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2018 INTEGRATED ANNUAL REPORT



TRUE STORIES

GARANTI EMPATHY

“Empathy lies at the heart of Garanti.

The most valuable distinction we have lies in our ability to understand our customers’ expectations from life, make them feel good and safe, and establish an emotional bond with them, in addition to the fast and high quality service we offer.”



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**GARANTI BANK
2018 INTEGRATED
ANNUAL REPORT**

ABOUT THIS REPORT

We are pleased to present our second Integrated Report, which makes a holistic assessment of the financial and non-financial performance of T. Garanti Bankası A.Ş. ('Garanti'), as well as conveying its forward looking strategy.

Garanti aligns its thinking and its approach to long-term value creation to the principles of Integrated Reporting and aims to communicate its total value creation story in a clear and comprehensive way to all its stakeholders.

While providing an overview to the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "2018 Integrated Annual Review", Garanti provides a thorough account of its annual activities, detailed financial and non-financial performance including value drivers and indicators, and its approach to corporate governance and risk management in the document titled "2018 Integrated Annual Report".

The content of the Report is identified in line with the material issues, which are determined as an intersection of issues raised by our stakeholders and topics that are significant to Garanti. The information presented in this Report covers the 12-month period ending 31 December 2018, and unless otherwise specified, includes information on Garanti's operations in Turkey as well as the international subsidiaries in the Netherlands and Romania, foreign branches in Cyprus and in Malta, and two international representative offices in Dusseldorf and Shanghai. Where relevant, the information is supported by historical data.

The connection between the material issues, business strategy and performance in 2018 is clearly established, as suggested in the Integrated Reporting framework published by the International Integrated Reporting Council ('IIRC'). Garanti is a member of IIRC's Global <IR> Network and <IR> Banking Network and is a founding member of Integrated Reporting Turkey Network (Entegre Raporlama Türkiye Ağı "ERTA").

This report has been prepared in accordance with the GRI Standards: Core option. The Report covers five main chapters called "Introduction", "About Garanti", "2018 Performance & Outlook", "Corporate Governance & Risk Management" and "Financial Reports". It also includes the GRI Financial Services Sector disclosures, United Nations Global Compact ('UNGC') and Women's Empowerment Principles ('WEPs') Progress Report, and a summary table of climate related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations. Sustainability Accounting Standards Board ('SASB') Provisional Standard for Commercial Banks has also been used. Garanti's 2018 Integrated Annual Report will be presented at the Ordinary General Shareholders' Meeting of Garanti Bank.

KPMG provided reasonable assurance on the financial information, and limited assurance on selective non-financial information defined in detail in the auditor's report.

INTRODUCTION

The first chapter provides a foreword on the reflection of Garanti's value creation story on this year's annual report, keynote messages by Richard Howitt (CEO of IIRC), by our Chairman, and by our CEO.

ABOUT GARANTI

The second chapter covers the operating environment, the positioning of Garanti, its governance structure, risk management perspective, material issues which specifically impact Garanti and its stakeholders and stakeholder engagement, mega trends, Garanti's response to relevant risks and opportunities, the interaction of our business model with the 6 Capitals as defined in the IIRC Framework, and our ability to create shared value in the long term.

2018 PERFORMANCE AND OUTLOOK

Our "2018 Performance & 2019 Outlook", which is explained in the third chapter, comprises of five main sections representing the umbrella themes for 14 different material issues as explained in "Our Material Matters". Each section describes the value creation story and the outlook in connection to Garanti's Strategic Priorities. Each of the five sections elaborates on both past performance and gives an account of future strategies. Furthermore, Garanti's contribution to the Sustainable Development Goals ('SDGs'), the 15 year global plan of action to end poverty, reduce inequalities and protect the environment are linked to each section.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The fourth chapter, 'Corporate Governance & Risk Management', provides a detailed discussion of the management of strategic risks related to Garanti's operations and the full governance structure.

FINANCIAL REPORTS

The final chapter sets out the audited annual unconsolidated and consolidated financial statements for Garanti, including the statement of responsibility by the Audit Committee Member (Independent Member of the Board), the CEO and the CFO on the financial statements and the annual report. The Bank prepares its unconsolidated and consolidated financial statements in accordance with accordance with the "Banking Regulation and Supervision Board ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated and consolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in associates and affiliates valued at equity basis of accounting or that are quoted on the stock exchanges which are presented on a fair value basis.

The Bank have started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying consolidated financial statements starting from 1 January 2018 for the first time based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from 1 January 2018. The impact on the statement of financial position regarding adoption of TFRS 9 as of 1 January 2018 is explained in the respective section of financial reports. TFRS 15 and other new TFRS/TAS amendments in effect do not have significant impact on the accounting policies, financial position and performance of the Bank.

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in the respective section of financial reports.



Please share your feedback and comments on the report by e-mailing to integratedreport@garanti.com.tr.



Please scan the QR code to access Garanti Bank 2018 Integrated Annual Report website.

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Number of pages of the section



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FOREWORD



“EMPATHY LIES AT THE HEART OF GARANTI.”

Customer experience consists of rational and emotional experiences delivered at each touch point involving communication upon understanding the customers’ feelings, needs and expectations. Garanti positions its customers as a building block of its strategy and the customer experience as its strategic priority. One of the most important distinctions of Garanti is its ability to “empathize”.

Empathy, in the simplest terms, for an individual or an organization, is defined as putting oneself in the shoes of another, that one is in interaction with. Garanti, however, takes empathy a step further. For Garanti, empathy means correctly understanding, its customers’ constantly evolving needs and expectations, offering them timesaving solutions to improve their lives, and while doing so, delivering a swift and smooth experience. It means helping them make the right financial decisions, supporting them to grow their businesses sustainably, and providing the best experience at all digital and physical touch points. As a result of all these, the Bank desires its customers to feel good for working with Garanti.

It is an indispensable passion for Garanti to offer an excellent experience to its more than 16 million customers. To this end, the Bank designs and simplifies the experiences at all touch points from its customers’ perspective, in a bid to offer an uninterrupted, seamless and personalized experience throughout all channels. The Bank constantly follows up and

applies all new technologies for an enhanced customer experience.

The opportunities that the technology offers and all digital transformation initiatives are integral parts of the customer experience. But at the heart of it all, lies “human”. And this makes “employees of Garanti” one of the constant and key actors in customer experience. More than 18 thousand Garanti employees are working to drive Garanti forward in customer experience, employing “transparent, clear and responsible banking” principles.

In a year that was challenging for both our country and the global markets, Garanti Bank, in its 2018 Integrated Annual Report, focused on one of the most significant reflections of its customer-centric strategy that is the key of its sustainable success: True Stories.

Each one of these stories that actually happened all over Turkey, in fact, reveals the secret underlying the longstanding success of Garanti: standing by its customers through every moment, whether it is a good, bad, happy, sad, tough or pleasant one.

Just as it has done in the past, Garanti will continue to make its customers feel that they are cared, they are precious, and that Garanti will continue to be by their side at all times...



Please scan the QR code to listen to the True Stories.

* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes.

Audio recording of True Stories have been voiced by Garanti Bank employees Ebru Kazancı Tuncel (Product Management and Business Development Supervisor, Cash Management and Transaction Banking), Ahmet Balcı (Country and Issuer Risk Supervisor, Bank, Country & Issuer Risk) and Sinem Özönur (Integrated Reporting Manager, Project Finance).

MESSAGE FROM RICHARD HOWITT

Garanti Bank continues to show leadership through their adoption of integrated reporting, and I am delighted to welcome this second integrated report, representing a further step forward in demonstrating how the Bank is genuinely connected both within its operations and with wider society.

The Bank has shown real leadership as the whole finance sector in Turkey is moving to embrace integrated reporting, but is also having real international impact.

Garanti Bank is an important partner of the International Integrated Reporting Council (IIRC) as it embeds the principles of integrated reporting within its own business and shares its experiences, innovations and approach with others, as a leading member of the IIRC's own international <IR> Business Network. It is through leadership such as this that we can bring the benefits of integrated reporting to organizations across the world, which I believe can help build financial stability and sustainable development internationally.

The process of producing an integrated report is often just as powerful as the end report; it forges a closer understanding of the resources and relationships the organization uses every day, ensures that all teams are working to the same unifying business model, and helps employees articulate to key stakeholders their purpose and value creation model. Congratulations to everyone who has been involved in the process.

To the Bank's wider stakeholders in Turkey and beyond, I hope you can see the benefit of an integrated report which presents the same powerful message to its shareholders as well as to you. I am aware of the Bank's commitment to promoting women in and through its business, supporting sustainability and adapting to the opportunities provided in the digital revolution. I am sure that the 'integrated thinking' inherent in integrated reporting is supporting the Bank in these endeavours.

I wish every success to all involved in producing this report - and to all who read it.



RICHARD HOWITT
CEO, Integrated International Reporting Council