



2017 PERFORMANCE & OUTLOOK



INVESTING IN HUMAN CAPITAL

Human Capital is the driving force behind all progress at Garanti. Garanti employees are therefore one of the main pillars of Garanti's strategy. The Bank builds systems to recruit, train and develop a first-class workforce, and provides a working environment that encourages full utilization of employees' skills, offering a wide range of opportunities and ensuring recognition and rewarding of their accomplishments.

Garanti provides a workplace environment that is safe, modern and respectful of human rights, and is dominated by equal opportunities and diversity. To ensure work-life balance, Garanti supports its employees with policies and practices to increase their welfare level, and focus on their happiness.

For this purpose, the Employee Committee, headed by the CEO and formed of members from the Board and Senior Management, is responsible

for developing Garanti's HR policies, carrying out and coordinating activities in order to improve employee engagement and satisfaction, monitoring results and developing action plans when needed. With the support of the management, the Committee also aims to promote learning in order to enhance the Bank's development and tracks how training reflects on business.



By focusing on the professional development and giving all our employees equal opportunities we are 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.

Garanti invests in its employees in order to maximize their performance, increase their productivity and well-being, and proactively engage them to develop and implement sustainable initiatives in their day-to-day activities, both at and outside work.

Garanti's HR processes including recruitment, career planning, performance appraisal, and training and development programs are in accordance with its competency model.

The human resources policy of Garanti can be summarized as putting employees first by continuously investing in them. We give priority and importance to our employees, by deploying sufficient resources for training and implementing programs. We try to maximize participation by leading an environment of open communication and by displaying a fair and objective attitude. We therefore think we create an environment that complies with international standards.

VALUE DRIVER

INDICATOR

PERFORMANCE

	2017	2016	
Invest in our employees focusing on their development, satisfaction and wellbeing	Hours training per FTE	36	36
	Digital training/Total learning hours	27%	17%
	High performer turnover	2.3%	2.1%
	Employee engagement score	65%	66%
	Programs related to employee well-being	10	9
	Total ideas received from employees	22,172	20,859
Benchmark Investors in People Performance (IIP)	GOLD CERTIFICATE	GOLD CERTIFICATE	
Form teams possessing team spirit, acting with shared wisdom, social responsibility and delivering results	Female employees	56%	57%
	Salary ratio of men vs. women	0.98	0.97
Embrace a fair and transparent management policy based on performance, focused on equal opportunities, diversity and promoting from within	Women ratio in the Bank's senior/middle level management	41%	40%
	Bloomberg Gender Equality Index	QUALIFIED	-

Garanti develops human resources practices in accordance with the Bank's strategies. Efforts are made to improve motivation and create open communication forums in which employees are allowed to express themselves freely. We provide "career consulting" for employees in line with their competencies, knowledge, skills, and needs.

Garanti became the first company in Turkey to be awarded the Investors in People (IIP) Gold Certificate for the second time. Garanti will keep investing in its human resource and carry on with its implementations based on its "people-oriented" management concept.

WHAT WE DID IN 2017

LEARNING AND DEVELOPMENT

Garanti identifies the requirements in training and development programs by analyzing needs through one-on-one interviews, workshops or surveys conducted within all departments and branches.

As Garanti, we have realized all the development and learning activities that we have designed and planned in our bank with the vision of raising the best human resources of the financial sector and seeing development as continuous investment and development as an investment tool.

In 2017; with Garanti Learning Culture, we had our new training model - "Faculty Model", which we aimed to create an effective development environment that would respond to the needs of our employees and proliferate them professionally.

We have supported this with technology-based approaches where one takes responsibility for development in line with career goals, guiding the person, providing various ways for holistic development, supporting business results, measuring learning with reliable standards, and receiving feedback on the results. Within our faculty system, we placed our trainings under five different faculties according to their subjects. These are;

- Customer Experience and Sales
- General Banking
- Credit
- Investment
- Leadership

In 2018, our sixth faculty, Digital, will be added to our model. Parallel to our approach, Garanti introduced the new "Garanti Corporate Learning" platform that is plain, easy to understand, innovative and compliant with UX standards. The new platform, allows our employees to easily follow up their development histories, future trainings, credits they earn and levels in the Faculty Model. Meanwhile, managers can monitor their teams' development areas and accordingly, suggest various training solutions to them.

"Garanti Learning Technologies" offers access to various platforms including live broadcasts, simulations, videos, e-library and mobile learning through mobile devices anytime, anywhere.

A dedicated Sustainability E-Learning Program was established in 2012, which includes trainings regarding sustainability criteria in the credit appraisal processes, thematic trainings regarding financing solar power projects, carbon pricing, and environmental and social impact management in the loan processes. Total

duration of trainings provided under the Sustainability E-learning Program during 2017 was 1,490 hours.

Every year, managers attend the Garanti Leadership Academy that is established to build on managerial skills along with joint management culture. As identified each year before the program starts, the theme of the Academy for 2017 was "change".

In 2017, Garanti provided approximately 36 hours of training per employee. The ratio of digital training increased by 9 percentage points and reached 27% in 2017. While the main topics consisted of customer experience, digitalization, compliance, big data analysis and leadership development, it is intended to increase the weight of digital trainings versus classroom sessions.

MANAGING HUMAN CAPITAL

Garanti employs various objective, competency-based measurement and evaluation tools and methods specific to each position in order to match the right person with the right job.

During 2017, 61 people joined Garanti under the Management Trainee & Sales Trainee Programs. 100 university students were given the chance to do internship at branches, regional offices and HQ business units. Full transition to online interview and test implementation has been realized for recruitment processes.

Standard criteria (experience, seniority, performance, competency evaluation, tests, interview, 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.

By creating an employee-centric career-planning model, the employee meetings are structured in line with the coaching model and the communication frequency is increased to enhance employee communication and communication quality. 2,048 branch visits and 728 regional office visits were conducted. 1,702 career meetings with employees were held.

Within our new branch service model, career maps, performance criteria, compensation and benefit studies have been completed. Human Resources Consultants held informative meetings during the transition process. 179 branches were transformed in 2017. 827 Customer Representatives and 408 Customer Service Representatives were assigned to new positions.

A new career management system has been implemented, which provides career development alternatives, enables progress in the relevant field of specialization, and provides a common framework to ensure consistency in career management. In this new system, the employee is the owner of his/her career management and development. The system creates a title structure that reflects the qualities of the role and enables management of career movements in an open and transparent manner.

Based on more objective criteria, the new performance system aims to create a system that is in line with the BBVA's and the Bank's strategies, and responds not only to 'What?' but also to 'How?'. While targets and competencies are assessed together in this new system, the employee's target and competency results serve as inputs for remuneration, career and development.

EMPLOYEE DIALOGUE, PARTICIPATION IN MANAGEMENT AND SATISFACTION

In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative opinions, Garanti keeps dialogue channels bi-directional. Making systematic use of various channels, including employee opinions, the intranet, employee satisfaction questionnaire, and the voice of employee platform GONG, Garanti aims to increase employee satisfaction and employee engagement.

Garanti carries out an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration and training & development opportunities. In 2017, Employee Engagement score was 65%.

360 Degree Feedback collects employee opinions and aims to contribute to managers' behavioral patterns by determining their competencies, as well as their strengths and improvement areas.

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 1,313 suggestions in 2017 and more than 22,000 in the aggregate since 2007. Through GONG, the voice of employee platform about HR practices and the working environment, 305 opinions were gathered in 2017.

Insight studies on employee engagement, career opportunities, meal cards and appointment processes were conducted, 99 employees were interviewed and improvements were

made taking into consideration the suggestions made for each topic.

Each year, through the Managers' Summit and the Future Meeting, the CEO and the executive team involve the total employee base and share & assess Garanti's current outlook and its strategy, goals & objectives for the year ahead.

As part of employer brand management efforts, Garanti carries out a Work-Life Balance program Work Life Integration (İYİ) in order to enhance employee satisfaction and ensure a richer working experience. Average number of events and services per employee went up from 9 in 2014 to 29 in 2017.

Garanti established the Domestic Violence Platform in order to support employees' family lives, to lend a hand 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. Garanti also launched the Domestic Violence Hotline offering service 24/7 exclusively to Garanti employees and their next of kin.

EMPLOYEE BENEFITS

In order to enhance its employees' quality of life, Garanti offers various products and services. Garanti 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 Garanti's Zincirlikuyu and Güneşli Head Offices.

The Garanti Bonus System (GPS), which was implemented for branch and regional employees in 2016, has also been implemented for our Headquarters and Regional Credits employees in 2017.

This new system is easy to calculate, integrated with our performance management system and not only takes individual success into account but also the success of BBVA Group and our Bank. The system also differentiates the premium amounts of our high-performers.

Internal Customer Survey is performed to evaluate the services employees receive and it gives them the opportunity to convey their suggestions.

OUTLOOK

Based on its employee-centric approach, Garanti will keep involving employees in designing consultation and processes at a higher extent through systematic use of various channels, including employee opinions, the intranet, employee satisfaction questionnaire and idea platform GONG in order to enhance HR practices and the working environment.

Garanti Human Resources will continue to focus on accurately positioning its employer brand for its existing and potential employees. Garanti HR will keep organizing İYİ services and events to enhance the work experience, and using digital tools more frequently (like the online interview platform with business partners, live broadcasts with top management etc.) for communicating with the employees to support the efficiency of internal communication.

Managers' communications with their subordinates for employee satisfaction

purposes will be one of the vital concentration points for Garanti HR.

Transformation of the branches into the new service model is planned to be completed in 2018.

OFFERING A FAIR AND TRANSPARENT WORKING ENVIRONMENT

Garanti aims to establish a fair and transparent working environment that is dominated by equal opportunities and diversity.

Garanti's approach to human capital is in accordance with its ethical values and 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. The Bank and our employees respect human rights.

WHAT WE DID IN 2017

EQUAL OPPORTUNITY AND DIVERSITY

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 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. Garanti encourages employees to respect different thoughts and differences among them.

At Garanti, women employees comprise 56% of all employees, and 41% of senior/

middle level management. As a result of the importance Garanti gives to gender equality and women's empowerment, Garanti was one of the first to implement the Equal Opportunities Model (FEM). Also Garanti is the first bank in Turkey as one of the signatories of the Women's Empowerment Principles (WEPs).

Garanti designed the Gender Equality Training Program that is compulsory for all employees. The training focused on the gender roles imposed by the society and how they affect the work environment. Garanti also broadcasted a video on gender equality where Executive Vice Presidents Ebru Dildar Edin and Cemal Onaran informed Garanti employees about the Bank's projects on the topic. Furthermore, Garanti created a video series called "Believe in Yourself" to inspire the women of Garanti.

In order to raise strong women leaders who are aware of their competencies and capable of managing the challenges in business life, Garanti signed a cooperation agreement with the UN Women Program in 2016. Within this framework, Garanti organized Women Leadership Trainings for women at the middle management level in 2017.

In 2016, Garanti established the Women Executives Initiative, which consists of top-level women executives, aiming to contribute to the development and cooperation of women at middle and top-level positions. In 2017, the Initiative held 13 events, where inspirational speakers appeared to instill self-confidence to women executives within the Bank. Garanti's women executives also came together to discuss gender equality issues, designed development and awareness programs and created networking environments, namely The

Women Leadership (14 groups/177 participants) and Remarkable Women Programme (1 group/20 participants). The Women Leadership Program was supported by UN Women. The Remarkable Women Programme is designed to enhance women leadership ability through experimental learning and powerful new techniques.

The Gender Equality Working Group, which includes male and female representatives from the Executive Vice President level to the manager level, has been active since 2015 under the Sustainability Committee in order to ensure coordination of 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.

Under the committee, there are sub-working groups dealing with HR, society and customer projects, which get together quarterly to evaluate the projects and come up with new ideas.

Garanti Training Center has made a GETKurs (includes 3 videos) about gender equality in workplace and society for all employees in 2017. Furthermore, a training program focused on domestic violence was initiated.

For all these initiatives concerning gender equality, Garanti became the first and only company from Turkey to be listed in 2017 Bloomberg Financial Services Gender Equality Index.

Garanti CEO, Mr. Ali Fuat Erbil became a founding member of 30% Club Turkey for greater representation of women in executive management, launched in March 2017.

FAIR & TRANSPARENT REMUNERATION

Garanti's 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. 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 HR Department authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

Read more on the Remuneration of the Board of Directors and Senior Management in the Corporate Governance Principles Compliance Report.

In line with its target of being the employer of choice, Garanti applies a competitive, market-sensitive salary system, which aims to improve employees' life standards. Garanti's compensation policy is essentially based on "equal pay for equal work" and "pay for performance" principles. In addition to individual performance, Garanti keeps a close eye on general macro-economic circumstances, the current inflation rate in Turkey and the trends in the sector. At Garanti, 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. Garanti 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 Remuneration 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 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 that is supported by concrete and measurable criteria in the assessment.

In this context, customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti 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 13.03% of the total personnel expenses figure for the benefits provided in 2017 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 female employees to that of male employees is 0.98. Insignificant differences can be explained by previous experiences, performance evaluation results and other factors aside from gender that affect pay level.

MATERNITY LEAVE

Garanti employees are entitled to additional rights in maternity leave beyond the practices recognized by the laws. 96% of the 791 women employees who used maternity leave during the reporting period are still working at Garanti.

RETIREMENT

Retirement is among the most important rights of employees. As of their first day of work at our Bank, employees automatically become a member of "T. Garanti 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.

OCCUPATIONAL HEALTH AND SAFETY

In line with local regulations on Occupational Health and Safety (OHS), Garanti formed a specialized OHS Team in 2013 under HR and gave momentum to efforts in this field. Renamed the OHS Division in 2015, the unit carries on with its work throughout Turkey with a team of 41 (OHS experts, occupational physicians, occupational nurses). The Head Office OHS Division coordinates OHS requirements of all locations.

In coordination with its lines of business, Garanti ensures uninterrupted OHS communication by way of monitoring findings and recommendations on OHS, and collecting the opinions of employees through the OHS Employee Representatives in the locations.

In 2017, OHS experts, occupational physicians and occupational nurses provided 40,968 hours of service.

Garanti developed the OHS software in use, thereby exhibiting our distinction from other financial services institutions in Turkey.

In 2017, Garanti Bank began computerized monitoring for all its applications and started to use a number of modules such as Non-Conformity Management, Incident Management and Risk Assessment in coordination with related business lines.

In the Risk Assessment process, the risks identified so far at all Garanti Bank locations have been audited and an institutional roadmap format has been created. Corrective and preventive activities of this format are also monitored through Non-Conformity Management. In 2017, a total of 1,920 corrective or preventive activities were carried out to create a healthier and safer working environment at Garanti Bank locations.

Workplace accidents that occurred in all locations, findings that were established, and suggestions that were received were tracked together with the relevant units also during 2017. Ongoing activities included the provision of OHS experts and On-site Physician services at 21 locations with 50 and more employees, regular quarterly OHS Committee Meetings

and the updating of risk assessments to reflect the changes in workplace conditions.

In 2017, many OHS trainings were continued and a more interactive learning process was planned with the new OHS training design. Employee awareness was enhanced, especially through seminars and simulations on safe driving. 135,767 hours of OHS Training were provided to employees across the Bank in 2017.

In 2017, Garanti developed the Patient Appointment System (PAS) within the scope of Occupational Health practices, allowing its employees to get a doctor's appointment through the system, thereby securing efficient use of time and delivery of quality healthcare service. This initiative also ensures more organized performance of new-hire and periodic examinations and better structured execution of outpatient services.

Improvements in reporting of the Patient Appointment System in 2017 increased system efficiency and provided the necessary infrastructure for its use in the headquarters.

In addition, in 2017, the Emergency Management process, which had previously been under the responsibility of the Disaster Recovery and Business Continuity Service of the Internal Control Unit, was handed over to the OHS Division. Evacuation drills were carried out especially after the task development in the emergency teams.

Within the context of compliance projects of subsidiaries, activities continued in line with the regulatory requirements regarding OHS. In addition to the processes in some health applications,

affiliates have become able to use the same OHS software in the coordination of the OHS Division.

Documents such as Internal Directive, Training Procedure, Near Misses and Work Accident Procedure, which convey the implementation details within the scope of the OHS Management System documentation, were created.

WORK-RELATED ACCIDENTS

In the reporting period, there were 265 work-related incidents of injury.

TOTAL LOST WORKING DAYS

The total lost working days were 41,758 days for women and 18,980 days for men in 2017. The total lost days data is collected on the basis of medical reports of sickness leave and injuries.

The Social Performance Data is available on Garanti Investor Relations website.

OUTLOOK

In the coming years, we will carry on with networking activities and build sub-communities among branches. Internal communication programs, trainings such as women leadership program and initiatives to reinforce perception towards gender issues will stay as key elements of our internal awareness raising efforts. Volunteering programs on gender equality will continue to be a part of the governance structure since it brings enthusiasm to HR initiatives.

Within our Health and Safety facilities, the efficiency of the Emergency Management processes will be increased by the utilization of digital tools.