

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 Saygın 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 (MKG 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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TAX OPERATIONS MANAGEMENT DEPARTMENT - SUBSIDIARIES AND SHAREHOLDERS SERVICE

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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.

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.

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 (İSTANBUL 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

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 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 Yurдум 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 Yurдум 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 Yurдум as an independent Board member.

Quoted below is the declaration of independence by Sema Yurдум, 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.

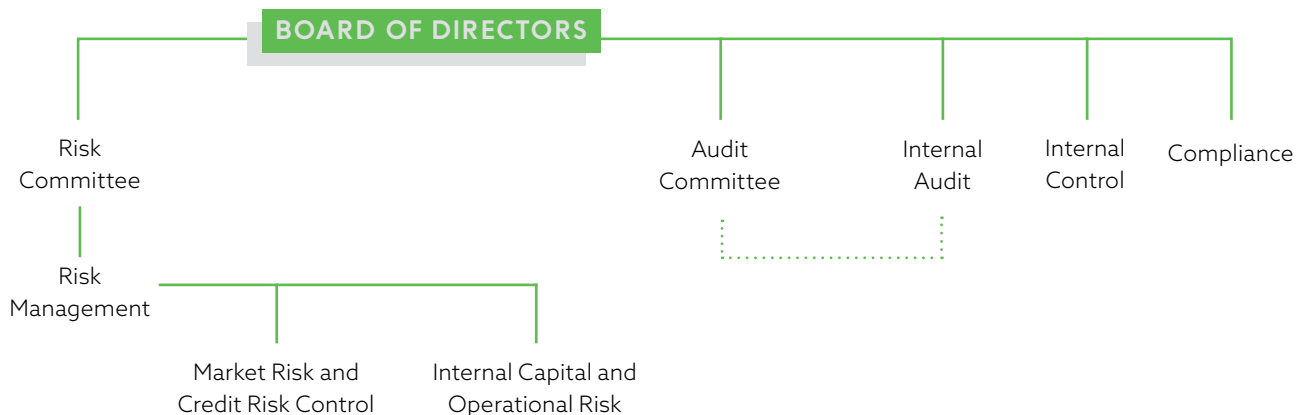
Detailed information regarding the formation and operation of the Audit Committee, Corporate Governance Committee, Credit Committee and Remuneration Committee is provided in the Committees and Committee Meetings Attendance section of this report. In view of the number of the Bank's Board members, members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