


**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		9.51 AAATrk)/aaa (Positive)
Corporate Governance Score & Outlook	Shareholders	9.22 AAA(Trk)/aa (Stable)
	Public Disclosure & Transparency	9.40 AAA(Trk)/aa (Positive)
	Stakeholders	9.57 AAA(Trk)/aaa (Positive)
	Board of Directors	9.66 AAA(Trk)/aaa (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. Süleyman SÖZEN
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	9M2017	2016*	2015*	2014*	2013*	2012*
Total Assets (USD mn)	94,766	87,765	94,511	103,217	102,706	100,852
Total Assets (TRY mn)	336,617	308,319	274,838	237,914	217,736	177,500
Total Deposit (TRY mn)	195,156	178,644	156,114	133,407	119,194	97,775
Total Net Loans (TRY mn)	224,596	205,989	175,682	148,081	131,315	102,260
Equity (TRY mn)	40,817	36,438	32,006	27,290	23,475	21,922
Net Profit (TRY mn)	5,063	5,052	3,807	3,841	3,529	3,390
Asset Market Share (%)**	11.35	11.57	11.94	12.17	12.61	12.84
ROAA (%)	N.A.	2.17	1.86	2.16	2.28	2.52
ROAE (%)	N.A.	18.52	16.06	19.16	19.61	21.37
Equity/Assets (%)	12.13	11.82	11.65	11.47	10.78	12.35
CAR-Capital Adequacy Ratio (%)**	17.10	16.21	15.03	15.23	14.42	18.09
Asset Growth Rate (%)	9.18	12.18	15.52	11.41	22.67	9.47

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 20, 2017: [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 942 branches, the Bank has 7 foreign branches in Cyprus and one in Malta as well as 3 international representative offices located in London, Düsseldorf and Shanghai.

Banco Bilbao Vizcaya Argentaria S.A (BBVA), one of the leading banking groups in Europe has become the sole major shareholder of the Bank through the share transfer between Doğuş Group and BBVA disclosed on February 21, 2017 raising the BBVA's stake to 49.85% from 39.90% and finalized on March 22, 2017. The remaining 50.15% 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 İstanbul (BIST) since 1990 and the actual free float rate is 50.07% as of September 30, 2017.

The Board of the Bank consists of 10 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

- High level of effectiveness in internal audit activities
- High quality service provision for customers
- Having the "Garanti IR" (Investors Relations) tablet application for Android and iOS platform
- Having a comprehensive and effective risk management system
- Inclusion in the Dow Jones Sustainability Index
- 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 11, 2017

"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 2017.

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 2016, can be seen in the table below.

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

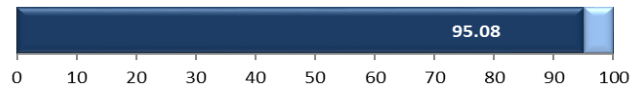
Finally, at the end of previous monitoring period, a comprehensive review was performed in November 2017. The Bank's overall compliance note has been increased to 9.51 from 9.27.

- The Bank's level of international transparency increased due to disclosures made to the American over-the-counter market.
- The activities conducted by the Ethics and Integrity committee established in 2016 along with the ethical values education provided for Bank's personnel.
- Notable progress in the resolution of complaints through successful customer complaints management and increase the quality of service provision
- Increase in the effectiveness of the Board and senior management in recent years via ongoing technological investments and significant progress made with respect to digitalization.
- The compensation policy that was detailed regarding the "key personnel" which consists of managers occupying important roles within the banks and the salary rises and rewarding for 2016 was made in accordance with this policy.
- The re-structuring of the internal audit department and the rise in the effectiveness of the internal audit function. are factors behind this increase in compliance. The Bank's compliance level and their corresponding notes are outlined below:

Corporate Governance Score %



Overall Score %



Corporate Governance Overall Results

9.51

AAA (Trk)/aaa

Positive

- Numerical value of **9.51**
- Convergence Level **AAA(Trk)** representing the category of "**Distinctive Compliance**"
- Notch degree **(aaa)** representing the category of "**Exceptional**"
- Outlook (**Positive**)

December 11, 2017				
Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	92.20	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosures and Transparency	94.00	AAA (Trk) (Distinctive)	(aa) (Superior)	Positive
Stakeholders	95.73	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Positive
Board of Directors	96.57	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Stable
Overall	95.08	AAA(Trk) (Distinctive)	(aaa) (Exceptional)	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 2017 concluded the following:

- 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**".
- As it was concluded that the new technological branch designs and greater digitalization of services provided for customer will positively effect customer satisfaction the outlook of 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**".

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

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 asset size of the banking sector, which has the largest share in the Turkish financial system, was USD 799 billion (TRY 2,730 billion) by the end of 2016.

SUMMARY OF KEY INDICATORS OF THE TURKISH BANKING SECTOR				
(TRY mn)	2016	2015	2014	2013
Asset size - TRY	2,730,942	2,357,386	1,994,263	1,732,382
Asset size - USD	799,129	807,850	857,047	813,172
Equity - TRY	300,171	262,213	231,941	193,704
Profit - TRY	37,532	26,052	24,610	24,664
ROAE %	1.86	1.52	1.69	2.01
ROAE %	16.81	13.38	14.79	16.59
NPL Ratio %	3.23	3.09	2.85	2.75
CAR %	15.57	15.56	16.30	15.30
Equity / Total assets %	10.99	11.12	11.63	11.18
Loans / Deposits	1.16	1.18	1.17	1.10

The number of banks operating in the Turkish Banking Sector in 2014 rose from 51 to 52 in 2015 and reduced to 51 in 2016. The concentration of assets, loans and deposits in the sector is quite high. In all of three areas, the share of the top five banks is c. 60%.

NUMBER OF BANKS					
	State Banks	Private Banks	SDIF Bank	Foreign Banks	TOTAL
DEPOSIT BANKS	3	9		21	33
DEVELOPMENT & INVESTMENT BANKS	4	4		5	13
PARTICIPATION	2			3	5
TOPLAM	9	13		29	51
NUMBER OF BRANCHES					
	State Banks	Private Banks	SDIF Bank	Foreign Banks	TOTAL
TOPLAM	3,833	4,089		3,741	11,663
NUMBER OF STAFF					
	State Banks	Private Banks	SDIF Bank	Foreign Banks	TOTAL
TOPLAM	63,658	74,772		71,242	209,672
As of September 30, 2017 www.bddk.org.tr					

The legal framework of the Turkish banking sector, which overlaps with the main lines of the EU legislation, except for abroad branches and deposit guarantees, has been shaped in accordance with the criteria of integration with global economies, the Basel Accords and the capital requirement directives (CRD). Within this context, the European Commission affirmed that both the control framework and the regulatory framework of the Turkish banking sector were largely compatible and equivalent to the EU regime as of December, 2016. Regarding the

regulatory framework, this high level of equivalence was considered to have originated from the advanced implementation of Basel III in the Turkish legislation. In terms of risk management, the Turkish banking sector is capable of managing its pricing and balance sheet in international norms.

The banking sector is affected most by national and international regulations, constantly changing customer demands, developing technology, and socio-political structural changes. In this aspect, it is expected that banks' agenda will be increasingly engaged in key issues such as capital, liquidity, profitability, cost management and digitalization of internal processes. Especially in 2017, digitalization will gain importance in cost management and competition.

The Turkish banking sector has a highly dynamic structure in product and service formations, which is structured with a flexibility that is in line with the ever-changing expectations of credit and deposit customers and investors within the scope of innovative and sustainable business models.

The Turkish banking sector, which is not yet at the desired level of scale and cost efficiency, is expected to intensify its structuring and growth strategies in this particular area.

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 942 branches, the Bank has 7 foreign branches in Cyprus and 1 in Malta as well as 3 international representative offices located in London, Düsseldorf and Shanghai.

As of 30 September 2017, Garanti was ranked as the second largest private bank in Turkey with a unconsolidated asset size of USD 88 bn, equating to a market share of 11.35%. The Bank provides a wide range of financial services to approximately 15mn customers on an annual basis through a total workforce of 18,936 located in every city across Turkey. The Bank's workforce is highly dynamic and well-educated and received in total of 648,000 hours of training in 2016.

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, 2017.

The sole major shareholder, BBVA (Banco Bilbao Vizcaya Argentaria S.A), following a share purchase agreement with both Doğuş Holding and GE Group, initially acquired shares representing a total of 25.01% of the Bank's share capital during March and April, 2011. Regarding disclosure on November 19, 2014; Doğuş Group and BBVA had entered into a Share Purchase Agreement with respect to sale of shares of The Bank representing 14.89% of the share capital with an aggregate nominal value of TRY625.38 million. Following the finalized process of the share transfers on July 27, 2015, Doğuş Group's and BBVA's stake had become respectively 10% and 39.9% of the share capital. Afterwards, with an additional share purchase agreement dated February 21, 2017 and finalized process therein on March 22, 2017 with respect to sale of shares of Garanti representing 9.95% of the share capital by Doğuş Group to BBVA, BBVA's current stake at The Bank has reached 49.85%. Detailed shareholder information of Bank has been provided in the appendix.

With regard to September 30, 2017 IFRS financial statements, the Bank had a consolidated asset size of TRY337bn, equity of TRY 40.82bn and a 9-month net profit of TRY5.06 bn. Main balance sheet items and ratios indicating the Bank's performance have been exhibited within the appendix.

The 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 691bn, 8,374 branches and a workforce of 132,019 as of September 30, 2017. Mr. Francisco González RODRÍGUEZ currently holds responsibility as the Group Executive Chairman.

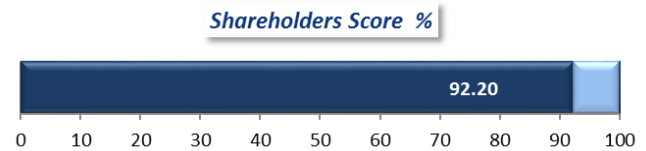
Resulting from its structure as an integrated financial services bank with a wide network, the Bank has a large number of affiliates and subsidiaries. The major integrated affiliates of the Bank include Garanti Bank International N.V., Garanti Romania, Garanti Pension and Life, Garanti Securities, Garanti 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 10 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 succeeded in maintaining its previous level of compliance in this main section in the previous monitoring period. 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 Results
9.22
AAA (Trk)/aa
Stable

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

- ✓ The 2016 Ordinary Shareholders Meeting was held on March 30, 2017 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 2016 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.
- ✓ 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 494 international fund managers across Europe, Asia and America face to face. In 2017, until November they joined 28 Investor Conferences in 12 cities. Additionally, 91 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 30, 2017, the Bank resolved to distribute TRY1,250,000,000 cash dividend from the after-tax profit of TRY 5,070,549,118 for the year 2016. The dividend distribution table was disclosed to the public via the company's website and the PDP following the general meeting.

Outlook

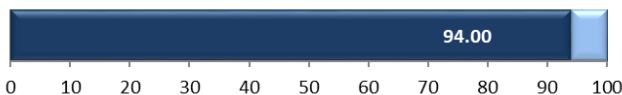
JCR Eurasia Rating is of the opinion that during the next monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Shareholders field. For this reason, the outlook for this section has been determined as **"Stable"**.

4- Public Disclosure and Transparency

The Bank's score in the Public Disclosure and Transparency main section has been increased to 9.40 from 9.25. The Bank's level of international transparency increased due to disclosures made to the American over-the-counter market and as such the notes in this main section was revised upwards. The Bank's level in this field and their corresponding notes are outlined below;

- Numerical value of **9.40**
- 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

9.40

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.
- ✓ A total of 290 notifications in the first ten months of 2017 was disclosed 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 2016 annual report was published with a high compliance level with the Code. The Bank also publishes detailed quarterly activity reports.
- ✓ The Bank's 2016 financial tables were audited by the independent audit firm DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (member of Deloitte).
- ✓ The new audit firm, Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG), will carry out independent auditing activities in 2017.

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; 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 this main section has been assigned as **"Positive"**.

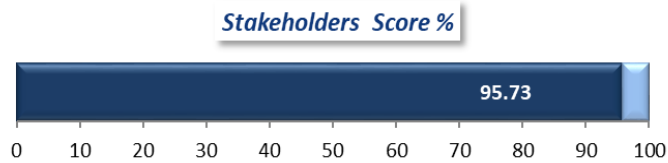
5- Stakeholders

This main section's score has been increased to 9.57 from 9.23. There are two reasons behind this increase.

- The compliance note of the Stakeholders main section was increased due to the activities conducted by the Ethics and Integrity committee established in 2016 along with the ethical values education provided for Bank's personnel.
- Additionally, notable progress was made in the resolution of complaints through successful customer complaints management and the quality of service provision increased.

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 **9.57**
- Convergence Level **AAA(Trk)** representing the category of "**Distinctive Compliance**"
- Notch degree (**aaa**) representing the category of "**Exceptional**"
- Outlook (**Positive**)



Stakeholders Results
9.57
AAA(Trk)/aaa
Positive

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

- ✓ Despite the increasing criteria each year, Garanti continues to lead the sector, being included in Dow Jones Sustainability Emerging Markets Index which tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria for the third consecutive year.
- ✓ The Integrity Committee which is composed the top manager of Bank carried out effective activities in 2017.

- ✓ Considering the number of staff, the number of lawsuits opened against the Bank by employees can be considered tolerable.
- ✓ 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 continues to be sponsor to many projects regarding health care, education, culture, art, sports and environment in 2017. The details of these sponsorships are disclosed on the web site and in the annual reports.
- ✓ In 2016 within the scope of social responsibility, the Bank donated TRY18,265,088 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 9.66 from 9.34. There are three reasons behind this increase:

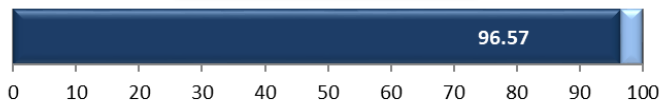
- The effectiveness of the Board and senior management has increased in recent years via ongoing technological investments and significant progress made with respect to digitalization. This positively affects the quality of the Bank's general management and subsequently the note of the Board's main section was increased.
- The compensation policy regarding the "key personnel" which consists of managers occupying important roles within the banks, was detailed and the salary rises and rewarding for 2016 was made in accordance with this policy. This positive development represents a new model across Turkey and has been effective in increasing the note of Board of Directors section.
- The re-structuring of the internal audit department and the rise in the effectiveness of the internal audit function was another reason underlying the increase in

the compliance note of the Board of Directors main section.

The Bank's level in this section and their corresponding notes are outlined below:

- Numerical value of **9.66**
- Convergence Level **AAA(Trk)** representing the category of "**Distinctive Compliance**"
- Notch degree (**aaa**) representing the category of "**Exceptional**"
- Outlook (**Stable**)

Board of Directors Score %



Board of Directors Results

9.66

AAA(Trk)/aaa

Stable

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

- ✓ At the general meeting held on March 30, 2017 the shareholders approved the 2016 activities of the Board of Directors.
- ✓ Liability insurance for board members and top managers was renewed by the Bank.
- ✓ Mr. Ferit ŞAHENK has resigned from his post as the board member and chairman and Mr. Süleyman SÖZEN was appointed as the new chairman instead on September 19, 2017.
- ✓ Mr. Jorge Saenz-Azcunaga CARRANZA was appointed as the new Vice Chairman on September 19, 2017.
- ✓ Mr. Rafael Salinas Martinez de LECEA and Mr. Ricardo Gomez BARREDO were appointed as real person Board Members instead Ms. Maria Isabel Goiri LARTITEGUI and Mr. Iñigo Echebarria GARATE on May 16, 2017.
- ✓ Executive Vice Presidents Mr. Onur GENÇ and Mr. Nafiz KARADERE resigned on 31 December 2016 and Mr. Mahmut AKTEN was officially appointed as a new Executive Vice President on 01 January 2017.
- ✓ All of these changes were disclosed in a timely manner to the PDP and the website.

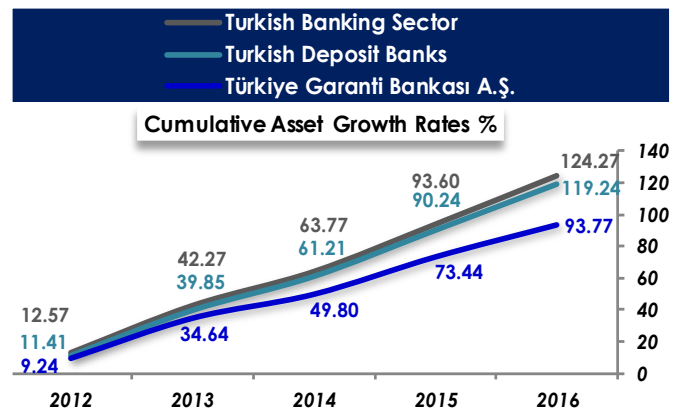
- ✓ The corporate secretary carried out sufficient activities in term of the board of director meeting's preparations, applications and follow-ups. During the meetings, the necessary services were provided to the members by the Secretary and minutes were kept in accordance to the Code.
- ✓ The Bank disclosed the total remuneration amount provided to the board members and the top managers in the 2016 annual report.
- ✓ During 2017 until the end of November, 14 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

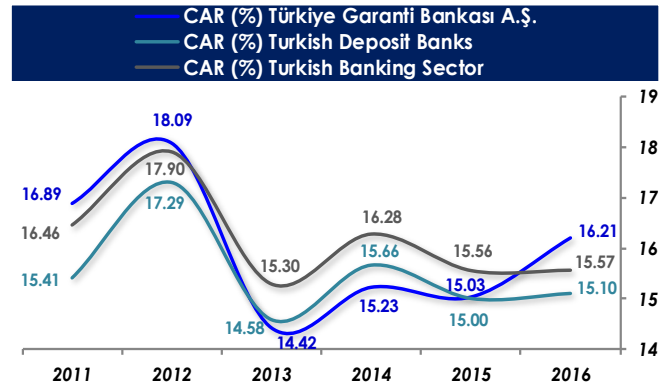
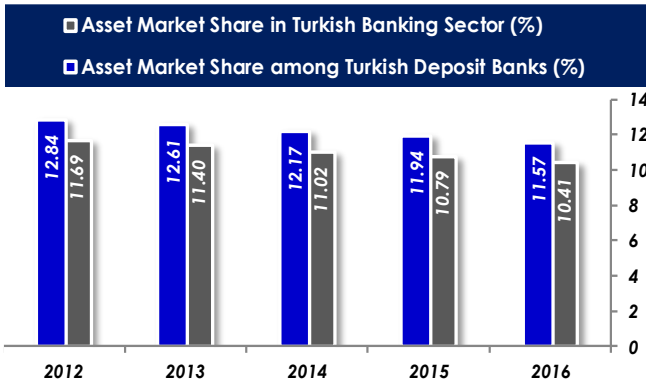
JCR Eurasia Rating is of the opinion that during the following monitoring period the Bank will maintain its level of compliance with the code in the Board of Directors main section. For this reason, the Outlook for this main section has been determined as "**Stable**".

7-Financial Efficiency

The Bank's asset growth performance compared to the sector in cumulative terms within the period between FY2012 and FY2016 are shown in the chart below:

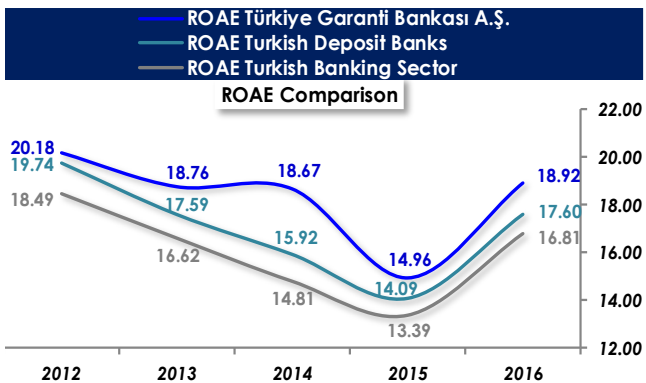
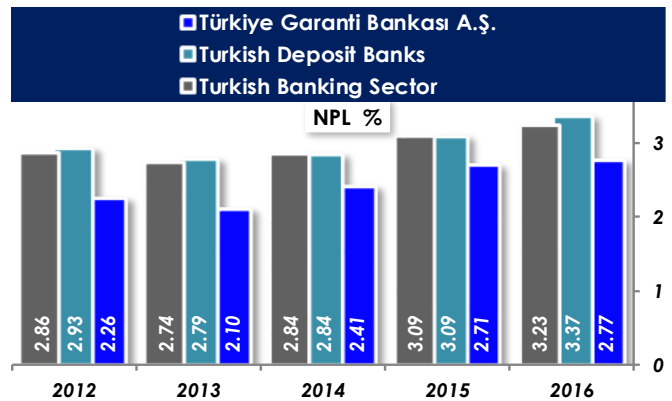
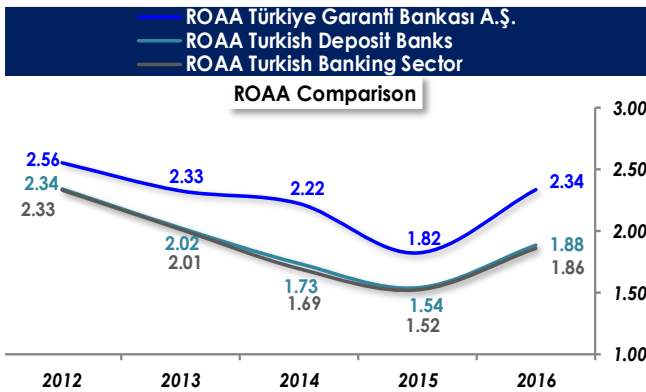


Garanti's asset market shares within the Turkish banking sector and among the Turkish deposit banks have continued its gradually contracting pattern during FY2016 particularly due to maintenance of the selective lending strategy as evidenced by its NPL figures below the sector averages.



The indicators of both ROAAs and ROAEs have outperformed the sector during the previous seven years while downward path reversed notably in line with those of the Turkish banking sector and the Turkish deposit banks.

Due to rising government stimulus, NPL inflows throughout the year are faring better than expected.



Garanti's non-consolidated CAR increased to 16.21% at the end of FY2016 from FYE2015 figure of 15.03%. Following a below-the-sector-average level for three consecutive years, the Bank outperformed both the Turkish banking sector and the deposit banks averages, 15.57% and 15.10%, respectively during FY2016.

TABLE:1
SHAREHOLDING STRUCTURE

Paid-in Capital	Years	2013	2014	2015	2016	2017
	TRY bn	4,200	4,200	4,200	4,200	4,200
Shareholders		Share %				
DOGUS GROUP		24.2256	24.2256	10.0002	10.0002	-
BANCO BILBAO VIZCAYA ARGENTARIA S. A.		25.0100	25.0100	39.9000	39.9000	49.85
OTHER SHAREHOLDERS		50.7644	50.7644	50.0998	50.0998	50.15
Total		100.00	100.00	100.00	100.00	100.00

AFFILIATES & SUBSIDIARIES as of September 2017

Consolidated Subsidiaries	Head Quarters	Fields of Activities	Interest Share %	Acquisition Date
GARANTIBANK INTERNATIONAL N.V.	Netherlands	Banking	100	1990
GARANTI HOLDING BV	Netherlands	Financial Services	100	2010
GARANTİ EMEKLİLİK VE HAYAT A.Ş.	Turkey	Insurance, Pension	84.91	1999
GARANTİ FİNANSAL KİRALAMA A. Ş.	Turkey	Leasing	100	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	9M2017	2016*	2015*	2014*	2013*	2012*
Total Assets (USD mn)	94,766	87,765	94,511	103,217	102,706	100,852
Total Assets (TRY mn)	336,617	308,319	274,838	237,914	217,736	177,500
Total Deposit (TRY mn)	195,156	178,644	156,114	133,407	119,194	97,775
Total Net Loans (TRY mn)	224,596	205,989	175,682	148,081	131,315	102,260
Equity (TRY mn)	40,817	36,438	32,006	27,290	23,475	21,922
Net Profit (TRY mn)	5,063	5,052	3,807	3,841	3,529	3,390
Asset Market Share (%)**	11.35	11.57	11.94	12.17	12.61	12.84
ROAA (%)	N.A.	2.17	1.86	2.16	2.28	2.52
ROAE (%)	N.A.	18.52	16.06	19.16	19.61	21.37
Equity/Assets (%)	12.13	11.82	11.65	11.47	10.78	12.35
CAR-Capital Adequacy Ratio (%)**	17.10	16.21	15.03	15.23	14.42	18.09
Asset Growth Rate (%)	9.18	12.18	15.52	11.41	22.67	9.47

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
Süleyman SÖZEN	Chairman	Chartered Accountant	08.07.2003	35	BSc/BA	Non-Executive	Not Independent	Risk Committee
Jorge Saenz-Azcunaga CARRANZA	Vice Chairman	Banker	24.03.2016	23	BSc/BA	Non-Executive	Independent	Audit Committee, Corp.Gov. Committee, Remuneration Committee
Sait Ergun ÖZEN	Member	Banker	14.05.2003	30	BSc/BA	Non-Executive	Not Independent	Remuneration Committee
M. Cüneyt SEZGİN	Member	Banker	30.06.2004	29	PhD	Non-Executive	Not Independent	
Javier Bernal Dionis	Member	Banker	27.07.2015	27	Master	Non-Executive	Independent	Audit Committee, Corp.Gov. Committee, Risk Committee
Jaime Saenz de Tejada PULIDO	Member	Banker	02.10.2014	24	BSc/BA	Non-Executive	Not Independent	
Rafael Salinas Martinez de LECEA	Member	Banker	08.05.2017	27	Masters	Non-Executive	Not Independent	Risk Committee
Ricardo Gomez BARREDO	Member	Tax Advisor	08.05.2017	25	Master	Non-Executive	Not Independent	
Sema YURDUM	Member	Banker	30.04.2013	37	BSc/BA	Non-Executive	Independent	Corp. Gov. Committee
Ali Fuat ERBİL	Member Chief Executive Officer	Banker	02.09.2015	25	PhD	Executive	Not Independent	