

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 applicable legislation. Garanti Bank pays the utmost 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.

In keeping with Garanti's commitment to 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 corporate governance principles and for ensuring that relevant improvement efforts are carried out in the Bank. In 2018, the Committee held 3 meetings with full participation of its members. The Board of Directors deemed that the activities performed by the Corporate Governance Committee in 2018 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 2018, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué No. II-17.1.

AUDIT COMMITTEE'S REPORT



Please refer to page 169 in the annual report for related information.

SHAREHOLDER RELATIONS

SHAREHOLDING STRUCTURE



Please refer to page 19 in the annual report for the Company's shareholding structure.

GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meeting is held in accordance with the resolution adopted by the Board of Directors. For reaching the highest number of shareholders possible, the General Meeting announcement including the meeting date, venue, agenda and similar information is duly announced at least three weeks prior to the meeting date as per the provisions stipulated in the Communiqué via the Turkish Trade Registry Gazette, Public Disclosure Platform (www.kap.gov.tr), e-Governance Corporate Governance and Investor Relations (www.mkk.com.tr), e-Company Companies Information Portal (www.mkk.com.tr), e-General Meeting Electronic General Meeting System (www.mkk.com.tr), the Bank's websites and two national newspapers. The Bank invites all stakeholders to the General Shareholders' Meeting, who will be voiceless during such meetings. Before the meeting, balance sheets, income statements and annual reports are made available for review by shareholders within the timeframe determined in the applicable legislation on the Garanti Bank Investor Relations website, at all branches and at the 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 posted on the Public Disclosure Platform (KAP), e-Company Companies Information Portal, e-General Meeting Electronic General Meeting System, and Garanti Bank Investor Relations website on the same day, and is published in the Trade Registry Gazette following its registration.

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, and voting at, the General Shareholders' Meeting by electronic means is permissible. The minutes and the list of attendants of the General Shareholders' Meeting are available to shareholders on Garanti Bank Investor Relations websites. These documents can also be obtained from the Subsidiaries and Shareholders Service.

Garanti Bank held its Ordinary General Shareholders' Meeting for the period 01 January 2017-31 December 2017 on 29 March 2018 and meeting quorum realized at 84.06%. Media representatives did not attend the General Shareholders' Meeting. At the meeting, 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 and/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.

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 independent board members.

INFORMATION ON DONATIONS AND GRANTS IN 2018

The total amount of donations and grants made by the Bank in the reporting period is TL 11,605,437. Based on its

commitment 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.

Amounts and beneficiaries of the donations made in 2018 are as follows:

BENEFICIARIES	AMOUNT
Öğretmen Akademisi Vakfı (Teachers Academy Foundation)	4,609,750
İstanbul Kültür ve Sanat Vakfı (İstanbul Foundation For Culture And Arts)	2,000,000
Ministry Of National Education	1,500,000
Ayhan Şahenk Vakfı	935,000
Other Foundations, Societies And Institutions	739,637
Universities And Educational Institutions	565,030
Doğal Hayati Koruma Vakfı (World Wildlife Fund - Turkey)	500,920
Various Public Institutions	500,000
Türkiye Eğitim Gönüllüleri Vakfı (Educational Volunteers Foundation of Turkey)	255,100
TOPLAM	11,605,437

VOTING 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.

DIVIDEND RIGHT

There are no privileges in dividend distribution at Garanti Bank. At the Bank's Board of Directors meeting on 31 January 2018, the Dividend Distribution Policy, which was amended to achieve greater alignment with the provisions of the CMB's Communiqué on Dividends no. II-19.1 and to increase the ratio of distributable profit from 25% to 30% for its distribution subject to the approval of authorities, was approved at the Ordinary General Shareholders' Meeting convened on 29 March 2018, and publicly disclosed on the Public Disclosure Platform (KAP) and the Company's website.

The Bank's Dividend Distribution Policy is as follows:

"Details of dividend distribution 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 30% 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 the 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 targets 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."

At the General Shareholders' Meeting held on 29 March 2018, it was resolved to distribute the profit for the year 2017, and dividend payout began on 24 April 2018. The following information has been provided to our Shareholders regarding the retained portion out of 2017 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."

STAKEHOLDERS

INFORMING STAKEHOLDERS

The stakeholders can participate in management through specially designed systems and meetings. 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 tablet PC applications, and responds to questions during live webcasts/teleconferences, the audio recordings of which are subsequently posted on these public channels.

In addition to handling customer complaints through a variety of alternative channels, the Customer Experience Support Team also carefully considers customers' suggestions. Garanti Bank provides its customers with the means to communicate their complaints, and comments about management any time through the contact form on Garanti website, by leaving a voice message on the phone line at 444 0 333, its social media platforms, i.e. Garanti Facebook page and Twitter GarantiyeSor (Ask Garanti) account.

Additionally, 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 the completion of the service customers receive from branches, the call center, Customer Experience Support Team and digital channels, they are asked to respond to a survey via phone, email or digital channels. Survey outcomes are carefully studied and the feedbacks received are converted into improvement actions. Customer feedbacks received especially at times of new product launches and process modifications are sensitively followed through, followed by arrangements to processes as necessary.

Garanti objectively assesses investors' expectations, their opinions regarding the Bank and the management by way of a "Perception Study". The study is conducted by third party companies, thus supporting impartial and transparent communication. Within this frame, improvement areas are analyzed and action plans are created.

In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative opinions, Garanti keeps dialogue channels bi-directional. While there are no written internal regulations, employees are provided with the opportunity to make assessments in all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions.

Making systematic use of various channels, including employee opinions, the intranet, employee engagement survey, and the voice of employee platform GONG, Garanti aims to increase employee satisfaction and employee engagement.

Garanti carries out an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration and training & development opportunities. In 2018, Employee Engagement score was 67%.

360 Degree Assessment and Feedback collects employee opinions regarding themselves, their colleagues, line managers and team members, and aims to establish the culture of giving and receiving feedback.

Suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. "Önersen" (You Suggest) has been instrumental in collecting 1,313 suggestions in 2018, two of which were rewarded. More than 23,000 ideas in the aggregate have been communicated via this channel since 2007. Through GONG, the voice of employee platform about HR practices and the working environment, 674 opinions were gathered in 2018.

Each year, through the Managers' Summit and the Future Meeting, the CEO and the executive team involve the total employee base and share & assess Garanti's current outlook and its strategy, goals & objectives for the year ahead.

BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION 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, who is a natural member of the Board.

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, Jorge Saenz-Azcunaga Carranza, who currently serves as the Head of the Audit Committee, and Ricardo Gomez Barredo, Audit Committee member, are independent Board members.

On the other hand, at the Ordinary General Shareholders' Meeting held in 2018, Garanti re-elected Belkıs Sema Yurdum, who satisfies all the independence criteria announced by the Capital Markets Board, to serve a term of office of 1 year remaining from the term of office set out in the independence criteria of the CMB's Corporate Governance Principles. The Corporate Governance Committee report dated 29 February 2018 establishing that Sema Yurdum satisfies the independence criteria has been submitted to the Board of Directors, which has resolved to file a notification with the CMB regarding the nomination of Sema Yurdum as an independent Board member. Quoted below is the declaration of independence by Sema Yurdum, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2018.

TO TÜRKİYE GARANTİ BANKASI 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, in accordance with the same Communiqué, as my term of office ends on the date of the first General Shareholders' Meeting to be held in 2018. 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 2018 fiscal year, which prejudiced the independence of independent Board members.

The Board of Directors of Garanti Bank is formed of 10 members, and the number of women members was 1 during 2018.

Résumés, terms of office and positions of the Board members are presented on pages 105, 106 and 107 of the Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

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.

WORKING PRINCIPLES AND PROCEDURES OF THE BOD

The Board of Directors of the Bank as the highest body of representation, direction, management and oversight of the Bank operates in order to fulfill the roles and responsibilities appointed to itself by the Articles of Association and the related legislations. In 2018, the Board of Directors passed 17 decisions by satisfying the required quorums for meeting and decision.



Garanti Bank's Internal Directive on the Working Principles and Procedures of the Board of Directors is available at www.garantiinvestorrelations.com, under Corporate Governance > Policies section.

RELATED PARTY TRANSACTIONS

As of 31 December 2018, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is approximately 1.10% of the Group's total operating income. In addition, the total of the shares representing the share capital in its related parties owned by the Group and cash and non-cash loans and other receivables provided to related parties by the Group are around 10% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the total of cash portions of such risks accounts is 1.1% 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.

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.

The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Shareholders' Meeting. As of 31 December 2018, 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 95,317,000. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

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 2018 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 23,000,000 net for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2019.

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 continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

At the Ordinary General Shareholders' Meeting held in 2018, 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 the policies 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 10.61% of the total personnel expenses figure for the benefits provided in 2018 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.

Subject to the restrictions imposed by the banking legislation, the Bank may extend loans to Board members and executives. 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 in the Annual Report, page 139.