

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi  
and Its Financial Subsidiaries**

**Publicly Announced Consolidated Financial Statements,  
Related Disclosures and Independent Auditors'  
Report Thereon  
as of and for the Year Ended  
31 December 2018**

*(Convenience Translation of Financial Statements and Related Disclosures  
and Footnotes Originally Issued in Turkish)*



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Convenience Translation of the Independent Auditors' Report Originally Prepared  
and Issued in Turkish to English

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

**A) Report on the Audit of the Consolidated Financial Statements**

*Qualified Opinion*

We have audited the consolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together will be referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the *Basis For Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası A.Ş. and its consolidated financial subsidiaries as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Board ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

*Basis for Qualified Opinion*

The accompanying consolidated financial statements as at 31 December 2018 include a general reserve of total of TL 2,250,000 thousands, of which TL 1,090,000 thousands was recognized as expense in the current period and TL 1,160,000 thousands had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions.



We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Audit Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TSA"s) published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the POA's Code of Ethics for Independent Auditors ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

*Impairment of loans measured at amortised cost*

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented in Section III, No: VIII of the consolidated financial statements.

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2018, loans measured at amortised cost comprise 61% of the Group's total assets.</p> <p>The Group recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2018, due to the adoption of the Regulation and Standard, in determining the impairment of loans it is started to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Group's management are as follows:</p> <ul style="list-style-type: none"> <li>- significant increase in credit risk;</li> <li>- incorporating the forward looking macroeconomic information in calculation of credit risk; and</li> <li>- design and implementation of expected credit loss model.</li> </ul>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.</li> <li>• We evaluated the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.</li> <li>• We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard.</li> <li>• We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.</li> </ul>



<p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<ul style="list-style-type: none"><li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.</li><li>• We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis.</li><li>• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.</li><li>• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li><li>• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.</li><li>• Additionally, we also evaluated the adequacy of the consolidated financial statement disclosures related to impairment provisions.</li></ul>
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*Classification and measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)*

The details of accounting policies and significant judgements of classification and measurement (the fair value hierarchy of financial instruments determined as Level 3) of financial instruments are presented in Section III, No: VII of the consolidated financial statements.

<b>Key audit matter</b>	<b>How the matter is addressed in our audit</b>
<p>The Group has started to apply TFRS 9 Financial Instruments standard ("Standard") which also includes the classification and measurement principles of financial instruments.</p> <p>The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9. The Group uses significant judgements on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.</p> <p>The fair value hierarchy of the financial assets classified on "other business model" and accounted as loans measured at fair value through profit or loss is determined as Level 3 considering the unobservable inputs, significant assumptions and estimates used.</p> <p>As mentioned above, the classification of financial instruments is determined as key audit matter considering high degree of judgements and assumptions.</p>	<p>Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below:</p> <ul style="list-style-type: none"><li>• We assessed the policy of the classification and measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9.</li><li>• We evaluated the understanding and the control of the Group's business model assessment and the test on the contractual cash flows.</li><li>• We have involved our own valuation specialist to evaluate the data, assumptions and valuation used by the Group for the fair value calculation of the related instruments.<ul style="list-style-type: none"><li>• Additionally, we also evaluated the adequacy of consolidated financial statements' disclosures related to the classification and measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).</li></ul></li></ul>



### Pension plan

The details of accounting policies and significant judgements of pension plan are presented in Section III No: XVII of the consolidated financial statements.

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Parent Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Parent Bank's employees are the members of this Fund.</p> <p>As disclosed in the Note 3.17 to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Parent Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date.</p> <p>Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2018, the Parent Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377.</p> <p>As of 31 December 2018, the Parent Bank's non-transferable liabilities are also calculated by independent actuary in accordance with TAS 19 Employee Benefits Standard.</p> <p>The valuation of the Pension Fund liabilities requires judgement in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan.</p> <p>Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>Considering the subjectivity of key judgements and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>Our procedures for auditing calculations of the management's pension plan liability included below:</p> <ul style="list-style-type: none"><li>• We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations.</li><li>• Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated.</li><li>• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary.</li><li>• We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.</li><li>• Additionally, the adequacy of consolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.</li></ul>



### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "BRSA Accounting and Reporting Legislation", and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **B) Report on Other Legal and Regulatory Requirements**

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2018 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

#### **Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.



31 January 2019  
İstanbul, Turkey



*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)*

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ  
AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED FINANCIAL REPORT AS OF AND  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The consolidated financial report for the year-end prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. General Information about Parent Bank
2. Consolidated Financial Statements of Parent Bank
3. Accounting Policies
4. Consolidated Financial Position and Results of Operations, and Risk Management Applications of Group
5. Disclosures and Footnotes on Consolidated Financial Statements
6. Other Disclosures
7. Independent Auditors' Report

The consolidated subsidiaries and structured entities in the scope of this consolidated financial report are the followings:

**Subsidiaries**

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1. Garanti Bank International NV
2. Garanti Emeklilik ve Hayat AŞ
3. Garanti Holding BV
4. Garanti Finansal Kiralama AŞ
5. Garanti Faktoring AŞ
6. Garanti Yatırım Menkul Kıymetler AŞ
7. Garanti Portföy Yönetimi AŞ

**Structured Entities**

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1. Garanti Diversified Payment Rights Finance Company
2. RPV Company

The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

<b>Süleyman Sözen</b>	<b>Ali Fuat Erbil</b>	<b>Aydın Güler</b>	<b>Şule Firuzment Bekçe</b>
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Director Responsible of Consolidation and International Accounting
<b>Jorge Saenz - Azcunaga Carranza</b>	<b>Ricardo Gomez Barredo</b>	<b>Belkıs Sema Yurdum</b>	
Audit Committee Member	Audit Committee Member	Audit Committee Member	

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Director of Investor Relations

Phone no: 90 212 318 23 50

Fax no: 90 212 216 59 02

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## **1 General Information**

### **1.1 History of parent bank including its incorporation date, initial legal status, amendments to legal status**

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 as a “private bank” and its “Articles of Association” was issued in the Official Gazette dated 25 April 1946.

Following the acquisition on 27 July 2015, Banco Bilbao Vizcaya Argentaria SA (BBVA)’s stake in the Bank reached to 39.90% and BBVA become the main shareholder. Accordingly, the Bank was moved to the “Foreign Deposit Banks” category from the “Private Deposit Bank” category by the Banking Regulation and Supervision Agency (the BRSA).

The Bank provides banking services through 926 domestic branches, 8 foreign branches and 2 representative offices (31 December 2017: 937 domestic branches, 8 foreign branches and 3 representative offices). The Bank’s head office is located in Istanbul.

### **1.2 Parent bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on its risk group**

As of 31 December 2018, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 thousands representing 18.60% ownership, and 26.418.840.000 shares of the Bank owned by Doğuş Holding AŞ at a total nominal value of TL 264,188 thousands representing 6.29% ownership. BBVA, purchasing 24.89% shares of the Bank, had joint control on the Bank’s management together with group of companies under Doğuş Holding AŞ (the Doğuş Group).

Subsequently, on 7 April 2011, BBVA had acquired 503.160.000 shares at a nominal value of TL 5,032 thousands and increased its ownership in the Bank’s share capital to 25.01%.

In accordance with the terms of the agreement between BBVA and the Doğuş Group which was previously disclosed on 19 November 2014, the sale of shares representing 14.89% of the share capital of the Bank with a face value of TL 625,380 thousands and 62.538.000.000 shares by the Doğuş Group to BBVA, was completed on 27 July 2015. Following the acquisition, BBVA’s stake in the Bank reached to 39.90% and BBVA became the main shareholder. The Bank was moved to “Foreign Deposit Banks” category from “Private Deposit Bank” category by the BRSA.

On 21 February 2017, BBVA agreed with Doğuş Group to acquire 41.790.000.000 shares at a nominal value of TL 417,900 thousands representing 9.95% ownership and on 22 March 2017 in accordance with the terms of the agreement share transfer had been finalized. After the share transfer BBVA’s interest in the share capital of the Bank is at 49.85%.

As of balance sheet date, the Doğuş Group’s interest in the share capital of the Bank is at 0.05%.

#### **BBVA Group**

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 72 million retail and commercial customers.

The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

BBVA that owns a bank being the largest financial institution in Mexico and the market leader in South America, operates in more than 35 countries with more than 130 thousand employees.

**1.3 Information on parent bank’s board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and, if any, shareholdings in the bank**

**Board of Directors Chairman and Members:**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
Süleyman Sözen	Chairman	29.05.1997	University	38 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	26 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	26 years
Sait Ergun Özen	Member	14.05.2003	University	32 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	33 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	27 years
Javier Bernal Dionis	Member	27.07.2015	Master	29 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	28 years
Belkis Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	38 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	31 years

**CEO and Executive Vice Presidents:**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
Ali Fuat Erbil	CEO	02.09.2015	PhD	26 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	27 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	27 years
Betül Ebru Edin	EVP-Corporate and Investment Banking	25.11.2009	University	25 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	24 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	28 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	26 years
Aydın Güler	EVP-Asset /Liability Management, Capital, Investor Relations and Finance	03.02.2016	University	28 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	28 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	19 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	28 years

The top management listed above does not hold any material unquoted shares of the Bank.

#### 1.4 Information on parent bank's qualified shareholders

Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

According to the decision made at the "General Assembly of Founder Shares Owners" and the "Extraordinary General Shareholders" meetings held on 13 June 2008, the Bank repurchased all the 370 founder share-certificates issued in order to redeem and exterminate them, subsequent to the permissions obtained from the related legal authorities, at a value of TL 3,876 thousands each in accordance with the report prepared by the court expert and approved by the Istanbul 5<sup>th</sup> Commercial Court of First Instance. A total payment of TL 1,434,233 thousands has been made to the owners of 368 founder share-certificates from "extraordinary reserves", and the value of remaining 2 founder share-certificates has been blocked in the bank accounts.

Subsequent to these purchases, the clauses 15, 16 and 45 of the Articles of Association of the Bank have been revised accordingly.

#### 1.5 Summary information on parent bank's activities and services

Activities of the Bank as stated at the third clause of its Articles of Association are as follows:

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions on the condition that completion of the necessary approvals and permits by Capital Markets Board of Turkey,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lendings to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

#### 1.6 Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial subsidiaries are subject to consolidation whereas as per the Turkish Accounting Standards, the investments in both financial and non-financial subsidiaries are subject to consolidation. There are no investments in entities subject to proportional consolidation or to deduction from equity.

#### 1.7 Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None.

## 2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries Consolidated Balance Sheet (Statement of Financial Position)

At 31 December 2018

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			CURRENT PERIOD		
			31 December 2018		
			TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>43,744,764</b>	<b>85,007,213</b>	<b>128,751,977</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>		<b>3,778,067</b>	<b>68,637,864</b>	<b>72,415,931</b>
1.1.1	Cash and Balances with Central Bank	5.1.1	2,815,833	38,805,205	41,621,038
1.1.2	Banks	5.1.3	958,317	29,694,583	30,652,900
1.1.3	Money Market Placements		3,917	138,076	141,993
<b>1.2</b>	<b>Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)</b>	5.1.2	<b>305,745</b>	<b>254,131</b>	<b>559,876</b>
1.2.1	Government Securities		176,148	83,426	259,574
1.2.2	Equity Securities		97,797	102,529	200,326
1.2.3	Other Financial Assets		31,800	68,176	99,976
<b>1.3</b>	<b>Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)</b>	5.1.4	<b>18,254,325</b>	<b>8,908,628</b>	<b>27,162,953</b>
1.3.1	Government Securities		18,174,639	4,657,172	22,831,811
1.3.2	Equity Securities		15,058	220,404	235,462
1.3.3	Other Financial Assets		64,628	4,031,052	4,095,680
<b>1.4</b>	<b>Financial Assets Measured at Amortised Cost</b>	5.1.8	<b>18,586,328</b>	<b>6,067,681</b>	<b>24,654,009</b>
1.4.1	Government Securities		18,552,564	6,053,663	24,606,227
1.4.2	Other Financial Assets		33,764	14,018	47,782
<b>1.5</b>	<b>Derivative Financial Assets</b>		<b>2,864,717</b>	<b>1,228,978</b>	<b>4,093,695</b>
1.5.1	Derivative Financial Assets Measured at FVTPL		2,301,908	1,046,359	3,348,267
1.5.2	Derivative Financial Assets Measured at FVOCI		562,809	182,619	745,428
<b>1.6</b>	<b>Non Performing Financial Assets</b>		-	-	-
<b>1.7</b>	<b>Expected Credit Losses (-)</b>		<b>44,418</b>	<b>90,069</b>	<b>134,487</b>
<b>II.</b>	<b>LOANS (Net)</b>		<b>149,353,905</b>	<b>107,194,956</b>	<b>256,548,861</b>
<b>2.1</b>	<b>Loans</b>	5.1.6	<b>146,188,620</b>	<b>101,353,390</b>	<b>247,542,010</b>
2.1.1	Loans Measured at Amortised Cost		146,188,620	97,272,229	243,460,849
2.1.2	Loans Measured at FVTPL		-	4,081,161	4,081,161
2.1.3	Loans Measured at FVOCI		-	-	-
<b>2.2</b>	<b>Lease Receivables</b>	5.1.12	<b>1,334,117</b>	<b>4,734,108</b>	<b>6,068,225</b>
2.2.1	Financial Lease Receivables		1,627,994	5,216,735	6,844,729
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		293,877	482,627	776,504
<b>2.3</b>	<b>Factoring Receivables</b>	5.1.7	<b>1,825,956</b>	<b>453,314</b>	<b>2,279,270</b>
2.3.1	Factoring Receivables Measured at Amortised Cost		1,825,956	453,314	2,279,270
2.3.2	Factoring Receivables Measured at FVTPL		-	-	-
2.3.3	Factoring Receivables Measured at FVOCI		-	-	-
<b>2.4</b>	<b>Non Performing Receivables</b>		<b>7,761,095</b>	<b>5,992,289</b>	<b>13,753,384</b>
<b>2.5</b>	<b>Expected Credit Losses (-)</b>		<b>7,755,883</b>	<b>5,338,145</b>	<b>13,094,028</b>
2.5.1	12-Month ECL (Stage 1)		647,190	294,960	942,150
2.5.2	Lifetime ECL Significant Increase in Credit Risk (Stage 2)		1,723,874	2,303,415	4,027,289
2.5.3	Lifetime ECL Impaired Credits (Stage 3)		5,384,819	2,739,770	8,124,589
<b>III.</b>	<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.1.18	<b>828,631</b>	<b>29,064</b>	<b>857,695</b>
3.1	Asset Held for Resale		828,631	29,064	857,695
3.2	Assets of Discontinued Operations		-	-	-
<b>IV.</b>	<b>OWNERSHIP INVESTMENTS (Net)</b>		<b>129,287</b>	<b>3,584</b>	<b>132,871</b>
<b>4.1</b>	<b>Associates (Net)</b>	5.1.9	<b>35,747</b>	<b>5</b>	<b>35,752</b>
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-
4.1.2	Unconsolidated Associates		35,747	5	35,752
<b>4.2</b>	<b>Subsidiaries (Net)</b>	5.1.10	<b>93,540</b>	<b>3,579</b>	<b>97,119</b>
4.2.1	Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		93,540	3,579	97,119
<b>4.3</b>	<b>Joint Ventures (Net)</b>	5.1.11	-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	5.1.14	<b>4,246,180</b>	<b>248,738</b>	<b>4,494,918</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	5.1.15	<b>368,133</b>	<b>47,939</b>	<b>416,072</b>
6.1	Goodwill		6,388	-	6,388
6.2	Others		361,745	47,939	409,684
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	5.1.16	<b>558,309</b>	-	<b>558,309</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>		<b>89,774</b>	<b>85,492</b>	<b>175,266</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	5.1.17	<b>1,494,185</b>	<b>24,992</b>	<b>1,519,177</b>
<b>X.</b>	<b>OTHER ASSETS</b>	5.1.19	<b>4,987,063</b>	<b>711,392</b>	<b>5,698,455</b>
	<b>TOTAL ASSETS</b>		<b>205,800,231</b>	<b>193,353,370</b>	<b>399,153,601</b>

The accompanying notes are an integral part of these consolidated financial statements.



**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Balance Sheet (Statement of Financial Position)**  
**At 31 December 2018**

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		CURRENT PERIOD		
		31 December 2018		
		TL	FC	Total
<b>I. DEPOSITS</b>	5.3.1	<b>104,075,640</b>	<b>140,940,706</b>	<b>245,016,346</b>
<b>II. FUNDS BORROWED</b>	5.3.3	<b>1,185,677</b>	<b>32,154,050</b>	<b>33,339,727</b>
<b>III. MONEY MARKET FUNDS</b>		<b>1,413,902</b>	<b>1,220,688</b>	<b>2,634,590</b>
<b>IV. SECURITIES ISSUED (NET)</b>	5.3.4.1	<b>4,099,201</b>	<b>22,812,262</b>	<b>26,911,463</b>
4.1 Bills		1,926,060	27,087	1,953,147
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		2,173,141	22,785,175	24,958,316
<b>V. FUNDS</b>		-	-	-
5.1 Borrowers' Funds		-	-	-
5.2 Others		-	-	-
<b>VI. FINANCIAL LIABILITIES MEASURED AT FVTPL</b>	5.3.4.3	-	<b>12,312,230</b>	<b>12,312,230</b>
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>		<b>2,536,310</b>	<b>1,973,852</b>	<b>4,510,162</b>
7.1 Derivative Financial Liabilities Measured at FVTPL		2,344,496	1,955,394	4,299,890
7.2 Derivative Financial Liabilities Measured at FVOCI		191,814	18,458	210,272
<b>VIII. FACTORING PAYABLES</b>	5.3.5	-	-	-
<b>IX. LEASE PAYABLES (Net)</b>	5.3.6	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Others		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
<b>X. PROVISIONS</b>	5.3.8	<b>4,281,061</b>	<b>1,088,451</b>	<b>5,369,512</b>
10.1 Restructuring Reserves		-	-	-
10.2 Reserve for Employee Benefits		988,225	138,877	1,127,102
10.3 Insurance Technical Provisions (Net)		403,175	41,645	444,820
10.4 Other Provisions		2,889,661	907,929	3,797,590
<b>XI. CURRENT TAX LIABILITY</b>	5.3.9	<b>558,766</b>	<b>88,115</b>	<b>646,881</b>
<b>XII. DEFERRED TAX LIABILITY</b>	5.3.9	-	<b>19,121</b>	<b>19,121</b>
<b>XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.3.10	-	-	-
13.1 Asset Held for Sale		-	-	-
13.2 Assets of Discontinued Operations		-	-	-
<b>XIV. SUBORDINATED DEBTS</b>	5.3.11	-	<b>3,977,018</b>	<b>3,977,018</b>
14.1 Borrowings		-	-	-
14.2 Other Debt Instruments		-	3,977,018	3,977,018
<b>XV. OTHER LIABILITIES</b>	5.3.4.4	<b>15,877,710</b>	<b>1,651,999</b>	<b>17,529,709</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.3.12	<b>46,599,322</b>	<b>287,520</b>	<b>46,886,842</b>
16.1 Paid-in Capital		4,200,000	-	4,200,000
16.2 Capital Reserves		784,434	-	784,434
16.2.1 Share Premium		11,880	-	11,880
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		772,554	-	772,554
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,334,963	138,431	1,473,394
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		813,913	(202,070)	611,843
16.5 Profit Reserves		32,626,814	351,159	32,977,973
16.5.1 Legal Reserves		1,540,985	40,717	1,581,702
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		30,856,685	-	30,856,685
16.5.4 Other Profit Reserves		229,144	310,442	539,586
16.6 Profit/Loss		6,641,652	-	6,641,652
16.6.1 Prior Periods' Profit/Loss		-	-	-
16.6.2 Current Period's Net Profit/Loss		6,641,652	-	6,641,652
16.7 Minority Interest		197,546	-	197,546
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>180,627,589</b>	<b>218,526,012</b>	<b>399,153,601</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Off-Balance Sheet Items**  
**At 31 December 2018**

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		CURRENT PERIOD		
		31 December 2018		
		TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>164,137,002</b>	<b>329,699,658</b>	<b>493,836,660</b>
<b>I. GUARANTEES AND SURETIES</b>	5.5.1	<b>22,813,515</b>	<b>44,901,913</b>	<b>67,715,428</b>
1.1 Letters of guarantee		22,742,832	27,430,938	50,173,770
1.1.1 Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2 Guarantees given for foreign trade operations		1,842,819	385,452	2,228,271
1.1.3 Other letters of guarantee		20,900,013	26,063,572	46,963,585
1.2 Bank acceptances		23,495	2,765,334	2,788,829
1.2.1 Import letter of acceptance		23,495	2,765,334	2,788,829
1.2.2 Other bank acceptances		-	-	-
1.3 Letters of credit		47,188	14,638,734	14,685,922
1.3.1 Documentary letters of credit		-	-	-
1.3.2 Other letters of credit		47,188	14,638,734	14,685,922
1.4 Guaranteed prefinancings		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-
1.5.2 Other endorsements		-	-	-
1.6 Underwriting commitments		-	-	-
1.7 Factoring related guarantees		-	-	-
1.8 Other guarantees		-	66,907	66,907
1.9 Other sureties		-	-	-
<b>II. COMMITMENTS</b>		<b>52,698,904</b>	<b>12,841,024</b>	<b>65,539,928</b>
2.1 Irrevocable commitments		52,490,826	9,539,003	62,029,829
2.1.1 Asset purchase and sale commitments		4,335,975	7,765,351	12,101,326
2.1.2 Deposit purchase and sale commitments		-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	5,743	5,743
2.1.4 Loan granting commitments		13,372,364	1,161,904	14,534,268
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for cheque payments		2,719,279	-	2,719,279
2.1.8 Tax and fund obligations on export commitments		66,328	-	66,328
2.1.9 Commitments for credit card limits		31,989,568	553,338	32,542,906
2.1.10 Commitments for credit cards and banking services related promotions		7,312	-	7,312
2.1.11 Receivables from "short" sale commitments on securities		-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-
2.1.13 Other irrevocable commitments		-	52,667	52,667
2.2 Revocable commitments		208,078	3,302,021	3,510,099
2.2.1 Revocable loan granting commitments		118,805	3,040,576	3,159,381
2.2.2 Other revocable commitments		89,273	261,445	350,718
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.5.2	<b>88,624,583</b>	<b>271,956,721</b>	<b>360,581,304</b>
3.1 Derivative financial instruments held for risk management		13,093,473	50,419,760	63,513,233
3.1.1 Fair value hedges		6,000,686	17,404,868	23,405,554
3.1.2 Cash flow hedges		7,092,787	33,014,892	40,107,679
3.1.3 Net foreign investment hedges		-	-	-
3.2 Trading derivatives		75,531,110	221,536,961	297,068,071
3.2.1 Forward foreign currency purchases/sales		11,559,409	13,254,851	24,814,260
3.2.1.1 Forward foreign currency purchases		4,765,141	7,545,258	12,310,399
3.2.1.2 Forward foreign currency sales		6,794,268	5,709,593	12,503,861
3.2.2 Currency and interest rate swaps		45,874,245	156,440,960	202,315,205
3.2.2.1 Currency swaps-purchases		10,649,363	63,055,771	73,705,134
3.2.2.2 Currency swaps-sales		33,809,288	36,121,829	69,931,117
3.2.2.3 Interest rate swaps-purchases		707,797	28,631,680	29,339,477
3.2.2.4 Interest rate swaps-sales		707,797	28,631,680	29,339,477
3.2.3 Currency, interest rate and security options		17,232,147	32,370,725	49,602,872
3.2.3.1 Currency call options		9,069,974	8,208,590	17,278,564
3.2.3.2 Currency put options		8,084,584	10,686,711	18,771,295
3.2.3.3 Interest rate call options		-	11,921,185	11,921,185
3.2.3.4 Interest rate put options		-	1,554,239	1,554,239
3.2.3.5 Security call options		24,665	-	24,665
3.2.3.6 Security put options		52,924	-	52,924
3.2.4 Currency futures		837,290	970,229	1,807,519
3.2.4.1 Currency futures-purchases		66,180	807,290	873,470
3.2.4.2 Currency futures-sales		771,110	162,939	934,049
3.2.5 Interest rate futures		-	18,066	18,066
3.2.5.1 Interest rate futures-purchases		-	-	-
3.2.5.2 Interest rate futures-sales		-	18,066	18,066
3.2.6 Others		28,019	18,482,130	18,510,149
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>734,970,642</b>	<b>779,705,808</b>	<b>1,514,676,450</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>47,679,289</b>	<b>45,204,129</b>	<b>92,883,418</b>
4.1 Customers' securities held		16,549,359	-	16,549,359
4.2 Investment securities held in custody		11,117,076	15,329,484	26,446,560
4.3 Checks received for collection		16,598,765	5,317,179	21,915,944
4.4 Commercial notes received for collection		2,820,947	1,021,743	3,842,690
4.5 Other assets received for collection		189,845	19,210,946	19,400,791
4.6 Assets received through public offering		-	128,789	128,789
4.7 Other items under custody		403,297	4,195,988	4,599,285
4.8 Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>687,291,353</b>	<b>734,501,679</b>	<b>1,421,793,032</b>
5.1 Securities		2,626,072	149,806	2,775,878
5.2 Guarantee notes		27,157,222	13,490,262	40,647,484
5.3 Commodities		13,913	-	13,913
5.4 Warranties		-	359,113	359,113
5.5 Real estates		169,974,426	135,795,357	305,769,783
5.6 Other pledged items		487,519,720	584,707,054	1,072,226,774
5.7 Pledged items-depository		-	87	87
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>899,107,644</b>	<b>1,109,405,466</b>	<b>2,008,513,110</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Profit or Loss**  
**At 31 December 2018**

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 1 January 2018- 31 December 2018
<b>I. INTEREST INCOME</b>	5.7.1	<b>41,246,027</b>
1.1 Interest income on loans		30,971,635
1.2 Interest income on reserve deposits		324,582
1.3 Interest income on banks		640,894
1.4 Interest income on money market transactions		37,728
1.5 Interest income on securities portfolio		8,261,754
1.5.1 Financial assets measured at FVTPL		72,763
1.5.2 Financial assets measured at FVOCI		4,145,126
1.5.3 Financial assets measured at amortised cost		4,043,865
1.6 Financial lease income		539,811
1.7 Other interest income		469,623
<b>II. INTEREST EXPENSE</b>	5.7.2	<b>20,369,094</b>
2.1 Interest on deposits		14,756,253
2.2 Interest on funds borrowed		1,965,032
2.3 Interest on money market transactions		1,193,709
2.4 Interest on securities issued		2,388,905
2.5 Other interest expenses		65,195
<b>III. NET INTEREST INCOME (I - II)</b>		<b>20,876,933</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>5,102,687</b>
4.1 Fees and commissions received		6,944,272
4.1.1 Non-cash loans		587,647
4.1.2 Others		6,356,625
4.2 Fees and commissions paid		1,841,585
4.2.1 Non-cash loans		2,238
4.2.2 Others		1,839,347
<b>V. PERSONNEL EXPENSES (-)</b>	5.7.7	<b>3,645,278</b>
<b>VI. DIVIDEND INCOME</b>	5.7.3	<b>7,691</b>
<b>VII. NET TRADING INCOME/LOSSES (Net)</b>	5.7.4	<b>(1,145,747)</b>
7.1 Trading account income/losses		853,849
7.2 Income/losses from derivative financial instruments		839,627
7.3 Foreign exchange gains/losses		(2,839,223)
<b>VIII. OTHER OPERATING INCOME</b>	5.7.5	<b>3,517,425</b>
<b>IX. TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)</b>		<b>24,713,711</b>
<b>X. EXPECTED CREDIT LOSSES (-)</b>	5.7.6	<b>10,836,246</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	5.7.7	<b>5,123,707</b>
<b>XII. NET OPERATING PROFIT/LOSS (IX-X-XI)</b>		<b>8,753,758</b>
<b>XIII. INCOME RESULTED FROM MERGERS</b>		-
<b>XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-
<b>XV. GAIN/LOSS ON NET MONETARY POSITION</b>		-
<b>XVI. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>	5.7.8	<b>8,753,758</b>
<b>XVII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	5.7.9	<b>2,047,153</b>
17.1 Current tax charge		1,806,595
17.2 Deferred tax charge (+)		651,170
17.3 Deferred tax credit (-)		(410,612)
<b>XVIII. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)</b>	5.7.10	<b>6,706,605</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		-
19.1 Income from assets held for sale		-
19.2 Income from sale of associates, subsidiaries and joint-ventures		-
19.3 Others		-
<b>XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-
20.1 Expenses on assets held for sale		-
20.2 Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3 Others		-
<b>XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)</b>	5.7.8	-
<b>XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	5.7.9	-
22.1 Current tax charge		-
22.2 Deferred tax charge (+)		-
22.3 Deferred tax credit (-)		-
<b>XXIII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)</b>	5.7.10	-
<b>XXIV. NET PROFIT/LOSS (XVIII+XXIII)</b>	5.7.11	<b>6,706,605</b>
24.1 Equity holders of the bank		6,641,652
24.2 Minority interest		64,953
<b>Earnings per Share</b>		<b>0.01581</b>

The accompanying notes are an integral part of these consolidated financial statements.

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**At 31 December 2018**

<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		THOUSANDS OF TURKISH LIRA (TL)
		<b>CURRENT PERIOD 1 January 2018 - 31 December 2018</b>
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>6,706,605</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(403,275)</b>
<b>2.1</b>	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>42,887</b>
2.1.1	Revaluation Surplus on Tangible Assets	18,869
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(20,906)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	45,316
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(392)
<b>2.2</b>	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(446,162)</b>
2.2.1	Translation Differences	1,161,002
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1,407,321)
2.2.3	Gains/losses from Cash Flow Hedges	(39,740)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(525,062)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	364,959
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>6,303,330</b>

The accompanying notes are an integral part of these consolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**

**Consolidated Statement of Changes in Shareholders' Equity**

At 31 December 2018

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)															
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
						Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others						
<b>CURRENT PERIOD - 1 January 2018 - 31 December 2018</b>																	
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	(266,597)	(655,448)	27,869,150	6,332,056	-	41,283,852	322,149	41,606,001
II. Correction made as per TAS 8	3.29	-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114
III. Adjusted Balances at Beginning of Period (I+II)	5.9	4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	129,660	(655,448)	27,869,150	6,765,722	-	42,113,775	314,340	42,428,115
IV. Total Comprehensive Income		-	-	-	-	15,048	(16,622)	38,504	1,161,002	(1,187,871)	(419,293)	6,059	-	6,641,652	6,238,479	64,851	6,303,330
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Others Changes		-	-	-	-	-	-	-	-	-	-	87,042	-	-	87,042	(121)	86,921
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	5,015,722	(6,765,722)	-	(1,750,000)	(181,524)	(1,931,524)
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)	(181,524)	(1,931,524)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,014,572	(5,014,572)	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	-	-
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,534,923	(160,891)	99,362	2,744,795	(1,058,211)	(1,074,741)	32,977,973	-	6,641,652	46,689,296	197,546	46,886,842

The accompanying notes are an integral part of these consolidated financial statements.

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**At 31 December 2018**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 1 January 2018- 31 December 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.10	<b>10,454,777</b>
1.1.1 Interests received		34,769,428
1.1.2 Interests paid		(20,145,242)
1.1.3 Dividend received		7,691
1.1.4 Fees and commissions received		6,944,272
1.1.5 Other income		4,371,274
1.1.6 Collections from previously written-off receivables		388,778
1.1.7 Cash payments to personnel and service suppliers		(7,768,620)
1.1.8 Taxes paid		(2,710,369)
1.1.9 Others		(5,402,435)
<b>1.2 Changes in operating assets and liabilities</b>	5.10	<b>4,836,686</b>
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		505,794
1.2.2 Net (increase) decrease in due from banks		3,384,324
1.2.3 Net (increase) decrease in loans		(30,127,463)
1.2.4 Net (increase) decrease in other assets		(1,524,274)
1.2.5 Net increase (decrease) in bank deposits		4,536,176
1.2.6 Net increase (decrease) in other deposits		38,772,304
1.2.7 Net increase (decrease) in financial liabilities measured at FVTPL		-
1.2.8 Net increase (decrease) in funds borrowed		(14,774,175)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		4,064,000
<b>I. Net cash flow from banking operations</b>	5.10	<b>15,291,463</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	5.10	<b>3,816,031</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(1,794,001)
2.4 Sales of tangible assets		1,206,272
2.5 Cash paid for purchase of financial assets measured at FVOCI		(17,750,702)
2.6 Cash obtained from sale of financial assets measured at FVOCI		20,699,593
2.7 Cash paid for purchase of financial assets measured at amortised cost		(693,258)
2.8 Cash obtained from sale of financial assets measured at amortised cost		2,148,127
2.9 Others		-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>		<b>2,214,086</b>
3.1 Cash obtained from funds borrowed and securities issued		22,491,378
3.2 Cash used for repayment of funds borrowed and securities issued		(18,345,768)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,931,524)
3.5 Payments for financial leases		-
3.6 Others		-
<b>IV. Effect of translation differences on cash and cash equivalents</b>		<b>1,423,512</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.10	<b>22,745,092</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	5.10	<b>14,952,512</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.10	<b>37,697,604</b>

The accompanying notes are an integral part of these consolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Balance Sheet (Statement of Financial Position)**

At 31 December 2017

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			PRIOR PERIOD		
			31 December 2017		
			TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	5.2.1	<b>7,635,968</b>	<b>25,967,673</b>	<b>33,603,641</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	5.2.2	<b>2,290,900</b>	<b>586,913</b>	<b>2,877,813</b>
2.1	Financial assets held for trading		2,290,900	586,913	2,877,813
2.1.1	Government securities		803,974	16,604	820,578
2.1.2	Equity securities		68,173	-	68,173
2.1.3	Derivative financial assets held for trading		1,379,769	567,220	1,946,989
2.1.4	Other securities		38,984	3,089	42,073
2.2	Financial assets valued at fair value through profit or loss		-	-	-
2.2.1	Government securities		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans	5.2.5	-	-	-
2.2.4	Other securities		-	-	-
<b>III.</b>	<b>BANKS</b>	5.2.3	<b>1,010,727</b>	<b>18,459,616</b>	<b>19,470,343</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKETS</b>		<b>3,353</b>	<b>-</b>	<b>3,353</b>
4.1	Interbank money market placements		-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-
4.3	Receivables from reverse repurchase agreements		3,353	-	3,353
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>	5.2.4	<b>22,222,532</b>	<b>4,055,456</b>	<b>26,277,988</b>
5.1	Equity securities		41,760	233,112	274,872
5.2	Government securities		21,912,629	666,591	22,579,220
5.3	Other securities		268,143	3,155,753	3,423,896
<b>VI.</b>	<b>LOANS</b>	5.2.5	<b>144,323,034</b>	<b>85,030,251</b>	<b>229,353,285</b>
6.1	Loans		143,274,157	84,718,455	227,992,612
6.1.1	Loans to bank's risk group	5.11	521,307	2,141,026	2,662,333
6.1.2	Government securities		-	-	-
6.1.3	Other		142,752,850	82,577,429	225,330,279
6.2	Loans under follow-up		5,408,114	768,871	6,176,985
6.3	Specific provisions (-)		4,359,237	457,075	4,816,312
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>	5.2.6	<b>2,261,812</b>	<b>1,117,956</b>	<b>3,379,768</b>
<b>VIII.</b>	<b>INVESTMENTS HELD-TO-MATURITY (Net)</b>	5.2.7	<b>12,900,962</b>	<b>11,413,578</b>	<b>24,314,540</b>
8.1	Government securities		12,815,088	7,417,468	20,232,556
8.2	Other securities		85,874	3,996,110	4,081,984
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	5.2.8	<b>35,747</b>	<b>4</b>	<b>35,751</b>
9.1	Associates consolidated under equity accounting		-	-	-
9.2	Unconsolidated associates		35,747	4	35,751
9.2.1	Financial investments in associates		31,789	-	31,789
9.2.2	Non-financial investments in associates		3,958	4	3,962
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	5.2.9	<b>114,372</b>	<b>2,309</b>	<b>116,681</b>
10.1	Unconsolidated financial investments in subsidiaries		-	-	-
10.2	Unconsolidated non-financial investments in subsidiaries		114,372	2,309	116,681
<b>XI.</b>	<b>INVESTMENTS IN JOINT-VENTURES (Net)</b>	5.2.10	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Joint-ventures consolidated under equity accounting		-	-	-
11.2	Unconsolidated joint-ventures		-	-	-
11.2.1	Financial investments in joint-ventures		-	-	-
11.2.2	Non-financial investments in joint-ventures		-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	5.2.11	<b>1,471,740</b>	<b>4,316,696</b>	<b>5,788,436</b>
12.1	Financial lease receivables		1,740,146	4,730,823	6,470,969
12.2	Operational lease receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned income (-)		268,406	414,127	682,533
<b>XIII.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE</b>	5.2.12	<b>554,605</b>	<b>116,115</b>	<b>670,720</b>
13.1	Fair value hedges		89,104	14,158	103,262
13.2	Cash flow hedges		465,501	101,957	567,458
13.3	Net foreign investment hedges		-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>	5.2.13	<b>3,910,647</b>	<b>186,004</b>	<b>4,096,651</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	5.2.14	<b>346,016</b>	<b>33,292</b>	<b>379,308</b>
15.1	Goodwill		6,388	-	6,388
15.2	Other intangibles		339,628	33,292	372,920
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	5.2.15	<b>559,388</b>	<b>-</b>	<b>559,388</b>
<b>XVII.</b>	<b>TAX ASSET</b>		<b>436,799</b>	<b>30,899</b>	<b>467,698</b>
17.1	Current tax asset		6,697	19,069	25,766
17.2	Deferred tax asset	5.2.16	430,102	11,830	441,932
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.2.17	<b>823,000</b>	<b>12,552</b>	<b>835,552</b>
18.1	Asset held for resale		823,000	12,552	835,552
18.2	Assets of discontinued operations		-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	5.2.18	<b>3,656,882</b>	<b>443,869</b>	<b>4,100,751</b>
<b>TOTAL ASSETS</b>			<b>204,558,484</b>	<b>151,773,183</b>	<b>356,331,667</b>

The accompanying notes are an integral part of these consolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Balance Sheet (Statement of Financial Position)**  
**At 31 December 2017**

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			PRIOR PERIOD		
			31 December 2017		
		TL	FC	Total	
<b>I. DEPOSITS</b>	5.4.1	<b>88,203,932</b>	<b>112,569,628</b>	<b>200,773,560</b>	
1.1 Deposits from bank's risk group	5.1.1	359,077	522,879	881,956	
1.2 Other		87,844,855	112,046,749	199,891,604	
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.4.2	<b>2,381,287</b>	<b>517,535</b>	<b>2,898,822</b>	
<b>III. FUNDS BORROWED</b>	5.4.3	<b>1,134,258</b>	<b>45,970,461</b>	<b>47,104,719</b>	
<b>IV. INTERBANK MONEY MARKETS</b>		<b>13,886,785</b>	<b>4,751,071</b>	<b>18,637,856</b>	
4.1 Interbank money market takings		11,712,429	3,892,365	15,604,794	
4.2 Istanbul Stock Exchange money market takings		1,286,649	-	1,286,649	
4.3 Obligations under repurchase agreements	5.4.4	887,707	858,706	1,746,413	
<b>V. SECURITIES ISSUED (Net)</b>	5.4.4	<b>8,162,999</b>	<b>12,631,453</b>	<b>20,794,452</b>	
5.1 Bills		4,003,253	-	4,003,253	
5.2 Asset backed securities		-	-	-	
5.3 Bonds		4,159,746	12,631,453	16,791,199	
<b>VI. FUNDS</b>		-	-	-	
6.1 Borrower funds		-	-	-	
6.2 Other		-	-	-	
<b>VII. MISCELLANEOUS PAYABLES</b>	5.4.4	<b>9,585,571</b>	<b>790,775</b>	<b>10,376,346</b>	
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		<b>2,191,547</b>	<b>888,803</b>	<b>3,080,350</b>	
<b>IX. FACTORING PAYABLES</b>	5.4.5	-	-	-	
<b>X. LEASE PAYABLES (Net)</b>	5.4.6	-	-	-	
10.1 Financial lease payables		-	-	-	
10.2 Operational lease payables		-	-	-	
10.3 Others		-	-	-	
10.4 Deferred expenses (-)		-	-	-	
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSES</b>	5.4.7	<b>7,252</b>	<b>191,574</b>	<b>198,826</b>	
11.1 Fair value hedges		6,227	188,528	194,755	
11.2 Cash flow hedges		1,025	3,046	4,071	
11.3 Net foreign investment hedges		-	-	-	
<b>XII. PROVISIONS</b>	5.4.8	<b>6,453,922</b>	<b>394,180</b>	<b>6,848,102</b>	
12.1 General provisions		3,597,720	75,949	3,673,669	
12.2 Restructuring reserves		-	-	-	
12.3 Reserve for employee benefits		822,958	86,830	909,788	
12.4 Insurance technical provisions (Net)		355,827	34,059	389,886	
12.5 Other provisions		1,677,417	197,342	1,874,759	
<b>XIII. TAX LIABILITY</b>	5.4.9	<b>1,103,072</b>	<b>60,090</b>	<b>1,163,162</b>	
13.1 Current tax liability		1,103,072	45,725	1,148,797	
13.2 Deferred tax liability		-	14,365	14,365	
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.4.10	-	-	-	
14.1 Asset held for sale		-	-	-	
14.2 Assets of discontinued operations		-	-	-	
<b>XV. SUBORDINATED DEBTS</b>	5.4.11	-	<b>2,849,471</b>	<b>2,849,471</b>	
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.4.12	<b>41,142,135</b>	<b>463,866</b>	<b>41,606,001</b>	
16.1 Paid-in capital		4,200,000	-	4,200,000	
16.2 Capital reserves		1,320,292	206,555	1,526,847	
16.2.1 Share premium		11,880	-	11,880	
16.2.2 Share cancellation profits		-	-	-	
16.2.3 Securities value increase fund		(425,824)	108,010	(317,814)	
16.2.4 Revaluation surplus on tangible assets		1,722,980	24,889	1,747,869	
16.2.5 Revaluation surplus on intangible assets		-	-	-	
16.2.6 Revaluation surplus on investment property		-	-	-	
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		912	-	912	
16.2.8 Hedging reserves (effective portion)		(617,941)	73,656	(544,285)	
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	
16.2.10 Other capital reserves		628,285	-	628,285	
16.3 Profit reserves		28,967,638	257,311	29,224,949	
16.3.1 Legal reserves		1,368,395	23,864	1,392,259	
16.3.2 Status reserves		-	-	-	
16.3.3 Extraordinary reserves		25,901,360	-	25,901,360	
16.3.4 Other profit reserves		1,697,883	233,447	1,931,330	
16.4 Profit or loss		6,332,056	-	6,332,056	
16.4.1 Prior periods profit/loss		-	-	-	
16.4.2 Current period net profit/loss		6,332,056	-	6,332,056	
16.5 Minority interest		322,149	-	322,149	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>174,252,760</b>	<b>182,078,907</b>	<b>356,331,667</b>	

The accompanying notes are an integral part of these consolidated financial statements.



**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Off-Balance Sheet Items**  
**At 31 December 2017**

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		PRIOR PERIOD		
		31 December 2017		
		TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)</b>		<b>189,643,830</b>	<b>301,352,970</b>	<b>490,996,800</b>
<b>I. GUARANTEES AND SURETIES</b>	5.6.1	<b>19,424,930</b>	<b>36,770,464</b>	<b>56,195,394</b>
1.1 Letters of guarantee		19,405,859	20,283,642	39,689,501
1.1.1 Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2 Guarantees given for foreign trade operations		1,842,819	395,767	2,238,586
1.1.3 Other letters of guarantee		17,563,040	18,905,961	36,469,001
1.2 Bank acceptances		14,273	1,536,377	1,550,650
1.2.1 Import letter of acceptance		14,273	1,536,377	1,550,650
1.2.2 Other bank acceptances		-	-	-
1.3 Letters of credit		4,798	14,764,718	14,769,516
1.3.1 Documentary letters of credit		-	-	-
1.3.2 Other letters of credit		4,798	14,764,718	14,769,516
1.4 Guaranteed prefinancings		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-
1.5.2 Other endorsements		-	-	-
1.6 Underwriting commitments		-	-	-
1.7 Factoring related guarantees		-	-	-
1.8 Other guarantees		-	185,727	185,727
1.9 Other sureties		-	-	-
<b>II. COMMITMENTS</b>		<b>44,879,991</b>	<b>12,711,898</b>	<b>57,591,889</b>
2.1 Irrevocable commitments		44,532,503	7,539,747	52,072,250
2.1.1 Asset purchase and sale commitments		2,205,254	5,742,735	7,947,989
2.1.2 Deposit purchase and sale commitments		-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	6,443	6,443
2.1.4 Loan granting commitments		9,468,364	1,231,571	10,699,935
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for cheque payments		3,797,901	-	3,797,901
2.1.8 Tax and fund obligations on export commitments		31,365	-	31,365
2.1.9 Commitments for credit card limits		29,020,761	521,288	29,542,049
2.1.10 Commitments for credit cards and banking services related promotions		8,273	-	8,273
2.1.11 Receivables from "short" sale commitments on securities		-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-
2.1.13 Other irrevocable commitments		585	37,710	38,295
2.2 Revocable commitments		347,488	5,172,151	5,519,639
2.2.1 Revocable loan granting commitments		156,116	4,796,577	4,952,693
2.2.2 Other revocable commitments		191,372	375,574	566,946
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.6.2	<b>125,338,909</b>	<b>251,870,608</b>	<b>377,209,517</b>
3.1 Derivative financial instruments held for risk management		7,255,392	38,177,132	45,432,524
3.1.1 Fair value hedges		5,452,476	12,916,842	18,369,318
3.1.2 Cash flow hedges		1,802,916	25,260,290	27,063,206
3.1.3 Net foreign investment hedges		-	-	-
3.2 Trading derivatives		118,083,517	213,693,476	331,776,993
3.2.1 Forward foreign currency purchases/sales		15,358,246	19,209,970	34,568,216
3.2.1.1 Forward foreign currency purchases		5,427,014	11,771,096	17,198,110
3.2.1.2 Forward foreign currency sales		9,931,232	7,438,874	17,370,106
3.2.2 Currency and interest rate swaps		88,816,561	153,895,967	242,712,528
3.2.2.1 Currency swaps-purchases		32,307,469	73,063,850	105,371,319
3.2.2.2 Currency swaps-sales		55,840,060	45,238,049	101,078,109
3.2.2.3 Interest rate swaps-purchases		334,516	17,797,034	18,131,550
3.2.2.4 Interest rate swaps-sales		334,516	17,797,034	18,131,550
3.2.3 Currency, interest rate and security options		13,831,781	25,562,957	39,394,738
3.2.3.1 Currency call options		7,234,150	7,153,660	14,387,810
3.2.3.2 Currency put options		6,565,822	8,172,614	14,738,436
3.2.3.3 Interest rate call options		-	9,247,686	9,247,686
3.2.3.4 Interest rate put options		-	988,997	988,997
3.2.3.5 Security call options		9,414	-	9,414
3.2.3.6 Security put options		22,395	-	22,395
3.2.4 Currency futures		62,874	92,187	155,061
3.2.4.1 Currency futures-purchases		20,293	44,824	65,117
3.2.4.2 Currency futures-sales		42,581	47,363	89,944
3.2.5 Interest rate futures		-	18,879	18,879
3.2.5.1 Interest rate futures-purchases		-	-	-
3.2.5.2 Interest rate futures-sales		-	18,879	18,879
3.2.6 Others		14,055	14,913,516	14,927,571
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>715,477,686</b>	<b>614,013,443</b>	<b>1,329,491,129</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>52,856,646</b>	<b>38,573,970</b>	<b>91,430,616</b>
4.1 Customers' securities held		18,138,585	-	18,138,585
4.2 Investment securities held in custody		15,042,103	16,314,890	31,356,993
4.3 Checks received for collection		16,558,278	3,885,992	20,444,270
4.4 Commercial notes received for collection		2,824,586	900,585	3,725,171
4.5 Other assets received for collection		98,797	13,830,800	13,929,597
4.6 Assets received through public offering		-	92,625	92,625
4.7 Other items under custody		194,297	3,549,078	3,743,375
4.8 Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>662,621,040</b>	<b>575,439,473</b>	<b>1,238,060,513</b>
5.1 Securities		4,123,200	260,868	4,384,068
5.2 Guarantee notes		36,609,095	16,584,613	53,193,708
5.3 Commodities		14,095	-	14,095
5.4 Warrants		-	242,502	242,502
5.5 Real estates		159,488,241	116,578,695	276,066,936
5.6 Other pledged items		462,386,409	441,772,729	904,159,138
5.7 Pledged items-depository		-	66	66
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>905,121,516</b>	<b>915,366,413</b>	<b>1,820,487,929</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Income Statement**  
**At 31 December 2017**

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 1 January 2017- 31 December 2017
<b>I. INTEREST INCOME</b>	5.8.1	<b>28,360,370</b>
1.1 Interest income on loans		21,912,595
1.2 Interest income on reserve deposits		222,596
1.3 Interest income on banks		451,750
1.4 Interest income on money market transactions		14,022
1.5 Interest income on securities portfolio		4,791,622
1.5.1 Trading financial assets		41,220
1.5.2 Financial assets valued at fair value through profit or loss		-
1.5.3 Financial assets available-for-sale		2,550,023
1.5.4 Investments held-to-maturity		2,200,379
1.6 Financial lease income		442,460
1.7 Other interest income		525,325
<b>II. INTEREST EXPENSE</b>	5.8.2	<b>12,673,800</b>
2.1 Interest on deposits		8,439,849
2.2 Interest on funds borrowed		1,323,169
2.3 Interest on money market transactions		1,309,125
2.4 Interest on securities issued		1,579,644
2.5 Other interest expenses		22,013
<b>III. NET INTEREST INCOME (I - II)</b>		<b>15,686,570</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>3,860,413</b>
4.1 Fees and commissions received		5,118,766
4.1.1 Non-cash loans		433,188
4.1.2 Others		4,685,578
4.2 Fees and commissions paid		1,258,353
4.2.1 Non-cash loans		3,868
4.2.2 Others		1,254,485
<b>V. DIVIDEND INCOME</b>	5.8.3	<b>7,816</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	5.8.4	<b>(1,842,027)</b>
6.1 Trading account income/losses (Net)		(324,697)
6.2 Income/losses from derivative financial instruments (Net)		(3,266,721)
6.3 Foreign exchange gains/losses (Net)		1,749,391
<b>VII. OTHER OPERATING INCOME</b>	5.8.5	<b>1,942,284</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>19,655,056</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	5.8.6	<b>3,681,863</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	5.8.7	<b>7,623,756</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>8,349,437</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-
<b>XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	5.8.8	<b>8,349,437</b>
<b>XVI. PROVISION FOR TAXES (±)</b>	5.8.9	<b>1,961,463</b>
16.1 Current tax charge		2,284,299
16.2 Deferred tax charge/(credit)		(322,836)
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	5.8.10	<b>6,387,974</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-
18.1 Income from assets held for sale		-
18.2 Income from sale of associates, subsidiaries and joint-ventures		-
18.3 Others		-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-
19.1 Expenses on assets held for sale		-
19.2 Expenses on sale of associates, subsidiaries and joint-ventures		-
19.3 Others		-
<b>XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)</b>	5.8.8	-
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	5.8.9	-
21.1 Current tax charge		-
21.2 Deferred tax charge/(credit)		-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>	5.8.10	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	5.8.11	<b>6,387,974</b>
23.1 Equity holders of the bank		6,332,056
23.2 Minority interest		55,918
<b>Earnings per Share</b>		<b>0.01508</b>

The accompanying notes are an integral part of these consolidated financial statements.

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Income/Expense Items Accounted for under**  
**Shareholders' Equity**  
**At 31 December 2017**

<b>INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY</b>	THOUSANDS OF TURKISH LIRA (TL)
	<b>PRIOR PERIOD</b> <b>1 January 2017 -</b> <b>31 December 2017</b>
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	<b>256,760</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>160,314</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>674,151</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	<b>56,034</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>(291,004)</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	<b>-</b>
<b>VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>(49,496)</b>
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	<b>(133,139)</b>
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>673,620</b>
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>	<b>6,387,974</b>
1.1 Net changes in fair value of securities (transferred to income statement)	(30,723)
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(85,449)
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-
1.4 Others	6,504,146
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>	<b>7,061,594</b>

The accompanying notes are an integral part of these consolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**At 31 December 2017**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)																	
		Paid-In Capital	Inflation Adjustment to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD - 1 January-31 December 2017																			
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,271,522	-	22,192,305	1,179,839	-	5,105,291	(543,625)	1,691,062	947	(353,676)	-	35,528,099	267,808	35,795,907
Changes during the period	5.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	225,811	-	-	-	-	-	225,811	7	225,818
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(190,648)	-	(190,648)	-	(190,648)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	42,155	-	42,155	-	42,155
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(232,803)	-	(232,803)	-	(232,803)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	3,903	-	-	-	-	3,903	-	3,903
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	(35)	-	-	(35)	-	(35)
VIII. Translation differences		-	-	-	-	5,018	-	427	667,342	-	-	-	1,325	-	39	-	674,151	-	674,151
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	11	-	-	-	-	-	-	-	11	(11)	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	196,656	(65,858)	-	-	-	(170,294)	-	-	-	(39,496)	(73)	(39,569)
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	6,332,056	-	-	-	-	-	-	6,332,056	55,918	6,387,974
XVIII. Profit distribution		-	-	-	-	115,719	-	3,511,961	5,738	-	(5,105,291)	-	221,873	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.2. Transfers to reserves		-	-	-	-	115,719	-	3,511,961	-	-	(3,627,680)	-	-	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.3. Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,392,259	-	25,901,360	1,787,061	6,332,056	-	(317,814)	1,747,869	912	(544,285)	-	41,283,852	322,149	41,606,001

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**At 31 December 2017**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 1 January 2017 31 December 2017
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.10	<b>8,279,543</b>
1.1.1 Interests received		24,903,497
1.1.2 Interests paid		(12,001,215)
1.1.3 Dividend received		7,816
1.1.4 Fees and commissions received		5,118,766
1.1.5 Other income		1,577,846
1.1.6 Collections from previously written-off loans and other receivables		187,804
1.1.7 Payments to personnel and service suppliers		(6,539,838)
1.1.8 Taxes paid		(1,884,033)
1.1.9 Others		(3,091,100)
<b>1.2 Changes in operating assets and liabilities</b>	5.10	<b>(13,152,134)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		(755,332)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(12,584,956)
1.2.4 Net (increase) decrease in loans		(29,522,295)
1.2.5 Net (increase) decrease in other assets		(885,530)
1.2.6 Net increase (decrease) in bank deposits		(2,857,766)
1.2.7 Net increase (decrease) in other deposits		24,718,233
1.2.8 Net increase (decrease) in funds borrowed		7,545,144
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		1,190,368
<b>I. Net cash flow from banking operations</b>	5.10	<b>(4,872,591)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	5.10	<b>(1,047,230)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(179)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		1,540
2.3 Purchases of tangible assets		(819,185)
2.4 Sales of tangible assets		293,292
2.5 Cash paid for purchase of financial assets available-for-sale, net		(10,859,357)
2.6 Cash obtained from sale of financial assets available-for-sale, net		9,652,673
2.7 Cash paid for purchase of investments held-to-maturity		(302,008)
2.8 Cash obtained from sale of investments held-to-maturity		985,994
2.9 Others		-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>		<b>4,582,854</b>
3.1 Cash obtained from funds borrowed and securities issued		22,335,206
3.2 Cash used for repayment of funds borrowed and securities issued		(16,500,852)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,251,500)
3.5 Payments for financial leases		-
3.6 Others		-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>597,337</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.10	<b>(739,630)</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	5.10	<b>15,692,142</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.10	<b>14,952,512</b>

The accompanying notes are an integral part of these consolidated financial statements.

### **3 Accounting Policies**

#### **3.1 Basis of presentation**

The Bank and its consolidated financial subsidiaries prepare their consolidated financial statements in accordance with “the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and real estates which are presented on a fair value basis.

##### **3.1.1 Changes in Accounting policies and disclosures**

###### **3.1.1.1 Major new and amended standards and interpretations**

The Bank and its consolidated financial subsidiaries have started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying consolidated financial statements starting from 1 January 2018 for the first time based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from 1 January 2018.

TFRS 15 and other new TFRS/TAS amendments in effect do not have significant impact on the accounting policies, financial position and performance of the Bank and its consolidated financial subsidiaries.

Besides, the adoption process continues regarding TFRS 16 Leases (“TFRS 16”) which is in effect starting from 1 January 2019.

###### **3.1.1.2 The standards which are effective as of 1 January 2018**

###### **TFRS 9 Financial Instruments**

As of 1 January 2018, the Bank and its consolidated financial subsidiaries have started to apply TFRS 9 standard which replaces TAS 39 Financial Instruments: Recognition and Measurement for the first time in the consolidated financial statements. TFRS 9 also includes new hedge accounting rules aiming alignment with risk management activities. TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting provisions of TAS 39 as a policy choice. Accordingly, the Bank and its consolidated financial subsidiaries continue to apply hedge accounting in accordance with TAS 39 in this context.

The Bank and its consolidated financial subsidiaries have not restated comparative information for 2017 for financial instruments in the scope of TFRS 9 and the total difference arising from the adoption of TFRS 9 has been recognised directly in prior periods’ profit or loss as of 1 January 2018 in the current period’s statement of changes in shareholders’ equity. In this context, the accompanying financial statements are not presented on a comparative basis and the prior period financial statements, the annulled accounting policies in accordance with TAS 39 and the prior period disclosures and footnotes are included consecutive to the corresponding current period information. The transition impact on the financial statements regarding first time adoption of TFRS 9 as of 1 January 2018 is presented in Note 3.29.

### ***Changes regarding classification and measurement of financial instruments***

To determine their classification and measurement category, TFRS 9 requires all financial assets, except for equity instruments and derivatives, to be assessed based on both the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The TAS 39 measurement categories of financial assets at fair value through profit or loss, available for sale and held-to-maturity have been replaced by: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost, respectively as a consequence of TFRS 9.

The accounting for financial liabilities remains largely the same as it was under TAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss (with the condition of not impacting accounting mismatch significantly).

The details regarding classification and measurement of financial assets and liabilities is explained in note 3.7.

Besides, the impact on the statement of financial position regarding adoption of TFRS 9 as of 1 January 2018 is explained in note 3.29.

### ***Impairment***

TFRS 9 has changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. It is formed an impairment model having 3 stages based on the change in credit quality since initial recognition. The approach of regarding measurement of credit impairment is presented in note 3.8.

### **TFRS 15 Revenue from contracts with customers**

TFRS 15 Revenue from contracts with customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue standard. The standard is in effect starting from 1 January 2018 and does not have significant impact on the consolidated financial statements.

#### **3.1.1.3 The new standards not effective as of 1 January 2018**

### **TFRS 16 Leases**

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard is effective from annual periods beginning on or after 1 January 2019 and the adoption process regarding the mentioned amendments continues as of the reporting date.

The accounting policies and the valuation principles applied in the preparation of the accompanying current period consolidated financial statements are explained in Notes 3.2 to 3.28. The accounting policies related with TAS 39 and TAS 18 annulled in the current period but valid for the prior period's financial statements are presented in Note 3.30.

## **3.2 Strategy for use of financial instruments and foreign currency transactions**

### **3.2.1 Strategy for use of financial instruments**

The liability side of the balance sheet is intensively composed of short-term deposits in line with the general trend in the banking sector. In addition to deposits, the Bank and its financial subsidiaries have access to longer-term borrowings via the borrowings from abroad.

In order to manage the interest rate risk arising from short-term deposits, the Bank and its financial subsidiaries are keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

A portion of the fixed-rate securities and loans, and the bonds are hedged under fair value hedges. The fair value risks of such fixed-rate assets and financial liabilities are hedged with interest rate swaps and cross currency swaps. The fair value changes of the hedged fixed-rate financial assets and financial liabilities together with the changes in the fair value of the hedging instruments, namely interest rate swaps and cross currency swaps, are accounted under net trading income/losses in the income statement. At the inception of the hedge and during the subsequent periods, the hedge is expected to achieve the offsetting of changes in fair value attributable to the hedged risk for which the hedge is designated, and accordingly, the hedge effectiveness tests are performed.

It may classified the financial assets and liabilities as at fair value through profit or loss at the initial recognition in order to eliminate any accounting inconsistency.

The fundamental strategy to manage the liquidity risk that may incur due to short-term structure of funding, is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are the most effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in the management of the interest and liquidity risk on balance sheet is product diversification both on asset and liability sides.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

Purchase and sale of short and long-term financial instruments are allowed within the pre-determined limits to generate risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

### **3.2.2 Foreign currency transactions**

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates for the parent Bank and with the Central Bank of Turkey's spot purchase rates for domestic financial subsidiaries, and the differences are recorded as foreign exchange gain or loss in the income statement.



During the consolidation of foreign subsidiaries, the assets and liabilities are translated into TL at exchange rates ruling at the balance sheet date, the income and expenses in income statement are translated into TL using monthly average exchange rates. Foreign exchange differences arising from the translation of income and expenses and other equity items, are recognized in “other comprehensive income/expense items to be recycled to profit or loss under the shareholders’ equity.

The foreign currency risk arising from net investments in foreign subsidiaries are hedged with long-term foreign currency borrowings and the currency translation differences arising from the conversion of net investments in foreign subsidiaries and long-term foreign currency borrowings into TL are accounted in “other comprehensive income/expense items to be recycled to profit or loss under the shareholders’ equity.

### **3.3 Information on consolidated subsidiaries**

As of 31 December 2018, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

Garanti Finansal Kiralama was established in 1990 to perform financial lease activities and all related transactions and contracts. The company’s head office is in Istanbul. The Bank increased its shareholding to 100% through a further acquisition of 0.04% of the company’s shares on 21 October 2014.

Garanti Faktoring was established in 1990 to perform import, export and domestic factoring activities. The company’s head office is in Istanbul. The Bank owns 81.84% of Garanti Faktoring shares including the shares acquired in the market, T. İhracat Kredi Bankası AŞ owns 9.78% of the company’s shares and the remaining 8.38% shares are held by public.

GBI was established in October 1990 to perform banking activities abroad. The head office of this bank is in Amsterdam. It is wholly owned by the Bank.

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company’s head office is in Istanbul. It is wholly owned by the Bank. Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, has been consolidated in the accompanying consolidated financial statements due to the company’s right to elect all the members of the board of directors as resulted from its privilege in election of board members.

In 1992, it was decided to operate life and health branches under a different company and accordingly Garanti Hayat Sigorta AŞ was established. Garanti Hayat Sigorta AŞ was converted into a private pension company in compliance with the legislation early in 2003 and its name was changed as Garanti Emeklilik ve Hayat AŞ. Following the sale transactions that took place on 21 June 2007, the Bank’s ownership in Garanti Emeklilik decreased to 84.91%. The head office of this company is in Istanbul.

Garanti Portföy was established in June 1997 to manage the customer portfolios by using the capital market products in compliance with the principles and rules of the regulations regarding the company’s purpose of establishment and the portfolio management agreements signed with the customers. The company’s head office is in Istanbul. It is wholly owned by the Bank.

Garanti Holding was established in December 2007 in Amsterdam and all its shares was purchased by the Bank from Doğu Holding AŞ in May 2010. As of 27 January 2011 the consolidated subsidiary’s legal named changed to Garanti Holding BV from D Netherlands BV.

Garanti Diversified Payment Rights Finance Company and RPV Company are structured entities established for the parent Bank's securitization transactions, and consolidated in the accompanying consolidated financial statements. The Bank or any of its subsidiaries does not have any shareholding interests in these companies.

### **3.4 Forwards, options and other derivative transactions**

#### **3.4.1 Derivative financial assets**

##### *Derivative financial assets measured at fair value through profit or loss*

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

Derivatives are initially recorded at their fair values. The related transaction costs are recognized in income statement at the date they incur. The changes in their fair values are recorded on balance sheet under "the portion of derivative financial assets measured at fair value through profit and loss" or "the portion of derivative financial liabilities measured at fair value through profit and loss", respectively depending on the fair values being positive or negative. Fair value changes for derivatives are recorded in the account of "income / losses from derivative transactions under income statement.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts as commitment. In the initial phase of currency swaps, the, currency exchange transactions to realise at value dates are recorded and followed as irrevocable commitments in the off-balance sheet accounts up to their value dates.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to stand alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative but a separate financial instrument. If a hybrid contract contains a host that is an asset within the scope of this standard, it is applied the standard's requirements about classification of financial assets to the entire hybrid contract. The Bank and its consolidated financial subsidiaries do not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

Credit derivatives; are capital market tools designed to transfer credit risk from one party to another. The credit derivatives portfolio included in the off-balance sheet accounts composes of total return swaps and credit default swaps resulted from protection buying or selling.

Credit default swap; is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

Total return swap; is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. It is entered into total return swap contract for the purpose of generating long-term funding.

### **3.4.2 Derivative financial instruments held for hedging purpose**

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank and its consolidated financial subsidiaries continue to apply hedge accounting in accordance with TAS 39 in this context.

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative financial assets held for fair value hedges are recognised in “income/losses from derivative financial instruments”. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of the fixed-rate financial assets at fair value through other comprehensive income, such changes are reclassified from shareholders’ equity to income statement.

#### ***Derivative financial assets measured at fair value through other comprehensive income***

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under “accumulated other comprehensive income or expense to be reclassified to profit or loss” in shareholders’ equity, and the ineffective portion is recognised in income statement. The changes recognized in shareholders’ equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

Effectiveness tests are performed at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders’ equity and presented under “accumulated other comprehensive income or expense to be reclassified to profit or loss” are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders’ equity are recognised in income statement considering the original maturity.

### **3.5 Interest income and expenses**

#### General

Interest is recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. In applying the effective interest method, it is identified fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognised in profit or loss. In those cases, such fees are accounted as revenue or expense when the financial instrument is initially recognised in the financial statements.

When applying the effective interest method, it is amortised any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument.

In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest income of the period after the acquisition is recorded as interest income in the financial statements.

If the expectations for the cash flows in the financial asset are revised for reasons other than the credit risk, the amendment is reflected in the carrying amount of the asset and in the related income statement line and is amortized over the estimated life of the financial asset.

If the financial asset is impaired and classified as a non-performing receivable, it is applied the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of “expected credit losses” expense and “interest income from loans” for such calculated interest amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), the system calculates interest income at subsequent reporting periods by applying the effective interest rate to the gross amount.

#### Financial lease activities

Total of minimum rental payments including interests and principals are recorded under “financial lease receivables” as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under “unearned income”. When the rent payment incurs, the rent amount is deducted from “financial lease receivables”; and the interest portion is recorded as interest income in the income statement.

### **3.6 Fees and commissions**

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

### **3.7 Financial assets**

#### **3.7.1 Initial recognition of financial instruments**

It shall be recognised a financial asset or a financial liability in its statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

#### **3.7.2 Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from Contracts with Customers, at initial recognition, financial asset or financial liabilities are measured at fair value. At initial recognition, financial asset or a financial liability exclusive the ones at fair value through profit or loss are measured at its fair value plus or minus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### **3.7.3 Classification of financial instruments**

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

##### **3.7.3.1 Assessment of the business model**

As per TFRS 9, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

During assessment of the business model for management of financial assets, it must be considered all relevant evidence that is available at the date of the assessment. Such relevant evidence includes below:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Assessment of the business model is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

If cash flows are realised in a way that is different from the expectations at the date that it is assessed the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as it is considered all relevant information that was available at the time that it made the business model assessment. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- A business model whose objective is to hold assets in order to collect contractual cash flows: a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: it may be held financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Other business models: financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

### **3.7.3.2 Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding**

As per TFRS 9, a financial asset is classified on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

### **3.7.4 Measurement categories of financial assets and liabilities**

As of 1 January 2018, all financial assets are classified based on the business model for managing the financial assets. Accordingly, financial assets are classified in three main categories as listed below:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at fair value through profit or loss.

***Financial investments and loans measured at amortised cost***

Starting from 1 January 2018, financial investments and loans are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Financial investments measured at amortised cost:* subsequent to the initial recognition, financial investments measured at amortised cost are accounted at amortised cost calculated by using the effective interest rate method. The expected losses calculated for the relevant financial assets in accordance with TFRS 9 is presented in note 5.1.5.

*Loans:* financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. The expected losses calculated for the relevant financial assets in accordance with TFRS 9 is presented in note 5.1.6.11.

***Financial assets measured at fair value through other comprehensive income***

As per TFRS 9, financial investments are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. If the financial asset is reclassified as financial assets measured at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized cost by using the discounting method with effective interest rate, that approximates to fair value, for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in accumulated other comprehensive income or expense to be reclassified to profit or loss under the shareholders' equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in income statement.

Interests calculated and/or earned by using the effective interest method during holding of financial assets measured at fair value through other comprehensive income are recorded primarily in interest income. In case of sale of such financial assets available-for-sale before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to "trading account income/losses".

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) reclassified as both financial assets measured at fair value through other comprehensive income and measured at amortised cost. CPI's are valued and accounted based on the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The Bank determines its expected inflation rates in compliance with this guideline. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, maybe updated during the year when it is considered necessary.

***Equity instruments measured at fair value through other comprehensive income***

At initial recognition, it can be made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such election is made on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss shall be transferred to prior period's profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. TFRS 9 impairment requirements are not applicable for equity instruments.

***Financial assets and liabilities measured at fair value through profit or loss***

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the income statement. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the income statement. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

It is classified certain loans and securities issued at their origination dates, as financial assets/liabilities, irrevocably at fair value through profit or loss in order to eliminate any accounting mismatch in compliance with TFRS 9.

The interest income/expense earned and the difference between the acquisition costs and the amortized costs of financial liabilities are recorded under interest income/expense in income statement, the difference between the amortized costs and the fair values of financial liabilities are recorded under trading account income/losses in the income statement. The amount of change in the fair value of the financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income unless it creates accounting mismatch or increase the accounting mismatch. Excluding the change in credit risk of the liability, the remaining amount of change in the fair value of the liability shall be presented in profit or loss.



### **3.8 Disclosures on impairment of financial assets**

As of 1 January 2018, loss allowance for expected credit losses is recognised on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” which came into force starting from 1 January 2018. TFRS 9 impairment requirements are not applicable for equity instruments.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, it shall be measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, it is measured loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The expected credit loss is calculated on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis.

It is constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument. The aforementioned policy is presented in note 3.8.

The impairment model having 3 stages based on the change in credit quality since initial recognition based on TFRS 9 is explained below.

#### **3.8.1 Calculation of expected credit losses**

Expected credit losses are calculated based on a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, it is used two different PDs in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Internal rating systems are used for both retail and commercial portfolios. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; (i) the behavioral data of the customer and the product in the Bank, (ii) the demographic information of the customer, and (iii) the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

When expected credit losses are estimated, it is considered four scenarios (base scenario, bad scenario, good scenario, balanced scenario). Each of these four scenarios is associated with different probability of default, loss given default and exposure at default. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

**Stage 1:** 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. Such calculation is performed for each of four scenarios explained above.

**Stage 2:** When a loan has shown a significant increase in credit risk since origination, it is calculated an allowance for the lifetime expected credit losses. Including multiple scenario usage, it is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

**Stage 3:** For the loans considered as impaired, it is accounted lifetime expected credit losses. The methodology is similar to stage 2 and the probability of default is taken into account as 100%.

It is considered a debt as default on these two below conditions;

1. **Objective Default Definition:** It means debt having past due more than 90 days. Current definition of default in the Bank and its financial subsidiaries subject to consolidation is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.
2. **Subjective Default Definition:** It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

For the purpose of determining significant increases in credit risk and recognising a loss allowance on a collective basis, financial instruments are grouped on the basis of shared credit risk characteristics. In this context, the methodology developed for the estimation of expected credit losses should include the risk features which meet the criteria for carrying the same credit risk characteristics. Examples of the common credit risk characteristics include, but are not limited to, the following:

- Customer type (retail or corporate / commercial)
- Product type
- Credit risk rating notes /scores
- Sector / market segmentation
- Collateral type
- Loan to value ratio
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

In accordance with the Bank's internal policies, TFRS 9 models are updated once a year. The related model was updated in fourth quarter and the effect is included in the year-end expected loss calculation.

#### **3.8.1.1 *Loan commitments and non-cash loans***

The expected credit losses on a loan commitment shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment. This is because for the purpose of applying the impairment requirements, a financial asset that is recognised following a draw down on a loan commitment shall be treated as a continuation of that commitment instead of as a new financial instrument. The expected credit losses on the financial asset shall therefore be measured considering the initial credit risk of the loan commitment from the date when becoming a party to the irrevocable commitment.

Expected credit losses on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

#### **3.8.1.2 *Debt instruments measured at fair value through other comprehensive income***

As of 1 January 2018, it shall be applied the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

### **3.8.1.3 Credit cards and other revolving loans**

The Bank and its financial subsidiaries subject to consolidation offer credit card and overdraft products which give ability to corporate and commercial customers demand repayment and cancel the undrawn commitment. Such products do not limit the period that entities are exposed to credit losses with the contractual notice. For this reason, it is calculated the expected credit losses for these products over a period of time reflecting the anticipation of customer behavior, the likelihood of default, and future risk mitigation procedures such as the reduction or removal of undrawn limits.

When determining the period over which it is expected to be exposed to credit risk, but for which expected credit losses would not be mitigated by normal credit risk management actions, it is considered factors such as historical information and experience about the below items:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that it is expected to be taken once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

It is calculated expected credit losses on the revolving products of retail and corporate customers by considering 3 to 5 years.

It is made assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in disclosure 3.8.3.

### **3.8.2 Forward-looking macroeconomic information**

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the credit risk parameters consists of the following steps:

Step 1: It is made specifications and estimates of econometric models that reveal past relationships between credit risk parameters and macroeconomic variables in order to be able to generate estimates based on macroeconomic information. Macroeconomic variable prevailing during these estimates is mainly the Gross Domestic Product (GDP).

Step 2: Where macroeconomic scenarios do not include longer maturity, a process called “convergence to the mean” is applied.

Step 3: In order to estimate the ultimate parameters to be used in the calculation of the expected credit losses, it is applied the methods of credit risk parameters reflection and forward-looking impact inclusion into the parameters.

### **3.8.3 Significant increase in credit risk**

Qualitative and quantitative assessments are performed regarding assessment of significant increase in credit risk.

*Qualitative assessment:*

It is classified the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment.

- Loans overdue more than 30 days as of the reporting date,
- Loans classified as watchlist,

- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

*Quantitative assessment:*

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

The absolute and relative thresholds used for the probability of default are differentiated on the basis of segment/ loan group.

It is classified the related financial asset as stage 2 (Significant Increase in Credit Risk) where both of the following criteria are satisfied as a result of quantitative assessment.

- Relative change in the PD: If the "relative difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold
- Absolute change in the PD: If the "absolute difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold (different from the threshold for the relative change)

#### **3.8.4 Low credit risk**

As per TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

If it is determined that a financial instrument has a low credit risk as of the reporting date, it is assumed that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

It is defined the definition of low credit risk based on the definition of High Quality Liquid Asset given in the Regulation on the Liquidity Coverage Ratio Calculation and the principles of the risk weight calculation based on the external rating note of the receivables from the Central Banks and the Central Governments in accordance with the Regulation on the Measurement and Assessment of Banks' Capital Adequacy.

The financial instruments that are defined as having low credit risk based on TFRS 9 are as follows:

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)
- Loans with counterparty of Treasury of the Republic of Turkey,
- Receivables (reserves, free reserves, placements, etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries,
- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries,

- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries,
- Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

### **3.9 Disclosures about netting and derecognition of financial instruments**

#### **3.9.1 Netting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank and its consolidated financial subsidiaries have legally enforceable rights to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously.

#### **3.9.2 Derecognition of financial instruments**

##### **3.9.2.1 *Derecognition of financial assets due to change in the contractual terms***

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset.

When it is assessed the characteristics of the new contractual terms of the financial asset, it is also evaluated the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognised a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and it is retained control of the asset, it is continued to recognize the remaining portion of the asset and liabilities arising from such asset.

When it is retained substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognised in its entirety and the consideration received is recognised as a liability.

##### **3.9.2.2 *Derecognition of a financial asset without any change in the contractual terms***

It is derecognised the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party.

Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit or loss.

##### **3.9.2.3 *Derecognition of financial liabilities***

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

### **3.9.3 Reclassification of financial instruments**

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

It is fulfilled the requirements of reclassification during transition to TFRS 9 and such reclassification details are presented in the disclosure 3.29.

### **3.9.4 Restructuring and refinancing of financial instruments**

It may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time)
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

### **3.10 Repurchase and resale agreements and securities lending**

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the management’s future intentions, either at market prices or using discounting method with

internal rate of return. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted for on an accrual basis.

Securities purchased under resale agreements are classified under “interbank money markets” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period on such securities.

Securities lending transactions are classified under “interbank money markets” and the related expense accruals are accounted.

### **3.11 Assets held for sale, assets of discontinued operations and related liabilities**

According to the Turkish Financial Reporting Standard 5 (TFRS 5) “Assets Held for Sale and Discontinued Operations”, a tangible asset (or a group of assets to be disposed) classified as “asset held for sale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “asset held for sale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value. Assets held for sale consist of tangible assets that were acquired against non-performing receivables.

A discontinued operation is a part of the business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in income statement. The Bank or its financial subsidiaries have no discontinued operations.

### **3.12 Goodwill and other intangible assets**

The intangible assets consist of goodwill, softwares, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in accordance with the Turkish Accounting Standard 38 (TAS 38) “Intangible Assets”.

The costs of other intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their initial purchase costs.

As per TAS 38, internally-generated softwares should be recognised as intangible assets if they meet the below listed criterias:

- The technical feasibility of completing the intangible asset so that it will be available for use,
- Availability of the Bank and its financial subsidiaries’ intention to complete and use the intangible asset,
- The ability to use the intangible asset,
- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,



- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

The directly attributable development costs of intangible asset are included in the cost of such assets, however the research costs are recognised as expense as incurred.

The intangible assets are amortised over their estimated useful lives based on their inflation adjusted costs on a straight-line basis.

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The “net goodwill” resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles.

If any goodwill is computed at consolidation, it is recorded under intangible assets on the asset side of the consolidated balance sheet as an asset. It is assessed to identify whether there is any indication of impairment. If any such indication exists, the necessary provision is recorded as an expense in the income statement. The goodwill is not amortized.

Estimated useful lives of the intangible assets except for goodwill, are 3-15 years, and amortisation rates are 6.67-33.3%.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) “Impairment of Assets” and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

### **3.13 Tangible assets**

The cost of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs.

As of 1 November 2015, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible assets instead of cost model in accordance with the Turkish Accounting Standard 16 (TAS 16) “Property, Plant and Equipment”. Accordingly, for all real estates registered in the ledger, a valuation study was performed by independent expertise firms.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) “Impairment of Assets” and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sale price.

Maintenance and repair costs incurred for tangible assets, are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

The depreciation rates and estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

<b>Tangible assets</b>	<b>Estimated Useful Lives (Years)</b>	<b>Depreciation Rates %</b>
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Useful lives of buildings are reviewed at least once a year and if current estimates are different than previous estimates, then the revised estimates are considered as accounting policy change in accordance with the Turkish Accounting Standard 8 (TAS 8) “Accounting Policies, Changes in Accounting Estimates and Errors”.

#### *Investment properties*

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in production, supply of goods or services, administrative purposes or sale in the ordinary course of business are classified as investment property. As of 1 November 2015, changing the existing accounting policy, it has been decided to apply fair value model for investment properties instead of cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) “Investment Property”. Accordingly, for all the investment properties registered in the ledger, a valuation study was performed by independent expertise firms. Fair value changes in investment properties were accounted in the income statement for the period they occurred.

Investment properties accounted at fair value are not depreciated.

### **3.14 Leasing activities**

Tangible assets acquired through financial leasing are recognized as assets and the related liabilities as lease payables in assets and liabilities, respectively. In the determination of the related asset and liability amounts, the lower of the fair value of the leased assets and the present value of leasing payments is considered. Financial costs on leasing agreements are distributed throughout the lease periods at fixed interest rates. Interest expenses and foreign exchange losses related with financial leasing are accounted in income statement.

In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

Leases, in which the majority of risks and returns of the related asset belong to the lessor, are classified as operational lease. In operating leases, the rent payments are recognized as expense in income statement in equal amounts over the lease term.

### **3.15 Provisions and contingent liabilities**

Provisions and contingent liabilities resulted from past events, if it is probable that the commitment will be settled and a reliable estimate can be made for the amount of the obligation, are accounted for in accordance with the Turkish Accounting Standard 37 (TAS 37) “Provisions, Contingent Liabilities and Contingent Assets”.

### 3.16 Contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank or its financial subsidiaries. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the related period.

### 3.17 Liabilities for employee benefits

#### *Severance indemnities and short-term employee benefits*

As per the existing labour law in Turkey, the entities are required to pay certain amounts to the employees retired or fired except for resignations or misbehaviours specified in the Turkish Labour Law.

Accordingly, the Bank and its financial subsidiaries subject to the labour law, reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died.

The major actuarial assumptions used in the calculation of the total liability are as follows:

	31 December 2018	31 December 2017
Net Effective Discount Rate	3.38%	3.04%
Discount Rate	16.30%	11.70%
Expected Rate of Salary Increase	14.00%	9.90%
Inflation Rate	12.50%	8.40%

In the above table, the effective rates are presented for the Bank and its financial subsidiaries subject to the labour law, whereas the rates applied for the calculations differ according to the employee's years-in-service.

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS19.

#### *Retirement benefit obligations*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependents will receive on retirement.

The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law no. 506. These contributions are as follows:

	31 December 2018	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

The Plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5754 ("the Law"), and b) other social rights and medical benefits provided by the Bank but not transferable to SSF.

a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law no. 5411, published in the Official Gazette on 1 November 2005, no. 25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no. 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no. 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members. Following the publication of the verdict, the Turkish Grand National Assembly (“Turkish Parliament”) started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund (“SDIF”), the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds’ income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008.

Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers no. 2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi (“CHP”) had applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first paragraph of the provisional Article 20 added to the law no. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

Before the completion of two-years period set by the Council of Ministers on 14 March 2011 as explained above, as per the Article no. 51 of the law no. 6645, published in the Official Gazette no. 29335 dated 23 April 2015, the Article no. 20 of the law no. 5510 was amended giving the Council of Ministers the authority to determine the date of transfer without defining any timeline.

b) Other benefits not transferable to SSF

Other social rights and payments provided in the existing trust indenture but not covered through the transfer of the funds’ members and their right-holders to the SSF, are to be covered by the funds and the institutions that employ the funds’ members.

The actuarial gains/losses are recognised under shareholders’ equity as per the revised TAS19.

The consolidated subsidiaries do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated subsidiaries are subject to the Social Security Institution in case of domestic investees and to the legislations of the related countries in case of foreign investee companies. There are no obligations not reflected in the accompanying consolidated financial statements.

### **3.18 Insurance technical reserves and technical income and expense**

#### **3.18.1 Insurance technical reserves**

The Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9 Financial Instruments standard. Insurance technical provisions on the consolidated financial statements consist of, reserve for unearned premiums, reserve for unexpired risk, and provision for outstanding claims and mathematical provisions.

#### **3.18.2 Insurance technical income and expense**

In insurance companies, premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

### **3.19 Taxation**

#### **3.19.1 Corporate tax**

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%. This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions no. 2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette no. 27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

75% of earnings generated through sale of equity shares, founders' shares, redeemed shares and pre-emption rights and 50% of earnings generated through sale of real estates held at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

All earnings generated through transfer of equity shares, founders' shares, redeemed shares and pre-emption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

*Tax applications for foreign branches*

**NORTHERN CYPRUS**

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next twelve years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

**MALTA**

The corporate earnings are subject to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The taxes payable is calculated by the obligating firm and the calculation is presented in the tax declaration form that is due till the following year's month of November.

*Tax applications for foreign financial subsidiaries*

**THE NETHERLANDS**

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. These rates will be applied as 19% and 25% in 2019, as 16.50% and 22.55% in 2020 and as 15% and 20.50% in 2021. Based on the unilateral decree for the avoidance of double taxation between Turkey and The Netherlands, the dividend taxation is nil as of 1 January 2018. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine

months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

#### **ROMANIA**

The applicable corporate tax rate in Romania is 16%. The taxation system in Romania is continuously developing and is subject to varying interpretations and constant changes, which may become rarely retroactive. In Romania, tax periods remain open for tax audits for seven years. Tax losses can be carried forward to offset against future taxable income for seven years.

#### **3.19.2 Deferred taxes**

According to the Turkish Accounting Standard 12 (TAS 12) “Income Taxes”; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the income statement. However, if transactions and events are recorded directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity.

The deferred tax assets and liabilities of the Bank and its consolidated subsidiaries are reported as net in their individual financial statements.

In compliance with TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are presented on the asset and liability sides of financial statements separately, without any offsetting.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Furthermore, the deferred tax assets are not subject to profit distribution or capital increase as per the BRSA’s related circular in cases where there are net asset balances after netting deferred tax assets with deferred tax liabilities.

#### **3.19.3 Transfer pricing**

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “Disguised Profit Distribution by Way of Transfer Pricing”. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at 18 November 2007, explains the application related issues on this topic.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the “7.1 Annual Documentation” section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

### **3.20 Funds borrowed**

The Bank, whenever required, generates funds from domestic and foreign sources in the form of borrowings, syndications, securitizations, and bill and bond issuances in the local and international markets. The funds borrowed are recorded at their purchase costs and valued at amortised costs using the effective interest method.

In cases where such funds are valued at their amortised costs but this application results in measurement or accounting mismatch due to having the related financial instruments valued using different methods or the related gains or losses are recognized differently, such fundings are reclassified as financial liabilities at their fair values through profit or loss at initial recognition in order to prevent such mismatch. The interest expenses paid during holding the related financial liabilities and the difference between the amortized cost and the acquisition cost are recorded as interest expense in income statement and the difference between the fair values and the amortized costs of the financial liabilities are recorded under trading account income/losses.

### **3.21 Shares and share issuances**

If the Bank issues a share at a price above its nominal value, the difference between the issue price and the nominal value is accounted for “share premium” under shareholders’ equity.

### **3.22 Confirmed bills of exchange and acceptances**

Payments of the confirmed bills of exchange and acceptances are made simultaneously with the payments of the customers. Confirmed bills of exchange and acceptances are recorded in “off-balance sheet accounts” as possible debts and commitments, if any.

### **3.23 Government incentives**

As of 31 December 2018, the Bank or its financial subsidiaries do not have any government incentives or grants (2017: None).

### **3.24 Segment reporting**

The Bank operates in corporate, commercial, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Miles&Smiles Card, FlexiCard, MoneyCard, BusinessCard, Shop & Fly, virtual cards under the brand names of Visa and Mastercard and also American Express credit cards and “Paracard” debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers’ needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey’s traditional agricultural products.

Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines,



credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and digital banking.

Information on the business segments on a consolidated basis is as follows:

<i>Current Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	10,309,757	10,475,001	(3,523,841)	7,445,103	24,706,020
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>10,309,757</b>	<b>10,475,001</b>	<b>(3,523,841)</b>	<b>7,445,103</b>	<b>24,706,020</b>
Net Operating Profit	5,918,442	4,391,316	(3,810,916)	2,247,225	8,746,067
Dividend Income	-	-	-	7,691	7,691
<b>Net Operating Profit</b>	<b>5,918,442</b>	<b>4,391,316</b>	<b>(3,810,916)</b>	<b>2,254,916</b>	<b>8,753,758</b>
Provision for Taxes	-	-	-	2,047,153	2,047,153
<b>Net Profit</b>	<b>5,918,442</b>	<b>4,391,316</b>	<b>(3,810,916)</b>	<b>207,763</b>	<b>6,706,605</b>
Segment Assets	71,774,112	177,264,163	109,415,617	40,566,838	399,020,730
Investments in Associates and Subsidiaries	-	-	-	132,871	132,871
<b>Total Assets</b>	<b>71,774,112</b>	<b>177,264,163</b>	<b>109,415,617</b>	<b>40,699,709</b>	<b>399,153,601</b>
Segment Liabilities	160,344,635	87,752,597	76,989,822	27,179,705	352,266,759
Shareholders' Equity	-	-	-	46,886,842	46,886,842
<b>Total Liabilities and Shareholders' Equity</b>	<b>160,344,635</b>	<b>87,752,597</b>	<b>76,989,822</b>	<b>74,066,547</b>	<b>399,153,601</b>

<i>Prior Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	7,809,622	7,031,362	338,384	4,467,872	19,647,240
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>7,809,622</b>	<b>7,031,362</b>	<b>338,384</b>	<b>4,467,872</b>	<b>19,647,240</b>
Net Operating Profit	3,450,976	3,796,523	131,704	962,418	8,341,621
Dividend Income	-	-	-	7,816	7,816
<b>Net Operating Profit</b>	<b>3,450,976</b>	<b>3,796,523</b>	<b>131,704</b>	<b>970,234</b>	<b>8,349,437</b>
Provision for Taxes	-	-	-	1,961,463	1,961,463
<b>Net Profit</b>	<b>3,450,976</b>	<b>3,796,523</b>	<b>131,704</b>	<b>(991,229)</b>	<b>6,387,974</b>
Segment Assets	69,610,939	159,744,598	95,004,662	31,819,036	356,179,235
Investments in Associates and Subsidiaries	-	-	-	152,432	152,432
<b>Total Assets</b>	<b>69,610,939</b>	<b>159,744,598</b>	<b>95,004,662</b>	<b>31,971,468</b>	<b>356,331,667</b>
Segment Liabilities	128,802,347	81,145,621	83,621,821	21,155,877	314,725,666
Shareholders' Equity	-	-	-	41,606,001	41,606,001
<b>Total Liabilities and Shareholders' Equity</b>	<b>128,802,347</b>	<b>81,145,621</b>	<b>83,621,821</b>	<b>62,761,878</b>	<b>356,331,667</b>

### **3.25 Profit reserves and profit appropriation**

Retained earnings as per the statutory financial statements other than legal reserves, are available for distribution, subject to the legal reserve requirement explained to below.

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, but holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

In the ordinary general assembly dated 29 March 2018, it was decided to distribute cash dividend from the net profit of the Bank amounting to TL 6,343,920 thousands from its 2017 operations to the shareholders as disclosed in Note 6.2.

### **3.26 Earnings per share**

Earnings per share disclosed in the statement of profit or loss, are calculated by dividing net profit for the period by the weighted average number of shares outstanding during the period concerned.

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit/loss	6,641,652	6,332,056
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01581	0.01508

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

There are no bonus shares issued in 2018 (2017: None).

### **3.27 Related parties**

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/subsidiary with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with TAS 24 “Related Parties”. The transactions with related parties are disclosed in detail in Note 5.13.

### **3.28 Cash and cash equivalents**

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank of Turkey; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

### 3.29 Reclassifications

Reclassifications and remeasurements during the first time application of TFRS 9 Financial instruments standard dated 1 January 2018 are presented in the below tables.

<b>ASSETS</b>	<i>Note</i>	<b>31.12.2017</b>	<b>TFRS 9 Reclassification Effect</b>	<b>TFRS 9 Measurement Effect</b>	<b>01.01.2018</b>
<b>FINANCIAL ASSETS (Net)</b>		<b>107,218,398</b>	<b>(160,346)</b>	<b>586,217</b>	<b>107,644,269</b>
Cash and Cash Equivalents		53,077,337	-	-	53,077,337
-Cash and Balances with Central Bank		33,603,641	-	-	33,603,641
-Banks		19,470,343	-	-	19,470,343
-Money Market Placements		3,353	-	-	3,353
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	(1),(2)	2,877,813	(1,788,474)	(5,665)	1,083,674
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	(2)	-	28,806,639	589,805	29,396,444
Financial Assets Measured at Amortised Cost	(3)	-	21,627,374	(130,037)	21,497,337
Derivative Financial Assets	(1)	-	2,617,709	-	2,617,709
Non Performing Financial Assets		-	-	-	-
Expected Credit Losses (-)	(7)	-	160,346	(132,114)	28,232
Financial Assets Available for Sale (Net)	(2)	26,277,988	(26,277,988)	-	-
Investments Held to Maturity (Net)	(2),(3)	24,314,540	(24,314,540)	-	-
Derivative Financial Assets Held for Hedging Purpose	(1)	670,720	(670,720)	-	-
<b>LOANS (Net)</b>		<b>238,521,489</b>	<b>(3,065,811)</b>	<b>(735,170)</b>	<b>234,720,508</b>
Loans	(4)	227,992,612	(7,015)	-	227,985,597
-Performing Loans	(4)	210,937,017	(19,247,411)	-	191,689,606
-Loans under Follow-up (*)	(4)	17,055,595	19,240,396	-	36,295,991
Lease Receivables		5,788,436	(350,014)	-	5,438,422
Factoring Receivables		3,379,768	(19,782)	-	3,359,986
Non Performing Receivables		6,176,985	711,471	-	6,888,456
Expected Credit Losses (-)	(7)	4,816,312	3,400,471	735,170	8,951,953
-12-Month ECL (Stage 1)	(7)	-	1,654,925	(746,715)	908,210
-Significant Increase in Credit Risk (Stage 2) (*)	(7)	-	1,404,367	2,127,021	3,531,388
-Impaired Credits (Stage 3)	(7)	4,816,312	341,179	(645,136)	4,512,355
<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>		<b>835,552</b>	<b>-</b>	<b>-</b>	<b>835,552</b>
<b>EQUITY INVESTMENTS (Net)</b>		<b>152,432</b>	<b>-</b>	<b>-</b>	<b>152,432</b>
Associates (Net)		35,751	-	-	35,751
Subsidiaries (Net)	(7)	116,681	-	-	116,681
Joint Ventures (Net)		-	-	-	-
<b>TANGIBLE ASSETS (Net)</b>		<b>4,096,651</b>	<b>-</b>	<b>-</b>	<b>4,096,651</b>
<b>INTANGIBLE ASSETS (Net)</b>		<b>379,308</b>	<b>-</b>	<b>-</b>	<b>379,308</b>
<b>INVESTMENT PROPERTIES (Net)</b>		<b>559,388</b>	<b>-</b>	<b>-</b>	<b>559,388</b>
<b>CURRENT TAX ASSET</b>	(8)	<b>25,766</b>	<b>-</b>	<b>33,674</b>	<b>59,440</b>
<b>DEFERRED TAX ASSET</b>	(8)	<b>441,932</b>	<b>-</b>	<b>956,373</b>	<b>1,398,305</b>
<b>OTHER ASSETS</b>	(7)	<b>4,100,751</b>	<b>(12,660)</b>	<b>8,701</b>	<b>4,096,792</b>
<b>TOTAL ASSETS</b>		<b>356,331,667</b>	<b>(3,238,817)</b>	<b>849,795</b>	<b>353,942,645</b>

(\*) Loans under follow up for leasing and factoring receivables are presented in the corresponding balance sheet line item.

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Note</i>	<b>31.12.2017</b>	<b>TFRS9 Reclassification Effect</b>	<b>TFRS9 Measurement Effect</b>	<b>01.01.2018</b>
<b>DEPOSITS</b>		<b>200,773,560</b>	-	-	<b>200,773,560</b>
<b>FUNDS BORROWED</b>	(5)	<b>47,104,719</b>	<b>(9,332,392)</b>	-	<b>37,772,327</b>
<b>INTERBANK MONEY MARKET FUNDS</b>		<b>18,637,856</b>	-	-	<b>18,637,856</b>
<b>SECURITIES ISSUED (NET) FUNDS</b>	(5)	<b>20,794,452</b>	<b>(34,983)</b>	-	<b>20,759,469</b>
<b>FINANCIAL LIABILITIES MEASURED AT FVTPL</b>	(5)	-	<b>9,367,375</b>	-	<b>9,367,375</b>
<b>DERIVATIVE FINANCIAL LIABILITIES</b>	(6)	-	<b>3,097,648</b>	-	<b>3,097,648</b>
Derivative Financial Liabilities Measured at FVTPL		-	3,095,569	-	3,095,569
Derivative Financial Liabilities Measured at FVOCI		-	2,079	-	2,079
<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(6)	<b>2,898,822</b>	<b>(2,898,822)</b>	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE</b>	(6)	<b>198,826</b>	<b>(198,826)</b>	-	-
<b>FACTORING PAYABLES</b>		-	-	-	-
<b>LEASE PAYABLES (Net)</b>		-	-	-	-
<b>PROVISIONS</b>		<b>6,848,102</b>	<b>(3,238,817)</b>	<b>(122,885)</b>	<b>3,486,400</b>
General Provisions	(7)	3,673,669	(3,673,669)	-	-
Restructuring Reserves		-	-	-	-
Reserve for Employee Benefits		909,788	-	-	909,788
Insurance Technical Provisions (Net)		389,886	-	-	389,886
Other Provisions	(7)	1,874,759	434,852	(122,885)	2,186,726
<b>CURRENT TAX LIABILITY</b>	(8)	<b>1,148,797</b>	-	<b>150,566</b>	<b>1,299,363</b>
<b>DEFERRED TAX LIABILITY</b>		<b>14,365</b>	-	-	<b>14,365</b>
<b>LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-
<b>SUBORDINATED DEBTS</b>		<b>2,849,471</b>	-	-	<b>2,849,471</b>
<b>OTHER LIABILITIES</b>	(9)	-	<b>13,456,696</b>	-	<b>13,456,696</b>
<b>MISCELLANEOUS PAYABLES</b>	(9)	<b>10,376,346</b>	<b>(10,376,346)</b>	-	-
<b>OTHER EXTERNAL FUNDINGS PAYABLE</b>	(9)	<b>3,080,350</b>	<b>(3,080,350)</b>	-	-
<b>SHAREHOLDERS' EQUITY</b>	(8)	<b>41,606,001</b>	-	<b>822,114</b>	<b>42,428,115</b>
Paid-in Capital		4,200,000	-	-	4,200,000
Capital Reserves		1,526,847	1,355,799	396,257	3,278,903
-Share Premium		11,880	-	-	11,880
-Share Cancellation Profits		-	-	-	-
-Other Capital Reserves		628,285	144,269	-	772,554
-Other Comprehensive Income/Expense Items not to be Recycled to Profit and Loss		-	1,436,464	-	1,436,464
-Other Comprehensive Income/Expense Items to be Recycled to Profit and Loss		-	661,748	396,257	1,058,005
Securities Value Increase Fund		(317,814)	317,814	-	-
Revaluation Surplus on Tangible Assets		1,747,869	(1,747,869)	-	-
Bonus Shares of Associates, Subsidiaries and Joint-ventures		912	(912)	-	-
Hedging Reserves (effective portion)		(544,285)	544,285	-	-
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations		-	-	-	-
Profit Reserves		29,224,949	(1,355,799)	-	27,869,150
-Legal Reserves		1,392,259	-	-	1,392,259
-Status Reserves		-	-	-	-
-Extraordinary Reserves		25,901,360	-	-	25,901,360
-Other Profit Reserves		1,931,330	(1,355,799)	-	575,531
Profit/Loss		6,332,056	-	433,666	6,765,722
-Prior Periods Profit/Loss		-	-	433,666	433,666
-Current Period's Net Profit/Loss		6,332,056	-	-	6,332,056
Minority Interests		322,149	-	(7,809)	314,340
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>356,331,667</b>	<b>(3,238,817)</b>	<b>849,795</b>	<b>353,942,645</b>

The details regarding classifications and remeasurements made during first time adoption of TFRS 9 Financial Instruments as of 1 January 2018, are presented below:

- (1) As of 1 January 2018, “Derivative Financial Assets Held for Trading” and “Derivative Financial Assets Held for Hedging Purpose” amounting to TL 1,946,989 thousands and TL 670,720 thousands, respectively in the prior year financial statements are classified into “Derivative Financial Assets”. Besides, investment funds amounting to TL 110,860 thousands classified as “Available for Sale Financial Assets” in the prior year financial statements are classified into “Financial Assets at Fair Value through Profit or Loss” as of 1 January 2018, and the corresponding allowance allocated for such investment funds amounting to TL 5,665 thousands is also classified into the same line item.

- (2) As of 1 January 2018, debt securities classified as “Available for Sale Financial Assets” and “Investments Held to Maturity” in the prior year financial statements amounting to TL 26,119,473 thousands and TL 2,687,166 thousands, respectively are classified into “Financial Assets Measured at Fair Value through Other Comprehensive Income” due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Besides, as of 1 January 2018, financial asset amounting to TL 47,655 thousands is classified from “Available for Sale Financial Assets” into “Financial Assets at Fair Value through Profit or Loss” due to the fact that the contractual terms of such financial asset does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On the other hand, some equity instruments classified as "Available-for-Sale Financial Assets" in the prior period are also classified as “Financial Assets Measured at Fair Value through Other Comprehensive Income” irrevocably.
- (3) As of 1 January 2018, debt securities amounting to TL 21,627,374 thousands classified as “Investments Held to Maturity” in the prior year financial statements are classified into “Financial Assets Measured at Amortised Cost” due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (4) As of 1 January 2018, there exists no loan balance that does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans amounting to TL 19,247,411 thousands classified as “Performing Loans” in the prior year financial statements are classified as “Loans under Follow-up” due to having significant increase in credit risk as explained in the accounting policies section in a detailed manner. Besides, as of 1 January 2018, loans amounting to TL 7,015 thousands classified as “Loans under Follow-up” in the prior year financial statements are classified into “Non-performing Receivables” category.
- (5) As of 1 January 2018, securitisation loans amounting to TL 9,332,392 thousands previously classified under “Funds Borrowed” and “Securities Issued” amounting to TL 34,983 thousands in the prior year financial statements are classified into “Financial Liabilities Measured at Fair Value through Profit or Loss”.
- (6) As of 1 January 2018, “Derivative Financial Liabilities Held for Trading” and “ Derivative Financial Liabilities Held for Hedging Purpose” amounting to TL 2,898,822 thousands and TL 198,826 thousands, respectively in the prior year financial statements are classified into “Derivative Financial Liabilities”.
- (7) As of 1 January 2018, expected losses calculated based on TFRS 9 are classified into the relevant line items through reversing “General Provision”. While expected losses calculated for financial assets and loans are classified in the relevant expected losses line items under assets, expected losses calculated for non-cash loans are classified as “Other Provisions” under liabilities. As of 1 January 2018, non-performing leasing and factoring receivables classified within “Leasing Receivables” and “Factoring Receivables” on a net basis in the prior year financial statements are classified under “Non-performing receivables” and “Expected Credit Losses” on a gross basis. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.
- (8) As of 1 January 2018, due to first time adoption of TFRS 9, total shareholders’ equity figure increased by TL 822,114 (after tax) thousands composing of positive classification impact of financial assets amounting to TL 454,103 thousands, negative expected credit losses calculation impact amounting to TL 471,470 thousands and positive current and deferred tax impact amounting to TL 839,481 thousands.
- (9) As of 1 January 2018, “Miscellaneous Payables” amounting to TL 10,376,346 thousands and “Other External Fundings” amounting to TL 3,080,350 thousands are classified into “Other Liabilities”.

### **3.30 Other disclosures**

The accounting policies applied in the prior period but annulled in the current period as TFRS 9 and TFRS 15 standards are in effect, are presented below.

#### **3.30.1 Forwards, options and other derivative transactions**

As per the Turkish Accounting Standard 39 (TAS 39) “Financial Instruments: Recognition and Measurement”; forward foreign currency purchases/sales, swaps, options and futures are classified as either “hedging purposes” or “trading purposes”.

##### **3.30.1.1 Derivative financial instruments held for trading**

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

Derivatives are initially recorded at their fair values. The related transaction costs are recognized in income statement at the date they incur. The changes in their fair values are recorded on balance sheet under “derivative financial assets held for trading” or “derivative financial liabilities held for trading”, respectively depending on the fair values being positive or negative. Fair value changes for trading derivatives are recorded under income statement.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts as commitment.

In the initial phase of currency swaps, the, currency exchange transactions to realise at value dates are recorded and followed as irrevocable commitments in the off-balance sheet accounts up to their value dates.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39 “Financial Instruments: Recognition and Measurement” in case the related embedded derivative’s economic features and risks are not closely related to the host contract, meets the derivative product definition of a different instrument having the same contract conditions with the embedded derivative and the hybrid instrument is not carried at fair value through profit or loss. There are no embedded derivatives separated from the host contracts.

Credit derivatives; are capital market tools designed to transfer credit risk from one party to another. The Bank’s credit derivatives portfolio included in the off-balance sheet accounts composes of total return swaps and credit default swaps resulted from protection buying or selling.

Credit default swap; is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

Total return swap; is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. The Bank enters into total return swap contract for the purpose of generating long-term funding.

### **3.30.1.2 Derivative financial instruments held for hedging purpose**

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative financial assets held for fair value hedges are recognised in “income/losses from derivative financial instruments”. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of the fixed-rate financial assets available for sale, such changes are reclassified from shareholders’ equity to income statement.

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under hedging reserves in shareholders’ equity, and the ineffective portion is recognised in income statement. The changes recognized in shareholders’ equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

Effectiveness tests are performed at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders’ equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders’ equity are recognised in income statement considering the original maturity.

### **3.30.2 Interest income and expenses**

#### General

Interest is recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the Turkish Accounting Standard 39 (TAS 39) “Financial Instruments: Recognition and Measurement”.

In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest income of the period after the acquisition is recorded as interest income in the financial statements.

The accrued interest income on non-performing loans are reversed and subsequently recognised as interest income only when collected.

#### Financial lease operations

Total of minimum rental payments including interests and principals are recorded under “financial lease receivables” as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under “unearned income”. When the rent payment incurs, the rent amount is deducted from “financial lease receivables”; and the interest portion is recorded as interest income in the income statement.

### **3.30.3 Fees and commissions**

Except for certain fees related with certain banking transactions and recognized when received, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

### **3.30.4 Financial assets**

#### **3.30.4.1 Financial assets at fair value through profit or loss**

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the income statement. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the income statement. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit or loss in compliance with TAS 39. The interest income/expense earned and the difference between the acquisition costs and the amortized costs of financial instruments are recorded under interest income/expense in income statement, the difference between the amortized costs and the fair values of financial instruments are recorded under trading account income/losses in income statement.

#### **3.30.4.2 Investments held-to-maturity, financial assets available-for-sale and loans and receivables**

Financial assets are initially recorded at their purchase costs including the transaction costs.

*Investments held-to-maturity* are financial assets with fixed maturities and pre-determined payment schedules and held by the intent and ability to hold until maturity, excluding originated loans and receivables.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with TAS 39 “Financial Instruments: Recognition and Measurement”, sale or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

Following their recognition, investments held-to-maturity and loans and receivables are measured at amortized costs using internal rate of return after deducting impairments, if any.

*Financial assets available-for-sale*, are financial assets other than assets held for trading purposes, investments held-to-maturity and originated loans and receivables.



Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized costs by using the discounting method with internal rate of return for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in “securities value increase fund” under the shareholders’ equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders’ equity are recognized in income statement.

Interests calculated and/or earned by using the effective interest method during holding of financial assets available-for-sale are recorded primarily in interest income. In case of sale of such financial assets available-for-sale before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to “trading income/losses”.

The Bank owns consumer price indexed government bonds (CPI) portfolio. CPI’s are valued and accounted according to the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury’s Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI’s. The bank determines its expected inflation rates in compliance with this guide. The estimated inflation rate according to the Central Bank of Turkey and the Bank’s expectations, is updated during the year when it is considered necessary.

Purchase and sale transactions of securities are accounted at delivery dates.

*Loans and receivables* are financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.

Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

### **3.30.5 Impairment of financial assets**

Financial asset or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is an objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely effected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank makes reclassification and provides specific and general allowances in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.26333 dated 1 November 2006 and TAS. The allowances are recorded in the income statement of the related period.

Provisions made during the period are recorded under “provision for losses on loans and other receivables”. Provisions booked in the prior periods and released in the current year are recorded under “other operating income.”

### **3.30.6 Netting and derecognition of financial instruments**

#### **3.30.6.1 Netting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank and its consolidated financial subsidiaries have legally enforceable rights to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously.

#### **3.30.6.2 Derecognition of financial assets**

A financial asset is derecognized only when the contractual rights to the cash flows from this asset expire, or when the financial asset and substantially all its risks and rewards of ownership are transferred to another party. If all the risks and rewards of ownership are neither transferred nor retained substantially and the control of the transferred asset is maintained, the retained interest in asset and associated liability for amounts that may have to be paid, is recognized. If all the risks and rewards of ownership of a transferred financial asset is retained substantially the financial asset is continued to be recognized and a collateralized borrowing for the proceeds received is also recognized.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the income statement.

In case an existing financial asset is replaced with another financial asset from the same counterparty where the terms on the initial financial asset are substantially modified, the existing financial asset is derecognized and a new financial asset is recognized. The difference between the carrying values of the respective financial assets is recognized in the income statement.

## 4 Consolidated Financial Position and Results of Operations and Risk Management

### 4.1 Consolidated total capital

The consolidated capital items calculated as per the “Regulation on Equities of Banks” published on 5 September 2013, are presented below:

#### 4.1.1 Components of consolidated total capital (\*\*)

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,977,973	
Other Comprehensive Income according to TAS	5,010,422	
Profit	6,641,652	
Current Period Profit	6,641,652	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	66,813	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>49,682,207</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	3,005,106	-
Leasehold Improvements on Operational Leases (-)	245,927	-
Goodwill Netted with Deferred Tax Liabilities	6,388	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	383,444	383,444
Net Deferred Tax Asset/Liability (-)	5,845	5,845
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,672	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>3,648,382</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>46,033,825</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>46,033,825</b>	-
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,952,425	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,586,565	-
<b>Total Deductions from Tier II Capital</b>	<b>7,538,990</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>7,538,990</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>53,572,815</b>	
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	
Other items to be Defined by the BRSA (-)	14,040	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>CAPITAL</b>		
<b>Total Capital (Total of Tier I Capital and Tier II Capital)</b>	<b>53,558,774</b>	-
<b>Total Risk Weighted Assets</b>	<b>324,153,343</b>	-
<b>CAPITAL ADEQUACY RATIOS</b>		
<b>Consolidated CET1 Capital Ratio (%)</b>	<b>14.20</b>	-
<b>Consolidated Tier I Capital Ratio (%)</b>	<b>14.20</b>	-
<b>Consolidated Capital Adequacy Ratio (%)</b>	<b>16.52</b>	-
<b>BUFFERS</b>		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	3.468	-
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.093	-
c) Systemically Important Banks Buffer Ratio (%)	1.500	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.523	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,542,382	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014<sup>(*)</sup></i>
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,478,236	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,586,565	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

<sup>(\*)</sup> Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.

<sup>(\*\*)</sup> According to “Bank Capital Regulation” article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article’s 4th paragraph’s (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance subsidiary.

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014<sup>(*)</sup></i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,527,097	
Other Comprehensive Income according to TAS	4,045,373	
Profit	6,332,056	
Current Period Profit	6,332,056	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Period's Profit	912	
Minority Interest	122,991	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>43,012,863</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Period's and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,717,191	-
Leasehold Improvements on Operational Leases (-)	130,913	-
Goodwill Netted with Deferred Tax Liabilities	5,110	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	274,695	343,368
Net Deferred Tax Asset/Liability (-)	5,905	7,381
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,394	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>2,135,208</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>40,877,655</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	69,951	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	1,476	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>40,806,228</b>	-
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,831,850	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,078,025	-
<b>Total Deductions from Tier II Capital</b>	<b>5,909,875</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-



	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>5,909,875</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>46,716,103</b>	
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	5	
Other items to be Defined by the BRSA (-)	30,874	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>CAPITAL</b>		
<b>Total Capital (Total of Tier I Capital and Tier II Capital)</b>	<b>46,685,224</b>	-
<b>Total Risk Weighted Assets</b>	<b>278,024,586</b>	-
<b>CAPITAL ADEQUACY RATIOS</b>		
<b>Consolidated CET1 Capital Ratio (%)</b>	<b>14.70</b>	-
<b>Consolidated Tier I Capital Ratio (%)</b>	<b>14.68</b>	-
<b>Consolidated Capital Adequacy Ratio (%)</b>	<b>16.79</b>	-
<b>BUFFERS</b>		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	2.312	-
a) Capital Conservation Buffer Ratio (%)	1.250	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.062	-
c) Systemically Important Banks Buffer Ratio (%)	1.000	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.792	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	459,775	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014<sup>(*)</sup></i>
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,673,669	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,078,025	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.

(\*\*) According to “Bank Capital Regulation” article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article’s 4th paragraph’s (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance subsidiary.

The Bank plans its Common Equity Tier 1 (CET1) Capital by considering 10% as the minimum target while considering its additional CET 1 requirements during the phase-in period due to aforementioned regulations.

#### 4.1.2 Items included in capital calculation

*Information about instruments included in total capital calculation*

Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	3,952 (31 December 2017: 2,832)
Nominal value of instrument (TL million)	3,952 (31 December 2017: 2,832)
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
<b>Interest/dividend payment</b>	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

#### 4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Other Capital Reserves</i>	<i>772,554</i>	<i>(772,554)</i>	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Bonus Shares of Associates, Subsidiaries and Joint-Ventures</i>	-	-	-	
<i>Share Premium</i>	<i>11,880</i>	-	<i>11,880</i>	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,085,237	(79,008)	2,006,229	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
<i>Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss</i>	<i>1,473,394</i>	-	<i>1,473,394</i>	
<i>Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss</i>	<i>611,843</i>	<i>(79,008)</i>	<i>532,835</i>	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,977,973	-	32,977,973	
Profit or Loss	6,641,652	-	6,641,652	
<i>Prior Periods' Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	<i>6,641,652</i>	-	<i>6,641,652</i>	
Minority Interest	197,546	(130,733)	66,813	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		643,276	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>46,886,842</b>		<b>46,033,825</b>	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>46,033,825</b>	
Subordinated Debts			3,952,425	
General Provisions			3,586,565	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>7,538,990</b>	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
<b>Total</b>			<b>53,558,774</b>	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of the differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	1,526,847	(883,725)	643,122	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Other Comprehensive Income According to TAS	1,514,055	(883,725)	630,330	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Securities Value Increase Fund</i>	<i>(317,814)</i>	<i>10,504</i>	<i>(307,310)</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Revaluation Surplus on Tangible Assets</i>	<i>1,747,869</i>	-	<i>1,747,869</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Revaluation Surplus on Intangible Assets</i>	-	-	-	
<i>Revaluation Surplus on Investment Property</i>	-	-	-	
<i>Hedging Reserves (Effective Portion)</i>	<i>(544,285)</i>	<i>(121,675)</i>	<i>(665,960)</i>	Items not included in the calculation as per Regulation's Article 9-1-f
<i>Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations</i>	-	-	-	
<i>Other Capital Reserves</i>	<i>628,285</i>	<i>(772,554)</i>	<i>(144,269)</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4; and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	912	-	912	
Share Premium	11,880	-	11,880	
Profit Reserves	29,224,949	-	29,224,949	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Profit or Loss	6,332,056	-	6,332,056	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Prior Periods Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	<i>6,332,056</i>	-	<i>6,332,056</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Minority Interest	322,149	(199,158)	122,991	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Deductions from Common Equity Tier I Capital (-)	-		418,017	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>41,606,001</b>		<b>40,877,655</b>	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			71,427	Deductions from Tier I Capital as per the Regulation
<b>Tier I Capital</b>			<b>40,806,228</b>	
Subordinated Debts			2,831,850	
General Provisions			3,078,025	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>5,909,875</b>	
Deductions from Total Capital (-)			30,879	Deductions from Capital as per the Regulation
<b>Total</b>			<b>46,685,224</b>	

## 4.2 Consolidated credit risk

Credit risk is defined as risks and losses that may occur if the counterparty that the Bank or its consolidated financial affiliates work with, fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

There are control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The risk arising from such instruments are followed up and when necessary, the actions to decrease it are taken.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below:

	<i>Current Period</i>	<i>Prior Period</i>
	%	%
Above Average	41.47	39.01
Average	46.41	47.68
Below Average	12.12	13.31
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

<b>Exposure Categories</b>	<b>Current Period (*)</b>	<b>Average (**)</b>	<b>Prior Period (*)</b>	<b>Average (**)</b>
Conditional and unconditional exposures to central governments or central banks	102,141,286	91,087,611	93,544,327	85,195,158
Conditional and unconditional exposures to regional governments or local authorities	240,817	187,570	124,592	123,847
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	398,258	363,022	323,865	211,339
Conditional and unconditional exposures to multilateral development banks	3,485,069	2,263,373	1,816,462	1,666,895
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	42,787,600	45,716,162	38,173,204	38,722,083
Conditional and unconditional exposures to corporates	173,257,128	163,402,311	149,299,065	141,452,494
Conditional and unconditional retail exposures	89,316,489	88,968,571	81,863,528	75,775,025
Conditional and unconditional exposures secured by real estate property	34,653,489	39,322,330	38,559,431	40,245,558
Past due items	4,547,633	2,807,506	1,161,094	1,093,809
Items in regulatory high-risk categories	1,516,595	1,222,216	1,091,083	1,824,289
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	52,015	44,480	44,516	28,695
Shares	373,437	317,880	164,293	888,243
Other items	13,400,906	13,337,413	10,283,383	8,472,383

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Average risk amounts are the arithmetical averages of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 26.29% (31 December 2017 : 23.07%) and 32.49% (31 December 2017 : 29.25%) of the total cash loan portfolio except factoring and lease receivables, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 42.19% (31 December 2017 : 45.45%) and 53.01% (31 December 2017 : 55.08%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 16.25% (31 December 2017 : 7.95%) and 20.71% (31 December 2017 : 10.14 %) of the total "on and off balance sheet" assets except factoring and lease receivables, respectively.

Stage 1 and Stage 2 expected losses for consolidated credit risk amount to TL 5,478,236 thousands (general provision as of 31 December 2017: TL 3,673,669 thousands).

#### 4.2.1 Profile of significant exposures in major regions

<i>Current Period</i> (*)	Exposure Categories							Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Other	
Domestic	85,267,585	7,148,195	151,384,300	84,851,164	32,448,935	4,252,646	17,192,990	<b>382,545,815</b>
European Union (EU) Countries	15,366,443	28,365,144	13,201,879	4,034,624	2,158,541	288,380	2,040,487	<b>65,455,498</b>
OECD Countries (**)	37	1,295,475	3,893,194	6,407	8,392	7	25,562	<b>5,229,074</b>
Off-Shore Banking Regions	-	79,737	480,706	31	718	-	29,555	<b>590,747</b>
USA, Canada	20,362	5,437,850	2,012,469	10,863	6,244	4,100	27,499	<b>7,519,387</b>
Other Countries	1,486,859	444,222	2,283,536	413,400	30,659	2,500	18,131	<b>4,679,307</b>
Associates, Subsidiaries and Joint –Ventures	-	16,977	1,044	-	-	-	132,873	<b>150,894</b>
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>102,141,286</b>	<b>42,787,600</b>	<b>173,257,128</b>	<b>89,316,489</b>	<b>34,653,489</b>	<b>4,547,633</b>	<b>19,467,097</b>	<b>466,170,722</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.

(\*\*) Includes OECD countries other than EU countries, USA and Canada.

(\*\*\*) Includes assets and liability items that can not be allocated on a consistent basis

<i>Prior Period</i> (*)	Exposure Categories							Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Other	
Domestic	84,901,396	9,989,483	128,612,153	78,346,834	37,065,756	893,336	11,323,416	<b>351,132,374</b>
European Union (EU) Countries	7,713,667	24,028,466	11,892,093	3,093,618	1,455,230	260,817	2,450,461	<b>50,894,352</b>
OECD Countries (**)	139	1,030,796	4,107,924	5,152	7,072	93	32,791	<b>5,183,967</b>
Off-Shore Banking Regions	-	75,843	298,631	1,074	480	-	-	<b>376,028</b>
USA, Canada	1,079	2,571,777	2,255,887	6,676	4,259	3,408	13,371	<b>4,856,457</b>
Other Countries	928,046	390,607	2,123,488	410,174	26,634	3,440	15,253	<b>3,897,642</b>
Associates, Subsidiaries and Joint –Ventures	-	86,232	8,889	-	-	-	12,902	<b>108,023</b>
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>93,544,327</b>	<b>38,173,204</b>	<b>149,299,065</b>	<b>81,863,528</b>	<b>38,559,431</b>	<b>1,161,094</b>	<b>13,848,194</b>	<b>416,448,843</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.

(\*\*) Includes OECD countries other than EU countries, USA and Canada.

(\*\*\*) Includes assets and liability items that can not be allocated on a consistent basis



**4.2.2 Risk profile by sectors or counterparties**

<i>Current Period</i> (*)	Exposure Categories																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	-	-	-	-	-	2,506,837	840,006	351,642	22,093	39,951	-	-	-	-	-	-	1,446,962	2,313,567	3,760,529
Farming and Stockbreeding	-	-	-	-	-	-	2,122,594	740,786	318,736	20,313	37,661	-	-	-	-	-	-	1,349,838	1,890,252	3,240,090
Forestry	-	-	-	-	-	-	141,752	70,287	28,038	803	590	-	-	-	-	-	-	42,662	198,808	241,470
Fishery	-	-	-	-	-	-	242,491	28,933	4,868	977	1,700	-	-	-	-	-	-	54,462	224,507	278,969
<b>Manufacturing</b>	-	-	75,413	-	-	-	80,110,719	9,011,412	7,067,081	2,085,664	196,146	-	-	-	-	-	-	33,341,689	65,204,746	98,546,435
Mining and Quarrying	-	-	-	-	-	-	2,620,065	443,754	64,702	2,820	5,818	-	-	-	-	-	-	906,645	2,230,514	3,137,159
Production	-	-	9	-	-	-	46,627,218	8,330,573	4,430,181	435,019	146,553	-	-	-	-	-	-	26,371,116	33,598,437	59,969,553
Electricity, Gas and Water	-	-	75,404	-	-	-	30,863,436	237,085	2,572,198	1,647,825	43,775	-	-	-	-	-	-	6,063,928	29,375,795	35,439,723
<b>Construction</b>	-	-	31	-	-	-	9,617,385	4,553,046	1,880,485	164,980	457,065	-	-	-	-	-	-	9,965,836	6,707,156	16,672,992
<b>Services</b>	842	-	1,360	3,485,069	-	42,787,600	72,939,741	19,686,044	7,985,184	1,472,036	429,280	-	-	-	52,015	55,324	-	92,597,391	56,297,104	148,894,495
Wholesale and Retail Trade	-	-	181	-	-	-	34,228,802	15,141,542	3,964,712	340,107	196,606	-	-	-	-	-	-	31,165,639	22,706,311	53,871,950
Accommodation and Dining	-	-	62	-	-	-	4,606,766	1,062,470	2,429,928	137,056	31,465	-	-	-	-	-	-	2,494,343	5,773,404	8,267,747
Transportation and Telecommunication	-	-	74	-	-	-	15,373,049	2,350,118	432,860	306,801	151,567	-	-	-	-	-	-	4,285,727	14,328,742	18,614,469
Financial Institutions	-	-	-	3,485,069	-	42,787,600	9,005,778	109,171	71,569	19,462	35,008	-	-	-	52,015	55,324	-	51,373,609	4,247,387	55,620,996
Real Estate and Rental Services	-	-	-	-	-	-	4,710,410	334,839	669,801	645,561	9,626	-	-	-	-	-	-	1,285,390	5,084,847	6,370,237
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	967	-	-	-	631,455	211,387	240,380	8,248	3,268	-	-	-	-	-	-	885,593	210,121	1,095,714
Health and Social Services	833	-	76	-	-	-	4,383,481	476,517	175,934	14,801	1,740	-	-	-	-	-	-	1,107,090	3,946,292	5,053,382
<b>Others</b>	102,140,444	240,817	321,454	-	-	-	8,082,446	55,225,981	17,369,097	802,860	394,153	-	-	-	-	318,113	13,400,906	58,552,203	139,744,068	198,296,271
<b>Total</b>	102,141,286	240,817	398,258	3,485,069	-	42,787,600	173,257,128	89,316,489	34,653,489	4,547,633	1,516,595	-	-	-	52,015	373,437	13,400,906	195,904,081	270,266,641	466,170,722

- 1- Conditional and unconditional exposures to central governments or central banks
  - 2- Conditional and unconditional exposures to regional governments or local authorities
  - 3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
  - 4- Conditional and unconditional exposures to multilateral development banks
  - 5- Conditional and unconditional exposures to international organisations
  - 6- Conditional and unconditional exposures to banks and brokerage houses
  - 7- Conditional and unconditional exposures to corporates
  - 8- Conditional and unconditional retail exposures
  - 9- Conditional and unconditional exposures secured by real estate property
  - 10- Past due receivables
  - 11- Receivables in regulatory high-risk categories
  - 12- Exposures in the form of bonds secured by mortgages
  - 13- Securitisation positions
  - 14- Short term exposures to banks, brokerage houses and corporates
  - 15- Exposures in the form of collective investment undertakings
  - 16- Shares
  - 17- Other receivables
- (\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

**Türkiye Garanti Bankası AŞ and Its Financial Affiliates**

Consolidated Financial Report as of and  
for the Year Ended 31 December 2018  
(Thousands of Turkish Lira (TL))

*Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish*

Prior Period (*)	Exposure Categories																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	795	-	-	-	-	2,028,549	712,025	419,057	18,489	40,091	-	-	-	-	-	-	1,398,689	1,820,317	3,219,006
Farming and Stockbreeding	-	-	-	-	-	-	1,694,397	639,094	384,469	17,469	39,883	-	-	-	-	-	-	1,312,626	1,462,686	2,775,312
Forestry	-	795	-	-	-	-	105,785	42,656	24,608	656	134	-	-	-	-	-	-	35,135	139,499	174,634
Fishery	-	-	-	-	-	-	228,367	30,275	9,980	364	74	-	-	-	-	-	-	50,928	218,132	269,060
<b>Manufacturing</b>	-	-	107,372	-	-	-	64,677,060	8,086,547	7,794,459	219,647	227,103	-	-	-	-	10,105	-	28,280,427	52,841,866	81,122,293
Mining and Quarrying	-	-	-	-	-	-	2,600,597	362,098	86,091	8,550	15,501	-	-	-	-	-	-	900,962	2,171,875	3,072,837
Production	-	-	7	-	-	-	36,931,403	7,541,250	4,298,712	171,705	167,593	-	-	-	-	10,105	-	22,222,714	26,898,061	49,120,775
Electricity, Gas and Water	-	-	107,365	-	-	-	25,145,060	183,199	3,409,656	39,392	44,009	-	-	-	-	-	-	5,156,751	23,771,930	28,928,681
<b>Construction</b>	-	-	128	-	-	-	8,884,000	4,288,576	2,634,550	63,680	71,743	-	-	-	-	-	-	10,345,461	5,597,216	15,942,677
<b>Services</b>	455	-	996	1,816,462	-	38,173,204	67,040,339	18,222,876	9,317,959	620,015	609,744	-	-	-	44,516	30,489	-	52,247,265	83,629,790	135,877,055
Wholesale and Retail Trade	-	-	203	-	-	-	28,594,333	13,863,462	4,595,497	242,829	89,876	-	-	-	-	-	-	29,936,376	17,449,824	47,386,200
Accommodation and Dining	-	-	89	-	-	-	3,999,348	983,246	2,633,646	106,797	18,193	-	-	-	-	-	-	2,334,835	5,406,484	7,741,319
Transportation and Telecommunication	-	-	177	-	-	-	16,642,547	2,254,927	498,514	240,097	37,144	-	-	-	-	-	-	4,946,398	14,727,008	19,673,406
Financial Institutions	-	-	-	1,816,462	-	38,173,204	8,684,179	168,374	72,644	4,684	438,707	-	-	-	44,516	30,489	-	11,687,796	37,745,463	49,433,259
Real Estate and Rental Services	-	-	-	-	-	-	5,177,038	274,766	949,568	14,722	8,847	-	-	-	-	-	-	1,405,687	5,019,254	6,424,941
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	355	-	-	-	353,969	192,867	381,404	668	9,849	-	-	-	-	-	-	765,421	173,700	939,121
Health and Social Services	446	-	172	-	-	-	3,588,925	485,234	186,686	10,218	7,128	-	-	-	-	-	-	1,170,752	3,108,057	4,278,809
<b>Others</b>	93,543,872	123,797	215,369	-	-	-	6,669,117	50,553,504	18,393,406	239,263	142,402	-	-	-	-	123,699	10,283,383	127,261,277	53,026,535	180,287,812
<b>Total</b>	<b>93,544,327</b>	<b>124,592</b>	<b>323,865</b>	<b>1,816,462</b>	<b>-</b>	<b>38,173,204</b>	<b>149,299,065</b>	<b>81,863,528</b>	<b>38,559,431</b>	<b>1,161,094</b>	<b>1,091,083</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,516</b>	<b>164,293</b>	<b>10,283,383</b>	<b>219,533,119</b>	<b>196,915,724</b>	<b>416,448,843</b>

- 1- Conditional and unconditional exposures to central governments or central banks
- 2- Conditional and unconditional exposures to regional governments or local authorities
- 3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
- 4- Conditional and unconditional exposures to multilateral development banks
- 5- Conditional and unconditional exposures to international organisations
- 6- Conditional and unconditional exposures to banks and brokerage houses
- 7- Conditional and unconditional exposures to corporates
- 8- Conditional and unconditional retail exposures
- 9- Conditional and unconditional exposures secured by real estate property
- 10- Past due receivables
- 11- Receivables in regulatory high-risk categories
- 12- Exposures in the form of bonds secured by mortgages
- 13- Securitisation positions
- 14- Short term exposures to banks, brokerage houses and corporates
- 15- Exposures in the form of collective investment undertakings
- 16- Shares
- 17- Other receivable

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

**4.2.3 Analysis of maturity-bearing exposures according to remaining maturities**

<i>Current Period</i>		<b>Term To Maturity</b>					<b>Demand</b>	<b>Total</b>
		<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>Over 1 Year</b>		
<b>Exposure Categories (*)</b>								
<b>1</b>	Conditional and unconditional exposures to central governments or central banks	23,370,810	6,182,274	1,415,146	1,333,468	48,389,529	21,450,059	<b>102,141,286</b>
<b>2</b>	Conditional and unconditional exposures to regional governments or local authorities	4,130	-	-	6,995	229,219	473	<b>240,817</b>
<b>3</b>	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	7,286	42,451	21,520	56,049	255,598	15,354	<b>398,258</b>
<b>4</b>	Conditional and unconditional exposures to multilateral development banks	1,249,182	982,305	-	-	44,340	1,209,242	<b>3,485,069</b>
<b>5</b>	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	<b>-</b>
<b>6</b>	Conditional and unconditional exposures to banks and brokerage houses	5,259,195	14,361,512	1,542,337	2,314,112	17,810,271	1,500,173	<b>42,787,600</b>
<b>7</b>	Conditional and unconditional exposures to corporates	10,641,536	15,094,116	14,840,459	24,196,401	99,266,150	9,218,466	<b>173,257,128</b>
<b>8</b>	Conditional and unconditional retail exposures	9,829,764	5,501,203	3,309,470	6,447,635	44,045,467	20,182,950	<b>89,316,489</b>
<b>9</b>	Conditional and unconditional exposures secured by real estate property	288,092	574,791	929,363	1,739,412	29,251,016	1,870,815	<b>34,653,489</b>
<b>10</b>	Past due items	-	-	-	-	-	4,547,633	<b>4,547,633</b>
<b>11</b>	Items in regulatory high-risk categories	511,871	35,490	62,124	174,407	243,798	488,905	<b>1,516,595</b>
<b>12</b>	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	<b>-</b>
<b>13</b>	Securitisation positions	-	-	-	-	-	-	<b>-</b>
<b>14</b>	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	<b>-</b>
<b>15</b>	Exposures in the form of collective investment undertakings	-	-	-	-	-	52,015	<b>52,015</b>
<b>16</b>	Shares	-	-	-	-	-	373,437	<b>373,437</b>
<b>17</b>	Other items	106,675	-	786,698	-	-	12,507,533	<b>13,400,906</b>
<b>Total</b>		<b>51,268,541</b>	<b>42,774,142</b>	<b>22,907,117</b>	<b>36,268,479</b>	<b>239,535,388</b>	<b>73,417,055</b>	<b>466,170,722</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

<i>Prior Period</i>		Term To Maturity					Demand	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Exposure Categories (*)								
1	Conditional and unconditional exposures to central governments or central banks	14,820,747	23,751,196	1,650,024	115,625	42,524,823	10,681,912	93,544,327
2	Conditional and unconditional exposures to regional governments or local authorities	3,599	30	-	1,939	118,784	240	124,592
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	437	355	44,651	15,451	251,763	11,208	323,865
4	Conditional and unconditional exposures to multilateral development banks	1,613,682	13,369	51,562	71,012	66,837	-	1,816,462
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	9,393,739	1,988,724	1,807,593	2,152,437	19,163,615	3,667,096	38,173,204
7	Conditional and unconditional exposures to corporates	8,220,016	9,614,277	9,407,690	17,788,422	86,282,518	17,986,142	149,299,065
8	Conditional and unconditional retail exposures	8,439,791	4,925,061	2,413,635	5,023,648	43,488,580	17,572,813	81,863,528
9	Conditional and unconditional exposures secured by real estate property	144,639	291,776	641,857	1,614,223	32,905,831	2,961,105	38,559,431
10	Past due items	-	-	-	-	-	1,161,094	1,161,094
11	Items in regulatory high-risk categories	235,979	387,484	1,967	12,252	124,060	329,341	1,091,083
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	44,516	44,516
16	Shares	-	-	-	-	-	164,293	164,293
17	Other items	36,363	775,428	-	-	-	9,471,592	10,283,383
	<b>Total</b>	<b>42,908,992</b>	<b>41,747,700</b>	<b>16,018,979</b>	<b>26,795,009</b>	<b>224,926,811</b>	<b>64,051,352</b>	<b>416,448,843</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

#### 4.2.4 Exposure categories

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights for items that are not included in trading book; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings Long Term Credit Rating	Exposure Categories			
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

#### 4.2.5 Exposures by risk weights

The total amount of exposures corresponding to each class of risk weight before and after credit risk mitigation and the deductions from equity as defined in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks Appendix-1 are presented below:

<i>Current Period</i>	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
<b>Risk Weights</b>											
Exposures before Credit Risk Mitigation	90,572,286	-	19,369,613	18,270,578	26,420,042	93,613,795	216,840,465	1,083,943	-	-	657,317
Exposures after Credit Risk Mitigation	98,991,192	-	19,245,430	18,262,355	24,677,032	82,394,324	198,954,632	1,078,636	-	-	657,317

<i>Prior Period</i>	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
<b>Risk Weights</b>											
Exposures before Credit Risk Mitigation	85,725,369	-	10,263,392	20,590,422	26,490,693	86,264,007	186,179,073	481,064	-	454,823	525,852
Exposures after Credit Risk Mitigation	86,476,219	-	9,355,827	20,574,657	25,457,059	75,615,798	164,437,293	481,063	-	454,823	525,852

#### 4.2.6 Information by major sectors and type of counterparties

Financial assets are assessed in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 “Calculation of expected credit losses”. In this respect, the life time expected credit losses are recognized for impaired loans (Stage 3) and the probability of default is considered to be 100%.

When the loan is not under default yet, but there is a significant increase in the credit risk since origination date, the life time expected credit losses are calculated for these loans (stage 2).

Regarding the remaining financial assets within the scope of TFRS 9, the 12-month estimated probability of default is calculated and the loss allowance for these loans (stage 1) is measured at an amount equal to 12-month (after the reporting date) expected credit losses.

<i>Current Period</i>	<b>Loans</b>		<i>TFRS 9 Expected Credit Losses</i>
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
<b>Agriculture</b>	<b>173,407</b>	<b>141,211</b>	<b>94,184</b>
Farming and Stockbreeding	112,747	131,028	83,137
Forestry	28,713	3,769	5,685
Fishery	31,947	6,414	5,362
<b>Manufacturing</b>	<b>16,151,922</b>	<b>4,392,281</b>	<b>4,063,276</b>
Mining and Quarrying	129,122	108,936	107,049
Production	6,378,848	1,795,035	1,992,635
Electricity, Gas and Water	9,643,952	2,488,310	1,963,592
<b>Construction</b>	<b>2,178,793</b>	<b>1,579,034</b>	<b>945,696</b>
<b>Services</b>	<b>11,282,845</b>	<b>4,530,753</b>	<b>3,618,569</b>
Wholesale and Retail Trade	4,954,019	1,667,671	1,446,210
Accommodation and Dining	1,262,599	333,340	257,994
Transportation and Telecommunication	1,524,341	1,210,443	1,004,599
Financial Institutions	2,316,333	108,665	194,482
Real Estate and Rental Services	837,447	1,123,708	614,167
Professional Services	-	750	726
Educational Services	312,425	43,336	61,016
Health and Social Services	75,681	42,840	39,375
<b>Others</b>	<b>15,162,133</b>	<b>4,111,433</b>	<b>3,961,059</b>
<b>Total</b>	<b>44,949,100</b>	<b>14,754,712</b>	<b>12,682,784</b>

<i>Prior Period</i>	Credit Risks			
	Impaired Credits	Past Due Credits	Value Adjustments	Specific Provisions
<b>Major Sectors/Counterparties</b>				
<b>Agriculture</b>	<b>155,115</b>	<b>30,974</b>	<b>1,012</b>	<b>95,810</b>
Farming and Stockbreeding	150,783	18,359	464	92,983
Forestry	2,498	5,521	9	1,605
Fishery	1,834	7,094	539	1,222
<b>Manufacturing</b>	<b>910,347</b>	<b>613,851</b>	<b>21,165</b>	<b>551,867</b>
Mining and Quarrying	88,678	22,246	84	64,729
Production	653,396	587,351	19,692	402,404
Electricity, Gas and Water	168,273	4,254	1,389	84,734
<b>Construction</b>	<b>560,674</b>	<b>369,417</b>	<b>7,634</b>	<b>403,482</b>
<b>Services</b>	<b>2,192,559</b>	<b>4,761,184</b>	<b>338,674</b>	<b>1,269,844</b>
Wholesale and Retail Trade	1,092,034	387,570	9,914	636,365
Accommodation and Dining	216,893	403,666	5,623	80,230
Transportation and Telecommunication	738,037	3,790,012	321,824	462,907
Financial Institutions	27,810	47,446	384	20,619
Real Estate and Rental Services	45,432	83,331	229	21,140
Professional Services	861	91	-	330
Educational Services	41,762	15,943	151	30,226
Health and Social Services	29,730	33,125	549	18,027
<b>Others</b>	<b>3,416,939</b>	<b>4,003,257</b>	<b>85,834</b>	<b>2,957,384</b>
<b>Total</b>	<b>7,235,634</b>	<b>9,778,683</b>	<b>454,319</b>	<b>5,278,387</b>

#### 4.2.7 Movements in value adjustments and provisions

<i>Current Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1 Stage 3. Provisions	4,650,987	7,273,457	(3,595,998)	127,502	8,455,948
2 Stage 1 and Stage 2 Provisions	4,792,207	8,630,443	(8,015,024)	70,610	5,478,236

<i>Prior Period</i> (**)	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1 Specific Provisions	5,269,669	2,512,542	2,582,570	78,746	5,278,387
2 General Provisions	3,215,533	497,877	55,973	16,232	3,673,669

(\*) Includes foreign exchange differences, mergers, acquisitions and disposals of subsidiaries.

(\*\*) Presented with the amounts before TFRS 9 application.

**4.2.8 Exposures subject to countercyclical capital buffer**

<i>Current Period</i> Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	221,729,777	1,097,072	<b>222,826,849</b>
Romania	8,079,783	-	<b>8,079,783</b>
the Netherlands	2,671,113	-	<b>2,671,113</b>
Switzerland	2,493,427	-	<b>2,493,427</b>
Germany	1,761,517	-	<b>1,761,517</b>
Malta	1,104,778	-	<b>1,104,778</b>
United Kingdom	993,412	54,814	<b>1,048,226</b>
United States of America	877,261	-	<b>877,261</b>
United Arab Emirates	657,669	-	<b>657,669</b>
Other	3,997,235	-	<b>3,997,235</b>
<b>Total</b>	<b>244,365,972</b>	<b>1,151,886</b>	<b>245,517,858</b>

<i>Prior Period</i> Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	191,461,728	641,600	<b>192,103,328</b>
Romania	6,289,347	-	<b>6,289,347</b>
the Netherlands	2,952,594	-	<b>2,952,594</b>
Switzerland	1,966,739	-	<b>1,966,739</b>
Germany	1,364,358	-	<b>1,364,358</b>
Malta	1,034,696	-	<b>1,034,696</b>
United Kingdom	918,835	14,192	<b>933,027</b>
United States of America	841,583	-	<b>841,583</b>
United Arab Emirates	667,167	-	<b>667,167</b>
Other	3,719,762	-	<b>3,719,762</b>
<b>Total</b>	<b>211,216,809</b>	<b>655,792</b>	<b>211,872,601</b>



### 4.3 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2018, the Bank and its financial subsidiaries' net 'on balance sheet' foreign currency short position amounts to TL 18,242,797 thousands (31 December 2017: TL 23,229,929 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 20,473,605 thousands (31 December 2017: TL 25,574,862 thousands), while net foreign currency long open position amounts to TL 2,230,808 thousands (31 December 2017: TL 2,344,933 thousands).

The foreign currency position risk is measured by "standard method" and "value-at-risk (VaR) model". Measurements by standard method are carried out monthly, whereas measurements by "VaR" are done daily for the Bank. The foreign currency exchange risk is managed through transaction, dealer, desk and stop-loss limits approved by the board of directors for the trading portfolio beside the foreign currency net position standard ratio and the VaR limit.

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	USD	EUR
<b>The Bank's foreign currency purchase rate at balance sheet date</b>	5.2699	6.0219
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	5.2424	6.0041
Day 2	5.2708	6.0189
Day 3	5.2625	5.9916
Day 4	5.2790	5.9983
Day 5	5.2713	6.0269
<b>Last 30-days arithmetical average rate</b>	5.2864	6.0164

*The Bank's consolidated currency risk*

	EUR	USD	Other FCs	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,366,712	12,969,256	7,469,237	<b>38,805,205</b>
Banks	15,868,136	10,389,239	3,437,208	<b>29,694,583</b>
Financial Assets Measured at Fair Value through Profit/Loss	99,350	154,781	-	<b>254,131</b>
Money Market Placements	138,076	-	-	<b>138,076</b>
Financial Assets Measured at FVOCI	2,294,247	5,664,240	950,141	<b>8,908,628</b>
Loans <sup>(*)(**)</sup>	50,928,179	55,644,651	6,948,717	<b>113,521,547</b>
Investments in Associates, Subsidiaries and Joint-Ventures	2,674	-	910	<b>3,584</b>
Financial Assets Measured at Amortised Cost	14,022	6,053,659	-	<b>6,067,681</b>
Derivative Financial Assets Held for Hedging Purpose	323	227,367	4	<b>227,694</b>
Tangible Assets	178,449	300	67,328	<b>246,077</b>
Intangible Assets	-	-	-	<b>-</b>
Other Assets	599,254	864,609	118,208	<b>1,582,071</b>
<b>Total Assets</b>	<b>88,489,422</b>	<b>91,968,102</b>	<b>18,991,753</b>	<b>199,449,277</b>
<b>Liabilities</b>				
Bank Deposits	3,094,924	1,708,290	147,328	<b>4,950,542</b>
Foreign Currency Deposits	45,923,663	77,143,288	9,642,975	<b>132,709,926</b>
Money Market Funds	776,561	443,988	139	<b>1,220,688</b>
Other Fundings	12,221,591	19,755,271	177,188	<b>32,154,050</b>
Securities Issued <sup>(***)</sup>	4,937,556	33,736,011	427,943	<b>39,101,510</b>
Miscellaneous Payables	169,884	188,682	91,558	<b>450,124</b>
Derivative Financial Liabilities Held for Hedging Purpose	71,023	49,907	2,811	<b>123,741</b>
Other Liabilities <sup>(****)</sup>	1,087,381	2,447,593	3,446,519	<b>6,981,493</b>
<b>Total Liabilities</b>	<b>68,282,583</b>	<b>135,473,030</b>	<b>13,936,461</b>	<b>217,692,074</b>
<b>Net 'On Balance Sheet' Position</b>	<b>20,206,839</b>	<b>(43,504,928)</b>	<b>5,055,292</b>	<b>(18,242,797)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(16,682,628)</b>	<b>40,753,037</b>	<b>(3,596,804)</b>	<b>20,473,605</b>
Derivative Assets	12,368,328	69,684,392	2,544,802	84,597,522
Derivative Liabilities	(29,050,956)	(28,931,355)	(6,141,606)	(64,123,917)
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
<b>Total Assets</b>	<b>67,304,347</b>	<b>77,110,589</b>	<b>13,540,900</b>	<b>157,955,836</b>
<b>Total Liabilities</b>	<b>54,617,991</b>	<b>115,526,334</b>	<b>11,041,440</b>	<b>181,185,765</b>
<b>Net 'On Balance Sheet' Position</b>	<b>12,686,356</b>	<b>(38,415,745)</b>	<b>2,499,460</b>	<b>(23,229,929)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(9,949,701)</b>	<b>37,114,158</b>	<b>(1,589,595)</b>	<b>25,574,862</b>
Derivative Assets	11,968,644	79,250,502	5,366,884	96,586,030
Derivative Liabilities	(21,918,345)	(42,136,344)	(6,956,479)	(71,011,168)
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 3,694,488 thousands included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*) The foreign currency indexed factoring receivables amounting TL 33,728 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*\*) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

(\*\*\*\*) The gold deposits of TL 3,280,238 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

#### **4.4 Consolidated interest rate risk**

The interest rate risk resulting from balance sheet maturity mismatch presents the possible losses that may arise due to the changes in interest rates of interest sensitive assets and liabilities in the on- and off-balance sheet. Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the Weekly Assessment Committee and Assets-Liabilities Committee meetings taking into consideration the developments in market conditions.

The Bank's interest rate risk is measured by using, economic value, economic capital, net interest income, income at risk, market price sensitivity of marketable securities portfolio, duration-gap and sensitivity analysis.

The results are supported by the sensitivity and scenario analysis performed periodically against the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

**4.4.1 Interest rate sensitivity of assets, liabilities and off balance sheet items (based on repricing dates)**

<i>Current Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,879,371	-	-	-	-	20,741,667	<b>41,621,038</b>
Banks	8,153,390	669,287	687,016	240,065	22,905	20,880,237	<b>30,652,900</b>
Financial Assets Measured at Fair Value through Profit/Loss	45,922	36,429	79,467	136,176	65,002	196,880	<b>559,876</b>
Money Market Placements	141,993	-	-	-	-	-	<b>141,993</b>
Financial Assets Measured at FVOCI	1,830,044	6,285,422	5,256,065	4,089,487	6,351,864	3,350,071	<b>27,162,953</b>
Loans	63,028,059	30,559,237	78,628,893	64,740,502	14,037,637	5,554,533	<b>256,548,861</b>
Financial Assets Measured at Amortised Cost	1,663,712	1,301,732	9,161,540	342,427	6,050,201	6,134,397	<b>24,654,009</b>
Other Assets	23,812	34,591	29,147	238,390	6,832	17,479,199	<b>17,811,971</b>
<b>Total Assets</b>	<b>95,766,303</b>	<b>38,886,698</b>	<b>93,842,128</b>	<b>69,787,047</b>	<b>26,534,441</b>	<b>74,336,984</b>	<b>399,153,601</b>
<b>Liabilities</b>							
Bank Deposits	1,672,707	30,143	83,871	-	-	4,374,966	<b>6,161,687</b>
Other Deposits	128,497,970	35,298,304	20,435,031	2,134,307	5,065	52,483,982	<b>238,854,659</b>
Money Market Funds	1,357,567	286,818	98,466	782,847	71,255	37,637	<b>2,634,590</b>
Miscellaneous Payables	-	-	-	-	-	12,365,939	<b>12,365,939</b>
Securities Issued (**)	18,700,790	1,440,011	7,662,128	10,680,521	4,072,822	644,439	<b>43,200,711</b>
Other Fundings	2,359,221	16,415,486	12,073,933	1,355,279	926,869	208,939	<b>33,339,727</b>
Other Liabilities	583	-	8,494	-	-	62,587,211	<b>62,596,288</b>
<b>Total Liabilities</b>	<b>152,588,838</b>	<b>53,470,762</b>	<b>40,361,923</b>	<b>14,952,954</b>	<b>5,076,011</b>	<b>132,703,113</b>	<b>399,153,601</b>
<b>On Balance Sheet Long Position</b>	-	-	<b>53,480,205</b>	<b>54,834,093</b>	<b>21,458,430</b>	-	<b>129,772,728</b>
<b>On Balance Sheet Short Position</b>	<b>(56,822,535)</b>	<b>(14,584,064)</b>	-	-	-	<b>(58,366,129)</b>	<b>(129,772,728)</b>
<b>Off-Balance Sheet Long Position</b>	<b>16,970,347</b>	<b>14,745,285</b>	<b>20,201,735</b>	<b>5,225,464</b>	<b>10,080,996</b>	-	<b>67,223,827</b>
<b>Off-Balance Sheet Short Position</b>	<b>(1,551,698)</b>	<b>(4,835,220)</b>	<b>(19,471,866)</b>	<b>(22,043,425)</b>	<b>(18,964,432)</b>	-	<b>(66,866,641)</b>
<b>Total Position</b>	<b>(41,403,886)</b>	<b>(4,673,999)</b>	<b>54,210,074</b>	<b>38,016,132</b>	<b>12,574,994</b>	<b>(58,366,129)</b>	<b>357,186</b>

(\*) Interest accruals are included in non-interest bearing column.

(\*\*) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

<i>Prior Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,356,607	-	-	-	-	18,247,034	<b>33,603,641</b>
Banks	6,674,295	1,086,847	2,853,022	141,516	19,206	8,695,457	<b>19,470,343</b>
Financial Assets at Fair Value through Profit/Loss	43,819	327,933	155,989	373,685	18,939	1,957,448	<b>2,877,813</b>
Interbank Money Market Placements	3,350	-	-	-	-	3	<b>3,353</b>
Financial Assets Available-for-Sale	3,369,418	5,915,862	6,882,925	3,610,964	3,818,557	2,680,262	<b>26,277,988</b>
Loans	56,204,934	26,102,731	68,187,866	61,641,322	12,394,601	4,821,831	<b>229,353,285</b>
Investments Held-to-Maturity	417,769	2,557,519	6,615,860	3,706,564	7,446,829	3,569,999	<b>24,314,540</b>
Other Assets	1,468,583	1,466,149	2,586,527	2,849,491	272,430	11,787,524	<b>20,430,704</b>
<b>Total Assets</b>	<b>83,538,775</b>	<b>37,457,041</b>	<b>87,282,189</b>	<b>72,323,542</b>	<b>23,970,562</b>	<b>51,759,558</b>	<b>356,331,667</b>
<b>Liabilities</b>							
Bank Deposits	412,502	139,085	259,559	-	-	814,676	<b>1,625,822</b>
Other Deposits	111,791,881	21,066,467	18,103,418	1,527,939	15,910	46,642,123	<b>199,147,738</b>
Interbank Money Market Takings	17,589,151	227,161	151,400	588,770	51,133	30,241	<b>18,637,856</b>
Miscellaneous Payables	-	-	-	-	-	10,376,346	<b>10,376,346</b>
Securities Issued (**)	1,882,236	3,084,627	2,058,452	10,437,488	5,762,814	418,306	<b>23,643,923</b>
Other Fundings	19,202,561	9,712,955	11,732,040	5,769,689	485,789	201,685	<b>47,104,719</b>
Other Liabilities	5,719	7,353	11,699	862	-	55,769,630	<b>55,795,263</b>
<b>Total Liabilities</b>	<b>150,884,050</b>	<b>34,237,648</b>	<b>32,316,568</b>	<b>18,324,748</b>	<b>6,315,646</b>	<b>114,253,007</b>	<b>356,331,667</b>
<b>On Balance Sheet Long Position</b>	-	<b>3,219,393</b>	<b>54,965,621</b>	<b>53,998,794</b>	<b>17,654,916</b>	-	<b>129,838,724</b>
<b>On Balance Sheet Short Position</b>	<b>(67,345,275)</b>	-	-	-	-	<b>(62,493,449)</b>	<b>(129,838,724)</b>
<b>Off-Balance Sheet Long Position</b>	<b>11,872,825</b>	<b>9,119,489</b>	<b>15,792,731</b>	<b>3,922,311</b>	<b>5,154,466</b>	-	<b>45,861,822</b>
<b>Off-Balance Sheet Short Position</b>	<b>(2,115,278)</b>	<b>(4,562,046)</b>	<b>(12,408,103)</b>	<b>(15,905,631)</b>	<b>(10,911,130)</b>	-	<b>(45,902,188)</b>
<b>Total Position</b>	<b>(57,587,728)</b>	<b>7,776,836</b>	<b>58,350,249</b>	<b>42,015,474</b>	<b>11,898,252</b>	<b>(62,493,449)</b>	<b>(40,366)</b>

(\*) Interest accruals are included in non-interest bearing column.

(\*\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

**4.4.2 Average interest rates on monetary financial instruments (%)**

<i>Current Period</i>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	(0.34)-8.00	2.15-4.90	-	15.60-30.00
Financial Assets at Fair Value through Profit/Loss	3.52	3.30-6.94	-	3.12-27.94
Interbank Money Market Placements	-	-	-	18.00-25.48
Financial Assets Measured at FVOCI	0.65-4.63	3.46-11.88	-	20.37
Loans (*)	0.27-15.00	1.50-21.88	-	13.13-43.50
Financial Assets Measured at Amortised Cost	0.25	5.26	-	19.49
<b>Liabilities</b>				
Bank Deposits	(0.34)-0.05	2.40-3.10	-	22.86
Other Deposits	0.01-7.00	0.01-4.27	0.93	8.75-29.00
Interbank Money Market Takings	0.05-0.15	2.62-3.75	-	7.06-30.00
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.64	-	17.79-27.00
Other Fundings	0.40-6.25	0.63-11.55	-	10.50-33.60

<i>Prior Period</i>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.32	-	2.54
Banks	(0.36)-1.90	1.42-3.98	-	8.56-14.80
Financial Assets at Fair Value through Profit/Loss	1.99	5.77	-	4.16-16.11
Interbank Money Market Placements	-	-	-	9.75-12.30
Financial Assets Available-for-Sale	0.65-4.63	2.20-11.88	-	12.31
Loans	0.12-10.93	1.25-10.69	-	11.00-17.35
Investments Held-to-Maturity	-	5.57	-	12.81
<b>Liabilities</b>				
Bank Deposits	0.05-0.12	1.00-2.20	-	11.39
Other Deposits	0.01-7.00	0.01-3.75	1.45	7.00-15.87
Interbank Money Market Takings	-	1.50-2.65	-	10.00-15.20
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.67	-	13.08-15.00
Other Fundings	0.16-4.55	0.25-5.84	-	8.43-17.50

(\*) Lease receivables and factoring receivables are included.

#### 4.5 Consolidated position risk of equity securities

##### 4.5.1 Equity shares in associates and subsidiaries

Accounting policies for equity shares in associates and subsidiaries are disclosed in Note 3.3.

##### 4.5.2 Comparison of carrying, fair and market values of equity shares

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
<b>1</b>	<b>Investment in Shares- Grade A</b>	<b>105,432</b>	-	-
	Quoted Securities	-	-	-
<b>2</b>	<b>Investment in Shares- Grade B</b>	<b>25,555</b>	-	-
	Quoted Securities	-	-	-
<b>3</b>	<b>Investment in Shares- Grade C</b>	<b>822</b>	-	-
	Quoted Securities	-	-	-
<b>4</b>	<b>Investment in Shares- Grade D</b>	-	-	-
	Quoted Securities	-	-	-
<b>5</b>	<b>Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
	Quoted Securities	-	-	-
<b>6</b>	<b>Investment in Shares- Grade F</b>	<b>48</b>	-	-
	Quoted Securities	-	-	-

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
<b>1</b>	<b>Investment in Shares- Grade A</b>	<b>124,993</b>	-	-
	Quoted Securities	-	-	-
<b>2</b>	<b>Investment in Shares- Grade B</b>	<b>25,555</b>	-	-
	Quoted Securities	-	-	-
<b>3</b>	<b>Investment in Shares- Grade C</b>	<b>822</b>	-	-
	Quoted Securities	-	-	-
<b>4</b>	<b>Investment in Shares- Grade D</b>	-	-	-
	Quoted Securities	-	-	-
<b>5</b>	<b>Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
	Quoted Securities	-	-	-
<b>6</b>	<b>Investment in Shares- Grade F</b>	<b>48</b>	-	-
	Quoted Securities	-	-	-

##### 4.5.3 Realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals

<i>Current Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	8,454	-	8,454
3	Other Shares	-	95,693	95,693	-	-	-
	<b>Total</b>	-	<b>95,693</b>	<b>95,693</b>	<b>8,454</b>	-	<b>8,454</b>

<i>Prior Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	14,905	-	14,905
3	Other Shares	-	48,372	48,372	-	-	-
<b>Total</b>		-	<b>48,372</b>	<b>48,372</b>	<b>14,905</b>	-	<b>14,905</b>

#### 4.5.4 Capital requirement as per equity shares

<i>Current Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	132,871	132,871	10,630
<b>Total</b>		<b>132,871</b>	<b>132,871</b>	<b>10,630</b>

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	152,432	152,432	12,195
<b>Total</b>		<b>152,432</b>	<b>152,432</b>	<b>12,195</b>

#### 4.6 Liquidity risk management and consolidated liquidity coverage ratio

Liquidity risk is managed by Asset and Liability Management department (ALMD), Weekly Review Committee and Asset and Liability Committee (ALCO) in line with liquidity and funding policies and risk appetite approved by the board of directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure. Under stressed conditions, liquidity risk is managed within the contingency funding plan framework.

The Board of Directors reviews the liquidity risk management policy and approves the liquidity and funding policies, ensures the effective of practice of policies and integrations with the Bank's risk management system. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

ALMD, performs daily liquidity management by ensuring compliance with regulatory and internal liquidity limits and monitoring related early warning indicators in case of probable liquidity squeezes. The medium and long term liquidity and funding management is performed by ALMD in accordance with ALCO decisions.



Head of Risk management defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Head of Risk management coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Head of Risk management analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented in ALCO report. Internal liquidity metrics are monitored with limit and alert levels approved by the board of directors and reported regularly to related parties.

Decentralized management approach is adopted in liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of customer deposits, interbank and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed. Additionally, securities which are eligible as collateral at CBRT issued by Republic of Turkey Treasury and have active secondary market are comprised in the Bank's assets.

In the context of TL and foreign currencies liquidity management, the cash flows regarding assets and liabilities are monitored and the required liquidity in future periods is forecasted. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, risk mitigation according to the liquidity and funding policies (diversification of funding sources, holding high quality liquid assets reserve) and effective control environment and closely monitoring by limits. For those risks that cannot be reduced, the adoption of the current level of risk, reduction or termination of the activities that cause the risk is considered.

In liquidity risk stress testing framework, the level of the Bank's ability to cover cash outflows in liquidity crisis scenario based on the Bank's current cash flow structure, by high quality liquid assets is calculated. Scenario analysis are performed by assessing changing balance sheet structure, liquidity requirements and market conditions.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of policy regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists “Liquidity Contingency Plan” in the Bank approved by the Board of Directors including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators, and probable scenarios where liquidity risk crisis and possible actions that can be taken.

In the scope of contingency plan within the framework of intraday liquidity risk management procedure, situations requiring the activation of contingency plan and indicating a intraday liquidity stress, and intraday liquidity metrics are monitored and intraday liquidity risk stress testing is performed.

The Bank’s liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers can not use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency liabilities. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. Lines extended by CBRT and BİST aren’t used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren’t used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other liquidity and funding metrics are monitored.

#### **4.6.1 Liquidity coverage ratio**

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation) terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows. After a transition period that will end by 1 January 2019, in both bank-only and consolidated basis, LCR ratio should be at least 80% for foreign currency and 100% for total.

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients advised in the Regulation. In both bank-only and consolidated LCR calculations cash inflows are limited by 75% of cash outflows and cash inflows from high quality liquid assets aren’t included.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. High quality liquid assets are composed of 1.44% cash, 44.25% deposits in central banks and 54.31% securities considered as high quality liquid assets.

The Bank’s main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 72.80% deposits, 10.69% funds borrowed and money market borrowings and 12.84% securities issued.

In consolidated LCR calculations, cash outflows are mainly consist of deposits, secured and unsecured borrowings, securities issued and off balance sheet items.

The cash flows from derivative financial instruments are included in consolidated LCR calculations according to the Regulation’s terms. The Bank also considers changes in fair value of the liabilities that result in margin calls when calculating cash outflows.

<i>Current Period</i>	<b>Total Unweighted Value (Average) <sup>(*)</sup></b>		<b>Total Weighted Value (Average) <sup>(*)</sup></b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>High-Quality Liquid Assets</b>			<b>90,168,173</b>	<b>53,913,275</b>
1 Total high-quality liquid assets (HQLA)	90,168,173	53,913,275	90,168,173	53,913,275
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers, of which:	170,724,981	91,272,314	15,763,919	9,106,152
3 Stable deposits	26,171,577	421,581	1,308,579	21,079
4 Less stable deposits	144,553,404	90,850,733	14,455,340	9,085,073
5 Unsecured wholesale funding, of which:	75,774,158	45,491,573	42,406,606	23,913,305
6 Operational deposits	-	-	-	-
7 Non-operational deposits	57,958,065	38,974,499	28,071,155	18,524,043
8 Unsecured funding	17,816,093	6,517,074	14,335,451	5,389,262
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	73,954,470	24,243,210	25,838,426	22,983,621
11 Outflows related to derivative exposures and other collateral requirements	22,357,173	22,411,751	22,357,173	22,411,751
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	51,597,297	1,831,459	3,481,253	571,870
14 Other revocable off-balance sheet commitments and contractual obligations	617,976	486,250	30,899	24,313
15 Other irrevocable or conditionally revocable off-balance sheet obligations	72,516,107	49,587,853	3,625,805	2,479,392
<b>16 Total Cash Outflows</b>			<b>87,665,655</b>	<b>58,506,783</b>
<b>Cash Inflows</b>				
17 Secured receivables	968	-	-	-
18 Unsecured receivables	39,244,362	20,635,316	29,638,064	17,244,172
19 Other cash inflows	1,234,990	6,424,300	1,219,136	6,423,779
<b>20 Total Cash Inflows</b>	<b>40,480,320</b>	<b>27,059,616</b>	<b>30,857,200</b>	<b>23,667,951</b>
			<b>Upper Limit Applied Values</b>	
<b>21 Total HQLA</b>			<b>90,168,173</b>	<b>53,913,275</b>
<b>22 Total Net Cash Outflows</b>			<b>56,808,455</b>	<b>34,838,832</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>159.53%</b>	<b>157.37%</b>

(\*) The average of last three months' simple averages of daily figures.

The table below presents the last three months' consolidated Liquidity Ratios:

<b>Period</b>	<b>TL+FC</b>	<b>FC</b>
31 October 2018	166.20%	175.63%
30 November 2018	149.33%	138.61%
31 December 2018	163.06%	157.88%

<i>Prior Period</i>	<b>Total Unweighted Value (Average) <sup>(*)</sup></b>		<b>Total Weighted Value (Average) <sup>(*)</sup></b>		
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>	
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	64,790,253	40,139,185	64,790,253	40,139,185
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	135,642,321	66,124,346	12,251,062	6,599,097
3	Stable deposits	26,263,389	266,749	1,313,169	13,337
4	Less stable deposits	109,378,932	65,857,597	10,937,893	6,585,760
5	Unsecured wholesale funding, of which:	61,137,592	37,122,946	34,871,826	19,709,976
6	Operational deposits	-	-	-	-
7	Non-operational deposits	44,548,861	28,938,651	21,421,150	13,772,645
8	Unsecured funding	16,588,731	8,184,295	13,450,676	5,937,331
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	53,605,853	13,861,660	11,511,430	11,493,014
11	Outflows related to derivative exposures and other collateral requirements	8,160,609	10,645,765	8,160,609	10,645,765
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,445,244	3,215,895	3,350,821	847,249
14	Other revocable off-balance sheet commitments and contractual obligations	659,719	452,474	32,986	22,624
15	Other irrevocable or conditionally revocable off-balance sheet obligations	59,639,580	40,843,912	2,981,979	2,042,196
<b>16</b>	<b>Total Cash Outflows</b>			<b>61,649,283</b>	<b>39,866,907</b>
<b>Cash Inflows</b>					
17	Secured receivables	7,145	-	-	-
18	Unsecured receivables	23,650,905	9,432,284	15,575,537	6,682,654
19	Other cash inflows	1,636,498	8,248,238	1,631,773	8,244,841
<b>20</b>	<b>Total Cash Inflows</b>	<b>25,294,548</b>	<b>17,680,522</b>	<b>17,207,310</b>	<b>14,927,495</b>
			<b>Upper Limit Applied Values</b>		
<b>21</b>	<b>Total HQLA</b>			<b>64,790,253</b>	<b>40,139,185</b>
<b>22</b>	<b>Total Net Cash Outflows</b>			<b>44,441,973</b>	<b>24,939,412</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>146.12%</b>	<b>164.58%</b>

(\*) The average of last three months' month-end consolidated liquidity ratios.

The table below presents the last three months' consolidated Liquidity Ratios of the year 2017:

<b>Period</b>	<b>TL+FC</b>	<b>FC</b>
31 October 2017	140.63%	151.78%
30 November 2017	157.44%	205.74%
31 December 2017	140.28%	136.20%

#### 4.6.2 Maturity analysis of liabilities according to remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	20,333,357	21,287,681	-	-	-	-	-	41,621,038
Banks	26,389,227	2,625,879	706,080	662,054	214,061	55,599	-	30,652,900
Financial Assets at Fair Value through Profit/Loss	191,795	1	39,575	74,158	186,880	67,467	-	559,876
Interbank Money Market Placements	-	141,993	-	-	-	-	-	141,993
Financial Assets Available-for-Sale	235,462	-	354,369	2,482,510	15,977,178	8,113,434	-	27,162,953
Loans	708,430	44,470,961	24,239,098	64,882,233	89,788,897	26,554,304	5,904,938	256,548,861
Investments Held-to-Maturity	-	-	-	80,177	12,673,025	11,900,807	-	24,654,009
Other Assets	3,404,452	1,300,334	476,127	1,458,570	1,293,136	805,359	9,073,993	17,811,971
<b>Total Assets</b>	<b>51,262,723</b>	<b>69,826,849</b>	<b>25,815,249</b>	<b>69,639,702</b>	<b>120,133,177</b>	<b>47,496,970</b>	<b>14,978,931</b>	<b>399,153,601</b>
<b>Liabilities</b>								
Bank Deposits	4,477,785	1,568,788	30,143	84,971	-	-	-	6,161,687
Other Deposits	59,699,430	120,350,167	35,762,786	20,784,210	2,245,406	12,660	-	238,854,659
Other Fundings	-	1,345,842	1,237,006	25,100,301	4,868,294	788,284	-	33,339,727
Interbank Money Market Takings	138	1,385,418	296,652	103,794	776,561	72,027	-	2,634,590
Securities Issued (**)	-	996,587	1,456,670	8,244,317	16,718,342	15,784,795	-	43,200,711
Miscellaneous Payables	710,780	11,401,098	4,535	35,646	-	317	213,563	12,365,939
Other Liabilities (***)	3,883,614	1,981,042	805,451	1,037,553	636,394	1,210,070	53,042,164	62,596,288
<b>Total Liabilities</b>	<b>68,771,747</b>	<b>139,028,942</b>	<b>39,593,243</b>	<b>55,390,792</b>	<b>25,244,997</b>	<b>17,868,153</b>	<b>53,255,727</b>	<b>399,153,601</b>
<b>Liquidity Gap</b>	<b>(17,509,024)</b>	<b>(69,202,093)</b>	<b>(13,777,994)</b>	<b>14,248,910</b>	<b>94,888,180</b>	<b>29,628,817</b>	<b>(38,276,796)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(776,698)</b>	<b>25,123</b>	<b>121,141</b>	<b>641,570</b>	<b>135,722</b>	<b>-</b>	<b>146,858</b>
Derivative Financial Assets	-	62,930,044	12,213,678	29,817,513	10,938,125	2,785,895	-	118,685,255
Derivative Financial Liabilities	-	63,706,742	12,188,555	29,696,372	10,296,555	2,650,173	-	118,538,397
<b>Non-Cash Loans</b>	<b>-</b>	<b>14,464,568</b>	<b>4,584,345</b>	<b>3,048,644</b>	<b>1,635,298</b>	<b>95,658</b>	<b>109,426,843</b>	<b>133,255,356</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>20,861,306</b>	<b>70,663,534</b>	<b>21,932,527</b>	<b>63,847,791</b>	<b>110,661,376</b>	<b>45,250,095</b>	<b>23,115,038</b>	<b>356,331,667</b>
<b>Total Liabilities</b>	<b>56,948,033</b>	<b>137,194,518</b>	<b>25,940,033</b>	<b>40,373,833</b>	<b>31,259,135</b>	<b>14,544,538</b>	<b>50,071,577</b>	<b>356,331,667</b>
<b>Liquidity Gap</b>	<b>(36,086,727)</b>	<b>(66,530,984)</b>	<b>(4,007,506)</b>	<b>23,473,958</b>	<b>79,402,241</b>	<b>30,705,557</b>	<b>(26,956,539)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(498,276)</b>	<b>(173,639)</b>	<b>(352,946)</b>	<b>275,705</b>	<b>37,607</b>	<b>-</b>	<b>(711,549)</b>
Derivative Financial Assets	-	77,833,182	28,433,105	32,107,432	5,638,883	1,881,475	-	145,894,077
Derivative Financial Liabilities	-	78,331,458	28,606,744	32,460,378	5,363,178	1,843,868	-	146,605,626
<b>Non-Cash Loans</b>	<b>-</b>	<b>8,082,943</b>	<b>4,478,582</b>	<b>6,769,545</b>	<b>1,186,726</b>	<b>246,692</b>	<b>93,022,795</b>	<b>113,787,283</b>

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, investments in associates and affiliates, stationary supplies, prepaid expenses and loans under follow-up, are included in this column.

(\*\*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

(\*\*\*) Shareholders' Equity is included in "Other liabilities" line under "Undistributed" column.

*Contractual maturity analysis of liabilities according to remaining maturities*

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank and its financial subsidiaries' financial liabilities as per their earliest likely contractual maturities.

<i>Current Period</i>	<b>Carrying Value</b>	<b>Nominal Principal Outflow</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>
Bank Deposits	6,161,687	6,137,753	4,457,691	1,566,048	30,143	83,871	-	-
Other Deposits	238,854,659	237,076,430	59,699,430	119,495,743	35,284,409	20,352,961	2,231,265	12,622
Other Fundings	33,339,727	33,117,190	-	2,061,795	1,237,006	25,032,559	4,785,830	-
Interbank Money Market Takings	2,634,590	2,597,090	138	1,357,567	286,818	98,466	782,847	71,254
Securities Issued (*)	43,200,711	43,486,690	-	980,255	1,440,011	8,033,535	16,550,606	16,482,283
<b>Total</b>	<b>324,191,374</b>	<b>322,415,153</b>	<b>64,157,259</b>	<b>125,461,408</b>	<b>38,278,387</b>	<b>53,601,392</b>	<b>24,350,548</b>	<b>16,566,159</b>

(\*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

<i>Prior Period</i>	<b>Carrying Value</b>	<b>Nominal Principal Outflow</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>
Bank Deposits	1,625,822	1,623,090	918,005	306,441	139,085	259,559	-	-
Other Deposits	199,147,738	198,282,621	53,366,015	104,196,406	21,053,390	18,037,402	1,606,260	23,148
Other Fundings	47,104,719	46,940,914	-	1,755,632	555,686	18,174,300	18,111,911	8,343,385
Interbank Money Market Takings	18,637,856	18,607,719	104	17,589,151	227,161	151,400	588,770	51,133
Securities Issued (*)	23,643,923	23,225,618	-	1,844,478	2,944,922	2,198,156	10,475,247	5,762,815
<b>Total</b>	<b>290,160,058</b>	<b>288,679,962</b>	<b>54,284,124</b>	<b>125,692,108</b>	<b>24,920,244</b>	<b>38,820,817</b>	<b>30,782,188</b>	<b>14,180,481</b>

(\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

#### 4.7 Consolidated leverage ratio

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurement and Assessment of Leverage Ratios of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

The Bank’s consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 8.08% (31 December 2017: 8.41%). Main reason for the variance compared to prior period is the increase in especially on balance and off-balance sheet exposures more than the increase in capital. While the capital increased by 14.11% as a result of increase in net profits, the balance sheet exposure increased by 16.02% and the off balance sheet exposure increased by 28.31%. Therefore, the current period leverage ratio decreased by 33 basis points compared to prior period.

		<i>Current Period<sup>(***)</sup></i>	<i>Prior Period<sup>(***)</sup></i>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	454,636,644	336,616,872
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	1,691,093	3,062,255
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(11,984,226)	(10,547,347)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	4,706,876	12,921,783
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	3,134,011	3,765,170
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	Total risk amount	570,780,865	480,096,821

(\*) Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué “Preparation of Consolidated Financial Statements.”

(\*\*) The consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2018 for the current period and 30 September 2017 for the prior period, are considered.

(\*\*\*) Amounts in the table are three-month average amounts.

	<i>Current Period<sup>(*)</sup></i>	<i>Prior Period<sup>(*)</sup></i>
<b>On-balance sheet assets</b>		
1 On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	408,690,978	352,252,554
2 (Assets deducted in determining Tier I capital)	(618,179)	(455,111)
3 Total on-balance sheet risks (sum of lines 1 and 2)	408,072,799	351,797,443
<b>Derivative financial instruments and credit derivatives</b>		
4 Replacement cost associated with all derivative financial instruments and credit derivatives	4,928,851	3,061,421
5 Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	12,017,739	11,169,170
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	16,946,590	14,230,591
<b>Securities or commodity financing transactions (SCFT)</b>		
7 Risks from SCFT assets (excluding on-balance sheet)	991,391	2,561,479
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	991,391	2,561,479
<b>Other off-balance sheet transactions</b>		
10 Gross notional amounts of off-balance sheet transactions	147,904,095	115,272,482
11 (Adjustments for conversion to credit equivalent amounts)	(3,134,010)	(3,765,174)
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	144,770,085	111,507,308
<b>Capital and total risks</b>		
13 Tier I capital	46,050,753	40,355,639
14 Total risks (sum of lines 3, 6, 9 and 12)	570,780,865	480,096,821
<b>Leverage ratio</b>		
15 Leverage ratio	8.08%	8.41%

(\*) Amounts in the table are three-month average amounts.

#### 4.8 Fair values of financial assets and liabilities

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>	<i>Prior Period</i>
<b>Financial Assets</b>	<b>374,963,269</b>	<b>329,714,730</b>	<b>373,365,004</b>	<b>331,642,754</b>
Interbank Money Market Placements	141,993	3,353	141,993	3,353
Banks (*)	66,455,453	49,765,564	66,455,453	49,765,564
Financial Assets Measured at Fair Value through Other Comprehensive Income	27,162,953	26,277,988	27,162,953	26,277,988
Financial Assets Measured at Amortised Cost	24,654,009	24,314,540	24,392,782	24,600,253
Loans	256,548,861	229,353,285	255,211,823	230,995,596
<b>Financial Liabilities</b>	<b>341,721,083</b>	<b>300,536,404</b>	<b>341,721,083</b>	<b>300,536,404</b>
Bank Deposits	6,161,687	1,625,822	6,161,687	1,625,822
Other Deposits	238,854,659	199,147,738	238,854,659	199,147,738
Other Fundings from Financial Institutions	35,974,317	65,742,575	35,974,317	65,742,575
Securities Issued (**)	43,200,711	23,643,923	43,200,711	23,643,923
Other Liabilities	17,529,709	10,376,346	17,529,709	10,376,346

(\*) Including the balances at the Central Bank of Turkey.

(\*\*) Includes subordinated securities issued and financial liabilities measured at FVTPL.



Fair value of financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

The table below analyses the financial instruments carried at fair value, by valuation method:

<i>Current Period</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Assets Measured at Fair Value through Other Comprehensive Income	26,952,771	195,377	14,805	27,162,953
Financial Assets Measured at Fair Value through Profit/Loss	460,893	-	98,983	559,876
Loans Measured at Fair Value through Profit/Loss	-	-	4,081,161	4,081,161
Derivative Financial Assets Held for Trading	2,235	3,053,218	36,919	3,092,372
Derivative Financial Assets Held for Hedging Purpose	-	1,001,323	-	1,001,323
<b>Financial Assets at Fair Value</b>	<b>27,415,899</b>	<b>4,249,918</b>	<b>4,231,868</b>	<b>35,897,685</b>
Derivative Financial Liabilities Held for Trading	216	3,167,291	878,978	4,046,485
Funds Borrowed (*)	-	-	12,312,230	12,312,230
Derivative Financial Liabilities Held for Hedging Purpose	-	463,677	-	463,677
<b>Financial Liabilities at Fair Value</b>	<b>216</b>	<b>3,630,968</b>	<b>13,191,208</b>	<b>16,822,392</b>

(\*) Includes financial liabilities measured at FVTPL.

<i>Prior Period</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Assets Available-for-Sale	23,786,851	2,384,564	106,573	26,277,988
Financial Assets Held for Trading	928,020	87	2,717	930,824
Derivative Financial Assets Held for Trading	1,205	1,873,716	72,068	1,946,989
Derivative Financial Assets Held for Risk Management	-	670,720	-	670,720
<b>Financial Assets at Fair Value</b>	<b>24,716,076</b>	<b>4,929,087</b>	<b>181,358</b>	<b>29,826,521</b>
Derivative Financial Liabilities Held for Trading	230	2,855,522	43,070	2,898,822
Funds Borrowed (*)	-	-	9,228,338	9,228,338
Derivative Financial Liabilities Held for Risk Management	-	198,826	-	198,826
<b>Financial Liabilities at Fair Value</b>	<b>230</b>	<b>3,054,348</b>	<b>9,271,408</b>	<b>12,325,986</b>

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The movement of financial assets in Level 3 is presented below.

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>181,356</b>	<b>616,627</b>
Purchases During the Period	18,172	41,085
Disposals Through Sale/Redemptions	(31,345)	(495,861)
Valuation Effect	(17,476)	(3,803)
Transfers	4,081,161	23,310
<b>Balances at End of Period</b>	<b>4,231,868</b>	<b>181,358</b>

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in notes 5.1.6.2.1 and 5.1.18.2. The fair value of this loan is determined by the independent valuation company by considering different methodologies (discounted cash flows, peer market multipliers, similar transaction multipliers in the same sector etc.). Accordingly, the loan is classified as Level 3.

Based on TFRS 9, in order to eliminate the accounting mismatch, the securitized bonds issued are measured at fair value and it is used the valuation of the Turkish Republic's credit default swap (CDS) and Eurobonds together with the Z-spread of the Turkish Republic (TC) and the Bank. The credit default swap (CDS) level is determined based on the remaining maturity.

Regarding valuation of the related securitization transactions, it is determined a reference level which indicates the correlation among the transaction spread at inception date with either of the followings: TC CDS, TC eurobonds, and Z-spreads of the Bank and TC and considered the impact of daily changes in relevant parameters with variation in reference level. Therefore, the fair value of both the securitization transactions and the corresponding Total Return Swap (TRS) transactions are determined as Level 3.

#### **4.9 Transactions carried out on behalf of customers and items held in trust**

None.

#### **4.10 Risk management objectives and policies**

The notes under this caption are prepared as per the "Regulation on Calculation of Risk Management Disclosures" published in the Official Gazette no. 29511 dated 23 October 2015.

##### **4.10.1 Risk management strategy and weighted amounts**

###### **4.10.1.1 Risk management strategy**

Risk Management ensures that; risk management policies and principles are applied and adopted throughout the Bank and its consolidated subsidiaries and that risk management system is maintained and improved which pursues risk-return relationship, and measures all risks together and which is in compliance with applicable regulation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached. Risk Management also ensures that activities to define, measure, report, monitor and control risks are conducted thoroughly and timely; to monitor the results.

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries subject to and the parent Bank's risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Management of various risks that the Bank may be exposed to, including oversight of corporate risk management policies and practices, capital adequacy, planning and liquidity adequacy, is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models.

The Bank's main approach for the implementation of risk management model is establishing risk culture throughout the Bank, and aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for decision making and implementation mechanisms process by all employees.

Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk appetite framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with the consideration of the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed is managed by providing effective control environment and following closely within limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

The Risk Management function conducts the ICAAP report, to be sent to the BRSA by coordinating relevant parties. Stress test report is also reported to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's three year budget plan and results, and certain ratios, including capital adequacy.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and ICAAP generate significant inputs to ensure that risk management culture is widely embraced.

**4.10.1.2 Risk weighted amounts**

		Risk Weighted Amounts		Minimum Capital Requirements
		<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	281,730,318	241,262,479	22,538,425
2	Of which standardised approach (SA)	281,730,318	241,262,479	22,538,425
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,183,396	3,837,586	414,672
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5,183,396	3,837,586	414,672
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	11,473	4,890	918
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	7,781,075	6,748,950	622,486
17	Of which standardised approach (SA)	7,781,075	6,748,950	622,486
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	29,447,081	25,033,623	2,355,766
20	Of which basic indicator approach	29,447,081	25,033,623	2,355,766
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	1,137,058	-
24	Floor adjustment	-	-	-
<b>25</b>	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>324,153,343</b>	<b>278,024,586</b>	<b>25,932,267</b>

(\*) Excluding equity investments in funds and amounts below the thresholds for deductions from capital.

#### 4.10.2 Linkages between financial statements and risk amounts

##### 4.10.2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

<i>Current Period</i>	<i>Carrying values in financial statements prepared as per TAS (*)</i>	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>				<i>Not subject to capital requirements or subject to deduction from capital</i>
		<i>Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (**)</i>	
<b>Assets</b>						
<b>Financial assets (net)</b>	<b>156,051,603</b>	<b>128,751,977</b>	<b>124,268,812</b>	<b>8,009,495</b>	<b>2,434,700</b>	<b>(132,815)</b>
Cash and cash equivalents	91,867,474	72,415,931	72,274,154	141,777	-	-
Financial assets measured at fair value through profit/loss (FVTPL)	876,253	559,876	164,287	101,226	362,015	1,672
Financial assets measured at fair value through other comprehensive income (FVOCI)	28,567,700	27,162,953	27,162,953	3,668,811	-	-
Financial assets measured at amortised cost	23,775,245	24,654,009	24,654,012	45,482	-	-
Derivative financial assets	10,999,951	4,093,695	13,406	4,052,199	2,072,685	-
Non performing financial assets	-	-	-	-	-	-
Expected credit losses (-)	35,020	134,487	-	-	-	134,487
<b>Loans (net)</b>	<b>285,176,472</b>	<b>256,548,861</b>	<b>261,504,261</b>	<b>-</b>	<b>-</b>	<b>(4,955,399)</b>
Loans	276,991,503	247,542,010	247,527,969	-	-	14,041
Lease receivables	7,301,878	6,068,225	6,068,225	-	-	-
Factoring receivables	2,241,870	2,279,270	2,279,271	-	-	-
Non performing receivables	12,565,510	13,753,384	13,753,385	-	-	-
Expected credit losses (-)	13,924,289	13,094,028	8,124,589	-	-	4,969,440
Assets held for sale and assets of discontinued operations (net)	885,671	857,695	857,695	-	-	-
Ownership investments (net)	39,943	132,871	132,873	-	-	-
Tangible assets (net)	6,207,820	4,494,918	4,248,991	-	-	245,928
Intangible assets (net)	426,136	416,072	5,275	-	-	410,796
Investment property (net)	319,705	558,309	558,309	-	-	-
Current tax asset	64,745	175,266	175,266	-	-	-
Deferred tax asset	1,706,855	1,519,177	1,534,297	-	-	(15,120)
Other assets	3,757,694	5,698,455	5,706,225	-	-	(7,777)
<b>Total assets</b>	<b>454,636,644</b>	<b>399,153,601</b>	<b>398,992,004</b>	<b>8,009,495</b>	<b>2,434,700</b>	<b>(4,454,387)</b>
<b>Liabilities</b>						
Deposits	274,594,669	245,016,346	-	-	-	245,016,345
Funds borrowed	50,812,729	33,339,727	-	1,757,546	-	31,582,181
Money market funds	4,374,524	2,634,590	-	1,288,750	22,784	1,345,840

Securities issued (net)	31,180,118	26,911,463	-	-	-	26,911,463
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtpl	12,391,910	12,312,230	-	-	-	12,312,230
Derivative financial liabilities	9,987,516	4,510,162	-	-	-	4,510,162
Factoring payables	-	-	-	-	-	-
Lease payables (net)	-	-	-	-	-	-
Provisions	4,716,947	5,369,512	282,169	-	-	5,087,344
Current tax liability	675,877	646,881	-	-	-	646,881
Deferred tax liability	16,369	19,121	-	-	-	19,121
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	4,582,945	3,977,018	-	-	-	3,977,018
Other liabilities	14,743,061	17,529,709	-	-	19,756	17,509,952
Shareholders' equity	46,559,979	46,886,842	-	-	-	46,886,843
<b>Total liabilities</b>	<b>454,636,644</b>	<b>399,153,601</b>	<b>282,169</b>	<b>3,046,296</b>	<b>42,540</b>	<b>395,805,380</b>

(\*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2018.

(\*\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>					
	<i>Carrying values in financial statements prepared as per TAS (*)</i>	<i>Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (**)</i>	<i>Not subject to capital requirements or subject to deduction from capital</i>
<b>Prior Period</b>						
<b>Assets</b>						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	39,220,034	33,603,641	33,603,641	-	-	-
Financial Assets Held for Trading	3,114,332	2,877,813	72,794	1,873,995	2,081,173	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	11,553,963	19,470,343	19,470,163	-	-	-
Interbank Money Markets Placements	7,313	3,353	-	3,353	-	-
Financial Assets Available-for-Sale	24,699,789	26,277,988	26,104,810	14,788,886	171,784	1,394
Loans	215,442,140	229,353,285	229,322,411	-	-	30,879
Factoring Receivables	3,378,320	3,379,768	3,379,768	-	-	-
Investment Held-to-Maturity	23,025,486	24,314,540	24,314,540	1,010,967	-	-
Investment in Associates	37,291	35,751	35,751	-	-	-
Investment in Subsidiaries	3,097	116,681	116,681	-	-	-
Investment in Joint-Ventures	-	-	-	-	-	-
Lease Receivables	5,775,351	5,788,436	5,788,436	-	-	-

Derivative Financial Assets Held for Risk Management	570,643	670,720	-	670,720	-	-
Tangible Assets	5,490,232	4,096,651	3,965,737	-	-	130,914
Intangible Assets	116,614	379,308	24,024	-	-	355,284
Investment Property	327,993	559,388	559,388	-	-	-
Tax Asset	880,066	467,698	460,317	-	-	7,381
Assets Held for Sale and Assets of Discontinued Operations	835,552	835,552	835,552	-	-	-
Other Assets	2,138,656	4,100,751	4,100,751	-	-	-
<b>Total Assets</b>	<b>336,616,872</b>	<b>356,331,667</b>	<b>352,154,764</b>	<b>18,347,921</b>	<b>2,252,957</b>	<b>525,852</b>
<b>Liabilities</b>						
Deposits	195,155,684	200,773,560	-	-	-	200,773,560
Derivative Financial Liabilities Held for Trading	2,294,937	2,898,822	-	-	-	2,898,822
Funds Borrowed	42,757,908	47,104,719	-	11,838,445	-	35,266,274
Interbank Money Markets	18,505,682	18,637,856	-	1,746,412	16,474	16,891,444
Securities Issued	19,347,705	20,794,452	-	-	-	20,794,452
Funds	-	-	-	-	-	-
Miscellaneous Payables	10,274,769	10,376,346	-	-	-	10,376,346
Other External Fundings Payable	983,676	3,080,350	-	-	28,116	3,052,234
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	235,239	198,826	-	-	-	198,826
Provisions	3,050,325	6,848,102	-	-	-	6,848,102
Tax Liability	478,457	1,163,162	-	-	-	1,163,162
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	2,715,786	2,849,471	-	-	-	2,849,471
Shareholders' Equity	40,816,704	41,606,001	-	-	-	41,606,001
<b>Total Liabilities</b>	<b>336,616,872</b>	<b>356,331,667</b>	<b>-</b>	<b>13,584,857</b>	<b>44,590</b>	<b>342,718,694</b>

(\*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2017.

(\*\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

**4.10.2.2 Major items causing differences between assets and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation**

	<i>Current Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	399,824,368	395,208,384	4,225,875	2,434,700
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	3,783,620	3,783,620	3,783,620	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	3,046,296	-	3,046,296	22,784
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	19,756	-	-	19,756
5	Total Net Amount Under Regulatory Consolidation	400,541,936	398,992,004	4,963,199	2,392,160
6	Off-balance Sheet Amounts (**)	477,934,782	57,418,090	1,850,802	174,424,862
7	Credit Risk Mitigation		(19,720,920)	(10,297)	-
8	Repurchase Transactions Valuation Adjustments		-	110,723	-
<b>9</b>	<b>Risk Amounts</b>		<b>436,689,174</b>	<b>6,914,427</b>	<b>176,817,022</b>

(\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(\*\*) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

	<i>Prior Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	339,991,050	336,339,999	2,533,156	2,252,957
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	15,814,765	15,814,765	15,814,765	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	13,584,857	-	13,584,857	16,474
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	28,116	-	-	28,116
5	Total Net Amount Under Regulatory Consolidation	342,192,842	352,154,764	4,763,064	2,208,367
6	Off-balance Sheet Amounts (**)	300,558,195	44,034,598	1,911,559	178,242,558
7	Credit Risk Mitigation		(20,912,222)	(28,948)	-
8	Repurchase Transactions Valuation Adjustments		-	929,923	-
<b>9</b>	<b>Risk Amounts</b>	<b>642,751,037</b>	<b>375,277,140</b>	<b>7,575,598</b>	<b>180,450,925</b>

(\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(\*\*) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.



**4.10.2.3 Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities**

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

**4.10.3 Consolidated credit risk**

**4.10.3.1 General information on consolidated credit risk**

**4.10.3.1.1 General qualitative information on consolidated credit risk**

The parent Bank's credit risk management policies; under the relevant legislation in line with the Bank's credit strategy approved by the board of directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

Diversification to avoid concentrations are performed while determining the Bank's credit risk profile. Credit portfolios are evaluated depending upon the credit type, managed aggregately during their life cycle. Customer selection is made in accordance with the policies and strategies, affordability of the borrower to fulfil on a timely basis all financial obligations with his expected cash flows from foreseeable specific transactions or from its regular operations; without depending upon guarantors, bails or pledged assets is predicated. Necessary risk rating/scoring models are developed, reviewed and validated for the different portfolios of the Bank. These models are created by ensuring the best separation of the customers in terms of their credibility and grading them using the objective criteria. The outputs of the internal rating and scoring models that developed based on the each portfolio are an important part of the loan approval process.

Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units and committees of headoffice, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written.

Each unit operating in credit risk management is responsible for identifying risks arising from its own process, activities and systems, informing senior management and taking necessary action to reduce risk level.

The general risk policy including the risk appetite and indicators is determined by the board of directors. Risk management is handled, in order to reach the determined targets, by carrying out a continuous monitoring process with a proper classification of risks and customers in scope of the effective management mentality. The limit framework and delegation rules are specified by establishing proper decision systems in order to assess the risks correctly. Optimum limit levels are determined by taking into account the loss and returns during the limit setting process.

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of Credit Risk Management; Corporate and Specialized Loans, Commercial Loans, Commercial Credits Restructuring, Corporate and Specialized Loans Restructuring, Specialized Collections, Commercial Products Collection, Bank and Country Risk, Retail Loans Risk Strategies, SME Loans Risk Strategies , Retail and SME Loans Evaluation,

Retail Products Collection, Risk Planning Monitoring and Reporting, Risk Analytics, Technology and Innovation, Validation, Market Risk and Credit Risk Control and Region Coordination.

In addition, decisions regarding the credit policy in the corporate governance framework are taken by the relevant committees. In this context, there are Wholesale Credit, Risk Committee, Retail Credit, Risk Committee, Risk Management Committee, Risk Technology and Analytics, Committee, Credit Admission Committee and Board of Risk Committee. Allocated limits and conditions that exceeding the limits with their usage, evaluations regarding major risks and non-performing loans with high risk, information regarding NPLs, the data regarding the portfolios of subsidiaries are reported to senior management on a regular basis.

The Risk Management measures, monitors and reports credit risks by using validated probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

The Bank carries out on-site and central controls regarding credit risk by the first level control officers in the Bank's business / support units. First-level control officers periodically report the results of the controls they conduct to the management of the related units and the Internal Unit in accordance with the dual reporting obligation. On-site collateral and contract controls at the branches and functioning controls at the regions regarding credit risk are carried out by branch control team of Internal Control Unit located in the second line of defense. In addition, Risk Management Control which reports to the Risk Management Department conducts periodic controls and assessments on credit risk management as a second level control specialist on compliance with the Bank's credit risk policies, rules and procedures.

#### 4.10.3.1.2 Credit quality of consolidated assets

	<i>Current Period</i>	<i>Gross carrying value in consolidated financial statements prepared as perTAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	13,753,384	322,331,133	8,124,589	327,959,928
2	Debt securities	-	51,633,493	-	51,633,493
3	Off-balance sheet exposures	979,474	86,108,509	285,681	86,802,302
<b>4</b>	<b>Total</b>	<b>14,732,858</b>	<b>460,073,135</b>	<b>8,410,270</b>	<b>466,395,723</b>

	<i>Prior Period</i>	<i>Gross carrying value in consolidated financial statements prepared as perTAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	6,865,295	286,541,848	5,150,970	288,256,173
2	Debt securities	-	50,317,658	-	50,317,658
3	Off-balance sheet exposures	370,339	70,349,735	127,417	70,592,657
<b>4</b>	<b>Total</b>	<b>7,235,634</b>	<b>407,209,241</b>	<b>5,278,387</b>	<b>409,166,488</b>

**4.10.3.1.3 Changes in stock of default loans and debt securities**

	<i>Current Period</i>	<i>Prior Period</i>
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>6,865,295</b>	<b>6,910,833</b>
2 Loans and debt securities defaulted since the last reporting period	12,133,538	3,049,823
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	2,609,320	1,295,891
5 Other changes	2,636,129	1,799,470
<b>6 Defaulted loans and debt securities at end of the reporting period</b>	<b>13,753,384</b>	<b>6,865,295</b>

**4.10.3.1.4 Additional information on credit quality of consolidated assets**

**4.10.3.1.4.1 Qualitative disclosures related to the credit quality of assets**

As explained in accounting policy notes of 3.8 “Disclosures on impairment of financial assets” and 3.8.1 “Calculation of expected credit losses”, the Bank and its financial subsidiaries calculate the expected credit losses in accordance with TFRS 9. At each reporting date, it is assessed whether there is a significant increase in the credit risk of the financial instrument within the scope of impairment since it was initially recognized in the financial statements. In making this assessment, it is used the change in the estimated probability of default of the financial instrument.

A refinancing/restructuring refers to; extending a new loan for the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity; due to current or foreseeable financial difficulties of the borrower or the related risk group.

**4.10.3.1.4.2 Breakdown of exposures by geographical areas, industry and ageing**

Disclosed under section 4.2 credit risk.

**4.10.3.1.4.3 Exposures provisioned against by major regions and sectors**

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Domestic	12,025,758	7,054,030	2,350,117	5,712,104	4,445,293	1,045,411
European Union (EU) Countries	1,205,664	777,215	166,087	931,709	526,027	219,587
OECD Countries	45,261	17,189	93,007	98,470	63,542	1
Off-Shore Banking Regions	341,455	205,245	-	71,710	71,710	-
USA, Canada	50,648	21,892	15	15,740	14,468	-
Other Countries	84,598	49,018	94	35,562	29,930	30,892
<b>Total</b>	<b>13,753,384</b>	<b>8,124,589</b>	<b>2,609,320</b>	<b>6,865,295</b>	<b>5,150,970</b>	<b>1,295,891</b>

<i>Current Period</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
<b>Agriculture</b>	<b>139,855</b>	<b>86,370</b>	<b>85,151</b>
Farming and Stockbreeding	130,388	79,212	85,151
Forestry	3,624	2,807	-
Fishery	5,843	4,351	-
<b>Manufacturing</b>	<b>4,266,207</b>	<b>2,069,273</b>	<b>10,274</b>
Mining and Quarrying	106,649	100,269	-
Production	1,743,563	1,227,837	10,273
Electricity, Gas and Water	2,415,995	741,167	1
<b>Construction</b>	<b>977,191</b>	<b>693,935</b>	<b>8,784</b>
<b>Services</b>	<b>4,376,855</b>	<b>2,628,436</b>	<b>2,113,824</b>
Wholesale and Retail Trade	1,560,857	1,104,859	13,442
Accommodation and Dining	322,257	162,696	29
Transportation and Telecommunication	1,193,783	761,676	2,100,224
Financial Institutions	108,514	54,039	53
Real Estate and Rental Services	1,112,740	437,669	43
Professional Services	750	43,151	-
Educational Services	40,513	32,262	-
Health and Social Services	37,441	32,084	33
<b>Others</b>	<b>3,993,276</b>	<b>2,646,575</b>	<b>391,287</b>
<b>Total</b>	<b>13,753,384</b>	<b>8,124,589</b>	<b>2,609,320</b>

<i>Prior Period</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
<b>Agriculture</b>	<b>160,599</b>	<b>100,655</b>	<b>526,169</b>
Farming and Stockbreeding	156,568	97,783	522,314
Forestry	2,410	1,615	3,370
Fishery	1,621	1,257	485
<b>Manufacturing</b>	<b>912,454</b>	<b>574,132</b>	<b>202,793</b>
Mining and Quarrying	88,013	65,284	15,595
Production	656,486	423,969	186,364
Electricity, Gas and Water	167,955	84,879	834
<b>Construction</b>	<b>495,930</b>	<b>382,018</b>	<b>66,461</b>
<b>Services</b>	<b>2,227,221</b>	<b>1,353,622</b>	<b>290,555</b>
Wholesale and Retail Trade	1,126,253	706,853	213,443
Accommodation and Dining	216,329	85,017	25,455
Transportation and Telecommunication	740,736	469,144	40,655
Financial Institutions	27,458	20,568	531
Real Estate and Rental Services	42,480	21,178	985
Professional Services	4,737	1,504	54
Educational Services	40,685	30,600	973
Health and Social Services	28,543	18,758	8,459
<b>Others</b>	<b>3,069,091</b>	<b>2,740,543</b>	<b>209,913</b>
<b>Total</b>	<b>6,865,295</b>	<b>5,150,970</b>	<b>1,295,891</b>

#### 4.10.3.1.4.4 Ageing of past-due exposures

<i>Current Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	2,183,178	4,607,446	1,976,670	759,216	636,270
Retail Loans	377,469	579,340	630,798	278,965	296,336
Credit Cards	571	123,909	558,243	179,601	136,182
Others	41,021	78,435	298,477	6,084	5,173
<b>Total</b>	<b>2,602,239</b>	<b>5,389,130</b>	<b>3,464,188</b>	<b>1,223,866</b>	<b>1,073,961</b>

<i>Prior Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	581,187	691,120	1,882,754	401,205	485,413
Retail Loans	213,645	461,084	616,406	188,672	230,796
Credit Cards	96,476	260,655	347,051	112,738	134,997
Others	17,937	37,149	91,587	10,815	3,608
<b>Total</b>	<b>909,245</b>	<b>1,450,008</b>	<b>2,937,798</b>	<b>713,430</b>	<b>854,814</b>

#### 4.10.3.2 Consolidated credit risk mitigation

##### 4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques

Parent bank assesses the cash flow of the activity or investment subject to credit as the primary repayment source during the credit assignment process.

Calculating the value of the collateral depends on margins determined according to market and FX risks. Standard margins in use throughout the Bank are specific to type of the collateral and changes according to the currency of the collateral.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Operational transactions are handled by centralized Operation unit (ABACUS). During the credit utilization, compliance of all conditions between credit decision and credit utilization (such as collateral conditions) are controlled systematically.

The Bank monitors up to date value of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and risk besides creditworthiness of the customer.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or cash equivalents, real estate mortgages, high quality securities and Credit Guarantee Fund suretyship having Treasury guarantee, have been used in credit risk mitigation.

##### 4.10.3.2.2 Consolidated credit risk mitigation techniques

<i>Current Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1 Loans	290,208,872	37,751,056	33,161,024	10,664,702	10,664,702	-	-
2 Debt securities	51,633,493	-	-	-	-	-	-
<b>3 Total</b>	<b>341,842,365</b>	<b>37,751,056</b>	<b>33,161,024</b>	<b>10,664,702</b>	<b>10,664,702</b>	-	-
4 Of which defaulted	13,626,817	126,567	9,388	-	-	-	-

	<i>Prior Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	248,903,161	39,353,012	34,304,927	11,427,381	11,427,381	-	-
2	Debt securities	50,317,658	-	-	-	-	-	-
3	<b>Total</b>	<b>299,220,819</b>	<b>39,353,012</b>	<b>34,304,927</b>	<b>11,427,381</b>	<b>11,427,381</b>	-	-
4	Of which defaulted	6,755,250	110,045	8,520	-	-	-	-

#### 4.10.3.3 Consolidated credit risk under standardised approach

##### 4.10.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Rating notes issued by Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

<i>Credit Quality Level</i>	<i>Fitch Ratings long term credit rating</i>	<i>Risk Classes</i>			
		<i>Exposures to Central Governments or Central Banks</i>	<i>Exposures to Banks and Brokerage Houses</i>		<i>Exposures to Corporates</i>
			<i>Exposures with Original Maturities Less Than 3 Months</i>	<i>Exposures with Original Maturities More Than 3 Months</i>	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.10.3.3.2 Consolidated credit risk exposure and credit risk mitigation techniques

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Risk Classes						
1	Exposures to sovereigns and their central banks	101,281,521	276,670	111,908,918	140,012	20,672,098	%18
2	Exposures to regional and local governments	240,817	-	237,051	-	183,399	%77
3	Exposures to administrative bodies and non-commercial entities	364,005	58,762	364,004	19,126	383,130	%100
4	Exposures to multilateral development banks	1,026,645	-	1,026,645	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	21,268,683	26,050,247	21,137,322	3,237,374	8,260,285	%34
7	Exposures to corporates	138,338,899	61,484,116	131,834,885	30,039,376	159,741,340	%99
8	Retail exposures	83,923,010	52,083,964	77,301,528	5,082,863	61,786,740	%75
9	Exposures secured by residential property	18,263,477	7,416	18,255,253	7,102	6,391,824	%35
10	Exposures secured by commercial property	14,820,162	2,353,873	14,652,949	1,560,078	10,252,377	%63
11	Past-due items	4,547,633	354	4,547,424	-	3,841,354	%84
12	Exposures in high-risk categories	1,090,793	716,514	1,086,417	424,490	2,025,215	%134
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	52,015	-	52,015	-	11,473	%22
16	Shares	373,437	-	373,437	-	373,437	%100
17	Other exposures	13,400,906	-	13,400,906	-	7,819,119	%58
18	<b>Total</b>	<b>398,992,003</b>	<b>143,031,916</b>	<b>396,178,754</b>	<b>40,510,421</b>	<b>281,741,791</b>	

	<i>Prior Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	<b>Risk Classes</b>						
1	Exposures to sovereigns and their central banks	81,704,085	176,554	93,044,942	91,577	12,733,203	14%
2	Exposures to regional and local governments	122,898	3,415	119,620	1,695	60,658	50%
3	Exposures to administrative bodies and non-commercial entities	299,434	65,505	299,431	16,419	315,849	100%
4	Exposures to multilateral development banks	202,781	-	202,781	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	20,702,340	17,085,257	16,279,490	2,228,308	9,811,319	53%
7	Exposures to corporates	121,902,879	53,142,446	114,143,606	22,189,719	134,334,858	99%
8	Retail exposures	77,406,533	46,090,805	71,466,831	4,143,535	56,705,522	75%
9	Exposures secured by residential property	20,531,592	110,465	20,517,716	56,942	7,201,113	35%
10	Exposures secured by commercial property	16,583,733	2,153,453	16,349,582	1,381,721	10,919,725	62%
11	Past-due items	1,161,094	54	1,160,452	-	1,028,608	89%
12	Exposures in high-risk categories	590,381	100,946	590,312	45,446	830,703	131%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	44,516	-	44,516	-	4,890	11%
16	Shares	164,293	-	164,293	-	164,293	100%
17	Other exposures	10,283,383	-	10,283,383	-	7,156,628	70%
<b>18</b>	<b>Total</b>	<b>351,699,942</b>	<b>118,928,900</b>	<b>344,666,955</b>	<b>30,155,362</b>	<b>241,267,369</b>	



4.10.3.3 Consolidated exposures by asset classes and risk weights

	Regulatory portfolio Current Period	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	91,368,335	-	9	-	16,980	-	20,663,606	-	-	-	112,048,930
2	Exposures to regional and local government	-	-	-	-	107,304	-	129,747	-	-	-	237,051
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	383,130	-	-	-	383,130
4	Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	17,733,616	-	3,855,035	-	2,786,045	-	-	-	24,374,696
7	Exposures to corporates	7,586	-	504,307	-	3,443,783	-	157,918,585	-	-	-	161,874,261
8	Retail exposures	-	-	2	-	6,204	82,378,185	-	-	-	-	82,384,391
9	Exposures secured by residential property	-	-	-	18,262,355	-	-	-	-	-	-	18,262,355
10	Exposures secured by commercial property	-	-	-	-	11,921,300	-	4,291,727	-	-	-	16,213,027
11	Past-due items	-	-	-	-	1,412,142	-	3,135,282	-	-	-	4,547,424
12	Exposures in high-risk categories	-	-	-	-	50,020	-	382,251	1,078,636	-	-	1,510,907
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	40,542	-	-	-	-	-	11,473	-	-	-	52,015
16	Shares	-	-	-	-	-	-	373,437	-	-	-	373,437
17	Other exposures	5,581,424	-	455	-	-	-	7,819,027	-	-	-	13,400,906
18	<b>Total</b>	<b>98,024,532</b>	-	<b>18,238,389</b>	<b>18,262,355</b>	<b>20,812,768</b>	<b>82,378,185</b>	<b>197,894,310</b>	<b>1,078,636</b>	-	-	<b>436,689,175</b>

	<b>Regulatory portfolio Prior Period</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% secured by property mortgage</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Others</b>	<b>Total risk amount (post-CCF and CRM)</b>
1	Exposures to sovereigns and their central banks	80,351,650	-	33,729	-	49,365	-	12,701,775	-	-	-	93,136,519
2	Exposures to regional and local government	-	-	-	-	121,314	-	1	-	-	-	121,315
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	315,850	-	-	-	315,850
4	Exposures to multilateral development banks	202,781	-	-	-	-	-	-	-	-	-	202,781
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	7,669,767	-	5,121,332	-	5,716,699	-	-	-	18,507,798
7	Exposures to corporates	-	-	479,348	-	3,229,975	-	132,624,002	-	-	-	136,333,325
8	Retail exposures	-	-	-	-	9,078	75,601,288	-	-	-	-	75,610,366
9	Exposures secured by residential property	-	-	-	20,574,658	-	-	-	-	-	-	20,574,658
10	Exposures secured by commercial property	-	-	-	-	13,623,154	-	4,108,149	-	-	-	17,731,303
11	Past-due items	-	-	-	-	263,688	-	896,764	-	-	-	1,160,452
12	Exposures in high-risk categories	-	-	-	-	91,175	-	63,520	481,063	-	-	635,758
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	39,626	-	-	-	-	-	4,890	-	-	-	44,516
16	Shares	-	-	-	-	-	-	164,293	-	-	-	164,293
17	Other exposures	3,126,512	-	305	-	-	-	7,156,566	-	-	-	10,283,383
18	<b>Total</b>	<b>83,720,569</b>	-	<b>8,183,149</b>	<b>20,574,658</b>	<b>22,509,081</b>	<b>75,601,288</b>	<b>163,752,509</b>	<b>481,063</b>	-	-	<b>374,822,317</b>

#### **4.10.4 Consolidated counterparty credit risk**

##### **4.10.4.1 Qualitative disclosure on consolidated counterparty credit risk**

Counterparty credit risk management policies include evaluating and monitoring risk developments, taking necessary measures, setting risk limits, ensuring that the risks remain within the limits, and establishing required reporting, control and audit mechanisms by using the methods aligned with both international standards and local regulations. The policies regarding counterparty credit risk measurement, monitoring, and limit settings are defined by the board of directors.

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by the Market Risk and Credit Risk Control units on product, country, counterparty and counterparty type basis.

International framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms in order to mitigate the counterparty credit risk.

4.10.4.2 Consolidated counterparty credit risk (CCR) approach analysis

	<i>Current Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	4,052,199	1,850,802		1.4	5,892,703	3,178,238
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,021,723	27,727
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	<b>Total</b>						<b>3,205,965</b>

	<i>Prior Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	2,516,682	1,911,559		1.4	4,399,294	2,225,032
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					3,176,304	179,160
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6</b>	<b>Total</b>						<b>2,404,192</b>

**4.10.4.3 Consolidated capital requirement for credit valuation adjustment (CVA)**

	<i>Current Period</i>		<i>Prior Period</i>	
	<i>EAD post-CRM</i>	<i>RWA</i>	<i>EAD post-CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)		-		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-		-
3 All portfolios subject to the Standardised CVA capital obligation	5,971,031	1,977,431	4,359,261	1,433,394
<b>4 Total subject to the CVA capital obligation</b>	<b>5,971,031</b>	<b>1,977,431</b>	<b>4,359,261</b>	<b>1,433,394</b>

**4.10.4.4 Consolidated CCR exposures by risk class and risk weights**

Current Period	Risk weight								Total credit exposure
	0%	10%	20%	50%	75%	100%	150%	Other	
Exposures to sovereigns and their central banks	5,018	-	-	-	-	3,026	-	-	8,044
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	6,267	-	-	6,267
Exposures to multilateral development banks	961,643	-	-	-	-	-	-	-	961,643
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,005,050	3,612,386	-	31,991	-	-	4,649,427
Exposures to corporates	-	-	1,991	251,878	-	1,019,037	-	-	1,272,906
Retail exposures	-	-	-	-	16,139	-	-	-	16,139
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>966,661</b>	<b>-</b>	<b>1,007,041</b>	<b>3,864,264</b>	<b>16,139</b>	<b>1,060,321</b>	<b>-</b>	<b>-</b>	<b>6,914,426</b>

<i>Prior Period</i>	<b>Risk weight</b>								<i>Total credit exposure</i>
	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	
<b>Regulatory portfolio</b>	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	<i>Total credit exposure</i>
Exposures to sovereigns and their central banks	2,192,204	-	-	-	-	16,689	-	-	2,208,893
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	5	-	-	5
Exposures to multilateral development banks	563,446	-	-	-	-	-	-	-	563,446
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,172,619	2,873,700	-	51,732	-	-	4,098,051
Exposures to corporates	-	-	59	74,278	-	616,356	-	-	690,693
Retail exposures	-	-	-	-	14,510	-	-	-	14,510
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,755,650</b>	<b>-</b>	<b>1,172,678</b>	<b>2,947,978</b>	<b>14,510</b>	<b>684,782</b>	<b>-</b>	<b>-</b>	<b>7,575,598</b>

#### 4.10.4.5 Collaterals for consolidated CCR

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	3,873	-	-	-	573,506	35,601
Cash-foreign currency	6,423	-	-	-	2,472,790	138,078
Domestic sovereign debts	-	-	-	-	35,601	2,523,445
Other sovereign debts	-	-	-	-	133,470	1,160,491
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>10,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,215,367</b>	<b>3,857,615</b>

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	6,514	-	-	-	10,855,261	16,474
Cash-foreign currency	22,433	-	-	-	2,728,579	-
Domestic sovereign debts	-	-	-	-	16,474	14,428,461
Other sovereign debts	-	-	-	-	-	794,108
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	592,173
<b>Total</b>	<b>28,947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,600,314</b>	<b>15,831,216</b>

#### 4.10.4.6 Consolidated credit derivatives

Notionals	Current Period		Prior Period	
	Protection bought	Protection sold	Protection bought	Protection sold
Single-name credit default swaps	-	-	75,516	-
Index credit default swaps	-	-	-	-
Total return swaps	-	13,092,251	-	9,272,286
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
<b>Total Notionals</b>	<b>-</b>	<b>13,092,251</b>	<b>75,516</b>	<b>9,272,286</b>
<b>Fair Values</b>	<b>-</b>	<b>(868,451)</b>	<b>(628)</b>	<b>(4,093)</b>
Positive fair values (asset)	-	10,527	-	38,977
Negative fair values (liability)	-	(878,978)	(628)	(43,070)

#### 4.10.5 Consolidated securitisations

None.

#### 4.10.6 Consolidated market risk

##### 4.10.6.1 Qualitative disclosure on consolidated market risk

Market risk is managed in accordance with the strategy and policies defined by the Parent Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the market risk management. Market risk strategy and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk policy and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

Market risk is managed through measuring the risks in parallel with the international standards, setting the limits, capital reserving and additionally through mitigating via hedging transactions.

The Market Risk function under Market Risk and Credit Risk Control Unit monitors the activities of Treasury Unit via risk reports and the limits approved by the board of directors.

Market Risk, which is defined as the risk arising from the price fluctuations in balance sheet and off-balance sheet trading positions, is being calculated and reported daily via Value at Risk (VaR) Model.

##### 4.10.6.2 Consolidated market risk under standardised approach

		RWA (*)	
		Current Period	Prior Period
	Outright products	7,539,925	6,570,025
1	Interest rate risk (general and specific)	1,550,224	922,187
2	Equity risk (general and specific)	228,988	132,675
3	Foreign exchange risk	5,589,925	5,437,825
4	Commodity risk	170,788	77,338
	Options	241,150	178,925
5	Simplified approach	-	-
6	Delta-plus method	241,150	178,925
7	Scenario approach	-	-
8	Securitisation	-	-
9	<b>Total</b>	<b>7,781,075</b>	<b>6,748,950</b>

(\*) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks calculated their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance affiliate is lesser, consolidated equity and the amounts subject to the market risk are calculated based on the consolidated financial statements including the insurance affiliate.

#### 4.10.7 Consolidated operational risk

The value at consolidated operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and income derived from insurance claims.

Current Period	31.12.2015	31.12.2016	31.12.2017	Total/ No. of Years of Positive Gross Income	Rate (%)	Total	
Gross Income	12,929,126	15,526,497	18,659,707	15,705,110	15	2,355,766	
<b>Value at Operational Risk (Total x % 12.5)</b>						116	29,447,081



<i>Prior Period</i>	31.12.2014	31.12.2015	31.12.2016	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	11,598,174	12,929,126	15,526,497	13,351,265	15	2,002,690
<b>Value at Operational Risk (Total x % 12.5)</b>						25,033,623

#### 4.10.8 Consolidated banking book interest rate risk

##### 4.10.8.1 *Nature of interest rate risk resulting from banking book, major assumptions on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk*

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the Weekly Review Committee and Monthly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

The interest rate risk resulting from the banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from the Banking Book as per Standard Shock Method” published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

Branches and lines of business are eliminated from interest rate risk through the transfer pricing system and these risks are transferred to the Asset and Liability Management Department (ALM) and managed by ALM in a central structure.

**4.10.8.2 Economic value differences resulted from interest rate instabilities calculated on a bank-only basis according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method**

<i>Current Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500 bps	(3,575,813)	(6.71) %
2	TL	(-) 400 bps	3,313,745	6.22%
3	USD	(+) 200 bps	125,277	0.24%
4	USD	(-) 200 bps	(97,656)	(0.18) %
5	EUR	(+) 200 bps	31,038	0.06%
6	EUR	(-) 200 bps	9,549	0.02%
<b>Total (of negative shocks)</b>			<b>3,225,638</b>	<b>6.06%</b>
<b>Total (of positive shocks)</b>			<b>(3,419,498)</b>	<b>(6.41) %</b>

<i>Prior Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500 bps	(4,855,405)	(10.47)%
2	TL	(-) 400 bps	4,598,875	9.91%
3	USD	(+) 200 bps	(98,558)	(0.21)%
4	USD	(-) 200 bps	256,656	0.55%
5	EUR	(+) 200 bps	(36,553)	(0.08)%
6	EUR	(-) 200 bps	158,193	0.34%
<b>Total (of negative shocks)</b>			<b>5,013,724</b>	<b>10.81%</b>
<b>Total (of positive shocks)</b>			<b>(4,990,516)</b>	<b>(10.76)%</b>

**4.10.9 Remuneration policy**

**4.10.9.1 Qualitative disclosures regarding remuneration policies**

**4.10.9.1.1 Disclosures related with Remuneration Committee**

The Bank's Remuneration Committee is comprised of two non-executive members of the board. The committee convenes for three times during the year. The duties and responsibilities of the Committee include the following:

- To conduct the necessary monitoring and audit process in order to ensure that the remuneration policy and practices are implemented in accordance with the related laws and regulations and risk management principles;
- To review and if necessary, revise the remuneration policy at least once a year in order to ensure its compliance with the laws and regulations or market practices in Turkey;
- To determine and approve remuneration packages of the executive and non-executive Board of Directors, Chief Executive Officer and Executive Vice Presidents;
- To follow up the revision requirements of the policies, procedures and regulations related with its areas of responsibility and to take actions in order to ensure that they are kept updated.

The Bank has received consultancy service for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank board members, senior management and the Bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; and by the end of 2018, the number of identified staff is 28.

**4.10.9.1.2 Information on the design and structure of remuneration process**

The Bank relies on the following values while managing its Remuneration Policy. These values are considered in all compensation practices.

- a. Fair
- b. Transparent
- c. Based on measurable and balanced performance targets
- d. Encouraging sustainable success
- e. In line with the Bank Risk Management Principles

The main objective of the Remuneration Policy is to maintain the internal and external balances in the remuneration structure. Internal balance is ensured with the principles of “equal pay for equal work” and performance-based remuneration”. As for external balance, the data obtained from employee reward and benefit researches conducted by independent research organizations are taken into account.

The Remuneration Policy of 2018 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

#### ***4.10.9.1.3 Evaluation about how the bank’s remuneration processes take the current and future risks into account***

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank’s long-term objectives and risk management structures and avoiding excessive risk-taking.

#### ***4.10.9.1.4 Evaluation about how the Bank associates variable remunerations with performance***

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank’s performance criteria and BBVA Group’s performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

#### ***4.10.9.1.5 Evaluation about the bank’s methods to adjust remunerations according to long-term performance***

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the “Guidelines on Sound Remuneration Practices in Banks” that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

#### ***4.10.9.1.6 Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments***

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the “Guidelines on Sound Remuneration Practices in Banks” variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2018, BBVA shares are taken as reference for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

## 5 Disclosures and Footnotes on Consolidated Financial Statements

### 5.1 Consolidated assets (Current Period)

#### 5.1.1 Cash and balances with Central Bank

	<i>Current Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,562,395	2,510,393
Central Bank of Turkey	1,253,438	34,549,115
Others	-	1,745,697
<b>Total</b>	<b>2,815,833</b>	<b>38,805,205</b>

#### *Balances with the Central Bank of Turkey*

	<i>Current Period</i>	
	TL	FC
Unrestricted Demand Deposits	1,253,438	13,261,434
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	21,287,681
<b>Total</b>	<b>1,253,438</b>	<b>34,549,115</b>

The reserve deposits kept as per the Communiqué no. 2005/1 “Reserve Deposits” of the Central Bank of Turkey in Turkish Lira, foreign currencies and gold, are included in the table above.

#### 5.1.2 Financial assets at fair value through profit/loss

##### 5.1.2.1 *Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked*

	<i>Current Period</i>	
	TL	FC
Collateralised/Blocked Assets	20,931	-
Assets Subject to Repurchase Agreements	1,605	-
<b>Total</b>	<b>22,536</b>	<b>-</b>

##### 5.1.2.2 *Positive differences on derivative financial assets held for trading*

Information on positive differences on derivative financial assets held for trading classified in derivative financial assets is as follows;

	<i>Current Period</i>	
	TL	FC
Forward Transactions	448,841	7,594
Swap Transactions	1,276,047	675,303
Futures	351	2,235
Options	365,849	307,327
Others	-	8,825
<b>Total</b>	<b>2,091,088</b>	<b>1,001,284</b>

##### 5.1.2.3 *Other notes on financial assets measured at fair value through profit/loss*

None.

### 5.1.3 Banks

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Banks		
Domestic banks	655,552	1,015,795
Foreign banks	302,765	28,678,788
Foreign headoffices and branches	-	-
<b>Total</b>	<b>958,317</b>	<b>29,694,583</b>

#### *Due from foreign banks*

	<b>Unrestricted Balances</b>	<b>Restricted Balances</b>
	<i>Current Period</i>	<i>Current Period</i>
EU Countries	11,099,806	10,676,478
USA, Canada	5,272,623	50,653
OECD Countries (1)	111,401	-
Off-shore Banking Regions	1,348,670	146,033
Others	275,889	-
<b>Total</b>	<b>18,108,389</b>	<b>10,873,164</b>

(\*) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 10,873,164 thousands of which TL 5,419,705 thousands and TL 146,033 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,307,426 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 418,844 thousands as required for insurance activities

### 5.1.4 Financial assets measured at fair value through other comprehensive income

#### 5.1.4.1 *Financial assets subject to repurchase agreements and provided as collateral/blocked*

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Assets	4,499,538	887,649
Assets subject to Repurchase Agreements	-	1,160,491
<b>Total</b>	<b>4,499,538</b>	<b>2,048,140</b>

#### 5.1.4.2 *Details of financial assets measured at fair value through other comprehensive income*

	<i>Current Period</i>
<b>Debt Securities</b>	<b>24,406,840</b>
Quoted at Stock Exchange	24,397,449
Unquoted at Stock Exchange	9,391
<b>Common Shares/Investment Fund</b>	<b>118,891</b>
Quoted at Stock Exchange	4,491
Unquoted at Stock Exchange	114,400
<b>Value Increase/Impairment Losses (-)</b>	<b>2,637,222</b>
<b>Total</b>	<b>27,162,953</b>

## 5.1.5 Expected credit losses for financial assets

### 5.1.5.1 Expected credit loss for banks

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>11,325</b>	-	-	<b>11,325</b>
Additions during the Period (+)	164,127	101	-	164,228
Disposal (-)	(100,332)	(43)	-	(100,375)
Transfer to Stage1	7	(7)	-	-
Transfer to Stage 2	(45)	45	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	5,166	18	-	5,184
<b>Balances at End of Period</b>	<b>80,248</b>	<b>114</b>	-	<b>80,362</b>

### 5.1.5.2 Expected credit loss for financial assets measured at amortised cost

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>16,907</b>	-	-	<b>16,907</b>
Additions during the Period (+)	51,066	-	-	51,066
Disposal (-)	(15,193)	-	-	(15,193)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,345	-	-	1,345
<b>Balances at End of Period</b>	<b>54,125</b>	-	-	<b>54,125</b>

Expected losses of TL 46,834 thousands is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

## 5.1.6 Loans

### 5.1.6.1 Loans and advances to shareholders and employees of the Bank

	<i>Current Period</i>	
	<b>Cash Loans</b>	<b>Non-Cash Loans</b>
<b>Direct Lendings to Shareholders</b>	<b>105</b>	<b>554,268</b>
Corporates	105	554,268
Individuals	-	-
<b>Indirect Lendings to Shareholders</b>	<b>83,167</b>	<b>33,234</b>
<b>Loans to Employees</b>	<b>342,015</b>	<b>95</b>
<b>Total</b>	<b>425,287</b>	<b>587,597</b>

**5.1.6.2 Performing loans and loans under follow-up including restructured loans, and provisions allocated for such loans**

**5.1.6.2.1 Loans measured at fair value through profit or loss**

Current Period	Net book Value
Loans measured at fair value through profit or loss (*)	4,081,161

(\*) As details included in Note 5.1.18.2, includes the loan provided to a special purpose entity. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

**5.1.6.2.2 Loans measured at amortised cost**

Current Period	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
Cash Loans			Revised Contract Terms	Refinanced
<b>Loans</b>	<b>205,720,350</b>	<b>29,217,404</b>	<b>5,290,795</b>	<b>3,232,300</b>
Working Capital Loans	36,568,395	4,235,931	160,115	1,325,619
Export Loans	16,681,358	994,464	34,143	78,698
Import Loans	1,138,195	-	-	-
Loans to Financial Sector	3,549,441	1,413,828	-	-
Consumer Loans	44,497,212	7,536,368	466,539	26,230
Credit Cards	21,560,045	3,313,539	524,453	-
Others	81,725,704	11,723,274	4,105,545	1,801,753
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>7,375,813</b>	<b>724,252</b>	<b>234,738</b>	<b>12,692</b>
<b>Total</b>	<b>213,096,163</b>	<b>29,941,656</b>	<b>5,525,533</b>	<b>3,244,992</b>

Current Period	Performing Loans	Loans Under Follow-Up
12-Month ECL (Stage 1)	942,150	-
Significant Increase in Credit Risk (Stage 2)	-	4,027,289

As of 31 December 2018, loans amounting to TL 9,470,147 thousands are benefited as collateral under funding transactions.

*Collaterals received for loans under follow-up*

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	457,023	30,031	-	487,054
Loans Collateralized by Mortgages / Shares	12,572,700	3,679,534	-	16,252,234
Loans Collateralized by Pledged Assets	1,591,381	280,990	-	1,872,371
Loans Collateralized by Cheques and Notes	160,108	5,465	-	165,573
Loans Collateralized by Other Collaterals	8,137,907	3,386,065	-	11,523,972
Unsecured Loans	3,925,933	647,052	3,837,992	8,410,977
<b>Total</b>	<b>26,845,052</b>	<b>8,029,137</b>	<b>3,837,992</b>	<b>38,712,181</b>

*Delinquency periods of loans under follow-up*

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	3,730,224	1,803,644	264,827	5,798,695
61-90 days	680,448	389,255	83,782	1,153,485
Other	22,434,380	5,836,238	3,489,383	31,760,001
<b>Total</b>	<b>26,845,052</b>	<b>8,029,137</b>	<b>3,837,992</b>	<b>38,712,181</b>

*Loans with extended payment plans*

<i>Current Period</i>	Performing Loans	Loans under Follow-up
No. of Contract Revisions for Extension of Payment Plan		
1 or 2 times	4,328,774	8,347,467
3, 4 or 5 times	-	646,898
Over 5 times	-	1,031
<b>Total</b>	<b>4,328,774</b>	<b>8,995,396</b>

<i>Current Period</i>	Performing Loans	Loans under Follow-up
Periods extended due to Payment Plan		
0 - 6 months	1,734,110	4,818,084
6 - 12 months	378,632	247,646
1 - 2 years	858,121	533,543
2 - 5 year	1,348,157	2,863,920
5 years and over	9,754	532,203
<b>Total</b>	<b>4,328,774</b>	<b>8,995,396</b>

**5.1.6.3 Maturity analysis of cash loans**

<i>Current Period</i>	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
<b>Short-Term Loans</b>	<b>72,388,841</b>	<b>35,376</b>	<b>8,546,097</b>	<b>533,079</b>
Loans	69,155,450	34,962	8,283,690	428,910
Specialization Loans	-	-	-	-
Other Receivables	3,233,391	414	262,407	104,169
<b>Medium and Long-Term Loans</b>	<b>136,357,600</b>	<b>4,314,346</b>	<b>20,947,306</b>	<b>8,685,699</b>
Loans	132,216,011	4,313,927	20,485,461	8,542,438
Specialization Loans	-	-	-	-
Other Receivables	4,141,589	419	461,845	143,261
<b>Total</b>	<b>208,746,441</b>	<b>4,349,722</b>	<b>29,493,403</b>	<b>9,218,778</b>



**5.1.6.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards**

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>1,295,735</b>	<b>44,106,240</b>	<b>45,401,975</b>
Housing Loans	18,821	21,441,927	21,460,748
Automobile Loans	313,159	2,003,166	2,316,325
General Purpose Loans	962,761	20,661,147	21,623,908
Others	994	-	994
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>187,534</b>	<b>187,534</b>
Housing Loans	-	187,529	187,529
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>508,295</b>	<b>4,384,838</b>	<b>4,893,133</b>
Housing Loans	8,262	2,546,300	2,554,562
Automobile Loans	69	20,371	20,440
General Purpose Loans	23,127	1,298,365	1,321,492
Others	476,837	519,802	996,639
<b>Retail Credit Cards – TL</b>	<b>19,855,372</b>	<b>418,644</b>	<b>20,274,016</b>
With Installment	8,950,810	418,644	9,369,454
Without Installment	10,904,562	-	10,904,562
<b>Retail Credit Cards – FC</b>	<b>175,423</b>	<b>179,648</b>	<b>355,071</b>
With Installment	-	-	-
Without Installment	175,423	179,648	355,071
<b>Personnel Loans – TL</b>	<b>20,871</b>	<b>118,191</b>	<b>139,062</b>
Housing Loan	-	1,566	1,566
Automobile Loans	-	41	41
General Purpose Loans	20,871	116,584	137,455
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,898</b>	<b>78,404</b>	<b>80,302</b>
Housing Loans	131	33,383	33,514
Automobile Loans	-	-	-
General Purpose Loans	487	34,307	34,794
Others	1,280	10,714	11,994
<b>Personnel Credit Cards – TL</b>	<b>116,405</b>	<b>702</b>	<b>117,107</b>
With Installment	41,469	702	42,171
Without Installment	74,936	-	74,936
<b>Personnel Credit Cards – FC</b>	<b>1,904</b>	<b>3,640</b>	<b>5,544</b>
With Installment	-	-	-
Without Installment	1,904	3,640	5,544
<b>Deposit Accounts– TL (Real Persons)</b>	<b>1,824,343</b>	<b>-</b>	<b>1,824,343</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>23,800,246</b>	<b>49,477,841</b>	<b>73,278,087</b>

**5.1.6.5 Installment based commercial loans and corporate credit cards**

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,436,233</b>	<b>13,287,526</b>	<b>14,723,759</b>
Real Estate Loans	3,975	671,981	675,956
Automobile Loans	145,927	1,936,508	2,082,435
General Purpose Loans	1,286,331	10,679,037	11,965,368
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>59,349</b>	<b>2,042,190</b>	<b>2,101,539</b>
Real Estate Loans	-	65,534	65,534
Automobile Loans	346	779,742	780,088
General Purpose Loans	59,003	1,196,914	1,255,917
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>1,553,276</b>	<b>3,024,785</b>	<b>4,578,061</b>
Real Estate Loans	-	-	-
Automobile Loans	-	18,993	18,993
General Purpose Loans	81	84,424	84,505
Others	1,553,195	2,921,368	4,474,563
<b>Corporate Credit Cards – TL</b>	<b>4,584,616</b>	<b>38,066</b>	<b>4,622,682</b>
With Installment	1,813,744	38,066	1,851,810
Without Installment	2,770,872	-	2,770,872
<b>Corporate Credit Cards – FC</b>	<b>23,617</b>	<b>-</b>	<b>23,617</b>
With Installment	-	-	-
Without Installment	23,617	-	23,617
<b>Deposit Accounts– TL (Corporates)</b>	<b>1,460,204</b>	<b>-</b>	<b>1,460,204</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>9,117,295</b>	<b>18,392,567</b>	<b>27,509,862</b>

**5.1.6.6 Allocation of loans by customers**

	<b>Current Period</b>
Public Sector	688,405
Private Sector (*)	255,201,100
<b>Total</b>	<b>255,889,505</b>

(\*)Includes loans measured at fair value through profit or loss.

**5.1.6.7 Allocation of domestic and foreign loans**

	<i>Current Period</i>
Domestic Loans (*)	233,002,614
Foreign Loans	22,886,891
<b>Total</b>	<b>255,889,505</b>

(\*)Includes loans measured at fair value through profit or loss.

**5.1.6.8 Loans to associates and subsidiaries**

	<i>Current Period</i>
Direct Lending	4,246,254
Indirect Lending	-
<b>Total</b>	<b>4,246,254</b>

**5.1.6.9 Provision allocated for non-performing loans (Stage 3)**

	<i>Current Period</i>
Substandard Loans- Limited Collectibility	1,362,987
Doubtful Loans	2,366,903
Uncollectible Loans	4,394,699
<b>Total</b>	<b>8,124,589</b>

**5.1.6.10 Non-performing loans (NPLs) (net)**

*Non-performing loans and loans restructured from this category*

	<b>Group III Substandard Loans</b>	<b>Group IV Doubtful Loans</b>	<b>Group V Uncollectible Loans</b>
<i>Current Period</i>			
Gross amounts before provisions	561,524	2,662,588	1,672,351
Restructured Loans	561,524	2,662,588	1,672,351

*Movements in non-performing loan groups*

	<b>Group III Substandard Loans</b>	<b>Group IV Doubtful Loans</b>	<b>Group V Uncollectible Loans</b>
<i>Current Period</i>			
<b>1 January 2018</b>	<b>1,048,935</b>	<b>1,382,104</b>	<b>4,457,417</b>
Additions during the Period (+)	11,022,449	163,817	615,992
Transfer from Other NPL Categories (+)	376,173	6,717,224	2,303,877
Transfer to Other NPL Categories (-)	6,659,001	2,368,310	369,963
Collections during the Period (-)	654,760	726,032	1,278,498
Write-offs (-) (*)	2,110,584	31	144,955
Debt Sale (-) (**)	-	5,251	348,499
Corporate and Commercial Loans	-	330	16,142
Retail Loans	-	3,181	189,623
Credit Cards	-	1,740	142,734
Other	-	-	-
Foreign Currency Differences	124,200	(127,927)	335,007
<b>Balances at End of Period</b>	<b>3,147,412</b>	<b>5,035,594</b>	<b>5,570,378</b>
Provisions (-)	1,362,987	2,366,903	4,394,699
<b>Net Balance on Balance Sheet</b>	<b>1,784,425</b>	<b>2,668,691</b>	<b>1,175,679</b>

(\*) includes loans for which 100 % provision is provided during the corresponding period.

(\*\*) includes TL 353,750 thousands from the sale of non-performing receivables.

**5.1.6.11 Expected credit loss for loans**

	Stage 1	Stage 2	Stage 3	Total
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>908,210</b>	<b>3,531,388</b>	<b>4,512,355</b>	<b>8,951,953</b>
Additions during the Period (+)	1,665,196	5,005,345	3,111,983	9,782,524
Disposal (-)	(2,365,129)	(1,117,884)	(952,422)	(4,435,435)
Debt Sale (-)	(649)	-	(351,667)	(352,316)
Write-offs (-)	-	-	(2,254,607)	(2,254,607)
Transfer to Stage1	1,234,803	(1,227,561)	(7,242)	-
Transfer to Stage 2	(570,081)	612,034	(41,953)	-
Transfer to Stage 3	(5,805)	(3,920,918)	3,926,723	-
Foreign Currency Differences	75,605	1,144,885	181,419	1,401,909
<b>Balances at End of Period</b>	<b>942,150</b>	<b>4,027,289</b>	<b>8,124,589</b>	<b>13,094,028</b>

*Non-performing loans in foreign currencies*

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
<i>Current Period</i>			
<b>Balance at End of Period</b>	<b>1,801,141</b>	<b>3,686,282</b>	<b>1,415,535</b>
Provisions (-)	746,311	1,641,343	1,087,589
<b>Net Balance at Balance Sheet</b>	<b>1,054,830</b>	<b>2,044,939</b>	<b>327,946</b>

*Gross and net non-performing loans as per customer categories*

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
<i>Current Period (Net)</i>	<b>1,784,425</b>	<b>2,668,691</b>	<b>1,175,679</b>
Loans to Individuals and Corporates (Gross)	3,122,592	5,021,903	5,561,603
Specific Provision (-)	1,351,352	2,358,307	4,385,944
Loans to Individuals and Corporates (Net)	1,771,240	2,663,596	1,175,659
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	24,820	13,691	8,775
Specific Provision (-)	11,635	8,596	8,755
Other Loans and Receivables (Net)	13,185	5,095	20

*Interest accruals, valuation differences and related provisions calculated for non-performing loans*

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
<i>Current Period (Net)</i>	<b>47,554</b>	<b>126,534</b>	<b>39,151</b>
Interest accruals and valuation differences	79,590	238,856	115,799
Provision (-)	32,036	112,322	76,648

*Collaterals received for non-performing loans*

<i>Current Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	13,272	354	-	13,626
Loans Collateralized by Mortgages	5,789,032	240,063	-	6,029,095
Loans Collateralized by Pledged Assets	1,180,931	59,774	-	1,240,705
Loans Collateralized by Cheques and Notes	187,107	6,875	-	193,982
Loans Collateralized by Other Collaterals	2,565,655	1,564,239	-	4,129,894
Unsecured Loans	725,261	293,375	1,127,446	2,146,082
<b>Total</b>	<b>10,461,258</b>	<b>2,164,680</b>	<b>1,127,446</b>	<b>13,753,384</b>

**5.1.6.12** *Liquidation policy for uncollectible loans*

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

**5.1.6.13** *Write-off policy*

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

**5.1.7** **Factoring receivables**

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Short-Term	849,019	453,059
Medium and Long-Term	976,937	255
<b>Total</b>	<b>1,825,956</b>	<b>453,314</b>

**5.1.8** **Financial assets measured at amortised cost**

**5.1.8.1** *Financial assets subject to repurchase agreements and provided as collateral/blocked*

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	3,176,487	4,185,992
Investments subject to Repurchase Agreements	46,120	-
<b>Total</b>	<b>3,222,607</b>	<b>4,185,992</b>

**5.1.8.2** *Government securities measured at amortised cost*

	<i>Current Period</i>
Government Bonds	24,606,227
Treasury Bills	-
Other Government Securities	-
<b>Total</b>	<b>24,606,227</b>

**5.1.8.3 Financial assets measured at amortised cost**

	<i>Current Period</i>
<b>Debt Securities</b>	<b>18,519,608</b>
Quoted at Stock Exchange	18,480,608
Unquoted at Stock Exchange	39,000
<b>Valuation Increase / (Decrease)</b>	<b>6,134,401</b>
<b>Total</b>	<b>24,654,009</b>

**5.1.8.4 Movement of financial assets measured at amortised cost**

	<i>Current Period</i>
<b>Balance at Beginning of Period</b>	<b>24,314,540</b>
TFRS 9 Effect <sup>(*)(**)</sup>	(2,817,203)
<b>Balances as of 1 January 2018</b>	<b>21,497,337</b>
Foreign Currency Differences on Monetary Assets	1,775,282
Purchases during the Period	693,258
Disposals through Sales/Redemptions	(2,148,127)
Valuation Effect	2,836,259
<b>Balances at End of Period</b>	<b>24,654,009</b>

<sup>(\*)</sup> As of 1 January 2018, the Bank classified certain government securities with a face value of TL 5,751,150 thousands in its securities portfolio under Securities Measured at Fair Value through Other Comprehensive Income to Securities Measured at Amortised Cost during TFRS 9 transition.

<sup>(\*\*)</sup> As of 1 January 2018, the Bank classified certain Eurobonds with a face value of US\$ 1,777,655,000 and government securities with a face value of TL 1,586,009 thousands in its securities portfolio under Securities Measured at Amortised Cost to Securities Measured at Fair Value through Other Comprehensive Income during TFRS 9 transition.

## 5.1.9 Investments in associates

### 5.1.9.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara/ Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	14,953	8,544	3,130	1,141	13	662	-
2	102,191	64,697	48,891	2,117	-	15,603	-
3	879,063	90,841	2,182	25,334	1,058	8,887	-
4	12,510,449	1,589,589	115,056	449,797	5,645	323,776	-
5	1,698,285	1,251,880	240,675	68,066	-	8,327	-
6	310,511	204,375	185,340	10,965	195	34,818	-
7	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
8	572,815	559,224	19,471	33,888	-	101,243	-

(\*) Total fixed assets include tangible and intangible assets.

(1) Financial information is as of 30 September 2018.

(2) Financial information is as of 31 December 2017.

*Unconsolidated investments in associates sold during the current period*

None.

*Unconsolidated investments in associates acquired during the current period*

None.

### 5.1.9.2 Consolidated investments in associates

None.

**5.1.9.3 *Movement of consolidated investments in associates***

None.

*Valuation methods of consolidated investments in associates*

None.

*Sectoral distribution of consolidated investments and associates*

None.

*Quoted consolidated investments in associates*

None.

*Investments in associates sold during the current period*

None.

*Investments in associates acquired during the current period*

None.



### 5.1.10 Investments in subsidiaries

#### Information on capital adequacy of major subsidiaries

<i>Current Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	828,770	357,848	2,320,775
Share Premium	-	-	78,128
Share Cancellation Profits	-	-	-
Legal Reserves	943,565	455,967	(173,836)
Other Comprehensive Income according to TAS	1,707,964	-	27,396
Current and Prior Periods' Profits	70,447	90,029	146,750
<b>Common Equity Tier I Capital Before Deductions</b>	<b>3,550,746</b>	<b>903,844</b>	<b>2,399,213</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	45,089	655	691,154
Leasehold Improvements on Operational Leases (-)	-	39	2,664
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,917	10,995	341,733
Net Deferred Tax Asset/Liability (-)	-	-	5,845
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>74,006</b>	<b>11,689</b>	<b>1,041,396</b>
<b>Total Common Equity Tier I Capital</b>	<b>3,476,740</b>	<b>892,155</b>	<b>1,357,817</b>
<b>Total Deductions From Tier I Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital</b>	<b>3,476,740</b>	<b>892,155</b>	<b>1,357,817</b>
<b>TIER II CAPITAL</b>	<b>301,095</b>	<b>-</b>	<b>60,286</b>
<b>TOTAL CAPITAL</b>	<b>3,777,835</b>	<b>892,155</b>	<b>1,418,103</b>

The parent Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

**5.1.10.1 Unconsolidated investments in subsidiaries**

	<b>Subsidiaries</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank Risk Group's Share (%)</b>
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Esteate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Company's Fair Value</b>	<b>Amount of Equity Requirement</b>
1	103,554	81,611	10	12,245	-	10,166	-	-
2	36,178	19,104	545	3,544	-	3,272	-	-
3	4,270	3,815	-	653	3	527	-	-
4	2,816	1,903	1,291	-	77	55	-	-
5	4,777	3,769	26	619	-	1,047	-	-
6	6,092	6,092	6,086	-	-	(3)	-	-
7	1,731,642	7,574	1,438,621	1,438	-	6,584	-	-
8	5,339	3,393	-	8	-	1,936	-	-

(\*) Total fixed assets include tangible and intangible assets.

*Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments*

The companies which are not included within the scope of consolidation due to not being financial affiliates are measured at cost less impairment, if any.

**5.1.10.2 Movement of consolidated investments in subsidiaries**

	<i>Current Period</i>
<b>Balance at Beginning of Period</b>	<b>6,435,099</b>
TFRS 9 Effect	(353,654)
<b>Balance at 1 January 2018</b>	<b>6,081,445</b>
<b>Movements during the Period</b>	<b>860,599</b>
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Dividends from Current Year Profit	751,691
Sales/Liquidations	-
Reclassifications	833
Value Increase/Decrease <sup>(*)</sup> <sup>(**)</sup>	(1,037,918)
Currency Differences on Foreign Subsidiaries	1,145,993
Reversal of Impairment Losses / Impairment Losses (-)	-
<b>Balance at End of Period</b>	<b>6,942,044</b>
<b>Capital Commitments</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>

(\*) Except for quoted subsidiaries, value increases / (decreases) are based on the results of equity accounting application.

(\*\*) TL 1,018,959 thousands of this amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 9 April 2018.

*Valuation methods of consolidated investments in subsidiaries*

	<i>Current Period</i>
Valued at Cost	-
Valued at Fair Value	6,942,044

*Sectoral distribution of consolidated investments in subsidiaries*

	<i>Current Period</i>
Banks	3,499,491
Insurance Companies	764,722
Factoring Companies	114,151
Leasing Companies	902,555
Finance Companies	1,661,125
Other Subsidiaries	-

*Quoted consolidated investments in subsidiaries*

	<i>Current Period</i>
Quoted at Domestic Stock Exchanges	114,985
Quoted at International Stock Exchanges	-

*Other information on consolidated investments in subsidiaries*

	<b>Subsidiaries<sup>(**)</sup></b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Shares of Other Consolidated Subsidiaries (%)</b>	<b>Method of Consolidation</b>
1	Garanti Finansal Kiralama AŞ <sup>(*)</sup>	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ <sup>(*)</sup>	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12	Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey	-	3.61	Full Consolidation

(\*) The financial information presented in the below table is based on the financial statements as of 31 December 2018 prepared in accordance with the regulation on “the Accounting Principles and Financial Statements of Financial Leasing, Factoring and Financing Companies”.

(\*\*) The financial information presented in the below table does not include elimination and adjustment entries.

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets<sup>(***)</sup></b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Company's Fair Value</b>
1	6,070,504	1,025,830	12,133	478,773	-	80,616	-
2	2,434,061	155,546	9,373	466,787	-	(57,376)	-
3	324,450	178,093	14,869	9,387	5,476	60,665	-
4	107,001	98,095	2,044	6,557	1,940	26,995	-
5	1,461,463	900,572	43,195	336,931	1,784	454,189	-
6	25,838,449	3,508,547	207,366	935,766	37,169	70,447	-
7	2,049,712	2,049,312	-	-	-	(441)	-
8	2,097,010	1,797,407	-	2	-	3,610	-
9	13,356,067	1,721,260	399,424	353,148	30,519	127,527	-
10	1,089,871	160,093	4,488	46,363	-	16,457	-
11	756,116	100,836	7,811	58,340	-	14,155	-
12	38,206	37,709	79	863	2,175	2,322	25,280

(\*\*\*) Total fixed assets include tangible and intangible assets.

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

*Consolidated investments in subsidiaries disposed during the current period*

None.

*Consolidated investments in subsidiaries acquired during the current period*

None.

### **5.1.11 Investments in joint-ventures**

None.

## 5.1.12 Lease receivable

### 5.1.12.1 Financial lease receivables according to remaining maturities

	Current Period	
	Gross	Net
Less than 1 Year	3,084,367	2,706,742
Between 1-5 Years	3,546,631	3,158,637
Longer than 5 Years	213,731	202,846
<b>Total</b>	<b>6,844,729</b>	<b>6,068,225</b>

### 5.1.12.2 Net financial lease receivables

	Current Period
Gross Financial Lease Receivables	6,844,729
Unearned Income on Financial Lease Receivables (-)	(776,504)
Terminated Lease Contracts (-)	-
<b>Net Financial Lease Receivables</b>	<b>6,068,225</b>

### 5.1.12.3 Financial lease agreements

#### *Criteria applied for financial lease agreements*

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A “customer analysis report” according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as “customer risk rating” and “equipment rating/scoring” are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

#### *Details monitored subsequent to signing of financial lease agreements*

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

### 5.1.13 Derivative financial assets held for hedging purpose

Information on derivative financial assets held for hedging purposes classified in derivative financial assets is as follows;

**5.1.13.1 Positive differences on derivative financial instruments held for hedging purpose**

Derivative Financial Assets Held for Hedging Purpose	Current Period	
	TL	FC
Fair Value Hedges	210,820	45,075
Cash Flow Hedges	562,809	182,619
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>773,629</b>	<b>227,694</b>

As of 31 December 2018, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	Current Period		
	Face Value	Asset	Liability
Interest Rate Swaps	57,826,116	457,835	233,155
-TL	10,771,181	230,145	112,222
-FC	47,054,935	227,690	120,933
Cross Currency Swaps	5,190,380	543,488	179,555
-TL	2,034,419	543,484	78,231
-FC	3,155,961	4	101,324
Currency Forwards	496,737	-	50,967
-TL	287,873	-	50,967
-FC	208,864	-	-
<b>Total</b>	<b>63,513,233</b>	<b>1,001,323</b>	<b>463,677</b>

**5.1.13.1.1 Fair value hedge accounting**

Current Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(14,818)	75,199	(79,246)	(18,865)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(39,668)	45,883	-	6,215
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(72,617)	134,813	(75,643)	(14,728)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,479)

5.1.13.1.2 Cash flow hedge accounting

<i>Current Period</i>							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	111,668	(3,821)	44,614	33,260	913
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,443)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	41,315	(58,695)	4,455	(4,380)	-
Currency Swaps	Foreing currency lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	(22,345)	531	-	(22,876)
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

As of 31 December 2018, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

#### 5.1.14 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Cost	3,226,152	264,571	26,714	2,496,648	6,014,085
Accumulated Depreciation	(16,839)	(239,386)	(19,137)	(1,642,072)	(1,917,434)
<b>Net Book Value</b>	<b>3,209,313</b>	<b>25,185</b>	<b>7,577</b>	<b>854,576</b>	<b>4,096,651</b>
<b>Balances at End of Current Period</b>					
Net Book Value at Beginning of Current Period	3,209,313	25,185	7,577	854,576	4,096,651
Additions	1,016,562	23,217	4,626	597,535	1,641,940
Revaluation Model Difference	19,086	-	-	-	19,086
Transfers from Investment Property	1,191	-	-	-	1,191
Disposals (Net)	(848,069)	(428)	(229)	(133,550)	(982,276)
Disposals (Cost)	(849,371)	(5,971)	(3,770)	(207,828)	(1,066,940)
Disposals (Accumulated Depreciation)	1,302	5,543	3,541	74,278	84,664
Reversal of/Impairment Losses (-)	(1,631)	-	-	(96)	(1,727)
Depreciation Expense for Current Period	(30,536)	(9,179)	(2,876)	(297,395)	(339,986)
Currency Translation Differences on Foreign Operations, Net	39,364	-	581	20,094	60,039
Currency Translation Differences on Foreign Operations (Cost)	29,740	-	2,802	81,258	113,800
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	9,624	-	(2,221)	(61,164)	(53,761)
<b>Net Book Values at End of Current Period</b>	<b>3,405,280</b>	<b>38,795</b>	<b>9,679</b>	<b>1,041,164</b>	<b>4,494,918</b>
Cost at End of Current Period	3,441,729	281,817	30,372	2,967,517	6,721,435
Accumulated Depreciation at End of Current Period	(36,449)	(243,022)	(20,693)	(1,926,353)	(2,226,517)
<b>Net Book Values at End of Current Period</b>	<b>3,405,280</b>	<b>38,795</b>	<b>9,679</b>	<b>1,041,164</b>	<b>4,494,918</b>

The Bank and its financial subsidiaries account their real estates recorded under tangible assets based on the revaluation model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, valuation studies are performed by independent expertise firms.

#### 5.1.15 Intangible assets

##### 5.1.15.1 Useful lives and amortisation rates

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

##### 5.1.15.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

##### 5.1.15.3 Balances at end of current period

	Current Period	
	Cost	Accumulated Amortization
Intangible Assets	1,043,523	627,451



**5.1.15.4 Movements of intangible assets for current period**

	<i>Current Period</i>
<b>Net Book Value at Beginning Period</b>	<b>379,308</b>
Internally Generated Intangibles	-
Additions due to Mergers, Transfers and Acquisition	152,061
Disposals (-)	(6,335)
Impairment Losses/Reversals to/from Revaluation Surplus	-
Impairment Losses Recorded in Income Statement	-
Impairment Losses Reversed from Income Statement	-
Amortisation Expense for Current Period (-)	(127,014)
Currency Translation Differences on Foreign Operations	10,868
Other Movements	7,184
<b>Net Book Value at End of Current Period</b>	<b>416,072</b>

**5.1.15.5 Details for any individually material intangible assets**

None.

**5.1.15.6 Intangible assets capitalised under government incentives at fair values**

None.

**5.1.15.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates**

None.

**5.1.15.8 Net book value of intangible asset that are restricted in usage or pledged**

None.

**5.1.15.9 Commitments to acquire intangible assets**

None.

**5.1.15.10 Disclosure on revalued intangible assets**

None.

**5.1.15.11 Research and development costs expensed during current period**

None.

**5.1.15.12 Goodwill**

<b>Goodwill</b>	<b>Shares %</b>	<b>Carrying Value</b>
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
<b>Total</b>		<b>6,388</b>

#### 5.1.15.13 Movements in goodwill during current period

	<i>Current Period</i>
<b>Net Book Value at Beginning Period</b>	<b>6,388</b>
Movements in Current Period	-
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
<b>Net Book Value at End of Current Period</b>	<b>6,388</b>

#### 5.1.16 Investment property

	<i>Current Period</i>
<b>Net Book Value at Beginning of Period</b>	<b>559,388</b>
Additions	6,576
Disposals	(8,850)
Transfers to Tangible Assets	6,809
Fair Value Change	(5,614)
Net Currency Translation Differences on Foreign Subsidiaries	-
<b>Net Book Value at End of Period</b>	<b>558,309</b>

The investment property is held for operational leasing purposes. The Bank and its financial subsidiaries account their investment property based on the fair value model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all investment properties registered in the ledger, valuation studies are performed by independent expertise firms.

#### 5.1.17 Deferred tax asset

As of 31 December 2018, on a consolidated basis the Bank has a deferred tax asset of TL 1,519,177 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2018, deferred tax assets of TL 2,063,575 thousands are reduced by deferred tax liabilities of TL 544,398 thousands with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Current Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions (*)	2,314,652	470,921
Stages 1&2 Credit Losses	5,296,956	1,162,439
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(236,245)	(61,304)
Revaluation Differences on Real Estates	(1,857,926)	(185,793)
Other	581,357	132,914
<b>Deferred Tax Asset</b>	<b>6,098,794</b>	<b>1,519,177</b>

(\*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

(\*\*) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 December 2018, TL 240,558 thousands of deferred tax expense and TL 364,567 thousands of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

### 5.1.18 Assets held for sale and assets of discontinued operations

#### 5.1.18.1 Assets held for sale

	<i>Current Period</i>
<b>Balances at Beginning of Period</b>	
<b>Cost</b>	<b>850,308</b>
<b>Accumulated Depreciation</b>	<b>(14,756)</b>
<b>Net Book Value</b>	<b>835,552</b>
<b>End of Current Period</b>	
Additions	293,534
Disposals (Cost)	(219,124)
Disposals (Accumulated Depreciation)	1,463
Reversal of Impairment / Impairment Losses (*)	(58,187)
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	4,446
<b>Cost</b>	<b>870,977</b>
<b>Accumulated Depreciation (-)</b>	<b>(13,293)</b>
<b>Net Book Value</b>	<b>857,684</b>

(\*) Includes reversal of provision for impairment loss for current and previous periods.

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 241,574 thousands.

#### 5.1.18.2 Investments in subsidiaries and associates to be disposed

	<i>Current Period</i>
Additions (*)	11
Disposals (Cost)	-
Disposals (Accumulated Depreciation)	-
Impairment Losses	-
Depreciation Expense for Current Period (-)	-
<b>Cost</b>	<b>11</b>
<b>Accumulated Depreciation (-)</b>	<b>-</b>
<b>Net Book Value</b>	<b>11</b>

(\*) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

## 5.1.19 Other Assets

### 5.1.19.1 Receivables from term sale of assets

	<i>Current Period</i>
Sale of Real Estates	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	27,116
Sale of Other Assets	1,137
<b>Total</b>	<b>177,072</b>

### 5.1.19.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>
Prepaid Expenses	1,089,636
Prepaid Taxes	176,016

## 5.2 Consolidated assets (Prior Period)

### 5.2.1 Cash and balances with Central Bank

	<i>Prior Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,297,568	1,550,335
Central Bank of Turkey	6,338,400	23,956,821
Others	-	460,517
<b>Total</b>	<b>7,635,968</b>	<b>25,967,673</b>

#### *Balances with the Central Bank of Turkey*

	<i>Prior Period</i>	
	TL	FC
Unrestricted Demand Deposits	2,407,115	1,651,380
Unrestricted Time Deposits	-	-
Restricted Time Deposits	3,931,285	22,305,441
<b>Total</b>	<b>6,338,400</b>	<b>23,956,821</b>

The reserve deposits kept as per the Communiqué no. 2005/1 “Reserve Deposits” of the Central Bank of Turkey in Turkish Lira, foreign currencies and gold, are included in the table above.

### 5.2.2 Financial assets at fair value through profit/loss

#### 5.2.2.1 *Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked*

	<i>Prior Period</i>	
	TL	FC
Collateralised/Blocked Assets	15,522	-
Assets Subject to Repurchase Agreements	2,834	-
<b>Total</b>	<b>18,356</b>	<b>-</b>

#### 5.2.2.2 *Positive differences on derivative financial assets held for trading*

	<i>Prior Period</i>	
	TL	FC
Forward Transactions	176,147	25,663
Swap Transactions	1,051,330	485,361
Futures	151	561
Options	152,137	47,002
Others	4	8,633
<b>Total</b>	<b>1,379,769</b>	<b>567,220</b>

#### 5.2.2.3 *Other notes on financial assets at fair value through profit/loss*

None.

### 5.2.3 Banks

	<i>Prior Period</i>	
	TL	FC
Banks		
Domestic banks	903,988	1,145,363
Foreign banks	106,739	17,314,253
Foreign head offices and branches	-	-
<b>Total</b>	<b>1,010,727</b>	<b>18,459,616</b>

#### *Due from foreign banks*

	Unrestricted	Restricted
	Balances	Balances
	<i>Prior Period</i>	<i>Prior Period</i>
EU Countries	4,808,866	8,715,509
USA, Canada	2,386,950	94,261
OECD Countries (1)	202,045	-
Off-shore Banking Regions	834,759	134,832
Others	243,770	-
<b>Total</b>	<b>8,476,390</b>	<b>8,944,602</b>

(1) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,092,415 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 334,998 thousands as required for insurance activities.

### 5.2.4 Financial assets available-for-sale

#### 5.2.4.1 *Financial assets subject to repurchase agreements and provided as collateral/blocked*

	<i>Prior Period</i>	
	TL	FC
Collateralised/Blocked Assets	11,212,879	28,206
Assets subject to Repurchase Agreements	120,152	794,108
<b>Total</b>	<b>11,333,031</b>	<b>822,314</b>

#### 5.2.4.2 *Details of financial assets available-for-sale*

	<i>Prior Period</i>
<b>Debt Securities</b>	<b>23,698,918</b>
Quoted at Stock Exchange	23,563,231
Unquoted at Stock Exchange	135,687
<b>Common Shares/Investment Fund</b>	<b>193,164</b>
Quoted at Stock Exchange	7,079
Unquoted at Stock Exchange	186,085
<b>Value Increase/Impairment Losses (-)</b>	<b>2,385,906</b>
<b>Total</b>	<b>26,277,988</b>

## 5.2.5 Loans

### 5.2.5.1 Loans and advances to shareholders and employees of the Bank

	Prior Period	
	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	-	<b>434,931</b>
Corporates	-	434,931
Real Persons	-	-
<b>Indirect Lendings to Shareholders</b>	<b>2,628,582</b>	<b>653,806</b>
<b>Loans to Employees</b>	<b>330,049</b>	<b>74</b>
<b>Total</b>	<b>2,958,631</b>	<b>1,088,811</b>

### 5.2.5.2 Loans and other receivables classified in groups I and II including contracts with revised terms

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total) <sup>(*)</sup>	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
<b>Cash Loans</b>						
<b>Loans</b>	<b>210,937,017</b>	<b>2,403,089</b>	<b>610,269</b>	<b>17,055,595</b>	<b>5,981,456</b>	<b>1,343,252</b>
Working Capital Loans	38,249,643	44,814	32,685	1,354,101	732,152	160,376
Export Loans	11,585,535	975	-	239,737	83,336	44,402
Import Loans	618,440	-	-	9,311	-	-
Loans to Financial Sector	5,743,384	-	2	7	-	-
Consumer Loans	49,995,050	2,222,556	134,895	1,841,647	522,600	58,283
Credit Cards	21,551,114	-	381,876	384,074	-	140,571
Others	83,193,851	134,744	60,811	13,226,718	4,643,368	939,620
<b>Specialization Loans</b>	-	<b>1,322</b>	<b>39,332</b>	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>210,937,017</b>	<b>2,404,411</b>	<b>649,601</b>	<b>17,055,595</b>	<b>5,981,456</b>	<b>1,343,252</b>

(\*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,060,263,379.13 and EUR 8,059,584.09 are classified under "Loans and Other Receivables Under Follow-Up" in the prior financial statements.

As of 31 December 2017, loans amounting to TL 6,861,412 thousands are benefited as collateral under funding transactions.

#### Collaterals received for loans under follow-up

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	39,714	4,244	-	43,958
Loans Collateralized by Mortgages	8,654,722	914,106	-	9,568,828
Loans Collateralized by Pledged Assets	713,659	75,559	-	789,218
Loans Collateralized by Cheques and Notes	63,740	604,763	-	668,503
Loans Collateralized by Other Collaterals	3,640,331	41,067	-	3,681,398
Unsecured Loans	1,717,708	201,908	384,074	2,303,690
<b>Total</b>	<b>14,829,874</b>	<b>1,841,647</b>	<b>384,074</b>	<b>17,055,595</b>

*Delinquency periods of loans under follow-up*

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	532,802	827,264	166,444	1,526,510
61-90 days	132,531	287,760	44,206	464,497
Other	14,164,541	726,623	173,424	15,064,588
<b>Total</b>	<b>14,829,874</b>	<b>1,841,647</b>	<b>384,074</b>	<b>17,055,595</b>

*Loans and other receivables with extended payment plans*

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	2,383,270	5,807,350
3, 4 or 5 times	16,902	85,571
Over 5 times	4,239	88,535
<b>Total</b>	<b>2,404,411</b>	<b>5,981,456</b>

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
Extension Periods		
0 - 6 months	238,617	1,928,567
6 - 12 months	228,908	150,892
1 - 2 years	769,955	431,542
2 - 5 year	1,137,027	1,828,686
5 years and over	29,904	1,641,769
<b>Total</b>	<b>2,404,411</b>	<b>5,981,456</b>

**5.2.5.3 Maturity analysis of cash loans**

<i>Prior Period</i>	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
<b>Short-Term Loans</b>	<b>64,221,544</b>	<b>504,792</b>	<b>1,225,199</b>	<b>381,886</b>
Loans	64,221,544	504,792	1,225,199	381,886
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans</b>	<b>146,715,473</b>	<b>2,549,220</b>	<b>15,830,396</b>	<b>6,942,822</b>
Loans	146,715,473	2,549,220	15,830,396	6,942,822
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>210,937,017</b>	<b>3,054,012</b>	<b>17,055,595</b>	<b>7,324,708</b>



5.2.5.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans – TL</b>	<b>911,100</b>	<b>45,957,542</b>	<b>46,868,642</b>
Housing Loans	29,632	23,171,465	23,201,097
Automobile Loans	72,369	2,283,541	2,355,910
General Purpose Loans	806,934	20,502,536	21,309,470
Others	2,165	-	2,165
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>165,624</b>	<b>165,624</b>
Housing Loans	-	165,579	165,579
Automobile Loans	-	-	-
General Purpose Loans	-	45	45
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>230,965</b>	<b>3,390,858</b>	<b>3,621,823</b>
Housing Loans	4,410	1,818,532	1,822,942
Automobile Loans	179	16,405	16,584
General Purpose Loans	14,054	1,030,940	1,044,994
Others	212,322	524,981	737,303
<b>Retail Credit Cards – TL</b>	<b>17,163,201</b>	<b>527,872</b>	<b>17,691,073</b>
With Installment	8,452,785	527,872	8,980,657
Without Installment	8,710,416	-	8,710,416
<b>Retail Credit Cards – FC</b>	<b>148,211</b>	<b>129,249</b>	<b>277,460</b>
With Installment	-	-	-
Without Installment	148,211	129,249	277,460
<b>Personnel Loans – TL</b>	<b>19,264</b>	<b>115,539</b>	<b>134,803</b>
Housing Loan	-	1,498	1,498
Automobile Loans	-	4	4
General Purpose Loans	19,264	114,037	133,301
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>405</b>	<b>405</b>
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,534</b>	<b>66,885</b>	<b>68,419</b>
Housing Loans	90	29,448	29,538
Automobile Loans	-	-	-
General Purpose Loans	436	30,683	31,119
Others	1,008	6,754	7,762
<b>Personnel Credit Cards – TL</b>	<b>120,550</b>	<b>880</b>	<b>121,430</b>
With Installment	50,773	880	51,653
Without Installment	69,777	-	69,777
<b>Personnel Credit Cards – FC</b>	<b>2,244</b>	<b>2,748</b>	<b>4,992</b>
With Installment	-	-	-
Without Installment	2,244	2,748	4,992
<b>Deposit Accounts– TL (Real Persons)</b>	<b>976,981</b>	<b>-</b>	<b>976,981</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>19,574,050</b>	<b>50,357,602</b>	<b>69,931,652</b>

**5.2.5.5 Installment based commercial loans and corporate credit cards**

<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,621,458</b>	<b>14,720,433</b>	<b>16,341,891</b>
Real Estate Loans	850	788,851	789,701
Automobile Loans	138,541	2,283,802	2,422,343
General Purpose Loans	1,482,067	11,647,780	13,129,847
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>303,531</b>	<b>2,426,419</b>	<b>2,729,950</b>
Real Estate Loans	-	74,599	74,599
Automobile Loans	3,644	892,261	895,905
General Purpose Loans	299,887	1,459,559	1,759,446
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>1,313,672</b>	<b>2,058,957</b>	<b>3,372,629</b>
Real Estate Loans	-	284	284
Automobile Loans	86	20,075	20,161
General Purpose Loans	27	88,072	88,099
Others	1,313,559	1,950,526	3,264,085
<b>Corporate Credit Cards – TL</b>	<b>3,777,393</b>	<b>42,624</b>	<b>3,820,017</b>
With Installment	1,800,911	42,624	1,843,535
Without Installment	1,976,482	-	1,976,482
<b>Corporate Credit Cards – FC</b>	<b>20,216</b>	<b>-</b>	<b>20,216</b>
With Installment	15	-	15
Without Installment	20,201	-	20,201
<b>Deposit Accounts– TL (Corporates)</b>	<b>871,611</b>	<b>-</b>	<b>871,611</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,907,881</b>	<b>19,248,433</b>	<b>27,156,314</b>

**5.2.5.6 Allocation of loans by customers**

	<b>Prior Period</b>
Public Sector	674,605
Private Sector	227,318,007
<b>Total</b>	<b>227,992,612</b>

**5.2.5.7 Allocation of domestic and foreign loans**

	<b>Prior Period</b>
Domestic Loans	209,895,952
Foreign Loans	18,096,660
<b>Total</b>	<b>227,992,612</b>

**5.2.5.8 Loans to associates and Subsidiaries**

	<b>Prior Period</b>
Direct Lending	33,435
Indirect Lending	-
<b>Total</b>	<b>33,435</b>

### 5.2.5.9 Specific provisions for loans

Specific Provisions	Prior Period
Substandard Loans and Receivables - Limited Collectibility	591,928
Doubtful Loans and Receivables	841,974
Uncollectible Loans and Receivables	3,382,410
<b>Total</b>	<b>4,816,312</b>

### 5.2.5.10 Non-performing loans (NPLs) (net)

#### Non-performing loans and other receivables restructured or rescheduled

Prior Period	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	352,136	576,421	1,083,196
Rescheduled Loans and Receivables	5,122	2,953	23,764
<b>Total</b>	<b>357,258</b>	<b>579,374</b>	<b>1,106,960</b>

#### Movements in non-performing loan groups

Prior Period	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Balances at End of Prior Period</b>	<b>782,833</b>	<b>1,571,137</b>	<b>3,770,491</b>
Additions during the Period (+)	2,444,401	121,472	211,178
Transfer from Other NPL Categories (+)	10,965	1,816,674	1,961,874
Transfer to Other NPL Categories (-)	1,809,918	1,968,030	11,565
Collections during the Period (-)	559,637	409,649	653,337
Write-offs (-) <sup>(*)</sup>	3,362	16,178	1,082,364
Corporate and Commercial Loans	1,348	15,693	567,094
Retail Loans	1,037	485	250,991
Credit Cards	977	-	264,279
Others	-	-	-
<b>Balances at End of Period</b>	<b>865,282</b>	<b>1,115,426</b>	<b>4,196,277</b>
Specific Provisions (-)	591,928	841,974	3,382,410
<b>Net Balance on Balance Sheet</b>	<b>273,354</b>	<b>273,452</b>	<b>813,867</b>

(\*) Includes also the sale of non-performing loans.

#### Movements in specific loan provisions

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
	<b>Balances at End of Prior Period</b>	<b>2,320,019</b>	<b>1,483,459</b>	<b>987,611</b>
Additions during the Period (+)	914,288	881,889	519,891	2,316,068
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) <sup>(*)</sup>	349,968	569,077	290,393	1,209,438
Write-Offs (-) <sup>(**)</sup>	564,969	251,182	265,256	1,081,407
<b>Balances at End of Period</b>	<b>2,319,370</b>	<b>1,545,089</b>	<b>951,853</b>	<b>4,816,312</b>

(\*) Foreign subsidiaries' foreign exchange rate changes are included in the collections during the period line.

(\*\*) Includes also the sale of non-performing loans.

*Non-performing loans in foreign currencies*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Prior Period</i>			
<b>Balance at End of Period</b>	<b>324,278</b>	<b>466,661</b>	<b>1,221,918</b>
Specific Provisions (-)	166,146	280,632	811,856
<b>Net Balance at Balance Sheet</b>	<b>158,132</b>	<b>186,029</b>	<b>410,062</b>

*Gross and net non-performing loans and receivables as per customer categories*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Prior Period (Net)</i>	<b>273,354</b>	<b>273,452</b>	<b>813,867</b>
Loans to Individuals and Corporates (Gross)	865,282	1,115,426	4,194,961
Specific Provision (-)	591,928	841,974	3,381,094
Loans to Individuals and Corporates (Net)	273,354	273,452	813,867
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

*Collaterals received for non-performing loans*

	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
<i>Prior Period</i>				
Loans Collateralized by Cash	2,872	260	-	3,132
Loans Collateralized by Mortgages	1,595,170	170,498	-	1,765,668
Loans Collateralized by Pledged Assets	312,249	48,274	-	360,523
Loans Collateralized by Cheques and Notes	147,639	4,666	-	152,305
Loans Collateralized by Other Collaterals	1,113,964	1,144,994	-	2,258,958
Unsecured Loans	288,701	395,784	951,914	1,636,399
<b>Total</b>	<b>3,460,595</b>	<b>1,764,476</b>	<b>951,914</b>	<b>6,176,985</b>

**5.2.5.11 Liquidation policy for uncollectible loans and receivables**

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

**5.2.5.12 Write-off policy**

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

### 5.2.6 Factoring receivables

	<i>Prior Period</i>	
	TL	FC
Short-Term	2,239,392	1,048,924
Medium and Long-Term	22,420	69,032
<b>Total</b>	<b>2,261,812</b>	<b>1,117,956</b>

### 5.2.7 Investments held-to-maturity

#### 5.2.7.1 Investment subject to repurchase agreements and provided as collateral/blocked

	<i>Prior Period</i>	
	TL	FC
Collateralised/Blocked Investments	9,251,733	3,701,943
Investments subject to Repurchase Agreements	784,006	212,280
<b>Total</b>	<b>10,035,739</b>	<b>3,914,223</b>

#### 5.2.7.2 Government securities held-to-maturity

	<i>Prior Period</i>
Government Bonds	20,232,556
Treasury Bills	-
Other Government Securities	-
<b>Total</b>	<b>20,232,556</b>

#### 5.2.7.3 Investments held-to-maturity

	<i>Prior Period</i>
<b>Debt Securities</b>	<b>20,819,616</b>
Quoted at Stock Exchange	20,799,386
Unquoted at Stock Exchange	20,230
<b>Valuation Increase / (Decrease)</b>	<b>3,494,924</b>
<b>Total</b>	<b>24,314,540</b>

#### 5.2.7.4 Movement of investments held-to-maturity

	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>23,109,696</b>
Foreign Currency Differences on Monetary Assets	802,639
Purchases during the Period	302,008
Disposals through Sales/Redemptions	(985,994)
Valuation Effect	1,086,191
<b>Balances at End of Period</b>	<b>24,314,540</b>

## 5.2.8 Investments in associates

### 5.2.8.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara/ Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	11,249	7,873	1,544	916	6	578	-
2	80,677	46,880	47,322	1,043	-	6,983	-
3	650,558	79,102	2,500	23,448	560	7,079	-
4	9,913,087	1,170,007	92,594	281,518	7,404	201,251	-
5	1,280,167	1,237,174	241,246	38,556	156	221,156	-
6	259,153	175,797	172,992	4,049	95	36,919	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	-
8	486,557	462,323	10,969	21,449	-	127,873	-

(\*) Total fixed assets include tangible and intangible assets.

(1) Financial information is as of 30 September 2017.

(2) Financial information is as of 31 December 2016.

#### Unconsolidated investments in associates sold during the current period

None.

#### Unconsolidated investments in associates acquired during the current period

None.

### 5.2.8.2 Consolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey	-	3.30

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	36,730	35,915	67	836	1,520	2,119	24,000

(\*) Total fixed assets include tangible and intangible assets.

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.30%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

**5.2.8.3 Movement of consolidated investments in associates**

	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>708</b>
<b>Movements during the Period</b>	<b>84</b>
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Allocation from Current Period Profit	-
Sales	-
Reclassifications	-
Increase/Decrease in Fair Values	84
Currency Differences on Foreign Associates	-
Impairment Losses (-)	-
<b>Balance at End of Period</b>	<b>792</b>
<b>Capital Commitments</b>	-
<b>Share Percentage at the End of Period (%)</b>	-

*Valuation methods of consolidated investments in associates*

<b>Associates</b>	<i>Prior Period</i>
Valued at Cost	-
Valued at Fair Value	792
Valued by Equity Method of Accounting	-

*Sectoral distribution of consolidated investments and associates*

<b>Associates</b>	<i>Prior Period</i>
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	792
Other Associates	-

*Quoted consolidated investments in associates*

	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	792
Quoted at International Stock Exchanges	-

*Investments in associates sold during the current period*

None.

*Investments in associates acquired during the current period*

None.

## 5.2.9 Investments in subsidiaries

### Information on capital adequacy of major subsidiaries

<i>Prior Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	624,487	357,848	1,745,428
Share Premium	-	-	58,760
Share Cancellation Profits	-	-	-
Legal Reserves	945,023	567,914	(254,424)
Other Comprehensive Income according to TAS	1,047,870	-	42,356
Current and Prior Periods' Profits	103,187	20,747	117,599
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2,720,567</b>	<b>946,509</b>	<b>1,709,719</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	27,631	555	464,476
Leasehold Improvements on Operational Leases (-)	-	66	5,298
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,832	7,144	205,736
Net Deferred Tax Asset/Liability (-)	-	-	5,905
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>42,463</b>	<b>7,765</b>	<b>681,415</b>
<b>Total Common Equity Tier I Capital</b>	<b>2,678,104</b>	<b>938,744</b>	<b>1,028,304</b>
<b>Total Deductions From Tier I Capital</b>	<b>3,708</b>	<b>1,786</b>	<b>52,910</b>
<b>Total Tier I Capital</b>	<b>2,674,396</b>	<b>936,958</b>	<b>975,394</b>
<b>TIER II CAPITAL</b>	<b>226,450</b>	<b>-</b>	<b>121,194</b>
<b>TOTAL CAPITAL</b>	<b>2,900,846</b>	<b>936,958</b>	<b>1,096,588</b>

The parent Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.



**5.2.9.1 Unconsolidated investments in subsidiaries**

	<b>Subsidiaries</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank Risk Group's Share (%)</b>
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	96.40	99.40
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>	<b>Amount of Equity Requirement</b>
1	83,704	71,762	37	7,557	3	9,699	-	-
2	37,642	15,337	318	938	-	612	-	-
3	3,764	3,288	-	452	48	(456)	-	-
4	2,619	1,847	1,132	-	49	247	-	-
5	3,920	2,696	39	218	-	882	-	-
6	4,578	4,578	4,571	-	-	(2)	-	-
7	1,741,416	30,702	1,537,941	213	-	21,287	-	-
8	2,048	1,456	-	-	-	1,589	-	-

(\*) Total fixed assets include tangible and intangible assets.

*Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments*

The non-financial investments excluded from the consolidation scope, are accounted at cost.

**5.2.9.2 Movement of consolidated investments in subsidiaries**

	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>5,069,629</b>
<b>Movements during the Period</b>	<b>1,365,470</b>
Acquisitions and Capital Increases	150
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales/Liquidations	-
Reclassifications	-
Value Increase/Decrease (*)	726,123
Currency Differences on Foreign Subsidiaries	639,197
Reversal of Impairment Losses / Impairment Losses (-)	-
<b>Balance at End of Period</b>	<b>6,435,099</b>
<b>Capital Commitments</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>

(\*) Except for quoted subsidiaries, value increases/(decreases) are based on the results of equity accounting application.

*Valuation methods of consolidated investments in subsidiaries*

	<i>Prior Period</i>
Valued at Cost	-
Valued at Fair Value (*)	6,435,099

(\*) Except for quoted subsidiaries, the balances are as per the results of equity accounting application.

*Sectoral distribution of consolidated investments in subsidiaries*

	<i>Prior Period</i>
Banks	2,686,210
Insurance Companies	1,399,747
Factoring Companies	174,376
Leasing Companies	945,953
Finance Companies	1,228,813
Other Subsidiaries	-

(\*) Except for quoted subsidiaries, the balances are as per the results of equity accounting application.

*Quoted consolidated investments in subsidiaries*

	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	174,376
Quoted at International Stock Exchanges	-

*Other information on consolidated investments in subsidiaries*

	<b>Subsidiaries</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Shares of Other Consolidated Subsidiaries (%)</b>	<b>Method of Consolidation</b>
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1	5,440,877	945,954	10,318	403,026	-	20,747	-
2	3,451,880	212,985	7,430	288,268	-	27,603	-
3	170,260	117,635	13,407	4,897	2,422	49,931	-
4	80,928	71,147	3,408	4,824	-	18,891	-
5	2,164,598	1,648,492	38,969	204,397	1,590	323,576	-
6	19,371,398	2,693,389	140,785	560,541	59,295	103,187	-
7	1,541,868	1,541,596	-	-	-	(343)	-
8	1,564,918	1,354,946	-	221	-	(8,777)	-
9	9,792,647	1,253,382	309,429	315,858	24,235	95,237	-
10	798,100	112,674	5,063	42,667	-	12,386	-
11	593,204	80,410	6,158	59,922	-	17,092	-

(\*) Total fixed assets include tangible and intangible assets.

*Consolidated investments in subsidiaries disposed during the prior period*

None.

*Consolidated investments in subsidiaries acquired during the prior period*

None.

**5.2.10 Investments in joint-ventures**

None.

## 5.2.11 Lease receivables

### 5.2.11.1 Financial lease receivables according to remaining maturities

	<i>Prior Period</i>	
	<b>Gross</b>	<b>Net</b>
Less than 1 Year	2,629,003	2,327,886
Between 1-5 Years	3,489,030	3,129,480
Longer than 5 Years	352,936	331,070
<b>Total</b>	<b>6,470,969</b>	<b>5,788,436</b>

### 5.2.11.2 Net financial lease receivables

	<i>Prior Period</i>
Gross Financial Lease Receivables	6,470,969
Unearned Income on Financial Lease Receivables (-)	(682,533)
Terminated Lease Contracts (-)	-
<b>Net Financial Lease Receivables</b>	<b>5,788,436</b>

### 5.2.11.3 Financial lease agreements

#### *Criteria applied for financial lease agreements*

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A “customer analysis report” according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as “customer risk rating” and “equipment rating/scoring” are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

#### *Details monitored subsequent to signing of financial lease agreements*

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the customer services and lease receivable unit even for the performing customers.

The reports prepared by the customer services and lease receivable unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

## 5.2.12 Derivative financial assets held for hedging purpose

### 5.2.12.1 Positive differences on derivative financial instruments held for hedging purpose

<b>Derivative Financial Assets Held for Hedging Purpose</b>	<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>
Fair Value Hedges	89,104	14,158
Cash Flow Hedges	465,501	101,957
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>554,605</b>	<b>116,115</b>

As of 31 December 2017, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	<i>Prior Period</i>		
	Face Value	Asset	Liability
Interest Rate Swaps	40,090,490	205,317	65,947
-TL	5,552,476	91,493	6,227
-FC	34,538,014	113,824	59,720
Cross Currency Swaps	5,342,034	465,403	132,879
-TL	1,702,916	463,112	1,025
-FC	3,639,118	2,291	131,854
<b>Total</b>	<b>45,432,524</b>	<b>670,720</b>	<b>198,826</b>

**5.2.12.1.1 Fair value hedge accounting**

<i>Prior Period</i>						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	2,442	30,275	(39,034)	(6,317)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(53,789)	57,887	-	4,098
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(18,235)	15,100	(24,459)	(14,528)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,789)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	-	-	-	-

5.2.12.1.2 Cash flow hedge accounting

<i>Prior Period</i>							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	39	-	(55)	67	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	61,415	(2,120)	34,087	(22,643)	672
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	40,601	(334)	18,621	(7,071)	6,932
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	53	-	1,094	(1,042)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	444,068	-	45	(60,340)	7
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	21,282	(1,617)	2,242	(2,031)	-

As of 31 December 2017, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions.

### 5.2.13 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Cost	2,834,190	281,569	23,668	2,250,105	5,389,532
Accumulated Depreciation	(25,990)	(250,483)	(18,663)	(1,413,775)	(1,708,911)
<b>Net Book Value</b>	<b>2,808,200</b>	<b>31,086</b>	<b>5,005</b>	<b>836,330</b>	<b>3,680,621</b>
<b>Balances at End of Current Period</b>					
Net Book Value at Beginning of Current Period	2,808,200	31,086	5,005	836,330	3,680,621
Additions	318,974	1,573	4,808	330,777	656,132
Revaluation Model Difference	124,614	-	-	-	124,614
Transfers from Investment Property	4,655	-	-	-	4,655
Disposals (Net)	(53,514)	(60)	(250)	(68,919)	(122,743)
Disposals (Cost)	(84,721)	(18,585)	(3,044)	(124,498)	(230,848)
Disposals (Accumulated Depreciation)	31,207	18,525	2,794	55,579	108,105
Reversal of/Impairment Losses (-)	9,981	-	-	-	9,981
Depreciation Expense for Current Period	(21,214)	(7,414)	(2,272)	(255,344)	(286,244)
Currency Translation Differences on Foreign Operations, Net	17,617	-	286	11,732	29,635
Currency Translation Differences on Foreign Operations (Cost)	18,459	-	1,282	40,264	60,005
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	(842)	-	(996)	(28,532)	(30,370)
<b>Net Book Values at End of Current Period</b>	<b>3,209,313</b>	<b>25,185</b>	<b>7,577</b>	<b>854,576</b>	<b>4,096,651</b>
Cost at End of Current Period	3,226,152	264,557	26,714	2,496,648	6,014,071
Accumulated Depreciation at End of Current Period	(16,839)	(239,372)	(19,137)	(1,642,072)	(1,917,420)
<b>Net Book Values at End of Current Period</b>	<b>3,209,313</b>	<b>25,185</b>	<b>7,577</b>	<b>854,576</b>	<b>4,096,651</b>

### 5.2.14 Intangible assets

#### 5.2.14.1 Useful lives and amortisation rates

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

#### 5.2.14.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

#### 5.2.14.3 Balances at end of prior period

	<i>Prior Period</i>	
	Cost	Accumulated Amortization
Intangible Assets	896,489	517,181

**5.2.14.4 Movements of intangible assets for current period**

	<i>Prior Period</i>
<b>Net Book Value at Beginning Period</b>	<b>327,653</b>
Internally Generated Intangibles	-
Additions due to Mergers, Transfers and Acquisition	158,307
Disposals (-)	(5,354)
Impairment Losses/Reversals to/from Revaluation Surplus	-
Impairment Losses Recorded in Income Statement	-
Impairment Losses Reversed from Income Statement	-
Amortisation Expense for Current Period (-)	(107,554)
Currency Translation Differences on Foreign Operations	6,256
Other Movements	-
<b>Net Book Value at End of Current Period</b>	<b>379,308</b>

**5.2.14.5 Details for any individually material intangible assets**

None.

**5.2.14.6 Intangible assets capitalised under government incentives at fair values**

None.

**5.2.14.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates**

None.

**5.2.14.8 Net book value of intangible asset that are restricted in usage or pledged**

None.

**5.2.14.9 Commitments to acquire intangible assets**

None.

**5.2.14.10 Disclosure on revalued intangible assets**

None.

**5.2.14.11 Research and development costs expensed during current period**

None.

**5.2.14.12 Goodwill**

<b>Goodwill</b>	<b>Shares %</b>	<b>Carrying Value</b>
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
<b>Total</b>		<b>6,388</b>



**5.2.14.13 Movements in goodwill during current period**

	<i>Prior Period</i>
<b>Net Book Value at Beginning Period</b>	<b>6,388</b>
Movements in Current Period	-
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
<b>Net Book Value at End of Current Period</b>	<b>6,388</b>

**5.2.15 Investment property**

	<i>Prior Period</i>
<b>Net Book Value at Beginning of Period</b>	<b>543,825</b>
Additions	4,746
Disposals	-
Transfers to Tangible Assets	4,430
Fair Value Change	6,387
Net Currency Translation Differences on Foreign Subsidiaries	-
<b>Net Book Value at End of Period</b>	<b>559,388</b>

The investment property is held for operational leasing purposes.

**5.2.16 Deferred tax asset**

As of 31 December 2017, on a consolidated basis the Bank has a deferred tax asset of TL 441,932 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2017, deferred tax assets of TL 750,677 thousands are reduced by deferred tax liabilities of TL 308,745 thousands with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Prior Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions (*)	1,313,504	271,477
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	997,852	222,966
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	649,259	133,924
<b>Deferred Tax Asset, Net</b>	<b>1,096,263</b>	<b>441,932</b>

(\*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

(\*\*) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 December 2017, TL 322,836 thousands of deferred tax income and TL 133,139 thousands of deferred tax expense were recognised in the income statement and the shareholders' equity, respectively.

**5.2.17 Assets held for sale and assets of discontinued operations**

	<i>Prior Period</i>
<b>Balances at End of Prior Period</b>	
Cost	<b>621,671</b>
Accumulated Depreciation	<b>(16,656)</b>
<b>Net Book Value</b>	<b>605,015</b>
<b>End of Period</b>	
Additions	393,729
Disposals (Cost)	(167,095)
Disposals (Accumulated Depreciation)	1,900
Reversal of Impairment / Impairment Losses (-)	(615)
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	2,618
<b>Cost</b>	<b>850,308</b>
<b>Accumulated Depreciation (-)</b>	<b>(14,756)</b>
<b>Net Book Value</b>	<b>835,552</b>

As of 31 December 2017 sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 thousands.

**5.2.18 Other Assets**

**5.2.18.1 Receivables from term sale of assets**

	<i>Prior Period</i>
Sale of Investments in Associates, Subsidiaries and Joint – Ventures	-
Sale of Real Estates	-
Sale of Available for Sale Assets	20,394
Sale of Other Assets	1,136
<b>Total</b>	<b>21,530</b>

**5.2.18.2 Prepaid expenses**

	<i>Prior Period</i>
Prepaid Expenses	911,395
Prepaid Taxes	25,766

### 5.3 Consolidated liabilities (Current Period)

#### 5.3.1 Maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
<b>Saving Deposits</b>	<b>10,392,601</b>	-	<b>2,789,332</b>	<b>44,035,108</b>	<b>7,338,680</b>	<b>2,226,529</b>	<b>2,750,586</b>	<b>2,925</b>	<b>69,535,761</b>
<b>Foreign Currency</b>	<b>37,630,017</b>	-	<b>11,622,976</b>	<b>56,608,217</b>	<b>4,848,737</b>	<b>9,484,338</b>	<b>12,470,861</b>	<b>44,780</b>	<b>132,709,926</b>
Residents in Turkey	27,145,860	-	10,039,604	51,338,494	2,342,906	3,320,384	1,008,280	43,262	95,238,790
Residents in Abroad	10,484,157	-	1,583,372	5,269,723	2,505,831	6,163,954	11,462,581	1,518	37,471,136
<b>Public Sector Deposits</b>	<b>1,148,423</b>	-	<b>1,252</b>	<b>26,429</b>	<b>4,968</b>	<b>1,024</b>	-	-	<b>1,182,096</b>
<b>Commercial Deposits</b>	<b>7,487,587</b>	-	<b>8,336,846</b>	<b>9,333,787</b>	<b>346,049</b>	<b>466,923</b>	<b>667,804</b>	-	<b>26,638,996</b>
<b>Others</b>	<b>246,290</b>	-	<b>160,384</b>	<b>816,004</b>	<b>135,756</b>	<b>387,369</b>	<b>3,761,840</b>	-	<b>5,507,643</b>
<b>Precious Metal</b>	<b>2,794,512</b>	-	-	<b>76,254</b>	<b>13,884</b>	<b>9,758</b>	<b>385,829</b>	-	<b>3,280,237</b>
<b>Bank Deposits</b>	<b>4,477,785</b>	-	<b>1,507,045</b>	<b>72,544</b>	<b>39,935</b>	<b>58,485</b>	<b>5,893</b>	-	<b>6,161,687</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,771	-	650,427	-	-	2,076	-	-	655,274
Foreign Banks	1,240,267	-	856,618	72,544	39,935	56,409	5,893	-	2,271,666
Special Financial	3,234,747	-	-	-	-	-	-	-	3,234,747
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>64,177,215</b>	-	<b>24,417,835</b>	<b>110,968,343</b>	<b>12,728,009</b>	<b>12,634,426</b>	<b>20,042,813</b>	<b>47,705</b>	<b>245,016,346</b>

#### 5.3.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

##### 5.3.1.1.1 Deposits exceeding insurance limit

*Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:*

	Covered by Deposit Insurance Over Deposit Insurance Limit	Over Deposit Insurance Limit
	Current Period	Current Period
Saving Deposits	28,827,533	40,144,845
Foreign Currency Saving Deposits	27,501,977	55,379,738
Other Saving Deposits	1,639,365	1,559,569
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

#### 5.3.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance

None.

### 5.3.1.3 Saving deposits not covered by insurance limits

#### 5.3.1.3.1 Saving deposits of individuals not covered by insurance limits:

	<i>Current Period</i>
Deposits and Other Accounts held at Foreign Branches	1,194,472
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	160,214
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

### 5.3.2 Negative differences on derivative financial liabilities held for trading

Information on negative differences on derivative financial liabilities held for trading classified in derivative financial liabilities is as follows;

Trading Derivatives	<i>Current Period</i>	
	TL	FC
Forward Transactions	384,022	18,382
Swap Transactions	1,580,258	1,470,826
Futures	811	164
Options	329,799	253,305
Others	-	8,918
<b>Total</b>	<b>2,294,890</b>	<b>1,751,595</b>

### 5.3.3 Funds borrowed

Information on funds borrowed is as follows;

	<i>Current Period</i>	
	TL	FC
Central Bank of Turkey	-	502,342
Domestic Banks and Institutions	409,133	1,815,811
Foreign Banks, Institutions and Funds	776,544	29,835,897
<b>Total</b>	<b>1,185,677</b>	<b>32,154,050</b>

### 5.3.3.1 Maturities of funds borrowed

	<i>Current Period</i>	
	TL	FC
Short-Term	405,801	4,779,862
Medium and Long-Term	779,876	27,374,188
<b>Total</b>	<b>1,185,677</b>	<b>32,154,050</b>

### 5.3.3.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

### 5.3.4 Other external funds

#### 5.3.4.1 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	1,968,185	2,127,018	26,970	23,411,508
Cost	1,874,850	2,125,144	26,970	23,323,918
Carrying Value (*)	1,926,060	2,173,141	27,087	22,785,175

(\*) The Bank and/or its financial subsidiaries repurchased the Bank's own foreign currency securities with a total face value of TL 1,089,446 thousands and netted off such securities in the accompanying consolidated financial statements.

As of 1 January 2018, funds obtained abroad through collateralized payment orders including SWIFT MT 103 and similar foreign currency funds amounting to TL 4,888,088 thousands, are reclassified from "funds borrowed" into "securities issued (net)" based on reassessment of the contractual characteristics of such transactions.

#### 5.3.4.2 Funds provided through repurchase transactions

Information on obligations under repurchase agreements classified in money market funds is as follows;

	<i>Current Period</i>	
	TL	FC
<b>Domestic Transactions</b>	<b>68,144</b>	-
Financial Institutions and Organizations	23,252	-
Other Institutions and Organizations	31,149	-
Individuals	13,743	-
<b>Foreign Transactions</b>	<b>56</b>	<b>1,220,550</b>
Financial Institutions and Organizations	-	1,220,550
Other Institutions and Organizations	-	-
Individuals	56	-
<b>Total</b>	<b>68,200</b>	<b>1,220,550</b>

**5.3.4.3 Information about financial liabilities measured at fair value through profit or loss**

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Securities Issued	-	12,312,230
Other	-	-
<b>Total</b>	<b>-</b>	<b>12,312,230</b>

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,484,345,238 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2018, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to TL 930,827 thousands and a loss of TL 886,879 thousands, respectively. The carrying value of the related financial liability amounted to TL 12,312,230 thousands.

**5.3.4.4 Other liabilities**

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Payables from credit card transactions	10,869,208	87,311
Payables from clearing transactions	3,780,969	59,285
Dividend payables to shareholders	725	-
Other	1,226,808	1,505,403
<b>Total</b>	<b>15,877,710</b>	<b>1,651,999</b>

**5.3.5 Factoring payables**

None.

**5.3.6 Lease payables**

**5.3.6.1 Financial lease payables**

None.

**5.3.6.2 Operational lease agreements**

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

**5.3.7 Derivative financial liabilities held for hedging purpose**

Information on negative differences on derivative financial liabilities held for hedging purposes classified in derivative financial liabilities is as follows;

<b>Derivative Financial Liabilities Held for Hedging Purpose</b>	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Fair Value Hedges	49,606	203,799
Cash Flow Hedges	191,814	18,458
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>241,420</b>	<b>222,257</b>

Please refer to Note 5.1.13.1 for financial liabilities resulted from derivatives held for hedging purpose.

**5.3.8 Provisions**

The movement of reserve for employee severance indemnity classified in reserve for employee benefits line of note 5.3.8.4 is presented as below:

**5.3.8.1 Reserve for employee severance indemnity**

	<i>Current Period</i>
<b>Balances at Beginning of Period</b>	<b>423,871</b>
Provision for the Period	101,135
Actuarial Gain/Loss	16,630
Payments During the Period	(52,379)
<b>Balances at End of Period</b>	<b>489,257</b>

**5.3.8.2 Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables**

None.

**5.3.8.3 Provisions for non-cash loans that are not indemnified or converted into cash**

	<i>Current Period</i>
Substandard Loans and Receivables - Limited Collectibility	115,890
Doubtful Loans and Receivables	31,789
Uncollectible Loans and Receivables	138,005
<b>Total</b>	<b>285,684</b>

**5.3.8.4 Other provisions**

	<i>Current Period</i>
Reserve for Employee Benefits	1,127,102
Insurance Technical Provisions, Net	444,820
Provision for Promotion Expenses of Credit Cards	132,272
Provision for Lawsuits	348,002
Provision for Non-Cash Loans	654,657
Other Provisions <sup>(*)</sup>	2,662,659
<b>Total</b>	<b>5,369,512</b>

(\*) Includes general reserve of total TL 1,090,000 thousands, of which TL 2,250,000 thousands was recognized as expense in the current period.

*Recognized liability for defined benefit plan obligations*

The Bank obtained an actuarial report dated 23 December 2018 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,747,984 thousands at 31 December 2018 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2018 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 23 December 2018 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,693,744 thousands remains as of 31 December 2018 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 596,470 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2018. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>31 December 2018</i>
<b>Transferable Pension and Medical Benefits:</b>	
Net present value of pension benefits transferable to SSF	(1,408,961)
Net present value of medical benefits and health premiums transferable to SSF	596,470
General administrative expenses	(52,481)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(864,972)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>4,612,956</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>3,747,984</b>
<b>Non-Transferable Benefits:</b>	
Other pension benefits	(920,128)
Other medical benefits	(1,134,112)
<b>Total Non-Transferable Benefits (4)</b>	<b>(2,054,240)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,693,744</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(596,470)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>1,097,274</b>

Movement of recognized liability for asset shortage over the Bank's defined benefit plan

	<i>31 December 2018</i>
<b>Balance at Beginning of Period</b>	-
Actual contributions paid during the period	(77,036)
Total expense recognized in the income statement	72,731
Amount recognized in the shareholders' equity	4,305
<b>Balance at End of Period</b>	-

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	<i>31 December 2018</i>
	%
Discount Rate (*)	16.30
Inflation Rate (*)	12.50
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	16.70
Future Pension Increase Rate (*)	12.50

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities of the Bank are as follow:

<b>Defined Benefit Obligation</b>	<b>Pension Benefits Effect</b>	<b>Medical Benefits Effect</b>	<b>Overall Effect</b>
<b>Assumption change</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate +1%	(12.80)	(17.40)	(15.30)
Discount rate -1%	16.10	23.30	20.10
Medical inflation +1%	-	23.00	12.70
Medical inflation -1%	-	(17.40)	(9.60)



Retirement Indemnities	Sensitivity of Past Service Liability	Sensitivity of Normal Cost
Assumption change	%	%
Discount rate +1%	(11.20)	(15.20)
Discount rate -1%	13.50	18.80
Inflation rate +1%	12.20	19.20
Inflation rate -1%	(11.40)	(15.70)

### 5.3.9 Tax liability

#### 5.3.9.1 Current tax liability

##### 5.3.9.1.1 Tax liability

As of 31 December 2018, the corporate tax liability amounts to 132,546 thousands after offsetting with prepaid taxes.

##### 5.3.9.1.2 Taxes payable

	Current Period
Corporate Taxes Payable	132,546
Taxation on Securities Income	162,703
Taxation on Real Estates Income	4,846
Banking Insurance Transaction Tax	229,702
Foreign Exchange Transaction Tax	100
Value Added Tax Payable	15,303
Others	88,430
<b>Total</b>	<b>633,630</b>

##### 5.3.9.1.3 Premiums payable

	Current Period
Social Security Premiums-Employees	5,357
Social Security Premiums-Employer	3,372
Bank Pension Fund Premium-Employees	30
Bank Pension Fund Premium-Employer	30
Pension Fund Membership Fees and Provisions-Employees	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,446
Unemployment Insurance-Employer	2,986
Others	30
<b>Total</b>	<b>13,251</b>

#### 5.3.9.2 Deferred tax liability

As of 31 December 2018, the deferred tax liability amounts to TL 19,121 thousands.

### 5.3.10 Liabilities for assets held for sale and assets of discontinued operations

None.

### 5.3.11 Subordinated debts

	<i>Current Period</i>	
	TL	FC
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	3,977,018
Foreign Other Institutions	-	-
<b>Total</b>	<b>-</b>	<b>3,977,018</b>

Disclosures on subordinated debts are reported in Note 4.1.2.

### 5.3.12 Shareholders' equity

#### 5.3.12.1 Paid-in capital

	<i>Current Period</i>
Common shares	4,200,000
Preference shares	-

#### 5.3.12.2 Registered share capital system

Capital System	Paid-in Capital	Ceiling per Registered Share Capital
Registered Shares	4,200,000	10,000,000

#### 5.3.12.3 Capital increases in current period

None.

#### 5.3.12.4 Capital increases from capital reserves in current period

None.

#### 5.3.12.5 Capital commitments for current and future financial periods

None.

#### 5.3.12.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

#### 5.3.12.7 Information on privileges given to stocks representing the capital

None.

### 5.3.12.8 Securities value increase fund

Information on securities value increase fund classified as a part of income/expenses from valuation and/or reclassification of financial assets measured at FVOCI in the statement of changes in shareholders' equity, is as follows;

	<i>Current Period</i>	
	TL	FC
<b>Investments in Associates, Subsidiaries and Joint-Ventures</b>	-	-
Valuation Difference	-	-
Exchange Rate Difference	-	-
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income</b>	<b>(799,094)</b>	<b>(238,765)</b>
Valuation Difference	(799,094)	(238,765)
Exchange Rate Difference	-	-
<b>Total</b>	<b>(799,094)</b>	<b>(238,765)</b>

### 5.3.12.9 Revaluation surplus

	<i>Current Period</i>	
	TL	FC
Movables	8,453	90,909
Real Estates	1,487,401	47,522
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-
Other	(160,891)	-
<b>Total</b>	<b>1,334,963</b>	<b>138,431</b>

### 5.3.12.10 Bonus shares of associates, subsidiaries and joint-ventures

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 22 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

### 5.3.12.11 Legal reserves

	<i>Current Period</i>
I. Legal Reserve	1,074,438
II. Legal Reserve	507,264
Special Reserves	-
<b>Total</b>	<b>1,581,702</b>

### 5.3.12.12 Extraordinary reserves and other profit reserves

	<i>Current Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	30,856,685
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
<b>Total</b>	<b>30,856,685</b>

**5.3.12.13 Minority interest**

	<i>Current Period</i>
<b>Balance at Beginning of Period</b>	<b>314,340</b>
Profit Share of Subsidiaries Net Profits	64,953
Prior Period Dividend Payment	(181,524)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	(223)
<b>Balance at End of Period</b>	<b>197,546</b>

## 5.4 Consolidated liabilities (Prior Period)

### 5.4.1 Maturity profile of deposits

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
<b>Saving Deposits</b>	<b>10,913,763</b>	-	<b>2,604,119</b>	<b>42,872,344</b>	<b>1,928,240</b>	<b>595,160</b>	<b>803,336</b>	<b>4,104</b>	<b>59,721,066</b>
<b>Foreign Currency</b>	<b>30,305,453</b>	-	<b>8,539,990</b>	<b>47,538,061</b>	<b>4,135,845</b>	<b>5,981,841</b>	<b>12,632,465</b>	<b>53,388</b>	<b>109,187,043</b>
Residents in Turkey	21,122,458	-	7,355,971	42,563,359	1,770,505	1,540,387	1,015,526	52,147	75,420,353
Residents in Abroad	9,182,995	-	1,184,019	4,974,702	2,365,340	4,441,454	11,616,939	1,241	33,766,690
<b>Public Sector Deposits</b>	<b>539,397</b>	-	<b>2,151</b>	<b>23,704</b>	<b>5,309</b>	<b>10</b>	-	-	<b>570,571</b>
<b>Commercial Deposits</b>	<b>9,522,579</b>	-	<b>5,035,348</b>	<b>7,460,350</b>	<b>498,176</b>	<b>325,742</b>	<b>155,007</b>	-	<b>22,997,202</b>
<b>Others</b>	<b>240,019</b>	-	<b>138,566</b>	<b>1,351,057</b>	<b>93,816</b>	<b>406,570</b>	<b>2,247,113</b>	-	<b>4,477,141</b>
<b>Precious Metal</b>	<b>1,845,183</b>	-	<b>57,205</b>	<b>47,640</b>	<b>3,777</b>	<b>8,013</b>	<b>232,897</b>	-	<b>2,194,715</b>
<b>Bank Deposits</b>	<b>918,215</b>	-	<b>249,417</b>	<b>97,700</b>	<b>55,486</b>	<b>84,811</b>	<b>220,193</b>	-	<b>1,625,822</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	6,139	-	5,658	15,090	2,049	20,474	10,239	-	59,649
Foreign Banks	627,190	-	243,759	82,610	53,437	64,337	209,954	-	1,281,287
Special Financial	284,886	-	-	-	-	-	-	-	284,886
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54,284,609</b>	-	<b>16,626,796</b>	<b>99,390,856</b>	<b>6,720,649</b>	<b>7,402,147</b>	<b>16,291,011</b>	<b>57,492</b>	<b>200,773,560</b>

#### 5.4.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund Deposits exceeding insurance limit

##### 5.4.1.1.1 Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

Saving Deposits – Prior Period	Covered by Deposit Insurance	Over Deposit Insurance Limit
Saving Deposits	29,074,468	30,170,165
Foreign Currency Saving Deposits	20,980,170	41,525,053
Other Saving Deposits	1,117,225	1,016,387
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

#### 5.4.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance

None.

#### 5.4.1.3 Saving deposits not covered by insurance limits

##### 5.4.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Prior Period
Deposits and Other Accounts held at Foreign Branches	1,009,774
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	236,559
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

#### 5.4.2 Negative differences on derivative financial liabilities held for trading

Trading Derivatives	Prior Period	
	TL	FC
Forward Transactions	163,550	36,335
Swap Transactions	2,102,812	426,848
Futures	44	96
Options	114,881	45,917
Others	-	8,339
<b>Total</b>	<b>2,381,287</b>	<b>517,535</b>

#### 5.4.3 Funds borrowed

	Prior Period	
	TL	FC
Central Bank of Turkey	-	685,843
Domestic Banks and Institutions	477,119	1,605,139
Foreign Banks, Institutions and Funds	657,139	43,679,479
<b>Total</b>	<b>1,134,258</b>	<b>45,970,461</b>

##### 5.4.3.1 Maturities of funds borrowed

	Prior Period	
	TL	FC
Short-Term	866,182	5,590,833
Medium and Long-Term	268,076	40,379,628
<b>Total</b>	<b>1,134,258</b>	<b>45,970,461</b>

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,455,714,286 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated credit risk change and the credit risk change recognised in the income statement for the year ended 2017 amounted to TL 43,948 thousands and a loss of TL 398,191 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands.

##### 5.4.3.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

#### 5.4.4 Other external funds

##### 5.4.4.1 Securities issued

Prior Period	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	4,065,669	4,258,267	-	13,133,935
Cost	3,926,455	4,087,678	-	13,065,899
Carrying Value (*)	4,003,253	4,159,746	-	12,631,453

(\*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of TL 780,571 thousands and netted off such securities in the accompanying consolidated financial statements.

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated negative credit risks change, and the positive credit risk change recognised in the income statement for the year ended 2017 amounted to TL 908 thousands and TL 1,815 thousands, respectively. The carrying value of the related financial liability amounted to TL 34,983 thousands as of 31 December 2017 and the related income for the year ended 2017 amounted to TL 1,898 thousands.

##### 5.4.4.2 Funds provided through repurchase transactions

	Prior Period	
	TL	FC
<b>Domestic Transactions</b>	<b>887,411</b>	-
Financial Institutions and Organizations	750,756	-
Other Institutions and Organizations	92,302	-
Individuals	44,353	-
<b>Foreign Transactions</b>	<b>296</b>	<b>858,706</b>
Financial Institutions and Organizations	-	858,706
Other Institutions and Organizations	-	-
Individuals	296	-
<b>Total</b>	<b>887,707</b>	<b>858,706</b>

##### 5.4.4.3 Miscellaneous payables

	Prior Period	
	TL	FC
Payables from credit card transactions	8,985,632	48,506
Payables from insurance transactions	40,290	6
Other	559,649	742,263
<b>Total</b>	<b>9,585,571</b>	<b>790,775</b>

#### 5.4.5 Factoring payables

None.

#### 5.4.6 Lease payables

##### 5.4.6.1 Financial lease payables

None.

##### 5.4.6.2 Operational lease agreements

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

**5.4.7 Derivative financial liabilities held for hedging purpose**

Derivative Financial Liabilities Held for Hedging Purpose	Prior Period	
	TL	FC
Fair Value Hedges	6,227	188,528
Cash Flow Hedges	1,025	3,046
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>7,252</b>	<b>191,574</b>

Please refer to Note 5.2.12.1 for derivative financial instruments held for hedging purpose.

**5.4.8 Provisions**

**5.4.8.1 General provisions**

	Prior Period
<b>General Provision for</b>	<b>3,673,669</b>
Loans and Receivables in Group I	1,694,874
Loans and Receivables in Group II	1,370,937
Non-Cash Loans	369,087
Others	238,771

**5.4.8.2 Reserve for employee severance indemnity**

	Prior Period
<b>Balances at Beginning of Period</b>	<b>355,535</b>
Provision for the Period	92,055
Actuarial Gain/Loss	22,045
Payments During the Period	(45,764)
<b>Balances at End of Period</b>	<b>423,871</b>

**5.4.8.3 Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables**

	Prior Period
Short-Term Loans	14,419
Medium and Long Term Loans	2,800
<b>Total</b>	<b>17,219</b>

Foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side.

**5.4.8.4 Provisions for non-cash loans that are not indemnified or converted into cash**

	Prior Period
Substandard Loans and Receivables - Limited Collectibility	16,649
Doubtful Loans and Receivables	13,593
Uncollectible Loans and Receivables	97,175
<b>Total</b>	<b>127,417</b>

**5.4.8.5 Other provisions**

**5.4.8.5.1 General reserves for possible losses**

	Prior Period
General Reserves for Possible Losses	1,160,000



5.4.8.5.2 *Other provisions for possible losses*

	<i>Prior Period</i>
Reserve for Employee Benefits	909,788
Insurance Technical Provisions, Net	389,886
Provision for Promotion Expenses of Credit Cards (*)	112,434
Provision for Lawsuits (**)	250,115
Provision for Non-Cash Loans	127,417
Other Provisions (***)	224,793
<b>Total</b>	<b>2,014,433</b>

(\*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

(\*\*) A provision of EUR 33,000,000 is provided for the ongoing lawsuit against the Bank in Paris, which was disclosed in the Public Disclosure Platform on 20 September 2017.

(\*\*\*) A provision of TL 33,887 thousands is allocated for the dormant “other temporary accounts” standing longer than a year within the scope of “TAS 37 Provisions, Contingent Liabilities and Contingent Assets” Standard.

*Recognized liability for defined benefit plan obligations*

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands at 31 December 2017 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2017 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 13 December 2017 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,198,065 thousands remains as of 31 December 2017 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 551,028 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2017. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>31 December 2017</i>
<b>Transferable Pension and Medical Benefits:</b>	
Net present value of pension benefits transferable to SSF	(989,677)
Net present value of medical benefits and health premiums transferable to SSF	551,028
General administrative expenses	(45,215)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(483,864)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>3,609,349</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>3,125,485</b>
<b>Non-Transferable Benefits:</b>	
Other pension benefits	(846,997)
Other medical benefits	(1,080,423)
<b>Total Non-Transferable Benefits (4)</b>	<b>(1,927,420)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,198,065</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(551,028)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>647,037</b>

Movement of recognized liability for asset shortage over the Bank's defined benefit plan:

	<i>31 December 2017</i>
<b>Balance at Beginning of Period</b>	-
Actual contributions paid during the period	(71,463)
Total expense recognized in the income statement	44,052
Amount recognized in the shareholders' equity	27,411
<b>Balance at End of Period</b>	-

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	<i>31 December 2017</i>
	%
Discount Rate (*)	11.60
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	12.60
Future Pension Increase Rate (*)	8.40

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities of the Bank are as follow:

<b>Defined Benefit Obligation</b>	<b>Pension Benefits Effect</b>	<b>Medical Benefits Effect</b>	<b>Overall Effect</b>
<b>Assumption change</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate +1%	(13.90)	(19.00)	(16.80)
Discount rate -1%	17.80	26.10	22.40
Medical inflation (+10% of CPI)	-	20.80	11.60
Medical inflation (-10% of CPI)	-	(16.20)	(9.10)

<b>Retirement Indemnities</b>	<b>Sensitivity of Past Service Liability</b>	<b>Sensitivity of Normal Cost</b>
<b>Assumption change</b>	<b>%</b>	<b>%</b>
Discount rate +1%	(12.20)	(16.30)
Discount rate -1%	14.80	20.40
Inflation rate +1%	14.40	20.00
Inflation rate -1%	(11.80)	(15.90)

#### **5.4.9 Tax liability**

##### **5.4.9.1 Current tax liability**

##### **5.4.9.1.1 Tax liability**

As of 31 December 2017, the corporate tax liability amounts to TL 763,079 thousands after offsetting with prepaid taxes.

**5.4.9.1.2 Taxes payable**

	<i>Prior Period</i>
Corporate Taxes Payable	763,079
Taxation on Securities Income	131,422
Taxation on Real Estates Income	4,080
Banking Insurance Transaction Tax	155,555
Foreign Exchange Transaction Tax	89
Value Added Tax Payable	14,842
Others	66,171
<b>Total</b>	<b>1,135,238</b>

**5.4.9.1.3 Premiums payable**

	<i>Prior Period</i>
Social Security Premiums-Employees	4,892
Social Security Premiums-Employer	4,309
Bank Pension Fund Premium-Employees	25
Bank Pension Fund Premium-Employer	25
Fund Membership Fees and Provisions-Employees	-
Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,470
Unemployment Insurance-Employer	2,802
Others	36
<b>Total</b>	<b>13,559</b>

**5.4.9.2 Deferred tax liability**

As of 31 December 2017, the deferred tax liability amounts to TL 14,365 thousands.

**5.4.10 Liabilities for assets held for sale and assets of discontinued operations**

None.

**5.4.11 Subordinated debts**

	<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	-
Foreign Other Institutions	-	2,849,471
<b>Total</b>	<b>-</b>	<b>2,849,471</b>

Disclosures on subordinated debts are reported in Note 4.1.2.

**5.4.12 Shareholders' equity**

**5.4.12.1 Paid-in capital**

	<i>Prior Period</i>
Common shares	4,200,000
Preference shares	-

**5.4.12.2 Registered share capital system**

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling per Registered Share Capital</b>
Registered Shares	4,200,000	10,000,000

**5.4.12.3 Capital increases in prior period**

None.

**5.4.12.4 Capital increases from capital reserves in prior period**

None.

**5.4.12.5 Capital commitments for current and future financial periods**

None.

**5.4.12.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties**

None.

**5.4.12.7 Information on privileges given to stocks representing the capital**

None

**5.4.12.8 Securities value increase fund**

	<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>
<b>Investments in Associates, Subsidiaries and Joint-Ventures</b>	-	-
Valuation Difference	-	-
Exchange Rate Difference	-	-
<b>Securities Available-for-Sale</b>	<b>(425,824)</b>	<b>108,010</b>
Valuation Difference	(425,824)	108,010
Exchange Rate Difference	-	-
<b>Total</b>	<b>(425,824)</b>	<b>108,010</b>

**5.4.12.9 Revaluation surplus**

	<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>
Movables	-	-
Real Estates	1,494,986	24,889
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	227,994	-
Revaluation Surplus on Leasehold Improvements	-	-
<b>Total</b>	<b>1,722,980</b>	<b>24,889</b>

**5.4.12.10 Bonus shares of associates, subsidiaries and joint-ventures**

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 21 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

**5.4.12.11 Legal reserves**

	<i>Prior Period</i>
I. Legal Reserve	1,038,987
II. Legal Reserve	353,272
Special Reserves	-
<b>Total</b>	<b>1,392,259</b>

**5.4.12.12 Extraordinary reserves**

	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	25,901,360
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
<b>Total</b>	<b>25,901,360</b>

**5.4.12.13 Minority interest**

	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>267,808</b>
Profit Share of Subsidiaries Net Profits	55,918
Prior Period Dividend Payment	(1,500)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	(77)
<b>Balance at End of Period</b>	<b>322,149</b>

## 5.5 Consolidated off-balance sheet items (Current Period)

### 5.5.1 Off-balance sheet contingencies

#### 5.5.1.1 Irrevocable credit commitments

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 12,101,326 thousands, commitments for cheque payments of TL 2,719,279 thousands and commitments for credit card limits of TL 32,542,906 thousands.

#### 5.5.1.2 Possible losses and commitments resulted from off-balance sheet items

	<i>Current Period</i>
Letters of Guarantee in Foreign Currency	27,430,938
Letters of Guarantee in TL	22,742,832
Letters of Credit	14,685,922
Bills of Exchange and Acceptances	2,788,829
Prefinancings	-
Other Guarantees	66,907
<b>Total</b>	<b>67,715,428</b>

#### *Expected losses for non-cash loans and irrevocable commitments*

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>115,145</b>	<b>205,417</b>	<b>118,820</b>	<b>439,382</b>
Additions during the Period (+)	215,981	369,581	157,008	742,570
Disposal (-)	(325,023)	(202,021)	(60,410)	(587,454)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	150,260	(135,371)	(14,889)	-
Transfer to Stage 2	(39,066)	47,408	(8,342)	-
Transfer to Stage 3	(752)	(81,092)	81,844	-
Foreign Currency Differences	7,206	41,303	11,650	60,159
<b>Balances at End of Period</b>	<b>123,751</b>	<b>245,225</b>	<b>285,681</b>	<b>654,657</b>

A specific provision of TL 285,681 thousands is made for unliquidated non-cash loans of TL 842,292 thousands recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

#### 5.5.1.3 Non-cash loans

	<i>Current Period</i>
Non-Cash Loans against Cash Risks	12,434,212
<i>With Original Maturity of 1 Year or Less</i>	2,339,515
<i>With Original Maturity of More Than 1 Year</i>	10,094,697
Other Non-Cash Loans	55,281,216
<b>Total</b>	<b>67,715,428</b>

**5.5.1.4 Other information on non-cash loans**

	<i>Current Period</i>			
	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
<b>Agriculture</b>	<b>92,784</b>	<b>0.41</b>	<b>98,334</b>	<b>0.21</b>
<i>Farming and Stockbreeding</i>	78,863	0.35	86,784	0.19
<i>Forestry</i>	11,839	0.05	9,838	0.02
<i>Fishery</i>	2,082	0.01	1,712	-
<b>Manufacturing</b>	<b>6,402,123</b>	<b>28.06</b>	<b>23,375,005</b>	<b>52.06</b>
<i>Mining and Quarrying</i>	195,265	0.85	316,247	0.70
<i>Production</i>	4,110,566	18.02	16,499,405	36.75
<i>Electricity, Gas, Water</i>	2,096,292	9.19	6,559,353	14.61
<b>Construction</b>	<b>3,581,106</b>	<b>15.70</b>	<b>5,346,304</b>	<b>11.91</b>
<b>Services</b>	<b>11,281,804</b>	<b>49.45</b>	<b>14,529,746</b>	<b>32.36</b>
<i>Wholesale and Retail Trade</i>	6,971,975	30.56	7,039,982	15.68
<i>Accommodation and Dining</i>	435,652	1.91	621,394	1.38
<i>Transportation and Telecommunication</i>	847,939	3.72	2,095,880	4.67
<i>Financial Institutions</i>	2,580,794	11.31	4,401,708	9.80
<i>Real Estate and Rental Services</i>	231,402	1.01	253,998	0.57
<i>Professional Services</i>	-	-	-	-
<i>Educational Services</i>	48,133	0.21	1,586	-
<i>Health and Social Services</i>	165,909	0.73	115,198	0.26
<b>Others</b>	<b>1,455,698</b>	<b>6.38</b>	<b>1,552,524</b>	<b>3.46</b>
<b>Total</b>	<b>22,813,515</b>	<b>100.00</b>	<b>44,901,913</b>	<b>100.00</b>

**5.5.1.5 Non-cash loans classified under Group I and II:**

<i>Current Period</i>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Non-Cash Loans</b>	<b>20,162,865</b>	<b>42,281,850</b>	<b>2,430,768</b>	<b>1,997,653</b>
Letters of Guarantee	20,093,217	24,969,336	2,430,533	1,852,536
Bills of Exchange and Bank Acceptances	22,460	2,755,966	235	8,050
Letters of Credit	47,188	14,489,641	-	137,067
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	66,907	-	-

## 5.5.2 Financial derivative instruments

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivative Financial Instruments held for Risk Management</b>						
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	<b>1,493,893</b>	<b>2,625,613</b>	<b>7,401,282</b>	<b>35,043,632</b>	<b>16,948,813</b>	<b>63,513,233</b>
Fair Value Hedges	-	8,280	759,806	10,346,055	12,291,413	23,405,554
Cash Flow Hedges	1,493,893	2,617,333	6,641,476	24,697,577	4,657,400	40,107,679
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>	-	-	-	-	-	-
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>119,672,087</b>	<b>22,637,453</b>	<b>54,080,417</b>	<b>9,439,469</b>	<b>478,463</b>	<b>206,307,889</b>
Currency Forwards – Purchases	4,778,628	2,597,978	3,890,219	1,043,574	-	12,310,399
Currency Forwards – Sales	4,866,469	2,603,462	3,880,671	1,153,259	-	12,503,861
Currency Swaps – Purchases	53,922,874	4,695,508	13,544,474	1,304,957	237,321	73,705,134
Currency Swaps – Sales	50,248,211	4,809,217	13,322,305	1,310,242	241,142	69,931,117
Currency Options – Purchases	2,524,903	3,377,420	9,077,849	2,298,392	-	17,278,564
Currency Options – Sales	2,678,573	3,525,312	10,238,365	2,329,045	-	18,771,295
Currency Futures – Purchases	318,386	488,316	66,768	-	-	873,470
Currency Futures – Sales	334,043	540,240	59,766	-	-	934,049
<b>Interest Rate related Derivative Transactions (II)</b>	<b>18,541</b>	<b>1,540,576</b>	<b>6,966,130</b>	<b>20,425,252</b>	<b>43,299,534</b>	<b>72,250,033</b>
Interest Rate Swaps – Purchases	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Swaps – Sales	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Options – Purchases	-	-	5,197,126	5,057,001	1,667,058	11,921,185
Interest Rate Options – Sales	-	-	228,124	1,093,107	233,008	1,554,239
Securities Options – Purchases	-	24,252	413	-	-	24,665
Securities Options – Sales	9,181	43,662	81	-	-	52,924
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	18,066	-	-	-	18,066
<b>Other Trading Derivatives (III)</b>	<b>4,604,345</b>	<b>393,942</b>	<b>893,894</b>	<b>2,736,897</b>	<b>9,881,071</b>	<b>18,510,149</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>124,294,973</b>	<b>24,571,971</b>	<b>61,940,441</b>	<b>32,601,618</b>	<b>53,659,068</b>	<b>297,068,071</b>
<b>Total Derivative Transactions (A+B)</b>	<b>125,788,866</b>	<b>27,197,584</b>	<b>69,341,723</b>	<b>67,645,250</b>	<b>70,607,881</b>	<b>360,581,304</b>

### 5.5.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2018, there are total return swaps of the Bank with a total face value of USD 2,484,345,238 classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

### 5.5.4 Contingent liabilities and assets

The Bank and its consolidated financial affiliates made a total provision amounting to TL 348,002 thousands for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.3.8.4, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2018, there was no payment made related with such contingent liabilities.

### 5.5.5 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.



**5.6 Consolidated off-balance sheet items (Prior Period)****5.6.1 Off-balance sheet contingencies****5.6.1.1 Irrevocable credit commitments**

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 7,947,989 thousands, commitments for cheque payments of TL 3,797,901 thousands and commitments for credit card limits of TL 29,542,049 thousands.

**5.6.1.2 Possible losses and commitments resulted from off-balance sheet items**

	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	20,283,642
Letters of Guarantee in TL	19,405,859
Letters of Credit	14,769,516
Bills of Exchange and Acceptances	1,550,650
Prefinancings	-
Other Guarantees	185,727
<b>Total</b>	<b>56,195,394</b>

A specific provision of TL 127,417 thousands is made for unliquidated non-cash loans of TL 370,339 thousands recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of “off-balance sheet items”.

**5.6.1.3 Non-cash loans**

	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	7,327,429
<i>With Original Maturity of 1 Year or Less</i>	644,377
<i>With Original Maturity of More Than 1 Year</i>	6,683,052
Other Non-Cash Loans	48,867,965
<b>Total</b>	<b>56,195,394</b>

**5.6.1.4 Other information on non-cash loans**

	<i>Prior Period</i>			
	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
<b>Agriculture</b>	<b>69,304</b>	<b>0.36</b>	<b>56,941</b>	<b>0.16</b>
<i>Farming and Stockbreeding</i>	58,351	0.30	43,111	0.11
<i>Forestry</i>	9,214	0.05	10,981	0.03
<i>Fishery</i>	1,739	0.01	2,849	0.01
<b>Manufacturing</b>	<b>5,510,704</b>	<b>28.37</b>	<b>18,091,020</b>	<b>49.20</b>
<i>Mining and Quarrying</i>	170,850	0.88	251,133	0.68
<i>Production</i>	3,013,861	15.52	13,784,292	37.49
<i>Electricity, Gas, Water</i>	2,325,993	11.97	4,055,595	11.03
<b>Construction</b>	<b>3,541,815</b>	<b>18.23</b>	<b>3,894,258</b>	<b>10.59</b>
<b>Services</b>	<b>8,857,539</b>	<b>45.60</b>	<b>12,678,809</b>	<b>34.48</b>
<i>Wholesale and Retail Trade</i>	5,966,692	30.71	7,562,115	20.57
<i>Accommodation and Dining</i>	232,237	1.20	513,201	1.40
<i>Transportation and Telecommunication</i>	738,939	3.80	1,476,485	4.01
<i>Financial Institutions</i>	1,502,741	7.74	2,842,584	7.73
<i>Real Estate and Rental Services</i>	224,964	1.16	222,682	0.61
<i>Professional Services</i>	-	-	-	-
<i>Educational Services</i>	25,522	0.13	1,049	-
<i>Health and Social Services</i>	166,444	0.86	60,693	0.16
<b>Others</b>	<b>1,445,568</b>	<b>7.44</b>	<b>2,049,436</b>	<b>5.57</b>
<b>Total</b>	<b>19,424,930</b>	<b>100.0</b>	<b>36,770,464</b>	<b>100.00</b>

**5.6.1.5 Non-cash loans classified under Group I and II:**

<i>Prior Period</i>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Non-Cash Loans</b>	<b>19,021,366</b>	<b>36,139,527</b>	<b>403,564</b>	<b>630,937</b>
Letters of Guarantee	19,002,295	19,841,136	403,564	442,506
Bills of Exchange and Bank Acceptances	14,273	1,536,377	-	-
Letters of Credit	4,798	14,576,287	-	188,431
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	185,727	-	-

## 5.6.2 Financial derivative instruments

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivative Financial Instruments held for Risk Management</b>						
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	<b>1,629,524</b>	<b>328,053</b>	<b>6,792,490</b>	<b>24,140,783</b>	<b>12,541,674</b>	<b>45,432,524</b>
Fair Value Hedges	-	-	1,891,714	7,880,440	8,597,164	18,369,318
Cash Flow Hedges	1,629,524	328,053	4,900,776	16,260,343	3,944,510	27,063,206
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>	-	-	-	-	-	-
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>148,983,110</b>	<b>56,031,169</b>	<b>59,539,784</b>	<b>5,239,790</b>	<b>505,098</b>	<b>270,298,951</b>
Currency Forwards – Purchases	10,210,712	3,286,058	3,179,110	522,230	-	17,198,110
Currency Forwards – Sales	10,233,157	3,279,345	3,260,423	597,181	-	17,370,106
Currency Swaps – Purchases	61,854,549	21,236,750	20,130,886	1,898,678	250,456	105,371,319
Currency Swaps – Sales	57,157,446	21,418,627	20,444,645	1,802,749	254,642	101,078,109
Currency Options – Purchases	4,649,454	3,366,011	6,179,844	192,501	-	14,387,810
Currency Options – Sales	4,870,131	3,409,648	6,232,206	226,451	-	14,738,436
Currency Futures – Purchases	3,931	7,066	54,120	-	-	65,117
Currency Futures – Sales	3,730	27,664	58,550	-	-	89,944
<b>Interest Rate related Derivative Transactions (II)</b>	<b>427,058</b>	<b>589,785</b>	<b>5,288,434</b>	<b>18,075,592</b>	<b>22,169,602</b>	<b>46,550,471</b>
Interest Rate Swaps – Purchases	211,386	271,864	1,427,383	5,791,900	10,429,017	18,131,550
Interest Rate Swaps – Sales	211,386	271,864	1,427,383	5,791,900	10,429,017	18,131,550
Interest Rate Options – Purchases	-	-	2,433,323	5,502,795	1,311,568	9,247,686
Interest Rate Options – Sales	-	-	-	988,997	-	988,997
Securities Options – Purchases	3,045	6,282	87	-	-	9,414
Securities Options – Sales	1,241	20,896	258	-	-	22,395
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	18,879	-	-	-	18,879
<b>Other Trading Derivatives (III)</b>	<b>5,369,514</b>	<b>75,931</b>	<b>128,586</b>	<b>2,611,040</b>	<b>6,742,500</b>	<b>14,927,571</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>154,779,682</b>	<b>56,696,885</b>	<b>64,956,804</b>	<b>25,926,422</b>	<b>29,417,200</b>	<b>331,776,993</b>
<b>Total Derivative Transactions (A+B)</b>	<b>156,409,206</b>	<b>57,024,938</b>	<b>71,749,294</b>	<b>50,067,205</b>	<b>41,958,874</b>	<b>377,209,517</b>

## 5.6.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2017, there are total return swaps of the Bank with a total face value of USD 2,455,714,286 classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

## 5.6.4 Contingent liabilities and assets

The Bank and its consolidated financial affiliates made a total provision amounting to TL 250,115 thousands for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.4.8.5.2, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2017, there was no payment made related with such contingent liabilities.

## 5.6.5 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

## 5.7 Consolidated statement of profit or loss (Current Period)

### 5.7.1 Interest income

#### 5.7.1.1 Interest income from loans (\*)

	Current Period	
	TL	FC
<b>Interest Income from Loans</b>		
Short-term loans	9,539,785	704,695
Medium and long-term loans	14,842,536	5,526,575
Loans under follow-up	331,209	26,835
Premiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>24,713,530</b>	<b>6,258,105</b>

(\*) Includes also fees and commissions income on cash loans

#### 5.7.1.2 Interest income from banks

	Current Period	
	TL	FC
Central Bank of Turkey	34,572	113,408
Domestic Banks	214,980	38,540
Foreign Banks	13,100	226,294
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>262,652</b>	<b>378,242</b>

#### 5.7.1.3 Interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	67,586	5,177
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,582,978	562,148
Financial Assets Measured at Amortised Cost	3,834,360	209,505
<b>Total</b>	<b>7,484,924</b>	<b>776,830</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2018, the valuation of such securities was made according to annual inflation as of balance sheet date.

#### 5.7.1.4 Interest income received from associates and subsidiaries

	Current Period
Interest Received from Investments in Associates and Subsidiaries	32,693

## 5.7.2 Interest expenses

### 5.7.2.1 Interest expenses on funds borrowed (\*)

	Current Period	
	TL	FC
Banks	154,092	1,017,387
Central Bank of Turkey	-	1,912
Domestic Banks	63,237	76,760
Foreign Banks	90,855	938,715
Foreign Head Offices and Branches	-	-
Other Institutions	-	793,553
<b>Total</b>	<b>154,092</b>	<b>1,810,940</b>

(\*) Includes also fees and commissions expenses on borrowings

### 5.7.2.2 Interest expenses paid to associates and subsidiaries

	Current Period
Interest Paid to Investments in Associates and Subsidiaries	18,638

### 5.7.2.3 Interest expenses on securities issued

	Current Period	
	TL	FC
Interest Expenses on Securities Issued	1,013,827	1,375,078

### 5.7.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	649	115,623	36	233	57	-	-	116,598
Saving Deposits	2,726	386,448	7,185,152	472,232	130,738	203,923	-	8,381,219
Public Sector Deposits	-	1,327	4,113	797	96	-	-	6,333
Commercial Deposits	180	1,158,340	1,432,293	85,415	51,504	172,675	-	2,900,407
Others	17	54,366	159,523	15,608	49,856	441,545	-	720,915
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>3,572</b>	<b>1,716,104</b>	<b>8,781,117</b>	<b>574,285</b>	<b>232,251</b>	<b>818,143</b>	<b>-</b>	<b>12,125,472</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	54,567	184,960	1,527,120	95,687	200,970	521,231	657	2,585,192
Bank Deposits	-	21,005	1,410	2,671	7,388	7,817	-	40,291
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	28	48	38	5,184	-	5,298
<b>Total FC</b>	<b>54,567</b>	<b>205,965</b>	<b>1,528,558</b>	<b>98,406</b>	<b>208,396</b>	<b>534,232</b>	<b>657</b>	<b>2,630,781</b>
<b>Grand Total</b>	<b>58,139</b>	<b>1,922,069</b>	<b>10,309,675</b>	<b>672,691</b>	<b>440,647</b>	<b>1,352,375</b>	<b>657</b>	<b>14,756,253</b>

### 5.7.2.5 Interest expense on repurchase agreements

	Current Period	
	TL	FC
Interest Paid on Repurchase Agreements	1,006,927	8,090

### 5.7.2.6 Financial lease expenses

None.

#### 5.7.2.7 Interest expenses on factoring payables

None.

#### 5.7.3 Dividend income

	<i>Current Period</i>
Trading Financial Assets	3,903
Financial Assets Valued at Fair Value through Profit or	-
Financial Assets Available-for-Sale	1,287
Others	2,501
<b>Total</b>	<b>7,691</b>

#### 5.7.4 Trading income/losses (net)

	<i>Current Period</i>
<b>Income</b>	<b>163,742,329</b>
Trading Account Income	1,591,473
Derivative Financial Instruments	21,709,326
Foreign Exchange Gain	140,441,530
<b>Losses (-)</b>	<b>164,888,076</b>
Trading Account Losses	737,624
Derivative Financial Instruments	20,869,699
Foreign Exchange Losses	143,280,753
<b>Total</b>	<b>(1,145,747)</b>

TL 2,845,451 thousands of foreign exchange gains and TL 3,469,698 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000 maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,920,434, USD 700,304,781 and EUR 260,415,019 for its fixed-rate bonds with a total face value of TL 835,000 thousands and USD 487,500,000 and fixed-rate coupons with a total face value of USD 90,000,000 and EUR 13,000,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL 54,486 thousands and TL 71,235 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 47,896,216 and EUR 28,947,368 and securitization borrowings amounting to EUR 63,931,574 by designating cross currency swaps with the same face values and terms and borrowing amounting to USD 500,000,000, securitizations amounting to USD 705,365,856 and EUR 90,000,000 and deposits amounting to TL 2,630,000 thousands, USD 1,055,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values and terms and finalized commitments amounting to USD 39,633,336 by designating forwards with the same face values and terms. Accordingly, in the current period, gains of TL 64,973 thousands and TL 83,127 thousands and loss of TL 50,967 thousands resulting from cross currency, interest rate swap and forward agreements were recognised under shareholders' equity, respectively.

One of the Bank's consolidated subsidiary enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 20,000,000 and EUR 65,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 2,115 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated subsidiary enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to USD 30,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 648 thousands resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 1,187,383,037 thousands sell and EUR 184,536,696 buy, RON 265,000,000 sell and EUR 56,075,589 buy. Accordingly, in the current period, a net loss of TL 3,285 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its financial lease receivables granted in Foreign Currency by designating swaps with the same face value amount and similar terms; EUR 15,000,000 thousands sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a net loss of TL 424 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiary enters into cross currency interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments denominated in EUR due to fluctuations in market interest rates and foreign exchange rates. In this respect, the subsidiary applied fair value hedge accounting for the fixed rate bonds issued in 2013 and 2017 with a total face value of EUR 80,000,000 for 10 years and maturity dates of 18 September 2020 and 19 April 2027 by designating cross currency interest rate swaps with the same face values and terms. In August 2018, the subsidiary ceased to apply this hedge accounting.

### 5.7.5 Other operating income

The items under “other operating income” generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers and income on custody services.

In the current period, a part of non-performing receivables of the Bank and one of its consolidated subsidiaries amounting to TL 353,750 thousands were sold for a consideration of TL 30,734 thousands. Considering the related provision of TL 351,667 thousands made in the financial statements, a gain of TL 28,651 thousands is recognized under “Other Operating Income”.

	<i>Current Period</i>
<b>Prior Year Reversals</b>	<b>2,464,810</b>
<i>Stage 1</i>	998,259
<i>Stage 2</i>	587,115
<i>Stage 3</i>	641,597
<i>Others</i>	237,839
<b>Income from term sale of assets</b>	<b>179,793</b>
<b>Others <sup>(*)</sup></b>	<b>872,822</b>
<b>Total</b>	<b>3,517,425</b>

(\*) Premium income from insurance business amounting to TL 718,908 thousands which is included in other operating income in the accompanying financial statements is presented in “others” line item.

### 5.7.6 Provision for losses on loans or other receivables

	<i>Current Period</i>
Expected Credit Losses	9,257,780
<i>12-Month ECL (Stage 1)</i>	1,062,942
<i>Significant Increase in Credit Risk (Stage 2)</i>	3,182,234
<i>Impaired Credits(Stage 3)</i>	5,012,604
Impairment Losses on Securities	39,699
<i>Financial Assets Measured at Fair Value through Profit or Loss</i>	37,125
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	2,574
Impairment Losses on Associates, Subsidiaries and Joint-ventures	20,832
<i>Associates</i>	-
<i>Subsidiaries</i>	20,832
<i>Joint-ventures (business partnership)</i>	-
Others	1,517,935
<b>Total</b>	<b>10,836,246</b>



### 5.7.7 Other operating expenses

	<i>Current Period</i>
Personnel Costs	3,645,278
Reserve for Employee Termination Benefits	75,965
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	3,975
Depreciation Expenses of Tangible Assets	339,986
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	127,014
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	79,524
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	3,632,622
<i>Operational lease related expenses</i>	534,796
<i>Repair and maintenance expenses</i>	91,374
<i>Advertisement expenses</i>	225,277
<i>Other expenses</i>	2,781,175
Loss on Sale of Assets	7,119
Others (*)	857,502
<b>Total</b>	<b>8,768,985</b>

(\*) Includes saving-deposits-insurance-fund related expenses of TL 277,207 thousands and insurance-business claim losses of TL 169,307 thousands in the current period.

### 5.7.8 Information on profit/loss before taxes from continued and discontinued operations

TL 20,876,933 thousands of the profit before taxes is derived from net interest income and TL 5,102,687 thousands from net fees and commissions income. The total operating expenses amounted to TL 8,768,985 thousands. The profit before taxes reached to TL 8,753,758 TL thousands increasing by 4.84 % as compared to the prior year.

There is no amount from discontinued operations.

### 5.7.9 Information on provision for taxes for continued and discontinued operations

As of 31 December 2018, on a consolidated basis, the Bank recorded a current tax expense of TL 1,806,595 thousands and a deferred tax expense of TL 240,558 thousands.

There is no amount from discontinued operations.

#### *Deferred tax benefit/charge on timing differences*

<b>Deferred tax (benefit)/charge on timing differences</b>	<i>Current Period</i>
Increase in Tax Deductable Timing Differences (+)	(397,874)
Decrease in Tax Deductable Timing Differences (-)	179,226
Increase in Taxable Timing Differences (-)	471,944
Decrease in Taxable Timing Differences (+)	(12,738)
<b>Total</b>	<b>240,558</b>

*Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions*

<b>Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions</b>	<i>Current Period</i>
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(234,253)
(Increase)/Decrease in Taxable Timing Differences (net)	459,206
(Increase)/Decrease in Tax Losses (net)	15,605
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>240,558</b>

**5.7.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations**

The Bank's net operating profit after taxes is TL 6,706,605.

There is no amount from discontinued operations.

**5.7.11 Net profit/loss**

**5.7.11.1 Any further explanation on operating results needed for better understanding of bank's performance**

None.

**5.7.11.2 Any changes in estimations that might have a material effect on current and subsequent period results**

None.

**5.7.11.3 Minority interest's profit/loss**

	<i>Current Period</i>
Net Profit/(Loss) of Minority Interest	64,953

**5.7.12 Components of other items in income statement**

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the consolidated income statement include mainly fees and commissions related with credit card transactions and other banking services.

## 5.8 Consolidated income statement (Prior Period)

### 5.8.1 Interest income

#### 5.8.1.1 Interest income from loans (\*)

	31 December 2017	
	TL	FC
<b>Interest Income from Loans</b>		
Short-term loans	5,436,172	409,067
Medium and long-term loans	11,940,768	4,024,730
Loans under follow-up	96,457	5,401
Premiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>17,473,397</b>	<b>4,439,198</b>

(\*) Includes also fees and commissions income on cash loans

#### 5.8.1.2 Interest income from banks

	31 December 2017	
	TL	FC
Central Bank of Turkey	183,942	40,641
Domestic Banks	117,086	30,024
Foreign Banks	2,734	77,323
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>303,762</b>	<b>147,988</b>

#### 5.8.1.3 Interest income from securities portfolio

	31 December 2017	
	TL	FC
Financial Assets Held for Trading	39,154	2,066
Financial Assets Valued at Fair Value Through Profit	-	-
Financial Assets Available-for-Sale	2,373,490	176,533
Investments Held-to-Maturity	1,599,271	601,108
<b>Total</b>	<b>4,011,915</b>	<b>779,707</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2017, the valuation of such securities was made according to annual inflation as of balance sheet date.

#### 5.8.1.4 Interest income received from associates and subsidiaries

	31 December 2017
Interest Received from Investments in Associates and Subsidiaries	2,345

## 5.8.2 Interest expenses

### 5.8.2.1 Interest expenses on funds borrowed (\*)

	31 December 2017	
	TL	FC
Banks		
Central Bank of Turkey	-	289
Domestic Banks	46,760	49,257
Foreign Banks	116,875	655,665
Foreign Head Offices and Branches	-	-
Other Institutions	-	454,323
<b>Total</b>	<b>163,635</b>	<b>1,159,534</b>

(\*) Includes also fees and commissions expenses on borrowings

### 5.8.2.2 Interest expenses paid to associates and subsidiaries

	31 December 2017
Interest Paid to Investments in Associates and Subsidiaries	9,379

### 5.8.2.3 Interest expenses on securities issued

	31 December 2017	
	TL	FC
Interest Expenses on Securities Issued	776,934	802,710

### 5.8.2.4 Maturity structure of interest expense on deposits

31 December 2017	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	1,021	105,615	391	562	294	-	-	107,883
Saving Deposits	4,614	223,243	4,370,937	145,994	38,490	61,578	-	4,844,856
Public Sector Deposits	-	1,808	2,800	376	261	1	-	5,246
Commercial Deposits	719	527,769	827,351	30,770	48,634	95,500	-	1,530,743
Others	4	17,708	94,131	19,304	23,829	147,150	-	302,126
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>6,358</b>	<b>876,143</b>	<b>5,295,610</b>	<b>197,006</b>	<b>111,508</b>	<b>304,229</b>	<b>-</b>	<b>6,790,854</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	31,612	93,169	1,000,587	66,303	138,439	289,895	779	1,620,784
Bank Deposits	87	17,950	246	1,336	1,258	3,243	-	24,120
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	13	42	-	16	4,020	-	4,091
<b>Total FC</b>	<b>31,699</b>	<b>111,132</b>	<b>1,000,875</b>	<b>67,639</b>	<b>139,713</b>	<b>297,158</b>	<b>779</b>	<b>1,648,995</b>
<b>Grand Total</b>	<b>38,057</b>	<b>987,275</b>	<b>6,296,485</b>	<b>264,645</b>	<b>251,221</b>	<b>601,387</b>	<b>779</b>	<b>8,439,849</b>

### 5.8.2.5 Interest expense on repurchase agreements

	31 December 2017	
	TL	FC
Interest Paid on Repurchase Agreements	1,149,513	20,733

### 5.8.2.6 Financial lease expenses

None.

**5.8.2.7 Interest expenses on factoring payables**

None.

**5.8.3 Dividend income**

	<i>31 December 2017</i>
Trading Financial Assets	908
Financial Assets Valued at Fair Value through Profit or Loss	-
Financial Assets Available-for-Sale	2,116
Others	4,792
<b>Total</b>	<b>7,816</b>

**5.8.4 Trading income/losses (net)**

	<i>31 December 2017</i>
<b>Income</b>	<b>65,014,044</b>
Trading Account Income	1,514,746
Derivative Financial Instruments	9,872,180
Foreign Exchange Gain	53,627,118
<b>Losses (-)</b>	<b>66,856,071</b>
Trading Account Losses	1,839,443
Derivative Financial Instruments	13,138,901
Foreign Exchange Losses	51,877,727
<b>Total</b>	<b>(1,842,027)</b>

TL 5,093,268 thousands of foreign exchange gains and TL 3,994,210 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,876,938, USD 957,763,108 and EUR 225,212,078, for its bonds with a total face value of TL 855,000 thousands and USD 59,900,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, losses of TL 51,347 thousands and TL 19,552 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and RON 85,500,000 with the same face values and terms. Accordingly, a loss of TL 3,527 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for its funds borrowed amounting to USD 63,861,622 and EUR 34,210,526, securitization borrowings amounting to USD 43,750,000 and EUR 104,794,733 and commitments amounting to USD 7,857,183 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 755,121,951 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 136,473,684 by designating interest rate swaps with the same face values and terms. Accordingly, gains of TL 47,621 thousands and TL 93,010 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 70,774,355 and EUR 150,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net loss of TL 918 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated affiliate enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied cash flow hedge accounting for its funds borrowed amounting to USD 149,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net gain of TL 444 thousands resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the affiliate applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 1,052,590 sell and EUR 226,145,529 buy, RON 90,000,000 sell and EUR 19,447,206 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, a net loss of TL 1,523 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

### **5.8.5 Other operating income**

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers and income on custody services.

A part of non-performing receivables of the Bank amounting to TL 865,748 thousands were sold for a consideration of TL 56,015 thousands. Considering the related provisions of TL 854,989 thousands in the financial statements, a gain of TL 45,256 thousands is recognized under "other operating income".

A part of written-off non-performing loans, lease receivables and factoring receivables of certain consolidated financial affiliates of the Bank amounting to TL 332,791 were sold for a total consideration of TL 30,288 thousands. A gain from these sales amounting to TL 21,918 thousands is recognized under "other operating income" considering the related provision of TL 324,421 thousands had been provided against in the accompanying consolidated financial statements in prior periods. A revenue earned from subsequent collections of such receivables sold in prior periods, amounting to TL 507 thousands is recognized in the income statement under "other operating income".

**5.8.6 Provision for losses on loans or other receivables**

	<i>31 December 2017</i>
Specific Provisions for Loans and Other Receivables	1,782,034
<i>Loans and receivables in Group III</i>	<i>564,991</i>
<i>Loans and receivables in Group IV</i>	<i>613,855</i>
<i>Loans and receivables in Group V</i>	<i>603,188</i>
General Provisions	497,877
Provision for Possible Losses	860,000
Impairment Losses on Financial Assets	9,012
<i>Financial assets at fair value through profit or loss</i>	<i>717</i>
<i>Financial assets available-for-sale</i>	<i>8,295</i>
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-
<i>Associates</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>
<i>Joint ventures (business partnership)</i>	<i>-</i>
<i>Investments held-to-maturity</i>	<i>-</i>
Others	532,940
<b>Total</b>	<b>3,681,863</b>

**5.8.7 Other operating expenses**

	<i>31 December 2017</i>
Personnel Costs	3,205,846
Reserve for Employee Termination Benefits	46,291
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	677
Depreciation Expenses of Tangible Assets	286,244
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	107,554
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	1,707
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	3,056,863
<i>Operational lease related expenses</i>	<i>470,021</i>
<i>Repair and maintenance expenses</i>	<i>66,231</i>
<i>Advertisement expenses</i>	<i>202,213</i>
<i>Other expenses (*)</i>	<i>2,318,398</i>
Loss on Sale of Assets	12,372
Others (**)(***)	906,202
<b>Total</b>	<b>7,623,756</b>

(\*) Includes lawsuit, execution and other legal expenses borne by the Bank of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 30,715 thousands, as per the decision of the Turkish Competition Board or the related courts.

(\*\*) Includes saving-deposits-insurance-fund related expenses of TL 258,217 thousands and insurance-business claim losses of TL 179,480 thousands.

(\*\*\*) Includes repayments, by the Bank, of fees and commissions income recognised in prior years in the amount of TL 31,330 thousands as per the decision of the Turkish Competition Board or the related courts.

**5.8.8 Information on profit/loss before taxes from continued and discontinued operations**

TL 15,686,570 thousands of the profit before taxes is derived from net interest income and TL 3,860,413 thousands from net fees and commissions income. The total operating expenses amounted to TL 7,623,756 thousands. The profit before taxes reached to TL 8,349,437 thousands increasing by 28.6% as compared to the prior year.

**5.8.9 Information on provision for taxes for continued and discontinued operations**

As of 31 December 2017, on a consolidated basis, the Bank recorded a tax expense of TL 2,284,299 thousands and a deferred tax income of TL 322,836 thousands.

*Deferred tax benefit/charge on timing differences*

Deferred tax (benefit)/charge on timing differences	31 December 2017
Increase in Tax Deductable Timing Differences (+)	(304,276)
Decrease in Tax Deductable Timing Differences (-)	72,557
Increase in Taxable Timing Differences (-)	103,916
Decrease in Taxable Timing Differences (+)	(195,033)
<b>Total</b>	<b>(322,836)</b>

*Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions*

Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and	31 December 2017
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(238,055)
(Increase)/Decrease in Taxable Timing Differences (net)	(91,117)
(Increase)/Decrease in Tax Losses (net)	6,336
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>(322,836)</b>

**5.8.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations**

None.

**5.8.11 Net profit/loss**

**5.8.11.1 Any further explanation on operating results needed for better understanding of bank's performance**

None.

**5.8.11.2 Any changes in estimations that might have a material effect on 31/12/2017 and subsequent period results**

None.

**5.8.11.3 Minority interest's profit/loss**

	31 December 2017
Net Profit/(Loss) of Minority Interest	55,918

**5.8.12 Components of other items in income statement**

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the consolidated income statement include mainly fees and commissions related with credit card transactions and other banking services.



## **5.9 Consolidated statement of changes in shareholders' equity (Current Period)**

### **5.9.1 Any increases arising from application of accounting for financial instruments in current period**

#### **5.9.1.1 *Increases from valuation of financial assets measured at fair value through other comprehensive income***

None.

#### **5.9.1.2 *Increases due to cash flow hedges***

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an decrease of TL 32,154 thousands is presented in the shareholders' equity for such hedges assessed as effective.

#### **5.9.1.3 *Reconciliation of foreign exchange differences at beginning and end of current period***

As of 31 December 2018, an increase of TL 1,161,002 thousands that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

### **5.9.2 Any decreases arising from application of accounting for financial instruments**

#### **5.9.2.1 *Decreases from valuation of financial assets measured at fair value through other comprehensive income***

As of 31 December 2018, an increase of TL 1,117,217 thousands resulted from the revaluation of financial assets measured at fair value through other comprehensive income at fair value after being netted with the related deferred tax liability effect and a gain of TL 11,799 thousands that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in income / expenses from valuation and / or reclassification of financial assets measured at FVOCI in shareholders' equity.

#### **5.9.2.2 *Decreases due to cash flow hedges***

None.

### **5.9.3 Transfers to legal and extraordinary reserves**

	<i>Current Period</i>
Transfers to Legal Reserves from Prior Year Profits	179,310
Transfers to Extraordinary Reserves from Prior Year Profits	4,835,262

### **5.9.4 Issuance of share certificates**

Please refer to Note 5.3.12.3.

### **5.9.5 Effects of prior years' corrections to beginning balances of current period**

Please refer to Note 3.29.

### **5.9.6 Compensation of prior period losses**

None.

## **5.10 Consolidated statement of changes in shareholders' equity (Prior Period)**

### **5.10.1 Any increases arising from application of accounting for financial instruments in previous period**

#### **5.10.1.1 Increases from valuation of financial assets available-for-sale**

None.

#### **5.10.1.2 Increases due to cash flow hedges**

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 42,155 thousands is presented in the shareholders' equity for such hedges assessed as effective.

#### **5.10.1.3 Reconciliation of foreign exchange differences at beginning and end of prior period**

As of 31 December 2017, an increase of TL 674,152 thousands that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

### **5.10.2 Any decreases arising from application of accounting for financial instruments in previous period**

#### **5.10.2.1 Decreases from valuation of financial assets available-for-sale**

As of 31 December 2017, an increase of TL 256,534 thousands resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a loss of TL 30,723 thousands that was transferred to the income statement from "securities value increase fund" are presented as the prior period movements in securities value increase fund in the statement of changes in shareholders' equity.

#### **5.10.2.2 Decreases due to cash flow hedges**

None.

### **5.10.3 Transfers to legal and extraordinary reserves**

	<i>31 December 2017</i>
Transfers to Legal Reserves from Prior Year Profits	115,719
Transfers to Extraordinary Reserves from Prior Year Profits	3,511,961

### **5.10.4 Issuance of share certificates**

Please refer to Note 5.4.12.3.

### **5.10.5 Effects of prior years' corrections to beginning balances of prior period**

None.

### **5.10.6 Compensation of prior period losses**

None.

## 5.11 Consolidated statement of cash flows (Current Period)

### 5.11.1 Disclosures for “other” items and “effect of translation differences cash and cash equivalents” in statement of cash flows

The net cash inflows arising from banking operations amount to TL 15,291,463 thousands. TL 4,836,686 thousands of these net cash inflows is generated from the cash inflows resulted from the change in operating assets and liabilities and TL 10,454,777 thousands from the cash inflows resulted from operating profit. The “net increase (decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an increase of TL 4,064,000 thousands. The net cash inflows from financing activities amount to TL 2,214,086 thousands.

The effect of translation differences on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1,423,512 thousands.

### 5.11.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Notes 5.1.9.3 and 5.1.10.2.

### 5.11.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

None.

### 5.11.4 Cash and cash equivalents at beginning of period

	<i>31 December 2017</i>
Cash on Hand	<b>2,847,903</b>
<i>Cash in TL</i>	<i>1,297,568</i>
<i>Cash in Foreign Currency</i>	<i>1,550,335</i>
Cash Equivalents	<b>12,104,609</b>
<i>Others</i>	<i>12,104,609</i>
<b>Total</b>	<b>14,952,512</b>

### 5.11.5 Cash and cash equivalents at end of period

	<i>31 December 2018</i>
Cash on Hand	<b>4,072,788</b>
<i>Cash in TL</i>	<i>1,562,395</i>
<i>Cash in Foreign Currency</i>	<i>2,510,393</i>
Cash Equivalents	<b>33,624,816</b>
<i>Others</i>	<i>33,624,816</i>
<b>Total</b>	<b>37,697,604</b>

**5.11.6 Restricted cash and cash equivalents due to legal requirements or other reasons**

The placements at foreign banks include blocked accounts amounting TL 10,873,164 thousands of which TL 5,419,705 thousands and TL 146,033 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,307,426 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 418,844 thousands as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 13,158,116 thousands is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 1,350,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

**5.11.7 Additional information**

**5.11.7.1 Restrictions on the Bank's potential borrowings**

None.

**5.11.7.2 Cash inflows presenting increase in banking activity related capacity**

None.

## 5.12 Consolidated statement of cash flows (Prior Period)

### 5.12.1 Disclosures for “other” items and “effect of change in foreign currency rates cash and cash equivalents” in statement of cash flows

The net cash outflows arising from banking operations amount to TL 4,872,591 thousands. TL 13,152,134 thousands of these net cash outflows is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 8,279,543 thousands from the cash inflows resulted from operating profit. The “net increase/decrease in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an increase of TL 1,190,368 thousands. The net cash inflows from financing activities amount to TL 4,582,854 thousands.

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 597,337 thousands.

### 5.12.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Notes 5.2.8.3 and 5.2.9.2.

### 5.12.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

None.

### 5.12.4 Cash and cash equivalents at beginning of period

	<i>31 December 2016</i>
Cash on Hand	<b>2,205,903</b>
<i>Cash in TL</i>	<i>1,357,697</i>
<i>Cash in Foreign Currency</i>	<i>848,206</i>
Cash Equivalents	<b>13,486,239</b>
<i>Others</i>	<i>13,486,239</i>
<b>Total</b>	<b>15,692,142</b>

### 5.12.5 Cash and cash equivalents at end of period

	<i>31 December 2017</i>
Cash on Hand	<b>2,847,903</b>
<i>Cash in TL</i>	<i>1,297,568</i>
<i>Cash in Foreign Currency</i>	<i>1,550,335</i>
Cash Equivalents	<b>12,104,609</b>
<i>Others</i>	<i>12,104,609</i>
<b>Total</b>	<b>14,952,512</b>

**5.12.6 Restricted cash and cash equivalents due to legal requirements or other reasons**

The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,092,415 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 334,998 thousands as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 19,280,068 thousands, foreign currencies and gold. The Bank also keeps a collateral of EUR 668,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

**5.12.7 Additional information**

**5.12.7.1 Restrictions on the Bank's potential borrowings**

None.

**5.12.7.2 Cash inflows presenting increase in banking activity related capacity**

None.

## 5.13 Related party risks

### 5.13.1 Transactions with parent bank's risk group;

#### 5.13.1.1 Loans and other receivables

##### Current Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Balance at end of period	300,597	5,024	116,428	954,272	147,203	36,351
Interest and Commission Income (*)	22,848	7	18,955	189	223,548	6,745

(\*) Doğuş Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest and commissions received due to the transactions with these companies in 2018 are included in the related party disclosures.

##### Prior Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Interest and Commission Income	4,148	16	5,109	93	178,284	3,981

#### 5.13.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	97,361	46,726	375,171	545,105	409,424	554,648
Balance at end of period	134,824	97,361	109,448	375,171	107,483	409,424
Interest Expenses (*)	18,638	9,379	6,005	14,861	41,104	19,704

(\*) Doğuş Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest paid due to the transactions with these companies in 2018 are included in the related party disclosures.

#### 5.13.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	7,239	13,344	39,433,377	13,797,354	792,918	843,120
Balance at end of period	34,363	7,239	33,860,021	39,433,377	9,479	792,918
Total Profit/(Loss)	45	(63)	(53,256)	14,444	(6,001)	2,269
Transactions for Hedging						
Balance at beginning of period	-	-	1,037,356	1,154,569	-	-
Balance at end of period	-	-	1,004,943	1,037,356	-	-
Total Profit/(Loss)	-	-	(339)	(3,161)	-	-

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the articles 3 and 49 of the Banking Law No. 5411.

## **5.13.2 Bank's risk group**

### **5.13.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions**

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

### **5.13.2.2 Concentration of transaction volumes and balances with risk group and pricing policy**

The cash loans of the risk group amounting TL 4,329,526 thousands (31 December 2017: TL 2,662,333 thousands) compose 1.69% (31 December 2017: 1.16%) of the Bank's total consolidated cash loans and 1.08% (31 December 2017: 0.75%) of the Bank's total consolidated assets. In the current period, there is no securities purchased from the risk group (31 December 2017: TL 21,757 thousands). The total loans and similar receivables amounting TL 564,228 thousands (31 December 2017: TL 4,192,466 thousands) compose 0.14% (31 December 2017: 1.18%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 995,647 thousands (31 December 2017: TL 2,449,432 thousands) compose 1.47% (31 December 2017: 4.36%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 351,755 thousands (31 December 2017: TL 881,956 thousands) compose 0.14% (31 December 2017: 0.44%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

There are no credit card (POS) payables to the related parties (31 December 2017: TL 97,932 thousands). A total rent income of TL 4,311 thousands (31 December 2017: TL 4,452 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 5,068 thousands (31 December 2017: TL 4,910 thousands) as of 31 December 2018 were incurred for the IT services rendered by the related parties. Other income of TL 4,336 thousands (31 December 2017: TL 4,003 thousands) for the IT services rendered and banking services fee income of TL 42,618 thousands (31 December 2017: TL 24,659 thousands) were recognized from the related parties

Operating expenses of TL 115 thousands (31 December 2017: TL 391 thousands) for advertisement and broadcasting services, of TL 65,321 thousands (31 December 2017: TL 53,736 thousands) for operational leasing services, and of TL 23,983 thousands (31 December 2017: TL 16,288 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries amounts to TL 152,889 thousands as of 31 December 2018 (31 December 2017: TL 150,727 thousands) including compensations paid to key management personnel who left their position during the year.

### **5.13.2.3 Other matters not required to be disclosed**

None.

### **5.13.2.4 Transactions accounted for under equity method**

None.

### **5.13.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services**

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.



## 5.14 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank

### 5.14.1 Domestic and foreign branches and representative offices of parent bank

Parent Bank					
	Number of Branches	Number Of Employees	Country		
Domestic Branches	926	18,215			
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- China		
				<b>Total Assets</b>	<b>Legal Capital</b>
Foreign Branches	1	13	1- Malta	36,032,757	-
	7	107	2- KKTC	3,133,235	80,000,000

### 5.14.2 Opening or closing of domestic and foreign branches and representative offices and significant changes in organisational structure of parent bank

In 2018, 16 domestic branches were opened and 27 branches were closed.

### 5.14.3 Information on consolidated financial subsidiaries of parent bank

Garanti Bank International NV					
	Number of Branches	Number Of Employees	Country		
Foreign Representative Offices	1	12	1- Turkey		
	1	-	2- Switzerland		
				<b>Total Assets</b>	<b>Legal Capital</b>
Head office-the Netherlands	1	231	1- Netherlands	25,741,215	136,836,000 EUR
Foreign Branches	1	17	2- Germany	97,234	-

Garanti Bank SA					
	Number of Branches	Number Of Employees	Country	Total Assets	Legal Capital
Romania Head Office and Branches	78	1,051	Romanya	13,356,067	1,208,086,946 RON

#### Other consolidated foreign financial subsidiaries

	Number Of Employees	Country	Total Assets	Legal Capital
Garanti Holding BV	-	Hollanda	2,049,712	385,388,600 EUR
G Netherlands BV	-	Hollanda	2,097,010	120,682,821 EUR
Motoractive IFN SA	78	Romanya	1,089,871	40,138,655 RON
Ralfi IFN SA	180	Romanya	756,116	10,661,500 RON

*Consolidated domestic financial subsidiaries*

	<b>Number Of Employees</b>	<b>Total Assets</b>	<b>Legal Capital</b>
<b>Garanti Finansal Kiralama AŞ</b>	135	6,070,504	350,000
<b>Garanti Faktoring AŞ</b>	139	2,434,061	79,500
<b>Garanti Emeklilik ve Hayat AŞ</b>	759	1,461,463	50,000
<b>Garanti Yatırım Menkul Kıymetler AŞ</b>	327	324,450	8,328
<b>Garanti Portföy Yönetimi AŞ</b>	40	107,001	25,000
<b>Garanti Yatırım Ortaklığı AŞ</b>	9	38,206	32,000

**5.15 Matters arising subsequent to the balance sheet date**

None.

## 6 Other Disclosures on Activities

### 6.1 Information on international risk ratings

#### 6.1.1 Parent bank's international risk ratings

##### MOODY'S (September 2018)<sup>(\*)(\*\*)</sup>

Outlook	Negative
Long Term FC Deposit	B2(Negative)
Long Term TL Deposit	B1(Negative)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b2
Adjusted Loan Assessment	b1
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

##### STANDARD AND POORS (August 2018)<sup>(\*)</sup>

Long Term FC ICR	B+
Long Term TL ICR	B+
Outlook	Stable
Stand-alone Credit Profile (SACP)	b+

##### FITCH RATINGS (October 2018)<sup>(\*)</sup>

Long Term FC	BB / Negative Outlook
Short Term FC	B
Long Term TL	BB / Negative Outlook
Short Term TL	B
Financial Capacity	b+
Support	3
NSR	AA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	BB-
Senior Unsecured Short Term Notes	B
Subordinated Notes	B+

##### JCR EURASIA RATINGS (August 2018)<sup>(\*)</sup>

International FC Outlook	Negative
Long Term International FC	BBB-
Short Term International FC	A-3
International TL Outlook	Negative
Long Term International TL	BBB+
Short Term International TL	A-2
National Outlook	Negative
Long Term NSR	AAA(Trk)
Short Term NSR	A-1+(Trk)
Independency from Shareholders	A
Support	1

<sup>(\*)</sup> Latest date in risk ratings or outlooks

<sup>(\*\*)</sup> Under watch for possible downgrade

**6.1.2 International risk ratings of Garanti Bank International NV, a consolidated subsidiary**

**MOODY'S (September 2018) (\*)**

Long Term FC Deposit	Baa3
Short Term FC Deposit	P-3
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	Baa3
Outlook	Negative
Long Term Counterparty Risk Assessment	Baa1(cr)
Short Term Counterparty Risk Assessment	P-2(cr)
Long Term Counterparty Risk Rating	Baa2
Short Term Counterparty Risk Rating	P-2

(\*) Latest date in risk ratings or outlooks

**6.1.3 International risk ratings of Garanti Faktoring, a consolidated subsidiary**

**FITCH RATINGS (October 2018) (\*)**

<b>Foreign Currency</b>	
Long Term	BB-
Short Term	B
Outlook	Negative
<b>Turkish Lira</b>	
Long Term	BB
Short Term	B
Outlook	Negative
<b>National</b>	AA (tur)
Outlook	Stable
Support	3

(\*) Latest date in risk ratings or outlooks

**6.1.4 International risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary**

**FITCH RATINGS (October 2018) (\*)**

<b>Foreign Currency</b>	
Long Term	BB-
Short Term	B
Outlook	Negative
<b>Turkish Lira</b>	
Long Term	BB
Short Term	B
Outlook	Negative
<b>National</b>	AA (tur)
Outlook	Stable
Support	3

(\*) Latest date in risk ratings or outlooks

**STANDARD AND POORS (August 2018) (\*)**

<b>Foreign Currency</b>	
Long Term	B+
Short Term	B
Outlook	Stable
<b>Turkish Lira</b>	
Long Term	B+
Short Term	B
Outlook	Stable

(\*) Latest date in risk ratings or outlooks

**6.1.5 International risk ratings of Garanti Bank SA, a consolidated subsidiary**

**FITCH RATINGS (October 2018) (\*)**

<b>Foreign Currency</b>	
Long - Term IDR	BB-
Short - Term IDR	B
Support Rating	3
Viability Rating	bb-
Outlook	Stable

(\*) Latest date in risk ratings or outlooks

**6.2 Dividend**

As per the decision made at the annual general assembly of shareholders of the parent Bank on 29 March 2018, the distribution of the net profit of the year 2017, was as follows;

<b>2017 PROFIT DISTRIBUTION TABLE</b>	
<b>2017 Net Profit</b>	<b>6,343,920</b>
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(1,150)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(306,696)
D – Second dividend to the shareholders	(1,540,000)
E – Extraordinary reserves	(4,132,074)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(154,000)

**6.3 Other disclosures**

None.

## **7 Independent Auditors' Report**

### **7.1 Disclosure on independent auditors' report**

The consolidated financial statements of the Bank and its financial affiliates as of 31 December 2018, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 31 January 2019, is presented before the accompanying consolidated financial statements.

### **7.2 Disclosures and footnotes prepared by independent auditors**

None.