

INVESTING IN HUMAN CAPITAL



Employee-centricity is the foundation of Garanti's Human Resources strategy. The Bank strongly believes that organizations offering employees development opportunities entailing quality training programs, putting the principle of equality in the focal point of all their practices, designing a productive working environment that nurtures the fact that humans are social beings, and consolidating the sense of fairness will be the organizations of the future.

In keeping with this, Garanti carries out its activities, recognizing that its employees make up its most valuable asset and that they constitute one of the pillars of its strategy. In this structure, 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. At the same time, it develops practices designed to increase their welfare level and focus on their well-being in order to ensure work-life balance.

Garanti develops its human resources policy by putting employees first and continuously investing in them. The Bank collects and analyzes employee expectations in environments providing equal opportunities, and constantly improves its policy in keeping with technological advancements. Garanti believes that it creates an environment that complies with international standards by maximizing participation in every aspect. It places great emphasis on keeping bi-directional dialogue channels to ensure that employees are actively engaged in the decision-making mechanism and to benefit from innovative opinions. Garanti aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, various questionnaires and platforms. Within the frame of policies devised according to employee needs and expectations, Garanti will keep increasing the control and monitoring by employees through a number of points from career management and performance evaluation to training

planning by taking steps that will encourage more active involvement of employees.

The Employee Committee, headed by the CEO and formed of members from the Board of Directors 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.

Garanti 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 measures employee performance depending on objectives and the extent of their attainment. 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 signs its name under a number of innovative projects focusing on its employees' development, satisfaction and happiness. The Bank devises schemes that increase the share of digital training programs within the entire training portfolio to give equal access to development opportunities for Garanti employees scattered in all 81 cities across Turkey, and aims to increase the number of training programs per person by the year. Through the Work Life Integration (İYİ) platform set up to enhance employee satisfaction and ensure a richer working experience, the Bank seeks to increase the number of programs

establishing a work-life balance and boosting employee motivation, and to expand their coverage across Turkey.

Garanti thinks that being “one team”, one of Garanti’s values determined by employee opinions in 2017, bears major effects upon customer satisfaction. The Bank champions the idea that shared wisdom practices that will build up team spirit directly contribute to joint work and development, as well as to the equality principle. In this context, the Bank develops projects that encourage employees to be respectful of diversities.

One of the key goals of Garanti is to establish a fair and transparent working environment that is dominated by equal opportunities and diversity. In a bid to provide support with real-life practices, the Bank contributes to gender equality and women’s empowerment through studies that measure employees’ prejudices regarding equality of women and men. Garanti will continue to pioneer and further expand activities

maintaining equality principle in all fringe benefits and practices provided by Human Resources. Diversity initiatives will be themed around equality once again, and the projects will focus on reducing unconscious bias and boosting awareness.

In line with local regulations on Occupational Health and Safety (OHS), Garanti, through its OHS team organized under Human Resources, coordinates and monitors all processes including risk assessment, occupational health practices, training programs, OHS Committees, near misses, workplace accidents and corrective and preventive actions.

By focusing on their professional development and giving all employees equal opportunities, Garanti is actively contributing Sustainable Development Goal 4: Quality Education, Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 16: Peace, Justice and Strong Institutions.

VALUE DRIVER	INDICATOR	PERFORMANCE	
		2018	2017
INVEST IN OUR EMPLOYEES FOCUSING ON THEIR DEVELOPMENT, SATISFACTION AND WELLBEING	Hours training per FTE	47	36
	Digital training/Total learning hours	34%	27%
	High performer turnover	2.74%	2.30%
	Employee engagement score	67%	65%
	Programs related to employee well-being	11	10
	Total ideas received from employees	23,305	22,172
FORM TEAMS POSSESSING TEAM SPIRIT, ACTING WITH SHARED WISDOM, SOCIAL RESPONSIBILITY AND DELIVERING RESULTS	Women employees*	58%	56%
	Salary ratio of men vs. women	0.97	0.98
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*	40%	41%
	Bloomberg Gender Equality Index	Qualified	Qualified



* Share of women employees were calculated using monthly averages. For details, please refer to the Guidelines on Non-Financial Reporting in the Appendices section.

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 its training and development programs are in accordance with its new competency model.

The human resources policy of Garanti can be summarized as putting employees first by continuously investing in them. The Bank gives priority and importance to its employees as evidenced in its deployment of sufficient resources for training and implementing programs. It strives to maximize participation by leading an environment of open communication and by displaying a fair and objective attitude. Garanti therefore thinks it creates an environment that complies with international standards.

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. "Career consulting" is provided for employees in line with their competencies, knowledge, skills, and needs. 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 2018

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.

Garanti Training Centre has realized all the development and learning activities that have been designed and planned at the Bank with the vision of training the best human resources of the financial sector and seeing development as continuous investment and development as an investment tool.

The "Faculty Model" the Bank devised in previous years for responding to its employees' needs and proliferating them professionally and personally was maintained in line with the

trends. In 2018, the "Digital" faculty was established.

The Faculty Model is backed with technology-based approaches where one takes responsibility for development in line with career goals, which provide guidance along with various ways for holistic development, support business results, measure learning with reliable standards, and provide feedback on the results.

Employees serving under the new service model received their certificates

In 2018, the Bank concentrated mainly on a project renovating the branch design and service model in order to offer better service to customers, and ensure faster and easier performance of banking transactions.

Over 4,000 employees from all over Turkey went through a comprehensive training program covering classroom sessions and online contents entailing simulations with the goal of delivering the best experience to customers under the new service model.

Customer Experience was a top priority as it was in previous years

This year, employees across the Bank embraced the principles of "Transparent, Clear, Responsible Banking" in customer experience. Numerous development solutions for customer experience were provided within the scope of compulsory programs.

Development solutions tailored for women employees continued also this year.

Training and mentorship initiatives designed specifically for Garanti help women employees feel comfortable in their leadership roles, act confidently and be influential leaders without restraining their goals.

Employees are supported with Data Transcendence to transform data into value

Focus was placed on new talent development to ensure that the new data warehouse model is embraced and maximum value is derived on data. The aim was to secure contribution of employees to determination of data-based strategies by building on their competencies. Training programs tailored according to various roles focus on business intelligence tools, programming languages, and advanced modeling. The program is intended to create data-focused teams from internal talents and to attract new talents to the organization.

“Garanti Digital Development Solutions” employ various methods including live streaming, games, simulation, online mobile exam/reminder applications, videos, e-library and mobile learning.

Digital Applications are used also in classroom training sessions

In an effort to ensure increased effectiveness and efficiency of classroom training sessions, as well as of digital training, and to provide a richer content, various digital tools are utilized. In many training programs realized in 2018, digital applications were included as part of the design for the purpose of measuring instant learning in the classroom, increasing interaction, and contributing to learning.

In 2018, live streaming and Cyber Classroom training programs totaled 25,000 hours. These streamings and shootings give employees the chance to be informed of and follow up current developments.

In 2018, Garanti provided approximately 47 hours of training per employee. The ratio of digital training increased by 7 percentage points and reached 34% on the back of digital training solutions realized and developed in 2018. It is intended to increase the weight of digital trainings versus classroom sessions significantly in 2019.

A dedicated Sustainability E-Learning Program was established in 2012, which includes trainings regarding sustainability criteria in the credit appraisal processes, financing solar power projects, carbon pricing, and environmental and social impact management in lending processes. Total duration of trainings provided under the Sustainability E-learning Program between 2012 and 2018 was 12,567 hours.

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 2018, 59 people joined Garanti under the Management Trainee & Sales Trainee Programs. 70 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, 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.

An employee-centric career-planning model was created, and employee meetings are structured in line with the coaching model. To increase employee communication and to enhance communication quality, 1,655 branch visits and 725 regional office visits were conducted. Career meetings were held with 8,892 employees.

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. The branches that were transformed in 2018 numbered 655. 3,441 Customer Representatives and 1,298 Customer Service Representatives were assigned to new positions.

Within the new career management system introduced, career development alternatives are offered, enabling progress in the relevant field of specialization, and a common framework is provided 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.

The new performance system aligned with the strategies of BBVA and Garanti assesses the targets and competencies together, based on more objective criteria. Employees use target and competency results as input 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 ideas, Garanti keeps dialogue channels bi-directional. Garanti aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, employee satisfaction questionnaire, and the voice of employee platform GONG.

Garanti conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration and training & development opportunities. In 2018, Employee Engagement score was 67%.

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 1,133 suggestions in 2018, two of which were rewarded. More than 23,000 ideas in the aggregate have been communicated via this channel since 2007. Through GONG, the voice of employee platform about HR practices and the working environment, 674 opinions were gathered in 2018.

Each year, through the Managers' Summit and the Future Meeting, the CEO and the executive team involve the total employee base, share and 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 named 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 and almost tripled to 26 in 2018, within the frame of the Bank's employee communication strategy and priorities.

The Bank's Values are being integrated into all HR processes and projects are being developed to let the employees reflect the Values in their day-to-day work experiences. In this context, the first anniversary of Our Values, which were spelled out with the involvement of employees in 2017, was celebrated on the Values Day on 5 July 2018. Employees generated new ideas about Our Values and experienced different ways of working together in the workshops they attended. More than 1,600 employees participated in the workshops organized online and in classroom session format.

Garanti has established Domestic Violence Platform 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. In this framework, Garanti continues to offer the support service 24/7 exclusively to Garanti employees and their next of kin through the Domestic Violence Hotline.

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 works in integration with the performance management system, continued to take into account not only individual success but also the success of BBVA Group and the Bank, and to differentiate the premium amounts of 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 Bank Human Resources will carry on with the regular communication of its new products and practices, which were revamped in 2018 and aligned with the BBVA Group. The Bank will maintain healthy operation and continuity of these activities, within which 360 Degree Feedback process and career model take the lead.

Following the integration of corporate values in all HR processes, the goal for 2019 will be to disseminate the feedback culture.

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 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.

WHAT WE DID IN 2018

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 58% of all employees, and 40% of senior/middle level management. As a result of the importance Garanti attaches to gender equality and women’s empowerment, Garanti was one of the first to implement the Equal Opportunities Model (in Turkish: FEM). Also Garanti is one of the first signatories of the Women’s Empowerment Principles (WEPS) and is the first bank in Turkey to sign them.

Garanti designed the Gender Equality Training Program that is compulsory for all employees. The training focuses 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. The Gender Equality Guide prepared within the frame of International Women’s Day 2018 celebrations was shared with all employees with the support of the CEO and all EVPs.

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. Women Leadership Trainings organized within this framework were offered to additional 101 managers and branch managers, and thus completed in 2018.

Established with the aim of contributing to the development and cooperation of women at middle and top-level positions in 2016, the Women Executives Initiative carried on with its activities with networking meetings and project groups in 2018.

The Gender Equality Committee, 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. The Committee coordinates 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 prepared, in 2017, GETKurs, a set of 3 videos about gender equality in the workplace and within the society. In 2018, 3,442 employees registered to Gender Equality Training digitally.

Aimed at empowering women leaders and increasing their recognition in internal networks, Women Leadership Mentorship Program was launched for branch managers and Head Office executives. 30 women executives received mentorship under the program for which Executive Vice Presidents acted as mentors for 6 months.

Garanti Bank 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.

With all these gender equality initiatives and practices it realizes for human resources, customers and the society, Garanti is the only Turkish company included in the Bloomberg Gender Equality Index covering 230 companies from 10 industries from 36 countries and regions around the world.

Fair and Transparent Remuneration

Garanti 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 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.

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 10.61% of the total personnel expenses figure for the benefits provided in 2018 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 0.97. 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. During the reporting period, 743 women employees went on maternity leave and 506 male employees went on paternity leave. 86% of women employees who took maternity leave in 2017 are still working at Garanti.¹ With the Motherhood Experience Project introduced in January 2018, HR processes were renewed for supporting pregnancy and post-partum periods.

Retirement

Retirement is among the most important rights of employees. As of their first day of work at the Bank, employees automatically become members 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

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.

OHS Division coordinates OHS requirements of all locations.

Realizing a first among its peers in Turkey, Garanti launched its OHS software in all its locations. Garanti Bank uses this software to coordinate and monitor all processes including risk assessment, occupational health implementations, training programs, OHS Committees, near misses, workplace accidents and corrective and preventive actions.

Garanti ensures uninterrupted OHS communication by way of monitoring findings and recommendations on OHS in coordination with its lines of business, and collecting the opinions of employees through the OHS Employee Representatives in the locations. Within this context, 816 corrective or preventive actions were discussed and implemented in 86 committee meetings held in 2018.

All documentation describing the Bank's Occupational Health and Safety processes were compiled in an online booklet. The OHS Intranet page, which also covers this booklet, is redesigned in a more user-friendly format.

A database was created, which covers all the risks in all of the Bank's locations as part of improving the Risk Assessment process. Hence, the Bank achieved progress in the standardization and tracking of defined risks.

Special technical training programs (Case Studies and Root Cause Analysis Training, Defensive Driving Training, etc.) were organized based on the outputs of the risk assessment process. Work was initiated to digitalize OHS training programs. Online OHS training was revised with a more interactive and effective content, and shared with all employees. 124,322 hours of training were given to all employees within the scope of Occupational Health and Safety training.

Periodic assessment were made with technical teams for improving the health and safety conditions of major projects such as G+ Project, Pendik Campus location, and many steps were taken to improve health and occupation conditions.

Corrective and Preventive Action screens in the OHS software were developed and actions were monitored more effectively through periodic reporting with technical business lines.

Improvements were made to team assignments within the scope of Emergency Management process, which was taken over from the Disaster Recovery and Business Continuity Service. Online training began to be designed for the teams.

As part of furthering Occupational Health, studies and analyses of risk groups continued (examination of psychosocial risks, audio tests, etc.). A dedicated phone number was assigned as Emergency Healthcare Response at 5555 and put into service at Head Office buildings to give easier access to employees in case of need for emergency response from healthcare teams (occupational physician, occupational nurse, etc.) and to shorten the time for the teams to reach the site.

Work-Related Accidents

In 2018, there were 367 work-related accidents. None of them resulted in death.

Total Lost Working Days

The total lost working days were 43,728 days for women and 20,895 days for men in 2018. 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 2018.



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

OUTLOOK

Focus will be placed on models over which employees will have control within processes shaped according to their needs and expectations, backed by initiatives supporting their more active involvement. The aim will be to assign control and monitoring to employees at all points from career management to performance evaluation and training planning.

All these innovative activities will automatically bring along a more project-focused working methodology. At this point, project teams, agile methodologies and teams with a higher degree of autonomy will be created. All employee journeys will be reviewed to develop business areas and specialties emerging in the new world.

Diversity initiatives will be themed around equality once again and the projects will focus on reducing unconscious bias and boosting awareness.