

**CORPORATE
GOVERNANCE
PRINCIPLES
COMPLIANCE
REPORT**

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "Bank") complies with the corporate governance principles determined by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other related legislations. Garanti Bank pays maximum attention for the application of these principles. The Bank accordingly updates its Annual Reports and website, making them available to its shareholders. The shareholders may access detailed information at Garanti's regularly updated website and may ask questions to the Investor Relations Department. Furthermore, the shareholders may access Garanti's year-end financials and updated information via interactive annual reports and gather information regarding the latest developments and activities via videos including the senior management's views and comments.

As a result of its commitment to the corporate governance principles, Garanti complies with the principles that are not mandatory for the corporations subject to the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 issued by the Capital Markets Board of Turkey (the "Communiqué"). The principles that are exceptionally not complied with by the Bank are stated under the relevant headings below, together with the reasons of non-compliance.

On the other hand, the Capital Markets Board has resolved that the banks that are publicly traded on the Istanbul Stock Exchange must complete their compliance process with the Communiqué at their first general shareholders' meeting, by no later than June 30, 2013. Accordingly, at its ordinary general shareholders' meeting to be held in 2013, Garanti will comply with all mandatory principles required by the Communiqué, which have not yet been complied with.

SECTION I - SHAREHOLDERS

2. Shareholder Relations Division

The Investor Relations Department is in charge of managing relations with foreign investors/shareholders, investment firms and rating agencies. The Investor Relations Department is mainly responsible for:

- » Establishing and carrying out relations with prospective and existing corporate and foreign investors,
- » Participating in the investors' meetings and conferences organized in Turkey and abroad,
- » Executing meetings with rating agencies,
- » Preparing earnings presentations and conducting conference calls,
- » Preparing corporate presentations and any other meeting materials to present the Bank, organizing targeted roadshows and various other informational meetings,
- » Regularly updating the information published on the Investor Relations page in the Garanti Bank website,
- » Coordinating the writing and publishing of annual reports with the related departments and parties both in Turkish and English, in compliance with the time and structure specified in the relevant legislation,
- » Proactively informing the shareholders on a regular basis and answering their questions; cultivating shareholder loyalty.

In 2012, the Investor Relations Department, in accordance with its proactive, transparent and consistent strategy,

- » Participated in 22 domestic and international investor conferences with executive management along with one-on-one meetings with more than 712 international investment funds,
- » Executed due diligence meetings with 4 rating agencies,
- » Conducted 4 live earnings conference calls and posted the replay of these calls on its website,
- » Issued quarterly interim reports, sharing detailed information and data about Garanti,
- » Brought together the analysts of investment firms with the CEO and the Strategic Planning Executive Director in an operational plan presentation meeting,
- » Answered per month around 300 questions received from institutional investors and analysts of investment firms by phone and e-mail and held 152 teleconferences,
- » Issued the "StockWatch Quarterly" newsletter on a quarterly basis, summarizing significant developments in the Bank, the sector, the equity market and the economy,
- » Published two "Corporate Profile" booklets as semi-annual and year-end, which contained information about Garanti, Turkish Economy, Banking Sector and Garanti's position in the sector.

In addition, to facilitate the follow-up of shareholder rights, Garanti Bank operates a Subsidiaries and Shareholders Service at its General Accounting Department. The Subsidiaries and Shareholders Service is mainly responsible for:

- » Organizing General Shareholders' Meetings of the Bank,
- » Carrying out capital increases of the Bank,
- » Ensuring the necessary amendments in Articles of Association of the Bank comply with the relevant regulations,
- » Facilitating the use of bonus and rights offerings after the capital increase,
- » Facilitating the dividend payments as specified in article 45 of the Articles of Association in case the dividend distribution to shareholders has been resolved at the General Shareholders' Meeting,
- » Sending the public announcements of the Bank via Public Disclosure platform (www.kap.gov.tr/yay/English/ek/index.aspx) in Material Event Disclosure format,
- » Responding to the questions of the branches and shareholders about share certificates in a timely manner or forwarding them to the related departments.

3. Exercise of Shareholders' Rights to Obtain Information

The Subsidiaries and Shareholders Service responds to inquiries from shareholders via phone and e-mail regarding the share certificate procedures, general shareholders' meetings, capital increases, dividend distributions and requests of reports on the shareholder structure of the Bank from the Central Registry Agency. In addition, during the fiscal period, requests of shareholders and third parties related to matters such as annual reports, the current status of share certificates and the inheritance of share certificates are answered in writing. The Investor Relations Department receives an average of 300 inquiries by telephone or e-mail per month. The Department organizes 60 or more one-on-one or group meetings each month with existing and potential investors and bank analysts, thus responding to all questions about the Bank. Garanti has two investor relations websites, in Turkish and in English.

- » The Investor Relations site in Turkish can be reached at www.garanti.com.tr/yatirimciiliskileri
- » The Investor Relations site in English can be reached at www.garanti.com.tr/investorrelations

Investor Relations Department

Name Surname	Title	Phone	E-Mail
<i>Handan Saygun</i>	SVP	+90 (212) 318 23 50	HandanSay@garanti.com.tr
<i>Sinem Özönur</i>	Manager	+90 (212) 318 23 57	SinemOzo@garanti.com.tr
<i>Hande Tunaboylu</i>	Manager	+90 (212) 318 23 54	HandeT@garanti.com.tr
<i>Ceyda Akınç</i>	Supervisor	+90 (212) 318 23 53	CeydaAk@garanti.com.tr
<i>Rana Tercan</i>	Associate	+90 (212) 318 23 60	RanaT@garanti.com.tr
<i>Utku Alaylı</i>	Associate	+90 (212) 318 23 59	UtkuAl@garanti.com.tr

Fax: +90 (212) 216 5902

Subsidiaries and Shareholders Service of General Accounting Department

Name Surname	Title	Phone	E-Mail
<i>Hakan Özdemir</i>	SVP	+90 (212) 318 19 47	HakanOz@garanti.com.tr
<i>Sevgi Demiröz</i>	Supervisor	+90 (212) 318 19 45	SevgiD@garanti.com.tr
<i>Tansel Kermooğlu</i>	Supervisor	+90 (212) 318 19 38	TanselKe@garanti.com.tr
<i>Ülkü Sungun Toprak</i>	Associate	+90 (212) 318 19 46	UlkuSi@garanti.com.tr

Fax: +90 (212) 216 6421

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These websites contain information about the shares, corporate information, periodically published financial statements and annual reports, information about corporate governance, social responsibility projects, presentations that provide information about the Bank and announcements regarding the developments in the Bank. All information and changes occurred in shareholders' rights are published via Public Disclosure Platform in Material Event Disclosure format.

The appointment of a special auditor is not required by the Articles of Association of the Bank and so far no request regarding the appointment of a special auditor has been submitted to Garanti.

4. Information on the General Shareholders' Meetings

During the fiscal period (01.01.2012-31.12.2012), one Ordinary General Shareholders' Meeting was held. Meeting quorum in the Ordinary General Shareholders' Meeting was 56.32% The General Shareholders' Meetings are held in accordance with resolutions adopted by the Board of Directors.

Before these meetings, information about the date, venue and the agenda are provided to shareholders through Public Disclosure Platform in accordance with the general principles, as well as the Turkish Trade Registry Gazette and national newspapers. Balance sheets, income statements and annual reports are prepared prior to the General Shareholders' Meetings and made available to shareholders within the period determined in the applicable regulation via the website, at the branches and at the Head Office of the Bank. At General Shareholders' Meetings, 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 the 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' Meetings are published in the Turkish Trade Registry Gazette and resolutions are published via Public Disclosure Platform.

Resolutions adopted in the General Shareholders' Meetings are carried out in accordance with the legal procedures within the specified time.

Pursuant to the provisions of the Regulation on Attendance at General Shareholders' Meetings of Joint Stock Companies by Electronic Means and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to the general shareholders' meetings of the Bank via electronic means will be possible as of 2013.

Moreover, the minutes and the list of attendants of the General Shareholders' Meetings are available to shareholders at Garanti Bank's websites and the Subsidiaries and Shareholders Service.

Since the minutes of the General Shareholders' Meetings are disclosed to public via the Bank's website and published in the Turkish Trade Registry Gazette pursuant to the relevant regulations, media members and other stakeholders cannot attend the general shareholders' meetings.

In addition, total amount of contributions and donations made by the Bank in 2012 is TL 12,408,467.54. Following principles of corporate social responsibility, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations who and which are working in the fields of education, culture, art, environment and sports. Donations can also be made to promote the corporate identity and to extend banking activities of the Bank.

Amounts and Beneficiaries of the Donations made in 2012 are as follows:

Beneficiary	Amount of Donation (TL)
Istanbul Kültür ve Sanat Vakfı (Istanbul Foundation for Culture and Arts)	2,240,290.00
Universities	2,007,214.00
Sporting Club Societies	1,569,566.92
Doğal Hayatı Koruma Vakfı (World Wide Fund for Nature-Turkey)	1,150,000.00
Istanbul Modern Sanat Vakfı (Istanbul Foundation for Modern Arts)	875,134.00
Individual Sportspersons	650,000.00
Toplum Gönüllüleri Vakfı (Community Volunteers Foundation)	400,000.00
Other	3,516,262.62
Total	12,408,467.54

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the activity period and any change of policy in this regard is provided to the shareholders with a separate item in the agenda during the general shareholders' meeting.

5. Voting Rights and Minority Rights

Shareholders' voting rights and execution of these rights are specified in articles 38 and 39 of the Articles of Association. At the General Shareholders' Meetings, there are no privileged voting rights. Companies controlled by the majority shareholder of the Bank vote in the General Shareholders' Meetings. Minority shares are not represented in the management.

6. Dividend Right

There are no privileges in dividend distribution. Details of dividend distribution are specified in articles 45, 46, and 47 of the Articles of Association. In the past years, the Bank has added its profit to its capital base and distributed it to shareholders in the form of bonus shares. In accordance with Article 46 of the Articles of Association, dividend proposals are submitted for approval at the General Shareholders' Meetings based on decisions by the Board of Directors. The proposals become effective if approved at the General Shareholders' Meeting and the resolutions are published via Public Disclosure Platform on the same date. Following the resolution adopted in 2012 regarding the dividend distribution of the year 2011, the distribution procedures were completed and notifications were made to the public authorities within legal time periods.

Furthermore, pursuant to the provisions of the Communiqué, the dividend distribution policy of the Bank will be presented to the information of the shareholders at the Ordinary General Shareholders' Meeting to be held in 2013, take place in the annual report and be disclosed to public on the Bank's website as of 2013.

7. Transfer of Shares

The Articles of Association of the Bank does not contain any provisions that restrict the transfer of shares. The transfer of shares is executed in accordance with the Articles of Association and applicable regulations including the Banking Law.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

The Disclosure Policy of Garanti Bank, approved by the Board of Directors, came into effect in 2009. The Disclosure Policy is publicly disclosed within the Bank's annual report and under the Corporate Governance heading on the Investor Relations website.

In the operational plan presentation meeting, Garanti Bank brought together the analysts of investment firms with the CEO and the Strategic Planning Executive Director, and announced its projections for 2013.

Detailed information about 2012 developments, assessment and 2013 projections of the Bank can be found in the Annual Report's "2012 Overview, Executive Assessment, 2013 Outlook" section starting on page 34.

The Disclosure Policy of Garanti Bank is as follows:

Purpose and Basis

The Disclosure Policy, which has been prepared in accordance with the Communiqué on Principles Regarding Material Events Disclosure Serial: VIII, No: 54 issued by the Capital Markets Board of Turkey to ensure that high quality information will be provided to the Bank's shareholders, investors and all other beneficiaries including the public, has been entered into effect by the approval of the Board of Directors.

General Principles

Disclosure Policy:

- a. is in strict compliance with the relevant provisions of the Banking Law and the Capital Market Law;
- b. has been formulated under the Bank's Corporate Governance Principles and transparency policy;
- c. aims at enabling the public administration and authorities, shareholders, existing and potential investors, customers and all other beneficiaries to have timely access to accurate and complete information under equal conditions;
- d. ensures that all information disclosed to public are direct, easily understandable, analyzable and accessible at the most affordable cost so as to help and assist the decision making process of all persons and entities intending to use such information.

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Means of Disclosure

The following means, channels and methods are used for public disclosure purposes:

- » Material events disclosures,
- » Financial statements and their footnotes, independent audit report and Annual Report,
- » Announcements published in the Turkish Trade Registry Gazette,
- » Press bulletins and announcements,
- » Information meetings, teleconferences and videoconferences,
- » Investor meetings and presentations,
- » Corporate website,
- » News channels (Reuters, AP, Bloomberg, Foreks, etc.).

Persons Authorized to Make Public Statements

Material events disclosures are published by the Executive Vice President in charge of General Accounting. Only the Chairman and Members of Board of Directors, the CEO and the Executive Vice Presidents are authorized to make statements directed towards the press and media and/or data distribution firms in the name of the Bank. Information requests of the stakeholders are handled and satisfied by the Executive Vice President in charge of Investor Relations and by the relevant Senior Vice President.

Enforcement and Amendments

The Board of Directors is authorized and responsible to follow-up, monitor and improve the disclosure policy. Efficiency and reliability of public disclosure processes as a part of the disclosure policy are under supervision and control of the Board of Directors. Accordingly, the Board of Directors is authorized to make changes and amendments in the text of the disclosure policy, and all such changes and amendments will be made public and published in the corporate website within one week following the date of the change or amendment. The Bank Management is responsible to enforce and implement the disclosure policy.

9. Company's Website and Its Content

Garanti has two websites, in Turkish and in English.

- » The Turkish website is available at www.garanti.com.tr
- » The English website is available at www.garantibank.com

In addition to general information about the Bank, the websites contain detailed information on banking, credit cards, investment, insurance, leasing, factoring, pension and e-commerce products and services, while the Internet Branch offers customers the opportunity to perform their banking transactions online. Prepared in both Turkish and English, the website features an Investor Relations section, offering corporate information, latest ownership and management structure, credit ratings, Garanti's main financial indicators and market shares and the primary financial indicators of the Turkish Banking Sector, detailed information about shares (listing information, quotation, lists of analysts, stock analysis tools (price, volume, index and comparative analysis)), periodic financial statements prepared in accordance with international accounting standards and the Banking Regulation and Supervision Agency (BRSA) regulations, reports and presentations prepared for investors, reports and presentations on macroeconomic developments, annual reports, quarterly interim reports and "StockWatch" prepared for investors, semi-annually published Corporate Profile leaflets, detailed information on corporate governance, material event disclosures, capital increases, dividend ratios, steps taken by Garanti to achieve sustainability and related reports, environmental policies, social responsibility projects and awards as well as, but not limited to, information that should be published on company web sites as required by the Turkish Commercial Code and other related applicable legislation, the provisions of the Communiqué, other related capital market legislation and other regulations in effect.

Corporate website is organized to ensure quick and easy access of all stakeholders to information. The information published on the website is updated regularly. At the same time, for the comparison, historical information are kept and stored in a systematic manner. Prioritizing the efforts to improve the website enables stakeholders to access accurate and reliable information via corporate website. The reliability of the website is guaranteed by Garanti Bank.

Questions, comments and information requests of all stakeholders are answered by the Investor Relations Department and Subsidiaries and Shareholders Service as soon as possible. Mail address, telephone and facsimile numbers and e-mail address of such Departments are available to all stakeholders in the Turkish and English corporate websites. The Investor Relations Department announces international conferences and meetings it will participate via the "Investor Relations Calendar" on the English website. In addition, the website also contains a frequently asked questions section.

10. Annual Report

Annual reports of the Bank contain information required by the provisions of the Communiqué and other regulations in effect. In 2012, the Bank did not comply with the Corporate Governance Principles stated in the article 1 above due to reasons set forth in the same article.

SECTION III - STAKEHOLDERS

11. Informing Stakeholders

Stakeholders receive information on a constant basis through meetings, material event disclosures sent to the Public Disclosure Platform, press releases, newspaper announcements, annual reports, news and disclosures on the website and internal announcements. All information regarding the stakeholders can be accessed on the Bank's website allowing instant reach to the latest data. Moreover, the Investor Relations Department regularly holds meetings with investors to share detailed analysis, latest developments and forecasts, strategy, the competitive environment and market expectations with the effort to establish plain, transparent, consistent and timely communication. Furthermore, the Department shares the operational plan containing projections for the coming period by organizing "analyst days".

In order to ensure accurate and timely flow of information, quarterly earnings presentations are prepared. These presentations are shared with investors through the internet and by e-mail and also announced during live teleconferences. The Investor Relations Department regularly attends investor meetings organized by investment firms, communicating recent information about Garanti and the sector. The Department also responds to questions and inquiries by phone or e-mail on a daily basis. Also, Bank's all departments respond to customers' needs and requests for any information about Garanti's services and products in an effective manner.

A Corporate Portal has been created for informing the employees. Since access to all corporate information including the procedures, announcements and documents can be accomplished via this particular portal, employees can instantly access the information they are seeking from different means of communication in the most effective manner. In addition, at Visionary Meetings held at the beginning of every year, Garanti's CEO shares the past year's assessment and next year's targets with the employees.

The Compliance Department supervises existing control mechanisms regarding the compliance of Garanti Bank's transactions with regulations, banking practice, internal policies and rules as well as ethical principles in coordination with the Audit Department, the Internal Control Unit, the Risk Management Department, the Regulation Department and the Legal Department. Other basic responsibilities of the compliance function include the monitoring of Garanti Bank's international branches and subsidiaries subject to consolidation for compliance risks arising from foreign legislation and the continuous improvement of the compliance culture and awareness within Garanti Bank. The Audit Committee is directly informed on the results of the activities carried out regarding the compliance function.

12. Participation of Stakeholders in Management

The Bank, taking all stakeholders into consideration, aims to improve product and service quality and to achieve internal and external customer satisfaction. In order to achieve this, the Bank bases all its systems so that they can be open to further and continuous improvement.

The stakeholders can participate in management through these specially designed systems and meetings.

In addition to responding to customer inquiries, the "Customer Care Line" set up under the Customer Satisfaction Department receives customers' advice and responds to their complaints. Garanti customers can submit their demands, complaints, ideas and suggestions about management anytime through our website or Call Center 444 0 338. In addition, in the event of violation of the rights of the customers protected by the regulations and contracts, the Bank provides efficient and fast remediation and facilitates the use of loss compensation mechanisms by customers who have incurred any loss.

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At Garanti Bank, great importance is given to incorporating employees into the stages of new product and service production. By means of the "Önersen" (Do Suggest) and "Atölye" (Workshop) platforms, the views of employees are constantly evaluated for the sake of continuous improvement. Introduced in 2007, "Önersen" collected 1,727 suggestions in 2012, reaching a total of approximately 12,500 suggestions. "Atölye", a project-based innovation platform active since 2010, facilitated gathering innovative ideas from the employees with a total of five projects.

13. Human Resources Policy

The pillar of Garanti's approach to human resources is investing in human capital. With the awareness that human capital is the driving force behind all progress, the Bank builds systems to recruit, train and develop young and innovative individuals on a continuous basis, to provide a working environment that encourages full utilization of employees' skills and to offer a wide range of opportunities and recognition as well as to award their accomplishments.

Garanti human resources are committed to prioritizing human, ensuring continuous investment, deploying sufficient resources for training, giving priority to internal promotions, undertaking training programs for this purpose, developing human resources systems, maximizing participation by pioneering an environment of open communication, being fair and objective, and developing practices at international standards.

The mission of the Human Resources Department is to play a strategic role implementing efficient human resource policies to assist the organization to achieve its business objectives. Accordingly, the Department operates in accordance with Garanti's ethical values based on the principles of recognizing the Bank's business objectives, closely cooperating with business units and those in the field, employing objective measurement and rating tools and methods that match the right person with the right job. The Department develops human resources applications in accordance with the Bank's strategies, makes efforts to improve employee motivation, creates communication forums that allow employees to express themselves freely, provides "career consulting" for employees in accordance with their competencies, knowledge, skills, needs and expectations, and ensures that employees receive proper training for personal development.

The criteria (experience, seniority, performance, competency evaluation, tests, interview, etc.) have been identified for all internal promotions and transfers between positions. They are transparently announced throughout the Bank via career maps as employees are guided and supported in accordance with the career path of their choice.

The compensation system of the Bank is based on salaries that fit the positions; employees who are employed in similar jobs receive similar compensation. Jobs are rated and receive compensation according to objective criteria such as required competency, risk involved and number of employees supervised. The Bank's remuneration policy established within this framework has been approved by the Board of Directors and will be presented to the information of the shareholders at the ordinary general shareholders' meeting to be held in 2013 pursuant to the Communiqué Serial IV, No. 56 on the Determination and Application of the Corporate Governance Principles of the Capital Markets Board. Afterward, the policy will be disclosed to public on the Bank's website pursuant to the provisions of the Communiqué.

The performance evaluation system at Garanti measures employee performance by evaluating their objectives and their success in reaching these objectives. Employees of the Bank receive bonuses based on EVA (Economic Value Added) financial accomplishment metrics. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based payments. Bonus payments made as part of the EVA model based on Profit and Risk Management has developed a significant level of awareness of these criteria among all employees at branch level. These performance-based payments are realized twice a year and a certain percentage of the payment is cut for payment in future years, again based on performance. Moreover, through research of salary levels in the sector carried out twice a year, competitiveness of the salary levels is monitored. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

Regarding the benefits provided to the Bank's employees including the Board Members and Senior Management, 11.86% of the total personnel expenses stated on the financial statements resulting from the performance-based bonuses and variable salary payments. With the help of quarterly sector analysis, issues on compensation, number of employees at branches and head office and turnover rates of branches are monitored closely, and the effects of sector dynamics on human resources strategies are taken into account. Garanti holds a pioneering position in the sector thanks to its low turnover rates and controlled personnel costs per capita.

In 2005, Garanti received quality certification of its human resources practices, the IIP (Investors in People) and recognized as the first Turkish recipient of the award. Also in 2009, Garanti was honored with the "Silver" certification from the IIP, an award presented to only 0.36% of IIP certified organizations worldwide. Being the first and only Turkish company to be awarded with the Gold certificate from the IIP, Garanti proves its commitment to preserve its human resources standards while sustaining growth. Any developments or decisions concerning the employees are announced to either concerned employee via private communication tools or, all employees via Intranet.

14. Ethical Rules and Social Responsibility

Corporate social responsibility is an integral part of the corporate culture of Garanti. Apart from banking activities, Garanti maintains its societal studies based on social, economic and environmental factors as components of the sustainability. Besides sharing its knowledge in various fields with the society and next generations, Garanti continues to add value to cultural and social life through its innovative institutions and with its support to Turkey's well-established institutions.

Garanti focuses on contributing society in cultural and educational fields. While determining the strategy, Garanti always monitors the needs of our country and society, and aims at achieving or supporting value adding and sustainable projects.

Detailed information about these activities is available in the Annual Report's Sustainability Section starting on page 110.

In addition to a Handbook of Ethical Principles and Handbook of Ethical Sales Principles issued by the Human Resources Department and the Internal Audit Department, an announcement has been published with the purpose of regulating employee behavior and the professional relations of employees in parallel to the Bank's commitment to corporate governance principles and ethical values concerning.

The Handbook of Ethical Principles is submitted to the information of the public on the website of the Investor Relations. Garanti's Handbook of Ethical Principles defines some of its general principles such as integrity, equality, transparency, protection of social benefits, respect for the environment, and emphasizes the responsibilities of employees in situations where conflicts of interest may arise as well as the importance of the concept of confidentiality first and foremost relating to customer information. In addition, the Handbook lists the responsibilities of managers regarding relations with customers, suppliers, the media, government institutions and colleagues in other banks and the creation of a working environment in compliance with ethical principles. Violations of ethical principles include all actions that break the law, contradict with the community and with Garanti's values, breach employee and customer rights as well as the ones that increase the Bank's operating expenses and reduce its efficiency. Furthermore, the Handbook of Ethical Sales Principles emphasizes on the concept that does not appear on the Bank's balance sheet, "reputation", and explains the expected code of conduct in details for employees who engage in sales activities. There is also a Social Media Policy which sets forth the rules as to how the employees of the Bank represent Garanti on social media.

Garanti believes that total quality can only be achieved through a strict implementation of its human resources policy, business and ethical principles based on integrity, honesty and respect. In addition to the Handbook of Ethical Principles and the Handbook of Ethical Sales Principles, the Core Values are published both on the intranet where all employees have access to, and on the Internet. Garanti has also compiled its principles and values concerning its customer orientation philosophy in a handbook entitled the Customer Satisfaction Constitution, which has been made available to all employees and customers.

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The policies that Garanti has put into effect relating to the core components of the compliance system are listed in the "Compliance Policy" document. The Handbook of Compliance Policy emphasizes the concepts such as "compliance risk" and "reputation risk" and designates that employees are expected to engage in behavior that is in compliance with the laws, Ethical Principles of the Bank and corporate standards. The Handbook also defines the concept of integrity and lists the core tasks and responsibilities within the compliance system. In this context, it is emphasized that compliance is not only the responsibility of the senior executives or certain business units but of each employee.

Garanti places a particular importance to ethical principles and integrity and aims to create constant awareness on this issue through trainings for employees.

SECTION IV - BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors

Ferit F. Şahenk is the Chairman of the Board of Directors. The Chairman is a non-executive in accordance with the regulations issued by the Banking Regulation and Supervision Agency (BRSA). The executive members are Chief Executive Officer Ergun Özen, Vice Chairman Süleyman Sözen, Ahmet Kamil Esirtgen, Ph.D., Angel Cano Fernandez, Carlos Torres Villa and Manuel Castro Aladro. There are two non-executive members, Muammer Cüneyt Sezgin, Ph.D. and Manuel Pedro Galatas Sanchez-Harguindey, in the Board of Directors in accordance with the BRSA regulations.

Information on biographies, responsibilities and appointment date of the Board Members are available on the Annual Report page 124 and 125.

Pursuant to the Communiqué Serial IV, No. 56 on the Determination and Application of the Corporate Governance Principles of the Capital Markets Board, the number of independent members of the board of directors has been determined as three for the banks. Pursuant to such Communiqué, since the members of the board of directors assigned as members of the audit committee are designated as independent members of the board, the Bank currently has two independent board members. These members are Muammer Cüneyt Sezgin, Ph.D. and Manuel Pedro Galatas Sanchez-Harguindey.

On the other hand, the Capital Markets Board has allowed time to public banks to complete the formation of the structures of the board of directors required for compliance with the said Communiqué until June 30, 2013. In this context, at the ordinary general shareholders' meeting to be held in 2013, Garanti will complete the process regarding the election of the third independent Board member who is approved by the Capital Markets Board.

Garanti adopts principles in compliance with Articles 395 and 396 of the Turkish Commercial Code to make decisions regarding the non-compete and non-transaction issues between Garanti and its Board members.

16. Principles Related to the Activities of the Board of Directors

The Board of Directors meeting agenda mainly consists of requested matters by the Chief Executive Officer and any additional matters requested by one of the Board members.

The Board of Directors should convene when the Bank's tasks and transactions require, but at least once in a month. Pursuant to the Articles of Association of the Bank, the Board of Directors can meet with the attendance of minimum six members and resolutions of the Board of Directors can be taken by affirmative votes of at least six members attended at the meeting. In 2012, the Board of Directors met 18 times by meeting the required quorums for the meeting and the resolutions.

A secretarial office has been set up to facilitate communication between the members of Board of Directors and the Head Office. Discussions at the meetings of the Board of Directors are recorded in the minutes and signed by the present members. Naturally, the Board members have the possibility to express different opinions, explanations and dissenting votes at Board of Directors meetings. Reasons for opposition votes on issues about which different views were expressed during the meetings of the Board of Directors are written on the minutes and signed by the member(s) who cast the opposition vote(s). Each member of the Board of Directors has one vote and the members do not have any privileged voting right and/or vetoing right.

In 2012, there were no independent members in charge in the Board of Directors.

As of December 31, 2012, the total amount of operating income from related party transactions represented (as determined in accordance with IFRS) less than 1% of the Bank's total operating income. In addition, as of December 31, 2012, the outstanding balances from transactions with related parties represented (as determined in accordance with IFRS) less than 5% of the Bank's total equity in terms of equity interests, cash loans and contingent obligations, and less than 1% of total assets in terms of equity interests and cash loans.

Pursuant to the banking legislation and the regulations of the Banking Regulation and Supervision Agency (BRSA), the loans disbursed to real persons and legal entities who and which are within the same risk group with Garanti are in compliance with the legal lending limits.

17. Number, Structure and Independence of Committees under the Board of Directors

In line with its commitment to corporate governance principles, Garanti established an Audit Committee to assist the Board of Directors in its audit and supervision activities and to more effectively protect the interests of the Bank and the investors at a time when no legal regulation was in act. The Committee has been actively working since 2001, as the primary and ultimate responsibility being with the Board of Directors. The Committee's duties and responsibilities are fully aligned with the Banking Law and the relevant regulations. In 2012, the Audit Committee held five meetings, which were attended by all committee members.

Pursuant to the Regulation on the Corporate Governance Principles of Banks published by the Banking Regulation and Supervision Agency and the Communiqué Serial IV, No. 56 on the Determination and Application of Corporate Governance Principles of the Capital Markets Board, also a Corporate Governance Committee has been established to monitor the compliance with the corporate governance principles, to conduct improvement works in this area, to determine the candidate Independent Members to be appointed to the Board of Directors and to submit proposals to the Board of Directors.

In view of the number of members of the Board of Directors of the Bank, one member of the Board of Directors can take part in more than one committee.

Detailed information regarding the establishment and operation of the Audit Committee, Corporate Governance Committee and other committees is given in the Committees and Committee Meeting Attendance section of this report.

18. Risk Management and Internal Control Mechanism

The Board of Directors is ultimately responsible for developing and monitoring the Bank's internal audit and risk management policies and strategies. Accordingly, the following units directly report to the Board of Directors: the Internal Audit Department, performing internal audit functions; the Internal Control Unit, performing internal control functions; the Risk Management Department, performing risk management functions; the Anti-Fraud Monitoring Department, monitoring and taking actions to prevent external fraud and the Compliance Department, performing activities on the prevention of money laundering proceeds of crime, combating financing of terrorism and compliance controls. The departments that perform these functions are structured in line with the "segregation of duties" principle. They are independent of executive functions and directly report to the Board of Directors.

The current system is structured within the organization of Garanti Bank as given on page 134.

The Internal Control System consists of continuous control activities and the related mechanisms that Bank employees at all levels must comply with and implement in order to ensure the proper performance of Garanti Bank's activities in accordance with the instructions of the Board of Directors, applicable legislation and internal regulations. Additionally, these guarantee the integrity and reliability of accounting and reporting systems and the timely availability of information.

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The Audit Department performs systematic audits that cover all activities and units of Garanti Bank in accordance with applicable legislation, the Bank's policies and especially the Banking Law. These audits are performed separately from day-to-day activities and they mainly focus on internal control and risk management systems. In this context, audit work is carried out in the domestic and overseas branches of Garanti Bank and in the Head Office units and in the subsidiaries subject to consolidation.

The Internal Control Unit ensures that a sound internal control environment is in place at Garanti Bank and performs necessary coordination work in this regard and guarantees that activities are performed regularly, efficiently, effectively and in line with the management strategy and policies of the Bank and applicable rules and regulations. In this context, efforts are made to set up an infrastructure based on the functional separation of tasks, the sharing of authorities and responsibilities, the establishment of a sound reconciliation system, the integration of self-control mechanisms and systemic controls into processes and the identification and monitoring of risks the Bank is exposed to. In addition, the Internal Control Unit coordinates the units which have a responsibility in processes related with disaster recovery and business continuity throughout the Bank.

The Compliance Department coordinates existing control mechanisms regarding the compliance of Garanti Bank's actions with laws, internal rules and policies and banking practice, and controls new products and services and related processes, before they are implemented. The Compliance Officer Team who work within the Compliance Department carry out duties such as conducting the necessary works in order to ensure compliance with the Law No. 5549 on the Prevention of Laundering Proceeds of Crime and the regulations issued pursuant to the Law, ensuring the necessary communication and coordination with MASAK (Financial Crimes Investigation Board), developing corporate policies ve procedures, developing training programs and ensuring effectiveness thereof, carrying out activities in relation with identification and notification of suspicious transactions, overseeing the preparation of statistics on internal audits and trainings and informing MASAK, and fulfilling the obligation of providing MASAK with information and documents in compliance with the manner and methods defined by MASAK.

The Risk Management System consists of the standardization, information flow, compliance monitoring, decision-making and implementation mechanisms specified by the Board of Directors to monitor, control and, when necessary, change the risk-return structure of Garanti Bank's future cash flows and the nature and level of resulting activities. Duties of the Risk Management Department include to establish a risk management system by which the risks are measured by methods congruent with the activities of the Bank in accordance with applicable national and international legislation within the framework of the Bank's strategy to achieve sustainable growth by continuously creating value, and to set up a structure throughout Garanti which seeks to establish an optimum capital balance by overseeing risk-return-balance in accordance with the above-mentioned system

With an organization structure which monitors the external fraud trends ever changing in line with ever advancing technology under the same roof from an "enterprise fraud prevention" perspective, Garanti has created a pioneering structure. With an expert team, the Anti-Fraud Monitoring Department monitors and prevents card, internet, merchant and application fraud by taking rapid actions with effective controls and advanced software. The Department targets to minimize the losses of the Bank and the customers by taking proactive measures against external fraud acts through strategies developed and analyses made. The Department also aims to establish a corporate culture and awareness of fraud throughout the Bank and to take effective operational security measures by assessing the external fraud risks in new products and processes.

19. Mission, Vision and Strategic Objectives of the Company

Garanti's vision is to be the best bank in Europe. Its mission is to continuously and noticeably increase the value it creates for its customers, shareholders, employees, society and the environment by utilizing its influence, agility and organizational efficiency. The vision and the mission of Garanti are publicly announced on the Bank's English and Turkish websites. In addition, both the Board of Directors and executives disseminate the mission and vision of the Bank at meetings, interviews and other communications through print and visual media channels. Information regarding Garanti's strategy and its pillars are presented on pages 23, 24 and 25 of the Annual Report.

Within the context of this strategy, Garanti's budget and its short, medium and long term business plans are formed; reports on realization of objectives are monitored on weekly basis. The executives of the Bank hold quarterly performance review meetings with every branch and regional managers regarding the attainment of the targets. Moreover, effective realization of strategic objectives can be monitored in real-time through the Garanti management information and reporting infrastructure (MIS), systems and the display screens.

20. Remuneration

Members of the Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting.

Furthermore, remuneration of the Senior Management consisting of the Members of the Board of Directors, the CEO and Executive Vice Presidents is determined by the Remuneration Committee established in accordance with the Regulation regarding Corporate Governance Principles of Banks published by the Banking Regulation and Supervision Agency. The Remuneration Committee determines criteria on the manner of payments made to the Senior Management and also on the performance-based payments in accordance with the provisions of the said Regulation by also taking into account the regulations and practices of the European Union. Accordingly, besides the monthly salaries, performance-based payments are made to the Senior Management as determined by the Remuneration Committee based on the profitability and balance sheet of the Bank by using the formulas and the objective criteria established based on the basic performance essentials as well as subjective criteria based on the personal performance of the Senior Management. The Remuneration Committee ensures that such payments do not affect the capital adequacy ratio of the Bank and the continuity of the operations of the Bank negatively. In addition, the performance-based payments are made as deferred payments and in installments.

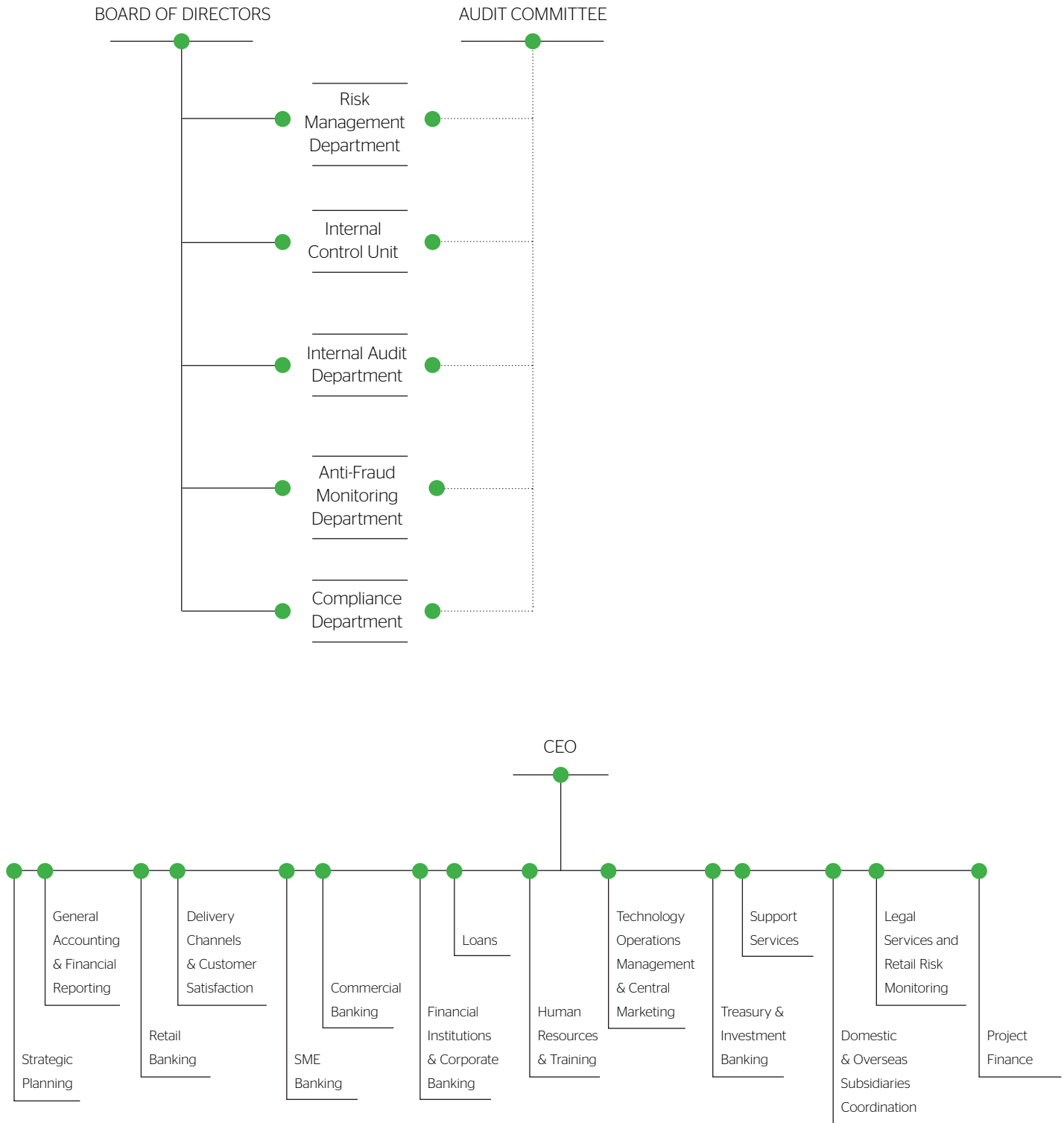
Detailed information about the Committee is available on page 128 of the Annual Report.

As of December 31, 2012, the net payment provided or to be provided to the key management of the Bank amounts to TL 82.5 million.

In addition, the loans disbursed to the members of the Board of Directors and managers are restricted as per 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 abovementioned framework.

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Garanti Bank Organization Chart



Organizational Changes

At the end of February, Executive Vice President responsible for Corporate Banking, Financial Institutions, International Branches and Representation Offices, and Cash Management, Tolga Egemen resigned from his duty. Following the above-mentioned resignation, Executive Vice President responsible for Retail Banking, Ali Fuat Erbil was appointed to this position.

Onur Genç was appointed as the Executive Vice President responsible for Retail Banking, vacated as a result of Ali Fuat Erbil's appointment.

Due to the need to manage the Delivery Channels activities under a separate business unit, a new Executive Vice President position responsible for Delivery Channels has been created, and Didem Başer was appointed to this position. Following this organizational change, Delivery Channels Department, formerly operating under the Retail Banking business unit, is currently reporting to Didem Başer.

In May, the Consumer Loans Risk Monitoring department, formerly reporting to Mehmet Sezgin is now reporting to Aydın Düren, who is currently Executive Vice President responsible for Legal Services. Following this change, the related Executive Vice President position was renamed as "Legal Services and Retail Risk Monitoring".

In July, Executive Vice President Ali Temel responsible for Loans resigned from his duty. Following this resignation, Erhan Adalı, who was the CEO of Garanti Pension & Life, was appointed as the new Executive Vice President responsible for Loans.

In December, Executive Vice President responsible for Treasury, Uruz Ersözoğlu resigned from his duty. Following this resignation, organizational changes listed below are effective as of January 2013:

- » Human Resources, Treasury and Investment Banking Departments have been combined under the same Executive Vice President position and the name of such position has been changed as the "Treasury and Investment Banking". In this context, the above-mentioned departments are reporting to the related Executive Vice President.
- » In parallel with the new structuring process, name of the Human Resources and Investment Banking Executive Vice President position has been changed as "Human Resources and Training Executive Vice President position".
- » In the current situation, Executive Vice President responsible for Human Resources, Training and Investment Banking, Gökhan Erün continues his duty as Executive Vice President in charge of Treasury & Investment Banking and Human Resources & Training.
- » The Customer Satisfaction Department is reporting to Executive Vice President Didem Başer responsible for Delivery Channels and the name of the position has been changed as "Delivery Channels and Customer Satisfaction Executive Vice President".

In February 2013, Executive Vice President responsible for International Business Development, Zekeriya Öztürk resigned from his duty. Executive Vice President position responsible for International Business Development has been abolished and a new position has been established as Executive Vice President responsible for coordination of the subsidiaries of the Bank and representation of those on behalf of the Bank, under the name of "Domestic and Overseas Subsidiaries Coordination". In line with these changes, the International Business Development Department has been renamed as the "Domestic and Overseas Subsidiaries Coordination Department".

Executive Vice President Turgay Gönensin, currently responsible for Commercial Banking continues his duty as the Executive Vice President in charge of "Domestic and Overseas Subsidiaries Coordination".

Recep Baştuğ formerly working as Coordinator in Commercial Banking, was appointed as Executive Vice President responsible for Commercial Banking.