR NEEDS SO AS TO HELP THEM ATTAIN THEIR GOALS	New and updated products, services and channels that aim to support the customers in terms of managing their financials	5	5
	FINANCIAL ADVISORY TO OUR CUSTOMERS TO HELP THEM MAKE THE RIGHT/HEALTHY FINANCIAL DECISIONS	Customers informed about their financial positions	85%	92%
		Disabled-friendly Garanti BBVA ATMs	5,214	5,276
	DELIVER AN EXCELLENT CUSTOMER EXPERIENCE BY PLACING THE CUSTOMERS AT THE CENTER OF ALL OUR ACTIVITIES	Customers that started using saving products	943,541	898,212
		Products or services that are changed and developed through customer feedback	40	27
	BUILD LONG-LASTING RELATIONSHIPS WITH CUSTOMERS AND BE THEIR TRUSTED PARTNER	Individual Net Promoter Score* (Ranking)	#2	#2
		SME Net Promoter Score* (Ranking)	#4	#1
		Net TCR Score **	41%	63%
		Target customers surveyed	9%	10%
		Feedback received	1,068,000	1,296,702
		Decrease in customer complaints (%)	22%	0.5%
		Proactive actions taken against potential situations likely to cause customer dissatisfaction	18	6

* Net Promoter Score research is conducted by independent research agency Ipsos for Garanti BBVA. According to the research results, Garanti BBVA has the 2nd highest Net Promoter Score among retail customers representing its own profile and the highest one among SME customers, in both cases compared to its competition, which includes İşbank, Akbank, Yapı Kredi Bank, and QNB Finansbank. Research was conducted between October 2020 and December 2020. Main bank customers, who have communicated with the banks over the last 3 months, were surveyed using online panel and telephone techniques by quota sampling.

** Net TCR (Transparent, Clear and Responsible Banking) Score measures whether the information which bank provides is complete and clear. It is calculated like Net Promoter Score.



Moving forward with its value 'Customer comes first', Garanti BBVA shapes its products and services around the customer positioned at the heart of its operations. 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. When serving their customers, Garanti BBVA employees go beyond meeting their needs and offer solutions that amaze the clients.

As one of its strategic priorities, 'Financial Health' for Garanti BBVA means offering its customers solutions and suggestions that cater to their needs so as to help them attain their goals, financial advisory to help them make the right/healthy financial decisions, delivering an excellent customer experience by placing its customers at the center of all its activities and building long-lasting relationships with its customers and be their trusted partner.

In order to measure the performance in terms of fulfillment of customer expectations and to reveal improvement areas, Garanti BBVA conducts Net Promoter Score (NPS) studies and after-service questionnaires with customers receiving service from branches, Customer Contact Center, Customer Experience Support Team and digital channels.

One of the main design principles of Garanti BBVA is to be able to offer to customers the financial solutions that can be easily performed anytime, anywhere. To this end, Garanti BBVA conducts monthly usability surveys to better observe its users' needs. Based on these surveys, solutions are devised for user experience problems associated with existing functions, and user experience is kept in the focal point in relation to new products to be launched.

With its responsible banking approach, Garanti BBVA discloses advantages and possible risks of products and services. In this context, the Bank communicates with its customers transparently in all sales and marketing activities, and provides

all the information they need in a clear and easy to understand way. The Bank offers feasible solutions and aims to build long-term and sustainable relations that are built on trust.

While offering solutions catering to the needs of its SME customers, Garanti BBVA also continues to offer advisory to help them make sound financial decisions. The Bank keeps them informed about the developments in their respective sectors and other matters that have implications for their business lives and supports their growth.

Making proposals that are aligned with customer needs in order to help them make healthy financial decisions, Garanti BBVA offers suggestion systems that help customers make the best financial decisions which are backed by smart solutions integrated with new generation payment technologies.

Garanti BBVA will continue to broaden the proposals designed to improve customers' financial health and offer suggestions and solutions to help them easily manage their daily financial lives and reach their life goals.

Garanti BBVA's consistent performance in customer experience relies on four key competencies that it embraced in the execution of its strategy: Customer Understanding Capacity, Design Philosophy adopted, Empathetic Culture espoused by each member of the organization and advanced Measurement Systems allowing constant self-control.

1 - CUSTOMER UNDERSTANDING CAPACITY

COVID-19 that deeply impacted our lives reshaped our banking habits, financial needs and expectations from financial institutions. New variables of the pandemic such as infection anxiety, socially distanced relationships and economic uncertainty continue to modify consumer behavior.

Adapting its insight generation studies to the current conditions, Garanti BBVA conducted new monitoring and deep understanding initiatives. The resulting customer insights were combined with internal data, which the Bank

used to closely monitor the evolved customer behavior, needs and sentiments in this period. In 2020, the Bank contacted nearly one million customers and received their feedbacks concerning their needs and expectations during the pandemic, whether they are content with the measures adopted at branches, along with brand perception and their journeys. The Bank upgraded its services by taking into consideration approximately 2,147 opinions of employees in relation to customer experience, which have been conveyed through the Ask/Share platform.

All insights that become a part of Garanti BBVA's corporate intellectual capital have been regularly utilized by employees also in 2020. The design teams, in particular, made use of customers' and employees' opinions throughout the entire process from problem identification to solution generation.

2 - DESIGN PHILOSOPHY

The design philosophy of Garanti BBVA is built on designing the experience at all moments and channels of contact, i.e. the entire journey, from the perspective and standpoint of customers end-to-end. The 'Customer Journey' methodology adopted by the Bank has become a powerful tool in creating consistent, seamless and supportive experiences for customers.

Customer behaviors and needs that changed with the pandemic, coupled with the priority to protect public health, made it even more critical to reconstruct the experience in physical channels in a manner to protect customer and employee health, and to enable completion of every possible step of the journey through digital channels. Garanti BBVA captured its design philosophy centered around standing by the customers at every step in real life by implementing the necessary health-related precautions at branches and ATMs, steering the customers to digital channels at every possible moment of contact, publishing guiding content about the topic, offering advantages such as period-specific limits, no-fee transactions and the like as well as variety for digital functions.

3 - EMPATHETIC CULTURE

In 2020, people's need for empathy and compassion has been greater than ever before. With the transition of almost all of the employees to permanent or rotating work-from-home order within a very short period of time opened the door to a new and totally unfamiliar world. New routines, new responsibilities, creating a new order, communicating not face-to-face but through remote access have been challenging. Garanti BBVA employees worked very hard to maintain the human touch, in addition to offering the fundamental services uninterruptedly throughout this extraordinary period. Ensuring continued communication with customers, checking on their health and well-being, and standing by them by providing financial support through this difficult period became the main goals.

4 - MEASUREMENT SYSTEMS

Based on the priority to help protect public health, Garanti BBVA suspended all of its face-to-face measurement studies and turned to digital solutions during the pandemic for continued measurement of its performance in fulfilling customer needs and expectations.

- 93% of customers who came to and were serviced at branches between April and December stated that they were content with the measures implemented against the pandemic and with the service furnished.
- 75% of customers commented that the information and guidance provided in this period were satisfactory.
- About 30% of customers stated that their banking habits changed after the Coronavirus outbreak. While one out of every 4 customers had expressed this comment at the start of the pandemic, this ratio became one out of every 3 customers in the following months. 70% of the customers who stated that their habits have changed said they began using digital channels more, whereas 53% said they decreased their branch visits.*
- The number of complaints by the Bank's 1,000 active customers kept falling down in 2020. There was a decrease by 0.5% as compared with the previous year.

The positive outcomes of efforts carried out based on the four key competencies mentioned above and aimed at continuously leveraging customer experience were reflected in various indicators also this year:

- For the sixth consecutive year, Garanti BBVA was named the Best Retail Bank in Turkey in 2020 for its innovative services and products by the World Finance Magazine, one of the world's eminent business and finance magazines.
- The Bank was given the Best Retail Bank in Europe award for the third time by the European CEO Magazine published in Europe.
- The Retail Banking Family acting with its ever-adaptable dynamic structure and with the "customer comes first" principle was named the Best Brand of the Decade in retail banking in Europe by the World Finance.
- As a result of the assessment based on various criteria including product diversity and market share by Global Finance in the "Best Treasury and Cash Management Banks" category, Garanti BBVA once again earned the "Best Cash Management Bank in Turkey" title in 2020, after claiming the same title for three consecutive years in 2016, 2017 and 2018, for its broad product range covering, mainly, supply chain, collections and payment solutions.

WHAT WE DID IN 2020

In an effort to better understand and follow up the evolving customer needs and expectations, in-depth interviews with customers from diverse segments, regular questionnaires with active customers, and regular surveys monitoring the economic assessments of metropolitan customers were conducted in 2020. Net Promoter Score (NPS) studies were conducted with customers in the Retail, SME, and Commercial segments, Digital Channel and credit card users in order to measure the performance of Garanti BBVA in terms of fulfillment of customer expectations and to reveal improvement areas. With the same purpose, after-service surveys were carried on with customers receiving service from branches, Customer Contact Center, Customer Experience Support Team and digital

channels. Advertising research measuring the performances of advertisements, brand surveys measuring the brand's share on the minds, and corporate reputation surveys measuring the reputation of the organization were among other regular surveys conducted. In addition, the annual music and basketball sponsorship surveys were carried out, which measure the effects of sponsorships.

Garanti BBVA finished the year second in Net Promoter Score study among retail customers in 2020 within the context of its focus on disciplined and sustainable growth and competitive priorities. Notwithstanding, having remained adhered to its seamless and high quality service principle in line with its "customer comes first" principle also during this trying year, the Bank was assigned a good score by customers in this respect, as stated in the Measurement Systems section. Among the SME customers, on the other hand, Garanti BBVA has been the most recommended bank in the sector. Taking utmost care to stand by its customers and to maintain continuous contact, the Bank was rewarded for its efforts.

Conducted regularly to prevent recurrence of customer dissatisfaction, root cause analyses continued, this time also incorporating the variables stemming from the pandemic. Actions taken in this context served to preclude 4% of situations giving rise to customer dissatisfaction in 2020. The circumstances surrounding the pandemic also took their toll on the actions that could be taken proactively; thanks to six actions taken in 2020, potential situations likely to cause customer dissatisfaction were also prevented.

Garanti BBVA adopted regular precautions to make the working environments healthier during the pandemic. Frequency of cleaning cycles was increased and necessary hygienic measures were taken. The entire branch network was disinfected within a central plan. Delivery of gloves, masks and hand disinfectants to branch employees continued regularly. Transparent separators were fitted on employee desks in branches, and customers were invited inside the branches one by one. These steps helped maintain the social distance between employees and customers.

* Results from the After-Service Survey conducted by independent research company Ipsos on behalf of Garanti BBVA in the April-December period.

While Garanti BBVA strongly urged its customers to use digital channels and contactless transactions on one side, it also worked to rapidly improve its capabilities on digital channels. The Bank backed this quick-moving transformation process via its employees, brief videos and other contents serving as a guide, and also with its compensation policy. In the same vein, daily cash withdrawal limits from ATMs were increased and cash withdrawal from other banks' ATMs became free-of-charge.

Digitalization protocols were reviewed, and actions were taken for swift and smooth digital onboarding of customers contacting physical channels. Non-digital customers were guided to the "get password" step via voice instructions or ATMs at the most suitable step of the journey, and their digitalization processes were followed up. Non-users of credit cards were able to create password via video call or NFC technology. On another note, guides were prepared to digitalize the newly-acquired and existing customers with a coherent experience in branches. These guides were designed to introduce new customers to the mobile app from the first moment of the relationship.

Besides upgrading its existing capabilities, the Bank introduced innovative solutions to customers with the goal of perfecting the customer experience delivered on digital channels. Apps offering the best customer experience in their respective fields were taken as model and integrated in design processes in order to enable practicability and fast transaction flows.

One of the main design principles of Garanti BBVA is to be able to offer to customers the financial solutions that can be easily performed any time, anywhere. To this end, Garanti BBVA conducts monthly usability surveys to better observe its users' needs. Based on these surveys, solutions are devised for user experience problems associated with existing functions, and user experience is kept in the focal point in relation to new products to be launched. Some upgrades that were implemented along this line include the following:

- Garanti BBVA Mobile app home pages were redesigned in a simpler and usable format; usability problems were solved.
- Transactions that would compel a customer visit to the

branch during the pandemic were identified and digitalized. These steps can now be easily carried out through digital channels with such technological means as NFC, video call, etc. In addition, the "Do It Digitally" page explains how transactions are performed on digital channels to first-time digital customers.

- WhatsApp chatbot and UGI experience was improved to respond to identified needs more quickly, and provided users with the means to easily find the answers they need.
- Now able to communicate also in writing, UGI, the smart assistant of Garanti BBVA Mobile, can better understand customers thanks to its broadened transaction set and the new AI solution.
- To enable contactless transacting for customers, the QR transactions set was expanded with credit card debt payment and credit installment payment in addition to the Withdraw Money with QR and Deposit Money with QR transactions.
- The branch leg of the customer acquisition process was improved and redesigned. In parallel, the flow allowing the customers to self-initiate mobile onboarding was introduced, which digitalized and facilitated the customer acquisition process.
- Additionally, transaction flows were simplified and redesigned with functions incorporating data-driven developments in order to facilitate the most frequent transactions Garanti BBVA customers come to the branch for. Customer steering suggestions were incorporated in branch flows to raise awareness of transactions that customers can perform digitally.
- Thanks to its advanced infrastructure, Garanti BBVA quickly adapted the money transfer without an IBAN or account number when the TR ID No., Foreigner ID No., Passport No., Tax ID No. or E-mail Address is defined on the relevant account through Easy Addressing System to its mobile channel.

Timely and clear information provision about each new measure adopted has become more critical in this period. Best efforts were spent to provide timely and adequate information and guidance on all channels including the website, texting, branch monitors, etc.

Certainly, one of the greatest worries of customers in this period was suffering loss of income and defaulting on their debts. Garanti BBVA closely monitored and contacted the customers disclosing their need for financial support in the Bank's regular surveys, and strove to offer the best financial solution. While the regulatory framework governing credit and credit card debts in this period helped ease the financial stress, Garanti BBVA mobilized all of its teams to rapidly implement the necessary arrangements.

In 2020, Garanti BBVA continued with its initiatives that facilitate access to service from branches and Garanti BBVA ATMs for customers with disabilities, and that contribute to their physical and financial freedom through Disabled-Friendly Banking. Garanti BBVA is delighted that over 10 thousand employees completed the web-based Sign Language training to provide better service to disabled customers. In 2020, Garanti BBVA served through 5,276 disabled-friendly Garanti BBVA ATMs.

In the years ahead, the Bank will keep offering services that enhance the access of unbanked and underbanked people to financial services, through a variety of solutions such as expanding the disabled-friendly Garanti BBVA ATM and branch network.

Supporting primarily customers wishing to find solutions to their problems via branches, the smart platform "Empathy Assistant" began supporting the employees to accommodate the circumstances stemming from the pandemic. Helping the employees reach current versions of the practices that frequently changed due to the pandemic, the platform extended support for the solution of more than 49,000 issues despite the reduced number of branch visits. The platform offers service to employees with more than 120 topics in its content.

Actions were taken in complaint handling, which take into consideration the effects of the pandemic. Accordingly, improvements were made on channels to enable first-contact resolution of issues by customers. Resolutions for most frequent customer feedbacks were added to channels. These solutions were kept up-to-date in keeping with the changing

circumstances of the pandemic, thus minimizing their implications for customers. Upon the start of the pandemic, customers increasingly tended to convey their complaints through government agencies. As some customers chose the BRSA as a channel to convey their complaints, the number of complaints and demands received through this channel increased by more than five times as compared with the previous year. The collaborative efforts of a team dedicated to complaints received via government agencies and all related teams within the Bank allowed handling customer demands and complaints as quickly as possible. Within the frame of complaint handling digitalization, customers began communicating their complaints, suggestions and appreciation through Garanti BBVA Internet Branch starting from October. Besides communicating their feedbacks through this channel, customers can also view the status of their existing complaints and past feedbacks.

Regular meeting series launched in 2020 were intended to eliminate the disadvantages emanating from physical distance and to ensure continued communication and information flow among all employees and teams.

Garanti BBVA's initiatives that help its customers manage their personal finances are as follows:

- Garanti BBVA has been the first bank from Turkey to join Global Payment Innovation (GPI) launched in 2017 by SWIFT, and made available Outbound Tracking on Garanti BBVA Internet Banking for SWIFT transfers to domestic and overseas banks. In 2020, it has become the first bank across the world to complete the integration of SWIFT GPI Pre-Validation, the new service developed by SWIFT for international money transfers.
- In addition to Outbound Tracking and SWIFT GPI Pre-Validation, Garanti BBVA has been one of the first banks in the world to offer Inbound Tracking Service in December, whereby initially SWIFT-member institutions will be able to track the SWIFT payments from domestic and overseas banks from the moment the funds leave the originating bank. Garanti BBVA customers will soon be able to access this service through Internet Banking or API (Application Programming Interface),

which will be a significant contributor to cash flow management.

→ Garanti BBVA joined FAST (Instant and Continuous Transfer of Funds), a system operating on the Central Bank of the Republic of Turkey (CBRT) infrastructure allowing money transfers as an instant transaction at any hour of the day on weekdays and weekends, which is an additional option to the Bank's existing money transfer systems.

→ Along with the FAST System, the Easy Address system was also launched, which enables replacement of the IBAN used in money transfers with a mobile phone number, email, TR ID/ Tax ID number or passport number. Customers can match their personal data with their IBAN via Garanti BBVA Mobile, and can send and receive money by sharing that information only.

→ Corporate customers working with several banks are now able to add their accounts with other banks to Garanti BBVA Internet and easily access and view on One Screen their account balances and movements through Garanti BBVA Internet.

→ The discounting transaction volume with Supplier Finance product increased by 48%, which contributed to short-term working capital needs of customers.

→ To alleviate the negative impact of the pandemic upon economic life and to support customers financially in this period, actions were taken to postpone Overdraft Account principal amount risk payments of customers working on the Direct Debit System infrastructure.

PRODUCTS AND SERVICES FOR CUSTOMERS' FINANCIAL HEALTH AND INCLUSION

With its responsible banking approach, Garanti BBVA discloses advantages and possible risks of products and services. In this context, the Bank communicates with its customers transparently in all sales and marketing activities, and provides all the information they need in a clear and easy to understand way. The Bank offers feasible solutions and aims to build long-term and sustainable relations that are built on trust.

WHAT WE DID IN 2020

Garanti BBVA carries on with its initiatives in relation to Financial Health, one of its key strategic intents. The target audience of the Financial Health Project launched in 2019 on Garanti BBVA Mobile as part of its financial advisory project conducted for this purpose grew by four times in 2020. The Smart Transactions service, designed to let customers fulfill their daily financial obligations, is intended to let users perform their everyday banking transactions more easily and gain awareness with respect to their money management. Within the scope of Smart Transactions, customers are able to better manage their time and keep their money under control using the "Regular Deposit Order" rule. "Spend and Save" rule lets them save up a given portion of their spendings incurred with a credit card without spending effort for it. With the "Regular Gold Saver" rule, customers can save up the quantity of gold they wish every month regularly from their credit cards or checking accounts. "Pay Bill" rule allows automated payment of frequently paid bills and easy tracking of bills without allocating time to do it. Garanti BBVA keeps working to add new functions to Smart Transactions.

Going beyond banking products and services, Garanti BBVA also has initiatives underway for its corporate customers, in order to give advice to support the betterment of its customers' financial health, and to warn them in case of an issue. Custom-tailored insight and action plans are intended to be presented by analyzing customers' behaviors and financials. The Bank increases the services that can be offered to corporate customers by the day. For example corporate customers are automatically notified when the current exchange rate reaches a level set by them, allowing them to quickly adapt to changing market conditions.

Also in 2020, Garanti BBVA framed all communications according to the principles of "Transparent, Clear and Responsible Banking". In this context, customer communications such as contracts, forms and informative messages became even more important during the pandemic. The Bank took extra care to establish clear and easy to understand communication with its customers regarding the new measures and practices implemented within the scope of the pandemic. Various

methods were employed for giving information, including emails, SMS, push notifications, social media and the website. The precautions taken in branches were announced on branch gates and monitors. Thus, the Bank was able to maintain a high 78% satisfaction rate with the communication regarding COVID-19 in April and May, which were the busiest months in terms of the intensity of the pandemic-driven changes. The Bank kept designing "Product Summary Pages" that summarize products and services in a clearer and more intelligible manner and support the customers with their decision making, and added the bank overdraft account product to the set of available summary documents.

The Bank attaches importance to going to the customer at the right time with the right offer, and to establish optimum contact with them when doing so. Accordingly, the Bank developed a new platform whereby alignment of the existing infrastructure with the Customer Communication Policy will be rendered systemic and automated. The platform is intended to centrally manage quantity and consistency checks before contacting customers.

2020 has been a year of extremely high volatility of physical assets, besides the financial markets, owing to the effect of the pandemic. As a result, Garanti BBVA observed that its customers' need for its financial advisory was greatest than ever before. The Bank spent intensive efforts to inform the customers about the right investment instruments, and maintained continuous communication. The number of digital transaction sets was increased, thereby enabling customers to satisfy many investment and borrowing needs without a branch visit.

Garanti BBVA led the sector by being the first bank during the pandemic to implement debt postponement on all channels, i.e., branch, mobile, internet, call center, and applied more affordable interest rates during the deferment. The Bank offered the single-click debt deferral function on digital channels to its customers wishing to avoid branches due to the pandemic. In this way, customers were able to postpone their debts without going to a branch or calling the call center. In addition, the Bank increased the customers' transaction limits

on alternative channels, and supported them by cancelling out numerous commissions and fees.

The Bank exercised the same care and attention for its employees as it did for its customers, and made the necessary arrangements for working-from-home order in the quickest way possible. Since all employees already had tablets configured for mobile working, the Bank was able to realize this conversion very quickly, and thus has been the first bank in the sector to send its employees home. Employees continued to offer portfolio service by phone from their homes. The Bank covered the customers serviced by portfolios that were unable to work for a variety of reasons in this process under the remote service model named "My Banker" and carried on with uninterrupted financial advisory service.

Through all these efforts, Garanti BBVA strove to avert possible losses of its customers and extended them the necessary support to capitalize on investment opportunities fitting their financial profiles. Displaying an example of great devotion, rotating branch teams made sure that customer service was not interrupted on any channel.

Garanti BBVA delivers most of the retail products through a completely multi-channel experience. This is best exemplified with the general purpose loan. While customers can apply for a general purpose loan from a branch, the same application can be completed digitally, and can be approved by the customer contact center which has an end-to-end smooth experience in credit documents.

Furthermore, using the Quick Loan function, customers can learn their credit limit within seconds simply by entering their TR ID number and instantly use the amount from out of their allocated credit line. This function can be used not only by Garanti BBVA customers, but by anyone. Thus, they can find the answer to the question "How much can I borrow?" in a very short period of time.

To make life easier also for business owners, salary agreement process was digitalized. Fast and practical solutions were offered

for salary agreement and salary payments of tradespeople who are having a hard time due to the pandemic.

In 2020, satisfaction of pension customers has been a top priority for Garanti BBVA. All customer needs were fulfilled through mobile and customer contact center to protect customers' health, particularly during the pandemic, and to enhance their satisfaction.

In line with this strategy, Garanti BBVA succeeded in becoming the fastest-growing private bank in terms of the number of pension customers in 2020.

Garanti BBVA, in 2020, strongly fulfilled the financial advisory service needed by its customers, and introduced various instruments for their financial investments, thus expanding its deposit customers pool. In doing that, the Bank employed the best channel to contact the customers in an effort to maximize customer satisfaction. Besides the regular ones, several deposit products were the favorites of customers, as they were in 2019: "Inflation-Indexed Deposit Products" providing above-inflation returns at all times, "Multi-Currency Deposit" allowing transition between various currencies during the term, and "Interim Interest Payments", a long-term account that makes interim advance payments on the interest income.

In addition, the Bank launched new options on Garanti BBVA Mobile to back its customers wishing to save up: "Spend and Save", an accumulating deposit account allowing customers to save up an amount that suits their budget from their credit cards which at the same time offers daily interest income; "Regular Gold Saver" that enables saving up gold monthly, and "Regular Deposit Order" that automatically transfers money to time deposit accounts.

With the increased use of digital channels in connection with the pandemic, personalized customizations went live also in time deposit accounts. In this context, transactions performed at branches were integrated into digital channels, and demand deposit service was substantially made available on channels. Besides deposit products, Garanti BBVA focused on the returns

secured for customers, and ensured active asset management with SMART Funds, which are mutual funds with absolute income targets and invest in domestic and overseas markets, Structured Borrowing Instruments with guaranteed minimum interest, and bonds issued by Garanti BBVA and its subsidiaries.

During 2020 when investor interest in precious metals grew by the day, the Bank issued the Silver Based Precious Metals Fund Basket Fund, which is the first Silver Based mutual fund that began to be traded on TEFAS (Turkey Electronic Fund Distribution Platform). Likewise, the Bank kept responding to needs with the Foreign Technology ETF Fund Basket Fund in this period that sees intense interest in the global technology sector.

INFORMATION AND ADVISORY SERVICES SUPPORTING THE DEVELOPMENT OF SMEs

Garanti BBVA listens to the needs, feedbacks and complaints of its SME customers, and develops its products and services accordingly. All these developments and information provision allow SMEs to perform their transactions uninterrupted, while maintaining a perfect customer experience. At the same time, the Bank continues to offer advisory to help its customers make sound financial decisions.

While offering solutions catering to their needs, Garanti BBVA also keeps its SME customers informed about the developments in their respective sectors and other matters that have implications for their business lives. In this context, the KOBİ Girişim magazine being published for many years in cooperation with the Economist Magazine is mailed free-of-charge to all SME customers electronically.

WHAT WE DID IN 2020

Garanti BBVA introduced a series of precautions in order to make life easier for its SME customers that were affected by the restrictions imposed in connection with the pandemic, to ensure the sustainability of their businesses, and to protect them against being affected by the virus when performing their banking transactions.

→ Garanti BBVA referred its customers to digital channels

for non-cash transactions. In this period, SME customers had increased demand for digital channels. The Bank increased daily minimum cash withdrawal limits from ATMs and money transfer/EFT upper limits for a certain period of time, in order enable faster and easier performance of financial transactions by customers and also to alleviate the density in branches. Also, cash withdrawal from other banks' ATMs was free-of-charge for a specific period of time. No fees were charged to SMS customers for money transfers via mobile application or internet banking for a given period of time. Also upper limits for SWIFT and forward import transfer via digital channels were updated.

→ SME customers were regularly reminded of the contactless cash withdrawal/ depositing capability from ATMs using QR code and of the Garanti BBVA Mobile capabilities including money transfers, credit card, bill and loan payments to shorten the time they spend in branches during the pandemic. Corporate customers were also informed about the contactless cash withdrawal with QR code function made available on the ATMs. Garanti BBVA believes that it has thus raised awareness among customers of the practical and healthy ways to digitally perform the transactions they most frequently perform in branches.

→ In addition, the Bank postponed the loan repayments of all its customers who requested it due to reduced turnover, exclusively during the pandemic. In addition, SME customers were informed about their entitlement to Social Security Institution payment deferrals granted by the government to companies engaged in specific sectors and to benefit from this incentive.

→ SME customers having time deposit accounts continued to be informed that they can receive financial advisory about custom-tailored interest rates through mobile banking app push notifications made 3 days prior to maturity date.

→ During this timeframe that precluded visits, the Bank further strengthened its connection with the customers, made more customer calls, and offered solutions befitting their needs specific to the period. Also through this period, Garanti BBVA stood by its customers with solutions customized according to its customers' needs.

All these efforts resulted in the number one spot Garanti BBVA

clinched in the SME Net Promoter Score (NPS) study conducted to gain a better insight into its customers.

SOLUTIONS HELPING CUSTOMERS ACHIEVE THEIR TARGETS WITH NEW GENERATION PAYMENT TECHNOLOGIES

Garanti BBVA makes proposals that are aligned with customer needs in order to help them make healthy financial decisions. The suggestion systems that help customers make the best financial decisions are backed by smart solutions integrated with new generation payment technologies.

WHAT WE DID IN 2020

Garanti BBVA offered a solution to its temporarily financially stressed customers during the pandemic with the New Postpone Payment product launched on 30 March 2020.

With the New Postpone Payment feature, the Bank offered customers the possibility to defer their debts without any payments on their cards for 3 account statement periods, and benefit from a 6-installment repayment plan for comfortably paying their total debts arising at the end of the 3 periods. With this solution, Garanti BBVA addressed various problems facing the customers during the pandemic, such as temporary hardships in payment, protecting cash assets amid a volatile environment, deferring their card debts and keep using their cards, and preventing any downgrades in their credit scores.

With the solutions suggested, Garanti BBVA aimed to enhance customer experience and increase the trust held in the Bank, as well as keeping them from undergoing follow-up due to temporary financial stress and maintaining customer relationship.

Credit card due deferment proposal was brought for customers who are financially distressed due to the pandemic. From 1 June 2020 until 31 December 2020, the Bank made this offer to customers for up to 6 months, making them feel that Garanti BBVA is standing by them. About 85 thousand customers benefited from the proposal.

On August 19th, cash advance feature was redefined to credit cards of customers, for which this feature was canceled during the pandemic due to non-payment of the minimum payment amount three times during the course of the year. In addition, denial of cash advance via cards was suspended during the course of the pandemic. Thanks to the implementation which will be available until 30 June 2021, customers will be able to fulfill their cash needs with their credit cards through this economically trying period.

BONUS CHECK-UP

In October 2020, Garanti BBVA introduced Bonus Check-up, a first of its kind in Turkey, to provide financial information to, and guide, its customers whose card applications were declined. With this function, Garanti BBVA targets to offer financial advisory by giving recommendations and providing guidance regarding their shortcomings to users in relation to the credit card application process.

In case of a declined credit card application, Garanti BBVA customers can use the Bonus Check-up service via BonusFlas application to clearly learn about the custom-tailored actions they can take for re-evaluation of their applications. Users can easily view the financial reason why their application was declined or whether the information required for the application was complete and up-to-date via BonusFlas, for re-applying upon completion of the lacking elements. They can clearly see the state of their financial health on one hand, and increase their chances of having a credit card on the other.

Offering transparency for the customers, the function steers the customers wishing to get a card from Garanti BBVA with the right actions and helps them reach their objective, while contributing to the Bank's new customer acquisition and increased credit card issuing volume.

OUTLOOK

COVID-19 has been a factor that impacted and changed every aspect of life both for individuals and entities. Many routines from the way we do business to our shopping habits, from our

communication tools to how we spend our free time, from the entities we contact to our expectations have all changed and evolved. This change will live on in 2021 and thereafter to a substantial extent.

Health was undoubtedly the pivotal focus for consumers in 2020. Consumers voluntarily changed their long-lasting habits in order to avoid the risk of infection. The greatest impact for the banking world occurred in the rush to channels excluding face-to-face contact such as mobile applications and call center. Customers achieved a major transformation that would normally take several years within just several weeks and began to opt for digital channels at a growing extent. Consumer behavior during the pandemic also varied according to the course of the pandemic and the measures adopted. For example, the spending trend in various categories changed over the course of the pandemic. Having largely restricted expenses on entertainment, dining out, cosmetics, accessories etc. in March and April, consumers, worn out by the pandemic, later recaptured the same levels in their expenses on some of these categories. It can be suggested that these changes will continue in the year ahead.

During this period, brands that care about the well-being of its customers and society, and act transparently and cordially in their communications gained the foreground. Similarly, customers began to detect and engage with businesses working for a sustainable environment and society, and exercising care in this regard in their operations. Completely aware of the role and responsibility that falls upon it in this vague and difficult period, Garanti BBVA will keep modifying its service model in an agile fashion to timely and satisfactorily respond to changing customer needs and expectations. In this context, it will remain as an essential priority for the Bank to ensure the well-being of its human capital and to build on their competencies to facilitate adaptation to the new normal.

Driven by the desire to be accessible and to reach the customers through their top-choice channels, Garanti BBVA, during this period, will work with the target of creating new channels for its

customers by integrating various communication applications into banking applications. In view of the gradually increasing use of video and digital content by customers, the Bank will begin using these channels more often for conveying the solutions for their financial needs.

Although anticipating to have a more positive year in terms of the economy in 2021, Garanti BBVA predicts that its customers will have an extreme need for financial advisory as was the case in 2020. Therefore, the Bank will keep working towards increasing the number and frequency of its services and products that will contribute to its customers' financial health. In 2021, the Bank will be closely watching global trends and broaden its product range by issuing new mutual funds that invest in different themes. The Bank will continue to stand by all of its customers in the personal segment, be them employees, retirees, or tradesmen, with sustainable products.

Garanti BBVA already began the infrastructure work for expanding its portfolio with its environment-friendly products taking global trends into account, which are slated for introduction in 2021, namely Clean Energy, Sustainability Stock and the new member of the SMART fund family. Product diversity will continue to increase with new fund products in 2021.

During 2020, the Bank worked on fund trading and management monitoring of customers via garantibbva.com.tr and Garanti BBVA Mobile, resulting in the development of much more user-friendly screens. These initiatives will be brought to completion and launched in the first quarter of 2021.

Garanti BBVA will also continue to work towards ensuring the financial health and sustainability of the SMEs that make up 99% of the economy in Turkey. By offering solutions aligned with the evolving conditions in the world, the Bank will make their lives easier and help them improve the way they do business.

It will carry on with its product and service developments in a bid to facilitate penetration of SMEs to new markets, contribute to their digitalization, and support their development.

Garanti BBVA's principle of always approaching the customers in a "transparent", "clear" and "responsible" manner will remain as a core element of its strategy to enhance customer experience and help them make informed decisions.

Proposals designed to improve customers' financial health will be broadened, and suggestions and solutions will continue to be offered to help them easily manage their daily financial lives and reach their life goals. Garanti BBVA's vision in 2021 will remain as supporting its customers to correctly manage their assets and liabilities and acquire the skill to plan an independent and secure lifestyle in the future as they fulfill their financial obligations, and being positioned as their "Trusted Financial Coach" in their lives.

Garanti BBVA believes in the importance of making a contribution, starting with the improvement of each corporate customer's financial health, in order to support a healthier commercial life and to consolidate the strength of the economy; it considers this vision as a key constituent of the benefit we can contribute as a bank to our country. To this end, the Bank aims to regularly monitor corporate customers' financial performance, determine in advance the points that might be financially challenging for customers with the help of the smart structures it will build, and warn its customers in a timely manner. It intends to suggest the pathways to a stronger financial structure in the form of personalized proactive advice enriched with product and service proposals that Garanti BBVA can offer them. Garanti BBVA's vision for the years ahead is to stand by its customers not only when they come to the Bank for assistance but at all times, and to be able to offer a comprehensive financial advisory service based on a banking concept that goes beyond the conventional description at all points they need the Bank, even when they are not aware of their need.

In a bid to offer the best user experience, Garanti BBVA will maintain constant communication with its users, and continue to observe the customer journey continuously, to be followed by steps designed for its further betterment.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

SUSTAINABILITY



Scan the QR code to
watch the video.

TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Sustainability

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Related Material Topics	Value Drivers	Indicators	2019	2020
#2 CORPORATE GOVERNANCE AND STRONG MANAGEMENT OF ALL RISKS	POSITIVELY INFLUENCE CUSTOMERS, DECISION-MAKERS AND THE SECTOR BEING THE LEADING BANK IN SUSTAINABILITY; CONTINUE TO HELP RAISE INCREASED AWARENESS	Participation in sustainability related initiatives and memberships	27	27
		Engagement platforms	44	44
		Sustainability indices in which Garanti BBVA is included	9	10
		Policies/position papers Garanti BBVA contributed	13	11
		Environmental and Social workshops and conferences	11	7
		Topics addressed/discussed in workshops and conferences	15	22
		Contribution to Sustainable Development (TL billion, cumulative)	38.4	51
		Issues addressed by community programs	3	4
		Amount of investments in community programs (TL million)	22.3	60
		SME initiatives (including applications and events)	10	5
#9 CLIMATE CHANGE: OPPORTUNITIES & RISKS	FOCUS ON COMMUNITY INVESTMENT PROGRAMS WHICH DELIVER IMPACTFUL OUTCOMES ON MATERIAL ISSUES AND OBSERVE IMPACT INVESTMENT PRINCIPLES	Women Entrepreneurs encouraged to apply to Woman Entrepreneur Awards (cumulative)	38,450	39,750
		Women who participated in woman entrepreneurship events and whom Garanti BBVA helped raise increased awareness	10,250	8,500
		Market share in wind power plants (WPP)	27.5%	24.7%
		Avoided GHGs through renewable portfolio (million tons of CO ₂ e)	5.9	7.2
		Scope 3 footprint of greenfield energy production portfolio (in new PF commitments)	0	0
#11 FINANCIAL HEALTH AND ADVICE	OBSERVE CLIMATE CHANGE-RELATED RISKS AND OPPORTUNITIES; INTEGRATE THEM INTO OUR BUSINESS PROCESSES AND RISK POLICIES	Renewables in greenfield energy production portfolio (in new PF commitments)	100%	100%
		Total Sustainability Funds utilized from IFIs (TL million)	1,087	1,359
		Sustainable products/credit lines	42	43
#12 INCLUSIVE GROWTH (CONTRIBUTION TO SOCIETY, ENTREPRENEURSHIP, FINANCIAL INCLUSION, FINANCIAL EDUCATION)	INCREASE OUR SUSTAINABLE PRODUCTS DIVERSITY OFFERED TO CUSTOMERS, AND PROMOTE THEIR INCREASED USAGE			

The world is undergoing a significant social, environmental and economic transformation. Many practices that we know and are familiar with are no longer applicable and capable of fulfilling our needs under the current conditions. In the past decade, we have witnessed a radical change in the expectations of communities from businesses. In the next decade, we will be seeing much more demanding societies that are more aware of their power given these revamped expectations. In the light of these, Garanti BBVA puts responsible and sustainable development in its focus and develops innovative practices to respond to its stakeholders' expectations.

For the whole world, 2020 has seen habits replaced by radical changes due to the COVID-19 virus that emerged in Wuhan. From March when the first virus case in Turkey was reported until the end of 2020, Garanti BBVA continued to work at full speed on innovative products, services and initiatives in the area of sustainable finance and development amid the pandemic. One of the main enablers of this speed was the digital investments that the Bank has been making for more than 25 years. During this period when the whole world was confined to their homes with the spread of the pandemic, the banking sector witnessed an unprecedented speed in terms of digital transformation.

The Bank continued to mobilize its human and intellectual capitals along with financial capital also in this period in a bid to support responsible and sustainable development, one of its strategic goals. Taking into consideration the effects of the pandemic process that plagued 2020, the Bank strove to understand the conditions surrounding its customers and other stakeholders, and to develop solutions catering to their needs.

Green and sustainable loans/bonds are quite important within the 2030 Agenda that ranks high among material topics. As of year end2020, the total volume of sustainable borrowing market exceeded USD 1.9 trillion.¹ Just in the first half of 2020, the total volume of sustainable bonds and loans reached USD 270 billion despite the pandemic. This figure is reached at USD 655 billion as at the end of the year. Developing innovative

financial instruments and solutions such as the green loan and gender loan, Garanti BBVA keeps supporting the expansion of the sustainable bonds and loans volume in Turkey with the steps it has taken.

The Bank collaborates with its peers and the business world at a global level to identify new opportunities, to determine emerging best practices and products, and to remain a leader in sustainable finance and development in Turkey.

In this framework, Garanti BBVA actively takes part in, or holds seats as chair or member on the boards of directors of, 27 initiatives in total, including a number of intermediary platforms such as the United Nations Environment Program Finance Initiative (UNEP FI), Principles for Responsible Banking, Global Compact Turkey, and the Turkish Business Council for Sustainable Development (BCSD Turkey).

Garanti BBVA considers the Principles for Responsible Banking, in the constitution of which it was actively involved, which reached 200 signatories worldwide by end-2020 and was signed by seven banks from Turkey, as a global guide in the projects that it finances. The Bank evaluates the products in its loan book against non-financial criteria that make an environmental, social and/or governance (ESG) risk or impact, as well as financial parameters in the light of these Principles. The Bank, guided by the Principles, aims to set new targets and further improve its performance each time, rather than following the same decisions.

Remaining as a constituent of 10 sustainability indices in total including the Dow Jones Sustainability Emerging Markets Index, Garanti BBVA analyzes the sector's leading practices in environmental and social areas, and originates new areas for continuous improvement. The Bank shows the way for sustainable pathways through being involved in the development of collective policies and position papers of the private sector, which numbered 11 in 2020.

¹ Sustainable Debt Monitor Report: The Institute of International Finance, January 2021

Contributed Sustainable Development Goals



Garanti BBVA diversifies financial instruments provided for low-carbon and inclusive growth, and cooperates with international financial institutions for low-cost funding. Drawing on its intellectual capital, the Bank introduces innovative financial resources that incorporate pioneering applications and sustainability criteria, as well as the first social bond issue ever carried out by a private bank in an emerging country.

With the Green Loan it has launched in 2018, Garanti BBVA urge borrowers to improve their sustainability performances throughout the term of the loan. Borrowers may become entitled to advantageous loan interest or commission rates made available against improved performance in environmental, social and corporate governance areas that satisfy the predefined criteria during the term of the loan. The Gender Loan, which was introduced in a similar structure in 2019 by Garanti BBVA, represents a first in the world. Under the Gender Loan, Garanti BBVA grants discount both on cash loan margins and non-cash loan commission for improvements borrowers secure in gender equality.

In 2020, we have seen the effects of the economic and social crisis stemming from the pandemic in every department of life. Notwithstanding, Garanti BBVA kept offering gender loans, sustainability-linked loans to encourage its customers to adopt more sustainable business models. Again in 2020, Garanti BBVA authored the world's first-ever Sustainability-linked Syndicated Facility by tying its own borrowing processes to ESG criteria.

As climate change continues to be one of the most significant global crises in the 21st century, responsible finance approach is molded to address climate change issues in addition to societal challenges such as fostering employment through supporting SMEs in growing their businesses. Having allocated 100% of its project finance support for greenfield energy investments to renewables in recent years, and thus increasing the total lending to this area to date above USD 5.3 billion. Garanti BBVA's support to green and environmentally-sensitive energy continues with the use of 100% renewable energy for electricity in all of its

branches and buildings outfitted with compatible infrastructure. Garanti BBVA considers its systematic and long-lived initiatives carried out within the scope of its community investment programs as a key element of its responsible business concept. The Bank identifies its strategic priorities in this framework in line with the social sensitivities in the country and the world, BBVA Group priorities, stakeholders' expectations and necessity areas.

Accordingly, the Bank creates shared value through its strategic community investment programs focusing on material topics such as quality education, culture and arts, entrepreneurship, and environment.

It is among the various goals of Garanti BBVA to support the growth and resilience of SMEs, women entrepreneurs and startups, who are key to sustainable development of the economy, and help them improve their environmental, social and ethical performance, besides producing solutions for their financial needs.

Through Garanti BBVA Partners Acceleration Program, the Bank helps flourish the entrepreneurial ecosystem in Turkey, and aims to support and accelerate early startups and initiatives with the potential to attract investment and grow.

The Bank facilitates women entrepreneurs' access to financing, encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition, and executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School. Through Women Entrepreneurs Meetings, the Bank targets to help women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need.

Carried out by the Teachers Academy Foundation (ÖRAV) founded and sponsored by Garanti BBVA, the 5 Pebbles: Social and Financial Leadership Program is intended to build on teachers' knowledge of social and financial literacy and to

enable them to teach these skills to their students as well. ÖRAV's support to teachers is ongoing during the formidable pandemic that is affecting the whole world via innovative online activities. The Foundation's initiative to this end launched in 2020 with the support of Garanti BBVA is the web seminars series named Teachers without Distance.

Culture and art make another area in which Garanti BBVA intensifies its initiatives within the scope of the Community Investment Programs. Regarding active participation in cultural life, the development of individual and collective cultural liberties among the core components of personal and also sustainable societal development, Garanti BBVA founded SALT in 2011. SALT reaches the society through SALT Beyoğlu, SALT Galata locations and SALT Ankara Office; being an archetype and constantly evolving cultural institution, it plays a major part in the creation of the memory of Turkey's cultural heritage and in raising awareness of it.

Making it a priority to assume responsibility and take action in emergencies prevailing in the countries where it operates, Garanti BBVA took big steps in fighting the coronavirus pandemic throughout 2020. After making donations for provision of equipment and supplies for state university hospitals, the Bank procured 500 ventilators to be delivered to the Turkish Ministry of Health. Last but not least, the Bank donated 45 thousand saplings for reforestation efforts in Hatay that suffered from forest fires.

By focusing on responsible and sustainable development, the Bank actively contributes to Sustainable Development Goal 1: No Poverty, Goal 3: Good Health and Well Being, Goal 4: Quality Education, Goal 5: Gender Equality, Goal 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth, Goal 9: Industry, Innovation and Infrastructure, Goal 10: Reduced Inequalities, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, Goal 14: Life Below Water, Goal 15: Life on Land, Goal 16: Peace, Justice and Strong Institutions, Goal 17: Partnerships for the Goals.

INTRODUCE NEW SUSTAINABLE PRACTICES THROUGH PARTNERSHIPS

The Sustainable Development Goals (SDGs) emphasize the importance of cooperation among all stakeholders from governments to individuals in reaching the 2030 targets.

In line with its leading position in the implementation of sustainable finance and development initiatives, the Bank is transforming the sector through engaging and building partnerships with key stakeholders

For many years, Garanti BBVA has been participating in local and international organizations, which allowed for widespread, high-level engagement of the business community, governments and policymakers with numerous national and international organizations.

Garanti BBVA chairs, or participates in, the working group meetings of the UNEP FI Principles for Responsible Banking, and the working group meetings of the Global Compact Turkey, the Turkish Business Council for Sustainable Development (BCSD Turkey), the Banks Association of Turkey Role of the Financial Sector in Sustainable Growth Workgroup and the Turkish Industry and Business Association (TUSIAD) Environment and Climate Change Working Group meetings.

WHAT WE DID IN 2020

Ebru Dildar Edin, Garanti BBVA Executive Vice President responsible for Corporate, Investment Banking and Global Markets, continued to serve as the Chair of the Business Council for Sustainable Development Turkey (BCSD Turkey). With a total of 68 members from 19 sectors representing 15% of Turkey's gross domestic product, BCSD Turkey has been working for 16 years to make sustainability one of the key strategies of the business community.

UNEP FI Principles for Responsible Banking, among the 30 founding members of which Garanti BBVA was the only bank invited from Turkey and which was launched in New York in

September 2019, reached 200 signatories. The Principles, which are expected to significantly contribute to the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement objectives, focus on six main pillars: Alignment, Impact, Clients and Customers, Stakeholders, Governance and Target Setting, Transparency and Accountability. In its 2020 Integrated Annual Report, Garanti BBVA is sharing also its first Impact Report within the scope of the UNEP FI Principles for Responsible Banking.



UNEP FI Principles for Responsible Banking Impact Report can be found on page 569.

In recognition of the innovative steps it has taken to drive the private sector to integrate the 2030 Agenda into their business models, in 2020 Garanti BBVA was named the "Best Bank for Sustainable Finance in CEE" by Euromoney, and the "Best Investment Bank for Sustainable Finance in CEE" and the "Best Investment Bank in Turkey" by Global Finance. In 2020, Garanti BBVA was also honored with the "Best Bank for Sustainable Finance in Turkey" and "Best Investment Bank in Turkey" awards by the Global Economics, a leading financial publication in the world, for the project finance loans it has provided to major projects in Turkey, for its pioneering and innovative initiatives in sustainable finance, and for sector-leading investment notion. The Gender Loan structure, which was signed for a Wind Power Plant project and a first in the world, was honored with the ESG Finance Innovation of the Year award in 2019, while Garanti BBVA was the recipient of the Partnership for Sustainability Award in the Human category granted by the United Nations Global Compact (UNGC) Network Ukraine.

The only company operating in Turkey to have qualified for the 6th consecutive time in the Dow Jones Sustainability Emerging Markets Index, one of the leading sustainability indices in the world, Garanti BBVA is the only bank from Turkey included in the index. Having also remained as a constituent of the BIST Sustainability and the Corporate Governance Indices, Garanti

BBVA has been the only company to be included in Bloomberg Gender-Equality Index for the 4th consecutive year since 2017, and also continues to take place in the FTSE4Good Emerging Markets Index.

OUTLOOK

Garanti BBVA is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices and products, and remain as a leader in sustainable finance and development in Turkey. The COVID-19 pandemic that swept the whole world in 2020 served as a particular reminder of the vitality of sustainable development and the importance of collaborating to achieve it in the formation of post-pandemic new economic models.

Governments and businesses around the globe underlined that the post-pandemic new order to be established must have sustainability in its focus. Organizations directly involved in sustainable development such as the European Union (EU) already began planning the post-pandemic rehabilitation around green and sustainable criteria. It was recently announced that the seven-year EU budget worth EUR 1 trillion and the EUR 750 billion recovery package will be utilized in accordance with green and digital transformation terms and that 25% of this budget will be allocated to climate action.

In parallel with this, with the European Green Deal², the policy initiative designed to ensure the sustainability of the EU economy and a major driver of transformation of the European economy, it was resolved to make Europe carbon-neutral by 2050 and to decouple economic growth from resource use. The transformation plan detailed in the Deal entails important opportunities for the transformation of businesses in Turkey, as well. In this context, Garanti BBVA will continue to support its customers in this department with the sustainable borrowing instruments and green/sustainable loan options that it has been pioneering in Turkey.

Specifically, mechanisms such as the carbon border adjustment that will be incorporated in economic systems through the EU Green Deal will impose additional tax liabilities on all countries and sectors having an export relationship with the EU, and especially on carbon-intensive industries. All private and public actors wishing to avoid being negatively affected in their commercial relationships will have to contribute to post-pandemic green recovery.

The interest in green and sustainable investments fueled by the pandemic brings along certain risks. In particular, it becomes a real challenge to figure out whether sustainable investments are truly sustainable as the total volume grows larger. Hence, the sector players need guides detailing all aspects before they decide on their investments. There are standards on this topic published by the Loan Market Association and the International Capital Market Association.

The most important step in relation to strict definitions about being green or sustainable has been the EU Taxonomy³ published in June 2020 by the EU. The Taxonomy provides a comprehensive definition of environmentally sustainable investments. While it serves as a glossary, it also obligates big companies and financial institutions in the EU to report their sustainable finance activities.

We are witnessing that sustainability reporting, particularly in relation to climate change, is becoming more and more important. So much so that governments began to introduce obligations in this respect. For instance, the United Kingdom announced that TCFD reporting will become mandatory by 2025. As the Taxonomy studies expand, these reportings will encompass much broader regions and industries. In addition, Sustainability Principles Compliance Framework published by the Capital Markets Board of Turkey (CMB) in October 2020 constituted one of the most important steps taken towards raising increased ESG awareness of the companies in Turkey and to expand the transparency and accountability principles in this

respect. In the period ahead, Garanti BBVA targets to convey its knowledge acquired in this area to its customers acting just like an advisor, and drive the development of green investments in Turkey.

Garanti BBVA will mainly focus on enhancing non-financial risk management approaches within the Turkish banking sector. Additionally, the Bank will support activities to boost public-private sector partnerships. As part of the BBVA Group, the Bank will continue to contribute to BBVA Group's Sustainable Finance Pledge designed to support the combat against climate change and financing sustainable development.

CREATING SHARED VALUE FOR ALL THROUGH IMPACT INVESTMENT

Garanti BBVA diversifies financial instruments it offers for low-carbon and inclusive growth, and establishes cooperation with international finance institutions focusing on sustainable development. By developing products and services for diverse needs, the Bank pays attention to providing financial solutions facilitating transition to a sustainable economy. Total financing provided to sustainable development amounted to TL 51 billion in 2020.

Additionally, the BBVA Group, which is the main shareholder of Garanti BBVA, contributed EUR 50.2 billion in total to the Pledge 2025⁴ declared in 2018, whereby the Group committed to securing EUR 100 billion financing for sustainable development and combating climate change.

BORROWINGS AND SECURITY PRODUCTS ENTAILING ESG CRITERIA BOND ISSUANCE

During 2020, Garanti BBVA secured funds worth USD 700 million in this scope from international finance institutions. This amount accounts for 52% of the total financing the Bank secured in 2020.

² https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

³ https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

⁴ <https://www.bbva.com/en/infographic-2025-pledge/>

SECURITY PRODUCTS

Garanti BBVA Pension's sustainability stock pension investment fund was worth TL 91 million as at end-2020 and makes up 10.75% of Garanti BBVA Pension Investment Funds.

WHAT WE DID IN 2020

Garanti BBVA signed the second Gender Loan structure, the world's first that made its debut 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 UNDP Gender Equality Seal for Public and Private Enterprises criteria, in addition to the criteria set by Garanti BBVA.

Turkey's largest Sustainability-Linked Loan in which Garanti BBVA participated as a Sustainability Agent signed with an energy company in September 2020 was another major deal. In this facility worth EUR 650 million, the margin of the loan 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 rolled over the syndicated loan it received from international markets under its foreign borrowing 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 ESG-linked syndication loan obtained by any bank in the world tied to a bank's 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 due 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 unknowns of the pandemic and once again demonstrated the trust held by the international market in Garanti BBVA.

The Bank is working to motivate its customers to employ sustainable finance mechanisms in their borrowings and to adopt sustainable business models. In July 2020, Garanti BBVA intermediated green bond issuance worth TL 100.5 million of a client. This was also the first green bond issue in terms of Turkish Lira. Positioned like an advisor in the process, Garanti BBVA stood by 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 issue, the Bank made use of its digital and mobile channels to inform its corporate, retail and private banking customers about the opportunities stemming from investments that contribute to sustainable development and helped the green bond issue reach a much larger group of investors.

OUTLOOK

In the period ahead, Garanti BBVA will continue to motivate its customers to adopt more sustainable business models by way of innovative products and services. Targeting to provide a financing of TL 2.5 billion minimum to sustainable development and the combat against climate change in 2021, the Bank commits to allocate a minimum funding of TL 14 billion in this field over the next 4 years by 2025.

FINANCING THE TRANSITION TO A LOW-CARBON ECONOMY

It is a primary objective for Garanti BBVA to provide the necessary financing for renewable energy, which is making exponential progress through global technological developments, and to contribute to utilization of renewable energy potential of our country.

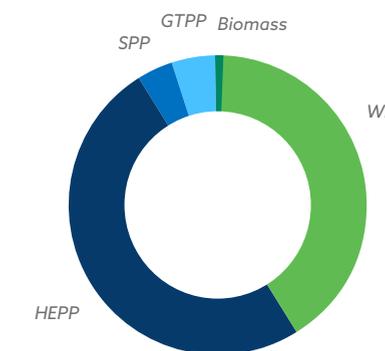
Garanti BBVA published its Climate Change Action Plan in October 2015, which focuses on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. Garanti BBVA has been the first bank in Turkey to commit to UN Global Compact's Business Leadership Criteria on Carbon Pricing. Closely watching the

National Emissions Trading System activities carried out by the Ministry of Environment and Urbanization within the scope of the PMR Project, Garanti BBVA keeps applying shadow carbon pricing to 100% of greenfield electricity generation projects in its project finance deals in order to reflect global developments in this respect in its business model.

With this Action Plan, Garanti BBVA also pledged that a minimum of 60% of the total funds allocated to greenfield energy production facilities will be allocated to renewable investments. In 2016, Garanti BBVA took its pledge one step further and committed to a renewable energy share at a minimum of 70% of the greenfield power sector financing to be provided by 2020 in new project finance transactions. In 2020, this ratio was far exceeded as it reached 100% similarly to previous years. Hence, once again in 2020, all of the project finance loans Garanti BBVA provided for greenfield power plants have been allocated to renewable energy projects. By the end of 2020, the percentage of green assets to Project and Acquisition Finance loan portfolio is 26% which corresponds to a total volume of 2.1 billion USD. The percentage of green assets to the loans granted for electricity generation purposes in the Project and Acquisition Financing portfolio is 73%; while the percentage of green assets to the loans granted for infrastructure projects such as energy, highway, airport, port and health campus projects, is 33%. The Bank holds the market leader position with 24.7% market share. The cumulative amount of financing provided for renewable energy investments has exceeded USD 5.3 billion. Financing 100% renewable energy in greenfield electricity generation projects within the scope of Project Finance since 2014, the total percentage of coal related exposure to the Bank's entire portfolio is 2%.

Also, in 2020, total avoided emissions of operational solar power plant, wind power plant and hydro power plant projects, in the financing of which Garanti BBVA was involved, was 7.2 million tCO₂e based on the current average grid emission factor for Turkey.

AS OF
31 DECEMBER 2020,
GARANTI BBVA
HAS ALLOCATED:



USD 2.66 billion to **WIND POWER PROJECTS (WPP)**, for 2,553 MW current installed capacity, which will reach a total installed capacity of 2,796 MW once fully operational,

USD 2.42 billion to **HYDROPOWER PROJECTS (HEPP)**, for 3,014 MW current installed capacity, and fully operational hydroelectric power plant projects,

USD 263 million to **GEOTHERMAL POWER PLANT PROJECTS (GTTP)**, which will have a total installed capacity of 337 MW once fully operational,

USD 244 million to **SOLAR ENERGY PROJECTS (SPP)**, which will have a total installed capacity of 326 MW once fully operational,

USD 57 million to **BIOMASS TO ENERGY PROJECTS**, which will have a total installed capacity of 58 MW once fully operational.

Garanti BBVA also launched its Environmentally-Friendly Auto Loan in May 2017 for the financing of hybrid and electric automobiles that provide fuel efficiency and stand out with their environmental features. Total lending reached TL 34 million at the end of 2020. The Bank believes there is strong potential moving forward given the international pledges and developments in this area. The Environmentally-Friendly Auto Loan will offer advantages to consumers with more attractive interest rates from 2020.

Total financing provided under the Green Mortgage product introduced in 2017 to encourage individuals to live in green and environmentally-friendly buildings amounted to TL 520 million.

Through the Green Corporate Loan introduced by Garanti BBVA for the first time in Turkey in 2018 and followed by the Green Project Finance Loan, a multi-bank loan agreement in which Garanti BBVA acted both as lender and green loan agent, the Bank helped establish credit mechanisms encouraging borrowing companies to improve their sustainability performance throughout the term of the loan in the market. In 2020, Garanti BBVA defied the backbreaking effects of the pandemic upon the market and continued to act as a pioneer in green and sustainable products. In the reporting period, the Bank signed its name under the second Gender Loan agreement and Turkey's highest Sustainability-linked Loan Agreement in which it was both a lender and Sustainability Agent. Under 5 green and sustainability-linked loan agreements, Garanti BBVA provided a total funding of USD 295 million as at year-end 2020.

ENVIRONMENTAL IMPACT OF OUR OPERATIONS

Offering innovative solutions in environmental issues to its stakeholders as part of its indirect impact, Garanti BBVA continues to take environmentally-friendly steps for its direct impact, as well. In 2019, Zincirlikuyu Head Office building earned Platinum certificate in LEED, one of the green building rating systems developed by the American Council of Green Buildings

(USGBC), thus becoming the first bank to have received such recognition in Turkey. Besides Zincirlikuyu Head Office building, Garanti BBVA Kızılay Branch is the only bank building holding Platinum certificate in New Buildings category. In addition, Garanti BBVA Pendik Technology Campus, Sivas Customer Contact Center and Karşıyaka İzmir Building all have LEED Gold certifications.

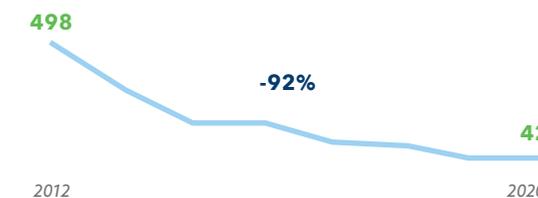
Besides its environmentally-friendly buildings, Garanti BBVA took some actions related to plastic use within the Bank in 2019. In this context, the Bank has become a signatory of the Business Initiative for Plastic led by BCSD Turkey, Global Compact Turkey and Turkish Industry and Business Association (TÜSİAD). As part of this initiative that started off with 26 companies and exceeded 40 in 2020, the Bank targets to end the consumption of single-use plastics within the Bank.

Financing 100% renewable energy in greenfield projects since 2014, the Bank took its efforts in this department one step further and launched an initiative that will be marked in the history. As a result of the contacts held with two different energy companies, 100% Renewable Energy Agreements were executed for the electricity consumed by the Bank. In 2020, 809 Garanti BBVA branches and 46 buildings met all of their 73 million kWh electricity needs from renewable energy. Thus, nearly 34,790 tonnes of CO₂-equivalent emissions were avoided which corresponds to the carbon sink capacity of roughly 2.2 million trees.

Additionally, at Garanti BBVA branches and buildings that are technically fit, energy is supplied from natural and renewable resources. Currently, Garanti BBVA Bodrum Branch, Sivas Customer Contact Center and Antalya Akdeniz Branch procure their electricity needs through rooftop photovoltaic panels. The Head Office building, on the other hand, secures saving from electric energy consumption with the trigeneration system that has been in operation since 2018.

The Bank has secured significant reduction in carbon intensity over the years as a result of the long-standing efforts in relation to carbon footprint. Since the introduction of ISO 14001 Environmental Management System in 2012, the Bank's carbon intensity lessened by 92%.

CARBON INTENSITY (tCO₂E/TOTAL ASSETS)



In 2020, Garanti BBVA set itself the target of reducing its carbon emissions by 29% by 2025 and 71% by 2035 under the Science Based Target initiative compliant with the Paris Agreement goal to limit global warming to below 1.5°C. The Bank has been the first company in Turkey to declare such a target.

In 2020, the Bank purchased carbon credits for its emissions arising from its operations and has become a carbon-neutral Bank. Thus, the Bank has far exceeded its reduction goal of 71% for 2035 already at the end of 2020, i.e. 15 years earlier than targeted.

Garanti BBVA will carry on and further expand its environmentally-sensitive and pioneering initiatives in the years ahead, thus continuing to contribute to social and environmental benefits.

 **Resource consumption and carbon emissions of Garanti BBVA by years are presented in detail in the Appendix A3.**

2 Calculated according to the official Small and Medium Sized Enterprises (SME) definition (enterprises employing less than 250 people annually and not exceeding TL 125 million either in annual net sales proceeds or financial balance sheet). Unless otherwise specified, the numbers cited are based on the SME definition of Garanti BBVA.

SUPPORTING WOMEN ENTREPRENEURS

Garanti BBVA supports active participation of women in employment and economic life, with the understanding that an inclusive economy where all individuals make use of opportunities equally will be more efficient and can grow faster. Commitment to gender equality means ensuring development within the Bank and in our country in a way that it is beneficial for everyone.

The loan amount provided to women entrepreneur customers, categorized as a special customer group, reached TL 8.7 billion by the end of 2020.

Besides financing, the Bank provides entrepreneurship training for women through Women Entrepreneurs Executive School and supports women entrepreneurs in developing their businesses by creating ecosystems that enable knowledge and experience sharing.

Women Entrepreneurs Executive School initiative was awarded Gold Sardis in the Gender Equality category at the Sardis Awards for its contribution.

Supporting active participation of women in employment and economic life, Garanti BBVA's loan amount provided to women entrepreneurs reached TL 8.7 billion by the end of 2020.

FOSTERING EMPLOYMENT THROUGH SUPPORTING SMES AND ENTREPRENEURSHIP

Making up 74% of the total employment in Turkey, SMEs are important contributors to the economy, domestic development, and inclusive and value-added growth. Garanti BBVA supports SMEs in increasing their financial resilience and making value-added production that will benefit the economy.

In 2020, the amount of cash and non-cash loans provided to small and medium enterprises as SME Banking² reached TL 81.2 billion.

PARTNERING WITH FINANCIAL INSTITUTIONS

Leading the sector in transforming the real sector's way of doing business, Garanti BBVA signed a 5-year agreement for USD 150 million equivalent TL 540 million with the International Finance Corporation (IFC), a member of the World Bank Group, within the scope of the Mortgage Backed Securities Issuance program. The issuance is the first green bond issued by Garanti BBVA and is also the first Mortgage Backed Securities issuance that the IFC invested in in Turkey.

Garanti BBVA makes available this fund, which is also its first deal in local currency with the IFC, mainly to finance "Green Mortgage" extended to environmentally-friendly projects covering high energy-efficient buildings.

In addition, a Green Mortgage agreement for EUR 75 million equivalent TL 313 million was executed with the EBRD in July 2017, under which total on-lending to date amounted to TL 100 million. These funds falling under the scope of Green Mortgage constitute 46% of the funding Garanti BBVA has secured from the Mortgage Backed Securities market.

In a bid to create equal opportunity in business life, Garanti BBVA has been extending support to women entrepreneurs since

2006. Within the scope of this support, The Bank, in cooperation with the IFC, issued Turkey's first social bond, Gender Bond, for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. Under the facility, the Bank provides working capital up to TL 400,000 and up to maturities of 36 months exclusively to women entrepreneurs. Additionally, the Bank signed the Women Entrepreneurs Export Support Loan protocol with Turk Eximbank in 2019.

Garanti BBVA carried on with its pioneering stance with the new products launched in 2020. In this context, Garanti BBVA provided financing support worth USD 133 million to energy efficiency and renewable energy projects across 22 provinces, to SMEs and women entrepreneurs within the scope of the protocols executed with the IFC, Development Bank of Austria (OeEB) and the Green for Growth Fund (GGF). Under the protocol signed with Garanti BBVA and the IFC, a member of the World Bank Group, a financing package of USD 90.75 million was made available to Garanti BBVA to be on-lent to small enterprises mostly in provinces in the South and Southeastern Anatolia, where majority of the population provided with temporary protection in Turkey lives. In addition to this support package, Garanti BBVA obtained access to financing in the amount of USD 22 million from the Development Bank of Austria (OeEB) to be used for supporting women entrepreneurs. Finally, Garanti BBVA signed a financing agreement for USD 20 million with the GGF to be extended to energy efficiency and renewable energy projects.

Having developed innovative products that serve sustainable development over the last 15 years, Garanti BBVA issued 5-year maturity Green Bond for USD 50 million abroad in December under the GMTN (Global Medium Term Notes) program. This is the Bank's first green bond issuance in line with Green Bond Principles. With the fund generated on this issuance, the Bank will extend support to renewable energy and resource efficiency projects that produce solutions for climate change within the scope of the BBVA SDGs Bond Framework³.

Maintaining its market leading position in innovative products in 2020, Garanti BBVA secured the first green syndication loan obtained by any bank in the world tied to a bank's 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. Price will be reduced to the extent the criteria are fulfilled. With this facility, Garanti BBVA has added yet another one to its sustainability practices and used its commitments in renewable energy for the first time in an overseas borrowing instrument.

2020 has been a year in which economies and markets all over the world were negatively affected due to the COVID-19 pandemic. In this period, Garanti BBVA took some steps to back its stakeholders against the negative effects of the pandemic. Accordingly, in an effort to support the sustainability of its SME customers that suffered from negatively affected cash flows due to the pandemic, the Bank secured financing in the amount of USD 50 million and USD 54.7 million from the IFC and the EBRD, respectively. Garanti BBVA aims to help strengthen the market against the adverse impacts of the pandemic by extending support to economic development.

As the negative implications of the pandemic continued, Garanti BBVA realized the Bank's first risk sharing deal with the Risk Sharing Agreement made with the EBRD by late 2020. Under the agreement, funding up to 50% will be provided to commercial and project finance loans to be extended by Garanti BBVA in TL, USD or EUR, and the risk weight responsibility of half the amount will be transferred to EBRD. The agreement will facilitate lending to investment projects hit by the pandemic and priority will be given to investments with high sustainability performance or wishing to improve it.

OUTLOOK

Garanti BBVA will carry on with financing activities that create positive impact. The Bank will expand its green products and services to support Turkey's transition to a low-carbon economy

and to contribute to the global goal of 1.5-degree warming. In that respect, Garanti BBVA will continue to prioritize renewable investments and take more ambitious actions regarding carbon-intensive sectors in its portfolio.

Garanti BBVA will continue to support the empowerment of women entrepreneurs through various programs and initiatives, which eventually will contribute to creating employment opportunities and providing the sustainable development of the Turkish economy. In tandem, the Bank will sustain its support to help render SMEs sustainable businesses with the contribution of the entrepreneurs, as well.

Garanti BBVA pursues a prudent external funding strategy, which is an important pillar underpinning a sustainable and well-diversified funding base. The Bank targets to expand its correspondent network in different geographies and meet the client needs for international transactions. Garanti BBVA aims to provide customized trade finance solutions for its clients and enter into new cooperation in this area with correspondent banks and export credit agencies.

COMMUNITY INVESTMENT PROGRAMS

QUALITY EDUCATION

Worldwide failure to achieve sufficient progress with respect to "Quality Education", which is Goal 4 under the Sustainable Development Goals espoused by the United Nations, exhibits the utmost importance of expanding educational opportunities in our day. The shared value to be created in this respect is attainable through fulfillment of the world's and present day's requirements that are rapidly evolving as a result of the current technology and digitalization, and through closing the skills gap for better preparing the young generations for the future.

The Teachers Academy Foundation (ÖRAV), established by Garanti BBVA in 2008, continues its activities with the goal of helping ensure that the society gives the much-deserved

³ https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/BBVA-SDGs-Bond-Framework_23042018_Eng.pdf

value to teachers, one of the key focal points of education, as they practice a profession requiring specific knowledge, skills and attitude. The Bank aims to be instrumental in helping the teachers lead the education and training of the future generations so that they can build a contemporary and healthy world as they set the course of the future.

Launched in 2017 as a collaborative initiative of Garanti BBVA and the Teachers Academy Foundation, 5 Pebbles: Social and Financial Leadership Program contribute to primary school teachers' social and financial literacy knowledge and employs a child-centered approach and active learning methods to instill these skills in students. While raising the students' awareness of social and financial topics, the ultimate goal is to create a consciousness of "good citizenship". Under the Project comprised of five modules, education is given and various activities are carried out in the areas of "Self-Exploration and Understanding", "Rights and Responsibilities", "Saving and Spending", "Planning and Budgeting" and "Social and Financial Entrepreneurship".

To help the teachers handle the distance learning process as effectively as possible, ÖRAV keeps extending support to them in this respect. One of the initiatives in this framework is Teachers without Distance web seminar series, and is conducted via its online platform (eKampüs). Covering 17 topics, the web seminar series was launched in September 2020 and will be held in all 81 provinces of Turkey throughout the year.

The support Garanti BBVA has been extending to Tohum Autism Foundation's Continuing Education Unit continued also in 2020. In this framework, Tohum Autism Foundation provides theoretical and practical education about autism to special education teachers, parents with autistic children, related experts and university students.

Sports and physical education can motivate children and youth to attend and engage in formal and informal education, as well

as improve their academic performance and learning success. Sports can teach transferable life skills and key values such as tolerance, inclusion and lead towards learning opportunities beyond school. Sports can advocate for gender equality, address constricting gender norms, and provide inclusive safe environment.

With this perspective, Garanti BBVA has been supporting 12 Giant Men (National Men's Basketball Team) since 2001, Pixies of the Court (National Women's Basketball Team) since 2005, 12 Brave Hearts (National Men's Wheelchair Basketball Team) and 12 Magical Wrists (National Women's Wheelchair Basketball Team) since 2013. With the inspiration drawn from the 12 Giant Men, the 12 Giant Men Basketball Academies project finds and trains the 12 Giant Men and Pixies of the Court of the future.

ENTREPRENEURSHIP

Garanti BBVA conducts educational and skills development programs such as Women Entrepreneurs Executive School and Women Entrepreneur Meetings in order to support its customers in the SME segment. These programs create positive impact on gender equality.

Furthermore, Garanti BBVA started its Garanti BBVA Partners Accelerator Program in 2015 in order to meet entrepreneurs' needs in all aspects of their new ventures. Under the program, the Bank hosted 5 entrepreneurs and provided assistance in various departments such as office space, mentorship, networking, marketing and training. Total investments received by the entrepreneurs exceeded TL 22 million.

CULTURE AND ARTS

Cultural aspects, including active participation in cultural life, the development of individual and collective cultural liberties, the safeguarding of tangible and intangible cultural heritages, and the protection and promotion of diverse cultural expression are core components of personal and also sustainable development.

In 2011, Garanti BBVA unified Platform Garanti Contemporary Art Center, Ottoman Bank Museum and Garanti Gallery that had been operating under its organization to support active participation in cultural life under a not-for-profit umbrella institution named SALT, which contributes to the society and cultural development.

Garanti BBVA also aims to make cultural activities become widespread. As the main sponsor of İstanbul Jazz Festival for 23 years, Garanti BBVA has been supporting the leading music venues in İstanbul under the name of "Garanti BBVA Concerts" series and "Turn Up the Music with Garanti BBVA" project.

ENVIRONMENT

Garanti BBVA has been the main sponsor of WWF-Turkey for 29 years. Contributing to the sustainability of the planet through its efforts and initiatives worldwide, WWF is one of the largest wildlife protection associations in the world, with 6,200 employees in more than 100 countries. WWF-Turkey conducts projects in the areas of seas, freshwater, wildlife, climate-energy, forests and food.

Garanti BBVA also supports the Earth Hour movement organized by the WWF every year in order to highlight the world's environmental problems. Garanti BBVA is also part of WWF-Turkey's Green Offices network, and contributes to the Foundation's nature protection initiatives with its employee volunteerism.

In addition, Garanti BBVA is the main sponsor of CDP Turkey, the Turkey office of the world's most powerful green non-governmental organization which is engaged in the fight against climate change and conservation of natural resources.

SOCIAL IMPACT ANALYSIS

Garanti BBVA conducts Social Impact Analysis using the Social Return on Investment (SROI)⁴ method in order to assess the

value and the social impact of its ongoing programs among the target audiences.

WHAT WE DID IN 2020

While ÖRAV reached 19,529 teachers in 81 cities, the number of active users of its online platform (eKampüs) reached 18,340 in 2020.

The 5 Pebbles: Social and Financial Leadership Program reached 564 teachers and 9,000 students in 78 cities in 2020.

Teachers Overcoming Distances web seminars series reached 14,939 teachers in 4 months in 2020.

3,152 people were reached with initiatives carried out by Tohum Autism Foundation with the support of Garanti BBVA in 2020.

In the reporting period, 2,013 participants followed the events held at SALT locations. The three SALT locations welcomed a total of 144,663 visitors free of charge. On the other hand, 114,534 people attended the online events organized since March 2020.

In 2020, national basketball teams, which have Garanti BBVA as their main sponsor, competed in the qualification rounds of the European Championship. While Pixies of the Court represented our country in the qualification round of 2021 European Women's Basketball Championship, 12 Giant Men competed in the qualification round of 2022 European Basketball Championship.

In this context, Garanti BBVA invested TL 60 million for community investment programs in 2020.

OUTLOOK

Garanti BBVA aims to develop its community investments so as to produce shared value. In 2021, the Bank will continue to make investments focused on creating high social impact in the

⁴ Social Return on Investment (SROI): SROI is an approach created to measure social impact of projects. According to technical literature, projects with an SROI value higher than 1:1 are considered as successful projects in terms of social return, whereas projects within financial sector with an SROI value higher than 2:1 are accepted as very successful.

fields of quality education, entrepreneurship, culture & arts, and environment that make up its priority fields.

SUPPORTING CUSTOMERS TO GROW THEIR BUSINESSES SUSTAINABLY

In addition to producing solutions that address the specific financial needs of the SMEs, women entrepreneurs and startups who are key to the sustainable development of the economy, Garanti BBVA aims to support their growth and sustainability, and to help them improve their environmental, social and ethical performance. To this end, the Bank offers training programs and consultancy services making use of its human and intellectual capital as well, while also making various platforms available to them and establishing collaborations. With its support to the economic sustainability of SMEs, Garanti BBVA also creates employment opportunities indirectly and contributes to the sustainable development of Turkey.

WHAT WE DID IN 2020

Garanti BBVA helps flourish the entrepreneurial ecosystem in Turkey, and targets 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 hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

Garanti BBVA facilitates women entrepreneurs' access to financing, executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School, and encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition. With the Women Entrepreneurs Meetings, which attracted the participation of 8,500 women to date, the Bank seeks to help

women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need. Women Entrepreneurs Meetings conducted on digital platforms this year served to share experiences with a higher number of women entrepreneurs. The SROI (Social Return on Investment) value of the Women Entrepreneurs Executive School project is estimated as 5.

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

Within the frame of the international borrowing program, Garanti BBVA, in cooperation with the World Bank-member IFC, introduced a social bond for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. The Bank carried on with on-lending of this fund, which is the first social bond issued by a private bank in an emerging country, to women entrepreneurs in 2020.

For Garanti BBVA, it is also important to keep the SMEs advised of the developments in their sectors and matters affecting their business lives. The KOBİ Girişim magazine published for many years in cooperation with the Economist Magazine is mailed free-of-charge to all our SME customers electronically.

Also in the reporting period, Garanti BBVA continued to share information with its internal stakeholders, as well as external stakeholders including international financial institutions, clients and non-governmental organizations about innovative environmental, social and governance practices in Turkey, sustainable financing products that support equal opportunities to women and men employees in companies, digitalization, transparency and the new trends in non-financial reporting.

Furthermore, in 2020, the Bank sustained its information provision about the most current topics related to national and global sustainability trends, sustainable bonds and loans markets, international guidelines and best practices in environmental and social risk management at events such as the CDP Turkey Workshop, of which the Bank is the main sponsor and supporter, and The Sustainable Finance Forum, in the launch meetings of international principles such as the UNEP FI of which it is a founding signatory, and two live streaming events that it took part in during the year.

In this framework, 22 different topics were addressed in a total of 7 events during 2020, and information was provided to corporate and commercial customers and financial institutions on a one-on-one basis.

In addition, training programs were organized to enable Corporate Banking teams to give more comprehensive support to customers in relation to sustainable bonds and loans markets and innovative sustainable financial products.

OUTLOOK

In 2021 and beyond, Garanti BBVA will continue to highlight entrepreneurship, digitalization, sustainable finance, the combat against climate change, and environmental and social risk management issues in its capacity building efforts. Organizing summits and meetings where stakeholders can share experiences and information, and providing informative trainings on emerging new trends will continue to play a key part in the support extended to customers. Setting up partnerships and specialized teams and providing technical support making use of technological infrastructure in various topics such as sustainable finance and digitalization will be a part of the roadmap for the years ahead. Informing the customers on environmental and social trends will continue to take an important place in the Bank's agenda.

The Bank will make use of the existing international channels and platforms such as the United Nations platforms in designing capacity building initiatives.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

REACHING MORE CUSTOMERS

Digitalization



İLKER YAVAŞ
Director - Abacus Operation Center



**İŞİL AKDEMİR
EVLIOĞLU**
Executive Vice President -
Customer Solutions and
Digital Banking



**TUBA KÖSEOĞLU
OKÇU**
Director - Learning
and Development



MÜGE TÜRÜT
Istanbul, Suadiye
Branch Manager



ALİ ÖZGÜR TÜZEMEN
Director - Data and
Business Analytics



Scan the QR code to
watch the video.

TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

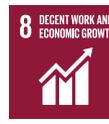
DIGITALIZATION

Reaching More Customers

5,259 27 min 10 customers

Material Topics	Value Drivers	Indicators	2019	2020
<p>BUSINESS ETHICS, CULTURE AND CUSTOMER PROTECTION</p> <p>EASY, FAST & DIY</p>	<p>BE WHEREVER OUR CUSTOMERS ARE, EFFECTIVELY USE NEW CHANNELS SUCH AS DIGITAL ONBOARDING AND PARTNERSHIPS</p>	Customers	17,639,895	18,779,492
		Digital banking customers	8,352,034	9,571,289
		Mobile banking customers	7,731,683	9,074,914
		Digitally Onboarded Customers	3,100	15,544
		Yearly transactions performed through Internet and Mobile Banking channels	428 million	580 million
	<p>EXPAND OUR CUSTOMER BASE AND DEEPEN OUR CUSTOMERS' RELATIONS WITH OUR BANK</p>	Number of Garanti BBVA Log-ins	1,5 billion	2 billion
		% of Active Digital Customers	73.4%	79.2%
		Branches	914	894
		ATMs	5,260	5,309
		Number of cardless transactions via Garanti BBVA ATMs	44,8 million	59,3 million
	<p>GROW IN AREAS OF FOCUS WHILE KEEPING AN EYE ON RISK AND COST</p>	Amount of cardless transactions via Garanti BBVA ATMs (TL billion)	26,7 billion	50,7 billion
		Number of Transactions performed with QR (million)	29,4 million	51,2 million
		POS Terminals	651,860	684,896
		Number of Merchants	400,700	406,258
		Credit Cards	10,131,725	10,308,368

Contributed Sustainable Development Goals



DIGITALIZATION FOR UNRIVALED CUSTOMER EXPERIENCE AND VALUE CREATION THROUGH DIGITALIZATION

As digitalization changes the way companies do business, it is also rapidly transforming customer demands and consumption model. The fact that people spend most of their time on mobile platforms paves the way for companies to scheme their businesses on a mobile-to-mobile format. Therefore, mobile banking platforms come to the fore as the key channel of customer interaction for banks. As the way of doing business and products are digitalized, the resulting customer experience is also completely digitalized. Strictly focused on offering a better experience on digital channels at all times and a follower of omni-channel strategy, Garanti BBVA aims to reach the users at the right time with the right message. Since the banking business requires an intensive set of functions, it becomes more and more important to balance it with a simple user experience. Garanti BBVA puts emphasis on creating unrivalled user experience through thorough analysis of data, and determines any deficiencies by way of regular usability surveys, thus ensuring sustainability of perfect experience. The Bank acts with the consciousness that "human" is at the center of each and every service or design.

Smart decision techniques are employed to approach customers through the best-fitting channel. Technology is utilized to upgrade customer experience; developments continue on every possible platform based on the Bank's vision of being accessible by customers anywhere they need banking services.

Furthermore the Bank transforms digital channels into an environment where customers can receive financial advisory. The Bank also contributes to its customers' preparation for the digital future by developing financial tools supporting digital transformation. Taking digital channels way beyond being merely a platform for transacting and product applications, the Bank acts with the vision of delivering an experience that

interacts smartly with the customers at every point and that establishes a true bond of trust.

Garanti BBVA aims to maintain its leadership in digital channels by continued monitoring and implementation of new technologies putting mobile channels at the heart of this experience.

With "Garanti BBVA'ya Sor" (Ask Garanti BBVA), which is the first 24/7 social media customer satisfaction channel in the Turkish banking sector, the Bank offers an efficient customer satisfaction service.

Garanti BBVA takes care to listen to the needs of its customers on every channel they are present and to develop fitting solutions. With "Garanti BBVA'ya Sor" (Ask Garanti BBVA), which is the first 24/7 social media customer satisfaction channel in the Turkish banking sector, the Bank offers an efficient customer satisfaction service. On social network platforms, Garanti BBVA carries out initiatives that contribute to business results by offering a description of products and services supporting its corporate image, and that are intended to make customers' lives easier with contents on financial and digital literacy, which are at the same time aligned with the entertaining and dynamic nature of social networks.

On average, 45 thousand related content is followed up and an average of 7 thousand customers are responded to every month. With the growing use of social media platforms by users, the number of customers contacting the Bank via Ask Garanti BBVA increases every year. The usage of social media

channels is increasing visibly within all communication channels of the Bank. While social platforms had 7.6% share within total complaints received by the Bank in 2015, this ratio is around 20% today. Rapid responses provided to customer suggestions, comments and complaints contribute to customer satisfaction.

In view of the number of platforms it makes use of for social network interactions, Garanti BBVA boasts the most comprehensive complaint handling capability in the financial services sector.

The Executive Vice President in charge of digital banking responsible for digital channels, customer contact center, customer analytics, innovation and product development, customer experience and satisfaction, together with the Executive Vice President in charge of technology, operations, organization and process development, leads digital transformation within the Bank, in collaboration with the senior management team. Furthermore, the Board of Directors closely monitors the progress and the performance.

WHAT WE DID IN 2020

Managing the largest digital customer base among the private banks in Turkey, Garanti BBVA Digital Banking enables 9.6 million digitally active customers to execute any banking transaction anytime, anywhere, with 5,309 Garanti BBVA ATMs, an award-winning Customer Contact Center, Garanti BBVA Mobile and Internet that have been leading novelties. While about 9 million of these customers actively use mobile banking, 7 million are mobile-only customers. Approximately 580 million transactions are performed through Internet and Mobile banking channels annually. Utilizing digital channels effectively, 97% of all non-cash financial transactions go through digital channels at Garanti BBVA. The number of monthly logins to Garanti BBVA Mobile also increases regularly and we have reached 2 billion logins in 2020. Aiming to offer its customers an instant, convenient and seamless experience, Garanti BBVA succeeds in remaining the leader of digital banking year after year.

This year, in a world where branches were unable to offer service due to the pandemic, digital channels went beyond being an alternative and came to the fore as the sole banking method. The entire sector discerned that fully digitalized banking enabling 100% remote execution of processes, a concept long owned by Garanti BBVA, was not the vision of a remote future but the necessity of today's world.

Keeping the trade running during the pandemic was critical for the national economy to come through this transition period as healthily as possible and for keeping the daily life from limping. In this context, the sole enabler of uninterrupted and smooth continuation of financial life was the power of digital channels. In this process, all sorts of needs of corporate customers could be fulfilled instantly through the digital channel network and remote access capabilities. Contingency action plans were implemented and projects that would contribute to digital channel use were prioritized in an effort to service more customers during the pandemic.

Utilizing digital channels effectively, 97% of all non-cash financial transactions go through digital channels at Garanti BBVA.

During 2020, 134,000 enterprise customers became first-time digital customers. Continuous developments are in progress to become digitally accessible by a larger group of corporate customers and to present them with more secure and faster ways to log in to digital channels and access their personal accounts. Customers having a commercial presence embodying several companies or those managing both their own personal

accounts and company accounts naturally need to switch between accounts, and logging-out just to re-log-in wasted time. "Switch User" feature among digital channels provided a faster transition between a customer's own accounts.

EMPOWERING CUSTOMERS

Garanti BBVA analyzes customer behavior with a data-driven approach and develops its platforms according to customers' needs along the way. For these developments, the Bank undertakes detailed customer life cycle analyses.

Acting with the vision of always making life easier for its customers wherever they may be, Garanti BBVA now offers service also via its corporate WhatsApp account. Furnishing support to its customers through virtual assistants for a long time, the Bank also launched WhatsApp chatbot service in addition to the voice assistant UGI and the chatbot service on Facebook Messenger. Customers can quickly find solutions to their problems and get detailed information about products and services by exchanging messages through the WhatsApp platform they heavily use in their daily lives. Garanti BBVA Corporate WhatsApp line is accessible 24/7 by saving the phone number +90 444 0 333 or from the "Contact Us" page on Garanti BBVA Mobile.

WHAT WE DID IN 2020

In 2020, Garanti BBVA Mobile's smart assistant UGI began offering support to customers in writing, in addition to voice communication, thanks to its revamped visage and infrastructure. This way, users, at their option, can receive support in a number of banking matters in writing in locations where they wish to avoid communicating orally. In addition, the new infrastructure lets UGI understand users better and provide support with a much broader transaction set. While furnishing all these services, Garanti BBVA acts with the awareness of the importance of adding the human touch wherever needed. The Bank is headed towards a structure where users, when unable

to find a solution talking to the virtual assistant, will be able to receive customer representative support without logging out of Mobile. Along this line, it is working towards making Garanti BBVA Mobile the main center of customer experience. With the guidance provided by Garanti BBVA Mobile's smart assistant UGI, customers can receive banking support and perform their transactions within the mobile app by reaching live support assistants through Live Chat, the newly developed channel that is currently in pilot run.

Quick Loan is another feature aimed at being there for the customers at the time of need. Using this function, every user, whether or not a Garanti BBVA customer, can find out about the amount of loan they can get with a brief journey using the form "How much can I borrow?" available on [garantibbva.com.tr](https://www.garantibbva.com.tr), and have the loan deposited in his/her account instantly. After filling in the "How much can I borrow?" form, non-customers are referred to the onboarding process, and then complete the borrowing transaction with a frictionless process experience.

The Bank aims to create fully digital products designed to respond to customers' all needs as they remain at home. Garanti BBVA customers can promptly become a Bonus Dijital credit card owner, for which they can apply through [bonus.garantibbva.com.tr](https://www.garantibbva.com.tr); following application approval, they can digitally approve credit card agreements without the need to execute a wet signature. This way, they no longer need to wait for receiving the plastic card and can instantly start using their credit cards for online shopping, or in business places, using the QR or NFC technology via their mobile phones. Bearing only the cardholder's name and surname on it, and associated card number, expiry date and security code viewable only on Garanti BBVA Internet, Garanti BBVA Mobile and BonusFlas, Bonus Dijital card offers customers a more secure shopping experience.

Another tool backing digital transformation is Salary Company Acquisition; enterprises can easily complete Non-Promotion

Salary Agreements and Institution Code creation processes via Garanti BBVA Mobile, without going to a branch.

At the same time, Garanti BBVA generates targeted solutions to ensure customer engagement offer the products that best fit their needs, and thus touch the customers instantly. For example the Canceled Ticket Insurance provides assurance for the ticket price against last-minute changes in travel plans, and 90% of the fare unreturned by the airline is reimbursed by the insurance policy subject to certain principles, in case of cancellation of a purchased airline ticket. FX Pricing Engine is another example in this sense. This function renders the exchange rates offered via Garanti BBVA's digital channels according to the customer's FX transaction volume and habits, and segment-based exchange rates are displayed.

Garanti BBVA is working to offer its customers a holistic user experience. The Bank has been striving to provide branch comfort on digital channels for customers wishing to perform their banking transactions without leaving their homes, particularly since March because of the pandemic. With the renewed Do It Digitally feature, the Bank tells users in detail about the transactions they can perform via Garanti BBVA Mobile with the aim of offering them the best experience. The Bank also enjoyed the advantage of possessing the capabilities that fully satisfy the increased need for contactless transacting in this period. Garanti BBVA Mobile users are able to easily carry out Withdrawal, Deposit, Transfer, Credit Card Debt or Credit payments with QR code via ATMs, without making a branch visit. During this period, the ratio of retail customers performing Money Withdrawal with QR reached 27%.

Garanti BBVA continues to author novelties that make customers' lives easier also in money transfers. Money transfer without IBAN or Account Number is enabled by matching personal data such as Mobile Phone No., T.R. ID No. and e-mail with the IBAN for retail customers, and by matching Mobile Phone No., Tax ID No, and e-mail for corporate customers. In 2021, QR services will be updated according to TR Karekod

(Turkish 2D Code) Standard, and transactions customers can perform via digital channels will continue to be enriched.

Garanti BBVA maintains its customer-centric perspective for all products and transactions made available on various channels. The Bank offers a similar experience for these products and transactions on all of its platforms. While transactions performed on any channel can be followed up on another, specific requirements of each channel are also taken into consideration. While channel-specific campaigns are offered for products, it is ensured that the same rates are available on all channels.

In brief, Garanti BBVA keeps implementing its customer empowerment strategies based on its customer-centric perspective and its solutions putting technology in their focus on all of its channels.

MOBILE BANKING

The number of monthly transactions carried out through Garanti BBVA Mobile surpassed 55 million. Active digital customers increased to 9.6 million while mobile-only customers significantly grew to 9 million. Garanti BBVA Mobile got 82.6% share of non-cash financial transactions. The number of active mobile banking customers grew by 17% in the twelve months to end-2020.

While the number of active digital customers increased by more than 1.2 million to 9.6 million, the number of customers using mobile channels increased by more than 1.3 million to over 9 million.

Aiming to enable customers to satisfy all their banking needs on digital channels and deliver a perfect experience, Garanti BBVA further improved the available capabilities and also enriched its digital channels with new and innovative solutions in 2020.

Targeting to accompany users at every step of their daily lives, Garanti BBVA put an end to "insufficient balance" era in public transportation, the most frequent problem of users, and launched top-up function for İstanbulkart, the prepaid transportation card for İstanbul, in addition to Kentkart. With İstanbulkart Top-up, the Bank reached more than 200 thousand customers, and successfully created a value that touches customers' lives.

Garanti BBVA users are given the capability to access e-Government gateway through Garanti BBVA Internet and Mobile channels.

Smart Transactions on Garanti BBVA Mobile application are intended to let users execute their daily banking transactions more easily and gain awareness of their finances. In addition to the "Regular Deposit Order" and "Spend and Save" rules previously introduced, "Pay Bill" and "Regular Gold Saver" rules were launched. Customers using the Regular Gold Saver function can regularly save up gold in predetermined gram equivalents of gold every month. With the Pay Bill function, customers can easily view their frequent bill payments and issue an automatic payment order, keeping their bills under control. Customers can save up easily thanks to Smart Transactions, and thus, become financially healthier. The Bank targets to introduce new features that will help customers easily manage their financial activities under Smart Transactions.

Garanti BBVA conducts monthly usability surveys to better observe its users' needs. Based on these surveys, solutions are devised for user experience problems associated with existing functions. Additionally, these surveys keep user experience in the focal point in new products to be launched. Some developments along this line include the following:

→ Home pages of the mobile application was redesigned in a simpler and more usable format and usability issues were resolved.

→ Transactions that would compel a branch visit for users were identified and these steps were made available on digital channels. They can now be easily completed on digital channels with technologies such as NFC, video call, etc. In addition, the steps on digital channels were explained to low-digital users under the Do It Digitally page during this period.

→ WhatsApp chatbot and UGI experience, which were upgraded to respond to identified needs more rapidly, provided areas where users can easily find the answers for their needs.

INTERNET BANKING

Garanti BBVA continues to touch its customers and listen to their voices on all of its channels. Through the Contact Us section added to Internet banking, the Bank keeps hearing customer opinions through different channels. From the Contact Us section, customers convey their complaints, suggestions and appreciation to customer experience teams, and follow up the responses to their messages and the outcomes of their complaints.

Arrangements targeting frequently made transactions on Internet banking such as money transfer and frequently used products such as loans and credit cards continue on this channel along with those on mobile banking.

In response to the changing circumstances resulting from the pandemic, Garanti BBVA allows customers to easily perform their transactions under any circumstance through installment deferral up to 6 months and term extension up to 12 months in its general purpose, auto and mortgage loans and advance account products.

As the onboarding process has been fully digitalized, non-customers are also able to finalize the loan applications initiated

through garanti.com.tr on Garanti BBVA Mobile by becoming a customer of the Bank, and take out the loan.

GARANTI BBVA ATM

Garanti BBVA ATM network reached 5,309 ATMs in 2020. While 337 million transactions were carried out from the ATMs, the number of contactless transactions exceeded 59 million. The ratio of money withdrawal and depositing with QR increased by 60% on average, whereas the ratio of money withdrawal with QR approached 30% within all withdrawals. SIM card change notification was added to the transaction set, thus enabling customers unable to perform this procedure via Garanti BBVA Customer Contact Center to do it without a branch visit. For customers who do not use Mobile and Internet channels, the feature for easily getting a digital password from the ATM was launched. Retail customers' receipt preferences were made applicable for all their cards, a step that decreased receipt consumption and made the transactions environmentally friendlier.

BONUS CREDIT CARD

A new era began, where users will be able to complete the application and approval process for Bonus credit card via bonus.com.tr website, and start using their virtual cards immediately. Wet signature requirement is cancelled for Bonus credit card applications; moreover, instant use credit card implementation has commenced along with the new regulation in the credit card agreement. When a Garanti BBVA customer who does not have a Bonus credit card applies for one via bonus.com.tr, he/she can digitally complete all the steps within just minutes. A customer whose card application is accepted can approve the Credit Card Agreement within minutes without a wet signature via Garanti BBVA mobile, have his/her new Bonus card immediately, and instantly begin using the virtual Bonus card that will be created simultaneously for online shopping. Physical credit cards are delivered to the customers' addresses, again without requiring a signature on the agreement.

Very soon, customers will be able to digitally approve credit card agreements through all application channels and for all credit card brands.

BONUS PIU

Easy-to-get prepaid Bonus Piu virtual card enabling secure online shopping was put on the market on 28 September 2020. Every user, whether or not a bank customer, wishing to do shopping from e-commerce platforms is able to create Bonus Piu prepaid virtual card by entering the website bonuspiu.com.tr without having to open a bank account, top up the card and start using it immediately. Anyone without a credit or debit card but having the need to do online shopping (youngsters aged 12-18, frequent shoppers on e-commerce websites, game enthusiasts, etc.) can have prepaid Bonus Piu without paying for a card and usage fee.

Those who wish to use Bonus Piu prepaid virtual card first create their cards on the website. After completing this step, users can load cash to their cards up to determined upper limits with their Garanti BBVA cards, through Garanti BBVA ATMs, through BKM Ekspres or MoneySend or via EFT from other banks, and do shopping.

Game enthusiasts can design their Bonus Piu cards with the visuals of the League of Legends characters, one of the most favored and most played games in the world.

Following the launch, the first co-branding was initiated with Hepsiburada.com, Turkey's leading e-commerce platform. In this context, users earned 5 percent extra Hepsiburada bonus points for the launch for their shopping worth TL 100 and above after creating their Bonus Piu-Hepsiburada cards specific to the platform through Hepsiburada.com website or bonuspiu.com.tr. Users will also be able to apply for physical cards through bonuspiu.com.tr website very soon.

COLLECTION BY CODE

Collection by Code product was introduced in August, which enables remote payment collection for business places that were forced to close down their physical stores due to the pandemic and did not carry out online sales through their websites.

While Collection by Code made remote collection possible for business places without the need for additional software, card holders can also securely make their payments with the card of their choice through kod.garantibbva.com.tr. Quickly familiarizing business places suffering from significant turnover losses with e-commerce, Garanti BBVA made its Collection by Code product available for use by more than 700 business places within a short period of time.

BONUS DIJI

Bonus Dijji card was launched on September 30th. Garanti BBVA customers apply for Bonus Dijji credit card through bonus.com.tr; following the approval of the application, they digitally approve their agreements without the need to execute a wet signature, and have their cards immediately; they can start using their cards instantly for online shopping, QR and NFC-enabled mobile payments without waiting for the receipt of the plastic card. Bonus Dijji gives customers access to all features and campaigns offered by Bonus Trink. Moreover, customers do not have to wait to receive their cards; as soon as the application is approved, they can do online shopping using the card number, expiry date and CVV data they can reach through BonusFlas, Garanti BBVA Mobile and Garanti BBVA Internet.

Number of transactions with GarantiPay, which enables fast and secure payment at more than 2,100 e-commerce businesses without sharing card data increased by 1.8 times as compared to 2019 and topped 3 million.

Bonus Dijji plastic card bears only the name and surname of the cardholder and not the card number, expiry date and CVV. Customers can view the said card data on BonusFlas, Garanti BBVA Mobile and Garanti BBVA Internet. If they wish, they can easily do shopping using the QR and mobile payment feature through BonusFlas even before taking delivery of their card. In order to open a Bonus Dijji card for use with physical POS devices and ATMs, the Bank must have received the information that the card has been delivered.

Customers already having a Garanti BBVA credit card can apply for Bonus Dijji credit card through BonusFlas, whereas Garanti BBVA customers can do so through bonus.com.tr and BonusFlas, and will be able to instantly start online shopping, QR and NFC-enabled mobile payments without any additional procedures.

BONUSFLAŞ

With the increased tendency to use digital channels in 2020, BonusFlas continued to be the channel of choice by Garanti BBVA card customers for all their needs associated with cards and payment solutions. BonusFlas made users' lives easier particularly during the period they stayed home with the solutions it offers for e-commerce and contactless payments.

Campaigns organized with rich contents in view of customer needs in this period helped increase campaign enrollments by 1.7 time as compared to 2019 and exceeded 28 million. Payment with QR and Mobile Payment transactions increased by more than 4 folds as compared to 2019, driven by communications and campaigns. Number of transactions with GarantiPay, which enables fast and secure payment at more than 2,100 e-commerce businesses without sharing card data increased by 1.8 times as compared to 2019 and topped 3 million. In addition, the volume of GarantiPay also increased by 2.1 times as compared to 2019 and reached 1.2 billion TL.

CEPPoS VE ANDROID POS

With the Garanti BBVA CepPOS product allowing SMEs and micro businesses to quickly and securely receive payments through mobile phones, businesses continue to receive contactless payments with their Android mobile phones.

Member merchants that own the product can log in to the app using their Garanti BBVA Internet passwords, and accept fast and easy payment without a password via contactless cards and mobile wallets up to the contactless transaction limit, making use of the NFC (mobile payment) capability of their phones. The app also lets instant tracking of sales and viewing the amounts received in the account.

In addition to Garanti BBVA CepPOS product, a banking payment solution compatible with the new generation Android-enabled physical POS devices was provided, which allows integrated running of different applications adapted to the member merchants' needs on the same device. While this provided end-to-end completion of the sales transaction on a single device, it also paved the way for payment by customers in the department without going to the cashier.

MEMBER MERCHANT SOLUTIONS

As part of the measures against the pandemic in 2020, POS devices that did not possess contactless payment feature were replaced in order to make customers' lives easier and to allow payments without touching the POS device in the case of face-to-face payments, and payment was facilitated with contactless PIN pads in business places where customer access was restricted. Hence, the number of contactless transactions in 2020 tripled as compared to 2019.

In a similar vein, the number of devices enabling payment with QR code was increased, thus supporting cardless payments and enhancing customer satisfaction.

The Bank enabled Member Merchant applications to be made via the Customer Contact Center and Garanti BBVA Mobile in addition to the branch channel. Upon digitalization of

agreement approvals and necessary documentation uploads, customers wishing to become member merchants were able to complete the application process from their homes or business places without a branch visit.

Garanti BBVA CepPOS product allows micro businesses having a smart Android phone and working on simple entry basis to accept payment quickly and easily with contactless cards instead of cash.

Prioritizing customers' health during the pandemic, Garanti BBVA renewed POS devices that did not possess contactless payment feature, and the number of contactless transactions in 2020 tripled as compared to 2019.

On the e-commerce front, all processes touching the customer on the application side were carefully reviewed and upgraded. In this period, application time in virtual POS devices was decreased from 7 days to 2. Initiatives were also commenced that would make everyday lives of existing customers easier.

OUTLOOK

Democratization of financial data that entered our lives through open banking arrangements will be turned into a experience that will offer the highest benefit to customers in the most secure manner. It is a critical priority in the use of open banking services to provide the customers with the right information at every step of the way, ensure maximum security for customers, and guarantee responsible use of data. In terms of experience, the Bank's priorities both for retail and corporate customers include converting customers' financial data into value-added services so as to facilitate their lives, contributing to their

improved financials with more data-driven advanced analytical models, and enriching holistic Garanti BBVA experiences.

Upon enactment of the Open Banking law in 2020, which will reshape digital banking and payment services also in our country, efforts began to produce new services and products. Through imminent initiatives planned for corporate customers, it is targeted to offer interfaces that will be incorporated within the business cycles of SME customers at a much higher degree and will let them view their cash flows in a much better way, along with a number of new payment solutions. With Open Banking services that will be introduced to our lives in 2021, corporate customers will be able to automatize numerous operational processes through Garanti BBVA Corporate Mobile and Internet channels, and thus achieve increased productivity.

Upon introduction of the regulatory framework and technological advancements, onboarding process will continue on digital channels. With Garanti BBVA Mobile, onboarding starts at Garanti BBVA Mobile and is completed at the branch simply by signing. Thus shortening the onboarding process at the branch, Garanti BBVA carries on with the steps to complete the onboarding process end-to-end digitally upon the regulatory arrangement slated for enactment in 2021. Upon end-to-end digitalization of the onboarding process, the usage of this channel will be expanded through business partnerships. End-to-end digital onboarding process will also be developed for sole proprietorships and salary customers.

Going beyond the goal of enriching the diversity of life-facilitating products and services to customers, giving financial advice to leverage their finances and helping them be prepared against contingencies through early warnings will be among the key focuses of the Bank in the period ahead. Garanti BBVA will carry on with its initiatives and efforts, conscious of the fact that building on customers' financial literacy and helping them be more aware of their finances are among the indispensable factors for customer satisfaction and for fulfilling its social responsibility towards the society as a bank.

Garanti BBVA relentlessly works on new services to be delivered digitally so that customers will be able to execute banking processes without having to go to a branch, and is looking forward to the times these services will be launched. For example, corporate customers provide a great amount of documentation to the bank due to the requirements of commercial life. This prevents end-to-end digital handling of banking transactions for corporate customers at certain points and restricts digitalization. Developments are being finalized to let customers digitally upload the documents they regularly provide to the bank without a branch visit and informing branches of these transactions concurrently.

The Bank targets to set up the smart structures that will offer remote assistance to all corporate customers at times they need support during the ongoing pandemic and thereafter.

Garanti BBVA places much emphasis on more effective utilization of the branch workforce to reach more customers from the corporate world. The Bank targets to have branch employees touch the customers at the maximum extent possible without being pressed under operational workloads and be a part of the commercial life outside, independent from branch locations. The Bank is working on smart tools and service models that will result in more efficient use of the Bank's data, so that existing personnel can use their time more efficiently and thus can reach more customers and so that they are better equipped when responding to customer needs.

Backed by its broad set of initiatives, Garanti BBVA leads sustainability practices. The Bank aims to effectively communicate its sustainability initiatives also through digital channels and to get its users' support as well.

In a bid to deliver the best user experience, Garanti BBVA will maintain constant contact with its users, observe customer journey at all times, and adapt current technology quickly, and thus remain the sector's leader in digital banking.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

OPERATIONAL EXCELLENCE

FULYA GÖYENÇ
Director - Corporate
Banking



ERGUN ÖZEN
Board Member

experience



ÖZNUR METİNER
Director - Talent and
Culture Employee
Experience



ERHAN ZEYNELOĞLU
CEO - GarantiBank
International

SELAHATTİN GÜLDÜ
Executive Vice President -
Commercial Banking



Scan the QR code to
watch the video.

TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

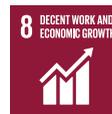
Operational Excellence - I

 6,298  32 min  14  assets

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

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

Contributed
Sustainable
Development Goals



FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

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

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

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

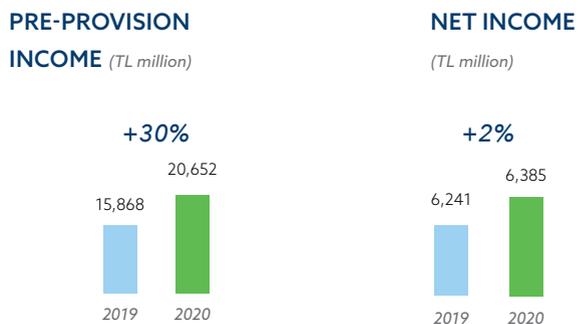
Although Turkish assets experienced a market environment of flexible monetary policy and loose liquidity conditions for a substantial part of the year in an effort to restrain the effects of the pandemic, tightening monetary policy regained importance with the deteriorated inflation outlook in the last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

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



1. SOLID AND SUSTAINABLE PRE-PROVISION PROFIT GENERATION CAPABILITY

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



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

2. CUSTOMER-DRIVEN AND HIGH-YIELDING ASSET MIX

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

2.1 BALANCED LENDING MIX

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

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

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

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

2.1.1 LEADING POSITION IN RETAIL BANKING

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

MARKET SHARES¹

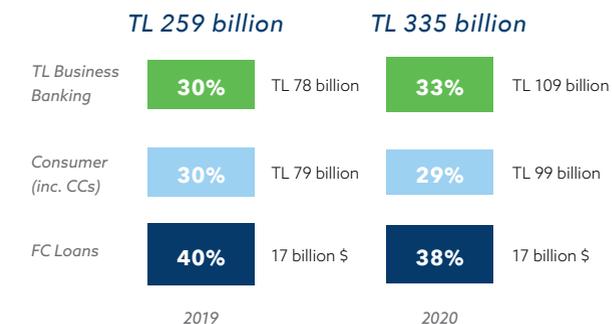
	DECEMBER'20	QOQ	RANK
Consumer Loans (Credit Card inc.)	11.7%	+12bps	#1*
Consumer Mortgage	8.5%	+5bps	#1*
Consumer Auto	26.5%	+20bps	#1*
Consumer GPLs	11.1%	+23bps	#2*
TL Business Banking	8.3%	+27bps	#2*

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

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

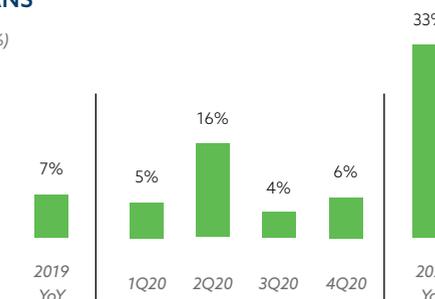
LOAN PORTFOLIO

(62% of Total Assets)

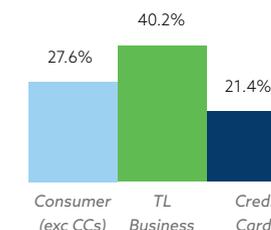


TL LOANS

(Growth, %)

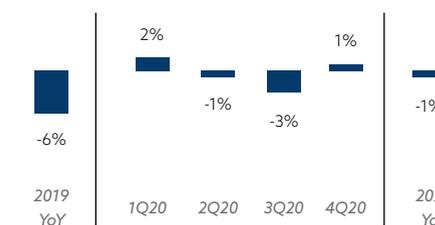


TL LOAN EXPANSION BY PRODUCT

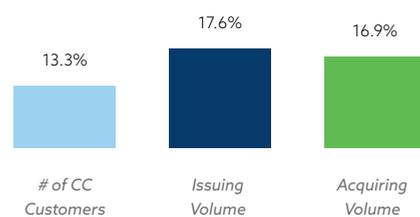


FC LOANS

(Growth, %)



PIONEER IN CARDS BUSINESS¹



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

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

2.1.2 PIONEERING PAYMENTS SYSTEMS

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

2.1.3 FOREIGN CURRENCY LENDING

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

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

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

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

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

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

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

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

3. PRUDENT APPROACH AND SOLID ASSET QUALITY

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

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

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

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

NPL EVOLUTION¹

(TL million)



Net New NPL
(Exc. currency impact,
active sales and
write-downs)

NPL

4.5%

GUIDANCE
MET

CoR

231BPS

GUIDANCE
MET

(Exc. currency impact)

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

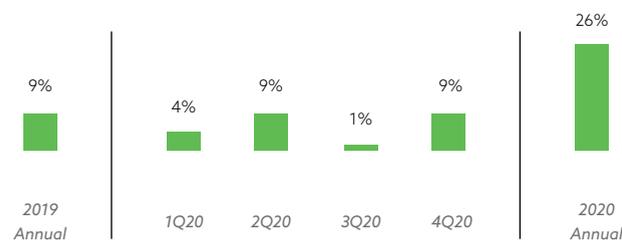
Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management in 2020, a year that was characterized by high volatility induced by the pandemic. Diversified and dynamic funding base of the Bank continued to be largely composed of customer-driven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

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

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

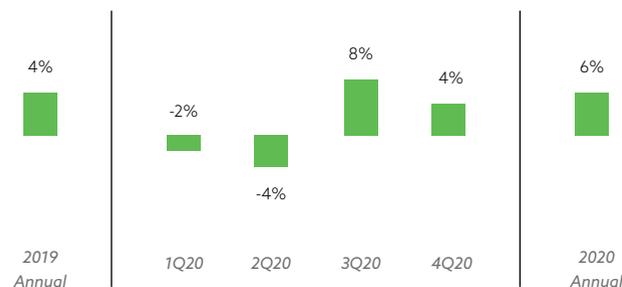
TL DEPOSITS

(40% of Total Deposits)



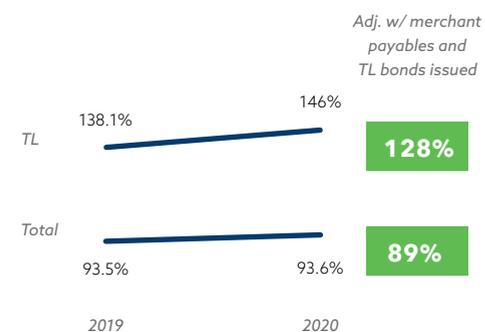
FC DEPOSITS

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



DEMAND DEPOSITS / TOTAL DEPOSITS 29%

LOAN¹ TO DEPOSIT RATIOS (%)



4.1 SOLID LIQUIDITY BASE AND MANAGEABLE EXTERNAL DEBT STOCK

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

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

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

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

LOAN TO DEPOSIT RATIO

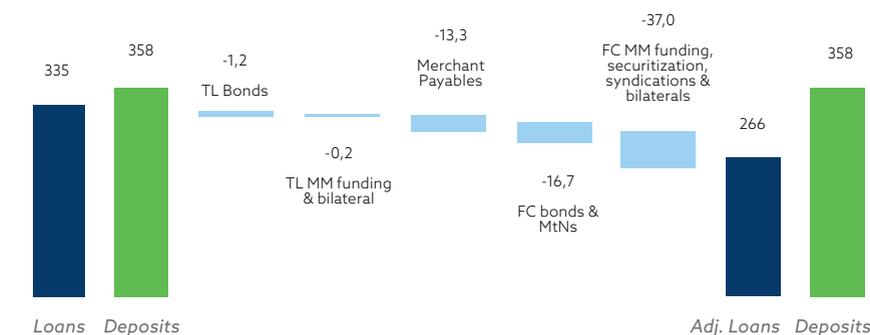
(TL billion)

Total Loans / Deposits: 94%

FC Loans / FC Deposits: 59%

TL Loans / TL Deposits: 146%

Adjusted Loans / Deposits: 74%



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

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

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

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

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

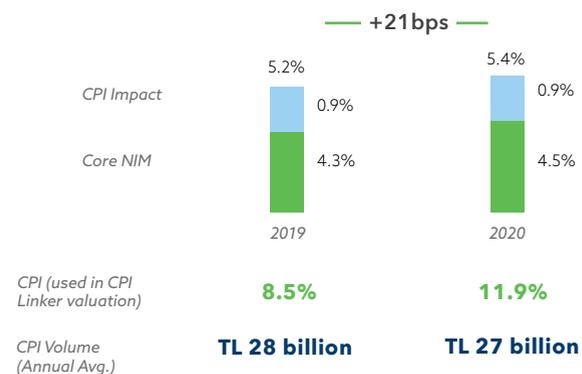
Syndications
 \$ 598 mn equivalent (2Q20)
 \$ 660.5 mn equivalent (4Q20)
 EBRD and IFC Covid Support Loans
 A total of \$104,7 mn 1-yr maturity (with the option for extension) loan (2Q20)

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

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

QUARTERLY NIM

(Including Swap Funding Costs)

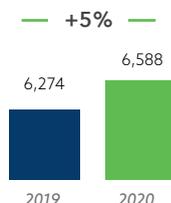


6. DIVERSIFIED FEES AND COMMISSIONS

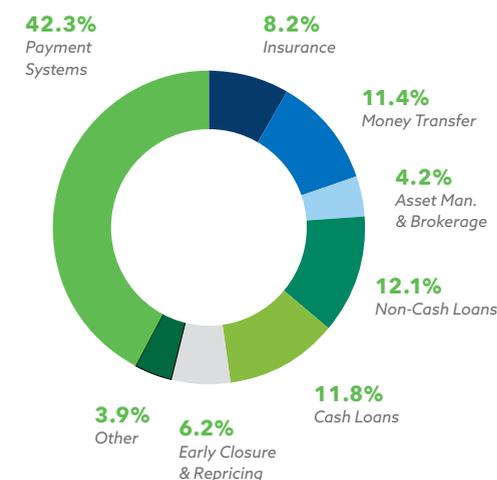
Regulatory framework governing commissions and economic activity decline in connection with the pandemic resulted in relatively weaker growth of commission income. In 2020, net fees and commissions grew by 5% on a year-over-year basis. Enjoying the highest fee base among its competition, Garanti BBVA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

NET FEES AND COMMISSIONS

(TL million)



NET FEES AND COMMISSIONS BREAKDOWN¹



¹ Breakdown is based on bank-only MIS data. Some cash loan related fees, which were previously classified under "other" are moved to cash loan fees as of 31 December 2020.

On a comparable basis, share of cash loan fees in 2019 is 6.6%, other fees is 3.9% and early closure and repricing commissions is 2.7%.

7. DISCIPLINED COST MANAGEMENT AND FOCUS ON OPERATIONAL EXCELLENCE

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

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

OPERATING EXPENSES

(TL 11.9 million)



COST/INCOME² 36.5%

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

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

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

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

8. ROBUST CAPITAL BASE

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

SOLVENCY RATIOS

(Without BRSA forbearance)



FREE PROVISIONS TL 4.65 BILLION

EXCESS CAPITAL TL 21 BILLION

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

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

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

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

9. GARANTI BBVA'S TAX CONTRIBUTION

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

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

GROUP PERFORMANCE IN 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

→ Had a highly successful year with a cost/income ratio of 26%.
→ Celebrating its third year, the Fund Coach reached 111,765 users with a very successful return performance.

→ Captured the second highest share in total profit among Garanti BBVA's subsidiaries with 7.3%, and ranked second*** within privately-owned private pension companies with a net profit figure of TL 463 million.

Regarding the Group's banking activities abroad:

→ Despite weakened payment ability of debtors due to the pandemic in 2020, the Group's subsidiary operating in Romania ensured minimal impact on net profit through prudent lending including those benefiting from the changes in maturity dates of loans relying on the provisions of the legal moratorium declared (GEO 37/2020), effective measures on cost management, and initiatives seeking to absorb the pandemic impact upon the loan book.

→ The Bank operating in the Netherlands decreased its COR from 32 bps in 2019 to 28 bps in 2020 through its selective approach and accurate credit risk management, while NPL ratio went down from 2.78% in 2019 to 1.02% in 2020. Finally, Tier I capital was realized at 23.84% in 2020 despite repayment of the Tier II instrument in the amount of EUR 50 million, and the Bank's robust capitalization was preserved.

Regarding the Group's leasing activities:

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

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

2021 OUTLOOK

2021 OPERATING GUIDANCE PLAN

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

* Includes planned written-down non-performing loans

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

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

(*) Private Pension System

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

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

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

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

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

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

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

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

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

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

EXPECTATIONS REGARDING THE GROUP IN 2021

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

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

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

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

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

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

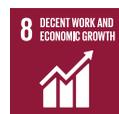
The Group will carry on with active productivity management and will focus on molding its business model with an eye on potential growth areas. As before, the Group will persist with its initiatives to create long-term value in 2021; moreover, it will continue to keep operating expenses under control.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

Operational Excellence - II

3,928 20 min 8 customer

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

Contributed Sustainable Development Goals



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

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

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

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

WHAT WE DID IN 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

444 0 333 GARANTI BBVA CUSTOMER CONTACT CENTER

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

WHAT WE DID IN 2020

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

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

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

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

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

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

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

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

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

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

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

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

A BUSINESS MODEL CONSTANTLY IMPROVED THROUGH PROCESS AUTOMATION AND REMOTE SERVICES

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

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

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

WHAT WE DID IN 2020

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

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

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

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

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

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

EFFECTIVE RISK MANAGEMENT THROUGH ENVIRONMENTAL AND SOCIAL IMPACT ANALYSIS

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

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

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

OUTLOOK

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

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

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

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

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

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

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

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

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

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

DATA AND TECHNOLOGY

HANDE TUNABOYLU
Agile Coach



OSMAN BAHRI TURGUT
Head of Internal Audit



EREN YARDIM
Balıkesir Branch
Manager



İLKER KURUÖZ
Executive Vice President -
Engineering
and Data

TOLGA HALİLER
Director - Organization and
Process Development



Scan the QR code to
watch the video.

TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Data and Technology

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Related Material Topics	Value Drivers	Indicators	2019	2020
3) BUSINESS ETHICS, CULTURE AND CUSTOMER PROTECTION	INCREASE THE AGILITY AND STRENGTH OF OUR TECHNOLOGICAL INFRASTRUCTURE AND PLATFORMS	Programs for raising awareness of customer privacy and information security	5	12
		Cybersecurity training hours per FTE	1.19	1.73
		Employees participating in cybersecurity training	72%	99%
4) EASY, FAST & DIY	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	Training or information provided on external fraud (Number)	96	104
5) CYBERSECURITY (CYBER-ATTACKS, DATA THEFT, FRAUD...)		Number of UGI Interactions	13 million	12,8 million
		6) RESPONSIBLE USE OF DATA (DATA PRIVACY, RESPONSIBLE AI)	Bilge (The Wise) (Answered Queries)	194 thousand
11) FINANCIAL HEALTH AND ADVICE	MAKE EFFECTIVE USE OF DATA ANALYTICS IN VARIOUS ASPECTS INCLUDING OFFERING THE RIGHT PRODUCT TO OUR CUSTOMERS, PRICING, RISK MANAGEMENT, ETC.	Value-added projects using Big Data and Machine Learning*	38	41
		Scenarios Activated Under Complex Event Processing Platform (Number)	39	56
		Number of RPA in Production Medium (Robotic Process Automation)	7	44

Note: "Data breaches regarding customer privacy" included in previous reporting periods are being followed up with the utmost care in terms of measurement and content under numerous criteria as per the regulatory framework, but are excluded as data. Information about the implementation is presented below.

Contributed Sustainable Development Goals



Agility means agile transformation of the entire organization at Garanti BBVA. So far, 100% of technology and 70% of business lines of the entire organization have been reorganized with agile disciplines. While the agile journey contributed substantial improvement to Garanti BBVA on the technology front, service levels and quality, it also secured a considerable increase in employee satisfaction. End-to-end coherence is secured between the technology organization and business lines. Teams charging ahead together toward a shared goal are able to progress and deliver results rapidly. As planning, decision-making and prioritization take place in the internal processes of teams, the organization's motivation increases, and conversion into competent, autonomous and responsible teams takes place. Nearly 235 teams work with the agile methodology within the technology organization. Improvement activities underlying the agile philosophy molded according to feedbacks from the projects that arise with the transformation will make the most important agenda for Garanti BBVA in the period ahead.

With its continuous and uninterrupted investments in technology, Garanti BBVA has erected its digital transformation strategy on offering a full-scale and integrated banking platform encompassing simple, accessible and personalized banking transactions and services. In this context, it is always a priority for the Bank to listen to customers' needs and respond to them in a prompt manner. While continuing to constantly invest in Information Technology systems guaranteeing information security, Garanti BBVA also takes precautions against all risks that could prevent secure and uninterrupted service, and measures the results within the context of customer satisfaction on digital platforms.

For Garanti BBVA, digitalization is a key material topic given focus by both internal and external stakeholders. Therefore, technology is an integral part in the decision-making mechanism, which supports process efficiencies and continuously drives the Bank forward. With a single source of data and common understanding, technology is used within Garanti BBVA as an enabler for top-down fast decision-making

and strong communication. It is reflected in the way the Bank does business, from CRM applications and segmentation, to innovative products and services, and to a paperless banking environment.

The pandemic has acted as a significant accelerator for digital transformation. The leading company in digitalization in the financial services sector, Garanti BBVA teams already had sufficient teleworking capabilities. Particularly employees assigned to central operations and central functions were provided with equipment possessing mobile capabilities. Under the new service model, branch employees were also given tablet PCs, which allowed teleworking. The primary goal here was to create a working environment for bringing the service to wherever the customer is, concurrently with customer visit to the branch. In this way, all branch employees became able to work from home. During the pandemic when customer visits were halted and isolation was imposed, they kept performing transactions, making phone calls, keeping in touch with the customers and offering seamless service from home. While making headway in digitalizing all services end-to-end, the transformation also brought the need for integration in many areas such as regulations, age challenges, etc., and has turned out to be a period when business continuity tests were transferred to the real-life environment and challenged. Garanti BBVA succeeded in teleworking with its entire organization and the full set of its processes. The Bank will keep reflecting all its learnings and experiences in its business models with a development focus, and keep working to bring the age of opportunity to everyone.

BANKING SOLUTIONS THAT CREATE VALUE WITH ARTIFICIAL INTELLIGENCE AND DATA ANALYTICS

Banks had long ago started customer analyses and customer profiling using the data at hand and employing them for setting their marketing and risk strategies. Today, digital transformation and advancing technology rendered data acquirable, storable, and most importantly, processable at every touchpoint with customers.

Artificial Intelligence and machine learning that can be integrated into any business process at present allows delivery of smarter, distinctive and personalized experiences for customers. Garanti BBVA gets to know its customers better, and is able to offer the services and products they need through the right channel and at the right time thanks to over 600 models developed with machine learning.

Garanti BBVA carries on with its investments to manage the risks in the cyber environment of obscure borders. The Bank actively runs its process designed to quickly detect and respond to potential threats; take steps for constantly evaluating, managing and mitigating risk, and to introduce the best practices in this field.

The Bank also continues to work in relation to ensuring business continuity, regulatory compliance, and fulfillment of the requirements of certifications and standards, in addition to technology, process, and human resources. To support its cybersecurity efforts, the Bank takes part in, and extends support to, several initiatives of the Sectoral Cyber Incident Response Team managed by the Banking Regulation and Supervision Agency (BRSA), Banks Association of Turkey (TBB), Information Technologies and Communication Authority (BTK) and Turkey Informatics Industry Association (TUBISAD).

Garanti BBVA believes that acquiring/co-innovating with fintech startups is essential for Banking-as-a-Service (BaaS). Today, banks are no longer just financial players; they offer various services by establishing collaborations with third parties. Building a culture of innovation within the Bank is vital for an open innovation point of view. Thus, co-innovating with fintech startups is very important in terms of imposing startup culture into own and others' way of doing business. Therefore, Garanti BBVA acts in accordance with the notion of supporting new entrepreneurs, products and projects in all areas. The Bank believes that the market can be transformed and external disruptions can be turned into opportunities, by collaborating with various third parties.

The change brought on by technology is picking up speed across all economic sectors, and banking is no exception. Open innovation is one of the key elements of the Bank's transformation to adapt financial services to customers' new needs. The concept stemmed from the necessity to keep up with the rapid pace of change that companies are undergoing. The connection with the innovation ecosystem and entrepreneurs is essential. At this point, Open Talent has evolved from a unified competition for technological companies to one divided into categories that supports all kinds of entrepreneurs in innovation from many countries. In the process, Garanti BBVA continues to collaborate with BBVA.

The Bank's approach to internal innovation can be described as one that is inclusive and facilitative. The primary objective is to ensure conveyance of all employees' creative ideas and suggestions to the right recipients by offering various channels. In this context, the employees can either communicate just a concept for it to be implemented by related teams, or they can take the ideas they share to advanced stages and present their solution suggestions to the Senior Management personally.

Methodologies developed specifically for each channel paves the way for the conversion of bright ideas into real products in the most sensible and profitable manner. The different channels used and tailored methodologies employed enable Garanti BBVA to also address the entire innovation range. This allows simple but valuable improvements on one side, and to carry out initiatives targeted at the bank of the future, on the other.

The work on enhancing customers' experience with the Bank through Artificial Intelligence is ongoing. Within the frame of these activities, Garanti BBVA intends to make projections using the big data volume available to it and thus understand customer needs at an as early stage as possible. The Bank foresees that use of Artificial Intelligence, where business rules or models are restrained, will take the Bank one step ahead in terms of knowing and understanding customers, and thereby, enable it to deliver a customer experience with much higher added-value.

WHAT WE DID IN 2020

Garanti BBVA has long been employing Artificial Intelligence and machine learning applications in its business processes; the Bank takes them further each year with the addition of new capabilities. While enhancing customer satisfaction by offering smarter, customizable solutions for customers through the use of Artificial Intelligence, the Bank also makes a differentiation in decision support steps for business processes and achieves operational excellence.

Bilge, one of the trends pioneered by Garanti BBVA in the industry and in the world, has been helping more than 1,000 users working in the Customer Experience Support team and Customer Contact Center by answering more than 30,000 queries per month for 3 years.

Diversifying the service delivery channels and enhancing service quality constantly through the most advanced products that employ Artificial Intelligence, Garanti BBVA kept expanding one of the trends it has been leading in the sector and in the world across its own organization in 2020. In view of the added value it creates, the chatbot named Bilge (The Wise), which has been responding to over 30,000 queries per month of more than 1,000 users in the Customer Experience Support and Customer Contact Center teams for three years, was customized for new teams. Put into use by Garanti BBVA branch employees servicing the customers in the SME segment, the new chatbot was named KoBilge. Since October, approximately 1,800 employees are able to reach the answers to nearly 1,000 questions instantly. In addition to responding to queries, the chatbot tracks all queries by the employees and

employee feedback, which allows employees to understand the information they need when serving our customers and give the answers from a single location.

Another key development in relation to our Artificial Intelligence applications in 2020 is the implementation of our central smart assistant platform, which includes cognitive artificial intelligence products. This platform, which aims to implement new bots quickly and provide a consistent customer experience among bots, supports both voice and written communication and also includes voice processing (TTS and ASR), natural language processing (NLP), automatic dialogue management and automatic processing of new transaction sets. Interface and infrastructure of UGI, Turkey's first voice assistant that was launched in 2016, was upgraded in 2020 using this platform. Also possessing texting capability, the smart assistant UGI 2.0 can adapt to the changing agenda much more rapidly than before; UGI 2.0 began implementing the changes within several days thanks to its revamped infrastructure. Another advantage derived from the new infrastructure is the common assistant intelligence it has created for the bank's smart assistants. Garanti BBVA's WhatsApp chatbot is another example of smart assistants upgraded with the same infrastructure in 2020.

Thanks to the Ruler (CEP-Complex Event Processing) initiative commenced in August 2018 with the aim of maintaining deeper and value-adding relations with customers, expanding the customer base, increasing product/service sales volume and accelerating customer digitalization, critical behaviors of Garanti BBVA customers on digital channels or in branches can be instantly detected and the best-fitting action can be taken in real time. Through 56 scenarios launched so far on the Ruler platform, 57 million customer behaviors of approximately 4.8 million customers can be processed on a daily basis, and more than 800,000 customers can be contacted directly.

RPA (Robotic Process Automation) initiatives launched across the Bank in July 2019 allows allocating employees to customer-centric processes rather than routine and manual transactions, and delivering a better customer experience with minimum

errors and high speed. Based on the work carried out within the scope of RPA, nearly 200 processes were identified to date, 44 of which were automated in 2020, bringing the number of processes running on RPA to 51 in total.

The work on ARK Platform commenced in 2019, and the first application was taken into production on the platform by mid-2020. 32 applications are currently in development. The platform will gain broader usage with the transformation that will start in 2021. ARK Platform allows developers to develop banking and affiliate applications using agile methodology, accelerates value creation by employing modern technologies, and reduces costs owing to the cost advantage of open system technologies.

51 processes running on Robotic Process Automation allows allocating employees to customer-centric processes rather than routine and manual transactions, and delivering a better customer experience with minimum errors and high speed.

System, Software, Architecture, Security, Design and Network teams working on the ARK Project were bolstered with 5,442 hours of training in total with the ARK Platform Design & Development program within the frame of infrastructure configuration, maintenance and platform application developments. In addition, software developers from project teams that will begin to develop applications on the ARK Platform took part in the ARK Developer Onboarding program, and received a total of 4,825 hours of training under the program that covered four subcategories, namely, Front End, Back End, Batch and Big Data.

By way of its projects in data and advanced analytics, Garanti BBVA secures delivery of the right products and services at the

right time to customers, enhanced customer experience, earlier and higher quality detection of attempted internal fraud, and better management of operational processes and decisions. In this context, 291 new machine and deep learning models were integrated into Garanti BBVA systems in 2020. For instance, Artificial Intelligence capability was utilized in processing customer suggestions and demands using text mining and referring them to the right solution centers in order to better respond to customer needs that rapidly changed during the pandemic. This provided the opportunity to address customer demands within the same day.

Garanti BBVA makes use of the Artificial Intelligence capability also to build on operational excellence in Customer Contact Center channels. Developing new analytical models that are triggered instantly upon a call placed at the Customer Contact Center analyze past data for the caller, predicts the reason of the customer's call, and can offer this insight to the customer agent before the conversation begins. Thus, understanding customer's need quicker, lessening %7 on average on call duration and strengthening communication with the customer that consequently enhances satisfaction and operational efficiency are the expected outcomes.

Big Data and Artificial Intelligence algorithms are involved also in projects designed to protect and improve the financial health of customers that Garanti BBVA places emphasis on. Customers' past transactions, financial movements and finances are processed by machine learning algorithms, making their existing financial health measurable, and the insights obtained turn into advice for upgrading customers' financial health to better levels.

In 2020, Garanti BBVA expanded the optimization algorithms developed for ATMs and included the new branches that will be opened. Customer base, financial transaction densities, transactions belonging to workplaces, location data and other data resources are used to draw multi-dimensional density maps; this information is combined with strategic priorities, processed in optimization algorithms, and decisions are made taking the most accurate location suggestions into consideration.

Using open source software languages in Artificial Intelligence applications, Garanti BBVA is able to quickly integrate emerging technologies in its processes while keeping a close eye on global trends. Benefiting from the power of the latest algorithms, the Bank can increase its success rates in projections and decisions further, and achieve higher efficiency in cost management.

Through the innovation center Next Zone, Garanti BBVA incorporates experts' innovative ideas, and creates appropriate conditions to turn these ideas that will make a difference in the long run into projects and products. While the Automated Variable Production product that automatizes raw data processing into valuable data, lets the Bank fulfill new business demands in much shorter times, Framework and Automation infrastructure created on analytical modeling processes minimizes human errors and increase operational efficiency.. As it produces Artificial Intelligence solutions, the Bank also takes initiatives to expand analytical capability to everyone through the modeling tools it has developed, and to make them applicable even in routine decisions.

When developing solutions on Big Data and Artificial Intelligence, Garanti BBVA espouses responsible AI principles. It pledges to be committed to Human Rights and not to discriminate, as stipulated also in the Garanti BBVA Code of Conduct. None of the analytical solutions employed in customer acquisition, pricing, recruitment and remuneration uses data pertaining to gender, color, ethnic origin, disability, religion, sexual orientation or political affiliation.

As COVID-19 entered our lives, the top priority of Garanti BBVA has become to protect its employees' health and to offer uninterrupted service to its customers. To this end, necessary equipment were provided to the teams for working-from-home. Support was extended for all transactions that did not need physical proximity to branches, which were temporarily closed during the pandemic. Conforming to the Targeted Capacity Utilization and SLA rates, uninterrupted and high quality service delivery to customers continued. Centralization efforts, business model modification and productivity efforts were carried on with a special focus on freeing up the branches.

To support the protection of community health and reduce social activity, Garanti BBVA did not charge any fees for money withdrawal from the ATMs of other banks for a certain period of time. Similarly, the Bank did not charge fees for money transfers made through digital channels for a certain period of time in order to promote the use of digital channels and to increase the customer benefits offered.

Launching the Payment with QR solution that is used both for collections and payments, the Bank enabled customers to realize their cash flows through digital channels during the course of the pandemic.

Within the material topic "Easy, fast & DIY", Garanti BBVA allows easy and agile performance of transactions on any channel and at any time by its customers. Cash management solutions the Bank offers to its customers making use of data and technology are as follows:

→ Garanti BBVA has been the first bank from Turkey to join Global Payment Innovation (GPI) launched in 2017 by SWIFT, and made available Outbound Tracking on Garanti BBVA Internet Banking for SWIFT transfers to domestic and overseas banks. In 2020, it has become the first bank across the world to complete the integration of the SWIFT GPI Pre-Validation, the new service developed by SWIFT for international money transfers.

→ In addition to Outbound Tracking and SWIFT GPI Pre-Validation, Garanti BBVA has taken place among the first banks in the World to offer Inbound Tracking Service in December, whereby initially SWIFT-member institutions will be able to track the SWIFT payments from domestic and overseas banks from the moment the funds leave the originating bank. Garanti BBVA customers will soon be able to access this service through Internet Banking or API (Application Programming Interface), which will be a significant contributor to cash flow management.

→ Through the agreements made with integrator companies, which are electronic certification suppliers, banking transactions of customers requiring approval and signature could be electronically signed using e-signature without going to the branches.

→ Payment with QR Solution activation was made in a manner allowing integration by reaching the APIs via developers. garantibbva.com.tr. This solution will let the payments by money transfer to customers, who integrate with the system, to be made by the other party using QR code via Garanti BBVA Internet or Mobile.

→ Under the collaboration with the Turkish Union of Public Notaries, Secure Sales and Purchase System was introduced, which is used in the sales and purchasing of second-hand motor land vehicles. Hence, Garanti BBVA helps its customers finalize their transactions securely, quickly and easily through the Internet and mobile channels, without taking the risk of carrying cash before and after the transfer.

→ Garanti BBVA joined FAST (Instant and Continuous Transfer of Funds), a system operating on the Central Bank of the Republic of Turkey (CBRT) infrastructure allowing money transfers as an instant transaction at any hour of the day on weekdays and weekends, which is an additional option to the Bank's existing money transfer systems.

→ Along with the FAST System, the Bank also launched the Easy Address system which enables replacement of the IBAN used in money transfers with a mobile phone number, email, TR ID/Tax ID number or passport number. Customers can match their personal data with their IBAN via Garanti BBVA Mobile, and can send and receive money by sharing that information only.

→ Electronic Account Movements service was turned was developed API and offered for use by customers as an open banking product on developers.garantibbva.com.tr. This service gives customers access to a richer set of information and also lets them finalize the entire definition and application process using Corporate Internet Banking without a branch visit.

→ "Garanti BBVA Connect" payment solution offered to companies centrally managing their treasury operations doubled the numbers of customers and services, and contributed to the treasury centralization processes of customers.

In 2021, the Bank will carry on with its projects and initiatives related to digital solutions and remain adhered to its target of supporting a greater extent of digital transformation for its customers in relation to cash management products.

DIGITALIZATION FOR SECURE AND UNINTERRUPTED SERVICE

Increased digital use leads to greater exposure to cybersecurity risks, and the improved threat profile results in elevated effect of the diversified risks of the digital environment. Constantly investing in technology, uninterrupted processing capacity, infrastructure security, cost efficiency and energy saving in light of corporate governance and international standards; Garanti BBVA, through its subsidiary Garanti BBVA Technology (GT), sharpens its monitoring effectiveness since 1981. The company allows Garanti BBVA to put measures in place more rapidly and to become aware of global threats at an earlier time via networks that GT belongs to. Accordingly, Garanti BBVA's internet access architecture has been restructured with a risk-based perspective.

With its strategy, "Better IT, Better Business", Garanti BBVA continuously invests in cloud technology and microservices in order to ensure cost saving and introduction of solutions at a faster pace, and positions its application architecture and security layers so as to support these technologies. Through these initiatives, Garanti BBVA targets to better adjust to the new business models presented by the constantly digitizing world, and to deliver its clients a better customer experience by transforming Big Data infrastructure investments into business intelligence solutions and open application platforms.

DDOS (Distributed Denial of Service) attacks that dominated the country's agenda in 2019 made the safeguarding of infrastructure a priority need for all organizations. To counter the risk of attacks originated abroad to interrupt the country's communication infrastructure and organizations' services, Garanti BBVA based and configured its intrusion prevention

systems starting from abroad. The Bank observed the benefit of this technological transformation despite increased attacks. In addition, Garanti BBVA led the sector with this approach that served to increase the Bank's security and contributed also to safeguarding the country's communication infrastructure.

The opportunities offered by digitalization also transform issues regarding data protection and security into one of the most significant risks. Taking precautions against all risks, which could prevent secure and uninterrupted service, particularly cyber threats, ensuring information security and informing customers on related issues are among the material topics, both for Garanti BBVA and its stakeholders.

Garanti BBVA carries out activities ensuring continued awareness of compliance with laws and corporate standards, and development of processes that guarantee management of IT/information security and IT related risks, in order to effectively manage reputational risk across the Bank. In terms of governance, the Information Security Committee headed by the CEO coordinates all efforts within the Bank to guarantee information security and monitors policies, procedures, and regulations.

Adopting an "enterprise external fraud prevention" approach within the framework of customer protection principles, Garanti BBVA implements a customer-driven management of incidents of fraud involving card transactions, account transactions, POS transactions and loan product applications carried out through any branch or non-branch channel.

Garanti BBVA adopts a proactive approach giving the foreground to customer experience when developing its strategies to monitor, detect, control and prevent evolving acts of external fraud. Customer Security and Transaction Risk Management Department works with a proactive approach to minimize the potential losses of the Bank and the customers, employing data-driven and AI-supported decision making processes against incidents of fraud.

The Department formulates views and suggestions on the Bank's new product and process developments upon assessing the same with respect to external fraud risks. Monitoring dynamically evolving fraud methods and fraud trends both on a national and international level, the Department continues to take actions dynamically based on data governance and data analytics. Garanti BBVA continues to collaborate with its stakeholders to increase anti-fraud awareness and initiatives across the banking sector and other associated sectors, against fraud events.

Customer Security and Transaction Risk Management Department closely follows up technological developments, makes assessments together with various national/international service providers, and leads technological developments in order to carry out fraud risk management in the most efficient and effective manner, and to deliver the best experience to Garanti BBVA customers. In addition, the effects of the developments made with a focus on strengthening analytical structure and data-driven decision making processes upon fraud prevention and customer experience are constantly monitored. Also instant tactical updates focused on customer experience and security are performed while observing stakeholders' strategic priorities and the ecosystem.

WHAT WE DID IN 2020

Garanti BBVA secures all IT assets including people, processes and technology, so that the organization can focus on business targets without suffering an interruption due to security related issues by concentrating on Confidentiality, Integrity and Availability. The latest and the most advanced security systems are followed up in an effort to offer the most effective security solutions to protect customer data. Regular penetration tests and vulnerability assessments are performed to identify and eliminate security risks. Garanti BBVA follows the COBIT (Control Objectives for Information and Related Technology) framework, internal security policies, procedures, and ISO 27001 and PCI-DSS norms with specific scope.

Garanti BBVA provides various security-building practices for its customers in line with its approach determined by security and privacy policies. Besides password verification, the Bank uses tokenization, Şifrematik device for generating one-time passwords, SMS OTP, Mobile Notification, and Voice Biometric Verification for the authentication of customers. Moreover, in case of a forgotten password, the Bank offers the option to set a new password by performing ID and face biometric verifications. In order to increase the security of digital channel usage, the Bank implements additional security measures on mobile applications. Transactions are automatically analyzed and if necessary, additional verification is implemented to prevent fraud events. Garanti BBVA also supports safe execution of external projects that introduce novelties to the sector, in addition to its internal practices.

Through its website and Alo Garanti BBVA telephone banking, Garanti BBVA offers its customers security information regarding digital banking. Warning its customers against possible situations, Garanti BBVA also explains additional security precautions that customers can take, particularly the "6 Golden Rules" for security, such as creating and protecting passwords, situations when private information is requested, viruses spread via e-mails, fake prize notifications or requesting personal banking information via SMS or by telephone, phishing attacks, suspicious money transfers and requests for information. Also, Garanti BBVA provides customers with information on the protection of mobile devices and computers on which they use Garanti BBVA's internet banking. Garanti BBVA furthermore advises to use utility programs such as anti-virus, spyware scanner and firewall. The Bank sends SMS and e-mail messages at certain intervals in order to inform its customers about current and widespread attacks.

Work is carried out within the frame of DevSecOps (the notion of incorporating security applications within software processes) in order to enhance secure software development process. Security assessment approaches are being developed, which are aligned with current software trends such as agile. Initiatives are being carried out targeted at best practices in

activities aimed at raising increased awareness of employees and customers, data classification and data leakage prevention methods, in addition to efforts spent for regulatory compliance. Its robust infrastructure allows Garanti BBVA to keep fulfilling the services requiring remote access that it offers to its employees and customers without compromising security. For outsourced service, the Bank takes steps guaranteeing that the suppliers match the same level of security with the Bank. The Bank increases the efficiency of security operations by using RPA (Robotic Process Automation). Garanti BBVA keeps improving its information security processes by also utilizing the know-how and global experience made available by the BBVA Group. The Bank also extends support to global projects carried out by the BBVA Group in this context.

In 2020, Garanti BBVA introduced stricter measures for related processes and platforms to ensure security of mobile market and social network accounts. Training programs were organized to raise increased awareness of teams managing these accounts.

To cater to the working model that has changed due to the COVID-19 process, the capacities of the media enabling secure teleworking were increased rapidly, and solutions were created for emerging needs in a manner observing security and business continuity. In this period, investments/projects targeted at improving security infrastructure continued without letup. The projects undertaken resulted in increased intrusion detection and monitoring capabilities of the Bank against the recently increased cyber threats. Besides, the capabilities of the existing preventive security solutions were further upgraded.

Due to the implications of the pandemic, 2020 has been the scene to increased digitalization. In line with its strategy, Garanti BBVA kept concentrating on monitoring and preventing fraudulent attempts dynamically. Basing its efforts in this vein on frictionless and customer-centric approach, the Bank aims to prevent both the Bank's and the customers' potential financial and reputational losses.

In order to provide its customers with a more secure experience, the Bank continues to upgrade its technical and analytical infrastructure. For this purpose, the Bank prioritizes integration of new technologies, increasing analytical methods and process automation. The Bank targets to manage risk in a frictionless environment by making customers a part of anti-fraud management. In keeping with this, Garanti BBVA continued to keep its customers informed and to raise awareness about fraud trends and important considerations through various channels.

As part of education and awareness initiatives in 2020, Garanti BBVA undertook 104 education and/or informative activities in total in relation to external fraud, employing a variety of methods including announcements/alerts, virtual education and information meetings/emails and live streaming.

OUTLOOK

Expanded usage areas of deep learning algorithms in banking and production of solutions for scenarios where conventional algorithms fail will be on the agenda of the near future. Processing visual data, extracting the embedded texts, and making sense of them with natural language processing are but just several examples. As deep learning algorithms are used, the explicability of how analytical projections work lessens. For this reason, Garanti BBVA predicts that algorithms showing the operation within the so-called "black box" software in order to understand how decisions are made will gain importance, particularly in strictly regulated sectors, such as the banking industry.

In the period ahead, solutions with user-friendly interfaces and not requiring an in-depth expertise will enable individuals at any level in the organization to produce analytical solutions. Useful information will be extracted with Artificial Intelligence and machine learning on Big Data, and different perspectives will be presented for new service and business model conceptions. With the new working models resulting from advancing technology and regulations, access to new data sources from different sectors and different companies through Open

Market, storage, processing of these data, and generation of new assets will be enabled with the formulation of appropriate infrastructures.

In our day, too much data is produced; however, Garanti BBVA believes that the important bit is to be able to create value from these data hoards, and foresees that an organization will be successful in this respect to the extent of its data storage, understanding and processing capabilities.

In 2021, protecting its employees' health and delivering uninterrupted service to its customers will remain as Garanti BBVA's top priority. Accordingly, the Bank will carry on as always with its efficiency-based project, business model modification and modernization initiatives. The Bank will be intensively using RPA, chatbot, big data and Artificial Intelligence elements in the coming periods, with the aim of maximizing its business model, efficiency and productivity level.

While bot usage for employees across businesses around the world is just an emerging trend, Garanti BBVA targets to increase coverage also at positions offering service to the Bank's customers in other segments in the coming year.

In 2021, Garanti BBVA will continue to provide secure transacting for its customers, and will also carry on working towards assuring its customers to transact in a convenient and frictionless environment and adopting a focus that will get customers on board while fighting fraud. Along this line, constantly enhancing customer experience through strengthening fraud risk monitoring systems with contemporary technology, data governance and analytics methods will remain among the key targets.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

THE BEST AND MOST ENGAGED TEAM

CEREN ACER KEZİK
Director - Mass
Banking Marketing



KEREM ÖMER ORBAY
Director - Retail Banking Marketing



ŞULE ÖZTEKİN
Istanbul, Kartal Branch
Manager



ORHAN VELİ ÇAYCI
Director - Customer
Contact Center

NALAN KIRKAÇ ÇALIŞKAN
Regional Office Manager -
Istanbul Europe 5



Scan the QR code to
watch the video.

TRUST

PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

The Best and Most Engaged Team

5,456 28 min 10 employees

Related Material Topics	Value Drivers	Indicators	2019	2020
<p>#7 EMPLOYEE ENGAGEMENT AND TALENT MANAGEMENT</p> <p>#8 DIVERSITY AND WORK-LIFE BALANCE</p> <p>#10 HUMAN RIGHTS</p>	<p>INVEST IN OUR EMPLOYEES BY FOCUSING ON THEIR DEVELOPMENT, SATISFACTION AND WELL-BEING, WHILE OBSERVING THEIR WORK-LIFE BALANCE</p>	Digital training/total training hours	38%	47%
		Hours training per FTE	43	31
		Programs related to employee well-being	11	7
	<p>EMBRACE A FAIR AND TRANSPARENT MANAGEMENT POLICY BASED ON PERFORMANCE, FOCUSED ON EQUAL OPPORTUNITIES AND DIVERSITY, AND ENCOURAGES PROMOTING FROM WITHIN</p>	Women employees/total employees*	56%	58%
		Salary ratio of men vs. women	1.16	1.14
		Women ratio in senior/middle level management	40%	40%
	<p>FORM RESULT-ORIENTED TEAMS LIVING OUR VALUES, POSSESSING TEAM SPIRIT, ACTING WITH SHARED WISDOM, THINKING BIG, AND CARRYING SOCIAL RESPONSIBILITY</p>	Bloomberg Gender Equality Index	Qualified	Qualified
		Employee engagement score	70%	71%
		High performer turnover	1.67%	1.6%
		Total ideas received from employees	24,000	25,000

* Median value given, as average metrics is negatively affected by extreme values (i.e. very high/very low).



In line with its priority to set up the best and most engaged team, employee centricity lies at the center of each and every HR practice at Garanti BBVA.

Managing all of its activities in this context under the heading “Talent and Culture”, Garanti BBVA aims to create a culture that every employee will be proud to be a part of.

Garanti BBVA’s Talent and Culture activities this year were formulated under the headings Employee Health, Employee Development and Adapting to a Transforming World.

WHAT WE DID IN 2020

EMPLOYEE HEALTH

Having identified seamless service delivery to the society, its stakeholders and customers as its primary responsibility being Turkey’s leading financial institution, Garanti BBVA set its top priority as employee health, who ensure the permanence of this responsibility.

Therefore, every step taken is based, first and foremost, on protecting employee and customer health, and on managing this strategy in a balanced fashion. The steps and measures taken are handled under the headings of compliance with the recommendations and policies of regulatory authorities, arrangements in physical settings, fulfillment of employee needs, and reporting. All actions taken around the Employee Health theme can be found under the heading Coronavirus: Creating Value for All in Uncertain and Dire Times.

EMPLOYEE DEVELOPMENT

Currently, Garanti BBVA focuses on a talent strategy that preps, develops and supports the employees for their next role within a development model that aims to identify talents early in their careers, strives to increase employee awareness of career options and offers a personalized development plan. In this context, the Bank pursues alignment of the “Talent Solutions” practices with its fair and happiness-oriented culture that is

also molded according to employee needs and is nurtured by the organization’s values.

Collecting and analyzing employee expectations in environments providing equal opportunities, and constantly updating the same in keeping with technological advancements, Garanti BBVA believes that it creates an environment that complies with international standards by maximizing participation in every aspect. The Bank places great emphasis on maintaining bi-directional dialogue channels to ensure that employees are actively engaged in the decision-making mechanisms and to benefit from innovative opinions. The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically through the intranet, various questionnaires and other platforms.

Garanti BBVA puts career and training and development models that can be molded according to employee needs and expectations at the center of employee journeys.

Garanti BBVA reviews all of its employee-centric policies and new projects in quarterly meetings participated by the Senior Management before introduction. The decisions regarding the initiatives and action plans presented in these meetings are decided by a strict focus on employee satisfaction.

Under the “Talent Solutions” heading, Garanti BBVA has in place a Compensation Policy for employees, which is prepared in accordance with banking and capital market legislation and approved by the Board of Directors. The Policy is erected on job-based remuneration, encourages fair, transparent, measurable and sustainable achievement among employees, and is aligned with the Bank’s risk principles.

The performance evaluation system at Garanti BBVA measures employee performance depending on the extent the objectives are attained and the extent the values are enforced while doing that. Systematic bonus and performance models are supported by concrete and measurable criteria during the assessment, and they serve as major and effective management tools for

achieving cost management and efficiency, while ensuring fairness among the employees.

Garanti BBVA has employee development in its focal point. The Bank devises schemes that increase the share of digital training programs within the existing training portfolio to give equal access to development opportunities for Garanti BBVA employees scattered in all 81 cities across Turkey, and aims to increase the number of training programs per person by the year.

One of the key goals of Garanti BBVA is to establish a fair and transparent working environment that is dominated by equal opportunities and diversity. In a bid to support gender equality and women's empowerment in various ways, the Bank carries out studies that measure employees' prejudices regarding equality of women and men. Garanti BBVA will continue to pioneer and further expand activities maintaining equality principle in the ratio of employees at different levels, the ratio of women vs. men employees, and in all fringe benefits and practices provided. Diversity initiatives will be themed around equality once again, and they will be put into life as shaped by employee opinions and backed by employee groups for higher inclusion.

The Bank strives to maximize employee participation in all processes associated with building a better working environment by leading an environment of open communication and by displaying a fair and objective attitude. Garanti BBVA therefore believes it creates an environment that complies with international standards.

Having reformulated its "career consulting" offered to employees in line with their competencies, knowledge, skills, and needs with a much more strategic and holistic perspective, Garanti BBVA established a model where consultants responsible for HR processes will also be in control of the business processes of employees working in the business area that they are in charge of. The consultants, who are responsible for the careers and development of employees, will present solutions aligned with business strategies and produce proactive solutions.

By focusing on employees' professional development and giving all employees equal opportunities, the Bank is actively contributing to Sustainable Development Goal 4: Quality Education, Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 16: Peace, Justice and Strong Institutions.

LEARNING AND DEVELOPMENT

Garanti BBVA promotes continuous learning culture where employees are autonomous in designing their own learning experience and developing new skills. Along this line, Garanti BBVA Training Center remains focused on creating a learning ecosystem preparing the employees for the competencies of the present and the future by responding to learning needs with dynamic, agile, proactive and digital solutions.

Importance attached to digital development solutions continued at an increasing extent.

With the transition to the work-from-home order, training programs previously organized in classroom format were quickly redesigned to be offered with webinar method via digital platforms. The number of participants in 3,200 remote training programs was 33,000.

New online training programs were organized to address the specific needs of this period, such as tele-marketing, team management and leadership for remote working environment, and online presentations. Under a Group-wide initiative launched, focus was placed on "Resilience", the most needed topic by employees in the present period. With a custom-designed content, the online training program was offered as an optional training for all employees. Focus on the topic will be maintained also in the year ahead.

Weight was given to mobile applications that promote permanence and reinforcement of knowledge through gaming. The mobile applications used were incorporated in designs in a manner to complement the learning experience.

85,000 questions were solved each month for a total of 1 million over the course of a year. The ratio of digital training was 47%, where the Bank is aiming to achieve an increase every year.

#egitimsaati (#learninghour), enabling concentration on learning only, was launched.

#egitimsaati (#learninghour) practice was launched, which allows employees to dedicate a self-designated time of the day at certain intervals to their self-development and will let them complete their online learning modules on time. While 95% of our colleagues who took part in the initial pilot run at the branches commented that it was useful, there was an increase in the number of learning hours at 100% of the branches included in the pilot. Average increase in all branches was 178% according to end-October reporting. Following the positive experience with branches, a pilot run was commenced to expand the initiative across the Head Office teams.

Initiatives were designed encouraging the culture of learning from one another.

In order to expand the group of people that reach the information derived from conferences and seminars available to a given number of employees, to increase information sharing and to create value jointly, "Let's Ask Someone Who Was There!" initiative was designed and the first sharing session was held at the end of the year.

Seminars in which we hosted speakers from various sectors continued.

The seminar series continued also this year, in which we hosted professionals from the finance sector and from various disciplines specialized in their respective fields in line with the Bank's strategies and employee needs.

Different development topics focused on the competencies of the future were addressed.

New topics that are based in the requirements of the digitalizing world were addressed. Initiated in 2018 with the aim of improving employee competencies so as to secure their contribution to development of data-driven strategies, Data Specialist & Data Scientist programs continued in view of the current needs.

Designed with the purpose of helping employees better learn and internalize innovative technologies and transform them

into business ideas, and with the aim of rendering development in this area continuous, Enabler Technologies Certification Program was launched, which includes digital contents of the world's most prestigious universities, namely Columbia, Wharton, MIT, ELU. 116 people from across the Bank participated in the program. 3 new project ideas developed in this program were submitted to the Fikrini Getir (Bring Your Idea) initiative carried out at the Bank.

Training sessions designed to raise increased awareness of "cybersecurity" across the entire BBVA Group continued intensively. Participation was ensured in the training programs organized as part of the Group-wide cybersecurity week.

New competency development training, which made up 6% of our training portfolio last year, was offered to a larger audience this year, and had a share of 19% of total training programs.

The learning programs and journeys of our employees were reviewed.

Training programs were reviewed to maximize the efficiency of the learning experience of young talents selected within the scope of the talent management policy, and were redesigned to prepare the individuals for their next role.

In the reporting period, training programs of all portfolios and Customer Advisors in branches were reviewed and updated. Following the need analyses performed, they were restructured with the addition of new headings to support career programs, and measurement tools used to determine the efficiencies of training programs were diversified.

Specifically for this year, focus was placed on Cash Management and Financial Analysis and special certification programs were designed for both.

Focus was placed on upgrading the learning portal in a bid to deliver an unmatched learning experience.

In the reporting period, the Bank continued to base its efforts in line with continuous development concept and kept offering training programs aligned with the improvement areas

and competencies of employees. In 2020, the focus was on revamping the information architecture of Garanti BBVA Learning portal in line with global trends and constantly changing digital needs, and on improving users' learning experience by way of the joint learning strategy. Efforts concentrated on priorities that would ensure the delivery of a better, faster and personalized user experience by the revamped portal to employees, a smart design easily guiding employees in line with their development needs, and that would make the portal the first choice of the employees to have an unmatched learning experience.

Greater emphasis was placed on stakeholder management this year.

The Bank revisited the support employees extended to the learning activities by offering training on a half-time basis in tandem with their existing jobs. In this context, a development journey was introduced whereby internal trainers assigned with full-time training provided one-on-one mentoring to these individuals. The monthly "Digital Learning Bulletin" is shared with the trainers to foster their development.

Additionally, an online summit was designed this year for opinion exchange with suppliers and stakeholders engaged in training, and for sharing our learning strategy in the coming year. A weekly progress addressing the highlights of the activities during the year is prepared and shared with all employees.

Necessary infrastructural work was initiated for centralized management of our learning and development activities so as to cover our affiliates from 1 January 2021 onwards.

TALENT ACQUISITION

Garanti BBVA employs various objective, skill-based measurement and evaluation tools and methods specific to each position in order to match the right person with the right job. During 2020, 67 new graduates were recruited under the young talent programs.

Standard criteria (experience, seniority, performance, competency evaluation, interviews, etc.) are established for all internal promotions and transfers between positions. They

are transparently announced throughout the Bank via career maps, while employees are guided and supported in line with their chosen career path.

The Development Model offers a structure that more clearly manifests the benefits contributed to employee development and ensures continuity. The model ensures that each employee is deeply engaged and continues to produce highly contributory performance for the Bank, while also building on his or her knowledge and advancing in his or her career. The model supports the continuous learning culture, and aims to help employees develop by offering them new experiences.

An employee-centric career-planning model was created, and employee meetings are structured in line with the coaching model. Career meetings were held with 8,856 employees.

Intended to enrich internal experience and support development in various work areas, the Career Management system allows employees to plan their own development in line with their personal goals. The system enables advancing along the expertise possessed, and allows sharing new career movements openly and transparently. Through the career portal, employees can reach detailed information about career transitions and career paths depending on their competencies, experience, performance, expectations and goals at any time.

Aligned with the strategies of the BBVA Group and Garanti BBVA, the performance evaluation and People Assessment process assesses goals, values and competencies on the basis of more objective criteria. Employees' sustainable performances and competency results are used as input for remuneration, career and development.

Vacant positions emerging at Garanti BBVA Group companies are announced to employees via Career Opportunities. Focused on developing its talents from within, Garanti BBVA gives priority to internal career transitions for all vacant positions. Internal candidates considering themselves fit for the position are free to apply for the announcements themselves without seeking permission from any individual or manager, and are

included in the assessment. When employees apply for a Career Opportunity, they can let their line manager know at any time they wish.

In addition to internal opportunities, all vacant positions available at the BBVA Group are announced to all Garanti BBVA employees simultaneously with all Group employees via the global career site. International career opportunities that also foster familiarization with different cultures are presented to all from a common platform by the employees of all Group countries and those satisfying the required competencies are subjected to evaluation at equal terms.

In 2020, necessary technical competencies for each role were identified. Employees can view the technical competency levels expected of their own roles. Thus, they become aware of what is expected of them together with behavioral competencies, and pursue improvement opportunities accordingly.

Employees benefit from coaching and mentorship initiatives offered through various channels and employing different methods depending on the needs (internal coaching, external coaching, women leadership mentorship program, mentorship programs for hands-on processes, etc.) aimed at contributing to their awareness processes and supporting their technical and behavioral developments.

EMPLOYEE DIALOGUE, PARTICIPATION IN MANAGEMENT AND SATISFACTION

The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, employee engagement survey, internal customer satisfaction questionnaire, and the voice of employee platform GONG. Garanti BBVA conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration, recognition and training & development opportunities. In 2020, Employee Engagement score was 71%.

People Assessment process collects employees' opinions about themselves, colleagues, line managers and team

members, and aims to spread the culture of receiving and giving feedback. The process also allows employees to recognize their strengths and improvement areas, and devise their personal development plans accordingly.

Suggestion and idea platforms Önersen, GONG, and Atölye, and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. "Önersen" (You Suggest) has been instrumental in collecting more than 25,000 ideas and suggestions since 2007.

OCCUPATIONAL HEALTH AND SAFETY

Having given momentum to its efforts in the field of Occupational Health and Safety (OHS) by forming a dedicated team in 2013 under Human Resources, Garanti BBVA has been coordinating the health and safety requirements of all locations via this organization which was renamed the OHS Division in 2015. Adopting the national legislation as the minimum standard and benchmarking itself against international norms and best practices, Garanti BBVA carries on with its activities throughout Turkey with a team of 44 (OHS experts, occupational physicians, occupational nurses).

Having crowned its implementations with the International Safety Award by the British Safety Council, one of the world's most eminent authorities in health and safety, this year, Garanti BBVA moves forward with its vision that adopts the national legislation as the minimum standard and benchmarks itself against the best practices in the world. The Bank has upgraded employee health and well-being with its precise and successful emergency management practices in relation to the pandemic and earthquake in 2020. With the OHS team organized under Talent and Culture in accordance with Occupational Health and Safety (OHS) regulations, Garanti BBVA will continue to effectively coordinate processes including risk assessment, occupational health implementations, training programs, OHS Committees, near misses, workplace accidents, corrective actions, emergency plans and drills at all locations.

Having realized a first among its peers and digitalized all of its OHS processes, Garanti BBVA has been using its OHS

software in all its locations since 2013. Garanti BBVA uses this software to coordinate and monitor all processes including risk assessment, occupational health implementations, training programs, OHS Committees, near misses, workplace accidents, corrective actions, emergency plans and drills.

Work-Related Accidents

In 2020, the total number of incidents at all locations including subcontractors was 171. All accidents without exception were examined, and necessary corrective steps were enforced. None of the work-related accidents resulted in death.

Total Lost Working Days

The total lost working days were 50,563 days for women and 22,423 days for men in 2020. The total lost days data is collected on the basis of medical reports of sickness leave and injuries. The absentee rate of the Bank was 0.01 in 2020.

Employee Benefits

In order to enhance its employees' quality of life, Garanti BBVA offers various products and services. Garanti BBVA employees have private health insurance and life insurance, and can benefit from the Bank's Retirement and Social Assistance Fund services for health expenses not covered by private health insurance, such as dental treatment, prescription glasses and contact lenses. There are fitness centers and internal nutritionists present in Zincirlikuyu, Pendik and Güneşli Head Offices. The Bank has in place numerous practices so that employees can rest, refresh, and allocate sufficient amount of time to their loved ones and private lives.

EQUAL OPPORTUNITY AND DIVERSITY

Socially and economically empowering women, increasing their role in decision-making mechanisms, ensuring gender equality both in professional and community life, and diversity lie at the heart of Garanti BBVA's approach to talent management.

USD 250 billion incremental GDP could be created by 2025, if the rate of women's participation in workforce in Turkey would increase to the OECD average of 63% from 33% where

it presently stands. Garanti BBVA considers equal opportunity and diversity as a fundamental value and a driving force of its corporate culture, as well as a contributor to economic growth, and encourages employees to respect different thoughts and differences among them.

At Garanti BBVA, women employees comprise 56% of all employees and 40% of senior/middle level management. As a result of the importance it attaches to gender equality and women's empowerment, Garanti BBVA was one of the first to implement the Equal Opportunities Model (in Turkish: FEM). Also Garanti BBVA is one of the first signatories of the Women's Empowerment Principles (WEPs) and is the first bank in Turkey to sign them.

Through Gender Equality workshops organized since 2015, which include male and female representatives from the Executive Vice President level to the manager level, programs, processes and initiatives aimed at the Bank's employees or all the external stakeholders in the areas of the inclusion of women in the financial system, women's empowerment and gender equality are being coordinated. Depending on the agenda, employees from different levels and locations participate in the workshops.

Aimed at empowering women leaders and increasing their recognition in internal networks, Women Leadership Mentorship Program continued for executives in 2020. To date, more than 80 women executives received mentorship and more than 40 women furnished mentoring under the program.

Garanti BBVA is a founding member of 30% Club Turkey launched in March 2017 for greater representation of women in executive management.

Within the framework of the Domestic Violence Platform Garanti BBVA has established in 2016 in order to extend support to employees suffering from domestic violence whenever they need it and to provide guidance to managers about the effects of domestic violence on the workplace, the Bank continued to offer the support service 24/7 exclusively to Bank employees

and their next of kin through the Domestic Violence Hotline in 2020. In addition, a communication initiative on the "Effects of Domestic Violence Upon Children" was conducted in 2020 as part of the program.

In January 2019, the Bank released its Policy for Prevention of Discrimination and Sexual Harassment for all its employees, thus making transparent and clear reporting channels and the measures adopted more accessible.

The Bank believes that women and men are equally responsible for securing gender equality, and thus, extended the Paternal Leave from 5 days to 10 in 2020. Led by Garanti BBVA, steps began to be taken across all BBVA countries for prolonging the Paternal Leave.

The Bank also carries on with its efforts to entrench Diversity and Inclusion culture in the organization through various training and awareness initiatives on gender equality and unconscious prejudice. As the first step, new training programs were designed to make sure that unconscious prejudice and gender equality principles are espoused by the employee body of the Bank. These compulsory programs delivered through digital channels were targeted at freeing people of their stereotyped thinking, and discover their prejudices so as to minimize their implications. Following the training, gaming activities were held to raise awareness across the entire Bank and to consolidate the information provided.

Thanks to its various practices and initiatives for ensuring gender equality in human resources, among customers and the community, Garanti BBVA is the only company from Turkey to be included for four years in the Bloomberg Gender Equality Index that covers 230 companies from 10 industries from 36 countries and regions across the world.

INTERNAL COMMUNICATION AND CULTURE

Under the internal communication policy based on providing timely and accurate information flow to employees, information was conveyed instantly mostly through live streaming in addition to conventional communication channels.

In these live streaming events actively participated by Garanti BBVA Senior Management, the main idea was to ensure that all employees are informed of a given topic simultaneously.

Due to teleworking and rotating working conditions, "Ask/Share" forum section on the intranet, which enables employees to view instant messages transparently, were actively used in addition to live streaming. The use of this section increased by 35% over 2019. Certain decisions introduced during the reporting period were revised according to employee opinions conveyed in this section.

All employee-oriented messages and activities were carried out via online channels throughout 2020.

The third Values Day which is celebrated on the same date in all countries to re-familiarize with, assimilate and live the values, was held on digital channels. In this edition of the event where 45% of Garanti BBVA employees actively participated, idea workshops concentrated on evaluating strategic priorities from the eyes of the employees. During the Values Day that was participated by approximately 10,000 employees through digital channels, more than 2,500 employees took part in workshops and generated over 250 idea.

On a joint platform, all countries nominated the employees enforcing the values through exemplary behaviors in their everyday lives and 12 employees from across the Group were rewarded with the votes of country senior managements and employees. Out of the 12 awarded employees, three Garanti BBVA employees were honored with awards in the We Think Big and We are One Team categories.

Garanti BBVA carries out a work-life balance program named Work Life Integration (İYİ) in order to enhance employee satisfaction and offer a richer working experience. This year motivational activities and treats within the scope of the program were replaced by online activities. Open to all employees, these initiatives include, among others, online exercise sessions, dietician sessions and informative seminars organized by the specialist psychologists of the Employee Support service.

A FAIR AND TRANSPARENT WORKING ENVIRONMENT

Garanti BBVA aims to establish a fair and transparent working environment that is dominated by equal opportunities and diversity. Garanti BBVA's approach to human capital is in accordance with its ethical values and the "equality principle". The Bank and employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like, sexual orientation, family responsibilities, disabilities, age, medical conditions, and union membership. The Bank and the employees respect human rights.

FAIR AND TRANSPARENT REMUNERATION

Garanti BBVA implements a Compensation Policy for employees, which is prepared in accordance with banking and capital market legislation and approved by the Board of Directors. The Policy is erected on job-based remuneration, encourages fair, transparent, measurable and sustainable achievement among employees, and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the Talent and Culture Unit delegated by this Committee are responsible for reviewing and duly executing the compensation policies.

In line with its target of being the employer of choice, Garanti BBVA applies a competitive, market-sensitive salary system, which aims to improve employees' life standards. Garanti BBVA's compensation policy is essentially based on "equal pay for equal work" and "pay for performance" principles. In addition to individual performance, the Bank keeps a close eye on general macro-economic circumstances, the current inflation rate in Turkey and the trends in the sector. At the Bank, the salary package is comprised of various components including the monthly salary, annual bonus payments and premium payments, meal vouchers, foreign language payments and other benefits with variations depending on the level of seniority or the scope of work and the location of the services. The Bank always monitors its compensation system

so that it is fair, transparent, measurable, based on balanced performance targets, and it encourages sustainable success.

The compensation system of the Bank is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's Compensation Policy established within this framework has been approved by the Board of Directors and presented for the information of shareholders at the Ordinary General Shareholders' Meeting. Presently, the policy is available to the public on the Bank's website pursuant to corporate governance principles. The performance evaluation system at Garanti BBVA measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are supported by concrete and measurable criteria in the assessment, and serve as major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti BBVA monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The portion of 8.29% of the total personnel expenses figure for the benefits provided in 2020 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

The ratio of the average remuneration of women employees to that of men employees is 1.14. Differences can be explained by previous experiences, performance evaluation results and other factors aside from gender that affect pay level.

MATERNITY LEAVE

Garanti BBVA employees are entitled to additional rights in maternity leave beyond the practices recognized by the laws. During the reporting period, 526 women employees went on maternity leave and 466 men employees went on paternity leave. 88% of women employees who took maternity leave in 2020 are still working at the Bank.¹

RETIREMENT

Retirement is one of the most important rights of employees. As of their first day of work at the Bank, employees automatically become members of "T. Garanti BBVA Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (Retirement and Social Assistant Fund) established as per the provisional article 20 of the Social Security Law no. 506. For every employee and his or her dependent spouse and children, a health certificate is issued.

OUTLOOK

ADAPTING TO A TRANSFORMING WORLD

The transforming Dynamics in the world pushed the accessibility issue foremost within Garanti BBVA's approach to human resources. Delivery of this vast variety of existing services and products available to all employees through a channel constantly accessible by them gained priority. In this framework, Garanti BBVA carries on with its efforts to launch a mobile application for exclusive use by its employee body, which will be introduced in the first quarter of 2021. The application is intended to give access to the world Garanti BBVA employees need in their capacities as employees.

Another major component of this transformation aside from the mobile application covers the initiatives for creating a common portal that will host all existing channels for employee career and development, which are made accessible through different portals. This will allow employees to view and use the whole cycle from the measurement and assessment steps

within the "Development Model" to learning and career-related practices with a more holistic perspective.

Poised to introduce a tool whereby it will focus on more effective development of employees via the Career and Development Portal, Garanti BBVA will have thus launched a user-friendly platform for employees to track their progress throughout the year. New steps will be taken also for enacting the corporate values at every opportunity, and for creating an egalitarian working culture free from prejudices. Employees will be given the opportunity to devise new projects on parenthood and individuals with disabilities that will support business processes by engaging in opinion exchange with employee groups. Initiatives supporting work-life balance, which will be developed within the scope of the "Work Better Enjoy Life" message, will make the highlights of 2021 projects.

Garanti BBVA will be consolidating its existing channels in a more-friendly medium in the short term, and back this vision with steps that will ensure effective use of these channels and administration of a survey measuring satisfaction in the medium term. In the long term, Talent and Culture teams are targeted to be transformed into a team designing the initiatives that will provide guidance to all employees in their roles as service providers and consultants. Within the future human capital management concept, paving the way for employees' management of all products and processes they need in line with self-devised development plans and their involvement in decisions will be the greatest step Garanti BBVA will be taking towards further improving the existing egalitarian and inclusive working environment.

¹ The ratio of women employees returning from maternity leave is followed up on the basis of the year preceding the reporting period. For details, please refer to the Guidelines on Non-Financial Reporting in the Appendices section.

CORPORATE GOVERNANCE



AYDIN DÜREN
Independent Board Member



SİNEM ÖZÖNÜR
Head of Integrated
Thinking and Reporting



NİLGÜN TEPEGÖZ
Izmir, Konak
Branch Manager



HANDAN SAYGIN
Director - Investor
Relations



KAYA YILDIRIM
CEO - Garanti BBVA
Factoring



Scan the QR code to
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PIONEER

SUSTAINABILITY

RESPONSIBILITY

EXPERIENCE

TRANSPARENCY

SUCCESS

AGILITY

EMPATHY

DIGITALIZATION

Internal Systems Governance

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

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

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

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

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

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

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

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

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

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

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

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

THE INTERNAL AUDIT DEPARTMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE INTERNAL CONTROL UNIT

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

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

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

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

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

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

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

THE COMPLIANCE DEPARTMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit Committee's Assessment

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

 1,728  9 min  3  risk

The Audit Committee has convened eight times during 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk Committee's Assessment

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

 629  4 min  1  risk

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

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

Important Developments Regarding 2020 Operations

 10,307  52 min  16  banks

INFORMATION ON SHARE BUYBACKS BY THE BANK

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

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

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

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

1 - CARBON EMISSION TRADE VAT EVASION INVESTIGATION IN FRANCE:

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

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

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

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

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

3 - MINISTRY OF TRADE ADMINISTRATIVE FINE:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

according to Turkish Accounting Standards and related special provision amounts.

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

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

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

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

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

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

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

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

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

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

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

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

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

REGULATION AMENDING THE REGULATION ON LOAN TRANSACTIONS OF BANKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BRSA DECISION DATED 21 FEBRUARY 2020 AND NUMBERED 8876

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

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

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

REGULATION ON BANK CARDS AND CREDIT CARDS

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

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

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

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

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

MAXIMUM INTEREST RATES APPLICABLE ON CREDIT CARD TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

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

BRSA DECISION DATED 17 DECEMBER 2020 AND NUMBERED 9322

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

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

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

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

Calculations for Interest (Coupons) and Redemption

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

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

Calculations for Income on Trading

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LEGISLATION CONCERNING THE FEES BANKS CAN CHARGE COMMERCIAL CUSTOMERS

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

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

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

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

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

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

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

LEGISLATION REGARDING THE FEES BANKS CAN CHARGE ON FINANCIAL CONSUMERS

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

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

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

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

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

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

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

Corporate Governance Principles Compliance Report

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STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

In keeping with Garanti BBVA's commitment to corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report. In addition, disclosures within the scope of Sustainability Principles Compliance Framework as per the Communiqué (no: II.17.1a) amending the Corporate Governance Communiqué (no. II.17.1)" whereby necessary additions were made on 02 October 2020 to Articles 1 and 8 of the Corporate Governance Communiqué are provided under the related headings.

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

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

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

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

I. GENERAL PRINCIPLES:

STRATEGY, POLICY AND TARGETS

SUSTAINABILITY AND ENVIRONMENT POLICIES

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

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

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

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

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

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

ENVIRONMENTAL AND SOCIAL LOAN POLICIES

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

STATEMENTS

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

TARGETS

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

EXECUTION\OVERSIGHT



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

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



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

REPORTING

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



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

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

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

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



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



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

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



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

VERIFICATION

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

II. ENVIRONMENTAL PRINCIPLES

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INTERNATIONAL STANDARDS AND INITIATIVES

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

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

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

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

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

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

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

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

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

III. SOCIAL PRINCIPLES

DECLARATION OF HUMAN RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EMPLOYEES

Issues	Measures
<ul style="list-style-type: none"> ➔ Child labor ➔ Violation of human rights ➔ Violation of Code of Conduct ➔ Occupational Health and Safety ➔ Health risks ➔ Economic and social losses due to expropriation 	<ul style="list-style-type: none"> ➔ Retail, SME, Commercial and Corporate Customers (1) Additional clauses to Banking Service Agreements ➔ Soft Controls: (5) Environmental and social impact assessment trainings ➔ Risk-based Assessment for Corporate and Commercial Customers: (2) Environmental and Social Impact Assessment Model for loans with a minimum investment amount of USD 10 million (3) Action Plans (4) Monitoring Plans

HUMAN RIGHTS

Issues	Measures
<ul style="list-style-type: none"> ➔ Diversity ➔ Discrimination ➔ Violation of Code of Conduct ➔ Occupational Health and Safety 	<ul style="list-style-type: none"> ➔ Hard Controls: (6) Garanti BBVA Code of Conduct (7) Whistleblowing Channel (8) HR Internal Control Mechanism (9) Integrity Committee (10) Audit Committee ➔ Soft Controls: (11) Gender Equality Working Group (12) Gender equality trainings (13) Communication strategy (14) Employee Support Line

SUPPLY CHAIN

Issues	Measures
<ul style="list-style-type: none"> ➔ Child labor ➔ Violation of Code of Conduct ➔ Occupational Health and Safety 	<ul style="list-style-type: none"> ➔ Hard Controls: (15) Garanti BBVA Code of Conduct for Suppliers (16) Garanti BBVA Code of Conduct (17) Garanti BBVA Support Services Risk Assessment Program (18) Audit Committee (19) Additional clauses to service agreements ➔ Soft Controls: (20) Communication of Code of Conduct

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

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



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

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

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

HUMAN RIGHTS RISK ASSESSMENT HUMAN RESOURCES POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERSONAL DATA PROTECTION AND PROCESSING POLICY

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

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

EMPLOYEE COMPENSATION POLICY

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

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

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

ETHICAL AND SOCIAL RESPONSIBILITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STAKEHOLDERS, INTERNATIONAL STANDARDS AND INITIATIVES STAKEHOLDER COMMUNICATION

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

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

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

GENERAL SHAREHOLDERS' MEETINGS

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

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

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

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

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

INFORMATION ON DONATIONS AND GRANTS IN 2020

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

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

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

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

VOTING RIGHTS

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

DIVIDEND RIGHT

The Bank's Dividend Distribution Policy is as follows:

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

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

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

IV. BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

having management control over the Bank,

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

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

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

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

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

WORKING PRINCIPLES AND PROCEDURES OF THE BOARD OF DIRECTORS

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

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

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

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

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

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

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

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

Garanti BBVA's Ratings

CORPORATE GOVERNANCE RATING

JCR EURASIA RATINGS (OUTLOOK: STABLE)

Overall Compliance Score: 9.77

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

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

CREDIT RATINGS

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

FITCH RATINGS (SEPTEMBER, 2020)

(Outlook: Negative)

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

MOODY'S (DECEMBER, 2020)

(Outlook: Negative)

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

JCR EURASIA RATINGS (AUGUST, 2020)

(Outlook: Negative)

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

Profit Distribution

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

Sincerely,
Board of Directors

2020 DISTRIBUTION OF THE PROFIT TABLE

(Turkish Liras)

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

INFORMATION ON DIVIDEND PAYOUT RATIO

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE (NOMINAL VALUE: 1TL)	
		CASH (TL)	BONUS SHARE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	623,800,000.00	-	10.00%	0.14852	14.85238
NET	-	530,230,000.00	-	8.50%	0.012625	12.62452



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

Contact Information

HEAD OFFICE

Levent Nispetiye Mah. Aytar Cad.
No:2 34340 Beşiktaş / İstanbul
Tel: +90 212 318 18 18
Fax: +90 212 318 18 88
Telex: 27635 gati tr
Swift: TGBATRIS

WEBSITE

www.garantibbva.com.tr

TRADE REGISTRY NO

159422

DOMESTIC BRANCHES

Garanti BBVA has 884 domestic branches in 81 cities as of 2020 year end. Information on domestic branches is available on the Bank's website.

INFORMATION ON SOCIAL MEDIA

You may follow Garanti BBVA on Facebook, Twitter, Instagram, YouTube and LinkedIn.

www.facebook.com/GarantiBBVA

www.twitter.com/garantibbva

www.instagram.com/garantibbva

www.linkedin.com/company/garanti-bbva/

www.youtube.com/garantibbva

www.twitter.com/garantiyesor

OVERSEAS BRANCHES

TURKISH REPUBLIC OF NORTHERN CYPRUS - LEFKOSA BRANCH

Bedrettin Demirel Caddesi
No: 114 Lefkoşa / TRNC
Tel: +90 392 600 53 00
Fax: +90 392 600 53 20

TURKISH REPUBLIC OF NORTHERN CYPRUS - GIRNE BRANCH

Mete Adanır Caddesi No:18
Girne / TRNC
Tel: +90 392 650 53 00
Fax: +90 392 650 53 20

TURKISH REPUBLIC OF NORTHERN CYPRUS - GAZIMAGUSA BRANCH

Sakarya Mahallesi Eşref Bitlis
Caddesi No: 20 Gazimağusa / KKTC
Tel: +90 392 630 03 00
Fax: +90 392 630 03 20

TURKISH REPUBLIC OF NORTHERN CYPRUS - GIRNE CARSİ BRANCH

Mustafa Çağatay Caddesi No: 17
Girne / KKTC
Tel: +90 392 650 53 30
Fax: +90 392 650 53 50

TURKISH REPUBLIC OF NORTHERN CYPRUS - GONYELİ BRANCH

Düzyol Sokak No: 12/B Gönyeli
Lefkoşa / KKTC
Tel: +90 392 680 30 00
Fax: +90 392 680 30 20

TURKISH REPUBLIC OF NORTHERN CYPRUS - GUZELYURT BRANCH

Ecevit Caddesi No:29/A Güzelyurt / KKTC
Tel: +90 392 660 30 00
Fax: +90 392 660 30 20

TURKISH REPUBLIC OF NORTHERN CYPRUS - KUCUK KAYMAKLI BRANCH

Şehit Mustafa Ruso Caddesi No:86/A
Küçük Kaymaklı Lefkoşa / KKTC
Tel: +90 392 600 54 00
Faks: +90 392 600 54 20

MALTA BRANCH

Özgür Özdemir
Strand Towers, 36 The Strand Sliema
SLM 1022 Malta
Tel: +356 232 88 000
Fax: +356 232 88 160
Swift: TGBAMTMTXXX

REPRESENTATIVE OFFICES

SHANGHAI

Noyan Rona
Room 1304 Marine Tower No:1
Pudong Avenue 200120 Shanghai, P.R.C.
Tel: +86 21 5879 7900 - 5879 4155
Fax: +86 21 5879 3896

DUSSELDORF

Fahri Birincioğlu
Tersteegenstrasse 28, 40474,
Düsseldorf, Germany
Tel: +49 211 86 222 301
Fax: +49 211 86 222 350



Please scan image with your "QR Code Reader" equipped smartphone to access Garanti BBVA Investor Relations website at www.garantibbvainvestorrelations.com for additional information on Garanti BBVA.

GARANTI BBVA INVESTOR RELATIONS WEBSITE IN TURKISH

www.garantibbvayatirimciiliskileri.com

GARANTI BBVA INVESTOR RELATIONS WEBSITE IN ENGLISH

www.garantibbvainvestorrelations.com

THE INVESTOR RELATIONS IPAD AND ANDROID TABLET APPLICATIONS



Garanti BBVA provided an overview to the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "Integrated Annual Review 2020". The 240 pages long Integrated Annual Review 2020 that is a summary of the 586 pages long Garanti BBVA Integrated Annual Report 2020 has limited number of printed edition available for our stakeholders to be accessed physically.

CONTENT MANAGEMENT

www.data-iletisim.com



DESIGN & PRODUCTION

www.roundabout.com.tr

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