

## Corporate Governance Rating

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

**Publication Date:** 11/12/2019

**Sector:** Banking

## T. GARANTİ BANKASI A.Ş.

### Ratings

Overall Score	<b>9.73</b>	AAA(Trk)/aaa (Positive)
Shareholders	<b>9.67</b>	AAA(Trk)/aaa (Stable)
Public Disclosure & Transparency	<b>9.67</b>	AAA(Trk)/aaa (Stable)
Stakeholders	<b>9.86</b>	AAA(Trk)/aaa (Stable)
Board of Directors	<b>9.76</b>	AAA(Trk)/aaa (Positive)

### Company Profile

<b>Trade Name</b>	T. GARANTİ BANKASI A.Ş.
<b>Address</b>	Nispetiye Mah. Aytar Cad. No:2 Beşiktaş/ İSTANBUL
<b>Chairman</b>	Mr. Süleyman SÖZEN
<b>CEO</b>	Mr. Recep BAŞTUĞ
<b>Investor Contact</b>	Phone: +90.212.318.23.52 investorrelations@garantibbva.com.tr
<b>Web</b>	<a href="http://www.garantibbvainvestorrelations.com">www.garantibbvainvestorrelations.com</a>
<b>Investor Relations (SVP)</b>	Ms. Handan SAYGIN

### Analysts

#### Ceyhun KIR

+90 212 352 56 73

ceyhun.kir@jcrer.com.tr

#### Diñcer SEMERCİLER

+90 212 352 56 73

didncr.semenciler@jcrer.com.tr

Financial Data	3Q2019**	2018*	2017*	2016*	2015*	2014*
Total Assets (USD mn)	73,193	75,252	93,258	87,765	94,511	103,217
Total Assets (TRY mn)	411,162	396,571	352,122	308,319	274,838	237,914
Total Deposit (TRY mn)	257,842	244,892	200,679	178,644	156,114	133,407
Total Gross Loans (TRY mn)	259,801	251,144	233,194	205,989	175,682	148,081
Equity (TRY mn)	51,775	46,895	41,925	36,438	32,006	27,290
Net Profit (TRY mn)	4,998	6,748	6,094	5,052	3,807	3,841
Asset Market Share (%) ***	10.05	10.56	11.13	11.57	11.94	12.17
ROAA (%)	n.a.	2.35	2.35	2.17	1.86	2.16
ROAE (%)	n.a.	19.83	19.81	18.52	16.06	19.16
Equity/Assets (%)	12.59	11.83	11.91	11.82	11.65	11.47
CAR-Capital Adequacy Ratio (%)***	19.87	18.31	18.68	16.21	15.03	15.23
Asset Growth Rate(ytd) (Annual) (%)	3.01	12.62	14.21	12.18	15.52	11.41

\* Based on end-of-year IFRS consolidated financials

\*\* Based on end-of-period BRSA consolidated financials

\*\*\* On solo basis and/or among the deposit banks

### Bank Overview

Türkiye Garanti Bankası A.Ş. (Garanti BBVA or Bank), {credit ratings by JCR Eurasia Rating on June 11, 2019: [FC: BBB/BBB+ Negative, LC: AAA(Trk)/(A-1+) (Trk) Stable]} was established in 1946. A large-scale deposit bank, Garanti BBVA 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 910 branches, the Bank has 7 foreign branches in Cyprus and one in Malta as well as 2 international representative offices located in Düsseldorf and Shanghai.

Banco Bilbao Vizcaya Argentaria S.A (BBVA), one of the leading banking groups in Europe is the sole major shareholder of the Bank with 49.85% of shares. 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 Istanbul (BIST) since 1990 and the actual free float rate is 50.07% as of September 30, 2019.

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

- Publishing the integrated report
- 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
- Utilization of the Bank IR 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

## 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 BBVA's level of compliance with Corporate Governance Principles as of December 2019.

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](http://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 BBVA 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	Convergence	Notch degree	Outlook
	Value	Level		
Shareholders	90.70	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosure 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
<b>Overall</b>	<b>91.41</b>	<b>AAA(Trk) (Distinctive)</b>	<b>(aa) (Superior)</b>	<b>Stable</b>

Through the analysis of JCR ER's original methodology, the general compliance level of the Bank with corporate governance principles as of December 2018, can be seen in the table below.

December 11, 2018

Fields	Numerical	Convergence	Notch degree	Outlook
	Value	Level		
Shareholders	92.20	AAA (Trk) (Distinctive)	(aa) (Superior)	Positive
Public Disclosure and Transparency	96.70	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Stable
Stakeholders	97.23	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Positive
Board of Directors	97.55	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Stable
<b>Overall</b>	<b>95.95</b>	<b>AAA(Trk) (Distinctive)</b>	<b>(aaa) (Exceptional)</b>	<b>Positive</b>

Finally, at the end of previous monitoring period, a comprehensive review was performed in December 2019. The Bank’s overall compliance note has been increased to 9.60 from 9.73.

- The further improvement in technology based and user-friendly applications which are implemented by the Investor Relations Department facilitates the use of shareholders rights and increase transparency level in the shareholders main section.
- The continuity in the implementation of innovative HR practices by the Human Resources Department and positive discrimination of female staff regarding promotions.

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

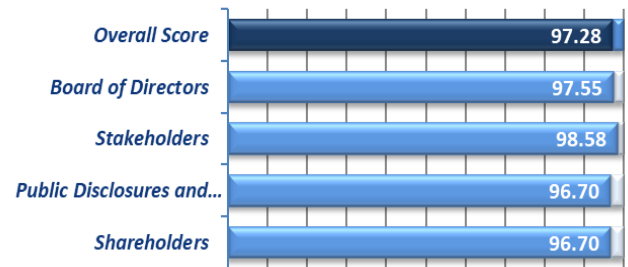
- Numerical value of **9.73**
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**
- Notch degree **(aaa)** representing the category of **“Exceptional”**
- Outlook **(Positive)**

December 11, 2019

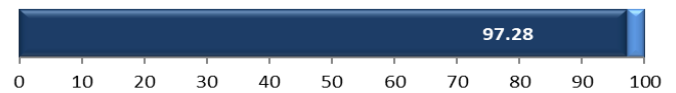
Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	96.70	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Stable
Public Disclosure and Transparency	96.70	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Stable
Stakeholders	98.58	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Stable
Board of Directors	97.55	AAA (Trk) (Distinctive)	(aaa) (Exceptional)	Positive
<b>Overall</b>	<b>97.28</b>	<b>AAA(Trk) (Distinctive)</b>	<b>(aaa) (Exceptional)</b>	<b>Positive</b>

JCR Eurasia Rating’s notation system may be viewed at: [http://www.jcrer.com.tr/Upload/Files/Reports/538\\_kyder\\_notation\\_oct2010.pdf](http://www.jcrer.com.tr/Upload/Files/Reports/538_kyder_notation_oct2010.pdf)

### Corporate Governance Score %



### Overall Score %



### Overall Result

**9.73**

AAA (Trk) / aaa

Positive

### Outlook

Garanti BBVA reached a level of high overall compliance as well as a high level of compliance in all 4 distinct categories last year. Additionally, “Agile Methodology” began to be used in audits that are conducted within the Audit Board as of FY2019. Following the change in methodology, it is aimed that the workforce will be used more productively along with the generation of high value-added results, increase of autonomy within audit teams and improvement of communication with the audited parties. As an opinion was reached that this innovative approach would increase the quality of audit and management, the outlook of the Board of Directors main section has been assigned as **“Positive”**.

## 2. Turkish Banking Sector and Garanti BBVA Overview

The Turkish banking sector, which is closely monitored by the regulatory authorities and directly affected by financial innovations and developments in the information technologies, has the major share in the overall financial system in Turkey. The pivotal role of the banking sector is reinforced by the high share of the households in total financial assets.

The Turkish banking sector, regulated by the BRSA-Banking Regulation and Supervision Agency; consists of deposit banks, development and investment banks, and participation banks whose operations are designed based on the Islamic principles of profit or loss sharing. The asset size of the banking sector, which has the largest share in the Turkish financial system, amounted to USD 735 billion (TRY 3,867 billion) as of FYE2018.

### Summary of Key Indicators of the Turkish Banking Sector

(TRY mn)	2018	2017	2016	2015
Asset Size – TRY	3,867,135	3,257,819	2,730,942	2,357,386
Asset Size – USD	735,071	863,708	799,129	807,850
Equity – TRY	421,185	359,091	300,171	262,213
Profit – TRY	53,522	49,122	37,532	26,052
ROAA %	1.85	2.05	1.86	1.52
ROAE %	16.86	18.62	16.81	13.38
NPL %	3.86	2.95	3.24	3.09
Capital Adequacy Ratio %	17.27	16.87	15.57	15.56
Equity / T. Assets %	10.89	11.02	10.99	11.12

The total number of the banks operating in the sector was 52 in 2018. In order to deepen the penetration of the banking sector, the investments in the internet, ATM and POS based banking services are increasing in an accelerated manner. The concentration of the assets, loans and deposits are at a high level in the sector. In all these three categories, the top 5 banks hold approximately a 60% share in the whole sector. The highest concentration is observed in deposits, loans and profits respectively. Non-domestic banks have a quite large share in terms of equity in the sector.

Key Numbers Turkish banking sector (*)		Deposit Banks (*)	Development & Investment Banks (*)	Participation Banks (**)	Total
Number of Banks	State Banks	3	3	2	8
	Private Banks	9	6		15
	SDIF Bank		1		1
	Foreign Banks	21	4	3	23
	Foreign Banks Branches		5		5
	<b>Total</b>	<b>28</b>	<b>19</b>	<b>5</b>	<b>52</b>
Number of Branches	State Banks	3,715	33	171	3,919
	Private Banks	3,988	16		4,004
	SDIF Bank	1			1
	Foreign Banks	2,748	2	949	3,699
	Foreign Banks Branches		2		2
	<b>Total</b>	<b>10,452</b>	<b>53</b>	<b>1,120</b>	<b>11,625</b>
Number of Staff	State Banks	60,061	4,058	2,135	66,254
	Private Banks	72,932	1,173		74,105
	SDIF Bank	219			219
	Foreign Banks	54,707	117	13,543	68,367
	Foreign Banks Branches		76		76
	<b>Total</b>	<b>187,919</b>	<b>5,661</b>	<b>15,678</b>	<b>209,021</b>

(\*) As of September 30, 2018.

(\*\*) As of December, 31, 2018

The legal framework of the Turkish banking sector, which is in compliance with the main framework of EU legislation with the exception of provisions concerning foreign branches and deposit guarantees, has been shaped in accordance with the criteria of consolidation of integration with global economies, the Basel process, and the Capital Requirements Directive (CRD). In this context, in December 2016 the European Commission accepted that both the control and the regulatory framework of Turkish banking system were largely compatible and equivalent to the EU regime. This high equivalence was considered to have originated from the further implementation of Basel III in Turkish legislation. In terms of risk management, the Turkish banking sector is capable of managing its pricing and balance sheet structures according to international standards.

Since the sector revises and updates its infrastructure in a flexible manner in parallel with the continuously changing expectations of the credit and deposit customers and investors in terms of progressive and sustainable business models, it has a very dynamic structure regarding the offering of new products and services. It is expected that the Turkish banks will maintain their advantages regarding deposit collection and domestic and international funding activities in 2019 thanks to their strong capital structure and the deepening of the capital markets.



The Turkish banking sector will concentrate its growth strategy more on the scale and cost efficiency issues, in which it did not yet reach the desired level.

In the Turkish banking sector, while innovative approaches to branching and alternative channels are being developed, the importance of multi-branching is still prevalent in Turkey. The elasticity coefficients of the Turkish banking sector are well above the global optimum levels in terms of lending capacity, interest volatility and regulatory pressures. Legal arrangements increase the resilience of banks to crises and create downward pressure as well on productivity and profitability. However, financial innovations are expected to significantly eliminate the negative effects of the regulatory constraints.

As of FYE2018, the deposit banks have a total share of 88% in the sector, while participation banks hold a share of 5.35% and development and investment banks have a share of 6.65%. The share of deposit banks still follows a decreasing trend.

Market Share %	2014	2015	2016	2017	2018
Participation Banks	5,23	5,10	4,87	4,92	5,35
Development & Investment Banks	4,24	4,53	5,22	5,37	6,65
Deposit Banks	90,53	90,37	89,91	89,71	88,00

After the global crisis in 2009, the Turkish banking sector started to continuously grow and the total cumulative growth rate between 2010 and 2018 amounts to approximately 400%.

By means of the U.S. Dollars, on the other hand, the Turkish banking sector attained a cumulative growth rate of 1.2% between 2010 and 2018. In the last two years, the growth of the sector in terms of the U.S. Dollars has decreased due to the rapid depreciation of the Turkish Lira. Founded in 1946 and its shares began trading in 1990, Garanti BBVA operates through its large franchise network of 910 domestic branches, 8 foreign branches and 2 international representative offices serving to more than 17 million customers with a staff force of 18,617 employees as at the end of November, 2019.

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, 2019.

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, 2019 financial statements, the Bank had a consolidated asset size of TRY411bn, equity of TRY 51.775bn and a 9-month net profit of TRY4.998 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 698bn, a total loan EUR 389bn, a total income EUR 12bn, a total equity EUR 55bn, 7,823 branches and a workforce of 126,017 as of June 30, 2019. Mr. Carlos Torres VILA 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.

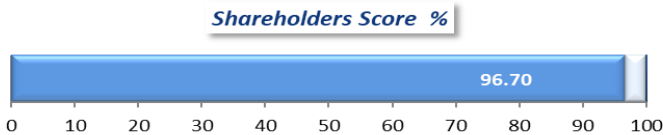
The Board of Directors of the Bank currently consists of 11 members. 3 board members are in the independent status. There are numerous committees established in scope of the Board of Directors including audit, corporate governance and remuneration committees. All committee members are highly educated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

### 3. Shareholders

The Bank's score in the Shareholders main section has been increased to 9.67 from 9.22. The reason of this increase is that the further improvement in technology based and user-friendly applications which are implemented by the Investor Relations Department facilitates the use of shareholders rights and increase transparency level in the shareholders main section.

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

- Numerical value of **9.67**
- Convergence Level **AAA(Trk)** representing the category of **"Distinctive Compliance"**
- Notch degree **(aaa)** representing the category of **"Exceptional"**
- Outlook **(Stable)**



#### Shareholders Result

9.67
AAA (Trk) / aaa
Stable

#### Activities carried out during the monitoring period in the Shareholder field:

- ✓ The 2018 Ordinary Shareholders Meeting was held on April 04, 2019 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 2018 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.
- ✓ There is no change in the articles of association of the Bank.
- ✓ The Investors Relations Department's managers and top managers of the Bank met with 576 international fund managers across Europe, Middle East, Asia, Canada and America face to face. In 2019, until Mid-October they joined 29 Roadshow and Investor Conferences in 13 cities.
- ✓ The Investor Relations Department specialists answered all inquiries from shareholders and potential investors via telephone and e-mail.
- ✓ The Bank realized TL6,638,235,755 of profit during FY2018. In the general meeting on April 04, 2019, after setting aside TL6,416,192 as special reserves, TL6,631,819,562 was designated as excess reserves. 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 upcoming 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"**.

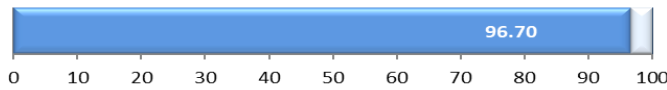
## 4. Public Disclosure and Transparency

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 **9.67**
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**
- Notch degree (**aaa**) representing the category of **“Exceptional”**
- Outlook (**Stable**)

**Public Disclosures and Transparency Score %**



### Public Disclosure and Transparency Result

**9.67**

AAA (Trk) / aaa  
Stable

#### Activities carried out during the monitoring period in this field:

- ✓ 2019's integrated annual report was published successfully with a high compliance level with the Code.
- ✓ A total of 405 notifications in the first ten months of 2019 was disclosed to the Public Disclosure Platform (PDP). Following these disclosures, no extra information was requested.
- ✓ The Bank's quarterly financial statements were released to the public within the period specified by CMB legislation and posted on the website.
- ✓ 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 was not suspended from trading on the BIST in the monitoring period.
- ✓ The Bank's 2018 financial tables were audited by the independent audit firm KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A. Ş. Same audit firm will carry out independent auditing activities in 2019.

#### Outlook

JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Public Disclosure and Transparency field. For this reason, the outlook for this section has been determined as **“Stable”**.

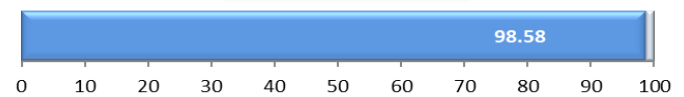
## 5. Stakeholders

This main section's score has been increased to 9.86 from 9.72. The reason behind this increase is that the continuity in the implementation of innovative HR practices by the Human Resources Department and positive discrimination of female staff regarding promotions.

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 **9.86**
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**
- Notch degree (**aaa**) representing the category of **“Exceptional”**
- Outlook (**Stable**)

**Stakeholders Score %**



### Stakeholders Result

**9.86**

AAA (Trk) / aaa  
Stable

### Activities carried out during the monitoring period in the Stakeholders field:

- ✓ The Bank has once again included in the Dow Jones Sustainability Emerging Markets Index (DJSI), one of the most prestigious platforms, which is evaluating the sustainability performance of corporate firms around the world. Garanti BBVA is the only company based in Turkey that is included in the index for five consecutive years.
- ✓ Considering the number of staffs, 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 discloses 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 2019. The details of these sponsorships are disclosed on the web site and in the annual reports.
- ✓ In 2018 within the scope of social responsibility, the Bank donated TRY11,605,437 to various institutions. The Board of Directors submitted information to the shareholders regarding these donations in the general shareholders meeting.

### Outlook

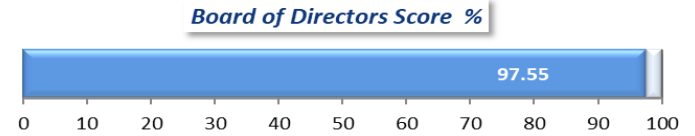
JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Stakeholders field. For this reason, the outlook for this section has been determined as **“Stable”**.

## 6. Board of Directors

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 **9.76**
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**
- Notch degree **(aaa)** representing the category of **“Exceptional”**
- Outlook (**Positive**)



### Board of Directors Result

<b>9.76</b>
AAA (Trk) / aaa
Positive

### Activities carried out during the monitoring period in this field:

- ✓ At the general meeting held on April 04, 2019 the shareholders approved the 2018 activities of the Board of Directors.
- ✓ Liability insurance for board members and top managers was renewed by the Bank.
- ✓ Mevhibe Canan ÖZSOY appointed as independent board member on April 4, 2019.
- ✓ Mr. Recep BAŞTUĞ was appointed as the General Manager and board member replacing Mr. Ali Fuat ERBİL on September 01, 2019.
- ✓ These changes were disclosed in a timely manner to the PDP and the website
- ✓ There is no change in the Top Management.
- ✓ 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 2018 annual report.



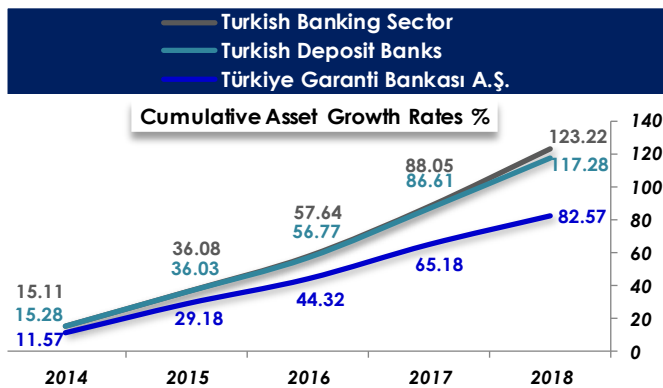
- ✓ During 2019 until the end of November, 14 Board of Directors' meetings were held.
- ✓ Audit, Corporate Governance, Risk and Remuneration Committees held their periodic meetings and conducted effective activities in this period.

**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 field. Additionally, "Agile Methodology" began to be used in audits that are conducted within the Audit Board as of FY2019. Following the change in methodology, it is aimed that the workforce will be used more productively along with the generation of high value-added results, increase of autonomy within audit teams and improvement of communication with the audited parties. As an opinion was reached that this innovative approach would increase the quality of audit and management, the outlook of the this main section has been assigned as **"Positive"**.

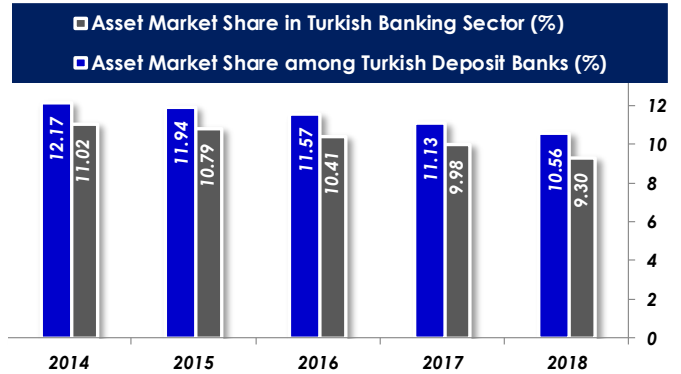
**7. Financial Efficiency**

The Bank's asset growth performance compared to the sector in cumulative terms within the period between FY2014 and FY2018 are shown in the chart below:

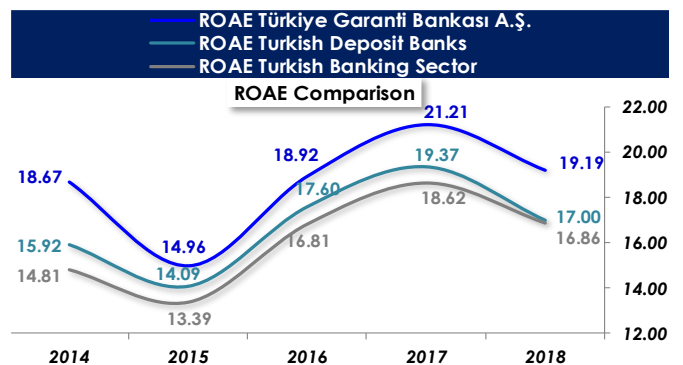
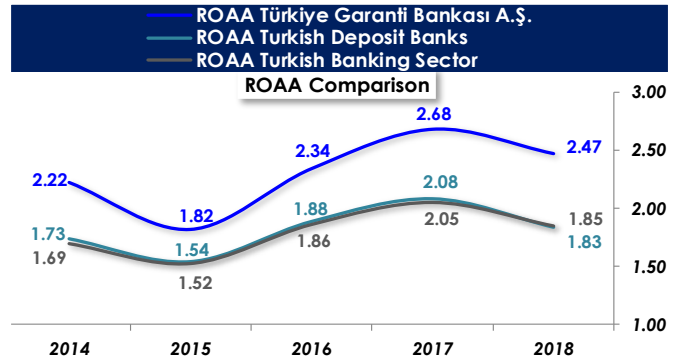


Garanti BBVA's asset market shares within the Turkish banking sector and among the Turkish deposit banks have continued its gradually contracting pattern during FY2018 particularly due to maintenance of the selective lending strategy. The Bank still ranked 4<sup>th</sup> largest bank among the 47 total banking institutions regarding the solo based asset

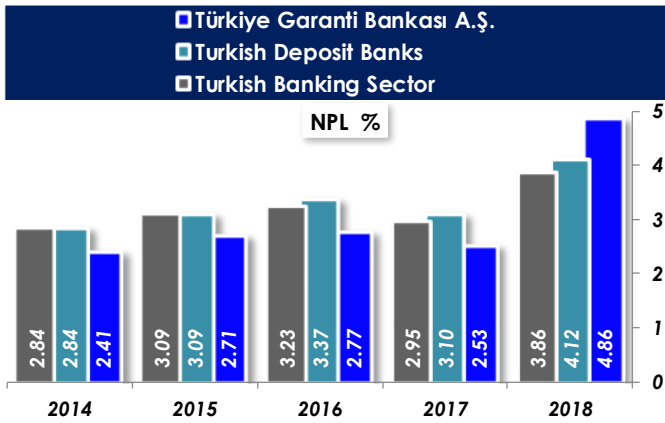
size of TRY359.48 bn as of FYE2018 (1QE2019: TRY384.38 bn).



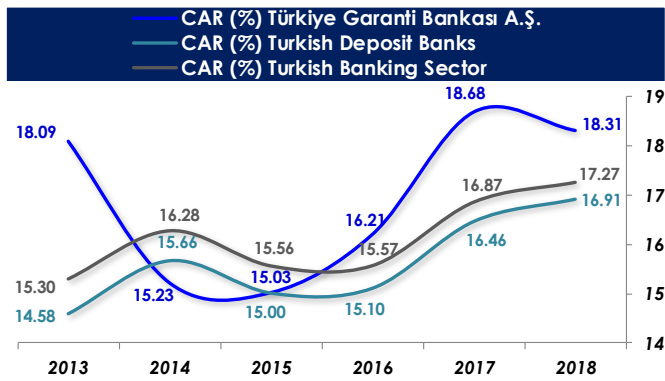
The indicators of both ROAAs and ROAEs have outperformed the sector averages during the previous nine years while the differences have become more visible during the previous three years. Compared to deposit banks, Garanti BBVA's ROAA performed 64 bps (FY2017: 60 bps) better and its ROAE 219 bps (FY2017: 184 bps) better.



NPL inflows to continue in a decelerating pace in light of big-ticket NPL files already recorded during FY2018 but higher retail NPL inflows due to deteriorating employment level in FY2019.



Garanti BBVA’s non-consolidated CAR slightly declined to 18.31% at the end of FY2018 from FYE2017 figure of 18.68% (1QE2019: 17.05%). Following a below-the-sector-average level for three consecutive years, the Bank outperformed both the Turkish banking sector and the deposit banks averages during the previous three years.



As a result, the Bank’s equity level, generated profit, deposit base, assets quality and management practices provide adequate support for the retention of the current level of compliance with corporate governance best practices.

**TABLE:1**

**SHAREHOLDING STRUCTURE**

<b>Years</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Paid Capital (TRY bn)</b>	<b>4,200</b>	<b>4,200</b>	<b>4,200</b>	<b>4,200</b>	<b>4,200</b>
<b>Shareholders</b>					<b>Share %</b>
DOGUS GROUP	10.0002	10.0002	-	-	-
BANCO BILBAO VIZCAYA ARGENTARIA S. A.	39.9000	39.9000	49.85	49.85	49.85
OTHER SHAREHOLDERS	50.0998	50.0998	50.15	50.15	50.15
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**TABLE: 2**  
**AFFILIATES & SUBSIDIARIES as of September 2019**

Company Name	Head Quarters	Fields of Activities	Interest Share %	Acquisition Date
GARANTIBANK INTERNATIONAL N.V.	Netherlands	Banking	100	1990
GARANTİ 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	99.96	1999
GARANTİ HİZMET YÖNETİM A. Ş.	Turkey	Fund Administration	100	2000
GARANTİ KONUT FİNANSMANI DANIŞMANLIK HİZMET. 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	3.61	1996
G NETHERLANDS BV	Netherlands	Financial Services	100	2010
TRIFOI REAL ESTATE COMPANY	Romania	Real Estate	100	2010
GARANTİ BANK SA	Romania	Banking	100	2010
MOTORACTIVE IFN SA	Romania	Leasing	100	2010
RALFİ IFN SA	Romania	Consumer Finance	100	2010

**TABLE: 3**

<b>Financial Data</b>	<b>3Q2019**</b>	<b>2018*</b>	<b>2017*</b>	<b>2016*</b>	<b>2015*</b>	<b>2014*</b>
Total Assets (USD mn)	73,193	75,252	93,258	87,765	94,511	103,217
Total Assets (TRY mn)	411,162	396,571	352,122	308,319	274,838	237,914
Total Deposit (TRY mn)	257,842	244,892	200,679	178,644	156,114	133,407
Total Gross Loans (TRY mn)	259,801	251,144	233,194	205,989	175,682	148,081
Equity (TRY mn)	51,775	46,895	41,925	36,438	32,006	27,290
Net Profit (TRY mn)	4,998	6,748	6,094	5,052	3,807	3,841
Asset Market Share (%) ***	10.05	10.56	11.13	11.57	11.94	12.17
ROAA (%)	-	2.35	2.35	2.17	1.86	2.16
ROAE (%)	-	19.83	19.81	18.52	16.06	19.16
Equity/Assets (%)	12.59	11.83	11.91	11.82	11.65	11.47
CAR-Capital Adequacy Ratio (%) ***	19.87	18.31	18.68	16.21	15.03	15.23
Asset Growth Rate(ytd) (Annual) (%)	3.01	12.62	14.21	12.18	15.52	11.41

\* Based on end-of-year IFRS consolidated financials

\*\* Based on end-of-period BRSA consolidated financials

\*\*\* On solo basis and/or among the deposit banks



**TABLE: 4**  
**BOARD OF DIRECTORS**

Name	Task	Experience	Date Elected	Experience (Year)	Education	Executive/Non-Executive	Independent/Not Independent	Committee Membership
Süleyman SÖZEN	Chairman	Financials, Information Technology, Consumer Discretionary, Consumer Staples, Health Care, Real Estate, Energy	29.05.1997	39	BSc/BA	Non-Executive	Not Independent	Risk Committee
Jorge Saenz-Azcunaga CARRANZA	Vice Chairman	Financials	24.03.2016	27	BSc/BA	Non-Executive	Independent	Audit Committee, Corp.Gov. Committee Chairperson, Remuneration Committee
Sait Ergun ÖZEN	Member	Financials, Information Technology, Consumer Discretionary, Consumer Staples, Real Estate, Energy	14.05.2003	33	BSc/BA	Non-Executive	Not Independent	Remuneration Committee
M. Cüneyt SEZGİN	Member	Financials	30.06.2004	35	PhD	Non-Executive	Not Independent	
Javier Bernal Dionis	Member	Financials, Industrials, Health Care, Information Technology	27.07.2015	30	Master	Non-Executive	Not Independent	Corp.Gov. Committee, Risk Committee
Jaime Saenz de Tejada PULIDO	Member	Financials	02.10.2014	28	BSc/BA	Non-Executive	Not Independent	
Rafael Salinas Martinez de LECEA	Member	Financials	08.05.2017	29	Master	Non-Executive	Not Independent	Risk Committee Chairperson
Ricardo Gomez BARREDO	Member	Financials, Industrials, Materials, Consumer Discretionary	08.05.2017	32	Master	Non-Executive	Independent	Audit Committee,
Sema YURDUM	Member	Financials, Industrials	30.04.2013	39	BSc/BA	Non-Executive	Not Independent	Audit Committee Chairperson, Corp. Gov. Committee
Mevhibe Canan ÖZSOY	Member	Financials, Healthcare, Energy, Technology System	04.04.2019	31	Master	Non-Executive	Independent	
Recep BAŞTUĞ	Member CEO	Financials, Industrials, Chemistry	06.09.2019	30	BSc/BA	Executive	Not Independent	