



CORPORATE GOVERNANCE & RISK MANAGEMENT

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SUMMARY OF THE BOARD OF DIRECTORS' ANNUAL REPORT

In 2017, portfolio inflows to emerging economies continued backed by the global risk appetite that has been increasing since the beginning of the year and the search for high yield. Along with the increased risk appetite and the partial decline in economic policy uncertainty in advanced economies, stock market indices have performed notably well in emerging economies and the US. The mitigated uncertainty in economic policy was mainly driven by the fact that the elections in several EU countries as well as the UK were over and the monetary policy normalization of the Fed has become slightly clearer in terms of balance sheet downsizing. Despite the fact that towards the end of 2017 net portfolio flows slightly decelerated, they remained stronger than expected for the year. Such resiliency, particularly in emerging market assets, was backed by global factors such as stronger than expected macroeconomic outlook, higher oil prices - mainly driven by rising global demand - and subdued financial volatility despite monetary normalization. The year ended with investors having a healthy appetite for risk - more optimistic than early in the year and less euphoric than over the summer.

For Turkey, the positive surprise came in as higher than expected GDP growth. Supported by the government stimulus, economic activity was strong through private consumption & also by increasing investments. Additionally, net exports contributed positively backed by the

recovery in tourism revenues and the higher growth rates in Europe. The main challenge for the economy was the worsening inflation outlook. High growth rates, lagged impact of currency depreciation and relatively higher oil and food prices were the factors that pushed up inflation in 2017. Accordingly, the CBRT has tightened its monetary policy since the beginning of 2017 and is expected to maintain its current policy stance unless a new shock arises. On the fiscal policy front, Turkey sustained her commitment to fiscal discipline. Although 2017 was a year of counter-cyclical policies, which resulted in a worsening in budget performance, the pick-up in central government budget deficit was a mere 50 bps YoY, up to ~1.5% of national income, and the EU defined government debt stock remained below Maastricht criteria.

In 2017 that was characterized by mixed market dynamics -that is, quite positive on growth while challenging on high rate environment-, Garanti retained its pioneer position in the Turkish banking sector backed by its customer-centric & innovative business model focused on sustainable growth, optimal capital utilization, effective risk management & governance and operational efficiency.

In the reporting period, consolidated net profit of Garanti reached TL 6 billion 388 million after TL 860 million of free provisions set aside within the year. The Bank's return on average equity (RoAE) increased to 16.6% while return

on average assets (RoAA) rose to 1.9%. The most striking in profitability was the "further strengthened" core banking income, which registered an annual growth of 49%. The contribution of the increase in Garanti's core banking income to asset return was at its highest since 2015, and is also the highest level among peers.

Garanti's consolidated total assets increased by 14% on an annual basis and reached TL 356 billion. The Bank's asset growth remained customer-driven and was increasingly higher yielding. Securities portfolio was strategically managed as a hedge against volatility.

Garanti recorded a disciplined growth in loans with an increase of 14% YoY. TL loans were the key driver behind the credit growth. TL loans increased by 20%, exceeding the guidance for 2017. The Credit Guarantee Fund (CGF) scheme was a significant impetus in TL lending growth. Garanti was the first to act on this front with its agile sales team and system integration. As a result, TL business banking loans increased by 28% YoY.

With its effective delivery channels and successful relationship banking, Garanti maintained its focus on consumer products as well. The Bank recorded 15% YoY growth in total consumer loans. Preserving its rational pricing stance, Garanti managed to register healthy market share gains in consumer loans among private banks. Garanti,

the Mortgage Expert, maintained its leadership in mortgages among private banks with an annual 10% growth. While supporting its customers in a growing economy with a young population, Garanti booked a 19% annual growth in consumer GPLs. Noteworthy was the significant increase in digital sales within total GPL sales - the ratio increased to 78%.

Garanti commands a leading position in payment systems and credit cards. It has the largest POS network and dominates the market with a market share of 18.6%. Garanti manages the broadest credit card customer base with 10.2 million credit cards and 9.6 million plastic cards. Customers of 10 other banks can use Turkey's lovemark Bonus brand. Besides, Garanti continued to be the leader in e-commerce volume with a 21.75% market share. Backed with these capabilities, Garanti preserved its pioneer position in acquiring and issuing volumes with market shares of 19.2% and 19.3%, respectively.

In 2017, investment appetite remained weak due to ongoing global and domestic uncertainties.

Accordingly, the Turkish banking sector, along with Garanti, realized shrinkage in FC loans. Lack of demand combined with Garanti's risk-reward priorities and rational pricing focus was reflected on the Bank's foreign currency loan portfolio. Having a large base of FC loans and due to heavy redemptions, FC loans shrank by 3% YoY. The change in the landscape led to a decrease in the public-private partnership projects (PPPs) in the pipeline for 2017, even in renewable energy & real estate sectors. However, Garanti maintained its pioneering position in project finance,

corporate and commercial banking by remaining the primary business partner of its customers.

Garanti has a proactive and prudent approach to risk assessment, which assures its sound asset quality. In 2017, government stimulus was also supportive, in the sense that it helped liven up the economy and resulted in lower than expected net new non-performing loan inflows. Garanti ended the year with a clear beat to its operating plan guidance, registering an NPL ratio of 2.6%, which has consistently been preserved below sector, and a net Cost of Risk of 74 bps. Additionally in 2017, Garanti further strengthened its coverage ratio to 137% from 131% in 2016.

Garanti preserved its liquid balance sheet composition in 2017 with the help of its well-diversified funding mix. Funding base of the Bank continued to be largely composed of deposits. The growth rate in customer deposits of 14% was in line with the loan expansion. Garanti preserved the high share of "sticky and low cost customer deposits" within its deposit base. Additionally, its demand deposit base registered a growth of almost 16% YoY and the share of demand in total deposits, in 2017, went up to its highest historical level of 27.59%. Garanti deliberately avoids irrational pricing competition and relies on its strength in relationship banking and on its customer-focused business model. Prioritizing its focus on enhancing customer experience, the Bank has been working to improve its Net Promoter Score (NPS). Aligned with this focus, Garanti has been the leader in Net Promoter Score (NPS), among peers, for two consecutive years.

With the aim of managing the asset-liability duration gap and optimizing funding costs, Garanti continued to support its funding base by actively tapping alternative funding sources. During 2017, the Bank issued its first Basel III compliant subordinated debt at the lowest cost ever attained by a bank in Turkey. This issuance served as a hedge against currency volatility and supported Garanti's best in class solvency ratios. Furthermore, Garanti reinforced its asset liability management through two syndications with 100% roll-over ratios in 2017. It is a testament to Garanti's intrinsic financial strength and solid banking relationships. Garanti issued Turkey's first mortgage covered bond in local currency to fund Green Mortgages in collaboration with International Finance Corporation (IFC) and EBRD. All in all, total issuance in 2017 was \$5.6 billion, of which \$1.9 billion was fresh.

In a challenging year, Garanti successfully defended its Net Interest Margin (NIM) supported by its dynamic asset liability management. Disciplined loan pricings and actively managed funding costs helped the Bank preserve its spread. When TL funding costs went up by nearly 450 bps, Garanti delivered a 23 bps NIM expansion with the contribution of its hedged balance sheet. The Bank maintained its highest NIM among peers, even in an increased rate environment.

Garanti maintained its leadership in net fees and commissions income by sustaining its double-digit growth momentum on top of its highest fee base in the Turkish Banking Sector. With a diversified fee base, Garanti recorded an annual growth rate of 18% in fees and commissions.

Digitalized processes fostered Garanti's fee income generation capacity while focusing on further penetration of the existing customers and increased cross-sell opportunities. Garanti's number of digital customers increased to 22% in 2017 and reached 6 million, marking the largest digital customer base in Turkey. Consequently, the share of digital in non-credit linked fees increased up to 40%.

Paying the utmost attention to stakeholder satisfaction, Garanti launched its new service model. The Bank aims to further improve operational efficiencies while empowering its employees to be more skilled and agile. The new service model is a transformation project, which brings flexibility to the sales force to increase revenue generation capacity and cost efficiencies.

In 2017, Garanti recorded an OPEX growth of 8%, which is below the inflation and in line with its guidance.

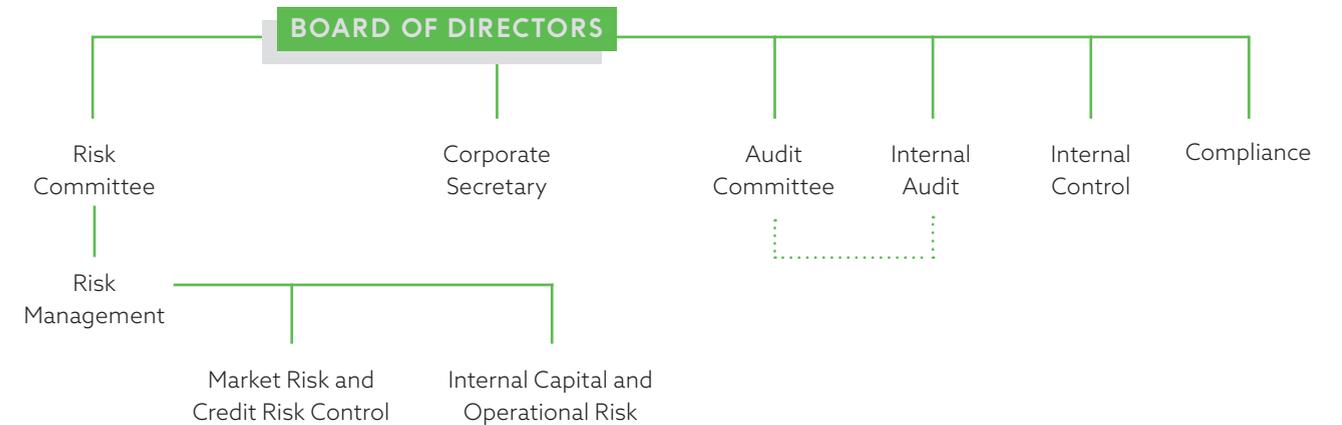
Additionally, Garanti preserved its focus on cost/revenue synergies and improved its Cost/Income ratio by 11 pp and ROAE ratio by 4 pp since 2015.

In 2017, Garanti further strengthened solvency on the back of its capital generative growth strategy. The Bank reported a Basel III compliant Capital Adequacy ratio of 16.8% and a Common Equity Tier I ratio of 14.7%. At Garanti, common equity Tier-1 corresponds to 88% of total shareholders' equity. With strengthened solvency ratios, the Bank delivered a dividend payout ratio of 27%.

As Garanti, we strive to create value for our customers, employees and all our stakeholders. We qualified for the FTSE4Good Emerging Index with our performance in environmental, social and governance areas. We became the first and only company from Turkey to be listed in the Bloomberg Gender Equality Index, with our HR practices and the support we provide to women for their increased role in business life and higher contribution to the economy. We became the only financial institution worldwide to be included in the 2017 CDP Water A List. Disclosing climate change strategies using the CDP platform, we also retained our score at the climate change program and sustained our position among CDP Turkey Leaders. We became the only company from Turkey qualified to be included in the Dow Jones Sustainability Emerging Markets Index for three consecutive years.

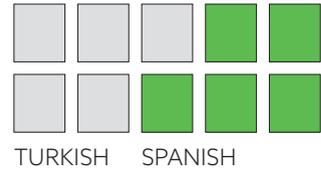
Garanti's recurring strong performance comes not as a result of ad-hoc steps, but of a long-lived and well-planned journey. Also in the period ahead, Garanti will be making decisions with an eye on the needs of future generations, and will keep fulfilling its share of the responsibility for a sustainable future.

ORGANIZATIONAL STRUCTURE

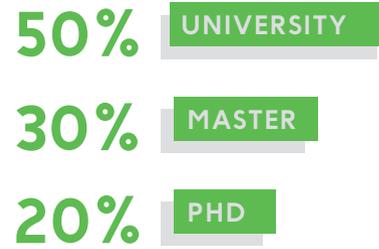


BOARD OF DIRECTORS

NATIONALITY



EDUCATION

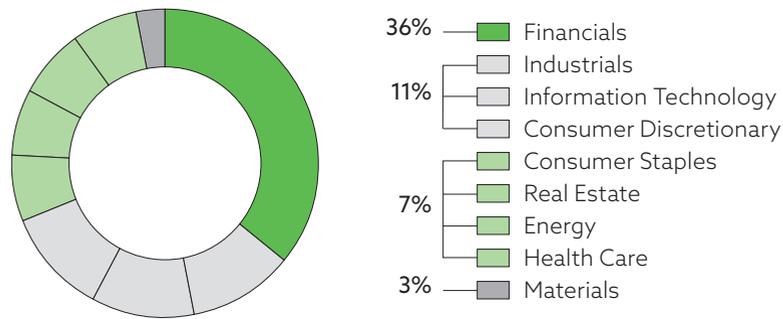


AVERAGE TENURE



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.



AVERAGE EXPERIENCE



Süleyman Sözen is a graduate of Ankara University Faculty of Political Sciences and has worked as a Chief Auditor at the Ministry of Finance and the Under secretariat of Treasury. Since 1981, he has held various positions in the private sector, mainly in financial institutions. Having served on the Board of Directors of Garanti Bank since 1997, Mr. Sözen was appointed as the Vice Chairman on July 8, 2003 and then as the Chairman on September 19, 2017. Mr. Sözen holds a Certified Public Accountant license and serves as the Chairman of Doğu Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. and İstinye Yönetim Hizmetleri ve Ticaret A.Ş.,



SÜLEYMAN SÖZEN
Chairman

Vice Chairman of Doğu Holding A.Ş. and Doğu Sportif Faaliyetler A.Ş., Board Member of Gürel İlaç A.Ş., Görüş YMM A.Ş., Doğu Croatia d.o.o and Board of Trustees in Teachers Academy Foundation. Mr. Sözen has 35 years of experience in banking and business administration.

Jorge Sáenz-Azcúnaga earned his BS in Business Administration from Universidad Deusto. He has developed his entire career in BBVA starting as Research Analyst. He then worked as Corporate Strategist, Head of CEO Office, Business Development (Commercial&Institutional Banking in Spain), Head of Strategy (Wholesale Banking&Asset Management), Head of Strategy and Planning (Spain&Portugal) and between years 2013 and 2015 as Regional Manager for the North of Spain. As of 2015, he served as the Head of Business Monitoring Spain, USA and Turkey. In July 2016 he was appointed Head of Country Monitoring and member of the Global



JORGE SÁENZ-AZCÚNAGA CARRANZA
Vice Chairman,
Independent Board Member

Leadership Team in BBVA. Mr. Sáenz-Azcúnaga is member of the Board of Directors of BBVA Compass in the US, BBVA Bancomer in Mexico and Vice Chairman. He has been serving as the Board Member of Garanti Bank since March 24, 2016 and since his appointment as an Audit Committee member of T. Garanti Bankası A.Ş. on March 31, 2016, he is deemed as an Independent Board Member of Garanti Bank in accordance with the relevant regulations of the Capital Markets Board of Turkey. He was appointed as Vice Chairman on September 19,2017 and has 23 years of experience in banking and business administration.

Ergun Özen earned his BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He started his banking carrier in Treasury department in 1987 before joining Garanti in 1992. Having served as the President & CEO at Garanti Bank between April 1, 2000- September 2, 2015, Mr. Özen is a Board Member of Garanti Bank since May 14, 2003. Mr. Özen is the Chairman of Doğu Mobicel Dijital Hizmetler A.Ş., Pozitif Müzik A.Ş. and Boyner Holding A.Ş. and a Board Member of Doğu Holding A.Ş., Doğu Bilgi İşlem ve Teknoloji Hizmetleri A.Ş., Doğu Sportif Faaliyetler



ERGUN ÖZEN
Board Member

A.Ş. and Atom Bank. In addition, Mr. Özen serves as a Board Member of the Istanbul Foundation for Culture and Arts (IKSV), Turkish Industry and Business Association (TUSIAD) and since 2010 as the Board Member of the Trustees of Turkish Education Association. Mr. Özen has 30 years of experience in banking and business administration.

M. Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his Ph.D. from Istanbul University Faculty of Economics. He served in executive positions at several private banks and in 2001, Mr. Sezgin joined Garanti Bank. He is a Board Member and the Chairman of Corporate Assurance and Sustainability Committee at Garanti Bank. In addition, Mr. Sezgin is a Board Member and Audit Committee Chairman at Garanti Bank S.A. (Romania), Garanti Pension and Life and Garanti Securities. Also a Board of



M. CÜNEYT SEZGİN PH.D
Board Member

Trustees Member at Teachers Academy Foundation and World Wildlife Foundation Turkey, Mr. Sezgin has been serving as a Board Member of Garanti Bank since June 30, 2004 and has 29 years of experience in banking and business administration.

Sema Yurdum graduated from Boğaziçi University, Faculty of Administrative Sciences in 1979 and completed the Advanced Management Program at Harvard Business School in 2000. After working in a private sector company between 1979-1980 as a human resources expert, she had her career in banking sector between 1980-2005. She worked as an Executive Vice President of Garanti Bank and held Audit Committee membership in various subsidiaries between 1992-2005. Ms. Yurdum has been engaged in senior consultancy services for companies since 2006. She has been serving as an Independent

Jaime Saenz de Tejada Pulido holds undergraduate degrees from Universidad Pontificia de Comillas (ICADE) in both Law & Economics and Business Sciences and completed Programa de Dirección General (PDG) at IESE Business School in 1999. Mr. Saenz de Tejada joined BBVA in 1992 and in 2000 he was appointed as the Director of Corporate and Investment Banking in America. Subsequently, he served as the Managing Director of BBVA Banco Continental in Peru until his return to Spain as Territorial Director at the end of 2007. In 2011 he was appointed as the Director of Business Development of Spain and Portugal and in May 2012,

Ali Fuat Erbil graduated from the Middle East Technical University Department of Computer Engineering, earned his MBA from Bilkent University and his PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti Bank as the Senior Vice President of Distribution Channels in 1997. Mr. Erbil was appointed as the Executive Vice President on April 30, 1999 and was responsible of several areas such as Retail Banking, Corporate Banking, Investment Banking, Financial Institutions and Human Resources as an EVP. Since September 2, 2015, Erbil

Javier Bernal earned his Law Degree from University of Barcelona, and his MBA from IESE Business School, University of Navarra. After working in Barna Consulting Group as Partner and in Promarsa as General Manager, he worked in BBVA between 1996-1999 as the Segment Manager of Retail Banking (Spain). During 2000-2003, he founded and managed an internet business. Since 2004, he has been working in different areas at BBVA; 2004-2006, as Head of Innovation and Business Development, reporting to the CEO, 2006-2010 as Head of Business Development Spain & Portugal, 2011-2014 as Head of Global Business Development, 2014-2015 as Head of Business Alignment of BBVA and Garanti. He has been a member of

Ricardo Gomez Barredo earned his B.S. degree in Economics and Business Management from Universidad Autonoma de Madrid and graduate degree in Tax Consultancy from ICADE. He also completed PDA program in IESE Business School. After working in a global consultancy firm in Tax & Legal Department and in an industrial company as the Head of Tax Consultancy, he joined BBVA in 1994 as Director of Tax Advice Mortgage Banking. He has occupied several top management positions in BBVA, such as Tax Advice Private Banking, Director of Tax Advice Argentina, Deputy Director of Tax Consulting, Head of

Rafael Salinas Martínez De Lecea holds a B.S. degree in Economics and Business Management from Universidad de Alicante and graduate degrees from the Center for Monetary and Financial Studies of the Bank of Spain (CEMFI), MSc in Econometrics and Mathematical Economics of London School of Economics and MBA from the Graduate School of Business of University of Chicago. He joined BBVA in 1991 as the Director of Derivative Products in BBVA Interactivos, S.V.B and developed all his professional career at the BBVA Group. Between 1998-2000, he worked as the Deputy Director of Assets and Liabilities



SEMA YURDUM
Independent Board Member

Board Member of Garanti Bank since April 30, 2013. Ms. Yurdum has 37 years of experience in banking and business administration.

he became a member of the Executive Committee of the Group. After serving as the Director of Strategy & Finance in 2014, in May, 2015, Mr. Saenz de Tejada was appointed to his current role, the CFO at BBVA Group. He has been serving as the Board Member of Garanti Bank since October 2, 2014 and has 24 years of experience in banking and business administration.



JAIME SAENZ DE TEJADA PULIDO
Board Member

has been serving as the Board Member, President & CEO. He is also the Chairman of the Board of Directors at Garanti Bank S.A. (Romania), Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Technology. Mr. Erbil also serves as the Board Member in the Banks Association of Turkey and has 25 years of experience in banking and business administration.



ALİ FUAT ERBİL
President & CEO

the BBVA Group Executive Committee between 2007-2010 and Spanish and Portugal Executive Committee between 2010-2011. He was Chairman of BBVA Insurance Spain. He has been serving as a Board Member of Garanti Bank since July 27, 2015 and he is also a Board Member at Garanti Pension and Life, Garanti Bank S.A. (Romania), Garanti Leasing, Garanti Securities and Garanti Payment Systems. Since his appointment as an Audit Committee member of Garanti Bank on March 31, 2016, he is deemed as an Independent Board Member in accordance with the relevant regulations of the Capital Markets Board of Turkey. Mr. Bernal has 27 years of experience in banking and business administration and he is responsible of BBVA-Garanti coordination.

Financial Analysis and Planning, Head of Financial Planning and Management Control and the Head of Global Accounting & Information Management. In 2016, he was appointed to his current role as Head of Accounting & Supervisors. As of May 8, 2017, Mr. Barredo is a Board Member of Garanti Bank and has 25 years of experience in banking and business administration.



JAVIER BERNAL DIONIS
Independent Board Member

of the BBVA Group. After working as the Head of Capital Base Management of BBVA, he was appointed as the CFO of Banco de Credito Local de Espana (BCL) in 2003. Between 2006-2015, he served as the Director of Risk & Portfolio Management of the Corporate and Investment Banking unit of BBVA and since 2015, he is the Global Chief Risk Officer of the BBVA Group. Mr. Salinas has been serving as a Board Member of Garanti Bank since May 8, 2017 and has 27 years of experience in banking and business administration.

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RICARDO GOMEZ BARREDO
Board Member



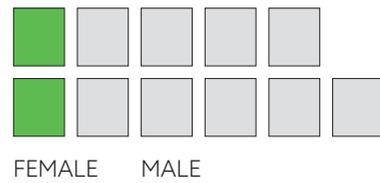
RAFAEL SALINAS MARTINEZ DE LECEA
Board Member

SENIOR MANAGEMENT

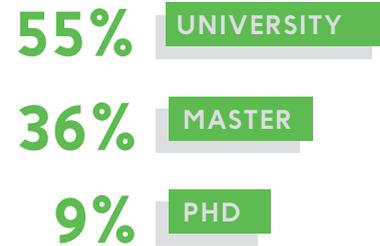


SENIOR MANAGEMENT

GENDER



EDUCATION



AVERAGE EXPERIENCE



ALİ FUAT ERBİL

President & CEO

Ali Fuat Erbil graduated from the Middle East Technical University Department of Computer Engineering, earned his MBA from Bilkent University and his PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti Bank as the Senior Vice President of Distribution Channels in 1997. Mr. Erbil was appointed as the Executive Vice President on April 30, 1999 and was responsible of several areas such as Retail Banking, Corporate Banking, Investment Banking, Financial Institutions and Human Resources as an EVP. Since September 2, 2015, Mr. Erbil has been serving as the Board Member, President & CEO. He is also the Chairman of the Board of Directors at Garanti Romania, Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Technology. Mr. Erbil also serves as the Board Member in the Banks Association of Turkey and has 25 years of experience in banking and business administration.

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CORPORATE GOVERNANCE & RISK MANAGEMENT

DİDEM DİNÇER BAŞER

Executive Vice President
Digital Banking, Customer Solutions and Experience

Didem Başer graduated from Boğaziçi University Department of Civil Engineering and earned her graduate degree from University of California, Berkeley College of Engineering. She started her career in 1995. Before joining Garanti Bank, she worked for a global management consulting firm for 7 years and lastly as an Associate Partner. Ms. Başer joined Garanti Bank in 2005 and worked as the Coordinator of Retail Banking Business Line during her first 7 years. Ms. Başer was appointed to her current position in 2012 and is also a Board Member of Garanti Payment Systems, Garanti Pension and Life and Garanti Technology. With 22 years of experience in banking and business administration, Ms. Başer's areas of responsibility are Digital Banking, Corporate Brand Management and Marketing Communications, Customer Experience and Satisfaction, Insurance and Pension Coordination and Call Center.

MAHMUT AKTEN

Executive Vice President
Retail Banking

With an undergraduate degree from Boğaziçi University in Electrical and Electronics Engineering and graduate degree in Business Administration from Carnegie Mellon University, Mahmut Akten started his career in 1999 in the USA. After having served in various positions in the Finance and Treasury departments of a global construction materials company, he joined a global management consulting firm in 2006. Between the years 2006-2012, after having worked in Boston and Istanbul offices and lastly as an Associate Partner, he joined Garanti Bank on July 1, 2012 as the Senior Vice President responsible for Mass Retail Banking Marketing. As of January 1, 2017, Mr. Akten was appointed Executive Vice President responsible for Retail Banking and is a Chairman of Garanti Mortgage. In addition, Mr. Akten serves as Board Member of Garanti Securities, Garanti Payment Systems, Garanti Technology and Garanti Pension and Life. With 17 years of experience in banking and business administration, Mr. Akten's areas of responsibility are Retail Banking Marketing, Mass Retail Banking Marketing and Affluent Banking Marketing.

OSMAN TÜZÜN

Executive Vice President
Human Resources and Support Services

Osman Tüzün graduated from the Middle East Technical University with a B.S. in Computer Engineering and earned his MBA from Bilkent University. He started his banking career in 1992 and served in various branches and head office departments for 7 years. He joined Garanti Bank in 1999 as the Senior Vice President responsible for Branchless Banking. Between the years 2000-2005, he served as the Senior Vice President of Retail Banking. During 2005-2008, he was the CEO of a private sector company. In 2008, Mr. Tüzün returned to Garanti as the Coordinator responsible for Human Resources and on August 19, 2015 he was appointed to his current post. Mr. Tüzün is the Chairman of the Board of Directors of Garanti Bank Retirement and Provident Fund Foundation. With 25 years of experience in banking and business administration, Mr. Tüzün's areas of responsibility are Human Resources, Learning and Development, Construction and Premises, Purchasing and Corporate Security.

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CORPORATE GOVERNANCE & RISK MANAGEMENT

AYDIN GÜLER

Executive Vice President
Finance & Accounting

Aydın Güler graduated from Istanbul Technical University Department of Mechanical Engineering and joined Garanti Bank Fund Management Department in 1990. After working at different Head Office departments for 10 years, in 2000 he was appointed Senior Vice President responsible for Risk Management and Management Reporting. Between the years 2001-2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was appointed as the Executive Vice President in charge of Finance and Accounting and he is furthermore a Board Member of Garanti Bank Pension and Provident Fund Foundation, Garanti Mortgage, Garanti Leasing and Garanti Fleet. With 27 years of experience in banking and business administration, Mr. Güler's areas of responsibility are Assets & Liabilities Management, Financial Planning and Analysis, Cost Management and Efficiency, Investor Relations, General Accounting, Consolidation and International Accounting, Tax Operations Management, BBVA Finance Coordination and Credit Cards and Member Merchant Coordination.

ALİ TEMEL

Executive Vice President
Chief Credit Risk Officer

Ali Temel earned his undergraduate degree from Boğaziçi University Department of Electric-Electronic Engineering and started his carrier in banking in 1990 at a private bank. Mr. Temel joined Garanti Bank in 1997 and after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as the Executive Vice President responsible of Commercial Banking between 1999-2001 and as the Executive Vice President responsible of Loans between 2001-2012. On December 10, 2015, Mr. Temel was appointed as the Chief Credit Risk Officer. Furthermore, Mr. Temel is a Board Member of Garanti Leasing and Garanti Factoring. With 27 years of experience in banking and business administration, Mr. Temel's areas of responsibility are Wholesale Risk, Retail Risk, Risk Planning, Monitoring and Reporting; Risk Analytics, Technology and Innovation; Regional Loans Coordination.

HÜSNÜ EREL

Executive Vice President
Technology, Operations, Central
Marketing & Product Development

Hüsnü Erel graduated from Istanbul Technical University Department of Electronics and Communications Engineering and served as an executive at various private companies and banks. In 1994, he joined Garanti Technology as General Manager. On June 16, 1997, he was appointed to his current position. Mr. Erel is a Board Member of Garanti Payment Systems and the Vice Chairman of the Board of Directors at Garanti Technology. With 42 years of experience in banking and business administration, Mr. Erel's areas of responsibility are Organization and Process Development, Customer Analytics, Innovation and Product Development , Anti-Fraud Monitoring, Abacus Operations Center and Garanti Bank Technology Center.

RECEP BAŞTUĞ

Executive Vice President
Commercial Banking

Recep Baştuğ graduated from Çukurova University Faculty of Economics and joined Garanti Bank Audit Committee in 1989. Having worked as Corporate Branch Manager during 1995-1999, Commercial Regional Manager during 1999-2004, Commercial Banking Coordinator during 2004-2012, Mr. Baştuğ was appointed to his current position on January 1, 2013. Furthermore, Mr. Baştuğ is Vice Chairman of Garanti Leasing and Garanti Factoring and Board Member of Garanti Fleet.. With 27 years of experience in banking and business administration, Mr. Baştuğ's areas of responsibility are Commercial Banking Istanbul and Ankara Marketing, Commercial Banking Anatolian Marketing and Consumer Finance.

CEMAL ONARAN

Executive Vice President
SME Banking

Cemal Onaran graduated from Middle East Technical University with a B.S. in Public Administration in 1990 and started his career as Assistant Auditor in Garanti Bank at the Audit Committee in the same year. Between years 2000-2007, he worked as the Regional Manager in various regions of Garanti Bank in Istanbul. After the establishment of Garanti Mortgage in October 2007, he was appointed General Manager of Garanti Mortgage. After having served as the General Manager of Garanti Pension & Life since August 1, 2012, Mr. Onaran was appointed Executive Vice President of Garanti Bank in charge of SME Banking on January 1, 2017. Mr. Onaran is a Chairman of the Board of Directors at Garanti Fleet, Vice Chairman at Garanti Mortgage and a member of the Board of Directors at Garanti Pension & Life, Garanti Leasing, Garanti Technology, Garanti Factoring and Garanti Romania. With 26 years of experience in banking and business administration, Mr. Onaran's areas of responsibility are SME-Small Enterprise Banking Marketing and SME-Micro Enterprise Banking Marketing.

AYDIN DÜREN

Executive Vice President
Legal Services and Collection

Aydın Düren graduated from the Faculty of Law at Istanbul University and earned his graduate degree on International Law from the American University, Washington College of Law. After serving as an associate, partner and managing partner for over 18 years at international private law firms in New York, London and Istanbul, Mr. Düren joined Garanti Bank on February 1, 2009 as Executive Vice President in charge of Legal Services. Furthermore, Mr. Düren is Vice Chairman of Garanti Bank Pension and Provident Fund Foundation, Garanti Bank International N.V. and Board Member of Garanti Payment Systems, Teachers Academy Foundation and Garanti Mortgage. Since June 2015 Mr. Düren is also serves as the Corporate Secretary of the Bank. With 23 years of experience in banking and business administration, Mr. Düren's areas of responsibility are Legal Advisory Services, Legal Collections, Litigation, Garanti Payment Systems Legal Services, Legal Operations, Wholesale Recovery and Retail Collections.

EBRU DİLDAR EDİN

Executive Vice President
Corporate and Investment Banking

Ebru Dildar Edin graduated from Boğaziçi University Department of Civil Engineering and started her career in 1993. She joined the Corporate Banking Department at Garanti Bank in 1997. In 1999, she took part in the establishment of the Project Finance Department. After leading the department for 6 years as Senior Vice President, Ms. Edin became Project and Acquisition Finance Coordinator in 2006 and was appointed to her current position on November 25, 2009. A member of the Sustainability Committee since 2010, Ms. Edin also took responsibility of the coordination of the Sustainability Team, which was established in 2012 to implement the decisions of the aforementioned Sustainability Committee. Furthermore, Ms. Edin is the Vice Chairman of the Board of Directors of Business Council for Sustainable Development Turkey and UN Global Compact Local Network. She is also a Board Member of Teachers Academy Foundation. In addition, Ms. Edin serves as Vice Chairman of Garanti Securities and a member of the Board of Directors at Garanti Romania. With 23 years of experience in banking and business administration, Ms. Edin's areas of responsibility are Project Finance and Sustainability, Global Markets, Global Markets Sales and Financial Solutions, Global Markets Business Solutions, Financial Institutions, Corporate Banking Coordination and Cash Management/ Transaction Banking.

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 the Credit, Remuneration, Corporate Governance, Audit and various risk management committees. The committees organized under the Board of Directors are Credit, Audit, Corporate Governance, Remuneration and Risk Committee.

In addition to these, there are committees whose members are composed of the Board of Directors members (Employee Committee, Customer Committee, Garanti Assets & Liabilities Committee, Weekly Review Committee, Cost Management and Efficiency Committee, Sustainability Committee, Personnel Committee, Consumer Committee, Integrity Committee, Volcker Rule Oversight Committee, New Business and Product Committee, Responsible Business Committee, Corporate Assurance Committee) and/or the Bank's executives (Risk Management Committee, Disciplinary Committee, Information Security Committee, Wholesale Credit Risk Committee, Credit Admission Committee, Retail Credit Risk Committee, Risk Technology and Analytics Committee, Local Benefits Committee, IT Risk Committee).

CREDIT COMMITTEE

In accordance with the Banking Law, the Board of Directors of Garanti Bank

has delegated a certain amount of its loan allocation authority to the Credit Committee. The Credit Committee holds weekly meetings to review appropriate loan proposals from among those sent by the branches to the Head Office but exceed the loan authorization limit of the latter. The Credit Committee reviews these loan proposals and decides on those that are within its authorization limits, and submits those others it deems appropriate but are outside of its authorized limits to the Board of Directors for finalization.

In 2017, the Committee held 28 meetings with the required quorum.

Committee Members:

Rafael Salinas Martinez De Lecea (Board Member), Jaime Saenz de Tejada Pulido (Board Member), Javier Bernal Dionis (Independent Board Member), Ali Fuat Erbil (President & CEO), Jorge Saenz Azcunaga Carranza (Independent Board Member)

AUDIT COMMITTEE

The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions. The Committee is responsible for:

- Monitoring the effectiveness and adequacy of Garanti Bank's internal control and risk management and internal audit systems; and

overseeing the operation of these systems and accounting and reporting systems in accordance with applicable regulations, and the integrity of resulting information,

- Conducting necessary preliminary evaluations for the selection of independent audit firms, appraisal and support services providers, and regularly monitoring their activities,
- Ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner,
- Developing the audit and control process in order to ensure ICAAP adequacy and accuracy,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 5 meetings with the required quorum.

Committee Members:

Javier Bernal Dionis (Independent Board Member), Jorge Saenz Azcunaga Carranza (Independent Board Member)

CORPORATE GOVERNANCE COMMITTEE

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.

Within the frame of the CMB Communiqué No: II-17-1 on Corporate Governance that is currently in force, the Committee:

- Monitors whether corporate governance principles are implemented at the Bank, determines the grounds for non-implementation, if applicable, as well as any potential conflicts of interest arising from failure to fully comply with these principles, and presents suggestions to the Board of Directors for the improvement of corporate governance practices.
- Oversees the activities of the Investor Relations Department.
- Evaluates the proposed nominees for independent Board membership, including those nominated by the management and investors, considering whether the nominees fulfill the independence criteria, and presents its assessment report to the Board of Directors for approval.
- Makes an assessment for election of independent members to the seats vacated due to a situation that eradicates independence and the resignation of a Board member who loses his independence, so as to re-establish the minimum number of independent Board members through temporarily elected members who will serve until the immediately following General Assembly Meeting to be held, and presents its written assessment to the Board of Directors.
- Works to create a transparent system for the identification, evaluation

and training of nominees who are appropriate for the Board of Directors and managerial positions with administrative responsibility, and to determine related policies and strategies.

- Makes regular assessments about the structure and efficiency of the Board of Directors, and presents suggested changes to the Board of Directors.

In 2017, the Committee held 3 meetings with full participation of its members.

Committee Members:

Javier Bernal Dionis (Independent Board Member), Jorge Saenz Azcunaga Carranza (Independent Board Member), Sema Yurdum (Independent Board Member), Handan Saygin (Director)

REMUNERATION COMMITTEE

The Remuneration Committee started activities on January 1, 2012 in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. The Committee's responsibilities are as follows:

- Conducting the oversight and supervision process required to ensure that the Bank's remuneration policy and practices comply with applicable laws and regulations and risk management principles,
- Reviewing, at least once a year, the Bank's remuneration policy in order to ensure compliance with applicable laws and regulations in Turkey, or with market practices, and updating the policy, if necessary,
- Presenting, at least once a calendar year, a report including the findings and proposed action plans to the

Board of Directors,

- Determining and approving salary packages for executive and non-executive members of the Board of Directors, the CEO and Executive Vice Presidents,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 1 meeting.

Committee Members:

Sait Ergun Özen (Board Member), Jorge Saenz Azcunaga Carranza (Independent Board Member)

RISK COMMITTEE

The Risk Committee is responsible for:

- Monitor and oversee the strategy and general risk policies of the Bank and to review the risk appetite declaration and core metrics, risk tolerance levels, limit structure, and metrics, taking into consideration the strength of the Bank's capital and the overall quality of risk management, measurement and reporting,
- Review and approve, as appropriate, the corporate risk policies for each risk type, and the yearly limits for each risk type and business area with the level of detail that may be deemed appropriate at the time,
- Review and approve, as appropriate, measures to mitigate the impact of identified risk, should these materialize,
- Monitor the evolution of the global risk profile and the Bank's risk exposure, by type of risk, business line, product, or customer segment,

and how these compare to the risk strategy and policies and the risk appetite,

- Assess the adequacy of the risk information and risk internal control systems in the Bank to guarantee the appropriate functioning of risk management as well as the suitability of the structure and working of risk management in the Bank,
- Monitor that pricing of investment and deposit products offered to clients fully take into consideration the business model and risk strategy of the Bank, including a remediation plan should it be necessary,
- Verify that the Bank takes the necessary steps to guarantee the availability of systems, staffing and general resources adequate for the management of risks,
- Analyse and assess the appropriate working of asset valuation, asset classification and risk estimation of the company,
- Promote the continuous development and improvement of advanced risk management model and practices, whilst closely monitoring requirements and recommendations of regulators and supervisors,
- Receive and review reports on capital planning, capital adequacy and provide effective challenge of the enterprise risk management and capital planning processes.

In 2017, the Committee held 11 meetings.

Committee Members:

Rafael Salinas Martinez De Lecea (Board Member), Javier Bernal Dionis (Independent Board Member), Süleyman Sözen (Chairman)

GARANTI ASSETS AND LIABILITIES COMMITTEE

The main goal of Garanti Assets and Liabilities Committee (ALCO) is to assist the CEO with decision-making processes concerning assets and liabilities management (including liquidity and funding, interest rates and exchange rates) and capital. The Committee is structured around the following objectives:

- Coordinate and review the implementation of policies for managing the sources and utilization of funds that should provide an appropriate level of profitability consistent with planned growth within acceptable levels of risk,
- Monitor and analyze the profitability and net interest income,
- Allow senior management to thoroughly understand, efficiently develop and refine the ALM and capital policies by assisting them in overseeing and supervising the management activities of the Finance Department,
- Follow-up limits to control the balance sheet and capital risks, as well as the risk profiles defined by Garanti's Board of Directors,
- Assess the status of financial markets and macro variables,
- Monitor that individual business lines are aligned in terms of overall objectives and proactively controlled, with regard to the prudential risks under the ALM and capital function control,
- Review and assess the impact of changes in market and other variables on the ALM risk and capital profile,
- Evaluate the strategies presented by the Finance Department and revise

the execution of previously approved actions,

- Monitor regulatory capital adjusted profitability measures,
- Challenge and regularly monitor medium-term capital and liquidity plans for base scenarios and adverse or severely adverse scenarios,
- Analyze extraordinary liquidity and funding situations that require the Committee to be summoned (if deemed appropriate, the Asset Liability Committee will activate the Liquidity Contingency Plan. The Liquidity Contingency Plan activation will be informed to Corporate Asset Liability Committee),
- Approve the Procedure for Hedge Accounting Transactions Process,
- Approve Funds Transfer Pricing Methodology,
- Approve Assumptions or Methodology or Structural Risk Measurement Techniques,
- Approve internal framework documents for ALM and Capital Management,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 11 meetings with the required quorum.

Committee Members:

Ali Fuat Erbil (President & CEO), Alvaro Ortiz Vidal-Abarca (Emerging Markets-Chief Economist), Ali Temel (Chief Credit Risk Officer), Aydın Güler (EVP), Mahmut Akten (EVP), B. Ebru Edin (EVP), Recep Baştuğ (EVP), Cemal Onaran (EVP), Ebru Oğan Knottnerus (Head of Risk Management), Metin Kılıç (Director), Semra Kuran (Director)

WEEKLY REVIEW COMMITTEE

The Weekly Review Committee is charged with managing the assets and liabilities of the Bank. Its objective is to assess interest rate, exchange rate, liquidity and market risks. Based on these assessments and taking into account the Bank's strategies and competitive conditions, the Committee adopts the decisions to be executed by the relevant units in relation to the management of the Bank's balance sheet, and monitors their implementation.

In 2017, the Committee held 50 meetings.

Committee Members:

Ali Fuat Erbil (President & CEO), M. Cüneyt Sezgin, Ph.D. (Board Member), Javier Bernal Dionis (Independent Board Member), Alvaro Ortiz Vidal-Abarca (Emerging Markets - Chief Economist), H. Hüsnü Erel (EVP), Recep Baştuğ (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), B. Ebru Edin (EVP), Aydın Güler (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Alpaslan Özbey (EVP, GÖSAŞ), Yeşim Şimşek (Director), Mustafa Sağlık (Director), Alper Eker (Director), Gökhan Koca (Director), Kerem Ömer Orbay (Director), Ceren Acer Kezik (Director), Metin Kılıç (Director), Vahan Üçkardeş (Director), Handan Saygın (Director), Ebru Oğan Knottnerus (Head of Risk Management), Batuhan Tufan (Director), Fulya Göyenyç (Director), Kıvanç Fidan (Director), Demet Yavuz (Director), Sinem Edige (Director), Çiğdem Yılmaz (Director), Tekinel Özdemir (Director)

COST MANAGEMENT AND EFFICIENCY COMMITTEE

The objective of the Cost Management Committee is to support the Board of Directors in controlling costs within the context of real revenue performance (operating efficiency) and securing savings by optimizing budget implementations over the course of the year. The Committee is also responsible for:

- Determining the efficiency areas of the Bank and providing a platform to discuss improvement areas,
- Informing committee members about cost developments in the future and evaluating saving suggestions,
- Providing a platform to discuss and making decisions related to new ideas and alternatives about efficient cost management by taking consideration into Bank's strategies,
- Approving expense or investment projects and proposals received from the units within the established limits of delegation,
- Clarifying the corresponding budget allocations,
- Ensuring local or regional implementation of corporate models, standards and specifications,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

In 2017, the Committee held 6 meetings.

Committee Members:

Ali Fuat Erbil (President & CEO), Javier Bernal Dionis (Independent Board Member), Aydın Güler (EVP), Osman Tüzün (EVP), Mahmut Akten (EVP), H. Hüsnü Erel (EVP), Didem Dinçer Başer

(EVP), Ali Temel (Chief Credit Risk Officer), B. Ebru Edin (EVP), Recep Baştuğ (EVP), Cemal Onaran (EVP), Aydın Düren (EVP), Oğuz Acar (Director), Hazal Özgüven (Director), Burak Yıldırım (Director), Vahan Üçkardeş (Director), Burçin Bıkmaz (Director), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ)

SUSTAINABILITY COMMITTEE

The Sustainability Committee is responsible for:

- Overseeing the efforts for assessing potential risks resulting from the Bank's energy consumption, waste management, etc.
- Supervising the efforts for assessing potential risks arising from indirect environmental and social impact resulting from financed projects and other loans, and providing necessary opinions to relevant decision-making parties,
- Monitoring the efforts on managing the risks which can impact the Bank's reputation and/or other activities negatively in the field of environmental, social and governance issues,
- Ensuring conformity of all decisions made and all projects carried out within the framework of the sustainability structure created within the Bank with other policies and related regulations of the Bank,
- Managing the efforts to allow the Bank to offer products and services that support sustainable development,
- Supervising the efficiency of sustainability efforts,
- Providing information to the Board of Directors on the Committee's activities when needed,
- Monitoring the policies, procedures, regulations and similar documents

under its responsibility with respect to necessary updates, and taking action to keep them up-to-date,

- Coordinating the integration of sustainability policy and strategy into the Banks operations, products, services and decision-making mechanisms.

In 2017, the Committee held 1 meeting with the required quorum.

Committee Members:

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (President & CEO), Osman Tüzün (EVP), B. Ebru Edin (EVP), Ali Temel (Chief Credit Risk Officer), Cemal Onaran (EVP), Aydın Güler (EVP)

RESPONSIBLE BUSINESS COMMITTEE

The Committee ensures that Responsible Business is integrated into the banking functions and into the strategic priorities of the Bank, also systematically ensures that Garanti puts stakeholders at the center of the decision-making. The Committee's responsibilities are as below;

- To monitor Responsible Business trends globally and the development of Responsible Business within the BBVA Group, then to evaluate how these trends and developments could be aligned and performed at Garanti, and to give direction on developing the general Responsible Business approach at Garanti Bank,
- To give direction on the preparation of the Responsible Business Plan (RBP), its KPIs and to approve them,
- To monitor updates on all initiatives within the RBP, their KPIs, to request

and review changes within the RBP throughout the year if needed,

- To ensure the correct and timely execution of the actions plans within the RBP,
- To review and approve of the general Community Investment Plan and the RB Communications Plan,
- To monitor the TCR Plan and its accomplishments, to make proposals to the TCR plan to be reviewed by the Customer Committee,
- To give direction on developing the Responsible Business Policies and Strategy, to approve these policies and strategy, the Responsible Business Policies and Strategy, to review and approve the Responsible Business Report and/or the Responsible Business-related sections of the Annual Reports.

In 2017, the Committee held 1 meeting.

Committee Members:

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (President & CEO), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Cemal Onaran (EVP), Osman Tüzün (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Burçin Bıkmaz (Director), Hülya Türkmen (Director), Emre Hatem (Director), Mustafa Sağlık (Director), Handan Saygın (Director), Nazlı Çakıroğlu Boysan (Manager)

NEW BUSINESS AND PRODUCT COMMITTEE

The purpose of the Committee is to review all new business, products and services as well as evaluate the ability of the various Garanti business units and subsidiaries (or third parties) in offering, servicing or administering the various aspects of a

new business, product or service. The Committee's responsibilities are;

- To ensure that all new business and new products fit into Bank's strategy and target risk profile, and approves/ rejects new business and new product proposals and submits them to the Board of Directors approval when necessary,
- To conduct an ongoing review of each new product at least 12-month period following implementation to ensure that it has been carried out properly (in this context, the Committee shall revoke approval of a previously approved Product, or an existing product or service, or block the implementation of a Product or continued use of a Product),
- To summarize and inform on its actions and deliberations, as appropriate, to members of senior management, managers within affected business lines and Board Risk Committee,
- To monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 7 meetings.

Committee Members:

M. Cüneyt Sezgin, Ph.D. (Board Member), Aydın Güler (EVP), H. Hüsnü Erel (EVP), Aydın Düren (EVP), Ali Temel (Chief Credit Risk Officer), Ebru Oğan Knottnerus (Head of Risk Management), Barış Gülcan (Director), Emre Özbek (Director), Beyza Yapıcı (Director), Osman B. Turgut (Head of Internal Audit)

EMPLOYEE COMMITTEE

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

In 2017, the Committee held 4 meetings.

Committee Members:

Javier Bernal Dionis (Independent Board Member), Ali Fuat Erbil (President & CEO), M. Cüneyt Sezgin, Ph.D. (Board Member), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Cemal Onaran (EVP), H. Hüsnü Erel (EVP), Aydın Güler (EVP), Ali Temel (Chief Credit Risk Officer), Aydın Düren (EVP), Recep Baştuğ (EVP), Osman Tüzün (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ)

CUSTOMER COMMITTEE

The Customer Committee is established to discuss customer experience efforts and convened under the chairmanship of CEO. Bank's customer experience strategies are defined by the Committee. It is also responsible for realizing and ensuring continuous effort such as projects which aim to enhance customer experience at every touch point and improve Net Promoter Score. The Committee monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 4 meetings.

Committee Members:

Ali Fuat Erbil (President & CEO), Javier Bernal Dionis (Independent Board Member), Ali Temel (Chief Credit Risk Officer), Aydın Düren (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), H. Hüsnü Erel (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Osman Tüzün (EVP), Recep Baştuğ (EVP)

CONSUMER COMMITTEE

The Consumer Committee works to ensure that matters and practices regarding retail products and services, which may lead to risks and/or dissatisfaction on the part of consumers and/or applicable regulations, are addressed, considered, and necessary actions for their solutions are planned. The Committee is responsible for;

- Providing information on findings referred to the Committee by the Internal Audit Department, Internal Control and Compliance units, and planning actions for those deemed necessary upon due consideration,
- Providing information on improvement areas resulting from analyses based on customer notifications (complaints, objections, etc.) and planning actions for those deemed necessary upon due consideration,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 4 meetings.

Committee Members:

M. Cüneyt Sezgin, Ph.D. (Board Member), Mahmut Akten (EVP), Aydın Düren (EVP), Didem Dinçer Başer (EVP), Osman B. Turgut (Head of Internal Audit), Hülya Türkmen (Director), Barış Gülcan (Director), Emre Özbek (Director), Kerem Ömer Orbay (Director), Ceren Acer Kezik (Director), Hazal Özgüven (Director), Berna Avdan (Legal Counsel), Bora Uludüz (Director), Demet Yavuz (Director), Eray Kaya (EVP, GT), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Murat Hamurkaroğlu (Manager), Alpaslan Özbey (EVP, GÖSAŞ)

CORPORATE ASSURANCE COMMITTEE

The purpose of the Committee is to inform the top management about the internal control problems which can prevent business lines and/or our Bank's goals due to their current or possible effects and to provide guidance from top management about the problems.

The scope of the Committee includes internal control findings and issues that are considered to have priority for the Bank, regarding their effect and urgency, fundamentally compliance, financial reporting, risk management, operational risk, reputation risk, technology and fraud. The Committee's responsibilities are;

- To provide standardization and top management coordination for the improvement needs of the internal control system by focusing on critical risks and controls that needs top management's monitoring,
- To discuss the internal control problems/issues within its agenda and responsibility area, and to evaluate the proposed measures and actions,

- To monitor mitigation of risks to a desired level by examining the action plans,
 - To make necessary coordination in case of a contribution need from different departments,
 - To inform the Board of Directors about the main internal control problems
- In 2017, the Committee held 3 meetings.

Committee Members:

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (President & CEO), Didem Dinçer Başer (EVP), Cemal Onaran (EVP), Recep Baştuğ (EVP), B. Ebru Edin (EVP), Osman Tüzün (EVP), H. Hüsnü Erel (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Mahmut Akten (EVP), Ali Temel (Chief Credit Risk Officer)

INTEGRITY COMMITTEE

The main objective of the Integrity Committee is to contribute to preserve the Corporate ethical integrity at Garanti. The primary function of the Committee is to guarantee that the Code are efficiently implemented within the frame of its responsibilities outlined below:

- Encouraging and monitoring efforts for creating a shared culture of integrity within Garanti Group,
- Making sure that the Code are implemented homogenously across Garanti; in this context, formulating and disseminating descriptive notes when needed,
- Implementing exclusion criteria with regard to compliance with certain provisions of the Code,
- Notifying matters deemed to be in contradiction to the Bank's disciplinary rules to the Disciplinary Committee, and obtaining information about the ongoing

- examinations procedures and actions taken for the issue,
- Reporting immediately any incidents and circumstances that may pose a material risk against Garanti to,
 1. Top Management,
 2. The individual in charge of preparing the financial statements accurately,
 - Following up the proposals of action agreed during the meetings,
 - Encouraging adoption of necessary measures for handling suggestions regarding compliance with the Code and implementation of the document, and behaviors creating doubts with respect to ethics,
 - Promote and monitor the operation and efficiency of the Complaint Channel at local level take necessary measures regarding updates and review where appropriate,
 - Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 2 meetings.

Committee Members:

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (President & CEO), Osman Tüzün (EVP), Aydın Düren (EVP), Didem Dinçer Başer (EVP), H. Hüsnü Erel (EVP), B. Ebru Edin (EVP), Osman B. Turgut (Head of Internal Audit), Emre Özbek (Director), Barış Gülcan (Director)

PERSONNEL COMMITTEE

The Personnel Committee has been set up to determine the Bank's HR policy, finalize transfer and appointment decisions at manager level, make

proposals regarding the Bank's organizational structure, and contribute to the management of the HR budget and balance sheet. The Committee monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

The Committee meets when it is needed. In 2017, the Personnel Committee held 4 meeting.

Committee Members**:

Ali Fuat Erbil (President & CEO), Mahmut Akten (EVP), Recep Baştuğ (EVP), Cemal Onaran (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), Osman Tüzün (EVP), B. Ebru Edin (EVP), Aydın Düren (EVP), Aydın Güler (EVP), Alper Eker (Director), İlker Yavaş (Director), Burak Yıldırım (Director), Yeşim Şimşek (Director), Mustafa Sağlık (Director), Kerem Ömer Orbay (Director), Mustafa Tiftikçioğlu (Director), Çiğdem Yılmaz (Director), Ceren Acer Kezik (Director), Gökhan Koca (Director), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Selahattin Güldü (Regional Manager), Eyüp Yıldırım (Regional Manager), Murat Özdemir (Manager), Görkem Kıran Dumlu (Manager)

** Branch Managers and Regional Managers alternate in attending the committee.

VOLCKER RULE OVERSIGHT COMMITTEE

Volcker Rule Oversight Committee is an internal body established under the provisions of the Volcker Rule Compliance Program that has been approved by the Board of Directors. It is formed to evaluate the conformity status of Garanti Bank's and its

subsidiaries' (Garanti) activities and of the Compliance Program to the Volcker Rule, and to supervise the effectiveness of the Volcker Rule Compliance Program. The Committee's main roles and responsibilities are;

- To provide the settlement of a sufficient Compliance culture,
- Evaluate the conformity of the Volcker Rule Compliance Program to the Volcker Rule,
- Assess declarations of compliance received from the subsidiaries, evaluate conformity of Garanti's operations to the Volcker Rule; make decisions on this subject, and communicate the decision to the related committee of the BBVA Group,
- Resolve the Volcker Rule related issues which are submitted to the Committee's agenda,
- Monitor necessities of document updates regarding the policies, procedures, regulations and take actions to ensure that they are updated.

In 2017, the Committee held 4 meetings.

Committee Members:

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (President & CEO), Aydın Güler (EVP), Aydın Düren (EVP), B. Ebru Edin (EVP), Eray Kaya (EVP, GT), Ali Temel (Chief Credit Risk Officer), Osman B. Turgut (Head of Internal Audit), Ebru Oğan Knottnerus (Head of Risk Management), Emre Özbek (Director), Barış Karaayvaz (Director), Çağlar Kılıç (Director), Metin Kılıç (Director), Berna Avdan (Legal Counsel), Hakan Özdemir (Director), Barış Gülcan (Director).

RISK MANAGEMENT COMMITTEE

The purpose of Risk Management Committee is to develop the strategies, policies, procedures and infrastructures required to identify, assess, measure, plan and manage material risks faced by the Bank in the ordinary course of business, within its delegated authority. The Committee is responsible for:

- Development of the Enterprise Risk Management architecture, which includes the establishment of a risk appetite framework, a model governing the organization and governance of the function, a risk identification and monitoring model and the infrastructures and processes required to efficiently and transparently manage the risks,
- Identification, assessment, measurement, planning and management of risks the Bank is exposed to,
- Assessment of economic capital adequacy of the Bank both under normal course of business and in stress scenarios,
- Monitoring and analysis of all significant matters related to the Bank's risk on an ongoing basis,
- Guidance to the Bank's management concerning significant risk matters,
- Oversight of the risk framework and performance of the Bank's subsidiaries and affiliates,
- Promote and develop a risk culture throughout the organization,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 32 meetings.*

WHOLESALE CREDIT RISK COMMITTEE

Wholesale Credit Risk Committee has been set up to define the framework for wholesale credit risk implementations, to integrate this framework into management practices and to monitor its performance. The Committee is responsible for:

- Approving wholesale credit risk strategies and policies or submitting them for approval,
- Monitoring the quality and performance of wholesale portfolios and evaluating risk strategies and policies with respect to their efficiency, profitability and productivity,
- Approving risk-related decisions or requests received from other units and/or regulatory authorities, or submitting them for approval,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 14 meetings.*

CREDIT ADMISSION COMMITTEE

The Credit Admission Committee has been set up to approve, or propose for approval to Garanti Bank's governing bodies, credit proposals or financial programs in accordance with its delegated authority and the requirements stated in the Credit Risk Delegation Rule. The Committee is responsible for:

- Approving the credit proposals within its authorized limits, and submitting credit proposals that exceed the delegated authority of the Chief Credit Risk Officer to management bodies for approval,
- Overseeing whether the credit risks falling under its delegated authority are duly subjected to assessment and scoring process in line with the Bank's policies and procedures,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 45 meetings.*

RETAIL CREDIT RISK COMMITTEE

The purpose of the Committee is to define the Bank's retail credit risk framework, to integrate the framework into management and to monitor its performance. The Committee is mainly responsible for:

- Approving, or proposing for approval, risk strategies and policies in relation to retail credits,
- Monitoring the performance of the retail portfolio; evaluating the efficiency of risk strategies and policies and their effect on profitability and productivity,
- Approving or proposing for approval risk decisions, or requests from/to other units or regulators,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 11 meetings.*

RISK TECHNOLOGY AND ANALYTICS COMMITTEE

Technology and Methodologies Committee has been set up to develop a suitable framework for risk models and technology tools at Garanti Bank. The Committee addresses all risk types and the entire risk cycle. The Committee is responsible for:

- Ensuring the quality, adequacy and consistency of models and model parameters across the Bank,
- Monitoring risk tools roll-outs (including functional definitions and regulatory/economic milestones) as well as areas for improvement,
- Making sure that adequate technological infrastructure is in place to enhance the risk area and following up technology projects deemed appropriate by the Bank,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 16 meetings.*

DISCIPLINARY COMMITTEE

The goals and responsibilities of the Disciplinary Committee are as follows:

- Reviewing and deciding on the matters referred to it based on the relevant articles of Garanti Code of Conduct and Personnel Regulation,
- Examining, sua sponte, any acts and practices, if any, that are established to be contrary to the laws, banking customs, Garanti Code of Conduct, Personnel Regulation,

the Bank's circulars, announcements or procedures (requesting an examination by the Internal Audit Department in cases where it deems necessary), and implementing the administrative sanctions set out in the Personnel Regulation,

- Ensuring that the personnel adheres to Garanti Code of Conduct, both in their behaviors and their practices, and undertaking the function of monitoring such adherence and acting as a safeguarded authority before the employees,
- Taking measures against all sorts of acts and practices that might lead to an erosion of the Bank's reputation and image in view of the laws, public opinion and our customers, and announcing these measures throughout the Bank,
- Ensuring that necessary measures are adopted by relevant units for remedying the systemic problems or hitches in work flow processes or general practices as observed in the files on its agenda, and guiding the concerned subsidiaries and overseeing the measures taken.

In 2017, the Committee held 3 meetings.*

INFORMATION SECURITY COMMITTEE

The goals and responsibilities of the Information Security Committee are as follows:

- Coordinating efforts to guarantee Information Security,
- Contributing to the formulation of the information security policy and other policies concerning the subdomains of information security; overseeing

the functionality of the system; and assessing and deciding on suggested improvements,

- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 1 meeting with the required quorum.*

LOCAL BENEFITS COMMITTEE

The Local Benefits Committee aims to ensure that decisions regarding fringe benefits are made centrally, with the participation of HR, Finance areas and Risk representatives. The Committee is responsible for:

- Ensuring that decisions regarding fringe benefits are made centrally, with the concurrence of all representatives and in line with the Bank's business goals,
- Reporting the local committee's decisions to the global committee,
- Benchmarking against the market before a new fringe benefit proposal is approved and reviewing the same from the perspective of Finance, Risk and Compliance,
- Controlling the production of consolidated accounting reports of fringe benefits,
- Aligning the investment policy of Garanti Bank Retirement Fund with BBVA's standards,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2017, the Committee held 1 meeting.

IT RISK COMMITTEE

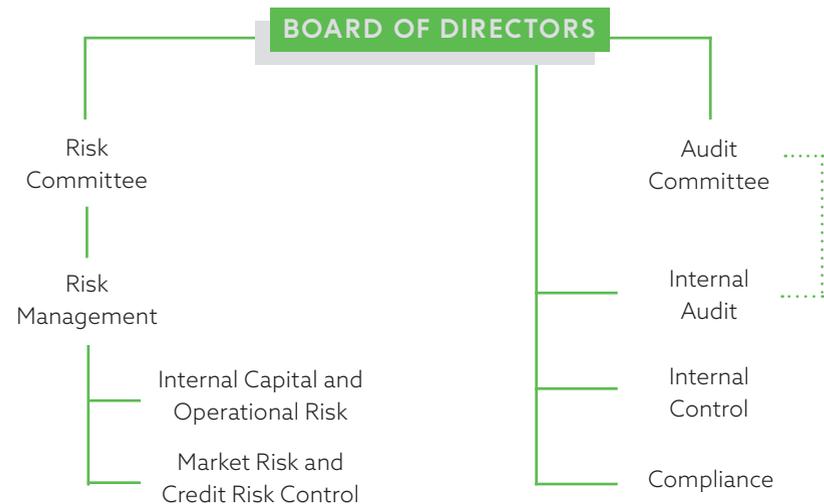
IT Risk Committee has been established to coordinate the tasks related with IT Risk Management. This committee contributes to the establishment of the IT Risk Management Policy and IT Risk Management process documents and also other needed processes, monitors the functioning of the IT risk management process and agrees on decisions by evaluating the improvement suggestions. The Committee's responsibilities are:

- Identification of IT risk management strategy,
- Identification of IT risk management scope and making related plans,
- Assessing the threats and risks that arise as a result of IT risk analysis, identification of actions to be taken,
- Assessment of IT risk management outputs and following the corresponding actions,
- Reviewing policies and procedures related to IT risk management, work on updating and compliance issues.

In 2017, the Committee held 2 meetings.*

* For the committee members, please refer to Committees section under Corporate Governance on Garanti Investor Relations website.

INTERNAL SYSTEMS GOVERNANCE



THE RISK COMMITTEE, formed by the members of the Board of Directors, is responsible for overseeing risk management policies and their implementation, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities, as well as capital adequacy and planning and liquidity adequacy.

"**RISK MANAGEMENT**" is composed of "Internal Capital and Operational Risk Department" and "Market Risk and Credit Risk Control Department" under the execution and management of Head of Risk Management.

The responsibilities of the Head of Risk Management are outlined below:

- To ensure that; risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, an integrated risk management system is established which pursues risk-return relationship, which measures all risks together and which is in compliance with applicable legislation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached,
- To define, measure, monitor and report risks and to ensure that all control activities are conducted thoroughly and timely; to monitor and supervise results.

The responsibilities of **INTERNAL CAPITAL AND OPERATIONAL RISK** Director are outlined below:

- Define operational risk and risk appetite principles approved by the Board of Directors,
- Coordinate the ICAAP business process,
- Conduct measuring, monitoring and analysis activities for risk appetite, operational risk and capital adequacy; report their results regularly to relevant units, committees and senior management,
- Monitor capital adequacy calculations,
- Carry out and report qualitative and quantitative validation activities for internal models,
- Carry out second line of defense risk internal control activities within internal control model.

The responsibilities of **MARKET RISK AND CREDIT RISK CONTROL** Director are outlined below:

- Define, review and update risk-based policies and procedures approved by the Board of Directors,
- Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,
- Carry out monitoring and reporting of risk-based activities within the frame of ICAAP, stress tests and risk appetite, as well as of risk assessment

efforts and risk-based concentrations in relation to new business and products/services.

THE AUDIT COMMITTEE, formed by the members of the Board of Directors, was set up to assist the Board of Directors in the performance of its audit and supervision functions. The Audit Committee receives information from the units set up under internal control, internal audit and compliance systems, as well as from the independent auditor, with regard to performance of their activities. The Committee confirms that adequate methods are in place to identify, control and monitor Garanti Bank's risk exposure and regularly informs the Board of Directors of its activities and their results.

The Audit Committee also gives its opinion to the Board of Directors regarding activity results of the responsible departments, necessary actions and other issues it deems important for safe conduct of Garanti Bank's activities.

THE INTERNAL AUDIT DEPARTMENT Annual audit plans are prepared based on a risk-oriented approach, and by taking the goals and strategies of the Bank and priorities determined by BoD and Audit Committee into account. It is aimed to provide maximum contribution to the Bank by determining scopes and frequencies of the audit works under the light of multi-factor horizontal and vertical analyzes.

The Internal Audit Department audits Garanti Bank's head office units, branches and consolidated subsidiaries by evaluating the effectiveness of the internal control systems with respect to the headings below:

- Compliance of activities with applicable legislation and internal regulations,
- Accuracy and reliability of financial and operational data,
- Effectiveness of asset protection practices,
- Effectiveness and efficiency of the activities performed in order to reach the defined goals.

As per the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the BRSA, parent banking companies are expected to perform and coordinate the internal audit activities of consolidated entities in a consolidated manner.

Accordingly, the Internal Audit Department audits the Bank's consolidated subsidiaries in line with the annual audit plan by taking prominent risks into account. Moreover, the Internal Audit Department oversees the activities for putting into life the group standards adopted within the frame of internal audit implementations at consolidated subsidiaries.

By way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling and counterfeiting activities are prevented or noticed, upon which necessary managerial actions are taken immediately.

Within audit works performed, process audits are carried out on the basis of 11 different risk types, by covering general directorate units, domestic branches, foreign branches and subsidiaries:

1. Within the scope of business model risk audits, the areas of business model

viability, business model sustainability and strategy are focused on.

2. Internal governance environment and risk management audits focus on the areas of corporate governance, organizational framework and risk control framework, including procedures, duties and responsibilities.

3. Within the scope of capital risk audit, the areas of regulatory capital adequacy ratio and assessment of internal capital adequacy are focused on.

4. Within the scope of the credit risk audits, the areas of governance and risk management structure for credit risk, thresholds and limit structure and measurement are focused on and loan portfolios and outstanding credit processes are audited.

5. Within the scope of market risk audits, the areas of management framework, measurement, modeling and monitoring are focused on.

6. Within the scope of structural risks audits, the areas of management framework, measurement, modeling and monitoring regarding exchange rate risk, structural interest rate risk and liquidity risk are focused on.

7. Within the scope of operational risk audits, the areas of banking processes, non-banking processes, enterprise processes, operations, channels, data governance and data quality, digital transformation and CIB are focused on, and onsite and both remote audits performed in branches and in related general directorate units.

8. Within the scope of legal risk audits, the areas of regulations, tax legislation, labor law, other regulations and contractual risks regarding financial reporting and financial statements are focused on.

9. Within the scope of compliance risk audits, the areas of the compliance risk management model, ethical standards and legal regulations, such as money laundering and financing of terrorism, customer protection and personal data protection are focused on.

10. Within the scope of technology risk audits, the areas of IT infrastructure, IT operations, management of IT emergent risks, software development, business continuity & systems recovery, information security and cybersecurity are focused on.

11. Within the scope of extended enterprise risk audits, the areas of support services organizations, procurement processes, and outsourcing management are focused on.

THE INTERNAL CONTROL UNIT

Internal Control Unit is responsible for the establishment and coordination of a sound internal control environment within Garanti Bank. The unit ensures that banking activities are carried out in accordance with the management strategies and policies in a regular, efficient and effective manner within the existing rule and regulation framework.

Within the applied internal control model which is structured according to three line of defense principles, necessary control activities have been identified by taking the relevant risks into consideration by the first line of defense teams in the business units. A process in which the

results of control activities are reported from business units to the relevant second line of defense functions has been constituted. In this model, Internal Control Unit ensures the proper execution of control activities performed within the Bank by implementing a common methodology.

On-site control activities are carried out at the branches (including branches abroad) and regional directorates. Regarding the head office departments; the related control activities which are conducted within the business/support units are monitored and challenged in order to ensure that those control activities are performed timely and accurately.

The IT Controls team, set up within the Internal Control Unit, monitors the secure performance of IT functions in accordance with the guidelines set by the Bank. The team defines internal control steps for IT processes, and subjects the control items so defined to control activities in accordance with the methodology and tools. Findings and systemic deficiencies identified on the basis of control activities are analyzed, the outcomes are interpreted, and new systemic controls are set up.

The recommendations regarding the identified gaps are reported to relevant parties and actions are followed up.

THE COMPLIANCE DEPARTMENT

Working with the purposes of managing the potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to help improve the compliance culture constantly and establish a world class compliance culture across the Bank. The

Compliance Department carries out the following tasks:

The Compliance Officer performs the following duties as also stipulated by the regulations governing prevention of money laundering and countering the financing of terrorism:

- Carry out all necessary efforts to achieve Garanti Bank's compliance with the regulations issued to prevent money laundering and countering the financing of terrorism and provide necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK),
- Ensure that the Compliance Program is carried out; develop policies and procedures within this scope; execute risk management, monitoring and control activities; follow up the results of internal audit and training activities,
- Lay down the efforts related to the training program about prevention of money laundering and countering the financing of terrorism for the approval of the Board of Directors, and ensure that the approved training program is carried out effectively,
- Look into and evaluate information on potentially suspicious transactions that he/she receives or becomes aware of sua sponte; report any transaction that he/she deem to be suspicious to the Financial Crimes Investigation Board,
- Manage relations with relevant governmental or private agencies.

In terms of compliance activities regarding customer products and services, assessments are made on the compliance of products and processes to applicable regulations. Activities are carried out in relation to compliance controls in

accordance with the requirements of Article 18 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks. The control mechanisms in place are monitored and coordinated with respect to compliance of the Bank's current and planned activities, new transactions and products with the laws, internal policies and guidelines, and banking practices. The processes are monitored for any necessary revisions according to regulatory changes, related employees are notified on such changes, and opinions are formed prior to introduction of new products and transactions.

With respect to corporate compliance activities, the Compliance Department is responsible for promoting awareness of the "Garanti's Code of Conduct" approved by the Board of Directors in 2015, encouraging its application, ensuring development and dissemination of the procedures to be formed in the context of the Code and helping resolve any doubts that may arise during the interpretation of the document. Announced with a message from the CEO, the document is available on the intranet accessible to all employees and on Garanti Investor Relations website publically. In Garanti's Code of Conduct, the employees' responsibilities towards customers, other employees, business and the society are defined comprehensively. Assigned as a mandatory training to all Garanti employees, to date 35,166 hours of "Garanti Code of Conduct Training" were delivered.

The Compliance Department manages the Whistleblowing Channel established to report the noncompliance to Garanti's Code of Conduct forms an essential part of our compliance system. The channel is

also a resource to assist the employees to report transgressions that they observe or which are reported to them by their team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to the reporting of suspicious illegal conduct or professionally unethical conduct. In case of an actual or suspected breach of Garanti's Code of Conduct, the incident should be reported immediately via the Garanti Whistleblowing Channel, by e-mail at etikbildirim@garanti.com.tr or by telephone at +90 212 318 2375. The Compliance Department, responsible for managing the Whistleblowing Channel, processes all reports received carefully and promptly, ensuring they are investigated and resolved, in accordance with the Whistleblowing Channel management procedures. Information is analyzed objectively, impartially and confidentially. The identity of the person who reported is kept confidential. The information is made known only to those departments whose cooperation is necessary for the investigation process. The result of the investigation is communicated to the departments which need to take appropriate measures to correct the transgression, as well as to the person being reported and the reporter, as appropriate. During the investigation process, personnel are expected to cooperate with the Compliance Department and other related parties, and are required to maintain confidentiality about their involvement in the process and any information about the subject. Nobody, who reports any facts or activities through the Whistleblowing Channel in good faith, will be the target of reprisal nor will they suffer any other adverse consequence as a result. Garanti's Code of Conduct includes incidents of conflict of interest and aspects which would prevent

employees' Professional behaviors from being affected by conflicts of interest.

Securities compliance activities encompass examination of suspicious transactions within the scope of the Capital Markets Board (CMB) Communiqué on Obligation of Notification Regarding Insider Trading and Manipulation Crimes. Procedures are being established regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers, due to performing their jobs, professions and tasks. In addition, relevant legislation and internal guidelines are also monitored.

With respect to subsidiaries' coordination activities, the Compliance Department monitors the compliance activities at the Bank's subsidiaries and overseas branches. In this respect, meetings are held regularly with those who are responsible for the compliance function at the related subsidiaries and overseas branches. In line with the related legislation, an employee is assigned at each of the consolidated subsidiaries and overseas branches for monitoring compliance with local regulations; these employees submit periodic reports to the Compliance Department.

In performing all of its duties and responsibilities outlined above, the Compliance Department continues to work in coordination primarily with the Internal Audit Department, Internal Control Unit, Training Department, Anti-Fraud Monitoring Department and Legal Department, as well as other relevant units and people.

RISK MANAGEMENT

Garanti Bank 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, asset and liability risk, counterparty credit risk and credit risk.

The Bank's risk management strategy, policies and implementation procedures are reviewed within the frame of regulatory changes and the Bank's needs.

Our risk management process is set up in a way, that the material themes and strategic objectives 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 and metrics pertaining to capital, liquidity and profitability, which have been created as per the risk appetite framework are monitored regularly.

Risk Management coordinates the concerned parties and thus handles the preparation of the ICAAP report, 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 frame of certain scenarios, as well as their impact upon key ratios including the capital adequacy ratio.

encouraging all employees to fulfill their duties and responsibilities.

In order to ensure efficient management of reputational risk across the Bank, it is aimed to monitor the Bank's reputation and reputational risk through a methodological approach and take all necessary precautions before the reputational risk occurs. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes

IDENTIFIED RISKS & OUR RESPONSE

REPUTATIONAL RISK

The Bank identifies, evaluates and manages its reputational risk, avoiding all kinds of transactions and activities that would cause reputational risk in the eyes of, customers, legal authorities and other stakeholders. Trainings are held with the aim of raising awareness about reputational risk throughout the Bank and

MATERIAL CLUSTERS

VALUE DRIVERS

MAIN RISK AREAS

Customer Experience

- Offer our customers an excellent experience by placing them at the center of all our activities and efforts
- Always be transparent, clear and responsible towards our customers
- Design our processes from our customers' perspective, vesting them in a swift, easy and plain format
- Help our customers in making informed decisions through supporting financial literacy, health and inclusion in solutions that we offer
- Have long-lived relationships with our customers that is built on trust by exceeding their expectations and enhancing their satisfaction
- Offer innovative solutions and advise our customers to grow their businesses in a sustainable manner

Financial Performance

- Use capital effectively so as to maximize the value to be created
- Focus on disciplined and sustainable growth on the basis of true banking principle
- Strict adherence to solid asset quality
- Constantly improve business model and processes with operational and environmental efficiency point of view
- Cost and revenue synergies

Digital Transformation

- Constantly invest in digital platforms so as to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions
- Expand our digital customer base and increase the share of digital channels in our sales
- Taking precautions against all risks which could prevent secure and uninterrupted service (e.g. cyber threats) ensuring information security.

Investing in Human Capital

- Invest in our employees focusing on their development, satisfaction and wellbeing
- Form teams possessing team spirit, acting with shared wisdom, social responsibility and delivering results
- Embrace a fair and transparent management policy based on performance, focused on equal opportunities, diversity and promoting from within

Responsible and Sustainable Development

- Implement an advanced corporate governance model that promotes our core values
- Act with the principles of trust, integrity, accountability and transparency against all stakeholders
- Effective risk management through world-class integrated management of financial and non-financial risks
- Create shared value through lending based on impact investment principles
- Drive positive change through strategic partnerships
- Focus on community investment programs which deliver impactful outcomes on material issues

REPUTATIONAL RISK

ENVIRONMENTAL & SOCIAL RISK

OPERATIONAL RISK

COUNTRY RISK

MARKET RISK

STRUCTURAL INTEREST RATE RISK

STRUCTURAL EXCHANGE RATE RISK

LIQUIDITY RISK

CREDIT RISK

COUNTERPARTY CREDIT RISK

CONCENTRATION RISK

RELATED PARTY RISKS

the reputational risks it faces, together with a set of action plans to mitigate these risks. It defines key risk indicators for each risk factor to regularly monitor the strength of the risk mitigation. The risks and risk factors are defined in dimensions such as customer-centeredness, workplace, ethics and citizenship, finances and leadership.

Additional efforts carried out to monitor reputational risk include monitoring the media, the press and social media platforms with respect to the Bank's reputation, conducting a regular reputation analysis and managing potential impacts; ensuring continued awareness of compliance with laws, corporate standards, Codes of Conducts and best practices, and development of processes that guarantee management of IT/information security and IT-related risks.

Reputational risk factors cover many aspects from marketing practices, customer service to products terms and are governed through the relevant committees within the Bank's extensive committee structure. *Please refer to Committees Section for detailed information.*

ENVIRONMENTAL AND SOCIAL RISK

Banks, in particular, face risks associated with financing activities that could result in adverse impacts on the environment and society. Failure to address these risks in a timely and appropriate manner may result in reputational damage and consequently a loss of investor support and customer loyalty, among other challenges.

Garanti Bank sees its proactive management of these risks, such as arising from climate change, not only as

critical to its success but also as one of its most essential duties to its stakeholders. Through its effective approach to sustainability embedded throughout its organization, Garanti Bank monitors a variety of environmental and social indicators, benchmarks itself against best practices worldwide, takes steps to close the gap, raises the awareness of employees and collaborates with its peers, financial institutions, customers and business associations.

Garanti also implements an Environmental and Social Risk Assessment Process in line with international best practices to help drive improvement across its loan portfolios.

Within the scope of ESIAP, Garanti Bank ensures that the projects financed by the Bank satisfy the social and environmental standards required by legislation and the Bank's policies. If necessary, the Bank also ensures that the project owners undertake an impact assessment, take prescribed measures and establish effective control mechanisms.

Garanti has a full-time Sustainability Team which comprises of 5 full-time members and is responsible of embedding sustainability criteria into core business. Reporting to the Sustainability Committee chaired by a Board Member, the Team's responsibilities on environmental and social risk management is to: verify environmental and social risk management policies, strategy and implementation principles, ensure that risk management principles are widely embraced throughout Garanti and its subsidiaries; through hard and soft controls, provide technical and implementation support on E&S risk-related measures to other departments

as well as customers. Garanti Bank's Corporate and Commercial Loans Risk Management Unit is also responsible for ensuring the effective implementation of ESIAP.

For detailed information on ESIAP and sustainability governance, please see the Environmental and Social Loan Policies section on Garanti Investor Relations website.

OPERATIONAL RISK

Operational risk is managed on the basis of the three lines of defense approach within the frame of risk management policies approved by the Board of Directors. The Board of Directors issues the risk appetite for operational risk and related limits, and senior management ensures consistent and efficient implementation and maintenance of the operational risk management framework in relation to all activities, processes and products.

First line of defence; composed of the business and support areas, responsible for the primary management of operational risk in their products, activities, processes and systems within the frame of the Bank's policies and implementation principles.

Second line of defense; consists of the Operational Risk Management, Internal Control Unit, Compliance Department, Anti-Fraud Monitoring Department, Internal Risk Control and Internal Financial Control. Operational Risk Management that takes place in the second line of defense establishes policy and procedures (loss data, scenario analyses, risk indicators and self-assessment, new product and outsourcing assessment process) as part of operational risk measurement and management, and

provides the necessary guidance and coordination for their use. Operational Risk Management uses the data obtained by measurement tools to generate reports.

Third line of defense; Internal Audit Department, performs internal audit activities and independently reviews all aspects of operational risk management framework.

The definition of Operational Risk includes the following risk types: Processes, External and Internal Fraud, Technological, Human Resources, Business Practices, Disasters, Suppliers.

MARKET RISK

Market risk is measured in accordance with applicable regulations, Garanti Bank's policies and procedures, employing internationally accepted methodologies that are aligned with the Bank's structure, and they are evaluated within a continuously improving structure. Market risk is managed by measuring and limiting risk in accordance

with international standards, allocating sufficient capital and minimizing risk through hedging transactions.

Market risk is defined as the risk Garanti Bank faces due to fluctuations in market prices in relation to the positions it maintains on or off its balance sheet for trading purposes, and is calculated daily using the Value-at-Risk (VaR) model. VaR is a measure of the maximum expected loss in the market value of a portfolio of a certain maturity as a result of market price fluctuations, at a specified probability within a certain confidence interval. VaR is calculated using historical simulation method and two-year historical data at 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model. The model is validated on an annual basis. Market Risk is managed through capital, VaR and stop/loss limits approved by the Board of Directors. Limit levels are determined according to annual profit/ loss targets. The limits set are monitored and reported daily by the Market Risk and Credit Risk

Control Departments. VaR stood at TL 4.74 million by the end of 2017.

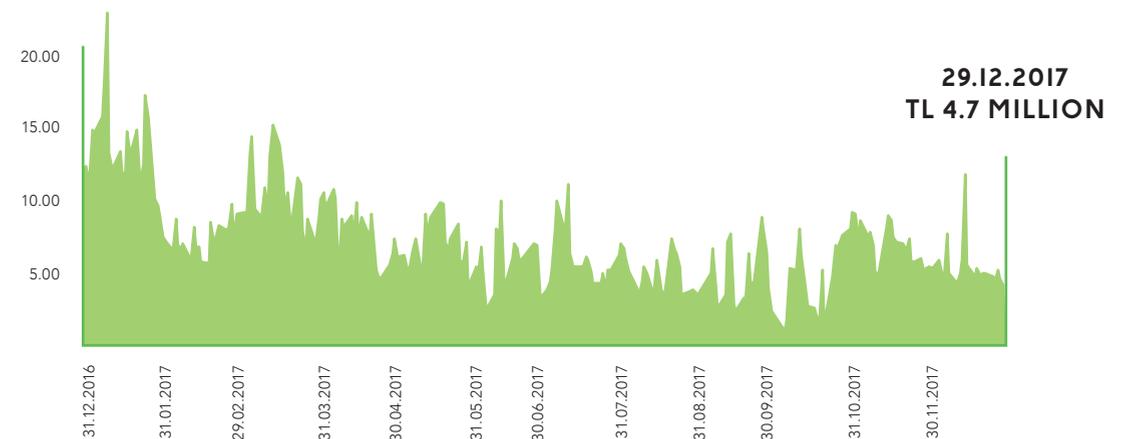
VaR does not constitute an important risk for the Bank given the amount of Garanti Bank's shareholders' equity. In order to identify the risks that might arise from major market volatilities, regular stress tests and scenario analyses are conducted using the VaR model.

STRUCTURAL INTEREST RATE RISK

To determine and manage the Bank's exposure to structural interest rate risk arising from 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), available-for-sale (AFS) and held-to-maturity (HTM) portfolios are monitored by measuring market price sensitivity. The risk metrics calculated and the reports generated are used for managing balance sheet interest rate risk under the supervision of the Assets and Liabilities Committee (ALCO).

2017 VaR TREND

(TL Million)



Stress tests and scenario analyses are carried out within the framework of structural interest rate risk to measure the risks resulting from Bank-specific negative developments or major risks and vulnerabilities that may potentially arise in the economic and financial environment under stress, by supervising the regulatory and internal interest rate risk management requirements.

Results of stress tests are used as input for determining risk appetite, limit and budget-related works, for generating balance sheet management strategies, and for evaluating the need for capital. Within this framework, internal limits for EVE sensitivity, ECAP, NII sensitivity, earnings at risk, securities revaluation differences and securities EVE sensitivity are regularly monitored and reported. The interest rate risk in the banking book is measured on an unconsolidated basis, using the standard shock method; the regulatory limit is monitored and reported to the Banking Regulation and Supervision Agency (BRSA) on a monthly basis. It is ensured that subsidiaries set and monitor internal structural interest rate risk limits.

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, 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. The analysis conducted in this framework are expanded to encompass potential sensitivities that may result from Bank-specific negative events or

changes in the market by supervising the regulatory and internal structural exchange rate risk management requirements. In addition, the Bank's FC position and the profit/loss movements resulting from this position are monitored and reported at regular intervals. It is ensured that subsidiaries set and monitor internal structural exchange rate risk limits. FX sensitivity of 12-month projected P&L are monitored.

LIQUIDITY RISK

Within the framework of liquidity and funding risk policies approved by the Board of Directors, liquidity risk is managed under the supervision of ALCO in order to take appropriate and timely measures in case of liquidity squeeze arising from market conditions or Garanti Bank's financial structure. Under the liquidity contingency plan approved by the Board of Directors, Garanti Bank monitors liquidity risk within the scope of stress indicators and thresholds anticipating potential liquidity stresses which could activate the liquidity contingency plan, activation of the communication procedure, predefined measures and action plans and roles and responsibilities in a stress situation. Liquidity risk stress test is performed in order to identify potential liquidity tensions and to ensure that the Bank has a sufficient liquidity buffer to face exceptional liquidity stresses. Liquidity risk is monitored by internal limits and alert levels in order to assess the funding structure and liquidity capacity based on maturity buckets and to manage short term funding sources effectively, while compliance with regulatory liquidity ratios is ensured. Core deposit and average life analyses are performed for deposits, which is an important balance sheet item in terms of liquidity

management. Concentrations in liquidity and funding risks are monitored. Within Internal Capital Adequacy Assessment Process (ICAAP), liquidity planning is performed annually. Stress test results for subsidiaries are monitored and it is ensured that subsidiaries which are concerned with liquidity risk establish and monitor internal liquidity and funding limits to assess the robustness of their liquidity and funding structures and have liquidity and funding risk policies approved by Board of Directors including liquidity contingency plan.

CREDIT RISK

Credit risk management is a process for consistently evaluating and monitoring credit risk, and covers all credit portfolios. Concentrations are monitored across the portfolio with respect to internal risk ratings, sectors, regions, groups and customers.

Under IAS 39 collective provision calculation is performed for the entire Bank. Risk adjusted return based limits are determined for retail and corporate portfolios, as part of asset allocation across the Bank. The adequacy of the Bank's internal capital is evaluated with stress tests and scenario analyses.

In order to rate customers using objective criteria with respect to corporate and commercial loans portfolio, outputs from internal risk rating models, which were developed using statistical methods on historical data, are incorporated into the relevant lending policies and procedures. Models are used for the evaluation of specialized lendings according to supervisory slotting criteria. The internal risk rating models calculate the probability of default for each customer and keep this data up-to-date. For the corporate

portfolio, ratings are actively used for credit allocation, authorization, internal capital and risk-based provision calculations, risk appetite indicator, limit creation for asset allocation, risk-based profitability calculations, budgeting concentration risk calculations and stress tests.

Basically, two rating systems are used in the lifecycle of retail receivables; an application score calculated at the time of the loan application so as to include external factors, as well, and a behavior score targeting to measure the credit risk periodically taking into consideration the behavioral characteristics of the customer / product following loan disbursement. In the allocation processes of general-purpose, auto, mortgage, commercial mortgage, home equity, overdraft loans and commercial credit cards and credit card portfolio, which undergo retail and SME lending processes, application score is utilized. In retail portfolio, the behavior score is used for the limit management of revolving products, internal capital calculations, risk appetite indicator, risk-based profitability calculations, budgeting and concentration risk calculations, stress tests and limit creation for asset allocation.

In IFRS9, together with other important explanatory variables, the output of internal credit decisioning systems as specified above (i.e. internal risk rating models, retail application and behavioral scorecards) are used as risk drivers as to determine the final score bucket and the corresponding probability of default. Expected credit loss is calculated using probability of default as well.

Collection performances of non-performing loans in any portfolio are analyzed, and loss given default ratios

are calculated in view of the time value of the money and costs incurred for making the collections, on the basis of segments in the case of commercial loans and of products and segments in the case of retail loans. Studies are carried out to predict the level of loss ratios at times of economic downturn. These ratios are used to calculate expected loss, limit creation for asset allocation, risk-based profitability and internal capital.

Qualitative and quantitative validation is performed in particular for credit risk models and methodologies that are primarily used for capital calculation.

Model monitoring activities are done and actions are taken if necessary.

COUNTERPARTY CREDIT RISK

Counterparty credit risk strategy, policy and implementation principles are defined in the policy document approved by the Board of Directors. The Bank measures, monitors and creates limit for this risk in line with this policy. The Bank uses the internal model method (IMM) to measure and report the counterparty credit risk for derivative transactions, repurchase transactions, security and commodity lending in addition to using Current Exposure Method (CEM) for regulatory purposes. Within this scope, the Bank employs risk mitigation techniques through framework agreements (ISDA, CSA, GMRA, etc.), obtaining collateral and complementing margins as part of counterparty credit risk management to the extent allowed by national and international legislation.

The Bank also calculates economic capital for counterparty credit risk by way of a model that uses parameters (Rating, PD, LGD) based on the internal model.

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. Actions are taken to make sure that the Bank's country risk exposure remains within the set limits, and related reporting, control and audit systems are established as necessary

CONCENTRATION RISK

The Bank defines and monitors any concentrations among different types of risks or in any individual risk, 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 frame of the policy approved by the Board of Directors. Qualitative and quantitative assessments of concentrations on the basis of individual risks or among risks are addressed in reports produced according to risk-oriented policies and procedures.

RELATED PARTY RISKS

For the detailed information regarding transactions with the Bank's risk group; lendings and deposits and other related party transactions outstanding as of 2017 year-end, and income and expenses from such transactions incurred during 2017, please refer to Financial Statements Section (unconsolidated 5.7).

INTERNAL SYSTEMS MANAGERS

**EBRU OĞAN KNOTTNERUS**

Head of Risk Management

Ebru Oğan Knottnerus received her degree in business administration from the Middle East Technical University. She worked as an executive at various privately-held companies and banks between 1991 and 2001. Having joined the Subsidiaries Risk Management Department of Garanti in 2001, and functioned as Garanti Bank's Risk Management Director from 2003 until 2016, Oğan has been serving as Head of Risk Management since April 2016.

The responsibilities of the Head of Risk Management are outlined below:

- To ensure that; risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, an integrated risk management system is established which pursues risk-return relationship, which measures all risks together and which is in compliance with applicable legislation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached,
- To define, measure, monitor and report risks and to ensure that all control activities are conducted thoroughly and timely; to monitor and supervise results.

**BEYZA YAPICI**

Director, Internal Capital and Operational Risk

Beyza Yapıcı got his degree in labor economics from Marmara University. After joining Garanti Bank's General Accounting Department in 2001, he worked in the Risk Management Department from 2008 until 2016. Yapıcı has been serving as Internal Capital and Operational Risk Director since April 2016.

The responsibilities of Internal Capital and Operational Risk Director are outlined below:

- Define operational risk and risk appetite principles approved by the Board of Directors,
- Coordinate the ICAAP business process,
- Conduct measuring, monitoring and analysis activities for risk appetite, operational risk and capital adequacy; report their results regularly to relevant units, committees and senior management,
- Monitor capital adequacy calculations,
- Carry out and report qualitative and quantitative validation activities for internal models,
- Carry out second line of defense risk internal control activities within internal control model.

**SEMRA KURAN**

Director, Market Risk and Credit Risk Control

Semra Kuran got her degree in civil engineering from the Middle East Technical University. Having joined Garanti Bank in 1997, Kuran worked in the Risk Management Department from 2001 through 2016. She has been serving as Market Risk and Credit Risk Control Senior Vice President since April 2016.

The responsibilities of Market Risk and Credit Risk Control Director are outlined below:

- Define, review and update risk-based policies and procedures approved by the Board of Directors,
- Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,
- Performs risk based studies which are presented within the scope of ICAAP, stress testing and risk appetite framework, risk assessment for new business and product/services, monitoring and reporting of risk based concentrations, impact analysis of regulation updates,
- Monitor affiliates' risk management activities in the scope of enterprise risk management framework.

**OSMAN BAHRİ TURGUT**

Head of Internal Audit

Osman Bahri Turgut received his undergraduate degree in economics from Marmara University in 1990. He joined Garanti the same year as an Assistant Auditor, where he subsequently worked as Branch Manager, Assistant Director of the Internal Audit Department, Commercial Loans Senior Vice President, Internal Control Unit Manager and Head of Internal Audit and Control. He currently serves as the Head of Garanti Bank's Internal Audit Department. Turgut who has CMB certificates for Level 3(Advanced), Corporate Governance and Derivative Instrument Certificates is also a member of the Board of Directors and Audit Committee at Garanti Finansal Kiralama A.Ş. and Garanti Filo Yönetimi Hizmetleri A.Ş.; a member of the Board of Directors and Corporate Governance Committee at Garanti Faktoring A.Ş.; a member of the Board of Directors at T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and Garanti Kültür A.Ş.; and a member of the Audit Committee at Garanti Leasing SA, Garanti Consumer Finance SA and Garanti Ödeme Sistemleri A.Ş.

The responsibilities of the Head of the Internal Audit Department are outlined below:

- Set out internal audit policies and

procedures and implement these after obtaining the necessary approvals,

- Conduct the internal audit activities in accordance with audit policies and implementation procedures and with internal audit plans,
- Oversee and guide the supervision, auditing, policies, programs, processes and practices of internal audit activities, and annual risk assessment,
- Oversee investigations that will arise with notices, complaints or allegations,
- Ensure compliance of audit and investigation reports to Bank's internal policies and procedures including internal audit procedures and laws, decrees and official communiqués,
- Verify that Department members possess the qualifications required by their authorities and responsibilities, to supervise the development of professional knowledge, skills and abilities and to oversee whether audit engagements are performed independently and objectively under professional care and attention.

**EMRE ÖZBEK**

Head of Compliance

Emre Özbek received his degree in business administration from Ankara University, Faculty of Political Sciences. He joined Garanti Bank as an Assistant Auditor in 1999. He was appointed as the Assistant Director of the Internal Audit Department in 2007, as the Senior Vice President of the Internal Control Unit in 2009 and as the Head of Internal Audit Department in 2014. Mr. Özbek, who holds CIA (Certified Internal Auditor) and CBRM (Certified Business Resilience Manager) certifications and has 18 years of banking experience, has been serving as the Compliance Director since August 01, 2015.

Mr. Özbek has the following responsibilities in the capacity of Compliance Director:

- Ensure that the Bank's compliance activities are carried out in accordance with applicable legislation and Garanti Bank's goals and policies,
- Carry out all necessary activities to achieve compliance with the regulations issued in relation to prevention of money laundering and financing of terrorism, and provide necessary coordination and communication with MASAK (Financial Crimes Investigation Board),



BARIŞ ERSİN GÜLCAN

Head of Internal Control

- Develop the Bank's compliance policies, procedures and training programs in accordance with the legislation and ensure their effectiveness; carry out activities in relation to the identification and notification of suspicious transactions; provide the preparation of statistics on internal audits and trainings and inform MASAK, and fulfill the obligation of providing information and documentation to MASAK in conformity with the manner and methods defined by MASAK,
- Within the scope of compliance controls, ensure the compliance of the Bank's all current and future activities, transactions and products with the Banking Law and other applicable legislation, internal policies and rules, and with banking practices,
- Develop recommendations for defining and mitigating compliance risks that may arise from regulatory changes,
- Monitor compliance functions of all domestic/overseas subsidiaries and overseas branches as part of Subsidiary Coordination activities.

Barış Ersin Gülcan got his bachelor's degree in economics and his master's degree in HR management from Istanbul University. After starting his career as an Assistant Auditor at Garanti Bank in 1997, he served in the Internal Audit Department for 10 years. During his 20-year experience in the banking sector, he functioned as Compliance Officer and Assistant Head of the Internal Audit Department. He assumed the position of Internal Control Unit Director in March 2014. Mr. Gülcan is a CIA (Certified Internal Auditor) since 2004 and a CPA (Certified Public Accountant) since 2005.

The responsibilities of the Internal Control Unit Director are outlined below:

- Ensure the establishment of the Bank's internal control system in accordance with applicable legislation and Garanti Bank's goals and policies,
- Collaborate with senior management to define the principles and procedures governing the distribution of internal control tasks between operational employees and internal controllers of Garanti,
- Prepare the annual business plans of the Internal Control Unit and ensure that activities are performed in accordance with these plans,

- Verify that internal controllers possess the qualifications required by their authorities and responsibilities,
- Supervise that internal controllers perform their duties in an independent, diligent and unbiased manner.

ANTI-FRAUD AND INFORMATION SECURITY MANAGERS



KORCAN DEMİRCİOĞLU

Ph.D., Head Of Anti-Fraud Monitoring

Korcan Demircioğlu got his bachelor's and master's degrees in economics from Boğazici University and his doctorate degree in banking from Marmara University. He joined Garanti Bank as an Assistant Auditor in 2000 and rose to the position of Assistant Director of the Internal Audit Department in 2011. Serving as Senior Vice President of Anti-Fraud Monitoring Department since 1 July 2014, Mr. Demircioğlu has 17 years of experience in the banking sector.

The responsibilities of the Anti- Fraud Monitoring Director are outlined below:

- Develop and ensure the implementation of strategies for minimizing financial and non-financial losses that may arise from external fraud,
- Prepare the annual business plans of the Anti-Fraud Monitoring Department and ensure that the Department's activities are performed in accordance with this plan,
- Evaluate whether the Department employees possess the qualifications required by their authorities and responsibilities,
- Supervise that the employees of the Anti-Fraud Monitoring Department perform their duties in an independent, diligent and unbiased manner.



AYDIN KÜÇÜKKARAKAŞ

Chief Information Security Officer

Aydın Küçükkarakaş got his bachelor's degree in Computer Engineering from Kocaeli University. Before joining Garanti Bank, he worked at a telecommunications company in several roles for 6 years. He joined Garanti Bank as an Information Security Specialist in 2007 and was appointed to the position of Unit Manager in 2014. He serves as the IT Security and Risk Management Director since October 2017. Mr. Küçükkarakaş has 18 years of professional work experience.

The responsibilities of the IT Security and Risk Management Director are outlined below:

- Ensure the development and implementation of information security policies, procedures and guidelines,
- Ensure business continuity planning and disaster recovery testing,
- Management of IT risks based on international standards,
- Design, implement and operate IT Security infrastructure,
- Design, implement and operate Security Operations Center (SOC) including threat management, security log management and security incident management,
- Supervise that IT Security and Risk Management employees perform their duties in an independent, diligent and unbiased manner.

IMPORTANT DEVELOPMENTS REGARDING 2017 OPERATIONS

INFORMATION ON SHARE BUYBACKS BY THE BANK

The Bank did not buy back any of its own shares in 2017.

INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING THE FISCAL YEAR

Under the applicable legislation, routine audits are conducted by supervisory authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board of Turkey (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey (CBRT). Detailed information about the administrative fines imposed against the Bank in 2017 by supervisory authorities as a result of auditing is provided in the following sections.

INFORMATION ON LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND THEIR POTENTIAL RESULTS

An investigation was initiated against the Bank in connection with an investigation on VAT evasion in relation to carbon emission trade in France on the grounds that accounts had been set up before

the Bank for two persons implicated in the investigation. The reason our Bank was included in the investigation is not directly related to the subject matter of the investigation, but to banking transactions performed by persons implicated in the investigation and by three Turkish legal entity customers that carried out money transfers with various foreign firms with which the former were linked. During the investigation process, while no action was deemed necessary for the three Turkish customers with respect to the investigation, our Bank was included in the investigation based on the opinion that our Bank had not achieved adequate compliance with the legislation with respect to account opening and transacting by two foreign customers. The trial was completed on 16 June 2017. The Court acquitted our Bank for the actions it had taken in 2008 and early 2009 at the time these individuals who had engaged in tax evasion had started opening accounts and making use of banking services in Turkey; however, the Court adjudged a judicial fine of EUR 8 million for account closure procedures by mid-2009, with total disregard of local legislation and regulations. In addition, the French Treasury asked for collection of the tax loss from all of the defendants of this litigation matter for the tax losses suffered because of tax evasion. Accordingly, the Bank will be subject to payment of damages up to EUR 25 million. Our Bank believes that the ruling is faulty and irrelevant, and has

taken all necessary action for appeal on 22 September 2017. The appellate review is in progress. The Bank's Management has taken all necessary steps that it was legally obliged to take in the said event. Our Bank believes that this unfair judgment that lacks any ground will be reversed by the appellate court, and it has set aside provisions in the amount of EUR 33,000,000 for the case on trial.

INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND ITS MANAGING MEMBERS DUE TO ANY PRACTICE CONTRARY TO THE LAWS AND REGULATIONS

During 2017, administrative fines levied by regulatory and supervisory authorities on our Bank amounted to TL 11,906,009.27; the Bank took advantage of the cash payment discount and paid TL 8,939,510.27.

Directorate General of Turkish Employment Agency, Istanbul Provincial Directorate of Labor and Employment Agency served an administrative fine of TL 10,338,915 against our Bank. The said administrative fine has been paid at the discounted amount of TL 7,754,186.25, taking advantage of the cash payment discount as per Article 17/6 of the Misdemeanor Law No. 5326.

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

The "Decision Amending the Decision on Treasury Support to Credit Guarantee Institutions" that was passed by the Council of Ministers on 27 February 2017 and that went into force upon its publication in the Official Gazette dated 10 March 2017 increases the amount of guarantee that can be furnished by the Undersecretariat of Treasury to the Credit Guarantee Fund (KGF) from TL 20 billion to TL 250 billion, and the amount of funds from TL 2 billion to TL 25 billion.

As per the BRSA decision dated 10 February 2017, it was decided that Treasury-backed guarantees be regarded in the same way with direct guarantee of the Undersecretariat of Treasury within the scope of the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks. As of the date of the BRSA decision, the guarantee rates, which were set as 75% for non-SME users and 85% for users defined as SMEs, were updated as 85% and 90%, respectively, based on the "Decision Amending the Decision on Treasury Support to Credit Guarantee Institutions". Upon this change, 0% risk-weighting will be applied to the Treasury-guaranteed portion of KGF credits within the scope of CAR calculations, and thus, the capital requirements have been restricted for credits allocated within the scope of KGF.

The Public Oversight Authority (in Turkish: KGK) published the finalized version of the TFRS 9 - Financial Instruments, which superseded TAS 39, in January 2017. TFRS

9 came into force on 1 January 2018. In this context, it has become compulsory for banks to implement TFRS 9 from 1 January 2018 pursuant to the BRSA "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside", which was published in the Official Gazette issue 29750, dated 22 June 2016. The Bank has made its transition to TFRS 9 practices as of January 2018.

Based on its decision dated 24 February 2017, the BRSA allowed banks to apply 0% risk-weighting, instead of the T.R. Central Government FC risk weighting, to required reserves that banks maintain as FC including gold before the CBRT due to their foreign currency obligations or within the frame of the reserve option mechanism, when calculating credit risk under the same regulation. Due to this practice, the Bank was able to offset the negative effect stemming from Turkey's downgraded sovereign rating assigned by Fitch in January 2017 thanks to the positive effect arising under CAR.

The "Regulation Amending the Regulation for Banks' Liquidity Coverage Ratio Calculations" published on 15 August 2017 by the BRSA raised the weighted value of required reserves from 50% to 100%.

As per the "Law Amending Certain Taxation Laws and Some Other Laws" published in the Official Gazette dated 05 December 2017, a tax rate of 22% will be applied to corporate earnings of corporations pertaining to 2018, 2019 and 2020 taxation years. In addition, the said law exempts the monies collected in benefit as a result of forwards and options contracts from banking and insurance transaction tax as of 01 January 2018.

The BRSA decision dated 23 January 2017 modified the upper limit of total exposure of retail portfolios within the scope of the "Regulation on the Measurement and Evaluation of Capital Adequacy of Banks". Accordingly, the retail loan limit set by the BRSA as TL 3,725,000 on 20 December 2016 was modified as TL 4,200,000.

AUDIT COMMITTEE'S ASSESSMENT

OF THE ACTIVITIES OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

In accordance with its duties arising from the legislation, the Audit Committee continued to review the effectiveness and adequacy of internal systems, the operation of accounting and reporting systems in line with the applicable regulations, and the integrity of the resulting information, and continued to verify whether the internal audit system encompassed the Bank's current and planned operations and the risks resulting therefrom upon review of internal audit plans. Within this scope, the Audit Committee regularly monitored and evaluated the activities of the internal systems during the course of the year. Furthermore, the Committee also fulfilled its functions of overseeing the activities of external audit company, appraisal firms and support service providers that are designated by the Board of Directors, as well as evaluating the relevant external audit results. Accordingly, the Audit Committee has met 5 times and inform the Board of Directors regarding the activities of the Committee, the assessments for the external audit firms, appraisal firms and support services providers, and other matters during 2017.

The Internal Audit Department conducted audit engagements over The Bank's head office units, regional offices, branches and consolidated subsidiaries by evaluating the effectiveness of the internal control and risk management

systems. Within audit works performed, process audits were carried out mainly on the basis of 11 different risk types:

- Business model risk audits,
- Internal governance environment and risk management audits,
- Capital risk audits,
- Credit risk audits,
- Market risk audits,
- Structural risks audits,
- Operational risk audits,
- Compliance risk audits,
- Technology risk audits,
- Extended enterprise risk audits.

In 2017, audit engagements were diversified through deeper and widespread specialization, more intensive use of technology, and the results that contribute to the Bank's processes have been achieved.

By following up suggestions made as a result of the audit engagements at the top management of the Bank, the Audit committee and the Board of Directors, it has been ensured that corrective actions were taken at the time scheduled by auditees.

By way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling and counterfeiting activities were prevented or noticed and it has

been ensured that necessary actions were taken. Scenario studies for suspicion regarding possible internal fraud were carried on by remote and on-site activities within this frame.

Internal Control Unit continued to challenge all control activities that are performed by the business and support units. In this regard, second level control activities were conducted in branches and head office departments. The existence of internal control models which are structured in line with the three-line defense principle in all financial subsidiaries of the Bank is also ensured.

Reporting flows have been implemented and periodic follow-up studies continued for remedying the findings determined during the controls.

Compliance Department carried on the activities of management of the Bank's potential compliance risks and kept working towards identifying and preventing these risks before implementation. The Department kept overseeing and coordinating the compliance of the Bank's ongoing and future activities, new transactions and products with the Banking Law, applicable legislation, internal policies and guidelines, and banking practices. With the aim of reinforcing the Bank's consolidated compliance policy, the

Department supervised the compliance activities of overseas branches and consolidated subsidiaries, taking steps towards promoting compliance awareness and culture. As part of corporate compliance activities, a training video on important issues of Code of Conduct was assigned and the training documents of sales people were re-evaluated.

In addition, sub procedures were established regarding conflict of interest. Notifications received by the Garanti Whistleblowing Channel were evaluated, upon which results were presented to the Integrity Committee. Within the scope of securities compliance function related to investment transactions, examinations were carried out within the frame of the CMB's Communiqué on Obligation of Notification Regarding Insider Trading or Manipulation Crimes. Procedures were established regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers, due to performing their jobs, professions and tasks. Within the scope of anti-money laundering (AML) and countering financing of terrorism strategy (CFT), studies were carried out in order to achieve alignment with national and international regulations. Through the existing monitoring programs and other initiatives by the compliance officer team, risk management, monitoring and control activities have been carried out efficiently. Classroom training sessions, regional office visits and web-based AML and CFT training programs offered throughout the Bank served to secure higher awareness and consciousness of the matter among the employees.

As part of Risk Management activities, Internal Capital and Operational Risk Department provided the necessary internal coordination for ensuring regulatory compliance and handled regulations. In accordance with the regulations published by the BRSA, ICAAP activities, which also covers stress tests, carried out in parallel to the budget process including the Parent Bank and affiliates. In scope of risk appetite framework, risk appetite core metrics for solvency and profitability and operational risk limits were reviewed and thresholds were calibrated, thresholds for by type of risk metrics were determined for the first time and submitted for approval of the Board of Directors. Necessary coordination for monthly risk appetite reporting to Risk Committee of the Board was continued and in this scope, solvency and profitability core metrics and operational risk limits were monitored and reported. Also Technical Rule of Risk Appetite Framework is established. Operational risk measurement and management tools were developed. New Business and Product Committee has been gathered and functioned in accordance with Charter and Procedure. Operational Risk, Control and Self-Assessment activities were carried out. Meetings and trainings were held and information was provided to the Bank's staff to enhance awareness of the Bank's employees regarding Operational Risk Management. Qualitative and quantitative validations were performed regarding internal models. Under Market Risk and Credit Risk Control Department; provisions collectively for loan portfolios pursuant to Turkish Accounting Standards (IAS 39) was reported monthly basis. Limits were set for loan growth in view of risk-return balance. Internal capital

requirements were calculated. Risk based calculation and budgeting in terms of economic capital and expected loss were studied. Risk database creation process was supported. Studies were conducted regarding improvement areas related to risk models and for remedying the identified shortcomings. Bank and market data were followed up regularly for monitoring and managing market, structural interest rate, structural exchange rate and liquidity risks. New asset and liability risk measurement tool was implemented. FX sensitivity of 12 month projected P&L was monitored. Internal metrics were monitored along with regulatory limits, potential and worst-case risks that may arise from economic circumstances were assessed by stress tests. Limits and alert levels were monitored to determine the risk exposure, and taken actions for necessary situations were followed up.

RISK COMMITTEE'S ASSESSMENT

OF RISK MANAGEMENT POLICIES, THEIR IMPLEMENTATION, AND MANAGEMENT OF VARIOUS RISKS THAT THE BANK MAY BE EXPOSED TO

Risk management activities are carried out in consideration of its risk management model which is oriented to maintain a moderate risk profile that allows to keep strong financial fundamentals in adverse environments preserving our strategic goals, an integral view of risks, and a portfolio diversification by asset class and client segment, focusing on keeping a long term relationship with our customers.

These activities are conducted within the risk based policies, approved by the Board of Directors, which handles the principles regarding the risks that Bank is exposed and its risk appetite framework. Rule and procedures are also established under these policies which completes the Bank's risk management framework.

Risk management performs its measurement, monitoring and reporting activities in line with its risk appetite framework, which sets out the risks and exposure levels that the Bank is willing to assume to reach its business goals. Within this framework, risk-based limits and metrics pertaining to liquidity, solvency and profitability are monitored and managed embracing both Bank and affiliates. Risk Management continuously seeks to develop its measurement, reporting and management tools, where risks are measured via advanced methods, reported to relevant committees and senior management in order to determine strategies and

take decisions, in a way considering compliance with local and international standards and practices.

Risk management also conducts ICAAP and ILAAP including stress tests, that is coordinated throughout the organization and carried out in parallel to the budget process, integrated with its risk appetite structure. These activities includes both quantitative and qualitative elements covering all material risks to which the Bank is or might be exposed. ICAAP fosters the assessment of not only Pillar 1 risks but also Pillar 2 risks, also ensures a forward looking and dynamic risk management.

Within the scope of its responsibilities, Risk Committee continued to monitor the evolution of the Bank's risk exposure, by type of risk, business line, product or customer segment and how these compare to the strategy and the risk appetite through the regular reporting channels during 2017. Besides, the Risk Committee reviewed and approved, as appropriate, Bank's risk appetite statement, risk metrics and risk based policies before their submission for approval to the Board of Directors. The Committee also involved in capital and liquidity planning processes by receiving and reviewing reports related to capital and liquidity planning including but not limited to ICAAP and ILAAP reports. Based on their scope, the affiliates are reviewed by the Committee in order

to foster a risk culture throughout the organization that guarantees the coherence of the risk management at all levels of the organization. Consequently, the Risk Committee held 11 meetings in 2017 in order to assist the Board in overseeing the Bank's enterprise risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities, as well as capital adequacy and planning and liquidity adequacy.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "the Bank") complies with the corporate governance principles set out by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other related legislations. Garanti Bank pays maximum attention to implement these principles. The Bank accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders can access comprehensive information, get information about the latest developments and activities from the regularly updated Garanti Bank Investor Relations website, and can address their questions to the Investor Relations Department and to the Subsidiaries and Shareholders Service.

As a result of Garanti's commitment to the corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report.

The Corporate Governance Committee was established in February 2013 pursuant to the Regulation on the Banks' Corporate Governance Principles

published by the Banking Regulation and Supervision Agency ("BRSA") and the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the CMB, which was effective at the time. The Committee is responsible for overseeing compliance with the corporate governance principles and for ensuring that relevant improvement efforts are carried out in the Bank. In 2017, the Committee held 3 meetings with full participation of its members. The Board of Directors considered that the activities performed by the Corporate Governance Committee in 2017 were efficient, appropriate, adequate and compliant with the relevant legislation. The activities of the Corporate Governance Committee are presented in detail in the Committees section.

On the other hand, Garanti, during 2017, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué No. II-17.1.

Garanti Bank received its first corporate governance compliance rating score in 2014. The Bank received a corporate governance compliance rating score of 9.14 in 2014, 9.20 in 2015 and 9.27 in 2016 and 9.51 in 2017. Since the Bank's compliance scores are above the (7) Threshold Score, Garanti continues to be included in the Borsa Istanbul Corporate Governance Index.

Based on the review performed in 2017, JCR Eurasia Ratings (JCR Avrasya Derecelendirme A.Ş.) upgraded the Corporate Governance Principles compliance rating score of the Bank from 9.27 assigned on a scale of 10 on December 10, 2016 to 9.51 on December 11, 2017 and preserved the outlook as Positive.

The corporate governance compliance rating score comprises four main sections with different weights as per the CMB's regulations relevant to this topic. These four sections and Garanti's current scores are as follows: Shareholders (25% weight, scored 9.22/10), Public Disclosure and Transparency (25% weight, scored 9.40/10), Stakeholders (15% weight, scored 9.57/10), Board of Directors (35% weight, scored 9.66/10).

The upgraded score in 2017 stemmed from Public Disclosure and Transparency (raised from 9.25 to 9.40), Stakeholders (raised from 9.23 to 9.57) and Board of Directors (raised from 9.34 to 9.66) headings.

The upgrade in Public Disclosure and Transparency was a result of disclosures made to the American over-the-counter market and upgrade in Stakeholders section was a result of (i) activities conducted by the Integrity Committee established in 2016 along with the Code of Conduct Trainings provided for

Bank's personnel (ii) notable progress made in the resolution of complaints through successful customer complaints management and the increased quality of service provision.

The upgrade in the Board of Directors section, on the other hand, was driven by (i) ongoing technological investments in recent years and significant progress made with respect to digitalization, (ii) detailed compensation policy regarding the "key personnel" which consists of managers occupying important roles within the Bank and in accordance with this policy, the salary rises and rewarding for 2016 was made, (iii) re-structuring of the internal audit department and the rise in the effectiveness of the internal audit function.

In addition to those, the outlook was maintained at Positive for the Public Disclosure and Transparency section, for which the report provided the following ground: "The Bank plans to adopt the integrated reporting model which systematically includes all financial and non-financial information and documentation as a whole. As it is concluded that this plan will be put into practice, the outlook of the main section of Public Disclosure and Transparency has been assigned as "Positive".

In addition, the report provided the following remark regarding the outlook for the Stakeholders section: "the new technological branch designs and greater digitalization of services provided for customer will positively affect customer satisfaction.

SECTION II - SHAREHOLDERS

2.1. INVESTOR RELATIONS DIVISION

Pursuant to Article 11 of the CMB Corporate Governance Communiqué No: II-17.1 published in the Official Gazette issue 28871 dated 03.01.2014, the Investor Relations Division that establishes communication between companies and investors needs to be set up, and it must directly report either to the company's general manager or assistant general manager or to another equivalent director with administrative responsibility. The head of the Investor Relations Division must hold "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License"; he/she must be employed as a full-time manager in the company and be appointed as a member of the corporate governance committee. Accordingly, the functions of the Investor Relations Division at Garanti Bank are fulfilled by the Investor Relations Department and Tax Operations Management Department - Shareholders and Subsidiaries Service. As disclosed on the Public Disclosure Platform following the Corporate Governance Committee meeting held in October 2015, Handan Saygin, Director of Investor Relations, who possesses "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License", has been designated as the Head of the Investor Relations Division and Member of the Corporate Governance Committee.

The Investor Relations Department manages the relations with foreign institutional investors/shareholders, investment firms and rating agencies. The Investor Relations Department is mainly responsible for:

- Managing relations between foreign/ domestic institutional investors/ shareholders and the Bank, consistently and proactively providing information, responding to their written and verbal queries,
- Participating in investor conferences organized in Turkey and abroad; organizing targeted road shows; making presentations about the corporate structure and financial statements,
- Managing relations between brokerage houses' banking sector analysts and the Bank, consistently and proactively providing information, responding to their written and verbal queries,
- Within the scope of public disclosure obligations regarding the depositary receipts trading in international markets, uploading corporate disclosures in English to the relevant platforms,
- Managing relations with international rating agencies and corporate governance rating agencies, responding to their written and verbal information requests,
- Handling the entire publishing process of the Bank's annual and interim reports, including printing and web-based processes, coordinating the compilation of the content in compliance with the related regulations,
- Managing the contents of Garanti Bank Investor Relations website and the iPad and Android tablet PC applications, making sure that the website covers all the points specified in the Corporate Governance Principles, and keeping the data provided up-to-date.

In addition to satisfying its key responsibilities, the Investor Relations Department, in 2017, performed the following in keeping with its proactive, transparent and consistent communication strategy:

- Attended 33 national and international investor conferences held in 15 cities in Asia, USA and Europe with the participation of the senior management, in addition to one-on-one meetings with 717 international investment funds, within this context, the CEO participated to 7 of these conferences,
- In 2017, Garanti share attracted USD 280 million worth of foreign investments, and Garanti share outperformed Borsa Istanbul Banking Index by 10%,
- Held due diligence meetings with 4 rating agencies, during these meetings facilitated fair representation and assured good understanding of the fundamentals to result in highest rating possible,
- Managed the corporate governance rating process conducted by JCR Eurasia Rating; the distinctive compliance score of 9.27 assigned to Garanti in 2016 was raised to 9.51 in the report issued on December 11, 2017; with these results Garanti remained within the Borsa Istanbul Corporate Governance Index,
- Collaborated and cooperated with the sustainability team, as a result of which Garanti continued to remain in the DJSI - Dow Jones Sustainability™ Emerging Markets Index in 2017 as the only bank from Turkey for third consecutive years,
- Focused on the needs of the entire investment community and offered constant access to current

- information through the bilingual Investor Relations (IR) and iPad and Android tablet PC applications developed in Turkish and English, which provide easy access to any information sought by investors anywhere in the world,
- Conducted four live webcasts/ teleconferences regarding the results of financial statements and posted the podcasts on the Investor Relations website and the iPad and Android applications,
- Issued quarterly interim reports, sharing detailed information and data about Garanti,
- Collaborated with Garanti Technology (GT) and used its own internal resources for a worldwide live broadcast of the meeting for announcing the 2018 budget conducted in teleconference and webcast format, which brought together the CEO and analysts from investment firms. Following the meeting, the video cast including the entire Q&A session was made available on its website and iPad and Android applications in a transparent manner, giving access to all stakeholders,
- Issued the "StockWatch Quarterly" newsletter 4 times a year, which provides brief information on the Turkish economy, the banking industry, the equity market and the position of Garanti in the sector, as well as on the Bank's operations, and published "Corporate Profile" booklets, by mid-year and at year-end, by digitalizing the "StockWatch Quarterly" newsletter enabled easier access for the readers,
- Continued sending e-bulletins, commenced in 2016, which covers the answers to frequently

- asked questions and the latest developments regarding Personal Banking, Commercial Banking, SME Banking, Human Resources and Housing Finance, along with senior management reports, and continued to make this information available to all stakeholders on the Investor Relations website. This year, in addition to this practice, following its earnings announcement, a 2 minute video that summarizes the financials and the story of the quarter, with the presentation Head of Investor Relations Handan Saygin was added,
- Coordinated the work in relation to the questionnaire developed by the Ethical Values Association of Turkey (EDMER); as the result of these efforts, Garanti was honored with the "Most Ethical Company Award" in Ethic Awards of Turkey 2016 (ETİKA) for complying with more than two thirds of the criteria specified for various categories such as reputation management, corporate governance, corporate social responsibility, leadership, innovation, pioneering and compliance,
- Within the scope of Turkish Capital Markets Conference held in Istanbul, Head of Investor Relations Handan Saygin took place as a speaker at the "Valued Added by Investor Relations to Companies" panel,
- Our CEO Fuat Erbil participated to the panel entitled " Value Added by Investor Relations in the eyes of CEOs" at the TÜYİD Investor Relations Summit. 'Increasing strategic importance of Investor Relations', 'Positioning of investor relations within companies' and 'Re-coding Investor Relations in the presence of regulatory agencies' were discussed at the panel. Head of Investor

Relations Handan Saygin continued to represent the bank as a board member at the organization, and continued to support the organization which works towards best ways to present companies and markets to investors and deepening of capital markets in Turkey,

- Being the first institution from Turkey to carry out share issuance in overseas capital markets, Garanti, carried out an interview with OTC Markets Group. This exclusive interview that related to the story of Garanti's value creation and strategy has been announced on all social media accounts of OTC Markets where Garanti's depositary certificates are traded, and contributed significantly to increased awareness of these certificates,
- After joining The International Integrated Reporting Council (IIRC) Pilot Program in 2014, Garanti became an IIRC Business Network Member in 2015, and kept monitoring the international reporting trends closely. Garanti published its first integrated report in 2017 with the commitment to communicate its long term sustainable financial and non-financial value creation story.
- Ever since the 2015 incorporation phase of ERTA (Integrated Reporting Turkish Network), Garanti has been among ERTA Founding Members and Executive Board Members. Investor Relations and Sustainability teams took part in ERTA Executive Board meetings and represented Garanti throughout 2017. Garanti has contributed to promotion and implementation of integrated reporting in Turkey, working in collaboration with other Steering Committee members, headed

by Prof. Güler Aras and included representatives from leading establishments of Turkey such as Borsa Istanbul, TÜSİAD (Turkish Industry and Business Association), Business Council for Sustainable Development Turkey, Corporate Governance Association of Turkey, Global Compact Turkey, Çimsa and Argüden Governance Academy, Participated in the Gong Ceremony and Integrated Reporting Experience Sharing Meeting for Institutions preparing Integrated Reports,

- At the Integrated Thinking get together in Ankara, on creating value through Integrated Thinking and with a holistic approach, alongside the CEO of International Integrated Reporting Council Richard Howitt who attended as the guest of honor, leaders and academics shared their experiences of the Integrated Report journey,
- Investor Relations Department and Sustainability Team, after several years of Integrated Report work, released the 2017 Annual Report as an "Integrated Report", which combines financial data with social, managerial and environmental data and provides a more holistic approach to corporate strategy.

Garanti Bank operates a Shareholders and Subsidiaries Service under the Tax Operations Management Department to facilitate the follow-up of shareholder rights. The primary responsibilities of this unit are as follows:

- Prepare all necessary documents in relation to the General Shareholders' Meeting to be made available to shareholders for their information and review, and ensure that the General Shareholders' Meetings take place

in accordance with the applicable legislation, articles of association, and other internal regulations of the Bank,

- Facilitate profit distribution procedures as per Article 45 of the Articles of Association in case the General Assembly decides to distribute dividends to shareholders,
- Make sure that amendments to the Bank's Articles of Association are made in accordance with the applicable legislation,
- Handle the capital increase formalities of the Bank, and facilitate the exercise of bonus and rights offerings that result from the capital increase,
- Fulfill public disclosure obligations,
- Transmission of the bank information electronically signed to the union and the update of such information with the intermediacy of Turkish Capital Markets Association Member Administration System (UYS),
- Upload information and documents related to the Bank and to carry out periodical updates to the e-COMPANY, e-MANAGE information portals under Central Registry Agency (MKK A.Ş.) and Information Society Services link established in accordance with the regulation on websites to be opened by public companies,
- Manage correspondences between shareholders and the Bank in relation to shares and ensure that legal records of shares, which must be kept pursuant to applicable legislation, are kept properly, secure and up-to-date.

INVESTOR RELATIONS DEPARTMENT

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Fax: (212) 216 64 21-22

2.2. EXERCISE OF SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION

News of any nature that might have an impact on exercising Shareholder rights, are disclosed as Material Event Disclosures via Public Disclosure Platform (www.kap.gov.tr) both in English and Turkish. The Subsidiaries and Shareholders Service responds to inquiries received from shareholders via

phone or e-mail regarding the general shareholders' meetings, capital increases, dividend distribution and share certificate procedures. In addition, during the current fiscal year, information requests by shareholders and third parties related to matters such as annual reports, the current status of shares they hold and the like are answered verbally and in writing.

The Investor Relations Department responds to questions received via phone and/or e-mail from existing and/or potential investors, bank analysts and rating agencies; in addition, the Department organizes one-on-one and/or group meetings and answers all questions about Garanti. Garanti has two investor relations websites, one in Turkish and the other in English.

The Investor Relations website in Turkish can be reached at:

www.garantiyatirimciliskileri.com

The Investor Relations website in English can be reached at:

www.garantiinvestorrelations.com

Garanti Investor Relations websites contain stock data, corporate information, periodically published financial statements and annual reports, information about corporate governance, sustainability and projects that add value to the society. These websites also give access to Material Event Disclosures pertaining to developments regarding Garanti Bank, which are disclosed to the public via the Public Disclosure Platform. The websites also respond to all sorts of user needs with the Investor Kit that contains basic, practical information and the Download Center function that covers all documents.

Allowing the users to follow up events and add them to their personal calendars with the IR Calendar function, the websites also feature Investor Calculator and the Interactive Share Chart function enabling comparative analyses between Garanti share and indices, local and international banks in different currencies.

The iPad and Android tablet PC applications of Garanti Investor Relations, offering access to latest information to users anywhere any time, includes a rich library which consists of annual reports, sustainability reports, financial reports, corporate presentations and periodic publications that can also be read offline. The application also sends notifications when new content is added.

The appointment of a special auditor has not been set forth as an individual right in the Articles of Association of the Bank and so far, no request regarding the appointment of a special auditor has been submitted to Garanti. On the other hand, as also stated on the Bank's website, pursuant to Article 438 of the Turkish Commercial Code No. 6102, shareholders have the right to request a special audit from the General Assembly of Shareholders, whether included in the agenda or not, in order to clarify certain aspects within the frame of exercising shareholders' rights, provided that shareholders making such request have previously exercised the right to obtain or review information as stipulated in the Turkish Commercial Code. If such a request is received, then the Bank takes maximum care for facilitating the exercise of such special audit right.

2.3. GENERAL SHAREHOLDERS' MEETINGS

During the fiscal year (01.01.2016-31.12.2016), Garanti Bank held its 2017 Ordinary General Shareholders' Meeting on March 30, 2017 and meeting quorum realized at 83.31%.

General Shareholders' Meeting is held in accordance with the resolutions adopted by the Board of Directors. Before the meeting, the meeting date, venue and agenda are announced to shareholders through the material event disclosure duly made via the Public Disclosure Platform in accordance with the general principles, as well as the announcements placed in the Turkish Trade Registry Gazette, e-General Meeting Electronic General Meeting System (www.mkk.com.tr) and national newspapers. Balance sheets, income

statements and annual reports are prepared prior to the General Shareholders' Meeting and made available for review by shareholders within the timeframe determined in the applicable legislation on the), e-General Meeting Electronic General Meeting System (www.mkk.com.tr) and Investor Relations website, at all branches and at Head Office of Garanti Bank. In General Shareholders' Meeting, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code.

Proposals are submitted for approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meeting are publicly disclosed via the Public Disclosure Platform (KAP), registered in Registry of Commerce and published in the Turkish Trade Registry Gazette.

Resolutions adopted in the General Shareholders' Meeting are carried out in accordance with the legal procedures within due time. Pursuant to the provisions of the Regulation on Electronic General Meeting at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to the General Shareholders' Meeting by electronic means is permissible.

Furthermore, the minutes and the list of attendants of the General Shareholders' Meeting are available to shareholders on Garanti Bank Investor Relations websites and at the Subsidiaries and Shareholders Service.

Pursuant to applicable legislation, the minutes of the General Shareholders' Meeting is made available to shareholders on Garanti Bank Investor Relations website, in the Trade Registry Gazette, on the Public Disclosure Platform (www.kap.gov.tr), e-Company Information Portal (www.mkk.com.tr), e-General Meeting Electronic General Meeting System (www.mkk.com.tr). No media members participated in the General Shareholders' Meetings held in 2017. The Bank invites all stakeholders to General Shareholders' Meeting, who will be voiceless during such meetings.

Amounts and beneficiaries of the donations made in 2017 are as follows:

BENEFICIARIES	AMOUNT TL
ÖĞRETMEN AKADEMİSİ VAKFI (TEACHERS ACADEMY FOUNDATION) *	3,505,000
UNIVERSITIES AND EDUCATIONAL INSTITUTIONS	2,232,440
İSTANBUL KÜLTÜR VE SANAT VAKFI (ISTANBUL FOUNDATION FOR CULTURE AND ARTS)	1,750,000
MINISTRY OF NATIONAL EDUCATION	1,500,000
OTHER FOUNDATIONS, SOCIETIES AND INSTITUTIONS	1,381,258
DOĞAL HAYATI KORUMA VAKFI (WORLD WILDLIFE FUND - TURKEY) *	765,120
AYHAN ŞAHENK VAKFI	736,800
TÜRKİYE EĞİTİM GÖNÜLLÜLERİ VAKFI (EDUCATIONAL VOLUNTEERS FOUNDATION OF TURKEY) *	544,481
VARIOUS PUBLIC INSTITUTIONS	510,992
TOTAL	12,926,091

* already included in the Community Investments

At the 2016 Ordinary General Shareholders' Meeting held in 2017, one shareholder lodged a statement of opposition, demanding that the article concerning Profit Distribution in the Bank's Articles of Association should be modified, high cash dividends or bonus shares should be given out, and so on. In response, it has been explained that profit is being distributed in the ratio stipulated by the legal authorities and that the retained portion is being set aside as Extraordinary Reserves as per the applicable legislation.

On another front, the total amount of contributions and donations made by the Bank in the reporting period is TL 12,926,091. Based on its approach to add value to the society, the Bank makes donations and contributions mostly to persons, non-governmental

organizations, societies or foundations, public entities and organizations that work in the fields of education, culture, art, environment and sports. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities.

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the reporting period is provided to the shareholders under a dedicated agenda item during the General Shareholders' Meeting.

There were no transactions in the reporting period for which the decision was left to The General Assembly of Shareholders by reason of dissenting votes cast by the independent board members.

2.4. VOTING RIGHTS AND MINORITY RIGHTS

Shareholders' voting rights and exercise of these rights are determined in Article 38 of Garanti Bank's Articles of Association. There are no privileged voting rights at the General Shareholders' Meetings of Garanti Bank. The Bank is not in a cross-shareholding relationship with any company, therefore no such votes were cast at the latest General Shareholders' Meeting.

Minority shares are not represented in the management. The Bank's Articles of Association do not set the minority rights to be less than one twentieth of the capital. On the other hand, as explained on the Bank's Investor Relations website, shareholders constituting at least one twentieth of the capital are entitled to request the Board of Directors to summon the general assembly for a meeting, by specifying the grounds therefor along with the agenda, which should both be put in writing, or if the general assembly is already scheduled to meet, then to request the addition of matters they wish to be decided to the agenda, under Article 411 of the Turkish Commercial Code No. 6102. As and when such a request is received, the Bank takes the utmost care for facilitating the exercise of minority rights.

2.5. DIVIDEND RIGHT

There are no privileges in dividend distribution. Details of dividend distribution are specified in Articles 45, 46, and 47 of the Articles of Association. In the past, the Bank has added its profit to its capital base and carried out dividend distribution in the form of bonus shares. In accordance with Article 46 of the Articles of Association, Garanti Bank submits dividend proposals for approval at the

General Shareholders' Meetings based on the decision of the Board of Directors. The proposals become effective if approved at the General Shareholders' Meeting and the resolutions are published via the Public Disclosure Platform on the same date. Following the resolution adopted regarding dividend distribution, the distribution procedures were completed and notifications were made to the public authorities within legal time periods.

The dividend distribution policy of the Bank was presented to the information of the shareholders at the Ordinary General Shareholders' Meeting held in 2013, and was publicly disclosed on the Bank's website.

The Bank's Dividend Distribution Policy is as follows:

"The details of our Bank's dividend distribution policy are specified in Articles 45, 46, and 47 of the Articles of Association. In this context, by taking into account our Bank's growth in accordance with its goals within the sector and its financial needs, the General Assembly is authorized to decide to distribute dividends in cash or to capitalize the profit and distribute the bonus shares to be issued by the Bank, or implement a combination of both methods, and execute the dividend distribution within the time period specified in the relevant legislation.

The Bank's dividend distribution policy stipulates distribution of up to 25% of the distributable profit in cash or as bonus shares upon the approval of the BRSA, provided that there is no unfavorable situation in the local and/or global economic conditions and provided further that the standard rates, which

are specified by the protective measures in the Banking Law No. 5411, are at the targeted level. Amounts retained from the profit for the period, which remain after legal reserves and funds that are obligatory to be saved by the Bank are set aside, are transferred to the Extraordinary Reserve Account.

In accordance with Article 46 of the Articles of Association, the dividend distribution proposals shall be submitted for approval of the General Assembly following a decision by the Board of Directors in this regard, by taking into account the Bank's operational performance, financial needs, growth target and the legal regulations governing the Bank.

The dividend distribution resolution becomes effective if and when adopted in the General Shareholders' Meeting, and resolutions are publicly disclosed via the Public Disclosure Platform on the same day."

On the other hand, at the Bank's Board of Directors' meeting held on January 31, 2018, it was resolved that the Dividend Policy of the Bank to be revised in order to comply with the requirements of the Communiqué On Dividends (II-19.1) issued by the Capital Markets Board of Turkey, to increase the distributable profit from 25% to 30% provided that the distribution being still subject to the approval of the competent authorities, and such revised Policy be submitted for the approval of the Bank's shareholders during the upcoming Ordinary General Shareholders Meeting.

At the General Shareholders' Meeting, it was resolved to distribute the profit for the year 2016, and dividend payments process initiated on April 24, 2017. The

following information has been provided to our Shareholders regarding the retained portion out of 2016 profit:

"After legal reserves and the funds that are obligatory to be saved by the Bank are set aside, the profit for the period retained after the profit is distributed upon the BRSA approval is allocated to Extraordinary Reserve Account in order to secure the Bank's continuous development and preserve its solid capitalization, to maintain the Bank's capability to make dividend distributions uninterruptedly, to ensure higher and consistent dividend distribution in the long term, and to be used for the Bank's operations and general operating expenses."

2.6. TRANSFER OF SHARES

The Articles of Association of Garanti Bank do not contain any provisions that restrict the transfer of shares. Shares are transferred in accordance with the Bank's Articles of Association and applicable legislation including the Banking Law.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. COMPANY WEBSITE AND ITS CONTENT

Garanti has two websites, one in Turkish and the other in English.

The Turkish website is accessible at:

www.garanti.com.tr

The English website is accessible at:

www.garantibank.com

Both garanti.com.tr and m.garanti.com.tr websites offer bilingual service in English and Turkish, and enable online banking

transactions through Garanti Internet banking branch. The website contains detailed information on products and services offered in banking, credit cards, investment, insurance, leasing, factoring, pension. Both websites provide duly categorized and easy-to-understand contents in order to respond to customer needs easily and quickly. Contents of websites are designed to cater to the needs and demands of SME and commercial target audiences and are constantly updated according to end-users' needs.

The mobile site is designed so as to provide product and service information to personal customers and let them forward their applications in the fastest manner through their mobile devices. Both websites offer quick application option both for the Bank's customers and non-customers by means of easy-to-use forms.

Calculators enable detailed calculations in relation to products such as loans and e-Savings Accounts.

The visitors of the website can easily compare the products under different categories and find the answer to any question in the "Help & Advice" section. The Quick Payments tab allows rapid execution of payments such as bill payments, Motor Vehicle Tax, traffic ticket payments, GSM TL top-ups and apply for the Advantageous Casco. Garanti Internet Banking facilitates fast and practical execution of more than 500 banking transactions by the Bank's personal and corporate customers. Our customers are able to access the products they need, instantly check their financial status, and view their income/expenses and cash flows.

All other information about Garanti Bank and stock in line with the needs of stakeholders, which need to be covered in websites pursuant to Corporate Governance Principles, is provided in detail both in Turkish and in English on Garanti Bank Investor Relations websites.

The investor relations website in Turkish is accessible at:

www.garantiyatirimciiliskileri.com

The investor relations website in English is accessible at:

www.garantiinvestorrelations.com

The contents of the Investor Relations websites prepared in Turkish and English go beyond the matters that companies are required to present on their websites pursuant to the Turkish Commercial Code and associated regulations, the CMB's regulations concerning Corporate Governance Principles and other capital markets legislation and other regulations in effect; these websites feature up-to-date corporate information, credit ratings, key financial indicators for the Turkish banking industry and for Garanti, the position of Garanti in the sector, Management Interviews, detailed information about Garanti shares (listing information, quotation, lists of analysts, stock analysis tools (price, volume, index and comparative analysis), periodic financial statements drawn up in accordance with international accounting standards and the BRSA regulations, reports and presentations prepared for investors, annual reports, sustainability reports, Operating Plan Guidance covering forward-looking financial projections, quarterly interim reports for investors, "StockWatch" bulletin, semi-annually published Corporate Profile bulletin; detailed information on

corporate governance including Garanti Bank's management, organizational structure, committees, Code of Conduct, Declaration of Human Rights, Disclosure, Dividend Distribution, Human Resources, Donations and Contributions, Compensation, Employee Compensation, Sustainability, Environment, and Environmental and Social Loan Policies, and Climate Change Position Statement and Action Plan; material event disclosures, capital increases, dividend ratios, Bylaws on Principles and Procedures of General Assembly, and detailed information regarding Ordinary General Shareholders' Meetings.

The shareholding structure currently posted on the Bank's Investor Relations website shows that Banco Bilbao Vizcaya Argentaria S.A. (BBVA) holds 49.85% of the Bank's shares. Its shares publicly traded in Turkey and its depositary receipts traded in the UK and the USA, Garanti had an actual free float of 50.07% in Borsa Istanbul as of December 31, 2017, and there is no ultimate non-corporate controlling shareholder holding more than 5% share in the shareholding structure.

The corporate website is organized to give all stakeholders quick and easy access to information. The information published on the website is updated regularly. Also, historical information is stored in a systematic order to allow users to make comparisons. Importance is given to efforts to improve the website and daily updates guarantee access to accurate and reliable information via the corporate website. The security of the website is assured by Garanti Bank.

The Investor Relations Department and Subsidiaries and Shareholders Service respond to questions, comments and

information requests of all stakeholders within the shortest time possible. Postal addresses, telephone and facsimile numbers and e-mail addresses of these units are available to all stakeholders in the Bank's Investor Relations websites in Turkish and English. The Investor Relations Department announces the international conferences and meetings it will participate in via the "Investor Relations Calendar" on its websites and iPad and Android applications. In addition, answers regarding Garanti Bank, its stock, borrowing instruments, financial statements, corporate governance and sustainability are provided in the Frequently Asked Questions section on the website.

3.2. ANNUAL REPORTS

Annual reports of the Bank contain the information required by the CMB's regulations concerning Corporate Governance Principles and other capital market legislation and regulations in effect. Garanti considers transparency not just as an obligation but puts it at the heart of its communication with all of its stakeholders; hence, the Bank does not restrict its annual reports to alignment with regulatory requirements. Playing a central role in Garanti's communication with its stakeholders, annual reports stand out as the Bank's most comprehensive publication that conveys Garanti's process of sustainable value creation for all of its stakeholders, and are recognized with multiple awards on the international platforms every year for the clarity and power of its messages.

SECTION IV – STAKEHOLDERS

4.1. INFORMING STAKEHOLDERS

Stakeholders are kept informed regularly through meetings, material event

disclosures sent to the Public Disclosure Platform, press releases, newspaper announcements, annual reports, news and disclosures on the corporate website, Investor Relations websites, and Android and iPad tablet PC applications, as well as internal announcements. In keeping with the principle of strict adherence to Garanti's essential values of trust, integrity, accountability and transparency, easy access to current information is ensured through the Investor Relations website and the Android and iPad tablet PC applications, which contain detailed information on matters that the stakeholders need to be informed about. Moreover, the Investor Relations Department holds comprehensive meetings with investors to share the latest developments, the competitive environment and market expectations, analyses and strategy, in an effort to establish plain, transparent, consistent and timely communication.

In order to ensure accurate and reliable information flow, the Investor Relations Department prepares presentations on quarterly financial statements; the Department shares these presentations with the stakeholders through its website and Android and iPad tablet PC applications, and responds to questions during live webcasts/teleconferences, the podcasts of which are subsequently posted on these public channels. The Department regularly attends investor meetings organized by investment firms, where it communicates recent information about Garanti and the sector. The Department also responds to questions and inquiries by phone or e-mail on a daily basis. All units of the Bank efficiently respond to customers' any information requests and demands about Garanti's services and products.

Created for the purpose of informing the employees, the corporate portal covers all relevant procedures, announcements and notices; this information can be accessed instantly and efficiently using different means. In addition, at Visionary Meetings held at the beginning of every year, Garanti CEO shares the past year's assessment and the next year's targets with the employees.

An e-mail account and a phone line have been allocated for stakeholders so that they can convey any act or situation that contradicts with the legislation or that is unethical. Compliance Department is responsible for managing the above mentioned "Whistleblowing Channel", which is described in detail in the Garanti Code of Conduct document. The Code of Conduct document is accessible by the entire personnel on the corporate portal, and is also made available to all other stakeholders on the Bank's Investor Relations website. Reporting to the Board of Directors, the Compliance Department carefully evaluates all notifications received in the shortest time possible, and ensures that all notifications are examined, referred to related parties and resolved. Such notifications are analyzed on the principles of objectivity, impartiality and confidentiality.

4.2. STAKEHOLDER PARTICIPATION IN MANAGEMENT

Garanti Bank, taking all stakeholders into consideration, aims to improve product and service quality and to achieve internal and external customer satisfaction. To this end, the Bank designs all of its systems to allow continuous improvement. The stakeholders can participate in management through specially designed systems and meetings.

In addition to responding to customer inquiries, the "Customer Careline" set up under the Customer Satisfaction Department receives customers' suggestions and handles their complaints. Garanti provides its customers with the means to communicate their demands, complaints, and ideas and suggestions about management any time through the Garanti website or the Call Center at 444 0 338. The experienced Customer Satisfaction and Social Platforms Management teams offer service 24/7 also through social media from the Garanti Facebook page and Twitter GarantiyeSor (Ask Garanti) account to give support and respond to questions in the fastest manner. In case of violation of the customers' rights protected by regulations and contracts, the Bank provides efficient and fast remedy and facilitates the use of loss indemnification mechanisms by customers who have incurred any loss.

At Garanti Bank, employee suggestions regarding products, services and processes are taken into account and used for improving the efficiency of internal operations. Employee comments are used as input for constant improvement, which are communicated by means of the "Önersen" (You Suggest) platform whereby employees share their ideas and suggestions. In use since 2007, the suggestion platform "Önersen" collected 1.313 suggestions in 2017 and reached over 22.000 suggestions since 2007 to date. Besides the "Önersen" platform, the employees are able to share their suggestions and comments on any topic through the "Ask/Share" section under the new intranet portal launched in 2016. Employee suggestions are taken into consideration by the relevant units and business processes are revised as necessary.

4.3. HUMAN RESOURCES POLICY

The pillar of Garanti's approach to human resources is investing in human capital. 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.

The human resources policy of Garanti can be summarized as giving priority and importance to the human, ensuring continuous investment, deploying sufficient resources for training, giving priority to promoting from within, implementing programs for this purpose, developing human resources systems, maximizing participation by leading an environment of open communication, displaying a fair and objective attitude, and developing practices at international standards. In this frame, the mission of the Human Resources Department is to play a strategic role by implementing efficient HR policies to assist the organization in achieving its business objectives. Accordingly, the Department operates in accordance with Garanti's ethical values and with the "equality principle" (the Bank and our employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like, sexual orientation, family responsibilities, disabilities, age, medical conditions, and union membership. The Bank and our employees respect human rights.) The Department is aware of Garanti Bank's business goals, and closely cooperates with business lines and those in the field.

In addition, the Department employs various objective, competency-based measurement and evaluation tools

and methods specific to each position in order to match the right person with the right job. The Department develops human resources applications in accordance with the Bank's strategies, makes efforts to improve employee motivation, creates open communication forums that allow employees to express themselves freely, provides "career consulting" for employees in line with their competencies, knowledge, skills, needs and expectations, and ensures that employees receive proper training for personal development.

Standard criteria (experience, seniority, performance, competency evaluation, tests, interview, etc.) are established for all internal promotions and transfers between positions. They are transparently announced throughout the Bank via career maps, while employees are guided and supported in line with their chosen career path.

The compensation system of the Bank is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's compensation policy established within this framework has been approved by the Board of Directors and has been presented for the information of shareholders at the Ordinary General Shareholders' Meeting held in 2013 pursuant to the CMB Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance

Principles, which was in force in 2013. On the other hand, the compensation policy has been revised by the Board of Directors' resolution dated December 7, 2017 both in accordance with the Banking Regulation and Supervision Agency Guideline on Good Compensation in Banks and the amendments to the salary adjustment schedule and variable payments applications. Presently, the policy is available to the public on the Bank's website pursuant to corporate governance principles.

The performance evaluation system at Garanti measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The portion of 13.03% of the total personnel expenses figure for the benefits provided in 2017 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

The first and only Turkish company to bring "Gold Accreditation" by the IIP (Investors in People) to Turkey twice, Garanti once again proved that its primary focus in any activity is on its human resource, i.e. its most valuable asset, and firmly established that it leads the sector with its innovative practices in this area. These awards endorse Garanti's commitment to preserving the standards of its HR implementations while sustaining growth. Maintaining its stable growth in every field, Garanti will keep investing in its human resource and carry on with its world-class implementations based on its "people-oriented" management concept.

In relation to its Occupational Health and Safety (OHS) efforts, Garanti repositioned its OHS team set up under the Human Resources Department in 2013 as the OHS Section in 2015. The related activities are carried out across the country with a team of 41 people covering Occupational Safety Experts, On-Site Physicians and On-Site Nurses. Authoring a first among financial service institutions of a similar size in Turkey, Garanti launched the OHS software in all of its locations. The Bank uses the platform to keep track of various activities including risk assessment, health monitoring, training programs, OHS Committees, near misses, work place accidents, review of occupational illness processes, and coordination and control of countermeasures. Going well beyond the requirements brought by the national legislation in its Occupational Health and Safety practices and activities, Garanti initiated work in relation to OHSAS 45001 Occupational Health and Safety Management System that will replace OHSAS 18001, and these efforts are intended to enhance employee and stakeholder satisfaction and well-being.

Any developments or decisions concerning the employees are conveyed either to the concerned employee via private communication tools or to all employees via the Intranet.

4.4. ETHICAL RULES AND SOCIAL RESPONSIBILITY

Sense of corporate responsibility is an integral part of the corporate culture of Garanti. Garanti molds its societal investments, as well as its banking activities, around social, economic and environmental factors, which are components of sustainability. Besides sharing its knowledge in various fields with the society and future generations, Garanti continues to add value to cultural and social life through its innovative institutions and with its support to Turkey's deep-seated establishments. Garanti aims to regularly measure the benefits it contributes to the society and its impact upon it through social impact analysis to be conducted by an independent research company, the findings from which will then be used for improvement efforts. Garanti focuses on contributing to the society in cultural and educational arenas. While determining its future strategy, Garanti keeps a close eye on the needs of our country and society, and aims at introducing or supporting value adding and sustainable projects. When devising its future strategies, Garanti aims to progress within the frame of the needs of the society and its stakeholders, which the Bank identifies with the help of a Materiality Analysis conducted by an independent research company.

In line with the Bank's commitment to corporate governance principles and ethical values, Garanti Code of Conduct, which was prepared in view of the requirements of today's working life, was

approved by the Board of Directors and entered into force in 2015. Garanti Code of Conduct document is also made public on the Investor Relations website.

Garanti Code of Conduct document defines employees' responsibilities to customers, colleagues, business and the society. Conduct towards customers concentrates on the principles of transparency, non-discrimination and accountability. Conduct towards colleagues addresses team values, respectful working environment, objectivity and occupational health. Conduct towards business basically deals with preventing conflicts of interest, confidentiality, data protection, media relations, retention of records and investment transactions. Conduct in society is addressed under the headings of anti-money laundering and anti-corruption, commitment in relation to human rights and the environment, investment in society and political neutrality.

Garanti firmly believes that the total quality concept can be realized only through strict adherence to an HR policy, code of conduct and ethical values that are erected upon integrity, honesty and respect. In addition to the Garanti Code of Conduct document, Ethical Sales Principles, Social Media Policy, Anti-Fraud Policy and Compliance Policy documents are posted on the Intranet that is available to all employees. Current announcements have been published in relation to Garanti Code of Conduct and Ethical Sales Principles documents. In addition, Garanti has compiled its principles and values in a handbook titled the Customer Satisfaction Constitution in accordance with its customer-centric approach, which is available to all employees and customers.

Handbook of Ethical Sales Principles emphasizes the "reputation" concept as the Bank's greatest asset, and details the expected code of ethical conduct for employees during sales activities. Social Media Policy sets forth the rules as to how the Bank's employees will represent Garanti on social media. Anti-Fraud Policy is intended to create awareness against any act of misconduct across the Bank and to improve honest and reliable working environment conditions.

Garanti Bank's policies relating to the core components of the compliance system are documented in the "Compliance Policy".

Compliance Policy emphasizes the compliance risk and reputation risk concepts, and underlines that employees are expected to comply with the laws, Garanti Code of Conduct and corporate standards in standards in their behaviors. The Policy defines the concept of integrity and lists the basic tasks and responsibilities within the compliance system.

In this context, it is emphasized that compliance is not the responsibility of senior executives or certain business units only, but of each employee.

Garanti attaches particular importance to ethical and integrity principles, and aims to maintain constant awareness of the issue through trainings for all employees.

SECTION V – BOARD OF DIRECTORS

5.1. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

Süleyman Sözen is the Chairman of the Board of Directors. The Chairman has no

executive functions and the executive member of the Board is Chief Executive Officer Ali Fuat Erbil.

CMB requirements regarding Corporate Governance Principles stipulate that minimum three independent members must serve on the boards of directors of banks. Since the Board members assigned as members of the Audit Committee are deemed as independent Board members according to these requirements, Javier Bernal Dionis, who currently serves as the Head of the Audit Committee, and Jorge Saenz-Azcunaga Carranza, Audit Committee member, are independent Board members.

Résumés, terms of office and positions of the Board members are presented on pages 103, 104, 105 and 106 of the Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

At the Ordinary General Shareholders' Meeting held in 2015, Garanti elected Sema Yurdum as the third independent Board member, who satisfies all the independence criteria announced by the Capital Markets Board. The Corporate Governance Committee report dated February 02, 2015, establishing that Sema Yurdum satisfies the independence criteria, has been submitted to the Board of Directors, which has resolved to file a notification with the CMB regarding the nomination of Sema Yurdum as an independent Board member.

Quoted below is the declaration of independence by Sema Yurdum, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2015.

"To: Türkiye Garanti Bankası A.Ş. Corporate Governance Committee,

I hereby declare that I currently serve as an "independent member" on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board of Turkey, and that I stand for the same position once again as my term of office ends on the date of the first General Shareholders' Meeting to be held in 2015. In this context, I hereby declare as follows:

a) I have not held a seat on the Bank's Board of Directors for more than six years in the past ten years,

b) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity in which these shareholders have management control,

c) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under

a contract, the Bank purchased/sold services or products of material quantity

during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years,

d) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

e) I am not a full-time employee of public institutions and establishments as at the date of nomination,

f) I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,

g) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank's shareholders, and making decisions freely taking into consideration the rights of stakeholders,

h) I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake,

i) I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank,

j) I will be serving on the Bank's Board of Directors as a real person and in this

context, I have not been registered and promulgated in the name of any corporate entity elected as a board member."

On the other hand, no circumstances arose in 2017 fiscal year, which prejudiced the independence of independent Board members.

The Board of Directors of Garanti Bank is formed of 11 members, and the number of women members was 1 during 2017.

Pursuant to Article 396 of the Turkish Commercial Code, the General Assembly authorized the members of the Board of Directors of Garanti Bank to execute a transaction of a commercial business nature that falls under the Bank's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs, during the reporting period.

5.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors meeting agenda mainly consists of matters requested to be addressed by the Chief Executive Officer and any additional matters requested to be added to the agenda by any Board member.

The Board of Directors 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 2017, the Board of Directors met 16 times by satisfying the required quorums for meeting and decision.

A Corporate Secretariat position has been set up to facilitate communication between the members of Board of Directors and the Head Office.

Discussions at the meetings of the Board of Directors are recorded in the minutes and signed by the attending members.

Naturally, the Board members may express different opinions and comments, and cast dissenting votes at Board meetings. Reasons for dissenting votes on issues about which different views are expressed during any Board meeting are recorded in the minutes and signed by the member(s) who cast the dissenting vote(s). Each member of the Board of Directors has one vote and the members do not have any privileged voting right and/or vetoing right.

The bank has Directors and Officers Liability Insurance policy with a limit of EUR 100 million for the individual liabilities of the managers and board members in course of their management duties. The bank also has a Professional Indemnity policy in place with a limit of USD 50 million liability for civil liability attributable to the bank for claims made to the bank by third parties for damages which arise out of the provision (or failure to provide) of Professional Services by or on behalf of the Bank.

In addition to these policies, the bank has a cyber risk data protection insurance policy with USD 27,935,000 limit of liability which covers business interruption losses

and third party claims following a privacy breach arising out of a cyber-attack.

As of December 31, 2017, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is approximately 1% of the Group's total operating income. In addition, the total of investments in affiliates and associates and related party cash and non-cash loans and other receivables is less than 14% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the total of cash portions of such risks is less than 1.5% of total consolidated assets in the financial statements prepared in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA as of the same date.

5.3. NUMBER, STRUCTURES AND INDEPENDENCE OF THE COMMITTEES UNDER THE BOARD OF DIRECTORS

In line with its commitment to corporate governance principles, Garanti established the Audit Committee to assist the Board of Directors in its audit and supervision activities and to more effectively protect the interests of the Bank and the investors, although there was no legal regulation in force at the time. The Committee has been active since 2001, with the primary and ultimate responsibility resting with the Board of Directors. The duties and responsibilities of the Committee are fully aligned with the Banking Law and the relevant regulations. In 2017, the Audit Committee met 5 times to discuss the routine agenda and made decisions about various topics which were brought to agenda.

The Internal Audit Department performs systematic audits that cover all activities and units of Garanti Bank in accordance with applicable legislation, especially the Banking Law, and the Bank's bylaws. These audits are performed separately from day-to-day activities and they mainly focus on internal control and risk management systems. In this context, audit is conducted at domestic and overseas branches of Garanti Bank, at the Head Office units and consolidated subsidiaries.

Pursuant to the Regulation on the Banks' Corporate Governance Principles published by the BRSA and the CMB's requirements in relation to Corporate Governance Principles, a Corporate Governance Committee has also been established to oversee compliance with corporate governance principles, undertake improvement efforts in this area, nominate independent members to be appointed to the Board of Directors, and submit proposals to the Board of Directors. The Corporate Governance Committee held 3 meetings in 2017, which were attended by all committee members.

Moreover, a Credit Committee functions under the Board of Directors, to which a certain amount of credit allocation authorities has been transferred. In 2017, the Credit Committee held 28 meetings with the required quorum.

The Remuneration Committee operates to review and implement the Bank's compensation policies. In 2017, the Committee held 1 meeting.

The committees mentioned above carried out their activities efficiently and in total alignment with the applicable legislation during the reporting period.

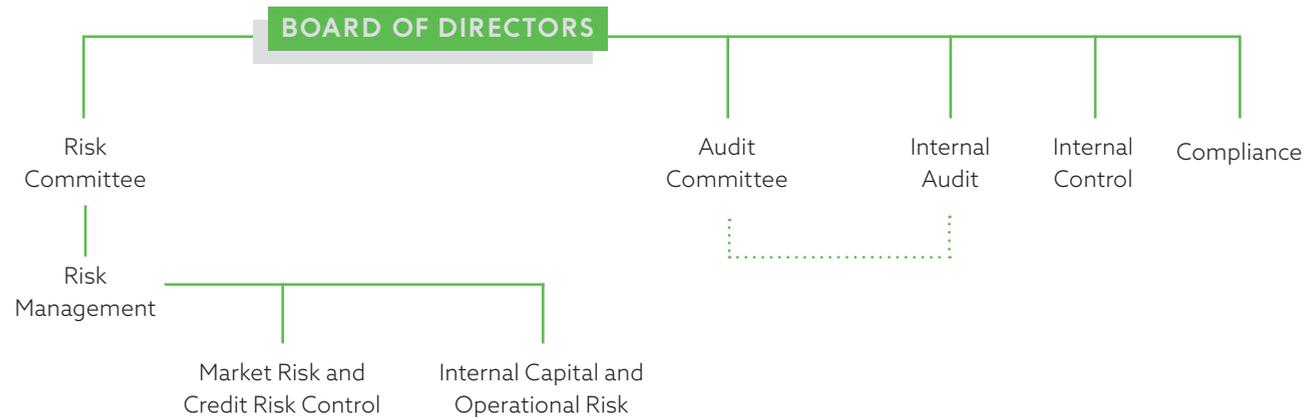
Detailed information regarding the formation and operation of the Audit Committee, Corporate Governance Committee, Credit Committee and Remuneration Committee is provided in the Committees and Committee Meetings Attendance section of this report. In view of the number of the Bank's Board members, members of the Board of Directors can serve on more than one committee.

On the other hand, a Risk Committee reporting directly to the Board of Directors operates to assist the Board of Directors in verifying that corporate risk management policy and practices are in line with the Bank's strategies and the legislation, and overseeing management and assessment capabilities relating to various types of risks including capital adequacy, planning and liquidity adequacy. The Risk Committee held 11 meetings in 2017.

Detailed information regarding the formation and operation of all committees operating in the Bank is provided in the Committees and Committee Meetings Attendance section of this report.

5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The Board of Directors is ultimately responsible for developing and monitoring the Bank's risk management, internal control, internal audit and compliance policies and strategies. Accordingly, Risk Management, performing risk management functions, reports to



the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Center, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors.

Risk Management ensures that; risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, an integrated risk management system is established which pursues risk-return-capital relationship, which measures all risks together and which is in compliance with applicable legislation, Bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached; defines, measures, monitors and reports risks and ensures that all control activities are conducted thoroughly and timely; monitors and supervises results.

The Internal Control Unit ensures the establishment and coordination of a sound internal control environment in Garanti, and also makes sure that the Bank's activities are performed efficiently, effectively and in line with the management strategy and policies of the Bank, as well as with applicable rules and regulations.

Within the applied internal control model which is structured according to three line of defense principles, necessary control activities have been identified by taking the relevant risks into consideration by

the first line of defense teams in the business units. A process in which the results of control activities are reported from business units to the relevant second line of defense functions has been constituted. In this model, Internal Control Unit ensures the proper execution of control activities performed within the Bank by implementing a common methodology.

In 2017, Internal Control Unit carried out controls within branches (including branches abroad) and regional directorates, using the onsite control methods. Regarding the head office departments; the related control activities which are conducted within the business/support units are monitored and challenged in order to ensure that those control activities are performed in timely and accurately. Information Technology Controls team within the Internal Control Unit monitored that information technology activities were conducted securely and within the rules set by the bank.

The Internal Audit Department performs systematic audits that cover all activities and units of Garanti Bank in accordance with applicable legislation, especially the Banking Law, and the Bank's bylaws. These audits are performed separately from day-to-day activities and they mainly focus on internal control and risk management systems. In this context, audit is conducted at domestic and overseas branches of Garanti Bank, at the Head Office units and consolidated subsidiaries.

Working with the purposes of managing potential compliance risks of the Bank and of identifying and preventing these risks

before implementation, the Compliance Department aims to establish a world-class compliance culture across the Bank. Compliance Officer Team carries out necessary efforts to achieve compliance with the regulations issued to prevent laundering proceeds of crime and combating the financing of terrorism, and provides communication and coordination with the Financial Crimes Investigation Board. In terms of customer compliance activities, compliance controls are implemented in accordance with the applicable legislation, and opinions are formed prior to introduction of new products and transactions. With respect to corporate compliance activities, Compliance Department is responsible for helping resolve any doubts that may arise during the interpretation of the Garanti Code of Conduct document, and managing the Whistleblowing Channel. With respect to securities compliance activities, suspicious transactions are examined within the scope of the Capital Markets Board legislation. Within the context of subsidiaries' coordination activities, compliance activities of the Bank's subsidiaries and branches abroad are monitored.

Adopting an "enterprise external fraud prevention" approach within the framework of customer protection principles, Anti- Fraud Monitoring Department centrally monitors issuing, acquiring, online/telephone banking, demand deposit account transactions and consumer loan/credit card applications carried out through any branch or non-branch channel by Garanti Bank customers. Within the scope of monitoring and controlling operational risks that Garanti is exposed to, Anti-

Fraud Monitoring Department is charged with the development of strategies to proactively monitor, detect, control and prevent acts of external fraud. Real-time and/or online actions are taken immediately to stop fraudulent activities and anti-fraud strategies are updated accordingly against changing fraud trends. In addition to minimizing the fraud losses of the Bank and customers, its primary goals are to prevent possible reputational and/or financial risks that may result from acts of fraud considering customer experience.

The department continuously works in coordination with the internal and external stakeholders with a proactive approach and contributes in raising public awareness with internal and external training activities for prevention of fraud attempts.

5.5. STRATEGIC GOALS OF THE COMPANY

The purpose of Garanti is "to bring the age of opportunity to everyone", Garanti employees place their customers at the core of their whole operations, think big and collaborate as one-team.

Customers, employees and its business model are the main pillars of Garanti's strategy. With the principle of always approaching its customers in a "transparent", "clear" and "responsible" manner, Garanti's goal is to continuously improve customer experience by providing products and services tailored to their needs, and focus on training competent and well equipped bankers dedicated to continuous development. Garanti constantly evaluates and develops its efficient business model focused on effectiveness and productivity with its

omni-channel approach from branches to digital channels to be compatible with the innovations of the era. Garanti aims to achieve sustainable growth by creating value for all its stakeholders.

Please refer to Our Strategy Section for more information on main pillars of Garanti's strategy and its strategic priorities.

The purpose, main pillars of Garanti's strategy and strategic priorities of Garanti are publicly announced on Garanti Investor Relations website in English and Turkish in addition to Garanti's annual report. Furthermore, forward-looking expectations and other communications through printed and visual media channels are available on Garanti Bank's corporate website and Garanti Investor Relations website.

Within the context of Garanti's strategy, its operating plan, its short and medium business plans are formulated; its strategic goals are presented to the Board of Directors. The Board of Directors is informed on the execution of approved business plans, the level of attainment of the targets, operations and performance on a monthly basis. The executives of the Bank periodically monitor the target realization reports and hold individual performance review meetings with branch and regional managers regarding the attainment of the targets.

Information regarding Garanti's purpose, core values, competitive advantages, risk management, corporate governance, 2017 Performance and Outlook are presented in the related sections of the Annual Report. Furthermore, 2018 Operating Plan Guidance covering

forward looking assessments of Garanti has been published on the Public Disclosure Platform and publicly disclosed on Garanti Investor Relations website.

5.6. REMUNERATION

As published on the Bank's website, a Compensation Policy has been formulated for the Bank's employees in accordance with the banking and capital market legislation, and it has been approved by the Board of Directors.

Pursuant to the Bank's Compensation Policy, the policy encourages fair, transparent, measurable and sustainable success among employees and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the HR Unit authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

Members of the Bank's Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting. In addition to the attendance fee paid to the Board members, it has been decided at the Ordinary General Shareholders' Meeting held in 2017 that payments to be made to those Board members who assume a specific position in the Bank, and to independent Board members be determined by the Remuneration Committee that has been authorized by the Board of Directors pursuant to Corporate Governance Principles. It has also been resolved to set a maximum limit of TL 21,000,000 for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2018.

Furthermore, other financial rights to be provided to the Senior Management consisting of the members of the Board of Directors, the CEO and Executive Vice Presidents are determined by the Remuneration Committee that is established in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency.

Under the provisions of the said Regulation, the Remuneration Committee has determined the manner of payments to Senior Management and the criteria for performance-based payments, by taking into account the European Union regulations and practices. Accordingly, Senior Executives receive performance-based payments in addition to their monthly salaries, which payments are determined by the Remuneration Committee based on objective criteria including the economic profitability and key performance indicators of the Bank, as well as subjective criteria based on the respective personal performance. The Remuneration Committee ensures that such payments do not negatively affect the Bank's capital adequacy ratio and the continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

As of December 31, 2017, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year amounted to TL 111,505,000. As the public disclosures regarding the payments

made to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative explanations with regard to the remuneration policies, such payments are announced cumulatively.

At the Ordinary General Shareholders' Meeting held in 2017, the following information has been provided to the shareholders regarding the compensation principles applicable to senior management.

"Our Bank has established and announced a compensation policy for all employees pursuant to applicable legislation. A fair, performance and success-based remuneration policy has been created.

"Our Bank's Compensation Policy has been implemented as approved and it is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the Remuneration Committee continued to implement its policies that it has set in relation to remuneration and bonuses to be paid to the members of the Board of Directors who assume administrative roles and to senior executives, which do not rely solely on profit. The Committee reviewed the same at certain intervals. The policy, which has been developed in line with the local legislation and international practices, continued to be implemented.

The portion of 13.03% of the total personnel expenses figure for the benefits provided in 2017 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments."

On the other hand, the loans to be disbursed by Garanti Bank to the members of the Board of Directors and managers are restricted to specific framework by Article 50 of the Banking Law. The Bank does not disburse loans to the members of the Board of Directors and managers outside of the above mentioned framework.

Detailed information on the Remuneration Committee can be found on the Annual Report page 119.