



2017 PERFORMANCE & OUTLOOK



RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

Mobilizing financial, human and intellectual capital to support responsible and sustainable development is one of the strategic objectives of Garanti.

We want to be a model to our stakeholders in mobilizing capital to contribute to SDGs with a focus on material issues. As our stakeholders expect, we encourage the private sector to operate with due regard to the 2030 Agenda.

We diversify financial instruments provided for low-carbon and inclusive growth, and cooperate with international finance institutions for low cost funding. As climate change continues to be one of the most significant global issues in the 21st century, our responsible finance approach is tailored to address climate change issues in addition to societal challenges such as fostering employment through supporting SMEs in growing their business.

We believe that a strong economy is conceivable only through strong communities and individuals. To this end, we create shared value through our strategic community programs focusing on material issues such as skills gap, education, cultural development and environment.



By focusing on the responsible and sustainable development we are actively contributing to Sustainable Development Goal 4: Quality Education, Gola 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production, Goal 13: Climate Change, Goal 14: Life Below Water, Goal 15: Life on Land, Goal 17: Partnerships for the Goals.



VALUE DRIVER

INDICATOR

PERFORMANCE

	2017	2016	
Drive positive change through strategic partnerships	Participation in sustainability related initiatives and memberships	27	22
	Engagement platforms	36	25
	Sustainability indices in which Garanti is included	6	6
	Policies/Position Papers Garanti contributed	8	14
Create shared value through lending based on impact investment principles	Total Sustainability Funds utilized from IFIs (million TL)	841.7	663.5
	Sustainable products/credit lines	32	28
	Amount of impact investment (billion TL)	9.3	8.0
	Market share in WPPs	30.2%	32.1%
	SDGs contributed via E&S risk management of loans	10	10
	Avoided GHGs through renewable portfolio* (tonnes of CO ₂ e)	5.4 MILLION	5.0 MILLION**
	Scope 3 footprint of greenfield energy production portfolio (in new PF commitments)	0	0
Focus on community investment programs which deliver impactful outcomes on material issues	Issues addressed by community programs	3	3
	Amount of investment in community programs (million TL)	20.3	20.8
	Renewables in greenfield energy production portfolio (in new PF commitments)	100%	100%
	SROI of community programs	NOT AVAILABLE ¹	Education and Skills Gap Projects: 2.49 Entrepreneurship Projects: 2.19 Culture and Art Projects: 2.46

¹ Will be revised in 2018
^{*} of HEPP, SPP and WPP that Garanti has participated in financing based on the total operational installed capacity
^{**} The avoided emissions for 2016 has been restated since the methodology to calculate avoided emissions has been updated with lower emission factors in 2017.

INTRODUCE NEW SUSTAINABLE PRACTICES THROUGH PARTNERSHIPS

The Sustainable Development Goals emphasize the importance of cooperation in reaching the 2030 targets.

We practice our understanding of leadership and transforming the sector by engaging and building partnerships with key stakeholders to implement sustainability initiatives.

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

These included participating in the annual general meetings of the United Nations Environment Program Finance Initiative (UNEP FI), and at least semi-annual Working Group meetings of the Global Compact Türkiye, the Turkish Business Council for Sustainable Development (BCSD Turkey), the Banks Association of Turkey (in Turkish: TBB) Role of the Financial Sector in Sustainable Growth Workgroup and Carbon Pricing Leadership Coalition (CPLC).

More information on the list of initiatives and organizations supported by Garanti Bank is available in the Supported Initiatives section on Garanti Investor Relations website.

Please refer to Materiality, Corporate Governance and Risk Management sections for more about the governance of sustainability issues and how Garanti Bank engages with stakeholders.

WHAT WE DID IN 2017

In 2017, we continued to support the fifth Sustainable Finance Forum organized in cooperation with the BCSD Turkey, The United Nations Environment Program Finance Initiative (UNEP FI), and Global Compact Turkey. The main theme of this year's Forum was "The Role of Finance Sector in Combating Climate Change", and a groundbreaking declaration, namely Declaration on Sustainable Finance, was launched. The Declaration, prepared under the leadership of the Global Compact Türkiye, aimed to integrate the environmental and social risks, including the consideration of the cost of carbon in emission-intensive projects, in lending processes. Garanti has been one of the leading contributors to the development of this Declaration undertaken by the Sustainable Finance Working Group of Global Compact Türkiye, as the Working Group chair.

We declared our support to Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and its Recommendation Report for climate-related risk&opportunity management; also became a member of Carbon Pricing Leadership Coalition (CPLC), an initiative led by IFC for carbon pricing. Garanti Bank's stewardship on carbon pricing was also published as a case study by IFC.

We also hosted the 3rd Sustainability and Risk Management Workshop, where corporate customers from energy and infrastructure industries were informed on cutting edge sustainable business topics such as TCFD recommendations, carbon pricing and disruptive technologies. We attended the CPLC High Level Assembly held in Washington, D.C. and were included in the 2016-2017 Carbon Pricing Leadership Report.

In 2017, gender equality remained as a key social issue that Garanti Bank addressed through advocacy. Garanti CEO, Mr. Ali Fuat Erbil became a founding member of 30% Club Turkey for greater representation of women in executive management, launched in March 2017. We attended the WEPs Forum, a joint convening of the U.S. Chamber of Commerce Foundation, United Nations Office for Partnerships, UN Women, and the UN Global Compact, which was held in New York at the UN headquarters in March and promoted the Gender Gap Tool developed under the Turkish network of WEPs.

We have been recognized by a variety of sustainability indices and programs with our pioneering approach to responsible and sustainable banking. In 2017, Garanti has been a constituent of the Dow Jones Sustainability™ Emerging Markets Index, FTSE4Good Emerging Markets Index, Bloomberg Gender-Equality Index, as well as BIST Sustainability and Corporate Governance Indices.

Building on its efforts to support CDP Turkey's Water Program, Garanti Bank has extended the scope of its support and became the main sponsor of the CDP Turkey Program. Garanti was also entitled to receive the "CDP Turkey 2017 Climate Leadership Award" and became the only financial institution worldwide to be listed in the CDP 2017 Water A List.

As a member of the global IIRC Business Network, Garanti Bank has proactively supported the establishment of the Turkish IIRC Network and a variety of awareness raising and capacity-building programs on integrated thinking in Turkey.

OUTLOOK

Garanti Bank is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices and products, and remain a sustainability leader in Turkey. Garanti Bank will continue to engage with different stakeholders at the national and international levels to follow the latest developments and include their views into decision-making processes. The Bank will mainly focus on enhancing non-financial risk management approaches within the Turkish Banking Sector. Additionally, Garanti Bank will support activities to boost public-private sector partnerships.

CREATE SHARED VALUE FOR ALL THROUGH IMPACT INVESTMENT

We diversify financial instruments provided for low-carbon and inclusive growth, and cooperate with international finance institutions focusing on sustainable development. By developing products and services for diverse needs, we pay attention to providing financial solutions facilitating transition to a sustainable economy.

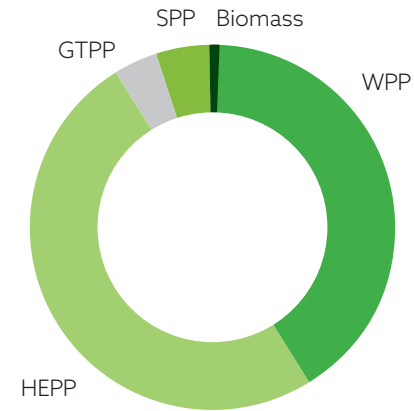
WHAT WE DID IN 2017

FINANCING THE TRANSITION TO A LOW CARBON ECONOMY

One of our primary objectives is to provide the necessary financing for the renewable energy industry which is making exponential progress with global scientific developments, and contribute to utilization of renewable energy potential of our country.

To date, we maintained a 30.2% share in Turkey's operating installed wind power capacity. The amount of cumulative financing provided to renewable energy investments exceeded USD 4.9 billion.

Also, in 2017, the total avoided emissions of operational solar power plants, wind power plants and hydro power plants projects that we have participated in financing was 5.4 million tCO₂e based on the current average grid emission factor for Turkey.



As of 31 December 2017, Garanti Bank has allocated:

- USD 2.35 billion to Wind Power Projects (WPP) which will have a total installed capacity of 2,109 MW once fully operational,
- USD 2.10 billion to Hydropower Projects (HEPP) which will have a total installed capacity of 3,295 MW once fully operational,
- USD 204 million to Geothermal Power Plant Projects (GTPP) which will have a total installed capacity of 202 MW once fully operational,
- USD 201 million to Solar Energy Projects (SPP) which will have a total installed capacity of 250 MW once fully operational, and
- USD 15 million to Biomass to Energy Projects, which will have a total installed capacity of 24 MW once fully operational.

In 2017, all of the project finance loans the Bank provided for greenfield power plants have been allocated to renewable energy projects.

In 2017, Garanti continued to diversify its financial instruments to contribute SDGs and cooperated with international finance institutions on this area. The Bank signed the first-ever residential mortgage covered bond agreement with IFC in Turkey to support Green Mortgages in 2017.

Garanti Bank also launched its Green Auto Loan in 2016 for the financing of hybrid and electric automobiles, that provide fuel efficiency and stand out with their environmental features. We believe there is strong potential moving forward given the international pledges and developments in this area.

The momentum for climate action is strengthening across the financial sector, with pension funds, banks and asset managers embedding climate change impacts into mainstream financial activities.

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

With this Action Plan, Garanti also pledged that a minimum of 60% of the total funds allocated to greenfield energy production facilities will be directed to renewable investments through internal carbon pricing. In 2016, Garanti Bank took its pledge a step further and committed to a renewable energy share at a minimum of 70% of the greenfield power sector financing to be provided by 2020 in new project finance transactions.

In 2016 and 2017, Garanti Bank far exceeded its goal of prioritizing renewables in project finance as 100% of the total resources allocated to greenfield energy investments was allocated to renewable investments.

SUPPORTING WOMEN ENTREPRENEURS

We support active participation of women in employment and economic life, with the understanding that an inclusive economy where all individuals make use of opportunities equally will be more efficient and can grow faster. Our commitment to gender equality means developing our country in a way that it is beneficial for everyone beyond our Bank.

We increased the loan amount provided to women customers, whom we categorize as a special customer group in SME Banking, by 28% compared to the previous year, and raised it to TL 4.1 billion by the end of 2017.

As well as financing, through our Women Entrepreneurs Executive School, we provide entrepreneurship trainings for women and support women entrepreneurs in developing their businesses by building knowledge and experience sharing environment.

You may find all programs and other practices we developed specifically to meet the needs of women entrepreneurs under the Customer Experience Section.

FOSTERING EMPLOYMENT THROUGH SUPPORTING SMEs AND ENTREPRENEURSHIP

Making up 74% of the total employment in the country, SMEs are important contributors to the economy, domestic

development, and inclusive and value-added growth. At Garanti Bank, we support SMEs in increasing their financial resilience and making value-added production that will benefit the economy. In 2017, Garanti worked to satisfy the diverse needs of SMEs and increased its share in the sector.

Please refer to Customer Experience Section for more information on our support to SMEs and entrepreneurship. As a result, Garanti SME Banking attained the following results²:

- Total lending to women entrepreneurs to date reached TL 4.1 billion.
- Installment commercial loan rate extended to small and medium businesses grew by 32%.

2 Calculated according to the official Small and Medium Sized Enterprises (SME) definition (enterprises employing less than 250 people annually and not exceeding TL 40 million either in annual net sales proceeds or financial balance sheet). Unless otherwise specified, the numbers cited are based on the SME definition of Garanti Bank.

PARTNERING WITH FINANCIAL INSTITUTIONS

We cooperate with international finance institutions in financing renewable energy projects. In October 2016, we signed a loan contract of EUR 100 million with Proparco for 12 years to be used in financing energy efficiency and renewable energy projects.

We also signed a goodwill letter for the "Financing and Consulting Support Program for Establishments Managed by Women" initiated by the EBRD, European Union Delegation to Turkey, Republic

of Turkey Ministry of Labor and Social Security and Turkish Business Council. With this program, we are involved in a EUR 300 million loan package that will be used to finance companies managed by women. Additionally, we provided businesswomen in Turkey with USD 60 million in loans with the Women in Business project run in cooperation with the EBRD. For detailed information of these funds allocated particularly to women SME owners or managers, please see the EBRD's official web site.

OUTLOOK

Garanti will continue financing activities that create positive impact. We will expand our green products and services to support Turkey's transition to a low-carbon economy and contribute to the global 2-Degree target. In that respect, we will continue to prioritize renewable investments and take more ambitious actions regarding carbon-intense sectors in our portfolio.

Garanti will also advance in supporting entrepreneurs and SMEs through various programs and initiatives, which eventually will contribute to creating employment opportunities and providing the sustainable growth of the Turkish economy.

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

COMMUNITY INVESTMENT PROGRAMS

EDUCATION AND SKILLS GAP

Addressing the global challenge of expanding educational opportunities and closing the skills gap are fundamental to achieving the UN SDGs.

The Teachers Academy Foundation (ÖRAV), established by Garanti Bank in 2008, has been the first and the only non-governmental organization focusing on the development of teachers in Turkey.

The educational program "Math-Science Learning with Fun" developed by the Educational Volunteers Foundation of Turkey (in Turkish: TEGV) to improve primary school students' math and science skills and problem solving capabilities was launched in 2015 with the sponsorship of Garanti.

"Code the Future with Garanti" project, which aims to introduce children aged 8-13 to coding, robotics and design-oriented thinking, has been launched by the collaboration of Garanti and Bahçeşehir College in 2016.

Carrying out its activities with the support of Garanti, Tohum Autism Foundation's Continuous Education Unit has been providing theoretical and practical education about autism to special education teachers, parents with autistic children, related experts and university students.

Sports and physical education can motivate children and youth to attend and engage in formal and informal education, as well as improve academic performance and learning outcomes. Sports can teach

transferable life skills and key values such as tolerance, inclusion and can lead towards learning opportunities beyond school. Sports can advocate for gender equality, address constricting gender norms, and provide inclusive safe spaces.

From this perspective, Garanti has been the main sponsor of 12 Giant Men (National Men's Basketball Team) since 2001, Pixies of the Court (National Women's Basketball Team) since 2005, 12 Brave Hearts (National Men's Wheelchair Basketball Team) and 12 Magical Wrists (National Women's Wheelchair Basketball Team) since 2013. With this inspiration drawn from the 12 Giant Men, the 12 Giant Men Basketball Academies was initiated aiming for the basketball culture to be adopted by larger audiences and popularized.

ENTREPRENEURSHIP

Garanti is the main sponsor of the Entrepreneurship Foundation, namely Girvak, working to drive the culture of entrepreneurship and to encourage youth to experience entrepreneurship by learning from their inspirational role models, taking part in various entrepreneurship activities and networking since 2014. Each year, the Foundation admits a set number of university students aged 17-25 to the Fellow Program.

As explained in the Customer Experience Section, Garanti Bank also conducts educational and skills development programs such as Women Entrepreneurs Executive School in order to support its customers in the SME segment. These programs allow Garanti Bank to create positive impact on social dilemmas such as gender equality.

Furthermore, Garanti started its GarantiPartners program in 2015 in order to support entrepreneurs in all aspects of their new ventures. *Please refer to the Customer Experience Section for details of the program and GarantiPartners website.*

CULTURE

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

Garanti Bank aims to stimulate cultural and creative industries through supporting research and production in those areas. SALT, which was established as an authentic, autonomous and continuously developing cultural institution by Garanti, is making such activities accessible to all parts of the society since 2011. The Institution plays an important role in creating memory and awareness on national cultural heritage in Turkey.

Garanti has also been striving to make cultural activities that take place in limited communities become widespread. As the main sponsor of Istanbul Jazz Festival for 21 years, Garanti has been supporting the leading jazz music venues in Istanbul under the brand named "Garanti Jazz Green".

INCLUSIVE COMMUNITIES

The project "İşe Katıl Hayata Atıl" (Join the Workforce Join Life) was launched in October 2014 under the patronage of

the Ministry of Family and Social Policies and with the support of Garanti. Under the initiative, people with disabilities are assisted with job selection according to their capacity, skills and preferences, and with adjustment to the working environment and social life under the "supported employment" model established for the first time in Turkey.

ENVIRONMENT

Garanti has been the main sponsor of WWF-Turkey for 25 years with the slogan Garanti for Nature. WWF is one of the largest wildlife protection associations in the world, with 13,000 projects conducted annually around the world and 6,200 employees in more than 100 countries. Garanti also supports the Earth Hour movement organized by the WWF every year in order to point out the world's environmental problems.

As previously explained, Garanti is the main sponsor of CDP Turkey, Turkey office of the world's most powerful green non-governmental organization.

SOCIAL IMPACT ANALYSIS

Garanti conducted a Social Impact Analysis with the Social Return on Investment (SROI)³ method in order to assess the value and the social impact of 10 ongoing projects in 2016. According to the results of the analysis, the SROI values are 2.49 for the Bank's education & skills gap projects, 2.19 for entrepreneurship projects, and 2.46 for culture and arts projects.

WHAT WE DID IN 2017

ÖRAV reached 10,576 teachers in 81 cities, and the number of active users of the website (eKampüs) reached 119,314 in 2017.

Within the scope of the mathematics project in the "Math & Science - Learning with Fun" program carried out by TEGV (Educational Volunteers Foundation of Turkey) with Garanti's support, in 2017, we reached 97,612 children with the support of 2,149 volunteers. We hosted more than 400 children at the "Code the Future with Garanti" workshops in 2017.

We reached 4,713 people with the work carried out by Tohum Autism Foundation with our support in 2017.

The "12 Giant Men Basketball Academies" (12 DABO) Project reached 1,600 students in 41 locations in 2017.

After receiving 6,400 applications for the program in its debut year that rocketed up to 30,000 in its second year, Girvak attracted 94,000 applications from 81 provinces in Turkey in 2017. At Girvak that currently has 80 Fellows from 32 universities and 96 Alumni, 32 startups pursue their operations presently.

SALT Beyoğlu, SALT Galata and SALT Ulus hosted eight exhibitions, while 16,708 participants attended the public programs, and 58 screenings and nine performances were made. In the same timeframe, SALT Beyoğlu, SALT Galata and SALT Ulus welcomed a total of 185,351 visitors free of charge in 2017.

Within the scope of the Join the Workforce Join Life project, 282 individuals with disabilities in Ankara, Sakarya, Samsun, Gaziantep, Istanbul and Izmir have been employed under guidance from their professional business coaches in 2017.

2017 was a proud year for the Turkish basketball; all national teams, which have

Garanti as their main sponsor, played in the European Championships; Pixies of the Court held 5th place in EuroBasket Women, 12 Giant Men represented Turkey in EuroBasket 2017, where Turkey was the host and Garanti was the event sponsor, and 12 Brave Hearts became the European Champion.

To this end, Garanti invested TL 20.3 million* for community investment programs in 2017.

OUTLOOK

We aim to align our community investments and their outcomes with material issues that will allow us to create shared value. In 2018, we will continue to invest in the fields of education & skills gap, entrepreneurship, and culture & arts, which are in line with the Bank's material issues and have high social impact. Also we will take our programs a step further and focus on digitalization and financial education issues within the framework of our ongoing programs. In addition to that, we will conduct a social impact analysis to measure the social values of our programs.

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

** Jazz festival and basketball sponsorships are not included.*