ABOUT GARANTI BBVA

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TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

Garanti BBVA | Integrated Annual Report 2020

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 Bank[2] 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

1 IMF Fiscal Monitor, October 2020
2 IMF January 2021 World Economic Outlook, World Bank January 2021 Global Economic Prospects

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 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

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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%.

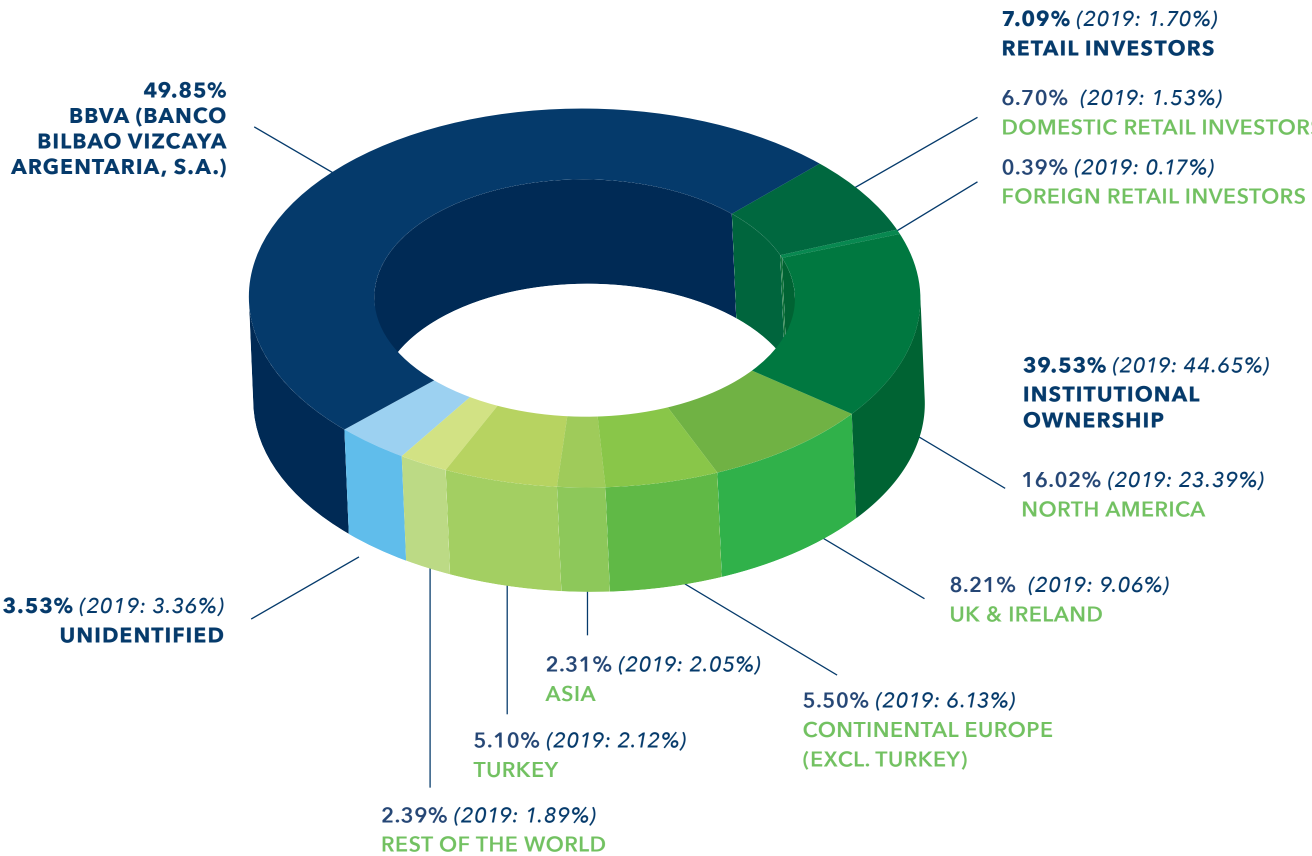
Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti BBVA has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares are publicly traded in Turkey, and its depositary receipts in the UK and the USA. Garanti BBVA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

RETAIL BANKING

INNOVATIVE BANKING EXPERIENCE THAT MAKES A DIFFERENCE

18.2 MILLION
RETAIL CUSTOMERS
(based on Garanti BBVA's definition)

ACQUISITION OF
1.1 MILLION
NEW CUSTOMERS
compared to 2019

11.7%
CONSUMER LOAN MARKET SHARE
(#1 in consumer loans among private peers)

10.2%
CUSTOMER DEPOSIT MARKET SHARE
(Demand deposits share in customer deposits: 42% vs. sector 31%)

SME BANKING

INFORMATION AND ADVISORY SERVICES SUPPORTING CUSTOMERS' DEVELOPMENT

8.3%
BUSINESS BANKING LOANS MARKET SHARE

25%
SHARE OF SME LOANS IN TL LOANS
(based on BRSA definition)

COMMERCIAL & CORPORATE BANKING

PRIMARY BUSINESS PARTNER OF CUSTOMER

9.6%
FC LOANS MARKET SHARE

28
COMMERCIAL BRANCHES

4
CORPORATE BRANCHES

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.

PAYMENT SYSTEMS

LEADER OF TRANSFORMATION IN THE SECTOR, THE LARGEST CREDIT CARD PLATFORM WITH 15 MILLION BONUS CARD USERS

17.6%
ISSUING MARKET SHARE
Leader

16.9%
ACQUIRING MARKET SHARE

7.3 MILLION
CREDIT CARD CUSTOMERS
Leader

685 THOUSAND
POS

DIGITAL BANKING

FOCUS ON FINANCIAL HEALTH, ADVISORY AND FACILITATING CUSTOMERS' LIVES

9.6 MILLION
DIGITAL BANKING CUSTOMERS

79% of our active customers use digital banking

97%
DIGITAL TRANSACTIONS IN NON-CASH FINANCIAL TRANSACTIONS

95%
SHARE OF MOBILE CUSTOMERS IN DIGITAL CUSTOMERS

Garanti BBVA Mobile named Best by World Finance for 4 consecutive years

2nd Largest ATM network among private peers with **10% MARKET SHARE**

1.4 MILLION PEOPLE
make cardless transactions via QR code at ATMs

INTEGRATED SUBSIDIARIES

Garanti BBVA International
Asset Contribution: **5.74%**

Garanti BBVA Romania
Asset Contribution: **4.06%**

Garanti BBVA Emeklilik
Asset Contribution: **0.53%**

Garanti BBVA Leasing
Asset Contribution: **1.08%**

Garanti BBVA Factoring
Asset Contribution: **0.54%**

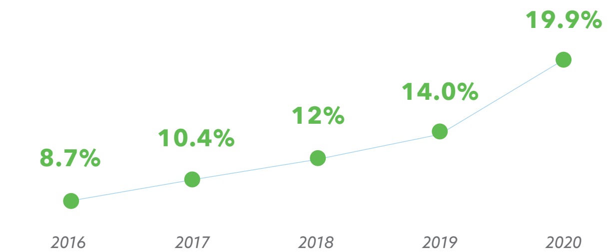
Garanti BBVA Yatırım
Asset Contribution: **0.31%**

Garanti BBVA Portföy
Asset Contribution: **0.04%**

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 employees[2] 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%

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%

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 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 participants [4]
The most profitable private pension company in terms of pension technical profitability [5]

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%

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

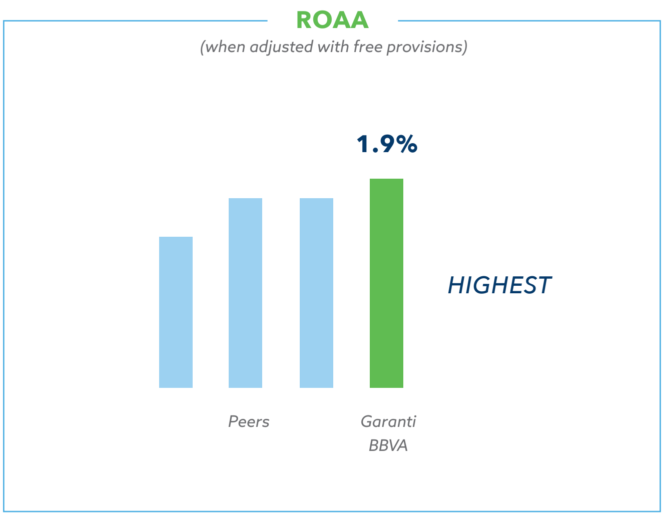
Established in 1997 as Turkey's first asset management company, Garanti BBVA Asset Management provides services in the management of Mutual Funds, Pension Funds, and Discretionary Portfolios with its consistent asset management performance, comprehensive research activities, robust risk management and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

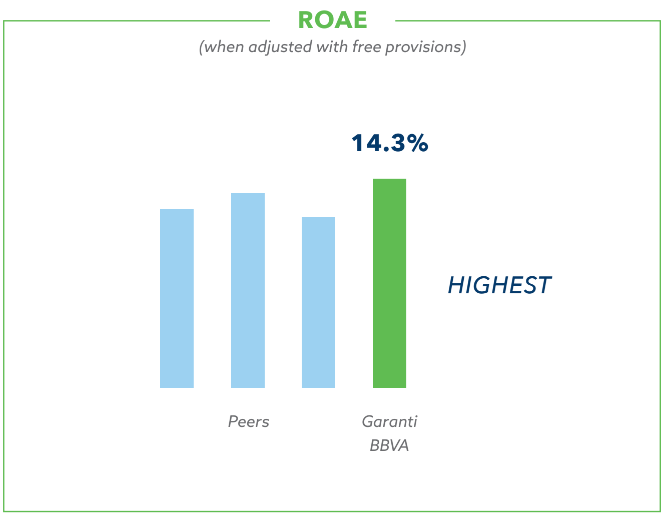
Garanti BBVA Asset Management ranks 5th in the sector with a total mutual funds size of TL 9.9 billion and 6.9% market share. In pension funds, it is the 5th company with the highest amount of funds under its management among portfolio management companies with TL 21.3 billion in total funds managed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

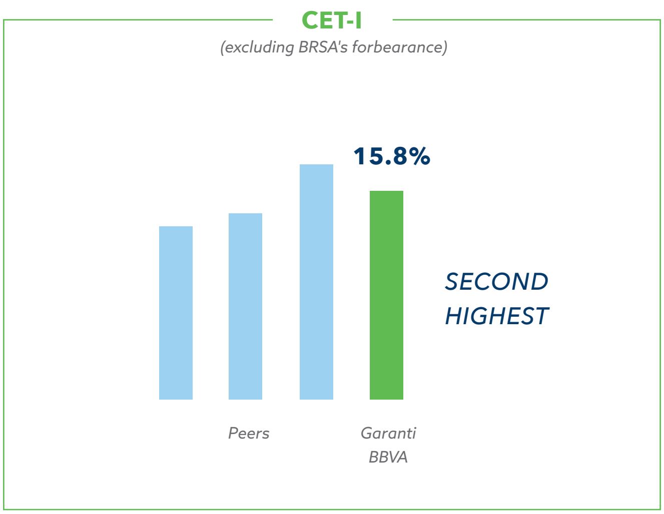
TOTAL ASSETS UNDER MANAGEMENT: TL 32.2 BILLION
TOTAL MUTUAL FUNDS: TL 9.9 BILLION
TOTAL PENSION FUNDS: TL 21.3 BILLION
ASSET CONTRIBUTION: 0.04%

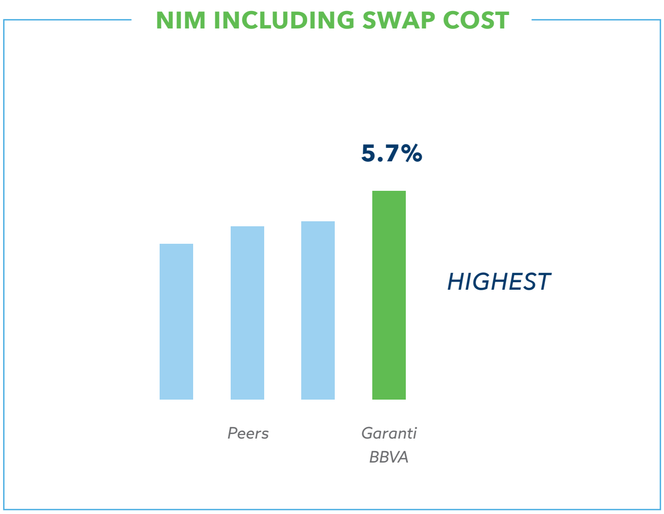
Note: Unless otherwise specified, based on year-end financial data.
4 Sum of Voluntary PPS + Auto Enrollment PPS according to Pension Monitoring Center data as of 31 December 2020
5 According to Insurance Association of Turkey data as of 30 September 2020

Garanti BBVA's Position in the Sector



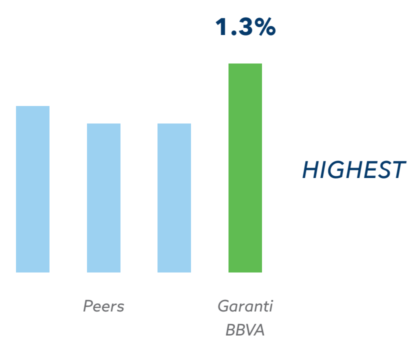




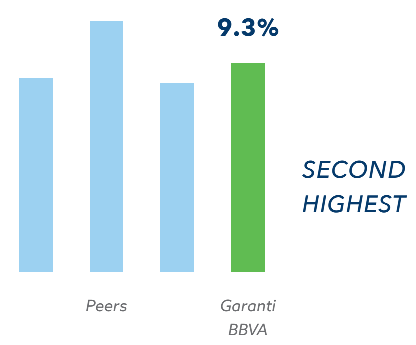


Note: Figures are per December 2020 BRSA Bank-only financials for fair comparison. Peer banks include Akbank, İşbank and YKB.

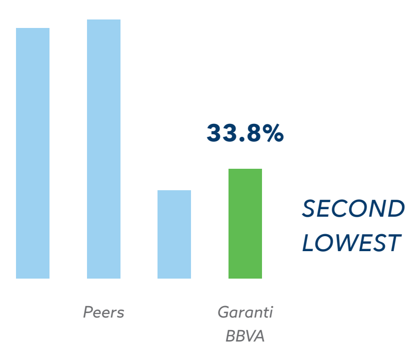
NET FEES & COMMISSIONS / IEA & NON-CASH LOANS



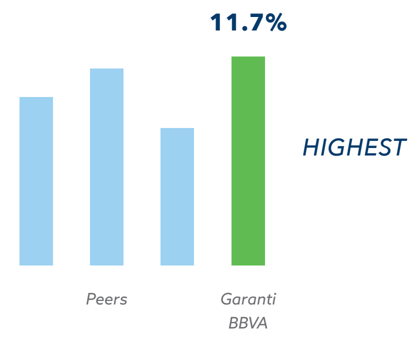
ASSETS MARKET SHARE*



COST/INCOME RATIO**



MARKET SHARE IN CONSUMER LOANS*



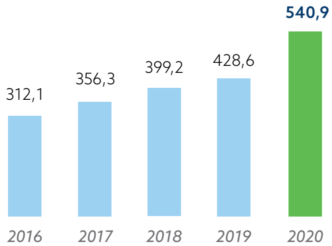
** Based on BRSA weekly data as of December 31, 2020, for commercial banks only.*
*** Cost/Income defined as NII + Net F&C +Trading gains/losses excluding FX provision hedges + Other income excluding provisions reversals + Income from subsidiaries.*

Garanti BBVA in Numbers

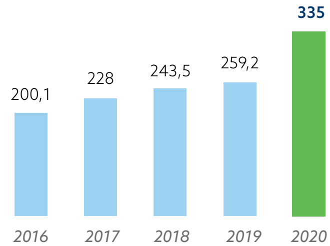
	2016	2017	2018	2019	2020
BRANCHES	971	948	936	914	894
POS**	635,865	670,259	669,435	651,860	684,896
ATMs	4,825	5,003	5,258	5,260	5,309
TOTAL CUSTOMERS	14,615,584	15,143,274	16,378,165	17,639,895	18,779,492
MOBILE BANKING CUSTOMERS*	3,683,684	5,087,521	6,460,538	7,731,683	9,074,914
DIGITAL BANKING CUSTOMERS*	4,879,155	5,957,966	7,174,066	8,352,034	9,571,289
NUMBER OF EMPLOYEES	19,689	18,851	18,338	18,784	18,656
DEBIT CARDS	8,930,780	9,796,696	10,885,643	12,309,813	14,156,702
CREDIT CARDS	9,792,199	10,213,151	10,141,008	10,131,725	10,308,368

*Active customers on - min. 1 login per quarter.
** Includes shared and virtual POS.

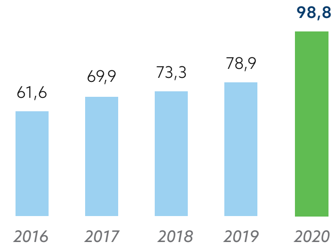
ASSETS
(TL billion)



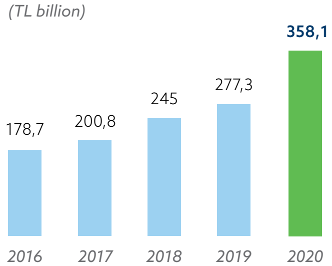
PERFORMING CASH LOANS
(TL billion)



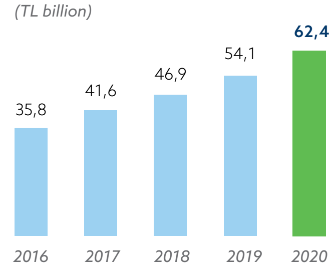
CONSUMER LOANS***
(TL billion)



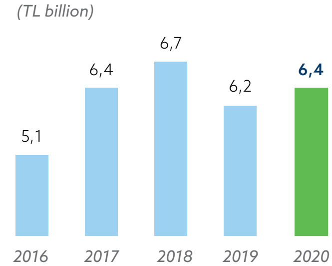
DEPOSITS
(TL billion)



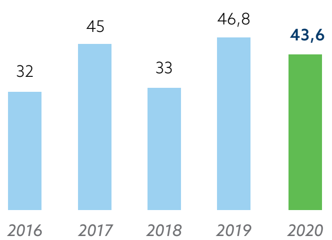
SHAREHOLDERS EQUITY
(TL billion)



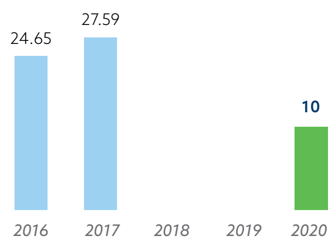
NET INCOME
(TL billion)



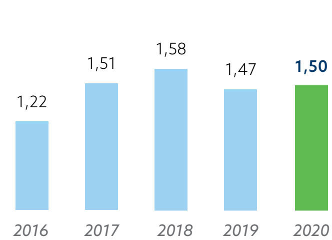
MARKET CAPITALIZATION
(TL billion)



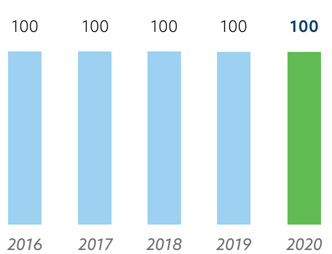
DIVIDEND PAYOUT RATIO
(%)



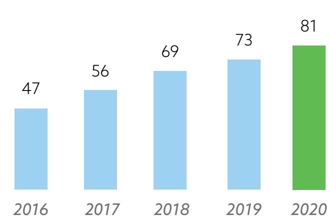
EARNINGS PER SHARE
(TL)



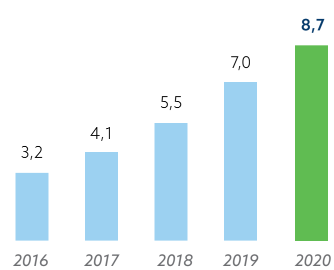
% OF RENEWABLES IN ENERGY PRODUCTION PORTFOLIO
(in new PF greenfield commitments)



NUMBER OF PROJECTS SUBJECTED TO ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM *(Cumulative)*****



TOTAL LOANS GRANTED TO WOMAN ENTREPRENEURS
(Cumulative, TL billion)



**** 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.

Garanti BBVA Share

889 | 5 min | 2 | garanti

GARAN TICKER AND CODES

İSTANBUL - BORSA İSTANBUL
SYMBOL: GARAN
SEDOL: BO3MYP5
ISIN: TRAGARAN91N1
CUSIP: M4752S106

Depositary Receipts Level-1
NEW YORK - OTCQX INTERNATIONAL PREMIER
SYMBOL: TKGBY
ISIN: US9001486029
CUSIP: 900148602

Depositary Receipts-144A
NEW YORK - OTC MARKETS
SYMBOL: TKGZY
ISIN: US9001486029
CUSIP: 900148602

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 Depositary 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 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.*

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

AUDIT COMMITTEE

BOARD OF DIRECTORS
- *Internal Audit*
- *Internal Control*
- *Compliance*
- *Corporate Secretary*

RISK COMMITTEE
- *Risk Management*
  - *Market & Structural Risk*
  - *Internal Capital & Operational Risk*

INFORMATION SYSTEMS SECURITY

CEO
- *Retail Banking*
- *SME Banking*
- *Commercial Banking*
- *Corporate, Investment Banking & Global Markets*
- *Customer Solutions & Digital Banking*
- *Engineering & Data*
- *Talent & Culture*
- *Finance & Treasury*
- *Legal Services & Collection*
- *Chief Credit Risk Officer*

STRATEGIC PLANNING & RESPONSIBLE BUSINESS

Board of Directors

AVERAGE TENURE

INDEPENDENT MEMBERS — *4 YEARS*

OTHER MEMBERS — *11 YEARS*

AVERAGE EXPERIENCE

32 YEARS

33 YEARS

NATIONALITY

Turkish

Spanish

EDUCATION

Bachelor's
55%

Master's
36%

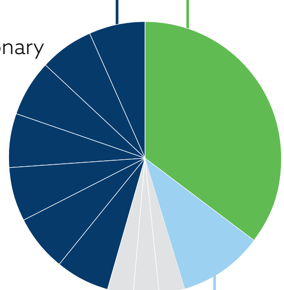
Doctorate
9%

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.

45.5%
- Communication Services
- Information Technology
- Health Care
- Consumer Discretionary
- Consumer Staples
- Real Estate
- Industrials

35.5%
Financials



9%
- Glass and Chemicals
- Technology Systems
- Law

10%
Energy

35.5% **10%** **6.5%** **3%**

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 Admissionand Product Governance*
13 *Corporate Assurance*
14 *Responsible Business*
15 *Data Governance and Protection Steering*
16 *Corporate Crisisand Business Continuity Management*
17 *IT Strategy*
18 *Portfolio Strategy*
19 *Information Systems Steering*
20 *Information Systems Continuity*

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

IŞIL AKDEMİR EVLİOĞLU
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

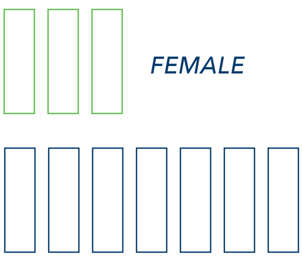
DİDEM DİNÇER BAŞER
Executive Vice President Talent and Culture

İLKER KURUÖZ
Executive Vice President Engineering and Data

TRUST | PIONEER | SUSTAINABILITY | RESPONSIBILTY | EXPERIENCE | TRANSPARENCY | SUCCESS | AGILITY | EMPATHY | DIGITALIZATION

Senior Management

GENDER



FEMALE

MALE

AVERAGE EXPERIENCE

27 YEARS

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*

(*) 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.

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

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

IŞIL 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.

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

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	

COMMITTEES

BOARD OF DIRECTORS

CREDIT

AUDIT

CORPORATE GOVERNANCE

RISK

REMUNERATION

INFORMATION SECURITY

IT STRATEGY

INFORMATION SYSTEMS STEERING

RISK MANAGEMENT

LOCAL ALCO

COST MANAGEMENT AND EFFICIENCY

INTEGRITY

OPERATIONAL RISK ADMISSION AND PRODUCT GOVERNANCE

CORPORATE ASSURANCE

RESPONSIBLE BUSINESS

DATA GOVERNANCE AND PROTECTION STEERING

CORPORATE CRISIS AND BUSINESS CONTINUITY MANAGEMENT

PORTFOLIO STRATEGY

INFORMATION SYSTEMS CONTINUITY

EMPLOYEE

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

Risk Management

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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.

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.