

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

Türkiye Garanti Bankası Anonim Şirketi
Publicly Announced Unconsolidated 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 Unconsolidated Financial Statements

Qualified Opinion

We have audited the unconsolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2018 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. as at 31 December 2018, and its financial performance and its 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 unconsolidated 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 Financial Statements section of our report. We are independent of the Bank 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 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 unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated 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 unconsolidated 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 Bank's total assets.</p> <p>The Bank 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 Bank's management are as follows:</p> <ul style="list-style-type: none"> - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model. 	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> • 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. • We evaluated the Bank'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. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Banks'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.



<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 Bank 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">• 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.• We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis.• 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.• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.• Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.
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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 unconsolidated financial statements.

Key audit matter	How the matter is addressed in our audit
<p>The Bank 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 Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9. The Bank 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">• 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.• We evaluated the understanding and the control of the Bank's business model assessment and the test on the contractual cash flows.• We have involved our own valuation specialist to evaluate the data, assumptions and valuation used by the Bank for the fair value calculation of the related instruments.• Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to the classification and measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).



Pension plan

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

Key audit matter	How the matter was addressed in our audit
<p>The 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 Bank's employees are the members of this Fund.</p> <p>As disclosed in the Note 3.17 to the unconsolidated 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 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 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 Bank's non-transferrable 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">• We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations.• Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated.• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary.• We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.• Additionally, the adequacy of the unconsolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.



Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 Bank'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 Bank'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 unconsolidated 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 Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 unconsolidated 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated 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 unconsolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative



Alper Güvenç, SMMM
Partner

31 January 2019
İstanbul, Turkey

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TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018

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The unconsolidated year-end financial report 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 the Bank
2. Unconsolidated Financial Statements of the Bank
3. Accounting Policies
4. Financial Position and Results of Operations, and Risk Management Applications of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditors' Report

The unconsolidated financial statements for the year-end 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)**.

Süleyman Sözen
Board of Directors
Chairman

Ali Fuat Erbil
General Manager

Aydın Güler
Executive Vice President
Responsible of Financial Reporting

Hakan Özdemir
Financial Reporting and
Accounting Director

**Jorge Saenz - Azcunaga
Carranza**
Audit Committee Member

Ricardo Gomez Barredo
Audit Committee Member

Belkıs Sema Yurdum
Audit Committee Member

The authorized contact person for questions on this financial report:

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1 General Information

1.1 History of the 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, eight foreign branches and two representative offices abroad (31 December 2017: 937 domestic branches, eight foreign branches and three representative offices). The Bank’s head office is located in Istanbul.

1.2 Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on bank’s 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%. Accordingly, BBVA and the Doğuş Group continued to have mutual control on the Bank’s management.

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 agreements 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 the bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and shareholdings in the bank

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
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
Belkıs 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:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
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 the bank’s qualified shareholders

Name / 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 5th 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 the 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 Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries

None.

2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi 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
I.	FINANCIAL ASSETS (Net)		43,000,446	72,891,638	115,892,084
1.1	Cash and Cash Equivalents		3,215,269	59,585,658	62,800,927
1.1.1	Cash and Balances with Central Bank	5.1.1	2,815,820	38,550,627	41,366,447
1.1.2	Banks	5.1.3	399,233	21,035,031	21,434,264
1.1.3	Money Market Placements		216	-	216
1.2	Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.1.2	183,255	180,220	363,475
1.2.1	Government Securities		151,143	83,426	234,569
1.2.2	Equity Securities		25,670	85,842	111,512
1.2.3	Other Financial Assets		6,442	10,952	17,394
1.3	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	5.1.4	18,254,325	5,213,456	23,467,781
1.3.1	Government Securities		18,174,639	4,116,609	22,291,248
1.3.2	Equity Securities		15,058	210,087	225,145
1.3.3	Other Financial Assets		64,628	886,760	951,388
1.4	Financial Assets Measured at Amortised Cost	5.1.7	18,565,890	6,866,393	25,432,283
1.4.1	Government Securities		18,532,126	6,053,663	24,585,789
1.4.2	Other Financial Assets		33,764	812,730	846,494
1.5	Derivative Financial Assets		2,825,676	1,126,258	3,951,934
1.5.1	Derivative Financial Assets Measured at FVTPL		2,304,179	945,016	3,249,195
1.5.2	Derivative Financial Assets Measured at FVOCI		521,497	181,242	702,739
1.6	Non Performing Financial Assets		-	-	-
1.7	Expected Credit Losses (-)	5.1.5	43,969	80,347	124,316
II.	LOANS (Net)		144,829,673	78,458,249	223,287,922
2.1	Loans	5.1.6	144,987,057	78,298,495	223,285,552
2.1.1	Loans Measured at Amortised Cost		144,987,057	74,217,334	219,204,391
2.1.2	Loans Measured at FVTPL		-	4,081,161	4,081,161
2.1.3	Loans Measured at FVOCI		-	-	-
2.2	Lease Receivables		-	-	-
2.2.1	Financial Lease Receivables		-	-	-
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	Factoring Receivables		-	-	-
2.3.1	Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2	Factoring Receivables Measured at FVTPL		-	-	-
2.3.3	Factoring Receivables Measured at FVOCI		-	-	-
2.4	Non Performing Receivables		7,271,768	4,135,305	11,407,073
2.5	Expected Credit Losses (-)		7,429,152	3,975,551	11,404,703
2.5.1	12-Month ECL (Stage 1)		631,579	137,506	769,085
2.5.2	Lifetime ECL Significant Increase in Credit Risk (Stage 2)		1,706,488	2,152,282	3,858,770
2.5.3	Lifetime ECL Impaired Credits (Stage 3)		5,091,085	1,685,763	6,776,848
III.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.17	786,709	-	786,709
3.1	Asset Held for Resale		786,709	-	786,709
3.2	Assets of Discontinued Operations		-	-	-
IV.	OWNERSHIP INVESTMENTS (Net)		2,176,289	4,883,620	7,059,909
4.1	Associates (Net)	5.1.8	35,158	-	35,158
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-
4.1.2	Unconsolidated Associates		35,158	-	35,158
4.2	Subsidiaries (Net)	5.1.9	2,141,131	4,883,620	7,024,751
4.2.1	Unconsolidated Financial Investments in Subsidiaries		2,057,591	4,883,620	6,941,211
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		83,540	-	83,540
4.3	Joint Ventures (Net)	5.1.10	-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-
V.	TANGIBLE ASSETS (Net)	5.1.13	4,105,729	300	4,106,029
VI.	INTANGIBLE ASSETS (Net)	5.1.14	300,551	-	300,551
6.1	Goodwill		-	-	-
6.2	Others		300,551	-	300,551
VII.	INVESTMENT PROPERTY (Net)	5.1.15	690,700	-	690,700
VIII.	CURRENT TAX ASSET		60,043	-	60,043
IX.	DEFERRED TAX ASSET	5.1.16	1,305,446	-	1,305,446
X.	OTHER ASSETS	5.1.18	4,854,484	1,133,325	5,987,809
	TOTAL ASSETS		202,110,070	157,367,132	359,477,202

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

Türkiye Garanti Bankası Anonim Şirketi
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
I.	DEPOSITS	5.3.1	104,641,068	113,416,850	218,057,918
II.	FUNDS BORROWED	5.3.3	914,443	31,026,239	31,940,682
III.	MONEY MARKET FUNDS		45,416	-	45,416
IV.	SECURITIES ISSUED (NET)	5.3.4.1	3,200,841	16,806,517	20,007,358
4.1	Bills		1,128,901	27,087	1,155,988
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		2,071,940	16,779,430	18,851,370
V.	FUNDS		-	-	-
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
VI.	FINANCIAL LIABILITIES MEASURED AT FVTPL	5.3.4.3	-	12,285,838	12,285,838
VII.	DERIVATIVE FINANCIAL LIABILITIES		2,402,287	1,801,765	4,204,052
7.1	Derivative Financial Liabilities Measured at FVTPL		2,288,704	1,789,390	4,078,094
7.2	Derivative Financial Liabilities Measured at FVOCI		113,583	12,375	125,958
VIII.	FACTORING PAYABLES		-	-	-
IX.	LEASE PAYABLES (Net)	5.3.5	16,464	-	16,464
9.1	Financial Lease Payables		19,252	-	19,252
9.2	Operational Lease Payables		-	-	-
9.3	Others		-	-	-
9.4	Deferred Financial Lease Expenses (-)		2,788	-	2,788
X.	PROVISIONS	5.3.7	3,826,730	993,663	4,820,393
10.1	Restructuring Reserves		-	-	-
10.2	Reserve for Employee Benefits		940,537	110,696	1,051,233
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		2,886,193	882,967	3,769,160
XI.	CURRENT TAX LIABILITY	5.3.8	508,339	57,628	565,967
XII.	DEFERRED TAX LIABILITY	5.3.8	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.3.9	-	-	-
13.1	Asset Held for Sale		-	-	-
13.2	Assets of Discontinued Operations		-	-	-
XIV.	SUBORDINATED DEBTS	5.3.10	-	3,977,018	3,977,018
14.1	Borrowings		-	-	-
14.2	Other Debt Instruments		-	3,977,018	3,977,018
XV.	OTHER LIABILITIES	5.3.4.4	15,704,986	1,163,257	16,868,243
XVI.	SHAREHOLDERS' EQUITY	5.3.11	46,363,042	324,811	46,687,853
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		1,273,518	90,909	1,364,427
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		1,271,073	(76,540)	1,194,533
16.5	Profit Reserves		31,798,472	310,442	32,108,914
16.5.1	Legal Reserves		1,465,374	-	1,465,374
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		30,103,954	-	30,103,954
16.5.4	Other Profit Reserves		229,144	310,442	539,586
16.6	Profit/Loss		7,035,545	-	7,035,545
16.6.1	Prior Periods' Profit/Loss		397,309	-	397,309
16.6.2	Current Period's Net Profit/Loss		6,638,236	-	6,638,236
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			177,623,616	181,853,586	359,477,202

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

Türkiye Garanti Bankası Anonim Şirketi

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
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		162,159,415	312,705,642	474,865,057
I. GUARANTEES AND SURETIES	5.5.1	22,813,515	42,989,474	65,802,989
1.1. Letters of guarantee		22,742,832	26,424,630	49,167,462
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	214,343	2,057,162
1.1.3. Other letters of guarantee		20,900,013	25,228,373	46,128,386
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	13,736,240	13,783,428
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		47,188	13,736,240	13,783,428
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		-	63,270	63,270
1.9. Other sureties		-	-	-
II. COMMITMENTS	5.5.1	52,647,137	11,735,504	64,382,641
2.1. Irrevocable commitments		52,528,332	8,693,452	61,221,784
2.1.1. Asset purchase and sale commitments		4,333,078	7,478,919	11,811,997
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	5,743	5,743
2.1.4. Loan granting commitments		13,412,427	1,208,790	14,621,217
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		31,989,908	-	31,989,908
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		-	-	-
2.2. Revocable commitments		118,805	3,042,052	3,160,857
2.2.1. Revocable loan granting commitments		118,805	3,040,576	3,159,381
2.2.2. Other revocable commitments		-	1,476	1,476
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.5.2	86,698,763	257,980,664	344,679,427
3.1. Derivative financial instruments held for risk management		11,918,326	46,555,011	58,473,337
3.1.1. Fair value hedges		6,000,686	16,411,355	22,412,041
3.1.2. Cash flow hedges		5,917,640	30,143,656	36,061,296
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		74,780,437	211,425,653	286,206,090
3.2.1. Forward foreign currency purchases/sales		11,612,734	13,094,791	24,707,525
3.2.1.1. Forward foreign currency purchases		4,785,365	7,470,638	12,256,003
3.2.1.2. Forward foreign currency sales		6,827,369	5,624,153	12,451,522
3.2.2. Currency and interest rate swaps		45,314,567	147,510,879	192,825,446
3.2.2.1. Currency swaps-purchases		10,335,927	58,804,841	69,140,768
3.2.2.2. Currency swaps-sales		33,563,046	31,725,340	65,288,386
3.2.2.3. Interest rate swaps-purchases		707,797	28,490,349	29,198,146
3.2.2.4. Interest rate swaps-sales		707,797	28,490,349	29,198,146
3.2.3. Currency, interest rate and security options		17,067,638	31,573,332	48,640,970
3.2.3.1. Currency call options		9,026,514	7,809,989	16,836,503
3.2.3.2. Currency put options		8,041,124	10,288,110	18,329,234
3.2.3.3. Interest rate call options		-	11,920,994	11,920,994
3.2.3.4. Interest rate put options		-	1,554,239	1,554,239
3.2.3.5. Security call options		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		785,498	923,754	1,709,252
3.2.4.1. Currency futures-purchases		31,748	791,418	823,166
3.2.4.2. Currency futures-sales		753,750	132,336	886,086
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		-	18,304,831	18,304,831
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		716,032,012	729,102,775	1,445,134,787
IV. ITEMS HELD IN CUSTODY		34,633,151	44,578,085	79,211,236
4.1. Customers' securities held		3,982,523	-	3,982,523
4.2. Investment securities held in custody		11,117,076	15,329,484	26,446,560
4.3. Checks received for collection		16,479,946	5,246,790	21,726,736
4.4. Commercial notes received for collection		2,819,574	1,015,696	3,835,270
4.5. Other assets received for collection		189,845	19,205,507	19,395,352
4.6. Assets received through public offering		-	128,789	128,789
4.7. Other items under custody		44,187	3,651,819	3,696,006
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		681,398,861	684,524,690	1,365,923,551
5.1. Securities		2,341,155	27,885	2,369,040
5.2. Guarantee notes		27,120,291	11,296,710	38,417,001
5.3. Commodities		13,913	-	13,913
5.4. Warrants		-	-	-
5.5. Real estates		169,414,525	123,196,216	292,610,741
5.6. Other pledged items		482,508,977	550,003,792	1,032,512,769
5.7. Pledged items-depository		-	87	87
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		878,191,427	1,041,808,417	1,919,999,844

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

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit or Loss

For The Year Ended 31 December 2018

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)
			CURRENT PERIOD 1 January 2018- 31 December 2018
I.	INTEREST INCOME	5.7.1	38,713,573
1.1	Interest income on loans		29,199,811
1.2	Interest income on reserve deposits		321,661
1.3	Interest income on banks		482,871
1.4	Interest income on money market transactions		34,865
1.5	Interest income on securities portfolio		8,214,272
1.5.1	Financial assets measured at FVTPL		63,331
1.5.2	Financial assets measured at FVOCI		4,063,507
1.5.3	Financial assets measured at amortised cost		4,087,434
1.6	Financial lease income		-
1.7	Other interest income		460,093
II.	INTEREST EXPENSE	5.7.2	19,603,368
2.1	Interest on deposits		14,697,257
2.2	Interest on funds borrowed		1,810,581
2.3	Interest on money market transactions		1,005,838
2.4	Interest on securities issued		2,021,513
2.5	Other interest expenses		68,179
III.	NET INTEREST INCOME (I - II)		19,110,205
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		4,870,051
4.1	Fees and commissions received		6,624,380
4.1.1	Non-cash loans		543,170
4.1.2	Others		6,081,210
4.2	Fees and commissions paid		1,754,329
4.2.1	Non-cash loans		1,610
4.2.2	Others		1,752,719
V.	PERSONNEL EXPENSES (-)	5.7.7	3,016,170
VI.	DIVIDEND INCOME	5.7.3	4,960
VII.	NET TRADING INCOME/LOSSES (Net)	5.7.4	(1,153,149)
7.1	Trading account income/losses		834,931
7.2	Income/losses from derivative financial instruments		1,170,392
7.3	Foreign exchange gains/losses		(3,158,472)
VIII.	OTHER OPERATING INCOME	5.7.5	2,219,235
IX.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)		22,035,132
X.	EXPECTED CREDIT LOSSES (-)	5.7.6	9,882,878
XI.	OTHER OPERATING EXPENSES (-)	5.7.7	4,458,684
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		7,693,570
XIII.	INCOME RESULTED FROM MERGERS		-
XIV.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		751,691
XV.	GAIN/LOSS ON NET MONETARY POSITION		-
XVI.	OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	5.7.8	8,445,261
XVII.	PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	5.7.9	1,807,025
17.1	Current tax charge		1,504,325
17.2	Deferred tax charge (+)		630,845
17.3	Deferred tax credit (-)		(328,145)
XVIII.	NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)	5.7.10	6,638,236
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income from assets held for sale		-
19.2	Income from sale of associates, subsidiaries and joint-ventures		-
19.3	Others		-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1	Expenses on assets held for sale		-
20.2	Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3	Others		-
XXI.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)	5.7.8	-
XXII.	PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.7.9	-
22.1	Current tax charge		-
22.2	Deferred tax charge (+)		-
22.3	Deferred tax credit (-)		-
XXIII.	NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)	5.7.10	-
XXIV.	NET PROFIT/LOSS (XVIII+XXIII)	5.7.11	6,638,236
	Earnings per Share		0.01581

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2018

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 1 January 2018 - 31 December 2018
I.	CURRENT PERIOD PROFIT/LOSS	6,638,236
II.	OTHER COMPREHENSIVE INCOME	(399,098)
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	21,142
2.1.1	Revaluation Surplus on Tangible Assets	(8,427)
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(19,796)
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	4,049
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	(420,240)
2.2.1	Translation Differences	1,146,418
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1,342,416)
2.2.3	Gains/losses from Cash Flow Hedges	(43,498)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(528,846)
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	348,102
III.	TOTAL COMPREHENSIVE INCOME (I+II)	6,239,138

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Changes in Shareholders' Equity
For The Year Ended 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	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					
CURRENT PERIOD (1 January - 31 December 2018)																
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	(138,997)	(350,921)	27,431,972	6,343,920	-	41,331,210	
II. Correction made as per TAS 8	3.28	-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542	
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542	
III. Adjusted Balances at Beginning of Period (I+II)	5.9	4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	254,236	(350,921)	27,431,972	6,741,229	-	42,121,752	
IV. Total Comprehensive Income		-	-	-	-	(7,584)	(15,837)	38,504	1,146,418	(1,143,581)	(423,077)	6,059	-	6,638,236	6,239,138	
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		-	-	-	-	-	-	-	-	-	-	76,963	-	-	76,963	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	4,593,920	(6,343,920)	-	(1,750,000)	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	4,592,770	(4,592,770)	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	397,309	6,638,236	46,687,853	

Türkiye Garanti Bankası Anonim Şirketi

Statement of Cash Flows

For The Year Ended 31 December 2018

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 1 January 2018 31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	5.10	8,596,609
1.1.1 Interests received		32,629,934
1.1.2 Interests paid		(19,525,213)
1.1.3 Dividend received		4,960
1.1.4 Fees and commissions received		6,624,380
1.1.5 Other income		3,054,166
1.1.6 Collections from previously written-off receivables		366,412
1.1.7 Cash payments to personnel and service suppliers		(6,742,618)
1.1.8 Taxes paid		(2,176,902)
1.1.9 Others		(5,638,510)
1.2 Changes in operating assets and liabilities	5.10	5,025,671
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		554,442
1.2.2 Net (increase) decrease in due from banks		3,117,480
1.2.3 Net (increase) decrease in loans		(24,536,956)
1.2.4 Net (increase) decrease in other assets		(1,797,179)
1.2.5 Net increase (decrease) in bank deposits		4,161,218
1.2.6 Net increase (decrease) in other deposits		31,890,407
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-
1.2.8 Net increase (decrease) in funds borrowed		(12,417,091)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		4,053,350
I. Net cash flow from banking operations	5.10	13,622,280
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	5.10	4,141,051
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		(1,687,476)
2.4 Sales of tangible assets		1,150,860
2.5 Cash paid for purchase of financial assets measured at FVOCI		(15,851,552)
2.6 Cash obtained from sale of financial assets measured at FVOCI		19,054,487
2.7 Cash paid for purchase of financial assets measured at amortised cost		(673,395)
2.8 Cash obtained from sale of financial assets measured at amortised cost		2,148,127
2.9 Others		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		(1,009,893)
3.1 Cash obtained from funds borrowed and securities issued		17,126,080
3.2 Cash used for repayment of funds borrowed and securities issued		(16,375,099)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,750,000)
3.5 Payments for financial leases		(10,874)
3.6 Others		-
IV. Effect of translation differences on cash and cash equivalents		1,433,478
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.10	18,186,916
VI. Cash and cash equivalents at beginning of period	5.10	12,360,409
VII. Cash and cash equivalents at end of period (V+VI)	5.10	30,547,325

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Profit Distribution
For The Year Ended 31 December 2018

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD (*)
		31 December 2018
I.	DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1	CURRENT PERIOD PROFIT	8,445,261
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,807,025
1.2.1	Corporate tax (income tax)	1,807,025
1.2.2	Withholding tax	-
1.2.3	Other taxes and duties	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	6,638,236
1.3	ACCUMULATED LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	-
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1	To owners of ordinary shares	-
1.6.2	To owners of privileged shares	-
1.6.3	To owners of redeemed shares	-
1.6.4	To profit sharing bonds	-
1.6.5	To holders of profit and loss sharing certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1	To owners of ordinary shares	-
1.9.2	To owners of privileged shares	-
1.9.3	To owners of redeemed shares	-
1.9.4	To profit sharing bonds	-
1.9.5	To holders of profit and loss sharing certificates	-
1.10	SECOND LEGAL RESERVES (-)	-
1.11	STATUS RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	-
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II.	DISTRIBUTION OF RESERVES	
2.1	APPROPRIATED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To owners of ordinary shares	-
2.3.2	To owners of privileged shares	-
2.3.3	To owners of redeemed shares	-
2.3.4	To profit sharing bonds	-
2.3.5	To holders of profit and loss sharing certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III.	EARNINGS PER SHARE (per YTL'000 face value each)	
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	0.01581
3.2	TO OWNERS OF ORDINARY SHARES (%)	158.05
3.3	TO OWNERS OF PRIVILEGED SHARES	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-
IV.	DIVIDEND PER SHARE	
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-

(*) Decision regarding the 2018 profit distribution will be held at General Assembly meeting.

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
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
I.	CASH AND BALANCES WITH CENTRAL BANK	5.2.1	7,635,956	25,776,547	33,412,503
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5.2.2	2,179,906	470,244	2,650,150
2.1	Financial assets held for trading		2,179,906	470,244	2,650,150
2.1.1	Government securities		785,296	16,604	801,900
2.1.2	Equity securities		28,116	-	28,116
2.1.3	Derivative financial assets held for trading		1,363,765	450,551	1,814,316
2.1.4	Other securities		2,729	3,089	5,818
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	5.2.2	-	-	-
2.2.4	Other securities		-	-	-
III.	BANKS	5.2.3	205,635	14,112,838	14,318,473
IV.	INTERBANK MONEY MARKETS		-	-	-
4.1	Interbank money market placements		-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	5.2.4	22,222,532	522,170	22,744,702
5.1	Equity securities		41,760	216,581	258,341
5.2	Government securities		21,912,629	231,769	22,144,398
5.3	Other securities		268,143	73,820	341,963
VI.	LOANS	5.2.5	142,937,709	66,742,168	209,679,877
6.1	Performing loans		141,888,832	66,742,168	208,631,000
6.1.1	Loans to bank's risk group	5.11	747,475	2,690,988	3,438,463
6.1.2	Government securities		-	-	-
6.1.3	Others		141,141,357	64,051,180	205,192,537
6.2	Loans under follow-up		5,408,114	-	5,408,114
6.3	Specific provisions (-)		4,359,237	-	4,359,237
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	INVESTMENTS HELD-TO-MATURITY (Net)	5.2.6	12,900,962	11,984,381	24,885,343
8.1	Government securities		12,815,088	7,417,468	20,232,556
8.2	Other securities		85,874	4,566,913	4,652,787
IX.	INVESTMENTS IN ASSOCIATES (Net)	5.2.7	35,158	-	35,158
9.1	Associates consolidated under equity accounting		-	-	-
9.2	Unconsolidated associates		35,158	-	35,158
9.2.1	Financial investments in associates		31,492	-	31,492
9.2.2	Non-financial investments in associates		3,666	-	3,666
X.	INVESTMENTS IN SUBSIDIARIES (Net)	5.2.8	2,813,701	3,725,770	6,539,471
10.1	Unconsolidated financial investments in subsidiaries		2,709,329	3,725,770	6,435,099
10.2	Unconsolidated non-financial investments in subsidiaries		104,372	-	104,372
XI.	INVESTMENTS IN JOINT-VENTURES (Net)	5.2.9	-	-	-
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		-	-	-
XII.	LEASE RECEIVABLES (Net)	5.2.10	-	-	-
12.1	Financial lease receivables		-	-	-
12.2	Operational lease receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned income (-)		-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	5.2.11	535,561	112,714	648,275
13.1	Fair value hedges		89,104	13,001	102,105
13.2	Cash flow hedges		446,457	99,713	546,170
13.3	Net foreign investment hedges		-	-	-
XIV.	TANGIBLE ASSETS (Net)	5.2.12	3,769,116	263	3,769,379
XV.	INTANGIBLE ASSETS (Net)	5.2.13	285,654	-	285,654
15.1	Goodwill		-	-	-
15.2	Other intangibles		285,654	-	285,654
XVI.	INVESTMENT PROPERTY (Net)	5.2.14	690,588	-	690,588
XVII.	TAX ASSET		356,684	-	356,684
17.1	Current tax asset		-	-	-
17.2	Deferred tax asset	5.2.15	356,684	-	356,684
XVIII.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.16	775,428	-	775,428
18.1	Assets held for sale		775,428	-	775,428
18.2	Assets of discontinued operations		-	-	-
XIX.	OTHER ASSETS	5.2.17	3,513,511	927,078	4,440,589
	TOTAL ASSETS		200,858,101	124,374,173	325,232,274

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
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
I. DEPOSITS		89,230,296	91,885,709	181,116,005
1.1 Deposits from bank's risk group	5.4.1	1,591,710	576,385	2,168,095
1.2 Others	5.11	87,638,586	91,309,324	178,947,910
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		2,359,187	393,543	2,752,730
III. FUNDS BORROWED		742,583	40,062,240	40,804,823
IV. INTERBANK MONEY MARKETS		12,582,894	4,081,694	16,664,588
4.1 Interbank money market takings	5.4.4	11,712,429	3,892,261	15,604,690
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Obligations under repurchase agreements		870,465	189,433	1,059,898
V. SECURITIES ISSUED (Net)		6,960,619	12,330,741	19,291,360
5.1 Bills	5.4.4	2,975,784	-	2,975,784
5.2 Asset backed securities		-	-	-
5.3 Bonds		3,984,835	12,330,741	16,315,576
VI. FUNDS		-	-	-
6.1 Borrower funds		-	-	-
6.2 Others		-	-	-
VII. MISCELLANEOUS PAYABLES		9,489,981	483,915	9,973,896
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,124,799	741,751	2,866,550
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES (Net)		6,939	-	6,939
10.1 Financial lease payables	5.4.5	7,903	-	7,903
10.2 Operational lease payables		-	-	-
10.3 Others		-	-	-
10.4 Deferred expenses (-)		964	-	964
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE		6,227	173,843	180,070
11.1 Fair value hedges	5.4.6	6,227	171,764	177,991
11.2 Cash flow hedges		-	2,079	2,079
11.3 Net foreign investment hedges		-	-	-
XII. PROVISIONS		6,054,358	252,296	6,306,654
12.1 General provisions	5.4.7	3,597,720	-	3,597,720
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		785,778	67,039	852,817
12.4 Insurance technical provisions (Net)		-	-	-
12.5 Other provisions		1,670,860	185,257	1,856,117
XIII. TAX LIABILITY		1,059,984	27,994	1,087,978
13.1 Current tax liability	5.4.8	1,059,984	27,994	1,087,978
13.2 Deferred tax liability		-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		-	-	-
14.1 Assets held for sale	5.4.9	-	-	-
14.2 Assets of discontinued operations		-	-	-
XV. SUBORDINATED DEBTS		-	2,849,471	2,849,471
XVI. SHAREHOLDERS' EQUITY		40,832,869	498,341	41,331,210
16.1 Paid-in capital	5.4.10	4,200,000	-	4,200,000
16.2 Capital reserves	5.4.11	3,318,450	264,862	3,583,312
16.2.1 Share premium		11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-
16.2.3 Securities value increase fund		1,329,094	191,658	1,520,752
16.2.4 Revaluation surplus on tangible assets		1,659,472	-	1,659,472
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		1,856	-	1,856
16.2.8 Hedging reserves (effective portion)		(313,414)	73,204	(240,210)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-
16.2.10 Other capital reserves		629,562	-	629,562
16.3 Profit reserves		26,970,499	233,479	27,203,978
16.3.1 Legal reserves		1,311,374	-	1,311,374
16.3.2 Status reserves		-	-	-
16.3.3 Extraordinary reserves		25,659,125	-	25,659,125
16.3.4 Other profit reserves		-	233,479	233,479
16.4 Profit or loss		6,343,920	-	6,343,920
16.4.1 Prior periods profit/loss		-	-	-
16.4.2 Current period net profit/loss		6,343,920	-	6,343,920
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		171,450,736	153,781,538	325,232,274

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

Türkiye Garanti Bankası Anonim Şirketi

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
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		185,560,203	279,381,530	464,941,733
I. GUARANTEES AND SURETIES	5.6.1	19,423,804	35,127,536	54,551,340
1.1. Letters of guarantee		19,404,733	19,534,558	38,939,291
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	214,343	2,057,162
1.1.3. Other letters of guarantee		17,561,914	18,338,301	35,900,215
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	13,886,269	13,891,067
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		4,798	13,886,269	13,891,067
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		-	170,332	170,332
1.9. Other sureties		-	-	-
II. COMMITMENTS	5.6.1	44,705,472	10,876,669	55,582,141
2.1. Irrevocable commitments		44,549,356	6,079,029	50,628,385
2.1.1. Asset purchase and sale commitments		2,193,999	5,020,534	7,214,533
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	6,443	6,443
2.1.4. Loan granting commitments		9,496,041	1,052,052	10,548,093
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		29,021,192	-	29,021,192
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	-	585
2.2. Revocable commitments		156,116	4,797,640	4,953,756
2.2.1. Revocable loan granting commitments		156,116	4,796,577	4,952,693
2.2.2. Other revocable commitments		-	1,063	1,063
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.6.2	121,430,927	233,377,325	354,808,252
3.1. Derivative financial instruments held for risk management		6,209,384	33,820,121	40,029,505
3.1.1. Fair value hedges		5,452,476	10,917,068	16,369,544
3.1.2. Cash flow hedges		756,908	22,903,053	23,659,961
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		115,221,543	199,557,204	314,778,747
3.2.1. Forward foreign currency purchases/sales		15,469,233	18,172,329	33,641,562
3.2.1.1. Forward foreign currency purchases		5,314,366	11,414,992	16,729,358
3.2.1.2. Forward foreign currency sales		10,154,867	6,757,337	16,912,204
3.2.2. Currency and interest rate swaps		86,887,004	142,571,587	229,458,591
3.2.2.1. Currency swaps-purchases		31,299,492	68,076,807	99,376,299
3.2.2.2. Currency swaps-sales		54,918,480	40,199,456	95,117,936
3.2.2.3. Interest rate swaps-purchases		334,516	17,147,662	17,482,178
3.2.2.4. Interest rate swaps-sales		334,516	17,147,662	17,482,178
3.2.3. Currency, interest rate and security options		12,818,794	23,902,493	36,721,287
3.2.3.1. Currency call options		6,743,561	6,323,428	13,066,989
3.2.3.2. Currency put options		6,075,233	7,342,382	13,417,615
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		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		46,512	76,172	122,684
3.2.4.1. Currency futures-purchases		3,931	44,824	48,755
3.2.4.2. Currency futures-sales		42,581	31,348	73,929
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		-	14,815,744	14,815,744
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		698,186,647	572,923,608	1,271,110,255
IV. ITEMS HELD IN CUSTODY		40,177,428	37,149,126	77,326,554
4.1. Customers' securities held		5,730,394	-	5,730,394
4.2. Investment securities held in custody		15,042,103	16,314,890	31,356,993
4.3. Checks received for collection		16,452,460	3,834,041	20,286,501
4.4. Commercial notes received for collection		2,823,300	896,170	3,719,470
4.5. Other assets received for collection		98,797	13,827,897	13,926,694
4.6. Assets received through public offering		-	92,625	92,625
4.7. Other items under custody		30,374	2,183,503	2,213,877
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		658,009,219	535,774,482	1,193,783,701
5.1. Securities		3,875,306	56,565	3,931,871
5.2. Guarantee notes		36,573,477	13,944,069	50,517,546
5.3. Commodities		14,095	-	14,095
5.4. Warranties		-	-	-
5.5. Real estates		158,916,114	106,935,147	265,851,261
5.6. Other pledged items		458,630,227	414,838,635	873,468,862
5.7. Pledged items-depository		-	66	66
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		883,746,850	852,305,138	1,736,051,988

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

Income Statement

For The Year Ended 31 December 2017

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)
			PRIOR PERIOD 1 January 2017- 31 December 2017
I. INTEREST INCOME	5.8.1	26,607,782	
1.1 Interest income on loans		21,094,311	
1.2 Interest income on reserve deposits		222,102	
1.3 Interest income on banks		304,106	
1.4 Interest income on money market transactions		12,496	
1.5 Interest income on securities portfolio		4,732,483	
1.5.1 Trading financial assets		37,278	
1.5.2 Financial assets valued at fair value through profit or loss		-	
1.5.3 Financial assets available-for-sale		2,464,782	
1.5.4 Investments held-to-maturity		2,230,423	
1.6 Financial lease income		-	
1.7 Other interest income		242,284	
II. INTEREST EXPENSE	5.8.2	12,139,432	
2.1 Interest on deposits		8,375,847	
2.2 Interest on funds borrowed		1,136,474	
2.3 Interest on money market transactions		1,165,445	
2.4 Interest on securities issued		1,438,464	
2.5 Other interest expenses		23,202	
III. NET INTEREST INCOME (I - II)		14,468,350	
IV. NET FEES AND COMMISSIONS INCOME		3,680,204	
4.1 Fees and commissions received		4,876,857	
4.1.1 Non-cash loans		402,978	
4.1.2 Others		4,473,879	
4.2 Fees and commissions paid		1,196,653	
4.2.1 Non-cash loans		3,055	
4.2.2 Others		1,193,598	
V. DIVIDEND INCOME	5.8.3	6,873	
VI. NET TRADING INCOME/LOSSES (Net)	5.8.4	(1,916,031)	
6.1 Trading account income/losses		(387,211)	
6.2 Income/losses from derivative financial instruments		(3,230,603)	
6.3 Foreign exchange gains/losses		1,701,783	
VII. OTHER OPERATING INCOME	5.8.5	981,952	
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		17,221,348	
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.8.6	3,160,328	
X. OTHER OPERATING EXPENSES (-)	5.8.7	6,517,649	
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		7,543,371	
XII. INCOME RESULTED FROM MERGERS		-	
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		607,953	
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	
XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	5.8.8	8,151,324	
XVI. PROVISION FOR TAXES (±)	5.8.9	1,807,404	
16.1 Current tax charge		2,137,034	
16.2 Deferred tax charge/(credit)		(329,630)	
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	5.8.10	6,343,920	
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	
18.1 Income from assets held for sale		-	
18.2 Income from sale of associates, subsidiaries and joint-ventures		-	
18.3 Others		-	
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	
19.1 Expenses on assets held for sale		-	
19.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	
19.3 Others		-	
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	5.8.8	-	
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.8.9	-	
21.1 Current tax charge		-	
21.2 Deferred tax charge/(credit)		-	
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	5.8.10	-	
XXIII. NET PROFIT/LOSS (XVII+XXII)	5.8.11	6,343,920	
Earnings per Share		0.01510	

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

**Statement of Income/Expense Items Accounted for under Shareholders' Equity
For The Year Ended 31 December 2017**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)
	PRIOR PERIOD 1 January 2017- 31 December 2017
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	147,736
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	130,772
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	688,571
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	54,596
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(291,003)
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	69,054
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(101,516)
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	698,210
XI. CURRENT PERIOD PROFIT/LOSSES	6,343,920
1.1 Net changes in fair value of securities (transferred to income statement)	(51,958)
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(84,011)
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-
1.4 Others	6,479,889
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	7,042,130

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Changes in Shareholders' Equity
For The Year Ended 31 December 2017

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)															
		Paid-In Capital	Capital Reserves from Inflation Adj.s 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	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity
PRIOR PERIOD (1 January - 31 December 2017)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,206,160	-	21,972,914	103,038	-	5,070,549	622,143	1,626,437	1,891	(48,486)	-	35,539,080
Changes during the period	5.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	141,009	-	-	-	-	141,009
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(191,724)	-	(191,724)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	41,079	-	41,079
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(232,803)	-	(232,803)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	(18,544)	-	-	-	(18,544)
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	(35)	-	-	(35)
VIII. Translation differences		-	-	-	-	1,214	-	617	47,447	-	-	639,293	-	-	-	-	688,571
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		-	-	-	-	-	-	-	-	-	-	118,307	-	-	-	-	118,307
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	(65,736)	-	-	-	(170,294)	-	-	-	(39,374)
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	6,343,920	-	-	-	-	-	-	6,343,920
XVIII. Profit distribution		-	-	-	-	104,000	-	3,488,938	5,738	-	(5,070,549)	-	221,873	-	-	-	(1,250,000)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)
18.2. Transfers to reserves		-	-	-	-	104,000	-	3,488,938	5,738	-	(3,592,938)	-	-	-	-	-	-
18.3. Others		-	-	-	-	-	-	-	-	-	(227,611)	-	221,873	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,311,374	-	25,659,125	90,487	6,343,920	-	1,520,752	1,659,472	1,856	(240,210)	-	41,331,210

Türkiye Garanti Bankası Anonim Şirketi

Statement of Cash Flows

For The Year Ended 31 December 2017

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 1 January 2017- 31 December 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		6,534,574
1.1.1 Interests received		23,115,971
1.1.2 Interests paid		(11,453,366)
1.1.3 Dividend received		6,873
1.1.4 Fees and commissions received		4,876,857
1.1.5 Other income		594,741
1.1.6 Collections from previously written-off loans and other receivables		141,713
1.1.7 Payments to personnel and service suppliers		(5,906,017)
1.1.8 Taxes paid		(1,494,053)
1.1.9 Others	5.10	(3,348,145)
1.2 Changes in operating assets and liabilities		(10,739,782)
1.2.1 Net (increase) decrease in financial assets held for trading		(718,547)
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		(11,936,973)
1.2.4 Net (increase) decrease in loans		(24,918,044)
1.2.5 Net (increase) decrease in other assets		(820,026)
1.2.6 Net increase (decrease) in bank deposits		(2,527,244)
1.2.7 Net increase (decrease) in other deposits		22,165,746
1.2.8 Net increase (decrease) in funds borrowed		7,009,966
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities	5.10	1,005,340
I. Net cash flow from banking operations		(4,205,208)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities		(1,440,215)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(150)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		1,540
2.3 Purchases of tangible assets		(543,481)
2.4 Sales of tangible assets		245,269
2.5 Cash paid for purchase of financial assets available-for-sale		(9,428,962)
2.6 Cash obtained from sale of financial assets available-for-sale		7,601,584
2.7 Cash paid for purchase of investments held-to-maturity		(302,008)
2.8 Cash obtained from sale of investments held-to-maturity		985,993
2.9 Others	5.10	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		4,401,577
3.1 Cash obtained from funds borrowed and securities issued		20,037,570
3.2 Cash used for repayment of funds borrowed and securities issued		(14,368,795)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,250,000)
3.5 Payments for financial leases		(17,198)
3.6 Others (payments for founder shares repurchased)	5.10	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	5.10	592,678
V. Net increase/(decrease) in cash and cash equivalents		(651,168)
VI. Cash and cash equivalents at beginning of period		13,011,577
VII. Cash and cash equivalents at end of period		12,360,409

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

Türkiye Garanti Bankası Anonim Şirketi Statement of Profit Distribution

At 31 December 2017

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 31 December 2017
I.	DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1	CURRENT PERIOD PROFIT	8,151,324
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,807,404
1.2.1	Corporate tax (income tax)	1,807,404
1.2.2	Withholding tax	-
1.2.3	Other taxes and duties	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	6,343,920
1.3	ACCUMULATED LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	1,150
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	6,342,770
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	210,000
1.6.1	To owners of ordinary shares	210,000
1.6.2	To owners of privileged shares	-
1.6.3	To owners of redeemed shares	-
1.6.4	To profit sharing bonds	-
1.6.5	To holders of profit and loss sharing certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	1,540,000
1.9.1	To owners of ordinary shares	1,540,000
1.9.2	To owners of privileged shares	-
1.9.3	To owners of redeemed shares	-
1.9.4	To profit sharing bonds	-
1.9.5	To holders of profit and loss sharing certificates	-
1.10	SECOND LEGAL RESERVES (-)	154,000
1.11	STATUS RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	4,438,770
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
II.	DISTRIBUTION OF RESERVES	
2.1	APPROPRIATED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To owners of ordinary shares	-
2.3.2	To owners of privileged shares	-
2.3.3	To owners of redeemed shares	-
2.3.4	To profit sharing bonds	-
2.3.5	To holders of profit and loss sharing certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III.	EARNINGS PER SHARE (per YTL'000 face value each)	
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	0.015
3.2	TO OWNERS OF ORDINARY SHARES (%)	151.046
3.3	TO OWNERS OF PRIVILEGED SHARES	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-
IV.	DIVIDEND PER SHARE	
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-

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

3 Accounting policies

3.1 Basis of presentation

The Bank prepares its 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 unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, real estates and subsidiaries accounted based on equity method.

The accounting policies and the valuation principles applied in the preparation of the accompanying current period financial statements are explained in Notes 3.2 to 3.27. The annulled accounting policies in accordance with TAS 39 are presented in Note 3.29.

3.1.1 Changes in accounting policies and disclosures

3.1.1.1 Major new and amended standards and interpretations

The Bank has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying 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 Bank’s accounting policies, financial position and performance.

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

3.1.1.2 Standards effective as of 1 January 2018

TFRS 9 Financial instruments

As of 1 January 2018, the Bank has started to apply TFRS 9 standard which replaces TAS 39 Financial Instruments: Recognition and Measurement for the first time in the accompanying 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 in accordance with TAS 39 as a policy choice. Accordingly, the Bank continues to apply hedge accounting in accordance with TAS 39 in this context.

The Bank has 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/loss as of 1 January 2018 in the current period statement of changes in shareholders’ equity. In this context, the accompanying financial statements and the disclosures on these financial statements are not presented on a comparative basis due to the fact that the current and prior period financial statements are prepared based on different principles. The transition impact on the financial statements regarding the first time adoption of TFRS 9 as of 1 January 2018 is presented in Note 3.28.

Changes regarding classification and measurement of financials assets

To determine their classification and measurement category, TFRS 9 requires all financial assets, except 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/loss, available for sale and held-to-maturity have been replaced by: financial assets measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income and financial assets measured 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/loss (with the condition of not impacting accounting mismatch significantly).

The details regarding the Bank's classification and measurement of its financial assets and liabilities is explained in Note 3.7.

Besides, the impact regarding adoption of TFRS 9 as of 1 January 2018 on the statement of financial position is explained in Note 3.28.

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. The Bank formed an impairment model having 3 stages based on the change in credit quality since initial recognition. The approach of the Bank regarding measurement of credit impairment is presented in Note 3.8.1.

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 financial statements.

3.1.1.3 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 Bank's adoption process regarding the mentioned amendments continues as of the reporting date.

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 Bank's 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 has 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 is 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 of the Bank 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 statement of profit or loss. 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.

The Bank may classify its 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 Bank's 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 management of interest and liquidity risks 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 and the differences are recorded as foreign exchange gain or loss in the statement of profit or loss.

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements". In this context, foreign subsidiaries' asset and liability items in the balance sheet are translated into Turkish Lira by using foreign exchange rates as of the balance sheet date whereas income and expense items are translated into Turkish Lira by using average foreign exchange rates for the related period. Foreign exchange differences arising from translation of income and expense items and other equity items are accounted under capital reserves under equity.

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 366,635,077 (31 December 2017: EUR 366,532,341) in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 967,523 thousands (31 December 2017: TL 438,651 thousands), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 31 December 2018. There is no ineffective portion arising from net investment hedge accounting.

3.3 Investments in associates and subsidiaries

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements”.

In accordance with the Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” through the equity method, the carrying value of financial subsidiaries are accounted in the financial statements with respect to the Bank’s share in these investments’ net asset value. While the Bank’s share on profits or losses of financial subsidiaries are accounted in the Bank’s statement of profit or loss, the Bank’s share in other comprehensive income of financial subsidiaries are accounted in the Bank’s statement of other comprehensive income.

Non-financial subsidiaries and associates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TAS 27.

3.4 Forwards, options and other derivative transactions

3.4.1 Derivative financial assets

Derivative financial assets measured at fair value through profit/loss

The Bank’s 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 statement of profit or loss at the date they incur. The changes in their fair values are recorded on balance sheet under “derivative financial assets measured at fair value through profit/loss” or “derivative financial liabilities measured at fair value through profit/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 statement of profit or loss.

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 recorded under 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 cashflows 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 does 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 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.

3.4.2 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 continues to apply hedge accounting in accordance with TAS 39 in this context.

The Bank enters 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 instruments 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. In case of fixed-rate financial assets measured at fair value through other comprehensive income, such changes are reclassified from shareholders' equity to statement of profit or loss.

Derivative financial instruments measured at fair value through other comprehensive income

The Bank enters 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 other comprehensive income or expense to be recycled to profit/loss in shareholders' equity, and the ineffective portion is recognised in statement of profit or loss. The changes recognised in shareholders' equity is removed and included in statement of profit or loss in the same period when the hedged cash flows effect the income or loss.

The Bank performs effectiveness test 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 statement of profit or loss 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 other comprehensive income or expense to be recycled 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 statement of profit or loss considering the original maturity.

3.5 Interest income and expenses

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, the Bank identifies 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, The Bank amortises 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 of the period after the acquisition is recorded as interest income in the financial statements.

If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies 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.

3.6 Fees and commissions

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortised costs, the fees and commissions 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 instruments

3.7.1 Initial recognition of financial instruments

The Bank shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the 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, the Bank measures financial asset or financial liabilities at fair value. At initial recognition, financial asset or liability excluding the ones at fair value through profit or loss are accounted 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 business model

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

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

The Bank's 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: the Bank may hold 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 Contracted cash flows that are solely payments of principal and interest on outstanding principal

As per TFRS 9, the Bank classifies a financial asset 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 cashflows, 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, the Bank classified all its financial assets 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/loss.

Financial investments and loans measured at amortised cost

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

- financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- 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 loss 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 loss 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, the financial investments are measured at fair value through other comprehensive income if both of the following conditions are met.

- financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- 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 related 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 costs by using the discounting method with effective interest rate, that approximates to fair value, 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 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 statement of profit or loss.

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 income/losses".

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) measured at fair value through other comprehensive income and CPI government bonds measured at amortised cost. 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.

Equity instruments measured at fair value through other comprehensive income

At initial recognition, the Bank may make 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. The Bank makes the election on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods' profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

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 statement of profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the statement of profit or loss. 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/ loss, irrevocably 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 instruments are recorded under interest income/expense in statement of profit or loss, the difference between the amortized costs and the fair values of financial instruments are recorded under trading account income/losses in statement of profit or loss. The amount of change in the fair value of the financial liability at fair value through profit/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

The remaining amount of change in the fair value of the liability shall be presented in profit/loss.

3.8 Disclosures on impairment of financial assets

As of 1 January 2018, the Bank recognises a loss allowance for expected credit losses 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/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” effective from 1 January 2018. Impairment requirements do not apply for equity investments.

At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank shall use 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, the Bank shall measure 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, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

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

The Bank 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 Bank’s aforementioned policy is presented in Note 3.8.3.

The Bank’s 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

The Bank calculates expected credit losses 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 within a specified time horizon, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, the Bank uses 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 (or over the remaining life of the financial instrument if that is less than 12 months) following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems 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, the Bank considers four scenarios (base scenario, bad scenario, good scenario, balanced scenario). Each of these four scenarios is associated with different probability of default and loss given 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 the Bank has 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. The Bank calculates 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, the Bank calculates 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, the Bank accounts lifetime expected credit losses. The methodology is similar to stage 2 and the probability of default is taken into account as 100%.

The Bank considers 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 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 the Bank considers that a debt is unlikely to be paid. Whenever the Bank considers 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, the Bank groups financial instruments 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 Bank's common credit risk characteristics include, but are not limited to, the following:

- Customer type (retail or commercial / corporate)
- 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, the Bank assesses a certain portion of commercial and corporate loans individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. The Bank makes such calculation 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, the Bank shall consider 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. The Bank makes such assessment 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 that the Bank became 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, the Bank shall apply 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 offers 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 the Bank is exposed to credit losses with the contractual notice. For this reason, the Bank calculates 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 Bank's reduction or removal of undrawn limits.

When determining the period over which the Bank is expected to be exposed to credit risk, but for which expected credit losses would not be mitigated by the Bank's normal credit risk management actions, the Bank considers 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 the Bank expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

The Bank calculates expected credit losses on the revolving products of retail and corporate customers by considering 3-5 years.

The Bank makes assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in Note 3.8.3.

3.8.2 Forward-looking macroeconomic information

The Bank incorporates forward-looking macroeconomic information 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 Bank's credit risk parameters consists of the following steps:

Step 1: The Bank makes 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, the Bank applies the methods of credit risk parameters reflection and forward-looking impact inclusion into the parameters.

3.8.3 Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk.

Qualitative assessment:

The Bank classifies 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.

The Bank classifies 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 Bank considers the credit risk on a financial instrument 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. The Bank is not considering 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 Bank's other financial instruments or relative to the credit risk of the jurisdiction within which the Bank operates.

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

The Bank defines 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 the Bank defines 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 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 has a legally enforceable right 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 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 the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates 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 the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset.

When the Bank retains 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 financial assets without any change in contractual terms*

The Bank derecognises 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/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, the Bank shall reclassify 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 changes its business model for managing financial assets.

The Bank has fulfilled the requirements of reclassification during transition to TFRS 9 and such reclassification details are presented in Note 3.28.

3.9.4 Restructuring and refinancing of financial instruments

The Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot 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 by the Bank 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 one 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 Bank management’s future intentions, either at market prices or using discounting method with internal rate of return. The 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 “money market placements” 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 “money market funds” and the related expense accruals are accounted.

3.11 Assets held for sale, 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 acquired against non-performing receivables.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in statement of profit or loss. The Bank has no discontinued operations.

3.12 Goodwill and other intangible assets

The Bank’s intangible assets consist of softwares, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in compliance 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's 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 by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. Estimated useful lives of the Bank's intangible assets 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 the estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

Tangible assets	Estimated Useful Lives (Years)	Depreciation Rates %
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 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 statement of profit or loss 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 the Bank’s 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 statement of profit or loss.

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 statement of profit or loss 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. If an inflow of economic benefits to the Bank 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 Bank is 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 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

The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees’ 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 TAS 19.

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 numbered 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”) 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 first paragraph of the provisional Article 20 of the Law is 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 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 TAS 19.

3.18 Taxation

3.18.1 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 are not subject to withholding tax. As per the decisions no.2009/14593 and no.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 tax legislation, 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.

The 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 12 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.

3.18.2 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 statement of profit or loss, then the related tax effects are also recognized in the statement of profit or loss. 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 are reported as net in the financial statements.

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.

3.18.3 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.

3.19 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 statement of profit or loss and the difference between the fair values and the amortized costs of the financial liabilities are recorded under trading account income/losses.

3.20 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.

3.21 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.

3.22 Government incentives

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

3.23 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 is as follows:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	9,914,313	9,963,076	(3,526,469)	5,679,252	22,030,172
Other	-	-	-	-	-
Total Operating Profit	9,914,313	9,963,076	(3,526,469)	5,679,252	22,030,172
Net Operating Profit	5,666,108	4,172,797	(3,793,562)	2,394,958	8,440,301
Dividend Income from Associates and Subsidiaries	-	-	-	4,960	4,960
Net Operating Profit	5,666,108	4,172,797	(3,793,562)	2,399,918	8,445,261
Provision for Taxes	-	-	-	1,807,025	1,807,025
Net Profit	5,666,108	4,172,797	(3,793,562)	592,893	6,638,236
Segment Assets	67,429,523	155,858,399	110,331,035	18,798,336	352,417,293
Investments in Associates and Subsidiaries	-	-	-	7,059,909	7,059,909
Total Assets	67,429,523	155,858,399	110,331,035	25,858,245	359,477,202
Segment Liabilities	144,469,422	79,616,577	77,871,115	10,832,235	312,789,349
Shareholders' Equity	-	-	-	46,687,853	46,687,853
Total Liabilities and Shareholders' Equity	144,469,422	79,616,577	77,871,115	57,520,088	359,477,202

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	7,724,130	6,464,771	333,916	2,691,658	17,214,475
Other	-	-	-	-	-
Total Operating Profit	7,724,130	6,464,771	333,916	2,691,658	17,214,475
Net Operating Profit	3,433,663	3,410,157	132,855	1,167,776	8,144,451
Dividend Income from Associates and Subsidiaries	-	-	-	6,873	6,873
Net Operating Profit	3,433,663	3,410,157	132,855	1,174,649	8,151,324
Provision for Taxes	-	-	-	1,807,404	1,807,404
Net Profit	3,433,663	3,410,157	132,855	(632,755)	6,343,920
Segment Assets	66,341,786	143,338,091	95,545,885	13,431,883	318,657,645
Investments in Associates and Subsidiaries	-	-	-	6,574,629	6,574,629
Total Assets	66,341,786	143,338,091	95,545,885	20,006,512	325,232,274
Segment Liabilities	118,171,969	74,209,246	84,161,479	7,358,370	283,901,064
Shareholders' Equity	-	-	-	41,331,210	41,331,210
Total Liabilities and Shareholders' Equity	118,171,969	74,209,246	84,161,479	48,689,580	325,232,274

3.24 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 results of operations to its shareholders as detailed in Note 6.2.

3.25 Earnings per share

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

	<i>31 December 2018</i>	<i>31 December 2017</i>
Distributable net profit for the year	6,638,236	6,343,920
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01581	0.01510

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).

3.26 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 5.11.

3.27 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.

3.28 Reclassifications

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

ASSETS	Note	31.12.2017	TFRS9 Reclassification Effect	TFRS9 Measurement Effect	01.01.2018
FINANCIAL ASSETS (Net)		98,659,446	(160,346)	590,429	99,089,529
Cash and Cash Equivalents		47,730,976	-	-	47,730,976
<i>Cash and Balances with Central Bank</i>		<i>33,412,503</i>	-	-	<i>33,412,503</i>
<i>Banks</i>		<i>14,318,473</i>	-	-	<i>14,318,473</i>
<i>Money Market Placements</i>		-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	(1),(2)	2,650,150	(1,703,456)	(5,665)	941,029
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	(2)	-	25,321,008	589,804	25,910,812
Financial Assets Measured at Amortised Cost	(3)	-	22,198,177	(130,037)	22,068,140
Derivative Financial Assets	(1)	-	2,462,591	-	2,462,591
Non Performing Financial Assets		-	-	-	-
Expected Credit Losses (-)	(7)	-	160,346	(136,327)	24,019
FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(2)	22,744,702	(22,744,702)	-	-
INVESTMENTS HELD-TO-MATURITY (Net)	(2),(3)	24,885,343	(24,885,343)	-	-
DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(1)	648,275	(648,275)	-	-
LOANS (Net)		209,679,877	(2,990,451)	(340,772)	206,348,654
Loans	(4)	208,631,000	-	-	208,631,000
<i>Performing Loans</i>	(4)	<i>192,038,331</i>	<i>(17,995,131)</i>	-	<i>174,043,200</i>
<i>Loans under Follow-up</i>	(4)	<i>16,592,669</i>	<i>17,995,131</i>	-	<i>34,587,800</i>
Lease Receivables		-	-	-	-
Factoring Receivables		-	-	-	-
Non Performing Receivables		5,408,114	-	-	5,408,114
Expected Credit Losses (-)	(7)	4,359,237	2,990,451	340,772	7,690,460
<i>12-Month ECL (Stage 1)</i>		-	<i>1,622,511</i>	<i>(855,815)</i>	<i>766,696</i>
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>		-	<i>1,367,940</i>	<i>1,886,312</i>	<i>3,254,252</i>
<i>Lifetime ECL Impaired Credits (Stage 3)</i>		<i>4,359,237</i>	-	<i>(689,725)</i>	<i>3,669,512</i>
ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		775,428	-	-	775,428
OWNERSHIP INVESTMENTS (Net)		6,574,629	-	(353,654)	6,220,975
Associates (Net)		35,158	-	-	35,158
Subsidiaries (Net)	(7)	6,539,471	-	(353,654)	6,185,817
Joint Ventures (Net)		-	-	-	-
TANGIBLE ASSETS (Net)		3,769,379	-	-	3,769,379
INTANGIBLE ASSETS (Net)		285,654	-	-	285,654
INVESTMENT PROPERTY (Net)		690,588	-	-	690,588
CURRENT TAX ASSET	(8)	-	-	-	-
DEFERRED TAX ASSET	(8)	356,684	-	899,311	1,255,995
OTHER ASSETS	(7)	4,440,589	(12,660)	11,545	4,439,474
TOTAL ASSETS		325,232,274	(3,163,457)	806,859	322,875,676

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

- (1) The Bank does not have any financial assets which do 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. As of 1 January 2018, the Bank classified “Derivative Financial Assets Held for Trading” and “Derivative Financial Assets Held for Hedging Purpose” in the prior year financial statements amounting to TL 1,814,316 thousands and TL 648,275 thousands, respectively into “Derivative Financial Assets”. Besides, the Bank classified investment funds amounting to TL 110,860 thousands from “Available for Sale Financial Assets” in the prior year financial statements into “Financial Assets at Fair Value through Profit or Loss” as of 1 January 2018, and the corresponding allowance allocated for such funds amounting to TL 5,665 thousands is also classified into “Financial Assets at Fair Value through Profit or Loss”.
- (2) As of 1 January 2018, the Bank classified debt securities previously classified as “Available for Sale Financial Assets” and “Investments Held to Maturity” amounting to TL 22,744,702 thousands (excluding investment funds amounting to TL 110,860 thousands) and TL 2,687,166 thousands respectively 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. On the other hand, the Bank classified some equity instruments previously classified as "Available-for-Sale Financial Assets" into “Financial Assets Measured at Fair Value through Other Comprehensive Income” irrevocably.
- (3) As of 1 January 2018, the Bank classified debt securities amounting to TL 22,198,177 previously classified as “Investments Held to Maturity” 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, the Bank does not have any loan balance which 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. The Bank classified a loan balance previously classified as “Performing Loans” amounting to TL 17,995,131 thousands as “Loans under Follow-up” due to having significant increase in credit risk as explained in the accounting policies section in details.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12.2017	TFRS9 Reclassification Effect	TFRS9 Measurement Effect	01.01.2018
DEPOSITS		181,116,005	-	-	181,116,005
FUNDS BORROWED	(5)	40,804,823	(9,299,301)	-	31,505,522
MONEY MARKET FUNDS		16,664,588	-	-	16,664,588
SECURITIES ISSUED (NET)	(5)	19,291,360	(34,983)	-	19,256,377
FUNDS		-	-	-	-
FINANCIAL LIABILITIES MEASURED AT FVTPL	(5)		9,334,284		9,334,284
DERIVATIVE FINANCIAL LIABILITIES	(6)	-	2,932,800	-	2,932,800
Derivative Financial Liabilities Measured at FVTPL		-	2,930,721	-	2,930,721
Derivative Financial Liabilities Measured at FVOCI		-	2,079	-	2,079
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(6)	2,752,730	(2,752,730)	-	-
DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(6)	180,070	(180,070)	-	-
FACTORING PAYABLES		-	-	-	-
LEASE PAYABLES (Net)		6,939	-	-	6,939
PROVISIONS		6,306,654	(3,163,458)	(134,249)	3,008,947
General Provisions	(7)	3,597,720	(3,597,720)	-	-
Restructuring Reserves		-	-	-	-
Reserve for Employee Benefits		852,817	-	-	852,817
Insurance Technical Provisions (Net)		-	-	-	-
Other Provisions	(7)	1,856,117	434,262	(134,249)	2,156,130
CURRENT TAX LIABILITY	(8)	1,087,978	-	150,566	1,238,544
DEFERRED TAX LIABILITY		-	-	-	-
LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		-	-	-	-
SUBORDINATED DEBTS		2,849,471	-	-	2,849,471
OTHER LIABILITIES	(9)		12,840,447	-	12,840,447
MISCELLANEOUS PAYABLES	(9)	9,973,896	(9,973,896)	-	-
OTHER EXTERNAL FUNDINGS PAYABLE	(9)	2,866,550	(2,866,550)	-	-
SHAREHOLDERS' EQUITY	(8)	41,331,210	-	790,542	42,121,752
Paid-in Capital		4,200,000	-	-	4,200,000
Capital Reserves		3,583,312	(227,994)	393,233	3,748,551
Share Premium		11,880	-	-	11,880
Share Cancellation Profits		-	-	-	-
Other Capital Reserves		629,562	142,992	-	772,554
Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		-	1,349,344	-	1,349,344
Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		-	1,221,540	393,233	1,614,773
Securities Value Increase Fund		1,520,752	(1,520,752)	-	-
Revaluation Surplus on Tangible Assets		1,659,472	(1,659,472)	-	-
Revaluation Surplus on Intangible Assets		-	-	-	-
Revaluation Surplus on Investment Property		-	-	-	-
Bonus Shares of Associates, Subsidiaries and Joint-Ventures		1,856	(1,856)	-	-
Hedging Reserves (effective portion)		(240,210)	240,210	-	-
Revaluation Surplus on Assets held for Sale and Assets of Discontinued Operations		-	-	-	-
Profit Reserves		27,203,978	227,994	-	27,431,972
Legal Reserves		1,311,374	-	-	1,311,374
Status Reserves		-	-	-	-
Extraordinary Reserves		25,659,125	-	-	25,659,125
Other Profit Reserves		233,479	227,994	-	461,473
Profit/Loss		6,343,920	-	397,309	6,741,229
Prior Periods' Profit/Loss		-	-	397,309	397,309
Current Period's Net Profit/Loss		6,343,920	-	-	6,343,920
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		325,232,274	(3,163,457)	806,859	322,875,676

(5) As of 1 January 2018, the Bank classified securitisation loans amounting to TL 9,299,301 thousands previously classified under "Funds Borrowed" and "Securities Issued" amounting to TL 34,983 thousands in the prior year financial statements into "Financial Liabilities Measured at Fair Value through Profit or Loss".

- (6) As of 1 January 2018, the Bank classified “Derivative Financial Liabilities Held for Trading” and “Derivative Financial Liabilities Held for Hedging Purpose” in the prior year financial statements amounting to TL 2,752,730 thousands and TL 180,070 thousands, respectively into “Derivative Financial Liabilities”.
- (7) As of 1 January 2018, the Bank classified expected losses calculated based on TFRS 9 into the relevant line items through reversing “General Provision” amount in the prior year financial statements. While the Bank classifies expected losses calculated for financial assets and loans in the relevant expected losses line items under assets as per TFRS 9, expected losses calculated for non-cash loans are classified as “Other Provisions” under liabilities. 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 of the Bank increased by TL 790,542 thousands (after tax) composing of positive classification impact of financial assets amounting to TL 454,101 thousands, negative expected credit losses calculation impact amounting to TL 58,650 thousands, positive current and deferred tax impact amounting to TL 748,745 thousands and negative subsidiaries transition impact amounting to TL 353,654 thousands.
- (9) As of 1 January 2018, the Bank classified miscellaneous payables amounting to TL 9,973,896 thousands and other external fundings amounting to TL 2,866,550 thousands into “Other Liabilities”.

3.29 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 included below.

3.29.1 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”.

3.29.1.1 Derivative financial instruments held for trading

The Bank’s 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 recorded under 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. The Bank has no embedded derivatives separated from the host contract.

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.

3.29.1.2 Derivative financial instruments held for hedging purposes

The Bank enters into interest rate and cross currency swap transactions in order to hedge the change 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 fixed-rate financial assets available for sale, such changes are reclassified from shareholders’ equity to income statement.

The Bank enters 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 recognised in shareholders’ equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

The Bank performs effectiveness test 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.

3.29.2 Interest income and expenses

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 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.

3.29.3 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.

3.29.4 Financial assets

3.29.4.1 *Financial assets at fair value through profit or loss*

Financial assets valued at fair value through profit or loss, such assets 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.

3.29.4.2 *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 can not be determined reliably, are valued at amortized costs by using 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 values 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 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 Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to “trading account 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.

3.29.5 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 provides specific and general allowances for loan and other receivables classified 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. The allowances are recorded in 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”.

3.29.6 Netting and derecognition of financial instruments

3.29.6.1 Netting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right 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.

3.29.6.2 Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 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 income statement.

4 Financial Position and Results of Operations and Risk Management

4.1 Total capital

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

4.1.1 Components of total capital

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014⁽³⁾</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,108,914	
Other Comprehensive Income according to TAS	4,443,308	
Profit	7,035,545	
Current Period's Profit	6,638,236	
Prior Periods' Profit	397,309	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,855	
Common Equity Tier I Capital Before Deductions	48,574,056	
Deductions From Common Equity Tier I Capital		
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 (-)	1,961,968	
Leasehold Improvements on Operational Leases (-)	235,547	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	279,586	279,586
Net Deferred Tax Asset/Liability (-)	-	
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 (-)	-	
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 (-)	-	

	Amount	Amount as per the regulation before 1/1/2014 ⁽⁶⁾
Total Deductions from Common Equity Tier I Capital	2,478,773	
Total Common Equity Tier I Capital	46,095,283	
ADDITIONAL TIER I CAPITAL		
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)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
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 (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period		
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 (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	46,095,283	
TIER II CAPITAL		
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)	3,228,493	
Total Deductions from Tier II Capital	7,180,918	
Deductions from Tier II Capital		
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	-	
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 (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	7,180,918	
Total Equity (Total Tier I and Tier II Capital)	53,276,201	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Other items to be Defined by the BRSA (-)	14,040	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
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 (-)	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	53,262,160	
Total Risk Weighted Assets	290,922,820	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15.84	
Tier I Capital Ratio (%)	15.84	
Capital Adequacy Ratio (%)	18.31	
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	1.90	
a) Capital Conservation Buffer Ratio (%)	1.875	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.66	
Amounts Lower Than Excesses as per Deduction Rules		
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	1,326,411	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,119,174	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,228,493	
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	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
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.

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014⁽⁸⁾</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,203,978	
Other Comprehensive Income according to TAS	3,605,548	
Profit	6,343,920	
Current Period Profit	6,343,920	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,856	
Common Equity Tier I Capital Before Deductions	42,139,736	
Deductions From Common Equity Tier I Capital		
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 (-)	919,235	-
Leasehold Improvements on Operational Leases (-)	120,406	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	209,304	261,630
Net Deferred Tax Asset/Liability (-)	-	-
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 (-)	-	-
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 (-)	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014⁽⁸⁾</i>
Total Deductions from Common Equity Tier I Capital	1,250,339	
Total Common Equity Tier I Capital	40,889,397	
ADDITIONAL TIER I CAPITAL		
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)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
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 (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period		
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 (-)	52,326	-
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 (-)	-	-
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	40,837,071	
TIER II CAPITAL		
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)	2,757,502	
Total Deductions from Tier II Capital	5,589,352	
Deductions from Tier II Capital		
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	-	-
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 (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	5,589,352	
Total Equity (Total Tier I and Tier II Capital)	46,426,423	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	5	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	30,874	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
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 (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	46,395,544	-
Total Risk Weighted Assets	248,337,281	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	16.47	-
Tier I Capital Ratio (%)	16.44	-
Capital Adequacy Ratio (%)	18.68	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	1.27	
a) Capital Conservation Buffer Ratio (%)	1.250	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Buffers Regulation (%)	10.29	-
Amounts Lower Than Excesses as per Deduction Rules		
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	380,708	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,597,720	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,757,502	-
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	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
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.

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

<i>Current Period</i>	<i>Information about instruments included in total capital calculation</i>
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.
Regulatory treatment	
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
Nominal value of instrument (TL million)	3,952
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	-
Interest/dividend payment	
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 incompliances 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.

Prior Period	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.
Regulatory treatment	
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)	2,832
Nominal value of instrument (TL million)	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	-
Interest/dividend payment*	
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 incompliances 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 of the 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
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,558,960	(75,765)	2,483,195	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,364,427	-	1,364,427	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,194,533	(75,765)	1,118,768	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,108,914	-	32,108,914	
Profit or Loss	7,035,545	-	7,035,545	
Prior Periods' Profit/Loss	397,309	-	397,309	
Current Period Net Profit/Loss	6,638,236	-	6,638,236	
Deductions from Common Equity Tier I Capital (-)	-	-	516,805	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	44,128,893		46,095,283	
Subordinated Debts	-	-	-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			46,095,283	
Subordinated Debts			3,952,425	
General Provisions			3,228,493	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
Tier II Capital			7,180,918	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
Total			53,262,160	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the 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	3,583,312	(883,263)	2,700,049	
Other Comprehensive Income According to TAS	3,569,576	(883,263)	2,686,313	
Securities Value Increase Fund	1,520,752	-	1,520,752	
Revaluation Surplus on Tangible Assets	1,659,472	-	1,659,472	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(240,210)	(110,709)	(350,919)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	629,562	(772,554)	(142,992)	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	1,856	-	1,856	
Share Premium	11,880	-	11,880	
Profit Reserves	27,203,978	-	27,203,978	
Profit or Loss	6,343,920	-	6,343,920	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,343,920	-	6,343,920	
Deductions from Common Equity Tier I Capital (-)	-		331,104	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	41,331,210		40,889,397	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			52,326	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			40,837,071	
Subordinated Debts			2,831,850	
General Provisions			2,757,502	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	
Tier II Capital			5,589,352	
Deductions from Total Capital (-)			30,879	Deductions from Capital as per the Regulation
Total			46,395,544	

4.2 Credit risk

Credit risk is defined as risks and losses that may occur if the counterparty 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 Bank's 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.

The Bank has 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 Bank follows up the risk arising from such instruments and takes the necessary actions to decrease it when necessary.

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

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank's largest 100 and 200 cash loan customers compose 27.63% (31 December 2017: 24.36%) and 33.38% (31 December 2017: 30.21%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 42.96% (31 December 2017: 46.35%) and 53.59% (31 December 2017: 55.49%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 9.27% (31 December 2017: 8.31%) and 11.63% (31 December 2017: 10.51%) of the total "on and off balance sheet" assets, respectively.

Stage 1 and Stage 2 expected losses for credit risks of the Bank amount to TL 5,119,174 thousands (general provision as of 31 December 2017: TL 3,597,720 thousands).

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

Exposure Categories	<i>Current Period</i>		<i>Prior Period</i>	
	<i>Risk Amount</i> <i>(*)</i>	<i>Average</i> <i>Risk Amount</i> ^(**)	<i>Risk Amount</i> <i>(*)</i>	<i>Average</i> <i>Risk Amount</i> ^(**)
Conditional and unconditional exposures to central governments or central banks	91,395,206	83,584,494	88,112,162	80,372,235
Conditional and unconditional exposures to regional governments or local authorities	230,641	176,446	113,400	112,365
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	397,496	359,443	315,690	200,995
Conditional and unconditional exposures to multilateral development banks	3,485,069	2,263,373	1,816,462	1,660,442
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	39,202,926	41,780,880	34,665,400	35,503,213
Conditional and unconditional exposures to corporates	147,460,404	139,507,385	125,855,298	120,486,125
Conditional and unconditional retail exposures	83,732,678	83,521,205	77,175,976	71,565,466
Conditional and unconditional exposures secured by real estate property	32,580,251	37,694,821	37,150,411	39,049,473
Past due items	4,141,318	2,403,440	793,659	759,777
Items in regulatory high-risk categories	891,437	737,244	681,813	642,191
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	40,542	36,214	39,626	26,307
Shares	7,273,469	6,581,358	6,569,959	6,701,828
Other items	12,415,415	12,576,841	9,595,351	7,895,649

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

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

4.2.1 Profile of significant exposures in major regions

<i>Current Period</i> (*)	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	Total
Domestic	84,468,216	5,179,087	140,042,021	83,252,647	32,440,663	4,002,219	16,643,969	366,028,822
European Union (EU) Countries	5,419,732	26,724,919	1,222,642	50,951	94,762	136,592	1,028,746	34,678,344
OECD Countries (**)	37	1,209,331	1,672,249	6,203	8,392	7	-	2,896,219
Off-Shore Banking Regions	-	63,400	124,345	31	718	-	1	188,495
USA, Canada	20,362	4,737,940	916,953	9,502	6,244	-	-	5,691,001
Other Countries	1,486,859	213,854	1,568,955	413,344	29,472	2,500	1,444	3,716,428
Associates, Subsidiaries and Joint –Ventures	-	1,074,395	1,913,239	-	-	-	7,059,909	10,047,543
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	91,395,206	39,202,926	147,460,404	83,732,678	32,580,251	4,141,318	24,734,069	423,246,852

(*) 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> (*)	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	Total
Domestic	84,465,522	7,456,880	116,528,022	76,713,046	37,034,573	789,888	10,872,367	333,860,298
European Union (EU) Countries	2,717,376	23,081,160	1,677,292	42,353	78,642	238	1,806,255	29,403,316
OECD Countries (**)	139	1,010,355	2,586,752	5,042	6,971	93	64	3,609,416
Off-Shore Banking Regions	-	68,088	15	1,074	480	-	-	69,657
USA, Canada	1,079	1,863,326	1,403,416	5,122	4,124	-	13,368	3,290,435
Other Countries	928,046	127,842	1,623,427	409,339	25,621	3,440	5,148	3,122,863
Associates, Subsidiaries and Joint –Ventures	-	1,057,749	2,036,374	-	-	-	6,435,099	9,529,222
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	88,112,162	34,665,400	125,855,298	77,175,976	37,150,411	793,659	19,132,301	382,885,207

(*) 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

Current Period ^(*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	902,721	785,087	348,423	17,307	8,931	-	-	-	-	-	-	1,422,680	639,789	2,062,469
Farming and Stockbreeding	-	-	-	-	-	-	554,275	725,212	316,009	15,758	8,048	-	-	-	-	-	-	1,329,845	289,457	1,619,302
Forestry	-	-	-	-	-	-	113,675	32,472	28,038	591	31	-	-	-	-	-	-	41,841	132,966	174,807
Fishery	-	-	-	-	-	-	234,771	27,403	4,376	958	852	-	-	-	-	-	-	50,994	217,366	268,360
Manufacturing	-	-	75,413	-	-	-	69,501,159	8,274,806	7,058,654	1,934,450	98,234	-	-	-	-	-	-	31,810,460	55,132,256	86,942,716
Mining and Quarrying	-	-	-	-	-	-	2,273,089	389,315	64,437	1,693	1,815	-	-	-	-	-	-	849,307	1,881,042	2,730,349
Production	-	-	9	-	-	-	39,032,892	7,678,414	4,422,019	290,101	80,583	-	-	-	-	-	-	25,323,370	26,180,648	51,504,018
Electricity, Gas and Water	-	-	75,404	-	-	-	28,195,178	207,077	2,572,198	1,642,656	15,836	-	-	-	-	-	-	5,637,783	27,070,566	32,708,349
Construction	-	-	31	-	-	-	7,279,248	4,217,604	1,866,623	131,639	409,730	-	-	-	-	-	-	9,400,899	4,503,976	13,904,875
Services	842	-	1,360	3,485,069	-	39,202,926	65,499,451	18,727,703	7,908,735	1,328,689	209,001	-	-	-	40,542	38,631	-	90,120,820	46,322,129	136,442,949
Wholesale and Retail Trade	-	-	181	-	-	-	30,288,468	14,581,785	3,918,524	294,628	169,224	-	-	-	-	-	-	29,657,105	19,595,705	49,252,810
Accommodation and Dining	-	-	62	-	-	-	3,989,342	983,320	2,419,219	113,951	13,340	-	-	-	-	-	-	2,412,122	5,107,112	7,519,234
Transportation and Telecom.	-	-	74	-	-	-	12,961,782	2,141,711	424,331	283,154	19,315	-	-	-	-	-	-	4,225,914	11,604,453	15,830,367
Financial Institutions	-	-	-	3,485,069	-	39,202,926	9,556,650	102,835	71,470	16,690	37	-	-	-	40,542	38,631	-	50,647,082	1,867,768	52,514,850
Real Estate and Rental Services	-	-	-	-	-	-	4,042,776	277,086	661,284	614,927	2,359	-	-	-	-	-	-	1,264,685	4,333,747	5,598,432
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	967	-	-	-	618,262	208,871	240,343	833	3,268	-	-	-	-	-	-	872,113	200,440	1,072,553
Health and Social Services	833	-	76	-	-	-	4,042,171	432,095	173,564	4,506	1,458	-	-	-	-	-	-	1,041,799	3,612,904	4,654,703
Others	91,394,364	230,641	320,692	-	-	-	4,277,825	51,727,478	15,397,816	729,233	165,541	-	-	-	-	7,234,838	12,415,415	59,552,421	124,341,422	183,893,843
Total	91,395,206	230,641	397,496	3,485,069	-	39,202,926	147,460,404	83,732,678	32,580,251	4,141,318	891,437	-	-	-	40,542	7,273,469	12,415,415	192,307,280	230,939,572	423,246,852

- 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 conversion.

Türkiye Garanti Bankası AŞ

Unconsolidated 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*

<i>Prior Period</i> (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	680,037	683,752	415,965	13,589	5,540	-	-	-	-	-	-	1,373,783	425,100	1,798,883
Farming and Stockbreeding	-	-	-	-	-	-	397,722	629,391	381,732	12,723	5,464	-	-	-	-	-	-	1,290,628	136,404	1,427,032
Forestry	-	-	-	-	-	-	78,184	24,740	24,253	611	2	-	-	-	-	-	-	34,251	93,539	127,790
Fishery	-	-	-	-	-	-	204,131	29,621	9,980	255	74	-	-	-	-	-	-	48,904	195,157	244,061
Manufacturing	-	-	107,372	-	-	-	55,930,020	7,434,500	7,788,100	173,880	100,839	-	-	-	-	-	-	26,858,650	44,676,061	71,534,711
Mining and Quarrying	-	-	-	-	-	-	2,122,445	324,062	85,733	3,142	224	-	-	-	-	-	-	847,521	1,688,085	2,535,606
Production	-	-	7	-	-	-	30,765,051	6,949,402	4,292,711	131,367	66,102	-	-	-	-	-	-	21,063,106	21,141,534	42,204,640
Electricity, Gas and Water	-	-	107,365	-	-	-	23,042,524	161,036	3,409,656	39,371	34,513	-	-	-	-	-	-	4,948,023	21,846,442	26,794,465
Construction	-	-	128	-	-	-	6,756,896	3,982,784	2,621,920	41,874	45,459	-	-	-	-	-	-	9,928,298	3,520,763	13,449,061
Services	455	-	996	1,816,462	-	34,665,400	58,882,526	17,418,591	9,225,215	495,160	466,120	-	-	-	39,626	30,487	-	48,732,214	74,308,824	123,041,038
Wholesale and Retail Trade	-	-	203	-	-	-	24,636,071	13,396,945	4,557,943	190,899	65,610	-	-	-	-	-	-	28,141,422	14,706,249	42,847,671
Accommodation and Dining	-	-	89	-	-	-	3,386,673	918,674	2,627,360	90,249	4,836	-	-	-	-	-	-	2,209,157	4,818,724	7,027,881
Transportation and Telecom.	-	-	177	-	-	-	14,674,487	2,063,072	491,204	204,775	10,667	-	-	-	-	-	-	4,789,912	12,654,470	17,444,382
Financial Institutions	-	-	-	1,816,462	-	34,665,400	7,962,180	166,044	72,063	628	380,813	-	-	-	39,626	30,487	-	10,391,685	34,742,018	45,133,703
Real Estate and Rental Services	-	-	-	-	-	-	4,583,648	241,093	911,885	5,849	487	-	-	-	-	-	-	1,369,018	4,373,944	5,742,962
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	355	-	-	-	333,960	191,016	380,895	127	534	-	-	-	-	-	-	741,116	165,780	906,896
Health and Social Services	446	-	172	-	-	-	3,305,507	441,747	183,865	2,633	3,173	-	-	-	-	-	-	1,089,904	2,847,639	3,937,543
Others	88,111,707	113,400	207,194	-	-	-	3,605,819	47,656,349	17,099,211	69,156	63,855	-	-	-	-	6,539,472	9,595,351	129,034,531	44,026,983	173,061,514
Total	88,112,162	113,400	315,690	1,816,462	-	34,665,400	125,855,298	77,175,976	37,150,411	793,659	681,813	-	-	-	39,626	6,569,959	9,595,351	215,927,476	166,957,731	382,885,207

- 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 conversion.

4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

<i>Current Period</i>	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Categories (*)					
Conditional and unconditional exposures to central governments or central banks	23,370,810	6,110,624	1,040,204	1,302,496	44,585,974
Conditional and unconditional exposures to regional governments or local authorities	292	-	-	5,975	224,374
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	6,568	42,451	21,520	56,004	255,599
Conditional and unconditional exposures to multilateral development banks	1,249,182	982,305	-	-	44,340
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	5,101,009	13,867,015	1,177,600	1,802,696	16,949,631
Conditional and unconditional exposures to corporates	6,417,388	11,265,778	12,643,659	21,404,507	86,784,552
Conditional and unconditional retail exposures	9,639,903	5,258,250	3,067,069	6,235,004	39,513,903
Conditional and unconditional exposures secured by real estate property	286,119	566,627	917,549	1,725,715	27,213,428
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	2,743	24,290	61,708	133,705	180,086
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Shares	-	-	-	-	-
Other items	106,675	-	786,698	-	-
Total	46,180,689	38,117,340	19,716,007	32,666,102	215,751,887

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

<i>Prior Period</i>	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Categories (*)					
Conditional and unconditional exposures to central governments or central banks	14,819,696	23,751,196	1,645,356	115,625	39,430,461
Conditional and unconditional exposures to regional governments or local authorities	320	30	-	264	112,786
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	434	355	44,651	15,451	243,591
Conditional and unconditional exposures to multilateral development banks	1,613,682	13,369	51,562	71,012	66,837
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	9,075,891	1,502,142	622,784	1,130,952	19,290,918
Conditional and unconditional exposures to corporates	4,798,543	5,841,628	7,011,413	14,830,314	75,458,475
Conditional and unconditional retail exposures	8,258,338	4,679,762	2,144,115	4,833,107	39,812,993
Conditional and unconditional exposures secured by real estate property	141,451	284,719	629,636	1,567,403	31,566,099
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	614	384,119	1,057	4,085	36,712
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Shares	-	-	-	-	-
Other items	36,363	775,428	-	-	-
Total	38,745,332	37,232,748	12,150,574	22,568,213	206,018,872

(*) 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

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	80,129,116	-	18,408,181	16,197,339	41,309,313	83,728,424	182,660,844	813,635	-	-	530,846
Exposures after Credit Risk Mitigation	89,283,716	-	18,284,012	16,190,916	23,726,521	76,823,493	176,342,774	812,789	-	-	530,846

Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	80,619,794	-	9,682,767	19,181,402	42,691,253	77,167,698	152,895,816	265,769	-	380,708	414,309
Exposures after Credit Risk Mitigation	81,890,487	-	8,775,200	19,166,589	23,773,442	70,938,785	144,333,914	265,768	-	380,708	414,309

4.2.6 Information by major sectors and type of counterparties

The Bank assesses its financial assets 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 Bank recognizes life time expected credit losses for impaired loans (Stage 3) and considers the probability of default 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 Bank calculates life time expected credit losses for these loans (Stage 2).

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

<i>Current Period</i>	Loans		<i>TFRS 9 Expected Credit Losses</i>
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
Agriculture	145,855	65,213	50,989
Farming and Stockbreeding	99,707	56,503	42,729
Forestry	14,201	2,512	3,114
Fishery	31,947	6,198	5,146
Manufacturing	15,632,807	3,854,664	3,720,347
Mining and Quarrying	114,507	24,693	26,404
Production	5,874,494	1,382,059	1,738,446
Electricity, Gas and Water	9,643,806	2,447,912	1,955,497
Construction	1,860,029	1,303,057	737,767
Services	10,420,766	3,491,087	2,992,574
Wholesale and Retail Trade	4,638,552	1,203,189	1,144,776
Accommodation and Dining	1,175,351	239,303	210,180
Transportation and Telecommunication	1,256,839	850,448	784,414
Financial Institutions	2,145,067	52,164	174,224
Real Estate and Rental Services	828,839	1,083,708	592,398
Professional Services	-	-	-
Educational Services	312,333	33,416	58,507
Health and Social Services	63,785	28,859	28,075
Others	14,295,474	3,667,661	3,660,768
Total	42,354,931	12,381,682	11,162,445

<i>Prior Period</i>	Credit Risks			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	39,101	20,594	1,012	20,741
Farming and Stockbreeding	35,266	13,328	464	18,117
Forestry	2,146	229	9	1,438
Fishery	1,689	7,037	539	1,186
Manufacturing	607,299	215,972	21,165	393,054
Mining and Quarrying	23,662	4,201	84	19,276
Production	427,043	207,558	19,692	291,227
Electricity, Gas and Water	156,594	4,213	1,389	82,551
Construction	459,871	173,779	7,634	347,822
Services	1,560,475	4,326,232	338,674	937,691
Wholesale and Retail Trade	726,262	258,032	9,914	434,914
Accommodation and Dining	156,435	308,270	5,623	57,730
Transportation and Telecommunication	596,997	3,679,145	321,824	380,224
Financial Institutions	18,421	46,471	384	17,489
Real Estate and Rental Services	13,777	12,101	229	7,182
Professional Services	-	-	-	-
Educational Services	30,401	8,548	151	28,721
Health and Social Services	18,182	13,665	549	11,431
Others	3,111,708	3,862,016	85,834	2,787,346
Total	5,778,454	8,598,593	454,319	4,486,654

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	3,787,069	6,574,772	3,302,824	-	7,059,017
2	Stage 1 and Stage 2 Provisions	4,354,840	8,215,418	7,451,084	-	5,119,174

	<i>Prior Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Specific Provisions	4,401,656	2,111,667	2,026,669	-	4,486,654
2	General Provisions	3,171,163	422,935	3,622	-	3,597,720

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	208,549,240	1,005,678	209,554,918
Cayman Islands	808,283	-	808,283
Turkish Republic of Northern Cyprus	657,485	-	657,485
Malta	450,333	-	450,333
Switzerland	440,229	-	440,229
The Netherlands	317,740	-	317,740
United Kingdom	154,434	54,814	209,248
Macedonia	148,988	-	148,988
Romania	85,144	-	85,144
Others	227,681	-	227,681

<i>Prior Period</i> Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	178,738,435	576,857	179,315,292
the Netherlands	827,431	-	827,431
Malta	664,051	-	664,051
NCTR	602,595	-	602,595
Cayman Islands	581,547	-	581,547
Switzerland	472,994	-	472,994
USA	438,653	-	438,653
Macedonian Republic	134,583	-	134,583
Sweden	80,783	14,192	94,975
Romania	94,362	-	94,362
Other	224,511	-	224,511

4.3 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2018, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 17,732,924 thousands (31 December 2017: TL 22,552,332 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 19,778,676 thousands (31 December 2017: TL 24,944,380 thousands), while net foreign currency long open position amounts to TL 2,045,752 thousands (31 December 2017: TL 2,392,048 thousands).

The foreign currency position risk of the Bank 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. 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
Foreign currency purchase rates at balance sheet date	5.2699	6.0219
<u>Exchange 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
Last 30-days arithmetical average rates	5.2864	6.0164

The Bank's currency risk:

<i>Current Period</i>	EUR	USD	Other FCs	Total
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,320,254	12,948,307	7,282,066	38,550,627
Banks	9,946,267	8,414,690	2,674,074	21,035,031
Financial Assets Measured at Fair Value through Profit/Loss	99,349	80,871	-	180,220
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	94,947	5,118,509	-	5,213,456
Loans (*)	34,771,964	48,676,709	993,852	84,442,525
Investments in Associates, Subsidiaries and Joint-Ventures	4,883,620	-	-	4,883,620
Financial Assets Measured at Amortised Cost	14,022	6,852,371	-	6,866,393
Derivative Financial Assets Held for Hedging Purpose	323	223,842	-	224,165
Tangible Assets	-	300	-	300
Intangible Assets	-	-	-	-
Other Assets	510,120	1,459,824	3,770	1,973,714
Total Assets	68,640,866	83,775,423	10,953,762	163,370,051
Liabilities				
Bank Deposits	2,647,933	1,478,763	5,456	4,132,152
Foreign Currency Deposits	29,731,935	73,592,957	2,679,568	106,004,460
Money Market Funds	-	-	-	-
Other Fundings (**)	10,357,263	32,951,077	3,737	43,312,077
Securities Issued	3,328,529	17,427,920	27,086	20,783,535
Miscellaneous Payables	79,969	139,662	8,274	227,905
Derivative Financial Liabilities Held for Hedging Purpose	50,972	49,115	1	100,088
Other Liabilities (***)	789,976	2,434,811	3,317,971	6,542,758
Total Liabilities	46,986,577	128,074,305	6,042,093	181,102,975
Net 'On Balance Sheet' Position	21,654,289	(44,298,882)	4,911,669	(17,732,924)
Net 'Off-Balance Sheet' Position	(16,788,606)	41,453,651	(4,886,369)	19,778,676
Derivative Financial Assets	9,137,303	68,721,139	405,496	78,263,938
Derivative Financial Liabilities	25,925,909	27,267,488	5,291,865	58,485,262
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	51,241,826	70,641,352	8,559,947	130,443,125
Total Liabilities	38,232,044	109,623,758	5,139,655	152,995,457
Net 'On Balance Sheet' Position	13,009,782	(38,982,406)	3,420,292	(22,552,332)
Net 'Off-Balance Sheet' Position	(10,350,797)	38,733,837	(3,438,660)	24,944,380
Derivative Assets	8,549,883	77,928,229	2,448,005	88,926,117
Derivative Liabilities	18,900,680	39,194,392	5,886,665	63,981,737
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 3,694,488 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Includes funds presented under financial liabilities amounting TL 12,285,838 thousands measured at fair value through profit or loss in balance sheet.

(***) Other liabilities include gold deposits of TL 3,280,238 thousands.

4.4 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>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,879,371	-	-	-	-	20,487,076	41,366,447
Banks	1,064,559	8,000	78,000	-	-	20,283,705	21,434,264
Financial Assets Measured at Fair Value through Profit/Loss	42,180	32,379	10,930	108,999	64,933	104,054	363,475
Money Market Placements	216	-	-	-	-	-	216
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,839,529	6,214,581	4,889,544	2,797,757	4,428,035	3,298,335	23,467,781
Loans	51,796,837	24,276,436	70,510,406	58,765,874	13,604,077	4,334,292	223,287,922
Financial Assets Measured at Amortised Cost	2,453,716	1,301,732	9,141,677	342,427	6,050,201	6,142,530	25,432,283
Other Assets	-	-	-	177,073	-	23,947,741	24,124,814
Total Assets	78,076,408	31,833,128	84,630,557	62,192,130	24,147,246	78,597,733	359,477,202
Liabilities							
Bank Deposits	897,928	-	2,000	-	-	4,445,646	5,345,574
Other Deposits	114,016,344	31,649,923	15,482,445	73,791	-	51,489,841	212,712,344
Money Market Funds	45,369	9	-	-	-	38	45,416
Miscellaneous Payables	-	-	-	-	-	11,738,083	11,738,083
Securities Issued	524,112	1,301,507	7,392,928	10,293,086	4,072,103	400,640	23,984,376
Other Fundings	21,108,741	12,750,384	9,708,142	136,606	506,682	15,965	44,226,520
Other Liabilities	1,246	3,337	20,372	-	-	61,399,934	61,424,889
Total Liabilities	136,593,740	45,705,160	32,605,887	10,503,483	4,578,785	129,490,147	359,477,202
On Balance Sheet Long Position	-	-	52,024,670	51,688,647	19,568,461	-	123,281,778
On Balance Sheet Short Position	(58,517,332)	(13,872,032)	-	-	-	(50,892,414)	(123,281,778)
Off-Balance Sheet Long Position	17,159,114	14,745,285	19,768,973	4,429,890	9,942,503	-	66,045,765
Off-Balance Sheet Short Position	(1,551,698)	(4,835,220)	(19,039,104)	(21,368,315)	(18,894,434)	-	(65,688,771)
Total Position	(42,909,916)	(3,961,967)	52,754,539	34,750,222	10,616,530	(50,892,414)	356,994

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

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,356,607	-	-	-	-	18,055,896	33,412,503
Banks	4,018,738	836,682	1,435,693	-	-	8,027,360	14,318,473
Financial Assets at Fair Value through Profit/Loss	7,228	319,649	146,181	342,960	17,355	1,816,777	2,650,150
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	3,369,418	5,915,862	6,784,329	3,014,432	1,089,034	2,571,627	22,744,702
Loans	48,291,162	21,944,937	63,901,442	58,658,807	12,516,361	4,367,168	209,679,877
Investments Held-to-Maturity	983,796	2,557,519	6,615,860	3,706,564	7,446,829	3,574,775	24,885,343
Other Assets	7,699	-	-	21,530	-	17,511,997	17,541,226
Total Assets	72,034,648	31,574,649	78,883,505	65,744,293	21,069,579	55,925,600	325,232,274
Liabilities							
Bank Deposits	106,924	-	195,414	-	-	896,626	1,198,964
Other Deposits	100,799,685	18,720,599	15,112,628	15,217	32	45,268,880	179,917,041
Interbank Money Market Takings	16,650,220	-	-	-	-	14,368	16,664,588
Miscellaneous Payables	-	-	-	-	-	9,973,896	9,973,896
Securities Issued (**)	1,882,236	2,903,078	1,161,863	10,051,508	5,762,095	380,051	22,140,831
Other Fundings	18,534,278	7,575,524	9,486,746	4,700,259	338,258	169,758	40,804,823
Other Liabilities	5,887	8,317	14,954	2,581	-	54,500,392	54,532,131
Total Liabilities	137,979,230	29,207,518	25,971,605	14,769,565	6,100,385	111,203,971	325,232,274
On Balance Sheet Long Position	-	2,367,131	52,911,900	50,974,728	14,969,194	-	121,222,953
On Balance Sheet Short Position	(65,944,582)	-	-	-	-	(55,278,371)	(121,222,953)
Off-Balance Sheet Long Position	11,194,041	8,478,415	15,792,731	3,027,985	5,154,466	-	43,647,638
Off-Balance Sheet Short Position	(1,436,494)	(3,920,972)	(12,408,103)	(15,011,305)	(10,911,130)	-	(43,688,004)
Total Position	(56,187,035)	6,924,574	56,296,528	38,991,408	9,212,530	(55,278,371)	(40,366)

(*) Interest accruals are also 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>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	0.50	-	-	20.24
Financial Assets Measured at Fair Value through Profit/Loss	3.52	6.94	-	21.36
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	4.42	5.70	-	20.37
Loans	4.66	7.43	-	22.78
Financial Assets Measured at Amortised Cost	0.25	5.26		22.89
Liabilities				
Bank Deposits	0.05	-	-	22.86
Other Deposits	0.79	3.09	0.93	17.68
Money Market Funds	-	-	-	7.06
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.64	-	17.79
Other Fundings	1.27	4.42	-	10.50

<i>Prior Period</i>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.32	-	2.54
Banks	0.02	1.43	-	8.56
Financial Assets at Fair Value through Profit/Loss	1.99	5.77	-	12.06
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	5.31	-	12.31
Loans	4.15	6.21	-	16.58
Investments Held-to-Maturity	-	5.57	-	12.81
Liabilities				
Bank Deposits	-	1.00	-	11.39
Other Deposits	0.76	2.23	1.45	9.30
Interbank Money Market Takings	-	1.50	-	12.68
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.67	-	13.08
Other Fundings	1.37	3.29	-	8.43

4.5 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
1	Investment in Shares- Grade A	6,978,190	6,886,773	79,284
	Quoted Securities	59,713	59,713	79,284
2	Investment in Shares- Grade B	79,995	54,438	78,126
	Quoted Securities	54,438	54,438	78,126
3	Investment in Shares- Grade C	662	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value ^(*)	Market Value
1	Investment in Shares- Grade A	6,464,188	6,351,939	130,538
	Quoted Securities	91,216	91,216	130,538
2	Investment in Shares- Grade B	108,717	83,160	128,632
	Quoted Securities	83,160	83,160	128,632
3	Investment in Shares- Grade C	662	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

(*) The balances are as per the results of equity accounting application.

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>		Revaluation Surpluses		Unrealised Gains and Losses		
Portfolio		Gains/Losses in Current Period	Total	Amount in Tier I Capital ^(*)	Total	Amount in Tier I Capital ^(*)
1	Private Equity Investments	-	-	-	-	-
2	Quoted Shares	-	28,899	28,899	28,899	-
3	Other Shares	-	3,696,926	3,696,926	3,696,926	-
	Total	-	3,725,825	3,725,825	3,725,825	-

(*) The balances are as per the results of equity accounting application.

<i>Prior Period</i>	Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses	
		Total	Amount in Tier I Capital ^(*)	Total	Amount in Tier I Capital ^(*)
1 Private Equity Investments	-	-	-	-	-
2 Quoted Shares	-	89,124	89,124	89,124	-
3 Other Shares	-	3,863,659	3,863,659	3,863,659	-
Total	-	3,952,783	3,952,783	3,952,783	-

(*) The balances are as per the results of equity accounting application.

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	114,151	114,151	9,132
3	Other Shares	6,945,758	6,945,758	555,661
	Total	7,059,909	7,059,909	564,793

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
	Portfolio			
1	Private Equity Investments	-	-	-
2	Quoted Shares	174,376	174,376	13,950
3	Other Shares	6,400,253	6,400,253	512,020
	Total	6,574,629	6,574,629	525,970

4.6 Liquidity risk management and 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 risk 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. Head of Risk management 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 the Bank's 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 of the Bank.

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 Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. 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 or 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 LCR calculation 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. The Bank's high quality liquid assets are composed of 4.70% cash, 50.66% deposits in central banks and 44.63% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Funding source composition in report date is 73.16% deposits, 14.85% funds borrowed and money market borrowings and 8.05% securities issued.

In LCR calculation, 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 LCR calculations according to 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>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			81,615,892	45,394,420
1 Total high-quality liquid assets (HQLA)	81,615,892	45,394,420	81,615,892	45,394,420
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	152,114,076	74,282,591	13,923,882	7,428,259
3 Stable deposits	25,750,504	-	1,287,525	-
4 Less stable deposits	126,363,572	74,282,591	12,636,357	7,428,259
5 Unsecured wholesale funding, of which:	68,446,557	36,895,302	37,610,584	19,360,243
6 Operational deposits	-	-	-	-
7 Non-operational deposits	53,250,916	33,545,594	26,367,039	16,069,757
8 Unsecured funding	15,195,641	3,349,708	11,243,545	3,290,486
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	72,216,417	23,386,847	25,285,751	22,527,664
11 Outflows related to derivative exposures and other collateral requirements	21,939,608	22,008,404	21,939,608	22,008,404
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	50,276,809	1,378,443	3,346,143	519,260
14 Other revocable off-balance sheet commitments and contractual obligations	1,536	1,536	77	77
15 Other irrevocable or conditionally revocable off-balance sheet obligations	72,563,669	49,635,649	3,628,183	2,481,781
16 Total Cash Outflows			80,448,477	51,798,024
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	32,698,390	15,437,956	25,321,505	13,837,635
19 Other cash inflows	1,325,652	6,364,855	1,325,652	6,364,855
20 Total Cash Inflows	34,024,042	21,802,811	26,647,157	20,202,490
			Upper Limit Applied Values	
21 Total HQLA			81,615,892	45,394,420
22 Total Net Cash Outflows			53,801,320	31,595,534
23 Liquidity Coverage Ratio (%)			152.39	145.83

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the last quarter of 2018:

<i>Current Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	179.31	28.12.2018	131.08	04.11.2018	152.39
FC	220.49	05.10.2018	110.74	06.11.2018	145.83

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)		
	TL+FC	FC	TL+FC	FC	
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)	60,570,265	35,888,322	60,570,265	35,888,322
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	122,987,360	55,053,474	11,000,314	5,505,347
3	Stable deposits	25,968,429	-	1,298,421	-
4	Less stable deposits	97,018,931	55,053,474	9,701,893	5,505,347
5	Unsecured wholesale funding, of which:	52,745,186	28,380,770	29,360,008	15,485,262
6	Operational deposits	-	-	-	-
7	Non-operational deposits	40,723,945	24,558,622	20,482,425	12,213,410
8	Unsecured funding	12,021,241	3,822,148	8,877,583	3,271,852
9	Secured wholesale funding	-	-	104,879	104,879
10	Other cash outflows of which:	51,404,512	11,127,147	10,619,737	10,439,764
11	Outflows related to derivative exposures and other collateral requirements	7,735,673	10,061,991	7,735,673	10,061,991
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	43,668,839	1,065,156	2,884,064	377,773
14	Other revocable off-balance sheet commitments and contractual obligations	1,066	1,066	53	53
15	Other irrevocable or conditionally revocable off-balance sheet obligations	59,256,775	40,701,513	2,962,839	2,035,076
16	Total Cash Outflows			54,047,830	33,570,381
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	17,463,600	5,236,978	11,444,451	3,937,072
19	Other cash inflows	1,429,820	8,134,626	1,429,820	8,134,626
20	Total Cash Inflows	18,893,420	13,371,604	12,874,271	12,071,698
				Upper Limit Applied Values	
21	Total HQLA			60,570,265	35,888,322
22	Total Net Cash Outflows			41,173,559	21,498,683
23	Liquidity Coverage Ratio (%)			147.61	171.60

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the last quarter of 2017:

<i>Prior Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	172.20	28.12.2017	135.01	27.11.2017	147.61
FC	232.86	16.12.2017	131.86	17.11.2017	171.60

4.6.2 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's financial liabilities as per their earliest likely contractual maturities.

<i>Current Period</i>	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	5,345,574	5,344,477	4,444,549	897,928	-	2,000	-	-
Other Deposits	212,712,344	211,006,210	49,783,706	114,013,465	31,643,497	15,460,817	97,168	7,557
Other Fundings	44,226,520	44,861,368	-	900,256	644,112	21,863,061	9,207,629	12,246,310
Interbank Money Market Takings	45,416	45,378	-	45,369	9	-	-	-
Securities Issued ^(*)	23,984,376	23,583,735	-	524,111	1,301,507	6,997,686	10,293,085	4,467,346
Total	286,314,230	284,841,168	54,228,255	116,381,129	33,589,125	44,323,564	19,597,882	16,721,213

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

<i>Prior Period</i>	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	1,198,964	1,196,609	894,272	106,923	-	195,414	-	-
Other Deposits	179,917,041	179,102,455	44,454,292	100,796,323	18,712,875	15,087,540	44,155	7,270
Other Fundings	40,804,823	40,691,789	-	853,721	240,580	15,741,314	16,150,219	7,705,955
Interbank Money Market Takings	16,664,588	16,650,220	-	16,650,220	-	-	-	-
Securities Issued ^(*)	22,140,831	21,760,780	-	1,844,478	2,763,373	1,301,567	10,089,266	5,762,096
Total	260,726,247	259,401,853	45,348,564	120,251,665	21,716,828	32,325,835	26,283,640	13,475,321

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

4.6.3 Maturity analysis of assets and 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
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,078,766	21,287,681	-	-	-	-	-	41,366,447
Banks	20,279,504	1,065,223	8,306	81,231	-	-	-	21,434,264
Financial Assets Measured at Fair Value through Profit/Loss	102,981	1	31,174	11,260	152,166	65,893	-	363,475
Money Market Placements	-	216	-	-	-	-	-	216
Financial Assets Measured at Fair Value	225,145	-	282,719	2,107,568	14,720,535	6,131,814	-	23,467,781
Loans	637,215	39,046,829	20,397,098	57,432,724	78,563,853	22,064,524	5,145,679	223,287,922
Financial Assets Measured at Amortised Cost	-	-	-	59,739	12,673,025	12,699,519	-	25,432,283
Other Assets	3,404,440	1,759,947	341,996	1,328,774	1,197,175	771,453	15,321,029	24,124,814
Total Assets	44,728,051	63,159,897	21,061,293	61,021,296	107,306,754	41,733,203	20,466,708	359,477,202
Liabilities								
Bank Deposits	4,444,767	898,731	-	2,076	-	-	-	5,345,574
Other Deposits	49,783,707	114,844,239	32,102,032	15,876,363	98,408	7,595	-	212,712,344
Other Fundings	-	190,389	703,411	21,878,781	9,207,629	12,246,310	-	44,226,520
Money Market Funds	-	45,407	9	-	-	-	-	45,416
Securities Issued (**)	-	526,814	1,307,013	7,085,726	10,570,625	4,494,198	-	23,984,376
Miscellaneous Payables	678,880	11,059,203	-	-	-	-	-	11,738,083
Other Liabilities (***)	3,883,613	1,636,691	772,274	848,429	553,495	1,197,929	52,532,458	61,424,889
Total Liabilities	58,790,967	129,201,474	34,884,739	45,691,375	20,430,157	17,946,032	52,532,458	359,477,202
Liquidity Gap	(14,062,916)	(66,041,577)	(13,823,446)	15,329,921	86,876,597	23,787,171	(32,065,750)	-
Net Off-Balance Sheet Position	-	(751,846)	45,356	208,651	670,632	139,425	-	312,218
Derivative Financial Assets	-	59,444,974	11,261,910	28,262,980	9,621,643	2,225,490	-	110,816,997
Derivative Financial Liabilities	-	60,196,820	11,216,554	28,054,329	8,951,011	2,086,065	-	110,504,779
Non-Cash Loans	-	13,753,549	4,453,864	2,375,197	176,175	-	109,426,845	130,185,630
Prior Period								
Total Assets	18,289,678	65,752,159	17,928,052	55,300,748	99,995,740	39,593,932	28,371,965	325,232,274
Total Liabilities	47,998,973	131,208,850	22,638,703	33,686,997	26,652,588	13,771,984	49,274,179	325,232,274
Liquidity Gap	(29,709,295)	(65,456,691)	(4,710,651)	21,613,751	73,343,152	25,821,948	(20,902,214)	-
Net Off-Balance Sheet Position	-	(509,274)	(165,205)	(361,219)	281,607	40,314	-	(713,777)
Derivative Financial Assets	-	73,493,516	27,063,324	28,432,187	4,679,452	1,023,851	-	134,692,330
Derivative Financial Liabilities	-	74,002,790	27,228,529	28,793,406	4,397,845	983,537	-	135,406,107
Non-Cash Loans	-	7,984,082	3,161,722	5,910,547	48,073	-	93,029,057	110,133,481

(*) 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 subsidiaries, stationary supplies, prepaid expenses and loans under follow-up, are included in this column.

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

(***) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

4.7 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 leverage ratio calculated by taking average of end of month leverage ratios for prior three-month period is 8.76% (31 December 2017: 9.07%). While the capital increased by 14.17% mainly as a result of increase in net profits, total risk amount increased by 18.53%. Therefore, the current period leverage ratio decreased by 31 basis points compared to prior period.

		<i>Current Period</i> (*)	<i>Prior Period</i> (*)
On-balance sheet assets			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	369,577,864	321,385,438
2	(Assets deducted in determining Tier I capital)	(494,046)	(346,406)
3	Total on-balance sheet risks (sum of lines 1 and 2)	369,083,818	321,039,032
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	4,771,987	2,913,913
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	11,859,527	11,031,830
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	16,631,514	13,945,743
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	974,260	2,432,662
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	974,260	2,432,662
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	144,014,237	111,439,135
11	(Adjustments for conversion to credit equivalent amounts)	(3,134,011)	(3,765,170)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	140,880,226	107,673,965
Capital and total risks			
13	Tier I capital	46,105,283	40,383,538
14	Total risks (sum of lines 3, 6, 9 and 12)	527,569,818	445,091,402
Leverage ratio			
15	Leverage ratio	8.76	9.07

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

4.8 Fair values of financial assets and liabilities

<i>Current Period</i>	Carrying Value	Fair Value
Financial Assets	329,425,019	327,785,300
Interbank Money Market Placements	216	216
Banks (*)	57,236,817	57,236,817
Financial Assets Measured at Fair Value through Other Comprehensive Income	23,467,781	23,467,781
Financial Assets Measured at Amortised Cost	25,432,283	25,171,056
Loans	223,287,922	221,909,430
Financial Liabilities	290,851,219	290,851,219
Bank Deposits	5,345,574	5,345,574
Other Deposits	212,712,344	212,712,344
Other Fundings from Financial Institutions	31,940,682	31,940,682
Securities Issued (**)	23,984,376	23,984,376
Other Liabilities	16,868,243	16,868,243

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

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

<i>Prior Period</i>	Carrying Value	Fair Value
Financial Assets	301.923.616	303.834.351
Interbank Money Market Placements	-	-
Banks (*)	44.613.694	44.613.694
Financial Assets Available-for-Sale	22,744,702	22,744,702
Investments Held-to-Maturity	24.885.343	25.171.056
Loans	209.679.877	211.304.899
Financial Liabilities	254.035.555	254.035.555
Bank Deposits	1.198.964	1.198.964
Other Deposits	179.917.041	179.917.041
Other Fundings	40.804.823	40.804.823
Securities Issued (**)	22.140.831	22.140.831
Miscellaneous Payables	9,973,896	9,973,896

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

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

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 financial instruments carried at fair value, by valuation method:

<i>Current Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Other Comprehensive Income	23,248,120	204,862	14,799	23,467,781
Financial Assets Measured at Fair Value through Profit/Loss	333,136	-	30,339	363,475
Loans Measured at Fair Value through Profit/Loss	-	-	4,081,161	4,081,161
Derivative Financial Assets Held for Trading	2,235	2,982,689	10,527	2,995,451
Derivative Financial Assets Held for Hedging Purpose	-	956,483	-	956,483
Financial Assets at Fair Value	23,583,491	4,144,034	4,136,826	31,864,351
Derivative Financial Liabilities Held for Trading	216	2,963,065	878,978	3,842,259
Funds Borrowed (*)	-	-	12,285,838	12,285,838
Derivative Financial Liabilities Held for Hedging Purpose	-	361,793	-	361,793
Financial Liabilities at Fair Value	216	3,324,858	13,164,816	16,489,890

(*) Funds borrowed includes financial liabilities measured at fair value through profit/loss.

<i>Prior Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	20,301,220	2,384,564	58,918	22,744,702
Financial Assets Held for Trading	833,030	87	2,717	835,834
Derivative Financial Assets Held for Trading	1,205	1,774,134	38,977	1,814,316
Derivative Financial Assets Held for Risk Management	-	648,275	-	648,275
Financial Assets at Fair Value	21,135,455	4,807,060	100,612	26,043,127
Derivative Financial Liabilities Held for Trading	230	2,709,430	43,070	2,752,730
Funds Borrowed	-	-	9,228,338	9,228,338
Derivative Financial Liabilities Held for Risk Management	-	180,070	-	180,070
Financial Liabilities at Fair Value	230	2,889,500	9,271,408	12,161,138

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>
Balances at Beginning of Period	100,612	561,948
Purchases during the Period	18,172	41,085
Disposals through Sale/Redemptions	(31,345)	(495,861)
Valuation Effect	(31,774)	3,221
Transfers	4,081,161	(9,781)
Balances at End of Period	4,136,826	100,612

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 5.1.17.2. 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 borrowings are measured at fair value and it is used the values 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 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 affiliates 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 affiliates. Policies and procedures are prepared in compliance with applicable legislations that the affiliates 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 affiliates 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 monitoring 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
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	253,300,775	216,037,567	20,264,062
2	Of which standardised approach (SA)	253,300,775	216,037,567	20,264,062
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,978,642	3,610,835	398,291
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,978,642	3,610,835	398,291
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	-	-	-
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	7,069,090	6,027,729	565,527
17	Of which standardised approach (SA)	7,069,090	6,027,729	565,527
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	25,574,313	21,709,380	2,045,945
20	Of which basic indicator approach	25,574,313	21,709,380	2,045,945
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)	-	951,770	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	290,922,820	248,337,281	23,273,825

(*) 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</i>
		<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (*)</i>	<i>Subject to capital calculation</i>	
Assets						
Cash and cash equivalents	62,800,927	62,800,927	-	-	-	-
Financial assets measured at fair value through profit/loss (FVTPL)	363,475	84,171	-	277,632	1,672	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	23,467,781	23,467,781	2,458,424	-	-	-
Financial assets measured at amortised cost	25,432,283	25,432,283	45,482	-	-	-
Derivative financial assets	3,951,934	13,406	3,938,534	2,048,123	-	-
Non performing financial assets	-	-	-	-	-	-
Expected credit losses (-)	124,316	-	-	-	124,316	-
Loans (net)	223,287,922	227,901,736	-	-	(4,613,814)	-
Loans	223,285,552	223,271,511	-	-	14,041	-
Lease receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non performing receivables	11,407,073	11,407,073	-	-	-	-
Expected credit losses (-)	11,404,703	6,776,848	-	-	4,627,855	-
Assets held for sale and assets of discontinued operations (net)	786,709	786,709	-	-	-	-
Ownership investments (net)	7,059,909	7,059,909	-	-	-	-
Tangible assets (net)	4,106,029	3,870,482	-	-	235,547	-
Intangible assets (net)	300,551	-	-	-	300,551	-
Investment property (net)	690,700	690,700	-	-	-	-
Current tax asset	60,043	60,043	-	-	-	-
Deferred tax asset	1,305,446	1,326,411	-	-	(20,965)	-
Other assets	5,987,809	5,988,650	-	-	(840)	-
Total assets	359,477,202	359,483,208	6,442,440	2,325,755	(4,222,165)	-
Liabilities						
Deposits	218,057,918	-	-	-	-	218,057,918
Funds borrowed	31,940,682	-	1,757,547	-	-	30,183,135
Money market funds	45,416	-	45,416	-	-	-

Securities issued (net)	20,007,358	-	-	-	-	20,007,358
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtp	12,285,838	-	-	-	-	12,285,838
Derivative financial liabilities	4,204,052	-	-	-	-	4,204,052
Factoring payables	-	-	-	-	-	-
Lease payables (net)	16,464	-	-	-	-	16,464
Provisions	4,820,393	282,169	-	-	366,163	4,172,061
Current tax liability	565,967	-	-	-	-	565,967
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	3,977,018	-	-	-	3,952,425	24,593
Other liabilities	16,868,243	-	-	19,756	-	16,848,487
Shareholders' equity	46,687,853	-	-	-	46,612,088	75,765
Total liabilities	359,477,202	282,169	1,802,963	19,756	50,930,676	306,441,638

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

<i>Prior 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>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>
Assets					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	33,412,503	33,412,503	-	-	-
Financial Assets Held for Trading	2,650,150	67,904	1,746,412	1,970,772	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	14,318,473	14,318,293	-	-	-
Interbank Money Markets Placements	-	-	-	-	-
Financial Assets Available-for-Sale	22,744,702	22,571,524	13,994,778	171,784	1,394
Loans	209,679,877	209,648,998	-	-	30,879
Factoring Receivables	-	-	-	-	-
Investment Held-to-Maturity	24,885,343	24,885,343	1,010,967	-	-
Investment in Associates	35,158	35,158	-	-	-
Investment in Subsidiaries	6,539,471	6,539,471	-	-	-
Investment in Joint-Ventures	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	648,275	-	648,275	-	-
Tangible Assets	3,769,379	3,648,973	-	-	120,406
Intangible Assets	285,654	24,024	-	-	261,630
Investment Property	690,588	690,588	-	-	-
Tax Asset	356,684	356,684	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	775,428	775,428	-	-	-
Other Assets	4,440,589	4,440,589	-	-	-
Total Assets	325,232,274	321,415,480	17,400,432	2,142,556	414,309
Liabilities					
Deposits	181,116,005	-	-	-	181,116,005
Derivative Financial Liabilities Held for Trading	2,752,730	-	-	-	2,752,730
Funds Borrowed	40,804,823	-	11,838,445	-	28,966,378
Interbank Money Markets	16,664,588	-	1,059,898	-	15,604,690
Securities Issued	19,291,360	-	-	-	19,291,360
Funds	-	-	-	-	-
Miscellaneous Payables	9,973,896	-	-	-	9,973,896

Other External Fundings Payable	2,866,550	-	-	28,116	2,838,434
Factoring Payables	-	-	-	-	-
Lease Payables	6,939	-	-	-	6,939
Derivative Financial Liabilities Held for Risk Management	180,070	-	-	-	180,070
Provisions	6,306,654	-	-	-	6,306,654
Tax Liability	1,087,978	-	-	-	1,087,978
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	2,849,471	-	-	-	2,849,471
Shareholders' Equity	41,331,210	-	-	-	41,331,210
Total Liabilities	325,232,274	-	12,898,343	28,116	312,305,815

(*) 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 Financial Statements" (as per 4.10.2.1)	361,193,780	356,979,302	3,938,534	2,325,755
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	2,503,906	2,503,906	2,503,906	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	1,802,963	-	1,802,963	-
4	Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	19,756	-	-	19,756
5	Total Net Amount within the Scope of Statutory Consolidation	361,874,967	359,483,208	4,639,477	2,305,999
6	Off-balance Sheet Amounts (**)	474,865,056	55,595,317	1,725,888	172,110,057
7	Differences Resulted from the BRSA's Applications		(20,230,796)	(10,296)	-
8	Repurchase Transactions		-	261,422	-
9	Risk Amounts		394,847,729	6,616,491	174,416,056

	<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 Financial Statements"	309,812,220	306,409,740	2,394,687	2,142,556
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS	15,005,745	15,005,740	15,005,745	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS	12,898,343	-	12,898,343	-
4	Carrying Value of Other Liabilities as per TAS	28,116	-	-	28,116
5	Total Net Amount	311,891,506	321,415,480	4,502,089	2,114,440
6	Off-balance Sheet Amounts (**)	285,642,143	42,302,266	1,767,029	172,634,319
7	Differences Resulted from the BRSA's Applications		(21,295,228)	(28,947)	-
8	Repurchase Transactions		-	862,204	-
9	Risk Amounts		342,422,518	7,102,375	174,748,759

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

(**) Off-balance sheet amounts subject to capital adequacy ratios.

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 Credit risk

4.10.3.1 General information on credit risk

4.10.3.1.1 General qualitative information on credit risk

The 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 form.

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 assets

	<i>Current Period</i>	<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	11,407,073	280,508,545	6,776,848	285,138,770
2	Debt securities	-	48,674,952	-	48,674,952
3	Off-balance sheet exposures	974,609	84,230,351	282,169	84,922,791
4	Total	12,381,682	413,413,848	7,059,017	418,736,513

	<i>Prior Period</i>	<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	5,408,114	253,213,814	4,359,237	254,262,691
2	Debt securities	-	47,371,704	-	47,371,704
3	Off-balance sheet exposures	370,339	68,516,128	127,417	68,759,050
4	Total	5,778,453	369,101,646	4,486,654	370,393,445

4.10.3.1.3 Changes in stock of default loans and debt securities

	<i>Current Period</i>	<i>Prior Period</i>
1 Defaulted loans and debt securities at end of the previous reporting period	5,408,114	5,272,774
2 Loans and debt securities defaulted since the last reporting period	9,248,953	2,424,023
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	2,349,412	865,771
5 Other changes	900,582	1,422,912
6 Defaulted loans and debt securities at end of the reporting period	11,407,073	5,408,114

4.10.3.1.4 Additional disclosure related to the credit quality of 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 calculates the expected credit losses in accordance with TFRS 9. At each reporting date, the Bank assesses 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 uses the change in the estimated probability of default of the financial instrument.

A refinancing/restructuring refers to; extending a new loan with 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	11,022,271	6,533,201	2,349,296	5,279,274	4,239,256	863,504
European Union (EU) Countries	15,190	13,293	6	21,369	18,298	60
OECD Countries	10	3	1	201	44	1
Off-Shore Banking Regions	341,455	205,245	-	71,710	71,710	-
USA, Canada	-	-	15	-	-	-
Other Countries	28,147	25,106	94	35,560	29,929	2,206
Total	11,407,073	6,776,848	2,349,412	5,408,114	4,359,237	865,771

	<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>
Agriculture	63,857	41,558	-	44,581	25,580	498,116
Farming and Stockbreeding	55,863	35,655	-	41,047	22,911	497,540
Forestry	2,367	1,859	-	2,058	1,448	91
Fishery	5,627	4,044	-	1,476	1,221	485
Manufacturing	3,728,588	1,744,214	6	609,406	415,320	54,348
Mining and Quarrying	22,404	20,074	-	22,997	19,831	1,301
Production	1,330,587	991,504	6	430,133	312,793	52,651
Electricity, Gas and Water	2,375,597	732,636	-	156,276	82,696	396
Construction	701,213	495,358	1	395,126	326,358	26,364
Services	3,337,185	1,923,612	2,028,307	1,595,135	1,021,467	162,911
Wholesale and Retail Trade	1,096,375	727,449	78	760,481	505,401	137,383
Accommodation and Dining	228,220	112,310	-	155,871	62,517	5,465
Transportation and Telecommunication	833,784	543,957	2,028,223	599,696	386,460	15,847
Financial Institutions	52,013	35,451	5	18,069	17,438	531
Real Estate and Rental Services	1,072,740	456,916	-	10,824	7,221	985
Professional Services	-	-	-	3,876	1,174	24
Educational Services	30,593	28,344	-	29,323	29,094	972
Health and Social Services	23,460	19,185	1	16,995	12,162	1,704
Others	3,576,230	2,572,106	321,098	2,763,866	2,570,512	124,032
Total	11,407,073	6,776,848	2,349,412	5,408,114	4,359,237	865,771

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	1,933,452	4,138,862	1,300,740	493,494	550,047
Retail Loans	376,419	578,750	623,931	273,799	142,093
Credit Cards	-	123,382	556,333	179,589	136,182
Others	-	-	-	-	-
Total	2,309,871	4,840,994	2,481,004	946,882	828,322
<i>Pior 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	415,984	284,729	1,514,804	284,263	402,784
Retail Loans	213,161	456,258	613,329	180,774	92,660
Credit Cards	96,004	260,175	345,478	112,714	134,997
Others	-	-	-	-	-
Total	725,149	1,001,162	2,473,611	577,751	630,441

4.10.3.2 Credit risk mitigation

4.10.3.2.1 Qualitative disclosure on credit risk mitigation techniques

The 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 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	250,578,436	34,560,334	30,905,796	10,664,702	10,664,702	-	-
2 Debt securities	48,674,952	-	-	-	-	-	-
3 Total	299,253,388	34,560,334	30,905,796	10,664,702	10,664,702	-	-
4 Of which defaulted	11,407,073	-	-	-	-	-	-

	<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	216,911,254	37,351,437	32,751,650	11,427,381	11,427,381	-	-
2	Debt securities	47,371,704	-	-	-	-	-	-
3	Total	264,282,958	37,351,437	32,751,650	11,427,381	11,427,381	-	-
4	Of which defaulted	5,408,114	-	-	-	-	-	-

4.10.3.3 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 Credit risk exposure and credit risk mitigation techniques

	<i>Current 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>
	<i>Risk classes</i>						
1	Exposures to sovereigns and their central banks	91,286,687	224,003	101,914,084	129,479	20,123,066	19.72%
2	Exposures to regional and local governments	230,641	-	230,641	-	180,194	78.13%
3	Exposures to administrative bodies and non-commercial entities	363,243	58,762	363,242	19,126	382,368	100.00%
4	Exposures to multilateral development banks	1,026,645	-	1,026,645	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	18,454,492	26,449,496	18,323,131	3,283,296	6,711,337	31.06%
7	Exposures to corporates	114,322,430	58,842,938	107,220,365	28,359,628	133,207,418	98.25%
8	Retail exposures	78,422,192	51,344,080	71,804,926	5,008,266	57,608,830	75.00%
9	Exposures secured by residential property	16,197,026	628	16,190,602	314	5,666,821	35.00%
10	Exposures secured by commercial property	14,820,162	2,353,873	14,652,950	1,560,078	10,252,377	63.24%
11	Past-due items	4,141,318	354	4,141,318	-	3,513,840	84.85%
12	Exposures in high-risk categories	488,948	691,571	488,948	401,265	1,292,836	145.23%
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	-	40,542	-	-	-
16	Other exposures	12,415,414	-	12,415,414	-	7,088,219	57.09%
17	Shares	7,273,469	-	7,273,469	-	7,273,469	100.00%
18	Total	359,483,209	139,965,705	356,086,277	38,761,452	253,300,775	64.15%

	<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>
	<i>Risk classes</i>						
1	Exposures to sovereigns and their central banks	76,980,009	138,844	88,320,867	84,035	12,267,015	13.88%
2	Exposures to regional and local governments	113,340	147	113,340	61	56,701	50.00%
3	Exposures to administrative bodies and non-commercial entities	291,277	65,417	291,274	16,401	307,675	100.00%
4	Exposures to multilateral development banks	202,781	-	202,781	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	17,462,341	17,027,960	13,047,033	2,287,277	7,501,409	48.92%
7	Exposures to corporates	100,214,992	50,521,673	91,934,711	20,611,110	110,717,318	98.38%
8	Retail exposures	72,803,185	45,162,863	66,868,788	4,066,972	53,199,768	75.00%
9	Exposures secured by residential property	19,129,299	103,738	19,116,374	50,215	6,708,289	35.00%
10	Exposures secured by commercial property	16,583,733	2,153,453	16,349,582	1,381,721	10,919,725	61.58%
11	Past-due items	793,659	54	793,659	-	706,423	89.01%
12	Exposures in high-risk categories	255,227	100,946	255,227	45,446	423,550	140.87%
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	-	39,626	-	-	-
16	Other exposures	9,595,351	-	9,595,351	-	6,659,735	69.41%
17	Shares	6,569,959	-	6,569,959	-	6,569,959	100.00%
18	Total	321,034,779	115,275,095	313,498,572	28,543,238	216,037,567	68.91%

4.10.3.3 Exposures by asset classes and risk weights

	<i>Regulatory portfolio</i>	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	81,920,469	-	9	-	42	-	20,123,043	-	-	-	102,043,563
2	Exposures to regional and local government	-	-	-	-	100,894	-	129,747	-	-	-	230,641
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	382,368	-	-	-	382,368
4	Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	16,830,494	-	2,861,391	-	1,914,542	-	-	-	21,606,427
7	Exposures to corporates	7,586	-	504,369	-	3,922,983	-	131,145,055	-	-	-	135,579,993
8	Retail exposures	-	-	2	-	4,252	76,808,938	-	-	-	-	76,813,192
9	Exposures secured by residential property	-	-	-	16,190,916	-	-	-	-	-	-	16,190,916
10	Exposures secured by commercial property	-	-	-	-	11,921,301	-	4,291,727	-	-	-	16,213,028
11	Past-due items	-	-	-	-	1,254,959	-	2,886,359	-	-	-	4,141,318
12	Exposures in high-risk categories	-	-	-	-	7,545	-	69,879	812,789	-	-	890,213
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	-	-	-	-	-	-	-	-	-	40,542
16	Shares	-	-	-	-	-	-	7,273,469	-	-	-	7,273,469
17	Other exposures	5,326,831	-	455	-	-	-	7,088,128	-	-	-	12,415,414
18	Total	88,322,073	-	17,335,329	16,190,916	20,073,367	76,808,938	175,304,317	812,789	-	-	394,847,729

	<i>Regulatory portfolio</i>	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	<i>Total risk amount (post-CCF and CRM)</i>
1	Exposures to sovereigns and their central banks	76,137,763	-	102	-	85	-	12,266,952	-	-	-	88,404,902
2	Exposures to regional and local government	-	-	-	-	113,400	-	1	-	-	-	113,401
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	307,675	-	-	-	307,675
4	Exposures to multilateral development banks	202,781	-	-	-	-	-	-	-	-	-	202,781
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	7,254,330	-	4,058,875	-	4,021,105	-	-	-	15,334,310
7	Exposures to corporates	-	-	409,435	-	3,001,913	-	109,134,473	-	-	-	112,545,821
8	Retail exposures	-	-	-	-	8,278	70,927,482	-	-	-	-	70,935,760
9	Exposures secured by residential property	-	-	-	19,166,589	-	-	-	-	-	-	19,166,589
10	Exposures secured by commercial property	-	-	-	-	13,623,154	-	4,108,149	-	-	-	17,731,303
11	Past-due items	-	-	-	-	174,473	-	619,186	-	-	-	793,659
12	Exposures in high-risk categories	-	-	-	-	20,015	-	14,890	265,768	-	-	300,673
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	-	-	-	-	-	-	-	-	-	39,626
16	Shares	-	-	-	-	-	-	6,569,959	-	-	-	6,569,959
17	Other exposures	2,935,372	-	305	-	-	-	6,659,674	-	-	-	9,595,351
18	Total	79,315,542	-	7,664,172	19,166,589	21,000,193	70,927,482	143,702,064	265,768	-	-	342,041,810

4.10.4 Counterparty credit risk

4.10.4.1 Qualitative disclosure on 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 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)	3,938,534	1,725,888		1.4	5,654,125	3,065,139
2	Internal Model Method (for 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)					962,366	547
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						3,065,686

	<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)	2,394,687	1,767,029		1.4	4,132,769	2,083,029
2	Internal Model Method (for 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)					2,969,606	166,128
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						2,249,157

4.10.4.3 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	5,654,125	1,912,956	4,132,769	1,361,678
4 Total subject to the CVA capital obligation	5,654,125	1,912,956	4,132,769	1,361,678

4.10.4.4 CCR exposures by risk class and risk weights

<i>Current Period</i>	<i>Risk weight</i>								<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>	
Exposures to sovereigns and their central banks	-	-	-	-	-	3,024	-	-	3,024
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	6,266	-	-	6,266
Exposures to multilateral development banks	961,643	-	-	-	-	-	-	-	961,643
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	946,688	3,396,225	-	29,262	-	-	4,372,175
Exposures to corporates	-	-	1,995	256,929	-	999,905	-	-	1,258,829
Retail exposures	-	-	-	-	14,554	-	-	-	14,554
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Total	961,643	-	948,683	3,653,154	14,554	1,038,457	-	-	6,616,491

<i>Prior Period</i>	<i>Risk weight</i>								<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>	
Exposures to sovereigns and their central banks	2,011,499	-	-	-	-	16,689	-	-	2,028,188
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	-	-	1,110,969	2,698,564	-	43,008	-	-	3,852,541
Exposures to corporates	-	-	59	74,685	-	572,148	-	-	646,892
Retail exposures	-	-	-	-	11,303	-	-	-	11,303
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Total	2,574,945	-	1,111,028	2,773,249	11,303	631,850	-	-	7,102,375

4.10.4.5 Collaterals for 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	-	-	-	550,722	
Cash-foreign currency	6,423	-	-	-	1,252,241	
Domestic sovereign debts	-	-	-	-	-	2,503,891
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	10,296	-	-	-	1,802,963	2,503,891

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	-	-	-	10,838,019	-
Cash-foreign currency	22,433	-	-	-	2,059,306	-
Domestic sovereign debts	-	-	-	-	-	14,413,549
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	592,173
Total	28,947	-	-	-	12,897,325	15,005,722

4.10.4.6 Credit derivatives

	Current Period		Prior Period	
	Protection bought	Protection sold	Protection bought	Protection sold
Notionals				
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	-	-	-	-
Total Notionals	-	13,092,251	75,516	9,272,286
Fair Values				
Positive fair values (asset)	-	10,527	-	38,977
Negative fair values (liability)	-	(878,978)	(628)	(43,070)

4.10.5 Securitisations

None.

4.10.6 Market risk

4.10.6.1 Qualitative disclosure on market risk

Market risk is managed in accordance with the strategies and policies defined by the 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 strategies 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 for internal use, implementation fundamentals 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.

Market Risk Function under Market Risk and Credit Risk Control Department monitors the activities of Treasury Department 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 Market risk under standardised approach

		RWA	
		Current Period	Prior Period
	Outright products	6,829,590	5,849,017
1	Interest rate risk (general and specific)	1,538,562	859,559
2	Equity risk (general and specific)	51,340	56,232
3	Foreign exchange risk	5,128,838	4,893,112
4	Commodity risk	110,850	40,114
	Options	239,500	178,712
5	Simplified approach	-	-
6	Delta-plus method	239,500	178,712
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	7,069,090	6,027,729

4.10.7 Operational risk

The value at 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.

Basic Indicator Approach	31 December	31 December	31 December	Total/ No. of	Rate (%)	Total
<i>Current Period</i>	2015	2016	2017	Years of		
				Positive Gross		
Gross Income	11,101,647	13,536,209	16,281,044	13,639,633	15	2,045,945
Value at Operational Risk (Total x % 12.5)						25,574,313

Basic Indicator Approach Prior Period	31 December 2014	31 December 2015	31 December 2016	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	10,097,151	11,101,647	13,536,209	11,578,336	15	1,736,750
Value at Operational Risk (Total x % 12.5)						21,709,380

4.10.8 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 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 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 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	(+) 500bp	(3,575,813)	(6.71) %
2	TL	(-) 400bp	3,313,745	6.22%
3	USD	(+) 200bp	125,277	0.24%
4	USD	(-) 200bp	(97,656)	(0.18) %
5	EUR	(+) 200bp	31,038	0.06%
6	EUR	(-) 200bp	9,549	0.02%
Total (of negative shocks)			3,225,638	6.06%
Total (of positive shocks)			(3,419,498)	(6.41) %

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

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 Unconsolidated Financial Statements

5.1 Assets (Current Period)

5.1.1 Cash and balances with Central Bank

	<i>Current Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,562,382	2,255,815
Central Bank of Turkey	1,253,438	34,549,115
Others	-	1,745,697
Total	2,815,820	38,550,627

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
Total	1,253,438	34,549,115

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 Information on financial assets measured 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*

None.

5.1.2.2 *Positive differences on derivative financial assets held for trading*

	<i>Current Period</i>	
	TL	FC
Forward Transactions	448,993	6,778
Swap Transactions	1,279,129	602,500
Futures	-	2,235
Options	365,236	290,580
Other	-	-
Total	2,093,358	902,093

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>	
	TL	FC
Banks		
Domestic banks	96,474	3,412
Foreign banks	302,759	21,031,619
Foreign headoffices and branches	-	-
Total	399,233	21,035,031

Due from foreign banks

	Unrestricted Balances	Restricted Balances
	<i>Current Period</i>	<i>Current Period</i>
EU Countries	4,586,788	10,600,458
USA and Canada	4,500,451	-
OECD Countries (*)	55,637	-
Off-Shore Banking Regions	1,340,775	146,033
Other	104,236	-
Total	10,587,887	10,746,491

(*) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 10,746,491 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 5,180,753 thousands as collateral against funds borrowed at various banks.

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>	
	TL	FC
Collateralised/Blocked Assets	4,499,538	862,058
Assets subject to Repurchase Agreements	-	-
Total	4,499,538	862,058

5.1.4.2 *Details of financial assets measured at fair value through other comprehensive income*

	<i>Current Period</i>
Debt Securities	20,754,024
Quoted at Stock Exchange	20,744,633
Unquoted at Stock Exchange	9,391
Common Shares/Investment Funds	118,885
Quoted at Stock Exchange	4,491
Unquoted at Stock Exchange	114,394
Value Increases/Impairment Losses (-)	2,594,872
Total	23,467,781

5.1.5 Expected credit losses for financial assets

5.1.5.1 Expected credit losses for banks

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	7,112	-	-	7,112
Additions during the Period (+)	155,205	5	-	155,210
Disposals (-)	(96,495)	(43)	-	(96,538)
Transfer to 12 month ECL (Stage1)	7	(7)	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	(45)	45	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	2,391	-	-	2,391
Balances at End of Period	68,175	-	-	68,175

5.1.5.2 Expected credit losses for financial assets measured at amortised cost

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	16,907	-	-	16,907
Additions during the Period (+)	53,081	-	-	53,081
Disposals (-)	(15,193)	-	-	(15,193)
Transfer to 12 month ECL (Stage1)	-	-	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	1,346	-	-	1,346
Balances at End of Period	56,141	-	-	56,141

Expected losses of TL 43,405 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>	
	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	105	542,442
Corporates	105	542,442
Individuals	-	-
Indirect Lendings to Shareholders	83,167	33,234
Loans to Employees	257,482	6
Total	340,754	575,682

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

<i>Current Period</i>	Net book Value
Loans measured at fair value through profit or loss (*)	4,081,161

(*) As details included in note 5.1.17.2, includes the loan provided to 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

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
Loans	183,085,227	27,972,349	5,125,206	3,021,609
Working Capital Loans	30,893,745	3,957,408	159,842	1,248,084
Export Loans	13,126,152	974,531	34,143	53,584
Import Loans	-	-	-	-
Loans to Financial Sector	3,135,539	1,243,584	-	-
Consumer Loans	40,294,922	6,860,148	463,050	12,386
Credit Cards	21,325,626	3,295,069	524,453	-
Others	74,309,243	11,641,609	3,943,718	1,707,555
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	183,085,227	27,972,349	5,125,206	3,021,609

<i>Current Period</i>	Performing Loans	Loans under Follow-Up
12-Month ECL (Stage 1)	769,085	-
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	3,858,770

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;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	436,212	30,031	-	466,243
Loans Collateralized by Mortgages/Shares	12,270,993	3,679,201	-	15,950,194
Loans Collateralized by Pledged Assets	1,323,769	280,990	-	1,604,759
Loans Collateralized by Cheques and Notes	160,108	5,465	-	165,573
Loans Collateralized by Other Collaterals	7,429,708	2,745,858	-	10,175,566
Unsecured Loans	3,343,268	594,039	3,819,522	7,756,829
Total	24,964,058	7,335,584	3,819,522	36,119,164

Delinquency periods of loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	2,635,779	1,151,680	247,891	4,035,350
61-90 days	436,718	358,987	82,845	878,550
Others	21,891,561	5,824,917	3,488,786	31,205,264
Total	24,964,058	7,335,584	3,819,522	36,119,164

Loans with extended payment plans;

No. of Contract Revisions for Extension of Payment Plan	<i>Current Period</i>	
	Performing Loans	Loans under Follow-Up
1 or 2 times	4,328,774	7,987,677
3, 4 or 5 times	-	606,619
Over 5 times	-	772

Periods extended due to Payment Plan	<i>Current Period</i>	
	Performing Loans	Loans under Follow-Up
0-6 months	1,734,110	4,677,276
6-12 months	378,632	158,552
1-2 years	858,121	483,707
2-5 years	1,348,157	2,808,321
5 years and over	9,754	467,212

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
Short-term Loans	58,651,867	29,795	7,848,897	255,134
Loans	58,651,867	29,795	7,848,897	255,134
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	120,104,586	4,298,979	19,675,199	8,339,934
Loans	120,104,586	4,298,979	19,675,199	8,339,934
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

5.1.6.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,294,741	44,106,240	45,400,981
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
Other	-	-	-
Consumer Loans – FC-indexed	-	187,534	187,534
Housing Loans	-	187,529	187,529
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Other	-	-	-
Consumer Loans – FC	344	78,081	78,425
Housing Loans	-	47,969	47,969
Automobile Loans	69	20,371	20,440
General Purpose Loans	275	9,741	10,016
Other	-	-	-
Retail Credit Cards – TL	19,855,372	418,644	20,274,016
With Installment	8,950,810	418,644	9,369,454
Without Installment	10,904,562	-	10,904,562
Retail Credit Cards – FC	106,574	-	106,574
With Installment	-	-	-
Without Installment	106,574	-	106,574
Personnel Loans – TL	20,871	118,191	139,062
Housing Loan	-	1,566	1,566
Automobile Loans	-	41	41
General Purpose Loans	20,871	116,584	137,455
Other	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	16	145	161
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	16	145	161
Other	-	-	-
Personnel Credit Cards – TL	116,405	702	117,107
With Installment	41,469	702	42,171
Without Installment	74,936	-	74,936
Personnel Credit Cards – FC	1,152	-	1,152
With Installment	-	-	-
Without Installment	1,152	-	1,152
Deposit Accounts– TL (Real persons)	1,824,343	-	1,824,343
Deposit Accounts– FC (Real persons)	-	-	-
Total	23,219,818	44,909,537	68,129,355

5.1.6.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,436,233	13,287,526	14,723,759
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
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	59,349	2,042,190	2,101,539
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
Other	-	-	-
Installment-based Commercial Loans – FC	81	103,417	103,498
Real Estate Loans	-	-	-
Automobile Loans	-	18,993	18,993
General Purpose Loans	81	84,424	84,505
Other	-	-	-
Corporate Credit Cards – TL	4,584,616	38,066	4,622,682
With Installment	1,813,744	38,066	1,851,810
Without Installment	2,770,872	-	2,770,872
Corporate Credit Cards – FC	23,617	-	23,617
With Installment	-	-	-
Without Installment	23,617	-	23,617
Deposit Accounts– TL (Corporates)	1,460,204	-	1,460,204
Deposit Accounts– FC (Corporates)	-	-	-
Total	7,564,100	15,471,199	23,035,299

5.1.6.6 Allocation of loans by customers

	<i>Current Period</i>
Public Sector	681,926
Private Sector (*)	222,603,626
Total	223,285,552

(*)Includes loans measured at fair value through profit/loss.

5.1.6.7 Allocation of domestic and foreign loans

	<i>Current Period</i>
Domestic Loans (*)	220,269,839
Foreign Loans	3,015,713
Total	223,285,552

(*) Includes loans measured at fair value through profit/loss.

5.1.6.8 Loans to associates and subsidiaries

	<i>Current Period</i>
Direct Lending	5,682,939
Indirect Lending	-
Total	5,682,939

5.1.6.9 Specific provisions for loans

	<i>Current Period</i>
Substandard Loans - Limited Collectibility	916,932
Doubtful Loans	2,145,545
Uncollectible Loans	3,714,371
Total	6,776,848

5.1.6.10 Non-performing (NPLs) (Net)

Non-performing loans and loans restructured from this category

<i>Current Period</i>	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
(Gross Amounts before Specific Provisions)	384,401	2,502,782	1,299,731
Restructured Loans	384,401	2,502,782	1,299,731

Movements in non-performing loans groups

<i>Current Period</i>	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Balances at Beginning of Period	714,373	998,854	3,694,887
Additions (+)	10,115,122	143,034	384,125
Transfer from Other NPL Categories (+)	-	6,008,207	1,739,919
Transfer to Other NPL Categories (-)	6,008,207	1,739,919	-
Collections during the Period (-)	488,051	660,288	1,075,108
Write-offs (-) (*)	2,028,222	31	4,251
Debt Sale (-) (**)	-	5,251	311,657
Corporate and Commercial Loans	-	330	16,142
Retail Loans	-	3,181	152,781
Credit Cards	-	1,740	142,734
Other	-	-	-
Foreign Currency Differences	113,768	(181,394)	(2,837)
Balances at End of Period	2,418,783	4,563,212	4,425,078
Specific Provisions (-)	916,932	2,145,545	3,714,371
Net Balance on Balance Sheet	1,501,851	2,417,667	710,707

(*) includes loans for which 100 % provision is provided during the corresponding period.

(**) includes TL 316,908 thousands from the sale of non-performing receivables.

5.1.6.11 Expected credit loss for loans

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	766,696	3,254,252	3,669,512	7,690,460
Additions during the Period (+)	1,453,510	4,780,840	2,640,959	8,875,309
Disposals (-)	(2,090,497)	(960,638)	(809,598)	(3,860,733)
Debt Sales (-)	(649)	-	(316,908)	(317,557)
Write-offs (-)	-	-	(2,032,504)	(2,032,504)
Transfer to Stage1	1,120,160	(1,119,170)	(990)	-
Transfer to Stage 2	(514,569)	520,622	(6,053)	-
Transfer to Stage 3	(4,895)	(3,693,826)	3,698,721	-
Foreign Currency Differences	39,329	1,076,690	(66,291)	1,049,728
Balances at End of Period	769,085	3,858,770	6,776,848	11,404,703

Non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
<i>Current Period</i>			
Balance at End of Period	1,000,977	3,280,698	764,303
Specific Provisions (-)	340,176	1,453,827	627,233
Net Balance at Balance Sheet	660,801	1,826,871	137,070

Gross and net non-performing loans as per customer categories

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Current Period (Net)	1,501,851	2,417,667	710,707
Loans to Individuals and Corporates (Gross)	2,418,783	4,563,212	4,425,078
Provision (-)	916,932	2,145,545	3,714,371
Loans to Individuals and Corporates (Net)	1,501,851	2,417,667	710,707
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

Interest accruals, valuation differences and related provisions calculated for non-performing loans

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Current Period (Net)	41,088	123,666	14,344
Interest accruals and valuation differences	68,489	231,716	40,635
Provision (-)	27,401	108,050	26,291

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	6,301	354	-	6,655
Loans Collateralized by Mortgages	5,286,612	240,027	-	5,526,639
Loans Collateralized by Pledged Assets	984,241	59,774	-	1,044,015
Loans Collateralized by Cheques and Notes	162,318	6,875	-	169,193
Loans Collateralized by Other Collaterals	1,760,475	1,397,686	-	3,158,161
Unsecured Loans	87,709	290,276	1,124,425	1,502,410
Total	8,287,656	1,994,992	1,124,425	11,407,073

5.1.6.12 *Liquidation policy for uncollectible loans and receivables*

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 *Financial assets measured at amortised cost*

5.1.7.1 *Financial assets subject to repurchase agreements and provided as collateral/blocked*

	<i>Current Period</i>	
	TL	FC
Collateralised/Blocked Investments	3,176,487	4,185,992
Investments subject to Repurchase Agreements	46,120	-
Total	3,222,607	4,185,992

5.1.7.2 *Government securities measured at amortised cost*

	<i>Current Period</i>
Government Bonds	24,585,789
Treasury Bills	-
Other Government Securities	-
Total	24,585,789

5.1.7.3 *Financial assets measured at amortised cost*

	<i>Current Period</i>
Debt Securities	19,289,753
Quoted at Stock Exchange	18,460,745
Unquoted at Stock Exchange	829,008
Valuation Increase/(Decrease)	6,142,530
Total	25,432,283

5.1.7.4 Movement of financial assets measured at amortised cost

	<i>Current Period</i>
Balances at End of Prior Period	24,885,343
TFRS 9 Effect (*)	(2,817,203)
Balances at Beginning of Period (1 January 2018)	22,068,140
Foreign Currency Differences On Monetary Assets	1,994,487
Purchases during the Period	673,395
Disposals through Sales/Redemptions	(2,148,127)
Valuation Effect	2,844,388
Balances at End of Period	25,432,283

(*) 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.

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.

5.1.8 Investments in associates

5.1.8.1 Investments in associates

	Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	10.15	10.15
2	Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
3	İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.95	4.97
4	Borsa İstanbul AŞ ⁽¹⁾	İstanbul/Turkey	0.30	0.34
5	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
6	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara /Turkey	2.48	2.48
7	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara /Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	102,191	64,697	48,891	2,117	-	15,603	-
2	879,063	90,841	2,182	25,334	1,058	8,887	-
3	12,510,449	1,589,589	115,056	449,797	5,645	323,776	-
4	1,698,285	1,251,880	240,675	68,066	-	8,327	-
5	310,511	204,375	185,340	10,965	195	34,818	-
6	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
7	572,815	559,224	19,471	33,888	-	101,243	-

(1) Financial information is as of 30 September 2018.

(2) Financial information is as of 31 December 2017.

(*) Total fixed assets include tangible and intangible assets.

5.1.8.2 Movement of investments in associates

	<i>Current Period</i>
Balance at Beginning of Period	35,158
Movements during the Period	-
Acquisitions	-
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales	-
Increase in Market Values	-
Impairment Reversals/(Losses)	-
Balance at End of Period	35,158
Capital Commitments	-
Share Percentage at the End of Period (%)	-

5.1.8.3 Sectoral distribution of investments and associates

Investments in Associates	<i>Current Period</i>
Banks	25,557
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	5,935
Other Associates	3,666

5.1.8.4 Quoted associates

None.

5.1.8.5 Valuation methods of investments in associates

Investments in Associates	<i>Current Period</i>
Valued at Cost	35,158
Valued at Fair Value	-

5.1.8.6 Investments in associates sold during the current period

None.

5.1.8.7 Investments in associates acquired during the current period

None.

5.1.9 Investments in subsidiaries

5.1.9.1 Information on capital adequacy of major subsidiaries

The Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major subsidiaries is presented below.

<i>Current Period</i>	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
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
Common Equity Tier I Capital Before Deductions	3,550,746	903,844	2,399,213
Deductions From Common Equity Tier I Capital			
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
Total Deductions from Common Equity Tier I Capital	74,006	11,689	1,041,396
Total Common Equity Tier I Capital	3,476,740	892,155	1,357,817
Total Deductions From Tier I Capital	-	-	-
Total Tier I Capital	3,476,740	892,155	1,357,817
TIER II CAPITAL	301,095	-	60,286
TOTAL CAPITAL	3,777,835	892,155	1,418,103

5.1.9.2 Investments in subsidiaries

	Subsidiary	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
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	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12	Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
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	6,070,504	1,025,830	12,133	478,773	-	80,616	-
7	2,434,061	155,546	9,373	466,787	-	(57,376)	-
8	324,450	178,093	14,869	9,387	5,476	60,665	-
9	107,001	98,095	2,044	6,557	1,940	26,995	-
10	1,461,463	900,572	43,195	336,931	1,784	454,189	-
11	25,838,449	3,508,547	207,366	935,766	37,169	70,447	-
12	2,049,712	2,049,312	-	-	-	(441)	-

(*) Total fixed assets include tangible and intangible assets.

5.1.9.3 Movement of investments in subsidiaries

	<i>Current Period</i>
Balances at End of Prior Period	6,539,471
TFRS 9 Effect	(353,654)
Balances at Beginning of Period (1 January 2018)	6,185,817
Movements during the Period	838,934
Acquisitions	-
Bonus Shares Received	-
Earnings from Current Year Profit	751,691
Sales/Liquidations	-
Reclassification of Shares	-
Increase/(Decrease) in Market Values (*)	(1,058,750)
Currency Differences on Foreign Subsidiaries	1,145,993
Impairment Reversals/(Losses)	-
Balance at End of Period	7,024,751
Capital Commitments	-
Share Percentage at the End of Period (%)	-

(*) 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.

5.1.9.4 Sectoral distribution of investments in subsidiaries

Subsidiaries	<i>Current Period</i>
Banks	3,499,491
Insurance Companies	764,722
Factoring Companies	114,151
Leasing Companies	902,555
Finance Companies	1,660,292
Other Subsidiaries	83,540

5.1.9.5 Quoted consolidated investments in subsidiaries

	<i>Current Period</i>
Quoted at Domestic Stock Exchanges	114,151
Quoted at International Stock Exchanges	-

5.1.9.6 Valuation methods of investments in subsidiaries

Subsidiaries	<i>Current Period</i>
Valued at Cost	83,540
Valued at Fair Value (*)	6,941,211

(*) The balances are as per the results of equity accounting application.

5.1.9.7 Investments in subsidiaries disposed during the current period

None.

5.1.9.8 Investments in subsidiaries acquired during the current period

None.

5.1.10 Investments in Joint-Ventures

None.

5.1.11 Lease receivables (net)

None.

5.1.12 Derivative financial assets held for hedging purpose

5.1.12.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Current Period	
	TL	FC
Fair Value Hedges	210,821	42,923
Cash Flow Hedges	521,497	181,242
Net Foreign Investment Hedges	-	-
Total	732,318	224,165

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	55,753,036	454,310	212,310
-TL	10,771,181	230,145	112,222
-FC	44,981,855	224,165	100,088
Cross Currency Swaps	2,223,564	502,173	98,516
-TL	859,272	502,173	-
-FC	1,364,292	-	98,516
Currency Forwards	496,737	-	50,967
-TL	287,873	-	50,967
-FC	208,864	-	-
Total	58,473,337	956,483	361,793

5.1.12.1.1 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		Statement of profit or loss 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	(86,498)	132,662	(58,073)	(11,909)
	Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,253)

5.1.12.1.2 Cash flow hedge accounting

Current Period							
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 Statement of Profit/Loss in the Period	Ineffective Portion (net) Accounted under Statement of Profit/Loss
			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	110,294	(548)	45,842	32,396	1,439
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,442)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Floating-rate securities issued	Commitments	-	-	(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)	-
Spot Position	Operational Expenses	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

There is no reclassified amount from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions.

5.1.13 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
At End of Prior Period:					
Cost	2,970,360	264,571	17,356	2,187,980	5,440,267
Accumulated Depreciation (-)	(4,119)	(239,386)	(11,987)	(1,415,396)	(1,670,888)
Net Book Value at End of Prior Period	2,966,241	25,185	5,369	772,584	3,769,379
At End of Current Period:					
Additions	1,015,490	23,217	4,527	577,219	1,620,453
Revaluation Model Difference	-	-	-	-	-
Transfers from Investment Property	-	-	-	-	-
Disposals (Costs)	(848,211)	(5,971)	(2,521)	(200,319)	(1,057,022)
Disposals (Accumulated Depreciation)	142	5,543	2,431	66,797	74,913
Impairment/Reversal of Impairment Losses	(1,743)	-	-	-	(1,743)
Depreciation Expense for Current Period (-)	(22,399)	(9,179)	(2,007)	(266,366)	(299,951)
Cost at End of Current Period	3,135,896	281,817	19,362	2,564,880	6,001,955
Accumulated Depreciation at End of Current Period	(26,376)	(243,022)	(11,563)	(1,614,965)	(1,895,926)
Net Book Value at End of Current Period	3,109,520	38,795	7,799	949,915	4,106,029

The Bank accounts its 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.

5.1.14 Intangible assets

5.1.14.1 Useful lives and amortisation rates

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

5.1.14.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

5.1.14.3 Balances at end of current period

	End of Period	
	Cost	Accumulated Amortisation
Intangible Assets	664,762	364,211

5.1.14.4 Movements of intangible assets for current period

	<i>Current Period</i>
Net Book Value at End of Prior Period	285,654
Internally Generated Intangibles	-
Additions due to Mergers, Transfers and Acquisition	88,239
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 (-)	(74,224)
Currency Translation Differences on Foreign Operations	-
Other Movements	7,217
Net Book Value at End of Current Period	300,551

5.1.14.5 Details for any individually material intangible assets

None.

5.1.14.6 Intangible assets capitalised under government incentives at fair values

None.

5.1.14.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.1.14.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.14.9 Commitments to acquire intangible assets

None.

5.1.14.10 Disclosure on revalued intangible assets

None.

5.1.14.11 Research and development costs expensed during current period

None.

5.1.14.12 Goodwill

None.

5.1.14.13 Movements in goodwill during current period

None.

5.1.15 Investment property

	<i>Current Period</i>
Net Book Value at Beginning Period	690,588
Additions	6,576
Disposals	(8,850)
Transfers to Tangible Assets	8,000
Fair Value Change	(5,614)
Net Book Value at End of Current Period	690,700

The investment property is held for operational leasing purposes. The Bank account its 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.

5.1.16 Deferred tax asset

As of 31 December 2018, the Bank has a deferred tax asset of TL 1,305,446 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2018. However, there is a deferred tax asset of TL 1,839,523 thousands and deferred tax liability of TL 534,077 thousands presented as net in the accompanying 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 such differences 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>	
	Tax Base	Deferred Tax Amount
Provisions (*)	1,593,734	324,948
Stages 1&2 Credit Losses	5,119,175	1,126,130
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(321,291)	(79,883)
Revaluation Differences on Real Estates	(1,857,926)	(185,793)
Other	544,631	120,044
Total Deferred Tax Asset, Net	5,078,323	1,305,446

(*) 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' financial assets.

As of 31 December 2018, TL 302,700 thousands and TL 352,151 thousands of deferred tax expense and income are recognised in the statement of profit or loss and the shareholders' equity, respectively.

5.1.17 Assets held for sale and assets of discontinued operations

5.1.17.1 Assets held for sale

	<i>Current Period</i>
End of Prior Period	
Cost	790,182
Accumulated Depreciation (-)	(14,754)
Net Book Value	775,428
End of Current Period	
Additions	238,913
Disposals (Cost)	(170,214)
Disposals (Accumulated Depreciation)	1,463
Impairment Losses (*)	(58,892)
Depreciation Expense for Current Period (-)	-
Cost	799,989
Accumulated Depreciation (-)	(13,291)
Net Book Value	786,698

(*) Includes reversal of provision for impairment loss for current and previous period.

As of balance sheet date, the net book value of assets held for sale on which rights of repurchase exist, amounts to TL 241,574 thousands.

5.1.17.2 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 (-)	-
Cost	11
Accumulated Depreciation (-)	-
Net Book Value	11

(*)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".

5.1.18 Other Assets

5.1.18.1 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
Total	177,072

5.1.18.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>
Prepaid Expenses	1,049,615
Prepaid Taxes	60,043

5.2 Assets (Prior Period)

5.2.1 Cash and balances with Central Bank

	<i>Prior Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,297,556	1,359,209
Central Bank of Turkey	6,338,400	23,956,821
Others	-	460,517
Total	7,635,956	25,776,547

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
Total	6,338,400	23,956,821

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 Information on 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*

None.

5.2.2.2 *Positive differences on derivative financial assets held for trading*

	<i>Prior Period</i>	
	TL	FC
Forward Transactions	176,400	26,655
Swap Transactions	1,035,676	412,562
Futures	-	561
Options	151,689	10,773
Other	-	-
Total	1,363,765	450,551

5.2.2.3 *Financial assets at fair value through profit/loss*

None.

5.2.3 Banks

	<i>Prior Period</i>	
	TL	FC
Banks		
Domestic banks	98,907	23,471
Foreign banks	106,728	14,089,367
Foreign headoffices and branches	-	-
Total	205,635	14,112,838

Due from foreign banks

	Unrestricted Balances	Restricted Balances
	<i>Prior Period</i>	<i>Prior Period</i>
EU Countries	2,604,794	8,671,970
USA and Canada	1,678,693	78,546
OECD Countries (*)	190,142	-
Off-Shore Banking Regions	790,826	134,832
Other	46,292	-
Total	5,310,747	8,885,348

(*) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 8,885,348 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 6,033,161 thousands as collateral against funds borrowed at various banks.

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	7,522
Assets subject to Repurchase Agreements	120,152	-
Total	11,333,031	7,522

5.2.4.2 Details of financial assets available-for-sale

	<i>Prior Period</i>
Debt Securities	20,261,926
Quoted at Stock Exchange	20,163,949
Unquoted at Stock Exchange	97,977
Common Shares/Investment Funds	174,780
Quoted at Stock Exchange (*)	7,079
Unquoted at Stock Exchange	167,701
Value Increases/Impairment Losses (-)	2,307,996
Total	22,744,702

5.2.5 Loans

5.2.5.1 Loans and advances to shareholders and employees of the Bank

	<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	428,794
Corporates	-	428,794
Individuals	-	-
Indirect Lendings to Shareholders	2,401,587	653,806
Loans to Employees	258,317	16
Total	2,659,904	1,082,616

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) (*)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Cash Loans						
Loans	192,038,331	2,358,195	381,873	16,592,669	5,860,696	1,227,012
Working Capital Loans	33,480,877	44,810	-	1,349,043	732,152	160,376
Export Loans	9,272,666	975	-	213,106	83,336	44,402
Import Loans	3,201	-	-	-	-	-
Loans to Financial Sector	3,808,532	-	-	7	-	-
Consumer Loans	46,426,598	2,177,666	-	1,779,776	519,219	53,035
Credit Cards	21,364,565	-	381,873	382,608	-	140,571
Others	77,681,892	134,744	-	12,868,129	4,525,989	828,628
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	192,038,331	2,358,195	381,873	16,592,669	5,860,696	1,227,012

(*) 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". Discussions between the shareholders of the company, creditor banks and related sovereign institutions including also a possible change in shareholder structure regarding restructuring of loans granted continue, and a positive outcome of these discussions is expected.

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	Consumer Loans	Credit Cards	Total
	Loans			
Loans Collateralized by Cash	39,714	4,244	-	43,958
Loans Collateralized by Mortgages	8,344,382	914,106	-	9,258,488
Loans Collateralized by Pledged Assets	685,338	75,559	-	760,897
Loans Collateralized by Cheques and Notes	63,740	604,763	-	668,503
Loans Collateralized by Other Collaterals	3,633,692	6,810	-	3,640,502
Unsecured Loans	1,663,419	174,294	382,608	2,220,321
Total	14,430,285	1,779,776	382,608	16,592,669

Delinquency periods of loans under follow-up;

Prior Period	Corporate/ Commercial	Consumer Loans	Credit Cards	Total
	Loans			
31-60 days	168,191	823,072	166,444	1,157,707
61-90 days	127,120	241,228	43,258	411,606
Others	14,134,974	715,476	172,906	15,023,356
Total	14,430,285	1,779,776	382,608	16,592,669

Loans and other receivables with extended payment plans;

No. of Extensions	<i>Prior Period</i>	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	2,342,895	5,747,639
3, 4 or 5 times	14,635	85,253
Over 5 times	665	27,804

Extension Periods	<i>Prior Period</i>	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0-6 months	204,885	1,915,795
6-12 months	228,862	150,892
1-2 years	769,825	431,542
2-5 year	1,134,400	1,775,865
5 years and over	20,223	1,586,602

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
Short-term Loans	55,285,094	443,974	1,157,156	354,352
Loans	55,285,094	443,974	1,157,156	354,352
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	136,753,237	2,296,094	15,435,513	6,733,356
Loans	136,753,237	2,296,094	15,435,513	6,733,356
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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
Consumer Loans – TL	908,935	45,957,542	46,866,477
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
Other	-	-	-
Consumer Loans – FC-indexed	-	165,624	165,624
Housing Loans	-	165,579	165,579
Automobile Loans	-	-	-
General Purpose Loans	-	45	45
Other	-	-	-
Consumer Loans – FC	643	61,408	62,051
Housing Loans	458	33,446	33,904
Automobile Loans	164	16,405	16,569
General Purpose Loans	21	11,557	11,578
Other	-	-	-
Retail Credit Cards – TL	17,163,201	527,872	17,691,073
With Installment	8,452,785	527,872	8,980,657
Without Installment	8,710,416	-	8,710,416
Retail Credit Cards – FC	92,791	-	92,791
With Installment	-	-	-
Without Installment	92,791	-	92,791
Personnel Loans – TL	19,264	115,539	134,803
Housing Loan	-	1,498	1,498
Automobile Loans	-	4	4
General Purpose Loans	19,264	114,037	133,301
Other	-	-	-
Personnel Loans - FC-indexed	-	405	405
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	33	33
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	33	33
Other	-	-	-
Personnel Credit Cards – TL	120,550	880	121,430
With Installment	50,773	880	51,653
Without Installment	69,777	-	69,777
Personnel Credit Cards – FC	1,646	-	1,646
With Installment	-	-	-
Without Installment	1,646	-	1,646
Deposit Accounts– TL (Real persons)	976,981	-	976,981
Deposit Accounts– FC (Real persons)	-	-	-
Total	19,284,011	46,829,303	66,113,314

5.2.5.5 *Installment based commercial loans and corporate credit cards*

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,621,458	14,720,433	16,341,891
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
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	303,531	2,426,419	2,729,950
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
Other	-	-	-
Installment-based Commercial Loans – FC	113	108,431	108,544
Real Estate Loans	-	284	284
Automobile Loans	86	20,075	20,161
General Purpose Loans	27	88,072	88,099
Other	-	-	-
Corporate Credit Cards – TL	3,777,393	42,624	3,820,017
With Installment	1,800,911	42,624	1,843,535
Without Installment	1,976,482	-	1,976,482
Corporate Credit Cards – FC	20,216	-	20,216
With Installment	15	-	15
Without Installment	20,201	-	20,201
Deposit Accounts– TL (Corporates)	871,611	-	871,611
Deposit Accounts– FC (Corporates)	-	-	-
Total	6,594,322	17,297,907	23,892,229

5.2.5.6 *Allocation of loans by customers*

	<i>Prior Period</i>
Public Sector	674,605
Private Sector (*)	207,956,395
Total	208,631,000

5.2.5.7 *Allocation of domestic and foreign loans*

	<i>Prior Period</i>
Domestic Loans	204,701,003
Foreign Loans	3,929,997
Total	208,631,000

5.2.5.8 *Loans to associates and subsidiaries*

	<i>Prior Period</i>
Direct Lending	1,036,755
Indirect Lending	-
Total	1,036,755

5.2.5.9 Specific provisions for loans

	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	530,116
Doubtful Loans and Receivables	775,530
Uncollectible Loans and Receivables	3,053,591
Total	4,359,237

5.2.5.10 Non-performing loans and other receivables (NPLs) (Net)

Non-performing loans and other receivables restructured or rescheduled

<i>Prior Period</i>	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
(Gross Amounts before Specific Provisions)	250,388	501,170	853,454
Restructured Loans and Receivables	250,388	501,170	853,454
Rescheduled Loans and Receivables	-	-	-

Movements in non-performing loans and other receivables

<i>Prior Period</i>	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	576,487	1,476,489	3,219,798
Additions during the Period (+)	2,285,166	51,494	87,363
Transfer from Other NPL Categories (+)	-	1,692,781	1,826,171
Transfer to Other NPL Categories (-)	1,692,781	1,826,171	-
Collections during the Period (-)	454,499	379,561	588,852
Write-offs (-) (*)	-	16,178	849,593
Corporate and Commercial Loans	-	15,693	369,827
Retail Loans	-	485	216,518
Credit Cards	-	-	263,248
Others	-	-	-
Balances at End of Period	714,373	998,854	3,694,887
Specific Provisions (-)	530,116	775,530	3,053,591
Net Balance on Balance Sheet	184,257	223,324	641,296

(*) of which TL 865,748 thousands is resulted from sale of non-performing loans.

Movements in specific loan provisions

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	1,916,652	1,364,327	986,512	4,267,491
Additions during the Period(+)	749,651	797,652	516,519	2,063,822
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	307,674	518,973	290,417	1,117,064
Write-offs (-) (*)	375,027	216,737	263,248	855,012
Balances at End of Period	1,983,602	1,426,269	949,366	4,359,237

(*) of which TL 854,989 thousands is resulted from sale of non-performing loans.

Non-performing loans and other receivables in foreign currencies

<i>Prior Period</i>	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balance at End of Period	173,363	350,092	720,531
Specific Provisions (-)	104,334	214,188	483,037
Net Balance at Balance Sheet	69,029	135,904	237,494

Gross and net non-performing loans and receivables as per customer categories

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Prior Period (Net)	184,257	223,324	641,296
Loans to Individuals and Corporates (Gross)	714,373	998,854	3,693,572
Specific Provision (-)	530,116	775,530	3,052,276
Loans to Individuals and Corporates (Net)	184,257	223,324	641,296
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,004
Specific Provision (-)	-	-	1,004
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	2,872	260	-	3,132
Loans Collateralized by Mortgages	1,440,331	170,463	-	1,610,794
Loans Collateralized by Pledged Assets	166,121	48,274	-	214,395
Loans Collateralized by Cheques and Notes	146,989	4,666	-	151,655
Loans Collateralized by Other Collaterals	1,055,826	991,579	-	2,047,405
Unsecured Loans	90,426	340,941	949,366	1,380,733
Total	2,902,565	1,556,183	949,366	5,408,114

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 Investments held-to-maturity

5.2.6.1 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
Total	10,035,739	3,914,223

5.2.6.2 Government securities held-to-maturity

	<i>Prior Period</i>
Government Bonds	20,232,556
Treasury Bills	-
Other Government Securities	-
Total	20,232,556

5.2.6.3 Investments held-to-maturity

	<i>Prior Period</i>
Debt Securities	21,390,419
Quoted at Stock Exchange	20,799,386
Unquoted at Stock Exchange	591,033
Valuation Increase/(Decrease)	3,494,924
Total	24,885,343

5.2.6.4 Movement of investments held-to-maturity

	<i>Prior Period</i>
Balances at Beginning of Period	23,640,184
Foreign Currency Differences On Monetary Assets	838,293
Purchases during the Period	302,008
Disposals through Sales/Redemptions	(985,994)
Valuation Effect	1,090,852
Balances at End of Period	24,885,343

5.2.7 Investments in associates

5.2.7.1 Investments in associates

	Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	10.15	10.15
2	Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
3	İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.95	4.97
4	Borsa İstanbul AŞ ⁽¹⁾	İstanbul/Turkey	0.30	0.34
5	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
6	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara /Turkey	2.48	2.48
7	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara /Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	80,677	46,880	47,322	1,043	-	6,983	-
2	650,558	79,102	2,500	23,448	560	7,079	-
3	9,913,087	1,170,007	92,594	281,518	7,404	201,251	-
4	1,280,167	1,237,174	241,246	38,556	156	221,156	-
5	259,153	175,797	172,992	4,049	95	36,919	-
6	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	-
7	486,557	462,323	10,969	21,449	-	127,873	-

⁽¹⁾ Financial information is as of 30 September 2017.

⁽²⁾ Financial information is as of 31 December 2016.

^(*) Total fixed assets include tangible and intangible assets.

5.2.7.2 Movement of investments in associates

	Prior Period
Balance at Beginning of Period	36,698
Movements during the Period	(1,540)
Acquisitions	-
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales	(1,540)
Increase in Market Values	-
Impairment Reversals/(Losses)	-
Balance at End of Period	35,158
Capital Commitments	-
Share Percentage at the End of Period (%)	-

5.2.7.3 Sectoral distribution of investments and associates

Investments in Associates	Prior Period
Banks	25,557
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	7,887
Other Associates	1,714

5.2.7.4 *Quoted associates*

None.

5.2.7.5 *Valuation methods of investments in associates*

Investments in Associates	Prior Period
Valued at Cost	35,158
Valued at Fair Value	-

5.2.7.6 *Investments in associates sold during the current period*

None.

5.2.7.7 *Investments in associates acquired during the current period*

None.

5.2.8 **Investments in subsidiaries**

5.2.8.1 *Information on capital adequacy of major subsidiaries*

The Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major subsidiaries is presented below.

Prior Period	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
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
Common Equity Tier I Capital Before Deductions	2,720,567	946,509	1,709,719
Deductions From Common Equity Tier I Capital			
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
Total Deductions from Common Equity Tier I Capital	42,463	7,765	681,415
Total Common Equity Tier I Capital	2,678,104	938,744	1,028,304
Total Deductions From Tier I Capital	3,708	1,786	52,910
Total Tier I Capital	2,674,396	936,958	975,394
TIER II CAPITAL	226,450	-	121,194
CAPITAL BEFORE DEDUCTIONS	2,900,846	936,958	1,096,588
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-	-
TOTAL CAPITAL	2,900,846	936,958	1,096,588

5.2.8.2 Investments in subsidiaries

	Affiliate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
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	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12	Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
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	5,440,877	945,954	10,318	403,026	-	20,747	-
7	3,451,880	212,985	7,430	288,268	-	27,603	-
8	170,260	117,635	13,407	4,897	2,422	49,931	-
9	80,928	71,147	3,408	4,824	-	18,891	-
10	2,164,598	1,648,492	38,969	204,397	1,590	323,576	-
11	19,371,398	2,693,389	140,785	560,541	59,295	103,187	-
12	1,541,868	1,541,596	-	-	-	(343)	-

(*) Total fixed assets include tangible and intangible assets.

5.2.8.3 Movement of investments in subsidiaries

	<i>Prior Period</i>
Balance at Beginning of Period	5,173,864
Movements during the Period	1,365,607
Acquisitions	150
Bonus Shares Received	-
Earnings from Current Year Profit	607,953
Sales/Liquidations	-
Reclassification of Shares	-
Increase/(Decrease) in Market Values	118,307
Currency Differences on Foreign Subsidiaries	639,197
Impairment Reversals/(Losses)	-
Balance at End of Period	6,539,471
Capital Commitments	-
Share Percentage at the End of Period (%)	-

5.2.8.4 Sectoral distribution of investments in subsidiaries

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	104,372

5.2.8.5 Quoted subsidiaries

None.

5.2.8.6 Valuation methods of investments in subsidiaries

Subsidiaries	<i>Prior Period</i>
Valued at Cost	104,372
Valued at Equity Method of Accounting	6,435,099

5.2.8.7 Investments in subsidiaries disposed during the current period

None.

5.2.8.8 Investments in subsidiaries acquired during the current period

None.

5.2.9 Investments in Joint-Ventures

None.

5.2.10 Lease receivables (net)

None.

5.2.11 Derivative financial assets held for hedging purpose

5.2.11.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Prior Period	
	TL	FC
Fair Value Hedges	89,104	13,001
Cash Flow Hedges	446,457	99,713
Net Foreign Investment Hedges	-	-
Total	535,561	112,714

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:

	Prior Period		
	Face Value	Asset	Liability
Interest Rate Swaps	36,960,864	204,154	48,808
-TL	5,552,476	91,493	6,227
-FC	31,408,388	112,661	42,581
Cross Currency Swaps	3,068,641	444,121	131,262
-TL	656,908	444,068	-
-FC	2,411,733	53	131,262
Total	40,029,505	648,275	180,070

5.2.11.1.1 Fair value hedge accounting

Prior 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	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	(19,552)	13,943	(7,695)	(13,305)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,788)

5.2.11.1.2 Cash flow hedge accounting

Prior Period							
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	61,409	(1,745)	34,891	(23,236)	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	Commitments	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

There is no amount reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions.

5.2.12 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
At End of Prior Period:					
Cost	2,624,545	281,583	16,102	1,982,431	4,904,661
Accumulated Depreciation (-)	(18,116)	(250,497)	(12,649)	(1,234,651)	(1,515,913)
Net Book Value at End of Prior Period	2,606,429	31,086	3,453	747,780	3,388,748
At End of Current Period:					
Additions	317,883	1,573	3,720	319,539	642,715
Revaluation Model Difference	101,434	-	-	-	101,434
Transfers from Investment Property	-	-	-	-	-
Disposals (Costs)	(83,483)	(18,585)	(2,466)	(113,990)	(218,524)
Disposals (Accumulated Depreciation)	29,968	18,525	2,303	46,029	96,825
Impairment/Reversal of Impairment Losses	9,981	-	-	-	9,981
Depreciation Expense for Current Period (-)	(15,971)	(7,414)	(1,641)	(226,774)	(251,800)
Cost at End of Current Period	2,970,360	264,571	17,356	2,187,980	5,440,267
Accumulated Depreciation at End of Current Period	(4,119)	(239,386)	(11,987)	(1,415,396)	(1,670,888)
Net Book Value at End of Current Period	2,966,241	25,185	5,369	772,584	3,769,379

5.2.13 Intangible assets

5.2.13.1 Useful lives and amortisation rates

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

5.2.13.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

5.2.13.3 Balances at end of prior period

	End of Prior Period	
	Cost	Accumulated Amortisation
Intangible Assets	590,449	304,795

5.2.13.4 Movements of intangible assets for current period

	Prior Period
Net Book Value at End of Prior Period	239,013
Internally Generated Intangibles	-
Additions due to Mergers, Transfers and Acquisition	113,412
Disposals (-)	(5,196)
Impairment Losses/Reversals to/from Revaluation Surplus	-
Impairment Losses Recorded in Income Statement	-
Impairment Losses Reversed from Income Statement	-
Amortisation Expense for Current Period (-)	(61,575)
Currency Translation Differences on Foreign Operations	-
Other Movements	-
Net Book Value at End of Current Period	285,654

5.2.13.5 Details for any individually material intangible assets

None.

5.2.13.6 Intangible assets capitalised under government incentives at fair values

None.

5.2.13.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.2.13.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.13.9 Commitments to acquire intangible assets

None.

5.2.13.10 Disclosure on revalued intangible assets

None.

5.2.13.11 Research and development costs expensed during current period

None.

5.2.13.12 Goodwill

None.

5.2.13.13 Movements in goodwill during current period

None.

5.2.14 Investment property

	<i>Prior Period</i>
Net Book Value at Beginning Period	670,370
Additions	4,746
Transfers to Tangible Assets	4,430
Fair Value Change	11,042
Net Book Value at End of Current Period	690,588

The investment property is held for operational leasing purposes.

5.2.15 Deferred tax asset

As of 31 December 2017, the Bank has a deferred tax asset of TL 356,684 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2017. However, there is a deferred tax asset of TL 640,025 thousands and deferred tax liability of TL 283,341 thousands presented as net in the accompanying 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 such differences 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>	
	Tax Base	Deferred Tax Amount
Provisions (*)	1,268,109	262,529
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,045,923	230,712
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	226,718	49,878
Total Deferred Tax Asset, Net	676,398	356,684

(*) 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' financial assets.

As of 31 December 2017, TL 329,630 thousands and TL 101,516 thousands of deferred tax income are recognised in the income statement and the shareholders' equity, respectively.

5.2.16 Assets held for sale and assets of discontinued operations

	<i>Prior Period</i>
End of Prior Period	
Cost	606,380
Accumulated Depreciation (-)	(16,654)
Net Book Value	589,726
End of Current Period	
Additions	309,218
Disposals (Cost)	(125,470)
Disposals (Accumulated Depreciation)	1,900
Impairment Losses (-)	54
Depreciation Expense for Current Period (-)	-
Cost	790,182
Accumulated Depreciation (-)	(14,754)
Net Book Value	775,428

As of 31 December 2017, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 thousands.

5.2.17 Other assets

5.2.17.1 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 Financial Assets Available-for-Sale	20,394
Sale of Other Assets	1,136
Total	21,530

5.2.17.2 Prepaid expenses, taxes and similar items

	<i>Prior Period</i>
Prepaid Expenses	866,958
Prepaid Taxes	-

5.3 Liabilities (Current Period)

5.3.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	10,375,184	-	2,787,058	44,005,789	7,253,698	2,220,791	2,750,586	2,925	69,396,031
Foreign Currency Deposits	27,718,131	-	9,979,134	53,296,982	2,240,204	4,863,532	7,861,697	44,780	106,004,460
Residents in Turkey	26,540,786	-	9,771,313	51,007,544	2,037,249	2,989,830	904,452	43,262	93,294,436
Residents in Abroad	1,177,345	-	207,821	2,289,438	202,955	1,873,702	6,957,245	1,518	12,710,024
Public Sector Deposits	1,148,423	-	1,252	26,429	4,968	1,024	-	-	1,182,096
Commercial Deposits	7,501,167	-	8,378,944	9,444,337	828,154	462,155	727,120	-	27,341,877
Other	246,290	-	160,384	816,004	135,756	387,369	3,761,840	-	5,507,643
Precious Metal Deposits	2,794,512	-	-	76,254	13,884	9,758	385,829	-	3,280,237
Bank Deposits	4,444,767	-	852,805	26,584	13,449	2,076	5,893	-	5,345,574
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,770	-	650,427	-	-	2,076	-	-	655,273
Foreign Banks	1,207,250	-	202,378	26,584	13,449	-	5,893	-	1,455,554
Special Financial Institutions	3,234,747	-	-	-	-	-	-	-	3,234,747
Other	-	-	-	-	-	-	-	-	-
Total	54,228,474	-	22,159,577	107,692,379	10,490,113	7,946,705	15,492,965	47,705	218,057,918

5.3.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

Current Period	Covered by Deposit Insurance	Over Deposit Insurance Limit
Saving Deposits	28,784,393	40,053,588
Foreign Currency Saving Deposits	12,646,522	48,242,453
Other Saving Deposits	1,639,365	1,499,769
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-
Deposits held at Off-Shore Branches 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

	<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	148,387
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

	<i>Current Period</i>	
	TL	FC
Forward transactions	385,023	16,236
Swap transactions	1,523,517	1,350,203
Futures	-	164
Options	330,558	236,558
Other	-	-
Total	2,239,098	1,603,161

5.3.3 Funds borrowed

	<i>Current Period</i>	
	TL	FC
Central Bank of Turkey	-	502,342
Domestic Banks and Institutions	409,136	1,236,004
Foreign Banks, Institutions and Funds	505,307	29,287,893
Total	914,443	31,026,239

5.3.3.1 Maturities of funds borrowed

	<i>Current Period</i>	
	TL	FC
Short-Term	409,136	1,831,341
Medium and Long-Term	505,307	29,194,898
Total	914,443	31,026,239

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	1,137,906	2,032,018	26,970	17,563,365
Cost	1,106,078	2,030,144	26,970	17,476,120
Carrying Value (*)	1,128,901	2,071,940	27,087	16,779,430

(*) The Bank repurchased its own foreign currency securities with a total face value of USD 206,730,000 and netted off such securities in the accompanying financial statements.

5.3.4.2 Funds provided through repurchase transactions

	<i>Current Period</i>	
	TL	FC
Domestic Transactions	45,360	-
Financial Institutions and Organizations	23,252	-
Other Institutions and Organizations	10,007	-
Individuals	12,101	-
Foreign Transactions	56	-
Financial Institutions and Organizations	-	-
Other Institutions and Organizations	-	-
Individuals	56	-
Total	45,416	-

5.3.4.3 Financial liabilities measured at fair value through profit/loss

	<i>Current Period</i>	
	TL	FC
Funds Borrowed	-	12,285,838
Securities Issued	-	-
Total	-	12,285,838

In accordance with TFRS 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 statement of profit or loss amounted to TL 930,827 thousands and a gain of TL 886,879 thousands, respectively. The carrying value of the related financial liability amounted to TL 12,285,838 thousands, and the related current period gain amounted to TL 886,879 thousands.

In accordance with TFRS 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. The transaction was closed down on 8 October 2018.

As of 31 December 2018, the related current period gain accounted in the statement of profit or loss amounted to TL 1,208 thousands.

5.3.4.4 Other liabilities

	<i>Current Period</i>	
	TL	FC
Payables from credit card transactions	10,869,208	80,773
Payables from clearing transactions	3,780,969	59,285
Dividend payables to shareholders	725	-
Other	1,054,084	1,023,199
Total	15,704,986	1,163,257

5.3.5 Lease payables (Net)

5.3.5.1 Financial lease payables

	<i>Current Period</i>	
	Gross	Net
Up to 1 Year	19,252	16,464
1-4 Years	-	-
More than 4 Years	-	-
Total	19,252	16,464

5.3.5.2 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.

5.3.6 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities held for Hedging Purpose	<i>Current Period</i>	
	TL	FC
Fair Value Hedges	49,606	186,229
Cash Flow Hedges	113,583	12,375
Net Foreign Investment Hedges	-	-
Total	163,189	198,604

5.3.7 Provisions

5.3.7.1 Reserve for employee severance indemnity

	<i>Current Period</i>
Balances at Beginning of Period	407,655
Provision for the Period	95,140
Actuarial Gain/Loss	15,491
Payments During the Period	(47,160)
Balances at End of Period	471,126

5.3.7.2 Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables

None.

5.3.7.3 Provisions for non-cash loans that are not indemnified or converted into cash

	<i>Current Period</i>
Substandard Loans and Receivables - Limited Collectibility	112,375
Doubtful Loans and Receivables	31,789
Uncollectible Loans and Receivables	138,005
Total	282,169

5.3.7.4 Other provisions

	<i>Current Period</i>
Reserve for Employee Benefits	1,051,233
Provision for Promotion Expenses of Credit Cards	124,388
Provision for Lawsuits	339,012
Provision for Non-Cash Loans	648,332
Other Provisions (*)	2,657,428
Total	4,820,393

(*) Includes general reserve of TL 1,160,000 thousands and TL 1,090,000 thousands recognized as expense in the prior periods and the current period, respectively.

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>
Transferable Pension and Medical Benefits:	
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)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(864,972)
Fair Value of Plan Assets (2)	4,612,956
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	3,747,984
Non-Transferable Benefits:	
Other pension benefits	(920,128)
Other medical benefits	(1,134,112)
Total Non-Transferable Benefits (4)	(2,054,240)
Asset Surplus over Total Benefits ((3)-(4)=(5))	1,693,744
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	(596,470)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	1,097,274

Movement of recognized liability for asset shortage over the Bank's defined benefit plan

	<i>31 December 2018</i>
Balance at Beginning of Period	-
Actual contributions paid during the period	(77,036)
Total expense recognized in the statement of profit or loss	72,731
Amount recognized in the shareholders' equity	4,305
Balance at End of Period	-

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 are as follow:

Defined Benefit Obligation	Pension Benefits Effect	Medical Benefits Effect	Overall Effect
Assumption change	%	%	%
Discount rate +1%	(12.80)	(17.40)	(15.30)
Discount rate -1%	16.10	23.30	20.10
Medical inflation rate +1%	-	23.00	12.70
Medical inflation rate -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)

5.3.8 Tax liability

5.3.8.1 Current tax liability

5.3.8.1.1 Tax liability

As of 31 December 2018, the Bank had a current tax liability of TL 95,966 thousands after offsetting with prepaid taxes.

5.3.8.1.2 Taxes payable

	Current Period
Corporate Taxes Payable	95,966
Taxation on Securities Income	162,703
Taxation on Real Estates Income	4,846
Banking Insurance Transaction Tax	220,228
Foreign Exchange Transaction Tax	100
Value Added Tax Payable	14,758
Others	63,011
Total	561,612

5.3.8.1.3 Premiums

	Current Period
Social Security Premiums-Employees	76
Social Security Premiums-Employer	93
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	1,357
Unemployment Insurance-Employer	2,739
Others	30
Total	4,355

5.3.8.2 Deferred tax liability

None.

5.3.9 Liabilities for assets held for sale and assets of discontinued operations

None.

5.3.10 Subordinated debts

	<i>Current Period</i>	
	TL	FC
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	3,977,018
Foreign Other Institutions	-	-
Total	-	3,977,018

Disclosures on subordinated debts are reported in Note 4.1.2.

5.3.11 Shareholders' equity

5.3.11.1 Paid-in capital

	<i>Current Period</i>
Common Shares	4,200,000
Preference Shares	-

5.3.11.2 Registered share capital system

Capital	Paid-in Capital	Ceiling per Registered Share Capital
Registered Shares	4,200,000	10,000,000

5.3.11.3 Capital increases in current period

None.

5.3.11.4 Capital increases from capital reserves in current period

None.

5.3.11.5 Capital commitments for current and future financial periods

None.

5.3.11.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

5.3.11.7 Information on privileges given to stocks representing the capital

None.

5.3.11.8 Securities value increase fund

	<i>Current Period</i>	
	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	2,899,703	119,711
Valuation difference	2,899,703	119,711
Exchange rate difference	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	(800,087)	(229,053)
Valuation difference	(800,087)	(229,053)
Exchange rate difference	-	-
Total	2,099,616	(109,342)

5.3.11.9 Revaluation surplus

	<i>Current Period</i>	
	TL	FC
Movables	8,454	90,909
Real Estates	1,423,893	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-
Other	(158,829)	-

5.3.11.10 Bonus shares of associates, subsidiaries and joint-ventures

	<i>Current Period</i>
Garanti Yatırım Menkul Değerler AŞ	942
Kredi Kartları Bürosu AŞ	481
Garanti Ödeme Sistemleri AŞ	401
Tat Konserve AŞ	-
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22
Yatırım Finansman Menkul Değerler AŞ	9
Total	1,855

5.3.11.11 Legal reserves

	<i>Current Period</i>
I. Legal Reserve	961,534
II. Legal Reserve	503,840
Special Reserves	-

5.3.11.12 Extraordinary reserves and other profit reserves

	<i>Current Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	30,643,540
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-

5.4 Liabilities (Prior Period)

5.4.1 Maturity profile of deposits

<i>Prior Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	10,899,855	-	2,591,208	42,834,706	1,876,797	589,939	803,336	4,104	59,599,945
Foreign Currency Deposits	21,383,545	-	7,035,070	45,574,240	2,282,354	3,175,778	9,426,930	53,388	88,931,305
Residents in Turkey	20,494,963	-	6,870,179	42,503,373	1,614,303	1,478,046	952,124	52,147	73,965,135
Residents in Abroad	888,582	-	164,891	3,070,867	668,051	1,697,732	8,474,806	1,241	14,966,170
Public Sector Deposits	539,397	-	2,151	23,704	5,309	10	-	-	570,571
Commercial Deposits	9,546,293	-	5,119,441	7,458,863	460,815	321,390	1,236,562	-	24,143,364
Other	240,019	-	138,566	1,351,057	93,816	406,570	2,247,113	-	4,477,141
Precious Metal Deposits	1,845,183	-	57,205	47,640	3,777	8,013	232,897	-	2,194,715
Bank Deposits	894,483	-	83,799	15,090	10,240	20,474	174,878	-	1,198,964
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	5,597	-	5,664	15,090	2,048	20,474	10,239	-	59,112
Foreign Banks	604,000	-	78,135	-	8,192	-	164,639	-	854,966
Special Financial Institutions	284,886	-	-	-	-	-	-	-	284,886
Other	-	-	-	-	-	-	-	-	-
Total	45,348,775	-	15,027,440	97,305,300	4,733,108	4,522,174	14,121,716	57,492	181,116,005

5.4.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

Saving deposits covered by deposit insurance and amount of deposits exceeding insurance coverage limit:

<i>Prior Period</i>	Covered by Deposit Insurance	Over Deposit Insurance Limit
Saving Deposits	29,036,944	30,090,207
Foreign Currency Saving Deposits	10,539,819	35,968,349
Other Saving Deposits	1,117,225	946,409
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-
Deposits held at Off-Shore Branches 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

	<i>Prior Period</i>
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	231,412
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

	<i>Prior Period</i>	
	TL	FC
Forward transactions	173,801	30,817
Swap transactions	2,070,861	352,945
Futures	-	91
Options	114,525	9,690
Other	-	-
Total	2,359,187	393,543

5.4.3 Funds borrowed

	<i>Prior Period</i>	
	TL	FC
Central Bank of Turkey	-	685,843
Domestic Banks and Institutions	237,352	905,944
Foreign Banks, Institutions and Funds	505,231	38,470,453
Total	742,583	40,062,240

5.4.3.1 Maturities of funds borrowed

	<i>Prior Period</i>	
	TL	FC
Short-Term	231,700	1,188,679
Medium and Long-Term	510,883	38,873,561
Total	742,583	40,062,240

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 positive credit risk change and the negative credit risk change recognised in the income statement amounted to TL 43,948 thousands and TL 398,191 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands, and the related period loss amounted to TL 398,191 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

<i>Prior Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,988,767	4,088,187	-	12,842,638
Cost	2,923,775	3,917,598	-	12,775,272
Carrying Value (*)	2,975,784	3,984,835	-	12,330,741

(*) The Bank repurchased its own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of USD 206,730,000 and netted off such securities in the accompanying 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 changes recognised in the income statement amounted to TL 908 thousands and TL 1,815 thousands. The carrying value of the related financial liability amounted to TL 34,983 thousands, and the related period gains amounted to TL 1,898 thousands.

5.4.4.2 Funds provided through repurchase transactions

	<i>Prior Period</i>	
	TL	FC
Domestic Transactions	870,169	-
Financial Institutions and Organizations	750,756	-
Other Institutions and Organizations	78,658	-
Individuals	40,755	-
Foreign Transactions	296	189,433
Financial Institutions and Organizations	-	189,433
Other Institutions and Organizations	-	-
Individuals	296	-
Total	870,465	189,433

5.4.4.3 Miscellaneous payables

	<i>Prior Period</i>	
	TL	FC
Payables from credit card transactions	8,985,632	44,725
Other	504,349	439,190
Total	9,489,981	483,915

5.4.5 Lease payables (Net)

5.4.5.1 Financial lease payables

	<i>Prior Period</i>	
	Gross	Net
Up to 1 Year	5,123	5,358
1-4 Years	2,780	1,581
More than 4 Years	-	-
Total	7,903	6,939

5.4.5.2 *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.

5.4.6 **Derivative financial liabilities held for hedging purpose**

Derivative Financial Liabilities held for Hedging Purpose	<i>Prior Period</i>	
	TL	FC
Fair Value Hedges	6,227	171,764
Cash Flow Hedges	-	2,079
Net Foreign Investment Hedges	-	-
Total	6,227	173,843

5.4.7 **Provisions**

5.4.7.1 *General provisions*

	<i>Prior Period</i>
General Provision for	3,597,720
Loans and Receivables in Group I	1,622,511
Loans and Receivables in Group II	1,367,940
Non-Cash Loans	368,498
Others	238,771

5.4.7.2 *Reserve for employee severance indemnity*

	<i>Prior Period</i>
Balances at Beginning of Period	341,657
Provision for the Period	86,623
Actuarial Gain/Loss	21,806
Payments During the Period	(42,431)
Balances at End of Period	407,655

5.4.7.3 *Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables*

	<i>Prior Period</i>
Short-Term Loans	14,419
Medium and Long-Term Loans	2,800
Total	17,219

Foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side.

5.4.7.4 *Provisions for non-cash loans that are not indemnified or converted into cash*

	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	16,649
Doubtful Loans and Receivables	13,593
Uncollectible Loans and Receivables	97,175
Total	127,417

5.4.7.5 Other provisions

5.4.7.5.1 General reserves for possible losses

	Prior Period
General Reserves for Possible Losses	1,160,000

5.4.7.5.2 Other provisions

	Prior Period
Reserve for Employee Benefits	852,817
Provision for Promotion Expenses of Credit Cards	107,272
Provision for Lawsuits (*)	243,791
Provision for Non-Cash Loans	127,417
Other Provisions (**)	217,637
Total	1,548,934

(*) During the period, 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.

(**) During the period, 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.

	31.12.2017
Transferable Pension and Medical Benefits:	
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)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(483,864)
Fair Value of Plan Assets (2)	3,609,349
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	3,125,485
Non-Transferable Benefits:	
Other pension benefits	(846,997)
Other medical benefits	(1,080,423)
Total Non-Transferable Benefits (4)	(1,927,420)
Asset Surplus over Total Benefits ((3)-(4)=(5))	1,198,065
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	(551,028)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	647,037

Movement of recognized liability for asset shortage over the Bank's defined benefit plan

	31.12.2017
Balance at Beginning of Period	-
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
Balance at End of Period	-

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	31.12.2017
	%
Discount Rate (*)	11.70
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 are as follow:

Defined Benefit Obligation	Pension Benefits Effect	Medical Benefits Effect	Overall Effect
Assumption change	%	%	%
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)

Retirement Indemnities	Sensitivity of Past Service Liability	Sensitivity of Normal Cost
Assumption change	%	%
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)

5.4.8 Tax liability

5.4.8.1 Current tax liability

5.4.8.1.1 Tax liability

As of 31 December 2017, the Bank had a tax liability of TL 739,544 thousands after offsetting with prepaid taxes.

5.4.8.1.2 Taxes payable

	<i>Prior Period</i>
Corporate Taxes Payable	739,544
Taxation on Securities Income	131,422
Taxation on Real Estates Income	4,080
Banking Insurance Transaction Tax	149,122
Foreign Exchange Transaction Tax	89
Value Added Tax Payable	12,321
Others	47,413
Total	1,083,991

5.4.8.1.3 Premiums

	<i>Prior Period</i>
Social Security Premiums-Employees	61
Social Security Premiums-Employer	74
Bank Pension Fund Premium-Employees	25
Bank Pension Fund Premium-Employer	25
Pension Fund Membership Fees and Provisions-Employees	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,252
Unemployment Insurance-Employer	2,523
Others	27
Total	3,987

5.4.8.2 Deferred tax liability

None.

5.4.9 Liabilities for assets held for sale and assets of discontinued operations

None.

5.4.10 Subordinated debts

	<i>Prior Period</i>	
	TL	FC
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	2,849,471
Foreign Other Institutions	-	-
Total	-	2,849,471

Disclosures on subordinated debts are reported in Note 4.1.2.

5.4.11 Shareholders' equity

5.4.11.1 Paid-in capital

	<i>Prior Period</i>
Common Shares	4,200,000
Preference Shares	-

5.4.11.2 Registered share capital system

Capital	Paid-in Capital	Ceiling per Registered Share Capital
Registered Shares	4,200,000	10,000,000

5.4.11.3 Capital increases in current period

None.

5.4.11.4 Capital increases from capital reserves in current period

None.

5.4.11.5 Capital commitments for current and future financial periods

None.

5.4.11.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

5.4.11.7 Information on privileges given to stocks representing the capital

None.

5.4.11.8 Securities value increase fund

	<i>Prior Period</i>	
	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	1,754,416	136,482
Valuation difference	1,754,416	136,482
Exchange rate difference	-	-
Securities Available-for-Sale	(425,322)	55,176
Valuation difference	(425,322)	55,176
Exchange rate difference	-	-
Total	1,329,094	191,658

5.4.11.9 Revaluation surplus

	<i>Prior Period</i>	
	TL	FC
Movables	-	-
Real Estates	1,431,478	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	227,994	-
Revaluation Surplus on Leasehold Improvements	-	-

5.4.11.10 Bonus shares of associates, subsidiaries and joint-ventures

	<i>Prior Period</i>
Garanti Yatırım Menkul Değerler AŞ	942
Kredi Kartları Bürosu AŞ	481
Garanti Ödeme Sistemleri AŞ	401
Tat Konserve AŞ	-
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22
Yatırım Finansman Menkul Değerler AŞ	9
Total	1,855

5.4.11.11 Legal reserves

	<i>Prior Period</i>
I. Legal Reserve	961,534
II. Legal Reserve	349,840
Special Reserves	-

5.4.11.12 Extraordinary reserves

	<i>Prior Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	25,659,125
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-

5.5 Off-Balance Sheet Items (Current Period)

5.5.1 Off-balance sheet contingencies

5.5.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 11,811,997 thousands, commitments for cheque payments of TL 2,719,279 thousands and commitments for credit card limits of TL 31,989,908 thousands.

5.5.1.2 Possible losses, commitments and contingencies resulted from off-balance sheet items

	<i>Current Period</i>
Letters of Guarantee in Foreign Currency	26,424,630
Letters of Guarantee in TL	22,742,832
Letters of Credit	13,783,428
Bills of Exchange and Acceptances	2,788,829
Prefinancings	-
Other Guarantees	63,270
Total	65,802,989

Expected losses for non-cash loans and irrevocable commitments

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Provisions at Beginning of Period (1 January 2018)	109,432	200,441	117,557	427,430
Additions during the Period (+)	210,538	367,016	153,481	731,035
Disposals (-)	(311,861)	(195,376)	(59,320)	(566,557)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	147,637	(133,463)	(14,174)	-
Transfer to Stage 2	(38,892)	46,992	(8,100)	-
Transfer to Stage 3	(749)	(80,862)	81,611	-
Foreign Currency Differences	5,400	39,910	11,114	56,424
Provisions at End of Period	121,505	244,658	282,169	648,332

A specific provision of TL 282,169 thousands is made for unliquidated non-cash loans of TL 837,427 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
With Original Maturity of 1 Year or Less	2,339,515
With Original Maturity of More Than 1 Year	10,094,697
Other Non-Cash Loans	53,368,777
Total	65,802,989

5.5.1.4 Sectoral risk concentration of non-cash loans

	<i>Current Period</i>			
	TL	(%)	FC	(%)
Agriculture	92,784	0.41	89,345	0.20
Farming and Stockbreeding	78,863	0.35	78,037	0.18
Forestry	11,839	0.05	9,838	0.02
Fishery	2,082	0.01	1,470	-
Manufacturing	6,402,123	28.07	22,575,434	52.52
Mining and Quarrying	195,265	0.86	300,315	0.70
Production	4,110,566	18.02	16,029,213	37.29
Electricity, Gas, Water	2,096,292	9.19	6,245,906	14.53
Construction	3,581,106	15.70	5,141,413	11.96
Services	11,281,804	49.45	13,863,403	32.25
Wholesale and Retail Trade	6,971,975	30.56	6,950,356	16.17
Accommodation and Dining	435,652	1.91	617,948	1.44
Transportation and Telecommunication	847,939	3.72	2,037,335	4.74
Financial Institutions	2,580,794	11.31	3,890,617	9.05
Real Estate and Rental Services	231,402	1.01	251,309	0.58
Professional Services	-	-	-	-
Educational Services	48,133	0.21	1,541	-
Health and Social Services	165,909	0.73	114,297	0.27
Others	1,455,698	6.37	1,319,879	3.07
Total	22,813,515	100.00	42,989,474	100.00

5.5.1.5 Non-cash loans classified under Group I and II

	Group I		Group II	
	TL	FC	TL	FC
Current Period				
Non-Cash Loans	20,162,865	41,180,044	2,430,768	1,191,885
Letters of Guarantee	20,093,217	24,797,897	2,430,533	1,022,531
Bills of Exchange and Bank Acceptances	22,460	2,755,966	235	8,050
Letters of Credit	47,188	13,562,911	-	161,304
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	63,270	-	-

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
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	-	2,116,240	6,526,443	33,295,742	16,534,912	58,473,337
Fair Value Hedges	-	8,280	759,806	9,533,199	12,110,756	22,412,041
Cash Flow Hedges	-	2,107,960	5,766,637	23,762,543	4,424,156	36,061,296
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	114,200,405	21,448,013	51,787,213	8,576,037	-	196,011,668
Currency Forwards-Purchases	4,714,899	2,514,264	3,983,266	1,043,574	-	12,256,003
Currency Forwards-Sales	4,803,024	2,519,333	3,975,906	1,153,259	-	12,451,522
Currency Swaps-Purchases	51,336,918	4,213,461	12,564,894	1,025,495	-	69,140,768
Currency Swaps-Sales	47,671,653	4,332,092	12,263,831	1,020,810	-	65,288,386
Currency Options-Purchases	2,433,906	3,361,215	8,890,259	2,151,123	-	16,836,503
Currency Options-Sales	2,587,576	3,509,107	10,050,775	2,181,776	-	18,329,234
Currency Futures-Purchases	318,386	473,032	31,748	-	-	823,166
Currency Futures-Sales	334,043	525,509	26,534	-	-	886,086
Interest Rate related Derivative Transactions (II)	9,360	1,472,662	6,965,636	20,374,547	43,067,386	71,889,591
Interest Rate Swaps-Purchases	4,680	727,298	770,193	7,112,256	20,583,719	29,198,146
Interest Rate Swaps-Sales	4,680	727,298	770,193	7,112,256	20,583,719	29,198,146
Interest Rate Options-Purchases	-	-	5,197,126	5,056,928	1,666,940	11,920,994
Interest Rate Options-Sales	-	-	228,124	1,093,107	233,008	1,554,239
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	18,066	-	-	-	18,066
Other Trading Derivatives (III)	4,584,109	236,900	865,854	2,736,897	9,881,071	18,304,831
B. Total Trading Derivatives (I+II+III)	118,793,874	23,157,575	59,618,703	31,687,481	52,948,457	286,206,090
Total Derivative Transactions (A+B)	118,793,874	25,273,815	66,145,146	64,983,223	69,483,369	344,679,427

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 made a total provision amounting to TL 339,012 thousands for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.3.7.4, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financials 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 Off-Balance Sheet Items (Prior Period)

5.6.1 Off-balance sheet contingencies

5.6.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 7,214,533 thousands, commitments for cheque payments of TL 3,797,901 thousands and commitments for credit card limits of TL 29,021,192 thousands.

5.6.1.2 Possible losses, commitments and contingencies resulted from off-balance sheet items

	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	19,534,558
Letters of Guarantee in TL	19,404,733
Letters of Credit	13,891,067
Bills of Exchange and Acceptances	1,550,650
Prefinancings	-
Other Guarantees	170,332
Total	54,551,340

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
With Original Maturity of 1 Year or Less	644,377
With Original Maturity of More Than 1 Year	6,683,052
Other Non-Cash Loans	47,223,911
Total	54,551,340

5.6.1.4 Sectoral risk concentration of non-cash loans

	<i>Prior Period</i>			
	TL	(%)	FC	(%)
Agriculture	69,304	0.36	56,214	0.16
Farming and Stockbreeding	58,351	0.30	42,554	0.12
Forestry	9,214	0.05	10,981	0.03
Fishery	1,739	0.01	2,679	0.01
Manufacturing	5,509,578	28.37	17,451,653	49.68
Mining and Quarrying	170,850	0.88	215,217	0.61
Production	3,013,861	15.52	13,398,195	38.14
Electricity, Gas, Water	2,324,867	11.97	3,838,241	10.93
Construction	3,541,815	18.23	3,753,635	10.69
Services	8,857,539	45.61	12,337,562	35.12
Wholesale and Retail Trade	5,966,692	30.72	7,497,467	21.34
Accommodation and Dining	232,237	1.20	509,408	1.45
Transportation and Telecommunication	738,939	3.80	1,401,543	3.99
Financial Institutions	1,502,741	7.74	2,644,788	7.53
Real Estate and Rental Services	224,964	1.16	222,647	0.63
Professional Services	-	-	-	-
Educational Services	25,522	0.13	1,015	-
Health and Social Services	166,444	0.86	60,694	0.17
Others	1,445,568	7.43	1,528,472	4.35
Total	19,423,804	100.00	35,127,536	100.00

5.6.1.5 Non-cash loans classified under Group I and II

<i>Prior Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	19,020,240	34,496,599	403,564	630,937
Letters of Guarantee	19,001,169	19,092,052	403,564	442,506
Bills of Exchange and Bank Acceptances	14,273	1,536,377	-	-
Letters of Credit	4,798	13,697,838	-	188,431
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	170,332	-	-

5.6.2 Financial derivative instruments

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	57,218	75,516	4,909,643	23,804,155	11,182,973	40,029,505
Fair Value Hedges	-	-	1,439,191	7,691,889	7,238,464	16,369,544
Cash Flow Hedges	57,218	75,516	3,470,452	16,112,266	3,944,509	23,659,961
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	142,262,557	54,133,652	54,335,561	3,865,472	145,843	254,743,085
Currency Forwards-Purchases	9,779,015	3,316,845	3,009,953	623,545	-	16,729,358
Currency Forwards-Sales	9,801,560	3,322,793	3,091,290	696,561	-	16,912,204
Currency Swaps-Purchases	58,989,694	20,433,707	18,773,237	1,107,479	72,182	99,376,299
Currency Swaps-Sales	54,303,076	20,617,972	19,104,290	1,018,937	73,661	95,117,936
Currency Options-Purchases	4,580,437	3,181,984	5,112,068	192,500	-	13,066,989
Currency Options-Sales	4,801,114	3,225,621	5,164,430	226,450	-	13,417,615
Currency Futures-Purchases	3,931	7,066	37,758	-	-	48,755
Currency Futures-Sales	3,730	27,664	42,535	-	-	73,929
Interest Rate related Derivative Transactions (II)	60,000	18,879	5,137,249	17,834,188	22,169,602	45,219,918
Interest Rate Swaps-Purchases	30,000	-	1,351,963	5,671,198	10,429,017	17,482,178
Interest Rate Swaps-Sales	30,000	-	1,351,963	5,671,198	10,429,017	17,482,178
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	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	18,879	-	-	-	18,879
Other Trading Derivatives (III)	5,351,180	58,816	52,208	2,611,040	6,742,500	14,815,744
B. Total Trading Derivatives (I+II+III)	147,673,737	54,211,347	59,525,018	24,310,700	29,057,945	314,778,747
Total Derivative Transactions (A+B)	147,730,955	54,286,863	64,434,661	48,114,855	40,240,918	354,808,252

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 made a total provision amounting to TL 243,791 thousands for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.4.7.5.2, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank 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 Statement of Profit or Loss (Current Period)

5.7.1 Interest income

5.7.1.1 Interest income from loans (*)

	<i>Current Period</i>	
	TL	FC
Short-term loans	9,014,590	420,663
Medium and long-term loans	14,651,192	4,764,504
Loans under follow-up	329,202	19,660
Premiums Received from Resource Utilization Support Fund	-	-
Total	23,994,984	5,204,827

(*) Includes also the fee and commission income on cash loans

5.7.1.2 Interest income from banks

	<i>Current Period</i>	
	TL	FC
Central Bank of Turkey	34,572	113,408
Domestic Banks	108,857	3,457
Foreign Banks	16,075	206,502
Foreign Head Offices and Branches	-	-
Total	159,504	323,367

5.7.1.3 Interest income from securities portfolio

	<i>Current Period</i>	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	59,935	3,396
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,582,978	480,529
Financial Assets Measured at Amortised Cost	3,832,419	255,015
Total	7,475,332	738,940

As disclosed in the accounting policies, the 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

	<i>Current Period</i>
Interest Received from Investments in Associates and Subsidiaries	188,866

5.7.2 Interest Expenses

5.7.2.1 Interest expenses on funds borrowed (*)

	<i>Current Period</i>	
	TL	FC
Banks	66,580	950,448
Central Bank of Turkey	-	1,912
Domestic Banks	20,822	29,723
Foreign Banks	45,758	918,813
Foreign Head Offices and Branches	-	-
Other Institutions	-	793,553
Total	66,580	1,744,001

(*) Includes also the fee and commission expenses on borrowings

5.7.2.2 Interest expenses paid to associates and subsidiaries

	<i>Current Period</i>
Interest Paid to Investments in Associates and Subsidiaries	320,535

5.7.2.3 Interest expenses on securities issued

	<i>Current Period</i>	
	TL	FC
Interest Paid on Securities Issued	852,183	1,169,330

5.7.2.4 Maturity structure of interest expense on deposits

<i>Current Period</i>	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	605	115,043	-	-	-	-	-	115,648
Saving Deposits	52	382,854	7,178,781	463,070	129,776	203,923	-	8,358,456
Public Sector Deposits	-	1,327	4,113	797	96	-	-	6,333
Commercial Deposits	96	1,250,260	1,543,123	90,746	55,598	186,331	-	3,126,154
Other	17	54,366	159,523	15,608	49,856	441,545	-	720,915
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	770	1,803,850	8,885,540	570,221	235,326	831,799	-	12,327,506
Foreign Currency								
Foreign Currency Deposits	43	163,962	1,488,052	63,884	155,151	473,688	657	2,345,437
Bank Deposits	-	19,016	-	-	-	-	-	19,016
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	28	48	38	5,184	-	5,298
Total FC	43	182,978	1,488,080	63,932	155,189	478,872	657	2,369,751
Grand Total	813	1,986,828	10,373,620	634,153	390,515	1,310,671	657	14,697,257

5.7.2.5 Interest expense on repurchase agreements

	<i>Current Period</i>	
	TL	FC
Interest Paid on Repurchase Agreements	1,001,731	4,107

5.7.2.6 Financial lease expenses

	<i>Current Period</i>
Financial Lease Expenses	3,234

5.7.2.7 Interest expenses on factoring payables

None.

5.7.3 Dividend income

	<i>Current Period</i>
Trading Financial Assets	1,227
Financial Assets Valued at Fair Value through Profit or Loss	-
Financial Assets Available-for-Sale	1,287
Others	2,446
Total	4,960

5.7.4 Trading income/losses

	<i>Current Period</i>
Income	159,604,863
Trading Account Income	1,500,345
Gains from Derivative Financial Instruments	20,460,975
Foreign Exchange Gains	137,643,543
Losses (-)	160,758,012
Trading Account Losses	665,414
Losses from Derivative Financial Instruments	19,290,583
Foreign Exchange Losses	140,802,015
Total	(1,153,149)

TL 2,597,679 thousands of foreign exchange gains and TL 3,778,920 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative financial 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.

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 a loss of TL 50,967 thousands resulting from cross currency, interest rate swap and forward agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,920,434 thousands, 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 net trading income/losses in the statement of profit or loss, respectively.

5.7.5 Other operating income

The items under “other operating income” generally consists of collection or reversals of prior years’ 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 amounting to TL 316,908 thousands was sold for a consideration of TL 17,550 thousands. Considering the related provision of TL 316,908 thousands made in the financial statements, a gain of TL 17,550 thousands is recognized under “Other Operating Income”.

	<i>Current Period</i>
Reversal of Prior Years’ Provisions	1,950,530
Stage 1 Provisions	765,005
Stage 2 Provisions	451,702
Stage 3 Provisions	541,666
Others	192,157
Revenues from Term Sale of Assets	168,692
Others	100,013
Total	2,219,235

5.7.6 Provision for losses on loans or other receivables

	<i>Current Period</i>
Expected Credit Losses	8,362,410
<i>12-Month ECL (Stage 1)</i>	831,370
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>	3,094,695
<i>Lifetime ECL Impaired Credits (Stage 3)</i>	4,436,345
Impairment Losses on Securities	21,723
<i>Financial Assets Measured at Fair Value through Profit/Loss</i>	19,149
<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</i>	-
Others	1,477,913
Total	9,882,878

5.7.7 Other operating expenses

	<i>Current Period</i>
Personnel Costs	3,016,170
Reserve for Employee Termination Benefits	75,199
Defined Benefit Obligation	-
Impairment Losses on Tangible Assets	3,961
Depreciation Expenses of Tangible Assets	299,951
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	74,224
Impairment Losses on Investments Accounted under Equity Method	-
Impairment Losses on Assets to be Disposed	77,091
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	3,300,219
<i>Operational Lease related Expenses</i>	482,725
<i>Repair and Maintenance Expenses</i>	71,970
<i>Advertisement Expenses</i>	208,211
<i>Other Expenses</i>	2,537,313
Loss on Sale of Assets	5,632
Others	622,407
Total	7,474,854

5.7.8 Information on profit/loss before taxes from continued and discontinued operations

The profit before taxes includes a net interest income of TL 19,110,205 thousands, a net fees and commissions income of TL 4,870,051 thousands and operating expenses of TL 7,474,854 thousands. The Bank's profit before taxes realized at TL 8,445,261 thousands increasing by 3.61% as compared to prior year.

There is no amount from discontinued operations.

5.7.9 Information on provision for taxes from continued and discontinued operations

As of 31 December 2018, the Bank recorded a tax charge of TL 1,504,325 thousands and a deferred tax expense of TL 302,700 thousands.

There is no amount from discontinued operations.

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	<i>Current Period</i>
Increase in tax deductible timing differences (+)	321,520
Decrease in tax deductible timing differences (-)	(160,056)
Increase in taxable timing differences (-)	(470,789)
Decrease in taxable timing differences (+)	6,625
Total	(302,700)

Deferred tax benefit/charge in the statement of profit/loss 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 exemptions	<i>Current Period</i>
Increase/(decrease) in tax deductible timing differences (net)	161,464
Increase/(decrease) in taxable timing differences (net)	(464,164)
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
Total	(302,700)

5.7.10 Information on net profit/loss from continued and discontinued operations

Net profit/loss from continued operations is 6,638,236 TL.

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 the 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.

5.7.12 Components of other items in statement of profit/loss

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the income statement include mainly fees and commissions related with credit card transactions and other banking services.

5.8 Income Statement (Prior Period)

5.8.1 Interest income

5.8.1.1 Interest income from loans (*)

	<i>Prior Period</i>	
	TL	FC
Short-term loans	5,360,099	244,394
Medium and long-term loans	11,869,730	3,523,631
Loans under follow-up	96,457	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	17,326,286	3,768,025

(*) Includes also the fee and commission income on cash loans

5.8.1.2 Interest income from banks

	<i>Prior Period</i>	
	TL	FC
Central Bank of Turkey	183,942	40,641
Domestic Banks	12,780	291
Foreign Banks	2,965	63,487
Foreign Head Offices and Branches	-	-
Total	199,687	104,419

5.8.1.3 Interest income from securities portfolio

	<i>Prior Period</i>	
	TL	FC
Financial Assets Held for Trading	35,212	2,066
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	2,373,490	91,292
Investments Held-to-Maturity	1,599,271	631,152
Total	4,007,973	724,510

As disclosed in the accounting policies, the 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

	<i>Prior Period</i>
Interest Received from Investments in Associates and Subsidiaries	75,698

5.8.2 Interest Expenses

5.8.2.1 Interest expenses on funds borrowed (*)

	<i>Prior Period</i>	
	TL	FC
Banks	111,204	570,947
Central Bank of Turkey	-	289
Domestic Banks	20,147	11,308
Foreign Banks	91,057	559,350
Foreign Head Offices and Branches	-	-
Other Institutions	-	454,323
Total	111,204	1,025,270

(*) Includes also the fee and commission expenses on borrowings

5.8.2.2 Interest expenses paid to associates and subsidiaries

	<i>Prior Period</i>
Interest Paid to Investments in Associates and Subsidiaries	139,017

5.8.2.3 Interest expenses on securities issued

	<i>Prior Period</i>	
	TL	FC
Interest Paid on Securities Issued	650,877	787,587

5.8.2.4 Maturity structure of interest expense on deposits

<i>Prior Period</i>	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	990	105,486	-	-	-	-	-	106,476
Saving Deposits	48	219,953	4,368,920	142,877	38,301	61,578	-	4,831,677
Public Sector Deposits	-	1,808	2,800	376	261	1	-	5,246
Commercial Deposits	81	564,310	868,337	31,643	52,016	96,286	-	1,612,673
Other	4	17,708	94,131	19,304	23,829	147,150	-	302,126
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	1,123	909,265	5,334,188	194,200	114,407	305,015	-	6,858,198
Foreign Currency								
Foreign Currency Deposits	19	86,742	987,520	55,880	116,997	247,794	779	1,495,731
Bank Deposits	-	17,827	-	-	-	-	-	17,827
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	13	42	-	16	4,020	-	4,091
Total FC	19	104,582	987,562	55,880	117,013	251,814	779	1,517,649
Grand Total	1,142	1,013,847	6,321,750	250,080	231,420	556,829	779	8,375,847

5.8.2.5 Interest expense on repurchase agreements

	<i>Prior Period</i>	
	TL	FC
Interest Paid on Repurchase Agreements	1,147,506	17,939

5.8.2.6 Financial lease expenses

	<i>Prior Period</i>
Financial Lease Expenses	1,295

5.8.2.7 Interest expenses on factoring payables

None.

5.8.3 Dividend income

	<i>Prior Period</i>
Trading Financial Assets	-
Financial Assets Valued at Fair Value through Profit or Loss	-
Financial Assets Available-for-Sale	2,116
Others	4,757
Total	6,873

5.8.4 Trading income/losses (Net)

	<i>Prior Period</i>
Income	60,495,638
Trading Account Income	257,805
Gains from Derivative Financial Instruments	9,151,286
Foreign Exchange Gains	51,086,547
Losses (-)	62,411,669
Trading Account Losses	645,016
Losses from Derivative Financial Instruments	12,381,889
Foreign Exchange Losses	49,384,764
Total	(1,916,031)

TL 4,455,305 thousands of foreign exchange gains and TL 3,169,253 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative financial 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.

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 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, in the current period, 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, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,876,938 thousands, 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 and cross currency swaps with the same face values and terms. Accordingly, in the current period, 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 net 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, in the current period, 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.

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, fair value increase of investment property and income on custody services.

In the prior period, 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 provision of TL 854,989 thousands made in the financial statements, a gain of TL 45,256 thousands is recognized under "Other Operating Income".

5.8.6 Provision for losses on loans or other receivables

	<i>Prior Period</i>
Specific Provisions for Loans and Other Receivables	1,605,865
<i>Loans and Receivables in Group III</i>	<i>530,087</i>
<i>Loans and Receivables in Group IV</i>	<i>579,386</i>
<i>Loans and Receivables in Group V</i>	<i>496,392</i>
General Provisions	422,935
Provision for Possible Losses	860,000
Impairment Losses on Securities	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets Available-for-Sale</i>	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
<i>Investments Held-to-Maturity</i>	-
Others	271,528
Total	3,160,328

5.8.7 Other operating expenses

	<i>Prior Period</i>
Personnel Costs	2,716,304
Reserve for Employee Termination Benefits	44,191
Defined Benefit Obligation	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses of Tangible Assets	251,800
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	61,575
Impairment Losses on Investments Accounted under Equity Method	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	2,831,949
<i>Operational Lease related Expenses</i>	<i>426,713</i>
<i>Repair and Maintenance Expenses</i>	<i>50,738</i>
<i>Advertisement Expenses</i>	<i>191,482</i>
<i>Other Expenses (*)</i>	<i>2,163,016</i>
Loss on Sale of Assets	12,372
Others (**)	599,458
Total	6,517,649

(*) Includes lawsuits, 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 repayments, by the Bank, of fees and commissions income recognized 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

The profit before taxes includes a net interest income of TL 14,468,350 thousands, a net fees and commissions income of TL 3,680,204 thousands and operating expenses of TL 6,517,649 thousands. The Bank's profit before taxes realized at TL 8,151,324 thousands increasing by 29.52% as compared to prior year.

5.8.9 Information on provision for taxes from continued and discontinued operations

As of 31 December 2017, the Bank recorded a tax charge of TL 2,137,034 thousands and a deferred tax income of TL 329,630 thousands.

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	<i>Prior Period</i>
Increase in tax deductible timing differences (+)	288,325
Decrease in tax deductible timing differences (-)	(53,559)
Increase in taxable timing differences (-)	(93,165)
Decrease in taxable timing differences (+)	188,029
Total	329,630

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 exemptions	<i>Prior Period</i>
Increase/(decrease) in tax deductible timing differences (net)	234,766
Increase/(decrease) in taxable timing differences (net)	94,864
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
Total	329,630

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 the Bank's performance

None.

5.8.11.2 Any changes in estimations that might have a material effect on prior and subsequent period results

None.

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 income statement include mainly fees and commissions related with credit card transactions and other banking services.

5.9 Statement of Changes in Shareholders' Equity (Current Period)

5.9.1 Any increases arising from application of accounting for financial instruments

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, a decrease of TL 34,947 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

An increase of TL 1,146,418 thousands that was resulted from the foreign currency translation of the Bank, 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 6,645 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 390 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 reserves

	<i>Current Period</i>
Transfers to Legal Reserves from Prior Year Profits	154,000
Transfers to Extraordinary Reserves from Prior Year Profits	4,438,770

5.9.4 Issuance of share certificates

Please refer to Note 5.3.4.1.

5.9.5 Effects of prior years' corrections to beginning balances of current period

Please refer to Note 3.28.

5.9.6 Compensation of prior period losses

None.

5.10 Statement of Changes in Shareholders' Equity (Prior Period)

5.10.1 Any increases arising from application of accounting for financial instruments

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 41,079 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 current period

An increase of TL 688,571 thousands that was resulted from the foreign currency translation of the Bank, is presented under translation differences in the shareholders' equity

5.10.2 Any decreases arising from application of accounting for financial instruments

5.10.2.1 Decreases from valuation of financial assets available-for-sale

As of 31 December 2017, an increase of TL 89,051 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 gain of TL 51,958 thousands that was transferred to the income statement from "securities value increase fund" are presented as the current 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 reserves

	<i>Prior Period</i>
Transfers to Legal Reserves from Prior Year Profits	104,000
Transfers to Extraordinary Reserves from Prior Year Profits	3,488,938

5.10.4 Issuance of share certificates

Please refer to Note 5.4.4.1.

5.10.5 Effects of prior years' corrections to beginning balances of current period

Please refer to Note 3.24.

5.10.6 Compensation of prior period losses

None.

5.11 Statement of Cash Flows (Current Period)

5.11.1 Disclosures for “other” items and “effect of change in foreign currency rates cash and cash equivalents” in statement of cash flows

The net cash inflows arising from banking operations amount to TL 13,622,280 thousands. TL 5,025,671 thousands of the net cash inflows is generated from the cash inflows resulted from the change in operating assets and liabilities and TL 8,596,609 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 a net inflow of TL 4,053,350 thousands. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 5,638,510 thousands.

The net cash outflows from financing activities is TL 1,009,893 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 1,433,478 thousands.

5.11.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Note 5.1.9.3 of investments in subsidiaries.

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	2,656,765
Cash in TL	1,297,556
Cash in Foreign Currency	1,359,209
Cash Equivalents	9,703,644
Other	9,703,644
TOTAL	12,360,409

5.11.5 Cash and cash equivalents at end of period

	<i>31 December 2018</i>
Cash on Hand	3,818,197
Cash in TL	1,562,382
Cash in Foreign Currency	2,255,815
Cash Equivalents	26,729,128
Other	26,729,128
TOTAL	30,547,325

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 10,746,491 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 5,180,753 thousands as collateral against funds borrowed at various banks.

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 operating capacity of the Bank

None.

5.12 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 outflow arising from banking operations amount to TL 4,205,208 thousands. TL 10,739,782 thousands of this amount is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 6,534,574 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 a net inflow of TL 1,005,340 thousands. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 3,348,145 thousands.

The net cash inflows from financing activities is TL 4,401,577 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 592,678 thousands.

5.12.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Note 5.2.8.3 of investments in subsidiaries.

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	2,039,563
Cash in TL	1,357,688
Cash in Foreign Currency	681,875
Cash Equivalents	10,972,014
Other	10,972,014
TOTAL	13,011,577

5.12.5 Cash and cash equivalents at end of period

	<i>31 December 2017</i>
Cash on Hand	2,656,765
Cash in TL	1,297,556
Cash in Foreign Currency	1,359,209
Cash Equivalents	9,703,644
Other	9,703,644
TOTAL	12,360,409

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 8,885,348 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 6,033,161 thousands as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 19,280,068 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 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 operating capacity of the Bank

None.

5.13 Related Party Risks

5.13.1 Transactions with the 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	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Balance at end of period	5,638,055	1,498,526	108,221	942,442	83,353	36,351
Interest and Commission Income (*)	193,855	13,864	18,956	189	202,856	6,745

(*) Doğu 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	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Balance at end of period	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Interest and Commission Income	94,037	4,502	3,701	93	155,698	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	1,414,155	900,256	375,167	536,399	378,773	533,816
Balance at end of period	1,074,063	1,414,155	108,961	375,167	89,808	378,773
Interest Expense (*)	258,689	118,174	3,712	14,846	31,348	19,722

(*) Doğu 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	942,776	1,123,065	35,056,631	23,154,378	792,918	843,120
Balance at end of period	1,171,385	942,776	32,240,075	35,056,631	-	792,918
Total Profit/(Loss)	(20,968)	(34,389)	(46,310)	35,396	(6,021)	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 The 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 5,766,212 thousands (31 December 2017: TL 3,438,463 thousands) compose 2.58% (31 December 2017: 1.64%) of the Bank's total cash loans and 1.60% (31 December 2017: 1.06%) of the Bank's total assets. The total loans and similar receivables amounting TL 5,829,629 thousands (31 December 2017: TL 8,086,847 thousands) compose 1.62% (31 December 2017: 2.49%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 2,477,319 thousands (31 December 2017: TL 3,494,241 thousands) compose 3.76% (31 December 2017: 6.41%) of the Bank's total non-cash loans. The deposits of the risk group amounting TL 1,074,063 thousands (31 December 2017: TL 2,168,095 thousands) compose 0.58% (31 December 2017: 1.20%) of the Bank's total deposits.

The funds borrowed by the Bank from its risk group amounting TL 18,689,922 thousands (31 December 2017: TL 14,746,149 thousands) compose 58.51% (31 December 2017: 36.14%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 146,110 thousands (31 December 2017: TL 238,956 thousands).

A total rent income of TL 13,072 thousands (31 December 2017: TL 12,746 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 29,738 thousands (31 December 2017: TL 26,074 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 51,644 thousands (31 December 2017: TL 27,585 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 150,345 thousands (31 December 2017: TL 146,351 thousands), shares brokerage fee of TL 42,477 thousands (31 December 2017: TL 34,248 thousands), and fixed-rate securities brokerage fee of TL 5,133 thousands (31 December 2017: TL 7,999 thousands).

Operating expenses of TL 127 thousands (31 December 2017: TL 408 thousands) for advertisement and broadcasting services, of TL 4,133 thousands (31 December 2017: TL 51,396 thousands) for financial leasing services, and of TL 22,657 thousands (31 December 2017: TL 15,908 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 amounts to TL 95,317 thousands as of 31 December 2018 (31 December 2017: TL 111,505 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

Please refer to Note 5.1.9 investments in subsidiaries.

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 the Bank's internal use are partly arranged through financial leasing.

5.14 Domestic, Foreign and Off-Shore Branches or Equity Investments, and Foreign Representative Offices

5.14.1 Domestic and foreign branches and representative offices

	Number of Branches	Number Of Employees			
Domestic Branches	926	18.215			
			Country		
Foreign Representative Offices	1	1	1-Germany		
	1	1	2- China		
				Total Assets	Legal Capital
Foreign Branches	1	13	1- Malta	36,032,757	-
	7	107	2- NCTR	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

In 2018, 16 domestic branches were opened and 27 branches were closed.

5.15 Matters Arising Subsequent to Balance Sheet Date

None.

6 Other Disclosures on Activities of the Bank

6.1 Bank's latest international risk ratings

MOODY'S (September 2018)

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

^(*) Under watch for possible downgrade

STANDARD AND POORS (August 2018)

Long Term FC Obligations	B+
Long Term TL Deposit	B+
Outlook	Stable
Credit Profile (independent from the bank's shareholders and the rating of its resident country)	b+

FITCH RATINGS (October 2018)

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)

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

6.2 Dividends

As per the decision made at the annual general assembly of shareholders of the Bank on 29 March 2018, the distribution of the net profit of the year 2017, is as follows:-

2017 PROFIT DISTRIBUTION TABLE	
2017 Net Profit	6,343,920
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 Disclosures on Independent Auditors' Report

7.1 Disclosure on independent auditors' report

The unconsolidated financial statements of the Bank 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 financial statements.

7.2 Disclosures and footnotes prepared by independent auditors

None.