


**Corporate Governance
Revised Rating Report**

BANKING

This Report has been prepared by JCR-ER in compliance to the regulations of Capital Market Board of Turkey

 Garanti		9.27 AAATrk/aa (Positive)
Corporate Governance Score & Outlook	Shareholders	9.22 AAATrk/aa (Stable)
	Public Disclosure & Transparency	9.25 AAATrk/aa (Positive)
	Stakeholders	9.23 AAATrk/aa (Positive)
	Board of Directors	9.34 AAATrk/aa (Stable)

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Bank Information	
Trade Name	T. GARANTİ BANKASI A.Ş.
Address	Nispetiye Mah. Aytar Cad. No:2 Beşiktaş/İSTANBUL
Chairman	Mr. Ferit ŞAHENK
CEO	Mr. Ali Fuat ERBİL
Investor Relations	Phone: +90.212.318.23.52 investorrelations@garanti.com.tr
Web	www.garanti.com.tr www.garantiinvestorrelations.com
Investor Relations (SVP)	Ms. Handan SAYGIN

TÜRKİYE GARANTİ BANKASI A. Ş.						
Financial Data	9M2016	2015*	2014*	2013*	2012*	2011*
Total Assets (USD mn)	97,274	94,511	103,217	102,706	100,852	86,542
Total Assets (TRY mn)	291,043	274,838	237,914	217,736	177,500	161,401
Total Deposit (TRY mn)	167,133	156,114	133,407	119,194	97,775	93,236
Total Net Loans (TRY mn)	190,272	175,682	148,081	131,315	102,260	92,654
Equity (TRY mn)	35,738	32,006	27,290	23,475	21,922	18,150
Net Profit (TRY mn)	4,163	3,807	3,841	3,529	3,393	3,398
Asset Market Share (%)**	11.79	11.94	12.17	12.61	12.84	13.09
ROAA (%)	N.A.	1.86	2.16	2.28	2.52	2.87
ROAE (%)	N.A.	16.06	19.16	19.61	21.37	24.40
Equity/Assets (%)	12.28	11.65	11.47	10.78	12.35	11.25
CAR-Capital Adequacy Ratio (%)**	16.39	15.03	15.23	14.42	18.09	16.89
Asset Growth Rate (%)	5.90	15.52	9.27	22.67	9.97	18.85

Based on IFRS financials *End of year ** Based on BRSA unconsolidated financials, market shares among deposit banks

Overview

Türkiye Garanti Bankası A.Ş. (Garanti or Bank), {credit ratings by JCR Eurasia Rating on April 06, 2016: [FC: BBB/BBB+ Stable, LC: AAA(Trk)/(A-1+)] (Trk Stable)} was established in 1946. A large-scale deposit bank, Garanti carries out activities in every segment of the banking sector, including corporate, commercial, SME, payment systems, retail, private and investment banking services. In addition to its major fields of activity, through its numerous subsidiaries the Bank provides related non-banking financial services in the field of factoring, leasing, pensions, insurance, brokerage and asset management. Alongside its nationwide coverage network of 967 branches, the Bank has 7 foreign branches in Cyprus, one in Luxembourg and one in Malta as well as 3 international representative offices located in London, Düsseldorf and Shanghai.

As of September 2016, Garanti's ownership structure was comprised of two majority shareholders, the Dogus Group with a share of 10.0002% and BBVA (Banco Bilbao Vizcaya Argentaria S.A) with a share of 39.9000%. The remaining 50.0998% of shares are held by a variety of investors that includes domestic and foreign retail along with foreign institutional investors across the globe. Bank shares have been traded on the Borsa Istanbul (BIST) since 1990 and the actual free float rate is 50.07% as of September 30, 2016.

The Board of the Bank consists of 11 members, only the CEO pursues an executive position. 3 board members are in the independent status. Audit, Corporate Governance, Risk and Remuneration Committees were established within the scope of the Board of Directors.

Strengths

- Having the "Garanti IR" (Investors Relations) tablet application for Android and iOS platform
- Having a comprehensive and effective risk management system
- The only company in the Dow Jones Sustainability Index from Turkey
- Presence of two functional departments to inform present and potential shareholders and to facilitate the use of shareholder rights
- Annual General Meetings (AGM) conducted with a high level of Compliance with the Code and substantial rates of attendance
- Utilization of the Bank website as an effective transparency platform in Turkish and English
- Effective Board of Directors comprised of highly qualified, educated and experienced members

Constraints

- Absence of any clauses in the articles of association of the Bank to broaden the exercise of minority rights beyond the current legislation for shareholders holding less than 5% of the share capital.
- Lack of disclosure of the per-person remuneration of the top managers and the board members

Publication Date: December 09, 2016

"Global Knowledge supported by Local Experience"

1- Rating Methodology and Executive Summary

This revised report has been prepared in light of JCR Eurasia Rating's original methodological procedures in accordance with the Corporate Governance Principles (the code) set by the Capital Markets Board (CMB) and states Garanti's level of compliance with Corporate Governance Principles as of December 2016.

The Capital Markets Board's Corporate Governance Principles were first made public in 2003. Important revisions and changes were made at the beginning of 2012 and in January 3, 2014, as detailed in the Communiqué II-17.1 (accessible on www.spk.gov.tr)

The CMB pursued a significant change regarding the methodology of calculation of compliance rating scores in the beginning of 2014. Based on the recent CMB legislation, the new scoring methodology consists of two stages in which companies are allocated a base and a full score. In the new system, companies are first assigned a base score with a maximum of 85 points determining their compliance with the rules and practices outlined in the Code. In the second stage, an additional 15 points may be awarded depending on the efficient implementation and value creation achieved through practices exceeding those specified in the principles. Practices not stated in the Code but determined by JCR Eurasia Rating as best governance practices are also taken into account in the assignment of additional points. With these changes, CMB put special emphasis on functional compliance along with structural compliance to the Code and scores are put under pressure mathematically as a result of the new calculation in two stages.

The Code consists of four main sections; Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors. These main sections' coefficients, which were determined by the CMB, have been recently changed with the latest weight composition as outlined below;

- Shareholders: 25%
- Public Disclosure and Transparency: 25%
- Stakeholders: 15%
- Board of Directors: 35%

These coefficients were 25%, 35%, 15% and 25%, respectively, prior to 2014.

Subject to the preservation of the integrity of CMB regulations and regulations related to Borsa Istanbul Corporate Governance Index and compliance with the limitations thereof, this report also covers such topics as implementations regarding "Outlook" determinations and "Financial Efficiency" analyses, all of which exist in JCR Eurasia Rating's original methodological structure.

Findings and assessments within the content of the report are based on information and documents disclosed by the

Bank to the public through various channels and also submitted to JCR Eurasia Rating in written and verbal communication, as well as reports and statistics Publicly disclosed in Public Disclosure Platform (PDP).

Distinct levels of the 4 main categories regarding compliance with the CMB Corporate Governance Principles are exhibited in the following tables. The overall score has been calculated based on weightings determined for these 4 categories in line with CMB regulations.

The general compliance level of Garanti with the Code as of December 2014, and the corresponding levels within the JCR Eurasia's notation were as follows;

December 11, 2014				
Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	90.70	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosures and Transparency	92.50	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Stakeholders	90.48	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Board of Directors	91.54	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Overall	91.41	AAA(Trk) (Distinctive)	(aa) (Superior)	Stable

Through the analysis of JCR ER's original methodology, the general compliance level of the Bank with corporate governance principles as of December 2015, can be seen in the table below.

December 10, 2015				
Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	90.70	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosures and Transparency	92.50	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Stakeholders	92.28	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Board of Directors	92.48	AAA (Trk) (Distinctive)	(aa) (Superior)	Positive
Overall	92.01	AAA(Trk) (Distinctive)	(aa) (Superior)	Positive

At the end of previous monitoring period, a comprehensive review was performed in November 2016. The Bank's overall compliance note has been increased to 9.27 from 9.20.

- The effectiveness in the facilitation of briefing current and potential investors and use of shareholder rights through tablet application, named "Garanti IR" and
- Improvements in the risk management culture across the Bank and in the quality of risk management system via the newly established Risk Committee and the re-structured risk management system

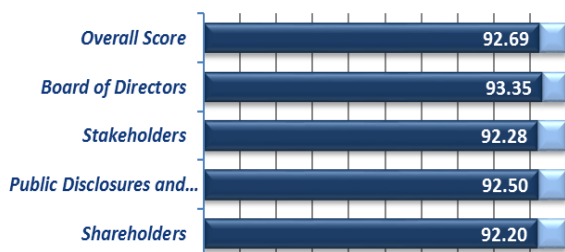
are factors behind this increase in compliance. The Bank's compliance level and their corresponding notes are outlined below:

- Numerical value of **9.27**
- Convergence Level **AAA(Trk)** representing the category of "**Distinctive Compliance**"
- Notch degree **(aa)** representing the category of "**Superior**"
- Outlook (**Positive**)

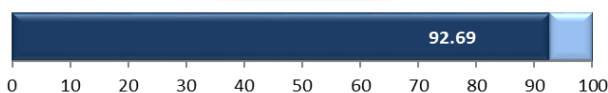
December 09, 2016				
Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	92.20	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosures and Transparency	92.50	AAA (Trk) (Distinctive)	(aa) (Superior)	Positive
Stakeholders	92.28	AAA (Trk) (Distinctive)	(aa) (Superior)	Positive
Board of Directors	93.35	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Overall	92.69	AAA(Trk) (Distinctive)	(aa) (Superior)	Positive

JCR Eurasia Rating's notation system may be viewed at: http://www.jcrer.com.tr/Upload/Files/Reports/538_kyder_notation_oct2010.pdf

Corporate Governance Score %



Overall Score %



Corporate Governance Overall Results

9.27

AAA (Trk)/aa

Positive

Outlook

Garanti reached a level of high overall compliance as well as a high level of compliance in all 4 distinct categories last year. A comprehensive review performed in November 2016 concluded the following:

- As shares of BBVA, the qualified shareholder, are traded on the New York Stock Exchange, the Bank carried out activities to comply with Sarbanes Oxley Act in 2016. As a result, the quality and transparency level of the Bank's financial statements will increase. The Bank will begin disclosure to the New York Stock Exchange in the upcoming year in accordance with the new system. It is concluded that these measures will increase the Bank's international transparency level in the upcoming monitoring period and as such the outlook attached to the Public Disclosure and Transparency main section has been determined as "**Positive**".
- It has been concluded that the "Integrity Committee" established in 2016 consisting of senior managers will help to minimise conflicts of interest and improve ethical understanding. In this regard, the outlook attached to the Stakeholders main section has been determined as "**Positive**".

For these reasons, the overall outlook for the Bank in this rating period to come has been determined as "**Positive**".

2-Turkish Banking Sector and Garanti Overview

The Turkish Banking Sector, regulated by the Banking Regulatory and Supervisory Agency (BRSA), consists of deposit banks, development and investment banks and participation banks. The Banking Sector enjoys the largest share across the wider Turkish financial services industry with an asset size of USD 813bn (TRY 2,357bn) as of FYE2015.

SUMMARY OF KEY INDICATORS OF THE TURKISH BANKING SECTOR				
(000,000)	2015	2014	2013	2012
Asset size -TRY	2,357,472	1,994,263	1,732,382	1,370,750
Asset size-USD	807,879	857,047	813,172	771,124
Equity-TRY	262,229	231,941	193,704	181,870
Profit-TRY	26,062	24,610	24,664	23,589
ROAE%	1.52	1.69	2.01	2.33
ROAE%	13.39	14.79	16.59	18.49
NPL Ratio%	3.09	2.85	2.75	2.86
Capital Adequacy Ratio%	15.56	16.30	15.30	17.90
Equity / Total assets	11.12	11.63	11.18	13.27
Loans / Deposits%	1.18	1.17	1.10	1.03

The number of banks operating in the sector increased to 52 as of FYE2015, up from 51 in FYE2014. The concentration level of assets, loans and deposit across the sector is quite remarkable. As such, in all three of these mentioned fields, the total market share of the five largest banks was 60%. The highest levels of concentration are observed in the fields of deposits, loans, and profitability, respectively. Competition throughout the sector is largely observed across the medium and smaller sized banking segment.

NUMBER OF BANKS						
2015 DECEMBER TURKISH BANKING SECTOR	State Banks	Private Banks	SDIF Bank	Foreign Banks	Branches of Foreign Banks	TOTAL
DEPOSIT BANKS	3	9	1	15	6	34
DEVELOPMENT & INVESTMENT BANKS	3	6		4		13
PARTICIPATION BANKS	1		1	3		5
TOPLAM	7	15	2	22	6	52

NUMBER OF BRANCHES						
2015 DECEMBER TURKISH BANKING SECTOR	State Banks	Private Banks	SDIF Bank	Foreign Banks	Branches of Foreign Banks	TOTAL
DEPOSIT BANKS	3,686	4,303	1	3,160	8	11,158
DEVELOPMENT & INVESTMENT BANKS	23	15		4		42
PARTICIPATION BANKS	24		200	857		1,081
TOPLAM	3,733	4,318	201	4,021	8	12,281

Türkiye Garanti Bankası A.Ş., established in 1946, is a large-scale deposit bank operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking. In addition to its major fields of activity, through its numerous subsidiaries, the Bank provides related non-banking financial services in the fields of factoring, leasing, pensions, insurance, brokerage and asset management. In addition to its nationwide coverage network of 967 branches, the Bank has 7 foreign branches in Cyprus, 1 in Luxembourg and 1 in Malta as well as 3 international

representative offices located in London, Düsseldorf and Shanghai.

As of 30 September 2016, Garanti was ranked as the second largest private bank in Turkey with a consolidated asset size of USD 97 bn, equating to a market share of 11.79%. The Bank provides a wide range of financial services to more than 14.4mn customers on an annual basis through a total workforce of 19,905 located in every city across Turkey. The Bank's workforce is highly dynamic and well-educated with 88% of employees having an undergraduate and above and receives on average 35hrs training per annum.

The Bank's shares have been traded on the Borsa Istanbul (BIST) since 1990 and the actual free float rate is 50.07% as of September 30, 2016.

As of September 2016, Garanti's ownership structure includes 2 major shareholders; the Dogus Group with a share of 10.00% and BBVA (Banco Bilbao Vizcaya Argentaria S.A) with a share of 39.90%. The remaining 50.10% of shares are held by a variety of investors that includes domestic and foreign retail as well as foreign institutional investors across the globe. Garanti is also the highest floating market capitalized company in the BIST and has an actual free-float rate of 50.07% as of September 2016. Detailed shareholder information of Bank has been provided in the appendix.

With regard to 9H2016 IFRS financial statements, the Bank had a consolidated asset size of TRY291bn, equity of TRY 35.74 bn and a 9-month net profit of TRY4.2 bn. Main balance sheet items and ratios indicating the Bank's performance have been exhibited within the appendix.

The Dogus Group, established in 1951 with an initial focus on the construction sector, is the largest local shareholder of the Bank. Taking its place among the leading business conglomerates of Turkey Dogus Group is active in eight core businesses: Financial Services, Automotive, Construction, Media, Tourism and Services, Real Estate, Energy, Food & Beverage, and New Initiatives. As a Group with more than 330 companies and over 55 thousand employees, Dogus Group has been a pioneer of joint ventures with world-renowned brands including BBVA in financial services, Volkswagen AG and TUV SUD in automotive, National Geographic and Conde Nast in media and Hyatt International Ltd. in tourism as of today. Garanti was acquired by the Dogus Group in 1983. Mr. Ferit ŞAHENK is currently the Chairman of the Group.

The other largest shareholder of the Bank is the BBVA Group, a multi-national financial services Bank with origins dating back to 1857. The Group is headquartered in Bilbao, Spain and maintains operations in the fields of banking, insurance and asset management with an asset

size of EUR 725bn, 8,761 branches and a workforce of 136,244 as of September 30, 2016. The Group acquired shares corresponding to 24.89% of Garanti's share capital in FY2011 following a share purchase agreement with both Dogus Holding and GE (General Electric Group). Subsequently, BBVA acquired 503,160,000 shares of Garanti and increased its share capital to 25.01% in April 7, 2011. In November 2014, Dogus Group and BBVA entered into a Share Purchase Agreement. As of July 27, 2015, after the completion of the share transfers, Dogus Group's and BBVA's stake in Garanti became 10% and 39.9% of the share capital, respectively. Mr. Francisco González RODRÍGUEZ currently holds responsibility as the Group Executive Chairman.

Resulting from its structure as an integrated financial services bank with a wide network, the Bank has a large number of affiliates and subsidiaries. The major integrated affiliates of the Bank include Garanti Bank International N.V., Garantibank Moscow, Garanti Romania, Garanti Pension and Life, Garanti Securities, Garanti Asset Management, Garanti Leasing, Garanti Factoring, Garanti Payment Systems and Garanti Mortgage and Garanti Technology. A full list of the Bank's affiliates and subsidiaries with brief information therein is provided in an appendix to this report.

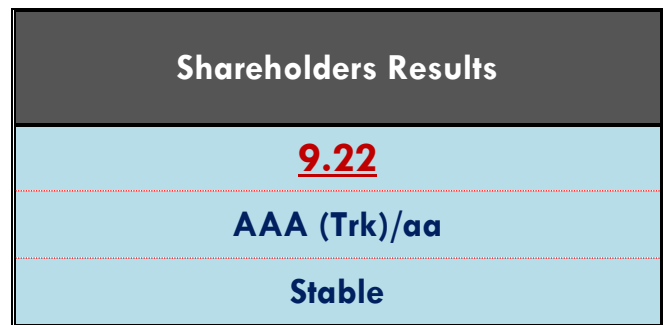
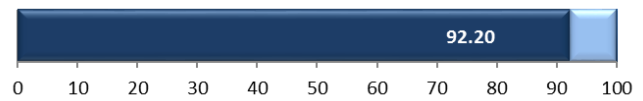
The Board of Directors of the Bank currently consists of 11 members. 3 board members are in the independent status. There are numerous committees established in scope of the Board of Directors including audit, corporate governance and remuneration committees. All committee members are highly educated and pursue managerial positions in their field of expertise of more than 20 years.

3- Shareholders

The Bank's score in the main Shareholder section has been increased to 9.22 from 9.07. "Garanti IR" (Investor Relations) iPad application was launched in 2015 and Android tablet application was introduced in 2016. These implementations help to increase the level of compliance in term of the facilitation of briefing investors and use of shareholder rights for the shareholders and potential investors. The Bank's level in this section and their corresponding notes are outlined below;

- Numerical value of **9.22**
- Convergence Level **AAA(Trk)** representing the category of "**Distinctive Compliance**"
- Notch degree **(aa)** representing the category of "**Superior**"
- Outlook **(Stable)**

Shareholders Score %



Activities carried out during the monitoring period in the Shareholders main section:

- ✓ The 2015 Ordinary Shareholders Meeting was held on March 31, 2016 at 10.00 a.m. at the Headquarters of the Bank. The meeting was observed by two of our analysts and the works undertaken regarding the meeting were closely observed prior, during and following the meeting. Pre-meeting preparations, announcements and invitations were carried out by the Investor Relations Department according to the Code. Within the framework of democratic principles, all shareholders were treated equally in the meeting, the Bank's 2015 activities were outlined, all shareholders were given the right to address each agenda item and voting was done by an open show of hands. Following the meeting the relevant documents were disclosed to investors on the internet site.
- ✓ The bank also held extraordinary general meeting on November 03, 2016 in order to change the external independent auditor.
- ✓ No findings of discrimination against any shareholder were made.
- ✓ No lawsuit was opened by shareholders to cancel the resolutions made in the shareholders meeting.
- ✓ The Investors Relations Department's managers and top managers of the Bank met with 665 international fund managers across Europe, Asia and America face to face. In 2016, until November they joined 32 Investor Conferences in 16 cities. Additionally, 115 conference calls were held with 51 different investment funds.
- ✓ The Investor Relations Department specialists answered all inquiries from shareholders and potential investors via telephone and e-mail.
- ✓ In the general meeting on March 31, 2016, the Bank resolved to distribute TRY 567,000,000 cash dividend from the after-tax profit of TRY 3,406,506,611 for the year 2015. The dividend distribution table was disclosed

to the public via the company's website and the PDP following the general meeting.

Outlook

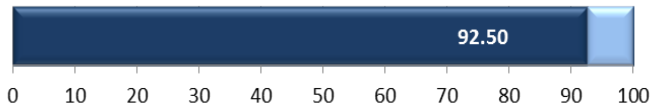
JCR Eurasia Rating is of the opinion that during the next monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Shareholders field. For this reason, the outlook for this section has been determined as **"Stable"**.

4- Public Disclosure and Transparency

The Bank succeeded in maintaining its previous level of compliance in this main section in the previous monitoring period. The Bank's level in this field and their corresponding notes are outlined below;

- Numerical value of **9.25**
- Convergence Level **AAA(Trk)** representing the category of **"Distinctive Compliance"**
- Notch degree (**aa**) representing the category of **"Superior"**
- Outlook (**Positive**)

Public Disclosures and Transparency Score %



Public Disclosures and Transparency Results
9.25
AAA(Trk)/aa
Positive

Activities carried out during the monitoring period in the Public Disclosure and Transparency main section:

- ✓ The Bank's website is kept up to date in Turkish and English. A link to the PDP is included.
- ✓ Significant improvements in the Bank's organizational structure and operations are published in a timely manner.

- ✓ The Bank's quarterly financial statements were released to the public within the period specified by CMB legislation and posted on the website.
- ✓ As of November, 2016 a total of 190 notifications in 2016 to the Public Disclosure Platform (PDP). Following these disclosures, no extra information was requested.
- ✓ The Bank was not suspended from trading on the BIST in the monitoring period.
- ✓ The 2015 annual report was published with a high compliance level with the Code. The Bank also publishes detailed quarterly activity reports.
- ✓ The Bank's 2015 financial tables were audited by the independent audit firm DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (member of Deloitte). The same audit firm will carry out independent auditing activities in 2016 as well.
- ✓ The Bank has signed an agreement with Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG) to carry out independent auditing activities in 2017. This agreement was approved by the shareholders in the extraordinary general meeting.
- ✓ The Bank's protection level has been increased against DDoS (Distributed Denial of Service) attacks.

Outlook

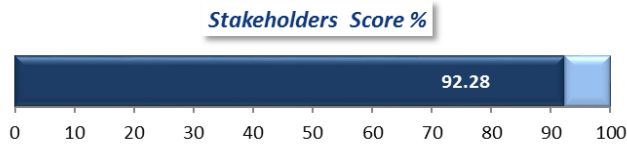
JCR Eurasia Rating is of the opinion that the Bank will maintain its level of compliance with the Code in the field of Public Disclosure and Transparency during the upcoming monitoring period. Additionally; as the shares of BBVA, the qualified shareholder, are traded on the New York Stock Exchange, the Bank carried out compliance activities with the Sarbanes Oxley Act in 2016. As a result of the mentioned activities, the quality and transparency level of the Bank's financial statements will increase. The Bank will be making disclosures to the New York Stock Exchange from the upcoming year onwards in accordance with the new system. An opinion has been reached that this new situation will be increasing the Bank's international transparency level in the upcoming monitoring period and as such the outlook attached to the Public Disclosure and Transparency main section has been determined as **"Positive"**

5- Stakeholders

The Bank succeeded in maintaining its previous level of compliance in this main section in the previous monitoring period. The compliance level of the Bank's practices in the field of stakeholders with corporate governance principles has been determined as below:

- Numerical value of **9.23**
- Convergence Level **AAA(Trk)** representing the category of **"Distinctive Compliance"**
- Notch degree (**aa**) representing the category of **"Superior"**

• Outlook (Positive)



Stakeholders Results
9.23
AAA(Trk)/aa
Positive

Activities carried out during the monitoring period in the Stakeholders main section:

- ✓ Garanti was entitled to be included in the Dow Jones Sustainability Emerging Markets Index only company from Turkey, which tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria.
- ✓ The Integrity Committee which is composed the top manager of Bank was established in order to solve the conflicts come from the Ethic Notification Line.
- ✓ Considering the number of staff, the number of lawsuits opened against the Bank by employees can be considered tolerable.
- ✓ Number of employees of the Bank increased by 44 to 19,905 during 3Q2015-3Q2016. During the processes of employees resigning, taking retirement, contracts being terminated, and employees leaving due to various reasons, no loss in employee rights was observed.
- ✓ No lawsuits were filed against the Bank by service providers.
- ✓ Garanti disclosures the important policies for the stakeholders such as Sustainability Policy, Environmental Policy, Environmental and Social Loan Policy, Climate Change Position and Action Plan in the website.
- ✓ The Bank was sponsor to many projects regarding health care, education, culture, art, sports and environment. The details of these sponsorships are disclosed on the web site and in the annual reports.
- ✓ In 2015 within the scope of social responsibility, the Bank donated TRY18.492.241 to various institutions. The Board of Directors submitted information to the shareholders regarding these donations in the general shareholders meeting.

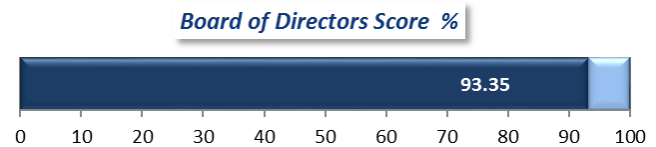
Outlook

JCR Eurasia Rating is of the opinion that during the following monitoring period the Bank will maintain its level of compliance with the code in the Stakeholders field. Additionally, it has been concluded that the "Integrity Committee" established in 2016 consisting of senior managers will help to minimise conflicts of interest and improve ethical understanding. In this regard, the outlook attached to the Stakeholders main section has been determined as "**Positive**"

6- Board of Directors

This main section's score has been increased to 9.34 from 9.25. In 2016, the Board of Directors' risk committee and the re-structured risk management system helped to improve the risk management culture across the Bank and raise the quality of this field. The Bank's level in this section and their corresponding notes are outlined below:

- Numerical value of **9.34**
- Convergence Level **AAA(Trk)** representing the category of "**Distinctive Compliance**"
- Notch degree (**aa**) representing the category of "**Superior**"
- Outlook (**Stable**)



Board of Directors Results
9.34
AAA(Trk)/aa
Stable

Activities carried out during the monitoring period in the Board of Directors main section:

- ✓ At the general meeting held on March 31, 2016 the shareholders approved the 2015 activities of the Board of Directors.
- ✓ Liability insurance for board members and top managers was renewed by the Bank.

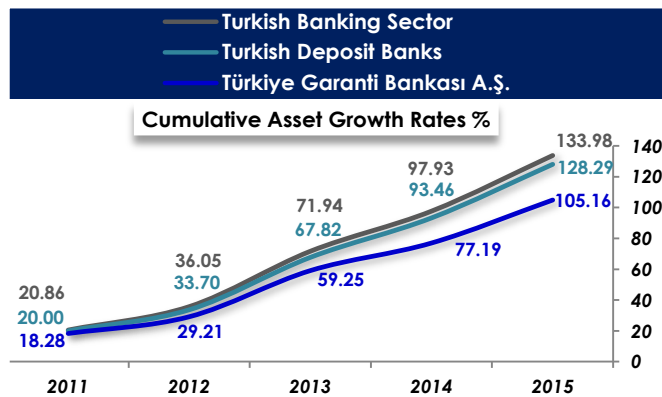
- ✓ Mr. Jorge Saenz-Azcunaga CARRANZA was appointed as a board member replacing Mr. Manuel Pedro Galatas SANCHEZ-HARGUINDEY on March 23, 2016 and his membership was approved by shareholders in the 2015 general meeting.
- ✓ Mr. İliigo Echebarria GARATE was elected as a new board member at the general meeting of shareholders on March 31, 2016.
- ✓ Executive Vice Presidents Mr. Murat MERGİN and Mr. İbrahim AYDINLI resigned in December 2015 and Mr. Aydın GÜLER was officially appointed as a new Executive Vice President in February 2016.
- ✓ The Credit Risk Management Department which is linked directly to the General Manager was established and Mr. Ali TEMEL was appointed as the Chief Credit Risk Officer in February 2016.
- ✓ All of these changes were disclosed in a timely manner to the PDP and the website.
- ✓ The corporate secretary carried out sufficient activities in term of the board of director meeting's preparations, applications and follow-ups. During the meetings, the necessary services were provided to the members by the Secretary and minutes were kept in accordance to the Code.
- ✓ The Bank disclosed the total remuneration amount provided to the board members and the top managers in the 2015 annual report.
- ✓ During 2016 until the end of November, 18 Board of Directors' meetings were held.
- ✓ Audit, Corporate Governance, Risk and Remuneration Committees held their periodic meetings and conducted effective activities in this period.

Outlook

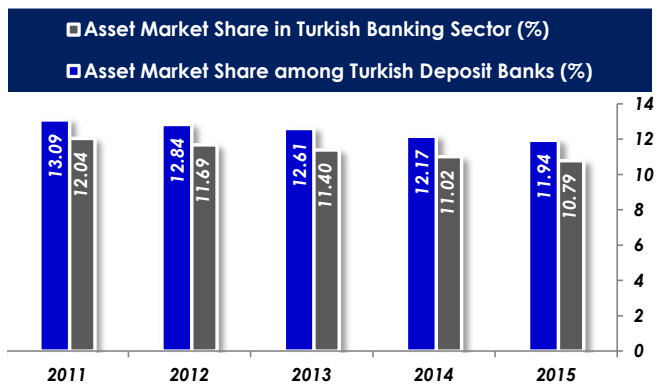
JCR Eurasia Rating is of the opinion that during the following monitoring period the Bank will maintain its level of compliance with the code in the Board of Directors main section. For this reason, the Outlook for this main section has been determined as **"Stable"**.

7-Financial Efficiency

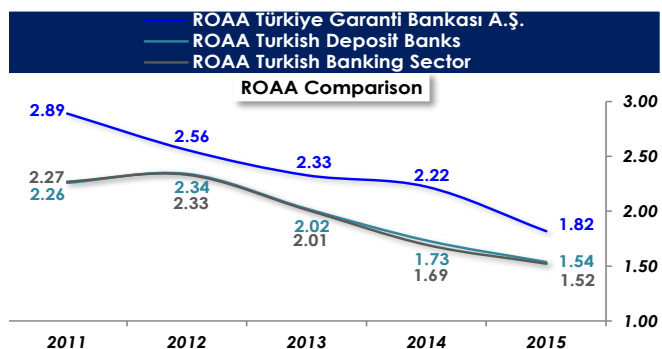
The bank's growth performance compared to the sector in cumulative terms within the period between FY2011 and FY2015 are shown in the chart below:

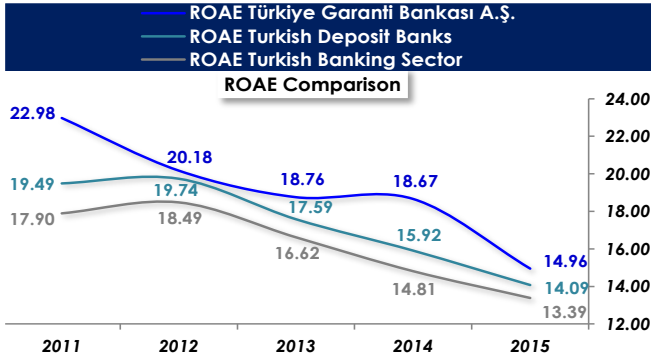


Particularly due to its selective lending strategy, Garanti's market shares in terms of assets within the Turkish banking sector and among the Turkish deposit banks have continued to gradually contract during FY2015.

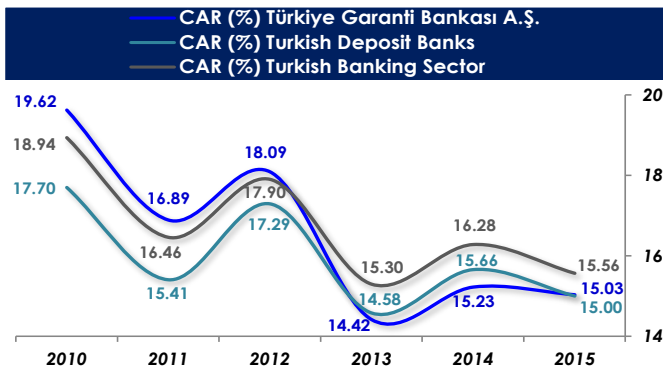


The indicators of both ROAAs and ROAEs have outperformed the sector during the previous five years while they have continued to follow a downward path in line with those of the Turkish banking sector and the Turkish deposit banks.





Garanti's non-consolidated CAR decreased to 15.03% as at the end of FY2015 from FYE2014 figure of 15.23%. Though exhibiting a below-the-sector-average level for the third consecutive year after FYE2013, this figure was above the deposit banks average and has converged to the sectoral averages in 2015. On the other hand, this ratio remained to be above the minimum CAR requirements (8%) set and the recommended level (12%) by the BRSA.



The Bank's gross non-performing loans ratio at the end of FY2015 deteriorated to 2.71% from 2.41% on solo basis following the same path with the Turkish banking sector and deposit banks. However, the NPL ratios of the Bank have continued to remain below the sector averages for the last ten years.

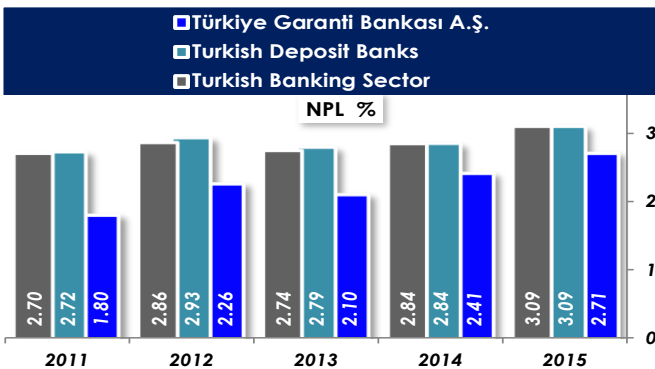


TABLE:1
SHAREHOLDING STRUCTURE

Paid-in Capital	Years	2012	2013	2014	2015	2016
	TRY bn	4,200	4,200	4,200	4,200	4,200
Shareholders		Share %				
DOGUS GROUP		24.2256	24.2256	24.2256	10.0002*	10.0002
BANCO BILBAO VIZCAYA ARGENTARIA S. A.		25.0100	25.0100	25.0100	39.9000*	39.9000
OTHER SHAREHOLDERS		50.7644	50.7644	50.7644	50.0998	50.0998
Total		100.00	100.00	100.00	100.00	100.00

*The controlling shareholders, Dogus Group and BBVA, signed an agreement to sale of shares representing 14.89% of the Bank's capital from Dogus Group to BBVA on 19.11.2014. In this regard the Banking Regulatory and Supervisory Authority of Turkey approved this acquisition in 15.07.2015. After registration in the Bank's Share Ledger, BBVA's stake has reached 39.9% while Dogus Group's interest has decreased to 10% of the share capital.

AFFILIATES & SUBSIDIARIES as of September 2016

Consolidated Subsidiaries	Head Quarters	Fields of Activities	Interest Share %	Acquisition Date
GARANTIBANK INTERNATIONAL N.V.	Netherlands	Banking	100	1990
GARANTIBANK MOSCOW	Russia	Banking	99.94	1996
GARANTI HOLDING BV	Netherlands	Financial Services	100	2010
GARANTİ EMEKLİLİK VE HAYAT A.Ş.	Turkey	Insurance, Pension	100	1999
GARANTİ FİNANSAL KİRALAMA A. Ş.	Turkey	Leasing	99.96	1990
GARANTİ FAKTÖRİNG HİZMETLERİ A. Ş.	Turkey	Factoring	81.84	1990
GARANTİ YATIRIM MENKUL KIYMETLER A. Ş.	Turkey	Securities Brokerage	100	1991
GARANTİ PORTFÖY YÖNETİM A. Ş.	Turkey	Portfolio Management	100	1997
GARANTİ BİLİŞİM TEKNOLOJİSİ VE TİC. T. A. Ş.	Turkey	Technology Services	100	1958
GARANTİ ÖDEME SİSTEMLERİ A. Ş.	Turkey	Credit Card Services	100	1999
GARANTİ HİZMET YÖNETİM A. Ş.	Turkey	Fund Administration	99.4	2000
GARANTİ KONUT FİNANSMANI DANIŞMANLIK HİZMETLERİ A. Ş.	Turkey	Mortgage	100	2007
GARANTİ KÜLTÜR A. Ş.	Turkey	Culture and Art Services	100	2001
GARANTİ FİLO YÖNETİM HİZMETLERİ A. Ş.	Turkey	Operational Leasing	100	2007
GARANTİ FİLO SİGORTA ARACILIK HİZMETLERİ AŞ	Turkey	Rental Insurance	100	2014
GARANTİ YATIRIM ORTAKLIĞI A.Ş.	Turkey	Portfolio Management	3.3	1996
G NETHERLANDS BV	Netherlands	Financial Services	100	2010
TRIFOI REAL ESTATE COMPANY	Romania	Real Estate	100	2010
GARANTI BANK SA	Romania	Banking	100	2010
MOTORACTIVE IFN SA	Romania	Leasing	100	2010
RALFİ IFN SA	Romania	Consumer Finance	100	2010

TÜRKİYE GARANTİ BANKASI A. Ş.						
Financial Data	9M2016	2015*	2014*	2013*	2012*	2011*
Total Assets (USD mn)	97,274	94,511	103,217	102,706	100,852	86,542
Total Assets (TRY mn)	291,043	274,838	237,914	217,736	177,500	161,401
Total Deposit (TRY mn)	167,133	156,114	133,407	119,194	97,775	93,236
Total Net Loans (TRY mn)	190,272	175,682	148,081	131,315	102,260	92,654
Equity (TRY mn)	35,738	32,006	27,290	23,475	21,922	18,150
Net Profit (TRY mn)	4163	3,807	3,841	3,529	3,390	3,398
Asset Market Share (%)**	11.79	11.94	12.17	12.61	12.84	13.09
ROAA (%)	N.A.	1.86	2.16	2.28	2.52	2.87
ROAE (%)	N.A.	16.06	19.16	19.61	21.37	24.40
Equity/Assets (%)	12.28	11.65	11.47	10.78	12.35	11.25
CAR-Capital Adequacy Ratio (%)**	16.39	15.03	15.23	14.42	18.09	16.89
Asset Growth Rate (%)	5.90	15.52	9.27	22.67	9.97	18.85

Based on IFRS financials *End of year ** Based on BRSA unconsolidated financials, market shares among deposit banks

TABLE: 4
BOARD OF DIRECTORS

Name	Task	Profession	Date Elected	Experience (Year)	Education	Executive/Non Executive	Independent/Not Independent	Committee Membership
Ferit ŞAHENK	Chairman	Businessman	18.04.2001	26	BSc/BA	Non-Executive	Not Independent	
Süleyman SÖZEN	Vice -President	Chartered Accountant	08.07.2003	34	BSc/BA	Non-Executive	Not Independent	
Ergun ÖZEN	Member	Banker	14.05.2003	29	BSc/BA	Non-Executive	Not Independent	Remuneration Committee
M. Cüneyt SEZGİN	Member	Banker	30.06.2004	28	PhD	Non-Executive	Not Independent	
Javier Bernal Dionis	Member	Banker	27.07.2015	26	Master	Non-Executive	Independent	Audit Committee, Corp.Gov. Committee
Jaime Saenz de Tejada PULIDO	Member	Banker	02.10.2014	23	BSc/BA	Non-Executive	Not Independent	
Maria Isabel Goiri Lartitegui	Member	Banker	27.07.2015	26	Masters	Non-Executive	Not Independent	
Jorge Saenz-Azcunaga CARRANZA	Member	Banker	23.03.2016	22	BSc/BA	Non-Executive	Independent	Audit Committee, Corp.Gov. Committee, Remuneration Committee
Inigo Echebarria GARATE	Member	Banker	31.03.2016	33	Master	Non-Executive	Not Independent	
Sema YURDUM	Member	Banker	30.04.2013	36	BSc/BA	Non-Executive	Independent	Corp. Gov. Committee
Ali Fuat ERBİL	Member Chief Executive Officer	Banker	02.09.2015	24	PhD	Executive	Not Independent	