

Important Developments Regarding 2021 Operations

INFORMATION ON SHARE BUYBACKS BY THE BANK

The Bank did not buy back any of its own shares in 2021.

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 Türkiye (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Türkiye (CBRT). Detailed information about the administrative fines imposed against the Bank in 2021 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 different 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, as 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, the Court also adjudged the Bank will be subject to payment of damages of EUR 25.09 million. Finding the ruling to be faulty and irrelevant, our Bank has taken all necessary actions 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. While all our statutory rights have been exercised, High Courts in France dismissed first our appellate plea and then our appeal before the highest court. The judicial process was finalized upon these adjudgments. Damages in the amount of EUR 25.09 million had been paid following the ruling of the Grande Tribunal of Paris. The administrative fine in the amount of EUR 8 million has also been paid within January 2022 following the ruling of the supreme court of appeals.

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 1/4 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 judgment, 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 Plenary Session of Administrative Law Divisions of the Council of State adjudged to accept our appellate plea and to reverse the lower court's decision to sustain its original ruling. The respondent, i.e. the Competition Board, applied for revision of decision 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 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 have exercised our statutory rights in relation to the said decision and a suit has been filed for reversal. While the judicial proceedings were in progress, the Law no. 7326 Restructuring Certain Receivables and Amending Certain Laws, which also allowed for the restructuring of administrative fines making the subject matter of the litigation, entered into force. An application for restructuring was filed under the said law, upon the acceptance of which the Bank was refunded TL 41,291,250 that corresponds to ½ of the previously paid fine of TL 82,582,500. The litigation was terminated as the restructuring has been completed, and the process came to an end.

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 2021, administrative fines levied by regulatory and supervisory authorities on our Bank amounted to TL 11,336,267. Of this amount, the portion of TL 9,220,316 discounted to TL 6,888,654.20, taking advantage of the cash payment discount was paid and entered into accounts as expense in 2021. The portion of TL 2,115,951 discounted to TL 1,586,963.25 to be paid for cash payment, on the other hand, was also entered into accounts as expense in 2021 but will be paid in 2022.

INFORMATION ON REGULATORY CHANGES IN 2021 THAT MAY HAVE A MATERIAL IMPACT ON THE OPERATIONS OF THE BANK

The Monetary Policy Committee (MPC) increased the policy rate, which is the one-week repo auction rate, from 17% at the start of the year to 19% on 18 March, before decreasing it 14% in 16 December through gradual rate cuts that initiated on 23 September.

The Monetary and Exchange Rate Policy for 2021 stated that reserve requirement ratios would be used as an instrument to support the monetary stance and monetary transmission mechanism in pursuit of the price stability objective within a plain framework. Accordingly:

- With the announcement on 24 February, TL reserve requirement ratios were increased by 200 basis points for all liability types and maturity brackets.
- The upper limit of the facility for holding FX was decreased from 30% to 20% of TL reserve requirements on 24 February, further down to 10% on 1 July, and finally to 0% on maintenance date of 1 October and terminated.
- The upper limit of the facility for holding standard gold was decreased from 20% to 15% of TL reserve requirements on February 24, and from 15% to 10% on 9 November.

The reserve requirement ratios for FX deposits/participation funds were increased by 200 basis points for all maturity brackets on 1 July, 15 September and 9 November each, for a total of 600 basis points.

In addition, the remuneration rate applied to TL-denominated required reserves was increased by 150 basis points to 13.5% on 24 February and was gradually decreased to 8.5% in parallel with the gradual cuts in the policy rate. Moreover, it was decided:

- FX deposits/participation funds that were available as of 25 June 2021 and converted to Turkish lira deposits/participation funds after this date was exempted from reserve requirement liabilities; and

- to apply remuneration rate on TL-denominated required reserves to increase the share of TL in the total deposit/participation funds in the banking system.

It was decided to postpone the deadline for withholding tax support applied to Turkish lira deposits with the objective of preserving the value of the Turkish currency and to encourage retention of savings in TL-denominated deposit and participation accounts until 31 December 2022. The discounted rate for demand deposits and time deposits with maturities up to 6 months was applied as 5% and for time deposit accounts with maturities up to 1 year as 3%. No withholding tax was applied to deposits with longer than 1 year maturity.

The BRSA decided to keep in place the application of average exchange rate in capital adequacy calculation. Accordingly, it will be possible to use the simple arithmetic mean of the CBRT's FX buying rates for the last 252 business days actualized as of 31 December 2021 in capital adequacy calculations from 1 January 2022. It was also decided that, if the net valuation differences of the securities held by the banks in the "Securities at Fair Value Through Other Comprehensive Income" portfolio are negative, these differences would not be taken into account in the equity amount to be used for the capital adequacy ratio. Under the CBRT communiqué dated 20 December 2021 concerning encouragement of conversion into Turkish lira deposit and participation accounts:

- FX deposit accounts and FX participation accounts denominated in US dollars, Euros or British Pounds already existing by 20 December 2021 are converted into Turkish Lira, at the request of the account holder, at the conversion rate.
- The foreign currency the Bank receives by reason of this transaction is bought by the CBRT at the conversion rate, and the corresponding Turkish lira amount is transferred to the relevant bank.
- The Bank opens a deposit or participation account denominated in Turkish lira with a term of 3 months, 6 months or 1 year.
- The interest rate the Bank will apply to the deposit account

may not be lower than the one-week repo rate determined by the CBRT.

The interest/profit share that will accrue on the Turkish lira time deposits and the change in the exchange rate between the dates of account opening and end-of-term will be compared and account/participation fund holder will receive whichever is higher. If the amount to be calculated using the exchange rate at the end of the term is greater than the principal amount and the interest/profit share amount, the difference will be paid by the CBRT.

“FX-Indexed TL Time Deposit Accounts and Participation Accounts” supported by the Ministry of Treasury and Finance, on the other hand, includes TL deposit accounts and participation accounts of the same nature to be opened. According to the implementation principles published on 23 December 2021:

- Accounts will be set up in four different maturities of three, six, nine or 12 months.
- The implementation can be utilized several times and no upper/lower limits will be applied.
- The minimum interest rate to be applied to the “FX-Indexed TL Time Deposit Accounts” must not be lower than the one-week repo auction rate determined by the CBRT. The maximum interest rate to be applied by the Banks, however, is allowed to be 300 bps higher than the minimum rate at the maximum.
- USD/TL, EUR/TL AND GBP/TL FX buying rates announced by the CBRT at 11:00 hours will be used as term beginning/end date rates that will be taken as basis for these accounts
- At the end of the term, the exchange rate difference support will be paid to the account holder in its entirety on the same day. If payments are to be made to banks for the exchange rate difference at the end of the term, demands for the amounts to be paid will be submitted by the banks to the CBRT. The portion payable by the Treasury will be transferred to the banks on the same day by the CBRT.

In addition, it was decided that Turkish lira time deposit or participation accounts that were converted from FX deposits accounts/participation funds of resident real persons on December 28, will be exempt from the reserve requirement framework. It was also decided to charge an annual commission of 1.5% for the portion corresponding to the amount that needs to be held for FC-denominated deposit/participation funds (overseas banks deposits/participation funds excluded) liabilities of FC amounts held in USD terms; and to charge an annual commission of 1.5% to the portion corresponding to the amount that needs to be held for non-USD FC-denominated deposits/participation funds (overseas banks deposits/participation funds excluded) liabilities of FC amounts held in EUR or USD terms.

It was decided not to apply these commissions until year-end 2022 to banks achieving a level of 10% conversion rate to TL deposits from FX, by 21 January 2022 liability date (this was updated as 15 April 2022 with the announcement made on 14 January 2022) and 20% by 18 March 2022 liability date (this was updated as 8 July with the announcement made on 14 January 2022) in the rate of conversion from FX deposit accounts and FC participation fund accounts that existed on 20 December 2021 to Turkish lira time deposit and participation accounts.

On 29 December, it was decided to offer incentive also to holders of Turkish lira time deposit and participation accounts converted from gold deposit accounts/participation funds.