

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

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

**Publicly Announced Consolidated Financial Statements,  
Related Disclosures and Independent Auditors' Limited  
Review Report Thereon  
as of and for the Nine-Month Period Ended  
30 September 2018**

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



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

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

**Independent Auditors' Report on Review of Consolidated Interim Financial  
Information**

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

*Introduction*

We have reviewed the accompanying consolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together "the Group") as at 30 September 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows, for the nine 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 consolidated 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 consolidated 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 consolidated interim financial information as at 30 September 2018 include a general reserve of total TL 1,860,000 thousands, of which TL 700,000 thousands was recognized as expense in the current period, and TL 1,160,000 thousands had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

#### *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 consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası AŞ and its financial subsidiaries as at 30 September 2018, and its consolidated financial performance and its consolidated cash flows for the nine 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 consolidated interim financial information is not consistent, in all material respects, with the reviewed consolidated 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 consolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated 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 consolidated 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

25 October 2018  
İstanbul, Turkey

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ  
AND ITS FINANCIAL SUBSIDIARIES  
CONSOLIDATED INTERIM FINANCIAL REPORT AS OF AND  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

Levent Nispetiye Mah.Aytar Cad.  
No:2 Beşiktaş 34340 Istanbul

Telephone: 212 318 18 18  
Fax: 212 216 64 22

[www.garanti.com.tr](http://www.garanti.com.tr)  
[investorrelations@garanti.com.tr](mailto:investorrelations@garanti.com.tr)

The consolidated interim financial report for the nine-month period ended 30 September 2018 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

**Subsidiaries**

---

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

**Structured Entities**

---

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

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

**Süleyman Sözen**

Board of Directors  
Chairman

**Ali Fuat Erbil**

General Manager

**Aydın Güler**

Executive Vice President  
Responsible of Financial  
Reporting

**Aylin Aktürk**

Director Responsible  
of Consolidation and  
International  
Accounting

**Jorge Saenz - Azcunaga  
Carranza**

Audit Committee Member

**Ricardo Gomez Barredo**

Audit Committee Member

**Belkıs Sema Yurdum**

Audit Committee Member

The authorized contact person for questions on this financial report:

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

Phone no: 90 212 318 23 50

Fax no: 90 212 216 59 02

	<b>Page No:</b>
<b><u>SECTION ONE</u></b>	
General Information	
I. History of parent bank including its incorporation date, initial legal status, amendments to legal status	1
II. Parent bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on its risk group	1
III. Information on parent bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and, if any, shareholdings in the bank	2
IV. Information on parent bank's qualified shareholders	3
V. Summary information on parent bank's activities and services	3
VI. Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods	3
VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	3
<b><u>SECTION TWO</u></b>	
Consolidated Interim Financial Statements	
I. Consolidated balance sheet-Assets (current period)	4
II. Consolidated balance sheet-Liabilities (current period)	5
III. Consolidated off-balance sheet items (current period)	6
IV. Consolidated statement of profit or loss (current period)	7
V. Consolidated statement of profit or loss and other comprehensive income (current period)	8
VI. Consolidated statement of changes in shareholders' equity (current period)	9
VII. Consolidated statement of cash flows (current period)	10
VIII. Consolidated balance sheet-Assets (prior period)	11
IX. Consolidated balance sheet-Liabilities (prior period)	12
X. Consolidated off-balance sheet items (prior period)	13
XI. Consolidated income statement (prior period)	14
XII. Consolidated statement of income/expense items accounted for under shareholders' equity (prior period)	15
XIII. Consolidated statement of changes in shareholders' equity (prior period)	16
XIV. Consolidated statement of cash flows (prior period)	17
<b><u>SECTION THREE</u></b>	
Accounting Policies	
I. Basis of presentation	18
II. Strategy for use of financial instruments and foreign currency transactions	19
III. Information on consolidated subsidiaries	20
IV. Forwards, options and other derivative transactions	21
V. Interest income and expenses	23
VI. Fees and commissions	24
VII. Financial instruments	24
VIII. Impairment of financial assets	27
IX. Netting and derecognition of financial instruments	32
X. Repurchase and resale agreements and securities lending	34
XI. Assets held for sale, assets of discontinued operations and related liabilities	34
XII. Goodwill and other intangible assets	34
XIII. Tangible assets	35
XIV. Leasing activities	36
XV. Provisions and contingent liabilities	36
XVI. Contingent assets	36
XVII. Liabilities for employee benefits	36
XVIII. Insurance technical reserves and technical income and expense	38
XIX. Taxation	39
XX. Funds borrowed	41
XXI. Share issuances	41
XXII. Confirmed bills of exchange and acceptances	41
XXIII. Government incentives	41
XXIV. Segment reporting	41
XXV. Profit reserves and profit appropriation	43
XXVI. Earnings per share	43
XXVII. Related parties	44
XXVIII. Cash and cash equivalents	44
XXIX. Reclassifications	44
XXX. Other disclosures (prior period accounting policies)	47
<b><u>SECTION FOUR</u></b>	
Consolidated Financial Position and Results of Operations and Risk Management	
I. Consolidated capital	51
II. Consolidated credit risk	62
III. Consolidated currency risk	62
IV. Consolidated interest rate risk	64
V. Consolidated position risk of equity securities	68
VI. Consolidated liquidity risk	69
VII. Consolidated leverage ratio	75
VIII. Fair values of financial assets and liabilities	76
IX. Transactions carried out on behalf of customers and items held in trust	76
X. Risk management objectives and policies	76

## **SECTION FIVE**

### Disclosures and Footnotes on Consolidated Financial Statements

I.	Consolidated assets (current period)	80
II.	Consolidated assets (prior period)	100
III.	Consolidated liabilities (current period)	119
IV.	Consolidated liabilities (prior period)	128
V.	Consolidated off-balance sheet items (current period)	136
VI.	Consolidated off-balance sheet items (prior period)	138
VII.	Consolidated statement of profit or loss (current period)	139
VIII.	Consolidated income statement (prior period)	145
IX.	Consolidated statement of changes in shareholders' equity	151
X.	Consolidated statement of cash flows	152
XI.	Related party risks	153
XII.	Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank	155
XIII.	Matters arising subsequent to balance sheet date	156
XIV.	Other disclosures on parent bank's activities	157

## **SECTION SIX**

### Limited Review Report

I.	Disclosure on limited review report	160
II.	Disclosures and footnotes prepared by independent auditors	160

## **SECTION SEVEN**

### Interim Activity Report

I.	Introduction	161
II.	Information regarding management and corporate governance practices	170
III.	Assessment of financial information and risk management	171
IV.	Announcements regarding important developments in the period of 01.07.2018-30.09.2018	172
V.	Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.07.2018-30.09.2018	172

## **1 General Information**

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

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

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

The Bank provides banking services through 921 domestic branches, 8 foreign branches and 3 representative offices (31 December 2017: 937 domestic branches, 8 foreign branches and 3 representative offices). The Bank’s head office is located in Istanbul.

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

As of 30 September 2018, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

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

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

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

#### **BBVA Group**

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

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

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



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

#### Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	36 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	24 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	26 years
Sait Ergun Özen	Member	14.05.2003	University	31 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	30 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	25 years
Javier Bernal Dionis	Member	27.07.2015	Master	28 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	28 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	38 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	26 years

#### CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ali Fuat Erbil	CEO	02.09.2015	PhD	26 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	23 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	24 years
Betül Ebru Edin	EVP-Corporate and Investment Banking	25.11.2009	University	24 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	23 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	27 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	26 years
Aydın Güler	EVP-Asset /Liability Management, Capital, Investor Relations and Finance	03.02.2016	University	28 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	28 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	18 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	27 years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

None.

## 2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries Consolidated Balance Sheet (Statement of Financial Position) At 30 September 2018

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			CURRENT PERIOD		
			30 September 2018		
			TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>			<b>48,775,820</b>	<b>107,050,868</b>	<b>155,826,688</b>
<b>1.1 Cash and Cash Equivalents</b>			<b>4,096,308</b>	<b>87,530,792</b>	<b>91,627,100</b>
1.1.1 Cash and Balances with Central Bank	5.1.1		3,157,823	39,247,606	42,405,429
1.1.2 Banks	5.1.3		933,375	48,131,442	49,064,817
1.1.3 Money Market Placements			5,110	151,744	156,854
<b>1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)</b>			<b>679,124</b>	<b>217,274</b>	<b>896,398</b>
1.2.1 Government Securities	5.1.2		559,477	32,526	592,003
1.2.2 Equity Securities			90,704	108,361	199,065
1.2.3 Other Financial Assets			28,943	76,387	105,330
<b>1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)</b>			<b>17,715,463</b>	<b>10,852,237</b>	<b>28,567,700</b>
1.3.1 Government Securities	5.1.4		17,563,751	5,126,161	22,689,912
1.3.2 Equity Securities			15,843	283,983	299,826
1.3.3 Other Financial Assets			135,869	5,442,093	5,577,962
<b>1.4 Financial Assets Measured at Amortised Cost</b>			<b>16,975,532</b>	<b>6,799,713</b>	<b>23,775,245</b>
1.4.1 Government Securities	5.1.8		16,850,727	6,783,552	23,634,279
1.4.2 Other Financial Assets			124,805	16,161	140,966
<b>1.5 Derivative Financial Assets</b>			<b>9,319,304</b>	<b>1,680,112</b>	<b>10,999,416</b>
1.5.1 Derivative Financial Assets Measured at FVTPL			8,395,815	1,315,209	9,711,024
1.5.2 Derivative Financial Assets Measured at FVOCI			923,489	364,903	1,288,392
<b>1.6 Non Performing Financial Assets</b>			-	-	-
<b>1.7 Expected Credit Losses (-)</b>			<b>9,911</b>	<b>29,260</b>	<b>39,171</b>
<b>II. LOANS (Net)</b>			<b>158,142,498</b>	<b>128,273,477</b>	<b>286,415,975</b>
<b>2.1 Loans</b>			<b>155,278,948</b>	<b>122,909,706</b>	<b>278,188,654</b>
2.1.1 Loans Measured at Amortised Cost	5.1.6		155,278,948	122,909,706	278,188,654
2.1.2 Loans Measured at FVTPL			-	-	-
2.1.3 Loans Measured at FVOCI			-	-	-
<b>2.2 Lease Receivables</b>			<b>1,434,431</b>	<b>5,910,064</b>	<b>7,344,495</b>
2.2.1 Financial Lease Receivables	5.1.12		1,734,188	6,465,081	8,199,269
2.2.2 Operational Lease Receivables			-	-	-
2.2.3 Unearned Income (-)			299,757	555,017	854,774
<b>2.3 Factoring Receivables</b>			<b>1,687,918</b>	<b>554,124</b>	<b>2,242,042</b>
2.3.1 Factoring Receivables Measured at Amortised Cost	5.1.7		1,687,918	554,124	2,242,042
2.3.2 Factoring Receivables Measured at FVTPL			-	-	-
2.3.3 Factoring Receivables Measured at FVOCI			-	-	-
<b>2.4 Non Performing Receivables</b>			<b>6,837,722</b>	<b>5,727,788</b>	<b>12,565,510</b>
<b>2.5 Expected Credit Losses (-)</b>			<b>7,096,521</b>	<b>6,828,205</b>	<b>13,924,726</b>
2.5.1 12-Month ECL (Stage 1)			991,681	407,264	1,398,945
2.5.2 Lifetime ECL Significant Increase in Credit Risk (Stage 2)			1,130,244	3,966,679	5,096,923
2.5.3 Lifetime ECL Impaired Credits (Stage 3)			4,974,596	2,454,262	7,428,858
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>			<b>858,373</b>	<b>24,463</b>	<b>882,836</b>
3.1 Asset Held for Resale	5.1.18		858,373	24,463	882,836
3.2 Assets of Discontinued Operations			-	-	-
<b>IV. OWNERSHIP INVESTMENTS (Net)</b>			<b>150,119</b>	<b>4,371</b>	<b>154,490</b>
<b>4.1 Associates (Net)</b>			<b>35,747</b>	<b>6</b>	<b>35,753</b>
4.1.1 Associates Consolidated Under Equity Accounting	5.1.9		-	-	-
4.1.2 Unconsolidated Associates			35,747	6	35,753
<b>4.2 Subsidiaries (Net)</b>			<b>114,372</b>	<b>4,365</b>	<b>118,737</b>
4.2.1 Unconsolidated Financial Investments in Subsidiaries	5.1.10		-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries			114,372	4,365	118,737
<b>4.3 Joint Ventures (Net)</b>			-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting	5.1.11		-	-	-
4.3.2 Unconsolidated Joint-Ventures			-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>			<b>4,050,944</b>	<b>265,842</b>	<b>4,316,786</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>			<b>355,090</b>	<b>50,829</b>	<b>405,919</b>
6.1 Goodwill	5.1.15		6,388	-	6,388
6.2 Others			348,702	50,829	399,531
<b>VII. INVESTMENT PROPERTY (Net)</b>			<b>553,538</b>	-	<b>553,538</b>
<b>VIII. CURRENT TAX ASSET</b>			<b>4,347</b>	<b>60,274</b>	<b>64,621</b>
<b>IX. DEFERRED TAX ASSET</b>			<b>1,669,690</b>	<b>28,945</b>	<b>1,698,635</b>
<b>X. OTHER ASSETS</b>			<b>4,896,365</b>	<b>1,111,884</b>	<b>6,008,249</b>
<b>TOTAL ASSETS</b>			<b>219,456,784</b>	<b>236,870,953</b>	<b>456,327,737</b>

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Balance Sheet (Statement of Financial Position)**  
**At 30 September 2018**

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			CURRENT PERIOD		
			30 September 2018		
			TL	FC	Total
<b>I. DEPOSITS</b>		5.3.1	<b>105,172,779</b>	<b>169,548,183</b>	<b>274,720,962</b>
<b>II. FUNDS BORROWED</b>		5.3.3	<b>1,031,801</b>	<b>48,106,168</b>	<b>49,137,969</b>
<b>III. MONEY MARKET FUNDS</b>			<b>3,396,255</b>	<b>978,269</b>	<b>4,374,524</b>
<b>IV. SECURITIES ISSUED (NET)</b>		5.3.4.1	<b>4,847,502</b>	<b>26,239,956</b>	<b>31,087,458</b>
4.1 Bills			2,815,694	-	2,815,694
4.2 Asset Backed Securities			-	-	-
4.3 Bonds			2,031,808	26,239,956	28,271,764
<b>V. FUNDS</b>			-	-	-
5.1 Borrowers' Funds			-	-	-
5.2 Others			-	-	-
<b>VI. FINANCIAL LIABILITIES MEASURED AT FVTPL</b>		5.3.4.3	-	<b>12,391,910</b>	<b>12,391,910</b>
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>			<b>7,771,034</b>	<b>2,184,842</b>	<b>9,955,876</b>
7.1 Derivative Financial Liabilities Measured at FVTPL			7,608,425	2,181,793	9,790,218
7.2 Derivative Financial Liabilities Measured at FVOCI			162,609	3,049	165,658
<b>VIII. FACTORING PAYABLES</b>		5.3.5	-	-	-
<b>IX. LEASE PAYABLES (Net)</b>		5.3.6	-	-	-
9.1 Financial Lease Payables			-	-	-
9.2 Operational Lease Payables			-	-	-
9.3 Others			-	-	-
9.4 Deferred Financial Lease Expenses (-)			-	-	-
<b>X. PROVISIONS</b>		5.3.8	<b>3,860,935</b>	<b>830,063</b>	<b>4,690,998</b>
10.1 Restructuring Reserves			-	-	-
10.2 Reserve for Employee Benefits			907,829	152,799	1,060,628
10.3 Insurance Technical Provisions (Net)			411,079	52,201	463,280
10.4 Other Provisions			2,542,027	625,063	3,167,090
<b>XI. CURRENT TAX LIABILITY</b>		5.3.9	<b>1,144,359</b>	<b>58,219</b>	<b>1,202,578</b>
<b>XII. DEFERRED TAX LIABILITY</b>		5.3.9	<b>7,777</b>	<b>5,010</b>	<b>12,787</b>
<b>XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>		5.3.10	-	-	-
13.1 Asset Held for Sale			-	-	-
13.2 Assets of Discontinued Operations			-	-	-
<b>XIV. SUBORDINATED DEBTS</b>		5.3.11	-	<b>4,582,945</b>	<b>4,582,945</b>
14.1 Borrowings			-	-	-
14.2 Other Debt Instruments			-	4,582,945	4,582,945
<b>XV. OTHER LIABILITIES</b>		5.3.4.4	<b>15,040,754</b>	<b>2,474,665</b>	<b>17,515,419</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>		5.3.12	<b>46,320,234</b>	<b>334,077</b>	<b>46,654,311</b>
16.1 Paid-in Capital			4,200,000	-	4,200,000
16.2 Capital Reserves			784,434	-	784,434
16.2.1 Share Premium			11,880	-	11,880
16.2.2 Share Cancellation Profits			-	-	-
16.2.3 Other Capital Reserves			772,554	-	772,554
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			1,357,135	171,962	1,529,097
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			1,587,920	(232,608)	1,355,312
16.5 Profit Reserves			32,628,166	394,723	33,022,889
16.5.1 Legal Reserves			1,540,985	36,652	1,577,637
16.5.2 Status Reserves			-	-	-
16.5.3 Extraordinary Reserves			30,858,037	-	30,858,037
16.5.4 Other Profit Reserves			229,144	358,071	587,215
16.6 Profit/Loss			5,575,233	-	5,575,233
16.6.1 Prior Periods' Profit/Loss			-	-	-
16.6.2 Current Period's Net Profit/Loss			5,575,233	-	5,575,233
16.7 Minority Interest			187,346	-	187,346
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>188,593,430</b>	<b>267,734,307</b>	<b>456,327,737</b>

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Off-Balance Sheet Items**  
**At 30 September 2018**

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		CURRENT PERIOD		
		30 September 2018		
		TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>178,461,496</b>	<b>408,923,448</b>	<b>587,384,944</b>
<b>I. GUARANTEES AND SURETIES</b>	5.5.1	<b>22,571,698</b>	<b>53,985,085</b>	<b>76,556,783</b>
1.1 Letters of guarantee		22,513,828	31,112,761	53,626,589
1.1.1 Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2 Guarantees given for foreign trade operations		1,842,819	413,588	2,256,407
1.1.3 Other letters of guarantee		20,671,009	29,717,259	50,388,268
1.2 Bank acceptances		53,931	2,125,004	2,178,935
1.2.1 Import letter of acceptance		53,931	2,125,004	2,178,935
1.2.2 Other bank acceptances		-	-	-
1.3 Letters of credit		3,939	20,695,135	20,699,074
1.3.1 Documentary letters of credit		-	-	-
1.3.2 Other letters of credit		3,939	20,695,135	20,699,074
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		-	52,185	52,185
1.9 Other sureties		-	-	-
<b>II. COMMITMENTS</b>		<b>52,875,971</b>	<b>15,709,072</b>	<b>68,585,043</b>
2.1 Irrevocable commitments		52,558,222	10,596,518	63,154,740
2.1.1 Asset purchase and sale commitments		4,592,977	8,330,617	12,923,594
2.1.2 Deposit purchase and sale commitments		-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		198	7,710	7,908
2.1.4 Loan granting commitments		13,577,478	1,316,211	14,893,689
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for cheque payments		2,979,021	-	2,979,021
2.1.8 Tax and fund obligations on export commitments		49,679	-	49,679
2.1.9 Commitments for credit card limits		31,351,942	882,169	32,234,111
2.1.10 Commitments for credit cards and banking services related promotions		6,927	-	6,927
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		-	59,811	59,811
2.2 Revocable commitments		317,749	5,112,554	5,430,303
2.2.1 Revocable loan granting commitments		144,260	4,394,137	4,538,397
2.2.2 Other revocable commitments		173,489	718,417	891,906
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.5.2	<b>103,013,827</b>	<b>339,229,291</b>	<b>442,243,118</b>
3.1 Derivative financial instruments held for risk management		7,214,091	62,435,541	69,649,632
3.1.1 Fair value hedges		5,083,170	20,499,791	25,582,961
3.1.2 Cash flow hedges		2,130,921	41,935,750	44,066,671
3.1.3 Net foreign investment hedges		-	-	-
3.2 Trading derivatives		95,799,736	276,793,750	372,593,486
3.2.1 Forward foreign currency purchases/sales		14,028,515	22,397,218	36,425,733
3.2.1.1 Forward foreign currency purchases		5,738,384	12,852,820	18,591,204
3.2.1.2 Forward foreign currency sales		8,290,131	9,544,398	17,834,529
3.2.2 Currency and interest rate swaps		57,075,397	184,919,859	241,995,256
3.2.2.1 Currency swaps-purchases		14,451,456	75,411,885	89,863,341
3.2.2.2 Currency swaps-sales		41,151,313	43,323,350	84,474,663
3.2.2.3 Interest rate swaps-purchases		736,314	33,092,312	33,828,626
3.2.2.4 Interest rate swaps-sales		736,314	33,092,312	33,828,626
3.2.3 Currency, interest rate and security options		24,506,288	47,342,365	71,848,653
3.2.3.1 Currency call options		13,357,131	13,069,743	26,426,874
3.2.3.2 Currency put options		11,068,075	18,208,883	29,276,958
3.2.3.3 Interest rate call options		-	14,167,642	14,167,642
3.2.3.4 Interest rate put options		-	1,896,097	1,896,097
3.2.3.5 Security call options		29,431	-	29,431
3.2.3.6 Security put options		51,651	-	51,651
3.2.4 Currency futures		175,541	347,710	523,251
3.2.4.1 Currency futures-purchases		17,193	241,593	258,786
3.2.4.2 Currency futures-sales		158,348	106,117	264,465
3.2.5 Interest rate futures		-	23,928	23,928
3.2.5.1 Interest rate futures-purchases		-	23,928	23,928
3.2.5.2 Interest rate futures-sales		-	-	-
3.2.6 Others		13,995	21,762,670	21,776,665
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>730,451,879</b>	<b>905,757,821</b>	<b>1,636,209,700</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>50,913,712</b>	<b>52,694,549</b>	<b>103,608,261</b>
4.1 Customers' securities held		15,532,449	-	15,532,449
4.2 Investment securities held in custody		13,175,925	19,060,399	32,236,324
4.3 Checks received for collection		18,532,404	6,497,240	25,029,644
4.4 Commercial notes received for collection		3,079,205	1,346,417	4,425,622
4.5 Other assets received for collection		147,969	21,609,922	21,757,891
4.6 Assets received through public offering		-	146,369	146,369
4.7 Other items under custody		445,760	4,034,202	4,479,962
4.8 Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>679,538,167</b>	<b>853,063,272</b>	<b>1,532,601,439</b>
5.1 Securities		2,680,812	280,371	2,961,183
5.2 Guarantee notes		27,407,615	15,957,055	43,364,670
5.3 Commodities		5,754	-	5,754
5.4 Warranties		-	409,150	409,150
5.5 Real estates		167,881,555	171,668,510	339,550,065
5.6 Other pledged items		481,562,431	664,748,085	1,146,310,516
5.7 Pledged items-depository		-	101	101
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>908,913,375</b>	<b>1,314,681,269</b>	<b>2,223,594,644</b>

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Profit or Loss**  
**At 30 September 2018**

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
			CURRENT PERIOD	CURRENT PERIOD
			1 January 2018- 30 September 2018	1 July 2018- 30 September 2018
<b>I. INTEREST INCOME</b>		5.7.1	<b>27,886,969</b>	<b>11,230,403</b>
1.1 Interest income on loans			22,434,127	8,763,029
1.2 Interest income on reserve deposits			238,419	80,738
1.3 Interest income on banks			420,097	182,793
1.4 Interest income on money market transactions			17,983	10,115
1.5 Interest income on securities portfolio			4,141,737	1,952,896
1.5.1 Financial assets measured at FVTPL			49,011	21,496
1.5.2 Financial assets measured at FVOCI			2,225,059	1,035,220
1.5.3 Financial assets measured at amortised cost			1,867,667	896,180
1.6 Financial lease income			400,973	154,441
1.7 Other interest income			233,633	86,391
<b>II. INTEREST EXPENSE</b>		5.7.2	<b>13,912,713</b>	<b>5,856,001</b>
2.1 Interest on deposits			9,411,479	4,075,237
2.2 Interest on funds borrowed			1,451,356	568,555
2.3 Interest on money market transactions			1,088,023	466,405
2.4 Interest on securities issued			1,911,290	741,843
2.5 Other interest expenses			50,565	3,961
<b>III. NET INTEREST INCOME (I - II)</b>			<b>13,974,256</b>	<b>5,374,402</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>			<b>3,752,240</b>	<b>1,326,890</b>
4.1 Fees and commissions received			4,979,376	1,837,123
4.1.1 Non-cash loans			412,053	160,302
4.1.2 Others			4,567,323	1,676,821
4.2 Fees and commissions paid			1,227,136	510,233
4.2.1 Non-cash loans			10,173	3,573
4.2.2 Others			1,216,963	506,660
<b>V. PERSONNEL EXPENSES (-)</b>		5.7.7	<b>2,593,185</b>	<b>875,077</b>
<b>VI. DIVIDEND INCOME</b>		5.7.3	<b>5,839</b>	<b>651</b>
<b>VII. NET TRADING INCOME/LOSSES (Net)</b>		5.7.4	<b>760,940</b>	<b>1,093,097</b>
7.1 Trading account income/losses			1,011,314	274,279
7.2 Income/losses from derivative financial instruments			2,628,747	2,559,002
7.3 Foreign exchange gains/losses			(2,879,121)	(1,740,184)
<b>VIII. OTHER OPERATING INCOME</b>		5.7.5	<b>2,746,731</b>	<b>680,685</b>
<b>IX. TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)</b>			<b>18,646,821</b>	<b>7,600,648</b>
<b>X. EXPECTED CREDIT LOSSES (-)</b>		5.7.6	<b>7,598,299</b>	<b>4,002,516</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>		5.7.7	<b>3,643,942</b>	<b>1,231,395</b>
<b>XII. NET OPERATING PROFIT/LOSS (IX-X-XI)</b>			<b>7,404,580</b>	<b>2,366,737</b>
<b>XIII. INCOME RESULTED FROM MERGERS</b>			-	-
<b>XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>			-	-
<b>XV. GAIN/LOSS ON NET MONETARY POSITION</b>			-	-
<b>XVI. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>		5.7.8	<b>7,404,580</b>	<b>2,366,737</b>
<b>XVII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>		5.7.9	<b>1,774,710</b>	<b>672,857</b>
17.1 Current tax charge			1,754,043	686,505
17.2 Deferred tax charge (+)			805,909	390,310
17.3 Deferred tax credit (-)			(785,242)	(403,958)
<b>XVIII. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)</b>		5.7.10	<b>5,629,870</b>	<b>1,693,880</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>			-	-
19.1 Income from assets held for sale			-	-
19.2 Income from sale of associates, subsidiaries and joint-ventures			-	-
19.3 Others			-	-
<b>XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			-	-
20.1 Expenses on assets held for sale			-	-
20.2 Expenses on sale of associates, subsidiaries and joint-ventures			-	-
20.3 Others			-	-
<b>XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)</b>		5.7.8	-	-
<b>XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		5.7.9	-	-
22.1 Current tax charge			-	-
22.2 Deferred tax charge (+)			-	-
22.3 Deferred tax credit (-)			-	-
<b>XXIII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)</b>		5.7.10	-	-
<b>XXIV. NET PROFIT/LOSS (XVIII+XXIII)</b>		5.7.11	<b>5,629,870</b>	<b>1,693,880</b>
24.1 Equity holders of the bank			5,575,233	1,673,819
24.2 Minority interest			54,637	20,061
<b>Earnings per Share</b>			<b>0.01327</b>	<b>0.00399</b>

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

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**At 30 September 2018**

<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		THOUSANDS OF TURKISH LIRA (TL)
		<b>CURRENT PERIOD 1 January 2018 - 30 September 2018</b>
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>5,629,870</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>390,530</b>
<b>2.1</b>	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>93,223</b>
2.1.1	Revaluation Surplus on Tangible Assets	10,487
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	85,599
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(2,863)
<b>2.2</b>	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>297,307</b>
2.2.1	Translation Differences	1,910,057
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1,443,519)
2.2.3	Gains/losses from Cash Flow Hedges	375,051
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(869,360)
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	325,078
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>6,020,400</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries  
Consolidated Statement of Changes in Shareholders' Equity  
At 30 September 2018

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)																
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity	
						Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others							
CURRENT PERIOD - 1 January 2018 - 30 September 2018																		
I. Balances at Beginning of Period	3.29	4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	(266,597)	(655,448)	27,869,150	6,332,056	-	41,283,852	322,149	41,606,001	
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114	
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114	
III. Adjusted Balances at Beginning of Period (I+II)	5.9	4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	129,660	(655,448)	27,869,150	6,765,722	-	42,113,775	314,340	42,428,115	
IV. Total Comprehensive Income		-	-	-	-	10,783	-	81,850	1,910,057	(917,262)	(695,488)	590	-	5,575,233	5,965,763	54,637	6,020,400	
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		-	-	-	-	-	-	-	-	-	-	137,427	-	-	137,427	(107)	137,320	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	5,015,722	(6,765,722)	-	(1,750,000)	(181,524)	(1,931,524)	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)	(181,524)	(1,931,524)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,014,572	(5,014,572)	-	-	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,530,658	(144,269)	142,708	3,493,850	(787,602)	(1,350,936)	33,022,889	-	5,575,233	46,466,965	187,346	46,654,311	

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



**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiari**  
**Consolidated Statement of Cash Flows**  
**At 30 September 2018**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 1 January 2018- 30 September 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.10	<b>3,184,883</b>
1.1.1 Interests received		23,099,374
1.1.2 Interests paid		(13,492,657)
1.1.3 Dividend received		5,839
1.1.4 Fees and commissions received		4,979,376
1.1.5 Other income		3,758,045
1.1.6 Collections from previously written-off receivables		297,560
1.1.7 Cash payments to personnel and service suppliers		(5,461,551)
1.1.8 Taxes paid		(2,101,762)
1.1.9 Others		(7,899,341)
<b>1.2 Changes in operating assets and liabilities</b>	5.10	<b>20,006,915</b>
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		175,177
1.2.2 Net (increase) decrease in due from banks		(1,350,832)
1.2.3 Net (increase) decrease in loans		(56,508,930)
1.2.4 Net (increase) decrease in other assets		(1,897,929)
1.2.5 Net increase (decrease) in bank deposits		5,896,288
1.2.6 Net increase (decrease) in other deposits		67,270,388
1.2.7 Net increase (decrease) in financial liabilities measured at FVTPL		-
1.2.8 Net increase (decrease) in funds borrowed		2,514,387
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		3,908,366
<b>I. Net cash flow from banking operations</b>	5.10	<b>23,191,798</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	5.10	<b>1,733,292</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(1,516,024)
2.4 Sales of tangible assets		1,207,497
2.5 Cash paid for purchase of financial assets measured at FVOCI		(10,227,049)
2.6 Cash obtained from sale of financial assets measured at FVOCI		10,930,663
2.7 Cash paid for purchase of financial assets measured at amortised cost		(665,770)
2.8 Cash obtained from sale of financial assets measured at amortised cost		2,003,975
2.9 Others		-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>		<b>6,551,115</b>
3.1 Cash obtained from funds borrowed and securities issued		21,265,015
3.2 Cash used for repayment of funds borrowed and securities issued		(12,963,900)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,750,000)
3.5 Payments for financial leases		-
3.6 Others		-
<b>IV. Effect of translation differences on cash and cash equivalents</b>		<b>5,693,079</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.10	<b>37,169,284</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	5.10	<b>14,952,512</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.10	<b>52,121,796</b>

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

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

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

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

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

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			PRIOR PERIOD		
			31 December 2017		
			TL	FC	Total
<b>I. DEPOSITS</b>	5.4.1		<b>88,203,932</b>	<b>112,569,628</b>	<b>200,773,560</b>
1.1 Deposits from bank's risk group	5.11		359,077	522,879	881,956
1.2 Other			87,844,855	112,046,749	199,891,604
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.4.2		<b>2,381,287</b>	<b>517,535</b>	<b>2,898,822</b>
<b>III. FUNDS BORROWED</b>	5.4.3		<b>1,134,258</b>	<b>45,970,461</b>	<b>47,104,719</b>
<b>IV. INTERBANK MONEY MARKETS</b>			<b>13,886,785</b>	<b>4,751,071</b>	<b>18,637,856</b>
4.1 Interbank money market takings			11,712,429	3,892,365	15,604,794
4.2 Istanbul Stock Exchange money market takings			1,286,649	-	1,286,649
4.3 Obligations under repurchase agreements	5.4.4		887,707	858,706	1,746,413
<b>V. SECURITIES ISSUED (Net)</b>	5.4.4		<b>8,162,999</b>	<b>12,631,453</b>	<b>20,794,452</b>
5.1 Bills			4,003,253	-	4,003,253
5.2 Asset backed securities			-	-	-
5.3 Bonds			4,159,746	12,631,453	16,791,199
<b>VI. FUNDS</b>			-	-	-
6.1 Borrower funds			-	-	-
6.2 Other			-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	5.4.4		<b>9,585,571</b>	<b>790,775</b>	<b>10,376,346</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>			<b>2,191,547</b>	<b>888,803</b>	<b>3,080,350</b>
<b>IX. FACTORING PAYABLES</b>	5.4.5		-	-	-
<b>X. LEASE PAYABLES (Net)</b>	5.4.6		-	-	-
10.1 Financial lease payables			-	-	-
10.2 Operational lease payables			-	-	-
10.3 Others			-	-	-
10.4 Deferred expenses (-)			-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSES</b>	5.4.7		<b>7,252</b>	<b>191,574</b>	<b>198,826</b>
11.1 Fair value hedges			6,227	188,528	194,755
11.2 Cash flow hedges			1,025	3,046	4,071
11.3 Net foreign investment hedges			-	-	-
<b>XII. PROVISIONS</b>	5.4.8		<b>6,453,922</b>	<b>394,180</b>	<b>6,848,102</b>
12.1 General provisions			3,597,720	75,949	3,673,669
12.2 Restructuring reserves			-	-	-
12.3 Reserve for employee benefits			822,958	86,830	909,788
12.4 Insurance technical provisions (Net)			355,827	34,059	389,886
12.5 Other provisions			1,677,417	197,342	1,874,759
<b>XIII. TAX LIABILITY</b>	5.4.9		<b>1,103,072</b>	<b>60,090</b>	<b>1,163,162</b>
13.1 Current tax liability			1,103,072	45,725	1,148,797
13.2 Deferred tax liability			-	14,365	14,365
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.4.10		-	-	-
14.1 Asset held for sale			-	-	-
14.2 Assets of discontinued operations			-	-	-
<b>XV. SUBORDINATED DEBTS</b>	5.4.11		-	<b>2,849,471</b>	<b>2,849,471</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.4.12		<b>41,142,135</b>	<b>463,866</b>	<b>41,606,001</b>
16.1 Paid-in capital			4,200,000	-	4,200,000
16.2 Capital reserves			1,320,292	206,555	1,526,847
16.2.1 Share premium			11,880	-	11,880
16.2.2 Share cancellation profits			-	-	-
16.2.3 Securities value increase fund			(425,824)	108,010	(317,814)
16.2.4 Revaluation surplus on tangible assets			1,722,980	24,889	1,747,869
16.2.5 Revaluation surplus on intangible assets			-	-	-
16.2.6 Revaluation surplus on investment property			-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures			912	-	912
16.2.8 Hedging reserves (effective portion)			(617,941)	73,656	(544,285)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations			-	-	-
16.2.10 Other capital reserves			628,285	-	628,285
16.3 Profit reserves			28,967,638	257,311	29,224,949
16.3.1 Legal reserves			1,368,395	23,864	1,392,259
16.3.2 Status reserves			-	-	-
16.3.3 Extraordinary reserves			25,901,360	-	25,901,360
16.3.4 Other profit reserves			1,697,883	233,447	1,931,330
16.4 Profit or loss			6,332,056	-	6,332,056
16.4.1 Prior periods profit/loss			-	-	-
16.4.2 Current period net profit/loss			6,332,056	-	6,332,056
16.5 Minority interest			322,149	-	322,149
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>174,252,760</b>	<b>182,078,907</b>	<b>356,331,667</b>

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

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

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

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Income Statement**  
**At 30 September 2017**

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
			PRIOR PERIOD	PRIOR PERIOD
			1 January 2017- 30 September 2017	1 July 2017- 30 September 2017
<b>I. INTEREST INCOME</b>		5.8.1	<b>20,184,330</b>	<b>7,183,931</b>
1.1 Interest income on loans			15,918,718	5,634,199
1.2 Interest income on reserve deposits			158,601	55,740
1.3 Interest income on banks			346,466	150,267
1.4 Interest income on money market transactions			10,306	3,313
1.5 Interest income on securities portfolio			3,042,372	1,099,391
1.5.1 Trading financial assets			21,806	11,065
1.5.2 Financial assets valued at fair value through profit or loss			-	-
1.5.3 Financial assets available-for-sale			1,608,986	586,532
1.5.4 Investments held-to-maturity			1,411,580	501,794
1.6 Financial lease income			326,681	109,238
1.7 Other interest income			381,186	131,783
<b>II. INTEREST EXPENSE</b>		5.8.2	<b>9,003,983</b>	<b>3,246,767</b>
2.1 Interest on deposits			6,002,097	2,223,368
2.2 Interest on funds borrowed			954,457	299,442
2.3 Interest on money market transactions			938,725	296,313
2.4 Interest on securities issued			1,088,905	425,127
2.5 Other interest expenses			19,799	2,517
<b>III. NET INTEREST INCOME (I - II)</b>			<b>11,180,347</b>	<b>3,937,164</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>			<b>2,842,507</b>	<b>1,008,848</b>
4.1 Fees and commissions received			3,760,382	1,355,978
4.1.1 Non-cash loans			310,883	106,800
4.1.2 Others			3,449,499	1,249,178
4.2 Fees and commissions paid			917,875	347,130
4.2.1 Non-cash loans			3,003	609
4.2.2 Others			914,872	346,521
<b>V. DIVIDEND INCOME</b>		5.8.3	<b>7,558</b>	<b>220</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>		5.8.4	<b>(1,481,156)</b>	<b>(591,916)</b>
6.1 Trading account income/losses (Net)			(312,152)	314
6.2 Income/losses from derivative financial instruments (Net)			(1,460,669)	(431,967)
6.3 Foreign exchange gains/losses (Net)			291,665	(160,263)
<b>VII. OTHER OPERATING INCOME</b>		5.8.5	<b>1,477,655</b>	<b>405,466</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>			<b>14,026,911</b>	<b>4,759,782</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>		5.8.6	<b>2,328,133</b>	<b>823,490</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>		5.8.7	<b>5,593,960</b>	<b>1,851,450</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>			<b>6,104,818</b>	<b>2,084,842</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>			-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>			-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>			-	-
<b>XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>		5.8.8	<b>6,104,818</b>	<b>2,084,842</b>
<b>XVI. PROVISION FOR TAXES (±)</b>		5.8.9	<b>1,418,829</b>	<b>499,126</b>
16.1 Current tax charge			1,510,985	450,306
16.2 Deferred tax charge/(credit)			(92,156)	48,820
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>		5.8.10	<b>4,685,989</b>	<b>1,585,716</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>			-	-
18.1 Income from assets held for sale			-	-
18.2 Income from sale of associates, subsidiaries and joint-ventures			-	-
18.3 Others			-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			-	-
19.1 Expenses on assets held for sale			-	-
19.2 Expenses on sale of associates, subsidiaries and joint-ventures			-	-
19.3 Others			-	-
<b>XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)</b>		5.8.8	-	-
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		5.8.9	-	-
21.1 Current tax charge			-	-
21.2 Deferred tax charge/(credit)			-	-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>		5.8.10	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>		5.8.11	<b>4,685,989</b>	<b>1,585,716</b>
23.1 Equity holders of the bank			4,645,128	1,571,953
23.2 Minority interest			40,861	13,763
<b>Earnings per Share</b>			<b>0.01106</b>	<b>0.00374</b>

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

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Income/Expense Items Accounted for under**  
**Shareholders' Equity**  
**At 30 September 2017**

<b>INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY</b>		THOUSANDS OF TURKISH LIRA (TL)
		<b>PRIOR PERIOD</b> <b>1 January 2017 -</b> <b>30 September 2017</b>
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>		<b>429,679</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>		-
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>		-
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>		<b>392,441</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>		<b>(21,226)</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>		<b>(166,999)</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>		-
<b>VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>		-
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>		<b>(39,294)</b>
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)</b>		<b>594,601</b>
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>		<b>4,685,989</b>
1.1 Net changes in fair value of securities (transferred to income statement)		(14,628)
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement		(75,821)
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement		-
1.4 Others		4,776,438
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>		<b>5,280,590</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries  
Consolidated Statement of Changes in Shareholders' Equity  
At 30 September 2017

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		THOUSANDS OF TURKISH LIRA (TL)																	
		Paid-In Capital	Inflation Adjustment to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
Footnotes																			
PRIOR PERIOD - 1 January-30 September 2017																			
I.	Balances at beginning of the period	4,200,000	772,554	11,880	-	1,271,522	-	22,192,305	1,179,839	-	5,105,291	(543,625)	1,691,062	947	(353,676)	-	35,528,099	267,808	35,795,907
	Changes during the period																		
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Market value changes of securities	-	-	-	-	-	-	-	-	-	-	353,143	-	-	-	-	353,143	8	353,151
IV.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	(150,991)	-	(150,991)	-	(150,991)
4.1.	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,392)	-	(17,392)	-	(17,392)
4.2.	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	(133,599)	-	(133,599)	-	(133,599)
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	2,917	-	488	388,279	-	-	-	795	-	(38)	-	392,441	-	392,441
IX.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2.	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	-	170,294	-	-	-	-	(170,294)	-	-	-	-	-	-
XVII.	Current period net profit/loss	-	-	-	-	-	-	-	-	4,645,128	-	-	-	-	-	-	4,645,128	40,861	4,685,989
XVIII.	Profit distribution	-	-	-	-	110,468	-	3,517,212	5,738	-	(5,105,291)	-	221,873	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.1.	Dividends	-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.2.	Transfers to reserves	-	-	-	-	110,468	-	3,517,212	-	-	(3,627,680)	-	-	-	-	-	-	-	-
18.3.	Others	-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,384,907	-	25,880,299	1,573,856	4,645,128	-	(190,482)	1,743,436	947	(504,705)	-	39,517,820	307,177	39,824,997

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**At 30 September 2017**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 1 January 2017 30 September 2017
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.10	<b>5,797,146</b>
1.1.1 Interests received		18,391,874
1.1.2 Interests paid		(8,474,348)
1.1.3 Dividend received		7,558
1.1.4 Fees and commissions received		3,760,382
1.1.5 Other income		1,138,497
1.1.6 Collections from previously written-off loans and other receivables		123,041
1.1.7 Payments to personnel and service suppliers		(4,738,405)
1.1.8 Taxes paid		(1,374,718)
1.1.9 Others		(3,036,735)
<b>1.2 Changes in operating assets and liabilities</b>	5.10	<b>(10,635,176)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		(37,813)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(10,777,609)
1.2.4 Net (increase) decrease in loans		(19,525,733)
1.2.5 Net (increase) decrease in other assets		716,979
1.2.6 Net increase (decrease) in bank deposits		(292,390)
1.2.7 Net increase (decrease) in other deposits		16,753,409
1.2.8 Net increase (decrease) in funds borrowed		1,942,326
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		585,655
<b>I. Net cash flow from banking operations</b>	5.10	<b>(4,838,030)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	5.10	<b>531,441</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(29)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(508,987)
2.4 Sales of tangible assets		264,111
2.5 Cash paid for purchase of financial assets available-for-sale, net		(6,483,839)
2.6 Cash obtained from sale of financial assets available-for-sale, net		6,570,454
2.7 Cash paid for purchase of investments held-to-maturity		(244,025)
2.8 Cash obtained from sale of investments held-to-maturity		933,756
2.9 Others		-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>		<b>2,968,476</b>
3.1 Cash obtained from funds borrowed and securities issued		16,675,496
3.2 Cash used for repayment of funds borrowed and securities issued		(12,455,520)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,251,500)
3.5 Payments for financial leases		-
3.6 Others		-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>177,785</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.10	<b>(1,160,328)</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	5.10	<b>15,692,142</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.10	<b>14,531,814</b>

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



### **3 Accounting Policies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Impairment***

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

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

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

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

### **TFRS 16 Leases**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3.2.2 Foreign currency transactions**

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

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

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

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

As of 30 September 2018, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### General

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

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

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

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

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

#### Financial lease activities

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

### **3.6 Fees and commissions**

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

### **3.7 Financial assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

It is calculated 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, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, it is used two different PDs in order to calculate expected credit losses:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Step 1: It is made specifications and estimates of econometric models that reveal past relationships between credit risk parameters and macroeconomic variables in order to be able to generate estimates based on macroeconomic information. Macroeconomic variables prevailing during these estimates are the Gross Domestic Product (GDP), Unemployment Rate and Treasury Interest Rate for two years.

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

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

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

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

#### *Qualitative assessment:*

It is classified the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment. The absolute and relative thresholds used for the probability of default are differentiated on the basis of segment/ loan group.

- 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.

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

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

### **3.8.4 Low credit risk**

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



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

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

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

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)
- Loans with counterparty of Treasury of the Republic of Turkey,
- Receivables (reserves, free reserves, placements, etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries,
- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries,
- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries,
- Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,



- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use,
- Availability of the Bank and its financial subsidiaries’ intention to complete and use the intangible asset,
- The ability to use the intangible asset,

- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,
- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

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

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

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

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

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

### **3.13 Tangible assets**

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

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

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

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

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

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

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

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

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

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

#### *Investment properties*

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

Investment properties accounted at fair value are not depreciated.

### **3.14 Leasing activities**

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

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

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

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

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

### **3.16 Contingent assets**

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

### **3.17 Liabilities for employee benefits**

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

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

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

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

	<b>31 December 2017</b>
Net Effective Discount Rate	3.04%
Discount Rate	11.70%
Expected Rate of Salary Increase	9.90%
Inflation Rate	8.40%

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

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

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

#### *Retirement benefit obligations*

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

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

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

	<b>30 September 2018</b>	
	<b>Employer</b>	<b>Employee</b>
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

#### *a) Benefits transferable to SSF*

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

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

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

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

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

**b) Other benefits not transferable to SSF**

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

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

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

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

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

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

Insurance technical provisions on the consolidated financial statements consist of, reserve for unearned premiums, reserve for unexpired risk, and provision for outstanding claims and mathematical provisions.

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

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

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

### **3.19 Taxation**

#### **3.19.1 Corporate tax**

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

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

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

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

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

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

*Tax applications for foreign branches*

#### ***NORTHERN CYPRUS***

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

#### **MALTA**

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

#### ***Tax applications for foreign financial subsidiaries***

#### **THE NETHERLANDS**

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. In general, there is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

#### **ROMANIA**

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

### **3.19.2 Deferred taxes**

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

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

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

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

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

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

### **3.19.3 Transfer pricing**

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

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

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

### **3.20 Funds borrowed**

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

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

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

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

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

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

### **3.23 Government incentives**

As of 30 September 2018, the Bank or its financial subsidiaries do not have any government incentives or grants (2017: None).

### **3.24 Segment reporting**

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



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

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

Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines, credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

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

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

<i>Current Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	6,315,380	8,732,497	(1,684,394)	5,277,499	18,640,982
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>6,315,380</b>	<b>8,732,497</b>	<b>(1,684,394)</b>	<b>5,277,499</b>	<b>18,640,982</b>
Net Operating Profit	3,207,972	4,409,560	(1,811,358)	1,592,567	7,398,741
Income from Associates and Subsidiaries	-	-	-	5,839	5,839
<b>Net Operating Profit</b>	<b>3,207,972</b>	<b>4,409,560</b>	<b>(1,811,358)</b>	<b>1,598,406</b>	<b>7,404,580</b>
Provision for Taxes	-	-	-	1,774,710	1,774,710
<b>Net Profit</b>	<b>3,207,972</b>	<b>4,409,560</b>	<b>(1,811,358)</b>	<b>(176,304)</b>	<b>5,629,870</b>
Segment Assets	74,298,902	199,695,645	129,097,877	53,080,823	456,173,247
Investments in Associates and Subsidiaries	-	-	-	154,490	154,490
<b>Total Assets</b>	<b>74,298,902</b>	<b>199,695,645</b>	<b>129,097,877</b>	<b>53,235,313</b>	<b>456,327,737</b>
Segment Liabilities	165,458,471	106,672,286	104,632,824	32,909,845	409,673,426
Shareholders' Equity	-	-	-	46,654,311	46,654,311
<b>Total Liabilities and Shareholders' Equity</b>	<b>165,458,471</b>	<b>106,672,286</b>	<b>104,632,824</b>	<b>79,564,156</b>	<b>456,327,737</b>

<i>Prior Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	5,734,545	5,145,840	(146,296)	3,285,264	14,019,353
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>5,734,545</b>	<b>5,145,840</b>	<b>(146,296)</b>	<b>3,285,264</b>	<b>14,019,353</b>
Net Operating Profit	2,452,142	3,104,799	(238,877)	779,196	6,097,260
Income from Associates and Subsidiaries	-	-	-	7,558	7,558
<b>Net Operating Profit</b>	<b>2,452,142</b>	<b>3,104,799</b>	<b>(238,877)</b>	<b>786,754</b>	<b>6,104,818</b>
Provision for Taxes	-	-	-	1,418,829	1,418,829
<b>Net Profit</b>	<b>2,452,142</b>	<b>3,104,799</b>	<b>(238,877)</b>	<b>(632,075)</b>	<b>4,685,989</b>
Segment Assets	69,610,939	159,744,598	95,004,662	31,819,036	356,179,235
Investments in Associates and Subsidiaries	-	-	-	152,432	152,432
<b>Total Assets</b>	<b>69,610,939</b>	<b>159,744,598</b>	<b>95,004,662</b>	<b>31,971,468</b>	<b>356,331,667</b>
Segment Liabilities	128,802,347	81,145,621	83,621,821	21,155,877	314,725,666
Shareholders' Equity	-	-	-	41,606,001	41,606,001
<b>Total Liabilities and Shareholders' Equity</b>	<b>128,802,347</b>	<b>81,145,621</b>	<b>83,621,821</b>	<b>62,761,878</b>	<b>356,331,667</b>

### 3.25 Profit reserves and profit appropriation

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

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

In the ordinary general assembly dated 29 March 2018, it was decided to distribute cash dividend from the net profit of the Bank amounting to TL 6,343,920 thousands from its 2017 operations to the shareholders as disclosed in Note 5.14.2.

### 3.26 Earnings per share

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

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit/loss	5,575,233	4,645,128
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01327	0.01106

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

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

### 3.27 Related parties

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/subsidiary with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with TAS 24 “Related Parties”. The transactions with related parties are disclosed in detail in Note 5.11.

### 3.28 Cash and cash equivalents

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

### 3.29 Reclassifications

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

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

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

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

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

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

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

### **3.30 Other disclosures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **General**

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

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

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

#### **Financial lease operations**

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

### **3.30.3 Fees and commissions**

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

### **3.30.4 Financial assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

### **4.1 Consolidated total capital**

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

#### **4.1.1 Components of consolidated total capital**

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	33,022,889	
Other Comprehensive Income according to TAS	5,883,801	
Profit	5,575,233	
Current Period Profit	5,575,233	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	83,474	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>49,550,744</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	3,403,074	-
Leasehold Improvements on Operational Leases (-)	188,926	-
Goodwill Netted with Deferred Tax Liabilities	6,388	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	373,575	373,575
Net Deferred Tax Asset/Liability (-)	3,158	3,158
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 (-)	1,889	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014 (*)</b>
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>3,977,010</b>	
<b>Total Common Equity Tier I Capital</b>	<b>45,573,734</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)		-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>45,573,734</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4,486,425	
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)	3,504,063	
<b>Total Deductions from Tier II Capital</b>	<b>7,990,488</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 <sup>(*)</sup></i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>7,990,488</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>53,564,222</b>	
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	6	
Other items to be Defined by the BRSA (-)	17,200	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>CAPITAL</b>		
<b>Total Capital (Total of Tier I Capital and Tier II Capital)</b>	<b>53,547,016</b>	-
<b>Total Risk Weighted Assets<sup>(****)</sup></b>	<b>322,098,053</b>	-
<b>CAPITAL ADEQUACY RATIOS<sup>(***)</sup></b>		
<b>Consolidated CET1 Capital Ratio (%)</b>	<b>14.47</b>	-
<b>Consolidated Tier I Capital Ratio (%)</b>	<b>14.47</b>	-
<b>Consolidated Capital Adequacy Ratio (%)</b>	<b>16.95</b>	-
<b>BUFFERS<sup>(***)</sup></b>		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	3.465	-
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.090	-
c) Systemically Important Banks Buffer Ratio (%)	1.500	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.950	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,720,045	-

	Amount	Amount as per the regulation before 1/1/2014 <sup>(*)</sup>
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	6,495,868	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,504,063	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

- (\*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.
- (\*\*) According to “Bank Capital Regulation” article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article’s 4th paragraph’s (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance subsidiary.
- (\*\*\*) In the calculation of Capital Adequacy Ratios and Buffers, as per the BRSA’s letter dated 12 August 2018, the valuation differences on securities classified under securities at fair value through other comprehensive income and acquired before 12 August 2018 are not taken into account. Accordingly, “Common Equity Tier I Capital and Total Tier I Capital”, and “Total Capital” are calculated as TL 46,621,031 thousands and TL 54,594,313 thousands, respectively.
- (\*\*\*\*) As per the BRSA announcement on 13 August 2018, the higher of arithmetic averages of the Central Bank of Turkey’s spot purchase exchange rates for 252 working days before the reporting date and the spot purchase exchange rate used in preparation of financial statements as of 30 June 2018, is considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies.

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

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

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



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

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

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

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

#### 4.1.2 Items included in capital calculation

<i>Information about instruments included in total capital calculation</i>	
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
<i>Regulatory treatment</i>	
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)	4,486 (31 December 2017: 2,832)
Nominal value of instrument (TL million)	4,486 (31 December 2017: 2,832)
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
<i>Interest/dividend payment*</i>	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

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

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Other Capital Reserves</i>	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Bonus Shares of Associates, Subsidiaries and Joint-Ventures</i>	-	-	-	
<i>Share Premium</i>	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,884,409	(402,769)	2,481,640	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
<i>Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss</i>	1,529,097		1,529,097	
<i>Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss</i>	1,355,312	(402,769)	952,543	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	33,022,889	-	33,022,889	
Profit or Loss	5,575,233	-	5,575,233	
<i>Prior Periods' Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	5,575,233	-	5,575,233	
Minority Interest	187,346	(103,872)	83,474	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		573,936	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>46,654,311</b>		<b>45,573,734</b>	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>45,573,734</b>	
Subordinated Debts			4,486,425	
General Provisions			3,504,063	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>7,990,488</b>	
Deductions from Total Capital (-)			17,206	Deductions from Capital as per the Regulation
<b>Total</b>			<b>53,547,016</b>	

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

## 4.2 Consolidated credit risk

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 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 September 2018, the Bank and its financial subsidiaries’ net ‘on balance sheet’ foreign currency short position amounts to TL 20,107,163 thousands (31 December 2017: TL 23,229,929 thousands), net ‘off-balance sheet’ foreign currency long position amounts to TL 19,175,834 thousands (31 December 2017: TL 25,574,862 thousands), while net foreign currency short open position amounts to TL 931,329 thousands (31 December 2017: TL 2,344,933 thousands of net foreign currency long open position).

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

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

	USD	EUR
<b>The Bank’s foreign currency purchase rate at balance sheet date</b>	5.9819	6.9458
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	5.9819	6.9458
Day 2	5.9600	6.9655
Day 3	6.0788	7.1407
Day 4	6.1635	7.2588
Day 5	6.1216	7.2164
<b>Last 30-days arithmetical average rate</b>	6.2774	7.3213

*The Bank's consolidated currency risk*

	EUR	USD	Other FCs	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,738,759	11,857,459	8,651,388	39,247,606
Banks	21,103,742	24,831,336	2,196,364	48,131,442
Financial Assets Measured at Fair Value through Profit/Loss	90,493	126,781	-	217,274
Money Market Placements	151,744	-	-	151,744
Financial Assets Measured at FVOCI	2,677,008	7,595,900	579,329	10,852,237
Loans <sup>(*)</sup> (**)	61,917,206	68,548,809	8,038,025	138,504,040
Investments in Associates, Subsidiaries and Joint-Ventures	3,321	-	1,050	4,371
Financial Assets Measured at Amortised Cost	16,162	6,783,551	-	6,799,713
Derivative Financial Assets Held for Hedging Purpose	6,630	486,813	-	493,443
Tangible Assets	183,182	360	78,072	261,614
Intangible Assets	-	-	-	-
Other Assets	607,798	1,111,273	135,133	1,854,204
<b>Total Assets</b>	<b>105,496,045</b>	<b>121,342,282</b>	<b>19,679,361</b>	<b>246,517,688</b>
<b>Liabilities</b>				
Bank Deposits	5,417,440	1,181,085	189,484	6,788,009
Foreign Currency Deposits	56,019,221	92,318,556	11,178,763	159,516,540
Money Market Funds	896,626	81,483	160	978,269
Other Fundings	17,815,013	30,074,943	216,212	48,106,168
Securities Issued <sup>(***)</sup>	5,696,131	36,871,973	646,707	43,214,811
Miscellaneous Payables	213,604	521,380	111,916	846,900
Derivative Financial Liabilities Held for Hedging Purpose	58,103	-	1,630	59,733
Other Liabilities <sup>(****)</sup>	1,320,751	2,383,631	3,410,039	7,114,421
<b>Total Liabilities</b>	<b>87,436,889</b>	<b>163,433,051</b>	<b>15,754,911</b>	<b>266,624,851</b>
<b>Net 'On Balance Sheet' Position</b>	<b>18,059,156</b>	<b>(42,090,769)</b>	<b>3,924,450</b>	<b>(20,107,163)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(14,145,888)</b>	<b>35,571,278</b>	<b>(2,249,556)</b>	<b>19,175,834</b>
Derivative Assets	14,392,570	85,030,683	6,231,276	105,654,529
Derivative Liabilities	(28,538,458)	(49,459,405)	(8,480,832)	(86,478,695)
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
<b>Total Assets</b>	<b>67,304,347</b>	<b>77,110,589</b>	<b>13,540,900</b>	<b>157,955,836</b>
<b>Total Liabilities</b>	<b>54,617,991</b>	<b>115,526,334</b>	<b>11,041,440</b>	<b>181,185,765</b>
<b>Net 'On Balance Sheet' Position</b>	<b>12,686,356</b>	<b>(38,415,745)</b>	<b>2,499,460</b>	<b>(23,229,929)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(9,949,701)</b>	<b>37,114,158</b>	<b>(1,589,595)</b>	<b>25,574,862</b>
Derivative Assets	11,968,644	79,250,502	5,366,884	96,586,030
Derivative Liabilities	(21,918,345)	(42,136,344)	(6,956,479)	(71,011,168)
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 5,796,347 thousands included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*) The foreign currency indexed factoring receivables amounting TL 60,273 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

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

(\*\*\*\*) The gold deposits of TL 3,243,634 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

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

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

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

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

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

<i>Current Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,272,700	-	-	-	-	27,132,729	<b>42,405,429</b>
Banks	21,031,056	4,113,439	704,572	276,876	23,472	22,915,402	<b>49,064,817</b>
Financial Assets Measured at Fair Value through Profit/Loss	3,913	3,155	223,868	260,859	197,712	206,891	<b>896,398</b>
Money Market Placements	156,833	21	-	-	-	-	<b>156,854</b>
Financial Assets Measured at FVOCI	1,242,406	1,998,659	9,954,546	5,748,477	7,036,981	2,586,631	<b>28,567,700</b>
Loans	60,760,065	48,524,443	82,907,052	73,242,970	15,270,447	5,710,998	<b>286,415,975</b>
Financial Assets Measured at Amortised Cost	5,107,617	3,861,791	3,006,593	354,779	6,782,658	4,661,807	<b>23,775,245</b>
Other Assets	5,351	59,415	31,358	268,622	5,951	24,674,622	<b>25,045,319</b>
<b>Total Assets</b>	<b>103,579,941</b>	<b>58,560,923</b>	<b>96,827,989</b>	<b>80,152,583</b>	<b>29,317,221</b>	<b>87,889,080</b>	<b>456,327,737</b>
<b>Liabilities</b>							
Bank Deposits	1,237,370	387,414	53,829	-	-	5,849,344	<b>7,527,957</b>
Other Deposits	158,836,036	22,712,863	23,028,787	3,089,350	5,842	59,520,127	<b>267,193,005</b>
Money Market Funds	2,983,927	330,160	55,005	902,954	81,146	21,332	<b>4,374,524</b>
Miscellaneous Payables	-	-	-	-	-	13,213,029	<b>13,213,029</b>
Securities Issued (**)	20,361,373	2,336,379	3,702,969	15,180,346	5,637,552	843,694	<b>48,062,313</b>
Other Fundings	4,198,947	25,889,329	15,832,916	1,883,116	935,231	398,430	<b>49,137,969</b>
Other Liabilities	383	787	5,594	281	-	66,811,895	<b>66,818,940</b>
<b>Total Liabilities</b>	<b>187,618,036</b>	<b>51,656,932</b>	<b>42,679,100</b>	<b>21,056,047</b>	<b>6,659,771</b>	<b>146,657,851</b>	<b>456,327,737</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>6,903,991</b>	<b>54,148,889</b>	<b>59,096,536</b>	<b>22,657,450</b>	<b>-</b>	<b>142,806,866</b>
<b>On Balance Sheet Short Position</b>	<b>(84,038,095)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(58,768,771)</b>	<b>(142,806,866)</b>
<b>Off-Balance Sheet Long Position</b>	<b>20,590,103</b>	<b>24,704,615</b>	<b>12,169,522</b>	<b>6,107,375</b>	<b>12,452,401</b>	<b>-</b>	<b>76,024,016</b>
<b>Off-Balance Sheet Short Position</b>	<b>(3,403,298)</b>	<b>(13,848,803)</b>	<b>(13,799,944)</b>	<b>(23,071,137)</b>	<b>(21,453,003)</b>	<b>-</b>	<b>(75,576,185)</b>
<b>Total Position</b>	<b>(66,851,290)</b>	<b>17,759,803</b>	<b>52,518,467</b>	<b>42,132,774</b>	<b>13,656,848</b>	<b>(58,768,771)</b>	<b>447,831</b>

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

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



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

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

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

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

<i>Current Period</i>	EUR	USD	JPY	TL
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.14-5.38	-	5.32
Banks	(0.37)-4.50	2.17-10.46	-	13.28-30.00
Financial Assets at Fair Value through Profit/Loss	4.54	7.04	-	3.12-18.93
Interbank Money Market Placements	-	-	-	15.00-22.95
Financial Assets Measured at FVOCI	0.65-4.63	3.46-11.88	-	17.92
Loans (*)	0.50-14.50	1.50-18.51	-	12.00-43.05
Financial Assets Measured at Amortised Cost	0.25	5.26	-	18.53
<b>Liabilities</b>				
Bank Deposits	0.05-1.07	1.70-3.10	-	19.76
Other Deposits	0.01-7.00	0.01-4.27	0.96	8.75-26.00
Interbank Money Market Takings	0.05-0.15	2.62	-	15.50-28.50
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.63	-	14.95-29.50
Other Fundings	0.40-6.25	0.63-13.39	-	8.42-19.97

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

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

## 4.5 Consolidated position risk of equity securities

### 4.5.1 Equity shares in associates and subsidiaries

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

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

<i>Current Period</i>		<b>Comparison</b>	
<b>Equity Securities (shares)</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Market Value</b>
<b>1 Investment in Shares- Grade A</b>	<b>127,051</b>	-	-
Quoted Securities	-	-	-
<b>2 Investment in Shares- Grade B</b>	<b>25,555</b>	-	-
Quoted Securities	-	-	-
<b>3 Investment in Shares- Grade C</b>	<b>822</b>	-	-
Quoted Securities	-	-	-
<b>4 Investment in Shares- Grade D</b>	-	-	-
Quoted Securities	-	-	-
<b>5 Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
Quoted Securities	-	-	-
<b>6 Investment in Shares- Grade F</b>	<b>48</b>	-	-
Quoted Securities	-	-	-

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

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

<i>Current Period</i>		<b>Revaluation Surpluses</b>		<b>Unrealized Gains and Losses</b>		
<b>Portfolio</b>	<b>Gains/Losses in Current Period</b>	<b>Total</b>	<b>Amount in Tier I Capital</b>	<b>Total</b>	<b>Amount in Core Capital</b>	<b>Amount in Tier I Capital</b>
1 Private Equity Investments	-	-	-	-	-	-
2 Quoted Shares	-	-	-	9,082	-	9,082
3 Other Shares	-	140,659	140,659	-	-	-
<b>Total</b>	-	<b>140,659</b>	<b>140,659</b>	<b>9,082</b>	-	<b>9,082</b>

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

#### 4.5.4 Capital requirement as per equity shares

	<i>Current Period</i>			
	Portfolio	Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	154,490	153,475	12,278
	<b>Total</b>	<b>154,490</b>	<b>153,475</b>	<b>12,278</b>

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

#### 4.6 Consolidated liquidity risk

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

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

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

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

Risk management head 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. Risk management department 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. Risk management department analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

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

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

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

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

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

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

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

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

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

There exists "Liquidity Emergency Plan" in the Bank 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.

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

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

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. High quality liquid assets are composed of 6.77% cash, 57.03% deposits in central banks and 36.20% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 70.53% deposits, 13.74% funds borrowed and money market borrowings and 12.34% securities issued.

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

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

<b>Current Period</b>		<b>Total Unweighted Value (Average) <sup>(*)</sup></b>		<b>Total Weighted Value (Average) <sup>(*)</sup></b>	
		<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>High-Quality Liquid Assets</b>				<b>82,254,044</b>	<b>54,426,214</b>
1	Total high-quality liquid assets (HQLA)			82,254,044	54,426,214
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	169,300,941	90,800,180	15,525,530	9,059,952
3	Stable deposits	28,091,296	401,318	1,404,565	20,066
4	Less stable deposits	141,209,645	90,398,862	14,120,965	9,039,886
5	Unsecured wholesale funding, of which:	80,139,273	48,173,228	44,787,388	25,039,321
6	Operational deposits	-	-	-	-
7	Non-operational deposits	63,486,341	43,572,674	31,709,129	21,768,165
8	Unsecured funding	16,652,932	4,600,554	13,078,259	3,271,156
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	71,572,246	25,142,250	23,134,671	22,945,828
11	Outflows related to derivative exposures and other collateral requirements	19,594,720	21,961,052	19,594,720	21,961,052
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	51,977,526	3,181,198	3,539,951	984,776
14	Other revocable off-balance sheet commitments and contractual obligations	681,143	531,708	34,057	26,585
15	Other irrevocable or conditionally revocable off-balance sheet obligations	77,955,761	55,894,701	3,897,788	2,794,735
16	<b>Total Cash Outflows</b>			<b>87,379,434</b>	<b>59,866,421</b>
<b>Cash Inflows</b>					
17	Secured receivables	3,671	-	-	-
18	Unsecured receivables	38,261,589	20,548,172	28,707,484	17,095,871
19	Other cash inflows	4,542,447	12,190,746	4,523,740	12,190,592
20	<b>Total Cash Inflows</b>	<b>42,807,707</b>	<b>32,738,918</b>	<b>33,231,224</b>	<b>29,286,463</b>
				<b>Upper Limit Applied Values</b>	
21	<b>Total HQLA</b>			<b>82,254,044</b>	<b>54,426,214</b>
22	<b>Total Net Cash Outflows</b>			<b>54,148,210</b>	<b>30,579,958</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>153.94%</b>	<b>184.47%</b>

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

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

<b>Period</b>	<b>TL+FC</b>	<b>FC</b>
30 July 2018	164.48%	204.12%
31 August 2018	148.95%	166.88%
30 September 2018	148.38%	182.40%

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

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

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

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

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

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



**4.6.3 Maturity analysis of liabilities according to remaining maturities**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	21,983,947	20,421,482	-	-	-	-	-	42,405,429
Banks	30,297,976	10,629,725	871,677	6,959,736	265,987	39,716	-	49,064,817
Financial Assets Measured at Fair Value through Profit/Loss	192,044	1	8,493	211,034	277,803	207,023	-	896,398
Money Market Placements	-	156,833	21	-	-	-	-	156,854
Financial Assets Measured at FVOCI	286,406	132,019	517,952	1,860,876	15,765,129	9,991,898	13,420	28,567,700
Loans	1,623,813	44,612,395	28,006,600	68,362,818	106,297,628	30,942,529	6,570,192	286,415,975
Financial Assets Measured at Amortised Cost	-	49,898	100,240	41,887	11,641,256	11,941,964	-	23,775,245
Other Assets	3,209,631	5,217,515	773,936	3,753,571	1,983,074	1,060,448	9,047,144	25,045,319
<b>Total Assets</b>	<b>57,593,817</b>	<b>81,219,868</b>	<b>30,278,919</b>	<b>81,189,922</b>	<b>136,230,877</b>	<b>54,183,578</b>	<b>15,630,756</b>	<b>456,327,737</b>
<b>Liabilities</b>								
Bank Deposits	6,009,839	1,076,260	387,463	54,395	-	-	-	7,527,957
Other Deposits	69,080,754	148,594,092	22,979,154	23,304,912	3,218,459	15,634	-	267,193,005
Other Fundings	-	2,415,170	10,242,885	22,795,397	11,455,501	2,229,016	-	49,137,969
Money Market Funds	160	3,004,006	335,226	57,023	896,626	81,483	-	4,374,524
Securities Issued (**)	-	1,694,462	1,169,158	10,165,900	20,638,184	14,394,609	-	48,062,313
Miscellaneous Payables	990,550	11,752,060	158,208	53,944	-	317	257,950	13,213,029
Other Liabilities (***)	2,695,327	4,072,545	2,268,567	2,673,305	1,189,926	1,315,771	52,603,499	66,818,940
<b>Total Liabilities</b>	<b>78,776,630</b>	<b>172,608,595</b>	<b>37,540,661</b>	<b>59,104,876</b>	<b>37,398,696</b>	<b>18,036,830</b>	<b>52,861,449</b>	<b>456,327,737</b>
<b>Liquidity Gap</b>	<b>(21,182,813)</b>	<b>(91,388,727)</b>	<b>(7,261,742)</b>	<b>22,085,046</b>	<b>98,832,181</b>	<b>36,146,748</b>	<b>(37,230,693)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(867,663)</b>	<b>3,072,246</b>	<b>(48,738)</b>	<b>1,069,161</b>	<b>135,653</b>	<b>-</b>	<b>3,360,659</b>
Derivative Financial Assets	-	71,307,765	35,459,596	34,459,468	11,731,306	3,798,550	-	156,756,685
Derivative Financial Liabilities	-	72,175,428	32,387,350	34,508,206	10,662,145	3,662,897	-	153,396,026
<b>Non-Cash Loans</b>	<b>-</b>	<b>5,993,037</b>	<b>5,633,391</b>	<b>9,948,326</b>	<b>2,335,707</b>	<b>332,242</b>	<b>120,899,123</b>	<b>145,141,826</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>20,861,306</b>	<b>70,663,534</b>	<b>21,932,527</b>	<b>63,847,791</b>	<b>110,661,376</b>	<b>45,250,095</b>	<b>23,115,038</b>	<b>356,331,667</b>
<b>Total Liabilities</b>	<b>56,948,033</b>	<b>137,194,518</b>	<b>25,940,033</b>	<b>40,373,833</b>	<b>31,259,135</b>	<b>14,544,538</b>	<b>50,071,577</b>	<b>356,331,667</b>
<b>Liquidity Gap</b>	<b>(36,086,727)</b>	<b>(66,530,984)</b>	<b>(4,007,506)</b>	<b>23,473,958</b>	<b>79,402,241</b>	<b>30,705,557</b>	<b>(26,956,539)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(498,276)</b>	<b>(173,639)</b>	<b>(352,946)</b>	<b>275,705</b>	<b>37,607</b>	<b>-</b>	<b>(711,549)</b>
Derivative Financial Assets	-	77,833,182	28,433,105	32,107,432	5,638,883	1,881,475	-	145,894,077
Derivative Financial Liabilities	-	78,331,458	28,606,744	32,460,378	5,363,178	1,843,868	-	146,605,626
<b>Non-Cash Loans</b>	<b>-</b>	<b>8,082,943</b>	<b>4,478,582</b>	<b>6,769,545</b>	<b>1,186,726</b>	<b>246,692</b>	<b>93,022,795</b>	<b>113,787,283</b>

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

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

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

#### 4.7 Consolidated leverage ratio

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

The Bank’s consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 7.30% (31 December 2017: 8.41%). Main reason for the variance compared to prior period is the increase in especially on balance and off-balance sheet exposures more than the increase in capital. While the capital increased by 11.44% as a result of increase in net profits, the balance sheet exposure increased by 26.67% and the off balance sheet exposure increased by 28.89%. Therefore, the current period leverage ratio decreased by 111 basis points compared to prior period.

		<b>Current Period<sup>(***)</sup></b>	<b>Prior Period<sup>(***)</sup></b>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	383,901,465	336,616,872
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	976,549	3,062,255
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(15,167,610)	(10,547,347)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	13,072,723	12,921,783
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	4,342,976	3,765,170
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	Total risk amount	619,601,776	480,096,821

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

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

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

		<i>Current Period<sup>(*)</sup></i>	<i>Prior Period<sup>(*)</sup></i>
<b>On-balance sheet assets</b>			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	446,181,252	352,252,554
2	(Assets deducted in determining Tier I capital)	(548,935)	(455,111)
3	Total on-balance sheet risks (sum of lines 1 and 2)	445,632,317	351,797,443
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	13,013,094	3,061,421
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	15,237,681	11,169,170
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	28,250,775	14,230,591
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	1,482,022	2,561,479
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	1,482,022	2,561,479
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	148,579,638	115,272,482
11	(Adjustments for conversion to credit equivalent amounts)	(4,342,976)	(3,765,174)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	144,236,662	111,507,308
<b>Capital and total risks</b>			
13	Tier I capital	44,973,590	40,355,639
14	Total risks (sum of lines 3, 6, 9 and 12)	619,601,776	480,096,821
<b>Leverage ratio</b>			
15	Leverage ratio	7.30%	8.41%

(\*) 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 communiqué “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 Calculation of Risk Management Disclosures” published in the Official Gazette no. 29511 dated 23 October 2015.

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

###### 4.10.1.1 Risk management strategy

The Parent Bank’s risk management strategy is to ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its subsidiaries, an integrated risk management system is established which determines the risk level consistent with risk appetite approved by board of directors, compliant with legislation, bank strategy and policies, and pursues risk-return-capital relationship. Essential principles are adopted in order to ensure that policies determined to assess and manage risks the Bank is exposed to, are kept updated, adapted to changing conditions, applied and managed.

It is the ultimate responsibility of the senior management to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits.

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

Risk management activities are structured under the responsibility of the board of directors. The Risk Committee composed of the members of the board is responsible to oversee the Bank's risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities including capital adequacy and planning and liquidity adequacy, as well as all other risk management functions envisioned under the applicable laws and regulations. Upper level management is responsible against the board of directors for the monitoring and management of risks that their departments are exposed to. 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.

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.

The Bank measures and monitors risks that exposed to, considering methods suitable with international standards, compliant with legislation. 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, periodic and non-periodic 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 due consideration to the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed is managed by providing effective control environment and monitoring limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

The Risk Management function conducts the implementation of internal capital adequacy assessment report, to be sent to the BRSA by coordinating relevant parties. Stress test report is 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 internal capital adequacy assessment process 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) (*)	271,233,533	241,262,479	21,698,683
2	Of which standardised approach (SA)	271,233,533	241,262,479	21,698,683
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	9,081,537	3,837,586	726,523
5	Of which standardised approach for counterparty credit risk (SA-CCR)	9,081,537	3,837,586	726,523
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	10,002	4,890	800
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	12,325,900	6,748,950	986,072
17	Of which standardised approach (SA)	12,325,900	6,748,950	986,072
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	29,447,081	25,033,623	2,355,766
20	Of which basic indicator approach	29,447,081	25,033,623	2,355,766
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	1,137,058	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>322,098,053</b>	<b>278,024,586</b>	<b>25,767,844</b>

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

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

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

#### 4.10.3 Consolidated credit risk

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

#### 4.10.4 Consolidated counterparty credit risk

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

#### 4.10.5 Consolidated securitisations

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

**4.10.6 Consolidated market risk**

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

**4.10.7 Consolidated operational risk**

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

**4.10.8 Consolidated banking book interest rate risk**

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

## 5 Disclosures and Footnotes on Consolidated Financial Statements

### 5.1 Consolidated assets (Current Period)

#### 5.1.1 Cash and balances with Central Bank

	<i>Current Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,370,227	5,733,115
Central Bank of Turkey	1,787,596	30,648,111
Others	-	2,866,380
<b>Total</b>	<b>3,157,823</b>	<b>39,247,606</b>

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

	<i>Current Period</i>	
	TL	FC
Unrestricted Demand Deposits	1,787,596	10,226,620
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	20,421,491
<b>Total</b>	<b>1,787,596</b>	<b>30,648,111</b>

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

#### 5.1.2 Financial assets at fair value through profit/loss

##### 5.1.2.1 *Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked*

	<i>Current Period</i>	
	TL	FC
Collateralised/Blocked Assets	19,569	-
Assets Subject to Repurchase Agreements	14,983	-
<b>Total</b>	<b>34,552</b>	<b>-</b>

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

Information on positive differences on derivative financial assets held for trading classified in derivative financial assets is as follows;

	<i>Current Period</i>	
	TL	FC
Forward Transactions	1,867,971	19,104
Swap Transactions	5,005,259	973,788
Futures	205	-
Options	1,052,326	156,867
Others	-	36,910
<b>Total</b>	<b>7,925,761</b>	<b>1,186,669</b>

##### 5.1.2.3 *Other notes on financial assets measured at fair value through profit/loss*

None.

### 5.1.3 Banks

	<i>Current Period</i>	
	TL	FC
Banks		
Domestic banks	670,783	1,717,125
Foreign banks	262,592	46,414,317
Foreign headoffices and branches	-	-
<b>Total</b>	<b>933,375</b>	<b>48,131,442</b>

The placements at foreign banks include blocked accounts amounting TL 16,055,478 thousands of which TL 4,167,391 thousands and TL 164,418 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 11,723,669 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 399,961 thousands as required for insurance activities

#### *Due from foreign banks*

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

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

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

	<i>Current Period</i>	
	TL	FC
Collateralised/Blocked Assets	2,363,502	1,330,615
Assets subject to Repurchase Agreements	779,777	953,015
<b>Total</b>	<b>3,143,279</b>	<b>2,283,630</b>

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

	<i>Current Period</i>
<b>Debt Securities</b>	<b>27,219,895</b>
Quoted at Stock Exchange	27,189,275
Unquoted at Stock Exchange	30,620
<b>Common Shares/Investment Fund</b>	<b>134,395</b>
Quoted at Stock Exchange	4,491
Unquoted at Stock Exchange	129,904
<b>Value Increase/Impairment Losses (-)</b>	<b>1,213,410</b>
<b>Total</b>	<b>28,567,700</b>



### 5.1.5 Expected credit losses for financial assets

#### 5.1.5.1 Expected credit loss for banks

	Stage 1	Stage 2	Stage 3	Total
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>11,325</b>	-	-	<b>11,325</b>
Additions during the Period (+)	60,295	88	-	60,383
Disposal (-)	(52,311)	(7)	-	(52,318)
Transfer to Stage1	6	(6)	-	-
Transfer to Stage 2	(9)	9	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	7,455	39	-	7,494
<b>Balances at End of Period</b>	<b>26,761</b>	<b>123</b>	-	<b>26,884</b>

#### 5.1.5.2 Expected credit loss for securities

	Stage 1	Stage 2	Stage 3	Total
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>16,907</b>	-	-	<b>16,907</b>
Additions during the Period (+)	957	-	-	957
Disposal (-)	(7,177)	-	-	(7,177)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,600	-	-	1,600
<b>Balances at End of Period</b>	<b>12,287</b>	-	-	<b>12,287</b>

### 5.1.6 Loans

#### 5.1.6.1 Loans and advances to shareholders and employees of the Bank

	Current Period	
	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>80</b>	<b>651,469</b>
Corporates	80	651,469
Individuals	-	-
<b>Indirect Lendings to Shareholders</b>	<b>3,700,567</b>	<b>783,156</b>
<b>Loans to Employees</b>	<b>354,425</b>	<b>109</b>
<b>Total</b>	<b>4,055,072</b>	<b>1,434,734</b>

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

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured (*)	Restructured	
			Revised Contract Terms	Refinanced
<b>Loans</b>	<b>234,282,517</b>	<b>34,019,984</b>	<b>6,104,277</b>	<b>3,781,876</b>
Working Capital Loans	42,253,277	3,800,394	204,656	1,362,005
Export Loans	19,209,239	532,388	36,778	122,090
Import Loans	1,096,297	-	-	-
Loans to Financial Sector	5,328,014	1,793	-	-
Consumer Loans	46,526,838	8,287,691	443,553	33,265
Credit Cards	21,423,505	2,892,668	487,060	-
Others	98,445,347	18,505,050	4,932,230	2,264,516
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>8,467,828</b>	<b>889,224</b>	<b>219,687</b>	<b>9,798</b>
<b>Total</b>	<b>242,750,345</b>	<b>34,909,208</b>	<b>6,323,964</b>	<b>3,791,674</b>

(\*) The Bank granted loans to the shareholder of a strategically important company operating in the telecommunication sector classified under “Loans Under Follow-Up (Stage 2)” amounting to USD 1,117,072,905.82 and EUR 8,157,255.50 including both principal and interest. All creditors have reached an agreement on restructuring the debts granted within the context of the existing loan agreements. As per the agreed structure, it is contemplated that the telecommunication company’s shares owned by the mentioned company, representing 55% of its issued share capital, which 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 Republic of Turkey, and owned by directly or indirectly by the creditors. Completion of the transaction is subject to an agreement to be reached on the contracts of the loan to be restructured with new company, completion of the necessary institutional, administrative and all kinds of approvals and permits, and fulfilling requisite conditions based on the contracts.

<i>Current Period</i>	<b>Performing Loans</b>	<b>Loans Under Follow-Up</b>
12-Month ECL (Stage 1)	1,398,945	-
Significant Increase in Credit Risk (Stage 2)	-	5,096,923

As of 30 September 2018, loans amounting to TL 10,857,105 thousands are benefited as collateral under funding transactions

*Collaterals received for loans under follow-up*

<i>Current Period</i>	<b>Corporate / Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	199,309	34,470	-	233,779
Loans Collateralized by Mortgages / Shares	14,721,678	3,677,315	-	18,398,993
Loans Collateralized by Pledged Assets	1,857,007	397,073	-	2,254,080
Loans Collateralized by Cheques and Notes	132,676	5,493	-	138,169
Loans Collateralized by Other Collaterals	8,531,491	4,266,843	-	12,798,334
Unsecured Loans	7,438,448	383,315	3,379,728	11,201,491
<b>Total</b>	<b>32,880,609</b>	<b>8,764,509</b>	<b>3,379,728</b>	<b>45,024,846</b>

*Delinquency periods of loans under follow-up*

<i>Current Period</i>	<b>Corporate / Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
31-60 days	1,577,986	2,419,234	198,974	4,196,194
61-90 days	684,203	338,437	68,615	1,091,255
Other	30,618,420	6,006,838	3,112,139	39,737,397
<b>Total</b>	<b>32,880,609</b>	<b>8,764,509</b>	<b>3,379,728</b>	<b>45,024,846</b>

*Loans with extended payment plans*

<b><i>Current Period</i></b>	<b>Performing Loans</b>	<b>Loans under Follow-up</b>
<b>No. of Contract Revisions for Extension of Payment Plan</b>		
1 or 2 times	4,402,600	9,442,283
3, 4 or 5 times	-	652,378
Over 5 times	-	83,549
<b>Total</b>	<b>4,402,600</b>	<b>10,178,210</b>

<b><i>Current Period</i></b>	<b>Performing Loans</b>	<b>Loans under Follow-up</b>
<b>Periods extended due to Payment Plan</b>		
0 - 6 months	1,541,133	5,536,550
6 - 12 months	420,879	330,119
1 - 2 years	946,155	642,340
2 - 5 year	1,484,082	3,023,921
5 years and over	10,351	645,280
<b>Total</b>	<b>4,402,600</b>	<b>10,178,210</b>

**5.1.6.3 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”.

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

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>1,036,755</b>	<b>46,420,185</b>	<b>47,456,940</b>
Housing Loans	21,615	22,563,003	22,584,618
Automobile Loans	108,491	2,116,322	2,224,813
General Purpose Loans	903,633	21,740,860	22,644,493
Others	3,016	-	3,016
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>229,673</b>	<b>229,673</b>
Housing Loans	-	229,668	229,668
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>511,326</b>	<b>5,198,462</b>	<b>5,709,788</b>
Housing Loans	8,513	2,906,779	2,915,292
Automobile Loans	174	21,969	22,143
General Purpose Loans	23,658	1,542,336	1,565,994
Others	478,981	727,378	1,206,359
<b>Retail Credit Cards – TL</b>	<b>19,379,557</b>	<b>407,503</b>	<b>19,787,060</b>
With Installment	9,130,639	407,503	9,538,142
Without Installment	10,248,918	-	10,248,918
<b>Retail Credit Cards – FC</b>	<b>166,410</b>	<b>199,789</b>	<b>366,199</b>
With Installment	-	-	-
Without Installment	166,410	199,789	366,199
<b>Personnel Loans – TL</b>	<b>20,844</b>	<b>118,395</b>	<b>139,239</b>
Housing Loan	-	1,173	1,173
Automobile Loans	-	29	29
General Purpose Loans	20,844	117,193	138,037
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,997</b>	<b>93,096</b>	<b>95,093</b>
Housing Loans	166	39,751	39,917
Automobile Loans	-	-	-
General Purpose Loans	548	41,169	41,717
Others	1,283	12,176	13,459
<b>Personnel Credit Cards – TL</b>	<b>113,512</b>	<b>658</b>	<b>114,170</b>
With Installment	44,142	658	44,800
Without Installment	69,370	-	69,370
<b>Personnel Credit Cards – FC</b>	<b>1,788</b>	<b>4,135</b>	<b>5,923</b>
With Installment	-	-	-
Without Installment	1,788	4,135	5,923
<b>Deposit Accounts– TL (Real Persons)</b>	<b>1,660,614</b>	<b>-</b>	<b>1,660,614</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>22,892,803</b>	<b>52,671,896</b>	<b>75,564,699</b>

**5.1.6.5 Installment based commercial loans and corporate credit cards**

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,632,003</b>	<b>14,981,097</b>	<b>16,613,100</b>
Real Estate Loans	3,457	728,580	732,037
Automobile Loans	161,968	2,188,556	2,350,524
General Purpose Loans	1,466,578	12,063,961	13,530,539
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>197,396</b>	<b>2,868,315</b>	<b>3,065,711</b>
Real Estate Loans	-	81,758	81,758
Automobile Loans	1,415	1,036,952	1,038,367
General Purpose Loans	195,981	1,749,605	1,945,586
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>1,887,571</b>	<b>3,940,277</b>	<b>5,827,848</b>
Real Estate Loans	-	111	111
Automobile Loans	27	25,253	25,280
General Purpose Loans	304	102,522	102,826
Others	1,887,240	3,812,391	5,699,631
<b>Corporate Credit Cards – TL</b>	<b>4,464,586</b>	<b>34,499</b>	<b>4,499,085</b>
With Installment	1,953,576	34,499	1,988,075
Without Installment	2,511,010	-	2,511,010
<b>Corporate Credit Cards – FC</b>	<b>30,796</b>	<b>-</b>	<b>30,796</b>
With Installment	-	-	-
Without Installment	30,796	-	30,796
<b>Deposit Accounts– TL (Corporates)</b>	<b>1,302,001</b>	<b>-</b>	<b>1,302,001</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>9,514,353</b>	<b>21,824,188</b>	<b>31,338,541</b>

**5.1.6.6 Allocation of loans by customers**

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

**5.1.6.7 Allocation of domestic and foreign loans**

	<i>Current Period</i>
Domestic Loans	261,124,018
Foreign Loans	26,651,173
<b>Total</b>	<b>287,775,191</b>

**5.1.6.8 Loans to associates and subsidiaries**

	<i>Current Period</i>
Direct Lending	205,369
Indirect Lending	-
<b>Total</b>	<b>205,369</b>

**5.1.6.9 Provision allocated for non-performing loans (Stage 3)**

	<i>Current Period</i>
Substandard Loans- Limited Collectibility	1,549,921
Doubtful Loans	1,595,505
Uncollectible Loans	4,283,432
<b>Total</b>	<b>7,428,858</b>

**5.1.6.10 Non-performing loans (NPLs) (net)**

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans</b>	<b>Doubtful Loans</b>	<b>Uncollectible Loans</b>
<i>Current Period</i>			
Gross amounts before provisions	2,301,135	1,207,647	1,645,327
Restructured Loans	2,301,135	1,207,647	1,645,327

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<i>Current Period</i>	<b>Substandard Loans</b>	<b>Doubtful Loans</b>	<b>Uncollectible Loans</b>
<b>1 January 2018</b>	<b>1,048,935</b>	<b>1,382,104</b>	<b>4,457,417</b>
Additions during the Period (+)	6,838,412	492,927	621,708
Transfer from Other NPL Categories (+)	207,373	3,556,761	1,418,946
Transfer to Other NPL Categories (-)	3,617,699	1,551,114	14,252
Collections during the Period (-)	774,649	642,595	761,907
Write-offs (-)	36,755	-	23,260
Debt Sale (-)	-	-	36,842
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	36,842
Credit Cards	-	-	-
Others	-	-	-
<b>Balances at End of Period</b>	<b>3,665,617</b>	<b>3,238,083</b>	<b>5,661,810</b>
Provisions (-)	1,549,921	1,595,505	4,283,432
<b>Net Balance on Balance Sheet</b>	<b>2,115,696</b>	<b>1,642,578</b>	<b>1,378,378</b>

**5.1.6.11 Expected credit loss for loans**

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>908,210</b>	<b>3,531,388</b>	<b>4,512,355</b>	<b>8,951,953</b>
Additions during the Period (+)	1,222,562	2,768,675	1,711,004	5,702,241
Disposal (-)	(1,366,484)	(886,310)	(692,502)	(2,945,296)
Debt Sale (-)	-	-	(34,759)	(34,759)
Write-offs (-)	-	-	(59,295)	(59,295)
Transfer to Stage1	857,662	(853,264)	(4,398)	-
Transfer to Stage 2	(347,947)	367,871	(19,924)	-
Transfer to Stage 3	(2,668)	(1,472,774)	1,475,442	-
Foreign Currency Differences	127,610	1,641,337	540,935	2,309,882
<b>Balances at End of Period</b>	<b>1,398,945</b>	<b>5,096,923</b>	<b>7,428,858</b>	<b>13,924,726</b>

*Non-performing loans in foreign currencies*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Current Period</i>			
<b>Balance at End of Period</b>	<b>2,756,727</b>	<b>2,033,208</b>	<b>1,670,014</b>
Provisions (-)	1,045,167	823,777	1,199,293
<b>Net Balance at Balance Sheet</b>	<b>1,711,560</b>	<b>1,209,431</b>	<b>470,721</b>

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans</b>	<b>Doubtful Loans</b>	<b>Uncollectible Loans</b>
<i>Current Period (Net)</i>	<b>2,115,696</b>	<b>1,642,578</b>	<b>1,378,378</b>
Loans to Individuals and Corporates (Gross)	3,633,398	3,230,802	5,649,317
Provision (-)	1,531,791	1,592,609	4,272,588
Loans to Individuals and Corporates (Net)	2,101,607	1,638,193	1,376,729
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	32,219	7,281	12,493
Provision (-)	18,130	2,896	10,844
Other Loans (Net)	14,089	4,385	1,649

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans</b>	<b>Doubtful Loans</b>	<b>Uncollectible Loans</b>
<i>Current Period (Net)</i>	<b>131,173</b>	<b>79,457</b>	<b>31,844</b>
Interest accruals and valuation differences	215,589	158,342	88,721
Provision (-)	84,416	78,885	56,877

*Collaterals received for non-performing loans*

	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
<i>Current Period</i>				
Loans Collateralized by Cash	3,155	296	-	3,451
Loans Collateralized by Mortgages	4,617,854	196,743	-	4,814,597
Loans Collateralized by Pledged Assets	1,167,037	57,820	-	1,224,857
Loans Collateralized by Cheques and Notes	149,382	6,846	-	156,228
Loans Collateralized by Other Collaterals	2,549,307	1,569,802	-	4,119,109
Unsecured Loans	812,174	308,555	1,126,539	2,247,268
<b>Total</b>	<b>9,298,909</b>	<b>2,140,062</b>	<b>1,126,539</b>	<b>12,565,510</b>

**5.1.6.12 Liquidation policy for uncollectible 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".

#### **5.1.6.13 Write-off policy**

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

#### **5.1.7 Factoring receivables**

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

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

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

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	355,777	6,382,665
Investments subject to Repurchase Agreements	1,373,279	-
<b>Total</b>	<b>1,729,056</b>	<b>6,382,665</b>

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

	<i>Current Period</i>
Government Bonds	23,634,279
Treasury Bills	-
Other Government Securities	-
<b>Total</b>	<b>23,634,279</b>

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

	<i>Current Period</i>
<b>Debt Securities</b>	<b>19,113,438</b>
Quoted at Stock Exchange	19,072,286
Unquoted at Stock Exchange	41,152
<b>Valuation Increase / (Decrease)</b>	<b>4,661,807</b>
<b>Total</b>	<b>23,775,245</b>

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

	<i>Current Period</i>
<b>Balance at Beginning of Period</b>	<b>24,314,540</b>
TFRS 9 Effect <sup>(*)(**)</sup>	(2,817,203)
<b>Balances as of 1 January 2018</b>	<b>21,497,337</b>
Foreign Currency Differences on Monetary Assets	2,622,535
Purchases during the Period	665,770
Disposals through Sales/Redemptions	(2,003,975)
Valuation Effect	993,578
<b>Balances at End of Period</b>	<b>23,775,245</b>

<sup>(\*)</sup> As of 1 January 2018, the Bank classified certain government securities with a face value of TL 5,751,150 thousands in its securities portfolio under Securities Measured at Fair Value through Other Comprehensive Income to Securities Measured at Amortised Cost during TFRS 9 transition.

<sup>(\*\*)</sup> As of 1 January 2018, the Bank classified certain Eurobonds with a face value of US\$ 1,777,655,000 and government securities with a face value of TL 1,586,009 thousands in its securities portfolio under Securities Measured at Amortised Cost to Securities Measured at Fair Value through Other Comprehensive Income during TFRS 9 transition.



## 5.1.9 Investments in associates

### 5.1.9.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara/ Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	11,821	9,202	1,811	406	5	1,320	-
2	94,425	57,724	48,696	1,137	-	8,630	-
3	778,513	87,267	2,374	15,220	613	5,370	-
4	12,678,524	1,448,807	109,189	262,589	3,418	183,649	-
5	1,512,550	1,223,550	255,559	38,431	-	(20,003)	-
6	296,535	193,394	177,837	5,984	39	23,681	-
7	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
8	722,553	522,864	14,993	19,835	-	64,883	-

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

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

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

*Unconsolidated investments in associates sold during the current period*

None.

*Unconsolidated investments in associates acquired during the current period*

None.

### 5.1.9.2 Consolidated investments in associates

None.

**5.1.9.3 Movement of consolidated investments in associates**

None.

*Valuation methods of consolidated investments in associates*

None.

*Sectoral distribution of consolidated investments and associates*

None.

*Quoted consolidated investments in associates*

None.

*Investments in associates sold during the current period*

None.

*Investments in associates acquired during the current period*

None.

### 5.1.10 Investments in subsidiaries

#### *Information on capital adequacy of major subsidiaries*

<i>Current Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	955,192	357,848	2,676,836
Share Premium	-	-	90,115
Share Cancellation Profits	-	-	-
Legal Reserves	943,566	455,967	(171,178)
Other Comprehensive Income according to TAS	2,115,560	-	41,770
Current and Prior Periods' Profits	105,391	77,337	141,115
<b>Common Equity Tier I Capital Before Deductions</b>	<b>4,119,709</b>	<b>891,152</b>	<b>2,778,658</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	54,709	555	802,011
Leasehold Improvements on Operational Leases (-)	-	46	4,229
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	30,791	10,186	392,358
Net Deferred Tax Asset/Liability (-)	-	-	3,158
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>85,500</b>	<b>10,787</b>	<b>1,201,756</b>
<b>Total Common Equity Tier I Capital</b>	<b>4,034,209</b>	<b>880,365</b>	<b>1,576,902</b>
<b>Total Deductions From Tier I Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital</b>	<b>4,034,209</b>	<b>880,365</b>	<b>1,576,902</b>
<b>TIER II CAPITAL</b>	<b>347,290</b>	<b>-</b>	<b>69,550</b>
<b>TOTAL CAPITAL</b>	<b>4,381,499</b>	<b>880,365</b>	<b>1,646,452</b>

The parent Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

#### 5.1.10.1 Unconsolidated investments in subsidiaries

	<b>Subsidiaries</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank Risk Group's Share (%)</b>
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Esteate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ <sup>(1)</sup>	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ <sup>(1)</sup>	Istanbul/Turkey	-	100.00

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Company's Fair Value</b>	<b>Amount of Equity Requirement</b>
1	99,610	84,033	23	8,001	-	12,271	-	-
2	40,892	22,939	554	2,243	-	7,602	-	-
3	4,149	3,695	-	424	3	407	-	-
4	2,853	1,877	996	-	44	35	-	-
5	4,754	3,857	29	373	-	1,161	-	-
6	7,028	7,028	7,021	-	-	(2)	-	-
7	1,889,578	23,376	1,609,554	334	-	18,070	-	-
8	2,855	1,966	-	46	-	510	-	-

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

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

*Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments*

The non-financial investments excluded from the consolidation scope, are accounted at cost.

#### 5.1.10.2 Movement of consolidated investments in subsidiaries

	<i>Current Period</i>
<b>Balance at Beginning of Period</b>	<b>6,435,099</b>
TFRS 9 Effect	(353,654)
<b>Balance at 1 January 2018</b>	<b>6,081,445</b>
<b>Movements during the Period</b>	<b>1,546,808</b>
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Dividends from Current Year Profit	707,166
Sales/Liquidations	-
Reclassifications	676
Value Increase/Decrease (*) (**)	(1,045,141)
Currency Differences on Foreign Subsidiaries	1,884,107
Reversal of Impairment Losses / Impairment Losses (-)	-
<b>Balance at End of Period</b>	<b>7,628,253</b>
<b>Capital Commitments</b>	-
<b>Share Percentage at the End of Period (%)</b>	-

(\*) Except for quoted subsidiaries, value increases / (decreases) are based on the results of equity accounting application.

(\*\*) TL 1,018,959 thousands of this amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 9 April 2018.

*Valuation methods of consolidated investments in subsidiaries*

	<i>Current Period</i>
Valued at Cost	-
Valued at Fair Value	7,628,253

*Sectoral distribution of consolidated investments in subsidiaries*

	<b>Current Period</b>
Banks	4,065,911
Insurance Companies	658,584
Factoring Companies	158,649
Leasing Companies	864,954
Finance Companies	1,880,155
Other Subsidiaries	-

*Quoted consolidated investments in subsidiaries*

	<b>Current Period</b>
Quoted at Domestic Stock Exchanges	158,649
Quoted at International Stock Exchanges	-

*Other information on consolidated investments in subsidiaries*

	<b>Subsidiaries<sup>(**)</sup></b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Shares of Other Consolidated Subsidiaries (%)</b>	<b>Method of Consolidation</b>
1	Garanti Finansal Kiralama AŞ (*)	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ (*)	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12	Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey	-	3.61	Full Consolidation

(\*) The financial information presented in the below table is based on the financial statements as of 30 September 2018 prepared in accordance with the regulation on “the Accounting Principles and Financial Statements of Financial Leasing, Factoring and Financing Companies”.

(\*\*) The financial information presented in the below table does not include elimination and adjustment entries.

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets<sup>(***)</sup></b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Company's Fair Value</b>
1	7,330,696	994,730	11,449	354,666	-	74,265	-
2	2,481,791	203,463	9,007	322,645	-	(9,523)	-
3	337,818	183,248	12,325	5,153	3,675	65,689	-
4	101,828	92,741	2,749	3,907	1,013	21,652	-
5	2,579,075	775,529	41,528	231,074	1,254	328,635	-
6	29,615,481	4,075,566	213,973	646,806	28,772	105,397	-
7	2,364,234	2,363,865	-	-	-	(364)	-
8	2,419,614	2,079,831	-	2	-	3,610	-
9	15,776,340	1,988,914	459,404	353,148	30,519	127,527	-
10	1,269,427	179,482	5,712	46,363	-	13,933	-
11	901,423	119,117	9,543	58,340	-	14,155	-
12	37,227	36,807	71	547	1,148	1,390	20,480

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

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

*Consolidated investments in subsidiaries disposed during the current period*

None.

*Consolidated investments in subsidiaries acquired during the current period*

None.

#### **5.1.11 Investments in joint-ventures**

None.

#### **5.1.12 Lease receivable**

##### **5.1.12.1 Financial lease receivables according to remaining maturities**

	<i>Current Period</i>	
	<b>Gross</b>	<b>Net</b>
Less than 1 Year	3,514,882	3,103,067
Between 1-5 Years	4,379,072	3,950,468
Longer than 5 Years	305,315	290,960
<b>Total</b>	<b>8,199,269</b>	<b>7,344,495</b>

##### **5.1.12.2 Net financial lease receivables**

	<i>Current Period</i>
Gross Financial Lease Receivables	8,199,269
Unearned Income on Financial Lease Receivables (-)	(854,774)
Terminated Lease Contracts (-)	-
<b>Net Financial Lease Receivables</b>	<b>7,344,495</b>

##### **5.1.12.3 Financial lease agreements**

*Criteria applied for financial lease agreements*

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A "customer analysis report" according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as "customer risk rating" and "equipment rating/scoring" are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

*Details monitored subsequent to signing of financial lease agreements*

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

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

Information on derivative financial assets held for hedging purposes classified in derivative financial assets is as follows;

##### **5.1.13.1 Positive differences on derivative financial instruments held for hedging purpose**

Derivative Financial Assets Held for Hedging Purpose	Current Period	
	TL	FC
Fair Value Hedges	470,054	128,540
Cash Flow Hedges	923,489	364,903
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>1,393,543</b>	<b>493,443</b>

As of 30 September 2018, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	Current Period		
	Face Value	Asset	Liability
Interest Rate Swaps	63,985,788	1,007,724	58,131
-TL	5,193,664	514,281	26
-FC	58,792,124	493,443	58,105
Cross Currency Swaps	5,663,844	879,262	364,870
-TL	2,020,427	879,262	162,609
-FC	3,643,417	-	202,261
<b>Total</b>	<b>69,649,632</b>	<b>1,886,986</b>	<b>423,001</b>

##### **5.1.13.1.1 Fair value hedge accounting**

Current Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(171,375)	195,038	(30,897)	(7,234)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(117,217)	119,962	-	2,745
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(262,803)	283,594	(25,813)	2,732
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(17)	-	(23,866)	(23,946)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	(2,671)	-	(176,767)	(179,601)

**5.1.13.1.2 Cash flow hedge accounting**

<b>Current Period</b>							
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>		<b>Gains/Losses Accounted under Shareholders' Equity in the Period</b>	<b>Gains/Losses Accounted under Income Statement in the Period</b>	<b>Ineffective Portion (net) Accounted under Income Statement</b>
			<b>Asset</b>	<b>Liability</b>			
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	195,345	(635)	122,832	20,628	1,901
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	213,785	(785)	158,815	5,641	15,905
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	705,451	-	62,891	(25,186)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	173,811	(65,328)	14,395	(12,805)	-
Currency Swaps	Foreign currency lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	(98,910)	(31,952)	-	(66,958)
Spot Position(*)	Operational Expenses	Cash flow risk resulted from foreign currency exchange rates	136,720	-	49,181	-	-

(\*) composes of foreign currency items on the asset side of balance sheet.

As of 30 September 2018, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

**5.1.14 Tangible assets**

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".

**5.1.15 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".

**5.1.16 Investment property**

	<b>Current Period</b>
<b>Net Book Value at Beginning of Period</b>	<b>559,388</b>
Additions	3,000
Disposals	(8,850)
Transfers to Tangible Assets	-
Fair Value Change	-
Net Currency Translation Differences on Foreign Subsidiaries	-
<b>Net Book Value at End of Period</b>	<b>553,538</b>

The investment property is held for operational leasing purposes.



#### 5.1.17 Deferred tax asset

As of 30 September 2018, on a consolidated basis the Bank has a deferred tax asset of TL 1,698,635 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 30 September 2018, deferred tax assets of TL 2,396,408 thousands are reduced by deferred tax liabilities of TL 697,773 thousands with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Current Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions (*)	2,279,994	468,267
Stages 1&2 Credit Losses	6,774,113	1,486,430
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	81,531	(7,946)
Revaluation Differences on Real Estates	(1,861,394)	(186,139)
Other	(296,016)	(61,977)
<b>Deferred Tax Asset, Net</b>	<b>6,978,228</b>	<b>1,698,635</b>

(\*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

(\*\*) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 30 September 2018, TL 20,667 thousands of deferred tax expense and TL 322,215 thousands of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

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

	<i>Current Period</i>
<b>Balances at Beginning of Period</b>	
<b>Cost</b>	<b>850,308</b>
<b>Accumulated Depreciation</b>	<b>(14,756)</b>
<b>Net Book Value</b>	<b>835,552</b>
<b>End of Current Period</b>	
Additions	189,720
Disposals (Cost)	(165,752)
Disposals (Accumulated Depreciation)	1,406
Reversal of Impairment / Impairment Losses (-)	14,319
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	7,591
<b>Cost</b>	<b>896,186</b>
<b>Accumulated Depreciation (-)</b>	<b>(13,350)</b>
<b>Net Book Value</b>	<b>882,836</b>

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 348,763 thousands.

### **5.1.19 Other Assets**

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

	<b><i>Current Period</i></b>
Sale of Real Estates	135,135
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	25,817
Sale of Other Assets	1,137
<b>Total</b>	<b>162,089</b>

#### **5.1.19.2 Prepaid expenses**

	<b><i>Current Period</i></b>
Prepaid Expenses	248,191
Prepaid Taxes	711,266

## **5.2 Consolidated assets (Prior Period)**

### **5.2.1 Cash and balances with Central Bank**

	<i>Prior Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,297,568	1,550,335
Central Bank of Turkey	6,338,400	23,956,821
Others	-	460,517
<b>Total</b>	<b>7,635,968</b>	<b>25,967,673</b>

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

	<i>Prior Period</i>	
	TL	FC
Unrestricted Demand Deposits	2,407,115	1,651,380
Unrestricted Time Deposits	-	-
Restricted Time Deposits	3,931,285	22,305,441
<b>Total</b>	<b>6,338,400</b>	<b>23,956,821</b>

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

### **5.2.2 Financial assets at fair value through profit/loss**

#### **5.2.2.1 Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked**

	<i>Prior Period</i>	
	TL	FC
Collateralised/Blocked Assets	15,522	-
Assets Subject to Repurchase Agreements	2,834	-
<b>Total</b>	<b>18,356</b>	<b>-</b>

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

	<i>Prior Period</i>	
	TL	FC
Forward Transactions	176,147	25,663
Swap Transactions	1,051,330	485,361
Futures	151	561
Options	152,137	47,002
Others	4	8,633
<b>Total</b>	<b>1,379,769</b>	<b>567,220</b>

#### **5.2.2.3 Other notes on financial assets at fair value through profit/loss**

None.

### 5.2.3 Banks

	<i>Prior Period</i>	
	TL	FC
Banks		
Domestic banks	903,988	1,145,363
Foreign banks	106,739	17,314,253
Foreign head offices and branches	-	-
<b>Total</b>	<b>1,010,727</b>	<b>18,459,616</b>

The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,092,415 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 334,998 thousands as required for insurance activities.

#### *Due from foreign banks*

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

### 5.2.4 Financial assets available-for-sale

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

	<i>Prior Period</i>	
	TL	FC
Collateralised/Blocked Assets	11,212,879	28,206
Assets subject to Repurchase Agreements	120,152	794,108
<b>Total</b>	<b>11,333,031</b>	<b>822,314</b>

#### 5.2.4.2 Details of financial assets available-for-sale

	<i>Prior Period</i>
<b>Debt Securities</b>	<b>23,698,918</b>
Quoted at Stock Exchange	23,563,231
Unquoted at Stock Exchange	135,687
<b>Common Shares/Investment Fund</b>	<b>193,164</b>
Quoted at Stock Exchange	7,079
Unquoted at Stock Exchange	186,085
<b>Value Increase/Impairment Losses (-)</b>	<b>2,385,906</b>
<b>Total</b>	<b>26,277,988</b>

## 5.2.5 Loans

### 5.2.5.1 Loans and advances to shareholders and employees of the Bank

	<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	-	<b>434,931</b>
Corporates	-	434,931
Real Persons	-	-
<b>Indirect Lendings to Shareholders</b>	<b>2,628,582</b>	<b>653,806</b>
<b>Loans to Employees</b>	<b>330,049</b>	<b>74</b>
<b>Total</b>	<b>2,958,631</b>	<b>1,088,811</b>

### 5.2.5.2 Loans and other receivables classified in groups I and II including contracts with revised terms

<i>Prior Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total) <sup>(*)</sup>	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
<b>Loans</b>	<b>210,937,017</b>	<b>2,403,089</b>	<b>610,269</b>	<b>17,055,595</b>	<b>5,981,456</b>	<b>1,343,252</b>
Working Capital Loans	38,249,643	44,814	32,685	1,354,101	732,152	160,376
Export Loans	11,585,535	975	-	239,737	83,336	44,402
Import Loans	618,440	-	-	9,311	-	-
Loans to Financial Sector	5,743,384	-	2	7	-	-
Consumer Loans	49,995,050	2,222,556	134,895	1,841,647	522,600	58,283
Credit Cards	21,551,114	-	381,876	384,074	-	140,571
Others	83,193,851	134,744	60,811	13,226,718	4,643,368	939,620
<b>Specialization Loans</b>	-	<b>1,322</b>	<b>39,332</b>	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>210,937,017</b>	<b>2,404,411</b>	<b>649,601</b>	<b>17,055,595</b>	<b>5,981,456</b>	<b>1,343,252</b>

(\*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,060,263,379.13 and EUR 8,059,584.09 are classified under “Loans and Other Receivables Under Follow-Up” in the prior financial statements.

As of 31 December 2017, loans amounting to TL 6,861,412 thousands are benefited as collateral under funding transactions.

#### *Collaterals received for loans under follow-up*

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	39,714	4,244	-	43,958
Loans Collateralized by Mortgages	8,654,722	914,106	-	9,568,828
Loans Collateralized by Pledged Assets	713,659	75,559	-	789,218
Loans Collateralized by Cheques and Notes	63,740	604,763	-	668,503
Loans Collateralized by Other Collaterals	3,640,331	41,067	-	3,681,398
Unsecured Loans	1,717,708	201,908	384,074	2,303,690
<b>Total</b>	<b>14,829,874</b>	<b>1,841,647</b>	<b>384,074</b>	<b>17,055,595</b>

*Delinquency periods of loans under follow-up*

<i>Prior Period</i>	<b>Corporate / Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
31-60 days	532,802	827,264	166,444	1,526,510
61-90 days	132,531	287,760	44,206	464,497
Other	14,164,541	726,623	173,424	15,064,588
<b>Total</b>	<b>14,829,874</b>	<b>1,841,647</b>	<b>384,074</b>	<b>17,055,595</b>

*Loans and other receivables with extended payment plans*

<i>Prior Period</i>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>
<b>No. of Extensions</b>		
1 or 2 times	2,383,270	5,807,350
3, 4 or 5 times	16,902	85,571
Over 5 times	4,239	88,535
<b>Total</b>	<b>2,404,411</b>	<b>5,981,456</b>

<i>Prior Period</i>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>
<b>Extension Periods</b>		
0 - 6 months	238,617	1,928,567
6 - 12 months	228,908	150,892
1 - 2 years	769,955	431,542
2 - 5 year	1,137,027	1,828,686
5 years and over	29,904	1,641,769
<b>Total</b>	<b>2,404,411</b>	<b>5,981,456</b>

**5.2.5.3 Maturity analysis of cash loans**

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

**5.2.5.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards**

<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>911,100</b>	<b>45,957,542</b>	<b>46,868,642</b>
Housing Loans	29,632	23,171,465	23,201,097
Automobile Loans	72,369	2,283,541	2,355,910
General Purpose Loans	806,934	20,502,536	21,309,470
Others	2,165	-	2,165
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>165,624</b>	<b>165,624</b>
Housing Loans	-	165,579	165,579
Automobile Loans	-	-	-
General Purpose Loans	-	45	45
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>230,965</b>	<b>3,390,858</b>	<b>3,621,823</b>
Housing Loans	4,410	1,818,532	1,822,942
Automobile Loans	179	16,405	16,584
General Purpose Loans	14,054	1,030,940	1,044,994
Others	212,322	524,981	737,303
<b>Retail Credit Cards – TL</b>	<b>17,163,201</b>	<b>527,872</b>	<b>17,691,073</b>
With Installment	8,452,785	527,872	8,980,657
Without Installment	8,710,416	-	8,710,416
<b>Retail Credit Cards – FC</b>	<b>148,211</b>	<b>129,249</b>	<b>277,460</b>
With Installment	-	-	-
Without Installment	148,211	129,249	277,460
<b>Personnel Loans – TL</b>	<b>19,264</b>	<b>115,539</b>	<b>134,803</b>
Housing Loan	-	1,498	1,498
Automobile Loans	-	4	4
General Purpose Loans	19,264	114,037	133,301
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>405</b>	<b>405</b>
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,534</b>	<b>66,885</b>	<b>68,419</b>
Housing Loans	90	29,448	29,538
Automobile Loans	-	-	-
General Purpose Loans	436	30,683	31,119
Others	1,008	6,754	7,762
<b>Personnel Credit Cards – TL</b>	<b>120,550</b>	<b>880</b>	<b>121,430</b>
With Installment	50,773	880	51,653
Without Installment	69,777	-	69,777
<b>Personnel Credit Cards – FC</b>	<b>2,244</b>	<b>2,748</b>	<b>4,992</b>
With Installment	-	-	-
Without Installment	2,244	2,748	4,992
<b>Deposit Accounts– TL (Real Persons)</b>	<b>976,981</b>	<b>-</b>	<b>976,981</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>19,574,050</b>	<b>50,357,602</b>	<b>69,931,652</b>

**5.2.5.5 Installment based commercial loans and corporate credit cards**

<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,621,458</b>	<b>14,720,433</b>	<b>16,341,891</b>
Real Estate Loans	850	788,851	789,701
Automobile Loans	138,541	2,283,802	2,422,343
General Purpose Loans	1,482,067	11,647,780	13,129,847
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>303,531</b>	<b>2,426,419</b>	<b>2,729,950</b>
Real Estate Loans	-	74,599	74,599
Automobile Loans	3,644	892,261	895,905
General Purpose Loans	299,887	1,459,559	1,759,446
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>1,313,672</b>	<b>2,058,957</b>	<b>3,372,629</b>
Real Estate Loans	-	284	284
Automobile Loans	86	20,075	20,161
General Purpose Loans	27	88,072	88,099
Others	1,313,559	1,950,526	3,264,085
<b>Corporate Credit Cards – TL</b>	<b>3,777,393</b>	<b>42,624</b>	<b>3,820,017</b>
With Installment	1,800,911	42,624	1,843,535
Without Installment	1,976,482	-	1,976,482
<b>Corporate Credit Cards – FC</b>	<b>20,216</b>	<b>-</b>	<b>20,216</b>
With Installment	15	-	15
Without Installment	20,201	-	20,201
<b>Deposit Accounts– TL (Corporates)</b>	<b>871,611</b>	<b>-</b>	<b>871,611</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,907,881</b>	<b>19,248,433</b>	<b>27,156,314</b>

**5.2.5.6 Allocation of loans by customers**

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

**5.2.5.7 Allocation of domestic and foreign loans**

	<i>Prior Period</i>
Domestic Loans	209,895,952
Foreign Loans	18,096,660
<b>Total</b>	<b>227,992,612</b>

**5.2.5.8 Loans to associates and Subsidiaries**

	<i>Prior Period</i>
Direct Lending	33,435
Indirect Lending	-
<b>Total</b>	<b>33,435</b>



**5.2.5.9 Specific provisions for loans**

<b>Specific Provisions</b>	<b>Prior Period</b>
Substandard Loans and Receivables - Limited Collectibility	591,928
Doubtful Loans and Receivables	841,974
Uncollectible Loans and Receivables	3,382,410
<b>Total</b>	<b>4,816,312</b>

**5.2.5.10 Non-performing loans (NPLs) (net)**

*Non-performing loans and other receivables restructured or rescheduled*

<b>Prior Period</b>	<b>Group III Substandard Loans and Receivables</b>	<b>Group IV Doubtful Loans and Receivables</b>	<b>Group V Uncollectible Loans and Receivables</b>
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	352,136	576,421	1,083,196
Rescheduled Loans and Receivables	5,122	2,953	23,764
<b>Total</b>	<b>357,258</b>	<b>579,374</b>	<b>1,106,960</b>

*Movements in non-performing loan groups*

<b>Prior Period</b>	<b>Group III Substandard Loans and Receivables</b>	<b>Group IV Doubtful Loans and Receivables</b>	<b>Group V Uncollectible Loans and Receivables</b>
<b>Balances at Beginning of Period</b>	<b>782,833</b>	<b>1,571,137</b>	<b>3,770,491</b>
Additions during the Period (+)	2,444,401	121,472	211,178
Transfer from Other NPL Categories (+)	10,965	1,816,674	1,961,874
Transfer to Other NPL Categories (-)	1,809,918	1,968,030	11,565
Collections during the Period (-)	559,637	409,649	653,337
Write-offs (-) <sup>(*)</sup>	3,362	16,178	1,082,364
Corporate and Commercial Loans	1,348	15,693	567,094
Retail Loans	1,037	485	250,991
Credit Cards	977	-	264,279
Others	-	-	-
<b>Balances at End of Period</b>	<b>865,282</b>	<b>1,115,426</b>	<b>4,196,277</b>
Specific Provisions (-)	591,928	841,974	3,382,410
<b>Net Balance on Balance Sheet</b>	<b>273,354</b>	<b>273,452</b>	<b>813,867</b>

(\*) Includes also the sale of non-performing loans.

*Movements in specific loan provisions*

<b>Prior Period</b>	<b>Corporate / Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
<b>Balances at End of Prior Period</b>	<b>2,320,019</b>	<b>1,483,459</b>	<b>987,611</b>	<b>4,791,089</b>
Additions during the Period (+)	914,288	881,889	519,891	2,316,068
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) <sup>(*)</sup>	349,968	569,077	290,393	1,209,438
Write-Offs (-) <sup>(**)</sup>	564,969	251,182	265,256	1,081,407
<b>Balances at End of Period</b>	<b>2,319,370</b>	<b>1,545,089</b>	<b>951,853</b>	<b>4,816,312</b>

(\*) Foreign subsidiaries' foreign exchange rate changes are included in the collections during the period line.

(\*\*) Includes also the sale of non-performing loans.

*Non-performing loans in foreign currencies*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Prior Period</i>			
<b>Balance at End of Period</b>	<b>324,278</b>	<b>466,661</b>	<b>1,221,918</b>
Specific Provisions (-)	166,146	280,632	811,856
<b>Net Balance at Balance Sheet</b>	<b>158,132</b>	<b>186,029</b>	<b>410,062</b>

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Prior Period (Net)</i>	<b>273,354</b>	<b>273,452</b>	<b>813,867</b>
Loans to Individuals and Corporates (Gross)	865,282	1,115,426	4,194,961
Specific Provision (-)	591,928	841,974	3,381,094
Loans to Individuals and Corporates (Net)	273,354	273,452	813,867
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

*Collaterals received for non-performing loans*

	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
<i>Prior Period</i>				
Loans Collateralized by Cash	2,872	260	-	3,132
Loans Collateralized by Mortgages	1,595,170	170,498	-	1,765,668
Loans Collateralized by Pledged Assets	312,249	48,274	-	360,523
Loans Collateralized by Cheques and Notes	147,639	4,666	-	152,305
Loans Collateralized by Other Collaterals	1,113,964	1,144,994	-	2,258,958
Unsecured Loans	288,701	395,784	951,914	1,636,399
<b>Total</b>	<b>3,460,595</b>	<b>1,764,476</b>	<b>951,914</b>	<b>6,176,985</b>

**5.2.5.11 Liquidation policy for uncollectible loans and receivables**

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

**5.2.5.12 Write-off policy**

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

## **5.2.6 Factoring receivables**

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

## **5.2.7 Investments held-to-maturity**

### **5.2.7.1 Investment subject to repurchase agreements and provided as collateral/blocked**

	<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	9,251,733	3,701,943
Investments subject to Repurchase Agreements	784,006	212,280
<b>Total</b>	<b>10,035,739</b>	<b>3,914,223</b>

### **5.2.7.2 Government securities held-to-maturity**

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

### **5.2.7.3 Investments held-to-maturity**

	<i>Prior Period</i>
<b>Debt Securities</b>	<b>20,819,616</b>
Quoted at Stock Exchange	20,799,386
Unquoted at Stock Exchange	20,230
<b>Valuation Increase / (Decrease)</b>	<b>3,494,924</b>
<b>Total</b>	<b>24,314,540</b>

### **5.2.7.4 Movement of investments held-to-maturity**

	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>23,109,696</b>
Foreign Currency Differences on Monetary Assets	802,639
Purchases during the Period	302,008
Disposals through Sales/Redemptions	(985,994)
Valuation Effect	1,086,191
<b>Balances at End of Period</b>	<b>24,314,540</b>

## 5.2.8 Investments in associates

### 5.2.8.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara/ Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	11,249	7,873	1,544	916	6	578	-
2	80,677	46,880	47,322	1,043	-	6,983	-
3	650,558	79,102	2,500	23,448	560	7,079	-
4	9,913,087	1,170,007	92,594	281,518	7,404	201,251	-
5	1,280,167	1,237,174	241,246	38,556	156	221,156	-
6	259,153	175,797	172,992	4,049	95	36,919	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	-
8	486,557	462,323	10,969	21,449	-	127,873	-

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

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

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

#### *Unconsolidated investments in associates sold during the current period*

None.

#### *Unconsolidated investments in associates acquired during the current period*

None.

### 5.2.8.2 Consolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey	-	3.30

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	36,730	35,915	67	836	1,520	2,119	24,000

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

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.30%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

**5.2.8.3 Movement of consolidated investments in associates**

	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>708</b>
<b>Movements during the Period</b>	<b>84</b>
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Allocation from Current Period Profit	-
Sales	-
Reclassifications	-
Increase/Decrease in Fair Values	84
Currency Differences on Foreign Associates	-
Impairment Losses (-)	-
<b>Balance at End of Period</b>	<b>792</b>
<b>Capital Commitments</b>	-
<b>Share Percentage at the End of Period (%)</b>	-

*Valuation methods of consolidated investments in associates*

<b>Associates</b>	<i>Prior Period</i>
Valued at Cost	-
Valued at Fair Value	792
Valued by Equity Method of Accounting	-

*Sectoral distribution of consolidated investments and associates*

<b>Associates</b>	<i>Prior Period</i>
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	792
Other Associates	-

*Quoted consolidated investments in associates*

	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	792
Quoted at International Stock Exchanges	-

*Investments in associates sold during the current period*

None.

*Investments in associates acquired during the current period*

None.

## 5.2.9 Investments in subsidiaries

### *Information on capital adequacy of major subsidiaries*

<i>Prior Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	624,487	357,848	1,745,428
Share Premium	-	-	58,760
Share Cancellation Profits	-	-	-
Legal Reserves	945,023	567,914	(254,424)
Other Comprehensive Income according to TAS	1,047,870	-	42,356
Current and Prior Periods' Profits	103,187	20,747	117,599
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2,720,567</b>	<b>946,509</b>	<b>1,709,719</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	27,631	555	464,476
Leasehold Improvements on Operational Leases (-)	-	66	5,298
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,832	7,144	205,736
Net Deferred Tax Asset/Liability (-)	-	-	5,905
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>42,463</b>	<b>7,765</b>	<b>681,415</b>
<b>Total Common Equity Tier I Capital</b>	<b>2,678,104</b>	<b>938,744</b>	<b>1,028,304</b>
<b>Total Deductions From Tier I Capital</b>	<b>3,708</b>	<b>1,786</b>	<b>52,910</b>
<b>Total Tier I Capital</b>	<b>2,674,396</b>	<b>936,958</b>	<b>975,394</b>
<b>TIER II CAPITAL</b>	<b>226,450</b>	<b>-</b>	<b>121,194</b>
<b>TOTAL CAPITAL</b>	<b>2,900,846</b>	<b>936,958</b>	<b>1,096,588</b>

The parent Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

### 5.2.9.1 Unconsolidated investments in subsidiaries

	<b>Subsidiaries</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank Risk Group's Share (%)</b>
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	96.40	99.40
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>	<b>Amount of Equity Requirement</b>
1	83,704	71,762	37	7,557	3	9,699	-	-
2	37,642	15,337	318	938	-	612	-	-
3	3,764	3,288	-	452	48	(456)	-	-
4	2,619	1,847	1,132	-	49	247	-	-
5	3,920	2,696	39	218	-	882	-	-
6	4,578	4,578	4,571	-	-	(2)	-	-
7	1,741,416	30,702	1,537,941	213	-	21,287	-	-
8	2,048	1,456	-	-	-	1,589	-	-

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

*Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments*

The non-financial investments excluded from the consolidation scope, are accounted at cost.

#### 5.2.9.2 *Movement of consolidated investments in subsidiaries*

	<b>Prior Period</b>
<b>Balance at Beginning of Period</b>	<b>5,069,629</b>
<b>Movements during the Period</b>	<b>1,365,470</b>
Acquisitions and Capital Increases	150
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales/Liquidations	-
Reclassifications	-
Value Increase/Decrease (*)	726,123
Currency Differences on Foreign Subsidiaries	639,197
Reversal of Impairment Losses / Impairment Losses (-)	-
<b>Balance at End of Period</b>	<b>6,435,099</b>
<b>Capital Commitments</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>

(\*)Except for quoted subsidiaries, value increases/(decreases) are based on the results of equity accounting application.

*Valuation methods of consolidated investments in subsidiaries*

	<b>Prior Period</b>
Valued at Cost	-
Valued at Fair Value (*)	6,435,099

*Sectoral distribution of consolidated investments in subsidiaries*

	<b>Prior Period</b>
Banks	2,686,210
Insurance Companies	1,399,747
Factoring Companies	174,376
Leasing Companies	945,953
Finance Companies	1,228,813
Other Subsidiaries	-

(\*) Except for quoted subsidiaries, the balances are as per the results of equity accounting application.

*Quoted consolidated investments in subsidiaries*

	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	174,376
Quoted at International Stock Exchanges	-

*Other information on consolidated investments in subsidiaries*

	<b>Subsidiaries</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Shares of Other Consolidated Subsidiaries (%)</b>	<b>Method of Consolidation</b>
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1	5,440,877	945,954	10,318	403,026	-	20,747	-
2	3,451,880	212,985	7,430	288,268	-	27,603	-
3	170,260	117,635	13,407	4,897	2,422	49,931	-
4	80,928	71,147	3,408	4,824	-	18,891	-
5	2,164,598	1,648,492	38,969	204,397	1,590	323,576	-
6	19,371,398	2,693,389	140,785	560,541	59,295	103,187	-
7	1,541,868	1,541,596	-	-	-	(343)	-
8	1,564,918	1,354,946	-	221	-	(8,777)	-
9	9,792,647	1,253,382	309,429	315,858	24,235	95,237	-
10	798,100	112,674	5,063	42,667	-	12,386	-
11	593,204	80,410	6,158	59,922	-	17,092	-

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

*Consolidated investments in subsidiaries disposed during the current period*

None.

*Consolidated investments in subsidiaries acquired during the current period*

None.

**5.2.10 Investments in joint-ventures**

None.



## **5.2.11 Lease receivables**

### **5.2.11.1 Financial lease receivables according to remaining maturities**

	<i>Prior Period</i>	
	<b>Gross</b>	<b>Net</b>
Less than 1 Year	2,629,003	2,327,886
Between 1-5 Years	3,489,030	3,129,480
Longer than 5 Years	352,936	331,070
<b>Total</b>	<b>6,470,969</b>	<b>5,788,436</b>

### **5.2.11.2 Net financial lease receivables**

	<i>Prior Period</i>
Gross Financial Lease Receivables	6,470,969
Unearned Income on Financial Lease Receivables (-)	(682,533)
Terminated Lease Contracts (-)	-
<b>Net Financial Lease Receivables</b>	<b>5,788,436</b>

### **5.2.11.3 Financial lease agreements**

#### *Criteria applied for financial lease agreements*

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A “customer analysis report” according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as “customer risk rating” and “equipment rating/scoring” are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

#### *Details monitored subsequent to signing of financial lease agreements*

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the customer services and lease receivable unit even for the performing customers.

The reports prepared by the customer services and lease receivable unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

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

### **5.2.12.1 Positive differences on derivative financial instruments held for hedging purpose**

<b>Derivative Financial Assets Held for Hedging Purpose</b>	<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>
Fair Value Hedges	89,104	14,158
Cash Flow Hedges	465,501	101,957
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>554,605</b>	<b>116,115</b>

As of 31 December 2017, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	<i>Prior Period</i>		
	Face Value	Asset	Liability
Interest Rate Swaps	40,090,490	205,317	65,947
-TL	5,552,476	91,493	6,227
-FC	34,538,014	113,824	59,720
Cross Currency Swaps	5,342,034	465,403	132,879
-TL	1,702,916	463,112	1,025
-FC	3,639,118	2,291	131,854
<b>Total</b>	<b>45,432,524</b>	<b>670,720</b>	<b>198,826</b>

#### 5.2.12.1.1 Fair value hedge accounting

<i>Prior Period</i>						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	2,442	30,275	(39,034)	(6,317)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(53,789)	57,887	-	4,098
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(18,235)	15,100	(24,459)	(14,528)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,789)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	-	-	-	-

**5.2.12.1.2 Cash flow hedge accounting**

<i>Prior Period</i>							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	39	-	(55)	67	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	61,415	(2,120)	34,087	(22,643)	672
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	40,601	(334)	18,621	(7,071)	6,932
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	53	-	1,094	(1,042)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	444,068	-	45	(60,340)	7
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	21,282	(1,617)	2,242	(2,031)	-

As of 31 December 2017, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions.

**5.2.13 Tangible assets**

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".

**5.2.14 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".

**5.2.15 Investment property**

	<i>Prior Period</i>
<b>Net Book Value at Beginning of Period</b>	<b>543,825</b>
Additions	4,746
Disposals	-
Transfers to Tangible Assets	4,430
Fair Value Change	6,387
Net Currency Translation Differences on Foreign Subsidiaries	-
<b>Net Book Value at End of Period</b>	<b>559,388</b>

The investment property is held for operational leasing purposes.

## 5.2.16 Deferred tax asset

As of 31 December 2017, on a consolidated basis the Bank has a deferred tax asset of TL 441,932 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2017, deferred tax assets of TL 750,677 thousands are reduced by deferred tax liabilities of TL 308,745 thousands with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Prior Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions (*)	1,313,504	271,477
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	997,852	222,966
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	649,259	133,924
<b>Deferred Tax Asset, Net</b>	<b>1,096,263</b>	<b>441,932</b>

(\*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

(\*\*) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 30 September 2017, TL 92,156 thousands of deferred tax income and TL 39,294 thousands of deferred tax expense were recognised in the income statement and the shareholders' equity, respectively.

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

	<i>Prior Period</i>
<b>End of Prior Period</b>	
<b>Cost</b>	<b>621,671</b>
<b>Accumulated Depreciation</b>	<b>(16,656)</b>
<b>Net Book Value</b>	<b>605,015</b>
<b>End of Current Period</b>	
Additions	393,729
Disposals (Cost)	(167,095)
Disposals (Accumulated Depreciation)	1,900
Reversal of Impairment / Impairment Losses (-)	(615)
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	2,618
<b>Cost</b>	<b>850,308</b>
<b>Accumulated Depreciation (-)</b>	<b>(14,756)</b>
<b>Net Book Value</b>	<b>835,552</b>

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 thousands.

**5.2.18 Other Assets**

**5.2.18.1 Receivables from term sale of assets**

	<i>Prior Period</i>
Sale of Investments in Associates, Subsidiaries and Joint – Ventures	-
Sale of Real Estates	-
Sale of Available for Sale Assets	20,394
Sale of Other Assets	1,136
<b>Total</b>	<b>21,530</b>

**5.2.18.2 Prepaid expenses**

	<i>Prior Period</i>
Prepaid Expenses	911,395
Prepaid Taxes	25,766

### 5.3 Consolidated liabilities (Current Period)

#### 5.3.1 Maturity profile of deposits

<i>Current Period</i>	<b>Demand</b>	<b>7 Days Notice</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Accumulating Deposit</b>	<b>Total</b>
<b>Saving Deposits</b>	11,405,703	-	3,855,111	50,016,398	1,784,062	593,627	1,326,249	3,112	68,984,262
<b>Foreign Currency</b>	44,926,884	-	13,429,608	68,083,220	5,383,189	9,940,410	17,697,156	56,073	159,516,540
Residents in Turkey	31,642,550	-	12,545,670	62,374,994	2,121,346	2,368,162	1,147,533	54,283	112,254,538
Residents in Abroad	13,284,334	-	883,938	5,708,226	3,261,843	7,572,248	16,549,623	1,790	47,262,002
<b>Public Sector Deposits</b>	980,466	-	1,116	24,210	3,592	1,061	-	-	1,010,445
<b>Commercial Deposits</b>	8,725,436	-	8,954,576	9,462,336	474,191	289,718	1,420,781	-	29,327,038
<b>Others</b>	252,051	-	150,785	1,166,160	41,300	240,215	3,260,575	-	5,111,086
<b>Precious Metal</b>	2,790,214	-	-	54,250	5,323	12,880	380,967	-	3,243,634
<b>Bank Deposits</b>	6,009,839	-	894,693	295,971	139,135	169,908	18,411	-	7,527,957
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	4,454	-	358,172	-	-	11,279	11,266	-	385,171
Foreign Banks	3,509,921	-	536,521	295,971	139,135	158,629	7,145	-	4,647,322
Special Financial	2,495,464	-	-	-	-	-	-	-	2,495,464
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>75,090,593</b>	<b>-</b>	<b>27,285,889</b>	<b>129,102,545</b>	<b>7,830,792</b>	<b>11,247,819</b>	<b>24,104,139</b>	<b>59,185</b>	<b>274,720,962</b>

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

##### 5.3.1.1.1 Deposits exceeding insurance limit

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

	<b>Covered by Deposit Insurance Over Deposit Insurance Limit</b>	<b>Over Deposit Insurance Limit</b>
	<i>Current Period</i>	<i>Current Period</i>
Saving Deposits	29,547,118	38,880,399
Foreign Currency Saving Deposits	30,007,483	60,151,581
Other Saving Deposits	1,593,904	1,554,875
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

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

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

### 5.3.1.2 Saving deposits not covered by insurance limits

#### 5.3.1.3.1 Saving deposits of individuals not covered by insurance limits:

	<i>Current Period</i>
Deposits and Other Accounts held at Foreign Branches	1,287,504
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	158,385
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

### 5.3.2 Negative differences on derivative financial liabilities held for trading

Information on negative differences on derivative financial liabilities held for trading classified in derivative financial liabilities is as follows;

Trading Derivatives	<i>Current Period</i>	
	TL	FC
Forward Transactions	980,407	58,535
Swap Transactions	5,340,590	1,671,380
Futures	170	636
Options	1,287,201	156,769
Others	31	37,156
<b>Total</b>	<b>7,608,399</b>	<b>1,924,476</b>

### 5.3.3 Funds borrowed

Information on funds borrowed is as follows;

	<i>Current Period</i>	
	TL	FC
Central Bank of Turkey	-	490,021
Domestic Banks and Institutions	254,139	1,910,589
Foreign Banks, Institutions and Funds	777,662	45,705,558
<b>Total</b>	<b>1,031,801</b>	<b>48,106,168</b>

#### 5.3.3.1 Maturities of funds borrowed

	<i>Current Period</i>	
	TL	FC
Short-Term	247,854	4,528,803
Medium and Long-Term	783,947	43,577,365
<b>Total</b>	<b>1,031,801</b>	<b>48,106,168</b>

#### 5.3.3.2 Disclosures for concentration areas of bank's liabilities

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

### 5.3.4 Other external funds

#### 5.3.4.1 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,849,303	1,976,908	-	27,055,765
Cost	2,734,016	1,975,036	-	26,952,831
Carrying Value (*)	2,815,694	2,031,808	-	26,239,956

(\*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 5,759 thousands and foreign currency securities with a total face value of TL1,236,638 thousands and netted off such securities in the accompanying consolidated financial statements.

As of 1 January 2018, funds obtained abroad through collateralized payment orders including SWIFT MT 103 and similar foreign currency funds amounting to TL 4,888,088 thousands, are reclassified from "funds borrowed" into "securities issued (net)" based on reassessment of the contractual characteristics of such transactions.

#### 5.3.4.2 Funds provided through repurchase transactions

Information on obligations under repurchase agreements classified in money market funds is as follows;

	<i>Current Period</i>	
	TL	FC
<b>Domestic Transactions</b>	<b>2,141,835</b>	<b>-</b>
Financial Institutions and Organizations	2,076,377	-
Other Institutions and Organizations	32,886	-
Individuals	32,572	-
<b>Foreign Transactions</b>	<b>250</b>	<b>978,110</b>
Financial Institutions and Organizations	-	978,110
Other Institutions and Organizations	-	-
Individuals	250	-
<b>Total</b>	<b>2,142,085</b>	<b>978,110</b>

#### 5.3.4.3 Information about financial liabilities measured at fair value through profit or loss

	<i>Current Period</i>	
	TL	FC
Securities Issued	-	12,391,910
Other	-	-
<b>Total</b>	<b>-</b>	<b>12,391,910</b>

It includes securities issued by the Bank through structured entities amounting to TL 12,337,414 thousands which are classified as "Financial Liabilities at Fair Value Through Profit or Loss" in the accompanying consolidated financial statements in order to eliminate accounting mismatch and another security issued by the parent Bank amounting to TL 54,496 thousands which is also classified as "Financial Liabilities at Fair Value Through Profit or Loss" in the accompanying financial statements in order to eliminate an accounting mismatch.



**5.3.4.4 Other liabilities**

	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Payables from credit card transactions	11,089,270	132,013
Payables from clearing transactions	2,574,897	59,497
Dividend payables to shareholders	154,766	-
Other	1,221,821	2,283,155
<b>Total</b>	<b>15,040,754</b>	<b>2,474,665</b>

**5.3.5 Factoring payables**

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

**5.3.6 Lease payables**

**5.3.6.1 Financial lease payables**

None.

**5.3.6.2 Operational lease agreements**

The operational leasing agreements are signed for some branches and ATM’s. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in “other assets”. The Bank does not have any commitments arising on the existing operational lease agreements.

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

Information on negative differences on derivative financial liabilities held for hedging purposes classified in derivative financial liabilities is as follows;

<b>Derivative Financial Liabilities Held for Hedging Purpose</b>	<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>
Fair Value Hedges	26	257,317
Cash Flow Hedges	162,609	3,049
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>162,635</b>	<b>260,366</b>

Please refer to Note 5.1.13.1 for financial liabilities resulted from derivatives held for hedging purpose.

**5.3.8 Provisions**

The movement of reserve for employee severance indemnity classified in reserve for employee benefits line of note 5.3.8.4 is presented as below:

**5.3.8.1 Reserve for employee severance indemnity**

	<i>Current Period</i>
<b>Balances at Beginning of Period</b>	<b>423,872</b>
Provision for the Period	66,302
Actuarial Gain/Loss	-
Payments During the Period	(27,005)
<b>Balances at End of Period</b>	<b>463,169</b>

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

	<i>Current Period</i>
Short-Term Loans	13
Medium and Long Term Loans	-
<b>Total</b>	<b>13</b>

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

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

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

**5.3.8.4 Provisions**

	<i>Current Period</i>
Reserve for Employee Benefits	1,060,628
Insurance Technical Provisions, Net	463,280
Provision for Promotion Expenses of Credit Cards	129,912
Provision for Lawsuits	378,343
Provision for Non-Cash Loans	610,309
Other Provisions <sup>(*)</sup>	2,048,526
<b>Total</b>	<b>4,690,998</b>

<sup>(\*)</sup> Includes general reserve of total TL 1,860,000 thousands, of which TL 700,000 thousands was recognized as expense in the current period.

*Recognized liability for defined benefit plan obligations*

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands at 31 December 2017 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2017 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 13 December 2017 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,198,065 thousands remains as of 31 December 2017 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 551,028 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2017. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>31 December 2017</i>
<b>Transferable Pension and Medical Benefits:</b>	
Net present value of pension benefits transferable to SSF	(989,677)
Net present value of medical benefits and health premiums transferable to SSF	551,028
General administrative expenses	(45,215)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(483,864)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>3,609,349</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>3,125,485</b>
<b>Non-Transferable Benefits:</b>	
Other pension benefits	(846,997)
Other medical benefits	(1,080,423)
<b>Total Non-Transferable Benefits (4)</b>	<b>(1,927,420)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,198,065</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(551,028)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>647,037</b>

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

	<b>31 December 2017</b>
	<b>%</b>
Discount Rate (*)	11.60
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	50% above inflation
Future Pension Increase Rate (*)	8.40

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities of the Bank are as follow:

<b>Defined Benefit Obligation</b>	<b>Pension Benefits Effect</b>	<b>Medical Benefits Effect</b>	<b>Overall Effect</b>
<b>Assumption change</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate +1%	(13.90)	(19.00)	(16.80)
Discount rate -1%	17.80	26.10	22.40
Medical inflation (+10% of CPI)	-	20.80	11.60
Medical inflation (-10% of CPI)	-	(16.20)	(9.10)

<b>Retirement Indemnities</b>	<b>Sensitivity of Past Service Liability</b>	<b>Sensitivity of Normal Cost</b>
<b>Assumption change</b>	<b>%</b>	<b>%</b>
Discount rate +1%	(12.20)	(16.30)
Discount rate -1%	14.80	20.40
Inflation rate +1%	14.40	20.00
Inflation rate -1%	(11.80)	(15.90)

### 5.3.9 Tax liability

#### 5.3.9.1 Current tax liability

##### 5.3.9.1.1 Tax liability

As of 30 September 2018, the corporate tax liability amounts to TL 673,561 thousands after offsetting with prepaid taxes.

##### 5.3.9.1.2 Taxes payable

	<b>Current Period</b>
Corporate Taxes Payable	673,561
Taxation on Securities Income	224,035
Taxation on Real Estates Income	5,261
Banking Insurance Transaction Tax	191,790
Foreign Exchange Transaction Tax	103
Value Added Tax Payable	15,880
Others	74,635
<b>Total</b>	<b>1,185,265</b>

**5.3.9.1.3 Premiums payable**

	<i>Current Period</i>
Social Security Premiums-Employees	7,366
Social Security Premiums-Employer	4,411
Bank Pension Fund Premium-Employees	322
Bank Pension Fund Premium-Employer	422
Fund Membership Fees and Provisions-Employees	-
Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,644
Unemployment Insurance-Employer	3,125
Others	23
<b>Total</b>	<b>17,313</b>

**5.3.9.2 Deferred tax liability**

As of 30 September 2018, the deferred tax liability amounts to TL 12,787 thousands.

**5.3.10 Liabilities for assets held for sale and assets of 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”.

**5.3.11 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”.

**5.3.12 Shareholders’ equity**

**5.3.12.1 Paid-in capital**

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

**5.3.12.2 Registered share capital system**

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

**5.3.12.3 Capital increases in current period**

None.

**5.3.12.4 Capital increases from capital reserves in current period**

None.

**5.3.12.5 Capital commitments for current and future financial periods**

None.

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

None.

**5.3.12.7 Information on privileges given to stocks representing the capital**

None.

### 5.3.12.8 Securities value increase fund

Information on securities value increase fund classified as a part of income/expenses from valuation and/or reclassification of financial assets measured at FVOCI in the statement of changes in shareholders' equity, is as follows;

	<i>Current Period</i>	
	TL	FC
<b>Investments in Associates, Subsidiaries and Joint-Ventures</b>	-	-
Valuation Difference	-	-
Exchange Rate Difference	-	-
<b>Securities measured at Fair Value through Other Comprehensive Income</b>	<b>(670,765)</b>	<b>(376,898)</b>
Valuation Difference	(670,765)	(376,898)
Exchange Rate Difference	-	-
<b>Total</b>	<b>(670,765)</b>	<b>(376,898)</b>

### 5.3.12.9 Revaluation surplus

	<i>Current Period</i>	
	TL	FC
Movables	-	-
Real Estates	1,492,324	38,334
Revaluation Surplus on Leasehold Improvements	-	-
<b>Total</b>	<b>1,492,324</b>	<b>38,334</b>

### 5.3.12.10 Bonus shares of associates, subsidiaries and joint-ventures

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 22 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

### 5.3.12.11 Legal reserves

	<i>Current Period</i>
I. Legal Reserve	1,070,373
II. Legal Reserve	507,264
Special Reserves	-
<b>Total</b>	<b>1,577,637</b>

### 5.3.12.12 Extraordinary reserves and other profit reserves

	<i>Current Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	31,445,252
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
<b>Total</b>	<b>31,445,252</b>

**5.3.12.13 Minority interest**

	<i>Current Period</i>
<b>Balance at Beginning of Period</b>	<b>314,340</b>
Profit Share of Subsidiaries Net Profits	54,637
Prior Period Dividend Payment	(181,524)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	(107)
<b>Balance at End of Period</b>	<b>187,346</b>

## 5.4 Consolidated liabilities (Prior Period)

### 5.4.1 Maturity profile of deposits

<i>Prior Period</i>	<b>Demand</b>	<b>7 Days Notice</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Accumulating Deposit</b>	<b>Total</b>
<b>Saving Deposits</b>	<b>10,913,763</b>	-	<b>2,604,119</b>	<b>42,872,344</b>	<b>1,928,240</b>	<b>595,160</b>	<b>803,336</b>	<b>4,104</b>	<b>59,721,066</b>
<b>Foreign Currency</b>	<b>30,305,453</b>	-	<b>8,539,990</b>	<b>47,538,061</b>	<b>4,135,845</b>	<b>5,981,841</b>	<b>12,632,465</b>	<b>53,388</b>	<b>109,187,043</b>
Residents in Turkey	21,122,458	-	7,355,971	42,563,359	1,770,505	1,540,387	1,015,526	52,147	75,420,353
Residents in Abroad	9,182,995	-	1,184,019	4,974,702	2,365,340	4,441,454	11,616,939	1,241	33,766,690
<b>Public Sector Deposits</b>	<b>539,397</b>	-	<b>2,151</b>	<b>23,704</b>	<b>5,309</b>	<b>10</b>	-	-	<b>570,571</b>
<b>Commercial Deposits</b>	<b>9,522,579</b>	-	<b>5,035,348</b>	<b>7,460,350</b>	<b>498,176</b>	<b>325,742</b>	<b>155,007</b>	-	<b>22,997,202</b>
<b>Others</b>	<b>240,019</b>	-	<b>138,566</b>	<b>1,351,057</b>	<b>93,816</b>	<b>406,570</b>	<b>2,247,113</b>	-	<b>4,477,141</b>
<b>Precious Metal</b>	<b>1,845,183</b>	-	<b>57,205</b>	<b>47,640</b>	<b>3,777</b>	<b>8,013</b>	<b>232,897</b>	-	<b>2,194,715</b>
<b>Bank Deposits</b>	<b>918,215</b>	-	<b>249,417</b>	<b>97,700</b>	<b>55,486</b>	<b>84,811</b>	<b>220,193</b>	-	<b>1,625,822</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	6,139	-	5,658	15,090	2,049	20,474	10,239	-	59,649
Foreign Banks	627,190	-	243,759	82,610	53,437	64,337	209,954	-	1,281,287
Special Financial	284,886	-	-	-	-	-	-	-	284,886
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54,284,609</b>	-	<b>16,626,796</b>	<b>99,390,856</b>	<b>6,720,649</b>	<b>7,402,147</b>	<b>16,291,011</b>	<b>57,492</b>	<b>200,773,560</b>

#### 5.4.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund Deposits exceeding insurance limit

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

<b>Saving Deposits – Prior Period</b>	<b>Covered by Deposit Insurance</b>	<b>Over Deposit Insurance Limit</b>
Saving Deposits	29,074,468	30,170,165
Foreign Currency Saving Deposits	20,980,170	41,525,053
Other Saving Deposits	1,117,225	1,016,387
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

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

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

#### 5.4.1.3 Saving deposits not covered by insurance limits

##### 5.4.1.3.1 Saving deposits of individuals not covered by insurance limits:

	<b><i>Prior Period</i></b>
Deposits and Other Accounts held at Foreign Branches	1,009,774
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	236,559
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

#### 5.4.2 Negative differences on derivative financial liabilities held for trading

Trading Derivatives	Prior Period	
	TL	FC
Forward Transactions	163,550	36,335
Swap Transactions	2,102,812	426,848
Futures	44	96
Options	114,881	45,917
Others	-	8,339
<b>Total</b>	<b>2,381,287</b>	<b>517,535</b>

#### 5.4.3 Funds borrowed

	Prior Period	
	TL	FC
Central Bank of Turkey	-	685,843
Domestic Banks and Institutions	477,119	1,605,139
Foreign Banks, Institutions and Funds	657,139	43,679,479
<b>Total</b>	<b>1,134,258</b>	<b>45,970,461</b>

##### 5.4.3.1 Maturities of funds borrowed

	Prior Period	
	TL	FC
Short-Term	866,182	5,590,833
Medium and Long-Term	268,076	40,379,628
<b>Total</b>	<b>1,134,258</b>	<b>45,970,461</b>

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,455,714,286 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated credit risk change and the credit risk change recognised in the income statement in the first nine months of 2017 amounted to TL 43,948 thousands and a loss of TL 401,889 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands.

##### 5.4.3.2 Disclosures for concentration areas of bank's liabilities

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 Other external funds

##### 5.4.4.1 Securities issued

Prior Period	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	4,065,669	4,258,267	-	13,133,935
Cost	3,926,455	4,087,678	-	13,065,899
Carrying Value (*)	4,003,253	4,159,746	-	12,631,453

(\*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of TL 780,571 thousands and netted off such securities in the accompanying consolidated financial statements.

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017 and 30 September 2017, the accumulated negative credit risks change, and the positive credit risk change recognised in the income statement for the first nine months of 2017 amounted to TL 908 thousands and TL 1,307 thousands, respectively. The carrying value of the related financial liability amounted to TL 34,983 thousands as of 31 December 2017 and the related income for the first nine months of 2017 amounted to TL 1,511 thousands.



**5.4.4.2 Funds provided through repurchase transactions**

	<i>Prior Period</i>	
	TL	FC
<b>Domestic Transactions</b>	<b>887,411</b>	<b>-</b>
Financial Institutions and Organizations	750,756	-
Other Institutions and Organizations	92,302	-
Individuals	44,353	-
<b>Foreign Transactions</b>	<b>296</b>	<b>858,706</b>
Financial Institutions and Organizations	-	858,706
Other Institutions and Organizations	-	-
Individuals	296	-
<b>Total</b>	<b>887,707</b>	<b>858,706</b>

**5.4.4.3 Miscellaneous payables**

	<i>Prior Period</i>	
	TL	FC
Payables from credit card transactions	8,985,632	48,506
Payables from insurance transactions	40,290	6
Other	559,649	742,263
<b>Total</b>	<b>9,585,571</b>	<b>790,775</b>

**5.4.5 Factoring payables**

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

**5.4.6 Lease payables**

**5.4.6.1 Financial lease payables**

None.

**5.4.6.2 Operational lease agreements**

The operational leasing agreements are signed for some branches and ATM’s. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in “other assets”. The Bank does not have any commitments arising on the existing operational lease agreements.

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

<b>Derivative Financial Liabilities Held for Hedging Purpose</b>	<i>Prior Period</i>	
	TL	FC
Fair Value Hedges	6,227	188,528
Cash Flow Hedges	1,025	3,046
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>7,252</b>	<b>191,574</b>

Please refer to Note 5.2.12.1 for derivative financial instruments held for hedging purpose.

**5.4.8 Provisions**

**5.4.8.1 General provisions**

	<i>Prior Period</i>
<b>General Provision for</b>	<b>3,673,669</b>
Loans and Receivables in Group I	1,694,874
Loans and Receivables in Group II	1,370,937
Non-Cash Loans	369,087
Others	238,771

**5.4.8.2 Reserve for employee severance indemnity**

	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>355,535</b>
Provision for the Period	92,055
Actuarial Gain/Loss	22,045
Payments During the Period	(45,764)
<b>Balances at End of Period</b>	<b>423,871</b>

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

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

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

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

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

**5.4.8.5 Other provisions**

**5.4.8.5.1 General reserves for possible losses**

	<i>Prior Period</i>
General Reserves for Possible Losses	1,160,000

**5.4.8.5.2 Other provisions for possible losses**

	<i>Prior Period</i>
Reserve for Employee Benefits	909,788
Insurance Technical Provisions, Net	389,886
Provision for Promotion Expenses of Credit Cards <sup>(*)</sup>	112,434
Provision for Lawsuits <sup>(**)</sup>	250,115
Provision for Non-Cash Loans	127,417
Other Provisions <sup>(***)</sup>	224,793
<b>Total</b>	<b>2,014,433</b>

<sup>(\*)</sup> The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

<sup>(\*\*)</sup> A provision of EUR 33,000,000 is provided for the ongoing lawsuit against the Bank in Paris, which was disclosed in the Public Disclosure Platform on 20 September 2017.

<sup>(\*\*\*)</sup> A provision of TL 33,887 thousands is allocated for the dormant “other temporary accounts” standing longer than a year within the scope of “TAS 37 Provisions, Contingent Liabilities and Contingent Assets” Standard.

**Recognized liability for defined benefit plan obligations**

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands at 31 December 2017 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2017 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 13 December 2017 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,198,065 thousands remains as of 31 December 2017 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 551,028 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2017. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>31 December 2017</i>
<b>Transferable Pension and Medical Benefits:</b>	
Net present value of pension benefits transferable to SSF	(989,677)
Net present value of medical benefits and health premiums transferable to SSF	551,028
General administrative expenses	(45,215)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(483,864)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>3,609,349</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>3,125,485</b>
<b>Non-Transferable Benefits:</b>	
Other pension benefits	(846,997)
Other medical benefits	(1,080,423)
<b>Total Non-Transferable Benefits (4)</b>	<b>(1,927,420)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,198,065</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(551,028)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>647,037</b>

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

	<i>31 December 2017</i>
<b>Balance at Beginning of Period</b>	<b>-</b>
Actual contributions paid during the period	(71,463)
Total expense recognized in the income statement	44,052
Amount recognized in the shareholders' equity	27,411
<b>Balance at End of Period</b>	<b>-</b>

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

	<i>31 December 2017</i>
	<b>%</b>
Discount Rate <sup>(*)</sup>	11.60
Inflation Rate <sup>(*)</sup>	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	50% above inflation
Future Pension Increase Rate <sup>(*)</sup>	8.40

<sup>(\*)</sup> The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities of the Bank are as follow:

Defined Benefit Obligation	Pension Benefits Effect	Medical Benefits Effect	Overall Effect
Assumption change	%	%	%
Discount rate +1%	(13.90)	(19.00)	(16.80)
Discount rate -1%	17.80	26.10	22.40
Medical inflation (+10% of CPI)	-	20.80	11.60
Medical inflation (-10% of CPI)	-	(16.20)	(9.10)

Retirement Indemnities	Sensitivity of Past Service Liability	Sensitivity of Normal Cost
Assumption change	%	%
Discount rate +1%	(12.20)	(16.30)
Discount rate -1%	14.80	20.40
Inflation rate +1%	14.40	20.00
Inflation rate -1%	(11.80)	(15.90)

#### 5.4.9 Tax liability

##### 5.4.9.1 Current tax liability

###### 5.4.9.1.1 Tax liability

As of 31 December 2017, the corporate tax liability amounts to TL 763,079 thousands after offsetting with prepaid taxes.

###### 5.4.9.1.2 Taxes payable

	Prior Period
Corporate Taxes Payable	763,079
Taxation on Securities Income	131,422
Taxation on Real Estates Income	4,080
Banking Insurance Transaction Tax	155,555
Foreign Exchange Transaction Tax	89
Value Added Tax Payable	14,842
Others	66,171
<b>Total</b>	<b>1,135,238</b>

###### 5.4.9.1.3 Premiums payable

	Prior Period
Social Security Premiums-Employees	4,892
Social Security Premiums-Employer	4,309
Bank Pension Fund Premium-Employees	25
Bank Pension Fund Premium-Employer	25
Fund Membership Fees and Provisions-Employees	-
Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,470
Unemployment Insurance-Employer	2,802
Others	36
<b>Total</b>	<b>13,559</b>

##### 5.4.9.2 Deferred tax liability

As of 31 December 2017, the deferred tax liability amounts to TL 14,365 thousands.

**5.4.10 Liabilities for assets held for sale and assets of discontinued operations**

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

**5.4.11 Subordinated debts**

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

**5.4.12 Shareholders’ equity**

**5.4.12.1 Paid-in capital**

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

**5.4.12.2 Registered share capital system**

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

**5.4.12.3 Capital increases in current period**

None.

**5.4.12.4 Capital increases from capital reserves in current period**

None.

**5.4.12.5 Capital commitments for current and future financial periods**

None.

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

None.

**5.4.12.7 Information on privileges given to stocks representing the capital**

None.

**5.4.12.8 Securities value increase fund**

	<i>Prior Period</i>	
	TL	FC
<b>Investments in Associates, Subsidiaries and Joint-Ventures</b>	-	-
Valuation Difference	-	-
Exchange Rate Difference	-	-
<b>Securities Available-for-Sale</b>	<b>(425,824)</b>	<b>108,010</b>
Valuation Difference	(425,824)	108,010
Exchange Rate Difference	-	-
<b>Total</b>	<b>(425,824)</b>	<b>108,010</b>

**5.4.12.9 Revaluation surplus**

	<i>Prior Period</i>	
	TL	FC
Movables	-	-
Real Estates	1,494,986	24,889
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	227,994	-
Revaluation Surplus on Leasehold Improvements	-	-
<b>Total</b>	<b>1,722,980</b>	<b>24,889</b>

**5.4.12.10 Bonus shares of associates, subsidiaries and joint-ventures**

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 21 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

**5.4.12.11 Legal reserves**

	<i>Prior Period</i>
I. Legal Reserve	1,038,987
II. Legal Reserve	353,272
Special Reserves	-
<b>Total</b>	<b>1,392,259</b>

**5.4.12.12 Extraordinary reserves**

	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	25,901,360
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
<b>Total</b>	<b>25,901,360</b>

**5.4.12.13 Minority interest**

	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>267,808</b>
Profit Share of Subsidiaries Net Profits	55,918
Prior Period Dividend Payment	(1,500)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	(77)
<b>Balance at End of Period</b>	<b>322,149</b>

## **5.5 Consolidated off-balance sheet items (Current Period)**

### **5.5.1 Off-balance sheet contingencies**

#### **5.5.1.1 Irrevocable credit commitments**

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 12,923,594 thousands, commitments for cheque payments of TL 2,979,021 thousands and commitments for credit card limits of TL 32,234,111 thousands.

#### **5.5.1.2 Possible losses and commitments resulted from off-balance sheet items**

	<i>Current Period</i>
Letters of Guarantee in Foreign Currency	31,112,761
Letters of Guarantee in TL	22,513,828
Letters of Credit	20,699,074
Bills of Exchange and Acceptances	2,178,935
Prefinancings	-
Other Guarantees	52,185
<b>Total</b>	<b>76,556,783</b>

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

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>115,145</b>	<b>205,417</b>	<b>118,820</b>	<b>439,382</b>
Additions during the Period (+)	150,729	188,727	74,097	<b>413,553</b>
Disposal (-)	(191,651)	(97,224)	(51,613)	<b>(340,488)</b>
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	115,343	(101,012)	(14,331)	-
Transfer to Stage 2	(29,311)	37,518	(8,207)	-
Transfer to Stage 3	(534)	(27,035)	27,569	-
Foreign Currency Differences	12,210	60,674	24,978	<b>97,862</b>
<b>Balances at End of Period</b>	<b>171,931</b>	<b>267,065</b>	<b>171,313</b>	<b>610,309</b>

A specific provision of TL 171,313 thousands is made for unliquidated non-cash loans of TL 318,107 thousands recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of “off-balance sheet items”.

#### **5.5.1.3 Non-cash loans**

	<i>Current Period</i>
Non-Cash Loans against Cash Risks	12,266,865
<i>With Original Maturity of 1 Year or Less</i>	<i>1,422,029</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>10,844,836</i>
Other Non-Cash Loans	64,289,918
<b>Total</b>	<b>76,556,783</b>

#### **5.5.1.4 Other information on non-cash loans**

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

**5.5.1.5 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”.

**5.5.2 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”.

**5.5.3 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”.

**5.5.4 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”.

**5.5.5 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”.



## **5.6 Consolidated off-balance sheet items (Prior Period)**

### **5.6.1 Off-balance sheet contingencies**

#### **5.6.1.1 Irrevocable credit commitments**

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 7,947,989 thousands, commitments for cheque payments of TL 3,797,901 thousands and commitments for credit card limits of TL 29,542,049 thousands.

#### **5.6.1.2 Possible losses and commitments resulted from off-balance sheet items**

	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	20,283,642
Letters of Guarantee in TL	19,405,859
Letters of Credit	14,769,516
Bills of Exchange and Acceptances	1,550,650
Prefinancings	-
Other Guarantees	185,727
<b>Total</b>	<b>56,195,394</b>

A specific provision of TL 127,417 thousands is made for unliquidated non-cash loans of TL 370,339 thousands recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of “off-balance sheet items”.

#### **5.6.1.3 Non-cash loans**

	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	7,327,429
<i>With Original Maturity of 1 Year or Less</i>	<i>644,377</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>6,683,052</i>
Other Non-Cash Loans	48,867,965
<b>Total</b>	<b>56,195,394</b>

#### **5.6.1.4 Other information on non-cash loans**

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”.

#### **5.6.1.5 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”.

### **5.6.2 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”.

### **5.6.3 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”.

### **5.6.4 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”.

### **5.6.5 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”.

## **5.7 Consolidated statement of profit or loss (Current Period)**

### **5.7.1 Interest income**

#### **5.7.1.1 Interest income from loans (\*)**

	<i>Current Period</i>	
	TL	FC
<b>Interest Income from Loans</b>		
Short-term loans	6,406,832	489,320
Medium and long-term loans	10,976,306	4,277,293
Loans under follow-up	270,056	14,320
Premiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>17,653,194</b>	<b>4,780,933</b>

(\*) Includes also fees and commissions income on cash loans

#### **5.7.1.2 Interest income from banks**

	<i>Current Period</i>	
	TL	FC
Central Bank of Turkey	33,259	62,113
Domestic Banks	143,520	25,028
Foreign Banks	11,059	145,118
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>187,838</b>	<b>232,259</b>

#### **5.7.1.3 Interest income from securities portfolio**

	<i>Current Period</i>	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	45,212	3,799
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,778,489	446,570
Financial Assets Measured at Amortised Cost	1,771,634	96,033
<b>Total</b>	<b>3,595,335</b>	<b>546,402</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate which was taken as 8% in the first four months of 2018, was updated to 9% as of 1 May 2018, to 10% as of 6 June 2018, to 14% as of 4 July 2018, and to 18% as of 1 September 2018. If the valuation of such securities was performed according to the reference index valid as of 30 September 2018, the parent Bank's securities value increase fund under the equity would decrease by TL 175,385 thousands (net), whereas the interest income on securities portfolio would increase by TL 488,594 thousands.

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

	<i>Current Period</i>
Interest Received from Investments in Associates and Subsidiaries	7,646

## 5.7.2 Interest expenses

### 5.7.2.1 Interest expenses on funds borrowed (\*)

	<i>Current Period</i>	
	TL	FC
Banks	89,534	786,150
Central Bank of Turkey	-	1,936
Domestic Banks	24,902	67,288
Foreign Banks	64,632	716,926
Foreign Head Offices and Branches	-	-
Other Institutions	-	575,672
<b>Total</b>	<b>89,534</b>	<b>1,361,822</b>

(\*) Includes also fees and commissions expenses on borrowings

### 5.7.2.2 Interest expenses paid to associates and subsidiaries

	<i>Current Period</i>
Interest Paid to Investments in Associates and Subsidiaries	12,080

### 5.7.2.3 Interest expenses on securities issued

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

### 5.7.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	459	69,876	6	231	56	-	-	70,628
Saving Deposits	1,776	244,940	4,622,052	227,221	57,024	100,172	-	5,253,185
Public Sector Deposits	-	1,277	2,614	543	51	-	-	4,485
Commercial Deposits	99	686,818	904,526	53,185	37,447	120,175	-	1,802,250
Others	14	44,481	90,715	10,365	38,009	262,769	-	446,353
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	2,348	1,047,392	5,619,913	291,545	132,587	483,116	-	7,576,901
Foreign Currency								
Foreign Currency Deposits	43,331	119,174	982,209	73,870	140,468	443,731	582	1,803,365
Bank Deposits	-	17,924	610	1,489	3,212	3,987	-	27,222
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	68	11	48	3,864	-	3,991
Total FC	43,331	137,098	982,887	75,370	143,728	451,582	582	1,834,578
Grand Total	45,679	1,184,490	6,602,800	366,915	276,315	934,698	582	9,411,479

### 5.7.2.5 Interest expense on repurchase agreements

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

### 5.7.2.6 Financial lease expenses

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

#### **5.7.2.7 Interest expenses on factoring payables**

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

#### **5.7.3 Dividend income**

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

#### **5.7.4 Trading income/losses (net)**

	<i>Current Period</i>
<b>Income</b>	<b>130,710,036</b>
Trading Account Income	1,605,085
Derivative Financial Instruments	24,060,656
Foreign Exchange Gain	105,044,295
<b>Losses (-)</b>	<b>129,949,096</b>
Trading Account Losses	593,771
Derivative Financial Instruments	21,431,909
Foreign Exchange Losses	107,923,416
<b>Total</b>	<b>760,940</b>

TL 6,909,820 thousands of foreign exchange gains and TL 7,228,260 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000 maturity of 10 years and maturity date of 20 April 2021 which were priced at 6,375% originally and had a coupon rate of 6,25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,549,286 USD 725,207,621 and EUR 263,365,019 for its fixed-rate bonds with a total face value of TL 755,000 thousands and USD 487,500,000 and fixed-rate coupons with a total face value of USD 90,000,000 and EUR 13,000,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL 288,592 thousands and TL 273,620 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a loss of TL 17 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for its funds borrowed amounting to USD 51,887,568 and EUR 31,578,947, securitization borrowings amounting to EUR 67,673,679 collateralized borrowing amounting to USD 250,000,000 and eurobonds with a total nominal value of USD 650,000,000, securitizations amounting to USD 717,804,880 and EUR 90,000,000 and deposits amounting to TL 300,000 thousands, USD 1,055,000,000 and EUR 350,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 109,417 thousands and TL 375,880 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiary enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 200,000,000 and EUR 65,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 7,435 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated subsidiary enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to USD 30,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 648 thousands resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 1,137,093,247 thousands sell and EUR 166,701,392 buy, RON 195,000,000 sell and EUR 41,398,094 buy. Accordingly, in the current period, a net loss of TL 9,604 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its financial lease receivables granted in Foreign Currency by designating swaps with the same face value amount and similar terms; EUR 15,000,000 thousands sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a net loss of TL 25,562 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiary enters into cross currency interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments denominated in EUR due to fluctuations in market interest rates and foreign exchange rates. In this respect, the subsidiary applied fair value hedge accounting for the fixed rate bonds issued in 2013 and 2017 with a total face value of EUR 80,000,000 for 10 years and maturity dates of 18 September 2020 and 19 April 2027 by designating cross currency interest rate swaps with the same face values and terms. In August 2018, the subsidiary ceased to apply this hedge accounting.

#### 5.7.5 Other operating income

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers and income on custody services.

	<i>Current Period</i>
<b>Prior Year Reversals</b>	<b>1,903,484</b>
<i>Stage 1</i>	706,061
<i>Stage 2</i>	423,699
<i>Stage 3</i>	698,465
<i>Others</i>	75,259
<b>Income from term sale of assets</b>	<b>140,876</b>
<b>Others<sup>(*)</sup>(**)</b>	<b>702,371</b>
<b>Total</b>	<b>2,746,731</b>

(\*) Premium income from insurance business amounting to TL 555,965 thousands which is included in other operating income in the accompanying financial statements is presented in "others" line item.

(\*\*) A part of non-performing loans of a consolidated subsidiary of the Bank was sold. A gain from these sales amounting to TL 11,104 thousands is presented under "Others" line item.

**5.7.6 Provision for losses on loans or other receivables**

	<i>Current Period</i>
Expected Credit Losses	6,766,395
<i>12-Month ECL (Stage 1)</i>	<i>1,164,422</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>2,716,057</i>
<i>Impaired Credits(Stage 3)</i>	<i>2,885,916</i>
Impairment Losses on Securities	39,910
<i>Financial Assets Measured at Fair Value through Profit or Loss</i>	<i>39,910</i>
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint-ventures (business partnership)</i>	-
Others	791,994
<b>Total</b>	<b>7,598,299</b>

**5.7.7 Other operating expenses**

	<i>Current Period</i>
Personnel Costs	2,593,185
Reserve for Employee Termination Benefits	66,499
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	1,742
Depreciation Expenses of Tangible Assets	242,343
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	92,580
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	943
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	2,606,586
<i>Operational lease related expenses</i>	<i>392,022</i>
<i>Repair and maintenance expenses</i>	<i>58,047</i>
<i>Advertisement expenses</i>	<i>136,313</i>
<i>Other expenses</i>	<i>2,020,204</i>
Loss on Sale of Assets	3,922
Others (*)	629,327
<b>Total</b>	<b>6,237,127</b>

(\*) Includes saving-deposits-insurance-fund related expenses of TL 206,763 thousands and insurance-business claim losses of TL 155,290 thousands in the current period.

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

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

**5.7.9 Information on provision for taxes for continued and discontinued operations**

As of 30 September 2018, on a consolidated basis, the Bank recorded a current tax expense of TL 1,754,043 thousands and a deferred tax expense of TL 20,667 thousands.

*Deferred tax benefit/charge on timing differences*

<b>Deferred tax (benefit)/charge on timing differences</b>	<b>Current Period</b>
Increase in Tax Deductable Timing Differences (+)	(771,033)
Decrease in Tax Deductable Timing Differences (-)	242,228
Increase in Taxable Timing Differences (-)	563,677
Decrease in Taxable Timing Differences (+)	(14,205)
<b>Total</b>	<b>20,667</b>

*Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions*

<b>Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions</b>	<b>Current Period</b>
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(544,415)
(Increase)/Decrease in Taxable Timing Differences (net)	549,472
(Increase)/Decrease in Tax Losses (net)	15,610
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>20,667</b>

**5.7.10 Net operating profit/loss after taxes including net profit/loss from 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”.

**5.7.11 Net profit/loss**

**5.7.11.1 Any further explanation on operating results needed for better understanding of bank’s performance**

None.

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

None.

**5.7.11.3 Minority interest’s profit/loss**

	<b>Current Period</b>
Net Profit/(Loss) of Minority Interest	54,637

**5.7.12 Components of other items in income statement**

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

## **5.8 Consolidated income statement (Prior Period)**

### **5.8.1 Interest income**

#### **5.8.1.1 Interest income from loans (\*)**

	<i>30 September 2017</i>	
	<b>TL</b>	<b>FC</b>
<b>Interest Income from Loans</b>		
Short-term loans	3,954,729	312,330
Medium and long-term loans	8,665,374	2,911,197
Loans under follow-up	71,129	3,959
Premiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>12,691,232</b>	<b>3,227,486</b>

(\*) Includes also fees and commissions income on cash loans

#### **5.8.1.2 Interest income from banks**

	<i>30 September 2017</i>	
	<b>TL</b>	<b>FC</b>
Central Bank of Turkey	155,104	28,730
Domestic Banks	81,522	19,968
Foreign Banks	2,092	59,050
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>238,718</b>	<b>107,748</b>

#### **5.8.1.3 Interest income from securities portfolio**

	<i>30 June 2017</i>	
	<b>TL</b>	<b>FC</b>
Financial Assets Held for Trading	20,015	1,791
Financial Assets Valued at Fair Value Through Profit	-	-
Financial Assets Available-for-Sale	1,469,525	139,461
Investments Held-to-Maturity	960,983	450,597
<b>Total</b>	<b>2,450,523</b>	<b>591,849</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate, which was taken as 7% in the first four months of 2017, has been updated to 9% as of 1 May 2017. If the valuation of such securities was performed according to the reference index valid as of 30 September 2017, the parent Bank's securities value increase fund under the equity would decrease by TL 152,976 thousands as net, whereas the interest income on securities portfolio would increase by TL 373,559 thousands.

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

	<i>30 September 2017</i>
Interest Received from Investments in Associates and Subsidiaries	1,367



## 5.8.2 Interest expenses

### 5.8.2.1 Interest expenses on funds borrowed (\*)

	30 September 2017	
	TL	FC
Banks		
Central Bank of Turkey	-	211
Domestic Banks	37,273	29,784
Foreign Banks	99,143	464,073
Foreign Head Offices and Branches	-	-
Other Institutions	-	323,973
<b>Total</b>	<b>136,416</b>	<b>818,041</b>

(\*) Includes also fees and commissions expenses on borrowings

### 5.8.2.2 Interest expenses paid to associates and subsidiaries

	30 September 2017
Interest Paid to Investments in Associates and Subsidiaries	6,651

### 5.8.2.3 Interest expenses on securities issued

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

### 5.8.2.4 Maturity structure of interest expense on deposits

30 September 2017	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
<b>Turkish Lira</b>								
Bank Deposits	870	88,712	257	328	294	-	-	90,461
Saving Deposits	3,343	166,058	3,134,797	100,693	25,180	42,156	-	3,472,227
Public Sector Deposits	-	1,742	2,040	236	254	1	-	4,273
Commercial Deposits	532	371,029	554,395	15,396	31,082	68,349	-	1,040,783
Others	-	11,793	64,595	9,520	16,013	86,240	-	188,161
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>4,745</b>	<b>639,334</b>	<b>3,756,084</b>	<b>126,173</b>	<b>72,823</b>	<b>196,746</b>	<b>-</b>	<b>4,795,905</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	22,049	71,093	736,820	49,611	108,607	195,523	583	1,184,286
Bank Deposits	57	15,258	132	820	804	2,071	-	19,142
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	153	-	45	2,566	-	2,764
<b>Total FC</b>	<b>22,106</b>	<b>86,351</b>	<b>737,105</b>	<b>50,431</b>	<b>109,456</b>	<b>200,160</b>	<b>583</b>	<b>1,206,192</b>
<b>Grand Total</b>	<b>26,851</b>	<b>725,685</b>	<b>4,493,189</b>	<b>176,604</b>	<b>182,279</b>	<b>396,906</b>	<b>583</b>	<b>6,002,097</b>

### 5.8.2.5 Interest expense on repurchase agreements

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

### 5.8.2.6 Financial lease expenses

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

#### **5.8.2.7 Interest expenses on factoring payables**

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

#### **5.8.3 Dividend income**

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

#### **5.8.4 Trading income/losses (net)**

	<i>30 September 2017</i>
<b>Income</b>	<b>45,312,827</b>
Trading Account Income	1,338,876
Derivative Financial Instruments	7,891,056
Foreign Exchange Gain	36,082,895
<b>Losses (-)</b>	<b>46,793,983</b>
Trading Account Losses	1,651,028
Derivative Financial Instruments	9,351,725
Foreign Exchange Losses	35,791,230
<b>Total</b>	<b>(1,481,156)</b>

TL 3,832,077 thousands of foreign exchange gains and TL 4,007,957 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,544,232, USD 983,934,642 and EUR 147,303,760, for its fixed-rate loans with a total principal of RON 215,939,842, for its bonds with a total face value of TL 600,000 thousands and USD 59,900,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, gains of TL 1,783 thousands and TL 4,971 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and RON 85,500,000 with the same face values and terms. Accordingly, a loss of TL 5,920 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for its funds borrowed amounting to USD 67,852,973 and EUR 36,842,105, securitization borrowings amounting to USD 58,333,333 and EUR 117,168,418 and commitments amounting to USD 31,107,183 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 767,560,976 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 139,789,474 by designating interest rate swaps with the same face values and terms. Accordingly, gains of TL 36,016 thousands and TL 27,441 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 71,912,014 and EUR 137,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net loss of TL 1,046 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated affiliate enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied cash flow hedge accounting for its funds borrowed amounting to USD 249,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net loss of TL 227 thousands resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the affiliate applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 737,590,000 sell and EUR 171,429,087 buy, RON 90,000,000 sell and EUR 19,447,206 buy, USD 117,000,000 sell and EUR 107,785,791 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, a net gain of TL 1,241 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

### **5.8.5 Other operating income**

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers and income on custody services.

A part of non-performing receivables of the Bank amounting to TL 341,609 thousands were sold for a consideration of TL 25,195 thousands. Considering the related provisions of TL 341,062 thousands in the financial statements, a gain of TL 24,648 thousands is recognized under "other operating income".

A part of written-off non-performing loans, lease receivables and factoring receivables of certain consolidated financial affiliates of the Bank amounting to TL 304,113 thousands were sold for a total consideration of TL 22,353 thousands. A gain from these sales amounting to TL 21,561 thousands is recognized under "other operating income" considering the related provision of TL 303,321 thousands had been provided against in the accompanying consolidated financial statements in prior periods. A revenue earned from subsequent collections of such receivables sold in prior periods, amounting to TL 491 thousands is recognized in the income statement under "other operating income."

#### 5.8.6 Provision for losses on loans or other receivables

	30 September 2017
Specific Provisions for Loans and Other Receivables	1,148,855
<i>Loans and receivables in Group III</i>	<i>363,511</i>
<i>Loans and receivables in Group IV</i>	<i>622,444</i>
<i>Loans and receivables in Group V</i>	<i>162,900</i>
General Provisions	203,187
Provision for Possible Losses	650,000
Impairment Losses on Financial Assets	2,790
<i>Financial assets at fair value through profit or loss</i>	<i>2,790</i>
<i>Financial assets available-for-sale</i>	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint ventures (business partnership)</i>	-
<i>Investments held-to-maturity</i>	-
Others	323,301
<b>Total</b>	<b>2,328,133</b>

#### 5.8.7 Other operating expenses

	30 September 2017
Personnel Costs	2,358,531
Reserve for Employee Termination Benefits	58,459
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	3
Depreciation Expenses of Tangible Assets	212,402
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	78,088
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	527
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	2,223,184
<i>Operational lease related expenses</i>	<i>352,390</i>
<i>Repair and maintenance expenses</i>	<i>46,674</i>
<i>Advertisement expenses</i>	<i>156,428</i>
<i>Other expenses (*)</i>	<i>1,667,692</i>
Loss on Sale of Assets	907
Others (**)(***)	661,859
<b>Total</b>	<b>5,593,960</b>

(\*) Includes lawsuit, execution and other legal expenses beared by the Bank of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 21,666 thousands, as per the decision of the Turkish Competition Board or the related courts.

(\*\*) Includes saving-deposits-insurance-fund related expenses of TL 201,002 thousands and insurance-business claim losses of TL 123,487 thousands.

(\*\*\*) Includes repayments, by the Bank, of fees and commissions income recognised in prior years in the amount of TL 25,970 thousands as per the decision of the Turkish Competition Board or the related courts.

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

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”.

#### **5.8.9 Information on provision for taxes for continued and discontinued operations**

As of 30 September 2017, on a consolidated basis, the Bank recorded a current tax expense of TL 1,510,985 thousands and a deferred tax income of TL 92,156 thousands.

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

<b>Deferred tax (benefit)/charge on timing differences</b>	<b>30 September 2017</b>
Increase in Tax Deductable Timing Differences (+)	(87,623)
Decrease in Tax Deductable Timing Differences (-)	90,416
Increase in Taxable Timing Differences (-)	127,614
Decrease in Taxable Timing Differences (+)	(222,563)
<b>Total</b>	<b>(92,156)</b>

##### *Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions*

<b>Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and</b>	<b>30 September 2017</b>
(Increase)/Decrease in Tax Deductable Timing Differences (net)	2,671
(Increase)/Decrease in Taxable Timing Differences (net)	(94,949)
(Increase)/Decrease in Tax Losses (net)	122
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>(92,156)</b>

#### **5.8.10 Net operating profit/loss after taxes including net profit/loss from 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”.

#### **5.8.11 Net profit/loss**

##### **5.8.11.1 Any further explanation on operating results needed for better understanding of bank’s performance**

None.

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

None.

##### **5.8.11.3 Minority interest’s profit/loss**

	<b>30 September 2017</b>
Net Profit/(Loss) of Minority Interest	40,861

#### **5.8.12 Components of other items in income statement**

Other items do not exceed 10% of the total of income statement.

## **5.9 Consolidated 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".

## **5.10 Consolidated 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”.

## 5.11 Related party risks

### 5.11.1 Transactions with parent bank's risk group;

#### 5.11.1.1 Loans and other receivables

##### *Current Period:*

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Balance at end of period	279,415	3,625	212,231	2,432,319	3,786,838	1,087,586
Interest and Commission Income	8,870	7	13,878	150	181,326	5,318

##### *Prior Period:*

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Interest and Commission Income	2,565	10	4,530	66	134,361	2,500

#### 5.11.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	97,361	46,726	375,171	545,105	409,424	554,648
Balance at end of period	126,292	97,361	310,390	375,171	658,625	409,424
Interest Expenses	12,080	6,651	3,150	11,519	20,746	13,873

#### 5.11.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	7,239	13,344	39,433,377	13,797,354	792,918	843,120
Balance at end of period	36,166	7,239	45,482,109	39,433,377	1,166,471	792,918
Total Profit/(Loss)	(4)	(41)	86,935	38,696	(7,821)	3,518
Transactions for Hedging						
Balance at beginning of period	-	-	1,037,356	1,154,569	-	-
Balance at end of period	-	-	1,304,803	1,037,356	-	-
Total Profit/(Loss)	-	-	(1,466)	(2,640)	-	-



## **5.11.2 Bank's risk group**

### **5.11.2.1 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.

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

The cash loans of the risk group amounting TL 3,906,016 thousands (31 December 2017: TL 2,662,333 thousands) compose 1.36% (31 December 2017: 1.16%) of the Bank's total consolidated cash loans and 0.86% (31 December 2017: 0.75%) of the Bank's total consolidated assets. In the current period, there is no securities purchased from the risk group (31 December 2017: TL 21,757 thousands). The total loans and similar receivables amounting TL 4,278,484 thousands (31 December 2017: TL 4,192,466 thousands) compose 0.94% (31 December 2017: 1.18%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 3,523,530 thousands (31 December 2017: TL 2,449,432 thousands) compose 4.60% (31 December 2017: 4.36%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,095,307 thousands (31 December 2017: TL 881,956 thousands) compose 0.40% (31 December 2017: 0.44%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 81,925 thousands (31 December 2017: TL 97,932 thousands). A total rent income of TL 3,053 thousands (30 September 2017: TL 3,323 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 3,416 thousands (30 September 2017: TL 3,450 thousands) as of 30 September 2018 were incurred for the IT services rendered by the related parties. Other income of TL 3,226 thousands (30 September 2017: TL 3,876 thousands) for the IT services rendered and banking services fee income of TL 32,288 thousands (30 September 2017: TL 17,278 thousands) were recognized from the related parties

Operating expenses of TL 52 thousands (30 September 2017: TL 201 thousands) for advertisement and broadcasting services, of TL 47,291 thousands (30 September 2017: TL 39,803 thousands) for operational leasing services, and of TL 14,286 thousands (30 September 2017: TL 7,444 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries amounts to TL 106,410 thousands as of 30 September 2018 (30 September 2017: TL 96,611 thousands) including compensations paid to key management personnel who left their position during the year.

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

None.

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

None.

### **5.11.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services**

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.

**5.12 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank**

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”.

**5.13 Matters arising subsequent to the balance sheet date**

None.

## 5.14 Other disclosures on parent bank's activities

### 5.14.1 Information on international risk ratings

#### 5.14.1.1 Parent bank's international risk ratings

##### MOODY'S (September 2018)<sup>(\*)</sup>(\*\*)

Outlook	Negative
Long Term FC Deposit	B2
Long Term TL Deposit	B1
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b2
Adjusted Loan Assessment	b1
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

##### STANDARD AND POORS (August 2018)<sup>(\*)</sup>

Long Term FC ICR	B+
Long Term TL ICR	B+
Outlook	Stable
Stand-alone Credit Profile (SACP)	b+

##### FITCH RATINGS (October 2018)<sup>(\*)</sup>

Long Term FC	BB / Negative Outlook
Short Term FC	B
Long Term TL	BB / Negative Outlook
Short Term TL	B
Financial Capacity	b+
Support	3
NSR	AA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	BB-
Senior Unsecured Short Term Notes	B
Subordinated Notes	B+

##### JCR EURASIA RATINGS (August 2018)<sup>(\*)</sup>

International FC Outlook	Negative
Long Term International FC	BBB-
Short Term International FC	A-3
International TL Outlook	Negative
Long Term International TL	BBB+
Short Term International TL	A-2
National Outlook	Negative
Long Term NSR	AAA(Trk)
Short Term NSR	A-1+(Trk)
Independency from Shareholders	A
Support	1

<sup>(\*)</sup> Latest date in risk ratings or outlooks

<sup>(\*\*)</sup> Under watch for possible downgrade

**5.14.1.2 International risk ratings of Garanti Bank International NV, a consolidated subsidiary**

**MOODY'S (September 2018) (\*)**

Long Term FC Deposit	Baa3
Short Term FC Deposit	P-3
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	Baa3
Outlook	Negative
Long Term Counterparty Risk Assessment	Baa1(cr)
Short Term Counterparty Risk Assessment	P-2(cr)
Long Term Counterparty Risk Rating	Baa2
Short Term Counterparty Risk Rating	P-2

(\*) Latest date in risk ratings or outlooks

**5.14.1.3 International risk ratings of Garanti Faktoring, a consolidated subsidiary**

**FITCH RATINGS (October 2018) (\*)**

<b>Foreign Currency</b>	
Long Term	BB-
Short Term	B
Outlook	Negative
<b>Turkish Lira</b>	
Long Term	BB
Short Term	B
Outlook	Negative
<b>National</b>	AA (tur)
Outlook	Stable
Support	3

(\*) Latest date in risk ratings or outlooks

**5.14.1.4 International risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary**

**FITCH RATINGS (October 2018) (\*)**

<b>Foreign Currency</b>	
Long Term	BB-
Short Term	B
Outlook	Negative
<b>Turkish Lira</b>	
Long Term	BB
Short Term	B
Outlook	Negative
<b>National</b>	AA (tur)
Outlook	Stable
Support	3

(\*) Latest date in risk ratings or outlooks

**STANDARD AND POORS (August 2018) (\*)**

Foreign Currency	
Long Term	B+
Short Term	B
Outlook	Stable
Turkish Lira	
Long Term	B+
Short Term	B
Outlook	Stable

(\*) Latest date in risk ratings or outlooks

**5.14.1.5 International risk ratings of Garanti Bank SA, a consolidated subsidiary**

**FITCH RATINGS (July 2018) (\*)**

Foreign Currency	
Long - Term IDR	BB
Short - Term IDR	B
Support Rating	3
Viability Rating	bb-
Outlook	Negative

(\*) Latest date in risk ratings or outlooks

**5.14.2 Dividend**

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

2017 PROFIT DISTRIBUTION TABLE	
2017 Net Profit	6,343,920
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(1,150)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(306,696)
D – Second dividend to the shareholders	(1,540,000)
E – Extraordinary reserves	(4,132,074)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(154,000)

**5.14.3 Other disclosures**

None.

## **6 Limited Review Report**

### **6.1 Disclosure on limited review report**

The consolidated financial statements of the Bank and its financial subsidiaries as of 30 September 2018, 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 25 October 2018, is presented before the accompanying consolidated 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 Introduction

#### 7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with consolidated assets of more than TL 456 billion (USD 76.3 billion) as of September 30, 2018.

Garanti is an **integrated financial services group** operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

As of September 30, 2018, Garanti provides a wide range of financial services to its close to **16 million customers with 18,574 employees** through an **extensive distribution network of 922** domestic branches, 7 foreign branches in Cyprus and one in Malta, and 3 international representative offices in London, Düsseldorf and Shanghai. Garanti offers an omni-channel convenience with seamless experience across all channels with **5,118 ATMs**, an award winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

Moving forward to maintain sustainable growth by creating value for all its stakeholders, Garanti builds its strategy on the principles of always approaching its customers in a **“transparent”, “clear”** and **“responsible”** manner, improving customer experience continuously by offering products and services that are tailored to their needs. Its competent and dynamic human resources, uninterrupted investments in technology, innovative products and services offered with strict adherence to quality and customer satisfaction carry Garanti to a leading position in the Turkish banking sector.

Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, **Garanti has an actual free float of 50.04% in Borsa Istanbul as of September 30, 2018.**

Garanti's constantly improving business model is driven by its strategic priorities focused on responsible and sustainable development, customer experience, employee happiness, digitalization, optimal capital utilization and efficiency. Its custom-tailored solutions and wide product variety play a key role in reaching **TL 354.7 billion** (USD 54.4 billion) loans and non-cash loans. Garanti's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. Its effective risk management through world-class integrated management of financial and non-financial risks and organizational agility in capturing new opportunities result in sustainable value creation for all its stakeholders.

Moreover, Garanti creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti and its stakeholders.



## 7.1.2 Capital and shareholding structure

Garanti has paid-in capital of TL 4,200,000,000 as of September 30, 2018.

<b>T.GARANTİ BANKASI A.Ş SHAREHOLDING STRUCTURE</b>			
<b>Shareholders</b>	<b>Number of shares</b>	<b>Nominal (TL)</b>	<b>Share %</b>
<b>BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)</b>	<b>209,370,000,000</b>	<b>2,093,700,000</b>	<b>49.85</b>
<b>OTHERS</b>	<b>210,630,000,000</b>	<b>2,106,300,000</b>	<b>50.15</b>
<b>GRAND TOTAL</b>	<b>420,000,000,000</b>	<b>4,200,000,000</b>	<b>100.00</b>

## 7.1.3 The amendments in the articles of association during period of 01.07.2018-30.09.2018

There is no change during the period.

## 7.1.4 Macro Outlook for the first 9 months period of 2018

**Growth performance in 2Q18 signaled the adjustment is underway.** Turkish economy grew by 5.2% (YoY) in 2Q18, down from 7.4% (YoY) in 1Q18. The slow-down in the economy hints the expected rebalancing with a much lower domestic demand contribution supported by a positive contribution from net exports. Private consumption grew by 6.3% yoy in 2Q, led by services and durable goods consumption. Investment expenditures also decelerated by growing 3.9% yoy in 2Q on top of a broad-based worsening in subcomponents. On the other hand, Government consumption accelerated by growing 7.2% yoy in 2Q. In sum, domestic demand gave 4.2pp contribution to growth, including the negative contribution of stocks by 1.7pp; while external demand contribution turned into positive with 1pp after near 3.5pp negative contribution in the previous two quarters. On the supply side, services sector still remained robust with 4.3% growth, while the deceleration in industry and construction was noteworthy with 4.3% and 0.8% growth rates, respectively (down from 8.1% and 6.6%). Agricultural sector, on the other hand, contracted by 1.5%, a negative signal for 3Q when its share is the highest seasonally.

**3Q activity data shows the adjustment is getting faster.** Industrial Production (IP) grew by 1.7% yoy in calendar adjusted terms in August. Accordingly, in July-August period annual IP growth decelerated to 3.7% from 5.2% yoy in 2Q18. The slowdown was broad-based, but getting clearer in intermediate and durable consumer goods production. As financial conditions became tighter more obviously starting from April; the lagged effects will certainly weigh more from onwards. The decline in manufacturing PMI to 42 (the lowest level since 2009), worsening in capacity utilization and electricity production, the sizable deceleration in credit growth and ongoing strong fall in intermediate goods imports all signal a much more rapid slow-down. Thus, the cool-down in economic activity will become much clearer in the second half of this year as statistical base effects and tightening financial conditions will affect domestic demand negatively. We expect GDP growth to come down to 3.0% in 2018, with downside risks accumulating for 2019.

**Current account deficit (CAD) started to shrink in 3Q.** CAD is down to USD51.1bn (6.2% of GDP) in annual terms in August from 57.5bn in 2Q18 (6.5% of GDP) after the first surplus in August since 2015 and the largest monthly current account surplus on record. Also, core CAD, excluding net energy and gold imports, decreased to 0.2bn USD in the same period from 5.8bn USD, which implies a cool-down in economic activity through domestic demand. The main financing items in the July-August period were net error and omissions and CBRT reserves while there was an outflow in portfolio, deposits and credits. Specific to August, the CBRT decision to lower required reserve ratios and change the coefficients of ROM to provide FX liquidity for banks led its reserves to decline fast. Expected slow-down in the economy, continued normalization in gold imports and recovery in tourism revenues could help CAD decrease at the end of year to near USD 40bn levels (5% of GDP). The adjustment would be much more obvious next year and could bring the deficit down to USD 20bn (3% of GDP) by end 2019.

**Budget figures deteriorated further in 3Q.** Budget expenditures remained strong mainly due to high personal expenditures and goods and service purchases, while revenues continued to be supportive on one-off revenues such as zoning reform, tax amnesty and paid military service. As of September year-to-date revenues increased by 20% in annual terms and expenditures expanded by 24%. Hence, 12-month cumulative budget deficit reached TL 72.5bn and budget deficit to GDP ratio stood at 2.0% in 3Q18. Primary balance of -0.1% GDP remained at the same level with 2Q18. We expect budget deficit to deteriorate further and close the year at slightly above 2% of GDP. Turkey's New Economic Program (NEP) suggests an aggressive fiscal consolidation plan in the short term. The Government relies more intensively on the expenditure side (1.3% of GDP savings) while envisages extra revenues equivalent to 0.4% of GDP in 2019. Though, as we assume lower growth rates in the medium term, we think that a higher deficit path compared to the Government estimates is more likely.

**Turkey's gross external debt stock decreased in 2Q.** Turkey's external debt stock to GDP ratio decreased to 51.8% in 2Q18 compared to 52.9% of 1Q18 and 53.4% of 4Q17 thanks to the decline mostly in the long term debt (10bn USD decline in total). On the other hand, EU-defined public debt to GDP ratio rose to 29.2% in 2Q18, up from 28.4% of 1Q18 and 28.3% of the end of 2017.

**Climbing cost-push factors and ongoing pass-thru led inflation to hit worrying levels in 3Q.** Annual inflation climbed to 24.5% in September (the highest figure since June 2003), up from 15.4% in June on top of rapid exchange rate pass-thru after sharp currency depreciation, climbing cost-push factors and high food inflation despite favorable seasonality. Also, core inflation accelerated to 24.05% from 14.6% in June with broad-based worsening. Domestic producer prices (PPI) also surprised on the upside by hitting 46.2% in annual terms in the same period, which will keep cost push factors well alive over consumer prices in the short term. Risks are now clearly on the upside for inflation in the short term, given the lagged effects of exchange rate pass-thru, latest utility price hikes and climbing cost pressures. However, after the upside surprise on inflation data in September, Treasury and Finance Ministry announced a new set of measures to fight inflation. Depending on the success of the program, there could be downside risk on our year-end forecast. Assuming no additional negative currency shock, we estimate the year-end inflation to be near 24% in 2018.

**Central Bank (CBRT) kept its stance tighter against worsened inflation outlook in 3Q.** The Central Bank (CBRT) surprised on the upside and hiked its policy interest rate (one-week repo) by 625bps to 24.0% in September meeting. The decisions from the CBRT do not only contribute to fight against inflation and inflation expectations but also supports financial stability by decreasing the pressures over the currency. Thus, the CBRT reinforced its stance on inflation worries in the short term and took a solid step to restore credibility against rapidly worsening inflation expectations. Though, given the upside surprise on inflation data in September, the potentially high deviation in future inflation expectations might need to be tackled by even tighter monetary policy.

**Turkish financial assets started to stabilize in September.** After the high volatility on the back of rising concerns over deepening macro imbalances, elevated uncertainty on corporate defaults, escalation in geopolitical risks and the overall worsening in global financial markets in the eve of tightening financial conditions and uncertainties from trade protectionism, Turkish financial assets started to stabilize on the back of the right steps in both monetary and fiscal policies. After depreciating 44% till the end of August compared to the end of 2Q, TL appreciated close to 9% against currency basket in September. 10-year benchmark bond yield which was at 19.25% at the end of 2Q18 climbed up to 21.8% by end August, but then eased to 17.9% by end September.

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

##### **Garanti contributes TL 355 billion to the economy and is the preferred Bank of more than 16 million customers**

Türkiye Garanti Bankası A.Ş., announced its financial statements dated September 30, 2018. Based on the consolidated financials, Garanti's **asset size** reached TL 456 billion 328 million, its contribution to the economy through **cash and non-cash loans** increased to TL 354 billion 745 million 437 thousand. The Bank delivered an **ROAE** (Return on Average Equity) of 17.5% and **ROAA** (Return on Average Assets) of 2.0%.

Commenting on the topic, **Garanti Bank Chairman Süleyman Sözen** stated that: "The third quarter of 2018 marked the beginning of the rebalancing in the economy. Going forward, I strongly believe that Garanti will continue its uninterrupted support to the economy."

Giving information about the third quarter developments, **Sözen** stated that: "Garanti became the first bank in Turkey to execute Green Loan structure, which has been newly emerged in the World." Emphasizing the synergy created with BBVA, **Sözen** explained that: "With all the steps taken in the area of sustainable finance, Garanti does not only support the development of the Turkish economy, but also directly contributes to its majority shareholder BBVA in achieving its climate change and sustainable development strategy which has been declared in line with Paris Agreement in order to support United Nations' Sustainable Development Targets."

**Chairman Süleyman Sözen** closed his remarks by saying that: "Garanti Bank will continue to play a leading role in the sector with its strong capital structure, highly qualified human resources and sound balance sheet management. Addressing the changing needs of our customers in the most effective and innovative 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's CEO Fuat Erbil** stated that: "We finished the third quarter of 2018 with a **solid balance sheet**, well above the required level **robust capital and liquidity via** successful management of the challenging market conditions. In light of our sustainable development priority, our **contribution to the economy reached TL 355 billion**. With all of our stakeholders' trust in our bank, our **customer, human and operational excellence centricity**, we overcame the challenges as one big team. The number of customers who prefer Garanti exceeded **16 million**. We **increased our customer deposit market share to 11.9%** with the trust of our customers. We pioneered a new era with our innovative service model capturing benefits of digitalization, where customers receive all kinds of services **from a single point** in the **fastest and easiest** way. We continue our work for an **inclusive** economy where all individuals equally benefit from the opportunities, support active participation of women in economic life and contribute to the development of Turkey's entrepreneurial ecosystem."

Mentioning that Garanti was recognized "**Best Retail Bank in Turkey**" by World Finance Magazine and "**Best Retail Bank in Europe**" by European CEO Magazine for its innovative projects and solutions on customer experience, digital transformation in its branches, as well as its instant e-commerce loan, **Erbil** said: "the international recognitions for our innovative projects on digital transformation and customer experience motivate us to excel and provide our customers with an excellent end-to-end banking experience. In the report published by Forrester Research, our mobile application Garanti Cep was named "**Europe's Best Mobile Banking Application**" in the category of user experience and #2 in total evaluation after BBVA. Furthermore, Global Finance named Garanti "**Best Consumer Digital Bank in Turkey**" and "**Best Consumer Digital Bank in Mobile Banking in Western Europe**". On behalf of Garanti and Turkey, we are proud of these achievements. I would like to thank all my colleagues and our stakeholders, who trust and support us."

*You may access the earnings presentation regarding the BRSA consolidated financial results as of and for the period ending September 30, 2018 from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)*

**Selected Figures of Garanti Bank's Consolidated Financial Statements (September 30, 2018)**

Profit before Taxes and Provisions*	TL 15,072 million	Loans	TL 278,189 million
Profit before Taxes	TL 7,405 million	Non-Cash Loans	TL 76,557 million
Net Income	TL 5,630 million	Total Assets	TL 456,328 million
Deposits	TL 274,721 million	Shareholders' Equity	TL 46,654 million

### **Highlights from Garanti Bank's Consolidated Financials**

- Net income was TL 5 billion 629 million and 870 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 9 billion 441 million and 826 thousand was reserved for tax provisions, expected credit losses and other provisions\*.
- Total assets reached TL 456 billion 328 million.
- Return on Average Assets (ROAA) reached 2.0%.\*\*
- Shareholders' equity reached TL 46 billion 654 million 311 thousand.
- Return on Average Equity (ROAE) reached 17.5%.\*\*
- Contribution made to the real economy through loans and non-cash lending reached TL 354 billion 745 million 437 thousand as of September 30, 2018.
- Total loans, FC loans and TL loans market shares realized at 11.0%, 10.6% and 11.2% respectively.
- Market share of "consumer mortgage loans" was 12.5% and market share of "consumer loans excluding credit cards" was 12.4 %.
- Total customer deposits reached TL 267 billion 193 million and 5 thousand, while market share in total customer deposits increased to 11.9%.
- Capital adequacy ratio (CAR) realized at 16.9%.
- Non-performing loan (NPL) ratio realized at 4.18%.

\* Reserve for Employee Termination Benefits, Impairment Losses on Tangible Assets and Impairment Losses on Assets to be Disposed are included in provisions.

\*\*Excludes non-recurring items (gains on asset sales) when annualizing Net Income for the rest of the year. In the calculation of average assets and equity, 01.01.2018 restated balance sheet has been used

Note: Bank-only figures are used in market share calculations for fair comparison.

<b>Garanti With Numbers</b>	<b>31.12.2017</b>	<b>30.06.2018</b>	<b>30.09.2018</b>
Branch Network	948	933	933
+ Domestic	937	922	922
+ Abroad	11	11	11
Personnel	18,851	18,522	18,574
ATM	5,003	5,055	5,118
POS*	670,259	674,405	674,111
Total Customers	15,143,274	15,766,454	16,013,571
Digital Banking Customers**	5,956,609	6,646,922	6,888,505
Mobile Banking Customers**	5,086,833	5,842,134	6,145,234
Credit Card Customers	6,808,211	6,961,802	6,990,835
Credit Cards	10,213,151	10,291,624	10,238,925
Debit Cards	9,796,696	10,273,529	10,485,951

\*Includes shared and virtual POS.

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

<b>Selected Sector Figures (TL million)</b>	<b>29.12.2017</b>	<b>29.06.2018</b>	<b>28.09.2018</b>	<b>YtD Δ</b>
<b>Total Deposits</b>	<b>1,694,584</b>	<b>1,896,590</b>	<b>2,123,882</b>	<b>25.3%</b>
Bank Deposits	83,692	108,369	124,828	49.2%
Customer Deposits	1,610,892	1,788,221	1,999,054	24.1%
TL Deposits	896,621	942,241	973,383	8.6%
FC Deposits (US\$ mn)	189,399	185,542	171,914	(9.2%)
Customer Demand Deposits	330,678	381,294	419,374	26.8%
<b>Loans</b>	<b>1,880,026</b>	<b>2,102,876</b>	<b>2,284,762</b>	<b>21.5%</b>
TL Loans	1,296,286	1,391,508	1,372,400	5.9%
FC Loans (US\$ mn)	154,766	156,018	153,101	(1.1%)
Consumer Loans (excl. credit cards)	380,424	401,944	398,317	4.7%
Housing	178,486	186,768	183,707	2.9%
Auto	6,243	6,061	5,574	(10.7%)
General Purpose Loans *	195,694	209,115	209,036	6.8%
Credit Cards	112,658	120,981	129,673	15.1%
TL Business Banking Loans	803,204	868,583	844,410	5.1%
<i>Loans/Deposits Ratio</i>	<i>110.9%</i>	<i>110.9%</i>	<i>107.6%</i>	
<b>Non-performing Loans (NPL)</b>	<b>59,438</b>	<b>67,607</b>	<b>77,586</b>	<b>30.5%</b>
<i>NPL ratio</i>	<i>3.1%</i>	<i>3.1%</i>	<i>3.3%</i>	
<i>NPL coverage</i>	<i>79.8%</i>	<i>72.1%</i>	<i>69.7%</i>	
Gross NPL in retail loans (excl. CC)	25,292	27,354	30,791	21.7%
<i>NPL ratio in retail loans</i>	<i>3.4%</i>	<i>3.4%</i>	<i>3.8%</i>	
Gross NPL in credit cards	7,299	7,110	7,432	1.8%
<i>NPL ratio in credit cards</i>	<i>6.1%</i>	<i>5.6%</i>	<i>5.4%</i>	
<b>F/X Position, net (US\$ mn)</b>	<b>575</b>	<b>253</b>	<b>1,269</b>	
on B/S	(46,618)	(50,160)	(30,290)	
off B/S	47,193	50,413	31,558	

Source: BRSA weekly sector data, commercial banks only

\*Including other and overdraft loans

<b>Garanti Market Shares* (%)</b>	<b>30.09.2018</b>
Total Performing Loans	11.0%
TL Loans	11.2%
FC Loans	10.6%
Credit Cards - Issuing (Cumulative)	19.1%
Credit Cards - Acquiring (Cumulative)	19.1%
Consumer Loans (exc. consumer CCs)	12.4%
Total Customer Deposits	11.9%
TL Customer Deposits	10.9%
FC Customer Deposits	12.8%
Customer Demand Deposits	13.4%

\* Based on BRSA weekly data for commercial banks only.

#### **7.1.6 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 its forward looking statements regarding the expectations for the year 2018. 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](http://www.garantiinvestorrelations.com) in [Operating Plan Guidance Presentations](#) section.

As of June 30, 2018, the following revisions were made in 2018 Operating Plan Guidance with changing macroeconomic expectations.

Accordingly, the return on equity and return on asset have been revised upwards.

Despite the expected normalization in non-performing loans and the deterioration of the macroeconomic expectations of the IFRS9 model, fees and commissions revenues, net interest margin and operational expense are better than anticipated, resulting in an upward revisions in profitability ratios.

As of September 30, 2018, there are no other revisions to the forward looking statements regarding the expectations for the year 2018.



	2018 GUIDANCE	REVISED 2018YE EXPECTATIONS
TL LOANS (YOY)	~14-15%	<14%
FC LOANS (IN US\$, YOY)	Flat	Shrinkage
NPL RATIO	~3.0% (> TL 1bn NPL sale assumed)	4.0-4.5% (No NPL sale assumed)
NET COST OF RISK	~100bps (Under macro assumptions used in initial model)	~150bps (excl. currency impact) <sup>1</sup>
NIM INCLUDING SWAP COST	Flat (excl. CPI impact) <sup>2</sup>	Flat (including CPI impact)
FEE GROWTH (YOY)	Low-teens	>20%
OPEX GROWTH (YOY)	<= CPI	~10%
ROAE	> 16.5%	> 17%
ROAA	> 2.2%	> 2.2%

1 Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

2 Initial Oct-Oct CPI reading expectation for 2018 was lower vs. 2017 CPI reading of 11.9%

## 7.2 Information regarding management and corporate governance practices

**7.2.1** You may access names and surnames, terms of duty, areas of responsibilities, educational backgrounds and occupational experiences of the Chairman of the Board of Directors, Board Members, CEO and Executive Vice Presidents from the footnote numbered 1.3.

### Audit Committee Members:

Name Surname	Title	Board of Director Appointment Date	Education	Experience in Banking & Business Administration
Jorge Sáenz-Azcúnaga Carranza	Vice Chairman Independent Board Member	24.03.2016	Undergraduate	24 years
Belkis Sema Yurdum	Independent Board Member	30.04.2013	Undergraduate	38 years
Ricardo Gomez Barredo	Independent Board Member	08.05.2017	Graduate	26 years

**Managers of the Internal Systems Units:**

<b>Name Surname</b>	<b>Title</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking &amp; Business Administration</b>
Özlem Ernart	Head of Risk Management	01.07.2018	Graduate	25 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	27 years
Emre Özbek	Head of Compliance	01.08.2015	Undergraduate	19 years
Barış Ersin Gülcan	Head of Internal Control	06.03.2014	Graduate	20 years
Beyza Yapıcı	Internal Capital and Operational Risk Director	01.04.2016	Undergraduate	20 years
Sıdıka Dizdar	Market and Structural Risk Director	01.07.2018	Graduate	22 years

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](http://www.garantiinvestorrelations.com) under the [Committees](#) section.

**7.2.2** You may reach the summary of the Board of Directors' Annual Report presented to Ordinary General Meeting of Shareholders and information about human resources practices, policy and remuneration in the 2017 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

[www.garantiannualreport.com](http://www.garantiannualreport.com)

**7.2.3** You may access information about the transactions with the Bank's risk group under the footnote numbered 5.11 regarding the related party risks.

**7.2.4** You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2017 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

[www.garantiannualreport.com](http://www.garantiannualreport.com)

You may access the Corporate Governance Principles Compliance Report from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) under the [Corporate Governance](#) section.

**7.3 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 30 September 2018. 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](http://www.garantiinvestorrelations.com).

You may find financial information on Garanti Bank for the most recent five year period in the 2017 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](http://www.garantiannualreport.com).

**7.4 Announcements regarding important developments in the period of 01.07.2018 - 30.09.2018**

- 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 01.07.2018-30.09.2018 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](http://www.garantiinvestorrelations.com).

**7.5 Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.07.2018 - 30.09.2018**

- Important developments regarding debt instruments issuance and redemptions during 01.07.2018-30.09.2018 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](http://www.garantiinvestorrelations.com).