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# 2018 INTEGRATED ANNUAL REPORT



## TRUE STORIES

### GARANTI EMPATHY

*“Empathy lies at the heart of Garanti.*

*The most valuable distinction we have lies in our ability to understand our customers’ expectations from life, make them feel good and safe, and establish an emotional bond with them, in addition to the fast and high quality service we offer.”*





# TRUE STORIES

GARANTI EMPATHY

**GARANTI BANK  
2018 INTEGRATED  
ANNUAL REPORT**

# ABOUT THIS REPORT

We are pleased to present our second Integrated Report, which makes a holistic assessment of the financial and non-financial performance of T. Garanti Bankası A.Ş. ('Garanti'), as well as conveying its forward looking strategy.

Garanti aligns its thinking and its approach to long-term value creation to the principles of Integrated Reporting and aims to communicate its total value creation story in a clear and comprehensive way to all its stakeholders.

While providing an overview to the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "2018 Integrated Annual Review", Garanti provides a thorough account of its annual activities, detailed financial and non-financial performance including value drivers and indicators, and its approach to corporate governance and risk management in the document titled "2018 Integrated Annual Report".

The content of the Report is identified in line with the material issues, which are determined as an intersection of issues raised by our stakeholders and topics that are significant to Garanti. The information presented in this Report covers the 12-month period ending 31 December 2018, and unless otherwise specified, includes information on Garanti's operations in Turkey as well as the international subsidiaries in the Netherlands and Romania, foreign branches in Cyprus and in Malta, and two international representative offices in Dusseldorf and Shanghai. Where relevant, the information is supported by historical data.

The connection between the material issues, business strategy and performance in 2018 is clearly established, as suggested in the Integrated Reporting framework published by the International Integrated Reporting Council ('IIRC'). Garanti is a member of IIRC's Global <IR> Network and <IR> Banking Network and is a founding member of Integrated Reporting Turkey Network (Entegre Raporlama Türkiye Ağı "ERTA").

This report has been prepared in accordance with the GRI Standards: Core option. The Report covers five main chapters called "Introduction", "About Garanti", "2018 Performance & Outlook", "Corporate Governance & Risk Management" and "Financial Reports". It also includes the GRI Financial Services Sector disclosures, United Nations Global Compact ('UNGC') and Women's Empowerment Principles ('WEPS') Progress Report, and a summary table of climate related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations. Sustainability Accounting Standards Board ('SASB') Provisional Standard for Commercial Banks has also been used. Garanti's 2018 Integrated Annual Report will be presented at the Ordinary General Shareholders' Meeting of Garanti Bank.

KPMG provided reasonable assurance on the financial information, and limited assurance on selective non-financial information defined in detail in the auditor's report.

## INTRODUCTION

The first chapter provides a foreword on the reflection of Garanti's value creation story on this year's annual report, keynote messages by Richard Howitt (CEO of IIRC), by our Chairman, and by our CEO.

## ABOUT GARANTI

The second chapter covers the operating environment, the positioning of Garanti, its governance structure, risk management perspective, material issues which specifically impact Garanti and its stakeholders and stakeholder engagement, mega trends, Garanti's response to relevant risks and opportunities, the interaction of our business model with the 6 Capitals as defined in the IIRC Framework, and our ability to create shared value in the long term.

## 2018 PERFORMANCE AND OUTLOOK

Our "2018 Performance & 2019 Outlook", which is explained in the third chapter, comprises of five main sections representing the umbrella themes for 14 different material issues as explained in "Our Material Matters". Each section describes the value creation story and the outlook in connection to Garanti's Strategic Priorities. Each of the five sections elaborates on both past performance and gives an account of future strategies. Furthermore, Garanti's contribution to the Sustainable Development Goals ('SDGs'), the 15 year global plan of action to end poverty, reduce inequalities and protect the environment are linked to each section.

## CORPORATE GOVERNANCE AND RISK MANAGEMENT

The fourth chapter, 'Corporate Governance & Risk Management', provides a detailed discussion of the management of strategic risks related to Garanti's operations and the full governance structure.

## FINANCIAL REPORTS

The final chapter sets out the audited annual unconsolidated and consolidated financial statements for Garanti, including the statement of responsibility by the Audit Committee Member (Independent Member of the Board), the CEO and the CFO on the financial statements and the annual report. The Bank prepares its unconsolidated and consolidated financial statements in accordance with accordance with the "Banking Regulation and Supervision Board ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated and 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 available for sale, real estates and investments in associates and affiliates valued at equity basis of accounting or that are quoted on the stock exchanges which are presented on a fair value basis.

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

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in Notes 3.2 to 3.30.



Please share your feedback and comments on the report by e-mailing to [integratedreport@garanti.com.tr](mailto:integratedreport@garanti.com.tr).



Please scan the QR code to access Garanti Bank 2018 Integrated Annual Report website.

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Number of pages of the section



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# FOREWORD



## “EMPATHY LIES AT THE HEART OF GARANTI.”

Customer experience consists of rational and emotional experiences delivered at each touch point involving communication upon understanding the customers’ feelings, needs and expectations. Garanti positions its customers as a building block of its strategy and the customer experience as its strategic priority. One of the most important distinctions of Garanti is its ability to “empathize”.

Empathy, in the simplest terms, for an individual or an organization, is defined as putting oneself in the shoes of another, that one is in interaction with. Garanti, however, takes empathy a step further. For Garanti, empathy means correctly understanding, its customers’ constantly evolving needs and expectations, offering them timesaving solutions to improve their lives, and while doing so, delivering a swift and smooth experience. It means helping them make the right financial decisions, supporting them to grow their businesses sustainably, and providing the best experience at all digital and physical touch points. As a result of all these, the Bank desires its customers to feel good for working with Garanti.

It is an indispensable passion for Garanti to offer an excellent experience to its more than 16 million customers. To this end, the Bank designs and simplifies the experiences at all touch points from its customers’ perspective, in a bid to offer an uninterrupted, seamless and personalized experience throughout all channels. The Bank constantly follows up and

applies all new technologies for an enhanced customer experience.

The opportunities that the technology offers and all digital transformation initiatives are integral parts of the customer experience. But at the heart of it all, lies “human”. And this makes “employees of Garanti” one of the constant and key actors in customer experience. More than 18 thousand Garanti employees are working to drive Garanti forward in customer experience, employing “transparent, clear and responsible banking” principles.

In a year that was challenging for both our country and the global markets, Garanti Bank, in its 2018 Integrated Annual Report, focused on one of the most significant reflections of its customer-centric strategy that is the key of its sustainable success: True Stories.

Each one of these stories that actually happened all over Turkey, in fact, reveals the secret underlying the longstanding success of Garanti: standing by its customers through every moment, whether it is a good, bad, happy, sad, tough or pleasant one.

Just as it has done in the past, Garanti will continue to make its customers feel that they are cared, they are precious, and that Garanti will continue to be by their side at all times...



*Please scan the QR code to listen to the True Stories.*

\* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes. Audio recording of True Stories have been voiced by Garanti Bank employees Ebru Kazancı Tuncel (Product Management and Business Development Supervisor, Cash Management and Transaction Banking), Ahmet Balcı (Country and Issuer Risk Supervisor, Bank, Country & Issuer Risk) and Sinem Özönur (Integrated Reporting Manager, Project Finance).

# MESSAGE FROM RICHARD HOWITT

Garanti Bank continues to show leadership through their adoption of integrated reporting, and I am delighted to welcome this second integrated report, representing a further step forward in demonstrating how the Bank is genuinely connected both within its operations and with wider society.

The Bank has shown real leadership as the whole finance sector in Turkey is moving to embrace integrated reporting, but is also having real international impact.

Garanti Bank is an important partner of the International Integrated Reporting Council (IIRC) as it embeds the principles of integrated reporting within its own business and shares its experiences, innovations and approach with others, as a leading member of the IIRC's own international <IR> Business Network. It is through leadership such as this that we can bring the benefits of integrated reporting to organizations across the world, which I believe can help build financial stability and sustainable development internationally.

The process of producing an integrated report is often just as powerful as the end report; it forges a closer understanding of the resources and relationships the organization uses every day, ensures that all teams are working to the same unifying business model, and helps employees articulate to key stakeholders their purpose and value creation model. Congratulations to everyone who has been involved in the process.

To the Bank's wider stakeholders in Turkey and beyond, I hope you can see the benefit of an integrated report which presents the same powerful message to its shareholders as well as to you. I am aware of the Bank's commitment to promoting women in and through its business, supporting sustainability and adapting to the opportunities provided in the digital revolution. I am sure that the 'integrated thinking' inherent in integrated reporting is supporting the Bank in these endeavours.

I wish every success to all involved in producing this report - and to all who read it.



**RICHARD HOWITT**  
*CEO, Integrated International Reporting Council*



# LETTER FROM THE CHAIRMAN



Dear Stakeholders,

2018 was marked by increased uncertainties in global politics and decreased risk appetite in financial markets on the back of political and macroeconomic developments. Continued normalization in developed countries' monetary policies and the expansion of protectionist measures that was led by the US can be mentioned among the factors that reduced the risk appetite. Increased market volatility and perception of uncertainty in the developing countries in an environment of rising vulnerabilities around the globe, resulted in net fund outflows from these countries, causing their currencies to depreciate.

With respect to the Turkish economy and banking sector, 2018 has been a year of high volatility. Following the first half of the year when growth was vibrant, we have observed rebalancing tendencies gain the foreground in economy. Turkish banking sector has been the enabler of the healthiest economic stabilization possible, by maintaining its solid stance despite the vulnerabilities that stemmed from global and regional risks. Turkish banking sector preserved its robust balance sheet structure, comfortable liquidity base and strong capitalization, once again successfully proving that it has a solid foundation. As Garanti, being aware of the targets and priorities of our country and economy, we have also collaborated efficiently with all our stakeholders and as well as all the actors of the economy, as has always been the case.

Regardless of the temporary macro developments, we keep leading the transformation in the sector with investments in our business model and with our customers that make up the pedestal of our strategy. As we carry on with uninterrupted service delivery, we continue to upgrade our products and service model so as to take care of our customers' financial health. Everyday, we are working hard to deliver perfect customer experience to our 16 million clients. We are intending to be transparent, clear and responsible towards our customers.

Placing our customers at the heart of our activities in a bid to exceed their expectations and enhance their satisfaction, we are designing our processes through their perspective. We are targeting to build long-lasting relationships that rely on trust, and to be differentiated and to be stronger through these relationships.

The environment we operate in is evolving rapidly. To make the most of the age of opportunity, undertaking a transformation process becomes more and more important for the entire banking sector. From our standpoint, the transformation of the sector is shaped by three main factors that interact with each other: continuous development in technology, customer expectations that are redefined everyday by these developments and the needs of the changing world, a competitive environment that requires better understanding of customers than ever before and highly skilled Garanti employees capable of offering the right service in a timely manner by closely monitoring their changing expectations. In such a dynamic environment, each part of the banking value chain is being redesigned within a structure that is integrated with the new technologies. Garanti, having correctly envisioning the future of banking, embarked on a transformation journey, which is continuing. The new service model introduced at our branches was a major step in this journey. Our purpose is to "bring the age of opportunity to everyone".

We are putting great emphasis on integrated management of financial and non-financial risks through effective risk management. Rapid changes in the world are introducing new risk factors to be considered in investment decisions. Investors now need to assess the impact of global warming, changing demographics, privacy concerns and regulatory framework on their investments. This awareness gave rise to an increase in Environmental, Social and Governance-focused (ESG) investing. As Garanti, we are aware of the increasing demands of the ESG investors. Being a company listed not only in Turkey but also in the UK and the US, it is a set target for Garanti to operate within globally recognized high standards. In this sense, in a bid to better address the needs of our diversified shareholder base, we have been publishing our Integrated Annual Report prepared in line with IIRC standards for all our stakeholders for two years. To tackle the new risks presented by the new world, we must focus on positive impact and responsible investments. Thanks to our pioneering role in the area of sustainable

banking, as Garanti, we are representing a good role model for other banks, and further increasing our multiplier effect in terms of contributing to sustainable development.

The path to achieving all of our goals passes through investing in the development and satisfaction of our employees. Our efforts for ensuring equal opportunities and professional development contribute to our high employee engagement score and low employee turnover. We believe that digitalization is a great opportunity to allocate our human capital to more creative projects and this will result in further enhanced employee satisfaction and customer experience.

The synergy we have with our majority shareholder BBVA keeps getting stronger. Pioneering projects creating value for the society and the economy are being accomplished with the sound partnership and collaboration of BBVA and Garanti in the international arena.

While determining our roadmap, we are always striving to correctly interpret and thoroughly analyze the trends that shape the banking business in the world and in Turkey, as well as global and regional macroeconomic events. Apparently, 2019 is set to be a year of continued rebalancing that is ongoing in the global economy. We are fully confident in our country's potential in regards to the achievement of our goals. We will continue to stand by our customers under any circumstance by means of our proactive balance sheet management and competent human resources, and we will keep contributing to the society and the economy, thereby creating value for all our stakeholders.

Sincerely,



**SÜLEYMAN SÖZEN**  
*Chairman*

# LETTER FROM THE CEO



Dear Stakeholders,

2018 has been quite an active year for our economy and our sector. We have registered strong growth rates in the first half of the year; however, in the second half, we have witnessed the slowdown in the economy and increasing tendency toward rebalancing due to both internal and external developments. Meanwhile, in this period, risk factors such as liquidity, capital and asset quality were among the key issues under spotlight for the sector.

With respect to the sector's liquidity, we are going through a critical period in loan to deposit ratio. Deposits that outperformed the loan growth in 2018, positively affected the sector's loan to deposit ratio. Since the beginning of the year, loan to deposit ratio improved by 7bps in the sector, whereas improvement in the ratio was 14bps at Garanti. While maintaining our leadership position in consumer loans and credit cards, our deposit-driven and balanced approach continued on the funding side.

This year some concerns have also surfaced regarding the sector's international borrowings, a non-deposit funding source. Nonetheless, the sector has proven its resilience once again, and many players in the sector, including us, were able to renew their external debts with high rollover ratios. Within the framework of the borrowing program, we provided more than USD 1.3 billion in funding from overseas markets in the last quarter. This was the longest and the highest amount of borrowing of the last quarter of 2018. I would also like to underline our decreased dependency on external borrowing compared to the previous years. Turkey has completed a substantial portion of the large-scale public investments. In this context, Turkish banks have less need for long-term foreign currency funding as project finance investments cut pace versus earlier years. In this sense, I am not anticipating a negative scenario for the year ahead in raising external funds.

The effect of decelerated economic activity on asset quality became visible to a certain extent. The sector's NPL ratio went up to 4% from 3%. Increase in new NPLs largely stemmed from big-ticket corporate loans. In 2019, consumer loans will also put some pressure on asset quality due to anticipated rise in unemployment that will be driven by the cooling economy. However, household indebtedness in Turkey is quite low; actually, it is much lower than that in Eurozone and in developing countries. Therefore, we are in a position to manage these risks.

Capital was another topic that was on the agenda during the reporting period. Capital adequacy ratio of the sector sustains its controlled level as the exchange rate stabilized at a certain level. Our 2018 year-end consolidated capital adequacy ratio of 16.5%, is comfortably above the minimum required level of 12%.

Another key driver that differentiates the Turkish banking sector besides its robust financial structure is digitalization. Our digitally savvy young population enables us to offer a much more efficient and productive banking service through the digital platforms. We realize that mobile banking penetration rate in our country has reached 40%, which puts us ahead of many major European countries including France and Germany. With this awareness, as Garanti, we have been investing in digital transformation for many years. Today, our digital penetration ratio among active customers is 67%.

We have pioneered a new era with our innovative service model designed in the light of digitalization, which enables a one-stop delivery of all services to our customers in the most convenient and fastest manner. During 2018, we have completed the transformation of our entire branch network within the frame of our new service model. With this new model, we have increased the efficiency of our sales force, decreased the waiting times in branches, and improved customer experience.

Supporting responsible and sustainable development is among our strategic priorities at Garanti. We develop our products and services in this manner, and manage our customers' environmental and social risks as well. We support the participation of women in the workforce, and we are striving for the formation of an inclusive economy where all individuals have equal access to opportunities. We have taken on a pioneering

role once again in our sector in the area of sustainable finance with a green loan we have extended in July, which is the first of its kind in Turkey and fifth in the world. Taking place among the 28 banks from five continents representing consolidated total assets of USD 17 trillion, we have been invited by the United Nations Environment Programme Finance Initiative (UNEP FI) to define the new shape of banking to better align with the society's goals. The new Principles on Responsible Banking will allow every bank to credibly showcase their desire and concrete actions to contribute to our society and our planet. As Garanti, we are proud to be part of this historic movement. Being the only bank from Turkey included in a total of eight different sustainability indices including the Dow Jones Sustainability™ Emerging Markets Index, we are aspiring to act as a role model for all our stakeholders in this area.

## 2019 AND BEYOND

In the year, which was characterized by highly volatile exchange rates, we were in closer and stronger coordination with the economy administration than we have ever been before. We have seen the benefits of this both for our sector and our economy. Yet, the impact of the fluctuations on the real economy will be gradual. Although the rebalancing witnessed from the second half of 2018 will continue for a while in the beginning of 2019, we are expecting recovery to start as of the second quarter. As inflation adopts a normalization trend particularly after the second half of 2019, interest rates will come down and loan growth will gain pace.

Downward trend in inflation has started. While there might be limited upside effects in the first quarter of 2019, we are expecting the decline in inflation to become visible in the second half of the year and to end the year at 16% levels with the lagging effects of the decelerated growth coupled with the appreciation of the Turkish lira.

In this period where rebalancing become evident, being in close relationship with our customers, identifying their problems in advance, and developing solutions jointly are critical both for the financial well-being of our customers, and for the management of our Bank's asset quality. Recognizing this fact, we keep standing by our retail and commercial customers by providing resources when necessary and even through restructuring if it is needed. We will continue to do so.

As Garanti Bank, we are shaping our strategy within the frame of our medium-long term investment plans, and not on short-term targets. Regardless of macroeconomic developments, we will keep pioneering the transformation in the sector with our investments targeted at our business model and customers that make up the base of our strategy. We will continue to simplify and enhance our processes and operations by evaluating them from the viewpoint of our customers.

While 2018 and 2019 are relatively tough years, we are looking at the future with confidence by taking strength from fundamentally strong banking sector, our capital generative growth strategy, advanced risk management systems and our organizational agility in capturing opportunities. Being one of Turkey's leading institutions, we act with the awareness of our responsibilities on the development of our national economy and contribution to the society. We continue to act with this awareness in our operations.

We will keep working with all our strength in order to create value for all our stakeholders who trust and support us.

Sincerely,



**ALİ FUAT ERBİL**  
*President & CEO*



## TRUE STORIES

GARANTI EMPATHY

# WHO NEEDS WHO?



One does need others, right? We may tend to think, that every customer, walking in through the door, needs us to get something done for him, or her. But as an old saying goes 'Only God knows who will need who'. I had a first-hand experience.

It was 2017.. My son Alper is well behaved and calm at home but he is an active, feverish kid elsewhere. That's why his teacher had been calling all the time, to inform us about his goings at school. My phone rang on a working day once again. I picked up and asked *"Hello Ma'am, did something happen again?"* The teacher said, *"I will tell you something now, but you have to keep calm. Alper hit his head on the corner of an open window. I think he needs stitches. Can you come over?"*

My colleagues were on leave, so it was difficult for me to leave the branch. I called my husband, but he didn't answer, because he was still in class. A customer of mine, who is an ambulance driver, had come in for a transaction five minutes earlier, and overheard all my conversations. *"Now, do not panic. I will go pick him up"* he offered.

So he picked up Alper and took him to the ER. He got the scar stitched and sent me photos, so that I would not panic. In the meantime, I reached my husband who went to the ER , and took over Alper. I look back and wonder if our customer would do what he did if I had been sulky, whined every time he called, or if I did not offer a friendly service, or did not do my job properly?

A doctor for whom we perform a transaction today, can become our mothers' doctor the other day; a teacher we provide support, can become our children's teacher, or we can become the client of a lawyer, who we service today. That's why, we should offer all the help we can to everyone, so that we will receive the same. You know, only God knows who to need who and when!

*Please scan the QR code  
to listen to the story.*



\* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes.

On the eve of a religious holiday, we were attending to our last customers inside the branch at 12:00 o'clock. Our colleagues upstairs who were done for the day were exchanging holiday greetings and leaving. There were long queues in front of the ATMs, taps on the door by customers who saw us inside, asking 'Is the bank closed? I was going to withdraw some money'.. Our security officer was weary trying to get his point across.

On this busy and stressful day, someone was trying to push the door open, so I tried to gesture that we were closed. I said, **"We are closed, you can use the ATM to withdraw money"** The person shouted, **"I don't have an ATM card"** I said, **"We cannot open the door, we are closed"** **"Sir, I am going to do holiday shopping for my kids"** he said sadly.

That brought the world to a standstill. No other sentence could melt the coldest heart and flex the strictest rule. Holidays are not ours any more. They belong to the kids. Don't we all yearn for the holidays we had when we were kids? New clothes, new shoes, early morning rituals and prayers performed with sleepy eyes followed by househopping... We have grown up to be adults who get happy to see this joy passé in the eyes of other children. Can a father who cannot buy holiday clothes for his children spend a good holiday? Can those children?

I told our security officer **"Let's let this gentleman in"**. If the customer had told me his salary would not be deposited for another two hours, I would still wait. We did his transaction and paid him his salary... He said, **"God bless you"**, three words that were equivalent to one thousand thank-you's. He said it so heartily that I was happy like I had bought new clothes for my own children. Since then, I have been saying 'God bless you' to people who help me rather than 'Thank you'. And this is the reason I keep an eye on the door on the eves of Bairam holidays.



Please scan the QR code  
to listen to the story.

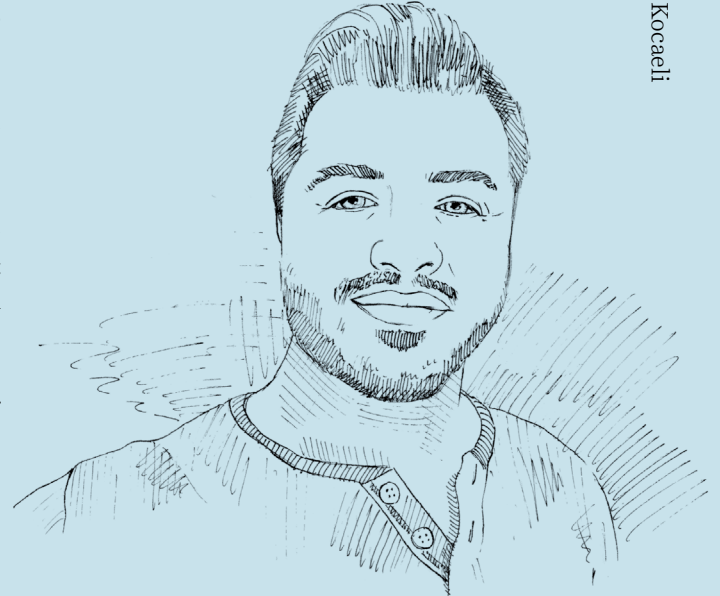
\* True Stories are actual events, the names  
have been changed or anonymized for  
customer information privacy purposes.



## TRUE STORIES

GARANTI EMPATHY

# EQUIVALENT TO ONE THOUSAND THANK-YOU'S



Bekirpaşa, Kocaeli

**EMRAH SEVİM**

Customer Representative

# THE ENVIRONMENT WE OPERATE IN

## 2018 MACROECONOMIC OVERVIEW AND 2019 OUTLOOK

### A YEAR OF MARKEDLY INCREASED VOLATILITIES

Despite performing better than its trend in recent years, global economic activity lost pace as compared to 2017, and acquired an outlook of decreased synchronization among geographies in 2018. Increased protectionist measures in trade, coupled with the financial stress inflicting some developing economies already began affecting the world growth negatively. Increased volatility in commercial activity and deteriorated confidence indicators confirm that the global outlook is worsening. According to our projections, global growth can come to 3.7% in 2018, similar to its 2017 value, before slowing down to 3.5% in 2019.

Although the anticipated direct impact (trade channel) of the recently introduced protectionist measures is relatively restricted, indirect impact can be higher through confidence and financial channel particularly for China and developing countries. While this situation that pervaded the whole 2018 gave the US a year of positive decoupling owing to her strong performance backed by fiscal policy incentives, the instability that began in the Eurozone, gradual slowdown of China, and the correction in some developing economies such as Brazil, Turkey and Argentina have been the key factors to give a push to the volatility in financial markets.

While China's strategies aimed at alleviating the effects of trade protectionism without further deepening the financial vulnerabilities (by way of successfully managing the level of Yuan and the debt-reduction process in the private sector) are expected to prop growth above 6% in 2019, overall concerns about global growth is likely to be the main agenda topic of 2019. In fact, the postponement of monetary tightening steps by global central banks could prove to be somewhat supportive

for global financing conditions. This could result in relatively more positive portfolio inflows, primarily to developing economies.

With respect to the monetary policy strategies in developed markets, we predict that the normalization process will continue with differentiated steps. We are anticipating the US Federal Reserve (the Fed) to continue rate hikes and to increase the benchmark interest rate to the 2.75-3% interval through two additional rate increases in June and December. We are forecasting that the European Central Bank (ECB) will shift the first repo rate hike timing previously anticipated as December 2019 to June 2020.

As a result, while global outlook has some downside risks, we predict that it could adopt a momentum dominated by trade wars and the Fed's exit strategy (the renewed sell-off pressures in developing economies can act as a potential leverage). The main risks, particularly in the US, could include a faster-than-anticipated tightening by the Fed and a drastic economic slowdown (although low, the likelihood of an economic recession in 2020 is increasing). As the protectionist measures in China bear potential risks that will hinder the debt-reduction process of the private sector. In Europe, uncertainties increase in connection with Brexit, while deceleration in growth reached worrisome levels.

### REBALANCING IN THE TURKISH ECONOMY

2018 was anticipated to be a year of rebalancing for the Turkish economy after its strong performance in 2017 that experienced a growth rate of higher than 7%. However, this impact has been somewhat faster and harder than expected. Lagging impact on inflation and current account balance put extra pressure on Turkey's risk premium during the sell-off in developing countries' assets that commenced in March. Moreover, the decision to move presidential and general elections forward



to June 2018 from the scheduled November 2019, and the Constitutional change increased the negative impact on Turkish financial assets. Lastly, geopolitical developments and the conflict with the US led to a free fall in the Turkish currency (TL) on August 10<sup>th</sup>, resulting in a pronounced deterioration of Turkey's risk premium. The new economy administration immediately responded to these developments with several steps in the right direction. The Central Bank of the Republic of Turkey (CBRT) surprised the market on the upside with 625 bps increase in its policy rate in September (cumulative increase in interest rates in 2018: 1125 bps) and the Government introduced the New Economic Program (NEP) including a strict financial consolidation plan. In the aftermath of these events, the atmosphere dominating the markets was reversed to a positive one upon renewal of syndicated loans by major banks with a rollover ratio of above 100% and the easing of the tension with the US. In addition, Turkey was temporarily exempted from the US sanctions against Iran in relation to importing Iranian oil, which relieved the markets greatly.

As a result, although normalization began replacing the recent financial shocks since September, the lagging impact upon the real economy began to become evident as of the last quarter of 2018. Given these conditions, we are anticipating the Turkish economy to attain around 3.0% growth for the full year, after growing 6.2% in the first half of the year and registering a relatively very weak performance in the second half. This year, we are anticipating growth to slow down to 1%. On the inflation part, we have observed a rapid increase due to the sharp currency depreciation, and the significantly deteriorated pricing behavior. After making its peak of recent years at 25% in October, consumer inflation declined quickly thanks to lower oil prices, appreciation in the currency, poor demand, discount campaigns and tax cuts, and closed 2018 at 20.3%. In 2019, we are expecting year-end inflation to go down to 16% with the support of base effects that will become evident in the second half of the year, in the absence of a further negative shock. In this respect, we foresee that the CBRT will maintain its current stance in the first half of the year, and might initiate limited rate reductions as of June. The developments on the part of fiscal policy will also take place among the key topics of 2019. Since realizations close to the targets set down in the New Economic Program (NEP) will satisfy anticipations, they will support the gains on the exchange rate. We think that 2019 will be a year

of rebalancing for the Turkish economy and also a year of corrections in terms of financial variables.

On the external balance front, shrinking domestic demand caused a rapid reduction of current account deficit in 2018. After producing a monthly surplus for the fourth month in November, the 12-month deficit went down to USD 27.6 billion (3.5% of GDP) by year end (year-end 2017: 5.6% of GDP with USD 47.3 billion). The slowing economy, still-ongoing supportive tourism revenues, and the recently low oil prices have been the key drivers behind the decline in the current account deficit. On the financing side, while CBRT reserves and net errors and omissions made up the main items, there were outflows from the portfolio and net other investments. We estimate the 12-month current account deficit to be around USD 16 billion (2.2% of GDP) at year-end 2019.

Budget realizations proved to be in line with the Government's targets by end 2018. While budget expenditures remained strong due to high personnel expenses and goods & services purchases, budget revenues continued to be supportive thanks to one-off revenues such as zoning reform, tax amnesty and military service by payment. Hence, the central government budget produced a deficit of TL 72.6 billion (1.9% of GDP) in 2018, while primary balance generated a surplus of TL 1.3 billion (0% of GDP). In the period ahead, the extension of tax incentives, the weak performance expected in tax revenues as a result of the slowdown in economy and previously unbudgeted employer subsidies may affect the budget performance negatively. On the other hand, the zoning reform extended until July 2019 and a higher-than-expected profit transfer from the CBRT could act as a buffer against the deterioration in the budget. At the bottom line, we are projecting a budget deficit to GDP ratio of 2.2% in 2018, somewhat above the New Economic Program (NEP) forecast of 1.8%.

## OPPORTUNITIES AND CHALLENGES OF THE TURKISH ECONOMY

Serving as a bridge between Asia and Europe, Turkey's economy had a year of rebalancing in 2018. With a GDP of USD 713 billion, Turkey is the 17<sup>th</sup> largest economy in the world<sup>1</sup>. After the global financial crisis in 2008-2009, the Turkish economy managed to grow by more than 6%, a rate that is well above the rates of EU and other developing countries excluding China and proves the

<sup>1</sup> IMF's World Economic Outlook Report dated October 2018. Ranking as of YE 2017

dynamic nature of the Turkish economy. In this respect, although we forecast 2018 and 2019 as a period of rebalancing, we are still projecting our potential growth rate close to 5%.

Fiscal discipline, sound monetary policy, a strong and well-supervised financial system and a reform agenda continue to be the main pillars of Turkey's economic program. Turkey's central government is expected to produce a budget deficit to GDP ratio of 1.9% in 2018. The general government debt stock ratio has been meeting the EU Maastricht Criteria of 60% since 2004.

Another important factor that supports the growth profile is the demographics of Turkey. Turkey has a sizable, young and growing population. With around 80 million people, Turkey has one of the highest populations in Europe and the CEEMEA countries. 55% of the Turkish population is under 35 years old and the labor force is constantly evolving towards a more qualified level with increasing participation of women. In 2030, the population is expected to reach 88 million, compared to a negative growth in Europe and the CEEMEA region.

One of the main challenges Turkey faces is the high dependence of the production on intermediate goods imports, which, being in the lower part of the global supply chain, results in both higher trade and current account deficit as the Turkish economy grows. Hence, it is vital for Turkey to attract capital inflows in order to finance the deficit. This fact has been recently posing challenges as central banks of the advanced economies, especially the Fed, continue to withdraw from the accommodative monetary policies. The likelihood that the monetary policy normalization could be gradual in advanced economies may alleviate the pressure on emerging markets by giving more room to implement necessary reforms as capital inflows would remain moderate despite the likely increase in the cost of financing. To this aim, the economy management in Turkey has already begun implementing some structural reforms such as increasing savings tendencies and lowering intermediate goods imports by replacing them with domestic production.

Another main challenge could be the real sector's open FX position of around 25% of GDP. It exacerbates vulnerabilities of the economy to external shocks as exchange rate volatility could get higher during a turbulence in global financial markets.

Meanwhile, to tackle the problem, the economy management has initiated certain measures such as non-deliverable TL forward contracts and some limitations of foreign currency loans under a risk exposure of 15 million dollars. All in all, together with the program initiated to increase savings, both external financing needs and vulnerabilities in the economy could be diminished as the Government continues to pursue indispensable structural reforms.

## **OPPORTUNITIES AND CHALLENGES OF THE TURKISH BANKING SECTOR**

The Turkish banking sector is strictly regulated and highly monitored by two powerful agencies; Banking Regulation and Supervision Agency (BRSA) and Central Bank of the Republic of Turkey (CBRT).

According to the BRSA sector data as of December 2018, there are 50 banks operating in Turkey (29 private commercial banks, 3 state banks, 13 development and investment banks, 5 participation banks). The top seven banks, three of which are state-controlled, are holding more than 70% of the banking sector's total assets, loans and deposits in Turkey. The current fragmented structure presents future opportunities for mergers and acquisitions between the banks.

Turkey's 55% of the population is younger than 35 years old and bankable population is only 60%<sup>2</sup>. These are among the key indicators of the growth dynamic of the Turkish banking sector. The Turkish banking sector had a cumulative average growth rate of 20% since 2002. Despite this outstanding performance, sustainable credit growth is considered around 15%, given the population dynamics and the banking penetration levels. However, below-potential growth rates emerged as a result of the decelerated economic activity particularly in the second half of the year. This could live on in the second half of 2019, as well. In the second half of 2019, credit growth is expected to pick up with the normalization in inflation outlook leading to an easing in interest rates which will eventually support the loan demand.

Another driver behind the growth of the Turkish banking sector is the high liquidity and solid capital structure of the banks. The Turkish banking sector is in compliance with Basel III guidelines. Although capital adequacy ratios suffered a downturn due to

<sup>2</sup> Per World Bank's "Turkey: Financial Inclusion Conference" notes dated June 3-4, 2014.

the volatile exchange rates in the third quarter of 2018, they are still strong at 17.3% thanks to the actions taken and the recovery in exchange rates. An in-depth analysis of the capital structure of Turkish banks indicates that the banking sector's capital is mainly made up of Common Equity Tier I capital (as high as 80%), namely paid-up capital, legal reserves, profit for the period and retained earnings. It is just the opposite, however, for European and US banks.

BRSA has been monitoring the liquidity position of the banks closely. Liquidity Coverage Ratio requires banks to carry high quality liquid asset reserve sufficient to cover their net cash outflows and the ratio is well-above required levels indicating at Turkish banks' solid liquidity position.

Customer deposits constituting 50% of the total assets, serve as the main source of funding of the Turkish banking sector. However, average maturities of deposits are mostly 1 to 2 months due to the high inflation/high interest period in Turkey's past. Given this short-term nature of deposits, maturity mismatch is unavoidable for the Turkish banking sector. As it leads to faster deposits pricing versus loan pricing, net interest margin is exposed to short-term pressure when funding costs rise. However, Turkish banks also invest in CPI-linkers in order to hedge their balance sheets against increasing interest environment. Despite the pressure on the margin stemming from the rise in funding costs especially in the second half of 2018, the Turkish banking sector managed to increase its margin to 4.6% compared to 2017 on the back of the high returns on CPI-linkers. From the second half of 2019, loan to deposit spread will likely expand as a result of deposit costs in connection with the anticipated downtrend in inflation, and net interest margin will possibly improve significantly in 2020 in connection with the increasing growth rates.

The sector funds 25% of its assets from external financing resources. As Turkish banks do not fund their long-term loans such as project finance loans or mortgages with short-term deposits, they turn to long-term borrowings from international markets. While that indicates at the sector's sensitivity to external developments, the Turkish banking sector's dependence on external borrowing decreased from 2017 given the slumped demand for long-term FC loans and their redemption, and it will continue to do so.

Resulting from the significant volatility in exchange rates from the second half of 2018, high inflation, increased interest rates, and the associated decelerated economic growth created pressure on the sector's asset quality. Having started the year with an NPL ratio of 3%, the sector ended the year with 4%. While this ratio is relatively reasonable, expected rise in the unemployment figure coupled with the decelerated growth make asset quality a critical topic also in 2019. In this sense, there could be some increase in non-performing loans in the year ahead. However, at 14%, low household indebtedness strengthens the sector's hand with respect to managing risks in the retail segment. The balanced structure of the sector's credit portfolio also offers an advantage in the sense of credit risk management. TL loans continue to constitute the majority of total loans with 60% despite the devaluated Turkish Lira, and thus, balances the default trend arising in loans from the exchange rate risk. On the other hand, FC loans are mostly big project finance loans which are granted to companies with FC revenues and relatively more eligible for restructuring. This nature of FC loans reduces the probability of loss for the sector in the long term.

In the period ahead, there are several critical factors with respect to rendering the funding and liquidity structure of the Turkish banking sector more resilient and ready for any potential development. Among these are introduction of initiatives aimed at increasing household savings in the medium term, increasing the depth of capital markets in Turkey, extending the maturities of funding resources, and steps targeted at stabilizing the shift to foreign currency.

Source: BRSA monthly data of December 2018 were used for sector data. Population data are based on TurkStat's Address-Based Population Registration System Results on 31 December 2018.

# CORPORATE PROFILE

Established in 1946, Garanti Bank is *Turkey's second largest private bank* with consolidated assets of approximately *TL 400 billion* (USD 75.7 billion) as of December 31, 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 December 31, 2018, Garanti provides a wide range of financial services to its more than *16 million customers with over 18 thousand employees through an extensive distribution network of 926* domestic branches, 7 foreign branches in Cyprus and one in Malta, and two international representative offices\* in Düsseldorf and Shanghai. Garanti offers an omni-channel convenience with seamless experience across all channels with *5,258 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.

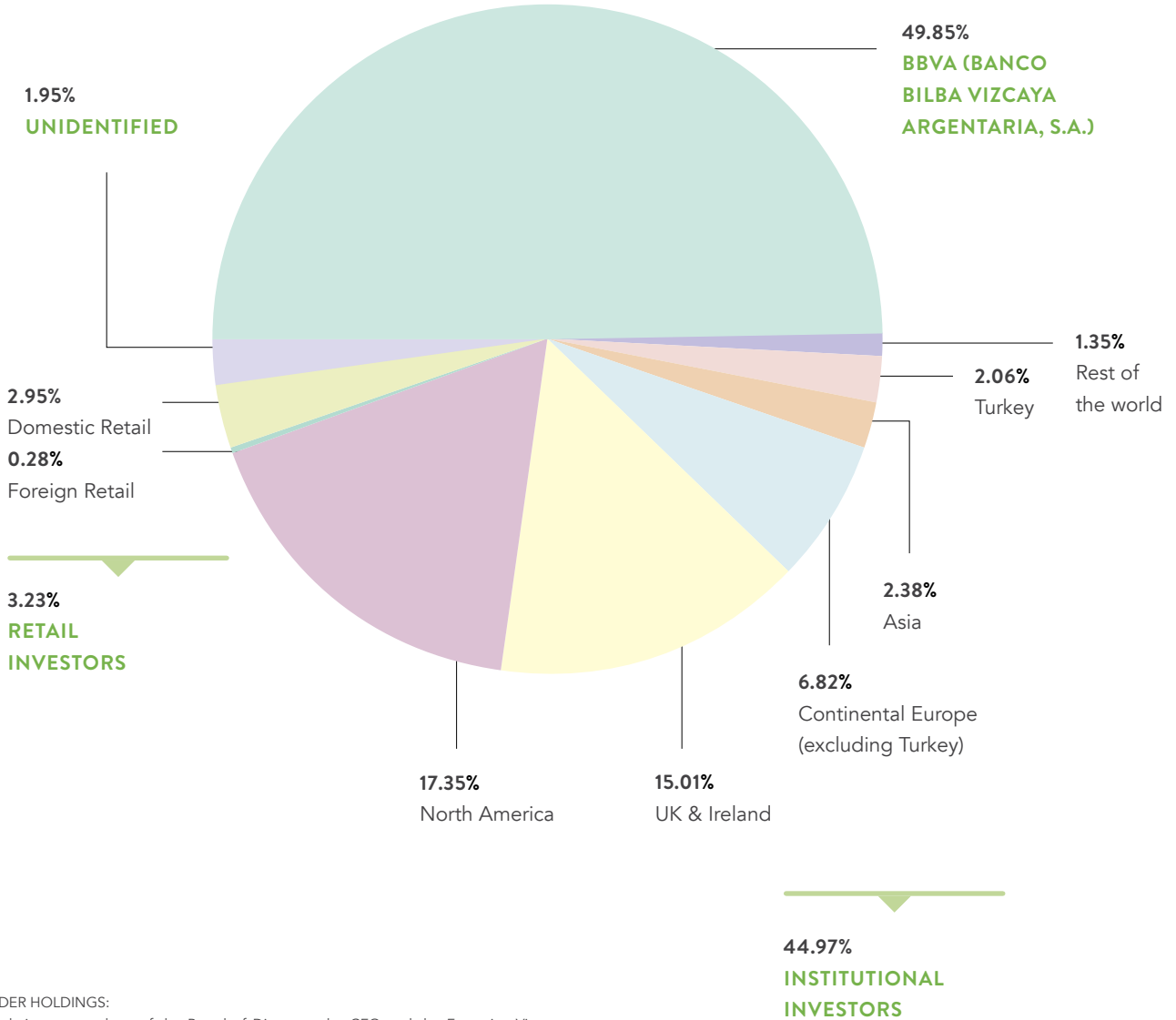
Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, *Garanti has an actual free float of 50.07% in Borsa Istanbul as of December 31, 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 311.2 billion* (USD 59.0 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.

\* Representative office in London was closed on 31<sup>st</sup> December, 2018.

# GARANTI'S OWNERSHIP STRUCTURE



**INSIDER HOLDINGS:**

The chairman, members of the Board of Directors, the CEO and the Executive Vice Presidents are allowed to own publicly-traded shares of Garanti Bank; their transactions in Garanti Bank shares are publicly disclosed pursuant to Capital Markets Board regulations.

Note: There is no ultimate non-corporate controlling shareholder holding more than 5% share in the shareholding structure. Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated December 2017; the actual free float ratio and the share of local individual shareholders are all based on Central Agency Registry Agency data.

# GARANTI'S POSITION IN THE BUSINESS AREAS

## RETAIL BANKING

**BUILDING LONG-LIVED RELATIONSHIPS WITH OUR CUSTOMERS**

**15.9 million**

Retail customers  
(based on Garanti's definition)

**518 thousand**

people became homeowners with Garanti

**1.6 million**

customers saved with Garanti

**14%**

Consumer Loan Market Share  
(#1 in consumer loans among private peers)

**12%**

Mortgage Market Share  
(Mortgages / GDP: 6%  
- Huge growth potential)  
(NPL ratio: 0.8%)

**11%**

Customer Deposit Market Share  
(Demand deposits share in customer deposits: 25%)  
(vs. sector: 21%)

## SME BANKING

**WE OFFER INFORMATION AND ADVISORY SERVICES TO SUPPORT THEIR DEVELOPMENT**

**9%**

TL Business Banking Loans Market Share

**24%**

Share of SME loans in TL loans  
(based on BRSA definition)

## COMMERCIAL & CORPORATE BANKING

**WE POSITION OURSELVES AS THE PRIMARY BUSINESS PARTNER OF OUR CUSTOMERS**

**10%**

FC Loans Market Share

**28**

Commercial Branches

**4**

Corporate Branches

Note: Market shares are calculated based on BRSA Unconsolidated Financials as of December 31, 2018

PAYMENT SYSTEMS

**STRONG PRESENCE IN THE CREDIT CARD BUSINESS. LICENSE TURKEY'S LOVEMARK BONUS CARD TO 10 OTHER BANKS**

**19%**

Acquiring & Issuing Market Share

**7 million**

Leader in credit card customers

**690 thousand**

16% market share in POS

DIGITAL BANKING

**WE HAVE BEEN INVESTING IN DIGITAL FOR MORE THAN 20 YEARS TO OFFER OUR CUSTOMERS SEAMLESS OMNI-CHANNEL EXPERIENCE**

**MOBILE**

Best in class in Europe<sup>1</sup>  
**63%** of non-cash financial transactions

**INTERNET**

**>500** types of transactions  
**23%** of non-cash financial transactions

**ATM**

Cash deposits/withdrawals: **102%**  
 Serving non-bank customers through cardless transactions

**SOCIAL MEDIA**

One of the most followed financial institutions in Turkey and in Europe, with over **5 million** followers

**CALL CENTER**

**73.4 million** customer contacts  
**32 sec.** average response time  
(sector 81 sec)

INTEGRATED SUBSIDIARIES

 **GarantiBank NV**  
 BBVA Group

Asset Contribution: **6.11%**

 **Garanti Romania**  
 BBVA Group

Asset Contribution: **3.36%**

 **Garanti Pension**  
 BBVA Group

Asset Contribution: **0.63%**

 **Garanti Leasing**  
 BBVA Group

Asset Contribution: **1.56%**

 **Garanti Factoring**  
 BBVA Group

Asset Contribution: **0.72%**

 **Garanti Securities**  
 BBVA Group

Asset Contribution: **0.08%**

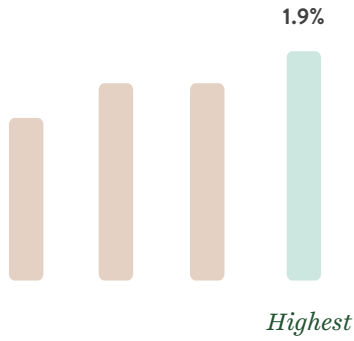
 **Garanti Asset Management**  
 BBVA Group

Asset Contribution: **0.02%**

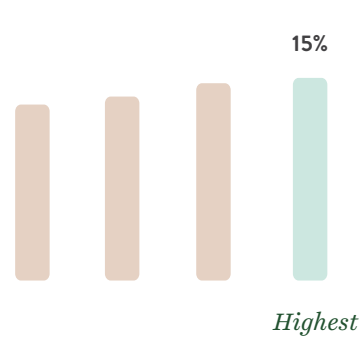
<sup>1</sup> In customer user experience per Forrester's Global Mobile Banking Functionality Benchmark Study, 2018

# GARANTI'S POSITION IN THE SECTOR

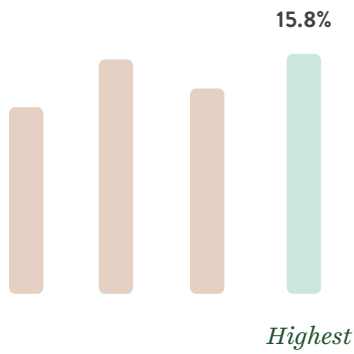
ROAA



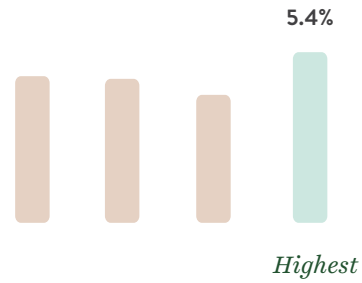
ROAE



CET-I



NIM INCL. SWAP COST

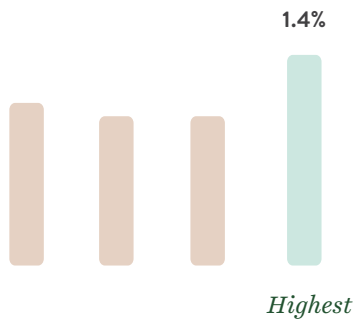


Peers Garanti

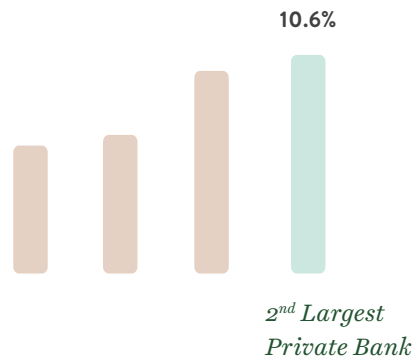
Note: For fair comparison with the peers, latest available bank-only financials (31.12.2018) were used. Rankings are among private peers.



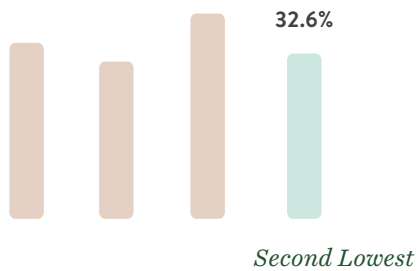
NET FEES & COMMISSIONS / IEA & NON-CASH LOANS



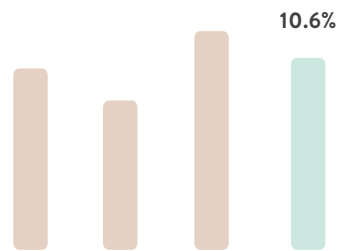
ASSET MARKET SHARE



COST/INCOME<sup>1</sup>



LOANS MARKET SHARE



<sup>1</sup> Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provisions reversals + Income from subsidiaries.



## TRUE STORIES

GARANTI EMPATHY

# NOT JUST OUR JOB BUT OUR LIFE IS ABOUT RELATIONSHIPS

Nigde



**TANER BALABAN**  
Retail Banking Customer  
Relationship Manager

“How many homes can one purchase in a lifetime? Who can one turn to for assistance? To whom one can entrust the hard work of thirty years spent abroad, away from family?”

Our customers coming in to ask about housing loans usually look excited and at the same time slightly worried about repaying. After I listen to them, I put together a repayment plan that suits them. A housing loan is a longterm relationship; the first day, the initial handshake, being instrumental in helping them own their home and hearing this from them is a bliss. When a customer that you have extended a housing loan invites you over for a cup of tea, when you are considered family, when they believe in your sincerity and trust you, then you know you have built a solid relationship with them.

I had met a customer during his home purchasing process who was going to buy a flat in İzmir. He had told me he had gotten quotations from other banks as well. I prepared a repayment plan. While we talked about repayment and charges, his realtor called with the news of a suitable flat.

Together, we looked at the pictures the realtor sent. Our customer called his realtor and said **“Can you send the title deed to Taner Bey?”** When I told him I was happy that he had chosen us and that I would finalize the procedures a.s.a.p., I was totally surprised and utterly delighted with his response: **“You were more excited than me when we were looking at the pictures. You did understand what this house means to me. You even had suggestions about the decoration (which I had not realized). This is why I chose you.”**

It was a happy day for me. Although I have not heard it from customers on other occasions, I noticed I approach everybody in the same way. Leaving aside the decoration tips :)

Please scan the QR code  
to listen to the story.

\* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes.



In April 2015, a gentleman came in seeking information about mortgage loans. It was a challenge for us to extend housing loans since there is only one real estate agent in Dinar. So we did our best to grab every opportunity in this respect. The gentleman asked several questions including ***“Up to which age do you extend a loan? Can one with just pension income qualify for a mortgage loan?”***

It turned out to be that the loan was for his mother-in-law.

I told him loans were available up to ten-year maturity.

This is how I met Ayşe Teyze and her family. The loan application was filed, and ultimately denied upon evaluation. The description section of the report read ***“Location could not be determined on the basis of apartment block.”*** We could not pursue with a general-purpose loan because the family could not afford to repay in short term. I didn't know whether to feel sorry for the wasted surveyor fee, or for the non-refundable deposit. Until the final verdict on the loan came, they called every day -so very shyly- to ask, if there were any developments. I thought I had to do something for that family. First, I thoroughly reviewed the report. Then I went to the Title Registry Office and talked in detail with the Assistant Director. We took photos of the files related to that title deed. As a result of my thorough scrutiny and efforts, we managed to reverse the denial for the requested loan.

It was the time to sign the loan documents. Ayşe Teyze had forgotten to bring her reading glasses that day and she was skipping letters. I told her that I had time and she should take it easy; I spelled out everything she was supposed to write down. The signing took one and a half hours to be exact. At the end of each sentence, she would put her prayers out for me: ***“May God reward you my child, may all your wishes come true.”*** Several months later, Ayşe Teyze and I ran into each other at a wedding. We hugged and I kissed her hand the Turkish way, and introduced her to my mother. My mother's face beamed with happiness when she heard Ayşe Teyze say ***“My dear Emine made us home-owners, I send my prayers out for her every day.”*** That made everything worthwhile.



Please scan the QR code  
to listen to the story.

\* True Stories are actual events, the names  
have been changed or anonymized for  
customer information privacy purposes.



TRUE STORIES

GARANTI EMPATHY

# I HAD TO DO SOMETHING FOR THAT FAMILY

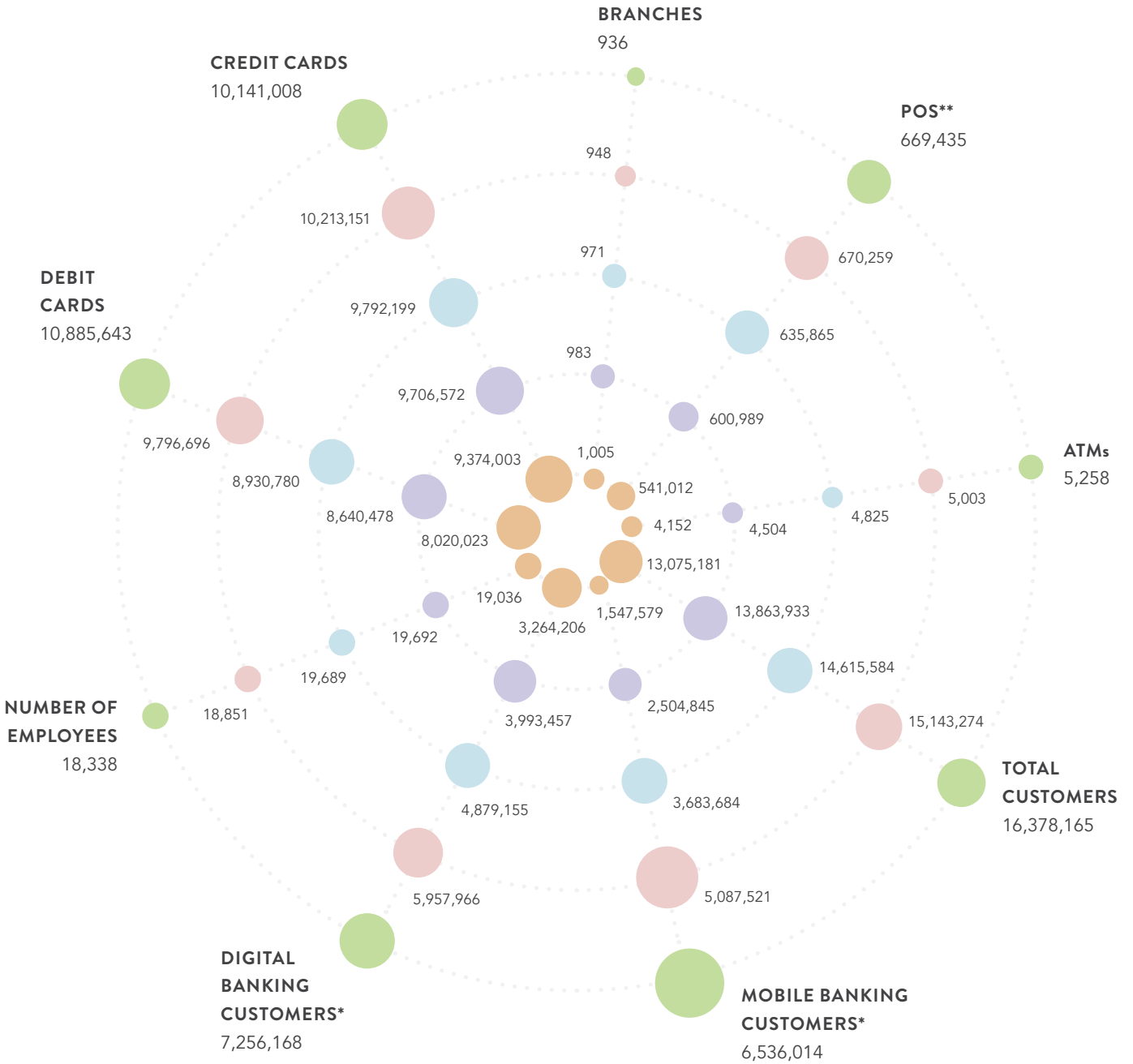


Dinar, Afyonkarahisar

EMİNE KARACA

Customer Representative

# GARANTI IN NUMBERS

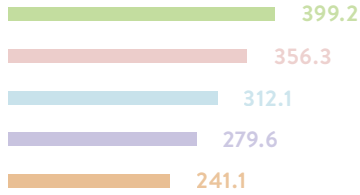


● 2018 ● 2017 ● 2016 ● 2015 ● 2014

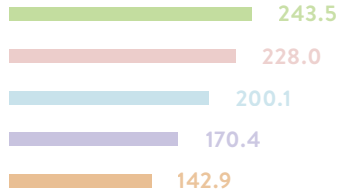
\* Restated for 2016 and 2017 due to change in scope. Active customers on - min. 1 login or call per quarter.

\*\* Includes shared and virtual POS.

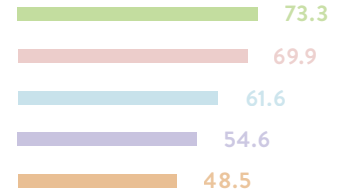
**ASSETS**  
(TL billion)



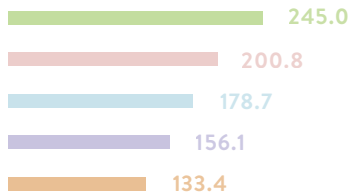
**PERFORMING CASH LOANS**  
(TL billion)



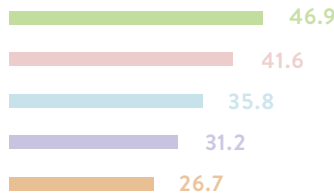
**CONSUMER LOANS\*\*\***  
(TL billion)



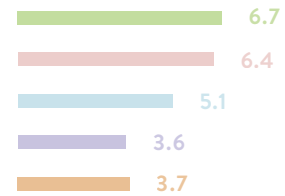
**DEPOSITS**  
(TL billion)



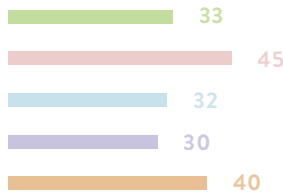
**SHAREHOLDERS EQUITY**  
(TL billion)



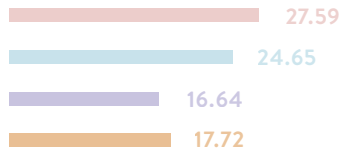
**NET INCOME**  
(TL billion)



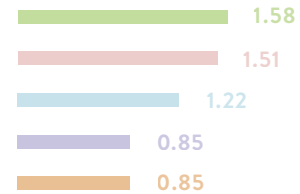
**MARKET CAPITALIZATION**  
(TL billion)



**DIVIDEND PAYOUT RATIO**  
(%)

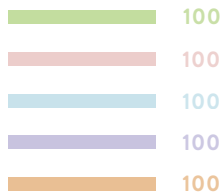


**EARNINGS PER SHARE**  
(in TL)

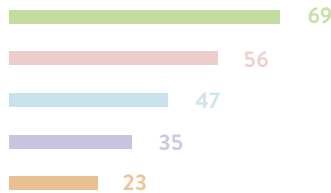


**% OF RENEWABLES  
IN ENERGY PRODUCTION  
PORTFOLIO**

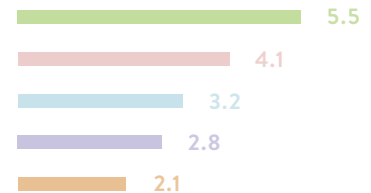
(in new PF greenfield commitments)



**NUMBER OF FINANCED  
PROJECTS WHICH ARE  
SUBJECTED TO ESIAP (Cumulative)\*\*\*\***



**TOTAL LOAN GRANTED TO  
WOMEN ENTREPRENEURS**  
(Cumulative, TL)



● 2018 ● 2017 ● 2016 ● 2015 ● 2014

\*\*\* Including consumer credit cards

\*\*\*\* Voluntary assessments are included. Number of projects increased due to the new definition, please refer to Appendix A-1 for details.

# GARANTI BANK SHARE

## GARAN TICKER AND CODES

### ISTANBUL - BORSA ISTANBUL

*Symbol:* GARAN *Sedol:* BO3MYP5

*ISIN:* TRAGARAN91N1 *CUSIP:* M4752S106

## DEPOSITARY RECEIPTS LEVEL - 1

### LONDON - LONDON STOCK EXCHANGE

*Symbol:* TGBD *Sedol:* 2599818

*ISIN:* US9001487019 *CUSIP:* 900148701

### NEW YORK - OTCQX INTERNATIONAL PREMIER

*Symbol:* TKGBY *ISIN:* US9001486029 *CUSIP:* 900148602

## DEPOSITARY CERTIFICATES - 144A

### LONDON - LONDON STOCK EXCHANGE

*Symbol:* 39IS *Sedol:* 2557571

*ISIN:* US9001487019 *CUSIP:* 900148701

### NEW YORK - OTC MARKETS

*Symbol:* TKGZY *ISIN:* US9001486029 *CUSIP:* 900148602

Garanti Bank initially *offered its shares to public in 1990 on Borsa Istanbul* and has become the first Turkish company to *offer its shares on international markets in 1993*. Garanti's Depository Receipts are listed on the London Stock Exchange Main Market and OTC (Over-The-Counter) Markets in the USA. In 2012, Garanti participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, *OTCQX International Premier*, where companies traded must meet high financial standards and an effective disclosure process. Trading on this

market with 62 leading companies of the world, Garanti has established itself among the top Depository Receipts traded on the OTCQX marketplace and ranked 30<sup>th</sup> per Market Capitalization, 61<sup>st</sup> per Dollar Volume and 42<sup>nd</sup> per Volume in 2018.

Garanti Bank has a market capitalization of *TL 33.4 billion (USD 6.3 billion)* as of the end of 2018 and is the most valuable bank in Turkey. With a free float ratio of 50.07% and *TL 16.7 billion* floating market capitalization, Garanti also has the highest free float in BIST 100. Garanti Bank share (GARAN) is the *most traded banking stock in Borsa Istanbul* with an *average daily turnover of TL 804 million (USD 165 million) and has 11% market share in BIST 100 turnover*. GARAN was the most traded stock by foreign investors with a total foreign transactions turnover of *USD 29 billion in 2018*. Furthermore, GARAN has the highest weight in BIST 100 and in BIST 30 as of 2018 year-end.

88%\* of Garanti's shares in the free float is owned by foreign investors that are spread to around 37 countries. The composition of the institutional shareholding structure of Garanti by geographical regions is 38.6% North America, 33.4% UK and Ireland, 15.2% Europe, 5.3% Asia, 4.6% Turkey and 3% the rest of the world. Communicating the value created in a pro-active, transparent and consistent way, during 2018, Garanti Investor Relations took part in 34 national and international investor conferences held in 13 cities in Asia, USA and Europe with the participation of senior management, in addition to the one-on-one meetings with 967 international investment funds. Garanti continued to organize live webcasts/ teleconferences bringing its senior management together with the investment community in 2018, and made presentations on its financial results four times a year, as well as a video cast on its operating plan for the following year that described its forward looking projections. Investor Relations published

\* Central Registry Agency (CRA) foreign clearing custody data have been used.

**TL 33.4 BILLION**

Market Capitalization - Most Valuable Bank in BIST100

**TL 804 MILLION**

Average Daily Turnover

**11%**

Turnover Market Share - The Most Traded Banking Stock of BIST100

**TL 16.7 BILLION**

Highest Floating Market Capitalization in BIST

**USD 29 BILLION**

Total Foreign Transactions in 2018 - The Most Traded Stock by Foreigners

**TL 1.58**

Earnings per Share

The Most Traded Stock by  
**FOREIGNERS****BIST 30 & BIST 100**

Highest Weight

the recordings of these presentations on its website. The full audio recordings of all of these events were posted on Garanti Investor Relations website, Investor Relations applications on iPad and Android tablet. Contents prepared both in Turkish and English for the convenience of the investment community enable investors from all around the world to have easy access to all the information they need.

Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency serves as the guarantee of the Bank's strong reputation and is Garanti's main responsibility to all its stakeholders. The steps Garanti takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for *BIST Sustainability Index* and *BIST Corporate Governance Index* in 2014, Garanti still continues to be listed in these indices. In 2018, Garanti continued to be *the only bank from Turkey* listed in the *Dow Jones Sustainability™ Emerging Markets Index (DJSI)*, after being qualified in 2015. Companies included in the DJSI index are determined upon evaluation against a number of criteria including ethics, corporate governance, financing activities, environmental and social performance throughout the value chain, risk management, climate change mitigation, transparency, supply chain, human and employee

rights. Garanti qualified for this index also in 2018, and thus, preserved its place in the index for the fourth consecutive year.

In addition to these, Garanti continued to qualify and remain a constituent of the *FTSE4Good Emerging Markets Index*, which is the independent organization jointly owned by the London Stock Exchange and the Financial Times and designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Moreover, through its various practices and initiatives for ensuring gender equality in human resources, among customers and the community, Garanti is the only company from Turkey to be included in the *Bloomberg Gender Equality Index* that covers 230 companies from 10 industries from 36 countries and regions across the world.

### EQUITY ANALYSTS' RATINGS

Garanti Bank shares are widely covered by research analysts of leading domestic and international investment banks and brokerage houses. In 2018, 28 institutions have regularly issued equity research reports on Garanti. As of the end of 2018, 21 analysts had "BUY", 5 analysts had "HOLD" and 2 analysts had "SELL" recommendation on Garanti stock.



# OUR GOVERNANCE

Garanti Bank's effective Board of Directors is at the heart of Garanti's well-functioning governance structure and goes beyond fiduciary responsibilities. It acts as the ultimate internal monitor and contributes an outside view to corporate strategy, oversees performance against the strategy set out and helps Garanti thrive in the long run. To ensure effective risk management, the Board monitors compliance, internal control and risk management policies and systems that are aligned with the Bank's strategy and risk appetite, as well as subsequently performing its oversight function.

## KEY CHARACTERISTICS OF THE BOARD OF DIRECTORS

Garanti has a one-tier Board of Directors that is formed by 10 members with the composition of 1 female and 9 male board members as of 31 December 2018. In accordance with the principle of separation of powers and authority, the Chairman and the CEO have different roles at Garanti Bank. This clear distinction establishes a balance between authorities and powers within the scope of the Bank's corporate structure, drawing the lines of decision-making capacity of each position. The CEO is the only executive member of the Board of Directors.

The composition of the Board with 3 independent members supports the exercise of independent and objective judgment. Garanti's Board of Directors brings together members with the right combination and diversity of skills, background, knowledge, expertise and experience. Three non-executive members of the Board have board memberships in Garanti subsidiaries, two non-executive members have board memberships in other companies and two non-executive members have board of trustees memberships in foundations.

## BOARD MEETINGS

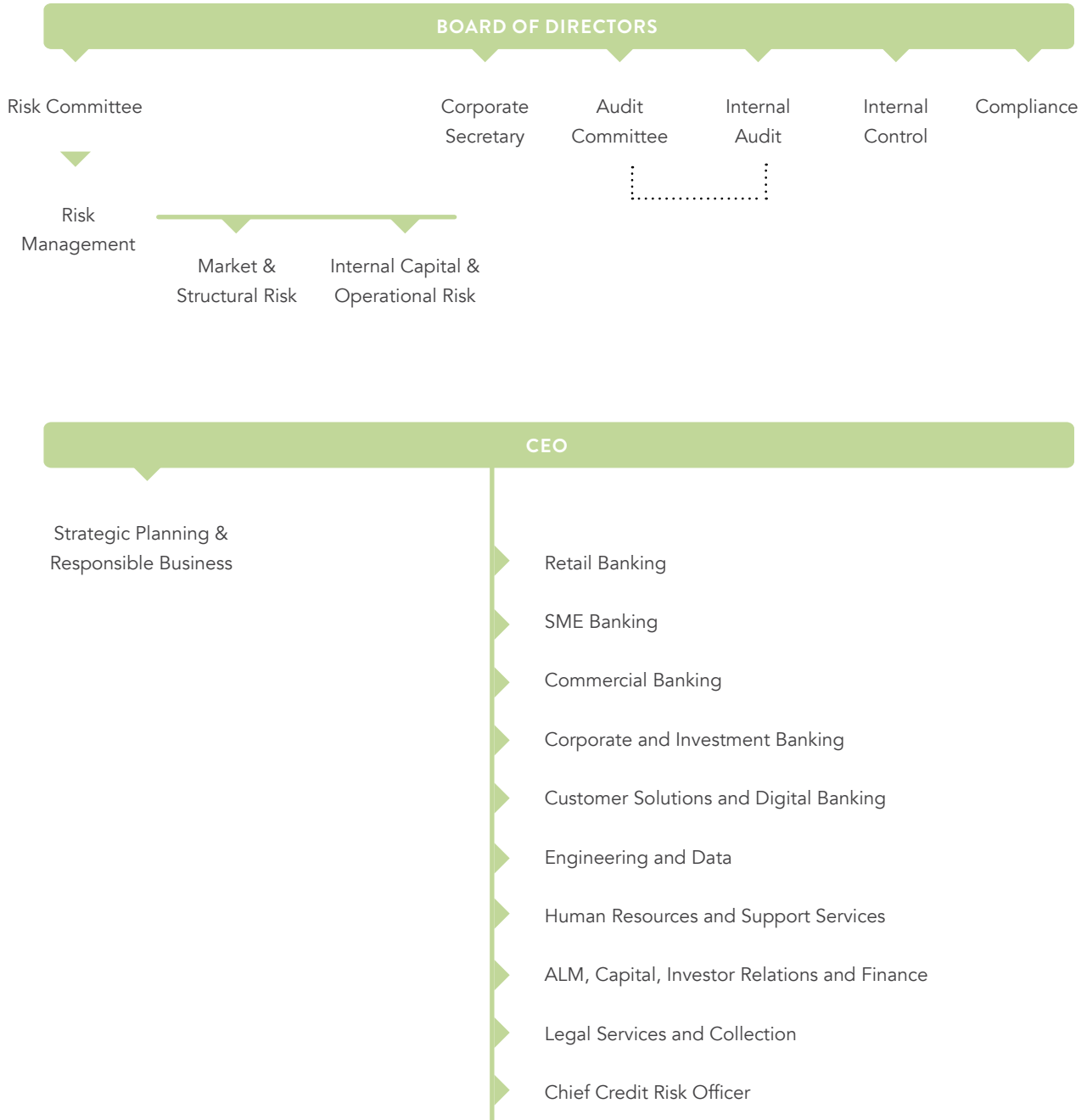
The Board of Directors operates on the principle that it must convene as and when necessitated by the Bank's affairs and transactions, but at least once a month. Pursuant to the Articles of Association of the Bank, the Board of Directors meets with the attendance of seven members minimum and resolutions of the Board of Directors are taken by affirmative votes of at least seven members present in the meeting. In 2018, the Board of Directors passed 17 decisions by satisfying the required quorums for meeting and decision.

## CORPORATE GOVERNANCE

The Corporate Governance Committee is responsible for monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts, nominating the independent board members, and offering suggestions regarding the nominees to the Board of Directors. As an indication of its commitment to, and the emphasis it places on, corporate governance, Garanti has been receiving Corporate Governance Rating since 2014. Increasing its score every year ever since, Garanti continues to be included in Borsa İstanbul Corporate Governance Index with a score of 9.60 assigned to it in 2018.

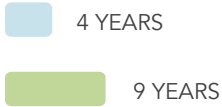


# ORGANIZATIONAL STRUCTURE



# BOARD OF DIRECTORS

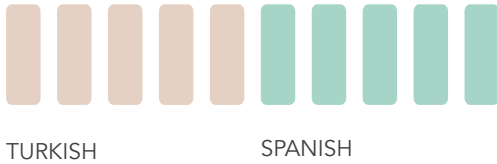
## AVERAGE TENURE



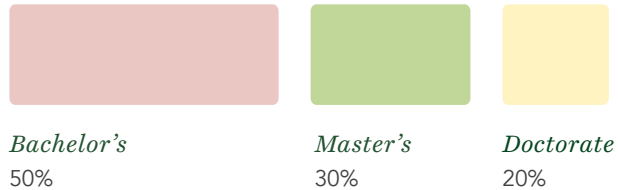
## AVERAGE EXPERIENCE



## NATIONALITY

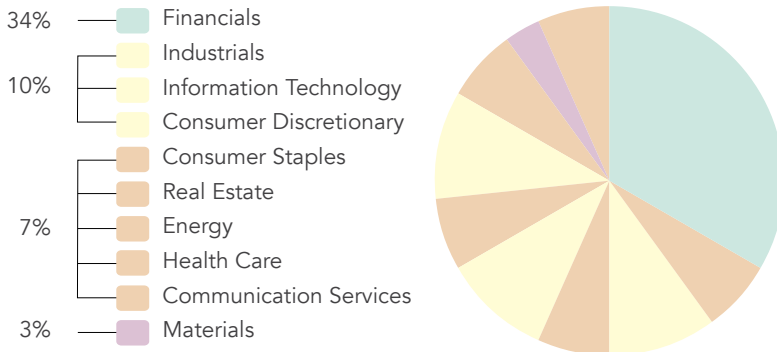


## EDUCATION



## EXPERIENCE COMPOSITION

Chart is prepared in accordance with the Global Industry Classification Standard (GICS). The Global Industry Classification Standard (GICS) is an industry taxonomy developed by MSCI and Standard & Poor's (S&P) for use by the global financial community.



## COMMITTEE MEMBERSHIP

- 1 Credit Committee
- 2 Audit Committee
- 3 Corporate Governance Committee
- 4 Remuneration Committee
- 5 Risk Committee
- 6 Employee Committee
- 7 Customer Committee
- 8 Garanti Assets & Liabilities Committee
- 9 Weekly Review Committee
- 10 Cost Management & Efficiency Committee
- 11 Sustainability Committee
- 12 Personnel Committee
- 13 Consumer Committee
- 14 Integrity Committee
- 15 Volcker Rule Oversight Committee
- 16 New Business and Product Committee
- 17 Responsible Business Committee
- 18 Corporate Assurance Committee
- 19 Innovation Committee



**SÜLEYMAN SÖZEN**  
*Chairman*

5



**ALİ FUAT ERBİL**  
*President & CEO*

1 6 7 8 9 10 11 12 14 15 17 18 19



**M. CÜNEYT SEZGİN**  
*Board Member*

6 9 11 13 14 15 16 17 18



**ERGÜN ÖZEN**  
*Board Member*

4



**JAVIER BERNAL DIONIS**  
*Board Member*

1 3 5 6 7 9 10



**JAIME SAENZ DE TEJADA PULIDO**  
*Board Member*

1



**RAFAEL SALINAS MARTINEZ DE LECEA**  
*Board Member*

1 5



**JORGE SÁENZ-AZCÚNAGA CARRANZA**  
*Independent Board Member,  
Vice Chairman*

1 2 3 4



**RICARDO GOMEZ BARREDO**  
*Independent Board Member*

2



**SEMA YURDUM**  
*Independent Board Member*

2 3

# SENIOR MANAGEMENT



- 1 Osman Tüzün
- 2 Cemal Onaran
- 3 Ebru Dildar Edin
- 4 Aydın Güler
- 5 Ali Fuat Erbil
- 6 Aydın Düren
- 7 Didem Dinçer Başer
- 8 Ali Temel
- 9 Mahmut Akten
- 10 Selahattin Güldü
- 11 İlker Kuruöz

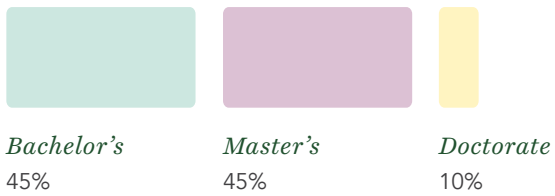
## GENDER



FEMALE MALE



**EDUCATION**



**AVERAGE EXPERIENCE**




# COMMITTEES AND POLICIES

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via these committees. The committees organized under the Board of Directors are Credit, Audit, Corporate Governance, Remuneration and Risk Committee.

In addition to these, there are committees whose members are composed of the Board of Directors members (Employee Committee, Customer Committee, Garanti Assets & Liabilities Committee, Weekly Review Committee, Cost Management and Efficiency Committee, Sustainability Committee, Personnel Committee, Consumer Committee, Integrity Committee, Volcker Rule Oversight Committee, New Business and Product Committee, Responsible Business Committee, Corporate Assurance Committee, Innovation Committee) and/or the Bank's executives (Risk Management Committee, Disciplinary Committee, Information Security Committee, Wholesale Credit Risk Committee, Credit Admission Committee, Retail Credit Risk Committee, Risk Technology and Analytics Committee, Local Benefits Committee, IT Risk and Internal Control Committee,

Credit Cards and Member Merchants Pricing Committee).

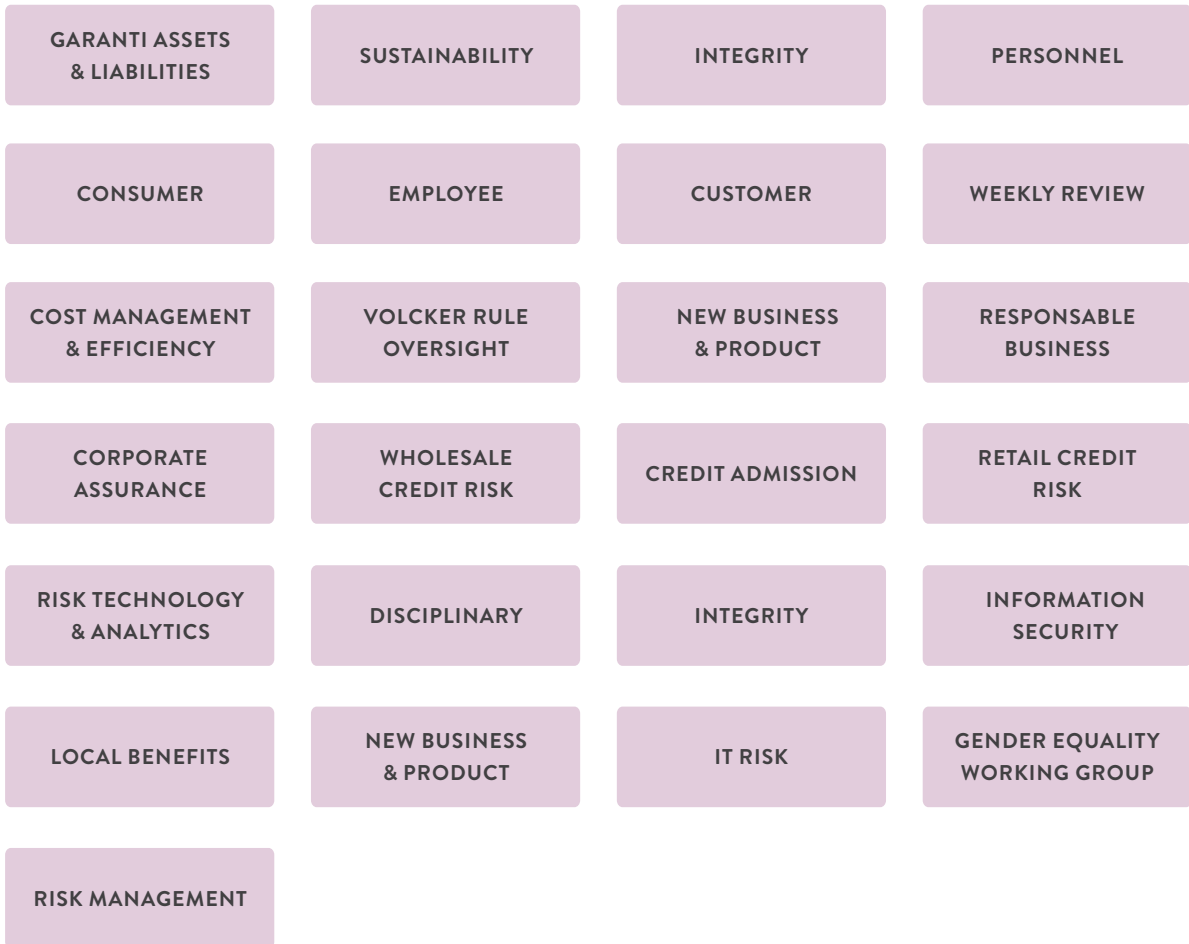
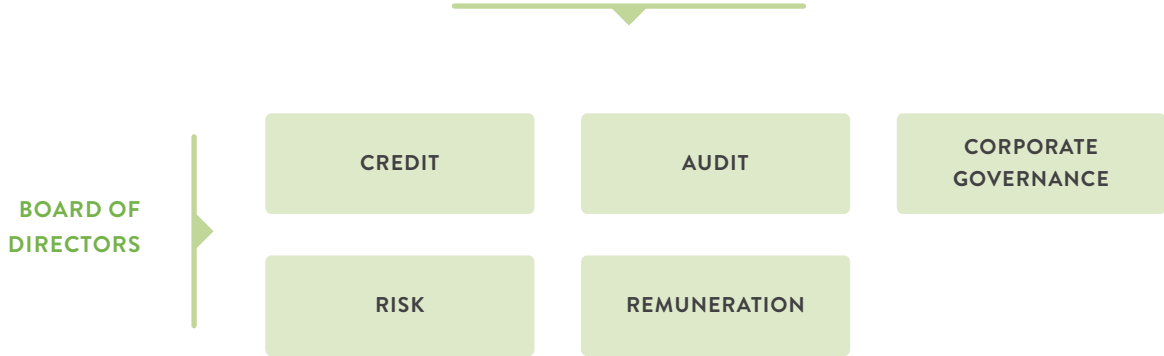
Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency is Garanti's main responsibility to all its stakeholders, particularly its customers and employees, and serves as the guarantee of the Bank's strong reputation. In line with the importance the Bank attaches to Corporate Governance Principles and ethical values, Garanti established a number of policies, codes and statements governing conduct and business relationships. Through these documents, an interaction structure has been established between the Board of Directors, senior management and committees and the Bank, corporate culture has been strengthened, and good governance practices have been introduced.

 Detailed information on the policies, codes and statements mentioned below can be found under the Corporate Governance tab on Garanti Investor Relations website.

## POLICIES



**COMMITTEES**



# RISK MANAGEMENT REVIEW

Garanti Bank measures and monitors its risk exposure on consolidated and unconsolidated basis by using methods compliant with international standards, and in accordance with the applicable legislation. Advanced risk management tools are utilized in measuring operational risk, market risk, asset and liability risk, counterparty credit risk and credit risk.

The Bank's risk management strategy, policies and implementation procedures are reviewed within the framework of regulatory changes and the Bank's needs.

The risk management process is set up in such a way that the material themes and strategic goals are linked and are the basis for the risks and opportunities identified.

Through the risk appetite framework, the Bank determines the risks that it is prepared to take based on the predicted capability of safe handling of risks so as to achieve the goals and strategic objectives as defined by the Board of Directors. Risk-based limits and metrics pertaining to capital, liquidity and profitability, which have been established as per the risk appetite framework, are monitored regularly.

Risk Management handles the preparation of the ICAAP report by coordinating the related parties, which will be submitted to the BRSA. In addition, the stress test report is submitted to the BRSA, which addresses how the potential negative effects on macroeconomic data might alter the Bank's three-year budget plan and results within the framework of certain scenarios, as well as their impact upon key ratios including the capital adequacy ratio.

Within the risks managed, the Bank defines the risks and risk factors in dimensions such as customer-centeredness, workplace, ethics and citizenship, finances and leadership, as well as a map in which it prioritizes the Reputational Risks it faces, together with a set of action plans to mitigate these risks. The risks are then governed through the relevant committees within the Bank's extensive committee structure.

Environmental and Social Risks associated with financing activities that could result in adverse impacts on the environment and society are governed through methods and procedures that transcend international practices and in a way that covers the entire credit portfolio.

Operational Risk covers processes, internal and external fraud, technology, human resources, business practices, disasters and suppliers, and is managed on the basis of the three lines of defense approach within the framework of risk management policies approved by the Board of Directors.

Market Risk is managed by measuring and limiting risk in accordance with international standards, allocating sufficient capital and minimizing risk through hedging transactions.

To determine and manage the Bank's exposure to Structural Interest Rate Risk arising from potential maturity mismatches in its balance sheet, duration gap, economic value of equity (EVE), economic capital (ECAP), credit spread risk sensitivity, net interest income (NII), earnings at risk (EaR) are monitored by measuring market price sensitivity of securities portfolios followed up in the banking book.

The potential impact of negative exchange rate fluctuations upon the capital adequacy ratio and FC risk-weighted assets are regularly followed up, monitored according to internal limits, and reported within the scope of Structural Exchange Rate Risk, in the case that the Bank performs material operations in currencies other than the local currency in its balance sheet or maintains positions for shareholders' equity hedging purposes.

Liquidity Risk is managed within the framework of liquidity and funding risk policies approved by the Board of Directors under the supervision of ALCO and the Weekly Review Committee in order to take appropriate and timely measures in case of liquidity squeeze arising from market conditions or Garanti Bank's financial structure.



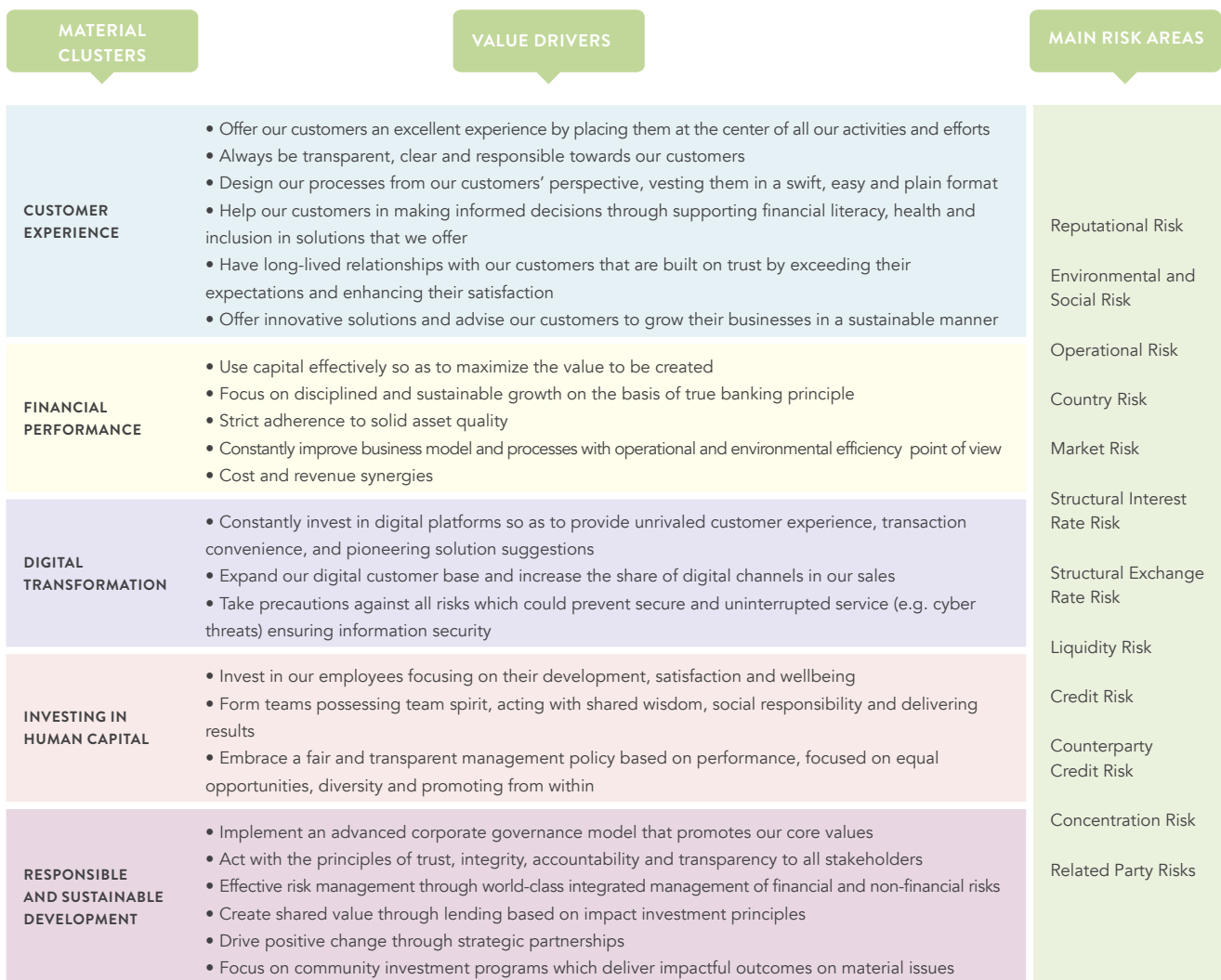
Credit Risk management, which is a process for consistently evaluating and monitoring credit risk, covers all credit portfolios. In order to rate customers using objective criteria, outputs from scorecard models and internal risk rating models, which were developed using statistical methods on historical data, are incorporated into relevant lending policies and procedures.

Measurement, monitoring and limit creation activities for Counterparty Credit Risk are managed in accordance with the policy, which is approved by the Board of Directors and encompasses strategy, policy and procedures.

Under the Country Risk policy approved by the Bank's Board of Directors, methods compliant with international norms and local regulations are employed to evaluate and monitor

developments in country risk on the basis of individual countries and related reporting, control and audit systems are established as necessary.

The Bank defines and monitors Concentration Risks on the basis of different types of risks or individual risks, which might result in material losses that would endanger the ability to sustain fundamental activities or the financial structure or lead to a significant change in the risk profile, within the framework of the policy approved by the Board of Directors. Risks for Affiliates subject to consolidation are managed in coordination with risk management units/functions in affiliates in accordance with the scale appropriate for the structure, complexity level, size and risks.





## TRUE STORIES

GARANTI EMPATHY

# I HAD TRULY BECOME A MEMBER OF THAT FAMILY



There is my Ahmet Amca. To everyone else, he is a customer. To me, he is a retired young man who always dresses nicely with a matching tie, his now-thin hair neatly combed and always smelling clean at his 70 years of age. Ahmet Amca is a customer I cherish; I love to chat with him and he has priceless advices to offer me. He has five children, four of whom live in other cities. Whenever he goes to visit one of them, he makes sure to stop by and let me know. We have built a wonderful father-daughter relationship. He would visit me regularly every week. I would check his card and bill payments whenever it occurs to me, and call to tell him. During such a check, I saw that his bills were unpaid. He would always keep extra money, but not this time. And he had not stopped by in two weeks. Convinced that something was wrong, I immediately called him. It was such a relief when I heard **“Yes”** on the other end of the line after the third ring. Not realizing that somebody else answered the phone, in a rush I said how worried I was, and asked why he didn't stop by in two weeks. I realized I had been talking on and on, when the other person interrupted at the first opportunity he had to say, **“I am his son”**

I panicked once again. **“What happened to Ahmet Amca?”** I asked. His son told me he had a small accident but he was all right and could talk on the phone on speaker. Right then, I heard his voice saying **“I am all right, my girl.”** I felt a sudden relief and began hearing several voices in the room all saying hello to me. My Ahmet Amca said, **“Your big brothers and sisters are here. You are the only one missing. They are all saying hello to you.”**

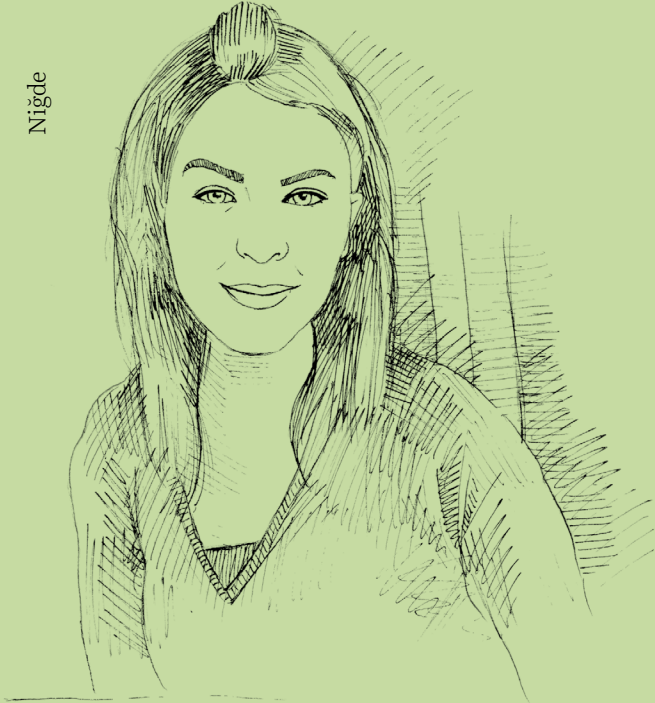
At that moment I realized I had truly become a member of that family. Not just me, but also my bank was a member of that family. I was so happy when I was told that, each and every one of his children had become customers of our various branches. Live long and well Ahmet Amca.

Please scan the QR code  
to listen to the story.



\* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes.

Nigde



**NUR ÜMİT**

Customer Representative

Ömer Bey, a regular credit customer of mine, and his wife Seher Hanım would show up personally every month to pay their installments. One day, Seher Teyze arrived alone and with tears in her eyes. Unfortunately, her husband Ömer Amca had passed away. With her grief still fresh, Seher Teyze was worried about how to repay the loan. She was unaware of the insurance linked to the loan. Since I was the one who had extended the loan, and knew that he died through natural causes, I told her about the life insurance and asked for the doctor's reports. After handling the procedures, the insurance payment arrived and the loan was repaid in full.

In the eyes of Seher Teyze, I was her guardian angel as I had overcome a huge problem for her, in the aftermath of her husband's passing. So she began coming to me for everything she needed.

I lost my mother in early 2015, when I was pregnant with my youngest son. We have a tradition here. Mothers with daughters put together a wedding gift for the grandchildren they will have. One day Seher Teyze walked in carrying a bag. Inside, there was a blanket, a vest and handkerchiefs she knitted for my son. ***"Your mother is irreplaceable but I count myself as your mother and I knitted these for my grandson,"*** she said. There are no words to describe my emotions at that moment. I still get tears in my eyes when I think of it. And Seher Teyze still comes to me although I have changed my branch and my post.

When you help your customers through hard times and make your way into their hearts, that leaves you with a solid friendship that lasts a lifetime...



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TRUE STORIES

GARANTI EMPATHY

# IT'S ALL ABOUT MAKING YOUR WAY INTO THE HEARTS



Erzurum - Lalapaşa

İLKNUR ÖNDER DAŞTAN  
Customer Service Staff

# OUR MATERIAL MATTERS

GRI 102-46, GRI 102-47

With this integrated report we aim to provide a coherent story of our activities. The basis of this story is the materiality analysis which enables us to identify the most relevant and important topics for Garanti and its stakeholders, the material issues. Material issues are mainly determined based on stakeholder dialogue and are plotted in the materiality matrix. The topics defined within the materiality matrix form the basis of this report, as set out in the 'About this report' section.

We performed our first materiality analysis in 2013. As we want to make sure that we are always in line with the needs of our stakeholders and to make sure that the identified material issues are still the most important, we perform an update of our materiality analysis at least once every two years. The last revision was finalized in the first quarter of 2017 and formed the basis for last year's report. We listened to our internal and external stakeholders and reviewed the connection between our corporate strategy and global trends which impact the banking sector.

We carried out a desk study and reviewed the trends, sectoral reports, reports of global banks, and advice by international professional organizations such as GRI and SASB. After identifying the long list of topics, we conducted a comprehensive stakeholder analysis and outreach by reaching all stakeholder groups via online questionnaires, focus group meetings and phone to gather their opinion. In the external trend analysis, we reviewed the priorities of initiatives which guide the business world and financial sector, such as the Sustainable Development Goals, UN Principles for Responsible Investments, and Global Alliance - for Banking on Values.

In executive interviews, we included the view of top management who are closely involved in determining the Bank's future strategy. The executives evaluated the topics according to the five-year corporate strategy and topics' risk and opportunity areas as well as their operational, reputational, strategic, legal and financial impact. In addition to executive interviews we

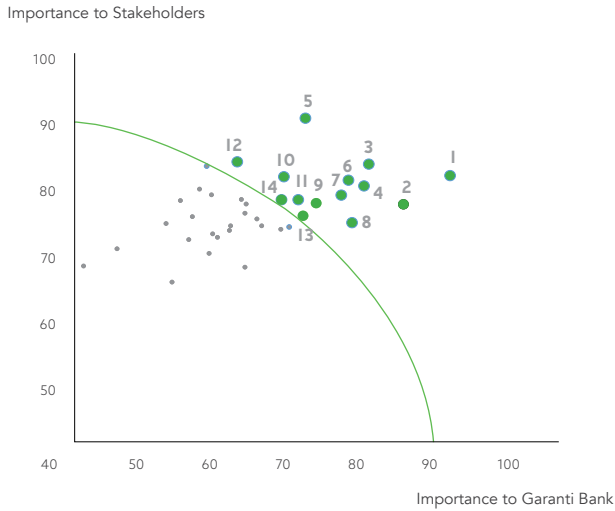
evaluated the topics through a four-step assessment called "Four Factor Impact Analysis". In the assessment, we ranked each topic according to the magnitude of impact, likelihood of impact and time frame (short, middle, long) in terms of;

- Direct financial impact and risk,
- Legal, regulatory and policy drivers,
- Opportunities for innovation,
- Industry norms, best practices and competitive advantage.

In an integrated governance approach, we finalized the Bank's material issues considering the alignment of topics with our integrated business strategy. Common topics which are highly important for both external stakeholders as well as our executives constituted the material issues and were clustered under 6 main topics: Customer Experience, Financial Performance, Digital Transformation, Corporate Governance and Risk Management, Investing in Human Capital, Responsible and Sustainable Development.



## MATERIAL ISSUES FOR GARANTI BANK AND ITS STAKEHOLDERS



The full list of issues can be found in Appendix I of 2016 Sustainability Report on page 40, 188 and 189. The Report is available on Garanti Investor Relations website.

## SUSTAINABLE DEVELOPMENT GOALS AND GARANTI BANK

On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development officially came into force. SDGs, adopted by the United Nations, guide the business world in terms of contributing to social development. The financial services sector should also adopt the SDGs for example by reshaping market opportunities in line with society's needs, to ensure a comprehensive, strong and stable economy for all individuals and to achieve social welfare in the world. The actions that we undertake to address the material issues contribute to the following SDGs and are explained in the Performance Section.

CLUSTER	# OF ISSUE	MATERIAL ISSUE	RELEVANCE TO SDG'S
CUSTOMER EXPERIENCE	1	Customer centricity and increasing customer satisfaction	
	8	Financial health and supporting customers in making conscious financial decisions	
FINANCIAL PERFORMANCE	4	Financial performance (including solvency) & direct and indirect impact on economy	
	5	Transparent disclosure of information for stakeholders	
12	Good corporate governance		
CORPORATE GOVERNANCE AND RISK MANAGEMENT	3	Risk and crisis management (including integrated management of financial and non-financial risks)	
	14	Compliance	
DIGITAL TRANSFORMATION	6	Customer privacy and information security	
	2	Digital transformation and technological advancement	
INVESTING IN HUMAN CAPITAL	10	Investing in human capital	
RESPONSIBLE AND SUSTAINABLE DEVELOPMENT	7	Management of customer ESG (Environmental, social and governance) risk	
	11	Climate change and energy	
	9	Pioneering the development of sustainable banking	
	13	Stakeholder dialogue	

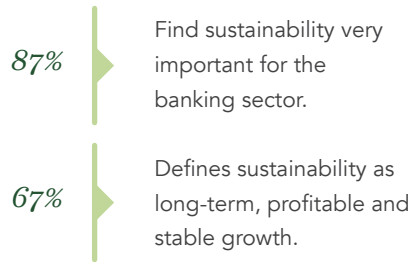
# STAKEHOLDER ENGAGEMENT

GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-46

Since our stakeholders, both internally and externally, are of great importance to us, regular communication with our stakeholders gives us the opportunity to be an inclusive Bank. The feedback from our stakeholders allows us to determine risk and opportunity areas more comprehensively as well as understand stakeholder expectations and meet their needs more sensitively. In addition to maintaining the dialogue with our stakeholders through various channels all year round we used the AA1000SE Stakeholder Engagement Standard as a reference to conduct the stakeholder engagement process in a more strategic and comprehensive way. With a 22% response rate we collected the opinion of 152 people through an analysis carried out by an independent company. Firstly, we grouped our stakeholders according to three criteria as directly impacting Garanti, indirectly impacting Garanti and bringing in new opportunities, insights and approaches. We prioritized our stakeholders, which were grouped as customers, employees, shareholders, investors, analysts, suppliers, NGOs and associations, media, universities, financial institutions, governmental institutions and international organizations according the criteria of dependency, influence, proximity, representation, policy, strategic intent and responsibility. Based on this analysis Garanti's key stakeholder groups are Customers, Shareholders, Employees, Investors, Government Agencies & Regulatory Bodies, and Financial Institutions. We reached

most of the prioritized stakeholders via online surveys. We also interviewed our shareholders face-to-face or by telephone, held a focus group meeting with the Sustainability Representatives in the Head Office and conducted interviews with 10 senior managers directly reporting to the Board and the CEO. The stakeholders were requested to prioritize the relevant topics and share their opinions and expectations about the perception of important trends and Garanti Bank's practices. While 14 issues have been identified as material by our stakeholders the top five issues are customer centricity, risk and crisis management, digital transformation, transparent disclosure of information for stakeholders and financial performance.

**MOST OF OUR STAKEHOLDERS EXPECT GARANTI TO KEEP PIONEERING SUSTAINABILITY AND RAISING AWARENESS AMONG ITS EMPLOYEES AND CUSTOMERS.**



Some of the important issues which are a result of our continued stakeholder dialogues during the reporting period are as follows.

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
CUSTOMERS	<ul style="list-style-type: none"> <li>Increasing expectations on faster service, less waiting time and better service experience especially in branches</li> <li>New demands due to new technologies and digital world</li> <li>Increasing need for being informed about the regulatory changes surrounding FX loans and foreign trade.</li> </ul>	<ul style="list-style-type: none"> <li>Customer centricity and increasing customer satisfaction</li> <li>Financial health and supporting customers in making conscious financial decisions</li> <li>Customer privacy and information security</li> <li>Digital transformation and technological advancement</li> </ul>	<ul style="list-style-type: none"> <li>Garanti continued to turn its branches into new service model in 2018. New model captures the benefits of the emerging digital world with the aim of offering an all-around excellent banking experience.</li> <li>Garanti launched a chatbot called "Bilge" (The Wise) in its customer careline in order to improve customer service quality by its agents. Knowing all the information needed to resolve customer issues in a practical way, Bilge answers more than 10,000 queries per month. Thanks to Bilge Garanti shortened the average duration of service to customers via customer careline over half a minute.</li> <li>Further improved the customer experience in digital channels with the releases of;                             <ul style="list-style-type: none"> <li>QR code based transaction options<sup>1</sup>,</li> <li>Video call authentication for transactions that needed to be performed through branches or Call Center before</li> <li>Integrated in-app search engine for Garanti Mobile App, displaying specific functions, recent transactions and suggestions</li> <li>Launched credit card application and limit increase tracking - from initial evaluation to delivery status in BonusFlaş</li> <li>Added card blockage functions - 24 hours temporary &amp; international blockage and international transactions notifications</li> </ul> </li> <li>Garanti also redesigned mobile and online services for SME customers to enable them monitor critical products and accounts as well as their cash flow and general summary easily.</li> <li>Organized informative foreign trade seminars to customers whereby the customers were updated about the legislative changes.</li> </ul>

<sup>1</sup> QR Money Transfer, enabling faster and easier account details sharing, QR Bill Payment, scanning the QR code on physical bill to pay

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
<p><b>SHAREHOLDERS AND INVESTORS</b></p>	<ul style="list-style-type: none"> <li>• Expecting more transparency on the following issues:                             <ul style="list-style-type: none"> <li>- Following the sharp currency depreciation in August, investors' were questioning the International Funding availability and sector's FC Liquidity</li> <li>- Due to adverse macro conditions, investors were questioning the extent of asset quality deterioration                                     <ul style="list-style-type: none"> <li>- Market Volatility</li> <li>- Currency Volatility</li> <li>- Interest Rate</li> </ul> </li> </ul> </li> <li>• More detailed disclosure on the carbon intensity of loans</li> </ul>	<ul style="list-style-type: none"> <li>• Financial performance (including solvency) &amp; direct and indirect impact on economy</li> <li>• Good corporate governance</li> <li>• Transparent disclosure of information for stakeholders</li> <li>• Risk and crisis management (including integrated management of financial and non-financial risks)</li> <li>• Stakeholder dialogue</li> <li>• Climate change &amp; energy</li> </ul>	<ul style="list-style-type: none"> <li>• Garanti and Sector's FC Liquidity buffer vs. short term external debt analysis was shared with investors to ease their liquidity concerns</li> <li>• Providing USD &amp; EUR funding from foreign banks in syndicated loan format, supporting the FX funding base at longer maturities (up to 2 years),</li> <li>• Healthy communication of the funding received to the market and to the investment community.</li> <li>• Attended investor conferences and roadshows to inform the investors about the liquidity states</li> <li>• Organized Financial Institutions Day in London &amp; Dubai with the participation of CEO to share the macro view along with the strong solvency, high provisioning and comfortable liquidity</li> <li>• Increased transparency in the earnings presentations: detailed sectoral breakdown</li> <li>• Detailed explanation about the differentiated and prudent staging as well as the coverage details</li> <li>• Additional free provisions were set aside in 3Q18 &amp; 4Q18 for any negative circumstances that may arise. Total free provisions in the balance sheet reached to TL 2.25 billion.</li> <li>• Increased engagement of the CEO visibility with the investors and the media</li> <li>• In order to address the investor concerns following the sharp depreciation, Garanti IR team increased engagement via conferences, roadshows and conference calls. IR team reached 642 investment firms in 1H18, corresponding to 68% of the meetings held in 2018</li> <li>• Provisions due to currency depreciation are 100% hedged.</li> <li>• High share of CPI-linkers (share in the TL securities: 60%) serves as a hedge against volatility in interest rates &amp; inflation.</li> <li>• Interest rate sensitivity analysis was shared with the investment community</li> <li>• Garanti has been responding to CDP Climate Change since 2009 and CDP Water since 2015 and publicly share all our reports on our websites. We are also among the first supporters of TCFD Recommendations. In this year's report we have also shared the carbon-related loans ratio of our Project Finance/CIB<sup>2</sup> Portfolio and total amount of financing mobilized to low carbon investments.</li> </ul>

<sup>2</sup> Corporate and Investment Banking



STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
<p><b>EMPLOYEES</b></p>	<p>Increasing the employee focus and satisfaction within the Bank practices and ensuring employee representation in HR processes and decision mechanisms.</p>	<ul style="list-style-type: none"> <li>• Investing in human capital</li> <li>• Good corporate governance</li> <li>• Stakeholder dialogue</li> </ul>	<p>Garanti employees share their ideas and suggestions on various platforms called Önersen, Gong (Developing Opinion and Suggestion platform), Atölye and "Sor/Paylaş" (Ask &amp; Share) section on intranet portal. In 2018, 674 opinions and suggestions regarding Human Resources practices (such as Online Training Platform, corporate discount programs, treats for employees' motivation, etc.), and the working environment were shared on GONG and 1,313 ideas on "Önersen" (more than 23,000 ideas since 2007). Besides these idea generating platforms, all employees shared their opinions about their managers' and colleagues' strengths and improvement areas with 360-degree feedback survey. Our HR teams are actively working on other raised issues to increase employee satisfaction.</p> <p>In 2018, the highlighted HR practices whose executions were developed upon employee suggestions and requests, are free of charge wi-fi service and casual dress code for HQ locations, the launch of HR chatbot, named Sorbi, the shift in the meal card company for the branch employees, improvements to increase the annual leave ratio and decrease the overtime hours.</p>

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
<p><b>GOVERNMENT AGENCIES AND REGULATORY BODIES</b></p>	<ul style="list-style-type: none"> <li>• Personal Data Protection Board has announced procedures and principles of the Data Controllers Registry. It has also outlined the details about applications and information which must be filled with the registry. The Board has also published the dates which data controllers must register.</li> <li>• A regulatory body conducted an extensive sustainability study for banks in Turkey. In that regard they shared a detailed survey requesting quantitative and qualitative targets and practices on ESG issues with each bank. This indicates that ESG issues could be integrated into regulation in the near future.</li> <li>• The Ministry of Environment &amp; Urbanization asked the Banks to provide support on COP Turkey pavilion events and negotiations.</li> <li>• Advisor of Minister of Energy and Natural Resources and Board Member of Tamsan A.Ş. asked several Banks to provide feedback on their needs to finance small scale energy efficiency projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent disclosure of information for stakeholders</li> <li>• Compliance</li> <li>• Management of customer ESG (environmental, social and governance) risks</li> <li>• Climate change &amp; energy</li> <li>• Risk and crisis management (including integrated management of financial and non-financial risks)</li> </ul>	<ul style="list-style-type: none"> <li>• Garanti started an IT project which makes this registry process more effective. In scope of this project Bank's personal data inventory will be reviewed in light of the regulatory framework. Besides in order to keep the inventory up to date, follow-up structure will be improved.</li> <li>• Garanti has been advising on regulatory bodies such as BRSA CMB<sup>3</sup>, and Istanbul Stock Exchange regarding non-financial issues to be included in the regulatory framework, and working closely with these institutions. provided detailed information to the BRSA through this survey.</li> <li>• Garanti organized several panels at the side events hosted by the Ministry of Environment &amp; Urbanization at COP24 focusing on sustainable finance practices of Garanti Bank and joint efforts of Banking sector in Turkey to support transition to a low carbon economy. Garanti Bank is also committed to provide support to technical studies and sectoral workshops organized by the Ministry to contribute climate negotiations.</li> <li>• Garanti Bank proposed a financing model for small scale energy projects. The proposal included the establishment of new schemes to license and approve vendors by the relevant regulatory bodies.</li> </ul>

<sup>3</sup> Capital Markets Board

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
<p><b>FINANCIAL INSTITUTIONS</b></p>	<ul style="list-style-type: none"> <li>• Credit ratings of debt instruments were lowered by some credit rating firms during the year</li> <li>• As the Chair of the UNGC Network Turkey's Sustainable Banking &amp; Finance working Group, Garanti is expected to lead the efforts to contribute the financial sector's contribution to SDGs.</li> </ul>	<ul style="list-style-type: none"> <li>• Pioneering the development of sustainable banking</li> <li>• Management of customer ESG (environmental, social and governance) risks</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiations and amendments to relevant clauses in existing and new agreements have been made throughout the year.</li> <li>• The WG expanded the scope of Sustainable Finance Declaration to include a decrease in investment amount limit and some provisions to ensure better control of Banks on the impact of projects financed by them.</li> <li>• Organized a workshop to include all players in the financial sectors other than banks under UNGC Network Turkey's Sustainable Banking &amp; Finance Working Group. In the workshop we invited insurance, pension funds, leasing, factoring, securities, and asset management companies, and shared the best ESG management practices in order to raise awareness and build capacity.</li> <li>• Organized a series of stakeholder feedback meetings with other banks and international financial institutions for the draft version of UNEP FI Principles for Responsible Banking.</li> </ul>

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
<p><b>TOP MANAGEMENT</b></p>	<ul style="list-style-type: none"> <li>• Developing innovative solutions to support our customers on improving their sustainability performance</li> <li>• Developing products and solutions to support customers' financial health and enhancing the Bank's "advice" capabilities through digital channels by utilizing big data analysis and AI in line with the Bank's TCR principles</li> <li>• Ensuring the delivery of sustainable financial results by closely monitoring market developments and addressing key challenges such as liquidity, capital management, credit risk management, etc. with a special emphasis given the turbulent period</li> <li>• Continuously enhancing customer experience aligned with the goal of being most recommended bank by our customers</li> <li>• Providing a safe, healthy, and happy workplace for employees where their well-being and personal development are fully supported</li> <li>• Becoming a data-driven organization and assuring the responsible use of data</li> </ul>	<ul style="list-style-type: none"> <li>• Management of customer ESG (Environmental, social and governance) risks</li> <li>• Financial health and supporting customers in making conscious financial decisions</li> <li>• Digital transformation and technological advancement</li> <li>• Financial performance (including solvency) &amp; direct and indirect impact on economy</li> <li>• Customer centricity and increasing customer satisfaction</li> <li>• Investing in human capital</li> <li>• Customer privacy and information security</li> </ul>	<ul style="list-style-type: none"> <li>• Garanti launched its Green Loan structure where the margin of the loan is directly linked to the sustainability performance of the borrower. We signed the first Green Corporate Loan with Zorlu Energy in June 2018 for a US\$10 million corporate Loan. This loan agreement is the first of its kind in Turkey. In August 2018 Garanti initiated the efforts for Turkey's first ever Green Project Finance Loan which was signed with 4 local and 2 international banks.</li> <li>• Digital Banking teams started to work on a project to increase financial health. Financial Health is a global project in which 5 countries set a common path for this project's definition. While aiming increasing financial literacy of Garanti customers and making them aware of their financial status, we are working on Financial Health function that will be implemented in Garanti Mobile Banking app by showing customers their status on savings and expenses. Customers will get information about their financial status around savings-expenses, they will be offered insights and special action plans to improve their Financial Health. Finally, a percentage about whole progress will be shown to customers. Digital Banking teams work with Business Intelligence teams in order to cluster Garanti Bank customers by considering their spending – earning behavior with focusing on big data analysis.</li> <li>• Garanti took many actions to deliver sustainable financial results even in the toughest environment such as increasing transparency and engagement, hedging, setting aside additional free provisions, etc. Please refer to the detailed explanation provided in the Shareholders &amp; Investors row.</li> <li>• In Customer Committees and other relevant management meetings, assessing the customer feedback received from several channels such as surveys, complaint handling platforms etc. management assigned significant time to elaborate on areas for improvement and give guidance for customer experience improvement projects. In that regard, Garanti improved its critical customer journeys head to toe, strengthen its emotional connection with its customers, and redesigned its complaint handling process.</li> <li>• 2018 was another year that marked important milestones in terms of employee satisfaction. Taking employee requests into consideration, many initiatives were approved for workplace improvements such as enhancements in performance measurement system for the branches. Garanti also debuted its state-of-the-art Pendik Technology Campus and transferred its all relevant units.</li> <li>• In 2018, Garanti launched its "Data Governance" and "Data Transformation" projects in order to take its big data analysis and value creation abilities to the next level. Data Governance project aims to establish a governance model where data is seen as an asset. The new data governance structure will enable Garanti to effectively manage data security, privacy, and accessibility in compliance with all relevant regulations.</li> </ul>


STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
<p><b>NON-GOVERNMENTAL ORGANIZATIONS AND ASSOCIATIONS</b></p>	<ul style="list-style-type: none"> <li>• Sharing our know-how and in-depth experience in ESG Management and Sustainable Finance</li> <li>• Aligning our portfolios with low carbon pathways</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent disclosure of information for stakeholders</li> <li>• Pioneering the development of sustainable banking</li> <li>• Stakeholder dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• In May 2018 Garanti launched its Sustainability Website in order to share the recent developments in sustainability and Garanti's practices along with case studies and best practice examples from our stakeholders.</li> <li>• Garanti is the only founding member bank from Turkey in UNEP FI's Principles for Responsible Banking Core Group. The Principles, aimed at aligning the banking sector with UN Sustainable Development Goals (SDGs), will provide substantial contribution to these goals along with the Paris Agreement through setting the roadmap for the banking sector. Defining the new role of the banking in the 21<sup>st</sup> century society and economy, they aim to maximize the impact of the banking sector on achieving a sustainable, equal and prosperous future.</li> <li>• Beginning from 2014, 100% of the total amount of financing to greenfield electricity production investments in project finance activities has been provided to renewable investments</li> </ul>

# RISKS AND OPPORTUNITIES

GRI 102-46

2018 was another year of great challenges and opportunities. The major risks businesses are and will be facing today and tomorrow are not the same as yesterday. Within this chapter we will share 11 types of risks and opportunities that we believe are relevant for the banking sector, shaped by this year's mega trends and how they impact Garanti and our stakeholders.

Below mentioned risks and opportunities are addressed through a variety of hard and soft controls such as Garanti's risk management approach and through initiatives carried out under the framework of material issues as explained in performance chapters and in the "Corporate Governance & Risk Management" section.

 Challenges and opportunities with regards to the Turkish Economy and Turkish Banking Sector are further addressed in "The Environment We Operate In" section.

## BUSINESS ENVIRONMENT

Global growth rates have been on a decelerating trend. There are a few major risks posing a threat on global growth in the mid-term: stabilization in the US growth with a possibility of a recession, trade frictions stemming from the US-China dispute, political risks in Europe and geopolitical risks in the Middle East. In an environment of rising uncertainties, investors become more selective and funds are allocated more to quality stocks. In such an environment, we will focus on expanding our shareholder base and continue to deliver the value generation through our sustainable business model. Garanti is the proxy and the most liquid stock of Turkey; therefore, changes in the global sentiment towards the region may have a direct impact on Garanti's market valuation. In order to cope with the impacts of the sudden shifts in markets, we target to increase the share of our long-only funds in our shareholder base and diversify their geography.

## 2018 MEGA TRENDS AND RISK DRIVERS

**BUSINESS**

- Customer Empowerment
- The Future of Work
- Competition for Talent
- Transparency
- Efficiency
- Transition Risks (Regulatory Landscape)
- Demand for Customization
- Empowered Women
- Next-Gen Workforce
- Social Media
- Connectivity

**ECONOMY**

- Sustainable Finance
- Capital Allocation
- Financial Health & Inclusion
- Sharing Economy
- Globalization

**SOCIETY**

- 21<sup>st</sup> century Skills Gap
- Sustainable Development
- Growing Inequalities
- Forced Migration
- Food Security
- Entrepreneurship

**ENVIRONMENT**

- Climate Change
- Extreme Weather Events & Natural Disasters
- Resource Scarcity
- Environmental Awareness

**TECHNOLOGY**

- Automation
- Big Data, IoT & AI
- Cloud
- Cybersecurity
- Blockchain & Cryptocurrencies
- Data Privacy & Responsible Use of Data
- Digitization

In the light of macro developments, we aim for optimum capital allocation and work to sustain the risk-return balance. For sustainable value creation, we adopt a capital generative growth strategy. As a consequence of the rebalancing in Turkish economy, we foresee a decrease in foreign currency lending, accompanied by a slowdown in Turkish lira lending.

The operating environment is transforming and within this transformation, efficiency is among the top priorities of many banks. The transformation of the sector is shaped by three main factors that interact with each other: (i) continuous development in technology, (ii) customer expectations that are redefined every day by the developments in technology and the needs of the changing world, (iii) a competitive environment that requires better understanding of customers than ever before and the ability to offer the right service in a timely manner by closely monitoring their changing expectations. In such a dynamic operating environment, every point of the banking value chain is being redesigned in a structure that is integrated with new technologies. Accordingly, we started a transformation journey and redesigned our branches bringing to life a new lobby service model and a new branch layout, digitized processes, empowered employees and enhanced customer journey. With the branch transformation, we successfully increased efficiencies while highly compatibly satisfying the changing needs of the customers.

Rapid changes in the world are introducing new risk factors to be considered in investment decisions. Changing trends compel investors to assess the impact of global warming, changing demographics, privacy concerns and regulatory framework on their investments. This realization gave rise to ESG investing. We are aware of the transition risks and the increasing demands of the ESG investors. Being a company listed not only in Turkey but also in the UK and the US, we always strive to operate within globally recognized high standards. In order to better address the needs of our diversified shareholder base, we published our first Integrated Annual Report in 2017 in line with IIRC standards. Paying the utmost attention to transparency, we simultaneously make the public information available on our Investor Relations Website as well as our Sustainability Website both in Turkish and English, and publish all relevant disclosures on the international disclosure platforms of the US and the UK. We also comply with the corporate governance principles set by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other applicable legislation.

We pay maximum attention to implement these principles. We periodically update our reports and website, making them available to all our stakeholders.

## CONTRIBUTION TO SUSTAINABLE DEVELOPMENT



Environmental, social and economic trends such as increasing population, diminishing resources and the broadening wealth gap are among the grand challenges facing our society today. To tackle these issues, governments and the business world must focus on positive impact and responsible investments. The momentum gained by the UN Sustainable Development Goals (SDGs) triggered concrete actions all around the world. Achieving the SDGs globally will require USD 5 to 7 trillion a year until 2030. For the developing countries, this means a USD 2.5 trillion gap per year. This only further emphasizes the critical role of financial institutions. Being fully aware of its important role, in 2018, the banking sector embarked on a journey to redefine and reformulate its responsibilities for achieving sustainable development. Under UNEP FI, 28 banks jointly representing over USD 17 trillion in assets from five continents around the world, where Garanti was the only bank from Turkey, came together to develop the Principles for Responsible Banking. These principles, announced during the UNEP FI Regional Roundtable in Paris on November 26<sup>th</sup>, will align the banking sector with the SDGs and the Paris Climate Agreement.

As set out in our Sustainability Policy adopted in 2014, Garanti aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. Garanti also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives. Furthermore, we are aware of the need to collaborate and engage with our peers and suppliers on a global level to identify new opportunities, capture emerging best practices & products, and remain a sustainability leader in Turkey. We position ourselves as an advisor for all our stakeholders for sustainable business. In 2018, Garanti offered 34 different types of loans and products to contribute to sustainable development.

One of the solutions that Garanti offered in 2018 had been the newly designed green loan structure to encourage our customers to embrace sustainable business models. Garanti signed Turkey's first and the world's fifth Green Loan Agreement with Zorlu Energy for their USD 10 million corporate loan. In the green loan structure, the margin of the loan is directly linked to the sustainability performance of the borrower. A couple of months later, it was also followed by Turkey's first ever Green Project Finance Loan signed between Akfen Renewable Energy and 4 local & 2 international banks, where Garanti is the 'facility agent' and 'green loan coordinator'. The total investment cost of the project is USD 350 million, with USD ~210 million thereof converted into a 'green project finance' agreement. Based on this deal, the pricing will change according to the annual sustainability performance of Akfen.



In Our Material Matters Section, we explain how Garanti addresses the SDGs through the actions we undertake under each material issue and refer to the relevant sections of this Report.

## CLIMATE CHANGE ADAPTATION



As predicted in the World Economic Forum Global Risk Report 2018, major global risks arose from climate-related events. Natural disasters that claimed lives and destroyed property globally dominated the news throughout the year. The World Bank has calculated that the real cost to the global economy is a staggering USD 520 billion per annum, with disasters pushing 26 million people into poverty every year.<sup>1</sup>

According to a recently published UN Report, there is a very sharp increase in the number of climate-related events, which are actually creating 77% of the total direct economic losses caused by disasters. The reported loss of resources and assets like homes, factories and farms due to more frequent and widespread climate-related disasters rose 151% compared to the previous 20-year period. In the last two decades, 1.3 million people have been killed and 4.4 billion were impacted by natural disasters worldwide; reported economic losses from earthquakes, volcanic eruptions, floods, hurricanes and other climate-related disasters surged to total nearly USD 2.9 trillion over the past 20 years.<sup>2</sup>

We observe a similar trend in Turkey as well. According to the most recent report released by the Turkish State Meteorological Service, 598 extraordinary weather events occurred in Turkey in 2017. The concerning trend since 2000 shows that there is a 4-event increase per year. The breakdown of the extremely damaging events that occurred in 2017 is 36% storm & twister, 31% extreme precipitation & floods, 16% hail, 7% strong snow, 1.5% snowball & frost, and 1% other.<sup>3</sup> This is another clear indication that Turkey is both physically and economically prone to these risks and must take immediate action for adaptation and mitigation. As Garanti, we contribute to Turkey's battle against climate change by prioritizing renewable investments, applying detailed environmental & social due diligence, promoting energy efficient buildings and electric & hybrid cars, as well as supporting efficient systems in agriculture. Since 2014, our entire greenfield energy generation projects in the project finance portfolio consisted of renewable investments. To date, we have provided USD 5.1 billion to renewable energy, and hold the market leader position for wind power projects with 28.1% market share. Garanti's environmental and social impact assessment process is fully compliant with international standards. In 2018, a total of 8 of projects with a loan amount of USD 281 million were subjected to our ESIAM. Through detailed action plans based on these due diligences, E&S impacts were minimized.

As a country in the drought zone, Turkey will experience severe droughts and heatwaves in addition to extreme precipitation and floods. Turkey is among the countries that will be extremely water-stressed by 2040.<sup>4</sup> If projections come true, with the expected population growth to 100 million people, Turkey will be among the water poor countries by 2030. As we explained in our 2018 CDP Water Security Report, the ratio of financing provided to projects prone to water-related risks by Garanti was 55.2% in our 2017 project finance portfolio. We applied ESIAM to these projects in order to manage E&S risks including those that are water-related. We adopt a holistic approach in order to raise awareness and encourage each segment of the society to take action. For retail banking, we rolled out our Green Mortgage product to promote efficient and environmentally-friendly buildings, under which total financing provided to date amounted to USD 368 million.

<sup>1</sup> <https://www.worldbank.org/en/results/2017/12/01/climate-insurance>

<sup>2</sup> [https://www.unisdr.org/files/61119\\_credeconomiclosses.pdf](https://www.unisdr.org/files/61119_credeconomiclosses.pdf)

<sup>3</sup> <https://www.mgm.gov.tr/FILES/iklim/yillikiklim/2017-iklim-raporu.pdf>

<sup>4</sup> <https://www.wri.org/blog/2015/08/ranking-world-s-most-water-stressed-countries-2040>



In 2018 we witnessed the continued enhanced collaboration and dedication to combat climate change around the globe. UNEP FI launched a pilot project for TCFD<sup>5</sup> implementation in the financial institutions. Our majority shareholder BBVA was also among the 16 banks that participated in the pilot. The main goal of the pilot was to help banks assess the transition-related exposures in their corporate loan portfolios. This represents a first step in the development of methodologies, but further work is needed to improve the ability to assess physical risks and opportunities of climate change. Three combinations of timeframes and temperature scenarios are considered: 2020s -2°C and 4°C; 2040s -2°C; and 2040s -4°C. A range of extreme weather and climate events are assessed. Estimates of changes in revenue, costs and property value are used to evaluate changes in credit risk for individual borrowers and sector portfolios. Garanti will initiate the process to align its operations and disclosures accordingly in the coming years. This new challenge of improving our environmental disclosure will further enhance our existing track record under the global environmental reporting framework.



Specific examples of activities undertaken to address this issue are explained in the Responsible and Sustainable Development section.

## SWITCHING FROM FOSSIL FUELS TO RENEWABLES



Divestment from fossil fuels was again a growing trend in all sectors, especially the financial sector. A joint declaration was adopted during the One Planet Summit between the 23 national and regional development banks from the International Development Finance Club (IDFC) and multilateral development banks to increase funding dedicated to the implementation of the Paris Agreement. The World Bank announced its plan to discontinue its financing of upstream oil and gas projects in 2019. Countries also started to announce their pledges to decarbonizing their economy by initiatives like Powering Past Coal Alliance as well as commitments to apply a more significant carbon price. As we declared in our Climate Change Action Plan in 2015, we continued to prioritize renewable energy investments in 2018. To date, loans provided to such projects exceeded USD 5.1 billion. As a pioneer in financing renewable energy projects and being

the largest lender for wind projects in Turkey, Garanti Bank exceeded its goal of prioritizing renewables in project finance as 100% of the total resources allocated to greenfield energy investments was allocated to renewable investments in 2018. Moving forward, Turkey's estimated climate-smart investment potential is estimated to be USD 270 billion between 2016 and 2030. This also clearly shows the future investment need and the critical role of financial institutions. Specific examples of activities undertaken to address this issue are explained in the Responsible and Sustainable Development section.

## TRANSITION RISKS



As governments and the business world started to take concrete actions for climate change, these steps also brought along some regulatory updates. We saw various incentives as well as new limitations and restrictions from governments. One of the widely discussed regulatory changes is in regard to carbon pricing. There is a collective global project called Partnership for Market Readiness (PMR) led by the World Bank. PMR is a multi-stakeholder project where numerous players in the carbon pricing field is brought together to support the preparation and implementation of climate change mitigation policies in order to scale up GHG mitigation such as carbon pricing instruments. Turkey is an active member of the project and among the 19 implementing countries. The Ministry of Environment and Urbanization is currently working on a structure to implement a national ETS. As Garanti, we have a holistic approach to manage these risks and to reduce the carbon intensity of our portfolio. Firstly, we apply a shadow carbon price and positive pricing on renewable investments in our lending activities within the project finance scope. Secondly, we apply a combined Sensitivity Analysis to decrease the dark/spark spread. Finally, we minimize and eliminate E&S risks through our detailed due diligence process in line with international standards. We also pledged to have a minimum of 70% renewable share by 2020 in our project finance transactions. Since 2014, 100% of all greenfield energy generation projects financed by Garanti was allocated to renewable investments.

Another busy area in terms of regulatory changes was data protection. With the new Law on the Protection of Personal Data that came into force in 2016, we had to update all our procedures, contractual agreements, and processes. The said

<sup>5</sup> Task Force on Climate-related Financial Disclosures

law is the first regulatory legislation in this field and it provides comprehensive protection for the personal data of individuals. The law also aims to protect individuals' interests, while regulating the processing of personal data and eliminating insecure personal data processing environment. In this context, we first made a risk prioritization and developed an action plan within the frame of a compliance program. Governance of this program is managed by a data protection team. Main actions under the compliance program are as follows: preparation of personal data inventory, integration of explicit consent and information form to core banking transactions, and destruction of expired personal data. However, identification and follow-up of KPIs, review of archive processes, and keeping all inventories up-to-date with automated processes are considered as improvement areas.

The Compliance Department also made further investments in anti-money laundering and counter terrorism financing programs, and incorporated these programs into Garanti's systems. The Department also started on projects where big data analysis is utilized to tackle these risks.

## GROWING INEQUALITY



In the Global Wage Report, the International Labour Organization highlighted that worldwide earnings growth has been decelerating since 2012. According to the IMF, over the past three decades 53% of countries have seen an increase in income inequality, with this trend becoming particularly pronounced in advanced economies.<sup>6</sup> Rising income and wealth disparity ranks third as a driver of global risks over the next 10 years.

Political and economic landscape is not the only driver for growing inequality. Without the right policies to keep the poor safe from extreme weather and rising seas, climate change could drive over 100 million more people into poverty by 2030. This number will just be an addition on top of the 900 million people expected to be living in extreme poverty if development progresses slowly. UN Office for the Coordination of Humanitarian Affairs' Global Humanitarian Overview (OCHA, 2018) estimates that 134 million people would require humanitarian assistance worldwide in 2018. It further estimates that around 97.4 million people would be selected for

international assistance under the joint humanitarian response plans, leaving a 27% gap.<sup>7</sup> 2018 World Disasters Report also states that there are 12.8 million people in Turkey in need of assistance.<sup>8</sup>

It is also estimated that 200 million people will be displaced due to climate change by 2050, where Turkey is considered to be among the countries that will attract immigrants and consequently will be significantly affected due to limited resources. Climate change was not the only factor in the increasing inequality trend. Turkey already hosts more refugees than any other country. Considering the predicted migrations due to climate change in addition to the current situation, the issue becomes even more urgent and challenging.

Tackling these challenges requires extreme determination and dedication globally. Growing inequality is resulting in devastating economic and social impacts. The fight against inequalities related to wealth gap, gender, race, ethnicity and social class will be of paramount importance in the coming years.

Garanti is dedicated to tackle this problem by improving financial health of its customers and offering innovative solutions for financial inclusion. With 34 different products and solutions, we helped 85% of our customers to make better-informed financial decisions in 2018.

Another global effort to reduce inequalities is seen in gender equality. Especially the business world is taking strong initiatives and driving significant impact to tackle this issue. Several studies show that not having a diverse group of people causes less profitability. On the other hand, increasingly more directives require concrete and effective measures to promote diversity and inclusion in companies.

Creating and fostering a more diverse workplace for our employees is part of our diversity and inclusion strategy. We follow up data analysis concerning different aspects like gender, age, education, etc. and take measures for these groups. At Garanti, the overall ratio of women employees is 58% for the whole Bank and 40% for managers and higher levels. With its pioneering practices in this field, Garanti has qualified to be included in the Bloomberg Gender Equality Index for three consecutive years as the first and only company from Turkey.

<sup>6</sup> [http://www3.weforum.org/docs/WEF\\_GRR18\\_Report.pdf](http://www3.weforum.org/docs/WEF_GRR18_Report.pdf) <sup>7</sup> <https://media.ifrc.org/ifrc/wp-content/uploads/sites/5/2018/10/B-WDR-2018-EN-LR.pdf>

<sup>8</sup> <file:///C:/Users/cerenso/Downloads/B-WDR-2018-EN-LR.pdf>

In order to attract, maintain and cultivate talent in a company, it is essential to have modern diversity and inclusion policies capable of integrating people from different professional and personal backgrounds and allowing them to grow professionally.



Examples of such activities can be found in Investing in Human Capital and Customer Experience sections.

## SUPPORTING ENTREPRENEURSHIP



Youth unemployment is set to remain an important global challenge - particularly as demographic shifts in developing countries gather pace - and will continue to amplify numerous domestic and global risks, including social exclusion, mass migration and generational clashes over fiscal and labour-market policies.<sup>9</sup> According to the latest results of an annual World Economic Forum survey of more than 30,000 young people globally in 2017, respondents from MENA cited the "lack of economic opportunity and employment" as the most serious issue facing their country.<sup>10</sup> As Garanti, "Bringing the age of opportunity to everyone" is our purpose and we are strongly urging our customers and society to tackle this challenge.

In order to realize our purpose, we carry out many initiatives that support entrepreneurship. In June 2016, we have launched GarantiPartners Entrepreneurship Base in collaboration with Boğaziçi University Business Angels (BUBA) Angel Investors Platform to help flourish the entrepreneurial ecosystem in Turkey. GarantiPartners helps startups grow with specific support, develops strategies together with the entrepreneurs, helping them prepare a comprehensive business plan to put their projects into action, and contributes to their sustainable growth. During this process, we provide working space, mentorship, cooperation and references, marketing activities, consultancy services, training and seminars, technical and infrastructure support and access to finance for these initiatives. In 2018, GarantiPartners organized 24 events for entrepreneurs and the entrepreneurial ecosystem. Today, 13 startups are supported by the program.

We are also the main sponsor of the Entrepreneurship Foundation (Girvak) working to drive the culture of entrepreneurship and encourage the youth to consider entrepreneurship as a career alternative since 2014.

Another important segment that we focus on is women entrepreneurs. Women's share in the workforce is only 33% in Turkey, whereas the OECD average is 63%. If Turkey can reach the OECD average by 2025, the GDP will increase by USD 250 billion. Realizing the support that women need in this area, Garanti launched its Women Entrepreneurship Program in 2006. Our efforts in empowering women entrepreneurs are categorized under 4 topics: "providing finance", "encouraging", "training" and "accessing new markets". To date, we have provided TL 5.5 billion financing to women entrepreneurs. In 2018, we launched our Gender Bond for USD 75 million in collaboration with the IFC to support women entrepreneurs. This also marks the first social bond in Emerging Markets. Our competition aimed at encouraging women entrepreneurs, Turkey's Women Entrepreneur Competition, received 37,000 applications in its 12<sup>th</sup> year. 2,000 women completed our Women Entrepreneurs Executive School, which we offer in partnership with Boğaziçi University Lifelong Learning Center.

On the other hand, digital transformation enables customer empowerment in a variety of ways. As customers now expect to be better understood by companies, they also proactively offer their insights and creative ideas to companies for better product development. They expect companies to support their ideas or ventures, sometimes even develop partnerships to grow their businesses. This interaction allows companies to build stronger bonds and greater connection with their customers.

As a financial institution we also closely monitor the developments in the FinTech sector. FinTech companies with disruptive technologies can offer great potential for the banking sector to improve their systems and offer better solutions. As a pioneer bank in digital banking, we have been interacting and building partnerships with such companies for a while. Furthermore, as part of the BBVA Group, we are a member of BBVA's Open Innovation Team, a dedicated team that looks into various opportunities through FinTech companies. This team also organizes the biggest FinTech Competition in the world. As Garanti, we have been organizing the Turkish chapter of this competition for the past 3 years, which provides FinTech startups offering direct or indirect solutions to the finance world with the opportunity to compete at the international level. This competition provides a great opportunity for these startups to advertise themselves globally.

<sup>9</sup> [http://www3.weforum.org/docs/WEF\\_GRR18\\_Report.pdf](http://www3.weforum.org/docs/WEF_GRR18_Report.pdf) <sup>10</sup> Global Shapers Community. 2017, Shapers Survey, <http://www.shaperssurvey2017.org/>



Detailed information can be found in Customer Experience and Responsible and Sustainable Development sections.

## DIGITAL TRANSFORMATION



Automation has already been a disruptive labor-market force, and its effects are likely to be long lasting as new technologies diffuse throughout the global economy. For the foreseeable future, automation and digitalization can be expected to push down on levels of employment and wages, and contribute to increases in income and wealth at the top of the distribution."<sup>11</sup>

The disruptive new technologies and advancements are changing the world as we know it and the way we do business. 75-375 million people may need to switch occupational categories by 2030, under McKinsey&Co's midpoint to rapid automation adoption scenarios.<sup>12</sup>

As Garanti, we believe that this is a great opportunity to allocate that workforce to more creative projects such as improving customer experience and enhancing customer behavior analysis. In 2017, we initiated an unprecedented transformation project in branches, where we developed a new service model that captures the benefits of the emerging digital world. All Garanti branches are evolving into an innovative structure built on digitalization where the customers are able to benefit from all kinds of services in a one-stop banking system in the fastest and easiest manner. The new model focuses on 3 main objectives:

- enhance customer experience,
- increase digital migration/reduce branch dependency,
- upgrade employees' capabilities and improve sales/operational efficiency.

By the end of 2018, we have completed the transformation across Turkey. Our new service model turned out to be outstandingly successful.

- Increase in Sales & Efficiency: 20% increase in time deposit sales and 10% increase in GPL & Overdraft sales
- Digital, Fast and Lean Processes: Digital loan approval in 7 minutes

- Happier Customers: Average waiting time reduced to ~10 min. and maximum waiting time decreased by 20%
- More competent employees: 35% increase in sales capacity

As AI<sup>13</sup> and machine learning practices enhance and expand each day, they bring brand new experiences and concepts into our lives, one being virtual assistants. Virtual assistants are now widely used by corporations to improve customer experience. It goes without saying that these dialogue-based virtual assistants will play a crucial role in the future of banking as well. At Garanti, artificial intelligence is already a part of our daily lives. Today, artificial intelligence technology is being utilized as bots, voice assistants and internal support applications in mobile banking, call center, and support services.

However, the most important reflection of our AI practices is definitely UGI, which is the first voice process assistant in Turkey, launched in 2016. It understands natural language and can establish meaningful dialogues imitating human interaction very closely. In Garanti Cep<sup>14</sup>, customers can give voice commands, which provides a hands-free transaction option. UGI can immediately respond to requests like "I would like to pay the minimum for my Bonus card", or "I would like to send 100 liras to my brother from my Etiler account." Beyond simple transactions, our customers can also use UGI to make deeper inquiries such as "Show me all the restaurant expenses in the last 3 months". UGI has created more than 25 million interactions with more than 2 million customers since 2016. UGI continuously improves its intelligence and responsiveness through these dialogues with customers.

Garanti also utilizes big data and AI to improve its customer experience. Our Innovation Committee identified 6 main areas and developed a short- and medium-term plan. It is predicted that 25% of customer service operations will be using virtual customer assistants by 2020.<sup>15</sup> Currently, chatbots are the most popular virtual assistants. As a pioneer in Digital Banking, Garanti launched its chatbot "Bilge (The Wise)" in the beginning of 2018 in order to improve customer service quality by its employees. Knowing all the information needed to resolve customer issues in a practical way, Bilge answers more than 10,000 queries per month. Thanks to Bilge, Garanti shortened the average duration of service to customers via the customer careline over half a minute. In 2019, Garanti will

<sup>11</sup> [http://www3.weforum.org/docs/WEF\\_GRR18\\_Report.pdf](http://www3.weforum.org/docs/WEF_GRR18_Report.pdf) <sup>12</sup> <https://www.mckinsey.com/~media/mckinsey/featured%20insights/future%20of%20organizations/what%20the%20future%20of%20work%20will%20mean%20for%20jobs%20skills%20and%20wages/mgi-jobs-lost-jobs-gained-report-december-6-2017.ashx> <sup>13</sup> Artificial Intelligence <sup>14</sup> Garanti Bank's Mobile App <sup>15</sup> <https://www.gartner.com/en/newsroom/press-releases/2018-02-19-gartner-says-25-percent-of-customer-service-operations-will-use-virtual-customer-assistants-by-2020>

continue its efforts to provide this service for its customers as well.

With our location based transaction control systems we aim to prevent fraud cases in transactions that customers make from various channels, by adding location-based control filters. Through our branch intensity estimation, customers can see the current status of the branch they plan to visit beforehand in terms of expected waiting time in the line. They also have an option to make a reservation for desired time or day. In order to provide this information to customers, we use analytical models that estimate expected waiting time of a customer in a branch at a given time. Estimation models utilize customer information in branches, service metrics, branch status and other parameters. We also develop analytical models to reveal the critical moments of our customers that will enable Garanti to engage them emotionally and increase loyalty. Information from numerous sources such as credit card transactions, location info, call center recordings etc. is used to pinpoint the exact need of our customers at a certain time. Customized offers and communication will eventually increase the quality of the relationship between Garanti and the customer. Within the scope of our risk-based audit model, we also aim to produce high quality outputs that contribute to the Bank's processes by creating a data specialist position.

All these solutions are also developed in line with our Do It Yourself (DIY) approach, which is one of the building blocks of our transformation. We aim to empower and enable our customers to be able to handle as many transactions as possible on their own. This will not only help them save time, but also will allow us to do our business in a much better and more efficient way. Today, on the retail banking side, 97% of our products offered at our branches is also available on digital channels for our retail customers. Our goal is to increase DIY availability for our corporate and commercial customers as well. We strive to provide a better experience at all touch points in both digital and face-to-face interactions, finding the best combination of the power of technology and human touch.

On the other hand, in an increasingly connected and digitalized world, it is of great importance to address cybercrime threats. Clearly, cybersecurity is one of the main concerns of Garanti. In 2018, Garanti continued to improve its outstanding information

and cyber security systems as explained in detail in the Digital Transformation section. Security responsibility is shared among employees by continuous trainings and awareness campaigns. Technology is the driver of security as much as human is, and Garanti invests in technology to ensure that vital security baselines are provided. Cybersecurity is not only the tools but also the process to support security requirements within the organization through dedicated teams via monitoring and response, compliance, risk assessment, security testing, business continuity and operation services. In order to improve the cybersecurity efforts of Turkey, Garanti collaborates in several initiatives such as Sectoral Cyber Incident Response Team managed by the Banking Regulation and Supervision Agency (BRSA), Turkey Informatics Industry Association (TUBISAD), and Cyber Emergency Response Team for the Turkish Financial Sector.

Another rising issue is the significant increase in phishing scams through fake advertisements in social media. Garanti develops strategies and several partnerships with social media companies to eliminate these attempts at the source. Being aware of the fact that our customers are key to tackling this issue, we share informative messages via various channels with them to raise their awareness and build capacity. In 2018, fake websites generating these scams increased by 281% compared to the previous year. Shutting down times also significantly decreased due to immediate action taking and collaboration.



Further details can be found in the Digital Transformation Section.

## FINANCIAL HEALTH & INCLUSION



As unique customer experience is our strategic priority, we attach great importance to our customers' financial health. Using the insights obtained from the behavioral economics analysis, we support our customers in being aware of their financial positions, being on top of their financials, having a balanced budget, spending consciously for their needs, saving and investing for their dreams and for the future. Investing in customers' financial health brings out amazing opportunities in terms of building long-term relationships and creating strong emotional bonds. Based on our "Transparent, Clear

<sup>16</sup> Garanti Bankası'nın Mobil Uygulaması <sup>17</sup> <https://www.gartner.com/en/newsroom/press-releases/2018-02-19-gartner-says-25-percent-of-customer-service-operations-will-use-virtual-customer-assistants-by-2020>

and Responsible” banking approach, we inform and train our customers on how to protect their financial health. Today we offer 18 products and solutions to our customers, and in 2019, we will be developing many more through a better-structured approach. In 2018, our Digital Banking teams embarked on a project that will be implemented in Garanti’s Mobile Banking App and show customers their status on savings and expenses through big data analysis. Customers will get information about their financial status around savings-expenses, they will be offered insights and special action plans to improve their financial health. Finally, a percentage for the whole progress will be shown to customers. The Digital Banking teams work with Business Intelligence teams in order to cluster our customers by considering their spending/earning behavior by focusing on big data analysis.

With our open-market concept, we aim to make our financial solutions accessible to all customers wherever they may be. Until very recently, call centers and ATMs used to be the only alternatives to the branches. Then we rapidly expanded our services on digital channels and adopted a multi-channel strategy. Soon after, our strategy was transformed into an omnichannel one where we began offering seamless experience across all channels. We have made improvements to enable even non-Garanti customers to reach our products and services from all channels. For example, we offer cardless transaction option through our ATMs where everyone, even non-Garanti customers, can transfer, deposit or withdraw money; they can even pay their bills with this function. In 2018, 33.6 million cardless transactions occurred in TL, and 141 thousand cardless transactions occurred in foreign currency. Moving forward, we have already commenced our e-commerce initiatives to reach our customers and non-Garanti customers via non-Garanti channels.

## THE FUTURE OF WORK



We have been witnessing significant changes in the business world for the last couple of years. Be it the millennials or the disruptive technological advancements, this is only a telling sign of a much more serious paradigm shift in the way we do business and the workplace. It is no surprise that ILO<sup>18</sup> established the Global Commission on the Future of Work. The

Commission is set out to undertake an in-depth examination of the future of work that can provide the analytical basis for the delivery of social justice in the 21<sup>st</sup> century.

“The world of work is experiencing a major process of change, with important transformations ranging from the development of technologies and the impact of climate change to the changing character of production and employment.”<sup>19</sup> We all need to adapt to it by revising our vision, procedures, core values and sometimes even by redefining our core strategies.

Technological development increases both customers’ expectations & needs, and the companies’ capacity to meet them. The advancements enable us to offer more customized solutions and advice to our customers. If companies miss the window to quickly adapt to this dynamic environment, they will inevitably be outgrown by smaller and more agile players in the field. Garanti keeps a close eye on all technological mega trends and takes its place among the pioneers of innovative solution providers. As a necessity of our sector, we have been investing in automation for a long time. Thus we minimize the error factor and provide faster service. We believe our dynamic, adaptive and efficient business model is the enabler of our transformation journey.

In 2018, we initiated a data governance and data transformation project in order to take our big data analysis and value creation abilities to the next level. The Data Governance project aims to establish a governance model where data is seen as an asset. Within this project, we assigned responsible personnel for data, developed an extensive data inventory, and established quality assurance and management systems to enhance data quality. The new data governance structure will enable us to effectively manage data security, privacy, and accessibility in compliance with all relevant regulations. We have also identified and implemented necessary trainings, tools, and infrastructure needs to increase each team’s capacity for data processing. This allowed us to better support all decision-making processes at Garanti through data analytics.

On another note, this transformation also bears some other risks for companies. For instance, it is hard to reach and attract talent constituting a small group in specific universities and

<sup>18</sup> International Labour Organization <sup>19</sup> [https://www.ilo.org/global/topics/future-of-work/WCMS\\_578759/lang--en/index.htm](https://www.ilo.org/global/topics/future-of-work/WCMS_578759/lang--en/index.htm)

disciplines. The most significant reason is competition, which is not only among the banks within the banking sector, but also among other various sectors. Competition among new trending areas related to data, artificial intelligence, digital marketing, robotics, etc. diminished the attractiveness of the banking sector. New generation talents tend to have short tenure, which leads to low engagement scores. Every company must find new ways to strengthen employee engagement. While managing the expectations of the new generation, our aim is to provide different career paths to our employees to increase talent retention. Following new trends, we are integrating AI & Machine learning algorithms to prevent unconscious bias, decreasing the time spent to fill vacancies, measure flight risk of candidates and predict performance level before hiring. We've changed our talent acquisition strategy by focusing on campus activities, and we segmented talent attraction events for new graduates (data, finance, risk, digital banking, marketing) using various channels (social media, campus events etc.) in order to reach targeted talents for each different department of the Bank. Following the adoption of the new internal mobility policy, all employees at the Bank have the opportunity to manage their own careers in a transparent manner. We integrated digital tools in the candidate selection process, and also we're using analytical methods for performance & turnover prediction in talent groups.

**21<sup>ST</sup> CENTURY SKILLS GAP**



All these new technological advancements, global developments, and future challenges require a brand new and much broader skill set. However, education is still one of the greatest challenges worldwide. The 2018 World Development Report finds that "The quality and quantity of education vary widely within and across countries. In the poorest countries, fewer than 1 in 5 primary school kids are proficient in math and reading." Hundreds of millions of children around the world are growing up without even the most basic life skills, let alone the skills required to survive in the 21<sup>st</sup> century. This also creates a challenge for the business world as it means the talent pool will be unable to serve the changing needs of companies. To tackle this issue, Garanti has many initiatives such as the Teachers Academy Foundation, Code the Future with Garanti, and Math & Science - Learning with Fun. Through the Teachers

Academy Foundation, Garanti reached and broadened the minds of more than 165 thousand teachers across Turkey. Code the Future with Garanti, introduced 700 children aged 8-13 to coding, robotics and design-oriented thinking in 15 cities.

Garanti also supports its employees in this regard through various training and mentoring programs in order for them to be fully equipped for today's and tomorrow's challenges. With the revamped service model introduced in branches, we had the opportunity to refresh the existing knowledge of our employees and train them in their cross skills. Branch transformations had to be done in a very short period of time, and time constraints would not allow implementation of in-class format for training and refreshment programs for such a huge number of people – approximately 4,000. In order to adapt and train so many branch employees to the new service model in a very short time, it was essential to design a new training program. Therefore, a new program was designed for cross-skill development using a blended approach, which predominantly covered digital learning solutions. Digital reinforcement quiz applications were used actively and 2.5 million questions were solved in 9 months.



More examples can be found in Responsible and Sustainable Development and Investing in Human Capital sections.



## TRUE STORIES

GARANTI EMPATHY

# THANKFUL FOR THE WELL-MEANING PEOPLE

Customer Experience Management Department - İstanbul



One of our customers contacted us saying that she had found some money on the street wrapped with a Garanti bank slip. She said she wanted the customer named in the receipt to be found so that the money could be delivered. I thanked her for her sensitivity and offered to help her. I asked for an image of the slip and accessed the contact information for our customer named on it. Then I called and told that customer about what happened.

Our customer who had dropped the money said, *“Yes, I recently lost some money. My son is a student; I transferred him some money through the ATM and then on the way, I dropped the money in my pocket. I had been looking for it everywhere”* I said to him *“The person who found your money contacted us and she will hand your money on Friday to Etiler Branch. You can get it from our branch”* Our customer was very happy and asked for the phone number of the customer who recovered the money to thank her. I explained that I could not share the phone number because of banking rules but assured him I would convey his thanks.

We wanted to send a small gift to our customer in this heartwarming story who recovered the money and contacted us. I added a handwritten note, thanking for her considerate behavior.

Our customer thanked us back posting our gift and note on social media, adding a lovely comment: *“Yes, today I was very surprised, and very very happy. The money I found had been returned to its owner. Just now, I was greeted by a nice gesture that took away all of the week’s weariness. My sincere thanks for the gift that made me feel the importance given to humans and underlines the value of humanity. I am thankful for the well-meaning people who have their hearts in the right place.”*

Please scan the QR code  
to listen to the story.



**ESRA ÖZHAN**

Digital Customer Care  
Team Associate

\* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes.



It was about four years ago. An old man was leaning against the wall outside the branch. He must have been cold because he was rubbing his hands. I went over to him and said *“Sir, come in and wait inside. Do not stand out here in the cold”*, *“Son, what if you get into trouble for letting me in?”* he said. *“Don’t worry, I will not. Come in. Who are you waiting for here?”* I asked him. *“I am waiting for my son. He told me to wait outside the bank. This is why I am here,”* he said. *“Let us offer you a cup of tea to warm you up”* While he was sipping the tea, his son passed outside the bank. When he spotted his father inside the branch, he came in, surprised. *“What is up dad? Why are you waiting here? I told you to wait outside the other bank,”* he said. The father replied, *“It was cold outside that bank, I got cold so I waited here because it was sunny here.”* Pointing at me, the son asked his father *“How come you are sitting here drinking tea. Do you know this gentleman here?”* The father said, *“No I don’t. But he saw me waiting outside and invited me in and offered me tea.”*

The son went on, *“Very well then, do you have a cup of tea for me as well?”* and turned to me as he sipped his tea *“Do you always greet the people you don’t know so warmly and offer them tea?”* he asked. *“I do. I treat them just like I treat the people who come to my house. This is my home and you are my guests and you are important to me”* I said.

The man said, *“I have come from France. I intended to deposit the money I brought with me to another bank but I loved that you treated my father who is a total stranger to you this way and it made me proud”* He left after telling his father to wait and that he would come back soon. When he came back ten minutes later, he was carrying a big bag. The gentleman has become our customer that day, and opened Euro and TL accounts for a respectable amounts before leaving the branch.



Please scan the QR code  
to listen to the story.

\* True Stories are actual events, the names  
have been changed or anonymized for  
customer information privacy purposes.



## TRUE STORIES

GARANTI EMPATHY

# THIS IS MY HOME AND YOU ARE MY GUESTS



Trabzon

**MUSTAFA MERAL**  
Security Guard

# OUR VALUES



# OUR COMPETITIVE ADVANTAGES

## DYNAMIC HUMAN CAPITAL MAKING A DIFFERENCE

- Employee happiness oriented HR practices
- Awarded talent programs
- Platforms to encourage employees to share their suggestions and innovative ideas
- The first and only company from Turkey to be included in Bloomberg Gender Equality Index
- 47 hours/employee training per annum

## STATE-OF-THE-ART TECHNOLOGY AND DATA SCIENCE

- Business-integrated IT
- In-house developed, custom-fit IT solutions and applications
- Uninterrupted transaction capability and infrastructure security
- Continuous investment in technology since 90s
- Data-driven and agile decision-making processes
- Managing data as a corporate asset with governance models
- Creating intelligence for smart decision making at every level of business by advanced data analytics
- Continuous investment to people and technology to improve big data engineering and analytics

## SEAMLESS CUSTOMER EXPERIENCE MANAGEMENT

- Smart business processes enabling differentiation in customer experience
- Simple and clear processes/customer journeys designed from customers' eyes
- Sophisticated segmentation systems prioritizing customer needs
- Multi-channel customer relationship management tools offering effective & timely solutions

## CUSTOMER-ORIENTED INNOVATIVE PRODUCTS AND SERVICES

- Innovative, flexible and custom-tailored solutions
- Services and products, blending customer needs and tendencies with evolving trends

## STRONG BRAND AND REPUTATION

- Holistic reputation management approach and strong reputation index
- Consumers define Garanti as "Leader in technology, innovative and makes the life easier"
- Consistent communication and Community Investment Programs contributing to brand perception

## SEAMLESS EXPERIENCE ACROSS ALL CHANNELS

- New service model at branches capturing the benefits of digital world for better customer experience
- Presence in 81 cities with widespread branch network
- Leading position in internet & mobile banking
- Enabling completion of all card activities in single platform and offering analytics based smart solutions, Bonus Flas: more than 6.3 million downloads within three years
- Rapid and secure e-commerce payment in more than 1,800 entities via GarantiPay
- >5,000 ATMs, also serving non-bank customers through cardless transactions
- Leading financial call center with more than 73 million customer contacts per year
- More than 1 out of every 5 transactions handled via digital channels in Turkey go through "Garanti"

## SINGLE POINT OF CONTACT FOR ALL FINANCIAL NEEDS

- International banking operations in the Netherlands and Romania since 90s
- Leading position in bancassurance
- Leadership in number of total customers in voluntary and auto private pension system
- Fastest mortgage process in the world by granting within the same day of application as long as the appraisal report is ready
- Digital focused securities company that meets customer demands and expectations
- Innovative and easily accessible factoring solutions
- Turkey's first asset management company
- Leasing solutions driven by customer needs and requests

# OUR STRATEGIC PRIORITIES



## CUSTOMER EXPERIENCE

- We aim to enable a seamless and excellent customer experience among all channels by placing the customers at the center of all our activities.
- With this sense, we continuously review our processes and business flows from our customers' point of view and design rapid, easy and simple processes.
- In accordance with our target to exceed our customers' expectations, enhance their satisfaction and build trust-based, long-lasting relationships, we adopt the principle of always acting in a transparent, clear and responsible manner.
- We are committed to help our customers to grow their businesses in a sustainable manner and create value for them by providing innovative solutions and proposals based on their needs. With our solutions and services, supporting financial literacy and inclusion, we strive to take care of financial health of our customers and help them make informed decisions.



## DIGITALIZATION

- We constantly invest in our digital platforms in order to provide unique experience, transaction convenience and innovative solutions to our customers, pioneering the digital transformation. While expanding our digital customer base, we aim to increase the share of digital channels in our sales.



## EMPLOYEE HAPPINESS

- One of our strategic priorities is investing in our employees focusing on their development, happiness and wellbeing.
- Aligned with our values, we intend to form teams possessing team spirit, acting with shared wisdom, thinking big, socially responsible and result-oriented.
- With this sense, we are embracing a fair and transparent management policy based on performance, focused on equal opportunities, diversity, and internal promotion

# OUR PURPOSE

TO BRING THE AGE OF OPPORTUNITY TO EVERYONE



## OPTIMAL CAPITAL UTILIZATION

- While focusing on disciplined and sustainable growth, we aim to maximize our value creation and to maintain our strict adherence to solid asset quality by using our capital effectively.



## EFFICIENCY

- Pursuing cost and revenue synergies, we constantly improve our business model and processes with operational and environmental efficiency point of view.



## RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

- While implementing our advanced corporate governance model that promotes our core values, we act with the principles of trust, integrity, accountability and transparency against all stakeholders.
- We prioritize, conducting effective risk management through world-class integrated management of financial and non-financial risks.
- By focusing on community investment programs which deliver impactful outcomes on material issues and creating shared value through lending based on impact investment principles, we target social value creation. We will continue to be the pioneer bank for the positive change through our strategic partnerships.

# MAIN PILLARS OF OUR STRATEGY

## OUR CUSTOMERS

Listening to our customers, understanding their needs, meeting and exceeding their expectations by offering the highest service quality and innovative solutions  
Helping our customers achieve their targets, making an impact on their lives and creating value

## GARANTI EMPLOYEES

Competent, well-educated, value continuous progress and think big  
Respectful of the society and the environment, pleasant, solution-oriented, enthusiastic  
Responsible and ethical banking professionals

## OUR BUSINESS MODEL

Leading transformation in parallel with technological and digital developments  
Backed by state-of-the-art IT infrastructure  
Effectiveness and productivity focused efficient business model across all channels

# OUR BUSINESS MODEL

We are molding our business model around our purpose “to bring the age of opportunity to everyone”.

With its omni channel strategy, Garanti aims to make banking services available to its customers at any time through any channel they choose, and focuses on delivering them a seamless and uninterrupted experience on each channel.

Having defined delivering an excellent customer experience as its priority, Garanti blends technology and humanistic elements, and aims to make life easier for its customers, pursue their financial health, help them make the right financial decisions, support them grow their businesses sustainably, and bring its financial services to everyone.

Always imagining and designing the future and striving to be unprecedented in what it offers, Garanti considers, raising competent, well educated, responsible, and ethical banking professionals who think big and are respectful of the society and the environment, as an indispensable part of the sustainability of its business model.

Putting digitalization at the heart of its business model, Garanti targets to lead the transformation of the sector, to command state-of-the-art IT infrastructure, and to be efficient and productive in all of its service channels. To this end, with its principle of continuous improvement the Bank continues to revamp and simplify its business processes enhance customer experience and automatize its processes, while securing operational efficiency in keeping with its principle of continuous improvement.

Integrating the opportunities presented by advancing technology and data resources in its business model, Garanti interprets big data groups and adopts a more analytical approach to customer management. The Bank also uses these outputs in its organizational model, and thus achieves more analytical business results.

Adopting lean method approaches to execute its projects in order to quickly cater to evolving customer expectations and to accommodate advancing technology in its business model, combining the means technological infrastructure has to offer with its vast experience, and aiming to address everybody, Garanti now defines productivity as the main pillar of its business model. For this purpose, Garanti integrates all the means offered by technological advancements and by the digital world into the ecosystem it has created, and addresses innovative solutions using agile methods, ultimately pioneering the industry in transformation projects.

The employee teams working to achieve the objectives accompanying Garanti’s transition to agile business take full responsibility for their efforts, and they are constructing the products and services according to customer feedback. This allows Garanti to focus on offering solutions that optimally fulfill current and future customer needs. In this new business model, employees are inspired and motivated by single target

Having espoused the principle of gaining insight into customers and taking each and every step with the perspective of “our priority is our customers”, Garanti promotes collaboration with the “one team” point of view. The Bank supports fulfillment of customer demands in the fastest manner possible through consolidated teams that can take action, drawing on its business model driven by an inspiring and innovative mindset that also exceeds expectations.

# OUR VALUE CREATION

GRI 102-46

## INPUT

### FINANCIAL CAPITAL

We use capital effectively so as to maximize the value to be created. Our dynamically managed and deposit driven funding base together with well diversified funding mix and opportunistic utilization of alternative funding drives our disciplined, sustainable and capital generative growth. With a 12 points reduction of cost to income ratio since 2015, it is our goal to constantly improve our business model and processes with an operational and environmental efficiency point of view and seek cost revenue synergies.

### DIGITAL & INTELLECTUAL CAPITAL

We constantly invest in digital platforms so as to provide transaction convenience, unrivaled customer experience and pioneering solution suggestions to our 7.3 million digital banking customers. We expand our digital customer base and increase the share of digital channels in our sales. We take precautions against all risks which could prevent secure and uninterrupted service (e.g. cyber threats) ensuring information security.

### HUMAN CAPITAL

We invest in our employees by focusing on their development, satisfaction and well-being through an average of 47 hours of training per FTE and 11 well-being programs. We strive to form teams possessing team spirit, acting with shared wisdom, social responsibility and delivering results. We embrace a fair and transparent management policy based on performance, focused on equal opportunities and diversity.

### RELATIONSHIP CAPITAL

We strive to offer our 16 million customers an excellent customer experience by placing them at the center of all our activities and by designing our processes from their perspective. We aim to be transparent, clear and responsible towards our customers and establish long-lived relationships built on trust. We help our customers in making informed decisions supporting financial literacy, health and inclusion through solutions we offer.

### NATURAL & SOCIAL CAPITAL

We transform savings into sustainable investments by offering sustainability products & credit lines and TL 35.2 billion lending based on impact investment principles. We advise our customers to grow their businesses in a sustainable manner in our daily communication and initiatives tailored to their needs. We strive to drive positive change through 44 engagement platforms and 24 memberships. We focus on community investment programs and invested TL 20.2 million delivering impactful outcomes on material issues.



MEGA TRENDS

RISKS AND OPPORTUNITIES

OUR PURPOSE To bring the age of opportunity to everyone

MATERIAL MATTERS

OUR STRATEGIC PRIORITIES



Employee Happiness



Customer Experience

MAIN PILLARS OF OUR STRATEGY

Our Customers

Garanti Employees

Our Business Model



Responsible and Sustainable Development



Optimal Capital Utilization



Digitalization



Efficiency

CORPORATE GOVERNANCE

### FINANCIAL CAPITAL

We contributed TL 311.2 billion (USD 59 billion) to the economy, through cash and non-cash lending and our operations produced a Return on Average Equity of 15% and a Return on Average Assets of 1.7% with a Capital Adequacy Ratio of 16.5% and CET-I of 14.2%. Garanti's market capitalization reached TL 33.4 billion (USD 6.3 billion) at the end of 2018. We contribute to the economy and the society by paying dividends to our shareholders, salaries to our employees, invoices to our suppliers and tax revenues to governments. We make a significant contribution to public finances not only through our own tax payments, but also, through third party tax collection due to our economic activity. The total tax contribution of Garanti to public finances is disclosed voluntarily on Garanti Investor Relations website.

### DIGITAL & INTELLECTUAL CAPITAL

Our investment in digital channels resulted in share of digital sales to total sales increase to 44% with no data breach regarding customer privacy. As a pioneer in digitalization, we empower our customers with state-of-the-art digital solutions and set an example for our peers in keeping up with the latest technological advancements.

### HUMAN CAPITAL

We created employment for 18,338 people and our efforts in promoting equal opportunities and enabling professional development contribute to our high employee engagement score and low turnover. With a women ratio of 40% in management levels and a variety of initiatives promoting women's advancement in their career, Garanti is the only company in Turkey qualified for the Bloomberg Gender Equality Index.

### RELATIONSHIP CAPITAL

Our relationship with our customers is built on trust by exceeding their expectations and enhancing their satisfaction. Our leadership position among our private peers in Net Promoter Score is a result of our customer experience focus that is at the core of our business model. Our efforts in supporting financial literacy, health and inclusion resulted in touching lives of 850,000 customers that started using savings products.

### NATURAL & SOCIAL CAPITAL

Our impact investment principles and participation in financing renewable energy projects led to avoided GHG emissions of 5.4 million tonnes of CO<sub>2</sub>e based on total operational installed capacity, while the Scope 3 footprint of our energy production portfolio is 0 in new PF commitments. Our engagement activities led to 14 policies/position papers that are issued to contribute SDGs and our community investment programs addressed 3 different challenges with a Social Return on Investment value of more than 3. As a result of these efforts, Garanti has qualified in seven leading sustainability indices.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS



# SUMMARY OF THE BOARD OF DIRECTORS' REPORT

In 2018, protectionist policies gained the forefront globally, whereas accommodative monetary policies in developed economies carried on with normalization. The tightened financial conditions around the world, combined with reduced liquidity, trade war concerns and uncertainties led to higher financing costs for developing economies and restricted fund flows into these countries. In this period, although the Turkish economy displayed strong growth rates in the first half of the year, economic activity exhibited slowdown and stabilization in the second half due to the developments in the domestic and international markets. As being the engine of the economy through its support to real sector and also investments, banking industry was directly impacted by macroeconomic developments. In this time frame, risk factors such as liquidity, capital and asset quality gained the foreground in the sector owing to increased vulnerabilities in the markets. However, the Turkish banking sector maintained its solid stance and paved the way for the healthiest economic stabilization possible.

In the highly volatile year of 2018, Garanti preserved its strong profitability ratios, robust capitalization and liquidity. In this context, Garanti aimed to optimize permanence of its liability items and diversify its funding facilities, while composing the assets items so as to maximize risk-adjusted return on capital.

While consolidated net profit of Garanti went up by 5% to reach TL 6 billion 707 million year-over-year, TL 1 billion 90 million set aside in free provisions in the second half of the year brought total free provisions to TL 2 billion 250 million. Garanti's dynamic balance sheet management was further reflected on the robust and high quality earnings, delivering a Return on Average Equity (ROAE) of 15% and Return on Average Assets (ROAA) of 1.7%. Including the total free provisions set aside throughout the year, ROAE was 17%.

In a year of limited credit growth that resulted from the deceleration in the second half of the year, Garanti increased its consolidated total assets by 13% on an annual basis,

bringing it to TL 399 billion, and succeeded in maintaining a high percentage of interest-bearing assets. Today, Garanti commands leading positions across various segments in the sector, from retail banking to payment systems, mortgages to auto loans, SMEs to project finance, transaction banking to digital banking.

In 2018, Garanti preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management. Dynamically managed funding base of the Bank continued to be largely composed of deposits. Customer deposits base expanded by 22%, a rate that is well above the loan expansion, which helped Garanti to highly outperform the sector and improve its loan to deposit ratio (LDR) by 14 points on a consolidated basis. Garanti's leading position in consumer deposits is the outcome of its innovative business model that places customers' needs and satisfaction at the core of its business.

Garanti successfully defended its spreads owing to disciplined loan pricings and the high share of demand deposits in total deposits. Despite the rapidly rising market interest rates, Garanti was able to improve its net interest margin including swap cost by 61 bps with the help of CPI-linkers that are kept for hedging purposes against possible volatility in interest rates. Hence, with 5.3%, Garanti remained the bank with the highest net interest margin among its peers.

Non-performing loans ratio showed a rise this year due to the volatile economic conditions. The NPL ratio went up from 2.6% in 2017 to 5.2% in 2018. Net new NPLs mostly consisted of high-amount commercial loans, which accounted for 65% of all new NPLs. On the other hand, consumer and SME loans sourced a smaller portion of net new NPLs, accounting for 35% of total new NPLs.

Paying the utmost attention to stakeholder satisfaction, Garanti completed the rollout of its new service model in branches

in 2018. The new branch model already began contributing flexibility to the sales force, while increasing revenue generation capacity and cost efficiency. Garanti continued to focus on cost/revenue synergies and improved its cost/income ratio by 12% since 2015.

In 2018 that saw reduced contribution of commission income originating from loans, Garanti succeeded in recording an annual growth rate of 32% in net fees and commissions, well above the projections. Boasting the highest fee base among its peers, Garanti carried on with its sustainable income generation on the back of its diversified fee base.

Despite the loss resulting from the 40% depreciation of the Turkish lira and the negative effect arising from the rise in interest rates in 2018, Garanti was able to maintain its Capital Adequacy Ratio at 16.5% with the contribution from net profit. This is well above the Basel III required ratio of 11.4% set for 2018.

Supporting responsible and sustainable development is among the strategic priorities of Garanti. Turkey's first social bond that Garanti issued exclusively for women entrepreneurs in June in cooperation with the IFC has constituted an innovative example for funds secured from abroad. In July, Garanti assumed a pioneering role once again in the sector in terms of sustainable finance with Turkey's first green loan. Garanti takes place as the only bank from Turkey among the world's 28 leading banks that will spell out global banking principles for sustainable development. Garanti continues to work towards creating an inclusive economy where all individuals have equal access to opportunities, to support active participation of women in economic life, and to help flourish the entrepreneurial ecosystem in Turkey.

Garanti's recurring strong performance comes not as a result of ad-hoc steps, but of a long-lived and well-planned journey. Also in the period ahead, Garanti will be making decisions with an eye on the needs of future generations, and will keep fulfilling its share of the responsibility for a sustainable future.

We would like to thank all our stakeholders and particularly our employees for their confidence in us and for their valuable contributions.

# 2018 KEY PERFORMANCE INDICATORS

Focused on creating sustainable value for all its stakeholders, Garanti places its customers at the core of its operations with aim of providing unrivaled customer experience. Garanti's customer-focused innovative business model enables Garanti to generate sustainable income and command a leading position in Turkish banking sector. Garanti employees are one of its most important assets and one of the main pillars of its strategy. Garanti aims to provide a fair working environment that encourages full utilization of employees' skills, offering a wide range of opportunities and ensuring recognition and awarding of their accomplishments. By constantly investing in digital platforms to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions, Garanti increases the share of digital channels in total sales.

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.

With its solid capital structure and focus on efficiency, Garanti preserves its sound financial structure through effective balance sheet management and sustains its contribution to the economy.



## CUSTOMER EXPERIENCE

### NET PROMOTER SCORE

*Highest*

among peer group

### GROW CUSTOMER BASE EFFECTIVELY

*> 16 million*

customers chose Garanti

### DISABLED FRIENDLY ATMS

*5,210*

(99% of all ATMs)



## HUMAN CAPITAL

### EMPLOYEE ENGAGEMENT SCORE

*67*

Maintained its highest employee engagement level in banking sector

### AVERAGE HOURS OF TRAINING PER EMPLOYEE

*47 hours*

### HIGH PERFORMER TURNOVER

*2.74%*

### WOMEN EMPLOYEES IN DECISION MAKING POSITIONS

*40%*



**DIGITAL  
TRANSFORMATION**

*1/5*  
of all digital transactions  
in Turkey go through Garanti

**DIGITAL SALES**

Increased share of digital sales  
to total sales: from 33% to  
*44%*

**NON-CASH FINANCIAL  
TRANSACTIONS THROUGH  
DIGITAL CHANNELS**

*95.5%*



**RESPONSIBLE  
AND SUSTAINABLE  
DEVELOPMENT**

**AMOUNT OF IMPACT  
INVESTMENTS**  
*TL 35.2 billion*  
(to date)

**SUSTAINABILITY INDICES  
IN WHICH GARANTI  
IS INCLUDED**

*7*

**INVESTMENT IN COMMUNITY  
PROGRAMS**

*TL 20.2 million*

**% OF LOANS WITH  
ESG PROVISIONS IN  
LOAN AGREEMENTS**

*100%*



**FINANCIAL  
PERFORMANCE**

**RETURN ON AVERAGE ASSETS**  
*1.7%*

**RETURN ON AVERAGE EQUITY**  
*15%*

**NON-PERFORMING LOANS RATIO**  
*5.2%*

**CAPITAL ADEQUACY RATIO**  
*16.5%*

**COMMON EQUITY TIER 1 RATIO**  
*14.2%*

**COST / INCOME**  
*35.6%*



## TRUE STORIES

GARANTI EMPATHY

# WE SAVED A SIGNIFICANT LOSS ON THE PART OF OUR CUSTOMER



**ARZU YILDIZ**

*Payments Senior Supervisor*

Our customer's overseas money transfer instruction was sent to me by our branch. When I entered the transfer into the system, I received an alert that the account number entered was being used for the first time and the system did not complete the operation. But it was noted that the branch had obtained customer's confirmation. My colleague who was to authorize the transaction got suspicious, because the transaction was in British Pounds and the transfer was to Czechoslovakia.

Our business banking customer responded in writing that they got the account number from a different e-mail account from the recipient's head office, requesting for the transfer to take place as such.

Even this written response was not satisfactory neither for me nor my colleagues. So I took initiative and wrote a detailed e-mail explaining that, use of various different e-mail accounts had caught our attention and that it could be a fraud attempt. I stated that there could be fraud perpetrators who had hacked the emails and act as if they were the real account owners in their correspondence. Fraud was a high possibility particularly, if different account numbers were in question and if such information was provided via email. I contacted our customer once again, advising them to contact the counterparty via phone, asking for confirmation of account information and requesting them to approve the payment after that confirmation.

Still, we were unable to convince our customer. So I reached the responsible officer at that company and talked to him personally. I convinced him that they should make sure to contact the recipient by phone and get confirmation. Finally, the phone call revealed the fact that the recipient's emails were intercepted by fraud perpetrators. We cancelled the requested transfer and we saved our customer from a significant loss.

*Please scan the QR code  
to listen to the story.*

\* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes.





Since January 2017, we, as Retail Collections unit, have been offering assistance to our delinquent customers through instant messaging via the Internet branch.

When I first started working in this project, I thought my priority was to get our customers to pay their overdue debts; but I soon realized my top priority on this platform was to offer assistance to our customers.

While I was exchanging messages with a customer in July, I was reviewing the comments of previous contacts and I noted that no prior one-to-one phone contact could be established. The comments read, *“The phone is answered but no sound comes from the other end, the customer does not speak”* Since this customer could not be reached on the phone, I felt the need to thank him via instant messaging through Internet Banking for using this channel to share his details. When I wrote to him, he wrote back, *“I cannot talk on the phone because I am hearing impaired. I am glad you contacted me through this channel”* explaining the situation.

That was a totally unexpected answer for me. If I had not received that response I was going to think that the customer answered the phone but did not talk intentionally. Through a simple thank-you and acting without prejudice, I have paved the way for our customer to share his special condition with me. This made both me and our customer happy.



## TRUE STORIES

GARANTI EMPATHY

# OUR TOP PRIORITY IS TO OFFER ASSISTANCE



Retail Collections Department – Istanbul



Please scan the QR code to listen to the story.

\* True Stories are actual events, the names have been changed or anonymized for customer information privacy purposes.

**KISMET UYGUN**

*Outsource Operations Specialist*

# FINANCIAL PERFORMANCE



For Garanti, financial performance is at the core of value creation process and it is the cause and the effect in delivering sustainable growth. By making its products available to customers, investing in its facilities and by constantly improving its business model and processes with an operational and environmental efficiency point of view, Garanti is committed to have a direct and indirect impact on the economy.

Aiming to use capital effectively to maximize the value created, Garanti focuses on disciplined and sustainable growth on the basis of a true banking principle with strict adherence to solid asset quality. Combining its approach to unconditional customer satisfaction with its robust capitalization and a focus on efficiency, Garanti sustains its contribution to the economy through effective balance sheet management.

During 2018, Garanti increased its consolidated total assets by 13% on an annual basis, bringing it to TL 399 billion, and succeeded in maintaining a high percentage of interest-earning assets. Standing by its customers at all times, Garanti continued to keep a high share of loans within total assets. Today, Garanti commands leading positions across various segments in the sector, from retail banking to payment systems, mortgages to auto loans, SMEs to project finance, transaction banking to digital banking.

Garanti preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management. Dynamically managed funding base of the Bank continued to be largely composed of deposits. 22% growth rate in customer deposits base was well above the loan expansion, which helped Garanti to outperform the sector and improve its loan to deposit ratio (LDR) by 14 points on a consolidated basis. Garanti's leading position in consumer deposits is the outcome of its innovative business model, which places customers' needs and satisfaction at the core of its business.

Garanti successfully defended its spreads owing to disciplined loan pricings and the high share of demand deposits in total

deposits. With the help of CPI-linkers kept as hedge against possible volatility in interest rates, Garanti was able to improve its Net Interest Margin (NIM) including swap cost by 61 bps despite the soaring market interests. Hence, Garanti, with 5.3%, continued to have the highest NIM level among its peers.

Garanti follows a prudent and risk-return focused lending strategy. The Bank displays a proactive and consistent approach to risk assessment, which ensures preservation of its solid asset quality. The economic volatility in 2018 resulted in increased Non-Performing Loan (NPL) ratios. The NPL ratio rose from 2.6% in 2017 to 5.2% in 2018. Net new NPLs mostly consisted of high-amount commercial loans, which accounted for 65% of all new NPLs. On the other hand, consumer and SME loans sourced a smaller portion of net new NPLs, accounting for 35% of total new NPLs.

Garanti's diversified and actively managed funding base, its capital adequacy ratio of 16.5%, its growing deposits with more than 16 million customers' trust, and continuous access to foreign funding sources feed Garanti's business model and long-term sustainable growth.

Paying the utmost attention to stakeholder satisfaction, Garanti completed the rollout of its new service model in branches in 2018. The new branch model already began contributing flexibility to the sales force, while increasing revenue generation capacity and cost efficiency. Garanti continued to focus on cost/revenue synergies and improved its Cost/Income ratio by 12pp since 2015.

Garanti's business model, along with its well-diversified fee sources and its further digitalized processes, support its ability to generate sustainable income. All of them combined secure the highest net interest margin, and the highest net fees and commissions base among its peers. Furthermore, Garanti maintains its focus on efficiency and effectively manages its operating costs to foster sustainable value creation.

VALUE DRIVER	INDICATOR	PERFORMANCE			
		2018	2018 Projection*	Actual vs. Projection	2017
USE CAPITAL EFFECTIVELY SO AS TO MAXIMIZE THE VALUE TO BE CREATED	Asset Growth (%)	12%	~10%	Beat	14%
	TL Loan Growth (%)	2%	<14%	Lower	20%
	FC Loan Growth (%)	-18%	Shrinkage	In-line	-3%
	NPL Ratio (%)	5.2%	4-4.5%	Higher	3%
FOCUS ON DISCIPLINED AND SUSTAINABLE GROWTH ON THE BASIS OF TRUE BANKING PRINCIPLE	Net Cost of Risk (bps)	215	~150bps	Higher	74
	NIM incl. Swap Cost (%)	5.3% (+61bps YoY)	Flattish (including CPI impact)	Beat	4.7%
CONSTANTLY IMPROVE BUSINESS MODELS AND PROCESSES WITH OPERATIONAL AND ENVIRONMENTAL EFFICIENCY POINT OF VIEW	Fee Growth (%)	32%	>20%	Beat	18%
	OPEX Growth (%)	15%	<=CPI	Beat	8%
	Cost / Income <sup>1</sup> (%)	36%	-	-	42%
	Leverage	7.5X	-	-	7.6X
	ROAE (%)	15% (When adjusted with free provision set aside during the year: 17%)	>17% (no free provision assumed)	In-line	17%
COST AND REVENUE SYNERGIES	Capital Adequacy Ratio (%)	16.5%	-	-	16.8%
	CET-1 Ratio (%)	14.2%	-	-	14.7%



\* 2018 projections were updated on 26 July 2018 based on macroeconomic estimations that were reshaped during the year.

<sup>1</sup> Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provisions reversals + Income from subsidiaries

## ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

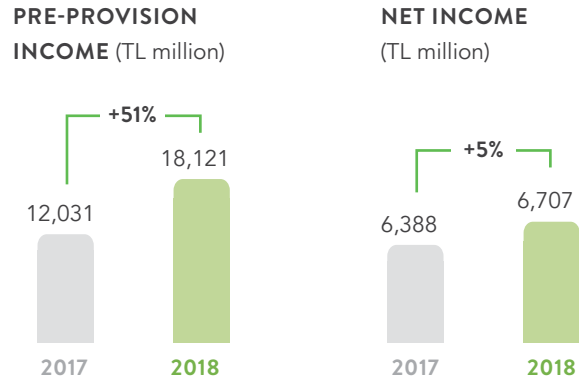
In 2018, protectionist policies gained the forefront globally, whereas accommodative monetary policies in developed economies carried on with normalization. In this context, the pressures on global growth were elevated, and developing countries, in general, experienced fund outflows. The sell wave that hit the Turkish assets in the aftermath of the 24 June elections also dominated the second and third quarters in their entirety, leading to one of the highest-volatility periods in the Turkish economy in recent years. In this timeframe, the Turkish banking system had visibly decreased access to funding. To this background, the weighted average cost of CBRT funding (WACF), which was 12.75% at the start of the year, was gradually increased to 24.00% within the frame of the CBRT’s tight monetary policy in connection with the deteriorated inflation outlook. The tight monetary policy and the currency shock resulted in a negative loan growth through the second half of the year.

Amid this environment, Garanti aimed to optimize permanence of its liability items and diversify its funding facilities, while composing the assets items so as to maximize risk-adjusted return on capital. Preemptive hedging activity, proactive asset and funding pricing and defensive securities portfolio allocation strategies precluded deterioration of Garanti’s Net Interest Margin (NIM) due to higher interest rates. In particular, increased weight of CPI linkers in the TL Securities Portfolio played a key role in protecting the NIM against the rising inflation.

### 1. SUSTAINABLE AND STRONG PROFIT GENERATION CAPABILITY

In year of 2018 that was characterized by high volatility, Garanti’s innovative business model focused on operational efficiency, optimal capital utilization and sustainable growth, and backed by effective risk management, produced a pre-provision income figure of TL 18 billion 121 million, up by 51% year-over-year. While consolidated net profit went up by 5% to reach TL 6 billion 707 million based on a prudent risk policy, the Bank set aside TL 1 billion 90 million in free provisions in the second half of the year, bringing total free provisions to TL 2 billion

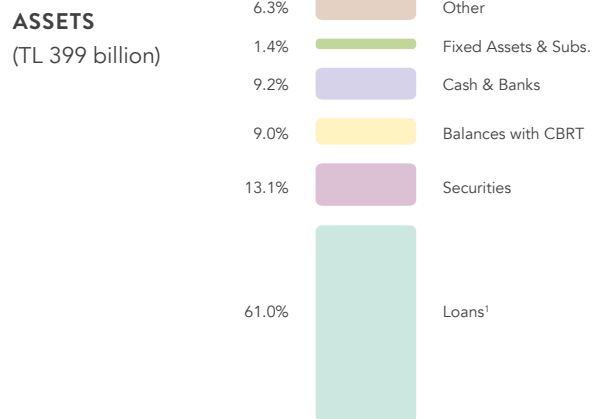
250 million. Garanti’s dynamic balance sheet management was further reflected on the robust and high quality earnings, delivering a Return on Average Equity (ROAE) of 15% and Return on Average Assets (ROAA) of 1.7%. Including the total free provisions set aside throughout the year, ROAE was 17%.



Note: In the calculation of average assets and average equity, 01.01.2018 restated balance sheet has been used instead of YE 2017. Pre-provision income: Net income + expected credit loss + tax provisions – FC loan provision hedges

### 2. CUSTOMER-DRIVEN AND HIGH-YIELDING ASSET MIX

In a year of limited credit growth, Garanti increased its consolidated total assets by 13% on an annual basis, bringing it to TL 399 billion, and succeeded in maintaining a high percentage of interest earnings assets. While the securities portfolio was strategically managed as a hedge against volatility, loans represented 61% of assets.



#### 2.1 BALANCED LENDING MIX

In 2018, the rapid depreciation of the Turkish lira, higher than

<sup>1</sup> Loans exclude Loans Valued at Fair Value through P&L (FVTPL), leasing and factoring receivables.

### COMMERCIAL BANKING

- 29 Commercial Branches
- With 39,351 customers TL 150 billion banking volume, TL 110 billion loan book
- 39% YoY Increase in commissions

### CONSUMER FINANCE

- 48.3% market share in consumer auto loans among private banks
- 31 thousand customers served via one-stop-shop loan system at auto dealers

### RETAIL BANKING

- 324 thousand retail customers became car owners
- 518 thousand retail customers became homeowners
- 14.5 million retail customers

### SME BANKING

- TL 10 billion loans to 57,420 customers
- TL 4.1 billion loans under CGF (Per Garanti's SME Definition)

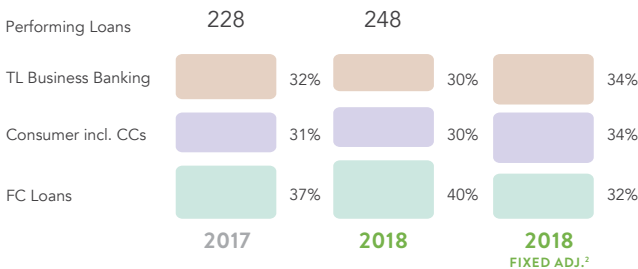
expected inflation and the increased funding costs in connection therewith caused a significant deceleration of economic activity especially in the second half of the year.

Garanti preserved the balanced composition of its loan portfolio also in 2018. Excluding currency impact, total performing loans was made up of business banking loans by 1/3, consumer loans by 1/3 and FC loans by 1/3.

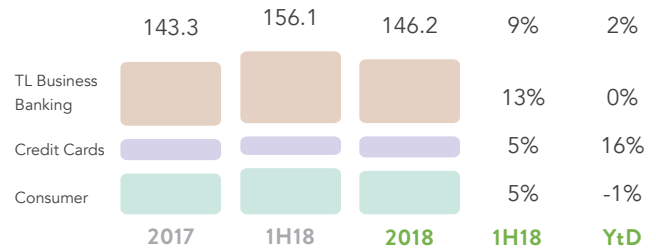
While TL loans grew 9% in the first half of the year, new originations were not sufficient to compensate the redemptions in the second half of the year due to the reduced demand in connection with the altered macroeconomic conjuncture. TL loan growth was 2% annually due to shrank in the second half of the year.

Shrinkage in foreign currency loans continued due to redemptions and declined demand for loans in view of the substantially completed large-scale government projects (highways, airports, etc.). While FC loans narrowed by 5% in USD terms in the first half of the year, the shrinkage for the whole year came to 18%.

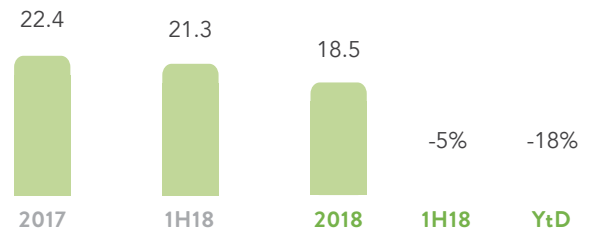
### LOAN PORTFOLIO<sup>1</sup> (61% of Total Assets) (TL million)



### TL PERFORMING LOANS (TL billion)



### FC PERFORMING LOANS<sup>1</sup> (USD billion)



### 2.1.1 LEADING POSITION IN RETAIL BANKING

With its effective delivery channels and successful relationship banking, Garanti's market share in retail lending among private banks further increased in 2018. Preserving its leading position in retail products, Garanti continues to respond to its customers' needs with its 936 branches spread around all the cities in Turkey. While achieving 4% annual increase in consumer GPLs in 2018, Garanti brought its share in consumer auto loans to 48.3% among private banks despite the contraction in the automotive industry.

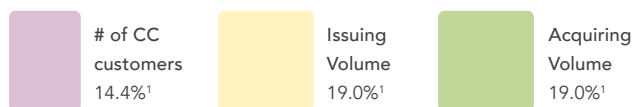
<sup>1</sup> Loans exclude Loans Valued at Fair Value through P&L (FVTPL), leasing and factoring receivables.

<sup>2</sup> USD/TRY rate fixed at 2017 year-end level of 3.77.

## MARKET SHARES

	Dec'18	QoQ	Rank
Consumer Loans	22.4%	+5bps	#1
Consumer Mortgage	25.3%	-36bps	#1
Consumer Auto	48.3%	+96bps	#1
Consumer GPLs	18.8%	+23bps	#1

## PIONEER IN CARDS BUSINESS



<sup>1</sup> Cumulative figures as of December 2018, as per Interbank Card Center data.

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 28.12.2018. Market shares among private commercials banks.

### 2.1.2 PIONEERING PAYMENT SYSTEMS

Garanti commands a leading position in payment systems and credit cards with Garanti Payment Systems, which was founded 19 years ago. With 669,435 POS devices and a market share of 19.0% in issuing and acquiring volume, it is one of the major players in the market.

### 2.1.3 FOREIGN CURRENCY LENDING

Investment appetite remained weak due to ongoing global and domestic uncertainties. The decreasing demand combined with Garanti's risk/reward priorities and rational pricing focus reflected on Garanti's large base of Foreign Currency (FC) loan book. The large base of FC loan book and redemptions resulted in 18% shrinkage in USD terms in Garanti's FC loans portfolio. However, Garanti sustained its pioneering position in project finance, corporate and commercial banking by remaining the primary business partner of its customers.

Garanti continued to support Turkey's sustainable growth with its pioneering and leading role in the project and acquisition finance sector. Despite challenging market conditions, Garanti's commitments in 2018 reached approximately USD 800 million.

In 2018, new investments in the energy sector were limited, and refinancing and restructuring activities were at the forefront in this area in line with our expectations. Yet, Garanti continued to extend financing support to energy investments, allocating financing primarily to renewable energy projects that are vital

## PROFECT FINANCE

- *US\$ 786 million* total financing to projects
- *US\$ 11.1 billion* total exposure

for Turkey's sustainable growth. Total funds made available to renewable energy projects surpassed USD 160 million to finance over 500 MW renewable energy projects.

Infrastructure projects embarked on a natural stabilization process. The most noteworthy project in 2018 was Çanakkale Bridge and Motorway project with a total investment cost of EUR 3.1 billion. Acting as the intercreditor agent among the 23 domestic and international financial institutions participating in the project, Garanti provided a funding of EUR 125 million. Çanakkale Bridge and Motorway project also led the mobilization of new financing facilities in our country: it is the first of its kind in that it incorporates Islamic finance facility in a project subject to debt assumption. In tandem, Garanti Bank sustained its support to projects for completion of existing projects, and made available EUR 80 million for financing the additional investment expenditures of İstanbul New Airport.

In terms of M&A, 2018 followed a similar trend to the one in 2017. UN Ro-Ro takeover by Denmark-based DFDS for approximately EUR 1 billion was a significant indicator of continued foreign investments in our country. Garanti kept playing an active role in acquisition and privatization deals. Due to the currency depreciation, it has become advantageous to re-enter the markets where Turkish assets were sufficiently worth. In this respect, while we predict a selective attitude from investors in 2019, we are also anticipating the attractive takeover opportunities in Turkey to be considered in this vein.

## 3. PRUDENT APPROACH AND SOLID ASSET QUALITY

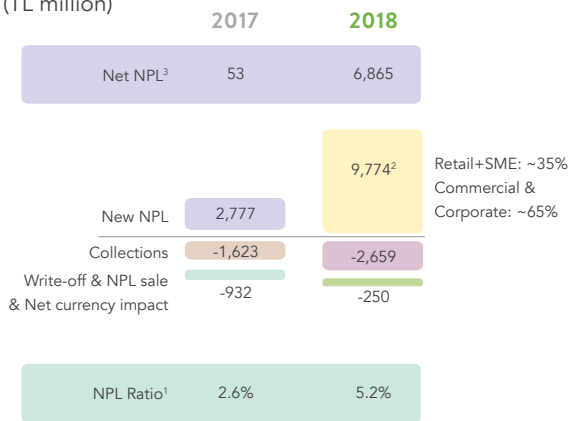
Garanti constantly displays a proactive and prudent approach to risk assessment. In 2018, Garanti has implemented the TFRS 9 reporting standard for the first time. TFRS 9 standard consists of three phases: classification and measurement, impairment and hedge accounting. TFRS 9 has become effective on 1 January 2018, as of which date its adoption by banks became compulsory. TFRS 9 replaces the "incurred losses" model in TMS 39 with a model of "expected credit loss".

Accordingly, the performing loans book is monitored in two categories: Stage 1 and Stage 2. Stage 2 loans are subjected to quantitative (Significant Increase in Credit Risk) and qualitative (Watchlist, Overdue, Restructured) assessment using TFRS 9 models. After TFRS 9 has become effective the comparability of financial statements between banks become more limited. This has two main reasons: (i) quantitative assessment criteria vary from one bank to the other, (ii) there are different approaches to quantitative assessment, as was the case for Group 2 loans in the past. In this context, Stage 2 loans of Garanti constituted 15% of its total lending as at year-end 2018.

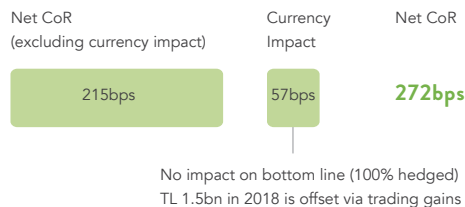
40% of Stage 2 loans consist of loans classified as quantitative whereas 60% consist of those qualified as qualitative. While total provision ratio of Stage 2 loans is 10.4%, that of the qualitative portion is 4% and of the quantitative portion is 15%.

### NP EVOLUTION

(TL million)



### NET CUMULATIVE CoR<sup>1</sup>



Worsened economic conditions of 2018, coupled with economic slowdown, affected the asset quality as well. As a result, net new Non-Performing Loan (NPL) inflows fared above than anticipated and Garanti's NPL ratio rose to 5.2%. Net new NPLs mostly consisted of high-amount commercial loans, which accounted for 65% of all new NPLs. On the other hand, consumer and SME loans sourced a smaller portion of net new NPLs, accounting for 35% of total new NPLs.

As a result of the rise in NPLs and higher provisions set aside for specific portfolios in an effort to make a more prudent start to 2019, cumulative net Cost of Risk (CoR) was 272 bps in 2018. Proactive hedging by Garanti against the currency effect arising from FC loan provisions served to set off the currency depreciation impact of TL 1.5 billion on profitability, and cumulative net CoR had 215 bps impact on the bottom line.

### 4. DEPOSIT DRIVEN & HEAVY WITH LOW COST & STICKY DEPOSITS FUNDING BASE

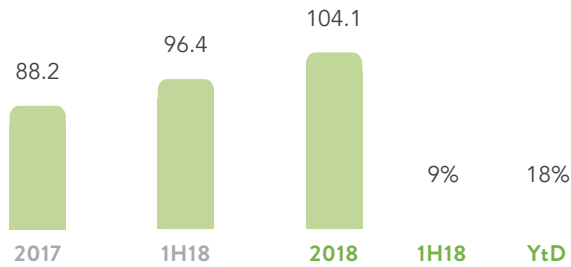
Garanti preserved its liquid balance sheet composition in 2018 with the help of its prosperous dual currency balance sheet management. Dynamically managed funding base of the Bank continued to be largely composed of deposits.

Garanti's leading position in consumer deposits is the outcome of its customer-centric and innovative business model, which places customers' needs and satisfaction at the core of its business. The Bank's improving Net Promoter Score (NPS) mirrors its success in being the customers' preferred bank. In terms of NPS, Garanti preserved its leader position among Tier-1 banks. Garanti kept focusing on sticky and low-cost mass deposits during 2018. 22% growth rate in customer deposits base was well above the loan growth, which helped Garanti to improve its loan to deposit ratio above sector (LDR) by 15 points.

Garanti has a solid demand deposit base that supports funding cost optimization. The Bank also further strengthened its demand deposit base by almost 18% on an annual basis and succeeded in keeping the share of demand deposits in total deposits at 26%.

<sup>1</sup> Excludes Loans Measured at Fair Value through P&L (FVTPL). <sup>2</sup> 33% of Telecom file, corresponding to USD 365mn, has been written off in 4Q. This amount inflated both new NPL and write off balances in reported financial statements dated 31 Dec 2018. <sup>3</sup> 2018 NPL figures include leasing and factoring receivables.

**TL DEPOSITS** (TL billion)

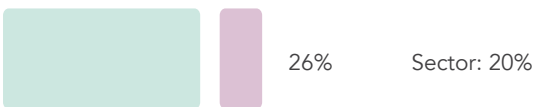


**FC DEPOSITS** (USD billion)



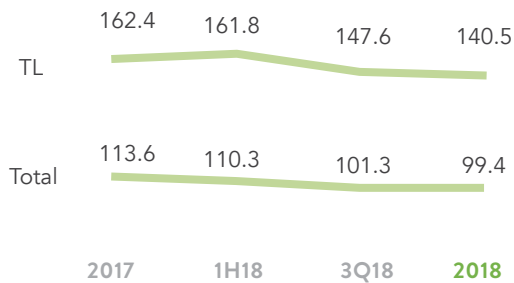
**DEMAND DEPOSITS**

% in total deposits



**LOAN TO**

**DEPOSIT RATIO (%)**



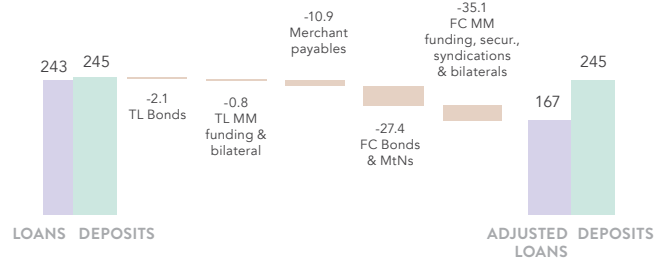
Garanti registered an LDR of 99%, which further decreases to 68% if we add local currency bond issuances, other local currency MM funding, merchant payables, foreign currency bond issuances and other foreign currency MM funding (Securitizations, syndications, bilaterals).

Loans funded via long-term on B/S alternative funding sources

**EASE LDR**

Total Loans<sup>1</sup> / Deposits: **99%**  
 TL Loans / TL Deposits: **140%**  
 FC Loans<sup>1</sup> / FC Deposits: **69%**  
 Adjusted LDR: **68%**

(TL billion)



**4.1 SOLID LIQUIDITY BASE AND MANAGEABLE EXTERNAL DEBT STOCK**

Garanti has lower dependency on external borrowing due to shrinking FC loan portfolio since 2013. The Bank's total external debts amount to USD 12.4 billion. On the basis of maturity profile, the long-term portion of this debt is worth USD 6.9 billion, whereas short-term debt and the short-term portion of the long-term debt amounts to USD 5.4 billion. For this short-term debt, Garanti has a highly comfortable liquidity buffer of USD 11.0 billion.

Garanti carries on with opportunistic utilization of alternative funding. Thanks to its solid correspondent relationships, the Bank continued to diversify its funding structure by accessing international funds at the most favorable costs and terms. The

**INTERNATIONAL BANKING**

- Broad correspondent network with *>2000 banks*

<sup>1</sup> Loans exclude Loans Valued at Fair Value through P&L (FVTPL), leasing and factoring receivables.  
 Note: Sector data is based on BRSA weekly data, for commercial banks only.



Bank preserved its target of managing assets-liability duration gap and optimizing funding costs. Garanti tapped new funds worth nearly USD 200 million through unsecured borrowing products. In cooperation with the IFC (International Finance Corporation), the Bank issued a USD 75-million social bond with a maturity of 6 years to be allocated as financing to women entrepreneurs. Issued also with the support of the Goldman Sachs's 10,000 Women program under the agreement with the IFC, the bond has been the first social bond in Turkey for use exclusively by women. The funding resources were further diversified through secured debt products. With the covered bond issued to the Development and Investment Bank of Turkey Asset Financing Fund (Türkiye Kalkınma Bankası Varlık Finansmanı Fonu), the Bank was involved for the first in an asset-backed security backed by secured bonds of multiple banks. Garanti obtained a fund in the amount of USD 87 million from the European Investment Bank (EIB) to be on-lent to SMEs and commercial companies. In 2018, Garanti carefully managed the external funds on its balance sheet through high rollover ratios secured in two syndicated loans. This serves as a testament to Garanti's power to be selective in tapping external funds thanks to its high liquidity, its intrinsic financial strength and solid banking relationships. Total issuance in 2018 was USD 3 billion, of which USD 700 million was fresh.

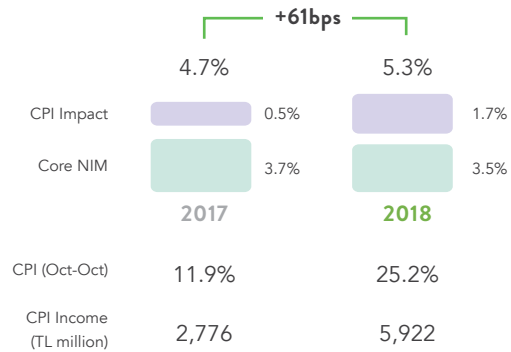
Covered Bonds	TL 150 mn 5-yrs maturity (4Q18)
Syndicated Loans	€ 1.2 bn equivalent (2Q18)
	\$ 950 mn equivalent (4Q18)
DPR Securitization	\$ 135 mn 7-yrs maturity (4Q18)
	\$ 240 mn 7-yrs maturity (4Q18)
MTNs	\$ 125 mn 1-yr maturity (1Q18)
	\$ 75 mn 6-yrs maturity (2Q18)
	£ 4 mn 6-mos maturity (3Q18)
EIB Funding & Bilaterals	€ 75 mn equivalent \$87 mn 6-yrs maturity (3Q18)

## 5. DYNAMIC BALANCE SHEET MANAGEMENT IN DEFENSE OF NET INTEREST MARGIN

In a challenging year dominated by economic uncertainties and volatilities, Garanti successfully preserved its ability to generate sustainable income on the back of dynamic assets and liabilities management. The Bank maintained its highest Net Interest Margin (NIM) among peers, even in an increased rate environment.

In 2018, the weighted average cost of CBRT funding went up by 1125 bps. Despite the rapidly rising market interest rates, Garanti was able to maintain its core Net Interest Margin (NIM) at 3.5%. With the help of CPI-linkers that make up the majority of the securities portfolio as hedge against possible volatility in interest rates, Garanti was able to improve its NIM including swap cost by 61 bps. Garanti successfully defended its spreads owing to disciplined loan pricings and the high share of demand deposits in total deposits.

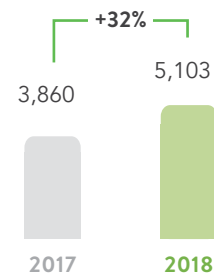
## ANNUAL NIM INCLUDING SWAP COSTS



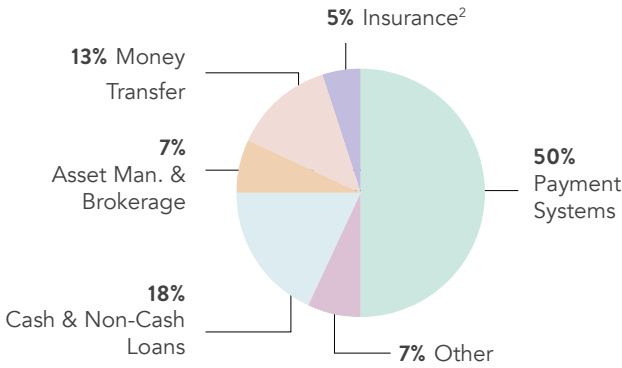
## 6. DIVERSIFIED FEES & COMMISSIONS

In 2018 that saw reduced contribution of commission income originating from loans, Garanti succeeded in recording an annual growth rate of 32% in net fees and commissions, well above the expectations. Being the bank with the highest fee base in the Turkish banking sector, Garanti carried on with its sustainable income generation on the back of its diversified fee base. Payment Systems make up 50% of Net Fees and Commissions. The Bank's leading position in issuing and acquiring businesses, strong merchant network, and increasing contribution from clearing and merchant commissions supported the fee base. In addition, with increased digital penetration, digital sales increased its share in total sales to 43%, while the share of commissions from digital channels in non-credit linked fees reached 46%.

## NET FEES & COMMISSIONS (TL million)



**NET FEES & COMMISSIONS BREAKDOWN<sup>1</sup>**



**GARANTI SECURITIES**

- **US\$ 14.1 billion** volume in leveraged FX trading
- **31.26% market share** in BIST30 options contracts
- **Local coordinator in us\$ 539 million worth IPO** of ŞOK markets, **the largest IPO** since 2010
- **Co-lead global coordinator in us\$ 651 million worth SPO** of ASELSAN, **the largest SPO** since 2010

**INSURANCE & PRIVATE PENSION**

- Garanti ranks **1<sup>st</sup>** in non-life and **3<sup>rd</sup>** in life insurance among private banks

**GARANTI PENSION & LIFE**

- Leader in pension technical profit with **TL 327 million\*** net profit
- Leader in voluntary and auto-enrollment pension with a total of **1.7 million\*\*** participants
- **First in the sector** with robotic consultancy application

\* IAT (Insurance Association of Turkey) data, September 2018

\*\* PMC (Pension Monitoring Center) data, 28.12.2018

**GARANTI ASSET MANAGEMENT**

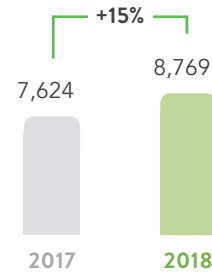
- **TL 18 billion** total assets under management
- **TL 13.5 billion** pension funds under management
- **TL 4 billion** mutual funds under management

**7. DISCIPLINED COST MANAGEMENT AND FOCUS ON OPERATIONAL EXCELLENCE**

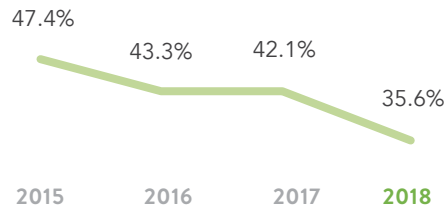
Paying the utmost attention to stakeholder satisfaction, Garanti completed the rollout of its new service model in branches in 2018. The new branch model already began contributing flexibility to the sales force, while increasing revenue generation capacity and cost efficiency.

Garanti continued to focus on cost/revenue synergies and improved its Cost/Income ratio by 12% since 2015. In 2018 during which the amortization costs of the new technology base and the new branch model began affecting the operating expenses, Garanti, as a result of commitment to efficiency, recorded an OPEX growth of 15%, which is below inflation and in line with the guidance. Last but not least, Garanti, acting with the vision of bringing the age of opportunity to its customers, launched its new technology service in 2018.

**OPERATING EXPENSES**  
(TL million)



**COST/INCOME**



Note: Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provisions reversals + Income from subsidiaries

**TURKEY'S FIRST BANK TO CENTRALIZE ITS OPERATIONS: GARANTI'S OPERATIONS CENTER ABACUS**

Turkey's first bank to centralize its operations, Garanti alleviates operational load on its branches and enhances employee

<sup>1</sup> Net Fees & Commissions breakdown is based on MIS data.

<sup>2</sup> Insurance fee includes Private Pension & Life insurance fee income whereas it is accounted for under «other income» in consolidated financials.

productivity through active use of technology. The Bank ensures superior quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS. The Bank's loss resulting from operational errors was a mere USD 26,350 within a total turnover of USD 542 billion. Garanti channels 99% of all operational transactions of branches to ABACUS made up of a dynamic team of 1,221 experts.

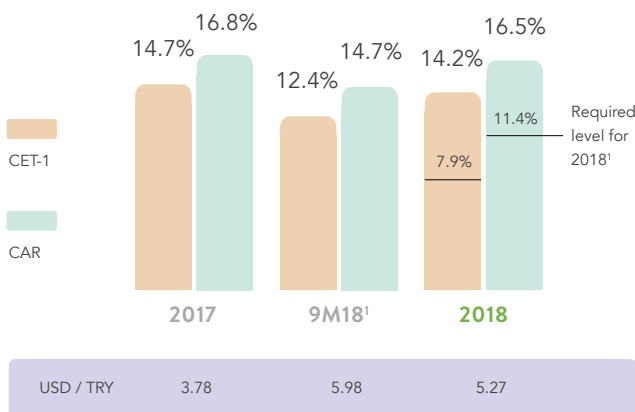
**ABACUS**

- *US\$ 542 billion* transaction volume
- 365 days uninterrupted cash service with *8,455* points
- *%99* centralization ratio in operational transactions

**8. ROBUST CAPITAL BASE**

The loss resulting from the 40% depreciation of the Turkish lira and the mark to market differences arising from the rise in interest rates in 2018 led to a decline by 198 bps and 20 bps respectively in the Capital Adequacy Ratio (CAR). At the same time, dividend distribution pertaining to 2017 profit also bore a 63 bps negative impact on CAR. Despite all these repressive factors, Garanti was able to maintain its CAR at 16.5% with 203 bps contribution from net profit. This is well above the Basel III required ratio of 11.4% set for 2018.

**SOLVENCY RATIOS**



**9. GARANTI'S TAX CONTRIBUTION**

Adopting transparency, prudence and honesty principles in tax matters, Garanti reports on the total tax contribution, both on its own and on behalf of third parties.



Please read more on tax strategy & reporting on Garanti Investor Relations website.

**GROUP PERFORMANCE IN 2018**

In 2018, the Group achieved improvement in every performance area despite the negative economic developments. The strong asset quality preserved thanks to prudent risk management approach across the Group led to a 5% rise in consolidated net income.

Subsidiaries played a key role, as they did in previous years, in delivering the strong financial results at the end of 2018. The contribution of subsidiaries to the Group was not only limited to the net income figure but also to other financial performance metrics, enabled by the synergy captured with the parent Bank in all fields of activity as well as in management.

In 2018, major contributors to consolidated performance were insurance & pension business, and brokerage & securities activities, which are also supported by the Group's banking investments abroad. On the side of insurance and pension business, 2018 was a successful year as:

- Garanti Pension was the market leader\* with 1.7 million participants in total covering both Voluntary PPS and PPS Auto-Enrolment.
- Undersigning a first in the sector, the company offers fund advisory service to participants employing robotic consultancy technology.
- Through "Online Private Pension", the company began handling all of its sales processes online, a first in the sector, and reached more than 15 thousand customers.
- Captured the highest share in total profit among Garanti Bank's subsidiaries with 6.8%, and was the leader\*\* within privately-owned private pension companies with a net profit figure of TL 454 million.
- The company paid TL 1.2 billion in dividends at the end of 2018.

<sup>1</sup> Required CAR = 8.0% + SIFI Buffer for Group 3 (1.5%) + Capital Conservation Buffer (1.875%) + Counter Cyclical Buffer (0.09%)    <sup>2</sup> Without BRSA forbearances. Note that BRSA forbearances on the calculation of FX credit risk exposure and suspension of MtM losses in CET1 capital was abolished on 27 December 2018.    (\*) According to the data published by Pension Monitoring Center as of 28/12/2018    (\*\*) According to the data published by the Insurance Association of Turkey as of 30/09/2018.

In terms of brokerage & securities activities, year-end 2018 results were positive mainly thanks to:

- In line with the increased transactions volume in equity and derivatives markets, Garanti Securities increased the share of its income derived on these products to 18%.
- The decline in commission income, which resulted from higher interest rates on deposits, was compensated by revenues generated on treasury activities.
- Major public offering deals were carried out in Corporate Finance.

Regarding the Group's banking activities abroad;

- Despite extra provisions set aside upon introduction of the TFRS 9 model, the Group's subsidiary ensured minimal impact on net profit through effective measures on cost management. Prudent balance sheet and risk management strategies served to decrease in NPL ratio by 36 bps. Gains from trading activities and high collections from NPLs resulted in increased profit.

The company engaged in the leasing business increased its return on equity by 8% annually despite declining demand, and achieved 37.7% improvement in Income/Expense ratio with a special focus on efficiency.

All in all, the subsidiaries' performance continued to support the Group's strong financial results in 2018.



Please refer to the Glossary Section on Garanti Investor Relations website for more information on financial ratios & abbreviations used in this chapter.

In 2019, economic stabilization is expected to continue, with a projected GDP growth of 1%. The inflation outlook is anticipated to start improving in the second half of 2019 and reach around 16% by the year end. In parallel, the CBRT is expected to adhere to its tight monetary stance in the first months of the year, and the funding cost is anticipated to decline gradually by 400 bps upon pronounced enhancement of inflation outlook.

In 2019, asset growth is anticipated to be 5% and to remain loan-driven. TL loan growth is expected to be more restricted parallel to the economic indicators and to stand at nearly 5%. TL loan growth is expected to be driven mainly by products other than consumer loans. The projected growth rate is 10% in business banking loans and 15% in credit cards. Increasing the share of digital sales in total sales via digital product offerings will remain as a primary focus area. On the retail banking front, Garanti will keep focusing on customer satisfaction and loyalty by deepening customer relationships while expanding the customer base. The Bank will continue to develop new instruments, channels and processes in keeping with this goal, carry on with big data oriented marketing activities based on an analytical approach, and deliver tailored and fitting solutions for its customers' needs on site.

The contraction trend in FC loans that has been ongoing since 2013 is anticipated to continue also in 2019. FC loan volume is expected to shrink by 10% in USD terms. The primary causes underlying the shrinkage are limited demand and high flow of redemptions. In the energy sector, renewable energy projects will be prominent as they were in 2018 and "Renewable Energy Resources Area" (YEKA) projects will be at the forefront in our pipeline in 2019. While we anticipate a selective attitude from investors in 2019, we are also expecting them to take advantage of attractive takeover opportunities in Turkey.

Improvement in loans to deposits ratio will continue and it is targeted to be preserved at around 100% in 2019. In parallel with the shrinkage in FC loans, the need for FC funding is anticipated to decline as well. Syndicated loan rollover ratios are expected to be below 100% due to high cost and comfortable liquidity level. In addition to the Eurobond redemptions worth USD 1.25 billion in total that will take place throughout 2019, FC liquidity needs and market conditions will be taken into account when tapping new external funding opportunities.

2019 OUTLOOK	2019 OPERATING PLAN GUIDANCE
Asset Growth	~5%
TL Loans (YoY)	~5%
FC Loans (in USD) (YoY)	--10%
Total Loans to Deposits	~100%
Net Cost of Risk	<300 bps
NPL Ratio	<7%
NIM Inc. Swap Cost Exc. CPI	Flat
Fee Growth (YoY)	Low teens
OPEX Growth (YoY)	< Avg. CPI
ROAE	Low teens

By the end of 2019, NPL ratio and Net Total Cost of Risk are anticipated to be realized below 7% and 300bps, respectively. Since most of the new additions stemming from commercial loans have been realized in 2018, new NPL inflows are anticipated to remain below their 2018 level. On the other hand, new NPLs inflows from consumer loans are expected to increase to some extent in 2019 as compared with the previous year.

In the coming year, cumulative net interest margin including swap costs excluding CPI linkers' income is expected to be preserved flat vs. 2018 on the back of dynamic assets and liabilities management. The spreads are anticipated to enlarge throughout the year given decreased funding costs, and in parallel, the core interest margin is also expected to expand. Due to the inflation outlook that is anticipated to improve, CPI-linkers' income will possibly be lower than they were in 2018. While maintaining its focus on sticky and low-cost mass deposits with respect to deposit growth, the Bank will also preserve its solid base of demand deposits. Cross currency swaps will continue to be opportunistically utilized for margin optimization. In 2019, Garanti will take the necessary actions based on a cautious optimism with respect to the management of liquidity risk, interest rate risk, the Bank's securities portfolio, structural exchange rate risk, and capital.

Double-digit growth momentum will be maintained in net fees and commissions income. Net fees and commissions' growth is anticipated to be at low teens in 2019. Garanti is expected to preserve the highest level of net fees and commissions among its peers.

The increase in operating expenses of Garanti is estimated to be less than 19%, which is the average expected CPI in 2019. Amortization costs of Pendik IT Campus and New Branch Transformation projects are expected to reflect on operating expenses, and HR expenses are anticipated to increase above the CPI.

In 2019, active assets and liabilities management that will result in high return on capital will be sustained along with the risk/return focus. In the light of its 2019 projections, Garanti aims to achieve a low-teens ROAE.

## EXPECTATIONS REGARDING THE GROUP IN 2019

Garanti operates as an integrated financial services group through its leading financial subsidiaries offering services in life insurance and pension, leasing, factoring, brokerage and asset management in Turkey, along with its international subsidiaries operating in the Netherlands and Romania. Garanti aims to make sure that the synergy captured with its subsidiaries will be powerfully sustained in 2019, and the subsidiaries are expected to increase their shares within the Group's net income. In 2019, the Group plans to keep working towards preserving and improving its asset quality in geographies where its subsidiaries in Romania and the Netherlands pursue their banking operations. Targets include sustaining productivity increase while preserving its asset quality, further improving the strong balance sheet structure, and boosting the profit generation capability and sustaining it.

With respect to its operations in Turkey; the Group targets to receive significant contribution from the insurance business to consolidated profit. Life insurance segment is anticipated to sustain solid premium production, and increased market share is projected in Auto Enrolment System. In the securities business, positive contribution is expected to be lent to revenues through opportunistic moves as diverse products apart from equity and TurkDex market products and derivatives via the overseas trading platform will be offered.

In 2019, the Group aims to sustain its sustainability-focused growth strategy that maintains asset quality, increases productivity and generates capital. The strong share of loans within the assets structure will be maintained, and proactive risk management concept will back the preservation of solid asset quality as it did in previous years. The Group intends to preserve its cumulative net interest margin through an active assets and liabilities management. The Group will carry on with active productivity management and will focus on molding its business model with an eye on potential growth areas. As before, the Group will persist with its initiatives to create long-term value in 2019; yet, it will continue to keep operating expenses under control. Standing out with its robust capitalization, the Group will retain this quality and move forward. In the light of all of these, the Group will continue to generate sustainable profit on the back of its differentiated business model.

# CUSTOMER EXPERIENCE



Customer experience has always been one of the main pillars of Garanti's strategy. Garanti strongly believes that companies delivering compelling experience are and will become the most successful ones in their industries. Customer experience is even more important in today's hyper changing environment accelerated by technology. Boundaries between industries have already blurred, and digital business models create the new norms for all business areas. Solutions that delight customers easily become the standard not for a specific category but for all. Therefore Garanti regards customer experience as the most important element for strengthening its competitiveness and differentiating it in its industry.

Garanti has a solid and long-run strategy built on a combination of technology and human factors, which are the key determinants of our age. The Bank executes its customer experience strategy with the aim of making customers' lives easier, looking after their financial well-being, helping them make informed financial decisions, advising them to grow their businesses in a sustainable manner, and finally, bringing financial services to everyone.

Customers' needs and expectations are continuously evolving and reshaping in line with technological advancements. But common ground stays the same: they want to experience shortened and frictionless journeys saving their time, smarter solutions supporting their well-being and personal connection which they enjoy. This understanding shapes all of Garanti's customer experience management efforts. Garanti wants its customers to be happy for having chosen to work with it. Building a good customer experience is one of the top strategic priorities and indispensable passions for Garanti senior management as well. The Customer Committee established for this purpose convenes under the chairmanship of the CEO to discuss customer experience topics. The Committee defines the Bank's customer experience strategies and it is also responsible for realizing and ensuring continuous effort aimed at enhancing experience at every touch point and improving performance.

In 2018, Garanti continued to receive feedbacks from customers for understanding the status of current customer experience and generating customer insight. Based on these feedbacks, the Bank designed 38 new projects to build on its products and services.

Helping its customers maintain their financial health is a key topic that Garanti puts emphasis on, and works to constantly improve through new ideas, projects and initiatives. Facilitating access to financial services through all its channels, Garanti ensures that its customers are informed about their financial positions, and have full control over their finances. With its segmented approach, Garanti provides consultancy and guidance on financial planning and offers solutions to its customers according to their needs varying from savings to pension.

With its responsible banking approach, Garanti shares advantages and possible risks of products and services. Hence, Garanti communicates with its customers transparently in all sales & marketing activities, and provides all the information they need in a clear and easy to understand way. The Bank offers feasible solutions and seeks to build long-term and sustainable relations that are built on trust.

Garanti's goals include supporting the growth and resilience of SMEs, women, entrepreneurs and farmers, who are key to sustainable development of the economy, and also helping them improve their environmental, social and ethical performance, besides producing solutions for their financial needs.

Through GarantiPartners Acceleration Program, the Bank helps flourish the entrepreneurial ecosystem in Turkey, and aims to support and accelerate early startups and initiatives with the potential to attract investment and grow.

The Bank facilitates women entrepreneurs' access to financing, executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive

School, and encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition. Through Women Entrepreneurs Meetings, the Bank targets to help women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need.

The objectives of Garanti also include provision of innovative solutions and advise the customers to grow their businesses sustainably. The Bank provides its stakeholders such as its customers and non-governmental organizations with

information about the most current topics related to sustainable business models such as innovative environmental, social and governance practices in Turkey, green financing options, risks stemming from digitalization, new trends in relation to transparency and non-financial reporting, and environmental risk perception in the insurance industry.

By focusing on customer experience, Garanti is actively contributing to Sustainable Development Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 9: Industry, Innovation and Infrastructure, Goal 10: Reduced Inequalities.

VALUE DRIVER	INDICATOR	PERFORMANCE	
		2018	2017
- OFFER CUSTOMERS AN EXCELLENT CUSTOMER EXPERIENCE BY PLACING THEM AT THE CENTER OF ALL ACTIVITIES AND EFFORTS - DESIGN PROCESSES FROM THE CUSTOMERS' PERSPECTIVE, VESTING THEM IN A SWIFT, EASY AND PLAIN FORMAT - HAVE LONG-LIVED RELATIONSHIPS WITH CUSTOMERS THAT ARE BUILT ON TRUST BY EXCEEDING THEIR EXPECTATIONS AND ENHANCING THEIR SATISFACTION	Customers <sup>1</sup>	16,378,165	15,143,270
	Target Customers Surveyed <sup>2</sup>	7.87%	7.35%
	Feedback Received <sup>3</sup>	942,000	864,000
	Products or services that are changed & developed through customer feedback	38	24
	Net Promoter Score <sup>4</sup> (Ranking)	#1	#1
ALWAYS BE TRANSPARENT, CLEAR AND RESPONSIBLE TOWARDS THE CUSTOMERS	New & upgraded products, services and channels that aim to support the customers in terms of managing their financials	3	3
	Customers informed about their financial positions	85%	83%
HELP THE CUSTOMERS IN MAKING INFORMED DECISIONS THROUGH SUPPORTING FINANCIAL LITERACY, HEALTH AND INCLUSION IN THE SOLUTIONS OFFERED	Disabled-friendly ATMs	5,210	3,824
	Women who attended Women Entrepreneurship events and Garanti has helped to enhance financial awareness (cumulative)	9,720	9,100
	Customers that started using saving products	850,000	809,397
OFFER INNOVATIVE SOLUTIONS AND ADVISE THE CUSTOMERS TO GROW THEIR BUSINESSES IN A SUSTAINABLE MANNER	Site visits on Environmental & Social issues to customers	37	28
	Environmental and Social workshops and conferences	3	4
	SME initiatives (incl. apps and events)	6	7
	Environmental & Social issues addressed in workshops and conferences	29	11
	Woman Entrepreneurs encouraged to apply WE Awards (Cumulative)	36,908	34,384
	Customers and financial institutions informed on Environmental & Social issues <sup>5</sup>	33	29

<sup>1</sup> Excludes customers with inadequate documentation. <sup>2</sup> Represents percentage of target customers surveyed at least once during the year. <sup>3</sup> Represents customer feedbacks received through customer hotline and after-service surveys conducted for the journeys in branches, call center and customer hotline and other surveys. <sup>4</sup> Net Promoter Score research is conducted by independent research agency Ipsos for Garanti Bank. According to the research results, Garanti has the highest Net Promoter Score, among retail customers representing its own profile, compared to the peer group, which consists of Garanti Bank, İşbank, Akbank, Yapı Kredi Bank, QNB Finansbank and Denizbank. Research was conducted between May 2018 and December 2018. Main bank customers, who have communicated with the banks over the last 3 months, were surveyed face to face in the cities of Istanbul, Ankara, İzmir, Kocaeli, Bursa, Antalya and Adana by quota sampling. Score is calculated as a weighted average of retail segments' scores. <sup>5</sup> Customers and financial institutions informed through E&S workshops or through meetings/calls.



Garanti's consistent performance in customer experience rely on four key competencies that it embraced in the execution of its strategy: Customer Understanding Capacity, Design Philosophy adopted, Empathetic Culture espoused by each member of the organization and advanced Measurement Systems allowing constant self-control.

## 1 - CUSTOMER UNDERSTANDING CAPACITY

In 2018, as it did in 2017, Garanti kept generating insights providing a better understanding of its customers through regular feedback directly from its customers and also from its employees. In 2018, the Bank contacted nearly 733 thousand customers and received their feedbacks concerning their needs and expectations, brand perception and their journeys. In addition, employees conveyed more than 1,000 opinions through the Önersen suggestion platform and supported development of services.

All insights that become a part of Garanti's corporate intellectual capital have been regularly utilized by employees also in 2018. The design teams, in particular, made use of customers' and employees' opinions throughout the entire process from problem identification to solution generation.

## 2 - DESIGN PHILOSOPHY

In order to deliver a good customer experience, the experience at all digital and physical touch points, in other words the entire journey needs to be designed carefully end-to-end. The 'Customer Journey' methodology adopted by Garanti has become a powerful tool in creating a consistent and seamless experience, and guided the development activities also in 2018.

The efforts in 2018 concentrated on critical journeys most frequently experienced by customers, such as credit cards, loans, onboarding, and complaints. Customers' journeys on digital channels have also been analyzed utilizing advanced data modeling, and actions have been identified.

## 3 - EMPATHIC CULTURE

Garanti employees are the key actors when designing new products and services, and when implementing designs. To deliver a good customer experience, the atmosphere, mood

and understanding dominating the organization should also be conducive.

Initiated to constantly nurture and maintain the customer-centric culture, "Garanti Empathy" program left its second year behind in 2018. Also this year, Garanti Empathy continued to provide a platform for all Garanti employees to stay informed about the Bank-wide customer experience projects, learn about best practices both internally and worldwide, access tools such as guidelines, tips and trainings for self-improvement, and share their empathy stories with others to inspire new ones.

2018 marked the inception of a ritual where branches that make a difference in customer experience with all their employees are rewarded within the scope of Garanti Empathy activities. Each year, the most successful branch team in terms of customer experience in the preceding year will be presented with various surprises, and will also display the designed award in the branch throughout the year. The award will be circulated by being handed over to the most successful branch every year, and will become a deep-seated sign of Garanti's aspiration to create unparalleled customer experience.

## 4 - MEASUREMENT SYSTEMS

In 2018, Garanti carried on with regular measurements on the basis of channels and products to see its position in customer experience and understand the impact of its activities and efforts. All branch employees can monitor customer feedback regarding the customer experience they have delivered on a daily basis through after-service surveys. Branch managers contact the surveyed customers and turn the feedback received into necessary actions.

The Bank began employing mobile channels in addition to branches and the call center for gathering customer feedback on their digital experiences. Nearly 100 thousand customers using Garanti Mobile Banking application, GarantiOne and BonusFlaş shared their opinions regarding the application they have used right after their transactions. These customers' scores are monitored on a daily basis and the Customer Experience Support Team contacts those assigning low scores, seeking their feedbacks and orienting them to relevant solutions.

The positive outcomes of efforts carried out based on the four key competencies mentioned above and aimed at continuously



leveraging customer experience were reflected in various indicators also this year:

- Garanti reproduced the same successful result of 2017, and has become the bank to receive the highest NPS from retail customers in 2018<sup>1</sup>;
- Garanti has taken the top rank both in banking and credit card categories at the A.L.F.A. Awards 2018 with its success in customer experience management<sup>2</sup>;
- The number of complaints by the Bank's 1,000 active customers went down by 16% as compared with the previous year;
- During 2018 that proved to be a trying year for the Turkish economy and financial markets, after-service surveys revealed that the Bank preserved its NPS;
- Garanti was named the Best Cash Management Bank in Turkey at the Global Finance awards for the third consecutive year. At the Stevie Awards, the Bank earned Bronze in the Best Cash Management Team about Customer Service category. At the Best in Biz awards, the Bank received the silver medal in the best Business Development Team category.

## WHAT WE DID IN 2018

Garanti places accurate identification and fulfillment of customer needs and expectations in the focal point of its product, service and infrastructure conception and development process.

In 2018, detailed and regular Net Promoter Score (NPS) studies continued for customers in the Retail, SME and Commercial segments and those using Digital Channels in order to gain a better understanding of customers. This year an NPS study was conducted for the first time to explore the experiences of customers using their credit cards. Advertising research measuring the performances of advertisements, brand surveys measuring the brand's share on the minds, and corporate reputation surveys measuring the reputation of an organization were among other regular surveys conducted. In addition, the annual jazz and basketball sponsorship surveys were carried out, which measure the effects of sponsorships.

Garanti continued to take actions regularly in order to prevent recurrence of dissatisfaction with the help of root cause analyses performed based on customer feedback also in 2018. Actions taken in this context served to preclude 4.1% of dissatisfactions that arose in the previous year. Furthermore, customers' experiences were prevented from being negatively affected through 13 proactive actions taken before the dissatisfaction occurred. Feedbacks concerning new products, services and implementations introduced were also watched closely and their impact on customer experience was observed, followed by changes to the designs as necessary.

The Bank's activities and efforts are erected on the pursuit of fulfilling customer needs easily and plainly through branches and all digital channels, responding to all requests emerging in connection with the changing market conditions, and presenting custom-tailored solutions.

In order to provide a better digital experience to its customers, the Bank upgraded its existing capabilities on digital channels and also added new solutions. Hence, the Bank enabled an easier, faster and more convenient customer experience and introduced a number of exemplary digital products. Garanti espouses it as a main principle of design to give its customers easy access to solutions for whatever financial need they may have from wherever they may be. To this end, perhaps the most significant innovation developed in 2018 was the capability that allows customers to have a video chat with customer representatives through Garanti Mobile Banking. Thanks to this feature, customers are able to have face-to-face contact with the agents without having to go to the branch. The developments made on digital channels in 2018 have been instrumental in the following:

- Through Garanti Mobile Banking application, customers can now deposit/withdraw cash in/from their accounts, and even perform money transfer, via QR code without the need for a card.
- Customers can quickly and conveniently log in to Garanti Mobile Banking app with the eye recognition capability.

<sup>1</sup> Net Promoter Score research was conducted by independent research agency Ipsos for Garanti Bank. According to the research results, Garanti has the highest Net Promoter Score, among retail customers representing its own profile, compared to the peer group, which consists of Garanti Bank, İşbank, Akbank, Yapı Kredi Bank, QNB Finansbank and Denizbank. Research was conducted between May 2018 and December 2018. Main bank customers, who have communicated with their respective banks over the last 3 months, were surveyed face to face in the cities of Istanbul, Ankara, İzmir, Kocaeli, Bursa, Antalya ve Adana by quota sampling. Score is calculated as a weighted average of retail segments' scores.

<sup>2</sup> Organized since 2015 by Marketing Türkiye and recognizing brands that make a difference in their respective sectors with the experience delivered to customers, A.L.F.A. Awards winners are determined by customers.

- Customers can perform their banking transactions just talking to Ugi, the AI assistant in Garanti Mobile Banking app.
- Customers can execute their transactions easily with the revamped money transfer experience.
- "Remember Me" feature allows customers using Garanti Internet Banking to log in just by entering their password.
- SME customers can monitor their cash flows much more easily, access important information regarding frequently needed products such as POS, cheques and credit cards, and view their financial status at a glance on the customized home page.
- Customers become aware of digital products/services and campaigns, and receive informative and instructive messages specific to their needs through the 'Garanti Stories' in Garanti Mobile Banking.

For Garanti, 2018 was a year of maintained focus on customers and reengineering of the Bank's deposit management. Major operational improvements were executed in line with customer needs. Provision of transparent and operationally easy new solutions through branches and digital channels under the guarantee of Garanti's expertise maximized existing customer loyalty and increased the number of new customers.

Initiatives continued to offer the best services, advantageous offers and conveniences to retirees that are traditionally considered as a special customer group at Garanti. Retired customers are now able to easily and quickly transfer their pension account to Garanti through Paramatiks, Garanti Internet, call center or şubeden sesli satış without going to a branch.

The new service launched in October lets customers perform a number of transactions by placing a phone call to their branches, including new limit creation and limit increase for the overdraft account -Avans Account-, password setting for Internet banking, opening and extending time deposits, credit card reopening and limit increase applications, predefined bill payment entry and life insurance.

In this context, customers can place FC and gold buy/sell orders at the specified exchange rate through Garanti Internet and Mobile Banking, using the FC order function developed in 2018 to invest in gold or foreign currency, and navigate conjunctural volatilities in line with their own predictions without making a trip to the branch. The orders are executed automatically when the defined exchange rate level occurs.

Under another development, a structure has been created enabling approval through digital channels for transactions such as consumer loans, PPS and insurance, without requiring the customers to go to the branch.

The activities aimed at understanding the customers improve and expand constantly. In this context, the service model offered to SME customers was redesigned in 2018 based on big data studies in order to better fulfill their needs in line with customer feedback. With the new service model, Garanti aims to deliver excellent customer experience and provide efficient financial advisory to its SME customers. SME Banking, which will be servicing customers with a turnover/asset size of 2.5 million to 40 million on the basis of relationship management, began providing its services in two sub-segments defined as Medium and Large-Sized Enterprises, and Small Enterprises. The business unit pursues an in-depth growth strategy in the Medium and Large-Sized Enterprises segment, while adopting a broad-based growth strategy in the Small Enterprises segment.

Also revamped are lending processes, which now enable much faster and easier assessment of its SME customers' requests for installment loans below a certain amount, overdraft accounts and commercial credit cards. The simplification of required information and documents as compared with the current requirements allowed much higher productivity in the operation of branches. As a result, the Bank now gets back to customers much more quickly.

In 2018, Garanti worked on the credit card journey, which is one of the critical journeys most frequently experienced by customers. As an output of these efforts, customers are now able to trace the card from the time of application until delivery, and to track the assessment stages in case of a change in the limit. As a result, all users, Garanti customers and non-customers alike, are able to use any channel to follow up the current status of their applications pertaining to their debit cards and commercial credit cards, in addition to individual credit cards. Under another aspect of the work on credit card journey, the process of customers' objection to expenses was vested in a more practical format both on digital channels and in branches to ensure easier conveyance of these objections. All these initiatives produced 17% decrease year-over-year in the number of credit card complaints per 1,000 active customers received in 2018.

As a first in Turkey, GPI service was offered, which enables tracking the status of the crossborder payment transactions within the scope of the SWIFT system. There was a 181% increase in the annual number of investigation requests following the transition to SWIFT GPI. By further increasing the speed and efficiency of the status tracking, the operational costs were reduced.

End-to-end online application system has been developed which will ensure much faster conclusion of customers' member merchant applications. This way, Garanti is able to offer the optimum quotations to customers at the time of application, fulfill their requests as quickly as possible, and inform them on the result of their applications.

In order to enhance customer experience, enrich the services on digital channels, and offer faster and more efficient service to customers, new functions were added to BonusFlaş as well. The application now features the capabilities for 24-hour temporary suspension and renewal of the card especially in the event of suspected theft or loss so that customers will feel safer, the control over authorizing or blocking overseas transactions, and notification of overseas expenses. Account statements can now be requested and tracked digitally, in addition to their mailing in hard or soft copy. Notifications in all stages of credit card campaigns from participation, prizes, and cancellation have been reviewed and revised as necessary. In addition, customers can give an automatic payment order with a single click after listing their manually paid bills on BonusFlaş.

Being the bank pioneering digital transformation for the past 20 years, Garanti launched a new business model in its branches.

The Bank focused on three main objectives, with the aim of leveraging its branches to the future now by integrating the benefits of the emerging digital world into the branch service model:

- improve customer experience,
- increase digital migration,
- upgrade employees' capabilities to boost their product delivery skills and improve operational efficiency.

Under the project whose pilot was initiated in May 2017, an average of 10 to 15 branches made their transition to the new service model every week during 2018.

In order to free up more time for interaction with the customers, product and service delivery capacity has been increased in the new service model. The tools necessary to enable servicing customers at any place of their choice, besides in branches, have been developed. The Bank's key orthodoxies were challenged, and new posts and responsibilities were created to improve sales/operational efficiency. Processes were re-designed and digitized to promote digital migration and to create seamless, omni-channel experience. Finally, branch layout was re-designed in accordance with the new service model concept, and teller desks were removed. New desks were put in where all customers are sitting while served and digital screens were installed for displaying information.

The "Empathy Assistant", a smart platform introduced in 2017 to help and guide branch employees while resolving customer issues, kept contributing positively to the branch experience throughout 2018. Actively used at 96% of branches, the platform supported the resolution of more than 5,000 issues per month.

The chatbot named "Bilge" went live by early 2018 to enhance the quality of the service provided by the Customer Care Line team that handles customer complaints and to ensure faster resolution of the complaints received. Bilge quickly understands all information and needs necessary to resolve customer complaints, and provides the solutions that respond to those needs to the complaint handling teams in a practical manner. The chatbot responds to over 10,000 queries per month, and shortened the average duration of service rendered to customers on the phone by more than half a minute.

The New Customer Management Model was introduced in June 2018, which is aimed at consolidating holistic approaches to customers during complaint handling by Customer Care Line agents and at upgrading the complaint handling concept. The new management model focuses on understanding the situation customers are experiencing, together with their emotional expectations. Following extensive probing, possible initiatives are determined, solution options are considered jointly, and consultancy is provided to customers. The new model produced its improvement effect on customer experience quickly. As of November 2018, there was a 5% decrease year-over-year in the rate of customers' multiple contacts with the Bank for the same complaint and 5.5% rise year-over-year in the score they assigned in the surveys regarding the service they received from the Bank.

In 2018, Garanti also embarked on its transition to agile working. In this context, teams formed of employees take full responsibility for the entirety of tasks they are performing, and construct the products and services according to customer feedback. This allows Garanti to focus on offering solutions that optimally fulfill current and future customer needs. In this new business model, employees are inspired by a single target and are motivated to reach that target.

Agile working means adopting a new mindset and corporate culture that rely on agile methods. In this model where strict organizational and functional structures are abandoned in favor of a more collaborative working style, the main goal is to increase the speed and quality of operating.

Agility allows gaining insight into customers and taking each and every step with the perspective of "our priority is our customers". It promotes collaboration to a brand new level with the "we are one team" point of view. Dominated by an inspiring and innovative mindset that exceeds expectations, this model supports fulfillment of customer demands in the fastest manner possible through consolidated teams that can take action.

## OUTLOOK

Customer needs and expectations will evolve and take shape substantially according to digital developments in the coming years, as they did this year. Also in the year ahead, Garanti will work towards delivering a better customer experience by bringing the current capabilities of the age to our customers.

As always, the Bank will continue to place its customers' voices at the heart of all of its designs. Customer insight drawn up both from internal data by making use of its analytical capabilities and directly from customers will serve as a guide in all products and services.

In line with the direction provided by the Innovation Committee set up in 2018, work was commenced to enhance the customers' experience with the Bank through Artificial Intelligence. Within the frame of these activities, Garanti intends to make projections using the big data volume available to it and thus understand customer needs at an as early stage as possible. The Bank foresees that use of Artificial Intelligence, where business rules or models are restrained, will take the Bank one step ahead in terms of knowing and understanding customers,

and thereby, enabling it to deliver an experience with much higher added-value to customers.

The Bank will continue to re-design and simplify experiences at all touch points through the customers' eyes in a bid to provide an omni-channel experience that is seamless, integrated and personalized. This way, the Bank will minimize the operational workload on its employees, freeing up their time to be allocated to tasks with higher added-value.

"Transition between channels", which is targeted at seamless service from one channel to the other in time deposits, is on the agenda as a project aiming to enhance customer satisfaction through supporting similar experience delivery in branches and on digital channels.

In the next version of its investment application, Garanti plans to shift to a more user-friendly front end design, to add new order types, and to improve notification and alert structures in line with customer feedback. The Bank also intends to enable customers to reach the Call Center more quickly and let them realize orders, in addition to getting information. Following the social media research completed very recently, the Bank will set up a new working group and focus on such topics as personalization of the service delivered and increased human touch in communication, which are outputs from the research.

Driven by the desire to be accessible and to reach the customers through their top-choice channels, the Bank targets to create new channels for its customers by integrating various communication applications into banking applications. In view of increased usage of video and digital content by customers, the Bank will begin using these channels more often for conveying the solutions to their financial needs.

The Bank will be able to manage branch densities more efficiently through smart platforms in development and the prioritization mechanism that puts customers in the center. It will also be able to allocate more time to coach its employees, and thus continue to enhance the service quality offered at branches.

Garanti targets to provide new offers and solutions to its customers through the Digital Customer Journey. In order to decrease complaints regarding card deliveries, the customers will be instantly given their cards at branches, and they will be able to use their cards immediately.

With the aim of supporting customers in their cash management, Garanti plans to sustain the same performance by creating new products and services along with pricing strategies also in 2019. Following user demands, development began for the Direct Collection System product that offers collection guarantee to vendors. As at year-end 2019, a system will be introduced allowing customers to monitor their cash flows in an even more transparent fashion, which will be more user-friendly thanks to new features to be added.

In 2019, developments for tracking SWIFT transactions will be ongoing. The service will be made available also through digital channels. Additional goals include incoming money transfer tracking and transfer cancellation (Stop&Recall) features.

### PRODUCTS AND SERVICES FOR CUSTOMERS' FINANCIAL HEALTH AND INCLUSION

Protecting its customers' financial health is a key topic that Garanti places emphasis on, and works to achieve constant self-development in through new ideas, projects and initiatives.

According to the World Bank Global Financial Inclusion data, 2 billion people in the world do not have access to financial services offered by financial institutions. For this reason, Garanti works towards improving access to financial services in our country. Facilitating access through all its channels in Turkey, where 43% of the adult population lacks access, Garanti ensures that its customers are informed about their financial positions, and are on top of their financials. With its segmented approach Garanti provides consultancy and guidance on financial planning and offers solutions to its customers according to their needs varying from savings to pension.

Garanti provides guidance to its customers for a more balanced budget management, and aims to have a positive impact on their lives by offering financial planning services and products that encourage savings such as 'NET Savings Account' and 'Spend and Save'.

With its responsible banking approach, Garanti shares advantages and possible risks of products and services. In this context, Garanti communicates with its customers

transparently in all sales & marketing activities, and provides all the information they need in a clear and easy to understand way. It offers feasible solutions and aims to build long term and sustainable relations that are built on trust.

### WHAT WE DID IN 2018

Three exploratory researches conducted in order to shed light on studies about financial health and inclusion. The first one of these researches was intended to shape the principles and design of a new service developed to facilitate money management and achievement of personal goals of customers. Another research was the mortgage survey aimed at identifying the emotional states customers went through during the home buying process and the financial factors they considered for making a decision. The last survey, Financial Health, was conducted to gain an insight into people's relationship with money and how they manage their money when considering universal values.

Garanti has 18 products and services available designed to support its customers in terms of managing their financials and improve access to financial services in Turkey. Within the scope of products and services under this topic that can be broken down into different groups, Garanti;

- Enables transactions such as bill payments, money withdrawals/deposits/transfers by/to people who do not have a bank account via branches, Paramatik and mobile banking,
- Enables women to use their gold savings for loans and deposit accounts through depositing physical gold in terms of grams via branches and gold service point jewelers,
- Is instrumental in instilling a habit of saving up in 400 thousand customers with its NET Saving Account product, a first in the sector. Garanti also offers the Government Incentivized Marriage&Housing Accumulating Accounts to encourage Turkish citizens to save up money,
- Offers segment specific programs, products and service for customers of all ages such as Garantili Gelecek (Guaranteed Future), Bonus Genç (Bonus Young), and Retirement Banking Program,
- Conducts initiatives that contribute to physical and financial freedom of disabled customers and facilitate their access to service from branches and Paramatik through Disabled-Friendly Banking. By the end of 2018, over 10 thousand employees completed the web-based Sign Language training

to provide better service to disabled customers. Garanti is happy with this result, as 65% of the assigned employees completed this optional training. In 2018, Garanti served through 5,210 disabled friendly Paramatiks, which corresponds to a 36% increase on an annual basis. The accessibility of Paramatiks for visually impaired customers was enhanced, and credit card debt payments can now be done from the visually impaired menu.

Also in 2018, Garanti framed all communications according to the principles of "Transparent, Clear and Responsible Banking", and carried out new initiatives directed towards the dissemination of these principles. Accordingly, general purpose loan, auto loan and overdraft account agreements were rewritten in a simplified and more intelligible fashion. "Product Summary Pages" were designed, which provide an outline of important information about credit card and loan products. All employees watched the training videos that are intended to help them talk about all necessary information in an understandable manner in their centralized, face-to-face contacts with customers.

With the Garanti Discount (Supplier Finance System) product updated on the basis of customer and sector demands, Garanti remains the pioneering bank of the sector. The Bank targets to touch more customers with the Garanti Discount relaunched with new functions in 2018, and offer them solutions for achieving greater efficiency in the utilization of their working capitals. The Bank continues to support customers' cash flows through its discount products that provide financing without furnishing extra collateral, and fulfills their short-term funding needs.

The Direct Collection System contributes to customers' performance of their commercial operations with healthy financials.

## OUTLOOK

Garanti will continue to develop smart solutions to encourage and support its customers to make healthier financial decisions. In this context, the Bank plans to implement more experimental methods and introduce the solutions after testing them in a more interactive manner with customers in alignment with the agile working concept it has adopted.

In the years ahead, the Bank will keep offering services that enhance the access of unbanked and underbanked people to financial services, through a variety of solutions such as expanding the disabled-friendly ATM and branch network.

Garanti's principle of always approaching the customers in a "transparent", "clear" and "responsible" manner will remain as a core element of its strategy to enhance customer experience and help them make informed decisions.

## SUPPORTING CUSTOMERS TO GROW THEIR BUSINESSES SUSTAINABLY

In addition to producing solutions that address the specific financial needs of the SME's, women entrepreneurs and entrepreneurs who are key to the sustainable development of the economy, Garanti aims to support their growth and resilience, and to help them improve their environmental, social and ethical performance. To this end, the Bank offers training programs and consultancy services making use of its human and intellectual capital as well, while also making various platforms available to them and establishing collaborations. With its support to the economic sustainability of SMEs, Garanti also creates employment opportunities indirectly and contributes to the sustainable development of Turkey.

Thanks to its robust environmental and social risk assessment process, which is in line with best practices, Garanti supports all its customers, especially in the corporate and commercial segments, in managing their non-financial risks.

## WHAT WE DID IN 2018

Various innovative Garanti platforms that aim to support companies in terms of managing their financials and businesses help customers grow their businesses in a sustainable manner and increase their resilience to new developments. The Bank offers information and advisory services that address the specific needs of the SMEs and contribute to their development such as Teşvikbul (Find Incentive), Şirketkur (Establish Your Business) and Garantili İşler (Business@Garanti).

Garanti helps flourish the entrepreneurial ecosystem in Turkey, and targets to support and accelerate early startups and initiatives with the potential to attract investment and grow.

Through GarantiPartners Acceleration Program, the Bank supports early startups of any scale and sector, the SMEs and growing ventures. Garanti creates a holistic support mechanism by providing various and differentiated touch at every stage of entrepreneurial life cycle by providing office space, mentoring, networking, marketing support, training.

Garanti facilitates women entrepreneurs' access to financing, executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School, and encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition. With the Women Entrepreneurs Meetings, which attracted the participation of 9,720 women to date, the Bank seeks to help women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need. The SROI (Social Return on Investment) value of the Women Entrepreneurs Management School project was estimated as 5.

In 2018, Sustainability and Risk Management Workshop was organized once again, where stakeholders including customers and non-governmental organizations were informed on the most current topics related to sustainable business models, such as innovative environmental, social and governance practices in Turkey, green financing options, risks stemming from digitalization, new trends in relation to transparency and non-financial reporting and environmental risk perception in the insurance industry. In 2018, 33 corporate and commercial customers and financial institutions were informed one-on-one about international best practices in environmental and social risk management. 29 different environmental and social topics were addressed in all these meetings and contacts. 37 visits were paid to corporate and commercial customers to drive them to improve their risk management systems in this respect.

## OUTLOOK

In the coming years, capacity building efforts of Garanti will continue to focus on entrepreneurship, digitalization and sustainability issues. Organizing summits and meetings where stakeholders can share experiences and information, and providing informative trainings on emerging issues will be key in supporting the customers.

The new Occupational Health and Safety Risk Management System launched in 2018, which further upgrades the environmental and social risk management system aligned with international practices such as the Equator Principles, is intended to inform corporate and commercial customers on best practices in this area.

Technical and technological support on topics such as digital transformation by creating partnerships and specialized teams will also be part of the roadmap for the coming years. Informing the customers on environmental and social trends will stay as an important topic in the Bank's agenda especially with respect to corporate and commercial customers.

Garanti will make use of the existing channels and platforms such as the United Nations platforms in designing capacity building initiatives.

# DIGITAL TRANSFORMATION



Digitalization is one of the global trends deeply influencing every part of life. Digital transformation is driven by developments in many different areas from the internet of things to cloud technology, from big data to artificial intelligence. As internet access and smart phone usage become far more widespread, customers change their preferences to reach products and services in favor of more simple, useful and time-saving channels which they can access from anywhere, turning away from traditional methods. It is now more important to deliver a customer experience where customized solutions are offered, going a few steps beyond just meeting customer expectations.

Constantly investing in digital platforms to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions, and to increase the share of digital channels in sales is one of the strategic objectives of Garanti. The Digital Transformation strategy is to deliver a full-fledged banking platform covering various banking transactions and services that are convenient, accessible and customized through all channels. Therefore focus is placed on omni-channel banking which enables customers to perform seamless transactions. Accordingly, the Bank's main concern is to listen to customers' needs and answer them in a prompt manner. The goal is to bring the age of opportunity to everyone, and Garanti is aware of the fact that this process will commence at the branches.

Digital transformation led the banking sector to develop effective risk management tools in many areas including ensuring customer information security and privacy, and managing the increasing cyber threats. While continuously investing in IT systems guaranteeing information security, Garanti takes precautions against all risks that could prevent secure and uninterrupted service, and measures the results within the context of customer satisfaction on digital platforms.

For Garanti, digitalization is a key material topic, as identified by both our internal and external stakeholders. Therefore, technology is an integral part in the decision-making mechanism, which supports process efficiencies and continuously drives the Bank forward. With a single source of data and common understanding, technology is used within Garanti as an enabler for top-down fast decision-making and strong communication. It is reflected in the way we do business, from advanced CRM applications and segmentation, to innovative products and services, and to a paperless banking environment. We want to offer an unrivaled customer experience by constantly investing in digital platforms.

Garanti supports the idea of all individuals benefiting from the opportunities created by digitalization, and develops solutions to enable use of banking services by more people.

By focusing on digitalization, we are actively contributing to Sustainable Development Goal 9: Industry, Innovation and Infrastructure.





VALUE DRIVER	INDICATOR	PERFORMANCE	
		2018	2017
<b>CONSTANTLY INVEST IN DIGITAL PLATFORMS SO AS TO PROVIDE UNRIVALED CUSTOMER EXPERIENCE, TRANSACTION CONVENIENCE, AND PIONEERING SOLUTION SUGGESTIONS</b>  <b>EXPAND OUR DIGITAL CUSTOMER BASE AND INCREASE THE SHARE OF DIGITAL CHANNELS IN OUR SALES</b>	Digital banking customers*	7.3 million	5.9 million
	Mobile banking customers*	6.5 million	5.0 million
	Digital transactions in non-cash financial transactions	95.5%	95%
	Digital sales (share in total sales)	44%	39%
	Number of cardless transactions via Garanti ATMs	33.7 million	27.6 million
	Amount of Cardless Transactions via Garanti ATMs (TL)	17.9	13.9
<b>TAKING PRECAUTIONS AGAINST ALL RISKS, WHICH COULD PREVENT SECURE AND UNINTERRUPTED SERVICE (E.G. CYBER THREATS) ENSURING INFORMATION SECURITY</b>	Programs organized to raise awareness on customer privacy and information security	13	19
	Hours of cyber security training per Full Time Employee	1.11	0.64
	Employees who attended cyber security trainings	92%	99%
	Data breaches regarding customer privacy	0	0

\* Digital and mobile customer figures are provided for "active customer" definition, which refers to at least one login in the last 3 months. 2017 figures are for Dec'17 active & 2018 figures are for Dec'18.

## DIGITALIZATION FOR UNRIVALED CUSTOMER EXPERIENCE

Strictly focused on offering a better experience on digital channels at all times and a follower of omni-channel strategy, Garanti aims to reach the users at the right time with the right message. The outputs from regular usability research conducted in cooperation with universities are used to constantly improve its platforms, thus ensuring sustainability of perfect experience. Customers are approached through the best-fitting channel by the use of smart decision techniques. Technology is utilized to upgrade customer experience. Garanti improves its structure on every possible platform based on its vision of being accessible by customers anywhere they need banking services.

Furthermore Garanti transforms digital channels into an environment where customers can receive financial consultancy. Garanti also contributes to its customers' preparation for the digital future by developing financial tools supporting digital transformation. Garanti aims to maintain its leadership in digital channels by continued monitoring and implementation of new technologies putting mobile channels at the heart of this experience.

The Bank aims to increase customer interaction and dialogue through efficient advertisement, innovatively designed competitions and campaigns on social networks, while using them in a creative and pioneering fashion. The Bank intends to make use of social networks both for promoting its products and services, and also as an active sales platform.

## VALUE CREATION THROUGH DIGITALIZATION

Investing in digital channels feeds the sustainable growth model of Garanti. It leads to increased customer satisfaction & loyalty. Branches with above-average digital penetration also enjoy higher operation and service quality and efficiency than others. In addition, product penetration of digital customers is higher than average customers, an evidence of higher cross-sell. Services fees driven by digital channels make up 46% of the non-credit-linked commissions and support the growing fee base. On the other hand, transaction costs on digital channels are lower than branch banking, resulting in higher efficiency. Digitalization also leads to higher profitability. Through digitalization comes sustained growth: branches can

increasingly focus on building relationships, providing advisory, generating sales and acquiring new customers.

The EVP in charge of digital banking responsible for digital channels, customer experience & satisfaction and call center together with the EVP in charge of technology, operations, organization and process development, customer analytics, innovation & product development lead digital transformation within the Bank in collaboration with the senior management team. Furthermore, the Board of Directors closely monitors the progress and the performance.

## WHAT WE DID IN 2018

Managing the largest digital customer base in Turkey, Garanti Digital Banking enables 7.3 million digitally active customers to execute any banking transaction anytime, anywhere, with 5,258 Paramatik ATMs, an award-winning Call Center, its Internet Banking that has been leading novelties, and its Mobile Banking platform. While 6.5 million of these customers actively use mobile banking, 5 million customers use only mobile banking. Approximately 365 million transactions are performed through online and mobile banking channels annually. Utilizing digital channels effectively, 95.5% of all non-cash financial transactions go through digital channels with increasing weight in mobile, which reached 267 million in November 2018. Garanti has 19% market share in retail digital banking financial transaction volume. Aiming to offer its customers an instant, convenient and uninterrupted experience, Garanti succeeds in remaining the leader of digital banking year after year.

With the objective of managing brand awareness and corporate reputation on social networks, Garanti is present in social media platforms with more than 40 social media accounts. Aiming to provide direct access to innovative products and services by addressing customers' and followers' needs, Garanti places social media as a digital channel. With over 5 million followers overall and more than 1.7 million followers on Facebook, Garanti is one of the financial institutions with the highest number of followers in Turkey and in Europe.

The creative solutions Garanti produces on social media are groundbreaking in Turkey, and globally. Garanti Bank has been the first bank in the world to receive general-purpose loan applications through a secure form on Facebook. With "GarantiyeSor" (Ask Garanti), which is the first 24/7 social

media customer satisfaction channel in the banking sector in Turkey, the Bank offers an efficient customer satisfaction service. It designs special offers in line with the customers' profiles and needs. On social media platforms, Garanti makes use of creative content and initiatives that support its corporate image and contribute to business results by offering a description of products and services, which are at the same time aligned with the entertaining nature of social networks.

Branches play an important part in digitalizing the customer base. Therefore, an important step was taken for digitalization of the branch network. Branches were vested in an innovative structure on the axis of digitalization, whereby customers will be able to receive a one-stop service as easily and quickly as possible. In this context, 95% of the branch network has already made the transition to the new structure. While mobility increased, the new structure enables service delivery not just out of branches but anywhere. Moreover, as all business processes and operations have been simplified and digitalized, the quality and speed of the service rendered have also increased. The figures already reflect the positive outputs of the new service model as waiting times improved by 20%, 85% of loans are approved in a paperless manner without signatures, and retail loan extension process is down from 25 minutes to 7-8 minutes.

Garanti Mobile Banking Application and Internet Banking feature informative videos that walk the customers through product application steps. This allows users to easily access information about how to perform a given transaction on digital channels. At the same time, the renewed application page performs tendency calculation to present customized product offers. Seeing a maximum of three different products in this section, customers can easily reach the application step for the offers that interest them and complete the application process.

In addition, the Stories from Garanti feature, which is the output of an agile project, has been integrated into Garanti Mobile Banking App. The Stories function, which is an already familiar feature that users enjoy, presents digital product and service publicities, campaigns, customer-specific informative messages, and contents that will make life easier.

## EMPOWERING CUSTOMERS

Garanti analyzes customer behavior for each platform and continuously develops them based on customers' needs along the cycle. Completely analyzing and understanding customer life cycle for every single platform is of paramount importance as customer needs vary depending on the platform. For example, customers using mobile platforms tend to perform their transactions quickly and they use this channel while they are on the go. In order to meet their mobility needs, Garanti created a virtual voice assistant, MIA (Mobile Transaction Assistant), which enables customers to perform their transactions just with voice commands. Using this service that is a first in Turkey for the banking service, users not only perform simple and basic inquires but they can also enquire in a much more complex and diversified manner. MIA is developed for the purpose of perceiving natural language understanding and users are not required to use specific sentences or keywords. In other words, it understands what the customer says and develops itself with AI while it serves. MIA is a world leading Bot among similar applications, with its sophisticated understanding capability and the ability to serve for nearly 200 different intents and 100 different concepts. MIA has responded to approximately 27 million intents from 2.5 million distinct customers so far. Also, Siri and MIA integration has been realized, allowing handsfree performance of Predefined Money Transfers. After the user tells the recipient and the amount to Siri, the user is directed to MIA for completing the transaction.

At Garanti, all products, infrastructures and services are designed according to the needs of digital channels besides physical channels. On the other hand, products that are developed solely for the needs of the digital channel are also introduced. With the automatic FX product launched this year and available only on digital channels, customers can give foreign currency and gold buy/sell orders at the rate they determine. Made available on Garanti Mobile Banking and Garanti Internet Banking, the product enables customers to invest in gold or foreign currency without having to follow up the rates.

Garanti does not convert traditional products on physical channels to digital channels with the same features. The aim is to create entirely digital products designed for the needs of digital channels. Modular Auto Insurance is a good example of

Solely Digital products, where customers can determine their coverages by themselves and take advantage of discounts depending on the number of coverages they select. It was designed based on the analysis of customers' buying trends on digital channels and customers' pain points, etc. Features of the product were shaped based on this thorough analysis and needs of the customers. It is available only on digital channels, and as such, it is a truly end-to-end digital product. The learnings from the Modular Auto Insurance were transported to the Health Insurance product at the end of 2018, and Modular Health Insurance was introduced.

Garanti tries to be a part of every technological movement and to adapt its services or create new ones based on these technology trends.

Technology and the faster internet connections boosted video calls and video content consumption. Making use of technology, Garanti launched video chat service to users for limit increase, unblocking etc. that used to require a branch visit, in a bid to make their lives easier. Another service is face-to-face loan service, whereby customers can interact with agents face-to-face while they apply for a loan on Mobile Banking. This provides a good example of human touch placement within digital experience.

Another digital innovation Garanti has implemented further extends this example. Garanti's Facebook Messenger Bot enables personal loan calculation in a conversational form. Users can run calculations through this platform and easily reach the information they need. The bot responds to personal loan related questions to a certain extent, and it guides the user to a Garanti website or other distribution channel when needed.

Garanti tries to position its channels in a way that they talk to each other. This applies not only to online experience; Garanti aims to connect online and physical experience. Money withdrawal via QR code is a good example of this. In addition to cash withdrawal via QR, cash deposit via QR code and money transfer via QR code functions were also integrated into Mobile Banking. Customers can easily deposit or withdraw money to fulfill their cash needs from the QR Transactions function on Garanti Mobile Banking, without having to carry an ATM card. Money transfer is also easy via QR code, as it does not require an

IBAN number. Another example of this is the general purpose loan application process. Customers are able to perform loan disbursement through online banking irrespective of the application process's having been initiated online or otherwise. When developing products and services, all digital channels are taken into consideration. Garanti believes that customers would like to use the features that one tool offers also in all the other tools. For instance, they would like to approve a banking document using the mobile app when on the way or to do it on the desktop screen when at work. That is exactly why Garanti focuses on omni-channel banking.

3<sup>rd</sup> party partnerships are also important to be in customers' lives in every way possible.

Car dealers can now finance zero-km brand new vehicles via Internet Banking without any dependency on the physical branches with the completely re-designed Dealer Based Stock Financing product Garanti Dealer (Garantili Bayi). With its flexible and tailor-made perspective, Garanti Dealer grants performance-based floor plan pricing by taking a given dealer's retail auto loan generation performance into consideration.

Furthermore, in purchases from Garanti's in-network e-commerce websites, customers can apply for a loan via Garanti Mobile Banking or Internet Banking by selecting "Payment by Shopping Loan" option, and can enjoy shopping in the comfort of their homes without having to go to a bank. Moreover, Garanti Shopping Loan offers installment payment option on mobile phones or smart phones, eliminating the obligation to pay the full price outright on these products.

Garanti is able to offer most of the products and transactions in each channel with a similar customer experience and is capable of developing new platforms adaptive with other channels from the very first day. Customers can inquire the transactions they made in a channel on another platform, while they can display the campaigns tailored for them in each channel. Also channel's own needs are taken into consideration. Garanti is well aware of the fact that the key to keeping customers engaged with each platform is to offer the same rates for banking products and transactions on each channel.

Garanti Bank tracks customers' and their peers' financial habits and background data. Based on target-oriented research,

customer-specific products & campaigns are offered to relevant customers. Furthermore, the Bank is working on offering one-click and proactive products to customers. These offers are customer-specific products that are available one-click away. Proactive offers are customer-specific offers prepared based on the customers' financial backgrounds. Advanced analytics and big data are considered within the products and services in order to understand customer needs and wishes, and to offer them desirable products at the right time from the right channel. Thus, analytic tools are highly used to offer proactive and customizable services to customers.

In addition, customers' channel usage is taken into consideration in order to keep customers engaged and to offer the services that best fit their needs. This is crucial in terms of migrating customers to digital channels. If a customer is a digital customer, tailor-made offers and features are proposed on digital channels. If a customer is a potential digital customer, Garanti draws a path to convert the customer to digital with smart offers at each level by starting to communicate with the customer offline (at the branch) and then moving to online. Offers proposed to customers are shaped according to the segmentation model which is based on a customer's engagement level depending on various criteria such as investment portfolio, deposit account, GPL disbursement, whether they have a salary account and so on. The smart combination of channel usage and segmentation model enables Garanti to decide what to offer, how to communicate, when to communicate and how to behave. This way, customers can benefit offers that best fit their needs on the channels.

To sum up, offering the best user experience across all channels, taking customer needs into consideration in digital channels and designing products based on those needs, leading innovation, being in the customers' daily lives and engaging with customers through smart offers are key in implementing the digital strategy for empowering customers through digitalization.

## MOBILE BANKING

The number of monthly transactions carried out with Garanti Mobile Banking surpassed 25 million. Active customer base increased to 6.5 million while mobile-only customers significantly grew to 5 million. Garanti Mobile Banking has 63%

share of non-cash financial transactions. The number of active mobile banking customers grew by 25% in the twelve months to end-2018.

Some of the new functions introduced on Mobile Banking are as follows:

The QR Transactions menu on Mobile Banking now features money transfer via QR code in addition to money withdrawal/ deposit via QR. During 2018, the number of QR transactions more than tripled as compared with the previous year.

Pension Contract application feature has been added to Mobile Banking app. Users can make calculations depending on the monthly contributions they wish to pay or the amount of total savings desired to be reached in retirement, and they can apply for private pension through Mobile Banking.

"Video Chat" function on Mobile Banking lets users have video chat with the Call Center and get support. Support topics in this context include Security and Limit Preferences, Authorize Account/Card for Viewing on Digital, Contact Number Definition etc.

Thanks to the improvements to the money transfer menu, Mobile Banking users can now view the recipients of their recent money transfer transactions on the Money Transfers main menu, and resend money with a single touch.

In addition, since June 2018, customers can give same-day or forward orders at their targeted rates in Buy/Sell transactions performed with USD, EUR and Gold rates. Orders can be issued both from demand and time deposits. Maximum validity of an order can be five days and any order given can be updated, or cancelled, if necessary.

Brand new Mobile Banking and Internet Banking experiences have been introduced for SME customers as well. Real and legal person SME customers handling the banking transactions of their work places via Garanti Bank can easily monitor incoming and outgoing money through the Money In and Money Out tabs on the new dashboard redesigned according to need and products, whereas the Overview tab allows a quick review of the summary position. In addition, POS transactions for the next 120 days can be viewed, as well as the amount and dates

of money that will be received in the account through POS.

As a result of all these developments, Garanti topped Forrester's mobile functionality benchmark in Europe with Garanti Mobile Banking in terms of user experience, and ranked second in overall mobile category.

## INTERNET BANKING

To enable its customers to manage their personal finances over the internet, Garanti offers interfaces which enable customers to follow their assets and liabilities in product-based graphs, and their income, expenditures and cash flows with need-oriented notifications and alerts through its Internet Banking website.

Garanti Internet Banking was renewed in October 2018 in line with the banking product and financial needs of our SME customers.

Help and Advice field on Garanti Internet was improved. All product pages feature a section viewing the most common Frequently Asked Questions (FAQ) along with a brief answer. These FAQ fields are automatically generated upon matching the labels of product pages with the questions (and updated when a new question is added to the database). A similar function is available also on the detailed question page where relevant questions are asked to the user. Under each detailed answer, there is a "Was this answer helpful for you?" button, which is used to further develop the help and advice section based on visitor feedbacks.

## BONUSFLAS

Garanti launched BonusFlas in 2015, a first in the credit card sector. Giving access to all cards and a large number of transactions unavailable on mobile applications until then from a single platform, BonusFlas also analyzes spending habits and sends Push notifications regarding the campaigns that best suit the customers. Having a considerable impact on digital transformation of card customers, BonusFlas has a satisfactory download and engagement trend with more than 6.3 million downloads. It has become the main channel for campaign enrollments with 25.5 million enrollments coming through the app, and it has a significant impact on customer satisfaction

as it enables tracking all card information, loyalty campaigns and card products. More than 160 million transactions were generated to check card information by the users.

Holding a very strong position and accepted as a benchmark product in the market, BonusFlas is being enhanced constantly via addition of new product features and improvement of the existing ones targeting customer needs and feedbacks. The highlights of the developments in the reporting period include addition of Shop&Fly, which is our new travel card, to BonusFlas, capability to place a 24-hour temporary block on your card and renewal of the card if necessary, solely-digital follow-up of account statements, and redesigned "Campaigns" sections. Moreover, GarantiPay fulfills the need for secure and fast checkout solution for e-commerce transactions without registration and without sharing any card information with merchants. It is available at more than 1,800 merchants, and it is the first solution accepted on the Revenue Administration website, enabling Garanti cardholders to make tax payments conveniently.

## PARAMATIK ATMs

The Paramatik network reached 5,258 ATMs in 2018. The ratio of cash deposits to cash withdrawals from Paramatik ATMs was registered as 108%. While 300 million transactions per year were carried out from Paramatik ATMs, more than 33 million transactions were carried out using the cardless menu. Common ATM menu was expanded to include credit card debt payment and credit card debt/limit querying for customers of all other banks. Moreover, the set of transactions available to visually impaired customers was broadened to feature credit card debt payment and credit card debt/limit querying functions.

## ALO GARANTI - CALL CENTER

Recognizing the importance of customer satisfaction created by quality and consistent service delivery, Garanti Bank Call Center analyzes customer needs timely, efficiently and accurately, and offers its customers fast and easily accessible services targeted at first call resolution.

With a successful track record of 20 years, the Call Center maintains its dedication and contention in the sector with its differentiating service concept and its financial products

portfolio positioned in line with the Bank's strategies. The Call Center also preserves its leading position in the fields where it is active, successfully handling 14.7% of all the calls in the financial sector with an average response time of 32 seconds via its qualified team of 1,085.

Garanti Bank Call Center, Turkey's largest financial call center with 73.4 million total customer contacts in 2018, keeps making a difference with a call response performance at a rate of 98.1%, which is the key service performance indicator in this field.

By constantly increasing the Call Steering system's performance, which was launched in previous years, the Call Center maximizes the customer experience delivered by directing customers to the related service point almost with a %100 Correct Routing Rate.

Continuing to produce customer-centric solutions through its innovations in technology, the Call Center continued to invest in voice technologies. With the Free Speech project that provides a much higher protection than customary encryption methods and recognizes customers from their free speeches, the Call Center reached a much broader customer group in 2018, and keeps pioneering the sector with the benefit it creates for customers.

Taking an active role also in the digital transformation process, the Call Center proudly launched six different services that used to be available solely from branches (limit changes, SIM card activation, IP restriction, usage period definition, product display and money transfer notification) via the "Video Call" feature in 2018, making a significant distinction in customer experience with this innovation. Accordingly, the Call Center secured faster fulfillment of customer demands with higher quality, without referring them to a branch. The future plans include increased variety of services offered through this channel.

Garanti Bank Call Center kept fulfilling demands and needs in the most efficient manner, by instantly connecting the customers, reached via either incoming or outgoing calls, with customer representatives specialized in the services and products that the specific customers were interested in, thanks to the projects developed with the "right customer, right channel, right product" concept. With 27 financial products on its portfolio, the Call Center broke new record with a powerful

performance that will be a real challenge to match in terms of the net financial income figure generated on 3.7 million financial products sold in 2018.

In 2018, the Call Center remained the leader of the sector by taking a significant share and responsibility in the marketing and sales of general purpose, mortgage and auto loans through the dedicated hotlines at 444 0 335, 444 EVIM and 444 OTOM, as it did in previous years.

Also in 2019, the Call Center will be committed to its mission of maintaining its pioneering position in the sector in terms of the diversity of services offered to customers, empathic and differentiated customer experience delivered, and financial benefit generated.

### GARANTI'S NEW SERVICE MODEL

Garanti recently launched a new service model, which captures the benefits of the emerging digital world. With the pilot program started in May 2017, the project was rolled out in phases until the end of 2018. We have completed the transformation of our entire branch network within this context. In this new model, Garanti reflected digitalization in branches.

With the aim of creating seamless, omni-channel experience to reduce branch dependency and ensuring similar customer experience across all channels, Garanti also launched the "digital approval platform" where customers can approve product/service agreements with the Two Factor Authentication (via internet banking through corporate tablets or mobile devices) in branch processes as well, where paperwork and time spent to complete sales/transactions are reduced. (This service is available for General Purpose Loans, Overdraft Accounts, Insurance and Pension and Deposit Accounts.)

Through STEP, Garanti leads the digital transformation of its employees, as well as of its customers. During 2018, customer representatives tripled client visits using their tablet PCs installed with STEP as compared with 2017. They have touched more than 150 thousand customers, delivering a seamless and interactive banking experience.

Garanti believes that acquiring/co-innovating with fintech startups is essential for Banking-as-a-Service (BaaS). Today,

banks are no longer just financial players; they offer different services by establishing collaborations with third parties. Building a culture of innovation within the bank is vital for an open innovation point of view. Thus, co-innovating with fintech startups is very important in terms of imposing startup culture into our and others' way of doing business. Therefore, Garanti acts in accordance with the notion of supporting new entrepreneurships, products and projects in all areas. Garanti thinks that the market can be transformed and external disruptions can be turned into opportunities, by collaborating with various third parties.

The change brought on by technology is picking up speed across all economic sectors, and banking is no exception. Open innovation is one of the key elements of the Bank's transformation to adapt financial services to customers' new needs. The concept stemmed from the necessity to keep up with the rapid pace of change that companies are undergoing. The connection with the innovation ecosystem and entrepreneurs is essential. At this point, Open Talent has evolved from a unified competition for technological companies to one divided into categories that supports all kinds of entrepreneurs in innovation from many countries. In the process, Garanti continues with collaborative efforts with BBVA.

The Bank's approach to internal innovation can be described as one that is inclusive and facilitative. The primary objective is to ensure conveyance of all employees' creative ideas and suggestions to the correct recipients by offering various channels. In this context, the employees can just communicate a concept for it to be implemented by related teams, or they can take the ideas they share to advanced stages and present their solution suggestions to the Senior Management personally.

Methodologies developed specifically for each channel paves the way for the conversion of bright ideas into real products in the most sensible and profitable manner. The different channels used and tailored methodologies employed enable Garanti to also address the entire innovation range. This allows simple but valuable improvements on one side, and to carry out initiatives targeted at the bank of the future, on the other.

## OUTLOOK

Offering pioneering digital solutions, Garanti Digital Banking provides users with convenience and speed. In 2018, customer penetration and digital sales targets have been exceeded, and

a substantial digital transformation has taken place in consumer loans and credit accounts.

Going forward, we will strive to increasingly expand the scope of application of our digital channels. With an End to End Digitalization perspective and a zero-based mindset, products will be re-invented within a digital context. Customer journeys will be continuously monitored to boost NPS and to offer best-in-class UX.

In 2019, Channel Transitivity will be launched, a project that will secure seamless execution of deposit transactions between branches and digital channels. The project is intended to provide customers with a transparent and seamless experience in all channels.

"e-loan", the credit solution enabling commercial loan disbursement to SME and Commercial customers, is also one of the projects targeted to be introduced in 2019.

We will also seek out partnership opportunities and create a range of APIs to integrate with 3rd parties. Not only will this expose the Bank to a much wider range of new technologies, but it will also help Garanti become the leading financial institution in the fintech ecosystem.

Taking the banking business beyond being a mere provider of banking products and services to offer recommendations to customers for enhancing their financial positions and warn them at times of difficulties will be much more important in the period ahead. Garanti is aware that acting as the customers' reliable financial coaches is critical for customer satisfaction and social responsibility. The Bank is also working to increase its customers' financial literacy, to help them become more knowledgeable about their financial positions, and to improve their financial positions in general.

In addition, with digital transformation, providing an end-to-end digital experience to users in their customer relationship initiation journey will acquire greater importance in the coming period depending on banking regulations. Garanti is working hard to offer a perfect experience to customers in this journey.

Garanti will maintain its leadership in digital channels by continued monitoring and implementation of new technologies, and will put mobile channels at the heart of this experience.



## DIGITALIZATION FOR SECURE AND UNINTERRUPTED SERVICE

Increased digital use leads to greater exposure to cyber security risks, and the improved threat profile results in elevated effect of the diversified risks of the digital environment. Constantly investing in technology, uninterrupted processing capacity, infrastructure security, cost efficiency and energy saving in light of corporate governance and international standards; Garanti, through its subsidiary Garanti Technology (GT) since 1981, sharpens its monitoring effectiveness. The company allows the Bank to put measures in place more rapidly and to become aware of global threats at an earlier time via networks that GT belongs to. Accordingly, Garanti's internet access architecture is restructured with a risk-based perspective. With its strategy, "Better IT, Better Business", Garanti continuously invests in cloud technology and microservices in order to ensure cost saving and introduction of solutions at a faster pace, and positions its application architecture and security layers so as to support these technologies. Through these initiatives, Garanti targets to better adjust to the new business models presented by the constantly digitizing world, and to deliver its clients a better customer experience by transforming Big Data infrastructure investments into business intelligence solutions and open application platforms.

The opportunities offered by digitalization also transform issues regarding data protection and security into one of the most significant risks. Taking precautions against all risks, which could prevent secure and uninterrupted service, particularly cyber threats, ensuring information security and informing customers on related issues are among the material issues, both for Garanti and its stakeholders.

Garanti carries out efforts ensuring continued awareness of compliance with laws and corporate standards, and development of processes that guarantee management of IT/information security and IT related risks, in order to effectively manage reputational risk across the Bank. In terms of governance, the Information Security Committee headed by the EVP responsible for Technology, Operations, Central Marketing and Product Development coordinates all efforts within the Bank to guarantee information security and monitors policies, procedures, regulations, and is responsible with respect to necessary updates.

Adopting an "enterprise external fraud prevention" approach within the framework of customer protection principles, Garanti centrally monitors incidents of fraud involving card transactions, account transactions, POS transactions and loan product applications carried out through any branch or non-branch channel.

Within the scope of monitoring and controlling operational risks that Garanti is exposed to, the Anti-Fraud Monitoring Department is charged with the development of strategies to proactively monitor, detect, control and prevent acts of external fraud. Combining its growing experience and expertise with its ability to quickly adapt to new technologies, the Department takes rapid and efficient actions that give the foreground to customer experience against constantly changing fraud trends and make customers a part of anti-fraud management. Through analyses of fraud incidents, the Department works to minimize the potential losses of the Bank and the customers, which may arise due to acts of external fraud.

Furthermore, the Anti-Fraud Monitoring Department formulates views and suggestions on the Bank's new product and service developments upon assessing the same with respect to external fraud risks. The Department also carries out all necessary examination and investigation about acts of external fraud, sharing related information within the Bank and with other banks. In order to provide its customers with a more secure, more convenient and more frictionless transaction environment, the Anti-Fraud Monitoring Department strives to improve communication channels with customers so as to better understand the customers and establish communication in line with their preferences. Garanti also cooperates with its stakeholders to increase anti-fraud initiatives across the sector, as well as those between different sectors, against fraud events. Training programs for employees continue to be an important topic for Garanti in this sense. In this context, Garanti carried out 77 training programs and/or informative actions in relation to external fraud, using various means including announcements/statements, virtual training, information meetings and e-mailing in 2018.

The Anti-Fraud Monitoring Department closely follows up technological developments, makes assessments together with national/international various service providers and leads technological developments in order to carry out fraud risk management in the most efficient and effective manner, and to

deliver the best experience to Garanti customers. In addition, necessary developments are carried out, which are also continuously followed up with respect to their effectiveness in fraud prevention and maximizing customer satisfaction. Also instant tactical updates are performed depending on the needs within the frame of strategies determined with a customer-focus.

#### WHAT WE DID IN 2018

Garanti secures all IT assets including people, processes and technology so that the organization can focus on business targets without suffering an interruption due to security related issues by concentrating on Confidentiality, Integrity and Availability. The latest and the most advanced security systems are followed up in an effort to offer the most effective security solutions to protect the clients' information. Regular penetration tests and vulnerability assessments are performed to identify and eliminate security risks. Garanti follows the COBIT (Control Objectives for Information and Related Technology) framework, internal security policies, procedures, and ISO 27001 with specific scope.

Garanti provides various security-building practices for its customers in line with its approach determined by security and privacy policies. Tokenization (Şifrematik application & device for generating one-time passwords), SMS OTP, Mobile Notification, Voice Biometric Verification and Eye Biometric Verification are used for the authentication of customers. In order to increase security of digital channels' usage; Security Picture, Security Software for both mobile and PC are available for customers. Transactions are automatically analyzed and if necessary, additional verification is implemented to prevent fraud events. As a result, there has not been any data breach regarding customer privacy in the past four years. Garanti also supports safe execution of external projects that introduce novelties to the sector, in addition to its internal practices.

Through its website and Alo Garanti, Garanti offers its customers security information regarding digital banking. Warning its customers against possible situations, Garanti also explains additional security precautions that customers can take, particularly with the "6 Golden Rules" for security, such as creating and protecting passwords, situations when private information is requested, viruses spread via e-mails, fake prize notifications or requesting personal banking information via

SMS or by telephone, phishing attacks, suspicious money transfers and requests for information. Also, Garanti provides customers with information on the protection of mobile devices and computers on which they use Garanti's internet banking. Garanti furthermore advises to use utility programs such as anti-virus, spyware scanner and firewall. Garanti sends SMS and e-mail messages at certain intervals in order to inform its customers about current and widespread attacks.

In 2018, Garanti successfully completed a project building on the security of authentication used by its employees for remote access to the Bank's infrastructure. Work is carried out within the frame of DevSecOps in order to enhance secure software development process. Security evaluation approaches that are aligned with current software trends such as agile are being developed. Initiatives are being carried out targeted at best practices in data classification and data leakage prevention methods, in addition to efforts spent for regulatory compliance. Stricter rules have been introduced in related processes and platforms for the security of mobile market and social media accounts, and training programs were organized for enhancing awareness of the teams managing these accounts in the Bank. Garanti keeps improving its information security processes by also utilizing the know-how and global experience made available by BBVA group. The Bank also extends support to global projects carried out by BBVA in this context.

While fraudulent attempts increased in our country in 2018, Garanti focuses on dynamically monitoring and precluding these trends based on a frictionless and customer-centric approach in line with its strategy. In doing so, the main objective is to prevent both the Bank's and the customers' potential financial and reputational losses.

In 2018, social engineering related fraudulent attempts were the major trends. Garanti aimed to manage these trends by enhancing customer experience, getting customers on board while fighting against fraud, and managing the risk in a frictionless environment. In keeping with this, Garanti continued to enlighten its customers and to raise awareness about fraud trends and important considerations by using various channels. In 2018, Garanti further strengthened its fraud intelligence network with the contribution of BBVA, and carried on with efforts and initiatives aimed at fighting with fraud.

## OUTLOOK

In 2019, Garanti will keep ensuring secure transacting for its customers, and will also continue to work towards ensuring its customers to transact in a convenient and frictionless environment and adopting a focus that will get customers on board while fighting against fraud. Along this line, higher convenience to be created through strengthening fraud risk monitoring systems with contemporary technology and analytical methods and constantly enhancing customer experience will continue to take place among the most important targets. Garanti will continue to explore new technology for the security of mobile applications and will work on integrating them into Garanti applications for further enhancing customer security.

# INVESTING IN HUMAN CAPITAL



Employee-centricity is the foundation of Garanti's Human Resources strategy. The Bank strongly believes that organizations offering employees development opportunities entailing quality training programs, putting the principle of equality in the focal point of all their practices, designing a productive working environment that nurtures the fact that humans are social beings, and consolidating the sense of fairness will be the organizations of the future.

In keeping with this, Garanti carries out its activities, recognizing that its employees make up its most valuable asset and that they constitute one of the pillars of its strategy. In this structure, the Bank builds systems to recruit, train and develop a first-class workforce, and provides a working environment that encourages full utilization of employees' skills, offering a wide range of opportunities and ensuring recognition and rewarding of their accomplishments. At the same time, it develops practices designed to increase their welfare level and focus on their well-being in order to ensure work-life balance.

Garanti develops its human resources policy by putting employees first and continuously investing in them. The Bank collects and analyzes employee expectations in environments providing equal opportunities, and constantly improves its policy in keeping with technological advancements. Garanti believes that it creates an environment that complies with international standards by maximizing participation in every aspect. It places great emphasis on keeping bi-directional dialogue channels to ensure that employees are actively engaged in the decision-making mechanism and to benefit from innovative opinions. Garanti aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, various questionnaires and platforms. Within the frame of policies devised according to employee needs and expectations, Garanti will keep increasing the control and monitoring by employees through a number of points from career management and performance evaluation to training

planning by taking steps that will encourage more active involvement of employees.

The Employee Committee, headed by the CEO and formed of members from the Board of Directors and Senior Management, is responsible for developing Garanti's HR policies, carrying out and coordinating activities in order to improve employee engagement and satisfaction, monitoring results and developing action plans when needed. With the support of the management, the Committee also aims to promote learning in order to enhance the Bank's development and tracks how training reflects on business.

Garanti has in place a Compensation Policy for employees, which is prepared in accordance with banking and capital market legislation and approved by the Board of Directors. The Policy is erected on job-based remuneration, encourages fair, transparent, measurable and sustainable achievement among employees, and is aligned with the Bank's risk principles.

The performance evaluation system at Garanti measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are supported by concrete and measurable criteria during the assessment, and they serve as major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees.

Garanti signs its name under a number of innovative projects focusing on its employees' development, satisfaction and happiness. The Bank devises schemes that increase the share of digital training programs within the entire training portfolio to give equal access to development opportunities for Garanti employees scattered in all 81 cities across Turkey, and aims to increase the number of training programs per person by the year. Through the Work Life Integration (YI) platform set up to enhance employee satisfaction and ensure a richer working experience, the Bank seeks to increase the number of programs

establishing a work-life balance and boosting employee motivation, and to expand their coverage across Turkey.

Garanti thinks that being “one team”, one of Garanti’s values determined by employee opinions in 2017, bears major effects upon customer satisfaction. The Bank champions the idea that shared wisdom practices that will build up team spirit directly contribute to joint work and development, as well as to the equality principle. In this context, the Bank develops projects that encourage employees to be respectful of diversities.

One of the key goals of Garanti is to establish a fair and transparent working environment that is dominated by equal opportunities and diversity. In a bid to provide support with real-life practices, the Bank contributes to gender equality and women’s empowerment through studies that measure employees’ prejudices regarding equality of women and men. Garanti will continue to pioneer and further expand activities

maintaining equality principle in all fringe benefits and practices provided by Human Resources. Diversity initiatives will be themed around equality once again, and the projects will focus on reducing unconscious bias and boosting awareness.

In line with local regulations on Occupational Health and Safety (OHS), Garanti, through its OHS team organized under Human Resources, coordinates and monitors all processes including risk assessment, occupational health practices, training programs, OHS Committees, near misses, workplace accidents and corrective and preventive actions.

By focusing on their professional development and giving all employees equal opportunities, Garanti is actively contributing Sustainable Development Goal 4: Quality Education, Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 16: Peace, Justice and Strong Institutions.

VALUE DRIVER	INDICATOR	PERFORMANCE	
		2018	2017
INVEST IN OUR EMPLOYEES FOCUSING ON THEIR DEVELOPMENT, SATISFACTION AND WELLBEING	Hours training per FTE	47	36
	Digital training/Total learning hours	34%	27%
	High performer turnover	2.74%	2.30%
	Employee engagement score	67%	65%
	Programs related to employee well-being	11	10
	Total ideas received from employees	23,305	22,172
FORM TEAMS POSSESSING TEAM SPIRIT, ACTING WITH SHARED WISDOM, SOCIAL RESPONSIBILITY AND DELIVERING RESULTS	Women employees*	58%	56%
	Salary ratio of men vs. women	0.97	0.98
EMBRACE A FAIR AND TRANSPARENT MANAGEMENT POLICY BASED ON PERFORMANCE, FOCUSED ON EQUAL OPPORTUNITIES, DIVERSITY AND PROMOTING FROM WITHIN	Women ratio in the Bank’s senior/middle level management*	40%	41%
	Bloomberg Gender Equality Index	Qualified	Qualified



\* Share of women employees were calculated using monthly averages. For details, please refer to the Guidelines on Non-Financial Reporting in the Appendices section.

Garanti invests in its employees in order to maximize their performance, increase their productivity and well-being, and proactively engage them to develop and implement sustainable initiatives in their day-to-day activities, both at and outside work.

Garanti's HR processes including recruitment, career planning, performance appraisal, and its training and development programs are in accordance with its new competency model.

The human resources policy of Garanti can be summarized as putting employees first by continuously investing in them. The Bank gives priority and importance to its employees as evidenced in its deployment of sufficient resources for training and implementing programs. It strives to maximize participation by leading an environment of open communication and by displaying a fair and objective attitude. Garanti therefore thinks it creates an environment that complies with international standards.

Garanti develops human resources practices in accordance with the Bank's strategies. Efforts are made to improve motivation and create open communication forums in which employees are allowed to express themselves freely. "Career consulting" is provided for employees in line with their competencies, knowledge, skills, and needs. Garanti will keep investing in its human resource and carry on with its implementations based on its "people-oriented" management concept.

## WHAT WE DID IN 2018

### LEARNING AND DEVELOPMENT

Garanti identifies the requirements in training and development programs by analyzing needs through one-on-one interviews, workshops or surveys conducted within all departments and branches.

Garanti Training Centre has realized all the development and learning activities that have been designed and planned at the Bank with the vision of training the best human resources of the financial sector and seeing development as continuous investment and development as an investment tool.

The "Faculty Model" the Bank devised in previous years for responding to its employees' needs and proliferating them professionally and personally was maintained in line with the

trends. In 2018, the "Digital" faculty was established.

The Faculty Model is backed with technology-based approaches where one takes responsibility for development in line with career goals, which provide guidance along with various ways for holistic development, support business results, measure learning with reliable standards, and provide feedback on the results.

### *Employees serving under the new service model received their certificates*

In 2018, the Bank concentrated mainly on a project renovating the branch design and service model in order to offer better service to customers, and ensure faster and easier performance of banking transactions.

Over 4,000 employees from all over Turkey went through a comprehensive training program covering classroom sessions and online contents entailing simulations with the goal of delivering the best experience to customers under the new service model.

### *Customer Experience was a top priority as it was in previous years*

This year, employees across the Bank embraced the principles of "Transparent, Clear, Responsible Banking" in customer experience. Numerous development solutions for customer experience were provided within the scope of compulsory programs.

### *Development solutions tailored for women employees continued also this year*

Training and mentorship initiatives designed specifically for Garanti help women employees feel comfortable in their leadership roles, act confidently and be influential leaders without restraining their goals.

### *Employees are supported with Data Transcendence to transform data into value*

Focus was placed on new talent development to ensure that the new data warehouse model is embraced and maximum value is derived on data. The aim was to secure contribution of employees to determination of data-based strategies by building on their competencies. Training programs tailored according to various roles focus on business intelligence tools, programming languages, and advanced modeling. The program is intended to create data-focused teams from internal talents and to attract new talents to the organization.

“Garanti Digital Development Solutions” employ various methods including live streaming, games, simulation, online mobile exam/reminder applications, videos, e-library and mobile learning.

### *Digital Applications are used also in classroom training sessions*

In an effort to ensure increased effectiveness and efficiency of classroom training sessions, as well as of digital training, and to provide a richer content, various digital tools are utilized. In many training programs realized in 2018, digital applications were included as part of the design for the purpose of measuring instant learning in the classroom, increasing interaction, and contributing to learning.

In 2018, live streaming and Cyber Classroom training programs totaled 25,000 hours. These streamings and shootings give employees the chance to be informed of and follow up current developments.

In 2018, Garanti provided approximately 47 hours of training per employee. The ratio of digital training increased by 7 percentage points and reached 34% on the back of digital training solutions realized and developed in 2018. It is intended to increase the weight of digital trainings versus classroom sessions significantly in 2019.

A dedicated Sustainability E-Learning Program was established in 2012, which includes trainings regarding sustainability criteria in the credit appraisal processes, financing solar power projects, carbon pricing, and environmental and social impact management in lending processes. Total duration of trainings provided to 25,133 employees under the Sustainability E-learning Program between 2012 and 2018 was 12,567 hours.

## **MANAGING HUMAN CAPITAL**

Garanti employs various objective, competency-based measurement and evaluation tools and methods specific to each position in order to match the right person with the right job.

During 2018, 59 people joined Garanti under the Management Trainee & Sales Trainee Programs. 70 university students were given the chance to do internship at branches, regional offices and HQ business units. Full transition to online interview and test implementation has been realized for recruitment processes.

Standard criteria (experience, seniority, performance, competency evaluation, tests, interviews, etc.) are established for all internal promotions and transfers between positions. They are transparently announced throughout the Bank via career maps, while employees are guided and supported in line with their chosen career path.

An employee-centric career-planning model was created, and employee meetings are structured in line with the coaching model. To increase employee communication and to enhance communication quality, 1,655 branch visits and 725 regional office visits were conducted. Career meetings were held with 8,892 employees.

Within our new branch service model, career maps, performance criteria, compensation and benefit studies have been completed. Human Resources Consultants held informative meetings during the transition process. The branches that were transformed in 2018 numbered 655. 3,441 Customer Representatives and 1,298 Customer Service Representatives were assigned to new positions.

Within the new career management system introduced, career development alternatives are offered, enabling progress in the relevant field of specialization, and a common framework is provided to ensure consistency in career management. In this new system, the employee is the owner of his/her career management and development. The system creates a title structure that reflects the qualities of the role and enables management of career movements in an open and transparent manner.

The new performance system aligned with the strategies of BBVA and Garanti assesses the targets and competencies together, based on more objective criteria. Employees use target and competency results as input for remuneration, career and development.

### *Employee Dialogue, Participation in Management and Satisfaction*

In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative ideas, Garanti keeps dialogue channels bi-directional. Garanti aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, employee satisfaction questionnaire, and the voice of employee platform GONG.

Garanti conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration and training & development opportunities. In 2018, Employee Engagement score was 67%.

360 Degree Feedback collects employee opinions and aims to contribute to managers' behavioral patterns by determining their competencies, as well as their strengths and improvement areas.

Suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. "Önersen" (You Suggest) has been instrumental in collecting 1,133 suggestions in 2018, two of which were rewarded. More than 23,000 ideas in the aggregate have been communicated via this channel since 2007. Through GONG, the voice of employee platform about HR practices and the working environment, 674 opinions were gathered in 2018.

Each year, through the Managers' Summit and the Future Meeting, the CEO and the executive team involve the total employee base, share and assess Garanti's current outlook and its strategy, goals & objectives for the year ahead.

As part of employer brand management efforts, Garanti carries out a work-life balance program named Work Life Integration (İYİ) in order to enhance employee satisfaction and ensure a richer working experience. Average number of events and services per employee went up from 9 in 2014 to 29 in 2017 and almost tripled to 26 in 2018, within the frame of the Bank's employee communication strategy and priorities.

The Bank's Values are being integrated into all HR processes and projects are being developed to let the employees reflect the Values in their day-to-day work experiences. In this context, the first anniversary of Our Values, which were spelled out with the involvement of employees in 2017, was celebrated on the Values Day on 5 July 2018. Employees generated new ideas about Our Values and experienced different ways of working together in the workshops they attended. More than 1,600 employees participated in the workshops organized online and in classroom session format.

Garanti has established Domestic Violence Platform in order to extend support to employees suffering from domestic violence

whenever they need it and to provide guidance to managers about the effects of domestic violence on the workplace. In this framework, Garanti continues to offer the support service 24/7 exclusively to Garanti employees and their next of kin through the Domestic Violence Hotline.

### *Employee Benefits*

In order to enhance its employees' quality of life, Garanti offers various products and services. Garanti employees have Private Health Insurance and Life Insurance, and can benefit from the Bank's Retirement and Social Assistance Fund services for health expenses not covered by private health insurance, such as dental treatment, prescription glasses and contact lenses. There are fitness centers and internal nutritionists present in Garanti's Zincirlikuyu and Güneşli Head Offices.

The Garanti Bonus System (GPS), which works in integration with the performance management system, continued to take into account not only individual success but also the success of BBVA Group and the Bank, and to differentiate the premium amounts of high- performers.

Internal Customer Survey is performed to evaluate the services employees receive and it gives them the opportunity to convey their suggestions.

## OUTLOOK

Based on its employee-centric approach, Garanti Bank Human Resources will carry on with the regular communication of its new products and practices, which were revamped in 2018 and aligned with the BBVA Group. The Bank will maintain healthy operation and continuity of these activities, within which 360 Degree Feedback process and career model take the lead.

Following the integration of corporate values in all HR processes, the goal for 2019 will be to disseminate the feedback culture.

## OFFERING A FAIR AND TRANSPARENT WORKING ENVIRONMENT

Garanti aims to establish a fair and transparent working environment that is dominated by equal opportunities and diversity.

Garanti's approach to human capital is in accordance with



its ethical values and the “equality principle”. The Bank and employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like, sexual orientation, family responsibilities, disabilities, age, medical conditions, and union membership. The Bank and the employees respect human rights.

## WHAT WE DID IN 2018

### *Equal Opportunity and Diversity*

USD 250 billion incremental GDP could be created by 2025, if the rate of women’s participation in workforce in Turkey would increase to the OECD average of 63% from 33% where it presently stands. Garanti considers equal opportunity and diversity as a fundamental value and a driving force of its corporate culture, as well as a contributor to economic growth. Garanti encourages employees to respect different thoughts and differences among them.

At Garanti, women employees comprise 58% of all employees, and 40% of senior/middle level management. As a result of the importance Garanti attaches to gender equality and women’s empowerment, Garanti was one of the first to implement the Equal Opportunities Model (in Turkish: FEM). Also Garanti is one of the first signatories of the Women’s Empowerment Principles (WEPs) and is the first bank in Turkey to sign them.

Garanti designed the Gender Equality Training Program that is compulsory for all employees. The training focuses on the gender roles imposed by the society and how they affect the work environment. Garanti also broadcasted a video on gender equality where Executive Vice Presidents Ebru Dildar Edin and Cemal Onaran informed Garanti employees about the Bank’s projects on the topic. Furthermore, Garanti created a video series called “Believe in Yourself” to inspire the women of Garanti. The Gender Equality Guide prepared within the frame of International Women’s Day 2018 celebrations was shared with all employees with the support of the CEO and all EVPs.

In order to raise strong women leaders who are aware of their competencies and capable of managing the challenges in business life, Garanti signed a cooperation agreement with the UN Women Program in 2016. Women Leadership Trainings organized within this framework were offered to additional 101 managers and branch managers, and thus completed in 2018.

Established with the aim of contributing to the development and cooperation of women at middle and top-level positions in 2016, the Women Executives Initiative carried on with its activities with networking meetings and project groups in 2018.

The Gender Equality Committee, which includes male and female representatives from the Executive Vice President level to the manager level, has been active since 2015 under the Sustainability Committee. The Committee coordinates programs, processes and initiatives aimed at the Bank’s employees or all the external stakeholders in the areas of the inclusion of women in the financial system, women’s empowerment and gender equality.

Under the committee, there are sub-working groups dealing with HR, society and customer projects, which get together quarterly to evaluate the projects and come up with new ideas.

Garanti Training Center has prepared, in 2017, GETKurs, a set of 3 videos about gender equality in the workplace and within the society. In 2018, 3,442 employees registered to Gender Equality Training digitally.

Aimed at empowering women leaders and increasing their recognition in internal networks, Women Leadership Mentorship Program was launched for branch managers and Head Office executives. 30 women executives received mentorship under the program for which Executive Vice Presidents acted as mentors for 6 months.

Garanti Bank CEO, Mr. Ali Fuat Erbil became a founding member of 30% Club Turkey for greater representation of women in executive management, launched in March 2017.

With all these gender equality initiatives and practices it realizes for human resources, customers and the society, Garanti is the only Turkish company included in the Bloomberg Gender Equality Index covering 230 companies from 10 industries from 36 countries and regions around the world.

### *Fair and Transparent Remuneration*

Garanti has in place a Compensation Policy for employees, which is prepared in accordance with banking and capital market legislation and approved by the Board of Directors. The Policy is erected on job-based remuneration, encourages fair, transparent, measurable and sustainable achievement among

employees, and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the HR Department authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

In line with its target of being the employer of choice, Garanti applies a competitive, market-sensitive salary system, which aims to improve employees' life standards. Garanti's compensation policy is essentially based on "equal pay for equal work" and "pay for performance" principles. In addition to individual performance, Garanti keeps a close eye on general macro-economic circumstances, the current inflation rate in Turkey and the trends in the sector. At Garanti, the salary package is comprised of various components including the monthly salary, annual bonus payments and premium payments, meal vouchers, foreign language payments and other benefits with variations depending on the level of seniority or the scope of work and the location of the services. Garanti always monitors its compensation system so that it is fair, transparent, measurable, based on balanced performance targets, and it encourages sustainable success.

The compensation system of the Bank is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's Remuneration Policy established within this framework has been approved by the Board of Directors and presented for the information of shareholders at the Ordinary General Shareholders' Meeting. Presently, the policy is available to the public on the Bank's website pursuant to corporate governance principles. The performance evaluation system at Garanti measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees that is supported by concrete and measurable criteria in the assessment.

In this context, customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration.

Garanti monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The portion of 10.61% of the total personnel expenses figure for the benefits provided in 2018 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

The ratio of the average remuneration of female employees to that of male employees is 0.97. Insignificant differences can be explained by previous experiences, performance evaluation results and other factors aside from gender that affect pay level.

#### *Maternity Leave*

Garanti employees are entitled to additional rights in maternity leave beyond the practices recognized by the laws. During the reporting period, 743 women employees went on maternity leave and 506 male employees went on paternity leave. 86% of women employees who took maternity leave in 2017 are still working at Garanti.<sup>1</sup> With the Motherhood Experience Project introduced in January 2018, HR processes were renewed for supporting pregnancy and post-partum periods.

#### *Retirement*

Retirement is among the most important rights of employees. As of their first day of work at the Bank, employees automatically become members of "T. Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (Retirement and Social Assistant Fund) established as per the provisional article 20 of the Social Security Law no. 506. For every employee and his or her dependent spouse and children, a health certificate is issued.

#### *Occupational Health and Safety*

In line with local regulations on Occupational Health and Safety (OHS), Garanti formed a specialized OHS Team in 2013 under HR and gave momentum to efforts in this field. Renamed the OHS Division in 2015, the unit carries on with its work throughout Turkey with a team of 41 (OHS experts, occupational physicians, occupational nurses). The Head Office

<sup>1</sup> The ratio of women employees returning from maternity leave is followed up on the basis of the year preceding the reporting period. For details, please refer to the Guidelines on Non-Financial Reporting in the Appendices section.

OHS Division coordinates OHS requirements of all locations.

Realizing a first among its peers in Turkey, Garanti launched its OHS software in all its locations. Garanti Bank uses this software to coordinate and monitor all processes including risk assessment, occupational health implementations, training programs, OHS Committees, near misses, workplace accidents and corrective and preventive actions.

Garanti ensures uninterrupted OHS communication by way of monitoring findings and recommendations on OHS in coordination with its lines of business, and collecting the opinions of employees through the OHS Employee Representatives in the locations. Within this context, 816 corrective or preventive actions were discussed and implemented in 86 committee meetings held in 2018.

All documentation describing the Bank's Occupational Health and Safety processes were compiled in an online booklet. The OHS Intranet page, which also covers this booklet, is redesigned in a more user-friendly format.

A database was created, which covers all the risks in all of the Bank's locations as part of improving the Risk Assessment process. Hence, the Bank achieved progress in the standardization and tracking of defined risks.

Special technical training programs (Case Studies and Root Cause Analysis Training, Defensive Driving Training, etc.) were organized based on the outputs of the risk assessment process. Work was initiated to digitalize OHS training programs. Online OHS training was revised with a more interactive and effective content, and shared with all employees. 124,322 hours of training were given to all employees within the scope of Occupational Health and Safety training.

Periodic assessment were made with technical teams for improving the health and safety conditions of major projects such as G+ Project, Pendik Campus location, and many steps were taken to improve health and occupation conditions.

Corrective and Preventive Action screens in the OHS software were developed and actions were monitored more effectively through periodic reporting with technical business lines.

Improvements were made to team assignments within the scope of Emergency Management process, which was taken over from the Disaster Recovery and Business Continuity Service. Online training began to be designed for the teams.

As part of furthering Occupational Health, studies and analyses of risk groups continued (examination of psychosocial risks, audio tests, etc.). A dedicated phone number was assigned as Emergency Healthcare Response at 5555 and put into service at Head Office buildings to give easier access to employees in case of need for emergency response from healthcare teams (occupational physician, occupational nurse, etc.) and to shorten the time for the teams to reach the site.

### *Work-Related Accidents*

In 2018, there were 367 work-related accidents. None of them resulted in death.

### *Total Lost Working Days*

The total lost working days were 43,728 days for women and 20,895 days for men in 2018. The total lost days data is collected on the basis of medical reports of sickness leave and injuries. The absentee rate of the Bank was 0.01 in 2018.



The Social Performance Data is available on Garanti Investor Relations website.

## **OUTLOOK**

Focus will be placed on models over which employees will have control within processes shaped according to their needs and expectations, backed by initiatives supporting their more active involvement. The aim will be to assign control and monitoring to employees at all points from career management to performance evaluation and training planning.

All these innovative activities will automatically bring along a more project-focused working methodology. At this point, project teams, agile methodologies and teams with a higher degree of autonomy will be created. All employee journeys will be reviewed to develop business areas and specialties emerging in the new world.

Diversity initiatives will be themed around equality once again and the projects will focus on reducing unconscious bias and boosting awareness.

# RESPONSIBLE AND SUSTAINABLE DEVELOPMENT



It is one of the strategic goals of Garanti to mobilize human and intellectual capital along with financial capital to support responsible and sustainable development.

The Bank's empathy skills let Garanti understand the conditions surrounding its customers and other stakeholders, allowing the Bank to develop solutions that cater to their needs. Taking into consideration the 2030 Agenda<sup>1</sup> that ranks high among priority topics, the Bank develops innovative financial instruments and solutions such as the green loan and promotes them in the sector through cooperation platforms.

The Bank collaborates with its peers and the business world at a global level to identify new opportunities, to determine emerging best practices and products, and to remain a leader on sustainability in Turkey.

To this end, Garanti provides active support or chairs a total of 24 initiatives including a number of intermediary platforms including the United Nations Environment Program Finance Initiative (UNEP FI), Principles for Responsible Banking, Global Compact Turkey, and the Turkish Business Council for Sustainable Development (BCSD Turkey).

As a constituent of 7 sustainability indices in total including the Dow Jones Sustainability™ Emerging Markets Index, Garanti analyzes the sector's leading practices in environmental and social areas and originates new areas for continuous improvement. Garanti shows the way for sustainable pathways through providing content support to collective policies and position papers of the private sector, which numbered 14 in 2018.

Garanti diversifies financial instruments provided for low-carbon and inclusive growth, and cooperates with international financial institutions for low-cost funding. Drawing on its intellectual capital, the Bank introduces innovative financial

resources that incorporate sustainability criteria, as exemplified in the first social bond issue ever carried out by a private bank in an emerging country.

The green project finance loan and the green corporate loan Garanti launched in the reporting period drive borrowers to improve their sustainability performances throughout the term of the loan. Both representing the first examples of their kind in Turkey, green loan agreements harbor advantages in terms of loan interest or commission rates for borrowers, which are made available depending on the achievement of improved performance in environmental, social and corporate governance areas that satisfy the predefined criteria during the term of the loan.

As climate change continues to be one of the most significant global crises in the 21<sup>st</sup> century, responsible finance approach is molded to address climate change issues in addition to societal challenges such as fostering employment through supporting SMEs in growing their business.

Having allocated 100% of its project finance support for greenfield energy investments to renewables as in recent years, thus increasing the total lending to this area to date to USD 5.1 billion, Garanti's support to green energy continues with solar energy investments commissioned in its own branches.

Garanti believes that a strong economy and business model are attainable only through strong communities, a sustainable environment and empowered individuals. To this end, the Bank creates shared value through its strategic community programs focusing on material issues such as skills gap, education, cultural development and environment.











Launched in 2017 by the Teachers Academy Foundation (in Turkish: ÖRAV), the 5 Pebbles: Social and Financial Leadership

<sup>1</sup> The 2030 Agenda refers to 17 Sustainable Development Goals ('SDGs') as defined in 2015 by UN-member countries to end poverty, combat inequalities and injustice, and overcome climate change by 2030.

Project aims to instill an awareness of financial literacy in future generations. Within the scope of a collaborative project of Garanti and Bahçeşehir University launched in 2016, it is intended to improve 8-10 aged children's skills and competencies required by our age such as problem solving, analytical thinking and teamwork through entertaining content including coding and robotics in technology workshops so that they are better equipped for the requirements of the digital age. In addition, Garanti remains as the main sponsor of the Turkish Entrepreneurship Foundation, namely Girvak, working to drive the culture of entrepreneurship and to encourage youth to experience entrepreneurship by learning from their inspirational role models, taking part in various entrepreneurship activities and networking since 2014. Founded

with the motive of being instrumental in bringing culture and arts to the society, SALT continues to operate as a not-for-profit autonomous institution out of three locations, namely SALT Beyoğlu, SALT Galata and SALT Ankara.

By focusing on responsible and sustainable development, the Bank actively contributes to the following Sustainable Development Goal 4: Quality Education, Goal 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production, Goal 13: Climate Change, Goal 14: Life Below Water, Goal 15: Life on Land, Goal 17: Partnerships for the Goals.

VALUE DRIVER	INDICATOR	PERFORMANCE		SDG
		2018	2017	
DRIVE POSITIVE CHANGE THROUGH STRATEGIC PARTNERSHIPS	Participation in sustainability related initiatives and memberships	24	27	
	Engagement platforms	44	36	
	Sustainability indices in which Garanti is included	7	6	
	Policies/Position Papers Garanti contributed	14	8	
CREATE SHARED VALUE THROUGH LENDING BASED ON IMPACT INVESTMENT PRINCIPLES	Total Sustainability Funds utilized from IFIs (million TL)	396	841.7	
	Sustainable products / credit lines	34	32	
	Amount of impact investment (billion TL)	35.2	22.8*	
	Market share in WPPs	28.1%	30.2%	
	SDGs contributed via E&S risk management of loans	10	10	
	Avoided GHGs through renewable portfolio* (million tonnes of CO <sub>2</sub> e)	5.4	5.4	
FOCUS ON COMMUNITY INVESTMENT PROGRAMS WHICH DELIVER IMPACTFUL OUTCOMES ON MATERIAL ISSUES	Scope 3 footprint of greenfield energy production portfolio (in new PF commitments)	0	0	
	Issues addressed by community programs	3	3	
	Amount of investment in community programs (million TL)	20.2	20.3	
SROI (SOCIAL RETURN ON INVESTMENT) OF COMMUNITY PROGRAMS	Renewables in greenfield energy production portfolio (in new PF commitments)	100%	100%	
	Quality Education Projects	3.63	-***	
	Entrepreneurship Projects	2.27	-	
	Culture and Art Projects	1.45	-	

\* Based on the total operational installed capacities of HEPP, SPP and WPP projects in the financing of which Garanti has participated.

\*\* Restated for 2017 due to the change in scope.

\*\*\* Not calculated in 2017.

## INTRODUCE NEW SUSTAINABLE PRACTICES THROUGH PARTNERSHIPS

The Sustainable Development Goals emphasize the importance of cooperation and empathy among all stakeholders from governments to individuals in reaching the 2030 targets.

Garanti combines its understanding of leadership with empathy skills, and is transforming the sector through engaging and building partnerships with key stakeholders to implement sustainability initiatives.

For many years, Garanti has been participating in local and international organizations, which allowed for widespread, high-leverage engagement of the business community, governments and policymakers with numerous national and international organizations.

Garanti chairs, or participates in, the working group meetings of the United Nations Environment Program Finance Initiative (UNEP FI) Principles for Responsible Banking, and the working group meetings of the Global Compact Turkey, the Turkish Business Council for Sustainable Development (BCSD Turkey), the Banks Association of Turkey (in Turkish: TBB) Role of the Financial Sector in Sustainable Growth Workgroup and Carbon Pricing Leadership Coalition (CPLC).



More information on the list of initiatives and organizations supported by Garanti Bank is available in the Supported Initiatives section on Garanti Investor Relations website.



For more information on the management of sustainability matters and Garanti Bank's interaction with stakeholders, please refer to Stakeholder Engagement, Our Material Matters, Corporate Governance and Risk Management sections.

### WHAT WE DID IN 2018

In 2018, Ebru Dildar Edin, Garanti Bank's Executive Vice President responsible for Corporate and Investment Banking became the Chair of the Turkish Business Council for Sustainable Development (BCSD Turkey). With a total of 60 members from 18 sectors representing 15% of Turkey's gross domestic product, BCSD Turkey has been working for 15 years

to make sustainability one of the key strategies of the business community.

Garanti has been the only bank from Turkey among the 28 founding members of the UNEP FI Principles for Responsible Banking launched in Paris on November 26 with total assets representing USD 17 trillion. The Principles for Responsible Banking which are expected to significantly contribute to UN Sustainable Development Goals and Paris Climate Agreement objectives, focus on the six main pillars: Alignment, Impact, Clients and Customers, Stakeholders, Governance and Target Setting, Transparency and Accountability.

The steps it has taken to drive the private sector to integrate the 2030 Agenda into their business models have brought Garanti the title of the CEE's Best Bank for Sustainable Finance at the Awards for Excellence 2018 by Euromoney, one of the world's leading finance magazines. Garanti remained as a constituent of the Dow Jones Sustainability™ Emerging Markets Index, FTSE4Good Emerging Markets Index, and Bloomberg Gender-Equality Index, as well as BIST Sustainability and Corporate Governance Indices.

### OUTLOOK

Garanti is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices and products, and remain as a sustainability leader in Turkey. To this end, the Bank will continue to engage with different stakeholders at the national and international levels to follow the latest developments and include their views in decision-making processes. Garanti will mainly focus on enhancing non-financial risk management approaches within the Turkish banking sector. Additionally, it will support activities to boost public-private sector partnerships.

### CREATING SHARED VALUE FOR ALL THROUGH IMPACT INVESTMENT

Garanti Bank diversifies financial instruments it offers for low-carbon and inclusive growth, and establishes cooperation with international finance institutions focusing on sustainable development. By developing products and services for diverse needs, the Bank pays attention to providing financial solutions facilitating transition to a sustainable economy.

## WHAT WE DID IN 2018

### *Financing the Transition To a Low-Carbon Economy*

It is a primary objective for Garanti to provide the necessary financing for the renewable energy industry, which is making exponential progress through global technological developments, and to contribute to utilization of renewable energy potential of our country.

Garanti published its Climate Change Action Plan in October 2015, which focuses on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. Garanti has been the first bank in Turkey to commit to UN Global Compact's Business Leadership Criteria on Carbon Pricing. The Emission Trade System is still not being actively used in our country. In order to reflect global developments in this respect in its business model, Garanti keeps applying shadow carbon pricing to 100% of greenfield electricity generation projects in its project finance deals.

With the Action Plan referred to above, Garanti also pledged that a minimum of 60% of the total funds allocated to greenfield energy production facilities will be directed to renewable investments. In 2016, Garanti Bank took its pledge one step further and committed to a renewable energy share at a minimum of 70% of the greenfield power sector financing to be provided by 2020 in new project finance transactions. In 2018, this ratio was far exceeded as it reached 100% similar to previous years.

To date, Garanti maintained a 28.1% share in Turkey's operating installed wind power capacity. The amount of cumulative financing provided to renewable energy investments exceeded USD 5,1 billion.

Also, in 2018, the total avoided emissions of operational solar power plants, wind power plants and hydro power plants projects that Garanti has participated in financing was 5.4 million tCO<sub>2</sub>e based on the current average grid emission factor for Turkey. As of 31 December 2018, Garanti Bank has allocated:



USD 2.48 billion to Wind Power Projects (WPP), for 2,146 MW current installed capacity, which will reach a total installed capacity of 2,421 MW once fully operational,

USD 2.42 billion to Hydropower Projects (HEPP), for 1,811 MW current installed capacity, which will reach a total installed capacity of 3,607 MW once fully operational,

USD 263 million to Geothermal Power Plant Projects (GTPP), which will have a total installed capacity of 337 MW once fully operational,

USD 210 million to Solar Energy Projects (SPP), which will have a total installed capacity of 260 MW once fully operational,

USD 15 million to Biomass to Energy Projects, which will have a total installed capacity of 24 MW once fully operational.

In 2018, all of the project finance loans Garanti provided for greenfield power plants have been allocated to renewable energy projects.

The Bank consolidated its support to renewable energy with solar energy investments launched at three different service locations to supply its own electricity need.

Garanti also launched its Environment-Friendly Auto Loan in May 2017 for the financing of hybrid and electric automobiles that provide fuel efficiency and stand out with their environmental features. Total lending reached TL 4.8 million at the end of 2018. Garanti believes there is strong potential moving forward given the international pledges and developments in this area.

Through the green project finance loan and green corporate loan introduced in the reporting period, Garanti encourages borrowing companies to improve their sustainability performance throughout the term of the loan. Following the USD 10 million-loan extended to Zorlu Energy, the project finance deal in the amount of USD 260 million signed between Akfen Renewable Energy and four domestic and two international banks, in which Garanti participated as the green loan agent, was converted to a green loan. Under the green loan agreements, each one a first in Turkey in their respective avenues, borrower companies may access advantages in terms of loan interest or commission rates provided that they achieve improved performance in environmental, social and corporate

governance areas as benchmarked against preset criteria throughout the term of the loan.

### *Supporting Women Entrepreneurs*

Garanti supports active participation of women in employment and economic life, with the understanding that an inclusive economy where all individuals make use of opportunities equally will be more efficient and can grow faster. Commitment to gender equality means developing our country in a way that it is beneficial for everyone beyond our Bank.

The loan amount provided to women customers, whom the Bank categorizes as a special customer group in SME Banking, reached TL 5.5 billion by the end of 2018.

Besides financing, Garanti provides entrepreneurship training for women through the Women Entrepreneurs Executive School and supports women entrepreneurs in developing their businesses by creating ecosystems that enable knowledge and experience sharing.



You may find all programs and other practices developed specifically to meet the needs of women entrepreneurs under the Customer Experience Section.

### *Fostering Employment through Supporting SMEs and Entrepreneurship*

Making up 74% of the total employment in Turkey, SMEs are important contributors to the economy, domestic development, and inclusive and value-added growth. Garanti supports SMEs in increasing their financial resilience and making value-added production that will benefit the economy.



Please refer to the Customer Experience Section for more information on Garanti's support to SMEs and entrepreneurship.

In 2018, the amount of installment commercial loans extended by Garanti SME Banking<sup>2</sup> to small and medium sized enterprises was TL 56.4 billion.

### *Partnering with Financial Institutions*

Leading the sector to transform the real sector's way of doing business, Garanti signed a 5-year agreement for USD 150

million equivalent TL 540 million with the IFC (International Finance Corporation), a member of the World Bank Group, within the scope of the Mortgage Backed Securities Issuance program. The issuance is the first green bond issued by Garanti and is also the first Mortgage Backed Securities issuance that the IFC invested in in Turkey.

Garanti makes available this fund, which is also its first deal in local currency with the IFC, mainly to finance "Green Mortgage" extended to environment-friendly projects covering high energy-efficient buildings.

In addition, a Green Mortgage agreement for EUR 75 million equivalent TL 313 million was executed with the EBRD in July 2017, under which total on-lending to date amounted to TL 100 million. These funds falling under the scope of Green Mortgage constitute 46% of the funding Garanti has secured from the Mortgage Backed Securities market.

At the same time, Garanti issued Turkey's first social bond to be disbursed exclusively to women entrepreneurs in cooperation with the IFC under the women entrepreneurs support program launched in 2006, presenting our country with a unique financing instrument for the exclusive use of women entrepreneurs. Within the frame of the international borrowing program, Garanti, in cooperation with the World Bank member IFC, issued a social bond for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. Under the agreement, funding up to TL 400,000 and up to maturities of 36 months will be disbursed exclusively to women entrepreneurs for their working capital needs. Issued also with the contribution of the Goldman Sachs 10,000 Women initiative under the agreement with the IFC, the bond is the first social bond issued by a private bank in an emerging country.

Pursuant to the 6-year loan agreement for USD 87 million signed with the EIB (European Investment Bank), Garanti offers low-interest or long-term loans for the projects of small and medium sized businesses that satisfy the requirements of the agreement, and thus continues to contribute to the country's growth.

## **OUTLOOK**

Garanti will carry on with financing activities that create positive

<sup>2</sup> Calculated according to the official Small and Medium Sized Enterprises (SME) definition (enterprises employing less than 250 people annually and not exceeding TL 125 million either in annual net sales proceeds or financial balance sheet). Unless otherwise specified, the numbers cited are based on the SME definition of Garanti Bank.



## BORROWINGS AND SECURITY PRODUCTS ENTAILING ESG CRITERIA

	RATIO TO PRODUCTS/FACILITIES OF A SIMILAR NATURE	DESCRIPTION
BOND ISSUANCES AND LOANS	5.81%	During 2018, Garanti Bank secured funds worth USD 162 million in this scope from international finance institutions. This amount accounts for 5.81% of the total financing the Bank secured in 2018.
SECURITY PRODUCTS	22.72%	Garanti Pension's sustainability stock pension investment fund was worth TL 111.3 million as at end-2018 and makes up 22.72% of Garanti Pension Investment Funds.

impact. The Bank will expand its green products and services to support Turkey's transition to a low-carbon economy and to contribute to the global 2-Degree target. In that respect, Garanti will continue to prioritize renewable investments and take more ambitious actions regarding carbon-intense sectors in its portfolio.

Garanti will also advance in supporting entrepreneurs and SMEs through various programs and initiatives, which eventually will contribute to creating employment opportunities and providing the sustainable growth of the Turkish economy, and in working towards rendering the entrepreneurs and SMEs sustainable businesses.

Garanti pursues a prudent external funding strategy, which is an important pillar underpinning a sustainable and well-diversified funding base. The Bank targets to expand its correspondent network in different geographies and meet the client needs for international transactions. Garanti aims to provide customized trade finance solutions for its clients and enter into new cooperation in this area with correspondent banks and export credit agencies.

## COMMUNITY INVESTMENT PROGRAMS

### *Quality Education*

Addressing the global challenge of expanding educational opportunities and decreasing the skills gap are fundamental to achieving the Sustainable Development Goals (SDGs) set by the United Nations.

The Teachers Academy Foundation (ÖRAV), established by Garanti Bank in 2008, continues its activities as the first and the most active non-governmental organization focusing on the personal and professional development of teachers in Turkey. Launched in 2017 as a collaborative initiative by Garanti and the Teachers Academy Foundation, the 5 Pebbles: Social and Financial Leadership Project aims to instill an awareness of financial literacy in future generations. Comprised of five modules, the project that also entails various activities provides training in the areas of "Self-Exploration and Understanding", "Rights and Responsibilities", "Saving and Conscious Spending", "Planning and Budgeting" and "Social and Financial Entrepreneurship" to children with their active participation.

"Code the Future with Garanti" project, which aims to better prepare children aged 8-10 for the requirements of the digital age, was launched under the cooperation of Garanti Bank and Bahçeşehir University in 2016. The aim is to equip children with skills and competencies required by the present day such as problem solving, analytical thinking and teamwork through entertaining content including coding and robotics in technology workshops.

The educational program "The Enjoy Learning Math & Science" developed by the Educational Volunteers Foundation of Turkey (in Turkish: TEGV) to improve primary school students' math and science skills and problem solving capabilities was launched in 2015 with the sponsorship of Garanti.

Carrying out its activities with the support of Garanti, Tohum Autism Foundation's Continuous Education Unit has been providing theoretical and practical education about autism to special education teachers, parents with autistic children, related experts and university students.

Sports and physical education can motivate children and youth to attend and engage in formal and informal education, as well as improve academic performance and learning outcomes. Sports can teach transferable life skills and key values such as tolerance, inclusion and can lead towards learning opportunities beyond school. Sports can advocate for gender equality, address constricting gender norms, and provide inclusive safe spaces.

With this perspective, Garanti has been the main sponsor of 12 Giant Men (National Men's Basketball Team) since 2001, Pixies of the Court (National Women's Basketball Team) since 2005, 12 Brave Hearts (National Men's Wheelchair Basketball Team) and 12 Magical Wrists (National Women's Wheelchair Basketball Team) since 2013. With this inspiration drawn from the 12 Giant Men, the 12 Giant Men Basketball Academies project was initiated aiming for the basketball culture to be adopted by larger audiences and popularized.

### *Entrepreneurship*

Garanti is the main sponsor of the Turkish Entrepreneurship Foundation, namely Girvak, working to drive the culture of entrepreneurship and to encourage youth to experience entrepreneurship by learning from their inspirational role models, taking part in various entrepreneurship activities and networking since 2014. Each year, the Foundation admits a set number of university students aged 17-25 to the Fellow Program. In addition, case studies are carried out with Garanti mentors and fellows.

As explained in the Customer Experience Section, Garanti also conducts educational and skills development programs such as Women Entrepreneurs Executive School and Women Entrepreneur Meetings in order to support its customers in the SME segment. These programs create positive impact on social dilemmas such as gender equality.

Furthermore, Garanti started its GarantiPartners program in 2015 in order to support entrepreneurs in all aspects of their new ventures.



Please refer to the Customer Experience Section and GarantiPartners website for details of the program.

In addition to those, Garanti Bank-BBVA Momentum Social Entrepreneurship Support Program, which is intended to support entrepreneurship seeking to create a high social impact through a sustainable business model, has been ongoing since 2017.

### *Culture*

Cultural aspects, including active participation in cultural life, the development of individual and collective cultural liberties, the safeguarding of tangible and intangible cultural heritages, and the protection and promotion of diverse cultural expression are core components of human and sustainable development. In 2011, Garanti unified Platform Garanti Current Art Center, Ottoman Bank Museum and Garanti Gallery that had been operating under its organization to make culture and arts accessible to all parts of the society under one roof, namely SALT. A not-for-profit and autonomous entity, SALT contributes to the society through SALT Beyoğlu, SALT Galata and SALT Ankara.

Garanti has also been striving to make cultural activities that take place in limited communities become widespread. As the main sponsor of İstanbul Jazz Festival for 22 years, Garanti has been supporting the leading music venues in İstanbul under the brand named "Garanti Jazz Green" and has also been screening music oriented movies with the series of "İçinden Caz Geçen Filmler".

### *Environment*

Garanti has been the main sponsor of WWF-Turkey for 26 years with the slogan Garanti for Nature. WWF is one of the largest wildlife protection associations in the world, with 1,300 projects conducted annually around the world and 6,200 employees in more than 100 countries.

Garanti also supports the Earth Hour movement organized by the WWF every year in order to point out the world's environmental problems.

Garanti is also the main sponsor of CDP Turkey, the Turkey office of the world's most powerful green non-governmental organization.

### *Social Impact Analysis*

Garanti conducted a Social Impact Analysis using the Social Return on Investment (SROI)<sup>3</sup> method in order to assess the value and the social impact of six ongoing projects in 2018. According to the results of the analysis, the SROI values are 3,63 for the Bank's quality education projects, 2,27 for entrepreneurship projects, and 1,45 for culture and arts projects.

#### **WHAT WE DID IN 2018**

ÖRAV reached 13,031 teachers in 81 cities, and the number of active users of the website (eKampüs) reached 133,534 in 2018.

The 5 Pebbles: Social and Financial Leadership Training reached more than 5,000 students from 112 schools in 12 cities in 2018.

35 teachers and 175 3<sup>rd</sup> and 4<sup>th</sup> graders attended the workshops "Code the Future with Garanti" workshops organized in state schools in 7 cities scattered across the seven geographical regions of Turkey in 2018.

"The Enjoy Learning Mat & Science" educational program offered training to 94,367 children with the support of 2,854 volunteers in 2018. Out of 2,854 volunteers, 605 voluntarily worked in both math and science modules of the program.

2,125 people were reached through the work carried out by Tohum Autism Foundation with the support of Garanti in 2018. The "12 Giant Men Basketball Academies" (12 DABO) Project reached 750 students in 24 cities in 2018.

After receiving 6,400 applications for the program in its debut year that rocketed up to 30,000 in its second year, Girvak attracted 112,000 applications from 81 provinces in Turkey in 2018. At Girvak that currently has 68 Fellows from 36 universities from 14 cities and 146 Alumni, 52 startups pursue their operations presently, 13 of which have received support.

SALT Beyoğlu, SALT Galata and SALT Ankara hosted seven exhibitions and a number of public programs. The events attracted 162,210 participants. In the same timeframe, the three SALT locations welcomed a total of 334,400 visitors free of charge in 2018.

2018 was a proud year for the Turkish basketball. All national teams, which have Garanti as their main sponsor, competed in championships and qualification rounds. While Pixies of the Court represented our country in the Fiba Women's Basketball World Cup, 12 Giant Men qualified for the Fiba Basketball World Cup 2019 that will be held in China. 12 Brave Hearts, on the other hand, flew our flag at the World Wheelchair Basketball Championships held in Hamburg.

All in all, Garanti invested TL 20.2 million\* for community investment programs in 2018.

#### **OUTLOOK**

Garanti aims to align its community investments and their outcomes with material issues that create shared value. In 2019, the Bank will continue to invest in the fields of quality education, entrepreneurship, and culture & arts, which are in line with the Bank's material issues and have high social impact.

\* Garanti jazz and basketball sponsorships are not included.

<sup>3</sup> Social Return on Investment (SROI): SROI is an approach created to measure social impact of projects. According to technical literature, projects with an SROI value higher than 1:1 are considered as successful projects in terms of social return, whereas projects within financial sector with an SROI value higher than 2:1 are accepted as very successful.

**CORPORATE  
GOVERNANCE  
AND RISK  
MANAGEMENT**

## BOARD OF DIRECTORS

### SÜLEYMAN SÖZEN *Chairman*

Süleyman Sözen is a graduate of Ankara University Faculty of Political Sciences and has worked as a Chief Auditor at the Ministry of Finance and the Under secretariat of Treasury. Since 1981, he has held various positions in the private sector, mainly in financial institutions. Having served on the Board of Directors of Garanti Bank since 1997, Mr. Sözen was appointed as the Vice Chairman on July 8, 2003 and then as the Chairman on September 19, 2017. Mr. Sözen holds a Certified Public Accountant license and serves as the Board Member of Görüş YMM A.Ş. and as the Board of Trustees Member of Teachers Academy Foundation. Mr. Sözen has 38 years of experience in banking and business administration.



He has been serving as the Board Member of Garanti Bank since March 24, 2016 and since his appointment as an Audit Committee member of T. Garanti Bankası A.Ş. on March 31, 2016, he is deemed as an Independent Board Member of Garanti Bank in accordance with the relevant regulations of the Capital Markets Board of Turkey. He was appointed as Vice Chairman on September 19, 2017 and has 26 years of experience in banking and business administration.

### ALİ FUAT ERBİL *President & CEO*

Ali Fuat Erbil graduated from the Middle East Technical University Department of Computer Engineering, earned his MBA from Bilkent University and his PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti Bank as the Senior Vice President of Distribution Channels in 1997. Mr. Erbil was appointed as the Executive Vice President on April 30, 1999 and was responsible of several areas such as Retail Banking, Corporate Banking, Investment Banking, Financial Institutions and Human Resources as an EVP. Since September 2, 2015, Erbil has been serving as the Board Member, President & CEO. He is also the Chairman of the Board of Directors at Garanti Bank International N.V., Garanti Bank S.A. (Romania), Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Technology. In addition to his responsibilities, he also serves as the Board Member in the Banks Association of Turkey and the İstanbul Foundation for Culture and Arts (İKSİV) and as the Board of Trustees Member of Teachers Academy Foundation. Mr. Erbil has 26 years of experience in banking and business administration.



### JORGE SÁENZ-AZCÚNAGA *CARRANZA*

*Vice Chairman, Independent Board Member*

Jorge Sáenz-Azcúnaga earned his BS in Business Administration from Universidad Deusto. He has developed his entire career in BBVA starting as Research Analyst. He then worked as Corporate Strategist, Head of CEO Office, Business Development (Commercial & Institutional Banking in Spain), Head of Strategy (Wholesale Banking & Asset Management), Head of Strategy and Planning (Spain & Portugal) and between years 2013 and 2015 as Regional Manager for the North of Spain. As of 2015, he served as the Head of Business Monitoring Spain, USA and Turkey. In July 2016 he was appointed Head of Country Monitoring and member of the Global Leadership Team in BBVA. Mr. Sáenz-Azcúnaga is member of the Board of Directors of BBVA Compass Bancshares in the US and BBVA Bancomer in Mexico.



**ERGUN ÖZEN**  
*Board Member*



Ergun Özen earned his BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He started his banking carrier in Treasury department in 1987 before joining Garanti in 1992. Having served as the President & CEO at Garanti Bank between April 1, 2000-September 2, 2015, Mr. Özen is a Board Member of Garanti Bank since May 14, 2003. Mr. Özen is the Chairman of Boyner Perakende ve Tekstil Yatırımları A.Ş. and Board Member of Atom Bank. Mr. Özen has 32 years of experience in banking and business administration.

**M. CÜNEYT SEZGİN, Ph.D.**  
*Board Member*



M. Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his Ph.D. from Istanbul University Faculty of Economics. Having served in executive positions at several banks, Mr. Sezgin joined Garanti Bank in 2001. In addition to his membership at the Board of Directors of Garanti Bank, Mr. Sezgin serves as the Board Member and Chairman of the Audit Committee at Garanti Bank S.A. (Romania), Garanti Pension and Life and Garanti Securities and as Board Member of Türk Telekomünikasyon A.Ş. and its several subsidiaries. Mr. Sezgin is a Board of Trustees Member at Teachers Academy Foundation and World Wildlife Foundation Turkey. Mr. Sezgin has been serving as a Board Member of Garanti Bank since June 30, 2004 and has 31 years of experience in banking and business administration.

**JAIME SAENZ DE TEJADA PULIDO**  
*Board Member*



Jaime Saenz de Tejada Pulido holds undergraduate degrees from Universidad Pontificia de Comillas (ICADE) in both Law & Economics and Business Sciences and completed Programa de Dirección General (PDG) at IESE Business School in 1999. Mr. Saenz de Tejada joined BBVA in 1992 and in 2000 he was appointed as the Director of Corporate and Investment Banking in America. Subsequently, he served as the Managing Director of BBVA Banco Continental in Peru until his return to Spain as Territorial Director at the end of 2007. In 2011 he was appointed as the Director of Business Development of Spain and Portugal and in May 2012, he became a member of the Executive Committee of the Group. After serving as the Director of Strategy & Finance in 2014, in May, 2015, Mr. Saenz de Tejada was appointed to his current role, Global Head of Finance & Accounting at BBVA Group. He has been serving as the Board Member of Garanti Bank since October 2, 2014 and has 27 years of experience in banking and business administration.

**JAVIER BERNAL DIONIS**  
*Board Member*



Javier Bernal graduated from University of Barcelona, Faculty of Law and he earned his MBA from IESE Business School, University of Navarra. After working in Barna Consulting Group as Partner and in Promarsa as General Manager, he joined BBVA in 1996. Until 1999 he served as the Segment Manager of Retail Banking (Spain). During 2000-2003, he founded and managed an internet business. Since 2004, he has been working in different areas at BBVA; Head of Innovation and Business Development reporting to the CEO, Head of Business Development Spain & Portugal, Head of Global Business Development, Head of Business Alignment of BBVA and Garanti, member of BBVA Group Executive Committee, member of Spanish and Portugal Executive Committee and Chairman of BBVA Insurance Spain. He has been serving as a Board Member of Garanti Bank since July 27, 2015 and is furthermore Board Member at Garanti

Pension and Life, Garanti Bank S.A. (Romania), Garanti Leasing, Garanti Securities and Garanti Payment Systems. Responsible of BBVA-Garanti coordination, Mr. Bernal has 29 years of experience in banking and business administration.

**RAFAEL SALINAS  
MARTINEZ DE LECEA**  
*Board Member*



Rafael Salinas Martínez De Lecea holds a B.S. degree in Economics and Business Management from Universidad de Alicante and graduate degrees from the Center for Monetary and Financial Studies of the Bank of Spain (CEMFI), MSc in Econometrics and Mathematical Economics of London School of Economics and MBA from the Graduate School of Business of University of Chicago. He joined BBVA in 1991 as the Director of Derivative Products in BBVA Interactivos, S.V.B and developed all his professional career at the BBVA Group. Between 1998-2000, he worked as the Deputy Director of Assets and Liabilities of the BBVA Group. After working as the Head of Capital Base Management of BBVA, he was appointed as the CFO of Banco de Credito Local de Espana (BCL) in 2003. Between 2006-2015, he served as the Director of Risk & Portfolio Management of the Corporate and Investment Banking unit of BBVA and since 2015, he is the Head of Global Risk Management of BBVA Group. Mr. Salinas has been serving as a Board Member of Garanti Bank since May 8, 2017 and has 28 years of experience in banking and business administration.

2006, Ms. Yurdum has been serving as an Independent Board Member of Garanti Bank since April 30, 2013. Ms. Yurdum has 38 years of experience in banking and business administration.

**RICARDO GOMEZ BARREDO**  
*Independent Board Member*



Ricardo Gomez Barredo earned his B.S. degree in Economics and Business Management from Universidad Autonoma de Madrid and graduate degree in Tax Consultancy from ICADE. He also completed Programa de Dirección General (PDG) at IESE Business School. After working in a global consultancy firm in Tax & Legal Department and in an industrial company as the Head of Tax Consultancy, he joined BBVA in 1994 as Director of Tax Advice Mortgage Banking. He held several top management positions in BBVA, such as Tax Advice Private Banking, Director of Tax Advice Argentaria, Deputy Director of Tax Consulting, Head of Financial Analysis and Planning, Head of Financial Planning and Management Control and the Head of Global Accounting & Information Management. In 2016, he was appointed to his current role as Head of Accounting & Supervisors. Mr. Barredo has been serving as the Board Member of Garanti Bank since May 8, 2017 and since his appointment as an Audit Committee member of T. Garanti Bankası A.Ş. on March 29, 2018, he is deemed as an Independent Board Member of Garanti Bank in accordance with the relevant regulations of the Capital Markets Board of Turkey. Mr. Barredo has 31 years of experience in banking and business administration.

**SEMA YURDUM**  
*Independent Board Member*



Sema Yurdum graduated from Boğaziçi University, Faculty of Administrative Sciences in 1979 and completed the Advanced Management Program at Harvard Business School in 2000. After working in a private sector company between 1979-1980 as a human resources expert, she had her career in banking sector between 1980-2005. She worked as an Executive Vice President of Garanti Bank and held Audit Committee membership in various subsidiaries between 1992-2005. Offering management consultancy services since

## SENIOR MANAGEMENT

### ALİ FUAT ERBİL *President & CEO*



Ali Fuat Erbil graduated from the Middle East Technical University Department of Computer Engineering, earned his MBA from Bilkent University and his PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti Bank as the Senior Vice President of Distribution Channels in 1997. Mr. Erbil was appointed as the Executive Vice President on April 30, 1999 and was responsible of several areas such as Retail Banking, Corporate Banking, Investment Banking, Financial Institutions and Human Resources as an EVP. Since September 2, 2015, Erbil has been serving as the Board Member, President & CEO. He is also the Chairman of the Board of Directors at Garanti Bank International N.V., Garanti Bank S.A. (Romania), Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Technology. In addition to his responsibilities, he also serves as the Board Member in the Banks Association of Turkey and the İstanbul Foundation for Culture and Arts (İKSV) and as the Board of Trustees Member of Teachers Academy Foundation. Mr. Erbil has 26 years of experience in banking and business administration.

### MAHMUT AKTEN *Executive Vice President Retail Banking*



With an undergraduate degree from Boğaziçi University in Electrical and Electronics Engineering and graduate degree in Business Administration from Carnegie Mellon University, Mahmut Akten started his career in 1999 in the USA. After having served in various positions in the Finance and Treasury

departments of a global construction materials company, he joined a global management consulting firm in 2006. Between the years 2006-2012, after having worked in Boston and Istanbul offices and lastly as an Associate Partner, he joined Garanti Bank on July 1, 2012 as the Senior Vice President responsible for Mass Retail Banking Marketing. As of January 1, 2017, Mr. Akten was appointed Executive Vice President responsible for Retail Banking and is the Chairman of Garanti Mortgage. In addition, Mr. Akten serves as Board Member of Garanti Bank SA, Garanti Securities, Garanti Payment Systems, Garanti Technology and Garanti Pension and Life. He is also a Board of Trustees Member of Teachers Academy Foundation. With 19 years of experience in banking and business administration, Mr. Akten's areas of responsibility are Retail Banking Marketing, Mass Banking Marketing and Affluent Banking Marketing.

### DİDEM DİNÇER BAŞER *Executive Vice President Customer Solutions and Digital Banking*



Didem Başer graduated from Boğaziçi University Department of Civil Engineering and earned her graduate degree from University of California, Berkeley. She started her career in 1995. Before joining Garanti Bank, she worked for a global management consulting firm for 7 years and lastly as an Associate Partner. Ms. Başer joined Garanti Bank in 2005 and worked as the Coordinator of Retail Banking Business Line during her first 7 years. Ms. Başer was appointed to her current position in 2012 and is also Vice Chairman of Garanti Pension and Life, Board Member of Garanti Payment Systems and Garanti Technology, and Board Member and Board of Trustees Member of Teachers Academy Foundation. With 24 years of experience in banking and business administration, Ms. Başer's areas of responsibility are Digital Banking, Call Center, Enterprise Digital Solutions, Customer Experience and Satisfaction, Customer Analytics, Innovation & Product



Development, Insurance and Pension Coordination, Corporate Brand Management and Marketing Communications.

### **AYDIN DÜREN**

*Executive Vice President  
Legal Services and Collection*



Aydın Düren graduated from the Faculty of Law at Istanbul University and earned his graduate degree on International Law from the American University, Washington College of Law. After serving as an associate, partner and managing partner for over 18 years at international private law firms in New York, London and Istanbul, Mr. Düren joined Garanti Bank on February 1, 2009 as Executive Vice President in charge of Legal Services. Furthermore, Mr. Düren is Vice Chairman of Garanti Bank International N.V. and Garanti Bank Pension and Provident Fund Foundation, and Board Member of Garanti Payment Systems and Garanti Mortgage and Board of Trustees Member of Teachers Academy Foundation. Since June 2015, Mr. Düren is also serves as the Corporate Secretary of the Bank. With 27 years of experience in banking and business administration, Mr. Düren's areas of responsibility are Legal Advisory Services, Legal Collections, Litigation, Garanti Payment Systems Legal Services, Legal Operations, Wholesale Recovery and Retail Collections.

### **EBRU DİLDAR EDİN**

*Executive Vice President  
Corporate and Investment  
Banking*



Ebru Dildar Edin graduated from Boğaziçi University Department of Civil Engineering and started her career in 1993. She joined the Corporate Banking Department at Garanti Bank in 1997. In 1999, she took part in the establishment of the Project Finance Department. After leading the department for 6 years as Senior Vice President, Ms. Edin became Project and Acquisition Finance Coordinator in 2006 and was appointed to her current position on November 25, 2009. A member of the Sustainability Committee since 2010, Ms. Edin also took responsibility of the coordination of the Sustainability Team, which was established in 2012 to implement the decisions of the aforementioned Sustainability

Committee. Ms. Edin is the Chairman of the Board of Directors of Business Council for Sustainable Development Turkey, Vice Chairman of UN Global Compact Local Network, Board Member and Board of Trustees Member of Teachers Academy Foundation. Furthermore, Ms. Edin serves as Vice Chairman of the Board of Directors of Garanti Securities and Member of the Board of Directors at Garanti Bank SA (Romania). With 25 years of experience in banking and business administration, Ms. Edin's areas of responsibility are Corporate Banking, Global Markets, Global Markets Sales & Financial Solutions, Global Markets, Cash Management & Transaction Banking, Financial Institutions, Corporate & Investment Banking Strategy, Analysis & Coordination, Project Finance and Sustainability.

### **SELAHATTİN GÜLDÜ**

*Executive Vice President  
Commercial Banking*



With an undergraduate degree from Middle East Technical University in Public Administration, Selahattin Güldü started his career as Assistant Auditor in Garanti Bank Internal Audit Department in 1990. He worked as a branch manager between the years 1997-1999. He served as Regional Manager in several regional offices at Istanbul between the years 1999-2018. Mr. Güldü was appointed as Executive Vice President responsible for Commercial Banking on April 5, 2018. Furthermore, Mr. Güldü is a Board Member of Garanti Leasing, Garanti Factoring and Garanti Fleet. With 28 years of experience in banking and business administration, Mr. Güldü's areas of responsibility are Commercial Banking Anatolian Marketing, Commercial Banking Istanbul Marketing and Consumer Finance.

### **AYDIN GÜLER**

*Executive Vice President  
ALM, Capital, Investor  
Relations and Finance*



Aydın Güler graduated from Istanbul Technical University Department of Mechanical Engineering and joined Garanti Bank Fund Management Department in 1990. After working at different Head Office departments for 10 years, in 2000 he was appointed Senior Vice President responsible for Risk Management and Management

Reporting. Between the years 2001-2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was appointed as the Executive Vice President in charge of Finance and Accounting and he is furthermore a Board Member of Garanti Bank Pension and Provident Fund Foundation, Garanti Mortgage, Garanti Leasing and Garanti Fleet and Board of Trustees Member of Teachers Academy Foundation. With 28 years of experience in banking and business administration, Mr. Güler's areas of responsibility are Assets & Liabilities Management, Financial Planning and Analysis, Cost Management and Efficiency, Investor Relations, Financial Reporting and Accounting, Consolidation and International Accounting, Tax Management, BBVA Finance Coordination and Credit Cards and Member Merchant Coordination.

### **İLKER KURUÖZ**

*Executive Vice President  
Engineering and Data*



İlker Kuruöz earned his undergraduate and graduate degrees from Bilkent University Department of Computer Engineering and started his professional career in the USA. Mr. Kuruöz worked at Garanti Technology as Application Development Senior Vice President between 1997-2006 and worked at a global consulting firm as IT Consulting Senior Manager. Between the years 2006-2016, he has served as Business and Technical Solutions Division Head, Chief Information Officer, Chief Technology Group Officer and for a short time acting CEO at a private telecommunication and technology services provider. Mr. Kuruöz worked as CTO at Doğu Group and CEO at Doğu Technology during 2016-2018. As of March 14, 2018, Mr. Kuruöz was appointed Executive Vice President responsible for Engineering & Data and Vice Chairman of the Board of Directors at Garanti Technology. He is also a Board of Trustees Member of Teachers Academy Foundation. With 27 years of experience in banking and business administration, Mr. Kuruöz's areas of responsibility are Organization and Process Development, Anti-Fraud Monitoring, Data & Business Analytics, Abacus Operation Center and Garanti Bank Technology Center.

### **CEMAL ONARAN**

*Executive Vice President  
SME Banking*



Cemal Onaran graduated from Middle East Technical University with a B.S. in Public Administration in 1990 and started his career as Assistant Auditor in Garanti Bank at the Audit Committee in the same year. Between years 2000-2007, he worked as the Regional Manager in various regions of Garanti Bank in Istanbul. After the establishment of Garanti Mortgage in October 2007, he was appointed General Manager of Garanti Mortgage. After having served as the General Manager of Garanti Pension & Life since August 1, 2012, Mr. Onaran was appointed Executive Vice President of Garanti Bank in charge of SME Banking on January 1, 2017. Mr. Onaran is Chairman of the Board of Directors at Garanti Fleet, Vice Chairman at Garanti Mortgage and Board Member at Garanti Pension & Life, Garanti Leasing, Garanti Technology, Garanti Factoring and Garanti Romania and Board of Trustees Member of Teachers Academy Foundation. With 28 years of experience in banking and business administration, Mr. Onaran's areas of responsibility are SME Medium & Large Enterprise Banking and SME Small Enterprise Banking Marketing.

### **ALİ TEMEL**

*Executive Vice President  
Chief Credit Risk Officer*



Ali Temel earned his undergraduate degree from Boğaziçi University Department of Electric-Electronic Engineering and started his carrier in banking in 1990 at a private bank. Mr. Temel joined Garanti Bank in 1997 and after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as the Executive Vice President responsible of Commercial Banking between 1999-2001 and as the Executive Vice President responsible of Loans between 2001-2012. On December 10, 2015, Mr. Temel was appointed as the Chief Credit Risk Officer. Furthermore, Mr. Temel is Vice Chairman of Garanti Leasing and Garanti Factoring, Board Member of Garanti Bank SA (Romania) and Board of Trustees Member of Teachers Academy Foundation. With 28 years of experience in banking

and business administration, Mr. Temel's areas of responsibility are Wholesale Risk, Retail Risk, Corporate Credits & Project Finance Restructuring, Commercial Credits Restructuring; Risk Planning, Monitoring and Reporting; Risk Analytics, Technology and Innovation; Regional Loans Coordination.

## **OSMAN TÜZÜN**

*Executive Vice President  
Human Resources and  
Support Services*



Osman Tüzün graduated from the Middle East Technical University with a B.S. in Computer Engineering and earned his MBA from Bilkent University. He started his banking career in 1992 and served in various branches and head office departments for 7 years. He joined Garanti Bank in 1999 as the Senior Vice President responsible for Branchless Banking. Between the years 2000-2005, he served as the Senior Vice President of Retail Banking. During 2005-2008, he was the CEO of a private sector company. In 2008, Mr. Tüzün returned to Garanti as the Coordinator responsible for Human Resources and on August 19, 2015 he was appointed to his current post. Mr. Tüzün is the Chairman of the Board of Directors of Garanti Bank Retirement and Provident Fund Foundation and Board Member and Board of Trustees Member of Teachers Academy Foundation. With 26 years of experience in banking and business administration, Mr. Tüzün's areas of responsibility are Human Resources, Learning and Development, Construction and Premises, Purchasing and Corporate Security.

# COMMITTEES AND ATTENDANCE TO COMMITTEES

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via these committees. The committees organized under the Board of Directors are Credit, Audit, Corporate Governance, Remuneration and Risk Committee.

In addition to these, there are committees whose members are composed of the Board of Directors members (Employee Committee, Customer Committee, Garanti Assets & Liabilities Committee, Weekly Review Committee, Cost Management and Efficiency Committee, Sustainability Committee, Personnel Committee, Consumer Committee, Integrity Committee, Volcker Rule Oversight Committee, New Business and Product Committee, Responsible Business Committee, Corporate Assurance Committee, Innovation Committee) and/or the Bank's executives (Risk Management Committee, Disciplinary Committee, Information Security Committee, Wholesale Credit Risk Committee, Credit Admission Committee, Retail Credit Risk Committee, Risk Technology and Analytics Committee, Local Benefits Committee, IT Risk and Internal Control Committee, Credit Cards and Member Merchants Pricing Committee).

## CREDIT COMMITTEE

In accordance with the Banking Law, the Board of Directors of Garanti Bank has delegated a certain amount of its loan allocation authority to the Credit Committee. The Credit Committee holds weekly meetings to review appropriate loan proposals from among those sent by the branches to the Head Office but exceed the loan authorization limit of the latter. The Credit Committee reviews these loan proposals and decides on those that are within its authorization limits, and submits those others it deems appropriate but are outside of its authorized limits to the Board of Directors for finalization.

In 2018, the Committee held 23 meetings with the required quorum.

## Committee Members

Rafael Salinas Martinez De Lecea (Board Member), Jaime Saenz de Tejada Pulido (Board Member), Javier Bernal Dionis (Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman), Ali Fuat Erbil (CEO, Board Member)

## AUDIT COMMITTEE

The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions. The Committee is responsible for:

- Monitoring the effectiveness and adequacy of Garanti Bank's internal audit, internal control and risk management systems; and overseeing the operation of these systems and accounting and reporting systems in accordance with applicable regulations, and the integrity of resulting information,
- Conducting necessary preliminary evaluations for the selection of independent audit firms, appraisal and support services providers, and regularly monitoring their activities,
- Ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner,
- Developing the audit and control process in order to ensure ICAAP adequacy and accuracy,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held four meetings with the required quorum.

## Committee Members

Ricardo Gomez Barredo (Independent Board Member), Sema Yurdum (Independent Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman)

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts, nominating the independent board members, and offering suggestions regarding the nominees to the Board of Directors. Within the frame of the CMB Communiqué No: II-17-1 on Corporate Governance that is currently in force, the Committee:

- Monitors whether corporate governance principles are implemented at the Bank, determines the grounds for non-implementation, if applicable, as well as any potential conflicts of interest arising from failure to fully comply with these principles, and presents suggestions to the Board of Directors for the improvement of corporate governance practices;
- Oversees the activities of the Investor Relations Department;
- Evaluates the proposed nominees for independent Board membership, including those nominated by the management and investors, considering whether the nominees fulfill the independence criteria, and presents its assessment report to the Board of Directors for approval;
- Makes an assessment for election of independent members to the seats vacated due to a situation that eradicates independence and the resignation of a Board member who loses his independence, so as to re-establish the minimum number of independent Board members through temporarily elected members who will serve until the immediately following General Assembly Meeting to be held, and presents its written assessment to the Board of Directors;
- Works to create a transparent system for the identification, evaluation and training of nominees who are appropriate for the Board of Directors and managerial positions with administrative responsibility, and to determine related policies and strategies;
- Makes regular assessments about the structure and efficiency of the Board of Directors, and presents suggested changes to the Board of Directors.

In 2018, the Committee held three meetings with the participation of all members.

### *Committee Members*

Javier Bernal Dionis (Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman), Sema Yurdum (Independent Board Member), Handan Saygın (Director)

## REMUNERATION COMMITTEE

The Remuneration Committee started activities on 1 January 2012 in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. The Committee's responsibilities are as follows:

- Conducting the oversight and supervision process required to ensure that the Bank's remuneration policy and practices comply with applicable laws and regulations and risk management principles,
- Reviewing, at least once a year, the Bank's remuneration policy in order to ensure compliance with applicable laws and regulations in Turkey, or with market practices, and updating the policy, if necessary,
- Presenting, at least once a calendar year, a report including the findings and proposed action plans to the Board of Directors,
- Determining and approving salary packages for executive and non-executive members of the Board of Directors, the CEO and Executive Vice Presidents,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held three meetings.

### *Committee Members*

Sait Ergun Özen (Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman)

## EMPLOYEE COMMITTEE

The Employee Committee is responsible for developing the Bank's HR policies, carrying out and coordinating activities in order to improve employee engagement and satisfaction, monitoring results and developing action plans when needed. With the support of management, the Committee also aims to promote learning in order to enhance the Bank's development and tracks how training reflects on business.

In 2018, the Committee held three meetings.

### Committee Members

Javier Bernal Dionis (Board Member), Ali Fuat Erbil (CEO, Board Member), M. Cüneyt Sezgin, PhD (Board Member), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Cemal Onaran (EVP), İlker Kuruöz (EVP), Aydın Güler (EVP), Ali Temel (Chief Credit Risk Officer), Aydın Düren (EVP), Selahattin Güldü (EVP), Osman Tüzün (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ)

## CUSTOMER COMMITTEE

The Customer Committee is established to discuss efforts for improving customer experience and convenes under the chairmanship of the CEO. The Bank's customer experience strategies are defined by the Committee, which is also responsible for realizing projects aimed at enhancing customer experience at every touch point and at improving the Net Promoter Score and for ensuring continuous efforts. The Committee also monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

In 2018, the Committee held three meetings.

### Committee Members

Ali Fuat Erbil (CEO, Board Member), Javier Bernal Dionis (Board Member), Ali Temel (Chief Credit Risk Officer), Aydın Düren (EVP), Aydın Güler (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), İlker Kuruöz (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Osman Tüzün (EVP), Selahattin Güldü (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Hülya Türkmen (Director)

## RISK COMMITTEE

The responsibilities of the Risk Committee are as follows:

- Monitor and oversee the strategy and general risk policies of the Bank and review the risk appetite declaration and core metrics, risk tolerance levels, limit structure, and metrics, taking into consideration the strength of the Bank's capital and the overall quality of risk management, measurement and reporting,
- Review and approve, as appropriate, the corporate risk policies for each risk type, and the yearly limits for each risk type and business line with the level of detail that may be deemed appropriate at the time,

- Review and approve, as appropriate, measures to mitigate the impact of identified risks, should these materialize,
- Monitor the evaluation of the global risk profile and the Bank's risk exposure, by type of risk, business line, product, or customer segment, and how these compare to the risk strategy and policies and the risk appetite,
- Assess the adequacy of risk information and risk internal control systems in the Bank to guarantee appropriate functioning of risk management as well as the suitability of the structure and operation of risk management in the Bank,
- Monitor that pricing of investment and deposit products offered to clients fully take into consideration the business model and risk strategy of the Bank, including a remediation plan should it be necessary,
- Verify that the Bank takes the necessary steps to guarantee the availability of systems, staffing and general resources adequate for the management of risks,
- Analyze and assess the appropriate working of asset valuation, asset classification and risk estimation processes of the Bank,
- Promote the continuous development and improvement of advanced risk management model and practices, whilst closely monitoring requirements and recommendations of regulators and supervisors,
- Receive and review reports on capital planning, capital adequacy and provide effective challenge of the enterprise risk management and capital planning processes.

In 2018, the Committee held 11 meetings.

### Committee Members

Rafael Salinas Martinez De Lecea (Board Member), Javier Bernal Dionis (Board Member), Süleyman Sözen (Board Chairman)

## GARANTI ASSETS AND LIABILITIES COMMITTEE

The main goal of Garanti Assets and Liabilities Committee (ALCO) is to assist the CEO with decision-making processes concerning assets and liabilities management (including liquidity and funding, interest rates and exchange rates) and capital management. The Committee is structured around the following objectives:

- Coordinate and review the implementation of policies for managing the sources and utilization of funds that should provide an appropriate level of profitability consistent with

planned growth within acceptable levels of risk,

- Monitor and analyze the profitability and net interest income,
- Allow senior management to thoroughly understand, efficiently develop and refine the ALM and capital policies by assisting them in overseeing and supervising the management activities of the Finance Department,
- Follow-up limits to control the balance sheet and capital risks, as well as the risk profiles defined by Garanti's Board of Directors,
- Assess the status of financial markets and macro variables,
- Monitor that individual business lines are aligned in terms of overall objectives and proactively controlled with regard to the prudential risks under the control of ALM and capital functions,
- Review and assess the impact of changes in market and other variables on the ALM risk and capital profile,
- Evaluate the strategies presented by the Finance Department and revise the execution of previously approved actions,
- Monitor regulatory capital adjusted profitability measures,
- Challenge and regularly monitor medium-term capital and liquidity plans for base scenarios and adverse or severely adverse scenarios,
- Analyze extraordinary liquidity and funding situations that require the Committee to be summoned (if deemed appropriate, the Assets and Liabilities Committee will activate the Liquidity Contingency Plan. The Liquidity Contingency Plan activation will be informed to the Corporate Assets and Liabilities Committee),
- Approve the Procedure for Hedge Accounting Transactions Process,
- Approve Funds Transfer Pricing Methodology,
- Approve assumptions or methodology associated with Structural Risk Measurement Techniques,
- Approve internal framework documents for ALM and Capital Management,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

In 2018, the Committee held 11 meetings with the required quorum.

#### *Committee Members*

Ali Fuat Erbil (CEO, Board Member), Alvaro Ortiz Vidal-Abarca (Emerging Markets - Chief Economist), Aydın Güler (EVP), Mahmut Akten (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), B. Ebru Edin (EVP), Ali Temel (Chief Credit Risk

Officer), Özlem Ernar (Head of Risk Management), Metin Kılıç (Director), Sıdıka Dizdar (Director)

#### **WEEKLY REVIEW COMMITTEE**

The Weekly Review Committee is charged with managing the assets and liabilities of the Bank. Its objective is to assess interest rate, exchange rate, liquidity and market risks. Based on these assessments and taking into account the Bank's strategies and competitive conditions, the Committee adopts the decisions to be executed by the relevant units in relation to the management of the Bank's balance sheet, and monitors their implementation.

In 2018, the Committee held 51 meetings.

#### *Committee Members*

Ali Fuat Erbil (CEO, Board Member), M. Cüneyt Sezgin, PhD (Board Member), Javier Bernal Dionis (Board Member), Alvaro Ortiz Vidal-Abarca (Emerging Markets - Chief Economist), İlker Kuruöz (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), B. Ebru Edin (EVP), Aydın Güler (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Alpaslan Özbey (Director), Lütfi Hacıoğlu (Director), Mustafa Sağlık (Director), Hakan Öger (Director), Kerem Ömer Orbay (Director), Ceren Acer Kezik (Director), Metin Kılıç (Director), Vahan Üçkardeş (Director), Handan Saygın (Director), Özlem Ernar (Head of Risk Management), Batuhan Tufan (Director), Fulya Göyenci (Director), Kıvanç Fidan (Director), Alper Eker (Director), Demet Yavuz (Director), Sinem Edige (Director), Taşkın Erkoç (Director), Berkay Emekli (Director), Oben Savaş (Director)

#### **COST MANAGEMENT AND EFFICIENCY COMMITTEE**

The objective of the Cost Management Committee is to support the Board of Directors in controlling costs within the context of real revenue performance (operating efficiency) and securing savings by optimizing budget implementations over the course of the year. The Committee is also responsible for:

- Identifying the efficiency areas of Garanti Bank and providing a platform to discuss improvement areas,
- Informing committee members about cost developments in the future and evaluating saving suggestions,
- Providing a platform to discuss and decide on new ideas

and alternatives about efficient cost management by taking into consideration the Bank's strategies,

- Approving expenses or investment projects and proposals received from the units within the established limits of delegation,
- Clarifying the corresponding budget allocations,
- Ensuring local or regional implementation of corporate models, standards and specifications,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held six meetings.

### *Committee Members*

Ali Fuat Erbil (CEO, Board Member), Javier Bernal Dionis (Board Member), Aydın Güler (EVP), Osman Tüzün (EVP), Mahmut Akten (EVP), İlker Kuruöz (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), B. Ebru Edin (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), Aydın Düren (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Oğuz Acar (Director), Hazal Özgüven (Director), Sibel Kaya (Director), Vahan Üçkardeş (Director), Burçin Bıkmaz (Director)

## **SUSTAINABILITY COMMITTEE**

The Sustainability Committee is responsible for:

- Overseeing the efforts for assessing potential risks resulting from the Bank's energy consumption, waste management, etc. and from the Bank's direct impact upon the environment,
- Supervising the efforts for assessing potential risks arising from indirect environmental, social and economic impact resulting from financed projects and other loans, and providing necessary opinions to relevant decision-making parties,
- Monitoring the efforts for managing the risks which can negatively affect the Bank's reputation and/or other activities in environmental, social and governance areas,
- Ensuring conformity of all decisions made and all projects carried out within the framework of the sustainability structure created within the Bank with other policies and related regulations of the Bank,
- Managing the efforts to allow the Bank to offer products and services that support sustainable development,
- Supervising the efficiency of sustainability efforts,

- Providing information to the Board of Directors on the Committee's activities when needed,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Responsible Business Committee convened with the attendance of the members of the Sustainability Committee and discussed the related topics.

### *Committee Members*

M. Cüneyt Sezgin, PhD (Board Member), Ali Fuat Erbil (CEO, Board Member), Osman Tüzün (EVP), B. Ebru Edin (EVP), Ali Temel (Chief Credit Risk Officer), Cemal Onaran (EVP), Aydın Güler (EVP), Burçin Bıkmaz (Director)

## **PERSONNEL COMMITTEE**

The Personnel Committee has been set up to finalize transfer and appointment decisions at manager level, make proposals regarding the Bank's organizational structure, and contribute to the management of the HR budget and balance sheet. The Committee monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

The Committee meets when it is needed. In 2018, the Personnel Committee held two meetings.

### *Committee Members* \*

Ali Fuat Erbil (CEO, Board Member), Mahmut Akten (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), İlker Kuruöz (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), Osman Tüzün (EVP), B. Ebru Edin (EVP), Aydın Düren (EVP), Aydın Güler (EVP), Alper Eker (Director), Mustafa Tiftikçioğlu (Director), İlker Yavaş (Director), Sibel Kaya (Director), Lütfi Hacıoğlu (Director), Mustafa Sağlık (Director), Taşkın Erkoç (Director), Kerem Ömer Orbay (Director), Ceren Acer Kezik (Director), Hakan Öger (Director), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Eyüp Yıldırım (Regional Manager), Sevgi Cevani (Regional Manager), Murat Özdemir (Manager), Görkem Kıran Dumlu (Manager)

\* Regional Managers alternate in attending the committee.



## CONSUMER COMMITTEE

The Consumer Committee works to ensure that matters and practices regarding retail products and services, which may lead to risks and/or dissatisfaction on the part of consumers and/or applicable regulations, are addressed, considered, and necessary actions for their solutions are planned. The Committee is responsible for;

- Providing information on findings referred to the Committee by the Internal Audit Department, Internal Control and Compliance units, and planning actions for those deemed necessary upon due consideration,
- Providing information on improvement areas resulting from analyses based on customer notifications (complaints, objections, etc.) and planning actions for those deemed necessary upon due consideration,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held three meetings.

### *Committee Members*

M. Cüneyt Sezgin, PhD (Board Member), Mahmut Akten (EVP), Aydın Düren (EVP), Didem Dinçer Başer (EVP), Osman B. Turgut (Head of Internal Audit), Hülya Türkmen (Director), Barış Gülcan (Director), Emre Özbek (Director), Kerem Ömer Orbay ((Director), Ceren Acer Kezik (Director), Hazal Özgüven (Director), Berna Avdan (Legal Counsel), Eray Kaya (EVP, GT), Bora Uludüz (Director), Demet Yavuz (Director), Murat Hamurkaroğlu (Manager), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Alpaslan Özbey (Director)

## INTEGRITY COMMITTEE

The main objective of the Integrity Committee is to contribute to preserve the corporate ethical integrity at Garanti. The primary function of the Committee is to guarantee that the Code of Conduct is efficiently implemented within the frame of its responsibilities outlined below:

- Encouraging and monitoring efforts for creating a shared culture of integrity within Garanti Group,
- Making sure that the Code of Conduct is implemented

homogenously across Garanti; in this context, formulating and disseminating descriptive notes when needed,

- Implementing exclusion criteria with regard to compliance with certain provisions of the Code of Conduct,
- Notifying matters deemed to be in contradiction with the Bank's disciplinary rules to the Disciplinary Committee, and obtaining information about the ongoing examinations procedures and actions taken in response thereto,
- Reporting immediately any incidents and circumstances that may pose a material risk against Garanti to,
  1. Top Management,
  2. The individual in charge of preparing the financial statements accurately,
- Following up actions agreed upon during the Committee meetings,
- Encouraging adoption of necessary measures for handling suggestions regarding compliance with the Code of Conduct and implementation of the document, and ethically questionable behaviors,
- Ensuring efficient operation of the Complaint Channel and taking measures regarding necessary updates where appropriate,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held two meetings.

### *Committee Members*

M. Cüneyt Sezgin, PhD (Board Member), Ali Fuat Erbil (CEO, Board Member), Osman Tüzün (EVP), Aydın Düren (EVP), Didem Dinçer Başer (EVP), İlker Kuruöz (EVP), B. Ebru Edin (EVP), Osman B. Turgut (Head of Internal Audit), Emre Özbek (Director), Barış Gülcan (Director)

## VOLCKER RULE OVERSIGHT COMMITTEE

Volcker Rule Oversight Committee is an internal body established under the provisions of the Volcker Rule Compliance Program that has been approved by the Board of Directors. It is formed to evaluate the conformity level of Garanti Bank's and its subsidiaries' (Garanti) activities and of the Compliance Program to the Volcker Rule, and to supervise the effectiveness of the Volcker Rule Compliance Program. The main roles and responsibilities of the Committee are as follows:

- Provide the establishment of a Volcker Rule compliance culture across Garanti,
- Evaluate the conformity of the Volcker Rule Compliance Program to the Volcker Rule,
- Assess declarations of compliance received from the subsidiaries, evaluate conformity of Garanti's operations to the Volcker Rule; make decisions on this subject, and communicate the decision to the related committee of the BBVA Group,
- Resolve the Volcker Rule related issues which are submitted to the Committee's agenda,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

In 2018, the Committee held three meetings.

#### *Committee Members*

M. Cüneyt Sezgin, PhD (Board Member), Ali Fuat Erbil (CEO, Board Member), Aydın Güler (EVP), Aydın Düren (EVP), B. Ebru Edin (EVP), Eray Kaya (EVP, GT), Ali Temel (Chief Credit Risk Officer), Osman B. Turgut (Head of Internal Audit), Özlem Erhart (Head of Risk Management), Emre Özbek (Director), Barış Karaayvaz (Director), Çağlar Kılıç (Director), Metin Kılıç (Director), Berna Avdan (Legal Counsel), Hakan Özdemir (Director), Barış Gülcan (Director)

#### **NEW BUSINESS AND PRODUCT COMMITTEE**

The purpose of the New Business and Product Committee is to assess all new business, product and service proposals raised by various Garanti business units, subsidiaries or third parties, as well as to evaluate their ability to manage the demand process, implementations and risks involved in new business, products and services along with the control and management environment. The Committee is also charged with reviewing all new business, products and services. The Committee's responsibilities are as follows:

- Evaluate the fitness of all proposed new business, products and services to the Bank's strategy and target risk profile, and approve/reject these proposals in accordance with the New Business Product Committee Bylaws and the New Business and Product Approval Guidelines and submit them to the Board of Directors for approval as necessary,
- Conduct an ongoing review of each new business, product or service for a minimum period of 12 months following their

launch in order to ensure their proper implementation (in this context, the Committee may revoke the approval of a previously approved product or service, or halt the introduction of a product/discontinue a product in use),

- Summarize and inform on its deliberations and decisions, as appropriate, to managers within affected business lines, the members of senior management, and Board of Directors Risk Committee,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

In 2018, the Committee held three meetings.

#### *Committee Members*

M. Cüneyt Sezgin, v (Board Member), Aydın Güler (EVP), İlker Kuruöz (EVP), Aydın Düren (EVP), Ali Temel (Chief Credit Risk Officer), Özlem Erhart (Head of Risk Management), Barış Gülcan (Director), Emre Özbek (Director), Beyza Yapıcı (Director), Osman B. Turgut (Head of Internal Audit)

#### **CORPORATE ASSURANCE COMMITTEE**

The objective of the Corporate Assurance Committee is to inform the senior management about the internal control issues that may pose an obstacle to the achievement of the goals of related business lines and/or our Bank due to their current or possible effects, and to secure necessary action by, and guidance from, the senior management for the solution of these issues. All internal control findings and issues that are considered to have priority given their impact upon the Bank or their urgency, including but not limited to those related first and foremost to compliance, financial reporting, risk management, operational risk, reputation risk, technology and fraud fall under the scope of the Committee's activities.

The Committee's responsibilities are as follows:

- Ensure top-level coordination and maximum standardization for necessary improvements to the internal control system by focusing on critical risks and controls that needs top management's monitoring,
- Discuss the internal control problems/issues on its agenda and under its responsibility, and evaluate proposed measures and actions,
- Monitor mitigation of risks to a desired level by reviewing the action plans,

- Ensure necessary coordination in case of the need for contribution from different units,
- Inform the Board of Directors about the main internal control problems.

In 2018, the Committee held four meetings.

### *Committee Members*

M. Cüneyt Sezgin, PhD (Board Member), Ali Fuat Erbil (CEO, Board Member), Didem Dinçer Başer (EVP), Cemal Onaran (EVP), Selahattin Güldü (EVP), B. Ebru Edin (EVP), Osman Tüzün (EVP), İlker Kuruöz (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Mahmut Akten (EVP), Ali Temel (Chief Credit Risk Officer)

## RESPONSIBLE BUSINESS COMMITTEE

The Committee aims to guarantee that Responsible Business is integrated into the banking functions and into the strategic priorities of the Bank, and to systematically ensure that Garanti puts stakeholders at the center of decision-making processes. The Committee's responsibilities are as follows:

- Monitor Responsible Business trends globally and the development of Responsible Business within the BBVA Group; evaluate how these trends and developments can be aligned and implemented at Garanti, and steer the development of Responsible Business across Garanti Bank,
- Provide direction for the preparation of the Responsible Business Plan (RBP), its KPIs and approve them,
- Monitor updates on all initiatives within the RBP, their KPIs; request changes to the RBP as necessary and/or assess/ approve suggested changes,
- Ensure correct and timely execution of the actions plans within the RBP,
- Review and approve the general Community Investment Plan and the RB Communications Plan,
- Monitor the TCR Plan and its accomplishments; make proposals to the TCR plan to be reviewed by the Customer Committee,
- Provide direction for the development of the Responsible Business Policies and Strategy, review and approve them; review and approve the Responsible Business reports and/ or the Responsible Business-related sections of the Annual Reports.

In 2018, the Committee held one meeting.

### *Committee Members*

M. Cüneyt Sezgin, PhD (Board Member), Ali Fuat Erbil (CEO, Board Member), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Cemal Onaran (EVP), Osman Tüzün (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Mahmut Akten (EVP), Burçin Bıkmaz (Director), Elif Güvenen (Director), Hülya Türkmen (Director), Emre Hatem (Director), Mustafa Sağlık (Director), Handan Saygın (Director), Nazlı Çakıroğlu Boysan (Manager)

## INNOVATION COMMITTEE

The aim of the Committee is to help increase the Bank's focus on innovation and to ensure more effective prioritization of innovative projects. In this context, projects approved by the Innovation Committee will be prioritized for all other Bank's processes and committees (PSM, New Business and Product Committee, etc. ) so as to realize them quickly. The Committee is responsible for:

- Make available the setting and the resources that will guarantee collection and consideration of the personnel's innovative solution suggestions in the most efficient manner possible.
- Determine topics to focus on periodically. Innovation and Digital Banking teams organize internal and external training programs, workshops and events centered on these topics and encourage development of products, services and processes specific to such topics.
- Decide whether to realize or not projects linked to the topic or stand-alone projects coming through the innovation pipeline as well as their priority. Those projects that are prioritized and handled by the Project Strategy Meeting are automatically prioritized at the PSM and resource allocation is made for those that will be outsourced.

In 2018, the Committee held two meetings.

### *Committee Members*

Ali Fuat Erbil (CEO, Board Member), Didem Dinçer Başer (EVP), İlker Kuruöz (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Cemal Onaran (EVP), Mahmut Akten (EVP), B. Ebru Edin (EVP), Bora Uludüz (Director), Tutku Coşkun (Director), Hazal Özgüven (Director), Serhan Pak (Director), Fatih Bektaşoğlu (EVP, GT), Reha Emekli (EVP, GT), Kıvanç Fidan (Director), Hülya Türkmen (Director), Mustafa Sağlık (Director), Hakan Öger (Director), Ceren Acer Kezik (Director), Kerem Ömer Orbay (Director),

Seçkin Çağlın (EVP, GÖSAŞ), Burçin Bıkmaz (Director)

## RISK MANAGEMENT COMMITTEE

The objective of the Risk Management Committee is to develop the strategies, policies, procedures and infrastructures required to identify, assess, measure, plan and manage material risks faced by the Bank in the ordinary course of business, within its delegated authority. The Committee is responsible for:

- Development of the Enterprise Risk Management architecture, which includes the establishment of a risk appetite framework, a model governing the organization and governance of the function, a risk identification and monitoring model and the infrastructures and processes required to efficiently and transparently manage the risks,
- Identification, assessment, measurement, planning and management of risks the Bank is exposed to,
- Assessment of economic capital adequacy of the Bank both in the ordinary course of business and in stress scenarios,
- Monitoring and analysis of all significant matters related to the Bank's risk exposure on an ongoing basis,
- Providing guidance to the Bank's management concerning significant risk-related matters,
- Overseeing the risk framework and performance of the Bank's subsidiaries and affiliates,
- Promoting and developing a risk culture throughout the organization,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held 24 meetings.

### *Committee Members*

Ali Temel (Chief Credit Risk Officer), Serhan Pak (Director), Mustafa Tiftikçioğlu (Director), Alper Eker (Director), Özlem Ernar (Head of Risk Management), Berkay Emekli (Director)

## WHOLESALE CREDIT RISK COMMITTEE

Wholesale Credit Risk Committee has been set up to define the framework for wholesale credit risk implementations, to integrate this framework into management practices and to monitor its performance. The Committee is responsible for:

- Approving wholesale credit risk strategies and policies, or submitting them for approval,
- Monitoring the quality and performance of wholesale portfolios and evaluating risk strategies and policies with respect to their efficiency, profitability and productivity,
- Approving risk-related decisions or requests received from other units and/or regulatory authorities, or submitting them for approval,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held 16 meetings.

### *Committee Members*

Mustafa Tiftikçioğlu (Director), Adnan Kesim (Director), Atilla Sütgöl (Director), Ebru Topbaş (Director), Gülay Tok Başak (Director), Levent Kirazoğlu (Director), Nuriye Bozkurt (Manager), Ekrem Özyay (Manager), Yeliz Buyan\* (Manager), Muhsin Sıgnak\* (Manager), Dilek Dalda\* (Manager), Senem İrmak\* (Manager), Ömer Yolboğa\* (Manager), Gözde Şener\* (Manager), Duygu Okdemir Cangül\* (Manager)

(\*) At least two of the managers attend the meetings.

## CREDIT ADMISSION COMMITTEE

The Credit Admission Committee has been set up to approve, or propose for approval to Garanti Bank's governing bodies, credit proposals or financial programs in accordance with its delegated authority and the requirements stated in the Credit Risk Delegation Rule. The Committee is responsible for:

- Approving the credit proposals within its authorized limits, and submitting credit proposals that exceed the delegated authority of the Chief Credit Risk Officer to management bodies for approval,
- Overseeing whether the credit risks falling under its delegated authority are duly subjected to assessment and scoring process in line with the Bank's policies and procedures,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held 48 meetings.

### Committee Members

Ali Temel (Chief Credit Risk Officer), Mustafa Tiftikçioğlu (Director), Alper Eker\* (Director), Levent Kirazoğlu (Director), Gülay Tok Başak (Director), Kerem Akça\*\*\* (Director), Yeliz Buyan\*\* (Manager), Muhsin Sıgnak\*\* (Manager), Dilek Dalda\* (Manager), Gözde Şener\* (Manager), Senem Irmak\*\* (Manager), Ömer Yolboğa\*\* (Manager), Duygu Okdemir Cangül\*\* (Manager), İbrahim Şanlı\*\*\* (Manager)

(\*) Participates when retail proposals are submitted to the Committee.

(\*\*) Participates for proposals in his/her own portfolio.

(\*\*\*) Non-voting committee member.

### RETAIL CREDIT RISK COMMITTEE

The Committee has been set up to define the Bank's retail credit risk framework, to integrate the framework into management and to monitor its performance. The Committee is mainly responsible for:

- Approving, or proposing for approval, risk strategies and policies in relation to retail credits,
- Monitoring the performance of the retail portfolio; evaluating the efficiency of risk strategies and policies and their effect on profitability and productivity,
- Considering the requests from/to other units or regulators, and submitting credit risk decisions, including credit transactions, for approval,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held 12 meetings.

### Committee Members

Alper Eker (Director), Pinar Denizaşan (Director), Faruk Ergin (Director), Teoman Alponat (Director), Şeyda Güroğlu Kan (Director)

### RISK TECHNOLOGY AND ANALYTICS COMMITTEE

The Committee has been set up to develop a suitable framework for risk models and technology tools at Garanti Bank. The Committee addresses all risk types and the entire risk cycle. The Committee is responsible for:

- Ensuring the quality, adequacy and consistency of models and model parameters across the Bank,
- Monitoring risk tools roll-outs (including functional definitions and conformity to regulatory/economic milestones) as well as areas for improvement,
- Making sure that adequate technological infrastructure is in place to enhance the risk area and following up technology projects deemed appropriate by the Bank,
- Taking action to keep the policies, procedures, regulations and similar documents under its responsibility up-to-date.

In 2018, the Committee held 18 meetings.

### Committee Members

Serhan Pak (Director), Mustafa Tiftikçioğlu (Director), Alper Eker (Director), Özlem Ernar (Head of Risk Management), Berkay Emekli (Director), Burcu Çalicioğlu (Manager)

### DISCIPLINARY COMMITTEE

The goals and responsibilities of the Disciplinary Committee are as follows:

- Reviewing and deciding on the matters referred to it based on the relevant articles of Garanti Code of Conduct and Personnel Regulation,
- Examining, sua sponte, acts and practices, if any, that are established to be contrary to the laws, banking customs, Garanti Code of Conduct, Personnel Regulation, the Bank's circulars, announcements or procedures (requesting an examination by the Internal Audit Department in cases where it deems necessary), and implementing the administrative sanctions set out in the Personnel Regulation,
- Ensuring that the personnel adheres to Garanti Code of Conduct, both in their behaviors and their practices, and undertaking the function of monitoring such adherence and acting as a an authority championing the Code of Conduct across the Bank and before the employees,
- Taking measures against all sorts of acts and practices that might lead to an erosion of the Bank's reputation and image in view of the laws, public opinion and our customers, and announcing these measures throughout the Bank,
- Ensuring that necessary measures are adopted by relevant units for remedying the systemic problems or hitches in work flow processes or general practices as observed in the files

on its agenda, and guiding the concerned subsidiaries and overseeing the measures taken.

In 2018, the Committee held two meetings.

#### *Committee Members \**

Osman Tüzün (EVP), Aydın Düren (EVP), Aydın Güler (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Selahattin Güldü (EVP), Ali Temel (Chief Credit Risk Officer), Sibel Kaya (Director), Osman B. Turgut (Head of Internal Audit), Barış Gülcan (Director), Şevki Öğüt (Assistant Directors of Internal Audit), Koray Öztopçu (Branch Manager), Gültekin Keskin (Regional Manager), Cenk Özsezginler (Regional Manager), Ali Aktan (Manager, Assistant Legal Counsel), Murat Özdemir (Manager), Görkem Kıran Dumlu (Manager)

\*Different Regional Managers and Branch Managers are assigned as members every year.

#### **INFORMATION SECURITY COMMITTEE**

The goals and responsibilities of the Information Security Committee are as follows:

- Coordinating efforts to guarantee Information Security,
- Contributing to the formulation of the information security policy and other policies concerning the subdomains of information security; overseeing the functionality of the system; and assessing and deciding on suggested improvements,
- Providing information about information security projects and certification processes,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held one meeting with the required quorum.

#### *Committee Members*

İlker Kuruöz (EVP), Şenol Karahasan (EVP, GT), Ferda Özge (EVP, GT), Eray Kaya (EVP, GT), Fatih Bektaşoğlu (EVP, GT), Aydın Küçükkarakaş (EVP, GT), Şebnem İpekçi (EVP, GT), Reha Emekli (EVP, GT), Kutluhan Apaydın (EVP, GT), Özgür Tüzemen (EVP, GT), Burak Erkek (Assistant Head of Internal Audit), Korcan Demircioğlu (Director), Barış Gülcan (Director), Hazal Özgüven (Director), Tutku Coşkun (Director), Orhan Veli Çaycı (Director), Tolga Konu (Director, GT), Cihan Subaşı (Director, GT), Ümit

Malkoç (Director, GT), Bekir Özmen (Manager, GT), Şebnem Arasil (Manager, GT), Sibel Kaya (Director), Kerem Aslandağ (Manager, GT)

#### **LOCAL BENEFITS COMMITTEE**

The Local Benefits Committee aims to ensure that decisions regarding fringe benefits are made centrally, with the participation of HR, Finance/Accounting and Risk representatives. The Committee is responsible for:

- Ensuring that decisions regarding fringe benefits are made centrally, with the concurrence of all representatives and are in line with the Bank's business goals,
- Reporting the local committee's decisions to the global committee, and getting approval for them,
- Benchmarking against the market before a new fringe benefit proposal is approved and reviewing the same from the perspective of Finance/Accounting, Risk and Compliance,
- Controlling the production of consolidated accounting reports of fringe benefits,
- Aligning the investment policy of Garanti Bank Retirement Fund with BBVA's standards,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2018, the Committee held one meeting.

#### *Committee Members*

Osman Tüzün (EVP), Aydın Güler (EVP), Ali Temel (Chief Credit Risk Officer), Özlem Ernat (Head of Risk Management), Sibel Kaya (Director)

#### **IT RISK AND INTERNAL CONTROL COMMITTEE**

IT Risk Committee has been established to coordinate the tasks related to IT Risk Management and IT Internal Control Management. This committee contributes to the establishment of the IT Risk and IT Internal Control Management Policy, Procedure and process documents and also to the formation of other necessary processes, monitors the functioning of the IT Risk Management and IT Internal Control processes and assesses and decides on improvement suggestions. The Committee's responsibilities are:

- Determination of IT risk and IT internal control management strategy,
- Determination of the scope of IT risk and IT internal control management and making related plans,
- Assessing the threats and risks revealed by IT risk analysis, identification of actions to be taken,
- Assessment of IT risk and IT internal control management outputs and following up related actions,
- Reviewing policies and procedures related to IT risk and IT internal control management; working on updating and compliance issues.

In 2018, the Committee held four meetings.

#### *Committee Members*

İlker Kuruöz (EVP), Aydın Küçükkarakaş (EVP, GT), Şenol Karahasan (EVP, GT), Ferda Özge (EVP, GT), Eray Kaya (EVP, GT), Fatih Bektaşoğlu (EVP, GT), Reha Emekli (EVP, GT), Kutluhan Apaydın (EVP, GT), Şebnem İpekçi (EVP, GT), Ümit Malkoç (Director, GT), Cihan Subaşı (Director, GT), Tolga Konu (Director, GT), Kerem Aslandağ (Manager, GT), Şebnem Arasil (Manager, GT), Bekir Özmen (Manager, GT), Süheyl Hamavioğlu (Specialist, GT), Dilara Şen (Specialist, GT), Ece Nesli Korkmaz (Specialist, GT)

### **CREDIT CARDS AND MEMBER MERCHANTS PRICING COMMITTEE**

The Committee aims to assess the pricing recommendations of GÖSAŞ within the framework of pricing principles defined in line with the Bank's credit cards and member merchants strategy and policies, and to ensure that the defined pricing (levels/amounts) is implemented by Credit Cards and Member Merchants Coordination Department. The Committee's responsibilities are as follows:

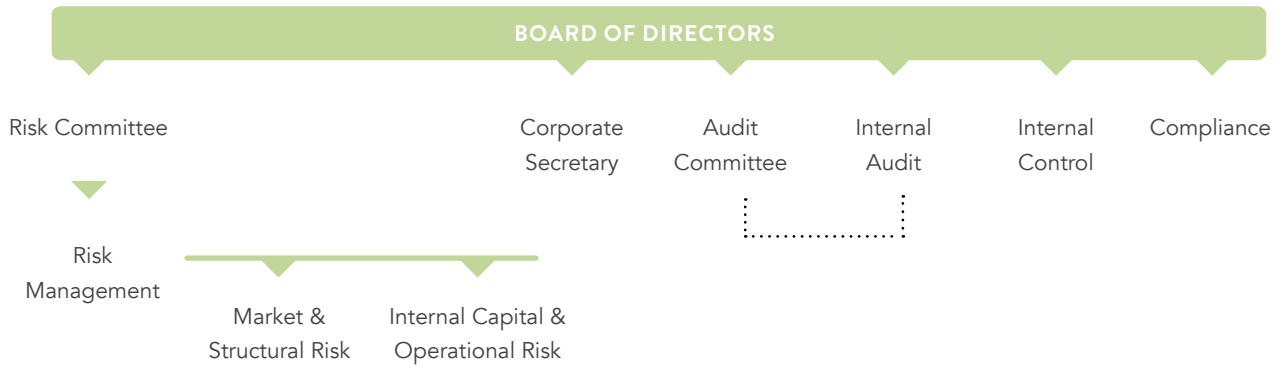
- Assess the pricing proposals made within the margins determined by the Bank's credit cards & member merchants principles,
- Evaluate current market conditions,
- Evaluate current situation related to pricing and trade commission of networking BKM (Interbank Card Center), VISA, Mastercard.

In 2018, the Committee held two meetings.

#### *Committee Members*

Alpaslan Özbey (Director), Cem Dal (EVP, GÖSAŞ), Özgür Altan (EVP, GÖSAŞ), Seçkin Çağlın (EVP, GÖSAŞ)

# INTERNAL SYSTEMS GOVERNANCE



*The Risk Committee* is composed of the members of the Board of Directors, and is responsible for overseeing risk management policies and practices, their alignment with strategic goals, capital adequacy and planning, and liquidity adequacy, as well as the management’s ability to assess and/or manage various risks inherent in the operations.

*Risk Management* is composed of “Internal Capital and Operational Risk Department” and “Market and Structural Risk Department” under the execution and management of the Head of Risk Management, and Validation, Credit Risk Control and Risk Management Control functions.

## THE RESPONSIBILITIES OF THE HEAD OF RISK MANAGEMENT ARE OUTLINED BELOW:

- Ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, and make sure that an integrated risk management system is implemented which measures all of the Bank’s risks collectively, which guarantees that limits determined in connection with the risk appetite approved by the Board of Directors are not breached, which is in compliance with applicable legislation, the Bank’s strategies and policies, and which pursues risk-return relationship and entail control and validation activities,
- Define, measure, monitor and report risks, and ensure that

all control activities are conducted thoroughly and timely; monitor and supervise results.

## THE RESPONSIBILITIES OF INTERNAL CAPITAL AND OPERATIONAL RISK DIRECTOR ARE OUTLINED BELOW:

- Propose operational risk, operational risk underwriting and risk appetite principles which are then set down by the Board of Directors,
- Conduct measuring, monitoring and analysis activities for risk appetite, operational risk, operational risk underwriting and capital adequacy; report their results regularly to relevant units, committees and senior management,
- Coordinate the ICAAP business process,
- Oversee adherence to Enterprise Risk Management Framework in affiliates; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

## THE RESPONSIBILITIES OF MARKET RISK AND CREDIT RISK CONTROL DIRECTOR ARE OUTLINED BELOW:

- Propose market, counterparty credit, liquidity, structural interest rate and exchange rate risk principles which are then set down by the Board of Directors; review and update the same,
- Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,
- Perform market and structural risk-based activities within the



scope of ICAAP, stress testing and risk appetite framework, and risk assessment for new business and product/services; monitor and report risk based concentrations

- Monitor affiliates' adherence to Enterprise Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

## THE INTERNAL AUDIT DEPARTMENT

Annual audit plans are prepared based on a risk-oriented approach and by determining internal risk and control levels of the Bank's business lines and subsidiaries regarding fundamental risk types, and in view of the goals and strategies of the Bank and priorities determined by the Board of Directors and Audit Committee. Scopes and frequencies of audit activities are determined in the light of multi-factor horizontal and vertical analyses with the aim of providing maximum contribution to the Bank.

Risk-based audit model is implemented with an innovative approach by the IAD and risk-based process audits are being performed in 11 different risk types (business model risk, internal governance and risk management, capital risk, credit risk, market risk, structural risk, operational risk, legal risk, compliance risk, technology risk, external risks) by covering head office units, domestic branches, foreign branches and subsidiaries. With this approach, the effectiveness of internal audit is increasing and contributes to the Bank's total risk management quality:

1. Within the scope of business model risk audits, focus is placed on business model viability, business model sustainability and strategy.
2. Within the scope of internal governance environment and risk management audits, focus is placed on corporate governance, organizational framework and risk control framework, including procedures, duties and responsibilities.
3. Within the scope of capital risk audits, focus is placed on legal capital adequacy ratio and assessment of internal capital adequacy.
4. Within the scope of the credit risk audits, focus is placed on governance and risk management structure for credit risk, thresholds and limit structure and measurement, and loan portfolios and credit processes that have been established are audited.
5. Within the scope of market risk audits, focus is placed on management framework, measurement, modeling and monitoring.

6. Within the scope of structural risk audits, focus is placed on management framework, measurement, modeling and monitoring regarding exchange rate risk, structural interest rate risk and liquidity risk.

7. Within the scope of operational risk audits, focus is placed on banking processes, non-banking processes, enterprise processes, operations, channels, data governance and data quality, digital transformation and CIB, while both onsite and remote audits are performed at branches and related head office units.

8. Within the scope of legal risk audits, focus is placed on regulations, tax legislation, labor law, other regulations and contractual risks regarding financial reporting and financial statements.

9. Within the scope of compliance risk audits, focus is placed on compliance risk management model, ethical standards and legal regulations, such as money laundering and financing of terrorism, customer protection and personal data protection.

10. Within the scope of technology risk audits, focus is placed on IT infrastructure, IT operations, management of risks associated with IT, software development, business continuity & systems recovery, information security and cybersecurity.

11. Within the scope of extended enterprise risk audits, focus is placed on support services organizations, procurement processes, and outsourcing management.

The Internal Audit Department audits Garanti Bank's head office units, branches and consolidated subsidiaries by evaluating the effectiveness of the internal control systems with respect to the headings below:

- Compliance of activities with applicable legislation and internal regulations;
- Accuracy and reliability of financial and operational data;
- Effectiveness of asset protection practices;
- Effectiveness and efficiency of the activities performed in order to reach the defined goals.

As per the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the BRSA, parent banking companies are expected to perform and coordinate the internal audit activities of consolidated entities in a consolidated manner.

Accordingly, the Internal Audit Department audits the Bank's consolidated subsidiaries in line with the annual audit plan by taking prominent risks into account. Moreover, the Internal

Audit Department oversees the activities for putting into life the group standards adopted within the frame of internal audit implementations at consolidated subsidiaries.

By way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling and counterfeiting activities are prevented or detected, upon which necessary managerial actions are taken immediately.

## THE INTERNAL CONTROL UNIT

The Internal Control Unit is responsible for the establishment and coordination of a sound internal control environment within Garanti Bank. The unit ensures that banking activities are carried out in accordance with the management strategies and policies in a regular, efficient and effective manner within the existing regulatory framework and guidelines.

Within the applied internal control model that is structured according to three lines of defense principles, controls are identified by the first line of defense teams in the business units by taking the relevant risks into consideration. There is a process in place whereby the results of control activities are reported from business units to the relevant second line of defense functions. In this model, the Internal Control Unit ensures the proper execution of control activities performed within the Bank by implementing a common methodology.

On-site control activities are carried out at the branches (including branches abroad) and regional directorates. Regarding the head office departments, the related control activities which are conducted within the business/support units are monitored and challenged in order to ensure their timely, thorough and accurate performance. On-site branch visits are intended to raise awareness of risks associated with internal fraud and compliance control activities, in addition to operational risks.

The IT Controls team, set up within the Internal Control Unit, monitors the secure performance of IT functions in accordance with the guidelines set by the Bank. The team defines internal control steps for IT processes, and subjects them to control activities in accordance with predefined control items, methodology and tools. Findings and systemic deficiencies identified on the basis of control activities are analyzed, the outcomes are interpreted, and new systemic controls are set up.

The recommendations regarding the identified gaps are reported to relevant parties and actions are followed up.

In addition to the above, the Internal Control Unit had the internal control model in place at the Bank established in the Bank's financial affiliates in 2018. The responsibility for monitoring the operation of the said model has been fulfilled by the Internal Control Unit.

## THE COMPLIANCE DEPARTMENT

Working with the purposes of managing the potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to help improve the compliance culture constantly and establish a world class compliance culture across the Bank. The Compliance Department carries out the following tasks.

The Compliance Officer performs the following duties as also stipulated by the regulations governing prevention of money laundering and countering the financing of terrorism:

- Carry out all necessary efforts to achieve Garanti Bank's compliance with the regulations issued to prevent money laundering and countering the financing of terrorism and provide necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK),
- Ensure that the Compliance Program is carried out; develop policies and procedures within this scope; execute risk management, monitoring and control activities; follow up the results of internal audit and training activities,
- Lay down the efforts related to the training program about prevention of money laundering and countering the financing of terrorism for the approval of the Board of Directors, and ensure that the approved training program is carried out effectively,
- Look into and evaluate information on potentially suspicious transactions that he/she receives or becomes aware of sua sponte; report any transaction that he/she deems to be suspicious to the Financial Crimes Investigation Board,
- Manage relations with relevant governmental or private agencies.

In terms of compliance activities regarding customer products and services, assessments are made on the compliance of products and processes to applicable regulations. Activities are carried out in relation to compliance controls in accordance with

the requirements of Article 18 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks. The control mechanisms in place are monitored and coordinated with respect to compliance of the Bank's current and planned activities, new transactions and products with the laws, internal policies and guidelines, and banking practices. The processes are monitored for any necessary revisions according to regulatory changes, related employees are notified on such changes, and opinions are formed prior to introduction of new products and transactions.

With respect to corporate compliance activities, the Compliance Department is responsible for promoting awareness of "Garanti's Code of Conduct" approved by the Board of Directors in 2015, encouraging adherence to the Code, ensuring development and dissemination of the procedures to be formed in the context of the Code, and helping resolve any doubts that may arise during the interpretation of the document.

Announced with a message from the CEO, the document is available on the intranet accessible to all employees and is also made public on Garanti Investor Relations website. Garanti's Code of Conduct provides a comprehensive description of the employees' responsibilities towards customers, other employees, business and the society. To date, 36,009 hours of "Garanti Code of Conduct Training" were delivered, which is designated as a mandatory training to all Garanti employees.

The Compliance Department manages the Whistleblowing Channel, which is established to report any noncompliance to Garanti's Code of Conduct and forms an essential part of our compliance system. The channel is also a resource to assist the employees to report transgressions that they observe or which are reported to them by their team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to, the reporting of suspicious illegal conduct or professionally unethical conduct. In case of an actual or suspected breach of Garanti's Code of Conduct, the incident should be reported immediately via the Garanti Whistleblowing Channel, by e-mail at etikbildirim@garanti.com.tr or by telephone at +90 212 318 2375. The Compliance Department, responsible for managing the Whistleblowing Channel, processes all reports received carefully and promptly, ensuring they are investigated and resolved in accordance with the Whistleblowing Channel management procedures. Information is analyzed objectively,

impartially and confidentially. The identity of the person who reported is kept confidential. The information is made known only to those departments whose cooperation is necessary for the investigation process. The result of the investigation is communicated to the departments that need to take appropriate measures to correct the transgression, as well as to the person being reported and the reporter, as appropriate. During the investigation process, personnel are expected to cooperate with the Compliance Department and other related parties, and are required to maintain confidentiality about their involvement in the process and any information about the subject. Nobody, who reports any facts or activities through the Whistleblowing Channel in good faith, will be the target of reprisal nor will they suffer any other adverse consequence as a result. Garanti's Code of Conduct also includes incidents of conflict of interest and aspects that would prevent employees' professional behaviors from being affected thereby.

Securities compliance activities encompass examination of suspicious transactions within the scope of the Capital Markets Board (CMB) Communiqué on Obligation of Notification Regarding Insider Trading and Manipulation Crimes. Procedures are being established regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers, due to performing their jobs, professions and tasks. In addition, relevant legislation and internal guidelines are also monitored.

With respect to subsidiaries' coordination activities, the Compliance Department monitors the compliance activities at the Bank's subsidiaries and overseas branches. In this respect, meetings are held regularly with those who are responsible for the compliance function at the related subsidiaries and overseas branches. In line with the related legislation, an employee is assigned at each of the consolidated subsidiaries and overseas branches for monitoring compliance with local regulations; these employees submit periodic reports to the Compliance Department.

In performing all of its duties and responsibilities outlined above, the Compliance Department continues to work in coordination primarily with the Internal Audit Department, Internal Control Unit, Training Department, Anti-Fraud Monitoring Department and Legal Department, as well as other relevant units and people.

# RISK MANAGEMENT

## IDENTIFIED RISKS AND OUR RESPONSE

### REPUTATIONAL RISK

The Bank identifies, evaluates and manages its reputational risk, avoiding all kinds of transactions and activities that would cause reputational risk in the eyes of customers, legal authorities and other stakeholders. Trainings are held with the aim of raising awareness about reputational risk throughout the Bank and encouraging all employees to fulfill their duties and responsibilities.

In order to ensure efficient management of reputational risk across the Bank, it is aimed to monitor the Bank's reputation and reputational risk through a methodological approach and take all necessary precautions before the reputational risk occurs. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes the reputational risks it faces, together with a set of action plans to mitigate these risks. It defines key risk indicators for each risk factor to regularly monitor the strength of the risk mitigation. The risks and risk factors are defined in dimensions such as customer-centeredness, workplace, ethics and citizenship, finances and leadership.

Additional efforts carried out to monitor reputational risk include monitoring the media, the press and social media platforms with respect to the Bank's reputation, conducting a regular reputation analysis and managing potential impacts; ensuring continued awareness of compliance with laws, corporate standards, Codes of Conduct and best practices, and development of processes that guarantee management of IT/information security and IT-related risks.

Reputational risk factors cover many aspects from marketing practices, customer service to product terms and are governed through the relevant committees within the Bank's extensive committee structure.



Please refer to the Committees Section for detailed information.

### ENVIRONMENTAL AND SOCIAL RISK

Banks, in particular, face risks associated with occupational health and safety and with financing activities that could result in adverse impacts on the environment and society. Failure to address these risks in a timely and appropriate manner may result in reputational damage and consequently a loss of investor support and customer loyalty, among other challenges. Garanti Bank sees its proactive management of these risks, such as those arising from climate change, not only as critical to its success but also as one of its most essential duties to its stakeholders. Through its effective approach to sustainability embedded throughout its organization, Garanti Bank monitors a variety of environmental and social indicators, benchmarks itself against best practices worldwide, takes steps to close the gap, raises the awareness of employees and collaborates with its peers, financial institutions, customers and business associations.

Garanti also implements an Environmental and Social Risk Assessment Process (ESRAP) in line with international best practices to help drive improvement across its loan portfolios. The Bank implements a system designed to evaluate the Occupational Health and Safety (OHS) performance of the projects financed in addition to ESRAP.

Within the scope of ESRAP, Garanti ensures that the projects financed by the Bank satisfy the social and environmental standards required by legislation and the Bank's policies. If necessary, the Bank also ensures that the project owners undertake an impact assessment, take prescribed measures and establish effective control mechanisms.

Garanti has a full-time Sustainability Team, which comprises of 5 full-time members and is responsible for embedding sustainability criteria into core business. Reporting to the

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM IMPLEMENTATION SCOPE<sup>1</sup>

	COMPLIANCE WITH OUR FUNDAMENTAL POLICIES <sup>2</sup> AND LEGISLATION	ADVANCED ENVIRONMENTAL AND SOCIAL CRITERIA	DESCRIPTION
CONSUMER LOANS	100%	0% <sup>3</sup>	BSAs <sup>4</sup> address compliance with our fundamental policies and legislation. Advanced Environmental and Social Criteria are not applicable to this segment. Yet, there are a number of practices regarding our customers' financial health within the scope of our Bank's plain, transparent and responsible banking practices. 18 of 34 products and loans aimed at this segment are related to financial health and inclusion.
SME LOANS	100%	Partial	BSAs and GLAs <sup>5</sup> address compliance with our fundamental policies and the legislation. More detailed criteria specific to a given transaction may be applicable under various borrowing agreements.
COMMERCIAL LOANS	100%	Partial	BSAs and GLAs address compliance with our fundamental policies and legislation. Loans above the limit values <sup>6</sup> specified in the related Risk Management System are subjected to advanced environmental and social criteria. The Green Loan structure may introduce additional criteria specific to a given deal.
CORPORATE LOANS	100%	Partial	BSAs and GLAs address compliance with our fundamental policies and legislation. Loans above the limit values specified in the related Risk Management System are subjected to advanced environmental and social criteria. The Green Loan structure may introduce additional criteria specific to a given deal. Additionally, Sector Norms <sup>7</sup> are applied.
MORTGAGE LOANS	100%	Partial	BSAs address compliance with our fundamental policies and legislation. Additional environmental criteria are applied for Green Mortgage. The share of these loans to the total mortgage portfolio reached 0.4% at year-end 2018.
PROJECT FINANCE LOANS	100%	100%	In addition to addressing compliance with general policies and legislation, advanced environmental and social criteria were applied to deals associated with investments above USD 10 million and satisfying certain other criteria. Deals that were subjected to these criteria, under which Garanti provided information and experience about environmental and social matters to its customers, constituted 57% of total project finance deals. A decision was adopted to apply advanced environmental and social criteria to all project finance deals without any exceptions from December 2018, hence coverage reached 100%.

<sup>1</sup> Based on systems that were in place as at 31 December 2018. <sup>2</sup> Our fundamental policies include the list of prohibited environmental and social activities. <sup>3</sup> Not applicable. <sup>4</sup> Banking Service Agreements. <sup>5</sup> General Loan Agreements. <sup>6</sup> Limit is determined according to the following criteria: The substantial portion of the loan must be for the project in which the borrower has effective control. / Total loan amount is USD 100 million and higher. / Garanti Bank's participation is USD 50 million minimum. / The minimum term is two years. / The lender pays attention that the payment is sourced from the revenues derived from the project. <sup>7</sup> For detailed information, refer to the Bank's Investor Relations website, Management of Our Environmental and Social Risks section.

 For detailed information about ESIAP and sustainability management, please refer to our Bank's Investor Relations website Environmental and Social Loan Policies section.

Sustainability Committee chaired by a Board Member, the Team's responsibilities regarding the management of environmental and social risk and occupational health and safety risk include the following: verify environmental and social risk management policies, strategy and implementation principles; ensure that risk management principles are widely embraced throughout Garanti and its subsidiaries through hard and soft controls; provide technical and implementation support on E&S risk-related measures to other departments as well as customers. Garanti Bank's Wholesale Credit Risk Management Unit is also responsible for ensuring the effective implementation of Environmental and Social Impact Assessment Process (ESIAP).



For more information on the Environmental and Social Risk Management System Implementation Scope, please refer to page 155.

### OPERATIONAL RISK

Operational risk is managed on the basis of the three lines of defense approach within the framework of risk management policies approved by the Board of Directors. The Board of Directors issues the risk appetite for operational risk and related limits, and senior management ensures consistent and efficient implementation and maintenance of the operational risk management framework in relation to all activities, processes and products.

First line of defense, composed of business and support areas, is responsible for the primary management of operational risk in the products, activities, processes and systems within the frame of the Bank's policies and implementation principles.

Second line of defense is fulfilled by the Internal Control Unit, Risk Management and Compliance Department functions, which are independent units that report directly to the Board of Directors. In addition, units that have responsibility in relation to factors with a potential direct and/or indirect impact on the Bank's general operational risk level (Financial Reporting and Accounting Department, Anti-Fraud Monitoring Department) provide support, to the extent necessary and appropriate, to the second line of defense in the management of operational risks that other units are exposed to in accordance with Article 26 of the Operational Risk Management Guide published by the BRSA. Operational Risk Management that takes place in the second line of defense establishes policy and procedures (loss data, scenario analyses, risk indicators and self-

assessment, new product and outsourcing assessment process) as part of operational risk measurement and management, and provides the necessary guidance and coordination for their use. Operational Risk Management uses the data obtained by measurement tools to generate reports.

Third line of defense, e.g. the Internal Audit Department, performs internal audit activities and independently reviews all aspects of operational risk management framework.

The definition of Operational Risk includes the following risk types: Processes, External and Internal Fraud, Technological, Human Resources, Business Practices, Disasters, Suppliers.

### MARKET RISK

Market risk is measured in accordance with applicable regulations, Garanti Bank's policies and procedures, employing internationally accepted methodologies that are aligned with the Bank's structure, and they are evaluated within a continuously improving structure. Market risk is managed by measuring and limiting risk in accordance with international standards, allocating sufficient capital and minimizing risk through hedging transactions.

Market risk is defined as the risk Garanti Bank faces due to fluctuations in market prices in relation to the positions it maintains on or off its balance sheet for trading purposes, and is calculated daily using the Value-at-Risk (VaR) model. VaR is a measure of the maximum expected loss in the market value of a portfolio of a certain maturity as a result of market price fluctuations, at a specified probability within a certain confidence interval. VaR is calculated using historical simulation method and two-year historical data at 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model. The model is validated on an annual basis. Market Risk is managed through capital, VaR and stop/loss limits approved by the Board of Directors. Limit levels are determined according to annual profit/loss targets. The limits set are monitored and reported daily by the Market and Structural Risk Department. In order to identify the risks that might arise from major market volatilities, regular stress tests and scenario analyses are conducted using the VaR model.

### STRUCTURAL INTEREST RATE RISK

To determine and manage the Bank's exposure to structural interest rate risk arising from potential maturity mismatches

in its balance sheet, duration gap, economic value of equity (EVE), economic capital (ECAP), credit spread risk, net interest income (NII), earnings at risk (EaR) are monitored by measuring market price sensitivity of securities portfolios followed up in the banking book.

The risk metrics calculated and the reports generated are used for managing balance sheet interest rate risk under the supervision of the Assets and Liabilities Committee (ALCO).

Stress tests and scenario analyses are carried out within the framework of structural interest rate risk to measure the risks resulting from Bank-specific negative developments or major risks and vulnerabilities that may potentially arise in the economic and financial environment under stress, by observing the regulatory and internal interest rate risk management requirements.

Results of stress tests are used as input for determining risk appetite, limit and budget-related works, for generating balance sheet management strategies, and for evaluating the need for capital.

Within this framework, internal alerts and limits for EVE sensitivity, ECAP, NII sensitivity, earnings at risk, securities revaluation differences, securities EVE sensitivity and credit spread risk are regularly monitored and reported. The interest rate risk in the banking book is measured on an unconsolidated basis, using the standard shock method; the regulatory limit is monitored and reported to the Banking Regulation and Supervision Agency (BRSA) on a monthly basis. It is ensured that subsidiaries set and monitor internal structural interest rate risk limits.

### **STRUCTURAL EXCHANGE RATE RISK**

The potential impact of negative exchange rate fluctuations upon the capital adequacy ratio and FC risk-weighted assets are regularly followed up, monitored according to internal limits, and reported, in the case that the Bank performs material operations in currencies other than the local currency in its balance sheet or maintains positions for shareholders' equity hedging purposes. The analyses conducted in this framework are expanded to encompass potential sensitivities that may result from Bank-specific negative events or changes in the market by supervising the regulatory and internal structural exchange rate risk management requirements.

In addition, the Bank's FC position and the profit/loss movements resulting from this position are monitored and reported at regular intervals. It is ensured that subsidiaries set and monitor internal structural exchange rate risk limits. FX sensitivity of 12-month projected P&L is monitored.

### **LIQUIDITY RISK**

Within the framework of liquidity and funding risk policies approved by the Board of Directors, liquidity risk is managed under the supervision of ALCO and the Weekly Review Committee in order to take appropriate and timely measures in case of liquidity squeeze arising from market conditions or Garanti Bank's financial structure. Under the liquidity contingency plan approved by the Board of Directors, Garanti monitors liquidity risk within the scope of stress indicators and thresholds anticipating potential liquidity stresses which could activate the liquidity contingency plan, activation of the communication procedure, predefined measures and action plans and roles and responsibilities in a stress situation. Liquidity risk stress test is performed in order to identify potential liquidity tensions and to ensure that the Bank has a sufficient liquidity buffer to face exceptional liquidity stresses. Liquidity risk is monitored by internal limits and alert levels in order to assess the funding structure and liquidity capacity based on maturity buckets and to manage short term funding sources effectively, while compliance with regulatory liquidity ratios is ensured. Core deposit and average life analyses are performed for deposits, which is an important balance sheet items in terms of liquidity management. Concentration in liquidity and funding risks are monitored. During 2018, intraday liquidity risk began to be monitored regularly using defined metrics. Under the contingency plan within the intraday liquidity risk procedure approved by the Risk Management Committee, situations anticipating intraday liquidity stress, which could activate the contingency plan, are monitored, and stress testing is performed for intraday liquidity risk. Within ICAAP, liquidity planning is performed annually. Stress test results for subsidiaries are monitored and it is ensured that subsidiaries which are concerned with liquidity risk establish and monitor internal liquidity and funding limits to assess the robustness of their liquidity and funding structures and have liquidity and funding risk policies approved by the subsidiaries Board of Directors including liquidity contingency plan.

### **CREDIT RISK**

Credit risk management, which is a process for consistently

evaluating and monitoring credit risk, covers all credit portfolios. Internal capital levels calculated using internal parameters pertaining to credit risk are monitored together with their historic performances and routine reporting is performed.

Within the scope of ICAAP and stress testing, internal capital for credit risk, credit concentration risk calculations, stress tests and scenario analyses are evaluated on an annual basis. All credit units are coordinated to assess the compliance level to the credit guide, which is then referred to necessary committees for necessary decisions and actions.

Under the asset allocation performed annually in view of risk-based return, nominal limits are determined for credit portfolios, and approval of the Board of Directors is obtained. Internal capital thresholds and risk adjusted return target for the entire portfolio are determined and monitored within the framework of asset allocation limits. Impact analyses are performed according to updated or renewed risk parameters, and necessary documents are prepared, presented to related committees and approval is obtained. Additionally, development and improvement projects are carried out for the systemic automation of calculations and analyses.

In order to rate customers in the loan portfolios using objective criteria, outputs from scorecard models and internal risk rating models, which were developed using statistical methods on historical data, are incorporated into the relevant lending policies and procedures in the Bank. The probability of default produced through models for loan portfolios, loss given default, credit conversion factor, parameters are used effectively for credit allocation authorization, internal capital, risk appetite indicator, asset allocation limits, risk-based profitability calculations, budgeting, concentration risk calculations and stress tests. In addition, provisions calculated using the outputs of models mentioned above together with other explanatory variables are monitored under TFRS9.

All models and methodologies are subjected to qualitative and quantitative validation. Moreover, periodic model monitoring activities are performed and actions are taken if necessary.

### **COUNTERPARTY CREDIT RISK**

Counterparty credit risk strategy, policy and implementation principles are defined in the policy document approved by the Board of Directors. The Bank measures, monitors and creates

limit for this risk in line with this policy. The Bank uses the Internal Model Method (IMM) to measure and report the counterparty credit risk for derivative transactions, repurchase transactions, security and commodity lending in addition to using Current Exposure Method (CEM) for regulatory purposes. Within this scope, the Bank employs risk mitigation techniques through framework agreements (ISDA, CSA, GMRA, etc.), obtaining collateral and complementing margins as part of counterparty credit risk management to the extent allowed by national and international legislation. The model is validated every year.

The Bank also calculates internal capital for counterparty credit risk by way of a model that uses parameters (Rating, PD, LGD) based on the internal model.

### **COUNTRY RISK**

Under the country risk policy approved by the Bank's Board of Directors, methods compliant with international norms and local regulations are employed to evaluate and monitor developments in country risk on the basis of individual countries. Actions are taken to make sure that the Bank's country risk exposure remains within the set limits, and related reporting, control and audit systems are established as necessary.

### **CONCENTRATION RISK**

The Bank defines and monitors any concentrations among different types of risks or in any individual risk, which might result in material losses that would endanger the ability to sustain fundamental activities or the financial structure or lead to a significant change in the risk profile, within the framework of the policy approved by the Board of Directors. Qualitative and quantitative assessments of concentrations on the basis of individual risks or among risks are addressed in reports produced according to risk-oriented policies and procedures.

### **RELATED PARTY RISKS**

The Bank determines the needs for risk management of affiliates and ensures that required studies and reports with the scale appropriate for the structure, complexity level, size and risks are effectively managed in coordination with risk management units/functions in affiliates. Required studies are carried out with affiliates in accordance with market conditions and legal regulations to align risk management policies, rules, procedures and risk limits with Bank. Risk management activities of affiliates are monitored periodically.



## INTERNAL SYSTEMS MANAGERS

### ÖZLEM ERNART

*Head of Risk Management*

Özlem Ernart received her bachelor's degree in economics (in English) from Marmara University and her MBA from the City University of New York. She worked for various privately-owned banks and companies from 1993 until 2001, when she joined the Risk Management Department of Garanti Bank. She held the position of Senior Vice President of Risk Planning, Monitoring and Reporting from December 2015 until July 2018. She has been serving as the Head of Risk Management since July 2018.



The responsibilities of the Head of Risk Management are outlined below:

- Ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, and make sure that an integrated risk management system is implemented which measures all of the Bank's risks collectively, which guarantees that limits determined in connection with the risk appetite approved by the Board of Directors are not breached, which is in compliance with applicable legislation, the Bank's strategies and policies, and which pursues risk-return relationship and entails control and validation activities,
- Define, measure, monitor and report risks, and ensure that all control activities are conducted thoroughly and timely; monitor and supervise results.

### BEYZA YAPICI

*Director, Capital and Operational Risk*

Beyza Yapıcı got his degree in labor economics from Marmara University. After joining Garanti Bank's General Accounting Department in 2001, he worked in the Risk Management Department from 2008 until 2016. Yapıcı has been serving as Capital and Operational Risk Director since April 2016.



The responsibilities of the Capital and Operational Risk Director are outlined below:

- Propose operational risk, operational risk admission and risk appetite principles which are then set down by the Board of Directors,
- Conduct measuring, monitoring and analysis activities for risk appetite, operational risk, operational risk admission and capital adequacy; report their results regularly to relevant units, committees and senior management,
- Coordinate Internal Capital Adequacy Assessment Process (ICAAP) business process,
- Oversee adherence to Enterprise Risk Management Framework in affiliates; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

**SIDIKA DİZDAR***Director, Market and Structural Risk*

Sidika Dizdar holds a bachelor's degree in mathematics from Boğaziçi University and an Executive MBA from the Middle East Technical University. She joined Garanti Bank as a Management Trainee in 1996, where she worked in Research, Treasury, Financial Control, Risk Management and Ankara Commercial Regional Marketing units until 2002. In 2002, Ms. Dizdar began working for a private bank abroad followed by a twelve-year tenure with the Banking Regulation and Supervision Agency. She returned to Garanti Bank in 2016 and joined Asset and Liability Management Department. Ms. Dizdar has been serving as the Market and Structural Risk Director since July 2018.

The responsibilities of the Market and Structural Risk Director are outlined below:

- Propose market, counterparty credit, liquidity, structural interest rate and exchange rate risk principles which are then set down by the Board of Directors; review and update the same,
- Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,
- Perform market and structural risk-based activities within the scope of ICAAP, stress testing and risk appetite framework, and risk assessment for new business and product/services; monitor and report risk based concentrations,
- Monitor affiliates' adherence to Enterprise Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

**OSMAN BAHİRİ TURGUT***Head of Internal Audit*

Osman Bahri Turgut received his undergraduate degree in economics from Marmara University in 1990. He joined Garanti the same year as an Assistant Auditor, where he subsequently worked as Branch Manager, Assistant Director of the Internal Audit Department, Commercial Loans Senior Vice President, Internal Control Unit Manager and Head of Internal Audit and Control. He currently serves as the Head of Garanti Bank's Internal Audit Department. Turgut who has CMB certificates for Level 3(Advanced), Corporate Governance and Derivative Instrument Certificates is also a member of the Board of Directors and Audit Committee at Garanti Finansal Kiralama A.Ş. and Garanti Filo Yönetimi Hizmetleri A.Ş.; a member of the Board of Directors and Corporate Governance Committee at Garanti Faktoring A.Ş.; a member of the Board of Directors at T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and Garanti Kültür A.Ş.; and a member of the Audit Committee at Garanti Leasing SA, Garanti Consumer Finance SA and Garanti Ödeme Sistemleri A.Ş.

The responsibilities of the Head of the Internal Audit Department are outlined below:

- Set out internal audit policies and procedures and implement these after obtaining the necessary approvals,
- Conduct the internal audit activities in accordance with audit policies and implementation procedures and with internal audit plans,
- Oversee and guide the supervision, auditing, policies, programs, processes and practices of internal audit activities, and annual risk assessment,
- Oversee investigations that will arise with notices, complaints or allegations,
- Ensure compliance of audit and investigation reports to Bank's internal policies and procedures including internal audit procedures and laws, decrees and official communiqués,
- Verify that Department members possess the qualifications required by their authorities and responsibilities, to supervise the development of professional knowledge, skills and abilities and to oversee whether audit engagements are performed independently and objectively under professional care and attention.

**EMRE ÖZBEK***Head of Compliance*

Emre Özbek received his degree in business administration from Ankara University, Faculty of Political

Sciences. He joined Garanti Bank as an Assistant Auditor in 1999. He was appointed as the Assistant Director of the Internal Audit Department in 2007, as the Senior Vice President of the Internal Control Unit in 2009 and as the Head of Internal Audit Department in 2014. Mr. Özbek, who holds CIA (Certified Internal Auditor) and CBRM (Certified Business Resilience Manager) certifications and has 18 years of banking experience, has been serving as the Compliance Director since August 01, 2015.

Mr. Özbek has the following responsibilities in the capacity of Compliance Director:

- Ensure that the Bank's compliance activities are carried out in accordance with applicable legislation and Garanti Bank's goals and policies,
- Carry out all necessary activities to achieve compliance with the regulations issued in relation to prevention of money laundering and financing of terrorism, and provide necessary coordination and communication with MASAK (Financial Crimes Investigation Board), Develop the Bank's compliance policies, procedures and training programs in accordance with the legislation and ensure their effectiveness; carry out activities in relation to the identification and notification of suspicious transactions; provide the preparation of statistics on internal audits and trainings and inform MASAK, and fulfill the obligation of providing information and documentation to MASAK in conformity with the manner and methods defined by MASAK,
- Within the scope of compliance controls, ensure the compliance of the Bank's all current and future activities, transactions and products with the Banking Law and other applicable legislation, internal policies and rules, and with banking practices,
- Develop recommendations for defining and mitigating compliance risks that may arise from regulatory changes,
- Monitor compliance functions of all domestic/overseas subsidiaries and overseas branches as part of Subsidiary Coordination activities.

**BARIŞ ERSİN GÜLCAN***Head of Internal Control*

Barış Ersin Gülcan got his bachelor's degree in economics and his master's degree in HR management from Istanbul

University. After starting his career as an Assistant Auditor at Garanti Bank in 1997, he served in the Internal Audit Department for 10 years. During his 20- year experience in the banking sector, he functioned as Compliance Officer and Assistant Head of the Internal Audit Department. He assumed the position of Internal Control Unit Director in March 2014. Mr. Gülcan is a CIA (Certified Internal Auditor) since 2004 and a CPA (Certified Public Accountant) since 2005.

The responsibilities of the Internal Control Unit Director are outlined below:

- Ensure the establishment of the Bank's internal control system in accordance with applicable legislation and Garanti Bank's goals and policies,
- Collaborate with senior management to define the principles and procedures governing the distribution of internal control tasks between operational employees and internal controllers of Garanti,
- Prepare the annual business plans of the Internal Control Unit and ensure that activities are performed in accordance with these plans,
- Verify that internal controllers possess the qualifications required by their authorities and responsibilities,
- Supervise that internal controllers perform their duties in an independent, diligent and unbiased manner.

## ANTI-FRAUD, INFORMATION SECURITY, DATA AND BUSINESS ANALYTICS MANAGERS

### KORCAN DEMİRCİOĞLU *PhD, Head Of Anti-Fraud Monitoring*



Korcan Demircioğlu got his bachelor's and master's degrees in economics from Boğazici University and his doctorate degree in banking from Marmara University. He joined Garanti Bank as an Assistant Auditor in 2000 and rose to the position of Assistant Director of the Internal Audit Department in 2011. Serving as the Director of Anti-Fraud Monitoring Department since July 1st, 2014, Mr. Demircioğlu has 18 years of experience in the banking sector.

The responsibilities of the Anti- Fraud Monitoring Director are outlined below:

- Develop and ensure the implementation of strategies for minimizing financial and non-financial losses that may arise from external fraud,
- Prepare the annual business plans of the Anti-Fraud Monitoring Department and ensure that the Department's activities are performed in accordance with this plan,
- Evaluate whether the Department employees possess the qualifications required by their authorities and responsibilities,
- Supervise that the employees of the Anti-Fraud Monitoring Department perform their duties in an independent, diligent and unbiased manner.

### AYDIN KÜÇÜKKARAKAŞ *Chief Information Security Officer*



Aydın Küçükkarakaş got his bachelor's degree in Computer Engineering from Kocaeli University. Before joining Garanti Bank, he worked at a telecommunications company in several roles for 6 years. He joined Garanti Bank as an Information Security Specialist in 2007 and was appointed to the position of Unit Manager in 2014. He serves as the IT Security and Risk Management Director since October 2017. Mr. Küçükkarakaş has 19 years of professional work experience.

The responsibilities of the IT Security and Risk Management Director are outlined below:

- Ensure the development and implementation of information security policies, procedures and guidelines,
- Ensure business continuity planning and disaster recovery testing,
- Management of IT risks based on international standards,
- Design, implement and operate IT Security infrastructure,
- Design, implement and operate Security Operations Center (SOC) including threat management, security log management and security incident management,
- Supervise that IT Security and Risk Management employees perform their duties in an independent, diligent and unbiased manner.

**ALİ ÖZGÜR TÜZEMEN***Head of Data and  
Business Analytics*

Ali Özgür Tüzemen got his bachelor's degree in Economics from Bilkent University. He completed his MBA in İstanbul Bilgi University. During his 22-year career, he has worked in Retail, SME banking marketing and sales and business analysis fields. Since February 2018, he serves as the Data and Business Analytics Director.

The responsibilities of the Data and Business Analytics Director are outlined below:

- Developing analytical models for areas such as understanding customer behavior and expectations, estimating life cycles, identifying product needs and channel usage patterns, pricing, segmentation, process efficiency and fraud prevention,
- Developing and determining the data warehouse structure to help decision-making processes, creating the necessary infrastructures for reporting activities,
- Establishing reports requested by the legal authorities and external institutions,
- Determining the standards of the components of data governance, such as the assignment of data ownerships, definition and quality rules of data entities, and to coordinate the work carried out in this direction.

# IMPORTANT DEVELOPMENTS REGARDING 2018 ACTIVITIES

## INFORMATION ON SHARE BUYBACKS BY THE BANK

The Bank did not buy back any of its own shares in 2018.

## INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING THE FISCAL YEAR

Under the applicable legislation, routine audits are conducted by supervisory authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board of Turkey (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey (CBRT). Detailed information about the administrative fines imposed against the Bank in 2018 by supervisory authorities as a result of auditing is provided in the following sections.

## INFORMATION ON LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND THEIR POTENTIAL RESULTS

No lawsuits that may affect the financial status and operations of the Bank were initiated against the Bank in 2018.

An investigation was initiated against the Bank in connection with an investigation on VAT evasion in relation to carbon emission trade in France on the grounds that accounts had been set up before the Bank for two persons implicated in the investigation. The reason our Bank was included in the investigation is not directly related to the subject matter of the investigation, but to banking transactions performed by persons implicated in the investigation and by three Turkish legal entity customers that carried out money transfers with various foreign firms with which the former were linked. During the investigation process, while no action was deemed necessary for the three Turkish customers with respect to the investigation, our Bank was included in the investigation based on the opinion that our Bank had not achieved adequate

compliance with the legislation with respect to account opening and transacting by two foreign customers. The trial was completed on 16 June 2017. The Court acquitted our Bank for the actions it had taken in 2008 and early 2009 at the time these individuals who had engaged in tax evasion had started opening accounts and making use of banking services in Turkey; however, the Court adjudged a judicial fine of EUR 8 million for account closure procedures by mid-2009, with total disregard of local legislation and regulations. In addition, the French Treasury asked for collection of the tax loss from all of the defendants of this litigation matter for the tax losses suffered because of tax evasion. Accordingly, the Bank will be subject to payment of damages up to EUR 25 million. Our Bank believes that the ruling is faulty and irrelevant, and has taken all necessary action for appeal on 22 September 2017. The appellate review is in progress. The Bank's Management has taken all necessary steps that it was legally obliged to take in the said event. Our Bank believes that this unfair judgment that lacks any ground will be reversed by the appellate court, and it has set aside provisions in the amount of EUR 33,000,000 for the case on trial.

## INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND ITS MANAGING MEMBERS DUE TO ANY PRACTICE CONTRARY TO THE LAWS AND REGULATIONS

During 2018, administrative fines levied by regulatory and supervisory authorities on our Bank amounted to TL 2,432,814.72; the Bank took advantage of the cash payment discount and paid TL 1,824,422.31.

## INFORMATION ON REGULATORY CHANGES IN 2018 THAT MAY HAVE A MATERIAL IMPACT ON THE OPERATIONS OF THE BANK

The revisions to the Decree on the Protection of the Value of Turkish Currency that entered into force on 2 May 2018

overhauled the legislation on borrowings in foreign currencies. Accordingly, companies other than public institutions, banks and financial institutions may obtain a loan in a foreign currency provided that they will utilize their FC borrowings; (i) for projects falling under the scope of investment incentives, (ii) for financing the purchase of specific machinery and equipment, (iii) for specific defense industry projects, (iv) for executing projects based on PPP model, or (v) in accordance with other exceptions to be defined by the Ministry of Treasury and Finance, or (vi) they must currently have an FC loan balance in the minimum amount of USD 15 million or its equivalent. In the case of companies failing to satisfy any condition above, those having FC earnings may get an FC loan in an amount that does not exceed their total FC earnings within the past three years; and those without FC earnings may get an FC loan in an amount that will not exceed the sum of their potential documented FC earnings. Existing FC or FC-indexed loans may not be rolled over after 2 May 2018, unless the criteria written above are satisfied.

The revision made to the Decree on the Protection of the Value of Turkish Currency on 13 September 2018 and relevant communiqués published by the Ministry of Treasury and Finance introduced certain restrictions regarding execution of FC and FC-indexed contracts by and between persons resident in Turkey. Accordingly, contracts regarding the following may not be determined in or indexed to a foreign currency:

- (i) contracts for purchase or lease of any immovable properties in Turkey, save for where the buyer or the lessee is a non-citizen and save for the cases described hereinbelow;
- (ii) employment contracts apart from those that will be performed abroad and those to which non-citizens are parties;
- (iii) service contracts save for those to which non-citizens are parties, those pertaining to activities facilitating FC inflow into Turkey, and those for activities carried out abroad;
- (iv) motor vehicle sales and lease contracts,
- (v) license and service contracts pertaining to domestically produced software and hardware.

Any amounts associated with these contracts may not be linked to precious metal prices, nor may negotiable instruments to be issued in connection with these contracts be drawn in a foreign currency.

Employment and service contracts to which non-residents' branches, representation offices, offices, liaison offices located in Turkey, or companies in Turkey in which non-residents directly or indirectly have fifty percent or more shareholding or joint control and/or control, or to which companies located in free zones are party in the capacity of an employer or service recipient within the scope of their activities in the free zone, may be determined in, or indexed to, a foreign currency. Such non-resident persons shall be deemed residents for the purpose of determining whether contracts regarding the sales or lease of movable and immovable properties in Turkey may be executed in a foreign currency.

Furthermore, leasing contracts; contracts related to the performance of tenders, contracts and international agreements to which public institutions are parties (save for immovable sales and business contracts) and having a contractor as its party; and transactions pertaining to the issuing and trading of capital market instruments under the Capital Market Law may be executed in a foreign currency, to the extent that they comply with the limitations concerning FC borrowing.

The Ministry of Treasury and Finance Communiqué dated 4 September 2018 introduces certain rules regarding repatriation of export proceedings. Accordingly, proceeds concerning export transactions carried out by persons resident in Turkey are obliged to bring the proceeds upon their payment into the country within no later than 180 days following the actual export date. It will be obligatory to sell at least 80% of the said proceeds to a bank.

The Presidential Decree published in the Official Gazette on 31 August 2018 decreased the rate of income tax levied on interest income on Turkish Lira deposit accounts for a period of three months for all maturity brackets, and increased that on FC deposit accounts for certain maturity brackets. With respect to TL deposit accounts, the tax rate was decreased from 15% to 5% for maturities up to 6 months, from 12% to 3% for maturities up to 1 year, and from 10% to 0% for maturities longer than 1 year. With respect to FC deposit accounts, the tax rate applied to interest income was increased from 18% to 20% for demand deposits or for time deposits of up to 6 months, the withholding tax levied on time deposits with a maturity of up to 1 year was increased from 15% to 16%, and the tax rate on time deposits with maturities longer than 1 year was kept unchanged at 13%.

These decisions remained in force for 3 months and expired on 30 November 2018.

With a memorandum sent to the banks on 13 August 2018, the BRSA resolved that the higher of (a) FX rate on 30 June 2018 or (b) 252-day average of CBRT FX bid rates will be used to calculate FC credit risk exposures. The BRSA ended this practice by its memorandum dated 27 December 2018.

By a memorandum sent to the banks on 12 August 2018, the BRSA mandated that MtM losses under the "Securities valued at fair value with changes in other comprehensive income" from among the securities acquired before the date of the memorandum will not be included in CET1 capital. Securities acquired after the date of the memorandum, however, remain subject to the existing provisions of the Regulation on the Shareholders' Equity of Banks. By its letter dated 27 December 2018, the BRSA ended the said practice.

By its resolution of 7 September 2018, the BRSA mandated that banks will not include the collaterals received for loan derivatives and for derivative transactions in the calculation of liquidity coverage ratios from 31 July 2018 until 31 December 2018.

The CBRT raised the banks' remuneration rate of the TL required reserves from 7% to 13% effective 21 September 2018.

The CBRT Monetary Policy Committee (MPC) raised one-week repo auction rate, which is the policy rate, to 24% on 13 September 2018. In its resolution of 13 December 2018, the MPC kept the one-week repo auction rate at 24%.

On 6 August 2018, the CBRT reduced the upper limit for the FX maintenance facility from 45% to 40% within the reserve option mechanism. This move was targeted at making foreign currency in the amount of approximately USD 2.2 billion available for use by banks. By a new decision on 13 August 2018, the CBRT reduced TL reserve requirement ratios (RRR) by 250 bps for all maturity brackets. RRRs for non-core FX liabilities were also reduced by 400 bps, while the maximum average maintenance facility for FX liabilities was raised to 8%. This revision was intended to provide approximately TL 10 billion, USD 6 billion and a USD 3 billion equivalent of gold liquidity to the financial system.

Pursuant to the provisions of the Regulation on Capital Conservation and Countercyclical Capital Buffers, profit distribution by banks is subject to certain requirements. Profit distribution can be made subject to filing an application with, and obtaining permission from, the BRSA, as in previous years. Pursuant to the BRSA resolution issued on 14 November 2018, it was decided to base the assessment of possible profit distribution requests on the establishment and maintenance of a CET1 capital adequacy ratio of above 12%. CET1 capital adequacy calculations will disregard the BRSA resolution of August 13th concerning the FX rate to be taken into account in calculating the value at credit risk and that of August 12th concerning unrealized MtM losses to be taken into account in calculating shareholders' equity.

On 13 August 2018, the BRSA limited the total notional principle amount of Turkish banks' currency swaps and other similar products (spot + forward FX transactions) with foreign counterparties where at the initial date local banks pay TRY and receive FX to maximum 50% of the bank's legal reserve as per the latest calculation. On 15 August 2018, the BRSA resolved that the total calculated as above should not exceed 25% of the bank's legal reserve.

On 17 September 2018, BRSA resolved that while calculating the transactions subject to the above limitation, 75% of the total transaction amount with a maturity from 90 to 360 days and 50% of the total transaction amount with a maturity of 360 days and more shall be taken into account.

Regulation on the Restructuring of Debts Owed to the Financial Sector was published in the Official Gazette dated 15 August 2018, with the aim of enabling debtors which have a credit relationship with the banks, leasing, factoring and financing companies operating in Turkey to fulfill their repayment obligations concerning their credit debts to these entities and thus keep contributing to employment through measures to be taken within the frame of related framework agreements and contracts. As per the Regulation, "Financial Restructuring Framework Agreement" ("Framework Agreement") drafted by the Banks Association of Turkey was approved by the BRSA and entered into force on 19 September 2018.



The Framework Agreement was signed by 28 banks as of 24 December 2018.

On the other hand, the said Regulation was amended as published in the Official Gazette dated 21 November 2018.

As per the Regulation and the Framework Agreement:

Companies other than the entities governed by the Banking Law no. 5411, Capital Market Institutions named in Article 35 of the Capital Market Law no. 6362, entities governed by the Insurance Law no. 5684, entities governed by the Law no. 6361 on Leasing, Factoring and Finance Companies, and entities governed by the Law no. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions are defined as "Debtors" and are allowed to restructure their debts.

"Reasonable amount of time" limitation is imposed for determining the financial positions of eligible debtors and for establishing that they will regain their ability to service their restructured debts.

If the agreement executed with a debtor under the Framework Agreements is signed by a two-thirds majority of creditor signatories of the Framework Agreements, all of the creditor entity signatories of Framework Agreements will be obliged to restructure their receivables.

The principles and procedures for the inclusion of foreign credit agencies and international entities shall be set out in Framework Agreements, and the said entities shall be included in financial restructuring, upon request, irrespective of the consent and acceptance quorums of Creditor Entities.

The Regulation on the Principles and Procedures for Classification of Loans and Provisions to be Set Aside was amended as published in the Official Gazette dated 15 August 2018. Accordingly, banks implementing TFRS 9 may reclassify those loans, which had been classified as restructured loans under Group II despite being performing loans, under Group I, provided that there are no delays exceeding thirty days in the principal amount and/or interest payments of any loans extended to the borrower by the end of the minimum three-

month monitoring period and provided further that financial hardship that led to restructuring was eliminated, without requiring that it shall have been followed up as restructured debt under Group II for a minimum period of one year from the classification date and without requiring that at least 10% of the principal amount and interest payments under one-year monitoring period was paid.

In addition, it has been stated that changes in the agreement terms and/or partial or total refinancing of the loans that are monitored under Group I where the debtors are not in a financial difficulty will not be considered as restructuring and they may still be monitored under Group I.

The Presidential Decree numbered 162 and dated 10 October 2018 amended the Decree on Treasury Support Provided to Credit Guarantee Agencies. Accordingly, the minimum term of working capital loans was set as six months, whereas maximum term was determined as five years with a maximum grace period of one year. Under the changes, loans utilized within the frame of Credit Guarantee Fund guarantee may be restructured up to 96 months for working capital loans and up to 156 months for investment loans, in both cases starting from the loan extension date. For each beneficiary, the guarantee limit was increased from TL 12 million to TL 25 million for those defined as SMEs. In addition, under a provision supplemented to the said Decree, the beneficiary, before applying to the Credit Guarantee Fund for compensation, must have been provided with restructuring facility under the Decree or the Regulation on Restructuring the Debts Owed to the Financial Sector. It is stipulated that the CBRT FC buy rate on the date of restructuring will be taken as basis in the event FC and FC-indexed loans are restructured in terms of Turkish lira.

With the revisions published in the Official Gazettes dated 15 August 2018 and 27 November 2018, the Regulation on Loans Extended by Banks was amended.

Accordingly, maximum term of consumer loans is set as 36 months, except for loans extended to consumers for purchase of goods or services which are of a complementary nature to the house as stipulated in Article 684 of the Turkish Civil Code no. 4721 dated 22 November 2001 within the scope of house

purchases and renovation, financial leasing for houses, loans for purchasing other immovable properties, loans for financing education tuition and fees, and loans for financing debts owed to public authorities and institutions, provided such payment is made directly to the public authorities or institutions' account. The maximum term for motor vehicle loans and loans secured by vehicles was set as 48 months, whereas that for loans to purchase mobile phones and computers was determined as 6 months.

While the term for loans extended for purchasing mobile phones is restricted to six months, the same is increased to twelve months for mobile phones with a price of up to TL 3,500. While the limitation is kept unchanged at six months for mobile phones with a price of more than TL 3,500, the 6-month term limitation will be implemented as twelve months until 31 January 2019 for loans extended to purchase mobile phones with a price higher TL 3,500.

The amendment made to the Regulation on Debit and Credit Cards published in the Official Gazette dated 27 November 2018 increases the upper limit for installments from six months to nine for domestic expenditures associated with airlines, travel agencies and hotel accommodation to be paid for by credit cards.

# AUDIT COMMITTEE'S ASSESSMENT OF THE ACTIVITIES OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

In accordance with its duties arising from the legislation, the Audit Committee continued to review the effectiveness and adequacy of internal systems, the operation of accounting and reporting systems in line with the applicable regulations, and the integrity of the resulting information, and continued to verify whether the internal audit system encompassed the Bank's current and planned operations and the risks resulting therefrom upon review of internal audit plans. Within this scope, the Audit Committee regularly monitored and evaluated the activities of the internal systems during the course of the year. Furthermore, the Committee also fulfilled its functions of overseeing the activities of external audit company, appraisal firms and support service providers that are designated by the Board of Directors, as well as evaluating the relevant external audit results. Accordingly, the Audit Committee has met 4 times during 2018 and informed the Board of Directors on the activities of the Committee, the assessments for the external audit firms, appraisal firms and support services providers, and other matters.

The Internal Audit Department conducted audit engagements at the Bank's head office units, regional offices, branches and consolidated subsidiaries by evaluating the effectiveness of the internal control and risk management systems. Within the audit activities performed, process audits were carried out mainly on the basis of 11 different risk types:

- Business model risk audits,
- Internal governance environment and risk management audits,
- Capital risk audits,
- Credit risk audits,
- Market risk audits,
- Structural risks audits,
- Operational risk audits,
- Legal risk audits
- Compliance risk audits,
- Technology risk audits,
- Extended enterprise risk audits

In 2018, audit engagements were diversified through deeper and widespread specialization, more intensive use of technology, and results that contribute to the Bank's processes have been achieved. A data scientist position was formed within the Internal Audit Department, and examinations based on data universe instead of examinations based on sampling were adopted for audit processes with the aim of minimizing audit risk.

Follow-up of suggestions made as a result of the audit engagements by the Bank's senior management, the Audit Committee and the Board of Directors ensured that corrective actions were taken according to the timeline by the auditees.

By way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling and counterfeiting activities were prevented or detected, and it has been ensured that necessary managerial actions were taken promptly. Scenario studies for suspected internal fraud incidents were carried out in the form of remote and on-site activities within this frame.

The Internal Control Unit continued to challenge all control activities that are performed by business and support units. In this regard, second level control activities were conducted at branches and head office departments. During on-site branch visits, scenario-based examinations were carried out regarding internal fraud and compliance risks in addition to operational risks. It has been ensured that internal control models that are structured in line with the three lines of defense principle are in place in all financial subsidiaries of the Bank.

Reporting flows have been implemented and periodic follow-up continued for remedying the findings determined during the controls.

The Compliance Department continued to manage the Bank's potential compliance risks and kept working towards identifying and preventing these risks before implementation. The

Department kept overseeing and coordinating the compliance of the Bank's ongoing and future activities, new transactions and products with the Banking Law, applicable legislation, internal policies and guidelines, and banking practices. With the aim of reinforcing the Bank's consolidated compliance policy, the Department supervised the compliance activities of overseas branches and consolidated subsidiaries, taking steps towards promoting compliance awareness and culture.

As part of corporate compliance activities, the Anti-Corruption Policy approved by the Board of Directors was introduced. Notifications received by the Garanti Whistleblowing Channel were evaluated, upon which results were presented to the Integrity Committee. Within the scope of securities compliance function related to investment transactions, examinations were carried out within the frame of the CMB's Communiqué on Obligation of Notification Regarding Insider Trading or Manipulation Crimes regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers.

As part of Customer Compliance activities, new business, products and processes were evaluated prior to implementation. As part of anti-money laundering (AML) and countering financing of terrorism strategy (CFT) strategy, studies were carried out in order to achieve alignment with national and international regulations. Through the existing monitoring programs and other initiatives by the compliance officer team, risk management, monitoring and control activities were carried out efficiently. Classroom training sessions, regional office visits and web-based AML and CFT training programs offered throughout the Bank served to secure higher awareness and consciousness of the matter among the employees.

As part of Risk Management activities, Capital and Operational Risk Department provided the necessary internal coordination for ensuring regulatory compliance and handled the regulatory work. In accordance with the regulations published by the BRSA, ICAAP activities, which are conducted parallel to the budget process that covers the Parent Bank and affiliates, were carried out, which cover stress tests, as well. Risk appetite core metrics for solvency and profitability and operational risk limits and their thresholds were reviewed against the risk appetite and submitted for approval of the Board of Directors. Necessary coordination for monthly risk appetite reporting to Risk Committee of the Board was continued and in this scope, solvency and profitability core metrics and operational risk limits were monitored and reported.

Operational risk and operational risk admission activities were carried out. Operational Risk, Control and Self-Assessment activities and stress test analyses for operational risk were carried out. Meetings and trainings were held and information was provided to the Bank's staff to enhance awareness of the Bank's employees regarding Operational Risk Management. Outsourcing Management function was set up under the Capital and Operational Risk Department, which will be handling the outsourcing process, including support services. Within this scope, new business, product and services, which are currently being carried out by the New Business and Product Committee, and outsourcing were organized under the operational risk underwriting function. New Business and Product Committee has been gathered and functioned in accordance with the Charter and Procedure. Market and Structural Risk Department defined thresholds within the framework of risk appetite, and regularly monitored internal metrics and early warning indicators, as well as regulatory limits for risk-based limits in order to manage and monitor market, structural interest rate, structural exchange rate and liquidity risks. Stress tests were employed to evaluate potential and worst-case risks that may arise from economic circumstances. Limits and alert levels were monitored to determine the risk exposure, and actions taken for necessary situations were followed up. The market fluctuations that occurred particularly in the second half of 2018 and new regulations and decisions introduced were monitored closely. Their impact on the Bank's liquidity, structural interest rate, exchange rate, market and counterparty credit risks were analyzed thoroughly. In the second half of 2018, intraday liquidity risk has been monitored regularly using the metrics defined.

The Validation Function performed qualitative and quantitative validations regarding internal models. Validations performed for those models and parameters that are taken into account in ICAAP calculations were presented to the Audit Committee. The Credit Risk Control Department set limits for loan growth in view of risk-return balance. Internal capital requirements were calculated. Internal capital need was computed and the internal capital threshold values set at the onset of the year were monitored. Internal capital definitions needed for systemic computation of risk-based profitability metrics were made. Internal credit risk and credit concentration risk calculations, stress tests and scenario analyses were carried out within the framework of ICAAP and stress test report. The Risk Internal Control function verified that risk management activities were handled by risk units in accordance with the Bank's policy and procedures.

# RISK COMMITTEE'S ASSESSMENT

## OF RISK MANAGEMENT POLICIES, THEIR IMPLEMENTATION, AND MANAGEMENT OF VARIOUS RISKS THAT THE BANK MAY BE EXPOSED TO

Bank's risk management activities were carried out targeting value creation by focusing on maintaining a moderate risk profile that allowed to keep strong financial fundamentals, an integral view of risks, and a portfolio diversification by asset class and client segment, long term financial stability and relationship with the customers, while preserving Bank's strategic targets in even adverse market and economic conditions. These risk management activities were implemented within the scope of the risk appetite framework and risk based policies approved by the Board of Directors and through rules and procedures with regard to fundamental risks that the Bank was exposed to.

The Risk Management performed its measurement, monitoring and reporting activities in line with its risk appetite framework, which set out the risks and risk levels that the Bank was willing to assume in order to fulfill Bank's strategy and goals. Within this context, risk-based limits and metrics pertaining to liquidity, solvency and profitability were monitored and managed embracing both Bank and affiliates. The Risk Management continued to improve its measurement, reporting and management tools, where risks were measured via advanced methods, reported to relevant committees and senior management in order to determine strategies and take decisions, considering compliance with local and international standards and practices.

In 2018, as part of its routine tasks, the Risk Management continued to measure, monitor and report risk metrics within the scope of the risk appetite framework and to coordinate the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) including stress tests which were maintained in parallel to the budget process and integrated with its risk appetite structure. Intraday liquidity risk procedure was established, regular monitoring of metrics determined in scope of intraday liquidity risk was started. On the other hand, market fluctuations and new regulations and decisions that had entered into force, especially related to second half of 2018, were closely monitored. Impacts on the Bank's liquidity, solvency, structural interest rate, foreign

exchange, market and counterparty credit risks were thoroughly analyzed. The evolution of liquidity was tightly and deeply monitored also via stress tests and awareness was raised throughout the Bank. Metrics related to asset quality were closely monitored. Furthermore, along with the Risk Internal Control function which was established in 2018, second line controls and assessments were conducted in scope of governance of risk management practices. In 2018, coordination of evaluations for outsourcing process in Bank and the affiliates was performed within the scope of the Outsourcing Procedure. Besides, in accordance with the Support Services Risk Management Program, preparation of reports of outsourcing activities and proposals to the Audit Committee, were conducted.

Within the scope of its responsibilities, the Risk Committee continued to monitor the evolution of the Bank's risk exposure, by type of risk, business line, product or customer segment and how these compare to the strategy and the risk appetite through regular reporting channels during 2018. Besides, the Risk Committee reviewed as appropriate and approved, Bank's risk appetite statement, risk metrics and risk based policies before their submission for approval to the Board of Directors. The Committee also involved in capital and liquidity planning processes by receiving and reviewing reports related to capital and liquidity planning including but not limited to ICAAP and ILAAP reports. Based on their scope, the affiliates were reviewed by the Risk Committee in order to foster a risk culture throughout the organization that guarantees the coherence of the risk management at all levels of the organization. The matters especially related to second half of the 2018, that were closely monitored by the Risk Management were also monitored by the Risk Committee. Consequently, the Risk Committee held 11 meetings in 2018 in order to assist the Board in overseeing the Bank's enterprise 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, as well as capital adequacy, planning and liquidity adequacy.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "the Bank") complies with the corporate governance principles set out by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other applicable legislation. Garanti Bank pays the utmost attention to implement these principles. The Bank accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders can access comprehensive information, get information about the latest developments and activities from the regularly updated Garanti Bank Investor Relations website, and can address their questions to the Investor Relations Department and to the Subsidiaries and Shareholders Service.

In keeping with Garanti's commitment to corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report.

The Corporate Governance Committee was established in February 2013 pursuant to the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency ("BRSA") and the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the CMB, which was effective at the time. The Committee is responsible for overseeing compliance with corporate governance principles and for ensuring that relevant improvement efforts are carried out in the Bank. In 2018, the Committee held 3 meetings with full participation of its members. The Board of Directors deemed that the activities performed by the Corporate Governance Committee in 2018 were efficient, appropriate, adequate and compliant with the relevant legislation. The activities of the Corporate Governance Committee are presented in detail in the Committees section.

On the other hand, Garanti, during 2018, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué No. II-17.1.

## AUDIT COMMITTEE'S REPORT



Please refer to page 169 in the annual report for related information.

## SHAREHOLDER RELATIONS

### SHAREHOLDING STRUCTURE



Please refer to page 19 in the annual report for the Company's shareholding structure.

## GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meeting is held in accordance with the resolution adopted by the Board of Directors. For reaching the highest number of shareholders possible, the General Meeting announcement including the meeting date, venue, agenda and similar information is duly announced at least three weeks prior to the meeting date as per the provisions stipulated in the Communiqué via the Turkish Trade Registry Gazette, Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)), e-Governance Corporate Governance and Investor Relations ([www.mkk.com.tr](http://www.mkk.com.tr)), e-Company Companies Information Portal ([www.mkk.com.tr](http://www.mkk.com.tr)), e-General Meeting Electronic General Meeting System ([www.mkk.com.tr](http://www.mkk.com.tr)), the Bank's websites and two national newspapers. The Bank invites all stakeholders to the General Shareholders' Meeting, who will be voiceless during such meetings. Before the meeting, balance sheets, income statements and annual reports are made available for review by shareholders within the timeframe determined in the applicable legislation on the Garanti Bank Investor Relations website, at all branches and at the Head Office of Garanti Bank. In General Shareholders' Meeting, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit

proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code. Proposals are submitted for approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meeting are posted on the Public Disclosure Platform (KAP), e-Company Companies Information Portal, e-General Meeting Electronic General Meeting System, and Garanti Bank Investor Relations website on the same day, and is published in the Trade Registry Gazette following its registration.

Resolutions adopted in the General Shareholders' Meeting are carried out in accordance with the legal procedures within due time. Pursuant to the provisions of the Regulation on Electronic General Meeting at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to, and voting at, the General Shareholders' Meeting by electronic means is permissible. The minutes and the list of attendants of the General Shareholders' Meeting are available to shareholders on Garanti Bank Investor Relations websites. These documents can also be obtained from the Subsidiaries and Shareholders Service.

Garanti Bank held its Ordinary General Shareholders' Meeting for the period 01 January 2017-31 December 2017 on 29 March 2018 and meeting quorum realized at 84.06%. Media representatives did not attend the General Shareholders' Meeting. At the meeting, one shareholder lodged a statement of opposition, demanding that the article concerning Profit Distribution in the Bank's Articles of Association should be modified, high cash dividends and/or bonus shares should be given out, and so on. In response, it has been explained that profit is being distributed in the ratio stipulated by the legal authorities and that the retained portion is being set aside as Extraordinary Reserves as per the applicable legislation.

There were no transactions in the reporting period for which the decision was left to the General Assembly of Shareholders by reason of dissenting votes cast by independent board members.

#### INFORMATION ON DONATIONS AND GRANTS IN 2018

The total amount of donations and grants made by the Bank in the reporting period is TL 11,605,437. Based on its

commitment to add value to the society, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations that work in the fields of education, culture, art, environment and sports. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities.

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the reporting period is provided to the shareholders under a dedicated agenda item during the General Shareholders' Meeting.

Amounts and beneficiaries of the donations made in 2018 are as follows:

BENEFICIARIES	AMOUNT
Öğretmen Akademisi Vakfı (Teachers Academy Foundation)	4,609,750
İstanbul Kültür ve Sanat Vakfı (İstanbul Foundation For Culture And Arts)	2,000,000
Ministry Of National Education	1,500,000
Ayhan Şahenk Vakfı	935,000
Other Foundations, Societies And Institutions	739,637
Universities And Educational Institutions	565,030
Doğal Hayati Koruma Vakfı (World Wildlife Fund - Turkey)	500,920
Various Public Institutions	500,000
Türkiye Eğitim Gönüllüleri Vakfı (Educational Volunteers Foundation of Turkey)	255,100
<b>TOTAL</b>	<b>11,605,437</b>

#### VOTING RIGHTS

Shareholders' voting rights and exercise of these rights are determined in Article 38 of Garanti Bank's Articles of Association. There are no privileged voting rights at the General Shareholders' Meetings of Garanti Bank. The Bank is not in a cross-shareholding relationship with any company, therefore no such votes were cast at the latest General Shareholders' Meeting.

#### DIVIDEND RIGHT

There are no privileges in dividend distribution at Garanti Bank. At the Bank's Board of Directors meeting on 31 January 2018, the Dividend Distribution Policy, which was amended to achieve greater alignment with the provisions of the CMB's Communiqué on Dividends no. II-19.1 and to increase the ratio of distributable profit from 25% to 30% for its distribution subject to the approval of authorities, was approved at the Ordinary General Shareholders' Meeting convened on 29 March 2018, and publicly disclosed on the Public Disclosure Platform (KAP) and the Company's website.

The Bank's Dividend Distribution Policy is as follows:

"Details of dividend distribution are specified in Articles 45, 46, and 47 of the Articles of Association. In this context, by taking into account our Bank's growth in accordance with its goals within the sector and its financial needs, the General Assembly is authorized to decide to distribute dividends in cash or to capitalize the profit and distribute the bonus shares to be issued by the Bank, or implement a combination of both methods, and execute the dividend distribution within the time period specified in the relevant legislation.

The Bank's dividend distribution policy stipulates distribution of up to 30% of the distributable profit in cash or as bonus shares upon the approval of the BRSA, provided that there is no unfavorable situation in the local and/or global economic conditions and provided further that the standard rates, which are specified by the protective measures in the Banking Law No. 5411, are at the targeted level. Amounts retained from the profit for the period, which remain after legal reserves and funds that are obligatory to be saved by the Bank are set aside, are transferred to the Extraordinary Reserve Account.

In accordance with Article 46 of the Articles of Association, the dividend distribution proposals shall be submitted for the approval of the General Assembly following a decision by the Board of Directors in this regard, by taking into account the Bank's operational performance, financial needs, growth targets and the legal regulations governing the Bank.

The dividend distribution resolution becomes effective if and when adopted in the General Shareholders' Meeting, and resolutions are publicly disclosed via the Public Disclosure Platform on the same day."

At the General Shareholders' Meeting held on 29 March 2018, it was resolved to distribute the profit for the year 2017, and dividend payout began on 24 April 2018. The following information has been provided to our Shareholders regarding the retained portion out of 2017 profit:

"After legal reserves and the funds that are obligatory to be saved by the Bank are set aside, the profit for the period retained after the profit is distributed upon the BRSA approval is allocated to Extraordinary Reserve Account in order to secure the Bank's continuous development and preserve its solid capitalization, to maintain the Bank's capability to make dividend distributions uninterruptedly, to ensure higher and

consistent dividend distribution in the long term, and to be used for the Bank's operations and general operating expenses."

## STAKEHOLDERS

### INFORMING STAKEHOLDERS

The stakeholders can participate in management through specially designed systems and meetings. In order to ensure accurate and reliable information flow, the Investor Relations Department prepares presentations on quarterly financial statements; the Department shares these presentations with the stakeholders through its website and tablet PC applications, and responds to questions during live webcasts/teleconferences, the audio recordings of which are subsequently posted on these public channels.

In addition to handling customer complaints through a variety of alternative channels, the Customer Experience Support Team also carefully considers customers' suggestions. Garanti Bank provides its customers with the means to communicate their complaints, and comments about management any time through the contact form on Garanti website, by leaving a voice message on the phone line at 444 0 333, its social media platforms, i.e. Garanti Facebook page and Twitter GarantiyeSor (Ask Garanti) account.

Additionally, in case of violation of the customers' rights protected by regulations and contracts, the Bank provides efficient and fast remedy, and facilitates the use of loss indemnification mechanisms by customers who have incurred any loss.

At the completion of the service customers receive from branches, the call center, Customer Experience Support Team and digital channels, they are asked to respond to a survey via phone, email or digital channels. Survey outcomes are carefully studied and the feedbacks received are converted into improvement actions. Customer feedbacks received especially at times of new product launches and process modifications are sensitively followed through, followed by arrangements to processes as necessary.

Garanti objectively assesses investors' expectations, their opinions regarding the Bank and the management by way of a "Perception Study". The study is conducted by third party companies, thus supporting impartial and transparent communication. Within this frame, improvement areas are analyzed and action plans are created.



In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative opinions, Garanti keeps dialogue channels bi-directional. While there are no written internal regulations, employees are provided with the opportunity to make assessments in all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions. Making systematic use of various channels, including employee opinions, the intranet, employee engagement survey, and the voice of employee platform GONG, Garanti aims to increase employee satisfaction and employee engagement.

Garanti carries out an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration and training & development opportunities. In 2018, Employee Engagement score was 67%.

360 Degree Assessment and Feedback collects employee opinions regarding themselves, their colleagues, line managers and team members, and aims to establish the culture of giving and receiving feedback.

Suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. "Önersen" (You Suggest) has been instrumental in collecting 1,313 suggestions in 2018, two of which were rewarded. More than 23,000 ideas in the aggregate have been communicated via this channel since 2007. Through GONG, the voice of employee platform about HR practices and the working environment, 674 opinions were gathered in 2018.

Each year, through the Managers' Summit and the Future Meeting, the CEO and the executive team involve the total employee base and share & assess Garanti's current outlook and its strategy, goals & objectives for the year ahead.

## BOARD OF DIRECTORS

### STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

Süleyman Sözen is the Chairman of the Board of Directors. The Chairman has no executive functions and the executive member of the Board is Chief Executive Officer Ali Fuat Erbil, who is a natural member of the Board.

CMB requirements regarding Corporate Governance Principles stipulate that minimum three independent members must serve on the boards of directors of banks. Since the Board members assigned as members of the Audit Committee are deemed as independent Board members according to these requirements, Jorge Saenz-Azcunaga Carranza, who currently serves as the Head of the Audit Committee, and Ricardo Gomez Barredo, Audit Committee member, are independent Board members.

On the other hand, at the Ordinary General Shareholders' Meeting held in 2018, Garanti re-elected Belkıs Sema Yurdum, who satisfies all the independence criteria announced by the Capital Markets Board, to serve a term of office of 1 year remaining from the term of office set out in the independence criteria of the CMB's Corporate Governance Principles. The Corporate Governance Committee report dated 29 February 2018 establishing that Sema Yurdum satisfies the independence criteria has been submitted to the Board of Directors, which has resolved to file a notification with the CMB regarding the nomination of Sema Yurdum as an independent Board member. Quoted below is the declaration of independence by Sema Yurdum, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2018.

### TO TÜRKİYE GARANTİ BANKASI A.Ş. CORPORATE GOVERNANCE COMMITTEE,

I hereby declare that I currently serve as an "independent member" on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board of Turkey, and that I stand for the same position once again, in accordance with the same Communiqué, as my term of office ends on the date of the first General Shareholders' Meeting to be held in 2018. In this context, I hereby declare as follows:

- I have not held a seat on the Bank's Board of Directors for more than six years in the past ten years,
- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or

any shareholder having management control or significant influence over the Bank or any corporate entity in which these shareholders have management control,

c) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years,

d) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

e) I am not a full-time employee of public institutions and establishments as at the date of nomination,

f) I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,

g) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank's shareholders, and making decisions freely taking into consideration the rights of stakeholders,

h) I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake,

i) I am not serving as an independent board member in any company, which is controlled by the Bank or by shareholders having management control over the Bank,

j) I will be serving on the Bank's Board of Directors as a real person and in this context, I have not been registered and promulgated in the name of any corporate entity elected as a board member."

On the other hand, no circumstances arose in 2018 fiscal year, which prejudiced the independence of independent Board members. The Board of Directors of Garanti Bank is formed of 10 members, and the number of women members was 1 during 2018.

Résumés, terms of office and positions of the Board members are presented on pages 105, 106 and 107 of the Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

Pursuant to Article 396 of the Turkish Commercial Code, the General Assembly authorized the members of the Board of Directors of Garanti Bank to execute a transaction of a commercial business nature that falls under the Bank's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs, during the reporting period.

#### WORKING PRINCIPLES AND PROCEDURES OF THE BOD

The Board of Directors of the Bank as the highest body of representation, direction, management and oversight of the Bank operates in order to fulfill the roles and responsibilities appointed to itself by the Articles of Association and the related legislations. In 2018, the Board of Directors passed 17 decisions by satisfying the required quorums for meeting and decision.



Garanti Bank's Internal Directive on the Working Principles and Procedures of the Board of Directors is available at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com), under Corporate Governance > Policies section.

#### RELATED PARTY TRANSACTIONS

As of 31 December 2018, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is approximately 1.10% of the Group's total operating income. In addition, the total of the shares representing the share capital in its related parties owned by the Group and cash and non-cash loans and other receivables provided to related parties by the Group are around 10% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the total of cash portions of such risks accounts is 1.1% of total consolidated assets in the financial statements prepared in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA as of the same date.

#### REMUNERATION

As published on the Bank's website, a Compensation Policy has been formulated for the Bank's employees in accordance with the banking and capital market legislation, and it has been approved by the Board of Directors. Pursuant to the Bank's Compensation Policy, the policy encourages fair, transparent, measurable and sustainable success among employees and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the HR Unit authorized

by this Committee are responsible for reviewing and duly executing the compensation policies.

The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Shareholders' Meeting. As of 31 December 2018, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 95,317,000. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

Members of the Bank's Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting. In addition to the attendance fee paid to the Board members, it has been decided at the Ordinary General Shareholders' Meeting held in 2018 that payments to be made to those Board members who assume a specific position in the Bank, and to independent Board members be determined by the Remuneration Committee that has been authorized by the Board of Directors pursuant to Corporate Governance Principles. It has also been resolved to set a maximum limit of TL 23,000,000 net for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2019.

Furthermore, other financial rights to be provided to the Senior Management consisting of the members of the Board of Directors, the CEO and Executive Vice Presidents are determined by the Remuneration Committee that is established in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. Under the provisions of the said Regulation, the Remuneration Committee has determined the manner of payments to Senior Management and the criteria for performance-based payments, by taking into account the European Union regulations and practices. Accordingly, Senior Executives receive performance-based payments in addition to their monthly salaries, which

payments are determined by the Remuneration Committee based on objective criteria including the economic profitability and key performance indicators of the Bank, as well as subjective criteria based on the respective personal performance. The Remuneration Committee ensures that such payments do not negatively affect the Bank's capital adequacy ratio and continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

At the Ordinary General Shareholders' Meeting held in 2018, the following information has been provided to the shareholders regarding the compensation principles applicable to senior management.

"Our Bank has established and announced a compensation policy for all employees pursuant to applicable legislation. A fair, performance and success-based remuneration policy has been created. Our Bank's Compensation Policy has been implemented as approved and it is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the Remuneration Committee continued to implement the policies it has set in relation to remuneration and bonuses to be paid to the members of the Board of Directors who assume administrative roles and to senior executives, which do not rely solely on profit. The Committee reviewed the same at certain intervals. The policy, which has been developed in line with the local legislation and international practices, continued to be implemented.

The portion of 10.61% of the total personnel expenses figure for the benefits provided in 2018 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

Subject to the restrictions imposed by the banking legislation, the Bank may extend loans to Board members and executives. On the other hand, the loans to be disbursed by Garanti Bank to the members of the Board of Directors and managers are restricted to specific framework by Article 50 of the Banking Law. The Bank does not disburse loans to the members of the Board of Directors and managers outside of the above mentioned framework."



Detailed information on the Remuneration Committee can be found in the Annual Report, page 139.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPLIANCE STATUS					REMARKS
	YES	PARTIALLY	NO	EXEMPTED	N/A	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS</b>						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors on the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 -Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10- The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
<b>1.4. VOTING RIGHTS</b>						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2- The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					
<b>1.5. MINORITY RIGHTS</b>						
1.5.1-The company pays maximum diligence to the exercise of minority rights.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.5.2- The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of minority rights.			X			Contrary to what is suggested in the principle numbered 1.5.2, there is no provision in the Bank's Articles of Association to extend the use of minority rights to those who own less than one twentieth of the outstanding shares. Shareholders constituting at least one twentieth of the capital are entitled to request the Board of Directors to summon the general assembly for a meeting, by specifying the grounds therefor along with the agenda, which should both be put in writing, or if the general assembly is already scheduled to meet, then to request the addition of matters they wish to be decided to the agenda, under Article 411 of the Turkish Commercial Code No. 6102. As and when such a request is received, the Bank takes the utmost care for facilitating the exercise of minority rights. In-line with our Bank's proactive, transparent and consistent communication strategy, utmost care is given to ensure that information is delivered with equal opportunities for everyone at all times. Bilingual Investor Relations (IR) web site, iPad and Android tablet PC applications developed in Turkish and English offer constant and worldwide access to the relevant information by focusing on the needs of the whole investors. Garanti Investor Relations websites contains stock data, corporate information, periodically published financial statements and annual reports, information about corporate governance, sustainability and projects that add value to the society. This website also gives access to Material Event Disclosures pertaining to developments regarding Garanti Bank, which are disclosed to the public via the Public Disclosure Platform. This website also responds to all sorts of user needs with the Investor Kit that contains basic, practical information and the Download Center function that covers all documents.
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Assembly is posted on the company website.	X					
1.6.2 - The dividend policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
<b>2.2. ANNUAL REPORT</b>						
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals) regulate the participation of employees in management.			X			Contrary to what is suggested in the principle numbered 3.2.1, there are no written internal regulations in the the participation of employees in Management. However, employees are provided with the opportunity to comment on all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions. Senior and middle-level managers participate in decision-making mechanisms via 25 committees. However, in the following periods, the appointment of one representative each from the branch and Headquarter to the our Bank's Employee Committee and the discussion of the decisions to be submitted to the Employee Committee on our employees platform called 'GONG' will be evaluated.

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them, and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1- The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations Department and the corporate governance committee work effectively. The Board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers Liability insurance covering more than 25% of the capital.		X				The Bank's paid-in capital is TL 4.2 billion; and it has subscribed to a Directors and Officers Liability cover with a limit of EUR 100 million for the individual liabilities of executives and Board members arising from their improper conduct.
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The Board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			We are not currently in full compliance with the recommendation however the Bank intends to increase the participation of women directors in the Board and gradually increase their percentage in the coming years. The current board holds an extensive experience in banking which is extremely important for the Bank especially in these globally volatile markets. However, in parallel to BBVA's policies on this issue the Bank intends to favor female candidates to be nominated in the future if there is a replacement of a board member or re-selection of the full board.



	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions, if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Board members' external commitments are presented for the information of shareholders at the General Meeting. The Bank's Board members comply with the banking legislation regarding the external entities they can serve. There is no internal written regulation specifying any limitations in this respect.
<b>4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			When the number of members of the Board of Directors and the number of members of the committees are taken into consideration, a member of the Board of Directors may take part in more than one committee. On the other hand, the only committee established according to the Corporate Governance Principles is the Corporate Governance Committee (with the functions of the Nominating Committee). There are three members of the Board of Directors in the Corporate Governance Committee. Other board committees (Risk, Credit, Audit and Remuneration) were established in accordance with the Banking Law No. 5411.

	YES	PARTIALLY	NO	EXEMPTED	NA	REMARKS
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.	X					
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1 - The board of directors has conducted a Board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.					X	
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Meeting of Shareholders. As of 31 December 2018, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 95 million 317 thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

## CORPORATE GOVERNANCE INFORMATION FORM

## 1. SHAREHOLDERS

1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS	REMARKS / RELATED LINKS
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	In 2018, Garanti Investor Relations team participated in 34 investor conferences and roadshows held in 13 cities in Asia, USA and Europe. The team held face-to-face meetings with 967 international investment funds, which represent 34% increase than it was in 2017. CEO attended 1 out of 3 meetings.
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION	
The number of special audit request(s)	None. The appointment of a special auditor has not been set forth as an individual right in the Articles of Association of the Bank. However, pursuant to Article 438 of the Turkish Commercial Code No. 6102, shareholders have the right to request a special audit from the General Assembly of Shareholders, whether included in the agenda or not, in order to clarify certain aspects within the frame of exercising shareholders' rights, provided that shareholders making such request have previously exercised the right to obtain or review information as stipulated in the Turkish Commercial Code. So far, Garanti Bank has not received any request for the appointment of a special auditor. If such a request is received, then the Bank will take maximum care for facilitating the exercise of such special audit right.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None
1.3. GENERAL ASSEMBLY	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1 (ad)	<a href="https://www.kap.org.tr/en/Bildirim/664815">https://www.kap.org.tr/en/Bildirim/664815</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Available. The link to the related website: Turkish: <a href="https://www.garantiinvestorrelations.com/tr/kurumsal-yonetim/olagan-genel-kurul-toplantilari/Olagan-Genel-Kurul-Toplantilari/452/0/0">https://www.garantiinvestorrelations.com/tr/kurumsal-yonetim/olagan-genel-kurul-toplantilari/Olagan-Genel-Kurul-Toplantilari/452/0/0</a> English: <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0">https://www.garantiinvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0</a>
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	None
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	None
The name of the section on the corporate website that demonstrates the donation policy of the company	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Donation-and-Contribution-Policy/99/410/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Donation-and-Contribution-Policy/99/410/0</a>
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/265119">https://www.kap.org.tr/tr/Bildirim/265119</a>
The number of the provision(s) of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	While the Articles of Association does not contain any provisions to that effect, the Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meetings.
Identified stakeholder groups that participated in the General Meeting of Shareholders, if any	General Meeting minutes are available to shareholders in media and locations stipulated by applicable legislation. The members of the media did not attend the General Meeting convened in 2018. The Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meetings.

<b>1.4. VOTING RIGHTS</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	There are no voting privileges
The percentage of ownership of the largest shareholder	49.85%
<b>1.5. MINORITY RIGHTS</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of association	No
If yes, specify the relevant provision of the articles of association	None.
<b>1.6. DIVIDEND RIGHT</b>	
The name of the section on the corporate website that describes the dividend distribution policy	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Dividend-Distribution-Policy/96/407/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Dividend-Distribution-Policy/96/407/0</a>
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	The Board of Directors' proposal for the distribution of the Bank's 2017 Balance Sheet Profit was laid down for approval at the General Meeting of Shareholders held on 29 March 2018 and approved with majority of votes. The information provided to our Shareholders regarding the undistributed portion of 2017 profit is stated in article 6 of the document whose link follows: <a href="https://www.garantiinvestorrelations.com/tr/images/pdf/2018_03_29_Genel_Kurul_Toplantı_Sonucu_hk.pdf">https://www.garantiinvestorrelations.com/tr/images/pdf/2018_03_29_Genel_Kurul_Toplantı_Sonucu_hk.pdf</a>
PDP link to the related general meeting minutes in case the board of directors proposed to the General Assembly not to distribute dividends	<a href="https://www.kap.org.tr/en/Bildirim/671890">https://www.kap.org.tr/en/Bildirim/671890</a>
General Meeting Date	29.03.2018
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate in the General Shareholders' Meeting	84
Percentage of shares directly present at the GSM	0.001%
Percentage of shares represented by proxy	99.999%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the number of votes for or against	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>
The number of the relevant item or paragraph of the General Shareholders' Meeting minutes in relation to related party transactions	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>
The number of declarations by insiders received by the board of directors	347
The link to the related PDP general shareholder meeting notification	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>

## 2. DISCLOSURE AND TRANSPARENCY

2.1. CORPORATE WEBSITE	REMARKS / RELATED LINKS
Specify the names of the sections of the website providing the information requested by the Principle 2.1.1.	<p>Trade registry information: Garanti Investor Relations website Home &gt; Contact &gt; Garanti Bank</p> <p>Latest shareholding and management structure: Garanti Investor Relations website Home &gt; About Garanti &gt; Shareholding Structure</p> <p>Detailed information on preference shares: There are no preference shares.</p> <p>The latest version of the Articles of Association: Garanti Investor Relations website Home &gt; Corporate Governance &gt; Articles of Association</p> <p>Disclosures: Garanti Investor Relations website Home &gt; News &gt; Disclosures</p> <p>Financial Reports and Annual Reports: Garanti Investor Relations website Home &gt; Library</p> <p>Prospectuses and other public disclosure documents: Garanti Investor Relations website Home &gt; News &gt; Disclosures</p> <p>General meeting documents: Garanti Investor Relations website Home &gt; Corporate Governance &gt; Annual General Meetings</p> <p>Dividend distribution policy: Garanti Investor Relations website Home &gt; Corporate Governance &gt; Policies &gt; Dividend Distribution Policy</p> <p>Disclosure policy: Garanti Investor Relations website Home &gt; Corporate Governance &gt; Policies &gt; Disclosure Policy</p> <p>Ethical rules created by the company: Garanti Investor Relations website Home &gt; Corporate Governance &gt; Policies &gt; Garanti Code of Ethics</p> <p>Frequently asked questions: Garanti Investor Relations website Home &gt; FAQ</p>
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares	<p><a href="https://www.garantiinvestorrelations.com/en/about-garanti/detail/Shareholding-Structure/7/16/0">https://www.garantiinvestorrelations.com/en/about-garanti/detail/Shareholding-Structure/7/16/0</a></p>
List of languages for which the website is available	<p>Garanti has two different websites prepared in Turkish and English languages. These can be accessed as follows:</p> <p>The website in Turkish <a href="http://www.garanti.com.tr">www.garanti.com.tr</a></p> <p>The website in English <a href="http://www.garantibank.com">www.garantibank.com</a></p> <p>Garanti Bank Investor Relations website provides detailed information, both in Turkish and English, about data that are required to be covered in websites as per the Corporate Governance Principles and all other information about Garanti Bank and share in line with stakeholders' needs.</p> <p>Investor Relations website in Turkish: <a href="http://www.garantiyatirimciiliskileri.com">www.garantiyatirimciiliskileri.com</a></p> <p>Investor Relations website in English: <a href="http://www.garantiinvestorrelations.com">www.garantiinvestorrelations.com</a></p>
2.2. ANNUAL REPORT	
THE PAGE NUMBERS AND/OR NAMES OF THE SECTIONS IN THE ANNUAL REPORT THAT DEMONSTRATE THE INFORMATION REQUESTED BY PRINCIPLE 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the external of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	<p>Section: Board of Directors, Page: 131</p> <p>Declaration of Independence, Page: 175</p>
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	<p>Section: Committees, Page: 138</p>
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	<p>Section: Governance, Page: 30</p>

d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in legislation which may significantly affect the activities of the corporation	Section: Important developments regarding 2018 operations, Page: 164
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Section: Important developments regarding 2018 operations, Page: 164
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Section: Service Providers, Page: 624-625
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Consolidated Financial Statements As of and For the Year Ended 31 December 2018, Section: 5.1.10.2, Page: 519
h) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Included in multiple sections: Investing in Human Capital, Responsible and Sustainable Development, Customer Experience, Pages: 114, 122, 92

### 3. STAKEHOLDERS

3.1. CORPORATION'S POLICY ON STAKEHOLDERS	REMARKS
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Garanti Investor Relations website Home > Corporate Governance > Policies > Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	192
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Garanti Bank Compliance Department (related committee: Integrity Committee)
The contact detail of the company alert mechanism	"Garanti Whistleblowing Channel" etikbildirim@garanti.com.tr 0 212 318 23 75
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	Although there are no written internal regulations, in line with the Bank's strategic priorities, in all projects and studies conducted, opportunities are created for employee's to evaluate and take part in decisions.
Corporate bodies where employees are actually represented	From amongst employees, upper and middle level managers take part in decision-making mechanisms via 25 committees. Please see the Committees section in the Annual Report for further details. In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative opinions, suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. Suggestions made through "Önersen" platform reached 1.313 in 2018, of which two proposals were awarded. Since 2007 more than 23,000 ideas have been transmitted through this channel. Additionally, through "GONG" platform, the voice of employees, 676 ideas were shared. Every year, Directors Summit and the Future Outlook Meeting are held by the General Manager and the executive team and all employees are informed on the current status of Garanti and the the strategy, goals and objectives for the next year. Within the scope of employer brand management efforts, in order to increase and provide a richer working experience Garanti runs a program called "İYİ" (Work-Life Balance) that balances work and private life. Average number of events per employee is increased from 9 in 2014, to 26 in 2018.

3.3. HUMAN RESOURCES POLICY	
The role of the Board on developing and ensuring that the company has a succession plan for the key management positions	There is a succession plan for key management positions, which is regularly followed up by the executive Board member and Executive Vice President on an annual basis.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy	Declaration of human rights and human resources policy are posted on the Investor Relations website. Related links are as follows: <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-Rights/584/1866/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-Rights/584/1866/0</a> <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Human-Resources-Policy/97/408/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Human-Resources-Policy/97/408/0</a>
Whether the company provides an employee stock ownership program	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resources policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy	The Human Resources Policy and Code of Conduct are posted on the Investor Relations website. Related links are as follows: <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Human-Resources-Policy/97/408/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Human-Resources-Policy/97/408/0</a> <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Code-of-Conduct/94/405/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Code-of-Conduct/94/405/0</a>
The number of definitive convictions the company is subject to in relation to health and safety measures	Garanti repositioned its Occupational Health and Safety (OHS) team set up under the Human Resources Department in 2013 as the OHS Section in 2015. OHS activities are carried out across the country with a team of 41 people covering Occupational Safety Experts, On-Site Physicians and On-Site Nurses. Authoring a first among financial service institutions of a similar size in Turkey, Garanti launched the OHS software in all of its locations. The Bank uses the platform to keep track of various activities including risk assessment, health monitoring, training programs, OHS Committees, near misses, work place accidents, review of occupational illness processes, and coordination and control of countermeasures. Going well beyond the requirements brought by the national legislation in its Occupational Health and Safety practices and activities, Garanti Bank initiated work in relation to OHSAS 45001 Occupational Health and Safety Management System that will replace OHSAS 18001, and these efforts are intended to enhance employee and stakeholder satisfaction and well-being. There is no final court decision rendered against the company in relation to health and safety measures in 2018.
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY	
The name of the section on the corporate website that demonstrates the code of ethics	Garanti Investors Relations website Home > Corporate Governance > Policies > Garanti Code of Conduct
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide information about any measures taken on environmental, social and corporate governance issues.	Garanti publishes integrated annual reports; hence, the Bank does not release a separate sustainability or corporate social responsibility report. The Bank discloses its entire value creation, both financial and non-financial, within the frame of materiality analysis, its strategic priorities, and its performance in these aspects. Addressed in a comprehensive scope extending from customer experience to employee satisfaction, from digital transformation to responsible and sustainable development, these topics, along with the information on risk management and corporate governance can be found in the integrated annual report. Garanti Investor Relations website Home > Library > Publications & Reports > Annual Reports
Any measures combating any kind of corruption including embezzlement and bribery	Garanti's Anti-Corruption Policy sets out the actions that need to be taken to prevent and determine across the Bank cases posing corruption risk, and to encourage reporting thereof.

#### 4. BOARD OF DIRECTORS - I

4.2. ACTIVITY OF THE BOARD OF DIRECTORS	REMARKS / RELATED LINKS
Date of the last board evaluation conducted	In its meeting on 27 February 2018, the Corporate Governance Committee that also functions as the Nomination Committee in line with the applicable legislation evaluated the composition and activities of the Board of Directors to be adequate and compliant with the legislation. The Board of Directors has been informed on the same during the Board of Directors meeting held on March 1 <sup>st</sup> .
Whether the board evaluation was externally facilitated	Hayır
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Based on the Bank's Board of Directors decision dated 29 March 2018, it has been decided to reassign Muammer Cüneyt Sezgin as the Board director in charge of the duties and responsibilities within the scope of internal systems, save for "Risk Management" duties that have been delegated to the Risk Committee as per the applicable legislation, which will be based on the Audit Committee's opinions, suggestions, assessments and the like.
Number of reports presented by internal auditors to the audit committee or any other relevant committee of the board	7
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Section: Internal Systems Governance, Page: 150
Name of the Chairman	Süleyman Sözen
Name of the CEO	Ali Fuat Erbil
If the CEO and Chair functions are combined, provide the link to the relevant PDP announcement providing the rationale for such combined roles	The roles of the Chairman and CEO are undertaken by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the Board of Directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	<a href="https://www.kap.org.tr/en/Bildirim/664849">https://www.kap.org.tr/en/Bildirim/664849</a> The Bank's paid-in capital is TL 4.2 billion, and a Directors and Officers Liability cover for EUR 100,000 has been obtained for the individual liabilities of Executives and Board directors associated with improper performance of their duties.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	There is 1 woman member who represents 10% of the full number of members.



NAME/SURNAME OF BOARD MEMBER	WHETHER EXECUTIVE DIRECTOR OR NOT	WHETHER INDEPENDENT DIRECTOR OR NOT	THE FIRST ELECTION DATE TO BOARD	LINK TO PDP NOTIFICATION THAT INCLUDES THE INDEPENDENCY DECLARATION	WHETHER THE INDEPENDENT DIRECTOR CONSIDERED BY THE NOMINATION COMMITTEE	WHETHER SHE/HE IS THE DIRECTOR WHO CEASED TO SATISFY THE INDEPENDENCE OR NOT	WHETHER THE DIRECTOR HAS AT LEAST 5 YEARS' EXPERIENCE ON AUDIT, ACCOUNTING AND/OR FINANCE OR NOT
Süleyman Sözen	No	No	1997	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>			Yes
Jorge Sáenz-Azcúnaga Carranza	No	Yes	24.Mar.16	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>	No	No	Yes
Ergun Özen	No	No	14.May.03	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>			Yes
Dr. M. Cüneyt Sezgin	No	No	30.Jun.04	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>			Yes
Sema Yurdum	No	Yes	30.Apr.13	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>	Yes	No	Yes
Jaime Saenz De Tejada Pulido	No	No	2.Oct.14	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>			Yes
Javier Bernal Dionis	No	No	27.Jul.15	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>			Yes
Ali Fuat Erbil	Yes	No	2.Sep.15	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>			Yes
Rafael Salinas Martinez de Lecea	No	No	8.May.17	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>			Yes
Ricardo Gomez Barredo	No	Yes	8.May.17	<a href="https://www.kap.org.tr/tr/Bildirim/671890">https://www.kap.org.tr/tr/Bildirim/671890</a>	No	No	Yes

#### 4. BOARD OF DIRECTORS - II

4.4. MEETING PROCEDURES OF THE BOARD OF DIRECTORS	REMARKS / RELATED LINKS
Number of physical board meetings in the reporting period (meetings in person)	The Board held 14 physical meetings in 2018.
Director average attendance rate at board meetings	70%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	4-5 days on average.
The name of the section on the corporate website that provides information about the board charter	Garanti Investor Relations website Home > Corporate Governance > Policies> Working principles and procedures of the BoD
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	The limits set by the banking legislation are complied with.

4.5. BOARD COMMITTEES	
Page numbers or section names of the annual report where information about the board committees are presented	Section: Committees, Page: 138-139
Link(s) to the PDP announcement(s) with the board committee charters	<p><a href="https://www.kap.org.tr/en/Bildirim/664849">https://www.kap.org.tr/en/Bildirim/664849</a></p> <p>While a PDP disclosure link is unavailable for the announcement pertaining to operating principles, the responsibilities of the committees are described on pages 138-139 of the Annual Report.</p>

NAMES OF THE BOARD COMMITTEES	NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN	NAME-SURNAME OF COMMITTEE MEMBERS	WHETHER COMMITTEE CHAIR OR NOT	WHETHER BOARD MEMBER OR NOT
Corporate Governance Committee (including the functions of Nomination Committee)		Javier Bernal Dionis, Jorge Saenz Azcunaga Carranza, Sema Yurdum, Handan Saygin	Jorge Saenz Azcunaga Carranza	Except for Handan Saygin, all members are members of the Board of Directors.

#### 4. BOARD OF DIRECTORS - III

4.5. BOARD COMMITTEES - II			REMARKS / RELATED LINKS		
Specify where the activities of the Audit Committee are presented in your annual report or website (Page number or section name in the annual report/website)			Page 138 <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Audit-Committee/778/3219/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Audit-Committee/778/3219/0</a>		
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)			Pages 139 <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Corporate-Governance-Committee/84/397/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Corporate-Governance-Committee/84/397/0</a>		
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)			Pages 139 <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Corporate-Governance-Committee/84/397/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Corporate-Governance-Committee/84/397/0</a>		
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)			For information on Credit and Risk Committees within the frame of banking legislation: Pages 138,140		
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)			Page 139 <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Remuneration-Committee/83/396/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Remuneration-Committee/83/396/0</a>		
4.6. FINANCIAL RIGHTS					
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)			Section: Financial Performance, Page: 80-81		
Specify the section of the website where remuneration policy for executive and non-executive directors are presented			The Compensation Policy has been published within the policies under the heading Corporate Governance on Investor Relations website. Related link: <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/Compensation-Policy/Compensation-Policy/100/411/0">https://www.garantiinvestorrelations.com/en/corporate-governance/Compensation-Policy/Compensation-Policy/100/411/0</a>		
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)			Section: Corporate Governance Compliance Report > Remuneration, Page: 176,177		
NAMES OF THE BOARD COMMITTEES	NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN	THE PERCENTAGE OF NON-EXECUTIVE DIRECTORS	THE PERCENTAGE OF INDEPENDENT DIRECTORS IN THE COMMITTEE	THE NUMBER OF COMMITTEE MEETINGS HELD IN PERSON	THE NUMBER OF REPORTS ON ITS ACTIVITIES SUBMITTED TO THE BOARD
Corporate Governance Committee (including the functions of Nomination Committee)		75%	50%	3	2

# GARANTI BANK'S RATINGS

Garanti Bank is rated by Fitch Ratings, Moody's, Standard & Poors and JCR Eurasia. The Long Term LC and FC ratings of Garanti Bank assigned by JCR Eurasia Ratings represent investment grade.

Garanti Bank is included in the Borsa Istanbul (BIST) Corporate Governance Index by achieving an overall corporate governance score of 9.60 assigned by JCR Eurasia Ratings for its superior compliance with Capital Markets Board Corporate Governance Principles.

## CORPORATE GOVERNANCE RATING

*JCR Eurasia Ratings (Outlook: Positive)*

Overall Compliance Score: 9.60

SECTIONS	WEIGHT	SCORE
Shareholders	25%	9.22
Disclosure and Transparency	25%	9.67
Stakeholders	15%	9.72
Board of Directors	35%	9.76



For detailed information on Garanti Bank's ratings, their definitions, rating and outlook actions, please refer to Garanti Investor Relations website ratings section.

## CREDIT RATINGS

### FITCH RATINGS (OCTOBER 1, 2018)

*(Outlook: Negative)*

Long Term FC	<b>BB-</b>
Long Term LC	<b>BB</b>

### MOODY'S (SEP 26, 2018)

*(Outlook: Negative)*

Long Term FC Deposits	<b>B2</b>
Long Term LC Deposits	<b>B1</b>

### S&P GLOBAL RATINGS (AUGUST 17, 2018)

*(Outlook: Stable)*

Long Term FC	<b>B+</b>
Long Term LC	<b>B+</b>

### JCR EURASIA RATINGS (AUGUST 17, 2018)

*(Outlook: Negative)*

Long Term International FC	<b>BBB</b>
Long Term International LC	<b>BBB+</b>

# PROFIT DISTRIBUTION

We propose our esteemed shareholders the profit of TL 6,638,235,755.02, which is generated in the 73<sup>rd</sup> fiscal year of the Bank, to be distributed as detailed in the table below in accordance with the "Article 45 - Distribution of the Profit" of the Articles of Association of the Bank and the Head Office to be authorized to conduct the operations regarding the issue.

Sincerely,  
Board of Directors

## 2018 DISTRIBUTION OF THE PROFIT TABLE

(Turkish Liras)

<b>NET PROFIT</b>	<b>6,638,235,755.02</b>
A - 5% for the 1 <sup>st</sup> Legal Reserve Fund (TCC 519/1)	0.00
<b>B - FIRST DIVIDEND CORRESPONDING TO THE 5% OF THE PAID UP CAPITAL</b>	<b>0.00</b>
C - 5% Extraordinary Reserve Fund	331,911,787.75
<b>D- SECOND DIVIDEND TO ORDINARY SHAREHOLDERS</b>	<b>0.00</b>
2 <sup>nd</sup> Legal Reserve Fund (TCC 519/2)	0.00
The other funds have to be kept in the Bank (CIT 5/1/e)	6,416,192.13
D - Extraordinary Reserve Fund	6,299,907,775.14

## INFORMATION ON DIVIDEND PAYOUT RATIO

GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE (NOMINAL VALUE: 1TL)	
	Cash (TL)	Bonus Share (TL)	Ratio (%)	Amount (TL)	Ratio (%)
GROSS	-	-	-	-	-
NET	-	-	-	-	-



## **CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH**

To the Shareholders of Türkiye Garanti Bankası Anonim Şirketi

### **QUALIFIED OPINION**

We have audited the annual report of Türkiye Garanti Bankası Anonim Şirketi (the "Bank") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set consolidated and unconsolidated financial statements for this period.

In our opinion, except for the effects of the matter described in the Basis For Qualified Opinion section of our report, the consolidated and unconsolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated and unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

### **BASIS FOR QUALIFIED OPINION**

As described in the Basis For Qualified Opinion section of Independent Auditor's Report on the complete set of audited consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 dated 31 January 2019; the complete set of consolidated and unconsolidated financial statements of the Bank as at 31 December 2018 include a general provision of total of TL 2,250,000 thousands, of which TL 1,090,000 thousands was recognised as expense in the current period and TL 1,160,000 thousands had been recognised as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions.

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

### **AUDITOR'S OPINION ON COMPLETE SET OF CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS**

We have expressed qualified opinions on the complete set of consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2018 and 31 December 2018 on 31 January 2019.

### **BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT**

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official

Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

- a) The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated and unconsolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated and unconsolidated financial statements. The annual report shall also clearly indicate the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- c) The annual report also includes the matters below:
  - Significant events occurred in the Company after the reporting period,
  - The Bank's research and development activities.
  - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.


When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

#### **AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT**

Our objective is to express an opinion on whether the consolidated and unconsolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the audited consolidated and unconsolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion .

We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated and unconsolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the consolidated and unconsolidated financial statements and the information obtained during the audit and provides a fair presentation.

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



Alper Güvenc, SMMM  
Partner

4 March 2019  
İstanbul, Turkey

## INDEPENDENT LIMITED ASSURANCE REPORT

To the Board of Directors of T. Garanti Bankası A.Ş.

We were engaged by T. Garanti Bankası A.Ş. (hereinafter “Company” or “Garanti”) to provide limited assurance on the “Selected Information” contained as defined in Appendix A.1 of the Integrated Annual Report (hereinafter “the Report”) for the year ended 31 December 2018.

The scope of our assurance is limited to the Selected Information listed below:

- Total Yearly GHG Emissions in tCO<sub>2</sub>e reported under scope 1 and 2 of the GHG Protocol
- GHG Emissions Intensity in the reporting period
- Annual percentage change in GHG Emissions Intensity
- Total Yearly GHG emissions from business air travel – Scope 3 & Air Travel in Kilometres
- Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti (HPP, WPP, SPP)
- Total Yearly Energy Consumption by Source
- Total Yearly Water Consumption by Source
- Total Yearly Waste Generated (Recycled, Hazardous)
- Environmental & Social Impact Assessment Process related to projects financed by Garanti:
  - Number of assessed projects in 2018
  - Number of rejected projects in 2018
  - Risk rating of the assessed projects in 2018
  - Number of project site visits conducted during 2018
- Renewable energy portfolio:
  - Amount of investments in renewable energy projects by type in the reporting period
  - Installed capacity of renewable energy projects by type in the reporting period
  - Garanti’s market share of operational installed wind capacity in Turkey in the reporting period
- Materiality Analysis
- Sustainability Governance
- Total monetary amount of community investments in the reporting period
- Cardless Transactions from Garanti ATMs:
  - Total number of cardless transactions from Garanti ATMs in the reporting period
  - Total volume of cardless transactions from Garanti ATMs in the reporting period
- Women employee ratio:
  - Senior+Middle Management
  - Total Women Employees
- Number of maternity leaves
- Number of paternity leaves
- Ratio of women employees returning to work after maternity leave
- Number of employees registered the Gender Equality trainings
- Number of employees completed the Female Leadership trainings
- Absentee Rate





## MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the preparation and presentation of the Report for the Selected Information in accordance with the Garanti's internally developed criteria as described in Appendix A.1 of the Report, and the information and assertions contained within it; for determining the Garanti's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that Garanti complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

## OUR RESPONSIBILITIES

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

## PROCEDURES PERFORMED

A limited assurance engagement on a Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries of management to gain an understanding of Garanti's processes for determining the material issues for Garanti's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information.
- Comparing the information presented in the Selected Information to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Selected Information.



- Reading the information presented in the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Garanti.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.

#### **INHERENT LIMITATIONS**

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

#### **CONCLUSION**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information as defined in Appendix A.1 of the Report of Garanti for the year ended 31 December 2018 is not presented, in all material respects, in accordance with the Garanti's internally developed reporting criteria as explained in Appendix A.1 of the Report.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for Garanti in connect with reporting to Garanti and for no other purpose or in any other context.

#### **RESTRICTION OF USE OF OUR REPORT**

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Garanti, for any purpose or in any other context. Any party other than Garanti who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Garanti for our work, for this independent limited assurance report, or for the conclusions we have reached.

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

Şirin Soysal,  
Partner

İstanbul, 4 March 2019

# STATEMENT OF RESPONSIBILITY

## STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s year-end Annual Report for the period 01.01.2018 - 31.12.2018, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, has been examined by us;

- Based on our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report does not contain any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,
- Based on our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report honestly reflects the progress and performance of the business and the Bank's financial position with significant risks and uncertainties.

Sincerely,



**ALİFUAT  
ERBİL**

*General Manager*



**AYDIN GÜLER**  
*Executive Vice  
President*



**JORGE SAENZ-  
AZCUNAGA CARRANZA**  
*Audit Committee  
Member*



**RICARDO GOMEZ  
BARREDO**  
*Audit Committee  
Member*



**BELKİS SEMA  
YURDUM**  
*Audit Committee  
Member*

## STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report for the period 01.01.2018 - 31.12.2018, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, have been examined by us;

- Based on our duties and responsibilities in the Bank and the information we have, we declare that Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report do not contain any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,
- Based on our duties and responsibilities in the Bank and the information we have, we declare that Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report honestly reflect the truth relating to the Bank's assets, liabilities, financial position, profits and losses.

Sincerely,



**ALİFUAT  
ERBİL**

*General Manager*



**AYDIN GÜLER**  
*Executive Vice  
President*



**JORGE SAENZ-  
AZCUNAGA CARRANZA**  
*Audit Committee  
Member*



**RICARDO GOMEZ  
BARREDO**  
*Audit Committee  
Member*



**BELKİS SEMA  
YURDUM**  
*Audit Committee  
Member*

# **FINANCIAL REPORTS**

# UNCONSOLIDATED FINANCIAL STATEMENTS

Türkiye Garanti Bankası Anonim Şirketi

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

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



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## INDEPENDENT AUDITORS' REPORT

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

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

### A) REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

#### Qualified Opinion

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

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

#### Basis for Qualified Opinion

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

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

#### Key Audit Matters

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

#### Impairment of loans measured at amortised cost

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



KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
<p>As of 31 December 2018, loans measured at amortised cost comprise 61% of the Bank's total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2018, due to the adoption of the Regulation and Standard, in determining the impairment of loans it is started to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none"> <li>• significant increase in credit risk;</li> <li>• incorporating the forward looking macroeconomic information in calculation of credit risk; and</li> <li>• design and implementation of expected credit loss model.</li> </ul> <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.</li> <li>• We evaluated the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.</li> <li>• We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard.</li> <li>• We evaluated the Banks's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.</li> <li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.</li> <li>• We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis.</li> <li>• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation.</li> <li>• The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.</li> <li>• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li> <li>• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.</li> <li>• Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.</li> </ul>

**Classification and measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)**

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

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

**Pension Plan**

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



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

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

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

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

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

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

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## **B) REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

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

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

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



31 January 2019  
İstanbul, Turkey

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

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

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

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

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

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



**SÜLEYMAN SÖZEN**  
Board of Directors  
Chairman



**ALI FUAT ERBİL**  
General Manager



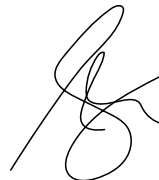
**AYDIN GÜLER**  
Executive Vice  
President Responsible  
of Financial Reporting



**HAKAN ÖZDEMİR**  
Financial Reporting and  
Accounting Director



**JORGE SAENZ - AZCUNAGA  
CARRANZA**  
Audit Committee Member



**RICARDO GOMEZ  
BARREDO**  
Audit Committee Member



**BELKIS 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: (0212) 318 23 50  
Fax No: (0212) 216 59 02

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## 1 GENERAL INFORMATION

### 1.1 HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

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

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

The Bank provides banking services through 926 domestic branches, eight foreign branches and two representative offices abroad (31 December 2017: 937 domestic branches, eight foreign branches and three representative offices). The Bank's head office is located in Istanbul.

### 1.2 BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON BANK'S RISK GROUP

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

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 thousands representing 18.60% ownership, and 26.418.840.000 shares of the Bank owned by Doğu 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 Doğu Holding AŞ (the Doğu Group).

Subsequently, on 7 April 2011, BBVA had acquired 503.160.000 shares at a nominal value of TL 5,032 thousands and increased its ownership in the Bank's share capital to 25.01%. Accordingly, BBVA and the Doğu Group continued to have mutual control on the Bank's management.

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

As of balance sheet date, the Doğu 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.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

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## 1.3 INFORMATION ON THE BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR RESPONSIBILITIES AND SHAREHOLDINGS IN THE BANK

### BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Süleyman Sözen	Chairman	29.05.1997	University	38 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	26 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	26 years
Sait Ergun Özen	Member	14.05.2003	University	32 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	33 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	27 years
Javier Bernal Dionis	Member	27.07.2015	Master	29 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	28 years
Belkis Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	38 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	31 years

### CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Ali Fuat Erbil	CEO	02.09.2015	PhD	26 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	27 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	27 years
Betül Ebru Edin	EVP-Corporate and Investment Banking	25.11.2009	University	25 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	24 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	28 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	26 years
Aydın Güler	EVP-Asset /Liability Management, Capital, Investor Relations and Finance	03.02.2016	University	28 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	28 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	19 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	28 years

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

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## 1.4 INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS

NAME / COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

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

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

## 1.5 SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES

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

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

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

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

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

## 1.6 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE BANK AND ITS SUBSIDIARIES

None.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position) At 31 December 2018

Convenience Translation  
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## 2 UNCONSOLIDATED FINANCIAL STATEMENTS

		THOUSANDS OF TURKISH LIRA (TL)		
ASSETS		CURRENT PERIOD 31 DECEMBER 2018		
	FOOTNOTES	TL	FC	TOTAL
<b>I. FINANCIAL ASSETS (Net)</b>		<b>43,000,446</b>	<b>72,891,638</b>	<b>115,892,084</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>3,215,269</b>	<b>59,585,658</b>	<b>62,800,927</b>
1.1.1 Cash and Balances with Central Bank	5.1.1	2,815,820	38,550,627	41,366,447
1.1.2 Banks	5.1.3	399,233	21,035,031	21,434,264
1.1.3 Money Market Placements		216	-	216
<b>1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)</b>	5.1.2	<b>183,255</b>	<b>180,220</b>	<b>363,475</b>
1.2.1 Government Securities		151,143	83,426	234,569
1.2.2 Equity Securities		25,670	85,842	111,512
1.2.3 Other Financial Assets		6,442	10,952	17,394
<b>1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)</b>	5.1.4	<b>18,254,325</b>	<b>5,213,456</b>	<b>23,467,781</b>
1.3.1 Government Securities		18,174,639	4,116,609	22,291,248
1.3.2 Equity Securities		15,058	210,087	225,145
1.3.3 Other Financial Assets		64,628	886,760	951,388
<b>1.4 Financial Assets Measured at Amortised Cost</b>	5.1.7	<b>18,565,890</b>	<b>6,866,393</b>	<b>25,432,283</b>
1.4.1 Government Securities		18,532,126	6,053,663	24,585,789
1.4.2 Other Financial Assets		33,764	812,730	846,494
<b>1.5 Derivative Financial Assets</b>		<b>2,825,676</b>	<b>1,126,258</b>	<b>3,951,934</b>
1.5.1 Derivative Financial Assets Measured at FVTPL		2,304,179	945,016	3,249,195
1.5.2 Derivative Financial Assets Measured at FVOCI		521,497	181,242	702,739
<b>1.6 Non Performing Financial Assets</b>		-	-	-
<b>1.7 Expected Credit Losses (-)</b>	5.1.5	<b>43,969</b>	<b>80,347</b>	<b>124,316</b>
<b>II. LOANS (Net)</b>		<b>144,829,673</b>	<b>78,458,249</b>	<b>223,287,922</b>
<b>2.1 Krediler</b>	5.1.6	<b>144,987,057</b>	<b>78,298,495</b>	<b>223,285,552</b>
2.1.1 Loans		144,987,057	74,217,334	219,204,391
2.1.2 Loans Measured at Amortised Cost		-	4,081,161	4,081,161
2.1.3 Loans Measured at FVTPL		-	-	-
<b>2.2 Lease Receivables</b>		-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operational Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
<b>2.3 Factoring Receivables</b>		-	-	-
2.3.1 Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2 Factoring Receivables Measured at FVTPL		-	-	-
2.3.3 Factoring Receivables Measured at FVOCI		-	-	-
<b>2.4 Non Performing Receivables</b>		<b>7,271,768</b>	<b>4,135,305</b>	<b>11,407,073</b>
<b>2.5 Expected Credit Losses (-)</b>		<b>7,429,152</b>	<b>3,975,551</b>	<b>11,404,703</b>
2.5.1 12-Month ECL (Stage 1)		631,579	137,506	769,085
2.5.2 Lifetime ECL Significant Increase in Credit Risk (Stage 2)		1,706,488	2,152,282	3,858,770
2.5.3 Lifetime ECL Impaired Credits (Stage 3)		5,091,085	1,685,763	6,776,848
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.1.17	<b>786,709</b>	-	<b>786,709</b>
3.1 Asset Held for Resale		786,709	-	786,709
3.2 Assets of Discontinued Operations		-	-	-
<b>IV. OWNERSHIP INVESTMENTS (Net)</b>		<b>2,176,289</b>	<b>4,883,620</b>	<b>7,059,909</b>
<b>4.1 Associates (Net)</b>	5.1.8	<b>35,158</b>	-	<b>35,158</b>
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated Associates		35,158	-	35,158
<b>4.2 Subsidiaries (Net)</b>	5.1.9	<b>2,141,131</b>	<b>4,883,620</b>	<b>7,024,751</b>
4.2.1 Unconsolidated Financial Investments in Subsidiaries		2,057,591	4,883,620	6,941,211
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		83,540	-	83,540
<b>4.3 Joint Ventures (Net)</b>	5.1.10	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	5.1.13	<b>4,105,729</b>	<b>300</b>	<b>4,106,029</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	5.1.14	<b>300,551</b>	-	<b>300,551</b>
6.1 Goodwill		-	-	-
6.2 Others		300,551	-	300,551
<b>VII. INVESTMENT PROPERTY (Net)</b>	5.1.15	<b>690,700</b>	-	<b>690,700</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>60,043</b>	-	<b>60,043</b>
<b>IX. DEFERRED TAX ASSET</b>	5.1.16	<b>1,305,446</b>	-	<b>1,305,446</b>
<b>X. OTHER ASSETS</b>	5.1.18	<b>4,854,484</b>	<b>1,133,325</b>	<b>5,987,809</b>
<b>TOTAL ASSETS</b>		<b>202,110,070</b>	<b>157,367,132</b>	<b>359,477,202</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position) At 31 December 2018

Convenience Translation  
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THOUSANDS OF TURKISH LIRA (TL)					
LIABILITIES AND SHAREHOLDERS' EQUITY		FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2018		
			TL	TL	TOTAL
<b>I.</b>	<b>DEPOSITS</b>	5.3.1	<b>104,641,068</b>	<b>113,416,850</b>	<b>218,057,918</b>
<b>II.</b>	<b>FUNDS BORROWED</b>	5.3.3	<b>914,443</b>	<b>31,026,239</b>	<b>31,940,682</b>
<b>III.</b>	<b>MONEY MARKET FUNDS</b>		<b>45,416</b>	-	<b>45,416</b>
<b>IV.</b>	<b>SECURITIES ISSUED (NET)</b>	5.3.4.1	<b>3,200,841</b>	<b>16,806,517</b>	<b>20,007,358</b>
4.1	Bills		1,128,901	27,087	1,155,988
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		2,071,940	16,779,430	18,851,370
<b>V.</b>	<b>FUNDS</b>		-	-	-
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
<b>VI.</b>	<b>FINANCIAL LIABILITIES MEASURED AT FVTPL</b>	5.3.4.3	-	<b>12,285,838</b>	<b>12,285,838</b>
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		<b>2,402,287</b>	<b>1,801,765</b>	<b>4,204,052</b>
7.1	Derivative Financial Liabilities Measured at FVTPL		2,288,704	1,789,390	4,078,094
7.2	Derivative Financial Liabilities Measured at FVOCI		113,583	12,375	125,958
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		-	-	-
<b>IX.</b>	<b>LEASE PAYABLES (Net)</b>	5.3.5	<b>16,464</b>	-	<b>16,464</b>
9.1	Financial Lease Payables		19,252	-	19,252
9.2	Operational Lease Payables		-	-	-
9.3	Others		-	-	-
9.4	Deferred Financial Lease Expenses (-)		2,788	-	2,788
<b>X.</b>	<b>PROVISIONS</b>	5.3.7	<b>3,826,730</b>	<b>993,663</b>	<b>4,820,393</b>
10.1	Restructuring Reserves		-	-	-
10.2	Reserve for Employee Benefits		940,537	110,696	1,051,233
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		2,886,193	882,967	3,769,160
<b>XI.</b>	<b>CURRENT TAX LIABILITY</b>	5.3.8	<b>508,339</b>	<b>57,628</b>	<b>565,967</b>
<b>XII.</b>	<b>DEFERRED TAX LIABILITY</b>	5.3.8	-	-	-
<b>XIII.</b>	<b>LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.3.9	-	-	-
13.1	Asset Held for Sale		-	-	-
13.2	Assets of Discontinued Operations		-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBTS</b>	5.3.10	-	<b>3,977,018</b>	<b>3,977,018</b>
14.1	Borrowings		-	-	-
14.2	Other Debt Instruments		-	3,977,018	3,977,018
<b>XV.</b>	<b>OTHER LIABILITIES</b>	5.3.4.4	<b>15,704,986</b>	<b>1,163,257</b>	<b>16,868,243</b>
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	5.3.11	<b>46,363,042</b>	<b>324,811</b>	<b>46,687,853</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		1,273,518	90,909	1,364,427
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		1,271,073	(76,540)	1,194,533
16.5	Profit Reserves		31,798,472	310,442	32,108,914
16.5.1	Legal Reserves		1,465,374	-	1,465,374
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		30,103,954	-	30,103,954
16.5.4	Other Profit Reserves		229,144	310,442	539,586
16.6	Profit/Loss		7,035,545	-	7,035,545
16.6.1	Prior Periods' Profit/Loss		397,309	-	397,309
16.6.2	Current Period's Net Profit/Loss		6,638,236	-	6,638,236
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>177,623,616</b>	<b>181,853,586</b>	<b>359,477,202</b>

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



# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Off-Balance Sheet Items At 31 December 2018

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

## OFF-BALANCE SHEET ITEMS

	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL)		
		CURRENT PERIOD 31 DECEMBER 2018		
		TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>162,159,415</b>	<b>312,705,642</b>	<b>474,865,057</b>
<b>I. GUARANTEES AND SURETIES</b>	5.5.1	<b>22,813,515</b>	<b>42,989,474</b>	<b>65,802,989</b>
1.1. Letters of guarantee		22,742,832	26,424,630	49,167,462
1.1.1. Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2. Guarantees given for foreign trade operations		1,842,819	214,343	2,057,162
1.1.3. Other letters of guarantee		20,900,013	25,228,373	46,128,386
1.2. Bank acceptances		23,495	2,765,334	2,788,829
1.2.1. Import letter of acceptance		23,495	2,765,334	2,788,829
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		47,188	13,736,240	13,783,428
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		47,188	13,736,240	13,783,428
1.4. Guaranteed prefinancings		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other endorsements		-	-	-
1.6. Underwriting commitments		-	-	-
1.7. Factoring related guarantees		-	-	-
1.8. Other guarantees		-	63,270	63,270
1.9. Other sureties		-	-	-
<b>II. COMMITMENTS</b>	5.5.1	<b>52,647,137</b>	<b>11,735,504</b>	<b>64,382,641</b>
2.1. Irrevocable commitments		52,528,332	8,693,452	61,221,784
2.1.1. Asset purchase and sale commitments		4,333,078	7,478,919	11,811,997
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	5,743	5,743
2.1.4. Loan granting commitments		13,412,427	1,208,790	14,621,217
2.1.5. Securities issuance brokerage commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Commitments for cheque payments		2,719,279	-	2,719,279
2.1.8. Tax and fund obligations on export commitments		66,328	-	66,328
2.1.9. Commitments for credit card limits		31,989,908	-	31,989,908
2.1.10. Commitments for credit cards and banking services related promotions		7,312	-	7,312
2.1.11. Receivables from "short" sale commitments on securities		-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-
2.1.13. Other irrevocable commitments		-	-	-
2.2. Revocable commitments		118,805	3,042,052	3,160,857
2.2.1. Revocable loan granting commitments		118,805	3,040,576	3,159,381
2.2.2. Other revocable commitments		-	1,476	1,476
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.5.2	<b>86,698,763</b>	<b>257,980,664</b>	<b>344,679,427</b>
3.1. Derivative financial instruments held for risk management		11,918,326	46,555,011	58,473,337
3.1.1. Fair value hedges		6,000,686	16,411,355	22,412,041
3.1.2. Cash flow hedges		5,917,640	30,143,656	36,061,296
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		74,780,437	211,425,653	286,206,090
3.2.1. Forward foreign currency purchases/sales		11,612,734	13,094,791	24,707,525
3.2.1.1. Forward foreign currency purchases		4,785,365	7,470,638	12,256,003
3.2.1.2. Forward foreign currency sales		6,827,369	5,624,153	12,451,522
3.2.2. Currency and interest rate swaps		45,314,567	147,510,879	192,825,446
3.2.2.1. Currency swaps-purchases		10,335,927	58,804,841	69,140,768
3.2.2.2. Currency swaps-sales		33,563,046	31,725,340	65,288,386
3.2.2.3. Interest rate swaps-purchases		707,797	28,490,349	29,198,146
3.2.2.4. Interest rate swaps-sales		707,797	28,490,349	29,198,146
3.2.3. Currency, interest rate and security options		17,067,638	31,573,332	48,640,970
3.2.3.1. Currency call options		9,026,514	7,809,989	16,836,503
3.2.3.2. Currency put options		8,041,124	10,288,110	18,329,234
3.2.3.3. Interest rate call options		-	11,920,994	11,920,994
3.2.3.4. Interest rate put options		-	1,554,239	1,554,239
3.2.3.5. Security call options		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		785,498	923,754	1,709,252
3.2.4.1. Currency futures-purchases		31,748	791,418	823,166
3.2.4.2. Currency futures-sales		753,750	132,336	886,086
3.2.5. Interest rate futures		-	18,066	18,066
3.2.5.1. Interest rate futures-purchases		-	-	-
3.2.5.2. Interest rate futures-sales		-	18,066	18,066
3.2.6. Others		-	18,304,831	18,304,831
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>716,032,012</b>	<b>729,102,775</b>	<b>1,445,134,787</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>34,633,151</b>	<b>44,578,085</b>	<b>79,211,236</b>
4.1. Customers' securities held		3,982,523	-	3,982,523
4.2. Investment securities held in custody		11,117,076	15,329,484	26,446,560
4.3. Checks received for collection		16,479,946	5,246,790	21,726,736
4.4. Commercial notes received for collection		2,819,574	1,015,696	3,835,270
4.5. Other assets received for collection		189,845	19,205,507	19,395,352
4.6. Assets received through public offering		-	128,789	128,789
4.7. Other items under custody		44,187	3,651,819	3,696,006
4.8. Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>681,398,861</b>	<b>684,524,690</b>	<b>1,365,923,551</b>
5.1. Securities		2,341,155	27,885	2,369,040
5.2. Guarantee notes		27,120,291	11,296,710	38,417,001
5.3. Commodities		13,913	-	13,913
5.4. Warranties		-	-	-
5.5. Real estates		169,414,525	123,196,216	292,610,741
5.6. Other pledged items		482,508,977	550,003,792	1,032,512,769
5.7. Pledged items-depository		-	87	87
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>878,191,427</b>	<b>1,041,808,417</b>	<b>1,919,999,844</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit or Loss For The Year Ended 31 December 2018

Convenience Translation  
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INCOME AND EXPENSE ITEMS		FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 JANUARY 2018- 31 DECEMBER 2018
<b>I.</b>	<b>INTEREST INCOME</b>	5.7.1	<b>38,713,573</b>
1.1	Interest income on loans		29,199,811
1.2	Interest income on reserve deposits		321,661
1.3	Interest income on banks		482,871
1.4	Interest income on money market transactions		34,865
1.5	Interest income on securities portfolio		8,214,272
1.5.1	Financial assets measured at FVTPL		63,331
1.5.2	Financial assets measured at FVOCI		4,063,507
1.5.3	Financial assets measured at amortised cost		4,087,434
1.6	Financial lease income		-
1.7	Other interest income		460,093
<b>II.</b>	<b>INTEREST EXPENSE</b>	5.7.2	<b>19,603,368</b>
2.1	Interest on deposits		14,697,257
2.2	Interest on funds borrowed		1,810,581
2.3	Interest on money market transactions		1,005,838
2.4	Interest on securities issued		2,021,513
2.5	Other interest expenses		68,179
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>19,110,205</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>4,870,051</b>
4.1	Fees and commissions received		6,624,380
4.1.1	Non-cash loans		543,170
4.1.2	Others		6,081,210
4.2	Fees and commissions paid		1,754,329
4.2.1	Non-cash loans		1,610
4.2.2	Others		1,752,719
<b>V.</b>	<b>PERSONNEL EXPENSES (-)</b>	5.7.7	<b>3,016,170</b>
<b>VI.</b>	<b>DIVIDEND INCOME</b>	5.7.3	<b>4,960</b>
<b>VII.</b>	<b>NET TRADING INCOME/LOSSES (Net)</b>	5.7.4	<b>(1,153,149)</b>
7.1	Trading account income/losses		834,931
7.2	Income/losses from derivative financial instruments		1,170,392
7.3	Foreign exchange gains/losses		(3,158,472)
<b>VIII.</b>	<b>OTHER OPERATING INCOME</b>	5.7.5	<b>2,219,235</b>
<b>IX.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)</b>		<b>22,035,132</b>
<b>X.</b>	<b>EXPECTED CREDIT LOSSES (-)</b>	5.7.6	<b>9,882,878</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	5.7.7	<b>4,458,684</b>
<b>XII.</b>	<b>NET OPERATING PROFIT/LOSS (IX-X-XI)</b>		<b>7,693,570</b>
<b>XIII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		-
<b>XIV.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>751,691</b>
<b>XV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-
<b>XVI.</b>	<b>OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>	5.7.8	<b>8,445,261</b>
<b>XVII.</b>	<b>PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	5.7.9	<b>1,807,025</b>
17.1	Current tax charge		1,504,325
17.2	Deferred tax charge (+)		630,845
17.3	Deferred tax credit (-)		(328,145)
<b>XVIII.</b>	<b>NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)</b>	5.7.10	<b>6,638,236</b>
<b>XIX.</b>	<b>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.</b>	<b>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.</b>	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)</b>	5.7.8	-
<b>XXII.</b>	<b>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.</b>	<b>NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)</b>	5.7.10	-
<b>XXIV.</b>	<b>NET PROFIT/LOSS (XVIII+XXIII)</b>	5.7.11	<b>6,638,236</b>
	<b>Earnings per Share</b>		<b>0,01581</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 31 December 2018

Convenience Translation  
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		THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD
		1 JANUARY 2018 - 31 DECEMBER 2018
<b>PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>6,638,236</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(399,098)</b>
<b>2.1</b>	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>21,142</b>
2.1.1	Revaluation Surplus on Tangible Assets	(8,427)
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(19,796)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	45,316
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	4,049
<b>2.2</b>	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(420,240)</b>
2.2.1	Translation Differences	1,146,418
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1,342,416)
2.2.3	Gains/losses from Cash Flow Hedges	(43,498)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(528,846)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	348,102
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>6,239,138</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Changes in Shareholders' Equity For The Year Ended 31 December 2018

Convenience Translation  
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)															
	CURRENT PERIOD / 01.01.2018 - 31.12.2018	OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS		PAID-IN CAPITAL	SHARE PREMIUM	SHARE CANCELLATION PROFITS	OTHER CAPITAL RESERVES	REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	DEFINED BENEFIT PLANS' ACTUARIAL GAINS/LOSSES	OTHERS	TRANSLATION DIFFERENCES	INCOME/EXPENSES FROM VALUATION AND/OR RECLASSIFICATION OF FINANCIAL ASSETS MEASURED AT FVOCI	PROFIT RESERVES	PRIOR PERIODS' PROFIT/LOSS	CURRENT PERIOD'S NET PROFIT/LOSS	TOTAL SHAREHOLDERS' EQUITY
		OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS TO BE RECYCLED TO PROFIT OR LOSS	OTHERS													
<b>I. Balances at Beginning of Period</b>		4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	(138,997)	(350,921)	27,431,972	6,343,920	-	41,331,210	
<b>II. Correction made as per TAS 8</b>	3.28	-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542	
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542	
<b>III. Adjusted Balances at Beginning of Period (I+II)</b>	5.9	4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	254,236	(350,921)	27,431,972	6,741,229	-	42,121,752	
<b>IV. Total Comprehensive Income</b>		-	-	-	(7,584)	(15,837)	38,504	1,146,418	(1,143,581)	(423,077)	6,059	-	6,638,236	-	6,239,138	
<b>V. Capital Increase in Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital Increase from Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Capital Reserves from Inflation Adjustments to Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Convertible Bonds</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated Liabilities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Others Changes</b>		-	-	-	-	-	-	-	-	-	-	76,963	-	-	76,963	
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	4,593,920	(6,343,920)	-	(1,750,000)	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	4,592,770	(4,592,770)	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	
<b>Balances at end of the period (III+IV...+X+XI)</b>		4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	397,309	6,638,236	46,687,853	

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Cash Flows For The Year Ended 31 December 2018

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit Distribution For The Year Ended 31 December 2018

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

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 31 DECEMBER 2018
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1	CURRENT PERIOD PROFIT	8,445,261
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,807,025
1.2.1	Corporate tax (income tax)	1,807,025
1.2.2	Withholding tax	-
1.2.3	Other taxes and duties	-
<b>A. NET PROFIT FOR THE PERIOD (1.1-1.2)</b>		<b>6,638,236</b>
1.3	ACCUMULATED LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>		
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1	To owners of ordinary shares	-
1.6.2	To owners of privileged shares	-
1.6.3	To owners of redeemed shares	-
1.6.4	To profit sharing bonds	-
1.6.5	To holders of profit and loss sharing certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1	To owners of ordinary shares	-
1.9.2	To owners of privileged shares	-
1.9.3	To owners of redeemed shares	-
1.9.4	To profit sharing bonds	-
1.9.5	To holders of profit and loss sharing certificates	-
1.10	SECOND LEGAL RESERVES (-)	-
1.11	STATUS RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	-
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1	APPROPRIATED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To owners of ordinary shares	-
2.3.2	To owners of privileged shares	-
2.3.3	To owners of redeemed shares	-
2.3.4	To profit sharing bonds	-
2.3.5	To holders of profit and loss sharing certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
<b>III. EARNINGS PER SHARE (per YTL'000 face value each)</b>		
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	0,01581
3.2	TO OWNERS OF ORDINARY SHARES (%)	158,05
3.3	TO OWNERS OF PRIVILEGED SHARES	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-

(\*) Decision regarding the 2018 profit distribution will be held at General Assembly meeting.  
The accompanying notes are an integral part of these unconsolidated financial statements.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position) At 31 December 2017

Convenience Translation  
of Financial Statements  
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## 2 UNCONSOLIDATED FINANCIAL STATEMENTS

THOUSANDS OF TURKISH LIRA (TL)

ASSETS	FOOTNOTES	PRIOR PERIOD 31 DECEMBER 2017		
		TL	FC	TOTAL
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	5.2.1	<b>7,635,956</b>	<b>25,776,547</b>	<b>33,412,503</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	5.2.2	<b>2,179,906</b>	<b>470,244</b>	<b>2,650,150</b>
2.1 Financial assets held for trading		2,179,906	470,244	2,650,150
2.1.1 Government securities		785,296	16,604	801,900
2.1.2 Equity securities		28,116	-	28,116
2.1.3 Derivative financial assets held for trading		1,363,765	450,551	1,814,316
2.1.4 Other securities		2,729	3,089	5,818
2.2 Financial assets valued at fair value through profit or loss		-	-	-
2.2.1 Government securities		-	-	-
2.2.2 Equity securities		-	-	-
2.2.3 Loans	5.2.2	-	-	-
2.2.4 Other securities		-	-	-
<b>III. BANKS</b>	5.2.3	<b>205,635</b>	<b>14,112,838</b>	<b>14,318,473</b>
<b>IV. INTERBANK MONEY MARKETS</b>		-	-	-
4.1 Interbank money market placements		-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>	5.2.4	<b>22,222,532</b>	<b>522,170</b>	<b>22,744,702</b>
5.1 Equity securities		41,760	216,581	258,341
5.2 Government securities		21,912,629	231,769	22,144,398
5.3 Other securities		268,143	73,820	341,963
<b>VI. LOANS</b>	5.2.5	<b>142,937,709</b>	<b>66,742,168</b>	<b>209,679,877</b>
6.1 Performing loans		141,888,832	66,742,168	208,631,000
6.1.1 Loans to bank's risk group	5.11	747,475	2,690,988	3,438,463
6.1.2 Government securities		-	-	-
6.1.3 Others		141,141,357	64,051,180	205,192,537
6.2 Loans under follow-up		5,408,114	-	5,408,114
6.3 Specific provisions (-)		4,359,237	-	4,359,237
VII. FACTORING RECEIVABLES		-	-	-
<b>VIII. INVESTMENTS HELD-TO-MATURITY (Net)</b>	5.2.6	<b>12,900,962</b>	<b>11,984,381</b>	<b>24,885,343</b>
8.1 Government securities		12,815,088	7,417,468	20,232,556
8.2 Other securities		85,874	4,566,913	4,652,787
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	5.2.7	<b>35,158</b>	-	<b>35,158</b>
9.1 Associates consolidated under equity accounting		-	-	-
9.2 Unconsolidated associates		35,158	-	35,158
9.2.1 Financial investments in associates		31,492	-	31,492
9.2.2 Non-financial investments in associates		3,666	-	3,666
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	5.2.8	<b>2,813,701</b>	<b>3,725,770</b>	<b>6,539,471</b>
10.1 Unconsolidated financial investments in subsidiaries		2,709,329	3,725,770	6,435,099
10.2 Unconsolidated non-financial investments in subsidiaries		104,372	-	104,372
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	5.2.9	-	-	-
11.1 Joint-ventures consolidated under equity accounting		-	-	-
11.2 Unconsolidated joint-ventures		-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	5.2.10	-	-	-
12.1 Financial lease receivables		-	-	-
12.2 Operational lease receivables		-	-	-
12.3 Others		-	-	-
12.4 Unearned income (-)		-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE</b>	5.2.11	<b>535,561</b>	<b>112,714</b>	<b>648,275</b>
13.1 Fair value hedges		89,104	13,001	102,105
13.2 Cash flow hedges		446,457	99,713	546,170
13.3 Net foreign investment hedges		-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	5.2.12	<b>3,769,116</b>	<b>263</b>	<b>3,769,379</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	5.2.13	<b>285,654</b>	-	<b>285,654</b>
15.1 Goodwill		-	-	-
15.2 Other intangibles		285,654	-	285,654
<b>XVI. INVESTMENT PROPERTY (Net)</b>	5.2.14	<b>690,588</b>	-	<b>690,588</b>
<b>XVII. TAX ASSET</b>		<b>356,684</b>	-	<b>356,684</b>
17.1 Current tax asset		-	-	-
17.2 Deferred tax asset	5.2.15	356,684	-	356,684
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.2.16	<b>775,428</b>	-	<b>775,428</b>
18.1 Assets held for sale		775,428	-	775,428
18.2 Assets of discontinued operations		-	-	-
<b>XIX. OTHER ASSETS</b>	5.2.17	<b>3,513,511</b>	<b>927,078</b>	<b>4,440,589</b>
<b>TOTAL ASSETS</b>		<b>200,858,101</b>	<b>124,374,173</b>	<b>325,232,274</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position) At 31 December 2017

Convenience Translation  
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LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL)		
		PRIOR PERIOD 31 DECEMBER 2017		
		TL	TL	TOTAL
<b>I. DEPOSITS</b>	5.4.1	<b>89,230,296</b>	<b>91,885,709</b>	<b>181,116,005</b>
1.1 Deposits from bank's risk group	5.11	1,591,710	576,385	2,168,095
1.2 Others		87,638,586	91,309,324	178,947,910
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.4.2	<b>2,359,187</b>	<b>393,543</b>	<b>2,752,730</b>
<b>III. FUNDS BORROWED</b>	5.4.3	<b>742,583</b>	<b>40,062,240</b>	<b>40,804,823</b>
<b>IV. INTERBANK MONEY MARKETS</b>	5.4.4	<b>12,582,894</b>	<b>4,081,694</b>	<b>16,664,588</b>
4.1 Interbank money market takings		11,712,429	3,892,261	15,604,690
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Obligations under repurchase agreements		870,465	189,433	1,059,898
<b>V. SECURITIES ISSUED (Net)</b>	5.4.4	<b>6,960,619</b>	<b>12,330,741</b>	<b>19,291,360</b>
5.1 Bills		2,975,784	-	2,975,784
5.2 Asset backed securities		-	-	-
5.3 Bonds		3,984,835	12,330,741	16,315,576
<b>VI. FUNDS</b>		-	-	-
6.1 Borrower funds		-	-	-
6.2 Others		-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	5.4.4.3	<b>9,489,981</b>	<b>483,915</b>	<b>9,973,896</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		<b>2,124,799</b>	<b>741,751</b>	<b>2,866,550</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-
<b>X. LEASE PAYABLES (Net)</b>	5.4.5	<b>6,939</b>	-	<b>6,939</b>
10.1 Financial lease payables		7,903	-	7,903
10.2 Operational lease payables		-	-	-
10.3 Others		-	-	-
10.4 Deferred expenses (-)		964	-	964
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE</b>	5.4.6	<b>6,227</b>	<b>173,843</b>	<b>180,070</b>
11.1 Fair value hedges		6,227	171,764	177,991
11.2 Cash flow hedges		-	2,079	2,079
11.3 Net foreign investment hedges		-	-	-
<b>XII. PROVISIONS</b>	5.4.7	<b>6,054,358</b>	<b>252,296</b>	<b>6,306,654</b>
12.1 General provisions		3,597,720	-	3,597,720
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		785,778	67,039	852,817
12.4 Insurance technical provisions (Net)		-	-	-
12.5 Other provisions		1,670,860	185,257	1,856,117
<b>XIII. TAX LIABILITY</b>	5.4.8	<b>1,059,984</b>	<b>27,994</b>	<b>1,087,978</b>
13.1 Current tax liability		1,059,984	27,994	1,087,978
13.2 Deferred tax liability		-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.4.9	-	-	-
14.1 Assets held for sale		-	-	-
14.2 Assets of discontinued operations		-	-	-
<b>XV. SUBORDINATED DEBTS</b>	5.4.10	-	<b>2,849,471</b>	<b>2,849,471</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.4.11	<b>40,832,869</b>	<b>498,341</b>	<b>41,331,210</b>
16.1 Paid-in capital		4,200,000	-	4,200,000
16.2 Capital reserves		3,318,450	264,862	3,583,312
16.2.1 Share premium		11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-
16.2.3 Securities value increase fund		1,329,094	191,658	1,520,752
16.2.4 Revaluation surplus on tangible assets		1,659,472	-	1,659,472
16.2.5 Revaluation surplus on intangible assets		-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		1,856	-	1,856
16.2.8 Hedging reserves (effective portion)		(313,414)	73,204	(240,210)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-
16.2.10 Other capital reserves		629,562	-	629,562
16.3 Profit reserves		26,970,499	233,479	27,203,978
16.3.1 Legal reserves		1,311,374	-	1,311,374
16.3.2 Status reserves		-	-	-
16.3.3 Extraordinary reserves		25,659,125	-	25,659,125
16.3.4 Other profit reserves		-	233,479	233,479
16.4 Profit or loss		6,343,920	-	6,343,920
16.4.1 Prior periods profit/loss		-	-	-
16.4.2 Current period net profit/loss		6,343,920	-	6,343,920
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>171,450,736</b>	<b>153,781,538</b>	<b>325,232,274</b>

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



# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Off-Balance Sheet Items At 31 December 2017

Convenience Translation  
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## 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>185,560,203</b>	<b>279,381,530</b>	<b>464,941,733</b>
<b>I. GUARANTEES AND SURETIES</b>	5.6.1	<b>19,423,804</b>	<b>35,127,536</b>	<b>54,551,340</b>
1.1. Letters of guarantee		19,404,733	19,534,558	38,939,291
1.1.1. Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2. Guarantees given for foreign trade operations		1,842,819	214,343	2,057,162
1.1.3. Other letters of guarantee		17,561,914	18,338,301	35,900,215
1.2. Bank acceptances		14,273	1,536,377	1,550,650
1.2.1. Import letter of acceptance		14,273	1,536,377	1,550,650
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		4,798	13,886,269	13,891,067
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		4,798	13,886,269	13,891,067
1.4. Guaranteed prefinancings		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other endorsements		-	-	-
1.6. Underwriting commitments		-	-	-
1.7. Factoring related guarantees		-	-	-
1.8. Other guarantees		-	170,332	170,332
1.9. Other sureties		-	-	-
<b>II. COMMITMENTS</b>	5.6.1	<b>44,705,472</b>	<b>10,876,669</b>	<b>55,582,141</b>
2.1. Irrevocable commitments		44,549,356	6,079,029	50,628,385
2.1.1. Asset purchase and sale commitments		2,193,999	5,020,534	7,214,533
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	6,443	6,443
2.1.4. Loan granting commitments		9,496,041	1,052,052	10,548,093
2.1.5. Securities issuance brokerage commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Commitments for cheque payments		3,797,901	-	3,797,901
2.1.8. Tax and fund obligations on export commitments		31,365	-	31,365
2.1.9. Commitments for credit card limits		29,021,192	-	29,021,192
2.1.10. Commitments for credit cards and banking services related promotions		8,273	-	8,273
2.1.11. Receivables from "short" sale commitments on securities		-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-
2.1.13. Other irrevocable commitments		585	-	585
2.2. Revocable commitments		156,116	4,797,640	4,953,756
2.2.1. Revocable loan granting commitments		156,116	4,796,577	4,952,693
2.2.2. Other revocable commitments		-	1,063	1,063
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.6.2	<b>121,430,927</b>	<b>233,377,325</b>	<b>354,808,252</b>
3.1. Derivative financial instruments held for risk management		6,209,384	33,820,121	40,029,505
3.1.1. Fair value hedges		5,452,476	10,917,068	16,369,544
3.1.2. Cash flow hedges		756,908	22,903,053	23,659,961
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		115,221,543	199,557,204	314,778,747
3.2.1. Forward foreign currency purchases/sales		15,469,233	18,172,329	33,641,562
3.2.1.1. Forward foreign currency purchases		5,314,366	11,414,992	16,729,358
3.2.1.2. Forward foreign currency sales		10,154,867	6,757,337	16,912,204
3.2.2. Currency and interest rate swaps		86,887,004	142,571,587	229,458,591
3.2.2.1. Currency swaps-purchases		31,299,492	68,076,807	99,376,299
3.2.2.2. Currency swaps-sales		54,918,480	40,199,456	95,117,936
3.2.2.3. Interest rate swaps-purchases		334,516	17,147,662	17,482,178
3.2.2.4. Interest rate swaps-sales		334,516	17,147,662	17,482,178
3.2.3. Currency, interest rate and security options		12,818,794	23,902,493	36,721,287
3.2.3.1. Currency call options		6,743,561	6,323,428	13,066,989
3.2.3.2. Currency put options		6,075,233	7,342,382	13,417,615
3.2.3.3. Interest rate call options		-	9,247,686	9,247,686
3.2.3.4. Interest rate put options		-	988,997	988,997
3.2.3.5. Security call options		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		46,512	76,172	122,684
3.2.4.1. Currency futures-purchases		3,931	44,824	48,755
3.2.4.2. Currency futures-sales		42,581	31,348	73,929
3.2.5. Interest rate futures		-	18,879	18,879
3.2.5.1. Interest rate futures-purchases		-	-	-
3.2.5.2. Interest rate futures-sales		-	18,879	18,879
3.2.6. Others		-	14,815,744	14,815,744
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>698,186,647</b>	<b>572,923,608</b>	<b>1,271,110,255</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>40,177,428</b>	<b>37,149,126</b>	<b>77,326,554</b>
4.1. Customers' securities held		5,730,394	-	5,730,394
4.2. Investment securities held in custody		15,042,103	16,314,890	31,356,993
4.3. Checks received for collection		16,452,460	3,834,041	20,286,501
4.4. Commercial notes received for collection		2,823,300	896,170	3,719,470
4.5. Other assets received for collection		98,797	13,827,897	13,926,694
4.6. Assets received through public offering		-	92,625	92,625
4.7. Other items under custody		30,374	2,183,503	2,213,877
4.8. Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>658,009,219</b>	<b>535,774,482</b>	<b>1,193,783,701</b>
5.1. Securities		3,875,306	56,565	3,931,871
5.2. Guarantee notes		36,573,477	13,944,069	50,517,546
5.3. Commodities		14,095	-	14,095
5.4. Warranties		-	-	-
5.5. Real estates		158,916,114	106,935,147	265,851,261
5.6. Other pledged items		458,630,227	414,838,635	873,468,862
5.7. Pledged items-depository		-	66	66
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>883,746,850</b>	<b>852,305,138</b>	<b>1,736,051,988</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Income Statement For The Year Ended 31 December 2017

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

INCOME AND EXPENSE ITEMS	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 1 JANUARY 2017- 31 DECEMBER 2017
<b>I. INTEREST INCOME</b>	5.8.1	<b>26,607,782</b>
1.1 Interest income on loans		21,094,311
1.2 Interest income on reserve deposits		222,102
1.3 Interest income on banks		304,106
1.4 Interest income on money market transactions		12,496
1.5 Interest income on securities portfolio		4,732,483
1.5.1 Trading financial assets		37,278
1.5.2 Financial assets valued at fair value through profit or loss		-
1.5.3 Financial assets available-for-sale		2,464,782
1.5.4 Investments held-to-maturity		2,230,423
1.6 Financial lease income		-
1.7 Other interest income		242,284
<b>II. INTEREST EXPENSE</b>	5.8.2	<b>12,139,432</b>
2.1 Interest on deposits		8,375,847
2.2 Interest on funds borrowed		1,136,474
2.3 Interest on money market transactions		1,165,445
2.4 Interest on securities issued		1,438,464
2.5 Other interest expenses		23,202
<b>III. NET INTEREST INCOME (I - II)</b>		<b>14,468,350</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>3,680,204</b>
4.1 Fees and commissions received		4,876,857
4.1.1 Non-cash loans		402,978
4.1.2 Others		4,473,879
4.2 Fees and commissions paid		1,196,653
4.2.1 Non-cash loans		3,055
4.2.2 Others		1,193,598
<b>V. DIVIDEND INCOME</b>	5.8.3	<b>6,873</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	5.8.4	<b>(1,916,031)</b>
6.1 Trading account income/losses		(387,211)
6.2 Income/losses from derivative financial instruments		(3,230,603)
6.3 Foreign exchange gains/losses		1,701,783
<b>VII. OTHER OPERATING INCOME</b>	5.8.5	<b>981,952</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>17,221,348</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	5.8.6	<b>3,160,328</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	5.8.7	<b>6,517,649</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>7,543,371</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		<b>-</b>
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>607,953</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>
<b>XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	5.8.8	<b>8,151,324</b>
<b>XVI. PROVISION FOR TAXES (±)</b>	5.8.9	<b>1,807,404</b>
16.1 Current tax charge		2,137,034
16.2 Deferred tax charge/(credit)		(329,630)
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	5.8.10	<b>6,343,920</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</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>		<b>-</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>-</b>
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	5.8.9	<b>-</b>
21.1 Current tax charge		-
21.2 Deferred tax charge/(credit)		-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)</b>	5.8.10	<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	5.8.11	<b>6,343,920</b>
<b>Earnings per Share</b>		<b>0,01510</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

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

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

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Changes in Shareholders' Equity For The Year Ended 31 December 2017

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

THOUSANDS OF TURKISH LIRA (TL)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	FOOTNOTES	PAID-IN CAPITAL	CAPITAL RESERVES FROM INFLATION ADJS TO PAID-IN CAPITAL	SHARE PREMIUM	SHARE CANCELLATION PROFITS	LEGAL RESERVES	STATUS RESERVES	EXTRAORDINARY RESERVES	OTHER RESERVES	CURRENT PERIOD NET PROFIT/(LOSS)	PRIOR PERIOD PROFIT/(LOSS)	SECURITIES VALUE INCREASE FUND	REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	BONUS SHARES OF EQUITY PARTICIPATIONS	HEDGING RESERVES	ACCU. REV. SURP. ON ASSETS HELD FOR SALE AND ASSETS OF DISCONT. OP.	TOTAL SHAREHOLDERS' EQUITY
PRIOR PERIOD (1 JANUARY - 31 DECEMBER 2017)																	
<b>I. Balances at beginning of the period</b>		<b>4,200,000</b>	<b>772,554</b>	<b>11,880</b>	-	<b>1,206,160</b>	-	-	<b>103,038</b>	-	<b>5,070,549</b>	<b>622,143</b>	<b>1,626,437</b>	<b>1,891</b>	<b>(48,486)</b>	-	<b>35,539,080</b>
Changes during the period	5.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Mergers</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Market value changes of securities</b>		-	-	-	-	-	-	-	<b>141,009</b>	-	-	-	-	-	-	-	<b>141,009</b>
<b>IV. Hedging reserves</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	<b>(191,724)</b>	-	<b>(191,724)</b>
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	41,079	-	41,079
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(232,803)	-	(232,803)
<b>V. Revaluation surplus on tangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	<b>(18,544)</b>	-	-	-	<b>(18,544)</b>
<b>VI. Revaluation surplus on intangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus shares of associates, subsidiaries and joint-ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	<b>(35)</b>	-	-	<b>(35)</b>
<b>VIII. Translation differences</b>		-	-	-	-	<b>1,214</b>	-	<b>617</b>	<b>47,447</b>	-	-	<b>639,293</b>	-	-	-	-	<b>688,571</b>
<b>IX. Changes resulted from disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes resulted from reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effect of change in equities of associates on bank's equity</b>		-	-	-	-	-	-	-	-	-	-	<b>118,307</b>	-	-	-	-	<b>118,307</b>
<b>XII. Capital increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Share issuance</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Capital reserves from inflation adjustments to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Others</b>		-	-	-	-	-	-	<b>196,656</b>	<b>(65,736)</b>	-	-	-	<b>(170,294)</b>	-	-	-	<b>(39,374)</b>
<b>XVII. Current period net profit/loss</b>		-	-	-	-	-	-	-	<b>6,343,920</b>	-	-	-	-	-	-	-	<b>6,343,920</b>
<b>XVIII. Profit distribution</b>		-	-	-	-	<b>104,000</b>	-	<b>3,488,938</b>	<b>5,738</b>	-	<b>(5,070,549)</b>	-	<b>221,873</b>	-	-	-	<b>(1,250,000)</b>
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)
18.2. Transfers to reserves		-	-	-	-	104,000	-	3,488,938	-	-	(3,592,938)	-	-	-	-	-	-
18.3. Others		-	-	-	-	-	-	-	5,738	-	(271,611)	-	221,873	-	-	-	-
<b>Balances at end of the period (III+IV...+X+XI)</b>		<b>4,200,000</b>	<b>772,554</b>	<b>11,880</b>	-	<b>1,311,374</b>	-	<b>25,659,125</b>	<b>90,487</b>	<b>6,343,920</b>	<b>1,659,472</b>	<b>1,520,752</b>	<b>1,659,472</b>	<b>1,856</b>	<b>(240,210)</b>	-	<b>41,331,210</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Cash Flows For The Year Ended 31 December 2017

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

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit Distribution For The Year Ended 31 December 2017

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

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 31 DECEMBER 2017
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1	CURRENT PERIOD PROFIT	8,151,324
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,807,404
1.2.1	Corporate tax (income tax)	1,807,404
1.2.2	Withholding tax	-
1.2.3	Other taxes and duties	-
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>6,343,920</b>
1.3	ACCUMULATED LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	1,150
<b>B.</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>6,342,770</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	210,000
1.6.1	To owners of ordinary shares	210,000
1.6.2	To owners of privileged shares	-
1.6.3	To owners of redeemed shares	-
1.6.4	To profit sharing bonds	-
1.6.5	To holders of profit and loss sharing certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	1,540,000
1.9.1	To owners of ordinary shares	1,540,000
1.9.2	To owners of privileged shares	-
1.9.3	To owners of redeemed shares	-
1.9.4	To profit sharing bonds	-
1.9.5	To holders of profit and loss sharing certificates	-
1.10	SECOND LEGAL RESERVES (-)	154,000
1.11	STATUS RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	4,438,770
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1	APPROPRIATED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To owners of ordinary shares	-
2.3.2	To owners of privileged shares	-
2.3.3	To owners of redeemed shares	-
2.3.4	To profit sharing bonds	-
2.3.5	To holders of profit and loss sharing certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
<b>III. EARNINGS PER SHARE (per YTL'000 face value each)</b>		
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	0,015
3.2	TO OWNERS OF ORDINARY SHARES (%)	151,046
3.3	TO OWNERS OF PRIVILEGED SHARES	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-

(\*) Decision regarding the 2018 profit distribution will be held at General Assembly meeting.  
The accompanying notes are an integral part of these unconsolidated financial statements.

## 3 ACCOUNTING POLICIES

### 3.1 BASIS OF PRESENTATION

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

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

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

#### 3.1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

##### 3.1.1.1 MAJOR NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

##### 3.1.1.2 STANDARDS EFFECTIVE AS OF 1 JANUARY 2018

###### TFRS 9 Financial instruments

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

The Bank has not restated comparative information for 2017 for financial instruments in the scope of TFRS 9 and the total difference arising from the adoption of TFRS 9 has been recognised directly in prior periods' profit/loss as of 1 January 2018 in the current period statement of changes in shareholders' equity. In this context, the accompanying financial statements and the disclosures on these financial statements are not presented on a comparative basis due to the fact that the current and prior period financial statements are prepared based on different principles. The transition impact on the financial statements regarding the first time adoption of TFRS 9 as of 1 January 2018 is presented in Note 3.28.

###### *Changes regarding classification and measurement of financials assets*

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

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

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

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

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

## *Impairment*

TFRS 9 has changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Bank formed an impairment model having 3 stages based on the change in credit quality since initial recognition. The approach of the Bank regarding measurement of credit impairment is presented in Note 3.8.1.

## *TFRS 15 Revenue from contracts with customers*

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

### **3.1.1.3.1 NEW STANDARDS NOT EFFECTIVE AS OF 1 JANUARY 2018**

#### **TFRS 16 Leases**

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

## **3.2 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

### **3.2.1 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS**

The liability side of the Bank's balance sheet is intensively composed of short-term deposits in line with the general trend in the banking sector. In addition to deposits, the Bank has access to longer-term borrowings via the borrowings from abroad. In order to manage the interest rate risk arising from short-term deposits, the Bank is keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

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

The Bank may classify its financial assets and liabilities as at fair value through profit or loss, at the initial recognition in order to eliminate any accounting inconsistency.

The fundamental strategy to manage the liquidity risk that may incur due to short-term structure of funding, is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Bank's widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital



markets, are the most effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in management of interest and liquidity risks on balance sheet is product diversification both on asset and liability sides. Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

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

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

### 3.2.2 FOREIGN CURRENCY TRANSACTIONS

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

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

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

### 3.3 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

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

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

## 3.4 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

### 3.4.1 DERIVATIVE FINANCIAL ASSETS

*Derivative financial assets measured at fair value through profit/loss*

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

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

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

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

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

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

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values. Total return swap is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. The Bank enters into total return swap contract for the purpose of generating long-term funding.

### 3.4.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank continues to apply hedge accounting in accordance with TAS 39 in this context.

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

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

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

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

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

## **3.5 INTEREST INCOME AND EXPENSES**

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

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

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

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

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

## 3.6 FEES AND COMMISSIONS

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortised costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

## 3.7 FINANCIAL INSTRUMENTS

### 3.7.1 INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

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

### 3.7.2 INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

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

### 3.7.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

#### 3.7.3.1 ASSESSMENT OF BUSINESS MODEL

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

The entity's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

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

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

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

If cash flows are realised in a way that is different from the Bank's expectations at the date that the Bank assessed the business model, that does not give rise to a prior period error in the Bank's financial statements nor does it change the classification of the remaining

financial assets held in that business model as long as the Bank considered all relevant information that was available at the time that it made the business model assessment. However, when the Bank assesses the business model for newly originated or newly purchased financial assets, it must consider information about how cash flows were realised in the past, along with all other relevant information.

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

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

### 3.7.3.2 CONTRACTED CASH FLOWS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST ON OUTSTANDING PRINCIPAL

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

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

### 3.7.4 MEASUREMENT CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

- Financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial investments measured at amortised cost: Subsequent to the initial recognition, financial investments measured at amortised cost are accounted at amortised cost calculated by using the effective interest rate method. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.5.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3.8 DISCLOSURES ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Bank recognises a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. Impairment requirements do not apply for equity investments.

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

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

The Bank calculates the expected credit loss on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis. The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument. The Bank's aforementioned policy is presented in Note 3.8.3.

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

### 3.8.1 CALCULATION OF EXPECTED CREDIT LOSSES

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

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

- 12-month PD: as the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months) following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

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

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

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

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

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

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

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

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

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

The Bank considers a debt as default on these two below conditions;

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

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



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

In addition, the Bank assesses a certain portion of commercial and corporate loans individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. The Bank makes such calculation by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, the Bank shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The Bank makes such assessment by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

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

### 3.8.1.1 LOAN COMMITMENTS AND NON-CASH LOANS

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

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

### 3.8.1.2 DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

### 3.8.1.3 CREDIT CARDS AND OTHER REVOLVING LOANS

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

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

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

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

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

### 3.8.2 FORWARD-LOOKING MACROECONOMIC INFORMATION

The Bank incorporates forward-looking macroeconomic information into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the Bank's credit risk parameters consists of the following steps:

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

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

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

### 3.8.3 SIGNIFICANT INCREASE IN CREDIT RISK

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

#### *Qualitative assessment:*

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

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason

#### *Quantitative assessment:*

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

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

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

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

## 3.8.4 LOW CREDIT RISK

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

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

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

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

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

## 3.9 NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

### 3.9.1 NETTING OF FINANCIAL INSTRUMENTS

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

### 3.9.2 DERECOGNITION OF FINANCIAL INSTRUMENTS

#### 3.9.2.1 DERECOGNITION OF FINANCIAL ASSETS DUE TO CHANGE IN CONTRACTUAL TERMS

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

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

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

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset.

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

### 3.9.2.2 DERECOGNITION OF FINANCIAL ASSETS WITHOUT ANY CHANGE IN CONTRACTUAL TERMS

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

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

### 3.9.2.3 DERECOGNITION OF FINANCIAL LIABILITIES

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

### 3.9.3 RECLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

### 3.9.4 RESTRUCTURING AND REFINANCING OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

- Recovery in debt service.
- At least one year should pass over the date of restructuring

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

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

### 3.10 REPURCHASE AND RESALE AGREEMENTS AND SECURITIES LENDING

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the uniform chart of accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return. The funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted for on an accrual basis.

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

Securities lending transactions are classified under "money market funds" and the related expense accruals are accounted.

### 3.11 ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND RELATED LIABILITIES

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

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

### 3.12 GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use,

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

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

The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. Estimated useful lives of the Bank's intangible assets are 3-15 years, and amortisation rates are 6.67-33.3%.

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

### 3.13 TANGIBLE ASSETS

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

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

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. The depreciation rates and the estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES (%)
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

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

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

#### *Investment properties*

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

Investment properties accounted at fair value are not depreciated.

### **3.14 LEASING ACTIVITIES**

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

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

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

### **3.15 PROVISIONS AND CONTINGENT LIABILITIES**

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

### **3.16 CONTINGENT ASSETS**

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

### **3.17 LIABILITIES FOR EMPLOYEE BENEFITS**

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

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

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

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

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

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

The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service.

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

## Retirement benefit obligations

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

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

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

	31 DECEMBER 2018	
	EMPLOYER (%)	EMPLOYEE (%)
Pension contributions	15.5	10.0
Medical benefit contributions	6.0	5.0

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

### a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law no.5411, published in the Official Gazette on 1 November 2005, no.25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no.2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no.26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members.

Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

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



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

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the first paragraph of the provisional Article 20 of the Law is not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

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

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

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

## **3.18 TAXATION**

### **3.18.1 CORPORATE TAX**

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

This rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

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

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

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

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

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

*The tax applications for foreign branches;*

## NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next 12 years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

## MALTA

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

### 3.18.2 DEFERRED TAXES

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

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

The deferred tax assets and liabilities are reported as net in the financial statements.

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

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

### 3.18.3 TRANSFER PRICING

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

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

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

### 3.19 FUNDS BORROWED

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

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

### 3.20 SHARE ISSUANCES

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

### 3.21 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

### 3.22 GOVERNMENT INCENTIVES

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

### 3.23 SEGMENT REPORTING

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

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

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

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

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

Information on the business segments is as follows:

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

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

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## 3.24 PROFIT RESERVES AND PROFIT APPROPRIATION

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

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

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

## 3.25 EARNINGS PER SHARE

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

	31 DECEMBER 2018	31 DECEMBER 2017
Distributable net profit for the year	6,638,236	6,343,920
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0,01581	0,01510

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

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

## 3.26 RELATED PARTIES

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

## 3.27 CASH AND CASH EQUIVALENTS

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

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## 3.28 RECLASSIFICATIONS

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

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

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

(1) The Bank does not have any financial assets which do not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As of 1 January 2018, the Bank classified "Derivative Financial Assets Held for Trading" and "Derivative Financial Assets Held for Hedging Purpose" in the prior year financial statements amounting to TL 1,814,316 thousands and TL 648,275 thousands, respectively into "Derivative Financial Assets". Besides, the Bank classified investment funds amounting to TL 110,860 thousands from "Available for Sale Financial Assets" in the prior year financial statements into "Financial Assets at Fair Value through Profit or Loss" as of 1 January 2018, and the corresponding allowance allocated for such funds amounting to TL 5,665 thousands is also classified into "Financial Assets at Fair Value through Profit or Loss".

(2) As of 1 January 2018, the Bank classified debt securities previously classified as "Available for Sale Financial Assets" and "Investments Held to Maturity" amounting to TL 22,744,702 thousands (excluding investment funds amounting to TL 110,860 thousands) and TL 2,687,166 thousands respectively into "Financial Assets Measured at Fair Value through Other Comprehensive Income" due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On the other hand, the Bank classified some equity instruments previously classified as "Available-for-Sale Financial Assets" into "Financial Assets Measured at Fair Value through Other Comprehensive Income" irrevocably.

(3) As of 1 January 2018, the Bank classified debt securities amounting to TL 22,198,177 previously classified as "Investments Held to Maturity" into "Financial Assets Measured at Amortised Cost" due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(4) As of 1 January 2018, the Bank does not have any loan balance which does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank classified a loan balance previously classified as "Performing Loans" amounting to TL 17,995,131 thousands as "Loans under Follow-up" due to having significant increase in credit risk as explained in the accounting policies section in details.

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



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

(6) As of 1 January 2018, the Bank classified "Derivative Financial Liabilities Held for Trading" and "Derivative Financial Liabilities Held for Hedging Purpose" in the prior year financial statements amounting to TL 2,752,730 thousands and TL 180,070 thousands, respectively into "Derivative Financial Liabilities".

(7) As of 1 January 2018, the Bank classified expected losses calculated based on TFRS 9 into the relevant line items through reversing "General Provision" amount in the prior year financial statements. While the Bank classifies expected losses calculated for financial assets and loans in the relevant expected losses line items under assets as per TFRS 9, expected losses calculated for non-cash loans are classified as "Other Provisions" under liabilities. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.

(8) As of 1 January 2018, due to first time adoption of TFRS 9, total shareholders' equity figure of the Bank increased by TL 790,542 thousands (after tax) composing of positive classification impact of financial assets amounting to TL 454,101 thousands, negative expected credit losses calculation impact amounting to TL 58,650 thousands, positive current and deferred tax impact amounting to TL 748,745 thousands and negative subsidiaries transition impact amounting to TL 353,654 thousands.

(9) As of 1 January 2018, the Bank classified miscellaneous payables amounting to TL 9,973,896 thousands and other external fundings amounting to TL 2,866,550 thousands into "Other Liabilities".

## 3.29 OTHER DISCLOSURES

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

### 3.29.1 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

#### 3.29.1.1 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR TRADING

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

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

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

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

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

Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39 "Financial Instruments: Recognition and Measurement" in case the related embedded derivative's economic features and risks are not closely related to the host contract, meets the derivative product definition of a different instrument having the same contract conditions

with the embedded derivative and the hybrid instrument is not carried at fair value through profit or loss. The Bank has no embedded derivatives separated from the host contract.

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

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

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

### 3.29.1.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSES

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

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

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

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

### 3.29.2 INTEREST INCOME AND EXPENSES

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

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

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

### 3.29.3 FEES AND COMMISSIONS

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

### 3.29.4 FINANCIAL ASSETS

#### 3.29.4.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

#### 3.29.4.2 INVESTMENTS HELD-TO-MATURITY, FINANCIAL ASSETS AVAILABLE-FOR-SALE AND LOANS AND RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

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

### 3.29.5 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

### 3.29.6 NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

#### 3.29.6.1 NETTING OF FINANCIAL INSTRUMENTS

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

#### 3.29.6.2 DERECOGNITION OF FINANCIAL ASSETS

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

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

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

## 4 FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT

### 4.1 TOTAL CAPITAL

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

#### 4.1.1 COMPONENTS OF TOTAL CAPITAL

CURRENT PERIOD	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 <sup>(3)</sup>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,108,914	
Other Comprehensive Income according to TAS	4,443,308	
Profit	7,035,545	
Current Period's Profit	6,638,236	
Prior Periods' Profit	397,309	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,855	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>48,574,056</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 (-)	1,961,968	
Leasehold Improvements on Operational Leases (-)	235,547	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	279,586	279,586
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,672	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Excess Amount arising from Mortgage Servicing Rights (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	

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<b>Total Deductions from Common Equity Tier I Capital</b>	<b>2,478,773</b>	
<b>Total Common Equity Tier I Capital</b>	<b>46,095,283</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)	-	
<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>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>46,095,283</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,952,425	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,228,493	
<b>Total Deductions from Tier II Capital</b>	<b>7,180,918</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	-	
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>-</b>	
<b>Total Tier II Capital</b>	<b>7,180,918</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>53,276,201</b>	
<b>TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	14,040	
<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 (-)	-	

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CAPITAL	
<b>Total Capital ( Total of Tier I Capital and Tier II Capital )</b>	<b>53,262,160</b>
<b>Total Risk Weighted Assets</b>	<b>290,922,820</b>
CAPITAL ADEQUACY RATIOS	
<b>CET1 Capital Ratio (%)</b>	15.84
<b>Tier I Capital Ratio (%)</b>	15.84
<b>Capital Adequacy Ratio (%)</b>	18.31
BUFFERS	
Total Additional CET1 Capital Requirement Ratio (a+b)	1.90
a) Capital Conservation Buffer Ratio (%)	1.875
a) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.66
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1,326,411
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,119,174
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,228,493
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

PRIOR PERIOD	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,203,978	
Other Comprehensive Income according to TAS	3,605,548	
Profit	6,343,920	
Current Period Profit	6,343,920	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,856	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>42,139,736</b>	
DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	919,235	
Leasehold Improvements on Operational Leases (-)	120,406	
Goodwill Netted with Deferred Tax Liabilities	-	

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Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	209,304	261,630
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,394	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Excess Amount arising from Mortgage Servicing Rights (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1,250,339</b>	
<b>Total Common Equity Tier I Capital</b>	<b>40,889,397</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)	-	
<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 (-)	52,326	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>40,837,071</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)	2,757,502	
<b>Total Deductions from Tier II Capital</b>	<b>5,589,352</b>	
<b>DEDUCTIONS FROM TIER II CAPITAL</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	



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Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>5,589,352</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>46,426,423</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
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	30,874
<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>46,395,544</b>
<b>Total Risk Weighted Assets</b>	<b>248,337,281</b>
<b>CAPITAL ADEQUACY RATIOS</b>	
<b>CET1 Capital Ratio (%)</b>	<b>16.47</b>
<b>Tier I Capital Ratio (%)</b>	<b>16.44</b>
<b>Capital Adequacy Ratio (%)</b>	<b>18.68</b>
<b>BUFFERS</b>	
Total Additional CET1 Capital Requirement Ratio (a+b)	1.27
a) Capital Conservation Buffer Ratio (%)	1.250
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	10.29
<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	380,708
<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)	3,597,720
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,757,502
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
<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.

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

## 4.1.2 ITEMS INCLUDED IN CAPITAL CALCULATION

CURRENT PERIOD	INFORMATION ABOUT INSTRUMENTS INCLUDED IN TOTAL CAPITAL CALCULATION
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
REGULATORY TREATMENT	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	3,952
Nominal value of instrument (TL million)	3,952
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
INTEREST/DIVIDEND PAYMENT	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.

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

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If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

## 4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,558,960	(75,765)	2,483,195	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,364,427	-	1,364,427	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,194,533	(75,765)	1,118,768	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,108,914	-	32,108,914	
Profit or Loss	7,035,545	-	7,035,545	
Prior Periods' Profit/Loss	397,309	-	397,309	
Current Period Net Profit/Loss	6,638,236	-	6,638,236	
Deductions from Common Equity Tier I Capital (-)	-	-	516,805	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>44,128,893</b>		<b>46,095,283</b>	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>46,095,283</b>	
Subordinated Debts			3,952,425	
General Provisions			3,228,493	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>7,180,918</b>	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
<b>Total</b>			<b>53,262,160</b>	

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PRIOR PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	3,583,312	(883,263)	2,700,049	
Other Comprehensive Income According to TAS	3,569,576	(883,263)	2,686,313	
Securities Value Increase Fund	1,520,752	-	1,520,752	
Revaluation Surplus on Intangible Assets	1.659.472	-	1.659.472	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(240.210)	(110.709)	(350.919)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	629.562	(772.554)	(142.992)	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	1.856	-	1.856	
Share Premium	11.880	-	11.880	
Profit Reserves	27.203.978	-	27.203.978	
Profit or Loss	6.343.920	-	6.343.920	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6.343.920	-	6.343.920	
Deductions from Common Equity Tier I Capital (-)	-		331.104	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>41.331.210</b>		<b>40.889.397</b>	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			52,326	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>40.837.071</b>	
Subordinated Debts			2,831,850	
General Provisions			2,757,502	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	
<b>Tier II Capital</b>			<b>5,589,352</b>	
Deductions from Total Capital (-)			30,879	Deductions from Capital as per the Regulation
<b>Total</b>			<b>46,395,544</b>	

## 4.2 CREDIT RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	CURRENT PERIOD		PRIOR PERIOD	
		%		%
Above Average		41.47		39.01
Average		46.41		47.68
Below Average		12.12		13.31
<b>Total</b>		<b>100.00</b>		<b>100.00</b>

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

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

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

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## 4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

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

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

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

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

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

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

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

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



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## 4.2.2 RISK PROFILE BY SECTORS OR COUNTERPARTIES

CURRENT PERIOD (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	TOTAL
<b>Agriculture</b>	-	-	-	-	-	-	<b>902,721</b>	<b>785,087</b>	<b>348,423</b>	<b>17,307</b>	<b>8,931</b>	-	-	-	-	-	-	<b>1,422,680</b>	<b>639,789</b>	<b>2,062,469</b>
Farming and Stockbreeding	-	-	-	-	-	-	554,275	725,212	316,009	15,758	8,048	-	-	-	-	-	-	1,329,845	289,457	1,619,302
Forestry	-	-	-	-	-	-	113,675	32,472	28,038	591	31	-	-	-	-	-	-	41,841	132,966	174,807
Fishery	-	-	-	-	-	-	234,771	27,403	4,376	958	852	-	-	-	-	-	-	50,994	217,366	268,360
<b>Manufacturing</b>	-	-	<b>75,413</b>	-	-	-	<b>69,501,159</b>	<b>8,274,806</b>	<b>7,058,654</b>	<b>1,934,450</b>	<b>98,234</b>	-	-	-	-	-	-	<b>31,810,460</b>	<b>55,132,256</b>	<b>86,942,716</b>
Mining and Quarrying	-	-	-	-	-	-	2,273,089	389,315	64,437	1,693	1,815	-	-	-	-	-	-	849,307	1,881,042	2,730,349
Production	-	-	9	-	-	-	39,032,892	7,678,414	4,422,019	290,101	80,583	-	-	-	-	-	-	25,323,370	26,180,648	51,504,018
Electricity, Gas and Water	-	-	75,404	-	-	-	281,95,178	207,077	2,572,198	1,642,656	15,836	-	-	-	-	-	-	5,637,783	27,070,566	32,708,349
<b>Construction</b>	-	-	<b>31</b>	-	-	-	<b>7,279,248</b>	<b>4,217,604</b>	<b>1,866,623</b>	<b>131,639</b>	<b>409,730</b>	-	-	-	-	-	-	<b>9,400,899</b>	<b>4,503,976</b>	<b>13,904,875</b>
<b>Services</b>	<b>842</b>	-	<b>1,360</b>	<b>3,485,069</b>	-	<b>39,202,926</b>	<b>65,499,451</b>	<b>18,727,703</b>	<b>7,908,735</b>	<b>1,328,689</b>	<b>209,001</b>	-	-	-	<b>40,542</b>	<b>38,631</b>	-	<b>90,120,820</b>	<b>46,322,129</b>	<b>136,442,949</b>
Wholesale and Retail Trade	-	-	181	-	-	-	30,288,468	14,581,785	3,918,524	294,628	169,224	-	-	-	-	-	-	29,657,105	19,595,705	49,252,810
Accommodation and Dining	-	-	62	-	-	-	3,989,342	983,320	2,419,219	113,951	13,340	-	-	-	-	-	-	2,412,122	5,107,112	7,519,234
Transportation and Telecom.	-	-	74	-	-	-	12,961,782	2,141,711	424,331	283,154	19,315	-	-	-	-	-	-	4,225,914	11,604,453	15,830,367
Financial Institutions	-	-	-	-	3,485,069	-	39,202,926	9,556,650	102,835	71,470	37	-	-	-	40,542	38,631	-	50,647,082	1,867,768	52,514,850
Real Estate and Rental Services	-	-	-	-	-	-	4,042,776	277,086	661,284	614,927	2,359	-	-	-	-	-	-	1,264,685	4,333,747	5,598,432
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	967	-	-	-	618,262	208,871	240,343	833	3,268	-	-	-	-	-	-	872,113	200,440	1,072,553
Health and Social Services	833	-	76	-	-	-	4,042,171	432,095	173,564	4,506	1,458	-	-	-	-	-	-	1,041,799	3,612,904	4,654,703
<b>Others</b>	<b>91,394,364</b>	<b>230,641</b>	<b>320,692</b>	-	-	-	<b>4,277,825</b>	<b>51,727,478</b>	<b>15,397,816</b>	<b>729,233</b>	<b>165,541</b>	-	-	-	-	-	-	<b>7,234,838</b>	<b>12,415,415</b>	<b>183,893,843</b>
<b>Total</b>	<b>91,395,206</b>	<b>230,641</b>	<b>397,496</b>	<b>3,485,069</b>	-	<b>39,202,926</b>	<b>147,460,404</b>	<b>83,732,678</b>	<b>32,580,251</b>	<b>4,141,318</b>	<b>891,437</b>	-	-	-	<b>40,542</b>	<b>7,273,469</b>	<b>12,415,415</b>	<b>192,307,280</b>	<b>230,939,572</b>	<b>423,246,852</b>

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

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

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

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

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## 4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

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

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

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

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## 4.2.4 EXPOSURE CATEGORIES

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

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

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

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

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

CREDIT QUALITY GRADE	FITC RATINGS LONG TERM CREDIT RATING	EXPOSURE CATEGORIES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

## 4.2.5 EXPOSURES BY RISK WEIGHTS

CURRENT PERIOD	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
<b>RISK WEIGHTS</b>											
Exposures before Credit Risk Mitigation	80,129,116	-	18,408,181	16,197,339	41,309,313	83,728,424	182,660,844	813,635	-	-	530,846
Exposures after Credit Risk Mitigation	89,283,716	-	18,284,012	16,190,916	23,726,521	76,823,493	176,342,774	812,789	-	-	530,846
<b>PRIOR PERIOD</b>											
<b>RISK WEIGHTS</b>											
Exposures before Credit Risk Mitigation	80,619,794	-	9,682,767	19,181,402	42,691,253	77,167,698	152,895,816	265,769	-	380,708	414,309
Exposures after Credit Risk Mitigation	81,890,487	-	8,775,200	19,166,589	23,773,442	70,938,785	144,333,914	265,768	-	380,708	414,309

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## 4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

The Bank assesses its financial assets in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 "Calculation of expected credit losses". In this respect, the Bank recognizes life time expected credit losses for impaired loans (Stage 3) and considers the probability of default to be 100%.

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

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

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

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

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## 4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS	CLOSING BALANCE
Stage 3 Provisions	3,787,069	6,574,772	3,302,824	-	7,059,017
Stage 1 and Stage 2 Provisions	4,354,840	8,215,418	7,451,084	-	5,119,174

PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS	CLOSING BALANCE
Specific Provisions	4,401,656	2,111,667	2,026,669	-	4,486,654
General Provisions	3,171,163	422,935	3,622	-	3,597,720

## 4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

CURRENT PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	208,549,240	1,005,678	209,554,918
Cayman Islands	808,283	-	808,283
Turkish Republic of Northern Cyprus	657,485	-	657,485
Malta	450,333	-	450,333
Switzerland	440,229	-	440,229
The Netherlands	317,740	-	317,740
United Kingdom	154,434	54,814	209,248
Macedonia	148,988	-	148,988
Romania	85,144	-	85,144
Others	227,681	-	227,681

PRIOR PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	178,738,435	576,857	179,315,292
the Netherlands	827,431	-	827,431
Malta	664,051	-	664,051
NCTR	602,595	-	602,595
Cayman Islands	581,547	-	581,547
Switzerland	472,994	-	472,994
USA	438,653	-	438,653
Macedonian Republic	134,583	-	134,583
Sweden	80,783	14,192	94,975
Romania	94,362	-	94,362
Other	224,511	-	224,511

## 4.3 CURRENCY RISK

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

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

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

	USD	EUR
<b>Foreign currency purchase rates at balance sheet date</b>	5,2699	6,0219
<b>Exchange rates for the days before balance sheet date;</b>		
Day 1	5,2424	6,0041
Day 2	5,2708	6,0189
Day 3	5,2625	5,9916
Day 4	5,2790	5,9983
Day 5	5,2713	6,0269
<b>Last 30-days arithmetical average rates</b>	5,2864	6,0164

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

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

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

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



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## 4.4 INTEREST RATE RISK

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

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

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

### 4.4.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

(based on repricing dates)

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

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

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

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

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

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## 4.4.2 AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS (%)

	EUR	USD	JPY	TL
<b>CURRENT PERIOD</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	0.50	-	-	20.24
Financial Assets Measured at Fair Value through Profit/Loss	3.52	6.94	-	21.36
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	4.42	5.70	-	20.37
Loans	4.66	7.43	-	22.78
Financial Assets Measured at Amortised Cost	0.25	5.26	-	22.89
<b>Liabilities</b>				
Bank Deposits	0.05	-	-	22.86
Other Deposits	0.79	3.09	0.93	17.68
Money Market Funds	-	-	-	7.06
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.64	-	17.79
Other Fundings	1.27	4.42	-	10.50
	EUR	USD	JPY	TL
<b>PRIOR PERIOD</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1,32	-	2,54
Banks	0,02	1,43	-	8,56
Financial Assets at Fair Value through Profit/Loss	1,99	5,77	-	12,06
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	5,31	-	12,31
Loans	4,15	6,21	-	16,58
Investments Held-to-Maturity	-	5,57	-	12,81
<b>Liabilities</b>				
Bank Deposits	-	1,00	-	11,39
Other Deposits	0,76	2,23	1,45	9,30
Interbank Money Market Takings	-	1,50	-	12,68
Miscellaneous Payables	-	-	-	-
Securities Issued	3,65	5,67	-	13,08
Other Fundings	1,37	3,29	-	8,43

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## 4.5 POSITION RISK OF EQUITY SECURITIES

### 4.5.1 EQUITY SHARES IN ASSOCIATES AND SUBSIDIARIES

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

### 4.5.2 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

CURRENT PERIOD	COMPARISON			
	EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE(*)	MARKET VALUE
<b>1 Investment in Shares- Grade A</b>		<b>6,978,190</b>	<b>6,886,773</b>	<b>79,284</b>
Quoted Securities		59,713	59,713	79,284
<b>2 Investment in Shares- Grade B</b>		<b>79,995</b>	<b>54,438</b>	<b>78,126</b>
Quoted Securities		54,438	54,438	78,126
<b>3 Investment in Shares- Grade C</b>		<b>662</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		-	-	-

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

PRIOR PERIOD	COMPARISON			
	EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE(*)	MARKET VALUE
<b>1 Investment in Shares- Grade A</b>		<b>6,464,188</b>	<b>6,351,939</b>	<b>130,538</b>
Quoted Securities		91,216	91,216	130,538
<b>2 Investment in Shares- Grade B</b>		<b>108,717</b>	<b>83,160</b>	<b>128,632</b>
Quoted Securities		83,160	83,160	128,632
<b>3 Investment in Shares- Grade C</b>		<b>662</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		-	-	-

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

### 4.5.3 REALISED GAINS/LOSSES, REVALUATION SURPLUSES AND UNREALISED GAINS/LOSSES ON EQUITY SECURITIES AND RESULTS INCLUDED IN CORE AND SUPPLEMENTARY CAPITALS

CURRENT PERIOD	GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES	
		TOTAL	AMOUNT IN TIER I CAPITAL(*)	TOTAL	AMOUNT IN TIER I CAPITAL(*)
1 Private Equity Investments	-	-	-	-	-
2 Quoted Shares	-	28,899	28,899	28,899	-
3 Other Shares	-	3,696,926	3,696,926	3,696,926	-
<b>Total</b>	-	<b>3,725,825</b>	<b>3,725,825</b>	<b>3,725,825</b>	-

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

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PRIOR PERIOD	GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES	
		TOTAL	AMOUNT IN TIER I CAPITAL(*)	TOTAL	AMOUNT IN TIER I CAPITAL (*)
1 Private Equity Investments	-	-	-	-	-
2 Quoted Shares	-	89,124	89,124	89,124	-
3 Other Shares	-	3,863,659	3,863,659	3,863,659	-
<b>Total</b>	-	<b>3,952,783</b>	<b>3,952,783</b>	<b>3,952,783</b>	-

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

## 4.5.4 CAPITAL REQUIREMENT AS PER EQUITY SHARES

CURRENT PERIOD				
PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT	
1 Private Equity Investments	-	-	-	
2 Quoted Shares	114,151	114,151	9,132	
3 Other Shares	6,945,758	6,945,758	555,661	
<b>Total</b>	<b>7,059,909</b>	<b>7,059,909</b>	<b>564,793</b>	

PRIOR PERIOD				
PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT	
1 Private Equity Investments	-	-	-	
2 Quoted Shares	174,376	174,376	13,950	
3 Other Shares	6,400,253	6,400,253	512,020	
<b>Total</b>	<b>6,574,629</b>	<b>6,574,629</b>	<b>525,970</b>	

## 4.6 LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

the Bank's structure. Head of Risk management reviews assumptions and parameters used in liquidity risk analysis. The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented in ALCO report. Internal liquidity metrics are monitored with limit and alert levels approved by the Board of Directors and reported regularly to related parties.

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

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

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

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

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

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

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

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

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

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

The Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers can not use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and

creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency liabilities. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. Lines extended by CBRT and BİST aren't used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren't used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other liquidity and funding metrics are monitored.

#### 4.6.1 LIQUIDITY COVERAGE RATIO

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank's high quality liquid assets are composed of 4.70% cash, 50.66% deposits in central banks and 44.63% securities considered as high quality liquid assets.

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

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

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

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

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



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

CURRENT PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	179.31	28.12.2018	131.08	04.11.2018	152.39
FC	220.49	05.10.2018	110.74	06.11.2018	145.83

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

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

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

PRIOR PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	172.20	28.12.2017	135.01	27.11.2017	147.61
FC	232.86	16.12.2017	131.86	17.11.2017	171.60

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## 4.6.2 CONTRACTUAL MATURITY ANALYSIS OF LIABILITIES ACCORDING TO REMAINING MATURITIES

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

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
<b>CURRENT PERIOD</b>								
Bank Deposits	5,345,574	5,344,477	4,444,549	897,928	-	2,000	-	-
Other Deposits	212,712,344	211,006,210	49,783,706	114,013,465	31,643,497	15,460,817	97,168	7,557
Other Fundings	44,226,520	44,861,368	-	900,256	644,112	21,863,061	9,207,629	12,246,310
Interbank Money Market Takings	45,416	45,378	-	45,369	9	-	-	-
Securities Issued(*)	23,984,376	23,583,735	-	524,111	1,301,507	6,997,686	10,293,085	4,467,346
<b>Total</b>	<b>286,314,230</b>	<b>284,841,168</b>	<b>54,228,255</b>	<b>116,381,129</b>	<b>33,589,125</b>	<b>44,323,564</b>	<b>19,597,882</b>	<b>16,721,213</b>

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

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
<b>PRIOR PERIOD</b>								
Bank Deposits	1,198,964	1,196,609	894,272	106,923	-	195,414	-	-
Other Deposits	179,917,041	179,102,455	44,454,292	100,796,323	18,712,875	15,087,540	44,155	7,270
Other Fundings	40,804,823	40,691,789	-	853,721	240,580	15,741,314	16,150,219	7,705,955
Interbank Money Market Takings	16,664,588	16,650,220	-	16,650,220	-	-	-	-
Securities Issued(*)	22,140,831	21,760,780	-	1,844,478	2,763,373	1,301,567	10,089,266	5,762,096
<b>Total</b>	<b>260,726,247</b>	<b>259,401,853</b>	<b>45,348,564</b>	<b>120,251,665</b>	<b>21,716,828</b>	<b>32,325,835</b>	<b>26,283,640</b>	<b>13,475,321</b>

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

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## 4.6.3 MATURITY ANALYSIS OF ASSETS AND LIABILITIES ACCORDING TO REMAINING MATURITIES:

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

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

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

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

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## 4.7 LEVERAGE RATIO

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

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

	ON-BALANCE SHEET ASSETS	CURRENT PERIOD (*)	PRIOR PERIOD (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	369,577,864	321,385,438
2	(Assets deducted in determining Tier I capital)	(494,046)	(346,406)
3	Total on-balance sheet risks (sum of lines 1 and 2)	369,083,818	321,039,032
<b>DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	4,771,987	2,913,913
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	11,859,527	11,031,830
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	16,631,514	13,945,743
<b>SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	974,260	2,432,662
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	974,260	2,432,662
<b>OTHER OFF-BALANCE SHEET TRANSACTIONS</b>			
10	Gross notional amounts of off-balance sheet transactions	144,014,237	111,439,135
11	(Adjustments for conversion to credit equivalent amounts)	(3,134,011)	(3,765,170)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	140,880,226	107,673,965
<b>CAPITAL AND TOTAL RISKS</b>			
13	Tier I capital	46,105,283	40,383,538
14	Total risks (sum of lines 3, 6, 9 and 12)	527,569,818	445,091,402
<b>LEVERAGE RATIO</b>			
15	Leverage ratio	8.76	9.07

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

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## 4.8 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

PRIOR PERIOD	CARRYING VALUE	FAIR VALUE
<b>Financial Assets</b>	<b>301,923,616</b>	<b>303,834,351</b>
Interbank Money Market Placements	-	-
Banks (*)	44,613,694	44,613,694
Financial Assets Available-for-Sale	22,744,702	22,744,702
Investments Held-to-Maturity	24,885,343	25,171,056
Loans	209,679,877	211,304,899
<b>Financial Liabilities</b>	<b>254,035,555</b>	<b>254,035,555</b>
Bank Deposits	1,198,964	1,198,964
Other Deposits	179,917,041	179,917,041
Other Fundings	40,804,823	40,804,823
Securities Issued (**)	22,140,831	22,140,831
Miscellaneous Payables	9,973,896	9,973,896

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in notes 5.1.6.2.1 and 5.1.17.2. The fair value of this loan is determined by the independent valuation company by considering different methodologies (discounted cash flows, peer market multipliers, similar transaction multipliers in the same sector etc.). Accordingly, the loan is classified as Level 3.

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

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

## 4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

## 4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

### 4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

#### 4.10.1.1 RISK MANAGEMENT STRATEGY

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

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

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

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

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

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

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

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## 4.10.1.2 RISK WEIGHTED AMOUNTS

	RISK WEIGHTED AMOUNTS		MINIMUM CAPITAL REQUIREMENTS
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD
1 Credit risk (excluding counterparty credit risk) (CCR) (*)	253,300,775	216,037,567	20,264,062
2 Of which standardised approach (SA)	253,300,775	216,037,567	20,264,062
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	4,978,642	3,610,835	398,291
5 Of which standardised approach for counterparty credit risk (SA-CCR)	4,978,642	3,610,835	398,291
6 Of which internal model method (IMM)	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% risk weighting Approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB supervisory formula approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	7,069,090	6,027,729	565,527
17 Of which standardised approach (SA)	7,069,090	6,027,729	565,527
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	25,574,313	21,709,380	2,045,945
20 Of which basic indicator approach	25,574,313	21,709,380	2,045,945
21 Of which standardised approach	-	-	-
22 Of which advanced measurement approach	-	-	-
23 Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	951,770	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	290,922,820	248,337,281	23,273,825

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



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## 4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

### 4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

CURRENT PERIOD	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS	CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS				
		SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK (*)	SUBJECT TO CAPITAL CALCULATION	NOT SUBJECT TO CAPITAL REQUIREMENTS
<b>ASSETS</b>						
Cash and cash equivalents	62,800,927	62,800,927	-	-	-	-
Financial assets measured at fair value through profit/loss (FVTPL)	363,475	84,171	-	277,632	1,672	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	23,467,781	23,467,781	2,458,424	-	-	-
Financial assets measured at amortised cost	25,432,283	25,432,283	45,482	-	-	-
Derivative financial assets	3,951,934	13,406	3,938,534	2,048,123	-	-
Non performing financial assets	-	-	-	-	-	-
Expected credit losses (-)	124,316	-	-	-	124,316	-
<b>Loans (net)</b>	<b>223,287,922</b>	<b>227,901,736</b>	-	-	<b>(4,613,814)</b>	-
Loans	223,285,552	223,271,511	-	-	14,041	-
Lease receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non performing receivables	11,407,073	11,407,073	-	-	-	-
Expected credit losses (-)	11,404,703	6,776,848	-	-	4,627,855	-
Assets held for sale and assets of discontinued operations (net)	786,709	786,709	-	-	-	-
Ownership investments (net)	7,059,909	7,059,909	-	-	-	-
Tangible assets (net)	4,106,029	3,870,482	-	-	235,547	-
Intangible assets (net)	300,551	-	-	-	300,551	-
Investment property (net)	690,700	690,700	-	-	-	-
Current tax asset	60,043	60,043	-	-	-	-
Deferred tax asset	1,305,446	1,326,411	-	-	(20,965)	-
Other assets	5,987,809	5,988,650	-	-	(840)	-
<b>Total assets</b>	<b>359,477,202</b>	<b>359,483,208</b>	<b>6,442,440</b>	<b>2,325,755</b>	<b>(4,222,165)</b>	-
<b>LIABILITIES</b>						
Deposits	218,057,918	-	-	-	-	218,057,918
Funds borrowed	31,940,682	-	1,757,547	-	-	30,183,135
Money market funds	45,416	-	45,416	-	-	-
Securities issued (net)	20,007,358	-	-	-	-	20,007,358
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtpl	12,285,838	-	-	-	-	12,285,838
Derivative financial liabilities	4,204,052	-	-	-	-	4,204,052
Factoring payables	-	-	-	-	-	-
Lease payables (net)	16,464	-	-	-	-	16,464
Provisions	4,820,393	282,169	-	-	366,163	4,172,061
Current tax liability	565,967	-	-	-	-	565,967
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	3,977,018	-	-	-	3,952,425	24,593
Other liabilities	16,868,243	-	-	19,756	-	16,848,487
Shareholders' equity	46,687,853	-	-	-	46,612,088	75,765
<b>Total liabilities</b>	<b>359,477,202</b>	<b>282,169</b>	<b>1,802,963</b>	<b>19,756</b>	<b>50,930,676</b>	<b>306,441,638</b>

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

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PRIOR PERIOD	CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS				
	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK (*)	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
<b>ASSETS</b>					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	33,412,503	33,412,503	-	-	-
Financial Assets Held for Trading	2,650,150	67,904	1,746,412	1,970,772	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	14,318,473	14,318,293	-	-	-
Interbank Money Markets Placements	-	-	-	-	-
Financial Assets Available-for-Sale	22,744,702	22,571,524	13,994,778	171,784	1,394
Loans	209,679,877	209,648,998	-	-	30,879
Factoring Receivables	-	-	-	-	-
Investment Held-to-Maturity	24,885,343	24,885,343	1,010,967	-	-
Investment in Associates	35,158	35,158	-	-	-
Investment in Subsidiaries	6,539,471	6,539,471	-	-	-
Investment in Joint-Ventures	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	648,275	-	648,275	-	-
Tangible Assets	3,769,379	3,648,973	-	-	120,406
Intangible Assets	285,654	24,024	-	-	261,630
Investment Property	690,588	690,588	-	-	-
Tax Asset	356,684	356,684	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	775,428	775,428	-	-	-
Other Assets	4,440,589	4,440,589	-	-	-
<b>TOTAL ASSETS</b>	<b>325,232,274</b>	<b>321,415,480</b>	<b>17,400,432</b>	<b>2,142,556</b>	<b>414,309</b>
<b>LIABILITIES</b>					
Deposits	181,116,005	-	-	-	181,116,005
Derivative Financial Liabilities Held for Trading	2,752,730	-	-	-	2,752,730
Funds Borrowed	40,804,823	-	11,838,445	-	28,966,378
Interbank Money Markets	16,664,588	-	1,059,898	-	15,604,690
Securities Issued	19,291,360	-	-	-	19,291,360
Funds	-	-	-	-	-
Miscellaneous Payables	9,973,896	-	-	-	9,973,896
Other External Fundings Payable	2,866,550	-	-	28,116	2,838,434
Factoring Payables	-	-	-	-	-
Lease Payables	6,939	-	-	-	6,939
Derivative Financial Liabilities Held for Risk Management	180,070	-	-	-	180,070
Provisions	6,306,654	-	-	-	6,306,654
Tax Liability	1,087,978	-	-	-	1,087,978
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	2,849,471	-	-	-	2,849,471
Shareholders' Equity	41,331,210	-	-	-	41,331,210
<b>TOTAL LIABILITIES</b>	<b>325,232,274</b>	<b>-</b>	<b>12,898,343</b>	<b>28,116</b>	<b>312,305,815</b>

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

## 4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

CURRENT PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1 Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements" (as per 4.10.2.1)	361,193,780	356,979,302	3,938,534	2,325,755
2 Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	2,503,906	2,503,906	2,503,906	-
3 Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	1,802,963	-	1,802,963	-
4 Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	19,756	-	-	19,756
<b>5 Total Net Amount within the Scope of Statutory Consolidation</b>	<b>361,874,967</b>	<b>359,483,208</b>	<b>4,639,477</b>	<b>2,305,999</b>
6 Off-balance Sheet Amounts (**)	474,865,056	55,595,317	1,725,888	172,110,057
7 Differences Resulted from the BRSA's Applications		(20,230,796)	(10,296)	-
8 Repurchase Transactions		-	261,422	-
<b>9 Risk Amounts</b>		<b>394,847,729</b>	<b>6,616,491</b>	<b>174,416,056</b>
PRIOR PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1 Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	309,812,220	306,409,740	2,394,687	2,142,556
2 Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS	15,005,745	15,005,740	15,005,745	-
3 Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS	12,898,343	-	12,898,343	-
4 Carrying Value of Other Liabilities as per TAS	28,116	-	-	28,116
<b>5 Total Net Amount</b>	<b>311,891,506</b>	<b>321,415,480</b>	<b>4,502,089</b>	<b>2,114,440</b>
6 Off-balance Sheet Amounts (**)	285,642,143	42,302,266	1,767,029	172,634,319
7 Differences Resulted from the BRSA's Applications		(21,295,228)	(28,947)	-
8 Repurchase Transactions		-	862,204	-
<b>9 Risk Amounts</b>		<b>342,422,518</b>	<b>7,102,375</b>	<b>174,748,759</b>

(\*)Disclosed based on gross position amounts subject to general market risk and specific risk.  
(\*\*)Off-balance sheet amounts subject to capital adequacy ratios.

## 4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

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

### 4.10.3 CREDIT RISK

#### 4.10.3.1 GENERAL INFORMATION ON CREDIT RISK

##### 4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON CREDIT RISK

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

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the

exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

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

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

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

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

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of Credit Risk Management; Corporate and Specialized Loans, Commercial Loans, Commercial Credits Restructuring, Corporate and Specialized Loans Restructuring, Specialized Collections, Commercial Products Collection, Bank and Country Risk, Retail Loans Risk Strategies, SME Loans Risk Strategies, Retail and SME Loans Evaluation, Retail Products Collection, Risk Planning Monitoring and Reporting, Risk Analytics, Technology and Innovation, Validation Market Risk and Credit Risk Control and Region Coordination.

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

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

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

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## 4.10.3.1.2 CREDIT QUALITY OF ASSETS

CURRENT PERIOD	GROSS CARRYING VALUE AS PER TAS		ALLOWANCES/AMORTISATION AND IMPAIRMENTS	NET VALUES
	DEFAULTED	NON-DEFAULTED EXPOSURES		
1 Loans	11,407,073	280,508,545	6,776,848	285,138,770
2 Debt securities	-	48,674,952	-	48,674,952
3 Off-balance sheet exposures	974,609	84,230,351	282,169	84,922,791
4 <b>Total</b>	<b>12,381,682</b>	<b>413,413,848</b>	<b>7,059,017</b>	<b>418,736,513</b>

PRIOR PERIOD	GROSS CARRYING VALUE AS PER TAS		ALLOWANCES/AMORTISATION AND IMPAIRMENTS	NET VALUES
	DEFAULTED	NON-DEFAULTED EXPOSURES		
1 Loans	5,408,114	253,213,814	4,359,237	254,262,691
2 Debt securities	-	47,371,704	-	47,371,704
3 Off-balance sheet exposures	370,339	68,516,128	127,417	68,759,050
4 <b>Total</b>	<b>5,778,453</b>	<b>369,101,646</b>	<b>4,486,654</b>	<b>370,393,445</b>

## 4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

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

## 4.10.3.1.4 ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

### 4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

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

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

### 4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

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## 4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

	CURRENT PERIOD			PRIOR PERIOD		
	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS
Domestic	11,022,271	6,533,201	2,349,296	5,279,274	4,239,256	863,504
European Union (EU) Countries	15,190	13,293	6	21,369	18,298	60
OECD Countries	10	3	1	201	44	1
Off-Shore Banking Regions	341,455	205,245	-	71,710	71,710	-
USA, Canada	-	-	15	-	-	-
Other Countries	28,147	25,106	94	35,560	29,929	2,206
<b>Total</b>	<b>11,407,073</b>	<b>6,776,848</b>	<b>2,349,412</b>	<b>5,408,114</b>	<b>4,359,237</b>	<b>865,771</b>
<b>Agriculture</b>	<b>63,857</b>	<b>41,558</b>	<b>-</b>	<b>44,581</b>	<b>25,580</b>	<b>498,116</b>
Farming and Stockbreeding	55,863	35,655	-	41,047	22,911	497,540
Forestry	2,367	1,859	-	2,058	1,448	91
Fishery	5,627	4,044	-	1,476	1,221	485
<b>Manufacturing</b>	<b>3,728,588</b>	<b>1,744,214</b>	<b>6</b>	<b>609,406</b>	<b>415,320</b>	<b>54,348</b>
Mining and Quarrying	22,404	20,074	-	22,997	19,831	1,301
Production	1,330,587	991,504	6	430,133	312,793	52,651
Electricity, Gas and Water	2,375,597	732,636	-	156,276	82,696	396
<b>Construction</b>	<b>701,213</b>	<b>495,358</b>	<b>1</b>	<b>395,126</b>	<b>326,358</b>	<b>26,364</b>
<b>Services</b>	<b>3,337,185</b>	<b>1,923,612</b>	<b>2,028,307</b>	<b>1,595,135</b>	<b>1,021,467</b>	<b>162,911</b>
Wholesale and Retail Trade	1,096,375	727,449	78	760,481	505,401	137,383
Accommodation and Dining	228,220	112,310	-	155,871	62,517	5,465
Transportation and Telecommunication	833,784	543,957	2,028,223	599,696	386,460	15,847
Financial Institutions	52,013	35,451	5	18,069	17,438	531
Real Estate and Rental Services	1,072,740	456,916	-	10,824	7,221	985
Professional Services	-	-	-	3,876	1,174	24
Educational Services	30,593	28,344	-	29,323	29,094	972
Health and Social Services	23,460	19,185	1	16,995	12,162	1,704
<b>Others</b>	<b>3,576,230</b>	<b>2,572,106</b>	<b>321,098</b>	<b>2,763,866</b>	<b>2,570,512</b>	<b>124,032</b>
<b>Total</b>	<b>11,407,073</b>	<b>6,776,848</b>	<b>2,349,412</b>	<b>5,408,114</b>	<b>4,359,237</b>	<b>865,771</b>

## 4.10.3.1.4.4 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	1,933,452	4,138,862	1,300,740	493,494	550,047
Retail Loans	376,419	578,750	623,931	273,799	142,093
Credit Cards	-	123,382	556,333	179,589	136,182
Others	-	-	-	-	-
<b>Total</b>	<b>2,309,871</b>	<b>4,840,994</b>	<b>2,481,004</b>	<b>946,882</b>	<b>828,322</b>
PIOR PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	415,984	284,729	1,514,804	284,263	402,784
Retail Loans	213,161	456,258	613,329	180,774	92,660
Credit Cards	96,004	260,175	345,478	112,714	134,997
Others	-	-	-	-	-
<b>Total</b>	<b>725,149</b>	<b>1,001,162</b>	<b>2,473,611</b>	<b>577,751</b>	<b>630,441</b>

## 4.10.3.2 CREDIT RISK MITIGATION

### 4.10.3.2.1 QUALITATIVE DISCLOSURE ON CREDIT RISK MITIGATION TECHNIQUES

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

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

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

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

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

### 4.10.3.2.2 CREDIT RISK MITIGATION TECHNIQUES

CURRENT PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1 Loans	250,578,436	34,560,334	30,905,796	10,664,702	10,664,702	-	-
2 Debt securities	48,674,952	-	-	-	-	-	-
<b>3 Total</b>	<b>299,253,388</b>	<b>34,560,334</b>	<b>30,905,796</b>	<b>10,664,702</b>	<b>10,664,702</b>	-	-
4 Of which defaulted	11,407,073	-	-	-	-	-	-
PRIOR PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1 Loans	216,911,254	37,351,437	32,751,650	11,427,381	11,427,381	-	-
2 Debt securities	47,371,704	-	-	-	-	-	-
<b>3 Total</b>	<b>264,282,958</b>	<b>37,351,437</b>	<b>32,751,650</b>	<b>11,427,381</b>	<b>11,427,381</b>	-	-
4 Of which defaulted	5,408,114	-	-	-	-	-	-

## 4.10.3.3 CREDIT RISK UNDER STANDARDISED APPROACH

### 4.10.3.3.1 QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

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

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

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

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

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

CREDIT QUALITY LEVEL	FITCH RATINGS LONG TERM CREDIT RATING	RISK CLASSES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%



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## 4.10.3.3.2 CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION TECHNIQUES

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

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

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## 4.10.3.3.3 EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

CURRENT PERIOD												TOTAL RISK AMOUNT (POST-CCF AND CRM)
REGULATORY PORTFOLIO		0%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	
1	Exposures to sovereigns and their central banks	81,920,469	-	9	-	42	-	20,123,043	-	-	-	102,043,563
2	Exposures to regional and local government	-	-	-	-	100,894	-	129,747	-	-	-	230,641
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	382,368	-	-	-	382,368
4	Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	16,830,494	-	2,861,391	-	1,914,542	-	-	-	21,606,427
7	Exposures to corporates	7,586	-	504,369	-	3,922,983	-	131,145,055	-	-	-	135,579,993
8	Retail exposures	-	-	2	-	4,252	76,808,938	-	-	-	-	76,813,192
9	Exposures secured by residential property	-	-	-	16,190,916	-	-	-	-	-	-	16,190,916
10	Exposures secured by commercial property	-	-	-	-	11,921,301	-	4,291,727	-	-	-	16,213,028
11	Past-due items	-	-	-	-	1,254,959	-	2,886,359	-	-	-	4,141,318
12	Exposures in high-risk categories	-	-	-	-	7,545	-	69,879	812,789	-	-	890,213
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	40,542	-	-	-	-	-	-	-	-	-	40,542
16	Shares	-	-	-	-	-	-	7,273,469	-	-	-	7,273,469
17	Other exposures	5,326,831	-	455	-	-	-	7,088,128	-	-	-	12,415,414
<b>18</b>	<b>Total</b>	<b>88,322,073</b>	<b>- 17,335,329</b>	<b>16,190,916</b>	<b>20,073,367</b>	<b>76,808,938</b>	<b>175,304,317</b>	<b>812,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 394,847,729</b>

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

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## 4.10.4 COUNTERPARTY CREDIT RISK

### 4.10.4.1 QUALITATIVE DISCLOSURE ON COUNTERPARTY CREDIT RISK

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

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

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

### 4.10.4.2 COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

CURRENT PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE(EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1 Standardised Approach -CCR (for derivatives)	3,938,534	1,725,888		1.4	5,654,125	3,065,139
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)				-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					962,366	547
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>3,065,686</b>

PRIOR PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE(EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1 Standardised Approach -CCR (for derivatives)	2,394,687	1,767,029		1.4	4,132,769	2,083,029
2 Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)				-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					2,969,606	166,128
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>2,249,157</b>

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## 4.10.4.3 CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

	CURRENT PERIOD		PRIOR PERIOD	
	EAD POST-CRM	RWA	EAD POST-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)	-	-	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3 All portfolios subject to the Standardised CVA capital obligation	5,654,125	1,912,956	4,132,769	1,361,678
<b>4 Total subject to the CVA capital obligation</b>	<b>5,654,125</b>	<b>1,912,956</b>	<b>4,132,769</b>	<b>1,361,678</b>

## 4.10.4.4 CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

CURRENT PERIOD	RISK WEIGHT								TOTAL CREDIT EXPOSURE	
	REGULATORY PORTFOLIO	0%	10%	20%	50%	75%	100%	150%		OTHER
Exposures to sovereigns and their central banks	-	-	-	-	-	-	3,024	-	-	3,024
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	6,266	-	-	6,266
Exposures to multilateral development banks	961,643	-	-	-	-	-	-	-	-	961,643
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	946,688	3,396,225	-	-	29,262	-	-	4,372,175
Exposures to corporates	-	-	1,995	256,929	-	-	999,905	-	-	1,258,829
Retail exposures	-	-	-	-	14,554	-	-	-	-	14,554
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>961,643</b>	<b>-</b>	<b>948,683</b>	<b>3,653,154</b>	<b>14,554</b>	<b>1,038,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,616,491</b>

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PRIOR PERIOD	RISK WEIGHT								TOTAL CREDIT EXPOSURE	
	REGULATORY PORTFOLIO	0%	10%	20%	50%	75%	100%	150%		OTHER
Exposures to sovereigns and their central banks	2,011,499	-	-	-	-	-	16,689	-	-	2,028,188
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	5	-	-	5
Exposures to multilateral development banks	563,446	-	-	-	-	-	-	-	-	563,446
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,110,969	2,698,564	-	-	43,008	-	-	3,852,541
Exposures to corporates	-	-	59	74,685	-	-	572,148	-	-	646,892
Retail exposures	-	-	-	-	11,303	-	-	-	-	11,303
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,574,945</b>	<b>-</b>	<b>1,111,028</b>	<b>2,773,249</b>	<b>11,303</b>	<b>631,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,102,375</b>

## 4.10.4.5 COLLATERALS FOR CCR

CURRENT PERIOD	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	3,873	-	-	-	550,722	-
Cash-foreign currency	6,423	-	-	-	1,252,241	-
Domestic sovereign debts	-	-	-	-	-	2,503,891
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>10,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,802,963</b>	<b>2,503,891</b>

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PRIOR PERIOD	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	6,514	-	-	-	10,838,019	-
Cash-foreign currency	22,433	-	-	-	2,059,306	-
Domestic sovereign debts	-	-	-	-	-	14,413,549
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	592,173
<b>Total</b>	<b>28,947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,897,325</b>	<b>15,005,722</b>

## 4.10.4.6 CREDIT DERIVATIVES

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

## 4.10.5 SECURITISATIONS

None.

## 4.10.6 MARKET RISK

### 4.10.6.1 QUALITATIVE DISCLOSURE ON MARKET RISK

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

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

Market Risk Function under Market Risk and Credit Risk Control Department monitors the activities of Treasury Department via risk reports and the limits approved by the Board of Directors.

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

### 4.10.6.2 MARKET RISK UNDER STANDARDISED APPROACH

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

## 4.10.7 OPERATIONAL RISK

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

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

### BASIC INDICATOR APPROACH

CURRENT PERIOD	31 DECEMBER 2015	31 DECEMBER 2016	31 DECEMBER 2017	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	11,101,647	13,536,209	16,281,044	13,639,633	15	2,045,945
Value at Operational Risk (Total x % 12.5)						25,574,313

PRIOR PERIOD	31 DECEMBER 2015	31 DECEMBER 2016	31 DECEMBER 2017	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	10,097,151	11,101,647	13,536,209	11,578,336	15	1,736,750
Value at Operational Risk (Total x % 12.5)						21,709,380

## 4.10.8 BANKING BOOK INTEREST RATE RISK

### 4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

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

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

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

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

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

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

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



## 4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

CURRENT PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY- LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500bp	(3,575,813)	(6.71) %
2	TL	(-) 400bp	3,313,745	6.22%
3	USD	(+) 200bp	125,277	0.24%
4	USD	(-) 200bp	(97,656)	(0.18) %
5	EUR	(+) 200bp	31,038	0.06%
6	EUR	(-) 200bp	9,549	0.02%
<b>Total (of negative shocks)</b>			<b>3,225,638</b>	<b>6.06%</b>
<b>Total (of positive shocks)</b>			<b>(3,419,498)</b>	<b>(6.41)%</b>

PRIOR PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY- LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500bp	(4,855,405)	(10.47)%
2	TL	(-) 400bp	4,598,875	9.91%
3	USD	(+) 200bp	(98,558)	(0.21)%
4	USD	(-) 200bp	256,656	0.55%
5	EUR	(+) 200bp	(36,553)	(0.08)%
6	EUR	(-) 200bp	158,193	0.34%
<b>Total (of negative shocks)</b>			<b>5,013,724</b>	<b>10.81%</b>
<b>Total (of positive shocks)</b>			<b>(4,990,516)</b>	<b>(10.76)%</b>

## 4.10.9 REMUNERATION POLICY

### 4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

#### 4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

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

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

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

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

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

#### 4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

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

- a.Fair
- b.Transparent
- c.Based on measurable and balanced performance targets
- d.Encouraging sustainable success
- e.In line with the Bank Risk Management Principles

The main objective of the Remuneration Policy is to maintain the internal and external balances in the remuneration structure. Internal balance is ensured with the principles of "equal pay for equal work" and performance-based remuneration". As for external balance, the data obtained from employee reward and benefit researches conducted by independent research organizations are taken into account.

The Remuneration Policy of 2018 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

#### 4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank's long-term objectives and risk management structures and avoiding excessive risk-taking.

#### 4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank's performance criteria and BBVA Group's performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

#### 4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the "Guidelines on Sound Remuneration Practices in Banks" that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

## 4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2018, BBVA shares are taken as reference for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

## 5 DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

### 5.1 ASSETS (CURRENT PERIOD)

#### 5.1.1 CASH AND BALANCES WITH CENTRAL BANK

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

#### Balances with the Central Bank of Turkey

	CURRENT PERIOD	
	TL	FC
Unrestricted Demand Deposits	1,253,438	13,261,434
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	21,287,681
<b>Total</b>	<b>1,253,438</b>	<b>34,549,115</b>

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

#### 5.1.2 INFORMATION ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS

##### 5.1.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

None.

##### 5.1.2.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING

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

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## 5.1.2.3 OTHER NOTES ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS

None.

## 5.1.3 BANKS

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

Due from foreign banks

	CURRENT PERIOD	
	UNRESTRICTED BALANCES	RESTRICTED BALANCES
EU Countries	4,586,788	10,600,458
USA and Canada	4,500,451	-
OECD Countries (*)	55,637	-
Off-Shore Banking Regions	1,340,775	146,033
Other	104,236	-
<b>Total</b>	<b>10,587,887</b>	<b>10,746,491</b>

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

The placements at foreign banks include blocked accounts amounting TL 10,746,491 thousands of which TL 5,419,705 thousands and TL 146,033 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,180,753 thousands as collateral against funds borrowed at various banks.

## 5.1.4 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### 5.1.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

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

### 5.1.4.2 DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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## 5.1.5 EXPECTED CREDIT LOSSES FOR FINANCIAL ASSETS

### 5.1.5.1 EXPECTED CREDIT LOSSES FOR BANKS

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

### 5.1.5.2 EXPECTED CREDIT LOSSES FOR FINANCIAL ASSETS MEASURED AT AMORTISED COST

	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 (+)	53,081	-	-	53,081
Disposals (-)	(15,193)	-	-	(15,193)
Transfer to 12 month ECL (Stage1)	-	-	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	1,346	-	-	1,346
<b>Balances at End of Period</b>	<b>56,141</b>	-	-	<b>56,141</b>

Expected losses of TL 43,405 thousands is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

## 5.1.6 LOANS

### 5.1.6.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD	
	CASH LOANS	NON-CASH LOANS
<b>DIRECT LENDINGS TO SHAREHOLDERS</b>	<b>105</b>	<b>542,442</b>
Corporates	105	542,442
Individuals	-	-
<b>Indirect Lendings to Shareholders</b>	<b>83,167</b>	<b>33,234</b>
<b>Loans to Employees</b>	<b>257,482</b>	<b>6</b>
<b>Total</b>	<b>340,754</b>	<b>575,682</b>

### 5.1.6.2 PERFORMING LOANS AND LOANS UNDER FOLLOW-UP INCLUDING RESTRUCTURED LOANS, AND PROVISIONS ALLOCATED FOR SUCH LOANS

#### 5.1.6.2.1 LOANS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

CURRENT PERIOD	NET BOOK VALUE
Loans measured at fair value through profit or loss (*)	4,081,161

(\*) As details included in note 5.1.17.2, includes the loan provided to special purpose entity. This loan is accounted under loans measured at fair value through profit/loss as per IFRS 9.

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## 5.1.6.2.2 LOANS MEASURED AT AMORTISED COST

CURRENT PERIOD	LOANS UNDER FOLLOW-UP			
	CASH LOANS	PERFORMING LOANS	NON-RESTRUCTURED	RESTRUCTURED
REVISED CONTRACT TERMS				REFINANCED
<b>Loans</b>	<b>183,085,227</b>	<b>27,972,349</b>	<b>5,125,206</b>	<b>3,021,609</b>
Working Capital Loans	30,893,745	3,957,408	159,842	1,248,084
Export Loans	13,126,152	974,531	34,143	53,584
Import Loans	-	-	-	-
Loans to Financial Sector	3,135,539	1,243,584	-	-
Consumer Loans	40,294,922	6,860,148	463,050	12,386
Credit Cards	21,325,626	3,295,069	524,453	-
Others	74,309,243	11,641,609	3,943,718	1,707,555
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>183,085,227</b>	<b>27,972,349</b>	<b>5,125,206</b>	<b>3,021,609</b>

CURRENT PERIOD	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
12-Month ECL (Stage 1)	769,085	-
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	3,858,770

As of 31 December 2018, loans amounting to TL 9,470,147 thousands are benefited as collateral under funding transactions.

Collaterals received for loans under follow-up;

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

Delinquency periods of loans under follow-up;

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	2,635,779	1,151,680	247,891	4,035,350
61-90 days	436,718	358,987	82,845	878,550
Others	21,891,561	5,824,917	3,488,786	31,205,264
<b>Total</b>	<b>24,964,058</b>	<b>7,335,584</b>	<b>3,819,522</b>	<b>36,119,164</b>

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Loans with extended payment plans;

NO. OF CONTRACT REVISIONS FOR EXTENSION OF PAYMENT PLAN	CURRENT PERIOD	
	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
1 or 2 times	4,328,774	7,987,677
3, 4 or 5 times	-	606,619
Over 5 times	-	772

PERIODS EXTENDED DUE TO PAYMENT PLAN	CURRENT PERIOD	
	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
0-6 months	1,734,110	4,677,276
6-12 months	378,632	158,552
1-2 years	858,121	483,707
2-5 years	1,348,157	2,808,321
5 years and over	9,754	467,212

## 5.1.6.3 MATURITY ANALYSIS OF CASH LOANS

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
<b>Short-term Loans</b>	<b>58,651,867</b>	<b>29,795</b>	<b>7,848,897</b>	<b>255,134</b>
Loans	58,651,867	29,795	7,848,897	255,134
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans</b>	<b>120,104,586</b>	<b>4,298,979</b>	<b>19,675,199</b>	<b>8,339,934</b>
Loans	120,104,586	4,298,979	19,675,199	8,339,934
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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## 5.1.6.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Consumer Loans – TL</b>	<b>1,294,741</b>	<b>44,106,240</b>	<b>45,400,981</b>
Housing Loans	18,821	21,441,927	21,460,748
Automobile Loans	313,159	2,003,166	2,316,325
General Purpose Loans	962,761	20,661,147	21,623,908
Other	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>187,534</b>	<b>187,534</b>
Housing Loans	-	187,529	187,529
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>344</b>	<b>78,081</b>	<b>78,425</b>
Housing Loans	-	47,969	47,969
Automobile Loans	69	20,371	20,440
General Purpose Loans	275	9,741	10,016
Other	-	-	-
<b>Retail Credit Cards – TL</b>	<b>19,855,372</b>	<b>418,644</b>	<b>20,274,016</b>
With Installment	8,950,810	418,644	9,369,454
Without Installment	10,904,562	-	10,904,562
<b>Retail Credit Cards – FC</b>	<b>106,574</b>	<b>-</b>	<b>106,574</b>
With Installment	-	-	-
Without Installment	106,574	-	106,574
<b>Personnel Loans – TL</b>	<b>20,871</b>	<b>118,191</b>	<b>139,062</b>
Housing Loan	-	1,566	1,566
Automobile Loans	-	41	41
General Purpose Loans	20,871	116,584	137,455
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>16</b>	<b>145</b>	<b>161</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	16	145	161
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>116,405</b>	<b>702</b>	<b>117,107</b>
With Installment	41,469	702	42,171
Without Installment	74,936	-	74,936
<b>Personnel Credit Cards – FC</b>	<b>1,152</b>	<b>-</b>	<b>1,152</b>
With Installment	-	-	-
Without Installment	1,152	-	1,152
<b>Deposit Accounts– TL (Real persons)</b>	<b>1,824,343</b>	<b>-</b>	<b>1,824,343</b>
<b>Deposit Accounts– FC (Real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>23,219,818</b>	<b>44,909,537</b>	<b>68,129,355</b>



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## 5.1.6.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Installment-based Commercial Loans – TL</b>	<b>1,436,233</b>	<b>13,287,526</b>	<b>14,723,759</b>
Real Estate Loans	3,975	671,981	675,956
Automobile Loans	145,927	1,936,508	2,082,435
General Purpose Loans	1,286,331	10,679,037	11,965,368
Other	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>59,349</b>	<b>2,042,190</b>	<b>2,101,539</b>
Real Estate Loans	-	65,534	65,534
Automobile Loans	346	779,742	780,088
General Purpose Loans	59,003	1,196,914	1,255,917
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>81</b>	<b>103,417</b>	<b>103,498</b>
Real Estate Loans	-	-	-
Automobile Loans	-	18,993	18,993
General Purpose Loans	81	84,424	84,505
Other	-	-	-
<b>Corporate Credit Cards – TL</b>	<b>4,584,616</b>	<b>38,066</b>	<b>4,622,682</b>
With Installment	1,813,744	38,066	1,851,810
Without Installment	2,770,872	-	2,770,872
<b>Corporate Credit Cards – FC</b>	<b>23,617</b>	<b>-</b>	<b>23,617</b>
With Installment	-	-	-
Without Installment	23,617	-	23,617
<b>Deposit Accounts– TL (Corporates)</b>	<b>1,460,204</b>	<b>-</b>	<b>1,460,204</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,564,100</b>	<b>15,471,199</b>	<b>23,035,299</b>

## 5.1.6.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD
Public Sector	681,926
Private Sector (*)	222,603,626
<b>Total</b>	<b>223,285,552</b>

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

## 5.1.6.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	CURRENT PERIOD
Domestic Loans (*)	220,269,839
Foreign Loans	3,015,713
<b>Total</b>	<b>223,285,552</b>

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

## 5.1.6.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD
Direct Lending	5,682,939
Indirect Lending	-
<b>Total</b>	<b>5,682,939</b>

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## 5.1.6.9 SPECIFIC PROVISIONS FOR LOANS

	CURRENT PERIOD
Substandard Loans - Limited Collectibility	916,932
Doubtful Loans	2,145,545
Uncollectible Loans	3,714,371
<b>Total</b>	<b>6,776,848</b>

## 5.1.6.10 NON-PERFORMING (NPLS) (NET)

Non-performing loans and loans restructured from this category

CURRENT PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
(Gross Amounts before Specific Provisions)	<b>384,401</b>	<b>2,502,782</b>	<b>1,299,731</b>
Restructured Loans	384,401	2,502,782	1,299,731

Movements in non-performing loans groups

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

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

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

## 5.1.6.11 EXPECTED CREDIT LOSS FOR LOANS

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

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## Non-performing loans in foreign currencies

CURRENT PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
<b>Balance at End of Period</b>	<b>1,000,977</b>	<b>3,280,698</b>	<b>764,303</b>
Specific Provisions (-)	340,176	1,453,827	627,233
<b>Net Balance at Balance Sheet</b>	<b>660,801</b>	<b>1,826,871</b>	<b>137,070</b>

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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
<b>Current Period (Net)</b>	<b>1,501,851</b>	<b>2,417,667</b>	<b>710,707</b>
Loans to Individuals and Corporates (Gross)	2,418,783	4,563,212	4,425,078
Provision (-)	916,932	2,145,545	3,714,371
Loans to Individuals and Corporates (Net)	1,501,851	2,417,667	710,707
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
<b>Current Period (Net)</b>	<b>41,088</b>	<b>123,666</b>	<b>14,344</b>
Interest accruals and valuation differences	68,489	231,716	40,635
Provision (-)	27,401	108,050	26,291

## Collaterals received for non-performing loans

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
	Loans Collateralized by Cash	6,301	354	-
Loans Collateralized by Mortgages	5,286,612	240,027	-	5,526,639
Loans Collateralized by Pledged Assets	984,241	59,774	-	1,044,015
Loans Collateralized by Cheques and Notes	162,318	6,875	-	169,193
Loans Collateralized by Other Collaterals	1,760,475	1,397,686	-	3,158,161
Unsecured Loans	87,709	290,276	1,124,425	1,502,410
<b>Total</b>	<b>8,287,656</b>	<b>1,994,992</b>	<b>1,124,425</b>	<b>11,407,073</b>

### 5.1.6.12 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

### 5.1.6.13 WRITE-OFF POLICY

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

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## 5.1.7 FINANCIAL ASSETS MEASURED AT AMORTISED COST

### 5.1.7.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

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

### 5.1.7.2 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

	CURRENT PERIOD
Government Bonds	24,585,789
Treasury Bills	-
Other Government Securities	-
<b>Total</b>	<b>24,585,789</b>

### 5.1.7.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

### 5.1.7.4 MOVEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

(\*)As of 1 January 2018, the Bank classified certain government securities with a face value of TL 5,751,150 thousands in its securities portfolio under Securities Measured at Fair Value through Other Comprehensive Income to Securities Measured at Amortised Cost during TFRS 9 transition.  
As of 1 January 2018, the Bank classified certain Eurobonds with a face value of US\$ 1,777,655,000 and government securities with a face value of TL 1,586,009 thousands in its securities portfolio under Securities Measured at Amortised Cost to Securities Measured at Fair Value through Other Comprehensive Income during TFRS 9 transition.

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## 5.1.8 INVESTMENTS IN ASSOCIATES

### 5.1.8.1 INVESTMENTS IN ASSOCIATES

ASSOCIATE	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1 Bankalararası Kart Merkezi A.Ş. <sup>(1)</sup>	İstanbul/Turkey	10.15	10,15
2 Yatırım Finansman Menkul Değerler A.Ş. <sup>(1)</sup>	İstanbul/Turkey	0.77	0,77
3 İstanbul Takas ve Saklama Bankası A.Ş. <sup>(1)</sup>	İstanbul/Turkey	4.95	4,97
4 Borsa İstanbul A.Ş. <sup>(1)</sup>	İstanbul/Turkey	0.30	0,34
5 KKB Kredi Kayıt Bürosu A.Ş. <sup>(1)</sup>	İstanbul/Turkey	9.09	9,09
6 Türkiye Cumhuriyet Merkez Bankası A.Ş. <sup>(2)</sup>	Ankara /Turkey	2.48	2,48
7 Kredi Garanti Fonu A.Ş. <sup>(1)</sup>	Ankara /Turkey	1.54	1,54

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	102,191	64,697	48,891	2,117	-	15,603	-
2	879,063	90,841	2,182	25,334	1,058	8,887	-
3	12,510,449	1,589,589	115,056	449,797	5,645	323,776	-
4	1,698,285	1,251,880	240,675	68,066	-	8,327	-
5	310,511	204,375	185,340	10,965	195	34,818	-
6	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
7	572,815	559,224	19,471	33,888	-	101,243	-

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

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

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

### 5.1.8.2 MOVEMENT OF INVESTMENTS IN ASSOCIATES

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

### 5.1.8.3 SECTORAL DISTRIBUTION OF INVESTMENTS AND ASSOCIATES

INVESTMENTS IN ASSOCIATES	CURRENT PERIOD
Banks	25,557
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	5,935
Other Associates	3,666

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## 5.1.8.4 QUOTED ASSOCIATES

None.

## 5.1.8.5 VALUATION METHODS OF INVESTMENTS IN ASSOCIATES

INVESTMENTS IN ASSOCIATES	CURRENT PERIOD
Valued at Cost	35,158
Valued at Fair Value	-

## 5.1.8.6 INVESTMENTS IN ASSOCIATES SOLD DURING THE CURRENT PERIOD

None.

## 5.1.8.7 INVESTMENTS IN ASSOCIATES ACQUIRED DURING THE CURRENT PERIOD

None.

## 5.1.9 INVESTMENTS IN SUBSIDIARIES

### 5.1.9.1 INFORMATION ON CAPITAL ADEQUACY OF MAJOR SUBSIDIARIES

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

CURRENT PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI HOLDING BV
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	828,770	357,848	2,320,775
Share Premium	-	-	78,128
Share Cancellation Profits	-	-	-
Legal Reserves	943,565	455,967	(173,836)
Other Comprehensive Income according to TAS	1,707,964	-	27,396
Current and Prior Periods' Profits	70,447	90,029	146,750
<b>Common Equity Tier I Capital Before Deductions</b>	<b>3,550,746</b>	<b>903,844</b>	<b>2,399,213</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	45,089	655	691,154
Leasehold Improvements on Operational Leases (-)	-	39	2,664
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,917	10,995	341,733
Net Deferred Tax Asset/Liability (-)	-	-	5,845
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>74,006</b>	<b>11,689</b>	<b>1,041,396</b>
<b>Total Common Equity Tier I Capital</b>	<b>3,476,740</b>	<b>892,155</b>	<b>1,357,817</b>
<b>Total Deductions From Tier I Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital</b>	<b>3,476,740</b>	<b>892,155</b>	<b>1,357,817</b>
<b>TIER II CAPITAL</b>	<b>301,095</b>	<b>-</b>	<b>60,286</b>
<b>TOTAL CAPITAL</b>	<b>3,777,835</b>	<b>892,155</b>	<b>1,418,103</b>

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## 5.1.9.2 INVESTMENTS IN SUBSIDIARIES

SUBSIDIARY	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1 Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2 Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3 Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
4 Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5 Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6 Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7 Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
8 Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9 Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10 Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11 Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12 Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	103,554	81,611	10	12,245	-	10,166	-
2	36,178	19,104	545	3,544	-	3,272	-
3	4,270	3,815	-	653	3	527	-
4	2,816	1,903	1,291	-	77	55	-
5	4,777	3,769	26	619	-	1,047	-
6	6,070,504	1,025,830	12,133	478,773	-	80,616	-
7	2,434,061	155,546	9,373	466,787	-	(57,376)	-
8	324,450	178,093	14,869	9,387	5,476	60,665	-
9	107,001	98,095	2,044	6,557	1,940	26,995	-
10	1,461,463	900,572	43,195	336,931	1,784	454,189	-
11	25,838,449	3,508,547	207,366	935,766	37,169	70,447	-
12	2,049,712	2,049,312	-	-	-	(441)	-

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

## 5.1.9.3 MOVEMENT OF INVESTMENTS IN SUBSIDIARIES

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

(\*) 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.

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## 5.1.9.4 SECTORAL DISTRIBUTION OF INVESTMENTS IN SUBSIDIARIES

SUBSIDIARIES	CURRENT PERIOD
Banks	3,499,491
Insurance Companies	764,722
Factoring Companies	114,151
Leasing Companies	902,555
Finance Companies	1,660,292
Other Subsidiaries	83,540

## 5.1.9.5 QUOTED CONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD
Quoted at Domestic Stock Exchanges	114,151
Quoted at International Stock Exchanges	-

## 5.1.8.6 VALUATION METHODS OF INVESTMENTS IN SUBSIDIARIES

SUBSIDIARIES	CURRENT PERIOD
Valued at Cost	83,540
Valued at Fair Value (*)	6,941,211

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

## 5.1.9.7 INVESTMENTS IN SUBSIDIARIES DISPOSED DURING THE CURRENT PERIOD

Yoktur.

## 5.1.9.8 INVESTMENTS IN SUBSIDIARIES ACQUIRED DURING THE CURRENT PERIOD

None.

## 5.1.10 INVESTMENTS IN JOINT-VENTURES

None.

## 5.1.11 LEASE RECEIVABLES (NET)

None.

## 5.1.12 DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE

### 5.1.12.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	CURRENT PERIOD	
	TL	FC
Fair Value Hedges	210,821	42,923
Cash Flow Hedges	521,497	181,242
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>732,318</b>	<b>224,165</b>



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As of 31 December 2018, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

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

## 5.1.12.1.1 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		STATEMENT OF PROFIT OR LOSS EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(14,818)	75,199	(79,246)	(18,865)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(39,668)	45,883	-	6,215
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(86,498)	132,662	(58,073)	(11,909)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,253)

## 5.1.12.1.2 CASH FLOW HEDGE ACCOUNTING

CURRENT PERIOD HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER STATEMENT OF PROFIT/LOSS IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER STATEMENT OF PROFIT/LOSS
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	110,294	(548)	45,842	32,396	1,439
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,442)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Floating-rate securities issued	Commitments	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Spot Position	Operational Expenses	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

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

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## 5.1.13 TANGIBLE ASSETS

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

The Bank accounts its real estates recorded under tangible assets based on the revaluation model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, valuation studies are performed by independent expertise firms.

## 5.1.14 INTANGIBLE ASSETS

### 5.1.14.1 USEFUL LIVES AND AMORTISATION RATES

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

### 5.1.14.2 AMORTISATION METHODS

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

### 5.1.14.3 BALANCES AT END OF CURRENT PERIOD

	END OF PERIOD	
	Cost	Accumulated Amortisation
Intangible Assets	664,762	364,211

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## 5.1.14.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD
<b>Net Book Value at End of Prior Period</b>	<b>285,654</b>
Internally Generated Intangibles	-
Additions due to Mergers, Transfers and Acquisition	88,239
Disposals (-)	(6,335)
Impairment Losses/Reversals to/from Revaluation Surplus	-
Impairment Losses Recorded in Income Statement	-
Impairment Losses Reversed from Income Statement	-
Amortisation Expense for Current Period (-)	(74,224)
Currency Translation Differences on Foreign Operations	-
Other Movements	7,217
<b>Net Book Value at End of Current Period</b>	<b>300,551</b>

## 5.1.14.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

## 5.1.14.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

## 5.1.14.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

## 5.1.14.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

## 5.1.14.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

## 5.1.14.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

## 5.1.14.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

## 5.1.14.12 GOODWIL

None.

## 5.1.14.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

None.

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## 5.1.15 INVESTMENT PROPERTY

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

The investment property is held for operational leasing purposes. The Bank account its investment property based on the fair value model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all investment properties registered in the ledger, valuation studies are performed by independent expertise firms.

## 5.1.16 DEFERRED TAX ASSET

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

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2018. However, there is a deferred tax asset of TL 1,839,523 thousands and deferred tax liability of TL 534,077 thousands presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	CURRENT PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	1,593,734	324,948
Stages 1&2 Credit Losses	5,119,175	1,126,130
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(321,291)	(79,883)
Revaluation Differences on Real Estates	(1,857,926)	(185,793)
Other	544,631	120,044
<b>Total Deferred Tax Asset, Net</b>	<b>5,078,323</b>	<b>1,305,446</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' financial assets.

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

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## 5.1.17 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

### 5.1.17.1 ASSETS HELD FOR SALE

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

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

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

### 5.1.17.2 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES TO BE DISPOSED

	CURRENT PERIOD
Additions (*)	11
Disposals (Cost)	-
Disposals (Accumulated Depreciation)	-
Impairment Losses	-
Depreciation Expense for Current Period (-)	-
<b>Cost</b>	<b>11</b>
<b>Accumulated Depreciation (-)</b>	<b>-</b>
<b>Net Book Value</b>	<b>11</b>

(\*)Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

## 5.1.18 OTHER ASSETS

### 5.1.18.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD
Sale of Real Estates	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	27,116
Sale of Other Assets	1,137
<b>Total</b>	<b>177,072</b>

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## 5.1.18.2 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	CURRENT PERIOD	
	TL	FC
Prepaid Expenses		1,049,615
Prepaid Taxes		60,043

## 5.2 ASSETS (PRIOR PERIOD)

### 5.2.1 CASH AND BALANCES WITH CENTRAL BANK

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

Balances with the Central Bank of Turkey

	PRIOR PERIOD	
	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 INFORMATION ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

#### 5.2.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

None.

#### 5.2.2.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING

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

#### 5.2.2.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

None.

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## 5.2.3 BANKS

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

Due from foreign banks

	PRIOR PERIOD	
	UNRESTRICTED BALANCES	RESTRICTED BALANCES
EU Countries	2,604,794	8,671,970
USA and Canada	1,678,693	78,546
OECD Countries (*)	190,142	-
Off-Shore Banking Regions	790,826	134,832
Other	46,292	-
<b>Total</b>	<b>5,310,747</b>	<b>8,885,348</b>

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

The placements at foreign banks include blocked accounts amounting TL 8,885,348 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,033,161 thousands as collateral against funds borrowed at various banks.

## 5.2.4 FINANCIAL ASSETS AVAILABLE-FOR-SALE

### 5.2.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	PRIOR PERIOD	
	TL	FC
Collateralised/Blocked Assets	11,212,879	7,522
Assets subject to Repurchase Agreements	120,152	-
<b>Total</b>	<b>11,333,031</b>	<b>7,522</b>

### 5.2.4.2 DETAILS OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

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

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## 5.2.5 LOANS

### 5.2.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS
<b>DIRECT LENDINGS TO SHAREHOLDERS</b>	-	428,794
Corporates	-	428,794
Individuals	-	-
<b>Indirect Lendings to Shareholders</b>	2,401,587	653,806
<b>Loans to Employees</b>	258,317	16
<b>Total</b>	2,659,904	1,082,616

### 5.2.5.2 LOANS AND OTHER RECEIVABLES CLASSIFIED IN GROUPS I AND II INCLUDING CONTRACTS WITH REVISED TERMS

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES			LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP		
	CASH LOANS	LOANS AND OTHER RECEIVABLES (TOTAL)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES (TOTAL) (*)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	
					Extension of Repayment Plan	Other Changes
<b>Loans</b>	192,038,331	2,358,195	381,873	16,592,669	5,860,696	1,227,012
Working Capital Loans	33,480,877	44,810	-	1,349,043	732,152	160,376
Export Loans	9,272,666	975	-	213,106	83,336	44,402
Import Loans	3,201	-	-	-	-	-
Loans to Financial Sector	3,808,532	-	-	7	-	-
Consumer Loans	46,426,598	2,177,666	-	1,779,776	519,219	53,035
Credit Cards	21,364,565	-	381,873	382,608	-	140,571
Others	77,681,892	134,744	-	12,868,129	4,525,989	828,628
<b>Specialization Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	192,038,331	2,358,195	381,873	16,592,669	5,860,696	1,227,012

(\*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,060,263,379.13 and EUR 8,059,584.09 are classified under "Loans and Other Receivables Under Follow-Up". Discussions between the shareholders of the company, creditor banks and related sovereign institutions including also a possible change in shareholder structure regarding restructuring of loans granted continue, and a positive outcome of these discussions is expected.

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

Collaterals received for loans under follow-up;

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



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Delinquency periods of loans under follow-up;

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	168,191	823,072	166,444	1,157,707
61-90 days	127,120	241,228	43,258	411,606
Others	14,134,974	715,476	172,906	15,023,356
<b>Total</b>	<b>14,430,285</b>	<b>1,779,776</b>	<b>382,608</b>	<b>16,592,669</b>

Loans and other receivables with extended payment plans;

NO. OF EXTENSIONS	PRIOR PERIOD	
	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
1 or 2 times	2,342,895	5,747,639
3, 4 or 5 times	14,635	85,253
Over 5 times	665	27,804

EXTENSION PERIODS	PRIOR PERIOD	
	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
0-6 months	204,885	1,915,795
6-12 months	228,862	150,892
1-2 years	769,825	431,542
2-5 year	1,134,400	1,775,865
5 years and over	20,223	1,586,602

## 5.2.5.3 MATURITY ANALYSIS OF CASH LOANS

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
<b>Short-term Loans</b>	<b>55,285,094</b>	<b>443,974</b>	<b>1,157,156</b>	<b>354,352</b>
Loans	55,285,094	443,974	1,157,156	354,352
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans</b>	<b>136,753,237</b>	<b>2,296,094</b>	<b>15,435,513</b>	<b>6,733,356</b>
Loans	136,753,237	2,296,094	15,435,513	6,733,356
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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## 5.2.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Consumer Loans – TL</b>	<b>908,935</b>	<b>45,957,542</b>	<b>46,866,477</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
Other	-	-	-
<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
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>643</b>	<b>61,408</b>	<b>62,051</b>
Housing Loans	458	33,446	33,904
Automobile Loans	164	16,405	16,569
General Purpose Loans	21	11,557	11,578
Other	-	-	-
<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>92,791</b>	<b>-</b>	<b>92,791</b>
With Installment	-	-	-
Without Installment	92,791	-	92,791
<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
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>405</b>	<b>405</b>
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>-</b>	<b>33</b>	<b>33</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	33	33
Other	-	-	-
<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>1,646</b>	<b>-</b>	<b>1,646</b>
With Installment	-	-	-
Without Installment	1,646	-	1,646
<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>19,284,011</b>	<b>46,829,303</b>	<b>66,113,314</b>

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## 5.2.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<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
Other	-	-	-
<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
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>113</b>	<b>108,431</b>	<b>108,544</b>
Real Estate Loans	-	284	284
Automobile Loans	86	20,075	20,161
General Purpose Loans	27	88,072	88,099
Other	-	-	-
<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>6,594,322</b>	<b>17,297,907</b>	<b>23,892,229</b>

## 5.2.5.6 ALLOCATION OF LOANS BY CUSTOMERS

	PRIOR PERIOD
Public Sector	674,605
Private Sector (*)	207,956,395
<b>Total</b>	<b>208,631,000</b>

## 5.2.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	PRIOR PERIOD
Domestic Loans	204,701,003
Foreign Loans	3,929,997
<b>Total</b>	<b>208,631,000</b>

## 5.2.5.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	PRIOR PERIOD
Direct Lending	1,036,755
Indirect Lending	-
<b>Total</b>	<b>1,036,755</b>

## 5.2.5.9 SPECIFIC PROVISIONS FOR LOANS

	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	530,116
Doubtful Loans and Receivables	775,530
Uncollectible Loans and Receivables	3,053,591
<b>Total</b>	<b>4,359,237</b>

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## 5.2.5.10 NON-PERFORMING LOANS AND OTHER RECEIVABLES (NPLS) (NET)

Non-performing loans and other receivables restructured or rescheduled

PRIOR PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
(Gross Amounts before Specific Provisions)	250,388	501,170	853,454
Restructured Loans and Receivables	250,388	501,170	853,454
Rescheduled Loans and Receivables	-	-	-

Movements in non-performing loans and other receivables

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

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

Movements in specific loan provisions

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
	Balances at End of Prior Period	1,916,652	1,364,327	986,512
Additions during the Period(+)	749,651	797,652	516,519	2,063,822
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	307,674	518,973	290,417	1,117,064
Write-offs (-) (*)	375,027	216,737	263,248	855,012
<b>Balances at End of Period</b>	<b>1,983,602</b>	<b>1,426,269</b>	<b>949,366</b>	<b>4,359,237</b>

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

Non-performing loans and other receivables in foreign currencies

PRIOR PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>Balance at End of Period</b>	<b>173,363</b>	<b>350,092</b>	<b>720,531</b>
Specific Provisions (-)	104,334	214,188	483,037
<b>Net Balance at Balance Sheet</b>	<b>69,029</b>	<b>135,904</b>	<b>237,494</b>

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

PRIOR PERIOD (NET)	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>Prior Period (Net)</b>	<b>184,257</b>	<b>223,324</b>	<b>641,296</b>
Loans to Individuals and Corporates (Gross)	714,373	998,854	3,693,572
Specific Provision (-)	530,116	775,530	3,052,276
Loans to Individuals and Corporates (Net)	184,257	223,324	641,296
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,004
Specific Provision (-)	-	-	1,004
Other Loans and Receivables (Net)	-	-	-

## Collaterals received for non-performing loans

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	2,872	260	-	3,132
Loans Collateralized by Mortgages	1,440,331	170,463	-	1,610,794
Loans Collateralized by Pledged Assets	166,121	48,274	-	214,395
Loans Collateralized by Cheques and Notes	146,989	4,666	-	151,655
Loans Collateralized by Other Collaterals	1,055,826	991,579	-	2,047,405
Unsecured Loans	90,426	340,941	949,366	1,380,733
<b>Total</b>	<b>2,902,565</b>	<b>1,556,183</b>	<b>949,366</b>	<b>5,408,114</b>

### 5.2.5.11 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

### 5.2.5.12 WRITE-OFF POLICY

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

## 5.2.6 INVESTMENTS HELD-TO-MATURITY

### 5.2.6.1 INVESTMENT SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

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

### 5.2.6.2 GOVERNMENT SECURITIES HELD-TO-MATURITY

	PRIOR PERIOD
Government Bonds	20,232,556
Treasury Bills	-
Other Government Securities	-
<b>Total</b>	<b>20,232,556</b>

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## 5.2.6.3 INVESTMENTS HELD-TO-MATURITY

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

## 5.2.6.4 MOVEMENT OF INVESTMENTS HELD-TO-MATURITY

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

## 5.2.7 INVESTMENTS IN ASSOCIATES

### 5.2.7.1 INVESTMENTS IN ASSOCIATES

ASSOCIATE	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1 Bankalararası Kart Merkezi A.Ş. <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
2 Yatırım Finansman Menkul Değerler A.Ş. <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
3 İstanbul Takas ve Saklama Bankası A.Ş. <sup>(1)</sup>	İstanbul/Turkey	4.95	4.97
4 Borsa İstanbul A.Ş. <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
5 KKB Kredi Kayıt Bürosu A.Ş. <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
6 Türkiye Cumhuriyet Merkez Bankası A.Ş. <sup>(2)</sup>	Ankara/Turkey	2.48	2.48
7 Kredi Garanti Fonu A.Ş. <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	80,677	46,880	47,322	1,043	-	6,983	-
2	650,558	79,102	2,500	23,448	560	7,079	-
3	9,913,087	1,170,007	92,594	281,518	7,404	201,251	-
4	1,280,167	1,237,174	241,246	38,556	156	221,156	-
5	259,153	175,797	172,992	4,049	95	36,919	-
6	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	-
7	486,557	462,323	10,969	21,449	-	127,873	-

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

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

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

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## 5.2.7.2 MOVEMENT OF INVESTMENTS IN ASSOCIATES

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

## 5.2.7.3 SECTORAL DISTRIBUTION OF INVESTMENTS AND ASSOCIATES

INVESTMENTS IN ASSOCIATES	PRIOR PERIOD
Banks	25,557
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	7,887
Other Associates	1,714

## 5.2.7.4 QUOTED ASSOCIATES

None.

## 5.2.7.5 VALUATION METHODS OF INVESTMENTS IN ASSOCIATES

Investments in Associates	PRIOR PERIOD
Valued at Cost	35,158
Valued at Fair Value	-

## 5.2.7.6 INVESTMENTS IN ASSOCIATES SOLD DURING THE CURRENT PERIOD

None.

## 5.2.7.7 INVESTMENTS IN ASSOCIATES ACQUIRED DURING THE CURRENT PERIOD

None.

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## 5.2.8 INVESTMENTS IN SUBSIDIARIES

### 5.2.8.1 INFORMATION ON CAPITAL ADEQUACY OF MAJOR SUBSIDIARIES

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

PRIOR PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FİNANSAL KİRALAMA AŞ	GARANTİ HOLDING BV
<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>CAPITAL BEFORE DEDUCTIONS</b>	<b>2,900,846</b>	<b>936,958</b>	<b>1,096,588</b>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-	-
<b>TOTAL CAPITAL</b>	<b>2,900,846</b>	<b>936,958</b>	<b>1,096,588</b>



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## 5.2.8.2 INVESTMENTS IN SUBSIDIARIES

AFFILIATE	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1 Garanti Bilişim Teknolojisi Ve Tic.T.AŞ	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 Danış. Hiz.AŞ	Istanbul/Turkey	100.00	100.00
6 Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7 Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
8 Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9 Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10 Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11 Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12 Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	83,704	71,762	37	7,557	3	9,699	-
2	37,642	15,337	318	938	-	612	-
3	3,764	3,288	-	452	48	(456)	-
4	2,619	1,847	1,132	-	49	247	-
5	3,920	2,696	39	218	-	882	-
6	5,440,877	945,954	10,318	403,026	-	20,747	-
7	3,451,880	212,985	7,430	288,268	-	27,603	-
8	170,260	117,635	13,407	4,897	2,422	49,931	-
9	80,928	71,147	3,408	4,824	-	18,891	-
10	2,164,598	1,648,492	38,969	204,397	1,590	323,576	-
11	19,371,398	2,693,389	140,785	560,541	59,295	103,187	-
12	1,541,868	1,541,596	-	-	-	(343)	-

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

## 5.2.8.3 MOVEMENT OF INVESTMENTS IN SUBSIDIARIES

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

## 5.2.8.4 SECTORAL DISTRIBUTION OF INVESTMENTS IN SUBSIDIARIES

<b>Subsidiaries</b>	<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	104,372

## 5.2.8.5 QUOTED SUBSIDIARIES

None.

## 5.2.8.6 VALUATION METHODS OF INVESTMENTS IN SUBSIDIARIES

<b>Subsidiaries</b>	<b>PRIOR PERIOD</b>
Valued at Cost	104,372
Valued at Equity Method of Accounting	6,435,099

## 5.2.8.7 INVESTMENTS IN SUBSIDIARIES DISPOSED DURING THE CURRENT PERIOD

None.

## 5.2.8.8 INVESTMENTS IN SUBSIDIARIES ACQUIRED DURING THE CURRENT PERIOD

None.

## 5.2.9 INVESTMENTS IN JOINT-VENTURES

None.

## 5.2.10 LEASE RECEIVABLES (NET)

None.

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## 5.2.11 DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE

### 5.2.11.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	PRIOR PERIOD	
	TL	FC
Fair Value Hedges	89,104	13,001
Cash Flow Hedges	446,457	99,713
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>535,561</b>	<b>112,714</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:

	PRIOR PERIOD		
	FACE VALUE	ASSET	LIABILITY
Interest Rate Swaps	36,960,864	204,154	48,808
-TL	5,552,476	91,493	6,227
-FC	31,408,388	112,661	42,581
Cross Currency Swaps	3,068,641	444,121	131,262
-TL	656,908	444,068	-
-FC	2,411,733	53	131,262
<b>Total</b>	<b>40,029,505</b>	<b>648,275</b>	<b>180,070</b>

### 5.2.11.1.1 FAIR VALUE HEDGE ACCOUNTING

PRIOR PERIOD HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/ LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	2,442	30,275	(39,034)	(6,317)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(53,789)	57,887	-	4,098
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(19,552)	13,943	(7,695)	(13,305)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,788)

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## 5.2.11.1.2 CASH FLOW HEDGE ACCOUNTING

PRIOR PERIOD HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	39	-	(55)	67	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	61,409	(1,745)	34,891	(23,236)	672
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	40,601	(334)	18,621	(7,071)	6,932
Cross Currency Swaps	Floating-rate securities issued	Commitments	53	-	1,094	(1,042)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	444,068	-	45	(60,340)	7

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

## 5.2.12 TANGIBLE ASSETS

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

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## 5.2.13 INTANGIBLE ASSETS

### 5.2.13.1 USEFUL LIVES AND AMORTISATION RATES

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

### 5.2.13.2 AMORTISATION METHODS

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

### 5.2.13.3 BALANCES AT END OF PRIOR PERIOD

	END OF PRIOR PERIOD	
	COST	ACCUMULATED AMORTISATION
Intangible Assets	590,449	304,795

### 5.2.13.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

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

### 5.2.13.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

### 5.2.13.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

### 5.2.13.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

### 5.2.13.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

### 5.2.13.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

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## 5.2.13.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

## 5.2.13.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

## 5.2.13.12 GOODWILL

Yoktur.

## 5.2.13.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

None.

## 5.2.14 INVESTMENT PROPERTY

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

The investment property is held for operational leasing purposes.

## 5.2.15 DEFERRED TAX ASSET

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

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2017. However, there is a deferred tax asset of TL 640,025 thousands and deferred tax liability of TL 283,341 thousands presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	1,268,109	262,529
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,045,923	230,712
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	226,718	49,878
<b>Total Deferred Tax Asset, Net</b>	<b>676,398</b>	<b>356,684</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' financial assets.

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

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## 5.2.16 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

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

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

## 5.2.17 OTHER ASSETS

### 5.2.17.1 RECEIVABLES FROM TERM SALE OF ASSETS

	PRIOR PERIOD
Sale of Investments in Associates, Subsidiaries and Joint Ventures	-
Sale of Real Estates	-
Sale of Financial Assets Available-for-Sale	20,394
Sale of Other Assets	1,136
<b>Total</b>	<b>21,530</b>

### 5.2.17.2 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	PRIOR PERIOD
Prepaid Expenses	866,958
Prepaid Taxes	-

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## 5.3 LIABILITIES (CURRENT PERIOD)

### 5.3.1 MATURITY PROFILE OF DEPOSITS

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

#### 5.3.1.1 SAVING DEPOSITS AND OTHER DEPOSIT ACCOUNTS INSURED BY SAVING DEPOSIT INSURANCE FUND

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

CURRENT PERIOD	COVERED BY DEPOSIT INSURANCE	OVER DEPOSIT INSURANCE LIMIT
Saving Deposits	28,784,393	40,053,588
Foreign Currency Saving Deposits	12,646,522	48,242,453
Other Saving Deposits	1,639,365	1,499,769
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-

#### 5.3.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

#### 5.3.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

	CURRENT PERIOD
Deposits and Other Accounts held at Foreign Branches	1,194,472
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	148,387
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-



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## 5.3.2 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES

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

## 5.3.3 FUNDS BORROWED

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

### 5.3.3.1 MATURITIES OF FUNDS BORROWED

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

### 5.3.3.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

## 5.3.4 OTHER EXTERNAL FUNDS

### 5.3.4.1 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,137,906	2,032,018	26,970	17,563,365
Cost	1,106,078	2,030,144	26,970	17,476,120
Carrying Value (*)	1,128,901	2,071,940	27,087	16,779,430

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

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## 5.3.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

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

## 5.3.4.3 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS

	CURRENT PERIOD	
	TL	FC
Funds Borrowed	-	12,285,838
Securities Issued	-	-
<b>Total</b>	-	<b>12,285,838</b>

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,484,345,238, as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2018, the accumulated credit risk change and the credit risk change recognised in the statement of profit or loss amounted to TL 930,827 thousands and a gain of TL 886,879 thousands, respectively. The carrying value of the related financial liability amounted to TL 12,285,838 thousands, and the related current period gain amounted to TL 886,879 thousands.

In accordance with TFRS 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. The transaction was closed down on 8 October 2018.

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

## 5.3.4.4 OTHER LIABILITIES

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

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## 5.3.5 LEASE PAYABLES (NET)

### 5.3.5.1 FINANCIAL LEASE PAYABLES

	CURRENT PERIOD	
	GROSS	NET
Up to 1 Year	19,252	16,464
1-4 Years	-	-
More than 4 Years	-	-
<b>Total</b>	<b>19,252</b>	<b>16,464</b>

### 5.3.5.2 OPERATIONAL LEASE AGREEMENTS

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

## 5.3.6 DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE

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

## 5.3.7 PROVISIONS

### 5.3.7.1 RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

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

### 5.3.7.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

None.

### 5.3.7.3 PROVISIONS FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD
Substandard Loans and Receivables - Limited Collectibility	112,375
Doubtful Loans and Receivables	31,789
Uncollectible Loans and Receivables	138,005
<b>Total</b>	<b>282,169</b>

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## 5.3.7.4 OTHER PROVISIONS

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

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

### Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 23 December 2018 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,747,984 thousands as at 31 December 2018 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2018 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 23 December 2018 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,693,744 thousands remains as of 31 December 2018 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 596,470 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2018. However, despite this treatment there are no excess obligation that needs to be provided against.

	31 DECEMBER 2018
<b>Transferable Pension and Medical Benefits:</b>	
Net present value of pension benefits transferable to SSF	(1,408,961)
Net present value of medical benefits and health premiums transferable to SSF	596,470
General administrative expenses	(52,481)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(864,972)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>4,612,956</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>3,747,984</b>
<b>Non-Transferable Benefits:</b>	
Other pension benefits	(920,128)
Other medical benefits	(1,134,112)
<b>Total Non-Transferable Benefits (4)</b>	<b>(2,054,240)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,693,744</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(596,470)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>1,097,274</b>

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

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

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

	31 DECEMBER 2018
	%
Discount Rate (*)	16.30
Inflation Rate (*)	12.50
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	16.70
Future Pension Increase Rate (*)	12.50

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follow:

DEFINED BENEFIT OBLIGATION	PENSION BENEFITS EFFECT	MEDICAL BENEFITS EFFECT	OVERALL EFFECT
Assumption change	%	%	%
Discount rate +1%	(12.80)	(17.40)	(15.30)
Discount rate -1%	16.10	23.30	20.10
Medical inflation rate +1%	-	23.00	12.70
Medical inflation rate -1%	-	(17.40)	(9.60)

RETIREMENT INDEMNITIES	SENSITIVITY OF PAST SERVICE LIABILITY	SENSITIVITY OF NORMAL COST
Assumption change	%	%
Discount rate +1%	(11.20)	(16.30)
Discount rate -1%	13.50	18.80
Inflation rate +1%	12.20	19.20
Inflation rate -1%	(11.40)	(15.70)

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## 5.3.8 TAX LIABILITY

### 5.3.8.1 CURRENT TAX LIABILITY

#### 5.3.8.1.1 TAX LIABILITY

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

#### 5.3.8.1.2 TAXES PAYABLE

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

#### 5.3.8.1.3 PREMIUMS

	CURRENT PERIOD
Social Security Premiums-Employees	76
Social Security Premiums-Employer	93
Bank Pension Fund Premium-Employees	30
Bank Pension Fund Premium-Employer	30
Pension Fund Membership Fees and Provisions-Employees	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,357
Unemployment Insurance-Employer	2,739
Others	30
<b>Total</b>	<b>4,355</b>

### 5.3.8.2 DEFERRED TAX LIABILITY

None.

## 5.3.9 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

## 5.3.10 SUBORDINATED DEBTS

	CURRENT PERIOD	
	TL	FC
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	3,977,018
Foreign Other Institutions	-	-
<b>Total</b>	<b>-</b>	<b>3,977,018</b>

Disclosures on subordinated debts are reported in Note 4.1.2.

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## 5.3.11 SHAREHOLDERS' EQUITY

### 5.3.11.1 PAID-IN CAPITAL

	CURRENT PERIOD
Common Shares	4,200,000
Preference Shares	-

### 5.3.11.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

### 5.3.11.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

### 5.3.11.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

### 5.3.11.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

### 5.3.11.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

### 5.3.11.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

### 5.3.11.8 SECURITIES VALUE INCREASE FUND

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

### 5.3.11.9 REVALUATION SURPLUS

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

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## 5.3.11.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

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

## 5.3.11.11 LEGAL RESERVES

	CURRENT PERIOD
I. Legal Reserve	961,534
II. Legal Reserve	503,840
Special Reserves	-

## 5.3.11.12 EXTRAORDINARY RESERVES AND OTHER PROFIT RESERVES

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

## 5.4 LIABILITIES (PRIOR PERIOD)

### 5.4.1 MATURITY PROFILE OF DEPOSITS

PRIOR PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
<b>Saving Deposits</b>	<b>10,899,855</b>	-	<b>2,591,208</b>	<b>42,834,706</b>	<b>1,876,797</b>	<b>589,939</b>	<b>803,336</b>	<b>4,104</b>	<b>59,599,945</b>
<b>Foreign Currency Deposits</b>	<b>21,383,545</b>	-	<b>7,035,070</b>	<b>45,574,240</b>	<b>2,282,354</b>	<b>3,175,778</b>	<b>9,426,930</b>	<b>53,388</b>	<b>88,931,305</b>
Residents in Turkey	20,494,963	-	6,870,179	42,503,373	1,614,303	1,478,046	952,124	52,147	73,965,135
Residents in Abroad	888,582	-	164,891	3,070,867	668,051	1,697,732	8,474,806	1,241	14,966,170
<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>9,546,293</b>	-	<b>5,119,441</b>	<b>7,458,863</b>	<b>460,815</b>	<b>321,390</b>	<b>1,236,562</b>	-	<b>24,143,364</b>
<b>Other</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 Deposits</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>894,483</b>	-	<b>83,799</b>	<b>15,090</b>	<b>10,240</b>	<b>20,474</b>	<b>174,878</b>	-	<b>1,198,964</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	5,597	-	5,664	15,090	2,048	20,474	10,239	-	59,112
Foreign Banks	604,000	-	78,135	-	8,192	-	164,639	-	854,966
Special Financial Institutions	284,886	-	-	-	-	-	-	-	284,886
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>45,348,775</b>	-	<b>15,027,440</b>	<b>97,305,300</b>	<b>4,733,108</b>	<b>4,522,174</b>	<b>14,121,716</b>	<b>57,492</b>	<b>181,116,005</b>



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## 5.4.1.1 SAVING DEPOSITS AND OTHER DEPOSIT ACCOUNTS INSURED BY SAVING DEPOSIT INSURANCE FUND

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

	COVERED BY DEPOSIT INSURANCE	OVER DEPOSIT INSURANCE LIMIT
	PRIOR PERIOD	PRIOR PERIOD
Saving Deposits	29,036,944	30,090,207
Foreign Currency Saving Deposits	10,539,819	35,968,349
Other Saving Deposits	1,117,225	946,409
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-

## 5.4.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

## 5.4.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	1,009,774
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	231,412
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

## 5.4.2 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING

ALIM SATIM AMAÇLI TÜREV FINANSAL BORÇLAR	PRIOR PERIOD	
	TL	FC
Forward transactions	173,801	30,817
Swap transactions	2,070,861	352,945
Futures	-	91
Options	114,525	9,690
Other	-	-
<b>Total</b>	<b>2,359,187</b>	<b>393,543</b>

## 5.4.3 FUNDS BORROWED

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

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## 5.4.3.1 MATURITIES OF FUNDS BORROWED

	PRIOR PERIOD	
	TL	FC
Short-Term	231,700	1,188,679
Medium and Long-Term	510,883	38,873,561
<b>Total</b>	<b>742,583</b>	<b>40,062,240</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 positive credit risk change and the negative credit risk change recognised in the income statement amounted to TL 43,948 thousands and TL 398,191 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands, and the related period loss amounted to TL 398,191 thousands.

## 5.4.3.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

## 5.4.4 OTHER EXTERNAL FUNDS

### 5.4.4.1 SECURITIES ISSUED

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	2,988,767	4,088,187	-	12,842,638
Cost	2,923,775	3,917,598	-	12,775,272
Carrying Value (*)	2,975,784	3,984,835	-	12,330,741

(\*) The Bank repurchased its own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of USD 206,730,000 and netted off such securities in the accompanying financial statements.

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2017, the accumulated negative credit risks change, and the positive credit risk changes recognised in the income statement amounted to TL 908 thousands and TL 1,815 thousands. The carrying value of the related financial liability amounted to TL 34,983 thousands, and the related period gains amounted to TL 1,898 thousands.

### 5.4.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

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

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## 5.4.4.3 MISCELLANEOUS PAYABLES

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

## 5.4.5 LEASE PAYABLES (NET)

### 5.4.5.1 FINANCIAL LEASE PAYABLES

	PRIOR PERIOD	
	GROSS	NET
Up to 1 Year	5,123	5,358
1-4 Years	2,780	1,581
More than 4 Years	-	-
<b>Total</b>	<b>7,903</b>	<b>6,939</b>

### 5.4.5.2 OPERATIONAL LEASE AGREEMENTS

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

## 5.4.6 DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE

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

## 5.4.7 PROVISIONS

### 5.4.7.1 GENERAL PROVISIONS

General Provision for	PRIOR PERIOD
	3,597,720
Loans and Receivables in Group I	1,622,511
Loans and Receivables in Group II	1,367,940
Non-Cash Loans	368,498
Others	238,771

### 5.4.7.2 RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

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

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## 5.4.7.3 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

	PRIOR PERIOD
Short-Term Loans	14,419
Medium and Long-Term Loans	2,800
<b>Total</b>	<b>17,219</b>

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

## 5.4.7.4 PROVISIONS FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	16,649
Doubtful Loans and Receivables	13,593
Uncollectible Loans and Receivables	97,175
<b>Total</b>	<b>127,417</b>

## 5.4.7.5 OTHER PROVISIONS

### 5.4.7.5.1 GENERAL RESERVES FOR POSSIBLE LOSSES

	PRIOR PERIOD
General Reserves for Possible Losses	1,160,000

### 5.4.7.5.2 OTHER PROVISIONS

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

(\*) During the period, a provision of EUR 33,000,000 is provided for the ongoing lawsuit against the Bank in Paris, which was disclosed in the Public Disclosure Platform on 20 September 2017.

(\*\*) During the period, a provision of TL 33,887 thousands is allocated for the dormant "other temporary accounts" standing longer than a year within the scope of "TAS 37 Provisions, Contingent Liabilities and Contingent Assets" Standard.

### Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands as 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.

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	31.12.2017
<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

	31.12.2017
<b>Balance at Beginning of Period</b>	-
Actual contributions paid during the period	(71,463)
Total expense recognized in the income statement	44,052
Amount recognized in the shareholders' equity	27,411
<b>Balance at End of Period</b>	-

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

	31.12.2017
	%
Discount Rate (*)	11.70
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	12.60
Future Pension Increase Rate (*)	8.40

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follow:

DEFINED BENEFIT OBLIGATION	PENSION BENEFITS EFFECT	MEDICAL BENEFITS EFFECT	OVERALL EFFECT
Assumption change	%	%	%
Discount rate +1%	(13.90)	(19.00)	(16.80)
Discount rate -1%	17.80	26.10	22.40
Medical inflation (+10% of CPI)	-	20.80	11.60
Medical inflation (-10% of CPI)	-	(16.20)	(9.10)

RETIREMENT INDEMNITIES	SENSITIVITY OF PAST SERVICE LIABILITY	SENSITIVITY OF NORMAL COST
Assumption change	%	%
Discount rate +1%	(12.20)	(16,30)
Discount rate -1%	14.80	20.40
Inflation rate +1%	14.40	20.00
Inflation rate -1%	(11.80)	(15.90)

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## 5.4.8 TAX LIABILITY

### 5.4.8.1 CURRENT TAX LIABILITY

#### 5.4.8.1.1 TAX LIABILITY

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

#### 5.4.8.1.2 TAXES PAYABLE

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

#### 5.4.8.1.3 PREMIUMS

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

### 5.4.8.2 DEFERRED TAX LIABILITY

None.

### 5.4.9 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

### 5.4.10 SUBORDINATED DEBTS

	PRIOR PERIOD	
	TL	FC
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	2,849,471
Foreign Other Institutions	-	-
<b>Total</b>	<b>-</b>	<b>2,849,471</b>

Disclosures on subordinated debts are reported in Note 4.1.2.

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## 5.4.11 SHAREHOLDERS' EQUITY

### 5.4.11.1 PAID-IN CAPITAL

	PRIOR PERIOD
Common Shares	4,200,000
Preference Shares	-

### 5.4.11.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

### 5.4.11.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

### 5.4.11.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

### 5.4.11.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

### 5.4.11.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

### 5.4.11.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

### 5.4.11.8 SECURITIES VALUE INCREASE FUND

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

### 5.4.11.9 REVALUATION SURPLUS

	PRIOR PERIOD	
	TL	FC
Movables	-	-
Real Estates	1,431,478	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	227,994	-
Revaluation Surplus on Leasehold Improvements	-	-

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## 5.4.11.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

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

## 5.4.11.11 LEGAL RESERVES

	PRIOR PERIOD
I. Legal Reserve	961,534
II. Legal Reserve	349,840
Special Reserves	-

## 5.4.11.12 EXTRAORDINARY RESERVES

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

## 5.5 OFF-BALANCE SHEET ITEMS (CURRENT PERIOD)

### 5.5.1 OFF-BALANCE SHEET CONTINGENCIES

#### 5.5.1.1 IRREVOCABLE CREDIT COMMITMENTS

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

#### 5.5.1.2 POSSIBLE LOSSES, COMMITMENTS AND CONTINGENCIES RESULTED FROM OFF-BALANCE SHEET ITEMS

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



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Expected losses for non-cash loans and irrevocable commitments

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

A specific provision of TL 282,169 thousands is made for unliquidated non-cash loans of TL 837,427 thousands recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

## 5.5.1.3 NON-CASH LOANS

	CURRENT PERIOD
Non-Cash Loans against Cash Risks	12,434,212
With Original Maturity of 1 Year or Less	2,339,515
With Original Maturity of More Than 1 Year	10,094,697
Other Non-Cash Loans	53,368,777
<b>Total</b>	<b>65,802,989</b>

## 5.5.1.4 SECTORAL RISK CONCENTRATION OF NON-CASH LOANS

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

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## 5.5.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II

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

## 5.5.2 FINANCIAL DERIVATIVE INSTRUMENTS

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

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## 5.5.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2018, there are total return swaps of the Bank with a total face value of USD 2,484,345,238 classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

## 5.5.4 CONTINGENT LIABILITIES AND ASSETS

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

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2018, there was no payment made related with such contingent liabilities.

## 5.5.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

## 5.6 OFF-BALANCE SHEET ITEMS (PRIOR PERIOD)

### 5.6.1 OFF-BALANCE SHEET CONTINGENCIES

#### 5.6.1.1 IRREVOCABLE CREDIT COMMITMENTS

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

#### 5.6.1.2 POSSIBLE LOSSES, COMMITMENTS AND CONTINGENCIES RESULTED FROM OFF-BALANCE SHEET ITEMS

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

	PRIOR PERIOD
Non-Cash Loans against Cash Risks	7,327,429
With Original Maturity of 1 Year or Less	644,377
With Original Maturity of More Than 1 Year	6,683,052
Other Non-Cash Loans	47,223,911
<b>Total</b>	<b>54,551,340</b>

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## 5.6.1.4 SECTORAL RISK CONCENTRATION OF NON-CASH LOANS

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

## 5.6.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II

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

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## 5.6.2 FINANCIAL DERIVATIVE INSTRUMENTS

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
<b>Derivative Financial Instruments held for Risk Management</b>						
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	<b>57,218</b>	<b>75,516</b>	<b>4,909,643</b>	<b>23,804,155</b>	<b>11,182,973</b>	<b>40,029,505</b>
Fair Value Hedges	-	-	1,439,191	7,691,889	7,238,464	16,369,544
Cash Flow Hedges	57,218	75,516	3,470,452	16,112,266	3,944,509	23,659,961
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>						
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>142,262,557</b>	<b>54,133,652</b>	<b>54,335,561</b>	<b>3,865,472</b>	<b>145,843</b>	<b>254,743,085</b>
Currency Forwards-Purchases	9,779,015	3,316,845	3,009,953	623,545	-	16,729,358
Currency Forwards-Sales	9,801,560	3,322,793	3,091,290	696,561	-	16,912,204
Currency Swaps-Purchases	58,989,694	20,433,707	18,773,237	1,107,479	72,182	99,376,299
Currency Swaps-Sales	54,303,076	20,617,972	19,104,290	1,018,937	73,661	95,117,936
Currency Options-Purchases	4,580,437	3,181,984	5,112,068	192,500	-	13,066,989
Currency Options-Sales	4,801,114	3,225,621	5,164,430	226,450	-	13,417,615
Currency Futures-Purchases	3,931	7,066	37,758	-	-	48,755
Currency Futures-Sales	3,730	27,664	42,535	-	-	73,929
<b>Interest Rate related Derivative Transactions (II)</b>	<b>60,000</b>	<b>18,879</b>	<b>5,137,249</b>	<b>17,834,188</b>	<b>22,169,602</b>	<b>45,219,918</b>
Interest Rate Swaps-Purchases	30,000	-	1,351,963	5,671,198	10,429,017	17,482,178
Interest Rate Swaps-Sales	30,000	-	1,351,963	5,671,198	10,429,017	17,482,178
Interest Rate Options-Purchases	-	-	2,433,323	5,502,795	1,311,568	9,247,686
Interest Rate Options-Sales	-	-	-	988,997	-	988,997
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	18,879	-	-	-	18,879
<b>Other Trading Derivatives (III)</b>	<b>5,351,180</b>	<b>58,816</b>	<b>52,208</b>	<b>2,611,040</b>	<b>6,742,500</b>	<b>14,815,744</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>147,673,737</b>	<b>54,211,347</b>	<b>59,525,018</b>	<b>24,310,700</b>	<b>29,057,945</b>	<b>314,778,747</b>
<b>Total Derivative Transactions (A+B)</b>	<b>147,730,955</b>	<b>54,286,863</b>	<b>64,434,661</b>	<b>48,114,855</b>	<b>40,240,918</b>	<b>354,808,252</b>

## 5.6.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2017, there are total return swaps of the Bank with a total face value of USD 2,455,714,286 classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

## 5.6.4 CONTINGENT LIABILITIES AND ASSETS

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

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2017, there was no payment made related with such contingent liabilities.

## 5.6.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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## 5.7 STATEMENT OF PROFIT OR LOSS (CURRENT PERIOD)

### 5.7.1 INTEREST INCOME

#### 5.7.1.1 INTEREST INCOME FROM LOANS (\*)

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

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

#### 5.7.1.2 INTEREST INCOME FROM BANKS

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

#### 5.7.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

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

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2018, the valuation of such securities was made according to annual inflation as of balance sheet date.

#### 5.7.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD
Interest Received from Investments in Associates and Subsidiaries	188,866

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## 5.7.2 INTEREST EXPENSES

### 5.7.2.1 INTEREST EXPENSES ON FUNDS BORROWED (\*)

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

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

### 5.7.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD
Interest Paid to Investments in Associates and Subsidiaries	320,535

### 5.7.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD	
	TL	FC
Interest Paid on Securities Issued	852,183	1,169,330

### 5.7.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD	ACCOUNT DESCRIPTION	DEMAND DEPOSITS	TIME DEPOSITS					ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
			UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER		
<b>Turkish Lira</b>									
	Bank Deposits	605	115,043	-	-	-	-	-	115,648
	Saving Deposits	52	382,854	7,178,781	463,070	129,776	203,923	-	8,358,456
	Public Sector Deposits	-	1,327	4,113	797	96	-	-	6,333
	Commercial Deposits	96	1,250,260	1,543,123	90,746	55,598	186,331	-	3,126,154
	Other	17	54,366	159,523	15,608	49,856	441,545	-	720,915
	"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
	<b>Total TL</b>	<b>770</b>	<b>1,803,850</b>	<b>8,885,540</b>	<b>570,221</b>	<b>235,326</b>	<b>831,799</b>	<b>-</b>	<b>12,327,506</b>
<b>Foreign Currency</b>									
	Foreign Currency Deposits	43	163,962	1,488,052	63,884	155,151	473,688	657	2,345,437
	Bank Deposits	-	19,016	-	-	-	-	-	19,016
	"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
	Precious Metal Deposits	-	-	28	48	38	5,184	-	5,298
	<b>Total FC</b>	<b>43</b>	<b>182,978</b>	<b>1,488,080</b>	<b>63,932</b>	<b>155,189</b>	<b>478,872</b>	<b>657</b>	<b>2,369,751</b>
	<b>Grand Total</b>	<b>813</b>	<b>1,986,828</b>	<b>10,373,620</b>	<b>634,153</b>	<b>390,515</b>	<b>1,310,671</b>	<b>657</b>	<b>14,697,257</b>

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## 5.7.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	CURRENT PERIOD	
	TL	FC
Interest Paid on Repurchase Agreements	1,001,731	4,107

## 5.7.2.6 FINANCIAL LEASE EXPENSES

	CURRENT PERIOD
Financial Lease Expenses	3,234

## 5.7.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

## 5.7.3 DIVIDEND INCOME

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

## 5.7.4 TRADING INCOME/LOSSES

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

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

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 47,896,216 and EUR 28,947,368 and securitization borrowings amounting to EUR 63,931,574 by designating cross currency swaps with the same face values and terms and borrowing amounting to USD 500,000,000, securitizations amounting to USD 705,365,856 and EUR 90,000,000 and deposits amounting to TL 2,630,000 thousands, USD 1,055,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values and terms and finalized commitments amounting to USD 39,633,336 by designating forwards with the same face values and terms. Accordingly, in the current period, gains of TL 64,973 thousands and TL 83,127 thousands and a loss of TL 50,967 thousands resulting from cross currency, interest rate swap and forward agreements were recognised under shareholders' equity, respectively.



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The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,920,434 thousands, USD 700,304,781 and EUR 260,415,019, for its fixed rate bonds with a total face value of TL 835,000 thousands and USD 487,500,000 and fixed-rate coupons with a total face value of USD 90,000,000 and EUR 13,000,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL 54,486 thousands and TL 71,235 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/losses in the statement of profit or loss, respectively.

## 5.7.5 OTHER OPERATING INCOME

The items under "other operating income" generally consists of collection or reversals of prior years' provisions, banking services related costs recharged to customers and income on custody services.

In the current period, a part of non-performing receivables of the Bank amounting to TL 316,908 thousands was sold for a consideration of TL 17,550 thousands. Considering the related provision of TL 316,908 thousands made in the financial statements, a gain of TL 17,550 thousands is recognized under "Other Operating Income".

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

## 5.7.6 PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES

	CURRENT PERIOD
<b>Expected Credit Losses</b>	<b>8,362,410</b>
12-Month ECL (Stage 1)	831,370
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	3,094,695
Lifetime ECL Impaired Credits (Stage 3)	4,436,345
<b>Impairment Losses on Securities</b>	<b>21,723</b>
Financial Assets Measured at Fair Value through Profit/Loss	19,149
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,574
<b>Impairment Losses on Associates, Subsidiaries and Joint-ventures</b>	<b>20,832</b>
Associates	-
Subsidiaries	20,832
Joint-ventures	-
<b>Others</b>	<b>1,477,913</b>
<b>Total</b>	<b>9,882,878</b>

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## 5.7.7 OTHER OPERATING EXPENSES

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

## 5.7.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

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

There is no amount from discontinued operations.

## 5.7.9 INFORMATION ON PROVISION FOR TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

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

There is no amount from discontinued operations.

*Deferred tax benefit/charge on timing differences:*

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

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Deferred tax benefit/charge in the statement of profit/loss arising on timing differences, tax losses and tax deductions and exemptions:

Deferred tax benefit/(charge) arising on timing differences, tax losses and tax deductions and exemptions	CURRENT PERIOD
Increase/(decrease) in tax deductible timing differences (net)	161,464
Increase/(decrease) in taxable timing differences (net)	(464,164)
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
<b>Total</b>	<b>(302,700)</b>

## 5.7.10 INFORMATION ON NET PROFIT/LOSS FROM CONTINUED AND DISCONTINUED OPERATIONS

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

There is no amount from discontinued operations.

## 5.7.11 NET PROFIT/LOSS

### 5.7.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF THE BANK'S PERFORMANCE

None.

### 5.7.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

## 5.7.12 COMPONENTS OF OTHER ITEMS IN STATEMENT OF PROFIT/LOSS

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

## 5.8 INCOME STATEMENT (PRIOR PERIOD)

### 5.8.1 INTEREST INCOME

#### 5.8.1.1 INTEREST INCOME FROM LOANS (\*)

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

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

#### 5.8.1.2 INTEREST INCOME FROM BANKS

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

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## 5.8.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

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

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2017, the valuation of such securities was made according to annual inflation as of balance sheet date.

## 5.8.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	PRIOR PERIOD
Interest Received from Investments in Associates and Subsidiaries	75,698

## 5.8.2 INTEREST EXPENSES

### 5.8.2.1 INTEREST EXPENSES ON FUNDS BORROWED (\*)

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

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

### 5.8.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	PRIOR PERIOD
Interest Paid to Investments in Associates and Subsidiaries	139,017

### 5.8.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	PRIOR PERIOD	
	TL	FC
Interest Paid on Securities Issued	650,877	787,587

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## 5.8.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

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

## 5.8.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	PRIOR PERIOD	
	TL	FC
Interest Paid on Repurchase Agreements	1,147,506	17,939

## 5.8.2.6 FINANCIAL LEASE EXPENSES

	PRIOR PERIOD
Financial Lease Expenses	1,295

## 5.8.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

## 5.8.3 DIVIDEND INCOME

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

## 5.8.4 TRADING INCOME/LOSSES (NET)

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

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

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 63,861,622 and EUR 34,210,526 securitization borrowings amounting to USD 43,750,000 and EUR 104,794,733 and commitments amounting to USD 7,857,183 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 755,121,951 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 136,473,684 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 47,621 thousands and TL 93,010 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,876,938 thousands, USD 957,763,108 and EUR 225,212,078, for its bonds with a total face value of TL 855,000 thousands and USD 59,900,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL 51,347 thousands and TL 19,552 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/losses in the income statement, respectively.

In addition, the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and, RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a loss of TL 3,527 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

## 5.8.5 OTHER OPERATING INCOME

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers, fair value increase of investment property and income on custody services.

In the prior period, a part of non-performing receivables of the Bank amounting to TL 865,748 thousands were sold for a consideration of TL 56,015 thousands. Considering the related provision of TL 854,989 thousands made in the financial statements, a gain of TL 45,256 thousands is recognized under "Other Operating Income".

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## 5.8.6 PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES

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

## 5.8.7 OTHER OPERATING EXPENSES

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

(\*) Includes lawsuits, 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 30,715 thousands, as per the decision of the Turkish Competition Board or the related courts.

(\*\*)Includes repayments, by the Bank, of fees and commissions income recognised in prior years in the amount of TL 31,330 thousands, as per the decision of the Turkish Competition Board or the related courts.

## 5.8.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

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

## 5.8.9 INFORMATION ON PROVISION FOR TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

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

*Deferred tax benefit/charge on timing differences:*

<b>Deferred tax benefit/(charge) on timing differences</b>	<b>PRIOR PERIOD</b>
Increase in tax deductible timing differences (+)	288,325
Decrease in tax deductible timing differences (-)	(53,559)
Increase in taxable timing differences (-)	(93,165)
Decrease in taxable timing differences (+)	188,029
<b>Total</b>	<b>329,630</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>PRIOR PERIOD</b>
Increase/(decrease) in tax deductible timing differences (net)	234,766
Increase/(decrease) in taxable timing differences (net)	94,864
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
<b>Total</b>	<b>329,630</b>

## 5.8.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

None.

## 5.8.11 NET PROFIT/LOSS

### 5.8.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF THE BANK'S PERFORMANCE

None.

### 5.8.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON PRIOR AND SUBSEQUENT PERIOD RESULTS

None.

## 5.8.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

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



## 5.9 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CURRENT PERIOD)

### 5.9.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

#### 5.9.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

None.

#### 5.9.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, a decrease of TL 34,947 thousands is presented in the shareholders' equity for such hedges assessed as effective.

#### 5.9.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

An increase of TL 1,146,418 thousands that was resulted from the foreign currency translation of the Bank, is presented under translation differences in the shareholders' equity.

### 5.9.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

#### 5.9.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 31 December 2018, an increase of TL 6,645 thousands resulted from the revaluation of financial assets measured at fair value through other comprehensive income at fair value after being netted with the related deferred tax liability effect and a gain of TL 390 thousands that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in income/expenses from valuation and/or reclassification of financial assets measured at FVOCI in shareholders' equity.

#### 5.9.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

### 5.9.3 TRANSFERS TO LEGAL RESERVES

	CURRENT PERIOD
Transfers to Legal Reserves from Prior Year Profits	154,000
Transfers to Extraordinary Reserves from Prior Year Profits	4,438,770

### 5.9.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.3.4.1.

### 5.9.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.28.

### 5.9.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

## 5.10 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (PRIOR PERIOD)

### 5.10.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

#### 5.10.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

None.

#### 5.10.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 41,079 thousands is presented in the shareholders' equity for such hedges assessed as effective.

#### 5.10.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

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

### 5.10.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

#### 5.10.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

As of 31 December 2017, an increase of TL 89,051 thousands resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a gain of TL 51,958 thousands that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

#### 5.10.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

### 5.10.3 TRANSFERS TO LEGAL RESERVES

	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	104,000
Transfers to Extraordinary Reserves from Prior Year Profits	3,488,938

### 5.10.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.4.4.1.

### 5.10.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.24.

### 5.10.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

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## 5.11 STATEMENT OF CASH FLOWS (CURRENT PERIOD)

### 5.11.1 DISCLOSURES FOR “OTHER” ITEMS AND “EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS” IN STATEMENT OF CASH FLOWS

The net cash inflows arising from banking operations amount to TL 13,622,280 thousands. TL 5,025,671 thousands of the net cash inflows is generated from the cash inflows resulted from the change in operating assets and liabilities and TL 8,596,609 thousands from the cash inflows resulted from operating profit. The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to a net inflow of TL 4,053,350 thousands. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 5,638,510 thousands.

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

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1,433,478 thousands.

### 5.11.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Note 5.1.9.3 of investments in subsidiaries.

### 5.11.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

### 5.11.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

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

### 5.11.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

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

## 5.11.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 10,746,491 thousands of which TL 5,419,705 thousands and TL 146,033 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,180,753 thousands as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 13,158,116 thousands is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 1,350,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

## 5.11.7 ADDITIONAL INFORMATION

### 5.11.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None.

### 5.11.7.2 CASH INFLOWS PRESENTING INCREASE IN OPERATING CAPACITY OF THE BANK

None.

## 5.12 STATEMENT OF CASH FLOWS (PRIOR PERIOD)

### 5.12.1 DISCLOSURES FOR "OTHER" ITEMS AND "EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS" IN STATEMENT OF CASH FLOWS

The net cash outflow arising from banking operations amount to TL 4,205,208 thousands. TL 10,739,782 thousands of this amount is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 6,534,574 thousands from the cash inflows resulted from operating profit. The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to a net inflow of TL 1,005,340 thousands. The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 3,348,145 thousands.

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

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 592,678 thousands.

### 5.12.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Note 5.2.8.3 of investments in subsidiaries.

### 5.12.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

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## 5.12.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	31 DECEMBER 2016
<b>Cash on Hand</b>	<b>2,039,563</b>
Cash in TL	1,357,688
Cash in Foreign Currency	681,875
<b>Cash Equivalents</b>	<b>10,972,014</b>
Other	10,972,014
<b>TOTAL</b>	<b>13,011,577</b>

## 5.12.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

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

## 5.12.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 8,885,348 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,033,161 thousands as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 19,280,068 thousands is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 668,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

## 5.12.7 ADDITIONAL INFORMATION

### 5.12.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None.

### 5.12.7.2 CASH INFLOWS PRESENTING INCREASE IN OPERATING CAPACITY OF THE BANK

None.

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## 5.13 RELATED PARTY RISKS

### 5.13.1 TRANSACTIONS WITH THE BANK'S RISK GROUP

#### 5.13.1.1 LOANS AND OTHER RECEIVABLES

##### CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and Other Receivables</b>						
Balance at beginning of period	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Balance at end of period	5,638,055	1,498,526	108,221	942,442	83,353	36,351
<b>Interest and Commission Income (*)</b>	<b>193,855</b>	<b>13,864</b>	<b>18,956</b>	<b>189</b>	<b>202,856</b>	<b>6,745</b>

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

##### PRIOR PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and Other Receivables</b>						
Balance at beginning of period	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Balance at end of period	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
<b>Interest and Commission Income</b>	<b>94,037</b>	<b>4,502</b>	<b>3,701</b>	<b>93</b>	<b>155,698</b>	<b>3,981</b>

#### 5.13.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
<b>DEPOSITS</b>						
Balance at beginning of period	1,414,155	900,256	375,167	536,399	378,773	533,816
Balance at end of period	1,074,063	1,414,155	108,961	375,167	89,808	378,773
<b>Interest Expense (*)</b>	<b>258,689</b>	<b>118,174</b>	<b>3,712</b>	<b>14,846</b>	<b>31,348</b>	<b>19,722</b>

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

#### 5.13.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
<b>TRANSACTIONS AT FAIR VALUE THROUGH PROFIT/ (LOSS):</b>						
Balance at beginning of period	942,776	1,123,065	35,056,631	23,154,378	792,918	843,120
Balance at end of period	1,171,385	942,776	32,240,075	35,056,631	-	792,918
<b>Total Profit/(Loss)</b>	<b>(20,968)</b>	<b>(34,389)</b>	<b>(46,310)</b>	<b>35,396</b>	<b>(6,021)</b>	<b>2,269</b>
<b>Transactions for Hedging:</b>						
Balance at beginning of period	-	-	1,037,356	1,154,569	-	-
Balance at end of period	-	-	1,004,943	1,037,356	-	-
<b>Total Profit/(Loss)</b>	<b>-</b>	<b>-</b>	<b>(339)</b>	<b>(3,161)</b>	<b>-</b>	<b>-</b>

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the articles 3 and 49 of the Banking Law No. 5411.

## 5.13.2 THE BANK'S RISK GROUP

### 5.13.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

### 5.13.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL 5,766,212 thousands (31 December 2017: TL 3,438,463 thousands) compose 2.58% (31 December 2017: 1.64%) of the Bank's total cash loans and 1.60% (31 December 2017: 1.06%) of the Bank's total assets. The total loans and similar receivables amounting TL 5,829,629 thousands (31 December 2017: TL 8,086,847 thousands) compose 1.62% (31 December 2017: 2.49%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 2,477,319 thousands (31 December 2017: TL 3,494,241 thousands) compose 3.76% (31 December 2017: 6.41%) of the Bank's total non-cash loans. The deposits of the risk group amounting TL 1,074,063 thousands (31 December 2017: TL 2,168,095 thousands) compose 0.58% (31 December 2017: 1.20%) of the Bank's total deposits.

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

The credit card (POS) payables to the related parties, amounted to TL 146,110 thousands (31 December 2017: TL 238,956 thousands). A total rent income of TL 13,072 thousands (31 December 2017: TL 12,746 thousands) was recognized for the real estates rented to the related parties.

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

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

Operating expenses of TL 127 thousands (31 December 2017: TL 408 thousands) for advertisement and broadcasting services, of TL 4,133 thousands (31 December 2017: TL 51,396 thousands) for financial leasing services, and of TL 22,657 thousands (31 December 2017: TL 15,908 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank amounts to TL 95,317 thousands as of 31 December 2018 (31 December 2017: TL111,505 thousands) including compensations paid to key management personnel who left their position during the year.

### 5.13.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

### 5.13.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

Please refer to Note 5.1.9 investments in subsidiaries.

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## 5.13.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENCES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

## 5.14 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES

### 5.14.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES

	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	926	18.215			
			COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1- GERMANY		
	1	1	2- CHINA		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	13	1- MALTA	36,032,757	-
	7	107	2- NCTR	3,133,235	80,000,000

### 5.14.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE

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

### 5.15 MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

None.



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## 6 OTHER DISCLOSURES ON ACTIVITIES OF THE BANK

### 6.1 BANK'S LATEST INTERNATIONAL RISK RATINGS

#### MOODY'S (SEPTEMBER 2018)

Outlook	Negative
Long Term FC Deposit	B2(Negative)
Long Term TL Deposit	B1(Negative)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b2
Adjusted Loan Assessment	b1
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

(\*) Under watch for possible downgrade

#### STANDARD AND POORS (AUGUST 2018)

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

#### FITCH RATINGS (OCTOBER 2018)

Long Term FC	BB / Negative Outlook
Short Term FC	B
Long Term TL	BB / Negative Outlook
Short Term TL	B
Financial Capacity	b+
Support	3
NSR	AA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	BB-
Senior Unsecured Short Term Notes	B
Subordinated Notes	B+

#### JCR EURASIA RATINGS (AUGUST 2018)

International FC Outlook	Negative
Long Term International FC	BBB-
Short Term International FC	A-3
International TL Outlook	Negative
Long Term International TL	BBB+
Short Term International TL	A-2
National Outlook	Negative
Long Term NSR	AAA(Trk)
Short Term NSR	A-1+(Trk)
Independency from Shareholders	A
Support	1

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## 6.2 DIVIDENDS

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

### 2017 PROFIT DISTRIBUTION TABLE

<b>2017 Net Profit</b>	<b>6,343,920</b>
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(1,150)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(306,696)
D – Second dividend to the shareholders	(1,540,000)
E – Extraordinary reserves	(4,132,074)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(154,000)

## 6.3 OTHER DISCLOSURES

None.

## 7 DISCLOSURES ON INDEPENDENT AUDITORS' REPORT

### 7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements of the Bank as of 31 December 2018, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 31 January 2019, is presented before the accompanying financial statements.

### 7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

# CONSOLIDATED FINANCIAL STATEMENTS

Türkiye Garanti Bankası Anonim Şirketi  
and Its Financial Subsidiaries

Publicly Announced Consolidated Financial Statements,  
Related Disclosures and Independent Auditors'  
Report Thereon  
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31 December 2018

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To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

## A) REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### *Qualified Opinion*

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

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

### *Basis for Qualified Opinion*

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

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

### *Key Audit Matters*

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

### *Impairment of loans measured at amortised cost*

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



KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
<p>As of 31 December 2018, loans measured at amortised cost comprise 61% of the Group's total assets.</p> <p>The Group recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2018, due to the adoption of the Regulation and Standard, in determining the impairment of loans it is started to apply "expected credit loss model" rather than the "incurred loss model". The new model contains significant assumptions and estimates. The significant assumptions and estimates of the Group's management are as follows:</p> <p>The significant assumptions and estimates of the Group's management are as follows:</p> <ul style="list-style-type: none"> <li>• Significant increase in credit risk;</li> <li>• Incorporating the forward looking macroeconomic information in calculation of credit risk; and</li> <li>• Design and implementation of expected credit loss model.</li> </ul> <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.</li> <li>• We evaluated the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.</li> <li>• We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard.</li> <li>• We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.</li> <li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.</li> <li>• We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis. We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.</li> <li>• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li> <li>• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.</li> <li>• Additionally, we also evaluated the adequacy of the consolidated financial statement disclosures related to impairment provisions.</li> </ul>

*Classification and measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)*

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

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



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

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

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

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

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

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

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

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## **B) REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

Additional paragraph for convenience translation to English:

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

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

  
Alper Güveng, SMMM  
Partner

31 January 2019  
İstanbul, Turkey

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Financial Report As Of And For The Year Ended 31 December 2018

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

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

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

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

## SUBSIDIARIES

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

						
<b>SÜLEYMAN SÖZEN</b>	<b>ALİ FUAT ERBİL</b>	<b>AYDIN GÜLER</b>	<b>ŞULE FİRUZMENT BEKÇE</b>	<b>JORGE SAENZ - AZCUNAGA CARRANZA</b>	<b>RICARDO GOMEZ BARREDO</b>	<b>BELKIS SEMA YURDUM</b>
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Director Responsible of Consolidation and International Accounting	Audit Committee Member	Audit Committee Member	Audit Committee Member

The authorized contact person for questions on this financial report:  
Name-Surname/Title: Handan SAYGIN/Director of Investor Relations  
Phone no: (0212) 318 23 50  
Fax no: (0212) 216 59 02



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# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

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(Thousands of Turkish Lira (TL))

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and Related Disclosures and Footnotes Originally  
Issued in Turkish

## 1 GENERAL INFORMATION

### 1.1 HISTORY OF PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

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

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

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

### 1.2 PARENT BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON ITS RISK GROUP

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

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 thousands representing 18.60% ownership, and 26.418.840.000 shares of the Bank owned by Doğu 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 Doğu Holding AŞ (the Doğu 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 Doğu 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 Doğu 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 Doğu 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 Doğu 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.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

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## 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	38 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	26 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	26 years
Sait Ergun Özen	Member	14.05.2003	University	32 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	33 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	27 years
Javier Bernal Dionis	Member	27.07.2015	Master	29 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	28 years
Belkis Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	38 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	31 years

### CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Ali Fuat Erbil	CEO	02.09.2015	PhD	26 years
Ilker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	27 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	27 years
Betül Ebru Edin	EVP-Corporate and Investment Banking	25.11.2009	University	25 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	24 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	28 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	26 years
Aydın Güler	EVP-Asset /Liability Management, Capital, Investor Relations and Finance	03.02.2016	University	28 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	28 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	19 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	28 years

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

## 1.4 INFORMATION ON PARENT BANK'S QUALIFIED SHAREHOLDERS

COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Financial Report As Of And For The Year Ended 31 December 2018  
(Thousands of Turkish Lira (TL))

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

## 1.5 SUMMARY INFORMATION ON PARENT BANK'S ACTIVITIES AND SERVICES

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

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

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

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

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

## 1.6 INFORMATION ON APPLICATION DIFFERENCES BETWEEN CONSOLIDATION PRACTICES AS PER THE REGULATION ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND AS PER THE TURKISH ACCOUNTING STANDARDS, AND ENTITIES SUBJECT TO FULL OR PROPORTIONAL CONSOLIDATION OR DEDUCTED FROM EQUITY OR NOT SUBJECT TO ANY OF THESE THREE METHODS

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

## 1.7 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)  
At 31 December 2018

Convenience Translation of Financial Statements  
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## 2 CONSOLIDATED FINANCIAL STATEMENTS

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)  
At 31 December 2018

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Off-Balance Sheet Items  
At 31 December 2018

Convenience Translation of Financial Statements  
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OFF-BALANCE SHEET ITEMS		THOUSANDS OF TURKISH LIRA (TL)			
		FOOTNOTES	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>			<b>164.137.002</b>	<b>329.699.658</b>	<b>493.836.660</b>
<b>I. GUARANTEES AND SURETIES</b>	5.5.1		<b>22.813.515</b>	<b>44.901.913</b>	<b>67.715.428</b>
1.1 Letters of guarantee			22.742.832	27.430.938	50.173.770
1.1.1 Guarantees subject to State Tender Law			-	981.914	981.914
1.1.2 Guarantees given for foreign trade operations			1.842.819	385.452	2.228.271
1.1.3 Other letters of guarantee			20.900.013	26.063.572	46.963.585
1.2 Bank acceptances			23.495	2.765.334	2.788.829
1.2.1 Import letter of acceptance			23.495	2.765.334	2.788.829
1.2.2 Other bank acceptances			-	-	-
1.3 Letters of credit			47.188	14.638.734	14.685.922
1.3.1 Documentary letters of credit			-	-	-
1.3.2 Other letters of credit			47.188	14.638.734	14.685.922
1.4 Guaranteed prefinancings			-	-	-
1.5 Endorsements			-	-	-
1.5.1 Endorsements to the Central Bank of Turkey			-	-	-
1.5.2 Other endorsements			-	-	-
1.6 Underwriting commitments			-	-	-
1.7 Factoring related guarantees			-	-	-
1.8 Other guarantees			-	66.907	66.907
1.9 Other sureties			-	-	-
<b>II. COMMITMENTS</b>			<b>52.698.904</b>	<b>12.841.024</b>	<b>65.539.928</b>
2.1 Irrevocable commitments			52.490.826	9.539.003	62.029.829
2.1.1 Asset purchase and sale commitments			4.335.975	7.765.351	12.101.326
2.1.2 Deposit purchase and sale commitments			-	-	-
2.1.3 Share capital commitments to associates and subsidiaries			-	5.743	5.743
2.1.4 Loan granting commitments			13.372.364	1.161.904	14.534.268
2.1.5 Securities issuance brokerage commitments			-	-	-
2.1.6 Commitments for reserve deposit requirements			-	-	-
2.1.7 Commitments for cheque payments			2.719.279	-	2.719.279
2.1.8 Tax and fund obligations on export commitments			66.328	-	66.328
2.1.9 Commitments for credit card limits			31.989.568	553.338	32.542.906
2.1.10 Commitments for credit cards and banking services related promotions			7.312	-	7.312
2.1.11 Receivables from "short" sale commitments on securities			-	-	-
2.1.12 Payables from "short" sale commitments on securities			-	-	-
2.1.13 Other irrevocable commitments			-	52.667	52.667
2.2 Revocable commitments			208.078	3.302.021	3.510.099
2.2.1 Revocable loan granting commitments			118.805	3.040.576	3.159.381
2.2.2 Other revocable commitments			89.273	261.445	350.718
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.5.2		<b>88.624.583</b>	<b>271.956.721</b>	<b>360.581.304</b>
3.1 Derivative financial instruments held for risk management			13.093.473	50.419.760	63.513.233
3.1.1 Fair value hedges			6.000.686	17.404.868	23.405.554
3.1.2 Cash flow hedges			7.092.787	33.014.892	40.107.679
3.1.3 Net foreign investment hedges			-	-	-
3.2 Trading derivatives			75.531.110	221.536.961	297.068.071
3.2.1 Forward foreign currency purchases/sales			11.559.409	13.254.851	24.814.260
3.2.1.1 Forward foreign currency purchases			4.765.141	7.545.258	12.310.399
3.2.1.2 Forward foreign currency sales			6.794.268	5.709.593	12.503.861
3.2.2 Currency and interest rate swaps			45.874.245	156.440.960	202.315.205
3.2.2.1 Currency swaps-purchases			10.649.363	63.055.771	73.705.134
3.2.2.2 Currency swaps-sales			33.809.288	36.121.829	69.931.117
3.2.2.3 Interest rate swaps-purchases			707.797	28.631.680	29.339.477
3.2.2.4 Interest rate swaps-sales			707.797	28.631.680	29.339.477
3.2.3 Currency, interest rate and security options			17.232.147	32.370.725	49.602.872
3.2.3.1 Currency call options			9.069.974	8.208.590	17.278.564
3.2.3.2 Currency put options			8.084.584	10.686.711	18.771.295
3.2.3.3 Interest rate call options			-	11.921.185	11.921.185
3.2.3.4 Interest rate put options			-	1.554.239	1.554.239
3.2.3.5 Security call options			24.665	-	24.665
3.2.3.6 Security put options			52.924	-	52.924
3.2.4 Currency futures			837.290	970.229	1.807.519
3.2.4.1 Currency futures-purchases			66.180	807.290	873.470
3.2.4.2 Currency futures-sales			771.110	162.939	934.049
3.2.5 Interest rate futures			-	18.066	18.066
3.2.5.1 Interest rate futures-purchases			-	-	-
3.2.5.2 Interest rate futures-sales			-	18.066	18.066
3.2.6 Others			28.019	18.482.130	18.510.149
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>			<b>734.970.642</b>	<b>779.705.808</b>	<b>1.514.676.450</b>
<b>IV. ITEMS HELD IN CUSTODY</b>			<b>47.679.289</b>	<b>45.204.129</b>	<b>92.883.418</b>
4.1 Customers' securities held			16.549.359	-	16.549.359
4.2 Investment securities held in custody			11.117.076	15.329.484	26.446.560
4.3 Checks received for collection			16.598.765	5.317.179	21.915.944
4.4 Commercial notes received for collection			2.820.947	1.021.743	3.842.690
4.5 Other assets received for collection			189.845	19.210.946	19.400.791
4.6 Assets received through public offering			-	128.789	128.789
4.7 Other items under custody			403.297	4.195.988	4.599.285
4.8 Custodians			-	-	-
<b>V. PLEDGED ITEMS</b>			<b>687.291.353</b>	<b>734.501.679</b>	<b>1.421.793.032</b>
5.1 Securities			2.626.072	149.806	2.775.878
5.2 Guarantee notes			27.157.222	13.490.262	40.647.484
5.3 Commodities			13.913	-	13.913
5.4 Warranties			-	359.113	359.113
5.5 Real estates			169.974.426	135.795.357	305.769.783
5.6 Other pledged items			487.519.720	584.707.054	1.072.226.774
5.7 Pledged items-depository			-	87	87
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>			<b>899.107.644</b>	<b>1.109.405.466</b>	<b>2.008.513.110</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Profit or Loss  
At 31 December 2018

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

		THOUSANDS OF TURKISH LIRA (TL)
INCOME AND EXPENSE ITEMS	FOOTNOTES	CURRENT PERIOD 1 JANUARY 2018- 31 DECEMBER 2018
<b>I. INTEREST INCOME+C12:C74</b>	5.7.1	<b>41.246.027</b>
1.1 Interest income on loans		30.971.635
1.2 Interest income on reserve deposits		324.582
1.3 Interest income on banks		640.894
1.4 Interest income on money market transactions		37.728
1.5 Interest income on securities portfolio		8.261.754
1.5.1 Financial assets measured at FVTPL		72.763
1.5.2 Financial assets measured at FVOCI		4.145.126
1.5.3 Financial assets measured at amortised cost		4.043.865
1.6 Financial lease income		539.811
1.7 Other interest income		469.623
<b>II. INTEREST EXPENSE</b>	5.7.2	<b>20.369.094</b>
2.1 Interest on deposits		14.756.253
2.2 Interest on funds borrowed		1.965.032
2.3 Interest on money market transactions		1.193.709
2.4 Interest on securities issued		2.388.905
2.5 Other interest expenses		65.195
<b>III. NET INTEREST INCOME (I - II)</b>		<b>20.876.933</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>5.102.687</b>
4.1 Fees and commissions received		6.944.272
4.1.1 Non-cash loans		587.647
4.1.2 Others		6.356.625
4.2 Fees and commissions paid		1.841.585
4.2.1 Non-cash loans		2.238
4.2.2 Others		1.839.347
<b>V. PERSONNEL EXPENSES (-)</b>	5.7.7	<b>3.645.278</b>
<b>VI. DIVIDEND INCOME</b>	5.7.3	<b>7.691</b>
<b>VII. NET TRADING INCOME/LOSSES (Net)</b>	5.7.4	<b>(1.145.747)</b>
7.1 Trading account income/losses		853.849
7.2 Income/losses from derivative financial instruments		839.627
7.3 Foreign exchange gains/losses		(2.839.223)
<b>VIII. OTHER OPERATING INCOME</b>	5.7.5	<b>3.517.425</b>
<b>IX. TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)</b>		<b>24.713.711</b>
<b>X. EXPECTED CREDIT LOSSES (-)</b>	5.7.6	<b>10.836.246</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	5.7.7	<b>5.123.707</b>
<b>XII. NET OPERATING PROFIT/LOSS (IX-X-XI)</b>		<b>8.753.758</b>
<b>XIII. INCOME RESULTED FROM MERGERS</b>		-
<b>XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-
<b>XV. GAIN/LOSS ON NET MONETARY POSITION</b>		-
<b>XVI. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>	5.7.8	<b>8.753.758</b>
<b>XVII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	5.7.9	<b>2.047.153</b>
17.1 Current tax charge		1.806.595
17.2 Deferred tax charge (+)		651.170
17.3 Deferred tax credit (-)		(410.612)
<b>XVIII. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)</b>	5.7.10	<b>6.706.605</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		-
19.1 Income from assets held for sale		-
19.2 Income from sale of associates, subsidiaries and joint-ventures		-
19.3 Others		-
<b>XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-
20.1 Expenses on assets held for sale		-
20.2 Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3 Others		-
<b>XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)</b>	5.7.8	-
<b>XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	5.7.9	-
22.1 Current tax charge		-
22.2 Deferred tax charge (+)		-
22.3 Deferred tax credit (-)		-
<b>XXIII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)</b>	5.7.10	-
<b>XXIV. NET PROFIT/LOSS (XVIII+XXIII)</b>	5.7.11	<b>6.706.605</b>
24.1 Equity holders of the bank		6.641.652
24.2 Minority interest		64.953
<b>Earnings per Share</b>		<b>0,01581</b>

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



# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income  
At 31 December 2018

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

		THOUSANDS OF TURKISH LIRA (TL)
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		CURRENT PERIOD 1 JANUARY 2018 - 31 DECEMBER 2018
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>6.706.605</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(403.275)</b>
<b>2.1</b>	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>42.887</b>
2.1.1	Revaluation Surplus on Tangible Assets	18.869
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(20.906)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	45.316
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(392)
<b>2.2</b>	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(446.162)</b>
2.2.1	Translation Differences	1.161.002
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(1.407.321)
2.2.3	Gains/losses from Cash Flow Hedges	(39.740)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(525.062)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	364.959
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>6.303.330</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity  
At 31 December 2018

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

THOUSANDS OF TURKISH LIRA (TL)

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CURRENT PERIOD -  
1 JANUARY 2018 - 31 DECEMBER 2018

FOOTNOTES	PAID-IN CAPITAL	SHARE PREMIUM	SHARE CANCELLATION PROFITS	OTHER CAPITAL RESERVES	REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	DEFINED BENEFIT PLANS ACTUAL GAINS/ LOSSES	OTHERS	TRANSLATION DIFFERENCES	RECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI	INCOME/ EXPENSES FROM VALUATION ADJUSTMENT RESERVES	OTHER COMPREHENSIVE INCOME/EXPENSES ITEMS TO BE RECYCLED TO PROFIT OR LOSS		CURRENT PERIOD'S NET PROFIT/ LOSS	SHAREHOLDERS' EQUITY BEFORE INTEREST	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
											OTHER COMPREHENSIVE INCOME/EXPENSES ITEMS TO BE RECYCLED TO PROFIT OR LOSS	OTHER COMPREHENSIVE INCOME/EXPENSES ITEMS TO BE RECYCLED TO PROFIT OR LOSS				
	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
<b>II. Correction made as per TAS 8</b>	-	-	-	-	-	-	-	-	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
<b>III. Adjusted Balances at Beginning of Period (I+II)</b>	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
<b>IV. Total Comprehensive Income</b>	-	-	-	-	15,048	(16,622)	38,504	1,161,002	(1,187,871)	(419,293)	6,059	-	6,641,652	6,238,479	64,851	6,303,330
<b>V. Capital Increase in Cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase from Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Capital Reserves from Inflation Adjustments to Paid-in Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Liabilities</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Others Changes</b>	-	-	-	-	-	-	-	-	-	-	87,042	-	-	87,042	(121)	86,921
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	5,015,722	(6,765,722)	-	(1,750,000)	(181,524)	(1,931,524)
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	(17,500,000)	-	(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)	-	-	-	-
<b>Balances at end of the period (III+IV...+X+XI)</b>	4,200,000	11,880	-	772,554	1,534,923	(160,891)	99,362	2,744,795	(1,058,211)	(1,074,741)	32,977,973	6,641,652	46,689,296	197,546	46,886,842	

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Cash Flows  
At 31 December 2018

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

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)  
At 31 December 2017

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

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Off-Balance Sheet Items  
At 31 December 2017

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

OFF-BALANCE SHEET ITEMS		THOUSANDS OF TURKISH LIRA (TL)			
		FOOTNOTES	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>
The accompanying notes are an integral part of these consolidated financial statements.					
<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>

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Profit or Loss  
At 31 December 2017

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

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

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)  
At 31 December 2017

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

LIABILITIES AND SHAREHOLDERS' EQUITY		FOOTNOTE	THOUSANDS OF TURKISH LIRA (TL)		
			TL	FC	TOTAL
			PRIOR PERIOD 31 DECEMBER 2017		
<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.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Income/Expense Items Accounted for under Shareholders' Equity At 31 December 2017

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

THOUSANDS OF TURKISH LIRA (TL)

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

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



# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity

At 31 December 2017

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

THOUSANDS OF TURKISH LIRA (TL)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	FOOTNOTES	PAID-IN CAPITAL	INFLATION ADJUSTMENT	SHARE PREMIUM	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVES	STATUS RESERVES	EXTRAORDINARY RESERVES	RESERVES	CURRENT PERIOD PROFIT/(LOSS)	PRIOR PERIOD PROFIT/(LOSS)	SECURITIES VALUE INCREASE FUND	REVALUATION SURPLUS ON TANGIBLE ASSETS	BONUS SHARES OF EQUITY PARTICIPATIONS	HEDGING RESERVES	REVALUATION SURPLUS ON HELD FOR SALE ASSETS OF DISCONTINUED OPERATIONS	SHAREHOLDERS' EQUITY MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
<b>PRIOR PERIOD -</b>																			
<b>1.JANUARY 2017 - 31 DECEMBER 2017</b>																			
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	1,691,062	947	(353,676)	35,528,099	267,808	35,795,907					
<b>Changes during the period</b>																			
II. Mergers	5.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	225,811	-	-	-	-	-	-	-	-	225,811	7
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	(190,648)	-	-	-	-	(190,648)	-
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	42,155	-	-	-	-	42,155	-
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	(232,803)	-	-	-	-	(232,803)	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	3,903	-	-	-	-	3,903	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	(35)	-	-	(35)	-
VIII. Translation differences		-	-	-	5,018	427	667,342	-	-	-	-	-	1,325	-	-	39	-	674,151	674,151
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	11	-	-	-	-	-	-	-	-	-	-	-	11	(11)
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	196,656	(65,858)	-	-	-	-	-	(170,294)	-	-	-	-	(39,496)	(73)
XVII. Current period net profit/loss		-	-	-	-	-	6,332,056	-	-	-	-	-	-	-	-	-	-	6,332,056	55,918
XVIII. Profit distribution		-	-	-	115,719	3,511,961	5,738	(5,105,291)	221,873	-	-	-	-	-	-	-	-	(1,250,000)	(1,500)
18.1. Dividends		-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	-	-	-	-	(1,250,000)	(1,500)
18.2. Transfers to reserves		-	-	-	115,719	3,511,961	-	(3,627,680)	-	-	-	-	-	-	-	-	-	-	-
18.3. Others		-	-	-	-	-	5,738	(227,611)	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)</b>		<b>4,200,000</b>	<b>772,554</b>	<b>11,880</b>	<b>1,392,259</b>	<b>25,901,360</b>	<b>1,787,061</b>	<b>6,332,056</b>	<b>1,747,869</b>	<b>912</b>	<b>(544,285)</b>	<b>-</b>	<b>41,283,852</b>	<b>322,149</b>	<b>41,606,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Cash Flows  
At 31 December 2017

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

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

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## 3 ACCOUNTING POLICIES

### 3.1 BASIS OF PRESENTATION

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

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

#### 3.1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

##### 3.1.1.1 MAJOR NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

##### 3.1.1.2 THE STANDARDS WHICH ARE EFFECTIVE AS OF 1 JANUARY 2018

###### TFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

## *Impairment*

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

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

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

### **3.1.1.3 THE NEW STANDARDS NOT EFFECTIVE AS OF 1 JANUARY 2018**

## **TFRS 16 Leases**

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

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

## **3.2 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

### **3.2.1 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS**

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

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

A portion of the fixed-rate securities and loans, and the bonds are hedged under fair value hedges. The fair value risks of such fixed-rate assets and financial liabilities are hedged with interest rate swaps and cross currency swaps. The fair value changes of the hedged fixed-rate financial assets and financial liabilities together with the changes in the fair value of the hedging instruments, namely interest rate swaps and cross currency swaps, are accounted under net trading income/losses in the income statement. At the inception of the

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hedge and during the subsequent periods, the hedge is expected to achieve the offsetting of changes in fair value attributable to the hedged risk for which the hedge is designated, and accordingly, the hedge effectiveness tests are performed.

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

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

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

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

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

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

## 3.2.2 FOREIGN CURRENCY TRANSACTIONS

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

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

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

## 3.3 INFORMATION ON CONSOLIDATED SUBSIDIARIES

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

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

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

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

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

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

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

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

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

## 3.4 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

### 3.4.1 DERIVATIVE FINANCIAL ASSETS

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

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

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

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

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to stand alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded

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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

IFRS 9 permits to defer application of IFRS 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.

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## 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.



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## 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:

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- 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.

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

## 3.8 DISCLOSURES ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

### 3.8.1 CALCULATION OF EXPECTED CREDIT LOSSES

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

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

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

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

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

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic

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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 91<sup>st</sup> day.
2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

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

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

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

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

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

### 3.8.1.1 LOAN COMMITMENTS AND NON-CASH LOANS

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

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

### 3.8.1.2 DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

### 3.8.1.3 CREDIT CARDS AND OTHER REVOLVING LOANS

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

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

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that it is expected to be taken once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

It is calculated expected credit losses on the revolving products of retail and corporate customers by considering 3 to 5 years.

It is made assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in disclosure 3.8.3.

## 3.8.2 FORWARD-LOOKING MACROECONOMIC INFORMATION

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the credit risk parameters consists of the following steps:

Step 1: It is made specifications and estimates of econometric models that reveal past relationships between credit risk parameters and macroeconomic variables in order to be able to generate estimates based on macroeconomic information. Macroeconomic variable prevailing during these estimates is mainly the Gross Domestic Product (GDP).

Step 2: Where macroeconomic scenarios do not include longer maturity, a process called "convergence to the mean" is applied.

Step 3: In order to estimate the ultimate parameters to be used in the calculation of the expected credit losses, it is applied the methods of credit risk parameters reflection and forward-looking impact inclusion into the parameters.

## 3.8.3 SIGNIFICANT INCREASE IN CREDIT RISK

Qualitative and quantitative assessments are performed regarding assessment of significant increase in credit risk.

*Qualitative assessment:*

It is classified the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment.

- Loans overdue more than 30 days as of the reporting date,
- Loans classified as watchlist,
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

*Quantitative assessment:*

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

The absolute and relative thresholds used for the probability of default are differentiated on the basis of segment/ loan group.

It is classified the related financial asset as stage 2 (Significant Increase in Credit Risk) where both of the following criteria are satisfied as a result of quantitative assessment.

- Relative change in the PD: If the "relative difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold
- Absolute change in the PD: If the "absolute difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold (different from the threshold for the relative change)

## 3.8.4 LOW CREDIT RISK

As per TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

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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.

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## 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.

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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.

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES (%)
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Useful lives of buildings are reviewed at least once a year and if current estimates are different than previous estimates, then the revised estimates are considered as accounting policy change in accordance with 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

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model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all the investment properties registered in the ledger, a valuation study was performed by independent expertise firms. Fair value changes in investment properties were accounted in the income statement for the period they occurred.

Investment properties accounted at fair value are not depreciated.

## 3.14 LEASING ACTIVITIES

Tangible assets acquired through financial leasing are recognized as assets and the related liabilities as lease payables in assets and liabilities, respectively. In the determination of the related asset and liability amounts, the lower of the fair value of the leased assets and the present value of leasing payments is considered. Financial costs on leasing agreements are distributed throughout the lease periods at fixed interest rates. Interest expenses and foreign exchange losses related with financial leasing are accounted in income statement.

In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

Leases, in which the majority of risks and returns of the related asset belong to the lessor, are classified as operational lease. In operating leases, the rent payments are recognized as expense in income statement in equal amounts over the lease term.

## 3.15 PROVISIONS AND CONTINGENT LIABILITIES

Provisions and contingent liabilities resulted from past events, if it is probable that the commitment will be settled and a reliable estimate can be made for the amount of the obligation, are accounted for in accordance with the Turkish Accounting Standard 37 (TAS 37) "Provisions, Contingent Liabilities and Contingent Assets".

## 3.16 CONTINGENT ASSETS

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank or its financial subsidiaries. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the related period.

## 3.17 LIABILITIES FOR EMPLOYEE BENEFITS

*Severance indemnities and short-term employee benefits*

As per the existing labour law in Turkey, the entities are required to pay certain amounts to the employees retired or fired except for resignations or misbehaviours specified in the Turkish Labour Law.

Accordingly, the Bank and its financial subsidiaries subject to the labour law, reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died.

The major actuarial assumptions used in the calculation of the total liability are as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Net Effective Discount Rate	3.38%	3.04%
Discount Rate	16.30%	11.70%
Expected Rate of Salary Increase	14.00%	9.90%
Inflation Rate	12.50%	8.40%

In the above table, the effective rates are presented for the Bank and its financial subsidiaries subject to the labour law, whereas the rates applied for the calculations differ according to the employee's years-in-service.

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The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS19.

## Retirement benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependents will receive on retirement.

The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law no. 506. These contributions are as follows:

	31 DECEMBER 2018	
	EMPLOYER	EMPLOYEE
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

The Plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5754 ("the Law"), and b) other social rights and medical benefits provided by the Bank but not transferable to SSF.

### a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law no. 5411, published in the Official Gazette on 1 November 2005, no. 25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no. 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no. 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members. Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund ("SDIF"), the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008.

Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers no. 2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

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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

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no. 27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

75% of earnings generated through sale of equity shares, founders' shares, redeemed shares and pre-emption rights and 50% of earnings generated through sale of real estates held at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

All earnings generated through transfer of equity shares, founders' shares, redeemed shares and pre-emption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

## *Tax applications for foreign branches*

### **NORTHERN CYPRUS**

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next twelve years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

### **MALTA**

The corporate earnings are subject to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The taxes payable is calculated by the obligating firm and the calculation is presented in the tax declaration form that is due till the following year's month of November.

## *Tax applications for foreign financial subsidiaries*

### **THE NETHERLANDS**

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. These rates will be applied as 19% and 25% in 2019, as 16.50% and 22.55% in 2020 and as 15% and 20.50% in 2021. Based on the unilateral decree for the avoidance of double taxation between Turkey and The Netherlands, the dividend taxation is nil as of 1 January 2018. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file

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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.



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In cases where such funds are valued at their amortised costs but this application results in measurement or accounting mismatch due to having the related financial instruments valued using different methods or the related gains or losses are recognized differently, such fundings are reclassified as financial liabilities at their fair values through profit or loss at initial recognition in order to prevent such mismatch. The interest expenses paid during holding the related financial liabilities and the difference between the amortized cost and the acquisition cost are recorded as interest expense in income statement and the difference between the fair values and the amortized costs of the financial liabilities are recorded under trading account income/losses.

## 3.21 SHARES AND SHARE ISSUANCES

If the Bank issues a share at a price above its nominal value, the difference between the issue price and the nominal value is accounted for "share premium" under shareholders' equity.

## 3.22 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

Payments of the confirmed bills of exchange and acceptances are made simultaneously with the payments of the customers. Confirmed bills of exchange and acceptances are recorded in "off-balance sheet accounts" as possible debts and commitments, if any.

## 3.23 GOVERNMENT INCENTIVES

As of 31 December 2018, the Bank or its financial subsidiaries do not have any government incentives or grants (2017: None).

## 3.24 SEGMENT REPORTING

The Bank operates in corporate, commercial, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Miles&Smiles Card, FlexiCard, MoneyCard, BusinessCard, Shop & Fly, virtual cards under the brand names of Visa and Mastercard and also American Express credit cards and "Paracard" debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey's traditional agricultural products.

Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines, credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and digital banking.

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Information on the business segments on a consolidated basis is as follows:

CURRENT PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	10,309,757	10,475,001	(3,523,841)	7,445,103	24,706,020
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>10,309,757</b>	<b>10,475,001</b>	<b>(3,523,841)</b>	<b>7,445,103</b>	<b>24,706,020</b>
Net Operating Profit	5,918,442	4,391,316	(3,810,916)	2,247,225	8,746,067
Dividend Income	-	-	-	7,691	7,691
<b>Net Operating Profit</b>	<b>5,918,442</b>	<b>4,391,316</b>	<b>(3,810,916)</b>	<b>2,254,916</b>	<b>8,753,758</b>
Provision for Taxes	-	-	-	2,047,153	2,047,153
<b>Net Profit</b>	<b>5,918,442</b>	<b>4,391,316</b>	<b>(3,810,916)</b>	<b>207,763</b>	<b>6,706,605</b>
Segment Assets	71,774,112	177,264,163	109,415,617	40,566,838	399,020,730
Investments in Associates and Subsidiaries	-	-	-	132,871	132,871
<b>Total Assets</b>	<b>71,774,112</b>	<b>177,264,163</b>	<b>109,415,617</b>	<b>40,699,709</b>	<b>399,153,601</b>
Segment Liabilities	160,344,635	87,752,597	76,989,822	27,179,705	352,266,759
Shareholders' Equity	-	-	-	46,886,842	46,886,842
<b>Total Liabilities and Shareholders' Equity</b>	<b>160,344,635</b>	<b>87,752,597</b>	<b>76,989,822</b>	<b>74,066,547</b>	<b>399,153,601</b>
PRIOR PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	7,809,622	7,031,362	338,384	4,467,872	19,647,240
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>7,809,622</b>	<b>7,031,362</b>	<b>338,384</b>	<b>4,467,872</b>	<b>19,647,240</b>
Net Operating Profit	3,450,976	3,796,523	131,704	962,418	8,341,621
Dividend Income	-	-	-	7,816	7,816
<b>Net Operating Profit</b>	<b>3,450,976</b>	<b>3,796,523</b>	<b>131,704</b>	<b>970,234</b>	<b>8,349,437</b>
Provision for Taxes	-	-	-	1,961,463	1,961,463
<b>Net Profit</b>	<b>3,450,976</b>	<b>3,796,523</b>	<b>131,704</b>	<b>(991,229)</b>	<b>6,387,974</b>
Segment Assets	69,610,939	159,744,598	95,004,662	31,819,036	356,179,235
Investments in Associates and Subsidiaries	-	-	-	152,432	152,432
<b>Total Assets</b>	<b>69,610,939</b>	<b>159,744,598</b>	<b>95,004,662</b>	<b>31,971,468</b>	<b>356,331,667</b>
Segment Liabilities	128,802,347	81,145,621	83,621,821	21,155,877	314,725,666
Shareholders' Equity	-	-	-	41,606,001	41,606,001
<b>Total Liabilities and Shareholders' Equity</b>	<b>128,802,347</b>	<b>81,145,621</b>	<b>83,621,821</b>	<b>62,761,878</b>	<b>356,331,667</b>

### 3.25 PROFIT RESERVES AND PROFIT APPROPRIATION

Retained earnings as per the statutory financial statements other than legal reserves, are available for distribution, subject to the legal reserve requirement explained to below.

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, but holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

In the ordinary general assembly dated 29 March 2018, it was decided to distribute cash dividend from the net profit of the Bank amounting to TL 6,343,920 thousands from its 2017 operations to the shareholders as disclosed in Note 6.2.

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## 3.26 EARNINGS PER SHARE

Earnings per share disclosed in the statement of profit or loss, are calculated by dividing net profit for the period by the weighted average number of shares outstanding during the period concerned.

	CURRENT PERIOD	PRIOR PERIOD
Distributable net profit/loss	6,641,652	6,332,056
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01581	0.01508

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

There are no bonus shares issued in 2018 (2017: None).

## 3.27 RELATED PARTIES

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/subsidiary with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with TAS 24 "Related Parties". The transactions with related parties are disclosed in detail in Note 5.13.

## 3.28 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank of Turkey; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

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## 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>
EQUITY INVESTMENTS (Net)		152,432	-	-	152,432
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.

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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:

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(1) As of 1 January 2018, "Derivative Financial Assets Held for Trading" and " Derivative Financial Assets Held for Hedging Purpose" amounting to TL 1,946,989 thousands and TL 670,720 thousands, respectively in the prior year financial statements are classified into "Derivative Financial Assets". Besides, investment funds amounting to TL 110,860 thousands classified as "Available for Sale Financial Assets" in the prior year financial statements are classified into "Financial Assets at Fair Value through Profit or Loss" as of 1 January 2018, and the corresponding allowance allocated for such investment funds amounting to TL 5,665 thousands is also classified into the same line item.

(2) As of 1 January 2018, debt securities classified as "Available for Sale Financial Assets" and "Investments Held to Maturity" in the prior year financial statements amounting to TL 26,119,473 thousands and TL 2,687,166 thousands, respectively are classified into "Financial Assets Measured at Fair Value through Other Comprehensive Income" due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Besides, as of 1 January 2018, financial asset amounting to TL 47,655 thousands is classified from "Available for Sale Financial Assets" into "Financial Assets at Fair Value through Profit or Loss" due to the fact that the contractual terms of such financial asset does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On the other hand, some equity instruments classified as "Available-for-Sale Financial Assets" in the prior period are also classified as "Financial Assets Measured at Fair Value through Other Comprehensive Income" irrevocably.

(3) As of 1 January 2018, debt securities amounting to TL 21,627,374 thousands classified as "Investments Held to Maturity" in the prior year financial statements are classified into "Financial Assets Measured at Amortised Cost" due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(4) As of 1 January 2018, there exists no loan balance that does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans amounting to TL 19,247,411 thousands classified as "Performing Loans" in the prior year financial statements are classified as "Loans under Follow-up" due to having significant increase in credit risk as explained in the accounting policies section in a detailed manner. Besides, as of 1 January 2018, loans amounting to TL 7,015 thousands classified as "Loans under Follow-up" in the prior year financial statements are classified into "Non-performing Receivables" category.

(5) As of 1 January 2018, securitisation loans amounting to TL 9,332,392 thousands previously classified under "Funds Borrowed" and "Securities Issued" amounting to TL 34,983 thousands in the prior year financial statements are classified into "Financial Liabilities Measured at Fair Value through Profit or Loss".

(6) As of 1 January 2018, "Derivative Financial Liabilities Held for Trading" and "Derivative Financial Liabilities Held for Hedging Purpose" amounting to TL 2,898,822 thousands and TL 198,826 thousands, respectively in the prior year financial statements are classified into "Derivative Financial Liabilities".

(7) As of 1 January 2018, expected losses calculated based on TFRS 9 are classified into the relevant line items through reversing "General Provision". While expected losses calculated for financial assets and loans are classified in the relevant expected losses line items under assets, expected losses calculated for non-cash loans are classified as "Other Provisions" under liabilities. As of 1 January 2018, non-performing leasing and factoring receivables classified within "Leasing Receivables" and "Factoring Receivables" on a net basis in the prior year financial statements are classified under "Non-performing receivables" and "Expected Credit Losses" on a gross basis. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.

(8) As of 1 January 2018, due to first time adoption of TFRS 9, total shareholders' equity figure increased by TL 822,114 (after tax) thousands composing of positive classification impact of financial assets amounting to TL 454,103 thousands, negative expected credit losses calculation impact amounting to TL 471,470 thousands and positive current and deferred tax impact amounting to TL 839,481 thousands.

(9) As of 1 January 2018, "Miscellaneous Payables" amounting to TL 10,376,346 thousands and "Other External Fundings" amounting to TL 3,080,350 thousands are classified into "Other Liabilities".

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## 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

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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



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amortized costs are recorded as interest income in the income statement. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the income statement. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit or loss in compliance with TAS 39. The interest income/expense earned and the difference between the acquisition costs and the amortized costs of financial instruments are recorded under interest income/expense in income statement, the difference between the amortized costs and the fair values of financial instruments are recorded under trading account income/losses in income statement.

## 3.30.4.2 INVESTMENTS HELD-TO-MATURITY, FINANCIAL ASSETS AVAILABLE-FOR-SALE AND LOANS AND RECEIVABLES

Financial assets are initially recorded at their purchase costs including the transaction costs.

*Investments held-to-maturity are financial assets with fixed maturities and pre-determined payment schedules and held by the intent and ability to hold until maturity, excluding originated loans and receivables.*

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", sale or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

Following their recognition, investments held-to-maturity and loans and receivables are measured at amortized costs using internal rate of return after deducting impairments, if any.

*Financial assets available-for-sale, are financial assets other than assets held for trading purposes, investments held-to-maturity and originated loans and receivables.*

Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized costs by using the discounting method with internal rate of return for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in income statement.

Interests calculated and/or earned by using the effective interest method during holding of financial assets available-for-sale are recorded primarily in interest income. In case of sale of such financial assets available-for-sale before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to "trading income/losses".

The Bank owns consumer price indexed government bonds (CPI) portfolio. CPI's are valued and accounted according to the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The bank determines its expected inflation rates in compliance with this guide. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, is updated during the year when it is considered necessary.

Purchase and sale transactions of securities are accounted at delivery dates.

*Loans and receivables are financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.*

Loans are financial assets with fixed or determinable payments and not quoted in an active market.

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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.

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## 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 (\*\*)

PRIOR PERIOD	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,977,973	
Other Comprehensive Income according to TAS	5,010,422	
Profit	6,641,652	
Current Period Profit	6,641,652	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	66,813	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>49,682,207</b>	
<b>DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	3,005,106	-
Leasehold Improvements on Operational Leases (-)	245,927	-
Goodwill Netted with Deferred Tax Liabilities	6,388	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	383,444	383,444
Net Deferred Tax Asset/Liability (-)	5,845	5,845
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,672	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
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 (-)	-	-

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	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>3,648,382</b>	
<b>Total Common Equity Tier I Capital</b>	<b>46,033,825</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</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>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>46,033,825</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,952,425	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,586,565	
<b>Total Deductions from Tier II Capital</b>	<b>7,538,990</b>	
<b>DEDUCTIONS FROM TIER II CAPITAL</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	
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>-</b>	
<b>Total Tier II Capital</b>	<b>7,538,990</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>53,572,815</b>	
<b>TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	
Other items to be Defined by the BRSA (-)	14,040	
<b>ITEMS TO BE DEDUCTED FROM THE SUM OF TIER I AND TIER II CAPITAL (CAPITAL) DURING THE TRANSITION PERIOD</b>		
	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	

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The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>CAPITAL</b>		
<b>Total Capital (Total of Tier I Capital and Tier II Capital)</b>	<b>53,558,774</b>	-
<b>Total Risk Weighted Assets</b>	<b>324,153,343</b>	-
<b>CAPITAL ADEQUACY RATIOS</b>		
<b>Consolidated CET1 Capital Ratio (%)</b>	<b>14.20</b>	-
<b>Consolidated Tier I Capital Ratio (%)</b>	<b>14.20</b>	-
<b>Consolidated Capital Adequacy Ratio (%)</b>	<b>16.52</b>	-
<b>BUFFERS</b>		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	3.468	-
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.093	-
c) Systemically Important Banks Buffer Ratio (%)	1.500	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.523	-
<b>AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,542,382	-
<b>LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,478,236	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,586,565	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(\*) 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.

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<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,527,097	
Other Comprehensive Income according to TAS	4,045,373	
Profit	6,332,056	
Current Period Profit	6,332,056	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Period's Profit	912	
Minority Interest	122,991	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>43,012,863</b>	
<b>DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Period's and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,717,191	-
Leasehold Improvements on Operational Leases (-)	130,913	-
Goodwill Netted with Deferred Tax Liabilities	5,110	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	274,695	343,368
Net Deferred Tax Asset/Liability (-)	5,905	7,381
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,394	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
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>	

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Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	69.951	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	1.476	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>40.806.228</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2.831.850	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3.078.025	
<b>Total Deductions from Tier II Capital</b>	<b>5.909.875</b>	
<b>DEDUCTIONS FROM TIER II CAPITAL</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-
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>	-

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	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
<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	-
<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.



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## 4.1.2 ITEMS INCLUDED IN CAPITAL CALCULATION

INFORMATION ABOUT INSTRUMENTS INCLUDED IN TOTAL CAPITAL CALCULATION	
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
REGULATORY TREATMENT	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	3,952 (31 December 2017: 2,832)
Nominal value of instrument (TL million)	3,952 (31 December 2017: 2,832)
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
INTEREST/DIVIDEND PAYMENT	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of 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.

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## 4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE AT CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,085,237	(79,008)	2,006,229	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,473,394	-	1,473,394	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	611,843	(79,008)	532,835	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,977,973	-	32,977,973	
Profit or Loss	6,641,652	-	6,641,652	
Prior Periods' Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,641,652	-	6,641,652	
Minority Interest	197,546	(130,733)	66,813	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-	-	643,276	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>46,886,842</b>		<b>46,033,825</b>	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>46,033,825</b>	
Subordinated Debts			3,952,425	
General Provisions			3,586,565	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>7,538,990</b>	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
<b>Total</b>			<b>53,558,774</b>	

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PRIOR PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE AT CAPITAL REPORT	EXPLANATION OF THE DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	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
Securities Value Increase Fund	(317,814)	10,504	(307,310)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Revaluation Surplus on Tangible Assets	1,747,869	-	1,747,869	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(544,285)	(121,675)	(665,960)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	628,285	(772,554)	(144,269)	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
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,332,056	-	6,332,056	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>	

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## 4.2 CONSOLIDATED CREDIT RISK

Credit risk is defined as risks and losses that may occur if the counterparty that the Bank or its consolidated financial affiliates work with, fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

There are control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The risk arising from such instruments are followed up and when necessary, the actions to decrease it are taken.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below:

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	41.47	39.01
Average	46.41	47.68
Below Average	12.12	13.31
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

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EXPOSURE CATEGORIES	CURRENT PERIOD (*)	AVERAGE (**)	PRIOR PERIOD (*)	AVERAGE (**)
Conditional and unconditional exposures to central governments or central banks	102,141,286	91,087,611	93,544,327	85,195,158
Conditional and unconditional exposures to regional governments or local authorities	240,817	187,570	124,592	123,847
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	398,258	363,022	323,865	211,339
Conditional and unconditional exposures to multilateral development banks	3,485,069	2,263,373	1,816,462	1,666,895
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	42,787,600	45,716,162	38,173,204	38,722,083
Conditional and unconditional exposures to corporates	173,257,128	163,402,311	149,299,065	141,452,494
Conditional and unconditional retail exposures	89,316,489	88,968,571	81,863,528	75,775,025
Conditional and unconditional exposures secured by real estate property	34,653,489	39,322,330	38,559,431	40,245,558
Past due items	4,547,633	2,807,506	1,161,094	1,093,809
Items in regulatory high-risk categories	1,516,595	1,222,216	1,091,083	1,824,289
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	52,015	44,480	44,516	28,695
Shares	373,437	317,880	164,293	888,243
Other items	13,400,906	13,337,413	10,283,383	8,472,383

(\*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(\*\*) Average risk amounts are the arithmetical averages of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 26.29% (31 December 2017: 23.07%) and 32.49% (31 December 2017: 29.25%) of the total cash loan portfolio except factoring and lease receivables, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 42.19% (31 December 2017: 45.45%) and 53.01% (31 December 2017: 55.08%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 16.25% (31 December 2017: 7.95%) and 20.71% (31 December 2017: 10.14 %) of the total "on and off balance sheet" assets except factoring and lease receivables, respectively.

Stage 1 and Stage 2 expected losses for consolidated credit risk amount to TL 5,478,236 thousands (general provision as of 31 December 2017: TL 3,673,669 thousands).

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## 4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

### EXPOSURE CATEGORIES

CURRENT PERIOD (*)	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	PAST DUE RECEIVABLES	OTHER	TOTAL
Domestic	85,267,585	7,148,195	151,384,300	84,851,164	32,448,935	4,252,646	17,192,990	382,545,815
European Union (EU) Countries	15,366,443	28,365,144	13,201,879	4,034,624	2,158,541	288,380	2,040,487	65,455,498
OECD Countries(**)	37	1,295,475	3,893,194	6,407	8,392	7	25,562	5,229,074
Off-Shore Banking Regions	-	79,737	480,706	31	718	-	29,555	590,747
USA, Canada	20,362	5,437,850	2,012,469	10,863	6,244	4,100	27,499	7,519,387
Other Countries	1,486,859	444,222	2,283,536	413,400	30,659	2,500	18,131	4,679,307
Associates, Subsidiaries and Joint –Ventures	-	16,977	1,044	-	-	-	132,873	150,894
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>102,141,286</b>	<b>42,787,600</b>	<b>173,257,128</b>	<b>89,316,489</b>	<b>34,653,489</b>	<b>4,547,633</b>	<b>19,467,097</b>	<b>466,170,722</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.

(\*\*) Includes OECD countries other than EU countries, USA and Canada.

(\*\*\*) Includes assets and liability items that can not be allocated on a consistent basis

### EXPOSURE CATEGORIES

PRIOR PERIOD (*)	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	PAST DUE RECEIVABLES	OTHER	TOTAL
Domestic	84,901,396	9,989,483	128,612,153	78,346,834	37,065,756	893,336	11,323,416	351,132,373
European Union (EU) Countries	7,713,667	24,028,466	11,892,093	3,093,618	1,455,230	260,817	2,450,461	50,894,353
OECD Countries(**)	139	1,030,796	4,107,924	5,152	7,072	93	32,791	5,183,967
Off-Shore Banking Regions	-	75,843	298,631	1,074	480	-	-	376,028
USA, Canada	1,079	2,571,777	2,255,887	6,676	4,259	3,408	13,371	4,856,457
Other Countries	928,046	390,607	2,123,488	410,174	26,634	3,440	15,253	3,897,642
Associates, Subsidiaries and Joint –Ventures	-	86,232	8,889	-	-	-	12,902	108,023
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>93,544,327</b>	<b>38,173,204</b>	<b>149,299,065</b>	<b>81,863,528</b>	<b>38,559,431</b>	<b>1,161,094</b>	<b>13,848,194</b>	<b>416,448,843</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.

(\*\*) Includes OECD countries other than EU countries, USA and Canada.

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## 4.2.2 RISK PROFILE BY SECTORS OR COUNTERPARTIES

CURRENT PERIOD (*)	EXPOSURE CATEGORIES																	Total		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		TL	FC
<b>Agriculture</b>	-	-	-	-	-	-	2,506,837	840,006	351,642	22,093	39,951	-	-	-	-	-	-	1,446,962	2,313,567	3,760,529
Farming and Stockbreeding	-	-	-	-	-	-	2,122,594	740,786	318,736	20,313	37,661	-	-	-	-	-	-	1,349,838	1,890,252	3,240,090
Forestry	-	-	-	-	-	-	141,752	70,287	28,038	803	590	-	-	-	-	-	-	42,662	198,808	241,470
Fishery	-	-	-	-	-	-	242,491	28,933	4,868	977	1,700	-	-	-	-	-	-	54,462	224,507	278,969
<b>Manufacturing</b>	-	-	75,413	-	-	-	80,110,719	9,011,412	7,067,081	2,085,664	196,146	-	-	-	-	-	-	33,341,689	65,204,746	98,546,435
Mining and Quarrying	-	-	-	-	-	-	2,620,065	443,754	64,702	2,820	5,818	-	-	-	-	-	-	906,645	2,230,514	3,137,159
Production	-	-	9	-	-	-	46,627,218	8,330,573	4,430,181	435,019	146,553	-	-	-	-	-	-	26,371,116	33,598,437	59,969,553
Electricity, Gas and Water	-	-	75,404	-	-	-	30,863,436	237,085	2,572,198	1,647,825	43,775	-	-	-	-	-	-	6,063,928	29,375,795	35,439,723
<b>Construction</b>	-	-	31	-	-	-	9,617,385	4,553,046	1,880,485	164,980	457,065	-	-	-	-	-	-	9,965,836	6,707,156	16,672,992
<b>Services</b>	842	-	1,360	3,485,069	-	42,787,600	72,939,741	19,686,044	7,985,184	1,472,036	429,280	-	-	-	52,015	55,324	-	92,597,391	56,297,104	148,894,495
Wholesale and Retail Trade	-	-	181	-	-	-	34,228,802	15,141,542	3,964,712	340,107	196,606	-	-	-	-	-	-	31,165,639	22,706,311	53,871,950
Accommodation and Dining	-	-	62	-	-	-	4,606,766	1,062,470	2,429,928	137,056	31,465	-	-	-	-	-	-	2,494,343	5,773,404	8,267,747
Transportation and Telecommunication	-	-	74	-	-	-	15,373,049	2,350,118	432,860	306,801	151,567	-	-	-	-	-	-	4,285,727	14,328,742	18,614,469
Financial Institutions	-	-	-	3,485,069	-	42,787,600	9,005,778	109,171	71,569	19,462	35,008	-	-	-	52,015	55,324	-	51,373,609	4,247,387	55,620,996
Real Estate and Rental Services	-	-	-	-	-	-	4,710,410	334,839	669,801	645,561	9,626	-	-	-	-	-	-	1,285,390	5,084,847	6,370,237
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	967	-	-	-	631,455	211,387	240,380	8,248	3,268	-	-	-	-	-	-	885,593	210,121	1,095,714
Health and Social Services	833	-	76	-	-	-	4,383,481	476,517	175,934	14,801	1,740	-	-	-	-	-	-	1,107,090	3,946,292	5,053,382
<b>Others</b>	102,140,444	240,817	321,454	-	-	-	8,082,446	55,225,981	17,369,097	802,860	394,153	-	-	-	-	318,113	13,400,906	58,552,203	139,744,068	198,296,271
<b>Total</b>	102,141,286	240,817	398,258	3,485,069	-	42,787,600	173,257,128	89,316,489	34,653,489	4,547,633	1,516,595	-	-	-	52,015	373,437	13,400,906	195,904,081	270,266,641	466,170,722

- 1- Conditional and unconditional exposures to central governments or central banks
- 2- Conditional and unconditional exposures to regional governments or local authorities
- 3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
- 4- Conditional and unconditional exposures to multilateral development banks
- 5- Conditional and unconditional exposures to international organisations
- 6- Conditional and unconditional exposures to banks and brokerage houses
- 7- Conditional and unconditional exposures to corporates
- 8- Conditional and unconditional retail exposures
- 9- Conditional and unconditional exposures secured by real estate property
- 10- Past due receivables
- 11- Receivables in regulatory high-risk categories
- 12- Exposures in the form of bonds secured by mortgages
- 13- Securitisation positions
- 14- Short term exposures to banks, brokerage houses and corporates
- 15- Exposures in the form of collective investment undertakings
- 16- Shares
- 17- Other receivables

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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## EXPOSURE CATEGORIES

PRIOR PERIOD (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
<b>Agriculture</b>	-	795	-	-	-	-	2,028,549	712,025	419,057	18,489	40,091	-	-	-	-	-	-	1,398,689	1,820,317	3,219,006
Farming and Stockbreeding	-	-	-	-	-	-	1,694,397	639,094	384,469	17,469	39,883	-	-	-	-	-	-	1,312,626	1,462,686	2,775,312
Forestry	-	795	-	-	-	-	105,785	42,656	24,608	656	134	-	-	-	-	-	-	35,135	139,499	174,634
Fishery	-	-	-	-	-	-	228,367	30,275	9,980	364	74	-	-	-	-	-	-	50,928	218,132	269,060
<b>Manufacturing</b>	-	-	107,372	-	-	-	64,677,060	8,086,547	7,794,459	219,647	227,103	-	-	-	-	10,105	-	28,280,427	52,841,866	81,122,293
Mining and Quarrying	-	-	-	-	-	-	2,600,597	362,098	86,091	8,550	15,501	-	-	-	-	-	-	900,962	2,171,875	3,072,837
Production	-	-	7	-	-	-	36,931,403	7,541,250	4,298,712	171,705	167,593	-	-	-	-	10,105	-	22,222,714	26,898,061	49,120,775
Electricity, Gas and Water	-	-	107,365	-	-	-	25,145,060	183,199	3,409,656	39,392	44,009	-	-	-	-	-	-	5,156,751	23,771,930	28,928,681
<b>Construction</b>	-	-	128	-	-	-	8,884,000	4,288,576	2,634,550	63,680	71,743	-	-	-	-	-	-	10,345,461	5,597,216	15,942,677
<b>Services</b>	455	996	1,816,462	-	38,173,204	67,040,339	18,222,876	9,317,959	620,015	609,744	609,744	-	-	-	44,516	30,489	-	52,247,265	83,629,790	135,877,055
Wholesale and Retail Trade	-	-	203	-	-	-	28,594,333	13,863,462	4,595,497	242,829	89,876	-	-	-	-	-	-	29,936,376	17,449,824	47,386,200
Accommodation and Dining	-	-	89	-	-	-	3,999,348	983,246	2,633,646	106,797	18,193	-	-	-	-	-	-	2,334,835	5,406,484	7,741,319
Transportation and Telecommunication	-	-	177	-	-	-	16,642,547	2,254,927	498,514	240,097	37,144	-	-	-	-	-	-	4,946,398	14,727,008	19,673,406
Financial Institutions	-	-	-	-	1,816,462	-	38,173,204	8,684,179	168,374	72,644	438,707	-	-	-	44,516	30,489	-	11,687,796	37,745,463	49,433,259
Real Estate and Rental Services	-	-	-	-	-	-	5,177,038	274,766	949,568	14,722	8,847	-	-	-	-	-	-	1,405,687	5,019,254	6,424,941
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	355	-	-	-	-	353,969	192,867	381,404	668	9,849	-	-	-	-	-	-	765,421	173,700	939,121
Health and Social Services	446	-	172	-	-	-	3,588,925	485,234	186,686	10,218	7,128	-	-	-	-	-	-	1,170,752	3,108,057	4,278,809
<b>Others</b>	93,543,872	123,797	215,369	-	-	-	6,669,117	50,553,504	18,393,406	239,263	142,402	-	-	-	-	123,699	10,283,383	127,261,277	53,026,535	180,287,812
<b>Total</b>	93,544,327	124,592	323,865	1,816,462	-	38,173,204	149,299,065	81,863,528	38,559,431	1,161,094	1,091,083	-	-	-	44,516	164,293	10,283,383	219,533,119	196,915,724	416,448,843

- 1- Conditional and unconditional exposures to central governments or central banks
- 2- Conditional and unconditional exposures to regional governments or local authorities
- 3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
- 4- Conditional and unconditional exposures to multilateral development banks
- 5- Conditional and unconditional exposures to international organisations
- 6- Conditional and unconditional exposures to banks and brokerage houses
- 7- Conditional and unconditional exposures to corporates
- 8- Conditional and unconditional retail exposures
- 9- Conditional and unconditional exposures secured by real estate property
- 10- Past due receivables
- 11- Receivables in regulatory high-risk categories
- 12- Exposures in the form of bonds secured by mortgages
- 13- Securitisation positions
- 14- Short term exposures to banks, brokerage houses and corporates
- 15- Exposures in the form of collective investment undertakings
- 16- Shares
- 17- Other receivable

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.



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## 4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

CURRENT PERIOD		TERM TO MATURITY					DEMAND	TOTAL
		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
1	Conditional and unconditional exposures to central governments or central banks	23,370,810	6,182,274	1,415,146	1,333,468	48,389,529	21,450,059	102,141,286
2	Conditional and unconditional exposures to regional governments or local authorities	4,130	-	-	6,995	229,219	473	240,817
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	7,286	42,451	21,520	56,049	255,598	15,354	398,258
4	Conditional and unconditional exposures to multilateral development banks	1,249,182	982,305	-	-	44,340	1,209,242	3,485,069
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	5,259,195	14,361,512	1,542,337	2,314,112	17,810,271	1,500,173	42,787,600
7	Conditional and unconditional exposures to corporates	10,641,536	15,094,116	14,840,459	24,196,401	99,266,150	9,218,466	173,257,128
8	Conditional and unconditional retail exposures	9,829,764	5,501,203	3,309,470	6,447,635	44,045,467	20,182,950	89,316,489
9	Conditional and unconditional exposures secured by real estate property	288,092	574,791	929,363	1,739,412	29,251,016	1,870,815	34,653,489
10	Past due items	-	-	-	-	-	4,547,633	4,547,633
11	Items in regulatory high-risk categories	511,871	35,490	62,124	174,407	243,798	488,905	1,516,595
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	52,015	52,015
16	Shares	-	-	-	-	-	373,437	373,437
17	Other items	106,675	-	786,698	-	-	12,507,533	13,400,906
	<b>Total</b>	<b>51,268,541</b>	<b>42,774,142</b>	<b>22,907,117</b>	<b>36,268,479</b>	<b>239,535,388</b>	<b>73,417,055</b>	<b>466,170,722</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

PRIOR PERIOD		TERM TO MATURITY					DEMAND	TOTAL
		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
1	Conditional and unconditional exposures to central governments or central banks	14,820,747	23,751,196	1,650,024	115,625	42,524,823	10,681,912	93,544,327
2	Conditional and unconditional exposures to regional governments or local authorities	3,599	30	-	1,939	118,784	240	124,592
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	437	355	44,651	15,451	251,763	11,208	323,865
4	Conditional and unconditional exposures to multilateral development banks	1,613,682	13,369	51,562	71,012	66,837	-	1,816,462
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	9,393,739	1,988,724	1,807,593	2,152,437	19,163,615	3,667,096	38,173,204
7	Conditional and unconditional exposures to corporates	8,220,016	9,614,277	9,407,690	17,788,422	86,282,518	17,986,142	149,299,065
8	Conditional and unconditional retail exposures	8,439,791	4,925,061	2,413,635	5,023,648	43,488,580	17,572,813	81,863,528
9	Conditional and unconditional exposures secured by real estate property	144,639	291,776	641,857	1,614,223	32,905,831	2,961,105	38,559,431
10	Past due items	-	-	-	-	-	1,161,094	1,161,094
11	Items in regulatory high-risk categories	235,979	387,484	1,967	12,252	124,060	329,341	1,091,083
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	44,516	44,516
16	Shares	-	-	-	-	-	164,293	164,293
17	Other items	36,363	775,428	-	-	-	9,471,592	10,283,383
	<b>Total</b>	<b>42,908,992</b>	<b>41,747,700</b>	<b>16,018,979</b>	<b>26,795,009</b>	<b>224,926,811</b>	<b>64,051,352</b>	<b>416,448,843</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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## 4.2.4 EXPOSURE CATEGORIES

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights for items that are not included in trading book; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

CREDIT QUALITY GRADE	FITC R RATINGS LONG TERM CREDIT RATING	EXPOSURE CATEGORIES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

## 4.2.5 EXPOSURES BY RISK WEIGHTS

The total amount of exposures corresponding to each class of risk weight before and after credit risk mitigation and the deductions from equity as defined in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks Appendix-1 are presented below:

CURRENT PERIOD	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Risk Weights											
Exposures before Credit Risk Mitigation	90,572,286	-	19,369,613	18,270,578	26,420,042	93,613,795	216,840,465	1,083,943	-	-	657,317
Exposures after Credit Risk Mitigation	98,991,192	-	19,245,430	18,262,355	24,677,032	82,394,324	198,954,632	1,078,636	-	-	657,317
PRIOR PERIOD											
Risk Weights											
Exposures before Credit Risk Mitigation	85,725,369	-	10,263,392	20,590,422	26,490,693	86,264,007	186,179,073	481,064	-	454,823	525,852
Exposures after Credit Risk Mitigation	86,476,219	-	9,355,827	20,574,657	25,457,059	75,615,798	164,437,293	481,063	-	454,823	525,852

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## 4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

Financial assets are assessed in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 "Calculation of expected credit losses". In this respect, the life time expected credit losses are recognized for impaired loans (Stage 3) and the probability of default is considered to be 100%.

When the loan is not under default yet, but there is a significant increase in the credit risk since origination date, the life time expected credit losses are calculated for these loans (stage 2).

Regarding the remaining financial assets within the scope of TFRS 9, the 12-month estimated probability of default is calculated and the loss allowance for these loans (stage 1) is measured at an amount equal to 12-month (after the reporting date) expected credit losses.

CURRENT PERIOD	LOANS		TFRS 9 EXPECTED CREDIT LOSSES
	SIGNIFICANT INCREASE IN CREDIT RISK (STAGE 2)	DEFAULTED (STAGE 3)	
<b>Agriculture</b>	<b>173,407</b>	<b>141,211</b>	<b>94,184</b>
Farming and Stockbreeding	112,747	131,028	83,137
Forestry	28,713	3,769	5,685
Fishery	31,947	6,414	5,362
<b>Manufacturing</b>	<b>16,151,922</b>	<b>4,392,281</b>	<b>4,063,276</b>
Mining and Quarrying	129,122	108,936	107,049
Production	6,378,848	1,795,035	1,992,635
Electricity, Gas and Water	9,643,952	2,488,310	1,963,592
<b>Construction</b>	<b>2,178,793</b>	<b>1,579,034</b>	<b>945,696</b>
<b>Services</b>	<b>11,282,845</b>	<b>4,530,753</b>	<b>3,618,569</b>
Wholesale and Retail Trade	4,954,019	1,667,671	1,446,210
Accommodation and Dining	1,262,599	333,340	257,994
Transportation and Telecommunication	1,524,341	1,210,443	1,004,599
Financial Institutions	2,316,333	108,665	194,482
Real Estate and Rental Services	837,447	1,123,708	614,167
Professional Services	-	750	726
Educational Services	312,425	43,336	61,016
Health and Social Services	75,681	42,840	39,375
<b>Others</b>	<b>15,162,133</b>	<b>4,111,433</b>	<b>3,961,059</b>
<b>Total</b>	<b>44,949,100</b>	<b>14,754,712</b>	<b>12,682,784</b>

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PRIOR PERIOD	CREDIT RISKS			
	MAJOR SECTORS/COUNTERPARTIES	IMPAIRED CREDITS	PAST DUE CREDITS	VALUE ADJUSTMENTS
<b>Agriculture</b>	<b>155,115</b>	<b>30,974</b>	<b>1,012</b>	<b>95,810</b>
Farming and Stockbreeding	150,783	18,359	464	92,983
Forestry	2,498	5,521	9	1,605
Fishery	1,834	7,094	539	1,222
<b>Manufacturing</b>	<b>910,347</b>	<b>613,851</b>	<b>21,165</b>	<b>551,867</b>
Mining and Quarrying	88,678	22,246	84	64,729
Production	653,396	587,351	19,692	402,404
Electricity, Gas and Water	168,273	4,254	1,389	84,734
<b>Construction</b>	<b>560,674</b>	<b>369,417</b>	<b>7,634</b>	<b>403,482</b>
<b>Services</b>	<b>2,192,559</b>	<b>4,761,184</b>	<b>338,674</b>	<b>1,269,844</b>
Wholesale and Retail Trade	1,092,034	387,570	9,914	636,365
Accommodation and Dining	216,893	403,666	5,623	80,230
Transportation and Telecommunication	738,037	3,790,012	321,824	462,907
Financial Institutions	27,810	47,446	384	20,619
Real Estate and Rental Services	45,432	83,331	229	21,140
Professional Services	861	91	-	330
Educational Services	41,762	15,943	151	30,226
Health and Social Services	29,730	33,125	549	18,027
<b>Others</b>	<b>3,416,939</b>	<b>4,003,257</b>	<b>85,834</b>	<b>2,957,384</b>
<b>Total</b>	<b>7,235,634</b>	<b>9,778,683</b>	<b>454,319</b>	<b>5,278,387</b>

## 4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1 Stage 3. Provisions	4,650,987	7,273,457	(3,595,998)	127,502	8,455,948
2 Stage 1 and Stage 2 Provisions	4,792,207	8,630,443	(8,015,024)	70,610	5,478,236

PRIOR PERIOD (**)	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1 Specific Provisions	5,269,669	2,512,542	2,582,570	78,746	5,278,387
2 General Provisions	3,215,533	497,877	55,973	16,232	3,673,669

(\*) Includes foreign exchange differences, mergers, acquisitions and disposals of subsidiaries.

(\*\*) Presented with the amounts before TFRS 9 application.

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## 4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

### CURRENT PERIOD

COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	221,729,777	1,097,072	222,826,849
Romania	8,079,783	-	8,079,783
the Netherlands	2,671,113	-	2,671,113
Switzerland	2,493,427	-	2,493,427
Germany	1,761,517	-	1,761,517
Malta	1,104,778	-	1,104,778
United Kingdom	993,412	54,814	1,048,226
United States of America	877,261	-	877,261
United Arab Emirates	657,669	-	657,669
Other	3,997,235	-	3,997,235
<b>Total</b>	<b>244,365,972</b>	<b>1,151,886</b>	<b>245,517,858</b>

### PRIOR PERIOD

COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	191,461,728	641,600	192,103,328
Romania	6,289,347	-	6,289,347
the Netherlands	2,952,594	-	2,952,594
Switzerland	1,966,739	-	1,966,739
Germany	1,364,358	-	1,364,358
Malta	1,034,696	-	1,034,696
United Kingdom	918,835	14,192	933,027
United States of America	841,583	-	841,583
United Arab Emirates	667,167	-	667,167
Other	3,719,762	-	3,719,762
<b>Total</b>	<b>211,216,809</b>	<b>655,792</b>	<b>211,872,601</b>

## 4.3 CONSOLIDATED CURRENCY RISK

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position.

As of 31 December 2018, the Bank and its financial subsidiaries' net 'on balance sheet' foreign currency short position amounts to TL 18,242,797 thousands (31 December 2017: TL 23,229,929 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 20,473,605 thousands (31 December 2017: TL 25,574,862 thousands), while net foreign currency long open position amounts to TL 2,230,808 thousands (31 December 2017: TL 2,344,933 thousands).

The foreign currency position risk is measured by "standard method" and "value-at-risk (VaR) model". Measurements by standard method are carried out monthly, whereas measurements by "VaR" are done daily for the Bank. The foreign currency exchange risk is managed through transaction, dealer, desk and stop-loss limits approved by the board of directors for the trading portfolio beside the foreign currency net position standard ratio and the VaR limit.

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The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	USD	EUR
<b>The Bank's foreign currency purchase rate at balance sheet date</b>	5.2699	6.0219
<i>Foreign currency rates for the days before balance sheet date:</i>		
Day 1	5.2424	6.0041
Day 2	5.2708	6.0189
Day 3	5.2625	5.9916
Day 4	5.2790	5.9983
Day 5	5.2713	6.0269
<b>Last 30-days arithmetical average rate</b>	5.2864	6.0164

*The Bank's consolidated currency risk*

	EUR	USD	OTHER FCS	TOTAL
<b>CURRENT PERIOD</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,366,712	12,969,256	7,469,237	<b>38,805,205</b>
Banks	15,868,136	10,389,239	3,437,208	<b>29,694,583</b>
Financial Assets Measured at Fair Value through Profit/Loss	99,350	154,781	-	<b>254,131</b>
Money Market Placements	138,076	-	-	<b>138,076</b>
Financial Assets Measured at FVOCI	2,294,247	5,664,240	950,141	<b>8,908,628</b>
Loans (*)(**)	50,928,179	55,644,651	6,948,717	<b>113,521,547</b>
Investments in Associates, Subsidiaries and Joint-Ventures	2,674	-	910	<b>3,584</b>
Financial Assets Measured at Amortised Cost	14,022	6,053,659	-	<b>6,067,681</b>
Derivative Financial Assets Held for Hedging Purpose	323	227,367	4	<b>227,694</b>
Tangible Assets	178,449	300	67,328	<b>246,077</b>
Intangible Assets	-	-	-	<b>-</b>
Other Assets	599,254	864,609	118,208	<b>1,582,071</b>
<b>Total Assets</b>	<b>88,489,422</b>	<b>91,968,102</b>	<b>18,991,753</b>	<b>199,449,277</b>
<b>Liabilities</b>				
Bank Deposits	3,094,924	1,708,290	147,328	<b>4,950,542</b>
Foreign Currency Deposits	45,923,663	77,143,288	9,642,975	<b>132,709,926</b>
Money Market Funds	776,561	443,988	139	<b>1,220,688</b>
Other Fundings	12,221,591	19,755,271	177,188	<b>32,154,050</b>
Securities Issued (***)	4,937,556	33,736,011	427,943	<b>39,101,510</b>
Miscellaneous Payables	169,884	188,682	91,558	<b>450,124</b>
Derivative Financial Liabilities Held for Hedging Purpose	71,023	49,907	2,811	<b>123,741</b>
Other Liabilities (****)	1,087,381	2,447,593	3,446,519	<b>6,981,493</b>
<b>Total Liabilities</b>	<b>68,282,583</b>	<b>135,473,030</b>	<b>13,936,461</b>	<b>217,692,074</b>
<b>Net 'On Balance Sheet' Position</b>	<b>20,206,839</b>	<b>(43,504,928)</b>	<b>5,055,292</b>	<b>(18,242,797)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(16,682,628)</b>	<b>40,753,037</b>	<b>(3,596,804)</b>	<b>20,473,605</b>
Derivative Assets	12,368,328	69,684,392	2,544,802	84,597,522
Derivative Liabilities	(29,050,956)	(28,931,355)	(6,141,606)	(64,123,917)
Non-Cash Loans	-	-	-	-

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PRIOR PERIOD	EUR	USD	OTHER FCS	TOTAL
<b>Total Assets</b>	<b>67,304,347</b>	<b>77,110,589</b>	<b>13,540,900</b>	<b>157,955,836</b>
<b>Total Liabilities</b>	<b>54,617,991</b>	<b>115,526,334</b>	<b>11,041,440</b>	<b>181,185,765</b>
<b>Net 'On Balance Sheet' Position</b>	<b>12,686,356</b>	<b>(38,415,745)</b>	<b>2,499,460</b>	<b>(23,229,929)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(9,949,701)</b>	<b>37,114,158</b>	<b>(1,589,595)</b>	<b>25,574,862</b>
Derivative Assets	11,968,644	79,250,502	5,366,884	96,586,030
Derivative Liabilities	(21,918,345)	(42,136,344)	(6,956,479)	(71,011,168)
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 3,694,488 thousands included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*) The foreign currency indexed factoring receivables amounting TL 33,728 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*\*) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

(\*\*\*\*) The gold deposits of TL 3,280,238 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

## 4.4 CONSOLIDATED INTEREST RATE RISK

The interest rate risk resulting from balance sheet maturity mismatch presents the possible losses that may arise due to the changes in interest rates of interest sensitive assets and liabilities in the on- and off-balance sheet. Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the Weekly Assessment Committee and Assets-Liabilities Committee meetings taking into consideration the developments in market conditions.

The Bank's interest rate risk is measured by using, economic value, economic capital, net interest income, income at risk, market price sensitivity of marketable securities portfolio, duration-gap and sensitivity analysis.

The results are supported by the sensitivity and scenario analysis performed periodically against the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

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## 4.4.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS (BASED ON REPRICING DATES)

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,879,371	-	-	-	-	20,741,667	<b>41,621,038</b>
Banks	8,153,390	669,287	687,016	240,065	22,905	20,880,237	<b>30,652,900</b>
Financial Assets Measured at Fair Value through Profit/Loss	45,922	36,429	79,467	136,176	65,002	196,880	<b>559,876</b>
Money Market Placements	141,993	-	-	-	-	-	<b>141,993</b>
Financial Assets Measured at FVOCI	1,830,044	6,285,422	5,256,065	4,089,487	6,351,864	3,350,071	<b>27,162,953</b>
Loans	63,028,059	30,559,237	78,628,893	64,740,502	14,037,637	5,554,533	<b>256,548,861</b>
Financial Assets Measured at Amortised Cost	1,663,712	1,301,732	9,161,540	342,427	6,050,201	6,134,397	<b>24,654,009</b>
Other Assets	23,812	34,591	29,147	238,390	6,832	17,479,199	<b>17,811,971</b>
<b>Total Assets</b>	<b>95,766,303</b>	<b>38,886,698</b>	<b>93,842,128</b>	<b>69,787,047</b>	<b>26,534,441</b>	<b>74,336,984</b>	<b>399,153,601</b>
<b>Liabilities</b>							
Bank Deposits	1,672,707	30,143	83,871	-	-	4,374,966	<b>6,161,687</b>
Other Deposits	128,497,970	35,298,304	20,435,031	2,134,307	5,065	52,483,982	<b>238,854,659</b>
Money Market Funds	1,357,567	286,818	98,466	782,847	71,255	37,637	<b>2,634,590</b>
Miscellaneous Payables	-	-	-	-	-	12,365,939	<b>12,365,939</b>
Securities Issued (**)	18,700,790	1,440,011	7,662,128	10,680,521	4,072,822	644,439	<b>43,200,711</b>
Other Fundings	2,359,221	16,415,486	12,073,933	1,355,279	926,869	208,939	<b>33,339,727</b>
Other Liabilities	583	-	8,494	-	-	62,587,211	<b>62,596,288</b>
<b>Total Liabilities</b>	<b>152,588,838</b>	<b>53,470,762</b>	<b>40,361,923</b>	<b>14,952,954</b>	<b>5,076,011</b>	<b>132,703,113</b>	<b>399,153,601</b>
<b>On Balance Sheet Long Position</b>	-	-	<b>53,480,205</b>	<b>54,834,093</b>	<b>21,458,430</b>	-	<b>129,772,728</b>
<b>On Balance Sheet Short Position</b>	<b>(56,822,535)</b>	<b>(14,584,064)</b>	-	-	-	<b>(58,366,129)</b>	<b>(129,772,728)</b>
<b>Off-Balance Sheet Long Position</b>	<b>16,970,347</b>	<b>14,745,285</b>	<b>20,201,735</b>	<b>5,225,464</b>	<b>10,080,996</b>	-	<b>67,223,827</b>
<b>Off-Balance Sheet Short Position</b>	<b>(1,551,698)</b>	<b>(4,835,220)</b>	<b>(19,471,866)</b>	<b>(22,043,425)</b>	<b>(18,964,432)</b>	-	<b>(66,866,641)</b>
<b>Total Position</b>	<b>(41,403,886)</b>	<b>(4,673,999)</b>	<b>54,210,074</b>	<b>38,016,132</b>	<b>12,574,994</b>	<b>(58,366,129)</b>	<b>357,186</b>

(\*) Interest accruals are included in non-interest bearing column.

(\*\*) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.



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<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,356,607	-	-	-	-	18,247,034	<b>33,603,641</b>
Banks	6,674,295	1,086,847	2,853,022	141,516	19,206	8,695,457	<b>19,470,343</b>
Financial Assets at Fair Value through Profit/Loss	43,819	327,933	155,989	373,685	18,939	1,957,448	<b>2,877,813</b>
Interbank Money Market Placements	3,350	-	-	-	-	3	<b>3,353</b>
Financial Assets Available-for-Sale	3,369,418	5,915,862	6,882,925	3,610,964	3,818,557	2,680,262	<b>26,277,988</b>
Loans	56,204,934	26,102,731	68,187,866	61,641,322	12,394,601	4,821,831	<b>229,353,285</b>
Investments Held-to-Maturity	417,769	2,557,519	6,615,860	3,706,564	7,446,829	3,569,999	<b>24,314,540</b>
Other Assets	1,468,583	1,466,149	2,586,527	2,849,491	272,430	11,787,524	<b>20,430,704</b>
<b>Total Assets</b>	<b>83,538,775</b>	<b>37,457,041</b>	<b>87,282,189</b>	<b>72,323,542</b>	<b>23,970,562</b>	<b>51,759,558</b>	<b>356,331,667</b>
<b>Liabilities</b>							
Bank Deposits	412,502	139,085	259,559	-	-	814,676	<b>1,625,822</b>
Other Deposits	111,791,881	21,066,467	18,103,418	1,527,939	15,910	46,642,123	<b>199,147,738</b>
Interbank Money Market Takings	17,589,151	227,161	151,400	588,770	51,133	30,241	<b>18,637,856</b>
Miscellaneous Payables	-	-	-	-	-	10,376,346	<b>10,376,346</b>
Securities Issued (**)	1,882,236	3,084,627	2,058,452	10,437,488	5,762,814	418,306	<b>23,643,923</b>
Other Fundings	19,202,561	9,712,955	11,732,040	5,769,689	485,789	201,685	<b>47,104,719</b>
Other Liabilities	5,719	7,353	11,699	862	-	55,769,630	<b>55,795,263</b>
<b>Total Liabilities</b>	<b>150,884,050</b>	<b>34,237,648</b>	<b>32,316,568</b>	<b>18,324,748</b>	<b>6,315,646</b>	<b>114,253,007</b>	<b>356,331,667</b>
<b>On Balance Sheet Long Position</b>	-	<b>3,219,393</b>	<b>54,965,621</b>	<b>53,998,794</b>	<b>17,654,916</b>	-	<b>129,838,724</b>
<b>On Balance Sheet Short Position</b>	<b>(67,345,275)</b>	-	-	-	-	<b>(62,493,449)</b>	<b>(129,838,724)</b>
<b>Off-Balance Sheet Long Position</b>	<b>11,872,825</b>	<b>9,119,489</b>	<b>15,792,731</b>	<b>3,922,311</b>	<b>5,154,466</b>	-	<b>45,861,822</b>
<b>Off-Balance Sheet Short Position</b>	<b>(2,115,278)</b>	<b>(4,562,046)</b>	<b>(12,408,103)</b>	<b>(15,905,631)</b>	<b>(10,911,130)</b>	-	<b>(45,902,188)</b>
<b>Total Position</b>	<b>(57,587,728)</b>	<b>7,776,836</b>	<b>58,350,249</b>	<b>42,015,474</b>	<b>11,898,252</b>	<b>(62,493,449)</b>	<b>(40,366)</b>

(\*) Interest accruals are included in non-interest bearing column.

(\*\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

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## 4.4.2 AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS (%)

CURRENT PERIOD	EUR	USD	JPY	TL
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	(0.34)-8.00	2.15-4.90	-	15.60-30.00
Financial Assets at Fair Value through Profit/Loss	3.52	3.30-6.94	-	3.12-27.94
Interbank Money Market Placements	-	-	-	18.00-25.48
Financial Assets Measured at FVOCI	0.65-4.63	3.46-11.88	-	20.37
Loans (*)	0.27-15.00	1.50-21.88	-	13.13-43.50
Financial Assets Measured at Amortised Cost	0.25	5.26	-	19.49
<b>Liabilities</b>				
Bank Deposits	(0.34)-0.05	2.40-3.10	-	22.86
Other Deposits	0.01-7.00	0.01-4.27	0.93	8.75-29.00
Interbank Money Market Takings	0.05-0.15	2.62-3.75	-	7.06-30.00
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.64	-	17.79-27.00
Other Fundings	0.40-6.25	0.63-11.55	-	10.50-33.60
<b>PRIOR PERIOD</b>				
	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.

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## 4.5.2 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

CURRENT PERIOD		COMPARISON	
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE	MARKET VALUE
<b>1 Investment in Shares- Grade A</b>	<b>105,432</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	-	-	-

PRIOR PERIOD		COMPARISON	
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE	MARKET VALUE
<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

CURRENT PERIOD		REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
PORTFOLIO	GAINS/LOSSES IN CURRENT PERIOD	TOTAL	AMOUNT IN TIER I CAPITAL	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL
1 Private Equity Investments	-	-	-	-	-	-
2 Quoted Shares	-	-	-	8,454	-	8,454
3 Other Shares	-	95,693	95,693	-	-	-
<b>Total</b>	-	<b>95,693</b>	<b>95,693</b>	<b>8,454</b>	-	<b>8,454</b>

PRIOR PERIOD		REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
PORTFOLIO	GAINS/LOSSES IN CURRENT PERIOD	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>

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## 4.5.4 CAPITAL REQUIREMENT AS PER EQUITY SHARES

### CURRENT PERIOD

PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1 Private Equity Investments	-	-	-
2 Quoted Shares	-	-	-
3 Other Shares	132,871	132,871	10,630
<b>Total</b>	<b>132,871</b>	<b>132,871</b>	<b>10,630</b>

### PRIOR PERIOD

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 LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

Liquidity risk is managed by Asset and Liability Management department (ALMD), Weekly Review Committee and Asset and Liability Committee (ALCO) in line with liquidity and funding policies and risk appetite approved by the board of directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure. Under stressed conditions, liquidity risk is managed within the contingency funding plan framework.

The Board of Directors reviews the liquidity risk management policy and approves the liquidity and funding policies, ensures the effective practice of policies and integrations with the Bank's risk management system. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

ALMD, performs daily liquidity management by ensuring compliance with regulatory and internal liquidity limits and monitoring related early warning indicators in case of probable liquidity squeezes. The medium and long term liquidity and funding management is performed by ALMD in accordance with ALCO decisions.

Head of Risk management defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Head of Risk management coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Head of Risk management analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented in ALCO report. Internal liquidity metrics are monitored with limit and alert levels approved by the board of directors and reported regularly to related parties.

Decentralized management approach is adopted in liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

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The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of customer deposits, interbank and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed. Additionally, securities which are eligible as collateral at CBRT issued by Republic of Turkey Treasury and have active secondary market are comprised in the Bank's assets.

In the context of TL and foreign currencies liquidity management, the cash flows regarding assets and liabilities are monitored and the required liquidity in future periods is forecasted. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, risk mitigation according to the liquidity and funding policies (diversification of funding sources, holding high quality liquid assets reserve) and effective control environment and closely monitoring by limits. For those risks that cannot be reduced, the adoption of the current level of risk, reduction or termination of the activities that cause the risk is considered.

In liquidity risk stress testing framework, the level of the Bank's ability to cover cash outflows in liquidity crisis scenario based on the Bank's current cash flow structure, by high quality liquid assets is calculated. Scenario analysis are performed by assessing changing balance sheet structure, liquidity requirements and market conditions.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of policy regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Contingency Plan" in the Bank approved by the Board of Directors including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators, and probable scenarios where liquidity risk crisis and possible actions that can be taken.

In the scope of contingency plan within the framework of intraday liquidity risk management procedure, situations requiring the activation of contingency plan and indicating a intraday liquidity stress, and intraday liquidity metrics are monitored and intraday liquidity risk stress testing is performed.

The Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers can not use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency liabilities. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. Lines extended by CBRT and BİST aren't used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren't used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other liquidity and funding metrics are monitored.

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## 4.6.1 LIQUIDITY COVERAGE RATIO

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to "Regulation for Banks' Liquidity Coverage Ratio Calculations" (the Regulation) terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows. After a transition period that will end by 1 January 2019, in both bank-only and consolidated basis, LCR ratio should be at least 80% for foreign currency and 100% for total.

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients advised in the Regulation. In both bank-only and consolidated LCR calculations cash inflows are limited by 75% of cash outflows and cash inflows from high quality liquid assets aren't included.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. High quality liquid assets are composed of 1.44% cash, 44.25% deposits in central banks and 54.31% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 72.80% deposits, 10.69% funds borrowed and money market borrowings and 12.84% securities issued.

In consolidated LCR calculations, cash outflows are mainly consist of deposits, secured and unsecured borrowings, securities issued and off balance sheet items.

The cash flows from derivative financial instruments are included in consolidated LCR calculations according to the Regulation's terms. The Bank also considers changes in fair value of the liabilities that result in margin calls when calculating cash outflows.

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CURRENT PERIOD	TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH-QUALITY LIQUID ASSETS</b>			<b>90,168,173</b>	<b>53,913,275</b>
1 Total high-quality liquid assets (HQLA)	90,168,173	53,913,275	90,168,173	53,913,275
<b>CASH OUTFLOWS</b>				
2 Retail deposits and deposits from small business customers, of which:	170,724,981	91,272,314	15,763,919	9,106,152
3 Stable deposits	26,171,577	421,581	1,308,579	21,079
4 Less stable deposits	144,553,404	90,850,733	14,455,340	9,085,073
5 Unsecured wholesale funding, of which:	75,774,158	45,491,573	42,406,606	23,913,305
6 Operational deposits	-	-	-	-
7 Non-operational deposits	57,958,065	38,974,499	28,071,155	18,524,043
8 Unsecured funding	17,816,093	6,517,074	14,335,451	5,389,262
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	73,954,470	24,243,210	25,838,426	22,983,621
11 Outflows related to derivative exposures and other collateral requirements	22,357,173	22,411,751	22,357,173	22,411,751
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	51,597,297	1,831,459	3,481,253	571,870
14 Other revocable off-balance sheet commitments and contractual obligations	617,976	486,250	30,899	24,313
15 Other irrevocable or conditionally revocable off-balance sheet obligations	72,516,107	49,587,853	3,625,805	2,479,392
<b>16 Total Cash Outflows</b>			<b>87,665,655</b>	<b>58,506,783</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	968	-	-	-
18 Unsecured receivables	39,244,362	20,635,316	29,638,064	17,244,172
19 Other cash inflows	1,234,990	6,424,300	1,219,136	6,423,779
<b>20 Total Cash Inflows</b>	<b>40,480,320</b>	<b>27,059,616</b>	<b>30,857,200</b>	<b>23,667,951</b>
			<b>UPPER LIMIT APPLIED VALUES</b>	
<b>21 Total HQLA</b>			<b>90,168,173</b>	<b>53,913,275</b>
<b>22 Total Net Cash Outflows</b>			<b>56,808,455</b>	<b>34,838,832</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>159.53%</b>	<b>157.37%</b>

(\*) The average of last three months' simple averages of daily figures.

The table below presents the last three months' consolidated Liquidity Ratios:

PERIOD	TL+FC	FC
31 October 2018	166.20%	175.63%
30 November 2018	149.33%	138.61%
31 December 2018	163.06%	157.88%

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PRIOR PERIOD	TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH-QUALITY LIQUID ASSETS</b>			<b>64,790,253</b>	<b>40,139,185</b>
1 Total high-quality liquid assets (HQLA)	64,790,253	40,139,185	64,790,253	40,139,185
<b>CASH OUTFLOWS</b>				
2 Retail deposits and deposits from small business customers, of which:	135,642,321	66,124,346	12,251,062	6,599,097
3 Stable deposits	26,263,389	266,749	1,313,169	13,337
4 Less stable deposits	109,378,932	65,857,597	10,937,893	6,585,760
5 Unsecured wholesale funding, of which:	61,137,592	37,122,946	34,871,826	19,709,976
6 Operational deposits	-	-	-	-
7 Non-operational deposits	44,548,861	28,938,651	21,421,150	13,772,645
8 Unsecured funding	16,588,731	8,184,295	13,450,676	5,937,331
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	53,605,853	13,861,660	11,511,430	11,493,014
11 Outflows related to derivative exposures and other collateral requirements	8,160,609	10,645,765	8,160,609	10,645,765
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,445,244	3,215,895	3,350,821	847,249
14 Other revocable off-balance sheet commitments and contractual obligations	659,719	452,474	32,986	22,624
15 Other irrevocable or conditionally revocable off-balance sheet obligations	59,639,580	40,843,912	2,981,979	2,042,196
<b>16 Total Cash Outflows</b>			<b>61,649,283</b>	<b>39,866,907</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	7,145	-	-	-
18 Unsecured receivables	23,650,905	9,432,284	15,575,537	6,682,654
19 Other cash inflows	1,636,498	8,248,238	1,631,773	8,244,841
<b>20 Total Cash Inflows</b>	<b>25,294,548</b>	<b>17,680,522</b>	<b>17,207,310</b>	<b>14,927,495</b>
			<b>UPPER LIMIT APPLIED VALUES</b>	
<b>21 Total HQLA</b>			<b>64,790,253</b>	<b>40,139,185</b>
<b>22 Total Net Cash Outflows</b>			<b>44,441,973</b>	<b>24,939,412</b>
<b>23 Liquidity Coverage Ratio (%)</b>			<b>146,12%</b>	<b>164,58%</b>

(\*) The average of last three months' month-end consolidated liquidity ratios.

The table below presents the last three months' consolidated Liquidity Ratios of the year 2017:

PERIOD	TL+FC	FC
31 October 2017	140.63%	151.78%
30 November 2017	157.44%	205.74%
31 December 2017	140.28%	136.20%



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## 4.6.2 MATURITY ANALYSIS OF LIABILITIES ACCORDING TO REMAINING MATURITIES

	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	UNDISTRIBUTED (*)	TOTAL
<b>CURRENT PERIOD</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	20,333,357	21,287,681	-	-	-	-	-	<b>41,621,038</b>
Banks	26,389,227	2,625,879	706,080	662,054	214,061	55,599	-	<b>30,652,900</b>
Financial Assets at Fair Value through Profit/Loss	191,795	1	39,575	74,158	186,880	67,467	-	<b>559,876</b>
Interbank Money Market Placements	-	141,993	-	-	-	-	-	<b>141,993</b>
Financial Assets Available-for-Sale	235,462	-	354,369	2,482,510	15,977,178	8,113,434	-	<b>27,162,953</b>
Loans	708,430	44,470,961	24,239,098	64,882,233	89,788,897	26,554,304	5,904,938	<b>256,548,861</b>
Investments Held-to-Maturity	-	-	-	80,177	12,673,025	11,900,807	-	<b>24,654,009</b>
Other Assets	3,404,452	1,300,334	476,127	1,458,570	1,293,136	805,359	9,073,993	<b>17,811,971</b>
<b>Total Assets</b>	<b>51,262,723</b>	<b>69,826,849</b>	<b>25,815,249</b>	<b>69,639,702</b>	<b>120,133,177</b>	<b>47,496,970</b>	<b>14,978,931</b>	<b>399,153,601</b>
<b>Liabilities</b>								
Bank Deposits	4,477,785	1,568,788	30,143	84,971	-	-	-	<b>6,161,687</b>
Other Deposits	59,699,430	120,350,167	35,762,786	20,784,210	2,245,406	12,660	-	<b>238,854,659</b>
Other Fundings	-	1,345,842	1,237,006	25,100,301	4,868,294	788,284	-	<b>33,339,727</b>
Interbank Money Market Takings	138	1,385,418	296,652	103,794	776,561	72,027	-	<b>2,634,590</b>
Securities Issued (**)	-	996,587	1,456,670	8,244,317	16,718,342	15,784,795	-	<b>43,200,711</b>
Miscellaneous Payables	710,780	11,401,098	4,535	35,646	-	317	213,563	<b>12,365,939</b>
Other Liabilities (***)	3,883,614	1,981,042	805,451	1,037,553	636,394	1,210,070	53,042,164	<b>62,596,288</b>
<b>Total Liabilities</b>	<b>68,771,747</b>	<b>139,028,942</b>	<b>39,593,243</b>	<b>55,390,792</b>	<b>25,244,997</b>	<b>17,868,153</b>	<b>53,255,727</b>	<b>399,153,601</b>
<b>Liquidity Gap</b>	<b>(17,509,024)</b>	<b>(69,202,093)</b>	<b>(13,777,994)</b>	<b>14,248,910</b>	<b>94,888,180</b>	<b>29,628,817</b>	<b>(38,276,796)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(776,698)</b>	<b>25,123</b>	<b>121,141</b>	<b>641,570</b>	<b>135,722</b>	<b>-</b>	<b>146,858</b>
Derivative Financial Assets	-	62,930,044	12,213,678	29,817,513	10,938,125	2,785,895	-	118,685,255
Derivative Financial Liabilities	-	63,706,742	12,188,555	29,696,372	10,296,555	2,650,173	-	118,538,397
<b>Non-Cash Loans</b>	<b>-</b>	<b>14,464,568</b>	<b>4,584,345</b>	<b>3,048,644</b>	<b>1,635,298</b>	<b>95,658</b>	<b>109,426,843</b>	<b>133,255,356</b>
<b>Prior Period</b>								
<b>Total Assets</b>	20,861,306	70,663,534	21,932,527	63,847,791	110,661,376	45,250,095	23,115,038	<b>356,331,667</b>
<b>Total Liabilities</b>	<b>56,948,033</b>	<b>137,194,518</b>	<b>25,940,033</b>	<b>40,373,833</b>	<b>31,259,135</b>	<b>14,544,538</b>	<b>50,071,577</b>	<b>356,331,667</b>
<b>Liquidity Gap</b>	<b>(36,086,727)</b>	<b>(66,530,984)</b>	<b>(4,007,506)</b>	<b>23,473,958</b>	<b>79,402,241</b>	<b>30,705,557</b>	<b>(26,956,539)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(498,276)</b>	<b>(173,639)</b>	<b>(352,946)</b>	<b>275,705</b>	<b>37,607</b>	<b>-</b>	<b>(711,549)</b>
Derivative Financial Assets	-	77,833,182	28,433,105	32,107,432	5,638,883	1,881,475	-	145,894,077
Derivative Financial Liabilities	-	78,331,458	28,606,744	32,460,378	5,363,178	1,843,868	-	146,605,626
<b>Non-Cash Loans</b>	<b>-</b>	<b>8,082,943</b>	<b>4,478,582</b>	<b>6,769,545</b>	<b>1,186,726</b>	<b>246,692</b>	<b>93,022,795</b>	<b>113,787,283</b>

(\*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, investments in associates and affiliates, stationary supplies, prepaid expenses and loans under follow-up, are included in this column.

(\*\*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

(\*\*\*) Shareholders' Equity is included in "Other liabilities" line under "Undistributed" column.

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## Contractual maturity analysis of liabilities according to remaining maturities

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank and its financial subsidiaries' financial liabilities as per their earliest likely contractual maturities.

CURRENT PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	6,161,687	6,137,753	4,457,691	1,566,048	30,143	83,871	-	-
Other Deposits	238,854,659	237,076,430	59,699,430	119,495,743	35,284,409	20,352,961	2,231,265	12,622
Other Fundings	33,339,727	33,117,190	-	2,061,795	1,237,006	25,032,559	4,785,830	-
Interbank Money Market Takings	2,634,590	2,597,090	138	1,357,567	286,818	98,466	782,847	71,254
Securities Issued (*)	43,200,711	43,486,690	-	980,255	1,440,011	8,033,535	16,550,606	16,482,283
<b>Total</b>	<b>324,191,374</b>	<b>322,415,153</b>	<b>64,157,259</b>	<b>125,461,408</b>	<b>38,278,387</b>	<b>53,601,392</b>	<b>24,350,548</b>	<b>16,566,159</b>

(\*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

PRIOR PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	1,625,822	1,623,090	918,005	306,441	139,085	259,559	-	-
Other Deposits	199,147,738	198,282,621	53,366,015	104,196,406	21,053,390	18,037,402	1,606,260	23,148
Other Fundings	47,104,719	46,940,914	-	1,755,632	555,686	18,174,300	18,111,911	8,343,385
Interbank Money Market Takings	18,637,856	18,607,719	104	17,589,151	227,161	151,400	588,770	51,133
Securities Issued (*)	23,643,923	23,225,618	-	1,844,478	2,944,922	2,198,156	10,475,247	5,762,815
<b>Total</b>	<b>290,160,058</b>	<b>288,679,962</b>	<b>54,284,124</b>	<b>125,692,108</b>	<b>24,920,244</b>	<b>38,820,817</b>	<b>30,782,188</b>	<b>14,180,481</b>

(\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

## 4.7 CONSOLIDATED LEVERAGE RATIO

The leverage ratio table prepared in accordance with the communiqué "Regulation on Measurement and Assessment of Leverage Ratios of Banks" published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

The Bank's consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 8.08% (31 December 2017: 8.41%). Main reason for the variance compared to prior period is the increase in especially on balance and off-balance sheet exposures more than the increase in capital. While the capital increased by 14.11% as a result of increase in net profits, the balance sheet exposure increased by 16.02% and the off balance sheet exposure increased by 28.31%. Therefore, the current period leverage ratio decreased by 33 basis points compared to prior period.

	CURRENT PERIOD(***)	PRIOR PERIOD(***)
1 Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	454,636,644	336,616,872
2 The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" (**)	1,691,093	3,062,255
3 The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	(11,984,226)	(10,547,347)
4 The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts	4,706,876	12,921,783
5 The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	3,134,011	3,765,170
6 Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
7 Total risk amount	570,780,865	480,096,821

(\*) Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements."

(\*\*) The consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2018 for the current period and 30 September 2017 for the prior period, are considered.

(\*\*\*) Amounts in the table are three-month average amounts.

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ON-BALANCE SHEET ASSETS	CURRENT PERIOD (*)	PRIOR PERIOD (*)
1 On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	408,690,978	352,252,554
2 (Assets deducted in determining Tier I capital)	(618,179)	(455,111)
3 Total on-balance sheet risks (sum of lines 1 and 2)	408,072,799	351,797,443
DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES		
4 Replacement cost associated with all derivative financial instruments and credit derivatives	4,928,851	3,061,421
5 Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	12,017,739	11,169,170
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	16,946,590	14,230,591
SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)		
7 Risks from SCFT assets (excluding on-balance sheet)	991,391	2,561,479
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	991,391	2,561,479
OTHER OFF-BALANCE SHEET TRANSACTIONS		
10 Gross notional amounts of off-balance sheet transactions	147,904,095	115,272,482
11 (Adjustments for conversion to credit equivalent amounts)	(3,134,010)	(3,765,174)
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	144,770,085	111,507,308
CAPITAL AND TOTAL RISKS		
13 Tier I capital	46,050,753	40,355,639
14 Total risks (sum of lines 3, 6, 9 and 12)	570,780,865	480,096,821
LEVERAGE RATIO		
15 Leverage ratio	8.08%	8.41%

(\*) Amounts in the table are three-month average amounts.

## 4.8 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	CARRYING VALUE		FAIR VALUE	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
<b>Financial Assets</b>	<b>374,963,269</b>	<b>329,714,730</b>	<b>373,365,004</b>	<b>331,642,754</b>
Interbank Money Market Placements	141,993	3,353	141,993	3,353
Banks (*)	66,455,453	49,765,564	66,455,453	49,765,564
Financial Assets Measured at Fair Value through Other Comprehensive Income	27,162,953	26,277,988	27,162,953	26,277,988
Financial Assets Measured at Amortised Cost	24,654,009	24,314,540	24,392,782	24,600,253
Loans	256,548,861	229,353,285	255,211,823	230,995,596
<b>Financial Liabilities</b>	<b>341,721,083</b>	<b>300,536,404</b>	<b>341,721,083</b>	<b>300,536,404</b>
Bank Deposits	6,161,687	1,625,822	6,161,687	1,625,822
Other Deposits	238,854,659	199,147,738	238,854,659	199,147,738
Other Fundings from Financial Institutions	35,974,317	65,742,575	35,974,317	65,742,575
Securities Issued (**)	43,200,711	23,643,923	43,200,711	23,643,923
Other Liabilities	17,529,709	10,376,346	17,529,709	10,376,346

(\*) Including the balances at the Central Bank of Turkey.

(\*\*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

Fair value of financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

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Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

The table below analyses the financial instruments carried at fair value, by valuation method:

CURRENT PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Measured at Fair Value through Other Comprehensive Income	26,952,771	195,377	14,805	27,162,953
Financial Assets Measured at Fair Value through Profit/Loss	460,893	-	98,983	559,876
Loans Measured at Fair Value through Profit/Loss	-	-	4,081,161	4,081,161
Derivative Financial Assets Held for Trading	2,235	3,053,218	36,919	3,092,372
Derivative Financial Assets Held for Hedging Purpose	-	1,001,323	-	1,001,323
<b>Financial Assets at Fair Value</b>	<b>27,415,899</b>	<b>4,249,918</b>	<b>4,231,868</b>	<b>35,897,685</b>
Derivative Financial Liabilities Held for Trading	216	3,167,291	878,978	4,046,485
Funds Borrowed (*)	-	-	12,312,230	12,312,230
Derivative Financial Liabilities Held for Hedging Purpose	-	463,677	-	463,677
<b>Financial Liabilities at Fair Value</b>	<b>216</b>	<b>3,630,968</b>	<b>13,191,208</b>	<b>16,822,392</b>

(\*) Includes financial liabilities measured at FVTPL.

PRIOR PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Available-for-Sale	23,786,851	2,384,564	106,573	26,277,988
Financial Assets Held for Trading	928,020	87	2,717	930,824
Derivative Financial Assets Held for Trading	1,205	1,873,716	72,068	1,946,989
Derivative Financial Assets Held for Risk Management	-	670,720	-	670,720
<b>Financial Assets at Fair Value</b>	<b>24,716,076</b>	<b>4,929,087</b>	<b>181,358</b>	<b>29,826,521</b>
Derivative Financial Liabilities Held for Trading	230	2,855,522	43,070	2,898,822
Funds Borrowed (*)	-	-	9,228,338	9,228,338
Derivative Financial Liabilities Held for Risk Management	-	198,826	-	198,826
<b>Financial Liabilities at Fair Value</b>	<b>230</b>	<b>3,054,348</b>	<b>9,271,408</b>	<b>12,325,986</b>

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The movement of financial assets in Level 3 is presented below.

	CURRENT PERIOD	PRIOR PERIOD
<b>Balances at Beginning of Period</b>	<b>181,356</b>	<b>616,627</b>
Purchases During the Period	18,172	41,085
Disposals Through Sale/Redemptions	(31,345)	(495,861)
Valuation Effect	(17,476)	(3,803)
Transfers	4,081,161	23,310
<b>Balances at End of Period</b>	<b>4,231,868</b>	<b>181,358</b>

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in notes 5.1.6.2.1 and 5.1.18.2. The fair value of this loan is determined by the independent valuation company by considering different methodologies (discounted cash flows, peer market multipliers, similar transaction multipliers in the same sector etc.). Accordingly, the loan is classified as Level 3.

Based on TFRS 9, in order to eliminate the accounting mismatch, the securitized bonds issued are measured at fair value and it is used the valuation of the Turkish Republic's credit default swap (CDS) and Eurobonds together with the Z-spread of the Turkish Republic (TC) and the Bank. The credit default swap (CDS) level is determined based on the remaining maturity.

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Regarding valuation of the related securitization transactions, it is determined a reference level which indicates the correlation among the transaction spread at inception date with either of the followings: TC CDS, TC eurobonds, and Z-spreads of the Bank and TC and considered the impact of daily changes in relevant parameters with variation in reference level. Therefore, the fair value of both the securitization transactions and the corresponding Total Return Swap (TRS) transactions are determined as Level 3.

## 4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

## 4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

The notes under this caption are prepared as per the "Regulation on Calculation of Risk Management Disclosures" published in the Official Gazette no. 29511 dated 23 October 2015.

### 4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

#### 4.10.1.1 RISK MANAGEMENT STRATEGY

Risk Management ensures that; risk management policies and principles are applied and adopted throughout the Bank and its consolidated subsidiaries and that risk management system is maintained and improved which pursues risk-return relationship, and measures all risks together and which is in compliance with applicable regulation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached. Risk Management also ensures that activities to define, measure, report, monitor and control risks are conducted thoroughly and timely; to monitor the results.

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries subject to and the parent Bank's risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Management of various risks that the Bank may be exposed to, including oversight of corporate risk management policies and practices, capital adequacy, planning and liquidity adequacy, is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models.

The Bank's main approach for the implementation of risk management model is establishing risk culture throughout the Bank, and aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for decision making and implementation mechanisms process by all employees.

Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk appetite framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with the consideration of the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed is managed by providing effective control environment and following closely within limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

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The Risk Management function conducts the ICAAP report, to be sent to the BRSA by coordinating relevant parties. Stress test report is also reported to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's three year budget plan and results, and certain ratios, including capital adequacy.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and ICAAP generate significant inputs to ensure that risk management culture is widely embraced.

## 4.10.1.2 RISK WEIGHTED AMOUNTS

	RISK WEIGHTED AMOUNTS		MINIMUM CAPITAL REQUIREMENTS
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD
1 Credit risk (excluding counterparty credit risk) (CCR) (*)	281,730,318	241,262,479	22,538,425
2 Of which standardised approach (SA)	281,730,318	241,262,479	22,538,425
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	5,183,396	3,837,586	414,672
5 Of which standardised approach for counterparty credit risk (SA-CCR)	5,183,396	3,837,586	414,672
6 Of which internal model method (IMM)	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	11,473	4,890	918
10 Equity investments in funds – 1250% risk weighting approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB supervisory formula approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	7,781,075	6,748,950	622,486
17 Of which standardised approach (SA)	7,781,075	6,748,950	622,486
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	29,447,081	25,033,623	2,355,766
20 Of which basic indicator approach	29,447,081	25,033,623	2,355,766
21 Of which standardised approach	-	-	-
22 Of which advanced measurement approach	-	-	-
23 Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	1,137,058	-
24 Floor adjustment	-	-	-
25 <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>324,153,343</b>	<b>278,024,586</b>	<b>25,932,267</b>

(\*) Excluding equity investments in funds and amounts below the thresholds for deductions from capital.

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## 4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

### 4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

CURRENT PERIOD	CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS					
	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS (*)	CARRYING VALUES IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PER TAS BUT IN COMPLIANCE WITH THE COMMUNIQUÉ "PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS"	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK (**)	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
<b>ASSETS</b>						
<b>Financial assets (net)</b>	<b>156,051,603</b>	<b>128,751,977</b>	<b>124,268,812</b>	<b>8,009,495</b>	<b>2,434,700</b>	<b>(132,815)</b>
Cash and cash equivalents	91,867,474	72,415,931	72,274,154	141,777	-	-
Financial assets measured at fair value through profit/loss (FVTPL)	876,253	559,876	164,287	101,226	362,015	1,672
Financial assets measured at fair value through other comprehensive income (FVOCI)	28,567,700	27,162,953	27,162,953	3,668,811	-	-
Financial assets measured at amortised cost	23,775,245	24,654,009	24,654,012	45,482	-	-
Derivative financial assets	10,999,951	4,093,695	13,406	4,052,199	2,072,685	-
Non performing financial assets	-	-	-	-	-	-
Expected credit losses (-)	35,020	134,487	-	-	-	134,487
<b>Loans (net)</b>	<b>285,176,472</b>	<b>256,548,861</b>	<b>261,504,261</b>	<b>-</b>	<b>-</b>	<b>(4,955,399)</b>
Loans	276,991,503	247,542,010	247,527,969	-	-	14,041
Lease receivables	7,301,878	6,068,225	6,068,225	-	-	-
Factoring receivables	2,241,870	2,279,270	2,279,271	-	-	-
Non performing receivables	12,565,510	13,753,384	13,753,385	-	-	-
Expected credit losses (-)	13,924,289	13,094,028	8,124,589	-	-	4,969,440
Assets held for sale and assets of discontinued operations (net)	885,671	857,695	857,695	-	-	-
Ownership investments (net)	39,943	132,871	132,873	-	-	-
Tangible assets (net)	6,207,820	4,494,918	4,248,991	-	-	245,928
Intangible assets (net)	426,136	416,072	5,275	-	-	410,796
Investment property (net)	319,705	558,309	558,309	-	-	-
Current tax asset	64,745	175,266	175,266	-	-	-
Deferred tax asset	1,706,855	1,519,177	1,534,297	-	-	(15,120)
Other assets	3,757,694	5,698,455	5,706,225	-	-	(7,777)
<b>TOTAL ASSETS</b>	<b>454,636,644</b>	<b>399,153,601</b>	<b>398,992,004</b>	<b>8,009,495</b>	<b>2,434,700</b>	<b>(4,454,387)</b>
<b>LIABILITIES</b>						
Deposits	274,594,669	245,016,346	-	-	-	245,016,345
Funds borrowed	50,812,729	33,339,727	-	1,757,546	-	31,582,181
Money market funds	4,374,524	2,634,590	-	1,288,750	22,784	1,345,840
Securities issued (net)	31,180,118	26,911,463	-	-	-	26,911,463
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtpl	12,391,910	12,312,230	-	-	-	12,312,230
Derivative financial liabilities	9,987,516	4,510,162	-	-	-	4,510,162
Factoring payables	-	-	-	-	-	-
Lease payables (net)	-	-	-	-	-	-

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Provisions	4,716,947	5,369,512	282,169	-	-	5,087,344
Current tax liability	675,877	646,881	-	-	-	646,881
Deferred tax liability	16,369	19,121	-	-	-	19,121
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	4,582,945	3,977,018	-	-	-	3,977,018
Other liabilities	14,743,061	17,529,709	-	-	19,756	17,509,952
Shareholders' equity	46,559,979	46,886,842	-	-	-	46,886,843
<b>TOTAL LIABILITIES</b>	<b>454,636,644</b>	<b>399,153,601</b>	<b>282,169</b>	<b>3,046,296</b>	<b>42,540</b>	<b>395,805,380</b>

(\*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2018.

(\*\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

PRIOR PERIOD	CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS					
	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS (*)	CARRYING VALUES IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PER TAS BUT IN COMPLIANCE WITH THE COMMUNIQUÉ "PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS"	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK (**)	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
<b>ASSETS</b>						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	39,220,034	33,603,641	33,603,641	-	-	-
Financial Assets Held for Trading	3,114,332	2,877,813	72,794	1,873,995	2,081,173	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	11,553,963	19,470,343	19,470,163	-	-	-
Interbank Money Markets Placements	7,313	3,353	-	3,353	-	-
Financial Assets Available-for-Sale	24,699,789	26,277,988	26,104,810	14,788,886	171,784	1,394
Loans	215,442,140	229,353,285	229,322,411	-	-	30,879
Factoring Receivables	3,378,320	3,379,768	3,379,768	-	-	-
Investment Held-to-Maturity	23,025,486	24,314,540	24,314,540	1,010,967	-	-
Investment in Associates	37,291	35,751	35,751	-	-	-
Investment in Subsidiaries	3,097	116,681	116,681	-	-	-
Investment in Joint-Ventures	-	-	-	-	-	-
Lease Receivables	5,775,351	5,788,436	5,788,436	-	-	-
Derivative Financial Assets Held for Risk Management	570,643	670,720	-	670,720	-	-
Tangible Assets	5,490,232	4,096,651	3,965,737	-	-	130,914
Intangible Assets	116,614	379,308	24,024	-	-	355,284
Investment Property	327,993	559,388	559,388	-	-	-
Tax Asset	880,066	467,698	460,317	-	-	7,381
Assets Held for Sale and Assets of Discontinued Operations	835,552	835,552	835,552	-	-	-
Other Assets	2,138,656	4,100,751	4,100,751	-	-	-
<b>TOTAL ASSETS</b>	<b>336,616,872</b>	<b>356,331,667</b>	<b>352,154,764</b>	<b>18,347,921</b>	<b>2,252,957</b>	<b>525,852</b>
<b>LIABILITIES</b>						
Deposits	195,155,684	200,773,560	-	-	-	200,773,560
Derivative Financial Liabilities Held for Trading	2,294,937	2,898,822	-	-	-	2,898,822



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Funds Borrowed	42,757,908	47,104,719	-	11,838,445	-	35,266,274
Interbank Money Markets	18,505,682	18,637,856	-	1,746,412	16,474	16,891,444
Securities Issued	19,347,705	20,794,452	-	-	-	20,794,452
Funds	-	-	-	-	-	-
Miscellaneous Payables	10,274,769	10,376,346	-	-	-	10,376,346
Other External Fundings Payable	983,676	3,080,350	-	-	28,116	3,052,234
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	235,239	198,826	-	-	-	198,826
Provisions	3,050,325	6,848,102	-	-	-	6,848,102
Tax Liability	478,457	1,163,162	-	-	-	1,163,162
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	2,715,786	2,849,471	-	-	-	2,849,471
Shareholders' Equity	40,816,704	41,606,001	-	-	-	41,606,001
<b>TOTAL LIABILITIES</b>	<b>336,616,872</b>	<b>356,331,667</b>	<b>-</b>	<b>13,584,857</b>	<b>44,590</b>	<b>342,718,694</b>

(\*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2017.

(\*\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

## 4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

CURRENT PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1 Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	399,824,368	395,208,384	4,225,875	2,434,700
2 Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	3,783,620	3,783,620	3,783,620	-
3 Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	3,046,296	-	3,046,296	22,784
4 Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	19,756	-	-	19,756
5 Total Net Amount Under Regulatory Consolidation	400,541,936	398,992,004	4,963,199	2,392,160
6 Off-balance Sheet Amounts (**)	477,934,782	57,418,090	1,850,802	174,424,862
7 Credit Risk Mitigation		(19,720,920)	(10,297)	-
8 Repurchase Transactions Valuation Adjustments		-	110,723	-
<b>9 Risk Amounts</b>		<b>436,689,174</b>	<b>6,914,427</b>	<b>176,817,022</b>

(\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(\*\*) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

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PRIOR PERIOD	TOTAL	CREDIT RISK	COUNTER PARTY CREDIT RISK	MARKET RISK (*)
1 Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	339,991,050	336,339,999	2,533,156	2,252,957
2 Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	15,814,765	15,814,765	15,814,765	-
3 Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	13,584,857	-	13,584,857	16,474
4 Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	28,116	-	-	28,116
5 Total Net Amount Under Regulatory Consolidation	342,192,842	352,154,764	4,763,064	2,208,367
6 Off-balance Sheet Amounts (**)	300,558,195	44,034,598	1,911,559	178,242,558
7 Credit Risk Mitigation	-	(20,912,222)	(28,948)	-
8 Repurchase Transactions Valuation Adjustments	-	-	929,923	-
<b>9 Risk Amounts</b>	<b>642,751,037</b>	<b>375,277,140</b>	<b>7,575,598</b>	<b>180,450,925</b>

(\*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(\*\*) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

## 4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

## 4.10.3 CONSOLIDATED CREDIT RISK

### 4.10.3.1 GENERAL INFORMATION ON CONSOLIDATED CREDIT RISK

#### 4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON CONSOLIDATED CREDIT RISK

The parent Bank's credit risk management policies; under the relevant legislation in line with the Bank's credit strategy approved by the board of directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

Diversification to avoid concentrations are performed while determining the Bank's credit risk profile. Credit portfolios are evaluated depending upon the credit type, managed aggregately during their life cycle. Customer selection is made in accordance with the policies and strategies, affordability of the borrower to fulfil on a timely basis all financial obligations with his expected cash flows from foreseeable specific transactions or from its regular operations; without depending upon guarantors, bails or pledged assets is predicated. Necessary risk rating/scoring models are developed, reviewed and validated for the different portfolios of the Bank. These models are created by ensuring the best separation of the customers in terms of their credibility and grading them using the objective criteria. The outputs of the internal rating and scoring models that developed based on the each portfolio are an important part of the loan approval process.

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Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units and committees of headoffice, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written.

Each unit operating in credit risk management is responsible for identifying risks arising from its own process, activities and systems, informing senior management and taking necessary action to reduce risk level.

The general risk policy including the risk appetite and indicators is determined by the board of directors. Risk management is handled, in order to reach the determined targets, by carrying out a continuous monitoring process with a proper classification of risks and customers in scope of the effective management mentality. The limit framework and delegation rules are specified by establishing proper decision systems in order to assess the risks correctly. Optimum limit levels are determined by taking into account the loss and returns during the limit setting process.

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of Credit Risk Management; Corporate and Specialized Loans, Commercial Loans, Commercial Credits Restructuring, Corporate and Specialized Loans Resructuring, Specialized Collections, Commercial Products Collection, Bank and Country Risk, Retail Loans Risk Strategies, SME Loans Risk Strategies , Retail and SME Loans Evaluation, Retail Products Collection, Risk Planning Monitoring and Reporting, Risk Analytics, Technology and Innovation, Validation, Market Risk and Credit Risk Control and Region Coordination.

In addition, decisions regarding the credit policy in the corporate governance framework are taken by the relevant committees. In this context, there are Wholesale Credit, Risk Committee, Retail Credit, Risk Committee, Risk Management Committee, Risk Technology and Analytics, Committee, Credit Admission Committee and Board of Risk Committee. Allocated limits and conditions that exceeding the limits with their usage, evaluations regarding major risks and non-performing loans with high risk, information regarding NPLs, the data regarding the portfolios of subsidiaries are reported to senior management on a regular basis.

The Risk Management measures, monitors and reports credit risks by using validated probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

The Bank carries out on-site and central controls regarding credit risk by the first level control officers in the Bank's business / support units. First-level control officers periodically report the results of the controls they conduct to the management of the related units and the Internal Unit in accordance with the dual reporting obligation. On-site collateral and contract controls at the branches and functioning controls at the regions regarding credit risk are carried out by branch control team of Internal Control Unit located in the second line of defense. In addition, Risk Management Control which reports to the Risk Management Department conducts periodic controls and assessments on credit risk management as a second level control specialist on compliance with the Bank's credit risk policies, rules and procedures.

## 4.10.3.1.2 CREDIT QUALITY OF CONSOLIDATED ASSETS

CURRENT PERIOD	GROSS CARRYING VALUE IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PERTAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
	DEFAULTED	NON-DEFAULTED		
1 Loans	13,753,384	322,331,133	8,124,589	327,959,928
2 Debt securities	-	51,633,493	-	51,633,493
3 Off-balance sheet exposures	979,474	86,108,509	285,681	86,802,302
<b>4 Total</b>	<b>14,732,858</b>	<b>460,073,135</b>	<b>8,410,270</b>	<b>466,395,723</b>

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PRIOR PERIOD	GROSS CARRYING VALUE IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PERTAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
	DEFAULTED	NON-DEFAULTED		
1 Loans	6,865,295	286,541,848	5,150,970	288,256,173
2 Debt securities	-	50,317,658	-	50,317,658
3 Off-balance sheet exposures	370,339	70,349,735	127,417	70,592,657
<b>4 Total</b>	<b>7,235,634</b>	<b>407,209,241</b>	<b>5,278,387</b>	<b>409,166,488</b>

## 4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

	CURRENT PERIOD	PRIOR PERIOD
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>6,865,295</b>	<b>6,910,833</b>
2 Loans and debt securities defaulted since the last reporting period	12,133,538	3,049,823
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	2,609,320	1,295,891
5 Other changes	2,636,129	1,799,470
<b>6 Defaulted loans and debt securities at end of the reporting period</b>	<b>13,753,384</b>	<b>6,865,295</b>

## 4.10.3.1.4 ADDITIONAL INFORMATION ON CREDIT QUALITY OF CONSOLIDATED ASSETS

### 4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

As explained in accounting policy notes of 3.8 "Disclosures on impairment of financial assets" and 3.8.1 "Calculation of expected credit losses", the Bank and its financial subsidiaries calculate the expected credit losses in accordance with TFRS 9. At each reporting date, it is assessed whether there is a significant increase in the credit risk of the financial instrument within the scope of impairment since it was initially recognized in the financial statements. In making this assessment, it is used the change in the estimated probability of default of the financial instrument.

A refinancing/restructuring refers to; extending a new loan for the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity; due to current or foreseeable financial difficulties of the borrower or the related risk group.

### 4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

### 4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

	CURRENT PERIOD			PRIOR PERIOD		
	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS
Domestic	12,025,758	7,054,030	2,350,117	5,712,104	4,445,293	1,045,411
European Union (EU) Countries	1,205,664	777,215	166,087	931,709	526,027	219,587
OECD Countries	45,261	17,189	93,007	98,470	63,542	1
Off-Shore Banking Regions	341,455	205,245	-	71,710	71,710	-
USA, Canada	50,648	21,892	15	15,740	14,468	-
Other Countries	84,598	49,018	94	35,562	29,930	30,892
<b>Total</b>	<b>13,753,384</b>	<b>8,124,589</b>	<b>2,609,320</b>	<b>6,865,295</b>	<b>5,150,970</b>	<b>1,295,891</b>

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CURRENT PERIOD	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS
<b>Agriculture</b>	<b>139,855</b>	<b>86,370</b>	<b>85,151</b>
Farming and Stockbreeding	130,388	79,212	85,151
Forestry	3,624	2,807	-
Fishery	5,843	4,351	-
<b>Manufacturing</b>	<b>4,266,207</b>	<b>2,069,273</b>	<b>10,274</b>
Mining and Quarrying	106,649	100,269	-
Production	1,743,563	1,227,837	10,273
Electricity, Gas and Water	2,415,995	741,167	1
<b>Construction</b>	<b>977,191</b>	<b>693,935</b>	<b>8,784</b>
<b>Services</b>	<b>4,376,855</b>	<b>2,628,436</b>	<b>2,113,824</b>
Wholesale and Retail Trade	1,560,857	1,104,859	13,442
Accommodation and Dining	322,257	162,696	29
Transportation and Telecommunication	1,193,783	761,676	2,100,224
Financial Institutions	108,514	54,039	53
Real Estate and Rental Services	1,112,740	437,669	43
Professional Services	750	43,151	-
Educational Services	40,513	32,262	-
Health and Social Services	37,441	32,084	33
<b>Others</b>	<b>3,993,276</b>	<b>2,646,575</b>	<b>391,287</b>
<b>Total</b>	<b>13,753,384</b>	<b>8,124,589</b>	<b>2,609,320</b>

PRIOR PERIOD	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS
<b>Agriculture</b>	<b>160,599</b>	<b>100,655</b>	<b>526,169</b>
Farming and Stockbreeding	156,568	97,783	522,314
Forestry	2,410	1,615	3,370
Fishery	1,621	1,257	485
<b>Manufacturing</b>	<b>912,454</b>	<b>574,132</b>	<b>202,793</b>
Mining and Quarrying	88,013	65,284	15,595
Production	656,486	423,969	186,364
Electricity, Gas and Water	167,955	84,879	834
<b>Construction</b>	<b>495,930</b>	<b>382,018</b>	<b>66,461</b>
<b>Services</b>	<b>2,227,221</b>	<b>1,353,622</b>	<b>290,555</b>
Wholesale and Retail Trade	1,126,253	706,853	213,443
Accommodation and Dining	216,329	85,017	25,455
Transportation and Telecommunication	740,736	469,144	40,655
Financial Institutions	27,458	20,568	531
Real Estate and Rental Services	42,480	21,178	985
Professional Services	4,737	1,504	54
Educational Services	40,685	30,600	973
Health and Social Services	28,543	18,758	8,459
<b>Others</b>	<b>3,069,091</b>	<b>2,740,543</b>	<b>209,913</b>
<b>Total</b>	<b>6,865,295</b>	<b>5,150,970</b>	<b>1,295,891</b>

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## 4.10.3.1.4.4 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	2,183,178	4,607,446	1,976,670	759,216	636,270
Retail Loans	377,469	579,340	630,798	278,965	296,336
Credit Cards	571	123,909	558,243	179,601	136,182
Others	41,021	78,435	298,477	6,084	5,173
<b>Total</b>	<b>2,602,239</b>	<b>5,389,130</b>	<b>3,464,188</b>	<b>1,223,866</b>	<b>1,073,961</b>

PRIOR PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	581,187	691,120	1,882,754	401,205	485,413
Retail Loans	213,645	461,084	616,406	188,672	230,796
Credit Cards	96,476	260,655	347,051	112,738	134,997
Others	17,937	37,149	91,587	10,815	3,608
<b>Total</b>	<b>909,245</b>	<b>1,450,008</b>	<b>2,937,798</b>	<b>713,430</b>	<b>854,814</b>

## 4.10.3.2 CONSOLIDATED CREDIT RISK MITIGATION

### 4.10.3.2.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

Parent bank assesses the cash flow of the activity or investment subject to credit as the primary repayment source during the credit assignment process.

Calculating the value of the collateral depends on margins determined according to market and FX risks. Standard margins in use throughout the Bank are specific to type of the collateral and changes according to the currency of the collateral.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Operational transactions are handled by centralized Operation unit (ABACUS). During the credit utilization, compliance of all conditions between credit decision and credit utilization (such as collateral conditions) are controlled systematically.

The Bank monitors up to date value of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and risk besides creditworthiness of the customer.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or cash equivalents, real estate mortgages, high quality securities and Credit Guarantee Fund suretyship having Treasury guarantee, have been used in credit risk mitigation.

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## 4.10.3.2.2 CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

CURRENT PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1 Loans	290,208,872	37,751,056	33,161,024	10,664,702	10,664,702	-	-
2 Debt securities	51,633,493	-	-	-	-	-	-
<b>3 Total</b>	<b>341,842,365</b>	<b>37,751,056</b>	<b>33,161,024</b>	<b>10,664,702</b>	<b>10,664,702</b>	-	-
4 Of which defaulted	13,626,817	126,567	9,388	-	-	-	-

PRIOR PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1 Loans	248,903,161	39,353,012	34,304,927	11,427,381	11,427,381	-	-
2 Debt securities	50,317,658	-	-	-	-	-	-
<b>3 Total</b>	<b>299,220,819</b>	<b>39,353,012</b>	<b>34,304,927</b>	<b>11,427,381</b>	<b>11,427,381</b>	-	-
4 Of which defaulted	6,755,250	110,045	8,520	-	-	-	-

## 4.10.3.3 CONSOLIDATED CREDIT RISK UNDER STANDARDISED APPROACH

### 4.10.3.3.1 QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Rating notes issued by Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

CREDIT QUALITY LEVEL	FITCH RATINGS LONG TER CREDIT RATING	RISK CLASSES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

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## 4.10.3.3.2 CONSOLIDATED CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION TECHNIQUES

CURRENT PERIOD	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
<b>RISK CLASSES</b>						
1 Exposures to sovereigns and their central banks	101,281,521	276,670	111,908,918	140,012	20,672,098	18%
2 Exposures to regional and local governments	240,817	-	237,051	-	183,399	77%
3 Exposures to administrative bodies and non-commercial entities	364,005	58,762	364,004	19,126	383,130	100%
4 Exposures to multilateral development banks	1,026,645	-	1,026,645	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and brokerage houses	21,268,683	26,050,247	21,137,322	3,237,374	8,260,285	34%
7 Exposures to corporates	138,338,899	61,484,116	131,834,885	30,039,376	159,741,340	99%
8 Retail exposures	83,923,010	52,083,964	77,301,528	5,082,863	61,786,740	75%
9 Exposures secured by residential property	18,263,477	7,416	18,255,253	7,102	6,391,824	35%
10 Exposures secured by commercial property	14,820,162	2,353,873	14,652,949	1,560,078	10,252,377	%63
11 Past-due items	4,547,633	354	4,547,424	-	3,841,354	%84
12 Exposures in high-risk categories	1,090,793	716,514	1,086,417	424,490	2,025,215	%134
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Exposures in the form of collective investment undertakings	52,015	-	52,015	-	11,473	%22
16 Shares	373,437	-	373,437	-	373,437	%100
17 Other exposures	13,400,906	-	13,400,906	-	7,819,119	%58
<b>18 Total</b>	<b>398,992,003</b>	<b>143,031,916</b>	<b>396,178,754</b>	<b>40,510,421</b>	<b>281,741,791</b>	

PRIOR PERIOD	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
<b>RISK CLASSES</b>						
1 Exposures to sovereigns and their central banks	81,704,085	176,554	93,044,942	91,577	12,733,203	14%
2 Exposures to regional and local governments	122,898	3,415	119,620	1,695	60,658	50%
3 Exposures to administrative bodies and non-commercial entities	299,434	65,505	299,431	16,419	315,849	100%
4 Exposures to multilateral development banks	202,781	-	202,781	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and brokerage houses	20,702,340	17,085,257	16,279,490	2,228,308	9,811,319	53%
7 Exposures to corporates	121,902,879	53,142,446	114,143,606	22,189,719	134,334,858	99%
8 Retail exposures	77,406,533	46,090,805	71,466,831	4,143,535	56,705,522	75%
9 Exposures secured by residential property	20,531,592	110,465	20,517,716	56,942	7,201,113	35%
10 Exposures secured by commercial property	16,583,733	2,153,453	16,349,582	1,381,721	10,919,725	62%
11 Past-due items	1,161,094	54	1,160,452	-	1,028,608	89%
12 Exposures in high-risk categories	590,381	100,946	590,312	45,446	830,703	131%
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15 Exposures in the form of collective investment undertakings	44,516	-	44,516	-	4,890	11%
16 Shares	164,293	-	164,293	-	164,293	100%
17 Other exposures	10,283,383	-	10,283,383	-	7,156,628	70%
<b>18 Total</b>	<b>351,699,942</b>	<b>118,928,900</b>	<b>344,666,955</b>	<b>30,155,362</b>	<b>241,267,369</b>	



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## 4.10.3.3.3 CONSOLIDATED EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

REGULATORY PORTFOLIO												TOTAL RISK
CURRENT PERIOD	0%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	AMOUNT (POST-CCF AND CRM)	
1 Exposures to sovereigns and their central banks	91,368,335	-	9	-	16,980	-	20,663,606	-	-	-	112,048,930	
2 Exposures to regional and local government	-	-	-	-	107,304	-	129,747	-	-	-	237,051	
3 Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	383,130	-	-	-	383,130	
4 Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645	
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	
6 Exposures to banks and brokerage houses	-	-	17,733,616	-	3,855,035	-	2,786,045	-	-	-	24,374,696	
7 Exposures to corporates	7,586	-	504,307	-	3,443,783	-	157,918,585	-	-	-	161,874,261	
8 Retail exposures	-	-	2	-	6,204	82,378,185	-	-	-	-	82,384,391	
9 Exposures secured by residential property	-	-	-	18,262,355	-	-	-	-	-	-	18,262,355	
10 Exposures secured by commercial property	-	-	-	-	11,921,300	-	4,291,727	-	-	-	16,213,027	
11 Past-due items	-	-	-	-	1,412,142	-	3,135,282	-	-	-	4,547,424	
12 Exposures in high-risk categories	-	-	-	-	50,020	-	382,251	1,078,636	-	-	1,510,907	
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	
15 Exposures in the form of collective investment undertakings	40,542	-	-	-	-	-	11,473	-	-	-	52,015	
16 Shares	-	-	-	-	-	-	373,437	-	-	-	373,437	
17 Other exposures	5,581,424	-	455	-	-	-	7,819,027	-	-	-	13,400,906	
<b>18 Total</b>	<b>98,024,532</b>	<b>-</b>	<b>18,238,389</b>	<b>18,262,355</b>	<b>20,812,768</b>	<b>82,378,185</b>	<b>197,894,310</b>	<b>1,078,636</b>	<b>-</b>	<b>-</b>	<b>436,689,175</b>	

REGULATORY PORTFOLIO												TOTAL RISK
PRIOR PERIOD	0%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	AMOUNT (POST-CCF AND CRM)	
1 Exposures to sovereigns and their central banks	80,351,650	-	33,729	-	49,365	-	12,701,775	-	-	-	93,136,519	
2 Exposures to regional and local government	-	-	-	-	121,314	-	1	-	-	-	121,315	
3 Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	315,850	-	-	-	315,850	
4 Exposures to multilateral development banks	202,781	-	-	-	-	-	-	-	-	-	202,781	
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	
6 Exposures to banks and brokerage houses	-	-	7,669,767	-	5,121,332	-	5,716,699	-	-	-	18,507,798	
7 Exposures to corporates	-	-	479,348	-	3,229,975	-	132,624,002	-	-	-	136,333,325	
8 Retail exposures	-	-	-	-	9,078	75,601,288	-	-	-	-	75,610,366	
9 Exposures secured by residential property	-	-	-	20,574,658	-	-	-	-	-	-	20,574,658	
10 Exposures secured by commercial property	-	-	-	-	13,623,154	-	4,108,149	-	-	-	17,731,303	
11 Past-due items	-	-	-	-	263,688	-	896,764	-	-	-	1,160,452	
12 Exposures in high-risk categories	-	-	-	-	91,175	-	63,520	481,063	-	-	635,758	
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	
15 Exposures in the form of collective investment undertakings	39,626	-	-	-	-	-	4,890	-	-	-	44,516	
16 Shares	-	-	-	-	-	-	164,293	-	-	-	164,293	
17 Other exposures	3,126,512	-	305	-	-	-	7,156,566	-	-	-	10,283,383	
<b>18 Total</b>	<b>83,720,569</b>	<b>-</b>	<b>8,183,149</b>	<b>20,574,658</b>	<b>22,509,081</b>	<b>75,601,288</b>	<b>163,752,509</b>	<b>481,063</b>	<b>-</b>	<b>-</b>	<b>374,822,317</b>	

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## 4.10.4 CONSOLIDATED COUNTERPARTY CREDIT RISK

### 4.10.4.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED COUNTERPARTY CREDIT RISK

Counterparty credit risk management policies include evaluating and monitoring risk developments, taking necessary measures, setting risk limits, ensuring that the risks remain within the limits, and establishing required reporting, control and audit mechanisms by using the methods aligned with both international standards and local regulations. The policies regarding counterparty credit risk measurement, monitoring, and limit settings are defined by the board of directors.

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by the Market Risk and Credit Risk Control units on product, country, counterparty and counterparty type basis.

International framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms in order to mitigate the counterparty credit risk.

### 4.10.4.2 CONSOLIDATED COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

CURRENT PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE (EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1 Standardised Approach -CCR (for derivatives)	4,052,199	1,850,802		1.4	5,892,703	3,178,238
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,021,723	27,727
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>3,205,965</b>

PRIOR PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE (EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1 Standardised Approach -CCR (for derivatives)	2,516,682	1,911,559		1.4	4,399,294	2,225,032
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					3,176,304	179,160
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6 Total</b>						<b>2,404,192</b>

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## 4.10.4.3 CONSOLIDATED CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

	CURRENT PERIOD		PRIOR PERIOD	
	EAD POST-CRM	RWA	EAD POST-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)	-	-	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3 All portfolios subject to the Standardised CVA capital obligation	5,971,031	1,977,431	4,359,261	1,433,394
<b>4 Total subject to the CVA capital obligation</b>	<b>5,971,031</b>	<b>1,977,431</b>	<b>4,359,261</b>	<b>1,433,394</b>

## 4.10.4.4 CONSOLIDATED CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

REGULATORY PORTFOLIO	RISK WEIGHT								TOTAL CREDIT EXPOSURE
	0%	10%	20%	50%	75%	100%	150%	OTHER	
Exposures to sovereigns and their central banks	5,018	-	-	-	-	3,026	-	-	8,044
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	6,267	-	-	6,267
Exposures to multilateral development banks	961,643	-	-	-	-	-	-	-	961,643
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,005,050	3,612,386	-	31,991	-	-	4,649,427
Exposures to corporates	-	-	1,991	251,878	-	1,019,037	-	-	1,272,906
Retail exposures	-	-	-	-	16,139	-	-	-	16,139
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>966,661</b>	<b>-</b>	<b>1,007,041</b>	<b>3,864,264</b>	<b>16,139</b>	<b>1,060,321</b>	<b>-</b>	<b>-</b>	<b>6,914,426</b>

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PRIOR PERIOD	RISK WEIGHT									
	REGULATORY PORTFOLIO	0%	10%	20%	50%	75%	100%	150%	OTHER	TOTAL CREDIT EXPOSURE
Exposures to sovereigns and their central banks	2,192,204	-	-	-	-	-	16,689	-	-	2,208,893
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	5	-	-	5
Exposures to multilateral development banks	563,446	-	-	-	-	-	-	-	-	563,446
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,172,619	2,873,700	-	-	51,732	-	-	4,098,051
Exposures to corporates	-	-	59	74,278	-	-	616,356	-	-	690,693
Retail exposures	-	-	-	-	-	14,510	-	-	-	14,510
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,755,650</b>	<b>-</b>	<b>1,172,678</b>	<b>2,947,978</b>	<b>14,510</b>	<b>684,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,575,598</b>

## 4.10.4.5 COLLATERALS FOR CONSOLIDATED CCR

CURRENT PERIOD	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	3,873	-	-	-	573,506	35,601
Cash-foreign currency	6,423	-	-	-	2,472,790	138,078
Domestic sovereign debts	-	-	-	-	35,601	2,523,445
Other sovereign debts	-	-	-	-	133,470	1,160,491
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>10,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,215,367</b>	<b>3,857,615</b>

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PRIOR PERIOD	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	6,514	-	-	-	10,855,261	16,474
Cash-foreign currency	22,433	-	-	-	2,728,579	-
Domestic sovereign debts	-	-	-	-	16,474	14,428,461
Other sovereign debts	-	-	-	-	-	794,108
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	592,173
<b>Total</b>	<b>28,947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,600,314</b>	<b>15,831,216</b>

## 4.10.4.6 CONSOLIDATED CREDIT DERIVATIVES

Notionals	CURRENT PERIOD		PRIOR PERIOD	
	PROTECTION BOUGHT	PROTECTION SOLD	PROTECTION BOUGHT	PROTECTION SOLD
Single-name credit default swaps	-	-	75,516	-
Index credit default swaps	-	-	-	-
Total return swaps	-	13,092,251	-	9,272,286
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
<b>Total Notionals</b>	<b>-</b>	<b>13,092,251</b>	<b>75,516</b>	<b>9,272,286</b>
<b>Fair Values</b>	<b>-</b>	<b>(868,451)</b>	<b>(628)</b>	<b>(4,093)</b>
Positive fair values (asset)	-	10,527	-	38,977
Negative fair values (liability)	-	(878,978)	(628)	(43,070)

## 4.10.5 CONSOLIDATED SECURITISATIONS

None.

## 4.10.6 CONSOLIDATED MARKET RISK

### 4.10.6.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED MARKET RISK

Market risk is managed in accordance with the strategy and policies defined by the Parent Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the market risk management. Market risk strategy and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk policy and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

Market risk is managed through measuring the risks in parallel with the international standards, setting the limits, capital reserving and additionally through mitigating via hedging transactions.

The Market Risk function under Market Risk and Credit Risk Control Unit monitors the activities of Treasury Unit via risk reports and the limits approved by the board of directors.

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Market Risk, which is defined as the risk arising from the price fluctuations in balance sheet and off-balance sheet trading positions, is being calculated and reported daily via Value at Risk (VaR) Model.

## 4.10.6.2 CONSOLIDATED MARKET RISK UNDER STANDARDISED APPROACH

	RWA (*)	
	CURRENT PERIOD	PRIOR PERIOD
Outright products	7,539,925	6,570,025
1 Interest rate risk (general and specific)	1,550,224	922,187
2 Equity risk (general and specific)	228,988	132,675
3 Foreign exchange risk	5,589,925	5,437,825
4 Commodity risk	170,788	77,338
Options	241,150	178,925
5 Simplified approach	-	-
6 Delta-plus method	241,150	178,925
7 Scenario approach	-	-
8 Securitisation	-	-
<b>9 Total</b>	<b>7,781,075</b>	<b>6,748,950</b>

(\*) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks calculated their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance affiliate is lesser, consolidated equity and the amounts subject to the market risk are calculated based on the consolidated financial statements including the insurance affiliate.

## 4.10.7 CONSOLIDATED OPERATIONAL RISK

The value at consolidated operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and income derived from insurance claims.

CURRENT PERIOD	31.12.2015	31.12.2016	31.12.2017	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	12,929,126	15,526,497	18,659,707	15,705,110	15	2,355,766
<b>Value at Operational Risk (Total x % 12.5)</b>						<b>29,447,081</b>

PRIOR PERIOD	31.12.2015	31.12.2016	31.12.2017	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	11,598,174	12,929,126	15,526,497	13,351,265	15	2,002,690
<b>Value at Operational Risk (Total x % 12.5)</b>						<b>25,033,623</b>

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## 4.10.8 CONSOLIDATED BANKING BOOK INTEREST RATE RISK

### 4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the Weekly Review Committee and Monthly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

The interest rate risk resulting from the banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from the Banking Book as per Standard Shock Method" published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

Branches and lines of business are eliminated from interest rate risk through the transfer pricing system and these risks are transferred to the Asset and Liability Management Department (ALM) and managed by ALM in a central structure.

### 4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ON A BANK-ONLY BASIS ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

CURRENT PERIOD	SHOCKS APPLIED	GAINS/LOSSES	GAINS/EQUITY-
TYPE OF CURRENCY	(+/- BASIS POINTS)		LOSSES/EQUITY
1 TL	(+) 500 bps	(3,575,813)	(6.71) %
2 TL	(-) 400 bps	3,313,745	6.22%
3 USD	(+) 200 bps	125,277	0.24%
4 USD	(-) 200 bps	(97,656)	(0.18) %
5 EUR	(+) 200 bps	31,038	0.06%
6 EUR	(-) 200 bps	9,549	0.02%
<b>Total (of negative shocks)</b>		<b>3,225,638</b>	<b>6.06%</b>
<b>Total (of positive shocks)</b>		<b>(3,419,498)</b>	<b>(6.41) %</b>

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PRIOR PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY- LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500 bps	(4.855.405)	(10.47)%
2	TL	(-) 400 bps	4.598.875	9.91%
3	USD	(+) 200 bps	(98.558)	(0.21)%
4	USD	(-) 200 bps	256.656	0.55%
5	EUR	(+) 200 bps	(36.553)	(0.08)%
6	EUR	(-) 200 bps	158.193	0.34%
<b>Total (of negative shocks)</b>			<b>5.013.724</b>	<b>10.81%</b>
<b>Total (of positive shocks)</b>			<b>(4.990.516)</b>	<b>(10.76)%</b>

## 4.10.9 REMUNERATION POLICY

### 4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

#### 4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

The Bank's Remuneration Committee is comprised of two non-executive members of the board. The committee convenes for three times during the year. The duties and responsibilities of the Committee include the following:

- To conduct the necessary monitoring and audit process in order to ensure that the remuneration policy and practices are implemented in accordance with the related laws and regulations and risk management principles;
- To review and if necessary, revise the remuneration policy at least once a year in order to ensure its compliance with the laws and regulations or market practices in Turkey;
- To determine and approve remuneration packages of the executive and non-executive Board of Directors, Chief Executive Officer and Executive Vice Presidents;
- To follow up the revision requirements of the policies, procedures and regulations related with its areas of responsibility and to take actions in order to ensure that they are kept updated.

The Bank has received consultancy service for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank board members, senior management and the Bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; and by the end of 2018, the number of identified staff is 28.

#### 4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

The Bank relies on the following values while managing its Remuneration Policy. These values are considered in all compensation practices.

- a. Fair
- b. Transparent
- c. Based on measurable and balanced performance targets
- d. Encouraging sustainable success
- e. In line with the Bank Risk Management Principles

The main objective of the Remuneration Policy is to maintain the internal and external balances in the remuneration structure. Internal balance is ensured with the principles of "equal pay for equal work" and performance-based remuneration". As for external balance, the data obtained from employee reward and benefit researches conducted by independent research organizations are taken into account.



The Remuneration Policy of 2018 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

#### **4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT**

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank's long-term objectives and risk management structures and avoiding excessive risk-taking.

#### **4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE**

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank's performance criteria and BBVA Group's performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

#### **4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE**

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the "Guidelines on Sound Remuneration Practices in Banks" that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

#### **4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS**

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2018, BBVA shares are taken as reference for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

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## 5 DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

### 5.1 CONSOLIDATED ASSETS (CURRENT PERIOD)

#### 5.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD	
	TL	FC
Cash in TL/Foreign Currency	1,562,395	2,510,393
Central Bank of Turkey	1,253,438	34,549,115
Others	-	1,745,697
<b>Total</b>	<b>2,815,833</b>	<b>38,805,205</b>

<i>Balances with the Central Bank of Turkey</i>	CURRENT PERIOD	
	TL	FC
Unrestricted Demand Deposits	1,253,438	13,261,434
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	21,287,681
<b>Total</b>	<b>1,253,438</b>	<b>34,549,115</b>

The reserve deposits kept as per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey in Turkish Lira, foreign currencies and gold, are included in the table above.

#### 5.1.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

##### 5.1.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD	
	TL	FC
Collateralised/Blocked Assets	20,931	-
Assets Subject to Repurchase Agreements	1,605	-
<b>Total</b>	<b>22,536</b>	<b>-</b>

##### 5.1.2.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING

Information on positive differences on derivative financial assets held for trading classified in derivative financial assets is as follows;

	CURRENT PERIOD	
	TL	FC
Forward Transactions	448,841	7,594
Swap Transactions	1,276,047	675,303
Futures	351	2,235
Options	365,849	307,327
Others	-	8,825
<b>Total</b>	<b>2,091,088</b>	<b>1,001,284</b>

##### 5.1.2.3 OTHER NOTES ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS

None.

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## 5.1.3 BANKS

	CURRENT PERIOD	
	TL	FC
Banks		
Domestic banks	655,552	1,015,795
Foreign banks	302,765	28,678,788
Foreign headoffices and branches	-	-
<b>Total</b>	<b>958,317</b>	<b>29,694,583</b>

### Due from foreign banks

	UNRESTRICTED BALANCES	RESTRICTED BALANCES
	CURRENT PERIOD	CURRENT PERIOD
EU Countries	11,099,806	10,676,478
USA, Canada	5,272,623	50,653
OECD Countries (1)	111,401	-
Off-shore Banking Regions	1,348,670	146,033
Others	275,889	-
<b>Total</b>	<b>18,108,389</b>	<b>10,873,164</b>

(\*) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 10,873,164 thousands of which TL 5,419,705 thousands and TL 146,033 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,307,426 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 418,844 thousands as required for insurance activities.

## 5.1.4 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### 5.1.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD	
	TL	FC
Collateralised/Blocked Assets	4,499,538	887,649
Assets subject to Repurchase Agreements	-	1,160,491
<b>Total</b>	<b>4,499,538</b>	<b>2,048,140</b>

### 5.1.4.2 DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	CURRENT PERIOD
<b>Debt Securities</b>	<b>24,406,840</b>
Quoted at Stock Exchange	24,397,449
Unquoted at Stock Exchange	9,391
<b>Common Shares/Investment Fund</b>	<b>118,891</b>
Quoted at Stock Exchange	4,491
Unquoted at Stock Exchange	114,400
<b>Value Increase/Impairment Losses (-)</b>	<b>2,637,222</b>
<b>Total</b>	<b>27,162,953</b>

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## 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 (+)	164,127	101	-	164,228
Disposal (-)	(100,332)	(43)	-	(100,375)
Transfer to Stage1	7	(7)	-	-
Transfer to Stage 2	(45)	45	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	5,166	18	-	5,184
<b>Balances at End of Period</b>	<b>80,248</b>	<b>114</b>	-	<b>80,362</b>

### 5.1.5.2 EXPECTED CREDIT LOSS FOR FINANCIAL ASSETS MEASURED AT AMORTISED COST

	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 (+)	51,066	-	-	51,066
Disposal (-)	(15,193)	-	-	(15,193)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,345	-	-	1,345
<b>Balances at End of Period</b>	<b>54,125</b>	-	-	<b>54,125</b>

Expected losses of TL 46,834 thousands is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

## 5.1.6 LOANS

### 5.1.6.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD	
	CASH LOANS	NON-CASH LOANS
<b>Direct Lendings to Shareholders</b>	<b>105</b>	<b>554,268</b>
Corporates	105	554,268
Individuals	-	-
<b>Indirect Lendings to Shareholders</b>	<b>83,167</b>	<b>33,234</b>
<b>Loans to Employees</b>	<b>342,015</b>	<b>95</b>
<b>Total</b>	<b>425,287</b>	<b>587,597</b>

### 5.1.6.2 PERFORMING LOANS AND LOANS UNDER FOLLOW-UP INCLUDING RESTRUCTURED LOANS, AND PROVISIONS ALLOCATED FOR SUCH LOANS

#### 5.1.6.2.1 LOANS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

CURRENT PERIOD	NET BOOK VALUE
Loans measured at fair value through profit or loss (*)	4,081,161

(\*) As details included in Note 5.1.18.2, includes the loan provided to a special purpose entity. This loan is accounted under loans measured at fair value through profit/loss as per TFRS 9.

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## 5.1.6.2.2 LOANS MEASURED AT AMORTISED COST

CURRENT PERIOD	PERFORMING LOANS	LOANS UNDER FOLLOW-UP		
		NON-RESTRUCTURED	RESTRUCTURED	
			REVISED CONTRACT TERMS	REFINANCED
<b>CASH LOANS</b>				
<b>Loans</b>	<b>205,720,350</b>	<b>29,217,404</b>	<b>5,290,795</b>	<b>3,232,300</b>
Working Capital Loans	36,568,395	4,235,931	160,115	1,325,619
Export Loans	16,681,358	994,464	34,143	78,698
Import Loans	1,138,195	-	-	-
Loans to Financial Sector	3,549,441	1,413,828	-	-
Consumer Loans	44,497,212	7,536,368	466,539	26,230
Credit Cards	21,560,045	3,313,539	524,453	-
Others	81,725,704	11,723,274	4,105,545	1,801,753
Specialization Loans	-	-	-	-
<b>Other Receivables</b>	<b>7,375,813</b>	<b>724,252</b>	<b>234,738</b>	<b>12,692</b>
<b>Total</b>	<b>213,096,163</b>	<b>29,941,656</b>	<b>5,525,533</b>	<b>3,244,992</b>

CURRENT PERIOD	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
12-Month ECL (Stage 1)	942,150	-
Significant Increase in Credit Risk (Stage 2)	-	4,027,289

As of 31 December 2018, loans amounting to TL 9,470,147 thousands are benefited as collateral under funding transactions.

Collaterals received for loans under follow-up

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	457,023	30,031	-	487,054
Loans Collateralized by Mortgages / Shares	12,572,700	3,679,534	-	16,252,234
Loans Collateralized by Pledged Assets	1,591,381	280,990	-	1,872,371
Loans Collateralized by Cheques and Notes	160,108	5,465	-	165,573
Loans Collateralized by Other Collaterals	8,137,907	3,386,065	-	11,523,972
Unsecured Loans	3,925,933	647,052	3,837,992	8,410,977
<b>Total</b>	<b>26,845,052</b>	<b>8,029,137</b>	<b>3,837,992</b>	<b>38,712,181</b>

Delinquency periods of loans under follow-up

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	3,730,224	1,803,644	264,827	5,798,695
61-90 days	680,448	389,255	83,782	1,153,485
Other	22,434,380	5,836,238	3,489,383	31,760,001
<b>Total</b>	<b>26,845,052</b>	<b>8,029,137</b>	<b>3,837,992</b>	<b>38,712,181</b>

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## Loans with extended payment plans

CURRENT PERIOD	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
<b>NO. OF CONTRACT REVISIONS FOR EXTENSION OF PAYMENT PLAN</b>		
1 or 2 times	4,328,774	8,347,467
3, 4 or 5 times	-	646,898
Over 5 times	-	1,031
<b>Total</b>	<b>4,328,774</b>	<b>8,995,396</b>

CURRENT PERIOD	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
<b>PERIODS EXTENDED DUE TO PAYMENT PLAN</b>		
0 - 6 months	1,734,110	4,818,084
6 - 12 months	378,632	247,646
1 - 2 years	858,121	533,543
2 - 5 year	1,348,157	2,863,920
5 years and over	9,754	532,203
<b>Total</b>	<b>4,328,774</b>	<b>8,995,396</b>

## 5.1.6.3 MATURITY ANALYSIS OF CASH LOANS

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
<b>Short-Term Loans</b>	<b>72,388,841</b>	<b>35,376</b>	<b>8,546,097</b>	<b>533,079</b>
Loans	69,155,450	34,962	8,283,690	428,910
Specialization Loans	-	-	-	-
Other Receivables	3,233,391	414	262,407	104,169
<b>Medium and Long-Term Loans</b>	<b>136,357,600</b>	<b>4,314,346</b>	<b>20,947,306</b>	<b>8,685,699</b>
Loans	132,216,011	4,313,927	20,485,461	8,542,438
Specialization Loans	-	-	-	-
Other Receivables	4,141,589	419	461,845	143,261
<b>Total</b>	<b>208,746,441</b>	<b>4,349,722</b>	<b>29,493,403</b>	<b>9,218,778</b>

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## 5.1.6.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Consumer Loans – TL</b>	<b>1,295,735</b>	<b>44,106,240</b>	<b>45,401,975</b>
Housing Loans	18,821	21,441,927	21,460,748
Automobile Loans	313,159	2,003,166	2,316,325
General Purpose Loans	962,761	20,661,147	21,623,908
Others	994	-	994
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>187,534</b>	<b>187,534</b>
Housing Loans	-	187,529	187,529
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>508,295</b>	<b>4,384,838</b>	<b>4,893,133</b>
Housing Loans	8,262	2,546,300	2,554,562
Automobile Loans	69	20,371	20,440
General Purpose Loans	23,127	1,298,365	1,321,492
Others	476,837	519,802	996,639
<b>Retail Credit Cards – TL</b>	<b>19,855,372</b>	<b>418,644</b>	<b>20,274,016</b>
With Installment	8,950,810	418,644	9,369,454
Without Installment	10,904,562	-	10,904,562
<b>Retail Credit Cards – FC</b>	<b>175,423</b>	<b>179,648</b>	<b>355,071</b>
With Installment	-	-	-
Without Installment	175,423	179,648	355,071
<b>Personnel Loans – TL</b>	<b>20,871</b>	<b>118,191</b>	<b>139,062</b>
Housing Loan	-	1,566	1,566
Automobile Loans	-	41	41
General Purpose Loans	20,871	116,584	137,455
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,898</b>	<b>78,404</b>	<b>80,302</b>
Housing Loans	131	33,383	33,514
Automobile Loans	-	-	-
General Purpose Loans	487	34,307	34,794
Others	1,280	10,714	11,994
<b>Personnel Credit Cards – TL</b>	<b>116,405</b>	<b>702</b>	<b>117,107</b>
With Installment	41,469	702	42,171
Without Installment	74,936	-	74,936
<b>Personnel Credit Cards – FC</b>	<b>1,904</b>	<b>3,640</b>	<b>5,544</b>
With Installment	-	-	-
Without Installment	1,904	3,640	5,544
<b>Deposit Accounts– TL (Real Persons)</b>	<b>1,824,343</b>	<b>-</b>	<b>1,824,343</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>23,800,246</b>	<b>49,477,841</b>	<b>73,278,087</b>

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## 5.1.6.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS:

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Installment-based Commercial Loans – TL</b>	<b>1,436,233</b>	<b>13,287,526</b>	<b>14,723,759</b>
Real Estate Loans	3,975	671,981	675,956
Automobile Loans	145,927	1,936,508	2,082,435
General Purpose Loans	1,286,331	10,679,037	11,965,368
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>59,349</b>	<b>2,042,190</b>	<b>2,101,539</b>
Real Estate Loans	-	65,534	65,534
Automobile Loans	346	779,742	780,088
General Purpose Loans	59,003	1,196,914	1,255,917
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>1,553,276</b>	<b>3,024,785</b>	<b>4,578,061</b>
Real Estate Loans	-	-	-
Automobile Loans	-	18,993	18,993
General Purpose Loans	81	84,424	84,505
Others	1,553,195	2,921,368	4,474,563
<b>Corporate Credit Cards – TL</b>	<b>4,584,616</b>	<b>38,066</b>	<b>4,622,682</b>
With Installment	1,813,744	38,066	1,851,810
Without Installment	2,770,872	-	2,770,872
<b>Corporate Credit Cards – FC</b>	<b>23,617</b>	<b>-</b>	<b>23,617</b>
With Installment	-	-	-
Without Installment	23,617	-	23,617
<b>Deposit Accounts– TL (Corporates)</b>	<b>1,460,204</b>	<b>-</b>	<b>1,460,204</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>9,117,295</b>	<b>18,392,567</b>	<b>27,509,862</b>

## 5.1.6.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD
Public Sector	688,405
Private Sector (*)	255,201,100
<b>Total</b>	<b>255,889,505</b>

(\*) Includes loans measured at fair value through profit or loss.

## 5.1.6.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	CURRENT PERIOD
Domestic Loans (*)	233,002,614
Foreign Loans	22,886,891
<b>Total</b>	<b>255,889,505</b>

(\*) Includes loans measured at fair value through profit or loss.

## 5.1.6.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD
Direct Lending	4,246,254
Indirect Lending	-
<b>Total</b>	<b>4,246,254</b>



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## 5.1.6.9 PROVISION ALLOCATED FOR NON-PERFORMING LOANS (STAGE 3)

	CURRENT PERIOD
Substandard Loans- Limited Collectibility	1,362,987
Doubtful Loans	2,366,903
Uncollectible Loans	4,394,699
<b>Total</b>	<b>8,124,589</b>

## 5.1.6.10 NON-PERFORMING LOANS (NPLS) (NET)

Non-performing loans and loans restructured from this category

CURRENT PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
Gross amounts before provisions	561,524	2,662,588	1,672,351
Restructured Loans	561,524	2,662,588	1,672,351

Movements in non-performing loan groups

CURRENT PERIOD	III. GRUP	IV. GRUP	V. GRUP
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
<b>1 January 2018</b>	<b>1,048,935</b>	<b>1,382,104</b>	<b>4,457,417</b>
Additions during the Period (+)	11,022,449	163,817	615,992
Transfer from Other NPL Categories (+)	376,173	6,717,224	2,303,877
Transfer to Other NPL Categories (-)	6,659,001	2,368,310	369,963
Collections during the Period (-)	654,760	726,032	1,278,498
Write-offs (-)(*)	2,110,584	31	144,955
Debt Sale (-) (**)	-	5,251	348,499
Corporate and Commercial Loans	-	330	16,142
Retail Loans	-	3,181	189,623
Credit Cards	-	1,740	142,734
Other	-	-	-
Foreign Currency Differences	124,200	(127,927)	335,007
<b>Balances at End of Period</b>	<b>3,147,412</b>	<b>5,035,594</b>	<b>5,570,378</b>
Provisions (-)	1,362,987	2,366,903	4,394,699
<b>Net Balance on Balance Sheet</b>	<b>1,784,425</b>	<b>2,668,691</b>	<b>1,175,679</b>

(\*) Includes loans for which 100 % provision is provided during the corresponding period.

(\*\*) Includes TL 353,750 thousands from the sale of non-performing receivables.

## 5.1.6.11 EXPECTED CREDIT LOSS FOR LOANS

	STAGE 1	STAGE 2	STAGE 3	TOTAL
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>908,210</b>	<b>3,531,388</b>	<b>4,512,355</b>	<b>8,951,953</b>
Additions during the Period (+)	1,665,196	5,005,345	3,111,983	9,782,524
Disposal (-)	(2,365,129)	(1,117,884)	(952,422)	(4,435,435)
Debt Sale (-)	(649)	-	(351,667)	(352,316)
Write-offs (-)	-	-	(2,254,607)	(2,254,607)
Transfer to Stage1	1,234,803	(1,227,561)	(7,242)	-
Transfer to Stage 2	(570,081)	612,034	(41,953)	-
Transfer to Stage 3	(5,805)	(3,920,918)	3,926,723	-
Foreign Currency Differences	75,605	1,144,885	181,419	1,401,909
<b>Balances at End of Period</b>	<b>942,150</b>	<b>4,027,289</b>	<b>8,124,589</b>	<b>13,094,028</b>

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## Non-performing loans in foreign currencies

CURRENT PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>Balance at End of Period</b>	<b>1,801,141</b>	<b>3,686,282</b>	<b>1,415,535</b>
Provisions (-)	746,311	1,641,343	1,087,589
<b>Net Balance at Balance Sheet</b>	<b>1,054,830</b>	<b>2,044,939</b>	<b>327,946</b>

## Gross and net non-performing loans as per customer categories

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
<b>Current Period (Net)</b>	<b>1,784,425</b>	<b>2,668,691</b>	<b>1,175,679</b>
Loans to Individuals and Corporates (Gross)	3,122,592	5,021,903	5,561,603
Specific Provision (-)	1,351,352	2,358,307	4,385,944
Loans to Individuals and Corporates (Net)	1,771,240	2,663,596	1,175,659
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	24,820	13,691	8,775
Specific Provision (-)	11,635	8,596	8,755
Other Loans and Receivables (Net)	<b>13,185</b>	<b>5,095</b>	<b>20</b>

## Interest accruals, valuation differences and related provisions calculated for non-performing loans

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
<b>Current Period (Net)</b>	<b>47,554</b>	<b>126,534</b>	<b>39,151</b>
Interest accruals and valuation differences	79,590	238,856	115,799
Provision (-)	32,036	112,322	76,648

## Collaterals received for non-performing loans

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	13,272	354	-	13,626
Loans Collateralized by Mortgages	5,789,032	240,063	-	6,029,095
Loans Collateralized by Pledged Assets	1,180,931	59,774	-	1,240,705
Loans Collateralized by Cheques and Notes	187,107	6,875	-	193,982
Loans Collateralized by Other Collaterals	2,565,655	1,564,239	-	4,129,894
Unsecured Loans	725,261	293,375	1,127,446	2,146,082
<b>Total</b>	<b>10,461,258</b>	<b>2,164,680</b>	<b>1,127,446</b>	<b>13,753,384</b>

### 5.1.6.12 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

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## 5.1.6.13 WRITE-OFF POLICY

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of such loans and receivables that are proven to be uncollectible in legal follow-up process.

## 5.1.7 FACTORING RECEIVABLES

	CURRENT PERIOD	
	TL	FC
Short-Term	849,019	453,059
Medium and Long-Term	976,937	255
<b>Total</b>	<b>1,825,956</b>	<b>453,314</b>

## 5.1.8 FINANCIAL ASSETS MEASURED AT AMORTISED COST

### 5.1.8.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD	
	TL	FC
Collateralised/Blocked Investments	3,176,487	4,185,992
Investments subject to Repurchase Agreements	46,120	-
<b>Total</b>	<b>3,222,607</b>	<b>4,185,992</b>

### 5.1.8.2 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

	CURRENT PERIOD
Government Bonds	24,606,227
Treasury Bills	-
Other Government Securities	-
<b>Total</b>	<b>24,606,227</b>

### 5.1.8.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD
<b>Debt Securities</b>	<b>18,519,608</b>
Quoted at Stock Exchange	18,480,608
Unquoted at Stock Exchange	39,000
<b>Valuation Increase / (Decrease)</b>	<b>6,134,401</b>
<b>Total</b>	<b>24,654,009</b>

### 5.1.8.4 MOVEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD
<b>Balance at Beginning of Period</b>	<b>24,314,540</b>
TFRS 9 Effect (*)(**)	(2,817,203)
<b>Balances as of 1 January 2018</b>	<b>21,497,337</b>
Foreign Currency Differences on Monetary Assets	1,775,282
Purchases during the Period	693,258
Disposals through Sales/Redemptions	(2,148,127)
Valuation Effect	2,836,259
<b>Balances at End of Period</b>	<b>24,654,009</b>

(\*) As of 1 January 2018, the Bank classified certain government securities with a face value of TL 5,751,150 thousands in its securities portfolio under Securities Measured at Fair Value through Other Comprehensive Income to Securities Measured at Amortised Cost during TFRS 9 transition.

(\*\*) As of 1 January 2018, the Bank classified certain Eurobonds with a face value of US\$ 1,777,655,000 and government securities with a face value of TL 1,586,009 thousands in its securities portfolio under Securities Measured at Amortised Cost to Securities Measured at Fair Value through Other Comprehensive Income during TFRS 9 transition.

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## 5.1.9 INVESTMENTS IN ASSOCIATES

### 5.1.9.1 UNCONSOLIDATED INVESTMENTS IN ASSOCIATES

ASSOCIATES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1 Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2 Bankalararası Kart Merkezi AŞ (1)	İstanbul/Turkey	10.15	10.15
3 Yatırım Finansman Menkul Değerler AŞ (1)	İstanbul/Turkey	0.77	0.77
4 İstanbul Takas ve Saklama Bankası AŞ (1)	İstanbul/Turkey	4.95	4.97
5 Borsa İstanbul AŞ (1)	İstanbul/Turkey	0.30	0.34
6 KKB Kredi Kayıt Bürosu AŞ (1)	İstanbul/Turkey	9.09	9.09
7 Türkiye Cumhuriyet Merkez Bankası AŞ (2)	Ankara/ Turkey	2.48	2.48
8 Kredi Garanti Fonu AŞ (1)	Ankara/ Turkey	1.54	1.54

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS <sup>(*)</sup>	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	14,953	8,544	3,130	1,141	13	662	-
2	102,191	64,697	48,891	2,117	-	15,603	-
3	879,063	90,841	2,182	25,334	1,058	8,887	-
4	12,510,449	1,589,589	115,056	449,797	5,645	323,776	-
5	1,698,285	1,251,880	240,675	68,066	-	8,327	-
6	310,511	204,375	185,340	10,965	195	34,818	-
7	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
8	572,815	559,224	19,471	33,888	-	101,243	-

(\*) Total fixed assets include tangible and intangible assets.

(1) Financial information is as of 30 September 2018.

(2) Financial information is as of 31 December 2017.

*Unconsolidated investments in associates sold during the current period*

None.

*Unconsolidated investments in associates acquired during the current period*

None.

### 5.1.9.2 CONSOLIDATED INVESTMENTS IN ASSOCIATES

None.

### 5.1.9.3 MOVEMENT OF CONSOLIDATED INVESTMENTS IN ASSOCIATES

None.

*Valuation methods of consolidated investments in associates*

None.

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*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*

CURRENT PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FINANSAL KIRALAMA A.Ş.	GARANTI HOLDING BY
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	828,770	357,848	2,320,775
Share Premium	-	-	78,128
Share Cancellation Profits	-	-	-
Legal Reserves	943,565	455,967	(173,836)
Other Comprehensive Income according to TAS	1,707,964	-	27,396
Current and Prior Periods' Profits	70,447	90,029	146,750
<b>Common Equity Tier I Capital Before Deductions</b>	<b>3,550,746</b>	<b>903,844</b>	<b>2,399,213</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	45,089	655	691,154
Leasehold Improvements on Operational Leases (-)	-	39	2,664
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,917	10,995	341,733
Net Deferred Tax Asset/Liability (-)	-	-	5,845
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>74,006</b>	<b>11,689</b>	<b>1,041,396</b>
<b>Total Common Equity Tier I Capital</b>	<b>3,476,740</b>	<b>892,155</b>	<b>1,357,817</b>
<b>Total Deductions From Tier I Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital</b>	<b>3,476,740</b>	<b>892,155</b>	<b>1,357,817</b>
<b>TIER II CAPITAL</b>	<b>301,095</b>	<b>-</b>	<b>60,286</b>
<b>TOTAL CAPITAL</b>	<b>3,777,835</b>	<b>892,155</b>	<b>1,418,103</b>

The parent Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

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## 5.1.10.1 UNCONSOLIDATED INVESTMENTS IN SUBSIDIARIES

SUBSIDIARIES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1 Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2 Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3 Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
4 Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5 Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6 Trifoi Real Esteate Company	Bucharest/Romania	-	100.00
7 Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8 Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS <sup>(*)</sup>	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE	AMOUNT OF EQUITY REQUIREMENT
1	103,554	81,611	10	12,245	-	10,166	-	-
2	36,178	19,104	545	3,544	-	3,272	-	-
3	4,270	3,815	-	653	3	527	-	-
4	2,816	1,903	1,291	-	77	55	-	-
5	4,777	3,769	26	619	-	1,047	-	-
6	6,092	6,092	6,086	-	-	(3)	-	-
7	1,731,642	7,574	1,438,621	1,438	-	6,584	-	-
8	5,339	3,393	-	8	-	1,936	-	-

(\*) Total fixed assets include tangible and intangible assets.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments

The companies which are not included within the scope of consolidation due to not being financial affiliates are measured at cost less impairment, if any.

## 5.1.10.2 MOVEMENT OF CONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD
<b>Balance at Beginning of Period</b>	<b>6,435,099</b>
TFRS 9 Effect	(353,654)
<b>Balance at 1 January 2018</b>	<b>6,081,445</b>
<b>Movements during the Period</b>	<b>860,599</b>
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Dividends from Current Year Profit	751,691
Sales/Liquidations	-
Reclassifications	833
Value Increase/Decrease (*) (**)	(1,037,918)
Currency Differences on Foreign Subsidiaries	1,145,993
Reversal of Impairment Losses / Impairment Losses (-)	-
<b>Balance at End of Period</b>	<b>6,942,044</b>
<b>Capital Commitments</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>

(\*) Except for quoted subsidiaries, value increases / (decreases) are based on the results of equity accounting application.

(\*\*) TL 1,018,959 thousands of this amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 9 April 2018.

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## Valuation methods of consolidated investments in subsidiaries

	CURRENT PERIOD
Valued at Cost	-
Valued at Fair Value	6,942,044

## Sectoral distribution of consolidated investments in subsidiaries

	CURRENT PERIOD
Banks	3,499,491
Insurance Companies	764,722
Factoring Companies	114,151
Leasing Companies	902,555
Finance Companies	1,661,125
Other Subsidiaries	-

## Quoted consolidated investments in subsidiaries

	CURRENT PERIOD
Quoted at Domestic Stock Exchanges	114,985
Quoted at International Stock Exchanges	-

## Other information on consolidated investments in subsidiaries

SUBSIDIARIES(**)	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	SHARES OF OTHER CONSOLIDATED SUBSIDIARIES (%)	METHOD OF CONSOLIDATION
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	Istanbul / Turkey	-	3.61	Full Consolidation

(\*) The financial information presented in the below table is based on the financial statements as of 31 December 2018 prepared in accordance with the regulation on "the Accounting Principles and Financial Statements of Financial Leasing, Factoring and Financing Companies".

(\*\*) The financial information presented in the below table does not include elimination and adjustment entries.

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	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (***)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	6,070,504	1,025,830	12,133	478,773	-	80,616	-
2	2,434,061	155,546	9,373	466,787	-	(57,376)	-
3	324,450	178,093	14,869	9,387	5,476	60,665	-
4	107,001	98,095	2,044	6,557	1,940	26,995	-
5	1,461,463	900,572	43,195	336,931	1,784	454,189	-
6	25,838,449	3,508,547	207,366	935,766	37,169	70,447	-
7	2,049,712	2,049,312	-	-	-	(441)	-
8	2,097,010	1,797,407	-	2	-	3,610	-
9	13,356,067	1,721,260	399,424	353,148	30,519	127,527	-
10	1,089,871	160,093	4,488	46,363	-	16,457	-
11	756,116	100,836	7,811	58,340	-	14,155	-
12	38,206	37,709	79	863	2,175	2,322	25,280

(\*\*\*) Total fixed assets include tangible and intangible assets.

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

*Consolidated investments in subsidiaries disposed during the current period*

None.

*Consolidated investments in subsidiaries acquired during the current period*

None.

## 5.1.11 INVESTMENTS IN JOINT-VENTURES

None.

## 5.1.12 LEASE RECEIVABLE

### 5.1.12.1 FINANCIAL LEASE RECEIVABLES ACCORDING TO REMAINING MATURITIES

	CURRENT PERIOD	
	GROSS	NET
Less than 1 Year	3,084,367	2,706,742
Between 1-5 Years	3,546,631	3,158,637
Longer than 5 Years	213,731	202,846
<b>Total</b>	<b>6,844,729</b>	<b>6,068,225</b>

### 5.1.12.2 NET FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD
Gross Financial Lease Receivables	6,844,729
Unearned Income on Financial Lease Receivables (-)	(776,504)
Terminated Lease Contracts (-)	-
<b>Net Financial Lease Receivables</b>	<b>6,068,225</b>



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## 5.1.12.3 FINANCIAL LEASE AGREEMENTS

### Criteria applied for financial lease agreements

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A "customer analysis report" according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as "customer risk rating" and "equipment rating/scoring" are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

### Details monitored subsequent to signing of financial lease agreements

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

## 5.1.13. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE

Information on derivative financial assets held for hedging purposes classified in derivative financial assets is as follows;

### 5.1.13.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	CURRENT PERIOD	
	TL	FC
Fair Value Hedges	210,820	45,075
Cash Flow Hedges	562,809	182,619
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>773,629</b>	<b>227,694</b>

As of 31 December 2018, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	CURRENT PERIOD		
	FACE VALUE	ASSET	LIABILITY
Interest Rate Swaps	57,826,116	457,835	233,155
-TL	10,771,181	230,145	112,222
-FC	47,054,935	227,690	120,933
Cross Currency Swaps	5,190,380	543,488	179,555
-TL	2,034,419	543,484	78,231
-FC	3,155,961	4	101,324
Currency Forwards	496,737	-	50,967
-TL	287,873	-	50,967
-FC	208,864	-	-
<b>Total</b>	<b>63,513,233</b>	<b>1,001,323</b>	<b>463,677</b>

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## 5.1.13.1.1 FAIR VALUE HEDGE ACCOUNTING

### CURRENT PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(14,818)	75,199	(79,246)	(18,865)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(39,668)	45,883	-	6,215
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(72,617)	134,813	(75,643)	(14,728)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,479)

## 5.1.13.1.2 CASH FLOW HEDGE ACCOUNTING

### CURRENT PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	111,668	(3,821)	44,614	33,260	913
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,443)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	41,315	(58,695)	4,455	(4,380)	-
Currency Swaps	Foreign currency lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	(22,345)	531	-	(22,876)
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

As of 31 December 2018, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

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## 5.1.14 TANGIBLE ASSETS

	REAL ESTATES	LEASED TANGIBLE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
Cost	3,226,152	264,571	26,714	2,496,648	6,014,085
Accumulated Depreciation	(16,839)	(239,386)	(19,137)	(1,642,072)	(1,917,434)
<b>Net Book Value</b>	<b>3,209,313</b>	<b>25,185</b>	<b>7,577</b>	<b>854,576</b>	<b>4,096,651</b>
<b>Balances at End of Current Period</b>					
Net Book Value at Beginning of Current Period	3,209,313	25,185	7,577	854,576	4,096,651
Additions	1,016,562	23,217	4,626	597,535	1,641,940
Revaluation Model Difference	19,086	-	-	-	19,086
Transfers from Investment Property	1,191	-	-	-	1,191
Disposals (Net)	(848,069)	(428)	(229)	(133,550)	(982,276)
Disposals (Cost)	(849,371)	(5,971)	(3,770)	(207,828)	(1,066,940)
Disposals (Accumulated Depreciation)	1,302	5,543	3,541	74,278	84,664
Reversal of/Impairment Losses (-)	(1,631)	-	-	(96)	(1,727)
Depreciation Expense for Current Period	(30,536)	(9,179)	(2,876)	(297,395)	(339,986)
Currency Translation Differences on Foreign Operations, Net	39,364	-	581	20,094	60,039
Currency Translation Differences on Foreign Operations (Cost)	29,740	-	2,802	81,258	113,800
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	9,624	-	(2,221)	(61,164)	(53,761)
<b>Net Book Values at End of Current Period</b>	<b>3,405,280</b>	<b>38,795</b>	<b>9,679</b>	<b>1,041,164</b>	<b>4,494,918</b>
Cost at End of Current Period	3,441,729	281,817	30,372	2,967,517	6,721,435
Accumulated Depreciation at End of Current Period	(36,449)	(243,022)	(20,693)	(1,926,353)	(2,226,517)
<b>Net Book Values at End of Current Period</b>	<b>3,405,280</b>	<b>38,795</b>	<b>9,679</b>	<b>1,041,164</b>	<b>4,494,918</b>

The Bank and its financial subsidiaries account their real estates recorded under tangible assets based on the revaluation model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, valuation studies are performed by independent expertise firms.

## 5.1.15 INTANGIBLE ASSETS

### 5.1.15.1 USEFUL LIVES AND AMORTISATION RATES

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

### 5.1.15.2 AMORTISATION METHODS

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

### 5.1.14.3 BALANCES AT END OF CURRENT PERIOD

	CURRENT PERIOD	
	COST	ACCUMULATED AMORTIZATION
Intangible Assets	1,043,523	627,451

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## 5.1.15.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD
<b>Net Book Value at Beginning Period</b>	<b>379,308</b>
Internally Generated Intangibles	-
Additions due to Mergers, Transfers and Acquisition	152,061
Disposals (-)	(6,335)
Impairment Losses/Reversals to/from Revaluation Surplus	-
Impairment Losses Recorded in Income Statement	-
Impairment Losses Reversed from Income Statement	-
Amortisation Expense for Current Period (-)	(127,014)
Currency Translation Differences on Foreign Operations	10,868
Other Movements	7,184
<b>Net Book Value at End of Current Period</b>	<b>416,072</b>

## 5.1.15.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

## 5.1.15.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

## 5.1.15.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

## 5.1.15.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

## 5.1.15.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

## 5.1.15.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

## 5.1.15.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

## 5.1.15.12 GOODWILL

GOODWILL	SHARES %	CARRYING VALUE
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
<b>Total</b>		<b>6,388</b>

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## 5.1.15.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

	CURRENT PERIOD
<b>Net Book Value at Beginning Period</b>	<b>6,388</b>
Movements in Current Period	-
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
<b>Net Book Value at End of Current Period</b>	<b>6,388</b>

## 5.1.16 INVESTMENT PROPERTY

	CURRENT PERIOD
<b>Net Book Value at Beginning of Period</b>	<b>559,388</b>
Additions	6,576
Disposals	(8,850)
Transfers to Tangible Assets	6,809
Fair Value Change	(5,614)
Net Currency Translation Differences on Foreign Subsidiaries	-
<b>Net Book Value at End of Period</b>	<b>558,309</b>

The investment property is held for operational leasing purposes. The Bank and its financial subsidiaries account their investment property based on the fair value model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all investment properties registered in the ledger, valuation studies are performed by independent expertise firms.

## 5.1.17 DEFERRED TAX ASSET

As of 31 December 2018, on a consolidated basis the Bank has a deferred tax asset of TL 1,519,177 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2018, deferred tax assets of TL 2,063,575 thousands are reduced by deferred tax liabilities of TL 544,398 thousands with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

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	CURRENT PERIOD	
	TAX BASE	DEFERRED TAX AMOUNTI
Provisions (*)	2,314,652	470,921
Stages 1&2 Credit Losses	5,296,956	1,162,439
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(236,245)	(61,304)
Revaluation Differences on Real Estates	(1,857,926)	(185,793)
Other	581,357	132,914
<b>Deferred Tax Asset</b>	<b>6,098,794</b>	<b>1,519,177</b>

(\*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

(\*\*) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 December 2018, TL 240,558 thousands of deferred tax expense and TL 364,567 thousands of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

## 5.1.18 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

### 5.1.18.1 ASSETS HELD FOR SALE

	CURRENT PERIOD
<b>Balances at Beginning of Period</b>	
<b>Cost</b>	<b>850,308</b>
<b>Accumulated Depreciation</b>	<b>(14,756)</b>
<b>Net Book Value</b>	<b>835,552</b>
<b>End of Current Period</b>	
Additions	293,534
Disposals (Cost)	(219,124)
Disposals (Accumulated Depreciation)	1,463
Reversal of Impairment / Impairment Losses (*)	(58,187)
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	4,446
<b>Cost</b>	<b>870,977</b>
<b>Accumulated Depreciation (-)</b>	<b>(13,293)</b>
<b>Net Book Value</b>	<b>857,684</b>

(\*) Includes reversal of provision for impairment loss for current and previous periods.

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 241,574 thousands.

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## 5.1.18.2 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES TO BE DISPOSED

	CURRENT PERIOD
Additions (*)	11
Disposals (Cost)	-
Disposals (Accumulated Depreciation)	-
Impairment Losses	-
Depreciation Expense for Current Period (-)	-
<b>Cost</b>	<b>11</b>
<b>Accumulated Depreciation (-)</b>	<b>-</b>
<b>Net Book Value</b>	<b>11</b>

(\*) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

## 5.1.19 OTHER ASSETS

### 5.1.19.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD
Sale of Real Estates	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	27,116
Sale of Other Assets	1,137
<b>Total</b>	<b>177,072</b>

### 5.1.19.2 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	CURRENT PERIOD
Prepaid Expenses	1,089,636
Prepaid Taxes	176,016

## 5.2 CONSOLIDATED ASSETS (PRIOR PERIOD)

### 5.2.1 CASH AND BALANCES WITH CENTRAL BANK

	PRIOR PERIOD	
	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

	PRIOR PERIOD	
	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>

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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

	PRIOR PERIOD	
	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

	PRIOR PERIOD	
	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

	PRIOR PERIOD	
	TL	FC
Banks		
Domestic banks	903,988	1,145,363
Foreign banks	106,739	17,314,253
Foreign head offices and branches	-	-
<b>Total</b>	<b>1,010,727</b>	<b>18,459,616</b>

Due from foreign banks

	UNRESTRICTED BALANCES	RESTRICTED BALANCES
	PRIOR PERIOD	PRIOR PERIOD
EU Countries	4,808,866	8,715,509
USA, Canada	2,386,950	94,261
OECD Countries (1)	202,045	-
Off-shore Banking Regions	834,759	134,832
Others	243,770	-
<b>Total</b>	<b>8,476,390</b>	<b>8,944,602</b>

(1) OECD countries other than the EU countries, USA and Canada



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The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,092,415 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 334,998 thousands as required for insurance activities.

## 5.2.4 FINANCIAL ASSETS AVAILABLE-FOR-SALE

### 5.2.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	PRIOR PERIOD	
	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

	PRIOR PERIOD	
	TL	FC
<b>Debt Securities</b>		<b>23,698,918</b>
Quoted at Stock Exchange		23,563,231
Unquoted at Stock Exchange		135,687
<b>Common Shares/Investment Fund</b>		<b>193,164</b>
Quoted at Stock Exchange		7,079
Unquoted at Stock Exchange		186,085
<b>Value Increase/Impairment Losses (-)</b>		<b>2,385,906</b>
<b>Total</b>		<b>26,277,988</b>

## 5.2.5 LOANS

### 5.2.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS
<b>Direct Lendings to Shareholders</b>	-	<b>434,931</b>
Corporates	-	434,931
Real Persons	-	-
<b>Indirect Lendings to Shareholders</b>	<b>2,628,582</b>	<b>653,806</b>
<b>Loans to Employees</b>	<b>330,049</b>	<b>74</b>
<b>Total</b>	<b>2,958,631</b>	<b>1,088,811</b>

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## 5.2.5.2 LOANS AND OTHER RECEIVABLES CLASSIFIED IN GROUPS I AND II INCLUDING CONTRACTS WITH REVISED TERMS

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES			LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP		
	LOANS AND OTHER RECEIVABLES (TOTAL)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS		LOANS AND OTHER RECEIVABLES (TOTAL) (*)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	
EXTENSION OF REPAYMENT PLAN		OTHER CHANGES	EXTENSION OF REPAYMENT PLAN		OTHER CHANGES	
<b>CASH LOANS</b>						
<b>Loans</b>	<b>210,937,017</b>	<b>2,403,089</b>	<b>610,269</b>	<b>17,055,595</b>	<b>5,981,456</b>	<b>1,343,252</b>
Working Capital Loans	38,249,643	44,814	32,685	1,354,101	732,152	160,376
Export Loans	11,585,535	975	-	239,737	83,336	44,402
Import Loans	618,440	-	-	9,311	-	-
Loans to Financial Sector	5,743,384	-	2	7	-	-
Consumer Loans	49,995,050	2,222,556	134,895	1,841,647	522,600	58,283
Credit Cards	21,551,114	-	381,876	384,074	-	140,571
Others	83,193,851	134,744	60,811	13,226,718	4,643,368	939,620
<b>Specialization Loans</b>	<b>-</b>	<b>1,322</b>	<b>39,332</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>210,937,017</b>	<b>2,404,411</b>	<b>649,601</b>	<b>17,055,595</b>	<b>5,981,456</b>	<b>1,343,252</b>

(\*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,060,263,379.13 and EUR 8,059,584.09 are classified under "Loans and Other Receivables Under Follow-Up" in the prior financial statements.

As of 31 December 2017, loans amounting to TL 6,861,412 thousands are benefited as collateral under funding transactions.

### Collaterals received for loans under follow-up

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	39,714	4,244	-	43,958
Loans Collateralized by Mortgages	8,654,722	914,106	-	9,568,828
Loans Collateralized by Pledged Assets	713,659	75,559	-	789,218
Loans Collateralized by Cheques and Notes	63,740	604,763	-	668,503
Loans Collateralized by Other Collaterals	3,640,331	41,067	-	3,681,398
Unsecured Loans	1,717,708	201,908	384,074	2,303,690
<b>Total</b>	<b>14,829,874</b>	<b>1,841,647</b>	<b>384,074</b>	<b>17,055,595</b>

### Delinquency periods of loans under follow-up

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	532,802	827,264	166,444	1,526,510
61-90 days	132,531	287,760	44,206	464,497
Other	14,164,541	726,623	173,424	15,064,588
<b>Total</b>	<b>14,829,874</b>	<b>1,841,647</b>	<b>384,074</b>	<b>17,055,595</b>

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Loans and other receivables with extended payment plans

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
<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>

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
<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

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
<b>Short-Term Loans</b>	<b>64,221,544</b>	<b>504,792</b>	<b>1,225,199</b>	<b>381,886</b>
Loans	64,221,544	504,792	1,225,199	381,886
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans</b>	<b>146,715,473</b>	<b>2,549,220</b>	<b>15,830,396</b>	<b>6,942,822</b>
Loans	146,715,473	2,549,220	15,830,396	6,942,822
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>210,937,017</b>	<b>3,054,012</b>	<b>17,055,595</b>	<b>7,324,708</b>

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## 5.2.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Consumer Loans – TL</b>	<b>911,100</b>	<b>45,957,542</b>	<b>46,868,642</b>
Housing Loans	29,632	23,171,465	23,201,097
Automobile Loans	72,369	2,283,541	2,355,910
General Purpose Loans	806,934	20,502,536	21,309,470
Others	2,165	-	2,165
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>165,624</b>	<b>165,624</b>
Housing Loans	-	165,579	165,579
Automobile Loans	-	-	-
General Purpose Loans	-	45	45
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>230,965</b>	<b>3,390,858</b>	<b>3,621,823</b>
Housing Loans	4,410	1,818,532	1,822,942
Automobile Loans	179	16,405	16,584
General Purpose Loans	14,054	1,030,940	1,044,994
Others	212,322	524,981	737,303
<b>Retail Credit Cards – TL</b>	<b>17,163,201</b>	<b>527,872</b>	<b>17,691,073</b>
With Installment	8,452,785	527,872	8,980,657
Without Installment	8,710,416	-	8,710,416
<b>Retail Credit Cards – FC</b>	<b>148,211</b>	<b>129,249</b>	<b>277,460</b>
With Installment	-	-	-
Without Installment	148,211	129,249	277,460
<b>Personnel Loans – TL</b>	<b>19,264</b>	<b>115,539</b>	<b>134,803</b>
Housing Loan	-	1,498	1,498
Automobile Loans	-	4	4
General Purpose Loans	19,264	114,037	133,301
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>405</b>	<b>405</b>
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,534</b>	<b>66,885</b>	<b>68,419</b>
Housing Loans	90	29,448	29,538
Automobile Loans	-	-	-
General Purpose Loans	436	30,683	31,119
Others	1,008	6,754	7,762
<b>Personnel Credit Cards – TL</b>	<b>120,550</b>	<b>880</b>	<b>121,430</b>
With Installment	50,773	880	51,653
Without Installment	69,777	-	69,777
<b>Personnel Credit Cards – FC</b>	<b>2,244</b>	<b>2,748</b>	<b>4,992</b>
With Installment	-	-	-
Without Installment	2,244	2,748	4,992
<b>Deposit Accounts– TL (Real Persons)</b>	<b>976,981</b>	<b>-</b>	<b>976,981</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>19,574,050</b>	<b>50,357,602</b>	<b>69,931,652</b>

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## 5.2.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<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

	PRIOR PERIOD
Domestic Loans	674,605
Foreign Loans	227,318,007
<b>Total</b>	<b>227,992,612</b>

## 5.2.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	PRIOR PERIOD
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

	PRIOR PERIOD
Direct Lending	33,435
Indirect Lending	-
<b>Total</b>	<b>33,435</b>

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## 5.2.5.9 SPECIFIC PROVISIONS FOR LOANS

SPECIFIC PROVISIONS	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	591,928
Doubtful Loans and Receivables	841,974
Uncollectible Loans and Receivables	3,382,410
<b>Total</b>	<b>4,816,312</b>

## 5.2.5.10 NON-PERFORMING LOANS (NPLS) (NET)

*Non-performing loans and other receivables restructured or rescheduled*

PRIOR PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	352,136	576,421	1,083,196
Rescheduled Loans and Receivables	5,122	2,953	23,764
<b>Total</b>	<b>357,258</b>	<b>579,374</b>	<b>1,106,960</b>

*Movements in non-performing loan groups*

PRIOR PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>Balances at End of Prior Period</b>	<b>782,833</b>	<b>1,571,137</b>	<b>3,770,491</b>
Additions during the Period (+)	2,444,401	121,472	211,178
Transfer from Other NPL Categories (+)	10,965	1,816,674	1,961,874
Transfer to Other NPL Categories (-)	1,809,918	1,968,030	11,565
Collections during the Period (-)	559,637	409,649	653,337
Write-offs (-)(*)	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.

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## Movements in specific loan provisions

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
<b>Balances at End of Prior Period</b>	<b>2,320,019</b>	<b>1,483,459</b>	<b>987,611</b>	<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 (-) (*)	349,968	569,077	290,393	1,209,438
Write-Offs (-) (**)	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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>Prior Period</b>			
<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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>Prior Period (Net)</b>	<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)	-	-	-

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## Collaterals received for non-performing loans

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	2,872	260	-	3,132
Loans Collateralized by Mortgages	1,595,170	170,498	-	1,765,668
Loans Collateralized by Pledged Assets	312,249	48,274	-	360,523
Loans Collateralized by Cheques and Notes	147,639	4,666	-	152,305
Loans Collateralized by Other Collaterals	1,113,964	1,144,994	-	2,258,958
Unsecured Loans	288,701	395,784	951,914	1,636,399
<b>Total</b>	<b>3,460,595</b>	<b>1,764,476</b>	<b>951,914</b>	<b>6,176,985</b>

## 5.2.5.11 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

## 5.2.5.12 WRITE-OFF POLICY

The Bank's general policy for write-offs of loans and receivables under follow-up is to write of such loans and receivables that are proven to be uncollectible in legal follow-up process.

## 5.2.6 FACTORING RECEIVABLES

	PRIOR PERIOD	
	TL	FC
Short-Term	2,239,392	1,048,924
Medium and Long-Term	22,420	69,032
<b>Total</b>	<b>2,261,812</b>	<b>1,117,956</b>

## 5.2.7 INVESTMENTS HELD-TO-MATURITY

### 5.2.7.1 INVESTMENT SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	PRIOR PERIOD	
	TL	FC
Collateralised/Blocked Investments	9,251,733	3,701,943
Investments subject to Repurchase Agreements	784,006	212,280
<b>Total</b>	<b>10,035,739</b>	<b>3,914,223</b>

### 5.2.7.2 GOVERNMENT SECURITIES HELD-TO-MATURITY

	PRIOR PERIOD
Government Bonds	20,232,556
Treasury Bills	-
Other Government Securities	-
<b>Total</b>	<b>20,232,556</b>



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## 5.2.7.3 INVESTMENTS HELD-TO-MATURITY

	PRIOR PERIOD
<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

	PRIOR PERIOD
<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 (1)	İstanbul/Turkey	10.15	10.15
3 Yatırım Finansman Menkul Değerler AŞ (1)	İstanbul/Turkey	0.77	0.77
4 İstanbul Takas ve Saklama Bankası AŞ (1)	İstanbul/Turkey	4.95	4.97
5 Borsa İstanbul AŞ (1)	İstanbul/Turkey	0.30	0.34
6 KKB Kredi Kayıt Bürosu AŞ (1)	İstanbul/Turkey	9.09	9.09
7 Türkiye Cumhuriyet Merkez Bankası AŞ (2)	Ankara/ Turkey	2.48	2.48
8 Kredi Garanti Fonu AŞ (1)	Ankara/ Turkey	1.54	1.54

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS <sup>(*)</sup>	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	11,249	7,873	1,544	916	6	578	-
2	80,677	46,880	47,322	1,043	-	6,983	-
3	650,558	79,102	2,500	23,448	560	7,079	-
4	9,913,087	1,170,007	92,594	281,518	7,404	201,251	-
5	1,280,167	1,237,174	241,246	38,556	156	221,156	-
6	259,153	175,797	172,992	4,049	95	36,919	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	-
8	486,557	462,323	10,969	21,449	-	127,873	-

(\*) Total fixed assets include tangible and intangible assets.

(1) Financial information is as of 30 September 2017.

(2) Financial information is as of 31 December 2016.

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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 PERIO 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

	PRIOR PERIOD
<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

ASSOCIATES	PRIOR PERIOD
Valued at Cost	-
Valued at Fair Value	792
Valued by Equity Method of Accounting	-

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## Sectoral distribution of consolidated investments and associates

ASSOCIATES	PRIOR PERIOD
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	792
Other Associates	-

## Quoted consolidated investments in associates

	PRIOR PERIOD
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

PRIOR PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI HOLDING BV
<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>

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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

SUBSIDIARIES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1 Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2 Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3 Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	96.40	99.40
4 Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5 Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6 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

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE	AMOUNT OF EQUITY REQUIREMENT
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

	PRIOR PERIOD
<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.

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## Valuation methods of consolidated investments in subsidiaries

	PRIOR PERIOD
Valued at Cost	-
Valued at Fair Value (*)	6,435,099

(\*) Except for quoted subsidiaries, the balances are as per the results of equity accounting application.

## Sectoral distribution of consolidated investments in subsidiaries

	PRIOR PERIOD
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

	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	174,376
Quoted at International Stock Exchanges	-

## Other information on consolidated investments in subsidiaries

SUBSIDIARIES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	SHARES OF OTHER CONSOLIDATED SUBSIDIARIES (%)	METHOD OF CONSOLIDATION
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

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	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS <sup>(*)</sup>	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	5,440,877	945,954	10,318	403,026	-	20,747	-
2	3,451,880	212,985	7,430	288,268	-	27,603	-
3	170,260	117,635	13,407	4,897	2,422	49,931	-
4	80,928	71,147	3,408	4,824	-	18,891	-
5	2,164,598	1,648,492	38,969	204,397	1,590	323,576	-
6	19,371,398	2,693,389	140,785	560,541	59,295	103,187	-
7	1,541,868	1,541,596	-	-	-	(343)	-
8	1,564,918	1,354,946	-	221	-	(8,777)	-
9	9,792,647	1,253,382	309,429	315,858	24,235	95,237	-
10	798,100	112,674	5,063	42,667	-	12,386	-
11	593,204	80,410	6,158	59,922	-	17,092	-

(\*) Total fixed assets include tangible and intangible assets.

Consolidated investments in subsidiaries disposed during the prior period

None.

Consolidated investments in subsidiaries acquired during the prior period

None.

## 5.2.10 INVESTMENTS IN JOINT-VENTURES

None.

## 5.2.11 LEASE RECEIVABLES

### 5.2.11.1 FINANCIAL LEASE RECEIVABLES ACCORDING TO REMAINING MATURITIES

	PRIOR PERIOD	
	GROSS	NET
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

	PRIOR PERIOD
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>

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## 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

DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	PRIOR PERIOD	
	TL	FC
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:

	PRIOR PERIOD		
	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>

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## 5.2.12.1.1 FAIR VALUE HEDGE ACCOUNTING

### PRIOR PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	2,442	30,275	(39,034)	(6,317)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(53,789)	57,887	-	4,098
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(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

### PRIOR PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	39	-	(55)	67	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	61,415	(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.



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## 5.2.13 TANGIBLE ASSETS

	REAL ESTATES	LEASED TANGIBLE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
Cost	2,834,190	281,569	23,668	2,250,105	5,389,532
Accumulated Depreciation	(25,990)	(250,483)	(18,663)	(1,413,775)	(1,708,911)
<b>Net Book Value</b>	<b>2,808,200</b>	<b>31,086</b>	<b>5,005</b>	<b>836,330</b>	<b>3,680,621</b>
<b>Balances at End of Current Period</b>					
Net Book Value at Beginning of Current Period	2,808,200	31,086	5,005	836,330	3,680,621
Additions	318,974	1,573	4,808	330,777	656,132
Revaluation Model Difference	124,614	-	-	-	124,614
Transfers from Investment Property	4,655	-	-	-	4,655
Disposals (Net)	(53,514)	(60)	(250)	(68,919)	(122,743)
Disposals (Cost)	(84,721)	(18,585)	(3,044)	(124,498)	(230,848)
Disposals (Accumulated Depreciation)	31,207	18,525	2,794	55,579	108,105
Reversal of Impairment Losses (-)	9,981	-	-	-	9,981
Depreciation Expense for Current Period	(21,214)	(7,414)	(2,272)	(255,344)	(286,244)
Currency Translation Differences on Foreign Operations, Net	17,617	-	286	11,732	29,635
Currency Translation Differences on Foreign Operations (Cost)	18,459	-	1,282	40,264	60,005
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	(842)	-	(996)	(28,532)	(30,370)
<b>Net Book Values at End of Current Period</b>	<b>3,209,313</b>	<b>25,185</b>	<b>7,577</b>	<b>854,576</b>	<b>4,096,651</b>
Cost at End of Current Period	3,226,152	264,557	26,714	2,496,648	6,014,071
Accumulated Depreciation at End of Current Period	(16,839)	(239,372)	(19,137)	(1,642,072)	(1,917,420)
<b>Net Book Values at End of Current Period</b>	<b>3,209,313</b>	<b>25,185</b>	<b>7,577</b>	<b>854,576</b>	<b>4,096,651</b>

## 5.2.14 INTANGIBLE ASSETS

### 5.2.14.1 USEFUL LIVES AND AMORTISATION RATES

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

### 5.2.14.2 AMORTISATION METHODS

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

### 5.2.14.3 BALANCES AT END OF PRIOR PERIOD

	PRIOR PERIOD	
	COST	ACCUMULATED AMORTIZATION
Intangible Assets	896,489	517,181

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## 5.2.14.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	PRIOR PERIOD
<b>Net Book Value at Beginning Period</b>	<b>327,653</b>
Internally Generated Intangibles	-
Additions due to Mergers, Transfers and Acquisition	158,307
Disposals (-)	(5,354)
Impairment Losses/Reversals to/from Revaluation Surplus	-
Impairment Losses Recorded in Income Statement	-
Impairment Losses Reversed from Income Statement	-
Amortisation Expense for Current Period (-)	(107,554)
Currency Translation Differences on Foreign Operations	6,256
Other Movements	-
<b>Net Book Value at End of Current Period</b>	<b>379,308</b>

## 5.2.14.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

## 5.2.14.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

## 5.2.14.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

## 5.1.14.8 KNET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

## 5.2.14.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

## 5.2.14.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

## 5.2.14.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

## 5.2.14.12 GOODWILL

GOODWILL	SHARES %	CARRYING VALUE
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
<b>Total</b>		<b>6,388</b>

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## 5.2.14.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

	PRIOR PERIOD
<b>Net Book Value at Beginning Period</b>	<b>6,388</b>
Movements in Current Period	-
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
<b>Net Book Value at End of Current Period</b>	<b>6,388</b>

## 5.2.15 INVESTMENT PROPERTY

	PRIOR PERIOD
<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	-
Net Book Value at End of Period	559,388
<b>Net Book Value at End of Current 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.

	PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT
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.

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As of 31 December 2017, TL 322,836 thousands of deferred tax income and TL 133,139 thousands of deferred tax expense were recognised in the income statement and the shareholders' equity, respectively.

## 5.2.17 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	PRIOR PERIOD
<b>Balances at 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 Period</b>	
Additions	393,729
Disposals (Cost)	(167,095)
Disposals (Accumulated Depreciation)	1,900
Reversal of Impairment / Impairment Losses (-)	(615)
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	2,618
<b>Cost</b>	<b>850,308</b>
<b>Accumulated Depreciation (-)</b>	<b>(14,756)</b>
<b>Net Book Value</b>	<b>835,552</b>

As of 31 December 2017 sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 thousands.

## 5.2.18 OTHER ASSETS

### 5.2.18.1 RECEIVABLES FROM TERM SALE OF ASSETS

	PRIOR PERIOD
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

	PRIOR PERIOD
Prepaid Expenses	911,395
Prepaid Taxes	25,766

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## 5.3 CONSOLIDATED LIABILITIES (CURRENT PERIOD)

### 5.3.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT	TOTAL
<b>Saving Deposits</b>	<b>10,392,601</b>	-	<b>2,789,332</b>	<b>44,035,108</b>	<b>7,338,680</b>	<b>2,226,529</b>	<b>2,750,586</b>	<b>2,925</b>	<b>69,535,761</b>
<b>Foreign Currency</b>	<b>37,630,017</b>	-	<b>11,622,976</b>	<b>56,608,217</b>	<b>4,848,737</b>	<b>9,484,338</b>	<b>12,470,861</b>	<b>44,780</b>	<b>132,709,926</b>
Residents in Turkey	27,145,860	-	10,039,604	51,338,494	2,342,906	3,320,384	1,008,280	43,262	95,238,790
Residents in Abroad	10,484,157	-	1,583,372	5,269,723	2,505,831	6,163,954	11,462,581	1,518	37,471,136
<b>Public Sector Deposits</b>	<b>1,148,423</b>	-	<b>1,252</b>	<b>26,429</b>	<b>4,968</b>	<b>1,024</b>	-	-	<b>1,182,096</b>
<b>Commercial Deposits</b>	<b>7,487,587</b>	-	<b>8,336,846</b>	<b>9,333,787</b>	<b>346,049</b>	<b>466,923</b>	<b>667,804</b>	-	<b>26,638,996</b>
<b>Others</b>	<b>246,290</b>	-	<b>160,384</b>	<b>816,004</b>	<b>135,756</b>	<b>387,369</b>	<b>3,761,840</b>	-	<b>5,507,643</b>
<b>Precious Metal Deposits</b>	<b>2,794,512</b>	-	-	<b>76,254</b>	<b>13,884</b>	<b>9,758</b>	<b>385,829</b>	-	<b>3,280,237</b>
<b>Bank Deposits</b>	<b>4,477,785</b>	-	<b>1,507,045</b>	<b>72,544</b>	<b>39,935</b>	<b>58,485</b>	<b>5,893</b>	-	<b>6,161,687</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,771	-	650,427	-	-	2,076	-	-	655,274
Foreign Banks	1,240,267	-	856,618	72,544	39,935	56,409	5,893	-	2,271,666
Special Financial	3,234,747	-	-	-	-	-	-	-	3,234,747
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>64,177,215</b>	-	<b>24,417,835</b>	<b>110,968,343</b>	<b>12,728,009</b>	<b>12,634,426</b>	<b>20,042,813</b>	<b>47,705</b>	<b>245,016,346</b>

#### 5.3.1.1 SAVING DEPOSITS AND OTHER DEPOSIT ACCOUNTS INSURED BY SAVING DEPOSIT INSURANCE FUND

##### 5.3.1.1.1 DEPOSITS EXCEEDING INSURANCE LIMIT

Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

	COVERED BY DEPOSIT INSURANCE OVER DEPOSIT INSURANCE LIMIT	OVER DEPOSIT INSURANCE LIMIT
	CURRENT PERIOD	CURRENT PERIOD
Saving Deposits	28,827,533	40,144,845
Foreign Currency Saving Deposits	27,501,977	55,379,738
Other Saving Deposits	1,639,365	1,559,569
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

#### 5.3.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

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## 5.3.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

### 5.3.1.3.1 SAVING DEPOSITS OF INDIVIDUALS NOT COVERED BY INSURANCE LIMITS::

	CURRENT PERIOD
Deposits and Other Accounts held at Foreign Branches	1,194,472
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	160,214
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

## 5.3.2 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING

Information on negative differences on derivative financial liabilities held for trading classified in derivative financial liabilities is as follows;

TRADING DERIVATIVES	CURRENT PERIOD	
	TL	FC
Forward Transactions	384,022	18,382
Swap Transactions	1,580,258	1,470,826
Futures	811	164
Options	329,799	253,305
Others	-	8,918
<b>Total</b>	<b>2,294,890</b>	<b>1,751,595</b>

## 5.3.3 FUNDS BORROWED

Information on funds borrowed is as follows;

	CURRENT PERIOD	
	TL	FC
Central Bank of Turkey	-	502,342
Domestic Banks and Institutions	409,133	1,815,811
Foreign Banks, Institutions and Funds	776,544	29,835,897
<b>Total</b>	<b>1,185,677</b>	<b>32,154,050</b>

### 5.3.3.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD	
	TL	FC
Short-Term	405,801	4,779,862
Medium and Long-Term	779,876	27,374,188
<b>Total</b>	<b>1,185,677</b>	<b>32,154,050</b>

### 5.3.3.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

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## 5.3.4 OTHER EXTERNAL FUNDS

### 5.3.4.1 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,968,185	2,127,018	26,970	23,411,508
Cost	1,874,850	2,125,144	26,970	23,323,918
Carrying Value (*)	1,926,060	2,173,141	27,087	22,785,175

(\*) The Bank and/or its financial subsidiaries repurchased the Bank's own foreign currency securities with a total face value of TL 1,089,446 thousands and netted off such securities in the accompanying consolidated financial statements.

As of 1 January 2018, funds obtained abroad through collateralized payment orders including SWIFT MT 103 and similar foreign currency funds amounting to TL 4,888,088 thousands, are reclassified from "funds borrowed" into "securities issued (net)" based on reassessment of the contractual characteristics of such transactions.

### 5.3.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

Information on obligations under repurchase agreements classified in money market funds is as follows;

	CURRENT PERIOD	
	TL	FC
<b>Domestic Transactions</b>	<b>68,144</b>	-
Financial Institutions and Organizations	23,252	-
Other Institutions and Organizations	31,149	-
Individuals	13,743	-
<b>Foreign Transactions</b>	<b>56</b>	<b>1,220,550</b>
Financial Institutions and Organizations	-	1,220,550
Other Institutions and Organizations	-	-
Individuals	56	-
<b>Total</b>	<b>68,200</b>	<b>1,220,550</b>

### 5.3.4.3 INFORMATION ABOUT FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	CURRENT PERIOD	
	TL	FC
Securities Issued	-	12,312,230
Other	-	-
<b>Total</b>	<b>-</b>	<b>12,312,230</b>

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,484,345,238 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2018, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to TL 930,827 thousands and a loss of TL 886,879 thousands, respectively. The carrying value of the related financial liability amounted to TL 12,312,230 thousands.

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## 5.3.4.4 OTHER LIABILITIES

	CURRENT PERIOD	
	TL	FC
Payables from credit card transactions	10,869,208	87,311
Payables from clearing transactions	3,780,969	59,285
Dividend payables to shareholders	725	-
Other	1,226,808	1,505,403
<b>Total</b>	<b>15,877,710</b>	<b>1,651,999</b>

## 5.3.5 FACTORING PAYABLES

None.

## 5.3.6 LEASE PAYABLES

### 5.3.6.1 FINANCIAL LEASE PAYABLES

None.

### 5.3.6.2 OPERATIONAL LEASE AGREEMENTS

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

## 5.3.7 DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE

Information on negative differences on derivative financial liabilities held for hedging purposes classified in derivative financial liabilities is as follows;

DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	CURRENT PERIOD	
	TL	FC
Fair Value Hedges	49,606	203,799
Cash Flow Hedges	191,814	18,458
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>241,420</b>	<b>222,257</b>

Please refer to Note 5.1.13.1 for financial liabilities resulted from derivatives held for hedging purpose.

## 5.3.8 PROVISIONS

The movement of reserve for employee severance indemnity classified in reserve for employee benefits line of note 5.3.8.4 is presented as below:

### 5.3.8.1 RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

	CURRENT PERIOD
<b>Balances at Beginning of Period</b>	<b>423,871</b>
Provision for the Period	101,135
Actuarial Gain/Loss	16,630
Payments During the Period	(52,379)
<b>Balances at End of Period</b>	<b>489,257</b>



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## 5.3.8.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

None.

## 5.3.8.3 PROVISIONS FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD
Substandard Loans and Receivables - Limited Collectibility	115,890
Doubtful Loans and Receivables	31,789
Uncollectible Loans and Receivables	138,005
<b>Total</b>	<b>285,684</b>

## 5.3.8.4 OTHER PROVISIONS

	CURRENT PERIOD
Reserve for Employee Benefits	1,127,102
Insurance Technical Provisions, Net	444,820
Provision for Promotion Expenses of Credit Cards	132,272
Provision for Lawsuits	348,002
Provision for Non-Cash Loans	654,657
Other Provisions(*)	2,662,659
<b>Total</b>	<b>5,369,512</b>

(\*) Includes general reserve of total TL 1,090,000 thousands, of which TL 2,250,000 thousands was recognized as expense in the current period.

### *Recognized liability for defined benefit plan obligations*

The Bank obtained an actuarial report dated 23 December 2018 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,747,984 thousands at 31 December 2018 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2018 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 23 December 2018 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,693,744 thousands remains as of 31 December 2018 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 596,470 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2018. However, despite this treatment there are no excess obligation that needs to be provided against.

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31 DECEMBER 2018	
<b>Transferable Pension and Medical Benefits:</b>	
Net present value of pension benefits transferable to SSF	(1,408,961)
Net present value of medical benefits and health premiums transferable to SSF	596,470
General administrative expenses	(52,481)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(864,972)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>4,612,956</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>3,747,984</b>
<b>Non-Transferable Benefits:</b>	
Other pension benefits	(920,128)
Other medical benefits	(1,134,112)
<b>Total Non-Transferable Benefits (4)</b>	<b>(2,054,240)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,693,744</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(596,470)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>1,097,274</b>

*Movement of recognized liability for asset shortage over the Bank's defined benefit plan*

31 DECEMBER 2018	
<b>Balance at Beginning of Period</b>	-
Actual contributions paid during the period	(77,036)
Total expense recognized in the income statement	72,731
Amount recognized in the shareholders' equity	4,305
<b>Balance at End of Period</b>	-

*The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:*

31 DECEMBER 2018	
	%
Discount Rate (*)	16.30
Inflation Rate (*)	12.50
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	16.70
Future Pension Increase Rate (*)	12.50

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

*The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities of the Bank are as follow:*

DEFINED BENEFIT OBLIGATION	PENSION BENEFITS EFFECT	MEDICAL BENEFITS EFFECT	OVERALL EFFECT
Assumption change	%	%	%
Discount rate +1%	(12.80)	(17.40)	(15.30)
Discount rate -1%	16.10	23.30	20.10
Medical inflation +1%	-	23.00	12.70
Medical inflation -1%	-	(17.40)	(9.60)

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RETIREMENT INDEMNITIES	SENSITIVITY OF PAST SERVICE LIABILITY	SENSITIVITY OF NORMAL COST
Assumption change	%	%
Discount rate +1%	(11.20)	(15.20)
Discount rate -1%	13.50	18.80
Inflation rate +1%	12.20	19.20
Inflation rate -1%	(11.40)	(15.70)

## 5.3.9 TAX LIABILITY

### 5.3.9.1 CURRENT TAX LIABILITY

#### 5.3.9.1.1 TAX LIABILITY

As of 31 December 2018, the corporate tax liability amounts to 132,546 thousands after offsetting with prepaid taxes.

#### 5.3.9.1.2 TAXES PAYABLE

	CURRENT PERIOD
Corporate Taxes Payable	132,546
Taxation on Securities Income	162,703
Taxation on Real Estates Income	4,846
Banking Insurance Transaction Tax	229,702
Foreign Exchange Transaction Tax	100
Value Added Tax Payable	15,303
Others	88,430
<b>Total</b>	<b>633,630</b>

#### 5.3.9.1.3 PREMIUMS PAYABLE

	CURRENT PERIOD
Social Security Premiums-Employees	5,357
Social Security Premiums-Employer	3,372
Bank Pension Fund Premium-Employees	30
Bank Pension Fund Premium-Employer	30
Pension Fund Membership Fees and Provisions-Employees	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,446
Unemployment Insurance-Employer	2,986
Others	30
<b>Total</b>	<b>13,251</b>

### 5.3.9.2 DEFERRED TAX LIABILITY

As of 31 December 2018, the deferred tax liability amounts to TL 19,121 thousands.

## 5.3.10 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

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## 5.3.11 SUBORDINATED DEBTS

	CURRENT PERIOD	
	TL	FC
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	3,977,018
Foreign Other Institutions	-	-
<b>Total</b>	<b>-</b>	<b>3,977,018</b>

Disclosures on subordinated debts are reported in Note 4.1.2.

## 5.3.12 SHAREHOLDERS' EQUITY

### 5.3.12.1 PAID-IN CAPITAL

	CURRENT PERIOD
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.

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## 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;

	CURRENT PERIOD	
	TL	FC
<b>Investments in Associates, Subsidiaries and Joint-Ventures</b>	-	-
Valuation Difference	-	-
Exchange Rate Difference	-	-
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income</b>	<b>(799,094)</b>	<b>(238,765)</b>
Valuation Difference	(799,094)	(238,765)
Exchange Rate Difference	-	-
<b>Total</b>	<b>(799,094)</b>	<b>(238,765)</b>

## 5.3.12.9 REVALUATION SURPLUS

	CURRENT PERIOD	
	TL	FC
Movables	8,453	90,909
Real Estates	1,487,401	47,522
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-
Other	(160,891)	-
<b>Total</b>	<b>1,334,963</b>	<b>138,431</b>

## 5.3.12.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 22 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

## 5.3.12.11 LEGAL RESERVES

	CURRENT PERIOD
I. Legal Reserve	1,074,438
II. Legal Reserve	507,264
Special Reserves	-
<b>Total</b>	<b>1,581,702</b>

## 5.3.12.12 EXTRAORDINARY RESERVES AND OTHER PROFIT RESERVES

	CURRENT PERIOD
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	30,856,685
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
<b>Total</b>	<b>30,856,685</b>

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## 5.3.12.13 MINORITY INTEREST

	CURRENT PERIOD
<b>Balance at Beginning of Period</b>	<b>314,340</b>
Profit Share of Subsidiaries Net Profits	64,953
Prior Period Dividend Payment	(181,524)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	(223)
<b>Balance at End of Period</b>	<b>197,546</b>

## 5.4 CONSOLIDATED LIABILITIES (PRIOR PERIOD)

### 5.4.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT	TOTAL
<b>Saving Deposits</b>	<b>10,913,763</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 Deposits</b>	<b>1,845,183</b>	-	<b>57,205</b>	<b>47,640</b>	<b>3,777</b>	<b>8,013</b>	<b>232,897</b>	-	<b>2,194,715</b>
<b>Bank Deposits</b>	<b>918,215</b>	-	<b>249,417</b>	<b>97,700</b>	<b>55,486</b>	<b>84,811</b>	<b>220,193</b>	-	<b>1,625,822</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	6,139	-	5,658	15,090	2,049	20,474	10,239	-	59,649
Foreign Banks	627,190	-	243,759	82,610	53,437	64,337	209,954	-	1,281,287
Special Financial	284,886	-	-	-	-	-	-	-	284,886
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54,284,609</b>	-	<b>16,626,796</b>	<b>99,390,856</b>	<b>6,720,649</b>	<b>7,402,147</b>	<b>16,291,011</b>	<b>57,492</b>	<b>200,773,560</b>

### 5.4.1.1 SAVING DEPOSITS AND OTHER DEPOSIT ACCOUNTS INSURED BY SAVING DEPOSIT INSURANCE FUND DEPOSITS EXCEEDING INSURANCE LIMIT

#### 5.4.1.1.1 SAVING DEPOSITS COVERED BY DEPOSIT INSURANCE AND TOTAL AMOUNT OF DEPOSITS EXCEEDING INSURANCE COVERAGE LIMIT

SAVING DEPOSITS - PRIOR PERIOD	COVERED BY DEPOSIT INSURANCE	OVER DEPOSIT INSURANCE LIMIT
Saving Deposits	29,074,468	30,170,165
Foreign Currency Saving Deposits	20,980,170	41,525,053
Other Saving Deposits	1,117,225	1,016,387
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

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## 5.4.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

## 5.4.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

### 5.4.1.3.1 SAVING DEPOSITS OF INDIVIDUALS NOT COVERED BY INSURANCE LIMITS:

	PRIOR PERIOD	
	TL	FC
Deposits and Other Accounts held at Foreign Branches		1,009,774
Deposits and Other Accounts held by Shareholders and their Relatives		-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives		236,559
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004		-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey		-

## 5.4.2 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING

TRADING DERIVATIVES	PRIOR PERIOD	
	TL	FC
Forward Transactions	163,550	36,335
Swap Transactions	2,102,812	426,848
Futures	44	96
Options	114,881	45,917
Others	-	8,339
<b>Total</b>	<b>2,381,287</b>	<b>517,535</b>

## 5.4.3 FUNDS BORROWED

	PRIOR PERIOD	
	TL	FC
Central Bank of Turkey	-	685,843
Domestic Banks and Institutions	477,119	1,605,139
Foreign Banks, Institutions and Funds	657,139	43,679,479
<b>Total</b>	<b>1,134,258</b>	<b>45,970,461</b>

### 5.4.3.1 MATURITIES OF FUNDS BORROWED

	PRIOR PERIOD	
	TL	FC
Short-Term	866,182	5,590,833
Medium and Long-Term	268,076	40,379,628
<b>Total</b>	<b>1,134,258</b>	<b>45,970,461</b>

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,455,714,286 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated credit risk change and the credit risk change recognised in the income statement for the year ended 2017 amounted to TL 43,948 thousands and a loss of TL 398,191 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands.

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## 5.4.3.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

## 5.4.4 OTHER EXTERNAL FUNDS

### 5.4.4.1 SECURITIES ISSUED

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	4,065,669	4,258,267	-	13,133,935
Cost	3,926,455	4,087,678	-	13,065,899
Carrying Value (*)	4,003,253	4,159,746	-	12,631,453

(\*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of TL 780,571 thousands and netted off such securities in the accompanying consolidated financial statements.

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated negative credit risks change, and the positive credit risk change recognised in the income statement for the year ended 2017 amounted to TL 908 thousands and TL 1,815 thousands, respectively. The carrying value of the related financial liability amounted to TL 34,983 thousands as of 31 December 2017 and the related income for the year ended 2017 amounted to TL 1,898 thousands.

### 5.4.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

	PRIOR PERIOD	
	TL	FC
<b>Domestic Transactions</b>	<b>887,411</b>	<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

	PRIOR PERIOD	
	TL	FC
Payables from credit card transactions	8,985,632	48,506
Payables from insurance transactions	40,290	6
Other	559,649	742,263
<b>Total</b>	<b>9,585,571</b>	<b>790,775</b>

### 5.4.5 FACTORING PAYABLES

None.



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## 5.4.6 LEASE PAYABLES

### 5.4.6.1 FINANCIAL LEASE PAYABLES

None.

### 5.4.6.2 OPERATIONAL LEASE AGREEMENTS

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

## 5.4.7 DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	PRIOR PERIOD	
	TL	FC
Fair Value Hedges	6,227	188,528
Cash Flow Hedges	1,025	3,046
Net Foreign Investment Hedges	-	-
<b>Total</b>	<b>7,252</b>	<b>191,574</b>

Please refer to Note 5.2.12.1 for derivative financial instruments held for hedging purpose.

## 5.4.8 PROVISIONS

### 5.4.8.1 GENERAL PROVISIONS

	PRIOR PERIOD
<b>General Provision for</b>	<b>3,673,669</b>
Loans and Receivables in Group I	1,694,874
Loans and Receivables in Group II	1,370,937
Non-Cash Loans	369,087
Others	238,771

### 5.4.8.2 RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

	PRIOR PERIOD
<b>Balances at Beginning of Period</b>	<b>355,535</b>
Provision for the Period	92,055
Actuarial Gain/Loss	22,045
Payments During the Period	(45,764)
<b>Balances at End of Period</b>	<b>423,871</b>

### 5.4.8.3 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

	PRIOR PERIOD
Short-Term Loans	14,419
Medium and Long Term Loans	2,800
<b>Total</b>	<b>17,219</b>

Foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side.

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## 5.4.8.4 PROVISIONS FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	16,649
Doubtful Loans and Receivables	13,593
Uncollectible Loans and Receivables	97,175
<b>Total</b>	<b>127,417</b>

## 5.4.8.5 OTHER PROVISIONS

### 5.4.8.5.1 GENERAL RESERVES FOR POSSIBLE LOSSES

	PRIOR PERIOD
General Reserves for Possible Losses	1,160,000

### 5.4.8.5.2 OTHER PROVISIONS FOR POSSIBLE LOSSES

	PRIOR PERIOD
Reserve for Employee Benefits	909,788
Insurance Technical Provisions, Net	389,886
Provision for Promotion Expenses of Credit Cards (*)	112,434
Provision for Lawsuits (**)	250,115
Provision for Non-Cash Loans	127,417
Other Provisions (***)	224,793
<b>Total</b>	<b>2,014,433</b>

(\*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

(\*\*) A provision of EUR 33,000,000 is provided for the ongoing lawsuit against the Bank in Paris, which was disclosed in the Public Disclosure Platform on 20 September 2017.

(\*\*\*) A provision of TL 33,887 thousands is allocated for the dormant "other temporary accounts" standing longer than a year within the scope of "TAS 37 Provisions, Contingent Liabilities and Contingent Assets" Standard.

### Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands as of 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.

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	31 DECEMBER 2017
<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:

	31 DECEMBER 2017
<b>Balance at Beginning of Period</b>	-
Actual contributions paid during the period	(71,463)
Total expense recognized in the income statement	44,052
Amount recognized in the shareholders' equity	27,411
<b>Balance at End of Period</b>	-

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	31 DECEMBER 2017
	%
Discount Rate (*)	11.60
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	12.60
Future Pension Increase Rate (*)	8.40

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

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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>

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## 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

None.

## 5.4.11 SUBORDINATED DEBTS

	PRIOR PERIOD	
	TL	FC
Domestic Banks	-	-
Domestic Other Institutions	-	-
Foreign Banks	-	-
Foreign Other Institutions	-	2,849,471
<b>Total</b>	<b>-</b>	<b>2,849,471</b>

Disclosures on subordinated debts are reported in Note 4.1.2.

## 5.4.12 SHAREHOLDERS' EQUITY

### 5.4.12.1 PAID-IN CAPITAL

	PRIOR PERIOD
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

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## 5.4.12.3 CAPITAL INCREASES IN PRIOR PERIOD

None.

## 5.4.12.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN PRIOR PERIOD

None.

## 5.4.12.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

## 5.4.12.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

## 5.4.12.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None

## 5.4.12.8 SECURITIES VALUE INCREASE FUND

	PRIOR PERIOD	
	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

	PRIOR PERIOD	
	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.

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## 5.4.12.11 LEGAL RESERVES

	PRIOR PERIOD
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

	PRIOR PERIOD
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

	PRIOR PERIOD
<b>Balance at Beginning of Period</b>	<b>267,808</b>
Profit Share of Subsidiaries Net Profits	55,918
Prior Period Dividend Payment	(1,500)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	(77)
<b>Balance at End of Period</b>	<b>322,149</b>

## 5.5 CONSOLIDATED OFF-BALANCE SHEET ITEMS (CURRENT PERIOD)

### 5.5.1 OFF-BALANCE SHEET CONTINGENCIES

#### 5.5.1.1 IRREVOCABLE CREDIT COMMITMENTS

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 12,101,326 thousands, commitments for cheque payments of TL 2,719,279 thousands and commitments for credit card limits of TL 32,542,906 thousands.

#### 5.5.1.2 POSSIBLE LOSSES AND COMMITMENTS RESULTED FROM OFF-BALANCE SHEET ITEMS

	CURRENT PERIOD
Letters of Guarantee in Foreign Currency	27,430,938
Letters of Guarantee in TL	22,742,832
Letters of Credit	14,685,922
Bills of Exchange and Acceptances	2,788,829
Prefinancings	-
Other Guarantees	66,907
<b>Total</b>	<b>67,715,428</b>

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## EXPECTED LOSSES FOR NON-CASH LOANS AND IRREVOCABLE COMMITMENTS

	STAGE 1	STAGE 2	STAGE 3	TOTAL
<b>Balances at Beginning of Period (1 January 2018)</b>	<b>115,145</b>	<b>205,417</b>	<b>118,820</b>	<b>439,382</b>
Additions during the Period (+)	215,981	369,581	157,008	742,570
Disposal (-)	(325,023)	(202,021)	(60,410)	(587,454)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	150,260	(135,371)	(14,889)	-
Transfer to Stage 2	(39,066)	47,408	(8,342)	-
Transfer to Stage 3	(752)	(81,092)	81,844	-
Foreign Currency Differences	7,206	41,303	11,650	60,159
<b>Balances at End of Period</b>	<b>123,751</b>	<b>245,225</b>	<b>285,681</b>	<b>654,657</b>

A specific provision of TL 285,681 thousands is made for unliquidated non-cash loans of TL 842,292 thousands recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

### 5.5.1.3 NON-CASH LOANS

	CURRENT PERIOD
Non-Cash Loans against Cash Risks	12,434,212
With Original Maturity of 1 Year or Less	2,339,515
With Original Maturity of More Than 1 Year	10,094,697
Other Non-Cash Loans	55,281,216
<b>Total</b>	<b>67,715,428</b>



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## 5.5.1.4 OTHER INFORMATION ON NON-CASH LOANS

	CURRENT PERIOD			
	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>92,784</b>	<b>0.41</b>	<b>98,334</b>	<b>0.21</b>
Farming and Stockbreeding	78,863	0.35	86,784	0.19
Forestry	11,839	0.05	9,838	0.02
Fishery	2,082	0.01	1,712	-
<b>Manufacturing</b>	<b>6,402,123</b>	<b>28.06</b>	<b>23,375,005</b>	<b>52.06</b>
Mining and Quarrying	195,265	0.85	316,247	0.70
Production	4,110,566	18.02	16,499,405	36.75
Electricity, Gas, Water	2,096,292	9.19	6,559,353	14.61
<b>Construction</b>	<b>3,581,106</b>	<b>15.70</b>	<b>5,346,304</b>	<b>11.91</b>
<b>Services</b>	<b>11,281,804</b>	<b>49.45</b>	<b>14,529,746</b>	<b>32.36</b>
Wholesale and Retail Trade	6,971,975	30.56	7,039,982	15.68
Accommodation and Dining	435,652	1.91	621,394	1.38
Transportation and Telecommunication	847,939	3.72	2,095,880	4.67
Financial Institutions	2,580,794	11.31	4,401,708	9.80
Real Estate and Rental Services	231,402	1.01	253,998	0.57
Professional Services	-	-	-	-
Educational Services	48,133	0.21	1,586	-
Health and Social Services	165,909	0.73	115,198	0.26
<b>Others</b>	<b>1,455,698</b>	<b>6.38</b>	<b>1,552,524</b>	<b>3.46</b>
<b>Total</b>	<b>22,813,515</b>	<b>100.00</b>	<b>44,901,913</b>	<b>100.00</b>

## 5.5.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II

CURRENT PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>20,162,865</b>	<b>42,281,850</b>	<b>2,430,768</b>	<b>1,997,653</b>
Letters of Guarantee	20,093,217	24,969,336	2,430,533	1,852,536
Bills of Exchange and Bank Acceptances	22,460	2,755,966	235	8,050
Letters of Credit	47,188	14,489,641	-	137,067
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	66,907	-	-

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## 5.5.2 FINANCIAL DERIVATIVE INSTRUMENTS

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT
<b>Derivative Financial Instruments held for Risk Management</b>						
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	<b>1,493,893</b>	<b>2,625,613</b>	<b>7,401,282</b>	<b>35,043,632</b>	<b>16,948,813</b>	<b>63,513,233</b>
Fair Value Hedges	-	8,280	759,806	10,346,055	12,291,413	23,405,554
Cash Flow Hedges	1,493,893	2,617,333	6,641,476	24,697,577	4,657,400	40,107,679
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>119,672,087</b>	<b>22,637,453</b>	<b>54,080,417</b>	<b>9,439,469</b>	<b>478,463</b>	<b>206,307,889</b>
Currency Forwards – Purchases	4,778,628	2,597,978	3,890,219	1,043,574	-	12,310,399
Currency Forwards – Sales	4,866,469	2,603,462	3,880,671	1,153,259	-	12,503,861
Currency Swaps – Purchases	53,922,874	4,695,508	13,544,474	1,304,957	237,321	73,705,134
Currency Swaps – Sales	50,248,211	4,809,217	13,322,305	1,310,242	241,142	69,931,117
Currency Options – Purchases	2,524,903	3,377,420	9,077,849	2,298,392	-	17,278,564
Currency Options – Sales	2,678,573	3,525,312	10,238,365	2,329,045	-	18,771,295
Currency Futures – Purchases	318,386	488,316	66,768	-	-	873,470
Currency Futures – Sales	334,043	540,240	59,766	-	-	934,049
<b>Interest Rate related Derivative Transactions (II)</b>	<b>18,541</b>	<b>1,540,576</b>	<b>6,966,130</b>	<b>20,425,252</b>	<b>43,299,534</b>	<b>72,250,033</b>
Interest Rate Swaps – Purchases	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Swaps – Sales	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Options – Purchases	-	-	5,197,126	5,057,001	1,667,058	11,921,185
Interest Rate Options – Sales	-	-	228,124	1,093,107	233,008	1,554,239
Securities Options – Purchases	-	24,252	413	-	-	24,665
Securities Options – Sales	9,181	43,662	81	-	-	52,924
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	18,066	-	-	-	18,066
<b>Other Trading Derivatives (III)</b>	<b>4,604,345</b>	<b>393,942</b>	<b>893,894</b>	<b>2,736,897</b>	<b>9,881,071</b>	<b>18,510,149</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>124,294,973</b>	<b>24,571,971</b>	<b>61,940,441</b>	<b>32,601,618</b>	<b>53,659,068</b>	<b>297,068,071</b>
<b>Total Derivative Transactions (A+B)</b>	<b>125,788,866</b>	<b>27,197,584</b>	<b>69,341,723</b>	<b>67,645,250</b>	<b>70,607,881</b>	<b>360,581,304</b>

## 5.5.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2018, there are total return swaps of the Bank with a total face value of USD 2,484,345,238 classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

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## 5.5.4 CONTINGENT LIABILITIES AND ASSETS

The Bank and its consolidated financial affiliates made a total provision amounting to TL 348,002 thousands for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.3.8.4, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2018, there was no payment made related with such contingent liabilities.

## 5.5.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

## 5.6 CONSOLIDATED OFF-BALANCE SHEET ITEMS (PRIOR PERIOD)

### 5.6.1 OFF-BALANCE SHEET CONTINGENCIES

#### 5.6.1.1 IRREVOCABLE CREDIT COMMITMENTS

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 7,947,989 thousands, commitments for cheque payments of TL 3,797,901 thousands and commitments for credit card limits of TL 29,542,049 thousands.

#### 5.6.1.2 POSSIBLE LOSSES AND COMMITMENTS RESULTED FROM OFF-BALANCE SHEET ITEMS

	PRIOR PERIOD
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

	PRIOR PERIOD
Non-Cash Loans against Cash Risks	7,327,429
With Original Maturity of 1 Year or Less	644,377
With Original Maturity of More Than 1 Year	6,683,052
Other Non-Cash Loans	48,867,965
<b>Total</b>	<b>56,195,394</b>

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## 5.6.1.4 OTHER INFORMATION ON NON-CASH LOANS

	PRIOR PERIOD			
	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>69,304</b>	<b>0.36</b>	<b>56,941</b>	<b>0.16</b>
Farming and Stockbreeding	58,351	0.30	43,111	0.11
Forestry	9,214	0.05	10,981	0.03
Fishery	1,739	0.01	2,849	0.01
<b>Manufacturing</b>	<b>5,510,704</b>	<b>28.37</b>	<b>18,091,020</b>	<b>49.20</b>
Mining and Quarrying	170,850	0.88	251,133	0.68
Production	3,013,861	15.52	13,784,292	37.49
Electricity, Gas, Water	2,325,993	11.97	4,055,595	11.03
<b>Construction</b>	<b>3,541,815</b>	<b>18.23</b>	<b>3,894,258</b>	<b>10.59</b>
<b>Services</b>	<b>8,857,539</b>	<b>45.60</b>	<b>12,678,809</b>	<b>34.48</b>
Wholesale and Retail Trade	5,966,692	30.71	7,562,115	20.57
Accommodation and Dining	232,237	1.20	513,201	1.40
Transportation and Telecommunication	738,939	3.80	1,476,485	4.01
Financial Institutions	1,502,741	7.74	2,842,584	7.73
Real Estate and Rental Services	224,964	1.16	222,682	0.61
Professional Services	-	-	-	-
Educational Services	25,522	0.13	1,049	-
Health and Social Services	166,444	0.86	60,693	0.16
<b>Others</b>	<b>1,445,568</b>	<b>7.44</b>	<b>2,049,436</b>	<b>5.57</b>
<b>Total</b>	<b>19,424,930</b>	<b>100.0</b>	<b>36,770,464</b>	<b>100.00</b>

## 5.6.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II:

PRIOR PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>19,021,366</b>	<b>36,139,527</b>	<b>403,564</b>	<b>630,937</b>
Letters of Guarantee	19,002,295	19,841,136	403,564	442,506
Bills of Exchange and Bank Acceptances	14,273	1,536,377	-	-
Letters of Credit	4,798	14,576,287	-	188,431
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	185,727	-	-

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## 5.6.2 FINANCIAL DERIVATIVE INSTRUMENTS

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
<b>Derivative Financial Instruments held for Risk Management</b>						
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	<b>1,629,524</b>	<b>328,053</b>	<b>6,792,490</b>	<b>24,140,783</b>	<b>12,541,674</b>	<b>45,432,524</b>
Fair Value Hedges	-	-	1,891,714	7,880,440	8,597,164	18,369,318
Cash Flow Hedges	1,629,524	328,053	4,900,776	16,260,343	3,944,510	27,063,206
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>148,983,110</b>	<b>56,031,169</b>	<b>59,539,784</b>	<b>5,239,790</b>	<b>505,098</b>	<b>270,298,951</b>
Currency Forwards – Purchases	10,210,712	3,286,058	3,179,110	522,230	-	17,198,110
Currency Forwards – Sales	10,233,157	3,279,345	3,260,423	597,181	-	17,370,106
Currency Swaps – Purchases	61,854,549	21,236,750	20,130,886	1,898,678	250,456	105,371,319
Currency Swaps – Sales	57,157,446	21,418,627	20,444,645	1,802,749	254,642	101,078,109
Currency Options – Purchases	4,649,454	3,366,011	6,179,844	192,501	-	14,387,810
Currency Options – Sales	4,870,131	3,409,648	6,232,206	226,451	-	14,738,436
Currency Futures – Purchases	3,931	7,066	54,120	-	-	65,117
Currency Futures – Sales	3,730	27,664	58,550	-	-	89,944
<b>Interest Rate related Derivative Transactions (II)</b>	<b>427,058</b>	<b>589,785</b>	<b>5,288,434</b>	<b>18,075,592</b>	<b>22,169,602</b>	<b>46,550,471</b>
Interest Rate Swaps – Purchases	211,386	271,864	1,427,383	5,791,900	10,429,017	18,131,550
Interest Rate Swaps – Sales	211,386	271,864	1,427,383	5,791,900	10,429,017	18,131,550
Interest Rate Options – Purchases	-	-	2,433,323	5,502,795	1,311,568	9,247,686
Interest Rate Options – Sales	-	-	-	988,997	-	988,997
Securities Options – Purchases	3,045	6,282	87	-	-	9,414
Securities Options – Sales	1,241	20,896	258	-	-	22,395
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	18,879	-	-	-	18,879
<b>Other Trading Derivatives (III)</b>	<b>5,369,514</b>	<b>75,931</b>	<b>128,586</b>	<b>2,611,040</b>	<b>6,742,500</b>	<b>14,927,571</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>154,779,682</b>	<b>56,696,885</b>	<b>64,956,804</b>	<b>25,926,422</b>	<b>29,417,200</b>	<b>331,776,993</b>
<b>Total Derivative Transactions (A+B)</b>	<b>156,409,206</b>	<b>57,024,938</b>	<b>71,749,294</b>	<b>50,067,205</b>	<b>41,958,874</b>	<b>377,209,517</b>

## 5.6.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2017, there are total return swaps of the Bank with a total face value of USD 2,455,714,286 classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

## 5.6.4 CONTINGENT LIABILITIES AND ASSETS

The Bank and its consolidated financial affiliates made a total provision amounting to TL 250,115 thousands for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.4.8.5.2, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2017, there was no payment made related with such contingent liabilities.

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## 5.6.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

## 5.7 CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CURRENT PERIOD)

### 5.7.1 INTEREST INCOME

#### 5.7.1.1 INTEREST INCOME FROM LOANS (\*)

	CURRENT PERIOD	
	TL	FC
<b>Interest Income from Loans</b>	-	-
Short-term loans	9,539,785	704,695
Medium and long-term loans	14,842,536	5,526,575
Loans under follow-up	331,209	26,835
Premiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>24,713,530</b>	<b>6,258,105</b>

(\*) Includes also fees and commissions income on cash loans

#### 5.7.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD	
	TL	FC
Central Bank of Turkey	34,572	113,408
Domestic Banks	214,980	38,540
Foreign Banks	13,100	226,294
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>262,652</b>	<b>378,242</b>

#### 5.7.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

	CURRENT PERIOD	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	67,586	5,177
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,582,978	562,148
Financial Assets Measured at Amortised Cost	3,834,360	209,505
<b>Total</b>	<b>7,484,924</b>	<b>776,830</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2018, the valuation of such securities was made according to annual inflation as of balance sheet date.

#### 5.7.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD
Interest Received from Investments in Associates and Subsidiaries	32,693

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## 5.7.2 INTEREST EXPENSES

### 5.7.2.1 INTEREST EXPENSES ON FUNDS BORROWED (\*)

	CURRENT PERIOD	
	TL	FC
Banks	154,092	1,017,387
Central Bank of Turkey	-	1,912
Domestic Banks	63,237	76,760
Foreign Banks	90,855	938,715
Foreign Head Offices and Branches	-	-
Other Institutions	-	793,553
<b>Total</b>	<b>154,092</b>	<b>1,810,940</b>

(\*) Includes also fees and commissions expenses on borrowings

### 5.7.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD
Interest Paid to Investments in Associates and Subsidiaries	18,638

### 5.7.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD	
	TL	FC
Interest Expenses on Securities Issued	1,013,827	1,375,078

### 5.7.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD	TIME DEPOSITS							ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
	DEMAND DEPOSITS	UPTO 1 MONTH	1-3 MONTHS	3-6 MONTHS	16-12 MONTHS	OVER 1 YEAR			
<b>Turkish Lira</b>									
Bank Deposits	649	115,623	36	233	57	-	-	-	116,598
Saving Deposits	2,726	386,448	7,185,152	472,232	130,738	203,923	-	-	8,381,219
Public Sector Deposits	-	1,327	4,113	797	96	-	-	-	6,333
Commercial Deposits	180	1,158,340	1,432,293	85,415	51,504	172,675	-	-	2,900,407
Others	17	54,366	159,523	15,608	49,856	441,545	-	-	720,915
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>3,572</b>	<b>1,716,104</b>	<b>8,781,117</b>	<b>574,285</b>	<b>232,251</b>	<b>818,143</b>	<b>-</b>	<b>-</b>	<b>12,125,472</b>
<b>Foreign Currency</b>									
Foreign Currency Deposits	54,567	184,960	1,527,120	95,687	200,970	521,231	657	-	2,585,192
Bank Deposits	-	21,005	1,410	2,671	7,388	7,817	-	-	40,291
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	28	48	38	5,184	-	-	5,298
<b>Total FC</b>	<b>54,567</b>	<b>205,965</b>	<b>1,528,558</b>	<b>98,406</b>	<b>208,396</b>	<b>534,232</b>	<b>657</b>	<b>-</b>	<b>2,630,781</b>
<b>Grand Total</b>	<b>58,139</b>	<b>1,922,069</b>	<b>10,309,675</b>	<b>672,691</b>	<b>440,647</b>	<b>1,352,375</b>	<b>657</b>	<b>-</b>	<b>14,756,253</b>

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## 5.7.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	CURRENT PERIOD	
	TL	FC
Interest Paid on Repurchase Agreements	1,006,927	8,090

## 5.7.2.6 FINANCIAL LEASE EXPENSES

None.

## 5.7.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

## 5.7.3 DIVIDEND INCOME

	CURRENT PERIOD
Trading Financial Assets	3,903
Financial Assets Valued at Fair Value through Profit or Loss	-
Financial Assets Available-for-Sale	1,287
Others	2,501
<b>Total</b>	<b>7,691</b>

## 5.7.4 TRADING INCOME/LOSSES (NET)

	CURRENT PERIOD
<b>Income</b>	<b>163,742,329</b>
Trading Account Income	1,591,473
Derivative Financial Instruments	21,709,326
Foreign Exchange Gain	140,441,530
<b>Losses (-)</b>	<b>164,888,076</b>
Trading Account Losses	737,624
Derivative Financial Instruments	20,869,699
Foreign Exchange Losses	143,280,753
<b>Total</b>	<b>(1,145,747)</b>

TL 2,845,451 thousands of foreign exchange gains and TL 3,469,698 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000 maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.



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In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,920,434, USD 700,304,781 and EUR 260,415,019 for its fixed-rate bonds with a total face value of TL 835,000 thousands and USD 487,500,000 and fixed-rate coupons with a total face value of USD 90,000,000 and EUR 13,000,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL 54,486 thousands and TL 71,235 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/ losses in the income statement, respectively.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 47,896,216 and EUR 28,947,368 and securitization borrowings amounting to EUR 63,931,574 by designating cross currency swaps with the same face values and terms and borrowing amounting to USD 500,000,000, securitizations amounting to USD 705,365,856 and EUR 90,000,000 and deposits amounting to TL 2,630,000 thousands, USD 1,055,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values and terms and finalized commitments amounting to USD 39,633,336 by designating forwards with the same face values and terms. Accordingly, in the current period, gains of TL 64,973 thousands and TL 83,127 thousands and loss of TL 50,967 thousands resulting from cross currency, interest rate swap and forward agreements were recognised under shareholders' equity, respectively.

One of the Bank's consolidated subsidiary enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 20,000,000 and EUR 65,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 2,115 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated subsidiary enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to USD 30,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 648 thousands resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 1,187,383,037 thousands sell and EUR 184,536,696 buy, RON 265,000,000 sell and EUR 56,075,589 buy. Accordingly, in the current period, a net loss of TL 3,285 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its financial lease receivables granted in Foreign Currency by designating swaps with the same face value amount and similar terms; EUR 15,000,000 thousands sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a net loss of TL 424 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiary enters into cross currency interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments denominated in EUR due to fluctuations in market interest rates and foreign exchange rates. In this respect, the subsidiary applied fair value hedge accounting for the fixed rate bonds issued in 2013 and 2017 with a total face value of EUR 80,000,000 for 10 years and maturity dates of 18 September 2020 and 19 April 2027 by designating cross currency interest rate swaps with the same face values and terms. In August 2018, the subsidiary ceased to apply this hedge accounting.

## 5.7.5 OTHER OPERATING INCOME

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers and income on custody services.

In the current period, a part of non-performing receivables of the Bank and one of its consolidated subsidiaries amounting to TL 353,750 thousands were sold for a consideration of TL 30,734 thousands. Considering the related provision of TL 351,667 thousands made in the financial statements, a gain of TL 28,651 thousands is recognized under "Other Operating Income".

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	CURRENT PERIOD
<b>Prior Year Reversals</b>	<b>2,464,810</b>
Stage 1	998,259
Stage 2	587,115
Stage 3	641,597
Others	237,839
<b>Income from term sale of assets</b>	<b>179,793</b>
<b>Others (*)</b>	<b>872,822</b>
<b>Total</b>	<b>3,517,425</b>

(\*) Premium income from insurance business amounting to TL 718,908 thousands which is included in other operating income in the accompanying financial statements is presented in "others" line item.

## 5.7.6 PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES

	CURRENT PERIOD
<b>Expected Credit Losses</b>	<b>9,257,780</b>
12-Month ECL (Stage 1)	1,062,942
Significant Increase in Credit Risk (Stage 2)	3,182,234
Impaired Credits(Stage 3)	5,012,604
<b>Impairment Losses on Securities</b>	<b>39,699</b>
Financial Assets Measured at Fair Value through Profit or Loss	37,125
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,574
Impairment Losses on Associates, Subsidiaries and Joint-ventures	20,832
Associates	-
Subsidiaries	20,832
Joint-ventures (business partnership)	-
Others	1,517,935
<b>Total</b>	<b>10,836,246</b>

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## 5.7.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD
Personnel Costs	3,645,278
Reserve for Employee Termination Benefits	75,965
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	3,975
Depreciation Expenses of Tangible Assets	339,986
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	127,014
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	79,524
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	3,632,622
Operational lease related expenses	534,796
Repair and maintenance expenses	91,374
Advertisement expenses	225,277
Other expenses	2,781,175
Loss on Sale of Assets	7,119
Others (*)	857,502
<b>Total</b>	<b>8,768,985</b>

(\*) Includes saving-deposits-insurance-fund related expenses of TL 277,207 thousands and insurance-business claim losses of TL 169,307 thousands in the current period.

## 5.7.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

TL 20,876,933 thousands of the profit before taxes is derived from net interest income and TL 5,102,687 thousands from net fees and commissions income. The total operating expenses amounted to TL 8,768,985 thousands. The profit before taxes reached to TL 8,753,758 TL thousands increasing by 4.84 % as compared to the prior year.

There is no amount from discontinued operations.

## 5.7.9 INFORMATION ON PROVISION FOR TAXES FOR CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2018, on a consolidated basis, the Bank recorded a current tax expense of TL 1,806,595 thousands and a deferred tax expense of TL 240,558 thousands.

There is no amount from discontinued operations.

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*Deferred tax benefit/charge on timing differences*

DEFERRED TAX (BENEFIT)/CHARGE ON TIMING DIFFERENCES	CURRENT PERIOD
Increase in Tax Deductable Timing Differences (+)	(397,874)
Decrease in Tax Deductable Timing Differences (-)	179,226
Increase in Taxable Timing Differences (-)	471,944
Decrease in Taxable Timing Differences (+)	(12,738)
<b>Total</b>	<b>240,558</b>

*Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions*

DEFERRED TAX (BENEFIT)/CHARGE ARISING ON TIMING DIFFERENCES, TAX LOSSES AND TAX DEDUCTIONS AND EXEMPTIONS	CURRENT PERIOD
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(234,253)
(Increase)/Decrease in Taxable Timing Differences (net)	459,206
(Increase)/Decrease in Tax Losses (net)	15,605
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>240,558</b>

## 5.7.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The Bank's net operating profit after taxes is TL 6,706,605.  
There is no amount from discontinued operations.

## 5.7.11 NET PROFIT/LOSS

### 5.7.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF BANK'S PERFORMANCE

None.

### 5.7.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

### 5.7.11.3 MINORITY INTEREST'S PROFIT/LOSS

	CURRENT PERIOD
Net Profit/(Loss) of Minority Interest	64,953

## 5.7.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the consolidated income statement include mainly fees and commissions related with credit card transactions and other banking services.

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## 5.8 CONSOLIDATED INCOME STATEMENT (PRIOR PERIOD)

### 5.8.1 INTEREST INCOME

#### 5.8.1.1 INTEREST INCOME FROM LOANS (\*)

	31 DECEMBER 2017	
	TL	FC
<b>Interest Income from Loans</b>		
Short-term loans	5,436,172	409,067
Medium and long-term loans	11,940,768	4,024,730
Loans under follow-up	96,457	5,401
remiums Received from Resource Utilization Support Fund	-	-
<b>Total</b>	<b>17,473,397</b>	<b>4,439,198</b>

(\*) Includes also fees and commissions income on cash loans

#### 5.8.1.2 INTEREST INCOME FROM BANKS

	31 DECEMBER 2017	
	TL	FC
Central Bank of Turkey	183,942	40,641
Domestic Banks	117,086	30,024
Foreign Banks	2,734	77,323
Foreign Head Offices and Branches	-	-
<b>Total</b>	<b>303,762</b>	<b>147,988</b>

#### 5.8.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

	31 DECEMBER 2017	
	TL	FC
Financial Assets Held for Trading	39,154	2,066
Financial Assets Valued at Fair Value Through Profit	-	-
Financial Assets Available-for-Sale	2,373,490	176,533
Investments Held-to-Maturity	1,599,271	601,108
<b>Total</b>	<b>4,011,915</b>	<b>779,707</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2017, the valuation of such securities was made according to annual inflation as of balance sheet date.

#### 5.8.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	31 DECEMBER 2017
Interest Received from Investments in Associates and Subsidiaries	2,345

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## 5.8.2 INTEREST EXPENSES

### 5.8.2.1 INTEREST EXPENSES ON FUNDS BORROWED (\*)

	31 DECEMBER 2017	
	TL	FC
Banks		
Central Bank of Turkey	-	289
Domestic Banks	46,760	49,257
Foreign Banks	116,875	655,665
Foreign Head Offices and Branches	-	-
Other Institutions	-	454,323
<b>Total</b>	<b>163,635</b>	<b>1,159,534</b>

(\*) Includes also fees and commissions expenses on borrowings

### 5.8.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	31 DECEMBER 2017
Interest Paid to Investments in Associates and Subsidiaries	9,379

### 5.8.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	31 DECEMBER 2017	
	TL	FC
Interest Expenses on Securities Issued	776,934	802,710

### 5.8.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

31 DECEMBER 2017	TIME DEPOSITS						ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
	DEMAND DEPOSITS	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
<b>Turkish Lira</b>								
Bank Deposits	1,021	105,615	391	562	294	-	-	107,883
Saving Deposits	4,614	223,243	4,370,937	145,994	38,490	61,578	-	4,844,856
Public Sector Deposits	-	1,808	2,800	376	261	1	-	5,246
Commercial Deposits	719	527,769	827,351	30,770	48,634	95,500	-	1,530,743
Others	4	17,708	94,131	19,304	23,829	147,150	-	302,126
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>6,358</b>	<b>876,143</b>	<b>5,295,610</b>	<b>197,006</b>	<b>111,508</b>	<b>304,229</b>	<b>-</b>	<b>6,790,854</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	31,612	93,169	1,000,587	66,303	138,439	289,895	779	1,620,784
Bank Deposits	87	17,950	246	1,336	1,258	3,243	-	24,120
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	13	42	-	16	4,020	-	4,091
<b>Total FC</b>	<b>31,699</b>	<b>111,132</b>	<b>1,000,875</b>	<b>67,639</b>	<b>139,713</b>	<b>297,158</b>	<b>779</b>	<b>1,648,995</b>
<b>Grand Total</b>	<b>38,057</b>	<b>987,275</b>	<b>6,296,485</b>	<b>264,645</b>	<b>251,221</b>	<b>601,387</b>	<b>779</b>	<b>8,439,849</b>

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## 5.8.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	31 DECEMBER 2017	
	TP	YP
Interest Paid on Repurchase Agreements	1,149,513	20,733

## 5.8.2.6 FINANCIAL LEASE EXPENSES

None.

## 5.8.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

## 5.8.3 DIVIDEND INCOME

	31 DECEMBER 2017
Trading Financial Assets	908
Financial Assets Valued at Fair Value through Profit or Loss	-
Financial Assets Available-for-Sale	2,116
Others	4,792
<b>Total</b>	<b>7,816</b>

## 5.8.4 TRADING INCOME/LOSSES (NET)

	31 DECEMBER 2017
<b>Income</b>	<b>65,014,044</b>
Trading Account Income	1,514,746
Derivative Financial Instruments	9,872,180
Foreign Exchange Gain	53,627,118
<b>Losses (-)</b>	<b>66,856,071</b>
Trading Account Losses	1,839,443
Derivative Financial Instruments	13,138,901
Foreign Exchange Losses	51,877,727
<b>Total</b>	<b>(1,842,027)</b>

TL 5,093,268 thousands of foreign exchange gains and TL 3,994,210 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

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In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,876,938, USD 957,763,108 and EUR 225,212,078, for its bonds with a total face value of TL 855,000 thousands and USD 59,900,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, losses of TL 51,347 thousands and TL 19,552 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and RON 85,500,000 with the same face values and terms. Accordingly, a loss of TL 3,527 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for its funds borrowed amounting to USD 63,861,622 and EUR 34,210,526, securitization borrowings amounting to USD 43,750,000 and EUR 104,794,733 and commitments amounting to USD 7,857,183 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 755,121,951 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 136,473,684 by designating interest rate swaps with the same face values and terms. Accordingly, gains of TL 47,621 thousands and TL 93,010 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders'equity.

One of the Bank's consolidated affiliate enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 70,774,355 and EUR 150,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net loss of TL 918 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated affiliate enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied cash flow hedge accounting for its funds borrowed amounting to USD 149,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net gain of TL 444 thousands resulting from interest rate swap agreements were recognised under shareholders'equity.

One of the Bank's consolidated affiliate enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the affiliate applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 1,052,590 sell and EUR 226,145,529 buy, RON 90,000,000 sell and EUR 19,447,206 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, a net loss of TL 1,523 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

## 5.8.5 OTHER OPERATING INCOME

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers and income on custody services.

A part of non-performing receivables of the Bank amounting to TL 865,748 thousands were sold for a consideration of TL 56,015 thousands. Considering the related provisions of TL 854,989 thousands in the financial statements, a gain of TL 45,256 thousands is recognized under "other operating income".

A part of written-off non-performing loans, lease receivables and factoring receivables of certain consolidated financial affiliates of the Bank amounting to TL 332,791 were sold for a total consideration of TL 30,288 thousands. A gain from these sales amounting to TL 21,918 thousands is recognized under "other operating income" considering the related provision of TL 324,421 thousands had been provided against in the accompanying consolidated financial statements in prior periods. A revenue earned from subsequent collections of such receivables sold in prior periods, amounting to TL 507 thousands is recognized in the income statement under "other operating income".



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## 5.8.6 PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES

	31 DECEMBER 2017
Specific Provisions for Loans and Other Receivables	1,782,034
Loans and receivables in Group III	564,991
Loans and receivables in Group IV	613,855
Loans and receivables in Group V	603,188
General Provisions	497,877
Provision for Possible Losses	860,000
Impairment Losses on Financial Assets	9,012
Financial assets at fair value through profit or loss	717
Financial assets available-for-sale	8,295
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-
Associates	-
Subsidiaries	-
Joint ventures (business partnership)	-
Investments held-to-maturity	-
Others	532,940
<b>Total</b>	<b>3,681,863</b>

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## 5.8.7 OTHER OPERATING EXPENSES

	31 DECEMBER 2017
Personnel Costs	3,205,846
Reserve for Employee Termination Benefits	46,291
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	677
Depreciation Expenses of Tangible Assets	286,244
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	107,554
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	1,707
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	3,056,863
Operational lease related expenses	470,021
Repair and maintenance expenses	66,231
Advertisement expenses	202,213
Other expenses (*)	2,318,398
Loss on Sale of Assets	12,372
Others (**) (***)	906,202
<b>Total</b>	<b>7,623,756</b>

(\*) Includes lawsuit, execution and other legal expenses borne by the Bank of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 30,715 thousands, as per the decision of the Turkish Competition Board or the related courts.

(\*\*) Includes saving-deposits-insurance-fund related expenses of TL 258,217 thousands and insurance-business claim losses of TL 179,480 thousands.

(\*\*\*) Includes repayments, by the Bank, of fees and commissions income recognised in prior years in the amount of TL 31,330 thousands as per the decision of the Turkish Competition Board or the related courts.

## 5.8.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

TL 15,686,570 thousands of the profit before taxes is derived from net interest income and TL 3,860,413 thousands from net fees and commissions income. The total operating expenses amounted to TL 7,623,756 thousands. The profit before taxes reached to TL 8,349,437 thousands increasing by 28.6% as compared to the prior year.

## 5.8.9 INFORMATION ON PROVISION FOR TAXES FOR CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2017, on a consolidated basis, the Bank recorded a tax expense of TL 2,284,299 thousands and a deferred tax income of TL 322,836 thousands.

### Deferred tax benefit/charge on timing differences

DEFERRED TAX (BENEFIT)/CHARGE ON TIMING DIFFERENCES	31 DECEMBER 2017
Increase in Tax Deductable Timing Differences (+)	(304,276)
Decrease in Tax Deductable Timing Differences (-)	72,557
Increase in Taxable Timing Differences (-)	103,916
Decrease in Taxable Timing Differences (+)	(195,033)
<b>Total</b>	<b>(322,836)</b>

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Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions

DEFERRED TAX (BENEFIT)/CHARGE ARISING ON TIMING DIFFERENCES, TAX LOSSES AND TAX DEDUCTIONS AND EXEMPTIONS	31 DECEMBER 2017
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(238,055)
(Increase)/Decrease in Taxable Timing Differences (net)	(91,117)
(Increase)/Decrease in Tax Losses (net)	6,336
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
<b>Total</b>	<b>(322,836)</b>

## 5.8.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

None.

## 5.8.11 NET PROFIT/LOSS

### 5.8.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF BANK'S PERFORMANCE

None.

### 5.8.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON 31/12/2017 AND SUBSEQUENT PERIOD RESULTS

None.

### 5.8.11.3 MINORITY INTEREST'S PROFIT/LOSS

	31 DECEMBER 2017
Net Profit/(Loss) of Minority Interest	55,918

## 5.8.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the consolidated income statement include mainly fees and commissions related with credit card transactions and other banking services.

## 5.9 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CURRENT PERIOD)

### 5.9.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN CURRENT PERIOD

#### 5.9.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

None.

#### 5.9.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an decrease of TL 32,154 thousands is presented in the shareholders' equity for such hedges assessed as effective.

#### 5.9.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

As of 31 December 2018, an increase of TL 1,161,002 thousands that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

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## 5.9.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

### 5.9.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 31 December 2018, an increase of TL 1,117,217 thousands resulted from the revaluation of financial assets measured at fair value through other comprehensive income at fair value after being netted with the related deferred tax liability effect and a gain of TL 11,799 thousands that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in income / expenses from valuation and / or reclassification of financial assets measured at FVOCI in shareholders' equity.

### 5.9.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

## 5.9.3 TRANSFERS TO LEGAL AND EXTRAORDINARY RESERVES

	CURRENT PERIOD
Transfers to Legal Reserves from Prior Year Profits	179,310
Transfers to Extraordinary Reserves from Prior Year Profits	4,835,262

## 5.9.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.3.12.3.

## 5.9.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.29.

## 5.9.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

## 5.10 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (PRIOR PERIOD)

### 5.10.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN PREVIOUS PERIOD

#### 5.10.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

None.

#### 5.10.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 42,155 thousands is presented in the shareholders' equity for such hedges assessed as effective.

#### 5.10.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF PRIOR PERIOD

As of 31 December 2017, an increase of TL 674,152 thousands that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

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## 5.10.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN PREVIOUS PERIOD

### 5.10.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

As of 31 December 2017, an increase of TL 256,534 thousands resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a loss of TL 30,723 thousands that was transferred to the income statement from "securities value increase fund" are presented as the prior period movements in securities value increase fund in the statement of changes in shareholders' equity.

### 5.10.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

## 5.10.3 TRANSFERS TO LEGAL AND EXTRAORDINARY RESERVES

	31 DECEMBER 2017
Transfers to Legal Reserves from Prior Year Profits	115,719
Transfers to Extraordinary Reserves from Prior Year Profits	3,511,961

## 5.10.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.4.12.3.

## 5.10.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF PRIOR PERIOD

None.

## 5.10.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

## 5.11 CONSOLIDATED STATEMENT OF CASH FLOWS (CURRENT PERIOD)

### 5.11.1 DISCLOSURES FOR "OTHER" ITEMS AND "EFFECT OF TRANSLATION DIFFERENCES CASH AND CASH EQUIVALENTS" IN STATEMENT OF CASH FLOWS

The net cash inflows arising from banking operations amount to TL 15,291,463 thousands. TL 4,836,686 thousands of these net cash inflows is generated from the cash inflows resulted from the change in operating assets and liabilities and TL 10,454,777 thousands from the cash inflows resulted from operating profit. The "net increase (decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an increase of TL 4,064,000 thousands. The net cash inflows from financing activities amount to TL 2,214,086 thousands.

The effect of translation differences on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1,423,512 thousands.

### 5.11.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Notes 5.1.9.3 and 5.1.10.2.

### 5.11.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

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## 5.11.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	31 DECEMBER 2017
Cash on Hand	2,847,903
Cash in TL	1,297,568
Cash in Foreign Currency	1,550,335
Cash Equivalents	12,104,609
Others	12,104,609
<b>Total</b>	<b>14,952,512</b>

## 5.11.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	31 DECEMBER 2018
Cash on Hand	4,072,788
Cash in TL	1,562,395
Cash in Foreign Currency	2,510,393
Cash Equivalents	33,624,816
Others	33,624,816
<b>Total</b>	<b>37,697,604</b>

## 5.11.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 10,873,164 thousands of which TL 5,419,705 thousands and TL 146,033 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,307,426 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 418,844 thousands as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 13,158,116 thousands is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 1,350,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

## 5.11.7 ADDITIONAL INFORMATION

### 5.11.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None.

### 5.11.7.2 CASH INFLOWS PRESENTING INCREASE IN BANKING ACTIVITY RELATED CAPACITY

None.

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## 5.12 CONSOLIDATED STATEMENT OF CASH FLOWS (PRIOR PERIOD)

### 5.12.1 DISCLOSURES FOR “OTHER” ITEMS AND “EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS” IN STATEMENT OF CASH FLOWS

The net cash outflows arising from banking operations amount to TL 4,872,591 thousands. TL 13,152,134 thousands of these net cash outflows is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 8,279,543 thousands from the cash inflows resulted from operating profit. The “net increase/decrease in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an increase of TL 1,190,368 thousands. The net cash inflows from financing activities amount to TL 4,582,854 thousands.

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 597,337 thousands.

### 5.12.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Notes 5.2.8.3 and 5.2.9.2.

### 5.12.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

### 5.12.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	31 DECEMBER 2016
Cash on Hand	2,205,903
Cash in TL	1,357,697
Cash in Foreign Currency	848,206
Cash Equivalents	13,486,239
Others	13,486,239
<b>Total</b>	<b>15,692,142</b>

### 5.12.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	31 DECEMBER 2017
Cash on Hand	2,847,903
Cash in TL	1,297,568
Cash in Foreign Currency	1,550,335
Cash Equivalents	12,104,609
Others	12,104,609
<b>Total</b>	<b>14,952,512</b>

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## 5.12.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,092,415 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 334,998 thousands as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 19,280,068 thousands, foreign currencies and gold. The Bank also keeps a collateral of EUR 668,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

## 5.12.7 ADDITIONAL INFORMATION

### 5.12.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None.

### 5.12.7.2 CASH INFLOWS PRESENTING INCREASE IN BANKING ACTIVITY RELATED CAPACITY

None.

## 5.13 RELATED PARTY RISKS

### 5.13.1 TRANSACTIONS WITH PARENT BANK'S RISK GROUP

#### 5.13.1.1 LOANS AND OTHER RECEIVABLES

##### CURRENT PERIOD:

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
LOANS AND OTHER RECEIVABLES						
Balance at beginning of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Balance at end of period	300,597	5,024	116,428	954,272	147,203	36,351
<b>Interest and Commission Income (*)</b>	<b>22,848</b>	<b>7</b>	<b>18,955</b>	<b>189</b>	<b>223,548</b>	<b>6,745</b>

(\*) Doğu Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest and commissions received due to the transactions with these companies in 2018 are included in the related party disclosures.

##### PRIOR PERIOD:

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
LOANS AND OTHER RECEIVABLES						
Balance at beginning of period	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
<b>Interest and Commission Income</b>	<b>4,148</b>	<b>16</b>	<b>5,109</b>	<b>93</b>	<b>178,284</b>	<b>3,981</b>



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## 5.13.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
<b>DEPOSITS</b>						
Balance at beginning of period	97,361	46,726	375,171	545,105	409,424	554,648
Balance at end of period	134,824	97,361	109,448	375,171	107,483	409,424
<b>Interest Expenses (*)</b>	<b>18,638</b>	<b>9,379</b>	<b>6,005</b>	<b>14,861</b>	<b>41,104</b>	<b>19,704</b>

(\*) Doğuş Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest paid due to the transactions with these companies in 2018 are included in the related party disclosures.

## 5.13.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
<b>TRANSACTIONS AT FAIR VALUE THROUGH PROFIT/(LOSS)</b>						
Balance at beginning of period	7,239	13,344	39,433,377	13,797,354	792,918	843,120
Balance at end of period	34,363	7,239	33,860,021	39,433,377	9,479	792,918
<b>Total Profit/(Loss)</b>	<b>45</b>	<b>(63)</b>	<b>(53,256)</b>	<b>14,444</b>	<b>(6,001)</b>	<b>2,269</b>
<b>Transactions for Hedging</b>						
Balance at beginning of period	-	-	1,037,356	1,154,569	-	-
Balance at end of period	-	-	1,004,943	1,037,356	-	-
<b>Total Profit/(Loss)</b>	<b>-</b>	<b>-</b>	<b>(339)</b>	<b>(3,161)</b>	<b>-</b>	<b>-</b>

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the articles 3 and 49 of the Banking Law No. 5411.

## 5.13.2 BANK'S RISK GROUP

### 5.13.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

### 5.13.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL 4,329,526 thousands (31 December 2017: TL 2,662,333 thousands) compose 1.69% (31 December 2017: 1.16%) of the Bank's total consolidated cash loans and 1.08% (31 December 2017: 0.75%) of the Bank's total consolidated assets. In the current period, there is no securities purchased from the risk group (31 December 2017: TL 21,757 thousands). The total loans and similar receivables amounting TL 564,228 thousands (31 December 2017: TL 4,192,466 thousands) compose 0.14% (31 December 2017: 1.18%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 995,647 thousands (31 December 2017: TL 2,449,432 thousands) compose 1.47% (31 December 2017: 4.36%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 351,755 thousands (31 December 2017: TL 881,956 thousands) compose 0.14% (31 December 2017: 0.44%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

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There are no credit card (POS) payables to the related parties (31 December 2017: TL 97,932 thousands). A total rent income of TL 4,311 thousands (31 December 2017: TL 4,452 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 5,068 thousands (31 December 2017: TL 4,910 thousands) as of 31 December 2018 were incurred for the IT services rendered by the related parties. Other income of TL 4,336 thousands (31 December 2017: TL 4,003 thousands) for the IT services rendered and banking services fee income of TL 42,618 thousands (31 December 2017: TL 24,659 thousands) were recognized from the related parties

Operating expenses of TL 115 thousands (31 December 2017: TL 391 thousands) for advertisement and broadcasting services, of TL 65,321 thousands (31 December 2017: TL 53,736 thousands) for operational leasing services, and of TL 23,983 thousands (31 December 2017: TL 16,288 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries amounts to TL 152,889 thousands as of 31 December 2018 (31 December 2017: TL 150,727 thousands) including compensations paid to key management personnel who left their position during the year.

## 5.13.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

## 5.13.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

None.

## 5.13.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENCES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.

## 5.14 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES OF PARENT BANK

### 5.14.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES OF PARENT BANK

PARENT BANK					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	926	18,215			
			COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1- Germany		
	1	1	2- China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	13	1- Malta	36.032.757	-
	7	107	2- KKTC	3.133.235	80.000.000

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## 5.14.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE OF PARENT BANK

In 2018, 16 domestic branches were opened and 27 branches were closed.

## 5.14.3 INFORMATION ON CONSOLIDATED FINANCIAL SUBSIDIARIES OF PARENT BANK

GARANTI BANK INTERNATIONAL NV					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
FOREIGN REPRESENTATIVE OFFICES	1	12	1- Turkey		
	1	-	2- Switzerland		
HEAD OFFICE-THE NETHERLANDS	1	231	1- Netherlands	25,741,215	136,836,000 EUR
FOREIGN BRANCHES	1	17	2- Germany	97,234	
GARANTI BANK SA					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
ROMANIA HEAD OFFICE AND BRANCHES	78	1,051	Romania	13,356,067	1,208,086,946 RON

*Other consolidated foreign financial subsidiaries*

	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
GARANTI HOLDING BV	-	Netherlands	2,049,712	385,388,600 EUR
G NETHERLANDS BV	-	Netherlands	2,097,010	120,682,821 EUR
MOTORACTIVE IFN SA	78	Romania	1,089,871	40,138,655 RON
RALFI IFN SA	180	Romania	756,116	10,661,500 RON

*Consolidated domestic financial subsidiaries*

	NUMBER OF EMPLOYEES	TOTAL ASSETS	LEGAL CAPITAL
GARANTİ FİNANSAL KİRALAMA AŞ	135	6,070,504	350,000
GARANTİ FAKTORİNG AŞ	139	2,434,061	79,500
GARANTİ EMEKLİLİK VE HAYAT AŞ	759	1,461,463	50,000
GARANTİ YATIRIM MENKUL KIYMETLER AŞ	327	324,450	8,328
GARANTİ PORTFÖY YÖNETİMİ AŞ	40	107,001	25,000
GARANTİ YATIRIM ORTAKLIĞI AŞ	9	38,206	32,000

## 5.15 MATTERS ARISING SUBSEQUENT TO THE BALANCE SHEET DATE

None.

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## 6 OTHER DISCLOSURES ON ACTIVITIES

### 6.1 INFORMATION ON INTERNATIONAL RISK RATINGS

#### 6.1.1 PARENT BANK'S INTERNATIONAL RISK RATINGS

##### MOODY'S (SEPTEMBER 2018)(\*)(\*\*)

Outlook	Negative
Long Term FC Deposit	B2(Negative)
Long Term TL Deposit	B1(Negative)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b2
Adjusted Loan Assessment	b1
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

##### STANDARD AND POORS (AUGUST 2018)(\*)

Long Term FC ICR	B+
Long Term TL ICR	B+
Outlook	Stable
Stand-alone Credit Profile (SACP)	b+

##### FITCH RATINGS (OCTOBER 2018)(\*)

Long Term FC	BB / Negative Outlook
Short Term FC	B
Long Term TL	BB / Negative Outlook
Short Term TL	B
Financial Capacity	b+
Support	3
NSR	AA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	BB-
Senior Unsecured Short Term Notes	B
Subordinated Notes	B+

##### JCR EURASIA RATINGS (AUGUST 2018)(\*)

International FC Outlook	Negative
Long Term International FC	BBB-
Short Term International FC	A-3
International TL Outlook	Negative
Long Term International TL	BBB+
Short Term International TL	A-2
National Outlook	Negative
Long Term NSR	AAA(Trk)
Short Term NSR	A-1+(Trk)
Independency from Shareholders	A
Support	1

(\*) Latest date in risk ratings or outlooks

(\*\*) Under watch for possible downgrade

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## 6.1.2 INTERNATIONAL RISK RATINGS OF GARANTI BANK INTERNATIONAL NV, A CONSOLIDATED SUBSIDIARY

### MOODY'S (SEPTEMBER 2018) (\*)

Long Term FC Deposit	Baa3
Short Term FC Deposit	P-3
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	Baa3
Outlook	Negative
Long Term Counterparty Risk Assessment	Baa1(cr)
Short Term Counterparty Risk Assessment	P-2(cr)
Long Term Counterparty Risk Rating	Baa2
Short Term Counterparty Risk Rating	P-2

(\*) Latest date in risk ratings or outlooks

## 6.1.3 INTERNATIONAL RISK RATINGS OF GARANTI FAKTORING, A CONSOLIDATED SUBSIDIARY

### FITCH RATINGS (OCTOBER 2018) (\*)

#### Foreign Currency

Long Term	BB-
Short Term	B
Outlook	Negative

#### Turkish Lira

Long Term	BB
Short Term	B
Outlook	Negative

#### National

	<b>AA (tur)</b>
Outlook	Stable
Support	3

(\*) Latest date in risk ratings or outlooks

## 6.1.4 INTERNATIONAL RISK RATINGS OF GARANTI FINANSAL KIRALAMA, A CONSOLIDATED SUBSIDIARY

### FITCH RATINGS (OCTOBER 2018) (\*)

#### Foreign Currency

Long Term	BB-
Short Term	B
Outlook	Negative

#### Turkish Lira

Long Term	BB
Short Term	B
Outlook	Negative

#### National

	<b>AA (tur)</b>
Outlook	Stable
Support	3

(\*) Latest date in risk ratings or outlooks

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## 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

## 6.1.5 INTERNATIONAL RISK RATINGS OF GARANTI BANK SA, A CONSOLIDATED SUBSIDIARY

### FITCH RATINGS (OCTOBER 2018) (\*)

Foreign Currency	
Long - Term IDR	BB-
Short - Term IDR	B
Support Rating	3
Viability Rating	bb-
Outlook	Stable

(\*) Latest date in risk ratings or outlooks

## 6.2 DIVIDEND

As per the decision made at the annual general assembly of shareholders of the parent Bank on 29 March 2018, the distribution of the net profit of the year 2017, was as follows;

### 2017 PROFIT DISTRIBUTION TABLE

2017 Net Profit	6,343,920
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(1,150)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(306,696)
D – Second dividend to the shareholders	(1,540,000)
E – Extraordinary reserves	(4,132,074)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(154,000)

## 6.3 OTHER DISCLOSURES

None.

## 7 INDEPENDENT AUDITORS' REPORT

### 7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The consolidated financial statements of the Bank and its financial affiliates as of 31 December 2018, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 31 January 2019, is presented before the accompanying consolidated financial statements.

### 7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

# APPENDIX

## APPENDIX A.I: REPORTING GUIDELINES FOR THE NON-FINANCIAL DISCLOSURES

This section is the guidelines applied for the indicators in scope of limited assurance as explained in the table below. The data reported for each indicator is for the year ended on December 31, 2018. The reporting covers Garanti Bank's operations in Turkey, including Garanti Payment Systems, Garanti Mortgage and Garanti Technology, unless specifically mentioned in the relevant indicator definition. The operational control approach was chosen for the reporting scope.

INDICATOR	GUIDANCE NOTES
Materiality Analysis	Our Materiality Analysis is based on two key criteria. First one is desk studies to review the trends, sector reports, report of global banks, and advice by international professional organizations such as GRI and SASB; and the second one is a comprehensive stakeholder analysis by reaching all stakeholder groups via online questionnaires, focus group meetings and phone calls to get their opinions. AA1000SE Stakeholder Engagement Standard was used as a reference to conduct the stakeholder engagement process. Each relevant topic was evaluated through a four-step assessment called "Four Factor Impact Analysis". For details, please see Our Material Matters section on pages 42-43.
Sustainability Governance	Sustainability Governance at Garanti is mentioned in the Risk Management section on pages 142. Sustainability Governance refers to the policies and mechanisms in place for decision-making on economic, environmental and social impacts. Sustainability Governance is reported following the guidance in GRI 102-18, 102-19, 102-20.
Total Yearly Energy Consumption by Source	Includes energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use, and purchased electricity by Garanti Bank's operations (Headquarters, service buildings, branches and ATMs) in Turkey. IPCC energy conversion factors are used to convert source data in cubic meters, litres and tonnes to MWh. Total Energy consumption is reported following the guidance in GRI 302-1 Energy consumption within the organization and can be found in Appendix A.4: Environmental Performance Data.
Total Yearly Water Consumption by Source	Includes total water consumption mainly coming from municipality by Garanti Bank's operations Turkey. Reported following the guidance in GRI 303-3 Total water withdrawal by source in the Appendix A.4: Environmental Performance Data.
Total Yearly Waste Generated	Hazardous recycled waste (i.e. cartridges and batteries), are collected centrally by TAP (Portable Battery Producers and Importers Association) and HP (Hewlett Packard Enterprise). The total weight of these are calculated based on the data received from these two organizations. Since there is no central collection system for the non-hazardous recycled waste (i.e. paper, plastic, etc.), we rely on an assumption based on waste generation from Bursa Service Building. In 2018, the total recycled non-hazardous waste of this Building was calculated as 4,260 kg based on waste delivery slips provided from Bursa Municipality. As there are 162 people (FTEs and external occupants) in Bursa Service Building, 26 kg of non-hazardous recycled waste were generated per person. The total yearly amount of non-hazardous recycled waste collected from all buildings in the scope was estimated as 560 tonnes by multiplying the unit waste production with the total number of employees present in all buildings. Please see Appendix A.4: Environmental Performance Data.

- Recycled
- Hazardous



Total Yearly GHG Emissions in tCO <sub>2</sub> e reported under scope 1 and 2 of the GHG Protocol	Includes GHG emissions (CO <sub>2</sub> , CH <sub>4</sub> and N <sub>2</sub> O and f-gases) from energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use and refrigerants for Scope 1, and purchased electricity by Garanti Bank's operations in Turkey (Headquarters, service buildings, branches and ATMs) for Scope 2. IPCC Fifth Assessment Report factors are used for global warming potentials and emission factors. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ. GHG emissions are reported following the guidance in GRI 305-1 Direct greenhouse gas (GHG) emissions (Scope 1), GRI 305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2) and the GHG Protocol - Location-based and can be found in Appendix A.4: Environmental Performance Data.
Total Yearly GHG emissions from business air travel – Scope 3 & Air Travel in Kilometres	Scope 3 emissions related to business air travel by Garanti Bank employees is reported following the guidance in GRI 305-3 and the GHG Protocol. Average passenger DEFRA emission factors (without RF) are used for air travel emissions calculations. Flights are classified as Short Haul (less than 500 km), Medium Haul (between 500 km and 1,600 km), and Long Haul (over 1,600). Please see Appendix A.4: Environmental Performance Data.
GHG Emissions Intensity in the Reporting Period	Total Scope 1 and Scope 2 GHG emissions divided by total assets of the Bank as of calendar year end in billion TL terms. The total assets are based on the Bank's audited financial statements. Reported following the guidance in GRI 305-4 and can be found in Appendix A.4: Environmental Performance Data.
Annual percentage change in GHG Emission Intensity	The percentage change in the GHG Emissions Intensity compared to the previous year's GHG emissions intensity. The total assets are based on the Bank's audited financial statements. Reported following the guidance in GRI 305-4 and can be found in Appendix A.4: Environmental Performance Data.
Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti	Emissions avoided by the electricity generation based on the operational capacity of solar, wind and hydropower plants during the reporting period are calculated. The projects Garanti has participated in financing which were operational in the reporting period are taken into consideration for the calculations. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ. Please see Responsible and Sustainable Development Section, pages 122-129.

### E&S Impact Assessment Process related to projects financed by Garanti

- # of assessed projects in 2018
- # of rejected projects in 2018
- Risk rating of the assessed projects in 2018
- # of project site visits conducted in 2018

The Bank has an internal methodology based on international good practice for environmental and social risk assessment. Please see Risk Management section on page 154. Detailed information on the Environmental and Social Impact Assessment is available on Garanti Sustainability website. The project list includes both projects in and out of scope of the ESIAP. Out of scope projects are subjected to ESIAP voluntarily. The number of projects until 2017 has been re-stated due to the following two methodological changes.

- 1) The project list includes only financed projects, whereas all projects subjected to ESIAP were included in previous years.
- 2) The number of projects are calculated based on a new project definition. In this definition, some additional criteria such as sector, type of project (greenfield/brownfield), geographical location are taken into consideration. This change increases the number of projects, as previously several projects under the same agreement were considered as one whereas currently they are counted separately.

(<https://surdurulebilirlik.garanti.com.tr/garanti-sustainability-approach/material-issues/responsible-and-impact-oriented-finance/environmental-and-social-risk-management/>)

### Renewable Energy Portfolio

- Amount of investments in renewable energy projects by type in the reporting period.
- Installed capacity of renewable energy projects by type in the reporting period.
- Garanti's market share of operational installed wind capacity in Turkey in the reporting period.

The loan amounts committed, the installed capacity of renewable energy projects that were signed by Garanti and Garanti's market share of operational installed wind capacity in Turkey in the reporting period.

For the market share of operational installed wind capacity calculations the total installed capacity of wind energy projects in Turkey are taken from the General Directorate of Energy Affairs website (<http://www.eigm.gov.tr/tr-TR/Sayfalar/Enerji-Yatirimlari>). Garanti's share in installed capacity in a project is calculated by multiplying Garanti's share in the committed loan amount with the total installed capacity of a project.

### Cardless Transactions from Garanti ATMs

- Total number of cardless transaction from Garanti ATMs in the reporting period
- Total volume of cardless transactions from Garanti ATMs in the reporting period

For the number and the total volume of the cardless transactions from Garanti ATMs, Garanti's Northern Cyprus Turkish Republic operations are also included within the scope of disclosure. For the volume calculations, realtime TL equivalents of the transactions in foreign currencies are taken into consideration and the total volume of the cardless transactions is disclosed in TL.

### Community Investments

- Total monetary amount of community investments in the reporting period

Community Investments refer to the total monetary amount contributed to programmes which create social impact and aligned with the bank's business strategy and the stakeholder's priorities. The programmes are based on a shared value principle by Garanti's internal 'Sponsorship and Corporate Responsibility Policy'. The total monetary amount contributed to these community investments in the reporting period is disclosed under this indicator. Please see the Responsible and Sustainable Development section, pages 122-129.

## Human Resources

- Women employee ratio:
  - Senior+Middle Management
  - Total Women Employees
- # of maternity leaves
- # of paternity leaves
- Ratio of women employees returned to work after maternity leave
- # of employees registered to Gender Equality trainings in 2018
- # of employees attended the Female Leadership Trainings in 2018

In the calculations of women employee ratios mostly average values of the reporting period is taken into consideration. Senior management includes the CEO and the EVPs. Middle management includes Regional Manager, Credit Regional Manager, Director, Branch Manager and Manager.

The number of maternity leaves is defined as the female employees who took maternity leaves in the reporting period. The number of paternity leaves is defined as the male employees who took paternity leaves in the reporting period. The ratio of women employees returned to work after maternity leave is defined as the female employees who used maternity leave and are still working at Garanti after their maternity leaves and calculated & reported for the previous year instead of the reporting period in order to capture the most accurate data on returns.

Includes the Female Leadership Trainings developed in collaboration with UN Women, which was offered to women branch managers, regional managers, regional credit managers, SVPs, and managers and the Gender Equality Training Program that is compulsory for all Garanti employees. For further details please see Investing in Human Capital section on page 114.

## Absentee Rate

The total lost working days collected on the basis of medical reports of sickness leave and injuries divided by total working days. For detail information, please see Investing in Human Capital section on page 114 and Social Performance Data stated in Garanti Investor Relations web site.

(<https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0>)

**APPENDIX A.2: RELEVANT TOPIC LIST ASSESSED IN THE MATERIALITY PROCESS**

- ⊙ Topics within the scope of responsible governance approach / within Garanti
- ⊙ Topics covered through products and services / outside Garanti

**Responsible and sustainable Development (Page 122)**

- ⊙⊙ Pioneering the development of sustainable banking<sup>1</sup>

**Our Material Matters (Page 42)**

- ⊙⊙ Stakeholder dialogue<sup>2</sup>

**Corporate Governance and Risk Management (Page 130)**

- ⊙⊙ Transparency and reporting
- ⊙ Good corporate governance
- ⊙ Integrated management of financial and non-financial<sup>3</sup> risk and crisis management
- ⊙ Preventing Money Laundering and Financing of Terrorism
- ⊙ Compliance
- ⊙⊙ Whistleblowing and reporting of breaches<sup>4</sup>
- ⊙ Audit
- ⊙ Board structure, election process, nomination, diversity, independency, transparency of the senior management remuneration
- ⊙⊙ Regaining trust in banking sector and reputation management
- ⊙ Preventing anti-competitive behavior
- ⊙ Tax policy

**Customer Experience (Page 92)**

- ⊙ Being customer-focused<sup>5</sup> and increasing customer satisfaction
- ⊙ Financial health and supporting customers in making conscious financial decisions
- ⊙ Responsible lending<sup>6</sup> and supporting customers experiencing financial difficulty
- ⊙ Pricing policies<sup>7</sup>
- ⊙ Financial inclusiveness, accessibility and purchasing power
- ⊙ Responsible communication and marketing of products and services

<sup>1</sup> Sustainability management at a global leadership level and leading the sustainable development of the financial sector (including investment firms and pension funds)

<sup>2</sup> Including development of products and services

<sup>3</sup> Environmental, social and governance risks

<sup>4</sup> Includes fight against corruption, bribery and any unethical behavior.

<sup>5</sup> Includes meeting society's demand for loans

<sup>6</sup> Preventing excessive debt etc.

<sup>7</sup> Fair, profitable and transparent fees, products with good value for money




Digital Transformation (Page 102)

	Customer privacy and information security
	Digital transformation and technological advancement
	Innovation management




Responsible and Sustainable Development (Page 122)

	Financial performance & direct and indirect impacts on economy
	Financial education and capacity development
	Community investment programs
	Increasing employment and supporting SMEs
	Responsible supply chain <sup>8</sup>




Investing in Human Capital (Page 114)

	Investing in employees <sup>9</sup>
	Equality and diversity in human resources
	Fair wages

Responsible and Sustainable Development (Page 122)

	Human rights
	Responsible products and services <sup>10</sup>
	Management of customer ESG risks <sup>11</sup>

Responsible and Sustainable Development (Page 122)

	Climate change and energy
	Environmental footprint of Garanti Bank <sup>12</sup>
	Water risks and opportunities

<sup>8</sup> Environmental, social and ethical standards in the supply chain

<sup>9</sup> Talent management, employee satisfaction, employee rights, work-life balance, OHS etc.

<sup>10</sup> Products and services which create environmental and social value

<sup>11</sup> ESG: Environmental, Social and Governance risks. Includes assessing ESG impacts of the project in loans.

<sup>12</sup> Carbon, waste and water management etc.

## APPENDIX A.3: SCOPE AND BOUNDARIES OF THE MATERIALITY ANALYSIS

MATERIAL ISSUE	INTERNAL AND EXTERNAL IMPACTS	RELEVANT SECTION	PAGE
Risk and Crisis Management	Garanti's ability to manage its financial and non-financial and customer-related risks and crises that is important for both the Bank and external stakeholders.	Corporate Governance and Risk Management	130
Transparency and Reporting	Transparent reporting informs all stakeholders about Garanti, and is important for both Garanti's reputation and all stakeholders.	Corporate Governance and Risk Management	130
Good corporate governance	These points out that internal operations and management mechanisms work in an efficient, accountable and responsible way, and are efficient for Garanti and its external stakeholders.	Corporate Governance and Risk Management	130
Digital Transformation	Digitalization of internal processes and services offered to customers has importance for customers and Garanti.	Digital Transformation	102
Being Customer Focused	The approach to prioritize customers and their needs has an impact on customers and Garanti's financials and reputation.	Customer Experience	92
Management of customer ESG risks	This issue has an impact on Garanti and its customers according to their environmental, social and ethical risk levels and sizes.	Responsible and Sustainable Development	122
Pioneering the Development of Sustainable Banking	This points to Garanti's leadership in the sector and the transformation of the sector by Garanti, and has an impact on particularly Garanti and all sectoral stakeholders.	Responsible and Sustainable Development	122
Customer Privacy and Information Security	Customer information privacy is important for all customers. Security violations have financial and reputational impacts on Garanti.	Digital Transformation	102
Investing in Employees	Investing in employees and increase of engagement and well-being is important for Garanti's performance.	Investing in Human Capital	114
Climate change	This comprises the effects of climate change which occur both through Garanti's own and its customers' activities.	Responsible and Sustainable Development	122
Compliance	This issue includes Garanti's compliance with banking and financial sector regulations and other legal regulations to which Garanti is subjected.	Corporate Governance and Risk Management	130
Financial health and supporting customers in making conscious financial decisions	Customers' ability to take healthy financial decisions and make savings has an impact on Garanti and its customers.	Customer Experience	92
Stakeholder Dialogue	Stakeholder dialogue expresses Garanti's two-way communication and inclusion of these opinions into its decision-making mechanisms and processes, and is important for all stakeholders and Garanti.	Our Material Matters	42
Financial Performance and Direct and Indirect Impact on Economy	This has an impact on Garanti and persons and institutions that Garanti attributes economic value.	Financial Performance	80

## APPENDIX A.4: ENVIRONMENTAL PERFORMANCE DATA

## ENERGY CONSUMPTION WITHIN THE ORGANIZATION

ENERGY SOURCE	TOTAL CONSUMPTION (2016)	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)
Electricity (MWh)	116,502	114,479	107,182
Natural Gas for Heating (m <sup>3</sup> )	2,810,199	3,396,123	3,918,686
Natural Gas for Heating (MWh)	26,945	32,563	37,574
Diesel for Heating (liter)	167,372	151,656	119,184
Diesel for Heating (MWh)	1,646	1,492	1,173
Coal for Heating (ton)	117	102	88
Coal for Heating (MWh)	409	354	307
Diesel Consumption in Generators (liter)	163,237	142,857	137,597
Diesel Consumption in Generators (MWh)	1,606	1,405	1,354
Fuel Oil (liter)	7,703	28,306	0
Fuel Oil (MWh)	82	300	0
Diesel Consumption in Vehicle Fleet* (liter)	1,123,289	1,110,128	1,110,982
Diesel Consumption in Vehicle Fleet* (MWh)	11,052	10,922	10,931
Gasoline Consumption in Vehicle Fleet (liter)	0	0	26,686
Gasoline Consumption in Vehicle Fleet (MWh)	0	0	237
Total Energy Consumption (MWh)	158,243	161,515	158,758

\* Only in commercial use.

## GHG EMISSIONS (TONNES OF CO<sub>2</sub> EQUIVALENT)

YEAR	SCOPE 1 (TCO <sub>2</sub> E)	SCOPE 2* (TCO <sub>2</sub> E)	SCOPE 3** (TCO <sub>2</sub> E)	TOTAL TCO <sub>2</sub> E (SCOPE 1 & 2)	GHG EMISSIONS INTENSITY*** (TCO <sub>2</sub> E / TOTAL ASSETS)	% CHANGE IN GHG EMISSIONS INTENSITY
2018	12,933	61,260	3,111	74,193	186	-6%
2017	11,835	58,628	2,494	70,463	198	-9%
2016	10,924	57,259	3,181	68,183	218	-20%
2015	11,763	63,874	3,571	75,637	271	-0.4%
2014	8,698	57,378	3,709	66,077	274	-22%

## WATER CONSUMPTION <sup>13</sup>

	TOTAL CONSUMPTION (2016)	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)
Water (1,000 m <sup>3</sup> )	264	287	284

## WASTE MANAGEMENT <sup>14</sup>

TYPE	AMOUNT (2017)	AMOUNT (2018)
Domestic <sup>15</sup> (ton)	704	N/A
Hazardous <sup>16</sup> (ton)	11	7
Recycled (ton)	709	560

## PAPER CONSUMPTION

	TOTAL CONSUMPTION (2016)	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)
Paper (1,000 ton)	1.8	1.5	1.1

\* Location-based

\*\* Stated Scope 3 emissions are due to business flights. Total flight distance in 2018 is 27,829,517 km.

\*\*\* Scope 3 is not included in the intensity calculations.

<sup>13</sup> 99.7% of Garanti Bank offices in Turkey use the water supplied by the municipality.

<sup>14</sup> Disclosure of waste indicators began as of 2017.

<sup>15</sup> Only consists of office supplies.

<sup>16</sup> Only consists of hazardous recycled waste (i.e. cartridges and batteries).



## APPENDIX A.5: ENVIRONMENTAL &amp; SOCIAL IMPACT ASSESSMENT PROCESS INDICATORS IN 2018

## BREAKDOWN OF PROJECTS WHICH WERE SUBJECTED TO ESIAP IN 2018

	LOAN LIMIT (USD, MILLION)	NUMBER OF PROJECTS
Projects rejected as per the ESLPs	-	-
Loan requested within ESIAM's scope and applied to ESIAM	281	8
Loan requests approved with conditions added to the loan contract and applied to ESIAM despite being out of ESIAM's scope	181	5

## RISK ASSESSMENT BREAKDOWN OF PROJECTS WHICH WERE SUBJECTED TO ESIAP IN 2018

ASSESSMENT RESULT BREAKDOWN		LOAN REQUESTETS WITHIN ESIAM'S SCOPE AND APPLIED TO ESIAM		LOAN REQUESTS APPROVED WITH CONDITIONS ADDED TO THE LOAN CONTRACT AND APPLIED TO ESIAM DESPITE BEING OUT OF ESIAM'S SCOPE	
		LOAN LIMIT (USD, MILLION)	NUMBER OF PROJECTS	LOAN LIMIT (USD, MILLION)	NUMBER OF PROJECTS
Category	Category A	254	6	28	2
	Category B	27	2	-	-
	Category C	-	-	153	3
Risk Rating	R1	143	1	92	1
	R2	67	5	-	-
	R3	71	2	89	4
	R4	-	-	-	-
Final Grade	1	195	5	-	-
	2	74	2	120	3
	3	12	1	61	2

## APPENDIX A.6: TCFD DISCLOSURE TABLE

THEMATIC AREA	RECOMMENDED DISCLOSURES	REFERENCE LINKS
Governance	Describe the board's oversight of climate-related risks and opportunities	Sustainability Committee, Committees section page 142 <a href="#">2018 CDP Climate Change Report</a> , page 5
	Describe management's role assessing and managing climate-related risks and opportunities	Sustainability Committee, Committees section page 142 <a href="#">2018 CDP Climate Change Report</a> , page 14 <a href="#">Garanti Bank Sustainability Governance</a>
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Risks and Opportunities section, pages 52 <a href="#">2018 CDP Climate Change Report</a> , page 9 <a href="#">2018 CDP Water Report</a>
	Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning	Risks and Opportunities section, pages 122-129 <a href="#">2018 CDP Climate Change Report</a> , pages 24 and 26 <a href="#">2018 CDP Water Report</a> , pages 17
	Describe the resilience of the organization's strategy, taking into consideration different scenarios, including a 2°C or lower scenario	Responsible and Sustainable Development section, pages 122-129 <a href="#">2018 CDP Climate Change Report</a> , pages 29 <a href="#">2018 CDP Water Report</a> , pages 48 <a href="#">Garanti Bank Climate Change Action Plan Science Based Target Commitment</a> <a href="#">2016-2017 Carbon Pricing Leadership Report</a> , page 31 <a href="#">Garanti Bank Case Study</a>
	Describe the organization's processes for identifying and assessing climate-related risks	<a href="#">Garanti Bank Environmental &amp; Social Loan Policies</a> <a href="#">Garanti Bank Environmental &amp; Social Risk Management</a> <a href="#">2018 CDP Climate Change Report</a> , page 10 <a href="#">2018 CDP Water Report</a> , pages 14 and 18 <a href="#">Sustainable Finance Declaration</a>
Risk Management	Describe the organization's processes for managing climate-related risks	<a href="#">Garanti Bank Environmental &amp; Social Loan Policies</a> <a href="#">Garanti Bank Environmental &amp; Social Risk Management</a> <a href="#">Garanti Bank Climate Change Action Plan</a> <a href="#">2018 CDP Climate Change Report</a> , page 14 <a href="#">2018 CDP Water Report</a> , pages 18, 26 and 47 <a href="#">Sustainable Finance Declaration</a>
Metrics and Targets	Describe how processes for identifying, assessing, and managing these risks are integrated into the organization's overall risk management	Environmental&Social Risk Management System Implementation Scope, page 155 <a href="#">Garanti Bank Environmental &amp; Social Risk Management</a> <a href="#">2018 CDP Climate Change Report</a> , pages 9 and 14 <a href="#">2018 CDP Water Report</a> , pages 18 <a href="#">Sustainable Finance Declaration</a>
	Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process	Appendix A.4: Environmental Performance Data, pages 607-608 Appendix A.5: Environmental & Social Impact Assessment Process Indicators, pages 609 <a href="#">2018 CDP Climate Change Report</a> , pages 24 and 26 <a href="#">2018 CDP Water Report</a> , pages 49-50 and 57
	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions	Appendix A.4: Environmental Performance Data, pages 607-608 <a href="#">2018 CDP Climate Change Report</a> , page 35
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Risks and Opportunities section, pages 52 Responsible and Sustainable Development section, pages 122-129 <a href="#">2018 CDP Climate Change Report</a> , page 29 <a href="#">2018 CDP Water Report</a> , pages 49-51

## APPENDIX A.7: UNGC AND WEPs PRINCIPLES ANALYSIS ACCORDING TO GRI STANDARDS CONTENT

### A. UN GLOBAL COMPACT PRINCIPLES

UNGC REQUIREMENTS – ACTIVE LEVEL	GRI STANDARDS DISCLOSURES	PAGE REFERENCES
High Level Commitment and Strategy	GRI 102-14	Messages from the Chairman and CEO, page 7-11
Governance	GRI 102-14, GRI 102-18, GRI 102-19, GRI 102-20	Messages from the Chairman and CEO, pages 7-11; Corporate Governance and Risk Management, pages 30-39, 131-193
Stakeholder Engagement	GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44	Stakeholder Engagement, pages 44-51
Describe Practical Actions	GRI 103 Management Approach (DMA) 2016	GRI Standards Content Index, pages 614-621
Disclose Results and Outcomes	GRI Standards Content Index	GRI Standards Content Index, pages 612-621
UNGC FOUR ISSUE AREA	GRI STANDARDS DISCLOSURES	PAGE REFERENCES
Human Rights	GRI 412-1; GRI 412-2; GRI 412-3; GRI 410-1; GRI 103-2; GRI 413-1; GRI 413-2	GRI Standards Content Index, pages 612-621; Investing in Human Capital, pages 114-121; Responsible and Sustainable Development, pages 122-129
Labor	GRI 102-8; GRI 102-41; GRI 202-1; GRI 202-2; GRI 401-1; GRI 401-3; GRI 402-1; GRI 404-1; GRI 404-3; GRI 405-1; GRI 405-2; GRI 406-1; GRI 407-1	GRI Standards Content Index, pages 612-621; Investing in Human Capital, page 114-121
Environment	GRI 301-2; GRI 301-3; GRI 302-1; GRI 302-2; GRI 302-4; GRI 302-5; GRI 303-3; GRI 305-1; GRI 305-2; GRI 305-3; GRI 305-4; GRI 305-5; GRI 305-6; GRI 305-7; GRI 307-1	Responsible and Sustainable Development, pages 122-129; Environmental Performance Data, Appendix A.4-A.5, pages 607-609
Anti-Corruption	GRI 102-16; GRI 102-17; GRI 205-1; GRI 205-2; GRI 205-3	GRI Standards Content Index, page 612-621; About Garanti, pages 68-72; Corporate Governance & Risk Management, pages 130-201

### B. WEPs REPORTING ON PROGRESS

WEPs	GRI STANDARDS DISCLOSURES
Principle 1 - Leadership Promotes Gender Equality	GRI 405-1, GRI 405-2
Principle 2 - Equal Opportunity, Inclusion & Non-discrimination	GRI 202-1; GRI 401-1; GRI 401-3; GRI 405-1; GRI 405-2; GRI 406-1
Principle 3 - Health, Safety and Freedom from Violence	GRI 406-1; GRI 403-9
Principle 4 - Education and Training	GRI 404-1; GRI 404-3
Principle 5 - Enterprise Development, Supply Chain and Marketing Practices	GRI 204-1; GRI 103-1; GRI 103-2; GRI 103-3
Principle 6 - Community Leadership and Engagement	GRI 413-1
Principle 7 - Measure and publicly report on gender equality	GRI 405-1; GRI 405-2; GRI 103-1; GRI 103-2; GRI 103-3

GRI STANDARDS	DISCLOSURES	REFERENCES	OMISSIONS
<b>GRI 101: FOUNDATION 2016</b>			
	<b>ORGANIZATIONAL PROFILE</b>		
	102-1	T.C. Garanti Bankası A.Ş.	
<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-2	18; 20-23; 26-29/ <a href="https://www.garantiinvestorrelations.com/en/about-garanti/detay/Corporate-Profile/3/13/0">https://www.garantiinvestorrelations.com/en/about-garanti/detay/Corporate-Profile/3/13/0</a> <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>	
	102-3	Nispetiye Mah. Aytar Cad. No: 2, 34340 Levent/İstanbul/Türkiye	
	102-4	18; 19; 28-29/ <a href="https://www.garantiinvestorrelations.com/en/about-garanti/detay/Garantis-Integrated-Subsidiaries/18/27/0">https://www.garantiinvestorrelations.com/en/about-garanti/detay/Garantis-Integrated-Subsidiaries/18/27/0</a>	
	102-5	18; 19; 28-29/ <a href="https://www.garantiinvestorrelations.com/en/about-garanti/detay/Shareholding-Structure/7/16/0">https://www.garantiinvestorrelations.com/en/about-garanti/detay/Shareholding-Structure/7/16/0</a>	
	102-6	18-21; 28-29/ <a href="https://www.garantiinvestorrelations.com/en/about-garanti/detay/Corporate-Profile/3/13/0">https://www.garantiinvestorrelations.com/en/about-garanti/detay/Corporate-Profile/3/13/0</a>	
	102-7	20-23; 26-29; 80-91; 114,115; 195	
	102-8	<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>	
	102-9	69-73/ <a href="https://www.garantiinvestorrelations.com/en/images/pdf/GARANTI_SUSTAINABILITY_2015_web.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/GARANTI_SUSTAINABILITY_2015_web.pdf</a> p:101,102 <a href="https://www.garantiinvestorrelations.com/en/images/pdf/garanti_sustainability2016_en.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/garanti_sustainability2016_en.pdf</a> p: 127	
	102-10	There has not been any in the shareholder structure of the Company.	
	102-11	131-163/ <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-and-Social-Risk-Assessment-Process/902/3733/4182">https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-and-Social-Risk-Assessment-Process/902/3733/4182</a>	
	102-12	<a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Supported-Initiatives/880/3744/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Supported-Initiatives/880/3744/0</a>	
	102-13	<a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Supported-Initiatives/880/3744/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Supported-Initiatives/880/3744/0</a>	

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed in the English version of the report.

<b>GRI 102: GENERAL DISCLOSURES 2016</b>	<b>STRATEGY</b>	
	102-14	7-11
	102-15	14-17; 38-39; 42-61; 64-73; 76-77; 81; 93, 103, 115, 123; 154-163; 169-171
	<b>ETHICS AND INTEGRITY</b>	
	102-16	64; 65; 118; 143; 147; 152; 153; 182; 188/ <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Garanti_Bank_Ethical_Principles.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Garanti_Bank_Ethical_Principles.pdf</a>
	102-17	118; 143; 170; 182; 187; 188
	<b>GOVERNANCE</b>	
	102-18	31-37
	102-19	31-39; 142; 172-177
	102-20	31-39; 142; 172-177
	<b>STAKEHOLDER ENGAGEMENT</b>	
	102-40	44
	102-41	613 / Garanti Bank respects the constitutional right to become a union member and for collective bargaining. All employees are free to act of their own free will with respect to union membership.
	102-42	44
	102-43	44-51 / <a href="https://www.garantiinvestorrelations.com/en/images/pdf/Sustainability_Report_2014.pdf">https://www.garantiinvestorrelations.com/en/images/pdf/Sustainability_Report_2014.pdf</a> s.140-146
	102-44	45-51
	<b>REPORTING PRACTICE</b>	
	102-45	2; 3
	102-46	42-44; 52-61; 70-73; 600-606
	102-47	42; 43; 606

<b>GRI 102: GENERAL DISCLOSURES 2016</b>	102-48	614/ There is not any restatement of information.
	102-49	614/ There is not any change in the scope and aspect boundaries for non-financial information.
	102-50	2; 3
	102-51	01.01.2017-31.12.2017 <a href="https://www.garantiinvestorrelations.com/en/integrated-annual-report/">https://www.garantiinvestorrelations.com/en/integrated-annual-report/</a>
	102-52	2 / Annual
	102-53	3
	102-54	2
	102-55	612-621
	102-56	2, 198-200; 203-208; 397-402; 600-603
<b>GRI 200: ECONOMIC PERFORMANCE SERIES 2016</b>		
<b>ECONOMIC PERFORMANCE</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	69-73; 77; 80-91; 195; 606
	103-2	55; 77; 80-91;195
	103-3	194; 196-201; 204-208
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	201-1	72; 77; 80-91;195; 168-428
	201-2	610/ <a href="https://surdurulebilirlik.garanti.com.tr/media/1031/cdp-climate-change-2017.pdf">https://surdurulebilirlik.garanti.com.tr/media/1031/cdp-climate-change-2017.pdf</a>
	201-3	80-91
	201-4	Garanti Bank did not receive any financial assistance from government during the reporting period.
<b>MARKET PRESENCE</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	114-121; 606
	103-2	114-121
	103-3	114-121
<b>GRI 202: MARKET PRESENCE 2016</b>	202-1	All Garanti Bank employees are paid above the minimum wage.
	202-2	The senior management, including the CEO, EVPs and Coordinators, is Turkish. By doing this the Bank is better able to understand and serve an increasingly wide range of customers across Turkey. In Garanti's overseas operations, local talent is also hired at various levels of the organizations.

INDIRECT ECONOMIC IMPACTS	
GRI 103: MANAGEMENT APPROACH 2016	103-1 69-73; 122-129; 606
	103-2 55; 122-129
	103-3 122-129
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1 72, 73; 122-129
	203-2 72, 73; 122-129
PROCUREMENT PRACTICES	
GRI 103: MANAGEMENT APPROACH 2016	103-1 <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Supply-Chain-Management/896/3761/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Supply-Chain-Management/896/3761/0</a>
	103-2 <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Supply-Chain-Management/896/3761/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Supply-Chain-Management/896/3761/0</a>
	103-3 <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Supply-Chain-Management/896/3761/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Supply-Chain-Management/896/3761/0</a>
GRI 204 PROCUREMENT PRACTICES 2016	204-1 <a href="https://www.garantiinvestorrelations.com/tr/images/pdf/Garanti_Surdurulebilirlik_Raporu_2015.pdf">https://www.garantiinvestorrelations.com/tr/images/pdf/Garanti_Surdurulebilirlik_Raporu_2015.pdf</a> p:101, 102
	<a href="https://www.garantiinvestorrelations.com/tr/images/pdf/garanti_surdurulebilirlik2016_tr.pdf">https://www.garantiinvestorrelations.com/tr/images/pdf/garanti_surdurulebilirlik2016_tr.pdf</a> p: 127
ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1 30; 139; 606
	103-2 38; 59; 78;111-113; 130;131; 136; 139; 162; 181; 182; 187; 189/ <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0</a>
	103-3 144; 152; 156; 169; 206
GRI 205: ANTI-CORRUPTION 2016	205-1 181; 182/ <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0</a>
	205-2 84; 85; 130; 131
	205-3 142-143; 147-150
ANTI-COMPETITIVE BEHAVIOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1 30; 606
	103-2 30; 181;187;189
	103-3 30; 144; 152; 156; 169; 206
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016	206-1 <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-and-Social-Risk-Assessment-Process/902/3733/4182">https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-and-Social-Risk-Assessment-Process/902/3733/4182</a>

GRI 300: ENVIRONMENTAL STANDARDS SERIES 2016		
ENERGY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	600; 601; 606 / <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-Policy/891/3756/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-Policy/891/3756/0</a> <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-Management-System/892/3757/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-Management-System/892/3757/0</a> <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Corporate-Sustainability-Governance/871/3767/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Corporate-Sustainability-Governance/871/3767/0</a>
	103-2	142
	103-3	196-201
GRI 302: ENERGY 2016	302-1	607
	302-2	600; 607
	302-4	97; 99
	302-5	122; 129; 601
WATER AND EFFLUENTS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	54
	103-2	54; 123; 125; 600; 605; 610
	103-3	46/ <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Water-Management/895/3760/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Water-Management/895/3760/0</a>  <a href="https://surdurulebilirlik.garanti.com.tr/media/1301/cdp-water-2018.pdf">https://surdurulebilirlik.garanti.com.tr/media/1301/cdp-water-2018.pdf</a>
GRI 303: WATER AND EFFLUENTS 2016	303-3	608/ <a href="https://surdurulebilirlik.garanti.com.tr/media/1301/cdp-water-2018.pdf">https://surdurulebilirlik.garanti.com.tr/media/1301/cdp-water-2018.pdf</a>
EMISSIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Climate-Change-Position-Statement-Action-Plan/854/3630/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Climate-Change-Position-Statement-Action-Plan/854/3630/0</a>
	103-2	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Climate-Change-Position-Statement-Action-Plan/854/3630/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Climate-Change-Position-Statement-Action-Plan/854/3630/0</a>
	103-3	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Climate-Change-Position-Statement-Action-Plan/854/3630/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Climate-Change-Position-Statement-Action-Plan/854/3630/0</a>



<b>GRI 305: EMISSIONS 2016</b>	305-1	608	
	305-2	608	
	305-3	608	
	305-4	608	
	305-5	608	
	305-6		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.
	305-7		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.
<b>EFFLUENTS AND WASTE</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Waste-Management/894/3759/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Waste-Management/894/3759/0</a>
	103-2		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Waste-Management/894/3759/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Waste-Management/894/3759/0</a>
	103-3		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Waste-Management/894/3759/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Waste-Management/894/3759/0</a>
<b>GRI 306: EFFLUENTS AND WASTE 2016</b>	306-2	608	
<b>ENVIRONMENTAL COMPLIANCE</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Environmental-Policy/891/3756/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Environmental-Policy/891/3756/0</a>
	103-2		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Environmental-Policy/891/3756/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Environmental-Policy/891/3756/0</a>
	103-3		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Environmental-Policy/891/3756/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Environmental-Policy/891/3756/0</a>
<b>GRI 307: ENVIRONMENTAL COMPLIANCE 2016</b>	307-1		There have not been any significant fines or incidents of noncompliance with environmental laws and regulations during the reporting period.
<b>GRI 400 SOCIAL STANDARDS SERIES 2016</b>			
<b>EMPLOYMENT</b>			
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	114-115	
	103-2	114-115	
	103-3	114-115	
<b>GRI 401: EMPLOYMENT 2016</b>	401-1		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>
	401-2	118	
	401-3		<a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>

LABOR/MANAGEMENT RELATIONS	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1 114-115
	103-2 114-115
	103-3 114-115
<b>GRI 402: LABOR/MANAGEMENT RELATIONS 2016</b>	402-1 Garanti Bank makes every effort to avoid redundancies. Whenever restructuring and/ or redeployment are unavoidable however, the Bank's processes and guidelines seek to minimize the impact on those who may be affected. Garanti Bank acts in accordance with related legal regulations.
OCCUPATIONAL HEALTH AND SAFETY	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1 114-115; 120-121
	103-2 114-115; 120-121
	103-3 114-115; 120-121
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018</b>	403-1 120-121; 189
	403-2 120-121
	403-3 120-121
	403-4 115
	403-5 121/ <a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>
	403-6 121/ <a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>
	403-7 121/ <a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>
	403-9 121/ <a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>
	403-10 None of our employees are subject to a high risk of any serious diseases from the Bank's occupational activities.
	TRAINING AND EDUCATION
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1 114-117
	103-2 114-117
	103-3 114-117
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	404-1 114-117 / <a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>
	404-2 114-117
	404-3 120
DIVERSITY AND EQUAL OPPORTUNITY	
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1 56-57; 119
	103-2 119
	103-3 119

<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	405-1	56; 72; 76; 115; 119 / <a href="https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0">https://www.garantiinvestorrelations.com/en/sustainability/detail/Social-Performance-Data/1211/6315/0</a>
	405-2	115 Garanti Bank's compensation system is totally genderneutral and based entirely on performance. Salary variations result from relative experience levels of employees.
<b>NON-DISCRIMINATION</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	39; 56; 114-120 <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0</a>
	103-2	8; 10; 39; 56; 114-120; 181
	103-3	8; 10; 39; 56; 114-120; 181
<b>GRI 406: NON-DISCRIMINATION 2016</b>	406-1	No complaints were made in the reporting period.
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	181
	103-2	181
	103-3	181
<b>GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016</b>	407-1	181 Garanti Bank respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will. During the reporting period, Garanti Bank had no dealings with any supplier who, to the Bank's knowledge, was in violation of their employees' union rights, which is to say of their employees' right to join or not to join a trade or labor union.
<b>HUMAN RIGHTS ASSESSMENT</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-Rights/584/1866/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-Rights/584/1866/0</a> <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
	103-2	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-Rights/584/1866/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-Rights/584/1866/0</a> <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
	103-3	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-%20Rights/584/1866/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-%20Rights/584/1866/0</a> <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>

<b>GRI 412: HUMAN RIGHTS ASSESSMENT 2016</b>	412-1	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
	412-2	119
	412-3	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
<b>LOCAL COMMUNITIES</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	122; 123
	103-2	122; 123 / <a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a> <a href="https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-and-Social-Risk-Assessment/902/3733/0">https://www.garantiinvestorrelations.com/en/sustainability/detay/Environmental-and-Social-Risk-Assessment/902/3733/0</a>
	103-3	122-129
<b>GRI 413: LOCAL COMMUNITIES 2016</b>	413-1	27; 92; 93; 122; 123; 127-129
	413-2	92; 93; 122; 123
<b>MARKETING AND LABELING</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	92; 99
	103-2	92-100
	103-3	92-100
<b>GRI 417: MARKETING AND LABELING 2016</b>	417-1	27; 92; 93
	417-2	There were no incidents of significant non-compliance reported in the reporting period.
	417-3	There were no incidents of significant non-compliance reported in the reporting period.
<b>CUSTOMER PRIVACY</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	45; 50; 102; 111
	103-2	102; 111; 112/ <a href="https://www.garanti.com.tr/en/personal_banking/delivery_channels/internet_banking/security/privacy_and_confidentiality_policy.page">https://www.garanti.com.tr/en/personal_banking/delivery_channels/internet_banking/security/privacy_and_confidentiality_policy.page</a>
	103-3	72; 103; 112
<b>GRI 418: CUSTOMER PRIVACY 2016</b>	418-1	103
<b>SOCIOECONOMIC COMPLIANCE</b>		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	48; 150-193
	103-2	150-193
	103-3	150-193
<b>GRI 419: SOCIOECONOMIC COMPLIANCE 2016</b>	419-1	There were no incidents of significant non-compliance reported in the reporting period.

FINANCIAL SERVICES SUPPLEMENT		
PRODUCT PORTFOLIO		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
	103-2	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
	103-3	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
<b>GRI FINANCIAL SERVICES SUPPLEMENT PRODUCT PORTFOLIO</b>	FS6	48; 49/
	FS7	48; 49
	FS8	49; 96; 102; 191
ACTIVE OWNERSHIP		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
	103-2	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
	103-3	<a href="https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0">https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Environmental-and-Social-Loan-Policies/853/3629/0</a>
<b>GRI FINANCIAL SERVICES SUPPLEMENT ACTIVE OWNERSHIP</b>	FS10	49; 54; 55; 96-102; 191
	FS11	49; 54; 55; 96-102; 191
LOCAL COMMUNITIES		
<b>GRI 103: MANAGEMENT APPROACH 2016</b>	103-1	54-60; 76-86
	103-2	68-69; 92-93
	103-3	68-69; 92-93
<b>GRI FINANCIAL SERVICES SUPPLEMENT LOCAL COMMUNITIES</b>	FS13	76-77
	FS14	54; 55; 76-77; 96-97; 100-102/ Cardless transactions options through ATMs and Community Investments for people with disabilities

# ORGANIZATIONAL CHANGES

Organizational changes made in 2018 are summarized below to reflect the final structure at year-end.

- Upon transfer of marketing, sales management and business development functions for customers in the micro segment to the Mass Retail Banking Marketing Department, the department was renamed as Mass Banking Marketing Department.
- SME - Micro - Enterprise Banking Marketing Department was renamed as SME - Small Enterprise Banking Department, and SME - Small Enterprise Banking Marketing Department was renamed as SME - Medium and Large - Enterprise Banking Department in line with the updated responsibility areas upon altered composition of customers handled by SME Banking.
- Commercial Banking marketing and sales coordination functions of Commercial Banking İstanbul and Ankara Marketing Department for Ankara 1 and Ankara 2 Regional Offices were transferred to Commercial Banking Anatolia Marketing Department. The department began operating under the name Commercial Banking İstanbul Marketing Department.
- Due to resignation of Gökhan Erün, Corporate Banking and Treasury Executive Vice President, effective 15 January 2018, the position no longer entails Deputy CEO function.
- Project Finance Department now reports to Corporate Banking and Treasury Executive Vice President.
- Treasury Marketing and Financial Solutions Department was renamed as Global Markets Sales and Financial Solutions Department.
- Derivatives Department was renamed as Global Markets Business Solutions Department.
- Treasury Department was renamed as Global Markets Trading Department.
- Global Markets section was organized for the management of Global Markets Trading, Global Markets Sales and Financial Solutions, Global Markets Business Solutions -departments under a single roof with the objective of ensuring holistic management of Global Markets strategies and performance, development of globalization initiatives and strengthening the synergy between Garanti Group and BBVA Group.
- The position of Corporate Banking and Treasury Executive Vice President was renamed as Corporate and Investment Banking Executive Vice President.
- Corporate and Investment Banking Strategy, Analysis and Coordination Department was established, which will report to Corporate and Investment Banking Executive Vice President.
- Corporate Banking Coordination Department was renamed as Corporate Banking Department.
- Digital Channels Department was renamed as Digital Banking Department.
- Customer Analytics, Innovation and Product Development Department now reports to Digital Banking Executive Vice President.
- Digital Banking Executive Vice President position was renamed as Customer Solutions and Digital Banking Executive Vice President.
- Client Digital Solutions Department was established under the Customer Solutions and Digital Banking Executive Vice President, which will provide digital solutions to Garanti

Bank's commercial and corporate clients and carry out activities to increase the practices of these solutions.

- Data and Business Analytics business area was structured under Technology, Operations, Central Marketing and Product Development Executive Vice President within the alignment of BBVA.
- The position of Technology, Operations, Central Marketing and Product Development Executive Vice President was renamed as Engineering and Data Executive Vice President.
- The General Accounting Department was renamed as Financial Reporting and Accounting Department.
- The position of Finance and Accounting Executive Vice President was renamed as Assets & Liabilities Management, Capital, Investor Relations and Finance Executive Vice President.
- Corporate and Commercial Credits Restructuring Department was restructured as two separate departments named as "Corporate Credits and Project Finance Restructuring Department" and "Commercial Credits Restructuring Department" reporting to the Chief Credit Risk Officer, in order to manage and execute restructuring and refinancing requirements of corporate and commercial customers efficiently and effectively.
- Market Risk and Credit Risk Control Department was renamed as Market and Structural Risk Department.

# SUPPORT SERVICES PROVIDERS

SERVICE PROVIDER	SERVICE DETAILS
AKTİF İLETİ VE KURYE HİZMETLERİ A.Ş.	Credit/debit card delivery
ARAS KARGO A.Ş.	Transportation of commercial papers from/to branches, units and regions
ATOS BİLİŞİM DANIŞMANLIK VE MÜŞTERİ HİZM. SAN. TİC. A.Ş.	Credit card sales, business place verification, credit card limit increase, address update and similar other calls via the Call Center
AUSTURIA CARD TURKEY KART OPERASYONLARI A.Ş.	Card printing and personalization services
BİLGE ADAM BİLGİSAYAR VE EĞİTİM HİZMETLERİ SAN. TİC. A.Ş.	Call center, declaration of liability and reminder calls services
BRINK'S GÜVENLİK HİZMETLERİ A.Ş.	Delivery of cash, commercial papers, precious metals and other precious assets within the scope of Law No. 5188
CMC İLETİŞİM VE ÇAĞRI MERKEZİ HİZMETLERİ A.Ş.	Credit card sales via the Call Center, declaration of liability and reminder calls services
COLLECTÜRK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	Declaration of liability and reminder calls services
CRİF ALACAK YÖNETİMİ VE DANIŞMANLIK HİZM. A.Ş.	Declaration of liability and reminder calls services
DER POS ÖDEME SİST. VE PAZ. TİC. LTD. ŞTİ.	Merchant acquisition and marketing of retail products including retail loans
EN UYGUN COM İNTERNET BİLGİ HİZMETLERİ TEKNOLOJİ VE TİCARET A.Ş.	Online marketing of mortgage products
FU GAYRİMENKUL YATIRIM DANIŞMANLIK A.Ş.	Pledge formalities
GARANTİ KONUT FİNANSMANI DANIŞMANLIK HİZMETLERİ A.Ş.	Marketing and consulting services in relation to mortgage products
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	Marketing, promotion, product development and consulting for payment systems, primarily for debit and credit cards, and marketing of retail products including retail loans
GÜZEL SANATLAR ÇEK BASIM LİMİTED ŞİRKETİ	Cheque printing service
HANGİSİ İNTERNET VE BİLGİ HİZMETLERİ A.Ş.	Online marketing of mortgage products
IBM GLOBAL SERVICES İŞ VE TEKNOLOJİ HİZMETLERİ VE TİC. LTD. ŞTİ.	Disaster recovery center back-up service



INGENICO ÖDEME SİSTEM ÇÖZÜMLERİ A.Ş.	POS software development and upgrading services
IRON MOUNTAIN ARŞİVLEME HİZM. A.Ş.	Archive services
KAYRA GRUP PAZARLAMA DANIŞMANLIK VE DESTEK HİZMETLERİ TİCARET	Merchant acquisition, marketing of retail products including retail loans
KONUT KREDİSİ COM TR DANIŞMANLIK A.Ş.	Online marketing of mortgage products
KOZA GÜVENLİK HİZMETLERİ SAN. TİC. LTD. ŞTİ.	Private Security Services within the scope of Law No. 5188
KURYE NET MOTORLU KURyecİLİK VE DAĞITIM HİZMETLERİ A.Ş.	Credit/debit card delivery
LOOMİS GÜVENLİK HİZMETLERİ A.Ş.	Delivery of cash, commercial papers and gold within the scope of Law No. 5188
MATRİKS BİLGİ D. HİZ. A.Ş.	Software/software maintenance/update services
MT BİLGİ TEKNOLOJİLERİ VE DIŞ TİCARET A.Ş. (KARBİL YAZILIM VE BİLİŞİM TEKNOLOJİLERİ TİCARET LTD. ŞTİ.)	POS software development and upgrading services
PROCAT DANIŞMANLIK YAZILIM TELEKOMÜNİKASYON PAZARLAMA TİCARET A.Ş.	Help desk call service for supporting Internet Banking Customers
SECURITAS GÜVENLİK HİZMETLERİ A.Ş.	Private Security Services within the scope of Law No. 5188
SESTEK SES VE İLETİŞİM BİLGİSAYAR TENKOLOJİLERİ SAN. VE TİC. A.Ş.	Forwarding customer requests related to marketing of payment systems and particularly of credit and debit cards and credit card limit increase to the Bank
TEMPO ÇAĞRI MERKEZİ VE İŞ SÜREÇLERİ DIŞ KAYNAK HİZ. TİC. A.Ş.	Declaration of liability and reminder calls services
TNT INTERNATIONAL EXPRESS TAŞIMACILIK TİCARET LTD. ŞTİ.	Overseas transportation of documents for export transactions (letter of credit and documentary collections), and others such as credit cards
TROYA TRADING LTD.	Online marketing of auto loan products
TULU YAPI MÜŞAVİRLİK SANAYİ VE TİCARET A.Ş.	Pledge formalities
VERİFONE ELEKTRONİK VE DANIŞMANLIK LTD. ŞTİ.	POS software development and upgrading services
VERİSOFT BİLGİ İŞLEM TİCARET VE SANAYİ A.Ş.	POS software development and upgrading services
VERKATA LLC	Online marketing of mortgage products
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Credit card sales, debt notification and reminder calls via the Call Center Data entry and filing of customer requests received by the Bank, giving feedback to customers regarding their requests
YÖN İNSAN KAYNAKLARI DESTEK HİZ. TİC. LTD. ŞTİ.	Call center, executive assistant and data entry services
ZİNGAT GAYRİMENKUL BİLGİ SİSTEMLERİ A.Ş.	Online marketing of mortgage products

# CONTACT INFORMATION

## HEAD OFFICE

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No:2 34340 Beşiktaş/İstanbul  
Tel:+90 212 318 18 18  
Fax: +90 212 318 18 88  
Telex: 27635 gatı tr  
Swift: TGBATRIS

## WEBSITE

[www.garanti.com.tr](http://www.garanti.com.tr)

## TRADE REGISTRY NO

159422

## DOMESTIC BRANCHES

Garanti Bank has 926 domestic branches in 81 cities as of 2017 year end. Information on domestic branches is available on the Bank's website.

## INFORMATION ON SOCIAL MEDIA

Garanti Bank actively utilizes all interaction channels and furthermore offers services via social media platforms. You may follow Garanti on Facebook, Twitter, Instagram, Google Plus, YouTube and LinkedIn.

[www.facebook.com/Garanti](http://www.facebook.com/Garanti)  
[www.twitter.com/garanti](http://www.twitter.com/garanti)  
<http://instagram.com/garantibankasi>  
<https://plus.google.com/+garanti>  
[www.linkedin.com/company/garanti-bank/](http://www.linkedin.com/company/garanti-bank/)  
[www.youtube.com/garanti](http://www.youtube.com/garanti)  
[www.twitter.com/garantiyesor](http://www.twitter.com/garantiyesor)  
<https://tr.foursquare.com/garanti>

## OVERSEAS BRANCHES

### TURKISH REPUBLIC OF NORTHERN CYPRUS - LEFKOSA BRANCH

Bedrettin Demirel Caddesi No:114  
Lefkoşa/TRNC  
Tel: +90 392 600 53 00  
Fax: +90 392 600 53 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS - GIRNE BRANCH

Mete Adanır Caddesi No:18/A Girne/  
TRNC Tel: +90 392 650 53 00  
Fax: +90 392 650 53 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS - GAZIMAGUSA BRANCH

Sakarya Mahallesi Eşref Bitlis Caddesi  
No:28 Mağusa/TRNC  
Tel: +90 392 630 03 00  
Fax: +90 392 630 03 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS - GIRNE CARSİ BRANCH

Mustafa Çağatay Cad. No:17 Girne/  
TRNC  
Tel: +90 392 650 53 30  
Fax: +90 392 650 53 50

### TURKISH REPUBLIC OF NORTHERN CYPRUS - GONYELİ BRANCH

Düzyol Sokak No:12/B Gönyeli  
Lefkoşa/TRNC Tel: +90 392 680 30 00  
Fax: +90 392 680 30 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS - GUZELYURT BRANCH

Ecevit Caddesi No:29/A Güzelyurt/  
TRNC Tel: +90 392 660 30 00  
Fax: +90 392 660 30 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS - KUCUK KAYMAKLI BRANCH

Şehit Mustafa Ruso Caddesi No:86/A  
Küçük Kaymaklı/KKTC  
Tel: +90 392 600 54 00  
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Fax: +356 232 88 160  
Swift: TGBAMTMTXXX

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