# Türkiye Garanti Bankası Anonim Şirketi

## Publicly Announced Unconsolidated Financial Statements, Related Disclosures and Independent Auditors' Report Thereon

### as of and for the Three-Month Period Ended

## 31 March 2019

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

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**Convenience Translation of the Review Report Originally Prepared and Issued in Turkish to English**

## Independent Auditors' Report on Review of Unconsolidated Interim Financial Information

To the Board of Directors of Türkiye Garanti Bankası Anonim Şirketi;

*Introduction*

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") as at 31 March 2019 and the related 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 three month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("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 published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Basis for Qualified Conclusion*

The accompanying unconsolidated interim financial information as at 31 March 2019 includes a general reserve of total TL 2,350,000 thousands, of which TL 100,000 thousands was recognized as expense in the current period, and TL 2,250,000 thousands had been recognized as expense in prior periods, for the possible effects of the negative circumstances which may arise in economy or market conditions which is not in line with the requirements of BRSA Accounting and Reporting Legislation.

*Qualified Conclusion*

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information do not present fairly, in all material respects, the unconsolidated financial position of Türkiye Garanti Bankası AŞ as at 31 March 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the three month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

*Report on Other Legal and Regulatory Requirements*

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the interim activity report included in section seven of the accompanying unconsolidated interim financial information is not consistent, in all material respects, with the reviewed unconsolidated interim financial information and explanatory notes.

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

The accounting principles summarized in Note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated interim financial information is 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 interim financial information and IFRS.

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

Alper Güvenç, SMMM
Partner

29 April 2019
İstanbul, Turkey

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ UNCONSOLIDATED FINANCIAL REPORTAS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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The unconsolidated financial report for the three-month period ended 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. Limited Review Report
7. Interim Activity Report

The unconsolidated financial statements for the three-month period 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** | **Ali Fuat Erbil** | **Aydın Güler** | **Hakan Özdemir** |
|---|---|---|---|
| Board of Directors Chairman | General Manager | Executive Vice President Responsible of Financial Reporting | Financial Reporting and Accounting Director |

| **Jorge Saenz - Azcunaga Carranza** | **Ricardo Gomez Barredo** | **Belkıs Sema Yurdum** |
|---|---|---|
| Audit Committee Member | Audit Committee Member | Audit Committee Member |

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Director of Investor Relations
Phone no: 90 212 318 23 50
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## SECTION ONE

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General Information



## SECTION TWO

Unconsolidated Interim Financial Statements



## SECTION THREE

Accounting Policies



## SECTION FOUR

Financial Position and Results of Operations and Risk Management

**SECTION FIVE**

Disclosures and Footnotes on Unconsolidated Financial Statements



**SECTION SIX**

Limited Review Report



**SECTION SEVEN**

Interim Activity Report

# 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 922 domestic branches, 8 foreign branches and 2 representative offices abroad (31 December 2018: 926 domestic branches, 8 foreign branches and 2 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 March 2019, 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.

(Thousands of Turkish Lira (TL))

## 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 | 39 years |
| Jorge Saenz Azcunaga Carranza | Vice Chairman<br>Independent Member and Member of Audit Committee | 24.03.2016 | University | 27 years |
| Ali Fuat Erbil | Member and CEO | 02.09.2015 | PhD | 27 years |
| Sait Ergun Özen | Member | 14.05.2003 | University | 33 years |
| Dr. Muammer Cüneyt Sezgin | Member | 30.06.2004 | PhD | 35 years |
| Jaime Saenz de Tejada Pulido | Member | 02.10.2014 | University | 28 years |
| Javier Bernal Dionis | Member | 27.07.2015 | Master | 30 years |
| Rafael Salinas Martinez de Lecea | Member | 08.05.2017 | Master | 29 years |
| Belkıs Sema Yurdum | Independent Member and Member of Audit Committee | 30.04.2013 | University | 39 years |
| Ricardo Gomez Barredo | Independent Member and Member of Audit Committee | 08.05.2017 | Master | 32 years |

Mevhibe Canan Özsoy was appointed as an independent member of the Board of Directors at the Ordinary General Assembly held on April 4, 2019 in accordance with the Corporate Governance Principles of the Capital Markets Board.

**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 | 27 years |
| İlker Kuruöz | EVP-Engineering Services and Data | 14.03.2018 | Master | 28 years |
| Avni Aydın Düren | EVP-Legal Services and Collection | 01.02.2009 | Master | 28 years |
| Betül Ebru Edin | EVP-Corporate and Investment Banking | 25.11.2009 | University | 26 years |
| Didem Başer | EVP- Customer Solutions and Digital Banking | 20.03.2012 | Master | 25 years |
| Selahattin Güldü | EVP-Commercial Banking | 20.04.2018 | University | 29 years |
| Osman Nuri Tüzün | EVP- Human Resources and Support Services | 19.08.2015 | Master | 27 years |
| Aydın Güler | EVP-Asset /Liability Management, Capital, Investor Relations and Finance | 03.02.2016 | University | 29 years |
| Ali Temel | Head of Credit Risk Management | 03.02.2016 | University | 29 years |
| Mahmut Akten | EVP-Retail Banking | 17.01.2017 | Master | 20 years |
| Cemal Onaran | EVP-SME Banking | 17.01.2017 | University | 29 years |

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

(Thousands of Turkish Lira (TL))

## 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 March 2019**

| | ASSETS | Footnotes | THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31 March 2019 | | | PRIOR PERIOD 31 December 2018 | | |
|---|---|---|---|---|---|---|---|---|
| | | | TL | FC | Total | TL | FC | Total |
| **I.** | **FINANCIAL ASSETS (Net)** | | **25,465,983** | **77,743,326** | **103,209,309** | **24,474,783** | **70,122,320** | **94,597,103** |
| **1.1** | **Cash and Cash Equivalents** | 5.1.1 | **4,122,044** | **65,385,668** | **69,507,712** | **3,211,527** | **59,521,225** | **62,732,752** |
| 1.1.1 | Cash and Balances with Central Bank | | 2,761,778 | 45,442,047 | 48,203,825 | 2,815,820 | 38,550,627 | 41,366,447 |
| 1.1.2 | Banks | | 1,140,726 | 20,033,705 | 21,174,431 | 399,233 | 21,035,031 | 21,434,264 |
| 1.1.3 | Money Market Placements | | 225,466 | - | 225,466 | 216 | - | 216 |
| 1.1.4 | Expected Credit Losses (-) | | 5,926 | 90,084 | 96,010 | 3,742 | 64,433 | 68,175 |
| **1.2** | **Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)** | 5.1.2 | **164,308** | **4,357,154** | **4,521,462** | **183,255** | **4,261,381** | **4,444,636** |
| 1.2.1 | Government Securities | | 128,945 | 131,394 | 260,339 | 151,143 | 83,426 | 234,569 |
| 1.2.2 | Equity Securities | | 29,914 | 20,835 | 50,749 | 25,670 | 85,842 | 111,512 |
| 1.2.3 | Other Financial Assets | | 5,449 | 4,204,925 | 4,210,374 | 6,442 | 4,092,113 | 4,098,555 |
| **1.3** | **Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)** | 5.1.3 | **17,270,078** | **6,530,096** | **23,800,174** | **18,254,325** | **5,213,456** | **23,467,781** |
| 1.3.1 | Government Securities | | 17,212,438 | 5,415,077 | 22,627,515 | 18,174,639 | 4,116,609 | 22,291,248 |
| 1.3.2 | Equity Securities | | 15,343 | 263,879 | 279,222 | 15,058 | 210,087 | 225,145 |
| 1.3.3 | Other Financial Assets | | 42,297 | 851,140 | 893,437 | 64,628 | 886,760 | 951,388 |
| **1.4** | **Derivative Financial Assets** | 5.1.4 | **3,909,553** | **1,470,408** | **5,379,961** | **2,825,676** | **1,126,258** | **3,951,934** |
| 1.4.1 | Derivative Financial Assets Measured at FVTPL | | 3,205,816 | 1,356,898 | 4,562,714 | 2,304,179 | 945,016 | 3,249,195 |
| 1.4.2 | Derivative Financial Assets Measured at FVOCI | | 703,737 | 113,510 | 817,247 | 521,497 | 181,242 | 702,739 |
| **II.** | **FINANCIAL ASSETS MEASURED AT AMORTIZED COST** | | **173,539,571** | **87,219,419** | **260,758,990** | **163,355,336** | **81,227,567** | **244,582,903** |
| **2.1** | **Loans** | 5.1.5 | **162,530,817** | **84,649,136** | **247,179,953** | **152,258,825** | **78,352,639** | **230,611,464** |
| **2.2** | **Lease Receivables** | 5.1.6 | **-** | **-** | **-** | **-** | **-** | **-** |
| **2.3** | **Other Financial Assets Measured at Amortised Cost** | 5.1.7 | **19,311,467** | **7,187,836** | **26,499,303** | **18,565,890** | **6,866,393** | **25,432,283** |
| 2.3.1 | Government Securities | | **19,179,822** | **6,321,566** | **25,501,388** | **18,532,126** | **6,053,663** | **24,585,789** |
| 2.3.2 | Other Financial Assets | | 131,645 | 866,270 | 997,915 | 33,764 | 812,730 | 846,494 |
| **2.4** | **Expected Credit Losses (-)** | | **8,302,713** | **4,617,553** | **12,920,266** | **7,469,379** | **3,991,465** | **11,460,844** |
| **III.** | **ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)** | 5.1.8 | **799,039** | **-** | **799,039** | **786,709** | **-** | **786,709** |
| 3.1 | Asset Held for Resale | | **799,039** | **-** | **799,039** | **786,709** | **-** | **786,709** |
| 3.2 | Assets of Discontinued Operations | | - | - | - | - | - | - |
| **IV.** | **INVESTMENTS IN ASSOCIATES,SUBSIDIARIES AND JOINT VENTURES** | | **2,334,897** | **5,176,589** | **7,511,486** | **2,176,289** | **4,883,620** | **7,059,909** |
| **4.1** | **Associates (Net)** | 5.1.9 | **35,158** | **-** | **35,158** | **35,158** | **-** | **35,158** |
| 4.1.1 | Associates Consolidated Under Equity Accounting | | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1.2 | Unconsolidated Associates | | 35,158 | - | 35,158 | 35,158 | - | 35,158 |
| **4.2** | **Subsidiaries (Net)** | 5.1.10 | **2,299,739** | **5,176,589** | **7,476,328** | **2,141,131** | **4,883,620** | **7,024,751** |
| 4.2.1 | Unconsolidated Financial Investments in Subsidiaries | | 2,216,199 | 5,176,589 | 7,392,788 | 2,057,591 | 4,883,620 | 6,941,211 |
| 4.2.2 | Unconsolidated Non-Financial Investments in Subsidiaries | | 83,540 | - | 83,540 | 83,540 | - | 83,540 |
| **4.3** | **Joint Ventures (Net)** | 5.1.11 | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.3.1 | Joint-Ventures Consolidated Under Equity Accounting | | - | - | - | - | - | - |
| 4.3.2 | Unconsolidated Joint-Ventures | | - | - | - | - | - | - |
| **V.** | **TANGIBLE ASSETS (Net)** | 5.1.12 | **5,009,418** | **304** | **5,009,722** | **4,105,729** | **300** | **4,106,029** |
| **VI.** | **INTANGIBLE ASSETS (Net)** | 5.1.13 | **315,450** | **-** | **315,450** | **300,551** | **-** | **300,551** |
| 6.1 | Goodwill | | - | - | - | - | - | - |
| 6.2 | Others | | 315,450 | - | 315,450 | 300,551 | - | 300,551 |
| **VII.** | **INVESTMENT PROPERTY (Net)** | 5.1.14 | **690,700** | **-** | **690,700** | **690,700** | **-** | **690,700** |
| **VIII.** | **CURRENT TAX ASSET** | | **250** | **-** | **250** | **60,043** | **-** | **60,043** |
| **IX.** | **DEFERRED TAX ASSET** | 5.1.15 | **1,210,826** | **-** | **1,210,826** | **1,305,446** | **-** | **1,305,446** |
| **X.** | **OTHER ASSETS (Net)** | 5.1.16 | **3,669,920** | **1,208,441** | **4,878,361** | **4,854,484** | **1,133,325** | **5,987,809** |
| | **TOTAL ASSETS** | | **213,036,054** | **171,348,079** | **384,384,133** | **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 March 2019

| | LIABILITIES AND SHAREHOLDERS' EQUITY | Footnotes | THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31 March 2019 | | | PRIOR PERIOD 31 December 2018 | | |
|---|---|---|---|---|---|---|---|---|
| | | | TL | FC | Total | TL | FC | Total |
| **I.** | **DEPOSITS** | 5.2.1 | **104,094,824** | **132,060,087** | **236,154,911** | **104,641,068** | **113,416,850** | **218,057,918** |
| **II.** | **FUNDS BORROWED** | 5.2.2 | **875,333** | **32,699,257** | **33,574,590** | **914,443** | **31,026,239** | **31,940,682** |
| **III.** | **MONEY MARKET FUNDS** | 5.2.3 | **26,973** | **413,789** | **440,762** | **45,416** | **-** | **45,416** |
| **IV.** | **SECURITIES ISSUED (NET)** | 5.2.4 | **5,535,563** | **17,112,407** | **22,647,970** | **3,200,841** | **16,806,517** | **20,007,358** |
| 4.1 | Bills | | 3,431,191 | 29,564 | 3,460,755 | 1,128,901 | 27,087 | 1,155,988 |
| 4.2 | Asset Backed Securities | | - | - | - | - | - | - |
| 4.3 | Bonds | | 2,104,372 | 17,082,843 | 19,187,215 | 2,071,940 | 16,779,430 | 18,851,370 |
| **V.** | **FUNDS** | | - | - | - | - | - | - |
| 5.1 | Borrowers' Funds | | - | - | - | - | - | - |
| 5.2 | Others | | - | - | - | - | - | - |
| **VI.** | **FINANCIAL LIABILITIES MEASURED AT FVTPL** | 5.2.5 | **-** | **13,291,147** | **13,291,147** | **-** | **12,285,838** | **12,285,838** |
| **VII.** | **DERIVATIVE FINANCIAL LIABILITIES** | 5.2.6 | **1,883,413** | **2,437,063** | **4,320,476** | **2,402,287** | **1,801,765** | **4,204,052** |
| 7.1 | Derivative Financial Liabilities Measured at FVTPL | | 1,814,792 | 2,411,252 | 4,226,044 | 2,288,704 | 1,789,390 | 4,078,094 |
| 7.2 | Derivative Financial Liabilities Measured at FVOCI | | 68,621 | 25,811 | 94,432 | 113,583 | 12,375 | 125,958 |
| **VIII.** | **FACTORING PAYABLES** | | - | - | - | - | - | - |
| **IX.** | **LEASE PAYABLES (Net)** | 5.2.7 | **874,961** | **55,478** | **930,439** | **16,464** | **-** | **16,464** |
| **X.** | **PROVISIONS** | 5.2.8 | **3,989,774** | **896,327** | **4,886,101** | **3,826,730** | **993,663** | **4,820,393** |
| 10.1 | Restructuring Reserves | | - | - | - | - | - | - |
| 10.2 | Reserve for Employee Benefits | | 963,924 | 137,644 | 1,101,568 | 940,537 | 110,696 | 1,051,233 |
| 10.3 | Insurance Technical Provisions (Net) | | - | - | - | - | - | - |
| 10.4 | Other Provisions | | 3,025,850 | 758,683 | 3,784,533 | 2,886,193 | 882,967 | 3,769,160 |
| **XI.** | **CURRENT TAX LIABILITY** | 5.2.9 | **639,524** | **73,582** | **713,106** | **508,339** | **57,628** | **565,967** |
| **XII.** | **DEFERRED TAX LIABILITY** | 5.2.9 | - | - | - | - | - | - |
| **XIII.** | **LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)** | 5.2.10 | - | - | - | - | - | - |
| 13.1 | Asset Held for Sale | | - | - | - | - | - | - |
| 13.2 | Assets of Discontinued Operations | | - | - | - | - | - | - |
| **XIV.** | **SUBORDINATED DEBTS** | 5.2.11 | **-** | **4,302,079** | **4,302,079** | **-** | **3,977,018** | **3,977,018** |
| 14.1 | Borrowings | | - | - | - | - | - | - |
| 14.2 | Other Debt Instruments | | - | 4,302,079 | 4,302,079 | - | 3,977,018 | 3,977,018 |
| **XV.** | **OTHER LIABILITIES** | 5.2.12 | **13,511,804** | **1,418,431** | **14,930,235** | **15,704,986** | **1,163,257** | **16,868,243** |
| **XVI.** | **SHAREHOLDERS' EQUITY** | 5.2.13 | **48,101,339** | **90,978** | **48,192,317** | **46,363,042** | **324,811** | **46,687,853** |
| 16.1 | Paid-in Capital | | **4,200,000** | **-** | **4,200,000** | **4,200,000** | **-** | **4,200,000** |
| 16.2 | Capital Reserves | | **784,434** | **-** | **784,434** | **784,434** | **-** | **784,434** |
| 16.2.1 | Share Premium | | 11,880 | - | 11,880 | 11,880 | - | 11,880 |
| 16.2.2 | Share Cancellation Profits | | - | - | - | - | - | - |
| 16.2.3 | Other Capital Reserves | | 772,554 | - | 772,554 | 772,554 | - | 772,554 |
| 16.3 | Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss | | **1,273,747** | **134,934** | **1,408,681** | **1,273,518** | **90,909** | **1,364,427** |
| 16.4 | Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss | | **1,221,403** | **(301,166)** | **920,237** | **1,271,073** | **(76,540)** | **1,194,533** |
| 16.5 | Profit Reserves | | **31,864,247** | **257,210** | **32,121,457** | **31,798,472** | **310,442** | **32,108,914** |
| 16.5.1 | Legal Reserves | | 1,465,374 | - | 1,465,374 | 1,465,374 | - | 1,465,374 |
| 16.5.2 | Status Reserves | | - | - | - | - | - | - |
| 16.5.3 | Extraordinary Reserves | | 30,169,729 | - | 30,169,729 | 30,103,954 | - | 30,103,954 |
| 16.5.4 | Other Profit Reserves | | 229,144 | 257,210 | 486,354 | 229,144 | 310,442 | 539,586 |
| 16.6 | Profit/Loss | | **8,757,508** | **-** | **8,757,508** | **7,035,545** | **-** | **7,035,545** |
| 16.6.1 | Prior Periods' Profit/Loss | | 7,035,545 | - | 7,035,545 | 397,309 | - | 397,309 |
| 16.6.2 | Current Period's Net Profit/Loss | | 1,721,963 | - | 1,721,963 | 6,638,236 | - | 6,638,236 |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **179,533,508** | **204,850,625** | **384,384,133** | **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 March 2019

| | | Footnotes | THOUSANDS OF TURKISH LIRA (TL) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | CURRENT PERIOD 31 March 2019 | | | PRIOR PERIOD 31 December 2018 | | |
| | | | TL | FC | Total | TL | FC | Total |
| **A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)** | | | **203,959,870** | **362,022,382** | **565,982,252** | **162,159,415** | **312,705,642** | **474,865,057** |
| **I.** | **GUARANTEES AND SURETIES** | 5.3.1 | **22,555,390** | **41,047,973** | **63,603,363** | **22,813,515** | **42,989,474** | **65,802,989** |
| 1.1. | Letters of guarantee | | 22,441,676 | 27,281,648 | 49,723,324 | 22,742,832 | 26,424,630 | 49,167,462 |
| 1.1.1. | Guarantees subject to State Tender Law | | - | 981,914 | 981,914 | - | 981,914 | 981,914 |
| 1.1.2. | Guarantees given for foreign trade operations | | 1,842,819 | 214,343 | 2,057,162 | 1,842,819 | 214,343 | 2,057,162 |
| 1.1.3. | Other letters of guarantee | | 20,598,857 | 26,085,391 | 46,684,248 | 20,900,013 | 25,228,373 | 46,128,386 |
| 1.2. | Bank acceptances | | 28,667 | 2,957,692 | 2,986,359 | 23,495 | 2,765,334 | 2,788,829 |
| 1.2.1. | Import letter of acceptance | | 28,667 | 2,957,692 | 2,986,359 | 23,495 | 2,765,334 | 2,788,829 |
| 1.2.2. | Other bank acceptances | | - | - | - | - | - | - |
| 1.3. | Letters of credit | | 85,047 | 10,741,954 | 10,827,001 | 47,188 | 13,736,240 | 13,783,428 |
| 1.3.1. | Documentary letters of credit | | - | - | - | - | - | - |
| 1.3.2. | Other letters of credit | | 85,047 | 10,741,954 | 10,827,001 | 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 | | - | 66,679 | 66,679 | - | 63,270 | 63,270 |
| 1.9. | Other sureties | | - | - | - | - | - | - |
| **II.** | **COMMITMENTS** | 5.3.2 | **56,564,694** | **15,491,480** | **72,056,174** | **52,647,137** | **11,735,504** | **64,382,641** |
| 2.1. | Irrevocable commitments | | 56,464,688 | 13,518,442 | 69,983,130 | 52,528,332 | 8,693,452 | 61,221,784 |
| 2.1.1. | Asset purchase and sale commitments | | 6,121,188 | 12,246,202 | 18,367,390 | 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 | | - | 6,012 | 6,012 | - | 5,743 | 5,743 |
| 2.1.4. | Loan granting commitments | | 13,667,596 | 1,266,228 | 14,933,824 | 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 | | 3,380,399 | - | 3,380,399 | 2,719,279 | - | 2,719,279 |
| 2.1.8. | Tax and fund obligations on export commitments | | 75,114 | - | 75,114 | 66,328 | - | 66,328 |
| 2.1.9. | Commitments for credit card limits | | 33,218,207 | - | 33,218,207 | 31,989,908 | - | 31,989,908 |
| 2.1.10. | Commitments for credit cards and banking services related promotions | | 2,184 | - | 2,184 | 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 | | 100,006 | 1,973,038 | 2,073,044 | 118,805 | 3,042,052 | 3,160,857 |
| 2.2.1. | Revocable loan granting commitments | | 100,006 | 1,971,463 | 2,071,469 | 118,805 | 3,040,576 | 3,159,381 |
| 2.2.2. | Other revocable commitments | | - | 1,575 | 1,575 | - | 1,476 | 1,476 |
| **III.** | **DERIVATIVE FINANCIAL INSTRUMENTS** | 5.3.2 | **124,839,786** | **305,482,929** | **430,322,715** | **86,698,763** | **257,980,664** | **344,679,427** |
| 3.1. | Derivative financial instruments held for risk management | | 17,657,436 | 46,961,697 | 64,619,133 | 11,918,326 | 46,555,011 | 58,473,337 |
| 3.1.1. | Fair value hedges | | 6,509,096 | 17,769,166 | 24,278,262 | 6,000,686 | 16,411,355 | 22,412,041 |
| 3.1.2. | Cash flow hedges | | 11,148,340 | 29,192,531 | 40,340,871 | 5,917,640 | 30,143,656 | 36,061,296 |
| 3.1.3. | Net foreign investment hedges | | - | - | - | - | - | - |
| 3.2. | Trading derivatives | | 107,182,350 | 258,521,232 | 365,703,582 | 74,780,437 | 211,425,653 | 286,206,090 |
| 3.2.1. | Forward foreign currency purchases/sales | | 16,829,124 | 22,558,344 | 39,387,468 | 11,612,734 | 13,094,791 | 24,707,525 |
| 3.2.1.1. | Forward foreign currency purchases | | 4,896,083 | 15,033,303 | 19,929,386 | 4,785,365 | 7,470,638 | 12,256,003 |
| 3.2.1.2. | Forward foreign currency sales | | 11,933,041 | 7,525,041 | 19,458,082 | 6,827,369 | 5,624,153 | 12,451,522 |
| 3.2.2. | Currency and interest rate swaps | | 70,120,502 | 175,830,806 | 245,951,308 | 45,314,567 | 147,510,879 | 192,825,446 |
| 3.2.2.1. | Currency swaps-purchases | | 18,773,642 | 74,460,775 | 93,234,417 | 10,335,927 | 58,804,841 | 69,140,768 |
| 3.2.2.2. | Currency swaps-sales | | 47,313,256 | 41,633,437 | 88,946,693 | 33,563,046 | 31,725,340 | 65,288,386 |
| 3.2.2.3. | Interest rate swaps-purchases | | 2,016,802 | 29,868,297 | 31,885,099 | 707,797 | 28,490,349 | 29,198,146 |
| 3.2.2.4. | Interest rate swaps-sales | | 2,016,802 | 29,868,297 | 31,885,099 | 707,797 | 28,490,349 | 29,198,146 |
| 3.2.3. | Currency, interest rate and security options | | 17,946,218 | 34,652,117 | 52,598,335 | 17,067,638 | 31,573,332 | 48,640,970 |
| 3.2.3.1. | Currency call options | | 11,248,399 | 7,156,009 | 18,404,408 | 9,026,514 | 7,809,989 | 16,836,503 |
| 3.2.3.2. | Currency put options | | 6,697,819 | 13,388,878 | 20,086,697 | 8,041,124 | 10,288,110 | 18,329,234 |
| 3.2.3.3. | Interest rate call options | | - | 12,468,020 | 12,468,020 | - | 11,920,994 | 11,920,994 |
| 3.2.3.4. | Interest rate put options | | - | 1,639,210 | 1,639,210 | - | 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 | | 2,286,506 | 2,628,127 | 4,914,633 | 785,498 | 923,754 | 1,709,252 |
| 3.2.4.1. | Currency futures-purchases | | 33,584 | 2,417,599 | 2,451,183 | 31,748 | 791,418 | 823,166 |
| 3.2.4.2. | Currency futures-sales | | 2,252,922 | 210,528 | 2,463,450 | 753,750 | 132,336 | 886,086 |
| 3.2.5. | Interest rate futures | | - | 57,873 | 57,873 | - | 18,066 | 18,066 |
| 3.2.5.1. | Interest rate futures-purchases | | - | - | - | - | - | - |
| 3.2.5.2. | Interest rate futures-sales | | - | 57,873 | 57,873 | - | 18,066 | 18,066 |
| 3.2.6. | Others | | - | 22,793,965 | 22,793,965 | - | 18,304,831 | 18,304,831 |
| **B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)** | | | **740,131,786** | **781,740,378** | **1,521,872,164** | **716,032,012** | **729,102,775** | **1,445,134,787** |
| **IV.** | **ITEMS HELD IN CUSTODY** | | **38,112,778** | **46,405,943** | **84,518,721** | **34,633,151** | **44,578,085** | **79,211,236** |
| 4.1. | Customers' securities held | | 4,884,744 | - | 4,884,744 | 3,982,523 | - | 3,982,523 |
| 4.2. | Investment securities held in custody | | 13,719,054 | 15,969,156 | 29,688,210 | 11,117,076 | 15,329,484 | 26,446,560 |
| 4.3. | Checks received for collection | | 16,339,174 | 5,826,547 | 22,165,721 | 16,479,946 | 5,246,790 | 21,726,736 |
| 4.4. | Commercial notes received for collection | | 2,897,500 | 961,996 | 3,859,496 | 2,819,574 | 1,015,696 | 3,835,270 |
| 4.5. | Other assets received for collection | | 220,947 | 19,693,443 | 19,914,390 | 189,845 | 19,205,507 | 19,395,352 |
| 4.6. | Assets received through public offering | | - | 137,045 | 137,045 | - | 128,789 | 128,789 |
| 4.7. | Other items under custody | | 51,359 | 3,817,756 | 3,869,115 | 44,187 | 3,651,819 | 3,696,006 |
| 4.8. | Custodians | | - | - | - | - | - | - |
| **V.** | **PLEDGED ITEMS** | | **702,019,008** | **735,334,435** | **1,437,353,443** | **681,398,861** | **684,524,690** | **1,365,923,551** |
| 5.1. | Securities | | 3,067,439 | 273,520 | 3,340,959 | 2,341,155 | 27,885 | 2,369,040 |
| 5.2. | Guarantee notes | | 26,925,670 | 12,048,721 | 38,974,391 | 27,120,291 | 11,296,710 | 38,417,001 |
| 5.3. | Commodities | | 12,330 | - | 12,330 | 13,913 | - | 13,913 |
| 5.4. | Warranties | | - | - | - | - | - | - |
| 5.5. | Real estates | | 171,133,680 | 130,793,506 | 301,927,186 | 169,414,525 | 123,196,216 | 292,610,741 |
| 5.6. | Other pledged items | | 500,879,889 | 592,218,597 | 1,093,098,486 | 482,508,977 | 550,003,792 | 1,032,512,769 |
| 5.7. | Pledged items-depository | | - | 91 | 91 | - | 87 | 87 |
| **VI.** | **CONFIRMED BILLS OF EXCHANGE AND SURETIES** | | - | - | - | - | - | - |
| | **TOTAL OFF-BALANCE SHEET ITEMS (A+B)** | | **944,091,656** | **1,143,762,760** | **2,087,854,416** | **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 period ended at 31 March 2019

| | INCOME AND EXPENSE ITEMS | Footnotes | THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2019-31 March 2019 | PRIOR PERIOD 1 January 2018-31 March 2018 |
|---|---|---|---|---|
| **I.** | **INTEREST INCOME** | 5.4.1 | **10,272,821** | **7,382,983** |
| 1.1 | Interest income on loans | | 8,204,825 | 6,118,741 |
| 1.2 | Interest income on reserve deposits | | 70,258 | 71,734 |
| 1.3 | Interest income on banks | | 196,183 | 63,990 |
| 1.4 | Interest income on money market transactions | | 29,777 | 3,050 |
| 1.5 | Interest income on securities portfolio | | 1,627,596 | 1,056,594 |
| 1.5.1 | Financial assets measured at FVTPL | | 10,694 | 12,488 |
| 1.5.2 | Financial assets measured at FVOCI | | 810,457 | 578,286 |
| 1.5.3 | Financial assets measured at amortised cost | | 806,445 | 465,820 |
| 1.6 | Financial lease income | | - | - |
| 1.7 | Other interest income | | 144,182 | 68,874 |
| **II.** | **INTEREST EXPENSE** | 5.4.2 | **5,777,758** | **3,595,218** |
| 2.1 | Interest on deposits | | 4,688,397 | 2,529,176 |
| 2.2 | Interest on funds borrowed | | 511,029 | 331,412 |
| 2.3 | Interest on money market transactions | | 6,277 | 247,643 |
| 2.4 | Interest on securities issued | | 474,220 | 473,875 |
| 2.5 | Lease interest expense | | 47,062 | 265 |
| 2.6 | Other interest expenses | | 50,773 | 12,847 |
| **III.** | **NET INTEREST INCOME (I - II)** | | **4,495,063** | **3,787,765** |
| **IV.** | **NET FEES AND COMMISSIONS INCOME/EXPENSES** | | **1,430,502** | **1,169,214** |
| 4.1 | Fees and commissions received | | 1,957,011 | 1,481,950 |
| 4.1.1 | Non-cash loans | | 166,484 | 109,457 |
| 4.1.2 | Others | | 1,790,527 | 1,372,493 |
| 4.2 | Fees and commissions paid | | 526,509 | 312,736 |
| 4.2.1 | Non-cash loans | | 52 | 729 |
| 4.2.2 | Others | | 526,457 | 312,007 |
| **V.** | **DIVIDEND INCOME** | 5.4.3 | **414** | **-** |
| **VI.** | **NET TRADING INCOME/LOSSES (Net)** | 5.4.4 | **(169,078)** | **(341,906)** |
| 7.1 | Trading account income/losses | | 486,955 | 207,847 |
| 7.2 | Income/losses from derivative financial instruments | | 907,345 | 349,864 |
| 7.3 | Foreign exchange gains/losses | | (1,563,378) | (899,617) |
| **VII.** | **OTHER OPERATING INCOME** | 5.4.5 | **1,639,973** | **1,023,881** |
| **VIII.** | **TOTAL OPERATING PROFIT (III+IV+V+VI+VII)** | | **7,396,874** | **5,638,954** |
| **IX.** | **EXPECTED CREDIT LOSSES (-)** | 5.4.6 | **3,206,823** | **1,616,995** |
| **X.** | **OTHER PROVISIONS (-)** | 5.4.6 | **242,876** | **17,925** |
| **XI.** | **PERSONNEL EXPENSES (-)** | | **864,992** | **678,240** |
| **XII.** | **OTHER OPERATING EXPENSES (-)** | 5.4.7 | **1,203,802** | **1,057,653** |
| **XIII.** | **NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)** | | **1,878,381** | **2,268,141** |
| **XIV.** | **INCOME RESULTED FROM MERGERS** | | **-** | **-** |
| **XV.** | **INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING** | | **249,959** | **224,444** |
| **XVI.** | **GAIN/LOSS ON NET MONETARY POSITION** | | **-** | **-** |
| **XVII.** | **OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)** | 5.4.8 | **2,128,340** | **2,492,585** |
| **XVIII.** | **PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)** | 5.7.9 | **406,377** | **496,334** |
| 18.1 | Current tax charge | | 196,488 | 377,655 |
| 18.2 | Deferred tax charge (+) | | 522,901 | 305,854 |
| 18.3 | Deferred tax credit (-) | | (313,012) | (187,175) |
| **XIX.** | **NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)** | 5.4.10 | **1,721,963** | **1,996,251** |
| **XX.** | **INCOME FROM DISCONTINUED OPERATIONS** | | - | - |
| 20.1 | Income from assets held for sale | | - | - |
| 20.2 | Income from sale of associates, subsidiaries and joint-ventures | | - | - |
| 20.3 | Others | | - | - |
| **XXI.** | **EXPENSES FROM DISCONTINUED OPERATIONS (-)** | | - | - |
| 21.1 | Expenses on assets held for sale | | - | - |
| 21.2 | Expenses on sale of associates, subsidiaries and joint-ventures | | - | - |
| 21.3 | Others | | - | - |
| **XXII.** | **PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)** | 5.4.8 | - | - |
| **XXIII.** | **PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)** | 5.4.9 | - | - |
| 23.1 | Current tax charge | | - | - |
| 23.2 | Deferred tax charge (+) | | - | - |
| 23.3 | Deferred tax credit (-) | | - | - |
| **XXIV.** | **NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)** | 5.4.10 | - | - |
| **XXV.** | **NET PROFIT/LOSS (XIX+XXIV)** | 5.4.11 | **1,721,963** | **1,996,251** |
| | **Earnings per Share** | | **0.00410** | **0.00475** |

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 period ended at 31 March 2019

| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | THOUSANDS OF TURKISH LIRA (TL) | |
|---|---|---|---|
| | | **CURRENT PERIOD 1 January 2019 - 31 March 2019** | **PRIOR PERIOD 1 January 2018 - 31 March 2018** |
| **I.** | **CURRENT PERIOD PROFIT/LOSS** | **1,721,963** | **1,996,251** |
| **II.** | **OTHER COMPREHENSIVE INCOME** | **(230,042)** | **17,004** |
| **2.1** | **Other Income/Expense Items not to be Recycled to Profit or Loss** | **44,254** | **24,782** |
| 2.1.1 | Revaluation Surplus on Tangible Assets | - | - |
| 2.1.2 | Revaluation Surplus on Intangible Assets | - | - |
| 2.1.3 | Defined Benefit Plans' Actuarial Gains/Losses | - | - |
| 2.1.4 | Other Income/Expense Items not to be Recycled to Profit or Loss | 46,628 | 25,047 |
| 2.1.5 | Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss | (2,374) | (265) |
| **2.2** | **Other Income/Expense Items to be Recycled to Profit or Loss** | **(274,296)** | **(7,778)** |
| 2.2.1 | Translation Differences | 224,832 | 253,149 |
| 2.2.2 | Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | (625,627) | (278,537) |
| 2.2.3 | Gains/losses from Cash Flow Hedges | 113,484 | 115,465 |
| 2.2.4 | Gains/Losses on Hedges of Net Investments in Foreign Operations | (104,628) | (117,129) |
| 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 | 117,643 | 19,274 |
| **III.** | **TOTAL COMPREHENSIVE INCOME (I+II)** | **1,491,921** | **2,013,255** |

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

# Türkiye Garanti Bankası Anonim Şirketi
## Statement of Changes in Shareholders' Equity
### For the period ended at 31 March 2019

| | STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY | Footnotes | THOUSANDS OF TURKISH LIRA (TL) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 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 | | | | | | |
| | | | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | 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 | Profit Reserves | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Total Shareholders' Equity |
| | **PREVIOUS PERIOD (01/01/2018-31/03/2018)** | | | | | | | | | | | | | | | |
| **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** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **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)** | 5.5 | **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** | | **-** | **-** | **-** | **-** | **-** | **-** | **7,615** | **253,149** | **(167,224)** | **(93,703)** | **17,167** | **-** | **1,996,251** | **2,013,255** |
| **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** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **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** | **1,431,478** | **(142,992)** | **68,473** | **1,964,607** | **87,012** | **(444,624)** | **32,043,059** | **397,309** | **1,996,251** | **42,385,007** |
| | **CURRENT PERIOD (01/01/2019-31/03/2019)** | | | | | | | | | | | | | | | |
| **I.** | **Balances at Beginning of Period** | | **4,200,000** | **11,880** | **-** | **772,554** | **1,423,894** | **(158,829)** | **99,362** | **2,857,876** | **(889,345)** | **(773,998)** | **32,108,914** | **7,035,545** | **-** | **46,687,853** |
| **II.** | **Correction made as per TAS 8** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1. | Effect of Corrections | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. | Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **III.** | **Adjusted Balances at Beginning of Period (I+II)** | 5.5 | **4,200,000** | **11,880** | **-** | **772,554** | **1,423,894** | **(158,829)** | **99,362** | **2,857,876** | **(889,345)** | **(773,998)** | **32,108,914** | **7,035,545** | **-** | **46,687,853** |
| **IV.** | **Total Comprehensive Income** | | **-** | **-** | **-** | **-** | **-** | **-** | **44,254** | **224,832** | **(415,426)** | **(83,702)** | **-** | **-** | **1,721,963** | **1,491,921** |
| **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** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **12,543** | **-** | **-** | **12,543** |
| **XI.** | **Profit Distribution** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 11.1 | Dividends | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 | Transfers to Reserves | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.3 | Others | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Balances at end of the period (III+IV…+X+XI)** | | **4,200,000** | **11,880** | **-** | **772,554** | **1,423,894** | **(158,829)** | **143,616** | **3,082,708** | **(1,304,771)** | **(857,700)** | **32,121,457** | **7,035,545** | **1,721,963** | **48,192,317** |

# Türkiye Garanti Bankası Anonim Şirketi

## Statement of Cash Flows

**For the period ended at 31 March 2019**

| | STATEMENT OF CASH FLOWS | Footnotes | THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2019 31 March 2019 | PRIOR PERIOD 1 January 2018 31 March 2018 |
|---|---|---|---|---|
| **A.** | **CASH FLOWS FROM BANKING OPERATIONS** | | | |
| **1.1** | **Operating profit before changes in operating assets and liabilities** | 5.6 | **1,302,590** | **1,466,331** |
| 1.1.1 | Interests received | | 8,391,656 | 6,038,212 |
| 1.1.2 | Interests paid | | (6,042,411) | (3,431,848) |
| 1.1.3 | Dividend received | | 414 | - |
| 1.1.4 | Fees and commissions received | | 1,957,011 | 1,481,950 |
| 1.1.5 | Other income | | 2,126,928 | 1,231,728 |
| 1.1.6 | Collections from previously written-off receivables | | 149,808 | 158,031 |
| 1.1.7 | Cash payments to personnel and service suppliers | | (1,700,618) | (1,496,862) |
| 1.1.8 | Taxes paid | | (49,349) | (698,175) |
| 1.1.9 | Others | | (3,530,849) | (1,816,705) |
| **1.2** | **Changes in operating assets and liabilities** | 5.6 | **(575,841)** | **(10,140,659)** |
| 1.2.1 | Net (increase) decrease in financial assets measured at FVTPL | | 24,070 | 403,126 |
| 1.2.2 | Net (increase) decrease in due from banks | | (2,694,107) | (1,342,320) |
| 1.2.3 | Net (increase) decrease in loans | | (18,051,294) | (9,678,214) |
| 1.2.4 | Net (increase) decrease in other assets | | 745,275 | (1,136,455) |
| 1.2.5 | Net increase (decrease) in bank deposits | | 1,985,734 | 1,860,815 |
| 1.2.6 | Net increase (decrease) in other deposits | | 16,010,430 | 7,936,402 |
| 1.2.7 | Net (increase) decrease in financial liabilities measured at FVTPL | | - | - |
| 1.2.8 | Net increase (decrease) in funds borrowed | | 3,401,781 | (9,437,616) |
| 1.2.9 | Net increase (decrease) in matured payables | | - | - |
| 1.2.10 | Net increase (decrease) in other liabilities | | (1,997,730) | 1,253,603 |
| **I.** | **Net cash flow from banking operations** | 5.6 | **726,749** | **(8,674,328)** |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **II.** | **Net cash flow from investing activities** | 5.6 | **(478,003)** | **4,023,049** |
| 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 | | (84,986) | (105,753) |
| 2.4 | Sales of tangible assets | | 84,368 | 104,182 |
| 2.5 | Cash paid for purchase of financial assets measured at FVOCI | | (2,399,636) | (1,726,285) |
| 2.6 | Cash obtained from sale of financial assets measured at FVOCI | | 2,019,372 | 4,660,502 |
| 2.7 | Cash paid for purchase of financial assets measured at amortised cost | | (97,121) | (144,888) |
| 2.8 | Cash obtained from sale of financial assets measured at amortised cost | | - | 1,235,291 |
| 2.9 | Others | | - | - |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **III.** | **Net cash flow from financing activities** | | **2,540,760** | **1,552,522** |
| 3.1 | Cash obtained from funds borrowed and securities issued | | 3,786,518 | 7,853,498 |
| 3.2 | Cash used for repayment of funds borrowed and securities issued | | (1,145,906) | (6,299,427) |
| 3.3 | Equity instruments issued | | - | - |
| 3.4 | Dividends paid | | - | - |
| 3.5 | Payments for financial leases | | (99,852) | (1,549) |
| 3.6 | Others | | - | - |
| **IV.** | **Effect of translation differences on cash and cash equivalents** | | **1,304,103** | **278,389** |
| **V.** | **Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)** | 5.6 | **4,093,609** | **(2,820,368)** |
| **VI.** | **Cash and cash equivalents at beginning of period** | 5.6 | **30,547,325** | **12,360,409** |
| **VII.** | **Cash and cash equivalents at end of period (V+VI)** | 5.6 | **34,640,934** | **9,540,041** |

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 Financial Repoting Standards (TFRS) 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.

In accordance with the "Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats. The accompanying unconsolidated financial statements as of 1 January 2018 include the opening effects of TFRS 9 Financial Instruments standard (TFRS 9) which replaces TAS 39 Financial Instruments: Recognition and Measurement standard.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 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 16 Leases standard ("TFRS 16") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the accompanying financial statements starting from 1 January 2019.

#### *3.1.1.2 Standards effective as of 1 January 2019*

**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 Bank applies this standard with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context,the Bank did not restate comparative information.

The Bank recognises a lease liability and a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying TAS 17.The Bank measures that lease liability at the present value of the remaining lease payments, discounted using the Bank's alternative borrowing rate at the date of initial application. Besides, the Bank measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

## 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 Communique 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 371,275,783 (31 December 2017: EUR 366,635,075) 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 1,072,151 thousands (31 December 2017: TL 967,523 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 March 2019. 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 Communique 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 contacts.

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.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions. As of 31 March 2019, fair value measurement adjustments are made in TL yield curves used in valuation of derivative transactions.

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 5.1.7.5.

*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 5.1.5.11.

***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 occuring 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 update was made in the 4th quarter of 2018 and the Bank continued to calculate expected credit losses provision based on the mentioned updated model in 2019.

#### ***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 differantiated 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.

### 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 funds" 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 then 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.

(Thousands of Turkish Lira (TL))

| 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.

*Right-of-use assets*

As a result of internal evaluations, the Bank accounts branches and service buildings subject to operational lease in accordance with TFRS 16; but ATMs, vehicles and other leasing transaction balances are not considered within the scope of TFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Other Operating Expenses.

At the commencement date, the Bank measures the right-of-use real estates considered as right-of-use asset at the cost of right-of-use asset in accordance with TFRS 16. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Bank measures the right-of-use asset applying a cost model. To apply the cost model, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

The Bank applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Bank applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

## 3.14 Leasing activities

### 3.14.1 Financial lease

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.

### 3.14.2 Leases

Based on TFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the alternative borrowing interest rate.

After the commencement date, the Bank measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the Bank remeasures the lease liability to reflect changes to the lease payments.The Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset. However, if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments or if there is a change in the amounts expected to be payable under a residual value guarantee, the Bank uses an unchanged discount rate.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The Bank decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Bank recognises any gain or loss relating to the partial or full termination of the lease in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

## 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".

(Thousands of Turkish Lira (TL))

## 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 March 2019** | **31 December 2018** |
|---|---|---|
| | % | % |
| Net Effective Discount Rate | 3.38 | 3.38 |
| Discount Rate | 16.30 | 16.30 |
| Expected Rate of Salary Increase | 14.00 | 14.00 |
| Inflation Rate | 12.50 | 12.50 |

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 March 2019** | |
|---|---|---|
| | **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 March 2019, the Bank does not have any government incentives or grants (2018: None).

(Thousands of Turkish Lira (TL))

## 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:

| *Current Period* | Retail Banking | Corporate / Commercial Banking | Investment Banking | Other | Total Operations |
|---|---|---|---|---|---|
| Total Operating Profit | 3,027,758 | 2,775,651 | (1,323,681) | 2,916,732 | 7,396,460 |
| Other | - | - | - | - | - |
| **Total Operating Profit** | **3,027,758** | **2,775,651** | **(1,323,681)** | **2,916,732** | **7,396,460** |
| Net Operating Profit | 1,409,938 | 936,780 | (1,446,628) | 1,227,836 | 2,127,926 |
| Dividend Income from Associates and Subsidiaries | - | - | - | 414 | 414 |
| **Net Operating Profit** | **1,409,938** | **936,780** | **(1,446,628)** | **1,228,250** | **2,128,340** |
| Provision for Taxes | - | - | - | 406,377 | 406,377 |
| **Net Profit** | **1,409,938** | **936,780** | **(1,446,628)** | **821,873** | **1,721,963** |
| Segment Assets | 64,257,694 | 170,001,993 | 124,292,869 | 18,320,091 | 376,872,647 |
| Investments in Associates and Subsidiaries | - | - | - | 7,511,486 | 7,511,486 |
| **Total Assets** | **64,257,694** | **170,001,993** | **124,292,869** | **25,831,577** | **384,384,133** |
| Segment Liabilities | 154,905,205 | 85,251,218 | 85,991,942 | 10,043,451 | 336,191,816 |
| Shareholders' Equity | - | - | - | 48,192,317 | 48,192,317 |
| **Total Liabilities and Shareholders' Equity** | **154,905,205** | **85,251,218** | **85,991,942** | **58,235,768** | **384,384,133** |

| *Prior Period* | Retail Banking | Corporate / Commercial Banking | Investment Banking | Other | Total Operations |
|---|---|---|---|---|---|
| Total Operating Profit | 1,828,207 | 1,708,178 | (318,526) | 1,742,855 | 4,960,714 |
| Other | - | - | - | - | - |
| **Total Operating Profit** | **1,828,207** | **1,708,178** | **(318,526)** | **1,742,855** | **4,960,714** |
| Net Operating Profit | 857,505 | 1,122,506 | (344,462) | 857,036 | 2,492,585 |
| Dividend Income from Associates and Subsidiaries | - | - | - | - | - |
| **Net Operating Profit** | **857,505** | **1,122,506** | **(344,462)** | **857,036** | **2,492,585** |
| Provision for Taxes | - | - | - | 496,334 | 496,334 |
| **Net Profit** | **857,505** | **1,122,506** | **(344,462)** | **360,702** | **1,996,251** |
| 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** |

## 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 Meeting dated 4 April 2019, a decision is made regarding distribution of the unconsolidated net profit of the Bank amounting to TL 6,638,236 thousands, and the table considering the distribution made based on the decision is presented in note 5.9.

## 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.

| | *31 March 2019* | *31 March 2018* |
|---|---|---|
| Distributable net profit for the year | 1,721,963 | 1,996,251 |
| Average number of issued common shares (thousand) | 420,000,000 | 420,000,000 |
| Earnings per share (amounts presented full TL) | 0.00410 | 0.00475 |

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 2019 (2018: none).

(Thousands of Turkish Lira (TL))

## 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 5.7.

## 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 appliciation of TFRS 16 Leases Standard dated 1 January 2019 are presented in the below table.

| | *Note* | *31.12.2018* | *TFRS16 Reclassification Effect* | *TFRS16 Transition Effect* | *01.01.2019* |
|---|---|---|---|---|---|
| TANGIBLE ASSETS (Net) | (1),(2) | 4,106,029 | 30,190 | 923,465 | 5,059,684 |
| OTHER ASSETS (Net) | (2) | 5,987,809 | (30,190) | - | 5,957,619 |
| LEASE PAYABLES (Net) | (1),(3) | 16,464 | - | 923,465 | 939,929 |

(1) In accordance with TFRS 16, the Bank recognised a lease liability and a right-of-use asset amounting to TL 923,465 thousands as of 1 January 2019 for leases previously classified as an operating lease applying TAS 17.

(2) In accordance with TFRS 16, the Bank recognised prepaid rent payments amounting to TL 30,190 thousands under tangible assets as right-of-use which were previously classified under other assets.

(3) As of 1 January 2019, the weighted average of the alternative borrowing interest rates applied to TL, EUR and USD lease liabilities presented in the statement of financial position of the Bank are 23.6%, 4.2% and 7% respectively.

## 3.29 Other disclosures

None.

(Thousands of Turkish Lira (TL))

# 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

| *Current Period* | *Amount* | *Amount as per the regulation before 1/1/2014 (*)* |
|---|---|---|
| **COMMON EQUITY TIER I CAPITAL** | | |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 4,972,554 | |
| Share Premium | 11,880 | |
| Reserves | 32,121,457 | |
| Other Comprehensive Income according to TAS | 4,711,758 | |
| Profit | 8,757,508 | |
| Current Period's Profit | 1,721,963 | |
| Prior Periods' Profit | 7,035,545 | |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit | 1,855 | |
| **Common Equity Tier I Capital Before Deductions** | **50,577,012** | |
| **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 (-) | 2,548,978 | |
| Leasehold Improvements on Operational Leases (-) | 215,718 | |
| Goodwill Netted with Deferred Tax Liabilities | - | |
| Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights | 296,674 | 296,674 |
| 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 (-) | | |
| 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 the10% 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 (*)* |
|---|---|---|
| **Total Deductions from Common Equity Tier I Capital** | **3,061,370** | |
| **Total Common Equity Tier I Capital** | **47,515,642** | |
| **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)** | **47,515,642** | |
| **TIER II CAPITAL** | **-** | |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA | 4,211,475 | |
| 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) | 3,557,391 | |
| **Total Deductions from Tier II Capital** | **7,768,866** | |
| **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** | **7,768,866** | |
| **Total Equity (Total Tier I and Tier II Capital)** | **55,284,508** | |
| **Total Tier I Capital and Tier II Capital ( Total Equity)** | | |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-) | 12 | |
| 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 (-) | - | |

(Thousands of Turkish Lira (TL))

| | *Amount* | *Amount as per the regulation before 1/1/2014* (*) |
|---|---|---|
| Other items to be Defined by the BRSA (-) | 16,234 | |
| **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 )** | **55,268,262** | |
| **Total Risk Weighted Assets** | **324,244,878** | |
| **CAPITAL ADEQUACY RATIOS** | | |
| **CET1 Capital Ratio (%)** | 14.65 | |
| **Tier I Capital Ratio (%)** | 14.65 | |
| **Capital Adequacy Ratio (%)** | 17.05 | |
| **BUFFERS** | | |
| Total Additional CET1 Capital Requirement Ratio (a+b) | 2.54 | |
| a) Capital Conservation Buffer Ratio (%) | 2.500 | |
| b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) | 0.04 | |
| Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%) | 8.49 | |
| **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 | 1,229,602 | |
| **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) | 5,822,799 | |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets | 3,557,391 | |
| 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.

(Thousands of Turkish Lira (TL))

| ***Prior Period*** | ***Amount*** | ***Amount as per the regulation before 1/1/2014 (*)*** |
|---|---|---|
| **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 Profit | 6,638,236 | |
| Prior Period 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 the10% 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 (*) |
|---|---|---|
| **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 | |

(Thousands of Turkish Lira (TL))

| | Amount | Amount as per the regulation before 1/1/2014 (*) |
|---|---|---|
| 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 (-) | 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.

(Thousands of Turkish Lira (TL))

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

| ***Current 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) | 4,211 |
| Nominal value of instrument (TL million) | 4,211 |
| 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. |

(Thousands of Turkish Lira (TL))

| ***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) | 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. |

(Thousands of Turkish Lira (TL))

### 4.1.3 Reconciliation of capital items to balance sheet

| *Current Period* | *Carrying value* | *Amount of correction* | *Value of the capital report* | *Explanation of differences* |
|---|---|---|---|---|
| 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 | 2,328,918 | (164,283) | 2,164,635 | 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 | 1,408,681 | - | 1,408,681 | |
| Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss | 920,237 | (164,283) | 755,954 | Items not included in the calculation as per Regulation's Article 9-1-f |
| Profit Reserves | 32,121,457 | - | 32,121,457 | |
| Profit or Loss | 8,757,508 | - | 8,757,508 | |
| Prior Periods' Profit/Loss | 7,035,545 | - | 7,035,545 | |
| Current Period Net Profit/Loss | 1,721,963 | - | 1,721,963 | |
| Deductions from Common Equity Tier I Capital (-) | - | | 512,392 | Deductions from Common Equity Tier 1 Capital as per the Regulation |
| **Common Equity Tier I Capital** | **45,863,399** | | **47,515,642** | |
| Subordinated Debts | - | - | - | |
| Deductions from Tier I Capital (-) | - | | - | Deductions from Tier 1 Capital as per the Regulation |
| **Tier I Capital** | **-** | | **47,515,642** | |
| Subordinated Debts | | | 4,211,475 | |
| General Provisions | | | 3,557,391 | 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** | | | **7,768,866** | |
| Deductions from Total Capital (-) | | | 16,246 | Deductions from Capital as per the Regulation |
| ***Total*** | | | **55,268,262** | |

(Thousands of Turkish Lira (TL))

| ***Prior Period*** | ***Carrying value*** | ***Amount of correction*** | ***Value of the capital report*** | ***Explanation of differences*** |
|---|---|---|---|---|
| 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** | |

(Thousands of Turkish Lira (TL))

## 4.2 Credit risk

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 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 March 2019, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 27,887,593 thousands (31 December 2018: TL 17,732,924 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 26,541,313 thousands (31 December 2018: TL 19,778,676 thousands), while net foreign currency short open position amounts to TL 1,346,280 thousands (31 December 2018: TL 2,045,752 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** | 5.6153 | 6.3032 |
| **Exchange rates for the days before balance sheet date;** | | |
| Day 1 | 5.6153 | 6.3032 |
| Day 2 | 5.5525 | 6.2379 |
| Day 3 | 5.4307 | 6.1106 |
| Day 4 | 5.4336 | 6.1396 |
| Day 5 | 5.5818 | 6.3194 |
| | | |
| **Last 30-days arithmetical average rates** | 5.4626 | 6.1714 |

(Thousands of Turkish Lira (TL))

## The Bank's currency risk:

| *Current Period* | EUR | USD | Other FCs | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey | 22,148,971 | 15,974,533 | 7,318,543 | 45,442,047 |
| Banks | 5,211,957 | 14,266,669 | 555,079 | 20,033,705 |
| Financial Assets Measured at Fair Value through Profit/Loss | 116,296 | 4,240,858 | - | 4,357,154 |
| Money Market Placements | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 1,432,830 | 5,097,266 | - | 6,530,096 |
| Loans (*) | 37,237,658 | 48,967,103 | 1,189,295 | 87,394,056 |
| Investments in Associates, Subsidiaries and Joint-Ventures | 5,176,589 | - | - | 5,176,589 |
| Financial Assets Measured at Amortised Cost | 14,686 | 7,173,150 | - | 7,187,836 |
| Derivative Financial Assets Held for Hedging Purpose | - | 131,142 | - | 131,142 |
| Tangible Assets | - | 304 | - | 304 |
| Intangible Assets | - | - | - | - |
| Other Assets (**) | 432,777 | (25,264) | (15,489) | 392,024 |
| **Total Assets** | **71,771,764** | **95,825,761** | **9,047,428** | **176,644,953** |
| | | | | |
| **Liabilities** | | | | |
| Bank Deposits | 5,888,489 | 704,637 | 6,086 | 6,599,212 |
| Foreign Currency Deposits | 34,249,225 | 84,362,347 | 2,929,565 | 121,541,137 |
| Money Market Funds | - | 413,789 | - | 413,789 |
| Other Fundings (***) | 10,810,107 | 35,177,952 | 2,345 | 45,990,404 |
| Securities Issued (****) | 3,514,938 | 17,869,984 | 29,564 | 21,414,486 |
| Miscellaneous Payables | 91,435 | 168,532 | 18,292 | 278,259 |
| Derivative Financial Liabilities Held for Hedging Purpose | 87,987 | 109,975 | 1 | 197,963 |
| Other Liabilities (*****) | 1,031,798 | 3,107,282 | 3,958,216 | 8,097,296 |
| **Total Liabilities** | **55,673,979** | **141,914,498** | **6,944,069** | **204,532,546** |
| | | | | |
| **Net 'On Balance Sheet' Position** | **16,097,785** | **(46,088,737)** | **2,103,359** | **(27,887,593)** |
| **Net 'Off-Balance Sheet' Position** | **(12,035,023)** | **40,666,700** | **(2,090,364)** | **26,541,313** |
| Derivative Financial Assets | 15,498,403 | 85,891,669 | 4,034,716 | 105,424,788 |
| Derivative Financial Liabilities | 27,533,426 | 45,224,969 | 6,125,080 | 78,883,475 |
| Non-Cash Loans | - | - | - | - |
| | | | | |
| ***Prior Period*** | | | | |
| **Total Assets** | **68,640,866** | **83,775,423** | **10,953,762** | **163,370,051** |
| **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 Assets | 9,137,303 | 68,721,139 | 405,496 | 78,263,938 |
| Derivative Liabilities | 25,925,909 | 27,267,488 | 5,291,865 | 58,485,262 |
| Non-Cash Loans | - | - | - | - |

(*) The foreign currency-indexed loans amounting TL 2,744,920 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Includes expected credit losses in accordance with TFRS 9.

(***) Includes funds presented under financial liabilities amounting TL 13,291,147 thousands measured at fair value through profit or loss in balance sheet.

(****) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.

(*****) Other liabilities include gold deposits of TL 3,919,736 thousands.

(Thousands of Turkish Lira (TL))

## 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 Assesment Commitee 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)

| *Current Period* | 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 | 27,801,987 | - | - | - | - | 20,401,838 | 48,203,825 |
| Banks | 3,147,978 | 6,000 | 68,000 | - | - | 17,952,453 | 21,174,431 |
| Financial Assets Measured at Fair Value through Profit/Loss | 3,938 | 6,876 | 4,210,428 | 60,874 | 80,371 | 158,975 | 4,521,462 |
| Money Market Placements | 225,466 | - | - | - | - | - | 225,466 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 1,138,296 | 2,599,474 | 9,326,499 | 3,186,044 | 4,245,320 | 3,304,541 | 23,800,174 |
| Loans | 58,464,968 | 38,949,566 | 59,272,157 | 64,400,918 | 12,637,011 | 13,455,333 | 247,179,953 |
| Financial Assets Measured at Amortised Cost | 5,938,329 | 4,045,787 | 3,062,564 | 1,390,342 | 5,272,553 | 6,789,728 | 26,499,303 |
| Other Assets (**) | - | - | - | 146,155 | - | 12,633,364 | 12,779,519 |
| **Total Assets** | **96,720,962** | **45,607,703** | **75,939,648** | **69,184,333** | **22,235,255** | **74,696,232** | **384,384,133** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Bank Deposits | 299,092 | - | 4,000 | - | - | 7,028,576 | 7,331,668 |
| Other Deposits | 135,991,427 | 20,864,681 | 11,344,021 | 326,742 | - | 60,296,372 | 228,823,243 |
| Money Market Funds | 26,896 | 52 | 413,610 | - | - | 204 | 440,762 |
| Miscellaneous Payables | - | - | - | - | - | 12,165,994 | 12,165,994 |
| Securities Issued (***) | 938,811 | 2,237,907 | 8,040,885 | 10,828,427 | 4,336,772 | 567,247 | 26,950,049 |
| Other Fundings | 9,098,224 | 16,608,048 | 6,825,270 | 3,555,830 | 10,752,584 | 25,781 | 46,865,737 |
| Other Liabilities | 18,645 | 58,923 | 136,559 | 507,132 | 221,120 | 60,864,301 | 61,806,680 |
| **Total Liabilities** | **146,373,095** | **39,769,611** | **26,764,345** | **15,218,131** | **15,310,476** | **140,948,475** | **384,384,133** |
| | | | | | | | |
| **On Balance Sheet Long Position** | **-** | **5,838,092** | **49,175,303** | **53,966,202** | **6,924,779** | **-** | **115,904,376** |
| **On Balance Sheet Short Position** | **(49,652,133)** | **-** | **-** | **-** | **-** | **(66,252,243)** | **(115,904,376)** |
| **Off-Balance Sheet Long Position** | **19,018,355** | **31,832,735** | **6,296,676** | **5,108,682** | **10,522,197** | **-** | **72,778,645** |
| **Off-Balance Sheet Short Position** | **(2,104,100)** | **(15,693,120)** | **(9,020,624)** | **(25,744,182)** | **(19,869,593)** | **-** | **(72,431,619)** |
| **Total Position** | **(32,737,878)** | **21,977,707** | **46,451,355** | **33,330,702** | **(2,422,617)** | **(66,252,243)** | **347,026** |

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

(**) Includes expected credit losses in accordance with TFRS 9.

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

(Thousands of Turkish Lira (TL))

| ***Prior Period*** | **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 at Fair Value through Profit/Loss | 42,180 | 32,379 | 4,092,091 | 108,999 | 64,933 | 104,054 | 4,444,636 |
| Interbank Money Market Placements | 216 | - | - | - | - | - | 216 |
| Financial Assets Available-for-Sale | 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 | 66,429,245 | 58,765,874 | 13,604,077 | 15,738,995 | 230,611,464 |
| Investments Held-to-Maturity | 2,453,716 | 1,301,732 | 9,141,677 | 342,427 | 6,050,201 | 6,142,530 | 25,432,283 |
| Other Assets (**) | - | - | - | 177,073 | - | 12,543,038 | 12,720,111 |
| **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 |
| Interbank Money Market Takings | 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.

(**) Includes expected credit losses in accordance with TFRS 9.

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

(Thousands of Turkish Lira (TL))

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

| *Current Period* | EUR | USD | JPY | TL |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey | - | 1.85 | - | 7.43 |
| Banks | 0.50 | 2.50 | | 23.09 |
| Financial Assets Measured at Fair Value through Profit/Loss | 3.28 | 6.45 | - | 15.79 |
| Money Market Placements | | | | |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 3.16 | 5.72 | - | 16.32 |
| Loans | 4.53 | 7.56 | - | 22.71 |
| Financial Assets Measured at Amortised Cost | 0.25 | 5.28 | - | 18.96 |
| **Liabilities** | | | | |
| Bank Deposits | 0.01 | - | - | 23.36 |
| Other Deposits | 0.56 | 2.43 | 1.03 | 15.81 |
| Money Market Funds | - | 2.61 | - | 7.06 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | 3.65 | 5.70 | - | 19.06 |
| Other Fundings | 1.38 | 4.78 | - | 10.95 |

| *Prior Period* | 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 at Fair Value through Profit/Loss | 3.52 | 6.94 | - | 21.36 |
| Interbank Money Market Placements | - | - | - | - |
| Financial Assets Available-for-Sale | 4.42 | 5.70 | - | 20.37 |
| Loans | 4.66 | 7.43 | - | 22.78 |
| Investments Held-to-Maturity | 0.25 | 5.26 | | 22.89 |
| **Liabilities** | | | | |
| Bank Deposits | 0.05 | - | - | 22.86 |
| Other Deposits | 0.79 | 3.09 | 0.93 | 17.68 |
| Interbank Money Market Takings | - | - | - | 7.06 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | 3.65 | 5.64 | - | 17.79 |
| Other Fundings | 1.27 | 4.42 | - | 10.50 |

(Thousands of Turkish Lira (TL))

## 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

| *Current Period* | | Comparison | | |
|---|---|---|---|---|
| **Equity Securities (shares)** | | **Carrying Value** | **Fair Value(*)** | **Market Value** |
| **1** | **Investment in Shares- Grade A** | **7,422,190** | **7,330,773** | **118,526** |
| | Quoted Securities | 68,024 | 68,024 | 118,526 |
| **2** | **Investment in Shares- Grade B** | **87,572** | **62,015** | **116,794** |
| | Quoted Securities | 62,015 | 62,015 | 116,794 |
| **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 | - | - | - |

| *Prior Period* | | 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 | - | - | - |

(*) 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

| *Current Period* | | Gains/Losses in Current Period | Revaluation Surpluses | | Unrealised Gains and Losses | |
|---|---|---|---|---|---|---|
| **Portfolio** | | | **Total** | **Amount in Tier I Capital(*)** | **Total** | **Amount in Tier I Capital(*)** |
| 1 | Private Equity Investments | - | - | - | - | - |
| 2 | Quoted Shares | - | 44,786 | 44,786 | - | 44,786 |
| 3 | Other Shares | - | 3,998,412 | 3,998,412 | - | 3,998,412 |
| | **Total** | **-** | **4,043,198** | **4,043,198** | **-** | **4,043,198** |

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

(Thousands of Turkish Lira (TL))

| *Prior Period* | | Gains/Losses in Current Period | Revaluation Surpluses | | Unrealised Gains and Losses | |
|---|---|---|---|---|---|---|
| **Portfolio** | | | **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.

### 4.5.4 Capital requirement as per equity shares

| | *Current Period* | | | |
|---|---|---|---|---|
| | **Portfolio** | **Carrying Value** | **RWA Total** | **Minimum Capital Requirement** |
| 1 | Private Equity Investments | - | - | - |
| 2 | Quoted Shares | 130,039 | 130,039 | 10,403 |
| 3 | Other Shares | 7,381,447 | 7,381,447 | 590,516 |
| | **Total** | **7,511,486** | **7,511,486** | **600,919** |

| | *Prior Period* | | | |
|---|---|---|---|---|
| | **Portfolio** | **Carrying Value** | **RWA Total** | **Minimum Capital Requirement** |
| 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** |

## 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. 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 3.62% cash, 50.14% deposits in central banks and 46.24% 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 73.21% deposits, 14.67% funds borrowed and money market borrowings and 8.35% 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.

(Thousands of Turkish Lira (TL))

| | *Current Period* | Total Unweighted Value (Average) (*) | | Total Weighted Value (Average) (*) | |
|---|---|---|---|---|---|
| | | TL+FC | FC | TL+FC | FC |
| **High-Quality Liquid Assets** | | | | 85,722,289 | 49,221,981 |
| 1 | Total high-quality liquid assets (HQLA) | 85,722,289 | 49,221,981 | 85,722,289 | 49,221,981 |
| **Cash Outflows** | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 157,086,014 | 78,401,664 | 14,425,717 | 7,840,166 |
| 3 | Stable deposits | 25,657,686 | - | 1,282,884 | - |
| 4 | Less stable deposits | 131,428,328 | 78,401,664 | 13,142,833 | 7,840,166 |
| 5 | Unsecured wholesale funding, of which: | 61,156,864 | 32,518,706 | 32,301,830 | 16,412,320 |
| 6 | Operational deposits | - | - | - | - |
| 7 | Non-operational deposits | 48,826,870 | 30,961,539 | 23,848,992 | 14,934,370 |
| 8 | Unsecured funding | 12,329,994 | 1,557,167 | 8,452,838 | 1,477,950 |
| 9 | Secured wholesale funding | | | - | - |
| 10 | Other cash outflows of which: | 56,458,905 | 13,179,697 | 8,387,353 | 12,435,270 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 5,002,691 | 11,933,706 | 5,002,691 | 11,933,706 |
| 12 | Outflows related to restructured financial instruments | - | - | - | - |
| 13 | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | 51,456,214 | 1,245,991 | 3,384,662 | 501,564 |
| 14 | Other revocable off-balance sheet commitments and contractual obligations | 1,501 | 1,501 | 75 | 75 |
| 15 | Other irrevocable or conditionally revocable off-balance sheet obligations | 67,592,153 | 44,694,422 | 3,379,608 | 2,234,721 |
| 16 | **Total Cash Outflows** | | | 58,494,583 | 38,922,552 |
| **Cash Inflows** | | | | | |
| 17 | Secured receivables | - | - | - | - |
| 18 | Unsecured receivables | 28,665,862 | 12,075,254 | 21,610,945 | 10,780,261 |
| 19 | Other cash inflows | 300,677 | 8,253,558 | 300,677 | 8,253,558 |
| **20** | **Total Cash Inflows** | 28,966,539 | 20,328,812 | 21,911,622 | 19,033,819 |
| | | | | **Upper Limit Applied Values** | |
| **21** | **Total HQLA** | | | **85,722,289** | **49,221,981** |
| **22** | **Total Net Cash Outflows** | | | **36,582,961** | **19,888,733** |
| **23** | **Liquidity Coverage Ratio (%)** | | | **235.17** | **249.12** |

(*) 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 first quarter of 2019:

| *Current Period* | Highest | Date | Lowest | Date | Average |
|---|---|---|---|---|---|
| **TL+FC** | 264.12 | 22.03.2019 | 215.10 | 13.01.2019 | 235.17 |
| **FC** | 327.24 | 25.03.2019 | 211.33 | 22.02.2019 | 249.12 |

(Thousands of Turkish Lira (TL))

| | *Prior Period* | 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:

| *Prior Period* | 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 |

(Thousands of Turkish Lira (TL))

### 4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 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 | 21,178,770 | 27,024,002 | - | - | - | - | 1,053 | 48,203,825 |
| Banks | 17,942,114 | 3,150,811 | 6,641 | 74,865 | - | - | - | 21,174,431 |
| Financial Assets Measured at Fair Value through Profit/Loss | 39,659 | 1,524 | 5,962 | 4,272,126 | 121,646 | 80,545 | - | 4,521,462 |
| Money Market Placements | - | 225,466 | - | - | - | - | - | 225,466 |
| Financial Assets Measured at Fair | 279,222 | - | 1,048,278 | 4,491,076 | 12,012,638 | 5,968,960 | - | 23,800,174 |
| Loans | 647,529 | 43,244,455 | 23,071,271 | 55,462,297 | 83,707,880 | 23,075,218 | 17,971,303 | 247,179,953 |
| Financial Assets Measured at Amortised Cost | - | 38,119 | 23,776 | 97,433 | 14,203,030 | 12,136,945 | - | 26,499,303 |
| Other Assets (*) | 1,895,057 | 2,462,864 | 1,381,618 | 828,588 | 1,486,642 | 880,005 | 3,844,745 | 12,779,519 |
| **Total Assets** | **41,982,351** | **76,147,241** | **25,537,546** | **65,226,385** | **111,531,836** | **42,141,673** | **21,817,101** | **384,384,133** |
| **Liabilities** | | | | | | | | |
| Bank Deposits | 7,027,376 | 299,984 | - | 4,308 | - | - | - | 7,331,668 |
| Other Deposits | 58,489,770 | 136,821,915 | 21,176,036 | 11,976,403 | 350,814 | 8,305 | - | 228,823,243 |
| Other Fundings | - | 1,006,085 | 7,705,898 | 15,845,694 | 10,467,434 | 11,840,626 | - | 46,865,737 |
| Money Market Funds | - | 26,921 | 52 | 413,789 | - | - | - | 440,762 |
| Securities Issued (**) | - | 950,033 | 1,830,842 | 8,209,824 | 11,102,061 | 4,857,289 | - | 26,950,049 |
| Miscellaneous Payables | 12,165,991 | 3 | - | - | - | - | - | 12,165,994 |
| Other Liabilities (***) | 1,375,959 | 993,139 | 1,169,282 | 770,811 | 1,191,499 | 2,107,377 | 54,198,613 | 61,806,680 |
| **Total Liabilities** | **79,059,096** | **140,098,080** | **31,882,110** | **37,220,829** | **23,111,808** | **18,813,597** | **54,198,613** | **384,384,133** |
| | | | | | | | | |
| **Liquidity Gap** | **(37,076,745)** | **(63,950,839)** | **(6,344,564)** | **28,005,556** | **88,420,028** | **23,328,076** | **(32,381,512)** | **-** |
| | | | | | | | | |
| **Net Off-Balance Sheet Position** | **-** | **162,958** | **(129,728)** | **(335,283)** | **699,641** | **111,603** | **-** | **509,191** |
| Derivative Financial Assets | - | 67,657,171 | 44,900,099 | 22,563,183 | 11,653,103 | 2,378,783 | - | 149,152,339 |
| Derivative Financial Liabilities | - | 67,494,213 | 45,029,827 | 22,898,466 | 10,953,462 | 2,267,180 | - | 148,643,148 |
| Non-Cash Loans | - | 13,513,253 | 5,146,784 | 6,251,291 | 457,868 | - | 110,290,341 | 135,659,537 |
| | | | | | | | | |
| ***Prior Period*** | | | | | | | | |
| **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** |
| **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 |

(*) Includes expected credit losses in accordance with TFRS 9.
(**) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.
(***) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

(Thousands of Turkish Lira (TL))

## 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 first three-month period is 9.02% (31 December 2018: 8.76%). While the capital increased by 2% mainly as a result of increase in net profits, total risk amount decreased by 1%. Therefore, the current period leverage ratio increased by 26 basis points compared to prior period.

| **On-balance sheet assets** | | ***Current Period*** (*) | ***Prior Period*** (*) |
|---|---|---|---|
| 1 | On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral) | 369,387,251 | 369,577,864 |
| 2 | (Assets deducted in determining Tier I capital) | (507,677) | (494,046) |
| 3 | Total on-balance sheet risks (sum of lines 1 and 2) | 368,879,574 | 369,083,818 |
| **Derivative financial instruments and credit derivatives** | | | |
| 4 | Replacement cost associated with all derivative instruments and credit derivatives | 4,349,312 | 4,771,987 |
| 5 | Add-on amounts for PFE associated with all derivative instruments and credit derivatives | 15,428,948 | 11,859,527 |
| 6 | Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5) | 19,778,260 | 16,631,514 |
| **Securities or commodity financing transactions (SCFT)** | | | |
| 7 | Risks from SCFT assets (excluding on-balance sheet) | 784,337 | 974,260 |
| 8 | Risks from brokerage activities related exposures | - | - |
| 9 | Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) | 784,337 | 974,260 |
| **Other off-balance sheet transactions** | | | |
| 10 | Gross notional amounts of off-balance sheet transactions | 134,568,659 | 144,014,237 |
| 11 | (Adjustments for conversion to credit equivalent amounts) | (2,283,143) | (3,134,011) |
| 12 | Total risks of off-balance sheet items (sum of lines 10 and 11) | 132,285,516 | 140,880,226 |
| **Capital and total risks** | | | |
| 13 | Tier I capital | 47,062,024 | 46,105,283 |
| 14 | Total risks (sum of lines 3, 6, 9 and 12) | 521,727,687 | 527,569,818 |
| **Leverage ratio** | | | |
| 15 | Leverage ratio | 9.02 | 8.76 |

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

## 4.8 Fair values of financial assets and liabilities

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 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.

(Thousands of Turkish Lira (TL))

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) (*) | 277,642,078 | 253,300,775 | 22,211,366 |
| 2 | Of which standardised approach (SA) | 277,642,078 | 253,300,775 | 22,211,366 |
| 3 | Of which internal rating-based (IRB) approach | | - | |
| 4 | Counterparty credit risk | 6,949,192 | 4,978,642 | 555,935 |
| 5 | Of which standardised approach for counterparty credit risk (SA-CCR) | 6,949,192 | 4,978,642 | 555,935 |
| 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 | 6,582,678 | 7,069,090 | 526,614 |
| 17 | Of which standardised approach (SA) | 6,582,678 | 7,069,090 | 526,614 |
| 18 | Of which internal model approaches (IMM) | | | |
| 19 | Operational risk | 33,070,930 | 25,574,313 | 2,645,674 |
| 20 | Of which basic indicator approach | 33,070,930 | 25,574,313 | 2,645,674 |
| 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) | - | - | - |
| 24 | Floor adjustment | - | - | - |
| 25 | Total (1+4+7+8+9+10+11+12+16+19+23+24) | 324,244,878 | 290,922,820 | 25,939,589 |

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

### 4.10.2 Linkages between financial statements and risk amounts

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

### 4.10.3 Credit risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

### 4.10.4 Counterparty credit risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

### 4.10.5 Securitisations

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

### 4.10.6 Market risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

### 4.10.7 Operational risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

### 4.10.8 Banking book interest rate risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

(Thousands of Turkish Lira (TL))

# 5 Disclosures and Footnotes on Unconsolidated Financial Statements

## 5.1 Assets

### 5.1.1 Cash and cash equivalents

#### 5.1.1.1 Cash and balances with Central Bank

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Cash in TL/Foreign Currency | 1,401,030 | 1,596,433 | 1,562,382 | 2,255,815 |
| Central Bank of Turkey | 1,360,748 | 41,422,749 | 1,253,438 | 34,549,115 |
| Others | - | 2,422,865 | - | 1,745,697 |
| **Total** | **2,761,778** | **45,442,047** | **2,815,820** | **38,550,627** |

***Balances with the Central Bank of Turkey***

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Unrestricted Demand Deposits | 1,360,748 | 14,397,694 | 1,253,438 | 13,261,434 |
| Unrestricted Time Deposits | - | 1,053 | - | - |
| Restricted Time Deposits | - | 27,024,002 | - | 21,287,681 |
| **Total** | **1,360,748** | **41,422,749** | **1,253,438** | **34,549,115** |

The reserve deposits kept as per the Communique no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey in Turkish Lira, foreign currencies and gold, are included in the table above.

#### 5.1.1.2 Banks

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Banks | | | | |
| Domestic banks | 788,055 | 1,405,054 | 96,474 | 3,412 |
| Foreign banks | 352,671 | 18,628,651 | 302,759 | 21,031,619 |
| Foreign headoffices and branches | - | - | - | - |
| **Total** | **1,140,726** | **20,033,705** | **399,233** | **21,035,031** |

The placements at foreign banks include blocked accounts amounting TL 7,730,574 thousands (31 December 2018: TL 10,746,491 thousands) of which TL 510,841 thousands (31 December 2018: TL 5,419,705 thousands) and TL 155,349 thousands (31 December 2018: TL 146,033 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,064,384 thousands (31 December 2018: TL 5,180,753 thousands) as collateral against funds borrowed at various banks.

***Due from foreign banks***

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousands of Turkish Lira (TL))

### 5.1.1.3 Expected credit losses for cash and cash equivalents

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| ***Current Period*** **Balances at End of Prior Period** | **68,175** | **-** | **-** | **68,175** |
| Additions during the Period (+) | 78,783 | 3 | - | 78,786 |
| Disposals (-) | (54,584) | (34) | - | (54,618) |
| Transfer to 12 month ECL (Stage1) | 1 | (1) | - | - |
| Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2) | (33) | 33 | - | - |
| Transfer to lifetime ECL Impaired Credits (Stage 3) | - | - | - | - |
| Foreign Currency Differences | 3,667 | - | - | 3,667 |
| **Balances at End of Period** | **96,009** | **1** | **-** | **96,010** |

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| ***Prior Period*** **Balances at Beginning of Period (1January 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** |

### 5.1.2 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 Financial assets measured at fair value through profit or loss*

| | ***Current Period*** | | ***Prior Period*** | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Government Securities | 128,945 | 131,394 | 151,143 | 83,426 |
| Equity Securities | 29,914 | 20,835 | 25,670 | 85,842 |
| Other Financial Assets (*) | 5,449 | 4,204,925 | 6,442 | 4,092,113 |
| Total | **164,308** | **4,357,154** | **183,255** | **4,261,381** |

(*) Financial assets measured at fair value through profit or loss include loan amounting to TL 4,201,115 (31 December 2018:TL 4,081,161) provided to a special purpose entity as detailed in Note 5.1.8.2. This loan is classified under financial assets measured at fair value through profit/loss as per TFRS 9. The fair value of this loan is determined by the independent valuation company based on the average of different methodologies (discounted cash flows, similar market multipliers, same sector transaction multipliers, market value and analyst reports). The corresponding loan is considered as Level 3 based on TFRS 13 "Fair Value Measurement" standard. Valuation methodologies considered in this valuation study and any possible changes in the basic assumptions may affect the carrying value of the related asset.

(Thousands of Turkish Lira (TL))

### 5.1.3 Financial assets measured at fair value through other comprehensive income

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

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Collateralised/Blocked Assets | 4,254,985 | 1,523,519 | 4,499,538 | 862,058 |
| Assets subject to Repurchase Agreements | - | 266,249 | - | - |
| **Total** | **4,254,985** | **1,789,768** | **4,499,538** | **862,058** |

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

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Debt Securities** | **21,421,173** | **20,754,024** |
| Quoted at Stock Exchange | 21,414,502 | 20,744,633 |
| Unquoted at Stock Exchange | 6,671 | 9,391 |
| **Common Shares/Investment Fund** | **126,334** | **118,885** |
| Quoted at Stock Exchange | 4,491 | 4,491 |
| Unquoted at Stock Exchange | 121,843 | 114,394 |
| **Value Increase/Impairment Losses (-)** | **2,252,667** | **2,594,872** |
| **Total** | **23,800,174** | **23,467,781** |

### 5.1.4 Derivative financial assets

#### *5.1.4.1 Positive differences on derivative financial assets measured at FVTPL*

Information on positive differences on derivative financial assets measured at FVTPL classified in derivative financial assets is as follows;

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Forward Transactions | 612,496 | 30,488 | 448,993 | 6,778 |
| Swap Transactions | 1,959,206 | 978,467 | 1,279,129 | 602,500 |
| Futures | - | - | - | 2,235 |
| Options | 330,349 | 319,444 | 365,236 | 290,580 |
| Others | - | - | - | - |
| **Total** | **2,902,051** | **1,328,399** | **2,093,358** | **902,093** |

#### *5.1.4.2 Derivative financial assets held for hedging purpose*

| **Derivative Financial Assets Held for Hedging Purpose** | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Fair Value Hedges | 303,765 | 28,499 | 210,821 | 42,923 |
| Cash Flow Hedges | 703,737 | 113,510 | 521,497 | 181,242 |
| Net Foreign Investment Hedges | - | - | - | - |
| **Total** | **1,007,502** | **142,009** | **732,318** | **224,165** |

(Thousands of Turkish Lira (TL))

As of 31 March 2019, 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* | | | *Prior Period* | | |
|---|---|---|---|---|---|---|
| | **Face Value** | **Asset** | **Liability** | **Face Value** | **Asset** | **Liability** |
| Interest Rate Swaps | 60,152,151 | 616,333 | 236,535 | 55,753,036 | 454,310 | 212,310 |
| -TL | 16,529,590 | 485,191 | 38,572 | 10,771,181 | 230,145 | 112,222 |
| -FC | 43,622,561 | 131,142 | 197,963 | 44,981,855 | 224,165 | 100,088 |
| Cross Currency Swaps | 3,956,556 | 533,178 | 153,822 | 2,223,564 | 502,173 | 98,516 |
| -TL | 839,973 | 522,311 | - | 859,272 | 502,173 | - |
| -FC | 3,116,583 | 10,867 | 153,822 | 1,364,292 | - | 98,516 |
| Currency Forwards | 510,426 | - | 46,778 | 496,737 | - | 50,967 |
| -TL | 287,873 | - | 46,778 | 287,873 | - | 50,967 |
| -FC | 222,553 | - | - | 208,864 | - | - |
| **Total** | **64,619,133** | **1,149,511** | **437,135** | **58,473,337** | **956,483** | **361,793** |

### *5.1.4.3 Fair value hedge accounting*

| ***Current Period*** | | | | **Net Fair Value Change of Hedging Item** | | **Statement of profit or loss** |
|---|---|---|---|---|---|---|
| **Hedging Item** | **Hedged Item** | **Type of Risk** | **Fair Value Change of Hedged Item** | **Asset** | **Liability** | **Effect (gains/losses from derivative financial instruments)** |
| Interest Rate Swaps | Fixed-rate commercial loans | Interest rate risk | (28,834) | 101,262 | (85,812) | (13,384) |
| Interest Rate Swaps | Fixed-rate mortgage loans | Interest rate risk | (51,026) | 52,501 | - | 1,475 |
| Interest Rate Swaps | Fixed-rate securities | Interest rate risk | (59,414) | 167,634 | (103,069) | 5,151 |
| Cross Currency Swaps | Fixed-rate securities | Interest rate and foreign currency exchange rate risk | 34,102 | 10,867 | (153,822) | (108,853) |

| ***Prior Period*** | | | | **Net Fair Value Change of Hedging Item** | | **Statement of profit or loss** |
|---|---|---|---|---|---|---|
| **Hedging Item** | **Hedged Item** | **Type of Risk** | **Fair Value Change of Hedged Item** | **Asset** | **Liability** | **Effect (gains/losses from derivative financial instruments)** |
| 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) |

(Thousands of Turkish Lira (TL))

### *5.1.4.4 Cash flow hedge accounting*

**Current Period**

| Hedging Item | Hedged Item | Type of Risk | Fair Value Change of Hedged Item: Asset | Fair Value Change of Hedged Item: Liability | 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 |
|---|---|---|---|---|---|---|---|
| Interest Rate Swaps | Floating-rate funds borrowed | Cash flow risk resulted from change in market interest rates | 77,007 | (514) | (33,779) | 7,259 | 1,311 |
| Interest Rate Swaps | Floating-rate deposit | Cash flow risk resulted from change in market interest rates | 217,929 | (47,140) | 126,903 | 76,021 | 20,788 |
| Cross Currency Swaps | Floating-rate funds borrowed | Cash flow risk resulted from change in market interest rates and foreign currency exchange rates | 522,311 | - | 5,805 | (5,501) | - |
| Currency Forwards | Mile payments | Cash flow risk resulted from foreign currency exchange rates | - | (46,778) | 4,190 | - | - |
| Spot Position (*) | Operational Expenses | Cash flow risk resulted from foreign currency exchange rates | 488,526 | - | 10,365 | - | - |

(*) Includes foreing currency items on asset side in the balance sheet.

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

***Prior Period***

| Hedging Item | Hedged Item | Type of Risk | Fair Value Change of Hedged Item: Asset | Fair Value Change of Hedged Item: Liability | 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 |
|---|---|---|---|---|---|---|---|
| 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.

(Thousands of Turkish Lira (TL))

### 5.1.5 Loans

### *5.1.5.1 Loans and advances to shareholders and employees of the Bank*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **Cash Loans** | **Non-Cash Loans** | **Cash Loans** | **Non-Cash Loans** |
| **Direct Lendings to Shareholders** | **70** | **519,694** | **105** | **542,442** |
| Corporates | 70 | 519,694 | 105 | 542,442 |
| Individuals | - | - | - | - |
| **Indirect Lendings to Shareholders** | **83,333** | **33,181** | **83,167** | **33,234** |
| **Loans to Employees** | **266,016** | **6** | **257,482** | **6** |
| **Total** | **349,419** | **552,881** | **340,754** | **575,682** |

### 5.1.5.2 *Performing loans and loans under follow-up including restructured loans, and provisions allocated for such loans*

| **Current Period Cash Loans (*)** | **Performing Loans** | **Loans under Follow-up** | | |
|---|---|---|---|---|
| | | **Non-restructured** | **Restructured** | |
| | | | **Revised Contract Terms** | **Refinanced** |
| **Loans** | **196,206,021** | **28,139,076** | **5,602,639** | **4,439,147** |
| Working Capital Loans | 34,934,076 | 3,950,611 | 175,309 | 1,472,575 |
| Export Loans | 16,578,143 | 894,719 | 38,172 | 110,367 |
| Import Loans | - | - | - | - |
| Loans to Financial Sector | 5,733,434 | 941,962 | - | - |
| Consumer Loans | 38,477,542 | 6,479,580 | 926,815 | 12,674 |
| Credit Cards | 21,253,076 | 3,312,583 | 600,287 | - |
| Others | 79,229,750 | 12,559,621 | 3,862,056 | 2,843,531 |
| **Specialization Loans** | - | - | - | - |
| **Other Receivables** | - | - | - | - |
| **Total** | **196,206,021** | **28,139,076** | **5,602,639** | **4,439,147** |

(*) Non-performing loans are not included.

| ***Prior Period* 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** |

(*) Non-performing loans are not included.

(Thousands of Turkish Lira (TL))

| | ***Current Period*** | | ***Prior Period*** | |
|---|---|---|---|---|
| | **Performing Loans** | **Loans Under Follow-Up** | **Performing Loans** | **Loans Under Follow-Up** |
| 12-Month ECL (Stage 1) | 893,939 | - | 769,085 | - |
| Significant Increase in Credit Risk (Stage 2) | - | 4,380,595 | - | 3,858,770 |

As of 31 March 2019, loans amounting to TL 9,075,775 thousands are benefited as collateral under funding transactions(31 December 2018: TL 9,470,147 thousands).

Collaterals received for loans under follow-up;

| ***Current Period*** | **Corporate/ Commercial Loans** | **Consumer Loans** | **Credit Cards** | **Total** |
|---|---|---|---|---|
| Loans Collateralized by Cash | 484,126 | 28,085 | - | 512,211 |
| Loans Collateralized by Mortgages/Shares | 12,757,197 | 3,637,305 | - | 16,394,502 |
| Loans Collateralized by Pledged Assets | 2,082,512 | 309,031 | - | 2,391,543 |
| Loans Collateralized by Cheques and Notes | 109,302 | 5,584 | - | 114,886 |
| Loans Collateralized by Other Collaterals | 8,299,173 | 2,838,112 | - | 11,137,285 |
| Unsecured Loans | 3,116,613 | 600,952 | 3,912,870 | 7,630,435 |
| **Total** | **26,848,923** | **7,419,069** | **3,912,870** | **38,180,862** |

| ***Prior Period*** | **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;

| ***Current Period*** | **Corporate/ Commercial Loans** | **Consumer Loans** | **Credit Cards** | **Total** |
|---|---|---|---|---|
| 31-60 days | 787,864 | 1,162,443 | 249,865 | 2,200,172 |
| 61-90 days | 1,431,756 | 363,970 | 95,481 | 1,891,207 |
| Others | 24,629,303 | 5,892,656 | 3,567,524 | 34,089,483 |
| **Total** | **26,848,923** | **7,419,069** | **3,912,870** | **38,180,862** |

| ***Prior Period*** | **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** |

### 5.1.5.3 *Maturity analysis of cash loans*

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(Thousands of Turkish Lira (TL))

### *5.1.5.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards*

| *Current Period* | Short-Term | Medium and Long-Term | Total |
|---|---|---|---|
| **Consumer Loans – TL** | **1,312,209** | **42,285,735** | **43,597,944** |
| Housing Loans | 17,443 | 20,609,193 | 20,626,636 |
| Automobile Loans | 278,383 | 1,810,655 | 2,089,038 |
| General Purpose Loans | 1,016,383 | 19,865,887 | 20,882,270 |
| Other | - | - | - |
| **Consumer Loans – FC-indexed** | **-** | **183,276** | **183,276** |
| Housing Loans | - | 183,276 | 183,276 |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| **Consumer Loans – FC** | **233** | **80,415** | **80,648** |
| Housing Loans | - | 50,526 | 50,526 |
| Automobile Loans | 25 | 20,156 | 20,181 |
| General Purpose Loans | 208 | 9,733 | 9,941 |
| Other | - | - | - |
| **Retail Credit Cards – TL** | **19,703,925** | **456,243** | **20,160,168** |
| With Installment | 8,799,676 | 456,243 | 9,255,919 |
| Without Installment | 10,904,249 | - | 10,904,249 |
| **Retail Credit Cards – FC** | **126,558** | **-** | **126,558** |
| With Installment | - | - | - |
| Without Installment | 126,558 | - | 126,558 |
| **Personnel Loans – TL** | **21,058** | **124,498** | **145,556** |
| Housing Loan | - | 1,476 | 1,476 |
| Automobile Loans | - | 35 | 35 |
| General Purpose Loans | 21,058 | 122,987 | 144,045 |
| Other | - | - | - |
| **Personnel Loans - FC-indexed** | **-** | **-** | **-** |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| **Personnel Loans – FC** | **97** | **95** | **192** |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| General Purpose Loans | 97 | 95 | 192 |
| Other | - | - | - |
| **Personnel Credit Cards – TL** | **117,841** | **719** | **118,560** |
| With Installment | 44,102 | 719 | 44,821 |
| Without Installment | 73,739 | - | 73,739 |
| **Personnel Credit Cards – FC** | **1,708** | **-** | **1,708** |
| With Installment | - | - | - |
| Without Installment | 1,708 | - | 1,708 |
| **Deposit Accounts– TL** (Real persons) | **1,888,995** | **-** | **1,888,995** |
| **Deposit Accounts– FC** (Real persons) | **-** | **-** | **-** |
| **Total** | **23,172,624** | **43,130,981** | **66,303,605** |

(Thousands of Turkish Lira (TL))

| *Prior Period* | 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** |

(Thousands of Turkish Lira (TL))

### 5.1.5.5 *Installment based commercial loans and corporate credit cards*

| *Current Period* | Short-Term | Medium and Long-Term | Total |
|---|---|---|---|
| **Installment-based Commercial Loans – TL** | **1,167,155** | **14,532,378** | **15,699,533** |
| Real Estate Loans | 4,172 | 626,026 | 630,198 |
| Automobile Loans | 124,083 | 1,823,278 | 1,947,361 |
| General Purpose Loans | 1,038,900 | 12,083,074 | 13,121,974 |
| Other | - | - | - |
| **Installment-based Commercial Loans - FC-indexed** | **11,562** | **1,845,053** | **1,856,615** |
| Real Estate Loans | - | 63,340 | 63,340 |
| Automobile Loans | 85 | 707,956 | 708,041 |
| General Purpose Loans | 11,477 | 1,073,757 | 1,085,234 |
| Other | - | - | - |
| **Installment-based Commercial Loans – FC** | **128** | **116,357** | **116,485** |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | 27,983 | 27,983 |
| General Purpose Loans | 128 | 88,374 | 88,502 |
| Other | - | - | - |
| **Corporate Credit Cards – TL** | **4,670,116** | **54,333** | **4,724,449** |
| With Installment | 1,787,417 | 54,333 | 1,841,750 |
| Without Installment | 2,882,699 | - | 2,882,699 |
| **Corporate Credit Cards – FC** | **34,503** | **-** | **34,503** |
| With Installment | - | - | - |
| Without Installment | 34,503 | - | 34,503 |
| **Deposit Accounts– TL** (Corporates) | **1,547,640** | **-** | **1,547,640** |
| **Deposit Accounts– FC** (Corporates) | **-** | **-** | **-** |
| **Total** | **7,431,104** | **16,548,121** | **23,979,225** |

| *Prior Period* | 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** |

(Thousands of Turkish Lira (TL))

### *5.1.5.6 Allocation of loans by customers*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### *5.1.5.7 Allocation of domestic and foreign loans (*)*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Domestic Loans | 231,465,238 | 216,188,678 |
| Foreign Loans | 2,921,645 | 3,015,713 |
| **Total** | **234,386,883** | **219,204,391** |

(*) Non-performing loans are not included.

### *5.1.5.8 Loans to associates and subsidiaries*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Direct Lending | 1,864,927 | 1,601,778 |
| Indirect Lending | - | - |
| **Total** | **1,864,927** | **1,601,778** |

### *5.1.5.9 Specific provisions for loans*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Substandard Loans - Limited Collectibility | 591,055 | 916,932 |
| Doubtful Loans | 2,259,955 | 2,145,545 |
| Uncollectible Loans | 4,724,361 | 3,714,371 |
| **Total** | **7,575,371** | **6,776,848** |

### *5.1.5.10 Non-performing (NPLs) (Net)*

***Non-performing loans and loans restructured from this category***

| | **Group III** | **Group IV** | **Group V** |
|---|---|---|---|
| | **Substandard Loans** | **Doubtful Loans** | **Uncollectible Loans** |
| ***Current Period*** | | | |
| (Gross Amounts before Specific Provisions) | **115,139** | **2,365,267** | **1,911,860** |
| Restructured Loans | 115,139 | 2,365,267 | 1,911,860 |
| | | | |
| ***Prior Period*** | | | |
| (Gross Amounts before Specific Provisions) | **384,401** | **2,502,782** | **1,299,731** |
| Restructured Loans | 384,401 | 2,502,782 | 1,299,731 |

(Thousands of Turkish Lira (TL))

## *Movements in non-performing loans groups*

| *Current Period* | Group III Substandard Loans | Group IV Doubtful Loans | Group V Uncollectible Loans |
|---|---|---|---|
| **Balances at End of Prior Period** | **2,418,783** | **4,563,212** | **4,425,078** |
| Additions (+) | 1,523,659 | 23,232 | 57,489 |
| Transfer from Other NPL Categories (+) | - | 2,365,287 | 1,837,031 |
| Transfer to Other NPL Categories (-) | 2,365,287 | 1,837,031 | - |
| Collections during the Period (-) | 144,762 | 168,499 | 192,988 |
| Write-offs (-) | - | - | - |
| Debt Sale (-) | - | - | - |
| Corporate and Commercial Loans | - | - | - |
| Retail Loans | - | - | - |
| Credit Cards | - | - | - |
| Other | - | - | - |
| Foreign Currency Differences | 13,774 | 175,579 | 98,513 |
| **Balances at End of Period** | **1,446,167** | **5,121,780** | **6,225,123** |
| Specific Provisions (-) | 591,055 | 2,259,955 | 4,724,361 |
| **Net Balance on Balance Sheet** | **855,112** | **2,861,825** | **1,500,762** |

| *Prior Period* | Group III Substandard Loans | Group IV Doubtful Loans | Group V Uncollectible Loans |
|---|---|---|---|
| **Balances at Beginning of Period (1 January 2018)** | **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.

(Thousands of Turkish Lira (TL))

### *Non-performing loans in foreign currencies*

| | Group III | Group IV | Group V |
|---|---|---|---|
| | Substandard Loans and Receivables | Doubtful Loans and Receivables | Uncollectible Loans and Receivables |
| ***Current Period*** | | | |
| **Balance at End of Period** | **203,767** | **3,051,041** | **2,211,047** |
| Provisions (-) | 62,722 | 1,160,443 | 1,360,408 |
| **Net Balance at Balance Sheet** | **141,045** | **1,890,598** | **850,639** |
| ***Prior Period*** | | | |
| **Balance at End of Period** | **1,000,977** | **3,280,698** | **764,303** |
| 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)** | **855,112** | **2,861,825** | **1,500,762** |
| Loans to Individuals and Corporates (Gross) | 1,446,167 | 5,121,780 | 6,225,123 |
| Provision (-) | 591,055 | 2,259,955 | 4,724,361 |
| Loans to Individuals and Corporates (Net) | 855,112 | 2,861,825 | 1,500,762 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other loans (gross) | - | - | - |
| Provision (-) | - | - | - |
| Other Loans (Net) | - | - | - |
| | | | |
| ***Prior 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) | - | - | - |

(Thousands of Turkish Lira (TL))

***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)** | **10,730** | **122,232** | **43,671** |
| **Interest accruals and valuation differences** | 19,188 | 206,423 | 134,348 |
| Provision (-) | 8,458 | 84,191 | 90,677 |
| | | | |
| **Prior 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***

| ***Current Period*** | **Corporate/ Commercial Loans** | **Consumer Loans** | **Credit Cards** | **Total** |
|---|---|---|---|---|
| Loans Collateralized by Cash | 6,638 | 466 | - | 7,104 |
| Loans Collateralized by Mortgages | 5,892,506 | 280,692 | - | 6,173,198 |
| Loans Collateralized by Pledged Assets | 1,170,440 | 63,951 | - | 1,234,391 |
| Loans Collateralized by Cheques and Notes | 180,411 | 7,319 | - | 187,730 |
| Loans Collateralized by Other Collaterals | 1,920,436 | 1,604,888 | - | 3,525,324 |
| Unsecured Loans | 92,976 | 311,724 | 1,260,623 | 1,665,323 |
| **Total** | **9,263,407** | **2,269,040** | **1,260,623** | **12,793,070** |

| ***Prior Period*** | **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** |

### 5.1.5.11 *Expected credit loss for loans*

| ***Current Period*** | ***Stage 1*** | ***Stage 2*** | ***Stage 3*** | ***Total*** |
|---|---|---|---|---|
| **Balances at End of Prior Period** | **769,085** | **3,858,770** | **6,776,848** | **11,404,703** |
| Additions during the Period (+) | 450,432 | 1,655,705 | 567,873 | 2,674,010 |
| Disposals (-) | (488,145) | (820,214) | (182,097) | (1,490,456) |
| Debt Sales (-) | - | - | - | - |
| Write-offs (-) | - | - | - | - |
| Transfer to Stage1 | 303,802 | (303,096) | (706) | - |
| Transfer to Stage 2 | (148,940) | 150,177 | (1,237) | - |
| Transfer to Stage 3 | (1,988) | (293,819) | 295,807 | - |
| Foreign Currency Differences | 9,693 | 133,072 | 118,883 | 261,648 |
| **Balances at End of Period** | **893,939** | **4,380,595** | **7,575,371** | **12,849,905** |

(Thousands of Turkish Lira (TL))

| *Prior Period* | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| **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** |

### *5.1.5.12 Liquidation policy for uncollectible loans and receivables*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### *5.1.5.13 Write-off policy*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.1.6 Lease receivable

None.

### 5.1.7 Financial assets measured at amortised cost

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

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Collateralised/Blocked Investments | 3,753,186 | 5,513,163 | 3,176,487 | 4,185,992 |
| Investments subject to Repurchase Agreements | 27,352 | 387,146 | 46,120 | - |
| **Total** | **3,780,538** | **5,900,309** | **3,222,607** | **4,185,992** |

### *5.1.7.2 Government securities measured at amortised cost*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Government Bonds | 25,501,388 | 24,585,789 |
| Treasury Bills | - | - |
| Other Government Securities | - | - |
| **Total** | **25,501,388** | **24,585,789** |

### *5.1.7.3 Financial assets measured at amortised cost*

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Debt Securities** | **20,040,827** | **19,482,131** |
| Quoted at Stock Exchange | 19,159,385 | 18,653,123 |
| Unquoted at Stock Exchange | 881,442 | 829,008 |
| **Valuation Increase/(Decrease)** | **6,458,476** | **5,950,152** |
| **Total** | **26,499,303** | **25,432,283** |

(Thousands of Turkish Lira (TL))

### *5.1.7.4 Movement of financial assets measured at amortised cost*

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Balances at End of Prior Period** | **25,432,283** | **24,885,343** |
| TFRS 9 Effect (*) | - | (2,817,203) |
| **Balances at Beginning of Period** | **25,432,283** | **22,068,140** |
| Foreign Currency Differences On Monetary Assets | 461,575 | 1,994,487 |
| Purchases during the Period | 97,121 | 673,395 |
| Disposals through Sales/Redemptions | - | (2,148,127) |
| Valuation Effect | 508,324 | 2,844,388 |
| **Balances at End of Period** | **26,499,303** | **25,432,283** |

### *5.1.7.5 Expected credit loss for financial assets measured at amortised cost*

| *Current Period* | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| **Balances at End of Prior Period** | **56,141** | **-** | **-** | **56,141** |
| Additions during the Period (+) | 15,831 | - | - | 15,831 |
| Disposal (-) | (2,815) | - | - | (2,815) |
| Transfer to Stage1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Foreign Currency Differences | 1,204 | - | - | 1,204 |
| **Balances at End of Period** | **70,361** | **-** | **-** | **70,361** |

| *Prior Period* | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| **Balances at Beginning of Period (1January 2018)** | **16,907** | **-** | **-** | **16,907** |
| Additions during the Period (+) | 53,081 | - | - | 53,081 |
| Disposal (-) | (15,193) | - | - | (15,193) |
| Transfer to Stage1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Foreign Currency Differences | 1,346 | - | - | 1,346 |
| **Balances at End of Period** | **56,141** | **-** | **-** | **56,141** |

Expected losses of TL 54,125 thousands (31 December 2018: TL 43,405 thousands). is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

(Thousands of Turkish Lira (TL))

### 5.1.8 Assets held for sale and assets of discontinued operations

| | *Current Period* | *Prior Period* |
|---|---|---|
| **End of Prior Period** | | |
| **Cost** | **799,989** | **790,182** |
| **Accumulated Depreciation (-)** | **(13,291)** | **(14,754)** |
| **Net Book Value** | **786,698** | **775,428** |
| **End of Current Period** | | |
| Additions | 51,256 | 238,913 |
| Disposals (Cost) | (41,024) | (170,214) |
| Disposals (Accumulated Depreciation) | 344 | 1,463 |
| Impairment Losses | 1,754 | (58,892) |
| Depreciation Expense for Current Period (-) | - | - |
| **Cost** | **811,976** | **799,989** |
| **Accumulated Depreciation (-)** | **(12,948)** | **(13,291)** |
| **Net Book Value** | **799,028** | **786,698** |

As of balance sheet date, the net book value of assets held for sale on which rights of repurchase exist, amounts to TL 316,976 thousands (31 December 2018: TL 241,574 thousands) .

### *5.1.8.2 Investments in subsidiaries and associates to be disposed*

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Net Book Value at Beginning Period** | **11** | **-** |
| Additions (*) | - | 11 |
| Disposals (Cost) | - | - |
| Disposals (Accumulated Depreciation) | - | - |
| Impairment Losses | - | - |
| Depreciation Expense for Current Period (-) | - | - |
| **Cost** | **11** | **11** |
| **Accumulated Depreciation (-)** | **-** | **-** |
| **Net Book Value** | **11** | **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".

(Thousands of Turkish Lira (TL))

## 5.1.9 Investments in associates

### *5.1.9.1 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 (1) | 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 | Prior Period Profit/Loss | Company's Fair Value |
|---|---|---|---|---|---|---|---|---|
| 1 | 117,093 | 64,965 | 56,060 | 3,632 | - | 15,953 | 9,004 | - |
| 2 | 580,870 | 100,318 | 2,115 | 41,016 | 1,447 | 11,361 | 8,296 | - |
| 3 | 11,795,183 | 1,745,485 | 114,344 | 677,361 | 7,207 | 479,740 | 276,371 | - |
| 4 | 13,285,548 | 2,665,517 | 618,258 | 117,327 | 265,253 | 1,173,543 | 228,053 | - |
| 5 | 342,784 | 211,006 | 206,138 | 16,750 | 292 | 41,206 | 44,798 | - |
| 6 | 721,499,799 | 85,155,002 | 541,979 | 30,135,305 | 5,070,791 | 56,279,555 | 18,383,903 | - |
| 7 | 530,188 | 318,282 | 21,257 | 34,317 | - | 57,787 | 131,197 | - |

(1) Financial information is as of 31 December 2018.

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

### *5.1.9.2 Movement of investments in associates*

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Balance at Beginning of Period** | **35,158** | **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** | **35,158** |
| **Capital Commitments** | - | - |
| **Share Percentage at the End of Period (%)** | - | - |

### *5.1.9.3 Sectoral distribution of investments and associates*

| **Investments in Associates** | *Current Period* | *Prior Period* |
|---|---|---|
| Banks | 25,557 | 25,557 |
| Insurance Companies | - | - |
| Factoring Companies | - | - |
| Leasing Companies | - | - |
| Finance Companies | 5,935 | 5,935 |
| Other Associates | 3,666 | 3,666 |

### *5.1.9.4 Quoted associates*

None.

### *5.1.9.5 Valuation methods of investments in associates*

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

### *5.1.9.6 Investments in associates sold during the current period*

None.

### *5.1.9.7 Investments in associates acquired during the current period*

None.

(Thousands of Turkish Lira (TL))

## 5.1.10 Investments in subsidiaries

### *5.1.10.1 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.

| *Current 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 | 867,262 | 357,848 | 2,429,186 |
| Share Premium | - | - | 81,778 |
| Share Cancellation Profits | - | - | - |
| Legal Reserves | 943,565 | 455,967 | (172,876) |
| Other Comprehensive Income according to TAS | 1,839,504 | - | 42,164 |
| Current and Prior Periods’ Profits | 108,847 | 113,111 | 186,653 |
| **Common Equity Tier I Capital Before Deductions** | **3,759,178** | **926,926** | **2,566,905** |
| **Deductions From Common Equity Tier I Capital** | | | |
| Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-) | 59,426 | 655 | 759,490 |
| Leasehold Improvements on Operational Leases (-) | - - | - | 2,023 |
| Goodwill and Other Intangible Assets and Related Deferred Taxes (-) | 30,487 | 11,461 | 350,483 |
| Net Deferred Tax Asset/Liability (-) | - | - | 4,057 |
| **Total Deductions from Common Equity Tier I Capital** | **89,913** | **12,116** | **1,116,053** |
| **Total Common Equity Tier I Capital** | **3,669,265** | **914,810** | **1,450,852** |
| **Total Deductions From Tier I Capital** | **-** | **-** | **-** |
| **Total Tier I Capital** | **3,669,265** | **914,810** | **1,450,852** |
| **TIER II CAPITAL** | **315,160** | **-** | **63,017** |
| **TOTAL CAPITAL** | **3,984,425** | **914,810** | **1,513,869** |

| *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 | 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** |

(Thousands of Turkish Lira (TL))

### *5.1.10.2 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 | Prior Period Profit/Loss | Company's Fair Value |
|---|---|---|---|---|---|---|---|---|
| 1 | 114,272 | 90,582 | 9 | 4,815 | - | 8,971 | 4,443 | - |
| 2 | 39,610 | 20,398 | 531 | 947 | - | 1,294 | 2,048 | - |
| 3 | 4,473 | 4,019 | - | 207 | - | 204 | 106 | - |
| 4 | 3,163 | 1,947 | 1,227 | - | - | 19 | 11 | - |
| 5 | 5,257 | 3,950 | 23 | 206 | - | 181 | 236 | - |
| 6 | 5,995,769 | 912,845 | 20,637 | 118,764 | - | 23,088 | 30,991 | - |
| 7 | 2,181,596 | 158,885 | 15,285 | 116,789 | - | 19,370 | 7,895 | - |
| 8 | 425,310 | 211,039 | 14,589 | 3,488 | 1,810 | 32,946 | 27,144 | - |
| 9 | 115,561 | 105,296 | 1,390 | 3,723 | 917 | 7,202 | 7,393 | - |
| 10 | 1,634,299 | 1,009,651 | 53,900 | 70,342 | 799 | 109,085 | 98,604 | - |
| 11 | 25,487,062 | 3,708,597 | 220,928 | 233,694 | 8,103 | 38,400 | 30,763 | - |
| 12 | 2,145,184 | 2,144,791 | - | - | - | (248) | (74) | - |

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

(Thousands of Turkish Lira (TL))

### *5.1.10.3 Movement of investments in subsidiaries*

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Balances at End of Prior Period** | **7,024,751** | **6,539,471** |
| TFRS 9 Effect | **-** | **(353,654)** |
| **Balances at Beginning of Period** | **7,024,751** | **6,185,817** |
| **Movements during the Period** | **451,577** | **838,934** |
| Acquisitions | - | - |
| Bonus Shares Received | - | - |
| Earnings from Current Year Profit | 249,959 | 751,691 |
| Sales/Liquidations | - | - |
| Reclassification of Shares | - | - |
| Increase/(Decrease) in Market Values (*) | (23,242) | (1,058,750) |
| Currency Differences on Foreign Subsidiaries | 224,860 | 1,145,993 |
| Impairment Reversals/(Losses) | - | - |
| **Balance at End of Period** | **7,476,328** | **7,024,751** |
| **Capital Commitments** | - | - |
| **Share Percentage at the End of Period (%)** | - | - |

(*) TL 1,018,959 thousands of Prior Period's Value Decrease 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.

### *5.1.10.4 Sectoral distribution of investments in subsidiaries*

| **Subsidiaries** | *Current Period* | *Prior Period* |
|---|---|---|
| Banks | 3,698,552 | 3,499,491 |
| Insurance Companies | 857,270 | 764,722 |
| Factoring Companies | 130,039 | 114,151 |
| Leasing Companies | 912,834 | 902,555 |
| Finance Companies | 1,794,093 | 1,660,292 |
| Other Subsidiaries | 83,540 | 83,540 |

### *5.1.10.5 Quoted consolidated investments in subsidiaries*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Quoted at Domestic Stock Exchange | 130,039 | 114,151 |
| Quoted at Foreign Stock Exchange | - | - |

### *5.1.10.6 Valuation methods of investments in subsidiaries*

| **Subsidiaries** | *Current Period* | *Prior Period* |
|---|---|---|
| Valued at Cost | 83,540 | 83,540 |
| Valued at Fair Value (*) | 7,392,788 | 6,941,211 |

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

### *5.1.10.7 Investments in subsidiaries disposed during the current period*

None.

### *5.1.10.8 Investments in subsidiaries acquired during the current period*

None.

### 5.1.11 Investments in Joint-Ventures

None.

### 5.1.12 Tangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousands of Turkish Lira (TL))

### 5.1.13 Intangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.1.14 Investment property

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Net Book Value at Beginning Period** | **690,700** | **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** | **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 every year.

### 5.1.15 Deferred tax asset

As of 31 March 2019, the Bank has a deferred tax asset of TL 1,210,826 thousands (31 December 2018: 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 March 2019. However, there is a deferred tax asset of TL 2,078,337 thousands (31 December 2018: TL 1,839,523 thousands) and deferred tax liability of TL 867,511 thousands (31 December 2018: 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.

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **Tax Base** | **Deferred Tax Amount** | **Tax Base** | **Deferred Tax Amount** |
| Provisions (*) | 2,119,018 | 440,145 | 1,593,734 | 324,948 |
| Stages 1&2 Credit Losses | 5,822,799 | 1,280,714 | 5,119,175 | 1,126,130 |
| Differences between the Carrying Values and Taxable Values of Financial Assets (**) | (1,735,288) | (394,094) | (321,291) | (79,883) |
| Revaluation Differences on Real Estates | (1,857,926) | (185,793) | (1,857,926) | (185,793) |
| Other | 316,343 | 69,854 | 544,631 | 120,044 |
| **Deferred Tax Asset** | **4,664,946** | **1,210,826** | **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 March 2019, TL 209,889 thousands (31 December 2018: TL 302,700 thousands) and TL 115,269 thousands (31 December 2018: TL 352,151 thousands) of deferred tax expense and income are recognised in the statement of profit or loss and the shareholders' equity, respectively.

(Thousands of Turkish Lira (TL))

## 5.1.16 Other Assets

### *5.1.16.1 Receivables from term sale of assets*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Sale of Real Estates | 116,635 | 148,819 |
| Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income | 28,383 | 27,116 |
| Sale of Other Assets | 1,137 | 1,137 |
| **Total** | **146,155** | **177,072** |

### *5.1.16.2 Prepaid expenses, taxes and similar items*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Prepaid Expenses | 1,165,674 | 1,049,615 |
| Prepaid Taxes | 250 | 60,043 |

(Thousands of Turkish Lira (TL))

## 5.2 Liabilities

### 5.2.1 Maturity profile of deposits

| *Current Period* | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Accumulating Deposit Accounts | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Saving Deposits** | **10,909,938** | **-** | **3,713,397** | **45,403,291** | **2,029,109** | **2,321,560** | **2,878,960** | **2,735** | **67,258,990** |
| **Foreign Currency Deposits** | **33,485,039** | **-** | **12,833,475** | **64,769,270** | **2,411,467** | **3,111,443** | **4,887,317** | **43,126** | **121,541,137** |
| Residents in Turkey | 32,301,521 | - | 12,661,530 | 62,162,780 | 2,222,040 | 2,526,667 | 965,009 | 41,980 | 112,881,527 |
| Residents in Abroad | 1,183,518 | - | 171,945 | 2,606,490 | 189,427 | 584,776 | 3,922,308 | 1,146 | 8,659,610 |
| **Public Sector Deposits** | **1,086,027** | **-** | **23,702** | **31,532** | **3,934** | **1,080** | **51** | **-** | **1,146,326** |
| **Commercial Deposits** | **9,427,485** | **-** | **8,558,604** | **10,840,796** | **375,379** | **438,885** | **763,251** | **-** | **30,404,400** |
| **Other** | **266,104** | **-** | **147,240** | **825,331** | **40,054** | **442,601** | **2,831,322** | **-** | **4,552,652** |
| **Precious Metal Deposits** | **3,315,177** | **-** | **-** | **72,706** | **70,848** | **19,154** | **441,853** | **-** | **3,919,738** |
| **Bank Deposits** | **7,027,376** | **-** | **265,860** | **29,993** | **-** | **4,308** | **4,131** | **-** | **7,331,668** |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 7,514 | - | 150,316 | - | - | 4,308 | - | - | 162,138 |
| Foreign Banks | 3,238,532 | - | 115,544 | 29,993 | - | - | 4,131 | - | 3,388,200 |
| Special Financial Institutions | 3,781,330 | - | - | - | - | | - | - | 3,781,330 |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **65,517,146** | **-** | **25,542,278** | **121,972,919** | **4,930,791** | **6,339,031** | **11,806,885** | **45,861** | **236,154,911** |

| *Prior Period* | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Accumulating Deposit 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** |

(Thousands of Turkish Lira (TL))

### *5.2.1.1 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:**

| | Covered by Deposit Insurance Over Deposit Insurance Limit | | Over Deposit Insurance Limit | |
|---|---|---|---|---|
| | *Current Period* | *Prior Period* | *Current Period* | *Prior Period* |
| Saving Deposits | 28,618,651 | 28,784,393 | 38,102,792 | 40,053,588 |
| Foreign Currency Saving Deposits | 15,275,676 | 12,646,522 | 57,413,923 | 48,242,453 |
| Other Saving Deposits | 1,931,297 | 1,639,365 | 1,792,557 | 1,499,769 |
| Foreign Branches' Deposits Under Foreign Insurance Coverage | 1,176,721 | 1,131,547 | 96 | 7 |
| Off-Shore Branches' Deposits Under Foreign Insurance Coverage | - | - | - | - |

### *5.2.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### *5.2.1.3 Saving deposits not covered by insurance limits*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Deposits and Other Accounts held at Foreign Branches | 69,267 | 62,924 |
| 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 | 154,586 | 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 | - | - |

### 5.2.2 Funds borrowed

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Central Bank of Turkey | - | 657,652 | - | 502,342 |
| Domestic Banks and Institutions | 369,418 | 1,249,800 | 409,136 | 1,236,004 |
| Foreign Banks, Institutions and Funds | 505,915 | 30,791,805 | 505,307 | 29,287,893 |
| **Total** | **875,333** | **32,699,257** | **914,443** | **31,026,239** |

### *5.2.2.1 Maturities of funds borrowed*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Short-Term | 369,418 | 2,113,215 | 409,136 | 1,831,341 |
| Medium and Long-Term | 505,915 | 30,586,042 | 505,307 | 29,194,898 |
| **Total** | **875,333** | **32,699,257** | **914,443** | **31,026,239** |

### *5.2.2.2 Disclosures for concentration areas of bank's liabilities*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousands of Turkish Lira (TL))

### 5.2.3 *Money market funds*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| **Domestic Transactions** | **26,892** | **-** | **45,360** | **-** |
| Financial Institutions and Organizations | 125 | - | 23,252 | - |
| Other Institutions and Organizations | 9,594 | - | 10,007 | - |
| Individuals | 17,173 | - | 12,101 | - |
| **Foreign Transactions** | **81** | **413,789** | **56** | **-** |
| Financial Institutions and Organizations | - | 413,789 | - | - |
| Other Institutions and Organizations | - | - | - | - |
| Individuals | 81 | - | 56 | - |
| **Total** | **26,973** | **413,789** | **45,416** | **-** |

### 5.2.4 *Securities issued*

| *Current Period* | **TL** | | **FC** | |
|---|---|---|---|---|
| | **Short-Term** | **Medium and Long-Term** | **Short-Term** | **Medium and Long-Term** |
| Nominal | 3,486,633 | 2,032,018 | 29,205 | 17,894,642 |
| Cost | 3,374,696 | 2,030,144 | 29,205 | 17,802,064 |
| Carrying Value (*) | 3,431,191 | 2,104,372 | 29,564 | 17,082,843 |

| *Prior Period* | **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 (31 December 2018: 206,730,000 USD) and netted off such securities in the accompanying financial statements.

(Thousands of Turkish Lira (TL))

### *5.2.5 Financial liabilities measured at fair value through profit/loss*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | | |
| Funds Borrowed | - | 13,291,147 | - | 12,285,838 |
| **Total** | **-** | **13,291,147** | **-** | **12,285,838** |

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,596,160,714, as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 March 2019, the accumulated credit risk change and the credit risk change recognised in the statement of profit or loss amounted to TL 1,443,344 thousands (31 December 2018: TL 930,827 thousands) and a gain of TL 512,517 thousands (31 March 2018: TL 164,286 thousands), respectively. The carrying value of the related financial liability amounted to TL 13,291,147 thousands (31 March 2018: TL 9,248,102 thousands), and the related current period gain amounted to TL 512,517 thousands (31 March 2018: TL 164,286 thousands).

### 5.2.6 Derivative financial liabilities

### 5.2.6.1 Negative differences on derivative financial liabilities measured at FVTPL

| | *Cari Dönem* | | *Önceki Dönem* | |
|---|---|---|---|---|
| | **TP** | **YP** | **TP** | **YP** |
| Forward Transactions | 220,017 | 37,052 | 385,023 | 16,236 |
| Swap Transactions | 1,105,570 | 1,875,663 | 1,523,517 | 1,350,203 |
| Futures | - | 3,577 | - | 164 |
| Options | 472,476 | 168,986 | 330,558 | 236,558 |
| Others | - | - | - | - |
| **Total** | **1,798,063** | **2,085,278** | **2,239,098** | **1,603,161** |

### 5.2.6.2 Derivative financial liabilities held for hedging purpose

| **Derivative Financial Liabilities held for Hedging Purpose** | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Fair Value Hedges | 16,729 | 325,974 | 49,606 | 186,229 |
| Cash Flow Hedges | 68,621 | 25,811 | 113,583 | 12,375 |
| Net Foreign Investment Hedges | - | - | - | - |
| **Total** | **85,350** | **351,785** | **163,189** | **198,604** |

### 5.2.7 Lease payables (Net)

### *5.2.7.1 Financial lease payables*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **Gross** | **Net** | **Gross** | **Net** |
| Up to 1 Year | 12,930 | 11,878 | 19,252 | 16,464 |
| 1-4 Years | - | - | - | - |
| More than 4 Years | - | - | - | - |
| **Total** | **12,930** | **11,878** | **19,252** | **16,464** |

(Thousands of Turkish Lira (TL))

### *5.2.7.2 Operational lease agreements*

| | *Current Period* | |
|---|---|---|
| | **Gross** | **Net** |
| Up to 1 Year | 329,589 | 190,468 |
| 1-4 Years | 717,376 | 414,568 |
| More than 4 Years | 542,528 | 313,525 |
| **Total** | **1,589,493** | **918,561** |

## 5.2.8 Provisions

### *5.2.8.1 Reserve for employee severance indemnity*

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Balances at Beginning of Period** | **471,126** | **407,655** |
| Provision for the Period | 41,794 | 95,140 |
| Actuarial Gain/Loss | - | 15,491 |
| Payments During the Period | (12,589) | (47,160) |
| **Balances at End of Period** | **500,331** | **471,126** |

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

None.

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

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### *5.2.8.4 Other provisions*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Reserve for Employee Benefits | 1,101,568 | 1,051,233 |
| Provision for Promotion Expenses of Credit Cards | 135,726 | 124,388 |
| Provision for Lawsuits | 354,608 | 339,012 |
| Provision for Non-Cash Loans | 657,444 | 648,332 |
| Other Provisions (*) | 2,636,755 | 2,657,428 |
| **Total** | **4,886,101** | **4,820,393** |

(*) Includes total general reserve of TL 2,350,000 thousands (31 December 2018: 2,250,000 thousands) consisting of TL 100,000 thousands (31 December 2018: TL 1,090,000 thousands) and TL 2,250,000 thousands (31 December 2018: TL 1,160,000 thousands) recognized as expense in the current period and prior periods, 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.

(Thousands of Turkish Lira (TL))

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.

| | *31 December 2018* |
|---|---|
| **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

| | *31 December 2018* |
|---|---|
| **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:

| | *31 December2018* |
|---|---|
| | % |
| 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) |

(Thousands of Turkish Lira (TL))

| **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) |

## 5.2.9 Tax liability

### *5.2.9.1 Current tax liability*

#### *5.2.9.1.1 Tax liability*

As of 31 March 2019, the Bank had a current tax liability of TL 234,918 thousands (31 December 2018: TL 95,966 thousands) after offsetting with prepaid taxes.

#### *5.2.9.1.2 Taxes payable*

| | ***Current Period*** | ***Prior Period*** |
|---|---|---|
| Corporate Taxes Payable | 234,918 | 95,966 |
| Taxation on Securities Income | 221,311 | 162,703 |
| Taxation on Real Estates Income | 5,361 | 4,846 |
| Banking Insurance Transaction Tax | 174,982 | 220,228 |
| Foreign Exchange Transaction Tax | 120 | 100 |
| Value Added Tax Payable | 15,256 | 14,758 |
| Others | 55,665 | 63,011 |
| **Total** | **707,613** | **561,612** |

#### *5.2.9.1.3 Premiums*

| | ***Current Period*** | ***Prior Period*** |
|---|---|---|
| Social Security Premiums-Employees | 83 | 76 |
| Social Security Premiums-Employer | 102 | 93 |
| Bank Pension Fund Premium-Employees | 315 | 30 |
| Bank Pension Fund Premium-Employer | 488 | 30 |
| Pension Fund Membership Fees and Provisions-Employees | - | - |
| Pension Fund Membership Fees and Provisions-Employer | - | - |
| Unemployment Insurance-Employees | 1,480 | 1,357 |
| Unemployment Insurance-Employer | 2,986 | 2,739 |
| Others | 39 | 30 |
| **Total** | **5,493** | **4,355** |

### *5.2.9.2 Deferred tax liability*

None.

## 5.2.10 Liabilities for assets held for sale and assets of discontinued operations

None.

(Thousands of Turkish Lira (TL))

### 5.2.11 Subordinated debts

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.2.12 Other liabilities

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Payables from credit card transactions | 11,116,816 | 104,617 | 10,869,208 | 80,773 |
| Payables from clearing transactions | 1,249,660 | 83,419 | 3,780,969 | 59,285 |
| Dividend payables to shareholders | 725 | - | 725 | - |
| Other | 1,144,603 | 1,230,395 | 1,054,084 | 1,023,199 |
| **Total** | **13,511,804** | **1,418,431** | **15,704,986** | **1,163,257** |

### 5.2.13 Shareholders' equity

#### *5.2.13.1 Paid-in capital*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Common Shares | 4,200,000 | 4,200,000 |
| Preference Shares | - | - |

#### *5.2.13.2 Registered share capital system*

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

#### *5.2.13.3 Capital increases in current period*

None.

#### *5.2.13.4 Capital increases from capital reserves in current period*

None.

#### *5.2.13.5 Capital commitments for current and future financial periods*

None.

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

None.

#### *5.2.13.7 Information on privileges given to stocks representing the capital*

None.

#### *5.2.13.8 Securities value increase fund*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | TL | FC | | |
| **Investments in Associates, Subsidiaries and Joint-Ventures** | **3,111,614** | **109,391** | **2,899,703** | **119,711** |
| Valuation difference | 3,111,614 | 109,391 | 2,899,703 | 119,711 |
| Exchange rate difference | - | - | - | - |
| **Financial Assets Measured at Fair Value through Other Comprehensive Income** | **(1,129,386)** | **(336,202)** | **(800,087)** | **(229,053)** |
| Valuation difference | (1,129,386) | (336,202) | (800,087) | (229,053) |
| Exchange rate difference | - | - | - | - |
| **Total** | **1,982,228** | **(226,811)** | **2,099,616** | **(109,342)** |

(Thousands of Turkish Lira (TL))

### *5.2.13.9 Revaluation surplus*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Movables | 8,683 | 134,934 | 8,454 | 90,909 |
| Real Estates | 1,423,893 | - | 1,423,893 | - |
| Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases | - | - | - | - |
| Other | (158,829) | - | (158,829) | - |

### *5.2.13.10 Bonus shares of associates, subsidiaries and joint-ventures*

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

### *5.2.13.11 Legal reserves*

| | *Current Period* | *Prior Period* |
|---|---|---|
| I. Legal Reserve | 961,534 | 961,534 |
| II. Legal Reserve | 503,840 | 503,840 |
| Special Reserves | - | - |

### *5.2.13.12 Extraordinary reserves and other profit reserves*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly | 30,656,083 | 30,643,540 |
| Retained Earnings | - | - |
| Accumulated Losses | - | - |
| Exchange Rate Difference on Foreign Currency Capital | - | - |

(Thousands of Turkish Lira (TL))

## 5.3 Off-Balance Sheet Items

### 5.3.1 Off-balance sheet contingencies

#### *5.3.1.1 Irrevocable credit commitments*

The Bank has term asset purchase and sale commitments of TL 18,367,390 thousands (31 December 2018: TL 11,811,997 thousands), commitments for cheque payments of TL 3,380,399 thousands (31 December 2018: TL 2,719,279 thousands) and commitments for credit card limits of TL 33,218,207 thousands(31 December 2018: TL 31,989,908 thousands).

#### *5.3.1.2 Possible losses, commitments and contingencies resulted from off-balance sheet items*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Letters of Guarantee in Foreign Currency | 27,281,648 | 26,424,630 |
| Letters of Guarantee in TL | 22,441,676 | 22,742,832 |
| Letters of Credit | 10,827,001 | 13,783,428 |
| Bills of Exchange and Acceptances | 2,986,359 | 2,788,829 |
| Prefinancings | - | - |
| Other Guarantees | 66,679 | 63,270 |
| **Total** | **63,603,363** | **65,802,989** |

***Expected losses for non-cash loans and irrevocable commitments***

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| ***Current Period*** **Balances at Beginning of Period** | **121,505** | **244,658** | **282,169** | **648,332** |
| Additions during the Period (+) | 61,880 | 63,062 | 24,327 | 149,269 |
| Disposals (-) | (59,244) | (43,400) | (55,418) | (158,062) |
| Sales (-) | | | | |
| Write-offs (-) | | | | |
| Transfer to Stage 1 | 20,178 | (20,042) | (136) | - |
| Transfer to Stage 2 | (7,145) | 8,273 | (1,128) | - |
| Transfer to Stage 3 | (116) | (16,170) | 16,286 | - |
| Foreign Currency Differences | 2,438 | 5,385 | 10,082 | 17,905 |
| **Provisions at End of Period** | **139,496** | **241,766** | **276,182** | **657,444** |

| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
|---|---|---|---|---|
| ***Prior Period*** **Balances at Beginning of Period** | **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 276,182 thousands (31 December 2018: TL 282,169 thousands ) is made for unliquidated non-cash loans of TL 943,461 thousands (31 December 2018: 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".

(Thousands of Turkish Lira (TL))

### *5.3.1.3 Non-cash loans*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Non-Cash Loans against Cash Risks | 12,442,628 | 12,434,212 |
| With Original Maturity of 1 Year or Less | 2,051,755 | 2,339,515 |
| With Original Maturity of More Than 1 Year | 10,390,873 | 10,094,697 |
| Other Non-Cash Loans | 51,160,735 | 53,368,777 |
| **Total** | **63,603,363** | **65,802,989** |

### *5.3.1.4 Sectoral risk concentration of non-cash loans*

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### *5.3.1.5 Non-cash loans classified under Group I and II*

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### 5.3.2 Financial derivative instruments

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### 5.3.3 Credit derivatives and risk exposures on credit derivatives

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### 5.3.4 Contingent liabilities and assets

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### 5.3.5 Services rendered on behalf of third parties

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(Thousands of Turkish Lira (TL))

## 5.4 Statement of Profit or Loss

### 5.4.1 Interest income

#### *5.4.1.1 Interest income from loans* (*)

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Short-term loans | 2,826,455 | 147,828 | 1,595,169 | 67,394 |
| Medium and long-term loans | 3,852,370 | 1,228,364 | 3,371,500 | 926,647 |
| Loans under follow-up | 129,840 | 19,968 | 158,031 | - |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| **Total** | **6,808,665** | **1,396,160** | **5,124,700** | **994,041** |

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

#### *5.4.1.2 Interest income from banks*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Central Bank of Turkey | 3,882 | 58,243 | 11,712 | 14,749 |
| Domestic Banks | 68,561 | 656 | 14,818 | 263 |
| Foreign Banks | 1,890 | 62,951 | 974 | 21,474 |
| Foreign Head Offices and Branches | - | - | - | - |
| **Total** | **74,333** | **121,850** | **27,504** | **36,486** |

#### *5.4.1.3 Interest income from securities portfolio*

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| Financial Assets Measured at Fair Value through Profit or Loss | 9,086 | 1,608 | 11,694 | 794 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 690,981 | 119,476 | 467,391 | 110,895 |
| Financial Assets Measured at Amortised Cost | 737,986 | 68,459 | 411,456 | 54,364 |
| **Total** | **1,438,053** | **189,543** | **890,541** | **166,053** |

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. The estimated inflation rate which was taken as 14% in the first two months of 2019, was updated to 13% as of 4 March 2019. If the valuation of such securities was performed according to the reference index valid as of 31 March 2019, the Bank's securities value increase fund under the equity would increase by TL 350,996 thousands (net), whereas the interest income on securities portfolio would decrease by TL 1,031,959 thousands.

#### *5.4.1.4 Interest income received from associates and subsidiaries*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Interest Received from Investments in Associates and Subsidiaries | 53,030 | 28,659 |

(Thousands of Turkish Lira (TL))

## 5.4.2 Interest Expenses

### *5.4.2.1 Interest expenses on funds borrowed* (*)

| | *Current Period* | | *Prior Period* | |
|---|---|---|---|---|
| | **TL** | **FC** | **TL** | **FC** |
| **Banks** | **22,768** | **228,890** | **15,658** | **171,812** |
| Central Bank of Turkey | - | 2,799 | - | 1,275 |
| Domestic Banks | 11,828 | 11,029 | 4,536 | 4,525 |
| Foreign Banks | 10,940 | 215,062 | 11,122 | 166,012 |
| Foreign Head Offices and Branches | - | - | - | - |
| **Other Institutions** | - | 259,371 | **-** | **143,942** |
| **Total** | **22,768** | **488,261** | **15,658** | **315,754** |

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

### *5.4.2.2 Interest expenses paid to associates and subsidiaries*

| | *Current Period* | *Prior Period* |
|---|---|---|
| Interest Paid to Investments in Associates and Subsidiaries | 121,770 | 55,527 |

### *5.4.2.3 Interest expenses on securities issued*

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### *5.4.2.4 Maturity structure of interest expense on deposits*

| *Current Period* | | **Time Deposits** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Account Description** | **Demand Deposits** | **Up to 1 Month** | **1-3 Months** | **3-6 Months** | **6-12 Months** | **1 Year and Over** | **Accumulating Deposit Accounts** | **Total** |
| **Turkish Lira** | | | | | | | | |
| Bank Deposits | 224 | 26,970 | - | - | - | - | - | 27,194 |
| Saving Deposits | 13 | 112,170 | 2,193,048 | 273,195 | 125,110 | 146,286 | - | 2,849,822 |
| Public Sector Deposits | - | 81 | 1,510 | 251 | 57 | 1 | - | 1,900 |
| Commercial Deposits | 29 | 384,737 | 492,405 | 36,708 | 21,394 | 40,248 | - | 975,521 |
| Other | - | 13,576 | 47,550 | 4,188 | 22,584 | 178,349 | - | 266,247 |
| "7 Days Notice" Deposits | - | - | - | - | - | - | - | - |
| **Total TL** | **266** | **537,534** | **2,734,513** | **314,342** | **169,145** | **364,884** | **-** | **4,120,684** |
| **Foreign Currency** | | | | | | | | |
| Foreign Currency Deposits | 7 | 44,586 | 388,759 | 15,425 | 44,201 | 72,329 | 138 | 565,445 |
| Bank Deposits | - | 468 | - | - | - | - | - | 468 |
| "7 Days Notice" Deposits | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | 56 | 141 | 50 | 1,553 | - | 1,800 |
| **Total FC** | **7** | **45,054** | **388,815** | **15,566** | **44,251** | **73,882** | **138** | **567,713** |
| **Grand Total** | **273** | **582,588** | **3,123,328** | **329,908** | **213,396** | **438,766** | **138** | **4,688,397** |

(Thousands of Turkish Lira (TL))

| ***Prior Period*** | | **Time Deposits** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Account Description** | **Demand Deposits** | **Up to 1 Month** | **1-3 Months** | **3-6 Months** | **6-12 Months** | **1 Year and Over** | **Accumulating Deposit Accounts** | **Total** |
| **Turkish Lira** | | | | | | | | |
| Bank Deposits | 132 | 18,016 | - | - | - | - | - | 18,148 |
| Saving Deposits | 19 | 52,368 | 1,293,806 | 62,694 | 19,200 | 29,281 | - | 1,457,368 |
| Public Sector Deposits | - | 36 | 715 | 172 | - | - | - | 923 |
| Commercial Deposits | 7 | 151,235 | 275,494 | 11,442 | 11,742 | 41,410 | - | 491,330 |
| Other | 8 | 5,182 | 23,789 | 3,250 | 14,376 | 82,315 | - | 128,920 |
| “7 Days Notice” Deposits | - | - | - | - | - | - | - | - |
| **Total TL** | **166** | **226,837** | **1,593,804** | **77,558** | **45,318** | **153,006** | **-** | **2,096,689** |
| **Foreign Currency** | | | | | | | | |
| Foreign Currency Deposits | 1 | 20,365 | 273,654 | 15,218 | 24,469 | 94,135 | 185 | 428,027 |
| Bank Deposits | - | 3,456 | - | - | - | - | - | 3,456 |
| “7 Days Notice” Deposits | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | 32 | 7 | 50 | 915 | | 1,004 |
| **Total FC** | **1** | **23,821** | **273,686** | **15,225** | **24,519** | **95,050** | **185** | **432,487** |
| **Grand Total** | **167** | **250,658** | **1,867,490** | **92,783** | **69,837** | **248,056** | **185** | **2,529,176** |

### *5.4.2.5 Interest expense on money market transactions*

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### *5.4.2.6 Financial lease expenses*

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### *5.4.2.7 Interest expenses on factoring payables*

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### 5.4.3 Dividend income

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

### 5.4.4 Trading income/losses

| | ***Current Period*** | ***Prior Period*** |
|---|---|---|
| **Income** | **30,721,064** | **15,830,640** |
| Trading Account Income | 823,878 | 372,316 |
| Gains from Derivative Financial Instruments | 5,185,394 | 3,372,132 |
| Foreign Exchange Gains | 24,711,792 | 12,086,192 |
| **Losses (-)** | **30,890,142** | **16,172,546** |
| Trading Account Losses | 336,923 | 164,469 |
| Losses from Derivative Financial Instruments | 4,278,049 | 3,022,268 |
| Foreign Exchange Losses | 26,275,170 | 12,985,809 |
| **Total** | **(169,078)** | **(341,906)** |

TL 1,473,501 thousands (31 March 2018: TL 1,545,106 thousands) of foreign exchange gains and TL 3,319,544 thousands (31 March 2018: TL 2,339,908 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

(Thousands of Turkish Lira (TL))

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 43,904,865 and EUR 28,947,368 and securitization borrowings amounting to EUR 60,189,468 by designating cross currency swaps with the same face values and terms and borrowing amounting to USD 500,000,000, securitizations amounting to USD 667,093,498 and EUR 82,500,000 and deposits amounting to TL 5,255,000 thousands, USD 855,000,000 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 70,779 thousands (31 March 2018: TL 53,087 thousands) and TL 171,305 thousands (31 March 2018: TL 192,860 thousands) and a loss of TL (46,778) thousands (31 March 2018: TL - 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 2,214,627 thousands, USD 563,513,627 and EUR 259,591,490, for its fixed rate bonds with a total face value of TL 795,000 thousands and USD 487,500,000 and fixed-rate coupons with a total face value of USD 90,000,000 and EUR 148,800,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL (79,860) thousands (31 March 2018: TL (119,809) thousands) and TL (25,312) thousands (31 March 2018: TL (50,635) 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.

### 5.4.5 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.

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Reversal of Prior Years' Provisions** | **1,600,946** | **868,067** |
| Stage 1 Provisions | 514,214 | 404,644 |
| Stage 2 Provisions | 751,741 | 255,512 |
| Stage 3 Provisions | 305,352 | 199,708 |
| Others | 29,639 | 8,203 |
| **Revenues from Term Sale of Assets** | **5,479** | **123,933** |
| **Others** | **33,548** | **31,881** |
| **Total** | **1,639,973** | **1,023,881** |

(Thousands of Turkish Lira (TL))

### 5.4.6 Expected credit losses and other provisions

| | *Current Period* | *Prior Period* |
|---|---|---|
| **Expected Credit Losses** | **3,206,823** | **1,616,995** |
| *12-Month ECL (Stage 1)* | 651,220 | 379,957 |
| *Lifetime ECL Significant Increase in Credit Risk (Stage 2)* | 1,576,142 | 748,876 |
| *Lifetime ECL Impaired Credits (Stage 3)* | 979,461 | 488,162 |
| **Other Provisions** | **242,876** | **17,925** |
| Impairment Losses on Securities | 17,347 | 3,828 |
| *Financial Assets Measured at Fair Value through Profit/Loss* | 892 | 3,828 |
| *Financial Assets Measured at Fair Value through Other Comprehensive Income* | 16,455 | - |
| **Impairment Losses on Associates, Subsidiaries and Joint-ventures** | - | - |
| *Associates* | - | - |
| *Subsidiaries* | - | - |
| *Joint-ventures* | - | - |
| **Others** | **225,529** | **14,097** |
| **Total** | **3,449,699** | **1,634,920** |

### 5.4.7 Other operating expenses

| | *Current Period* | *Prior Period* |
|---|---|---|
| Reserve for Employee Termination Benefits | 29,205 | 21,357 |
| Defined Benefit Obligation | - | - |
| Impairment Losses on Tangible Assets | - | - |
| Depreciation Expenses of Tangible Assets | 89,904 | 67,457 |
| Impairment Losses on Intangible Assets | - | - |
| Impairment Losses on Goodwill | - | - |
| Amortisation Expenses of Intangible Assets | 19,059 | 17,604 |
| Impairment Losses on Investments Accounted under Equity Method | - | - |
| Impairment Losses on Assets to be Disposed | - | - |
| Depreciation Expenses of Right-of-use Assets | 64,940 | - |
| Impairment Losses on Assets Held for Sale | - | - |
| Other Operating Expenses | 733,153 | 750,768 |
| *Operational Lease related Expenses (*)* | 37,489 | 113,358 |
| *Repair and Maintenance Expenses* | 15,169 | 13,448 |
| *Advertisement Expenses* | 28,605 | 39,114 |
| *Other Expenses* | 651,890 | 584,848 |
| Loss on Sale of Assets | 763 | 115 |
| Others | 266,778 | 200,352 |
| **Total** | **1,203,802** | **1,057,653** |

(*) Includes lease related expenses out of the scope of TFRS 16.

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.4.9 Information on provision for taxes from continued and discontinued operations

As of 31 March 2019, the Bank recorded a tax charge of TL 196,488 thousands (31 March 2018: TL 377,655 thousands) and a deferred tax expense of TL 209,889 thousands (31 March 2018: TL 118,679 thousands).

There is no amount from discontinued operations.

(Thousands of Turkish Lira (TL))

***Deferred tax benefit/charge on timing differences:***

| **Deferred tax benefit/(charge) on timing differences** | ***Current Period*** | ***Prior Period*** |
|---|---|---|
| Increase in tax deductable timing differences (+) | 281,944 | 138,418 |
| Decrease in tax deductable timing differences (-) | (74,990) | (207,751) |
| Increase in taxable timing differences (-) | (447,911) | (98,104) |
| Decrease in taxable timing differences (+) | 31,068 | 48,758 |
| **Total** | **(209,889)** | **(118,679)** |

***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** | ***Current Period*** | ***Prior Period*** |
|---|---|---|
| Increase/(decrease) in tax deductable timing differences (net) | 206,954 | (69,333) |
| Increase/(decrease) in taxable timing differences (net) | (416,843) | (49,346) |
| Increase/(decrease) in tax losses (net) | - | - |
| Increase/(decrease) in tax deductions and exemptions (net) | - | - |
| **Total** | **(209,889)** | **(118,679)** |

### 5.4.10 Information on net profit/loss from continued and discontinued operations

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

### 5.4.11 Net profit/loss

#### *5.4.11.1 Any further explanation on operating results needed for better understanding of the Bank's performance*

None.

#### *5.4.11.2 Any changes in estimations that might have a material effect on current and subsequent period results*

None.

### 5.4.12 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.

## 5.5 Statement of Changes in Shareholders' Equity

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

## 5.6 Statement of Cash Flows

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousands of Turkish Lira (TL))

## 5.7 Related Party Risks

### 5.7.1 Transactions with the Bank's risk group

### *5.7.1.1 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** | |
|---|---|---|---|---|---|---|
| **Loans and Other Receivables** | **Cash** | **Non-cash** | **Cash** | **Non-cash** | **Cash** | **Non-cash** |
| Balance at beginning of period | 5,538,055 | 1,498,526 | 108,221 | 942,442 | 83,353 | 36,351 |
| Balance at end of period | 5,884,643 | 1,397,000 | 146,512 | 519,694 | 83,519 | 34,562 |
| **Interest and Commission Income** | **74,470** | **3,513** | **865** | **-** | **3,362** | **2** |

***Prior Period***

| **Bank's Risk Group** | **Associates, Subsidiaries and Joint-Ventures** | | **Bank's Direct and Indirect Shareholders** | | **Other Components in Risk Group** | |
|---|---|---|---|---|---|---|
| **Loans and Other Receivables** | **Cash** | **Non-cash** | **Cash** | **Non-cash** | **Cash** | **Non-cash** |
| 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 | 5,538,055 | 1,498,526 | 108,221 | 942,442 | 83,353 | 36,351 |
| **Interest and Commission Income** (*) | **43,134** | **2,060** | **696** | **32** | **39,657** | **1,599** |

(*) Doğuş Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest and commissions received due to the transactions with these companies in 2018 are included in the related party disclosures.

### *5.7.1.2 Deposits*

| **Bank's Risk Group** | **Associates, Subsidiaries and Joint-Ventures** | | **Bank's Direct and Indirect Shareholders** | | **Other Components in Risk Group** | |
|---|---|---|---|---|---|---|
| **Deposits** | ***Current Period*** | ***Prior Period*** | ***Current Period*** | ***Prior Period*** | ***Current Period*** | ***Prior Period*** |
| Balance at beginning of period | 1,074,063 | 1,414,155 | 108,961 | 375,167 | 89,808 | 378,773 |
| Balance at end of period | 1,420,226 | 1,074,063 | 188,034 | 108,961 | 100,826 | 89,808 |
| **Interest Expense** (*) | **52,629** | **45,540** | **12** | **568** | **1,282** | **3,784** |

(*) Doğuş Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest and commissions received due to the transactions with these companies in 2018 are included in the related party disclosures.

### *5.7.1.3 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 | 1,171,385 | 942,776 | 32,240,075 | 35,056,631 | - | 792,918 |
| Balance at end of period | 2,420,590 | 1,171,385 | 33,178,646 | 32,240,075 | - | - |
| **Total Profit/(Loss)** | **446** | **13,787** | **(8,965)** | **70,730** | **-** | **(3,076)** |
| **Transactions for Hedging:** | | | | | | |
| Balance at beginning of period | - | - | 1,004,943 | 1,037,356 | - | - |
| Balance at end of period | - | - | 1,027,851 | 1,004,943 | - | - |
| **Total Profit/(Loss)** | **-** | **-** | **856** | **(150)** | **-** | **-** |

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.

## 5.7.2 The Bank’s risk group

### *5.7.2.1 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.

### *5.7.2.2 Concentration of transaction volumes and balances with risk group and pricing policy*

The cash loans of the risk group amounting TL 1,899,301 thousands (31 December 2018: TL 1,640,125 thousands) compose 0.77% (31 December 2018: 0.71%) of the Bank’s total cash loans and 0.49% (31 December 2018: 0.46%) of the Bank’s total assets. The total loans and similar receivables amounting TL 6,114,674 thousands (31 December 2018: TL 5,729,629 thousands) compose 1.59% (31 December 2018: 1.59%) of the Bank’s total assets. The non-cash loans of the risk group amounting TL 1,951,256 thousands (31 December 2018: TL 2,477,319 thousands) compose 3.07% (31 December 2018: 3.76%) of the Bank’s total non-cash loans.

The deposits of the risk group amounting TL 1,709,086 thousands (31 December 2018: TL 1,272,832 thousands) compose 0.72% (31 December 2018: 0.58%) of the Bank’s total deposits.

The funds borrowed by the Bank from its risk group amounting TL 21,142,855 thousands (31 December 2018: TL 18,689,922 thousands) compose 62.97% (31 December 2018: 58.51%) 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 166,702 thousands (31 December 2018: TL 146,110 thousands).

A total rent income of TL 3,386 thousands (31 March 2018: TL 3,260 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 5,946 thousands (31 March 2018: TL 5,956 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 8,178 thousands (31 March 2018: TL 15,994 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 42,999 thousands (31 March 2018: TL 40,746 thousands), shares brokerage fee of TL 13,593 thousands (31 March 2018: TL 8,917 thousands), and fixed-rate securities brokerage fee of TL 1,049 thousands (31 March 2018: TL 545 thousands).

There is no advertisement and broadcasting services from the risk group (31 March 2018: TL 26 thousands). The operational leasing services amounting to TL 16,650 thousands (31 March 2018: TL 14,295 housands) and travelling services amounting to TL 4,123 thousands (31 March 2018: TL 4,092 thousands) were rendered by the related parties and recognized as operational expenses.

The net payment provided or to be provided to the key management of the Bank amounts to TL 28,861 thousands as of 31 March 2019 (31 March 2018: TL 23,746 thousands) including compensations paid to key management personnel who left their position during the year.

### *5.7.2.3 Other matters not required to be disclosed*

None.

### *5.7.2.4 Transactions accounted for under equity method*

Please refer to Note 5.1.9 investments in subsidiaries.

### *5.7.2.5 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.

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

(Thousands of Turkish Lira (TL))

## 5.9 Matters Arising Subsequent to Balance Sheet Date

In the ordinary General Assembly meeting, it was decided to distribute the net profit of the year 2018 as follows;

| **2018 PROFIT DISTRIBUTION TABLE** | |
|---|---|
| **2018 Net Profit** | **6,638,236** |
| A – I. Legal reserve (Turkish Commercial Code 519/1) at 5% | - |
| Undistributable funds | (6,416) |
| B – First dividend at 5% of the paid-in capital | - |
| C – Extraordinary reserves at 5% after above deductions | (331,912) |
| D – Second dividend to the shareholders | - |
| E – Extraordinary reserves | (6,299,908) |
| F – II. Legal reserve (Turkish Commercial Code 519/2) | - |

Following the completion of the legal procedures required by the BBVA Group's global strategy, the Bank will continue its operations with the brand of “Garanti BBVA”.

## 5.10 Other Disclosures on Activities of the Bank

### 5.10.1 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 Assesment | b2 |
| Adjusted Loan Assesment | 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 |

### 5.10.2 Dividends

Presented in note 5.9.

### 5.10.3 Other disclosures

None.

# 6 Disclosures on Limited Review Report

## 6.1 Disclosure on limited review report

The unconsolidated financial statements of the Bank as of 31 March 2019, have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 29 April 2019, is presented before the accompanying financial statements.

## 6.2 Disclosures and footnotes prepared by independent auditors

None.

# 7 Interim Activity Report

(Amounts are expressed in Turkish Lira (TL))

## 7.1 Summary financial information regarding the operating results for the current period, the comments of the chairman of the board of directors and the CEO

**Türkiye Garanti Bankası A.Ş.,** announced its financial statements dated March 31, 2019. Based on the unconsolidated financials, Garanti's net income in the first three months recorded as TL 1 billion 721 million 963 thousand. Garanti's asset size reached TL 384 billion 384 million 133 thousand and Turkish Lira loans were the main driver of the asset growth. Given the support of Credit Guaranteed Fund, performing cash loans grew by 7% in the first three months and the Bank's contribution to the economy through cash and non-cash loans reached TL 297 billion 990 million 246 thousand. Actively managing the funding base, deposits continued to be the main funding source with 61% share in the total funding base. Garanti's deposit base reached to TL 236 billion 154 million 911 thousand with 8% growth in the quarter. Preserving the strong capital stance, Bank's capital adequacy ratio was realized at 17.0%. The Bank delivered an **ROAE** (Return on Average Equity) of 15.4% and an **ROAA** (Return on Average Assets) of 2%.

Commenting on the successful financial performance announced by Garanti Bank, **Chairman Süleyman Sözen** stated that: "In the first quarter of 2019 Garanti continued its uninterrupted support to the economy on the back of its strong capital structure and sound balance sheet management." Sözen said that: "Garanti that is known as the pioneer in innovation, continues to create value for the society and its stakeholders with the synergy created with its largest shareholder BBVA."

Referring to the developments in the first quarter of 2019, Sözen stated that: "Garanti Bank's achievements in digital Banking stand out in the international arena. Global Finance, a leading organization in finance, named Garanti as the 'Best in Mobile Banking' in the Western Europe and the 'Best Digital Bank in Turkey'. Once again, Garanti stood out with its innovative Business model as one of the world's leading financial organizations."

Chairman **Sözen** closed his remarks by saying that: "Addressing the changing needs of our customers in the most effective way will continue to be our top priority. Taking this opportunity, I would like to thank my colleagues, our esteemed clients, shareholders, and all other stakeholders."

Commenting on the topic, **Garanti Bank CEO Fuat Erbil** stated that: "Despite challenging market conditions, we made a strong start to 2019 with continued support to the economy. Given the confidence in our high capital adequacy ratio, our contribution to the economy exceeded TL 323 billion. While growing faster than the sector in TL loans, we sustained our leadership in consumer loans. In the first three months of 2019, we grew our TL business banking loans by 15%. On funding front, we have diversified our resources and extended the maturities. Within the framework of the international borrowing program, we have secured a financing in the total amount of USD 150 million with a maturity of 5 years. Thereby solidifying our leading position in the sector, we have reaffirmed foreign investors' confidence in Garanti Bank and their long-term interest in Turkey."

Expressing his appreciation for Garanti's recognitions on the international platforms, **Erbil** said: "With our customer-oriented approach, wide range of solution oriented products meeting the special needs and with a team of banking experts, our bank was the winner of **"Best Private Banking Award"** in Turkey per survey conducted by **Euromoney,** one of the world's leading magazines. On the other hand, as Garanti Bank, we continue to be the solution partner of our customers in foreign trade. With the solutions we offer to our customers and value we have created for them, we are very pleased to be recognized as **"Turkey's Best Trade Finance Bank"** by an important international platform like **Global Finance.** After another year of successful work within the entire value chain contributing to our human resources, customers and the community, this year again we were entitled to be included in the **Bloomberg Gender Equality Index** as the **only company from Turkey**. It is highly valuable to reach such achievements in a fast moving period, both domestically and globally. I would like to thank all my colleagues, all of our stakeholders who trust and support us."

(Thousands of Turkish Lira (TL))

*You may access the earnings presentation regarding the BRSA unconsolidated financial results as of and for the period ending March 31, 2019 from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](www.garantiinvestorrelations.com)*

### 7.1.1 Selected Figures of Unconsolidated Financial Statements

| Selected Balance Sheet Items | Current Period 31.Mar.2019 | Prior Period 31.Dec.2018 | Change Δ % |
|---|---|---|---|
| Total Assets | 384,384,133 | 359,477,202 | 6.9% |
| Loans | 247,179,953 | 230,611,464 | 7.2% |
| - Performing Loans | 234,386,883 | 219,204,391 | 6.9% |
| - Non-Performing Loans | 12,793,070 | 11,407,073 | 12.2% |
| Deposits | 236,154,911 | 218,057,918 | 8.3% |
| Shareholders' Equity | 48,192,317 | 46,687,853 | 3.2% |

| Selected P&L Items | Current Period 31.Mar.2019 | Prior Period 31.Mar.2018 | Change Δ % |
|---|---|---|---|
| Net Interest Income | 4,495,063 | 3,787,765 | 18.7% |
| Operating Expenses | 2,068,794 | 1,735,893 | 19.2% |
| - HR Cost | 864,992 | 678,240 | 27.5% |
| - Other Operating Expenses | 1,203,802 | 1,057,653 | 13.8% |
| Net Fees & Commissions | 1,430,502 | 1,169,214 | 22.3% |
| Net Income | 1,721,963 | 1,996,251 | -13.7% |

| Selected Financial Ratios | Current Period 31.Mar.2019 | Prior Period 31.Dec.2018 | Change Δ bp |
|---|---|---|---|
| Performing Loans/Assets | 61.0% | 61.0% | 0 |
| Deposits/Assets | 61.4% | 60.7% | 78 |
| Return on Average Equity | 15.4% | 15.0% | 41 |
| Return on Average Assets | 2.0% | 1.9% | 8 |
| Cumulative Net Interest Margin (incl. swap costs) | 5.2% | 5.4% | -20 |
| Non-Performing Loans Ratio | 5.2% | 4.9% | 23 |
| Capital Adequacy Ratio | 17.0% | 18.3% | -126 |

| Market Shares | Current Period 31.Mar.2019 | Prior Period 31.Dec.2018 | Change Δ bp |
|---|---|---|---|
| Performing Loans | 10.7% | 10.6% | 7 |
| TL Performing Loans | 11.1% | 11.0% | 13 |
| FC Performing Loans | 9.9% | 10.0% | -8 |
| Deposits | 10.8% | 10.8% | 5 |
| TL Deposits | 10.4% | 10.1% | 22 |
| FC Deposits | 11.2% | 11.4% | -24 |

| Garanti with Numbers | Current Period 31.Mar.2019 | Prior Period 31.Dec.2018 | Change Δ % |
|---|---|---|---|
| Branch Network | 932 | 936 | -0.4% |
| Number of Employees | 18,295 | 18,338 | -0.2% |
| ATM | 5,197 | 5,258 | -1.2% |
| POS* | 688,424 | 669,435 | 2.8% |
| Number of Customers | 16,676,295 | 16,378,164 | 1.8% |
| Number of Digital Customers** | 7,502,944 | 7,256,168 | 3.4% |
| Number of Credit Card Customers | 6,940,143 | 6,975,591 | -0.5% |

**Includes shared and virtual POS.*

*** Active customers only -- min. 1 login or call per quarter*

**7.2 The amendments in the articles of association during period of 01.01.2019-31.03.2019**

There is no change during the period.

**7.3 Announcements regarding important developments in the period of 01.01.2019-31.03.2019**

Garanti Bank's Annual Report, documents regarding ordinary general meeting of shareholders, information on board of directors and senior management, ratings and disclosures regarding important developments and other disclosures during 01.01.2019-31.03.2019 period were announced and the disclosures were uploaded to the Public Disclosure Platform. Disclosures and all of the announcements are available at www.garantiinvestorrelations.com.

**7.4 Assessment of financial information and risk management**

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements for the period ended 31 March 2019. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at www.garantiinvestorrelations.com.

You may find financial information on Garanti Bank for the most recent five year period in the 2018 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at www.garantiannualreport.com.

**7.5 Information regarding management and corporate governance practices**

You may access information about the activities of the Board of Directors, the Audit Committee, the Credit Committee and the committees that are established pursuant to the Regulation on the Internal Systems of Banks under the framework of the risk management systems and are organized under the Board of Directors or to support the Board of Directors, chairman and members of the committees' names and surnames, fundamental duties and their attendance to the meetings from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com under the Committees section.

You may access the Corporate Governance Principles Compliance Report from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com under the Corporate Governance section.

**7.6 Forward looking statements regarding the expectations**

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced it's forward looking statements regarding the expectations for the year 2019. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website at www.garantiinvestorrelations.com in Operating Plan Guidance Presentations section. As of March 31, 2019, there are no revisions to the forward looking statements regarding the expectations for the year 2018.